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Stephanie S. Maxwell
General Counsel

**Bulletin Number 2016-02
Taxation of Subsidized Affordable Housing**

TO: Assessors of Property

FROM: Stephanie Maxwell, General Counsel 

DATE: April 29, 2016

RE: **ADOPTION OF NEW RULES FOR TAXATION OF SUBSIDIZED AFFORDABLE HOUSING**

On December 15, 2015, the State Board of Equalization adopted new rules (a copy of which is attached to this bulletin as **Exhibit 1**) addressing the taxation of subsidized affordable housing. The purpose of these rules is to define the value of subsidized affordable housing for property taxes in a manner that is certain and predictable, that furthers the federal incentives to assure a reasonable affordable housing supply, and that comports with state constitutional standards for *ad valorem* taxation. The Attorney General's office has approved the rules, and we filed them with the Secretary of State on April 21, 2016. The rules will become law on July 20, 2016.

Under Rule 0600-10-.07, after these rules take effect, they shall apply to the tax period beginning January 1, 2016 and all subsequent tax periods. Because of the late effective date of the rules this year, though, there will need to be a modified first year implementation. Since taxpayers have already missed the March 1 deadline to file an Election Form for LIHTC property ("Election Form"), the assessor should allow late filing this year (by June 1) and then send an assessment change

notice once the Assessor completes the 2016 assessment for these properties (under Tenn. Code Ann. §67-5-508(b)). If the taxpayer misses the June 1 deadline, the taxpayer can submit the Election Form at the county board of equalization (as is permitted with the tangible personal property schedule). If the taxpayer misses both the 2016 deadline and the county board of equalization adjustment, the 2016 assessment is final, but the assessor could accept a first time Election Form from the taxpayer for 2017. The taxpayer can appeal the restricted use component of his property on the usual appeal schedule.

These proposed rules establish acceptable methods for property tax valuation of affordable housing in three categories: 1) Internal Revenue Code §42 LIHTC (tax credit) housing; 2) loan subsidized rural rental housing (§515 Housing Act of 1949); and 3) loan-for-credit housing (§1602 American Reinvestment and Recovery Act of 2009). In each of these categories, the rules attempt to measure the property value contribution of the subsidy as a source of income or avoided expense supplementing restricted (below-market) property rents. The proposed methods are derived from value approaches approved in property tax appeal rulings involving these property categories.

Below please find a short description of the substance of the rules with respect to each of the three categories of properties:

1) **Internal Revenue Code §42 LIHTC (tax credit) housing;**

Rule 0600-10-.03¹ will permit the owner of a *new or existing*² §42 LIHTC (tax credit) housing property to elect *one* of the following methods of attributing value to the credits:

1. Declining value. The tax credit subsidy would be valued as the present value of all remaining (unused) tax credits as of January 1 of the assessment year at issue; or

¹ The method set forth in Rule 0600-10-.03 is derived from the value approach approved by the Tennessee Court of Appeals in Spring Hill, L.P., et al. v. Tennessee State Board of Equalization, 2003 WL 23099679 (December 31, 2003).

² For *existing* §42 LIHTC (tax credit) housing as of the effective date of the rules, the taxpayer shall also elect one of the above options, but just for the remaining period of the subsidy.

2. Level value. The tax credit subsidy would be valued for each year the credits continue, as the average of annual values of remaining credits over the applicable Land Use Restrictive Agreement Compliance Period (usually fifteen years).

Attached as **Exhibit 2** are examples contrasting a conventional (unsubsidized) property valuation with valuations of a tax credit property using each of the election methods described above.

Attached as **Exhibit 3** is a 2016 Election Form, under which the taxpayer can notify the assessor of his election under Rule 0600-10-.03(3). As you can see on the form, pursuant to Rule 0600-10-.06(1), if the taxpayer fails to notify the assessor of the taxpayer's election, the assessor shall choose either the "Declining Value" option outlined in Rule 0600-10-.03(3)(a) or the "Level Value" option outlined in Rule 0600-10-.03(3)(b) and apply that method for each year until the particular property's subsidy is exhausted. The 2016 Election Form (Exhibit 3) explains why the Assessor may want to elect the Level Value option if the taxpayer has not filed an election form by the 2016 deadline.

2) **Loan subsidized rural rental housing (§515 Housing Act of 1949):**

Rule 0600-10-.04³ states that §515 rural rental (loan interest) subsidized housing will be valued by adding additional property income in the income approach to value, representing the difference between actual amortization and a typical (market) loan amortization for the year at issue. This may require a periodic redetermination by the assessor regarding a typical market loan amortization for each year the subsidy continues. Attached as **Exhibit 2** are examples of valuing §515 property under this rule.

3) **Loan-for-credit housing (§1602 American Reinvestment and Recovery Act of 2009):**

³ The method set forth in Rule 0600-10-.04 is derived from the value approach approved by the Assessment Appeals Commission in the Appeal of Troy Place Apartments (Final Decision and Order issued 11/12/93).

Rules 0600-10-.05⁴ states that §1602 forgivable loan housing will be valued by adding additional property income in the income approach to value, representing the amount of loan principal forgiven for the year at issue. Attribution for §1602 properties will continue for each year a portion of loan principal is forgiven. Attached as **Exhibit 2** are examples of valuing §1602 property under this rule.

Implementation for New Versus Existing Properties:

Rule 0600-10-.06 sets forth the requirements to implement the value methods described in these rules for both new and existing properties. The restricted use component of value will be updated by the assessor when the county is reappraised, or more often if the assessor is provided more current property information or if the assessor is ordered to adjust the value in an appeal. These rules *should* resolve how subsidies are reflected in the taxable value of subsidized housing properties, but there still may be disputes and appeals regarding components of the (restricted use) income approach portion of the property value. These might include, for example, vacancy, expense, and cap rates in the (restricted use) income approach.

Please feel free to contact your Division of Property Assessments' area office for further guidance on this issue.

⁴ The method set forth in Rule 0600-10-.05 is derived from the value approach approved by the Assessment Appeals Commission in the Appeal of Sevierville Senior Apartments, LP, et al. (Final Decision and Order issued 12/5/14).

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Sequence Number: 04-14-16
 Rule ID(s): 6182
 File Date: 4/21/16
 Effective Date: 7/20/16

Rulemaking Hearing Rule(s) Filing Form

Rulemaking Hearing Rules are rules filed after and as a result of a rulemaking hearing (Tenn. Code Ann. § 4-5-205).

Pursuant to Tenn. Code Ann. § 4-5-229, any new fee or fee increase promulgated by state agency rule shall take effect on July 1, following the expiration of the ninety (90) day period as provided in § 4-5-207. This section shall not apply to rules that implement new fees or fee increases that are promulgated as emergency rules pursuant to § 4-5-208(a) and to subsequent rules that make permanent such emergency rules, as amended during the rulemaking process. In addition, this section shall not apply to state agencies that did not, during the preceding two (2) fiscal years, collect fees in an amount sufficient to pay the cost of operating the board, commission or entity in accordance with § 4-29-121(b).

Agency/Board/Commission:	State Board of Equalization
Division:	
Contact Person:	Kelsie Jones, Executive Secretary
Address:	312 Rosa L Parks Ave., Ste. 900, Nashville, TN
Zip:	37243-1102
Phone:	615-401-7883
Email:	kelsie.jones@cot.tn.gov

Revision Type (check all that apply):

- Amendment
 New
 Repeal

Rule(s) Revised (ALL chapters and rules contained in filing must be listed here. If needed, copy and paste additional tables to accommodate multiple chapters. Please enter only ONE Rule Number/Rule Title per row)

Chapter Number	Chapter Title
0600-10	Subsidized Affordable Housing
Rule Number	Rule Title
0600-10-.01	Purpose
0600-10-.02	Definitions
0600-10-.03	Determining Value for LIHTC Property
0600-10-.04	Determining Value for Rural Rental Housing Property
0600-10-.05	Determining Value for Section 1602 Affordable Housing
0600-10-.06	Implementation
0600-10-.07	Effective date



Substance of proposed rules:

Chapter 0600-10
Subsidized Affordable Housing

0600-10-.01 Purpose

The purpose of these rules is to define the value of subsidized affordable housing for property taxes in a manner that is certain and predictable, that furthers the federal incentives to assure a reasonable affordable housing supply, and that comports with state constitutional standards for ad valorem taxation.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.02 Definitions

As used in these rules, unless the context otherwise requires:

- (1) "Low-income housing tax credit (LIHTC) property" means low-income housing property restricted under government regulations pursuant to § 42 of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 42, the low-income housing tax credit program;
- (2) "Rural rental housing property" means property financed or refinanced by a loan made, insured, or guaranteed by a branch, department, or agency of the United States government under § 515 of the Housing Act of 1949, codified in 42 U.S.C. § 1485, the rural rental housing program;
- (3) "Section 1602 affordable housing" means low-income housing property restricted under government regulations pursuant to § 42 of the Internal Revenue Code of 1986, codified in 26 U.S.C. § 42, but for which credits have been surrendered in return for a loan, as authorized by § 1602 of the American Reinvestment and Recovery Act of 2009;
- (4) "Subsidized affordable housing" means property participating in federal programs to incentivize private housing investment in return for rent concessions to needy tenants. These programs include, but are not limited to, those authorized under the § 515 Rural Rental Housing program, § 42 of the Internal Revenue Code of 1986, or § 1602 of the American Reinvestment and Recovery Act of 2009; and
- (5) "Taxpayer" means any owner of property subject to taxation or any party liable for property taxes.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.03 Determining Value for LIHTC Property

