

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

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