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## **SOLUTIONS**

# Overview

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## Seminar Overview

Fundamentals of Appraising Affordable Housing presents the basic concepts of affordable housing valuation. This property type differs from all other property types in that its maximum potential income and, to a lesser degree, expenses are determined largely by regulatory forces rather than market forces. As a result, traditional appraisal techniques and approaches must be modified to be relevant for this property type.

This is a complicated topic. Due to the constraints of the seven-hour seminar, the content will be limited to a basic understanding of the fundamental concepts primarily at the federal level. Each state can also apply a set of requirements. This seminar does not attempt to provide the detail of individual state requirements.

The most complicated component of appraising affordable housing is the derivation of potential income based on the various rental rate restrictions imposed by the different affordable housing programs. A fundamental explanation of the most common programs will be provided. Additional topics include unique expense considerations, capitalization rate considerations, and how the regulatory requirements of these properties affect the cost and sales comparison approach methodologies.

Some of the information and calculations provided in this seminar are based on federal and state regulations. The methodology-oriented information and calculations are based on the experience of the seminar developer. As with most property types, appraisers hold a variety of opinions about the most effective approaches in valuing affordable housing.

## Learning Enhancements

The seminar has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, the preview page that begins each part includes a brief overview of the content, learning objectives to consider as you move through the content, and, where appropriate, learning tips that will assist you in understanding the material you're about to cover.
- **Learning Objectives.** Each learning objective covers information required for understanding the concepts in the seminar. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.
- **Examples and In-Class Exercises.** Supplementing the discussions are examples and in-class exercises to help you visualize and practice what you are learning.

- **Excel Workbook.** The worksheets presented in the seminar for problem solving are provided in Excel (download). It is most important that participants understand the logical and mechanical operations associated with the worksheets.
- **Review.** Each part concludes with a review page, which repeats the learning objectives and, where appropriate, lists key terms and concepts that have been covered.
- **Solutions.** Answers are provided behind the solutions tab at the back of this handbook.
- **Review Quizzes.** A short practice quiz is included at the end of each part. By answering the questions, you will find out whether you understand the information that was covered.

## Required Equipment

- **Computer.** A laptop computer is required for classroom participation; a personal computer or laptop computer is required for synchronous participation.
- **Two screens are HIGHLY recommended.** For synchronous offerings, it is highly recommended that you have two screens.
- **Spreadsheet program: Excel.** A spreadsheet program is required (participants may use other spreadsheet programs, but those programs won't be supported in class; demonstrations will be done in Excel).

## Class Policies

- 100% attendance is required. No exceptions.
- Limit use of computers and wireless devices to classroom projects.
- Communicate with business associates during break time instead of class time.
- During class, do not read materials that are not used in class, such as news, email, and social media.
- Silence cell phones and other communication devices.
- Use recording devices only if prior permission has been granted.
- If attending a classroom offering, refrain from ongoing conversations with those seated near you and other distracting behavior.

## Seminar Objectives

- Identify the principal difference between affordable and market rent properties, which is market forces compared with regulatory parameters.
- Recognize the basic constructs of affordable housing programs. This illustrates how regulatory rather than market forces drive income levels.
- Learn how to complete meaningful rental analysis.
- Identify which expenses may be affected by the operation of an affordable housing property.
- Adjust the income, sales comparison, and cost approach analyses to better address the income characteristics of affordable housing.

## General Information

- **Breaks.** There will be two 10-minute breaks during each session unless noted otherwise by the seminar sponsor.
- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.
- **Certificates of completion** can be downloaded from the Appraisal Institute website after completing the evaluation of the instructor and seminar material. You must log into your account and go to the Education and Events tab to find the seminar listed and click on the view tab to the right of the class title. Remember that attendance during the entire seminar is required.