

PUBLIC HEARING ON

**206 Elm St. N.W. Real Property Tax Abatement Amendment Act of
2022, Bill 24-823**

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

Council of the District of Columbia

**September 21, 10:00 a.m.
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, a Senior Policy Analyst in the Office of the Chief Financial Officer's (OCFO) Office of Finance and Treasury. I am pleased to testify for the OCFO on Bill 24-823, the "206 Elm St. N.W. Real Property Tax Abatement Amendment Act of 2022" (the "Bill").

The Bill would provide a real property tax abatement for one year to 206 Elm St., N.W. The property is known for tax and assessment purposes as Lot 805 in Square 3087 (the "Property"). As written in the Bill, the proposed tax abatement is for tax year 2023, in an amount not to exceed \$30,000.

The Property is a two-unit residential building in the LeDroit Park neighborhood of Ward 1. The building was damaged in a fire in 2017. The renovation of the building was not completed prior to the expiration of a Department of Consumer and Regulatory Affairs vacant property tax exemption and the property received a Class 3 vacant property tax rate beginning with the tax payment due for the first half of tax year 2022. As a result, the amount of taxes due in tax year 2022 is approximately \$62,004. This is a \$51,463 increase from taxes that would have been due at the Class 1 rate. According to the Property owner, Dr. Aprille Ericsson, both units were tenant occupied before the fire and she intends to rent both units once the building renovation is complete. As of August 2022, the Property renovation was nearing completion but, according to Dr. Ericsson, the building was not yet ready for occupancy.

Financial Analysis

The OCFO reviewed personal financial summaries, pay stubs, and details of mortgage payments provided by Dr. Ericsson. Based on the financial information provided, Dr. Ericsson's monthly net salary does not cover the mortgage and taxes for the Property in its current state and the mortgage on her personal residence. According to Dr. Ericsson, she does not have the personal savings to cover the tax burden imposed in 2022 and possibly in 2023 if the property remains classified as Class 3 vacant. According to Dr. Ericsson, she has used credit cards to cover the shortfall in cash needed not only for the mortgage and escrow payments, but also for the renovation costs not yet reimbursed by insurance.

OCFO's analysis also considered alternate options to finance the taxes through a mortgage on the Property rather than using a credit card or all available savings. Given the Property's assessed value, and after reviewing Deeds of Trust on the Property from the Recorder of Deeds and the principal balance on the mortgage provided by Dr. Ericsson, Dr. Ericsson's equity in the Property would allow for mortgage financing to pay off the debt incurred by the additional tax burden related to the Class 3 tax rate classification. OCFO's opinion is that the proposed property tax exemption is not financially necessary given the opportunity to finance the additional, temporary tax burden.

Fiscal Impact

The estimated value of the abatement is dependent on the classification at which the Property is assessed in Fiscal Year 2023. If the Property remains

taxed at a Class 3 rate for all or part of the fiscal year, the impact will be \$30,000 during the financial plan period. If the Property is reclassified to the Class 1 rate for Fiscal Year 2023, the impact will be \$13,136 during the financial plan 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.