

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

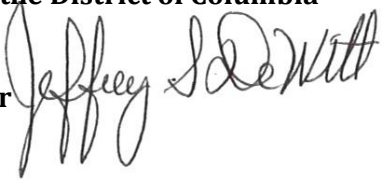


Jeffrey S. DeWitt
Chief Financial Officer

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: **September 23, 2015**

SUBJECT: **New Bethany Baptist Church Real Property Tax Exemption Act of 2015**

REFERENCE: **Bill 21-178**

Findings

The bill as introduced would forgive all real property tax liabilities assessed for tax years 2009-2015 and provide an ongoing real property tax exemption for parcels owned by the New Bethany Baptist Church (Church). Currently, the portion of these parcels used for religious purposes are tax-exempt and the portion used for public parking lots are taxable. The proposed tax relief and exemption are not necessary because the Church's parking operations are capable of generating sufficient revenue to pay real property taxes.

Background

The Church owns various real property parcels¹ in the Shaw neighborhood. The Church's property is partially tax-exempt under the religious organization exemption and partially taxable because its parking lots are used for non-religious income-generating purposes². The Church building itself

¹ The Church building is located on a portion of Lot 806 in Square 339. Parking lots occupy the remaining portion of Lot 806 in Square 339 as well as Lots 31-32 in Square 339 and Lots 23, 71-72, 811-812 in Square 367.

² D.C. Official Code § 47-1002(13) exempts "Churches, including buildings and structures reasonably necessary and usual in the performance of the activities of the church." D.C. Official Code § 47-1002(18)(A), which governs property used for parking, exempts "[g]rounds belonging to and reasonably required and actually used for the carrying on of the activities and purposes of any institution or organization entitled to

and parking supporting religious worship enjoy a tax exempt status.³ The portions used to generate income from public parking are ineligible for exemption under the generally applicable law and would be given tax relief under the proposed legislation.

Financial Analysis

The Exemptions and Abatements Information Requirements Act of 2011 requires the analysis provided by the Office of Economic Development Finance (EDF) to contain certain information. The required information is included below.

A separate fiscal impact statement will be prepared on the proposed legislation.

Terms of the Exemption or Abatement

The proposed legislation forgives any real property taxes, interest, penalties, fees, and fines assessed against specified property owned by the Church for any tax period during which the property was used by the Church. In addition, the legislation exempts the property from future taxation so long as it is owned by the Church and annual use reports are properly filed. The legislation does not exempt the Church from collecting and remitting parking sales taxes.

While the proposed legislation applies to all of the Church’s property identified in the bill, the proposed tax relief affects only the portions of the property not exempt under the generally applicable law. Accordingly, EDF’s estimates in this Tax Abatement Financial Analysis (TAFA) only reflect the taxes that are or would be owed on the portions operated as public parking lots.

Annual Proposed Value of the Exemption or Abatement

The proposed legislation would forgive \$531,483 of property taxes, interest, penalties and fees and would exempt the property so long as it is owned by the Church and annual use reports are filed. Assuming these requirements continue to be met, the exemption is valued at approximately \$2.8 million over the next 30 years.

Estimated Value of Property Tax Abatement for New Bethany Baptist Church						
	FY 2016	FY 2017	FY2018	FY2019	TOTAL FY 2020 – FY 2044	TOTAL FY 2016 – FY 2044
Relief of Accrued Real Property Liability	531,483	0	0	0	0	531,483
Real Property Tax Abatement	58,596	60,225	62,369	64,396	2,505,287	2,750,872
	590,079	60,225	62,369	64,396	2,505,287	3,282,355

exemption under the provisions of §§ 47-1002, 47-1005, and 47-1007 to 47-1010.” However, D.C. Official Code § 47-1005(a) further provides that an otherwise exempt property (or portion thereof) is taxable if it is used to secure rent or income from an activity other than that for which exemption was granted.

³ 65.78% of the land component and 100% of the improvements in Lot 806 in Square 339 are exempt. 28.57% of the total assessed value of Lots 31 and 32 in Square 339 and Lots 23, 71, 72, 811 and 812 in Square 367 are exempt.

Summary of the Proposed Community Benefits

A summary of the proposed community benefits, as submitted by New Bethany Baptist Church, is attached to this analysis.

Financial Analysis for Existing Property

Review and analysis of the financial condition of the recipient and 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

In determining whether the Church-run parking operation needs the proposed abatement, this TAFAs evaluates the revenue generating potential from operating public parking against associated costs. The Church provided EDF with income and expense information for 2013 and 2014. Parking revenues were not identified as a distinct revenue source and upon further request the Church verified they do not categorize parking income separately from donations.

EDF reviewed parking comparables in the nearby geographical area. This market research shows the Church could earn sufficient revenue to pay sales⁴ and real property taxes related to operating public parking lots, pay-off its accrued liability over time, and fund a portion of the Church's operations. As such, EDF finds it is likely the Church could manage parking operations to generate sufficient revenues to fully pay taxes without abatement and continue subsidizing the Church's activities.

⁴ In addition to real property taxes, the Church should have paid sales taxes on amounts earned from offering public parking and will be required to pay these taxes going forward.

Attachment
Community Benefits
(Submitted by New Bethany Baptist Church)

The Church has benefited the community in numerous ways since its inception. First, the Church has served as a place of worship for the people of Washington, D.C., where it has conducted religious services several days per week. In addition to providing its own religious services, New Bethany Baptist Church opens its property to other churches in the area, such as the Mount Zion Pentecostal Church, so that Mount Zion may conduct its weekly bible classes, meetings, special events, and rehearsals.

Furthermore, New Bethany Baptist Church provides other non-profit organizations access to its property to engage in activities that also benefit the community. For example, Sunday Suppers, a 501(c)(3) charity organization, uses the Church’s facilities to feed the homeless and underprivileged individuals of Washington, D.C. In conjunction with Sunday Suppers, the Church sets up tables and chairs on the Church’s property, where hot meals are served and supplies are donated to those in need. In all, the Church serves the poor and the homeless by providing shelter, food for the hungry, and counseling, comfort, and a place to serve and commune with God, to them, its congregation, and its other guests.

Lastly, and of great significance, the Church is part of the District’s rich cultural, socioeconomic, racial, and religious history. Public policy must favor the Church remaining in operation and continuing to benefit the community in the aforementioned ways.