

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:** October 7, 2010

**SUBJECT:** Fiscal Impact Statement – “Perry Street Affordable Housing Tax Exemption Extension Act of 2010”

**REFERENCE:** Bill Number 18-1004, As Introduced

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**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 reduce tax collections by \$16,594 in FY 2011; there would be no additional reductions in FY 2012 through FY 2014.

**Background**

The proposed legislation would amend Title 47 of the D.C. Official Code to exempt the property described as Lot 20, Square 3883,<sup>1</sup> located at 1029 Perry Street, N.E., from property taxes and related fees for a period starting from the date of expiration of the original exemption for this property through April 1, 2011.

The property, formerly known as Lot 842, Square 3883<sup>2</sup>, was exempted from property taxes<sup>3</sup> from October 1, 2006 until September 30, 2009. Beginning on October 1, 2010, real property taxes have been assessed on the property.

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<sup>1</sup> The legislation incorrectly identifies the property as Lot 20, Square 3885. Council has confirmed that this will be corrected in the Committee Print.

<sup>2</sup> The new lot was created in spring 2010.

<sup>3</sup> Pursuant to Section § 47-3505, Nonprofit Housing Organizations--Qualifications; Exemptions.

### 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 would reduce tax collections by \$16,594 in FY 2011; there would be no additional reductions in FY 2012 through FY 2014.

<b>Estimated Loss of Tax Revenue for Extension of Exemption</b>					
	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>Four-Year Total</b>
Property Tax Refunds for FY 2010	\$10,702	\$0	\$0	\$0	\$10,702
Property Tax Liability for First Half of FY 2011	\$5,892	\$0	\$0	\$0	\$5,892
<b>Negative Fiscal Impact</b>	<b>\$16,594</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,594</b>

It should be noted, however, that the Office of Tax and Revenue (OTR) may be obliged to revoke the original 3-year real property tax exemption. This is because the terms of the property tax exemption require that the property be transferred from the non-profit organization (in this case Manna, Inc.) to a household subject to certain income limitations or to a cooperative housing association within 36 months after the approval of the exemption;<sup>4</sup> however the transfer did not occur during that period and to date, still has not occurred. Current law<sup>5</sup> does allow for a 6-month extension of the time for transfer of the property, but the extension must be requested in writing within 30 days after the end of the 36-month period. OTR records indicate that no such extension request was received.

The law provides that if the property is not transferred the exemptions granted under Section 47-3505 of the D.C. Official Code are to be disallowed, and the tax that would have been due in the absence of the exemption, as well as interest and penalty, are to be paid by the organization. This fiscal impact statement assumes that the terms of the exemption would be met; it does not reflect any back taxes or penalty the property would be subject to due to noncompliance with law.

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<sup>4</sup> Administration and Enforcement--Qualifying Nonprofit Housing Organizations and Cooperative Housing Associations, D.C. Official Code § 47-3506(a)(1).

<sup>5</sup> Nonprofit Housing Organizations--Qualifications; Exemptions, D.C. Official Code § 47-3505(a)(1)(C).