

**Government of the
District of Columbia**



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**District of Columbia
Housing Tax Expenditure Review**

**Produced by the
Office of Revenue Analysis**

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Being the first report of its kind produced in the District, we hope to improve upon this tax expenditure review and also edit the format as the process for reviewing tax expenditures evolves. To offer recommendations or to ask questions related to the report, please contact Lori Metcalf at 202-727-3305 or Charlotte Otabor at 202-727-4054.

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Introduction

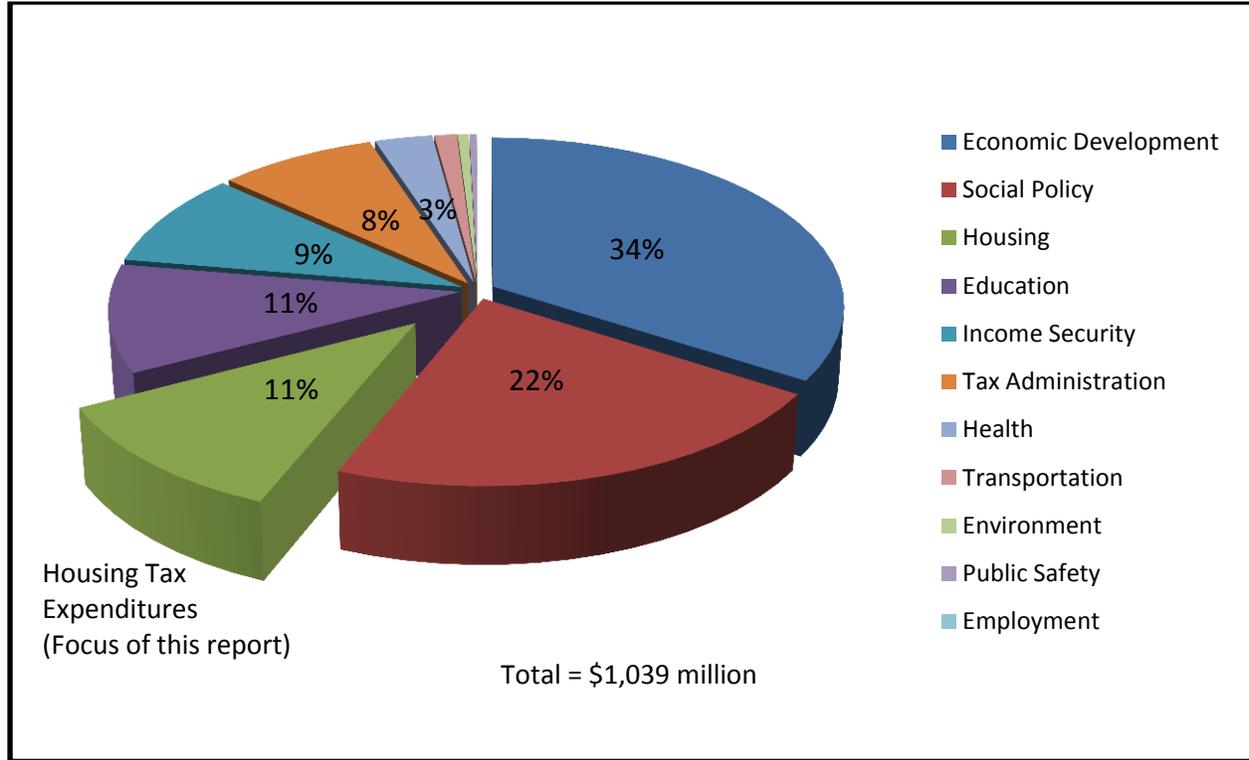
The following report is published pursuant to DC Law 20-155, which requires the Chief Financial Officer (CFO) to review all DC tax expenditures (such as abatements, credits, and exemptions) on a five-year cycle. For this first report fulfilling the requirement, the Office of Revenue Analysis (ORA) conducted a review of all of the District's housing tax expenditures, taking the first step in doing a full evaluation of housing tax expenditures as a group. However, a lack of data limited the amount of information we could provide for a number of housing tax provisions. Given that this is the first time such an analysis has been done, it was not clear what data would be needed and how it should be organized and tracked to facilitate an evaluation. As such, one of the major accomplishments of this report is the compilation of an inventory of housing tax expenditures, as well the identification of the need for data, particularly data on the monitoring of compliance to affordability requirements in housing tax expenditures. Further, the report provides a framework for future reviews of both housing tax expenditures and those in other policy areas.

Overview of Tax Expenditures and Their Evaluation

Tax expenditures, also called tax preferences throughout this report, are often described as “spending by another name.” Policymakers use various types of tax expenditures, such as abatements or credits, to promote a wide range of policy goals in the District of Columbia. Tax expenditures differ from direct expenditures in several respects. Direct spending programs in the District receive an annual appropriation and the proposed funding levels are reviewed during the annual budget cycle. By contrast, tax expenditures remain in place unless policymakers act to modify or repeal them; in this respect, they are similar to entitlement programs. Direct spending programs are itemized on the expenditure side of the budget, whereas revenues are shown in the budget as aggregate receipts without an itemization of tax expenditures.

The figure below presents total District tax expenditures by policy area for fiscal year 2015, as presented in the 2014 District Tax Expenditure Report (and with updates made to housing based on research done for this report). As the figure shows, tax preferences targeted to economic development make up the largest category of District spending through the tax code. This total includes the sales tax exemption for professional and personal services, as well as transportation and communications services, which together make up 90 percent of the total for economic development. Tax preferences for social policy, including sales and property tax exemptions for churches and nonprofit organizations, as well as the sales tax exemption for groceries, comprise the second largest aggregate amount of spending through the tax code by policy area. Assessing all District tax expenditures in this way, the total of those targeted to housing is the third largest group, and the tax preferences within that total are the focus of this report.

FY2015 District Tax Expenditure Estimates, Aggregated by Policy Area



Source: ORA Analysis of 2014 District of Columbia Tax Expenditure Report. Housing total updated to reflect updated estimates as of June 2015. Note: Summing tax expenditures does not take into account possible interactions among individual tax expenditures so does not produce an exact estimate of the revenue that would be gained were any specific provision removed. Some evidence suggests that interaction effects generally increase the overall size of federal tax expenditures since eliminating tax expenditures would push many into higher tax brackets.

Evaluating Tax Expenditures

Tax expenditures, like direct expenditures, raise the cost of government and must be funded with higher taxes. As such, there is a growing awareness of the need to evaluate tax expenditures, the same as a government’s direct spending should be evaluated, to ensure that it is efficient, equitable, and effective at meeting the goals for that spending.

Methodology: How this review was conducted

In order to complete the first tax expenditure review, ORA organized the District’s tax expenditures by policy area, using a classification that largely mirrors the categories used by the Joint Committee on Taxation (JCT). Housing tax expenditures are grouped as either categorical or individual. Categorical tax expenditures are those which any person or entity who is eligible may take. Individual tax expenditures are those provisions for which an individual entity or organization was awarded a tax preference based on specific circumstances.

We systematically reviewed a series of reports and documents pertaining to each provision. Further, we held meetings with various agencies and stakeholders and requested data from various parties in order to

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conduct our review. For each tax expenditure, we present a logic model, which is frequently used to evaluate programs and policy. This serves as a visual tool to quickly summarize the need for the policy, the inputs (what the District is contributing toward the need with this provision) the outputs (what citizens receive due to this policy), and what various short-, medium-, and long-term outcomes are (what effect or impact did the policy have). For this report, a lack of data means that many of the logic models contain descriptions of expected benefits or outcomes, rather than actual outcomes.

Evaluating the success of the District's housing-related tax expenditures primarily entails examining how they meet the goals set out for them when they were created. This individual level analysis is the basis of this report and is laid out in detail in Part II. However, another important question to ask when examining the tax preferences in a single policy area is whether these tools are also helping the District meet its overall goals and needs in that area. Thus, we provide a brief summary of housing trends in the District, followed by a brief overview of the District's housing policy goals to provide a broader context within which to view the findings of this report.

District Housing Trends

The topic of housing is a cross-cutting issue that is at the center of a variety of local discussions. Housing availability is a relevant issue for all citizens living in the District, and its affordability is of critical importance as many residents struggle to pay for housing and many are forced to leave the District as housing becomes unaffordable. Anyone interested in the District's ability to retain a diverse citizenry, especially those residents who have lived here for decades, and to grow its tax base, is particularly focused on the supply of affordable housing. As many analysts and journalists have reported in recent years, the increased demand for housing stemming from tremendous population growth over the past eight years, coupled with dramatic increases in housing values and soaring rents has triggered a crisis of affordability. Adding further strain to an already saturated market, projections for the next decade signal increasing demands for housing.

The DC population has been increasing significantly since 2008, and median income in the District has steadily risen since 2002 (See Figure 2 and 3, in Part I). Homeownership rates are less smooth; though from 2001 to 2010, the rate in DC increased 10.7 percent overall. While homeownership rates in the District were on the rise and reached a peak of over 47 percent in 2007, they dropped during the housing crisis and the Great Recession (see Figure 4, in Part I). The rate of homeownership has remained relatively steady around 44 to 46 percent since then.

Generally, housing is thought to be affordable if it costs no more than 30 percent of household income. In 2013, approximately 47 percent of District renters paid over 30 percent of their income toward rent, up from 45 percent who paid that portion in 2009. Notably, nearly 25 percent of District renters pay 50 percent or more of their income toward rent in 2013, and this portion of renters has also increased since 2009.

The District's Housing Policy Goals

Based in part on these housing trends and related issues facing the city, the District's overarching goal for housing in the city is to *"Develop and maintain a safe, decent, and affordable supply of housing for all current and future residents of the District of Columbia."* The provision of housing in the District involves an array of public agencies, nonprofit organizations, and private companies. Financing new housing development, older housing rehabilitation, and subsidizing housing costs for those residents who need it most involves a complex network of financing and housing provision. Table 1 in Part I presents a listing of DC agencies and the housing-related programs they administer. A brief review of the largest agencies' missions and goals confirms that housing affordability, as well as increased homeownership are

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two flagship housing goals in the District. Any assessment of the city's housing-related tax expenditures should be considered within the context of this array of other housing programs.

Review of the District's Tax Housing Provisions

Categorical Housing Provisions

There are 28 categorical housing tax provisions, with foregone revenue totaling an estimated \$116.6 million in FY 2015. The primary goals of the majority of the categorical housing tax expenditures are promoting homeownership and protecting homeowners from sharp property tax increases. Specifically, the District's single largest housing tax provision is the Homestead deduction, with an estimated foregone revenue of over \$59 million in FY2015 aimed at encouraging individuals to own and occupy homes in the District of Columbia, and to provide tax relief to all resident homeowners, regardless of income.

Individual Housing Provisions

In that same period, we identified 31 individual provisions for housing with at least \$15 million in foregone revenue authorized through specific legislation to organizations aimed at providing affordable housing, now one of the District's top budget priorities. Our review found some monitoring of properties that are fully exempt from the property tax because they provide affordable housing. However, in the case of other individuals or organizations that received abatements of property taxes for a specified amount of time to provide low-income housing, we did not find monitoring evidence to show that the initial terms of housing tax provisions were being met.

Summary of Provisions by Policy Goals

The housing categorical provisions primarily serve the following goals:

- assist homeownership, particularly low-income homeownership (9);
- protect residents, especially those who are low-income, seniors, or disabled from sharp tax increases (7);
- increase the supply of affordable housing (7);
- encourage revitalization and new development (4); and
- preserve historic property

Most of the individual housing tax provisions are aimed at increasing the supply of affordable housing.

Nine of the 28 categorical provisions either support **homeownership** generally, or directly support low-income homeownership. Nearly \$80 million in total revenue was foregone based all of these provisions FY2015; almost \$60 million of that revenue foregone was for the Homestead deduction in 2014. The homestead deduction is available to anyone who owns a home, regardless of income, and over 95,000 residents took it in 2014. While low-income residents may take advantage of the Homestead Deduction, the amount of targeted tax relief for promoting homeownership for low-income residents is much smaller, and it doesn't appear that the provisions targeted to low-income homeowners are as widely used as the more general Homestead Deduction.

Another six of the categorical provisions are designed to **protect all homeowners from sharp increases in their property taxes**, as well as particular programs for low-income, senior, and disabled homeowners. Together these provisions represented \$27.2 million in estimated revenue foregone in FY2015. The largest of these provisions is the assessment increase cap (\$14.1 million), which is a benefit to all homeowners, whereas the rest of the foregone revenue in this grouping of provisions – or those focused on low-income, seniors, or disabled persons – amounts to about \$6 million. The assessment increase cap is a broad provision available to any homeowner regardless of income. Research done on the

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assessment cap shows that due to the variation in rates of property value growth in different neighborhoods, the assessment increase cap can create equity problems.

Seven of the categorical tax provisions, and 26 of the 31 individual provisions, are designed to **increase the supply of affordable housing** in the District. Based on the available information, it appears that some of these programs are not being used to the extent possible. The revenue foregone estimates for three of the categorical provisions are zero, and we don't have data on the number of claimants for any of these programs (or it is assumed to be zero for those with zero revenue foregone). It is possible that the large number of individual provisions with an affordable housing goal is somehow related to the lack of take up on these categorical provisions. One of the larger categorical provisions, called New Residential Developments, did have some affordability requirements. We did not find much detail on what these standards are, and further, we were unable to locate evidence that units built with these tax incentives were being monitored to ensure compliance with affordability requirements.

Most of the individual housing tax provisions are targeted at increasing and maintaining the supply of affordable housing. As the descriptions of the provisions show, many of these tax provisions have succeeded in the creation or construction of affordable housing units in the District. However, an inability to locate data on the monitoring of compliance with affordability standards leaves us unable to verify that such housing continues to be provided to residents who meet the income eligibility requirements. If no monitoring is occurring, there may be a lack of accountability around the tax incentives for affordable housing that were reviewed for this report.

Of the four housing tax provisions targeted to encouraging **economic revitalization** or new development, two of them appear to not have been used and have zero foregone revenues and no claimants. The other two of these programs, however, represent a more substantial foregone revenue that was targeted to a temporary (usually 10 years) abatement of property taxes for residents in the NoMA area and other specific geographies of the city (through the New Residential Development provision). In order to fully understand the impact of these abatements on the goal of economic revitalization, an economic analysis should be done, and that was not feasible for this report.

There is one categorical tax provision to **preserve historic property**, and it is unclear how many, if any, residents are using this tax provision although a thorough evaluation was not completed at this time.

Summary of Data Challenges Faced in This Review

In order to evaluate tax expenditures, data collected on their implementation must be mapped to the way they are defined in the statute. We found that this was not the case for some of the District's housing tax expenditures. For example, some entities providing non-profit housing are religious or charitable organizations and may be eligible for a property tax exemption based on those characteristics. If they are stored in the property tax database in this way (with a code identifying them as exempt because they are a religious or charitable organization, and not one identifying them as a housing provider), then they would not come up in a search for providers of housing.

Another challenge we faced when evaluating some of the provisions included an inconsistency in nomenclature between how a provision was identified in the Code, and how it was kept track of in the database where tax data on specific entities receiving tax preferences is stored. There are multiple housing tax provisions that provide a similar type of tax relief (such as an exemption or an abatement), but they are not kept track of based on the specific provision in the DC Code which allows for the tax expenditure.

Another challenge we faced was a lack of monitoring data to show that affordability requirements (often tied to receipt of a tax expenditure) are being met. In other words, we could not verify that any entity is

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monitoring whether housing providers are providing a certain number of housing units to individuals or families with income limits that meet the requirements specified in the tax expenditure language. The Department of Housing and Community Development (DHCD) has the authority to monitor and enforce compliance with affordability requirements for many of the tax incentives mentioned in this report. We were unable to obtain the information for a full evaluation.

For entities receiving a property tax exemption, the District relies on asking the individuals receiving the exemption to submit a report proving their continued eligibility. Thus they are self-certifying their compliance with the terms of their tax expenditure. ORA reviewed a sample of these files for tax year 2014 and many entities sent in extensive information to prove, for example, that they are providing housing to low-income persons. Some organizations sent rent rolls of tenant's names, and monthly rental payments. Other entities supplied less information but still submitted the form as required. Either way, the entities receiving these tax exemptions are self-certifying that they are meeting the requirements of their exempt status.

This review takes the first step in doing a full evaluation of specific tax expenditures, and of housing tax expenditures as a group. However, a lack of data, as well as time and resource constraints, limited the amount of information we could provide for a number of housing tax provisions. Given that this is the first time such an analysis has been done, it was not clear what data would be needed and how it should be organized and tracked to facilitate an evaluation. As such, one of the major accomplishments of this report is the compilation of an inventory of housing tax expenditures, as well as the identification of the need for monitoring data, particularly for affordability requirements. Further, the report provides a framework for future reviews of both housing tax expenditures and those in other policy areas. Given that housing tax incentives are not all overseen by the same agency, and that we were unable to locate evidence that those delegated the authority to monitor compliance are doing so, we recommend that a single agency be tasked with coordinating the monitoring of tax incentives, both housing and those in other policy areas, so that data are available to evaluate the effectiveness of programs.

Summary of Recommendations

Based on our review of the District's housing tax provisions, and in particular a lack of data with which to complete a more formal evaluation, we propose the following recommendations for bringing more transparency and accountability to DC's housing tax expenditures. A summary of the recommendations follows, with more explanation on each provided below.

1. Standardize affordability requirements across housing tax preferences;
2. Clarify which agency is responsible for monitoring compliance with tax expenditure terms and assign a third party body to oversee the monitoring of District housing tax incentives;
3. Require recipients of tax expenditures to remain in compliance with the original terms in order to keep receiving the tax preference; include claw backs if they do not;
4. Require all entities receiving tax preferences to submit an annual report, proving they remain in compliance. Where possible, make this data publicly available; and
5. Use more granular or specific codes for data on tax expenditure recipients in OTR's ITS system.

1. Standardize affordability requirements

In the provisions reviewed here that are focused on providing affordable housing, there are at least six different affordability standards present in the categorical housing tax provisions listed above, and several different affordability standards for the individual provisions. Having such a wide array of standards

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complicates and inhibits monitoring. Affordable housing experts should weigh in on whether having a smaller selection of possible eligibility requirements would be better in terms of meeting the needs of the community or not. Certainly, having such a wide array of standards inhibits monitoring of housing once residents are moved in and the tax subsidy has been granted.

In an advocacy brief prepared by the DC Campaign for Inclusionary Zoning (CIZ), they explain that “developers negotiate to build ADUs [affordable dwelling units], typically in exchange for zoning relief, tax incentives, public financing, or the right to purchase or lease District-owned land. They negotiate the number of units, affordability levels and affordability period in order to get the relief they want, and each developer’s agreement with the District is different.” The DC CIZ notes that the District is already taking steps to standardize these agreements, which would improve accountability.¹

2. Require compliance to tax expenditures terms; include ‘claw backs’

Whether the specific affordability requirements become more standardized or not, a basic recommendation is that all affordable housing projects receiving tax incentives must remain in compliance with the original terms in order to keep receiving the tax preference. The vague language of many of the District’s housing tax preferences, combined with the fact that we were unable to locate any evidence of monitoring compliance to affordability requirements, points to potential accountability issues for many of the District’s housing tax expenditures.

ORA made various attempts to retrieve data from multiple agencies, and aside from OTR’s monitoring of fully exempt properties, we were unable to locate information verifying that any District agency is monitoring local tax expenditures that contain affordability requirements. We learned anecdotally that any developer receiving a federal Low Income Housing Tax Credit (LIHTC) has a significant incentive to ensure compliance given that penalties that would come into play if the terms of the LIHTC are not fulfilled. Perhaps the District should consider following such a model for its own tax provisions.

To strengthen enforcement of housing tax expenditure provisions, future tax expenditure legislation should include ‘claw back’ provisions, which take back tax benefits conveyed if it is found that compliance was not met. Such mechanisms also should include a process whereby taxpayers do not continue to receive the tax preference if they do not meet the terms of their tax preference.

3. Clarify agency responsible for monitoring and assign a third party body to oversee the monitoring of District tax incentives

In order to ensure the terms of tax expenditures are being met, monitoring and oversight must be performed after tax expenditures are granted. This review takes the first step in ensuring the District’s tax expenditures are reviewed, and a large issue we confronted in conducting this review was figuring out which agency is responsible for monitoring which tax expenditures. Despite Mayor’s Order 2009-112, which broadly delegates authority to DHCD to monitor affordability requirements, we requested this information from DHCD, but to date, we do not have it. Even when another agency is listed as responsible for administering a tax preference (such as with DMPED and the NoMA and New Residential Development tax abatements), we were unable to locate any evidence of monitoring after the tax

¹ http://www.smartergrowth.net/wp-content/uploads/2015/03/What-You-Need-to-Know-about-DC-IZ_3-10-15-revisions_formatted.pdf

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preferences were given. It should be made clear in authorizing legislation which agency or office is responsible for monitoring compliance to the terms of tax expenditures, and agencies should be required to carry out, and report on, their monitoring duties. Given that we found no evidence of this, we recommend that a third party body be charged with overseeing the monitoring of District housing tax expenditures, and given the necessary resources to do so.

4. Require annual reporting for all recipients of tax preferences

A recommendation that could help ensure compliance would be to require all entities receiving real property tax preferences to submit an annual report, similar to the one required by DC Official Code 47-1007, which requires any property receiving an exemption to submit an annual report proving that the use of the property meets the requirements of its exemption. Taking this requirement a step further, making this information (minus any confidential individual or taxpayer data) publicly available, would place pressure on the agency in charge of monitoring to actually do the monitoring and assist with evaluation. This would place an administrative burden on both the tax expenditure recipient and the government agency personnel who would be tasked with collecting and reviewing the reports. However, if successful monitoring and evaluation are to be done, this would be a very helpful first step.

5. Use more granular codes for Property Tax Data

As indicated throughout this review, ORA's evaluation of housing tax provisions raised some fundamental issues with data collection and organization. In order to facilitate monitoring and evaluation, more granular or specific codes need to be applied to data on tax expenditure recipients in the Office of Tax and Revenue's (OTR) ITS system (the database where all property tax data is stored). An example of using more specific codes would be to replace the "miscellaneous" exempt code, which contains exempt entities based on housing provisions, as well as groceries and others, with a housing-specific code in order to do housing evaluations. Further, additional data should be recorded that specifies why (under which provision of the DC Code) an entity is receiving a tax abatement or exemption. This would allow analysts to map entities receiving abatements, exemptions, or other tax preferences, back to a specific tax expenditure as defined in the DC Code, which it is currently very difficult to do. Any future overhaul or re-tooling of the property tax database should consider these data issues.

A final broad recommendation is one that goes hand in hand with the impetus for the requirement of this report, which is that tax expenditures should be reviewed by policymakers just like other policy tools, such as government grants or loans. Further, housing-related tax expenditures should be assessed alongside the District's other spending on housing, to ensure that resources are being used as effectively and efficiently as possible, and that resource allocation aligns with goals.

Outline of the Report

Part I of the report contains an introduction providing the legal requirement for the report, as well as an overview of what tax expenditures are, in general, and how they are used and classified in the District of Columbia. A discussion on evaluating tax expenditures describes why they should be evaluated and some of the questions that should be asked in doing so, following the model set by the US Government Accountability Administration (GAO). Next, an overview of how this review was conducted includes the methodology and the specific research steps taken, as well as the sample logic model used to trace the purpose of each tax expenditure to its intended outcome. Wrapping up the introduction are two final

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introductory sections providing an overview of District housing trends and the District's overall housing policy goals.

Part II reviews all DC housing tax provisions, both categorical and individual. The section on categorical tax preferences presents a summary table of all categorical tax expenditures, followed by a description of each one, with the most updated data available on revenue foregone, number of claimants, and any other information that were able to compile that is relevant for assessing the provision. Seven of the current categorical housing tax preferences are those for which no data on recipients are available, leading us to report that no one is using these tax expenditures; these are listed in Appendix 3.

Next, a section on individual housing tax expenditures provides a description of each of the entities receiving an individual housing tax preference. This is the first such reporting of these provisions in a single location and while the data needed to evaluate the effectiveness of most of these provisions were not available, the qualitative description of the provisions serves as a starting point for further analysis.

Part III offers a summary evaluation of the main findings of these analyses based on the policy goals they aim to achieve, such as homeownership or affordable housing. Next is a section summarizing some specific data challenges faced in conducting this review of DC housing tax preferences.

Lastly, Part IV offers a set of recommendations that emerged from this review, in order to improve data availability and increase accountability of housing tax expenditures moving forward.

Part I: Introduction

Legal Requirement

The following report is published pursuant to a subtitle of DC Law 20-155, the “Fiscal Year 2015 Budget Support Act of 2014.” Also called “Tax Transparency and Effectiveness,” the legislation requires the Chief Financial Officer (CFO) to review all DC tax preferences (abatements, credits, and exemptions, among others) on a five-year cycle. This is the first such report produced by the District. To comply with this new requirement, the CFO must summarize the purpose of each provision, estimate the revenue foregone, examine the impacts on the District’s economy and social welfare, and offer recommendations about whether to maintain, revise, or repeal the tax preference. The full text of the legislative requirement is presented in Appendix 1.

Overview of Tax Expenditures and Their Evaluation

Tax expenditures are often described as “spending by another name.” They are ‘preferences’ in the tax code that convey a benefit to certain individuals or businesses. As such, the terms ‘tax expenditure’ and ‘tax preferences’ will be used interchangeably throughout this report. Policymakers use various specific types of tax expenditures, including, tax abatements, credits, deductions, deferrals, and exclusions to promote a wide range of policy goals in education, human services, public safety, economic development, environmental protection, and other areas. Instead of pursuing these objectives through direct spending, policymakers reduce the tax liability associated with certain actions (such as hiring new employees) or conditions (such as being blind or elderly) so that individuals or businesses can keep and spend the money that would otherwise be used to pay taxes. For example, a program to expand access to higher education could offer tax deductions for college savings instead of increasing student loans or grants. Regardless of which approach the government uses, there is a real resource cost in terms of forgone revenue or direct expenditures.

Tax expenditures are frequently used as a policy tool in the District of Columbia. There are two broad types of tax expenditures: (1) federal conformity tax expenditures, which apply US Internal Revenue Code provisions to the DC personal and corporate income taxes, and (2) local tax expenditures authorized only by DC law. By conforming to the federal definition of adjusted gross income (with several exceptions), the District adopts most of the exclusions and deductions from income that are part of the federal personal and corporate income tax systems. Most other states with an income tax also use federal adjusted gross income as the basis for their income tax.

An example of a federal conformity tax expenditure is the home mortgage interest deduction: the District follows the federal practice of allowing taxpayers to deduct home mortgage interest payments. In addition to the 112 federal conformity provisions covered in the most recent Office of the Chief Financial Officer (OCFO) Tax Expenditure Report (TER), there are 122 tax expenditures established by local law. An example of a local tax expenditure is the homestead deduction, which allows all DC taxpayers who live in their own home to deduct a certain amount (\$71,400 in 2015) from the taxable value of the home. Both federal conformity and local tax expenditures warrant regular scrutiny to make sure they are effective, efficient, and equitable, and to highlight the tradeoffs between tax expenditures and other programs.

Tax expenditures differ from direct expenditures in several respects. Direct spending programs in the District receive an annual appropriation and the proposed funding levels are reviewed during the annual budget cycle. By contrast, tax expenditures remain in place unless policymakers act to modify or repeal them; in this respect, they are similar to entitlement programs. Direct spending programs are itemized on

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the expenditure side of the budget, whereas revenues are shown in the budget as aggregate receipts without an itemization of tax expenditures.

ORA has produced a biennial tax expenditure report since 2002; it was required by DC Law 13-161 in the “Tax Expenditure Budget Review Act of 2000.” The itemization of tax expenditures provides policymakers with a more complete picture of how the government uses its resources so they can consider how to allocate resources more effectively. For example, if ineffective or outmoded tax expenditures were eliminated, policymakers could free up resources to expand high-priority direct spending programs or cut tax rates. That exercise is designed to provide policymakers with the information they need about tax expenditures to make sound fiscal policy decisions.

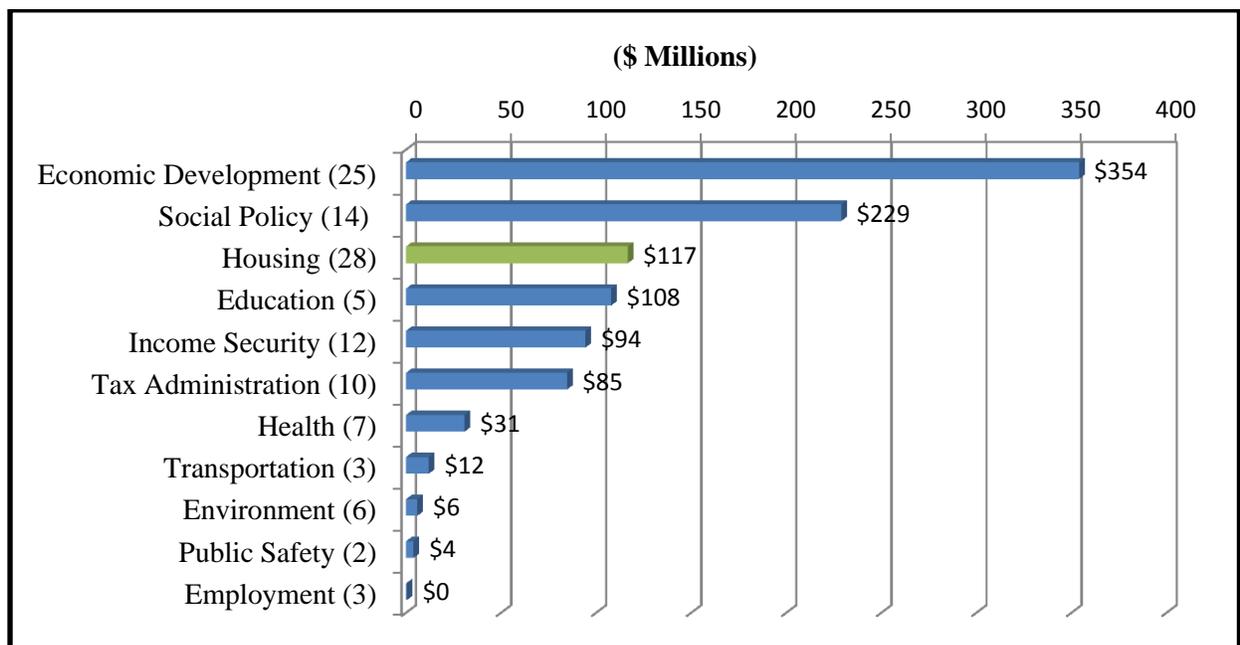
The different types of tax expenditures are as follows:

- abatements, which are reductions in tax liability (typically real property tax liability) that are often applied on a percentage basis or through a negotiated process.
- adjustments, which are reductions in taxable income that are available to all tax filers who meet certain criteria, whether or not they itemize their deductions. Adjustments are also known as “above-the-line” deductions and are entered on the tax return.
- credits, which reduce tax liability directly instead of reducing the amount of income subject to taxation. Credits can be refundable (if the amount of the credit exceeds tax liability, the taxpayer gets the difference as a direct refund) or non-refundable (the amount of the credit cannot exceed tax liability).
- deductions, which are reductions to taxable income that must be itemized on the tax form. This option is not available to those who choose the standard deduction.
- deferrals, which delay the recognition of income to a future year or years. Because they shift the timing of tax payments, deferrals function like interest-free loans to the taxpayer.
- exclusions, which are items that are not considered part of a taxpayer’s gross income for tax purposes, even though they increase his or her resources or wealth. Exclusions do not have to be reported on a tax return but still cause adjusted gross income to be lower than it otherwise would be. Employer contributions to health and retirement plans are examples.
- exemptions, which are per-person reductions in taxable income that taxpayers can claim because of their status or circumstances (such as being a senior citizen).
- rebates, which are refunds provided to qualifying taxpayers as a separate payment (as contrasted with tax credits that are first applied as a reduction of tax liability).
- special rules, which is a category used for federal tax expenditures that involve blended tax rates or special accounting procedures and do not fit neatly into any other category.
- subtractions, which are reductions from federal adjusted gross income that are used to derive District of Columbia adjusted gross income. Subtractions reflect income that is taxed by the federal government but not by the DC government.

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Figure 1 below presents District tax expenditures totals for fiscal year 2015 by policy area, as presented in the 2014 District Tax Expenditure Report (and with updates made to housing based on research done for this report). As the figure shows, tax preferences targeted to economic development make up the largest category of District spending through the tax code. This total includes the sales tax exemption for professional and personal services, as well as transportation and communications services, which together make up 90 percent of the total for economic development. Tax preferences for social policy, including sales and property tax exemptions for churches and nonprofit organizations, as well as the sales tax exemption for groceries, comprise the second largest aggregate amount of spending through the tax code by policy area. Assessing all District tax expenditures in this way, the total of those targeted to housing is the third largest group, and the tax preferences within that total are the focus of this report.

Figure 1: FY2015 District Tax Expenditure Estimates, Aggregated by Policy Area



Source: ORA Analysis of 2014 District of Columbia Tax Expenditure Report. (Numbers in parentheses represent the number of tax expenditures in each area.) Housing total updated to reflect updated estimates as of June 2015. Note: Summing tax expenditures does not take into account possible interactions among individual tax expenditures² so does not produce an exact estimate of the revenue that would be gained were any specific provision removed. Some evidence suggests that interaction effects generally increase the overall size of federal tax expenditures since eliminating tax expenditures would push many into higher tax brackets.³

² Government Accountability Office web page. Accessed September 16, 2015: http://www.gao.gov/key_issues/tax_expenditures/issue_summary

³ Burman, Leonard E., Eric Toder and Christopher Geissler, "How Big are Total Individual Tax Expenditures and Who Benefits From Them?" Tax Policy Center Discussion Paper Number 31, December 2008.

Evaluating Tax Expenditures

Knowing how much is being spent on a program alone is not enough information to assess its effectiveness. For this reason, there is a growing awareness of the need to evaluate tax expenditures. Just like a government's direct spending, a tax expenditure should be evaluated so that policymakers can ensure that it is efficient, equitable, and effective at meeting the goals for that spending.

As Mike Bell and Daniel Muhammed wrote in a paper presented to the DC Tax Revision Commission in 2014, "[Property] tax expenditures are often granted in an ad hoc fashion as interest groups, or elected officials, responding to concerns expressed by their constituents, petition for preferential treatment. Since they are not part of the annual budget process, there is no mechanism to step back and look at the cumulative consequences for the administration of the [property] tax of preferential treatment granted to various stakeholders in the community over time."⁴ In that paper, they offer several scenarios of other ways the revenue foregone from the current tax expenditures could be distributed across taxpayers (and across land types). Their report includes all types of property use, whereas this report focuses solely on housing-related tax expenditures (whether through the property tax or other taxes), however many of their findings are relevant to any policy area.

This review takes the first step in doing a full evaluation of any specific tax expenditure, and housing tax expenditures as a group. However, understanding the framework and logic behind an evaluation is critical for assessing tax expenditures, and should also be part of the conversation around their creation, so that they are constructed in a way that allows them to be monitored and tracked for effectiveness. The US Government Accountability Office (GAO), the primary federal agency charged with evaluating government programs, has several evaluation guides⁵ that we used as a model for setting up an evaluation framework. Following their documentation, we developed a set of questions that should be considered when evaluating tax expenditures:⁶

- Is the program reaching targeted recipients as intended?
- Have feasibility or management problems emerged?
- Are desired outcomes obtained?
- Have there been unintended side effects/consequences?
- Do outcomes differ across approaches/components, providers, or subgroups?
- Are resources being used efficiently?
- Did the program cause the desired impact?
- Is one approach more effective than another in obtaining desired outcomes?

Beyond asking these questions specific to a provision and whether it is meeting its goals, GAO notes that broader questions related to the criterion for assessing good tax policy should also be applied to tax expenditures. These include fairness, economic efficiency, transparency, simplicity, and administrability.⁷

In a report for the New York State Tax Reform and Fairness Commission on evaluating business tax incentives (another term often applied to tax expenditures for businesses), Marilyn M. Rubin and Donald Boyd explain the principles and also how they relate to tax incentives:

⁴ Bell, Michael and Daniel Muhammad. "Real Property Tax Expenditures in the District of Columbia." June 13, 2013.

http://media.wix.com/ugd/ddda66_296dd37fb1d44464a3274f8ae62608cd.pdf, p 4.

⁵ "Tax Expenditures: Background and Evaluation Criteria and Questions." GAO-13-167SP. Washington, DC: United States Government Accountability Office, November 29, 2012.

⁶ "Designing Evaluations," GAO-12-208G. Washington, DC: United States Government Accountability Office, January 2012. p 15.

⁷ "IRS Data Available for Evaluations Are Limited," GAO-13-479. Washington, DC: United States Government Accountability Office, May 30, 2013. p 5.

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“Six widely accepted principles against which to judge tax policies are economic neutrality, equity, adequacy, simplicity, transparency, and competitiveness. An economically neutral tax does not influence economic behavior — individuals and businesses make decisions based on economic merit rather than tax implications. An equitable system treats similarly situated taxpayers similarly. An adequate tax system raises enough revenue to support desired government services and investments. A simple and transparent system is easy to understand, relatively inexpensive for taxpayers to comply with, and relatively inexpensive for the government to administer. A competitive tax system does not impede the ability of companies to compete with those located outside the state and does not limit the state’s ability to attract new business.

Almost by definition, business tax incentives violate these principles. Their explicit goal is to alter decisions, encouraging more of a particular activity in a state or a given area than private markets would undertake absent the incentives. Depending on the activity, this may be appropriate, but it places great responsibility on public officials to understand how the market is “wrong” and how the tax system can fix it. By lowering taxes for some taxpayers while keeping them higher for others, incentives may treat similarly situated taxpayers differently and can make it harder to raise adequate revenue with minimum public resistance. Finally, myriad eligibility rules and credit calculations violate the simplicity principle for taxpayers and tax collectors⁸.”

