

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: December 6, 2010

SUBJECT: Fiscal Impact Statement – “Adams Morgan Hotel Real Property Tax Abatement Act of 2010”

REFERENCE: Bill Number 18-969 – Committee Print

This revised fiscal impact statement reflects the changes made to the proposed legislation in the Committee Print, and replaces the statement issued by the OCFO on October 6, 2010.

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. However, the legislation is projected to result in foregone revenues to the General Fund of \$46 million between FY 2015 and FY 2027.

Background

The Adams Morgan Hotel project is the reuse of the First Church of Christ, Scientist building, a parking lot and the former City Paper building, respectively located in Square 2560 on Lot 872, Lot 875, and Lot 127 (hereinafter “Hotel Property”). The Developer is requesting that the District grant a property tax abatement to aid in the initial financing of the hotel development. Currently, Lot 872 pays no property taxes because of the church’s tax exempt status.

The “Adams Morgan Hotel Real Property Tax Abatement Act of 2010” (hereinafter “the Act”) would abate the real property taxes to be imposed on the Hotel Property, and any improvements thereto, for a maximum of 20 years, beginning on the later of October 1, 2014 or the date a final certificate of occupancy is issued authorizing use of the project as a hotel. The amended bill would cap the total abatement at \$46 million.

Because the Hotel Property will be privately owned and operated as a hotel, the District would expect to collect taxes from the site. The proposed legislation would exempt the property from taxes that are currently estimated to be collected from the property. Based on assumptions regarding the timing of the development, growth of property values, and the cost of the renovations and construction, the proposed legislation would result \$46 million in foregone revenue to the General Fund between FY 2015 and FY 2027 (which is equivalent to approximately \$25 million in net present value at a 5.5% interest rate). If the entire \$46 million in abatement authority is not utilized in the timeframe currently projected by the OCFO, the abatement could extend until FY 2034.

Financial Plan Impact

Since the Act has no effect until FY 2015, funds are sufficient in the FY 2011 budget, and in the FY 2011 through FY 2014 budget and financial plan to implement the proposed legislation. However, the proposed legislation would result in \$46 million in foregone revenue to the General Fund after the financial plan period.

Estimated Foregone Revenues for "Adams Morgan Hotel Real Property Tax Act of 2010"	
	Abatement Value
FY 2015	\$2,600,000
FY 2016	\$2,800,000
FY 2017	\$3,000,000
FY 2018	\$3,100,000
FY 2019	\$3,300,000
FY 2020	\$3,500,000
FY 2021	\$3,700,000
FY 2022	\$4,000,000
FY 2023	\$4,200,000
FY 2024	\$4,500,000
FY 2025	\$4,700,000
FY 2026	\$5,000,000
FY 2027	\$1,600,000
Total	\$46,000,000