

Rent-Restricted Housing Projects Valuation Committee
Tax Commissioners Conference Room-2nd Floor-Nebraska State Office Building
301 Centennial Mall South, Lincoln, NE

The October 9th, 2019 meeting called to order at 11:01 a.m. by chair Bryan Hill.

Committee members present included Bryan Hill, Chair, John Wiechmann and Patricia Sandberg. Lori Johnson attended by phone.

Others present included Scott Shaffer, Attorney for Property Assessment and Barb Oswald, Field Liaison. Those attending by telephone included Jean Lubke, Pierce County Assessor, Julie Stinger, Henry Vogt and Charity Farley from Lincoln County.

Bryan Hill read the open meetings law provisions and reported that they were also available in the room.

Bryan asked for public comments from others in attendance. Charity Farley, Lincoln County asked the committee if it would be possible to make cap rates for each type of property referring to single family, duplex and apartments. Also, the Lincoln County Attorney asked if a different cap rate was discussed for North Platte area. Answered by Lori Johnson, the Statute does not allow for a different cap rate for the types of properties. In order to consider changing the Statute, the idea needs to be taken to the State Senators and someone needs to draft legislation. The geography for various cap rates is studied each year by the committee, last year the committee considered several options, but enough information was available to determine the three areas of Lincoln/Sarpy, Omaha and the remainder of the state.

The minutes of the November 27, 2018 were read. One correction was made to the minutes. Patricia Sandberg made the motion to approve the minutes as corrected and John Wiechmann seconded the motion. Motion carried.

Discussion was held concerning the number of forms received for the Section 42 projects. In 2018 there were 347 forms, 313 imported and 135 had 100% of the information to be usable in the analysis. In 2019 there were 258 forms, 252 imported and 158 had 100% of the information. The committee received less forms in 2019 but more with complete information.

Charity Farley discussed the sale of Taber Ranch in 2018 and no income was provided, the new owners did not file.

The committee will review the raw data and prepare to analyze the data received. John Wiechmann will provide the equity portion of the calculation at the next meeting. Patricia Sandberg suggested that the committee consider utilizing the nine groups that NACO considers for the analysis in determining various cap rates across the state. She will get the information from NACO and provide to the committee members.

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The committee selected the dates for the next two meetings. November 1 at 9:00 a.m. and November 22 at 9:00 a.m. John Wiechmann made a motion to adjourn the meeting and was seconded by Patricia Sandberg. Motion carried. The meeting adjourned at 11:30 a.m.

Submitted by Barb Oswald

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The November 1, 2019 meeting was called to order at 9:05 a.m. by chair Bryan Hill.

Committee members present included Bryan Hill, Chair, John Wiechmann, Lori Johnson and Patricia Sandberg.

Others present included Scott Shaver, Attorney for the Property Assessment Division and Cathy Gusman, Tax Specialist Senior. Those attending by telephone included Steve King, Lincoln County Attorney and David Levy from Community Development Inc.

Bryan Hill read the open meetings law provisions and reported that they were also available in the room.

Bryan asked for public comments from others in attendance. David Levy asked if the preliminary review of Income and Expense information for 2019 was available to him.

The minutes of the October 9, 2019 were read. One correction was made to the minutes. Lori Johnson made the motion to approve the minutes as corrected and John Wiechmann seconded the motion. Motion carried.

Preliminary information was provided by Patricia Sandberg regarding dividing the data up by seven categories based on the NACO salary study, which divided counties based on valuation and population. This information is attached to the minutes Debt and equity ratios for each of the groups was provided by Lori. The first group contained counties with no rent restricted housing. The second group only had five useable projects, which the committee agreed, wasn't a large enough sampling. The remaining groups has sufficient useable project data. Other group analysis, such as Buffalo/Hall, Douglas/Sarpy, and Lancaster Counties was discussed as well.

Reviewing the information by property type (single family, duplex, multi-family and senior living) was also discussed. The current statutes do not allow for capitalization rates to be calculated using the property type, but if information is showing different capitalization rates can be determined, a change in statute may need to be addressed. A determination of "senior living" will also need to be reviewed. Lori will get the details of the "senior living" information for the committee. A change to the form may be needed to gather additional information from the projects in order to do different studies in the future.

Bryan brought up questions from county assessors. Can all section 42 housing information be obtained by the county? John thought the website may have units available. Email NIFA and request a list of all rent restricted housing. This list can be posted on the Property Assessment Division website. County assessors do not have to search for the projects in their counties when valuing the rent restricted housing. If the income and expense information was not provided to Property Assessment Division, county assessors are not required to value the parcel using this method. The second question was if a project is coming out of the rent restricted housing project, is there a certain time of year this would happen, or could it happen any time during the year? John

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shared that if a project was coming out of the program, it would come out effective December 31 of that year.

