

# Property Tax at Risk: The “Real” Story on HB 458

ACCA 86<sup>th</sup> Annual Convention

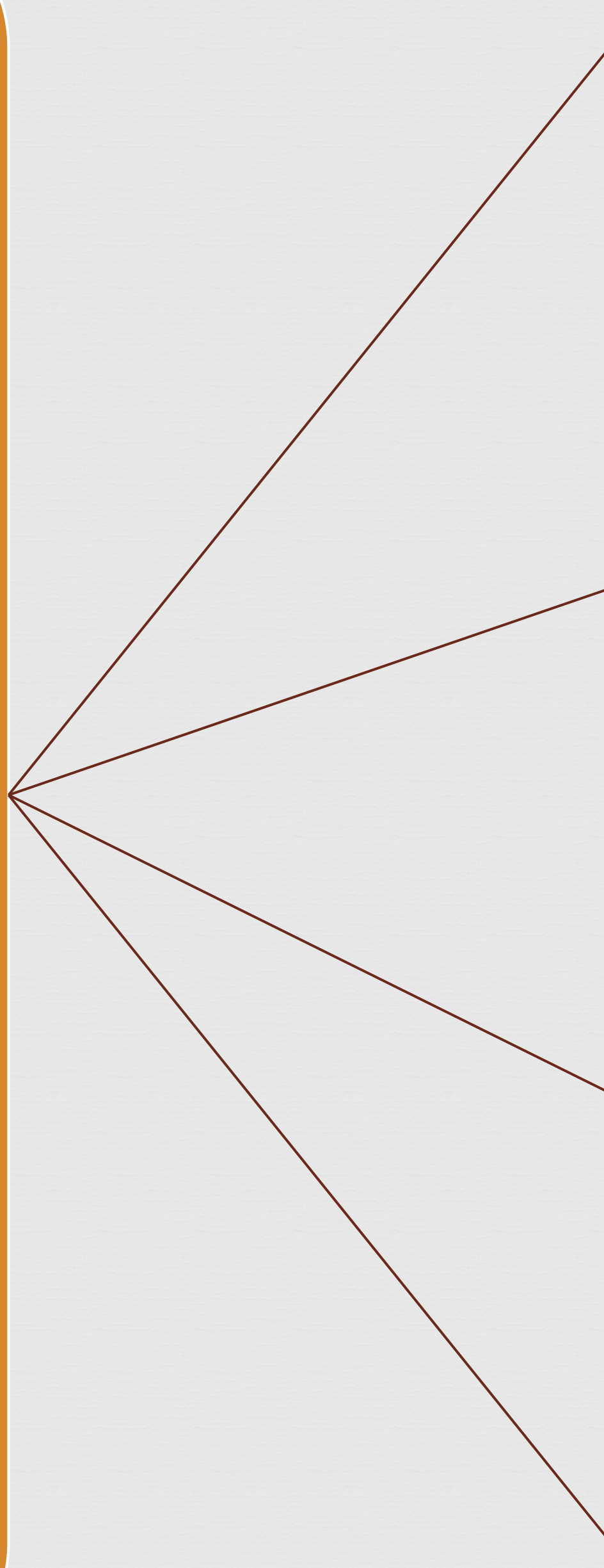


August 20, 2014

Don Armstrong, ACTA  
Shelby County Property Tax Commissioner



# What is Section 42 Housing?



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graph LR; A[What is Section 42 Housing?] --- B[Internal Revenue Code  
Low Income Housing Tax Credit Program (LIHTC)]; A --- C[Alabama Housing Finance Authority administers the program for our state.  
Title 24, Code of Alabama – 1975 (24-1-66)]; A --- D[Largest production and incentive program funded by the federal government.]; A --- E[Single-family homes are included.];
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## Internal Revenue Code

Low Income Housing Tax Credit Program (LIHTC)

Alabama Housing Finance Authority administers the program for our state.

*Title 24, Code of Alabama – 1975 (24-1-66)*

Largest production and incentive program funded by the federal government.

Single-family homes are included.



