

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




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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: **October 10, 2017**

SUBJECT: **“Washington Parks & People Equitable Real Property Tax Relief Act of 2017”**

REFERENCE: **Bill 22-0368**

Findings

The intent of the proposed legislation is to relieve real estate tax liability for “Columbia Heights Green,”¹ a Community Harvest² and job training initiative owned and operated by Washington Parks & People (WPP), a District of Columbia nonprofit organization. The tax liabilities for Columbia Heights Green include real property tax, penalties, and interest from 2009 to the present, and real property tax going forward. While WPP could apply for an administrative exemption under the D.C. Code³, any exemption granted pursuant to an application would not apply retroactively and would apply only to future real property tax liabilities. The OCFO finds that full payment of past real property taxes, penalties and interest would create a financial hardship that would have a negative impact on the operations of the organization.

Background

WPP’s mission is to grow city-wide, park-based community health and vitality by nurturing innovation and partnership. At the outset of WPP’s ownership, the four tax lots in question were vacant and rubble-covered from a prior owner who used the property to service vehicles. WPP purchased the Columbia Heights property in 2009 and has transformed it into a garden green space through volunteer support and an investment of \$250,000.

¹ Columbia Heights Green is comprised of Square 2841, Lots 841, 847, 848, and 851.

² According to their website, the Community Harvest program offered by Washington Parks and People supports a wide range of gardens and greening initiatives in under-served communities across the District of Columbia.

³ D.C. Official Code § 47-1002(18) provides an administrative exemption to “Grounds belonging to and reasonably required and actually used for the carrying on of the activities and purposes of any institution or organization entitled to exemption” or under other provisions of the exemption law. WPP owns other tax-exempt properties in the District.

By Council’s prior emergency and temporary acts, real property taxes, interest, penalties and fees were forgiven for the Columbia Heights Green location for years 1998 to 2008 which accrued before WPP acquired the property⁴. From the point that the temporary law expired, the property has been subject to real property taxes, which over the past several years have accrued interest and penalties. The proposed Bill will forgive previously assessed taxes on the property as well as exempt it from future real property taxes.

As part of the financial analysis performed, the OCFO researched a parking easement covering a portion of Square 2841, Lot 851 that the prior owner of the property granted in 2008. The individual to whom this easement was granted is not affiliated with WPP. This parking easement is not currently in use, as WPP has installed barrier stakes, permanent fencing and trees which prevent parking on the portion of the lot covered by the easement. The Executive Director of WPP has stated that the organization is pursuing termination of the easement. However, the easement remains of record⁵ and, until terminated, could potentially still be used by the individual for private parking. Such use could disqualify the portion so used from exemption under the Bill as drafted, since that portion would not be used as a park, garden or playground, as required under the Bill. Exemption of the portion of the property covered by the easement could also provide a private benefit to the easement holder, rather than to WPP or the public.

WPP has several parking spaces elsewhere on the property that are used by volunteers and staff while working at Columbia Heights Green. One of these parking spaces is, at times, used as a ZipCar parking space, from which a small amount of income is derived. The Executive Director stated that any income from this arrangement is allocated directly to the maintenance of the property. However, because the Bill provides that the property is not to be used for commercial purposes, the portion of the property used by ZipCar would remain taxable. The Executive Director of WPP stated that the organization would be willing to disengage any business agreement with ZipCar to ensure a property tax exemption.

Financial Analysis

The proposed legislation provides WPP a real property tax exemption for the Columbia Heights Green parcels in perpetuity, so long as the property is owned by WPP and is used as a park, community garden, or a children’s playground, and is not used for commercial purposes. The legislation also orders that real property taxes, including interest, penalties and fees owed on the site be forgiven. The estimated value of these exemptions is shown below.

Estimated Value of Real Property Tax Relief for Washington Parks & People						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022- 2042	FY 2018- 2042
Real Property Tax Exemption	\$889	\$915	\$943	\$971	\$28,677	\$32,394
Forgiveness of Prior Year Taxes, Penalties & Interest	\$24,218					\$24,218
Total						\$56,612

The Office of Economic Development Finance reviewed the audited financial statements of WPP. Evident in its review was that WPP operates at a small annual deficit in order to serve their mission of city-wide park-

⁴ Washington Parks & People Equitable Real Property Tax Relief Emergency Act of 2008, enacted August 29, 2008 (D.C. Act 17-489; 55 DCR 9160); Washington Parks & People Equitable Real Property Tax Relief Temporary Act of 2008, effective November 25, 2008 (D.C. Law 17-276;55 DCR 11044).

⁵ Recorder of Deeds website, <https://countyfusion4.kofiletech.us/countyweb/login.do?countyname=WashingtonDC>, Document No. 2008050877.

based community renewal. The last audited Statement of Activities showed a decrease in net income of approximately \$14,000. A requirement to pay all back taxes owed would be almost double the prior year's organizational deficit. Furthermore, the vast majority of WPP's assets are property and equipment, with a relatively small unrestricted cash balance. Their current liabilities exceed current assets indicating potential cash flow issues. For these financial reasons, the OCFO believes that the organization shows a financial hardship and needs retrospective tax relief to continue to provide services at its current level.

Without the exemption the organization's future real estate tax liability is estimated to be approximately \$900 per year, rising over time. OCFO finds that a payment of this amount is not expected to have a significant impact on the operations of the organization. Given time to budget this expense, they are likely to be able to factor this expense into their operating budget.

Summary of the Proposed Community Benefits as Presented by WPP

WPP has had a long history of serving the community of Washington, D.C. with several programs and locations in existence. According to WPP, they have worked with thousands of DC volunteers to create coordinated and intensive green spaces that produce organic, local food options; and are a leader in urban agriculture in the District and provides job training programs through their community spaces. As stated by their executive director, at the Columbia Heights Green location, WPP partners with local schools including Caesar Chavez Public Charter School and Harriet Tubman Elementary School as well as the local Latin American Youth Center to provide young City residents with access to green space in a population-dense area of the City.

Columbia Heights Green also offers cultural events. The property is used to attract bands, poets and fitness instructors that offer free performances and sessions to the Columbia Heights community. Classes in environmental education are also offered at the location.

WPP states that they provide permanent, part-time employment for a minimum of five DC residents at the Columbia Heights Green location. Employees receive wage and benefit packages in excess of \$20 per hour. WPP also provides permanent, ongoing job training and workforce development and have now graduated over 200 DC residents from its Green Corps job training program. According to information submitted by WPP, over 75 percent of program graduates have achieved gainful employment. WPP provides life skills training for people experiencing homelessness and other challenges.

Conclusion

It is possible that if WPP applied for a real property tax exemption for the Columbia Heights Green, it would be granted administratively by the OCFO under DC Code. While future real property tax liabilities are unlikely to have a significant impact on WPP operations, the financial condition of the organization is such that an exemption of past taxes will allow WPP to continue operations at current service levels.