Public Hearing on

Neighborhood Management Authority Act of 2025, Bill 26-90

Before the
Committee on Transportation and the Environment
Charles Allen, Chairperson
Council of the District of Columbia

Thursday, September 24, 2026, at 10:00 a.m.
Room 500, John A. Wilson Building

Comments from

Office of the Chief Financial Officer including:
Office of Finance and Treasury
Office of the General Counsel
Office of Tax and Revenue

Glen M. Lee
Chief Financial Officer
Government of the District of Columbia

Chairperson Allen and Members of the Committee on Transportation and the Environment: The Office of the Chief Financial Officer ("OCFO") is pleased to provide comments on Bill 26-90, the Neighborhood Management Authority Act of 2025 ("Bill").

The OCFO would like to offer its assistance as the Bill moves through the legislative process. Below are comments on specific sections of the Bill, implementation challenges, questions, and proposed amendments. The OCFO is available to discuss these comments; please contact Patricia Gracyalny (patricia.gracyalny@dc.gov) or Aaron Droller (aaron.droller@dc.gov).

The OCFO offers the following comments on various sections of the Bill.

Section 102. Formation.

The Bill establishes each Neighborhood Management Authority ("NMA") as an instrumentality of the District government and grants each NMA various independent powers, including authority to issue bonds, determine terms for bond sales, and enter into contracts and financing agreements with public and private parties. Pursuant to a 2006 opinion from the Office of the Attorney General regarding the National Capital Revitalization Corporation, the District of Columbia cannot create an instrumentality outside the District government. (Government of the District of Columbia, Office of the Attorney General, December 8, 2006, "The National Capital Revitalization Corporation and its Subsidiaries"). Thus, any debt issued by this instrumentality is considered debt of the District of Columbia itself and directly impacts the District's overall "debt cap" of 12% of total expenditures (D.C. Code § 47–335.02) and possibly its credit rating, regardless of whether the debt is backed by the full faith and credit of the District of Columbia.

Sec. 103. Powers.

Although subsections (4), (5), (6), (7), (9), and (11) address powers expressly given to the OCFO under the Home Rule Act, this section does not mention OCFO oversight. This section should clarify the OCFO's role in exercising its duties under the Home Rule Act. The requirement that the budget be "balanced" is not expressly defined. The section also does not specify how the budget will be transmitted to the OCFO for review and approval or whether it will come directly from the Authority or through the Mayor's office. Clarifying this process would ensure accountability in the review of the Authority's budget.

In subsection (h), "Corporation" is capitalized but not defined. Throughout the Bill, the entity being created is referred to as the "Authority." The section appears to apply to the Authority. The Business Improvement District ("BID") section of the Bill also mentions "Corporation" without defining it. Clarification is needed on how these provisions apply to the Authority.

The OCFO is concerned that, if land held by the "Corporation" would be tax-exempt under the Bill, the land could be eligible for the Payment in Lieu of Taxes ("PILOT") program. This could have tax implications for the District. There also could be implications for the OCFO and the

District if the "Corporation" intends to issue PILOTs for land held under the property tax exemption.

Sec. 104. Budget formulation and transparency.

The requirement that the budget be "balanced" is not expressly defined. Please see the comments on section 103.

The OCFO also proposes the following amendments regarding the fiscal year and annual audits:

1. The Bill should specify that the fiscal year for the two NMAs ends on September 30.

2. The Bill should also require rotation of the independent auditors every five years.

3. The Bill should require the annual audit to be completed by December 31 of each year.

Sec. 106. Representation and Indemnification.

In subsection (h), "Corporation" is capitalized but not defined. Please see the comments on section 103.

This raises a concern because land held by the "Corporation" would be tax-exempt under the Bill and could be eligible for the PILOT program. Please see the comments on section 103.

Sec. 109. Authority of the Chief Financial Officer.

The OCFO believes that proposed NMA debt issuances should be considered alongside the District's other debt and spending obligations during the Financial Plan Period. This is necessary because it appears NMA debt issuances will need to be accounted for in the District's debt cap. Although section 109 of the Bill states that "the CFO shall exercise authority over the [NMA] consistent with section 424 of the Home Rule Act," it does not specify the powers the Chief Financial Officer ("CFO") would have over the NMA. Nor can the CFO decide how NMA goals should be prioritized relative to other District expenditures. One possible solution is to require the Mayor to approve NMA debt issuances, given the Mayor's role in balancing spending priorities while working with the CFO to prepare the annual budget.

Furthermore, without the benefit of capital financing outside the debt cap, it is unclear what benefits an independent authority would offer over structures and tools already available to the District, such as BIDs and special assessment financing, given the costs of establishing and operating separate independent authorities as described in the Bill.

Sec. 110. BID Formation Within Neighborhood Management Authority Boundaries.

The title of section 110 is "BID Formation Within Neighborhood Management Authority Boundaries." Although special assessments to fund the NMAs can be collected under procedures identical to those in the Business Improvement District Act of 1996, a BID is defined differently from an NMA and cannot exist within an NMA. As the Bill states in section 110(g), the Mayor may not approve a BID application within the boundaries of an existing NMA. The title should be changed to avoid confusion.

Paragraph (b)(4)(A) of the Bill allows additional taxation of properties within the Authority's boundaries through a special assessment. This could affect existing bond-financed projects in the District.

Paragraph (b)(5)(d) gives the Authority the power to expand its boundaries through approval of special assessment area applications. This is inconsistent with the defined Authority area in the Bill. It implies that the BID could tax an area not originally authorized by the Bill and could affect projects subject to general obligation bonds, revenue bonds, or other securities held by the District.