- (1) The taxable value of LIHTC property shall consist of a restricted use component and a component representing the economic benefit of the subsidy to the property owners.
- (2) The restricted use component shall be the income approach value resulting from using actual rents paid or payable by needy tenants and by such factors for vacancy, collection loss, expenses, reserves, and capitalization rates as are typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (3) With regard to the value of the subsidy component, a taxpayer of low-income housing tax credit property shall elect to either:
 - a. Have the assessor include in the assessor's annual appraisal the present value of all future tax credits for each of the unused tax credit years remaining on the property; or
 - b. Have the assessor include in the assessor's annual appraisal, instead of the present value of all future tax credits, the average annual present value of the credit as calculated in (3)(a) above, based on the Compliance Period provided for in the Land Use Restriction Agreement for the particular property being valued.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.04 Determining Value for Section 515 Rural Rental Housing Property

- (1) The taxable value of rural rental housing property shall be calculated by the income approach value resulting from using actual rents paid or payable by needy tenants plus the loan subsidy income attributed to the property for the year at issue. Additional income approach factors for vacancy, collection loss, expenses, reserves, and capitalization rates shall be based on those typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (2) The loan subsidy income attributed to the property shall be the difference between actual loan amortization and a typical market loan amortization for the year at issue.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.05 Determining Value for Section 1602 Affordable Housing

- (1) The taxable value of §1602 affordable housing property shall be calculated by the income approach value resulting from using actual rents paid or payable by needy tenants plus the forgivable loan income attributed to the property for the year at issue. Additional income approach factors for vacancy, collection loss, expenses, reserves, and capitalization rates shall be based on those typically experienced by comparable properties in the area in which the property is located or economically comparable areas.
- (2) The forgivable loan income attributed to the property shall be the amount of loan principal forgiven for the year at issue.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.06 Implementation

- (1) The assessor shall implement the value methods required by these rules as of January 1. For each LIHTC property, the taxpayer shall notify the assessor of the taxpayer's election pursuant to rule 0600-10-.03(3) and provide documentation necessary to permit the assessor to apply the method elected. If a taxpayer for a LIHTC property fails to notify the assessor of the taxpayer's election hereunder, the assessor shall choose one of the valuation methods provided in rule 0600-10-.03(3) and apply that method for each year until the particular property's subsidy is exhausted. The assessor shall update the subsidy component of a LIHTC property assessment as appropriate to the alternate method as provided in these rules. The assessor shall update the restricted-use component of a LIHTC property assessment on the occasion of any county-wide reappraisal, or upon being directed by the county or state board of equalization to update the valuation for a year in which the assessment is properly appealed.
- (2) The taxpayer shall be bound by the method it elected under rule 0600-10-.03(3) for each year until the subsidy is exhausted. Existing properties in operation on the effective date of these rules shall be valued by the method elected by the taxpayer under rule 0600-10-.03(3) for the remaining period of the subsidy.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

0600-10-.07 Effective date

After this chapter takes effect, these rules shall apply to the tax period beginning January 1, 2016 and all subsequent tax periods.

Authority: T.C.A. §§ 4-3-5103 and 67-1-305.

* If a roll-call vote was necessary, the vote by the Agency on these rulemaking hearing rules was as follows:

Board Member	Aye	No	Abstain	Absent
Bennett	X			
Burchett	X			
Hargett				X
Lillard	X			
Roberts	X			
Tarwater	X			
Wilson	X			

I certify that this is an accurate and complete copy of rulemaking hearing rules, lawfully promulgated and adopted by the State Board of Equalization on December 15, 1015 and is in compliance with the provisions of T.C.A. § 4-5-222.

I further certify the following:

Notice of Rulemaking Hearing filed with the Department of State on: 09/16/15

Rulemaking Hearing(s) Conducted on: (add more dates). 11/06/15

Date: April 8, 2016

Signature: Kelsie E Jones

Name of Officer: Kelsie E Jones

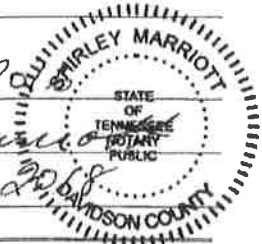
Title of Officer: Executive Secretary, SBOE

Subscribed and sworn to before me on: 08 APRIL 2016

Notary Public Signature: Shirley Marriott

My commission expires on: 08 MAY 2018

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All rulemaking hearing rules provided for herein have been examined by the Attorney General and Reporter of the State of Tennessee and are approved as to legality pursuant to the provisions of the Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Herbert H. Slattery III
 Herbert H. Slattery III
 Attorney General and Reporter
April 19, 2016
 Date

Department of State Use Only

Filed with the Department of State on: 4/21/16

Effective on: 7/20/16



Tre Hargett
Secretary of State

HOUSING COMPLEX

INCOME APPROACH

SPREADSHEET

Below are the types of housing complexes that can be valued using the form.

1. Conventional Complexes
2. Section 8
3. Section 236
4. Section 515
5. Section 42
6. Section 1602
7. Section 42 and Section 1602
8. Section 515 and Section 42
9. Section 221

This document pertains to Section 515 (*Number 4 above*),
Section 42 (*Number 5 above*), Section 1602 (*Number 6 above*),
Section 42 and Section 1602 combination (*Number 7 above*), and
Section 515 and Section 515 combination (*Number 8 above*).



EXAMPLE COUNTY

2016

SUBSIDIZED APARTMENT INCOME APPROACH

This Field Controls the Type of Subsidy and the Valuation Process

Click on this field for County name Drop Down List

BUSINESS/PROPERTY NAME: LIHTC ESTATES
PARCEL NUMBER: 001-001.00
2014 ASSESSORS REAL PROP VAL: \$4,765,400

PROPERTY INFORMATION				AVE UNIT	SALES RATIO
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	
YEAR BUILT:	2010	UNITS/ACRE:	3.16	1,615	1.0000

TYPE OF SUBSIDY/SUBSIDIES: 4. Section 515 Interest Subsidy - USDA

SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
3 BDRM-A	24	\$650	\$187,200
4 BDRM-A	14	\$760	\$126,000
3 BDRM-B	3	\$550	\$19,800
4 BDRM-B	2	\$609	\$14,616
3 BDRM-C	1	\$0	
TOTALS:	44	\$658	\$347,616
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$347,616	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$47,466
Payroll Related	\$55,500
Marketing & Leasing	\$4,301
Repairs & Maint	\$19,556
Insurance Expense	\$11,520
Utilities	\$68,234
Res for Replacement	\$11,000
EXPENSE TOTALS:	\$217,577

SUBJECT VACANCY (Calendar Yr)
2015
5%
2014
0%
2013
0%
TAX CREDIT Discount Rate
5.00%

INCOME ANALYSIS		
Enter % Or \$ Below →	%	\$
POTENTIAL GROSS INCOME:		\$347,616
-V & C LOSS:	5.0%	
+MISC INCOME:	2.0%	
EFFECTIVE GROSS INCOME:		\$337,188
-EXPENSES:		\$217,577
+LOAN SUBSIDY:		\$65,605
NET OPERATING INCOME:		\$185,216
MTG: EQUITY OVERRIDE CAP RATE	10.65%	
PRELIMINARY INC VALUE		\$1,738,500
+ ADD EXCESS LAND:		\$0
- LESS PERSONAL PROPERTY:		\$2,200
+ TAX CREDITS		\$ -
- TAX CREDITS - PROPERTY TAXES		\$0
PRELIMINARY REAL PROPERTY		\$1,736,300
X COUNTY SALES RATIO:		100.00%

CAP RATE CALCULATION	
County Tax Rate:	\$2.7400
City Tax Rate:	\$1.4200
Eff Tax Rate:	1.6640%
Capitalization Rate:	7.00%
MTG: EQUITY RATE	10.65%

LOAN SUBSIDY	
Type Subsidy	515
Compliance Year	1988
Total Term -Years:	50
Loan Amount:	\$1,000,000
Market %:	9.00%
Subsidized %:	1.00%
Years Remaining:	22
Mkt Amortization:	\$91,028
Actual Amort:	\$25,423
Principal & Int Subsidy:	\$65,605

TAX CREDIT Disbursal & Compliance Yrs			
Tax Credit	Year	Present Value	
\$ 125,000	2011	\$	-
\$ 497,797	2012	\$	-
\$ 497,797	2013	\$	-
\$ 497,797	2014	\$	-
\$ 497,797	2015	\$	-
\$ 497,797	2016	\$	-
\$ 497,797	2017	\$	-
\$ 497,797	2018	\$	-
\$ 497,797	2019	\$	-
\$ 497,797	2020	\$	-
\$ 372,797	2021	\$	-
\$ -	2022	\$	-
\$ -	2023	\$	-
\$ -	2024	\$	-
\$ -	2025	\$	-
15 Yr Ave. Present Value		\$	-

REAL PROP VALUE
\$1,736,300

MORTGAGE EQUITY CAPITALIZATION RATE			
(Need "LOAN SUBSIDY" Info Above Filled in Also)			
Equity Yield %	9.00%	Loan to Value %	90.00%
		(+ Appr or -Depr) %	0.00%

COMMENTS:	\$EXP/SF	\$3.06	\$EXP/UNIT	\$4,945	EXP RATIO	65%	VALUE	PER UNIT	PER FOOT
		\$	-	x 1.6640%	=	\$0	\$39.461	\$24.44	

SECTION 515 HOUSING

State Board of Equalization (SBOE) Rule 0600-10-.04 states that §515 rural rental (loan interest) subsidized housing will be valued by adding additional property income in the income approach to value, representing the difference between actual amortization and a typical (market) loan amortization for the year at issue. Current DPA procedure is to utilize the subject's mortgage interest rate. This treatment is consistent with audited income and expense statements and their calculations of the interest subsidy. Use of an alternative interest rate would be at the owner's request and subject to the viability of the information and analysis provided by the owner. *(See below for Spreadsheet treatment of SBOE Ruling.)*

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					2016
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	AVE UNIT SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16	1,615	1.0000
TYPE OF SUBSIDY/SUBSIDIES:		4. Section 515		Interest Subsidy - USDA	
SUBJECT RENT			SUBJECT EXPENSES		
APT TYPE	# UNITS	RENT/MO	Category	Amount	SUBJECT VACANCY (Calendar Yr)
3 BDRM-A	24	\$650	Administration	\$47,466	2015
4 BDRM-A	14	\$750	Payroll Related	\$55,500	5%
3 BDRM-B	3	\$550			2014

Choose From Drop Down List

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					2016
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	AVE UNIT SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16	1,615	1.0000
TYPE OF SUBSIDY/SUBSIDIES:		4. Section 515		Interest Subsidy - USDA	
SUBJECT RENT			SUBJECT EXPENSES		SUBJECT VACANCY (Calendar Yr)
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	AMOUNT	
3 BDRM-A	24	\$650	\$187,200	Administration	2015
4 BDRM-A	14	\$750	\$126,000	Payroll Related	5%
3 BDRM-B	3	\$550	\$19,800		2014

It Automatically Changes These Fields

SECTION 515 HOUSING cont...

