

**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: April 22, 2009

SUBJECT: Revised Fiscal Impact Statement: "Tregaron Conservancy Tax Exemption and Relief Amendment Act of 2007"

REFERENCE: Bill No. 17-342 as Enrolled, D.C. Law No. 17-119

Conclusion

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement D.C. Law No. 17-119. The law would reduce revenue collections by \$134,339 in FY 2009 and by \$216,924 in the FY 2009 through FY 2012 financial plan period.¹

Background

D.C. Law No. 17-119, effective March 20, 2008², amended Chapter 10 of Title 47 of D.C. Official Code to exempt from taxation indefinitely the property acquired and owned by Tregaron Conservancy, described as Lots 842 and 843 in Square 2084 ("Property"). The tax exemption was passed subject to appropriations in January 2008, and was not funded in the FY 2009 through FY 2012 budget and financial plan.

¹ The Office of the Chief Financial Officer issued a Fiscal Impact Statement for Bill No. 17-342 on October 19, 2007, valuing the tax abatement at approximately \$200,000 per year based on the property value at the time. However, given that the tax abatement was authorized contingent upon the land remaining unimproved open space accessible to general public at no charge, the Office of Tax and Revenue recently revised downward the value of the property. Specifically, the value of the Property, since subdivided, has been reassessed; Lot 849 in Square 2084 has been revised down to \$1.7 million from \$6.7 million, and the value of Lot 857 in the same square has been revised down to \$19,148 from \$76,190. This revised Fiscal Impact Statement reflects the changes to the fiscal impact as a result of OTR's reassessment.

² Bill No. 17-342 enacted January 24, 2008.

Since the enactment of the legislation, Lots 842 and 843 have been subdivided into new lots. According to the Office of Tax and Revenue, the tax exemptions authorized under D.C. Law No. 17-119 would apply to the new Lots 845, 849, and 857 in Square 2084. Current law stipulates that the properties would remain exempt from taxation as long as the property is owned by the Tregaron Conservancy, remains unimproved, is maintained as open space, and is accessible to the general public without a charge. In addition, the D.C. Official Code exempts the conveyance of the Property from Tregaron Limited Partnership to the Tregaron Conservancy and the Washington International School from the deed recordation and transfer taxes. The conveyance of Lots 849 and 857 to the Tregaron Conservancy occurred on September 11, 2008; therefore, the real property tax exemption for the Property would become effective as of that date.

The tax exemption authorized under this legislation would be implemented once funds have been identified and included in the budget and financial plan to cover the cost of the reduction in tax revenue.

Financial Plan Impact

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The tax exemption is estimated to reduce revenue collections by approximately \$134,000 in FY 2009 and by \$216,924 in the FY 2009 through FY 2012 financial plan period.

Estimated Impact on the FY 2009 – FY 2012 Financial Plan Tregaron Conservancy Tax Exemption and Relief Amendment Act of 2007 FY 2009 – FY 2012					
	FY 2009	FY 2010	FY 2011	FY 2012	4 Year Total
Estimated Assessed Value	\$4,181,161	\$4,097,538	\$4,097,538	\$4,138,513	
Square 2084, Lot 845 ^a	\$2,484,370	\$2,434,683	\$2,434,683	\$2,459,029	
Square 2084, Lot 849	\$1,677,643	\$1,644,090	\$1,644,090	\$1,660,531	
Square 2084, Lot 857	\$19,148	\$18,765	\$18,765	\$18,953	
Class 2 Tax Obligation ^b	\$27,997	\$27,437	\$27,437	\$27,711	\$138,571
Recordation Tax Owed	\$45,993	\$0	\$0	\$0	\$45,993
Transfer Tax Owed ^c	\$60,349	\$0	\$0	\$0	\$60,349
Total Tax Bill (Negative Fiscal Impact)	\$134,339	\$27,437	\$27,437	\$27,711	\$216,942

^a Lot 845 was exempt from real property taxes prior to being transferred to the Tregaron Conservancy in 2008, and prior to the enactment of Bill No. 17-342; therefore it is not included in the cost estimate because the District does not collect real property tax revenue from the lot. This lot is a Class 3 property used by the Washington International School (WIS) for educational purposes.

^b Lots 849 and 857 have been reclassified as Class 2 properties and therefore are taxed at a rate of \$1.65 per \$100 of assessed value (given the value is under \$3 million).

° Lot 857 was transferred from the WIS to the Tregaron Conservancy. Because the property was exempt from real property taxation while it was owned by the WIS, the transferor is also exempt from the transfer tax, pursuant to D.C. Official Code § 47-902.

Because the tax exemption would continue indefinitely so long as the property is held by the Tregaron Conservancy, D.C. Law No. 17-119, once funded, would continue to have an impact beyond the financial plan period. For example, between FY 2013 and FY 2022, the tax exemption would reduce property tax collections by an additional \$292,827, bringing the total negative impact to \$509,751.

Estimated Impact beyond the Financial Plan Period		
Tregaron Conservancy Tax Exemption and Relief Amendment Act of 2007		
	Annual Negative Impact	Cumulative Negative Impact
FY 2013	\$27,989	\$244,913
FY 2014	\$28,269	\$273,182
FY 2015	\$28,552	\$301,733
FY 2016	\$28,837	\$330,571
FY 2017	\$29,125	\$359,696
FY 2018	\$29,417	\$389,113
FY 2019	\$29,711	\$418,824
FY 2020	\$30,008	\$448,832
FY 2021	\$30,308	\$479,140
FY 2022	\$30,611	\$509,751
Total Negative Impact	\$292,827	