Section 112. Bond Issuance.

Please see the comments on section 102.

Section 201. Duke District Neighborhood Management Authority.

Section 201 should be amended to list the squares included within the Duke District.

Sec. 202. Transfers of Jurisdiction.

Based on an initial assessment of the introduced version of the Bill, the two authorities meet the criteria for discretely presented component units. The concern is the timing of the Bill's effective date. Although we understand that several steps are required before the Bill takes effect, incorporating these authorities into the fiscal year 2026 Annual Consolidated Financial Report ("ACFR") would be challenging if the Bill takes effect retroactively during fiscal year 2026. Ideally, implementation could be deferred to the following fiscal year to avoid complications with ACFR reporting. This issue is further complicated by sections 205 and 207, which discuss transfers of jurisdiction and assets. Moving property, operations, or unexpended appropriation balances between District agencies and the new authorities may require asset reclassification, valuation, and recognition of transfers.

Section 204. Duke District Neighborhood Management Fund.

The Bill authorizes each NMA to collect revenues from future PILOT agreements for deposit into its fund, which it would control. However, the Payment in Lieu of Taxes Act of 2004 gives the Mayor authority to enter into PILOT agreements and determine how payments would be used. Clarification is needed as to what obligation, if any, the Mayor has to enter into PILOT agreements within an NMA when payments would be directed to NMA funds.

Section 205. Duke District Deed and Recordation Transfers.

Please see the comments on sections 202 and 204.

Section 205 should also be amended to provide for a percentage of the transfer of deed tax revenue to the fund rather than limiting it to taxes attributable to "new buildings." The squares covered by the transfer requirement should be specified in the Bill, or an authoritative list should be created.

Sec. 207. Transfers of Jurisdiction.

Please see the comments on section 202.

Sec. 209. Columbia Heights Neighborhood Management Fund.

Please see the comments on section 202.

Implementation Challenges.

The Bill provides limited detail but refers to the existing BID structure. The Office of Tax and Revenue ("OTR") therefore assumes that each NMA will calculate its special assessments and submit them to OTR through an interface in time for billing. OTR would then include the special assessment on the semiannual real property tax bill and collect it in accordance with the existing fund-distribution priority structure.

Transfers of collected funds will follow the existing monthly and semimonthly transfer schedule, and delinquencies will be subject to tax sale based on an NMA's certification to OTR. Financial adjustments to special assessments will require authorization from the applicable NMA before they can be entered into the tax database. Financial reports on billing, collection, and fund transfers will be available to each NMA for reconciliation and audit purposes.

After an NMA is officially established, including the creation of a dedicated bank account, OTR will need at least six months to incorporate it into the tax database before billing, collection, and

fund transfers can begin. Depending on the number of NMAs created, OTR may need funding for additional full-time equivalent positions to support billing, collection, and fund transfers.

The OCFO recommends that the Council amend the Bill to require each Authority to report its accounting structure and organizational arrangements to the OCFO, including whether it will have its own bank account.

Questions from the OCFO

Overall

1. New Building Definition: The Bill does not define "new building." Does the term include only a building constructed on a vacant lot, or does it also include an addition to an existing building? If additions are included, how would the attributable tax be allocated?

2. Applicability for New Buildings: Would the Bill apply to buildings completed before it takes effect? Could a building under construction or recently completed on the effective date be considered new?

3. New Building Determination: It would be relatively straightforward to identify all deeds within specified squares during a specified period and calculate the tax paid. However, it would be difficult for the OCFO to determine whether a building is "new" or existing. The Office of the Deputy Mayor for Planning and Economic Development or the Department of Buildings could be tasked with making that determination.

4. Tax Amounts: Because the transfer is based on tax "attributable" to the new building, would it be calculated on the building's full value or only on the increase over the value of the prior building on the lot? Does this include recordation tax on deeds of trust or only tax paid on deeds?

5. Recordation: Will the Recorder of Deeds be provided with the square numbers for the area in question? Partial squares within the boundaries could present an issue.

6. Duke District Management Fund: What is the formula for determining the 40%? How often would the money be transferred? Is the 40% share applied at the time of recording, or is it calculated and transferred after the usual deed taxes are paid? Would the OCFO provide an annual or monthly report, or would the money be transferred immediately upon recording? If the 40% share must be applied at the time of recording, the OCFO should coordinate now with our vendor to add a dedicated field or line item to the receipting process.

Suggested Amendments

Section 204. Duke District Neighborhood Management Fund.

Section 204(a)(6) should be amended to reflect that the deed tax transfer provision is in section 205, not section 204.

> (6) Deed and recordation transfers collected pursuant to section ~~204~~ **205** of this act.

Section 205. Duke District Deed and Recordation Transfers.

Section 205 should be amended as follows:

> In fiscal years ending on or after ~~October 1, 2025~~ **October 1, 2026**, the Chief Financial Officer shall deposit into the Duke District Management Fund 40% of the Deed Transfer and Recordation Taxes attributable to new buildings constructed within the boundaries of the Authority, or such successor record or assessment and taxation lots as may be created through future subdivision or creation of condominium units.

Section 209. Columbia Heights Neighborhood Management Fund.

In section 209(b)(5), the reference to the Alcoholic Beverage Tax Transfer provision should be to section 211, not section 212.

> (5) Alcoholic beverage tax revenue collected pursuant to section ~~212~~ **211** of this act;