Capitalization Rate

The default Capitalization Rate is determined by the Mortgage: Equity Method. This spreadsheet compares the RERC (Real Estate Research Corporation) Published Going-In Rate with that calculated using the Mortgage: Equity Method and chooses the higher rate.

EXAMPLE COUNTY											
2016 SUBSIDIZED APARTMENT INCOME APPROACH											
BUSINESS/PROPERTY NAME:					LIHTC ESTATES						
PARCEL NUMBER:					001-001.00						
2014 ASSESSORS REAL PROP VAL:					\$4,765,400						
PROPERTY INFORMATION							AVE UNIT	2016			
GROSS FOOTAGE:		71,050		LAND SIZE (ACRES):		13.93		SIZE (SF)	SALES RATIO		
YEAR BUILT:		2010		UNIT/ACRE:		3.16		1.615	1.0000		
TYPE OF SUBSIDY/SUBSIDIES:							4. Section 515		Interest Subsidy - USDA		
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT			(Calendar Yr)			
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466			2015			
4 BDRM-A	14	\$750	\$126,000	Payroll Related	\$55,500			5%			
3 BDRM-B	3	\$550	\$19,800	Marketing & Leasing	\$4,301			2014			
4 BDRM-B	2	\$609	\$14,616	Repairs & Maint	\$19,556			0%			
3 BDRM-C	1	\$0		Insurance Expense	\$11,520			2013			
				Utilities	\$68,234			0%			
				Res for Replacement	\$11,000						
TOTALS:				EXPENSE TOTALS:							
		44		\$658		\$217,577					
CONCESSIONS:											
POTENTIAL GROSS INCOME:				\$347,616							
INCOME ANALYSIS				CAP RATE CALCULATION				TAX CREDIT Disbursal & Compliance Yrs			
Enter "+, Or \$" Below → % \$				County Tax Rate: \$2,7400				Tax Credit		Year	
POTENTIAL GROSS INCOME:				City Tax Rate: \$1,4200				\$ 125,000		2011	
- V & C LOSS: 5.0%				Eff Tax Rate: 1.6640%				\$ 497,797		2012	
+ MISC INCOME: 2.0%				Capitalization Rate: 7.00%				\$ 497,797		2013	
EFFECTIVE GROSS INCOME:				MTG: EQUITY OVERRIDE CAP RATE				\$ 497,797		2014	
\$337,188				10.71%				\$ 497,797		2015	
- EXPENSES:				Type Subsidy 515				\$ 497,797		2016	
\$217,577				Compliance Year 1988				\$ 497,797		2017	
+ LOAN SUBSIDY:				Total Term - Years: 50				\$ 497,797		2018	
\$65,605				Loan Amount: \$1,000,000				\$ 497,797		2019	
NET OPERATING INCOME:				Market %: 9.00%				\$ 497,797		2020	
\$185,216				Subsidized %: 1.00%				\$ 372,797		2021	
PRELIMINARY INC VALUE				Years Remaining: 22				\$ -		2022	
\$1,728,700				Mkt Amortization: \$91,028				\$ -		2023	
+ ADD EXCESS LAND: \$0				Actual Amort: \$25,423				\$ -		2024	
- LESS PERSONAL PROPERTY: \$2,200				Principal & Int Subsidy: \$65,605				\$ -		2025	
+ TAX CREDITS \$ -				MORTGAGE EQUITY CAPITALIZATION RATE				15 Yr Ave. Present Value \$ -		9.05%	
- TAX CREDITS - PROPERTY TAXES \$0				(Use 4 LOAN SUBSIDY Info Above Filled in Also)				Equity Yield %		(+ Appr or -Depr) %	
PRELIMINARY REAL PROPERTY				10.00%				Loan to Value %		95.00%	
\$1,726,500				X COUNTY SALES RATIO: 100.00%				PER UNIT		PER FOOT	
REAL PROP VALUE				\$1,726,500				\$39,239		\$24.30	
COMMENTS:				\$EXP/SF \$3.06 \$EXP/UNIT \$4.945 EXP RATIO 6.9%				Tax Credit Prop Taxes= \$ - x 1.6640% = \$0			
Valuation Fields Affected by Choosing Section 515 Housing.											

SECTION 515 HOUSING cont...

Subject Property Mortgage information is needed for this valuation process. This would include the principal amount, the loan term in years, and the market interest rate. Section 515 loans are usually at a 95% Loan:Value Ratio. RERC also provides the owner equity rate or the % return rate that the owner expects on their out-of-pocket portion of the project cost.

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES	
PARCEL NUMBER:		001-001.00	
2014 ASSESSORS REAL PROP VAL:		\$4,765,400	

PROPERTY INFORMATION				AVE UNIT	2016
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16	1.615	1.0000

TYPE OF SUBSIDY/SUBSIDIES:	4. Section 515	Interest Subsidy - USDA
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SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
3 BDRM-A	24	\$660	\$187,200
4 BDRM-A	14	\$750	\$126,000
3 BDRM-B	3	\$550	\$19,800
4 BDRM-B	2	\$609	\$14,616
3 BDRM-C	1	\$0	
TOTALS:	44	\$658	\$347,616
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$347,616	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$47,466
Payroll Related	\$55,500
Marketing & Leasing	\$4,301
Repairs & Maint	\$19,556
Insurance Expense	\$11,520
Utilities	\$68,234
Res for Replacement	\$11,000
EXPENSE TOTALS:	\$217,577

SUBJECT VACANCY (Calendar Yr)	
2015	5%
2014	0%
2013	0%

TAX CREDIT Discount Rate	5.00%
--------------------------	-------

INCOME ANALYSIS		
Enter "% Or \$" Below	%	\$
POTENTIAL GROSS INCOME:		\$347,616
- V & C LOSS:	5.0%	
+ MISC INCOME:	2.0%	
EFFECTIVE GROSS INCOME:		\$337,188
- EXPENSES:		\$217,577
+ LOAN SUBSIDY:		\$65,605
NET OPERATING INCOME:		\$185,216
MTG: EQUITY OVERRIDE CAP RATE	10.71%	
PRELIMINARY INC VALUE		\$1,728,700
+ ADD EXCESS LAND:		\$0
- LESS PERSONAL PROPERTY:		\$2,200
+ TAX CREDITS		\$0
- TAX CREDITS - PROPERTY TAXES		\$0
PRELIMINARY REAL PROPERTY		\$1,726,500
X COUNTY SALES RATIO:	100.00%	

CAP RATE CALCULATION	
County Tax Rate:	\$2.7400
City Tax Rate:	\$1.4200
Eff Tax Rate:	1.6640%
Capitalization Rate:	7.00%
MTG: EQUITY RATE	10.71%

TAX CREDIT Disbursal & Compliance Yrs			
Tax Credit	Year	Present Value	
\$ 126,000	2011	\$	-
\$ 497,797	2012	\$	-
\$ 497,797	2013	\$	-
\$ 497,797	2014	\$	-
\$ 497,797	2015	\$	-
\$ 497,797	2016	\$	-
\$ 497,797	2017	\$	-
\$ 497,797	2018	\$	-
\$ 497,797	2019	\$	-
\$ 497,797	2020	\$	-
\$ 372,797	2021	\$	-
\$ -	2022	\$	-
\$ -	2023	\$	-
\$ -	2024	\$	-
\$ -	2025	\$	-
15 Yr Ave. Present Value		\$	-

REAL PROP VALUE	\$1,726,500
------------------------	--------------------

MORTGAGE EQUITY CAPITALIZATION RATE					
(Need "LOAN SUBSIDY" Info Above Filled In Also)					
Equity Yield %	10.00%	Loan to Value %	95.00%	(+ Appr or -Depr) %	0.00%
Principal & Int Subsidy:			\$65,605		
MORTGAGE EQUITY CAPITALIZATION RATE				9.05%	

COMMENTS:	\$EXP/SF	\$3.06	\$EXP/UNIT	\$4.945	EXP RATIO	65%	VALUE	PER UNIT	\$39,239	PER FOOT	\$24.30
	Tax Credit Prop. Taxes:	\$ -	X	1.6640%	=	\$0					

Capitalization Rate is RERC Published "Going-in" rate. This Program compares the Mortgage:Equity Rate and Capitalization rate and chooses the higher of the two.

Input Felds for Mortgage:Equity Method. "Equity Yield %" is RERC Published Rate for IRR.

SECTION 515 HOUSING cont...

The Section 515 complexes that were built in the 1980's usually have Trust Deed references that will tell you what the principal, interest rate, and loan term is. Trust Deed information for Section 515 mortgages that took place in the 1990's and beyond will usually have the principal amount and the loan length but might leave off the interest rate. Below is a Trust Deed example from 1987.

