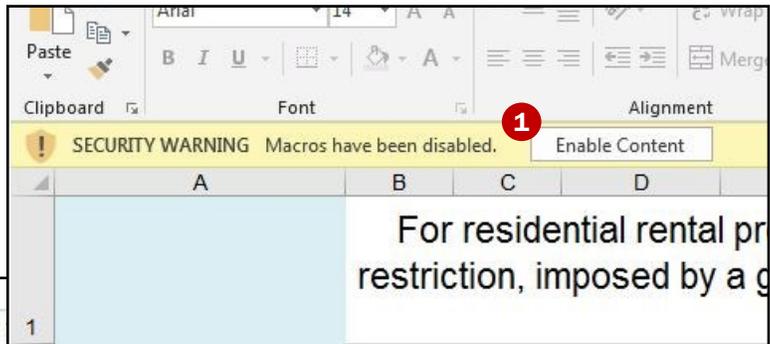


# Guide to Valuation of Subsidized Housing Worksheet

The valuation of subsidized housing must use the standardized methodology as described in 32 V.S.A. § 3481(1). The law requires the use of the Income Approach to Value. To ensure the uniform application of this approach, Property Valuation and Review (PVR) has developed an active spreadsheet. These are the instructions for using that tool.

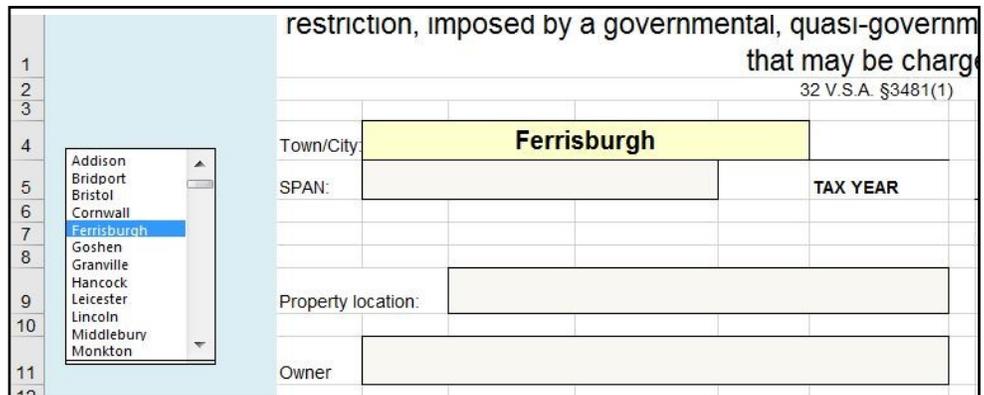
**Tip** Download the spreadsheet at the Vermont Department of Taxes website to your hard drive. When you open the spreadsheet, an **1 Enable Content** box will appear at the top. Click on it so that all calculations will be done for you. Also notice that on the bottom left of your screen there are tabs labeled **2 Valuation, Lists, ReadMe, Law, and Allowable Utility**. You may want to use these for reference. Please note that the spreadsheet is protected; you can only input data into fields that are shaded. You may also want to print out a copy of the spreadsheet and these instructions for reference.



## Using the Income Approach Spreadsheet

### General Property Information

Scroll to the top-left of the spreadsheet. A drop-down box lists all the towns in Vermont in alphabetical order by county. Locate your town and click on it. You will see that rents will be pre-filled, and the equalized tax rate for your town will appear in the appropriate places.



Some of the top entries are obvious, such as **Span Number, Property Location, and Owner**. Make the appropriate entries.

Enter Data

	Studio	1 Bdrm.	2 Bdrm.	3 Bdrm.	4 Bdrm.	Comm.
<b>Number of each size unit:</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Monthly H.U.D. rents: (published Annually)	\$ 784	\$ 870	\$ 1,021	\$ 1,315	\$ 1,580	\$ -
Monthly Utility Adjustments:	\$ -	\$ (92)	\$ -	\$ -	\$ -	\$ -
Gross Rent:	\$ 784	\$ 778	\$ 1,021	\$ 1,315	\$ 1,580	\$ -
Total Gross Monthly Rent for the property:		\$ 5,478	Annualized	\$ 65,736		
	HUD Rate					
Vacancy Allowance	3.60%	\$ 2,366	X 0.50 =	\$ 1,183		

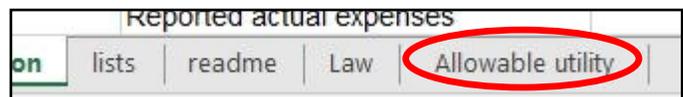
**Total number of rental units:** The total number of units will automatically appear in this field after you have filled in the number of units in each category below. Make sure that the total shown here matches the property description in your records.

