

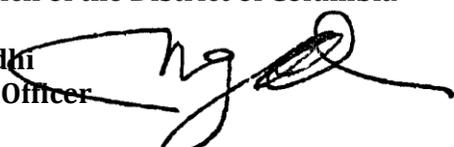
Government of the District of Columbia  
Office of the Chief Financial Officer



**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 18, 2012

**SUBJECT:** Fiscal Impact Statement - "Samuel Kelsey Redevelopment Limited Partnership Payment in Lieu of Taxes Emergency Act of 2012"

**REFERENCE:** Draft legislation shared with the Office of Revenue Analysis on November 27, 2012

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**Conclusion**

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill will reduce tax revenue by approximately \$228,000 in FY 2013 and \$342,926 over the four year financial plan.

**Background**

The bill exempts the real property owned by Samuel Kelsey Redevelopment Limited Partnership (Lot 795, Square 2676) from real property tax and recordation tax, so long as the project is 1) receiving project-based housing assistance payments, referred to as a HAP contract, from the U.S. Secretary of Housing and Urban Development (HUD), and 2) is not being used for commercial purposes. The tax exemptions are retroactive taking effect on November 30, 2011.

In place of real property tax, the bill authorizes a payment in lieu of taxes (PILOT) that is applicable only to the portion on the property that provides low-income rental housing. The PILOT is to be calculated in the same manner as PILOTs for low-income rental housing currently authorized under D.C. law.<sup>1</sup> The PILOT is also retroactive to November 30, 2011.

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<sup>1</sup> D.C. Code § 47-1002(20)(A).

The Honorable Phil Mendelson

FIS: Draft, "Samuel Kelsey Redevelopment Limited Partnership Payment in Lieu of Taxes Emergency Act of 2012" as shared with the Office of Revenue Analysis on November 27, 2012

### Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill will reduce tax revenue by approximately \$228,000 in FY 2013 and \$306,804 over the four year financial plan.

Under the PILOT, the property owner would pay on average approximately \$25,000 less in taxes each year. The annual PILOT payment due would be equal to 5 percent of gross income generated from the residential portion of the property. Additionally, the current owner would receive an exemption of approximately \$202,000 in recordation tax owed on the recent purchase of Lot 795 in Square 2676. The property was purchased by the Samuel Kelsey Redevelopment Limited Partnership in November 2011 for \$18.5 million. The estimated cost of the bill is detailed in the table below.

<b>Estimated Fiscal Impact of the Samuel Kelsey Redevelopment Limited Partnership Payment in Lieu of Taxes Emergency Act of 2012</b>					
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>Four Year Total</b>
Recordation tax due	201,188	0	0	0	201,188
Difference in tax payment under PILOT	26,758	24,884	26,270	27,706	105,617
<b>Total negative fiscal impact</b>	<b>227,945</b>	<b>24,884</b>	<b>26,270</b>	<b>27,706</b>	<b>306,804</b>

Notes:

- 1) Real property and recordation tax abatement calculated on residential portion of property, which comprises approximately 75 percent of the real property.
- 2) Property was transferred to the current owner on 11/30/2011; the sale price was recorded as \$18,500,000.
- 3) FY 2013 total include the FY 2012 and FY 2013 taxes due.
- 4) PILOT and real property tax due for FY 2012 is prorated by 2 months.