

**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:** June 23, 2009

**SUBJECT:** Fiscal Impact Statement – “Affordable Housing Opportunities  
Residential Rental Project Property Tax Exemption and Equitable  
Real Property Tax Relief Amendment Act of 2009”

**REFERENCE:** Bill 18-281, As Introduced (Revised)

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**Conclusion**

Funds are not sufficient in the FY 2009 budget or the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce property tax collections by \$119,906 in 2009 and by approximately \$263,800 over the FY 2009 through FY 2013 financial planning period, for a total estimated negative fiscal impact of \$383,700.

**Background**

The proposed legislation would amend Chapter 10 of Title 47 of the D.C. Official Code to exempt from real property taxation indefinitely the Affordable Housing Opportunities Rental Project, located on Lot 800 in Square 5984 and Lot 916 in Square 5730, so long as the property is owned by Affordable Housing Opportunities, Inc., or by an entity controlled, directly or indirectly, by Affordable Housing Opportunities, Inc. and not used for commercial purposes.<sup>1</sup>

The proposed legislation would also refund all tax payments made on the aforementioned properties starting January 1, 2008, including interest, penalties, fees, and other related charges

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<sup>1</sup> Lot 800 in Square 5984 and Lot 916 in Square 5730 were acquired by Affordable Housing, Inc. in 2008.

assessed against Affordable Housing Opportunities, Inc. or by an entity controlled, directly or indirectly, by Affordable Housing Opportunities, Inc.<sup>2</sup>

Lastly, the proposed legislation would amend the Equitable Parking Meter Rates Temporary Amendment Act of 2009<sup>3</sup> to allow an unspecified amount of revenue generated through that Act to offset the fiscal impact of the proposed tax abatement.

### Financial Plan Impact

Funds are not sufficient in the FY 2009 budget or the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce property tax collections by \$119,906 in FY 2009 and by approximately \$383,676 over the FY 2009 through FY 2013 financial planning period.

The proposed legislation would authorize a refund for approximately \$20,300 in property tax payments made for Tax Year 2008. This refund would be issued in FY 2009. Additionally, the proposed legislation would abate the property tax obligations of approximately \$99,600 in FY 2009, and estimated real property tax obligations of approximately \$263,700 over the FY 2010 through FY 2013 financial planning period.

| <b>Fiscal Impact of the "Affordable Housing Opportunities Residential Rental Project Tax Exemption and Equitable Real Property Tax Relief Act of 2009"</b> |                  |                 |                            |                            |                            |                        |
|--|------------------|-----------------|----------------------------|----------------------------|----------------------------|------------------------|
|  | <b>FY 2009</b>   | <b>FY 2010</b>  | <b>FY 2011<sup>b</sup></b> | <b>FY 2012<sup>b</sup></b> | <b>FY 2013<sup>b</sup></b> | <b>Five Year Total</b> |
| Refunds for past payments  | \$20,323         | \$0             | \$0                        | \$0                        | \$0                        | <b>\$20,323</b>        |
| Value of Abatement <sup>a</sup>  | \$99,583         | \$65,745        | \$65,876                   | \$66,008                   | \$66,140                   | <b>\$363,352</b>       |
| Total Reduction in Tax Collections   | \$119,906        | \$65,745        | \$65,876                   | \$66,008                   | \$66,140                   | <b>\$383,676</b>       |
| Funds available <sup>c</sup>   | \$0              | \$0             | \$0                        | \$0                        |                            | <b>\$0</b>             |
| <b>Negative Fiscal Impact</b>  | <b>\$119,906</b> | <b>\$65,745</b> | <b>\$65,876</b>            | <b>\$66,008</b>            | <b>\$66,140</b>            | <b>\$383,676</b>       |

<sup>a</sup> Includes property taxes (including fees and penalties) owed in 2008 and 2009. All lots are classified as Class 1 (residential) property and were acquired by Affordable Housing, Inc. in 2008.

<sup>b</sup> The value of the properties are assumed to grow by 2 percent in FY 2011 and FY 2012

<sup>c</sup> Bill 18-281 does not specify the amount of revenue that would be used to offset the cost of the abatement; therefore it is assumed the value is zero.

<sup>2</sup> The real property at issue was acquired by Affordable Housing Opportunities, Inc. in 2008; therefore the property tax payments made prior to 2008 would not be refunded, unless the properties were owned by entities indirectly controlled by Affordable Housing Opportunities, Inc.

<sup>3</sup> Effective March 31, 2009 (D.C. Law 17-374; 56 DCR 1390).

The proposed legislation would authorize an unspecified amount of revenue generated through the parking meter rate increases approved by D.C. Law 17-374 to off-set the cost of the proposed tax abatement.<sup>4</sup> D.C. Law 17-374 allocated \$1 million of the additional revenues to City Market at O Street Project, and authorized the use of the remaining funds to support the Local Rent Supplement Program, the Housing First Program, the Home Purchase Assistance Program, and Temporary Assistance for Needy Families, but did not specify the allocations for these four programs. The proposed legislation would reduce the funds available for these four programs by \$119,906 in FY 2009, if this amount of revenue is dedicated to offset the cost of the proposed abatement.<sup>5, 6</sup>

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<sup>4</sup> The additional revenues that would be generated by D.C. Law 17-374 are estimated to be \$5.5 million for FY 2009 and \$11.1 million for every year after. The fiscal impact statement for that legislation, issued on January 21, 2009, is available at [http://app.cfo.dc.gov/services/fiscal\\_impact/pdf/spring09/012309\\_2.pdf](http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/012309_2.pdf)

<sup>5</sup> It is assumed that the proposed allocation would come out of FY 2009 revenues. The Mayor's proposed FY 2010 budget and FY 2010 through FY 2013 financial plan repeals the section of D.C. Law 17-374 that would allocate the additional revenues to special programs, and directs these revenues to the DDOT Unified Fund.

<sup>6</sup> Subtitle (I)(O) of the FY 2010 Budget Support Act of 2009, if enacted, would direct \$3.4 of the FY 2009 parking meter revenues to certain programs. If the subtitle is enacted, about \$600,000 of revenue would be available for other purposes.