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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**December 11, 2013**
SUBJECT:	**Revised Fiscal Impact Statement – "Skyland Town Center Omnibus Act of 2013"**
REFERENCE:	**B20-382, as introduced**

This fiscal impact statement incorporates new information on the funding of the proposed bill, and replaces the fiscal impact statement issued on July 3, 2013.

Conclusion

Funds are sufficient in the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

Background

In 2004, the District approved legislation that created the Skyland Retail Priority TIF Area and separately approved the disposition of the property so Skyland can be redeveloped.[1] At the time, the debt service required for the repayment of the TIF Bonds was included in the District's debt cap calculations. The project was delayed for a number of years, and after a number of extensions, the TIF authority, as well as the disposition authority expired in 2012. The funding of the Skyland Project was moved into the capital budget in the FY 2014 to FY 2019 Capital Improvement Plan (CIP)—the CIP allocates $40 million for the project.[2]

[1] PR15-860, Skyland Project Retail Priority Area Emergency Approval Resolution of 2007, enacted on July 13, 2004 (D.C. Resolution R15-619, 51 DCR 7884).
[2] Debt service for the Skyland Project, as funded through the CIP is folded into the debt payment for the GO/ITSB bonds, since the CIP is funded by GO and ITSB bonds.

The bill reauthorizes the Skyland TIF Area and the issuance of one or more series of bonds in an aggregate principal amount not to exceed $40 million to fund the project.[3] Debt service on the bonds will be paid using the incremental real property tax and sales tax revenues generated on the site above the base-year revenues.[4] The bill outlines various details of the bond issuance and security, and also establishes the non-lapsing Skyland TIF Fund, into which the District will deposit the incremental taxes to pay debt service. The bill also authorizes use of incremental tax revenues from the Downtown TIF Area[5] to pay debt service on the Skyland TIF bonds if the incremental tax revenue from the Skyland TIF Area proves inadequate to service the bonds.

Finally, the bill declares as surplus and authorizes the Mayor to dispose of approximately 18.7 acres of District-owned property at and adjacent to the Skyland Shopping Center located at the intersection of Naylor Road, S.E., Good Hope Road, S.E., and Alabama Avenue, S.E. (the "Property").[6] The Property is currently an underutilized shopping complex. The Mayor intends to sell the Property to Skyland Holdings, LLC, (the "Developer"), a District of Columbia limited liability company,[7] for $700,000. As noted above, this price reflects the need for significant site investment in order to make the Property ready for redevelopment. As part of the deal, the Developer must commit to signing a Certified Business Enterprise (CBE) Agreement and a First Source Agreement with the District.

According to the Developer's Planned Unit Development (PUD) submission, the Property will be redeveloped as the new Skyland Town Center (the "Project"). The Project will consist of approximately 475 residential units, with approximately 20 percent of the units reserved for households earning at or below 80 percent of the Area Median Income (AMI). An additional 10 percent of the units will be reserved for households earning up to 120 percent of AMI. The Project will also include approximately 340,000 square feet of retail space, to include a large format retail store, neighborhood and local retailers, restaurants, and accessory parking. Significant site improvements necessary to achieve the Project include introducing a new private street system on the Property that will allow it to become a walkable mixed-use community.

Financial Plan Impact

Funds are sufficient in the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

The Office and Finance and Treasury's revised debt cap calculations issued on November 26, 2013 provides sufficient room under the debt cap to pay for the debt service for the TIF project (See

[3] The Skyland Project cannot be fully funded as capital investment since IRS rules require that proceeds from General Obligation or Income Tax Revenue Bonds can only support public infrastructure investments, and Skyland would not fully qualify as public infrastructure.
[4] The base year is defined as the tax year prior to the year in which the legislation becomes effective.
[5] As defined in the "Tax Increment Revenue Bond Downtown TIF Area Emergency Approval Resolution of 2001," effective November 6, 2001 (D.C. Resolution 14-257; 48 DCR 10582).
[6] The bill lists the 44 parcels that collectively make up the Property.
[7] Skyland Holdings, LLC is a joint venture consisting of The Rappaport Companies, WC Smith, Harrison Malone Development LLC, the Marshall Heights Community Development Organization, Inc., and the Washington East Foundation.

