

**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 7, 2009

**SUBJECT:** Fiscal Impact Statement – “KIPP DC - Douglass Property Tax Exemption Emergency Act of 2009”

**REFERENCE:** DRAFT, April 2, 2009

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**Conclusion**

Funds are sufficient in the FY 2009 budget and the FY 2010 through FY 2013 proposed budget and financial plan to implement the proposed legislation.

**Background**

The proposed legislation would amend, on an emergency basis, Chapter 10 of Title 47 of the District of Columbia Official Code to provide a tax exemption to the “Douglass Property,” located at 2600-2620 Douglas Road, S.E., also known as Lot 950, Square 5872.<sup>1</sup> The proposed legislation would exempt the property from real property and possessory interest taxation so long as it is owned by KIPP DC, a nonprofit charter school operator in the District, or KIPP-DC-Douglass QALICB, Inc. (“QALICB”), a subsidiary of KIPP DC.<sup>2</sup> In addition, the legislation would exempt the Douglass Property from recordation and transfer taxation if any portion of it were transferred between KIPP DC and QALICB.

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<sup>1</sup> The property is located on Douglas Road, S.E. which is spelled with one “s”, but is referred to as the “Douglass Property”, spelled with two “s’s”. This discrepancy is due to the fact that the property housed the former “Douglass Junior High School” and the legislation is referencing the former junior high school.

<sup>2</sup> <http://www.kippdc.org/>

KIPP DC currently owns and operates a public charter school on the Douglass Property, which is exempt from real property, possessory interest, and recordation and transfer taxes under current law.<sup>3</sup> The proposed legislation would allow the property to remain tax exempt if it were transferred to QALICB, provided that QALICB immediately subleases the property back to KIPP DC, and the property and its improvements are continuously used and managed as charter school facilities. QALICB is managed and controlled by KIPP DC and was created to allow KIPP DC to take advantage of the New Market Tax Credit program<sup>4</sup> to help finance the planned renovation of the property, which will result in four operational charter schools. At closing of the New Market Tax Credit financing, KIPP DC will transfer ownership of the Douglass Property to QALICB, which will immediately sublease the entire property back to KIPP DC. The property would continue to be used by KIPP DC to operate public charter schools.

The D.C. Office of Tax Revenue has recommended to KIPP DC that this legislation be introduced on an emergency basis to avoid any potential issues on the tax exempt status. The New Markets Tax Credit financing is expected to close on April 15, 2009.

### **Financial Plan Impact**

Funds are sufficient in the FY 2009 budget and the FY 2010 through FY 2013 proposed budget and financial plan to implement the proposed legislation. The proposed legislation would have no impact on the District's revenue collection, as the property's tax exempt status as a public charter school would not change under the proposed legislation.

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<sup>3</sup> D.C. Code §38-1802.10(b) exempts public charter schools from DC property and sales tax. KIPP DC holds a long term ground lease with DC Public Schools on the Douglass Property.

<sup>4</sup> [http://www.cdfifund.gov/what\\_we\\_do/programs\\_id.asp?programID=5](http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5)