

MARKET STUDY MANUAL

The Georgia Department of Community Affairs (DCA) is responsible for allocating resources towards the development of affordable rental housing in areas where there is sufficient market support for it. DCA's goals include supporting the best developments possible given the limited resources available. One of DCA's main criteria, in regard to this goal, is to select proposed developments that are in appropriate locations with strong market demand. Therefore, it is important to complete an in-depth market study that conforms to the DCA guidelines. A market study must be obtained for each application for affordable rental housing financing.

The market study must contain sufficient data and analysis to provide DCA with an understanding of the market data presented, the analysis of that data, the conclusion(s) drawn and its relationship to the subject property. The market study should lead the reader to the same or similar conclusion(s) reached by the Market Analyst. The market study shall include at a minimum, but may not be limited to, the following guidelines:

1. An evaluation of the existing comparable multifamily properties in the same primary market area as the subject housing development.
2. An evaluation of the need for affordable housing within the subject development's primary market area.
3. An evaluation of the subject property and target population in terms of market demand, stabilization projections, appropriateness of proposed rents, etc.

Additionally, in compliance with the Fair Housing Act, The Equal Credit Opportunity Act and other related anti-discrimination laws and regulations, it is DCA's policy not to discriminate on any prohibited basis, or to find a proposed project unacceptable solely on the basis of its location. DCA expects the Market Analysts to provide non-discriminatory assessments of market conditions and projections.

All market studies must be submitted in the prescribed order and format as outlined in this guide. Market Analysts are also encouraged to become familiar with policies, program guidelines and requirements in the applicable DCA Qualified Allocation Plan and Application Manual. DCA reserves the right to require the Market Analyst to address such other issues as may be relevant to DCA's evaluation of the need for the subject project and the provision of the particular program guidelines. Failure to submit the market study as specified may result in failure of the project in threshold feasibility. The evaluation of the market study is at DCA's sole and absolute discretion as outlined in the QAP. The Market Study is submitted by the applicant and it is the responsibility of the applicant to ensure that the Market Analyst completes the Market Study in accordance with the QAP and the Market Study Manual as well as the following criteria.

1. As outlined in the Competitive Application Selection of the QAP: DCA reserves the right to allocate resources to lower ranked proposals to achieve a better mix of resource usage or a better geographical distribution of resources.
 - If a geographic area of the state will receive an inequitable share of the available resources as determined by the Competitive Scoring process, DCA may choose to fund other proposals even though they have a lower relative ranking.
 - DCA reserves the right to limit the number of projects in a certain geographical area to ensure faster lease up, increased marketability of the project and increased likelihood of

syndication of projects. DCA recognizes the importance of giving selected projects the maximum chance of success in difficult economic times.

- DCA reserves the right to not select a project in a particular market area in order to ensure the success of its existing and funded projects. The following selection criteria will be considered:
 - DCA will carefully analyze existing DCA projects located in close proximity to the proposed project to determine if selection of the project will have significant adverse financial impact on existing affordable housing inventory.
 - DCA will generally not fund two projects in the same locality with the exception that a new construction and occupied rehab may be selected. In some cases, DCA may select a family and a senior project provided the projects are not located in close proximity to each other and there is a significant showing of demand.
 - In order to ensure that projects can achieve lease up quickly, DCA will not generally select a proposed Application for an allocation if a project awarded an initial allocation of credits between 2009 and 2011 is located in close proximity to the proposed site and serving the same population (Family or Senior). “Close proximity” shall be defined in rural areas as the local government jurisdiction or ten miles, whichever is greater. Close proximity shall be defined in urban areas as a two mile radius. (Phased projects are excluded).
 - DCA will not generally fund more than one phase of a project in a round.

I. Market Study Requirements

A Market Study prepared for DCA must evaluate the need for decent, safe, and sanitary housing as proposed by the applicant (including, but not limited to an evaluation of the proposed rents, bedroom distribution and target population). The study must determine the feasibility of the subject property and state a conclusion as to the impact of the property with respect to the determined housing needs. The study should be self-contained, and must describe in sufficient detail and with adequate data to support the conclusions.

