

PUBLIC HEARING ON

**“Affordable Housing Opportunities, Inc.
Tax Abatement Act of 2021,” Bill 24-453**

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

Council of the District of Columbia

**February 22, 12:00 p.m.
Virtual Meeting Platform**



**Testimony of Nancy Fox
The Office of Finance and Treasury
Office of the Chief Financial Officer**

**Dr. Fitzroy Lee
Acting Chief Financial Officer
Government of the District of Columbia**

Good afternoon, Chairman McDuffie and Members of the Committee on Business and Economic Development. My name is Nancy Fox. I am a Senior Policy Analyst for Economic Development Finance in the Office of the Chief Financial Officer (OCFO). I am pleased to testify on behalf of the OCFO on Bill 24-453, the “Affordable Housing Opportunities, Inc. Tax Abatement Act of 2021,” (Bill).

The Bill would provide retroactive forgiveness and prospective exemptions for real property, deed recordation, and transfer tax for the property known for tax and assessment purposes as Lots 2003 and 2004 in Square 5139 (the “Property”). Benning Healthcare, LLC (“Healthcare”) owns Lot 2003 and Benning Programs, LLC (“Programs”) owns Lot 2004. Healthcare and Programs are controlled by Affordable Housing Opportunities, Inc., a not-for-profit housing developer wholly controlled by SOME, Inc. SOME is a not-for-profit entity serving District residents experiencing poverty and homelessness. I’ll refer to these four entities collectively as the “Applicant.”

The Property is part of the Conway Center Redevelopment located at 4414-4430 Benning Road, NE in Ward 7. The Conway Center was built to comprehensively serve community needs by combining affordable housing, healthcare, and job training in a single location. The project was structured so that the distinct components of the real estate development are owned, used, and financed under separate entities. Unity Healthcare leases Lot 2003 to operate on-site healthcare services. The Center for Employment Training, a program operated by SOME, leases Lot 2004 to provide job training programs. Residential elements of the Conway Center have been determined

to be tax-exempt and do not require legislative relief. However, because Healthcare and Programs are for-profit entities, Lots 2003 and 2004 did not meet the requirements for an administrative exemption.

The OCFO recommends certain technical changes to the Bill to clarify that it covers non-exempt retired tax lots associated with the Conway Center and thereby provides more comprehensive recordation and transfer tax relief. The Applicant has provided those changes in the form of a substitute bill. The substitute bill is attached to my testimony. As part of the substitute bill, the Applicant has also included one additional tax lot, known as Lot 2005 in Square 5139 (the “Additional Property”), to be considered for tax relief. The Additional Property is part of the Conway Center development, is owned by Affordable Housing Opportunities Inc, and is used by SOME for behavioral healthcare and administrative space. The Additional Property did not meet the requirements for an administrative tax exemption and was inadvertently omitted from the Bill. I’ll discuss the findings on the Additional Property separately as part of my testimony.

Financial Analysis

The OCFO reviewed financial statements provided by the Applicant and discussed the Conway Center project with the Applicant. Healthcare and Programs were structured and financed to operate independently of Affordable Housing Opportunities and SOME. Based on the information reviewed, Healthcare and Programs have each been operating at a near-break-even level, with rent revenues received by each entity roughly equivalent to the level of expenses and required debt service. Healthcare and Programs would not be able to meet their fiscal needs if required to pay their retroactive

and prospective tax liability for Lots 2003 and 2004, respectively, and, therefore, the proposed exemption is financially necessary.

For the Additional Property, the small amount of retroactive and prospective tax liability does not impose a financial hardship on Affordable Housing Opportunities, the owner of the property. Based on financial statements provided, the tax liability represents a small portion of the annual expenses for SOME, the controlling entity, and the subset of expenses for the affordable housing programs that SOME operates through Affordable Housing Opportunities.

Fiscal Impact

The OCFO estimates the value of the abatement and exemptions for the Property to be \$2.4 million during the financial plan period which extends through FY 2025 and \$12.5 million through 2049. Inclusion of the Additional Property would increase the value by \$46,000 during the financial plan period extending through FY 2025, and \$242,000 through 2050. The exemptions will remain in place as long as the Property meets the conditions for the abatements and exemptions.

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