

A BILL

23-577

IN THE COUNCIL OF DISTRICT OF COLUMBIA

To amend Chapter 10 of Title 47 of the District of Columbia Official Code to provide a real property tax exemption to the properties designated as Lots 824 and 826, Square 2950, to provide recordation and transfer tax exemptions for documents recorded with respect to such properties, to require the developer to spend a certain percentage of its total project budget with certified and small business enterprises, and to require the developer to report that spending to the Department of Small and Local Business Development.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Children's Hospital Research and Innovation Campus Equitable Tax Relief Act of 2020".

Sec. 2. Chapter 10 of Title 47 of the District of Columbia Official Code is amended by adding a new section 47-1099.10 to read as follows:

“§ 47-1099.10. Children's Hospital Research and Innovation Campus tax exemptions.

“(a) Only that portion of real property currently described for assessment and taxation purposes as Square 2950, Lot 808, which is to be subdivided in part into Square 2950, Lots 824 and 826, effective for tax year 2020, and the buildings located thereon (“Property”), owned by Children's National at Walter Reed, LLC, a wholly-owned subsidiary of Children's Hospital, a District of Columbia nonprofit corporation, shall remain exempt from real property taxation to

the extent the Property is validly exempt as of the day before the date any lease is granted to certain business entities known as Building 52/53 NMTC Borrower, LLC, and Building 54 NMTC Borrower, LLC (controlled directly or indirectly by Children’s Hospital), and for the period during which the Property is eligible to receive federal tax benefits, including New Markets Tax Credits under 26 U.S.C. § 45D, Opportunity Zone tax benefits under 26 U.S.C. § 1400Z-1, *et seq.*, or Historic Rehabilitation Tax Credits under 26 U.S.C. § 47; provided, that the Property shall be subject to subsection (c) of this section and §§ 47-1007 and 47-1009. The Property shall be subject to the provisions of §§ 47-1005, 47-1007 and 47-1009 where a sublease or lease is made to another entity (other than the certain business entities referenced in this subsection) that would not qualify for exemption under § 47-1002 if it were both the owner and user of the property.

“(b) Any transfer, assignment, or other disposition of all or any portion of the Property, including an assignment of leasehold interest in the Property or a sublease of the Property, between Children’s National at Walter Reed, LLC, and Children’s Hospital, any business entity controlled directly or indirectly by Children’s Hospital, or a security interest instrument, including a deed of trust, secured by the Property or any interest therein, shall be exempt from the tax imposed by §§ 42-1103 and 47-903.

“(c)(1) The buildings located on the Property, owned by Children’s National at Walter Reed, LLC, or any subsidiary of Children’s Hospital (“Children’s”), shall remain exempt from real property taxation; provided, that for any contract entered into for architectural design

services, construction services, or materials (“services and materials”) needed for the development, remodel, or construction of Phase II of the Children’s National Research & Innovation Campus Children’s submits to the Department of Small and Local Business Development (“Department”) for approval a plan to set and adhere to an annual goal to spend at least 35% of its adjusted budget (“spend goal”) spread out over the remaining term of the federal tax credit with small business enterprises (“SBE”), as defined in section 2302(16) of the Small and Certified Business Enterprise Development and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code § 2-218.02(16)) (“CBE Act”).

(2) The adjusted budget shall consist of costs associated with the services and materials listed in paragraph (1) of this subsection, all construction costs less qualifying expenses, including acquisition and financing related costs, those construction-related costs in areas with no SBE representation, and government fees and permit costs.

(3) If there are insufficient SBEs to fulfill the annual spend goal set forth in paragraph (1) of this subsection, then Children’s may count its spend with qualified and certified business enterprises, as defined in section 2302(1D) of the CBE Act, toward its annual spend goal.

(4) Pursuant to section 2351 of the CBE Act, Children’s may request a waiver in writing to the Director of the Department. The Director may approve the waiver if Children’s reasonably demonstrates that there is insufficient market capacity for the goods or services that

comprise the project and that the lack of capacity leaves Children's commercially incapable of achieving its subcontracting requirements at a project level.

(d)(1) The Department shall certify Children's annual spend numbers and submit certification of that spend to the Office of Tax and Revenue.

(2) If Children's fails to meet its SBE spend goal, it will forfeit its tax exemption for the following tax year.

(3) If Children's exceeds its SBE spend goal for any one year, the excess spend will be attributed to the subsequent year's goal.

Sec. 3. Forgiveness of taxes.

The Council orders that all recordation and transfer taxes, interest, and penalties assessed or assessable with respect to Document Numbers 2019065986, 2019065987, 2019065988, 2019065989, 2019065990, 2019065991, 2019065992, and 2019065993 recorded by the Recorder of Deeds on June 24, 2019, be forgiven and any tax paid thereon be refunded.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 5. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 30-day period of congressional review as

ENGROSSED ORIGINAL

88 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December
89 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of
90 Columbia Register.