

RENT RESTRICTED HOUSING PROJECTS VALUATION COMMITTEE

Tax Commissioners Hearing Room-2nd Floor-Nebraska State Office Building 301 Centennial Mall South, Lincoln, NE

The February 15, 2017, meeting was called to order at 9:09 a.m. by chair Pat Albro.

Roll call: Rob Ogden, representing county assessors. Members joining telephonically were John Wiechmann, representing the low-income housing industry and Pat Albro, designee of the Property Tax Administrator and chair. Lori Johnson, representing private sector appraisers, joined the meeting telephonically at 9:20. Also attending was Jon Cannon, counsel to the Committee.

Provisions of the Open Meetings Act were read and made available in the room.

Time was set aside for public comments from others in attendance in person or by telephone. Dr. Steve Schultz with the University of Nebraska Omaha attended telephonically. Dr. Schultz had no comment at this time.

Minutes of the November 29, 2016, meeting were read. Mr. Ogden moved to accept the minutes as read; Mr. Wiechmann seconded. A roll-call vote was taken: Johnson, absent; Ogden, aye; Wiechmann, aye; and Albro, aye. Three ayes, no nays, one not voting; the motion passed.

At this time Ms. Johnson joined the meeting telephonically.

Members discussed questions they had received from assessors. Most questions were concerning the reported incomes. Most often, the assessors questioned projects reporting negative incomes. The common remedies were to review the income and expense statements to identify costs that should not have been reported as operating costs. Those items include mortgage interest, property taxes paid, and capital expenditures reported in a single year. In some instances poor reporting or mismanagement was questioned.

Mr. Ogden questioned whether the Committee had statutory responsibility to advise assessors on adjustments to income reported to the assessors. Mr. Cannon responded that the law mentions only the capitalization rate responsibility. Mr. Wiechmann asked if the Committee or the Department of Revenue (Department) should respond to the income questions. Mr. Cannon stated that income questions should be directed to the Department. Mr. Wiechmann asked what advice is being offered by the Department. Mr. Cannon explained that he would refer income and valuation questions to Ms. Albro. The assessors need direction for making adjustments to the income estimates when analyzing the income and expense statements received.

Mr. Ogden moved that the Committee not offer income or valuation advice and direct these questions to the Property Tax Administrator for advice and further training. Mr. Wiechmann seconded the motion. A roll-call vote was taken: Johnson, aye; Ogden, aye; Wiechmann, aye; and Albro, aye. All ayes, no nays; the motion passed.

Mr. Wiechmann let the committee members know that the legislature's Revenue Committee hearing on LB228 is scheduled for the afternoon of March 3. He will not be able to attend. Mr. Wiechmann moved to have Mr. Ogden attend the hearing to respond to questions that might

arise. Ms. Johnson seconded the motion. A roll-call vote was taken: Johnson, aye; Ogden, aye; Wiechmann, aye; and Albro, aye. All ayes, no nays, the motion passed.

Dr. Schultz asked about the wording of the bill with regard to establishing different capitalization rates recognizing different areas. Mr. Cannon explained that existing law allowed for different capitalization rates for a particular county or group of counties. The amendment would allow the committee to establish additional capitalization rates for different housing types.

Dr. Schultz asked if anyone from industry had contacted members of the Committee for advice. Members stated that few private sector questions had been brought to them.

Committee members discussed scheduling of the next meeting. Mr. Cannon commented if the legislation passes later in the session the Committee should plan to implement the provisions in a short time period. Ms. Albro will be prepared to call the next meeting of the Committee once the Legislature has acted on the legislation.

Mr. Wiechmann moved to adjourn the meeting; Ms. Johnson seconded the motion. A roll-call vote was taken: Johnson, aye; Ogden, aye; Wiechmann, aye; and Albro, aye. All ayes, no nays, the motion passed.

The meeting was adjourned at 9:46.

RENT RESTRICTED HOUSING PROJECTS VALUATION COMMITTEE

Median Conference Room-2nd Floor-Nebraska State Office Building 301 Centennial Mall South, Lincoln, NE

The October 11, 2017, meeting was called to order at 9:01 a.m. by chair Pat Albro.

