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OFFICE OF THE
SECRETARY

VINCENT C. GRAY
MAYOR

OCT 24 2014

The Honorable Phil Mendelson
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Dear Chairman Mendelson:

Enclosed for consideration and approval by the Council is the "High-Tech Modernization of Commercial Interiors Act of 2014". The proposed bill amends the Qualified High Technology Company (QHTC) program to allow QHTCs to utilize the real property tax abatements when they make tenant improvements and modernize existing vacant buildings.

Put simply, the District's existing building supply is too expensive and inefficient for start-up ecosystem to grow and stay within the District despite the tremendous vacancy rate. The proposed legislation will encourage QHTC tenants to retrofit and modernize traditional office space into open and collaborative spaces. By eliminating the fifty percent (50%) QHTC inhabitant requirement in the building, QHTCs will be able to take advantage of retrofitting abatements at an affordable price, while helping to lower vacancy rates across the city.

This is an opportunity to both locate QHTCs in the District and revitalize our aging Class A building stock in West End, Georgetown, Uptown, Riverfront, Southwest, NOMA, Capitol Hill and our tech corridor in the Commercial Business District and East End. Landlords are offering historically high concessions and tenant improvements that create a favorable market for attracting new tech tenants to these legacy buildings. However, the cost to retrofit is still exceedingly high for many tech companies unless existing benefits are tailored to meet the needs of QHTCs.

The proposed legislation will assist in upgrading the District's aging buildings and help to meet the office space demands of dynamic high-tech start-ups. Additionally, it will assist with attraction of high-tech companies that want to relocate into the District and will encourage long term leases with mature tech tenants looking to take advantage of the growing knowledge worker community clustering in the District.

As always, I am available to discuss any questions you may have regarding this legislation. I look forward to prompt and favorable consideration of this legislation.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray".
Vincent C. Gray



Chairman Phil Mendelson
at the request of the Mayor

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7 AN ACT
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11 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
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15 To amend section 47-811.03 of the District of Columbia Official Code to modify the definitions
16 of “eligible building” and “tenant”, to add definitions of “lease commencement” and
17 “tenant improvements”, and to allow real property tax abatement for Qualified High
18 Technology Companies to include a portion the cost of tenant improvements.
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20 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
21 act may be cited as the “High Tech Modernization of Commercial Interiors Act of 2014”.

22 Sec. 2. Section 47-811.03 of the District of Columbia Official Code is amended as
23 follows:

24 (a) Subsection 47-811.03(a) is amended as follows:

25 (1) Paragraph (4) is amended to read as follows:

26 “(4) “Eligible Building” means a non-residential or mixed-use building.”.

27 (2) A new paragraph (6A) is added to read as follows:

28 “(6A) “Lease commencement” means the date on which the tenant takes
29 possession of the space or the occupancy date agreed to in the lease between the landlord and the
30 Qualified High Technology Company.”.

31 (3) Paragraph (9) is amended by striking the period at the end of the first sentence
32 and inserting the phrase “or will occupy and use eligible premises on or after the lease
33 commencement date.” in its place.

1 (4) A new paragraph (10) is added to read as follows:

2 “(10) “Tenant improvements” shall have the same meaning as “qualified
3 leasehold improvement property” as defined in 26 U.S.C. § 168(k)(3).

4 (b) Section 47-811.03(b)(2) is amended by inserting the following sentences at the end:

5 Alternatively, the tenant may take 50% of the value of their total tenant improvements as a tax
6 abatement over 5 years. The total value of the tax abatement shall be calculated by adding the
7 amount provided as a concession allowance or amortized loan to the tenant specifically for tenant
8 improvements to the amount of tenant improvements funded by the tenant directly. The
9 maximum amount of the abatement allowed under either paragraph (1) or (2) of this subsection
10 shall be \$1 million per year or \$5 million over 5 years.”..

11 Sec. 3. Fiscal Impact Statement

12 The Council adopts the fiscal impact statement of the Chief Financial Officer, as the
13 fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule
14 Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

15 Sec. 4. Effective Date.

16 This act shall take effect following approval by the Mayor (or in the event of veto by the
17 Mayor, action by the Council to override the veto), a 30-day period of Congressional review as
18 provided in section 602 (c)(1) of the District of Columbia Home Rule Act, approved December
19 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02 (c)(1)), and publication in the District of
20 Columbia Register.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL



Legal Counsel Division



MEMORANDUM

TO: Lolita S. Alston
Director
Office of Legislative Support

FROM: Janet M. Robins
Deputy Attorney General
Legal Counsel Division

DATE: October 20, 2014

SUBJECT: Certification of Legal Sufficiency of Draft Bill, the "High Tech Modification of Commercial Interiors Act of 2014"
(AE-14-645)

This is to Certify that this Office has reviewed the above-referenced draft bill and has found it to be legally sufficient. If you have any questions regarding this certification, please do not hesitate to contact me at 724-5524.


Janet M. Robins