



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Justin P. Wilson
Comptroller

OFFICE OF GENERAL COUNSEL

James K. Polk State Office Building
505 Deaderick Street, Suite 1700
Nashville, Tennessee 37243-1402
Phone (615) 401-7786
Fax (615) 741-1776

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

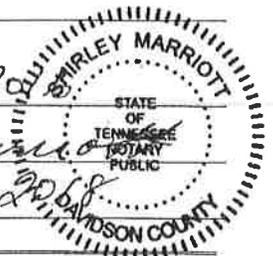
Title of Officer: Executive Secretary, SBOE

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	001-001.00
PARCEL NUMBER:	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)	1,615
YEAR BUILT:	2010	UNIT/ACRE:	3.16	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	\$750	\$126,000
3 BDRM-B	3	\$650	\$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	\$0
- TAX CREDITS - PROPERTY TAXES	\$0
PRELIMINARY REAL PROPERTY	\$1,736,300
X COUNTY SALES RATIO:	100.00%
REAL PROP VALUE	\$1,736,300

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		\$	-

MORTGAGE EQUITY CAPITALIZATION RATE					8.99%
(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
	Tax Credit Prop Taxes= \$	-	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						AVE UNIT	2016		
GROSS FOOTAGE:	71,060	LAND SIZE (ACRES):	13.93	SIZE (SF)	1,615	SALES RATIO			
YEAR BUILT:	2010	UNIT/ACRE:	3.16	SALES RATIO	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	CATEGORY	AMOUNT					
3 BDRM-A	24	\$650	Administration	\$47,466	2015				
4 BDRM-A	14	\$750	Payroll Related	\$55,500					5%
3 BDRM-B	3	\$550	\$19,800		2015				

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:	71,060	LAND SIZE (ACRES):	13.93	SIZE (SF)	1,615	SALES RATIO			
YEAR BUILT:	2010	UNIT/ACRE:	3.16	SALES RATIO	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	CATEGORY	AMOUNT					
3 BDRM-A	24	\$650	Administration	\$47,466	2015				
4 BDRM-A	14	\$750	Payroll Related	\$55,500					5%
3 BDRM-B	3	\$550	\$19,800		2015				

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)	1,615	SALES RATIO	1.0000				
YEAR BUILT:	2010	UNIT/ACRE:	3.16								
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:				TAX CREDIT			
								Discount Rate			
CONCESSIONS:								5.00%			
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 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				MTG: EQUITY RATE 10.71%				\$ 497,797 2014 \$ -			
- EXPENSES: \$217,577				LOAN SUBSIDY				\$ 497,797 2015 \$ -			
+ LOAN SUBSIDY: \$65,605				Type Subsidy 515				\$ 497,797 2016 \$ -			
NET OPERATING INCOME: \$185,216				Compliance Year 1988				\$ 497,797 2017 \$ -			
MTG: EQUITY OVERRIDE CAP RATE 10.71%				Total Term -Years: 50				\$ 497,797 2018 \$ -			
PRELIMINARY INC VALUE \$1,728,700				Loan Amount: \$1,000,000				\$ 497,797 2019 \$ -			
+ ADD EXCESS LAND: \$0				Market %: 9.00%				\$ 497,797 2020 \$ -			
- LESS PERSONAL PROPERTY: \$2,200				Subsidized %: 1.00%				\$ 372,797 2021 \$ -			
+ TAX CREDITS \$ -				Years Remaining: 22				\$ - 2022 \$ -			
- TAX CREDITS - PROPERTY TAXES \$0				Mkt Amortization: \$91,028				\$ - 2023 \$ -			
PRELIMINARY REAL PROPERTY \$1,726,500				Actual Amort: \$25,423				\$ - 2024 \$ -			
X COUNTY SALES RATIO: 100.00%				Principal & Int Subsidy: \$65,605				\$ - 2025 \$ -			
REAL PROP VALUE \$1,726,500				MORTGAGE EQUITY CAPITALIZATION RATE 9.05%				15 Yr Ave. Present Value \$ -			
				(Need "LOAN SUBSIDY" Info Above Filled in Also)							
				Equity Yield 10.00%				(+ Appl or -Depr) % 0.00%			
				Loan to Value % 95.00%							
COMMENTS:				VALUE				PER UNIT		PER FOOT	
\$EXP/SF \$3.06				\$EXP/UNIT \$4.945				\$39,239		\$24.30	
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				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	\$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:		TAX CREDIT
CONCESSIONS:				\$217,577		Discount Rate
POTENTIAL GROSS INCOME:				\$347,616		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	
\$ 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		\$	-

