

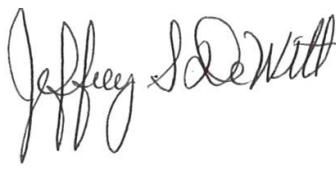
Government of the District of Columbia
Office of the Chief Financial Officer



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: May 21, 2020

SUBJECT: Fiscal Impact Statement – New Howard University Hospital and
Redevelopment Tax Abatement Act of 2020

REFERENCE: Draft Introduction as provided to the Office of Revenue Analysis on
May 4, 2020

Conclusion

Funds are sufficient in the fiscal year 2020 budget and the proposed fiscal year 2021 through 2024 budget and financial plan to implement the bill. The District will forgo future real property tax revenue that is outside of the financial plan. The tax abatement will cost the District \$11.1 million a year once the new Howard University Hospital is open and \$225 million over a 20-year period.

Background

The bill provides¹ a real property tax abatement for property² owned by Howard University for a period of 20 years beginning no earlier than fiscal year 2025. The tax abatement is capped at \$11.1 million in any tax year and \$225 million in total over the course of the abatement. The abatement will expire no later than the end of tax year 2048.

For the property to receive an abatement, Howard University must:

- Construct a new, state-of-the-art, full-service, teaching and research hospital by October 1, 2026;
- Operate the new hospital on an ongoing basis until the end of the abatement;
- Continue to operate the existing Howard University Hospital until the new hospital is open;

¹ By amending Chapter 46 of Title 47 of the D.C. Official Code.

² The real property known for tax and assessment purposes as Lots 829, 830, and 831 in Square 3065, Lot 11 in Square 3074, Lot 807 in Square 3075, Lot 52 in Square 3072, and Lot 73 in Square 3080 and any improvements on that real property.

The Honorable Phil Mendelson

FIS: "New Howard University Hospital and Redevelopment Tax Abatement Act of 2020," Draft Introduction as provided to the Office of Revenue Analysis on May 4, 2020

- Operate five Centers of Excellence at Howard University Hospital on sickle cell disease, women's health, substance use and co-occurring disorders, trauma care and violence prevention, and oral health over the course of the abatement;³
- Submit a detailed redevelopment plan for the property to the Mayor every six months starting on October 1, 2021;
- Execute a First Source Employment Agreement with the Department of Employment Services; and,
- Execute a Certified Business Enterprise agreement with the Department of Small and Local Business Development;

The Mayor must certify annually to the Office of Tax and Revenue (OTR) that the property has met the eligibility criteria listed above. If the Mayor determines that the property is ineligible for the abatement, the property will be required to pay real property taxes on the first day of the tax year following the date when the ineligibility occurred.

Financial Plan Impact

Funds are sufficient in the fiscal year 2020 budget and the proposed fiscal year 2021 through 2024 budget and financial plan to implement the bill. The District will forgo future real property tax revenue that is outside of the financial plan. The abatement will cost the District \$11.1 million a year once the new Howard University Hospital is open and \$225 million over a 20-year period.

The proposed fiscal year 2021 budget includes \$4.2 million in one-time funding to support the Centers of Excellence at Howard University Hospital. The District must appropriate at least \$3 million annually in fiscal years 2022 through 2025 in order for the Centers to continue operation prior to the opening of the new hospital.

³ Howard University Hospital must also operate Centers of Excellence if the District allocates more than \$3 million in its operating budget towards the Centers in each fiscal year between fiscal years 2021 through 2025.