PUBLIC HEARING

ON

PR 20-813, the "Skyland Shopping Center Term Sheet Amendment Approval Resolution of 2014"

Before the

Committee of the Whole
Chairman Phil Mendelson

Tuesday, July 8, 2014, 3:00 pm
John A. Wilson Building, Room 412

Testimony of
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Jeff Dewitt
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Good afternoon, Chairman Mendelson and Committee Members. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am pleased to testify for the OCFO today on PR 20-813, the "Skyland Shopping Center Term Sheet Amendment Approval Resolution of 2014".

The proposed resolution alters the conditions under which the Mayor can issue up to $40 million in District Tax Increment Financing (TIF) bonds to support the redevelopment of the Skyland Shopping Center. Under the previous terms the District would issue the TIF bonds only after the development team, led by the Rappaport Companies and William C. Smith + Co, closed on debt and equity financing sufficient to fund the entire project cost. These terms are the usual conditions for issuing a TIF bond. The revised term sheet requires the District to issue bonds approximately twelve months before the development team obtains private debt and equity.

The revised terms for the Skyland TIF increase the risk that the District may have to pay debt service from incremental revenue from the Downtown TIF area, a part of the District's General Fund. If the development team fails to secure the required debt, the project may be delayed or stalled thereby requiring the District to pay the debt service not from the incremental revenues the project is expected to generate but from the District's Downtown TIF area. The impact of any project delay falls outside the financial plan period because the District will fund three years of capitalized interest as part of the bond issuance and has already set aside one year of debt service in the budget. The District could pay an estimated $2.9 million per year to service the TIF bonds beginning in FY 2019 if construction is still not completed.

Terms could be written into the Funding Agreement which would reduce the financial risk to the District, but to-date none have been included.

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