

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: December 21, 2004

SUBJECT: Fiscal Impact Statement (Revised): "Tax Abatement Adjustment for Housing Priority Area "A" Amendment Act of 2004"

REFERENCE: Bill Number 15-1070 Engrossed Original

Conclusion

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan. No additional staff or resources will be required.

Background

The proposed legislation approves a real property tax abatement for the Wax Museum project on the 5th and K Street and L Street buildings, N.W. The real property tax abatement is conditional. Provisions of the proposed legislation require the first level of concrete to be laid by December 31, 2006 on the K street building, and the first level of concrete is laid on the L street building within 18 months of the developers receipt of the Mayor's tax abatement certification letter.

The tax abatement for both the K and L Street buildings shall expire at the end of the 10th tax year after the tax year in which the certificate of occupancy is issued for the residential portion of the buildings.

The tax abatement may be transferred by the owner and in the time period from which the tax abatement commenced, and shall continue for 10 years provided that:

1. The tax abatement shall be computed as \$1 per residential FAR¹ square foot of the eligible real property;
2. The tax abatement shall be transferred by the owner:
 - a. To reduce real property taxes imposed upon any residential project in eligible area number 2;
 - b. To reduce real property taxes imposed upon any commercial project in eligible area number 2;
3. The tax abatement will be transferred within:
 - a. A period of 5 years after the receipt by the eligible project of a final certificate of occupancy issued for the entirety of that project; and
 - b. Within one year after the final certificate of occupancy is issued for the project to which the abatement is transferred.

Financial Plan Impact

Funds are sufficient in the FY 2005 through FY 2008 budget and financial plan. The Table in Figure 1 presents the estimated taxes that would be forgiven by the provisions of the proposed legislation. The total abatement allowed by the proposed legislation is \$7.1 million over 10 years.

Figure 1.

Expenditure Impact to the Financial Plan (\$ in 000s)				
FY 2005	FY 2006	FY 2007	FY 2008	TOTAL
\$710	\$710	\$710	\$710	\$2,840

The mayor has the authority to award up to \$2 million in tax abatements per year for eligible property.² These funds are budgeted in the Housing Production Trust Fund every year and transferred to the local General Fund for purposes such as those described in the proposed legislation.

This fiscal impact statement supersedes the December 6, 2004 impact statement on this bill to reflect the funding source specified in the engrossed original version.

¹ FAR = Floor Area Ratio.

² Approved in D.C. Law 14-190, the "Fiscal Year 2003 Budget Support Act of 2002" effective October 1, 2002 and codified in Title 47 § 857.09(b) of the D.C. Official Code.