

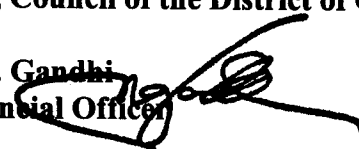
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**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 – “Studio Theatre Housing Property Tax Exemption and Equitable Tax Relief Act of 2009”

**REFERENCE:** Bill Number 18-204, Committee Print shared with OCFO on September 17, 2009

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*This revised Fiscal Impact Statement reflects the changes made in the Committee Print, and it replaces the Fiscal Impact Statement issued by the OCFO on May 20, 2009.*

**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 \$225,266 in FY 2010 and by approximately \$298,000 over the FY 2010 through FY 2013 financial planning period. Implementation of the proposed legislation is subject to the inclusion of its fiscal effect in an approved budget and financial plan.

**Background**

The proposed legislation would amend Chapter 10 of Title 47 of the D.C. Official Code to exempt indefinitely certain real property owned by the Studio Theater, a non-profit organization corporation, so long as it is owned by Studio Theater and used for housing in support of the non-profit activities of the theater.<sup>1</sup> The following properties would be exempt from real property taxation under the proposed legislation: Lot 208 in Square 155; Lots 2061, 2073, 2083, 2164, 2253, and 2300 in Square 157; and Lot 94 in Square 179.

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<sup>1</sup> More information is available at <http://www.studiotheatre.org/>.

The real property tax exemption would also apply retroactively to January 1, 2005, and any real property tax payments made during this time period, including interest, penalties, fees and other related charges, would be refunded. Also, the proposed legislation would forgive the recordation taxes and the transfer taxes paid by the Studio Theater on the above-mentioned properties during this period.

### 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 \$225,266 in FY 2010 and by \$297,949 over the FY 2010 through FY 2013 financial planning period.

| Estimated Fiscal Impact , FY 2010 – FY 2013      |                  |                      |                      |                      |                  |
|--|------------------|----------------------|----------------------|----------------------|------------------|
|  | FY 2010          | FY 2011 <sup>c</sup> | FY 2012 <sup>c</sup> | FY 2013 <sup>c</sup> | Four Year Total  |
| Refunds for FY 2005 through FY 2009 <sup>a</sup> | \$198,444        | \$0                  | \$0                  | \$0                  | \$198,444        |
| Property Tax Liability <sup>b</sup>              | \$26,821         | \$25,480             | \$24,206             | \$22,996             | \$99,504         |
| Total Abatement                                  | \$225,266        | \$25,480             | \$24,206             | \$22,996             | \$297,949        |
| <b>Negative Fiscal Impact</b>                    | <b>\$225,266</b> | <b>\$25,480</b>      | <b>\$24,206</b>      | <b>\$22,996</b>      | <b>\$297,949</b> |

<sup>a</sup> Includes all tax payments, including real property taxes, fees, interest, penalties, transfer taxes and recordation taxes paid during TY 2005 through TY 2008 and owed in TY 2009.

<sup>b</sup> All lots are classified as residential properties (Class 1) and taxed at a rate of \$0.85 for every \$100 of the assessed value.

<sup>c</sup> Given the neighborhood trends, the value of the property is expected to decline by 5 percent in FY 2011, FY 2012 and FY 2013.

Additionally, because the real property tax exemption would apply indefinitely, the proposed legislation would continue to have a fiscal impact beyond the financial plan period. Between FY 2014 and FY 2024, for example, the proposed legislation would reduce the property tax collections by an additional \$286,620, bringing the total reduction in revenues to \$584,569.

| Estimated Fiscal Impact<br>FY 2014 – FY 2024 |                         |                                   |
|--|-------------------------|-----------------------------------|
| Year   | Negative Fiscal Impact* | Cumulative Negative Fiscal Impact |
| FY 2014                                      | \$22,996                | \$320,945                         |
| FY 2015                                      | \$22,996                | \$343,941                         |
| FY 2016                                      | \$23,686                | \$367,627                         |
| FY 2017                                      | \$24,397                | \$392,023                         |
| FY 2018                                      | \$25,128                | \$417,152                         |
| FY 2019                                      | \$25,882                | \$443,034                         |

| <b>Estimated Fiscal Impact<br/>FY 2014 – FY 2024</b> |                                    |  |
|--|------------------------------------|--|
| <b>Year</b>  | <b>Negative Fiscal<br/>Impact*</b> | <b>Cumulative Negative<br/>Fiscal Impact</b> |
| FY 2020  | \$26,659                           | \$469,693                                    |
| FY 2021  | \$27,459                           | \$497,151                                    |
| FY 2022  | \$28,282                           | \$525,434                                    |
| FY 2023  | \$29,131                           | \$554,564                                    |
| FY 2024  | \$30,005                           | \$584,569                                    |
| <b>Total</b>   | <b>\$286,620</b>                   |  |

\* The calculations assume the property values will remain constant through 2015 and then grow by approximately 3 percent annually on average.