

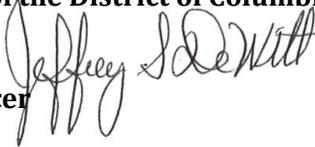
Government of the District of Columbia
Office of the Chief Financial Officer



Jeff DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeff DeWitt
Chief Financial Officer 

DATE: November 13, 2014

SUBJECT: REVISED Fiscal Impact Statement – N Street Village, Inc. Tax and TOPA Exemption Amendment Act of 2014

REFERENCE: Bill 20-690, Draft Committee Print as shared with the Office of Revenue Analysis on November 7, 2014

This revised fiscal impact statement reflects changes to the introduced version and replaces the statement issued on October 21, 2014.

Conclusion

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill. Implementation of the bill will cost \$412,000 in FY 2015.

Background

N Street Village, Inc. is a District non-profit that owns and operates affordable housing for families, supportive housing for individuals, and supportive services for tenants and low-income neighbors. N Street Village is currently seeking to transfer its property and building to a neighboring church¹ and then lease back the property for fifty years at nominal rent to continue providing the housing and support services to low-income residents.

The bill exempts N Street Village, designated for tax purposes as Square 242, Lot 93,² from all taxation³ so long as it continues to operate as affordable housing⁴ and provide supportive services.

¹ Luther Place Memorial Church and N Street Village have a long standing agreement that the property would be transferred to the church.

² 1301 14th Street, NW.

³ Including real property, deed recordation (including a deed of trust), and transfer, and economic interest taxes.

⁴ As defined in D.C. Official Code § 1005.02(a)(1).

The Honorable Phil Mendelson

FIS: Bill 20-690, "N Street Village, Inc. Tax and TOPA Exemption Amendment Act of 2014," Draft Committee Print as shared with the Office of Revenue Analysis on November 7, 2014

The owner of the property must also be N Street Village, Luther Place Memorial Church, or a third entity controlled by N Street Village and/or Luther Place Memorial Church. Additionally, the property is exempt from the Tenant Opportunity to Purchase Act⁵ if the tax-exempt uses continue to be met.

Financial Plan Impact

Funds are not sufficient in the FY 2015 through FY 2018 budget and financial plan to implement the bill.

The Office of Tax and Revenue exempted the property from real property taxes in 1995 under a general exemption for public charity purposes.⁶ Thus, the transfer of the property from N Street Village to Luther Place Memorial Church would not be subject to transfer taxes. However, the transfer would require the church to pay recordation and real property taxes because the N Street Village activities are not related to the church's core activities. The Office of Tax and Revenue estimates that 73 percent of the property would be subject to real property taxation following the transfer.⁷ The value of the real property exemption is \$139,000 in FY 2015 and the value of the recordation exemption is \$237,000 in FY 2015.

Additionally, the bill exempts any deed of trust recordation taxes. N Street Village expects to take out a \$2.5 million construction loan in 2015 that would result in a recordation tax liability. The value of this exemption is approximately \$36,000 in FY 2015.

N Street Village is also applying for Low-Income Housing Tax Credits in 2015. If N Street Village successfully receives the tax credit, which is expected, the property will again become wholly tax exempt. Thus, the fiscal impact of providing these exemptions is only expected to be for FY 2015.

N Street Village, Inc. Tax and TOPA Exemption Amendment Act					
Bill 20-690					
Cost of Tax Exemptions					
FY 2015 – FY 2018					
	FY 2015	FY 2016	FY 2017	FY 2018	Total
Real Property Tax Exemption	\$139,000	\$0	\$0	\$0	\$139,000
Recordation Tax Exemption^a	\$273,000	\$0	\$0	\$0	\$273,000
Total Exemption	\$412,000	\$0	\$0	\$0	\$412,000

Table Notes

^a The recordation tax exemption includes both the exemption for church when it re-gains control of the property and when the expected construction loan is recorded.

There are no costs associated with the Tenant Opportunity to Purchase Act exemption.

⁵ Effective September 10, 1980, (D.C. Law 3-86; D.C. Official Code § 42-3404.01).

⁶ D.C. Official Code § 47-1002(8).

⁷ See the Tax Abatement Financial Analysis issued by the OCFO's Office of Economic Development Finance on September 8, 2014.