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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Vincent C. Gray**
Chairman, Council of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: NOV 14 2008

SUBJECT: **Fiscal Impact Statement: "Tax Increment Revenue Bonds Waterfront Arts Project Refundable TIF Approval Resolution of 2008"**

REFERENCE:

Conclusion

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the "Tax Increment Revenue Bonds Waterfront Arts Project Refundable TIF Approval Resolution of 2008." Implementation of the proposed legislation will require the District to make a one-time payment of approximately $12.8 million on the TIF Note obligation in FY 2013.

Beginning in the second half of 2013, the WASHINGTON DRAMA SOCIETY, INC. D/B/A ARENA STAGE (Arena Stage) will start repaying the TIF Note to the District. Based on a 25-year repayment schedule, Arena will make annual payments of approximately $1.07 million. The project will be revenue neutral by the end of the repayment period in 2038.

Background

Arena Stage is currently conducting a $160 million redevelopment project that includes the construction, renovation and expansion of the facilities at 1101 Sixth Street, S.W. comprised of theatre buildings (including an additional 200 seat theatre), support facilities, and approximately 77 on and below-grade parking spaces. To date, the District has contributed $30 million in grant funds for this redevelopment project. The Mayor has committed to support Arena Stage with an additional $10 million for the completion of the project. Under separate cover, I have certified the project on the basis of the Deputy Mayor for Planning and Economic Development's

determination of special merits and the promise of Arena Stage to repay the District the full present value of the TIF Note over a 25 year period.

To provide this funding, the District will issue a $10 million TIF Note that Arena Stage will convert into funds from a third-party financial institution and use for the completion of the project. The District will use a portion of the increment from the Downtown TIF Area to pay off the TIF Note in FY 2013. Arena Stage will repay the TIF Note through pledges, increased ticket prices, or other income over the 2013 through 2038 period. As part of the transaction, the District will require that a debt service reserve fund to be set up. If Arena Stage is unable to make payments to the District in any year, the District would retain the ability to tap into this reserve fund, and the Arena Stage would be required to replenish this fund over a 12 month period.

Financial Plan Impact

The TIF Note is tc be secured solely by an allocation of a portion of the available sales and property tax increment in the existing Downtown TIF Area. To ensure adequate revenues for debt service, the debt service on the TIF Note will be reflected in the District's FY 2013 budget. It is expected that the Arena Stage project will result in new sales and other tax revenues beyond the footprint of the project; however, it is not possible to predict or track these changes in revenue directly.

The District would make no payments on the TIF Note until FY 2013, at which point it would pay off the compounded outstanding loan amount in full, approximately $12.8 million. Starting in the second half of FY 2013, Arena Stage would make an annual payment of approximately $1.07 million through FY 2038.

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan, because no payment is required by the District until FY 2013. The TIF Note will be structured to be revenue neutral through a repayment to the District from Arena Stage over 25 years.

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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: **The Honorable Adrian Fenty**
Mayor of the District of Columbia

FROM: **Natwar M. Gandhi**
Chief Financial Officer

DATE: **November 14, 2008**

SUBJECT: **Certification of Arena Stage Arts Project Application for Tax Increment Financing**

Executive Summary

Pursuant to Section 4(d) of the Tax Increment Financing Authorization Act of 1998 (D.C. Law 12-1213; D.C. Official Code § 2-1217.03 *et seq.* as amended, the "TIF Act"), I hereby certify the Arena Stage Arts Project (the "Project") for tax increment financing in the gross amount of $10 million and I have attached a resolution for your review and transmittal to Council, as required by § 2-1217.09(d) of the D.C. Code **(Attachment 1)**.

The Washington Drama Society, Inc. D/B/A Arena Stage, the sponsor of the Project, has operated at 1101 6th Street, S.W. since 1961. The redevelopment project consists of a complete renovation as well as expansion of facilities. Three stages will be available for performances, workshops and rehearsals, including the Fichandler Stage at approximately 670 seats, the Kreeger Theatre containing approximately 514 seats and a new black box theater called "The Cradle of approximately 200 seats. Additional renovation and construction work will provide 77 parking spaces, office space, lobbies, a kitchen area, a bookstore and café.

I am certifying the Project on the basis of special merits and the promise of The Washington Drama Society, Inc. D/B/A Arena Stage to repay the District the full present value of the note over a 25 year period (See **Attachment 2** for proposed amortization schedule). Among the special merits identified by the Deputy Mayor for Planning and Economic Development are: Arena Stage will be a catalyst for economic development in Southwest; the redevelopment of Arena Stage reinforces the current commitment by the District to the redevelopment efforts at the Southwest Waterfront and Waterside Mall;

upon completion, Arena Stage is expected to grow to employ a full-time equivalency of 232 people and support over 175 jobs in the District through indirect spending by theater patrons and employees; and Arena Stage is committed to engaging the community through educational programs and workshops for students to promote the dramatic arts in the District and the larger metropolitan area.

Background

The redevelopment of Arena Stage is a 175,000 square foot construction, renovation and expansion project at 1101 6th Street, S.W. with a total estimated cost of approximately $161 million all in one phase of construction. The District of Columbia granted the project a total of $30 million between 2003 and 2006. Arena Stage is contributing over $9 million in equity and sold $120 million in industrial revenue bonds (IRBs) in 2008 to finance the construction of the new theater.

