

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Kwame R. Brown
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: September 19, 2011 

SUBJECT: Fiscal Impact Statement – Meridian Public Charter School-Harrison
Campus Property Tax Exemption Emergency Amendment Act of 2011”

REFERENCE: Draft resolution shared with OCFO on September 16, 2011

Conclusion

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation.

Background

The proposed legislation would approve, on an emergency basis, a tax exemption¹ for the Meridian Public Charter School’s Harrison School Campus, located in Ward 1 at 2120 13th Street, NW (Lot 814, Square 235).

The proposal would exempt the Harrison School Campus from real property and possessory interest taxation so long as it is owned, or occupied under a ground lease, by Meridian Public Charter School, a nonprofit charter school operator in the District, or any subsidiary of Meridian.² It would also exempt the Harrison School Campus from recordation and transfer taxation if any portion of it were transferred between Meridian and a subsidiary of Meridian.

The property is the former Harrison School. It is owned by the District of Columbia and is exempt from real property taxation. Meridian plans to operate one or more charter schools on this property after renovations (estimated to cost approximately \$10 million dollars). The District of Columbia

¹ By amending Chapter 10 (Property Tax Exemptions) of Title 47 (Taxation, Licensing, Permits, Assessments, and Fees) of the D.C. Official Code.

² <https://mpcs.learningstation.com/school>

The Honorable Kwame R. Brown

FIS: "Meridian Public Charter School-Harrison Campus Property Tax Exemption Emergency Declaration Resolution of 2011"

Draft legislation shared with OCFO on September 16, 2011

Public Schools has agreed to execute a ground lease for the property to Meridian, allowing Meridian to assign the ground lease to a Qualified Active Low-Income Community Business (QALICB).³

Meridian plans to form a QALICB to take advantage of the New Markets Tax Credit program⁴ for financing the planned renovation of the Harrison School Campus. Upon securing the New Markets Tax Credit financing, Meridian will transfer ownership of the Harrison School Campus to the QALICB, which will then sublease the property back to Meridian. The property would continue to house Meridian's public charter schools.

Financial Plan Impact

Funds are sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. Under current law, DC charter schools are exempt from real property, deedrecording, and sales tax.⁵

The proposed legislation would have no impact on the District's revenue collection, as, according to the Office of Tax and Revenue, the proposed transaction is not expected to affect the property's tax exempt status.⁶

³ The ground lease has not yet been executed; DCPS and Meridian are now finalizing the terms of the lease, which would be for 25 years, with an option to renew for an additional 25 years.

⁴ http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

⁵ D.C. Official Code § 38-1802.10(b) exempts public charter schools from DC real property and sales tax. D.C. Official Code § 42-1102(3) states generally that the recordation tax does not apply to deeds to property acquired by an institution entitled to a real property tax exemption under D. C. Official Code § 47-1002(10), which generally applies to non-profit schools embracing the generally recognized relationship of teacher and student.

⁶ This assumes that Meridian would follow through with its plans to form a QALICB.