TAX ABATEMENT FINANCIAL ANALYSIS

TO:       The Honorable Muriel Bowser  
          Mayor, District of Columbia  

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

FROM: Jeffrey S. DeWitt  
       Chief Financial Officer

DATE: April 25, 2018

SUBJECT: “14th Street NW International House of Pancakes Real Property Tax Exemption Act of 2018”

REFERENCE: Bill 22-759

Findings

The International House of Pancakes at 3100 14th St, NW (the “14th Street IHOP”) is operated by DC Pancakes, LLC¹. The nine-year real property tax abatement proposed by Bill 22-759 is not necessary for DC Pancakes, LLC² to meet its fiscal needs. Information submitted to the Office of the Chief Financial Officer (“OCFO”) by the owner shows a historical ability to operate profitably.

Please refer to the separate Fiscal Impact Statement for the effect of the proposed legislation on the District’s financial plan.

Tax Abatement Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by the OCFO to contain the following information:

¹ A principal of DC Pancakes is Mr. Tyoka Jackson. Mr. Jackson is also a principal of Father & Sons, LLC which owns an International House of Pancakes franchise at 1523 Alabama Avenue, SE. That IHOP is the subject of a separate proposed tax abatement in Bill 22-760.
² The 14th Street IHOP occupies a portion of the retail property known as DC USA on Square 2674, Lot 2001.
(A) **Terms of the Abatement**

The proposed legislation provides a nine-year property tax abatement to the portion of Square 2674, Lot 2001 which is occupied by the 14th Street IHOP. The nine-year abatement would apply from October 1, 2018 through September 30, 2027.

Additional requirements for the abatement include:
1. The property is leased to DC Pancakes, LLC;
2. The property is used as a restaurant;
3. At least 51% of permanent jobs at the 14th Street IHOP shall be filled by District residents, with a minimum of 30% of the District resident jobs reserved for Ward One residents;
4. All apprenticeships shall be reserved for District residents with preference given to Ward One residents; and
5. The benefit of the abatement shall be passed on to DC Pancakes, LLC in the form of reduced rent equal to the amount of the abatement.

(B) **The Value of the Abatement**

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<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
<th>4 Year Total</th>
<th>9 Year Total</th>
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<tbody>
<tr>
<td>Abated Real Property Taxes</td>
<td>$52,646</td>
<td>$53,963</td>
<td>$55,312</td>
<td>$56,695</td>
<td>$218,615</td>
<td>$524,071</td>
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(C) **The Purpose of the Abatement**

The proposed purpose of the abatement is to reduce the operating costs of the 14th Street IHOP owned by DC Pancakes, LLC. According to the owner, profits from DC Pancakes, LLC are used to offset losses for another IHOP franchise owned by Father & Sons, LLC at 1523 Alabama Avenue, SE (see footnote 1).

(D) **A Summary of the Proposed Community Benefits**

See the Statement of Community Benefits, provided by DC Pancakes, LLC, below.

(E) **Financial Analysis and Advisory Opinion**

The past three years of financials statements show total net cash income of $186,051. Therefore, the proposed property tax abatement is not necessary.

**Conclusion**

The nine-year real property tax abatement proposed by Bill 22-759 is not necessary for DC Pancakes, LLC to meet its fiscal needs.

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3 Figures were updated on May 24, 2018 to reflect the new class 2 tax rate proposed in Bill 22-753, the “Fiscal Year 2019 Budget Support Act of 2018,” and calculation corrections.
4 Calculated as the net income before depreciation expense.
Applicant Provided Statement of Community Benefits

Having this exemption would benefit the community in several ways:

1) It will preserve a place of employment for over 50 individuals (26 full time), of whom greater than 51% live in the District of Columbia, with many living in Ward-1 contributing to the D.C. tax base. We have employed former TANF recipients, ex-offenders, ex-gang members and both college and high school students at this IHOP location.

2) The continued operation of a sit down table service family first restaurant in this area where 11 different restaurant and food service concept have closed since our grand opening will allow us to continue provide quality food and service to the community at a price point that represents great value relative to the other options in the area.