

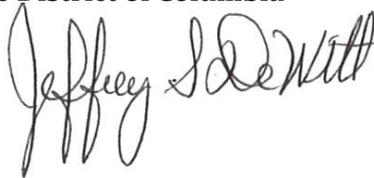
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

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

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: October 20, 2014

SUBJECT: Fiscal Impact Statement – SeVerna, LLC, Real Property Tax Exemption
and Real Property Tax Relief Amendment Act of 2013

REFERENCE: Bill 20-589, Draft Committee Print as shared with the Office of Revenue
Analysis on October 16, 2014

Conclusion

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. Implementation of the bill will cost \$325,000 in FY 2015 and \$636,000 over the four-year financial plan period. The bill is subject to its inclusion in an approved budget and financial plan.

Background

SeVerna LLC owns and operates a 60-unit multi-family affordable housing development in the District of Columbia. The development, which was completed in 2011, was partially financed with Low-Income Housing Tax Credits.¹

The bill exempts the property known for tax purposes as Square 621, Lot 247 (identified in the bill and formerly known as Square 621, Lot 861)² from real property taxes for fifteen years beginning in Tax Year 2013 so long as SeVerna, LLC continuously owns the property and maintains the property as affordable housing. In addition to the tax abatement, the bill requires the District to refund any real property taxes paid in 2013 and 2014.

¹ Typically, a development financed with LIHTCs would receive an automatic exemption for real property taxes, but this development was completed before the automatic exemption became law (Nonprofit Affordable Housing Developer Tax Relief Act of 2012, effective September 20, 2013 (D.C. Law 19-168; 59 DCMR 8025)).

² The building is located at the corner of 1st Street, NW and K Street, NW.

The Honorable Phil Mendelson

FIS: Bill 20-589, "SeVerna, LLC, Real Property Tax Exemption and Real Property Tax Relief Amendment Act of 2013," Draft Committee Print as shared with the Office of Revenue Analysis on October 16, 2014

Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

First, the District is required to refund any real property taxes paid in 2013 and 2014. This refund will cost \$180,000 in FY 2015. This does not include the 2014 second-half real property tax due because if a payment was made, it has not yet been recorded by the Office of Tax and Revenue. If the payment was made by the time the refund is due, the refund amount will increase by approximately \$48,000.

Second, the property will be exempt from real property taxation from 2013 through 2027. This will cost \$145,000 in FY 2015 and \$456,000 over the four-year financial plan period. The FY 2015 abatement amount includes the 2014 second half real property tax amount due because, as previously indicated, it is unknown if that payment has been made. If it was made, then the FY 2015 abatement amount will decrease by approximately \$48,000.

SeVerna, LLC, Real Property Tax Exemption and Real Property Tax Relief Amendment Act Bill 20-589 Cost of Refunds and Exemptions FY 2015 – FY 2018					
Real Property Taxes	FY 2015	FY 2016	FY 2017	FY 2018	Total
Refunds	\$180,000	\$0	\$0	\$0	\$180,000
Exemptions	\$145,000	\$100,000	\$104,000	\$107,000	\$456,000
Total	\$325,000	\$100,000	\$104,000	\$107,000	\$636,000