

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: December 6, 2004

SUBJECT: Fiscal Impact Statement: "Douglass Knoll, Golden Rule, 1728 W Street,
and Wagner Gainesville Real Property Tax Exemption Act of
2004"

REFERENCE: Bill Number 15-1034 as Introduced

Conclusion

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan. **The proposed legislation would cause revenue reductions impacting the financial plan in FY 2005 and continuing thereafter. Implementing the proposed legislation would result in unbudgeted costs of approximately \$0.46 million in FY 2005 and \$1.21 million in FY 2005 through FY 2008.**

Background

The proposed legislation requires a real property tax exemption for four rehabilitation project properties in the District of Columbia. The first is Golden Rule Place located at Square 0525 Lot 0840 which would receive a 15-year real property tax exemption under the condition that both Golden Rule Place, Incorporated, and the owner, remain 501(c)(3) organizations; the property is qualified to be and is used for low-income housing;¹ and Golden Rule receives assistance from one or more federal Housing and Urban Development (HUD) programs.²

¹ This provisions is pursuant to a Land and Use Restriction Agreement between Golden Rule and the District of Columbia Housing Finance Agency

² Pursuant to § 542 of the Housing and Community Development Act of 1992; Approved October 28, 1992; 106 Statute 3794; 12 USC § 17152-22 a.k.a. "Section 542 Program."

The proposed legislation requires a real property tax exemption to Wagner Gainesville, LP for 15 years for property located in Square 5835 Lots 34, 35, 36, Square 5835 Lots 42, 43, 44. The real property tax exemptions are under the condition that: Wagner Gainesville LP remains a 501(c)(3) organization; Wagner Gainesville remains controlled by its general partner, the Non-Profit Community Development Corporation which will also be required to remain a 501(c)(3) organization; and the property is used as qualified low-income housing.³

The proposed legislation requires a real property tax exemption to the 1728 W Street, LP for 15 years for property located in Square 5778 Lot 166. The real property tax exemptions are under the condition that: 1728 W Street LP remains a 501(c)(3) organization; 1728 W Street LP remains controlled by its general partner, the Non-Profit Community Development Corporation which will also be required to remain a 501(c)(3) organization; and the property is used as qualified low-income housing.

The proposed legislation requires a real property tax exemption to the Douglass Knoll Cooperative Limited Partnership for 15 years for property located in Square 5894 Lots 38, 39, 40, 41, 42, 43, 44, and Square 5895 Lots 69, 70, 71, and 72. The real property tax exemptions are under the condition that: Douglass Knoll Cooperative Limited Partnership remains a 501(c)(3) organization; Douglass Knoll Cooperative Limited Partnership remains controlled by its general partner, the Non-Profit Community Development Corporation which will also be required to remain a 501(c)(3) organization; the property is used as qualified low-income housing; and Douglass Knoll Cooperative Limited Partnership receives assistance from a HUD program.⁴

The real property tax exemptions previously described will be effective April 1, 2004 on the implementation of the proposed legislation.

Financial Plan Impact

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan because implementation would cause unbudgeted real property tax revenue reductions. The table in Figure 1 presents the estimated real property tax revenue reductions impacting the District's financial plan.

³ Pursuant to an indenture with the Department of Housing and Community Development (DHCD).

⁴ Pursuant to § 542 of the Housing and Community Development Act of 1992; Approved October 28, 1992; 106 Statute 3794; 12 USC § 17152-22 a.k.a. "Section 542 Program."

Figure 1.

Real Property Tax Revenue Reductions Impacting the Financial Plan				
(\$ in Millions)				
FY 2005⁵	FY 2006	FY 2007	FY 2008	4 - Year Total
\$0.46	\$0.24	\$0.25	\$0.26	\$1.21

The 15-year impact associated with the proposed exemptions and subsequent revenue reductions is approximately \$4.5 million to \$5.0 million.

⁵ The fiscal impact for FY 2005 is the aggregate of back-taxes owed for tax years 2002, 2003, 2004 and projected 2005, plus all interest and penalties accrued to date.