

PUBLIC HEARING ON

**UDC Leased Property Tax Abatement Amendment Act of
2022, Bill 24-935**

**Before the
Committee on Business and Economic Development
The Honorable Kenyan McDuffie, Chairman**

Council of the District of Columbia

**October 5, 1:00 p.m.
Virtual Meeting Platform**



Testimony of

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Good morning, Chairman McDuffie and Members of the Committee on Business and Economic Development. My name is Rick Liu and I am a Senior Policy Analyst in the Office of Finance and Treasury in the Office of the Chief Financial Officer (OCFO). I am pleased to testify for the OCFO on Bill 24-0935, the “UDC Leased Property Tax Abatement Amendment Act of 2022”.

The Property is located in Ward 3 at the southeast corner of Connecticut Avenue NW and Veazey Terrace NW – diagonally opposite of the Van Ness-UDC Metrorail Station – with the address of 4225 Connecticut Avenue NW. The Property is known for tax and assessment purposes as Lot 0007 in Square 2051.

The University of the District of Columbia (UDC) currently leases nearly 20,000 square feet of commercial space on this property from a for-profit entity. UDC currently uses this as long-term “swing space” to house its educational activities as its other academic buildings undergo major renovations, many of which have not been renovated since the 1970s. According to the lease agreement, UDC is responsible for paying any real property taxes for the duration of its lease term. Its current lease term ends

in 2033, with two additional five-year option periods which if exercised would result in a lease end date of 2043.

The bill would exempt the property from District real property taxes so long as it continues to be leased by UDC and used for UDC's educational purposes. According to UDC, the exemption would serve to reduce UDC's operational expenses and/or the overall cost of attendance for its students.

Financial Analysis

The OCFO examined the impact on UDC if the property tax exemption for 4225 Connecticut Avenue NW is not granted. As UDC is a component unit of the Government of the District of Columbia, it receives an annual appropriation. In the past three years, over 50 percent of UDC's total revenue has come from District appropriation. In comparison, the FY2023 estimated property tax on this building represents a small percentage of the District's annual appropriation, about 0.17 percent. The requested exemption is thus the fiscal equivalent of an appropriations request, and OCFO believes its approval is a budget matter for the Council.

Additionally, an analysis of UDC's financial information over the past three years indicates its liquid assets are consistently able to cover its liabilities and thus demonstrates good financial health. For these reasons, OCFO finds a tax abatement to be financially unnecessary.

Fiscal Impact

My office calculates the estimated value of the tax exemption as proposed by the Bill to be a total of \$3.7 million during the lease term through 2043. This includes an estimated \$620,000 during the financial plan period.

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