

PUBLIC HEARING ON

**Whitman-Walker Entities at St. Elizabeths Tax Rebate Amendment
Act of 2022, Bill 24-894**

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

Council of the District of Columbia

**October 5, 1:00 p.m.
Virtual Meeting Platform**



Testimony of

**Nancy Fox
Senior Policy Analyst
Economic Development Finance
The Office of Finance and Treasury**

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

Good afternoon, Chairman McDuffie and Members of the Committee on Business and Economic Development. I am Nancy Fox, 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 24-0894, the "Whitman-Walker Entities at St. Elizabeths Tax Rebate Amendment Act of 2022" (the "Bill")

The Bill would provide a rebate on real property taxes incurred by two affiliated entities, Whitman-Walker Health and Whitman-Walker Health System ("Whitman Walker"), for the property known for tax and assessment purposes as Square 5868, Suffix S, Lot 965 ("the Property"). Whitman-Walker will lease the Property in its entirety, consisting of land and a building under construction on the St. Elizabeths Campus in Ward 8. However, the two component entities will occupy separate areas of the Property under two separate leases. Whitman-Walker anticipates occupying the Property, which will replace Whitman Walker's current Max Robinson Center in Ward 8, in 2023.

Whitman-Walker's leases on the Property are anticipated to commence before the end of 2022. The leases have a 15-year term, which can be extended for 10 additional years or 25 years in total. Under the terms of the leases, Whitman-Walker will be responsible to pay the real property taxes on the Property. Whitman-Walker is not eligible to receive an administrative exemption for the real property tax liability on the Property because the Property owner does not qualify for an exemption. The Bill will allow Whitman-Walker to apply for and receive a rebate each year for the full amount of actual taxes paid by Whitman-Walker through the term of its lease on the Property.

Financial Analysis

The OCFO reviewed Whitman-Walker's audited, consolidated financial statements from 2018 to 2020 as well as forecasted revenues and expenses, prepared by Whitman-Walker, from 2021 to 2047. Although their financial position in 2020 and 2021 show expenses exceeding revenues, projected revenues in 2022 and subsequent years indicate good fiscal health and positive net revenues. OCFO's examination of revenues and expenses excludes depreciation and restricted funds. Furthermore, the annual estimated tax liability is about one percent of Whitman-Walker's

forecasted annual unrestricted revenues. For these reasons, OCFO finds that the rebate provided in the Bill is not necessary for Whitman Walker to meet its fiscal needs.

Fiscal Impact

The estimated value of the abatement through 2047 totals approximately \$46.6 million, including \$5.5 million during the financial plan period. The amount of the annual rebate may be less if Whitman Walker subleases a portion of the Property, as it intends to do, and if the real property tax liability of the subleased space becomes the obligation of the subtenant.

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