TAX ABATEMENT FINANCIAL ANALYSIS

TO: The Honorable Vincent C. Gray  
Mayor, District of Columbia

The Honorable Kwame R. Brown  
Chairman, Council of the District of Columbia

The Honorable Jack Evans  
Chairman, Committee on Finance and Revenue

FROM: Natwar M. Gandhi  
Chief Financial Officer

DATE: May 22, 2012

SUBJECT: “8th Street Plaza Condominium Association, Inc. Clarification Act of 2012”

REFERENCE: Bill Number 19-634

We have received your request for the Office of the Chief Financial Officer (OCFO) to conduct an analysis on Bill 19-634, “8th Street Plaza Condominium Association, Inc. Clarification Act of 2012.”

8th Street Plaza Condominiums, located in Squares 5956 and 5956 W on 8th Street, SE, was substantially redeveloped and rehabilitated in 2004 and 2005. The developer, Charles Jenkins, sold the condominium units to new owners. However, he failed to file correct plats and plans with the District, thereby creating erroneous legal documents for the condo owners.¹ The Office of the Attorney General subsequently filed and was granted an injunction against Jenkins under consumer protection laws to keep Jenkins from doing business in the District. The legislation is needed to correct errors made by the developer and the developer will not benefit from its passage.

¹ One condominium building has documents showing it contains 16 units, although the building only has 15 units. The deeds filed with the District by Charles Jenkins reflected this extra unit and real property tax liability has accrued on this unit since 2006. There is additional tax liability associated with streets and alleys that should have been incorporated into the neighboring lots, as outlined in Law 17-60, Closing of a Portion of 8th Street, S.E., and the Public Alley in Squares 5956 and W-5956, S.O. 05-4555, Act of 2007.
The proposed legislation would allow the condominium association and the condominium owners to file corrected deeds with the Recorders of Deeds and corrected condominium plats with the Office of the Surveyor without having to pay fees, and would forgive the real property taxes associated with the erroneous documents. According to the Office of Revenue Analysis, waiving these fees and forgiving the real property tax liability associated with existing lots that do not have accompanying condo units would reduce District revenues by $33,000.

Based on the information presented, it appears that the developer, Charles Jenkins, was at fault for the errors with the deeds, plats and lot numbers. The documents cannot be corrected if there are any outstanding real property taxes owed on any of the lots. The outstanding tax liability is levied on lots that do not have condo units associated with them (the “extra 16th” unit and the lots that were never incorporated into the condo lots after Law 17-60 was passed by Council).

This tax abatement financial analysis concludes that there is no individual property owner who will benefit directly from the tax forgiveness and therefore an analysis of the owner’s ability to pay the liability is not relevant. The reason for the legislation is to allow the condo association to fix its documents and re-record the deeds to reflect the actual state of the properties.

If you have any questions, please do not hesitate to contact me.