

INSTRUCTIONS: SUBSIDIZED HOUSING

The following is considered to be explanatory notes for line items in a corresponding "Model" designed to provide analysis of external depreciation present in Subsidized Housing Projects. This Model is formula driven and will provide the indicated value by the cost approach once all data implicit by the asterisk(s) is entered on the worksheet.

Once the floppy disk is loaded into drive A of your PC, copy "templ.xls" to your hard drive. Open the spreadsheet from the hard drive. Use of the "TAB" key moves cursor to the next data entry field. Use the directional arrows to move from cell to cell. Data entry is not allowed in protected cells. The following error message will appear when an attempt is made to enter data in protected cells, "Locked cells cannot be changed." Answer "OK." Hit "TAB" to move to the next data entry field.

1. **Building Size (Square Feet):** The calculated building size (from KsCAMA Valuation Summary P.O.)
2. **Actual Income Received By the Project:**
 - 515--This is the actual income produced by the property (column2, line 10 of FmHA form 1930-7). (Contact the assigned property manager for Form 1930-7.)
 - Sec. 42-- Contact the property manager or owner for the actual income received.
3. **Replacement Cost New Less Depreciation (RCNLD):** This is the estimated reproduction cost new less physical and functional depreciation of the improvements. This can be derived by typical KsCAMA procedures and must be adjusted to reflect the grade factor and county index multipliers. (from KsCAMA Valuation Summary P.O.).
4. **Land Value:** This is based on typical land value procedures (from KsCAMA Valuation Summary P.O.).
5. **Total RCNLD and Land Value:** This is simply the mathematical sum of Line Items 3 and 4.
6. **Operating Expenses:**
 - 515--These are the actual operating expenses (including management, reserve allowance, and R.E. taxes) incurred by the property (add lines 16 and 22, column 2 of FmHA form 1930-7). (Contact the assigned property manager for Form 1930-7)
 - Sec. 42-- Contact the property manager or owner for the actual expenses.

LINE ITEMS 7-12 ALL PERTAIN TO MARKET FINANCING. THE COUNTY MUST DO A MORTGAGE EQUITY, BAND-OF-INVESTMENT CAPITALIZATION RATE STUDY.

7. **Term of the Loan (Years):** The total number of years of typical financing available in the marketplace.
8. **Loan Rate (Interest Rate):** The rate of interest paid over the life of a loan. Low introductory interest rates should be increased to reflect a stabilized projection over the entire life of the loan.
9. **Loan Ratio:** This is simply the percentage of value that typical lenders are willing to loan on a property.
10. **Equity Ratio:** This is simply the inverse of the Loan Ratio.
11. **Equity Rate:** This is the return that an investor is willing to accept. Because the equity position is considered second to the mortgage (the equity does not receive a return until after the mortgage is satisfied), the equity rate is higher than the loan rate. Therefore, if the loan rate is nine percent, the equity rate is likely to be at least that amount and probably something more
12. **Loan Constant:** This is the mathematical calculation when the number of years and loan rate are known. The enclosed model provides the loan constant once line items 7-11 have been entered. This can also be calculated with a 12c Hewlett Packard calculator or most financial tables provide loan (mortgage) constants.

NOTE: Subsidized housing parcel data is carried in the KSCAMA system on the commercial /industrial record. The Data Collection Card will be filled out similar to other properties. Once the Economic Condition Factor is established, enter the result in **field 815 (ECF)** and post the cost approach. Then go to field 965 and enter code 51; designating subsidized housing.