# *Title 24, Code of Alabama – 1975*



(24-1A-12)

## ⌘ **Exemption from taxation.**

The property and income of the authority, all bonds issued by the authority, the interest payable on and the income derived from such bonds, conveyances by or to the authority and leases, mortgages and deeds of trust or trust indentures by or to the authority shall be exempt from all taxation in the state. The authority shall be exempt from all taxes levied by any county, municipality or other political subdivision of the state, including, but without limitation, license and excise taxes imposed in respect of the privilege of engaging in any of the activities in which the authority may engage. **Nothing in this section shall be construed to exempt any private person, firm or corporation from payment of any ad valorem, mortgage or deed taxes or recording fees notwithstanding the fact that the authority shall have acquired an interest in the property or instrument subject to such taxes or fees.**

*(Acts 1980, No. 80-585, p. 899, §14.)*



# *Title 24, Code of Alabama – 1975*



(24-2-7)

✧ Tax status of land sold or leased to private individuals or corporations for redevelopment.

Any property which the authority or the governing body of any incorporated city or town leases to private individuals or corporations for development under a redevelopment plan shall have the same tax status as if such leased property were owned by such private individuals or corporations.

✧ (*Acts 1949, No. 491, p. 713, §6; Acts 1967, No. 416, p. 1070, §6.*)



# INCENTIVES FOR DEVELOPERS

- **Tax Credits** - Based on overall cost of the development.
- **Low Interest Rates** - Below market rates.
- **Tax Benefit** – Investors offset their taxable income.  
(Dollar for dollar)



# House Bill 458



- ☐ **Set parameters on how this property would be assessed.** (Pg. 1- Line 12 thru 26)
- ☐ **Determine how the Assessor/Revenue Commissioner would value this type of property.** (Pg. 2- Line 1 thru 26)
- ☐ **Prohibited considering the value of federal or state tax credits.** (Pg. 3- Line 9 thru 11)
- ☐ **Value utilizing the Income Approach except in cases where the replacement cost approach may be lower.** (Pg. 3- Line 14 thru 17)



# House Bill 458



- ☐ **Require the Dept. of Revenue to annually determine cap rates.** (Pg. 3- Line 19 thru 20)
- ☐ **The final appraisal shall not, as of its effective date, become final and un-appealable.**  
(Pg. 3- Line 27 thru Pg. 4- Line 3)



# Shelby County – City of Columbiana Project

☞ Affordable Housing Project cost per Alabama Housing Finance Authority's website. [www.ahfa.com](http://www.ahfa.com)

