

**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, 2010

SUBJECT: Fiscal Impact Statement – “Department of Transportation Streetscape Construction Survival Fund Act of 2010”

REFERENCE: Bill Number 18-718 – Draft Committee Print shared with ORA on June 22, 2010

Conclusion

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. The proposed FY 2011 budget provides an initial funding of \$7,000,000 to support the grants proposed by this legislation.

The proposed legislation would require that the “Relief Fund” established for the provision of grants be continuously funded through allocations based on approved future real property tax abatements. Requiring the DC Government to set aside funds based real property tax abatement values would not have an immediate impact on the District’s budget and financial plan; however, it would impose a cost on future real property tax abatement authorizations. Funding for those costs must be identified as funding is identified for the Council-approved tax abatements.

Background

The proposed legislation would establish eligibility for funds¹ (“Relief Fund”) to support qualifying businesses² with demonstrated losses within streetscape project³ construction impact

¹ Grants from the project titled “Support for Small Business Survival During Construction of Any Streetscape Improvement” (“Relief Fund”), as described in subparagraph (e)(6) of Sec. 7072 of the Amendment to “Fiscal Year 2011 Budget Support Act of 2010” (B18-731)

² A “qualifying business” is any local or small business as defined in D.C. Official Code § 2-218.31 and § 2-218.32.

³ A “streetscape project” is defined as a full roadway reconstruction on a commercial main street.

zones.⁴ Each business would be allowed to apply on a quarterly basis for a grant from the Relief Fund, not to exceed that business's demonstrated losses.⁵ The proposed legislation would also require the District Department of Transportation (DDOT) Director to designate a construction impact zone prior to the start of construction for any streetscape project undertaken by DDOT.⁶

As a source of continuing funding, the proposed legislation would dedicate to the Relief Fund 15 percent of the value of any Council-approved real property tax abatement, approved after October 1, 2010, for the life of the abatement. Additionally, the proposed legislation would require each streetscape project to include funding for a streetscape ombudsperson, who would coordinate with local businesses and other community stakeholders to minimize construction impacts and maintain communication, and authorize the Mayor to write rules describing how businesses can apply for funds and how they will be dispersed.

Financial Plan Impact

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. Initial funding for the proposed legislation in the amount of \$7,000,000 is included in the proposed FY 2011 budget.

It is not possible to provide a certification for the potential funding stream that would be created by committing 15 percent of all Council-approved future real property tax abatements. But, for example, based on all real property tax abatements approved in FY 2009, the tax abatements approved could amount to approximately \$1.4 million in the first year of implementation, \$2.6 million in the second year, \$4.2 million in the third year, and \$6.4 million thereafter for about 10 years before they gradually decline. Under this scenario, the amounts that would have to be diverted from other sources to the Relief Fund would be approximately \$200,000 in the first year following the effective date of the proposed legislation, \$400,000 in the second year, \$600,000 in the third year, and \$960,000 from then on for about 10 years. These would have to be identified at the time the tax abatement proposals are enacted.

⁴ A "construction impact zone" is an area designated by the District Department of Transportation, where, due to the nature and duration of a streetscape project, a qualified business may experience demonstrated losses during the construction period.

⁵ The calculation of demonstrated losses would be based on a comparison of the revenue in a specified period prior to the streetscape project with the revenue in an equivalent period during the streetscape project.

⁶ For streetscape projects that are already under construction as of the effective date of the proposed legislation, the Director is required to designate a construction impact zone within 30 days of the effective date of the legislation.