

**PUBLIC ROUNDTABLE ON
BILL 16-243, “AFFORDABLE HOUSING
PRESERVATION TAX ASSESSMENT ACT”**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**April 26, 2005, 11:30 a.m.
Room 412, John A. Wilson Building**



**Testimony of
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Office of Tax and Revenue**

**Natwar M. Gandhi
Chief Financial Officer
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Daniel L. Black, Jr., Deputy Chief Financial Officer for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-243, the “Affordable Housing Preservation Tax Assessment Act.”

In brief, Bill 16-243 makes four changes to District law governing assessment and valuation of certain affordable housing properties. First, it provides a new methodology for assessing the value of certain qualified affordable housing property. This new approach limits increases in the valuation to adjustments in the consumer price inflation index for the Washington-Baltimore Metropolitan Area, and provides limitations on valuation in certain subsequent transfers.

Second, Bill 16-243 raises the value ceiling for properties qualifying for tax exemption due to low-income home ownership. This ceiling would be raised from \$250,000 to 80 percent of the median sale price for District homes in the year prior to application for exemption from tax. Third, the bill extends the period within which a property held by a qualifying nonprofit housing organization can remain exempt from real property, transfer and recordation taxes prior to transfer to a qualifying household from one year to three years. If a property is not so transferred, the amount of time a qualifying organization can seek extension is increased from 90 days to six months. Finally, the bill excepts all properties owned by a qualifying housing organization from the Class 3 tax rate, identifying them as Class 1 properties.

While we commend this proposal's intent to promote affordable housing in the District, we are concerned that the change in valuation method provided by Bill 16-243 departs dramatically from the standard rule of assessing properties at 100 percent of their fair market value. By limiting a property's appreciation – for assessment purposes – to an artificial formula like the consumer price index, the District may run afoul of constitutional principles of equalization to which all property owners are entitled. In this regard, the bill also lacks specificity as what are the qualifications necessary for a property to qualify for this heavily discounted assessment. Instead, we urge this committee and the Council to consider providing credits or exemptions to promote affordable housing. OTR will also require additional staffing resources in order to assess properly using this unique method.

We also offer one technical correction to Bill 16-243 that clarifies the new language adding properties of qualifying nonprofit housing organizations to be Class 1 properties.

Thank you, Chairman Evans, for the opportunity to comment on this bill. I would be happy to answer any questions you or other Council members might have at this time.

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Technical Amendment

1. In subsection (e) of Section 2, replace the phrase, “adding a new subsection (c-6)(2)(D)” with the phrase, “adding a new subsection (c-6)(2)(E).”