NJHMFA Multifamily Appraisal Guidelines

All appraisals must comply with USPAP and be prepared and signed by a state certified appraiser. All appraisals must include New Jersey Housing & Mortgage Finance Agency as an intended user.

The following values are required for proposed LIHTC multifamily appraisals:

- Market Value "As Is";
- Land Value;
- Prospective Value "As Complete", based on achievable restricted/LIHTC rents;
- Prospective Value "As Stabilized", based on achievable restricted/LIHTC rents;
- Hypothetical Prospective Value "As Complete", based on unrestricted/market rents;
- Hypothetical Prospective Value "As Stabilized", based on unrestricted/market rents;
- Intangible Value of the tax credits (LIHTC);
- Intangible Value of any Below Market (Favorable) Permanent Financing.

If a proposed LIHTC community will be subject to a HAP contract or other subsidies, prospective values "as complete" and "as stabilized" with these subsidies and without these subsidies are required.

Prospective values should consider changes to revenues and expenses from the current date to the date of completion/stabilization. Growth rates should be market-supported.

The valuations that assume restricted/LIHTC rents must include a **15-year discounted cash flow analysis**.

The Property History section must include all property transactions within the past **10 years** including the identification of any related-party transactions.

All LIHTC multifamily appraisals must include a comprehensive market analysis that includes the following:

- Determination of primary market area;
- Demand analysis;
- Capture rate;
- Survey ***and analysis*** of competitive LIHTC ***and*** market rentals including an analysis of rents being achieved at competitive LIHTC communities and whether these achieved rents reflect maximum permitted LIHTC rents. Proposed developments should also be considered. Unrestricted market rent should be concluded for each unit type.
- Distance to nearest existing public transportation facilities/stops.

Appraisers are encouraged to include a summary chart/comparison of the concluded rents including maximum LIHTC rents, the sponsor's proposed rents and the appraiser's concluded achievable restricted/LIHTC and unrestricted/market rents. This chart should illustrate the differences between market and restricted rents as well as a comparison of the concluded achievable restricted rents to maximum LIHTC rents. An example is provided below.

Rental Rate Summary

						2023 Maximum LIHTC Rents				Appraisal Conclusions		*Difference*		*Difference*	
		Target		# of	Size				Proposed	Restricted	Unrestricted	*Market v Restr.*		*LIHTC v Max*	
	Unit	% AMI	Type	Units	(sf)	Gross	UA	Net	Rent	LIHTC	Market	*$*	*%*	*$*	*% Max*
1	1BR/1BA	20.0%	LIHTC	5	726	**$508**	**$94**	**$414**	**$371**	**$371**	**$1,875**	*$1,504*	*80.2%*	*$43*	*89.6%*
2	1BR/1BA	30.0%	LIHTC	5	726	**$763**	**$94**	**$669**	**$616**	**$616**	**$1,875**	*$1,259*	*67.1%*	*$53*	*92.1%*
3	1BR/1BA	47.5%	LIHTC	25	726	**$1,271**	**$94**	**$1,177**	**$1,071**	**$1,071**	**$1,875**	*$804*	*42.9%*	*$106*	*91.0%*
4	1BR/1BA	57.5%	LIHTC	35	726	**$1,526**	**$94**	**$1,432**	**$1,316**	**$1,316**	**$1,875**	*$559*	*29.8%*	*$116*	*91.9%*
5	2BR/2BA		Super.	1	995				**$0**	**$0**	**$0**	*$0*			
			Total	*71*	*51,815*										
	All rents are net of utilities														
	Gross Annual Rents - Current							**$1,019,520**	**$933,240**	**$933,240**	**$1,575,000**				

The intangible value of the tax credits should include LIHTC and any other applicable tax credits. Included in the analysis should be terms of the subject LOI (letter of intent) from the equity investor and current pricing of competitive LIHTC investments. If the subject is a 9% LIHTC project, the LIHTC award letter from NJHMFA should be referenced and included in the Addenda. For 4% LIHTC deals, details on the source of the estimated LIHTC amount should be provided.

In estimating the Intangible Value of any Below Market (Favorable) Permanent Financing, only sources of permanent financing that have favorable terms (in comparison to market) should be considered.

All requested values should be reported separately for clarity. The appraisals should not combine real estate and intangible values unless specifically requested to do so.

In estimating prospective values “at completion”, lease-up costs and risks should be deducted from the concluded “at stabilization” values. Few, if any, new LIHTC communities achieve stabilized occupancy at completion. Absorption rates from competitive LIHTC communities should be researched and analyzed, with a market-supported absorption rate applied to the subject.

PILOT Agreements – If the property is subject to a Payment in Lieu of Taxes (PILOT) Agreement, terms of the PILOT should be clearly stated. Real estate taxes should also be estimated assuming no PILOT agreement for comparison. This analysis should recognize that, absent a PILOT agreement, real estate taxes would likely be lower under the restricted/LIHTC scenario in comparison to the unrestricted/market scenario given the restricted rents and resulting lower income.

The following items should be included in the Executive Summary/Salient Facts:

- HMFA #
- Acquisition Amount
- Total Project Cost
- Rental Rate Summary
- Capitalization Rate
- Vacancy & Credit Loss Assumptions
- Capture Rate
- Primary Market Area Identification
- Yes or No to the following:
  QCT, Smart Growth, Planning Area, Urban Aid Municipality.

Evidence of Errors & Omissions Insurance should be included in the Addenda.