


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:** March 6, 2020

**SUBJECT:** Fiscal Impact Statement – Children’s Hospital Research and Innovation  
Campus Equitable Tax Relief Act of 2020

**REFERENCE:** Bill 23-577, Committee Print provided to the Office of Revenue  
Analysis on March 4, 2020

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**Conclusion**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill.

**Background**

The bill exempts real property<sup>1</sup>, transfer<sup>2</sup>, and recordation<sup>3</sup> taxes on property<sup>4</sup> that is owned by Children’s National at Walter Reed, a subsidiary of the nonprofit Children’s National Medical Center. The exemptions apply only to the 93.3 percent of the property that was previously eligible for an administrative exemption, and only while the property is leased to Building 52/53 NMTC Borrower, LLC and Building 54 NMTC Borrower, LLC. The bill also forgives all recordation and transfer taxes, interest and penalties assessed related to the long-term leases.<sup>5</sup>

The property is being developed into a research and innovation campus that due to its operation by Children’s would have been entitled to an administrative exemption covering 93.3 percent of the

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<sup>1</sup> D.C. Official Code Title 47, Chapters 7-10, 13, 13a.

<sup>2</sup> D.C. Official Code Title 42, Chapter 9.

<sup>3</sup> D.C. Official Code Title 42, Chapter 11.

<sup>4</sup> The property is known for tax and assessment purposes as Lots 824 and 826 in Square 2950.

<sup>5</sup> Specifically the bill forgives any taxes paid on Document Numbers 2019065986, 2019065987, 2019065988, 2019065989, 2019065990, 2019065991, 2019065992, and 2019065993 recorded by the Recorder of Deeds on June 24, 2019.

The Honorable Phil Mendelson

FIS: "Children's Hospital Research and Innovation Campus Equitable Tax Relief Act of 2020," Committee print provided to the Office of Revenue Analysis on March 4, 2020.

property. However, to take advantage of two federal tax credits, Children's National granted long-term leasehold interests in the property to two limited liability corporations that do not have nonprofit status.

Please refer to the separate Tax Abatement Financial Analysis for further detail on the development project and the abatement.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. Nonprofit hospital activity and other allowed nonprofit uses do not contribute to the property tax revenue included in the District's financial plan, so the bill's exemptions do not have a fiscal impact. No taxes have been paid on the property, so no refunds will be due as a result of this bill. The portion of the property with activity deemed non-exempt will remain taxable.