

**Unfoldment, Inc. Real Property Tax Relief Act of
2018, Bill 22-789**

Before the Committee on Finance and Revenue

The Honorable Jack Evans, Chairman

**November 19, 2018, 10:00 AM
Room 412, John A. Wilson Building**



**Testimony of
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Good morning Chairman Evans and members of the Committee on Finance and Revenue. My name is Bazil Facchina, and I am Assistant General Counsel for the Office of Tax and Revenue. I am pleased to present testimony on Bill 22-789, the “Unfoldment, Inc. Real Property Tax Relief Act of 2018.”

In general, the Bill would provide real property tax exemptions to two residential properties, one located at 3825 South Capitol Street, SW, and the other at 5984 Newcomb Street, SE, as long as the properties are owned by Unfoldment, Inc., are used for Unfoldment’s purposes and activities, and are not used for commercial purposes. An exception to the “no commercial use” restriction is provided if the income generated from renting the properties to others is used to maintain the properties. The Bill also provides for forgiveness of real property taxes beginning with tax year 2019 through the end of the month during which the Bill becomes effective. The Bill does not provide any tax relief for periods prior to tax year 2019.

Currently, the two properties are taxable, and Unfoldment is currently in Superior Court litigating the Office of Tax and Revenue’s denial of exemption applications for these properties. This litigation concerns the status of the properties for mid-

2015 forward. The Bill, if enacted, would not affect the litigation for periods prior to tax year 2019. The South Capitol Street property provides living quarters for Unfoldment's President and other individuals, as well as some office space. The Newcomb Street property is rented to a family with children. It is the position of the Office of Tax and Revenue that the properties do not qualify for an administrative real property tax exemption based on their current use.

The OCFO has prepared a Tax Abatement Financial Analysis which finds that the requested exemption is not financially necessary for Unfoldment to maintain these two properties under their current use, as the revenue it receives from the two properties is sufficient to pay property taxes and other property-related expenses. Furthermore, information provided by Unfoldment relating to a proposed affordable housing development on the South Capitol Street property is not sufficiently detailed to assess whether a property tax exemption is necessary for such a development to be financially feasible. The OCFO analysis suggests that an exemption is not a necessary requirement for development to proceed, given the absence of specific plans in place for redevelopment.

It should also be noted that, although Unfoldment has stated that it plans to redevelop the South Capitol Street property as multifamily housing and the Newcomb Street property as a day care center, there is no provision in the Bill that requires the properties to be used for these purposes. Moreover, if these properties are eventually redeveloped for housing or day care, other provisions of law may afford them real property tax exemptions. Additionally, the Bill provision allowing rental of the properties as long as the income is used to maintain them essentially enables the properties to be used for profit-making purposes while retaining their tax exemption, which is in contrast to the rule generally applicable to other exempt properties.

A fiscal impact statement has not yet been completed for this Bill.

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