

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



Natwar M. Gandhi
Chief Financial Officer

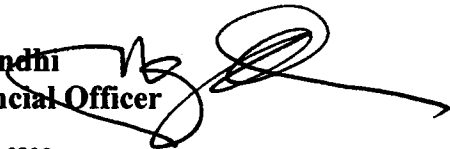
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CHAIRMAN CROPP

5/08/06 CF

MEMORANDUM

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

FROM: Natwar Gandhi 
Chief Financial Officer

DATE: MAY -8 2006

SUBJECT: Fiscal Impact Statement: "Tax Increment Revenue Bonds Seventh Street Arts Project Approval Resolution of 2006."

REFERENCE: Draft Resolution

Conclusion

Funds are sufficient in the FY 2007 through FY 2010 budget and financial plan submitted by the Mayor to the Council on March 20, 2006 to implement the "Tax Increment Revenue Bonds Seventh Street Arts Project Approval Resolution of 2006." Implementation of the proposed legislation will require the District to make a one-time payment of \$12.8 million on the TIF note obligation in FY 2011. However, the loan terms will include a pre-payment option, so that the Council may retire the debt prior to FY 2011 should they so choose.

Beginning in FY 2012, the Shakespeare Theatre Company (STC) will start repaying the amount borrowed from the District. Based on a 20-year repayment schedule, STC will make annual payments of \$1.02 million to the District. The project will be revenue neutral by the end of the repayment period in 2031.

Background

The Shakespeare Theatre Company (STC) is currently entering Phase II of the \$83 million Harman Center for the Arts project. The District originally granted STC \$20 million for construction of the base building. The Mayor has committed to support the STC with an additional \$10 million for the fit-out of the base building. To provide this funding, the District will issue a \$10 million TIF Note that the STC will convert into funds from a third-party

financial institution and use for the fit-out of the theater. The District will use a portion of the increment from the Downtown TIF Area to pay off the TIF Note in FY 2011. STC will repay the District through ticket surcharges and pledges over the FY 2012 through FY 2031 period.

Financial Plan Impact

The TIF Notes are to be secured solely by an allocation of a portion of the available sales and property tax increment revenues in the existing Downtown TIF Area. To ensure adequate revenues for debt service, the debt service on the TIF Notes will be reflected in the District's FY 2011 budget and financial plan. It is expected that the STC 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.

The District would make no payments until FY 2011, at which point it would pay off the compounded outstanding loan amount in full – \$12.8 million. Starting in FY 2012, STC would make annual payments of \$1.02 through FY 2031, for a total of \$20.4 million over the FY 2012 through FY 2031 period, which represents a net present value of \$12.8 million.