USDA-FmHA
Form FmHA 427-1 TN
(Rev. 4-85)

Position 5
"CORRECTED"

The form of this instrument was drafted by the office of the General Counsel of the United States Department of Agriculture, Washington, D.C., and the material in the blank spaces in the form was inserted by or under the direction of:

JAMES S. WEBB, ESQ.
(Name)
CLEVELAND, TN 37311
(Address)

Frankie Fletcher, Register
Robertson County, Tennessee
Instrument 101682
NBK: 59 Ps 192

Doc No: 101776
Noted: 35.90
Title: 0.00
Clerk: 0.00
EFP: 2.00
Total: 37.00

Recorded
3/7/2003 at 9:30 am
in Record Book
631 Pages 903-909

REAL ESTATE DEED OF TRUST FOR TENNESSEE

Page 903

THIS DEED OF TRUST is made and entered into by and between the undersigned _____
SKYVIEW TERRACE APTS., LTD., a Tennessee Limited Partnership

residing in Montgomery County, Tennessee, whose ~~present~~ address
is 2501 Memorial Extension, Clarksville, Tennessee 37040,

as grantor(s), herein called "Borrower," and JOHNNY V. CROW, State Director, Farmers
Home Administration, United States Department of Agriculture, Trustee

as trustee, herein called "Trustee," and the United States of America, acting through the Farmers Home Administration,
United States Department of Agriculture, as beneficiary, herein called the "Government," and:

WHEREAS Borrower is indebted to the Government as evidenced by one or more promissory note(s) or assumption
agreement(s), herein called "note," which has been executed by Borrower, is payable to the order of the Government, author-
izes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is described
as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
June 19, 1987	\$1,372,505.47	8 1/2%	June 19, 2037

(The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument
may be increased after 3 years, as provided in the Farmers Home Administration regulations and the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure the pay-
ment thereof pursuant to the Consolidated Farm and Rural Development Act, or Title V of the Housing Act of 1949 or any
other statute administered by the Farmers Home Administration;

And it is the purpose and intent of this instrument that, among other things, at all times when the note is held by the
Government, or in the event the Government should assign this instrument without insurance of the note, this instrument
shall secure payment of the note; but when the note is held by an insured holder, this instrument shall not secure payment of
the note or attach to the debt evidenced thereby, but as to the note and such debt shall constitute an indemnity mortgage to
secure the Government against loss under its insurance contract by reason of any default by Borrower;

And this instrument also secures the recapture of any interest credit or subsidy which may be granted to the Borrower
by the Government pursuant to 42 U.S.C. §1490a.

NOW, THEREFORE, in consideration of the loan(s) Borrower does hereby grant, bargain, sell, convey, and assign unto
trustee with general warranty the following-described property situated in the State of Tennessee, County(ies) of
Robertson

SEE EXHIBIT "A" ATTACHED

SECTION 1602 HOUSING

SBOE Rules 0600-10-.05 states that §1602 forgivable loan housing will be valued by adding additional property income in the income approach to value, representing the amount of loan principal forgiven for the year at issue. Attribution for §1602 properties will continue for each year a portion of loan principal is forgiven. (See below for Spreadsheet treatment of SBOE Ruling.)

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					AVE UNIT
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	2016
YEAR BUILT:	2010	UNIT/ACRE:	3.16	1,615	SALES RATIO
2010		3.16		1,615	1.0000
TYPE OF SUBSIDY/SUBSIDIES:		6. Section 1602		Loan-Principal & Interest Waived	
SUBJECT RENT		SUBJECT EXPENSES		SUBJECT VACANCY	
APT TYPE	# UNITS	RENT/MO	CATEGORY	AMOUNT	(Calendar Yr)
3 BDRM-A	24	\$650	Administration	\$47,466	2015
4 BDRM-A	14	\$750	Payroll Related	\$55,500	5%
3 BDRM-B	3	\$550			2014
		\$19,800			

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					AVE UNIT
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	2016
YEAR BUILT:	2010	UNIT/ACRE:	3.16	1,615	SALES RATIO
2010		3.16		1,615	1.0000
TYPE OF SUBSIDY/SUBSIDIES:		6. Section 1602		Loan-Principal & Interest Waived	
SUBJECT RENT		SUBJECT EXPENSES		SUBJECT VACANCY	
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466
4 BDRM-A	14	\$750	\$126,000	Payroll Related	\$55,500
3 BDRM-B	3	\$550	\$19,800		

It Automatically Changes These Fields

SECTION 1602 HOUSING cont...

In this example case the tax credit award was the equivalent of \$497,797/year for 10 years. Those credits were exchanged at \$0.85/tax credit dollar for lump sum of \$4,237,300. Below is how to enter that information into the spreadsheet.

EXAMPLE COUNTY											
2016 SUBSIDIZED APARTMENT INCOME APPROACH											
BUSINESS/PROPERTY NAME:					LIHTC ESTATES						
PARCEL NUMBER:					001-001.00						
2014 ASSESSORS REAL PROP VAL:					\$4,765,400						
PROPERTY INFORMATION											
GROSS FOOTAGE:			71,050	LAND SIZE (ACRES):		13.93	AVE UNIT SIZE (SF)		1,615	2016 SALES RATIO	1.0000
YEAR BUILT:			2010	UNIT/ACRE:		3.16					
TYPE OF SUBSIDY/SUBSIDIES:			6. Section 1602			Loan-Principal & Interest Waived					
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY (Calendar Yr)			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT			2015	2014	2013	
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466			5%			
4 BDRM-A	14	\$750	\$126,000	Payroll Related	\$55,500				0%		
3 BDRM-B	3	\$550	\$19,800	Marketing & Leasing	\$4,301					0%	
4 BDRM-B	2	\$609	\$14,616	Repairs & Maint	\$19,556					0%	
3 BDRM-C	1	\$0		Insurance Expense	\$11,520						
				Utilities	\$68,234						
				Res for Replacement	\$11,000						
TOTALS:			44	\$658	\$347,616	EXPENSE TOTALS:		\$217,577			
CONCESSIONS:											
POTENTIAL GROSS INCOME:			\$347,616								
TAX CREDIT TYPE											
<input checked="" type="checkbox"/> Declining											
<input type="checkbox"/> Level											
INCOME ANALYSIS				CAP RATE CALCULATION				TAX CREDIT Disc %		5.00%	
Enter %: Or \$ Below → % \$				County Tax Rate: \$2,7400				Tax Credit		Year	Present Value
POTENTIAL GROSS INCOME:				City Tax Rate: \$1,4200				\$ 125,000	2011	\$ -	
- V & C LOSS: 5.0%				Eff Tax Rate: 1.6640%				\$ 497,797	2012	\$ -	
+ MISC INCOME: 2.0%				Capitalization Rate: 7.00%				\$ 497,797	2013	\$ -	
EFFECTIVE GROSS INCOME:				LOADED CAP RATE:				\$ 497,797	2014	\$ -	
				8.66%				\$ 497,797	2015	\$ -	
- EXPENSES:								\$ 497,797	2016	\$ -	
				\$217,577				\$ 497,797	2017	\$ -	
+ LOAN SUBSIDY:								\$ 497,797	2018	\$ -	
				\$282,087				\$ 497,797	2019	\$ -	
NET OPERATING INCOME:								\$ 497,797	2020	\$ -	
				\$401,697				\$ 497,797	2021	\$ -	
OVERALL CAPITALIZATION RATE:								\$ 372,797	2022	\$ -	
				8.66%				\$ -	2023	\$ -	
PRELIMINARY INC VALUE								\$ -	2024	\$ -	
				\$4,638,500				\$ -	2025	\$ -	
+ ADD EXCESS LAND:								2016 Present Val \$ -			
				\$0							
- LESS PERSONAL PROPERTY:											
				-\$2,200							
+ TAX CREDITS											
				\$ -							
- TAX CREDITS - PROPERTY TAXES											
				\$0							
PRELIMINARY REAL PROPERTY											
				\$4,636,300							
X COUNTY SALES RATIO:											
				100.00%							
REAL PROP VALUE		\$4,636,300									
LOAN SUBSIDY				MORTGAGE EQUITY CAPITALIZATION RATE				N/A			
Type Subsidy				Compliance Year				Equity Yield			
1602				2011				9.00%			
Total Term -Years:				Loan Amount:				Loan to Value %			
15				\$4,231,300				90.00%			
Market %:				Subsidized %:				(+ Appr or -Depr) %			
0.00%				0.00%				0.00%			
Years Remaining:				Mkt Amortization:							
10				\$282,087							
Actual Amort:				Actual Amort:							
\$0				\$0							
Principal & Int Subsidy:											
				\$282,087							
COMMENTS:											
\$EXP/SF		\$3.06	\$EXP/UNIT		\$4.945	EXP RATIO		65%	VALUE		
Tax Credit Prop Taxes		\$ -	X 1.6640%		\$0				PER UNIT PER FOOT		
									\$105,370 \$65.25		
This area is used for Section 1602 loan information. Data entry areas of this portion of the spreadsheet are "Compliance Year", "Total Term-Years", "Loan Amount", and "Market %". With this type of subsidy, the Market % is always 0.00%.											

SECTION 1602 HOUSING cont...

The information entered for the Section 1602 loan results in a Principal and Interest Subsidy that is inserted into the "INCOME ANALYSIS" portion of the spreadsheet.

