


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



**Natwar M. Gandhi**  
Chief Financial Officer

**TAX ABATEMENT FINANCIAL ANALYSIS**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** May 29, 2013

**SUBJECT:** "YMCA Community Investment Initiative Real Property Tax Exemption Act of 2013"

**REFERENCE:** Bill Number 20-280

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**Findings**

The tax exemptions proposed by Bill 20-280 are necessary through FY 2020 if the District would like to support the Young Men's Christian Association of Metropolitan Washington (YMCA) in its mission to operate a health, wellness and program facility at the new Anthony Bowen facility location at 1325 W Street NW<sup>1</sup>.

The Office of the Chief Financial Officer (OCFO) finds that the proposed tax abatement is necessary for the facility to open as planned. The imposition of real property, deed recordation and transfer taxes would negatively impact the YMCA's ability to complete the build-out of the facility. If the property were subject to such taxes, the YMCA would pay an estimated \$938,300 through FY 2020.

The OCFO's separate Fiscal Impact Statement states that funds are sufficient in the District's FY 2013 budget and the proposed FY 2014 through FY 2017 budget and financial plan to implement the bill.

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<sup>1</sup> The property is located in Square 234, Lot 2010 (which has been subdivided from a portion of lot 164).

## **Background**

The YMCA is a District of Columbia nonprofit corporation and is exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code. YMCA operates health and wellness facilities and programs, including wellness centers, swimming pools, day care centers, summer camps and community space. The YMCA's Anthony Bowen branch facility is located at the site of a mixed-use development project including apartment units and ground-floor retail space. Proceeds from the YMCA's sale of property for the apartment and retail development are being applied toward the construction costs of the YMCA facility. The project is nearing completion of construction, and the YMCA plans to begin operating in its new facility this summer.

While the YMCA is currently exempt from District real property, deed recordation and transfer taxation<sup>2</sup>, the YMCA has created a nonprofit subsidiary entity (YMCA Community Investment Initiative, or “YMCA CII”) to acquire the facility and lease it to the YMCA. The creation of this pass-through entity was required in order for the YMCA to take advantage of funds raised from the sale of federal New Market Tax Credits, which were applied toward the construction costs of the new facility. Since the YMCA's existing tax exemption does not explicitly cover subsidiaries, the proposed legislation would avoid any potential imposition of real property, deed recordation and transfer taxes on YMCA CII<sup>3</sup>.

The entire mixed-use development project, including the YMCA facility, is also the beneficiary of a tax abatement enacted in 2010<sup>4</sup>. The provisions of the 2010 abatement include limiting real property taxes for the entire site to \$68,400 annually for ten years, to be allocated pro-rata among all taxable lots on the site, including 25% for the YMCA facility, if taxable. This abatement does not extend to deed recordation and transfer taxes.

## **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 legislation states that the property shall be permanently exempt from real property, deed recordation and transfer taxes as long as the real property continues to be used and occupied by the YMCA.

### Annual Proposed Value of the Exemption or Abatement

The expected value of each type of tax exemption proposed is:

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<sup>2</sup> 64 Stat. 250 1946-1951

<sup>3</sup> YMCA CII has filed an application for exemption from DC Real Property Tax with the Office of Tax and Revenue.

<sup>4</sup> 14W and Anthony Bowen YMCA Project Tax Abatement Implementation Clarification Act of 2010, D.C. Law 18-320, effective Mar. 12, 2011.

<b>Projected Value of Tax Exemptions for YMCA CII</b>						
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017 - FY 2020</b>	<b>TOTAL FY 2013- FY 2020</b>
Real Property Tax Exemption	\$5,400	\$16,200	\$16,200	\$16,200	\$64,800	\$118,800
Deed Recordation and Transfer Tax Exemption	\$478,500	\$ -	\$ -	\$ -	\$341,000	\$819,500
<b>TOTAL</b>	<b>\$483,900</b>	<b>\$16,200</b>	<b>\$16,200</b>	<b>\$16,200</b>	<b>\$405,800</b>	<b>\$938,300</b>

The estimated cost of the real property tax exemption is based on the YMCA's pro-rata portion of the maximum \$68,400 that can be charged to the site based on the 2010 abatement. Also, because the NMTC structure must be in place for 7 years, we have assumed that after FY 2020, YMCA CII could transfer the facility back to the YMCA. At that point, YMCA could qualify for the as-of-right tax exemption provided under current District law for property owned by the YMCA.

