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Testimony Before the District of Columbia Council
Committee on Public Works and Operations
February 22, 2023

Performance Oversight Hearing:
Department of Licensing and Consumer Protection

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Introduction

Good afternoon, Chairperson Nadeau and members of the Committee. My name is Makenna Osborn. I am a policy attorney at Children's Law Center and a resident of the District. Children's Law Center believes every child should grow up with a strong foundation of family, health and education and live in a world free from poverty, trauma, racism and other forms of oppression. Our more than 100 staff – together with DC children and families, community partners and pro bono attorneys – use the law to solve children's urgent problems today and improve the systems that will affect their lives tomorrow. Since our founding in 1996, we have reached more than 50,000 children and families directly and multiplied our impact by advocating for city-wide solutions that benefit hundreds of thousands more.

Children's Law Center's attorneys handle hundreds of housing conditions cases each year against landlord corporations who fail to adequately maintain their properties. These poor housing conditions cause serious health consequences for our clients and their children and it is important that our clients be able to hold their landlords accountable.

Corporate Disclosure Law Background

I am testifying today about one discrete concern; the Department of Licensing and Consumer Protection (DLCP) has not been implementing a law critical for holding corporate landlords accountable for bad behavior.¹ In 2018 the Council passed the Department of Consumer and Regulatory Affairs Omnibus Act of 2018 (B22-0317) nearly

unanimously,² with strong support of the Mayor.³ Among other things, this law requires corporate entities to disclose the name and addresses for each person who 1) has a greater than 10% beneficial interest in the corporation or 2) has a 10% or less interest *and* controls the entity's financial or operational decisions or day-to-day operations.⁴ The administration and the Committee Report explained these ownership disclosure requirements were necessary to address the well-documented problems of both negligent landlords who owned multiple properties with poor conditions across the District,⁵ and disreputable corporate home flippers who carried out unlawful renovations evading consequence by hiding behind multiple LLCs.⁶

Oversight is Needed to Ensure Corporate Entities Follow Disclosure Requirements

Unfortunately, this important law is neither being followed nor enforced. The law says that disclosure must happen both at the time of filing or registration⁷ as well as every two years in the report corporations are required to file with the agency.⁸ Because this law became effective three years ago, all corporate entities in the District should now be in compliance. Children's Law Center, with pro bono support, recently conducted an informal survey⁹ of the required filings of more than 50 for-profit corporate entities that own residential properties with chronic health-harming housing conditions, as identified by Children's Law Center and our medical partners.¹⁰

According to our research, over half of these corporations appear not to have disclosed their beneficial owners in compliance with the law. For example, some

corporations' filings listed one or more mid-level staffers from the property management company as beneficial owners but not any "true" owners—meaning the individual(s) behind the landlord corporation. Without accurate disclosures, DLCP and the Department of Buildings (DOB) face the same problems in identifying and strategically targeting enforcement against slumlords in the District that led the Council to pass this law in the first place. Additionally, the incomplete and inaccurate information makes it difficult for attorneys (much less tenants with no legal or regulatory background) to hold the actual humans behind a corporate landlord accountable when they are responsible for terrible conditions in a home.

Proposed Solutions: Better Forms and Better Enforcement

We propose two solutions to improve compliance with this critical law.

First—the DLCP forms corporate entities are required to complete should be improved to increase the likelihood of voluntary compliance. Attachments A and B show the DLCP forms that corporate entities need to complete to form or register an organization in DC and biennially report to the agency, respectively.¹¹ Corporations can also complete these filings online at CorpOnline.¹² While we appreciate concerns that lengthening required forms could decrease voluntary compliance, each form is currently only one page with a one- or two-page instruction sheet. Clearer, more organized forms could make a meaningful difference in the completeness of information submitted to DLCP and the transparency of corporate landlords in the District.

