

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER
OFFICE OF TAX AND REVENUE



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To the Editor:

The Post August 8th article, "D.C. settlement surge shrinks developer's bills" comes to erroneous conclusions regarding the commercial assessment appeals process by the Office of Tax and Revenue (OTR).

We stand by our real property assessment process and, specifically, the assessments of the properties identified in this article. For instance, in the Gallery Place property, the assessor based his assessment on theoretical rent instead of actual rent that was being derived under the existing rental contracts. This is the kind of error that supervisory assessors are required to identify and correct. Even after the correction of this error, the assessment on the property actually increased by 6.5 percent between tax year 2011 and tax year 2012.

Assessors do not always have benefit of important income information at the time of the initial assessment or even at the first level appeal. Current law requires that all assessment notices for the coming year be mailed by March 1st, well before the April 15th deadline for taxpayers to submit the latest income information to the OTR for review. Because of this inherent lag in the filing cycle, revisions at all levels of appeal based on the new information are often necessary.

Whenever OTR reached an agreement with the property owner on the estimated market value of a particular property, the Board of Real Property Assessment Appeals (BRPAA) approved it (BRPAA is required by statute to review and approve any settled assessment amount). Resolution at the BRPAA level is an important part of the appeals process that also stabilizes the caseload at Superior Court.

The Superior Court, according to its web site, experienced an increase from 317 at December 31, 2007 to 1,462 at December 31, 2011 in the number of pending appeals. In December 2011 and at the request of the Superior Court to alleviate the case backlog, OTR met with tax practitioners, and both parties resolved to participate in post-mediation case resolution sessions to settle upon assessments that reasonably reflect the estimated market value of the property under appeal. As with settlements at BRPAA, these settlements before the Superior Court are subject to the court's review and approval.

The chart below reflects BRPAA's annual reductions of OTR assessments from 2007-2012, occasioned by decisions, settlements and recommendations from the Office of Tax and Revenue for adjustments. There is nothing unusual about the amount of total commercial reductions by BRPAA for 2012. It is comparable to all years since 2007, other than tax year 2011. So whether the reductions came from settlements or contested cases, the results for the District were essentially the same. The total BRPAA

reduction for 2011 is the only outlier. The decrease in 2011 was the result of the substantial drop in initial commercial assessments from approximately \$68 billion to approximately \$59 billion. Lower initial assessments, in the face of a sharply falling market, predictably resulted in lower reductions at BRPAA. There was no similar decrease in any other year. The chart below also confirms that higher settlement amounts in 2012 did not result in a loss of tax revenue to the District over what one would have expected on the basis of BRPAA reductions in other upmarket years.

Tax Year	Total BRPAA Changes to Assessed Value (Numbers reflect reductions)	
	Class 1	Class 2
2012	(184,747,788)	(2,766,778,488)
2011	(237,223,918)	(1,022,373,687)
2010	(432,504,030)	(2,613,789,061)
2009	(249,110,780)	(2,820,523,708)
2008	(197,713,901)	(2,641,667,524)
2007	(202,583,325)	(2,359,094,066)
Totals	(1,503,883,742)	(14,224,226,534)
Averages	(250,647,290)	(2,370,704,422)

The article also incorrectly assumes that a settlement or stipulation automatically represents a loss to the District. Nothing could be further from the truth. Even in cases where OTR was confident that it would win by proceeding to hearing at BRPAA, 33 percent resulted in reductions in assessed value. In many cases, the taxpayer presents documents that support a lower value than the proposed settlement amount. Rather than risk a greater loss at BRPAA or Superior Court, OTR arrived at reasonable settlements in order to reduce the cost of litigation and preserve the District's tax revenues.

Very truly yours,

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Office of Tax and Revenue