

A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To declare the existence of an emergency with respect to exempting parcels comprising the Children’s National Research and Innovation Campus from real estate taxes by the District of Columbia.

RESOLVED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, that this

resolution may be cited as the "Children’s National Research and Innovation Campus Phase 1 Emergency Declaration Resolution of 2019".

Sec. 2(a) In November 2016, Children’s National at Walter Reed, LLC (“CNWR”) received approximately 11.85 acres of land and buildings (“property”) from the Department of the Army through an act of Congress. The land required significant environmental remediation, and in order to insulate Children’s Hospital, a non-profit children’s hospital, from potential liability, CNWR was formed. CNWR is a wholly owned subsidiary of Children’s Hospital that has been designated by the Office of Tax and Revenue of the District of Columbia as a tax-exempt entity for purposes of real property taxes.

(b) The property was conveyed by the Department of the Army to CNWR with a restriction in the deed limiting the property’s use to public health purposes including research with a requirement that the property be owned by Children’s Hospital, an affiliate of Children’s Hospital, or another tax-exempt organization.

1 (c) Children’s Hospital plans to develop the property in multiple phases over several years,  
2 the first phase (“Phase 1”) of which will include a world-class pediatric research and innovation  
3 facility and an outpatient pediatric health center, both to be operated by Children’s Hospital.

4 (d) The property is located in a census tract that makes it eligible for federal New Markets  
5 Tax Credits (“NMTC”) and Opportunity Zone financing, and certain buildings on the Property are  
6 eligible for federal Historic Tax Credits (“HTC”).

7 (f) In order to leverage all financing options and ensure completion of the world-class  
8 pediatric research and innovation campus, the Property needs to be declared exempt from real  
9 property taxes immediately.

10 (g) Pursuant to federal tax credit requirements and in anticipation of HTC and NMTC  
11 financing, Children’s Hospital formed two additional limited liability companies, one for each parcel  
12 in Phase 1, Building 52/53 NMTC Borrower LLC (“Building 52/53 LLC”) and Building 54 NMTC  
13 Borrower LLC (“Building 54 LLC”). Children’s Hospital is the managing entity and would be the  
14 90% owner of both LLCs. The tax credit investors would own the remaining 10%.

15 (h) If Children’s Hospital proceeds with the HTC and NMTC financing for Phase 1, CNWR  
16 will enter into a 99-year ground lease with Building 52/53 LLC for Square 2950 Lot 824 and  
17 Building 54 LLC for Square 2950 Lot 826, but the Phase 1 property would ultimately be leased to  
18 and used by Children’s Hospital on substantially the same terms that would apply without the HTC  
19 and NMTC financing. If the proposed leases to Building 52/53 LLC and Building 54 LLC result in  
20 the Property being subject to real property taxes, CNWR would be liable for approximately \$2  
21 million dollars in real property taxes annually for the duration of the ground leases. The sole reason  
22 for creating the additional entities is to take advantage of the HTC and NMTC financing, which will  
23 result in a net economic benefit to Children’s Hospital of approximately \$21 million. The HTC and  
24 NMTC compliance periods end in approximately seven years, at which time the ground leases may

1 be terminated.

2 (i) An emergency exists, because the window of time to close on the HTC and NMTC  
3 financing is June 30, 2019. Without the economic benefit from these federal tax credits, Children's  
4 Hospital will not be able to finance Phase 1 or the foreseeable project as planned.

5 Sec. 3. The Council of the District of Columbia determines that the circumstances  
6 enumerated in section 1 hereof constitute emergency circumstances making it necessary that the  
7 "Children's National Research and Innovation Campus Phase 1 Tax-Exempt Emergency Act of  
8 2019" be adopted after a single reading.

9 Sec. 4. This resolution shall take effect immediately.