

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: March 15, 2011

SUBJECT: Fiscal Impact Statement – “NoMa Public Parks Act of 2011”

REFERENCE: Bill 19-23 – As Introduced

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce revenues available to the general fund by \$2.4 million in FY 2011, and by \$31.9 million through the four-year financial plan period.

The proposed legislation allows the NoMa Improvement Association Business Improvement District (BID) to spend tax increment deposited into a NoMa Reinvestment Fund without additional authorization from Council. Additionally, the BID would be able to execute debt instruments without regard to the District’s Debt Cap and without returning to the Council for authorization.

Background

The proposed legislation would establish the NoMa Reinvestment Fund (Fund) for the sole and exclusive benefit of the BID. The BID was established in 2006. The BID covers a 35-block area roughly bounded by Massachusetts Avenue, N.E. to the South, New Jersey Avenue, N.E. and North Capitol Street, N.E. to the West, Q & R Streets, N.E. to the North, and just beyond the CSX/Metrorail tracks to the East¹.

The proposed legislation provides the BID with the ability to use the Fund to pay for or finance costs related to acquiring, operating and constructing public parks and public infrastructure,

¹ Source: NoMa BID. See footnote 2 for exact boundaries, as defined in the District Code.

including pledging a security interest in the Fund. The legislation also provides that the BID shall not use the Fund to acquire or finance public parks without the approval of a NoMa Reinvestment Fund Advisory Board established under the legislation. The Advisory Board would consist of seven members: three appointed by the BID, one by the Mayor, one each by the Ward 5 and Ward 6 Councilmembers, and one by the Chief Financial Officer (CFO). A simple majority would constitute approval of the Advisory Board.

Finally, the proposed legislation creates a new NoMa Reinvestment TIF area, with geographic boundaries contiguous with the BID², and allows for up to \$51.5 million of tax increment from the TIF area to be deposited into the Fund over ten years. The legislation specifies three sources of tax revenue to be used for the TIF: property taxes, sales taxes, and deed and recordation taxes (net of amounts already dedicated for other purposes, such as general obligation bond indebtedness, Washington Convention and Sports Authority and Housing Production Trust Fund). Tax increment would be calculated using a base year of FY 2010 tax revenues. The base year revenues would be increased through FY 2014 by the lesser of (a) the District-wide growth projected in the OCFO Revenue Estimates, or (b) 2%.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2015 proposed budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce revenues available to the general fund by \$2.4 million in FY 2011, and by \$31.9 million through the four-year financial plan period.

The legislation specifies that up to a total of \$51.5 million of tax increment from a newly created NoMa Reinvestment TIF Area be used to pay for public parks and infrastructure undertaken by the NoMa Improvement Association BID. Based on current growth estimates for real property, sales, and deed recordation and transfer taxes, the full \$51.5 million would be transferred from the General Fund to the NoMa Reinvestment Fund between FY 2011 and FY 2015 as depicted in the table below. The FY 2011 through FY 2014 budget and financial plan recognizes such tax revenue as available to the general fund. Transferring this revenue to the NoMa Reinvestment Fund will reduce the revenues available to be spent throughout the District.

² Per § 2-1215.57 of the District Code, the boundaries are defined by a line that starts at the center of the street at the intersection of Massachusetts Avenue, N.E., and 1st Street, N.E.; continuing north along the center line of 1st Street, N.E., to the center line of H Street, N.E.; continuing east along the center line of H Street, N.E., to the center line of 2nd Street, N.E.; continuing north along the center line of 2nd Street, N.E., to the center line of K Street, N.E.; continuing east along the center line of K Street, N.E., to the center line of 3rd Street, 10 N.E.; continuing north along the center line of 3rd Street, N.E. (and including Square 11 0774, Lot 0058), to the center line of M Street, N.E.; continuing east along the center line of M Street, N.E., to 4th Street, N.E.; continuing along the center line of 4th Street, N.E., to the center line of Florida Avenue, N.E.; continuing northwest along the center line of Florida Avenue, N.E., until it crosses the WMATA rail line; continuing northeast along the boundary of the WMATA rail line until it crosses R Street, N.E.; continuing west along the center line of R Street, N.E., to Eckington Place, N.E.; continuing south along the center line of Eckington Place, N.E., to the center line of Q Street, N.E.; continuing west along the center line of Q Street, N.E. (and including Square 3519, lots 0043, 0063, and 0070), to the center line of North Capitol Street (but excluding Square 3516, lots 0104 through 0114 and 0118 through 0133, and 0807); continuing south along the center line of North Capitol Street to the center line of Eye Street N.W.; continuing west along the center line of Eye Street, N.W., to the center line of New Jersey Avenue, N.W. continuing southeast along the center line of New Jersey Avenue, N.W., to the center line 1 of Massachusetts Avenue, N.W., continuing southeast along Massachusetts Avenue, 2 N.W., to the center line of 1st Street, N.E. (the starting point).

Estimated NoMa Reinvestment TIF Transfers under Proposed Legislation					
FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	Total
\$2,433,000	\$4,007,000	\$9,465,000	\$15,952,000	\$19,643,000	\$51,500,000

Under this estimate, 94 percent of the TIF transfers are derived from real property tax increment and the remainder from sales and deed and recordation taxes in the proposed NoMa Reinvestment TIF Area. As currently drafted, however, the bill could be interpreted to require transfers of deed and recordation tax stemming from outside of the proposed NoMa Reinvestment TIF Area. If this interpretation were correct, a larger share of the proposed transfer would be supported by deed transfer and recordation taxes, and the District's budget would need to accommodate the fiscal impact sooner than indicated in the above table.

The proposed NoMa Reinvestment TIF Area contains some overlap with the existing H Street, N.E. Retail Priority Area. As tax increment from that overlapping area will be designated for the H Street Retail Priority Grant Fund,³ the proposed legislation should be amended to remove overlapping parcels.

Finally, the proposed legislation as currently drafted may add to the debt that would be counted against the District's Debt Cap and either violate the cap or reduce the District's future issuance capacity. Additional protections should be written into the legislation to ensure the Advisory Board cannot approve a pledge of the Fund revenues without Council authorization.

³ See H Street, NE Retail Priority Incentive Act of 2010, D.C. Act 18-704 (to be effective upon Congressional approval, projected law date, April 7, 2011.)