

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

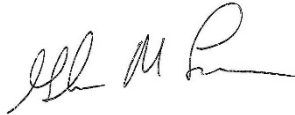


Glen M. Lee
Chief Financial Officer

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: Glen M. Lee
Chief Financial Officer 

DATE: October 3, 2022

SUBJECT: Tax Abatement Financial Analysis- "Whitman-Walker Entities at St. Elizabeths Tax Rebate Amendment Act of 2022"

REFERENCE: B24-0894

Findings

The bill, the "Whitman-Walker Entities at St. Elizabeths Tax Rebate Amendment Act of 2022," would, in general, rebate real property taxes assessed and paid on Square 5868, Suffix S, Lot 965 (the "Property") for as long as the property is leased by Whitman-Walker Health and Whitman-Walker Health System, up to a maximum of 25 years. The estimated value of the rebate through 2047 is \$46.6 million. The Office of the Chief Financial Officer (OCFO) has determined that the proposed rebate is not necessary for the recipient to meet its current fiscal needs. Based on projections provided by Whitman-Walker, before considering the rebate, the organization has a positive operating position.

Background

Whitman-Walker Health and Whitman-Walker Health System, hereafter known as "Whitman-Walker," are affiliated entities that are nonprofit community-based health care organizations in the District of Columbia. Currently, Whitman-Walker operates three facilities located in Ward 2 (Elizabeth Taylor Medical Center and 1525 14th St. NW) and Ward 8 (Max Robinson Center) that offer services including comprehensive outpatient medical and dental healthcare, pharmacy services, legal support, behavioral healthcare, and confidential HIV testing and counseling services. Whitman-Walker currently receives a tax rebate for 1524 14th St. NW¹ and an exemption for the current Max Robinson Center.

¹ D.C. Official Code § 47-4664

Whitman-Walker is currently in the process of expanding its operations to a new facility to replace the existing Max Robinson Center. Whitman-Walker will lease the Property in its entirety, consisting of land and a building under construction on the St. Elizabeths campus in Ward 8 containing approximately 118,000 rentable square feet, but intends to sub-lease the first and second floors of the building. The facility will retain the name Max Robinson Center. Whitman-Walker Health and Whitman-Walker Health System have separate leases with the landlord, each for a 15-year term with an option to renew for 10 additional years. The lease commencement date is when the landlord’s construction work on the property is substantially complete, which is expected to occur in November 2022. Upon this date, Whitman-Walker will become responsible for the real property taxes imposed on the leased space. Whitman-Walker expects to occupy the Property in May 2023, when tenant improvements on the Property are completed.

Under current District law,² nonprofit organizations using buildings for purposes of public charity which has its principal impact in the District may obtain an administrative exemption for real property they own. The Property will not qualify for such an exemption because Whitman-Walker will only lease the Property from a private owner.

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.

(A) Terms of the Rebate

The Bill provides for a rebate, beginning no earlier than October 1, 2022, to Whitman-Walker of the proportionate share of the Property’s real property tax for which Whitman-Walker is liable under its lease and that was paid by Whitman-Walker. The rebate shall be in effect for a minimum of 15 years and a maximum of 25 years, provided that Whitman-Walker occupies a portion of the building that is subject to real property taxation pursuant to a signed lease. The amount of the rebate shall not exceed the amount of real property taxes paid by Whitman-Walker. Whitman-Walker must apply for the rebate by September 15 of each calendar year that the tax was payable.

(B) Value of the Rebate

As shown in Table 1, based on Whitman-Walker exercising the option for the full 25-year lease term, OFT estimates the total proposed value of the rebate over 25 years to be \$46.6 million.³

Table 1: Estimated Value of the Proposed Tax Rebate

Exemption	FY 2023	FY 2024	FY 2025	FY 2026	Total FY23-26	Total FY27-47	Total Value
Real Property Tax	\$1,324,000	\$1,350,000	\$1,391,000	\$1,432,000	\$5,497,000	\$41,072,000	\$46,569,000

² D.C. Official Code § 47-1002(8).

