

# 2024 MAAO WINTER CONFERENCE



## ASSESSING AFFORDABLE HOUSING PROPERTIES

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# ASSESSING AFFORDABLE HOUSING PROPERTIES

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.



# ASSESSING 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).





## 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.



## 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.





# 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



# WORKFORCE HOUSING STAs

- A WH-STA property tax exemption may be used to promote the development of middle income housing in eligible areas.

G.L. c. 40, § 60B;

G.L. c. 59, § 5, Clause Fifty-Eighth.

- Not more than 5 years.
- Must be approved by municipality and Department of Housing & Community Development.



# GENERAL LAWS CHAPTER 59, SECTION 5O

- Local Acceptance
- Property Tax Exemption for Class One, Residential
- Qualifications
  - Rented at an affordable rate as determined by municipality in accordance with HUD Regs.
  - Rented on Yearly Basis.
  - Occupied Year Round by person or persons whose household income does not exceed amount set by municipality – but not more than 200% of AMI.





# GENERAL LAWS CHAPTER 59, SECTION 5O

- Property Owner seeking the exemption shall annually submit:
  - Copy of signed leases;
  - Proof of Occupying Person/Persons' Household Income;
  - What happens if Occupying Household moves out?
  - What happens if Occupying Household income changes?



## GENERAL LAWS CHAPTER 59, SECTION 5O

- Amount of Exemption determined by municipality but not more than tax otherwise due on parcel based on:
  - Full & Fair Assessed Value multiplied by
  - Square Footage of Units rented & occupied by qualified households (not more than income limit set by municipality, divided by
  - Total Square Footage of Structure located on the property.



# GENERAL LAWS CHAPTER 59, SECTION 5O

- Let's look at an example:
  - Full & Fair Assessed Value \$ 7,000,000
  - Square Footage of Units rented & occupied by qualified households 12 X1200sf  
14,400 sf
  - Total Square Footage of Structure 18,000 sf
  - Adjusted Assessed Value \$5,600,000



*Thank You!*

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