The main improvement we recommend for the forms is to clearly distinguish between and provide separate space for the two prongs of beneficial owners: 1) persons with a greater than 10% interest in the entity and 2) persons with an interest of 10% or less, who have sufficient control over the entity. Currently the forms ask filers to list both categories in one place and do not direct filers to indicate which prong a person is being reported under. Additionally, while the instruction sheets for each form direct filers to “[s]tate the names, **residence and business** addresses” of each beneficial owner, the forms themselves do not reiterate that both residential and business addresses must be provided.¹³ Instead, the relevant box instructs the filer to “state the names and addresses...”.¹⁴ More clearly specifying both addresses will make it easier for DLCP, DOB, lawyers and tenants to identify and contact owners to hold them accountable for poor housing conditions, as the law intended. DLCP could also encourage the voluntary provision of more complete beneficial owner details by requiring filers to indicate each owner’s interest level in the entity, for those above 10%, and affirmatively certify that none of the remaining interest levels exceed 10%.

Second—changing the forms, though helpful, will not be enough to ensure compliance with the law. To effectively implement DC’s beneficial owner disclosure requirements, DLCP must *actively* enforce the law. According to employees in DLCP’s Corporations Division, they do not currently take any steps to check the accuracy or completeness of information on beneficial owners that corporations provide to the

agency.¹⁵ DLCP should be systematically checking beneficial owner disclosures in new filings and registrations and auditing past disclosures to assess willful or ignorant noncompliance with the law and guide the agency's enforcement. In your oversight of the newly formed DLCP, we hope this Committee will probe the agency about whether and how they check if corporations' filings actually meet the District's beneficial owner disclosure requirements. We also hope the Committee ensures that DLCP denies or terminates registration of¹⁶ or takes action to dissolve¹⁷—and pursues fines against¹⁸—corporations that fail to make the requisite disclosures. Without a stick, corporate entities and the individuals behind them have little incentive to comply with the law.

Conclusion

Thank you for your attention to this important issue. We appreciate the opportunity to testify and would be happy to answer any questions.

¹ DC Law 22-287. Department of Consumer and Regulatory Affairs Omnibus Amendment Act of 2018.

² B22-0317 passed unanimously except for one Councilmember who was absent for the vote. *Department of Consumer and Regulatory Affairs Omnibus Amendment Act of 2018: Legis. Meeting on B22-317 Before the Comm. of the Whole*, Council Period 22 (D.C. 2018).

³ Then-director of the Department of Consumer and Regulatory Affairs (DCRA), Melinda Bolling, testified in support of this legislation. Council of the District of Columbia, Committee of the Whole, Committee Report on B22-317, p. 40, (November 9, 2017), available at: https://lims.dccouncil.gov/downloads/LIMS/38265/Committee_Report/B22-0317-CommitteeReport1.pdf.

⁴ Corporate entity filings and biennial reports “shall state the state the names, residence and business addresses of each person whose aggregate share of direct or indirect, legal or beneficial ownership of a governance or total distributional interest of the entity:

(A) Exceeds 10%; or

(B) Does not exceed 10%; provided, that the person:

(i) Controls the financial or operational decisions of the entity; or

(ii) Has the ability to direct the day-to-day operations of the entity.”

See D.C. Code § 29-102.01(a)(6) and § 29-102.11(a)(6).

⁵ “Recent news stories have come to light that have shown that negligent landlords operate in the District under the protection of the District’s LLC law. Typically, a negligent landlord will own properties across the District under many different LLCs, because LLCs are not required to report their complete ownership to the District government as part of registration or renewal. In turn, it is difficult for DCRA to identify all of the properties in the District that are owned or operated by the negligent landlord. By requiring disclosure of the ownership behind an LLC when one building is identified to be in poor condition, DCRA will be better able to pursue housing code enforcement at other buildings under the same ownership.” Council of the District of Columbia, Committee of the Whole, Committee Report on B22-317, p. 5, (November 9, 2017), available at:

https://lims.dccouncil.gov/downloads/LIMS/38265/Committee_Report/B22-0317-CommitteeReport1.pdf.
(footnotes omitted).