While their report is focused on business tax incentives, the reality they describe applies to most tax incentives, even if they are focused on social, rather than economic goals. Rubin and Boyd posed a list of questions to ask about each tax incentive that incorporates both elements from GAO’s questions as well as the criterion for good tax policy.

- What is the purpose of the tax credit?
- Assuming the purpose is achieved, is the tax credit good policy?
- How does the credit relate to other state programs?
- Is a credit more effective at meeting its goals than a spending program would be?
- Is a credit more effective at meeting those goals than more-general tax reduction would be?
- What are the consequences for the state budget of the credit?⁹

Answering each of these questions about a tax incentive would represent a thorough evaluation. However, time and resource constraints, as well as a lack of data, limited the level of detail into which we could delve for a number of housing tax provisions for this report. Given those constraints, we tried to focus on assessing the equity and efficiency of the provisions where possible, while discussing some of the other issues mentioned as data and time permitted.

Another issue to consider when evaluating a policy includes asking what might have happened if the policy did not exist, (also known as a ‘counterfactual’ or ‘alternative history’). Short of estimating an econometric model that includes an array of related variables, we cannot isolate the impacts of a specific policy. However, qualitatively examining contextual events and assessing broad indicators about the things that this policy is trying to change (for example, if homeownership is a goal, it is useful to know the trend in this area) can be useful in the absence of data on the specific policy. Finally, that the last few questions in the list above are directed at answering is ‘what was the opportunity cost of a policy’? For example, what else could have been done with the same amount of government resources?

⁸ Rubin, Marilyn and Donald Boyd. “New York State Business Tax Credits: Analysis and Evaluation.” November 2013. Pg 1-2. http://www.capitalnewyork.com/sites/default/files/131115__Incentive_Study_Final_0.pdf

⁹ Ibid, p 96.

Methodology: How this review was conducted

In order to complete the first tax expenditure review, ORA organized the District's tax expenditures by policy area, using a classification that largely mirrors the categories used by the Joint Committee on Taxation (JCT). Then ORA did an initial assessment of housing-related tax expenditures to determine those that had the largest foregone revenue and had been in effect a sufficient amount of time to warrant an evaluation (at least five years). Based on that assessment, requests for data were submitted to relevant agencies and offices. At the same time, ORA established and compiled project documents such as a project timeline, an evaluation methodology, and the framework and proposed contents of the report. Stakeholder meetings were held to invite external input.

Additionally, housing-related tax expenditures were further grouped as either categorical or individual. Categorical tax expenditures are those which any person or entity who is eligible may take. Individual tax expenditures, for the purposes of this report, define those provisions for which an individual entity or organization was awarded a tax preference based on specific circumstances. We found that data on these individual tax provisions were not tracked separately from the entities receiving categorical tax expenditures, making assessment of the revenue foregone difficult at times.

In attempt to answer the evaluation questions laid out above, we systematically reviewed the following:

- DC Code enacting the provision
- DC Code of Municipal Regulations (this often identifies the agency charged with administering the tax provision)
- Tax Expenditure Reports and other relevant ORA reports, such as Tax Facts, for information or data
- Fiscal Impact Statements
- Tax Abatement Financial Analyses

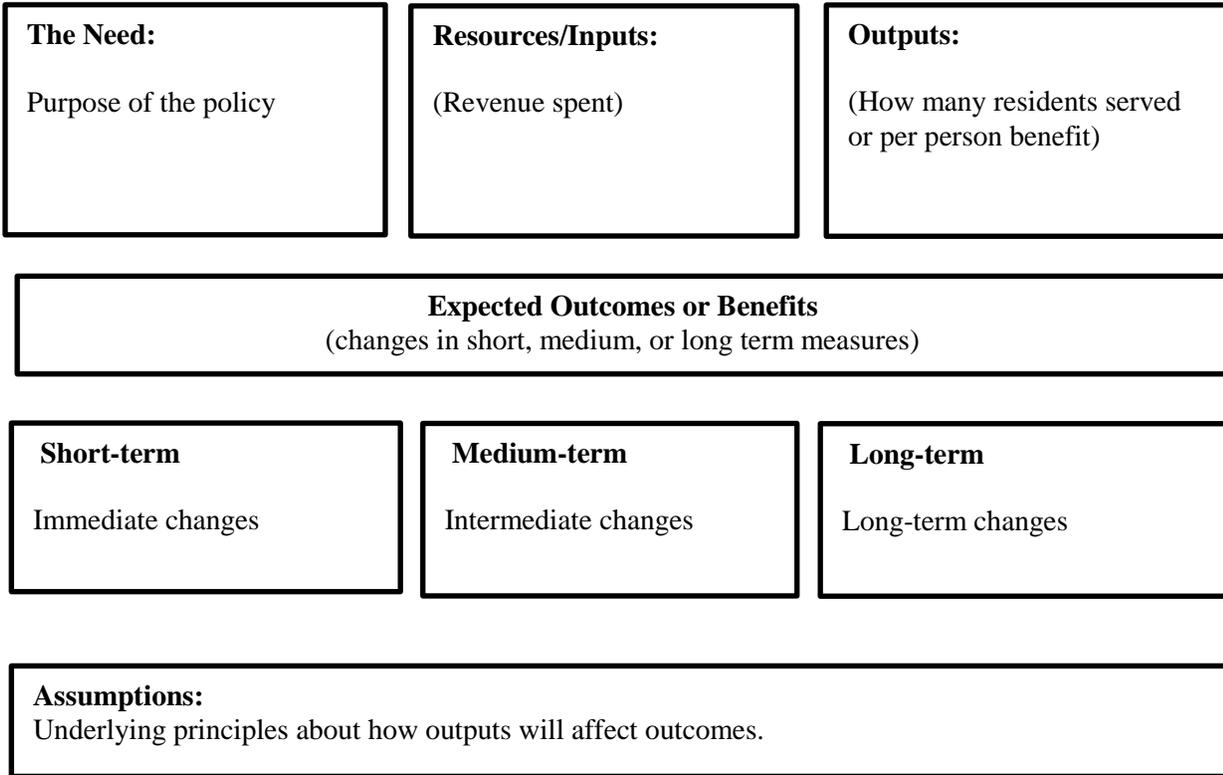
Additionally, we:

- Met with administering agency; requested data on tax provision
- Reviewed input/output information, if data available
- Met with third party stakeholders
- Analyzed all tax expenditures as a group, after they were presented individually.

For each tax expenditure, we present below a logic model, which is frequently used to evaluate programs and policy. This serves as a visual tool to quickly summarize the need for the policy, the inputs (what the District is contributing toward the need with this provision) the outputs (what citizens receive due to this policy), and what various short-, medium-, and long-term outcomes are (what effect or impact did the policy have). The model also includes assumptions that are made in filling in the logic model.

It is important to point out that for this review, multiple barriers, including a lack of data, prevented us from assessing *actual* outcomes. Instead, we have filled in the outcome boxes with *expected* outcomes or benefits and where possible provided any assumptions underlying the policy and these expected outcomes. These statements are not empirically proven facts, rather, they provide the logic behind why the policy was enacted and what it intends to do. Ideally, these statements would be part of the implementing legislation when a policy is first enacted, and oftentimes they are in the case of the tax expenditures that we reviewed. Having this information is the first step in evaluating outcomes, and in lieu of procuring the data required to adequately evaluate each provision, we have filled in these assumptions in the logic models as a starting point for an interim assessment.

Sample Logic Model:



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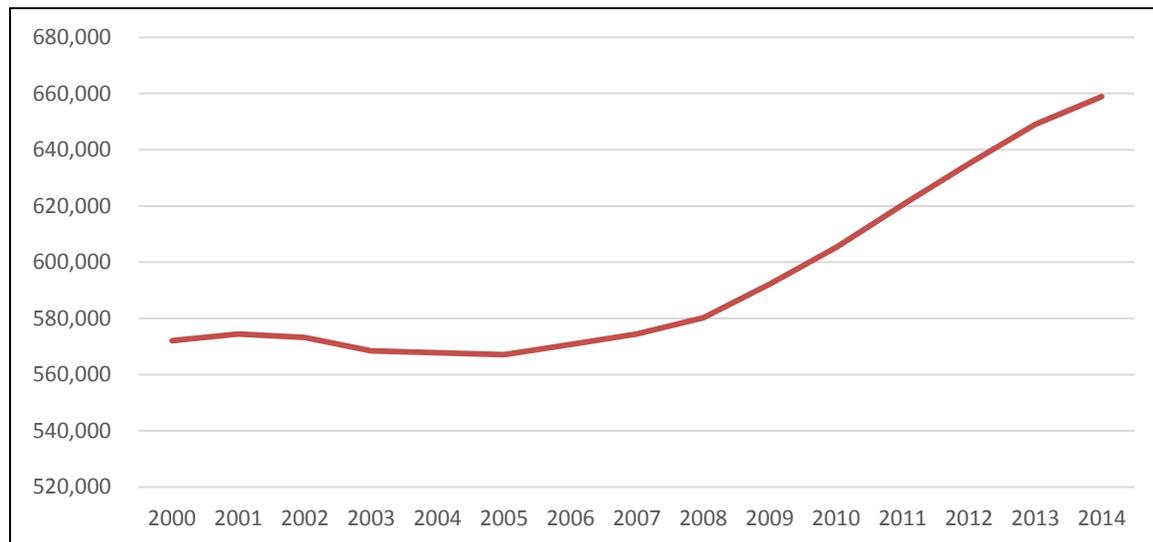
Evaluating the success of the District’s housing-related tax expenditures primarily entails examining how they meet the goals set out for them when they were created. This individual level analysis is the basis of this report and will be laid out in detail in the pages that follow. However, another important question to ask when examining the tax preferences in a single policy area is whether these tools are also helping the District meet its overall goals and needs in that area. Thus, the following section provides a brief summary of housing trends in the District, followed by a brief overview of the District’s housing policy goals. This information is presented to provide a broader context within which to view the findings of this report.

District Housing Trends

The topic of housing is a cross-cutting issue that is at the center of a variety of local discussions, from economists and city planners to legislators and administrators. Housing availability is a relevant issue for all citizens living in the District, and its affordability is of critical importance as many residents struggle to pay for housing and many are forced to leave the District based on this factor. Anyone interested in the District’s ability to grow its tax base while retaining a diverse citizenry, especially those residents who have lived here for decades, is particularly focused on the supply of affordable housing.

The DC population has been increasing significantly since 2008, and median income in the District has steadily risen since 2002 (See Figure 2 and Figure 3). As many analysts and journalists have reported in recent years, the increased demand for housing stemming from this tremendous population growth over the past eight years has caused a dramatic increase in housing values and soaring rents, triggering an affordability crisis. Adding further strain to an already saturated market, projections for the next decade signal increasing demands for housing. Specifically, a recent George Mason University report on the future housing needs of the Metro area notes that two generational groups with the most growth will be the Baby Boomers and Millennials.¹⁰ As we continue to add new jobs, as well as jobs vacated by retirees, more people are projected to be moving into the District and will need a place to live.

Figure 1: DC Population, 2000 - 2014



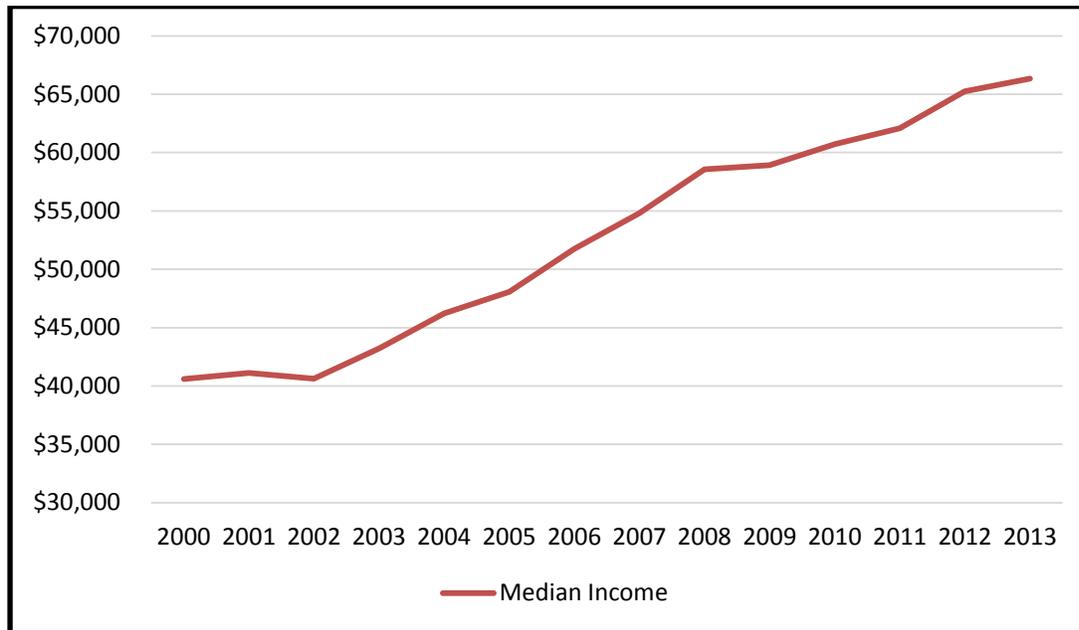
Source: US Census Bureau

¹⁰ Chapman, Jeanette. “The Greater Washington Region’s Future Housing Needs: 2023.” George Mason University School of Public Policy Center for Regional Analysis. June 2015. http://cra.gmu.edu/pdfs/studies_reports_presentations/The_Regions_Future_Housing_Needs_2015.pdf, pg 17.

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Trends in homeownership rates have been less smooth than population growth; though from 2001 to 2010, the rate in DC increased 10.7 percent overall.¹¹ While homeownership rates in the District were on the rise and reached a peak of over 47 percent in 2007, they dropped during the housing crisis and the Great Recession (see Figure 4, below). The rate of homeownership has remained relatively steady around 44 to 46 percent since then (See Figure 4, below). However, DC still has the third lowest homeownership rate (42 percent) of major US cities, behind New York and Los Angeles.¹² This trend is different from the US average; the country as a whole had a homeownership rate from 2009-2013 of nearly 65 percent.¹³ While a little more than a third of the city’s residents own a home, the rest of the District’s residents rent their homes; there are more renters in the city than homeowners.

Figure 2: Median Income in DC, 2000 – 2014



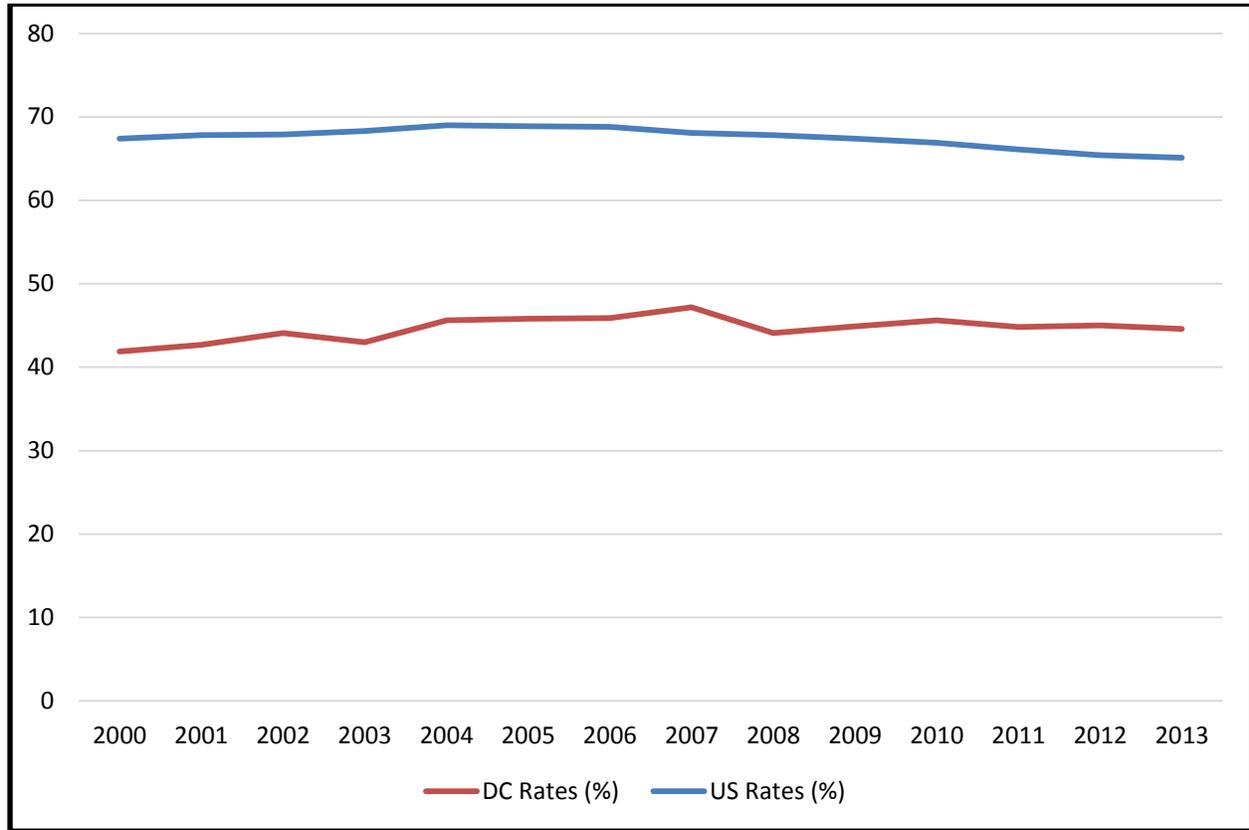
Source: US Census Bureau: Small Area Income and Poverty Estimates. State and County Estimates, 2000-2013. <http://www.census.gov/did/www/saipe/data/statecounty/data/2000.html>

¹¹ “Housing Characteristics: 2010.” Washington DC: US Census Bureau. Issued October 2011. <http://www.census.gov/prod/cen2010/briefs/c2010br-07.pdf>

¹² “Low Income Homeownership Rate in DC.” Housing Advocacy Team DC. Posted October 10, 2011. Accessed September 17, 2015: <http://hatdc.org/?p=434>

¹³ US Census Bureau: Housing Vacancies and Homeownership (CPS/HVS). Annual Statistics: 2000-2013. <http://www.census.gov/housing/hvs/data/ann13ind.html>.

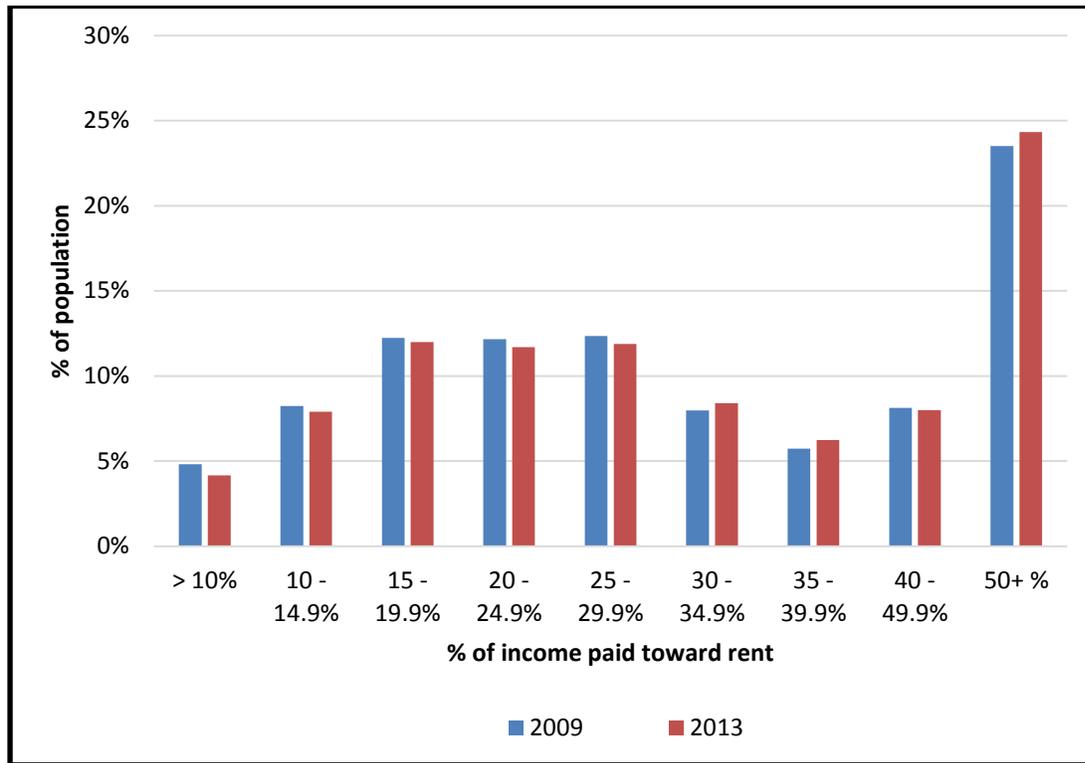
Figure 3: Homeownership Rates, DC and US Average, 2000 – 2013



Source: US Census Bureau: Housing Vacancies and Homeownership (CPS/HVS). Annual Statistics: 2000-2013. <http://www.census.gov/housing/hvs/data/ann13ind.html>

Further highlighting DC’s unique housing market, the next chart illustrates average renter’s burdens as a percent of income. Generally, housing is thought to be affordable if it costs no more than 30 percent of household income. The data behind Figure 5 show that in 2013, approximately 47 percent of District renters paid over 30 percent of their income toward rent, up from 45 percent who paid that portion in 2009. Notably, nearly 25 percent of District renters pay 50 percent or more of their income toward rent in 2013, and this portion of renters has also increased since 2009. This mirrors the trend for the US average; in 2013, 25 percent of all US renters, on average, paid 50 percent or more for their rent, up from 23 percent in 2009.

Figure 4: Percent of Rent Distribution as a Share of Income in DC, 2009 and 2013



Source: US Census Bureau, Gross Rent as a Percentage of Household Income in the Past 12 Months. Renter-Occupied Units, 2009-2013 ACS 5-Year Estimates. Table B25070

The District’s Housing Policy Goals

In the District’s most recent Comprehensive Plan, the “overarching goal for housing” in the city is to: “Develop and maintain a safe, decent, and affordable supply of housing for all current and future residents of the District of Columbia.”¹⁴ The plan notes that “[a]t the most basic level, it is the availability of safe, decent, affordable housing that will determine whether the District’s vision for an inclusive city will be realized.”¹⁵

The Plan addressed these critical housing issues facing the District:

- Ensuring housing affordability
- Fostering housing production
- Conserving existing housing stock
- Promoting home ownership
- Providing housing for residents with special needs.¹⁶

¹⁴ 2006 DC Comprehensive Plan. “Chapter 5: Housing,” p 5-7.
http://planning.dc.gov/sites/default/files/dc/sites/op/publication/attachments/vol_1_housing.pdf.
¹⁵ Ibid, p. 5-1.
¹⁶ Ibid.

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The provision of housing in the District involves an array of public agencies, nonprofit organizations, and private companies. Financing new housing development, older housing rehabilitation, and subsidizing housing costs for those residents that need it most involves a complex network of financing and housing provision. Table 1 presents a listing of DC agencies and the housing-related programs they administer.

Table 1: District Housing Programs and Implementing Agencies

Department of Housing and Community Development (DHCD)	<ul style="list-style-type: none"> -Apartment Improvement Program -Construction Assistance Program -Community Land Acquisition Program -Distressed Properties Improvement Program -Housing Finance for Elderly, Dependent, and Disabled -Housing Production Trust Fund (HPTF) -Low-Income Housing Tax Credit (LIHTC) -Single Family Residential Rehabilitation -Affordable Dwelling Units -Community Housing Development Orgs -Lead Safe Washington Program -Housing Counseling -1st time home purchase for DC Employees -Negotiated Employee Assistance Home Purchase Program -Home Purchase Program -Tenant Opportunity to Purchase -Housing Assistance Payments -Homelessness Grants -Property Acquisition and Disposition -Fair Housing Education and Outreach -Green Buildings -Condo and Co-op Conversion and Sales -Rental Housing Commission -Community Facility Financing -Site Acquisition Funding Initiative -Housing Provider Ombudsman -Housing Resource Center -Inclusionary Zoning -Rent Control (or DC Rent Stabilization Program)
DC Housing Finance Agency (HFA)	<ul style="list-style-type: none"> -Housing Development Program -Homeownership Program -Single and Multi-Family Mortgage Revenue Bonds
DC Housing Authority (HA)	<ul style="list-style-type: none"> -Housing Choice Voucher Program (HCVP)/ - -Local Rent Supplement Program -HOPE VI Program -Public Housing/Low-Income Housing
Deputy Mayor for Planning and Economic Development (DMPED)	<ul style="list-style-type: none"> -Home Again Initiative -New Communities

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DC Office of Planning (OP)	-Inclusionary Housing -Live near your work pilot program
DC Council	-Tax Abatement for Downtown and NoMA Housing (administered by DMPEd)
Department of Human Services (DHS)	-Emergency and transitional shelter -Homelessness prevention and rapid re-housing -Permanent Supportive Housing -VA Supportive Housing
Department of Consumer and Regulatory Affairs (DCRA)	-Housing code inspections -Vacant Building inspection
Office of the Tenant Advocate (OTA)	-Office of the Tenant Advocate

Source: ORA compilation, includes information from Table 5.4 of Comprehensive Plan, p 5-11.

A brief review of the largest agencies' missions and goals confirms that housing affordability, as well as increased homeownership, are two flagship housing goals in the District. Any assessment of the city's housing-related tax expenditures should be considered within the context of this array of other housing programs.

Part II: Review of the District’s Housing Tax Provisions

Categorical Housing Provisions

Categorical provisions, or those which anyone who is eligible may take advantage of, constitute the majority of the District's foregone revenue due to housing tax expenditure provisions. The total estimated revenue foregone¹⁷ for all housing-related categorical tax expenditures in FY2015 was \$116,553,000. The three largest categorical provisions make up 74 percent of the total, (at \$86,548,000) and the five largest make up 92 percent of the total (at \$107,101,000).

There are 28 categorical housing tax expenditure provisions, which generally support the following activities:

- assist homeownership, particularly low-income homeownership (9);
- protect residents, especially those who are low-income, seniors, or disabled from sharp tax increases (7);
- increase the supply of affordable housing (7);
- and encourage revitalization and new development (4);
- preserve historic property (1).

Table 2 below presents all housing-related tax provisions, the tax they relate to, the type of tax expenditure, the date enacted, the provision in the DC Code, and their estimated revenue foregone for FY2015. This table is presented with the largest (in terms of revenue foregone) tax expenditure provisions at the top. The individual analysis below primarily follows this order, however in some cases listings that are related (such as a provisions that are the same for both the property tax and the deed recordation tax), are listed together. Table 3 presents estimated aggregate revenue foregone due to all categorical housing tax expenditures from FY2012 to FY2017.

The rest of this section describes each of the District's categorical housing tax expenditures for which enough data are available to provide some level of detail. For those categorical housing tax expenditures for which there is no data available on revenue foregone or number of claimants, a description is provided in Appendix 3.

¹⁷ Summing tax expenditures does not take into account possible interactions among individual tax expenditures and therefore does not produce an exact estimate of the revenue that would be brought in were any specific provision removed.

Part II: Review of the District's Housing Tax Provisions

Table 2: All FY2015 Housing-Related Categorical Tax Expenditures, by Revenue Foregone

Name	Tax	Provision Type	Date Enacted	DC Code	Estimated Revenue Foregone FY15 (\$000)
Homestead deduction	Property	Exemptions	1978	§ 47-850	\$59,334
Senior citizens and persons with disabilities	Property	Credits	1986	§ 47-863	\$22,566*
Assessment increase cap	Property	Credits	2001	§ 47-864	\$14,064
Property tax circuit-breaker (Schedule H)	Income	DC Credit	1977	§ 47-1806.06	\$13,150
Nonprofit housing associations	Property	Exemptions	1983	§ 47-3505	\$10,818
Lower-income homeownership households and cooperative housing associations	Property	Exemptions	1983	§ 47-3503	\$9,735
NoMA residential developments	Property	Abatements	2009	§ 47-859.01 - § 47-859.05	\$4,212
New residential developments	Property	Abatements	2002	§ 47-857.01 - § 47-857.10	\$3,331
Multi-and single-family rental and cooperative housing for low- and moderate-income	Property	Exemptions	1978	§ 47-1002(20)	\$1,082
Nonprofit affordable housing developers	Property	Exemptions	2012	§ 47-1005.02	\$300
Nonprofit housing associations	DR, T [†]	Exemptions	1983	¹	\$160
Nonprofit affordable housing developers	DR, T	Exemptions	2012	§ 42-1102(32) and § 47-902(25)	\$155
Lower-income homeownership households	DR, T	Exemptions	1983	²	\$107
Cooperative housing associations	DR, T	Exemptions	1983	³	\$57
Inclusionary zoning (transfer tax only)	DR, T	Exemptions	2007	§ 47-902(23)	\$30
Historic property	Property	Exemptions	1974	§ 47-842-844	\$10
Lower-income, long-term homeownership	Income	DC Credit (Sch L)	2002	§ 47-1806.09 - § 47-1806.09f	\$4
Low-income, senior-citizen homeowners	Property	Deferrals, Rebates,	2005	§ 47-845.03	\$4
Housing relocation assistance	Income	DC Sub from FAGI	2002	⁴	-
Employer-assisted home purchases	Income	DC Credit	2002	§ 47-1807.07, § 47-1808.07	-
Improvements to low-income housing	Property	Abatements	2002	§ 47-866	0
Preservation of section 8 housing in qualified areas	Property	Abatements	2002	§ 47-865	0
Single-room-occupancy housing	Property	Abatements	1994	§ 42-3508.06	0
Vacant rental housing	Property	Abatements	1985	§ 42-3508.02	0
Resident management corporations	Property	Exemptions	1992	§ 47-1002(24)	0
Homeowners in enterprise zones	Property	Deferrals, Rebates	2002	§ 47-858.01 - § 47-858.05	0
Low-income homeowners	Property	Deferrals, Rebates	2005	§ 47-845.02	0
Resident management corporations	DR, T	Exemptions	1992	⁵	0
TOTAL⁶					\$ 116,553

*This estimate of revenue foregone is already included in the Homestead estimate, so is not included in the total.

† DR, T = Deed recordation and transfer tax.

¹: § 42-1102(13) and § 47-3505(c) for deed recordation tax; § 47-902(10) and § 47-3505(b) for transfer tax

²: § 42-1102(12), § 47-3503(a)(1), and § 47-3503(a)(3) for deed recordation tax; § 47-902(9) and § 47-3503(b)(1) for transfer tax

³: § 42-1102(14), § 47-3503(a)(2), and § 47-3503(a)(3) for deed recordation tax; § 47-902(11) and § 47-3503(b)(2) for transfer tax

⁴: § 47-1803.2(a)(2)(R) and § 42-2851.05

⁵: § 42-1102(20) and § 47-3506.01(b)(1) for recordation tax; § 47-902(15) and § 47-3506.01(b)(2) for transfer tax

⁶: Summing tax expenditures does not take into account possible interactions among individual tax expenditures¹⁸ so does not produce an exact estimate of the revenue that would be gained were any specific provision removed. Some evidence suggests that interaction effects generally increase the overall size of federal tax expenditures since eliminating tax expenditures would push many into higher tax brackets.¹⁹

Color code: Red = Promote low-income homeownership; White = Protect low-income, senior, disabled taxpayers; Blue = Increase supply of affordable housing; Green = Encourage revitalization and new development; Gray = Preserve and protect historic property.

¹⁸ Government Accountability Office web page. Accessed September 16, 2015: http://www.gao.gov/key_issues/tax_expenditures/issue_summary

¹⁹ Burman, Leonard E., Eric Toder and Christopher Geissler, "How Big are Total Individual Tax Expenditures and Who Benefits From Them?" Tax Policy Center Discussion Paper Number 31, December 2008.

Table 3: Estimated Aggregate Revenue Foregone, All Categorical Housing Tax Provisions



Source: ORA Analysis of 2014 District of Columbia Tax Expenditure Report.

Part II: Review of the District's Housing Tax Provisions

Homestead deduction

Real Property Tax Exemption

District of Columbia Code Section(s): DC Official Code § 47-850
Sunset Date: None
Year Enacted: 1978

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	40,833	41,241	54,673	61,436	58,171	59,334	60, 521	61,732
# of Beneficiaries Tax Year	95,377	94,656	94,484	94,974	95,819	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data.

N/A = Data for these years not yet available.

DESCRIPTION: Taxpayers who live in their own home in the District of Columbia may take a homestead deduction that reduces the taxable value of their home. The homestead deduction was \$70,200 in 2014 and \$71,400 for 2015. The amount that a homeowner may deduct from the taxable value of their home under the homestead exemption has increased significantly over the past two decades. It was \$30,000 in 1990, \$38,000 in 2004, and then it increased to \$60,000 in FY2006. Annual cost-of-living adjustments were suspended for several years due to the budget crisis that resulted from the economic recession, but the adjustments resumed on October 1, 2012.

To qualify for the homestead deduction, a taxpayer must file an application with the Office of Tax and Revenue (OTR).²⁰ Only homes with five or fewer dwelling units, including the unit occupied by the owner, are eligible. Taxpayers may not claim the deduction for more than one home.

PURPOSE: The purpose of the homestead deduction is to encourage individuals to own and occupy homes in the District of Columbia and to provide tax relief to resident homeowners.

²⁰ The Homestead application is available here: <http://otr.cfo.dc.gov/node/684452>

Homestead Deduction

The Need:

The purpose of the homestead deduction is to encourage individuals to own and occupy homes in the District of Columbia and to provide tax relief to resident homeowners.

Resources/Inputs:

Residents owning and living in their residence for the entire year may deduct \$71,400 (in 2015) from the value of their home before calculating property taxes owed. It is categorized as an exemption. The revenue foregone was estimated to be \$59,334,000 in FY15.

Outputs:

From 2010 to 2014, an average of 95,336 residents took the homestead deduction per year. In 2014, the average tax savings for each resident was \$600.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

In TY14, 45% of the district's taxable residential property, or 6,142 acres with a total value of \$49.7 billion, was allowed the homestead deduction in order to promote homeownership.

Medium-term:

The rate of homeownership in the District rises as more residents choose to stay in their homes than might otherwise do so without the deduction, while new residents may also see the tax benefit as a reason to move into the District.

Long-term:

Various positive benefits for both long-term residents and the city. The city benefits because home ownership strengthens neighborhoods as homeowners have stake in community; more diverse city/neighborhoods; building a middle class tax base for economic and tax base stability.

Assumptions:

Homestead Exemptions encourage homeownership, which, at least to a certain degree, promotes staying in DC versus moving out of the city.

Evaluating the Homestead Deduction

District of Columbia residents who own their home benefit from this provision. In tax year 2014, 95,819 owner-occupied residential properties received the homestead exemption. It was estimated that in fiscal year 2014, this represented a revenue foregone to the District of over \$58 million. As long as a homeowner's property was worth at least \$70,200, that homeowner received approximately \$600 in tax relief in FY14.

EQUITY:

Everyone who owns the home they reside in may take the homestead deduction, therefore it would be considered equitable from the perspective that homeowners with similarly valued properties will pay a similar tax. However, one analysis found that non-elderly homeowners receiving the homestead deduction pay an effective tax rate of 0.63 percent, as compared to non-homestead residential property and multi-family residential property having an effective tax rate of 0.85 percent.²¹ This is an example of how property tax preferences treat certain types of property differently based on how they are used, though in this case it was the intent of the policy.

From the perspective of residents' ability to pay, a broad homestead deduction that does not take into account income would be less equitable as it gives the same relief to everyone, regardless of their income and ability to pay. This means that some of the property tax relief will be granted to those who do not need it, and would be subsidizing residents to engage in activities, such as buying a home, that they would have done anyway. This would be considered an inefficient use of government funds.

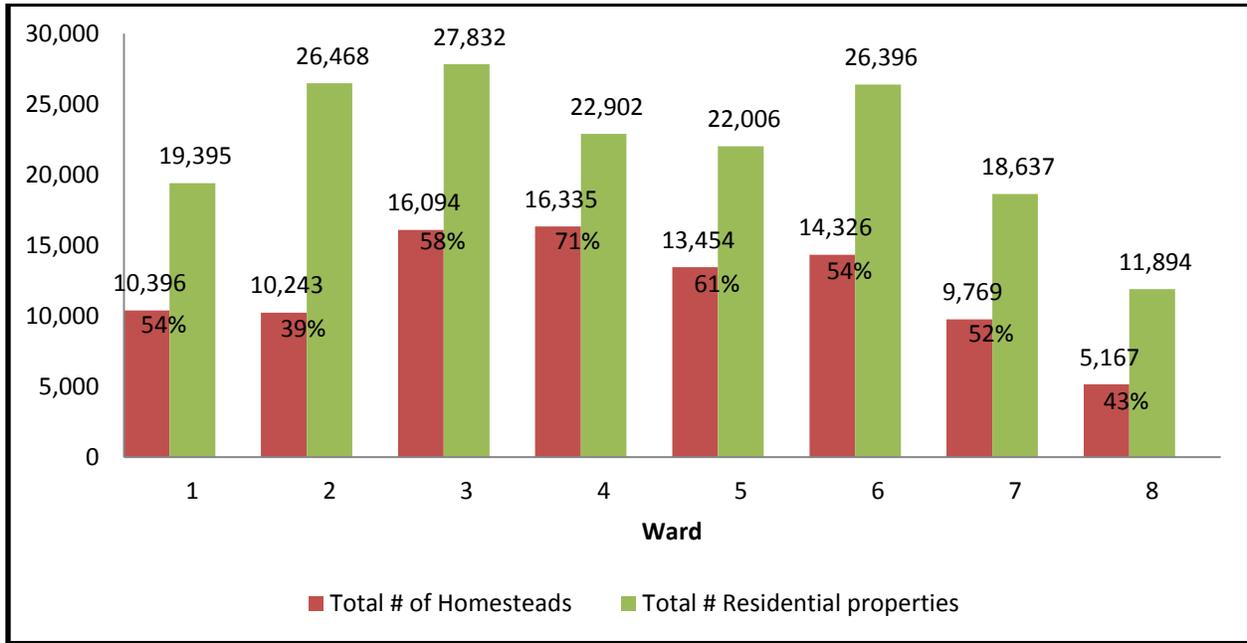
The District's homestead deduction is a fixed amount, rather than a percentage of value, therefore the deduction will result in a greater percentage tax reduction for owners of low-value homes.²² Thus the DC flat amount exemption, while it benefits all homeowners who qualify, does benefit owners of lower value homes more than owners of higher value homes, in terms of the percentage reduction of property taxes received.

