

PUBLIC HEARING

ON

**BILL 18-222, “KELSEY GARDENS
REDEVELOPMENT PROJECT REAL PROPERTY
LIMITED TAX ABATEMENT ACT OF 2009”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**May 21, 2009, 10:00 a.m.
John A. Wilson Building**



**Testimony of Richie McKeithen
Director of Real Property Tax Administration
Office of Tax and Revenue**

**Natwar M. Gandhi
Chief Financial Officer
District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Richie McKeithen, Director of Real Property Tax Administration for the Office of Tax and Revenue. I am pleased to present testimony on Bill 18-222, “Kelsey Gardens Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2009.”

The purpose of this bill is to grant a partial real property tax exemption for a property located at 1510 – 1518 7th Street, N.W. and P Street, N.W. The bill would freeze property taxes at the 2009 level and the annual increase in real property taxes would be abated as long as the property met certain criteria, namely the property must contain 54 units of affordable housing and 15,000 square feet of ground level retail.

The proposed legislation would allow the abatement to become effective as of October 1, 2009 and contains a flawed expiration mechanism. As currently drafted, the exemption would expire once the HUD mortgage on property is fully paid off. However, if the owner failed to secure a HUD mortgage, then the property would receive a permanent exemption. The abatement of taxes needs to be tied more closely to securing the mortgage.

The exemption should not become effective until the owner secures the HUD mortgage. In the alternative, the exemption could be tied to the length of the mortgage.

For example, the abatement would last for a set number of years or during the life of the mortgage, whichever is shorter.

Bill 18-222 would have a negative fiscal impact of approximately \$472,000 during the FY 2010 to FY 2013 financial plan period. Additionally, the proposed legislation would reduce property tax collections by an additional \$19.8 million between FY 2014 and FY 2048, bringing the total impact to \$20.3 million.

Estimated Fiscal Impact by Fiscal Year					
	FY 2010	FY 2011	FY 2012	FY 2013	Total
Value	\$11,047,140	\$11,047,140	\$11,047,140	\$65,000,000	
Commercial	\$644,460	\$644,460	\$644,460	\$3,395,846	
Residential	\$10,402,680	\$10,402,680	\$10,402,680	\$61,604,154	
Tax Obligation	\$99,056	\$99,056	\$99,056	\$457,250	\$848,604
Commercial	\$10,634	\$10,634	\$10,634	\$56,823	\$99,351
Residential	\$88,423	\$88,423	\$88,423	\$400,427	\$749,254
Reduced Tax Obligation	\$94,185	\$94,185	\$94,185	\$94,185	\$376,741
Value of the Abatement	\$4,871	\$4,871	\$4,871	\$363,065	\$471,864

The property contains two parcels, a residential walk-up apartment building and an adjacent parking lot; they are both owned by Kelsey Gardens Property Company, LLC. The owners have not applied for exemption from real property tax with the Office of Tax and Revenue, as they would not qualify under the D.C. Code. The only way to exempt the increment of the taxes accrued over the taxes that were owed for Tax Year 2009 is through this legislation.