

PUBLIC HEARING ON

**Bill 22-1008, Charter School Property Tax Clarification Act
of 2018**

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

The Honorable Jack Evans, Chairman

**December 12, 2018, 10:00 a.m.
Room 120, John A. Wilson Building**



**Testimony of
Wharton H. Berger
Executive Director for the Office 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 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 Office of the Chief Financial Officer on Bill 22-1008, the “Charter School Property Tax Clarification Amendment Act of 2018” (the “Bill”).

The proposed legislation would provide an exemption from real property tax, possessory interest tax, transfer tax, and deed recordation tax for certain properties, specifically identified in the bill, that are currently operating as charter schools. The properties are owned or leased by four separate entities, each set up to renovate and manage their respective facilities on behalf of the charter schools that operate within them. These four entities are Shaed School, LLC, the lessee of Lot 816, Square 3552; 5601 East Capitol Street, LLC, the lessee of Lot 153, Square 5283; Mamie D. Lee, LLC, the lessee of Parcels 123/136 and 124/60; and St. Paul on Fourth Street, Inc., owner of Lots 1068 and 1069 in Square 3648.

The proposed exemptions will apply retroactively from the time each of the entities acquired its property interest and will remain in effect for each property as long as the following conditions are met: the current entity retains its property interest and the property continues to be used by one or more DC public charter schools.

The OCFO examined the financial impact of real property taxes on the ability of the four entities receiving the exemptions to operate in a fiscally sound manner.

The OCFO finds that the proposed tax exemptions are partially necessary for the recipients of the exemptions to meet their financial obligations. The OCFO received financial statements for Shaed School, LLC, 5601 East Capitol Street, LLC and St. Paul on Fourth Street, Inc. The financial condition of each of the entities is different, and the financial necessity of the proposed exemptions therefore is varied. A full tax exemption, as proposed by the bill, is a financial necessity for St. Paul on Fourth, Inc., given its current and anticipated operating losses. A retroactive exemption of possessory interest and recordation tax obligations prior to Tax Year 2019 is financially necessary for the sustainable operation of Shaed School, LLC, although the entity could reasonably be expected to meet its current and future fiscal needs without the abatement of possessory interest tax after that time. The financial information presented indicates that an exemption is not necessary for 5601 East Capitol, LLC to be financially sustainable, and that the entity has sufficient financial resources to pay any possessory interest and recordation taxes that may be imposed retroactively.

The OCFO did not receive any financial information related to the operation of Mamie D. Lee, LLC. Without information regarding the financial condition of the LLC, the OCFO has no evidence to determine that the exemptions are financially necessary for this entity to meet its financial needs.

A fiscal impact statement has not yet been completed for this legislation. My office estimates the value of the exemption at approximately \$5.5 million during the financial plan period including \$3.4 million in estimated tax liabilities incurred in years prior to the current fiscal year.

Thank you, Chairman Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.