

PUBLIC ROUNDTABLE ON
BILL 16-558, “NEW COLUMBIA COMMUNITY LAND
TRUST 22ND AND CHANNING STREETS, N.E. TAX
EXEMPTION ACT OF 2005”

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

The Honorable Jack Evans, Chairman

January 25, 2006, 11:00 a.m.
Room 412, John A. Wilson Building



Testimony of
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Natwar M. Gandhi
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Matthew Braman, Director of Operations for the Office of Tax and Revenue (OTR). I am pleased to present testimony today on Bill 16-558, the “New Columbia Community Land Trust 22nd and Channing Streets, N.E. Tax Exemption Act of 2005.”

Bill 16-558 forgives any unpaid real property taxes, penalties, interest, and fees currently owed on the real property known as “lots 803, 804, 805, 806, 807 and 808 in square 4110.” The bill also exempts from future real property taxes the above property so long as it is owned by the New Columbia Community Land Trust and is used as a public green space. However, if the property is used or sold for any purpose other than the provision of affordable housing, Bill 16-558 requires that the all of the above unpaid real property taxes and penalties, plus all subsequent real property taxes accruing thereafter, plus 5% interest, be paid to the District “out of the proceeds from the sale.”

Finally, Bill 16-558 provides that its provisions take effect subject to two conditions. First, the fiscal effect of Bill 16-558 must be included in the December 2005 revenue estimate of the Office of the Chief Financial Officer (OCFO). Second, all legal and administrative costs of the purchaser of the property located at lots 803, 804, 805, 806, 807 and 808 in Square 4110 arising from the prior tax sale of the subject property must be paid by the New Columbia Community Land Trust.

We have reviewed Bill 16-558. By way of background, it is our policy and practice to evaluate carefully any proposed or requested exemption or abatement of real property taxes for its administrability and for its impact on the integrity and even-handedness of the exemption process.

We have identified several concerns regarding the clarity and functionality of the provisions of Bill 16-558. First, the bill does not define the terms “public green space” or “affordable housing.” We recommend that the Council define these terms to avoid serious administrative problems.

Second, it is unclear whether real property tax is to be imposed once the property is sold or used for affordable housing. Because the current bill is ambiguous, we recommend that the bill be clarified on this point.

Third, OTR is not staffed to monitor whether the taxpayer complies or continues to comply with the “public green space” and the “affordable housing” requirements of this exemption. Furthermore, in the event the property is used or sold for any purpose other than affordable housing, OTR has no early warning system that would automatically let us know that OTR has to recapture the real property taxes, interest, penalties, and fees. Therefore, we recommend that the bill be amended to require the Deputy Mayor for Planning and Economic Development (“DMPED”) to certify to the director of OTR’s Real Property Tax Administration before April 1 of each year that the property continues to qualify for the exemption.

In addition, we recommend that the bill’s language provide that if the New Columbia Community Land Trust fails to meet the affordable housing purpose requirement of Section 2(b), the Trust will be responsible for payment of all real

property taxes, penalties, interest, and fees due and owing, plus 5% interest, even if the land is not sold. Also, if the property is sold for any purpose other than the provision of affordable housing, the bill should provide that the proceeds cannot be disbursed until the above liabilities have been provided for. I have attached technical corrections to accomplish these two recommendations in the appendix that follows the written version of my testimony today. We would be pleased to work with the Council on language to amend Bill 16-558 to implement our other recommendations.

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

Finally, the fiscal effect of Bill 16-558 was not included in the OCFO's December 2005 revenue estimate, because those estimates were completed and forwarded to the Council on December 16, before the emergency version of this proposal was enacted on December 22. Therefore, we believe that neither this bill nor the emergency bill can take effect since the fiscal impact was not included in the OCFO's December 2005 revenue estimate. Consequently, this fiscal impact condition needs to be modified.

Fiscal Impact of Bill 16-558

The proposed legislation would result in unbudgeted reductions in local General Fund revenue of approximately \$163,000 beginning in FY 2006 and \$200,000 in FY 2006 through FY 2009. The Office of Tax and Revenue estimates that

implementation costs would be approximately \$15,000 in FY 2006 and approximately \$58,000 in FY 2006 through FY 2009.

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.

Appendix

Proposed Changes to Bill 16-558

In Section 2 of the bill:

1. On line 6 of subsection (b) of new Code § 47-1071, following the phrase, “out of the proceeds from the sale,” and before the period, insert the phrase “prior to the disbursement of any sale proceeds”.
2. Add a new subsection (c) to new Code § 47-1071 to read as follows:
“No later than April 1 of each year, the Deputy Mayor for Economic Development and Planning shall certify to the Director of the Real Property Tax Administration of the Office of Tax and Revenue whether that the real property subject to exemption under this section continues to qualify for exemption.”