Market Analysts will be required to submit a complete and in-depth market study that conforms to the format outlined below. In addition, the study should be constructed by the analyst in a manner so as to provide for a concise evaluation of the subject property. DCA will evaluate the analyst’s methodology in determining the market areas, rental comparables, appropriate target population and the other vital factors. The quality of the analyst’s research methods and the extent that the information in the report is supported and explained by the demographic materials and the analyst’s research in the field will be reviewed by DCA in determining the overall completeness of the Market Study. Unless stated specifically in the guide, all processes and practices used by the analyst should conform to the National Council of Affordable Housing Market Analysts’ (NCAHMA) best practices and accepted research papers.

The final Market Study must be submitted in the following prescribed order and format and must provide the following information outlined in each section. An electronic copy of the Market Study in an open PDF format is required to be included with all Market Studies submitted to DCA as part of any application. **See Application Instructions for further detail.** The study must contain a statement by the analyst that the report was written according to DCA’s Market Study requirements, that the information included is accurate and that the report can be relied upon by DCA as a true assessment of the low-income housing rental market. Analysts are encouraged to provide supplemental data and analysis. All data must relate back to the proposed development. Any third

party reports relied upon by the Market Analyst must be verified directly by the Market Analyst as to the validity of the data and the conclusions.

A. Executive Summary

The Executive Summary should include the key conclusions of the Market Analyst of each of the sections of the report just as location, economic conditions, demographic, demand, and competitive environment. The Executive Summary should contain an overall conclusion regarding the viability of the proposed project. This overall conclusion should include a statement regarding the Market Analyst's opinion whether the project will succeed as proposed or if changes are needed. The Executive Summary should include the following sections, each presented in a summary format.

1. Project Description:

- Brief description of project location including address and/or position relative to the closest cross-street.
- Construction and occupancy types.
- Unit mix including bedrooms, bathrooms, square footage, income targeting, rents, utility allowance.
- Any additional subsidies available including project based rental assistance (PBRA).
- Brief description of proposed amenities and how they compare to existing properties.

2. Overall Conclusion:

A narrative detailing the key conclusions of the report including the analyst's opinion regarding the potential for success of the proposed development.

3. Site Description/Evaluation:

- A brief description of physical features of the site and adjacent parcels.
- A brief overview of the neighborhood land composition (residential, commercial, industrial, agricultural).
- A discussion of site access and visibility.
- Any significant positive or negative aspects of the subject site.
- A brief summary of the site's proximity to neighborhood services including shopping, medical care, employment concentrations, public transportation, etc.
- An overall conclusion of the site's appropriateness for the proposed development.

4. Market Area Definition:

- A brief definition of the primary market area including boundaries of the market area and their approximate distance from the subject property.

5. Community Demographic Data:

- Current and projected household and population counts for the primary market area.
- Household tenure including any trends in rental rates.
- Household income level.
- Impact of foreclosed, abandoned and vacant, single and multifamily homes, and commercial properties in the PMA of the proposed development should be discussed.

6. Economic Data:

- Trends in employment for the county and/or region. Employment should be based on the number of jobs in the county rather than the county's employed labor force.

- Employment by sector for the market area.
- Unemployment trends for the county and/or region for the past 5 years.
- A brief discussion of any recent or planned major employment contractions or expansions.
- An overall conclusion regarding the stability of the county's overall economic environment. This conclusion should include an opinion if the current economic environment will negatively impact the demand for additional or renovated rental housing.

7. Project-Specific Affordability and Demand Analysis:

- Number of renter households income qualified for the proposed development given the proposed unit mix, income targeting, and rents. For senior projects, this should be age and income qualified renter households.
- Overall estimate of demand based on DCA's demand methodology.
- Capture rates including:
 - Overall project.
 - All LIHTC units excluding any PBRA or market rate units.
 - Capture rates by AMI targeting.
 - A conclusion regarding the achievability of these captures rates.

8. Competitive Rental Analysis

- An analysis of the competitive properties in the PMA.
- Number of properties.
- Rent bands for each bedroom type proposed.
- Average Market rents.

9. Absorption/Stabilization Estimate:

- An estimate of the number of units expected to be leased at the subject property, on average, per month.
- Number of units expected to be leased by AMI Income Targeting.
- Number of months required for the project to reach stabilization of 93 percent occupancy.
- The absorption rate should coincide with other key conclusions. For example, insufficient demand or unachievable rents should be reflected in the absorption rate.