While full evaluation of the equity of DC's homestead deduction would require knowing the income of each resident who claims it, it is possible to breakdown the data to show some other details about how and where it is claimed within the city. As Figure 5 shows in presenting homestead data by Ward, Ward 4 has the highest percentage of homestead properties out of total residential properties, with 71 percent of the residential properties in that Ward receiving the homestead deduction. Similarly, Ward 2 has the lowest percentage of homesteads out of total residential properties, with only 39 percent of the residential properties in that Ward receiving the homestead deduction. However, the lowest absolute number of homesteads is in Ward 7.

²¹ Bell, Michael and Daniel Muhammad. "Real Property Tax Expenditures in the District of Columbia." June 13, 2013. http://media.wix.com/ugd/ddda66_296dd37fb1d44464a3274f8ae62608cd.pdf, p 4.

²² Haveman, Mark and Terri Sexton, "Property Tax Assessment Limits: Lessons from Thirty Years of Experience." Policy Focus Report of the Lincoln Institute of Land Policy, 2008, p. 33

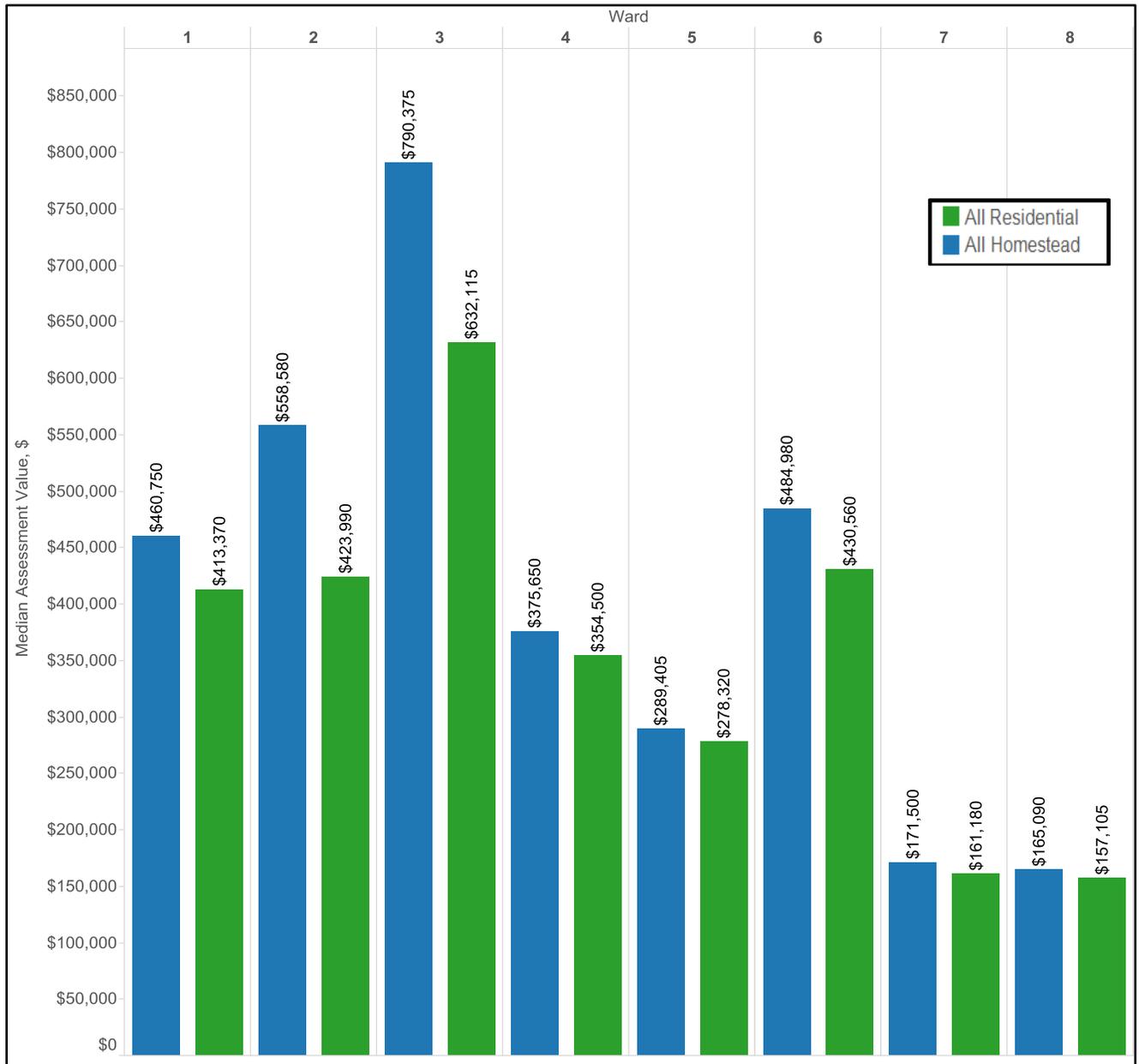
Figure 5: Number of Homesteads and Residential Properties in the District, by Ward



Source: ORA analysis of DC Real Property Tax Data, 2014.

Figure 6 presents median assessment values of homesteads by Ward. Notably, in Wards 7 and 8 median house values are the lowest, with the median not reaching \$200,000, while median house values in Ward 3 are the highest. Further, as the figure illustrates, the median assessment value of properties receiving the homestead deduction is higher than the median assessment value of residential properties that do not receive the homestead deduction in every Ward. While these data do not tell us anything about the income or economic situation of the homeowners receiving the deduction, they do illustrate that, on average, those properties taking advantage of the homestead deduction are those with a higher assessment value.

Figure 6: 2014 Median Assessment Value of All Residential Property Compared to Homestead Property, by Ward



Source: ORA analysis of DC Real Property Tax Data, 2014.

EFFICIENCY - NEUTRALITY:

Writing about a problem that exists with tax expenditures in general, Richard Green and Elaine Weiss point out in their chapter “Property Tax Exemptions, Revenues, and Equity,” in *Erosion of the Property Tax Base*, that “a universal property tax relief program for owners amounts to a tax expenditure that

Part II: Review of the District's Housing Tax Provisions

enriches people who would already engage in the desired behavior [homeownership].”²³ As previously noted, it would not be considered economically efficient from government's perspective to spend money on something that citizens would do anyway; rather, if a government wants to incentivize a specific behavior, it should target its resources to those who would change their behavior because of the incentive.

Green and Weiss also note that putting such limits on owner-occupied housing may limit local spending given the connection between local spending and local revenue generation.²⁴

Generally, offering broad tax relief that is available regardless of a resident's needs, such as the homestead exemption, will cause more bias by driving more investment in a specific type of land than would otherwise be the case under normal market conditions. However, in a more fully utilized market like DC (one where there isn't a lot of empty or unused land), this may not matter as much.

EFFICIENCY – EASE OF ADMINISTRATION:

The homestead exemption, as a residential relief mechanism dependent on the classification of the property, increases compliance and administrative costs of implementing the tax system. Residents have to apply for the exemption by submitting an application to OTR.²⁵ This places the burden of obtaining the exemption on the homeowner, but also increases OTR's staff needs in order to process the applications.

Further, OTR does auditing and monitoring of who is receiving the exemptions, and whether they are in fact eligible (such as ensuring that they don't have primary residences in other areas of the city or other states). OTR staff monitor sales reports in the District in order to track properties as they are sold (new owners must apply for the homestead exemption, it does not follow residents as they move).

REVENUE ADEQUACY/COUNTERFACTUAL/OPPORTUNITY COST:

An evaluation of the policy should ask what the effects of the policy are, what might have happened without the policy, and whether there are better, more effective and efficient ways the District could be spending that money. Since this is an exemption from paying tax, it results in foregone revenues of tax revenue to the District. With an estimated revenue loss of \$58,982,000 in FY15, this is the largest single housing tax provision in the District. This money could be directed to other housing priorities in the District, or it could be used to lower tax rates for all residents.

It is impossible to know what homeownership rates would look like in the District if the homestead deduction had not been around in some form since 1978. As Figure 4 (on page 18) showed, homeownership rates have risen slightly in the District over the period from 2000 to 2013. While homeownership rates are significantly lower in DC than the US average, this is at least somewhat related to relatively high prices in the city. Table 4 below compares DC's homestead exemption to those in select US cities. Among those presented here, DC's is by far the most generous.

²³ Green, Richard and Elaine Weiss, “Property Tax Exemptions, Revenues, and Equity.” *Erosion of the Property Tax Base*. Eds. Nancy Y Augustine, Michael E. Bell, David Brunori, and Joan M. Youngman. Lincoln Institute of Land Policy: Cambridge, MA. P. 54.

²⁴ *Ibid*, p. 97.

²⁵ The homestead application can be found here: <http://otr.cfo.dc.gov/node/684452>.

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Table 4: 2013 Median House Value and Homestead Deduction for DC and Select US Cities

	Median House Value	Homestead Deduction Amount	Homestead Deduction as a Percent of House value
Washington, DC	\$ 373,500	\$ 69,100	19%
Baltimore, MD	\$ 270,000	N/A	0%
New York, NY	\$ 392,700	\$ 30,000	8%
Los Angeles, CA	\$ 453,500	\$ 7,000	2%
San Francisco, CA	\$ 602,800	\$ 7,000	1%
Chicago, IL	\$ 206,300	\$ 7,000	3%
Philadelphia, PA	\$ 233,600	N/A	0%

Source: ORA, 2013 Tax Rates and Tax Burdens: median house value from Census ACS.

Part II: Review of the District's Housing Tax Provisions

Senior citizens and persons with disabilities

Property Tax Credit

District of Columbia Code: DC Official Code § 47-863
 Sunset Date: None
 Year Enacted: 1986

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	5,781	5,784	14,590	14,590	22,510	22,566	22,623	22,679
# of Beneficiaries Tax Year	19,200	18,312	18,295	18,164	19,126	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data. N/A = Data for these years not yet available.

Note: These figures are based on the numbers of seniors who take the homestead exemption – thus these revenue estimates are also included in the previous estimates of revenue foregone for the homestead deduction overall.

DESCRIPTION: Senior citizens (age 65 or older) and persons with disabilities qualify for a 50 percent reduction in real property tax liability on a home that they own and occupy in the District of Columbia, provided that their household adjusted gross income is less than \$127,100. The \$127,100 maximum was adjusted for changes in the Consumer Price Index, beginning in January 2015.

Taxpayers must file an application with the Office of Tax and Revenue in order to qualify. A senior citizen or person with a disability must own at least 50 percent of the property or cooperative unit, which must be the taxpayer's principal place of residence.

PURPOSE: The purpose of the credit is to protect senior citizens and people with disabilities, who often live on fixed incomes, from real property tax liabilities that may be difficult or impossible for them to pay. In 2012, when the Council raised the maximum household income from \$100,000 to \$125,000, proponents pointed out that senior citizens and persons with disabilities of modest income might otherwise be ineligible because anyone living in their household who has income (including those who are not senior citizens or do not have a disability) is included when measuring the senior citizen's income.²⁶

IMPACT: The beneficiaries of this provision are senior citizens and people with disabilities who live in their own homes in the District of Columbia and have household adjusted gross income less than \$127,100, in 2014. In tax year 2014, 19,126 of the properties receiving the homestead deduction took the senior credit. The credit violates the principle of horizontal equity because other homeowners with adjusted gross income of less than \$127,100 do not receive the same relief.

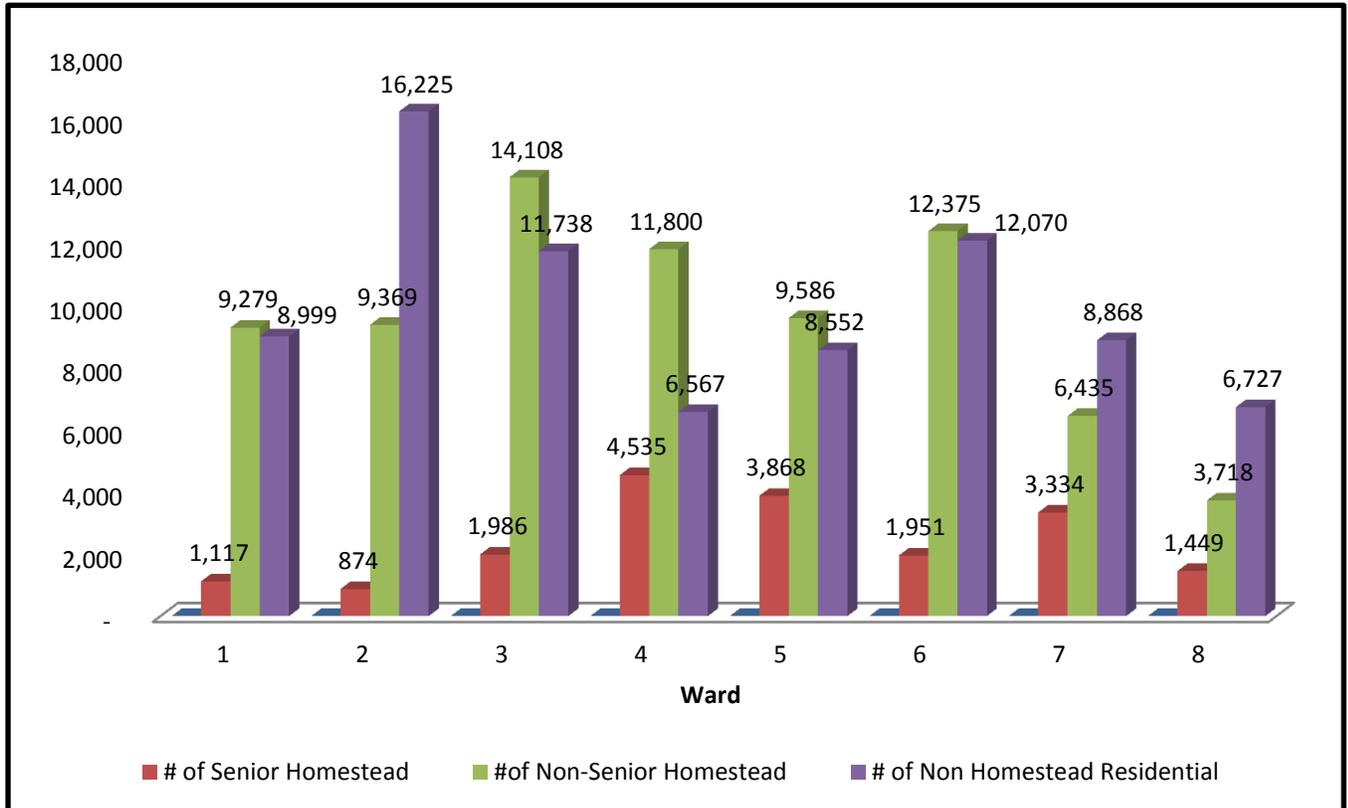
Seniors are a growing population in the US and the DC Office on Aging (DCOA) notes this population will grow faster than any other segment, much related to baby boomers. In DC approximately 59.9

²⁶ Council of the District of Columbia, Committee on Finance and Revenue, "Report on Bill 19-512, the 'Age-in-Place and Equitable Senior Citizen Real Property Act of 2012'," dated March 1, 2012, p. 3.

Part II: Review of the District’s Housing Tax Provisions

percent of seniors were owner-occupants, and about 40 percent were renters in 2010.²⁷ There were 68,809 seniors (65 and over) in the District in 2010.²⁸ This means that about 41,285 seniors owned their homes in DC, while fewer than 20,000 took the Senior Homestead credit (see Figure 8 below for a breakdown of how many seniors claimed the Homestead deduction, by Ward).

Figure 7: Total Number of DC Residential Properties by Ward, Broken Out by Senior Homestead, Non-Senior Homestead, and Non-Homestead



Source: ORA Analysis of 2014 DC Real Property Tax Data.

²⁷ DC Office on Aging. “Senior Needs Assessment, Initial Data Collection, FINAL REPORT.” September 5, 2012. <http://dcoa.dc.gov/sites/default/files/dc/sites/dcoa/publication/attachments/DCOA%2520Senior%2520Needs%2520Assessment%252010-12.pdf> p 22.

²⁸ DC Office on Aging. “District of Columbia State Plan on Aging, Fiscal Years 2013 – 2015,” <http://dcoa.dc.gov/sites/default/files/dc/sites/dcoa/publication/attachments/State%20Plan%20on%20Aging%202013-%202015%20-%20June%202012%20Final.pdf>, p 7.

Senior Citizens and Persons with Disabilities		
<p>The Need:</p> <p>To protect senior citizens and people with disabilities, who often live on fixed incomes, from real property tax liabilities that may be difficult or impossible for them to pay.</p>	<p>Resources/Inputs:</p> <p>Income eligible seniors 65 + and disabled persons may take a 50 percent reduction in real property tax liability on a home that they own and occupy.</p>	<p>Outputs:</p> <p>From 2010 to 2014, an average of 18,619 seniors claimed the homestead deduction each year.</p>
Expected Benefits (changes in short, medium, or long term measures)		
<p>Short-term</p> <p>Seniors pay less in property tax than they otherwise would have, providing some relief for those with fixed budgets, also allowing them to spend their limited income on healthcare or other necessities. In 2014, this estimated revenue foregone to the District (thus tax savings to seniors) was \$22,510,000 (this includes benefits from the assessment cap).</p>	<p>Medium-term</p> <p>Over time, such relief may allow seniors to stay in their DC residences rather than having to consider leaving, also contributing to an increase in homeownership rates.</p>	<p>Long-term</p> <p>Various positive benefits of long-term residents: strengthens neighborhoods as homeowners have stake in community; more diverse city/neighborhoods; building a middle class tax base for economic and tax base stability. Further, retaining seniors fulfills social goals of care for an aging population, and allowing them to remain where they are from rather than be pushed out for economic</p>
<p>Assumptions:</p> <p>Property tax relief will assist senior homeowners to keep their homes and stay in the District. Homeownership, at least to a certain degree, promotes staying in DC versus moving out of the city.</p>		

Part II: Review of the District's Housing Tax Provisions

Assessment increase cap

Real Property Tax Credit

District of Columbia Code: DC Official Code § 47-864
 Sunset Date: None
 Year Enacted: 2001

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	151,059	151,135	28,416	28,416	13,788	14,064	14,345	14,632
# of Beneficiaries Tax Year	63,681	53,479	40,468	27,839	24,251	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data.

N/A = Data for these years not available.

Note: The large reduction from FY11 to FY12 is largely due to moderation in the growth of assessed values.

DESCRIPTION: Homeowners who qualify for a homestead deduction (those who occupy a home in the District of Columbia as their principal residence) are also eligible for an annual assessment cap credit. This credit limits the taxable assessed value of the individual's home to a 10 percent increase from the prior tax year.

If during the prior tax year the property was sold, its value was increased due to a change in its zoning classification, or the assessment of the property was clearly erroneous due to an error in calculation or measurement of improvements, then the taxpayer does not qualify for the assessment increase cap. In addition, the statute provides that the taxable assessment of a property eligible for a homestead deduction shall not fall below 40 percent of the current tax year's assessed value.

PURPOSE: The purpose of the cap is to protect resident homeowners from sharp growth in property values and assessments. In the early to middle part of the past decade, the value of residential real property soared in the District of Columbia. Assessed values often rose by more than 20 percent annually and sometimes more than doubled in a single year. From fiscal year 2002 to fiscal year 2007, the assessed value of residential real property in the District almost tripled from \$24.9 billion to \$73.1 billion.²⁹ The cap was intended to protect resident homeowners from these rapid increases in real property tax liability, and was also designed to smooth the transition from triennial assessments to annual assessments.

IMPACT: Homeowners who have a principal residence in the District of Columbia benefit from the assessment increase cap. In tax year 2014, 24,251 owner-occupied households paid lower taxes due to the cap. Since FY 2010, the estimated revenue foregone from the cap and the number of beneficiaries has dropped as growth in assessed value has moderated.

²⁹ Government of the District of Columbia, Office of the Chief Financial Officer, CAFR 2008: Comprehensive Annual Financial Report, Year Ended September 30, 2008 (January 2009), p. 160.

Part II: Review of the District's Housing Tax Provisions

In a paper prepared for the DC Tax Revision Commission, Georgia State University professor David Sjoquist estimated that a 10 percent reduction in a homeowner's tax bill due to the DC assessment cap reduces the probability that the owner will move by 2.26 percent. The reduction in mobility is attributed to the sharp rise in property taxes that an owner might face in a new home, which is assessed at market value after being purchased.³⁰

Evaluating the Assessment Cap

EQUITY: Due to the variation in rates of property value growth in different neighborhoods, the assessment increase cap can create equity problems. Some taxpayers will pay real property tax based on the full assessed value, while others who live in rapidly appreciating areas that benefit from the cap will not. In assessing the horizontal and vertical equity of DC's property assessment cap (PAC), Daniel Muhammad found that

“while 29 percent of the District's homestead properties were subject to relatively mild horizontal inequities, 64 percent were subject not only to substantial levels of horizontal inequity but also to a considerable degree of vertical inequity. Second, many homesteads continuously subject to the District's PAC since its implementation in 2002 had 2007 property tax liabilities that were, on average, less than half the property tax liabilities of homes with similar 2007 market values but uncapped assessments. And third, the PAC caused homes with market values in excess of \$1 million and capped assessments to have property tax bills equal to homes with market values as low as \$200,000 or less and uncapped assessments. These findings suggest that the PAC causes highly subsidized and pervasively inequitable taxation for homestead properties in the District. Subsequently, the annual property tax for the majority of homesteads (including the city's most expensive homes) more closely resembles a meager annual unit excise tax rather than a traditional ad valorem property tax.”³¹

Outlining the impacts of proposed changes to the property tax assessment cap in 2004, which was at the time 25 percent (it went down to 10 percent in 2006), the DC Fiscal Policy Institute (DCFPI) found that almost half (48%) of the property tax relief from the change to a 10 percent cap would go to owners of homes worth \$500,000 or more, even though they represented only 20 percent of DC homes. Homes worth \$250,000 or less, which accounted for 55 percent of all DC homes at the time, received only 24 percent of the benefits of the 10 percent cap.³² This research needs to be updated; nevertheless, it showed that owners of DC's most valuable homes were effectively paying a lower property tax rate than owners of lower-value homes in less affluent neighborhoods; a similar finding to that of Muhammed in 2008.

In his study, Sjoquist also found that senior citizens benefit more from the assessment cap (their taxable value is lower as a percentage of assessed value) than non-seniors, possibly because senior citizens stay in their homes longer.³³

³⁰ Sjoquist, David. “The Residential Property Tax Credit: An Analysis of the District of Columbia's Assessment Limitation,” report prepared for the DC Tax Revision Commission, May 2013, pp. 40-43.

³¹ Muhammed, Daniel. 2008. “Horizontal Inequity, Vertical Inequity, and the District of Columbia's Property Assessment Cap.” <http://www.ntanet.org/images/stories/pdf/proceedings/07/014.pdf>, P. 1.

³² DC Council Caps Property Tax Increases at 12 Percent, Raises Homestead Deduction. DC Fiscal Policy Institute. July 29th, 2004. <http://www.dcfpi.org/dc-council-caps-property-tax-increases-at-12-percent-raises-homestead-deduction>.

³³ Sjoquist, p. 38.

Assessment Increase Cap

The Need:

To protect resident homeowners from sharp growth in property values and assessments, and subsequent increases in property taxes.

Resources/Inputs:

This credit limits the taxable assessed value of the individual's home to a 10 percent increase from the prior tax year.

Outputs:

In the 2014 tax year, 24,251 owner-occupied households paid lower taxes due to the cap. In 2011, by contrast, over 53,479 homeowners were subject to the cap and received a lower property tax bill as a result (reflecting more rapid property assessment growth).

Expected Benefits

(changes in short, medium, or long term measures)

Short-term

Nearly 25,000 residents who were homeowners received lower tax bills in 2014 and have more disposable income for other needs.

Medium-term

Current homeowners stay in the district; new homeowners move in, the rate of homeownership in the District rises.

Long-term

Various positive benefits of long-term residents: strengthens neighborhoods as homeowners have stake in community; more diverse city/neighborhoods; building a middle class tax base for economic and tax base stability.

Assumptions:

The assessment cap, by limiting dramatic property tax increases, will prevent current homeowners from having to leave, and also encourage new homeownership, which, at least to a certain degree, promotes residents staying in DC versus moving out of the city.

Part II: Review of the District's Housing Tax Provisions

Nonprofit housing associations

Real Property Tax Exemption

District of Columbia Code: DC Official Code § 47-3505
 Sunset Date: None
 Year Enacted: 1983

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	9,064	9,155	7,553	7,553	10,791	10,818	10,845	10,872
# of Beneficiaries Tax Year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data.
 N/A = Data on specific number of beneficiaries not available.

Deed Recordation Tax and Transfer Tax Exemption

District of Columbia Code: DC Official Code § 42-1102(13) & 47-3505(c) for deed recordation tax
 DC Official Code § 47-902(10) & § 47-3505(b) for transfer tax
 Sunset Date: None
 Year Enacted: 1983

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	\$160	\$160	\$160	\$161

Source: ORA Analysis of DC Real Property Tax Data.

DESCRIPTION: Property transferred to a qualifying non-profit housing association³⁴ is exempt from the real property tax through the end of the third year in which the property was transferred, and³⁵ is exempt from the deed recordation and transfer taxes for that same amount of time, provided that the association certifies its intent to transfer the property to (1) a qualifying lower-income ownership household, (2) a multi-family housing property where at least 35 percent of the households are qualifying lower income ownership households, or (3) a cooperative housing association where at least 50 percent of the units are occupied by qualifying lower income ownership households and receive a “credit against rent.”³⁶

A qualifying lower-income homeownership household must meet two requirements: (1) household income can be no greater than 120 percent of the lower-income guidelines established for the Washington

³⁴ Specifically, an eligible non-profit housing association is one that is exempt from federal income tax under sections 501(c)(3) or 501(c)(4) of the US Internal Revenue Code.

³⁵ A “qualifying nonprofit housing association” has been approved by the US Internal Revenue Service as exempt from federal income taxation under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.

³⁶ The credit against rent is equal to the value of the property tax exemption multiplied by the percentage of the household’s qualified ownership interest.

Part II: Review of the District's Housing Tax Provisions

metropolitan area by the US Department of Housing and Urban Development (HUD), and (2) the household must own the property in fee simple or receive at least a 5 percent qualified ownership interest as part of a shared equity financing agreement. As of July 1, 2014, the household income limits ranged from \$57,540 for a one-person household to \$108,540 for a household with eight or more people. The current limit on the purchase price of the home is \$375,200.³⁷

An additional requirement for the transfer tax exemption is that the non-profit housing association must receive a credit against the purchase price of the property in an amount equal to the transfer tax that would have been due without the exemption. This provision is necessary because the transfer tax is usually paid by the seller.

PURPOSE: The authorizing statute states that, “The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia.” The statute for the deed recordation and transfer tax exemption further states that, “Additional support for nonprofit housing organizations ... through property tax abatements and other incentives can serve to expand homeownership for lower income families at little or no additional cost to the District of Columbia.”³⁸

IMPACT: Non-profit housing associations and the lower-income residents they assist in attaining homeownership benefit from this provision. There may be spillover benefits for society if homeownership leads to neighborhood improvement and stability by giving people a greater stake in their communities.

A thorough evaluation of this provision would examine whether recipients of the three year property tax exemption are indeed providing housing to low income residents. At the time of publication, available resources and data available did not permit such an evaluation. A more in-depth analysis will be pursued for future reports.

³⁷ http://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/sharp%40dc.gov_20140909_110358.pdf

³⁸ See DC Official Code § 47-3501(5).

Nonprofit housing associations

Purpose:

To expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia.

Resources/Inputs:

Qualified properties receive a 3 year tax exemption from both property and deed recordation taxes.

Outputs:

Reliable estimate not available at this time.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term

Low-income residents who might not otherwise afford a home received a financial incentive to buy a home.

Medium-term

The rate of homeownership for low-income residents in the District rises.

Long-term

Better outcomes for residents and their families; various positive benefits of long-term residents: strengthens neighborhoods as homeowners have stake in community; more diverse city/neighborhoods; building a middle class tax base for economic and tax base stability.

Assumptions:

This tax incentive will encourage homeownership, which, at least to a certain degree, promotes staying in DC versus moving out of the city.

Part II: Review of the District's Housing Tax Provisions

Lower-income homeownership households and cooperative housing associations

Real Property Tax Exemption

District of Columbia Code: DC Official Code § 47-3503
 Sunset Date: None
 Year Enacted: 1983

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	1,295	1,308	1,079	1,079	9,711	9,735	9,670	9,784
# of Beneficiaries Tax Year	N/A							

Source: ORA Analysis of DC Real Property Tax Data
 N/A = Data on specific number of beneficiaries not available.

Deed Recordation and Transfer Tax Exemption

District of Columbia Code: DC Official Code § 42-1102(12), § 47-3503(a)(1), and § 47-3503(a)(3) for deed recordation tax
 DC Official Code § 47-902(9) and § 47-3503(b)(1) for transfer tax
 Sunset Date: None
 Year Enacted: 1983

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	107	107	107	108

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: Certain property transferred to a “qualifying lower income homeownership household” is exempt from real property taxation, as well as deed recordation and transfer taxation. A qualifying lower-income homeownership household must meet two requirements: (1) household income can be no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area by the US Department of Housing and Urban Development (HUD), and (2) the household must own the property in fee simple or receive at least a 5 percent qualified ownership interest as part of a shared equity financing agreement. The fair market value of the property being transferred cannot exceed 80 percent of the median sale price for homes in the District of Columbia.

As of July 1, 2014, the household income limits ranged from \$57,140 for a one-person household to \$108,540 for a household with eight or more people. The limit on the purchase price of the home is \$375,200.³⁹ These limits are higher if the property is in an economic development zone.

³⁹ http://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/sharp%40dc.gov_20140909_110358.pdf

Part II: Review of the District's Housing Tax Provisions

In addition, if there is a shared equity financing agreement in place, the renting household must receive a “credit against rent” that is equal to the value of the property tax exemption multiplied by the percentage of the household’s qualified ownership interest.

The real property tax exemption is valid until the end of the fifth tax year following the year in which the property was transferred. During the five-year period, the owner must continue to occupy the property. If the property is owned by a cooperative housing association, it must continue to rent at least 50 percent of the units to households that meet the income standard for a qualifying lower income homeownership household and benefit from the “credit against rent” requirement throughout the five-year period.

The lower-income purchaser or the persons acquiring qualified ownership interests under a shared equity financing agreement must receive a credit against the purchase price of the property equal to the total transfer tax that would have been due without the exemption. This provision is necessary because the transfer tax is usually paid by the seller.

PURPOSE: The authorizing statute states that, “The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia.”⁴⁰

IMPACT: Households with annual income no greater than 120 percent of the lower-income guidelines established for the Washington metropolitan area benefit from this exemption. There may be spillover benefits for society if homeownership leads to neighborhood improvement and stability by giving people a greater stake in their communities.

⁴⁰ See DC Official Code § 47-3501(7).

Lower-income homeownership households

Purpose:

To expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia.

Resources/Inputs:

Qualified residents receive a 5 year tax exemption from the property tax and is exempt from the deed recordation and transfer taxes.

Outputs:

Reliable estimate not available at this time.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term

Low-income residents who might not otherwise afford a home receive a financial incentive to buy a home.

Medium-term

The rate of homeownership for low-income residents in the District rises

Long-term

Better outcomes for residents and their families; various positive benefits of long-term residents; strengthens neighborhoods as homeowners have a stake in community; more diverse city and neighborhoods; building a middle class tax base for economic and tax base stability.

Assumptions:

This tax incentive will encourage homeownership, which, at least to a certain degree, promotes staying in DC versus moving out of the city.

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Property tax circuit breaker (Schedule H)

Income Tax Credit

District of Columbia Code: DC Official Code § 47-1806.06
 Sunset Date: None
 Year Enacted: 1977

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	3,635	3,715	4,041	4,041	11,466	13,150	13,150	14,960
# of Beneficiaries Tax Year	8,189	8,266	7,043	6,935	N/A	N/A	N/A	N/A

Source: ORA Analysis of DC Individual Income Tax Data

N/A = Data not yet available.

DESCRIPTION: The District’s property tax circuit breaker program (also known as “Schedule H”) has been revised substantially, effective in tax year 2014. The program allows low-income homeowners and renters to claim a property tax credit that is applied to the taxpayer’s income tax liability. To qualify, the taxpayer must have been a DC resident throughout the taxable year. The credit is refundable; if the amount of the credit exceeds tax liability, the taxpayer receives the excess amount in the form of a refund.

The annual income eligibility limit will rise from \$20,000 in *household* income to \$40,000 in income per *tax filing unit* in tax years 2014 and 2015, and to \$50,000 per tax filing unit in tax year 2016 and subsequent years. The decision not to use household income to determine eligibility is important because taxpayers will no longer have to count the income of anyone who shares their housing – even someone who is unrelated – when applying for the program. Using the income of the tax filing unit (a single person or a family, in essence) expands eligibility and also reduces the administrative complexity of the program.

For homeowners, the credit equals the amount by which a homeowner’s property tax bill exceeds a set percentage of household income (the relevant percentage varies with income), up to a maximum amount that rose from \$750 to \$1,000 beginning in tax year 2014, and thereafter adjusted annually for inflation.

For renters, an imputed property tax payment is used to calculate his or her credit. The imputed tax payment rose from 15 percent to 20 percent of total rent payments, beginning in tax year 2014. The renter receives a credit equal to the amount by which his or her imputed property tax payment exceeds a percentage of household income, up to a maximum amount that rose from \$750 to \$1,000 beginning in tax year 2014, and thereafter adjusted annually for inflation.

These changes that were enacted in 2014 account for the large increase in estimated revenue foregone under this provision (beginning in 2014) as more taxpayers are eligible for the provision.

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A separate formula for determining the benefits available to elderly, blind, or disabled taxpayers has been eliminated as of tax year 2014. These taxpayers will now qualify for the property tax circuit breaker on the same basis as other residents.

The program is known as a “circuit breaker” because it stops tax liability from increasing once it reaches a certain percentage of income. According to the Lincoln Land Institute, all but 15 states offered a circuit breaker program in 2009.⁴¹ In many states, the circuit breaker is available only to the elderly.

PURPOSE: The purpose of the credit is to enhance income security for residents whose property taxes are high relative to their income, such as elderly residents on fixed incomes. Although the tax relief is provided through the income tax system, it is based on the amount by which an individual or family's property tax bill exceeds a specified percentage of income.

IMPACT: Low- to moderate-income individuals and families who own or rent a home in the District of Columbia that serves as their primary place of residence are the main beneficiaries of this credit. During tax year 2013, 6,935 tax filers claimed the credit, but that number will rise substantially as the eligibility expands and the maximum credit rises, beginning in tax year 2014. As shown in the table below, the credit has been targeted at low-income residents: 100 percent of the credits were claimed by tax filers with incomes below \$20,000 in 2011.

Table 5: Property Tax Circuit Breaker, 2011

Income Category (AGI)	Number	Share	Amount (\$ in 000s)	Share
Breakeven or Loss	1,209	15%	\$766	16%
\$1 to \$5,000	1,347	16%	\$816	17%
\$5,001 to \$10,000	1,731	21%	\$1,028	21%
\$10,001 to \$15,000	2,083	25%	\$1,190	25%
\$15,001 to \$20,000	1,896	23%	\$1,007	21%
Total	8,266	100%	\$4,807	100%

Source: ORA Analysis of DC Individual Income Tax Data

⁴¹ Kenyon, Daphne, Adam Langley, and Bethany Paquin, “Property Tax Relief: The Case for Circuit Breakers,” *Land Lines*, Lincoln Institute of Land Policy (April 2010), p. 10.

Property tax circuit-breaker (Schedule H)

The Need:

To enhance income security for residents whose property taxes are high relative to their income, such as elderly residents on fixed incomes.

Resources/Inputs:

In FY14, the District spent \$4,041,000 on this credit. This is set to go up significantly in FY15 because of increased income limits.

Outputs:

During tax year 2013, 6,935 tax filers claimed the credit. For the most recent five years in which data are available, the average number of beneficiaries was 9,000.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Beneficiaries are less burdened by tax bills and may have increased resources on hand to meet other needs.

Medium-term

Income security is enhanced for residents whose property taxes are high relative to their income

Long-term

Beneficiaries are more able to meet their needs and have a better quality of living. From the city's perspective, they are also more likely to stay in the District, contributing to multiple tax bases.

Assumptions:

This credit for low-income residents will help them better meet their economic needs, thus allowing them the freedom to stay in the city even if rents are higher than in surrounding areas.

