


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



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer 

DATE: November 29, 2016

SUBJECT: Fiscal Impact Statement – Bryant Street Tax Increment Financing Act of 2016

REFERENCE: Bill 21-906, Draft Committee Print as shared with the Office of Revenue Analysis on November 22, 2016

Conclusion

Funds are sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The Mayor is required to hold in reserve and has identified \$1.7 million, which is one year's debt service payment. This reserve covers a debt service payment shortfall due to lower than expected incremental tax revenues from the Tax Increment Financing (TIF) area.

Background

The bill establishes a TIF area in the District's Edgewood neighborhood along the northern side of Rhode Island Avenue, N.E. and the western edge of the Metropolitan Branch Trail just north of the Rhode Island Avenue Metro Station.¹ The bill also establishes the Bryant Street TIF Fund into which the District will deposit the incremental sales and property tax revenues generated from the TIF area. The bill authorizes the District to issue up to \$24 million² in debt against the incremental tax revenues and use the incremental revenues to pay the debt service on the bonds. The base years for the calculation of the sales and property tax increments are the respective tax year's that precede the effective date of the bill.³ The bill sunsets the Mayor's authority to issue bonds for the project on March 1, 2019.

¹ The TIF area includes a portion of the properties known for tax assessment purposes as Lots 7, 813, and 814 in Square 3629.

² The authorization is for the District to issue up to \$24 million with an amount not to exceed \$18 million dedicated to the project's development and the remainder for financing costs, interest, and reserves.

³ Assuming the bill is effective in 2017, the sales tax year would be calendar year 2016 and the property tax year would be tax year 2016, which ran from October 1, 2015 through September 30, 2016.

The Honorable Phil Mendelson

FIS: Bill 21-906, "Bryant Street Tax Increment Financing Act of 2016," Draft Bill as shared with the Office of Revenue Analysis on November 22, 2016

The bill requires the Mayor to appropriate and hold in reserve an amount equal to one year's debt service payment. The bill also authorizes the District to use the available tax increment from the Downtown TIF area⁴ to replenish the budgeted debt reserve if the Mayor draws down on it.

The bill establishes the administrative and technical procedures for the bond issuance.

The developer, MRP Rhode Island Avenue Investors LLC, is currently planning a mixed-use development that includes over 450 residential units, a movie theater, fitness facility, and other retail spaces.

Financial Plan Impact

Funds are sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill requires the Mayor to appropriate a reserve equal to one year's debt service payment. The Mayor will pay debt service obligations from this reserve if the tax increment from the TIF area is not sufficient to cover the debt service payment in any year until the bonds mature or are retired. The Mayor has identified the \$1.7 million required to support this reserve.

The Office of Economic Development Finance analyzed the developer's project proposal and is confident that the incremental tax revenues will be sufficient to pay the debt service on up to \$24 million in bond issuance.

⁴ Tax Increment Revenue Bond Downtown TIF Area Emergency Approval Resolution of 2001, effective November 6, 2001 (D.C. Resolution 14-257; 48 DCR 10582).