

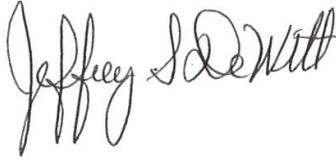
Government of the District of Columbia
Office of the Chief Financial Officer



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: October 2, 2019

SUBJECT: Fiscal Impact Statement – MLK Gateway Real Property Tax Abatement
Amendment Act of 2019

REFERENCE: Bill 23-403, Committee Print provided to the Office of Revenue
Analysis on September 20, 2019

Conclusion

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. Over the four-year financial plan, the bill will reduce transfer and deed recordation taxes by \$275,000 and real property and possessory interest tax by \$573,935. An additional \$2.9 million in reduced revenue falls outside the financial plan.

Background

The bill exempts real property¹, transfer², and recordation³ taxes on property that is part of a development project known as MLK Gateway.⁴ The real property tax abatement will begin in the tax year after the property receives a certificate of occupancy, and last for up to 15 real property tax years, provided approved ownership is maintained⁵. The total real property tax abatement is limited to \$3 million. The transfer and recordation exemptions are not limited by amount, time, or property ownership.

¹ D.C. Official Code Title 47, Chapters 7-10, 13, 13a.

² D.C. Official Code Title 42, Chapter 9.

³ D.C. Official Code Title 42, Chapter 11.

⁴ The property is located at 1201-1215 Good Hope Road, S.E. in Ward 8, and is known for tax and assessment purposes as Lots 847, 864, 866, 867, and 1017 in Square 5769.

⁵ To receive the real property tax abatement, the developer of the property, MLK Gateway Partners LLC, must maintain a lease agreement with Enlightened or another Mayor-approved, locally-owned and operated business, and engage in other requirements to encourage employment of District residents.

The Honorable Phil Mendelson

FIS: "MLK Gateway Real Property Tax Abatement Amendment Act of 2019," Committee print provided to the Office of Revenue Analysis on September 20, 2019.

Please refer to the separate Tax Abatement Financial Analysis for further detail on the development project and the abatement.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. Over the four-year financial plan, the bill will reduce transfer and deed recordation taxes by \$275,000 and real property and possessory interest tax by \$573,935. An additional \$2.9 million in reduced revenue, including \$496,500 of deed and recordation abatements, falls outside the financial plan.

Fiscal Impact of MLK Gateway Real Property Tax Abatement Amendment Act of 2019^(a)					
Fiscal Year 2020- Fiscal Year 2023					
(\$ thousands)					
	FY 2020	FY 2021	FY 2022	FY 2023	Total
Reduced Real Property Tax and Possessory Interest Tax Revenue	\$0	\$0	\$275,000	\$298,925	\$573,925
Reduced Transfer and Recordation Tax Revenue	\$275,000	\$0	\$0	\$0	\$275,000
TOTAL	\$275,000	\$0	\$275,000	\$298,925	\$848,925

(a) This fiscal impact assumes the project receives a certificate of occupancy in fiscal year 2021, which would trigger a real property tax abatement beginning in fiscal year 2022.