


**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: July 15, 2008

SUBJECT: Fiscal Impact Statement: "St Martins Apartments Tax
Exemption Amendment Act of 2008"

REFERENCE: Bill 17-731

Conclusion

Funds are not sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The exemption from sales taxes that would have been remitted from the purchase of construction materials will result in a total fiscal impact of \$835,403 in FY 2008 through 2012

Background

The proposed legislation would provide for tax exemptions for the St. Martin Apartments development project located in Square 3531, lots 114 and 115. Specifically, the proposed legislation would exempt the St. Martin Apartments property from real property tax, deed recordation tax and public space permit fees during the time the property is operated as an affordable rental housing project. The bill would also exempt the project from sales taxes on construction materials used in the development of the project.

The development is a joint partnership with Department of Housing and Community Development, the District of Columbia Housing Authority, Catholic Charities, and St. Martin Church. It will consist of 178 affordable housing units and is scheduled to begin construction in August 2008, with final build-out completed in August 2010.

The property is currently tax exempt because it is owned by the Roman Catholic Archdiocese of Washington. As a result, the exemption from property taxes and recordation and transfer taxes will not result in a fiscal impact. However, the proposed legislation will result in forgone revenues to the District of approximately \$577,400 in FY 2008 through FY 2012, based on assumptions regarding property tax growth along with recording and transfer fees. This is the amount of tax revenue the OCFO would have estimated and the District would have collected in FY 2008 through FY 2012 if the real property were taxable.

Financial Plan Impact

Funds are not sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Although the property is currently tax exempt, the project will be built by a for-profit developer. As a result, the developer would ordinarily pay sales taxes on construction materials. Based on assumptions regarding sales taxes that would be remitted from the purchase of construction materials, the proposed legislation providing exemption from sales taxes will result in a total fiscal impact of \$835,403 in FY 2008 through 2012.

The table below shows the fiscal impact of the proposed legislation in the FY 2009 through FY 2012 budget and financial plan period.

Table 1. Estimated Impact to the Financial Plan of St. Martins Apartments Tax Exemption Amendment Act of 2008						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	4 - Year Total
Total Reduced Sales Tax Revenue	(\$34,808)	(\$417,702)	(\$382,893)	\$0	\$0	(\$835,403)