


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:** February 27, 2020

**SUBJECT:** Fiscal Impact Statement – Reunion Square Tax Increment Financing  
Emergency Act of 2020

**REFERENCE:** Draft Bill as provided to the Office of Revenue Analysis on February 26,  
2020

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**Conclusion**

Funds are sufficient in 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 plan to construct a mixed-use project with commercial office space, ground-floor retail, parking, a hotel, and a senior affordable housing building. In the first phase of the project, unrelated, but adjacent to the proposed TIF area, the development team built an office building located at 2235 Shannon Place, S.E.

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<sup>1</sup> The bill authorizes this debt to be supported by the "Available Increment," 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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that houses District government offices, including the D.C. Lottery and the Department of For-Hire Vehicles.

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 sales taxes will be calculated as the difference between the sales taxes due from the TIF area each year and a base value set at the sales taxes generated for the tax year preceding the year in which this bill becomes effective. The incremental real property taxes will be calculated as the difference between the real property taxes due each year and a base amount established for each year in the bill.<sup>4</sup>

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 construction of an approximately 280,000 square foot commercial office building with approximately 10,000 square feet of retail space. The Department of Health intends to lease in the office building, relocating its headquarters to this new location. The bill authorizes the District 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 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, which the Office of the Chief Financial Officer estimates to require annual debt service payments of \$2.213 million. The tax increment will cover these debt payments. However, the bill also authorizes the District Downtown TIF Area as a source of repayment on up to \$16.9 million of the debt, and the Mayor is required to appropriate and hold in reserve an amount equal to one year's debt service payment on this portion, or \$1.4 million. The Mayor will pay debt service obligations 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 reserve must be replenished. The Mayor 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.

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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> Base real property taxes will be \$121,881 for 2020, \$129,803 in 2021, \$138,240 in 2022, \$147,226 in 2023, and \$151,643 in 2024 and each year thereafter through the life of the TIF area.

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The District expects to issue the TIF debt beginning in fiscal year 2021. The combined debt service on the Class A and Class B debt is included in the District's debt cap evaluation.<sup>5</sup>

The Office of Tax and Revenue (OTR) will need to 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.

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<sup>5</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).