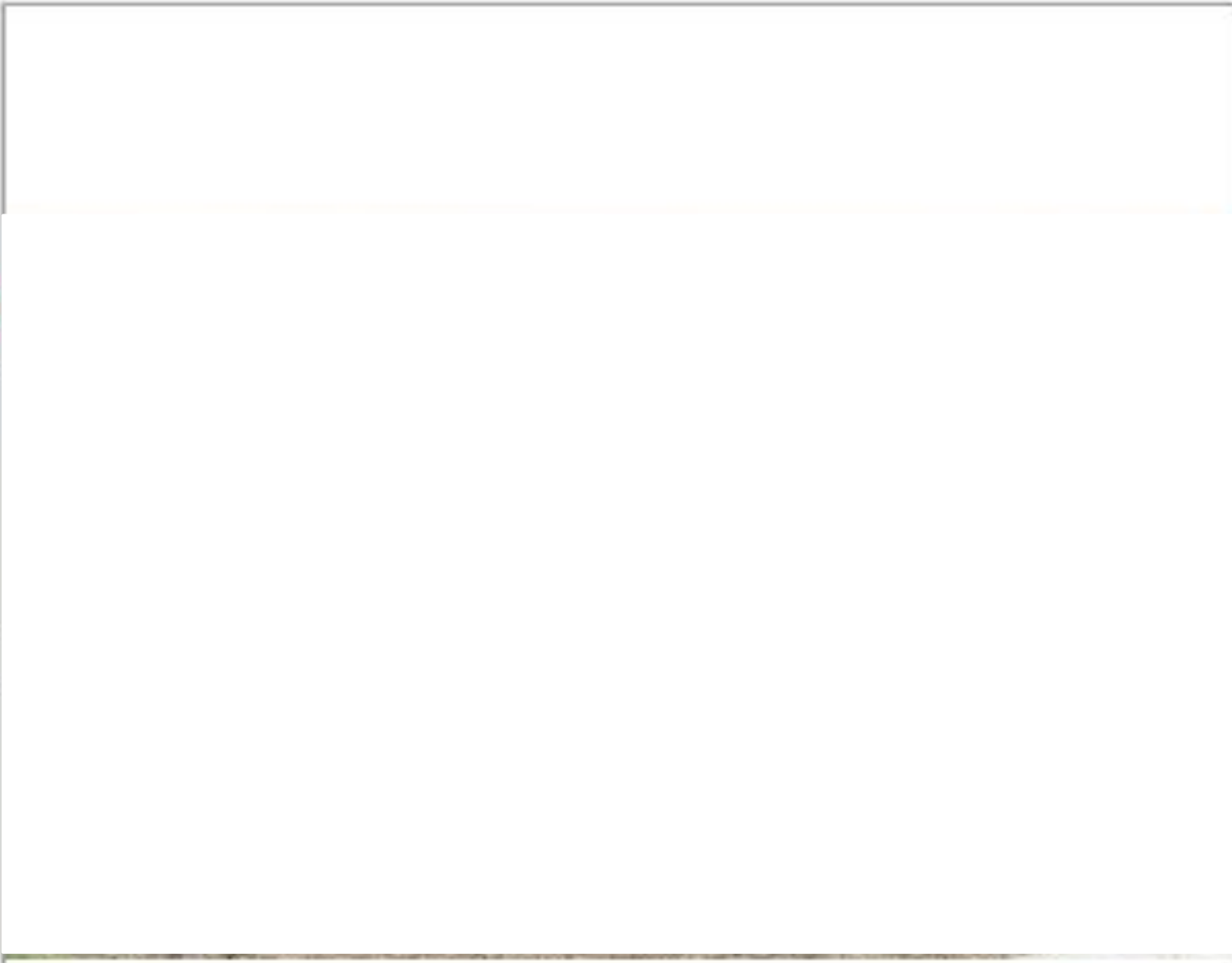


Line	Trade Item	Estimated Cost
80	Total Building Costs (from line 19)	\$3,583,860
81	Builder Profit (lines 81+82 cannot exceed 8% of line 80)	\$215,032
82	Builder Overhead (lines 81+82 cannot exceed 8% of line 80)	\$71,676
83	Contingency (not to exceed 4% of line 80)	\$143,354
84	Acquisition Costs (from line 24)	\$550,000
85	Total Construction Costs Plus Builder Profit/Contingency (lines 80-84)	\$4,563,922
86	Architectural/Engineering/Acctg (from line 33)	\$320,150
87	Interim Costs (from line 40)	\$381,540
88	Legal Fees (from line 46)	\$95,500
89	Miscellaneous Soft Costs (from line 52)	\$59,500
90	Relocation/Displacement Expenses (from line 57)	\$0
91	Permanent Financing Fees/Expenses (from line 65)	\$21,225
92	Syndication Costs (from line 70)	\$12,000
93	Project Reserves (from line 73)	\$110,100
94	Tax Credit Fees (from line 78)	\$106,023
95	Total Soft Costs (lines 86-94)	\$1,106,038
96	TOTAL PROJECT COSTS (lines 85 and 95)	\$5,669,960
97	Developer Fee (not to exceed 15% of line 96)	\$850,494
98		
99	TOTAL DEVELOPMENT COSTS (lines 96 and 97)	\$6,520,454





