

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** July 10, 2001

**SUBJECT:** Fiscal Impact Statement: "Mechanic's Lien Amendment Act of 2001"

**REFERENCE:** Bill Number 14-248 as Introduced

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**Conclusion**

Funds are sufficient in the FY 2002 through FY 2005 budget and financial plan because no additional staff or resources will be required to implement the proposed legislation. The proposed legislation will have no impact on local General Fund revenue.

**Background**

The Recorder of Deeds is currently obligated to accept for recording any Mechanic's Lien that is proffered. Furthermore, the current statute is ambiguous as to any rights the property owner may have to defend or obtain a release of a Mechanic's Lien.

In September of 2000 the Recorder of Deeds promulgated regulations that required claimants to provide proof of licensing to do business in the District of Columbia, as well as a copy of the subject contract prior to filing a Mechanic's Lien. There are three ways to release a Mechanic's Lien:

1. Pay the claimant;
2. Litigate the issues in the Superior Court; or
3. Obtain a surety bond.

Since a deliberately frivolous filing may create a hardship for the property owner, the proposed legislation is intended to create a protection for District residents without abrogating a contracting entity's right to file a Mechanic's Lien.

The proposed legislation requires the filing of a Mechanic's Lien in the Office of Land Records within 6 months after filing a notice of intention to hold a lien or from the date of a contractor/subcontractor's completion of goods delivery and services. The proposed legislation requires that the following accompany the filing:

1. A copy of the contract;
2. A copy of a valid residential home improvement contractors license; or
3. A certificate of good standing to do business in the District of Columbia.

Additionally, the proposed legislation requires that the Notice of Intention to Hold must indicate:

1. Name and address of the contractor;
2. Name and address of the owner;
3. Nature or kind of work done or the kind and amount of material furnished, the name of the party against whose interest a lien is claimed and the amount claimed, less any credit; and
4. A description of the property being charged.

The proposed legislation requires that if a Mechanic's Lien is not released within a period of two years from the date of recording it shall be deemed to have been paid and satisfied. No action on the part of the owner or any other person having interest in the subject real property will be required.

### **Financial Plan Impact**

From January to June of 2001 the Recorder of Deeds has received approximately 229 Mechanic's Liens for recording. The filing fee is \$20.00 for the first two pages and \$5.00 each additional page. The purpose of the proposed legislation is to statutorily minimize the unconscionable and frivolous filings of Mechanic's Liens, while reducing the burden to release such liens. The proposed legislation does not have an impact on the stream of revenue generated by lien filing fees. Funds are sufficient in the FY 2002 through FY 2005 budget and financial plan to implement the proposed legislation. No additional staff or resources will be required.