

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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: April 2, 2009

SUBJECT: Fiscal Impact Statement – “Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2009”

REFERENCE: Bill Number 18-198 – As Introduced

Conclusion

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would result in a net negative fiscal impact of approximately \$92,000 in FY 2009 and \$679,500 in the FY 2009 through FY 2012 financial plan period.

Background

The proposed legislation would amend Chapter 10 of Title 47 of the District of Columbia Official Code to add a new provision that would grant perpetual property tax abatement to Lots 0024, 0025, 0026, 0038, 0214, 0215, 0923, 0924, and 0925¹ in Square 5730, so long as the real properties continue to be owned by Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church and not used for commercial purposes.

The proposed legislation would also allow reimbursement of all tax payments made on the aforementioned properties starting January 1, 2006, including all real property taxes, interest,

¹ The draft legislation describes one parcel as both lot 0294 and 0924, and another as lot 0295 and lot 0925. The correct descriptions are lots 0924 and 0925. Source: Taxpayer Service Center on the Office of the Chief Financial Officer website.

penalties, fees, and other related charges assessed against Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church.

Lastly the proposed legislation would allow the use of \$382,000 from the revenue generated through the Equitable Parking Meter Rates Temporary Amendment Act of 2009² to offset the fiscal impact of the proposed abatement and tax relief.

Financial Plan Impact

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation.

The proposed legislation would authorize a refund for \$276,847 in property tax payments made for tax years 2006, 2007 and 2008. This refund will be issued in FY 2009. Additionally, the proposed legislation would abate the property tax obligations of \$197,203 in FY 2009, and estimated real property tax obligations of \$1,061,527 in the FY 2009 through FY 2012 financial plan period.

Fiscal Impact of Bill 18-198 - Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2009					
Estimated Reductions in Property Tax Collections and Net Negative Fiscal Impact					
	FY2009	FY2010	FY2011 ^b	FY2012 ^b	Four Year Total
Refunds for past payments FY 2006 through FY 2008	\$276,847				\$276,847
Value of Property tax abatement for the current year ^a	\$197,202	\$191,324	\$195,150	\$201,004	\$784,680
Total Reductions in Property Tax Collections	\$474,049	\$191,324	\$195,150	\$201,004	\$1,061,527
Funds available	\$382,000				\$382,000
Net negative Fiscal Impact	\$92,049	\$191,324	\$195,150	\$201,004	\$679,527

^a All lots except 0923 are classified at Class III (vacant) and taxed at 5 percent of the taxable assessment. Lot 0923 is classified as residential, and is already tax exempt.

^b The value of the properties (hence the corresponding tax collections) are expected to grow by 2 percent in FY 2011 and 3 percent in FY 2012.

The proposed legislation would authorize the one time use of \$382,000 from the additional revenues that are expected to be collected through the parking meter rate increases approved by the Equitable Parking Meter Rates Temporary Amendment Act of 2009 ("Act 17-713").³ Act 17-713 allocated \$1 million of the additional revenues to City Market at O Street Project, and authorized the use of the remaining funds to support the Local Rent Supplement Program,

² Act 17-713, enacted on Wednesday, January 28, 2009.

³ The additional revenues that would be generated by Act 17-713 are estimated to be \$5.5 million for FY 2009 and \$11.1 million for every year after. The fiscal impact statement for this legislation, issued on January 21, 2009, is available at http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/012309_2.pdf

Housing First Program, Home Purchase Assistance Program, and for Temporary Assistance for Needy Families, but did not specify the allocations for these four programs. The proposed legislation would reduce the funds available for these four programs by \$382,000.⁴

The net negative fiscal impact of the proposed legislation is \$92,049 in FY 2009 and \$679,527 in the FY 2009 through FY 2012 financial plan period.

Finally, given that the tax abatement authorized by the proposed legislation does not expire, the proposed legislation would continue to have a fiscal impact beyond the four-year financial plan period. For example, in the ten years following FY 2012, the proposed legislation is expected to reduce the property tax collections by an additional \$2.6 million, bringing to the total net negative impact to \$3.3 million.

Fiscal Impact of Bill 18-198		
Estimated Annual Reductions in Property Tax Collections for FY 2013 through FY 2023		
	Value of the Tax Abatement	Cumulative Negative Fiscal Impact
FY 2013	\$207,035	\$886,562
FY 2014	\$213,246	\$1,099,807
FY 2015	\$219,643	\$1,319,450
FY 2016	\$226,232	\$1,545,683
FY 2017	\$233,019	\$1,778,702
FY 2018	\$240,010	\$2,018,712
FY 2019	\$247,210	\$2,265,922
FY 2020	\$254,626	\$2,520,548
FY 2021	\$262,265	\$2,782,814
FY 2022	\$270,133	\$3,052,947
FY 2023	\$278,237	\$3,331,184
Total	\$2,651,657	

⁴ It is assumed that the proposed allocation would come out of FY 2009 revenues. The Mayor's proposed FY 2010 budget and FY 2010 through FY 2013 financial plan repeals the section of Act 17-713 that would allocate the additional revenues to special programs, and direct these revenues to the DDOT Unified Fund.