Discussion was held on mortgage rates and whether to use the average or weighted average. Weighted average provided a better constant rate for analysis. All information was reviewed. Some forms did not provide a rate, and therefore, not used in the study. Those forms that contained a zero rate were used. Lori Johnson reviewed the information using the number of mortgages.

Groups:

1. 207 projects had a first mortgage.
2. 145 projects had a second mortgage.
3. 78 projects had a third mortgage.
4. 31 projects had a fourth mortgage.

Lori Johnson was going to run the numbers again for groups 3, 4, 5, and 6.

Discussion was held on analyzing pre-tax and after-tax information. Using pre-tax will increase the capitalization rate. Lori Johnson brought up the need to consider all benefits, which would include the tax credits.

Another question a county assessor brought up was whether personal property taxes are a valid expense. John Wiechmann indicated it was a valid expense but doesn't have an impact on what the committee is accomplishing.

Discussion on using three years of data helps smooth larger changes to income and expenses in one year. Also averaging this information over 15 years, which covers the tax benefits, and 30 years, which covers the rent restricted rent contract.

Information to be brought to the next meeting for the committee to review will be the review of property types, band of investments for groups 3, 4, 5, and 6. More information in groups 1 and 2 to 3. Correct error in formula in the spreadsheet. Bryan Hill was going to locate the issue from the prior year. Draft reports will be shared with the committee prior to the next meeting.

The next meeting will be held on November 22, 2019 at the Nebraska State Office Building at 9:00 a.m. Factors to be used to create the capitalization rate will be determined. David Levy asked that this information be shared. The meeting to approve the capitalization rate will be held on November 26, 2019 at 9:00 a.m. to finalize the capitalization rates. Public comments will be heard at this time.

Lori Johnson made a motion to adjourn the meeting and John Wiechmann seconded. Motion carried. The meeting adjourned at 10:23 a.m.

Submitted by Cathy Gusman

Rent-Restricted Housing Projects Valuation Committee
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The November 22, 2019 meeting was called to order at 9:02 a.m. by chair Bryan Hill.

Committee members present included Bryan Hill, Chair, John Wiechmann, Lori Johnson and Patricia Sandberg.

Others present included Scott Shaver, Attorney for the Property Assessment Division and Cathy Gusman, Tax Specialist Senior. No one from the public was present.

Bryan read the open meetings law provisions and reported that they were also available in the room.

Bryan asked for public comments from others in attendance. There were no public comments.

The minutes of the November 1, 2019 were read. Lori made the motion to approve the minutes as corrected and Patricia seconded the motion. Motion carried.

Bryan brought up old business from the last meeting. He has requested a list of all rent restricted housing projects in Nebraska from NIFA. At this time he has not received the list. The information requested by David Levy at the previous meeting was provided to him. As advised by legal counsel, personal information such as name and address were redacted. The committee agreed that in the future personal information should be redacted. 2018 personal information has also been redacted as well. Past year information is available but will need to be redacted if needed. Bryan forwarded the email Lori from the Sarpy County appraiser, noting a calculation error in the spreadsheet and Lori corrected the issue.

A motion was made by John to post the following information online:

1. 2019-2022 NACO Salary Report
2. MHEG Fund Report
3. Minutes from today's meeting
4. Statewide report with personal information redacted.

Lori seconded the motion. Motion carried.

Lori had previously sent the committee her study on the capitalization rate for variety of groupings as discussed at the previous meeting. A discussion was held on the capitalization rate study Lori had completed using the various different groupings. A comparison to last year's capitalization rate to the new calculations was also reviewed. The committee will continue to study the different property types in the future to determine if there is a need to change the statute to allow for a capitalization rate to be developed based on property type.

After evaluating the information used for the study, the committee determined a fourth capitalization rate could be justified for the counties described in the study as "category 5". The counties in category 5 are Adams, Buffalo, Dodge, Hall, Lincoln, Madison and Platte.

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A motion was made by Patricia on the proposed 2020 capitalization rates is as follows:

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| 1. Douglas and Sarpy Counties | 6.6% |
| 2. Lancaster County | 6.1% |
| 3. Category 5 Counties | 7.0% |
| 4. Rest of Nebraska Counties | 6.6% |

Lori second the motion. Motion carried.

Discussion was held regarding the publication of proposed capitalization rates prior to the next meeting to provide notice to interested parties, David Levy, in particular.

The next meeting will be held on November 26, 2019 at the Nebraska State Office Building at 9:00 a.m. to approve the final capitalization rate for the 2020 tax year.

Patricia made a motion to adjourn the meeting and John seconded. Motion carried. The meeting adjourned at 9:49 a.m.

Submitted by Cathy Gusman