

Howard Town Center Real Property Tax Abatement Act of 2012

Before the Committee on Finance and Revenue

The Honorable Jack Evans, Chairman

**November 14, 2012, 11:00 AM
Room 120, John A. Wilson Building**



**Testimony of
Bazil Facchina
Assistant General Counsel
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 Bazil Facchina, Assistant General Counsel, for the Office of Tax and Revenue. I am pleased to present testimony on Bill 19-1010, the “Howard Town Center Real Property Tax Abatement Act of 2012.”

In general, the Bill would add a new section to the District of Columbia Tax Code granting the property known as 2112 and 2114 Georgia Avenue, NW (Square 2877, Lots 930 and 933) a 10-year real property tax abatement, beginning with the tax year during which the certificate of occupancy is issued for the last property developed on the site, but no earlier than tax year 2015. The abatement would be capped at \$11 million. Accordingly, the average annual value of the abatement over the 10-year period would be \$1.1 million. To receive the abatement, the property would have to be developed as a mixed-use project and comply with First Source and Certified Business Entity contracting requirements. Also, District residents would have to perform a majority of the construction work and permanent jobs and all apprenticeships would be reserved for District residents.

This property, which is owned by Howard University and incorporates the Bond Bread Building, is slated for redevelopment for residential and retail use in accordance with the DUKE plan for development of the area.

As a general matter, property of Howard University that is developed for investment or income-producing purposes does not qualify for exemption under Howard University's real property tax exemption statute, which generally limits exemption to properties used for educational purposes. D.C. Official Code § 47-1018. Moreover, case law has established that property of Howard University that is held for investment or income-producing purposes is taxable. Howard University v. District of Columbia, 155 F.2d 10 (D.C. Cir. 1946). Accordingly, the Howard Town Center development would generally be subject to real property taxation in the absence of this Bill.

The Tax Abatement Financial Analysis prepared by the Office of the Chief Financial Officer concludes that the real property tax abatement proposed by Bill 19-1010 is not necessary for the site to be developed as the proposed "Howard Town Center" mixed-use project. This finding is based on information submitted to the Office of the Chief Financial Officer (OCFO) by the project developer.

The OCFO requests that the Mayor certify compliance with the Bill's eligibility requirements as to First Source, Certified Business Entity contracting, and District resident hiring, as the Mayor is in a better position than OCFO to ascertain whether

these requirements have been met. Suggested language implementing this request is appended 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 17: Insert new subsection (c-1) to read as follows:

(c-1) The Mayor shall certify to the Office of Tax and Revenue that the real property complies with the conditions set forth in subsection (c) and shall inform the Office of Tax and Revenue if the real property fails to comply with any of these conditions.