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

MORTGAGE EQUITY CAPITALIZATION RATE			
(Need "LOAN SUBSIDY" info Above Filled in Also)			
Equity Yield %	10.00%	Loan to Value %	95.00%
		(+ Appt or -Depr) %	0.00%
		9.05%	

REAL PROP VALUE	\$1,726,500		
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COMMENTS:	\$EXP/SF	\$3.06	\$EXP/UNIT	\$4.945	EXP RATIO	65%	VALUE	PER UNIT	PER FOOT
	Tax Credit Prop Taxes	\$		1.0640%	=	\$0		\$39.239	\$24.30

Capitalization Rate is RERC Pulshed "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 Publshed 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.

<p>USDA-FmHA Form FmHA 427-1 TN (Rev. 4-85)</p>	<p>Position 3 "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 this form was inserted by or under the direction of: JAMES S. WEBB, ESQ. (Name) CLEVELAND, TN 37311 (Address)</p>	<p>Frankie Fletcher, Register Robertson County, Tennessee Doc # 10176 Instrument 101682 NBK: 59 Pg 192 35.00 0.00 0.00 2.00 37.00 Recorded 3/7/2003 at 9:30 am in Record Book 631 Pages 903-909</p>
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REAL ESTATE DEED OF TRUST FOR TENNESSEE Page 903

THE 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 ~~principal~~ address
 is 2601 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, authorizes 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 payment 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 loss 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	2016	
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	1,615	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	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		
		ANNUALIZED			2015	5%	
					2014		

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)	1,615	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	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	
		ANNUALIZED			2015	5%	
					2014		

It Automatically Changes These Fields

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)	1,615	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			
APPT TYPE				CATEGORY				(Calendar Yr)			
# UNITS				AMOUNT							
RENT/MO											
ANNUALIZED											
3 BDRM-A 24 \$650 \$187,200				Administration \$47,466				2015 5%			
4 BDRM-A 14 \$750 \$126,000				Payroll Related \$55,500				2014 0%			
3 BDRM-B 3 \$550 \$19,800				Marketing & Leasing \$4,301				2013 0%			
4 BDRM-B 2 \$609 \$14,616				Repairs & Maint \$19,556							
3 BDRM-C 1 \$0				Insurance Expense \$11,520							
				Utilities \$68,234							
				Res for Replacement \$11,000							
TOTALS:				EXPENSE TOTALS:				TAX CREDIT TYPE			
44 \$658 \$347,616				\$217,577				Declining Level			
CONCESSIONS:											
POTENTIAL GROSS INCOME:											
\$347,616											
INCOME ANALYSIS			CAP RATE CALCULATION			TAX CREDIT Disc %					
Enter % Or \$ Below			County Tax Rate: \$2,7400			5.00%					
POTENTIAL GROSS INCOME: \$347,616			City Tax Rate: \$1,4200			Tax Credit Year Present Value					
- V & C LOSS: 5.0%			EFF Tax Rate: 1.6640%			\$ 125,000 2011 \$ -					
+ MISC INCOME: 2.0%			Capitalization Rate: 7.00%			\$ 497,797 2012 \$ -					
EFFECTIVE GROSS INCOME: \$337,188			LOADED CAP RATE: 8.66%			\$ 497,797 2013 \$ -					
- EXPENSES: \$217,577						\$ 497,797 2014 \$ -					
+ LOAN SUBSIDY: \$282,087						\$ 497,797 2015 \$ -					
NET OPERATING INCOME: \$401,697						\$ 497,797 2016 \$ -					
OVERALL CAPITALIZATION RATE: 8.66%						\$ 497,797 2017 \$ -					
PRELIMINARY INC VALUE \$4,638,300						\$ 497,797 2018 \$ -					
+ ADD EXCESS LAND: \$0						\$ 497,797 2019 \$ -					
- LESS PERSONAL PROPERTY: \$2,200						\$ 497,797 2020 \$ -					
+ TAX CREDITS \$-						\$ 497,797 2021 \$ -					
- TAX CREDITS - PROPERTY TAXES \$0						\$ 372,797 2022 \$ -					
PRELIMINARY REAL PROPERTY \$4,636,300						\$ - 2023 \$ -					
X COUNTY SALES RATIO: 100.00%						\$ - 2024 \$ -					
						\$ - 2025 \$ -					
						2016 Present Val \$ -					
REAL PROP VALUE			LOAN SUBSIDY								
\$4,636,300			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			N/A					
			(Use a 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			VALUE PER UNIT PER FOOT					
			\$EXP/UNIT \$4,945			\$105,370 \$65.25					
			EXR RATIO 65%								
			Tax Credit Prop Taxes= \$ - x 1.6640% = \$0								
<p>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.</p>											