Sources		
DC Grant	$	30,000,000
DC TIF Note		10,000,000
Bonds		111,200,000
Owner Equity		9,388,598
Total	**$**	**160,588,598**

Uses		
Construction	$	101,500,000
Equipment Purchase (Owner)		2,077,000
Contingency		8,005,533
Soft Costs		28,590,000
Interim Relocation Costs		5,050,000
Financing Costs (IRB)		96,000
Cost of Issuance (TIF)		200,000
Issuer Fee		900,000
Construction Interest (net)		13,170,095
Debt Service Reserve		1,000,000
Total	**$**	**160,588,598**

TIF Area and Allocation of Available Tax Increment

The TIF Notes are to be secured solely by an allocation of a portion of the available sales and property tax increment revenues in the existing Downtown TIF Area. The description of the "Downtown TIF Area" as defined in the Reserve Agreement between the Gallery Place and Mandarin Trustee, the Credit Support Provider for the Gallery Place and Mandarin Bonds and the District is included as **Attachment 3**. To ensure adequate revenues for debt service, the annual debt service on the TIF Notes will be reflected in the District's annual budget and financial plan.

Certification

I am certifying this project based on its special merits and the repayment agreement entered into with The Washington Drama Society, Inc. D/B/A Arena Stage. The Deputy Mayor for Planning and Economic Development has concluded that the project merits special consideration based on the impact it will have on the continued development of Southwest and the expectation that the project will increase attendance at Arena Stage productions which in turn will attract regional and out-of-town audiences who will contribute to the District's economy through their spending in restaurants, hotels and other establishments.

The Deputy Mayor's determination is included as **Attachment 4**.

Attachment 1 – Proposed Resolution.

Chairman Vincent C. Gray
at the request of the Mayor

A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Chairman Vincent C. Gray, at the request of the Mayor, introduced the following resolution, which was referred to the Committee on _____.

To approve an eligible project and related matters pursuant to section 490 of the District of Columbia Home Rule Act) and the Tax Increment Financing Authorization Act of 1998 (as amended).

RESOLVED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the "Tax Increment Revenue Bonds Waterfront Arts Project Refundable TIF Approval Resolution of 2008".

Sec. 2. Definitions.

(1) "Act" means the Tax Increment Financing Authorization Act of 1998, effective September 11, 1998 (D.C. Law12-143; D.C. Official Code § 2-1217.01 et seq.).

(2) "Waterfront Arts Project Bonds" means the Bonds authorized to be issued pursuant to this resolution.

(3) "Available Increment" means, for any fiscal year of the District, the sum of the Available Real Property Tax Increment and the Available Sales Tax Increment; provided, however, that, Available Increment shall not include Available Real Property Tax Increment or Available Sales Tax Increment derived from the Gallery Place Project Area or the Mandarin

Project Area except to the extent that such Available Real Property Tax Increment or Available Sales Tax Increment has been released from the lien of the respective indenture for those projects; and provided further that, following any allocation of the Footprint Increment with respect to a Future Downtown Project as provided in this resolution,, such Footprint Increment shall be excluded from Available Increment.

(4) "Available Real Property Tax Increment" means, for any fiscal year of the District, 100 percent of the real property tax increment in respect of the Downtown TIF Area, being that portion of the real property tax levied pursuant to Chapter 8 of Title 47 of the District of Columbia Code and payments lieu of real property taxes, exclusive of the Special Real Property Tax, attributable to the difference, if any, between the aggregate assessed value for such fiscal year of all lots of Commercial Real Property within the Downtown TIF Area and the aggregate assessed value of all lots of Commercial Real Property within the Downtown TIF Area in effect on January 1, 1999.

(5) "Available Sales Tax Increment" means, for any fiscal year of the District, 100 percent of the sales tax increments in respect of the Downtown TIF Area, being the revenues resulting from the imposition of tax on sales imposed pursuant to Chapter 20 of Title 47 of the District of Columbia Code, including penalties and interest charges, exclusive or the portion thereof required to be deposited in the Washington Convention Center Authority Fund established pursuant to D.C. Code § 10-1202.08 from sales at locations within the Downtown TIF Area in each fiscal year of the District, less the amount of sales tax revenues for such sales at such locations in fiscal year 1999.

(6) "Bonds" means District of Columbia tax increment revenue notes, bonds, or other obligations (including refunding notes, bonds, and other obligations).

(7) "Budgeted Reserve" means, for any fiscal year of the District, an amount, not to exceed $15,000,000, equal to the Debt Service (including Debt Service due and unpaid from any prior fiscal year) payable on all of the outstanding Gallery Place Bonds and Mandarin Bonds in such fiscal year.

(8) "Chief Financial Officer" means the Chief Financial Officer of the District of Columbia.

(9) "Commercial Real Property" means any parcel of taxable real property other than owner-occupied residential property.

(10) "Council" means the Council of the District of Columbia.

(11) "Credit Support Provider" means Financial Security Assurance Inc. in its capacity as a credit support provider for the Gallery Place Bonds and the Mandarin Bonds.

(12) "Debt Service" means the scheduled payments of interest on and principal of, or scheduled accretion of value with respect to the Gallery Place Bonds and the Mandarin Bonds, including principal and interest payable in accordance with the terms of any credit enhancement for any the Gallery Place Bonds and the Mandarin Bonds.

