

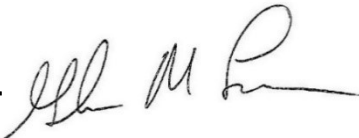
Government of the District of Columbia  
Office of the Chief Financial Officer



**Glen Lee**  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Glen Lee  
Chief Financial Officer 

**DATE:** September 13, 2024

**SUBJECT:** Fiscal Impact Statement – Housing in Downtown Tax Abatement  
Technical Amendment Act of 2024

**REFERENCE:** Bill 25-658, as introduced on January 4, 2024

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**Conclusion**

Funds are sufficient in the fiscal year 2025 budget and fiscal year 2025 through fiscal year 2028 budget and financial plan to implement the bill.

**Background**

The Housing in Downtown (HID) program, enacted into law in the Fiscal Year 2023 Budget Support Act of 2022<sup>1</sup>, will provide tax abatements to development properties converting to residential housing within the downtown area. The Mayor may approve up to \$2.5 million in tax abatements in each of fiscal years 2024, 2025, and 2026, \$6.8 million in 2027, and \$41 million in 2028 (and inflated each year by 4% thereafter).

Properties receiving a HID award will be eligible for an abatement of real property tax for 20 years, provided the property continues to meet the eligibility criteria. Properties receiving the abatement may waive the Tenant Opportunity to Purchase Act (TOPA) for up to 10 years (or until the first sale) and are exempt from First Source requirements for construction. Properties must meet the affordability criteria set out in the statute.

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<sup>1</sup> As amended in the 2024 Budget Support Act of 2023. D.C. Official Code, 47-860.01 et seq.

The bill makes several changes to the Housing in Downtown program, which are currently in effect on a temporary basis through November 21, 2024.<sup>2</sup> The bill clarifies that the Office of the Deputy Mayor for Planning and Economic Development (DMPED) will run HID as a competitive award process. The bill adds the TOPA requirement to the covenant that properties must file to receive the abatement. This will assist DMPED in ensuring compliance with the TOPA requirement.

The bill also increases the maximum time permitted between DMPED issuing a certification and reservation letter and the property receiving its certificate of occupancy. The certification and reservation letter acts as a statement of intent that the property will receive a HID abatement once completed (provided the development continues to meet HID requirements). However, the abatement won't take effect until the year the certificate of occupancy is granted. Increasing the time allowed between these two milestones will enable the District to award abatements to projects earlier in the development process.

The bill also removes a formulaic calculation of the abatement amount referencing square footage. DMPED will decide the abatement amount for each property as part of its competitive award process.

### **Financial Plan Impact**

Funds are sufficient in the fiscal year 2025 budget and the fiscal year 2025 through fiscal year 2028 budget and financial plan to implement the bill. The total amount of allowed abatements is unchanged by the bill, and DMPED will administer the changes proposed in the bill within existing resources.

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<sup>2</sup> Effective from Apr 10, 2024 (71 [DCR](#) 4428).