

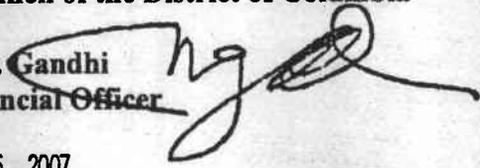
**Government of the District of Columbia  
Office of the Chief Financial Officer**



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chair, Council of the District of Columbia

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

**DATE:** NOV 16 2007

**SUBJECT:** Fiscal Impact Statement (Revised): "Nuisance Properties  
Abatement Reform and Real Property Classification  
Amendment Act of 2007"

**REFERENCE:** Bill Number 17-086 Committee Print

CHAIRMAN GRAY  
2007 NOV 19 PM 11:23

**Conclusion**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation. It is estimated that implementation of the proposed legislation would result in a net revenue increase of \$6.4 million in FY 2008 and a total net revenue increase of \$28.8 million over the FY 2008 to FY 2011 period.

**Background**

The proposed legislation would make permanent the Nuisance Properties Abatement Reform and Real Property Classification Emergency Amendment Act of 2006 (D.C. Act 16-586). In addition, amendments made to the proposed legislation during mark-up at the September 25, 2007 meeting of the Committee on Public Services and Consumer Affairs would raise the Class 3 rate from \$5 per \$100 of assessed value to \$10 per \$100 of assessed value. The proposed legislation would permanently amend the law to change the processes surrounding vacant property and Class 3 Property tax classification.

The proposed legislation would permanently:

- consolidate some of the overlapping responsibilities of the Office of Tax and Revenue (OTR) and the D.C. Department of Consumer and Regulatory Affairs (DCRA) so that DCRA is the sole agency that decides whether an improved property is vacant and therefore is to be taxed as Class 3 Property;
- consolidate and reduce the overall number of vacancy criteria for improved property under the jurisdiction of DCRA;
- authorize the Board of Real Property Assessment and Appeals (BRPAA) to hear appeals from a notice of final determination of vacancy in lieu of the Office of Administrative Hearings (OAH);
- reduce the overall number of exemptions from the registration of vacant buildings;
- restrict the cumulative time period for Class 3 property tax exceptions to three (3) years, with the exception of property owned by the US Government or a foreign government;
- provide penalties for filing false or misleading vacant property registration information by an owner; and
- increase the rate of tax on Class 3 properties to \$10 per \$100 of assessed value.

#### **Financial Plan Impact**

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the provisions of the proposed legislation.

It is estimated that the proposed legislation would result in a net revenue increase of \$6.4 million in FY 2008 and \$28.798 million over the period from FY 2008 through FY 2011.

Estimates for an increase in revenues due to the tax rate increase on Class 3 properties were derived by analyzing a time series of property tax data from the Office of Tax and Revenue (OTR) over the period FY 2003 through FY 2007. A significant decrease in the number of Class 3 properties during FY 2007 (the first year for which the Nuisance Properties Abatement Reform and Real Property Classification Emergency Amendment Act of 2006 was in effect), as well as a steadily decreasing value of assessed tax liability on Class 3 properties over the entire period were important considerations in determining the revenue projections.

DCRA would require an additional attorney to address the anticipated increase in appeals that the agency would face with a higher Class 3 rate. It is estimated that the cost of hiring an appeals attorney, including benefits and non-personnel service costs, would be approximately \$103,000 in FY 2008 and a total of \$429,000 over the FY 2008 to FY 2011 period.

Over time, the District may enjoy additional, but unquantifiable, increases in revenues as DCRA builds a more efficient program for administering the Class 3 program for vacant improved properties. Finally, there would most likely be additional, but unquantifiable, costs for additional hearings to be held by BRPAA.

Estimated Revenue Impact to the Financial Plan					
(in Millions)					
	FY 2008	FY 2009	FY 2010	FY 2011	4 Year Total
New DCRA Appeals Attorney <sup>1</sup>	(\$ .103)	(\$ .105)	(\$ .109)	(\$ .112)	(\$ .429)
Revenue Increase <sup>2</sup>	\$6.503	\$7.966	\$7.568	\$7.190	\$29.227
<b>Net Impact</b>	<b>\$6.400</b>	<b>\$7.861</b>	<b>\$7.459</b>	<b>\$7.078</b>	<b>\$28.798</b>

<sup>1</sup> Assumes a salary of Grade 14, Step 1 with benefits and non-personnel service costs, and assumes a 3.5% cost of living adjustment.

<sup>2</sup> Based on an analysis of current and historical OTR data.