

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** G. Manoli Loupassi

3. **Committee** Senate Finance

4. **Title** Real Property Tax; Assessments of
Affordable Housing

2. **Bill Number** HB 1553

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

Second House:

☒ In Committee

☐ Substitute

☐ Enrolled

5. **Summary/Purpose:**

This bill would authorize owners of real property operating in whole or in part as affordable rental housing with expenses and expenditures common to two or more units to compel the assessor to make a pro rata apportionment of the expenses and expenditures to each unit based on each unit's assessed value as a percentage of the total assessed value of all such units, for purposes of determining the fair market value of such property. In order for such owners to obtain the authority: i) the two or more units of real property must be controlled by a single restrictive use agreement regulating income and rent restrictions; and ii) the expenses and expenditures cannot practicably be attributed to a particular unit. The provisions of this bill would apply regardless of whether the units are in one tax parcel or multiple tax parcels.

Under current law, in order to determine the fair market value of real property that is operated as affordable rental housing, the real estate assessor must consider: i) the contract rent and the impact of any applicable rent restrictions; ii) the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures; and iii) restrictions on the transfer of title or other restraints on alienation of the real property.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

This bill would have no impact on state revenues.

To the extent that assessors apportion expenses common to multiple units in affordable rental housing according to the formula set forth in this bill, the bill may reduce the assessed value of the applicable real property, which would reduce local revenues.

9. Specific agency or political subdivisions affected:

All localities

10. Technical amendment necessary: No.

11. Other comments:

Generally

Under current law, owners of real property operated in whole or in part as affordable housing may apply to the locality in which the property is located to have the real property assessed under special rules for affordable housing. The locality must grant the application if 1) the owner charges rents at levels that meet the locality's definition of affordable housing and 2) the real property does not have any pending building code violations at the time of the application.

Under these special assessment rules, in order to determine the fair market value of real property that is operated as affordable rental housing, the real estate assessor must consider: 1) the contract rent and the impact of applicable rent restrictions; 2) the actual operating expenses and expenditures and the impact of any such additional expenses or expenditures and; 3) restrictions on the transfer of title or other restraints on alienation of the real property. The assessor must also consider evidence presented by the property owner of other restrictions imposed by law that impact these variables.

In general, real estate assessors may require the owners of all income producing real property to furnish a statement of income and expenses. An exception to the general requirement is allowed for income producing property solely from the rental of no more than four dwelling units. However, this exception does not apply to property assessed as affordable rental housing.

Proposal

This bill would authorize owners of real property operating in whole or in part as affordable rental housing with expenses and expenditures common to two or more units to compel the assessor to make a pro rata apportionment of the expenses and expenditures to each unit based on each unit's assessed value as a percentage of the total assessed value of all such units. In order to apply: i) the two or more units of real property must be controlled by a single restrictive use agreement regulating income and rent restrictions; and ii) the expenses and expenditures cannot practicably be attributed to a particular unit. The provisions of this bill would apply regardless of whether the units are in one tax parcel or multiple tax parcels.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 2/1/2013 KP
DLAS File Name: HB 1553FE161