

PUBLIC HEARING

ON

Bill 18-1076 “West End Parcels Development Omnibus Act of 2010”

**Before the
Committee on Finance and Revenue
Councilmember Jack Evans, Chairman
and the
Committee on Economic Development
Councilmember Kwame Brown, Chairman
Council of the District of Columbia**

**November 22, 2010, 10:00 AM
John A. Wilson Building, Room 412**



**Testimony of
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**Natwar M. Gandhi
Chief Financial Officer
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Good morning, Chairman Evans, Chairman Brown, and members of the Committees on Finance and Revenue and Economic Development. I am John Ross, Director of the Office of Economic Development Finance and Senior Advisor to the Chief Financial Officer (CFO). I am pleased to testify today on the West End Parcels Development Omnibus Act of 2010.

According to a Land Disposition Agreement (LDA) authorized by the Council¹, two District-owned parcels in the 1100 block of 24th Street, NW and the 2300 block of L Street, NW will be combined with an adjacent parcel currently owned by Eastbank-WDC Partners (Developer) to build a single mixed-use building containing a new West End Public Library, retail, and approximately 150 units of for-sale residential condominiums. The Developer will also redevelop a District-owned parcel in the 2300 block of M Street, NW to include a new Fire Station and approximately 52 units of affordable rental housing.

The Developer has requested an additional subsidy from the District for the construction of the affordable housing units. The proposed legislation does not address the subsidy required for the affordable housing component.

¹ The West End Parcels Disposition Approval Resolution of 2010 was enacted by the Council on July 13, 2010.

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The proposed bill would exempt the development on 24th Street, L Street, and M Street, NW (Property) from Deed Transfer and Recordation Taxes until the initial transfers of the properties from the District to the Developer are complete. The legislation also exempts the Property from real property taxes during the construction period. Based on the construction schedule provided by the Developer, the exemption from Deed Transfer and Recordation Taxes would result in approximately \$1.45 million in lost revenue, while the real property tax exemption would result in approximately \$656,000 in lost revenue to the General Fund during the financial plan period, for a total of \$2.1 million in lost revenue.

Based on our review of the project, it is not clear that the absence of the tax exemptions discussed above would prohibit the project from moving forward.

The legislation would also establish a non-lapsing maintenance fund (Maintenance Fund) to be used to pay the expenses related to supplemental maintenance for the Library and Fire Station. Eighty-five percent of the Deed Transfer and Recordation Taxes attributable to the condos constructed on in the 1100 block of 24th Street, NW and the 2300 block of L Street, NW would be deposited into the Fund. The condo building is not expected to be completed until FY 2015. As a result, this provision of the bill does not impact the current budget and financial plan. However, it would

result in a transfer of funds from the General Fund to the Maintenance Fund throughout the life of the project. Based on financial projections provided by the Developer, the OCFO estimates that more than \$8.5 million in Deed Transfer and Recordation Taxes would be diverted from the General Fund to the Maintenance Fund in the twenty year period beginning in FY 2015. Since the legislation does not contain any sunset date for the Fund, this amount would continue to grow over the life of the Maintenance Fund.

We also have a few technical comments on the proposed bill, which are appended to this testimony.

Thank you for the opportunity to comment. I would be glad to answer any questions you may have.