Government of the District of Columbia
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Kwame R. Brown** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**April 18, 2011**
SUBJECT:	**Fiscal Impact Statement – "SOME, Inc. and Affiliates Transfer and Recordation Exemption and Equitable Tax Relief Act of 2011"**
REFERENCE:	**Bill Number 19-73, 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. The proposed legislation would reduce local General Fund revenues by $613,198 in FY 2011 and its fiscal effect is subject to inclusion in an approved budget and financial plan. No other impact is expected through the rest of the financial plan period.

Background

Current law[1] exempts thirteen properties owned by SOME, Inc. (SOME), Affordable Housing Opportunities, Inc. (AHO), or any entity controlled by SOME or AHO (hereafter referred to as "affiliate") from real property taxation, so long as the properties continue to be owned by SOME, AHO, or one of their affiliates, and are used in accordance with the exemption requirements included in their application for the real property tax exemption. The effective dates of the real property tax exemptions vary, ranging from 2005 to 2010. These properties are currently used to provide housing to low-income or homeless families, elderly, and single adults.

[1] So Others Might Eat Property Tax Exemption Act of 2008, effective July 18, 2008 (D.C. Law 17-185, D.C. Official Code § 47-1078), provided a real property tax exemption for 11 properties owned by SOME and AHO. Affordable Housing Opportunities Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2010, effective March 23, 2010 (D.C. Law 18-129, D.C. Official Code § 47-1084), provided a real property tax exemption for two additional lots (Lot 800 in Square 5984 and Lot 916 in Square 5730).

The proposed legislation would amend current law[2] to also exempt SOME, AHO, and their affiliates from deed recordation and transfer taxes, allowing the properties to be transferred among these parties without the payment of these taxes.[3] It would assign the same effective dates of the real property tax exemptions to the recordation and transfer tax exemptions. The bill also would require the District to forgive and refund any taxes, interest, penalties, or fees assessed to these parties as a result of conveying these properties.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce local General Fund revenues by $613,198 in FY 2011. No other impact is expected through the rest of the financial plan period.

The estimated reduction in revenue results from the forgiveness of and refunds for deed recordation and transfer taxes owed by SOME, AHO, and their affiliates on several property transfers involving the lots included in the proposed legislation.[4]

Between 2005 and 2010, thirteen property transfers occurred between SOME, AHO, and their affiliates. SOME also plans to transfer Lot 916, Square 5730, located at 2765 Naylor Road SE, in the spring of 2011, to one of its affiliates.[5] The total amount of deed recordation and transfer taxes that would be assessed on all of the aforementioned transfers is approximately $613,198.

Estimated Fiscal Impact of Bill 19-23 - SOME, Inc. and Affiliates Transfer and Recordation Exemption and Equitable Tax Relief Act of 2011, FY 2011 - FY 2014					
	FY 2011	**FY 2012**	**FY 2013**	**FY 2014**	**4-Year Total**
Total Amount of Deed Taxes to be Forgiven/Refunded[a, b]	$613,198	$0	$0	$0	$613,198
Total Negative Fiscal Impact	**$613,198**	**$0**	**$0**	**$0**	**$613,198**

Table Notes:

[a] Between 2005 and 2010, a total of thirteen property transfers occurred where deed recordation and transfer taxes would be assessed under current law. The estimate also accounts for the amount of taxes that would be due as a result of one future transfer planned for some time in 2011.

[b] Assumes refund/forgiveness would be granted in FY 2011. The total amount includes $434,979 in outstanding taxes and $179,639 in recordation taxes paid on the transfer of Lot 822 in Square 664 and Lot 815 in Square 5637 that would need to be refunded to SOME.

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[2] D.C. Official Code §§ 47-1078 and 47-1084.

[3] The intent of some of these internal transfers is to allow SOME, a non-profit entity, to take advantage of the Federal Low Income Housing Tax Credit (LIHTC) financing. To take advantage of LIHTC, a non-profit must convert to or create a for-profit subsidiary in order to take advantage of the federal tax credits; however, the non-profit will continue to act as the managing member of the for-profit subsidiary.

[4] Thirteen of the fourteen transfers occurred between 2005 and 2010, and according to SOME representatives, Lot 916, Square 5730, located at 2765 Naylor Road, SE is expected to transfer in the spring of 2011.

[5] Personal Communication, SOME representatives, March 16, 2011.