SB 141A Supports Maximum Housing Potential
in Vertical Housing Development Zones

Background:

- The Vertical Housing Development Zone program (VHDZ) is a state-created, local-option, locally administered program to encourage increased housing density with mixed-use development/redevelopment in specific, locally designated areas.

- The incentive is a ten-year abatement of property taxes on the improvements (not land), with 20% abatement of the improvement per residential floor compared to average floor square footage for the project (referred to as an "equalized floor"), up to 80% abatement total (four equalized floors.) The ground floor must have commercial.

- For those looking to add affordability to the project, an additional 20% abatement of *land* property taxes is allowed for each equalized floor of 80% AMI affordability (the same duration as the exemption) within the project.

The Problem:

Currently, the state statutes are read to limit the abatement threshold to a *full* equalized floor, so if a project calculated out to 3.99 floors, only 60% abatement is given (as if there were only 3 floors of housing), not nearly 80% for the nearly four equalized floors of the improvement. This creates uncertainty and discourages projects from fully developing housing as a part of the VHDZ—or even participating in the program at all.

During Senate Finance and Revenue discussion of this adjustment, LRO staff felt the existing language for calculating an equalized floor was not clear and could produce unworkable calculations, so Legislative Counsel drafted new language to make the intended calculation clearer.

SB 141A:

- Cleans up unclear existing statute on how the abatement is calculated through an "equalized floor" and provides clear language on the average square footage per floor compared to residential floors to determine the multiplier for the abatement, up to four floors of housing.

- Revises state statutes to allow the abatement (on improvement or land) to reflect the *actual* exemption multiplier (full number or fraction) through a straight calculation (e.g. 3.35 exemption multiplier=3.35 x 20% abatement.)

- Removes uncertainty and disincentives to maximizing development in any project without granting more in abatements than is actually developed (i.e. not rounding down or rounding up.)

- Applies to future projects and future tax years (for existing projects) after enactment.

- Passed the Senate 26:4 and passed out of Finance and Revenue unanimously as amended.

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