(13) "Development Agreement" means the Development Agreement between the District and the Development Sponsor setting forth the terms and conditions upon and pursuant to which the District will issue the Waterfront Arts Project Bonds and the Development Sponsor will develop the project.

(14) "Development costs" has the same meaning as in section 2(13) of the Act.

(15) "Development Sponsor" means The Washington Drama Society, Inc. dba The Arena Stage, a District of Columbia nonprofit corporation.

(16) "District" means the District of Columbia.

(17) "Downtown TIF Area" is the TIF area established by the District of Columbia Tax Increment Revenue Bond Downtown TIF Area Emergency Approval Resolution of 2001, effective November 6, 2001 (Res. 14-257; 48 DCR 10582), and the Tax Increment Revenue Bond Downtown TIF Area Base Year Emergency Approval Resolution of 2002, effective February 5, 2002 (Res. 14-364; 49 DCR 1255).

(18) "Eligible Project" has the same meaning as in section 2(18) of the Act.

(19) "Footprint Increment" means for any fiscal year of the District, the sum of (i) up to 100 percent (as set forth in the resolution of the Council approving the applicable Future Downtown Project) of that portion of the real property tax levied pursuant to Chapter 8 of Title 47 of the D.C. Code and payments in lieu of real property taxes, exclusive of the Special Real Property Tax , attributable to the difference, if any, between the aggregate assessed value during such fiscal year of all lots of Commercial Real Property included in the site of such Future Downtown Project and the aggregate assessed value of all lots of Commercial Real Property included in such site in effect on the effective date of the allocation to the Future Downtown Project as stated in the applicable Council resolution, plus (ii) up to 100 percent (as set forth in the resolution of the Council approving the applicable future Downtown Project) of the tax revenues resulting from the imposition of the taxes imposed pursuant to Chapter 20 of Title 47 of the D.C. Code on sales at locations included in the site of such Future Downtown Project, including any penalties and interest charges, exclusive of the portion thereof required to be deposited in the Washington Convention Center Authority Fund established pursuant to D.C. Code, 2001 ed. § 10-1202.8, less the amount of the sales tax revenues from such sales at such locations for the fiscal year prior to the year in which the Council approves such Future Downtown Project.

(20) "Future Downtown Project" means an eligible project located in the Downtown TIF Area, other than the Gallery Place Project and the Mandarin Project, and certified and approved in accordance with the TIF Act.

(21) "Gallery Place Bonds" means the $73,650,000 District of Columbia (Washington., DC) Tax Increment Revenue Bonds (Gallery Place Project Issue) Series 2002.

(22) "Gallery Place Project" means the project described in § 47-1002(26) of the District of Columbia Official Code.

(23) "Gallery Place Project Area" means the area described in § 47-1002(26) of the District of Columbia Official Code.

(24) "Home Rule Act" means the District of Columbia Home Rule Act, approved September 24, 1973 (87 Stat. 777; D.C. Code § 1-201.01 et seq.).

(25) "Initial Sales Tax Amount" means although the amount certified in connection with the issuance of Gallery Place Bonds and the Mandarin Bonds, dated as of March 20, 2002.

(26) "Mandarin Bonds" means the $45,995,387.40 District of Columbia (Washington. DC) Mandarin Oriental Hotel Project Tax Increment Revenue Bonds Series 2002.

(27) "Mandarin Project" means the project described in § 47-1002(27) of the District of Columbia Official Code.

(28) "Mandarin Project Area" means the area described in § 47-1002(27) of the District of Columbia Official Code.

(29) "Project" means the financing, refinancing, or reimbursing of costs incurred for the acquisition, construction, installing, and equipping of the Mead Center for American Theater, including theater buildings and support facility of approximately 200,000 square feet, including three theater spaces (the Fichandler Stage at approximately 670 seats to be completely

renovated, the Kreeger Theatre containing approximately 514 seats to be completely renovated and the new Smith/Kogod black box of approximately 200 seats), rehearsal space, offices, kitchen, lobbies, bookstore and café), and approximately 77 on and below-grade parking spaces, on land described as lot 123, square 472, in the District of Columbia, all subject to and in accordance with the Development Agreement.

(30) "Promissory Note" means the promissory note of the Development Sponsor in favor of the District setting out the terms upon which the Development Sponsor will pay the District an amount equal to the principal amount of the Bonds with interest on the unpaid portion thereof until paid.

(31) "Special Real Property Tax" means the special real property tax provided for in section 481 of the Home Rule Act and pledged to the payment of general obligation bond indebtedness of the District.

(31) "Tax increment" has the same meaning as given the term in section 490 of the Home Rule Act.

Sec. 3. Findings.

The Council finds that:

(1) The Act provides, pursuant to section 490 of the Home Rule Act, for the issuance by the Chief Financial Officer of TIF Bonds, as defined in section 2(32) of the Act, to finance development costs of eligible projects.

(2) The Development Sponsor has requested the District to issue and deliver the Washington Arts Project Bonds for the purpose of financing, refinancing or reimbursing the Development Sponsor for a portion of the development costs of the project.

(3) The Deputy Mayor has determined that the project has special merits and that

there is a reasonable probability that the special merits of the project will not be realized without the TIF allocation.

