

**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: "Tax Abatement Adjustment for  
Housing Priority Area "A" Amendment Act of 2004"

**REFERENCE:** Bill Number 15-1070 as Introduced

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**Conclusion**

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan. **The proposed legislation will result in unbudgeted reduction in local General Fund real property tax revenue of \$0.7 million in FY 2005 and \$2.8 million in FY 2005 through FY 2008.**

**Background**

The proposed legislation approves a real property tax abatement for the Wax Museum project on the 5<sup>th</sup> and K Street and L Street buildings, N.W. The real property tax abatement is conditional. Provisions of the proposed legislation require the first level of concrete is laid by December 31, 2006 on the K street building, and the first level of concrete is laid on the L street building within 18 months of the developers receipt of the Mayor's tax abatement certification letter.

The tax abatement for both the K and L Street buildings shall expire at the end of the 10<sup>th</sup> tax year after the tax year in which the certificate of occupancy is issued for the residential portion of the buildings.

The tax abatement may be transferred by the owner and in the time period from which the tax abatement commenced, and shall continue for 10 years provided that:

1. The tax abatement shall be computed as \$1 per residential FAR<sup>1</sup> square foot of the eligible real property;
2. The tax abatement shall be transferred by the owner:
  - a. To reduce real property taxes imposed upon any residential project in eligible area number 2;
  - b. To reduce real property taxes imposed upon any commercial project in eligible area number 2;
3. The tax abatement will be transferred within:
  - a. A period of 5 years after the receipt by the eligible project of a final certificate of occupancy issued for the entirety of that project; and
  - b. Within one year after the final certificate of occupancy is issued for the project to which the abatement is transferred.

### **Financial Plan Impact**

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan. The Table in Figure 1 presents the estimated taxes that would be forgiven by the provisions of the proposed legislation. The total abatement allowed by the proposed legislation is \$7.1 million over 10 years.

*Figure 1.*

<b>Expenditure Impact to the Financial Plan</b>				
(\$ in 000s)				
<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>TOTAL</b>
\$710	\$710	\$710	\$710	<b>\$2,840</b>

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<sup>1</sup> FAR = Floor Area Ratio.