


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 18, 2010

SUBJECT: Fiscal Impact Statement – “Central Union Mission Real Property Tax Exemption and Equitable Tax Relief Act of 2010”

REFERENCE: Bill Number 18-1001, As Introduced

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. Implementing the proposed legislation is estimated to reduce tax collections by \$507,715 in FY 2011. There would be no additional impact in the financial plan period.¹

Background

The proposed legislation would amend Chapter 10 (Property Exempt from Taxation) of Title 47 of the D.C. Official Code to exempt the real property located in Square 2895, lots 825, 826, 830 and 831, which is owned by Central Union Mission, Inc., from all taxation beginning on September 25, 2006.² This exemption would remain in place provided that the property continued to be so owned, was not used for commercial purposes, and was subject to the provisions of § 47-1005, § 47-1007, and § 47-1009.

¹ According to Council staff, implementation of this bill will be subject to the inclusion of its fiscal effect in an approved budget and financial plan. The introduced version, however, does not contain this language.

² Based on conversations with Council staff, it appears that the true intent is to exempt these properties from property tax at the time they were acquired by Central Union Mission, which occurred on October 25, 2006 for Lots 825 and 826, on July 2, 2007 for Lot 831 and on July 31, 2007 for Lot 830. Although not explicitly stated, the intent is also to exempt Central Union Mission from recordation taxes when they purchased these properties and transfer taxes when they sell them. The committee print will have language clarifying this.

Central Union Mission is a non-profit social service agency with four locations throughout the Washington area. Its headquarters at 1350 R Street NW provides emergency shelter services, meals and groceries, and job training in the culinary arts. This location also serves as a distribution center of necessities and administrative office space.

In October 2006 and July 2007, Central Union Mission purchased the four properties described above with the intent of relocating their headquarters there, after first constructing a 60,000 square foot four-story building at the site. When the properties were bought, there was no indication that Central Union Mission would not be granted a building permit given the zoning regulations at that time. However, shortly after the purchases were made, new zoning regulations were put in place that required developers of projects larger than 12,000 square feet to face public hearings and obtain a special permit.

Central Union Mission submitted an application to the D.C. Zoning Board for a special permit, but faced considerable public opposition to their plans. As a result, the Central Union Mission has decided to sell these properties at the end of this year and relocate to another space.

Had Central Union Mission been able to execute their plans, they would have been exempted from property taxes under current law as they are a non-profit and the building would have been used for purposes of public charity.³ They also would have been exempted from recordation taxes on the purchase of these properties and transfer taxes at the time of their sale.⁴ To qualify for these exemptions they only would have needed to submit an application with the required documentation.

In fact, after the purchase of these properties, Central Union Mission did submit applications for these exemptions since at that time they had no reason to doubt their ability to successfully execute their plans. Of course, the exemptions were never granted as no services were ever provided at this site. The proposed bill would provide them with these exemptions.

Lastly, it should be noted that some property taxes were paid on these properties in 2007, likely by the previous owner. It is not the intent of this legislation to provide any refunds for amounts paid, but rather to forgive property taxes currently owed by Central Union Mission.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. Implementing the proposed legislation is estimated to reduce tax collections by \$507,715 in FY 2011. There would be no additional impact in the financial plan period.

³ See D.C. Official Code § 47-1002(8).

⁴ Central Union Mission was actually exempted from paying recordation taxes at the time of the purchase because of their pending exemption application. However, since the exemption was never granted, Central Union Mission would be required to pay these taxes plus interest at the time of their sale.

The Honorable Vincent C. Gray

FIS: B18-1001 "Central Union Mission Real Property Tax Exemption and Equitable Tax Relief Act of 2010" As Introduced

Negative Fiscal Impact FY 2011- FY 2014					
	FY 2011	FY 2012	FY 2013	FY 2014	Four-Year Total
Recordation taxes from original purchase ^a	\$72,600	\$0	\$0	\$0	\$72,600
Transfer taxes from sale ^b	\$58,000	\$0	\$0	\$0	\$58,000
Past property taxes (2007 to 2010)	\$362,061	\$0	\$0	\$0	\$362,061
Current property taxes ^c	\$15,054	\$0	\$0	\$0	\$15,054
Total	\$507,715	\$0	\$0	\$0	\$507,715

^a Includes interest on original recordation taxes due

^b Based on contract sale price

^c Includes property taxes for October through December 2010