



D.C. POLICY CENTER

The Wilkes Initiative for Housing Policy

Public hearing on Bill 26-252: Real Property Assessment and Appeals Schedule Revision Act of 2025

Committee of the Whole, Chairperson Mendelson

Friday, July 10, 2026, 10:00 am

Testimony of Emilia Calma

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Good morning, Chairperson Mendelson and members of the Committee. My name is Emilia Calma and I am the Director of The Wilkes Initiative for Housing Policy at the D.C. Policy Center, an independent nonpartisan think tank advancing policies for a strong, vibrant and compelling District of Columbia. Thank you for the opportunity to testify on the Real Property Assessment and Appeals Schedule Revision Act of 2025.

The D.C. Policy Center supports efforts to reform the tax assessment process for income generating properties to that assessed values are more aligned with market values, especially during this period of rapid depreciation of commercial office buildings. However, the bill does not address two main issues that distort assessments. If the Council's goal is a tax assessment process that produces accurate valuations, I urge you to strengthen this legislation in two ways.

1. Require transparency in how the Office of Tax and Revenue sets capitalization rates

For income-producing properties, the capitalization rate is the single most consequential factor in the determination of assessed values. Small changes in the cap rate can swing assessed values by millions of dollars. Yet today, property owners have almost no visibility into how the DC Office of Tax and Revenue (OTR) derives the cap rates it applies.

The District used to publish regular cap rate studies. In recent years, those studies have been infrequent or absent, and the results have suffered. Most strikingly, OTR has recently applied cap rates that were below the rate of inflation,¹ a result that is economically incoherent. A capitalization rate is, at its core, the sum of the nominal interest rate,² and an adjustment for the idiosyncratic risk of the specific asset. By definition, a cap rate cannot rationally sit below inflation alone. A cap rate below the rate of inflation implies investors accepting a negative real return with no compensation for risk.

When cap rates are set too low, assessed values are inflated above what any actual purchaser would pay, and taxpayers are forced into costly appeals to correct valuations that should never have been issued. This burdens property owners, clogs the appeals process this bill is trying to streamline, and undermines confidence in the entire system.

I ask the Committee to amend the bill to require that OTR:

- Conduct District-specific capitalization rate studies on a regular schedule (at minimum annually for major property classes), and
- Publish the methodology, data sources, and resulting rates used in each assessment cycle, and comparisons to cap rate estimates published by others such as CoStar, before assessment notices are issued.

¹ For example, in 2022, the rate of inflation was 8 percent. However, the cap rates for that year were 5.1% for trophy, 6.2% for class A, 6.7% for class B, and 7.9% for class C. All of these rates are below the rate of inflation, implying that the interest rate is zero and that dc properties are a perfectly safe investment.

² In other words, the nominal interest rate is the real rate plus inflation.

Transparency is a discipline that will improve the accuracy of assessments and reduce appeals volume over time.

2. Recognize affordable housing covenants immediately in assessments

The second issue concerns how the District assesses affordable housing. When a housing provider records a covenant restricting rents, the property's income is legally capped from the moment the covenant takes effect. Yet under current practice, assessments can continue to value the property as if it could earn market rents, because the income limitation is only reflected two years later in trailing income and expense data.

The two-year lookback on income and expense statements forces covenant-restricted properties to overpay on taxes. This is not just unfair to individual providers; it makes affordable housing harder to finance in the District. Lenders and investors underwrite projects based on net operating income after taxes. When the tax expense is overstated because the assessment ignores the covenant, projects support less debt, require more subsidy, or don't pencil at all. At a moment when the District is trying to stretch every affordable housing dollar, our own assessment practices are working against us.

I ask the Committee to require that assessments reflect recorded affordability covenants immediately upon their effective date, valuing the property based on its legally restricted income rather than hypothetical market income, without waiting for the restriction to appear in historical income and expense filings.

The Committee has an opportunity to do more to reform the tax assessment process than adjust the calendar. Requiring transparent, economically defensible cap rates and immediate recognition of affordability covenants would make the biggest improvement to tax assessments in the District.