



**To:** Buncombe County Board Chairman and Commissioners

**From:** Donald P. Warn, Finance Director

**Date:** 04/02/2019

**Subject:** Affordable Housing Project Property Tax Generation Estimates

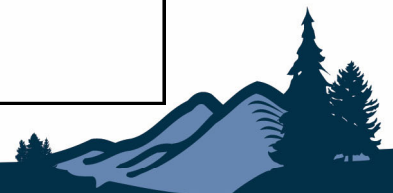
At the March 19, 2019 Affordable Housing Committee meeting, the committee requested information on the estimated property tax that will be generated by the Mountain Housing Opportunities East Haven and Habitat for Humanity Old Haywood Neighborhood projects. The following provides detail regarding the assumptions used and the estimates that were calculated.

**MHO East Haven**

The East Haven project consists of a total of 95 rental apartment units that meet the requirements for affordable housing. Assessed value for Low Income Tax Credit projects are calculated based on actual rent and not market rate like typical apartment complexes.

The assessed value used in the tax calculation was provided by the County Tax Assessor and is based on total annual rents, multiplied by the 45% Net Operating Income (NOI) and divided by the 7% Capitalization Rate. The assumptions used in the calculation are as follows:

<b>Estimated Property Tax Revenue Assumptions</b>				
	One	Two	Three	Total
Number of Bedrooms	One	Two	Three	Total
Number of Units	31	47	17	95
Tenant Move In - October 2020				
Monthly Rate	14,220	24,801	10,025	
Annual Rents Based on Bedro	170,640	297,612	120,300	
Total Annual Rents	588,552			
Property Tax Rate	0.619			
Annual Rent Increase	2.00%			
Net Operating Income	45%			
Capitalization Rate	7%			
Calculated Assessed Value	3,783,549			



Based on the assumptions above, the total estimated property tax generated from the project over the life of the twenty year loan is \$534,930. The table below provides details for property tax generated in years one through five individually and then in five year increments for years six through twenty.

Year	Assessed Value	Property Tax
2019	-	-
2020	3,783,549	23,420
2021	3,859,220	23,889
2022	3,936,404	24,366
2023	4,015,132	24,854
2024-2028	21,312,806	131,926
2029-2033	23,531,060	145,657
2034-2038	25,980,192	160,817
<b>Total</b>		<b><u>534,930</u></b>

### Old Haywood Neighborhood

The Old Haywood Neighborhood project consists of a total of 98 single family homes that meet the requirements for affordable housing. Calculation of property tax is based upon the assumption as follows:

Estimated Property Tax Revenue Assumptions		
Phase Number	1	2
Units per Phase	38	60
Units completed annually	15	15
Years to complete phase	2.53	4.00
Initial Assessed Value Per Unit	220,000	220,000
Property Tax Rate	0.619	0.619
Reappraisal Increase Estimate	5.00%	5.00%
Reappraisal Occurs Every 4 years		



Based on the assumptions above, the total estimated property tax generated from the project over the life of the twenty year loan is \$2,518,817. The table below provides details for property tax generated in years one through five individually and then in five year increments for years six through twenty for each phase and in total.

Year	Assessed Value	Phase 1 Property Tax	Phase 2 Property Tax	Total Property Tax
2019	220,000	-	-	-
2020	220,000	20,427	-	20,427
2021	220,000	40,854	-	40,854
2022	231,000	54,336	21,448	75,784
2023	231,000	54,336	42,897	97,233
2024-2028	1,189,650	279,829	420,388	700,217
2029-2033	1,261,260	296,674	468,432	765,106
2034-2038	1,350,427	317,648	501,549	819,196
<b>Total</b>		<b>1,064,103</b>	<b>1,454,713</b>	<b>2,518,817</b>

The calculations above are based on the assumptions and information provided by the developers and are estimates. Actual property tax generated will vary and these figures are intended to be used for analysis and discussion purposes.

