

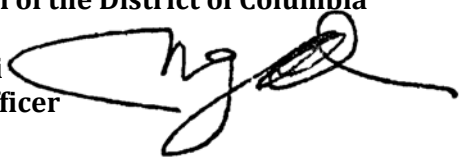
Government of the District of Columbia
Office of the Chief Financial Officer



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: December 1, 2010

SUBJECT: Fiscal Impact Statement – “Beulah Baptist Church Real Property
Equitable Tax Relief Act of 2010”

REFERENCE: Bill Number 18-870, Revised Draft as Shared with the OCFO on
October 22, 2010

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. Enactment of the legislation would result in a fiscal impact of approximately \$502,354 over the FY 2011 through FY 2014 budget and financial plan period.

Background

The proposed legislation would forgive real property taxes owed between October 1, 2006 through September 30, 2010 on 25 properties owned by the Beulah Baptist Church of Deanwood Heights, the Beulah Community Improvement Association, and the Dix Street Corridor Senior Housing, LP. These properties are legally known as:

- Lot 44 in Square 5228;
- Lots 3 and 4 in Square 5229;
- Lots 14, 23, 811, 813 and 814 in Square 5262;¹
- Lots 5, 6, 7, 9, 10, 39, 40, and 822² in Square 5263;
- Lots 31, 33, 34, and 807 in Square 5264; and
- Lots 28, 29, 30, 45, and 54 in Square 5266.

¹ Lots 23, 813, and 814 in Square 5262 do not exist; ORA assumes the legislation is referring to Lots 23, 813, and 814 in Square 5253. These properties are owned by Beulah Baptist Church.

² Lot 822 in Square 5263 does not exist; ORA assumes the legislation is referring to Lot 822 in Square 5262. This property is owned by Beulah Community Improvement Association

Three of the above-mentioned properties (Lots 29, 30, and 54 in Square 5266) were sold at the Office of Tax and Revenue (OTR) tax sales in 2010 and 2009.³ Therefore, the bill also requires adequate funds be deposited to the Office of the Chief Financial Officer on behalf of the owner in order to redeem the properties.

Finally, the bill exempts certain properties from the list of blighted properties compiled by the Department of Consumer and Regulatory Affairs (DCRA).⁴ Properties designated as blighted by DCRA are taxed at the Class 3 real property tax rate of \$10 per \$100 of assessed value.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. Enactment of the legislation would result in a fiscal impact of \$502,354 over the FY 2011 through FY 2014 budget and financial plan period.

Forgiving real property taxes owed on the above-mentioned 25 properties for the period between October 1, 2006 and September 30, 2010 would reduce real property collections by approximately \$496,208 in FY 2011.⁵

Additionally, because three properties were sold at OTR tax sales, additional funds would need to be deposited with OTR to reimburse the purchasers for fees incurred in their efforts to assume ownership of the properties. If the proposed legislation is enacted before January 2011, the total amount of fees owed would be approximately \$6,326.⁶ This is the amount needed to redeem fees incurred by the purchaser of the TY 2008 tax liability for Lot 54 in Square 5266.⁷ If the proposed legislation is enacted after January 2011, the amount of fees incurred will increase, as fees would begin accruing for all three properties.⁸

None of these properties are classified as blighted, so exempting them from DCRA's blighted property list does not have a fiscal impact. This provision, however, would prevent the District from declaring these properties blighted if the properties were blighted as defined by the D.C. Official Code.

³ The 2009 real property tax liabilities for these properties were sold on September 22, 2010 to Capital Bank NA FBO. The 2008 real property tax liability for Lot 54 in Square 5266 was sold to Commercial Equity Partners on December 2, 2009.

⁴ D.C. Official Code §42-3131.16

⁵ It is assumed the properties would be redeemed in FY 2011.

⁶ This figure includes reimbursement for the title search fee (\$326) and estimated attorney's fees (\$6,000) incurred by the property owner. According to OTR, to redeem a property, the original property owner must pay back the outstanding tax liability as well as fees incurred by the purchaser of the tax lien. The purchaser is authorized to run a title search on the property four months after purchase. After six months, the purchaser is able to file a claim for foreclosure, at which point attorney fees typically begin to accrue. OTR estimates attorney fees to range from \$3,500 to \$8,000 annually, depending on the law firm.

⁷ The tax year 2008 property tax liability for Lot 54 in Square 5266 was sold in 2009 to Commercial Equity Partners.

⁸ The TY 2009 real property tax liability for Lots 29, 30, and 54 were purchased by Capital Bank NA FBO on September 22, 2010. Therefore, to redeem the properties, the property owner would need to reimburse the purchasers for fees incurred on all three properties.

Estimated Fiscal Impact of B18-870 –Beulah Baptist Church Real Property Equitable Tax Relief Act of 2010, FY 2011 – FY 2014					
	FY 2011	FY 2012	FY 2013	FY 2014	Four-Year Total
Real Property Tax Liability ^{a b}	\$496,208	\$0	\$0	\$0	\$496,208
Additional fees ^c	\$6,326	\$0	\$0	\$0	\$6,326
Negative Fiscal Impact	\$502,354	\$0	\$0	\$0	\$502,354

Table Notes:

^a It is assumed the properties would be redeemed in FY 2011.

^b Amount of real property taxes owed (including fees, penalties, and interest) for the period of October 1, 2006 through September 30, 2010.

^c This figure includes reimbursement for the title search fee (\$326) and estimated attorney's fees (\$6,000) incurred by the purchaser of the TY 2008 liability for Lot 54 in Square 5266. If the properties are redeemed after January 2011, the amount of fees owed would be higher.