# Shelby County

PROPERTY RECORD CARD - 2014										Print	Advance Print	Print PRC
Parcel	21 6 24 3 001 002.000							Land Value		\$624,000.00		
Land Use	113 - Apartment Building ( 4 Units +)							Bldg 01	\$114,000.00			
Nbh	04 COLUMBIANA							Bldg 02	\$275,300.00			
Mun.	04 LF: 0% BF: 0%							Bldg 03	\$275,300.00			
Assmt.	02							Bldg 04	\$275,300.00			
Appr.	TONY ACRE					Bldg 05	\$275,300.00					
						Bldg 06	\$275,300.00					
						Bldg 07	\$364,400.00					
						Bldg 08	\$235,200.00					
						Bldg 09	\$355,500.00					
Last Modified: 7/23/2013 7:08:43 AM								<b>Total Appr. Value</b>		\$3,069,600.00		
<div style="border: 1px solid black; padding: 2px; display: inline-block;">FLAG</div>								<b>Income Based Value</b>		\$2,312,960.00		
						Property Address:						
						55 COBY LN						
						COLUMBIANA, AL, 35051						
<a href="#">Documents(11)</a> <a href="#">Images(11)</a>						<a href="#">Land</a> <a href="#">Bldg 01</a> <a href="#">Bldg 02</a> <a href="#">Bldg 03</a>		<div style="border: 1px solid black; padding: 2px; display: inline-block;">More..</div>				
<div style="display: flex; justify-content: space-between;"> <span>Rollover</span> <span>Land Computation</span> <span>Sort Code - RE00479</span> </div>												
		CODE	ACTUAL FRONTAGE	EFFECTIVE FRONTAGE	EFFECTIVE DEPTH	UNIT PRICE	DEPTH FACTOR	ACTUAL PRICE	INFLUENCE FACTOR	MARKET VALUE	CU UNIT PRICE	CU. VALUE
SQFT	02	113 Apartment Building ( 4 Units +)		831996 SQ. FT		0.75			-	100%	\$624,000.00	-0
<a href="#">Rollback/Homesite/Miscellaneous</a> <a href="#">Edit Rollback</a> <a href="#">Edit Homesite</a>												
Legal Description												
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>			MAP BOOK: 42 PAGE: 133 MAP BOOK: 42 PAGE: 132									
			PRIMARY BLOCK: 000 PRIMARY LOT: 3									
METES AND BOUNDS:			SECONDARY BLOCK: 000 SECONDARY LOT:									

