

**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 3, 2010

SUBJECT: Fiscal Impact Statement: "UNCF Tax Abatement and Relocation to the District Assistance Act of 2010"

REFERENCE: Bill 18-619

Conclusion

Funds are not sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The real property tax abatement would have a negative fiscal impact of approximately \$612,000 in the FY 2010 through FY 2013 period. The Mayor has identified sources of funds to offset the fiscal impact and has authorized the use of funds through this legislation. However, the Council and Congress would need to separately approve appropriation authority before these funds would be available for this purpose. The Mayor has included this appropriation in the FY 2011 budget submission.

Background

This legislation abates the real property taxes of the United Negro College Fund (UNCF) for a period of 10 years (FY 2012 to FY 2021) and provides relocation assistance in FY 2010 to help offset the costs of a UNCF move into the District. Real property taxes would be abated beginning in FY 2012, once UNCF has occupied its new office space and meets other criteria required by the legislation. The legislation would authorize real property tax abatement up to \$200,000 in FY 2012 to support a half-year property tax abatement. The property tax abatement would grow by 3 percent each year from a \$400,000 base. The relocation assistance would be \$710,000.

The UNCF is currently located in Fairfax, Virginia and intends to move to office space to be constructed at the Broadcast Center One project located at 7th and S Streets, NW, in the Shaw neighborhood. UNCF is expected to purchase 50,000 square feet of office space at market value from the developers, Broadcast Center One (BCO) Partners. To support this purchase, UNCF is expected to also apply for an Industrial Revenue Bond (IRB) loan from the District, which would also need Council approval. This IRB application has not yet been submitted.

The Project

Broadcast Center One is a mixed-use commercial, residential, retail project located at the Shaw Metro stop adjacent to the Howard Theatre in Northwest Washington. In 2008, the Council approved a property disposition and Tax Increment Financing (TIF) in support of the Broadcast Center One project. These were approved pursuant to a negotiated Land Disposition Agreement (LDA) between the Deputy Mayor for Planning and Economic Development and BCO Partners.

To support the development, the project received a total subsidy package worth about \$22.3 million which supported: 1) the relocation of Radio One from Maryland; 2) affordable housing; 3) local retail and 4) parking for the Howard Theatre. The LDA set the TIF Note at \$6.418 million. However, due to a recent decision by Radio One not to move to this location, the authority to issue the TIF is proposed for repeal in the Fiscal Year 2011 Budget Support Act of 2010. The total cost for the Broadcast Center One project is expected to be approximately \$143 million which includes approximately 12 percent in subsidy from the District, not including the tax abatement and relocation assistance proposed in this legislation.

BCO Partners is planning to break ground in the summer of 2010 and to complete the project for occupancy in the spring of 2012, when UNCF will move into its new office space. Broadcast Center One's modified development plan is now expected to consist of approximately 168,000 square feet of office space, 136,000 square feet of residential apartments (consisting of 133 units, 20 of which will be between 30 percent and 80 percent of Area Median Income) and 15,000 square feet of retail space.

Sources for UNCF Subsidy

The Mayor has identified \$710,000 in Great Streets funds available in FY 2010 to pay for capital relocation costs for UNCF. These funds will be set aside in FY 2010 for the anticipated UNCF move in FY 2012. The proposed legislation approves a reprogramming for these funds. The Mayor has also identified funds to support the proposed tax abatements for UNCF in FY 2012, FY 2013 and FY 2014 with funds available in the District of Columbia Revitalization Fund. The proposed legislation grants the authority to spend these funds; however, the Council and Congress would need to separately approve appropriation authority before these funds would be available for this purpose. The Mayor has included this appropriation in Section 201 the Fiscal Year 2011 Budget Request Act of 2010. At this time, available funds are not sufficient to offset the fiscal impact that this legislation would create. However, if the Fiscal Year 2011 Budget Request Act of 2010 is enacted with this provision, then funds would be sufficient to implement the legislation.

The total fiscal impact for the District that would occur due to implementation of this legislation is approximately \$612,000 from FY 2010 through FY 2013. The total District subsidy provided to UNCF (FY 2010 to FY 2021) is expected to be \$5.1 million.

The OCFO has not performed a financial analysis of how subsidizing the UNCF move would affect the larger Broadcast Center One project, including returns to the developer. The total amount of subsidy, including the UNCF subsidy authorized in this legislation, is \$21 million, which is over 15 percent of the total project costs.

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 and subsidy proposed by this legislation would have a fiscal impact of \$612,000 in the FY 2010 through FY 2013 financial plan period.

Estimated Fiscal Impact for FY 2010 through FY 2013					
	FY 2010	FY 2011	FY 2012	FY 2013	4 Year Total
Real Property Tax Abatement	\$0	\$0	\$200,000	\$412,000	\$612,000
Total Subsidy		\$0	\$200,000	\$412,000	\$612,000

Finally, the proposed legislation would have an impact beyond the FY 2010 though FY 2013 budget and financial plan, as the tax abatement would remain in effect for ten years. Between FY 2014 and FY 2021, the proposed legislation, if enacted, would further reduce property tax collections by a total of approximately \$3.7 million, for a total of \$5.1 million in total subsidy, including the \$710,000 in relocation assistance.

Estimated Fiscal Impact for FY 2014 through FY 2021		
Year	Fiscal Impact	Cumulative
FY 2014	\$424,360	\$1,746,360
FY 2015	\$437,091	\$2,183,451
FY 2016	\$450,204	\$2,633,654
FY 2017	\$463,710	\$3,097,364
FY 2018	\$477,621	\$3,574,985
FY 2019	\$491,950	\$4,066,934
FY 2020	\$506,708	\$4,573,642
FY 2021	\$521,909	\$5,095,552