



House of Representatives

General Assembly

File No. 34

February Session, 2024

House Bill No. 5158

House of Representatives, March 14, 2024

The Committee on Housing reported through REP. FELIPE of the 130th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE STANDARDIZED VALUATION OF AFFORDABLE RENTAL HOUSING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 8-216a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2024*):

4 (a) [The provisions of] Notwithstanding any [other] provision of the
5 general [statute] statutes or special act, [to the contrary
6 notwithstanding,] the present true and actual value of [the] any real
7 property classified as property used for housing solely for low or
8 moderate-income persons or families, [pursuant to section 8-215,] on
9 which rents or carrying charges are limited by regulatory agreement
10 with, or otherwise regulated by, the federal or state government or any
11 department or agency thereof, shall be based upon and shall not exceed
12 the capitalized value of the net rental income of [the housing project]
13 such real property. For purposes of [sections 8-215, 8-216 and] this
14 section, [such net rental income] "net rental income" means the gross

15 income of [the project] any real property classified as property used for
16 housing solely for low or moderate-income persons or families as
17 limited by the schedule of rents or carrying charges, less reasonable
18 operating expenses and property taxes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2024	8-216a(a)

HSG *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
Various Municipalities	Grand List Reduction	None	See Below

Explanation

The bill requires certain low- or moderate-income housing to be valued using the net rental income method of valuation.¹ To the extent municipalities are not already using this method of valuation, there will be a grand list reduction. A grand list reduction results in a revenue loss given a constant mill rate, however, it is likely that a municipality will adjust its mill rate to offset any predicted revenue loss.

The magnitude of the impact is dependent on (1) the difference between the current valuation method the municipality uses, and the net rental income method required under the bill, and (2) the number of properties in each municipality that must be valued differently under the bill.

This method of valuation currently exists as a local option. Municipalities that have already adopted this as a local ordinance will see no fiscal impact.

¹ The bill impacts certain properties that are entirely affordable housing. The Department of Housing estimates that the valuation method requirement in the bill would apply to approximately 1,100 housing projects statewide.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of qualifying properties in each municipality that are currently valued using a different method.

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)