**Number of each size unit:** There is space provided on this line for the number of each type of rental unit including commercial retail rentals. This data is used in the calculation and therefore needs to be correct. These fields are shaded.

**Monthly HUD rents:** The rents used here are published by Housing and Urban Development (HUD) for your specific county. HUD publishes these rents annually. These fields were automatically filled in when you selected your town.

If there is commercial rental space, use the actual rent for that space. The owner should report it as part of the income and expense statement.

**Monthly Utility Adjustments:** When HUD publishes monthly rents for a specific county, it assumes that the building owner pays for utilities such as space heat, electricity, fuel for cooking, and hot water, but there are exceptions. In properties where the tenant pays some or all the utilities, an adjustment must be made. The owner’s income and expense statement should show who pays which part of the utilities. Your local housing authority has a list of the allowable adjustments specific to what utility costs the tenant pays. This list is available in the subsidized spreadsheet on the **Allowable Utility** tab. This adjustment reduces the allowable HUD rent for the affected units. The Allowable Utility must be entered as a negative number.



**Gross Rent:** This field automatically calculates gross rent using data you entered above.

**Total Gross Monthly Rent for the property:** The monthly and annual rent will calculate automatically.

**Vacancy Allowance:** The United States Census annually publishes a vacancy rate for the state of Vermont based upon on-going surveys. The law requires that only half, or 50%, of this published market vacancy rate is deducted from the annual gross income. This calculation is locked into the spreadsheet and updated each year. Therefore, these lines are self-calculating, and do not need to be adjusted.

Enter Data, continued

Plus Other Income from laundry, parking, air conditioning, etc.:	\$ -
Effective Annual Gross Income:	\$ 65,637

**Plus Other Income from laundry, parking, air conditioning, etc.:** In some properties the owner receives additional income in a form other than rent. Other income also includes items such as interest income on security deposits and on reserves for replacement, etc. This information will be provided to you on an income and expense statement from the owner.

**Effective Annual Gross Income:** This field populates using data already entered, and it cannot be adjusted.

Reported actual expenses (see attached audited owners statement)	\$ -		
Property Taxes		only fill this in if "reported actual expenses" included property taxes	
Expenses minus taxes	\$ -		Field K35
Net Annual Operating Income:	\$ 65,637		
Base Capitalization Rate: (published annually)	8.20%		
2017 Eff Tax Rate from PVR Annual Report	\$ 1.9101		
Effective tax rate to use for cap rate determination:		Field G43	If not filled, will default to: \$ 1.9101

**Reported Actual Expenses (less Real Estate Taxes):** Actual expenses are provided by the owner in an income and expense statement. Mortgage payments and depreciation should be subtracted as not part of the operation and maintenance of the property, not its value. Real estate taxes can be subtracted in field K35 as provision is made in the capitalization rate for the taxes.

**Property Taxes:** If you cannot determine the amount of the taxes because they are grouped together with the expenses, look up the taxes paid and enter them here. If you can see the actual property tax amount in the income and expense statement, enter it here. Enter zero if property taxes are not part of the expense statement.

**Net Annual Operating Income:** This is the remaining amount of income after all expenses have been subtracted. This field is self-calculating.

**Base Capitalization Rate:** This is the base rate that is established annually by PVR in conjunction with the Vermont Housing Finance Agency. It does not contain the real estate taxes as that provision is calculated for you.

**Effective Tax Rate:** In field G43, the number shown is the effective tax rate calculated by PVR. This default number was inserted when you selected your town. You may either use this number or calculate the effective tax rate as the total nonresidential tax rate divided by your level of assessment. Either way, the difference is minimal.

If a revaluation has just been done in your town and the ratio published by PVR is more than 100%, you must not use a number higher than 1.00 as that would overvalue the property. The spreadsheet will not calculate more than 100%.

