

## Report of the Rent-Restricted Housing Projects Valuation Committee

November 30, 2018  
Chairperson Jim Koch

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 rent-restricted 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, 2018 in developing its rate. A spreadsheet of that information is attached to this report as Exhibit A. The Committee also considered information provided by David Levy, an attorney representing certain low-income housing projects in the State. That information is included in Exhibit B. Equity rates are presented in Exhibit C. The minutes of the Committee meetings for tax year 2018 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 chart represents the capital stacks, rates for equity and debt, and unloaded capitalization rates for the following geographic locations.

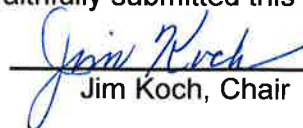
Geographic Locations	Equity	X	Equity Rate	+ Debt	X	Debt Rate	=	Unloaded Capitalization Rate
Douglas and Sarpy Counties	.50	X	.054	+ .50	X	.075	=	.065
Lancaster County	.70	X	.054	+ .30	X	.076	=	.061
All other Counties	.65	X	.054	+ .35	X	.082	=	.064

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 value for tax year 2019. The Committee recommends that the assessor correlate and round the effective property tax rates to be loaded from the actual 2016, 2017, and 2018 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  
Jim Koch, chairperson, representing the Property Tax Administrator.

Faithfully submitted this 30<sup>th</sup> day of November 2018.

  
Jim Koch, Chair