

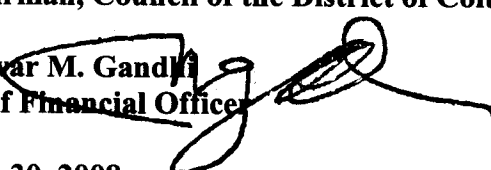
**Government of the District of Columbia
Office of the Chief Financial Officer**



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: June 30, 2008

SUBJECT: Fiscal Impact Statement: "Abatement of Nuisance Properties and
Tenant Receivership Emergency Amendment Act of 2008"

REFERENCE: Draft: No Bill Number Available

Conclusion

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The proposed legislation is not anticipated to have a fiscal effect on the District's budget and financial plan.

Background

The proposed legislation would, on an emergency basis, amend the D.C. Official Code to allow the Mayor greater authority to abate nuisance properties in the District of Columbia. Specifically, the proposed legislation would:

1. Amend D.C. Official Code § 42-3131.01 *et seq.* to include construction code and property maintenance code violations as bases for summary correction of life- or health-threatening conditions; and to revise the service of process rules in some cases.
2. Amend D.C. Official Code § 42-3403.02 to revise the maximum relocation expense amount an owner shall pay a tenant who does not participate in the conversion transaction to \$1,000.
3. Amend D.C. Official Code § 42-3403.07 to allow expenditures from the Housing Assistance Fund ("Fund") for relocation payments, including for 2 months of storage, security deposit, first month's rent, actual moving expenses or other incidental items as approved by the

Office of the Tenant Advocate, and establishes eligibility requirements for recipients. Current law allows expenditures from the Fund for relocation payments of up to \$500 and limited *housing assistance payments*¹ for tenants if they are displaced *upon conclusion* of a condemnation proceeding. Section 3 of the proposed legislation would therefore provide assistance to tenants displaced at the beginning or during the proceedings as well as those displaced upon determination of building condemnation.

4. Amend D.C. Official Code § 42-3501 *et seq.* to clarify the Mayor's right to inspect housing of rental properties; set a fine not exceeding \$100 and/or a prison term not exceeding 3 months for persons found by the courts to have interfered with those inspections; and clarify the Mayor's ability to apply to the courts for administrative search warrants to gain access to rental properties in cases where a landlord or tenant fails to cooperate with attempts at authorized inspections.
5. Amend D.C. Official Code § 42-3651.02 to include construction and property maintenance code violations as bases for the appointment of a tenant receivership; to include operating a rental housing property in a manner that demonstrates a "pattern of neglect"² for 30 successive days as a basis for the appointment of a tenant receivership; and to revise the rules regarding service of notice of violation in some cases.
6. Amend D.C. Official Code § 42-3651.05 to provide that a court may in appropriate circumstances order a respondent subject to a tenant receivership to contribute funds in excess of rents collected for use in the abatement of housing code violations.
7. Amend D.C. Official Code § 42-3651.06 to remove the 50% limit on the amount of rental income that a receiver may use for the abatement of housing code violations.
8. Amend Section 102.4 of Title 14 of the District of Columbia Municipal Regulations to permit both civil and criminal sanctions for housing code violations.

¹ Current-law housing assistance payments are limited to low-income tenants who apply for assistance; have been in their rental unit for at least 180 days prior to being displaced; and reside in the District of Columbia after displacement. Housing assistance payments for eligible tenants are calculated to be the difference between 25% of net monthly household income and the projected average monthly housing expenses after displacement for those households with average monthly housing expenses prior to displacement of less than 25% of net monthly household income; and the difference between the prior average monthly housing expenses and the projected average monthly housing expenses after displacement for those households with average monthly housing expenses prior to displacement of more than 25% of net monthly household income.

² The legislation defines the term "pattern of neglect" to include all evidence that the owner, agent, lessor, or manager of the rental housing accommodation has maintained the premises in a serious state of disrepair including, but not limited to, vermin or rat infestation, filth or contamination, inadequate ventilation, illumination, sanitary, heating or life safety facilities, inoperative fire suppression or warning equipment, or any other condition that constitutes a hazard to its occupants or to the public.

Financial Plan Impact

Funds are sufficient in the FY 2008 budget and the proposed FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. It is estimated that enactment of the proposed legislation will not have a fiscal impact on the District over the FY 2008 through FY 2012 period, as the programs supported by the Housing Assistance Fund are not entitlements, but rather are limited by the size of the Fund.

The Housing Assistance Fund, a non-lapsing special-purpose fund separate from the General Fund, is administered and managed by the Office of the Tenant Advocate (OTA). At the beginning of FY 2008, the Fund had a balance of \$2.6 million. The Fund has certified revenues of \$1.15 million for FY 2008, \$1.48 million in FY 2009, and \$0.75 million in FY 2010 and FY 2011.

D.C. Official Code §42-3403.07 limits the amount of the Fund that can be expended on the total assistance provided to tenants displaced by rental property condemnation, in addition to those purchasing homes due to condominium conversions, to no more than one-third of the funds deposited in the fund each fiscal year. Assistance to tenants participating in condominium conversions is the first priority for these limited funds, and is provided for three years; assistance to residents displaced by condemnation is a one-time payment.

It is estimated that the cost per household of current law assistance is on average no less than \$2,000; under the proposed emergency legislation, this value would not change. However, it should be anticipated that the incidence of eligible households will increase as a result of the legislation given the increased scope of condemned properties included as well as OTA ability to offer assistance at the onset of condemnation proceedings.³

³ Source: Office of the Tenant Advocate.