

**PUBLIC ROUNDTABLE ON  
BILL 16-432, “PARKSIDE TERRACE ECONOMIC  
DEVELOPMENT ACT OF 2005”**

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

**The Honorable Jack Evans, Chairman**

**October 20, 2005, 12:00 p.m.  
Room 412, John A. Wilson Building**



**Testimony of  
Sherryl Hobbs Newman  
Deputy Chief Financial Officer  
Office of Tax and Revenue**

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

Good afternoon, Chairman Evans and members of the Committee on Finance and Revenue. I am Sherryl Hobbs Newman, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). With me is David Tseng, Deputy Associate General Counsel in our office. I am pleased to present testimony today on Bill 16-432, the “Parkside Terrace Economic Development Act of 2005.”

The purpose of this bill is to exempt from various District taxes the Parkside Terrace Property (“Property”) and the Parkside Terrace Project (“Project”). The Property is comprised of the real property and improvements located in Square 5926, Lot 3. The Project is the acquisition, development, construction, installation, and equipping of the mixed-use apartment house and townhouse project located on the Property.

Bill 16-432 exempts the Project from District gross sales tax on those sales or rentals of tangible personal property incorporated or used in the Project.

The bill also exempts the Project from recordation and transfer taxes. However, it is unclear whether the bill’s proposed exemption from these taxes applies to the transfer of title of the Property to the developer of the Project, Parkside Terrace Development, LLC, and the subsequent recordation of title by that developer, or whether the exemption from transfer and recordation taxes also applies to transfers by the developer to future owners of the Property. Furthermore, we note that as of September 27, 2005, the Recorder of Deeds records did not reflect that Parkside Terrace Development, LLC, was the owner of record of the Property. Therefore, we strongly recommend that for tax administration purposes the bill be amended to

clarify the specific taxpayers to which the exemption from recordation and transfer taxes apply.

Bill 16-432 also provides exemption from real property taxes for that portion of the Project that is expected to be developed into an affordable rental housing and that portion of the Project that is expected to be developed into for-sale condominium and townhouse units until transferred from the Project's developer, Parkside Terrace Development, LLC, presumably to third parties.

This real property exemption is proposed to take effect "beginning in the tax year that began October 1, 2004." It is unclear whether this exemption begins on October 1, 2004, or on some other date following October 1, 2004. Therefore, we strongly recommend that for tax administration purposes the bill be amended to clarify the effective date of this exemption.

Finally, we note that while the bill caps all tax and other benefits, in the aggregate, at \$6 million, it does not preclude Parkside Terrace Development, LLC, from receiving the benefit of any other District tax, development or other economic incentives available to the Project or the Property.

We have reviewed Bill 16-432. By way of background, it is our policy and practice to evaluate carefully any proposed or requested exemption or abatement of real property from District taxes and other fees for which taxpayers may qualify under District law. This policy ensures that OTR is carrying out the intent of the Council to exempt or abate real property taxes and fees only for those purposes that advance the public policy interests of the District and its citizens. As such,

OTR will remain diligent in its responsibility to ensure the integrity and even-handedness of the exemption process.

We also recommend that, like real property exemptions previously granted by the Council, the proposed exemption be conditioned on the taxpayer's compliance with the District's standard annual reporting requirement under Code section 47-1007 for exempt properties.

Finally, we recommend that the Code section for this exemption be changed so that the exemption is found in chapter 10 of Title 47 of the District's Official Code, instead of chapter 46 as the bill currently provides, so that the exemption is numbered in sequence with virtually every other real property tax exemption previously granted by the Council.

### **Fiscal Impact of Bill 16-432**

We have worked with our colleagues at the Office of Revenue Analysis to develop an estimated fiscal impact of this bill. We estimate the cost of the exemption proposed by Bill 16-432 to be approximately \$375,000 calculated for the tax years 2004 through 2008, inclusive. This figure does not include an estimate for the bill's sales tax exemption for tangible personal property, which will be provided by the Office of Revenue Analysis to the committee in the near future.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other councilmembers might have at this time.

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