

**PUBLIC HEARING ON**

**“New Howard University Hospital and Redevelopment Tax  
Abatement Act of 2020,” Bill 23-778**

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

**And  
Committee on Health  
The Honorable Vincent Gray, Chairman**

**Council of the District of Columbia**

**June 30, 2020, 9:00 a.m.  
Virtual Meeting Platform**



**Testimony of**

**The Office of Tax and Revenue  
and  
The Office of Finance and Treasury  
Office of the Chief Financial Officer**

**Jeffrey S. DeWitt  
Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman McDuffie, Chairman Gray and Members of the Committees on Business and Economic Development and Health. I am pleased to testify for the Office of the Chief Financial Officer (OCFO) on Bill 23-778, the “New Howard University Hospital and Redevelopment Tax Abatement Act of 2020.”

In general, the Bill would abate real property taxes on the property currently used for the Howard University Hospital and certain adjacent lots (the “Property”). The Property is to be commercially redeveloped in conjunction with the construction of a new University hospital elsewhere on the University’s campus. Although the Property is generally exempt from real property tax currently, the planned commercial development would preclude continuation of this exemption.

The Bill provides that the abatement would not begin before tax year 2025 or until the new hospital opens. The developer could also elect to have the abatement on portions of the commercial development begin once a temporary certificate of occupancy is issued. Once begun, the abatement would last for 20 tax years and must end with tax year 2048. The amount of taxes abated could not exceed \$11.125 million annually and would be capped at \$225 million in total.

The Bill sets forth a number of requirements that must be met in order to receive this abatement, including execution of First Source Employment and Certified Business Enterprise agreements for the development of the Property and the new hospital; construction and opening of the new

hospital by October 1, 2026, which must continue to operate while the abatement is in effect; continued operation of the existing Howard University Hospital until the new hospital opens; the continuous operation of centers of excellence starting by October 1, 2021, subject to availability of certain District funds for that purpose; and submission of a redevelopment plan for the Property by October 1, 2021 and every six months thereafter.

The Bill also provides that the Mayor shall certify annually to the Office of Tax and Revenue (OTR) the Property that is eligible for the abatement and shall notify OTR if any portion of the Property loses eligibility.

The OCFO recommends that certain clarifying and technical amendments be made to the Bill to facilitate its administration. An edited version of the Bill showing the recommended changes is attached to my testimony.

### Financial Analysis

The OCFO understands that the abatement is intended to partially fund the construction of a new Howard University hospital. In partnership with Adventist HealthCare, Howard University plans to construct a new 220-bed teaching hospital and Level 1 Trauma Center on a site within the University's Georgia Avenue, N.W., campus. With the opening of the new hospital, Howard University will be able to redevelop the site of the current hospital. The redevelopment is generally intended to result in a vibrant mixed-use project, integrated with the surrounding neighborhoods, that includes varied uses, such as residential (including a significant component

of affordable and workforce housing), market and neighborhood-serving retail, hospitality, and office uses. Howard University estimates that the Property has a potential maximum development potential of nearly 3.5 million gross square feet. Howard University seeks to develop the Property under unsubordinated long-term ground leases with private developers, with Howard University as lessor and the private developer as lessee.

Howard University can monetize the value of the abatement through partnership with private sector developers to redevelop the Property for private, taxable use. The monetized value of the abatement to Howard University could vary substantially depending on the terms of its redevelopment partnerships with private developers and the intended uses of the Property, but OCFO estimates the value of the abatement at up to approximately \$185 million. This is in addition to the value Howard University receives from its land contribution in its private redevelopment partnership.

According to Howard University, the potential proceeds from monetization of the proposed tax abatement will be a key component of the new hospital's capital funding. According to available information, the cost of the new hospital is estimated at \$450 to \$600 million. Other potential sources of investment or subsidy identified by Howard University include federal appropriation; equity contributions from Howard University and/or its healthcare partner, Adventist HealthCare; and potential debt. Because the new hospital project is in an early stage of development, Howard University is unable to provide more information

on the potential value of other funding sources or the amount of debt that the project could support.

Without more specific information on funding sources available to Howard University to fund the new hospital, the OCFO cannot determine if the abatement provided by the Bill is financially necessary, or the amount of abatement that would be financially necessary.

### Fiscal Impact

The OCFO estimates the value of the abatement at \$222.5 million based on the maximum annual abatement amount available under the terms of the abatement of \$11.125 million. The actual amount of the abatement will depend upon the taxable assessed value and uses of the Property in any year the Property is eligible for the abatement. A separate fiscal impact statement has been prepared. The abatement requires no funds to be budgeted in the fiscal year 2020 budget or the proposed fiscal year 2021 through fiscal year 2024 budget and financial plan.

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