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

Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Jeffrey S. DeWitt** **Chief Financial Officer**
DATE:	**November 30, 2016**
SUBJECT:	**Fiscal Impact Statement – "Continuing Care Retirement Community Exemption Amendment Act of 2016"**
REFERENCE:	**Bill 21-402, Committee Print given to the Office of Revenue Analysis on November 28, 2016**

Conclusion

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will reduce real property tax revenue by $708,000 in fiscal year 2017 and $4.4 million in the fiscal year 2017 through 2020 financial plan.

Background

The bill exempts not-for-profit Continuing Care Retirement Communities (CCRCs)[1] from real property taxation. A CCRC is a senior living facility that offers residents a range of housing choices and services on one campus including: independent living, assisted living, and skilled nursing.

Currently, we expect the bill will apply to only one CCRC: the Ingleside Presbyterian Retirement Community, Inc. ("Ingleside"). Ingleside is a not-for-profit corporation exempt from federal income taxes located at 3050 Military Road, N.W. Additional CCRCs could become eligible for the exemption in the future, but because of their size and complexity, additional CCRCs are unlikely to become eligible during the four-year financial plan window.

The Ingleside property has been partially taxable and partially tax exempt for many years. Prior to the second half of tax year 2014, approximately 18 percent of the property was taxable. In 2014, as part of a review of the Ingleside property's tax exemption, the Office of Tax and Revenue determined that while the portion of the Ingleside property that is used for nursing care and assisted living is tax-exempt under District law, the portion attributable to independent living is not

[1] As defined in D.C. Official Code § 44-151.01(3).

eligible for an exemption. As a result, the property is now approximately 62 percent taxable, which is the portion of the property used for independent living residences. The facility's annual real property tax liability is currently approximately $708,000.

Ingleside is in the planning stages for a large expansion that will include 97 upscale independent living residences, 12 assisted living residences, a new Center for Healthy Living, and a new Health Services Center. The expansion is expected to break ground in 2017 and be completed in 2019. When the expansion is complete, the assessed value of the property is expected to almost double. Upon completion, Ingleside's annual real property tax liability will increase to an estimated $1.4 million.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2017 through fiscal year 2020 budget and financial plan to implement the bill. The bill will reduce real property tax revenue by $708,000 in fiscal year 2017 and $4.4 million in the fiscal year 2017 through 2020 financial plan.

Fiscal Impact of Bill 21-402 Continuing Care Retirement Community Exemption Amendment Act of 2016 FY 2017 – FY 2020					
	FY 2017	**FY 2018**	**FY 2019**	**FY 2020**	**TOTAL**
Real Property Tax Reduction	$708,000	$725,700	$1,469,100	$1,504,500	**$4,407,300**