EXAMPLE COUNTY											
2016 SUBSIDIZED APARTMENT INCOME APPROACH											
BUSINESS/PROPERTY NAME:					LIHTC ESTATES						
PARCEL NUMBER:					001-001.00						
2014 ASSESSORS REAL PROP VAL:					\$4,765,400						
PROPERTY INFORMATION							AVE UNIT	2016			
GROSS FOOTAGE:		71,050	LAND SIZE (ACRES):		13.93	SIZE (SF)	SALES RATIO				
YEAR BUILT:		2010	UNIT/ACRE:		3.16	1,615	1.0000				
TYPE OF SUBSIDY/SUBSIDIES:							6. Section 1602			Loan-Principal & Interest Waived	
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT		(Calendar Yr)				
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466		2015				
4 BDRM-A	14	\$750	\$126,000	Payroll Related	\$55,500		5%				
3 BDRM-B	3	\$650	\$19,800	Marketing & Leasing	\$4,301		2014				
4 BDRM-B	2	\$609	\$14,616	Repairs & Maint	\$19,556		0%				
3 BDRM-C	1	\$0		Insurance Expense	\$11,520		2013				
				Utilities	\$68,234		0%				
				Res for Replacement	\$11,000						
TOTALS:				EXPENSE TOTALS:		\$217,577					
CONCESSIONS:											
POTENTIAL GROSS INCOME:				\$347,616							
INCOME ANALYSIS				CAP RATE CALCULATION				TAX CREDIT			
Enter % Or \$ Below → % \$				County Tax Rate: \$2.7400				Tax Credit Year Present Value			
POTENTIAL GROSS INCOME: \$347,616				City Tax Rate: \$1.4200				\$ 125,000 2011 \$ -			
- V & C LOSS: 5.0%				Eff Tax Rate: 1.6640%				\$ 497,797 2012 \$ -			
+ MISC INCOME: 2.0%				Capitalization Rate: 7.00%				\$ 497,797 2013 \$ -			
EFFECTIVE GROSS INCOME: \$337,188				LOADED CAP RATE: 8.66%				\$ 497,797 2014 \$ -			
- EXPENSES: \$217,577								\$ 497,797 2015 \$ -			
+ LOAN SUBSIDY: \$282,087								\$ 497,797 2016 \$ -			
NET OPERATING INCOME: \$401,677								\$ 497,797 2017 \$ -			
OVERALL CAPITALIZATION RATE: 8.66%								\$ 497,797 2018 \$ -			
PRELIMINARY INC VALUE: \$4,638,500								\$ 497,797 2019 \$ -			
+ ADD EXCESS LAND: \$0								\$ 497,797 2020 \$ -			
- LESS PERSONAL PROPERTY: \$2,200								\$ 372,797 2021 \$ -			
+ TAX CREDITS: \$0								\$ - 2022 \$ -			
- TAX CREDITS - PROPERTY TAXES: \$0								\$ - 2023 \$ -			
PRELIMINARY REAL PROPERTY: \$4,636,300								\$ - 2024 \$ -			
X COUNTY SALES RATIO: 100.00%								\$ - 2025 \$ -			
								2016 Present Val \$ -			
REAL PROP VALUE \$4,636,300				LOAN SUBSIDY							
				Type Subsidy	1602						
				Compliance Year	2011						
				Total Term - Years:	15						
				Loan Amount:	\$4,231,300						
				Market %:	0.00%						
				Subsidized %:	0.00%						
				Years Remaining:	10						
				Mkt Amortization:	\$282,087						
				Actual Amort:	\$0						
				Principal & Int Subsidy:	\$282,087						
				MORTGAGE EQUITY CAPITALIZATION RATE							
				(Read "LOAN SUBSIDY" Info Above Filled in Atlas)							
				Equity Yield	9.00%	Loan to Value	90.00%	(+ Appr or -Depr) %	0.00%		
COMMENTS:											
\$EXP/SF		\$3.06	\$EXP/UNIT		\$4.945	EXP RATIO		65%	VALUE		
Tax Credit Prop Taxes=		\$ -	* 1.6640%		\$0				PER UNIT	PER FOOT	
									\$105,370	\$65.25	
The "Mkt Amortization" entry is the "Loan Amount" divided by 15. That becomes the "Principal & Int Subsidy". It is then inserted into the income stream analysis.											

SECTION 42 HOUSING

This program was added to Section 42 of the Internal Revenue Code in 1986 in order to provide private owners with an incentive to create and maintain affordable housing. It has undergone some changes between 1986 and 2009 but retains its original purpose and basic structure. Below is how to begin Section 42 income approach valuation.

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	AVE UNIT SIZE (SF)	2016 SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16		1.615 1.0000
TYPE OF SUBSIDY/SUBSIDIES:		5. Section 42		Tax Credits	
SUBJECT RENT			SUBJECT EXPENSES		
APT TYPE	# UNITS	RENT/MO	CATEGORY	AMOUNT	
3 BDRM-A	24	\$650	Administration	\$47,466	
4 BDRM-A	14	\$750	Payroll Related	\$55,500	
3 BDRM-B	3	\$550		\$19,800	
			SUBJECT VACANCY (Calendar Yr)		
			2014		
			5%		
			2015		

Choose From Drop Down List

EXAMPLE COUNTY

2016 SUBSIDIZED APARTMENT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2014 ASSESSORS REAL PROP VAL:		\$4,765,400			
PROPERTY INFORMATION					
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	AVE UNIT SIZE (SF)	2016 SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16		1.615 1.0000
TYPE OF SUBSIDY/SUBSIDIES:		5. Section 42		Tax Credits	
SUBJECT RENT			SUBJECT EXPENSES		
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466
4 BDRM-A	14	\$750	\$126,000	Payroll Related	\$55,500
3 BDRM-B	3	\$550	\$19,800		
			SUBJECT VACANCY (Calendar Yr)		
			2015		
			5%		
			2014		

It Automatically Changes These Fields

SECTION 42 HOUSING cont...

SBOE Rule 0600-10-.03 will permit the owner of a *new* §42 LIHTC (tax credit) housing property to elect *one* of the following methods of attributing value to the credits:

- Declining value. The tax credit subsidy would be valued as the present value of all remaining (unused) tax credits as of January 1 of the assessment year at issue; or
- Level value. The tax credit subsidy would be valued for each year the credits continue, as the average of annual values of remaining credits over the applicable Land Use Restrictive Agreement Compliance Period (usually fifteen years).

(See below for Spreadsheet treatment of SBOE Ruling.)

EXAMPLE COUNTY					
2016			SUBSIDIZED APARTMENT INCOME APPROACH		
BUSINESS/PROPERTY NAME:		LIHTC ESTATES			
PARCEL NUMBER:		001-001.00			
2016 ASSESSORS REAL PROP VAL:		\$3,000,000			
PROPERTY INFORMATION					
GROSS FOOTAGE: 45,000		LAND SIZE (ACRES): 6.00		AVE UNIT SIZE (SF): 1,023	2015 SALES RATIO: 1.0000
YEAR BUILT: 2010		UNIT/ACRE: 7.33			
TYPE OF SUBSIDY/SUBSIDIES: 5. Section 42			Tax Credits		
SUBJECT RENT				SUBJECT EXPENSES	
APT TYPE # UNITS RENT/MO ANNUALIZED				CATEGORY AMOUNT	
3 BDRM-A 24 \$660 \$187,200				Administration \$47,466	
4 BDRM-A 14 \$760 \$126,000				Payroll Related \$55,500	
3 BDRM-B 3 \$560 \$18,500				Marketing & Leasing \$4,301	
4 BDRM-B 2 \$600 \$14,616				Repairs & Maint \$19,556	
3 BDRM-C 1 \$0 \$0				Insurance Expense \$11,520	
				Utilities \$68,234	
				Res for Replacement \$11,000	
TOTALS: 44 \$658 \$347,616				EXPENSE TOTALS: \$217,577	
CONCESSIONS:					
POTENTIAL GROSS INCOME: \$347,616					
INCOME ANALYSIS					
Enter % Or \$ Below					
POTENTIAL GROSS INCOME: 5.00% \$347,616					
- V & C LOSS: 5.00%					
* MISC INCOME: 2.00%					
EFFECTIVE GROSS INCOME: \$337,188					
- EXPENSES: \$217,577					
* LOAN SUBSIDY: \$0					
NET OPERATING INCOME: \$119,611					
OVERALL CAPITALIZATION RATE: 8.66%					
PRELIMINARY INC VALUE: \$1,381,200					
+ ADD EXCESS LAND: \$0					
- LESS PERSONAL PROPERTY: \$1,200					
+ TAX CREDITS \$ 2,433,400					
- TAX CREDITS - PROPERTY TAXES \$40,492					
PRELIMINARY REAL PROPERTY: \$3,772,900					
* COUNTY SALES RATIO: 100.00%					
REAL PROP VALUE		\$3,772,900			
CAP RATE CALCULATION					
County Tax Rate: 32.7400%					
City Tax Rate: 11.4200%					
EFF Tax Rate: 1.6640%					
Capitalization Rate: 7.00%					
LOADED CAP RATE: 8.66%					
LOAN SUBSIDY					
Type Subsidy N/A					
Compliance Year 2015					
Total Term -Years: 30					
Loan Amount: \$0					
Market %: 0.00%					
Subsidized %: 0.00%					
Years Remaining: 29					
Mkt Amortization: \$0					
Actual Amort: 30					
NO LOAN SUBSIDY \$0					
MORTGAGE EQUITY CAPITALIZATION RATE					
<small>(Must use NO LOAN SUBSIDY entry above. Filled in later)</small>					
Equity Yield %		Loan to Value %		Mortgage Rate %	
0.00%		90.00%		6.00%	
TAX CREDIT COMPLIANCE PERIOD					
BEGIN YR		END YR		TOTAL YRS	
2011		2024		15	
Accumulated T. C. Value: N/A					
2016 Present Val \$ 2,433,400					
COMMENTS					
\$EXP/SF \$4.84		\$EXP/UNIT \$4.045		EXP RATIO =	
Tax Credit Prop Taxes = \$ 4,433,400		x 1.6640%		= \$40,492	
VALUE		PER UNIT		PER FOOT	
		\$85,748		\$82.84	
This Portion of the Spreadsheet covers Tax Credit Valuation. It is activated when Section 42 is chosen as the subsidy type. Exemplified here is the standard "Declining" tax credit valuation approach.					

SECTION 42 HOUSING cont...

"Declining" tax credits approach affects the spreadsheet in many fields and has a different present value depending on the tax year listed in the tax credit disbursement schedule.

