

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



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. DeWitt
Chief Financial Officer

DATE: December 4, 2018

SUBJECT: Fiscal Impact Statement – DCRA Omnibus Act of 2018

REFERENCE: Bill 22-317, Committee Print provided to the Office of Revenue
Analysis on November 30, 2018

Conclusion

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will cost \$2.4 million in fiscal year 2019 and \$27 million over the four-year budget and financial plan.

Background

The bill adds several new statutory requirements to the Department of Consumer and Regulatory Affairs (DCRA) processes for inspections, enforcement, appeals and corporate registration.

Current law provides no specific timeline in which property owners must abate rental housing found in violation of code by DCRA. DCRA estimates it re-inspects properties that have been issued a Notice of Violation (“NOV”) within 60 days. The bill requires property owners to abate NOV conditions within 30 days. The deadline may be extended an additional 30 days if the property owner makes a good faith effort to abate the violation and provides proof of active construction.

Currently DCRA issues two major types of notifications to property owners – the Notice of Violation and the Notice of Infraction. The bill creates a new notification requirement: the Notice of Abatement. If a cited infraction is successfully abated, DCRA must issue a Notice of Abatement to the property owner. The notice will certify that the property owner has successfully fixed the violation and taken reasonable steps to ensure that the infraction does not reoccur.

If a violation is not abated within six months of the original notice, the bill makes any Class 2, 3 and 4 housing violation a Class 1 violation. It requires inspectors to notify the Office of the Attorney General of any violations that have not been abated within six months.

Beginning January 1, 2020, the bill requires any business filings made with DCRA to include information about company ownership and control. Specifically, businesses must provide to DCRA the names and addresses of any person or company owning more than ten percent of that company, or any person with the ability to direct the day-to-day operations of the company. Currently, there is no requirement for a corporation to provide detailed ownership and control information to DCRA.

The bill also sets timelines for appeal hearings with the Office of Administrative Hearings. The bill gives housing providers 10 days from receipt of a notice of infraction or violation of a housing code to request a hearing before the Office of Administrative Hearings. Hearings must be scheduled within 30 days of a request. If a rescheduling is authorized, it cannot be for more than 30 days beyond the originally scheduled date.

The bill clarifies when DCRA may consider a building **not** blighted. The bill allows for a building to avoid the blighted designation if the building is safe and sanitary, complies with maintenance standards, and is weather tight and secured by boards. The owner must certify that boarded openings such as windows and doors will be replaced when the structure is renovated.

The bill requires the Mayor to cause notice of vacant or blighted status by posting a notice on the vacant or blighted building. The posting cannot be done with difficult to remove adhesive, unless the Mayor has confirmed the building is not entitled to an exemption¹. Additionally, the official notice must be sent via mail to the owner. A copy of the notice must be sent to the Advisory Neighborhood Commission where the structure is located and posted on a publicly accessible website.

The bill requires the Real Property Tax Appeals Board to send notice (electronically) to the relevant ANC when a property owner appeals a vacant building status and a hearing is scheduled.

The bill requires agents of the District to report any violations of specific regulations to the Office of the Attorney General (OAG) and either issue a notice of violation for infraction or assesses a fine for the presence of the violation. DCRA must report annually on the number of notifications provided to OAG.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The bill will cost \$2.4 million in fiscal year 2019 and \$27 million over the four-year budget and financial plan. The Department of Consumer and Regulatory Affairs (DCRA) will require additional staff in several disciplines to increase the level of enforcement and inspection required by the bill. The personnel are in the areas of housing inspection and administration, legal, corporate registrations, civil infractions and information technology.

Requiring owners to abate violations within 30 days effectively means DCRA will need to reduce its reinspection process timeframe by half for these properties, doubling the amount of inspection resources required. DCRA indicates that the bill's requirement that abatements are performed

¹ Per exemptions to registration as a vacant building in D.C. official Code § 42-3131.06. Among the possible exemptions are federal government properties and properties that are under active construction.

within six months, as well as the mandated reporting to the Office of the Attorney General will require additional re-inspections, will further increase inspection workload. Lastly, DCRA anticipates that the creation of the Notice of Abatement will increase demand for such notices, increasing inspector workload. With each new inspector, administrative resources are required because inspectors are in the field for much of their time.

The bill's requirement for corporations to report details on corporate ownership that is not currently collected will require updates to information technology systems for corporate filings, and staff to manage this new process.

New staff will require computers and equipment, and some will also require vehicles to perform their duties.

Fiscal Impact of Bill 22-317 DCRA Omnibus Act of 2018 Fiscal Year 2019 – Fiscal Year 2022 (\$ thousands)					
	FY 2019^(a)	FY 2020	FY 2021	FY 2022	Total
Inspections and enforcement personnel (approx. 50 FTEs)	\$1,053	\$4,213	\$4,297	\$4,383	\$13,947
Enforcement administrative staff, other administrative and information technology staffing (approx. 28 FTEs)	\$580	\$2,319	\$2,366	\$2,413	\$7,678
Attorneys and corporations filing staff (approx. 9 FTEs)	\$211	\$843	\$860	\$877	\$2,791
Information Technology Buildout Equipment, & Maintenance	\$144	\$431	\$0	\$0	\$574
Vehicles, Insurance, Parking	\$353	\$1,058	\$0	\$0	\$1,410
Computers and equipment	\$109	\$326	\$0	\$0	\$435
TOTAL	\$2,449	\$9,190	\$7,523	\$7,674	\$26,835

^(a) Assumes only 25 percent of total costs will be required in fiscal year 2019 due to the time it takes for the bill to become law and for hiring to occur.