

# **PUBLIC HEARING ON**

**Bill 22-986, “Rhode Island Avenue (RIA) Tax Increment Financing  
Act of 2018”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia  
The Honorable Jack Evans, Chairman  
November 14, 2018  
10:00 AM  
John A. Wilson Building, Room 412**



**Testimony of  
Wharton H. Berger  
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Office of the Chief Financial Officer**

**Jeffrey S. DeWitt  
Chief Financial Officer  
Government of the District of Columbia**

Good morning Chairman Evans and members of the Committee on Finance and Revenue. My name is Wharton Berger, Executive Director of the Office of Economic Development Finance for the Office of the Chief Financial Officer. I am pleased to testify on Bill 22-986, the “Rhode Island Avenue Tax Increment Financing Act of 2018” (the “Bill”).

The Rhode Island Avenue development project, led by Mid-City Financial Corporation (“Mid-City”), is a \$727 million project in Ward 5 to replace 373 affordable housing units, add 1,430 market rate units, and build 100,000 square feet of neighborhood retail including a grocery store. Development would occur over three phases starting in 2018 and construction is planned to be complete in 2024.

Mid-City submitted a request for Tax Increment Financing in January of 2017. At the request of the Mayor, my office reviewed the application and determined that if the District would like to support this particular project as proposed, a \$56 million subsidy to the project is warranted and projected tax increment revenues will be sufficient to pay debt service on the corresponding TIF bond.

The proposed legislation authorizes the issuance of two classes of TIF bonds. The legislation will authorize up to \$32 million in “Class A” TIF bonds, which will fund the Project as well as amounts needed for reserves, capitalized interest, and costs of issuance. Debt service on the Class A Bonds would be paid from the incremental sales and property taxes generated within the newly created Rhode Island Avenue TIF Area. The bill authorizes revenues from the Downtown TIF Area as a secondary source of paying debt service on the Class A Bonds in the unlikely event that the incremental project revenues are insufficient. Authorizing the Downtown TIF Area as an additional revenue source requires the District to reserve in its budget an amount equivalent to one year of debt service. This reserve would be non-lapsing and, if used in any year, would be required to be replenished. Based on current market conditions, one year of debt service is estimated to be approximately \$2,700,000.

The Bill also authorizes the issuance of up to \$24 million in “Class B” Bonds. Like the Class A Bonds, debt service on the Class B Bonds would be paid from the incremental sales and property taxes generated within the newly created Rhode Island Avenue TIF Area, however the Downtown TIF would not be a secondary source of repayment for Class B Bonds, and repayment of

Class B Bonds from incremental sales and property tax revenues would be subordinate to repayment of the Class A Bonds.

The Bill also authorizes the Mayor to execute a financing agreement governing the terms of TIF. A term sheet between the development team and the District is nearly complete.

In addition, the proposed legislation includes an expiration date. If the Project does not start construction and meet other conditions of issuance before the end of September 2025, the authority to issue debt under the proposed legislation will expire.

Finally, if the Bill is adopted, the Chief Financial Officer will incorporate the Rhode Island Avenue TIF bonds into the debt cap beginning in Fiscal Year 2021.

Thank you for the opportunity to testify. This concludes my testimony and I am happy to answer any questions you have at this time.