

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: March 19, 2012

SUBJECT: Fiscal Impact Statement – “The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011”

REFERENCE: Bill Number 19-443 – As Introduced

Conclusion

Funds are not sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the bill. Implementation of the bill would cost \$94,000 in FY 2012 and \$224,000 over the FY 2012 through FY 2015 financial plan period.

Background

The bill abates real property taxes for the property owned by the Elizabeth Ministry, Inc. located at Lots 140 and 141 in Square 5252. The abatement would be retroactive to 2007 and run for 40 years through 2046. The Elizabeth Ministry purchased the property in 2007 for \$2.4 million to create housing and supportive services for young mothers and their children. The rehabilitation project was completed in 2011 at a total cost of approximately \$4.9 million.

The bill fully abates all real property tax liability for the first 30 years, from 2007 through 2036. For 2037 through 2046, the property would pay an amount that increases by 10 percent of the total property tax liability each year. The abatement is contingent upon the Elizabeth Ministry using the property for supporting young mothers.

Financial Plan Impact

Funds are not sufficient in the FY 2012 through FY 2015 budget and financial plan to implement the provisions of the bill. Implementation of the bill would cost \$94,000 in FY 2012 and \$224,000 from FY 2012 through FY 2015.

The Honorable Kwame R. Brown

FIS: B19-443 "The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011," as Introduced

The Elizabeth Ministry paid \$61,915.02 in real property taxes, penalty and interest from FY 2007 through FY 2011, all of which would be forgiven and returned by the District. The Elizabeth Ministry has a real property tax liability for FY 2012 of \$32,000. The Office of Revenue Analysis projects the property will have a total real property tax liability of \$130,000 in FY 2013, FY 2014, and FY 2015.

| Projected Fiscal Impact of B 19-443, The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011 | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------------|
| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Four Year Total |
| Real Property Tax Abatements ¹ | \$32,000 | \$49,000 | \$40,000 | \$41,000 | \$162,000 |
| FY 2007- FY 2011 Abatement Refunded | \$62,000 | \$0 | | | \$62,000 |
| Total | \$94,000 | \$49,000 | \$40,000 | \$41,000 | \$224,000 |

¹FY 2013 is based on cost valuation of the property; FY 2014 and beyond are based on income valuation of the property.

The bill would continue to have a cost outside of the financial plan period. The total value of this real property tax abatement from FY 2007 through FY 2046 is \$1,737,000, or just over \$43,000 per year. The table below shows the impact of the bill through the 10 years beginning 2016.

| Estimated Cost of B19-443 FY 2016 - FY 2025 | |
|--|-------------------------------------|
| Year | Estimated Value of Abatement |
| 2016 | \$43,000 |
| 2017 | \$44,000 |
| 2018 | \$45,000 |
| 2019 | \$46,000 |
| 2020 | \$47,000 |
| 2021 | \$49,000 |
| 2022 | \$50,000 |
| 2023 | \$51,000 |
| 2024 | \$52,000 |
| 2025 | \$54,000 |