

November 5, 2008

Tax Department Clarifies Valuation of Owner Occupied Resale-Restricted Homes

The Vermont Tax Department recently notified all Boards of Listers that municipalities should use a uniform approach for establishing listed value of owner-occupied, single family homes subject to resale restrictions held by a community land trust ("CLT") or housing nonprofit. This means that all CLT homeowners can have their homes assessed in a fair and uniform fashion. In a Memorandum dated November 2008, Bill Johnson, Director of the Division for Property Valuation and Review, cites Vermont tax law on appraisal value and recommends that all municipalities use a uniform approach which considers the impact of CLT resale restrictions. The new approach takes effect on April 1, 2009.

Homes subject to CLT resale restrictions remain affordable to future buyers because the resale price is restricted and public grants for first-time buyers remain with the home. These two factors reduce the price of the home for a subsequent buyer. In return for public grants and CLT assistance, buyers sign a housing subsidy covenant recorded in the land records which gives the CLT the right to buy the home for a price that is affordable to future owners. The CLT helps locate qualified buyers and facilitates resale of the home. Homeownership grants are provided to CLTs by the Vermont Housing and Conservation Board (VHCB) using state and federal funds and buyers usually obtain mortgage financing through Vermont Housing Finance Agency ("VHFA") programs. Working with CLTs and Habitat for Humanity, VHCB has helped hundreds of Vermont households buy affordable homes. These homes will remain affordable to qualified households well into the future because of the resale formula.

In the past, some cities and towns have considered resale restrictions when setting the listed value, the basis for the property taxes assessed against the home. For example, Burlington worked with the Champlain Housing Trust to gather resale data, found that such homes sold for about 37% less than market value and reduced the municipal listed value by that percentage. Some smaller cities and towns worked with homeowners and CLTs on a house-by-house approach to arrive at restricted value. However, some towns decided to wait for guidance from the Tax Department before accepting the CLT approach. Now, CLT homeowners in all Vermont cities and towns should have their homes listed at the restricted value, the resale price to the next qualified buyer.

Background: In late 2005, VHCB and CLT staff identified property taxation of owner-occupied single family homes with resale restrictions as an issue that needed to be addressed by the Tax Department or the Legislature. After Burlington changed its method of establishing listed value for CLT homes in May 2006, CLTs proposed that the Department form a committee to find an administrative

solution to the disparity in calculating listed value for CLT homes in many Vermont municipalities, despite a statute that seemed clear and unambiguous. The committee¹ met a number of times in the Spring of 2007 and provided valuable input to Jim Libby and Bill Johnson as they wrote drafts of a proposed Advisory Bulletin. After 2 ½ years of hard work, Bill Johnson finally completed the final edits and got approval from Tax Commissioner Tom Pelham for the Memorandum. Many thanks to Bill Johnson, committee members and CLT staff who contributed to this worthwhile project.

For additional information about owner-occupied resale restricted homes contact VHCB or your local CLT Homeownership Center and consult "Commonly Asked Questions About Owner-Occupied Homes Subject to Resale Restrictions" on the Tax Department website under Publications.

James M. Libby, Jr.
Vermont Housing & Conservation Board
802-828-3252

¹ The Working Group consisted of Bill Johnson, Dave Bolton, Molly Bachman and Suzanne Monte (Tax Department); Caroline Lockyer (City of Montpelier Assessor); Steve Jeffries (League of Cities & Towns); Jim Libby, Ariane Kissam and Rick DeAngelis (VHCB); Emily Higgins and Colin Bloch (Champlain Housing Trust); Bruce Whitney (Rockingham Area Community Land Trust); and Cathy Semans (Brattleboro Area Community Land Trust).