Roll call: Rob Ogden, representing county assessors, John Wiechmann, representing the low-income housing industry, Lori Johnson, representing private sector appraisers, and Pat Albro, designee of the Property Tax Administrator and chair. Also attending was Jon Cannon, counsel to the Committee.

Provisions of the Open Meetings Act were read and made available in the room.

Time was set aside for public comments from others in attendance in person or by telephone. Dr. Steve Schultz with the University of Nebraska Omaha attended telephonically. Dr. Schultz had no comment at this time.

Mr. David Levy with Baird Holm was present to comment on agenda item 6.

Minutes of the February 15, 2017, meeting were read. Mr. Ogden moved to accept the minutes as read; Ms. Johnson seconded. A roll-call vote was taken: Johnson, aye; Ogden, aye; Wiechmann, aye; and Albro, aye. Three ayes, no nays; the motion passed.

Ms. Albro commented on the information received from projects following the change in due dates. For 2017, 303 projects filed the information in a timely manner compared to 272 in 2016.

Generally, all committee members were satisfied with the revisions in the reporting form. Additional changes for future reporting include some way to capture the financing information so it does not have to be filed every year. It was suggested that the form could be formatted such that individual reporters could not alter the required fields and that a summation of financing be compared to total investment to assure the total investment stack is reported.

Rob Ogden reported on the hearing for LB 288 which contained changes that the committee favored. There was no testimony in opposition. There was some concern that the legislation did not allow for different capitalization rates for different types of projects; however, the provision to recognize different rates for different geographic areas was passed.

Mr. Levy explained the concern of his client that the capitalization rate set by the committee last year was at the low end of the range of rates that they had observed in other states in which they have investments. The range of rates in other areas are from 6.00 – 8.00% with 7.50% being the most prevalent. Nebraska's rate at 6.50% has resulted in their properties in Nebraska experiencing an increase in taxable values which has made returns very marginal. He acknowledged that the committee is charged with reviewing the data that they have collected but would provide copies of other studies that support a higher capitalization rate.

The recent decision of the Tax Equalization and Review Commission in Legend Oaks v. Dawson County was discussed briefly. Some ideas on corrective measures for assessors were expressed.

Dr. Steve Schultz, from the University of Nebraska, asked if the committee was considering different capitalization rates for the different types of housing. The committee will not be making a differential in rates since the legislature had not passed that provision of the proposed legislation.

Dr. Schultz also asked if the committee, or county assessors, had heard any concerns from the owners of older projects for which the income tax credits had been fully recovered. None of the committee members had heard any complaints from owners or assessors.

The following dates were set for further consideration and action on the 2018 capitalization rates: November 9, and November 16, 2017, starting at 9:00 a.m. on both dates.

Ms. Johnson moved to adjourn the meeting; Mr. Wiechmann seconded; all ayes, no nays, the motion passed.

The meeting was adjourned at 9:55 a.m.

RENT-RESTRICTED HOUSING PROJECTS VALUATION COMMITTEE

November 9, 2017

Tax Commissioners Hearing Room-2nd Floor-Nebraska State Office Building

Committee Members:

Present: Pat Albro, Lori Johnson, Rob Ogden, John Weichmann

Absent: None

Others Present:

Jon Cannon, Counsel to the Committee

David Levy, Baird Holm

Tim Ederer, Sarpy County (phonetically)

Proceedings:

Meeting called to order at 9:00 a.m. by Chair, Pat Albro

Provisions of the Open Meetings Act were read and made available in the room

October 11, 2017 meeting minutes were read. Weichmann moved to approve; Ogden seconded. Minutes were approved as read.

Rent Restricted Housing Sales

Ederer brought two Sarpy County properties to the committee's attention. Normandy Hills Apartments sold in 2014 for \$3.45M with no personal property listed on the 521. Village of Papillion sold in 2017 for \$2.4M with no personal property listed on the 521. Both went through the vetting process with NIFA and no major changes to the properties occurred. Years of operation were discussed; paperwork was brought up to look at the Net Operating Income for both. LURA restriction agreements are still in place.

