

PUBLIC HEARING ON

Bill 20-80

**Basilica of the National Shrine of the Immaculate Conception
Real Property Tax Exemption and Equitable Real Property
Tax Relief Act of 2013**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia
Councilmember Jack Evans, Chairman**

March 11, 2013

10:00 AM

John A. Wilson Building, Room 120



**Testimony of
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**Natwar M. Gandhi
Chief Financial Officer
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am John Ross, Senior Advisor to the Chief Financial Officer for Economic Development Finance. I am pleased to testify today on behalf of the CFO on the Bill 20-80, the “Basilica of the National Shrine of the Immaculate Conception Real Property Tax Exemption and Equitable Real Property Tax Relief Act of 2013.”

The proposed legislation would exempt the Basilica of the National Shrine of the Immaculate Conception (Basilica) from real property, deed recordation and transfer taxes for the property located in Square 3663, Lot 6 (Property), which is directly across the street from the Basilica. The Basilica paid recordation taxes when it purchased the property in July 2012. The bill would also refund those taxes paid.

The legislation addresses an issue within the tax code, whereby religious organizations are subject to real property taxation during the period before they build on undeveloped land. The legislation requires the Council to decide whether a tax abatement based on the eventual use for a religious purpose is appropriate in this instance.

The Property consists of 5 acres of undeveloped land, which was part of a larger 49 acre site that was transferred from the federal government to The Catholic University of America in 2005. In July 2012, The Catholic University sold a 5-acre portion of the larger site to the Basilica, and at that time, the Property became taxable.

The Basilica plans to develop the Property for non-commercial purposes. The plan is to create a “Rosary Walk” prayer and meditation project as well as a Basilica office building and visitors’ center. Currently the Basilica’s office space and visitors’ center are located in the National Shrine. The Basilica would like to move those functions into a more suitable office environment, freeing up space in the National Shrine for worship.

The Basilica plans to pay for the development of the Property through fundraising, and cannot commence construction until adequate capital has been raised. The timeline for the creation of the Rosary Walk is 2 to 5 years. Given the fundraising goals for the office building and visitors’ center, the timeline for the construction of this building is at least 10 years.

Because the Basilica does not plan to develop the property for commercial purposes, it will not earn income with which to make property tax payments. The Office of the Chief Financial Officer (OCFO) did not analyze the financial statements of the Basilica or those of the Roman Catholic Church. However, as the Basilica is a religious, not-for-profit organization, its likely options for meeting its tax obligations are relying on reserves, raising new donations, or cutting other expenses.

If the Council chooses to provide the proposed exemptions from real property tax, deed recordation and transfer taxes, the OCFO recommends that the exemptions be in place only until the Property is developed and used for religious purposes. At that time, the Basilica could apply for an as-of-right exemption with the Office of Tax and Revenue.

Assuming the Property begins being used for religious purposes in 2028, the total abatement would equal approximately \$1.55 million, which includes a \$38,000 refund in FY 2013 for recordation taxes already paid. The Office of Revenue Analysis is currently working on the fiscal impact statement, and we expect that the fiscal impact during the financial plan period will be approximately \$400,000.

The Council and Mayor may want to consider the precedent set by the proposed legislation. There are many not-for-profit, religious organizations in the District that own property that is not currently used for religious purposes. The current tax code provides an incentive to these organizations to develop their sites expeditiously, which can help reduce neighborhood blight. The Council and the Mayor may not want to give these organizations an incentive to delay construction on vacant land. Additionally, the owner could eventually develop the land for another, commercial purpose or sell the land. To address this issue, the Council and the Mayor could add a clause to the proposed legislation that would require the Basilica to pay back all exempt taxes in the event that the Basilica chooses to sell the property or to develop the property for commercial purposes rather than to develop the property for religious purposes as currently contemplated.

Finally, I would like to note that the OCFO provided a Tax Abatement Financial Analysis (TAFA) on this bill when it was introduced during the last Council session. The TAFA can be found by looking up Bill 19-957.

Thank you for the opportunity to testify. I am happy to answer any questions at this time.