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NoMA residential developments

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 47-859.01 - § 47-859.05
 Sunset Date: None
 Year Enacted: 2009

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	-	-	1,002	1,002	1,790	4,212	5,000	5,000
# of Beneficiaries Tax Year	-	-	2 buildings	2 buildings	3 buildings	7 buildings	9 buildings	9 buildings

Source: ORA Analysis of Real Property Tax data and information obtained from DMPED, August 21, 2015.

Table 6: Recipients of the NoMA Tax Abatement

Name of Development	Address	# of Units	Date confirmed	Total Tax Abated \$	Annual Tax Abatement \$
The Loree Grand	250 K St NE	212	09/2010	3,568,050	356,805
CS Residential 1	130 M St NE	440	03/2011	6,454,875	645,488
Archstone North Capitol Hill 1	1160 First St NE	469	05/2013	7,878,090	787,809
NoMA West Residential 1, LLC	150, 151, 200, 201, 251 Q Street NE	603	02/2014	8,432,580	843,258
CS Residential 2	140 M St NE	203	02/2014	2,581,785	258,179
NoMA West Residential, LLC	60 L St NE	321	02/2014	4,599,705	459,971
77H	77 H St NE	303	02/2014	4,241,850	424,185
Washington Gateway	100 Florida Ave NE	400	02/2015	5,153,265	515,327
Archstone North Capitol Hill 2	55 M St NE	436	Not yet confirmed as of 8/23/15	<u>7,089,800</u>	<u>708,980</u>
				50,000,000	5,000,002

Source: Information obtained from DMPED, August 21, 2015.

DESCRIPTION: The Mayor is authorized to grant up to \$5 million annually and \$50 million in total real property tax abatements for new residential developments in the North of Massachusetts Avenue (NoMA)

Part II: Review of the District's Housing Tax Provisions

neighborhood of Wards 5 and 6. The tax abatement for any eligible property expires at the end of the 10th tax year after the tax year in which a certificate of occupancy is issued for the property. An eligible property must be improved by new structures or undergo rehabilitation, and have 10 or more units devoted to residential use.

The tax abatement is set at \$1.50 per residential floor-area ratio square foot, multiplied by the total square footage as certified by the project architect and the Mayor. The rules governing the program are set forth in Title 10-B, Chapter 62 of the DC Municipal Regulations. The Deputy Mayor for Planning and Economic Development (DMPED) administers the program.

A property that claims a tax abatement for vacant rental housing or receives tax-increment financing is not eligible for the NoMA abatements.

PURPOSE: The purpose of the abatements is to encourage new multi-family residential development in the NoMA neighborhood. Noting that residential development had slowed considerably due to a weakening economy and credit crunch, the Council's Committee on Finance and Revenue stated in its report on the authorizing legislation that, "The tax abatement bill would give an incentive to new builders to break ground and create new residential development in the NoMA area. The tax incentives contained in the bill are modeled after the successful Housing Act of 2002."⁴² (see tax expenditure "New residential developments").

IMPACT: Housing developers and residents of the new housing developments stand to benefit from the tax abatements, which are also intended to have broader benefits by strengthening the District's economic and tax base. The abatements violate the principle of horizontal equity because similar developments in other parts of the city do not qualify for equivalent tax relief.

⁴² Council of the District of Columbia, Committee on Finance and Revenue, Report on Bill 18-18, the "NoMA Residential Development Tax Abatement Act of 2009," March 16, 2009, p. 2.

NoMA Residential Developments

The Need:

To encourage new multi-family residential development in the NoMA neighborhood.

Resources/Inputs:

In FY15, total taxes abated were \$\$4,212,000.

Outputs:

During tax year 2015, residents of 7 buildings benefitted from lower property taxes.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Developers were incentivized to build modern housing knowing that tenants would have the property tax benefit as an extra incentive to purchase a condo.

Medium-term

Beneficiaries are able to purchase housing for below what the cost would be without the tax incentive.

Long-term

Beneficiaries are condo owners who will likely stay in the District, contributing to multiple tax bases, and paying full property taxes once the 10 year abatement is over.

Assumptions:

This abatement will entice developers and homeowners to choose the NoMA area, developing that neighborhood in numerous ways that benefit the city.

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New residential developments

Real Property Tax Abatements

District of Columbia Code: DC Official Code § 47-857.01 - § 47-857.10
 Sunset Date: None
 Year Enacted: 2002

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	N/A	N/A	3,331	3,331	3,771	3,331	1,540	1,346
# of Beneficiaries Tax Year	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data.

N/A = Data not readily available.

DESCRIPTION: The Mayor is authorized to grant up to \$8 million annually in real property tax abatements for new residential developments. The tax abatement for any eligible property expires at the end of the 10th tax year after the tax year in which a certificate of occupancy is issued for the property. An eligible property must be improved by new structures or undergo rehabilitation, and have 10 or more units devoted to residential use.

The \$8 million annual limit is divided among projects in three areas: (1) \$2.5 million in tax abatements for new housing projects and new mixed-income housing projects downtown, (2) \$2 million in tax abatements for new housing projects and new mixed-income housing projects in Housing Priority Area A (“Mount Vernon Square North”), and (3) \$3.5 million in tax abatements for new, mixed-income housing projects in other parts of the District of Columbia, which includes a set-aside of up to \$500,000 for real property located in square 2910.⁴³ The regulations implementing this provision state that “Ten (10%) percent of the housing units [in Housing Area A] in the eligible real property shall be affordable to, and occupied by, low-income households for twenty (20) years after the certificate of occupancy for the eligible real property is issued as certified by the owner annually in a written statement to DM[P]ED.” However, it is not clear what the affordability requirements are and were unable to locate information indicating that anyone is monitoring whether the buildings are maintaining any units at affordable rates.

Recipients of the tax abatements include the “Mass Court Apartments” at 300 Massachusetts Avenue, NW, the “Meridian at Gallery Place” apartments at 450 Massachusetts Avenue, NW, the “Quincy Court” condominium at 1117 10th Street, NW, and “The Residences at Georgia Avenue” at 4100 Georgia Avenue, NW

The amount of tax relief varies according to the location of the property and other factors, such as the type of construction and the percentage of affordable housing units. The rules governing the program are set forth in Title 10-B, Chapter 59 of the DC Municipal Regulations. The Office of the Deputy Mayor for Planning and Economic Development administers the program.

⁴³ Square 2910 is bounded by Kansas Avenue, Upshur Street, Georgia Avenue, and Taylor Street in Northwest DC

Part II: Review of the District's Housing Tax Provisions

A property that receives a tax abatement for vacant rental housing or receives tax-increment financing is not eligible for the new residential development abatements.

PURPOSE: The regulations state that the program's purpose is "to provide tax abatements as incentives for the production of new housing downtown and for the production of affordable, mixed-income housing in high-cost areas of the District of Columbia."⁴⁴

IMPACT: The tax abatements are intended to deliver broad-based benefits by promoting the growth of mixed-income communities with commercial and residential uses, thereby strengthening the District's economic and tax base.⁴⁵ In particular, the downtown and Mount Vernon Square North areas are targeted beneficiaries of the program. During FY 2014, 16 properties will receive abatements through this program.

The revenue foregone declines during the FY 2014-2017 period because some properties are reaching the end of the 10-year eligibility period. The abatements violate the principle of horizontal equity because similar developments in other parts of the city do not qualify for equivalent tax relief.

⁴⁴ See Title 10-B, Section 5900 of the DC Municipal Regulations.

⁴⁵ This summary draws on the Council of the District of Columbia, Committee on Finance and Revenue, "Committee Report on Bill 14-183, the 'HomeStart Financial Incentives Act of 2001,'" dated November 13, 2001.

New Residential Developments

The Need:

To encourage new multi-family residential development in various target neighborhoods.

Resources/Inputs:

In FY15, roughly \$3.3 million in total taxes was abated.

Outputs:

During tax year 2015, residents in at least sixteen buildings benefitted from lower property taxes.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Developers were incentivized to build modern housing knowing that tenants would have the property tax benefit as an extra incentive to purchase a condo.

Medium-term

Beneficiaries are able to purchase housing for below what the cost would be without the tax incentive.

Long-term

Beneficiaries are condo owners who will likely stay in the District, contributing to multiple tax bases, and paying full property taxes once the 10 year abatement is over.

Assumptions:

This abatement will entice developers and homeowners to choose the target areas, developing those neighborhoods in numerous ways that benefit the city.

Part II: Review of the District's Housing Tax Provisions

Multi-family and single-family rental and cooperative housing for low- and moderate-income persons

Real Property Tax Exemption

District of Columbia Code: DC Official Code § 47-1002(20)
Sunset Date: None
Year Enacted: 1978

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	1,080	1,082	1,085	1,088

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: Multi-family and single-family rental and cooperative housing, as well as individual condominium units, are exempt from the real property tax if they are rented to low- and moderate-income persons and qualify for at least one of the following federal programs: (1) the mortgage interest subsidy program for owners of rental housing projects for lower-income families, (2) the “Section 8” housing voucher program, (3) the rent supplement program for needy tenants, (4) the mortgage insurance program for moderate-income and displaced families, and (5) the supportive housing direct loan program for the low-income elderly.

PURPOSE: The purpose of this provision is to increase and maintain the stock of affordable housing in the District of Columbia.

IMPACT: Owners of housing that is rented to low- and moderate-income families benefit from this provision, as do their tenants.

Multi-family and single-family rental and cooperative housing for low- and moderate-income persons

The Need:

To increase and maintain the stock of affordable housing in the District of Columbia.

Resources/Inputs:

Qualifying low income multi-family and single-family rental and cooperative housing, as well as individual condominium units, are exempt from the real property tax. In FY16, it is estimated that the District will forego \$1,085,000 in property tax revenue.

Outputs:

It is unclear how many recipients are benefitting.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term

Owners of housing are incentivized to rent apartments to low- and moderate-income families.

Medium-term

Owners of housing that is rented to low- and moderate-income families benefit from this provision, as do their tenants.

Long-term

The District's housing goals are closer to being met, meaning that residents (in particular low-income residents) are able to secure affordable housing, thus allowing them to stay in the District.

Assumptions:

Incentivizing owners of housing to rent to low income residents will help increase and maintain the supply of affordable housing for those tenants.

Part II: Review of the District's Housing Tax Provisions

Nonprofit affordable housing developers

Real Property Tax Exemption

District of Columbia Code: DC Official Code § 47-1005.02
 Sunset Date: None
 Year Enacted: 2012

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	200	300	400	500

Source: ORA Analysis of DC Real Property Tax Data

Deed Recordation Tax Exemption

District of Columbia Code: DC Official Code § 42-1102(32)
 Sunset Date: None
 Year Enacted: 2012

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	155	155	156	156

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: Nonprofit affordable housing developers are allowed to maintain their real property tax exemption during the time that a project is under the restrictions of the federal low-income housing tax credit (LIHTC) program and are also granted an exemption from the deed recordation tax during that time. The reason this exemption is necessary is because property developed through the LIHTC program is usually transferred to a private, for-profit subsidiary of the developer. Without this exemption, the non-profit organization would have to pay both taxes on property it is developing as affordable housing.

The LIHTC program was established by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded by state housing finance agencies to developers of qualified projects, who usually sell the credits to investors to raise capital or equity for their projects.⁴⁶ The credit purchaser must be part of the property ownership entity; this transfer is usually accomplished by creating a limited partnership or limited liability company.

This approach reduces the debt that the developer would otherwise incur and thereby makes it possible for an affordable housing project to offer lower rents. If the project maintains compliance with LIHTC program requirements, investors receive a dollar-for-dollar credit against their federal tax liability for a 10-year period. Projects eligible for housing tax credits must meet low-income occupancy requirements.⁴⁷

⁴⁶ The developer typically sells the credit in order to raise up-front cash for the affordable housing project.

⁴⁷ Developers are required to set aside at least 20 percent of their units for households with incomes at or below 50 percent of the area median, or at least 40 percent of their units for households at or below 60 percent of the area median (adjusted for family size).

Part II: Review of the District's Housing Tax Provisions

PURPOSE: The purpose of the exemption is to ensure that non-profit developers of affordable housing do not become subject to real property and deed recordation taxation when they participate in the LIHTC program.

IMPACT: The exemption supports the operations of a program that the DC Housing Finance Agency (which awards LIHTC credits in the District of Columbia) describes as one of the two primary long-term financing programs used to develop affordable multi-family rental housing projects.⁴⁸ An OTR representative told us that developers must submit an application for this exemption through DHCD, which certifies the exemption.

One developer of affordable housing told us that this provision was extremely useful and allowed them to put the tax savings directly back into the scope of the project. For one development, this translated directly into having a full time security guard present at the front desk, which would not have been possible otherwise. The taxes they would have to pay not only amount to less money available to the project, they also represent a more inefficient amount of spending given that that amount of money cannot be used as “basis” for receiving more Low Income Housing Tax Credits, since it isn't directly used for providing housing.

⁴⁸ See www.dchfa.org.

Part II: Review of the District's Housing Tax Provisions

Nonprofit affordable housing developers

The Need:

The purpose of the exemption is to ensure that non-profit developers of affordable housing do not become subject to real property taxation when they participate in the LIHTC program.

Resources/inputs:

These two provisions offer around \$500,000 per year in tax savings to developers who receive the LIHTC.

Outputs:

This tax savings can be directed back into the project, and in one case we learned that a direct result was the provision of front desk security personnel for the housing development.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Affordable housing construction is made more feasible for developers, thus Developers can more easily build more nonprofit housing, which is needed in the city.

Medium-term:

Developers are more likely to build affordable housing, supplying the District with much needed supply of affordable housing.

Long-term:

The District's housing goals are closer to being met, meaning that residents are able to secure affordable housing, thus allowing them to stay in the District.

Assumptions: Making the construction of affordable housing more financially possible for developers will lead to an increase in the supply of affordable housing.

Part II: Review of the District's Housing Tax Provisions

Cooperative housing associations

Deed Recordation and Transfer Tax Exemptions

District of Columbia Code: DC Official Code § 42-1102(14), § 47-3503(a)(2), and § 47-3503(a)(3) for deed recordation tax
DC Official Code § 47-902(11) and § 47-3503(b)(2) for transfer tax
Sunset Date: None
Year Enacted: 1983

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	267	272	278	283

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: A property acquired by a cooperative housing association is exempt from the deed recordation and transfer taxes if at least 50 percent of the units are occupied by households with an annual income no greater than 120 percent of the lower-income guidelines established by the US Department of Housing and Urban Development for the Washington metropolitan area.

As of July 1, 2014, the household income limits ranged from \$57,140 for a one-person household to \$108,540 for a household with eight or more people. The limit on the purchase price of the home is \$375,200.⁴⁹

The cooperative housing association must receive a credit against the purchase price of the property equal to the total transfer tax that would have been due without the exemption. This provision is necessary because the transfer tax is usually paid by the seller of the property.

PURPOSE: The authorizing statute states that, “The purpose of this act is to expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia.”⁵⁰ The statute further states that, “Expansion of homeownership opportunities for lower income families is beneficial to the public peace, health, safety and general welfare.”⁵¹

IMPACT: Cooperative housing associations with at least 50 percent of units occupied by lower-income households benefit from this provision.

⁴⁹ http://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/sharp%40dc.gov_20140909_110358.pdf

⁵⁰ See DC Official Code § 47-3501(7).

⁵¹ See DC Official Code § 47-3501(6).

Cooperative housing associations

The Need:

To expand homeownership opportunities for lower-income families to the maximum extent possible at the lowest possible cost to the District of Columbia. "Expansion of homeownership opportunities for lower income families is beneficial to the public peace, health, safety and general welfare.

Resources/Inputs:

The District foregoes an estimated \$280,000, on average, to provide this benefit.

Outputs:

It is unclear how many residents are receiving this tax benefit.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term

Owners of cooperative housing are incentivized to rent apartments to low- and moderate-income families.

Medium-term

Owners of cooperative housing that is rented to low- and moderate-income families benefit from this provision, as do their tenants.

Long-term

The District's housing goals are closer to being met, meaning that residents (in particular low-income residents) are able to secure affordable housing, thus allowing them to stay in the District.

Assumptions:

Incentivizing owners of housing to rent to low income residents will help increase and maintain the supply of affordable housing for those tenants.

Part II: Review of the District's Housing Tax Provisions

Inclusionary zoning program

Deed Transfer Tax Exemptions

District of Columbia Code: DC Official Code § 47-902(23)
Sunset Date: None
Year Enacted: 2007

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	7	30	30	30

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: Transfers of property to a qualifying low- or moderate-income household pursuant to the Inclusionary Zoning (IZ) program are exempt from the transfer tax on real property. IZ requires an affordable housing set-aside in new developments of 10 or more units, or a substantial rehabilitation that expands an existing building's floor-area ratio (FAR) by 50 percent or more and adds 10 or more units, in exchange for an increase in density. There are exemptions for certain zones and historic districts.

IZ is targeted at households earning less than 50 percent of area median income (AMI), and between 50 percent and 80 percent of AMI, depending on the zoning and the type of construction. The amount of the affordable housing set-aside (which ranges between 8 and 10 percent of the residential space) also varies depending on the zoning and construction type. Affordable units offered through the IZ program have rental or price caps that are tied to AMI. In return for providing affordable units, developers receive a 20 percent bonus density.

After housing is built in accordance with the IZ program, the developer or owner of the affordable unit issues a notice of availability to the Department of Housing and Community Development (DHCD), which then holds a lottery to select an eligible household for each unit. Prospective renters and buyers have to submit information about their income and household size, a declaration of eligibility, a mortgage pre-qualification (if applicable), and any other documents required by the Mayor.

PURPOSE: The purpose of the exemption is to further the IZ program's goals of producing affordable housing for residents, creating mixed-income neighborhoods, and increasing homeownership opportunities for low- and moderate-income households.

IMPACT: Low- and moderate-income households are the intended beneficiaries of this provision. As of December 31, 2012, 18 IZ units had been produced, but none had been sold or rented (three of the 18 units were for sale).⁵² Thus far, many housing construction projects have been exempt from IZ because of geographic exemptions, because they received development approvals before the effective date of IZ, or because they were subject to housing affordability requirements as a planned unit development or through other DC government programs.⁵³ The revenue foregone estimate shown above is based on an assumption that two IZ units are sold in FY 2014, and that nine units are sold annually during the FY 2015-2017 period.

⁵² Department of Housing and Community Development, "Inclusionary Zoning Annual and 5.5 Year Report," April 24, 2013, p. 2.

⁵³ Ibid, pp. 5-6.

Inclusionary Zoning program

The Need:

The purpose of the exemption is to further the IZ program's goals of producing affordable housing for residents, creating mixed-income neighborhoods, and increasing homeownership opportunities for low- and moderate-income households.

Resources/Inputs:

The District lost approximately \$30,000 in Deed Recordation tax revenues a year in order to further support the IZ program.

Output:

Owners of nine IZ units benefited from lower taxes.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Low- and moderate-income households are have more disposable income for other needs.

Medium-term:

Low- and moderate-income households are have more disposable income for other needs.

Long-term:

The goals of the IZ program are furthered, including affordable housing for residents, creating mixed-income neighborhoods, and increasing homeownership opportunities for low- and moderate-income households.

Assumptions: Producing affordable housing for residents, creating mixed-income neighborhoods, and increasing homeownership opportunities for low- and moderate-income households will have a positive impact on the city and its tax base.

Part II: Review of the District's Housing Tax Provisions

Historic property

Real Property Tax Exemptions

District of Columbia Code: DC Official Code § 47-842 - § 47-844
Sunset Date: None
Year Enacted: 1974

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	9	10	10	10

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: The DC Council is authorized to grant tax relief to the owners of buildings that have been designated as historic by the Historic Preservation Review Board.⁵⁴ The tax relief is provided through agreements between the DC government and the property owners lasting at least 20 years, in order to assure the continued maintenance of the historic buildings.

The authorizing statute provides that the agreements “shall, as a condition for tax relief, require reasonable assurance that such buildings will be used and properly maintained and such other conditions as the Council finds to be necessary to encourage the preservation of historic buildings.”⁵⁵ The DC government can seek recovery of back taxes, with interest, if the conditions for the exemption are not fulfilled.

PURPOSE: The purpose of this provision is to protect historic buildings and landmarks in the District of Columbia; preserve the city’s historic, aesthetic, and cultural heritage; foster civic pride; and enhance the city’s attractiveness to visitors, thereby promoting economic development.

IMPACT: The owners of historic buildings receive the direct benefits of the tax relief, but there may be a broader benefit to DC residents from the preservation of the city’s cultural and social history, as well as neighborhood beautification and improvement.

⁵⁴ Although the statute cites the Joint Committee on Landmarks of the National Capital as the designating authority, the Joint Committee was replaced by the Historic Preservation Review Board in 1978.

⁵⁵ See DC Official Code § 47-844.

Historic Property

The Need:

To protect historic buildings and landmarks in the District of Columbia.

Resources/Inputs:

Owners of historical buildings may receive a tax exemption to preserve them.

Output:

It is unclear how many buildings currently benefit from this provision.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Owners of historical buildings preserve them.

Medium-term:

Preservation of the city's cultural and social history, as well as neighborhood beautification and improvement.

Long-term:

DC residents benefit broadly from such preservation.

Assumptions: Preservation of the city's cultural and social history, as well as neighborhood beautification and improvement has broad benefits to DC Residents.

Part II: Review of the District's Housing Tax Provisions

Lower-income, long-term homeownership

Income Tax Credits

District of Columbia Code: DC Official Code § 47-1806.09 - § 47-1806.09f
Sunset Date: None
Year Enacted: 2002

	2010	2011	2012	2013	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	4	4	4	4	4.4	4.4	4.4	4.4
# of Beneficiaries Tax Year	25	68	70	74	N/A	N/A	N/A	N/A

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: The District offers a lower-income, long-term homeowner credit to residents with a household income equal to or less than 50 percent of the area median income who own an eligible residence (one that receives the homestead deduction) as a principal place of residence and have resided in that home for at least seven consecutive years. Eligible homeowners get a credit on their District of Columbia income tax equal to the difference between the current real property tax bill and 105 percent of their real property tax bill in the prior year.

The credit is refundable, meaning that the taxpayer can get a check for any amount by which the credit exceeds his or her income tax liability. Because household income determines eligibility, this means that the income of anyone who shares the housing – even someone who is unrelated to the taxpayer – counts toward the 50 percent median income cap. To claim the credit, taxpayers must fill out Schedule L, the “Lower Income Long-Term Homeowner Credit.”

In tax year 2014, the household income limits ranged from \$38,250 for a single-person household to \$72,100 for a household of eight people or more.⁵⁶

PURPOSE: The purpose of the credit is to protect lower-income, long-term homeowners in the District of Columbia from rapid increases in real property taxes that could force them to sell their homes and possibly to leave the District.

IMPACT: Lower-income, long-term homeowners in the District of Columbia benefit from this provision. In tax year 2013, 74 tax filers claimed the credit. The credit violates the principle of horizontal equity because lower-income homeowners who have not resided in the same home as a principal place of residence for seven years do not qualify for similar tax relief.

⁵⁶ <http://www.huduser.org/portal/datasets/il/il2015/2015summary.odn>

Lower-income, long-term homeownership Credit

The Need:

To protect lower-income, long-term homeowners in the District of Columbia from rapid increases in real property taxes that could force them to sell their homes and possibly to leave the District.

Resources/Inputs:

The District provided income tax credits of approximately \$4,000 to lower-income homeowners per year.

Output:

In the past several years, owners received approximately \$50 a year of income tax credit through this provision.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Low- and moderate-income households are have more disposable income for other needs.

Medium-term:

Low- and moderate- income households are more able to stay in their homes.

Long-term:

Better outcomes for residents and their families; various positive benefits of long-term residents; strengthens neighborhoods as homeowners have a stake in community; more diverse city and neighborhoods; building a middle class tax base for economic and tax base stability.

Assumptions: Preserving low-income homeownership will have a positive impact on the homeowners, the city and its tax base.

Part II: Review of the District's Housing Tax Provisions

Low-income, senior-citizen homeowners

Real Property Tax Deferral

District of Columbia Code: DC Official Code § 47-845.03
Sunset Date: None
Year Enacted: 2005

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	3	4	4	4

Source: ORA Analysis of DC Real Property Tax Data

DESCRIPTION: A taxpayer who is 65 years of age or older, occupies a home or condominium in the District of Columbia as his or her principal place of residence, and has a household adjusted gross income of less than \$50,000 can defer any real property tax owed in a given tax year. The deferred taxes bear interest at the rate charged by the US Internal Revenue Service on underpayments of federal income taxes, but will not exceed 8 percent per year. The amount of tax deferred, plus interest accrued on the taxes deferred in previous years, is limited to 25 percent of the assessed value of the property in the current tax year.

Several additional requirements apply. The homeowner must live in a home with no more than five dwelling units, and the senior citizen or citizens must own at least 50 percent of the house or condominium. The homeowner must also undergo home equity conversion mortgage counseling and file an application with the Office of Tax and Revenue to qualify for the deferral. This tax deferral differs from the deferral available for low-income homeowners (“Low-income homeowners”) by covering the *entire* property tax bill, rather than just the yearly increase in property tax liability.

PURPOSE: The purpose of the tax deferral is to protect low- and moderate-income senior citizens from real property tax burdens that they cannot afford. This provision recognizes that many senior citizens are “house-rich” but “cash-poor,” because many senior citizens live on fixed incomes that may not keep pace with the assessed value of homes.

IMPACT: Senior citizen homeowners with annual household adjusted gross income less than \$50,000 benefit are the intended beneficiaries of this provision. Nevertheless, there was only one claimant in tax year 2013. Research by the American Association of Retired Persons (AARP) has found that participation rates in property tax deferral programs are generally very low (less than 1 percent).⁵⁷

The deferral violates the principle of horizontal equity because non-elderly homeowners with the household adjusted gross income of less than \$50,000 do not receive similar tax relief (the deferral option for low-income homeowners is more limited). The deferral might also compound the financial difficulties of low-income senior citizens by encouraging the buildup of debt.

⁵⁷ Baer, David. “Property Tax Relief Programs and Property Tax Burdens.” American Association of retired Persons, August 19, 2008, pp. 22-25.

Low-income, senior-citizen homeowners

The Need:

To protect low- and moderate-income senior citizens from real property tax burdens that they cannot afford. This provision recognizes that many senior citizens are "house-rich" but "cash-poor," because many senior citizens live on fixed incomes that may not keep pace with the assessed value of homes.

Resources/Inputs:

The District loses approximately \$4,000 a year in tax revenues for this program.

Output:

Very few residents take this provision.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

Low-income seniors have more disposable income for other needs.

Medium-term:

Such relief may allow Low-income seniors to stay in their DC residences rather than having to consider leaving, also contributing to an increase in homeownership rates.

Long-term:

Low-income senior homeowners are more likely to their homes they will stay in the District and contribute to the tax base.

Assumptions:

If low-income senior homeowners are more likely to their homes they will stay in the District. Homeownership, at least to a certain degree, promotes staying in DC versus moving out of the city.

Individual Housing Provisions

Individual provisions, or provisions resulting from legislation passed for the construction, renovation or rehabilitation of a specific project, are one of the avenues used to provide affordable housing in the District. Individual housing provisions grant tax exemptions, abatements, or both to specific projects for the redevelopment and revitalization of the District. A number of the exemptions are granted when a non-profit transfers property to a for-profit entity to build affordable housing. There is now a blanket exemption that was enacted in 2012 for affordable housing projects implemented by a for-profit developer in accordance with the federal low-income housing tax credit program, but individual provisions can come up in other circumstances, such as when a church partners with a for-profit developer to build affordable housing.

There are 31 individual provisions (some in the list below are grouped together) largely intended to promote affordable and mixed-income housing. These provisions are very idiosyncratic, and include some kind of set-aside for low-income housing, senior citizen housing, workforce housing, or housing for people with disabilities. The exceptions include artist housing (Studio Theatre), and military housing. Many of these projects have drawn on public funds from a variety of sources: the US Department of Housing and Urban Development (HUD), federal low-income housing tax credits, the DC Department of Housing and Community Development (DHCD), Housing Finance Agency, Housing Production Trust Fund, etc.

Many single projects that receive a property tax exemption have to file an annual use report in accordance with DC Official Code § 47-1007 (documenting that they are in fact using the property for its intended, tax-exempt purpose), but this is not universally imposed. Other single projects have a monitoring component, as a condition of assistance from the DHCD, or the Housing Finance Agency. Monitoring reports may be the best source of data for an evaluation; however, we requested them from both DHCD and DC Housing Authority, but to date, we do not have them.

The total estimated foregone revenue for all housing-related individual tax expenditures in FY15 is \$14,535,861.⁵⁸ This estimated foregone revenue due to the individual housing provisions is already counted in the aggregated categorical provision total. The following section describes each of the District's individual housing tax expenditures for which enough data are available to provide some level of detail.

⁵⁸Summing tax expenditures does not take into account possible interactions among categorical tax expenditures and therefore does not produce an exact estimate of the revenue.

Part II: Review of the District's Housing Tax Provisions

Table 7: All Housing-Related Individual Tax Expenditures

Name	Type of Provision	Year Enacted	DC Code Section
2 M Street, NE	Abatement	2011	§ 47-4648
4427 Hayes Street, NE	Abatement	2011	§ 47-4649
800 Kenilworth Avenue, NE	Abatement	2011	§ 47-4643
Affordable Housing Opportunities	Exemption	2010	§ 47-1084
Allen Chapel A.M.E.	Exemption	2010	§ 47-4641
Beulah Baptist Church	Exemption	2011	§ 47-4654
Bolling Air Force Base	Exemption	2009	§ 47-1080
Campbell Heights	Exemption	2010	§ 47-4632
Carver 2000	Exemption	2005	§ 47-4605
Central Union Mission	Exemption	2011	§ 47-4651
Douglas Knoll, Golden Rule, 1728 W St., Wagner Gainesville	Exemption	2005	§ 47-1065
Eckington One	Abatement	2009	§ 47-1075
Far Southeast Community Organization	Exemption	2007	§ 47-4619
Georgia Commons	Abatement	2008	§ 47-4610
Golden Rule II	Exemption	2008	§ 47-1079
Heights on Georgia Avenue	Abatement	2010	§ 47-4628
Israel Senior Residences	Exemption	2013	§ 47-4659
Jubilee Housing	Exemption	2013	§ 47-1089
Jubilee Housing II	Exemption	2010	§ 47-4633
Kelsey Gardens	Abatement	2009	§ 47-4625
King Towers	Exemption	2010	§ 47-4639
Park Place at Petworth, Highland Park, Highland Park Phase II	Abatement	2010	§ 47-4629
Parkside Parcel E and J	Abatement	2013	§ 47-4658
Parkside Terrace	Exemption	2006	§ 47-4607
Some, Inc., and affiliates	Exemption	2008	§ 47-1078
St. Martin's Apartments	Exemption	2009	§ 47-4620
St. Paul Senior Living	Exemption	2011	§ 47-4642
Studio Theatre	Exemption	2009	§ 47-1082
The Elizabeth Ministry	Exemption	2013	§ 47-4657
View 14 Project	Abatement	2010	§ 47-4623

Source: ORA compilation

Part II: Review of the District’s Housing Tax Provisions

2 M Street, NE

District of Columbia Code Section(s): DC Official Code § 47-4648
 Year Enacted: 2011
 Type of Provision: Abatement
 Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	-	-	-	-	804	820

DESCRIPTION:

The “2 M Street, N.E Real Property Tax Abatement Act of 2010” exempts the 2 M Street project from real property taxes for a period of 10 years, not to exceed \$5.76 million in total. The property is located at Square 0672, Lot 0258, in Ward 6. The property was completed in February 2013 and the abatement began on October 1, 2014. The abatement was contingent on Federal Housing Administration approval of an application for mortgage insurance under section 221(d)(4) of the National Housing Act to finance the acquisition or construction of land improvements at 2 M Street, NE; and the property owner certifying to the Office of Tax and Revenue that the application for mortgage insurance had been approved.

2 M Street is the first mixed-income residential project of the Northwest One New Communities Initiatives. The project was part of phase 1 of the New Communities’ Northwest One initiative in Ward 6. The project was described as a mixed-use development that would include 314 units of residential housing (221 market rate, 59 affordable for 30 percent of area median income, and 34 affordable at 60 percent of area median income), 4,000 square feet of retail space, a parking garage, and a fitness center with a pool and basketball court. The 59 affordable housing units were replacements for former tenants of the Golden Rule and Temple Courts residences.

PURPOSE:

According to the committee report, 2 M Street, as part of the New Communities Program, was designed to “catalyze physical and social conditions in targeted neighborhoods in need of investment”⁵⁹. There are four neighborhoods in Washington, DC are Barry Farm (Ward 8), Lincoln Heights/Richardson Dwelling (Ward 7), Northwest One (Ward 6), and Park Morton (Ward 1).The key principles of the New Communities Program are: 1, build a mixed-income housing, have one-for-one replacement of affordable units, and a right of return for residents. 2 M Street marks the beginning of the initiative which in total will include 1,600 residential units in Northwest One, 200,000 square feet of office, and 40,000 square

⁵⁹ Council of the District of Columbia Committee on Finance and Revenue Committee Report on the “2 M Street, NE Real Property Tax Abatement Act of 2010”, p. 2.

Part II: Review of the District's Housing Tax Provisions

feet retail. Since the project was not eligible for a NoMA residential tax abatement, the Office of the Deputy Mayor for Planning and Economic Development (DMPED) found that the District's requirement for 30 percent affordable housing in the project necessitates the 10 year tax abatement to close the funding gap.⁶⁰

IMPACT:

Apart from providing affordable housing to former residents of the Golden Rule and Temple Courts residences, 2 M Street, NE Real Property Tax Abatement Act of 2010 also provides needed retail services to Northwest One neighborhood. The project also benefits the District through additional taxes, creation of construction and permanent employment and investment opportunities.

2 M Street, NE		
The Need: To increase the number of Mixed-income housing units in the District To create much needed retail services in Northwest One neighborhood	Resources/Inputs: 10 Year Tax Abatement	Outputs: 314 units of residential housing (221 market rate, 59 affordable for 30 percent of Area Median Income, and 34 affordable at 60 percent of area median income), 4,000 square feet of retail space, a parking garage

⁶⁰ Council of the District of Columbia Committee on Finance and Revenue Committee Report on the "2 M Street, NE Real Property Tax Abatement Act of 2010", p. 2.

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4427 Hayes Street, NE

District of Columbia Code Section(s):	DC Official Code § 47-4649
Year Enacted:	2011
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	39	53	47	0	0	0

DESCRIPTION:

DC Law 18-370, effective April 8, 2011, provided a five-year tax exemption (tax years 2011 through 2015) to 4427 Hayes Street, NE, subject to a limit of \$140,000. The property is located at Square 5129, Lot 0120, in the Deanwood neighborhood of Ward 7.

According to the fiscal impact statement, construction began in September 2009 to turn the vacant 29,000 square-foot building on the site into an apartment building with 26 two- and three-bedroom units. Nine of the units would be reserved for residents currently in public housing (Lincoln Heights/Richardson Dwellings community) and the other 17 units would be reserved for households with incomes at or below 60 percent of the area median. Construction was expected to finish by the end of 2010.

PURPOSE:

The intent of 4427 Hayes Street, NE, Real Property Tax Abatement Act of 2010 is to increase the number of affordable housing available in the District of Columbia.

IMPACT:

The impact of the real property tax exemption granted to 4427 Hayes Street, NE, is the increase in affordable housing units at 60 percent and 30 percent AMI that is also ADA accessible. The tax abatement is critical for the building to sustain itself and provide quality affordable housing to 26 families. According to the Tax Abatement Financial Analysis, “the property is 100 percent affordable at 60 percent and 30 percent AMI. Every unit has a family living in them due to their large size and the number of bedrooms. The units are kept in great shape and two are ADA accessible. Two of the tenants are currently disabled. At a time when the city is looking for more affordable units, Hayes Street offers

Part II: Review of the District's Housing Tax Provisions

that, but without the tax abatement the building will no longer be able to sustain itself and provide housing for 26 deserving families.”⁶¹

The 4427 Hayes Street, NE, Real Property Tax Abatement Act of 2010 is set to expire in 2015 and a proposed tax abatement amendment act is currently under review by the Council to preserve the affordable housing units in the development.

4427 Hayes Street, NE

The Need:

Construction of new affordable apartment building in the District of Columbia

Resources/Inputs:

A 5-year tax exemption on the project, which would not exceed \$140,000.

Outputs:

26 two and three bedroom affordable housing units for families earning 60 percent area median income

⁶¹ Tax Abatement Financial Analysis- Draft Bill, 4427 Hayes Street, NE, Real Property Tax Abatement Amendment Act of 2015.”

Part II: Review of the District's Housing Tax Provisions

800 Kenilworth Avenue, NE

District of Columbia Code Section(s): DC Official Code § 47-4643
Year Enacted: 2011
Type of Provision: Abatement
Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	134	142	150	159	163	166

DESCRIPTION:

The “800 Kenilworth Avenue Northeast Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2010” affords a 10-year limited real property tax abatement to the 800 Kenilworth Avenue Northeast Redevelopment Project, described as Lot 8, Square 5058, in Ward 7. The limited real property tax abatement eliminates any increase in tax above the 2009 tax level for the 10-year period.

For the tax year 2009, 800 Kenilworth Avenue was assessed as a residential apartment building at the Class 1 property tax rate of 85 cents per \$100 of assessed value with an annual real property tax of approximately \$140,000. “The abatement will provide a benefit to the property to the extent that taxes in subsequent years covered by the abatement provision exceed this level.”⁶²

According to the fiscal impact statement, the property contains a multi-unit residential apartment complex that was completed in 2006. The building contains 173 rental units affordable to households with incomes at or below 60 percent of the area median income.

