
Tax Increment Financing (TIF) Program

Description	FY 2013 Actual	FY 2014 Approved	FY 2015 Proposed	% Change from FY 2014
Operating Budget	\$40,745,815	\$63,930,900	\$60,438,790	-5.5

Tax Increment Financing (TIF) is a program through which the District provides economic development project funds by borrowing against future tax receipts expected to be generated as a result of the construction and operation of projects partially funded by these funds.

The agency's FY 2015 proposed budget is presented in the following tables:

FY 2015 Proposed Gross Funds Operating Budget, by Revenue Type

Table TX0-1 contains the proposed FY 2015 agency budget compared to the FY 2014 approved budget. It also provides FY 2012 and FY 2013 actual expenditures.

Table TX0-1
(dollars in thousands)

Appropriated Fund	Actual FY 2012	Actual FY 2013	Approved FY 2014	Proposed FY 2015	Change from FY 2014	Percent Change*
General Fund						
Special Purpose Revenue Funds	26,279	40,746	63,931	0	-63,931	-100.0
Total for General Fund	26,279	40,746	63,931	0	-63,931	-100.0
Enterprise and Other						
Enterprise and Other Funds-Dedicated Tax	0	0	0	60,439	60,439	N/A
Total for Enterprise and Other	0	0	0	60,439	60,439	N/A
Gross Funds	26,279	40,746	63,931	60,439	-3,492	-5.5

*Percent change is based on whole dollars.

Note: If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to **Schedule 80 Agency Summary by Revenue Source** in the **FY 2015 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2015 Proposed Operating Budget, by Comptroller Source Group

Table TX0-2 contains the proposed FY 2015 budget at the Comptroller Source Group (object class) level compared to the FY 2014 approved budget. It also provides FY 2012 and FY 2013 actual expenditures.

Table TX0-2
(dollars in thousands)

Comptroller Source Group	Actual FY 2012	Actual FY 2013	Approved FY 2014	Proposed FY 2015	Change from FY 2014	Percent Change*
50 - Subsidies and Transfers	16,493	29,881	53,239	47,500	-5,739	-10.8
80 - Debt Service	9,786	10,865	10,692	12,939	2,247	21.0
Subtotal Nonpersonal Services (NPS)	26,279	40,746	63,931	60,439	-3,492	-5.5
Gross Funds	26,279	40,746	63,931	60,439	-3,492	-5.5

*Percent change is based on whole dollars.

Program Description

The Tax Increment Financing Program operates through the following program:

Tax Increment Financing – provides budget authority pursuant to the Tax Increment Financing Act of 1998, which established a TIF program and authorized the issuance of up to \$300 million in debt to support economic development projects that would not be developed "but for" public financial assistance. The initiative was reauthorized by the Tax Increment Financing Reauthorization Act of 2002, which included an increase in TIF authority to a total of \$500 million. In addition, the District Council approved other project-based tax-supported revenue bonds, including Tax Increment Financings, outside the scope of the TIF Act.

This program contains the following 8 projects:

- **Gallery Place** – a mixed-use project that opened in the summer of 2004 and has an estimated debt service payment of \$4,312,500;
- **The Mandarin Oriental Hotel** – opened in March 2004 and has an estimated debt service payment of \$4,509,100;
- **Verizon Center** – funded arena improvements to be repaid using an incremental tax of 4.25 percent on merchandise and tickets sold at the venue, with an estimated debt service payment of \$3,481,200;
- **Fort Lincoln Retail** – a Costco store that opened in November 2012 and an additional shopping plaza to be constructed; estimated debt service is \$1,298,100;
- **City Market at O Street** – a mixed-use development project under construction that has an estimated debt service payment of \$1,877,000;
- **Special Retail and Great Streets** – smaller TIF financings issued under a special retail TIF program in the downtown area and retail or mixed-use projects located in Great Streets areas. Estimated debt service for debt issued under these programs is \$2,461,300;
- **Convention Center Hotel** – the project is expected to open in May of 2014 and has an estimated debt service of \$13,055,400; and
- **Waterfront Park Maintenance Fund** – the fund has been established to deposit \$461,214 of sales tax revenues and special property assessments attributable to the Waterfront Park Retail Area and to pay the Capitol Riverfront BID for costs of maintaining the “Yards” park.

In addition, the budget includes \$2,240,000 for estimated debt service for the proposed Skyland TIF bond. The debt service in FY 2015 will be paid from a capitalized interest reserve.

Some of the projects include a provision that requires the District to make repayments from General Fund revenues if TIF revenues are less than the debt service obligations. The District has obtained language in its Appropriations Act allowing it to appropriate an additional amount from its fund balance to make any required repayment. For FY 2015, revenue to be transferred to TIF includes \$7,261,000 to create a reserve against future General Fund repayments that may need to be made for the Southwest Waterfront bonds; TIF budget authority is not requested for it.