Summary of the Proposed Community Benefits

A summary of the proposed community benefits, as provided by YMCA, is attached to this analysis.

Financial Analysis for Development Projects

1. *Review and Analysis of the Financing Proposal Including Advisory Opinion Stating Whether or Not It is Likely that the Project Could Be Financed Without the Proposed Exemption or Abatement*

In the absence of the proposed tax abatement, the project would have a significant additional expense that could jeopardize the YMCA's ability to complete the build-out and installation of equipment as planned. The YMCA states that change orders on the project to date have used the vast majority of its original contingency for the project. Remaining funds in the budget are expected to be used for the final payments due to the builder, as well as the purchase of furnishing, fixture and equipment that are necessary to allow the facility to open in early summer.

The project's budget is composed of the following sources and uses:

<b>SOURCES</b>	
Proceeds from Sale	15,450,000
NMTC Equity	7,207,200
YMCA Equity	835,541
Bank line of credit	1,790,798
<b>Total Financing Sources</b>	<b>25,283,539</b>

Tax Abatement Financial Analysis –B20-2080 “YMCA Community Investment Initiative Real Property Tax Exemption Act of 2013”

<b>USES</b>	
Hard Costs	17,125,519
YMCA Soft Costs	3,515,103
FF&E	1,694,733
Financing Costs	2,948,184
<b>Total Uses</b>	<b>25,283,539</b>

Further, the imposition of annual real property taxes would require the YMCA to adjust its planned budget for the facility, and its options would include increasing membership fees, seeking additional donations, or decreasing services.

*2. Estimate of the Amount of Exemption or Abatement Necessary to Enable the Project to Be Financed*

If the Council seeks to support the YMCA in its mission to open and operate the Anthony Bowen facility, the proposed tax exemptions are necessary through FY 2020. By FY 2020, the YMCA would not need to own its facility through YMCA CII, and therefore the facility is expected to qualify for a tax exemption under current law exempting property owned by the YMCA.

*3. Assessment of the Developer's Documentation of Efforts to Seek Alternate Financing and the Factors that Limit the Developer's Ability to Obtain Adequate Financing*

The YMCA has been able to secure alternate financing in the form of NMTC (\$7.2 million). The project would not likely qualify for additional debt financing.

## Community Benefits as submitted by the YMCA

The community benefits and amenities to be offered by the new Anthony Bowen YMCA Facility are not required by law through the zoning process but are those that will carry out the YMCA's charitable mission to foster the spiritual, mental and physical development of individuals, families and communities according to the ideals of inclusiveness, equality and mutual respect for all. The benefits, amenities and services at the Anthony Bowen YMCA Facility will include, but are not limited to, a 6-lane indoor pool, 3 group exercise studios, a youth development center, a day care center, a fitness center for seniors and adults of all ages, programmatic, recreational and community space, new and improved facilities that can but used by nearby local charter schools (Chavez, Meridian, CAPS), a roof-top terrace, a Wi-Fi café and a demonstration kitchen to demonstrate the preparation of healthy and nutritious meals .

Programs to be offered at the new Anthony Bowen YMCA Facility will include but are not limited to: 1) diabetes education and prevention, 2) senior health and wellness programs, 3) youth and government programs, 4) programs to help reduce childhood obesity; and, 5) partnerships with the District of Columbia Public Schools. Additionally, ten percent of the Anthony Bowen YMCA Facility's membership will be reserved for low-income households. On April 25, 2013, the YMCA published a press release "U STREET'S FAMED Y REOPENING SUMMER 2013 AS PART OF 14W" which further details the community benefits and programs to be offered at the Anthony Bowen YMCA Facility. (See Exhibit 3).

