

**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
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: February 2, 2010

SUBJECT: Fiscal Impact Statement – “Real Property Tax Reform Emergency Amendment Act of 2010”

REFERENCE: Bill Number 18-633 – As Introduced

Conclusion

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation. The proposed legislation provides legal definitions and technical amendments, and does not have an impact on the District’s budget and financial plan.

Background

The proposed legislation would amend, on an emergency basis¹, D.C. Official Code § 42-3131.01 *et seq.*,² to provide a definition of blighted vacant buildings, and accordingly the notice of vacancy designation and right to appeal. It would also amend § 47-813 of the D.C. Official Code (Taxation, Licensing, Permits, Assessments, and Fees - Classes of Property) to define Classes 1, 2 and 3 Properties in order to tax vacant but not blighted residential property as Class 1 Property, to tax vacant land based on the classification applicable to its zoning, and to tax blighted vacant property as Class 3 Property.

¹ The Real Property Tax Reform Emergency Declaration Resolution of 2010. On September 22, 2009, the Council approved an amendment to the 2010 Budget Support Act of 2009 that established a Class 3 property tax rate for blighted properties, instead of vacant properties.

² An Act to Provide for the Abatement of Nuisances in the District of Columbia by the Commissioners of Said District, and for other purposes, approved April 14, 1906 (34 Stat. 114)

Specifically, the proposed legislation would:

- Define blighted vacant building as “a vacant building that is determined by the Mayor³ to be unsafe, insanitary, or which is otherwise determined to threaten the health, safety, or general welfare of the community;⁴”
- When determining if a building is vacant, amend the condition “Electrical, gas, or water meter not running” as “Electrical, gas, or water meter either not running or showing low usage⁵.”
- Require the Mayor to identify nonregistered vacant buildings (excluding vacant buildings identified in D.C. Official Code § 42-3131) and blighted vacant buildings in the District, and to notify the owner that the owner’s building has been designated as vacant or as vacant and blighted and of the owner’s right to appeal;
- Include “the designation of a vacant building as blighted” condition within administrative review and appeal section of the D.C. Official Code⁶ so that within 15 days after the designation of a vacant building as blighted, the owner may petition the Mayor for reconsideration;
- Clarify D.C. Official Code § 42-3131.16 (Abatement of Nuisance Property- Registration of Vacant Buildings - Transmission of list by Mayor) to define the list of buildings that the Mayor is required to transmit semiannually to the Office of Tax and Revenue as “a list of buildings designated by the Mayor as blighted vacant buildings for which a notice of final determination has been issued under this title and administrative appeals have been exhausted or expired;”
- Define Classes 1, 2 and 3 Properties as follows in order to tax vacant but not blighted residential property as Class 1 Property, to tax vacant land based on the classification applicable to its zoning, and to tax blighted vacant property as Class 3 Property:
 - Class 1 Property would be comprised of residential real property that is improved and its legal use (or in the absence of use its highest and best permitted legal use) is for non-transient residential dwelling purposes⁷; unimproved real property located within a zone designated as residential would be classified as Class 1 Property⁸; unimproved real property which is separated from Class 1 Property by a public alley less than 30 feet wide would be classified as Class 1 Property if: (i) The real property is less than 1,000 square feet, (ii) The zoning regulations do not allow the building of any structure on the real property as a matter of right, and

³ When determining a blighted vacant building, the Mayor would be required consider the following: (i) whether the vacant building is the subject of a condemnation proceeding before the Board of Condemnation and Insanitary Buildings; or (ii) whether the structure is boarded up; and (iii) failure to comply with the following vacant building maintenance standards: (1) Doors, windows, areaways, and other openings are weather-tight and secured against entry by birds, vermin, and trespassers, and missing or broken doors, windows, and other openings are covered. (2) The exterior walls are free of holes, breaks, graffiti, and loose or rotting materials, and exposed metal and wood surfaces are protected from the elements and against decay or rust by periodic application of weather-coating materials, such as paint; or (3) All balconies, porches, canopies, marquees, signs, metal awnings, stairways, accessory and appurtenant structures, and similar features are safe and sound, and exposed metal and wood surfaces are protected from the elements by application of weather-coating materials, such as paint.

⁴ By renumbering Paragraph (1) of the D.C. Official Code § 42-3131.05 as (1A) and adding a new Paragraph (1).

⁵ By amending D.C. Official Code § 42-3131.05(5)(A)

⁶ By amending D.C. Official Code § 42-3131.15(a)

⁷ By amending D.C. Official Code § 47-813(c-8)(2)(A)

⁸ By amending D.C. Official Code § 47-813(c-8)(2)(B)

- (iii) The real property and the Class 1 Property separated by the alley from the real property have common ownership⁹;"
 - Class 2 Property would be comprised of all real property which is not Class 1 Property or Class 3 Property¹⁰;"
 - Class 3 Property would be comprised of all improved real property that appears on the list compiled under D.C. Official Code § 42-3131.16 (blighted vacant buildings for which a notice of final determination has been issued and administrative appeals have been exhausted or expired)¹¹. The Office of Tax and Revenue would be allowed to request the Mayor to inspect the improved real property to determine whether the property is correctly included on the list compiled under D.C. Official Code § 42-3131.16;" and
 - To clarify the new definition of property classifications, particularly regarding Class 3 Property, D.C. Official Code § 47-813(d-1) paragraphs (3A) and (5)(A) would be repealed, paragraphs (4A), (5)(A-i)(i), (5)(A-i)(ii), and (5)(B) would be amended; and
- Require that the proposed legislation to apply to periods beginning after September 30, 2009.

Financial Plan Impact

Funds are sufficient in the FY 2010 through FY 2013 budget and financial plan to implement the proposed legislation.

The proposed legislation provides technical amendments to Real Property Tax Reform Classification Emergency Amendment Act of 2009, approved as a part of FY 2010 Budget Support Act of 2009.¹² The proposed legislation clarifies that all vacant unimproved and vacant, improved and unoccupied property will return to their native class (Class 1 for residential and Class 2 for commercial). Office of Tax and Revenue is scheduled to mail the semiannual property tax bills within the next several days. Without emergency legislation clarifying these ambiguities, real property tax collection may be interrupted.

Additionally, the FY 2010 through FY 2013 budget and financial plan includes \$200,000 annually in revenues from Class 3 properties, which comprise blighted properties in the District. The amended description of "blighted" properties proposed by the legislation would not change the estimated revenues from this class of properties.

⁹ By amending D.C. Official Code § 47-813(c-8)(2)(E)

¹⁰ By amending D.C. Official Code § 47-813(c-8)(3)

¹¹ By amending D.C. Official Code § 47-813(c-8)(4)

¹² D.C. Act 18-0255, enacted on December 18, 2009.