There were however some criticisms from DC Fiscal Policy Institute (DCFPI) which questioned the need for the tax exemption by noting that 800 Kenilworth Avenue had already been constructed by a for-profit developer, and already had some occupants. The cynicism was from the fact that it was unclear why 800 Kenilworth Avenue Northeast Redevelopment Project needed tax abatement since the purpose of tax abatements is to develop more affordable housing units.

PURPOSE:

It is unclear why the 800 Kenilworth Avenue Northeast Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2010 was enacted in 2011. The owner of Chapman Development testified that the economic conditions during the most recent recession were affecting the community

⁶² Testimony of Bazil Facchina Assistant General Counsel, Office of Tax and Revenue on Bill 18-828, “Kenilworth Avenue Northeast Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2010” before the Committee on Finance and Revenue.

Part II: Review of the District's Housing Tax Provisions

evidenced by the higher rate of delinquencies and the increased operations cost. It can be inferred that the tax abatement assistance to 800 Kenilworth Avenue Northeast was passed as a way to provide some financial relief so the apartment could continue providing its residents the same amenities as it did before the recession.

IMPACT:

The impact of the tax abatement granted to 800 Kenilworth Avenue would be the continuation of the aforementioned services to its residents. It is unclear whether the services 800 Kenilworth Avenue provided to its residents could have continued without the tax relief.

800 Kenilworth Avenue, NE		
The Need: Provide tax relief to 800 Kenilworth Avenue, NE due to the 2009 economic crisis	Resources/Inputs: 10-year real property tax abatement that eliminates any increase in tax above the 2009 tax level	Outputs: Continuation of services already provided to residents

Part II: Review of the District’s Housing Tax Provisions

Allen Chapel (A.M.E) Church

District of Columbia Code Section(s):	DC Official Code § 47-4641
Year Enacted:	2011
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	128	65	66	68	N/A	N/A

N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

The District of Columbia Official Code was amended with the “Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real property Tax Relief Act of 2009” to exempt from taxation Lots 0024, 0025, 0026, 0038, 0214, 0215, 0923, 0924, and 0925 in Square 5730. According to the committee report, the property had been classified as vacant since 2006 and subjected to a real property tax rate of 10 percent of the assessed value of the properties, which became a significant burden on the church.

The exemption to Allen Chapel stemmed from its plans to develop the Alabama Avenue Senior Development which will offer low income senior housing. The housing project meets “the needs of independent seniors, who desire to live in individualized apartment homes that offer an array of social services and programs, and an environment designed to promote resident interaction.”⁶³ The senior housing project is located near the corner of Alabama Avenue, SE, and Naylor Road, SE, in Ward 8. Specifically, the project is located on Lot 0218, Square 5730. Lot 0218 was consolidated from portion of Lots 00385, 0923, and 0924, Square 5730. The rest of the property is vacant.

The exemption received by Allen Chapel allowed for the forgiveness and reimbursements of all tax payments made on the properties, including all real property taxes, interests, penalties, fees and other related charges since 2006 when the properties were acquired. The exemption is applicable on the properties so long as the real properties continue to be owned by Allen Chapel or by any entity controlled, directly or indirectly, by Allen Chapel and not used for commercial purposes. The owner must file an annual use report in accordance with the District of Columbia Official Code § 47-1007.

⁶³ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-198, the “Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Rea Property Tax Relief Act of 2010.”

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The “Allen Chapel A.M.E. Senior Residential Rental Project Property Tax Exemption and Equitable Real property Tax Relief Act of 2009” was created to liberate the financial strain of the church created by the real property taxes of the acquired properties to be able to fund the senior housing project. The intent of Allen Chapel for the properties acquired is to build a model senior citizen building with various social services and programs to help senior citizens located in the area.

IMPACT:

The annual Exempt Property Use Reports filed by Allen Chapel A.M.E Church shows that the exempt property was built in 2013 and provides 91 units of quality affordable housing for seniors over 55 in Ward 8. The need for fordable senior housing has been an underserved necessity in the Ward 8 community that is been addressed by Allen Chapel A.M.E. Church.

Allen Chapel (A.M.E) Church

The Need:

The Provision of affordable housing for senior citizens in the District, especially in Ward 8

Resources/Inputs:

The forgiveness and reimbursements of real property tax paid since 2006 as ordered by the “Allen Chapel A.M.E. Tax Relief Act of 2009.”
Continued property tax exemption so long as the properties are directly or indirectly associated with Allen Chapel and used for non-commercial purposed

Outputs:

The increased availability of affordable housing for senior citizens in Ward 8.
Annual tax and revenue use Reports filled by Allen chapel about the community benefits of the provision

Part II: Review of the District's Housing Tax Provisions

Beulah Baptist Church

District of Columbia Code Section(s):	DC Official Code § 47-4654
Year Enacted:	2011
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	502	0	0	59	60	64

Note: FY 2011-FY2013 estimated revenue foregone is from the estimated fiscal impact of Bill 18-870. The estimated loss from FY2014- FY2016 is from the Fiscal Impact Plan for the Beulah Baptist Church Real Property Equitable Relief Act of 2013.

DESCRIPTION:

The legislation, effective September 14, 2011, provides a 15-year real property tax exemption to 25 properties owned by Beulah Baptist Church, Beulah Community Improvement Association, and Dix Street Corridor Senior Housing LP. The exemption dates back to October 1, 2006, and ends on September 30, 2020 (which was extended from September 30, 2010 through the Beulah Baptist Church Real Property Equitable Tax Relief Temporary Act of 2013). Any real property tax charges or payments made before the effective date of the law were to be forgiven or refunded, along with interest, penalties, fees, and related charges.

The goal for Beulah Baptist church and its subsidiaries is to develop the properties into family homes, called “58th Street Commons,” that would create 72 units of affordable housing: 36 three-bedroom units and 36 four bedroom units and is projected to cost approximately \$19 million.

The exemption was granted to reduce Beulah Baptist Church and its subsidiary entities’ cost of holding the properties for future development without paying real property taxes. However, according to the Tax Abatement Financial Analysis report, the legislation fails to place any restrictions on ownership or use of the properties so the exemptions would be in effect whether or not the properties are sold, held or developed. This also eliminates any incentive for the owner to expedite the development of the project.

PURPOSE:

According to the TAFE report, “legislation is to exempt Beulah Baptist Church from paying real property taxes on the properties as it works to find a development partner, obtain financing, and get a new development built in Ward 7.” Once a development partner is found and financing of the development have been secured, the project would likely receive Low Income Housing Tax Credits, and therefore be eligible for as-of-right real property tax exemptions.

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IMPACT:

The Office to Economic Development and Finance found it necessary for Beulah Baptist Church to receive the tax exemption because they do not have sufficient cash flow to pay real property taxes.

The development project proposed by Beulah Baptist Church will increase the number of affordable housing units available to low income families in the District. The owner's submission indicates that the project will seek a \$500 per-unit rent subsidy to keep the rents affordable, and that the project developers will seek Low Income Housing Tax Credits to provide equity to the project.⁶⁴

The TAFE report also has a cautionary impact of the legislation in order to avoid a precedent set by the lack of restrictions in Beulah legislation. As stated in the report:

“There are many not-for-profit, religious organizations in the District that own property that is vacant and/or awaiting development. The Council and the Mayor may not want to subsidize these organizations through extended tax exemptions while they assemble and hold properties. Additionally, at some point during the seven additional years of the proposed exemptions, the owner could develop the properties for another, commercial purpose or could sell the land, rather than develop it as affordable housing.”⁶⁵

The can be addressed by amending the legislation to require Beulah Baptist Church to pay back some or all of the exempt taxes in the event that Beulah Baptist Church chooses to sell the property or to develop the property for commercial purposes rather than to develop the property for affordable housing as currently contemplated.

Beulah Baptist Church		
The Need: To increase the number of affordable housing in the District To reduce Beulah Baptist Church and its subsidiary entities' operating cost of holding the properties	Resources/Inputs: Exempted real property taxes The forgiveness or refund of any charges or payments interest, penalties, fees, and related charges.	Outputs: Future development of 72 units of affordable housing: 36 three-bedroom units and 36 four bedroom units To keep the ownership of properties with Beulah Baptist Church and its subsidiaries

⁶⁴ Tax Abatement Financial Analysis on “Beulah Baptist Church Real Property Equitable Tax Relief Act of 2013”

⁶⁵ Ibid, Page 6.

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Bolling Air Force Base Housing

District of Columbia Code Section(s):	DC Official Code § 47-1080
Year Enacted:	2009
Type of Provision:	Exemption
Exemption Type:	US- Federal Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	N/A						

N/A = Estimate of revenue foregone is not available.

DESCRIPTION:

Bolling Air Force Base property is used for the purposes of housing military personnel or their families, and is exempt from all taxation in accordance to United States Code Service 10 USC. §§ 2871 through 2885, and subject to the provisions of DC Official Code §§ 47-1005, 47-1007, and 47-1009.

The property is approximately 42,000 square feet, and is owned by the federal government making it tax exempt. In 2007, Bolling Air Force Base leased approximately 145 acres of land on the base to a joint venture between Hunt ELP and Pinnacle AMS Development to build, own, and manage family housing for service members. Under this arrangement, Bolling and the US government continue to own the land while the developers own the improvements. This arrangement is part of the Department of Defense's Military Housing Privatization Initiative (MPHI). The exemption is necessary because US government property was transferred to private developers to build and manage military housing through a 50-year lease. The transfer was made to private developers to "facilitate the redevelopment and betterment of housing for military families and personnel since the army alone has estimated that 75 percent of its total housing units (nationwide) are in need of repair and it would take 40 years and \$6 billion to fix them."⁶⁶

⁶⁶ Testimony of Ian Portnoy, Dilworth Paxon, LLP-Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 17-131, the "Bolling Air Force Base Military Housing Real Property Tax Exemption and Equipment Relief Act of 2008."

Bolling Air Force Base housing

The Need:

Provide updated, modern and adequate for military personnel and their families

Resources/Inputs:

Exemption of construction and future improvements on Square 6072 from all taxation, including real property, recordation, and transfer.

Outputs:

The outcome is to provide 670 renovated and new housing units to facilitate the betterment of housing for military personnel and their families.

Part II: Review of the District's Housing Tax Provisions

Campbell Heights

District of Columbia Code Section(s):	DC Official Code § 47-4632
Year Enacted:	2010
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	36	150	157	165	173	182	191

DESCRIPTION:

DC Law 18-164, effective May 27, 2010, provides a real property tax exemption to the Campbell Heights project. In addition, the project is exempt from permitting fees and was entitled to a refund of property taxes already paid.

The exemption began on the day of the transfer of property to the Campbell Heights Residents Association, or its assignee, and is valid for at least 15 years and will last as long as restrictive covenants required by the federal low-income housing tax credit program are in effect. The property is located on Square 0204, Lot 0207. The address is 2001 15th Street, NW, in Ward 1.

According to the fiscal impact statement, Campbell Heights had a section 8 housing assistance contract with the US Department of Housing and Urban Development. It provided 171 age-restricted senior rental apartments. In June 2010, the Campbell Heights Residents' Association purchased the building in a partnership with Jair Lynch Development Partners. The plan was to maintain the section 8 contract with HUD to continue to provide low-income senior citizen housing. The building was to be rehabilitated using tax-exempt bond financing and low-income housing tax credits. Residents would not be displaced because most of the rehabilitation would take place in common areas.

The property used to make a payment in lieu of taxes equal to 5 percent of the gross income derived from operating the building. Therefore, the cost of the tax exemption was the amount of the forgone PILOT.

The committee report states that the project arose from the exercise of tenant-opportunity-to-purchase (TOPA) rights. Jair Lynch testified that the tax exemption was necessary for the project to support approximately \$4 million of additional debt from the DC Housing Finance Agency. "The partnership with the tax credit partner, by necessity, will be a taxable entity, hence the need for the tax abatement legislation ... This project is similar to, and consistent with, other financing arrangements approved by this Committee which have utilized either low-income housing or historic preservation tax credit equity partners but which have been projects either owned or controlled by the non-profit partner for the purpose of providing affordable housing."⁶⁷

⁶⁷ Testimony of Jair Lynch, President/CEO, Jair Lynch Development Partners, in the Public Hearing heard on Thursday, December 3, 2009, Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-490, "Campbell Heights Residents Project Real Property Tax Exemption Act of 2010."

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The legislation helped the senior residents of Campbell Heights to exercise their Tenant Opportunity to Purchase Act (TOPA) rights to purchase Campbell Heights, and then rehabilitate the building. The legislation was necessary because the deadline for Campbell Heights Apartment residents to exercise their TOPA rights was imminent. The limited exemption provides the new owners with an ability to invest \$4 million into the renovation and repairs of the building that need repairs.

IMPACT:

The “Campbell Heights Resident Project Real Property Exemption Act of 2010” allow low income senior and disabled citizens in the U Street corridor of Ward 1 to preserve their homes. The impact of the exemption includes: providing homeownership opportunities to low income senior citizens and disabled persons through TOPA, a secure, healthy, and safe environment for some low income seniors, protect neighborhood jobs, and maintain the provision of low income housing to senior citizens.

EVALUATION:

There is no monitoring information on Campbell Heights to determine if the project is in compliance with the legislation.

Part II: Review of the District's Housing Tax Provisions

Campbell Heights

The Need

To provide the tax status of the Campbell Heights project as the residents exercised their right to purchase the building
To conduct some rehabilitation of the building that would include new elevators

Resources/Inputs:

Exempt the Campbell Heights property from real property taxation for a limited period at least 15 years).
Exempt the property from any fees charged for permits related to the construction of the project including public space, private space or building permit fees

Outputs:

Rehabilitation of the 171 age-restricted low income senior homes.
Senior residents of the property became homeowners of the property

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

Rehabilitate the Campbell Heights building for senior residents and disabled residents
Residents of the Campbell Heights rental homes become homeowners
Maintain the low-income affordability restriction to new residents.

Medium-term

Provide affordable housing to low income families
Maintain the provision of quality affordable housing to low income families and senior citizens

Long-term

Provide affordable housing to low income families and senior citizens
Maintain the provision of quality affordable housing to low income families and senior citizens

Assumptions:

To maintain the number of low income senior citizen homeowners in the District

Part II: Review of the District's Housing Tax Provisions

Carver 2000

District of Columbia Code Section(s):	DC Official Code § 47-4605
Year Enacted:	2005
Type of Provision:	Exemption and Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	N/A	201	147	157	51	52	275

N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

DC Law 16-33 (the “Fiscal Year 2006 Budget Support Act of 2005”), effective October 20, 2005, granted real property, deed recordation, and deed transfer tax exemptions to the Carver 2000 Low-Income and Senior Housing Project (Carver 2000), which provides 176 units of apartments and town homes for senior citizens and low-income residents. Carver 2000 also received a sales tax exemption for materials used in the construction of the project.

The relevant properties are located in Square 5140, Lot 0088; Square 5190 and Lots 0806, 0807, and 0808; and Square 5348 and Lots 0001 through 0008. The properties are located at 47th and East Capitol Streets, SE, in the Marshall Heights neighborhood of Ward 7.

Initially, the aforementioned properties received an eight-year tax exemption. DC Law 19-151, effective July 13, 2012, extended the exemption for another eight years, and then DC Law 19-168, effective September 20, 2012, made the exemption permanent for all of the properties except one (Square 5140, Lot 0088), which has a 16-year exemption dating back to tax year 2003.

The property in Square 5140 contains 94 units of affordable housing. The fiscal impact statement on Bill 19-437 (which became DC Law 19-151) states that the properties in squares 5190 and 5348 were vacant; the plan was to develop these into affordable housing when financing was secured. Project construction was expected to begin in 2014 and be completed approximately two years later. All common areas and ancillary improvements qualify for the tax exemption.

Tenants purchased the apartments in 2003 under the Tenant Opportunity to Purchase Act. Phase I (which must refer to Square 5140, Lot 0088) was completed in 2007. A “Tax Abatement Financial Analysis” on the project was completed on March 12, 2012, and concluded that the tax abatements were necessary to keep Phase 1 of the project afloat and to allow Phase 2 to move forward.

PURPOSE:

The “Carver 2000 Low-Income and Senior Housing Project Amendment Act of 2012” and the Carver 2000 Low-Income and Senior Housing Project Amendment Act of 2005” continue to increase the number of affordable housing projects to low income families and senior in the District. The legislation included a real property tax exemption and abatement to allow for the renovation and redevelopment of property and land to build apartments and town homes, and relieve tenants or occupants of real property and personal property taxation.

Part II: Review of the District's Housing Tax Provisions

IMPACT:

The community benefits from the impact of the legislation include: an increase in the number of affordable units developed in the District at up to 60 percent area median income; an increase in both temporary and permanent jobs available to District residents; stabilizing and improving District neighborhoods by redeveloping deteriorated and failed buildings; and introducing attractive architecture, urban design and landscaping, to beautify the neighborhood.

EVALUATION:

There is no monitoring information on Carver 2000 to determine if the apartment complex is in compliance with the legislation.

Part II: Review of the District's Housing Tax Provisions

Carver 2000

The Need

To increase the number of quality affordable housing and services available to low income residents, and seniors in the District.

Resources/Inputs:

100 percent tax exemption on the Carver 2000 Low-Income Housing Project. Exemption of any tangible personal property sold or rented that is incorporated in or consumed in the Carver 2000 Low-Income and Senior Housing Project

Outputs:

The 270 new apartment units with affordable rents and town homes for occupancy by low income and senior citizens will help to meet the overall housing goals of the District of Columbia

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The construction of apartments and town homes at different during the different phases of the project

Medium-term

Provide affordable housing to low income families and senior citizens
Finished construction of apartments and townhomes not completed

Long-term

Provide affordable housing to low income families and senior citizens
Maintain the provision of quality affordable housing to low income families and senior citizens

Assumptions:

To increase the quality affordable housing units in the district for low income households and senior citizens to keep families from leaving the District

Part II: Review of the District’s Housing Tax Provisions

Central Union Mission

District of Columbia Code Section(s):	DC Official Code § 47-4651
Year Enacted:	2011
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	508	0	0	0	0	0

DESCRIPTION:

“The Central Union Mission Real Property Tax Exemption and Equitable Tax Relief Act of 2010” became a one-off tax exemption on real property acquired by Central Union Mission. The tax exemption awarded to Central Union, a nonprofit corporation, was for real property described as Lots 0825, 0826, 0830, and 0831 in Square 2895, and was contingent upon the property being owned by Central Union Mission, Inc., and not used for commercial purposes. The Central Union Mission Real Property Tax Exemption and Equitable Tax Relief Act of 2010 also subjected the corporation to provision § 47-1007, that is, Central Union must file an annual Exempt Property Use Report.

The exemption for Square 2895, Lots 0825 and 0826 dated back to October 26, 2006, the exemption for Square 2895, Lots 0830 dated back to July 2, 2007, and 0831, dated back to July 31, 2007. The properties are located at 3506-3512 Georgia Avenue, NW, and 714 Newton Place, NW, in Ward 1. Central Union purchased the properties with the intent of constructing a 60,000 square foot four-story building and relocating there along with its operations, including emergency shelter services for homeless men, medical and dental services, job training, and food assistance programs.

However, after the properties were purchased, new zoning regulations were put in place that required developers of projects larger than 12,000 square feet to face public hearings and obtain a special permit. Central Union Mission decided to sell the properties and move to another space because of the public opposition to a special permit. The plan was to sell to Park Morton Development Partners to provide replacement housing for Park Morton residents while their building was redeveloped.

If Central Union Mission had been able to execute its plans, it would have qualified for a real property and deed tax exemptions on the basis of its charitable purpose.

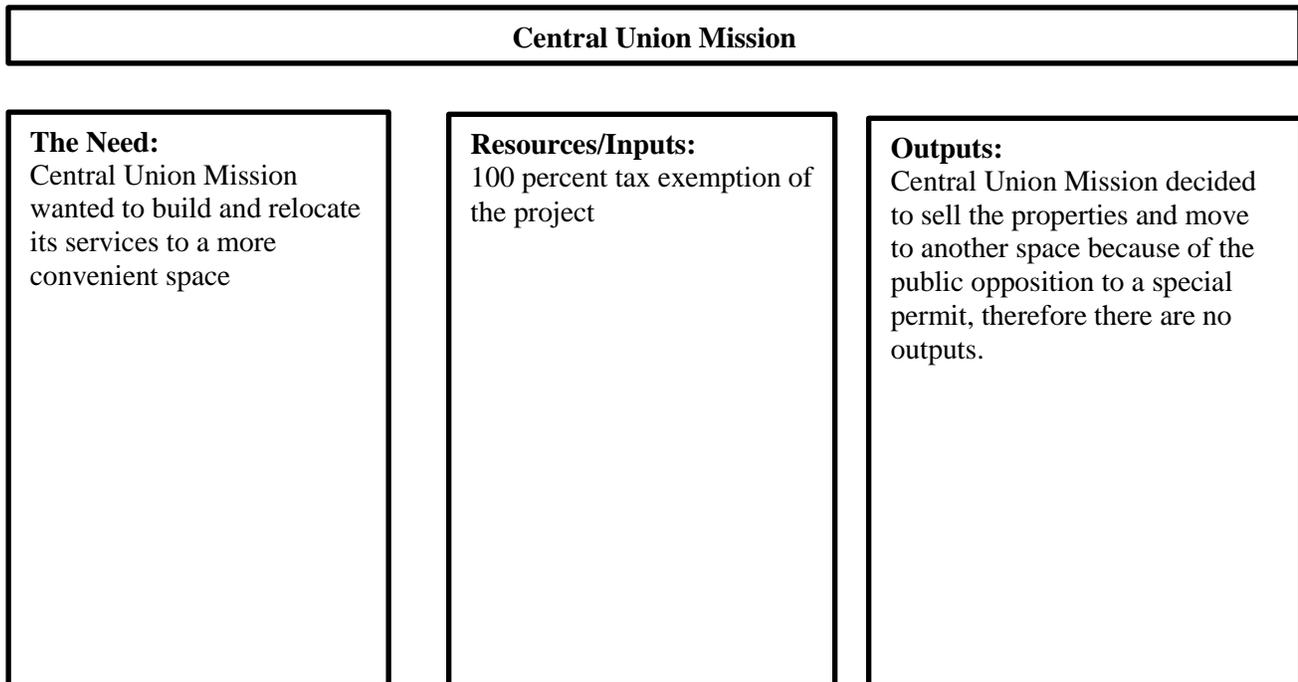
Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The intent of the Legislation was to exempt the properties described above from property and recordation taxes at the time they were acquired by Central Union Mission and from transfer taxes when the properties are sold.⁶⁸

IMPACT:

Since the legislation became a one-off property tax exemption, the impact of the legislation is minimal.



⁶⁸ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-1001, "The Central Union Mission Real Property Tax Exemption and Equitable Tax Relief Act of 2010."

Part II: Review of the District’s Housing Tax Provisions

Douglas Knoll, Golden Rule, 1728 W Street and Wagner Gainesville

District of Columbia Code Section(s):	DC Official Code § 47-1065 and § 47-1007
Year Enacted:	2005
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	N/A	N/A	N/A	N/A	N/A	428	443

N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

The “Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2004” was enacted to address the shortage of affordable housing in the District of Columbia. DC Law 15-336, effective April 12, 2005, granted a 15-year real property tax exemption for Golden Rule Plaza, Inc., Douglas Knoll Cooperative Limited Partnership, and 1728 W Street Limited Partnership. The Bill was approved for the rehabilitation of the four properties. Each organization however has to meet some criteria in order to keep its exemption status that is listed below.

The exemption requires that Douglas Knoll Cooperative Limited Partnership remain a 501(c)(3) organization that is controlled by its general partner, the Non-Profit Community Development Corporation, which must also retain its 501(c)(3) status, and that the property must be used as qualified low-income housing pursuant to a restrictive land-use covenant with the Housing Finance Agency and receive assistance from the US Department of Housing and Urban Development’s Section 542 program.

The exemption requires that Golden Rule Plaza, Inc., which owns the property, retain its 501(c)(3) status; that the property is used for low-income housing; and that Golden Rule receives assistance from one or more programs of the US Department of Housing and Urban Development under section 542.

The exemption requires that Wagner Gainesville LP remain the owner of the property and stay under the control of its general partner, the Non-Profit Community Development Corporation, which must retain its 501(c)(3) status. The property must also be used as qualified low-income housing “pursuant to an indenture of restrictive covenants with the Department of Housing and Community Development.”

The exemption requires that 1728 W Street LP remain the owner of the property and stay under the control of its general partner, the Non-Profit Community Development Organization, which must retain its 501(c)(3) status. The property must also be used as qualified low-income housing “pursuant to an indenture of restrictive covenants with the Department of Housing and Community Development.”

In 2014, a new Bill, known as the “Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014”, was enacted to eliminate the 15 year sunset provision and

Part II: Review of the District's Housing Tax Provisions

provide real property tax exemption so long as the properties continue to provide qualified low income housing.⁶⁹

Golden Rule Plaza, Inc. is located on Square 0525, Lot 0840. The address is 1050 New Jersey Avenue, NW, near Mount Vernon Square (Ward 6). Douglas Knoll Cooperative Limited Partnership is located on Square 5894, Lots 38-44, and Square 5895, Lots 69-72. The properties are in Randle Heights in Ward 8. 1728 W Street, SE is in the Anacostia neighborhood of Ward 8, specifically on Square 5778, Lot 0166. Wagner Gainesville is located on Square 5734, Lots 33-36, and Square 5835, Lots 42-44. The properties are in Randle Heights in Ward 8.

PURPOSE:

The purpose of the “Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2004” is to increase the quality and quantity of affordable housing available in the District. The real property tax exemption will “enable 383 units of affordable housing to exist in excess of 15 years which will long outlive any benefits of bond financing or tax credits and will have the financial ability to maintain a positive environment for all its residents.”⁷⁰

The intent of the 2014 Bill is quite different. First, the IRS code requires Low Income Tax Credit (LIHTC) properties to have a for profit partner, making the ownership structures of Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville not recognized by the DC Real Property Tax Assessment Office as tax exempt entities. Secondly, the exemption received by each property has been critical in maintaining and serving their low income housing communities. The properties operate at an estimated annual loss and an additional expense of \$340,000 (the value of the exemption) would have an extensive impact on the organizations and their ability to meet operating needs while also servicing their debt written by the DC Housing Finance Agency (DCHFA), DC Department of Housing and Urban Development, and the US Department of Housing and Urban Development.⁷¹

IMPACT:

The legislation allows Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville to provide low income housing and represents the first rungs of the ladder to success and economic equality to over 206 families and individuals in Ward 8 and 119 senior citizens in Ward 6. Specifically, Douglas Knoll, serves 182 families, Wagner Gainesville serves 62 families, and 1729 W Street serves 17 families in Ward 8 while Golden Rule Plaza serves 119 elderly families in Ward 6. These properties provide apartments to individuals and families earning 50 percent to 60 percent of area median income in the District. In addition, the properties provide all benefits and amenities required by law through the zoning process. This includes access to utilities, parking, lighting, and all other provisions required.

⁶⁹ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 20-0832, “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014.”

⁷⁰ Testimony of Walter Johnson, Nonprofit Community Development Corporation and Yvonne Williams, Golden Rule, Inc., Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 15-1034, “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2004”

⁷¹ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 20-0832, “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014.”

Part II: Review of the District's Housing Tax Provisions

“Douglas Knoll has also partnered with Apple Tree Early Learning Institute, and has zoning approval, to operate a pre-kindergarten early learning center on its premises. In the summer of 2014 Douglas Knoll Apartments opened a Community Outreach Center that is made freely available to residents and community groups in order to connect individuals with services provided by non-profit and government entities.”⁷²

Golden Rule Plaza also works toward offering senior-citizens social services at the site and it is not only to seniors residing in the building but also to seniors associated with nearby churches. These events may include transportation to shopping, cultural, and social centers. Children also receive services from Golden Rule Plaza like back to school supplies to Walker Jones Education Campus (1125 New Jersey Avenue, NW - across the street from its property) and Dunbar High School (3 blocks north) students.⁷³

EVALUATION:

“Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2004” and “Douglass Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014” are specific legislations that are required to meet a precise policy need. The issue of providing affordable housing to low income families have been a driving force in political and economic development debate in the District.

The legislation was needed when enacted in 2004 due to the shortage of affordable housing in the District and the rapid increase in rental prices. The exemption is valid so long as the properties continue to provide qualified low income housing. Douglass Knoll Apartments includes 111 units for individuals and families earning up to 50 percent of area median income (AMI), and 73 units for individuals and families earning between 51 percent and 65 percent of AMI. 1728 W Street Apartments includes 17 housing units for individuals and Families earning up to 60 percent AMI. Wagner Gainesville includes 38 housing units to individuals and families earning up to 50 percent AMI, and 24 apartments for families and individuals earning between 51 percent and 65 percent AMI.

The targeted recipients are low income individuals and families that meet the AMI requirement and senior citizens for Golden Rule. Data is not available to evaluate whether or not the program is reaching the intended target. However, in his testimony during the schedule public hearing on October 16, 2014, Walter Johnston attested “without the exemption, each of these properties would have at best been at the brink of foreclosure by financial default or failure to uphold their commitments in the land use restriction agreements or restrictive covenants... the legislation will ensure more than 380 units continue to offer decent basic housing at affordable rents.”⁷⁴

⁷² Tax Abatement Financial Analysis – “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014,” Bill 20-832.

⁷³ Tax Abatement Financial Analysis – “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2014,” Bill 20-832.

⁷⁴ Testimony of Walter Johnson, Nonprofit Community Development Corporation and Yvonne Williams, Golden Rule, Inc., Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 15-1034, “Douglas Knoll, Golden Rule, 1728 W Street, and Wagner Gainesville Real Property Tax Exemption Act of 2004.”

Part II: Review of the District's Housing Tax Provisions

Douglas Knoll, Golden Rule, 1728 W Street and Wagner Gainesville

The Need:

To increase the number of affordable housing available to low income residents in the District due to the shortage of housing to meet the needs of low income families.

Resources/Inputs:

100 percent real property tax exemption

Outputs:

Provide 383 units of affordable housing
Social services for low income seniors in Ward 8
Pre-kindergarten learning center
Community outreach center
Safe playgrounds for children
Community services needed in low income neighborhoods.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

Rehabilitate Golden Rule Plaza, 1728 W Street Apartments, Stanton Park Apartments (Wagner Gainesville), and Douglas Knoll to provide affordable housing to low income families

Medium-term

Maintain affordable housing to low income families and provide services that aids the needs of residents
Foster success and economic equality to residents

Long-term

Maintain the provision of affordable housing to low income families
Provide community services to families within the community
Foster success and economic equality to residents and community

Assumptions:

To increase affordable housing units in the district for low income households to keep families from leaving the District and foster economic success among low income families.

Part II: Review of the District's Housing Tax Provisions

Eckington One Residential Project

District of Columbia Code Section(s):	DC Official Code § 47-4618
Year Enacted:	2009
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	0	0	75	91	114	137	160

DESCRIPTION:

DC Law 17-348, effective March 25, 2009, provides ten-year tax abatement for the Eckington One project through a formula related to taxes paid in tax year 2009. For tax year 2010, the tax was limited to 107 percent of the taxes paid in 2009; in tax year 2011, the tax was limited to 113.96 percent of the 2009 taxes, and in tax year 2012 and all subsequent years, taxes are limited to 121.25 percent of the 2009 taxes. The abatement expires after 10 consecutive property tax years beginning in the year in which the developer started construction. The real property tax abatements are capped at \$5 million plus 6 percent per year of the unused amount of the real property tax abatement from the commencement of construction (the fiscal impact statement dated December 15, 2008, estimated that FY 2019 would be the final year of the abatement).

The Eckington One residential project is a mixed-use, multi-family residential and ground-floor retail project consisting of approximately 600 units of residential condominiums and apartment houses in three buildings, including approximately 48 units of affordable housing; approximately 1,000 square feet of ground-floor retail space; below-grade parking garages; and other ancillary improvements.

The property is located in Square 3576, Lots 0816, 0817, 0818, 0819, and 0820, in the Eckington neighborhood of Ward 5.

The committee report described the project as a planned-unit development (PUD). One aspect of the PUD was a request from the Office of Planning and the DC Department of Transportation to extend Q Street, NE, through the project, which would run across what is now private property owned by the developer. The report added that the tax abatement would help pay for the building of a public street, “which would be more efficiently built by the developer concurrently with the development itself. The legislation contains a growth factor so the District’s revenue would increase over a period of time but still provide the tax abatements necessary for the project to move forward.”

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The “Eckington One Residential Economic Development Act of 2008” would “help pay for the building of a public street, which would be more efficiently built by the developer if it was built concurrently with the development itself.”⁷⁵

IMPACT:

Eckington One increases the number of affordable housing units in the District for low income residents. The legislation also creates an extension of Q Street, N.E, while also increasing the amount of retail space available in the District.

Eckington One Residential Project		
The Need Development of mixed used development project that include affordable housing units for low-to-moderate income families	Resources/Inputs: 10 year tax abatement that is limited to \$5 million.	Outputs: 600 units of residential condominiums and apartment houses in three buildings, including approximately 48 units of affordable housing; approximately 1,000 square feet of ground-floor retail space; and below-grade parking garages

⁷⁵Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 17-855, “Eckington One Residential Economic Development Act of 2008.”

Part II: Review of the District's Housing Tax Provisions

Far Southeast Community Organization

District of Columbia Code Section(s): DC Official Code § 47-4619
 Year Enacted: 2007
 Type of Provision: Exemption
 Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2007	2008	2009	2010
	83	7	7	7

DESCRIPTION:

Far Southeast Community Organization Tax Exemption and Forgiveness for Accrued Taxes Act of 2006 exempted from taxation real property owned by the Far Southeast Community Organization located on Lots 73, 74, and 75, Square 5753 and are located on 16th Street, SE in Ward 8, and used for inclusive housing, meaning that all units are rented to households with not more than 80 percent of area median income for a rent not exceeding 30 percent of household income.

If the real property is sold or not used for the purpose of inclusive housing, the exemption shall terminate. If the sale or non-compliant use occurs within 15 years, then the amount of taxes that were exempted shall become due.

The Office of Tax and Revenue records indicated that the properties were sold in December 2014 to Woinshet Mekonnen, and that the properties are now taxable.

PURPOSE:

The Exemption awarded to Far Southeast Community Organization is to increase the number of construction of affordable housing units to low income families in the District of Columbia.

IMPACT:

It is unclear whether or not Far Southeast developed the housing units. The Office of Tax and Revenue records indicates that the properties were sold by Far Southeast in December 2014 and that they are now taxable.

Far Southeast Community Organization

The Need:

To increase the number of affordable housing as well as providing a vibrant mixed use community in the District

Resources/Inputs:

Real property tax exemption on properties owned by Far Southeast Community Organization
Forgiveness of all unpaid real property taxes, interest, penalties, fees, and other related charges assessed against the properties.

Outputs:

It is unclear if housing units were developed.

Part II: Review of the District's Housing Tax Provisions

Georgia Commons

District of Columbia Code Section(s):	DC Official Code § 47-4610
Year Enacted:	2008
Type of Provision:	Abatement and Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	328	328	328	328	328	328	328

Note: Per amount specified by legislation

DESCRIPTION:

DC Law 17-113, effective February 27, 2008, provides real property tax credits to the housing and retail elements of a project known as “Georgia Commons.” The “housing element” consists of a condominium with 130 multi-family rental units. The housing element is entitled to the real property tax abatement so long as at least 57 of the units are affordable to households with income not exceeding 80 percent of the median income for the Washington, DC, metropolitan statistical area. The “retail element” consists of 21,000 square feet of commercial or retail space and parking.

The housing element receives an annual credit of \$183,000 for 40 years or the date on which it does not have 57 affordable housing units, whichever is earlier. The retail element receives an annual credit of \$145,148 for 25 years or the date on which it is no longer used for retail or commercial purposes, whichever is earlier. A neighborhood health center is on the ground floor.

The relevant properties are located in Square 2906, Lots 0848 and 0849. The properties are located at 3910 Georgia Avenue, NW, in Ward 4.

The properties had been owned by the National Capital Revitalization Corporation and the Department of Housing and Community Development. The properties received a complete real property tax exemption during the construction phase. At that point, the annual credits became effective.

The project was financed with a combination of federal low-income housing tax credits, an FHA-insured mortgage, federal new markets tax credits, DC Housing Production Trust Fund dollars, other DHCD funds, and developer equity. The fiscal impact statement notes that the project was said to have a \$3.7 million financing gap, but the Office of the Chief Financial Officer was unable to verify this independently. The developer stated that the real property exemption and credits were necessary for the project to receive sufficient financing. The fiscal impact statement also noted that, “The proposed method of providing a subsidy is expensive. According to the developer, the project requires approximately \$3.7 million in subsidy, yet the present value cost to the District is estimated to be \$5.4 million. The differential is created because the developer will need to monetize the value of the future tax credit to obtain upfront funds to construct the project.”⁷⁶

⁷⁶Committee on Finance and Revenue Committee Report on Bill 17-180, the “Georgia Commons Real Property Tax Exemption and Abatement Act of 2007” p.11-12.

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The purpose of the "Georgia Commons Real Property Tax Exemption and Abatement Act of 2007" is to revitalize lower Georgia Avenue, to increase and improve the affordable housing options, and provide health services for all District residents. Lower Georgia Avenue was identified as a Great Streets corridor in the City's multi-year, multi-agency initiative to transform nine under-invested corridors into thriving and inviting neighborhood centers.

"According to the Mayor's letter of April 5, 2007, the tax exemption and abatement provided by the legislation constituted an important element of financing for the project and allowed for the neighborhood development of Georgia Commons to take place."⁷⁷

IMPACT:

The Georgia Commons increases the number of affordable housing units and health care services in the District for low income residents. The development of Georgia Commons allows for the creation of 130 units of multi-family rental apartments including 57 units of affordable housing to households with incomes of less than 80 percent of the area median income.

