

**Frequently Asked Questions (FAQs):**  
**Assessment of ADUs Upon Initial Control Period Expiration**  
**(As of 7/28/2017)**

**1. How did this policy arise?**

- The Affordable Dwelling Unit (ADU) program, enacted in Loudoun County in 1993, enables eligible first-time homebuyers with moderate income the opportunity to purchase a newly constructed or resale ADU single family, townhouse or condominium. These properties are subject to restrictive covenants related to refinancing and transfer of the property. One such restriction written into the deed for the property limits the sales price of an ADU during a 15-year control period beginning at the time of the initial sale, which occurs on the date the deed of conveyance from the Declarant is recorded, to an amount established by Chapter 1450 of the Loudoun County Codified Ordinances and the Declaration of Affordable Dwelling Unit Covenants. Another restriction placed on these properties limits the sale of a unit to a qualified participant in the ADU program. As a result, these units that are subject to such deed restrictions have an impaired fair market value because of this contractual limitation on the sales price and potential purchaser pool and are assessed, for tax purposes, substantially lower than other similar units which do not have such restrictions.

**2. Why did I not hear about this earlier?**

- In May 2017, an information item was brought before the Loudoun County Board of Supervisors with the purpose of providing information to the Board regarding changes to the valuation and taxation of Affordable Dwelling Units subsequent to the expiration of a unit's initial 15-year price control period. This change has just been implemented.

**3. Who made this decision?**

- This is the law required by the Constitution of Virginia and Virginia Code.

**4. How do I know when my control period ends?**

- The 15-year control period begins at the time of the initial sale which occurs on the date the deed of conveyance from the Declarant is recorded. Therefore, the ADU control period ends 15 years after the date that the deed of conveyance from the declarant to the first purchaser of the ADU is recorded. For example, if an ADU was first purchased and the deed was recorded on July 1, 2003, then the 15-year control period ends on July 1, 2018.

**5. Why did the policy change?**

- According to Virginia Code, "all general reassessments or annual assessments in those localities which have annual assessments of real estate, except as otherwise provided in § 58.1-2604, shall be made at 100 percent fair market value." ADUs that are beyond the initial control period can and are being sold at fair market prices with the difference between the market price and the ADU value split equally between the seller and the County. Once the initial control period expires, the units cannot be valued at the ADU value, but must be brought up to the 100 percent fair market value according to Virginia Code § 58.1-3201.

**6. Can the ADU Program make any exceptions to this policy?**

- This new policy is authorized under Article X of the Constitution of Virginia and Virginia Code. Therefore, the Department of Family Services (including the ADU Program) does not have any authority over this issue.

**7. When does this new policy start?**

- ADUs with an initial sale date prior to or equal to January 1, 2003, will be assessed at fair market value beginning January 1, 2018, based on market sales within their respective neighborhoods or market area. Owners of affected ADU units will see an increase in their assessments beginning in tax year 2018, with the first half due in June 2018.

**8. How much will my property taxes increase once the control period has expired?**

- This answer will depend on the assessed value of the property, but ADU homeowners could see a substantial increase and vary based on each individual property.

**9. How is this being communicated?**

- A comprehensive communications plan will include written notice to all affected property owners, online Frequently Asked Questions, articles in homeowners' association (HOA) newsletters, presentations to property owners at HOA or other community meetings, notification to the Dulles Area Association of Realtors, press releases and a revision to the assessment notice to include the ADU initial control period expiration date. Staff in the Office of the Commissioner of the Revenue will work with Department of Family Services ADU Program staff to notify current and prospective participants in the County's ADU program to inform them of the effect of the expiration of the initial 15 year control period on their local real estate tax assessments.

**10. Who do I contact at the Department of Family Services for further information?**

- Comments, questions, and concerns can be made to Brian Reagan, ADU Program Supervisor, at 571-258-3305.