PUBLIC HEARING ON

Before the
Committee on Finance and Revenue
Council of the District of Columbia
Councilmember Jack Evans, Chairman
September 19, 2017
1:30 PM
John A. Wilson Building, Room 500

Testimony of
Wharton H. Berger
Executive Director of Economic Development Finance
Office of the Chief Financial Officer

Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia
Good afternoon Chairman Evans and members of the Committee on Finance and Revenue. My name is Wharton H. Berger, Executive Director of the Office of Economic Development Finance for the Office of the Chief Financial Officer. I am here to testify on, Bill 22-382, the “Union Market Tax Increment Financing Act of 2017.”

The Union Market TIF Project follows from the vision laid out in the 2009 Florida Avenue Market Small Area Plan, approved by Council. The plan provides a framework for redevelopment of a 45-acre area through recommended density increases in some areas and preservation of a portion of the area (the “historic spine”) through adoption of an historic district. The TIF Project consists of 25 discrete properties totaling approximately four million square feet of mixed-use space being developed by a coalition, including EDENS, JBG Smith, Trammell Crow and LCOR. The Project site is near the NOMA-Gallaudet University Metro Station with access to both New York Avenue and Florida Avenue. The Project includes 375,000 square feet of office space, approximately 3,500 residential rental units, a 155-room hotel, and 500,000 square feet of neighborhood retail. It is anticipated to be completed in 2024. The Project’s total construction cost is estimated to be $1.8 billion.
The Mayor’s proposed legislation authorizes the issuance of up to $82.4 million in TIF bonds inclusive of reserves, capitalized interest, and costs of issuance, with $46.4 million allocated for infrastructure costs and $36 million for parking costs. Debt service on the bonds would be paid from the incremental project revenues, namely the incremental sales and property taxes generated within the newly created Union Market TIF Area.

The bill also authorizes revenues from the Downtown TIF Area as a secondary source of paying debt service on a portion of the bonds in the 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 conditions, one year of debt service for $36 million in bonds for parking costs is estimated to be approximately $2.9 million. Given the size of this TIF area and the number of sales tax filers, there may also be costs associated with administering the TIF that are not currently reflected in the budget and financial plan.
The Union Market Coalition submitted a request for Tax Increment Financing in June of 2016. At the request of the Council, the OCFO reviewed the application. The application was submitted as a single TIF request and as such the OCFO analyzed the 25 properties as a consolidated project. Any information at the individual developer level is confidential. Based on its review, the OCFO determined a TIF subsidy could enhance coordination between the various developers on infrastructure improvements, but is not necessary for the redevelopment of the site to move forward. Lack of a public subsidy may change how the Union Market TIF Area is developed and which developers choose to remain invested in the area, but would not unreasonably inhibit redevelopment.

By approving public funds before all of the individual projects have been fully approved by the Zoning Commission and the Coalition has secured debt and equity financing, the District runs the risk of committing to a TIF amount greater than it may otherwise have offered. However, if the District chooses to support this particular project as proposed, the OCFO estimates projected tax increment revenues will be sufficient to pay debt service on $82.4 million of TIF bonds.
Finally, the debt service on these TIF bonds would be included in the District’s debt cap calculation.

Thank you for the opportunity to testify. This concludes my testimony. I, along with members of my staff, are happy to answer any questions you have at this time.