

1 Assessing Standards Board
2 Low-Income Housing Tax Credit (LIHTC)
3 Subcommittee Meeting

4 **DRAFT**

5 **DATE:** September 13, 2023

TIME: 1:31 a.m.

6 **LOCATION:** NH Department of Revenue Administration, 109 Pleasant Street, Concord

7 **SUBCOMMITTEE MEMBERS**

8 (E) Excused

9
10 Bob Gagne, Chairman

Loren Martin

11 Joe Lessard

Jim Menihane, NHHFA

12 Betsy Patten

Robert Tourigny, NeighborWorks Southern NH – (E)

13
14 **MEMBERS of the PUBLIC**

15 Adam Denoncour, NHDRA

Charles Reese, Portsmouth

16 Penny Touchette, NHDRA

Bill Castle, Great Bridge Properties

17 Bill Walker, Housing Initiatives of NE Corp.

Cindy Taylor, Housing Initiatives of NE Corp

18 Ignatius McLellan, NHHFA

19
20
21 Mr. Gagne convened the meeting at 1:31 p.m. Introductions followed.

22
23 Minutes

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25 Ms. Patten *motioned to accept the minutes of the April 15, 2021, subcommittee meeting*; Mr. Lessard
26 *seconded the motion*. No discussion. Mr. Gagne called the motion to approve the minutes of the April
27 15, 2021, subcommittee meeting as written. *Motion passed unanimously.*

28
29 The intent of this meeting is to finish discussion on the recommendation to develop a cap rate range and
30 determine whether or not a statutory change is necessary. The statute references an overall capitalization
31 rate that varies based on geography and the DRA publishes the rates by county based on DRA rules.

32
33 A suggestion was made for the following change:

34
35 RSA 75:1-a VIII. (a)(1) “A range of market capitalization rates that is typical for the geographic
36 area in which the property is located, as determined annually by March 31 by the commissioner
37 of revenue administration, and as published by the New Hampshire housing finance authority
38 pursuant to RSA 204-C:8-a; and...”

39
40 Discussion ensued about criteria that might be used in a matrix including age, size and location. Age
41 was considered and the following categories (number of units) was suggested: 0-29, 30-50, and 50+.

42
43 Location criteria was more difficult to outline due to a variety of considerations including, rural versus
44 urban, demographics, needs of services versus desirability, and supply and demand, all impacting how
45 projects may be valued. One concern expressed was the effect a county-wide cap rate has on urban

46 versus rural properties, Concord versus Pittsfield, for example and the need to be able to treat them
47 fairly.

48
49 It was noted that achieving 100% of maximum rents was not the intent; it is helping people afford a
50 place to live. Another concern is having to adjust for utility allowances and having to leave a buffer to
51 avoid constantly adjusting rents. Considering a percentage of maximum rents achieved, rather than
52 allowed, might be more relevant than location.

53
54 Condition was not considered a valid criteria due to the strict maintenance requirements the projects
55 must comply with. Quality was discussed, in particular, converted buildings such as mills and schools,
56 that may not run as efficiently as new buildings. It was noted that NH Housing has separate construction
57 design standards for both rehab properties and new construction.

58
59 Mr. Gagne asked for DRA's input if this range were to be implemented. Mr. Denoncour suggested that
60 establishing a midpoint, or typical, cap rate and having a standardized system to determine plus or minus
61 adjustments would be the simplest and most standardized solution so that the size or accuracy of a cap
62 rate range is not defined by how much valuation information the Department can get.

63
64 Mr. MacLellan, representing NH Housing, has been a part of this process from the beginning. He stated
65 the reason for this program was to address the inconsistency of how these properties were being assessed
66 as some towns were taking taxes from people without any objective basis and other towns were not
67 taking taxes at all. This program was a way to create consistency for municipalities, taxpayers and
68 developers and for NH Housing to estimate taxes when budgeting for these properties.

69
70 The number one issue in New Hampshire economically is housing. It is very hard to build and operate,
71 and he appreciates the effort of considering whether a range is appropriate or not. The one concern he
72 expressed is having too much subjectivity that NH Housing cannot predict whether to fund a project or
73 that puts a project at risk.

74
75 Mr. Gagne offered another solution, to scrap the program and have the payment be 10% of shelter rent.
76 This would be predictable and account for what a property is achieving not on maximum rents, and it
77 would be consistent with the 10% clause that is already written into statute to make sure there was
78 fairness to the developers, renters and towns. It would provide relief to those properties within smaller
79 communities that are penalized for having to use the cap rate that is largely driven by a larger
80 municipalities and create uniformity across the State. It removes all subjectivity and creates consistency.

81
82 There were a couple of situations mentioned where this approach may not be fair and appropriate. A
83 mixed complex with market rate and low-income housing or a property that has a commercial
84 component or other income. It was also suggested that having market based units allows a project to
85 exist. Mr. Gagne stated that a lot of these properties in Manchester end up at 10% and several projects
86 have senior services expenses they are allowed to claim as an expense and never pay based on the
87 income approach, its 10%.

88
89 Mr. MacLellan requested the opportunity to talk to Evernorth, the tax credit entity that would have data,
90 NH Housing would have data, and to review and discuss with owners and agents to see whether a
91 percent of actual rent and income would be a simpler approach. He added that it would be important that
92 intangibles from tax credits and low interest loans not be considered a value, which is something that
93 currently exists in the statute.

94

95 Mr. MacLellan stated he did not agree or disagree with the conversations or suggestions made today and
96 requested time to research, review and discuss with NH Housing members and agents.
97

98 Ms. Patten stated this was a difficult program to get through the legislature. Having to explain the
99 adjustment of taxation for one group and the impact to the community and other taxpayers, is a
100 significant hurdle. Having had 12+ years of experience and statistics, it can be explained that there is no
101 tax shift, and this proposal is for the common good. Ms. Martin added that the current system has
102 worked in many instances however it is the years that did not work that are the issue. By using 10% of
103 the shelter rents, subjectivity and volatility will be eliminated.
104

105 The subcommittee agreed to end the discussion of developing a cap rate range.
106

107 The next meeting will be at the call of the Chair.
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109
110 Ms. Patten *motioned to adjourn*; Mr. Lessard *seconded the motion*.
111

112 Mr. Gagne adjourned without exception at 2:34 p.m.
113

114
115 Respectfully submitted,
116

117 Stephanie Martel, ASB Clerk
118 Municipal and Property Division
119 NH Department of Revenue Administration

120 All meetings are recorded and available upon request.

121 Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

122 Telephone: (603) 230-5096	<u>In person at:</u>
123 Facsimile: (603) 230-5947	109 Pleasant Street, Concord
124 Web: www.revenue.nh.gov	
125 E-mail: asb@dra.nh.gov	<u>In writing to:</u>
126	NH Department of Revenue
127	Assessing Standards Board
128	PO Box 487
129	Concord, NH 03302-0487