

PUBLIC HEARING

ON

Bill 19-443 “The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011”

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

The Honorable Jack Evans, Chairman

**May 31, 2012, 10:00 AM
John A. Wilson Building, Room 412**



**Testimony of
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**Natwar M. Gandhi
Chief Financial Officer
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Good morning Chairman Evans and members of the Committee on Finance and Revenue. I am Bazil Facchina, Assistant General Counsel for the Office of Tax and Revenue. I am pleased to present testimony on Bill 19-443, the “The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011.”

In general, the Bill would provide real property tax forgiveness and exemption to property known as Lots 140 and 141 in Square 5252. The Bill would forgive real property tax assessed against the properties from June 22, 2007, the date that the deed conveying the properties to the Elizabeth Ministry was recorded, through the first day of the month following the effective date of the act. The Bill would also grant these properties an unconditional and full real property tax exemption for 30 years and allow a partial exemption for the next 10 years. The property would also be exempted as long as the properties are owned by the Elizabeth Ministry and used for apartments and an onsite child development center for teens in foster care or the homeless system. The Bill does not provide relief from any other type of tax.

The subject property does not qualify for exemption under the general real property tax exemption statute, and so this property can only be exempted by special legislation. The Bill as drafted, however, contains ambiguities and

possible contradictions that should be addressed. It appears that the 40-year exemption period referenced in the Bill relates to a covenant between the Elizabeth Ministry and the Department of Housing and Community Development that restricts the use of the property to affordable housing for low-income residents. However, this covenant may be released by the Department or the owner may default, and it does not appear that the exemption would be intended to continue in such circumstances. The Bill also affords the property more favorable treatment than would have been available had the exemptions been granted administratively. For instance, an administrative exemption would have commenced no earlier than July 1, 2007, and so any tax relief provided under this Bill should start on that date as well. I have set forth suggested changes to address these issues in an attachment to my testimony.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.

Attachment

Page 2, line 3, strike subsections (a) and (b) of section 2 and replace with the following:

“(a) The real property known as lots 140 and 141 in Square 5252 shall be exempt from taxation imposed under Chapter 8 of this title during the time that the property is subject to, and in compliance with, a restrictive covenant or regulatory agreement associated with any affordable housing program funded fully or partially by the District or its instrumentalities, including the Department of Housing and Community Development, restricting the use of the property to affordable housing for low-income residents and a child development center, provided that, at the beginning of the 31st real property tax year following the commencement of the exemption, the tax shall be abated to the extent it exceeds 10 percent of the tax otherwise levied under Chapter 8, with such tax liability increasing 10 percentage points in each subsequent real property tax year until the tax equals 100 percent of the tax levied under Chapter 8.

“(b) The exemption provided by subsection (a) shall be subject to sections 47-1005, 47-1007 and 47-1009 as if it had been granted administratively.

Page 2, line 16, strike “June 22, 2007” and replace with “July 1, 2007”.