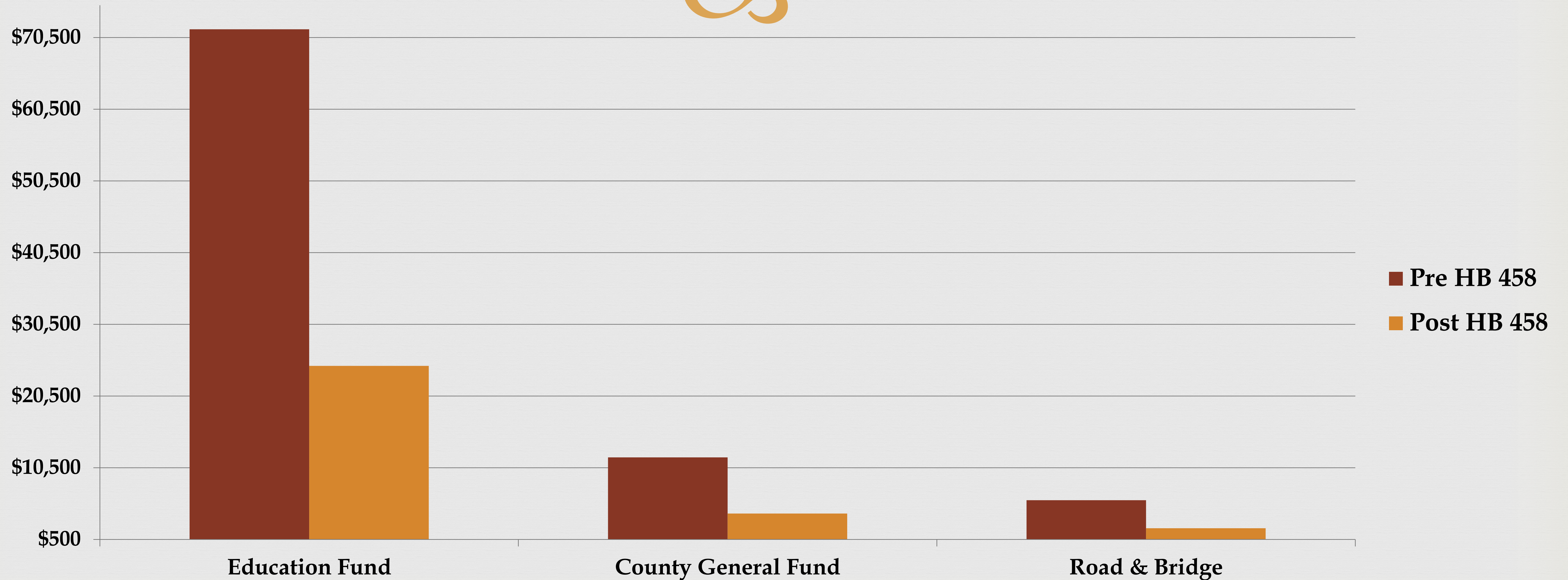


# Shelby County's HB 458 Projection

County	Parcel Number	2013 Assessed Value	Percent Decrease (Based on Income Owner Provided)	Current Education Portion (2013)	New Education Portion (Bill Passes)	Local Education Loss	Current General Fund (2013 State) 6.5 mil	New General Fund (State) Bill Passes	General Fund Loss (State) 6.5 mil	Current General Fund (2013 County)	New General Fund (County) Bill Passes	General Fund Loss (County)	Current Road & Bridge Fund (2013)	New Road & Bridge Fund (Bill Passes)	Road & Bridge Loss
Shelby	21 7 26 4 001 009.004	\$302,320	-65.06%	\$9,070	\$3,169	-\$5,900	\$1,965	\$686	-\$1,278	\$1,512	\$528	-\$983	\$756	\$264	-\$492
Shelby	27 5 16 4 001 002.003	\$374,020	-73.27%	\$11,221	\$3,000	-\$8,221	\$2,431	\$650	-\$1,781	\$1,870	\$500	-\$1,370	\$935	\$250	-\$685
Shelby	27 5 16 4 001 002.005	\$265,800	-73.27%	\$7,974	\$2,132	-\$5,842	\$1,728	\$462	-\$1,266	\$1,329	\$355	-\$974	\$665	\$178	-\$487
Shelby	35 1 11 0 006 001.000	\$439,200	-44.66%	\$13,176	\$7,292	-\$5,884	\$2,855	\$1,580	-\$1,275	\$2,196	\$1,215	-\$981	\$1,098	\$608	-\$490
Shelby	21 6 24 3 001 002.000	\$428,360	-79.31%	\$12,851	\$2,658	-\$10,192	\$2,784	\$576	-\$2,208	\$2,142	\$443	-\$1,699	\$1,071	\$222	-\$849
Shelby	21 7 26 4 001 009.003	\$304,220	-70.51%	\$9,127	\$2,692	-\$6,435	\$1,977	\$583	-\$1,394	\$1,521	\$449	-\$1,072	\$761	\$224	-\$536
Shelby	28 5 22 3 001 014.000	\$274,600	-54.26%	\$8,238	\$3,768	-\$4,470	\$1,785	\$816	-\$968	\$1,373	\$628	-\$745	\$687	\$314	-\$372
SHELBY COUNTY TOTALS		\$2,388,520	-65.76%	\$71,656	\$24,711	-\$46,945	\$15,525	\$5,354	-\$10,171	\$11,943	\$4,118	-\$7,824	\$5,971	\$2,059	-\$3,912



