


**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 Gandhi 
Chief Financial Officer

DATE: JUN 28 2004

SUBJECT: Fiscal Impact Statement: "Tax Increment Revenue Bonds
Corcoran Gallery of Art Project Approval Resolution of 2004"

REFERENCE: PR15-913

Conclusion

Funds are not sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the "Tax Increment Revenue Bonds Corcoran Gallery of Art Project Approval Resolution of 2004." The repayment period on the TIF notes for the Corcoran project will begin with the beginning of construction; however, no money will be paid to the Corcoran until project completion. As a result, the District will incur a future liability that is not currently reflected in the financial plan. Because the earliest impacts for the project will not occur until late in the current financial planning period, there is time to adjust the financial plan and future budgets to incorporate this obligation.

Background

The Corcoran Gallery of Art applied for assistance through the District's Tax Increment Finance program. The Corcoran Gallery is the oldest art museum in the District and is the District's only professional college of art and design. The Corcoran Gallery will renovate their existing building and construct a 140,000 gross square foot addition designed by Frank Gehry. On June 15, 2004, the Chief Financial Officer certified the project for up to \$40 million in financial support in the form of TIF Notes.

The Honorable Linda W. Cropp

FIS: "Tax Increment Revenue Bonds Corcoran Gallery Project Approval Resolution of 2004"

This is the second TIF project to be certified within the existing Downtown TIF Area. As stipulated by the Reserve Agreement, the TIF Notes for this project will be subordinated to the District's obligations for the Mandarin Hotel and Gallery Place projects.

Financial Plan Impact

Because incremental tax revenues from the project footprint will not be sufficient to cover the debt service on the TIF Note, the District will need to draw from a broader area. It is expected that the Corcoran project will result in new sales and other tax revenues beyond the footprint of the project; however, it is not possible to track these changes in revenue directly.

Depending on interest rates, annual debt service payments on the TIF notes for the Corcoran project will be between about \$2.5 million and \$3.5 million during the 20-year repayment period. The repayment period will begin with the beginning of construction; however, no money will be paid to the Corcoran until project completion. As a result, the District will incur a future liability that will need to be reflected in the District's budget and financial plan. Because the earliest impacts for the project will not occur until late in the current financial planning period, there is time to adjust the financial plan and future budgets to incorporate this obligation.