⁶ Per the Committee Report, it is also important for District residents to know the identity of individuals behind corporate home flippers: “The Committee is aware of instances in which developers have been using multiple LLCs when unlawfully renovating houses in the District, also known as house flipping. Multiple homeowners in the District have faced significant problems with new homes that were illegally renovated. In one instance, a company in Maryland used multiple LLCs to purchase more than a dozen homes in Columbia Heights and Petworth and all the LLCs had the same address. These situations have made it a challenge for homebuyers in the District to find out from whom they are buying. The Committee believes there needs to be more disclosure in these cases to protect homebuyers in the District.” Council of the District of Columbia, Committee of the Whole, Committee Report on B22-317, p. 6, (November 9, 2017), available at:

https://lims.dccouncil.gov/downloads/LIMS/38265/Committee_Report/B22-0317-CommitteeReport1.pdf.

⁷ D.C. Code § 29-102.01(a)(6). Entity Filing Requirements.

⁸ D.C. Code § 29-102.11(a)(6). Biennial Report for Mayor.

⁹ We used SCOUT and CorpOnline, two public-facing online data systems operated by DLCP, to review the information on file for these corporate entities. The data systems can be accessed online at: DC Department of Licensing and Consumer Protection: SCOUT New Consolidated Data Systems Homepage, available at: <https://scout.dcra.dc.gov/dashboard-old-8932>; DC.Gov: CorpOnline Homepage, available at: <https://corponline.dcra.dc.gov/Home.aspx>.

¹⁰ Children’s Law Center’s Healthy Together program is an innovative medical-legal partnership which places attorneys at pediatric primary care health centers in collaboration with Children’s National, Unity Health Center, and Mary’s Center. We receive referrals from medical staff where we can help address a non-medical barrier to a child’s health and too often that is a housing conditions case.

¹¹ Attachment A contains the Instruction Sheet for and form to file Articles of Organization for Domestic Limited Liability Company (LLC), Form DLC-1 (2022), available at:

<https://dlcp.dc.gov/sites/default/files/dc/sites/DLCP/publication/attachments/DLC-1%20Articles%20of%20Organization%20for%20Domestic%20Limited%20Liability%20Company.pdf>

[Hereinafter Attachment A]. Attachment B contains the Instruction Sheet and form to file a Two-Year Report for Domestic & Foreign Filing Entity, Form BRA-25 (2022), available at:

<https://dlcp.dc.gov/sites/default/files/dc/sites/DLCP/publication/attachments/BRA-25%20Two->

[Year%20Report%20for%20Domestic%20%26%20Foreign%20Filing%20Entity.pdf](#) [Hereinafter Attachment B].

¹² DC.Gov: CorpOnline Homepage, available at: <https://corponline.dcrd.dc.gov/Home.aspx>.

¹³ See Attachment A, p. 1; Attachment B, p. 2.

¹⁴ See Attachment A, p. 2; Attachment B, p. 3.

¹⁵ This information came from DLCP employees during a conversation at the agency's Open House on February 16, 2023.

¹⁶ "If an entity submits an entity registration filing that does not include the information required [disclosing beneficial owners], the entity shall not be allowed to register or do business in the District." D.C. Code § 29-102.01(a)(8).

¹⁷ "Submission of a biennial report that does not include the information required [disclosing beneficial owners] shall result in administrative dissolution . . . or termination of [an entity]." D.C. Code § 29-102.11(a)(8).

¹⁸ See D.C. Code § 22-2405. False statements. See also Attachment A, p. 2; Attachment B, p. 3.



District of Columbia Government
Corporations Division

Instruction Sheet for Articles of Organization for Domestic Limited Liability Company (LLC)
Form DLC-1, Ver. 8, October 2022

Use this instruction to draft articles of organization for your LLC; or use the Articles of Organization on page 2. This will establish your new Limited Liability Company in the District of Columbia.