# Projected Impact on Shelby County





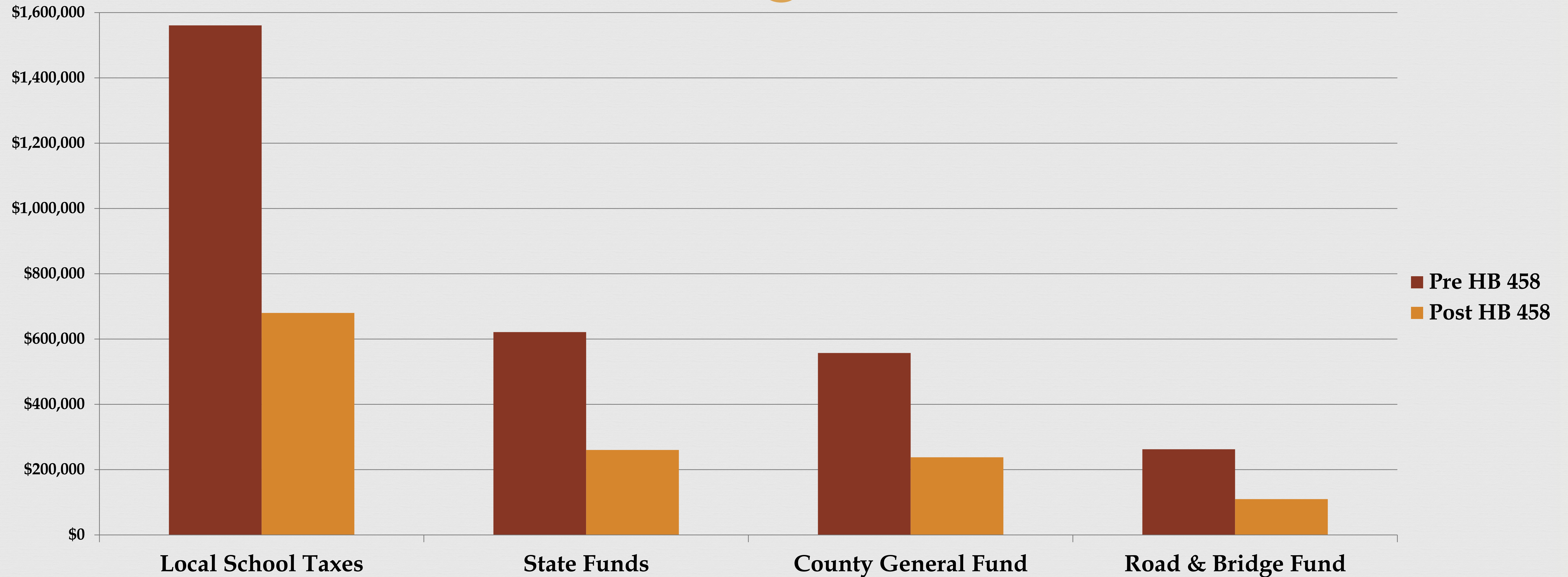
# Example Counties with Section 42 Housing

