

**PUBLIC HEARING ON**

**Bill 20-55**

**The GALA Hispanic Theatre Real Property Tax Abatement  
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  
John Ross**

**Senior Advisor and Director of Economic Development Finance  
Office of the Chief Financial Officer**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am pleased to testify today on behalf of the CFO on the “The GALA Hispanic Theatre Real Property Tax Abatement Act of 2013.”

GALA Hispanic Theatre (GALA) is a performing arts theatre located in Square 79, Lot 2837 in Columbia Heights. The legislation would permanently exempt GALA from a portion of its real property tax liability so long as GALA continues to lease the property and use it for purposes of producing and staging live theatre performances.

Under District law, non-profit organizations producing live theatre may file for an administrative categorical exemption for real property they *own*, but GALA cannot receive this exemption because it *leases* space from a for-profit owner.

The Exemptions and Abatements Information Requirements Act of 2011 requires the OCFO to undertake a financial analysis of all proposed tax abatement legislation. Based on the analysis of GALA’s financial

statements, projected cash flows, and loan documents, the Office of Economic Development Finance has determined that the abatement is necessary if the District would like GALA to continue serving as a community arts organization in Columbia Heights.

If subject to taxation, GALA would face severe pressure on its finances. The organization relies on fundraising for two thirds of its revenues. However, such donations are typically restricted for use on performance activities and as such, would not be available for general operating costs such as payment of taxes. Also, GALA's level of reserves falls below industry standards and therefore, subjecting the organization to taxation could jeopardize its financial stability.

The cost of the proposed abatement is approximately \$2 million over the next 30 years; including a rebate of taxes paid for 2011 and 2012 of approximately \$71,000. The Office of Revenue Analysis is currently finalizing a fiscal impact statement.

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