

Tax Increment Financing (TIF) Program

Description	FY 2004 Actual	FY 2005 Approved	FY 2006 Proposed	% Change from FY 2005
Operating Budget	\$0	\$1,940,000	\$0	-100.0

Tax increment financing is a program by which the District provides economic development grants by borrowing against future tax receipts from funded projects.

The District established a tax increment financing (TIF) program in 1998 and authorized the issuance of up to \$300 million in debt to support economic development projects that would not be developed "but for" public financial assistance. The initiative was reauthorized by the "Tax Increment Financing Reauthorization Act of 2002."

Gross Funds

The proposed budget is \$0, a decrease from the FY 2005 approved budget of \$1,940,000. There are no FTEs for the agency. This account will be kept active to provide additional funding in the event the dedicated tax stream is insufficient to cover the debt service.

General Fund

Local Funds. The proposed budget is \$0, a decrease from the FY 2005 approved budget of \$1,940,000. There are no FTEs for the agency.

Changes from the FY 2005 approved budget are:

- The decrease to \$0 from the FY 2005 approved budget of \$1,940,000 is due to the sufficiency of anticipated revenues to cover the debt service and the requested authority to use funds from the District's fund balance to cover an unanticipated shortfall in TIF revenues as described below.

Programs

The **Tax Increment Financing** program has three major projects: (1) the Gallery Place, (2) the Mandarin Oriental Hotel, and (3) the International Spy Museum.

Pursuant to Council Resolution 14-257, the District is required to establish a reserve to be used to meet the bond obligations associated with the Tax Increment Financing of the Gallery Place and Mandarin Projects. In the Fiscal Year 2005 Budget, the District requested authority to expend up to \$9,710,000 from the District's general fund balance as needed to meet the requirement.

- The Gallery Place is a mixed-use project. It was scheduled to open in November 2003, but will not open until the summer of 2004. The debt service payments associated with the Gallery Place project were \$5,201,489 in FY 2005.
- The Mandarin Oriental hotel opened in March 2004. Its debt service payment in FY 2005 was \$4,504,125.
- The International Spy Museum includes a requirement that the District use most of the

sales tax generated by the attraction and a portion of the real property tax from the museum's property to pay for debt service. The estimated amount of the debt service payment for the International Spy Museum in FY 2005 was \$1,330,900. These debt service payments were made from the TIF Special Revenue Fund, which is outside of the General Fund, which is why the General Fund budget shown here is \$0.

Funding by Source

Table TX0-1 shows the sources of funding for the TIF.

Table TX0-1

FY 2006 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Appropriated Fund	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	0	0	1,940	0	-1,940	-100.0
Total for General Fund	0	0	1,940	0	-1,940	-100.0
Gross Funds	0	0	1,940	0	-1,940	-100.0

Expenditure by Comptroller Source Group

Table TX0-2 shows the FY 2006 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table TX0 -2

FY 2006 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Comptroller Source Group	Actual FY 2003	Actual FY 2004	Approved FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
50 Subsidies and Transfers	0	0	1,940	0	-1,940	-100.0
Subtotal Nonpersonal Services (NPS)	0	0	1,940	0	-1,940	-100.0
Total Proposed Operating Budget	0	0	1,940	0	-1,940	-100.0