

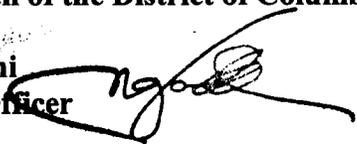
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**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:** July 1, 2010

**SUBJECT:** Revised Fiscal Impact Statement – “Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2009”

**REFERENCE:** Bill Number 18-198 – As Introduced

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*This revised fiscal impact statement takes into consideration the fiscal effect of emergency and temporary legislation passed in FY 2009, as well as changes in the District's nuisance property tax laws. This fiscal impact statement replaces the one issued by the OCFO on April 2, 2009.*

**Conclusion**

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would result in a negative fiscal impact of approximately \$128,000 in FY 2011 and \$327,000 in the FY 2011 through FY 2014 financial plan period.

**Background**

The proposed legislation would amend Chapter 10 of Title 47 of the District of Columbia Official Code to add a new provision that would grant perpetual property tax exemptions to Lots 24, 25, 26, 38, 214, 215, 923, 924, and 925<sup>1</sup> in Square 5730, so long as the real properties continued to be owned by Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church, and not used for commercial purposes.

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<sup>1</sup> The proposed legislation describes one parcel as both Lot 294 and Lot 924, and another as Lot 295 and Lot 925. The correct descriptions are Lots 924 and Lot 925. Source: Taxpayer Service Center on the Office of the Chief Financial Officer website.

The proposed legislation would also order reimbursement of all tax payments made on the aforementioned properties starting January 1, 2006, including all real property taxes, interest, penalties, fees, and other related charges assessed against Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church.

Lastly the proposed legislation would allow the use of \$382,000 from the revenue generated through the Equitable Parking Meter Rates Temporary Amendment Act of 2009<sup>2</sup> to offset the fiscal impact of the proposed abatement and tax relief.

**Financial Plan Impact**

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation is estimated to reduce real property tax collections by \$128,067 in FY 2011 and \$327,471 over the FY 2011 through FY 2014 budget and financial planning period.

<b>Revised Fiscal Impact of Bill 18-198 - Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2009</b>					
<b>Estimated Reductions in Property Tax Collections and Net Negative Fiscal Impact</b>					
	<b>FY 2011</b>	<b>FY 2012<sup>b</sup></b>	<b>FY 2013<sup>b</sup></b>	<b>FY 2014<sup>b</sup></b>	<b>Four Year Total</b>
Value of property tax exemption for FY 2010	\$64,189	\$0	\$0	\$0	\$276,847
Value of property tax exemption for the current year <sup>a</sup>	\$65,156	\$65,156	\$66,459	\$67,788	\$327,471
<b>Total reductions in property tax collections</b>	<b>\$128,067</b>	<b>\$65,156</b>	<b>\$66,459</b>	<b>\$67,788</b>	<b>\$327,471</b>

Notes

- a. Assumes the proposed legislation would not take effect until FY 2011.
- b. The assessed values for FY 2012 through FY 2014 are based on projections for property tax values.

Emergency and temporary legislation passed in 2009<sup>3</sup> authorized a refund for \$276,847 in property tax payments made for tax years 2006, 2007 and 2008, as well as an exemption from the property tax obligations of \$197,203 in FY 2009. The total cost of \$474,049<sup>4</sup> for the tax refund and exemption was incorporated into the approved FY 2010 budget and financial plan.<sup>5</sup>

However, under the approved emergency and temporary legislation the real property tax exemption sunset on September 30, 2009; therefore the above-mentioned properties reverted

<sup>2</sup> Act 17-713, enacted on Wednesday, January 28, 2009.

<sup>3</sup> Act 18-72, enacted on May 11, 2009 (emergency); D.C. Law 18-32, effective July 18, 2009 (temporary).

<sup>4</sup> Prior to FY 2010, the properties were classified as vacant and taxed at a rate of \$5 per \$100 of assessed value. Due to changes in the District's nuisance property tax laws, the properties are taxed at the Class 1 or Class 2 real property tax rates.

<sup>5</sup> FY 2010 Proposed Budget and Financial Plan, Volume 1, page 4-21 (updated: September 28, 2009)

[http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/budget/2010\\_9\\_29/volume\\_1\\_-\\_executive\\_summary\\_web.pdf](http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/budget/2010_9_29/volume_1_-_executive_summary_web.pdf)

back to a taxable status after this date. The proposed legislation would exempt these properties from real property taxes in perpetuity starting in FY 2010.

While the proposed legislation states that funds from the Equitable Parking Meter Rates Temporary Amendment Act of 2009 would be used to offset the fiscal impact of the proposed legislation, this Act was repealed by section 6023 of the Fiscal Year 2010 Budget Support Act of 2009.<sup>6</sup> As a result, there is no funding for these exemptions.

Finally, given that the tax exemption authorized by the proposed legislation does not expire, the proposed legislation would continue to have a fiscal impact beyond the four-year financial plan period. For example, in the ten years following FY 2014, the proposed legislation is expected to reduce the property tax collections by an additional \$757,108, bringing to the total negative impact to approximately \$1.1 million.

<b>Fiscal Impact of Bill 18-198 Estimated Annual Reductions in Property Tax Collections for FY 2015 through FY 2024</b>	
	<b>Value of the Tax Abatement</b>
FY 2015	\$69,144
FY 2016	\$70,527
FY 2017	\$71,937
FY 2018	\$73,376
FY 2019	\$74,844
FY 2020	\$76,341
FY 2021	\$77,867
FY 2022	\$79,425
FY 2023	\$81,013
FY 2024	\$82,634
<b>Total</b>	<b>\$757,108</b>

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<sup>6</sup> Effective March 3, 2010 ( D.C. Law 18-111; 57 DCR 151)