

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




Jeff S. DeWitt
Chief Financial Officer

TAX ABATEMENT FINANCIAL ANALYSIS

TO: **The Honorable Muriel Bowser**
Mayor, District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: **Jeffrey S. DeWitt**
Chief Financial Officer 

DATE: **July 18, 2019**

SUBJECT: **“The National League of American Pen Women Real Property Tax Exemption Act of 2019”**

REFERENCE: **Bill 23-276**

Findings

The tax exemption proposed by Bill 23-276 for the National League of American Pen Women (NLAPW) headquarters building is warranted for the NLAPW to be reasonably expected to meet its fiscal needs.¹ Over the past five years, the NLAPW had regular operating losses that are forecasted to continue without the proposed abatement.

Please refer to the separate Fiscal Impact Statement for the effect of the proposed legislation on the District’s budget and financial plan.

Background

The NLAPW is a non-profit professional organization with 1,302 members across the country. It was founded in 1897 with the mission of supporting “creative excellence and professional standards among women in the arts.”² The NLAPW’s headquarters is a historic 20-room home built in 1887 located at 1300 17th St, NW, and is known for the purposes of taxation and assessment as Lot 0825 in Square 0158. The property serves as the NLAPW’s office and archives, includes a library, sculpture

¹ Pursuant to D.C. Official Code § 47-4701(b)(1)(F)(i) the CFO shall provide an “advisory opinion stating whether or not it is likely that the recipient could be reasonably expected to meet its fiscal needs without the proposed exemption or abatement.”

² As reported on the NLAPW’s website: nlapw.org (last visited June 17, 2019).

rooms, and bedrooms which are available to members and non-members to rent³. According to the financial statements provided to the OCFO, the NLAPW also leases a single parking space to a licensee on a month to month basis. The building also includes a bedroom and bathroom for the private use of the NLAPW president.

Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by the Office of the Chief Financial Officer (OCFO) to contain certain information. The required information is included below.

(A) Terms of the Exemption or Abatement

The proposed legislation exempts the property from real property taxation so long as it is owned by NLAPW. There are no use restrictions in the bill, such that the entire property would be exempt regardless of whether or not any portion of the building, or the entire building, were used for purposes that were unrelated to the non-profit mission of the NLAPW.

In addition, the legislation forgives all real property taxes, interest, penalties, fees and other related charges assessed against the property for the period beginning with tax year 2017 through the effective date of the act. Furthermore, any payments already made for this period would be refunded.

(B) Value of the Exemption or Abatement

The proposed legislation would fully forgive \$142,933 of property taxes, penalties, and interest for FY 2017-2019, and prospectively exempt the property as long as it is owned by the NLAPW. The exemption is valued at approximately \$2.1 million over 30 years.

Table 1: Value of the Exemption or Abatement

	FY 2017-2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024-2046	30-Year Total
Real Property Tax	130,889	51,890	53,083	54,304	55,553	1,741,544	2,087,264
Penalties and Interest	12,044						12,044
TOTAL	142,933	51,890	53,083	54,304	55,553	1,741,544	2,099,308

(C) Purpose of the Abatement

According to the NLAPW, “the tax abatement is being sought to increase funding that will be available to use to continue and enhance activities within the community in accordance with the League’s mission, provide scholarship, grant, and mentor programs for members and nonmembers of the League in pursuit of their artistic endeavors, support deferred capital projects required to maintain the historic headquarters building, digitize archival documents and records, provide adequate headquarters staffing (the League currently employs one part time office worker), and assist in transitioning to a more active fundraising posture.”⁴

³ According to a brochure on the NLAPW website, rooms are rented for a \$75 suggested donation to members, or \$95 for non-members.

⁴ From a letter dated May 22, 2019 from the NLAPW to the OCFO.

(D) Summary of the Proposed Community Benefits

See community benefits section below provided by the applicant.

(E) Financial Analysis and Advisory Opinion

EDF finds that the proposed abatement is needed in order for the NLAPW to meet its fiscal needs. The audited financial statements for the most recent five years show that the cost of owning the building (property and operating expenses) is overwhelming the non-profit’s capacity to meet its mission. During the period of analysis, building ownership costs have grown from roughly one-third of revenues to over half.

Table 2: Property Expenses as a Percent of Revenues

	2014	2015	2016	2017	2018
Total Property Expenses	\$63,497	\$76,210	\$68,575	\$68,326	\$92,993
As a % of Revenues	33.9%	43.0%	19.1%	48.1%	51.1%

During that same 5-year period, the NLAPW had regular operating losses⁵ that are forecasted to continue (barring significant operational changes, such as reductions in membership activity or relocating the headquarters to a smaller or more affordable location). Therefore, without the abatement, the NLAPW cannot be reasonably expected to meet its fiscal needs.

