

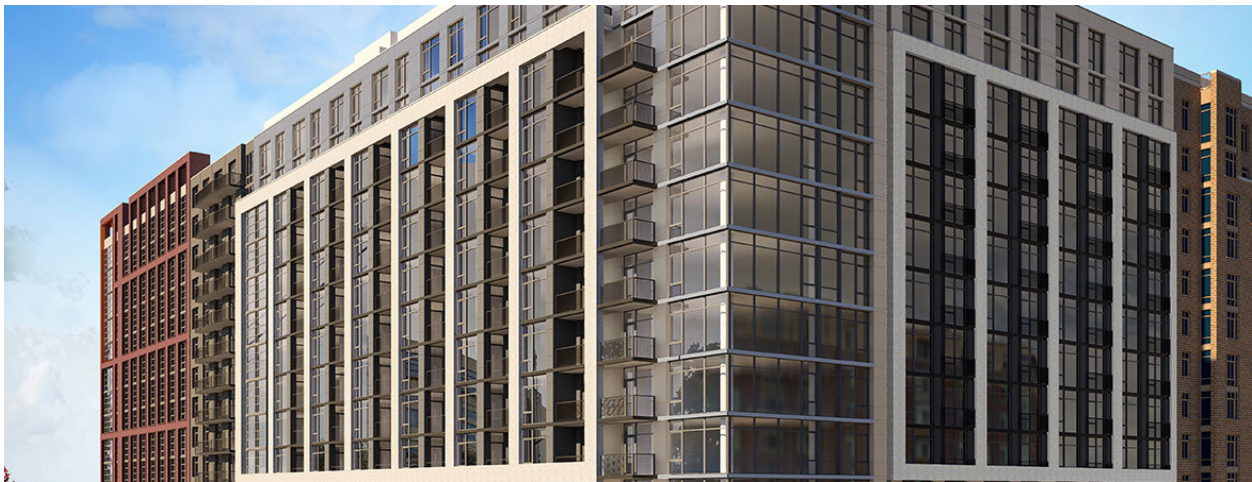
DISTRICT OF COLUMBIA BUILDING INDUSTRY ASSOCIATION

---

## Residential Building Permit Classification Emergency Amendment Act of 2025 Passes

---

DC Council Allows Conversions to Change Tax Class Early in Development Process



On October 1, 2024, the Office of Tax and Revenue (OTR) [issued a policy update](#) that significantly impacted the process for reclassifying properties from Class 2 (commercial) to Class 1A or 1B (residential) under D.C. Code § 47-813(c-9). The new policy required that properties undergoing conversions must reach 100% completion with a certificate of occupancy issued before OTR would grant the residential tax classification. This change created significant financial and practical challenges, particularly for Housing Investment Development (HID) properties and others in the development pipeline, making it harder for developers to obtain financing and move projects forward.

Recognizing the detrimental impact of this change, DCBIA quickly mobilized to advocate for legislative clarification. DCBIA met with OTR staff to discuss the issue, learning that the Office of the Chief Financial Officer (OCFO) required clearer statutory language to authorize earlier tax reclassifications. Subsequently, [DCBIA testified at the November 15, 2024](#), Committee of the Whole hearing on the [Vacant to Vibrant Amendment Act of 2024](#), urging the Council to take action.

Following the hearing, DCBIA continued to engage with the Chairman's office and the administration, ultimately working with the Council to draft an emergency measure to

address the issue. On March 4, 2025, the Council approved the [Residential Building Permit Classification Emergency Amendment Act of 2025](#), a direct result of DCBIA's steadfast advocacy.

This emergency legislation, applicable starting April 1, 2025, allows properties with approved building permits for residential use to qualify for the residential tax classification without requiring 100% construction completion. The measure is limited in scope to avoid fiscal impact while providing much-needed financial security to developers working to convert commercial properties to residential use.

DCBIA extends our gratitude to the OCFO working group members and all those who provided input on this critical issue. This victory to reverse the tax policy change demonstrates how collaborative advocacy can deliver tangible policy changes to support the building industry.

**"We appreciate Chairman Mendelson for advancing this emergency measure and the collaboration from Council staff, OTR, and DMPED in working with the industry to bring predictability to the process,"** said Liz DeBarros, CEO of DCBIA. **"Conversion projects are complex and require significant investment and planning. It's crucial that properties aren't hit with higher commercial tax rates throughout the development process. We strongly support allowing early reclassification for buildings transitioning from commercial to residential use to meet housing and economic development goals, especially as we face a difficult budget and economic cycle ahead."**

**"Today's action is exactly why DCBIA is so important and why it's an honor to lead this organization,"** said Clint Mann, Board President of DCBIA and President of Urban Pace. **"For over eight years, I've seen firsthand how our collective voice drives real change. This change isn't possible without the dedication of our talented members, Council leadership, and DC Government partners. We're grateful to everyone who played a role in making this happen."**

In the coming year, DCBIA will continue to work with the Chairman, the Council, the Mayor's office, and OTR to incorporate and pass permanent language. We will push for additional triggers to facilitate reclassification and advocate for clearer statutory language that aligns with the practical realities of property development in the District.

DCBIA remains a leading voice for the building industry, championing policies that promote vibrant, sustainable development across the District.

Read the Chairman's memo on the proposed emergency [here](#).

---



## Want to make real change in DC like this?

This tax classification change, boosting residential housing development, shows the real impact of DCBIA committees. Join us to tackle key issues, shape policy, and drive progress in DC. Your support is essential.

Come to DCBIA for the [unparalleled networking opportunities](#), but stay for the chance to make a real impact. Join a committee and help shape the future of DC, just like this emergency bill.

Learn more about [DCBIA benefits and join here](#). Already a member? [Email us](#) to let us know which committee interests you.