

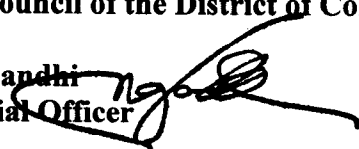
**Government of the District of Columbia
Office of the Chief Financial Officer**



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: "Bolling Air Force Base Military Housing Real Property Tax Exemption and Equitable Tax Relief Act of 2008"

REFERENCE: Bill 17-731

Conclusion

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan.

Background

The proposed legislation would exempt Square 6072, located completely within Bolling Air Force Base, and all current and future improvements on the site from all taxation, including real property taxes and recordation and transfer taxes, as long as the property is used for housing military personnel or their families. Based on current information, Square 6072 is 41,965 square feet, contains no improvements, and is owned by the U.S. government; thus it is currently tax exempt. The 2009 assessed value for the property is \$1,258,950.

In 2007, Bolling Air Force Base leased approximately 145 acres of land on the base to a joint venture between Hunt ELP, Ltd. of El Paso, Texas and Pinnacle AMS Development of Irvine, California to build, own and manage family housing for service members. Under this arrangement, Bolling and the U.S. government continue to own the land while

the developers own the improvements. This arrangement is part of the Department of Defense's Military Housing Privatization Initiative (MHPI).

Square 6072 is being transferred to the private developer through a 50-year lease and quit claim deed to the Hunt and Pinnacle venture so the companies may secure construction financing. Bolling will own the land at all times and all land will be used for military housing. This deal is similar to the MHPI military housing construction that took place at Walter Reed several years ago for which the Council provided a tax exemption (Walter Reed Property Tax Exemption Reconfirmation Act of 2005 – B16-0143).

Based on the current construction schedule, the improvements on Bolling would be complete in 2012. If the property were taxable, and with the information currently available, the Office of the Chief Financial Officer would estimate approximately \$814,060 in foregone revenue in FY 2012 based on the expected value of the improvements.

Financial Plan Impact

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Based on assumptions regarding what will be built on Square 6072, the legislation will result in approximately \$814,000 in foregone revenue to the General Fund in FY 2012.