

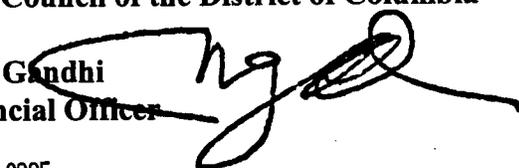
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

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

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: NOV -8 2005

SUBJECT: Fiscal Impact Statement: "Parkside Terrace Economic Development Act of 2005"

REFERENCE: Bill Number 16-432 as Introduced

Conclusion

Funds are not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the legislation. Enactment of the bill's provisions would result in a reduction of real property tax revenue of approximately \$250,000 in FY 2006 and \$450,000 for the period FY 2006 through FY 2009.

Background

The proposed legislation would exempt the Parkside Terrace Property located in Square 5926, Lot 3 and the Parkside Terrace Project from real property taxes, recordation and transfer taxes, and gross sales taxes on tangible personal property incorporated in or used in the project. The project will involve the construction of rental apartments, condominium units, townhouse units and other ancillary improvements on the Parkside Terrace property.

The legislation would make the exemption effective "beginning in the tax year that began October 1, 2004" and would continue it for the condominium and townhouse units until they are transferred by the developer. The exemption for the affordable housing rental units would continue as long as the units are operated as affordable rental housing. Construction on the project is expected to begin in

2006 and to be completed by the end of 2007.

Financial Plan Impact

For tax years 2004 through 2009, the total estimated cost of the real property tax exemption is \$450,000. Of this amount, \$250,000 represents the revenue reduction from FY 2004 through FY 2006. Under its current tax status, Parkside Terrace is liable for payment-in-lieu-of-taxes (PILOT) payments for FY 2004 and FY 2005 and, without this legislation, would continue to be liable for assessed payments for FY 2006 through FY 2009.

The tax exemption for the sales and rental of tangible personal property to be incorporated in or consumed in the development of the project is estimated to be approximately \$380,000 for the period FY 2006 through FY 2009. In the absence of the reconstruction and development of the Parkside Terrace Project, these sales taxes would not be received and are not included in the FY 2006-FY 2009 revenue estimates.

The table in Figure 1 presents the real property revenue reductions impacting the financial plan.

Figure 1.

Estimated Impact on the Financial Plan					
(\$ in 000)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Real Property Exemption	\$250	\$60	\$65	\$75	\$450