



Report of the Rent-Restricted Housing Projects Valuation Committee

November 27, 2019
Chairperson Bryan Hill

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 a capitalization rate or rates to be applied to the income stream for all low-income housing projects receiving tax credits under Section 42 of the Internal Revenue Code (LIHTC projects) in the State of Nebraska.

The Committee has reviewed income and expense statements submitted by LIHTC projects on or before July 1, 2019 in developing its rates. A spreadsheet of that information is attached to this report as Exhibit A. The Committee also considered the 2019-2022 Salary Recommendations for County Officials report produced by the Nebraska Association of County Officials, attached as Exhibit B, and equity return rates provided by the Midwest Housing Equity Group, presented in Exhibit C. The minutes of the Committee meetings for tax year 2019 are attached as Exhibit D.

The Committee has determined that the submitted equity and debt information overcomes the statutory assumption that equity should be weighted at 80 percent and the debt should be weighted at 20 percent. Further the Committee finds that the capital stack should be varied by location. Based upon the findings of the Committee, the following table provides the capital stacks, rates for equity and debt, and unloaded capitalization rates for the following geographic locations.

Geographic Locations	Equity	X	Equity Rate	+	Debt	X	Debt Rate	=	Unloaded Capitalization Rate
Douglas and Sarpy Counties	0.50	X	0.054	+	0.50	X	0.077	=	.066
Lancaster County	0.65	X	0.054	+	0.35	X	0.074	=	.061
Category 5 (Adams, Buffalo, Dodge, Hall, Lincoln, Madison, and Platte Counties)	0.60	X	0.054	+	0.40	X	0.094	=	.070
All Other Counties	0.65	X	0.054	+	0.35	X	0.087	=	.066

This is an unloaded capitalization rate, which means that the local property taxes must be removed from the expenses that have been received by the county assessor, resulting in a higher indicated NOI; and the effective consolidated property tax rate applicable to each project should be loaded onto (added to) the capitalization rate in determining a project's assessed value for tax year 2020. The Committee recommends that the assessor correlate and round the effective property tax rates to be loaded from the actual 2017, 2018, and 2019 tax years.

The Committee was comprised of the following members:

Patricia Sandberg, representing the county assessors;
John Wiechmann, representing the low-income housing industry;
Lori Johnson, representing appraisers from the private sector; and
Bryan Hill, chairperson, representing the Property Tax Administrator.

Faithfully submitted this 27th day of November, 2019.

A handwritten signature in cursive script that reads "Bryan Hill". The signature is written in black ink on a light-colored background.

Bryan Hill, Chairperson