

# **Mixed-Use Neighborhood Conversion Incentive Act of 2017, Bill 22-378**

**Before the Committee on Finance and Revenue**

**The Honorable Jack Evans, Chairperson**

**October 20, 2017, 10:00 AM  
Room 120, John A. Wilson Building**



**Testimony of  
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Good morning Chairperson Evans and members of the Committee on Finance and Revenue. I am Robert McKeon, Deputy Chief Counsel for the Office of Tax and Revenue (OTR). I am pleased to present testimony on Bill 22-378, the “Mixed Use Neighborhood Conversion Incentive Act of 2017.”

The Bill calls for real property tax abatements to promote office to residential use conversions of existing commercial office buildings within the boundaries of the Downtown DC BID and Golden Triangle BID. The abatement for a Mixed Use Neighborhood Conversion Project can be up to \$20 per year per square foot of residential rentable area for up to 10 years, provided that the total to all projects cannot exceed \$5 million per year and \$50 million in the aggregate.

Under the proposed legislation, the Mayor issues a Mixed Use Neighborhood Conversion Project award letter for the abatement. The award letter must recite benchmarks the developer must achieve including:

- rentable square feet of residential space to be produced,
- total number of residential units,
- the number of affordable units, which must comprise at least 8% of the total, with rents of up to 60% of the Area Median Income, and
- projected dates for receiving permits, completing construction, and starting the abatement.

Upon completion, and within three years of the award letter, with the possibility of two six-month extensions, the Mayor will issue a certification letter for the abatement. The certification letter will be transmitted to OTR for implementation of the abatement.

The Bill as drafted presents certain administrative and interpretive issues which should be remedied by revising the Bill's language. Attachment "A" to this testimony highlights these issues.

Thank you, Chairperson Evans, for the opportunity to comment on this Bill. I would be happy to answer any questions at this time.

## ATTACHMENT “A”

### Suggested Clarifications to Bill 22-378’s Language

1. Abatement of \$20 per square foot – Is this net rentable area? If yes, before or after rehabilitation and applicable only to residential uses? See § 47-860.02(b)(1).
2. “Residential space” should be defined to comprise only residential space located with an apartment or condominium unit. See § 47-860.02(b)(1)
3. The specific abatement proration per single building/project with multiple lots should be certified by the Mayor and not left to OTR to determine. See § 47-860.02(b)(6).
4. Line 80 in subsection § 47-860.02(d) refers to subsection (c)(1)(A) and (B). Subparagraphs (A) and (B) do not exist.
5. In § 47-860.03:
  - Only the Mayor should be able to certify the abatement amount per square feet; the project architect should not be able to certify the abatement;
  - The provision should state that the abatement for any tax year is divided equally for semiannual billings; and
  - The Mayor should be required to certify to OTR when the project no longer qualifies for the abatement, and in such case, the bill should specify exactly when the abatement ceases and what retroactive effect there is, if any.
6. In § 47-860.04:
  - The provision should specify when the abatement begins (for which tax year) and also when it ends;
  - The property described for the abatement should be that property in the certification letter and not also the property in the award letter;
  - When multiple lots are in the certification letter for a given project, the letter should specify how much abatement each lot receives; and
  - It is not clear that the abatements must commence between fiscal year 2020 and fiscal year 2025 or whether the certification letter must be issued during such time. Also, the reference should be to “tax year” and not fiscal year.