

Government of the District of Columbia
Office of the Chief Financial Officer




Jeff DeWitt
Chief Financial Officer

TAX ABATEMENT FINANCIAL ANALYSIS

TO: **The Honorable Vincent C. Gray**
Mayor, District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: **Jeff DeWitt**
Chief Financial Officer 

DATE: **September 26, 2014**

SUBJECT: **“Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville
Real Property Tax Exemption Act of 2014”**

REFERENCE: **Bill 20 – 832**

Findings

The proposed exemptions are necessary in order for the owners of the four affordable housing properties included in Bill 20-832 (Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville) to maintain the affordable rental units located there.

Under current law, the affordable housing properties affected by the bill are generally exempt from real property taxes through the end of tax year 2019. The OCFO does not have sufficient information to fully assess the viability of these properties in FY 2020, the first year in which the proposed exemption would provide any benefit to the property owners. However, based on an analysis of their current financial operations, the current exemptions are necessary to maintain these properties as affordable housing, and there is no indication that their finances are expected to improve over the next five years.

The estimated real property tax exemption for the four properties, beyond the 15-year period of the current exemption, from FY 2020 to FY 2040 is \$14.4 million

Please refer to the OCFO’s separate Fiscal Impact Statement for the effect of the proposed legislation on the District’s FY 2015 through FY 2018 budget and financial plan.

Background

Under D.C Official Code § 47-1065, the four affordable multifamily housing properties to be benefitted by the bill are generally exempt from property taxes for 15 years beginning April 1, 2004. Bill 20-832, the “Douglas Knoll, Golden Rule, 1728 W Street and Wagner Gainesville Real Property Tax Exemption Act of 2014,” would amend the existing real property tax exemptions for the subject properties to eliminate the 15-year sunset and provide an exemption so long as the real properties meet the eligibility requirements in the law.¹ These provisions generally provide for taxation of portions of the property used for non-exempt purposes, filing of annual use reports, as well as rules governing administration of the exemptions.

The four properties to be benefitted by the bill are as follows:

- 1) Lot 840 in Square 525. This property is owned by Golden Rule Plaza, Incorporated.
- 2) Lots 33-36 in Square 5734 and Lots 42-44 in Square 5835. These properties are owned by Wagner Gainesville Limited Partnership
- 3) Lot 166 in Square 5778. This property is owned by 1728 W Street Limited Partnership
- 4) Lots 38, 39, 41, 42, 43, 44, and 61 in Square 5894 and Lots 69, 70, 71, and 72 in Square 5895. These properties are owned by Douglas Knoll Cooperative Limited Partnership

All properties listed are operated as qualified low-income housing. The Non-Profit Community Development Corporation of Washington, DC, Incorporated is the general partner of Wagner Gainesville Limited Partnership, 1728 W Street Limited Partnership, and Douglas Knoll Cooperative Limited Partnership.

Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by the OCFO to contain certain information. The required information is included below.

Terms of the Exemption or Abatement

The four properties will continue to qualify for real property tax exemptions provided they continue to operate as affordable housing and meet the other requirements as to ownership and use specified in the law.

¹ Under the bill, D.C. Official Code § 47-1065, is to be amended to include a new subsection (e), providing that “[t]he real property described in this section shall be exempt from the taxation provided by this section, so long as the real property meets the requirements of this section, subject to the provisions of §§ 47-1005, 47-1007 and 47-1009 as if the exemptions were granted administratively.”

Annual Proposed Value of the Exemption or Abatement

The annual value of the real property exemptions for these four parcels is estimated to be \$427,524 in FY 2015. The total value of this exemption from FY 2015 to FY 2040 is estimated to be \$16.7 million.

Projected Value of Tax Exemption							
	Existing Exemption					FY 2020 - FY 2040	Total FY 2015- FY 2040
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019		
Real Property Tax Exemption	\$427,524	\$443,343	\$459,746	\$473,539	\$487,745	\$14,406,410	\$16,698,307

Summary of the Proposed Community Benefits

Summaries of the community benefits for each of the properties, as submitted by the Non-Profit Community Development Corporation, for the Douglass Knoll, 1728 W Street, and Wagner Gainesville Apartments, and by Mission First Housing Group, for Golden Rule Plaza, are attached to this analysis.

Financial Analysis for Development Projects

The property owners provided the Office of Economic Development Financing with financial statements for 2010 through 2013. Based on EDF’s analysis, these four properties do not have sufficient resources to both meet their fiscal needs and pay real property taxes. While there is not sufficient information to fully assess the viability of these properties in FY 2020, the first year in which the proposed exemption would provide any benefit to the property owners, it appears that exemptions are likely to be necessary to maintain these properties as affordable housing into the future. There is no indication that their finances are expected to improve over the next five years.²

² If the projects received additional tax credits, grant funding, or project equity, their financial situation could change over the next 5 years.

Attachment

Summary of Community Benefits by Property

Douglas Knoll Apartments provides qualified low income housing as required by a restrictive land use agreement with the DC Department of Housing and Community Development. This includes 111 apartments to individuals and families earning 50% or below of Area Median Income (AMI) and 73 apartments to individuals and families earning 51 to 65% of AMI. In addition, Douglas Knoll Apartments provides all benefits and amenities required by law through the zoning process. This includes access to utilities, playgrounds, parking, lighting, and all other provisions required.

Douglas Knoll has also partnered with AppleTree Early Learning Institute, and has zoning approval, to operate a pre-kindergarten early learning center on the premises. In the summer of 2014 Douglas Knoll Apartments opened a Community Outreach Center that is made freely available to residents and community groups in order to connect individuals with services provided by non-profit and government entities. For its inaugural program, the outreach center partnered with the Department of Parks and Recreation to provide a site and supervision for a breakfast and lunch program for children and youth of the local community.

1728 W Street Apartments provides qualified low income housing as required by an Indenture of Restrictive Covenants with the DC Department of Housing and Community Development. This includes 17 apartments provided to individuals and families earning 60% or less of AMI. In addition, 1728 W Street Apartments provides all benefits and amenities required by law through the zoning process. This includes access to utilities, parking, lighting, and all other provisions required.

Stanton Park Apartments (also known as Wagner Gainesville) provides qualified low income housing as required by an Indenture of Restrictive Covenants with the DC Department of Housing and Community Development. This includes 38 apartments to individuals and families earning 50% or below of AMI and 24 apartments to individuals and families earning 51 to 65% of AMI. In addition, Stanton Park Apartments provides all benefits and amenities required by law through the zoning process. This includes access to utilities, parking, lighting, and all other provisions required.

Golden Rule Plaza (GRP) works toward offering senior-citizens social services at the site and it is not only to seniors residing in the building but also to seniors associated with nearby churches. These events may include transportation to shopping, cultural, and social centers.

In addition, GRP has benefited kids in the community by providing back to school supplies to Walker Jones Education Campus (1125 New Jersey Avenue, NW - across the street from GRP) and Dunbar High School (3 blocks north) students.