For certain projects, a revenue contingency of \$21,742,976 is budgeted if projected revenues are higher than minimum debt service and principal payments, in accordance with the bond agreements. Depending on the structure of bond documents, such additional revenues may be used to pre-pay principal on TIF financings, reserved for future debt service payments, or returned to the District’s General Fund. For FY 2015, the District is expected to be entitled to refunds from the Gallery Place, Mandarin and Fort Lincoln bond trustees of \$12,173,000, which is the amount by which estimated tax increments from the Gallery Place, Mandarin and Fort Lincoln projects exceed scheduled bond debt service, and which will be funded within this revenue contingency budget.

Finally, the budget includes \$5,000,000 of Great Streets tax increment from the H Street Retail Priority Area, which is authorized for the uses specified in the H Street, NE Retail Priority Incentive Act of 2010.

Program Structure Change

The Tax Increment Financing (TIF) Program has no program structure changes in the FY 2015 proposed budget.

FY 2015 Proposed Operating Budget and FTEs, by Program and Activity

Table TX0-3 contains the proposed FY 2015 budget by program and activity compared to the FY 2014 approved budget. It also provides the FY 2013 actual data.

Table TX0-3

(dollars in thousands)

Program/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2013	Approved FY 2014	Proposed FY 2015	Change from FY 2014	Actual FY 2013	Approved FY 2014	Proposed FY 2015	Change from FY 2014
(1000) Tax Increment Financing (TIF) Program								
(1100) Tax Increment Financing (TIF) Program	40,746	63,931	60,439	-3,492	0.0	0.0	0.0	0.0
Subtotal (1000) Tax Increment Financing (TIF) Program	40,746	63,931	60,439	-3,492	0.0	0.0	0.0	0.0
Total Proposed Operating Budget	40,746	63,931	60,439	-3,492	0.0	0.0	0.0	0.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Note: For more detailed information regarding the proposed funding for the activities within this agency's programs, please see **Schedule 30-PBB Program Summary by Activity** in the **FY 2015 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2015 Proposed Budget Changes

The Tax Increment Financing (TIF) Program's proposed FY 2015 gross budget is \$60,438,790, which represents a 5.5 percent decrease from its FY 2014 approved gross budget of \$63,930,900. The budget is comprised entirely of Enterprise and Other Funds-Dedicated Taxes.

Note: For FY 2015, the new appropriated fund, Enterprise and Other Funds-Dedicated Taxes, was created to replace the appropriated fund associated with the General Fund. In tables that categorized changes by fund, the budget associated with the original appropriated fund, Special Purpose Revenue, is reflected as a decrease. As the budget shifts from the General Fund to the new Enterprise and Other Funds-Dedicated Taxes appropriated fund, the budget is shown as a corresponding increase.

Agency Budget Submission

Shift: For Debt Service, the budget shows a shift from Special Purpose Revenue Funds in the amount of \$10,691,700 to Enterprise and Other Funds-Dedicated Taxes in the amount of \$12,938,756. The difference of \$2,247,056 is due to an increase that aligns the budget with scheduled debt service payments to support multiple construction and renovation projects. Additionally, the budget shows a shift from Special Purpose Revenue Funds in the amount of \$53,239,200 to Enterprise and Other Funds-Dedicated Taxes in the amount of \$47,500,034 for Subsidies and Transfers. The difference of \$5,739,166 is due to a decrease that aligns the budget with projected dedicated revenues and the latest revenue estimates provided by the Office of Revenue Analysis.

Mayor's Proposed Budget

No Change: The Tax Increment Financing Program's budget proposal reflects no change from the agency budget submission to the Mayor's proposed budget.

District's Proposed Budget

No Change: The Tax Increment Financing Program's budget proposal reflects no change from the Mayor's proposed budget to the District's proposed budget.

FY 2014 Approved Budget to FY 2015 Proposed Budget, by Revenue Type

Table TX0-4 itemizes the changes by revenue type between the FY 2014 approved budget and the FY 2015 proposed budget.

Table TX0-4
(dollars in thousands)

DESCRIPTION	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2014 Approved Budget and FTE		63,931	0.0
Shift: To align budget with scheduled debt service payments	Tax Increment Financing (TIF) Program	-10,692	0.0
Shift: To align budget with projected revenues	Tax Increment Financing (TIF) Program	-53,239	0.0
SPECIAL PURPOSE REVENUE FUNDS: FY 2015 Agency Budget Submission		0	0.0
ENTERPRISE AND OTHER FUND-DEDICATED TAXES: FY 2014 Approved Budget and FTE		0	0.0
Shift: To align budget with projected revenues	Tax Increment Financing (TIF) Program	47,500	0.0
Shift: To align budget with scheduled debt service payments	Tax Increment Financing (TIF) Program	12,939	0.0
ENTERPRISE AND OTHER FUND-DEDICATED TAXES: FY 2015 Agency Budget Submission		60,439	0.0
No Change		0	0.0
ENTERPRISE AND OTHER FUND-DEDICATED TAXES: FY 2015 Mayor's Proposed Budget		60,439	0.0
No Change		0	0.0
ENTERPRISE AND OTHER FUND-DEDICATED TAXES: FY 2015 District's Proposed Budget		60,439	0.0
Gross for TX0 - Tax Increment Financing (TIF) Program		60,439	0.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)