

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: July 13, 2004

SUBJECT: Fiscal Impact Statement: "Jefferson on the Hill Economic Development Act of 2004"

REFERENCE: Bill 15-883 as Introduced

Conclusion

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. The proposed legislation will result in unbudgeted reductions of approximately \$910,000 from foregone real property taxes and exempted deed recordation and deed transfer taxation in FY 2005 and \$2.95 million in FY 2005 through FY 2008. Foregone revenue as a result of exemptions from sales and use taxation cannot be estimated at this time.

Background

The proposed legislation approves a real property tax exemption for property located in Square 1045, Lots 132 through 137, in Ward 6. The proposed legislation also exempts the owners of the Jefferson on the Hill development from sales and use tax. The exemptions will commence upon issuance of a certificate of occupancy and expire after a period of ten years.

In addition, the proposed legislation foregoes all deed recordation and deed transfer taxes in the event of a transfer to the owners of the Jefferson on the Hill project for improvements sponsored by JPI Apartment Development, LP. The property is currently owned by Father Flanagan's Girls and Boys Town, a 501(c)(3) organization located in Boys Town, Nebraska.

Financial Plan Impact

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan as agreed to by the Mayor and the Council. The combined subject properties are assessed at \$6.9 million for tax year 2004. However, following the construction of approximately 240 apartment units, 45,000 square feet of retail space, parking for 400 to 500 automobiles, and other ancillary improvements, the properties' assessment is projected to be \$59.1 million.

The table in Figure 1. presents the approximate foregone revenue from real property taxes and exempted deed recordation and deed transfer taxation as a result of implementing the proposed legislation.

Figure 1.

Revenue Impact to the Financial Plan (\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	TOTAL
(\$0.91)	(\$0.66)	(\$0.68)	(\$0.70)	(\$2.95)

The previous estimates assume real property tax exemptions for the entirety of tax year 2005. The foregone revenue as a result of sales and use tax cannot be estimated at this time.