



Pete Ricketts
Governor

STATE OF NEBRASKA
DEPARTMENT OF REVENUE
PROPERTY ASSESSMENT DIVISION, Ruth A. Sorensen, Administrator

Report of the Rent-Restricted Housing Projects Valuation Committee

December 1, 2015

Chairperson Pat Albro

The Rent-Restricted Housing Projects Valuation Committee (Committee) hereby issues this report in accordance with Neb. Rev. Stat. § 77-1333(7).

The Committee has the statutory obligation to determine capitalization rates to be applied to the income stream for all low-income housing projects receiving tax credits under IRC § 42 (LIHTC projects) in the State of Nebraska.

The Committee has reviewed income and expense statements submitted by LIHTC projects on or before October 1, 2015, in developing its rate. A spreadsheet of that information is attached to this report as Exhibit A. The Committee found that the information submitted by LIHTC projects regarding equity and debt was incomplete and therefore unreliable. The Committee considered information supplied by Midwest Housing Equity Group, which is attached to this report as Exhibit B. This information was given more weight since it comes from a well-informed source and provides the most complete information needed in developing a band of investment analysis.

Because the equity and debt information from Exhibit B clearly overcomes the statutory assumption that equity should be weighted at 80 percent and the debt should be weighted at 20%, the Committee has determined that weighting equity at 70 percent and weighting debt at 30% is appropriate using the band-of-investment technique required by the statute.

The Committee has considered an overall mortgage constant of 6.6%, and an equity rate of 6.5%.

The minutes of the Committee's meetings are attached as Exhibit C.

Based on all of the foregoing, the Committee has determined that the capitalization rate to be applied against the income stream derived for each project by every county assessor for 2016 is 6.5%.

This is an unloaded capitalization rate, which means that:

- (1) the local property taxes must be removed from the expenses that have been received by the county assessor, which will result in a higher indicated NOI; and
- (2) the effective consolidated property tax rate applicable to each project should be loaded onto (added to) the statewide capitalization rate in determining the project's assessed value for tax year 2016. The Committee recommends that the assessor correlate and round the effective property tax rates to be loaded from the actual 2013, 2014, and 2015 tax years.

The Committee was comprised of the following members:

Rob Ogden, representing the county assessors;
John Wiechmann, representing the low-income housing industry;
Lori Johnson, representing appraisers from the private sector; and
Pat Albro, chairperson, representing the Property Tax Administrator.

Faithfully submitted this 1st day of December, 2015.

A handwritten signature in cursive script that reads "Patricia S. Albro". The signature is written in black ink and is positioned above a horizontal line.

Patricia S. Albro, Chairperson