

PUBLIC HEARING

ON

**Bill 20-564 “The New York Ave Gateway Hotel Development
and Financial Incentives Act of 2013”**

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

Councilmember Jack Evans, Chairman

**September 18, 2014, 10:00 AM
John A. Wilson Building, Room 500**



**Testimony of
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Good morning, Chairman Evans, and members of the Committee on Finance and Revenue. I am John Ross, Senior Advisor and Director of the Office of Economic Development Finance in the Chief Financial Officer. I am pleased to testify today on the New York Avenue Gateway Hotel Development and Financial Incentives Act of 2013.

The proposed bill approves a variety of incentives, abatements, and District requirements that are intended to support development along the New York Avenue corridor from NOMA to the Maryland border.

The legislation is not yet completely formed. As currently drafted, the OCFO is unable to provide a Tax Abatement Financial Analysis (TAFA) for the bill and, unless it is substantially modified, would have difficulty providing a Fiscal Impact Statement. Some examples of the significant issues are as follows.

1. The bill lacks definitions in key areas.
 - The definition of the New York Avenue Gateway Zone area needs to be refined.
 - The requirement for the District to facilitate soundstage construction does not include specifics about what the District is required to do.

- The hotel tax abatement does not provide a clear standard for eligibility.
- The employment tax credit does not define “qualified employer.”
- The rental tax credit requires more specificity on what is the minimum investment and to what square foot area it applies.
- It is not clear whether the new additional 5% tax on gross receipts applies to all businesses in the zone, or only those that benefit from other exemptions.

2. The public purpose of the bill is not well specified.

- While there is some discussion of encouraging tourism and film production, these two activities would likely require different types of subsidies than are proposed in the legislation.
- Some of the incentives in the bill appear to be at cross purposes. Tax abatements are provided for certain business while, at the same time, taxes are increased on all businesses in the zone.

3. As currently drafted, the proposed legislation will have a significant budgetary impact.

- The incentives are not targeted. Tax abatements are proposed for both new and existing hotels and to employers who already employ District residents.

Because the legislation includes subsidies for existing activity in the zone, it adds costs to the District without creating new economic activity.

- The cost of constructing a 1.3 mile streetcar line on Bladensburg Road, NE is likely to be high, is currently unfunded, and is outside the existing 22-mile priority system.
- The cost for the administration and collection of a new gross receipts tax and two new tax credits would have to be quantified and included in the fiscal impact analysis.

Without better definitions, more precise public purposes and better defined costs, it is not possible to complete a TAFA for the proposed legislation. We have briefed Council staff on these issues and OCFO staff is available to discuss changes to the proposed legislation that would make its fiscal and budgetary impacts more quantifiable.

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