Appendix). As a result, the funds allocated to the Skyland Project in the FY 2014 to FY 2019 CIP can be freed for uses other than supporting the Skyland project, subject to reprogramming.[8]

Authorizing the Downtown TIF Area as an additional source of debt repayment for the Skyland TIF Area requires the District to include in its budget an amount sufficient to pay one year of debt service. Given current market conditions, approximately $2.5 million will need to be budgeted in FY 2015 for this purpose. Since FY 2015 appropriations must be done through the budget process, the Mayor requested use of the District's Contingency Cash Reserve Fund to provide the required $2.5 million in advance of approval of the District's FY 2015 budget.[9] The same request also notes that the Mayor intends to include $2.5 million in his proposed FY 2015 budget to support the debt service for the Downtown TIF Area, and return the Contingency Cash reserves as soon as the FY 2015 budget is approved.

The disposition of this property would reduce District real property assets by approximately $32.6 million, based on the property's tax assessed value.[10] Since assets are not included in the budget and financial plan, the disposition of the property will not have a negative fiscal impact on the District's budget and financial plan.

[8] The Mayor intends to use a portion of these funds (approximately $6.5 million) as a grant for the Skyland project, but the rest is likely to be reprogrammed for other capital investment projects.

[9] Draft letter from the Office of Mayor Vincent Gray, shared with the OCFO on November 22, 2013.

[10] This is the combined tax assessed value of the parcels that make up the Skyland property as per OTR's Real Property Tax Database, accessible here: https://www.taxpayerservicecenter. However, the appraised value of the real property is much lower due to the significant site investment needed to make the property ready for redevelopment. The Office of the Deputy Mayor for Planning and Economic Development (DMPED) commissioned an appraisal in December, 2012, to estimate the fee simple market value of the property if developed as outlined in the Planned Unit Development submission. The appraisal concluded that the value of the property ranges from $300,000 to $1.1 million, after discounting for the significant necessary site infrastructure improvements.

