

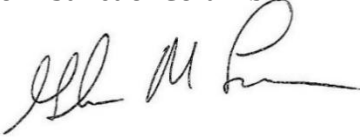
Government of the District of Columbia
Office of the Chief Financial Officer



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: May 6, 2026

SUBJECT: Fiscal Impact Statement – DC Housing Modernization and Accessibility Act of 2026

REFERENCE: Proposed Initiative as provided to the Office of Revenue Analysis on April 14, 2026

Conclusion

Funds are not sufficient in the proposed revised fiscal year 2026 budget and proposed fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the initiative. The initiative will reduce projected revenues by \$1.4 million in fiscal year 2028 and \$23.0 million over the four-year financial plan.

Background

The proposed initiative amends the Rental Housing Act of 1985 to prohibit any rent increase for a rental unit in the District for two years upon the initiative's enactment. After the initial two-year period, if inflation is greater than six percent in any future 12-month period, the initiative prohibits a rent increase for one year. These rent freezes must be implemented by housing providers regardless of whether a tenant has been notified of a rent increase. The rent freezes do not apply to any unit owned or leased by the District government, the District of Columbia Housing Authority, or the United States government.

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Second, the proposed initiative amends the District’s rent stabilization laws¹ to reduce the percentage that rent can be increased on an occupied unit from a maximum of 10² percent to 6 percent.

Third, the proposed initiative changes the definitions of affordability required for future grants and loans provided through the Housing Production Trust Fund³. The maximum income allowed to rent a qualified unit is reduced from 120 percent of Area Median Income (“AMI”) to 45 percent, and purchasers of qualified units must have an income at or below 60 percent of AMI.⁴ The maximum household income defined as “extremely low income”⁵ is reduced from 30 percent of AMI to 15 percent. Allowable household income defined as “very low income”⁶ is reduced from a range of greater than 30 percent to 45 percent of AMI to a range of greater than 15 percent to 30 percent. Allowable household income defined as “low income”⁷ is reduced from a range of greater than 50 percent to 80 percent of AMI to a range of greater than 30 to 45 percent. Allowable household income defined as “moderate income”⁸ is reduced from a range of greater than 50 to 80 percent of AMI to a range of more than 45 percent to 60 percent. The initiative also changes the Reentry Housing and Services Program⁹ thresholds to align with the new HPTF definitions.

The initiative reduces the affordability thresholds for the Workforce Housing Land Trust Program¹⁰ (“Program”), reducing the maximum allowable income eligibility from 120 percent of AMI to 60 percent. It also reduces the average income the entire portfolio the Program can have from 80 percent of AMI to 50 percent. The initiative reduces the eligibility threshold ranges for units at the New Town at Capital City Market Development¹¹ from 50 to 120 percent of AMI to 45 to 60 percent.

Lastly, the initiative changes affordability requirements when disposing of District properties for the development of housing. Under current law, disposition of District property for a multifamily housing development with 10 or more units is subject to certain affordability requirements.¹² The initiative reduces the number of units that will trigger affordability requirements from 10 to five units. Additionally, the initiative increases the number of units that must be affordable from 30 percent to two-thirds of the development; 25 percent of the units are required to have two or more bedrooms, and 25 percent must have three or more bedrooms. The initiative eliminates the Mayor’s authority to waive¹³ or reduce¹⁴ the affordable housing requirements.

¹ The rent stabilization laws generally apply to buildings that began construction after 1975 and received their certificate of occupancy by 1980.

² D.C. Official Code § 42-3502.08(h).

³ D.C. Official Code § 42-2802.

⁴ D.C. Official Code § 42-2801(2A).

⁵ D.C. Official Code § 42-2801(3).

⁶ D.C. Official Code § 42-2801(9A).

⁷ D.C. Official Code § 42-2801(6).

⁸ D.C. Official Code § 42-2801(7).

⁹ D.C. Official Code § 42-2231.

¹⁰ D.C. Official Code § 6-1061.02(d).

