

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



Jeffrey S. DeWitt
Chief Financial Officer

TAX ABATEMENT FINANCIAL ANALYSIS

TO: **The Honorable Muriel Bowser**
Mayor, District of Columbia

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

FROM: **Jeffrey S. DeWitt**
Chief Financial Officer

DATE: **April 25, 2018**

SUBJECT: **“The Alabama Avenue International House of Pancakes Real Property
Tax Exemption Act of 2018”**

REFERENCE: **Bill 22-760**

Findings

The International House of Pancakes at 1523 Alabama Avenue, SE (the “Alabama Avenue IHOP”) is operated by Father & Sons, LLC¹. The nine-year real property tax abatement proposed by Bill 22-760 is necessary for Father & Sons² to meet its fiscal needs. Information submitted to the Office of the Chief Financial Officer (“OCFO”) by the owner shows that the business does not 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 Father & Sons, LLC is Mr. Tyoka Jackson. Mr. Jackson is also a principal of DC Pancakes, LLC which owns an International House of Pancakes franchise at 3100 14th Street, NW. That IHOP is the subject of a separate proposed tax abatement in Bill 22-759.

² The Alabama Avenue IHOP occupies Square 5912, Lot 0819. The Alabama Avenue IHOP was granted an administrative exemption from property taxes as a qualified restaurant under DC Code § 47-389. That exemption expired on September 30, 2017.

(A) Terms of the Abatement

The proposed legislation provides a nine-year property tax abatement to Square 5912, Lot 819 which is occupied by the Alabama Avenue 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 owned³ by Father & Sons, LLC;
2. The property is used for the purposes and activities of the International House of Pancakes;
3. At least 51% of permanent jobs at the Alabama Avenue IHOP shall be filled by District residents, with a minimum of 30% of the District resident jobs reserved for Ward Eight residents;
4. All apprenticeships shall be reserved for District residents with preference given to Ward Eight residents; and
5. The benefit of the abatement shall be passed on to Father & Sons, LLC in the form of reduced rent equal to the amount of the abatement.

(B) The Value of the Abatement⁴

	FY2019	FY2020	FY2021	FY2022	4 Year Total	9 Year Total
Abated Real Property Taxes	\$48,893	\$50,115	\$51,368	\$52,652	\$203,027	\$486,703

(C) The Purpose of the Abatement

The proposed purpose of the abatement is to reduce the operating costs of the Alabama Avenue IHOP owned by Father & Sons, LLC.

(D) A Summary of the Proposed Community Benefits

See the Statement of Community Benefits, provided by Father & Sons, LLC, below.

(E) Financial Analysis and Advisory Opinion

The past three years of financials statements show total cash losses of \$223,415⁵. Therefore, the proposed property tax abatement is reasonably necessary for Father & Sons, LLC to meet its fiscal needs.

Recommended Amendment

Amend the eligibility conditions for the abatement on line 19 of the proposed legislation to read “(1) Leased to Father & Sons, LLC”. The current language requires Father & Sons, LLC to own the property, which it does not.

³ The property is not owned by Father & Sons, LLC. See Recommended Amendments for more information.

⁴ 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.

⁵ Calculated as the net income before depreciation expense.

Conclusion

The nine-year real property tax abatement proposed by Bill 22-759 is reasonably necessary for Father & Sons, LLC to meet its fiscal needs.

Applicant Provided Statement of Community Benefits

Having this exemption would benefit the Ward-8 community in the following ways:

- 1) It will preserve a place of employment for over 40 individuals (12 full time), of whom greater than 70% live in the District of Columbia, with many living in Ward-8 contributing to the D.C. tax base. We employ many former TANF recipients, ex-offenders, and both college and high school students at this location.
- 2) The continued operation of a retail establishment in an area where businesses are too often reluctant to locate or have opened and closed. We want to remain in order to provide quality food and service to the community and because we care about Ward-8 dearly.
- 3) We were VERY early in the Congress Heights neighborhood and we wanted to continue our business in Ward-8 in part because it is a symbol to other businesses that might want to come i.e. we become an anchor or example for future retail development in the neighborhood and finally reap the fruit for investing in Ward-1 before most did.