The following tables must be completed by the analyst and included in the executive summary

Summary Table:

(must be completed by the analyst and included in the executive summary)

Development Name: _____ Total # Units: _____
 Location: _____ # LIHTC Units: _____
 PMA Boundary: _____
 _____ Farthest Boundary Distance to Subject: _____ miles

RENTAL HOUSING STOCK (found on page __)

Type	# Properties	Total Units	Vacant Units	Average Occupancy
All Rental Housing				%
Market-Rate Housing				%
Assisted/Subsidized Housing not to include LIHTC				%
LIHTC				%
Stabilized Comps				%
Properties in Construction & Lease Up				%

Subject Development					Average Market Rent			Highest Unadjusted Comp Rent	
# Units	# Bedrooms	# Baths	Size (SF)	Proposed Tenant Rent	Per Unit	Per SF	Advantage	Per Unit	Per SF
				\$	\$	\$	%	\$	\$
				\$	\$	\$	%	\$	\$
				\$	\$	\$	%	\$	\$
				\$	\$	\$	%	\$	\$
				\$	\$	\$	%	\$	\$

DEMOGRAPHIC DATA (found on page __)

	2010		2012		2014	
Renter Households		%		%		%
Income-Qualified Renter HHs (LIHTC)		%		%		%
Income-Qualified Renter HHs (MR) (if applicable)		%		%		%

TARGETED INCOME-QUALIFIED RENTER HOUSEHOLD DEMAND (found on page __)

Type of Demand	30%	50%	60%	Market-rate	Other: __	Overall
Renter Household Growth						
Existing Households (Overburd + Substand)						
Homeowner conversion (Seniors)						
Secondary Market Demand						
Less Comparable/Competitive Supply						
Net Income-qualified Renter HHs						

CAPTURE RATES (found on page __)

Targeted Population	30%	50%	60%	Market-rate	Other: __	Overall
Capture Rate						

B. Project Description

1. Project description including:

- Project address and location.
- Construction type: New Construction, Rehab, Adaptive Reuse, Historic Rehab
- Occupancy Type: Family, Elderly, Housing for Older Persons, Special Needs.
- Special Population Target (if applicable).
- Number of units by bedroom type and income targeting (AMI).
- Unit size, number of bedrooms and structure type (i.e. townhouse, garden apartment, etc)
- Rents and Utility Allowances and appropriate source.
- Existing or proposed project based rental assistance.
- Proposed development amenities (i.e. washer/dryer hookups, dishwasher etc.).
- For rehab proposals, current occupancy levels, rents being charged, and tenant income, if available, as well as detailed information with regard to the scope of work planned. Scope of work should include an estimate of the total and per unit construction cost.
- Projected placed in service date.

Information provided in this section must directly correlate with the application submitted to DCA.

C. Site Evaluation

1. The Market Analyst who is preparing the report must physically visit the site, all of the comparable properties used in their analysis and the market area in general. The date of the site visit and site inspector should be noted in the Study.
2. Describe physical features of the site and adjacent parcels. Positive and negative attributes of the site should be identified. The Market Analyst must include a detailed description of the surrounding land uses including their condition.
3. Describe the site's physical proximity to surrounding roads, transportation, amenities, employment, and community services.
4. Good quality, color photographs of the subject property (front, rear and side elevations, on-site amenities, interior of typical units, if available). Photographs of the neighborhood and street scenes with a description of each vantage point must also be included. All photographs should be properly labeled.
5. Include a map clearly identifying the location of the project. The Market Analyst must provide a listing of the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the target population; indicate proximity in miles to the proposed site. A map of the subject site in proximity to neighborhood amenities should be included.
6. Describe the land use and structures of the area immediately surrounding the site including significant concentrations of residential, commercial, industrial, vacant, or agricultural uses; comment on the condition of these existing land uses. Describe the general characteristics of single family residential development in the neighborhood and surrounding area as it relates to the subject. Conclude whether proposed development is consistent with the existing significant land uses within one mile of the proposed site.

7. Describe multi-family residential developments within two miles.
8. Include a map identifying existing low-income housing (4% & 9% Tax Credit Properties, Rural Development Properties, Public Housing, etc.) Assisted rental housing projects include DCA funded properties, Sec. 1602 Tax Credit Exchange program, USDA financed properties, Georgia Housing Trust Fund of the Homeless financed properties, HUD 202 or 811 (as appropriate) and HUD 221(d)(3) and 221 (d) (4) properties and other market rate FHA insured programs. Projects should be specifically identified within the market area. Indicate proximity in miles of these properties to the proposed site. Previously funded Tax Credit Properties are located on DCA's website at: <http://www.dca.ga.gov/pad/padsearch.aspx>
9. Indicate if there are any road or infrastructure improvements planned or under construction in the primary market area.
10. Comment on access, ingress/egress, and visibility of site.
11. Note any visible environmental or other concerns.
12. Overall conclusions about the subject site as it relates to marketability of the planned development.

