Dear Chairman Mendelson:


This legislation would authorize, on an emergency and temporary basis, the issuance of tax increment financing (TIF) to support the Reunion Square development project, which will transform an underutilized site located near the Anacostia Metrorail Station into a thriving mixed-use project, contributing to the stabilization and revitalization of the Anacostia neighborhood in Ward 8 (Project).

The Council approved the Reunion Square Tax Increment Financing Emergency Act of 2020 (Emergency Act) on March 3, 2020 and the Mayor subsequently signed the Emergency Act on March 17, 2020. The Committee on Business and Economic Development scheduled a public hearing to be held on the permanent version of the Emergency Act for April 2, 2020. On March 11, 2020 the Mayor declared a Public Emergency and Public Health Emergency in response to several confirmed and presumptive positive cases of COVID-19 in the Washington, DC area. Since March 11, 2020 the number of confirmed cases of COVID-19 has increased exponentially, and on March 30, 2020 the Mayor issued a stay at home order for all District residents. The spread of COVID-19 has severely impacted the ability of Council committees to hold hearings, markups, and conduct regular business. As a result, the April 2, 2020 public hearing on the Reunion Square permanent TIF legislation was cancelled.

The current legislation seeks TIF authorization to support the entirety of the Reunion Square project, including certain infrastructure and site costs for multiple buildings within the Reunion Square development project that comprise approximately 315,000 square feet of office space, 43,000 square feet of retail, a 120 room hotel and 133 residential units dedicated to seniors. The office building will house the new headquarters for the District Department of Health. I am requesting the Council approve this second emergency to ensure that the District Department of Health is able to move forward with
their relocation, to avoid any additional costs to the District, and to ensure that this important Project moves forward.

The attached emergency and temporary legislation proposes tax increment bond financing in the aggregate amount not to exceed $45.8 million to support the eligible components of the Project. Of this total, no more than $16.9 million in aggregate principal will be issued as a TIF bond. The TIF proceeds would fund infrastructure costs and development costs within the Reunion Square TIF area that are required for this Project to move forward.

As always, please feel free to reach out Acting Deputy Mayor John Falcicchio at John.Falcicchio@dc.gov should you have any questions regarding this Project. I look forward to prompt and favorable consideration of this legislation.

Sincerely,

[Signature]
Muriel Boviser

Enclosures
A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To declare the existence of an emergency with respect to the need to authorize the issuance of tax increment financing bonds to support the development project on a portion of the land known as Reunion Square, located to the east of Martin Luther King Jr. Avenue S.E., to the north of Chicago Street S.E., to the west of Railroad Avenue S.E., and to the south of W Street S.E.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the “Reunion Square Tax Increment Financing Second Emergency Declaration Resolution of 2020”.

Sec. 2. (a) The Tax Increment Financing Authorization Act of 1998, effective September 11, 1998 (D.C. Law 12-143; D.C. Code §1-2293.1 et seq.) (the “TIF Act”), was enacted to promote development of projects of special merit in the District of Columbia.

(b) Tax increment financing, as authorized by the TIF Act, is intended to bridge the feasibility gap for worthwhile projects that offer special economic, cultural, social, or financial benefits to the District of Columbia.
(c) The Reunion Square project is a 1.5 million square-foot mixed-use development project that will create affordable housing for seniors and support small business growth in Ward 8. The project is adjacent to Martin Luther King, Jr. Avenue, Shannon Place, Railroad Avenue, V Street, and W Street, SE in Anacostia (the "Project") by Four Points LLC, Curtis Investment Group, and Blue Sky Housing LLC (the “Development Sponsor”).

(d) The Project will provide jobs, affordable housing, and new opportunities for residents of Ward 8 to participate in prosperity. The Project will include affordable space for local retail and will include a relocated headquarters for the D.C. Department of Health.


(f) A public hearing on permanent TIF legislation was scheduled to be held before the Committee on Business and Economic Development on April 2, 2020.

(g) On March 11, 2020, the Mayor declared a Public Emergency and Public Health Emergency in response to several confirmed and presumptive positive cases of COVID-19 in the Washington, DC area.

(h) Since March 11, 2020 the number of confirmed cases of COVID-19 in the District has increased exponentially and on March 30, 2020, the Mayor issued a stay at home order for all District residents. As a result, the April 2, 2020 hearing on the permanent bill was cancelled.

(i) Most District Government employees, including the Council and Council staff, have been working remotely for over two months in an effort to slow the spread of the virus.
(j) The spread of COVID-19 has severely affected the ability of the Council committees to hold hearings, markups, and conduct regular business.

(k) Because it is uncertain when the District Government, including the Council, will be able to resume normal business due to the ongoing COVID-19 pandemic, it is impossible for the Reunion Square TIF permanent legislation to receive the necessary hearing, markup, and votes before the current emergency authority expires on June 15, 2020.

(m) A second emergency is necessary so that the Mayor shall maintain the authority to authorize the issuance of tax increment financing bonds for the Development of Reunion Square to move forward, including for the D.C. Department of Health to move forward with its relocation.

Sec. 3. The Council of the District of Columbia determines that the circumstances enumerated in section 2 constitute emergency circumstances making it necessary that the Reunion Square Tax Increment Financing Emergency Act of 2020 be adopted after a single reading.