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## U STREET'S FAMED Y REOPENING SUMMER 2013 AS PART OF 14W

**YMCA Anthony Bowen will have a sweetgreen and dynamic programs for healthy living, education, and more**

Washington, D.C., April 25, 2013 – In Summer 2013, a historic landmark will be reintroduced to the U Street Corridor as the destination for healthy living, education and fun. YMCA Anthony Bowen was founded in 1853, and is being redeveloped with wellness, learning, nutrition, support services, entertainment and a sweetgreen all under one roof. Situated in the heart of a vibrant, cultural community, the Y's programs and partnerships will serve the diverse needs of U Street and Shaw residents. YMCA Anthony Bowen is part of the anticipated 14W project, which features apartments, restaurants and retail.

"The YMCA is a must," shares Virginia All, Co-Founder and Owner of Ben's Chill Bowl. "I'm just absolutely excited about the new structure. We need a bigger, better YMCA to facilitate the growth of our community."

Think state-of-the-art equipment, fresh nutrition and exercise programs, a 8-lane indoor pool, a sweetgreen, lively events, and enriching youth programs. From TRX, 2-story rock climbing and aerial yoga classes to cooking lessons led by premier chefs with ingredients from the Y's garden wall, there will be programs to support all aspects of growth. The added fills are the weekly events open to the community, such as poetry readings, talent shows, health seminars, movie nights, comedy, fitness demos and a "best of" series. Exciting partnerships are underway and exclusive hard hat tours are being scheduled up until the opening.

The Youth Academy will offer day camps, child care, hands-on arts and STEM classes, and more. This Y will also serve as the headquarters for YMCA DC Youth & Government, the Y's childhood obesity prevention program, and Darkness to Light child sexual abuse prevention training.

When YMCA Anthony Bowen first opened its doors in 1853, it had no space of its own. Instead, the world's first African American Y used rented space and donated rooms for their educational, social and religious meetings. In 1912, the Y built its own facility at what is now the historic 12th Street branch. YMCA Anthony Bowen has a long legacy of nurturing great minds, such as the 12<sup>th</sup> Streeters (one of the first African American pro teams), poet Langston Hughes, Supreme Court Justice Thurgood Marshall, Dr. Charles Drew, and many others. The new location at 14<sup>th</sup> & W Streets, NW will be part of Cultural Tourism's Greater U Street Heritage Trail.

The Y's launch team has partnered with Central Properties and is already positioned in the community to meet its neighbors at 13<sup>th</sup> & V Streets, NW. To learn more about pre-opening and Grand Opening benefits, call 202-232-6938 or stop by to meet them.

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### **ABOUT THE YMCA OF METROPOLITAN WASHINGTON**

The Y is one of the nation's leading nonprofits strengthening communities through youth development, healthy living and social responsibility. We've been connecting and supporting men, women and children in Greater Washington for 160 years -- regardless of age, income or background. Anchored in Washington, DC, southern MD, and northern VA, the YMCA of Metropolitan Washington creates a positive difference in the lives of more than 200,000 people each year through its 17 branches and program centers. We have the long-standing relationships and physical presence not just to promise, but to deliver, lasting personal and social change. For more information, visit [www.ymcadc.org](http://www.ymcadc.org) or follow us at [www.facebook.com/ymcadc](http://www.facebook.com/ymcadc).

### **ABOUT SWEETGREEN**

Sweetgreen is re-defining the concept of fresh-casual cuisine. With a menu of sustainable food including salads and organic frozen yogurt with unique and seasonal toppings, Sweetgreen makes choosing to eat healthy and delicious food, simple. Founded in 2007 by Georgetown University seniors Nicolas Jammet, Jonathan Neman and Nathaniel Ru, Sweetgreen has grown from a single location to 15 current, open locations in the Washington, DC-metro and Philadelphia areas. For more information, visit [www.sweetgreen.com](http://www.sweetgreen.com).