D. Market Area

The primary market area should be clearly outlined and the subject property identified on a map along with other details regarding the area (site location, neighborhood/surrounding amenities, and comparable rental properties). The use of a radius in establishing market areas is strongly discouraged. In addition to a map, the narrative should provide the approximate market area boundaries and their distance from the subject site. The market area must be specifically justified and provide a reasonable rationale for the suggested market areas, taking into account such things as political and natural boundaries, socioeconomic characteristics, and the experience of the comparable multifamily development at each geographic level. In rural areas DCA advocates the use of the gravity model in establishing market areas as presented in the NCAHMA best practice paper on rural market studies. See also the NCAHMA best practice paper on establishing market areas. The analyst needs to make the primary market area as homogenous and proportioned as possible. A well delineated market area will be viewed as having greater relevance than market areas that encompass large areas or rely on tenants driving substantial distances to meet demand capture rates.

The analyst will provide a detailed description the primary market area of the proposed development. The primary market area is defined as that geographical area from which 85% of potential renters are expected to be drawn; the remainder of the potential renters will come from the secondary market area. Projects that have larger PMA's or unusual boundary shapes must have a detailed explanation for the size or shape of the PMA. A statement from the analyst must be included outlining the overall perception of the market regarding the desirability of renting in the proposed development based on their interviews and research. In an effort to ensure effective primary markets and to eliminate having large secondary markets, gross demand from the primary market should be carefully defined to limit the effect of the overlapping population concentrations.

E. Community Demographic Data

Provide the following demographic information for the primary market area, giving historical data as well as current data and estimates. Include data on population and households at the proposed time of market entry (i.e. 2014). Projections must be based on 2010 Census data and be prepared by a reputable source such as Claritas, the State Data Center or the U.S. Census / American FactFinder (**a copy of the source data must be included in a table format and the source clearly identified**). If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a narrative description of the data presented including overall conclusions.

1. Population Trends

- a. Total Population.
- b. Population by age group.
- c. Number of elderly and non-elderly (for elderly projects).
- d. If a special needs population is proposed for the development, provide additional information on population growth patterns specifically related to this population.

2. Household Trends

- a. Total number of households and the average household size.
- b. Household by tenure; that is, the number of owner and renter households. (If appropriate, breakout by elderly and non-elderly).
- c. Households by income. (Elderly proposals should reflect the income distribution of elderly households only).
- d. Renter households by number of persons in the household.
- e. Elderly Households populations will be based on households in which all members are 62 years or older according to the census.
- f. Housing for Older Persons Households populations will be based on households in which at least one member is 55 years or older according to the census.

F. Employment Trend

1. Total jobs (also known as “covered employment”) in the county or region. “Total jobs” refers to the number of jobs physically located in the county and is different from the Civilian Labor Force. Data is available from the U.S. Department of Labor’s website (<http://www.bls.gov/bls/employment.htm>).
2. Total jobs by industry—numbers and percentages (i.e. manufacturing: 150,000 (20%)).
3. The major current employers, product or service, total employees, anticipated expansions or contractions in their workforce, as well as newly planned employers and their impact on employment in the market area. Due to the volatility of the current economic market, it is important that this information is as current as can be confirmed.
4. Total workforce unemployment trend figures and number and percentage unemployed for the county (also known as “civilian labor force” statistics) for the past ten years.
5. A map of the site and location of major employment concentrations.
6. A narrative analysis of data provided, including overall conclusions, is required. Relate data to impact on housing demand.

G. Project-specific Affordability & Demand Analysis

1. **Income Restrictions:** The study should include data for each income group targeted by the project as described in the application. For example, if the project targets families at 50% of the Area Median Income, and families at 60% of the Area Median Income, demand projections using the above methodology should be provided for each income group and bedroom size. The maximum allowable Area Median Income level per household for all bedroom types will be based on a standard of 1.5 persons per bedroom for family developments rounded up to the next whole number. The maximum allowable Area Median Income level per household for all bedroom types for Elderly or Housing for Older Person developments will be based on a maximum of 2 persons per household.
2. **Affordability:** Analysts should assume family households are able to pay no more than 35% of gross income towards total housing expenses and that Senior households are able to pay no more than 40% of gross income towards total housing expenses. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group. For market rate units, the analyst must make some reasonable determination of maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumption used in making the aforementioned determination. DCA considers Housing for Older Persons and Elderly to be Senior properties for determining affordability. The maximum income limit for Senior Developments will be limited to 2 person households regardless of the bedroom type proposed.