County	# of Complexes	2013 Assessed Value	Percent Decrease (Based on Income Owner Provided)	Current Education Portion (2013)	New Education Portion (Bill Passes)	Local Education Loss	Current General Fund (2013 State) 6.5 mil	New General Fund (State) Bill Passes	General Fund Loss (State) 6.5 mil	Current General Fund (2013 County)	New General Fund (County) Bill Passes	General Fund Loss (County)	Current Road & Bridge Fund (2013)	New Road & Bridge Fund (Bill Passes)	Road & Bridge Loss
Baldwin County Totals	29	\$15,505,700	-63.89%	\$186,068	\$75,498	-\$110,570	\$100,787	\$40,895	-\$59,892	\$77,529	\$31,458	-\$46,071	\$38,764	\$15,729	-\$23,035
Butler County Totals	15	\$5,073,720	-73.82%	\$39,002	\$6,895	-\$31,129	\$21,126	\$4,265	-\$16,862	\$22,751	\$4,593	-\$18,159	\$14,626	\$2,952	-\$11,673
Chambers County Totals	4	\$1,979,080					\$12,864	\$5,583	-\$7,281	\$18,208	\$7,902	-\$10,305	\$14,051	\$6,098	-\$7,953
Cullman County Totals	8	\$2,419,460		\$24,195	\$10,500	-\$13,694	\$15,726	\$6,825	-\$8,901	\$16,936	\$7,350	-\$9,586	\$6,049	\$2,625	-\$3,424
Etowah County Totals	15	\$5,849,380		\$91,335	\$39,639	-\$51,696	\$38,021	\$16,501	-\$21,520	\$67,268	\$29,194	-\$38,074	\$26,322	\$11,424	-\$14,898
Macon County Totals	9	\$2,730,860	-46.34%	\$87,388	\$45,377	-\$42,011	\$17,751	\$9,217	-\$8,533	\$27,309	\$14,180	-\$13,128	\$6,827	\$3,545	-\$3,282
Mobile County Totals	39	\$17,983,020	-38.79%	\$539,491	\$288,636	-\$250,854	\$116,890	\$62,538	-\$54,352	\$89,915	\$48,106	-\$41,809	\$44,958	\$24,053	-\$20,905
Montgomery County Totals	27	\$14,626,086	-51.76%	\$146,261	\$58,564	-\$87,696	\$95,070	\$38,067	-\$57,003	\$73,130	\$29,282	-\$43,848	\$36,565	\$14,641	-\$21,924
Henry County Totals	1	\$180,000	-44.24%	\$2,160	\$1,204	-\$956	\$1,170	\$652	-\$518	\$1,260	\$502	-\$758	\$720	\$401	-\$319
Lee County Totals	11	\$5,970,040	-67.84%	\$103,892	\$31,326	-\$72,566	\$38,805	\$11,632	-\$27,173	\$17,315	\$5,221	-\$12,094	\$8,658	\$2,610	-\$6,047
Limestone County Totals	9	\$3,449,520.		\$34,904	\$15,148	-\$19,756	\$22,422	\$9,731	-\$12,691	\$24,147	\$10,480	-\$13,667	\$12,074	\$5,240	-\$6,834
Pickens County Totals	11	\$3,140,980	-55.33%	\$35,179	\$14,310	-\$20,869	\$20,416	\$8,305	-\$12,112	\$27,955	\$11,371	-\$16,584	\$14,134	\$5,749	-\$8,385
Shelby County Totals	7	\$2,388,520	-65.76%	\$71,656	\$24,711	-\$46,945	\$15,525	\$5,354	-\$10,171	\$11,943	\$4,118	-\$7,824	\$5,971	\$2,059	-\$3,912
St Clair County Totals	9	\$5,207,314	-65.16%	\$58,223	\$23,076	-\$42,823	\$33,848	\$13,229	-\$20,618	\$25,877	\$10,256	-\$15,621	\$12,938	\$5,128	-\$7,810
Talladega County Totals	18	\$5,340,940		\$19,907	\$8,639	-\$11,267	\$34,716	\$15,067	-\$19,649	\$26,705	\$11,590	-\$15,115			
Tallapoosa County Totals	8	\$2,905,960	-73.35%	\$87,179	\$21,374	-\$65,804	\$18,889	\$4,631	-\$14,258	\$14,530	\$3,562	-\$10,967	\$7,265	\$1,781	-\$5,484
Tuscaloosa County Totals	1	\$530,160	-53.02%	\$8,217	\$3,860	-\$4,357	\$3,446	\$1,619	-\$1,827	\$3,711	\$3,985	-\$4,498	\$7,157	\$3,362	-\$3,795
Winston County Totals	8	\$2,553,400		\$25,904	\$11,253	-\$14,662	\$14,032	\$6,090	-\$7,942	\$10,794	\$4,684	-\$6,109	\$5,397	\$2,342	-\$3,055
Totals	229	\$97,834,140	-56.60%	\$1,560,960	\$673,305	-\$887,655	\$621,503	\$260,201	-\$361,302	\$557,281	\$233,065	-\$324,216	\$262,476	\$109,742	-\$152,734



# Projected Impact of House Bill 458

## (All Counties)





# Post House Bill 458



- ❑ Actual information was gathered on 229 of 660 properties across the state. (34.7%)

## Revenue Decrease of Counties Responding

Local Schools	-\$887,655
State Funds	-\$361,302
County General Fund	-\$324,216
County Road & Bridge	-\$152,734



# Post House Bill 458



- ❑ Assuming the other 431 properties are in line with the counties that responded:

## Revenue Decrease of all Counties

Local Schools	-\$2,558,083
State Funds	-\$1,041,216
County General Fund	-\$934,340
County Road & Bridge	-\$440,155



# Post House Bill 458



- ❑ According to the Legislative Fiscal Office, cities across the state average 9 mil:

## City Loss Calculation

County Road & Bridge Loss	-\$440,155
divided by	<u>2.5 mil</u>
Per Mil Loss in Revenue	-\$176,062
Average City Millage	9 mil
multiplied by	<u>-\$176,062</u>
City Revenue Loss Total	-\$1,584,558



# Post House Bill 458



## Total Estimated Loss Including Cities

State, County & Education Total	-\$4,973,794
City Loss in Revenue Total	<u>-\$1,584,558</u>
Total Estimated Loss	-\$6,558,352