

PUBLIC HEARING ON

**“MLK Gateway Real Property Tax Abatement Amendment Act of
2019,” Bill 23-403**

Before the

Committee on Business and Economic Development

Council of the District of Columbia

The Honorable Kenyan R. McDuffie, Chairperson

September 30, 2019

10:00 AM

John A. Wilson Building, Room 123



Testimony of

Nate Cruz

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Jeffrey S. DeWitt

Chief Financial Officer

Government of the District of Columbia

Good morning Chairperson McDuffie and members of the Committee on Business and Economic Development. My name is Nate Cruz, Associate Treasurer for Economic Development Finance in the Office of the Chief Financial Officer. I am pleased to testify on the “MLK Gateway Real Property Tax Abatement Amendment Act of 2019,” Bill 23-403.

The property is part of a development project known as MLK Gateway, located in Ward 8 at the corner of Good Hope Road, S.E. and Martin Luther King, Jr. Avenue, S.E. The project would renovate the existing retail buildings on the -property into a 20,000 square foot office building with an additional 15,000 square feet of retail space. The Developer of the project is a joint venture between Menkiti Group and Enlightened, Inc. Enlightened is a CBE technology company and would occupy the office space in the Project.

The proposed bill would abate real property taxes for 15 years, beginning the year after Enlightened occupies the office space. The abatement includes a condition that Englighted, or another locally owned company approved by the Mayor, maintains a lease of approximately 20,000 square feet in the project. The real property tax abatement is also capped at a total value of \$3,000,000.

Additionally the proposed bill would abate recordation and transfer taxes for the property. There are no time limits, value limits, or occupancy conditions on the abatement of recordation and transfer taxes.

Based on financial information provided by the developer, our analysis concluded that the project is not likely to yield sufficient profit to be an attractive investment under current market conditions. The proposed abatement would reduce annual operating expenses of the office building, increasing the profitability of the project such that it would be more likely to attract investment. Therefore, the proposed abatement is reasonably necessary for the developer to meet its fiscal needs.

Notably, the proposed bill would continue to abate transfer and recordation taxes even if the developer sold the property. While this would benefit subsequent owners, it would not significantly benefit this developer, and that period of the abatement is not necessary for the developer to meet its fiscal needs.

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