Financially, the tax credit will decrease total tax revenues since real property tax revenues that the government would have received are forgone for 40 years.

EVALUATION:

There is no monitoring information on Georgia Commons to determine if the housing element of the project is in compliance with the affordability requirements in the legislation. Further, additional analysis would be required to show that the tax abatement and exemption led to the economic benefits cited in the legislation.

⁷⁷ Committee on Finance and Revenue Committee Report on Bill 17-180, the "Georgia Commons Real Property Tax Exemption and Abatement Act of 2007" p.1.

Part II: Review of the District's Housing Tax Provisions

Georgia Commons

The Need

The revitalization of Lower Georgia Avenue, as well as an increase in the number of quality affordable housing and services available to low income residents.

Resources/Inputs:

100 percent tax exemption on the housing element of the mixed use development project until the project passed the final inspection for the certificate of occupancy.
An annual credit of \$183,000 against real property taxes on the housing element of the mixed use project; and an annual credit of \$145,148 against real property taxes on the retail element of the mixed use project

Outputs:

The provision of a 5 story, 125,000 square foot residential and medical development project at 3910 Georgia Avenue, NW to residents in the District. The project includes 130 apartments and 28,000 square foot ground floor state-of-the-art neighborhood health center for low-income families operated by Mary's Center for Maternal and Child Care.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The construction of the mixed use apartment and neighborhood health center project

Medium-term

Provide health care services to low income families in the District
Provide affordable housing to low-to-moderate income families

Long-term

Provide health care services to low income families in the District
Provide affordable housing to low-to-moderate income families

Assumptions:

To increase the quality affordable housing units and community health services in the district for low income households to keep families from leaving the District

Part II: Review of the District's Housing Tax Provisions

Golden Rule II

District of Columbia Code Section(s):	DC Official Code § 47-1079
Year Enacted:	2008
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	N/A						

N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

DC Law 17-219 (the “Fiscal Year 2009 Budget Support Act of 2008”), effective August 16, 2008, granted a 15-year real property tax exemption for real properties described as Square 0525, Lots 837, 841, and 842, and Square 0526, Lot 840, located in “Old City II” neighborhood of Ward 6, is owned by Golden Rule Plaza, Inc., and not used for commercial purposes. In addition, Golden Rule must comply with the annual reporting requirements found in DC Official Code § 47-1007. This exemption is in addition to other exemptions granted to Golden Rule in 2005 for other properties.

According to Exempt Property Use Report (Form FP-161) filed by Golden Rule Plaza, Inc. and submitted to the Office of Tax and Revenue, the properties described as Square 0525, Lots 837, 841, and 842, and Square 0526, Lot 840 are vacant and unimproved.⁷⁸

PURPOSE:

The real property exemption act to Golden Rule is for the increase in the number of affordable housing units available to low income families in the District. The properties however are still not developed as the organization is working with the Department of Housing and Community Development to secure funding for the project.

IMPACT:

The Act allows for Golden Rule, Plaza, Inc., ownership of the properties. The properties are vacant, and unimproved. Golden Rule, Plaza, Inc., is still working to secure funding through the Department of Housing and Community Development and other financial sources. Golden Rule, Plaza, Inc., is a non-profit organization that provides affordable housing to low income residents in the District. Evaluation of

⁷⁸ The Exempt Property Use Report is an annual reporting requirement by organizations subject to DC Official Code § 47-1007 submitted to the Office of Tax and Revenue.

Part II: Review of the District's Housing Tax Provisions

the exemption act on the real properties described as Square 0525, Lots 837, 841, and 842, and Square 0526, Lot 840 is preemptive because the development of the properties is the last phase of a bigger development project.

Golden Rule II

The Need:

To increase the number of quality affordable housing units in the District

Resources/Inputs:

15-year real property tax exemption

Outputs:

Properties are still vacant

Part II: Review of the District's Housing Tax Provisions

Heights on Georgia Avenue

District of Columbia Code Section(s): DC Official Code § 47-4628
Year Enacted: 2010
Type of Provision: Abatement
Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	12	25	165	170	175	181	186

DESCRIPTION:

DC Law 18-124, effective March 23, 2010, provides real property tax exemptions for the housing element of the “Heights on Georgia Avenue” project, contingent on certain timelines for the commencement and completion of construction and registration of affordable units within 60 days of issuance of the certificate of occupancy at www.dchousingsearch.org. The Department of Housing and Community Development must also issue a written certification that the units are registered and will be monitored for compliance.

The Mayor had the authority to extend the deadlines set in the statute, but if they were not met, the developer would have to pay to the District a sum equal to the real property taxes that would have been due in the absence of the exemption.

The project is located on Square 2892, Lots 0098, 0903, 0904, 0908, and 0911, and could also be expanded to include Lots 0875 and 0114. It is located at 3220 and 3222 Georgia Avenue, NW, in the Columbia Heights neighborhood of Ward 1.

The property tax exemption was to expire after 30 years or the date on which the housing element no longer provides at least 50 percent of the units as affordable units.

Affordable units, which must be affordable to households with incomes between 60 percent and 80 percent of the area median income, must comprise 50 percent of the project. The project was to include at least 65 residential units as well as parking. The developer also stated that he planned to offer the other 50 percent of the units as workforce units for households earning between 80 percent and 120 percent of area median income, according to the fiscal impact statement dated December 11, 2009. The developer planned to begin construction in the spring of 2010. The fiscal impact statement estimated the present value of the total subsidy as \$3.2 million over 30 years.

PURPOSE:

The Columbia Heights neighborhood had “undergone a tremendous amount of price increases over the past few years resulting in a rapid decrease in the supply of decent and safe affordable housing. This

Part II: Review of the District's Housing Tax Provisions

development is a key component in the preservation of affordable housing in the neighborhood.”⁷⁹ The purpose of the legislation is to provide a series of tax abatements to subsidize the development of the Heights on Georgia Avenue project that would deliver more affordable residential and retail development into the Columbia Heights neighborhood of Ward 1.

IMPACT:

The Heights on Georgia Avenue project had an estimated \$447,000 Fiscal impact on the budget and financial plan from FY 2010 to FY 2013. The financial impact of the legislation is expected to increase over the next 30 years with the present net value of the subsidy package costing the District about \$3.2 million. The gains of the subsidy to the District include the increase in the number of quality affordable housing units and retail options to residents in the surrounding neighborhood. It also includes the redevelopment of the lower Georgia Avenue business corridor by bringing in new businesses like the first organic market into the neighborhood, beautiful and green architectural design, and other community-building effects.

EVALUATION:

There is no monitoring information available on Heights on Georgia Avenue to determine if the apartment complex is in compliance with the affordability requirements of the legislation. Further, additional analysis would be required to show that the tax abatement and exemption led to the economic benefits cited in the legislation.

⁷⁹ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-45, “Heights on Georgia Avenue Tax Abatement Act of 2009.”

Part II: Review of the District's Housing Tax Provisions

Heights on Georgia Avenue

The Need

To have real property tax property relief to aid in the construction of affordable housing units and retail space in the revitalization of Columbia Heights neighborhood.

Resources/Inputs:

Exempt the housing element of the Heights on Georgia Avenue from real property taxation.
Exempt the developer of the Heights on Georgia Avenue from any fees charged for permits related to the construction of the project including public space, private space or building permit fees

Outputs:

The six-story apartment building that offers 69 one-, two- and three-bedroom apartments ranging in size from 700 to 1270 square feet for residents making up to 60 percent of the average median income (AMI).
Retail stores on the ground level as well as underground parking.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The construction and completion of new rental apartments, Heights on Georgia Avenue, to provide more affordable housing units to District residents.

Medium-term

Provide affordable housing to low income families
Maintain the provision of quality affordable housing to low income families and senior citizens

Long-term

Provide affordable housing to low income families and senior citizens
Maintain the provision of quality affordable housing to low income families and senior citizens

Assumptions:

To increase the quality affordable housing units in the district for low income households and keep families from leaving the District

Part II: Review of the District’s Housing Tax Provisions

Israel Senior Residences

District of Columbia Code Section(s):	DC Official Code § 47-4659
Year Enacted:	2013
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	-	-	19	32	77	21

DESCRIPTION:

The “Israel Senior Residences Tax Exemption Act of 2012,” provides Israel Senior Residences with real property tax exemption and an exemption from permit fees. The law grants a 30-year real property tax exemption to the Israel Senior Residences beginning on the first day of the half-tax year following the issuance of a grading permit or excavation permit for the housing portion of the project, provided that (1) the first level of concrete was laid by December 31, 2013, (2) a certificate of occupancy for the housing element was granted within 24 months after the first level of concrete was laid, and (3) the affordable units were registered with www.dchousingsearch.org within 60 days of the issuance of the certificate of occupancy for the housing element. The Code also authorized the Mayor to grant a six-month extension for each of the deadlines listed above.⁸⁰

The exemption from real property taxation will expire, specifically, on the last day of the half tax year immediately following the earlier of the passage of 30 years or the date on which the Housing Element no longer has at least 50 percent of the total units of the Israel Senior Residences project designated as affordable units. The statute defines “affordable units” as affordable to households with incomes between 50 and 80 percent of the area median income. Such units are supposed to comprise all of the units in the Israel Senior Residence project.

The Israel Senior Residences Project is a 47 unit apartments in a four-story building with surface parking. The property’s physical address (described as Square 3848, Lot 0060) is 2401 Washington Place, NE Washington, DC, in the Brentwood neighborhood of Ward 5.

The developer of the property, Israel manor, Inc., an affiliate of Israel Manor received financing assistance from the District of Columbia Department of Housing and Community development (DHCD) and Federal Low Income Housing Tax Credits (LITHCs) and HOME funds.⁸¹

Israel Senior Residence qualifies for tax exemption under the new Nonprofit Affordable Housing Developer Tax Relief Act of 2012 that allow nonprofit affordable housing developers a real property tax

⁸⁰ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 19-800, “The Israel Senior Residences Tax Exemption Act of 2012.”

⁸¹ Tax Abatement Financial Analysis on “Israel Senior Residences Tax Exemption Act of 2012.”

Part II: Review of the District's Housing Tax Provisions

exemption on future developments so long as they maintain the properties as affordable housing under the applicable restrictions of the federal low income housing tax credit program. The bill however was passed at a time when the Nonprofit Affordable Housing Developer Tax Relief Act was temporary making the legislation necessary for the development of affordable senior housing units.⁸²

PURPOSE:

The intent of the Israel Senior Residences Tax Exemption Act of 2012 is to increase the number of construction of affordable housing units for senior citizens in the District of Columbia.

IMPACT:

The Office of Economic Development Finance reviewed and analyzed the projected cash flows from Israel Manor, Inc., and found that “in the absence of a real property tax exemption, cash flow generated by operations would be insufficient to repay the project’s subordinated cash flow loan prior to its expected maturity.”⁸³ The 30 year tax exemption is also necessary for the project to provide the intended rent level’s for low income seniors.

The construction of the senior housing project also reduces the number of vacant under-utilized property in the community and provides a sense of security for business owners around the neighborhood.

Israel Senior Residences		
The Need: To increase the number of affordable housing available to low income senior residents in the District	Resources/Inputs: Exemption from the payment of real property tax Exemption from the payment of permit fees for construction	Outputs: The policy offers affordable rents low income seniors making between 50 percent and 80 percent AMI quality housing in the District

⁸²Testimony of Rev. Morris L. Shearin, Resident and Chief Financial Officer of Israel Manor Inc., at the public hearing on Bill B19-800 before the Committee on Finance and Revenue Wednesday, November 14, 2012. Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 19-800, “The Israel Senior Residences Tax Exemption Act of 2012.”

⁸³ Tax Abatement Financial Analysis on “Israel Senior Residences Tax Exemption Act of 2012.”

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Jubilee Housing Limited Partnership Residential Rental Project

District of Columbia Code Section(s): DC Official Code § 47-1089
Year Enacted: 2013
Type of Provision: Exemption
Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	-	-	-	237	120	123

DESCRIPTION:

The “Jubilee Housing residential Rental project Property Tax Exemption and Equitable Real property Act of 2012” grants the exemption from real property taxation the real properties described as Lots 62, 63 and 809, in square 2576 and Lot 818, Square 2566 so long as the properties are owned by Jubilee Housing Inc., or its affiliates, and continue to comply with the federal low-income housing tax credits (LIHTCs) restrictions. The legislation also subject Jubilee Inc., to the provisions of §§ 47-1005, 47-1007, and 47-1009.

In 2005, to take advantage of LIHTC, Jubilee Housing, Inc. created a for-profit entity (Jubilee Housing, LP) and transferred the properties to its new company. The properties, were redeveloped over a four year period, from 2005-2009 and contains 118 affordable housing units, 3 after school programs and a computer lab. Rents on the housing units are set by income level restrictions so that 8 percent of units have income restrictions below 30 percent Area Median Income (AMI), 32 percent of units at between 30 percent and 50 percent AMI, and 60 percent of units at below 60 percent AMI.

Since October 1, 2012, when the Nonprofit Affordable Housing development Tax Relief Act became effective, LIHTC properties that are owned or controlled directly or indirectly by a nonprofit organization are not subject to real property taxes. Jubilee, Inc. however, did not qualify for real property tax exemption under the Nonprofit Affordable Housing development Tax Relief Act as the properties were owned and redeveloped by the organization prior to 2012.

PURPOSE:

The tax exemption was enacted so that Jubilee Housing, Inc. can continue to maintain the affordable units located in the Mount Pleasant neighborhood of Ward 1.

Jubilee, Inc. provided the Office of Economic Development Finance (EDF) with property financial statements and future projected cash flows. EDF found that Jubilee Inc., and its affiliates the exemption it could have received with the Nonprofit Affordable Housing development Tax Relief Act since Jubilee, LP faces restricted income potential due to the affordability provisions and does not generate sufficient

Part II: Review of the District's Housing Tax Provisions

cash flow from its operations to make payments on its loans and pay annual real property taxes. In fact, the annual real estate taxes paid by Jubilee, LP in previous years have led to the deferral of interest payments on its various loans.⁸⁴

IMPACT:

The tax exemption legislation allows Jubilee, LP to continue to maintain the affordable housing units provided to low income families. In the Tax Abatement Financial Analysis report, EDF estimates that without the tax exemption, Jubilee, LP's cash flow from its operations would be insufficient to pay the majority of the deferred developer fee or its subordinated cash flow loans before their expected maturities.

Jubilee Housing Limited Partnership Residential Rental Project

The Need:

To maintain and increase the number of affordable housing available to low income residents

Resources/Inputs:

Tax exemption to Jubilee, Inc. and its Affiliates

Outputs:

100 percent occupancy rate in 29 units of affordable housing in property at 1640 Columbia Road NW, Square 2576, Lot 0062
97 percent occupancy rate in 60 units of quality low income housing located at 1640 Columbia Road NW, described as Square 2576, Lot 0063

⁸⁴ 2013 Tax Abatement Financial Analysis on "Jubilee Housing Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2012."

Part II: Review of the District's Housing Tax Provisions

Jubilee Housing II

District of Columbia Code Section(s):	DC Official Code § 47-4633
Year Enacted:	2010
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	52	52	59	62	64	65	67

DESCRIPTION:

DC Law 18-163, effective May 27, 2010, provides a real property tax exemption to certain properties owned by Jubilee Housing Inc. (JHI), or by an entity controlled directly or indirectly by JHI (including Jubilee Housing Limited Partnership II), so long as the properties continued to be owned by JHI or an entity controlled by JHI, or remain under the applicable-use restrictions required by the federal low-income housing tax credit program and are not used for commercial purposes. The owners must file an annual use report in accordance with DC Official Code § 47-1007.

Jubilee housing project required the redevelopment of two multi-family building known as Euclid and Sorrento, and it involved substantial renovation that delivered 70 units of new affordable housing. All 70 affordable housing units are for households earning less than 60% AMI and 52 units for households earning 30% AMI and below.

The legislation for the jubilee project was argued to be necessary as a result of the collapse in the financial markets. JHI had originally attracted mortgage financing and tax-credit investment equity sufficient to finance the project. The potential investors disappeared and when a new tax-credit equity investor came forward, the value of the tax credits dropped substantially, leaving a financing gap of more than \$1 million. A JHI representative testified that the DC government did not have enough money in the Housing Production Trust Fund or other accounts to help JHI with the gap financing.

The property is located on Square 2560, Lot 0863, and Square 2563, Lot 0873. The addresses are 2233 18th Street, NW and 1740 Euclid Street, NW, in the Mount Pleasant neighborhood of Ward 1.

According to the fiscal impact statement, the properties were already owned by Jubilee Housing and were tax-exempt, but JHI was planning to renovate the buildings using tax credit financing. To do so, JHI would have to transfer ownership to Jubilee Housing Limited Partnership, a for-profit limited partnership that does not have tax-exempt status. The legislation was necessary due to the financial crisis. JHI had originally attracted mortgage financing and tax-credit investment equity sufficient to finance the project. The potential investors disappeared and when a new tax-credit equity investor came forward, the value of the tax credits dropped substantially, leaving a financing gap of more than \$1 million. A JHI representative testified that the DC government did not have enough money in the Housing Production Trust Fund or other accounts to help JHI with the gap financing.

If JHI buys the property back from the limited partnership at the end of the tax compliance period, it will remain tax-exempt.

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The purpose of the Jubilee housing project is to increase the quality and quantity of affordable housing available in the District.

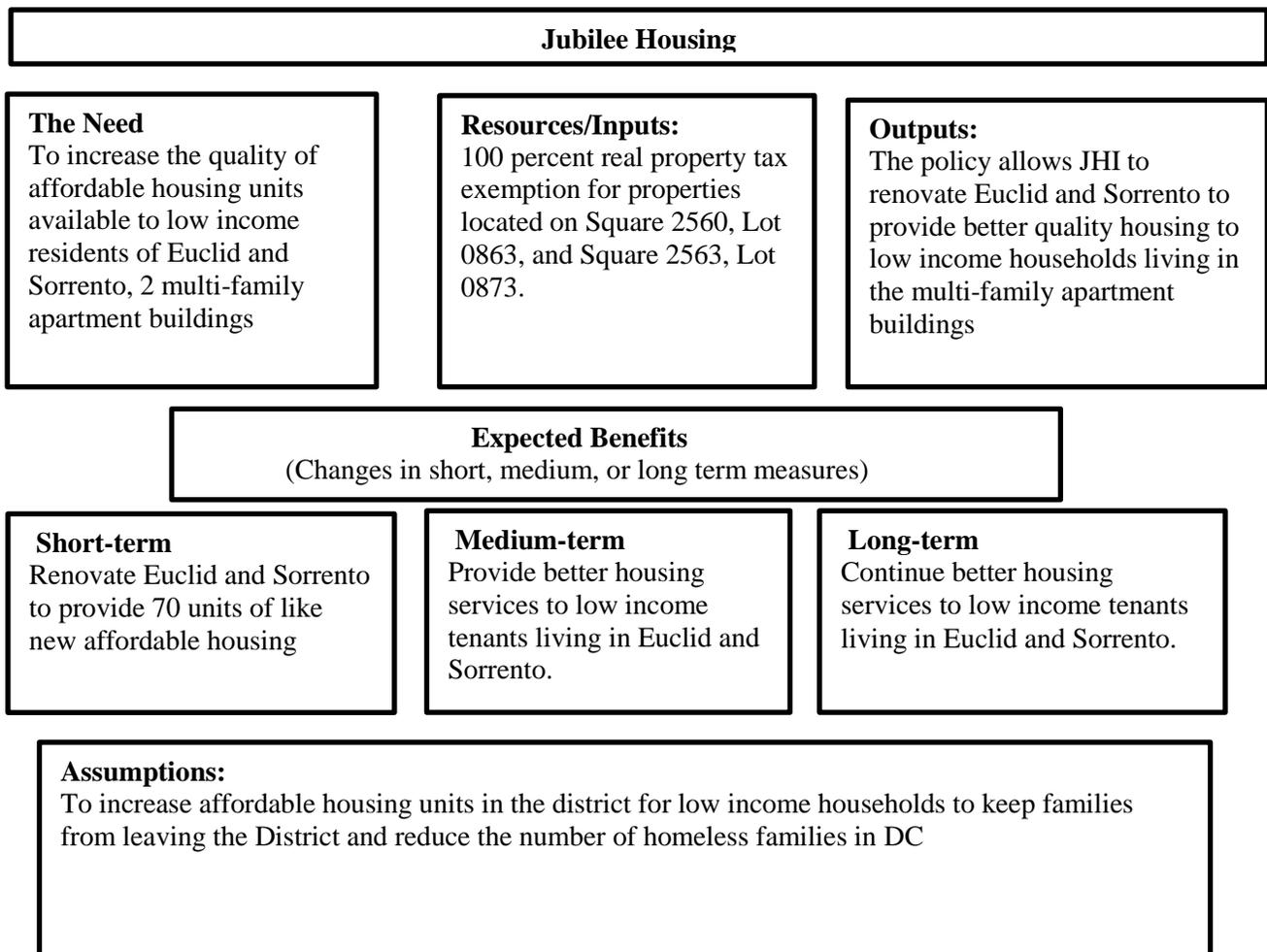
IMPACT:

Low income families that reside in the apartments renovated by jubilee housing indirectly benefit from the tax provision.

EVALUATION:

The Exempt Property Use Report is the only form of monitoring conducted by the Office of Tax and Revenue on Jubilee Housing Inc. The report is part of a self-monitoring system that provides little information needed to evaluate the impact of the legislation.

The information provided however from the 2014 Exempt Property Use Report show that the multi-family building apartments continue to provide affordable housing to extremely low income to low income families with 99 percent occupancy rate.



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Kelsey Gardens

District of Columbia Code Section(s):	DC Official Code § 47-4625
Year Enacted:	2009
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	5	5	5	363	367	376	386

DESCRIPTION:

DC Law 18-97, effective December 17, 2009, provides a real property tax abatement to the Kelsey Garden redevelopment project, provided that the property contains no less than 54 units of affordable housing for residents making 60 percent or less of area median income (about 20 percent of the total number of units); includes approximately 15,000 square feet of ground-level retail space; and has secured a mortgage from the US Department of Housing and Urban Development or a commercial mortgage entity to develop the project.

Emergency and temporary legislation enacted in 2014 reduced the required amount of retail space to 13,363 square feet, after the Office of Tax and Revenue ruled that the amount of retail space was insufficient to qualify for the abatement. The project is located on Square 421, Lots 0067 and 0068, at 1550 7th Street, NW, in the Shaw neighborhood of Ward 2.

The abatement freezes Kelsey Gardens' tax liability at the level imposed on October 1, 2009. It expires at the stated maturity date of the mortgage (even if the mortgage is prepaid or terminated early), so long as the property complies with the use restrictions.

As of March 2014, when the emergency act was approved, the project was approximately 60 percent complete and tenancies were expected to begin in the summer of 2014. The project was supposed to allow for one-for-one replacement of units at Kelsey Gardens and all tenants were to receive relocation assistance as well as a first right to return once the project is completed.

The project was originally to be financed with low-income housing tax credits but the interest rates for these long-term bond structures changed due to the recession and made this approach unfeasible.

PURPOSE:

The purpose of the "Kelsey Gardens Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2009" is to grant a partial real property tax exemption for the property which would freeze property taxes at the 2009 level. The need for the tax abatement stemmed from the fact that in 2009, given the economic and banking climate, the interest rates for the tax exempt long term bond structures with 4 percent credits for affordable units had changed so that they did not offer the significant

Part II: Review of the District's Housing Tax Provisions

benefit they previously did.⁸⁵ The tax abatement provides financial relief to Kelsey Gardens to service any mortgage loan taken from the United States Department of Housing and Urban Development (HUD) to finance the rehabilitation project.

IMPACT:

Prior to the passage of the legislation, Kelsey Gardens completed a rezoning to allow the company build an 8 story, 290 unit apartment project with about 15,000 square feet of ground floor neighborhood retail. The project provides 54 units (20 percent) of affordable housing to tenants at a maximum of 60 percent of area median income. The legislation ensures the redevelopment of the mixed use apartment and retail project brings new life and energy to the revitalization of the Shaw neighborhood.

EVALUATION:

There is no information monitoring information on Kelsey Gardens to determine if the apartment complex is in compliance with the legislation and make policy recommendations.

⁸⁵ Testimony of Carlos Vasquez, Metropolitan Development Company, Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-222, "Kelsey Gardens Redevelopment Project Real Property Limited Tax Abatement Assistance Act of 2009."

Kelsey Gardens

The Need

The redevelopment of Kelsey gardens apartments, and increase in the quality of affordable housing units in the District.

Resources/Inputs:

Real property tax abatement that would freeze property taxes at the level paid on October 1, 2009, provided that the property contains no less than 54 units of affordable housing for residents making 60 percent of area median income, 15,000 square feet of retail space, and secure mortgage from HUD.

Outputs:

The provision of 290 units of redeveloped apartment housing with 54 affordable units, and a ground floor retail haven for the neighborhood. The affordable units include: 13 units of 1 bedroom, 24 units of 2 bedrooms, 13 units of 3 bedrooms, and 4 units of 4 bedroom apartments

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The reallocations of existing tenants, and provide a relocation package to the tenants
To construct the mixed use apartment and retail project

Medium-term

Provide a first right to return to tenants that were temporarily relocated
Provide affordable housing to low-to-moderate income families

Long-term

Provide housing to low-to-moderate income families with no more that 60 percent of area median income

Assumptions:

To increase the redevelopment of quality affordable housing units in the district for low income households to keep families from leaving the District

Part II: Review of the District's Housing Tax Provisions

King Towers Residential Housing

District of Columbia Code Section(s):	DC Official Code § 47-4639
Year Enacted:	2009
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	28	55	55	55	N/A	N/A	N/A

N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

DC Law 18-237, effective October 15, 2010, provides a real property tax exemption to the King Towers residential housing rental project, so long as the real property continues to be owned by King Housing, LLC, or by an entity controlled, directly or indirectly, by King Housing, LLC, or continues to comply with use restrictions imposed by the federal low-income housing tax credit program and is not used for commercial purposes. The property is also exempt from the deed recordation and transfer taxes, and from the economic interests tax. The owner must file an annual use report in accordance with DC Official Code § 47-1007.

King towers residential housing project consisted of the renovation of the building that houses very low income families in the Logan circle neighborhood. The property is located at Square 0281, Lot 0049. The address is 1220 12th Street, NW, in Ward 2.

It is a 129 unit apartment with 98 percent of residents deemed to be low or very low income. 55 percent of resident families make less than \$30,000 annually. The renovations were deemed necessary as the main component systems of the apartment building were at the end of their useful lives and needed to be replaced. The renovation provides new programs and amenities like state of the art learning center and outdoor recreational playground for the 73 children living in the building.

According to the fiscal impact statement, the property had been tax-exempt since 2000.⁸⁶ A renovation of the 38-year-old building was planned in 2010. To take advantage of LIHTC financing, the property would have to be transferred from King Towers, Inc., a non-profit entity, to the for-profit King Housing LLC. The renovation was also drawing on DC Housing Finance Agency support and ARRA Funds. Without the exemption, King Towers would have had to make a payment in lieu of taxes equal to 5 percent of the gross income derived from its operations.

PURPOSE:

To continue to provide quality multi-family affordable homes to very low income families, and create a safe environment for children living in the building by providing a playground and state of the art learning center.

⁸⁶ DC Official Code § 47-1002(20)(A)(i).

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IMPACT:

The renovation of King Towers Apartments serves extremely low families with new amenities, state-of-the-art learning center and new outdoor recreational playground for the children living in the building. The state-of-the-art learning center serves as an out of school time facility for kids between the ages of 5 and 13 years with a student /teacher ratio of 15 to 1 while the playground provide a safe place for kinds in the community.

The rehabilitation work in the building also affects the aesthetic view of the community. The legislation allowed for the rehabilitation work to cover the property's plant including a new courtyard facility, new cooling towers, energy star lighting fixtures and security system, new roof and a rooftop photovoltaic solar power panel system, refurbishing the elevator cabs and replacing the elevator electrical systems, new energy star appliances, new kitchen and bath cabinets, countertops, faucets, toilet, sinks, and shower heads.

EVALUATION:

Real property tax exemption excuses King Housing, Inc. from paying property taxes on King Towers Apartments located at 1220 12th Street, NW According to the Exempt Property Use Report, King Towers was in 2014 to provide 129 residential housing units to low-to-moderate income individuals and families. The individuals and families meet the restrictions of the Low Income Housing Preservation and Resident Homeownership Act. The low income residents pay no more than 30% of their income for rent, and all rents received are used to operate the property.

Some information on the Exempt Property Use Report includes lease rent paid by tenants; market rent rate, floor plan, occupancy rate, available housing units, units occupied, lease amount per square feet, market amount per square feet, average lease rent paid, average market rent, and summary of billing information.

The 2014 summary data show that the properties had 100 percent occupancy rate. Most tenants in King Towers Apartments have lived in the building for more than 5 years, giving these individuals and families a stable and secure environment.

The annual Exempt Property Use Report is the only monitoring that is conducted by the District and the form do not include the income level of tenants. It is hard to determine whether or not an individual's income is above the qualified income range as they continue to live in the building. This is true for all legislation that requires the annual Exempt Property Use Report as the only form of monitoring.

The annual Exempt Property Use Report is also limiting as it offers no information on whether or not resources from the tax credit are being used efficiently. The only known information from the report is that the legislation is needed since the organizations are unable to service its debt and operating costs since the properties function at a loss.

The legislation is very specific in its target recipients so that only specific residents can benefit from the services King Housing, Inc. provide as a result of the exemption.

Part II: Review of the District's Housing Tax Provisions

King Towers Residential Housing

The Need

Renovate King Towers Apartments to provide quality affordable housing for extremely low income families and a safer environment for children in the community

Resources/Inputs:

100 percent real property tax exemption

Outputs:

129 units of newly renovated affordable housing for individuals, and families with up to 60 percent of area median income.
State-of-the-art learning center and outdoor recreational playground.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

Renovate, upgrade, and modernize King Towers Apartments to include state-of-the-art learning center and playground

Medium-term

Improve the quality of life for low income families in King Tower Apartments
Provide positive community benefits that would increase aesthetic view of the community.

Long-term

Improve the quality of life for low income families in King Tower Apartments with services provided in the learning center
Provide positive community benefits that would increase aesthetic view of the community.

Assumptions:

Increase the level of education of kids that live in King Towers and improve the quality of life of the low income families in the building.

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Park Place at Petworth, Highland Park, and Highland Park Phase II

District of Columbia Code Section(s):	DC Official Code § 47-4629
Year Enacted:	2010
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	620	589	560	531	537	537	547

DESCRIPTION:

DC Law 18-128, effective March 23, 2010, provides real property tax abatements to the Park Place at Petworth, Highland Park, and Highland Park Phase II projects. Beginning on October 1, 2010, the properties receive a 50 percent exemption for 10 years. After that, the property tax liability will increase by 5 percent for each of 10 years until the annual real property tax reaches 100 percent of assessed value. The developers are not barred for using any other tax or other economic incentives for the project.

Park Place at Petworth is located at 850 Quincy Street, NW, and includes a “condominium/apartment house” with 161 units with a 20 percent affordable housing set-aside. Park Place at Petworth will also have retail space and a below-grade parking garage.

Highland Park is located at the southwest corner of Irving Street, and 14th Street, NW, and includes a “condominium/apartment house” of 229 units with a 20 percent affordable housing set-aside. Highland Park will also have retail space and a below-grade parking garage.

Highland Park Phase II is located at 1444 Irving Street, NW, and includes “a condominium/apartment house” with a minimum of 60 units and a 20 percent affordable housing set-aside. Highland Park Phase II will also include as community-based residential facility with 82 beds.

The relevant properties are located in Square 2900, Lot 0044; Square 2672, Lot 0884; and Square 2672, Lot 0726.

According to the committee report, the buildings were originally planned to be condominiums, but were converted to rental due to the decline of the real estate sector. The developer testified that the legislation was necessary for the project to secure permanent financing as a rental project. Opponents of the bill testified that the project was initially planned without a tax abatement and developers have to bear the market consequences of their investments.⁸⁷

⁸⁷ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-231, the “Park Place at Petworth, Highland Park and Highland Park Phase II Economic Development Act of 2009.”

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The legislation was passed because of the economic climate due to the most recent recession. According to the committee report, the legislation will level the playing field so that Park Place at Petworth and Highland Park will be able to receive permanent financing and that financing will be obtainable for Highland Park II to be constructed. The purpose of the bill is however unclear. Little information was provided on the need for assistance for the projects, and most of the projects are located in very strong real estate markets.

IMPACT:

It is unclear how much impact the legislation will impact the community as two of the three projects were nearly completed before the legislation was introduced. The projects were planned to be developed as condominiums but were converted to rental apartments because of the market crash. At least some of the projects had affordable housing requirements because they were built on DC-owned land which included an affordable housing set aside that was built into the land price and negotiated before the tax abatements were considered.

EVALUATION:

“Park Place at Petworth, Highland Park and Highland Phase II Economic Development Act of 2009” is unusual because the tax abatement doesn't seem to be contingent on compliance with affordable housing requirements. The projects were mostly planned as condominiums that were switched by the developers to rental apartments after the economic downturn.

It is unclear if any monitoring is conducted on the properties to determine whether or not the affordability requirements negotiated into the land prices are being followed. Information needed to evaluate the impact of DC Law 18-128 was not found.

Park Place at Petworth, Highland Park, and Highland Park Phase II

The Need:

To help the development projects during the time of economic downturn.

Resources/Inputs:

100 percent real property tax exemption for the first 10 years, then an increase in property taxes by 10 percent per year in years 11 through 20 until the annual real property taxation rate equals 100 percent of market value

Outputs:

20 percent of residential square footage devoted to affordable housing with 5% of net residential square footage for 30% AMI, 10% for 50% AMI and 5% for 60% AMI for Park Place at Petworth.
20% of residential square footage devoted to affordable housing up to 80 percent AMI for Highland Park. These outcomes were however negotiated into the land price.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

It is unclear what the short term, medium term and long term measures of the legislation should be.

Medium-term

It is unclear what the short term, medium term and long term measures of the legislation should be.

Long-term

It is unclear what the short term, medium term and long term measures of the legislation should be.

Assumptions:

It is unclear what assumptions were made for the legislation. It is unclear whether or not it was assumed that the financial crisis would cause the projects to remain incomplete which would be counterintuitive as most of the projects were nearly, if not completed.

Part II: Review of the District's Housing Tax Provisions

So Others Might Eat Inc., and Affordable Housing Opportunities

District of Columbia Code Section(s):	DC Official Code § 47-1078 and § 47-1084
Year Enacted:	2008
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	268	277	N/A	N/A	N/A	N/A	N/A

Note: Estimated revenue foregone is the sum of the negative fiscal impacts reported in § 47-1078 and § 47-108. N/A = Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

DC Law 17-185, effective July 18, 2008, provides a real property tax exemption for 11 properties owned by So Others Might Eat, Inc. (SOME), Affordable Housing Opportunities, Inc. (AHO), or by an entity controlled, directly or indirectly, by So Others Might Eat, Inc. or Affordable Housing Opportunities, Inc.

SOME and AHO are non-profit organizations located in the District that provide an array of services to low-income or special-needs populations. The properties receiving the exemption are primarily used for multi-unit residential housing for low-income households. To maintain eligibility for the exemptions, the properties must be owned by SOME, Inc., AHO, Inc., or by any entity controlled, directly or indirectly, by those organizations. The property must continue to be used in accordance with the application for the property tax exemption.

In addition, the property can maintain its tax exemption if it is owned by any entity, whether for-profit or non-profit, that complies with applicable use restrictions of the federal low-income housing tax credit program or a Department of Housing and Community Development program. The owner or owners must file annual reports required by DC Code § 47-1007 describing the use of the exempt property.

The sale or conveyance of any of the 11 properties is also exempt from the deed recordation and transfer taxes. The 11 properties are as follows:

- Square 3567, Lot 0811, located at 1876 4th Street, NE (Shalom House, a 93-unit single-room occupancy facility)
- Square 3567, Lot 0812, located at 1876 4th Street, NE (Side door entrance to Shalom House)
- Square 5322, Lot 0033, located at 360 50th Street, SE (formerly vacant buildings that were to be converted to 31 efficiencies and 46 single-room-occupancy units)
- Square 5322, Lot 0034, located at 350 50th Street, SE (formerly vacant buildings that were to be converted to 31 efficiencies and 46 single-room-occupancy units)
- Square 5616, Parcel 2180096, located at 1701 19th Street, SE (Zagami House, a 12-unit facility for families)
- Square 5637, Lot 0815, located at 2810-2872 Texas Avenue, SE (17 family units plus community space for tutoring and after-school programming)

Part II: Review of the District's Housing Tax Provisions

- Square 5760, Lot 0047, located at 2125 18th Street, SE (Freedom House, a 30-unit single-room occupancy facility)
- Square 5765, Lot 0894, located at 1667 Good Hope Road, SE (45 units for elderly residents)
- Square 6129, Lot 0811, located at 3828-3830 South Capitol Street, SE (51 single-room occupancy units)
- Square 6164, Lot 0822, located at 740 Barnaby Street, SE (Barnaby House, 10 units for families)
- Square 6164, Lots 2086-2127, located at 730-736 Chesapeake Street, SE (22 two- and three-bedroom units for families)

Affordable Housing Opportunities, Inc.

Effective 2010, DC Law 18-129 also granted a real property tax exemption for properties owned by Affordable Housing Opportunities, Inc. (AHO), so long as (1) the properties continue to be owned by AHO or an entity controlled, directly or indirectly, by AHO, (2) or remain under applicable-use restrictions during a federal low-income housing tax credit compliance period, and are not used for commercial purposes. The legislation also required the Office of Tax and Revenue to refund all tax payments made in Square 5984, Lot 0800, and Square 5730, Lot 0916, in Ward 8. The addresses are 523-525 Mellon Street, SE, and 2765 Naylor Road, SE.

