


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



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** June 24, 2019

**SUBJECT:** Fiscal Impact Statement – Reunion Square Tax Increment Financing  
Emergency Act of 2019

**REFERENCE:** Draft Bill as shared with the Office of Revenue Analysis on June 20,  
2019

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**Conclusion**

Funds are sufficient in the fiscal year 2019 budget and the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill authorizes the District to issue \$25 million of tax increment financing (TIF) debt to support a mixed-use development in the Anacostia historic neighborhood. A portion of the proposed debt, \$16.9 million, will be backed by tax revenues from the unrelated Downtown TIF area.<sup>1</sup> The District has identified approximately \$1.4 million to create a reserve that is equal to one year's debt service.

**Background**

The overall Reunion Square development project consists of a team of developers<sup>2</sup> that will construct approximately 400,000 square feet of commercial office space, 19,000 square feet of ground-floor retail, parking, arts space, and a senior affordable housing building. In the first phase of the project, the development team built an office building located at 2235 Shannon Place, S.E. that houses District government offices, including the DC Lottery and the Department of For-Hire Vehicles.

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<sup>1</sup> The bill authorizes this debt to be supported by the "Available Increment," which is the property and sales tax increments generated in the Downtown TIF as defined in the April 1, 2002 Reserve Agreement by the District, Wells Fargo Bank Minnesota, N.A., and Financial Security Assurance, Inc.

<sup>2</sup> The development team includes Four Points LLC< Curtis Investment Group, and Blue Sky Housing LLC.

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The bill establishes the Reunion Square TIF area that encompasses three land lots bounded by Shannon Place, S.E., an alley located behind private homes along Chicago Street, S.E. and Railroad Avenue, S.E.<sup>3</sup> The bill also establishes the Reunion Square TIF Fund into which the District will deposit the incremental real property and sales tax revenues generated from the TIF area. The incremental real property taxes will be calculated as the difference between the three properties' taxes due in a given year and a base value set at the taxes paid on the assessed values for the property tax year preceding the year in which this bill becomes effective. The incremental sales tax revenues will be calculated as the difference between the sales tax revenues generated in a given year and the base sales tax year which is set as the tax year preceding the year this bill becomes effective.

The bill authorizes the District to use this tax increment to support the issuance of up to \$25 million in TIF debt to support the next phase of the project which is an approximately 280,000 square foot commercial office building with 8,000 square feet of retail space. The District Department of Health intends to relocate its headquarters to this new location. The District is authorized to issue two classes of debt, with the first being \$16.9 million in Class A bonds backed by the Downtown TIF area. The District is also authorized to issue up to \$8.1 million in Class B debt, which could take the form of a bond or note, and is not backed by the Downtown TIF area. The District's authority to issue debt will expire on September 30, 2025 if no bonds have been issued by that time.

Any excess tax increment remaining in the Reunion Square TIF Fund each year will be equally divided between the payment of outstanding principal on the TIF debt and transfers to the unrestricted balance of the District's General Fund.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2019 budget and the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill authorizes the District to issue up to \$25 million in TIF debt, including \$16.9 million of bonds for which the District's Downtown TIF area is authorized as a source of repayment. For this portion of the debt, the Mayor is required to appropriate and hold in reserve an amount equal to one year's debt service payment, or \$1.4 million. The Mayor will pay debt service from this reserve if the tax increment from the Reunion Square TIF area is not sufficient to cover debt service payments in any year until the bonds mature or are retired. Any use of the reserves must be replenished. The Office of the Deputy Mayor for Planning and Economic Development has identified the necessary funding and reserved it for this purpose.

The \$8.1 million of Class B debt is only backed by tax increment from the TIF area and its \$813,000 annual debt service does not require a reserve that needs to be budgeted in local funds.

The District expects to issue the TIF debt beginning in 2020. The combined debt service on the Class A and Class B debt is approximately \$2.3 million and the District's obligation to pay this debt service is included in the District's debt cap evaluation.<sup>4</sup> The Office of Tax and Revenue (OTR) will need to

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<sup>3</sup> The lots are known for assessment and tax purposes as Square 5784, Lots 899, 900, and 1101.

<sup>4</sup> Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008, effective March 25, 2009 (D.C. Law 17-360; D.C. Official Code 47-335.02).

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track development progress and retail activity to allocate the tax revenues to the Reunion Square TIF Fund. OTR can perform these activities with its existing resources.