

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



Jeffrey 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: **January 14, 2016**

SUBJECT: **"Ingleside Presbyterian Retirement Community, Inc. Real Property Tax Exemption and Real Property Tax Relief Act of 2015"**

REFERENCE: **Bill Number 21-402**

Findings

The proposed legislation would grant an exemption from real property taxes to the Ingleside Presbyterian Retirement Community property located at 3050 Military Road, NW. Based on an analysis of the information provided, the proposed exemption is not needed. Ingleside has sufficient resources to pay required real property taxes without having a detrimental impact on their operations or their planned expansion.

Please refer to the Office of the Chief Financial Officer's separate Fiscal Impact Statement for the effect of the proposed legislation on the District's FY 2016 through FY 2019 budget and financial plan.

Background

The proposed legislation would exempt from real property taxation the Ingleside Presbyterian Retirement Community, Inc. (Ingleside) property located at 3050 Military Road, NW, as long as it is owned by Ingleside and is used as a Continuing Care Retirement Community (CCRC). A CCRC is a senior living facility that offers its residents a range of housing choices and services on one campus including: independent living; assisted living; and skilled nursing. CCRCs are targeted to those who want to stay in one place as they age. Ingleside is a not-for-profit corporation and is exempt from federal income taxes.

The Ingleside property has been partially taxable and partially exempt for a number of years. As of 2014, the proportion of the property that was taxable was approximately 18%.¹ In 2014, as part of a review of the Ingleside tax exemption, the Office of Tax and Revenue (OTR) determined that, while the portion of the Ingleside property that is used for nursing care and assisted living is tax-exempt under District law, the portion attributable to independent living is not eligible for an exemption. As a result, the property is now 62.27% taxable. The facility is currently assessed at \$73.2 million, with an annual real property tax liability of approximately \$390,000.

Ingleside is in the planning stages for a large expansion that will include 97 upscale independent living residences, 12 assisted living residences, a new Center for Healthy Living², and a new Health Services Center³. The expansion is expected to break ground in 2017 and be completed in 2019. When the expansion is complete, the assessed value of the property is expected to almost double.

In 2014, Ingleside applied for and the District issued a \$30 million revenue bond to refinance \$20 million of debt and to support approximately \$10 million for predevelopment costs for the planned expansion. Debt service on these tax-exempt bonds is paid by Ingleside. The District expects to receive another revenue bond application from Ingleside to support the construction for the expansion. Approximately 55% of the construction costs will be paid through long-term debt (the District revenue bonds) and approximately 45% will be paid from short-term debt to be repaid with entrance fees from new residents coming into the new independent living units.

Entrance fees at this type of CCRC are often substantial and are also an important part of the financial stability of the facility. In its existing facility, Ingleside has several options for how to pay the fee, but most pay between \$500,000 and \$1.5 million as a partially-refundable entrance fee to become a resident at Ingleside⁴.

Financial Analysis

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

Terms of the Exemption or Abatement

The legislation states that the property (Square 2287, Lots 802 and 809) shall be exempt from real property taxation in perpetuity so long as it is owned by Ingleside and is used as a CCRC. The tax exemption would be applied retroactively to tax year 2015, and includes any penalties and interest due.

¹ There are two lots included in this exemption. Prior to the OTR determination, 89.92% of the land and 65.48% of the buildings of Lot 809 (which comprises substantially all of the Ingleside property) were exempt and 100% of Lot 802 (which comprises only a very small part of the property) was exempt.

² The Center will feature a salon and day spa, a bistro, classrooms and art studios, a yoga and aerobics studio, a state-of-the-art technology center, a meditation room, a fitness and wellness center, and underground parking.

³ Health Services Center will feature medical services, rehabilitation and therapy gym, 32 memory support assisted living residences, 32 long-term care private suites, and 32 rehabilitation private suites.

⁴ The amount of the entrance fee depends both on the refundability of the fee and the type of unit desired. Monthly fees in the independent living, which range from approximately \$2,200 to \$4,600 per month, also correspond to the type of accommodation offered. However, some residents pay a lower entrance fee and then pay a significantly higher monthly fee.

Annual Proposed Value of the Exemption or Abatement

The table below shows the OCFO estimates of the value of the exemption by year. The new project will be completed in 2019, at that time the assessed value would increase and the value of the exemption would increase accordingly⁵. The total value of the exemption over 20 years is estimated to be approximately \$18 million.

Estimated Value of the Proposed Ingleside Exemption							
				After Expansion Opens			
2015	2016	2017	2018	2019	2020	2021 - 2034	Total 2015-2034
\$390,000	\$390,000	\$400,000	\$410,000	\$830,000	\$850,000	\$15,000,000	\$18,270,000

Note that the legislation exempts the property taxes in perpetuity and the above numbers reflect the value only for the first 20 years.

Summary of the Proposed Community Benefits

A summary of the proposed community benefits as submitted by Ingleside is attached to this analysis.

Financial Analysis

Review and analysis of the financial condition of the recipient of the proposed exemption or abatement and 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.

Ingleside provided the OCFO with three years of financial statements, as well as a summary of the financing for the upcoming expansion. The OCFO examined the impact of real property taxes on the ability of the existing retirement community to remain successful, and on the financing and operations of the planned development/expansion. The existing CCRC is on a sound financial footing, with strong financial performance indicators. Ingleside has the ability to finance the planned expansion without any new tax exemptions. The new development, when completed, is expected to improve operations substantially, and put Ingleside on a very strong financial position for the foreseeable future. Based on the OCFO’s analysis of the information provided, the Ingleside Presbyterian Retirement Community does not require a tax exemption in order to remain sufficiently capitalized to be a successful premier retirement community in the District.

⁵ The taxable proportion of the site could change as a result of the planned redevelopment of the property based on the changes in the relative share of uses attributable to the independent living, assisted living, and nursing home facilities in Ingleside’s expansion.

Attachment
Community Benefits

(as submitted by Ingleside Presbyterian Retirement Community)

Ingleside extends approximately one million dollars of charity care to its residents annually, and provides shelter and services to elderly residents relying on Medicaid.

Each Monday, staff and volunteers among the residents meet to prepare nutritionally balanced bagged meals for So Others Might Eat (SOME). In 2014 they made 2,600 meals reaching nearly 110,000 residents.

Ingleside at Rock Creek hosts The Health Academy which provides education and training from Certified Nursing Assistants (CAN) and Home Health Aids (HHA). Students have access to transportation, books, tuition, uniforms, and state exam fees at no cost to them or their families.

Ingleside provides space for Temple Sinai students for Sunday classes, it hosts meetings for Alcoholics Anonymous, Parkinson’s, Northwest Neighbors Village and other charitable and non-profit organizations benefiting the citizens of the District of Columbia.

Ingleside currently employs 226 individuals, 60 of which are residents of the District of Columbia.