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:	**November 20, 2020**
SUBJECT:	**Fiscal Impact Statement – Voluntary Agreement Moratorium Amendment Act of 2020**
REFERENCE:	**Bill 23-878, Draft Committee Print as circulated November 19, 2020**

Conclusion

Funds are not sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. The bill will result in a tax revenue loss beginning in fiscal year 2022 and totaling $191,000 over the four-year financial plan.

Background

The bill amends the Rental Housing Act of 1985[1] to suspend, for two years, the ability of landlords to seek voluntary agreements with tenants under the District's rent control law. The bill does not affect any agreements approved by the Rent Administrator prior to the bill's effective date. Under voluntary agreements, a rental increase of any amount may occur on occupied units, vacant units, and/or units after turnover of existing tenants.

Financial Plan Impact

Funds are not sufficient in the fiscal year 2021 through fiscal year 2024 budget and financial plan to implement the bill. The bill will result in a tax revenue loss of $191,000 over the four-year financial plan.

[1] Effective July 17, 1985 (D.C. Law 6-10; D.C. Official Code 3501.01 et seq.).

The Office of Revenue Analysis (ORA) reviewed property tax assessment data from 57 rental housing properties with voluntary agreements approved between fiscal year 2014 and fiscal year 2017. The analysis found that voluntary agreement properties experienced an increase in property tax assessments above and beyond increases of rent-controlled properties without voluntary agreements. ORA's analysis found these assessment increases occurred two and three years after the date of the voluntary agreement. Since voluntary agreements may increase rents by any amount, properties with voluntary agreements often have larger rent increases than the limited rent increases allowed under the Rental Housing Act for renewed leases and vacancies. The assessment increases lead to higher property taxes, and also suggest increased income taxes, since property owners pay income tax on their net rental income.

The moratorium will reduce the ability of landlords to collect higher rents which have driven some of the increase in the District's real property taxes and income taxes associated with rental housing ownership. On average, the District would have expected approximately 17 properties per year to be approved for voluntary agreements during the two-year moratorium. The cost of foregone real property tax and income tax revenue from the moratorium is shown in the table below.

Cost of Bill 23-878, Voluntary Agreement Moratorium Amendment Act of 2020

FY 2021 - FY 2024

	FY 2021	**FY 2022**	**FY 2023**	**FY 2024**	**Four-Year Total**
Revenue Loss: Property Tax	$0	$0	$29,700	$116,000	$145,700
Revenue Loss: Income Tax	$0	$5,000	$20,300	$20,000	$45,300
Total Tax Revenue Loss	**$0**	**$5,000**	**$50,000**	**$136,000**	**$191,000**