

**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:** September 22, 2010

**SUBJECT:** Fiscal Impact Statement – “Land Acquisition for Housing  
Development Opportunities Program Amendment Act of 2010”

**REFERENCE:** Bill Number 18-602 – As Introduced

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*This revised Fiscal Impact Statement reflects the amendment to Bill 18-620 introduced and passed on September 21, 2010, and it replaces the Fiscal Impact Statement issued by the OCFO on June 9, 2010.*

**Conclusion**

Funds are not sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the legislation. The estimated fiscal impact of the proposed legislation with the proposed amendment is \$1,313,218 in FY 2011 and \$2,022,073 over the FY 2011 through FY 2014 budget and financial plan. The legislation was passed subject to appropriations on September 21, 2010.

**Background**

The legislation amends the Chapter 10 of Title 47, the possessory interest tax statute, to exempt all existing and future leases entered into under the Land Acquisition for Housing Development Opportunities (LAHDO) Program<sup>1</sup> from all taxes, assessments, and public charges related to the leased land, including but not limited to, any possessory interest. The amendment adopted on the dais on September 21, 2010 establishes June 9, 2001 as the effective date of the legislation. As a result, all taxes paid or owed by the property owners since 2001 would be refunded or forgiven.

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<sup>1</sup> DCMR Title 10B. Planning and Development, Chapter 45, Land Acquisition for Housing Development Opportunities Program, Section 4500, General Provisions.

Under the LAHDO Program, the District leases land to a developer for the purposes of developing or rehabilitating the housing on the land. Because the District land is leased for business or residential use, the lease is subject to the possessory interest tax.

**Financial Plan Impact**

Funds are not sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the legislation. The proposed legislation is estimated to reduce tax collections by \$1,313,218 in FY 2011 and \$2,022,073 over the FY 2011 through FY 2014 budget and financial plan. The legislation was passed subject to inclusion of its fiscal impact in the budget. Because the legislation is effective as of June 1, 2001, once the legislation is funded, all taxes paid or owed by the property owners since 2001 would be refunded or forgiven.

This estimate, which reflects the possessory interest tax revenue, is based on the lease values of parcels that are currently leased under the LAHDO Program.<sup>2</sup> While the legislation exempts the leases from "all taxes, assessments and public charges related to the leased land," it is not possible to estimate the corresponding loss of revenue for all of these since these items are not clearly specified in the legislation.

<b>Estimated Negative Fiscal Impact for B 18-602, with proposed amendments</b>					
	FY 2011	FY 2012	FY 2013	FY 2014	Four Year Total
Refund of Past Tax Liability	\$1,090,562	\$0	\$0	\$0	\$1,090,562
Reduction in Tax Collections	\$222,656	\$229,336	\$236,216	\$243,303	\$931,511
<b>Total Fiscal Impact</b>	<b>\$1,313,218</b>	<b>\$229,336</b>	<b>\$236,216</b>	<b>\$243,303</b>	<b>\$2,022,073</b>

Assumptions

- It is assumed that tax refunds would be issued in FY 2011
- Past tax liability includes interest and penalties
- No new parcels would be leased under the LAHDO Program

<sup>2</sup> Data provided by the Department of Housing and Community Development and the Office of Tax and Revenue.