(4) The Chief Financial Officer has certified the project in accordance with section 4 of the Act. In particular, the Chief Financial Officer's certification states that the project complies with the criteria listed in the Act as follows:

(A) The project is one constituting special merits.

(B) The Development Sponsor has promised to pay the District the full present value of the Waterfront Arts Project Bonds over a 25-year period.

(5) The project is expected to produce public benefits for the District as follows:

(A) The construction of the project will produce additional construction jobs in the District.

(B) The expanded operations of the Development Sponsor that will be made possible by the construction of the project will create additional tax revenues for the District and will provide additional employment opportunities and other economic benefits for District residents.

(C) The project will enhance the cultural and educational benefits derived from the Development Sponsor's operations to the benefit of District residents.

(6) The project is an eligible project within the meaning of the Act.

Sec. 4. Authorization of bond issuance; allocation of tax increments from Downtown TIF Area; approval of Development Agreement and Promissory Note.

(a) Pursuant to section 490 of the Home Rule Act and section 5 of the Act, the Council approves and authorizes the issuance of the Waterfront Arts Project Bonds to fund development costs of the Project.

(b) There is hereby allocated to the payment of debt service on the Waterfront Arts Project Bonds the Available Increment, subordinate to the allocation of Available Increment to the Budgeted Reserve. The termination date for the allocation of Available Increment authorized by this paragraph shall be the earlier of: (1) the final maturity date of the Waterfront Arts Project Bonds; or (2) the date on which all of the Waterfront Arts Project Bonds are paid or provided for and are no longer outstanding pursuant to their terms, and to the extent that the Available Increment is not prior to the date of enactment of this Resolution otherwise exclusively committed to another purpose and as further provided for pursuant to an act of the council, all as determined by the CFO.

(c) The Development Agreement and Promissory Note are hereby approved in substantially the form submitted to the Council. The Mayor and the Chief Financial Officer are hereby authorized to execute and deliver the Development Agreement and to accept the Promissory Note on behalf of the District. The Mayor and the Chief Financial Officer are further authorized to execute and deliver on behalf of the District any amendments or supplements to the Development Agreement and to accept any amendments to the Promissory Note that may be determined by the Mayor and the Chief Financial Officer to be in the best interests of the District and consistent with the purpose and intent of this resolution, or as may be provided in the Development Agreement. The execution by the Mayor and the Chief Financial Officer of any amendment or supplement to the Development Agreement or Promissory Note shall be conclusive evidence of such determination.

(d) The District may at any time allocate any part of the future Available Increment to any Future Downtown Project or to any other "eligible project" (as defined in the TIF Act) outside the Downtown TIF Area; provided, however, that any such allocation shall be

subordinate to the allocation of Available Increment to the Budgeted Reserve except as expressly provided in subsection (e), (f) or (g) of this section.

(e)The District may allocate to any Future Downtown Project up to 100% of the Footprint Increment from such Future Downtown Project, and following the effective date of such allocation, such Footprint Increment for the Future Downtown Project shall not be included in the Available Increment, but only if, on the date of issuance of any bonds to be secured or paid from such Footprint Increment, there has been no failure to pay Debt Service on the Gallery Place Bonds and the Mandarin Bonds and the District provides to the Trustees and the Credit Support Provider the report of an independent consultant, reasonably experienced in such matters, demonstrating that, as of the effective date of the allocation to the Future Downtown Project as stated in the applicable Council resolution, the amount of the Available Increment from the Downtown TIF Are, less the Footprint Increment for such project, would be equal to at least one times combined maximum annual Debt Service (without giving effect to any provisions for payment of principal or interest on different terms following any payment with respect to any of the Gallery Place Bonds and the Mandarin Bonds by the Credit Support Provider) after giving effect to both (i) a 15% decline in total sales tax collections from the Downtown TIF Area and (ii) a simultaneous 30% decline in the total assessed value of Commercial Real Property within the Downtown TIF Area.

(f)The following methodology shall be used in calculating Available Increment for purposes of the above-stated test; provided, however, that if at the time of application of the test there has been one or more previous allocations of Footprint Increment to one or more Future Downtown Projects, the references in this section to assessed value and collections from the "Downtown TIF Area" shall mean assessed value and collections from the Downtown TIF Area

as reduced by all such previous allocations to the Future Downtown Project or Projects:

(A) For any fiscal year of the District for which only an estimate of the amount of sales tax revenue collections from the Downtown TIF Area is available, then the decline in total sales tax revenues shall be calculated by reducing the amount of total sales tax revenues collected in the District of Columbia during such fiscal year by 15% and multiplying the result by 44%. The reduced amount of Available Sales Tax Increment shall then be calculated by deducting the Initial Sales Tax Amount for the Downtown TIF Area certified in connection with the issuance of the Gallery Place Bonds and the Mandarin Bonds from the result of the calculation stated in the preceding sentence. If the actual amount of total sales tax revenue collections from the Downtown TIF Area has been determined and a new "Initial Sales Tax Amount" for the Downtown TIF Area has been certified, then the amount of total sales tax revenues collected in the Downtown TIF Area shall be reduced by 15% during such fiscal year and the reduced amount of Available Sales Tax Increment shall be calculated by deducting the new Initial Sales Tax Amount form the result of the preceding calculation.

