

1 follows:

2 **ARTICLE 3. ASSESSMENTS GENERALLY.**

3 **§11-3-1c. Method of appraising affordable multifamily rental**
4 **housing property.**

5 (a) In determining the true and actual value of improved
6 real property containing four or more residential units operated,
7 in whole or in part, as affordable rental housing in accordance
8 with the provisions of Section 42 Title 26 of the United States
9 Code and 42 U.S.C. §§221(d)(3), 236, 241(f) or 983, for ad
10 valorem property tax purposes, the assessor shall use the cost
11 approach or the income approach.

12 (b) In using the income approach, the assessor shall
13 consider:

14 (1) The verified or audited actual rents received ~~and the~~
15 ~~impact of rent restrictions applicable to the property;~~

16 (2) The verified or audited actual expenses ~~associated~~
17 incurred with in the operation of the property, excluding
18 mortgage interest and depreciation; and

19 (3) a capitalization rate determined from recent actual
20 sales of commercial property used for residential purposes in the
21 same geographical area as the property to be valued and the net
22 incomes actually realized from those properties over the next

1 preceding three years.

2 (c) In using the cost approach, the assessor shall:

3 (1) determine the amount of economic obsolescence resulting
4 from the differences between the actual rents received and the
5 unrestricted rents of similar units not subject to such
6 restrictions in the same geographic area; and

7 (2) consider the impact of rent restrictions on transfer of
8 title and other restraints on alienation of the property.

9 (d) The information provided to an assessor under
10 subsections (b) and (c) of this section shall be confidential
11 pursuant to section twenty three, article one-A, chapter eleven
12 of this code.

13 (e) Federal or state income tax credits allowed with respect
14 to the property may not be treated as ~~a part of~~ contributing
15 value to the property or as income attributable to it.

16 ~~(b)~~ (f) For real property which only a portion of the
17 individual housing units are operated as affordable rental
18 housing, as defined in Section 42 of the Internal Revenue Code of
19 1986, as amended, only that portion of the property is subject to
20 the requirements of this section.

1 (eg) In addition to the powers and duties of the Tax
2 Commissioner in other provisions of this article and this code,
3 the Tax Commissioner has the power and duty to:

4 (1) Propose rules for legislative approval in accordance
5 with the provisions of article three, chapter twenty-nine-a of
6 this code establishing a method to determine the appraised value
7 of real property operated as affordable rental housing consistent
8 with the provisions of this section;

9 (2) Prescribe forms for annual reporting of income and
10 expenses to be used by the assessors for valuing such affordable
11 rental housing; and

12 (3) Propose rules for legislative approval in accordance
13 with the provisions of article three, chapter twenty-nine-a of
14 this code establishing a method to determine the capitalization
15 rate to be used in the income approach as defined in this section
16 if insufficient data as to actual sales prices and net incomes is
17 available. ~~Develop and publish on an annual basis the~~
18 ~~capitalization rate to be used by the assessors for valuing such~~
19 ~~affordable rental housing.~~

NOTE: The purpose of this bill is to provide for the method of appraising certain affordable, multifamily rental property for property tax assessment purposes. The bill also grants rule-making authority.

~~This section is new; therefore, strike-throughs and underscoring have been omitted.~~