EXAMPLE COUNTY

SUBSIDIZED APARTMENT INCOME APPROACH

2016	BUSINESS/PROPERTY NAME: LIHTC ESTATES	PARCEL NUMBER: 001-001.00
	2016 ASSESSORS REAL PROP VAL: \$3,000,000	

PROPERTY INFORMATION				AVE UNIT	2015
GROSS FOOTAGE:	15,000	LAND SIZE (ACRES):	6.00	SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	7.33	1,023	1.0000

TYPE OF SUBSIDY/SUBSIDIES: 5. Section 42	Tax Credits
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SUBJECT RENT	SUBJECT EXPENSES	SUBJECT VACANCY																																																													
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REAL PROP VALUE	\$3,772,900
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COMMENTS:	VALUE	PER UNIT	PER FOOT
\$EXP/SF \$4.84			
\$EXP/UNIT \$4.945			
EXP RATIO =			
Tax Credit Prop Taxes=	\$ 2,433,400	\$85,748	\$83.84
	X 1.6640%		
	= \$40,492		

Choosing the "Declining" tax credit valuation method automatically populates value fields based on the tax year. As the tax credits expire with the passage of time, the present value of the remaining tax credit disbursement schedule "Declines".

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SECTION 42 HOUSING cont...

“Level” tax credits valuation is based on the sum of the present values of the remaining tax credit income streams (excludes those tax credit years that have expired). That total is divided by the remaining years left in the “Compliance Period”. In the example shown, the tax credit disbursement schedule is 2011 through 2021, covering 11 tax years. The Compliance Period is 2011 through 2025, covering 15 years (Some Compliance Periods are up to 30 years). Choosing the “Level Value” tax credits valuation option in tax year 2016 means involving the present value of the tax credit income streams for tax years 2016 through 2021. They would be added together and equalized over the remainder of the Compliance Period, 2016 – 2025.

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<p>Choosing the "Level" tax credit valuation method on the Tax Credit Election Form affects value fields based on the tax year in which it was enacted. In this example, the "Leveling" option was selected in the 2016 tax year. The Compliance Period is 2011 through 2025. The valuation and taxation effects of years 2011 through 2015 do not enter into the calculations of years 2016 through 2025. For tax years 2016 through 2025 the value impact of the tax credits will remain constant at \$856,780.</p>																																																																																																							

DOUBLE SUBSIDIZED APARTMENT INCOME APPROACH

There are many instances in Tennessee where low income housing complexes have multiple subsidies. The most common combinations are Section 515/Section 42 and Section 42/Section 1602. Most of the Section 515 housing complexes were built in the 1980's and 1990's. These complexes have been and are increasingly being rehabilitated using LIHTC funding through the Section 42 program. Low income housing complexes built between 2009 and 2011 were sometimes funded using Section 42 and Section 1602 awards.

(See below for Spreadsheet treatment of these complexes consistent with SBOE Rulings.)

SECTION 515/SECTION 42 APARTMENT INCOME APPROACH

EXAMPLE COUNTY									
2016 DOUBLE SUBSIDIZED APT INCOME APPROACH									
BUSINESS/PROPERTY NAME:					LIHTC ESTATES				
PARCEL NUMBER:					001-001.00				
2014 ASSESSORS REAL PROP VAL:					\$4,765,400				
PROPERTY INFORMATION							AVE UNIT		2016
GROSS FOOTAGE:		71,050		LAND SIZE (ACRES):		13.93		SIZE (SF)	SALES RATIO
YEAR BUILT:		2010		UNIT/ACRE:		3.16		1,615	1.0000
TYPE OF SUBSIDY/SUBSIDIES:				8. Section 515 and Section 42			Interest Subsidy & Tax Credits		
SUBJECT RENT			OPERATING EXPENSES				SUBJECT VACANCY (Calendar Yr)		
APT TYPE	# UNITS	RENT/MO	Choose From Drop Down List						
3 BDRM-A	24	\$650					2015		
4 BDRM-A	14	\$750							
3 BDRM-B	3	\$550	\$19,800				2014		
4 BDRM-B	2	\$609	\$14,616				0%		
			Payroll Related				\$47,466		
			Marketing & Leasing				\$55,500		
			Administration				\$4,201		

SECTION 515/SECTION 42 APARTMENT INCOME APPROACH cont...

The most noticeable change in the spreadsheet is the title under the County Name. It becomes, "DOUBLE SUBSIDIZED APT INCOME APPROACH". The effects of the SBOE rules changes are applied to the income approach consistent with both subsidies.

EXAMPLE COUNTY										
2016	DOUBLE SUBSIDIZED APT INCOME APPROACH									
BUSINESS/PROPERTY NAME:					LIHTC ESTATES					
PARCEL NUMBER:					001-001.00					
2014 ASSESSORS REAL PROP VAL:					\$4,765,400					
PROPERTY INFORMATION										
GROSS FOOTAGE:		71,050		LAND SIZE (ACRES):		13.93		AVE UNIT SIZE (SF)		2016 SALES RATIO
YEAR BUILT:		2010		UNIT/ACRE:		3.16		1,615		1.0000
TYPE OF SUBSIDY/SUBSIDIES: 8. Section 515 and Section 42 - Interest Subsidy & Tax Credits										
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY (Calendar Yr)		
APT TYPE	# UNITS	RENT/MO	ANNUALIZED	CATEGORY	AMOUNT					
3 BDRM-A	24	\$650	\$187,200	Administration	\$47,466				2015	
4 BDRM-A	14	\$760	\$120,000	Payroll Related	\$55,500				5%	
3 BDRM-B	3	\$550	\$19,800	Marketing & Leasing	\$4,200				2014	
4 BDRM-R	9	\$800	\$71,616						0%	

EFFECTIVE GROSS INCOME:	\$337,188	MTG: EQUITY RATE	11.55%	\$ 497,797	2014	\$ 3,132,800	
-EXPENSES:	\$217,577	LOAN SUBSIDY		\$ 497,797	2015	\$ 2,791,600	
+LOAN SUBSIDY:	\$75,270	Type Subsidy	615	\$ 497,797	2016	\$ 2,433,400	
NET OPERATING INCOME:	\$194,880	Compliance Year	1985	\$ 497,797	2017	\$ 2,057,300	
MTG: EQUITY OVERRIDE CAP RATE	11.55%	Total Term -Years:	50	\$ 497,797	2018	\$ 1,662,300	
PRELIMINARY IFC VALUE	\$1,686,700	Loan Amount:	\$1,000,000	\$ 497,797	2019	\$ 1,247,600	
+ ADD EXCESS LAND:	50	Market %:	10.00%	\$ 497,797	2020	\$ 812,200	
- LESS PERSONAL PROPERTY:	\$2,200	Subsidized %:	1.00%	\$ 372,797	2021	\$ 355,000	
+ TAX CREDITS	\$ 1,694,920	Years Remaining:	19	\$ -	2022	\$ -	
- TAX CREDITS - PROPERTY TAXES	\$78,203	Mkt Amortization:	\$100,693	\$ -	2023	\$ -	
PRELIMINARY REAL PROPERTY	\$3,351,200	Actual Amort:	\$25,428	\$ -	2024	\$ -	
X COUNTY SALES RATIO:	100.00%	Principal & Int Subsidy:	\$75,270	\$ -	2025	\$ -	
REAL PROP VALUE	\$3,351,200	MORTGAGE EQUITY CAPITALIZATION RATE <small>(Need "LOAN SUBSIDY" Info Above & "IFC" Info Also)</small>		\$ 1,694,920	5 Yr Ave Preocat Val \$ 1,694,920		
		Equity Yield %	9.00%	Loan to Value %	90.00%	(+ Appr or -Depr) %	0.00%
COMMENTS:	\$EXP/SF \$3.66	\$EXP/UNIT \$4.945	EXP RATIO 65%	VALU	PER UNIT \$76.164	PER FOOT \$47.17	
	Tax Credit Prop Taxes	\$ 1,694,920	X 1.6640%	=	\$28,203		

Section 42 effects.

Section 515 effects.

SECTION 515/SECTION 42 APARTMENT INCOME APPROACH cont...

(Below is the entire spreadsheet using tax credit leveling)

EXAMPLE COUNTY

2016 DOUBLE SUBSIDIZED APT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES	
PARCEL NUMBER:		001-001.00	
2016 ASSESSORS REAL PROP VAL:		\$3,000,000	

PROPERTY INFORMATION				AVE UNIT	2015
GROSS FOOTAGE:	35,000	LAND SIZE (ACRES):	6.00	SIZE (SF)	SALES RATIO
YEAR BUILT:	1985	UNIT/ACRE:	7.33	795	1.0000

TYPE OF SUBSIDY/SUBSIDIES:	8. Section 515 and Section 42	Interest Subsidy & Tax Credits
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SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
1 BDRM-A	24	\$450	\$129,600
2 BDRM-A	14	\$550	\$92,400
1 BDRM-B	3	\$400	\$14,400
2 BDRM-B	2	\$500	\$12,000
2 BDRM-C	1	\$0	
TOTALS:	44	\$470	\$248,400
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$248,400	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$15,000
Payroll Related	\$25,000
Marketing & Leasing	\$4,200
Repairs & Maint	\$47,500
Insurance Expense	\$10,000
Utilities	\$25,000
Res for Replacement	\$11,000
EXPENSE TOTALS:	\$137,700

INCOME ANALYSIS	
Enter "% Or \$" Below	% \$
POTENTIAL GROSS INCOME:	\$248,400
- V & C LOSS: 5.0%	
+ MISC INCOME: 2.0%	
EFFECTIVE GROSS INCOME:	\$240,948
- EXPENSES:	\$137,700
+ LOAN SUBSIDY:	\$30,986
NET OPERATING INCOME:	\$134,234
OVERALL CAPITALIZATION RATE:	9.96%
PRELIMINARY INC VALUE	\$1,347,700
+ ADD EXCESS LAND:	\$0
- LESS PERSONAL PROPERTY:	\$1,200
+ TAX CREDITS	\$ 306,290
- TAX CREDITS - PROPERTY TAXES	\$5,097
PRELIMINARY REAL PROPERTY	\$1,647,700
X COUNTY SALES RATIO:	100.00%

