CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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DATE: November 24, 2014

TO: Low-Income Housing Tax Credit Applicants

FROM: William J. Pavão, Executive Director

SUBJECT: Appraisals of Residential Improvements on Tribal Property

Committee staff has been asked about the applicability of these provisions to establishing the value of existing residential improvements on Native American tribal land.

The California Tax Credit Allocation Committee (the Committee or TCAC) regulations require that an appraisal include, at a minimum, "the Sales Comparison Approach and Income Approach valuation methodologies except in the case of an adaptive reuse or conversion, where the Cost Approach valuation methodology shall be used" (Section 10322(h)(9)(A)(ii)). The next paragraph (iii) goes on to require "the appraiser's reconciled value" in such cases.

The rules cited above apply to <u>all</u> California tax credit applications, including those for existing residential properties on tribal land. The appraiser must seek and report on data regarding comparable sales in the area, as well as rental income derived from similar residential properties in the area. The appraiser <u>may</u> also provide cost approach data in their report, and that data may be used in determining a reconciled value. However, TCAC regulations do not permit using a cost approach only in establishing an existing improvement's market value.

The Committee will continue to rely upon the professional expertise of California certified general appraisers in determining the market value of existing residential improvements. An appraiser's professional judgment will lead them to a reconciled value in any case, and their analysis may include cost approach data. However, a cost approach alone will not suffice, unless adaptively reusing or converting existing non-residential structures.