



Government of the District of Columbia
Advisory Neighborhood Commission
Box 75115
Washington DC 20013



March 11, 2010

The Honorable Muriel Bowser
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 110
Washington, DC 20004

The Honorable Jack Evans
Council of the District of Columbia
1350 Pennsylvania Avenue, NW, Suite 106
Washington, DC 20004

Dear Councilmember Bowser and Councilmember Evans:

ANC 6A has worked hard over the past 3 years to identify and mitigate vacant property in our neighborhood. Even when vacant properties are not “blighted,” they are a burden our community, because when homes are unoccupied and poorly maintained, they tend to become eyesores that attract vermin, litter, and criminal activity.

Our ANC commends your recent proposal to restore a distinct tax class for vacant properties that provides owners a strong financial incentive to reoccupy or sell their property. Furthermore, we agree that vacant and blighted properties should be treated differently and that vacant properties should be taxed at an intermediate rate between occupied and blighted properties.

Unfortunately, the proposed vacant property tax structure suffers from a key flaw found in the structure abandoned by the City Council in 2009. We believe that a fundamental problem with the prior system was that vacant properties faced a high tax rate as soon as they were deemed vacant. This system imposed serious hardships for people whose property was misidentified as vacant and also necessitated an elaborate and bureaucratically cumbersome exemption system that similarly undermined the effectiveness of the incentive regime.

We urge you and the full Council to consider a vacant property tax system that eliminates all exemptions except for military personnel who are on temporary reassignment and instead features an escalating tax rate based on the number of years a property is vacant. In our proposal, the escalating vacant property tax rate would be identical to the occupied property tax rate for the first year of vacancy and escalate at 1% per year thereafter until it reaches a maximum of 5%. The following table shows how this escalating tax rate would be applied to residential and commercial properties.

Time vacant (past 5 years)	Residential	Commercial
0 to 1 year	0.85	1.65
1 to 2 year	1.85	2.65
2 to 3 year	2.85	3.65
3 to 4 year	3.85	4.65
4 to 5 year	4.85	5.00

The advantage of proposed escalating vacant property tax and with a single exemption is that:

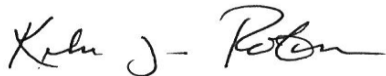
1. Owners of properties misidentified as vacant have a full year to correct this mistake before they are subject to a higher tax rate. We are sure you have heard horror stories about innocent individuals who suffered from ruined credit rating and other problems under the old system because they were immediately assessed at the higher rate. The proposed system would give these individuals ample time to correct misidentifications.
2. Owners of vacant properties are not immediately subject to the full effect of the vacant property tax. This allows them ample time to rent, lease, sell or refurbish their property without having to apply for and receive an exemption from DCRA. During the first year of vacancy, the property would be taxed at the occupied rate. In the second year, the rate would increase 1%, which would provide reasonable financial incentive to occupy or sell the property. In subsequent years, the financial incentive would gradually increase in a way that would most heavily tax properties with the longest vacancy. Because the impact of the incentives in our proposal is not immediate for newly vacated properties and increase gradually, it eliminates the need for the varied permissive exemptions that plagued the prior system.
3. If the proposed system is implemented, properties that have a history of vacancy would not receive the lowest tax rate, but instead would be taxed according to the number of years of vacancy in the past 5 years, thus maintaining the strong incentives you propose on the most problematic and long neglected properties.
4. Our proposed system is likely to encourage reoccupation or sale of vacant property more quickly than a fixed rate tax system with extensive exemptions. In the latter system, a higher property tax rate is often not paid until the 3 years of exemptions have been exhausted. In essence, the latter system often means that the financial incentive is delayed by 3 years. By eliminating the exemptions in favor of a grace period, we believe that the system's efficiency would improve greatly
5. The proposed system would greatly simplify the administration of vacant properties, because DCRA would no longer manage the cumbersome exemption system that requires tracking a property's vacancy and exemption history. Tracking a property's exemption history is required under the prior system because exemptions are capped to 3 years of eligibility over a 5 year period. Under the proposed system, DCRA would only keep track of vacancy history and report to OTR the number of years a property is vacant during the previous five years. By eliminating the need to track exemptions, DCRA will have more time to identify and inspect vacant properties
6. Our proposed system is unlikely to produce the political backlash that the immediate jump to a higher rate encourages. It should be no surprise that there was a significant backlash to the 10% vacant property tax rate when owner's 3 years of exemptions ran out. A similar backlash could occur with the 5% rate unless ample exemptions remain. A gradually escalating vacant tax rate

does not have this problem and allows for the elimination of the extensive exemption scheme that slowed and confused enforcement under the prior system.

In summary, we believe that an escalating vacant property tax rate system with only one exemption for military service is a fairer, more effective system that will reduce the bureaucratic burden of the old exemption system, while providing adequate incentive to eliminate the backlog of problematic vacant properties. The system that we are proposing should also help avoid the political backlash that caused the demise of the prior system and ultimately lead to the untenable situation we currently face without strong financial incentives to occupy vacant properties.

We hope you agree and will consider our proposal as you continue to reform the Vacant Property Tax System.

On behalf of the Commission,

A handwritten signature in black ink, appearing to read "Kelvin J. Robinson". The signature is written in a cursive, flowing style.

Kelvin J. Robinson
Chair, Advisory Neighborhood Commission 6A

cc: Tommy Wells, Councilmember, Ward 6
Members, District of Columbia Council
Linda Argo, Director, DCRA
Reuben Pemberton, Director Vacant Property, DCRA