# D.C. Tax Revision Commission

**Nonprofit Real Estate Stakeholder Input Session**
**June 14, 2023**
**1310 L Street, NW, Washington DC, 20005**
**Conference Room 148-149**
**Minutes**

**Commissioners in attendance:** Tony Williams (Chair), Yesim Sayin, Erica Williams, Carolyn Rudd and Glen Lee, Jodie McLean

**TRC staff in attendance:** Nick Johnson, Mike Hegeman and Becky Strauss

**Participants in attendance**:

- Nechama Masliansky, So Others Might Eat
- Ralph Boyd, So Others Might Eat
- Juan Pablo Vacetello, Mi Casa
- Jim Knight, Jubilee Housing
- Patrick McAnaney, Somerset Development
- Ryan Trout, CNHED
- Carrier Fischer, National Housing Trust

Mr. Williams called the meeting to order at 4:30 pm. All submitted testimonies are available [HERE].

Ryan Trout set the landscape on the need for affordable housing. Increasing access to affordable housing is the best way to decrease childhood poverty.

A new report was released called “Out of Reach” that showed that the average rent for a one-bedroom in the city was $1800. A household needs $73K in annual income to be able to afford it. It’s the 6th highest wage needed in the country to afford an apartment. If a renter is a minimum wage earner, he or she would need to work 83 hours a week to afford the same rent. That’s why housing affordability and the Housing Production Trust Fund (HPTF) is so important. The HPTF creates new affordable housing and preserves existing affordable housing, while TOPA helps tenants negotiate for better conditions or a fair rent structure.

Jim Knight says the HPTF law was first passed in 1998, but it wasn’t funded until 2003 when the deed and recordation tax was affixed to it. Every commercial property transaction pays a deed and recordation tax, and 15 percent of those revenues are dedicated to the HPTF. But that means HPTF funds go up and down depending on the commercial real estate market. Although it’s not always the most reliable source, at least it is dedicated. Fortunately in 2010, the DC Council set a floor minimum annual funding for the HPTF at $100M. It wasn’t until 2013 the Mayor hit that floor. So far, the HPTF has produced 20K affordable units—a great success. Knight hopes the portion of the deed and recordation tax going to the HPTF is increased.

Juan Pablo agrees that the deed and recordation tax is fuel for the HPTF and should remain dedicated rather than discretionary. And TOPA helps to correct the imbalance of power between property owner and tenant, and therefore helps to preserve affordability.

Carrie Fischer adds that without tools like the HPTF, neither nonprofit or for-profits would be able to produce affordable housing. The HPTF is a nation-leading best practice, where taxing real estate transactions goes toward affordable housing funds. You can find her testimony HERE.

Nechama Masliansky says the HPTF provides critical gap funding in her organization's housing projects. But she is worried HPTF funding may go down in coming years. The recently passed FY24 budget actually only funds the HPTF at $94M, not the promised $100M minimum. Plus a large portion of the FY24 HTFP moneys come from what's left of federal ARPA funds.

Patrick McAneny represents the one for-profit on the panel. He reminded the commission about the unique risks associated with affordable housing compared to regular real estate. Affordable housing requires cobbling together various financial tools for projects to pencil out—bonds from DC financing agencies, HPTF, project-based vouchers, LIHTC, FHA loans, etc. If any one piece wobbles or falls through, the whole project could collapse. Tax assessments of affordable housing developments should take into account affordability covenants. He recommends applying a standard 120 percent adjustment factor to every property with an affordability covenant. Or for these properties, extend existing tax abatements nonprofits use with LIHTC.

Getting property tax exemption for a project can be difficult. Often nonprofit developers must lobby for dedicated legislation site by site. The law was changed so that each developer could get approval (rather than project by project), but securing that approval can be difficult as well.

Jim Knight told one story of the bind nonprofit developers can be in when they receive a tax notice in the mail. They can begin the appeal process, but that usually takes 2-3 years. Do they pay taxes for those 3 years, knowing they will get a refund? Or do they not pay and run the risk of the appeal being rejected and ponying up lots of fines in the process. He calls for more forgiving tax exemption for projects depending on their charitable purpose, and extend that tax exemption to charitable services that may be offered in the same development like childcare or a health clinic. In other words, tax exemption should be determined by the nature of the entity doing the activity and the nature of the activity itself.

Mr. Williams adjourned the meeting at 5:40 pm.