



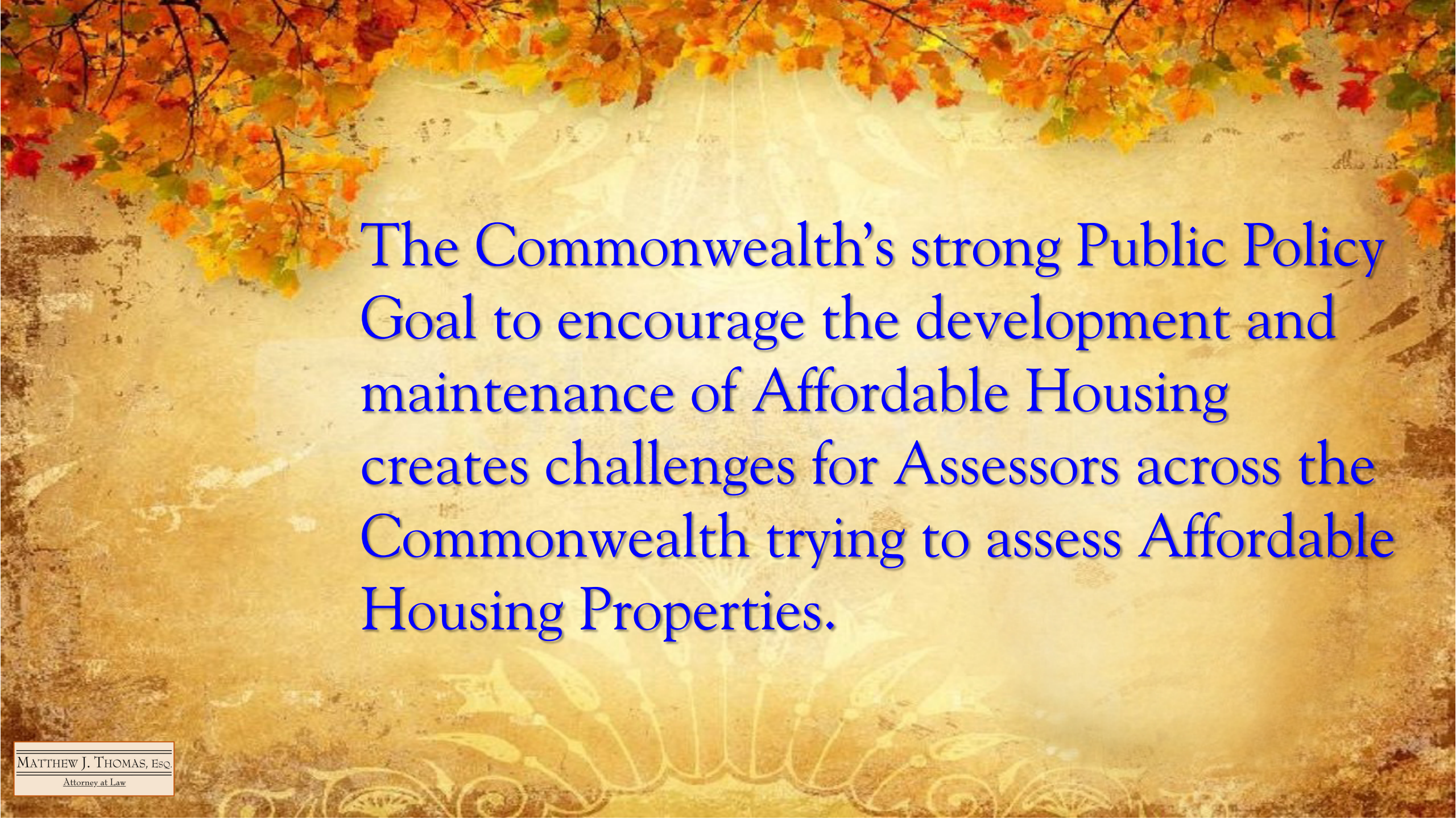
2021 MAAO FALL CONFERENCE

ASSESSING AFFORDABLE HOUSING PROPERTIES

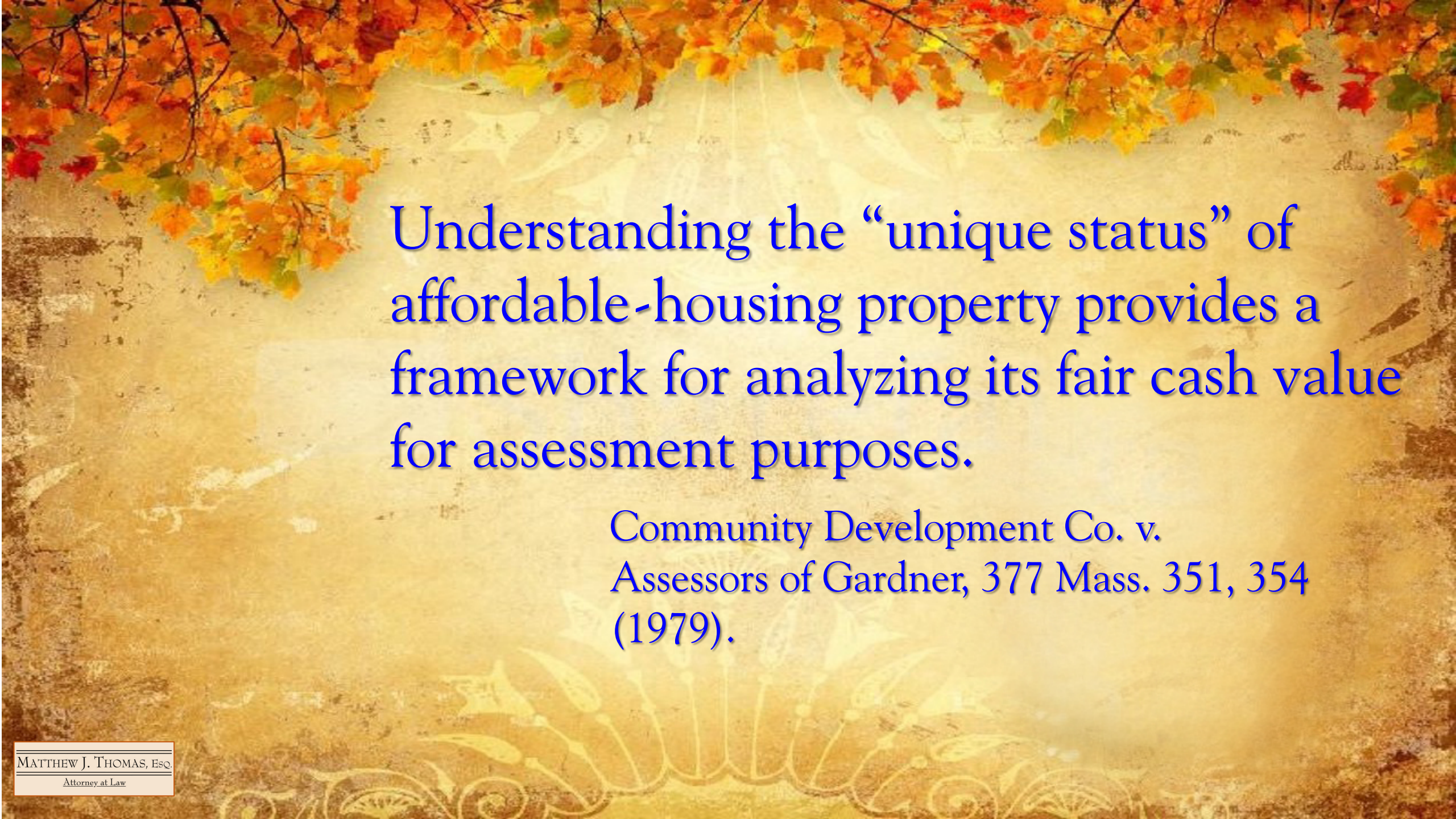
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SEPTEMBER 22, 2021





The Commonwealth's strong Public Policy Goal to encourage the development and maintenance of Affordable Housing creates challenges for Assessors across the Commonwealth trying to assess Affordable Housing Properties.



Understanding the “unique status” of affordable-housing property provides a framework for analyzing its fair cash value for assessment purposes.

Community Development Co. v.
Assessors of Gardner, 377 Mass. 351, 354
(1979).

The background of the slide features a warm, autumnal scene. At the top, there are branches with leaves in shades of orange, yellow, and red. Below this, a light-colored, textured path or ground surface leads towards the bottom. The overall color palette is warm and golden, with a slightly distressed or painterly texture.

Some of the Challenges

- Affordable Housing Properties can be located in one structure or they can be scattered site.
- The holders of the Investment Tax Credits really want losses and so developments are not typically profit driven.
- The “affordable restrictions” can be in recorded “deed riders” or they can be in the financing structure.

The background of the slide features a warm, autumnal scene. At the top, there are branches with leaves in shades of orange, yellow, and red. Below this, a light-colored, textured surface, possibly a stone path or a wall, leads towards a distant, hazy horizon. The overall color palette is dominated by warm, earthy tones.

Some Types of Affordable Housing

- MGL Chapter 40B;
- MGL Chapter 121A;
- Program Funding Restricted;
- Investment Tax Credit Restricted;
- MGL Chapter 184, Section 31 Deed Restricted;

Common Operating Restrictions

- Limitations on per unit rent;
- Mandatory Maintenance and Upkeep Expenses;
- Mandatory Replacement Reserves;
- Restrictions run with the land;
- Expiring Use Restrictions.

Common Operating Restrictions

