



**D.C. POLICY
CENTER**

Public Hearing on

**B26-0820, the Affordable Housing Tax Assessment Alignment Act of
2026**

Committee on Housing, Chairman Robert White

Monday, October 26, 2026 at 9:30 a.m.

Room 412

John A. Wilson Building

1350 Pennsylvania Avenue NW

Testimony of Dr. Yesim Sayin

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Good morning, Chairperson White and members of the Committee. My name is Yesim Sayin, and I am the Executive Director of the D.C. Policy Center, an independent, nonpartisan think tank that provides fact-based research and analysis to support a strong, vibrant, and compelling District of Columbia.

The D.C. Policy Center supports B26-0820. The bill addresses a straightforward inconsistency in District policy: We should not require a property to remain affordable and then tax it as though it were not. This is a question of accurate assessments, sound government practices, and making better use of the District's limited housing resources.

I will make three points.

1. Affordability restrictions should be reflected in property assessments.

Property assessments are supposed to reflect market value. And market value depends on what a property can physically or legally be used for and the income it can generate.

In appraisal practice, the highest and best use of a property must be legally permissible, physically possible, financially feasible, and maximally productive.¹ A use that is not legally permitted cannot form the basis of an assessment, regardless of how profitable it might be.

We generally think of zoning, height restrictions, and historic preservation requirements as constraints on property value. But affordability covenants are equally binding. A property with rents restricted to households earning 60 percent of area median income cannot generate the same revenue as an otherwise identical market-rate building. Assessing that building as if it could charge market rents measures the value of a property that does not legally exist. A buyer would recognize this difference and pay accordingly. So should the District's assessment system.

In fact, District law already requires assessors to consider any factor that may bear on that value, including government-imposed restrictions.² B26-0820 would clarify this.

¹ Appraisal Institute, *The Appraisal of Real Estate*, 15th ed. (Chicago: Appraisal Institute, 2020), chapter on highest and best use analysis.

² D.C. Official Code § 47-820(a)(3).

2. The District already has the tools to do this, but its information systems do not work together.

The underlying problem is largely administrative. Affordability covenants are recorded with the Recorder of Deeds, and District agencies often have detailed information about the restrictions they impose. But this information does not consistently reach the Office of Tax and Revenue in a form that can be incorporated into assessments.

At the same time, OTR already collects annual income and expense reports from multifamily property owners. These reports identify rent-controlled and other non-market units³ but do not systematically capture the specific rent restrictions, income limits, or expiration dates associated with recorded affordability covenants. As a result, assessors may know that a property contains affordable units without knowing what those units can legally earn.

OTR can close that gap with modest changes:

- **Add covenant fields to the income and expense form:** the program or source of each restriction (Inclusionary Zoning, Housing Production Trust Fund, Low-Income Housing Tax Credit, PUD conditions, or project-based subsidy), the number of restricted units by bedroom size and income tier, the maximum allowable rents, the start and end dates, and the recording reference.
- **Check owner reports against Recorder of Deeds records.** Owners report what their covenants say, and the administering agencies or the Recorder of Deeds can confirm it. Mismatches are resolved before assessment notices go out, not after an appeal.
- **Model restricted and market-rate units separately.** Apply covenant rents to restricted units and market rents to the rest, with operating expenses that include the cost of compliance.
- **Flag covenanted properties in OTR's mass appraisal system** so they are valued as their own group, and their rents and sales neither distort nor are distorted by market-rate comparables.

³ The current apartment form already asks how many units are rent controlled, how many are “non-market,” whether the property participates in a HUD or other low-income housing program, and what share of units participate. Office of Tax and Revenue, Apartment Income & Expense form, <https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/2018%20IE%20Apartment%20Revised%20Paper%20Version%20022018.pdf>

- **Publish the method** so owners, lenders, and the Council know how covenants will be treated before anyone has to appeal.

These changes would give assessors the same facts a buyer, a lender, and an appraiser would use.

3. The gap matters most when a market-rate building becomes affordable.

Once an affordable property has stabilized, its income and expense reports will show restricted rents, and an income-based assessment will eventually catch up. The harder and more consequential case is the transition, when a mission-driven provider buys a market-rate building and places long-term affordability covenants on it. Our May 2026 report identifies preservation and rent buy-downs as among the District's most cost-effective ways to create affordable housing across the city.⁴ They are also the transactions most exposed to this assessment gap.

At acquisition, everything in OTR's file points to market-rate value:

- The prior assessment was set when the building charged market rents.
- The sale price reflects market-rate income, because the covenant is recorded at or after the purchase.
- The income and expense data describe the prior year's market-rate operations. Because the reports trail the assessment, it can take two or more assessment cycles before restricted rents show up in the data OTR uses.

So the new owner pays tax on income the building can no longer legally earn, at exactly the point when its finances are tightest. Property taxes are among the largest operating expenses of a multifamily building. A preservation deal is underwritten on restricted rents, and lenders size loans on net operating income after taxes. A tax bill based on market rents lowers the debt the property can support and widens the gap that public

⁴ Yesim Sayin and Emilia Calma, Breaking the scarcity-subsidy cycle: A new housing vision for the District of Columbia, D.C. Policy Center, May 2026, <https://www.dcpolicycenter.org/publications/breaking-the-scarcity-subsidy-cycle-a-new-housing-vision-for-the-district-of-columbia/>

subsidy must fill. An appeal may eventually correct the assessment, but the owner pays the full bill while it is pending, and that uncertainty is priced into every deal.

This is the scarcity-subsidy cycle in miniature. The District pays to buy down rents, taxes the building as though it had not, and then pays again through larger subsidies to cover the difference. Correcting the assessment will lower some tax bills and some revenue. But much of that revenue is already lost to appeals or returned through subsidy, and an accurate assessment at the moment of conversion makes every preservation dollar go further.

Recommendations

- **Direct how the data is used, not only how it is shared.** The bill's purpose is to ensure that assessments reflect affordability covenants, but its operative text only requires a list. The Council should direct OTR to value restricted units based on the rents their covenants allow.
- **Make the first assessment after a covenant is recorded count.** When a covenant is recorded before the valuation date, OTR should value the property on the covenant's rents rather than the prior year's market-rate income. Owners should be able to submit the recorded covenant and a pro forma rent roll to prompt that review.
- **Cover every recorded affordability restriction,** including Low-Income Housing Tax Credit covenants administered by the D.C. Housing Finance Agency and federal project-based contracts, not only restrictions imposed by District agencies.
- **Ask OTR to specify the data elements** and add covenant fields to the income and expense forms in time for the next filing cycle.
- **Report results.** OTR should report each year how many properties were affected, the change in assessed value, and the revenue effect, so the Council can see whether the gap is closing.
- **Align tax treatment with affordability rather than ownership structure.** As our report notes, some tax benefits depend on whether the owner is a nonprofit rather than on whether the housing is income-restricted. The same restricted rents should lead to the same assessment, whoever the owner is.

Closing

The District already uses covenants to buy affordability. B26-0820 makes sure it does not tax that affordability away. Grounding assessments in what is legally permissible, using the income and expense process OTR already runs, and acting at the moment of conversion would make the District's preservation dollars go further.

Thank you. I am happy to answer questions.