

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



Jeff Dewitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer

DATE: November 15, 2017

SUBJECT: Fiscal Impact Statement – National Community Reinvestment Coalition
Real Property Tax Exemption Amendment Act of 2017

REFERENCE: Bill 22-521, Committee Print provided to the Office of Revenue
Analysis on November 13, 2017

Conclusion

Funds are not sufficient in the fiscal year 2018 budget through fiscal year 2021 budget and financial plan to implement the bill. The bill will cost \$4.2 million in fiscal year 2018 and \$8.2 million in the four-year financial plan.

Background

The bill exempts real property located at 740 15th Street, N.W., and 727 15th Street, N.W.¹ from real property and recordation taxation, so long as the property is owned by the National Community Reinvestment Coalition ("NCRC"), or a direct or indirect wholly owned subsidiary of NCRC, and used for the purposes and activities of NCRC². The legislation also forgives taxes owed or paid on the property since July 1, 2016³. NCRC is a national non-profit with a mission of increasing the flow of private capital into underserved communities. NCRC rents most of the space in these buildings to non-profit tenants at below-market rates.⁴

The exempted properties must not be used for commercial purposes, and NCRC must invest at least \$10 million in affordable housing developments and preservation in the District over ten

¹ For tax and assessment purposes known as Lot 20, Square 222 and Lot 37, Square 221.

² Including NCRC subsidiaries, and non-profit tenants.

³ To the extent the property was not used for commercial purposes.

⁴ See the Tax Abatement Financial Analysis issued on November 7, 2017 by the Office of Economic Development and Finance for more detail on the financial position of NCRC and the history of the properties being exempted in the bill.

The Honorable Phil Mendelson

FIS: Bill 22-521, National Community Reinvestment Coalition Real Property Tax Exemption and Relief Act of 2017, Committee Print provided to the Office of Revenue Analysis on November 13, 2017.

consecutive real property tax years after the effective date of the bill. NCRC must provide a report to the Mayor evidencing the fulfillment of this requirement within 10 years of the enactment of the legislation. Within 60 days of receipt of the report the Mayor must certify to the Office of Tax and Revenue whether the requirements of the bill have been met. If NCRC fails to satisfy the affordable housing requirement all taxes forgiven and exempted shall become due.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2018 budget through fiscal year 2021 budget and financial plan to implement the bill. The bill will cost \$4.2 million in fiscal year 2018 and \$8.2 million in the four-year financial plan. The costs include forgiveness of real property and recordation taxes owed since July 1, 2016 and future revenue loss from the real property tax exemption.

Fiscal Impact of National Community Reinvestment Coalition Real Property Tax Exemption Amendment Act Act of 2017 FY 2018 – FY 2021					
	FY 2018	FY 2019	FY 2020	FY 2021	Four-Year Total
Real Property Tax forgiveness beginning July 1, 2016 for 740 15 th Street N.W.	\$1,585	\$0	\$0	\$0	\$1,585
Recordation Tax forgiveness for 727 15 th Street N.W.	\$211	\$0	\$0	\$0	\$211
Recordation Tax forgiveness for 740 15 th Street N.W.	\$1,219	\$0	\$0	\$0	\$1,219
Real Property Tax Exemption for 740 15 th Street ^(a)	\$1,196	\$1,269	\$1,347	\$1,429	\$5,241
TOTAL COST	\$4,211	\$1,269	\$1,347	\$1,429	\$8,257

^(a) The real property tax exemption for 740 15th Street applies only to 79.64 percent of the property, reflecting the fact that 20.36 percent of the property does not currently qualify for the exemption.