

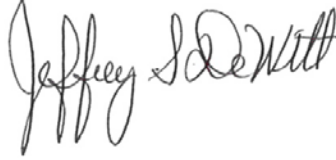
Government of the District of Columbia  
Office of the Chief Financial Officer



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 20, 2019

**SUBJECT:** Fiscal Impact Statement – Housing Conversion and Eviction  
Clarification Amendment Act of 2019

**REFERENCE:** Bill 23-48, Draft Committee Print as provided to the Office of Revenue  
Analysis on December 19, 2019

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**Conclusion**

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the bill. The bill will cost \$20,300 in fiscal year 2020 and a total of \$51,500 over the four-year financial plan. Sections 2(b) and 3 of the bill will apply upon the date of inclusion of the fiscal effect in an approved budget and financial plan. There is no cost to the other sections of the bill.

**Background**

Section 2(a) - Damages Due to Tenants for Certain Cases of Eviction

Currently a landlord may evict a tenant in order to occupy or sell the unit.<sup>1</sup> The bill requires<sup>2</sup> a landlord or subsequent purchaser to pay damages to a tenant evicted for these reasons if the landlord or subsequent purchaser does not occupy the unit personally (including by re-renting it to a new tenant) after the unit was originally repossessed. The damages include relocation costs and a payment based on additional rent the tenant paid (up to the small area fair market rent<sup>3</sup>), for any months the unit remained unoccupied or was re-rented within a 12-month period of the eviction.

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<sup>1</sup> See D.C. Official Code §§ 42-3505.01(d)(e).

<sup>2</sup> By amending Section 501 of the Rental Housing Act of 1985, effective July 17, 1985 (D.C. Law 6-10, D.C. Official Code § 42-3501.01 *et seq.*).

<sup>3</sup> As published by the U.S. Department of Housing and Urban Development

The Honorable Phil Mendelson

FIS: Bill 23-48, "Housing Conversion and Eviction Clarification Amendment Act of 2019," Committee Print provided to the Office of Revenue Analysis on December 19, 2019

### Sections 2(b) and 3 – Fee for Reduction of Units and Conversion Fees

The bill establishes a 5% fee if there is a reduction in units in a rental building or condo or co-op conversion when such building contains 10 or fewer units. The fee also applies if the buildings are vacant at the time of reduction. The 5% fee will be equal to the appraised value of the most valuable unit in the building multiplied by the net decrease in units. For calculation of the fee, the net decrease in units shall exclude units which are rented to a low-income household, units occupied by a District resident who has lived in the building for at least one year, and units rented to an elderly tenant or tenant with a disability, provided their annual income does not exceed 100% of the area median income. Such units factored into the net decrease calculation have additional restrictions on the amount of rent that may be charged. The rents may not exceed the lower of 30% of the tenant's income or the prior rent, and rent increases are subject to the maximums allowed under section 208 of the Rental Housing Act.

The fee will be deposited into the Housing Production Trust Fund.

Currently, the Department of Housing and Community Development (DHCD) collects a fee of 5% of the sales price for each unit when rental housing is converted into a condo or co-op. A unit is exempt from the fee if it is sold to a low-income household. The bill expands these exemptions to include converted units rented to low-income households. The rents may not exceed the lower of 30% of the tenant's income or the prior rent, and rent increases are subject to the maximums allowed under section 208 of the Rental Housing Act.

### Section 4 - Redirection of some Condo and Co-op Conversion Fees

The bill amends the Housing Production Trust Fund Act of 1988 to direct a certain portion of the 5% fees collected when rental housing is converted into a condo or co-op. Currently, such fees are deposited into the Local Funds. The bill would direct any fee revenue above \$692,000 annually into the Housing Production Trust Fund.

### **Financial Plan Impact**

Funds are not sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement Section 2b and Section 3 of the bill. These sections will apply upon the date of inclusion of fiscal effect in an approved budget and financial plan. These sections will cost \$20,300 in fiscal year 2020 and a total of \$51,500 over the four-year financial plan.

The Department of Consumer and Regulatory Affairs (DCRA) can charge the new fee when a 10-unit or smaller building applies for a building permit that reduces the number of units in the building. DCRA will need to spend an estimated \$10,300 on information technology changes to charge and collect the fee. For any building owners applying for an exemption from the fee or a fee deduction for qualified units, DHCD will need to verify the income of the tenants in the exempted units and the terms of their leases. DHCD requires an estimated \$10,000 annually in contract services to have these income and lease verifications processed.

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<b>Bill 23-48, Housing Conversion and Eviction Clarification Amendment Act of 2019</b>					
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Total</b>
DHCD costs	\$10,000	\$10,200	\$10,400	\$10,600	\$41,200
DCRA costs	\$10,300	\$0	\$0	\$0	\$10,300
Total	\$20,300	\$10,200	\$10,400	\$10,600	\$51,500

There is no impact to the District government associated with the bill's Section 2a, which specifies landlord liability for damages when repossessing units and failing to occupy them. Section 4 of the bill also does not have a cost. This section of the bill redirects a portion of the fees due when rental housing is converted to condominiums or cooperative housing, in any amount exceeding \$692,000 annually. The District's current revenue estimates for the fiscal year 2020 budget and the fiscal year 2020 through fiscal year 2023 financial plan include in Local Funds \$692,000 annually from these fees. Under the bill, any amounts exceeding the revenue forecast will be dedicated to the Housing Production Trust Fund.