

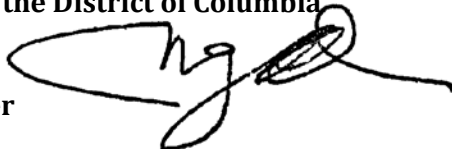
Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Philip H. Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: October 31, 2012

SUBJECT: Fiscal Impact Statement – “Parkside Parcel E and J Mixed-Income Apartments Tax Abatement Act of 2012”

REFERENCE: Bill 19-741, Draft Committee Print Shared with the Office of Revenue Analysis on October 31, 2012

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill will reduce revenues by \$1,106,044 over the FY 2013 through FY 2016 budget and financial plan. Implementation of the bill is subject to its inclusion in an approved budget and financial plan.

Background

The bill provides a real property tax abatement for the Parkside Parcel E¹ and J² mixed-income apartments, located on Lot 808 in Square 5041 and Lot 811 in Square 5056. The abatement will begin the first day of occupancy³ and will last through ten partial or full tax years. The tax abatement is limited to \$600,000 in any tax year. If the certificate of occupancy is not obtained by September 20, 2018, the authorization of this tax abatement will expire.

¹ Parcel E is in the Northeast quadrant, bordered by Hayes St., Parkside Pl., Cassell Pl., and Kenilworth Terrace.

² Parcel J is in the Northeast quadrant, bordered by Roosevelt Pl., Parkside Pl., Foote St., and Kenilworth Terrace.

³ This analysis assumes the “first day of occupancy” refers to the date the project received its certificate of occupancy.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill will reduce real property tax collections by \$1,106,044 over the financial plan period. Implementation of the bill is subject to its inclusion in an approved budget and financial plan.

| Estimated Cost of the Parkside Parcel E and J Mixed-Income Apartments Tax Abatement Act of 2012, Bill 19-741 FY 2013 – FY 2016 | | | | | |
|---|----------------|----------------|----------------------------|----------------------------|--------------------|
| | FY 2013 | FY 2014 | FY 2015^b | FY 2016^b | Total |
| Tax Exemption^a | \$0 | \$0 | \$545,925 | \$560,119 | \$1,106,044 |

Table Notes

^a The tax exemption begins when the development receives its certificate of occupancy, which is expected in FY 2015.

^b Residential properties are assessed at \$0.85 per \$100 of assessed value and growth in FY 2015 and FY 2016 assessed values are based on projections for property tax values.

The bill authorizes a ten-year tax abatement, so there will be implications for the District's budget and financial plan through FY 2024. The total cost of the remaining eight years is \$4,764,305 and the total ten year cost is \$5,870,349.

| Estimated Annual Reductions in Property Tax Collections, FY 2017 through FY 2024 | |
|---|-------------------------------|
| Fiscal Year | Value of Tax Exemption |
| FY 2017 | \$574,682 |
| FY 2018 | \$589,623 |
| FY 2019 ^a | \$600,000 |
| FY 2020 | \$600,000 |
| FY 2021 | \$600,000 |
| FY 2022 | \$600,000 |
| FY 2023 | \$600,000 |
| FY 2024 | \$600,000 |
| Total Exemption | \$4,764,305 |

Table Notes

^a Starting in FY 2019, the expected property taxes due exceed \$600,000, the maximum exemption allowed in the bill for any given year.