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					AVE UNIT	2016
GROSS FOOTAGE:	71,050	LAND SIZE (ACRES):	13.93	SIZE (SF)	1,615	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16			1.0000
TYPE OF SUBSIDY/SUBSIDIES:		5. Section 42		Tax Credits		SUBJECT VACANCY (Calendar Yr)
SUBJECT RENT		SUBJECT EXPENSES		SUBJECT VACANCY		
APT TYPE	# UNITS	RENT/MO	CATEGORY	AMOUNT	2015	
3 BDRM-A	24	\$650	Administration	\$47,466	5%	
4 BDRM-A	14	\$750	Payroll Related	\$55,500	2014	
3 BDRM-B	3	\$550				

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:	71,060	LAND SIZE (ACRES):	13.93	SIZE (SF)	1,615	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16			1.0000
TYPE OF SUBSIDY/SUBSIDIES:		5. Section 42		Tax Credits		SUBJECT VACANCY (Calendar Yr)
SUBJECT RENT		SUBJECT EXPENSES		SUBJECT VACANCY		
APT TYPE	# UNITS	RENT/MO	CATEGORY	AMOUNT	2015	
3 BDRM-A	24	\$650	Administration	\$47,466	5%	
4 BDRM-A	14	\$750	Payroll Related	\$55,500	2014	
3 BDRM-B	3	\$550				

