

PUBLIC HEARING ON
THE “SOUTHEAST WATER AND SEWER
IMPROVEMENT SPECIAL ASSESSMENT
AUTHORIZATION ACT OF 2007”

Before the
Committee on Finance and Revenue
Council of the District of Columbia

The Honorable Jack Evans, Chairman

April 18, 2007, 11:00 a.m.
Room 120, John A. Wilson Building



Testimony of
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the OCFO on the “Southeast Water and Sewer Improvement Special Assessment Authorization Act of 2007.”

This legislation creates statutory authority to establish a Special Assessment District (the Southeast Water and Sewer Improvement Benefit Area) in Southeast, which will support the construction of water and sewer infrastructure in the area. The special assessment levied will pay debt service on a bond issuance that will pay for infrastructure improvements in the area. The final costs for the infrastructure improvements have not yet been determined. The current estimate is approximately \$15 million. The OCFO recommends that the Council place a limit on the amount that can be borrowed for this project, so that the maximum bond amount authorized is in line with the expected costs of the project.

The infrastructure, which would otherwise be paid for by property owners as individual properties are developed, would now be built as a component of a District Department of Transportation contract to complete new roads in the area. Completing the infrastructure as part of the road project is intended to save money and prevent future disruption of roads as properties are developed during the next several years.

Modeled after the special assessment imposed on property owners near the New York Avenue Metro station, this legislation imposes the assessment on property

owners directly benefiting from the water and sewer infrastructure that is being built. The assessment would be paid as part of property tax bills and will support a bond issuance that will cover construction costs, issuance costs, and related activities.

The legislation creates a revenue source to pay the debt service on the proposed bonds. Therefore, there will be no effect on the general fund. However, because the Special Assessment Fund will be set up within the general fund, budget authority will be required to pay debt service on any bonds issued for these infrastructure improvements.

The OCFO will be largely responsible for implementing the legislation and will incur some costs related to implementation. The Office of Tax and Revenue (OTR) is currently assessing the costs of implementing the special assessment, and those costs will be reflected in our fiscal impact statement. The OCFO would like to recommend a number of technical changes to the legislation that would streamline the implementation of the legislation. I have attached these to my written testimony as Attachment A, and we have shared these with the Mayor's office.

Thank you for the opportunity to testify. This concludes my testimony, and I am happy to answer any questions you have at this time.

Attachment A

Recommended Technical Changes:

- 1) § 47-893 (a) – The initial tax year should not be retroactive; therefore, this should not be 2007, but should be tax year 2008 or 2009 depending on the effective date.
- 2) § 47-983 (c) – Following the first two times we use the term “debt service” add “or repayment amount.” The end of the paragraph should read “general obligation bonds or other debt instruments.”
- 3) § 47-983 (d) – Do not specify the 1/30th annual amount. This would essentially require a 30-year bond. Most of the District’s general obligation (G.O.) debt is 25-year, so requiring a 30-year term may be problematic if we end up doing this as part of a larger G.O. issuance. Rather, include “an annual amount necessary to pay the debt service on the bonds.”
- 4) § 47-894 – Replace the last phrase “or any other then outstanding District of Columbia general obligation bonds, debts, or other obligations” with “if there is some excess beyond what is needed for the repayment for this Project, it may be used to pay down other debt but will be at the discretion of the Mayor/Council.”
- 5) § 47-891(4) – “Tax Lot” should be defined as a lot and not as a tax lot. Many of the lots we tax are record lots and not tax lots. Alternatively, throughout the entire bill, use the phrase “real property” as that term is defined in § 47-802.
- 6) § 47-893(a) – Specify whether there will be a special bill for the first half of TY 2007 or whether it all goes on the second half bill.
- 7) § 47-893(a)(1) – Strike “...within the square that directly abuts the improvements constructed as part of the Southeast Water and Sewer Improvement Project...” and insert “...in the Southeast Water and Sewer Improvement Benefit Area...”

- 8) § 47-893(a)(3) – Clarify if a use changes from commercial to residential after March 27, 2007, whether this means the property cannot become exempt. Define “development project.” For example, if someone owns two lots and combines them to construct one house or four row houses, is that a development project even though it is less than 5 dwelling units?

- 9) § 47-893(b) – The special assessment may not be able to be placed on the regular real property tax bill. If not, it will have to be billed separately. In such an instance, certification should not be required to send a property to tax sale.

- 10) § 47-893(c) and (f) – The CFO should be allowed to determine the collection amount necessary to not only pay the bond but also to create a reserve that will provide a cushion in the event an assessment appeal is successful that would otherwise create a deficit. Assessment appeals can be successful years down the road; a reserve cushion is necessary if the collection amount is based on the assessed value of the lots. Additionally, a reserve cushion is necessary in the event that the special assessment is not paid and the property goes to tax sale (the property may not be redeemed for a while and in the meantime the bond has to be paid).

- 11) § 47-893(e) – Clarify after the first determination in 120 days, when the next determination must occur. Specify what the most recent assessed value is (e.g. the assessed value in place for that tax year during which the special assessment will be billed).

- 12) § 47-893(g)(1) – Specify when the notice of special assessment will be given. If the notice goes out at the same time as the annual assessment notice, then the appeal rights should be the same as if the real property tax assessment were being appealed. The only basis for an appeal should be whether a property is subject to the special assessment. The amount of the special assessment should not be a basis for the appeal.

13) § 47-893(g)(2) – Clarify when a lot becomes subject to the special assessment and when the special assessment becomes effective. Clarify the appeal rights.

14) § 47-893(h) – This section should follow the real property tax assessment appeal procedure. The Board of Real Property Assessment and Appeals may not be in session year-round. The amount levied should not be able to be appealed.

15) § 47-893(j) – This section should state that a delinquent special assessment is collected in the same manner and under the same conditions as a delinquent property tax is collected. Also clarify if the real property tax is paid but the special assessment is not, or vice versa, where the money goes first.

16) Clarify whether there will be a first level administrative appeal at OTR.