

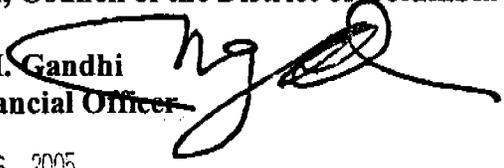
**Government of the District of Columbia
Office of the Chief Financial Officer**



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: OCT 26 2005

SUBJECT: Fiscal Impact Statement: "National Capital Revitalization Corporation DC USA Project Revenue Bonds Approval Resolution of 2005"

REFERENCE: PR 16-413 As Introduced

Conclusion

Funds are sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the "National Capital Revitalization Corporation DC USA Project Revenue Bonds Approval Resolution of 2005." The proposed Resolution has no net fiscal impact.

Background

In July of 2004, the Council approved a TIF note to the National Capital Revitalization Corporation (NCRC) of \$42,000,000 to support the DC USA development project in Columbia Heights. This TIF Note to be issued by the District to the NCRC is in the amount of up to \$42 million. Up to \$40 million will be used for the construction of a parking garage that will be owned by the NCRC. Up to \$2 million will be used for a Columbia Heights small business assistance program administered in accordance with an MOU between NCRC and the Office of the Deputy Mayor for Planning and Economic Development.

At that time, the CFO estimated that the retailers within the DC USA development would produce more than enough in taxable sales each year to pay the debt service on the TIF Notes. The CFO therefore concluded that there would be sufficient available incremental tax revenue to pay debt service on the notes from the footprint of the project.

Because the TIF note is issued directly to NCRC, NCRC will simultaneously issue revenue bonds to raise funds for the project. The NCRC revenue bond will exceed the TIF note approved last summer due primarily to increased project costs by approximately \$4.9 million. These increased costs are not supported by the TIF financing, but instead by the additional revenue generated from the NCRC-owned garage, once completed. The NCRC DC USA Project Revenue Bonds are collateralized by the TIF note approved by Council last summer and revenue from the garage.

Financial Plan Impact

Funds are sufficient in the FY 2006 budget and the FY 2006- FY 2009 budget and financial plan to implement the provisions of the proposed title. Incremental sales tax and property tax revenue from the DC USA project is expected to be sufficient to cover debt service on the TIF Note. Garage revenues are expected to be sufficient to pay the difference between the TIF note and the NCRC revenue bonds of up to \$46.9 million. The TIF note and the garage revenues will be collateral for the NCRC DC USA Project Revenue Bonds.