

# **PUBLIC HEARING ON**

**Kappa Alpha Psi Fraternity, Inc. Real Property  
Tax Exemption Act of 2023  
D.C. Bill 25-0428**

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

**Council of the District of Columbia**

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



**Testimony of**

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Chief Financial Officer  
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Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Rick Liu, Senior Policy Analyst in the Office of the Chief Financial Officer's Office of Finance and Treasury (OCFO). I am pleased to testify for the OCFO on Bill 25-0428, the "Kappa Alpha Psi Fraternity, Inc. Real Property Tax Exemption Act of 2023" (the "Bill").

The Bill would provide a real property tax exemption to the property of the Washington, DC Alumni Chapter of the Kappa Alpha Psi Fraternity (the "Applicant") located in the DuPont Circle neighborhood with an address of 1708 S Street NW, known for tax assessment purposes as Lot 813, Square 154 (the "Property"). The Bill would exempt the Property from real property tax for the 10-year period between January 1, 2024 to January 1, 2034, provided that the Applicant continues to own it.

The Applicant is the Washington, DC Chapter of the Kappa Alpha Psi Fraternity, the nation's second-oldest existing collegiate Historically Black Greek Letter fraternity. The Applicant has owned the historic, Georgian style, four-story rowhouse Property since 1948, and uses it to carry out

organizational activities such as member meetings, hosting public events, and support space for community services. They now plan to undertake the first major renovation of the Property since it was purchased. The renovation will address a wide range of capital improvements and deferred repairs, many of which are deemed essential, such as life safety and accessibility upgrades, code compliance improvements, and building equipment replacements. While a historic preservation grant and additional member donations funded an initial renovation of the upper floor conference rooms, the majority of the capital renovation program remains unfunded. The Applicant seeks to fund the major renovation using annual revenue retained from the 10-year tax exemption, along with complementary one-time donations and grants.

The Applicant is organized as a social club exempt from Federal income tax under section 501(c)(7) of the Internal Revenue Code and is ineligible for an administrative tax exemption under District rules.

### Financial Analysis

The OCFO reviewed the Applicant's non-audited financial statements over its past three fiscal years (FY 2020, FY 2021, and FY 2022) and year to

date FY 2023, as well as cost estimates for the renovation items. Information provided indicates that the Applicant's primary source of revenue to cover operating costs is membership dues – which comprise up to 85 percent of its annual revenues in past years – while supplementary revenue sources such as fundraising events or additional member contributions generally cover activity-specific costs but do not generate a significant surplus. With the exception of FY 2020, the Applicant's financial statements indicate they are essentially “breaking even” with operating costs slightly exceeding its revenues in FY 2021 and FY 2022. Furthermore, despite possessing significant equity in the Property, the Applicant's lack of net income also makes it a challenge to obtain debt or a commercial equity line-of-credit to finance the renovation, since there is insufficient income to cover debt payments. For these reasons, OCFO finds that the real property tax exemption provided in the Bill is financially necessary for the Applicant to help cover capital improvements and repairs on the Property that would enable safe and cost effective operations in the long term.

While a separate fiscal impact statement will be prepared, the estimated value of the exemption is \$178,000 during the financial plan period, and

an additional \$352,000 for the six years following the financial plan period. For ease of administration, we recommend amending the Bill to change the term of its 10-year real property exemption to align with the District's tax year (beginning and ending October 1<sup>st</sup>) instead of the calendar year as currently written.

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