- According to Massachusetts Housing Partnership, the entity that finances and regulates affordable housing properties, an affordable housing project typically needs at least 20 units to be financially viable and attract investors.
- Restrictions/Mandatory Expenses apply collectively.

Methods of Valuation

- Judith Jacobson, then Deputy Director and General Counsel to MHP testified before the ATB in *Beacon Oread LP v. Worcester and KGH Limited Partnership v. Worcester* (May 14, 2020).
- During her testimony she discussed methods to value affordable housing properties.

Methods of Valuation

- Comparable Sales
 - Typically not enough scattered-site apartment buildings with affordability restrictions to justify relying on a comparable-sales approach.
- Replacement Cost
 - Typically the actual rents could not support replacement costs, and there are challenges of estimating the depreciation.

Methods of Valuation

- Income Capitalization
 - ATB agreed this is the proper method.
 - Actual Rents were the best evidence of a property's potential gross incomes;
 - 2% Vacancy Rate is reasonable, considering properties are typically at full capacity with waiting lists;

Methods of Valuation

- Income Capitalization (continued)
 - Typically a property's actual collective expense ratio is the best indication of the operating costs associated with property;
 - ATB adopted a 7 – 7.5% unloaded base cap rate and then added the tax factor.

Methods of Valuation

- Income Capitalization (continued)
 - For a scattered site project:
 - start with each parcel's gross income,
 - reduced it by the vacancy factor,
 - then deduct an expense amount determined by applying the overall expense ratio for the subject properties to derive a net operating income for each parcel.

Urban Center Housing TIFs

- A UCH-TIF property tax exemption may be used to promote the development of affordable housing in eligible areas.

G.L. c. 40, § 60;

G.L. c. 59, § 5, Clause Fifty-first.

- Must be approved by municipality and Department of Housing & Community Development

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Thank You!

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