Sec. 4. This resolution shall take effect immediately.
MEMORANDUM

TO: John Falcicchio
Acting Deputy Mayor for Planning and Economic Development

FROM: Patrick Allen
Senior Assistant Attorney General
Commercial Division

DATE: May 18, 2020


This is to certify that the Commercial Division has reviewed both of the above-referenced Bills and above-referenced Declaration and found each of them to be legally sufficient. If you have any questions in this regard, please do not hesitate to call me at (202) 870-7495.

Patrick Allen
Senior Assistant Attorney General
MEMORANDUM

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

FROM: Jeffrey S. DeWitt  
   Chief Financial Officer

DATE: May 30, 2020


REFERENCE: Draft Bill as provided to the Office of Revenue Analysis on May 29, 2020

Conclusion

Funds are sufficient in the fiscal year 2020 budget and the proposed fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. The bill authorizes the District to issue $45.8 million of tax increment financing (TIF) debt to support a mixed-use development in the Anacostia historic neighborhood. A portion of the proposed debt, $16.9 million, will be backed by tax revenues from the unrelated Downtown TIF area. The District has identified approximately $1.32 million to create a reserve that is equal to one year’s debt service.

Background

The overall Reunion Square development project consists of a team of developers that plan to construct a mixed-use project with commercial office space, ground-floor retail, parking, a hotel, and a senior affordable housing building. In the first phase of the project, unrelated, but adjacent to the proposed TIF area, the development team built an office building located at 2235 Shannon Place, S.E. that houses District government offices, including the D.C. Lottery and the Department of For-Hire Vehicles.

1 The bill authorizes this debt to be supported by the “Available increment,” the property and sales tax increments generated in the Downtown TIF as defined in the April 1, 2002 Reserve Agreement by the District, Wells Fargo Bank Minnesota, N.A., and Financial Security Assurance, Inc.

2 The development team includes Four Points LLC, Curtis Investment Group, and Blue Sky Housing LLC.
The bill establishes the Reunion Square TIF area that roughly encompasses five land lots bounded by Martin Luther King, Jr. Avenue, S.E. and Shannon Place, S.E. near the terminus of U Street, S.E.; one land lot bounded by Shannon Place, S.E., V Street, S.E., and Railroad Avenue, S.E.; and three land lots bounded by Shannon Place, S.E., an alley located behind private homes along Chicago Street, S.E. and Railroad Avenue, S.E. The bill also establishes the Reunion Square TIF Fund into which the District will deposit the incremental real property and sales tax revenues generated from the TIF area. The incremental sales taxes will be calculated as the difference between the sales taxes due from the TIF area each year and a base value set at the sales taxes generated for the tax year preceding the year in which this bill becomes effective. The incremental real property taxes will be calculated as the difference between the real property taxes due each year and a base amount established for each year in the bill.

The bill authorizes the District to use this tax increment to support the issuance of up to $45.8 million in TIF debt to support the construction of an office building, hotel, and senior affordable housing building, comprising approximately 315,000 square feet of commercial office space and approximately 43,000 square feet of retail space. The Department of Health intends to lease in the office building, relocating its headquarters to this new location. The bill authorizes the District to issue two classes of debt, with the first being $16.9 million in Class A bonds backed by the Downtown TIF area. The District is also authorized to issue up to $28.9 million in Class B debt, which could take the form of a bond or note and is not backed by the Downtown TIF area. The District’s authority to issue Class A bonds will expire on September 30, 2025 and Class B will bonds will expire on September 30, 2030, if no bonds have been issued by those dates.

Any excess tax increment remaining in the Reunion Square TIF Fund each year will be equally divided between the payment of outstanding principal on the TIF debt and transfers to the unrestricted balance of the District’s General Fund.

**Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 budget and the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. The bill authorizes the District to issue up to $45.8 million in TIF debt, which the Office of the Chief Financial Officer estimates to require annual debt service payments of $4.2 million once the project is fully constructed. The tax increment will cover these debt payments. However, the bill also authorizes the Downtown TIF Area as a source of repayment on up to $16.9 million of the debt, and the Mayor is required to appropriate and hold in reserve an amount equal to one year’s debt service payment on this portion, or $1.32 million. The Mayor will pay debt service obligations from this reserve if the tax increment from the Reunion

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3 The lots are known for assessment and tax purposes as Square 5772, Lots 827, 829, 984, 1017, and 1020; Square 5783, Lot 1018; Square 5784, Lots 899, 900, and 1101.
4 Base real property taxes will be $121,881 for 2020, 2021, and 2022, $129,193 in 2023, $136,945 in 2024, and $141,738 in 2025 and each year thereafter through the life of the TIF area.
5 The bill authorizes the District to issue up to $45.8 million in Class B debt minus the amount of any Class A debt issued.
6 Any Class A or B bonds issued prior to those dates are unaffected by these expiration dates.
The Honorable Phil Mendelson  
FIS: "Reunion Square Tax Increment Financing Second Emergency Act of 2020," Draft Bill as provided to the Office of Revenue Analysis on May 29, 2020

Square TIF area is not sufficient to cover debt service payments in any year until the bonds mature or are retired. Any use of the reserve must be replenished. The Mayor has identified the necessary funding and reserved it for this purpose.

The $29.9 million of Class B debt is only backed by tax increment from the TIF area and its approximately $2.8 million annual debt service does not require a reserve that needs to be budgeted in local funds.

The District expects to issue the TIF debt beginning in fiscal year 2021. The combined debt service on the Class A and Class B debt is included in the District's debt cap evaluation.7

The Office of Tax and Revenue (OTR) will need to track development progress and retail activity to allocate the tax revenues to the Reunion Square TIF Fund. OTR can perform these activities with its existing resources.

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