Table 3: Revenues and Expenses⁶

	2014	2015	2016	2017	2018	2019 Forecast
Contributions	9,303	35,422	191,113	31,589	50,109	63,507
Other Revenues	177,862	141,956	168,166	110,336	131,705	146,005
Total Revenues	\$187,165	\$177,378	\$359,279	\$141,925	\$181,814	\$209,512
Membership activity	67,745	33,428	71,543	59,309	78,572	69,808
Property Taxes Due	35,770	37,047	32,686	32,649	49,275	48,965
Other Property Expenses	27,727	39,163	35,889	35,677	43,718	38,428
Management Services	76,772	79,393	98,744	52,010	50,946	67,233
Total Expenses	\$208,014	\$189,031	\$238,862	\$179,645	\$222,511	\$224,434
Net Surplus (Loss)	(\$20,849)	(\$11,653)	\$120,417	(\$37,720)	(\$40,697)	(\$14,922)

Additionally, as of April 30, 2018, the NLAPW has unrestricted assets totaling \$43,634. Depending on the liquidity of those funds, some could be used to offset operating losses until such assets are

⁵ All years showed an operating loss, except for 2016. According to the NLAPW, that year includes an unusually large single contribution of \$165,671.

⁶ Table 2 reflects actual expenses and revenues as reported in the NLAPW’s audited financial statements, except the 2019 OCFO forecast which assumes that 2019 generally performs as the average of the prior 5 years. Property taxes due reflect the actual amount due each year, not the amount paid.

depleted. While such a use might temporarily enable the NLAPW to pay its property tax liability, it would not provide a long-term solution for the organization to meet its fiscal needs.

Community Benefits Statement Provided By the NLAPW

The mission of the organization is to encourage the production of creative work of professional standard in Art, Letters, and Music, and through outreach activities that provide educational, creative and professional support to members and nonmembers in these disciplines. While subsidiary branches provide initiatives in their local areas across the United States, members of the national board, branches in the area, and volunteers in the community oversee educational programs, seminars, and exhibitions at the Pen Arts Museum and Gallery in Washington, D.C.

The building is open each weekday to the public and on weekends by appointment for tours and information about the historic property. The library and archives are open as well for researchers and are used on a regular basis. Access is free to the public.

The building is available to other non-profit and community organizations for meeting space or to host events such as workshops and musical presentations. During the past year the DC chapter of the General Federation of Women’s Clubs has held its monthly meeting at the Pen Arts Building, and GROWN the Web Series has held weekly business and production meetings in the library of the building. This company is a group of young women entrepreneurs who have been working to complete a web series and who have currently completed eight episodes. GROWN has also used the gallery/workshop space to present a series of well-attended writers’ workshops and a workshop on developing and producing a web series. The Washington Opera Society held a fundraiser at Pen Arts in February featuring Tenor, Jesus Hernandez and Pianist Barbara Wilkinson.

Among the new young musicians from DC who have presented concerts at Pen Arts this year are Matthew Dievendorf, Amy Bormet and Shana Tucker, Grammy Award winning bassist, Ben Williams, and Kimberly Galva and Anton Martinez. Young students of Quartertonez, a music education company recently established by two sisters, Fairouz and Nadine Foty, were showcased at Pen Arts in their semester ending recital. Quartertonez believes that “an interdisciplinary, holistic approach to music education is essential to a child’s intellectual development grounded in an awareness of the world, and the diversity of cultures and people around them.” The League was delighted that it could allow the use of our drawing room to such a music school, and the students, even at their young age, were excitedly appreciative of being able to play at 1905 Steinway Parlor Grand Piano. The two Miss Fotys have asked if they may return next year. The League has been host for twenty concerts and/or musical performances during this past year.

Artists’ workshops have included instruction in mixed media and collage production and a fiber arts workshop by Smithsonian instructor Lauren Kingsland. Other presentations have included book talks featuring authors Liza Mundy and Joseph Dalton, seminars on copyright laws, book publication, mindfulness, and a middle school dance performance.

The Pen Arts Gallery is part of the Dupont Circle First Friday Art Walks and participated in DC Art All Night and the Washington Women in Jazz Festival.

The abatement will allow the National League of American Pen Women, Inc. to continue these types of activities which serve the community at large and will provide opportunities for additional services such as art, writing, and music workshops and competitions for children and youth. One of the outreach activities that NLAPW has wished to implement for a number of years has been to partner with departments of art, literature, and music in area colleges and universities to promote the arts in DC schools and mentoring youth in the arts. The League would like to be able to conduct competitions in the arts at different grade levels and provide awards and/or scholarships to

winners. Such activities require funds and manpower. Monies freed by the abatement will provide at least some of the funding necessary, and the availability of funds will facilitate the enlistment of manpower.