

Summary of oral testimony—SBOE Subsidized Housing Rules

Comments received at rule-making hearing

Craig Cardella, Valdosta GA. Mr. Cardella presented slides criticizing the concept of attributing value to federal incentives that do not add annual operating income to affordable housing properties. He proposed that taxable value instead reflect an income approach to value utilizing audited financial reports for the property as filed for government program compliance purposes.

Don Harris & Tim Chandler, USDA Rural Development. These witnesses offered the assistance of their offices in cataloging the impact of higher property taxes on affordable housing operations, including the ‘trickle down’ impact on needy tenants who would suffer from higher rents or deferred maintenance that have resulted from larger-than-anticipated property taxes on affordable housing properties.

Amy Broadwater, Rueben Brown CPA Firm. Ms. Broadwater, whose firm represents affordable housing owners, echoed concerns about the impact of higher property taxes on rent payable by needy tenants. She suggested that at a minimum, the proposed rules should ‘smooth’ the value attributed to tax credits over the full 30 years that rent restrictions typically remain in place.

David Kleinfelter, Reno & Cavanah, PLLC presented and summarized written comments submitted by a colleague, Dwayne Barrett. He stated his belief that, apart from other considerations, the higher taxable values could subject the rules to a legal challenge based on disparate impact on needy tenants.

Matt Scanlon, Gullett Sanford Robinson & Martin, supported Mr. Cardella’s comments regarding the perverse (property tax) effect of turning a federal housing incentive into a negative factor in the operating viability of the housing properties and the low-income tenants that were supposed to benefit from the incentive.

Alvin Nance, CEO of housing developer Lawler Wood LLC of Knoxville, argued generally against the concept of assigning value to the subsidy, and objected particularly to distributing subsidy value over the shorter period of availability of the tax credits. He pointed instead to the 30 year period of program rent restrictions.

Craig McMurtry of Gateway Properties suggested the Board weigh the positive economic impact to communities of affordable housing as balanced against possible diminution in property tax revenues if subsidies were not assigned a real property value.

Tab Burkhalter, Jr. of Maryville offered objections to the rules similar to prior witnesses. He also stated that if counties could be relieved of the revenue burden of myriad other property tax exemptions they would be positioned to accept fair values for subsidized affordable housing. He also stated that needy tenants in affordable housing should qualify for property tax relief and tax freeze programs available to residential property owners.

Rev. 11/18/15

Randy Button of Nashville spoke in support of the alternate value proposal described in Mr. Cardella's written filing (limit value to income approach using audited financial statements and no attribution of value to subsidies.