## HOUSE RESEARCH

# Bill Summary =

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**Version:** Delete everything amendment H0777DE1

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**Subject:** Housing Opportunity Property Area; property classification

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#### Overview

H.F. 777, the delete everything amendment, provides for a new property classification for certain section 8 housing units that are located in low poverty areas and in cities or towns where less than ten percent of the residents live below the poverty level. The classification is available for these section 8 units up to the greater of: two units, or 20 percent of the units in the building. The qualifying property receives the same class rate as class 4d, which is 0.75 percent, as compared to 1.25 percent for regular market apartment property.

Effective for taxes payable in 2008 and thereafter.

#### Section

1 Housing Opportunity Area; property classification.

**Subdivision 1. Purpose.** States that the purpose of establishing the housing opportunity areas property tax classification program is to promote economic diversity throughout Minnesota and to alleviate the concentration of low-income household in high poverty areas.

#### Subd. 2. Definitions.

- "Housing authority"
- ▶ "Housing choice voucher" means a tenant voucher issued under section 8;

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- ► "Housing opportunity area" means a census tract where less than ten percent of the residents live below the poverty level, and that is located in a qualified city or town;
- ► "Housing opportunity unit" means a dwelling unit located in residential property located in a housing opportunity area that is owned by the applicant and rented to and occupied by a tenant who is participating in a housing choice voucher program;
- ▶ "Qualified units" means the number of housing opportunity units located in the property, with the limitation that no more than two units or 20 percent of the total units in the property, whichever is greater, may be considered qualified units. The unit must also be in compliance with local building codes and housing quality standards.
- ▶ "Qualified city or town" means a home rule charter or statutory city or town that is (1) located in a county with a population of 200,000, and (2) whose net tax capacity per capita exceeds the average net tax capacity per capita of all cities or towns in the county.
- ► "Net tax per capita" means the adjusted net tax capacity of all taxable real property in the city or town or county divided by the total population of that city, town or county.
- **Subd. 3. Application by owner; determination by housing authority.** Provides that an owner within a housing opportunity area who has a housing choice voucher contract may annually apply for the housing opportunity area tax classification to the housing authority. The housing authority shall establish rules and procedures governing the application process and may charge an application fee.
- **Subd. 4 Housing opportunity areas.** Requires the housing authority to deliver a list of properties qualifying for the 4e classification by December 31 of the assessment year. The list must include the number of qualified units and the total units for each property.
- **Subd. 5. Exclusion by petition of municipality.** Allows any home rule charter or statutory city or town to petition annually to the county auditor to be excluded from a housing opportunity area if more than two percent of the total residential units located within that municipality are occupied by tenants under the housing choice voucher program. Properties within an excluded municipality are not eligible for the 4e property classification.

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Class 4. Add Class 4e, which consists of the qualifying housing opportunity area property. Class 4e has the same class rate as class 4d, which is 0.75 percent of market value. (The class rate for regular apartments is 1.25 percent of market value.) Only the portion determined to be eligible for housing opportunity area tax classification is class 4e and the remaining portion of the building shall be classified by the assessor based upon its use. Class4e also contains a proportion of the land. (This is the same treatment as class 4d property receives.)

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