

**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: November 12, 2009

SUBJECT: Fiscal Impact Statement: "Third & H Streets, N.E. Economic
Development Act of 2009"

REFERENCE: Bill 18-432

Conclusion

Funds are not sufficient in the FY 2010 budget, but funds are not sufficient in the FY 2010 through FY 2013 financial plan to implement the proposed legislation. The real property tax abatement, sales tax abatement for construction materials, and deed recordation and transfer tax abatement would reduce the District's revenue collections by approximately \$685,000 in the FY 2010 budget and by \$5 million in the FY 2010 through FY 2013 period.

Background

The Third and H Streets Project is proposed to be a mixed-use development consisting of approximately 210 residential units, 42,000 square feet of retail space including a supermarket and a parking garage with 250 to 270 spaces. The project is located in Square 776, Lot 54 and is owned by the developer, Steuart – H Street, LLC, a subsidiary of Steuart Investment Company of Chevy Chase, MD. The developer projects that construction will begin in the fall of 2010 and certificates of occupancy will be obtained for the parking garage and grocery store by January of 2012, and for the residential units by December 2012.

This legislation exempts the Third and H Streets Project from 100 percent of real property taxes above the FY 2010 real property tax payment for a period of 10 years (FY 2011 to FY 2020) and exempts a portion of those property taxes over a second 10-year period (FY 2021 to FY 2030). The legislation also exempts the property from deed recordation and transfer taxes and for sales taxes on construction materials. In total, these exemptions are not to exceed \$5 million. The

supermarket portion of the project site is expected to receive a 10-year real property tax abatement through the District's supermarket tax exemption program. However, the supermarket exemption is not included in this \$5 million cap.

The total project cost for Steuart to redevelop this property is expected to be \$67.5 million.¹ The \$5 million subsidy from the District is approximately 7.4% of the total project cost.

The total loss of revenue to the District that would occur due to implementation of this legislation is approximately \$5 million from FY 2010 through FY 2013. The total District subsidy over the life of the entire abatement period (FY 2010 to FY 2030) would be much greater, but the legislation caps the abatements at \$5 million, which is projected to be reached in FY 2013.

The OCFO has not performed a financial analysis of the project to determine whether the project needs a subsidy to move forward and/or what size that subsidy might be.

Fiscal Impact

Funds are not sufficient in the FY 2010 budget and the FY 2010 through FY 2013 financial plan to implement the proposed act. The abatement proposed by this legislation would reduce revenue collections by \$5 million in the FY 2010 through FY 2013 financial plan period.

Fiscal Impact of Bill 18-0432, Third & H Streets, N.E. Economic Development Act of 2009

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2010 - FY 2013
Real Property Tax Exemption	\$0	\$3,000	\$474,000	\$867,000	\$1,343,000
Construction Period Sales Tax	\$0	\$735,000	\$735,000	\$0	\$1,470,000
Deed Recordation and Transfer Tax	\$685,000	\$0	\$0	\$1,502,000*	\$2,187,000
Total Value of Abatement	\$685,000	\$738,000	\$1,209,000	\$2,369,000	\$5,000,000

* This is less than the total deed recordation and transfer tax because abatement reaches the \$5m cap.

¹ Steuart – H Street, LLC Construction Budget.