

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



**Glen Lee**  
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:** **Glen Lee**  
**Chief Financial Officer**

**DATE:** **May 18, 2023**

**SUBJECT:** **Tax Abatement Financial Analysis- "United Negro College Fund Real Property Tax Abatement Extension Amendment Act of 2023"**

**REFERENCE:** **Bill 25-0240**



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**Findings**

The "United Negro College Fund Real Property Tax Abatement Extension Amendment Act of 2023" (the "Bill") would abate real property taxes on the property designated as Square 0441, Lot 2012 (the "Property") for 10 years beginning October 1, 2023. The tax abatement would be in effect during this period so long as the Property is owned by the United Negro College Fund, Inc. ("UNCF") and occupied by UNCF or leased by UNCF to another nonprofit organization that works in partnership with, and has a mission similar to, UNCF. This Bill amends D.C. Official Code § 47-4635, which authorized an earlier 10-year tax abatement on this Property that ended on September 30, 2022.

Based on UNCF's audited financial statements, UNCF does not operate at a deficit, and the tax liability represents a small portion of its net assets that can be used to cover the tax liability. The Office of the Chief Financial Officer ("OCFO") finds that the abatement is not financially necessary for UNCF to continue to meet its fiscal needs.

**Background**

The Property is located in Ward 1 at 1805 & 1815 7<sup>th</sup> St. NW within a mixed-use building directly above the Shaw Metrorail station entrance. The Property is a 52,734 square foot office condominium inside a larger 319,000 square foot building (Progression Place), which consists of separately owned office and residential condominium units, as well as ground floor retail.

The Property is owned by, and serves as, the headquarters for UNCF, a not-for-profit IRC section 501(c)(3) organization established to assist its 37-member historically black colleges and

universities in raising funds from the public for their mutual support. The Property consists of two components: 1) 49,767 square feet of office space across Floors 1 through 5 that serve as the headquarters for UNCF, and 2) 223 square feet of ground floor space – representing UNCF’s ownership share of overall ground floor common area – used to host events, education roundtables, and other activities that support UNCF’s mission. Both components are owned and occupied by UNCF. Under the current version of D.C. Official Code § 47-4635, UNCF received a 10-year tax abatement on this Property when it moved into the current space in 2012. The tax abatement ended on September 30, 2022. The Bill is proposing an additional 10-year tax abatement beginning on October 1, 2023. There is currently unpaid tax liability on the Property for the first half of 2023 in the amount of \$9,781.90.

**Financial Analysis**

(A) Terms of the Abatement

The Bill abates real property taxes on the Property for 10 years beginning on October 1, 2023, so long as it is owned by UNCF and occupied by UNCF or leased by UNCF to another nonprofit organization that works in partnership with, and has a mission similar to, UNCF. The maximum annual amount of the tax abatement is \$500,000 in the first year, with an annual escalation of 3%, compounded annually, in successive years.

(B) Value of the Abatement

As shown in Table 1, the Bill’s proposed tax relief for the Property is valued at approximately \$2.1 million during the financial plan period, and \$5.7 million throughout the course of the 10-year tax abatement period.

**Table 1: Estimated Value of the Proposed Tax Exemption**

Exemption	FY 2024	FY 2025	FY 2026	FY 2027	Total Through FY 2027	Total FY 2027-33	Total Value
Real Property Tax	\$500,000	\$515,000	\$530,450	\$546,364	\$2,091,814	\$3,603,522	\$5,695,336

There is a tax year between the end of the previous and the beginning of the proposed tax abatement periods (October 1, 2022 to September 30, 2023) where real property tax liability is not abated for UNCF.

The Exemptions and Abatements Information Requirements Act of 2011 requires certain information from the applicant pertaining to political contributions and contracts held by the applicant if the total estimated value of the abatement or exemption is \$250,000 or more. According to UNCF, it has not made nor will make any political contributions as the Property owner and taxpayer. UNCF is not seeking and does not currently hold any contracts with the District of Columbia.

(C) Purpose of the Abatement

According to UNCF, the abatement would enable the organization to further its organizational mission by providing additional education resources and scholarships to students.

(D) Summary of the Proposed Community Benefits

The community benefits provided by the Applicant are provided in Attachment A.

(E) Financial Analysis and Advisory Opinion

The OCFO’s Office of Finance and Treasury (OFT) evaluated the audited financial statements for UNCF’s past three fiscal years (Fiscal Year 2020, 2021, 2022, each with a March 31<sup>st</sup> year end). Based on an evaluation of the revenues, expenses, and net assets in each of these years, UNCF demonstrates good financial health and has sufficient revenue to pay the estimated real property tax on the Property without financial hardship.

Since Fiscal Year 2020, UNCF’s current assets have been able to cover its current liabilities. Although UNCF experienced a deficit in its unrestricted, undesignated net assets toward the end of Fiscal Year 2019 – which is discretionary revenue that can be used to cover unanticipated expenses – this category has grown considerably over subsequent years. Furthermore, beginning in Fiscal Year 2021, UNCF designated a portion of its operating surplus to a separate “Disaster Recovery” reserve balance designed for use during unanticipated events of financial distress or need for immediate liquidity.

The estimated 2024 annual tax liability - approximately \$500,000 – would represent less than 2% of its unrestricted, undesignated net assets and 3% of its Disaster Recovery Fund based on its 2022 financial statement. Additionally, the tax liability represents less than 0.3% of both its average annual revenue and average annual operating expenses over the last three years, which should not present an issue for UNCF’s future budgets.

**Conclusion**

For these reasons, OCFO finds that a tax abatement is not financially necessary. Based on the information provided by UNCF and the assets available within the organization, there are sufficient resources to cover the estimated tax liability both now and in the future.

## **Attachment A**

### **Summary of the Proposed Community Benefits**