



CITY OF CAMBRIDGE

CITY HALL, CAMBRIDGE, MASSACHUSETTS 02139

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ASSESSING DEPARTMENT

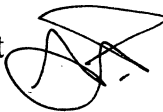
Sally Powers, Director

Kevin T. McDevitt, MAA, CRA

Faith D. McDonald, CMA, RMA, MAA, CA-S

January 7, 1999

TO: James P. Maloney, Assistant City Manager for Fiscal Affairs

FROM: Sally Powers, Director of Assessment 

SUBJECT: Tax Incentives for Private Affordable Housing

Under the state's current laws, it is not permissible to exempt a portion of the fair market value of multifamily residential property. However, the law of this Commonwealth currently recognizes that the fair market value of a property is limited by the legal restrictions on the property. Thus, where there is a binding restriction on the earning capacity of the property, then the fair market value of the property is constrained by that restriction. This is because the fair market value of the property is its highest and best use. The highest and best use is both the legal use and the use which will produce the highest income.

The Cambridge Assessors currently factor in the effect of restrictions on such properties as subsidized housing and limited equity ownership projects when determining the particular property's fair market value.

As you know, without such restrictions on an apartment property's earning capacity, the assessors must determine the fair market value based on attainable market rents and market derived capitalization rates. Non-exempt privately financed affordable housing properties, which are encumbered with restrictions that guarantee continued use of the property for affordable housing, are valued on the basis of the actual income stream capitalized at a rate used by the Appellate Tax Board in its subsidized housing decisions.



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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

January 11, 1999

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 3, regarding a report on providing incentives to private homeowners who are providing affordable housing, received from Director of Assessment Sally Powers.

Very truly yours,

Robert W. Healy
City Manager

RWH/mec
Attachment

Consent Agenda #40

S20

Relative to AR 3 regarding a
report on providing incentives to
private homeowners who are providing
affordable housing.

In City Council January 11, 1999

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