


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



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: November 27, 2012

SUBJECT: Fiscal Impact Statement – “Israel Senior Residences Tax Exemption Act of 2012”

REFERENCE: Bill 19-800 – As Introduced

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The bill will reduce permit fee collections to the local General Fund by approximately \$13,500 in FY 2013. There is no impact in the out-years of the financial plan.

Background

The bill would exempt the property located at Square 3848, Lot 60, from real property taxes for 30 years, beginning at the commencement of site preparation, provided that the site is constructed and maintained as affordable housing for persons earning between 50 percent and 80 percent of Area Median Income. The legislation would also exempt the development from certain District permit fees.

The planned development of the property, to be called the Israel Senior Residences, incorporates 47 one-bedroom apartments in a 4-story building. The developer of the property is Israel Manor, Inc., an affiliate of Israel Baptist Church. Israel Manor has applied for financing assistance for the project from the District of Columbia Department of Housing and Community Development (DHCD). In its application, Israel Manor committed to maintaining rents for the apartments at a level affordable to people earning 50 percent of the Area Median Income. DHCD is reviewing the project for an allocation of federal Low Income Housing Tax Credits (LIHTCs) and HOME funds. Additionally, Israel Manor has applied to a lender for a federally-insured mortgage for the property; such application will be reviewed by the Federal Housing Administration.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

The "Nonprofit Affordable Housing Developer Tax Relief Act of 2012," passed as Subtitle (VII)(M) of the "Fiscal Year 2013 Budget Support Act of 2012,"¹ allowed non-profit affordable housing developers a real property tax exemption on future developments so long as they maintained the properties as affordable housing under the applicable restrictions of the federal low-income housing tax credit (LIHTC) program. The cost of implementing that provision, which is incorporated into the FY 2013 through FY 2016 budget and financial plan, included the projected cost of the tax exemption in this bill, based on the assumption that the Israel Senior Residences would maintain affordability levels compliant with the LIHTC program it is aiming to utilize for project financing.² Therefore, the tax exemption component of this bill does not have a fiscal impact during the financial plan period.

However, the bill also provides relief from permit fees for the development. Given that this development would otherwise have to pay a fee for its building permit, the permit relief component of the bill will reduce local General Fund revenues by an estimated \$13,500 in FY 2013. There is no other impact in the four-year financial plan period. There may be other permit fees that the development is exempted from as well that will reduce revenues in O-Type funds, such as the Green Building Fund, but these impacts will be minimal.

Estimated Fiscal Impact of Israel Senior Residences Tax Exemption Act of 2012 -- FY 2013 through FY 2016					
	FY 2013	FY 2014	FY 2015	FY 2016	4 Year Total
Impact of Permit Relief on the local General Fund	(\$13,500)	-	-	-	(\$13,500)

¹ Effective September 20, 2012 (D.C. Law 19-168; 59 DCR 8025).

² The Fiscal Impact Statement for the Fiscal Year 2013 Budget Support Act of 2012 is available here:
http://app.cfo.dc.gov/services/fiscal_impact/pdf/spring09/FINAL%20FIS%20-%20B19-743%20Fiscal%20Year%202013%20Budget%20Support%20Act%20of%202012.pdf