

Appendix E. Model Assumptions

Key Assumptions

- Models assume all affordable units are preleased. A portion of market rate units are preleased, and the remainder are rented at a linear rate over the first 8 months. After lease-up, residential units are assumed to stabilize at a vacancy rate of 5%.
- The value of land used in calculating property tax is assumed to be the same as the site acquisition cost, and improvement values are calculated based on the difference between site acquisition cost and project capitalized value.
- Affordable rents are based on HUD standards for 80% AMI in counties correlated with the given market rent level, and are applied to 20% of total residential units in the 12-year exemption. There is no affordability requirement modeled for the 8-year exemption, and some cities have tailored their programs to allow up to 115% AMI (targeted moderate income housing).
- Capitalization rates were defined for each rent level to correlate with market conditions.
- Units sold with an MFTE exemption are assigned a higher market price, with an increase equal to the benefit in tax savings. Similarly, affordable sale prices are increased to account for the potential for a higher monthly mortgage payment that would be affordable without property tax.

Limitations

Exceptions to the assumptions for projects and cities may exist and yield different results, with impacts to feasibility. Many variables are held constant to assess sensitivities to other variables such as rent.

The analysis is for policy evaluation only, and does not take into account all criteria in evaluation of the MFTE program.

The analysis does not contain an appraised valuation of land or development projects. Community Attributes is not a licensed appraiser and this analysis should not be used to inform decisions that require or would benefit from a licensed appraisal.

As market conditions change, so do the prospects for various project types, and variability of this nature is not possible to project or quantify. Changes in market conditions are expected over time, and project feasibility may need to be reevaluated as these changes occur.