ENTITY TYPE / AUTHORITY	FILING FEE
Domestic Limited Liability Company: § 29-802.01. & 29-102.01	Refer to Corporate Fee Schedule posted online;

- Name of the limited liability company. The name of a limited liability company other than a professional limited liability company shall contain the words "limited liability company" or "limited company" or the abbreviation "L.L.C.", "LLC", "L.C." or "LC".
The name of a professional limited liability company shall contain the words "professional limited liability company" or the abbreviation "P.L.L.C." or "PLLC". Provide description of professional service under Item 6.
- The street address of the initial principal office.
- Registered Agent's name and address in the District Columbia.
- Statement that the limited liability company has at least one member.
- Effective date of the articles. If no date is selected (date must be current date or up to 90 days in advance but not in the past) then filing date becomes the effective date.
- Miscellaneous provisions.
Additional details and optional provisions may be included in this section such as organization's purpose (for PLLCs) or series LLC language as shown below:
 - "If the company will have one or more series that is treated as a separate entity which limits the debts, obligations, and other liabilities to the assets of a particular series as provided in the operating agreement as authorized by § 29-802.06, a statement to that effect."
 - For PLLCs include the specific professional service that must be one of the following: any type of personal service to the public which may be lawfully rendered only pursuant to a license and including the services performed by certified public accountants, attorneys, architects, health professionals as defined under D.C. Law 6-99; D.C. Official Code § 3-1201.01(8), and professional engineers.
- State the names, residence and business addresses of each person (member and manager) whose aggregate share of direct or indirect, legal or beneficial ownership of a governance or total distributional interest of the entity:
 - Exceeds 10 percent; or
 - Does not exceed 10 percent; provided, that the person:
 - Controls the financial or operational decisions of such entity; or
 - Has the ability to direct the day-to-day operations of such entity."
- Organizer's name, address, signature and date.

Mail all forms and required payment to:

Department of Licensing and Consumer Protection
Corporations Division
PO Box 92300
Washington, DC 20090
Phone: (202) 442-4432

Many corporate filings are available online.

Go to our CorpOnline site at <https://corponline.dlcp.dc.gov> and sign in with Access DC to proceed.

Online filings are paid by credit card.



**District of Columbia Government
Corporations Division**

**Articles of Organization for Domestic Limited Liability Company
Form DLC-1, Ver. 8, October 2022**

One or more persons acting as the organizers under the provisions of the Title 29 of D.C. Code (Business Organizations Act) adopt the following Articles of Organization:

1. Company name
2. The street address of the initial principal office
3. Registered agent's name and address in the District of Columbia
4. The limited liability company has at least one member.
5. Effective date
6. Miscellaneous provisions (Include Language about Series LLC and Professional Service Description for PLLCs if applicable)
7. State the names and addresses of each person (member and manager) that has interest or control over this company (review instruction sheet for more information)

If you sign this form you agree that anyone who makes a false statement can be punished by criminal penalties of a fine up to \$1000, imprisonment up to 180 days, or both, under DCOC § 22-2405;

8. Organizer's Name & Address	8A. Organizer's Signature and Date
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Mail all forms and required payment to:
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Corporations Division
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WE ARE WASHINGTON
GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

**District of Columbia Government
Corporations Division**

**Form BRA-25. Ver. 7, October 2022
Instruction Sheet for Two-Year Report for Domestic & Foreign Filing Entity.**

Who needs to file this report?

All domestic (District) or foreign (non-District) filing entity that conducts business in the District of Columbia and that registered with Corporation Division.

Filing entity includes nonprofit and for-profit corporation, limited liability company, limited partnership, limited liability partnership, general cooperative association, limited cooperative association and statutory trust.

When should this report be filed?

The 1st biennial report shall be delivered for filing by April 1 of the year following the calendar year in which the domestic filing entity was formed or the foreign filing entity registered to do business in the District. Subsequent biennial reports shall be delivered by April 1st of each 2nd calendar year thereafter.

