


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: December 2, 2010

SUBJECT: Revised Fiscal Impact Statement – “Perry Street Affordable Housing Tax Exemption Extension Act of 2010”

REFERENCE: Bill 18-1004, Draft Committee Print Shared with the OCFO on December 1, 2010

This revised fiscal impact statement reflects the language in the draft committee print shared with the OCFO on November 18, 2010, and replaces the fiscal impact statement issued on October 7, 2010.

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would reduce tax collections by \$104,210 in FY 2011; there would be no additional reductions in FY 2012 through FY 2014.

Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

Background

The proposed legislation would amend Title 47 of the D.C. Official Code to exempt the property located at 1029 Perry Street, N.E., (Square 3883, Lots 20 and 842)¹ from real property taxes from October 1, 2006 through October 1, 2011. It also would forgive all recordation and transfer taxes with respect to the conveyance of the real property and taxes for the recordation of any deed, construction loan deed of trust or mortgage, or permanent loan deed of trust or mortgage with respect to such conveyance. Lastly, it would refund any such taxes paid.

¹ The property was designated as Square 3883, Lot 842 for tax years 2007 through the first half of 2010. For the second half of 2010, it has been designated as Square 3883, Lot 20.

Manna, Inc. purchased this property in July 2006. It was originally granted an exemption from property taxes and recordation and transfer taxes from October 1, 2006 until September 30, 2009 under D.C. Official Code Section § 47-3505 (Nonprofit Housing Organizations—Qualifications; Exemptions). However, the Office of Tax and Revenue (OTR) recently revoked the exemption because Manna, Inc. did not comply with its terms. The terms of the exemption require that the property be transferred from the non-profit organization (in this case Manna, Inc.) to a household subject to certain income limitations or to a cooperative housing association within 36 months after the approval of the exemption.² The transfer did not occur during that period and to date still has not occurred.³ (Manna plans on transferring six of the sixteen units by the end of December 2010; the other units would be transferred by September 30, 2011.) Under current law, if the property is not transferred the exemptions granted are to be disallowed, and the tax that would have been due in the absence of the exemption, as well as any interest and penalties, are to be paid by the organization.

Thus, Manna, Inc. is now responsible for real property taxes and recordation and transfer taxes for which they were originally exempted. The proposed bill would forgive all of these taxes.

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. The proposed legislation would reduce tax collections by \$104,210 in FY 2011; there would be no additional reductions in FY 2012 through FY 2014.

Negative Fiscal Impact FY 2011- FY 2014					
	FY 2011	FY 2012	FY 2013	FY 2014	Four-Year Total
Recordation and Transfer Taxes on Conveyance of the Real Property ^a	\$26,400	\$0	\$0	\$0	\$26,400
Recordation Taxes on Private Construction Loan ^b	\$19,027	\$0	\$0	\$0	\$19,027
Forgiveness/Refund of Past Property Taxes (2007 through 2010) ^c	\$48,767	\$0	\$0	\$0	\$48,767
Current Property Taxes ^d	\$10,017	\$0	\$0	\$0	\$10,017
Negative Fiscal Impact	\$104,210	\$0	\$0	\$0	\$104,210

^a Taxed at a rate of 1.1 percent

^b Taxed at a rate of 1.45 percent (the rate was increased in October 2006)

^c Includes penalties and interest

^d Assumes 6 of the 16 units are transferred by December 31, 2010

² Administration and Enforcement--Qualifying Nonprofit Housing Organizations and Cooperative Housing Associations, D.C. Official Code § 47-3506(a)(1).

³ According to Manna, the transfer did not occur because the Department of Housing and Community Development took a very long time to secure the funds for this project and negotiate the terms of the loan they eventually provided to Manna.