

**PUBLIC ROUNDTABLE ON
BILL 16-658, “SQUARE 2910 RESIDENTIAL
DEVELOPMENT STIMULUS ACT OF 2005”**

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

The Honorable Jack Evans, Chairman

**April 10, 2006, 11:15 a.m.
Room 120, John A. Wilson Building**



**Testimony of
Matthew Braman
Director of Operations
Office of Tax and Revenue**

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

Good morning, Chairman Evans, and members of the Committee on Finance and Revenue. I am Matthew Braman, Director of Operations for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-658, the “Square 2910 Residential Development Stimulus Act of 2005.”

The purpose of this bill is to add a new subsection (d) to section 47-857.07 of the D.C. Official Code (“Code”) to provide real property tax relief for real property located in “eligible area #4,” in general, and specifically on Lots 35 and 803, and the alley in between them, in Square 2910, also known as the “4100 Georgia Avenue Project.” Proposed new subsection (d) of Code section 47-857.07 further provides that the Mayor shall issue certification letters to the 4100 Georgia Avenue Project developer provided that:

- The first level of concrete is laid by December 31, 2007;
- A certificate of occupancy for the building is issued within 36 months after the first level of concrete has been laid for the building; and
- The building complies with Code requirements under section 47-857.07 relating to the percentage, size and variety of dwelling units reserved for low-income households.
- The tax exemption provided by subsection (d) expires at the end of the tenth tax year after the tax year in which a certificate of occupancy is issued for the project.

Bill 16-658 also establishes a \$2.5 million cap on tax abatement for the 4100 Georgia Avenue project, similar to other mixed-used residential developments, in Code section 47-857.09(c). Furthermore, the proposal allows for the transfer of the

exemption provided by new subsection (d) of section 47-857.07, and allows the exemption to survive for ten years after the transfer provided that the tax exemption is computed as \$3.00 per residential FAR square foot of the subject property; the tax exemption is transferred to reduce real property taxes imposed on any residential or commercial project in areas defined as “eligible areas” for tax abatement under Code section 47-857.01; and the exemption is transferred no later than five years after receipt of a final certificate of occupancy by the eligible project for the entire project, and within one year after the final certificate of occupancy is issued for the project to which the exemption is transferred.

Bill 16-658 also defines new “eligible area #4” as “all real property in Square 2910 fronting on Georgia Avenue, NW, Taylor Street, NW, or Kansas Avenue, NW.” Finally, the proposal imposes a deadline of December 31, 2008, for construction of development in eligible area #4 in order for the development to be eligible for the tax abatement in new subsection (d) of Code section 47-857.07.

The Office of Tax and Revenue has reviewed Bill 16-647. We applaud the worthy goal of this proposal to encourage the construction of affordable housing in mixed-use settings. We are concerned, however, that the taxpayer that is the recipient of the exemption is not identified in the legislation. Historically, OTR has required that taxpayers requesting exemptions be identified before administrative exemptions from real property tax are granted. We believe it is good public policy to have the taxpayer identified before real property exemptions are approved so the District will know who is responsible for carrying out the terms and conditions of the exemption, and can thus evaluate the taxpayer in the context of the proposed exemption before the exemption is granted. Therefore, we recommend that this consideration of Bill 16-658 be deferred until such time as a developer is identified

for this project, and that a development plan is in place, so that a full evaluation of the proposed exemption can be made by this committee. Without knowing further details of the development, we estimate OTR's operational costs to be \$50,000 for personnel and \$25,000 for programming, totaling \$50,000 for the first year of implementation of Bill 16-658.

In addition, we recommend that the Deputy Mayor for Planning and Economic Development (DMPED) work with OTR to ensure the subject property is in compliance with the terms and conditions of this exemption. In this regard, we ask this committee to consider requiring that the DMPED certify to OTR on an annual basis before April 1 of each year that the property continues to qualify for the exemption. OTR is not staffed to verify whether the taxpayer complies with the ongoing conditions for this exemption. This is a critical problem. I have attached to the written version of my testimony draft language to provide for your review this proposed certification requirement.

Fiscal Impact

We are unable to determine the full fiscal impact of this bill because we are unable to estimate the lost property tax revenue. In order to make this calculation, we would need to know several key factors about the proposed development of the subject property, including dimensions of proposed buildings, proposed usages and tax rates at the time the property is occupied and in use. The Office of the Chief Financial Officer will be developing complete fiscal impacts for this bill as additional information becomes available.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.

APPENDIX

Add a new paragraph (7) to subsection (d) of section 47-857 .07 to read as follows:

“No later than April 1 of each year, the Deputy Mayor for Economic Development and Planning shall certify to the Deputy Chief Financial Officer for the Office of Tax and Revenue and the Director of its Real Property Tax Administration that the real property subject to exemption under this section continues to qualify for and that the taxpayer receiving the exemption is in compliance with the requirements of this exemption. If OTR does not receive the certification required under this paragraph (7) by April 1 of each year, the exemption provided in subsection (d) shall be rescinded effective immediately.”