Florida Housing Finance Corporation
Appraisals and Valuations

- Expiring HAP Contracts with a Renewal HAP Contract
    - If the development has an expiring HAP contract that will be replaced with a new HAP contract, the appraiser may consider the rents under the new HAP contract in their as is valuation. The as is value should take into consideration the length of time remaining on the existing HAP contract and include appropriate adjustments for rent loss over this time. The new HAP contract should reflect pre-rehab rents, which are the rents that should be utilized in the as is value. The value should not be based on post rehab rents.
- Expiring HAP Contracts with no Renewal HAP Contract
    - If the development has an expiring HAP contract that will not be replaced with a new HAP contract, the appraiser may consider that the property may turn to market upon the expiration of the HAP contract in the as is valuation. The as is value should take into consideration the length of time remaining on the existing HAP contract and the one year opt out notice tenants must receive. The as is value should include appropriate adjustments for rent loss over this time as well as appropriate considerations for tenant turnover, re-leasing of the units, and stabilization as a market rate development.
- Expiring HAP Contracts with a Renewal HAP Contract (that jumps straight to post-rehab rents)
    - If a development will be receiving a new HAP Contract but that HAP contract does not include any pre-rehab rents but instead jumps straight to post-rehab rents at closing, the as is value may consider market rents in the valuation. This is based on the premise that at a minimum, at closing a new HAP contract would be put into place that would mark rents up to market. This scenario tries to give consideration for the fact that the HAP contract would be renewed upon closing regardless of the rehab, while not allowing value on post-rehab rents, which are contingent on a rehab taking place. Again, the as is value should take into consideration the length of time remaining on the existing HAP contract and include appropriate adjustments for rent loss over this time.
- RAD Developments
    - The value utilized for acquisition credits should take into account the pre-renovation rents that will be in place at closing. The as is value should take into consideration the timing of when the new rents will go into effect and include appropriate deductions for rent loss, functional obsolescence, etc.
- Favorable Financing
    - Florida Housing does not allow any consideration for favorable financing in acquisition basis. However, existing debt that will be assumed by the buyer that is debt from an unrelated third-party lender (i.e., existing FHFC gap financing such as SAIL or an existing gap financing loan from a local government) may be taken into consideration.

Florida Housing Finance Corporation
Appraisals and Valuations

- Developments Nearing the End of their Fifteen Year Compliance Period

    - Developments nearing the end of their fifteen year compliance period should not rely on market rents in the as is valuation. There is no certainty that the development would go through the QC process and have the ability to turn market. However, the as is value should utilize cap rate comparables that also have the ability to go through the QC process and have a similar number of years left on their extended use agreements.

- Immediate Repairs/Deferred Maintenance Deductions

    - It is typical for an appraiser to deduct immediate needs from the as is value, but there are some parameters around what an immediate need is. Immediate repairs/deferred maintenance applies to items in need of immediate repair on the effective date of the appraisal such as broken windows, a broken/inoperable HVAC system, a hole in an interior partition, etc. For most properties deferred maintenance involves relatively minor items that are 100% physically deteriorated and would have to be replaced/repaired immediately for the building to continue to function as it should. The as is value should not have items deducted for lesser items such as painting, trimming trees, etc. If costs are deducted for immediate needs, they should be for true immediate needs that require immediate repair/replacement in order for the building to continue to function.

- Non-Profit Real Estate Tax Exemption

    - The non-profit tax exemption is a value that is specific to an individual property owner and should not be considered to run with the property. Therefore, the exemption should not be considered in the as is value.

- Property Resales

    - If a property has sold within three years of the current transaction and the current transaction reflects an increase in value, the appraisal will be reviewed by the Credit Underwriter to substantiate the support for the increase in value, which may be due to improved market conditions, a value-add strategy or other reasonable explanation. If an increase in value is not supported by the appraisal, the acquisition price will be restricted to the appraised value acceptable to the Credit Underwriter.