

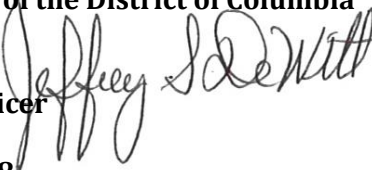
Government of the District of Columbia  
Office of the Chief Financial Officer



Jeffrey S. 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 27, 2018

**SUBJECT:** Fiscal Impact Statement – Local Jobs and Tax Incentive Amendment Act of 2018

**REFERENCE:** Committee Print of Bill 22-918 as shared with the Office of Revenue Analysis on November 26, 2018

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**Conclusion**

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill repeals an authorized real property tax abatement and authorizes a smaller abatement, increasing real property tax revenue available for other purposes by \$3.9 million in fiscal year 2021 and \$7.8 million over the four-year financial plan.

**Background**

The Advisory Board, formerly a District company providing consulting services to health care organizations and educational institutions, was eligible for a real property tax abatement<sup>1</sup> of up to \$6 million per year for ten years beginning in FY 2021, if the company met hiring incentive requirements. The company has since been reorganized and no longer exists as defined under the terms of the abatement.

The bill repeals the tax abatement for The Advisory Board and creates two new tax abatements: the first for EAB Global, Inc.<sup>2</sup>, and the second for Chemonics, Inc.<sup>3</sup>. The bill authorizes EAB Global, Inc. to receive a real property tax abatement of up to \$2.1 million annually, beginning in fiscal year 2021 for a period of ten years. Chemonics, Inc. is authorized to receive a real property tax abatement of up to \$650,000 beginning in fiscal year 2023 for a period of eight years. The exact amount of the abatement

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<sup>1</sup> Local Jobs and Tax Incentive Act of 2015, effective February 26, 2016 (D.C. Law 21-71; D.C. Official Code § 47-4665.02).

<sup>2</sup> EAB Global, Inc. is a District based research and consulting firm focusing on higher education. (<https://www.eab.com/>)

<sup>3</sup> Chemonics, Inc. is a District based international development company. (<https://www.chemonics.com/>)

The Honorable Phil Mendelson

FIS: Bill 22-918, "Local Jobs and Tax Incentive Amendment Act of 2018," Draft Committee Print as shared with the Office of Revenue Analysis on November 26, 2018.

will be determined by how well the companies meet targets and requirements in their respective incentive agreements with the District. The abatements are non-refundable and cannot be credited to other tax years.

The companies must execute 10-year lease agreements by January 2019 to be eligible for the abatements. The bill requires EAB Global, Inc. to enter into a community benefits agreement with the Mayor within 30 days of the bill's enactment and include incentives for hiring 350 Net New District FTE<sup>4</sup> Hires. The bill requires Chemonics, Inc., to enter into an incentive agreement with the Deputy Mayor for Planning and Economic Development within 60 days of the bill's effective date, which must include an employment target of 1,200 FTEs, of which 500 are District residents. The companies must report annually to the Mayor each October on incentive agreement progress. By December 1, the Mayor must certify annually to the Office of Tax and Revenue the total value of each abatement.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill reallocates real property tax revenue set aside for a tax abatement to a smaller abatement, increasing real property tax revenue available for other purposes by \$3.9 million per year beginning in fiscal year 2021.

In the financial plan, \$6 million is set aside annually beginning in fiscal year 2021 to account for The Advisory Board real property tax abatement. The bill replaces that abatement with up to \$2.1 million in abatements for EAB Global, Inc, making available \$3.9 million in real property tax revenue for other purposes beginning in fiscal year 2021. The bill also establishes a real property tax abatement for Chemonics, Inc. of up to \$650,000 per year, but it does not begin until fiscal year 2023, which is outside of the four-year financial plan. Real property tax revenues will be reduced by \$650,000 beginning in fiscal year 2023 for the period of the abatement.

<b>Fiscal Impact of Bill 22-918 Local Jobs and Tax Amendment Act of 2018 Fiscal Year 2019 – Fiscal Year 2022 (\$ thousands)</b>					
	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Total</b>
<b>Increase in available real property tax revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,900</b>	<b>\$3,900</b>	<b>\$7,800</b>

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<sup>4</sup> The bill defines a Net New District FTE hire as the total number of District residents whose primary workplace is located in the District in excess of the resident employment baseline, which will be set in the incentive agreement.