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Communities
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March 3, 2026

Dear Members of the Subcommittee considering Senate Study Bill 3001:

As the manager of 4,732 apartments in Iowa owned by my family as well as nine independent clients, I would like to express my objection to the bill because:

1. It amounts to a very dramatic **tax increase**.
2. A meaningful subset of the industry will likely go into **foreclosure** as a result.
3. Across the board, **less new housing** will be produced.
4. And tighter margins will lead to **deferred maintenance**.

Tax Increase: Consider a 100-unit complex producing Net Operating Income (i.e. revenues less expenses) of \$600,000 per year. At prevailing "cap rates" of 6% (i.e. investors' threshold return), the complex is worth \$10.0 million (i.e. \$600k / 6%). If assessed accurately, in a city with millage rates of 4.0%, its taxes would be $\$10.0\text{mm} * 47\% \text{ rollback} * 4.0\% = \188k . Under the proposal, taxes would initially rise to \$280k ($\$10.0\text{mm} * 70\% \text{ rollback} * 4.0\%$), an increase of 49%, and go up from there.

Foreclosures: Suppose the same property were underwritten with a debt service coverage ratio of 1.2, which is typical. It would thus carry a combined principal and interest amount of $\$600\text{k} / 1.2 = \500k . If property taxes increase by \$92k from \$188k to \$280k, its debt service coverage would fall to 1.02, eroding further over the ensuing years. It is easy to imagine that many projects will wind up in foreclosure. Or rents will rise, widening the affordability gap.

Less New Housing: It is already quite challenging to get new projects to "pencil out", as widely reported. Even fewer deals will work. I can honestly say that *none* of the five market-rate projects that we have constructed since 2017 would have been built if taxes were 49% higher when planned.

Deferred Maintenance: When projects are financially tight, the first thing some operators cut is maintenance. You can expect more of your constituents to complain about lower-end projects with overflowing dumpsters, missing roofing and siding, and big potholes in parking lots.

Regards,

A handwritten signature in black ink that reads "Frank Levy". The signature is written in a cursive, slightly slanted style.

Frank Levy