

*Testimony of Brian Vargas to the
Committee on Public Services and Consumer Affairs
and the
Committee on Finance and Revenue
on B18-546: Neighborhood Preservation Amendment Act of 2009
and
B18-448: Blighted Properties Abatement Reform Act of 2009*

January 27, 2010

Summary

- Keep the vacant property registration system.
- Include ANCs in the exemption process.
- The proposed “blighted” classification is too subjective. An objective system, such as DMV-style points, should be considered.
- Vacant (but not “blighted”) properties are still a problem. Multi-year vacancies must also be taxed at a higher rate to promote their productive use.

Introduction

Good afternoon. I am Brian Vargas, ANC Commissioner for SMD 2F03. Thank you, Chairwoman Bowser and Chairman Evans, for the opportunity to testify today.

As a Commissioner in Logan Circle, I have had first-hand experience dealing with the myriad problems caused by vacant and “blighted” property in our neighborhood.

I am here today in support of the Council's efforts to combat these problem properties, and to offer my perspective on four key portions of the two bills before you.

Registration of Vacant Properties Is Important

I am strongly against the proposal of Bill 18-448 to eliminate all requirements for the registration of vacant property in the District. The Department of Consumer and Regulatory Affairs has spent considerable money and manpower creating an existing registry of vacant property, and it would be shameful to waste that effort.

Simply by their nature, vacant properties are more likely to fall into disrepair, require city services, or demand inspections or abatement of problems. Required registration provides opportunities for proactive inspections on these high-risk properties, addressing problems before they become serious threats to the safety and vitality of the community.

I hope that the requirement for registration remains in the law going forward.

ANC Involvement in the Process

I am deeply disappointed that Bill 18-546 entirely removes ANCs from the process of granting exemptions from the Class 3 tax rate. As former members of your own ANCs, you no doubt remember the close ties between Commissioners and their neighborhoods. We can tell you right away which properties are the biggest problems. We know because we live next door to them, we walk by them every day, and we deal regularly with the crime, graffiti, rats, drugs, and other nuisances such properties attract.

There is great value in the advice from those of us with our ears to the ground. Whether by granting an exemption where one is not warranted, or by denying an

exemption inappropriately, removing ANCs from the process will only serve to lengthen the time until these properties can be rejuvenated.

I hope you will offer amendments to Bill 18-546 that will bring ANCs back into the process.

Problems with Determination

Let me turn to the question of factual determination. The original classification for the Class 3 tax rate hinged on a very objective test: Is the property vacant? The state of vacancy can be determined with little judgment on the part of an investigator: Is the gas turned off? Check. Has the electrical meter barely moved? Check. Is there uncollected mail piling up on the front porch? Check.

Though the desire to limit Class 3 status to only “the worst of the worst” is understandable, it shifts the question from objective to subjective: Is the property a blight? Unfortunately, it is difficult to come up with objective measures to answer that question. As proposed, Bill 18-546 attempts to provide those measures, but the final determination is still arbitrary. Such subjective measures are not only difficult to implement effectively and fairly in a bureaucracy, but they also open up the city to constant appeals and – potentially – lawsuits challenging a property's status.

Additionally, the standards as proposed in the bill will be ineffective as a measure of blight because many of the conditions are already violations of the building codes. The Department of Consumer and Regulatory Affairs already inspects, cites, and abates

violations of the building codes. Few properties will be classified as Class 3 with such criteria because there are already excellent incentives to fix building code violations – and if they're not fixed by the owner, the city fixes them. What will happen when the City cuts the weeds and boards the windows on a Class 3 property? The City's own actions will have removed the justification for a higher rate, and thus will have undermined the very intent of this bill – to promote the return of these buildings to productive use.

We need more creative solutions to this problem. For example, imagine a point system, analogous to that used by the DMV. Graffiti? One point. Tall weeds? Another point. Broken windows? Two points. Has the property been vacant more than three years? Two more points. And so on. At seven points (or some other threshold), the property would reach Class 3. Some number of points would expire from the property every tax year, allowing well-maintained properties to return to a lower rate if they remain in good repair.

Such a point system focuses in on “the worst of the worst” without resorting to a subjective test. It targets the chronic offenders without unfairly penalizing otherwise well-maintained properties. I hope you will consider revamping the criteria for a Class 3 determination to be objective.

The Economics of Vacancy

In neighborhoods such as Logan Circle, vacant properties create serious gaps in the fabric of the city, whether or not they are “blighted”. That urban fabric is key to the desirability of living and working in these areas, a desirability which is evidenced by the influx of voters, developments, and tax dollars back into these once downtrodden neighborhoods. Even a well-maintained vacant property tears that fabric, unfairly burdening the residents and businesses around it.

The redefinition of Class 3 from “vacant” to “blighted” means that a decently-maintained vacant property can continue to sit idle for years. Experience from the hottest real-estate boom in a generation has shown us that market forces alone are incapable of bringing many of these vacant properties back into productive use. Though I am pleased to see a graduated time-based increase in the registration fee for vacant properties proposed in Bill 18-546, it does not go nearly far enough to promote turnover.

When the \$10 tax rate went into effect, we were delighted to see sudden movement on many properties that had been long-vacant. Homes and storefronts that had sat idle literally for decades were suddenly for sale or under construction.

Address	2010 Assessment	Class 3 (\$5)	Class 3 (\$10)	Class 1 w/ max fee (proposed)
1207 Q St. NW	\$661,100.00	\$33,055.00	\$66,110.00	\$10,619.35
1002 M St. NW	\$591,010.00	\$29,550.50	\$59,101.00	\$10,023.59

(Some example assessments and tax bills, under various scenarios. It should be noted that, in many cases, owners of vacant properties own more than one vacant property in the District.)

Money talks, and receiving a \$65,000 tax bill makes people listen! The proposed registration fee maxes out at only \$5,000, making the total about \$10,000. Owners will just pay the taxes and the fee, and our neighborhoods will be left with gaping holes for decades to come.

Time is a key factor here. There are good reasons why a property might be vacant for a year or two, but it is unconscionable that properties remain vacant for a decade or more. I hope you'll consider amendments to raise the cost of multi-year vacancy back to \$10 per \$100 of assessed value – a rate we know is effective – and will make that cost independent of any other increased rates that might be otherwise attached to a vacant property that has been deemed “blighted”.

Thank you for your time today.