PUBLIC HEARING ON

B 16-181 "DUPONT COMMONS LOW INCOME HOUSING TAX RELIEF AMENDMENT ACT OF 2005"

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

The Honorable Jack Evans, Chairman

March 16, 2005, 10:00 a.m.
Council Chamber, John A. Wilson Building

Testimony of
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Good morning, Mr. Chairman and members of the committee. I am Julia Friedman, Deputy Chief Financial Officer for the Office of Revenue Analysis. I am pleased to testify today on Bill 16-181, the "Dupont Commons Low Income Housing Tax Relief Amendment Act of 2005."

In 2002 the Washington Interfaith Network collaborated with Enterprise Homes, Inc. to form a non-profit tax-exempt organization, WIN/Enterprise Fort Dupont Nehemiah Homes, Inc. (WEFD) for the purpose of developing affordable housing in Ward 7. The organization acquired several lots from the District of Columbia Housing Authority in July 2002 and proceeded with a plan to subdivide and develop the lots into 147 units of affordable low-income housing.

The subdivision and development of the housing, however, was not completed in the same tax year as the transfer from the District of Columbia Housing Authority, thus triggering a taxable situation for the non-profit organization. Under current law, a non-profit organization that develops properties for sale to lower-income purchasers must complete the development and transfer of the property within a year from acquisition of the property in order to qualify for a tax exemption.

The proposed legislation would provide tax exemptions for a longer development period for non-profit organizations that (1) have been denied exemption from District real property taxes, (2) have acquired property to develop more than 10 units of housing for affordable or lower-income homeownership, and (3) that subdivide the acquired property into more than 10 units.

Specifically, the bill would permit non-profit organizations meeting these requirements to have two years from the date of the subdivision of the property to develop and transfer it without incurring liability for recordation, transfer and real property taxes. It also would extend the exemption from recordation and transfer taxes for units sold within four years from the date of subdivision.

Currently, the bill would only affect the Dupont Commons project. We estimate that the exemption on this project for tax years 2003, 2004 and 2005 would be approximately $100,000. We cannot predict the extent to which the provisions in the bill would be used by other non-profit organizations in the future.

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

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