

PUBLIC HEARING ON
BILL 17-0072, “MULTI-UNIT REAL ESTATE TAX RATE
CLARIFICATION ACT OF 2007”

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

The Honorable Jack Evans, Chairman

March 19, 2007, 2:00 p.m.
Room 120, John A. Wilson Building



Testimony of
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Deputy Chief Financial Officer
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Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia

Good afternoon, Chairman Evans and members of the Committee on Finance and Revenue. I am Sherryl Hobbs Newman, Deputy Chief Financial Officer for the Office of Tax and Revenue (OTR). I am pleased to present testimony today on Bill 17-0072, the “Multi-Unit Real Estate Tax Rate Clarification Act of 2007.”

This bill would amend D.C. Code § 47-820(a) by adding a new paragraph (5). That paragraph provides that beginning with assessments for the real property tax year 2008, 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 17-0072 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.

OTR has closely reviewed this bill, and 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, 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 in many other states. Therefore, we believe this committee should consider

carefully under which circumstances this rule should be modified or subject to exceptions.

It is unclear from the legislation what facts or situations gave rise to this proposal. As a result, 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 17-0072 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 17-0072 could have the effect of diluting the fair market value of District properties, thereby reducing the accuracy of District assessments that would otherwise be calculated in accordance with rules widely accepted by neighboring jurisdictions.

Fiscal Impact of Bill 17-0072

The operational impact of adopting Bill 17-0072 would be a total of \$100,000 for personnel costs. The Office of the Chief Financial Officer is still evaluating the fiscal impact of this bill, and thus our fiscal impact will be forthcoming 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.