

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: July 12, 2004

SUBJECT: Fiscal Impact Statement: "Tax Increment Revenue Bonds DC
USA Project Emergency Approval Resolution of 2004"

REFERENCE: Draft Resolution to be Introduced - No Bill Number Available

Conclusion

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan as approved by the Mayor and the Council of the District of Columbia to implement the "Tax Increment Revenue Bonds DC USA Project Emergency Approval Resolution of 2004." The proposed legislation has no net fiscal impact.

Background

Grid Properties first requested TIF financing for the DC-USA project planned for Columbia Heights. This financing plan would have required the District to issue \$73 million in tax increment financing. On December 10, 2002 I declined to certify the project because the project did not meet the certification criteria.

Councilmember Graham and Deputy Mayor Price requested that I consider additional steps that the District could take to speed up development of the DC-USA project. Working with Deputy Mayor Price and the National Capital Revitalization Corporation Executive Director Ted Carter, a revised financing plan has been formulated. This plan includes TIF Note issued by the District to the NCRC in the amount of up to \$42 million. Up to \$40 million will be used for the construction of a parking garage that will be owned by the NCRC. Grid Properties will finance the remainder of the project. Up to \$2 million will be used for a Columbia Heights small business assistance program

administered in accordance with an MOU between NCRC and the Office of the Deputy Mayor for Planning and Economic Development.

We estimate that the retailers will need about \$65.5 million in taxable sales each year to pay the debt service on the TIF Notes. A number of studies of this proposed project have been completed by Grid Properties, NCRC, and consultants to the District. The analysts forecast retail sales per square foot at DC-USA to average between \$225 and \$517 per square foot or \$97.2 million to \$189.7 million annually. Taxable sales per square foot need only to be about \$152 per square foot to meet the TIF Note debt service obligation. We have concluded that there will be sufficient available incremental tax revenue to pay debt service on the Notes from the footprint of the project.

Financial Plan Impact

Incremental sales tax and property tax revenue from the DC-USA project footprint is expected to be sufficient to cover debt service on the TIF Note. Therefore, the proposed resolution has no net fiscal impact.