

**PUBLIC HEARING**

**ON**

**BILL 18-220, “UNION STATION  
REDEVELOPMENT CORPORATION PAYMENT IN  
LIEU OF TAXES ACT OF 2009”**

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

**The Honorable Jack Evans, Chairman**

**May 21, 2009, 10:00 a.m.  
Room 412, John A. Wilson Building**



**Testimony of Richie McKeithen  
Director of Real Property Tax Administration  
Office of Tax and Revenue**

**Natwar M. Gandhi  
Chief Financial Officer  
District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Richie McKeithen, Director of Real Property Tax Administration for the Office of and Revenue. I am pleased to present testimony on Bill 18-220 “Union Station Redevelopment Corporation Payment in Lieu of Taxes Act of 2009.”

The purpose of this bill is to exempt Union Station, located at 50 Massachusetts Avenue. N.E., from possessory interest tax and to impose on the property an annual payment in lieu of tax. The PILOT payment would be \$253,000, with an annual adjustment for inflation beginning in Tax Year 2010 and would be paid in semi-annual installments.

The bill also exempts lessees and sub-lessees of Union Station Redevelopment Corporation from possessory interest tax. A possessory interest is generally defined as the use of real property owned by the government. A possessory interest tax is a tax on those who use government property for a non-governmental purpose, such as the shops and restaurants inside Union Station.

Union Station is owned by the United States Department of Transportation, which leases it to the Redevelopment Corporation, which manages the property for the DOT. The Redevelopment Corporation is not a part of the federal government, but is District of Columbia Non-Profit Corporation created as a federal instrument. The Redevelopment Corporation has leased the property to Union Station Venture Limited, a private real estate manager, which subleases space in Union Station to commercial tenants and Amtrak. The Office of Tax and Revenue has determined that the Union Station venture is subject to the possessory interest tax, and the venture has appealed to Union Station Venture, and the venture has appealed to the Board of Real Property Assessments and Appeals. This case is currently pending.

Bill 18-220 would reduce property tax collections by approximately \$5.2 million in FY 2009. Between FY 2009 and FY 2013, tax collections would be reduced by \$14.9 million.

**Estimated Fiscal Impact**  
**FY 2009 Budget and the Proposed FY 2010 -- FY 2013 Budget and Financial Plan**

	<b>FY 2009<sup>d</sup></b>	<b>FY 2010</b>	<b>FY 2011<sup>a</sup></b>	<b>FY 2012<sup>a</sup></b>	<b>FY 2013<sup>a</sup></b>	<b>5-Year Total</b>
Value subject to Possessory Interest Tax	\$151,128,440	\$146,594,587	\$145,275,236	\$144,548,860	\$146,283,446	
Estimated Tax Liability <sup>b</sup>	\$5,714,427	\$2,706,000	\$2,681,592	\$2,668,154	\$2,700,244	\$16,470,416
Total Tax Liability Under B18-220 <sup>c</sup>	\$506,000	\$253,000	\$259,325	\$266,067	\$273,517	\$1,557,909
<b>Total Negative Fiscal Impact</b>	<b>\$5,208,427</b>	<b>\$2,453,000</b>	<b>\$2,422,267</b>	<b>\$2,402,087</b>	<b>\$2,426,727</b>	<b>\$14,912,507</b>

Property tax collections would be further reduced by a total of approximately \$35.3 million in FY 2014 through FY 2024, for a cumulative negative fiscal impact of \$50.2 million.