It Automatically Changes These Fields

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
	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: 5. Section 42	Tax Credits
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SUBJECT RENT	SUBJECT EXPENSES	SUBJECT VACANCY																																																												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>APT TYPE</th> <th># UNITS</th> <th>RENT/MO</th> <th>ANNUALIZED</th> </tr> </thead> <tbody> <tr><td>3 BDRM-A</td><td>24</td><td>\$650</td><td>\$187,200</td></tr> <tr><td>4 BDRM-A</td><td>14</td><td>\$750</td><td>\$126,000</td></tr> <tr><td>3 BDRM-B</td><td>3</td><td>\$550</td><td>\$19,800</td></tr> <tr><td>4 BDRM-B</td><td>2</td><td>\$609</td><td>\$14,616</td></tr> <tr><td>3 BDRM-C</td><td>1</td><td>\$0</td><td></td></tr> <tr><td>TOTALS:</td><td>44</td><td>\$658</td><td>\$347,616</td></tr> <tr><td colspan="4">CONCESSIONS:</td></tr> <tr><td>POTENTIAL GROSS INCOME:</td><td></td><td></td><td>\$347,616</td></tr> </tbody> </table>	APT TYPE	# UNITS	RENT/MO	ANNUALIZED	3 BDRM-A	24	\$650	\$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	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>CATEGORY</th> <th>AMOUNT</th> </tr> </thead> <tbody> <tr><td>Administration</td><td>\$47,466</td></tr> <tr><td>Payroll Related</td><td>\$55,500</td></tr> <tr><td>Marketing & Leasing</td><td>\$4,301</td></tr> <tr><td>Repairs & Maint</td><td>\$19,556</td></tr> <tr><td>Insurance Expense</td><td>\$11,520</td></tr> <tr><td>Utilities</td><td>\$68,234</td></tr> <tr><td>Res for Replacement</td><td>\$11,000</td></tr> <tr><td>EXPENSE TOTALS:</td><td>\$217,577</td></tr> </tbody> </table>	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	<table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">2015</td></tr> <tr><td style="text-align: center;">5%</td></tr> <tr><td style="text-align: center;">2014</td></tr> <tr><td style="text-align: center;">0%</td></tr> <tr><td style="text-align: center;">2013</td></tr> <tr><td style="text-align: center;">0%</td></tr> </table>	2015	5%	2014	0%	2013	0%
APT TYPE	# UNITS	RENT/MO	ANNUALIZED																																																											
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INCOME ANALYSIS	CAP RATE CALCULATION	TAX CREDIT Disc %																																																																																																													
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COMMENTS:	\$EXP/SF \$3.06	\$EXP/UNIT \$4.945	EXP RATIO: 65%	VALUE	PER UNIT \$85.725	PER FOOT \$53.09
	Tax Credit Prop Taxes= \$ 2,433,400 x 1.6640%		\$40,492			

Choosing this tax credit valuation method automatically populates value fields based on the tax year. As 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 Value” tax credits takes the sum of the present values of the remaining tax credits over the life of the tax credit disbursement schedule. In the example shown, the present values from 2011 at \$3,706,800 to 2021 at \$355,000 (an 11 year period) are added together to equal \$25,423,800. That amount is divided over the 15 year “Compliance Period” to equal \$1,694,920/year. The present value of the tax credits during any of the years 2011 to 2025 would be \$1,694,920. See below how this “Leveling” approach is done.

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:					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				
4 BDRM-A	14	\$760	\$126,000		Payroll Related	\$55,500				
3 BDRM-B	3	\$650	\$19,800		Marketing & Leasing	\$4,301				
4 BDRM-B	2	\$609	\$14,616		Repairs & Maint	\$19,556				
1 BDRM-C	1	\$0			Insurance Expense	\$11,520				
					Utilities	\$68,234				
					Res for Replacement	\$21,000				
TOTALS:	44	\$658	\$347,616		EXPENSE TOTALS:		\$217,577			
CONCESSIONS:										TAX CREDIT TYPE <input type="checkbox"/> Declining <input checked="" type="checkbox"/> Level
POTENTIAL GROSS INCOME:					\$347,616					
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:				\$0						
NET OPERATING INCOME:				\$119,611						
OVERALL CAPITALIZATION RATE:				8.66%						
PRELIMINARY INC VALUE				\$1,381,200						
+ ADD EXCESS LAND:				\$0						
- LESS PERSONAL PROPERTY:				\$2,200						
+ TAX CREDITS				\$1,694,920						
- TAX CREDITS - PROPERTY TAXES				-\$28,203						
PRELIMINARY REAL PROPERTY				\$3,045,700						
X COUNTY SALES RATIO:				100.00%						
REAL PROP VALUE	\$3,045,700									
CAP RATE CALCULATION										
County Tax Rate:		\$2.7400								
City Tax Rate:		\$1.4200								
Eff Tax Rate:		1.6640%								
Capitalization Rate:		7.00%								
LOADED CAP RATE:		8.66%								
LOAN SUBSIDY										
Type Subsidy		N/A								
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:		\$0								
MORTGAGE EQUITY CAPITALIZATION RATE										
<small>(Need "LOAN SUBSIDY" Info Above Filled in Also)</small>										
Equity Yield %		9.00%		Loan to Value %		90.00%		(+ Appr or -Depr) %		0.00%
15 Yr Ave Present Val										
\$ 1,694,920										
COMMENTS:										
\$EXP/SF	\$3.06	\$EXP/UNIT	\$4.945	EXP RATIO	65%	VALUE	PER UNIT	PER FOOT		
	Tax Credit Prop Taxes*	\$ 1,604,020	x 1.6640%	=	\$28,203		\$69,220	\$42.87		
When choosing this tax credit valuation method it is important to "Uncheck" The "Declining" option and "Check" the "Level" option. Failure to "Uncheck" the "Declining" option will result in this spreadsheet still treating it as "Declining".										

