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A PROPOSED RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To declare the existence of an emergency with respect to the need to amend Title 47 of the DC Official Code to provide for more timely classification changes for commercial properties that are to be put to residential use; to provide for an application process to make classification changes; to provide for appeal rights if such application is denied; and to provide for a claw back in the event the real property is not timely put to residential use.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the “Residential Building Permit Classification Emergency Declaration Resolution of 2025”.

Sec. 2. (a) 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.

(b) The updated policy could negatively impact new residential development, particularly commercial-to-residential conversion projects that can take years to complete, as Class 2

34 property tax rates (\$1.65-\$1.89 per \$100 of assessed value) are roughly double the tax rate for a
35 Class 1A property (\$0.85 per \$100 of assessed value). Additionally, the updated policy
36 contradicts the goals of the Housing in Downtown Program, which seeks to revitalize downtown
37 by incentivizing the conversion of vacant or underutilized office buildings into residential
38 properties.

39 (c) Emergency action is needed to clarify that developers may have commercial-to-
40 residential conversion projects reclassified after a building permit has been issued to construct a
41 new improvement for predominantly (or substantially rehabilitate that portion or all of an
42 existing improvement for exclusive) nontransient residential dwelling purposes.

43 Sec. 3. The Council determines that the circumstances enumerated in section 2 constitute
44 emergency circumstances making it necessary that the Residential Building Permit Classification
45 Emergency Amendment Act of 2025 be adopted after a single reading.

46 Sec. 4. This resolution shall take effect immediately.