³ The value of the rebate is based on the full real property tax liability for the Property. Although Whitman-Walker intends to sublease space on the first and second floors and occupy approximately only 101,500 square feet of the Property, there are currently no subleases in place and it is not clear whether sublessees would be liable for payment of real property taxes.

The Exemptions and Abatements Information Requirements Act of 2011 requires certain information from the Applicant pertaining to political contributions and contracts held by the Applicant if the total estimated value of the abatement or exemption is \$250,000 or more. According to the Applicant, no political contributions have been or will be made. A list of the applicable contracts with the District of Columbia held by any principals or affiliates of the Applicant as described in D.C. Official Code §47-4701(b)(1)(c-i) are in Appendix A.

(C) Purpose of the Rebate

According to Whitman-Walker, the purpose of the rebate is to reduce the operating costs of the organization.

(D) Summary of the Proposed Community Benefits

The summary statement of community benefits provided by the Applicant is in Appendix B.

(E) Financial Analysis and Advisory Opinion

OCFO’s Office of Finance and Treasury (OFT) evaluated the audited, consolidated financial statements for Whitman-Walker for 2018 to 2020. Whitman-Walker also included forecasted revenues and expenses from 2021 to 2047.

The historical information shows a positive net operating position - revenues less expenses excluding restricted activity⁴ and depreciation - for Whitman-Walker in 2018 and 2019. In 2020 and 2021, Whitman-Walker had a negative operating position. However, beginning in 2022, Whitman-Walker’s 25-year financial forecast shows a positive operating position for the duration of the tax abatement before any tax relief.

Based on the financial projections provided by the Applicant, each year from 2023 to 2047, the estimated tax liability is about one percent each year of total unrestricted revenues. In addition, in 2025, Whitman-Walker is estimating an improvement in its net position by over 400 percent once the new facility fully realizes the additional revenues from operations in the new, larger Max Robinson Center.

Conclusion

OFT finds that the proposed tax rebate is not financially necessary. Based on the information provided by Whitman-Walker, there are sufficient revenues to cover the estimated tax liability both now and in the future.

⁴ Restricted activity includes restricted contributions and real estate activities related to the Elizabeth Taylor Medical Center redevelopment. Depreciation is a non-cash expense.

Appendix A Contracts With the District of Columbia

Entity	Grant Name/Description	Funder	Type	2022 Budgeted Contract Amount
Whitman-Walker Health	Ryan White Part A	DC Health-HAHSTA	Federal Pass-Through	588,800
Whitman-Walker Health	Ryan White Part MAI	DC Health-HAHSTA	Federal Pass-Through	455,000
Whitman-Walker Health	Ryan White A Regional Early Intervention Services	DC Health-HAHSTA	Federal Pass-Through	750,000
Whitman-Walker Health	Ryan White A Human Care Agreement	DC Health-HAHSTA	Federal Pass-Through	900,000
Whitman-Walker Health	ETE CDC Wellness Initiative	DC Health-HAHSTA	Federal Pass-Through	60,000
Whitman-Walker Health	ETE HRSA Wellness Initiative	DC Health-HAHSTA	Federal Pass-Through	40,000
Whitman-Walker Health	Prevention Human Care Agreement	DC Health-HAHSTA	Local	650,000
Whitman-Walker Health	Polysubstance Abuse	DC Health-HAHSTA	Local	175,000
Whitman-Walker Health	OVS Support for LGPTQ Youth Victims	Mayor's Office of Victim Services	Local	300,000
Whitman-Walker Health	SORS MAT Funding	Department of Behavioral Health	Federal Pass-Through	64,999
Whitman-Walker Health	COVID-19 Support	DC Health-CHA	Local	581,150
Whitman-Walker Health	DC Health Link Assister Program	DC HBX	Local	250,000
Whitman-Walker Health	Immigrant Justice Legal Services	Executive Office of the Mayor	Local	300,000

