

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



Jeff DeWitt
Chief Financial Officer

TAX ABATEMENT FINANCIAL ANALYSIS

TO: **The Honorable Vincent C. Gray**
Mayor, District of Columbia

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: **Jeff DeWitt** *Jeffrey S DeWitt*
Chief Financial Officer

DATE: **May 5, 2014**

SUBJECT: **“Bezner Real Property Tax Relief Act of 2013,” 20-583**

REFERENCE: **Bill as introduced**

Findings

The tax abatement proposed by Bill 20-583, which totals approximately \$80,271, is necessary to provide appropriate relief of real property taxes on a small piece of land abutting a residential home¹. The tax abatement value is comprised of \$71,402 of forgiveness regarding unpaid bills (including all tax, penalties and interest) and an estimated \$8,869 of legal fee payments due to tax lien purchasers. Because the deed to the current owners failed to include one of the two lot numbers encompassing the property description, the owners disputed responsibility for the tax bill and the property went to tax sale in 2009 after the bills went unpaid. The property was also misclassified as vacant and billed at the higher Class 3 rate during this period. When contacted about the problem in 2013, the Office of Tax and Revenue corrected the classification and billing rate to the extent provided for under the D.C. Code, but OTR is not authorized to provide further relief.

Please refer to the separate Fiscal Impact Statement for the effect of the proposed legislation on the District’s financial plan.

Background

The Bill would provide an abatement of all real property taxes, interest, penalties, fees, and other related charges assessed against Lot 860 in Square 777 (the “Property”), for Tax Year 1991 through and including Tax Year 2009. The bill also orders the cancellation of all tax sales of the Property

¹ Lot 860 in Square 777

conducted under Chapter 13A of Title 47 of the D.C. Official Code before the issuance of a final order by the Superior Court and to pay to the tax lien purchaser the amount which the purchaser would have received if the real property had been redeemed pursuant to D.C. Official Code § 47-1366.

The Property for which the abatement is proposed is located adjacent to 755 Third St, NE. The Property, which has a total land area of 344 square feet, comprises part of the front yard and a sliver of the side yard of the townhouse owned by Mark Bezner and Kuniko Yasuda in the adjacent Lot 837². When Bezner and Yasuda purchased the house in 1991, they received a deed from the developer with a metes and bounds description of their property that only listed Lot 837 as the corresponding tax lot. By law, all lots must be stated on the deed. Mr. Bezner states that he contacted OTR in 2003 to request ownership clarification after receiving notice of a vacant classification for Lot 860, but that he did not receive a response. Because of the unpaid bills, OTR put the property on the tax sale list, and in 2009 tax liens on Lot 860 were purchased by an investor. In 2013, Mr. Bezner again contacted OTR and OTR confirmed to him that the metes and bounds property description also encompassed Lot 860 in addition to Lot 837.

The property was at one time assessed at \$73,080, but the assessment was changed to \$14,590 for tax years 2010 – 2014, reflecting the unbuildable nature of the property. Also, prior to 2010, the property was classified as class 3 vacant and was for a time taxed at the corresponding rate of \$5/\$100. OTR has now changed the classification of the property to residential (class 1 rate of \$0.85/\$100). The annual tax bill for 2010 – 2014 is therefore \$124.02. The proposed abatement does not abate the taxes that have accrued since tax year 2010.

Financial Analysis

Pursuant to the Exemptions and Abatements Information Requirements Act of 2011, the Office of Economic Development Finance (EDF) of the Office of the Chief Financial Officer contains certain information. The required information is included below.

Terms of the Exemption or Abatement

The legislation would forgive all real property taxes, interest, penalties, fees, and other related charges assessed against the Property for Tax Year 1991 through and including Tax Year 2009.

Annual Proposed Value of the Exemption or Abatement

The proposed abatement has a one-time value of approximately \$80,271. Taxes, penalties and interest total \$71,402 and attorneys’ fees associated with tax sales are estimated to total \$8,869. The abatement does not apply to Tax Years 2010 through 2014 and has no annual value going forward.

Summary of the Proposed Community Benefits

Please see attached for a summary of the proposed community benefits submitted by Mark Bezner to EDF.

² The property owners have described the Property as a garden strip located in the townhouse development’s common area.

Financial Analysis for Existing Buildings

Because the purpose of the proposed legislation is to provide a means of addressing a defect in the deed to the current owners, as well as assessment and classification errors that cannot be corrected by OTR due to a statute of limitations, EDF finds the proposed abatement necessary regardless of the financial condition of the owner. The owner did not submit financial information for EDF review.

APPENDIX A

Summary of Community Benefits
as submitted by
Mark Bezner

- This bill will result in clear ownership and improvement of this lot, which has been in limbo and improperly maintained for years.
- The Capital Place townhome project was developed as a mixed income development including affordable housing units.