

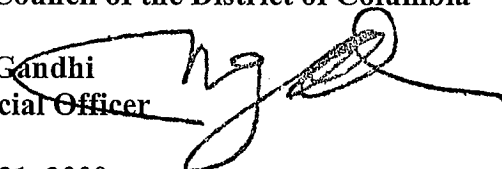
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: September 21, 2009

SUBJECT: Fiscal Impact Statement – “Jubilee Housing Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Amendment Act of 2009”

REFERENCE: Draft Bill shared with OCFO on August 13, 2009 – Number Not Available

Conclusion

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$51,583 in FY 2010 and by an estimated \$224,180 over the FY 2010 through FY 2013 financial planning period.

Background

The proposed legislation would amend Chapter 10 of Title 47 of the D.C. Official Code to exempt from real property taxation the Jubilee Housing Limited Partnership II Residential Rental Project located on Square 2568, Lot 863 and Square 2563, Lot 873¹, so long as the properties either: 1) are owned by Jubilee Housing, Inc., or by an entity controlled, directly or indirectly, by Jubilee Housing, Inc.; or 2) continue to be under applicable use restrictions during a federal low-income housing tax credit compliance period, and not used for commercial purposes.

¹ The draft legislation references property Lots 107 and 108 in Square 2560; however, these properties were combined to create lot 863 in Square 2568, and this is the property that would be exempt from property taxes if the proposed legislation were enacted. Additionally, the legislation also references Lot 863 in square 2560. This is an error in the draft legislation and should be corrected in the final legislation. The Office of Revenue Analysis confirmed with both Jubilee Housing, Inc. and the Department of Housing and Community Development the properties that would be eligible for a tax exemption under this legislation are Square 2568, Lot 863 and Square 2563, Lot 873.

Jubilee Housing, Inc., a non-profit affordable housing provider, currently owns these two properties, which contain 70 units of affordable rental housing. Jubilee Housing, Inc. has applied for and received tax-exempt status² on these buildings from the Office of Tax and Revenue and thus is not required to pay any property tax on them.

In late 2009 or early 2010, Jubilee Housing, Inc. is planning to renovate these buildings. In order to raise the tax credit equity needed to finance the renovation³, Jubilee Housing, Inc. must transfer property ownership to Jubilee Housing Limited Partnership, a for-profit Limited Partnership that does not have tax-exempt status.⁴ Thus, after this transfer of ownership takes place, the properties would be subject to property tax under current D.C. law.

If, in the future, ownership were transferred back to Jubilee Housing, Inc.,⁵ they would not be required to pay any property tax on the buildings, as long as their tax-exempt status had not changed.

Financial Plan Impact

Funds are not sufficient in the proposed FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation would reduce property tax collections by \$51,583 in FY 2010 and by an estimated \$224,180 over the FY 2010 through FY 2013 financial planning period.

Total Estimated Fiscal Impact on the Budget and Financial Plan					
	FY 2010	FY 2011 ^c	FY 2012 ^d	FY 2013 ^e	Four Year Total
Total Assessed Value ^a	\$6,068,600	\$6,068,600	\$7,828,494	\$8,219,919	\$28,185,613
Class 2 Tax Liability ^b	\$51,583	\$51,583	\$59,321	\$61,693	\$224,180
Reduced Revenues (Value of Abatement)	\$51,583	\$51,583	\$59,321	\$61,693	\$224,180

^a The TY 2010 Total Assessed Value for Square 2568, Lot 863 (\$2,541,700) and Square 2563, Lot 873 (\$3,526,900) is the publicly available assessed value for these properties.

^b These properties are currently classified as Class 1 and taxed at \$0.85 per \$100 of assessed value.

^c The total assessed value is assumed to remain unchanged in FY 2011 because the renovations are not scheduled to be completed until the end of 2010 or the beginning of 2011.

^d The total assessed value is expected to increase by 15 percent upon completion of the renovations.

^e The total assessed value is expected to increase by 4 percent in 2010 due to leasing-up.

² In order to qualify for exemption from the District of Columbia real property tax, the applying organization must own the real property for which the request is made, and must meet one or more of the requirements specified in D.C. Official Code § 47-1002.

³ Namely, the Low Income Housing Tax Credit (LIHTC), an indirect Federal subsidy used to finance the development of affordable rental housing for low-income households.

⁴ This Limited Partnership (LP) will be 99 percent owned by the tax credit equity investor and 1 percent owned by Jubilee Housing, Inc. Jubilee Housing, Inc. will act as managing member of the LP.

⁵ Under the plan, Jubilee Housing, Inc. has the right to repurchase the buildings at the end of the LIHTC compliance period.

Additionally, the proposed legislation would have an impact beyond the FY 2010 through FY 2013 budget and financial plan, as the proposed legislation exempts real property taxes indefinitely. Between FY 2014 and FY 2024, for example, the proposed legislation, if enacted, would further reduce property tax collections by a total of approximately \$814,000 for a cumulative impact of approximately \$1.04 million. See table below.

Estimated Impact between FY 2014 and FY 2024*		
Year	Fiscal Impact	Cumulative
FY 2014	\$63,544	\$287,724
FY 2015	\$65,451	\$353,175
FY 2016	\$67,414	\$420,589
FY 2017	\$69,436	\$490,025
FY 2018	\$71,520	\$561,545
FY 2019	\$73,665	\$635,210
FY 2020	\$75,875	\$711,085
FY 2021	\$78,151	\$789,236
FY 2022	\$80,496	\$869,732
FY 2023	\$82,911	\$952,643
FY 2024	\$85,398	\$1,038,041
Total	\$813,861	
*It is assumed that the property value will grow at an average rate of 3 percent in the out years.		