3. Demand: The demand should be derived from the following sources:

- a. **Demand from New Households:** New units required in the market area due to projected household growth from migration into the market and growth from existing households in the market should be determined. This should be forecasted using 2010 renter household data and projecting forward to the anticipated placed in service date of the project using a growth rate established from a reputable source such as Claritas or the State Data Center or the U.S. Census / American FactFinder. This household projection must be limited to the target population, age and income group (the demand for each income group targeted (i.e. 50% of median income) must be shown separately).

In instances where a significant number (more than 20%) of proposed units are comprised of three and four bedroom units, please refine the analysis by factoring in the number of large households (generally 5+ persons). A demand analysis, which does not take this into account, may overestimate demand.

- b. **Demand from Existing Households:** The second source of demand is projected from:
 - Rent over-burdened households, if any, within the age group, income groups and tenure (renters) targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% (Family), or greater than 40% (Senior) of their income toward gross rent.

- Households in substandard housing should be determined based on age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand. The analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
 - **Elderly Homeowners likely to convert to rentership:** DCA recognizes that this type of turnover is increasingly becoming a factor in the demand for Elderly tax credit housing. This segment should not generally account for more than 15% of total demand. Due to the difficulty of extrapolating Elderly (62 and over) owner households from Elderly renter households, the analyst may use the total figure for Elderly households in the appropriate income band in order to derive this demand figure. Data from interviews with property managers of active projects regarding renters who have come from homeownership should be used to refine the analysis. **A narrative of the steps taken to arrive at this demand figure must be included and any figure above 5% must be based on actual market conditions, as documented in the study.**
- c. **Secondary Market:** DCA recommends that the analyst be conservative when developing the Primary Market area so as to not overstate market demand overall. Demand from the Secondary Market will be limited to 15% of the demand from the Primary Market. The analyst must provide sufficient documentation to justify the extent of this market and define how it relates to the Primary Market to provide an accurate analysis of the projected tenant population for the proposed development.
- d. **Other:** DCA does not consider household turnover to be a source of market demand. However, if an analyst firmly believes that demand exists that is not captured by the above methods, he/she may use other indicators to estimate demand if they are fully justified (e.g. an analysis of an under built or over built market in the base year). Any such additional indicators should be calculated separately from the demand analysis described above. Such additions should be well documented by the analyst with the documentation included in the Market Study.

4. Net Demand, Capture Rate and Stabilization Calculations

- **Net Demand:** The overall demand components added together (3(a), 3(b) and 3(c) above) less the supply of competitive developments awarded and/or constructed from 2010 to the present. **DCA requires the analyst to include ALL projects that have been funded, are proposed for funding and/or received a bond allocation from DCA, in the demand analysis, along with ALL conventional rental properties existing or planned in the market as outlined above. Competitive units are defined as those units that are of similar size and configuration and provide alternative housing to a similar tenant population, at rent levels comparative to those proposed for the subject development.**