(B) For purposes of calculating Available Real Property Tax Increment, (1) the sum of the then most recent assessed value of all lots of Commercial Real Property in the Downtown TIF Area shall be reduced by 30%, (2) the Initial Assessed Value (as defined in the Act) of all lots of Commercial Real Property in the Downtown TIF Area shall be subtracted from the

amount derived in (1), (3) the amount derived in (2) shall be multiplied by the then-current tax rate applicable to Commercial Real Property, and (4) the amount derived in (3) shall be reduced by the greater of (I) 80% of such amount or (II) the percentage of the District's real property tax allocated to the Special Real Property Tax in the applicable fiscal year.

(g) Notwithstanding any other provision in (d), (e) and (f) of this section, the District may allocate to one Future Downtown Project that is a Convention Center Hotel Project up to 100% of the Footprint Increment from such Future Downtown Project, and following the effective date of such allocation, such Footprint Increment for the Future Downtown Project shall not be included in the Available Increment.

(h) The District may at any time allocate any part of the future Available Increment to any future Downtown Project or to any other "eligible project" (as defined in the TIF Act) outside the Downtown TIF Area in any manner not provided for in subsection (d), (e) or (f) of this Section with the prior written consent of the Credit Support Provider with respect to each series of applicable Bonds.

Sec. 5. Bond terms; execution

(a) The Council hereby approves the following summary of the terms of the Waterfront Arts Project Bonds to be issued to pay or refinance development costs associated with the project:

(1) The Waterfront Arts Project Bonds shall be issued pursuant to the provisions of certain financing documents.

(2) The aggregate principal amount of the Waterfront Arts Project Bonds shall not

exceed $10 million, and shall be the amount necessary to fund a portion of the eligible development costs of the project, plus financing costs and costs of issuance as determined by the Chief Financial Officer and shall not conflict with or impair the terms of other bonds provided for pursuant to an act of the council, as determined by the Chief Financial Officer.

(3) The interest rate or rates on the Waterfront Arts Project Bonds shall not exceed 6%.

(4) The final maturity of the Waterfront Arts Project Bonds shall be the maturity determined by the Chief Financial Officer, but shall not exceed 5 years and the debt service on the Waterfront Arts Project Bonds shall be structured in such manner that it will not exceed in any year the amount of the tax increment projected to be received by the District during such year from the surplus in the Downtown TIF Area after payment of all bonds which are superior in payment to the Waterfront Arts Project Bonds.

(5) The Waterfront Arts Project Bonds shall be secured by the Available Increment allocated to the project pursuant to section 4(b).

(6) The Development Sponsor shall agree to pay the District an amount equal to the principal amount of the Waterfront Arts Project Bonds, and interest on the unpaid portion thereof from time to time, in accordance with the terms of the Promissory Note.

(b) The Waterfront Arts Project Bonds may have any other terms and conditions consistent with this resolution and the Act.

(c) The Waterfront Arts Project Bonds shall be executed in the name of the District and on its behalf by the manual or facsimile signature of the Chief Financial Officer, or an authorized delegate of the Chief Financial Officer, and attested by the Secretary of the District of Columbia. The official seal of the District of Columbia, or a facsimile of it, shall be impressed, printed, or

otherwise reproduced on the Waterfront Arts Project Bonds.

Sec. 6. Fiscal impact statement.

The Council adopts the fiscal impact statement of the Chief Financial Officer as the fiscal impact statement required by section 602(c)(3) of the Home Rule Act.

Sec. 7. Effective date.

This resolution shall take effect immediately.

Attachment 2 – Proposed Amortization Schedule.

