

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

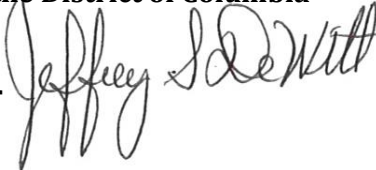


**Jeffrey S. DeWitt**  
Chief Financial Officer

**TAX ABATEMENT FINANCIAL ANALYSIS**

**TO:** **The Honorable Muriel Bowser**  
**Mayor, District of Columbia**

**The Honorable Phil Mendelson**  
**Chairman, Council of the District of Columbia**

**FROM:** **Jeffrey S. DeWitt**  
**Chief Financial Officer** 

**DATE:** **May 21, 2015**

**SUBJECT:** **4427 Hayes Street, N.E., Real Property Tax Abatement Amendment Act of 2015**

**REFERENCE:** **Draft Bill**

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**Findings**

The Office of Economic Development Finance (EDF) has determined the proposed tax abatement is necessary to preserve affordable housing at this development. The proposed legislation, 4427 Hayes Street, N.E., Real Property Tax Abatement Amendment Act of 2015, would provide a real property tax abatement not to exceed \$30,000 per year to the low-income housing building located at 4427 Hayes Street, N.E. Under the bill, 4427 Hayes Street, N.E. would receive \$747,444 in abatements over 25 years.

**Background**

The District transferred the 4427 Hayes Street, N.E. site<sup>1</sup> to Blue Skye Development in 2009 to redevelop the site with 26 units of housing serving low and very-low income individuals.<sup>2</sup> As part of the FY 2011 Supplemental Budget Support Act of 2010, the project was granted up to \$140,000 in total real property tax exemptions during tax years 2011-2015. The proposed legislation extends the exemption period through tax year 2040. It also restricts the annual amount of the exemption to \$30,000 per year.

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<sup>1</sup> Square 5129 in Lot 120

<sup>2</sup> Nine units are designated for those earning 30% of AMI; the remaining 17 units are designated for those earning 60% of AMI.

## Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by EDF to contain certain information. The required information is included below.

A separate fiscal impact statement will be prepared on the proposed legislation.

### Terms of the Exemption or Abatement

The proposed legislation provides an annual abatement of \$30,000 per year for a period of 25 years.

### Annual Proposed Value of the Exemption or Abatement

The value of the abatement is capped at \$30,000 annually. The total value over 25 years is estimated to be \$747,444.

Estimated Value of Property Tax Abatement for 4427 Hayes Street, N.E.						
	FY 2016	FY 2017	FY 2018	FY2019	TOTAL FY 2020 – FY 2040	TOTAL FY 2016 – FY 2040
Real Property Tax Abatement	\$28,328	\$29,116	\$30,000*	\$30,000*	\$630,000*	\$747,444

\* Total taxes due estimated to exceed \$30,000 starting in FY 2018.

### Summary of the Proposed Community Benefits

A summary of the proposed community benefits, as submitted by 4427 Hayes Street, N.E. is attached to this analysis.

### Financial Analysis for Existing Buildings

*Review and analysis of the financial condition of the recipient and advisory opinion stating whether or not it is likely that the recipient could be reasonably expected to meet its fiscal needs without the proposed exemption or abatement.*

Blue Skye Development provided EDF with financial statements (2012-2014) and loan payment information on the 4427 Hayes Street, N.E. property. Based on EDF's analysis, 4427 Hayes Street, N.E. does not have sufficient resources to meet its fiscal needs and pay real property tax payments during the proposed exemption period.

**Attachment**  
**Community Benefits - 4427 Hayes Street, N.E.**  
**(Submitted by Blue Skye Development)**

The community benefits for approving a tax abatement for 4427 Hayes Street are numerous. The property is 100% affordable at 60% and 30% AMI. All the units are either two or three bedroom apartments. Every unit has a family living in them due to their large size and the number of bedrooms. The units are kept in great shape and two are ADA accessible. Two of the tenants are currently disabled. At a time when the city is looking for more affordable units, Hayes Street offers that, but without the tax abatement the building will no longer be able to sustain itself and provide housing for 26 deserving families.