

By: Estes

S.B. No. 1333

A BILL TO BE ENTITLED

AN ACT

relating to the appraisal for ad valorem tax purposes of certain property used to provide affordable housing.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 23.21, Tax Code, is amended to read as follows:

Sec. 23.21. PROPERTY USED TO PROVIDE AFFORDABLE HOUSING.

(a) This section applies only to ~~[In appraising real property that is rented or leased to a low-income individual or family meeting income-eligibility standards established by the owner of the property under regulations or restrictions limiting to a percentage of the individual's or the family's income the amount that the individual or family may be required to pay for the rental or lease of the property, the chief appraiser shall take into account the extent to which that use and limitation reduce the market value of the property.~~

~~[(b) In appraising]~~ real property that is rented or leased or offered for rental or lease to a low-income individual or family meeting income-eligibility standards established ~~[by a governmental entity or]~~ under governmental regulations or a governmental contract for affordable housing:

(1) limiting the amount that the individual or family may be required to pay for the rental or lease of the property; and

(2) restricting the profit or return that may be paid

1 to the owner from the net operating income of the property to an  
2 amount not to exceed \$200 per dwelling unit per year.

3 (b) The [~~, the~~] chief appraiser shall use the income method  
4 of appraisal to determine [~~take into account the extent to which~~  
5 ~~that use and limitation reduce~~] the market value of the property.

6 (c) The chief appraiser shall appraise the property using a  
7 capitalization rate of at least 13.5 percent, except as provided by  
8 Subsection (d).

9 (d) The chief appraiser may conduct a study of sales of  
10 comparable properties described by Subsection (a) that are located  
11 in the appraisal district to determine the appropriate  
12 capitalization rate to use in appraising the property. If as a  
13 result of the study the chief appraiser determines that a  
14 capitalization rate of less than 13.5 percent is more appropriate  
15 for that purpose, the chief appraiser shall use that lesser rate.

16 (e) Not later than January 31 of each year, the appraisal  
17 district shall give public notice in the manner determined by the  
18 district, including by posting on the district's website if  
19 applicable, of the capitalization rate to be used in that year to  
20 appraise property described by Subsection (a) if that rate is a rate  
21 of less than 13.5 percent.

22 (f) For purposes of determining the net operating income of  
23 the property, the operating income of the property for the  
24 preceding fiscal year is reduced by any disbursements made in that  
25 fiscal year for the operation and maintenance of the property,  
26 including disbursements for:

- 27 (1) property maintenance;

1           (2) transfers to a capital replacement reserve account  
2 as required by the applicable development loan agreement;

3           (3) employee compensation;

4           (4) ad valorem taxes;

5           (5) insurance; and

6           (6) any other justifiable expense related to the  
7 operation and maintenance of the property.

8           (g) Property is eligible for appraisal under this section  
9 only if, not later than March 1, the property owner submits to the  
10 chief appraiser:

11           (1) a copy of the governmental regulations or  
12 governmental contract described by Subsection (a) applicable to the  
13 property; and

14           (2) an audited operating statement for the preceding  
15 fiscal year that shows the operating income of the property and the  
16 operation and maintenance expenses for which disbursements  
17 described by Subsection (f) were made for the property.

18           SECTION 2. This Act applies only to ad valorem taxes imposed  
19 for a tax year beginning on or after the effective date of this Act.

20           SECTION 3. This Act takes effect January 1, 2008.