Tax Abatement Financial Analysis – “Whitman-Walker Entities at St. Elizabeths Tax Rebate Amendment Act of 2022”

Entity	Grant Name/Description	Funder	Type	2022 Budgeted Contract Amount
Whitman-Walker Health	Gonococcal Isolate Surveillance Project- GISP	DC Health	Local	30,000

Appendix B

Summary of Community Benefits Provided by the Applicant

The expansion at the new Max Robinson Center at St. Elizabeths is Whitman-Walker's next step in our response to community need and mission to provide equitable access to care for all DC residents. The savings from this abatement will allow Whitman-Walker to provide more health care and supportive services annually, particularly to DC's diverse and underserved communities in Wards 7 and 8, extend our community- and clinic-based research opportunities and create substantial job creation and training opportunities. Collectively, Whitman-Walker's current consolidated budget for all entities per year is \$110 Million. The expansion will allow Whitman-Walker to grow to nearly a \$160 Million enterprise, which will be a 45 percent increase in the net benefit to community to realize the four goals outlined below

1. The eradication of health disparities in Wards 7 and 8;
2. The eradication of the HIV Epidemic and supports LGBTQ+ Community;
3. The support of the District of Columbia during Epidemics in addition to HIV;
4. Economic and Community Development in Wards 7 and 8.

Without Whitman-Walker's expansion efforts and presence, DC would lose \$160M in investment of vital services and community benefit.

Whitman-Walker's Expansion Supports the Eradication of Health Disparities in Wards 7 and 8

Our new Max Robinson Center facility will increase Whitman-Walker's capacity to see clients in Southeast by 200% - from 5,000 to nearly 15,000 individuals and families. Data shows that individuals and families in Wards 7 and 8 experience lower life expectancy rates, higher mortality rates, and are more likely to be uninsured. Data also suggests that people living in this area of our city experience higher levels of unemployment and lower household incomes. Additionally, many in Wards 7 and 8 also confront higher rates of assault, homicide, and violence. These lived experiences constitute health disparities and racial inequities which are further compounded by social determinants of health and wellness as outlined by the Government of the District of Columbia Health Department's 2018 Health Equity report: “The Social & Structural Determinants of Health”.

Currently, only about 75% of residents of Wards 7 and 8 report good or excellent health, compared with nearly 90% of DC residents citywide. Data shows:

- **Ward 7** residents were more likely to have had difficulty remembering and concentrating, rate their health fair or poor, be diagnosed with high blood pressure, be obese, be diagnosed with pre-diabetes, eat fruit less than one time per day, be a current smoker, had no flu shot, and be diagnosed with arthritis, (current) asthma Chronic Obstructive Pulmonary Disease (COPD), diabetes, heart attack, heart disease and stroke
- **Ward 8** residents were more likely to have had difficulty remembering and concentrating, rate their health fair or poor, have high blood pressure, have had a heart attack, have 14 or more days of mental health not good, be obese, be diagnosed with pre-diabetes, not engage

in exercise, eat fruit less than one time per day, be a current smoker, eat vegetables less than one time per day, or be diagnosed with (current) asthma, Chronic Obstructive Pulmonary Disease (COPD), diabetes, heart disease, kidney disease and stroke.

- Life expectancy at birth in Ward 7 is 72.8 years and in Ward 8 is 69 years – compared with 78.9 years for DC as a whole and 83.2 years for Ward 2.ⁱⁱ

The above data points highlight the importance of having Whitman-Walker close to where Ward 7 and Ward 8 residents live.

Whitman-Walker has always prioritized the needs of community and through our care model and services we have earned the trust of DC residents by remaining intentional in our outreach to engage and care for community. Once constructed, the state-of-the art facility will not only serve as Whitman-Walker’s operating hub for the next 30 years but, once operational, will generate between 100-125 jobs in the community and help achieve our vision to end the HIV epidemic, eliminate health disparities and promote wellness and resiliency in a community that has been traditionally underserved and under resourced.