District of Columbia Debt Cap Analysis

As of 11/25/2013

#		FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
1	**Existing General Obligation and Income Tax Bonds (G.O. and I.T.) Debt Service (Agency DS0)**	$466,975,322	$502,429,559	$494,190,469	$485,849,412	$477,430,383	$511,838,338	$506,848,330	$519,113,302	$506,585,123	$506,720,062
	Prospective I.T. Bonds Debt Service:										
2	FY 2014 (Fall) I.T. Bonds ($1087.3M)	$0	$25,822,544	$74,298,969	$74,299,894	$74,300,838	$74,299,188	$74,302,094	$74,301,588	$74,299,700	$74,303,106
3	FY 2015 (Fall) I.T. Bonds ($954.8M)	$0	$0	$25,062,581	$68,577,725	$68,576,075	$68,579,300	$68,574,513	$68,578,563	$68,578,038	$68,574,656
4	FY 2016 (Fall) I.T. Bonds ($733.5M)	$0	$0	$0	$20,170,700	$53,985,575	$53,987,063	$53,988,588	$53,987,675	$53,986,713	$53,987,813
5	FY 2017 (Fall) I.T. Bonds ($511.2M)	$0	$0	$0	$0	$14,058,550	$37,628,150	$37,629,988	$37,625,613	$37,628,238	$37,625,938
6	FY 2018 (Fall) I.T. Bonds ($480.3M)	$0	$0	$0	$0	$0	$13,209,488	$35,356,250	$35,356,500	$35,357,325	$35,352,213
7	FY 2019 (Fall) I.T. Bonds ($491.7M)	$0	$0	$0	$0	$0	$0	$13,522,850	$36,192,063	$36,195,075	$36,192,975
8	FY 2020 (Fall) I.T. Bonds ($450.6M)	$0	$0	$0	$0	$0	$0	$0	$12,391,775	$33,166,500	$33,168,925
9	FY 2021 (Fall) I.T. Bonds ($408.1M)	$0	$0	$0	$0	$0	$0	$0	$0	$11,222,200	$30,034,763
10	FY 2022 (Fall) I.T. Bonds ($364.5M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$10,023,338
11	**Total Prospective I.T. Bonds Debt Service (Agency DS0)**	$0	$25,822,544	$99,361,550	$163,048,319	$210,921,038	$247,703,188	$283,374,281	$318,433,775	$350,433,788	$379,263,725
12	**Total G.O./I.T. Bonds Debt Service (Agency DS0)**	**$466,975,322**	**$528,252,103**	**$593,552,019**	**$648,897,731**	**$688,351,420**	**$759,541,526**	**$790,222,612**	**$837,547,077**	**$857,018,911**	**$885,983,787**
13	**Schools Modernization G.O. Bonds Debt Service (Agency SM0):**										
14	2007 Issuance ($60M)	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425	$2,781,425
15	2008 Issuance ($90M)	$5,844,288	$9,081,088	$8,630,288	$11,494,088	$10,741,088	$5,967,750	$5,969,500	$5,968,250	$5,968,750	$5,965,500
16	**School Modernization Fund Subtotal (Agency SM0)**	**$8,625,713**	**$11,862,513**	**$11,411,713**	**$14,275,513**	**$13,522,513**	**$8,749,175**	**$8,750,925**	**$8,749,675**	**$8,750,175**	**$8,746,925**
17	**Prospective Pay-as-you-go (Paygo) Capital Account:**										
18	FY 2016 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
19	FY 2017 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
20	FY 2018 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
21	FY 2019 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
22	FY 2020 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	FY 2021 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
24	FY 2022 ($0M)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	**Total Prospective Pay-as-you-go (Paygo) Capital Account**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
24	**Certificates of Participation (COPs) (Agency CP0)**[1]	**$32,541,713**	**$24,619,294**	**$24,620,075**	**$24,622,431**	**$24,620,269**	**$24,620,738**	**$24,622,938**	**$24,621,863**	**$24,618,250**	**$24,619,919**
25	**Existing Housing Production Trust Fund (Agency DT0):**										
26	2007, 2010ABC , 2012AB Issuance	$6,664,877	$7,823,585	$7,829,189	$7,822,389	$7,825,339	$7,822,389	$7,828,539	$7,829,039	$7,826,089	$7,827,339
27	**Housing Production Trust Fund (Agency DT0)**	**$6,664,877**	**$7,823,585**	**$7,829,189**	**$7,822,389**	**$7,825,339**	**$7,822,389**	**$7,828,539**	**$7,829,039**	**$7,826,089**	**$7,827,339**
28	**Master Lease Equipment Purchases (Agency EL0)**	**$50,035,750**	**$45,843,000**	**$39,932,992**	**$33,018,291**	**$22,310,010**	**$14,152,060**	**$5,572,288**	**$2,668,680**	**$6,199,690**	**$9,730,700**
29	**Capital Leases**	**$2,792,500**	**$2,792,500**	**$2,792,500**	**$2,792,500**	**$1,396,250**	**$0**	**$0**	**$0**	**$0**	**$0**
30	**TIF & PILOT Bonds (Issued)**[2]										
37	Oyster School PILOT	$801,965	$804,095	$805,235	$805,235	$805,235	$805,236	$805,237	$805,238	$805,238	$805,238
31	Mandarin Oriental Hotel TIF	$4,509,125	$4,504,125	$4,509,125	$4,504,125	$4,504,125	$4,509,125	$4,504,125	$4,504,125	$4,509,125	$4,504,700
32	Gallery Place Mixed Use Development TIF	$4,311,533	$4,310,500	$4,312,500	$4,311,500	$4,312,750	$4,314,000	$4,315,000	$4,310,500	$4,310,500	$4,309,500
33	Capitol Hill Towers Development TIF	$935,087	$180,351	$0	$0	$0	$0	$0	$0	$0	$0
34	DC USA Retail Development TIF/Revenue Bond	$1,448,543	$5,066,967	$0	$0	$0	$0	$0	$0	$0	$0
