

PUBLIC HEARING ON
“AFRICARE REAL PROPERTY TAX RELIEF ACT OF
2017,” Bill 22-147

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

The Honorable Jack Evans, Chairman

October 20, 2017, 10:00 a.m.
Room 120, John A. Wilson Building



Testimony of
Wharton H. Berger
Executive Director of Economic Development Finance
Office of the Chief Financial Officer

Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia

Good morning, Chairman Evans and Members of the Committee on Finance and Revenue. My name is Wharton H. Berger, Executive Director of the Office of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am pleased to testify for the OCFO on Bill 22-147, the Africare Real Property Tax Relief Act of 2017.

Africare is a nonprofit corporation, headquartered in the District of Columbia that is “committed to addressing African development and policy by working in partnership with African people to build sustainable, healthy and productive communities.” Africare is exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As a result, it receives the exemptions from District of Columbia income, personal property, and sales tax customarily. This Bill would provide an exemption to Africare’s real property that consists of a building known as the Africare House, the surrounding grounds, and unpaved parking lots. Africare House is located in the Shaw Historic District in the former Morse Elementary School building that was built in 1882 that was purchased by Africare in 1981 with renovations completed in 1987.

The Africare House, the grounds, and the parking lots had been exempted from District real property tax by the Office of Tax and Revenue (OTR). Based on a review of Africare’s activities, as well as developments in the law occurring after the exemption was originally granted, OTR determined that Africare did not meet the applicable requirements for exemption. As a result, OTR revoked Africare’s real property tax exemption, effective April 1, 2013.

In addition to providing a real property tax exemption going forward, the Bill also refunds any payments made by Africare for real property taxes, penalties, fees, interest, and other related charges resulting from the revocation of the exemption.

The OCFO analyzed the annual audited financial statements provided by Africare from 2013 through 2016. Africare primarily derived its revenue from U.S. and foreign government grants, contributions, donated goods and services, and special events. Africare's annual financial statements show operating losses in each of these years ranging from \$1.4-\$3.1 million. It ended 2016 with negative net assets indicating the organization cannot continue operating under its current business model. Africare staff indicated the organization is addressing a number of organizational challenges, with business development and fundraising chief among them. These efforts are intended to turn around the organization's financial situation. Whether or not these efforts are successful, it is noteworthy that the obligation to pay real property tax represents less than one percent of Africare's Total Expenses.

While it is difficult to conduct a financial analysis of an organization in the midst of changing its funding and business model, the OCFO concludes the payment of real property taxes is unlikely to be a critical factor in Africare operations and if the organization succeeds in turning around its financial situation, the organization can reasonably be expected to meet its fiscal needs without the proposed real property tax exemption and refund.

While the fiscal impact statement has not yet been issued, the cost of this Bill during the financial plan period is expected to be \$817,120.

Thank you for the opportunity to testify. This concludes my testimony and I am happy to answer any questions you have at this time.