2018 Capitalization Rate

Johnson created Rent Restricted Data FINAL Analysis, mimicking the process from last year, but there was better information available this year. Several analyses were run: Nebraska as a whole, Douglas and Sarpy collectively, Lancaster, all others. Consistencies from last year to this year were noted. Spreadsheet was looked at and observations were made.

In looking at individual tabs, Johnson focused more on weighted averages, saying that they are more reflective of actual than a total average. Both the averages and weighted averages for each tab were discussed.

A handout was provided. It showed a 6.1% average for the state overall and a weighted average of 6.4%. Again, the point was made that the weighted average was more consistent. The market as a whole is seeing cap rates diminish and that is why the current observations are being made. Weighted averages help to consider the whole picture.

Weichmann also offered that mitigating factors, such as tax reform, are affecting things and agreed that the weighted average is reasonable.

Ogden brought up the fact that the state is coming off of two years of 6.5%, wanting to determine if there is a willingness to change that. Overall, everyone is comfortable with the weighted average.

Discussion occurred regarding what analyses should be published. The fact that all three were analyzed should suffice with no need to publish all of them. For next week's meeting, a draft report will be available which will reference the spreadsheets that were created.

Levy agreed that the cap rates were lowering and is trying to understand the difference in the results between his findings and Johnson's findings. He wants to ensure that all of the picture is being looked at.

Johnson brought up the newest sales rate, which reflects a 6.8% rate.

Ogden welcomed any additional information Levy has to provide.

Chair Albro stated that rent restricted housing sales need to be better identified because, without proper coding, they may go unnoticed. A few possibilities were discussed, including putting a box in the real estate transfer form (521) and working with NIFA.

Ogden moved that the information discussed in this meeting be used in the report for next meeting, stating that 6.5% has been arrived at for the Nebraska cap rate for the upcoming year. Weichmann seconded. Motion passed

Announcements:

Chair Albro announced that she will be retiring in December
Ogden plans to resign from the committee following the next meeting

Future Agenda Items:

Reviewing the report to be written by Cannon in anticipation of setting the capitalization rate

Next Meeting:

9:00 a.m., November 16, 2017, Media Conference Room-2nd Floor, Nebraska State Office Building

Johnson moves to adjourn meeting; Weichmann seconds. Motion passes
Meeting adjourned at 10:04 a.m.
Minutes submitted by Bridget Barclay Sudol.

RENT-RESTRICTED HOUSING PROJECTS VALUATION COMMITTEE

November 16, 2017

Media Conference Room-2nd Floor-Nebraska State Office Building

Committee Members:

Present: Pat Albro, Lori Johnson, Rob Ogden, John Wiechmann (telephonically)

Absent: None

Others Present:

Jon Cannon, Counsel to the Committee

Jim Koch and Bridget Barclay Sudol, both of the Department of Revenue, Property Assessment Division.

Proceedings:

Meeting called to order at 9:01 a.m. by Chair, Pat Albro

Provisions of the Open Meetings Act were read and made available in the room

November 9, 2017 meeting minutes were read. Ogden moved to approve; Johnson seconded. Minutes were approved as read.

Adopt Committee's Annual Report

Jon Cannon presented a draft of the Committee's 2017 Annual Report for consideration. Some minor adjustments to the report were recommended. Mr. Cannon will make the refinements and prepare a final version for publication on December 1st as required by statute. Ogden moved to approve the finalized version for publication; Johnson seconded. The motion passed.

Adopt Supporting Documents

The committee adopted the supporting documents used to set the 2018 capitalization rates and recommend they be made available on the Department website.

Chair Albro suggested that county assessors be contacted regarding the suggestion to put a box in the real estate transfer form (521) to better identify the sales of rent-restricted projects.

Announcements:

Chair Albro will be retiring in December. Jim Koch has been recommended to replace her as chair of the Committee for 2018. Bridget Barclay Sudol will serve as recorder for the Committee.

This was Rob Ogden's final meeting. A replacement to represent the county assessors has not been named.

Johnson moved to adjourn the meeting; Ogden seconded. Motion passed.

Meeting adjourned at 9:15 a.m.