Existing domestic filing entities and qualified foreign entities should file subsequent reports every two years from the year of the last report filed.

What are the filing fees?

Refer to Corporate Fee Schedule posted online.

What are the late fees and/or penalties for not filing on time?

Refer to Corporate Fee Schedule posted online. Late fees will be assessed to all filers that file after April 1st. Refer to specific corporate entity type under fee schedule to determine the fee amount.

Do I have to file this report even if I do not get notice from Corporations division?

Failure to receive a report form does not relieve a domestic or foreign filing entity of the responsibility to file and pay on time.

How can I file this biennial report?

All filers are encouraged to file at Corponline site at <https://corponline.dcr.dc.gov>. Refer to Corporate Online Service Information below for more information.

This report can also be filed in person by visiting Business License Center at 1100 4th St., SW, 2nd Floor, Washington, DC 20024. Please, note that walk-in customers will be assessed expedited fee for same day service. Refer to fee schedule for more information.

Mail all forms and required payment to:

Department of Licensing and Consumer Protection
Corporations Division
PO Box 92300
Washington, DC 20090
Phone: (202) 442-4432

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DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

District of Columbia Government
Corporations Division

Form BRA-25. Ver. 7, October 2022.
Instruction Sheet for Two-Year Report for Domestic & Foreign Filing Entity.

Step-By-Step Guide:

Indicate file number if known; indicate the year of filing, date of filing and filing fee.

Item 1

Indicate the name of the domestic or foreign filing entity.

Item 2

Indicate the state of formation.

Item 3

Indicate the principal address of the domestic or foreign filing entity.

Item 4

Indicate the name and address of current registered agent as recorded with Corporations Division;
if agent's information is not correct, indicate the name of the new agent.

Item 5

Provide brief statement of business or affairs conducted in the District of Columbia;
do not use "any lawful business" or similar statement – be specific.

Item 6

Item 10. State the names, residence and business addresses of each person (member, manager, officer, director, shareholder, partner, trustee, etc.) whose aggregate share of direct or indirect, legal or beneficial ownership of a governance or total distributional interest of the entity:

- (A) Exceeds 10 percent; or
(B) Does not exceed 10 percent; provided, that the person:
(i) Controls the financial or operational decisions of such entity; or
(ii) Has the ability to direct the day-to-day operations of such entity."

Item 7

In the case of a qualified foreign entity, a statement that the entity is in good standing in its state of formation or, if the entity is not in good standing, a description of the efforts of the entity to bring itself into good standing.

Item 8

Sign this report; select and indicate the name of the governor or authorized person that executes this report.

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MURIEL BOWSER, MAYOR

**District of Columbia Government
Corporations Division**

**Form BRA-25. Ver. 7, October 2022
Two-Year Report for Domestic & Foreign Filing Entity.**

Use this form to file a two-year report for a domestic or foreign filing entity as required under § 29–102.11.

Year of Filing:

File Number:

Date of Filing:

Filing Fee:

Under the provisions of the Title 29 of D.C. Code (Business Organizations Act), the domestic or foreign filing entity listed below is filing its biannual report and for that purpose submits the statement below.

1. Entity Name

2. Organized under the laws of which state or country

3. Address of principal office

4. Name of Registered Agent and address of registered office in DC

5. Brief statement of business affairs conducted in DC

6. State the names and addresses of each person (member, manager, officer, director, shareholder, partner, trustee, etc.) that has interest or control over this entity (review instruction sheet for more information)

7. Is foreign filing entity in good standing in state / country where it is organized?

Yes

No

If you sign this form you agree that anyone who makes a false statement can be punished by criminal penalties of a fine up to \$1000, imprisonment up to 180 days, or both, under DCOC § 22-2405;

8. Name of the Governor or Authorized Person

8A. Signature of the Governor or Authorized Person

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