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:	**February 2, 2009**
SUBJECT:	**Fiscal Impact Statement – "Randall School Development Project Tax Abatement Act of 2009"**
REFERENCE:	**B18-102, As Introduced**

Conclusion

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Enactment of the proposed legislation would exempt from real property taxation Lot 801 in Square 0643S, known as the Randall School development project. The proposed legislation would result in foregone revenues of approximately $843,000 in FY 2009 and $2.2 million over the FY 2009 through FY 2012 period.

Reduced Revenues in the FY 2009-2012 Budget and Financial Plan				
FY 2009	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2009-2012**
$843,354	$437,473	$450,777	$464,480	$2,196,084

Background

The proposed legislation would amend Chapter 10 of Title 47 of the District of Columbia Official Code to provide an abatement of real property taxation for the Randall School development project (hereafter the Project). The Project is owned by the Trustees of the Corcoran Gallery of Art, a nonprofit corporation, and is located in Square 0643S, Lot 801 in Ward 6. The proposed legislation would abate real property taxes for the Project beginning December 1, 2006. The abatement would remain in effect indefinitely or until a certificate of occupancy is issued for any part of the Randall School development project. The abatement proposed by this legislation would be in addition to, and not in lieu of, any property tax relief received by the Project.

Financial Plan Impact

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The proposed legislation would have a fiscal impact in FY 2009 of $843,354 and would cost $2,196,084 million in the FY2009 through FY 2012 financial plan period.

Total Estimated Fiscal Impact on the Budget and Financial Plan from the Randall School Development Project Tax Abatement Act of 2009

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2009-2012
Total Assessed Value[a]	$23,273,309	$23,971,508	$24,690,654	$25,431,373	
Class 2 Tax Liability[b]	$424,556	$437,473	$450,777	$464,480	$1,777,287
Value of Abatement	$424,556	$437,473	$450,777	$464,480	$1,777,287
Real Property Tax Refund for 2007/2008[c]	$418,798	$0	$0	$0	$418,798
Total Fiscal Impact – Reduced Revenues	**$843,354**	**$437,473**	**$450,777**	**$464,480**	**$2,196,084**

[a] The FY 2009 Total Assessed Value for Square 0643S, Lot 801 is the publicly available assessed value for this property. Property values for this neighborhood have grown on average 17% since 2005; however, given the current state of the real estate market and the national economy, it is assumed that the Randall School property will grow at an average annual rate of 3% between Tax Years 2010 and 2013.
[b] This property is currently classified as Class 2 and taxed at $1.65/$100 for the first $3 million of value and at $1.85/$100 for any value above.
[c] The proposed legislation would abate real property taxes for the Randall School Project beginning December 1, 2006; therefore the amount of property taxes owed and paid in Tax Years 2007 and 2008 would need to be refunded. It is assumed the refund would occur in FY 2009.