Valuation & Taxation Of Affordable Dwelling Units

Loudoun County Office of the Commissioner of the Revenue & Department of Housing
ADU PURCHASE PROGRAM

Ordinance Requirements:

The resale price of ADU homes will be controlled for a period of 15 years after the initial sale of the home purchased under the ADU For Sale Program, as indicated in Chapter 1450 of the Loudoun County Codified Ordinance.
Resale Requirements (cont.):

- A home may not be resold during the 15-year control period for an amount that exceeds the limits established by the Loudoun County Board of Supervisors, upon recommendation of the Affordable Dwelling Unit Advisory Board (ADUAB).

- During the first 15 years, the resale price is calculated using the original sales price, depreciated value of major home improvements and the change in the Consumer Price Index (CPI-U).
Resale Requirements (cont.):

• After the expiration of the 15-year control period, but prior to the expiration of 50 years after the initial sale of the home, the owner of the home may offer it for sale at the fair market value, provided that the difference between the actual sales price and that price allowed for under the provisions of Chapter 1450 of the Loudoun County Codified Ordinance, shall be divided equally between the seller and the Loudoun County Housing Trust Fund.
ADU SALE CALCULATION
(AFTER 15 YEARS)

• ADU Initially Purchased for $150,000
• 15 Years Later, ADU Control Price is $200,000
• Seller Sells ADU at Market for $400,000
• Difference Between Market Sales Price and the ADU Control Price only is split 50/50 between the Seller and the County’s Housing Trust Fund
  • Example: $400,000 - $200,000 = $200,000
    • Seller Gets $100,000 & County Gets $100,000
• Seller Also Gets All Equity Put Into the ADU
WHAT IS A CONTROL PERIOD?

• Limitations on:

  • How much property may be sold for - Sales Price is restricted for 15 years from date of original sale

  • To whom it may be sold - Property may only be sold to a qualified certificate holder

  • Distribution of profits on sale - Net gain on sale must be shared after the 15 year control period has expired.

  • Refinancing – If ADU covenants recorded 2005 or later, principal balance may not exceed the limits established by the BOS and ADUAB.
HOW HAVE ADUS BEEN HISTORICALLY ASSESSED?

- During the initial 15-year control period, the Affordable Dwelling Unit assessment was not based on Market Value, rather it was calculated on the basis of the restricted 'control price' established by the Affordable Dwelling Unit Advisory Board (ADUAB) & adjusted annually by the Consumer Price Index.
ADU ASSESSMENTS AFTER EXPIRED CONTROL PERIOD

• Property has not been removed from the Affordable Dwelling Unit Program as administered by Loudoun County Department of Family Services.

• Property will no longer be assessed based on a ‘control price’

• Annual assessment will be based on Market transactions
WHY ARE ASSESSMENTS CHANGING?

• Article X of the Constitution of Virginia requires “All assessments of real estate and tangible personal property shall be at their fair market value, to be ascertained as prescribed by law.”

• Affordable Dwelling Units that are beyond the initial 15 year control period are being sold at fair market prices.
An analysis of ADU sales shows that once the initial control period expires, units cannot be properly valued at a reduced amount, but must be brought up to the 100% of fair market value required by law.