SECTION 42 HOUSING cont...

This "Leveling" approach is probably going to be exercised by owners of new Section 42 complexes. Owners of complexes in their 3rd or 4th years of tax credit disbursal have already borne the tax expense of the highest tax credit present values. It would not be cost effective for them to take the "Leveling" approach. See spreadsheet changes below using this method.

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	
YEAR BUILT:		2010		UNIT/ACRE:		3.16		2016	
								SALES RATIO	
								1.615	
								1.0000	
TYPE OF SUBSIDY/SUBSIDIES:				5. Section 42			Tax Credits		
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY	
APR TYPE # UNITS RENT/MO ANNUALIZED				CATEGORY AMOUNT				(Calendar Yr)	
3 BDRM-A 24 \$650 \$187,200				Administration \$17,466				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: 44 \$658 \$347,616				EXPENSE TOTALS: \$217,577				TAX CREDIT TYPE	
CONCESSIONS:								Declining	
POTENTIAL GROSS INCOME: \$347,616								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: \$347,616				City Tax Rate: \$1,4200				\$ 125,000 2011 \$ 3,706,800	
- V & C LOSS: 5.0%				EIT Tax Rate: 1.6640%				\$ 497,797 2012 \$ 3,767,100	
+ MISC INCOME: 2.0%				Capitalization Rate: 7.00%				\$ 497,797 2013 \$ 3,457,700	
EFFECTIVE GROSS INCOME: \$337,188				LOADED CAP RATE: 8.66%				\$ 497,797 2014 \$ 3,132,800	
- EXPENSES: \$217,577								\$ 497,797 2015 \$ 2,791,600	
+ LOAN SUBSIDY: \$0								\$ 497,797 2016 \$ 2,433,400	
NET OPERATING INCOME: \$119,611								\$ 497,797 2017 \$ 2,057,300	
OVERALL CAPITALIZATION RATE: 8.66%								\$ 497,797 2018 \$ 1,662,300	
PRELIMINARY INC VALUE \$1,381,200								\$ 497,797 2019 \$ 1,247,600	
+ ADD EXCESS LAND: \$0								\$ 497,797 2020 \$ 812,200	
- LESS PERSONAL PROPERTY: \$2,200								\$ 372,797 2021 \$ 355,000	
+ TAX CREDITS \$ 1,694,920								\$ - 2022 \$ -	
- TAX CREDITS - PROPERTY TAXES \$28,203								\$ - 2023 \$ -	
PRELIMINARY REAL PROPERTY \$3,045,700								\$ - 2024 \$ -	
X COUNTY SALES RATIO: 100.00%								\$ - 2025 \$ -	
REAL PROP VALUE \$3,045,700				Principal & Int Subsidy: \$0				15 Yr Ave Present Val \$ 1,694,920	
				MORTGAGE EQUITY CAPITALIZATION RATE (Need LOAN SUBSIDY Line Above Filled in All)				N/A	
				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					
Tax Credit Prop Taxes \$ 1,694,920 \$ 1.6640%				\$28,203				\$69,220 \$42.87	
Compare these arrows for the "Level" approach to those of the "Declining" Approach. The Tax Credit value affect is stable over the Compliance Period and in this case does not vary from 2011 through 2025.									

