


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: December 1, 2017

SUBJECT: Fiscal Impact Statement - East End Grocery and Retail Incentive Tax Abatement Act of 2017

REFERENCE: Bill 22-202, Committee Print as shared with the Office of Revenue Analysis on November 28, 2017

Conclusion

Funds are not sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The bill will cost \$447,000 in fiscal year 2018 and \$3.49 million over the four-year financial plan.

Background

The bill exempts¹ new anchor retail stores and sit-down restaurants at Capitol Gateway, East River Park, The Shops at Penn Hill, Parkside Planned Unit Development, St. Elizabeths East Campus, and United Medical Center, as well as new or renovated grocery stores in Ward 7 and Ward 8 from real property tax, possessory interest tax, recordation tax, transfer tax, license fees, personal property tax, corporate franchise tax, and sales or use taxes on purchases of property or services used to construct or renovate the store. The tax exemptions for these properties are valid for 30 years. If a business leases real property from a property owner, the business is entitled to a rebate of the tax that represents the qualified business' pro rata share of real property taxes.

The bill requires the Mayor to certify to the Office of Tax and Revenue the stores eligible for the tax exemptions, and the certification for exemptions must identify each property, the taxes for which an exemption is granted, and the time the exemption is effective.

To qualify for an exemption in the approved locations, a business owner must certify to the Mayor bi-annually that 50 percent of full-time employees at the retail store are District residents. Grocery

¹ By amending Chapter 47 of the District of Columbia Official Code.

stores, or stores selling grocery and retail goods, must accept Supplemental Nutrition Assistance Program (SNAP) and Women, Infants, and Children (WIC) benefits and offer fresh food items such as vegetables, fruits, meat, dairy, and eggs to maintain eligibility.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill. The bill will cost \$447,000 in fiscal year 2018 and \$3.49 million over the four-year financial plan.

All properties suitable for the development of new grocery stores in Ward 7 and Ward 8 are in priority development areas as determined by the Supermarket Tax Incentives Program.² This means that new or renovated grocery stores at all four locations are already eligible under existing law³ to receive exemptions from paying real property tax, and personal property tax for up to ten years. These new or existing grocery stores can also apply to receive exemptions from sales and use tax on property or services used to construct or renovate a grocery store. Since these locations are already eligible for exemptions under the Supermarket Tax Incentives Program, the forgone revenue that would have resulted from the bill's real property, personal property, and construction sales tax exemptions for grocery stores is already accounted for in the current financial plan. The bill also authorizes additional tax exemptions that are not included in the Supermarket Tax Incentives Program. Under the bill, new and existing grocery stores would be eligible for exemption from the possessory interest tax, recordation tax, transfer tax, and corporate franchise tax. These additional tax exemptions will result in an estimated \$527,000 of forgone revenue over the financial plan. This estimate accounts for the projected value of two new grocery stores and one grocery store renovation in Wards 7 and 8.

The bill also grants exemptions to sit-down restaurants and anchor retail stores in each of the bill's six designated areas. These types of businesses are currently not eligible for tax exemptions. The total cost of providing tax exemptions to these business is estimated to result in \$2.96 million in forgone revenue over the financial plan. This estimate accounts for the projected value of four new restaurants and four anchor retail stores at any of the qualifying locations.

Bill 22-202 – East End Grocery and Retail Incentive Program Tax Abatement Act of 2017					
Total Fiscal Impact					
	FY 2018	FY 2019	FY 2020	FY 2021	Total
Total	\$447,000	\$847,000	\$996,000	\$1,201,000	\$3,491,000

Table Notes:

(a) Assumes all locations meet the 50 percent District resident employment requirements.

Since the bill grants exemptions for a period of 30 years, there will be additional ongoing costs beyond the scope of the current financial plan.

² D.C. Official Code § 47-3801, et seq.

³ Id.