

PUBLIC HEARING ON

**Bill 23-708, “The D.C. Central Kitchen, Inc. Tax Rebate Act of
2020”**

Before the

**Committee on Business and Economic Development
Council of the District of Columbia**

The Honorable Kenyan R. McDuffie, Chairperson

December 14, 2020

12:00 pm

Virtual Platform



Testimony of

Nancy Fox

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Office of the Chief Financial Officer**

Jeffrey S. DeWitt

Chief Financial Officer

Government of the District of Columbia

Good afternoon Chairperson 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 on Bill 23-708, The D.C. Central Kitchen, Inc. Tax Rebate Act of 2020 (the “Bill”).

In general, the Bill would provide a rebate of real property taxes paid by D.C. Central Kitchen, Inc, (the “Applicant”) for the office and program space it leases at 2121 1st Street, SW (Square 613, Lot 10) (the “Property”), a newly-redeveloped mixed-use, multifamily residential, and retail property. Because the property is owned by a for-profit entity, the portion leased by the Applicant cannot qualify for an administrative real property tax exemption.

If this bill becomes law, the Applicant can obtain the rebate, after the Applicant has timely filed a properly completed application with the Office of Tax and Revenue (OTR), OTR has determined that the Applicant is liable under its lease for the portion of the taxes to be rebated, and the Applicant’s taxes have been paid.

According to the Applicant, the portion of the Property leased by it will become its new headquarters and will replace the Applicant’s operations at two other locations.

Although the Bill, if enacted, would apply beginning in Tax Year 2021, we understand that the Applicant would not begin to pay a share of the taxes under its lease until Tax Year 2022, and so the analysis begins with Tax Year 2022. The Bill would provide for a rebate of the Applicant's share of the real property taxes paid. According to the lease terms, the Applicant's tax payments will likely start in Tax Year 2022. The value of this rebate is approximately \$207,000 in fiscal year 2022, \$643,000 over the financial plan period, and \$10.3 million over a 30-year period.¹

Based on the financial information provided by the Applicant, our analysis finds that the rebate is not necessary for the Applicant to meet its fiscal needs. The organization is in a strong and improving financial position. Due to the scale of its current operations, the estimated taxes due under its lease in fiscal year 2022 represent just over one percent of its total annual operating expenses currently, and about eight percent of its supporting, or non-program, expenses annually. Although its expenses will increase significantly in its new facility, the Applicant's demonstrated financial resources and current capital campaign provide a sound financial basis for its successful operation in its new facility.

¹ The bill does not have a sunset date; the 30 year figure is included only as an example. The Applicant's lease is for 25 years plus an extension term of five years and three months.

We are also recommending a technical change in the Bill to facilitate administration. This change is set forth in an attachment to my testimony.

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

ATTACHMENT

At line 35, strike the phrase “actual value of the space” and insert the phrase “assessed value of the space” in its place.