

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: MAY 15 2008

SUBJECT: Fiscal Impact Statement: "National Public Radio Real Property Tax Abatement Act of 2008"

REFERENCE: Bill 17-0666 As Introduced

Conclusion

Funds are not sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation. The proposed tax abatement would reduce tax revenues in the FY 2009 through FY 2012 period by \$5.1 million.

Background

The proposed legislation would amend Chapter 10 of D.C. Official Code § 47 to provide property tax abatements for certain properties occupied, and potentially occupied, by National Public Radio, Inc. (NPR).

Currently, NPR headquarters are located on Square 484W in Northwest Washington, D.C. The proposed legislation would limit any increases in real property taxes and vault fees to 3 percent per year until NPR vacates the property.

In addition, the proposed bill would abate the real property tax liability in excess of FY 2008 taxes for the property located at Square 673 on Lot 837 (1111 North Capitol St.), which is the planned location of a new 60,000 square foot headquarters for NPR. This proposed abatement would expire in first tax year starting after the 20th anniversary of the issuance of the certificate of occupancy for the headquarters of NPR that are to be located on the property.

Financial Plan Impact

Funds are not sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the provisions of the proposed legislation. The proposed tax abatement would reduce tax revenues in the FY 2009 through FY 2012 period by \$5.1 million. The fiscal impact of the legislation is the difference between the proposed abatements and expected growth in taxable assessments for the two locations.

In the current location of NPR (Square 484W), the annual growth rate of commercial property values is forecasted at 26% through FY 2012; thus capping the growth in tax liability at 3 percent per year would have a negative fiscal impact.¹ Without certainty of the date at which NPR will vacate its current location, the District must assume an impact in each fiscal year of the planning period for a total impact of \$3.2 million.²

The proposed legislation also freezes real property tax liability from Lot 837 on Square 673 (the proposed future location of NPR), regardless of whether or not NPR actually relocates to this property, at 2008 levels for at least 20 years.³ The annual growth rate of commercial property values in this neighborhood is forecasted at 30% per year through FY 2012.⁴ Thus the proposed abatement would reduce taxes through FY 2012 by another \$1.8 million.

Table 1. Estimated Impact to the Financial Plan of B17-666 National Public Radio Real Property Tax Abatement Act of 2008 (\$ in 000s)					
Item	FY 2009	FY 2010	FY 2011	FY 2012	4 - Year Total
NPR Current Property	-\$276	-\$574	-\$955	-\$1,443	-\$3,248
NPR New Property	-\$111	-\$304	-\$554	-\$880	-\$1,849
Total Reduced Revenue	-\$387	-\$878	-\$1,509	-\$2,323	-\$5,097

In addition, Square 484W is within the Downtown TIF Area; thus, the proposed abatement would also reduce the increment available and therefore would reduce the debt capacity of the Downtown TIF Area. For example, in FY 2009 this bill reduces the Downtown TIF increment by \$276,000 and gross debt capacity by \$1.2 million.⁵

¹ Square 484W is in Assessment Neighborhood Old City 2.

² The legislation also caps the growth in vault fees from Square 484W at 3 percent. Because vault fees are forecasted to grow at less than 3% per year, this provision has no fiscal impact. Vault fees are 94% of public space rental revenue. Public space rental revenue is forecasted to grow at 2.7% per year through FY 2012, and was used as a proxy for vault fee annual growth.

³ The abatement would begin on the date the proposed legislation is enacted and would end after 20 years from the time of the issuance of the final certificate of occupancy. Thus, the exact end date for the abatement depends on when the certificate of occupancy is issued.

⁴ Square 0673 is in Assessment Neighborhood RLA, NE.

⁵ Assumes a 6% interest rate and a 25 year term.