

**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: DEC -4 2007

SUBJECT: Fiscal Impact Statement: "Housing Accommodation Owner
Conversion Compliance Act of 2007"

REFERENCE: No Bill Number Available

Conclusion

Funds are sufficient in the Mayor's proposed FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. While the proposed legislation may require a slight increase in the number of housing inspections by Department of Consumer and Regulatory Affairs (DCRA) inspectors, there is no increase in cost anticipated for the Department.

Background

The proposed legislation would amend D.C. Official Code § 42-3402 to require an owner of a housing accommodation to remedy any substantial housing code violation prior to receiving a certificate of eligibility to convert a housing accommodation into a condominium or cooperative from the Department of Housing and Community Development.

Under current law, an owner who wishes to convert a property to condominium or cooperative must obtain tenants' permission to convert, and pay a 5% conversion fee to the District of Columbia based on the sale of each unit or cooperative share at the time of settlement. However, should the property be vacant at the time of application to convert, the owner is exempted from holding a tenant election or paying conversion fees.

Therefore, there is an economic incentive to drive tenants from a housing accommodation before the owner begins the conversion process. Some owners do so by foregoing property maintenance and forcing tenants to live in uninhabitable conditions until they vacate the property.

The objective of the proposed legislation is to discourage this practice by preventing property owners with substantial housing code violations from converting the use of residential rental housing into condominiums or cooperatives.

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation. It is estimated that the proposed legislation would have no fiscal impact. The number of housing accommodation conversions in the District of Columbia ranges from 30 to 50 annually, and enforcement of the proposed legislation may have a slight impact on the number of inspections required for those properties applying for conversions; however, no increase in costs to DCRA is anticipated as a result.