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**Research Plan: House Bill 1390/Senate Bill 1671, Low Income Housing Property Credit**

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Deputy Executive Director Approval: Initial: Date:

Executive Director Approval: Initial: Date:

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**Purpose:**

The Finance, Ways and Means Committee of the Senate sent **Senate Bill 1671** by Southerland to the Commission for study and the companion bill, **House Bill 1390** by Faison was referred by the Finance, Ways and Means Subcommittee of the House. The bills would prohibit local property assessors from including the value of the federal Low Income Housing Tax Credit (LIHTC) in a property's assessed/appraised value.

**Background:**

In 2003, a Tennessee Court of Appeals decision (Spring Hill, L.P., et al. v. Tennessee State Board of Equalization, et al. 2003 Tenn. App. Lexis 952) ruled that local property assessors can include the value of the LIHTC in a property's appraisal/assessed value; assessors in 12-15 counties include at least a portion of the LIHTC in their appraisals and assessments. Although there has been no overall shortage of developers seeking to build affordable housing projects, the Tennessee Housing Development Agency and others have expressed concern that including the LIHTC in property values eliminates a large part of the credit's benefit and takes away the incentive for private sector developers to build and maintain affordable rental housing.

**Step 1. Define the Problem**

How to fairly appraise and assess the value of affordable housing projects while not adversely affecting their supply.

**Step 2. Assemble Some Evidence**

- Review referred legislation
  - Review House Bill 1390, Senate Bill 1671, and related statutes to determine what the bills do.

- Review committee hearings on the bill and summarize comments and concerns of committee members, the bill sponsor, and others speaking for or against the bill. Based on the results of the review, interview
  - key legislators for more information, and
  - bill proponents and other stakeholders to determine
    - how LIHTCs work
      - Who is eligible and what are the criteria
      - Who benefits from them and how
      - How and why they are bought and sold
    - how they affect the assessed value of the property
    - how many applications are made and received in each county
    - how much difference do different appraisal methods make in the size of the tax bill
  - What other incentives are available for development of low income housing and how effective are the various incentives in creating low income housing
  - Include in the list of stakeholders interviewed
    - Tennessee Housing Development Agency
    - Tennessee Association for Housing and Redevelopment Authorities
    - Tennessee Association of Assessing Officers
    - Tennessee Bankers Association
    - Tennessee Developers Council
    - Tennessee Association of Affordable Housing
    - Tax Attorneys
  - Review the fiscal note. Consult with Fiscal Review Committee staff and follow up with agencies submitting support forms to determine the estimated cost and the method and rationale for the estimates.
- Review the Spring Hill decision and other relevant court rulings.
- Review other states' laws and options concerning LIHTC valuation.
- Review relevant federal rules and regulations.
- Review literature and seek opinions of subject matter experts.
- Convene a panel of stakeholders drawn from the above list to speak with the Commission at its summer 2014 meeting.

### **Step 3. Construct Alternatives**

Alternatives will be based on

- current law
- proposed changes to the current law, and
- any additional alternatives drawn from the research and analysis in Step 2.

Each alternative will be described specifically enough to project outcomes in Step 5.

### **Step 4. Select Criteria**

- Cost to
  - affordable housing developers,
  - other developers,
  - property owners,
  - investors, and
  - communities
- Effect on supply of affordable housing
- Fairness to
  - affordable housing developers,
  - other developers,
  - property owners,
  - investors, and
  - other taxpayers
- Constitutionality
- Estimate receptiveness of
  - affordable housing developers,
  - other developers,
  - property owners,
  - investors,
  - development agencies,
  - assessors and other local officials, and
  - others

### **Step 5. Project Outcomes**

- Estimate cost
- Estimate effectiveness
- Evaluate questions of fairness
- Evaluate constitutional issues
- Estimate the acceptability to various interests.

### **Step 6. Confront Trade-offs**

- How will the differences between the current law and the other alternatives affect the public?
- What are the pros and cons of the potential solutions?

### **Step 7. Decide which alternatives to present to the Commission**

Based on the results of Step 6, choose the alternatives that most practically and realistically resolve the problem

### **Step 8. Produce the Draft Report**

Develop and present a draft for review and comment to the Commission

### **Revisit Steps 5-8.**

- Respond to feedback from Commission regarding outcome projections, trade-offs, and selection of alternatives
- Revise and edit the draft to reflect comments of the Commission
- Submit final report to the Commission for approval