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			<small>2. Section 8 3. Section 236 4. Section 515 5. Section 42 6. Section 1602</small>			OPERATING EXPENSES				SUBJECT VACANCY (Calendar Yr)																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d9ead3;">APT TYPE</th> <th style="background-color: #d9ead3;"># UNITS</th> <th style="background-color: #d9ead3;">RENT/MO</th> </tr> </thead> <tbody> <tr> <td>3 BDRM-A</td> <td>24</td> <td>\$650</td> </tr> <tr> <td>4 BDRM-A</td> <td>14</td> <td>\$750</td> </tr> <tr> <td>3 BDRM-B</td> <td>3</td> <td>\$550</td> </tr> <tr> <td>4 BDRM-B</td> <td>2</td> <td>\$800</td> </tr> </tbody> </table>			APT TYPE	# UNITS	RENT/MO	3 BDRM-A	24	\$650	4 BDRM-A		14	\$750	3 BDRM-B	3	\$550	4 BDRM-B	2	\$800	<small>7. Section 42 and Section 1602 8. Section 515 and Section 42 9. Section 221</small>			<table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Administration</td> <td>\$47,466</td> </tr> <tr> <td>Payroll Related</td> <td>\$55,500</td> </tr> <tr> <td>Marketing & Leasing</td> <td>\$1,201</td> </tr> </tbody> </table>				Administration	\$47,466	Payroll Related	\$55,500	Marketing & Leasing	\$1,201
APT TYPE	# UNITS	RENT/MO																													
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Marketing & Leasing	\$1,201																														
									5%																						
									2014																						
									n%																						

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

It Automatically Changes These Fields

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)	1,615	SALES RATIO
YEAR BUILT:	2010	UNIT/ACRE:	3.16			1.0000

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

SUBJECT RENT			
APT TYPE	# UNITS	RENT/MO	ANNUALIZED
3 BDRM-A	24	\$650	\$187,200
4 BDRM-A	14	\$750	\$126,000
3 BDRM-B	3	\$550	\$19,800
4 BDRM-B	9	\$200	\$14,400

SUBJECT EXPENSES	
CATEGORY	AMOUNT
Administration	\$47,466
Payroll Related	\$55,500
Marketing & Leasing	\$4,200

SUBJECT VACANCY (Calendar Yr)
2015
5%
2016
0%

EFFECTIVE GROSS INCOME:	\$337,188	MTG-EQUITY RATE	11.55%				
-EXPENSES:	\$217,577			\$ 497,797	2014	\$ 3,132,800	
LOAN SUBSIDY:	\$75,270			\$ 497,797	2015	\$ 2,791,600	
NET OPERATING INCOME:	\$194,880			\$ 497,797	2016	\$ 2,433,400	
MTG-EQUITY OVERRIDE CAP RATE	11.55%			\$ 497,797	2017	\$ 2,057,300	
PRELIMINARY INC VALUE	\$1,686,700			\$ 497,797	2018	\$ 1,662,300	
+ ADD EXCESS LAND:	\$0			\$ 497,797	2019	\$ 1,247,600	
- LESS PERSONAL PROPERTY:	\$2,200			\$ 497,797	2020	\$ 812,200	
+ TAX CREDITS	\$ 1,694,920			\$ 372,797	2021	\$ 355,000	
- TAX CREDITS - PROPERTY TAXES	\$78,203			\$ -	2022	\$ -	
PRELIMINARY REAL PROPERTY	\$3,351,200			\$ -	2023	\$ -	
X COUNTY SALES RATIO:	100.00%			\$ -	2024	\$ -	
				\$ -	2025	\$ -	

REAL PROP VALUE	\$3,351,200	5 Yr Avc Present Val	\$ 1,694,920
------------------------	-------------	-----------------------------	--------------

MORTGAGE EQUITY CAPITALIZATION RATE <small>(Need 7.0% SUBSIDY) (See Above for Yr Also)</small>				9.89%
Equity Yield %	9.00%	Loan to Value %	90.00%	(+ Appr or -Depr) %
				0.00%

