SUBJECT: Revising appraisal methods for low- or moderate-income housing projects

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 11 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer, Murphy, Noble, Rodriguez, Sanford, Shine

0 nays

WITNESSES: For — Christopher Akbari, Itex; (*Registered, but did not testify*: David Mintz, Texas Apartment Association)

Against — None

On — (*Registered, but did not testify*: Korry Castillo, Comptroller of Public Accounts)

BACKGROUND: Tax Code sec. 23.215 governs the appraisal of certain nonexempt property used for low-income or moderate-income housing for property tax purposes. If property qualifies under this section, the chief appraiser must appraise its value using the income method of appraisal.

Some note that appraisal methods for low-income housing developments can be inconsistent during the initial construction and occupancy stabilization phases and suggest revising appraisal procedures during these phases to account for the total amount of construction completed or percentage of actual occupancy.

DIGEST: CSHB 3439 would revise the appraisal method of certain nonexempt property used for low-income or moderate-income housing.

The bill would specify that the appraisal methods would apply to qualifying property that was owned by an organization:

- for the purpose of renting to certain eligible individuals or families, instead of property that was rented to those groups;

- that was or would be financed under the low income housing tax credit program, instead of property that had been financed under the program; and
- was subject to a land use restriction agreement.

In appraising property that was under construction or that had not reached stabilized occupancy on January 1 of the tax year in which the property was appraised, the chief appraiser would have to determine the value of the property using its projected income and expenses for the first full year of operation as established in the underwriting report prepared by the Texas Department of Housing and Community Affairs and adjust that value as provided by the bill.

For a property under construction, the chief appraiser would have to adjust the value to reflect the percentage of the construction that was completed on January 1. For purposes of this bill, a property would not be considered to be under construction if the purpose of the work being performed was the maintenance or rehabilitation of the property.

For a property on which construction was completed but that had not reached stabilized occupancy, the chief appraiser would have to adjust the value to reflect the actual occupancy on January 1.

In appraising the value for the property for the first tax year after construction was complete and occupancy had stabilized and any subsequent year, the chief appraiser would determine the appraised value using the income method of appraisal as provided under current law.

The bill would take effect January 1, 2022, and apply only to a property tax year beginning on or after that date.