The new Max Robinson Center will open one year before the Cedar Hill Regional Medical Center opens and will provide complementary services to community residents. These services will include primary care, behavioral health, dental care, radiology, behavioral and mental health, legal services, HIV and STI treatment and prevention, insurance navigation, and expanded capacity for mobile health services. Residents will experience care in a modern and welcoming site that will include: a ground-floor pharmacy; sixty-five examination, consult and procedure rooms; eight dental suites; twelve behavioral health suites; training space and a state-of-the-art research laboratory. The planned 100,000+ square foot health care home and research and education center will allow Whitman-Walker to serve over 15,000 patients per year.

Whitman-Walker’s low barrier support model will provide greater access to treatment and care, and this will have a direct and positive impact on the health outcomes of the residents of Ward 7 and 8. Having vital and affirming primary medical care, behavioral health, dental and other support services in a location that will complement the new hospital and reduce travel barriers will help to significantly strengthen a system of healthcare East of the River. Additionally, the new site will transform the research, education and training scope allowing Whitman-Walker to more than triple its research portfolio and will function as an accessible point of entry for the community to engage in cutting-edge scientific breakthroughs and prevention science.

Whitman-Walker's Expansion Supports the Eradication of the HIV Epidemic in the District of Columbia and Supports the LGBTQ+ community.

Whitman-Walker's contributions to ending the HIV epidemic in the District of Columbia as the first responder for those living with HIV; a leader in LGBTQ care and advocacy; and a research center working to discover breakthroughs in HIV treatment and prevention science. In fact, Whitman-Walker has been key to serve almost 3,000 HIV-positive DC residents. This is nearly 25% of DC's reported HIV-positive population in 2020. Whitman-Walker has also participated in community-based and enrolled research for every single HIV treatment in use since the epidemic began, enrolling

members of the community based on trusting relationships with their long-time Whitman-Walker providers.

The District of Columbia is home to the highest LGBTQ population percentage in the United States. Wards 7 and 8 have the highest rates of people living with HIV, as well as the highest rates of newly diagnosed HIV cases. Whitman-Walker’s expertise in HIV prevention and care will support the city’s mission to eradicate the HIV epidemic. There are 12,161 residents (1.7% of the population) living with HIV in DC. Whitman-Walker sees a quarter of all HIV-positive people in the city. Whitman-Walker has expertise to meet the health needs and multitude of health disparities, including providing services to the largest cohorts of transgender and gender expansive patients in the country.

In 2020, Whitman-Walker was able to:

- Connect 100% (87) of people that Whitman-Walker staff newly diagnosed with HIV to medical care.
- Keep 85% (3190) of the HIV positive patients we see in care
- Help 77% (2890) of the HIV positive people we provide medical care to reach viral load suppression.
- Conduct 6,587 HIV tests
- Navigate 5 HIV-positive mothers to give birth to 100% (5) HIV-negative babies.

The new facility will also allow Whitman-Walker to triple Whitman-Walker’s community- and clinic-based research operations and capacity, allowing more accessible points of entry for community to access cutting-edge scientific breakthroughs and research science that benefit the LGBTQ community as well as those impacted by HIV. The research footprint will include space to collaborate with other research and education professionals and programs, particularly those based in the District of Columbia.

Whitman-Walker’s Expansion Supports the District of Columbia during Epidemics in addition to HIV

In addition to HIV expertise, Whitman-Walker has a proven track record supporting the District of Columbia’s efforts in the battle with COVID-19 and, more recently, Monkeypox. Whitman-Walker effectively pivoted operations to ensure continuity in care and access to services for patients. Both Whitman-Walker pharmacies remained fully operational throughout, coordinating free home delivery of prescriptions for hundreds of community members. Whitman-Walker provides COVID-19 health education efforts via social media, text messages, direct phone calls to residents in high priority zip codes and a COVID-19 hotline for the community to ask their COVID-19 questions. Whitman-Walker continues to provide vaccinations and COVID-19 tests to thousands of DC residents as well as support COVID-19 research efforts. These efforts enabled the District of Columbia and its residents to get back to normal as much as possible and to begin the process to reopen schools and commerce throughout the city.