Arena Stage Proposed Amortization Schedule

Loan Amount	$10,000,000
Interest Rate	5.50%
Years	25
Payments per Year	1

Payment	Payment Date	Begin Balance	Scheduled PMT	Actual PMT	Principal PMT	Interest PMT	End Balance
1	1-Jan-09	$ 10,000,000.00	$ 745,493.53	$ -	$ -	$ -	$ 10,000,000.00
2	1-Jan-10	10,550,000.00	745,493.53	-	-	-	10,550,000.00
3	1-Jan-11	11,100,000.00	745,493.53	-	-	-	11,100,000.00
4	1-Jan-12	11,650,000.00	745,493.53	-	-	-	11,650,000.00
5	1-Jan-13	12,200,000.00	745,493.53	-	-	-	12,200,000.00
6	1-Jan-14	12,750,000.00	1,066,911.46	1,066,911.46	365,661.46	701,250.00	12,384,338.54
7	1-Jan-15	12,384,338.54	1,066,911.46	1,066,911.46	385,772.84	681,138.62	11,998,565.70
8	1-Jan-16	11,998,565.70	1,066,911.46	1,066,911.46	406,990.34	659,921.11	11,591,575.36
9	1-Jan-17	11,591,575.36	1,066,911.46	1,066,911.46	429,374.81	637,536.64	11,162,200.55
10	1-Jan-18	11,162,200.55	1,066,911.46	1,066,911.46	452,990.43	613,921.03	10,709,210.12
11	1-Jan-19	10,709,210.12	1,066,911.46	1,066,911.46	477,904.90	589,006.56	10,231,305.22
12	1-Jan-20	10,231,305.22	1,066,911.46	1,066,911.46	504,189.67	562,721.79	9,727,115.55
13	1-Jan-21	9,727,115.55	1,066,911.46	1,066,911.46	531,920.10	534,991.36	9,195,195.44
14	1-Jan-22	9,195,195.44	1,066,911.46	1,066,911.46	561,175.71	505,735.75	8,634,019.73
15	1-Jan-23	8,634,019.73	1,066,911.46	1,066,911.46	592,040.37	474,871.09	8,041,979.36
16	1-Jan-24	8,041,979.36	1,066,911.46	1,066,911.46	624,602.59	442,308.86	7,417,376.77
17	1-Jan-25	7,417,376.77	1,066,911.46	1,066,911.46	658,955.74	407,955.72	6,758,421.03
18	1-Jan-26	6,758,421.03	1,066,911.46	1,066,911.46	695,198.30	371,713.16	6,063,222.73
19	1-Jan-27	6,063,222.73	1,066,911.46	1,066,911.46	733,434.21	333,477.25	5,329,788.52
20	1-Jan-28	5,329,788.52	1,066,911.46	1,066,911.46	773,773.09	293,138.37	4,556,015.44
21	1-Jan-29	4,556,015.44	1,066,911.46	1,066,911.46	816,330.61	250,580.85	3,739,684.83
22	1-Jan-30	3,739,684.83	1,066,911.46	1,066,911.46	861,228.79	205,682.67	2,878,456.03
23	1-Jan-31	2,878,456.03	1,066,911.46	1,066,911.46	908,596.38	158,315.08	1,969,859.66
24	1-Jan-32	1,969,859.66	1,066,911.46	1,066,911.46	958,569.18	108,342.28	1,011,290.48
25	1-Jan-33	1,011,290.48	1,066,911.46	1,066,911.46	1,011,290.48	55,620.98	(0.00)

Attachment 3 – Definition "Downtown TIF Area".

"Downtown TIF Area" means the area bounded by the following streets (but excluding Lots 11, 15, 807, 808, 809, 810, 811, and 814 in Square 406 and located in the 800 block of F Street, N.W.):

Starting at the corner of Florida Avenue, NW and New Jersey Avenue, NW; South on New Jersey Avenue, NW to N Street, NW; West on N Street, NW to 4th Street, NW; South on 4th Street, NW to New York Avenue, NW; Southwest on New York Avenue, NW to 6th Street, NW; South on 6th Street, NW to E Street, NW; West on E Street, NW to 9th Street, NW; South on 9th Street, NW to Pennsylvania Avenue, NW; Southeast on Pennsylvania Avenue, NW to Constitution Avenue, NW; East on Constitution Avenue, NW to North Capitol Street, NW; South on North Capitol Street, NW to South Capitol Street, SW; South on South Capitol Street, NW to the Southeast Freeway; West on the Southeast Freeway to the Washington Channel; Southwest through the Tidal Basin to the Potomac River; Along the Potomac River northwest to Rock Creek; North on Rock Creek to Q Street, NW; East on Q Street, NW to Florida Avenue, NW; Northeast on Florida Avenue, NW to 18th and U Streets, NW; East on U Street, NW to 14th Street, NW; South on 14th Street, NW to S Street, NW; East on S Street, NW to Georgia Avenue, NW; North on Georgia Avenue, NW to Florida Avenue, NW; East on Florida Avenue, NW to New Jersey Avenue, NW.

Attachment 4 – Deputy Mayor's Determination of Special Merits

Government of the District of Columbia

Office of the Deputy Mayor
for Planning and Economic Development

MEMORANDUM

TO: **Natwar Gandhi, Chief Financial Officer**

FROM: **Neil Albert**
Deputy Mayor for Planning and Economic Development

DATE: **November 14, 2008**

SUBJECT: **Arena Stage Request for Refundable TIF – Determination of Special Merits**

The following memorandum explains the rationale for the positive determination of Special Merits under the Tax Increment Financing (TIF) Act for the request for refundable TIF submitted to the District of Columbia Government by the Washington Drama Society, Inc., d/b/a Arena Stage.

The Project

Arena Stage's historic revitalization is worthy of special merit distinction. For over four decades, Arena operated three theatres located at 1101 6th Street, S.W., which included the Fichandler Stage (formerly the Arena Stage), the Kreeger Theatre and the Old Vat Room. The Fichandler Stage was constructed in 1961 with a capacity of 796 seats. The Kreeger Theatre was completed in 1971, together with offices, rehearsal halls, shops and storage areas, and contained 514 seats. The Old Vat Room, with 130 to 150 seats, had been available for readings and other special events. (In addition, Arena Stage owns land and a building located at 14th Street N.W., which houses its education/outreach department and is also utilized for rehearsals, storage and performances.)

The redevelopment project includes the construction, renovation and expansion of the facilities at 1101 Sixth Street, S.W. comprising the following: (i) theatre buildings and support facility of approximately 175,000 square feet, including three theatre spaces (the Fichandler Stage at approximately 670 seats to be completely renovated, the Kreeger Theatre containing approximately 514 seats to be completely renovated and a new black box theater called "The Cradle of approximately 200 seats), rehearsal space, offices, kitchen, lobbies, bookstore and café); and (ii) the construction of approximately 77 on and below-grade parking spaces.

