

**PUBLIC HEARING ON**

**Bill 22-918, Local Jobs and Tax Incentive Amendment Act of  
2018**

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

**The Honorable Jack Evans, Chairman**

**November 14, 2018, 10:00 a.m.  
Room 412, 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 22-918, the “Local Jobs and Tax Incentive Amendment Act of 2018” (the “Bill”).

The proposed legislation would provide up to \$20 million of real property tax incentives to EAB Global, Inc. (“EAB”) to remain located in the District, employ more District residents, increase construction employment in the District, and secure the benefits for the District set forth in a community benefits agreement negotiated between the District and EAB (“Agreement”). The incentives are structured as a real property tax abatement contingent on EAB leasing property in the District of at least 148,750 square feet for 10 years, meeting certain employment thresholds including the hiring of 350 new District residents, increase construction employment in the District. The District will credit the abatement to the owner of the commercial property that EAB will lease. In its tax abatement financial analysis application, EAB stated the introduced version of the Bill incorrectly provides a \$2 million annual abatement. The abatement amount should be \$2.1 million per year to total \$21 million over 10 years.

The Bill also requires that EAB provide an annual report to the Mayor providing detailed information on District residents that have been hired, and a certificate of compliance with the Agreement. The Mayor will then annually certify the eligibility of the property for abatement to the Office of Tax and Revenue.

Education Advisory Board operated as a division of the Advisory Board Company until being sold in November 2017 to Vista Equity Partners. Based on information from its website, Education Advisory Board was established in 2007 and is a leading provider of research, student success management software and data-enabled student enrollment solutions to the non-profit educational and K-12 market segments.

The OCFO is required by the Exemptions and Abatements Information Requirements Act to assess whether the proposed real property tax abatement is necessary to achieve the goals of the legislation. For the proposed legislation, the OCFO analysis focused on the following purposes of the property tax abatement:

- Whether EAB requires an abatement in order to remain in the District.
- Whether the incentive agreement is likely to increase the number of full-time EAB employees who reside in the District.
- Whether the legislation is expected to increase construction employment in the District.

Economic development related research indicates that tax incentives are generally not a critical factor in corporate decisions regarding where firms choose to locate. Usually, the presence of a highly skilled workforce, good public transportation, and quality of life factors are more important considerations. The criteria used by EAB for its locational decision undoubtedly includes leasing and real property tax costs, but without knowing all of the factors they considered, we cannot opine definitively on whether a \$21 million subsidy, or a different level of assistance, is necessary to encourage EAB to remain in the District.

The proposed real property tax abatement is provided subject to EAB satisfying the terms of the Agreement. To receive the full \$21 million abatement, EAB anticipates increasing the number of full-time District resident employees by 35 annually over a 10-year time span to achieve the 350 net new full-time employed District residents. If the company fails to meet this target, the abatement will be reduced as required by the Bill.

EAB provided the OCFO with unaudited consolidated and combined financial statements for Avatar Holdco, LLC for 2017, the company that owns EAB, and audited financial statements for EAB for 2014 to 2016 containing revenue, expenses and cash flow information for both companies. The past three years of unaudited and audited financial statements show the applicant is able to make real property tax payments and achieve positive revenue growth in each year. Therefore, given the positive revenue growth, the proposed property tax abatement is not necessary.

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