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## OLR Bill Analysis

### HB 5158

#### ***AN ACT CONCERNING THE STANDARDIZED VALUATION OF AFFORDABLE RENTAL HOUSING.***

#### **SUMMARY**

This bill requires municipalities to assess properties that are classified as housing for only low- and moderate-income households based on the capitalized value of “net rental income,” rather than fair market value, if the property’s rents or carrying charges are regulated by the federal or state government (or limited by a government agreement). Current law explicitly requires municipalities to do so if they have adopted an ordinance that classifies the property as this type of housing (see BACKGROUND). By law, housing for only low- and moderate-income households is (1) constructed or rehabilitated with government assistance and (2) subject to certain government regulations or other occupancy restrictions based on specified household income limits (CGS § 8-202).

Under existing law and unchanged by the bill, “net rental income” is the gross income of a property described above as limited by rents and carrying charges, minus operating expenses and property taxes. In other words, under the bill, municipalities must assess the properties described above based on actual rent received. All else being equal, a property with a lower gross income will also have a lower valuation. The law generally requires assessors to use each of the following three methods to determine rental properties’ fair market value:

1. replacement cost less depreciation, plus the land’s market value;
2. capitalization of net income based on market rent for similar property; and
3. comparable sales.

The requirement applies to property used primarily to produce rental income, except for (1) owner-occupied residential properties with six or fewer units and (2) certain federally or state-subsidized housing (CGS § 12-63b).

The bill also makes technical changes.

EFFECTIVE DATE: October 1, 2024

## **BACKGROUND**

### ***Tax Abatement for Low- and Moderate-Income Housing***

The law allows municipalities to adopt ordinances (1) reducing all or part of the property taxes on housing for only low- or moderate-income households and (2) classifying properties as eligible for abatement. The abatement must be made under a contract between the municipality and the housing's owner that, among other things, specifies how the owner will use the money saved from the abatement (CGS 8-215). It also allows the Department of Housing to enter into contracts with municipalities to reimburse them for the abatements (CGS § 8-216).

## **COMMITTEE ACTION**

Housing Committee

Joint Favorable

Yea 10    Nay 5    (02/29/2024)