Arena Stage's architect, Bing Thom, has provided a powerful vision to expand significantly the Arena Stage facility while preserving the unique architectural elements that presently define the buildings. Leading consultants in theater facilities and acoustics will preserve and enhance the theater-going experience for Arena Stage's patrons, while serving the production needs of those behind the scenes. As in 1960, when Arena Stage built its theater in the midst of dramatic change in Southwest Washington, Arena Stage is poised to be a catalyst of the larger metamorphosis in Southwest. Moreover, the current

redevelopment reinforces the financial commitment of the District to the revitalization of the Maine Avenue waterfront and helps leverage new tax generating activities including the JBG/PN Hoffman projects along Water Street and the redevelopment of Waterside Mall. Both of these projects are expected to generate real estate, sales and income tax receipts for the District.

Economic Benefits

1. Employment:

Bay Area Economics (BAE) forecasted the benefits and impact of the Arena renovation and expansion in generating audiences, retail sales and income, tax revenues and jobs. These data were projected based upon an estimated opening of the new facility five years from the study. The BAE Study reported that Arena Stage's operations provide many job opportunities for District residents and that its renovation and expansion would create even more jobs, both in operations and in construction. The following narrative from the report is based on 2002 statistics.

On-Going Operations Employment--Arena Stage currently employs a year-round staff comprised of 133 full-time and 23 part-time staff along with 21 interns and 19 student fellows. Of the full and part-time staff, 49 percent live in the District. Arena's operations expand during production to include stage managers, designers, directors, local actors and musicians hired independently for each production. Overall, Arena has the equivalent of 232 full-time employees, including workers hired for individual productions. Full-time theater employees earn $34,800 on the average.

With the Cradle Theater and the addition of new office space, the Arena Stage staff is projected to grow to 158 full-time positions and 27 part-time positions, a 19-percent increase. The new office space would allow Arena to expand its current operations.

A total of 1,890 volunteers come to Arena Stage for production assistance, including the 1,750 volunteers who serve as ushers for the season's eight performances. Ushers work eight times per season for approximately three to four hours each performance. Approximately 25 volunteers spend over two to four hours assisting with administrative projects as an "Office Rescue" team. In addition, a group of 65 volunteers work twice yearly on special events.

Visiting Artists, Designers and Interns -- Arena Stage attracts over 100 visiting artists each year. This out-of-town staff includes set designers, stage managers and Equity actors. Most of the directors, stage managers, actors and musicians stay in rented apartments in the District. Designers tend to stay in Washington area hotels while in town preparing the productions.

Spin-Off Employment -- The theater's on-going operations support additional jobs elsewhere in the District economy. Local expenditures by Arena and its employees, visiting artists, and patrons (who would not otherwise attend another District theater) currently support an estimated 153 spin-off jobs in other District businesses. With expansion, the number of spin-off jobs would increase to 175 to 179 jobs. When patrons eat in local restaurants, their dollars support the waiters and cooks as well as food wholesalers and liquor distributors who supply the restaurant, the landlords who rent apartments to the restaurant employees, and the stores where those employees shop. The potential for spin-off employment is estimated based on economic multipliers from the U.S. Bureau of Economic Analysis Regional Impact Modeling System analysis of the District's economy

2. Direct DC Tax Revenue to be generated

As reported in the BAE Study in 2002, the projected economic activities resulting from the renovation and additions to Arena Stage would generate $766,000 to $814,000 per year in total annual tax revenues for the City's General Fund. In addition, it also was projected that the theater's construction would generate $1.3 million in one-time taxes during construction. This estimate nets out taxes paid by regional audiences diverted from other District theaters.

Restaurant Sales Taxes -- Arena Stage patrons and employees would pay District restaurant sales taxes on purchases in local restaurants. Restaurant sales are projected to total $3.9 to $4.1 million to regional residents and cultural tourists, including sales at Arena Stage and excluding sales diverted from other theaters. These General Fund restaurant sales taxes are projected to total $385,000 to $412,000 per year from the first year after renovations (2006-2007) to the 2008-2009 season.

Retail Sales Taxes -- Retail sales to Arena Stage employees and volunteers are projected to total $1,029,000 to $1,069,000 annually. These sales would generate $50,000 in annual sales taxes in Fiscal Year 2007, based on a sales tax rate of 5.75 percent on retail goods and 10.0 percent on restaurant meals. Theater tickets are not subject to sales tax.

Personal Income Taxes -- Arena's employees that live in Washington currently pay an estimated $199,000 in personal income taxes. With Arena's expansion, those personal income taxes would increase to $240,000 by the 2008-2009 season with the staff increase required to mount additional productions each year in the Cradle Theater.

Hotel Taxes -- Arena Stage currently attracts 10,000 patrons from group tours. This analysis assumes that one-half of these patrons stay one extra night in Washington to attend Arena Stage. Based on double occupancy and an average hotel rate of $125, these cultural tourists generate $36,000 in hotel taxes. In future years, the share of tickets sold to cultural tourists is projected to double from the current 2.7 percent of patrons to 5.5 percent by the 2008-09 season, bringing cultural tourists' annual hotel taxes to $87,000. The designers brought to Washington by Arena Stage commissions pay an estimated $1,000 per year in hotel taxes. The 14.5-percent hotel tax is split 10.05 percent to the General Fund and 4.45 percent to the Convention Center Fund.