More recently, Whitman-Walker has provided Monkeypox assessment and treatment to the District of Columbia community and is proud to partner with the DC government in the effort to contain community transmission. Whitman-Walker has recently added Monkeypox education to social media education efforts, as well as on the education telephonic hotline.

Whitman-Walker's Expansion Fosters a Vision for Economic and Community Development in Wards 7 and 8

Whitman-Walker will partner with the District of Columbia to ensure this expansion yields net new jobs, innovative partnerships for workforce development, improvement of broadband infrastructure, and economic and community development. Whitman-Walker’s project responds to short and long-term community health needs but will also bring more than 100+ net new jobs to the District of Columbia. The organization is committed to hiring residents.

Below is a list of jobs that are estimated to be created by the expansion.

Number	Position Title	Weeks	Estimated Annual Wage
3	Clinical and Operations Administration Roles	Full-Time	\$80,000
12	Health Educators, Care Navigators and Insurance Navigator Roles	Full-Time	\$45,000
3	Patient and Laboratory Billing Roles	Full-Time	\$60,000
12	Front Desk, Call Center, Health Information Specialist Roles	Full-Time	\$45,000
7	Research Specialist Roles	Full-Time	\$45,000
4	Administrative Support	Full-Time	\$45,000
2	Psychiatrists	Full-Time	\$200,000
3	Staff Dentists	Full-Time	\$125,000
5	Staff Physicians	Full-Time	\$190,000
4	Dental Hygienists	Full-Time	\$100,000
3	Nurse Practitioners	Full-Time	\$100,000
4	Physician Assistants	Full-Time	\$100,000
1	Acupuncturist	Full-Time	\$70,000
7	Registered Nurses and LPNs	Full-Time	\$80,000

10	Psychotherapists & Behavioral Health Specialists	Full-Time	\$70,000
1	Registered Dietician	Full-Time	\$60,000
4	Research Nurses	Full-Time	\$75,000
2	Data Scientist	Full-Time	\$120,000
4	Dental Assistants	Full-Time	\$55,000
9	Medical Assistant	Full-Time	\$40,000

In addition to the above estimated salaries, Whitman-Walker believes that the investment the organization makes to provide benefits to employees are among the most important dollars spent. Whitman-Walker benefits offered include:

- Comprehensive medical, dental, prescription drug, and vision coverage options
- Flexible Spending Accounts (medical and dependent Care)
- Employer-paid life insurance
- Employer-paid disability insurance
- Employee Assistance Program
- More vacation and sick leave – and other paid holidays than required by DC law
- Parental leave
- Domestic partnership benefit
- Commuting and Gym benefits, including Metro and Capital Bike Share
- 403(b) Savings Plan
- Tuition reimbursement and continuing education funds

Whitman-Walker will also expand on partnerships with local colleges, universities, and training institutions to provide job education and skills for DC residents interested in health care and other administrative functions. The expansion will have a youth empowerment focus as well as a partnership with local training programs and internship programs (i.e. Urban Alliance and United Planning Organization) to provide on the job training. Whitman-Walker is committed to enhancing an active internship and fellowship program including roles in legal services, research, behavioral health, medical, external affairs and dental. Whitman-Walker will advance the Medical Student Training program in partnership with local universities for medical, including psychiatry, and dental residency programs and MPH practicum programs. Whitman-Walker will build upon current work with the University of the District of Columbia to form a partnership for Medical Assistants, Medical Billing and Front Desk training and hiring. Whitman-Walker will expand name and gender change clinics to help transgender and gender expansive patients create identity documents that match their identity to help gain employment.