

Resolution No. 2

Date: May 12, 2006

City: Washington, D.C.

NAHB Resolution

Title: Local Tax Assessment of a Low-Income Housing Tax Credit Project
Original Sponsor: Housing Credit Group

WHEREAS, there are three commonly employed methodologies for property valuation for real estate tax assessment:

1. Replacement cost approach, under which value is assessed as the cost to replace the structure less depreciation;
2. Comparable sales approach, for which value is assessed as the market price of recent sales of similar properties; and
3. Income approach, under which value is assessed as the discounted present value of a property's expected future cash flow;

WHEREAS, the income approach is appropriate for affordable housing subject to rental or income restrictions, such as, Section 42, Home Investment Partnership projects and the Federal Home Loan Bank Affordable Housing Program, for determining the tax assessment;

WHEREAS, local tax assessors are applying property tax assessments on affordable housing properties using methodologies, such as replacement cost and comparable sales, better suited for market-rate housing, ignoring key differences between market-rate and affordable housing;

WHEREAS, these methodologies result in higher property taxes on affordable housing projects, increasing their operating costs substantially and reducing their financial feasibility;

WHEREAS, unlike market-rate properties, affordable housing projects cannot raise rents to accommodate increased operating expenses such as property taxes;

WHEREAS, a more appropriate tax assessment emphasizes the income approach when determining an affordable housing project's assessed value;

WHEREAS, the income approach requires the tax assessor to consider the impact of rent restrictions and affordability requirements when valuing affordable housing projects and does not treat the tax credit as income attributable to the property; and

WHEREAS, some states have passed legislation requiring tax assessors to use the income approach when valuing affordable housing projects,

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NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders support the adoption of state legislation requiring real estate taxes for an affordable housing property subject to rental or income restrictions to be fairly tax assessed using the income approach where appropriate.

Board of Directors Action:

Executive Board Action:

Resolutions Committee Action:

Federal Government Affairs Committee Action:

State and Local Government Affairs Committee Action:

Taxation Subcommittee of the Federal Government Affairs Committee Action:

Multifamily Board of Trustees Action:

Housing Finance Committee Action:

Multifamily Finance Subcommittee of the Housing Finance Committee Action:

Housing Credit Group Action:

Approved

Recommends Approval

Recommends Approval

Recommends Approval

Recommends Approval

Recommends Approval

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