CAP RATE CALCULATION	
County Tax Rate:	\$2.7400
City Tax Rate:	\$1.4200
Eff Tax Rate:	1.6640%
Capitalization Rate:	8.30%
LOADED CAP RATE:	9.96%

LOAN SUBSIDY	
Type Subsidy	5.5
Compliance Year	2011
Total Term -Years:	30
Loan Amount:	\$1,200,000
Market %:	5.00%
Subsidized %:	1.00%
Years Remaining:	25
Mkt Amortization:	\$77,302
Actual Amort:	\$46,316
Interest Subsidy:	\$30,986

TAX CREDIT Disc % → 5.00%		
Tax Credit	Year	Present Value
\$ 125,000	2011	\$ 1,516,800
\$ 200,000	2012	\$ 1,167,600
\$ 200,000	2013	\$ 1,341,000
\$ 200,000	2014	\$ 1,208,000
\$ 200,000	2015	\$ 1,068,400
\$ 200,000	2016	\$ 921,900
\$ 200,000	2017	\$ 768,000
\$ 200,000	2018	\$ 606,400
\$ 200,000	2019	\$ 436,700
\$ 200,000	2020	\$ 258,500
\$ 75,000	2021	\$ 71,400

LEVEL REMAINING COMPLIANCE PERIOD		
BEGIN YR	END YR	TOTAL YRS
2016	2025	10
Accumulated T. C. Value:		\$ 3,062,900
2016 Level Value		\$ 306,290

MORTGAGE EQUITY CAPITALIZATION RATE		5.94%
<small>(Need LOAN SUBSIDY Info Above Filled in Also)</small>		
Equity Yield	9.00%	Load to Value %
		99.00% (+ Appr or -Depr) %
		0.00%

REAL PROP VALUE	\$1,647,700
-----------------	--------------------

COMMENTS:	\$EXP/SF	\$EXP/UNIT	EXP RATIO	PER UNIT	PER FOOT
	\$3.93	\$3.130	57%	\$37.448	\$47.08
	Tax Credit Prop	\$ 306,290 x 1.6640%	=	\$5,097	

These arrows show Section 42 fields. Section 42 tax credit funds are often used to rehab apartment complexes that are already utilizing another subsidy. In this case it is Section 515.

These arrows show Section 515 fields. Most of the time LIHTC rehab funding means refinancing the Section 515 loan - usually at a lower interest rate than when the complex was new. In this case the Mtg/Equity Cap Rate was not higher than the Published Rate and was not used in this analysis.

SECTION 515/SECTION 42 APARTMENT INCOME APPROACH cont...

(Below is the entire spreadsheet using tax credit declining)

EXAMPLE COUNTY

2016 DOUBLE SUBSIDIZED APT INCOME APPROACH

BUSINESS/PROPERTY NAME:		LIHTC ESTATES	
PARCEL NUMBER:		001-001.00	
2016 ASSESSORS REAL PROP VAL:		\$3,000,000	

PROPERTY INFORMATION				AVE UNIT	2015
GROSS FOOTAGE:	35,000	LAND SIZE (ACRES):	6.00	SIZE (SF)	SALES RATIO
YEAR BUILT:	1985	UNIT/ACRE:	7.33	795	1.0000

TYPE OF SUBSIDY/SUBSIDIES:	8. Section 515 and Section 42	Interest Subsidy & Tax Credits
----------------------------	-------------------------------	--------------------------------

SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
1 BDRM-A	24	\$450	\$126,000
2 BDRM-A	14	\$550	\$92,400
1 BDRM-B	3	\$400	\$11,400
2 BDRM-B	2	\$500	\$12,000
2 BDRM-C	1	\$0	
TOTALS:	44	\$470	\$248,400
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$248,400	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$15,000
Payroll Related	\$25,000
Marketing & Leasing	\$4,200
Repairs & Maint	\$47,500
Insurance Expense	\$10,000
Utilities	\$25,000
Res for Replacement	\$11,000
EXPENSE TOTALS:	\$137,700

SUBJECT VACANCY (Calendar Yr)
2015
0%
2014
0%
2013
0%

INCOME ANALYSIS		
Enter "% Or \$ Below	%	\$
POTENTIAL GROSS INCOME:		\$248,400
- V & C LOSS:	5.0%	
+ MISC INCOME:	2.0%	
EFFECTIVE GROSS INCOME:		\$240,948
- EXPENSES:		\$137,700
+ LOAN SUBSIDY:		\$30,986
NET OPERATING INCOME:		\$134,234
OVERALL CAPITALIZATION RATE:	9.96%	
PRELIMINARY INC VALUE		\$1,347,300
+ ADD EXCESS LAND:		\$0
- LESS PERSONAL PROPERTY:		\$1,200
+ TAX CREDITS		\$ 921,900
- TAX CREDITS - PROPERTY TAXES		\$15,340
PRELIMINARY REAL PROPERTY		\$2,253,100
X COUNTY SALES RATIO:		100.00%

CAP RATE CALCULATION		
County Tax Rate:	\$2.7400	
City Tax Rate:	\$1.4200	
Eff Tax Rate:	1.6640%	
Capitalization Rate:	8.30%	
LOADED CAP RATE:	9.96%	

LOAN SUBSIDY		
Type Subsidy	5.5	
Compliance Year	2011	
Total Term -Years:	30	
Loan Amount:	\$1,200,000	
Market %:	5.00%	
Subsidized %:	1.00%	
Years Remaining:	25	
Mnt Amortization:	\$77,302	
Actual Amort:	\$46,316	
Interest Subsidy:	\$30,986	

TAX CREDIT Disc % → 5.00%			
Tax Credit	Year	Present Value	
\$ 125,000	2011	\$	1,516,800
\$ 200,000	2012	\$	1,467,600
\$ 200,000	2013	\$	1,341,000
\$ 200,000	2014	\$	1,208,000
\$ 200,000	2015	\$	1,068,400
\$ 200,000	2016	\$	921,900
\$ 200,000	2017	\$	768,000
\$ 200,000	2018	\$	606,400
\$ 200,000	2019	\$	436,700
\$ 200,000	2020	\$	258,500
\$ 75,000	2021	\$	71,400

LEVEL REMAINING COMPLIANCE PERIOD		
BEGIN YR	END YR	TOTAL YRS
2010	2025	10
Accumulated T. C. Value:		N/A
2016 Present Value \$		921,900

MORTGAGE EQUITY CAPITALIZATION RATE					
(Need 3 Other Metrics/Rate Above Filled in Also)					
Equity Yield	9.00%	Loan to Value %	99.00%	(+ Appr or -Depr) %	0.00%
				5.94%	

REAL PROP VALUE	\$2,253,100
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COMMENTS:	\$EXP/SF \$2.93	\$EXP/UNIT \$3.130	EXP RATIO 57%	PER UNIT \$51,207	PER FOOT \$64.37
	Tax Credit Prop	\$ 921,900	x 1.6640%	=	\$15,340

These arrows show Section 42 fields. Section 42 tax credit funds are often used to rehab apartment complexes that are already utilizing another subsidy. In this case it is Section 515.

These arrows show Section 515 fields. Most of the time LIHTC rehab funding means refinancing the Section 515 loan - usually at a lower interest rate than when the complex was new. In this case the Mtg:Equity Cap Rate was not higher than the Published Rate and was not used in this analysis.

SECTION 42/SECTION 1602 APARTMENT INCOME APPROACH cont...

(Below is the entire spreadsheet using tax credit declining)

EXAMPLE COUNTY

2016 DOUBLE SUBSIDIZED APT INCOME APPROACH

BUSINESS/PROPERTY NAME: LIHTC ESTATES		PARCEL NUMBER: 001-001.00	
2016 ASSESSORS REAL PROP VAL: \$3,000,000			

PROPERTY INFORMATION				AVE UNIT	2015
GROSS FOOTAGE:	45,000	LAND SIZE (ACRES):	6.00	SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	7.33	1,023	1.0000

TYPE OF SUBSIDY/SUBSIDIES:	7. Section 42 and Section 1602	Tax Credits + Principal & Int Waived
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SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
3 BDRM-A	24	\$500	\$144,000
4 BDRM-A	14	\$600	\$100,800
3 BDRM-B	3	\$450	\$16,200
4 BDRM-B	2	\$550	\$13,200
3 BDRM-C	1	\$0	
TOTALS:	44	\$519	\$274,200
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$274,200	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$17,000
Payroll Related	\$30,000
Marketing & Leasing	\$4,200
Repairs & Maint	\$55,000
Insurance Expense	\$12,000
Utilities	\$25,000
Res for Replacement	\$11,000
EXPENSE TOTALS:	\$154,200

SUBJECT VACANCY (Calendar Yr)
2015
0%
2014
0%
2013
0%

INCOME ANALYSIS		
Enter "% Or \$" Below	%	\$
POTENTIAL GROSS INCOME:		\$274,200
- V & C LOSS:	5.0%	
+ MISC INCOME:	2.0%	
EFFECTIVE GROSS INCOME:		\$265,974
- EXPENSES:		\$154,200
+ LOAN SUBSIDY:		\$66,667
NET OPERATING INCOME:		\$178,441
OVERALL CAPITALIZATION RATE:	8.01%	
PRELIMINARY INC VALUE		\$2,227,700
+ ADD EXCESS LAND:		\$0
- LESS PERSONAL PROPERTY:		\$1,200
+ TAX CREDITS		\$ 1,937,000
- TAX CREDITS - PROPERTY TAXES		\$32,232
PRELIMINARY REAL PROPERTY		\$4,131,300
X COUNTY SALES RATIO:		100.00%