Parking Taxes -- Current Arena Stage patrons who park in off-site commercial lots and garages pay an estimated $15,000 in parking taxes. The future parking fees paid by the expanded base of Arena Stage patrons are estimated at $20,000 to $22,000 per year.

Tax Revenues During Construction -- During renovation and construction of Arena Stage, the District would collect an estimated $1,306,000 in one-time taxes from the construction workers' personal income and sales taxes.

Artistic and Community Benefits

For more than 50 years, Arena Stage, has served the Washington, DC region while providing a national example for diversity, outreach and the highest level of artistry.

Arena Stage is the largest producing theater in North America that focuses on American plays. Arena has a capacity to produce any work from vast epics to charged dramas to robust musicals. It produces American classics, premieres of new plays and contemporary stories that elevate the stature of American writers nationally and internationally.

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Arena Stage's Community Engagement programs serve over 20,000 youth, primarily ages 12 through 18, in the metropolitan Washington region - introducing them to the power of theatrical performance by bringing students into the theater and by sending artist educators into the classroom and community. Arena Stage's educational initiatives broaden, deepen, and individualize the theatrical experience for young audiences. They stimulate the educational experience while improving skills such as literacy, problem solving, critical thinking, teamwork and self-expression. As the only major arts organization in Southwest D.C., Arena Stage has a particular commitment to residents and employees of this neighborhood.

Arena Stage's Community Engagement programs include:

- *Project Enrichment*, which reaches students in the entire Washington metropolitan region, expands upon students' theater-going experience by working with teachers to integrate plays into their curriculum. Arena Stage provides study guides, facilitates post-show discussions with the artists, and offers in-school artist visits. Selected D.C. Public School classes participate in the *D.C. Ticket Partnership*, a program providing deep ticket and transportation subsidies to Arena Stage productions each season in addition to study guides, in-class artist residencies and teacher training.
- *Between the Lines*, a research-based, educational competition, calls upon D.C.-area students in grades 7 through 12, to create multi-media presentations touching on the themes of select season productions. As a class, students give an oral presentation to Arena Stage representatives, who choose winning exhibits to be displayed in the theater's lobby during the run of each show.
- *The Student Playwrights Project* develops the next generation of playwrights while improving students' writing, critical thinking and teamwork skills. Students in grades 6 through 12 are invited to submit original works to the annual *Student Ten-Minute Playwriting Competition*. Ten chosen playwrights participate in Arena Stage's professional workshop process and winning plays are produced and performed by professional actors at Arena Stage. In the following fall, staged readings of the ten winning plays tour at D.C.-area schools.
- *In-School Residencies*, provides a long-term experience in which Emerging Teaching Artists, trained thoroughly by Arena Stage staff, work alongside classroom teachers to provide playwriting and performance instruction to a class throughout an entire school season. Students submit individual plays to the *Ten-Minute Playwriting Competition* and the class creates a group play which is performed at Arena Stage.
- *Moving Stories* is designed for 4-14 year-old students to use drama to deepen their understanding and enjoyment of literature. Using creative dramatics, storytelling and playwriting, *Moving Stories* is series of activities designed to excite and empower preschool, elementary and junior high school students to approach literature with confidence. Working closely with classroom teachers and reading specialists, Arena Stage educators selected classrooms marry the literature of the classroom

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with the power of drama. *Moving Stories* has already proved an effective literacy tool in the lives of underserved D.C. students.

- *Voices of Now* is an after-school teen theatrical playwriting workshop conducted at Jefferson Junior High School in Southwest Washington in which participating teens - many of whom are choosing drama instead of risky behavior in their neighborhood - study acting, improvisation and playwriting with the goal of writing and performing a theater piece at Arena Stage.
- Arena Stage's skilled teaching artists lead dynamic *Community Workshops* (also known as *House Calls*) designed to unleash creativity, forge team connections, support existing curricula and inspire personal growth - all in a low-risk and fun environment. Workshops cover a wide variety of topics and are adapted to the group's needs. Whether on-location or off-site, 30-minute or full day, a one-time visit or extended residency, *House Calls* are designed to empower the group and help achieve its goals through the art of theater. Recent partners have included Pediatric AIDS/HIV Care, Inc., Young Ladies of Tomorrow, Wendt Center for Loss and Healing Camp Forget Me Not, and D.C. Government's division of Child and Family Services.
- *Southwest Nights* is a ticket promotion for people who live and work in Southwest D.C. For each of Arena Stage's eight mainstage productions, one performance of each show is a *Southwest Night* in which Southwesterners purchase discounted tickets and attend theater together as a community.
- *Camp Arena Stage* is a multi-arts day camp for children ages 8-15, providing a joyful, safe and caring atmosphere in which budding artists can explore, discover and create. Located on the campus of Georgetown Visitation Preparatory School, Camp Arena Stage consists of one four-week session with activities in theater, dance, visual arts and music, as well as recreational activities and special classes, performances and, field trips. Arena offers scholarships - many to Southwest youth - to ensure that students from low and moderate income families will also be able to participate in Camp Arena Stage.
- *The Allen Lee Hughes Fellowship(ALH) and Interns Programs* provide the highest standard of training through in-depth immersion in the art and business of producing theater. With a special commitment to artists of color and minority professionals in various stages of their career, Arena's ALH Fellowship Program helps to cultivate the next generation of theater professionals.

cc: Eric Scott, DMPED

John Ross, CFO