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:	**November 5, 2010**
SUBJECT:	**Fiscal Impact Statement – "14W and the Anthony Bowen YMCA Project Tax Abatement Implementation Clarification Emergency Act of 2010"**
REFERENCE:	**Bill 18-898 – Committee Print, as shared with the OCFO on October 29, 2010**

This revised Fiscal Impact Statement reflects the Committee Print version of Bill 18-898, and it replaces the Fiscal Impact Statement issued by the OCFO on July 13, 2010.

Conclusion

Funds are sufficient in the FY 2011 though FY 2014 budget and financial plan to implement the proposed legislation. The fiscal 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 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 abate real property taxes for 20 consecutive years as follows: in years one through ten, the amount of real property tax owed is capped $68,400; and then beginning in year 11, the tax liability will increase by 10 percentage points each year until year twenty when the tax would equal 100 percent of real property tax owed under the District's real property tax law. The proposed legislation would take effect on October 1, 2011.

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. It also specifies that the tax abatements would take effect starting October 1, 2011. Current law caps the real property tax owed at the "Fiscal Year 2008 rate" for the first 10 years and does not specify an effective start date. To date, the developer of the Project has not claimed any portion of the sales or real property tax abatements provided under current law.

Financial Plan Impact

Funds are sufficient in the FY 2011 though FY 2014 budget and financial plan to implement the proposed resolution. 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.[4]

Estimated Impact of Bill 18-898, FY 2011 – FY 2014					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**Four Year Total**
Construction Costs	0	10,000,000	10,000,000	0	20,000,000
Estimated Sales Tax	0	600,000	575,000	0	1,175,000
Total Taxable Property Value	14,987,967	16,367,281	17,512,990	18,738,963	67,607,201
Estimated Tax Liability	246,605	739,122	723,860	159,281	1,868,868
Tax Liability Under B18-898	246,605	68,400	68,400	68,400	451,805
Total Value of Abatement	**0**	**670,722**	**655,460**	**90,881**	**1,417,063**

Table Notes:
[a] Construction cost estimates are provided by the developer.
[b] The sales tax revenues for construction materials are estimated using the general sales tax rate of 6 percent for FY 2012 and 5.75 percent for FY 2013.[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] Effective March 3, 2010 (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).

[c] This property 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 2011 was $1.65/$100. Starting FY 2012, 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.

Finally, because the real property tax exemption would be in effect for twenty years, the proposed legislation would have a fiscal impact beyond the financial plan period. Between FY 2015 and FY 2030 (when the abatement is expected to expire), the proposed legislation is estimated to reduce property tax collections by $1,634,260.

Estimated Negative Fiscal Impact: FY 2015 – FY 2030	
FY 2015	$94,067
FY 2016	$97,316
FY 2017	$100,630
FY 2018	$104,011
FY 2019	$107,459
FY 2020	$110,976
FY 2021	$114,564
FY 2022	$167,961
FY 2023	$171,320
FY 2024	$135,914
FY 2025	$118,828
FY 2026	$101,004
FY 2027	$82,419
FY 2028	$63,050
FY 2029	$42,874
FY 2030	$21,866
Total	**$1,634,260**

[5] The District of Columbia retail sales tax rate reverts back to 5.75 from 6 percent as of October 1, 2012 (D.C. Official Code §47-2002).