The law also established that the conveyance of any of the properties to AHO or by AHO, or an entity controlled, directly or indirectly by AHO, is exempt from the deed recordation and transfer taxes. AHO must file annual reports documenting the use of the property for the required purposes, in accordance with DC Official Code § 47-1007. The properties are According to the committee report, the two sites will provide up to 91 affordable housing units, of which at least 25 would be accessible for people with disabilities. The Mellon Street site would include 36 single-room occupancy units among its 51 units; the Naylor Road site would have 40 units. The units serve men and women with up to 50% area median income.

PURPOSE:

The 2008 real property tax exemption was sought by SOME Inc. and its affiliates in order to develop 1,000 new units of affordable housing and intensive supportive services to individuals and families with incomes up to 30 percent of area median income and District residents with special needs.

The 2010 legislation granted to AHO was needed to allow AHO and SOME to proceed immediately toward development of two sites purchased by AHO in Ward 8 in 2008.

IMPACT:

The “Property Tax Exemption Clarification Act of 2007” allows for the creation of 1000 quality affordable housing units used predominantly as transitional or long-term housing for “extremely low-income” (below 30 percent of the area median income) persons or persons with “special needs” (which are persons with mental or physical disabilities, homeless, or formerly homeless persons, the elderly, individuals with HIV/AIDS, or persons recovering from alcohol and drug addictions). The legislation urgently feels the District’s goals for affordable housing and homelessness prevention.

Part II: Review of the District's Housing Tax Provisions

The “Affordable Housing Opportunities Residential Rental Project Property Tax Exemption and Equitable Real Property Tax Relief Act of 2009” allows AHO, Inc., and SOME, Inc., to build additional units to meet the 1,000 units both organizations look to produce. The housing units developed helps District residents who are homeless or at the risk of homelessness while also providing comprehensive services to its tenants.

EVALUATION:

SOME, Inc., AHO, Inc., and its affiliates are required by law to fill out an annual Exempt Property Use Report (Form FP 161)⁸⁸. The Office of Revenue Analysis received copies of the 2014 Exempt Property Use Report from the Office of Tax and Revenue. The report contains information for the following locations:

- Square 5322, Lot 0038, located at 350-360 50th Street, SE
- Square 5637, Lot 0815, located at 2810-2872 Texas Avenue, SE
- Square 5730, Lot 0916, located at 2765 Naylor Road, SE
- Square 5760, Lot 0047, located at 2125 18th Street, SE
- Square 5765, Lot 0894, located at 1667 Good Hope Road, SE
- Square 5984, Lot 0800, located at 523-525 Mellon Street, SE
- Square 6129, Lot 0811, located at 3828-3830 South Capitol Street, SE
- Square 6164, Lot 0822, located at 740 Barnaby Street, SE
- Square 6164, Lots 0134, 2086-2127, located at 730-738 Chesapeake Street, S.E
- Square 0218, Lot 0096, located at 1709 19th Street, S.E
- Square 3567, Lot 0811, located at 1876 4th Street, NE
- Square 3567, Lot 0812, located at 1876 4th Street, NE

Some information on the Exempt Property Use Report includes lease rent paid by tenants; market rent rate, floor plan, occupancy rate, available housing units, units occupied, lease amount per square feet, market amount per square feet, average lease rent paid, average market rent, and summary of billing information.

The 2014 summary data show that the properties had an average of 92.18 percent occupancy rate. The properties are being used to provide low income housing to the homeless and previous homeless families, low income single individuals, and extremely low income families. The services provided through the legislation therefore, reaches its intended recipients which, as stated in the committee report, are low income vulnerable members of the communities and individuals with special needs.

The annual Exempt Property Use Report is the only monitoring system conducted by the District and the form does not include the income level of tenants. It is hard to determine whether or not an individual's income is above the qualified income range as they continue to live in the building and receive supportive services. This is true for all legislation that requires the annual Exempt Property Use Report as the only form of monitoring.

The annual Exempt Property Use Report is also limiting as it offers no information on whether or not resources from the tax credit are being used efficiently. The only known information from the report is that the legislation is needed since the organizations are unable to service its debt and operating costs since the properties function at a loss.

⁸⁸ DC Code § 47-1007.

Part II: Review of the District's Housing Tax Provisions

The legislation is very specific in its target recipients so that only specific residents can benefit from the services SOME, Inc., AHO, Inc., and its affiliates provide as a result of the exemption. In fact, only a limited number of homeless, previously homeless, the elderly, and residents with special needs can receive the benefits of the legislation as the amount of affordable housing units available is limited.

So Others Might Eat Inc., and Affordable Housing Opportunities, Inc.

The Need:

To provide quality affordable housing for extremely low income families, the homeless or individuals at risk of homelessness, and persons with special needs.

Resources/Inputs:

100 percent real property tax exemption
Refund of all tax payments made by AHO, Inc. and any entity controlled by AHO, Inc. to the Office of Tax and Revenue including penalties, fees, interests and other related charges beginning January 1, 2008 on Lot 800 Square 5984 and Lot 916 in Square 5730.

Outputs:

40 units of affordable housing for individuals, and families with up to 60 percent of area median income.
51 units of affordable housing for individuals with incomes below 50 percent of area median income.
Tutoring and after-school programming
527 units of affordable housing for individuals, families, and the elderly with income at or below 30 percent of area median income.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

Start the development of housing projects that are unfinished.
Maintain full occupancy for facilities that are in full operation and provide supportive services for residents

Medium-term

Complete the construction, and conversion of vacant buildings to efficiencies, single-family units, and elderly residents
Complete community space for tutoring and after-school programming
Maintain full occupancy for facilities that are in full operation and provide supportive services for residents.

Long-term

Maintain full occupancy for facilities that are in full operation
Provide positive community benefits that would reduce the number of homeless individuals in the District.

Assumptions:

More properties will be built or converted to serve extremely low income and special needs residents in the District.

Part II: Review of the District's Housing Tax Provisions

Parkside Parcel E and J Mixed Income Apartments

District of Columbia Code Section(s):	DC Official Code § 47-4658
Year Enacted:	2013
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	-	-	0	0	546	560

DESCRIPTION:

The “Parkside Parcel E and J Mixed-Income Apartment Tax Abatement Act of 2012,” was enacted to abate the imposition of taxes on real property described as Lot 808, Square 5041 and Lot 811, Square 5056. The properties are located at 600 Kenilworth Terrace, NE, in the Lily Ponds neighborhood of Ward 7. The abatement is capped at \$600,000 per year for 10 tax years after each lot receives a final certificate of occupancy and ending at the completion of the 10th full real property tax year following the Lot’s commencement date. The tax abatement however expires if a final certificate of occupancy is not issue by September 20, 2018. The properties were also exempted from building or public space permit fees provided that the final certificate of occupancy is issued on or before September 20, 2018, and any fees or deposits charged to or paid by Parkside Residential, LLC will be refunded or forgiven.

The Council however passed an emergency Act known as the “Parkside Parcel E and J Mixed Income Tax Abatement Emergency Amendment Act of 2014” which amended the abatement cap from \$600,000 to \$300,000 per year for 10 years after each lot receives a final certificate of occupancy. The emergency Act expired March 18, 2015 and a resolution known as the “Parkside Parcel E and J Mixed Income Tax Abatement Congressional Review Emergency Declaration Resolution of 2015” was put into effect so that the emergency legislation will continue in effect, without further interruption, until the temporary act becomes law.

According to the committee report, the Parkside Parcel E and J Mixed-Income Apartments are part of the greater Parkside planned unit development, which permits up to 50,000 square feet of retail space, 750,000 square feet of office space, 2,000 residential units, a one-acre park, and a new pedestrian bridge connecting the Parkside development to the Minnesota Avenue metro station. The mixed-income apartments are two four-story structures containing approximately 174 units each.

A tax abatement financial analysis (TAFA) dated March 15, 2012 notes that the planned unit development required 20 percent of the residential units for the entire project to be affordable. Because parcels E and J were among the first to be developed, it was not clear whether they would contain any of the affordable units. The entire 20 percent requirement could be encompassed in future construction phases. The project *pro forma* assumed that all of the units would be market-rate.

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The purpose of the Parkside Parcel E and J Mixed-Income Apartment Tax Abatement Act of 2012 is to increase the construction of affordable housing units and mixed income apartments in the District of Columbia.

IMPACT:

The TAFE report concluded that, “If the District would like for the owner of the Parkside parcels to construct two market-rate residential buildings in the Parkside location, it is likely that the owner will need partial tax abatement. In the absence of the partial abatement, the owner would likely have insufficient cash flow to attract the equity necessary to finance the construction of the buildings⁸⁹.”

The community impact of the tax abatement also includes increasing the number of affordable housing units as the owners of the parcels are attempting to create an entirely new housing product for the Parkside neighborhood. The low income units are set to be available for tenants at the 51percent-80 percent Area Median Income Level. The project will also create jobs with the construction and management of the residential property.

Other community benefits and amenities required by law through the zoning process as it will bring new retail establishments, office space, architectural design, and a new mixed used community.

⁸⁹ Tax Abatement Financial Analysis (TAFE) of “Parkside Parcel E and J Mixed-Income Apartments Tax Abatement Act of 2012.”

Parkside Parcel E and J Mixed Income Apartments

The Need:

To increase the number of affordable housing as well as providing a vibrant mixed use community in the District

Resources/Inputs:

Partial tax abatement capped at \$300,000 per year
Exempted from building or public space permit fees
Forgiveness or refund of any fees or deposits after the receipt final certificate of occupancy

Outputs:

Creation of mixed income apartments with retail and office space
Increase in the number of jobs in the District

Part II: Review of the District’s Housing Tax Provisions

Parkside Terrace

District of Columbia Code Section(s):	DC Official Code § 47-4607
Year Enacted:	2006
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	104	115	120	171	175	178	178

Note: Estimated revenue forgone is calculated using property assessment data from the Office of Tax and Revenue’s Real Property Tax Database.

DESCRIPTION:

DC Law 16-84, effective April 4, 2006, granted real property, deed recordation, and deed transfer tax exemptions to the Parkside Terrace project, which was originally intended to include a 12-story building with 325 rental apartment and condominium units; 30 townhouse units to be built on vacant land, and other ancillary improvements. Parkside Terrace also received a sales tax exemption for materials used in the construction of the project.

The relevant properties are located in Square 5926, Lot 3 (the statute notes that the land could be subdivided into other lots in the future). The properties are located at the corner of Valley Avenue and 9th Street, SE, in the Congress Heights neighborhood of Ward 8.

The real property tax exemption applies only to (1) the property being developed into an affordable rental housing project, contingent on the property’s continued use for that purpose, and (2) those portions of the property to be developed into condominium and townhouse units only until those portions of the property are transferred by the developer sponsor.

The property and sales tax exemption were granted in addition to, and not in lieu of, any other tax relief or assistance from any source applicable to the project, with an aggregate cap of \$6 million. The statute also states that, “This section shall not prevent or restrict the Developer Sponsor from utilizing any other tax, development, or other economic incentives available to the Parkside Terrace project or the Parkside Terrace property.

A *Washington Post* article on the project, dated October 5, 2009, states that Parkside Terrace had a HUD section 8 contract until 2003, when it terminated the contract and provided vouchers to help residents relocate. Work started on the new housing, called the Overlook, in 2008.⁹⁰

PURPOSE:

⁹⁰ A Framework for Hope: New Apartments Help Dim Memory of Troubled Complex by Yamichi Alcindor, Washington Post Staff Writer, Monday, October 5, 2009.

Part II: Review of the District's Housing Tax Provisions

The legislation exempts the Parkside Terrace Property from real property taxation to increase the redevelopment of affordable rental units, condominium units and townhomes available in the District. The legislation is also needed to make the Parkside Terrace Project financially feasible.

IMPACT:

A local journalist in the *Washington Post* writes that Parkside Terrace has become a symbol of revitalization for the neighborhood of Ward 8.⁹¹ The property includes community rooms, a computer room, laundry facility, playground, and retail and health care suite for seniors.

The legislation also provides financial relief to Parkside Terrace for providing affordable housing to low income residents. Jerry Joseph, Vice President of Community Preservation Development Corporation (CPDC) testified during the public hearing that “the tax exemptions requested through this legislation are critically important to making the Parkside Terrace project financially feasible for the CPDC.”⁹²

EVALUATION:

There is no monitoring information available on Parkside Terrace to determine if the apartment complex is in compliance with the legislation. The project did, however, receive the Architectural Design Award from Affordable Housing Conference of Montgomery County (AHCMC), and the Citation for Excellence in Design Award from Maryland State Component of the American Institute of Architects (AIA Maryland) in 2010.

⁹¹ A Framework for Hope: New Apartments Help Dim Memory of Troubled Complex by Yamichi Alcindor, Washington Post Staff Writer, Monday, October 5, 2009. <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/04/AR2009100403064.html>

⁹² Testimony of Jerry Joseph, Community Preservation Development Corporation, in the Public Hearing heard on Thursday, October 20, 2005, Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 16-432, “Parkside Terrace Economic Development Act of 2005.”

Part II: Review of the District's Housing Tax Provisions

Parkside Terrace

The Need

To redevelop Parkside Terrace and increase the number of quality affordable housing and services available to low income residents in the District.

Resources/Inputs:

100 percent tax exemption on the portion of the Parkside Terrace property that is developed into Low-Income Housing units.

Outputs:

The Overlook at Oxon Run (previously Parkside Terrace), completed in 2010, provides 316 one- and two-bedroom units of first rate affordable housing, including 181 units on the first seven floors for low-income seniors and 135 units on the top five floors for small families, as well as complementary space for community and resident services.

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The construction of Overlook at Oxon Run (previously Parkside Terrace) apartments which started in 2008.

Medium-term

Provide affordable housing to low income families and senior citizens

Long-term

Provide affordable housing to low income families and senior citizens

Assumptions:

To increase the quality affordable housing units in the district for low income households and senior citizens to keep families from leaving the District

Part II: Review of the District's Housing Tax Provisions

St. Martin's Apartments

District of Columbia Code Section(s):	DC Official Code § 47-4620
Year Enacted:	2009
Type of Provision:	Exemption
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	383	0	0	N/A	N/A	N/A	N/A

N/A= Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

DC Law 17-355 effective March 25, 2009, provides real property, deed recordation, and deed transfer tax exemptions to the St. Martin's Apartments, which are located on land in St. Martin's Parish and leased from the Roman Catholic Archdiocese of Washington. The exemptions apply to a building containing 178 units of rental housing and ancillary improvements, including the parking facility and any cellular tower or cellular equipment on or in the building.

The apartments are located on Square 3531, Lot 0116. The address is 116 T Street, NE, in the Eckington neighborhood of Ward 5.

The property tax exemption lasts as long as the property is operated as an affordable rental housing project and annual use reports are filed in accordance with DC Official Code § 47-1007. The property and project are also exempt from public space fees. The tax and fee exemptions are provided in addition to, and not in lieu of, tax relief or assistance from any other source.

The fiscal impact statement dated July 15, 2008, states that the project is a joint partnership of the Department of Housing and Community Development, the DC Housing Authority, Catholic Charities, and St. Martin's Church. Construction was scheduled to start in August 2008 and finish in August 2010.

It appears that a sales tax exemption for construction materials was deleted from the bill in order to avoid a negative fiscal impact.

PURPOSE:

The legislation was used to clarify and resolve the issue of what existing exemption the St. Martin Apartment project was eligible for, so that the commencement of its construction could be expedited. Conflict between tax exemptions of DCHFA (Transaction taxes) and DCHA (real property taxes) made it unclear which one was applicable to the development project. The property was already exempted from real property taxation because of its ownership (the Roman Catholic Archdiocese of Washington). There was a temporary legislation in place until the enactment of Bill 17-587.⁹³

⁹³ Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 17-587, the "St. Martin Property Tax Exemption Tax Act of 2008."

Part II: Review of the District's Housing Tax Provisions

IMPACT:

St. Martin Apartments Tax Exemption Act of 2008 grants Catholic Charities of the Archdiocese of Washington, its affiliates Catholic Community Services Housing, Inc., and St. Martin Apartments LP, to expedite the construction of 178 units of affordable rental housing project. The affordable rental units, completed in 2010, are rented to low-to-moderate income families with not more than 60 percent of area median income with the rent not exceeding 30 percent of 60 percent of area median income. St. Martin Apartment also set aside 50 units for the formerly homeless with case management by Catholic Charities.

The legislation allows for the housing of working families and residents of diverse income levels to live in a stable environment. The local community also benefits through the creation of jobs for District residents and contracting opportunities for local, small, and disadvantaged business enterprises.

EVALUATION:

The Exempt Property Use Report is the only form of monitoring conducted by the Office of Tax and Revenue on St. Martin's Apartments. The report is part of a self-monitoring system that provides little or no relevant information needed to evaluate the impact of the legislation.

St. Martin Apartments

The Need

To provide clarification of the applicable real property tax exemption to St. Martin Apartments for the construction of the 178 unit-affordable housing project

Resources/Inputs:

100 percent real property tax exemption to St. Martin Apartment
Exemption from deed recordation tax and public space permit fees

Outputs:

The clarification of the applicable real property taxation policy that would apply to St. Martin Apartment, LP., and commencement of the construction of "The Summit at St. Martin"

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

The construction of the 178 unit-affordable housing project known as "The Summit at St. Martin" 120-130 underground parking spaces, tree lined courtyard and community meeting spaces
Upscale design, improved lighting, and landscaping of the area.

Medium-term

Rent homes to household making between \$30,000 and \$57,000 at \$869 to \$1,039 per month; and \$500 per month for formerly homeless individuals making about \$18,000

Long-term

Continue to provide housing to low-to-moderate income families and serve the formerly homeless.

Assumptions:

The financing and construction of St. Martin apartments will be expedited

Part II: Review of the District's Housing Tax Provisions

St. Paul Senior Living at Wayne Place

District of Columbia Code Section(s): DC Official Code § 47-4642
Year Enacted: 2011
Type of Provision: Exemption
Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	58	59	60	61	62	62

DESCRIPTION:

The “Wayne Place Senior Living Limited Partnership Real Property Tax Exemption Act of 2010” grants real property tax exemption to Wayne Place Senior Living, L.P., a faith based non-profit constructed, sponsors, and operates a newly constructed senior residential facility in Ward 8. That exemption is valid so long as the property is (1) owned and maintained by Wayne Place, or by an entity controlled directly or indirectly by Wayne Place, (2) operated as a senior living facility that provides secure and affordable housing, and (3) not used for commercial purposes. If the property is used for any purpose other than a nonprofit senior reading facility, the sum of all unpaid real property tax, penalties, accruing property tax and 5percent interest would have to be paid to the District. Wayne Place must file an annual use report in accordance with DC Official Code § 47-1007.

The property is located at Square 6118, Lot 0045. The address is 114 Wayne Place, SE, in the Congress Heights neighborhood of Ward 8.

According to the committee report, Wayne Place is a 56-unit, 4-story building for senior citizens aged 62 and over that opened in December 2006. It replaced a crime-ridden and dilapidated apartment building. Residents must have incomes of 50 percent of the area median or less. Many of the residents were on the DC Housing Authority’s elderly waiting list and previously homeless.

PURPOSE:

Wayne Place Senior Living L.P. purchased a dilapidated, drug invested 33-unit apartment complex with sole desire to demolish it and construct high quality affordable housing for seniors living in this area of the city. The exemption act was enacted to enable Wayne Place Senior Living to meet the debt service requirements under the loan documents in order to qualify for the loan.

IMPACT:

Part II: Review of the District's Housing Tax Provisions

Wayne Place Senior Living Limited Partnership built a senior living facility that includes state of the art entry and monitoring system with 24 hour security service, a community room, library, a resident business center and a health service office for its residents. This building replaced a crime ridden and dilapidated apartment building, providing a safer community in Ward 8.

St. Paul Senior Living at Wayne Place

The Need:

To increase the number of quality affordable housing units for senior citizens in the District

Resources/Inputs:

Provides a tax exemption to real property

Outputs:

Redevelopment and renovation of blight dilapidated building to provide affordable housing for senior citizens.

Part II: Review of the District's Housing Tax Provisions

Studio Theatre

District of Columbia Code Section(s): DC Official Code § 47-1082
Year Enacted: 2009
Type of Provision: Exemption
Exemption Type: DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	225	25	24	23	23	23	24

DESCRIPTION:

DC Law 18-96, effective December 17, 2009, granted a real property tax exemption for property owned by The Studio Theatre, Inc., so long as it is owned by the theatre and used for housing in support of the non-profit activities of the theater, and is not used for any commercial purposes. The Studio Theatre must file annual reports documenting the use of the property for the required purposes, in accordance with DC Official Code § 47-1082.

The Studio Theatre owns 16 modest housing units for the apprentices and artists and 6 condominium units. The relevant property is located in Square 155, Lot 208; Square 179, Lot 0094; and Square 157, Lots 2061, 2073, 2083, 2164, 2253, and 2300. These properties are located within the boundaries of the 1700 block of P Street, NW, Massachusetts Avenue, NW, and Corcoran Street, NW.

The fiscal impact statement dated September 21, 2009, states that the property received forgiveness of tax payments, interest, penalties, and fees since January 1, 2005, as well as forgiveness of deed recordation and transfer taxes that were paid. The fiscal impact statement further states that the property was to be used for housing.

The committee report further explains that the property was being used “to provide no-cost housing to students in their apprenticeship program and visiting guest artists.” The Studio Theatre had applied to Office of Tax and Revenue for the exemption and was denied, because the tax code only allowed an exemption “for buildings owned and actually occupied and used for theatre.”

Office of Tax and Revenue’s real property assessment data base seems to show that two of the properties identified in the statute are not owned by the Studio Theatre.

PURPOSE:

The purpose of the bill is to exempt indefinitely certain real property owned by the Studio Theatre, a non-profit organization, so long as the property used by the Studio Theatre for housing that supports the non-profit activities of the theatre. The Bill will provide support to the Studio Theatre. The Studio Theatre’s goal is to have the ability to provide housing to artists and students which would help ensure the continued quality of the artistic and educational programs provided by the theatre.

Part II: Review of the District's Housing Tax Provisions

IMPACT:

The Chair of the Board of Trustees of The Studio Theatre testified during the public hearing held by the Committee on Finance and Revenue on Thursday, May 21, 2009, that the residential real estate boom propelled their housing expenses from a few thousand dollars per year to several thousand per year. Studio Theater decided to own its housing units so that it can keep on providing housing to Studio Theater full-year apprentices, and guest performers. The theatre provides employment and job training programs to the apprentices and short-term employees.

Through the legislation, The Studio Theatre can continue to play its part economically in the Logan Circle neighborhood while enriching the local community artistically. The theatre acts as an engine attracting thousands of patrons each week that helps fill restaurants, and stores in the area.

EVALUATION:

The “Studio Theatre Housing Property Tax Exemption and Equitable Tax Relief Act of 2009” exempts The Studio Theatre from property tax liability on properties located within the boundaries of the 1700 block of P Street, NW, Massachusetts Avenue, NW, and Corcoran Street, NW. According to the Exempt Property Use Report (Form FP-161), the relevant property, located at Square 0155, Lot 0208 was renovated in 2014. The renovations decreased the number of units from six to five units; with interior modeling that include new kitchens, bathrooms, and furniture. The report also notes that the housing units are used for visiting artists performing at the theatre.

The legislation is an individual provision that offers special privileges in the form of real property tax exemption to The Studio Theatre. The bill provides a tax benefit to one theater on an ad hoc basis. In terms of equity, since the District exempts theaters from real property taxation under DC Official Code § 47-1002(19) so long as the properties are used for theater, music, or dance purposes, it raises the question of whether other theatres would receive the same special residential real property taxation if requested? It may be an unintended consequence of the legislation to provide an unfair advantage for The Studio Theatre, but horizontal equity would require that any such theatre using land for housing receive the same tax status.⁹⁴

The Exempt Property Use Report is the only form of monitoring conducted by the Office of Tax and Revenue on The Studio Theater. It does not provide enough information to evaluate the impact of the legislation.

⁹⁴ Testimonies of Susan Butler, Chair of the Board of Trustees, The Studio Theatre, and Ed Lazere, DC Fiscal Policy Institute, at the Committee of Finance and Revenue public hearing on Bill 18-20, held on Thursday, May 21, 2009. Council of the District of Columbia Committee on Finance and Revenue Committee Report on Bill 18-204, the “Studio Theatre Housing Property Tax Exemption and Equitable Tax Relief Act of 2009.”

The Studio Theatre

The Need

To provide real property tax relief to support The Studio Theatre in its efforts to improve the artistic culture of the District

Resources/Inputs:

100 percent real property tax exemption to The Studio Theatre
Refund any taxes paid from the period of Jan 2005 to the effective date of legislation, including deed recordation tax, penalties, and fees.

Outputs:

Continued ownership of properties located in Square 155, Lot 208; Square 179, Lot 0094; and Square 157, Lots 2061, 2073, 2083, 2164, 2253, and 2300
The Studio Theatre can continue to play its part economically in the Logan Circle neighborhood while enriching the local community artistically

Expected Benefits

(Changes in short, medium, or long term measures)

Short-term

Continued ownership of properties located in Square 155, Lot 208; Square 179, Lot 0094; and Square 157, Lots 2061, 2073, 2083, 2164, 2253, and 2300
The Studio Theatre can continue to play its part economically in the Logan Circle neighborhood while enriching the local community artistically

Medium-term

Continued ownership of properties located in Square 155, Lot 208; Square 179, Lot 0094; and Square 157, Lots 2061, 2073, 2083, 2164, 2253, and 2300
The Studio Theatre can continue to play its part economically in the Logan Circle neighborhood while enriching the local community artistically

Long-term

Continued ownership of properties located in Square 155, Lot 208; Square 179, Lot 0094; and Square 157, Lots 2061, 2073, 2083, 2164, 2253, and 2300.
The Studio Theatre can continue to play its part economically in the Logan Circle neighborhood while enriching the local community artistically

Assumptions:

The services of the Studio Theatre continue to provide performances and services that invite individuals to Logan Circle

Part II: Review of the District's Housing Tax Provisions

The Elizabeth Ministry

District of Columbia Code Section(s):	DC Official Code § 47-4657
Year Enacted:	2013
Type of Provision:	Abatement
Abatement Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	-	-	94	49	40	41	43

DESCRIPTION:

The Elizabeth Ministry is located on 55th Street, Southeast, and is also described as Square 5252, Lots 140 and 141. The Elizabeth ministry affordable housing initiative provides affordable housing for teen mothers who are transitioning out of the foster care system. The project consists of at least 27 two-bedroom housing units and a subsidized child development center. The intent is to have 25 units occupied by teen mothers with one child, and two will be occupied by house mothers employed by the Ministry. The Rents for the units are set to 50 percent AMI for the young mothers and 30 percent AMI for house mothers.

The Elizabeth Ministry previously filed for property tax exemption as a public charity in 2007 that was partially granted on the child development portion of the site. From 2007-2009, the exemption on the housing portion of the site was denied because of the lack of progress on construction. After the completion of the property in December, 2011, The Elizabeth Ministry received abatement from taxation for 40 years, retroactively effective October 2007.⁹⁵

The property will be fully exempt for the first 30 years with a 10 percent increase allowed per annum in years 31 through 40 until the annual real property taxation rate is 100percent. The abatement is contingent upon the Elizabeth ministry using the property for supporting young mothers. Bill 19-443 which amended Chapter 46 of Title 47 of the District of Columbia Official Code to exempt from taxation the Elizabeth Ministry, subjects the provision to §§ 47-1005, 47-1007, and 47-1009 as if it had been granted administratively. One of the subsections is for The Elizabeth Ministry to “furnish the Mayor a report, under oath, showing the purposes for which its exempt property has been used during the preceding calendar year.”⁹⁶

The Tax Abatement Financial Analysis Report, dated March 22, 2012, concluded that the tax exemptions were necessary through FY 2021 because the property’s first mortgage is to be fully repaid at that time. The report recommended that the necessity of an exemption beyond FY 2021 be reviewed at that time.

⁹⁵ The Tax Abatement Financial Analysis (TAFA) of The Elizabeth Ministry, Inc. Affordable Housing Initiative Real Property Tax Relief Act of 2011 estimates the retroactive tax refund of \$61,915 to The Elizabeth Ministry for any tax payments, penalties, or interests paid to the District of Columbia.

⁹⁶ DC Code § 47-1007.

Part II: Review of the District's Housing Tax Provisions

PURPOSE:

The purpose of the Elizabeth Ministry initiative is to provide affordable housing for teen mothers that are transitioning from the foster system. The goal of the program is to lead the young mothers towards homeownership by taking part in the initiative.

IMPACT:

The Elizabeth Ministry provides affordable housing, child care, and supportive services to young women aged out of the foster care system. These women would be at risk of homelessness if these units were not available.

The community benefits and amenities provided by The Elizabeth Ministry include new sidewalks, new water and sewage systems, new playground for resident and neighborhood children, and the elimination of blighted properties from the neighborhood. The program through the Elizabeth Ministry creates permanent job opportunities for staff members that reside in the District.

The Elizabeth Ministry Housing Initiative

The Need:

The provision of affordable housing for teen mothers that are aging out of the foster system.
Affordable child care services for young moms so they may be able to work during the day.

Resources/Inputs:

100 percent tax exemption for 40 years.

Outputs:

25 affordable, safe, and stable homes created for young mothers aging out of the foster system
Day care services for young mothers
Programs to help young mothers save and be able to buy homes in the future

Part II: Review of the District's Housing Tax Provisions

View 14 Project

District of Columbia Code Section(s):	DC Official Code § 47-4623
Year Enacted:	2010
Type of Provision:	Abatement
Exemption Type:	DC Exempt

Revenue Foregone Estimates (\$000) Fiscal Year	2010	2011	2012	2013	2014	2015	2016
	1,206	1,244	433	473	N/A	N/A	N/A

N/A= Complete data needed for the estimation of forgone revenue was not available.

DESCRIPTION:

View 14 project is a mixed-use development that was completed in 2009⁹⁷ on Square 2868, Lot 155 in Ward 1. The View 14 Economic Development Act of 2009 provides a maximum of \$5.7 million in real property and sales tax exemptions. The legislation will exempt View 14 from real property taxes for 20 years, 10 years at 100 percent and a 10 percent increase in years 11 through 20 until the annual real property taxation equals 100 percent.

The View 14 project consists of 185 units of condominiums/apartments totaling 173,765 square feet which includes 6,000 square feet devoted to affordable housing for residents with income no greater than 80 percent area median income, approximately 33,000 square feet of retail space, and a below garage parking.

PURPOSE:

The Exemption awarded to View 14 project is to increase the number of construction of mixed income housing units and retail services to families in the District of Columbia.

IMPACT:

The legislation allows for the construction and development of mixed income housing and retail space in the District's revived U Street Corridor in Ward 1.

⁹⁷ Clark Construction website states that the property was completed in 2009. <https://www.clarkconstruction.com/our-work/projects/view-14>

View 14 Project

The Need:

To increase the number of affordable housing as well as providing a vibrant mixed use community in the District.

Resources/Inputs:

Real property tax exemption on properties for 20 years
Tax exemption on materials used directly in the construction of the project, which are incorporated into and become a part of the real property.

Outputs:

185-apartment building located at the intersection of 14th Street and Florida Avenue in the District's revived U Street Corridor. The building stands nine stories tall with two levels of below-grade parking, as well as a fitness center, screening room, and rooftop terrace, and street level retail.

Part III: Summary

Summary of Categorical and Individual Provisions by Policy Goal

The previous two sections provided a detailed description of each of the District's housing tax provisions. The next section summarizes the provisions based on the particular housing goals of the policies. As previously presented, the categorical provisions are grouped by the following goals:

- assist homeownership, particularly low-income homeownership (9);
- protect residents, especially those who are low-income, seniors, or disabled from sharp tax increases (7);
- increase the supply of affordable housing (7);
- encourage revitalization and new development (4); and
- preserve historic property

Most of the individual provisions have the goal of producing or maintaining affordable housing, so they will be discussed in the section about affordable housing.

HOMEOWNERSHIP

Of the 28 categorical provisions, nine either support homeownership generally, or directly support low-income homeownership. The total revenue foregone from all of these provisions was estimated to be nearly \$80 million each year in FY2014 and FY2015. While there is not enough data to know how many residents benefitted from all of these provisions, we do know that over 95,000 residents took the homestead deduction in 2014. That provision alone represented foregone revenues of nearly \$60 million, and as such the majority of tax expenditures directed toward homeownership. The homestead deduction is available to anyone who owns a home, regardless of income.

While low-income residents may take advantage of the Homestead deduction, the amount of targeted tax relief for promoting homeownership for low-income residents is much smaller, and it doesn't appear that the provisions targeted to low-income homeowners are as widely used as the more general homestead deduction (see Appendix 3 for a description of categorical provisions not being used). Further, only one of the individual tax expenditure provisions (Campbell Heights) targeted homeownership for seniors and disabled citizens through the Tenant Opportunity to Purchase Act.

Any assessment of how these tax provisions are furthering the District's homeownership goals should be done with a concurrent review of other policies in the city that promote homeownership, such as the various programs administered by DHCD and HFA, among others.

PROTECTION FROM SHARP PROPERTY TAX INCREASES

Another six of the categorical provisions are designed to protect all homeowners, as well as particular programs for low-income, senior and disabled homeowners, from sharp increases in their property taxes. Together these provisions represented an estimated revenue foregone of \$27.2 million in FY2015. The largest of these provisions is the assessment increase cap (\$14.1 million), which is a benefit to all homeowners, whereas the rest of the foregone revenue in this grouping of provisions – or those focused on low-income, seniors, or disabled persons – amounts to about \$6 million.

Just as with the homestead deduction, the assessment increase cap is a broad provision available to any homeowner regardless of income. Research done on the assessment cap shows that due to the variation in

Part III: Summary

rates of property value growth in different neighborhoods, the assessment increase cap can create equity problems. Further, research found that some homes with market values in excess of \$1 million and capped assessments have property tax bills equal to homes with market values as low as \$200,000 or less and uncapped assessments.

INCREASE SUPPLY OF AFFORDABLE HOUSING

Seven of the categorical tax provisions, and 26 of the 31 individual provisions, are designed to increase the supply of affordable housing in the District. It was not possible to do a thorough evaluation of each of the categorical provisions. However, based on the available information, it appears that some of these programs are not being used to the extent possible. First of all, the revenue foregone estimates for three of these programs are zero, and we don't have data on the number of claimants for any of these programs (or it is assumed to be zero for those with zero revenue foregone). (See Appendix 3 for a description of categorical provisions not being used.) It is possible that the large number of individual provisions with an affordable housing goal is somehow related to the lack of take up on these categorical provisions. Perhaps some of the unused categorical provisions should be re-examined to ensure the requirements are not written in a way to keep residents or companies from taking them. One of the larger categorical provisions, called New Residential Developments, did have some affordability requirements. We did not find much detail on what these standards are, and further, we were unable to locate evidence that units built with these tax incentives were being monitored to ensure compliance with affordability requirements.

One new categorical provision passed in 2012 (called Nonprofit Affordable Housing Developers) made it easier for affordable housing developers receiving a federal low income housing tax credits (LIHTC) to receive local property and deed recordation tax exemption. At least one developer we spoke with mentioned that this makes a difference in the projects they undertake, adding value directly back into the project. At least anecdotally, we learned that this provision may be successful thus far. It is also our understanding that many of the individual provisions were passed in order to get around this issue for developers being charged local property or deed recordation taxes on projects receiving an LIHTC. So this provision for developers should cut down on the need for future individual provisions.

Most of the existing individual housing tax provisions are targeted at increasing the supply of affordable housing. We identified at least \$15 million that was targeted through these provisions in FY2015, and as the descriptions of the provisions show, many of these tax provisions have succeeded in the creation or construction of affordable housing units in the District. However, an inability to locate data on the monitoring of compliance with affordability standards leaves us unable to verify that such housing continues to be provided to residents who meet the income eligibility requirements. If no monitoring is occurring, there may be a lack of accountability around the tax incentives for affordable housing that were reviewed for this report.

Further, and perhaps in part related to the lack of monitoring, in the provisions reviewed here that are focused on providing affordable housing, there are at least 6 different affordability standards present in the categorical housing tax provisions listed above, and multiple affordability standards for the individual provisions. Further, different numbers of units in each location have to meet an affordability standard. For example, 57 of 130 units (44%) in the Georgia Commons development have to meet an affordability standard, whereas only 48 of 600 units (8%) in the Eckington One development have to meet an affordability standard. Affordable housing experts should weigh in on whether having a smaller selection of possible eligibility requirements would be better in terms of meeting the needs of the community or not. Certainly, having such a wide array of standards inhibits monitoring of housing once residents are moved in and the tax subsidy has been granted. A possible improvement in the creation and passage of these types of housing provisions would be a standardization of affordability requirements.

ECONOMIC REVITALIZATION

Of the four programs targeted to encouraging revitalization or new development, two of them also appear to not have been used and have zero foregone revenues and no claimants. The other two of these programs, however, represent a more substantial foregone revenue that was targeted to a temporary (usually 10 years) abatement of property taxes for residents in the NoMA area and other specific geographies of the city (through the New Residential Development provision). In order to fully understand the impact of these abatements on the goal of economic revitalization, an economic analysis should be done, and that was not feasible for this report.

PRESERVE HISTORIC PROPERTY

It is unclear how many, if any, residents are using this tax provision, and a thorough evaluation was not completed at this time.

