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 13, 2010**
SUBJECT:	**Fiscal Impact Statement – "14W and the Anthony Bowen YMCA Project Tax Abatement Implementation Clarification Emergency Act of 2010"**
REFERENCE:	**Draft as shared with the OCFO on July 8, 2010 – No Bill Number**

Conclusion

Funds are sufficient in the FY 2010 budget and the FY 2011 though FY 2014 budget and financial plan to implement the proposed legislation. The financial effect of this proposal has already been incorporated in the FY 2010 budget and the FY 2011 through FY 2014 budget and financial plan.

Background

The proposed legislation would amend, on an emergency basis, the D.C. Official Code to provide real property and sales tax abatements for the 14W and the YMCA Anthony Bowen Project (hereafter the "Project"), a mixed-use development to be constructed on Lot 164[1], Square 0234, in Ward 1, that consists of the following:

[1] Lot 164, which occupies 1.28 acres of land area, will be created by combining Lots 18, 19, 20, 120, 121, 160, 161, 828, and 835. The new lot will be created by the Office of Tax and Revenue once outstanding real property taxes owed on the property are paid to the District.

- 231 units of rental apartments totaling approximately 230,000 square feet; including 18 units devoted to affordable housing for residents with income no greater than 60 percent of the metropolitan Washington D.C. area median income (AMI)[2];
- Approximately 12,200 square feet of retail space;
- A 170 space below-grade parking garage; and
- The new YMCA Anthony Bowen, a 45,000 square foot community and wellness facility.

The proposed legislation would exempt the developer of the Project from sales tax on the purchase of materials used directly for the construction of the Project. Additionally, the proposed legislation would cap the amount of real property taxes owed on the Project at $68,400 for ten consecutive years, and then would provide a 10 percent increase in property taxes owed each year for an additional ten years until property taxes reach 100 percent.

Current law provides similar sales and real property tax exemptions for the Project.[3] The proposed legislation modifies the terms of the exemption, so that the real property taxes owed on the property are capped at an amount of $68,400 for the first ten years. Current law caps the real property taxes owed at the "Fiscal Year 2008 rate" for the first 10 years.

Financial Plan Impact

Funds are sufficient in the FY 2010 budget and the FY 2011 though FY 2014 budget and financial plan to implement the proposed resolution.

Current law provides similar sales and real property tax exemptions for the Project.[4] The Project has not yet taken advantage of these exemptions, as the new lot 234 has not yet been created due to outstanding property taxes owed to the District. As soon as the outstanding taxes are paid, the new lot 234 will be created and the tax exemption will become effective. Assuming the property owner pays all outstanding taxes owed and the new lot is created starting in FY 2011, the proposed legislation would reduce revenue collections by $614,700 in FY 2011 and by approximately $2.6 million over the FY 2011 through FY 2014 financial plan period. The proposed legislation would have no impact on the FY 2010 budget, as the new lot 234 has not yet been created; if the property owner did become eligible for the real property tax exemption in FY 2010, they would only be able to claim a partial year exemption totaling $9219.

The fiscal impact of the proposed legislation was incorporated in the FY 2010 budget and financial plan.[5]

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[2] According to the U.S. Department of Housing and Urban Development, 60 percent of AMI for the Washington D.C. metropolitan area in FY 2008 was $49,125 for a family of four. AMI limits available at: http://www.huduser.org/datasets/il/il2008/2008summary.odn?inputname=METRO47900M47900*Washington-Arlington-Alexandria%2C+DC-VA-MD+HUD+Metro+FMR+Area&selection_type=hmfa&year=2008
[3] These exemptions were enacted as part of the Fiscal Year 2010 Budget Support Act of 2009 (D.C. Law 18-111).
[4] These exemptions were enacted as part of the Fiscal Year 2010 Budget Support Act of 2009 (D.C. Law 18-111).
[5] Effective March 3, 2010 (D.C. Law 18-111).

Estimated Impact to the Budget and Financial Plan, FY 2011 – FY 2014					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**Four Year Total**
Construction Costs	$10,000,000	$10,000,000	$0	$0	$20,000,000
Estimated Sales Tax	$600,000	$600,000	$0	$0	$1,200,000
Value of Real Property	$5,078,570	$43,340,083	$71,344,686	$76,338,814	$196,102,153
Estimated Tax Liability	$83,100	$368,391	$606,430	$648,880	$1,706,800
Tax Liability Under Proposed Legislation	$68,400	$68,400	$68,400	$68,400	$273,600
Total Value of Abatement	**$683,100**	**$968,391**	**$606,430**	**$648,880**	**$2,906,800**

Source: Office of Revenue Analysis Calculations
[a] Construction cost estimates are provided by the developer.
[b] The sales tax revenues for construction materials is estimated using the general sales tax rate of 6 percent.
[c] This property is currently consists of eight lots classified as commercial, vacant, or residential, as well as one tax exempt lot. The effective tax rate for these nine properties in FY 2009 was $1.65/$100. Starting FY 2011, the tax is estimated using $0.85/$100.
[d] Total Value of Abatement is comprised of (1) Estimated Sales Tax and (2) Estimated Tax Liability minus Tax Liability Under Proposed Legislation.