

PUBLIC HEARING ON

**United Negro College Fund Real Property Tax Abatement
Extension Amendment Act of 2023
D.C. Bill 25-0240**

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

Council of the District of Columbia

January 24, 2024



Testimony of

**Rick Liu
Senior Policy Analyst
Economic Development Finance
The Office of Finance and Treasury**

**Glen M. Lee
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Rick Liu, a 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 25-0240, the "United Negro College Fund Real Property Tax Abatement Extension Amendment Act of 2023" (the "Bill").

The Bill would provide a real property tax abatement to the United Negro College Fund's (the "Applicant") office condominium located at the Shaw Metrorail Station with an address of 1805 & 1815 7th St. NW, known for tax assessment purposes as Square 0441, Lot 2012 (the "Property"). In general, the Bill would provide an annual tax abatement, capped at \$500,000 for the first year, escalated by 3 percent annually, over the 10 year period beginning with Fiscal Year 2024 through Fiscal Year (FY) 2033. The abatement would continue during this period so long as the Property is owned and occupied by the Applicant, or leased to a nonprofit that works in partnership with and has a mission similar to the Applicant.

The Applicant is a not-for-profit organization established to assist its 37 member historically black colleges and universities in raising funds for mutually supportive activities, including providing college scholarships to children from low-to-moderate income families of color. The Property serves as the Applicant's national headquarters, and consists of an approximately 50,000 square foot office condominium housed within a larger 319,000 square foot mixed-use building known as Progression Place. The office condominium is spread across multiple levels from Floors 1 through 5, along with approximately 200 square feet of ground floor lobby space used to host public activities which support the Applicant's mission.

The Applicant received a 10-year tax abatement on the Property when it relocated to the Property in 2012 from Fairfax County, Virginia. This tax abatement ended on September 30, 2022. The Bill does not provide a tax abatement for FY 2023.

Financial Analysis

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

experienced an FY 2019 deficit in its unrestricted, undesignated net assets, which is discretionary revenue that can be used to cover unanticipated expenses. However, – this category of funds has grown considerably in subsequent years. Additionally, beginning in Fiscal Year 2021, the Applicant designated a portion of its operating surplus to a separate “Disaster Recovery” reserve to be used during unanticipated events of financial distress or immediate liquidity. Based on the Applicant’s latest financial statement, the estimated 2024 annual tax liability represents a small percentage of both the unrestricted, undesignated net assets and the Disaster Recovery Fund, either of which can be used to cover its real property tax liability. Furthermore, the estimated tax liability represents less than 0.5% of the Applicant’s annual revenue over the past three years, which should not present an issue for its future budgets. Based on the information provided by the Applicant and the assets available within their organization, OCFO finds that a tax abatement is not financially necessary.

While a separate fiscal impact statement will be prepared, the estimated value of the exemption is \$2,091,814 during the financial plan period through FY 2027, and an additional \$3,603,522 for the six years following the financial plan period.

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