

PUBLIC HEARING ON

**“Spring Flats Mixed-Income Family Apartments Real Property Tax
Abatement Act of 2020,” Bill 23-608**

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

Council of the District of Columbia

**September 23, 9:00 a.m.
Virtual Meeting Platform**



**Testimony of Nancy Fox
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 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 for the OCFO on Bill 23-608, the “Spring Flats Mixed-Income Family Apartments Real Property Tax Abatement Act of 2020.”

The Bill would provide real property tax, recordation, and transfer tax abatements and exemptions to the property at 1001 Spring Road, NW (“the Property”) in Ward 4. The Property has been known for tax and assessment purposes as Lot 150 in Square 2902. The Property is owned by the District, which conveyed a 99-year leasehold interest in the property to Spring Flats Family, LLC (“the Applicant”) in April 2020. The Applicant, controlled by Victory Housing, Inc. and Brinshore Development, LLC, will develop 87 units of mixed-income, multifamily rental housing on the Property as part of a larger redevelopment project.

The building on the Property, to be called The Robeson, will contain a mix of units restricted to families with incomes at or below 50 percent of the Median Family Income (the “Affordable Units”), including nine units of supportive housing for formerly homeless individuals (the “Supportive Housing Units”), and units marketed to families with incomes at approximately 120 percent of Median Family Income (the “Workforce Units”). Sources of funding for the development’s construction include Low-Income Housing Tax Credits, a subordinate loan from the District’s Housing Production Trust Fund (HPTF),

and financing from the Applicant including deferred developer fees and a subordinate loan.

While the Property has received a partial exemption of real property, recordation, and transfer taxes for the portion associated with the Affordable Units and Supportive Housing Units, the portion of the Property associated with the Workforce Units will be liable for these taxes. The Applicant requests the abatements and exemptions in order to financially support an enhanced level of building services the Applicant considers to be best practice for the operation of the Supportive Housing Units on the Property.

The OCFO recommends certain clarifying and technical amendments be made to the Bill to address the Property's recent tax lot changes and treatment of possessory interest taxes. An edited version of the Bill showing the recommended changes is attached to my testimony.

Financial Analysis

The OCFO reviewed pro forma financial projections provided by the Applicant. These operating cash flow projections estimate the amount of income that will be available to pay operating expenses, taxes, debt service, and other financing obligations. Based on the Applicant's projections, the Applicant is unlikely to choose to pay for the proposed operating enhancements, unless the cost was offset by a real property tax abatement, because the additional expense will substantially impact the cash flow available to repay the Applicant's deferred developer fees and developer loan. If the District decides to support the proposed operating enhancements on the Property, a real property tax abatement is financially necessary for 15 years

in order to minimize the impact on the Applicant's repayment. The abatement should be contingent upon provision of the proposed operating enhancements. A retroactive abatement of FY20 taxes, including recordation and transfer taxes, is not financially necessary for the Property's operation. The amount of FY20 tax liability can be paid from the funds available for the Property's development.

Fiscal Impact

The OCFO estimates the value of the abatement and exemptions for the Property to be \$183,000 during the financial plan period and \$2.36 million through 2050. Retroactive application of the abatements and exemptions would increase the value by \$245,000 during the financial plan period, to \$428,000, and \$2.6 million through 2050. The abatement and 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.