

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: DEC -5 2005

SUBJECT: Fiscal Impact Statement: "Children's Museum Project Retail Priority Area Approval Resolution of 2005"

REFERENCE: Proposed Resolution 16-485

Conclusion

The Children's Museum Project Retail Priority Area Approval Resolution of 2005 will have no fiscal impact on the FY 2006 or FY 2007 budgets. The proposed resolution will have a negative impact on the FY 2006 through FY 2009 budget and financial plan of approximately \$790,000 annually, beginning in FY 2008 when the museum becomes operational.

Background

The proposed resolution would approve a Tax Increment Financed note to the National Children's Museum of \$10,950,000 to pay a share of project development costs for a new museum in L'Enfant Plaza. The TIF area includes existing buildings and proposed office, retail and residential developments, as well as the Museum. At the interest rate cap in the resolution, the TIF note would result in annual debt service of approximately \$940,000. Debt service on the note will be paid using 80% of the property and sales tax increment in L'Enfant Plaza. While the overall L'Enfant Plaza Retail Area, as defined in the resolution, may produce sufficient tax increment to pay debt service on the TIF note to the National Children's Museum, the Museum itself will not generate sufficient income to pay debt service.

As a non-profit organization, the Children's Museum would generate no property tax; however it is projected to generate approximately \$150,000 in sales taxes annually through retail, cafe, and other events planned for the building. The District will have to budget the remainder of the annual debt service, about \$790,000 annually.

The proposed resolution repeals the Tax Increment Revenue Bonds Corcoran Gallery of Art Project Emergency Approval Resolution of 2004, in order to make available additional TIF borrowing under the current TIF borrowing limitations.

Financial Plan Impact

Funds are sufficient in the FY 2006 and FY 2007 budgets to implement this resolution. Funds are not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed resolution.

Estimated Expenditure Impact to the Financial Plan				
(\$ in millions)				
FY 2006	FY 2007	FY 2008	FY 2009	Total
\$0.00	\$0.00	\$790,000	\$790,000	\$1,580,000

Because the TIF note will be held in escrow until the museum opens in FY 2008, there is no impact on the FY 2006 or FY 2007 budgets, but \$790,000 will have to be budgeted from FY 2008 through FY 2009, and for each year through 2033.