<table>
<thead>
<tr>
<th>Parcel ID</th>
<th>ADU Purchase Price</th>
<th>ADU Purchase Date</th>
<th>2017 Assessment</th>
<th>Sales Price (Market Value)</th>
<th>Sale Date</th>
<th>% Difference</th>
<th>Subdivision</th>
</tr>
</thead>
<tbody>
<tr>
<td>028369174000</td>
<td>$132,658</td>
<td>6/18/2003</td>
<td>$159,500</td>
<td>$366,000</td>
<td>3/16/2017</td>
<td>129%</td>
<td>JEFFERSON VILLAGE</td>
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<tr>
<td>147207398000</td>
<td>$128,735</td>
<td>4/30/2002</td>
<td>$174,290</td>
<td>$338,000</td>
<td>4/18/2017</td>
<td>94%</td>
<td>NORTHLAKE</td>
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<tr>
<td>165308250000</td>
<td>$122,944</td>
<td>7/26/2000</td>
<td>$172,470</td>
<td>$385,000</td>
<td>5/16/2017</td>
<td>123%</td>
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<tr>
<td>148381985000</td>
<td>$175,498</td>
<td>5/7/2002</td>
<td>$211,010</td>
<td>$401,000</td>
<td>6/13/2017</td>
<td>90%</td>
<td>SPRING LAKES</td>
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<tr>
<td>128359899007</td>
<td>$73,803</td>
<td>1/29/1997</td>
<td>$110,910</td>
<td>$250,000</td>
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<td>$104,734</td>
<td>5/22/2001</td>
<td>$144,060</td>
<td>$326,300</td>
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<td>128358598002</td>
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<td>5/3/2001</td>
<td>$111,590</td>
<td>$234,000</td>
<td>7/28/2017</td>
<td>110%</td>
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<td>$109,352</td>
<td>6/1/2000</td>
<td>$153,400</td>
<td>$330,000</td>
<td>8/2/2017</td>
<td>115%</td>
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<td>031273408000</td>
<td>$111,130</td>
<td>9/28/1999</td>
<td>$161,060</td>
<td>$370,000</td>
<td>8/28/2017</td>
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<td>PEACE PLANTATION I</td>
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<tr>
<td>031277989000</td>
<td>$112,622</td>
<td>7/25/2000</td>
<td>$157,990</td>
<td>$325,000</td>
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<tr>
<td>031258128010</td>
<td>$70,704</td>
<td>4/3/2001</td>
<td>$96,510</td>
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<td>169%</td>
<td>DOMINION STATION</td>
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<td>031385435000</td>
<td>$132,420</td>
<td>9/4/2001</td>
<td>$143,080</td>
<td>$311,000</td>
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<td>3/31/2000</td>
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<td>5/30/2000</td>
<td>$154,910</td>
<td>$330,000</td>
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<td>JEFFERSON VILLAGE</td>
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<td>1/24/2000</td>
<td>$95,380</td>
<td>$245,000</td>
<td>12/28/2017</td>
<td>157%</td>
<td>DOMINION STATION</td>
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</tbody>
</table>

| Minimum | 90% |
| Maximum | 169% |
| Average | 122% |
EXAMPLE: HISTORICAL ADU ASSESSMENT CALCULATION
(NOT MARKET DERIVED)

Original Sale Price $103,990

Tax Year 2010 (CPI rate is .025 or 2.5%)
$103,990 X .025 = $2,599.75
$2,599.75 + $103,990 (last sale price plus cumulative appreciation) = $106,590 ( Rounded)

Tax Year 2011 (CPI rate is .032 or 3.2%)
$103,990 X .032 = $3,327.68
$3,327.68 + $106,560 (last sale price plus cumulative appreciation) = $109,920 ( Rounded)
MARKET VALUE ASSESSMENTS – BASED ON MARKET INFLUENCES

Neighborhood Groups – created to value properties that share similar characteristics.

- Location (Leesburg)
- Sub-Market (Greenway Farms or Country Club)
- Style (Colonial, rambler, split level, townhouse)
- Age (year built)
- Quality (Poor, Average, Good, Excellent)
- Size (Living area, not including basement)
- Condition (Fair, Average, Good, Very Good)
## TAX YEAR 2018 ADU TO FAIR MARKET VALUE STATISTICS

<table>
<thead>
<tr>
<th>ADUs Involved</th>
<th>Average 2017 Assessment</th>
<th>Average 2018 Assessment</th>
<th>Average % Increase</th>
</tr>
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<tbody>
<tr>
<td>390</td>
<td>$157,346</td>
<td>$321,925</td>
<td>105%</td>
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</table>
If you believe your real estate assessed value is incorrect, you may request a review.

- **Administrative (COR) Value** changes applied prior to tax.
- **Board of Equalization (Independent Body)** Value changes applied after tax
- **Court System (Trial or Settlement)** Value changes after tax
IMPORTANT DATES FOR TAX YEAR 2019

JANUARY 1 – Real Estate Valuation Date

EARLY FEBRUARY – Assessment notices mailed and Assessments Records Available Online

EARLY MARCH – Assessment Review Application Deadline

EARLY APRIL – Elderly or Disabled Tax Relief Renewal Deadline

JUNE 1 – BOE Appeal Deadline

JUNE 5 – First Half Real Estate Tax Payment Deadline

DECEMBER 5 – Second Half Real Estate Tax Payment Deadline

DECEMBER 31 – Elderly or Disabled Tax Relief Deadline for First-time filers (real estate only)
THANK YOU

Information regarding your assessment is available online at www.loudoun.gov/parceldatabase or by calling (703) 777-0260

Information regarding the administration of your Affordable Dwelling Unit is available online at www.loudoun.gov/adu or by calling (703) 777-0353