

A RESOLUTION

23-397

IN THE COUNCIL OF DISTRICT OF COLUMBIA

April 7, 2020

To declare the existence of an emergency with the respect to the need 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 Square 2950, Lots 824 and 826 and to require that development of the property be in compliance with the Small and Certified Business Enterprise Development and Assistance Act of 2005 and the First Source Employment Agreement Act of 1984.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the “Children’s Hospital Research and Innovation Campus Phase I Emergency Declaration Resolution of 2020”.

Sec. 2(a) In 2016, Children’s National Medical Center (“Children’s Hospital”) received approximately 11.85 acres of land and buildings from the Department of the Army through an act of Congress. The property was conveyed with a restriction in the deed limiting its use to public health purposes, including research, with the requirement that the property be owned by Children’s Hospital, an affiliate of Children’s Hospital, or another tax-exempt organization.

(b) Children’s Hospital plans to develop Square 2950, lots 824 and 826 (“Property”) in multiple phases over several years, as the Children’s National Research & Innovation Campus (“CNRIC”). CNRIC will pursue opportunities in pediatric genomic and precision medicine, anchored by partners including JLABS, Virginia Tech, and its Center for Genetic Medicine Research, Rare Disease Institute and molecular clinical lab. Children’s Hospital, a nonprofit children’s hospital, formed Children’s National at Walter Reed, LLC (“CNWR”), which is a wholly-owned subsidiary of Children’s Hospital.

(c) The Property is located in a census tract that makes it eligible for federal New Markets Tax Credits (“NMTC”) and Opportunity Zone financing, and certain buildings on the Property are eligible for federal historic tax credits.

(d) To secure the federal tax credit financing, CNWR entered into a ground lease with Building 52/53 LLC for Square 2950, Lot 824 and Building 54 LLC for Square 2950, Lot 826.

ENROLLED ORIGINAL

(e) Pursuant to federal tax credit requirements and in anticipation of federal tax credit financing, Children’s Hospital formed 2 additional limited liability companies, one for each parcel in Phase 1, Building 52/53 NMTC Borrower LLC (“Building 52/53 LLC”) and Building 54 NMTC Borrower LLC (“Building 54 LLC”). CNWR is the managing entity and is the 90% owner of both Building 52/53 LLC and Building 54 LLC. The tax credit investors would own the remaining 10%.

(f) If the proposed leases to Building 52/53 LLC and Building 54 LLC result in the Property being subject to real property taxes, CNWR would be liable for real property taxes annually for the duration of the ground leases. Children’s Hospital has stated that it created the additional entities to take advantage of the federal tax credit financing.

(g) On July 9, 2019, Council enacted the Children's Hospital Research and Innovation Campus Phase 1 Temporary Amendment Act of 2019, effective September 11, 2019 (D.C. Law 23-21; 66 DCR 9726) (“Bill 23-330”), which provided a real property exemption on the Properties. Bill 23-330 will expire on April 23, 2020.

(h) On December 11, 2019, the Children's Hospital Research and Innovation Campus Equitable Tax Relief Act of 2019 (“Bill 23-577”) was introduced by Councilmember Brandon Todd in the Office of the Secretary and was referred to the Committee on Business and Economic Development on December 17, 2019.

(i) The Committee on Business and Economic Development held a public hearing on Bill 23-577 on March 10, 2020, but it has not yet completed the legislative process and will not be law by April 23, 2020.

(j) For Children’s Hospital to leverage the federal tax credit financing options available to complete the development of its research and innovation campus, the Property needs to retain its current tax exemption.

(k) It is vital that the provisions of B23-330 remain law until Bill 23-577 becomes law.

Sec. 3. The Council of the District of Columbia determines that the circumstances enumerated in section 2 constitute emergency circumstances making it necessary that the Children’s Hospital Research and Innovation Campus Phase I Emergency Amendment Act of 2020 be adopted after a single reading.

Sec. 4. This resolution shall take effect immediately.