

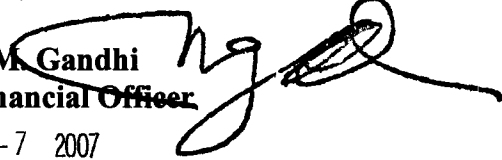
**Government of the District of Columbia
Office of the Chief Financial Officer**



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: FEB -7 2007

SUBJECT: Fiscal Impact Statement: "Skyland Project Retail Priority Area Approval Resolution of 2007"

REFERENCE: Public Resolution 17-85

Conclusion

Funds are sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the "Skyland Project Retail Priority Area Approval Resolution of 2007."

Background

In 2004, the Council approved Resolution 15-619, the "Skyland Project Retail Priority Area Approval Resolution of 2004." The proposed resolution would repeal the "Skyland Project Retail Priority Area Approval Resolution of 2004," which authorized the District to provide the National Capital Revitalization Corporation (NCRC) with two TIF notes in the aggregate amount of \$25.7 million. The first TIF note, which was authorized with a 10% interest rate, was for up to \$17.2 million, and the second TIF note was an interest-free note for \$8.5 million.

The proposed resolution authorizes the District to issue a 25-year note to NCRC in an aggregate principal amount of \$40 million with an interest rate of not greater than 8%. The resolution stipulates that the annual debt service cannot exceed the available tax increment. The note would be repaid with tax increment revenue from the Skyland Retail Priority TIF Area. NCRC would use the note as security to fund an investment in the Skyland project.

The OCFO currently estimates that the annual tax increment that will be generated by the future development of the site will be approximately \$8.3 million on average, while the

average annual debt service is estimated to be approximately \$4.5 million. It will be critical for NCRC to obtain a commitment from a financial institution for a bond issuance or private placement given the expected debt service coverage levels.

To minimize the District's exposure, we recommend that the District require signed commitments with private developers for the retail and residential square footage in the Skyland project as conditions for the release of the TIF funds.

Financial Plan Impact

Funds are sufficient in the FY 2007 budget and the FY 2007-2010 budget and financial plan to implement this bill. Incremental sales tax and property tax revenue from the Skyland Retail Priority TIF Area is expected to be sufficient to cover debt service on the note.