¹¹ D.C. Official Code § 6-1062.02(8).

¹² D.C. Official Code § 10-801(b-3)(1).

¹³ D.C. Official Code § 10-801(b-3)(2)(B)(4).

¹⁴ D.C. Official Code § 10-801(b-3)(2)(B)(6).

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Financial Plan Impact

Funds are not sufficient in the proposed revised fiscal year 2026 budget and proposed fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the initiative. The initiative will reduce projected revenues by \$1.4 million in fiscal year 2028 and \$23.0 million over the four-year financial plan.

The two-year freeze on rent will reduce the rental income of housing providers beginning tax year 2027, and in turn decrease unincorporated business tax revenue collections by \$1.4 million in fiscal year 2028, and \$9.7 million in fiscal year 2029. Rent is assumed to return to the level supported by market demand after tax year 2028, so there is no projected income tax impact in fiscal year 2030.

Because operating income is used in the process of multifamily property valuation, assessments and real property tax collections for multifamily properties will also be lower than currently estimated. Based on the timing of receiving a property's income and expense reports and when the District finalizes assessed values, a rent freeze in 2027 and 2028 will impact real property tax revenue in fiscal years 2029 and 2030. Real property tax collections will be \$2.7 million lower in fiscal year 2029, and \$11.8 million over the four-year financial plan, including \$11.5 million in local revenue and \$274,000 in dedicated revenue.

Current forecasts for inflation do not exceed five percent in the financial plan period, so the initiative's provision limiting rent growth if the Consumer Price Index exceeds six percent does not have an impact on tax collections during the financial plan period.

The initiative's adjustments to affordability thresholds for housing developments funded using assistance from the Housing Production Trust Fund may affect the structure of future development projects and may require a higher level of grants for development to be feasible. However total spending on projects from the Housing Production Trust Fund cannot exceed amounts in an approved budget and financial plan. Similarly, limitations on disposition of District property may alter future developments, but do not have an impact on the current budget and financial plan.

The Department of Housing and Community Development's Rental Accommodations Division (RAD), led by the Rent Administrator, receives petitions¹⁵ on rent disputes between housing providers and tenants, which may be appealed to either the Rental Housing Commission (RHC)¹⁶ or the Office of Administrative Hearings (OAH)¹⁷ depending on the type of petition. Additionally, current law allows housing providers to receive a 12 percent return on investment¹⁸ and providers may seek hardship exemptions through the petition process. If the initiative is implemented and leads to additional disputes or petitions, RAD, RHC, and OAH may not be able to timely respond to complaints without additional resources.

¹⁵ D.C. Official Code § 42-3502.04(c).

¹⁶ D.C. Official Code § 42-3502.02(a)(2).

¹⁷ D.C. Official Code § 2-1831.03(b-1).

¹⁸ D.C. Official Code § 42-3502.12(a).

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Cost of Proposed Initiative, DC Housing Modernization and Accessibility Act of 2026						
FY 2026 - FY 2029						
(\$ in thousands)						
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Total
Income Tax Reduction (Local Fund) ^(a)	\$0	\$0	\$1,404	\$9,715	\$0	\$11,119
Real Property Tax Reduction (Local Fund) ^(b)	\$0	\$0	\$0	\$2,709	\$8,886	\$11,595
Real Property Tax Reduction (Dedicated Tax Portion) ^(c)	\$0	\$0	\$0	\$63	\$211	\$274
TOTAL REVENUE REDUCTION	\$0	\$0	\$1,404	\$12,487	\$9,097	\$22,988

Table Notes:

- (a) Income tax revenue impacts begin in fiscal year 2028, based on tax year 2027 returns.
- (b) Real property tax reductions begin in fiscal year 2029, based on reduced property rental income from 2027 factoring into 2029 assessed values determined in 2028.
- (c) This is the portion of the estimated reduction in property tax revenues that are dedicated to non-local sources under current law. The specific dedication depends on parcel-type, and are mostly dedicated to the Tax Increment Financing and Payment in Lieu of Taxes programs.