PUBLIC ROUNDTABLE ON BILL 16-648, "MULTI-UNIT REAL ESTATE TAX RATE CLARIFICATION ACT OF 2006"

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

The Honorable Jack Evans, Chairman

April 10, 2006, 11:15 a.m.
Room 120, John A. Wilson Building

Testimony of
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Good morning, Chairman Evans and members of the Committee on Finance and Revenue. I am Matthew Braman, Director of Operations for the Office of Tax and Revenue. I am pleased to present testimony today on Bill 16-648, the "Multi-Unit Real Estate Tax Rate Clarification Act of 2006."

The purpose of this bill is to establish a new paragraph (5) to section 820(a) of Title 47 of the D.C. Official Code ("Code"). New paragraph (5) provides that beginning with assessments for the real property tax year 2007, the fair market value of multi-unit residential real property shall be determined without regard to its potential for conversion to condominium or cooperative ownership. Bill 16-648 further provides that conversion to condominium or cooperative ownership is not presumed when a multi-unit building is sold unless the owner seeks to convert the building to condominiums or cooperative housing within three months after recordation of the deed.

The Office of Tax and Revenue has closely reviewed this bill, as we take exception to any measure before the Council that would change or otherwise adjust the District's method of valuing property for assessment purposes. We understand the Council's concern for the impact of real property assessments on existing residences and businesses. At the same time in evaluating this bill, you should consider the following points: OTR uses generally accepted appraisal and assessment methodology in estimating the fair market value of real property in the District. We review sales of comparable properties and take into consideration buildings, improvements and zoning, as well as the property's highest and best use. This practice is followed in Maryland and Virginia, as well as many other states.

Therefore, we believe this Committee should consider carefully under which circumstances this rule should be modified or subject to exceptions.

Because it is unclear from the legislation what facts or situations gave rise to this proposal, we would welcome the opportunity to work with the Committee on evaluating when generally accepted principles of fair market value assessment should be modified or when exceptions are deemed necessary. We strongly believe, however, that the result of Bill 16-648 would be to have valuation methodology and assessor judgment dictated by statute for a particular narrowly-defined property type. We believe this would set a bad precedent.   Bill 16-648 would thus dilute the fair market value of District properties, thereby reducing District assessments that would otherwise be calculated in accordance with rules widely accepted by neighboring jurisdictions and the overwhelming majority of assessment professionals throughout the United States. We estimated OTR's operational costs for the first year of implementation of Bill 16-648 to be $100,000 for personnel services, and $40,000 for programming, totaling $140,000.

Fiscal Impact of Bill 16-648

The Office of the Chief Financial Officer is developing complete fiscal impact estimates for this bill and these numbers will be submitted to the committee shortly.

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