

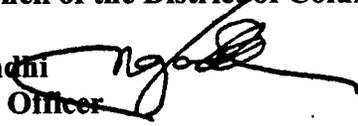
Government of the District of Columbia
Office of the Chief Financial Officer



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: June 15, 2010

SUBJECT: Fiscal Impact Statement: "Howard Theatre Redevelopment Project
Great Streets Initiative Tax Increment Financing Act of 2010"

REFERENCE: Draft Legislation - No Bill Number

Conclusion

Funds are sufficient in the FY 2010 through FY 2014 budget and financial plan to implement the proposed legislation. The legislation would require DMPED to transfer \$350,000 from the IRB Fund to local funds in the FY 2011 budget. To assure that payment of debt service is made in the event that TIF revenue from the Downtown TIF Area is not sufficient, the District has included \$350,000 in the FY 2011 budget.

Background

The proposed legislation authorizes the Mayor to issue bonds in an amount not to exceed \$4 million for the purposes of funding a portion of the costs of the Howard Theatre Redevelopment Project. The renovated Howard Theatre will be a 34,193 square foot building located in the Shaw neighborhood at both 620 T Street, NW and 1830 Wiltberger Street, NW in Square 441, Lots 90 and 807.

Previously, Council authorized the District to enter into a 75-year lease of the property¹ with the Howard Theatre Redevelopment Group (HTRG) for the purposes of redeveloping the historic structure and opening an entertainment and educational venue. The present value of the ground lease payments to the District is equal to the assessed value of property. The District has also awarded HTRG a grant of \$8 million² for the project. The total project cost is anticipated to be

¹ Howard Theatre Great Streets Disposition Emergency Approval Resolution of 2007, Res. 17-299, enacted July 10, 2007.

² Howard Theatre and 7th Street, N.W., Revitalization Grants Authorization Emergency Declaration Resolution of 2008, Res. 17-586, enacted April 1, 2008.

approximately \$23.4 million. Of this, the District is providing approximately \$12 million, over half of the total project cost.

The Howard Theatre Redevelopment Group, made up of Ellis Development Group and Four Points, is a 501(c)3 nonprofit organization created for the purpose of redeveloping the Howard Theatre, which has been closed since the 1970s. HTRG is expected to oversee the educational programs offered upon reopening. HTRG has negotiated a contract to operate the Howard Theatre with the Bensusan Corporation, which operates the Blue Note Jazz Clubs, B.B. King's and the Highline Ballroom out of New York City, to operate the food and beverage and talent booking operations of the Howard Theatre.

The project is part of the Great Streets TIF Initiative which has previously been budgeted, and is included in the District's debt cap analysis. However, the use of the Downtown TIF Area as credit enhancement for the Howard Theatre TIF Bonds has not been accounted for in the budget. This credit enhancement would provide the purchaser of the Howard Theatre TIF Bonds additional security that the debt service payments will be made. The Howard Theatre TIF Bonds would be subordinate to the existing Gallery Place and Mandarin Oriental obligations.³

Using the Downtown TIF Area to back the bonds will require including one year's debt service reserve in the budget. This reserve would be non-lapsing, would be used if revenues from the Downtown TIF Area become necessary, and would be replenished if used. Any replenishment would also have to be budgeted. Based on current market conditions, one year of debt service on \$4 million of TIF Bond authority is estimated to be approximately \$350,000. The Office of the Deputy Mayor for Planning and Economic Development ("DMPED") will use \$350,000 from DMPED's FY 2011 Industrial Revenue Bond Special Purpose Revenue Fund ("IRB Fund") to meet the Bond obligation in the case that the TIF revenues are not sufficient to pay the debt service. If these funds are not needed, they will be carried forward to be available in the subsequent fiscal year.

Fiscal Impact

Funds are sufficient in the FY 2010 through FY 2014 budget and financial plan to implement the proposed legislation. In FY 2011, the fiscal impact of the legislation would be \$350,000 because the use of the Downtown TIF Area will require budgeting \$350,000, which is one year of debt service. DMPED must transfer \$350,000 from the IRB Fund to local funds in FY 2011.

³ These obligations are defined as the Gallery Place Project and the Mandarin Project in the Tax Increment Revenue Bond Downtown TIF Area Base Year Emergency Approval Resolution of 2002, effective February 5, 2002 (Res. 14-364; D.C. Official Code § 2-1217.04). "Gallery Place Bonds" means the \$73,650,000 District of Columbia Tax Increment Revenue Bonds Series 2002. "Mandarin Bonds" means the \$45,995,387.40 District of Columbia Mandarin Oriental Hotel Project Tax Increment Revenue Bonds Series 2002.