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:	**May 7, 2013**
SUBJECT:	**Fiscal Impact Statement – "YMCA Community Investment Initiative Real Property Tax Exemption Emergency Act of 2013"**
REFERENCE:	**Draft Bill as Shared with the Office of Revenue Analysis on May 2, 2013**

Conclusion

Funds are sufficient in the FY 2013 budget and the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

Background

The bill authorizes[1] a real and possessory interest tax exemption to property located at 1325 W Street N.W., (Lot 0210, Square 0234), so long as it is owned, or occupied under a ground lease by the Young Men's Christian Association of Metropolitan Washington (YMCA) or by Young Men's Christian Association Community Investment Initiative (YMCA CII) and is used for carrying out charitable functions. The bill also exempts the property from recordation and transfer taxes for any transfer, assignment or disposition by the YMCA or the YMCA CII.

The property is the Anthony Bowen YMCA branch, which is currently owned by the RP Jefferson, 14, LLC ("the Developer"). The Developer acquired the property and agreed to renovate the Anthony Bowen branch as part of a larger mixed-use development (SSL 0234 0164). The Anthony Bowen YMCA is expected to be completed in the summer of 2013.[2] Ownership of the property is expected to be transferred back to the YMCA in May 2013. The tax exemptions granted under this bill will apply only to the portion of the property owned and used by the Anthony Bowen YMCA, which once complete, will be assigned Lot 2010, Square 0234.

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[1] By amending Chapter 10 (Property Tax Exemptions) of Title 47 (Taxation, Licensing, Permits, Assessments, and Fees) of the D.C. Official Code.
[2] http://www.ymcadc.org/branch/

The YMCA is securing the majority financing for renovations through the federal New Market Tax Credit ("NMTC") program. As required by the NMTC program, the YMCA is creating a "qualified active low-income community business" (QALICB), an entity that is to receive the tax credits generated by NMTC investments. YMCA CII is the QALICB in this transaction. In order to receive these credits, the YMCA is required to lease the property to the QALICB, and the QALICB will in turn sublease the property to the YMCA. Under current law, the YMCA would qualify for an administrative tax exemption from property, deed, and sales tax.[3] The intent of the legislation is to ensure that the tax treatment of the QALICB entity doesn't expose the YMCA or the entity to a tax liability in connection with this transaction.

Financial Plan Impact

Funds are sufficient in the FY 2013 budget and the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

Based on the information provided by the YMCA to the Office of Tax and Revenue (OTR), the QALICB was formed solely to take advantage of the NMTC program and will be under the control of the YMCA.[4] Because current law exempts the YMCA from real property and possessory interest tax and deed recordation and transfer taxes, OTR has concluded that it is likely that YMCA CII would receive an administrative tax exemption. Thus, the bill will have no impact on the District's revenue collection.

[3] 64 Stat. 250 1946-1951
[4] Per the Application for Exemption from D.C. Real Property Tax filed with the Office of Tax and Revenue on May 1, 2013.