CAP RATE CALCULATION		
County Tax Rate:	\$2.7400	
City Tax Rate:	\$1.4200	
Eff Tax Rate:	1.6640%	
Capitalization Rate:	6.35%	
LOADED CAP RATE:	8.01%	

TAX CREDIT Disc % → 5.00%			
Tax Credit	Year	Present Value	
\$ 125,000	2011	\$	2,087,600
\$ 400,000	2012	\$	3,012,000
\$ 400,000	2013	\$	2,702,600
\$ 400,000	2014	\$	2,500,700
\$ 400,000	2015	\$	2,225,700
\$ 400,000	2016	\$	1,937,000
\$ 400,000	2017	\$	1,633,800
\$ 400,000	2018	\$	1,315,500
\$ 400,000	2019	\$	981,300
\$ 400,000	2020	\$	630,400
\$ 375,000	2021	\$	261,900

TAX CREDIT COMPLIANCE PERIOD		
BEGIN YR	END YR	TOTAL YRS
2011	2025	15
Accumulated T. C. Value:		N/A
2016 Present Val		\$ 1,937,000

LOAN SUBSIDY			
Type Subsidy	1602		
Compliance Year	2011		
Total Term -Years:	15		
Loan Amount:	\$1,000,000		
Market %:	0.00%		
Subsidized %:	0.00%		
Years Remaining:	10		
Mkt Amortization:	\$66,667		
Actual Amort:	\$0		
Principal & Interest Subsidy:	\$66,667		

MORTGAGE EQUITY CAPITALIZATION RATE			
<small>(Need Section 1602 Subsidy to be Awarded Filled in Also)</small>			
Equity Yield	0.00%	Loan to Value %	0.00%
		(+ Appr or -Depr) %	0.00%

REAL PROP VALUE	\$4,131,300
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COMMENTS:	\$EXP/SF	\$EXP/UNIT	EXP RATIO	VALUE	PER UNIT	PER FOOT
Tax Credit Prop	\$3.42	\$3,505	=	\$32,232	\$93,893	\$91.81

This shows that the "Declining" Tax Credit Valuation Approach was elected. Section 42 tax credits often provide the majority of the subsidy funding when awarded in conjunction with the Section 1602 Subsidy.

These arrows show the fields affected by the Section 1602 Subsidy. Section 1602 funds, in conjunction with Section 42 funding, often either eliminates the need for a conventional loan based on the restricted rent income or supplement the Section 42 Tax Credit \$Sale/\$1.00.

SECTION 42/SECTION 1602 APARTMENT INCOME APPROACH cont...

(Below is the entire spreadsheet using tax credit leveling)

EXAMPLE COUNTY

DOUBLE SUBSIDIZED APT INCOME APPROACH

2016

BUSINESS/PROPERTY NAME:		LIHTC ESTATES	
PARCEL NUMBER:		001-001.00	
2016 ASSESSORS REAL PROP VAL:		\$3,000,000	

PROPERTY INFORMATION				AVE UNIT	2015
GROSS FOOTAGE:	45,000	LAND SIZE (ACRES):	6.00	SIZE (SF)	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	7.33	1,023	1.0000

TYPE OF SUBSIDY/SUBSIDIES:	7. Section 42 and Section 1602	Tax Credits + Principal & Int Waived
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SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
3 BDRM-A	24	\$500	\$144,000
4 BDRM-A	14	\$600	\$100,800
3 BDRM-B	3	\$450	\$16,200
4 BDRM-B	2	\$550	\$13,200
3 BDRM-C	1	\$0	
TOTALS:	44	\$519	\$274,200
CONCESSIONS:			
POTENTIAL GROSS INCOME:		\$274,200	

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$17,000
Payroll Related	\$30,000
Marketing & Leasing	\$4,200
Repairs & Maint	\$55,000
Insurance Expense	\$12,000
Utilities	\$25,000
Fees for Replacement	\$11,000
EXPENSE TOTALS:	\$154,200

SUBJECT VACANCY (Calendar Yr)
2015
0%
2014
0%
2013
0%

INCOME ANALYSIS		
Enter "% or \$" Below	%	\$
POTENTIAL GROSS INCOME:		\$274,200
- V & C LOSS:	5.0%	
+ MISC INCOME:	2.0%	
EFFECTIVE GROSS INCOME:		\$265,974
- EXPENSES:		\$154,200
+ LOAN SUBSIDY:		\$66,667
NET OPERATING INCOME:		\$178,441
OVERALL CAPITALIZATION RATE:	8.01%	
PRELIMINARY INC VALUE		\$2,227,700
+ ADD EXCESS LAND:		\$0
- LESS PERSONAL PROPERTY:		\$1,200
+ TAX CREDITS		\$ 675,990
- TAX CREDITS - PROPERTY TAXES		\$11,278
PRELIMINARY REAL PROPERTY		\$2,891,200
X COUNTY SALES RATIO:		100.00%

CAP RATE CALCULATION	
County Tax Rate:	\$2.7400
City Tax Rate:	\$1.4200
Eff Tax Rate:	1.6640%
Capitalization Rate:	6.35%
LOADED CAP RATE:	8.01%

TAX CREDIT Disc % → 5.00%		
Tax Credit	Year	Present Value
\$ 125,000	2011	\$ 2,987,600
\$ 400,000	2012	\$ 3,012,000
\$ 400,000	2013	\$ 2,762,600
\$ 400,000	2014	\$ 2,500,700
\$ 400,000	2015	\$ 2,225,700
\$ 400,000	2016	\$ 1,937,000
\$ 400,000	2017	\$ 1,633,800
\$ 400,000	2018	\$ 1,315,500
\$ 400,000	2019	\$ 981,300
\$ 400,000	2020	\$ 630,100
\$ 275,000	2021	\$ 261,900

LOAN SUBSIDY	
Type Subsidy	1602
Compliance Year	2011
Total Term - Years:	15
Loan Amount:	\$1,000,000
Market %:	0.00%
Subsidized %:	0.00%
Years Remaining:	10
Mkt Amortization:	\$66,667
Actual Amort:	\$0
Principal & Interest Subsidy:	\$66,667

MORTGAGE EQUITY CAPITALIZATION RATE			N/A
<small>(Need LOAN SUBSIDY Info Above Filled in Also)</small>			
Equity Yield	0.00%	Loan to Value %	0.00%
		(+ Appr or -Depr) %	0.00%

LEVEL REMAINING COMPLIANCE PERIOD		
BEGIN YR	END YR	TOTAL YRS
2016	2025	10
Accumulated T. C. Value:		\$ 6,759,900
2016 Level Value		\$ 675,990

REAL PROP VALUE	\$2,891,200
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COMMENTS:	\$EXP/SF \$3.42	\$EXP/UNIT \$3.505	EXP RATIO =	VALUE	PER UNIT	PER FOOT	
	Tax Credit Prop	\$ 675,990	x 1.6640%	=	\$11,248	\$65,709	\$64.25

This shows that the "Level" Tax Credit Valuation Approach was elected. Section 42 tax credits often provide the majority of the subsidy funding when awarded in conjunction with the Section 1602 Subsidy.

These arrows show the fields affected by the Section 1602 Subsidy. Section 1602 funds, in conjunction with Section 42 funding, often either eliminates the need for a conventional loan based on the restricted rent income or supplement the Section 42 Tax Credit \$Sale/\$1.00.

2016 Election Form for Low-income housing tax credit (LIHTC) property

DEADLINE: June 1

Pursuant to Tenn. Comp. R. & Regs. 0600-10-.03(3), _____ (the taxpayer), hereby notifies the assessor of the taxpayer's election (please choose one):

_____ Have the assessor include in the assessor's annual appraisal, the present value of all future tax credits for each of the unused tax credit years remaining on the property.

_____ Have the assessor include in the assessor's annual appraisal, instead of the present value of all future tax credits, the average annual present value of the credit as calculated in Tenn. Comp. R. & Regs. 0600-10-.03(3)(a) (the present value of all future tax credits for each of the unused tax credit years remaining on the property), based on the Compliance Period provided for in the Land Use Restriction Agreement for the particular property being valued. The tax credit value for each year of the compliance period beginning in tax year, _____, and ending in tax year, _____, will be _____.

Notes to Taxpayer:

- Pursuant to Tenn. Comp. R. & Regs. 0600-10-.06(1), provide documentation necessary to permit the assessor to apply the method elected hereunder.
- Pursuant to Tenn. Comp. R. & Regs. 0600-10-.06(1), if the taxpayer fails to notify the assessor of the taxpayer's election, the assessor shall choose either the "Declining Value" option outlined in Rule 0600-10-.03(3)(a) OR the "Level Value" option outlined in Rule 0600-10-.03(3)(b). In the absence of a taxpayer election, it is suggested that the Assessor elect the Level Value option, as the means most likely to yield a consistent assessment year-to-year. However, if the property has previously been assessed for one or more years via a Declining Value method, it is suggested the Assessor elect to continue the Declining Value method, as switching from Declining Value to Level Value would result in a total assessment over time that would exceed either method used exclusively. Under the rule, the Assessor is bound by the method the Assessor has elected for each year until the particular property's subsidy is exhausted.
- Pursuant to Tenn. Comp. R. & Regs. 0600-10-.06(2), the taxpayer shall be bound by the method elected hereunder for each year until the subsidy is exhausted.



- Pursuant to Tenn. Comp. R. & Regs. 0600-10-.06(2), existing taxpayers in operation on January 1, 2016 shall be valued by the method elected by the taxpayer under Tenn. Comp. R. & Regs. 0600-10-.03(3) for the remaining period of the subsidy.

Assessor: _____
Signature

Taxpayer name: _____

Date: _____

By: _____
Signature

Its: _____
Title

Date: _____