



Valuing Affordable Housing and LIHTC Properties

National Council of Housing Market Analysts
Spring 2019 Meeting



Purchasers/ Investors of Affordable Housing

- LIHTC Developers/ Operators with Conventional Debt
- Local or Regional Private Capital Owners/ Operators
- National/ Institutional Owners
- LIHTC Developers for an Acquisition/ Rehab Execution
- Nonprofit Owners/ Operators
- Housing Authorities
- 1031 Exchanges



Purchaser Underwriting Sensitivities

- Physical Condition/ Immediate Capital Needs
- Ability to finance
- Max LIHTC Rents
- Level of rent subsidy
- Potential for new LIHTC developments in the market
- Pre-Year 15 transaction – Compliance Guarantee or Recapture Bond
- Current Property Tax Assessed Values

Regulatory Factors Impacting Pricing

- Limitations on Owner/ Purchaser – For example non-profit priority
- Support Services – Does the requirement for these services terminate at the end of the Compliance Period and are they valuable to the residents.
- Tenant Right to Purchase (Single family communities) – What is that process look like and does the requirement continue after being sold to a third party?
- Qualified Contract Eligible – Is the property eligible for QC? Does current ownership have all the files needed to calculate the QC price and submit to the HFA? Is the QC price above the market value? What does the QC process look like in that state and how much does it cost? Does the QC process create any value for the property?
- Additional restrictions to LIHTC – For example, HOME restrictions, bond restrictions. Are those more restrictive or less restrictive? Will the additional restrictions reduce your buyer pool?
- Does the HFA require a purchaser to fund operating reserves?
- HFA LURA Assignment process – Does the HFA require previous LIHTC ownership or management experience?