

**PUBLIC HEARING ON**

**Bill 17-0265, the “Neighborhood Restaurant and Retail Tax  
Incentive Act of 2007”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia  
Councilmember Jack Evans, Chairman  
-and the-  
Committee on Economic Development  
Council of the District of Columbia  
Councilmember Kwame Brown, Chairman**

**November 28, 2007, 11:00 a.m.  
John A. Wilson Building, Room 412**



**Testimony of  
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Good morning Chairman Evans, Chairman Brown, members of the Committee on Finance and Revenue, and members of the Committee on Economic Development. I am John Ross, Senior Advisor to the Chief Financial Officer for Economic Development. I am pleased to testify today on behalf of the CFO on Bill 17-0265, the “Neighborhood Restaurant and Retail Tax Incentive Act of 2007”.

The “Neighborhood Restaurant and Retail Tax Incentive Act of 2007” would grant a 10 year tax exemption to new or substantially rehabilitated hotels, restaurants, and retail businesses developed in specified exemption areas (see attached map for details). These developments would receive an exemption from property tax, sales tax on construction materials, personal property tax, and the license fees for food retail businesses.

The proposed legislation has a negative fiscal impact over time because it exempts taxes which would have otherwise been paid to the General Fund. The Office of Tax and Revenue and the Office of Revenue Analysis are in the process of calculating the fiscal impact of the bill, and will be suggesting a number of technical changes that are necessary to make the bill compatible with current tax law.

When Council considers these technical changes, it may also want to consider the following issues:

### I. Improved Targeting

- The bill exempts from property tax, sales tax on construction materials, personal property tax, and the license fees for food retail businesses in Neighborhood Investment Areas, underserved areas and DC Main Streets.
- Twelve Neighborhood Investment Program Target Areas are defined in the Neighborhood Investment Act of 2004. These areas generate approximately 12% of the District’s total property tax revenue. The long-term budgetary impact of granting exemptions in such a large portion of the District could be significant.
- The bill exempts projects built in “under-served” areas, but fails to define “under-served”.
- The bill also exempts projects within DC Main Streets corridors, which are not yet defined.

### II. Impact on Competition

- The bill gives a competitive advantage to newly constructed or substantially rehabilitated developments when compared to existing businesses.

- The bill does not reinstate the supermarket tax abatement which was rendered void by the repeal of the NCRC Act.

### III. Impact on Other Subsidy Programs

- Neighborhood Investment Areas include portions of the Downtown TIF Area and the DCUSA project area. Property taxes have already been pledged in these areas to repay debt, therefore exempting pledged taxes violates our covenants with the bondholders of that debt.
- These areas cover many future development sites including Poplar Point, the McMillan Reservoir, and the Convention Center Hotel. The proposed bill could significantly reduce the value of future TIF and PILOT subsidies in these areas.

Thank you for this opportunity to comment. I would be glad to answer any questions you or members may have.