

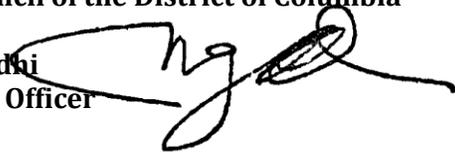
Government of the District of Columbia
Office of the Chief Financial Officer



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: December 3, 2012

SUBJECT: Fiscal Impact Statement – “Washington Latin Public Charter School
Campus Property Tax Exemption Act of 2012”

REFERENCE: Bill 19-1035 – as introduced

Conclusion

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

Background

The bill would amend¹ the D.C. Official Code to provide a real and possessory interest tax exemption to property located at 5210 2nd Street N.W., (Lot 0800, Square 3327), so long as it is owned, or occupied under a ground lease by Washington Latin Public Charter School (“School”) or by Latin Rudolph QALICB, LLC (“QALICB”). The bill also exempts the property from recordation and transfer taxes for any transfer, assignment or disposition by the School or the QALICB.

The property is the former Rudolph Elementary School, which is currently owned by the District of Columbia and already exempt from real property taxation. The property is currently unused and vacant. It is projected to be ready for occupancy in August 2013 by the School, which was awarded the property through a competitive bid process for District charter schools.

The School is securing the majority of financing for renovations through the federal New Market Tax Credit (“NMTC”) program. As required by the NMTC program, the School is creating the QALICB, an entity that is to receive the tax credits generated by NMTC investments. In order to receive these credits, the District is required to lease the property to the QALICB for a term of 25

¹ By amending Chapter 10 (Property Tax Exemptions) of Title 47 (Taxation, Licensing, Permits, Assessments, and Fees) of the D.C. Official Code.

The Honorable Phil Mendelson

FIS: Bill 19-1035, "Washington Latin Public Charter School Campus Property Tax Exemption Act of 2012"

Draft Committee Print shared with the Office of Revenue Analysis on June 18, 2012

years.² The QALICB will in turn sublease the property to the school. Under current law, DC charter schools are exempt from property, deed, and sales tax.³ The intent of the legislation is to ensure that the tax treatment of the QALICB entity doesn't expose the school or the entity to a tax liability in connection with this transaction.

Financial Plan Impact

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

Based on the information provided by the developer, the QALICB was formed solely to take advantage of the NMTC program and will be under strict control of the school.⁴ As a District non-profit focused on education, the entity would likely not be subject to taxes associated with this property or transaction. On these grounds, funds are sufficient to implement the bill. However, if the QALICB, or an associated entity, move from its non-profit educational objective, it has the potential to be subject to taxes.

Based on the information provided to the Office of Revenue Analysis, the School, and its subsidiary QALICB, are likely to remain untaxable, thus, the bill will have no impact on the District's revenue collection.

² It is expected that the lease will be executed by December 2012, after the council approves the property disposition. There will be an option to renew for the lease for an additional 25 years.

³ D.C. Code § 38-1802.10(b) exempts public charter schools from DC property and sales tax. D.C. Code § 42-1102 states that property exempt from taxation based on its use as an educational institution, which is not organized or operated for private gain under § 47-1002.10 would also be exempt from deed taxes.

⁴ According to the developer, [Washington Latin Rudolph QALICB will have a single member, Washington Latin Public Charter School, and as such be fully controlled by the school. Email communication with Tom Porter, November 29, 2012.](#)