

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

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

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: November 26, 2012

SUBJECT: Fiscal Impact Statement – “Howard Town Center Real Property Tax Abatement Act of 2012”

REFERENCE: Bill 19-1010 – As Introduced

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

Background

The bill would exempt the property located at Lots 930 and 933 in Square 2877 from real property tax beginning at occupancy (which is expected to occur in FY 2015) and continuing for 10 years, subject to an overall abatement value of \$11 million. The property is owned by Howard University and has been ground-leased for development to a joint venture partnership. The planned development, to be called Howard Town Center, will include 445 rental apartments, approximately 74,000 square feet of retail space including a full-service grocery store, and 320 underground parking spaces. Eighty percent of the apartments will be leased at market rates, while 20 percent will be designated as affordable units for persons earning up to 50 percent of Area Median Income.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. Assuming that the development will open as projected in FY 2015, the tax exemption will result in a reduction of revenue to the local fund of \$2,442,890 during the 4-year financial plan period, with the fiscal impact beginning in FY 2015. The below table provides detail on the fiscal impact.

Estimated Fiscal Impact of Howard Town Center Real Property Tax Abatement Act of 2012 - FY 2013 through FY 2016					
	FY 2013	FY 2014	FY 2015	FY 2016	4 Year Total
Fiscal Impact to Local Fund of Real Property Tax Exemption ¹	-	-	(\$1,118,068)	(\$1,324,822)	(\$2,442,890)

Table Notes

¹ Estimates are based on projections of development costs provided by the developer.

In addition, the bill will cost \$8,557,110 between FY 2017 and FY 2024. The development is estimated to reach the \$11 million exemption cap before the end of the 10-year exemption period.

Estimated Fiscal Impact Outside the Financial Plan Period, FY 2017 - FY 2024		
	Estimated Annual Abatement	Cumulative Abatement Starting FY 2017
FY 2017	(\$1,359,268)	(\$3,802,157)
FY 2018	(\$1,394,609)	(\$5,196,766)
FY 2019	(\$1,430,868)	(\$6,627,634)
FY 2020	(\$1,468,071)	(\$8,095,705)
FY 2021	(\$1,506,241)	(\$9,601,946)
FY 2022	(\$1,545,403)	(\$11,000,000)*
FY 2023	(\$1,585,584)	\$ -
FY 2024	(\$1,626,809)	\$ -

* Real property tax exemption cap of \$11 million reached in FY 2022

Assumptions:

- Development is completed in FY 2016.
- Assessments are based on construction costs.