

PUBLIC HEARING ON

**Society for Science Real Property Tax Exemption
Amendment Act of 2023**

Bill 25-183

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

Council of the District of Columbia

**September 28, 2023, 10:00 am
Virtual Meeting Platform**



Testimony of

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Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Nancy Fox, Senior Policy Analyst in the Office of Finance and Treasury for the Office of the Chief Financial Officer (OCFO). I am pleased to testify for the OCFO on Bill 25-0183, the “Society for Science Real Property Tax Exemption Amendment act of 2023” (the “Bill”).

The Society for Science (the “Society”) is a non-profit organization dedicated to expanding scientific literacy, STEM education and scientific research. The Bill will exempt real property tax on three properties: 1719 and 1723 N Street, NW, known for tax and assessment purposes as Lots 62 and 802 in Square 158, respectively (the “N Street Properties”); and 800 8th Street NW and known for tax and assessment purposes as Lot 31 in Square 404 (the “8th Street Property”). The N Street Properties currently operate as the headquarters of the Society. The Applicant is the contract purchaser of the 8th Street Property. Once purchased, the Society intends to undertake a large-scale renovation of the 8th Street Property. The purchase and renovation will allow the Society to house programming and meetings within its own space and to consolidate its office space. After

completion of the renovation, the Society plans to offer the N Street Properties for sale. According to the Society, the relocation and renovation of the 8th Street Property will allow for an expansion of its activities and furthering of its mission to expand science literacy, education and research.

The exemption in the Bill stays in effect on the three properties long as they are owned and used by the Society. The Bill does not provide an exemption from real property transfer or deed recordation taxes associated with these properties.

Financial Analysis

The OCFO's Office of Finance and Treasury evaluated the Society's audited financial statements for 2019 through 2022 as well as information provided by the Applicant pertaining to the planned purchase, renovation, financing and operation of its new headquarters in the 8th Street Property.

The Society intends to finance approximately \$20 million of the Project with debt and contribute the remaining amount from available cash. The Society provided a commitment letter from its preferred lender to finance up to \$20 million of the project's cost. The financing requires the Society

to maintain a level of financial assets free of donor restrictions, known as a liquidity requirement, as long as the debt is outstanding. The financing also requires, during the term of the financing, that the Society demonstrate it has sufficient revenue net of expenses, known as a debt service coverage ratio. Based on the Society's current level of unrestricted net assets, and the growth trend in unrestricted net revenues over the period evaluated, the Society can be expected to meet the lender's requirements while also making its cash contribution to the cost of the purchase and renovation. Therefore, the exemption for the three properties is not financially necessary.

The Society's financial statements demonstrate a strong financial position and the total real property tax burden is a small portion of its overall annual expenses. However, the Society's financial resources can fluctuate due to changes in the amount of grant funding available to pay operating expenses as well as the value of its investment assets. The Society may decide that without the reduction in expenses provided by a real property tax exemption, it does not want to execute the purchase and financing of the 8th Street Property. The purchase and sale agreement for the 8th Street Property includes a provision which would allow the Society to withdraw

from the purchase if the exemption is not granted. If the Society does not follow through on its planned purchase and renovation, the benefits of the Project to the District described by the Society may not occur.

Fiscal Impact

While a separate fiscal impact statement will be prepared, the estimated value of the exemption is approximately \$1.85 million during the current financial plan period. An additional \$10.94 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.