Fact Sheet

Amendment to Property Tax Calculation for Affordable Rental Housing

What is it?

Public Act No. 24-143, Section 9
Signed into law on June 6, 2024 and went into effect on October 1, 2024

- Requires towns to assess properties used solely for affordable housing based on the capitalized value of the net rental income
- Amends CT General Statutes (C.G.S.) § 8-216a
- Applies to "any real property used for housing solely for low or moderate-income persons or families". This legislation does not apply to developments with unrestricted units or commercial units.
- Mandates that the true and actual value "shall be based upon and shall not exceed the capitalized value of the net rental income of such real property."
- "Net rental income" means the actual income generated by the property less "reasonable operating expenses and property taxes."

Does every town have to do this?

Yes.

How long do towns have to make the change?

This law went into effect October 1, 2024, so towns should be abiding by it at this time. There is no formal oversight, so it is up to affordable housing groups to bring this to their town's attention, if necessary.

How can I ensure that our property is valued like this in 2025/2026?

Reach out to LCCHO if you want help initiating this conversation with your Town Assessor!

How is the new value calculated?

Flip to the back for an example!

Sec. 9. Subsection (a) of section 8-216a of the general statutes is repealed and the following is substituted in lieu thereof (Effective October 1, 2024):

Sec. 8-216a. Capitalized value of net rental income, basis for property valuation. (a) Notwithstanding any provision of the general statutes or special act, the present true and actual value of any real property used for housing solely for low or moderate-income persons or families, as defined in section 8-202, on which rents or carrying charges are limited by regulatory agreement with, or otherwise regulated by, the federal or state government or any department or agency thereof, shall be based upon and shall not exceed the capitalized value of the net rental income of such real property. For purposes of this section, "net rental income" means the gross income of any real property used for housing solely for low or moderate-income persons or families as limited by the schedule of rents or carrying charges, less reasonable operating expenses and property taxes.

Center for Housing Opportunity
Litchfield County, CT

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How is the new value calculated?

See below for an example. This example is for a 12-unit development (all 12 units are dedicated affordable housing) with a 2% vacancy rate, and total annual expenses of $100,000. We used an assumed mil rate of 22 for this example. In this case the property tax would be calculated from the net operating income, which is $41,121. Annual property taxes owed to the town should be $6,637.

Income	
Annual Rent Income	$144,000
Income loss due to vacancy - 2.00%	-$2,880
Effective Gross Annual Income	$141,120
Total Operating Expenses	$100,000
Net Operating Income (Income - Expenses)	$41,120
Capitalization Rate Buildup	
Mortgage & Investment Portion	0.0800
Assumption on Mil Rate - 0.022	
Tax Portion = 0.70 of Mil Rate	0.0154
Overall Capitalization Rate	0.0954
Market Value = NOI/Cap rate (rounded)	$431,000
Assessment = 70% of Market Value	$301,700
Property Taxes	
Assumption on Mil Rate - 0.022	
Annual Property taxes	$6,637

Operating expenses can include annual deposits to capital reserves. Other expenses included here are utilities, management and administration, payroll and payroll taxes and benefits, maintenance and repairs, and insurance and miscellaneous expenses. Property taxes are not included here.

Most people these days will accept an 8% return as a reasonable financial return on rental affordable housing.

Overall capitalization rate = mortgage and investment portion + tax portion