

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: August 31, 2016

SUBJECT: Good Success Christian Church and Ministries and the Good Success
Community Development Corporation Real Property Tax Relief Act of
2016

REFERENCE: Bill 21-815

Findings

The bill forgives or exempts all real property tax liabilities for Tax Years 2006-2020 for 17 parcels owned by Good Success Christian Church and Ministries or the Good Success Community Development Corporation (Good Success). Good Success operates one of the properties as their church, and intends to develop the remaining 16 parcels into for-sale housing. The proposed tax forgiveness and exemption are not necessary for this housing development project. The profits from the sale of the homes are projected to exceed the tax liabilities.

Background

Good Success owns 17 parcels of real property in the Deanwood neighborhood, one of which is its church. The remaining properties were acquired by Good Success beginning in 2002 in order to develop for-sale housing.

The Church (Square 5126, Lot 92)

Churches generally may apply for an administratively granted property tax exemption under D.C. Official Code § 47-1002(13). Good Success previously submitted an incomplete exemption application for the church parcel. Before seeking a legislative exemption, the application should be completed and resubmitted.

The Housing Development Project

Good Success has been purchasing parcels and holding them since 2002. Currently, Good Success owns 16 parcels which it intends to develop into for-sale housing (which they intend to be affordable at 80 percent of the Area Median Income¹). According to Good Success, construction is planned to start soon and the homes are expected to be available by January 2018. Good Success has not identified all the needed sources of funding for the project, nor has it decided if it will include deed restrictions that would ensure the houses are affordable in perpetuity. The proposed legislation would exempt these properties from property tax through Tax Year 2020, as long as they are owned by Good Success². The proposed tax relief would have the effect of reducing Good Success’s holding and development costs.

According to Good Success’s estimates, after the homes are sold in FY 2018 there will be a net profit of approximately \$600,000. Because the projected profit exceeds the \$425,098 in taxes proposed to be forgiven or exempted, Good Success does not require the proposed tax relief.

Financial Analysis

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

Terms of the Exemption or Abatement

The proposed legislation would forgive all real property tax liabilities assessed against the properties back to Tax Years 2006 (including refunding any payments made for those years³), and would exempt the property from future taxes through Tax Year 2020, so long as the properties are owned by Good Success.

Annual Proposed Value of the Exemption or Abatement

The proposed legislation would forgive \$384,524 of prior taxes, penalties, and interest from FY 2006 – FY 2016 plus future taxes of \$40,574. The table below shows the cost of the tax relief assuming the affordable homes are all sold by the end of FY 2018⁴. If Good Success successfully applies for an administrative exemption for the church parcel, then the “Future Abatement” costs associated with the church shown below would be eliminated.

¹ 80 percent of Area Median Income for a family of four is \$87,360.

² Existing law generally provides a property tax exemption for affordable rental housing that is owned or controlled by a non-profit. Given Good Success’ intention to sell the housing, the housing would be ineligible for such an exemption.

³ Good Success has paid a total of \$1,665 since FY 2006 which would be refunded under the proposed legislation.

⁴ According to Good Success, the affordable housing project should be complete between July 2017 and January 2018. For the purposes of this report, all 16 affordable homes are assumed to be sold on September 30, 2018.

Tax Abatement Financial Analysis – Bill 21-815, “Good Success Christian Church and Ministries and the Good Success Community Development Corporation Real Property Tax Relief Act of 2016”

Estimated Value of Property Tax Abatement						
	FY 2016	FY 2017	FY2018	FY 2019	FY 2020	TOTAL
Church Only						
Prior Taxes, Penalties, and Interest	\$4,037	\$0	\$0	\$0	\$0	\$4,037
Future Abatement	\$3,573	\$7,145	\$7,367	\$7,595	\$7,838	\$33,518
<i>Church Subtotal</i>	<i>\$7,610</i>	<i>\$7,145</i>	<i>\$7,367</i>	<i>\$7,595</i>	<i>\$7,838</i>	<i>\$37,555</i>
Development Project						
Prior Taxes, Penalties, and Interest	\$380,487	\$0	\$0	\$0	\$0	\$380,487
Future Abatement	\$1,363	\$2,803	\$2,890	\$0	\$0	\$7,056
<i>Development Subtotal</i>	<i>\$381,850</i>	<i>\$2,803</i>	<i>\$2,890</i>	<i>\$0</i>	<i>\$0</i>	<i>\$387,543</i>
TOTAL	\$389,460	\$9,948	\$10,257	\$7,595	\$7,838	\$425,098

Summary of the Proposed Community Benefits

A summary of the proposed community benefits, as submitted by Good Success, is attached to this analysis.

Financial Analysis for Existing Building

For new developments, a review and analysis of the financial condition of the recipient of the proposed exemption or abatement and of the financing proposal submitted by the recipient and an advisory opinion stating whether or not it is likely that the project could be financed without the proposed exemption or abatement.

According to the pro-forma submitted by Good Success, the estimated profits from developing for sale affordable housing are \$600,000. Therefore the requested abatement of \$425,098 in taxes is not needed.

Attachment
Community Benefits
(Submitted by Good Success)

Good Success Christian Church and Ministries and its affiliate Good Success Community Development Corporation have a long-standing history of providing community services/benefits to the local Deanwood community. We have a community food bank in which we serve the community three days per week. We also feed the homeless every second Saturday of the month at the Community for Creative Non-Violence (CCNV) Shelter. We also provide women and children with personal care kits to assist with daily life needs. Each first Friday of the month we have a children’s community movie night, where children from the community can enjoy a kid friendly movie with hot dogs, popcorn and a beverage. We have a community clothing bin in which we provide clothes to men, women and children three days per week. We provide community referral outreach to connect community residents with social services available throughout the city. The ministry provides counseling for couples and families in need of marital support or families facing challenging family and personal issues.

The creation of new affordable housing in Washington D.C. in an area that has historically been underserved is of great benefit and value to the Deanwood community. Community’s where new affordable housing is created provides opportunities for community residents who, otherwise, would not perhaps be able to achieve the “dream of homeownership” represents a benefit to not only the Deanwood community but to all citizens seeking to reside and become home owners in D.C.