Summary of Data Challenges Faced in This Review

In their previously mentioned report, Rubin and Boyd note that “structural and data issues in the tax system and in the way businesses organize themselves complicates even basic evaluation [of tax incentives]. To do a complete evaluation would require a retooling of how tax returns are processed including, for example, making data for evaluation available in a timely manner.”⁹⁸ These findings are applicable to any level of government that uses tax expenditures as a policy tool. In fact, the GAO found similar barriers when trying to use Internal Revenue Service (IRS) data to evaluate federal tax expenditures.⁹⁹ For example, some data on some tax expenditures are collected as a group, rather than individually, making it difficult to have a precise estimate of the revenue lost for that provision, much less evaluate that provision.

From what we uncovered in reviewing housing tax expenditures, these findings are also applicable to the District of Columbia. In order to evaluate tax expenditures, data collected on their implementation must be mapped to the way they are defined in the statute. We found that this was not the case for some of the District’s housing tax expenditures. For example, some entities providing non-profit housing are religious or charitable organizations and may be eligible for a property tax exemption based on those characteristics. If they are stored in the property tax database in this way (with a code identifying them as exempt because they are a religious or charitable organization, and not one identifying them as a housing provider), then they would not come up in a search for providers of housing. Adding even more difficulty to the data review process, the code for properties that receive an exemption because they provide housing is actually a “miscellaneous” code, which also includes properties of grocery stores, theaters, and others. This makes automating data aggregation of thousands of records difficult, if not impossible and requires a great deal of research to simply identify which entities are receiving a tax preference for providing housing.

Another challenge we faced when evaluating some of the provisions included an inconsistency in nomenclature between how a provision was identified in the DC Code, and how it was kept track of in the database where tax data on specific entities receiving tax preferences is stored. For example, the Office of Revenue Analysis defines tax expenditures according to the provision of the Code under which they were

⁹⁸ Rubin, Marilyn and Donald Boyd. “New York State Business Tax Credits: Analysis and Evaluation.” November 2013. Pg. 88. http://www.capitalnewyork.com/sites/default/files/131115__Incentive_Study_Final_0.pdf

⁹⁹ “IRS Data Available for Evaluations Are Limited,” GAO-13-479. Washington, DC: United States Government Accountability Office, May 30, 2013. p 5.

Part III: Summary

authorized and the name given at that point. The Office of Tax and Revenue (OTR) keeps track of exemptions based on a variety of descriptors, including whether property is owned by the federal government, the DC government, or religious, educational, or charitable organizations (so housing-specific properties could be in any of these three categories, or in the “miscellaneous” category as mentioned above). Properties whose owners are receiving a five-year low income property tax abatement -- under DC Code 47.3503 -- are generally categorized under one exempt property code. However, housing organizations receiving a different length of property tax abatement under DC Code 47.857 could be in that same category, or another that is generally used for properties receiving ten or more years of tax abatement.

Another challenge we faced was a lack of monitoring data to show that affordability requirements (often tied to receipt of a tax expenditure) are being met. In other words, we could not verify that any entity is monitoring whether housing providers are providing a certain number of housing units to individuals or families with income limits that meet the requirements specified in the tax expenditure language. An administrative document called ‘Mayor’s Order 2009-112’ (presented in Appendix 2) delegates the Department of Housing and Community Development (DHCD) the authority to monitor and enforce compliance with affordability requirements for many of the tax incentives mentioned in this report. As such, we requested this monitoring data from DHCD, but to date, we do not have it. If such monitoring is taking place, there is a broad lack of transparency around it, and leaves unanswered the question of whether the recipients of District tax preferences are accountable for achieving the goals of the tax expenditures.

One provider of nonprofit housing noted that in managing the units with affordability restrictions, they are careful to check a potential tenant’s income and other assets when they apply for an apartment to ensure they meet the income eligibility limits set for the building (often the basis for which the building has a tax preference). This was one report from a single management company and whether others engage in this practice is unclear. Further, it is not clear if tenants’ incomes are verified each year or only at the time of application. It seems in this case that any monitoring to ensure the entity receiving the tax preference is holding up its terms of the agreement is performed by the recipient and not the government granting the tax preference.

We also found that the District often relies on individuals receiving tax preferences to submit a report proving their continued eligibility and thus self-certify their compliance with the terms of their tax expenditure. For example, entities receiving a property tax exemption receive a form to fill out each year certifying that they are still engaging in the activity for which they were granted the exemption. ORA reviewed a sample of these files for tax year 2014 and many entities sent in extensive information to prove, for example, that they are providing housing to low-income persons. Some organizations sent rent rolls of tenant’s names, and monthly rental payments. Other entities supplied less information but still submitted the form as required. Either way, the entities receiving these tax exemptions are self-certifying that they are meeting the requirements of their exempt status.

Broadly speaking, without basic data on which to evaluate the tax preferences, it is difficult to assess the overall effectiveness of any of the District’s housing tax provisions, as compared to whether a similar outcome could be achieved through a grant that was targeted to the same policy goal.

Part IV: Recommendations

Summary of Recommendations

Based on our review of the District’s housing tax provisions, and in particular a lack of data with which to complete a more formal evaluation, we proposed the following recommendations for bringing more transparency and accountability to DC’s housing tax expenditures. A summary of the recommendations follows, with more explanation on each provided below.

1. Standardize affordability requirements across housing tax preferences;
2. Clarify which agency is responsible for monitoring compliance with tax expenditure terms and assign a third party body to oversee the monitoring of District housing tax incentives;
3. Require recipients of tax expenditures to remain in compliance with the original terms in order to keep receiving the tax preference; include claw backs if they do not;
4. Require all entities receiving tax preferences to submit an annual report, proving they remain in compliance. Where possible, make this data publicly available;
5. Use more granular or specific codes for data on tax expenditure recipients in OTR’s ITS system.

1. Standardize affordability requirements

In the provisions reviewed here that are focused on providing affordable housing, there are at least 6 different affordability standards present in the categorical housing tax provisions listed above, and several different affordability standards for the individual provisions. Having such a wide array of standards complicates and inhibits monitoring. Affordable housing experts should weigh in on whether having a smaller selection of possible eligibility requirements would be better in terms of meeting the needs of the community or not. Certainly, having such a wide array of standards inhibits monitoring of housing once residents are moved in and the tax subsidy has been granted.

In an advocacy brief prepared by the DC Campaign for Inclusionary Zoning (CIZ), they explain that “developers negotiate to build ADUs [affordable dwelling units], typically in exchange for zoning relief, tax incentives, public financing, or the right to purchase or lease District-owned land. They negotiate the number of units, affordability levels and affordability period in order to get the relief they want, and each developer’s agreement with the District is different.” The DC CIZ notes that the District is already taking steps to standardize these agreements, which would improve accountability.¹⁰⁰

2. Require compliance to tax expenditures terms; include ‘claw backs’

Whether the specific affordability requirements become more standardized or not, a basic recommendation is that all affordable housing projects receiving tax incentives must remain in compliance with the original terms in order to keep receiving the tax preference. The vague language of many of the District’s housing tax preferences, combined with the fact that we were unable to locate any evidence of monitoring compliance to affordability requirements, points to potential accountability issues for many of the District’s housing tax expenditures.

ORA made various attempts to retrieve data from multiple agencies, and aside from OTR’s monitoring of fully exempt properties, we were unable to locate information verifying that any District agency is monitoring local tax expenditures that contain affordability requirements. We learned anecdotally that any

¹⁰⁰ http://www.smartergrowth.net/wp-content/uploads/2015/03/What-You-Need-to-Know-about-DC-IZ_3-10-15-revisions_formatted.pdf

Part IV: Recommendations

developer receiving a federal Low Income Housing Tax Credit (LIHTC) has a significant incentive to ensure compliance given that penalties that would come into play if the terms of the LIHTC are not fulfilled. Perhaps the District should consider following such a model for its own tax provisions.

To strengthen enforcement of housing tax expenditure provisions, future tax expenditure legislation should include ‘claw back’ provisions, which take back tax benefits conveyed if it is found that compliance was not met. Such mechanisms also should include a process whereby taxpayers do not continue to receive the tax preference if they do not meet the terms of their tax preference.

3. Clarify agency responsible for monitoring and assign a third party body to oversee the monitoring of District tax incentives

In order to ensure the terms of tax expenditures are being met, monitoring and oversight must be performed after tax expenditures are granted. This review takes the first step in ensuring the District’s tax expenditures are reviewed, and a large issue we confronted in conducting this review was figuring out which agency is responsible for monitoring which tax expenditures. Despite Mayor’s Order 2009-112, which broadly delegates authority to DHCD to monitor affordability requirements, we requested this information from DHCD, but to date, we do not have it. Even when another agency is listed as responsible for administering a tax preference (such as with DMPED and the NoMA and New Residential Development tax abatements), we were unable to locate any evidence of monitoring after the tax preferences were given. It should be made clear in authorizing legislation which agency or office is responsible for monitoring compliance to the terms of tax expenditures, and agencies should be required to carry out, and report on, their monitoring duties. Given that we found no evidence of this, we recommend that a third party body be charged with overseeing the monitoring of District housing tax expenditures, and given the necessary resources to do so.

4. Require annual reporting for all recipients of tax preferences

A recommendation that could help ensure compliance would be to require all entities receiving real property tax preferences to submit an annual report, similar to the one required by DC Official Code 47-1007, which requires any property receiving an exemption to submit an annual report proving that the use of the property meets the requirements of its exemption. Taking this requirement a step further, making this information (minus any confidential individual or taxpayer data) publicly available, would place pressure on the agency in charge of monitoring to actually do the monitoring and assist with evaluation. This would place an administrative burden on both the tax expenditure recipient and the government agency personnel who would be tasked with collecting and reviewing the reports. However, if successful monitoring and evaluation are to be done, this would be a very helpful first step.

5. Use more granular codes for Property Tax Data

As indicated throughout this review, ORA’s evaluation of housing tax provisions raised some fundamental issues with data collection and organization. In order to facilitate monitoring and evaluation, more granular or specific codes need to be applied to data on tax expenditure recipients in the Office of Tax and Revenue’s (OTR) ITS system (the database where all property tax data is stored). An example of using more specific codes would be to replace the “miscellaneous” exempt code, which contains exempt entities based on housing provisions, as well as groceries and others, with a housing-specific code in order to do housing evaluations. Further, additional data should be recorded that specifies why (under which provision of the DC Code) an entity is receiving a tax abatement or exemption. This would allow analysts

Part IV: Recommendations

to map entities receiving abatements, exemptions, or other tax preferences, back to a specific tax expenditure as defined in the DC Code, which it is currently very difficult to do. Any future overhaul or re-tooling of the property tax database should consider these data issues.

A final broad recommendation is one that goes hand in hand with the impetus for the requirement of this report, which is that tax expenditures should be reviewed by policymakers just like other policy tools, such as government grants or loans. Further, housing-related tax expenditures should be assessed alongside the District's other spending on housing, to ensure that resources are being used as effectively and efficiently as possible, and that resource allocation aligns with goals.

Appendices

Appendix 1: Legislative Requirement

Appendices

Subtitle N. Tax Transparency and Effectiveness

Sec. 7141. Short title. This subtitle may be cited as the "Tax Transparency and Effectiveness Emergency Act of 2014."

Sec. 7142. Definitions.

For the purposes of this subtitle, the term:

- (1) "Categorical preference" means a tax preference that sets eligibility criteria and is potentially available to all entities that meet the criteria, subject to any funding limitations.
- (2) "CFO" means the Chief Financial Officer of the District of Columbia.
- (3) "Economic development purpose" means a goal to increase or retain business activity, including attracting new businesses or retaining existing ones, encouraging business expansion or investment, increasing or maintaining hiring, or increasing sales.
- (4) "Individual preference" means a tax preference, such as a tax abatement, applied to one entity, project, or associated projects.
- (5) "On-cycle tax preference" means a tax preference being reviewed in a current year.
- (6) "Tax preference" shall have the same meaning as the phrase "tax expenditures" as defined in section 47-318(6) of the District of Columbia Official Code.

Sec. 7143. Tax preference review.

(a) The CFO shall review all locally adopted tax expenditures on a 5-year cycle and publish annually a report complying with the requirements of this section.

(b) By October 1, 2015, and by October 1 of every year thereafter, the CFO shall submit for publication in the District of Columbia Register a report for on-cycle tax preferences that complies with the requirements of this section.

(d) An on-cycle individual preference shall be analyzed and reported in the following manner:

- (1) An individual preference shall be analyzed and reported in groupings of similarly purposed preferences, with the report focusing on collective effects or trends that emerge.
- (2) The report shall include the stated purpose of the of tax preferences within the grouping, if clarified in the authorizing legislation.
- (3) The report shall include the amount of lost revenue due to the tax preferences within the grouping.
- (4) The report shall include an assessment of the general effects on the District resulting from the preferences.
- (5) The report on groupings of individual preferences shall include recommendations on how to improve similar preferences in the future.
- (6) For groupings of individual tax preferences with an economic development purpose, the analysis shall consider the economic impact of the preferences, and where sufficient data are available, take into account factors including:
 - A) Whether the economic impact of the tax preferences would have been expected without the preferences;
 - (B) The extent to which the economic impact of the tax preferences was offset by economic losses elsewhere;
 - (C) The average economic impact for a level of direct expenditures equal to the cost of the tax preferences;
 - (D) The indirect economic impact of the tax preferences;
 - (E) The number of jobs created by the preference;
 - (F) The wages of the jobs created;
 - (G) The percentage of jobs filled by District residents; and
 - (H) Whether any terms of the tax preferences have been or are being satisfied.

(e) Except as provided in subsection (f) of this section, on-cycle categorical preferences shall receive a full review that, where sufficient data are available, includes:

- (1) The purpose of the tax preference, if clarified in the authorizing legislation;

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- (2) The tax preference's cost in terms of lost revenue;
 - (3) An assessment of whether the tax preference is meeting its goals;
 - (4) An assessment of whether the tax preference is achieving other goals;
 - (5) Recommendations for improving the effectiveness of the tax preference;
 - (6) Recommendations for whether the tax preference should be modified, discontinued, or remain in its existent state; and
 - (7) For tax preferences with an economic development purpose, an analysis that measures the economic impact of the preference, including:
 - (A) Whether the economic impact of the tax preference would have been expected without the preference;
 - (B) The extent to which the economic impact of the tax preference was offset by economic losses elsewhere;
 - (C) The average economic impact for a level of direct expenditures equal to the cost of the tax preference; and
 - (D) The indirect economic impact effect of the tax preference.
- (f) For on-cycle categorical tax preferences that the CFO determines do not merit a full review, the CFO shall instead perform a summary review. In determining which tax preferences are appropriate for a summary review, the CFO shall consider factors including, at a minimum:
- (1) The revenue lost due to the tax preference and the number of potential or actual claimants;
 - (2) Whether the revenue lost due to the preference has increased or decreased since the preference was last reviewed;
 - (3) Whether the preference has been included in legislative or administrative proposals to modify or repeal; and
 - (4) Whether the preference is required by the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 774; DC Official Code §1-201.01 et seq.).
- (g) A report on a categorical preference designated for summary review shall include:
- (1) A narrative summary of the preference, including its purpose;
 - (2) The source and year of statutory authorization;
 - (3) The fiscal impact of the preference; and
 - (4) A description of the beneficiaries of the tax preference.
- (h) All District agencies, offices, and instrumentalities shall cooperate with the CFO and shall provide any records, information, data, and data analysis needed to complete the reviews and reports required by this section.¹⁰¹

¹⁰¹ <http://lms.dccouncil.us/Download/32103/B20-0849-Enrollment.pdf>

Appendix 2: Mayor's Order 2009-112

GOVERNMENT OF THE DISTRICT OF COLUMBIA

ADMINISTRATIVE ISSUANCE SYSTEM

Mayor's Order 2009-112
June 18, 2009

SUBJECT: Delegation of Authority to the Department of Housing and Community Development – Monitoring and Enforcement of Affordable Dwelling Unit Requirements

ORIGINATING AGENCY: Office of the Mayor

By virtue of the authority vested in me as Mayor of the District of Columbia by sections 422(6) and (11) and 449 of the District of Columbia Home Rule Act of 1973, as amended, 87 Stat. 790, Pub. L. No. 93-198, D.C. Official Code §§ 1-204.22 (6) and (11) and 1-204.49 (2008 Supp.), An Act Authorizing the sale of certain real estate in the District of Columbia no longer needed for public purposes, approved August 5, 1939 (53 Stat. 1211; D.C. Official Code §§ 10-801 *et seq.* (2008 Supp.)), section 6 of the Community Development Act of 1975, effective December 16, 1975 (D.C. Law 1-39; D.C. Official Code §§ 6-1005) (2008 Repl.), the Tax Increment Financing Authorization Act of 1998, effective September 11, 1998 (D.C. Law 12-143; D.C. Official Code §§ 2-1217.01 *et seq.*), the Housing Act of 2002, effective April 19, 2002 (D.C. Law 14-114; 49 DCR 1468), including D.C. Official Code §§ 47-857.01 *et seq.* (2008 Supp.), D.C. Official Code § 47-865 (2005 Repl.), and D.C. Official Code § 47-866 (2005 Repl.), the Payments in Lieu of Taxes Act of 2004, effective April 5, 2005 (D.C. Law 15-293, D.C. Official Code §§ 1-308.01 *et seq.*) (2006 Supp.), the Carver 2000 Low-Income and Senior Housing Project Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 47-4605) (2008 Supp.), the Parkside Terrace Economic Development Act of 2006, effective Apr. 4, 2006 (D.C. Law 16-84; D.C. Official Code § 47-4607) (2008 Supp.), the Far Southeast Community Organization Tax Exemption and Forgiveness for Accrued Taxes Act of 2006, effective March 2, 2007 (D.C. Law 16-192; D.C. Official Code § 47-1075) (2008 Supp.), the Square 2910 Residential Development Stimulus Act of 2006, effective March 6, 2007 (D.C. Law 16-226; 53 DCR 10238), the Georgia Commons Real Property Tax Exemption and Abatement Act of 2007, effective Feb. 27, 2008 (D.C. Law 17-113; D.C. Official Code § 47-4610) (2008 Supp.), the So Others Might Eat, Inc. Property Tax Exemption Act of 2008, effective July 18, 2008 (D.C. Law 17-374; D.C. Official Code § 47-1078) (Oct. 2008 Supp.), the St. Martin's Apartments Tax Exemption Act of 2008, effective March 26, 2009 (D.C. Law 17-587; to be codified), the Gateway Market Center And Residences Real Property Tax Exemption Act of 2008, effective March 26, 2009 (D.C. Law 17-730; to be codified), the View 14 Economic Development Emergency Act of 2009, effective March 16, 2009 (D.C. Act 18-32; 56 DCR 2337), the 14W and the YMCA Anthony Bowen Project Real Property Tax Exemption And Real Property Tax Relief Temporary Act of 2009, effective April 1, 2009 (D.C. Law 17-1053; 56 DCR 1381), and substantially similar temporary and permanent legislation, it is hereby **ORDERED** that:

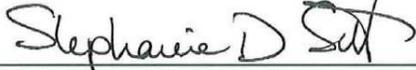
1. The Department of Housing and Community Development is hereby delegated the authority to monitor and enforce compliance with requirements to provide or

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maintain affordable dwelling units in the District of Columbia where such requirements are imposed by:

- a. Legislation providing tax exemptions, tax abatements, or other financial assistance, including D.C. Official Code §§ 47-857.01 *et seq.*, D.C. Official Code § 47-865, D.C. Official Code § 47-866, and legislation providing tax exemptions, tax abatements, or other financial assistance to specific projects (including such legislation set forth in the preamble to this Order);
 - b. Agreements entered into by an agency subordinate to the Mayor or by the former National Capital Revitalization Corporation, RLA Revitalization Corporation, Anacostia Waterfront Corporation, Southwest Waterfront Development Corporation, or Redevelopment Land Agency to sell or lease District-owned property;
 - c. Agreements entered into by the Mayor or a delegee of the Mayor to provide tax increment financing or payment in lieu of taxes financing or to establish the conditions of such financing; and
 - d. Covenants to which the Mayor or a delegee of the Mayor is a party, including covenants related to planned unit developments and the sale or lease of District-owned property.
2. This Order shall not supersede or terminate any authority previously delegated to the Director of the Department of Housing and Community Development to monitor and enforce affordable dwelling unit requirements imposed through other means.
 3. This Order supersedes all previous Mayor's Orders to the extent of any inconsistency.
 4. **EFFECTIVE DATE**: This Order shall be effective immediately.


ADRIAN M. FENTY
MAYOR

ATTEST: 
STEPHANIE D. SCOTT
SECRETARY OF THE DISTRICT OF COLUMBIA

Appendix 3: Categorical Provisions Not Being Used

Appendices

Improvements to low-income housing

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 47-866
Sunset Date: None
Year Enacted: 2002

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: If the owner of an eligible housing accommodation makes improvements of at least \$10,000 per housing unit in a 24-month period, the owner is eligible for a tax abatement equal to the increase in real property tax liability for each of the subsequent five years, relative to a base year before the improvements were completed.

To qualify, the owner must offer at least 25 percent of the units at rents that are affordable to households with income below 50 percent of the area median. In addition, the owner must maintain the property as low-income housing throughout the five-year period, and is not eligible for the abatement if he or she has recovered the costs of renovation through another program.

The total abatements provided through this tax provision are capped at \$1 million annually. To receive the benefit, the property owner must submit an application to the Mayor at least 30 days before the physical improvements begin and receive certification from the Mayor after the improvements are completed. The Mayor must also determine that the improvements are unlikely to be made without the tax abatement. In Mayor’s Order 2009-202, dated November 25, 2009, Mayor Fenty designated the Department of Housing and Community Development (DHCD) as the agency responsible for administering this tax abatement program.¹⁰²

PURPOSE: The purpose of the abatements is to preserve and upgrade the supply of affordable housing by encouraging owners to rehabilitate their housing units and making the abatements contingent on the affordability of the housing to low-income individuals and families.

IMPACT: The owners of affordable-housing accommodations who improve their housing are the intended beneficiaries of this provision, along with the low-income residents who live in the housing units. Nevertheless, DHCD has not received any applications for the abatement.

¹⁰² Mayor’s Order 2009-202, entitled “Delegation of Authority – Tax Abatements under Section 291 of the Housing Act of 2002,” was published in the *DC Register*, Vol. 56, No. 49, p. 9222, December 4, 2009.

Improvements to low-income housing

The Need:

The purpose of the abatements is to preserve and upgrade the supply of affordable housing by encouraging owners to rehabilitate their housing units and making the abatements contingent on the affordability of the housing to low-income individuals and families.

Resources/Inputs:

To receive the benefit, the property owner must submit an application to the Mayor at least 30 days before the physical improvements begin and receive certification from the Mayor after the improvements are completed.

Output:

The owners of affordable-housing accommodations who improve their housing are the intended beneficiaries of this provision, along with the low-income residents who live in the housing units. Nevertheless, DHCD has not received any applications for the abatement.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There are no expected benefits based on the lack of applications for this abatement.

Medium-term:

There are no expected benefits based on the lack of applications for this abatement.

Long-term:

There are no expected benefits based on the lack of applications for this abatement.

Assumptions:

Appendices

Preservation of section 8 housing

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 47-865
Sunset Date: None
Year Enacted: 2002

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: If the owner of a housing accommodation who receives subsidies through a project-based housing assistance program (“Section 8” program) of the US Department of Housing and Urban Development (HUD) renews or extends the HUD contract with substantially the same conditions for at least five years, the owner is eligible for a tax abatement. To qualify, the housing must be located in an area where the average rent for one-bedroom and two-bedroom apartments exceeds the fair-market rent (as defined by HUD) by 25 percent or more.

If the contract is renewed for five years, the owner qualifies for a tax abatement for each of the five years equal to 75 percent of any increment to his or her real property tax liability compared to a base year immediately prior to the first year of the abatement. If the contract is renewed for 10 years, the owner qualifies for a tax abatement for each year equal to 100 percent of the increment to his or her real property tax liability compared to the base year.

The Department of Housing and Community Development (DHCD) administers this tax abatement.¹⁰³

PURPOSE: The purpose of the abatement is to preserve affordable housing by encouraging landlords to continue participating in federal housing programs for low-income households. The abatements are limited to areas where the average rents exceed the fair-market rent by 25 percent in order to target the benefits where they are most needed.¹⁰⁴

IMPACT: The owners of housing accommodations in qualified areas who renew their contracts with HUD to provide section 8 housing are the intended beneficiaries of this provision, along with residents of federally-subsidized housing located in the qualified areas. However, there are presently no participants in this abatement program. Only one property owner has claimed an abatement for preserving section 8 housing, but that abatement has expired.

¹⁰³ See Mayor’s Order 2009-202, entitled “Delegation of Authority – Tax Abatements under Section 291 of the Housing Act of 2002,” *DC Register*, Vol. 56, No. 49, p. 9222, December 4, 2009.

¹⁰⁴ This summary draws on the Council of the District of Columbia, Committee on Finance and Revenue, “Committee Report on Bill 14-183, the ‘HomeStart Financial Incentives Act of 2001,’” dated November 13, 2001. The tax abatements for preservation of section 8 housing originated in Bill 14-183, which became Law 14-114, the “Housing Act of 2002,” effective April 19, 2002.

Preservation of section 8 housing

The Need:

The purpose is to preserve affordable housing by encouraging landlords to continue participating in federal housing programs for low-income households.

Resources/Inputs:

The District's Department of Housing and Community Development, on behalf of HUD, administers this tax abatement that would afford owners with abatements of 75 and 100 of taxes for contract renewals of 5 and 10 years, respectively.

Outputs:

The owners of housing accommodations in qualified areas who renew their contracts with HUD to provide section 8 housing are the intended beneficiaries of this provision. There are presently no participants in this abatement program. Only one property owner has claimed abatement for preserving section 8 housing, but that abatement has expired.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There are currently no claimants of this abatement.

Medium-term:

There are currently no claimants of this abatement.

Long-term:

There are currently no claimants of this abatement.

Assumptions:

Continued participation in federal housing programs for low-income households will help preserve affordable housing.

Appendices

Single-room-occupancy housing

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 42-3508.06
Sunset Date: None
Year Enacted: 1994

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: The Mayor is authorized to provide tax abatements, as well as deferral or forgiveness of water and sewer fees and other indebtedness to the District government, to encourage the development of single-room-occupancy housing for low- and moderate-income tenants. These incentives would be granted following negotiations and the signing of a written agreement between the Mayor and housing providers who are developing or operating single-room-occupancy housing accommodations.

The written agreement may establish a formula for abating property tax liability for the relevant property or properties. The abatement applies for a period of no longer than 10 years, beginning during the first year that the newly constructed or rehabilitated single-room-occupancy housing becomes available for occupancy.

To qualify for the incentives, a housing provider must demonstrate to the satisfaction of the Mayor that the single-room-occupancy housing (1) is affordable to low- and moderate-income tenants and that the rent is reduced by the benefits received, (2) complies with the District’s zoning regulations, (3) includes at least 95 square feet of space and a clothing storage unit, (4) provides toilet and shower or bathing facilities on each floor, (5) includes common day room, kitchen, and laundry facilities, (6) provides a 24-hour manual or electronic security system, and (7) is supervised by a manager who resides on the premises.

PURPOSE: The purpose of the incentives is to encourage the development of single-room-occupancy housing for low- and moderate-income tenants.

IMPACT: Organizations that develop or operate single-room-occupancy housing for low- and moderate-income tenants are the intended beneficiaries of this provision, along with the low- and moderate-income tenants who need affordable housing. Nevertheless, there is no evidence that the incentives have been used.

Single-room-occupancy housing

The Need:

The purpose of the incentives is to encourage the development of single-room-occupancy housing for low- and moderate-income tenants.

Resources/Inputs:

ORA was unable to identify any DC agency who administers the program.

Outputs:

Organizations that develop or operate single-room-occupancy housing for low- and moderate-income tenants are the intended beneficiaries of this provision, along with the low- and moderate-income tenants who need affordable housing. There is no evidence that the incentives have been used.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There have been no claimants of this abatement.

Medium-term:

There have been no claimants of this abatement.

Long-term:

There have been no claimants of this abatement.

Assumptions:

The purpose of this tax abatement is to encourage the development of more affordable housing by providing the benefit to developers of single-room-occupancy housings.

Appendices

Vacant rental housing

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 42-3508.02
Sunset Date: None
Year Enacted: 1985

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: An owner of newly constructed rental housing accommodations is eligible for tax abatements equal to 80 percent of tax liability during the first year the housing becomes available for rental. In each succeeding year, the tax abatement would be reduced by 16 percentage points until the property is fully taxable.

When vacant rental accommodations that have been rehabilitated become available for rental, the owner of the property also becomes eligible for an 80 percent reduction of the increased tax liability that results from the rehabilitation. In each succeeding year, the tax abatement would be reduced by 16 percentage points until the full value of the property is taxable. In addition, the Mayor may defer or forgive any indebtedness owed to the District, or forgive any outstanding tax liens when a vacant rental accommodation is being rehabilitated in accordance with this program.

A project eligible for a tax abatement or forgiveness of any indebtedness or tax lien through this program must be certified by the Mayor as being “in the best interest of the District and ... consistent with the District’s rental property needs in terms of its location, type, and variety of sizes or rental units.” A property that receives tax incentives for new residential development in targeted neighborhoods (see tax expenditures #155 and #156) is not eligible for this program.

PURPOSE: The purpose of the abatement is to expand the supply of safe and affordable rental housing for low- to moderate-income residents of the District of Columbia.

IMPACT: Renters as well as the owners of newly constructed or rehabilitated rental housing are the intended beneficiaries of this tax incentive. Nevertheless, there is no evidence that any abatements have been awarded through this program in recent years.

Vacant rental housing

The Need:

The purpose of the abatement is to expand the supply of safe and affordable rental housing for low- to moderate-income residents of the District of Columbia.

Resources/Inputs:

A project eligible for a tax abatement or forgiveness of any indebtedness or tax lien through this program must be certified by the Mayor as being “in the best interest of the District and ... consistent with the District’s rental property needs in terms of its location, type, and variety of sizes or rental units.” ORA was unable to identify any DC agency who administers the program.

Outputs:

Renters as well as the owners of newly constructed or rehabilitated rental housing are the intended beneficiaries of this tax incentive. Nevertheless, there is no evidence that any abatements have been awarded through this program in recent years.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There have been no claimants of this abatement.

Medium-term:

There have been no claimants of this abatement.

Long-term:

There have been no claimants of this abatement.

Assumption:

The purpose of the abatement is to expand the supply of safe and affordable rental housing for low- to moderate-income residents of the District of Columbia.

Appendices

Homeowners in enterprise zones

Real Property Tax Abatement

District of Columbia Code: DC Official Code § 47-858.01 - § 47-858.05
Sunset Date: None
Year Enacted: 2002

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: The DC government provides real property tax abatements for homeowners in an enterprise zone who substantially rehabilitate their home. Census tracts with poverty rates of 20 percent or more qualify as enterprise zones.

To qualify for the abatements, a property owner must have a household income less than 120 percent of the area median income. In order to receive a tax abatement, an owner must receive certification from the Mayor that the property and rehabilitation meet the requirements of the law.

The tax abatement is measured as a percentage of the amount by which the homeowner’s tax liability for the property increased after the substantial rehabilitation. During the year in which the rehabilitation is completed and the following three years, the taxpayer can deduct 100 percent of the increased tax liability. In the fourth year, the taxpayer can deduct 75 percent; in the fifth year, 50 percent; and in the sixth year, 25 percent. In the seventh year after the rehabilitation is completed, the property is fully taxable.

PURPOSE: The purpose of the abatement is to promote the revitalization of neighborhoods classified as enterprise zones, to attract new residents to the District of Columbia, and to strengthen the District’s tax base.

IMPACT: Low- to moderate-income owners of homes in enterprise zones are the intended beneficiaries of these provisions, which are also expected to create spillover benefits for neighborhoods with poverty rates of 20 percent or more. Presently, there are no beneficiaries of these tax abatements and none are projected for the FY 2014 to FY 2017 period.

Homeowners in enterprise zones

The Need:

The purpose of the abatement is to promote the revitalization of neighborhoods classified as enterprise zones, to attract new residents to the District of Columbia, and to strengthen the District's tax base.

Resources/Inputs:

The tax abatement is measured as a percentage of the amount by which the homeowner's tax liability for the property increased after the substantial rehabilitation. ORA was unable to identify any DC agency who administers the program.

Outputs:

There have been no abatements under this provision.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There have been no claimants of this abatement.

Medium-term:

There have been no claimants of this abatement.

Long-term:

There have been no claimants of this abatement.

Assumptions:

Low- to moderate-income owners of homes in enterprise zones are the intended beneficiaries of these provisions, which are also expected to create spillover benefits for neighborhoods with poverty rates of 20 percent or more.

Appendices

Resident management corporations

Real Property Tax Exemption

District of Columbia Code: DC Official Code § 47-1002(24)
 Sunset Date: None
 Year Enacted: 1992

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

Deed Recordation and Transfer Tax Exemption

District of Columbia Code: DC Official Code § 42-1102(20) and § 47-3506.01(b)(1) for
 Deed recordation tax
 DC Official Code § 47-902(15) and § 47-3506.01(b)(2) for transfer tax
 Sunset Date: None
 Year Enacted: 1992

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: Public housing that is transferred to a qualifying resident management corporation is exempt from the real property tax through the end of the 10th tax year following the year in which the property is transferred, and is also exempt from the deed recordation and transfer taxes. A resident management corporation is a non-profit corporation in which public housing residents are the sole voting members.

PURPOSE: The purpose of these exemptions is to give low-income families living in a public housing project the opportunity to become owners of the public housing. Once residents become owners, they are expected to have a stronger stake in the maintenance of the property and the quality of life in the community. Resident ownership is also expected to help stabilize neighborhoods by giving residents a greater stake in the safety and upkeep of the community.

IMPACT: Resident management corporations and the individuals they serve are the intended beneficiaries of this provision. According to the DC Housing Authority (DCHA), the Kenilworth-Parkside project is the only property that has been transferred to a resident management corporation. Because the Kenilworth-Parkside Resident Management Corporation assumed control in 1992, that property is now taxable. There are presently no beneficiaries and no exemptions are projected for the FY 2014 through FY 2017 period.

Resident management corporations

The Need:

The purpose of the exemptions is to give low-income families living in a public housing project the opportunity to become owners of the public housing. Once residents become owners, they are expected to have a stronger stake in the maintenance of the property and the quality of life in the community.

Resources/Inputs:

Public housing that is transferred to a qualifying resident management corporation is exempt from the real property tax through the end of the 10th tax year following the year in which the property is transferred, and is also exempt from the deed recordation and transfer taxes.

Outputs:

Resident management corporations and the individuals they serve are the intended beneficiaries of this provision.

Expected Benefits

Short-term:

Kenilworth-Parkside project is the only property that has been transferred to a resident management corporation in 1992.

Medium-term:

Because the Kenilworth-Parkside Resident Management Corporation assumed control in 1992, that property is now taxable. There are presently no beneficiaries and no exemptions are projected for the FY 2014 through FY 2017 period.

Long-term:

Because the Kenilworth-Parkside Resident Management Corporation assumed control in 1992, that property is now taxable. There are presently no beneficiaries and no exemptions are projected for the FY 2014 through FY 2017 period.

Assumptions:

Once residents become owners, they are expected to have a stronger stake in the maintenance of the property and the quality of life in the community.

Appendices

Low-income homeowners

Property Tax Deferral

District of Columbia Code: DC Official Code § 47-845.02
Sunset Date: None
Year Enacted: 2005

	2014	2015	2016	2017
Revenue Foregone Estimates (\$000) Fiscal Year	0	0	0	0

DESCRIPTION: A taxpayer who occupies a home or condominium in the District of Columbia as his or her principal place of residence can defer any real property tax in excess of his or her real property tax for the prior year, if the taxpayer has a household adjusted gross income of less than \$50,000. Real property tax deferred in accordance with this provision bears interest at the rate of 8 percent annually. The amount of real property tax deferred, including the interest on amounts deferred in prior years, cannot exceed 25 percent of the assessed value of the property in the current tax year.

To qualify for the deferral, the taxpayer must file an application with the Office of Tax and Revenue. Senior citizens (those who are 65 or older) must undergo home equity conversion mortgage counseling in order to qualify for the deferral.

PURPOSE: The purpose of the deferral is to protect low- and moderate-income property owners from sharp increases in real property tax liability that may outpace the growth of their incomes.

IMPACT: Homeowners with annual household adjusted gross income less than \$50,000 are the intended beneficiaries of this provision. Nevertheless, there were no claimants during tax year 2013. The 8 percent interest rate may discourage use of the deferral, particularly during a period of low interest rates, and it is also possible that the deferral could lead to more financial hardship for low-income homeowners by compounding their debt. Research by the American Association of Retired Persons (AARP) has found that participation rates in property tax deferral programs are generally very low (less than 1 percent).¹⁰⁵

¹⁰⁵ Baer, pp. 22-25.

Low-income homeowners

The Need:

The purpose of the deferral is to protect low- and moderate-income property owners from sharp increases in real property tax liability that may outpace the growth of their incomes.

Inputs/Resources:

To qualify for the deferral, the taxpayer must file an application with the Office of Tax and Revenue. Senior citizens (those who are 65 or older) must undergo home equity conversion mortgage counseling in order to qualify for the deferral.

Outputs:

Homeowners with annual household adjusted gross income less than \$50,000 are the intended beneficiaries of this provision.

Expected Benefits

(changes in short, medium, or long term measures)

Short-term:

There have been no claimants of this deferral.

Medium-term:

There have been no claimants of this deferral.

Long-term:

There have been no claimants of this deferral.

Assumptions: Sharp increases in real property tax liability that may outpace the growth of low-income homeowners' incomes may put a strain on their finances and even force them to move.