35	Downtown Retail Priority Area (DRPA)	$2,038,322	$2,038,322	$1,920,465	$1,810,418	$1,653,529	$1,648,198	$1,221,385	$587,363	$587,363	$58,602
36	US Department of Transportation PILOT	$10,552,735	$10,547,557	$10,553,543	$10,549,690	$10,550,662	$10,550,679	$10,553,960	$10,549,724	$10,452,301	$10,120,919
38	Arena Stage	$0	$12,590,114	$0	$0	$0	$0	$0	$0	$0	$0
39	Great Streets (Georgia Ave & Howard Theatre)	$396,430	$570,575	$650,896	$734,402	$802,043	$839,249	$858,345	$898,299	$902,548	$136,430
40	Rhode Island Place PILOT	$305,975	$611,949	$611,949	$611,949	$611,949	$611,949	$611,949	$611,949	$611,949	$611,949
41	Capper Carrollsburg PILOT	$580,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
42	O Street Market (Phase I)	$1,877,131	$1,877,131	$1,877,131	$2,097,131	$2,170,531	$2,211,531	$2,301,031	$2,386,406	$2,442,156	$2,517,156
43	Fort Lincoln Retail Priority Area TIF	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140	$1,298,140
44	Southeast Fed Center PILOT - Foundry Lofts Note	$397,849	$397,849	$397,849	$397,849	$397,849	$397,849	$397,849	$397,849	$397,849	$397,849
45	**Subtotal TIF/PILOT Bonds (Issued)**[2]	**$29,452,835**	**$44,797,677**	**$26,936,833**	**$27,120,439**	**$27,106,814**	**$27,185,957**	**$26,867,022**	**$26,349,594**	**$26,317,170**	**$24,760,483**
46	Downtown Retail Priority Area TIF (DRPA)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
47	Southeast Federal Center PILOT	$0	$1,528,268	$2,301,104	$6,836,387	$6,836,387	$6,836,387	$6,836,387	$6,836,387	$6,836,387	$6,836,387
48	Great Streets Retail Priority Areas TIF	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
49	Southwest Waterfront	$0	$0	$0	$7,154,326	$14,522,960	$14,522,960	$14,522,960	$14,522,960	$14,522,960	$14,522,960
50	O Street Market (Phase II)	$0	$0	$0	$216,798	$216,798	$216,798	$216,798	$216,798	$216,798	$216,798
51	Skyland Retail Priority Area TIF	$0	$0	$2,240,000	$2,240,000	$2,240,000	$2,890,688	$2,890,688	$2,890,688	$2,890,688	$2,890,688
52	**Subtotal TIF/PILOT Bonds (Authorized)**[2]	**$0**	**$1,528,268**	**$4,541,104**	**$16,447,511**	**$23,816,145**	**$24,466,833**	**$24,466,833**	**$24,466,833**	**$24,466,833**	**$24,466,833**
53	**Total TIF/PILOT Bonds Issued & Authorized**[2]	**$29,452,835**	**$46,325,944**	**$31,477,937**	**$43,567,950**	**$50,922,959**	**$51,652,791**	**$51,333,855**	**$50,816,427**	**$50,784,003**	**$49,227,316**
54	**Baseball Bonds**[3]	$32,582,000	$32,974,000	$33,400,000	$31,911,000	$31,426,500	$31,027,250	$30,464,000	$21,265,625	$20,596,546	$19,751,058
55	**Verizon Center Revenue Bonds**	$3,411,038	$3,447,417	$3,481,162	$3,517,274	$3,550,423	$3,585,609	$3,622,503	$3,660,775	$3,695,098	$3,730,470
56	**WCSA Hotel Financing**	$11,984,580	$11,984,580	$13,055,435	$14,903,314	$14,909,276	$14,909,239	$14,898,539	$15,680,234	$15,677,617	$15,677,954
57	**Convention Center Bonds**	$33,088,325	$33,079,475	$32,987,475	$32,957,675	$32,907,975	$32,857,225	$32,810,475	$32,760,475	$32,709,725	$32,772,400
58	**Total Debt Service on All Tax-Supported Debt**	**$678,154,653**	**$749,004,410**	**$794,540,497**	**$858,286,067**	**$891,742,932**	**$948,918,000**	**$970,126,673**	**$1,005,599,870**	**$1,027,876,103**	**$1,058,067,867**
59	**Revised Total Expenditures as of September 30, 2013**[4] **(Incl. UDC Total Exp)**	**$7,098,551,604**	**$7,188,913,684**	**$7,384,758,205**	**$7,604,961,940**	**$7,801,554,112**	**$7,995,163,616**	**$8,193,613,358**	**$8,397,024,344**	**$8,605,520,604**	**$8,819,229,270**
60	**Revised Ratio of Total Debt Service to Total Expenditures (Incl. UDC Total Exp)**	**9.55%**	**10.42%**	**10.76%**	**11.29%**	**11.43%**	**11.87%**	**11.84%**	**11.98%**	**11.94%**	**11.99%**
61	**Annual Maximum Debt Service Capacity Up to 12% Cap**	**$851,826,192**	**$862,669,642**	**$886,170,985**	**$912,595,433**	**$936,186,493**	**$959,419,634**	**$983,233,603**	**$1,007,642,921**	**$1,032,662,472**	**$1,058,307,512**
62	**Balance of Debt Service Capacity**	**$173,671,540**	**$113,665,232**	**$91,630,487**	**$54,309,366**	**$44,443,561**	**$10,501,634**	**$13,106,930**	**$2,043,051**	**$4,786,369**	**$239,645**

1. Includes annual Judiciary Square property tax payment to the District in FY 2013.
2. Actual Debt Service and new issuance projections based on 11.25.13 economic development analysis.
3. Assumes annual cash defeasances beginning in FY 2016. Defeasance targets Serial Bonds maturing in 2020, 2021 and 2022, followed by the 2035 Term Bond and a portion of the 2031 Term Bond.
4. Assumes 2.5% GF Expenditure Growth beginning after 2017 based upon Congressional Budget Office annual projected GDP growth rates.

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