

# **PUBLIC HEARING ON**

## **Howard University Property Tax Exemption Clarification Amendment Act of 2022**

**Before the  
Committee on Business and Economic Development  
The Honorable Kenyan McDuffie, Chairman**

**Council of the District of Columbia**

**November 22, 2022, 9:00 a.m.  
Virtual Meeting Platform**



**Testimony of**

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**Glen M. Lee  
Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Nancy Fox, a Senior Policy Analyst in the Office of the Chief Financial Officer's Office of Finance and Treasury (OCFO). I am pleased to testify for the OCFO on Bill 24-1089, the "Howard University Property Tax Exemption Clarification Amendment Act of 2022" (the "Bill").

The Bill would forgive current real property tax liabilities and provide a tax exemption, starting January 1, 2023, for the real property at 500 Harvard Street NW, so long as the property is used for the purposes set forth in the charter of Howard University or for uses consistent with the educational, social and community-oriented mission of Howard University. This property is known for tax and assessment purposes as Lot 15 in Square 3055 (the "Property"). Drew Hall, a Howard University residence hall housing approximately 320 students, is located on the Property.

Howard University transferred Drew Hall to Howard Dormitory Holdings 1, LLC (the "LLC"), a title-holding entity of which Howard

University is the sole member, in 2017. The LLC applied for an administrative exemption for the Property. However, an administrative exemption could not be granted for Drew Hall because the LLC did not provide a certificate of occupancy authorizing the building for dormitory use, a requirement to qualify for an administrative exemption. The LLC did not reapply for the exemption and Drew Hall has accrued unpaid tax liabilities, including interest and penalties, since 2017. The Bill would retrospectively forgive the tax liability on Drew Hall from January 1, 2017 and would exempt the Property from tax liability beginning January 1, 2023 so long as the Property is used for the purposes set forth in the charter of Howard University or for uses consistent with the educational, social and community-oriented mission of Howard University.

The Bill also appears to extend the existing exemption on Howard University's real and personal property to include property leased by Howard University or its affiliates or sold by the University, title to which may be in the name of its affiliates. These provisions of the Bill are not covered in the financial analysis described in my testimony or in the Tax Abatement Financial Analysis prepared by the OCFO. The language of this provision is unclear and may create administrative

difficulties for the Office of Tax and Revenue. The OCFO is available to assist in clarifying this language to better reflect its intended application, thereby facilitating administration of the exemption.

### Financial Analysis

The OCFO evaluated Howard University's audited financial statements for its fiscal years 2019 to 2021. These financial statements include the revenue and expenses for Drew Hall. Based on the OCFO's review, Howard University demonstrates sufficient operating revenues, net of operating expenses, to pay its the estimated real property tax liabilities on the Property, retrospectively and prospectively, without undue financial hardship. Therefore, the OCFO finds that a real property tax exemption and forgiveness of existing real property tax liability are not financially necessary.

### Fiscal Impact

While a separate fiscal impact statement will be prepared, the estimated value of the exemption is approximately \$2.5 million in the financial plan period. Of this amount, approximately \$1.7 million is the outstanding tax liability on the Property through FY22. An additional \$8.3 million is the

estimated value of the exemption for 25 years subsequent to the financial period.

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