

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



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Kwame R. Brown  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** June 21, 2011

**SUBJECT:** Fiscal Impact Statement – “Carver 2000 Low-Income and Senior Housing Project Amendment Emergency Act of 2011”

**REFERENCE:** Draft Bill as Shared with the OCFO on June 20, 2011

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**Conclusion**

Funds are not sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce real property tax collections by approximately \$191,422 in FY 2012 and approximately \$500,145 over the FY 2012 through FY 2015 financial plan period.

**Background**

The proposed subtitle would amend District’s tax code<sup>1</sup> to extend the time limit of the real property exemption for certain real properties authorized for the project known as the Carver Low-Income and Senior Housing Project (“Project”). Under current law, the following real properties were exempt from taxation for a period of eight years beginning with the tax year 2003:

- Lots 819 through 826 in Square 5140;<sup>2</sup>
- Lots 806 through 809 in Square 5190;
- Lots 1 through 8 in Square 5348

The exemption expired at the end of tax year 2010 and all the properties are now subject to the District’s real property tax. The proposed legislation would extend the exemption from 8 to 16

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<sup>1</sup> D.C. Official Code § 47-46001 *et. seq.*

<sup>2</sup> These lots were consolidated to create one larger lot, now described for tax purposes as Lot 88 in Square 5140.

years for Lots 806 through 809 in Square 5190 and Lots 1 through 8 in Square 5348. Thus the tax exemption for these properties would continue through the end of tax year 2018.

The properties in Squares 5190 and 5348 are currently vacant; however, they will be redeveloped into affordable housing when the Project's financing is secured. Project construction is expected to begin in late 2013 or early 2014 and be completed approximately two years later.

### Financial Impact

Funds are not sufficient in the proposed FY 2012 through FY 2015 budget and financial plan to implement the proposed legislation. Extending the real property tax exemption for the Project from 8 to 16 years would reduce real property tax collections by approximately \$191,422 in FY 2012 and approximately \$500,145 over the FY 2012 through FY 2015 financial plan period.

<b>Estimated Fiscal Impact for Carver 2000 Low-Income and Senior Housing Project Amendment Emergency Act of 2011, FY 2012 - FY 2015</b>					
	<b>FY 2012</b>	<b>FY 2013<sup>d</sup></b>	<b>FY 2014<sup>d</sup></b>	<b>FY 2015<sup>d</sup></b>	<b>4-Year Total</b>
TY 2011 Tax Liability <sup>a, b</sup>	\$98,178	\$0	\$0	\$0	\$98,178
Estimated Tax Liability <sup>c</sup>	\$93,245	\$99,585	\$102,872	\$106,266	\$401,968
<b>Total Negative Fiscal Impact</b>	<b>\$191,422</b>	<b>\$99,585</b>	<b>\$102,872</b>	<b>\$106,266</b>	<b>\$500,145</b>

<sup>a</sup> Includes penalties and interest for Tax Year 2011

<sup>b</sup> Assumes the legislation would become effective in FY 2012 and a refund would be issued in FY 2012 for taxes owed in FY 2011

<sup>c</sup> Lots 806 through 808 in Square 5190 are taxed at the residential rate of \$.85 per \$100 of assessed value. Lots 1 through 8 in Square 5348 are taxed at the commercial rate of \$1.65 per \$100 for the first \$3 million of assessed value and \$1.85 per \$100 of assessed value above \$3 million.

<sup>d</sup> Growth in FY 2013 through FY 2015 assessed values are based on projections for property tax values.

Finally, because the tax exemption authorized by the legislation would not expire until the end of tax year 2018, it would continue to have a fiscal impact beyond the four-year financial plan period. For example, between the period of 2016 and 2018, the proposed legislation is expected to reduce the property tax collections by an additional \$597,314, bringing the total negative impact to approximately \$1.1 million.<sup>3</sup> See table below.

<b>Estimated Annual Reductions in Property Tax Collections, FY 2016 through FY 2025</b>	
	<b>Value of Tax Exemption<sup>a</sup></b>
FY 2016	\$ 192,676
FY 2017	\$ 199,035
FY 2018	\$ 205,603
<b>Total</b>	<b>\$ 597,314</b>

<sup>a</sup> This estimate assumes the project is completed in FY 2016, and takes into account the impact of the planned development on the future value of these properties.

<sup>3</sup> This estimate assumes the project is completed in FY 2016 and takes into account the impact the planned development on the future value of these properties.