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:	**March 11, 2011**
SUBJECT:	**Fiscal Impact Statement – "Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2010"**
REFERENCE:	**B18-198, As Enrolled**

This revised fiscal impact statement reflects the final, enrolled version of the legislation enacted on November 19, 2010[1] *and also takes into consideration the fiscal effect of planned development of the properties. This fiscal impact statement replaces the one issued by the OCFO on July 1, 2010.*

Conclusion

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the legislation. The enrolled legislation reduces real property tax collections by approximately $66,432 in FY 2011 and $427,906 in the FY 2011 through FY 2014 financial plan period.

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

Background

The enrolled legislation amends Chapter 10 of Title 47 of the District of Columbia Official Code to exempt from real property tax Lots 24, 25, 26, 38, 214, 215, 923, 924, and 925[2] in Square 5730, so long as the real properties continued to be owned by Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church, and not used for commercial purposes.

[1] A18-609, "Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2010."
[2] Lots 38, 923, and 924 in Square 5730 have been combined to create Lot 218 in Square 5730.

The proposed legislation would also forgive and refund all tax payments made on the aforementioned properties starting January 1, 2006, including all real property taxes, interest, penalties, fees, and other related charges assessed against Allen Chapel A.M.E. Church or by an entity controlled, directly or indirectly, by Allen Chapel A.M.E. Church.

Financial Plan Impact

Funds are not sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the enrolled legislation. The legislation is estimated to reduce real property tax collections by $66,432 in FY 2011 and $427,906 over the FY 2011 through FY 2014 budget and financial planning period.

The total cost of forgiving and refunding the real property taxes (including interest, penalties, and fees) for the period of January 1, 2006 through September 30, 2010[3] was incorporated into the approved FY 2010 budget.[4]

Table 1. Revised Fiscal Impact of Bill 18-198 – Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2010

	FY 2011	FY 2012	FY 2013	FY 2014	4-Year Total
Total Assessed Value[1,2,3]	$4,109,630	$8,872,278	$16,100,000	$16,631,300	$45,713,208
Estimated Tax Liability [4]	$66,432	$83,258	$136,850	$141,366	$427,906

Table Notes:

[1] Assumes project reaches 65 percent completion in FY 2012 and 100 percent completion in FY 2013; estimated project timeline per developers: May 2011 through July 2012.

[2] New assessed values starting in FY 2012 are based on construction costs.

[3] Growth in FY 2014 and FY 2015 assessed values are based on projections for property tax values.

[4] Lots 215, 218 and 925 in Square 5730 are taxed at the commercial rate (class 2) until project reaches 65 percent completion; at which time, it is assumed all lots are rezoned and taxed at the residential rate (class 1) of 85¢ per $100 assessed value.

Finally, because the tax exemption authorized by the legislation does not expire, it would continue to have a fiscal impact beyond the four-year financial plan period. For example, in the ten years following FY 2014, the proposed legislation is expected to reduce the property tax collections by an additional $1,578,877, bringing the total negative impact to approximately $2.0 million. See table 2 below.

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[3] The total cost of the tax refund and exemption for this period was $474,049.

[4] FY 2010 Proposed Budget and Financial Plan, Volume 1, page 4-21 (updated: September 28, 2009) http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/budget/2010_9_29/volume_1_-_executive_summary_web.pdf .

Table 2. Estimated Annual Reductions in Property Tax Collections FY 2015 through FY 2024	
	Value of the Tax Exemption
FY 2015	$144,193
FY 2016	$147,077
FY 2017	$150,019
FY 2018	$153,019
FY 2019	$156,080
FY 2020	$159,201
FY 2021	$162,385
FY 2022	$165,633
FY 2023	$168,946
FY 2024	$172,324
Total	**$1,578,877**