

# **LeadingAge Maryland - 2025 - SB 598 - Property Val**

Uploaded by: Aaron Greenfield

Position: FAV



**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](mailto:aaron@agreenfieldlaw.com)

**CDN SB 598 FAVORABLE.pdf**

Uploaded by: Claudia Wilson Randall

Position: FAV



**Testimony**  
**SENATE BILL 598**  
**BUDGET and TAXATION COMMITTEE**  
**February 12, 2025**  
**Position: FAVORABLE**

Dear Chairman Guzzone and Members of the Budget and Taxation Committee:

The Community Development Network of Maryland (CDN) is the voice for Maryland's community development sector and serves nearly 150 member organizations. CDN—focuses on small affordable housing developers, housing counseling agencies and community-based non-profits across the state of Maryland. The mission of CDN is to promote, strengthen and advocate for the community development sector throughout Maryland's urban, suburban and rural communities. CDN envisions a state in which all neighborhoods are thriving and where people of all incomes have abundant opportunities for themselves and their families.

SB 598 - Requires the supervisor of assessments for a county to evaluate a certain net operating income calculation when determining the value of commercial real property that is developed under low-income housing provisions of federal law; and applying the Act to all taxable years beginning after June 30, 2025.

Maryland is in desperate need of housing affordable to teachers, plumbers and x-ray technicians. According to analysis by the Maryland Department of Housing and Community Development, our state is more than 100,000 units short. In the next ten years we will need to create and preserve homes in every area of the state.

Currently, the State Department of Assessment and Taxation has been treating multi-family affordable housing like market rate housing and taxing them at the same rate. This creates difficulties in an already challenging environment for owners and managers of Low Income Housing Tax Credit Projects throughout the state. Without communication between the state Community Development Administration and the State Department of Assessment and Taxation, owners will continue to have to spend money to challenge the assessments.

There are many misconceptions about affordable housing, the main one being that they decrease property values. A recent [Urban Institute study](#) of Alexandria, Virginia has proven that affordable housing actually increases or has zero effect on property value.

We urge a favorable report for Senate Bill 598.

Submitted by Claudia Wilson Randall, Executive Director, Community Development Network

**MAHC Testimony\_SB 598\_SDAT\_FAV.pdf**

Uploaded by: Miranda Willems

Position: FAV



**Testimony to the Budget & Tax Committee**  
**SB 598 – Property Tax – Low Income Housing Tax Credit – Valuation of Property**  
**Position: Favorable (FAV)**

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SB 598 would codify the procedure for assessing the value of properties funded with Low Income Housing Tax Credits (LIHTC) to ensure that the income approach is used and that the value of the tax credits is excluded when determining the assessed value. Affordable housing developers have reported numerous instances of local assessment offices incorrectly overvaluing their properties after construction is completed, often requiring lengthy and costly appeals to have the assessment lowered so that the tax bill is in line with the project's financing models. This is especially critical in Counties where a payment in lieu of tax (PILOT) agreement is not offered to affordable properties by the local government. There seems to be a disconnect between SDAT and DHCD that needs to be addressed so that SDAT is notified when a LIHTC property closes and can contact the property owner to ensure any necessary documentation is provided. This bill is intended to correct that problem.

MAHC is the leading organization for the affordable rental housing industry in Maryland and represents over 185 member organizations, including nonprofit and for-profit developers, community action groups, State and local housing authorities, property management companies, financial institutions, community development organizations, contractors, investors, consultants and individuals. This bill will address our members' concerns around incorrect property assessments for LIHTC projects. **We urge your support of SB 598.**

Respectfully submitted on February 12, 2025 by Miranda Darden-Willems, Executive Director, on behalf of the MAHC Board of Directors.

**MAHC Board of Directors**

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Dana Johnson, Homes for America, Vice President  
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**SB598\_Hettleman\_FAV.pdf**

Uploaded by: Shelly Hettleman

Position: FAV

**SHELLY HETTLEMAN**  
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**THE SENATE OF MARYLAND**  
**ANNAPOLIS, MARYLAND 21401**

**Testimony in Support of SB598**  
**Property Tax - Low-Income Housing Tax Credit - Valuation of Property**

Maryland is facing an undeniable affordable housing crisis and **SB 598 Low-Income Housing Tax Credit - Valuation of Property** is another innovative way of addressing the issue. SB598 would help streamline the real property tax assessment process for affordable housing projects that receive the federal Low-Income Housing Tax Credit (LIHTC) by requiring SDAT's county assessors to value such projects based upon their net operating income with an upward capitalization rate adjustment of 1.5% to 2%.

As housing prices continue to climb, the availability of affordable options continues to fall, resulting in a struggle to manage the financial demands of securing safe and stable housing. This bill would help affordable housing units to come to market more quickly and at lower costs. More affordable housing is desperately needed, as Maryland currently lacks 85,000 affordable housing units, with an additional 97,000 units needed by 2030.<sup>1</sup>

This bill simply codifies standards that are already set in SDAT's [Assessment Procedure Manual](#) for LIHTC properties. Those standards include:

- A requirement that assessors apply an income approach rather than a cost approach when valuing LIHTC properties.
- A requirement that assessors not consider the value of LIHTC credits as income attributable to real property.
- A guideline that assessors use capitalization rates 150 to 200 basis points (i.e. 1.5%-2%) higher than those applied to conventional multifamily properties.

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<sup>1</sup> "Maryland Housing Needs Assessment & 10-Year Strategic Plan." National Center for Smart Growth and Enterprise Community Partners, Inc. Report commissioned by the Maryland Department of Housing and Community Development. <https://dhcd.maryland.gov/Documents/Other%20Publications/Report.pdf>

Several other states have codified similar LIHTC-specific assessment procedures,<sup>2</sup> recognizing that these projects face delicate financing arrangements and operate on thin margins by nature of the affordability restrictions mandated under federal law.

The bill is needed to address several issues Maryland's affordable housing developers have identified as roadblocks to the construction of affordable housing. Of particular concern is that county assessors do not always follow the guidelines in SDAT's Assessment Procedure Manual. Some of the issues developers have identified include:

- Assessors not following the requirement to use an income approach to valuation, instead valuing LIHTC properties based on construction or permitting costs;
- Assessors not following the Manual's guideline to use capitalization rates 150-200 basis points higher than those for conventional multifamily properties;
- Assessors failing to recognize that properties were approved for LIHTC financing, instead valuing them as if they were market-rate multifamily properties.

Collectively, these issues have led certain affordable housing projects to be assessed at inaccurate, inflated values that do not properly reflect their LIHTC status, requiring developers to file appeals. Appeals are often costly and time-consuming to conduct. The appeal process can take over a year to complete, which puts affordable housing projects – which rely on highly delicate financing arrangements – in jeopardy of falling through. Lengthy appeals have forced some affordable housing developers into tax sale or into large loans to keep projects afloat, simply because assessors failed to properly value properties based on their LIHTC status.

This bill would streamline the assessment process for LIHTC projects by accurately reflecting their encumbered status, thereby lessening the need for developers to file appeals. This would help address our state's affordable housing crisis by allowing affordable housing units to come to market more efficiently. I ask for a favorable report for SB598, thank you.

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<sup>2</sup> Arizona, Illinois, Iowa, Missouri, New York.