COMMENTS:	\$EXP/SF	\$EXP/UNIT	EXP RATIO	VALU	PER UNIT	PER FOOT
Tax Credit Prop Taxes=	\$3.06	\$4.945	65%		\$76.164	\$47.17
	\$ 1,604,920	\$ 1,664,0%	=	\$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						
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			
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:		44	\$658	\$347,616							
CONCESSIONS:											
POTENTIAL GROSS INCOME:			\$347,616								
EXPENSE TOTALS:				\$217,577							
TAX CREDIT TYPE											
<input type="checkbox"/> Declining											
<input checked="" type="checkbox"/> Level											
INCOME ANALYSIS			CAP RATE CALCULATION			TAX CREDIT Disc % → 5.00%					
Enter "% Or \$" Below →			%			Tax Credit			Year		Present Value
POTENTIAL GROSS INCOME:			\$347,616			\$ 125,000	2011	\$ 3,706,800			
- V & C LOSS:			5.0%			\$ 497,797	2012	\$ 3,767,100			
- MISC INCOME:			2.0%			\$ 497,797	2013	\$ 3,457,700			
EFFECTIVE GROSS INCOME:			\$337,188			\$ 497,797	2014	\$ 3,132,800			
- EXPENSES:			\$217,577			\$ 497,797	2015	\$ 2,791,600			
+ LOAN SUBSIDY:			\$75,270			\$ 497,797	2016	\$ 2,433,400			
NET OPERATING INCOME:			\$194,880			\$ 497,797	2017	\$ 2,057,300			
MTG: EQUITY OVERRIDE CAP RATE			11.55%			\$ 497,797	2018	\$ 1,662,300			
PRELIMINARY INC VALUE			\$1,686,700			\$ 497,797	2019	\$ 1,247,600			
+ ADD EXCESS LAND:			\$0			\$ 497,797	2020	\$ 812,200			
- LESS PERSONAL PROPERTY:			\$2,200			\$ 372,797	2021	\$ 356,000			
+ TAX CREDITS:			\$ 1,694,920			\$ -	2022	\$ -			
- TAX CREDITS - PROPERTY TAXES:			\$28,203			\$ -	2023	\$ -			
PRELIMINARY REAL PROPERTY			\$3,351,200			\$ -	2024	\$ -			
X COUNTY SALES RATIO:			100.00%			\$ -	2025	\$ -			
						15 Yr Ave Present Val \$ 1,694,920					
REAL PROP VALUE	\$3,351,200										
LOAN SUBSIDY											
Type Subsidy		515									
Compliance Year		1985									
Total Term -Years:		50									
Loan Amount:		\$1,000,000									
Market %:		10.00%									
Subsidized %:		1.00%									
Years Remaining:		19									
Mkt Amortization:		\$100,693									
Actual Amort:		\$25,423									
Principal & Int Subsidy:		\$75,270									
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%	
Tax Credit Prop Taxes=		\$ 1,694,920		x 1.6640%		=		\$28,203			
VALUE	PER UNIT		PER FOOT								
	\$76,164		\$47.17								

SECTION 42/SECTION 1602 APARTMENT INCOME APPROACH

There were only 56 Section 1602 awards in Tennessee. Some of them were for projects that were solely funded through the Section 1602 program. Most were for projects where additional funding was provided through the Section 42 program. Section 1602 awards applied to THDA tax credit allocations that took place in 2007, 2008, 2009, and 2010. None existed before or after those years. The Section 1602 program has ended.

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

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:			7. Section 42 and Section 1602			Tax Credits + Principal & Int Waived			SUBJECT VACANCY (Calendar Yr)
SUBJECT RENT			SUBJECT EXPENSES			Choose From Drop Down List			
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					2015	
								5%	
								2014	

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:			7. Section 42 and Section 1602			Tax Credits + Principal & Int Waived			SUBJECT VACANCY (Calendar Yr)
SUBJECT RENT			SUBJECT EXPENSES			It Automatically Changes These Fields			
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						
			\$19,800					2015	
								5%	
								2014	

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						
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:			7. Section 42 and Section 1602			Rental Assistance & Tax Credits					
SUBJECT RENT				SUBJECT EXPENSES				SUBJECT VACANCY			
								(Calendar Yr)			
								2015			
								5%			
								2014			
								0%			
								2013			
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								TAX CREDIT TYPE			

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: _____