

PUBLIC HEARING

ON

BILL 20-238, “Spring Place Real Property Limited Tax Abatement Assistance Act of 2013”

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

Councilmember Jack Evans, Chairman

**June 24, 2013, 10:00AM
John A. Wilson Building, Room 120**



**Testimony of
John Ross**

**Senior Advisor and Director of Economic Development Finance
Office of the Chief Financial Officer**

**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 John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am pleased to testify today on behalf of the OCFO on the “Spring Place Real Property Limited Tax Abatement Assistance Act of 2013.”

The proposed legislation would abate the first \$220,000 of annual real property taxes, and exempt the property from deed recordation and transfer taxes. Assuming the project meets the specified affordability requirements, the abatement will be in place from the start of the construction period until the later of 40 years after the project has received its certificate of occupancy or until the term of its senior debt has expired¹. The estimated value of the abatement over its entire term is \$9.1 million. The FY2013 cost is approximately \$406,000 and the four-year total cost for FY 2014 to FY 2017 it is approximately \$626,000.

The \$32.26 million proposed project, Metro Village, is located along Spring Place, NW, directly adjacent the Takoma Metro Station, and is planned to be a mixed income residential building. Upon construction completion, the

¹ Including any amendments to the term of such debt.

proposed project will contain 150 apartments, 80 percent² of which will be affordable for residents making 60 percent or less than the Area Median Income.³

The developers have received term sheets for their debt and equity and expect to begin project construction this summer, assuming loan approval by the Federal Housing Administration. Equity in the project is being raised through the sale of federal Low Income Housing Tax Credits. Additionally, the developers will defer approximately 43 percent of their developer fee.

Under District law⁴, an affordable housing property whose owner is nonprofit or is controlled by a nonprofit organization and that utilizes Low Income Housing Tax Credits is eligible to receive a real property tax exemption upon certification by the Department of Housing and Community Development. However, because the developers of this project (Affordable Housing Developers and Takoma Venture LLC) are for-profit entities, they do not qualify for this exemption.

² 120 units will be income-restricted and offered at designated affordable rents; 30 units will be market-rate.

³ Area Median Income is term used by the U.S. Department of Housing and Urban Development (HUD) which sets the maximum limit that a household can earn to be eligible for certain programs, with income ranges calculated for specific geographic areas.

⁴ D.C. Official Code §47-1005.02.

The Exemptions and Abatements Information Requirements Act of 2011 requires EDF to undertake a financial analysis of all proposed tax abatement legislation. Based on the analysis of the project's proposed financing and estimated cash flows, EDF has determined that the proposed tax abatement is necessary if the District would like the project to go forward.

Funds are not sufficient in the FY 2013 budget and proposed FY 2014 through FY 2017 budget and financial plan to implement the provisions of the bill. Enactment of the bill will reduce tax collections in FY 2013 by \$406,094 and in FY 2014 through FY 2017 in the amount of \$626,174.⁵

Finally, the Office of Tax and Revenue would like to suggest technical changes to the legislation, as set forth in an attachment to this testimony.

Thank you for the opportunity to testify. I am happy to answer any questions at this time.

⁵ The estimated value of the abatement over its entire term is \$9.1 million.

ATTACHMENT TO TESTIMONY ON B20-238

Section 2 should be amended as follows:

Page 1, line 34 and page 3, line 13: Strike the word “803” and insert the word “804” in its place.

Page 1, line 34: Strike the phrase “exempt from” and insert the phrase “entitled to an abatement of” in its place.

Page 2, line 7: Strike the phrase “whichever occurs sooner” and insert the phrase “the earlier of” in its place.

Page 2, line 16: Insert the phrase “end of” before the phrase “construction period” and insert a comma after the word “\$220,000”.

Page 2, line 23: Strike the word “subsection” and insert the word “paragraph” in its place.

Page 2, line 23: Strike the phrase “when whichever occurs first” and insert the phrase “upon the earlier of” in its place.

Page 3, line 4: Strike the phrase “Whichever occurs later” and insert the phrase “The later of” in its place.

Page 3, line 7: Insert the phrase “end of the” before the phrase “term of the senior indebtedness”.

Page 3, line 17: Insert the phrase “to the Owner, a successor owner, assignee or successor in interest of the Owner” after the phrase “of the Property”

Page 3, line 20: Insert the phrase “the transfer or conveyance of the Property by the Owner, a successor owner, assignee or successor in interest of the Owner” after the word “and”.

Page 3, line 13: Insert the parenthesis symbol “(“ before the phrase “or successor lot”.

Page 3, line 23 through page 4, line 6: Strike the word “Owner” each place that it appears and insert the word “record owner” in its place.