DC Fiscal Policy Institute

TESTIMONY OF KWAME BOADI, POLICY ANALYST
At the Hearing on Bill 19-670
The NoMa Residential Development Tax Abatement Amendment Act of 2012
District of Columbia Committee on Finance and Revenue
March 22, 2012

Chairman Evans and members of the committee, thank you for the opportunity to testify today on this important issue. My name is Kwame Boadi and I am a policy analyst with the DC Fiscal Policy Institute. DCFPI engages in research and public education on the fiscal and economic health of the District of Columbia, with a particular emphasis on policies that affect low- and moderate-income residents.

The neighborhood referred to as "NoMa" is booming. Over the past 6 years, private companies have devoted $3 billion in investment there. Additionally, the District has spent millions in infrastructure and subsidies. One such subsidy program was put in place by the NoMa Residential Development Tax Abatement Act of 2009. This program enabled developers of market-rate residential properties within NoMa to qualify for 10-year property tax abatements as a way to incentivize residential development. The original legislation capped the amount of money that the District could spend on the program each year at $5 million. It also capped the total number of residential units that could be subsidized at 3,000. The subsidy program created no obligation on developers to provide community benefits or affordable housing beyond those existing in prior law.

The bill before the Committee today would remove the 3,000 unit cap, while leaving the $5 million cap in place. Presumably, the rationale behind this legislation is that more residential units ought to be able to take advantage of whatever subsidy remains below the $5 million cap. According to the DC Chief Financial Officer's most recent estimate of the program, included in the Unified Economic Development Budget, the District is expected to reach the maximum cap of 3,000 units by 2013 at a cost of approximately $4 million per year. Today's legislation would enable developers to access the remaining subsidy at an additional cost of roughly $1 million per year.

Yet, there is no clear rationale as to why the District should do this. The District has clearly achieved its goal of spurring residential development in NoMa – so much so that there is demand from private investors to bring more residential development to the area. Given the city's limited resources, it makes sense for the District to begin taking its foot off the incentive gas pedal in NoMa, and allow private investors to take it from here.

Spending money simply because you can has never made for sound fiscal policy. DCFPI urges the council to keep the residential unit cap in place. If the Council wants to put resources toward housing, it should consider ways to build and maintain affordable units, particularly given the cuts to housing programs during the recession, rather than subsidizing more market-rate housing in NoMa.

Finally, the recently instituted Exemptions and Abatements Information Requirements Act highlights the need for increased accountability in providing subsidies to developers. Today's bill also does not require developers seeking property tax subsidies in NoMa to prove that they actually need them or to commit to community benefits such as affordable housing. The Exemptions and Abatements Information Requirements Act, by contrast, requires the CFO to assess the project's finances to determine whether a subsidy is needed. While DCFPI opposes expanding the NoMa residential tax subsidy program, we believe that if it is adopted, it should be amended to require all subsidy applicants to meet the same requirements as in the Exemptions and Abatements Information Requirements Act.

Thank you again, for the opportunity to testify.

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