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:	**May 18, 2011**
SUBJECT:	**Fiscal Impact Statement – "KIPP DC-Shaw Campus Property Tax Exemption Act of 2011"**
REFERENCE:	**Bill Number 19-156, as introduced**

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation.

Background

The proposed legislation would amend[1] the D.C. Official Code to provide a tax exemption to the KIPP DC-Shaw Campus, located at 421 P Street, N.W. (Lot 163, Square 510). The proposed legislation would exempt the property from real property and possessory interest taxation so long as it is owned, or occupied under a ground lease, by KIPP DC, a nonprofit charter school operator in the District, or a subsidiary of KIPP DC.[2] In addition, the legislation would exempt the KIPP DC-Shaw Campus from recordation and transfer taxation if any portion of it were transferred between KIPP DC and a subsidiary of KIPP DC.

The property is the former Scott Montgomery Elementary School. It is owned by the District of Columbia and is exempt from real property taxation. KIPP DC currently operates a public charter school on the property. The DC Public Schools (DCPS) has agreed to execute a ground lease for the property to KIPP DC, allowing KIPP DC to assign the ground lease to a Qualified Active Low-Income Community Business (QALICB).[3]

[1] By amending Chapter 10 (Property Tax Exemptions) of Title 47 (Taxation, Licensing, Permits, Assessments, and Fees) of the D.C. Official Code.
[2] http://www.kippdc.org/
[3] DCPS and KIPP DC are now finalizing the terms of the ground lease; it has not yet been executed.

KIPP DC created a non-profit subsidiary, Shaw QALICB, Inc., to take advantage of the New Markets Tax Credit program[4] for financing the planned renovation of the property.[5] Upon securing the New Markets Tax Credit financing, KIPP DC will transfer ownership of the KIPP DC-Shaw Campus to the QALICB, which will then sublease the property back to KIPP DC. The property would continue to be used by KIPP DC to house its public charter school.

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. Under current law, DC charter schools are exempt from property, deed, and sales tax.[6] According to the Office of Tax and Revenue, the proposed legislation would have no impact on the District's revenue collection, as the proposed transaction is not expected to affect the property's tax exempt status.

[4] http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5

[5] Renovations are scheduled to begin in June 2011 and end June 2012. The renovations will consist of a LEED-certified full modernization and expansion of an 85,000 square foot campus that will serve over 900 pre-k through 8th grade students upon reaching capacity.

[6] D.C. Code § 38-1802.10(b) exempts public charter schools from DC property and sales tax. D.C. Code § 42-1102 states that property exempt from taxation based on its use as an educational institution, which is not organized or operated for private gain under § 47-1002.10 would also be exempt from deed taxes.