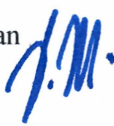


COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE OF THE WHOLE
1350 Pennsylvania Avenue, NW
Washington, DC 20004

MEMORANDUM

TO: Nyasha Smith, Secretary to the Council

FROM: Phil Mendelson, Chairman 

DATE: February 27, 2025

RE: **Request to Place Emergency Measures on the Agenda for the March 4, 2025
Legislative Meeting**

This memorandum is to request that the following measures be placed on the agenda for the March 4, 2025 Legislative Meeting:

- **Residential Building Permit Classification Emergency Declaration Resolution of 2025**
- **Residential Building Permit Classification Emergency Amendment Act of 2025**
- **Residential Building Permit Classification Emergency Amendment Act of 2025**

On October 1, 2024, the Office of Tax and Revenue enacted a final policy titled “OTR Tax Classification Change (Class 2 to 1) Policy.” Under the new policy, a developer converting a commercial property to a residential property could not benefit from a change in classification from Class 2 to Class 1 until construction is “100% complete” and the building is “in actual use.” Prior to this updated policy, a developer could get a property under construction reclassified via the issuance of a building permit or by qualifying for a planned unit development.

The updated policy could negatively impact new residential development, particularly commercial-to-residential conversion projects that can take years to complete, as Class 2 property tax rates (\$1.65-\$1.89 per \$100 of assessed value) are roughly double the tax rate for a Class 1A property (\$0.85 per \$100 of assessed value). Additionally, the updated policy contradicts the goals of the Housing in Downtown Program, which seeks to revitalize downtown by incentivizing the conversion of vacant or underutilized office buildings into residential properties.

Emergency action is needed to clarify that developers may have commercial-to-residential conversion projects reclassified at the time construction has commenced, defined as the time at which a party contracted by the owner has initiated work on the real property under a construction contract and mobilized equipment on the real property.

The draft measures are attached. Please call me or Blaine Stum, Deputy Committee Director, if you have any questions at (202) 724-8092.