

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



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Chief Financial Officer

## **Submission Requirements for Parties Seeking a Tax Abatement or Exemption**

The Exemptions and Abatements Information Requirements Act of 2011<sup>1</sup> requires the Office of the Chief Financial Officer (OCFO) to provide Council with an advisory opinion on whether or not the abatement or exemption is necessary. Depending on the type of abatement or exemption, the OCFO shall consider the fiscal needs of the beneficiary, the financial feasibility of the proposed project, and/or the public policy objective of the abatement or exemption.

Within the OCFO, the Office of Economic Development Finance (EDF) will be responsible for coordinating and completing review and analysis of all necessary information. All questions and submissions should be made to:

Office of Economic Development Finance  
(Attention: Abatement or Exemption Request)  
Office of the Chief Financial Officer - District of Columbia  
1101 4<sup>th</sup> Street SW, Suite W772  
Washington DC 20024  
Phone: 202-727-9635  
Email: Abatement.Info@dc.gov

Either the Mayor or any Councilmember may inform the OCFO that a tax abatement financial analysis (TAFA) should be initiated because a hearing will be scheduled (the official notification). Analysis will only begin once official notification has been made a complete information package has been submitted to the OCFO. *However, prior to any official notification, requesting parties are encouraged to contact the Office of Economic Development Finance with any questions about submission requirements or the subsequent review and analysis that will be performed.*

### **Review and Analysis Process**

If official notification is received from a Councilmember, the OCFO will notify the Office of the Deputy Mayor for Planning and Economic Development (DMPED), or other relevant Agency, that the OCFO has received official notification and is commencing its analysis. A copy of the request will be transmitted to the appropriate liaison. The OCFO will also provide the relevant Agency with a copy of the OCFO's completed analysis at the same time that it is submitted to the Council.

The summary of community benefits, as submitted in the information requirements detailed below, will be included as part of the OCFO's overall advisory opinion. If the relevant Agency seeks to comment on the community benefits in the proposal, or on any aspect of the information provided, it may do so directly to the Council. All other information submitted will be used in the OCFO's financial analysis and advisory opinion.

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<sup>1</sup> As amended by the Fiscal Year 2014 Budget Support Act of 2013 and the Fiscal Year 2014 Budget Support Technical Clarification Amendment Act of 2014.

## **TAFAs Content and Timeframes**

The OCFO will complete the financial analysis and advisory opinion in accordance with specified requirements.

- For existing buildings, the financial analysis shall consist of a 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.
- For development projects, including acquisition or renovation of existing buildings, the financial analysis shall consist of a review and analysis of the financing proposal submitted and the financial condition of the recipient of the proposed exemption or abatement. The advisory opinion will state whether or not it is likely that the project could be financed without the proposed exemption or abatement.
- For a person(s) or entity(s) that can be readily identified, the financial analysis shall consist of a review and analysis of the financial condition of the recipient (if individual financial information is available) **or** of the public policy goal intended to be addressed. The advisory opinion will state whether or not it is likely that the recipient could be reasonably expected to meet its fiscal needs without the proposed exemption or abatement **or** whether the proposed exemption or abatement can reasonably be expected to meet the proposed public policy goal.
- For a person(s) or entity(s) that cannot be readily identified, the financial analysis shall consist of a review and analysis of the public policy goal intended to be addressed, including whether the exemption or abatement is appropriately targeted and likely to achieve the intended goal.

The OCFO review and analysis is likely to take a minimum of three weeks, but may take longer, depending on the complexity of the proposal and whether data is readily available or extensive research is required.

*Any questions related to the timing of the OCFO analysis on a specific project should be made to the contact information listed above.*

## **Information Requirements**

The official request for OCFO analysis shall include information listed below. It must be provided to the OCFO, in both hard copy and digital copy. Any confidential information requested to be withheld from public release should be marked. When this information is submitted, the OCFO will perform a cursory review to ensure that the information package is complete. The OCFO will notify both the party providing the official notification and the requestor if the package is incomplete. Once information is deemed complete, the OCFO will commence its review.

All TAFAs requests shall be accompanied by the following minimum information:

1. A summary description of the purpose for which an exemption or abatement is sought.
2. The proposed terms of the requested exemption or abatement. Terms can include number of years that the exemption or abatement will be in effect, and, if applicable, maximum total exemption or abatement amount. If proposed as a specific dollar amount or not-to-exceed dollar amount per year, the annual proposed value of the requested exemption or abatement.

3. A summary of the proposed community benefits to be provided by the abatement, if known, including, but not limited to:
  - a. The number of affordable housing units to be developed, if any, including:
    - i. Level of Area Median Income (AMI) at which units will be affordable, if applicable; and
    - ii. The projected financial value of the proposed subsidy based upon the difference between the value of a comparable market rate unit and a proposed affordable unit within the same neighborhood, if applicable.
  - b. The proposed number of jobs to be created by the project, if any, including:
    - i. Whether the jobs are temporary or permanent (permanent jobs are those involved in the ongoing operation of the commercial property);
    - ii. Full-time or part-time (full-time jobs are those working at least 35 hours a week);
    - iii. The estimated wages and benefits for each job; and
    - iv. The number of jobs that are committed to District residents.
  - c. Description of any other public policy goal(s) the exemption or abatement is meant to address and expected results

The summary should delineate which community benefits and amenities are already required by law through the zoning process (e.g., inclusionary zoning, planned-unit-development approval) or regulations (e.g., environmental standards).

4. Name and contact information of the person most familiar with the information submitted.

In addition, proposed abatements or exemptions of real property taxes for existing buildings and development projects shall be accompanied by the following information:

5. Description of the property or development project, including use or expected uses, timing of purchase if applicable, total development cost if applicable, and gross and net square footage of the building.
6. Address, square and lot, and/or boundary information for the property.
7. Evidence of site control.
8. Description of the project's ownership structure.
9. A copy of the requesting organization's financial statements for each of the previous three years and any pertinent management reports from the same period.
  - a. If the property owner is an LLC, copies of financial statements of the partners.
  - b. If the property owner is an individual or individuals, resume or resumes of the principals and a narrative description of experience with similar projects.
10. For existing buildings, for which a purchase or renovation is not contemplated, audited income and expenses of the building or projections if actuals are not available.
11. For development projects, including purchase or renovation of an existing building:
  - a. A financial pro forma of the project detailing debt, equity, detailed project cost estimates and all associated cash flows including projected real property and other taxes or savings from the proposed tax exemption or abatement. The pro forma shall be submitted

electronically in Excel, and shall allow the OCFO to examine and manipulate the underlying formulas and assumptions.

- b. A description of efforts to obtain adequate debt and equity to complete the project to include:
  - i. Letters of interest or commitment from lenders, if any;
  - ii. Letters of rejection by lenders, if any;
  - iii. Equity commitments; and
  - iv. Other requests for alternate funding, including grants, tax credits, and loans.
- c. Project timeline and any time constraints that affect the project.
- d. Proposed business types or major tenants for retail and commercial projects.

For all other abatements or exemptions, the OCFO will determine additional information requirements based on the type of tax exemption or abatement proposed.

**Please direct any questions to the OCFO contact information provided above.**