



TO: Budget and Taxation Committee
FROM: LeadingAge Maryland
SUBJECT: Senate Bill 598, Property Tax - Low-Income Housing Tax Credit - Valuation of Property
DATE: February 12, 2025
POSITION: Favorable

LeadingAge Maryland supports Senate Bill 598, Property Tax - Low-Income Housing Tax Credit - Valuation of Property.

LeadingAge Maryland is a community of more than 140 not-for-profit aging services organizations serving residents and clients through continuing care retirement communities, affordable senior housing, assisted living, nursing homes and home and community-based services. Members of LeadingAge Maryland provide health care, housing, and services to more than 20,000 older persons each year. Our mission is to be the trusted voice for aging in Maryland, and our vision is that Maryland is a state where older adults have access to the services they need, when they need them, in the place they call home. We partner with consumers, caregivers, researchers, public agencies, faith communities and others who care about aging in Maryland. LeadingAge Maryland represents the vast majority of CCRCs in the state.

Senate Bill 598 requires the supervisor of assessments for a county to evaluate a net operating income calculation when determining the value of commercial real property that is developed under low-income housing provisions of federal law. The bill is meant to help streamline the assessment process for Low Income Housing Tax Credit (LIHTC) projects by requiring assessors to value LIHTC projects based upon their net operating income with an upward cap rate adjustment of 1.5-2% – a standard that's set in SDAT's Assessment Procedure Manual but is not always followed by assessors. The bill should hopefully help yield more favorable assessments for affordable housing projects and lessen the need for developers to file appeals.

The LIHTC program has been instrumental in creating and maintaining affordable housing options for low-income families, seniors, and individuals with disabilities. However, the current valuation method for these properties often results in inflated assessments, which can lead to increased property taxes and reduced affordability. Senate Bill 598 addresses this issue by requiring the supervisor of assessments to evaluate the actual or anticipated net operating income attributable to the real property, capitalized at the prevailing market rate for conventional multifamily properties in the same geographic area, and adjusted to account for affordability restrictions and other encumbrances required under the LIHTC program. This approach ensures

that the valuation of these properties is based on their actual income-generating potential, rather than speculative or hypothetical values.

By adopting this more accurate and equitable valuation method, Senate Bill 598 will help to:

- Preserve affordable housing: By reducing the property tax burden on LIHTC properties, this legislation will help to maintain the affordability of these units and ensure that they remain available to low-income households.
- Promote economic development: By providing a more stable and predictable tax environment, Senate Bill 598 will encourage developers to invest in affordable housing projects, creating jobs and stimulating economic growth in local communities.
- Support vulnerable populations: By preserving affordable housing options, this legislation will have a positive impact on the health and well-being of low-income families, seniors, and individuals with disabilities, who are often disproportionately affected by housing insecurity.

By adopting a more accurate and equitable valuation method for LIHTC properties, we can promote affordable housing, economic development, and the well-being of vulnerable populations in Maryland.

For these reasons, LeadingAge Maryland respectfully requests a favorable report for Senate Bill 598.

For more information, please contact Aaron Greenfield at 410.446.1992 or aaron@agreenfieldlaw.com