- The analyst will determine the average occupancy rate based on all available competitive conventionally and LIHTC properties in the Primary Market Area and provide a combined average occupancy level for the PMA based on the total competitive units in the PMA.
- To determine the Net Supply number for each bedroom and income category the analyst will prepare a Competitive Analysis chart that will provide a unit break down of the competitive properties and list each unit type that. All properties determined to be competitive with the proposed development will be included in the Supply Analysis to be used in determining Net Supply in the primary market area. In cases where the analyst believes the projects are NOT competitive with the subject units, the Analyst will include a detailed description for each property and unit type explaining why the units were excluded from the market supply calculation. (ex. the property is on the edge of the market area; is a market rate property; or otherwise only partially fulfills need for units that will be filled by the proposed subject).
- Capture rate calculations for proposed rehab developments will be based on those units that are vacant, or whose tenants will be rent burdened or over income as listed on the Tenant Relocation Spreadsheet provided by the applicant and will be included in the Study as an addendum. Tenants who are income qualified to remain in the property at the proposed stabilized renovated rents will be deducted from the property unit count prior to determining the applicable capture rates. If the developer intends to relocate all of the tenants in the property as part of the renovation process, then the property will be evaluated as if it is New Construction. The analyst will initially assume all units are to be vacant and adjustments will be made based on the Tenant Relocation Spreadsheet.
- Units that are subsidized with PBRA or whose rents are more than 20% lower than the rent for other units of the same bedroom size in the same AMI band and comprise less than 10% of the total units in the same AMI band will not be used in determining project demand. In addition, any units priced 30% lower than the average market rent for the bedroom type in any income segment, will be assumed to be leasable in the market and deducted from the total number of units in the project for determining capture rates.
- **Capture Rates:** Capture rates should be calculated by dividing **the number of units in the project by the net demand**. Demand and capture rate analysis must be completed for each targeted income group and each bedroom size proposed. Please include a narrative on what exactly this capture rate means for the project proposed (i.e. given the market area are these average capture rates or do they cause concern?). Project feasibility will be based on market capture rates less than 30% for all efficiency, one (1) and two (2) bedroom units, less than 40% for all three (3) bedroom units, less than 50% for all four (4) bedroom units in the project
- In Rural counties, (as defined) market feasibility will be based on market capture rates of 35 percent or less for all efficiency, one (1) bedroom units, 35 percent or less for all two (2) bedroom units, 40 percent or less for all three (3) bedroom units and 50 percent or less for all four (4) or more bedroom units in the project.

- The overall capture rate for all Tax Credit and Market Rate Units shall not exceed 30 percent for Urban Counties and 35 percent for Rural areas and the overall capture rate for all Market Rate units shall not exceed 30% for Urban Counties and 35% for Rural areas.
- Market capture rates for each AMI market segment type (i.e. 30%, 50%, 60% & market) shall not exceed 70% for all proposed bedroom types, (for example, the capture rate for all efficiency, 1, 2, 3 & 4 BDR units at 50% AMI proposed for the property shall be less than 70% .) Income bands should overlap as appropriate, but an “overall” band must also be calculated. Example: 50% band: \$25,000 to \$34,000; 60% band: \$29,000 to \$41,000; overall band: \$25,000 to \$41,000. Demand for individual bedroom sizes, for the purposes of capture rate calculations, should be apportioned from the total demand. That is, the sum of all of the demand for all of the bedroom sizes will total up to 100% of the demand, per each AMI.

Capture Rate Analysis Chart

Unit Size	Income limits	Units Proposed	Total Demand	Supply	Net Demand	Capture Rate	Absorption	Average Market Rent	Market Rents Band Min - Max	Proposed Rents
30% AMI	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4Bdrm									
50%AMI	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4Bdrm									
60% AM	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4Bdrm									
Market Rate	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4Bdrm									
TOTAL	30% AMI									
For	50%AMI									
Project	60% AMI									
	Market									

5. Demand and Net Demand

Note: Household income bands should be expanded to include all income bands for the proposed project.

The following tables must be completed and included in the market study:

	HH at 30% AMI (min. to max. income)	HH at 50% AMI (min. to max. income)	HH at 60% AMI (min. to max. income)	HH at > 60% AMI (min. income of max. income)	All Tax Credit Households
Demand from New Household (age and income appropriate)					
Plus					
Demand from Existing Renter Households - Substandard Housing					
Plus					
Demand from Existing Renter Households- Rent Over burdened households					
Plus					
Secondary Market Demand adjustment IF ANY Subject to 15% Limitation					
Sub Total					
Demand from Existing Households - Elderly Homeowner <u>Turnover</u> (Limited to 15% where applicable)					
Equals Total Demand					
Less					
Supply of comparable LIHTC or Market Rate housing units built and/or planned in the project market between 2010 and the present					
Equals Net Demand					

H. Competitive Rental Analysis (Existing Competitive Rental Environment)

The competitive rental analysis will be of significant weight in DCA's review of the market study. The analyst must visit all competitive properties and perform on-site interviews where possible. Existing multifamily units with rents similar to the proposed development should be analyzed. Subsidized low-income developments must be considered, and specifically analyzed. The analyst must include all existing multifamily projects built, currently under development, and multifamily projects slated to begin construction prior to the market entry of the proposed project.

All competitive rental properties in the Primary Market area and all properties within two (2) miles of the subject property must be included in the market analysis. The analysis should include information on all rental developments that can be considered “True Alternatives” available to serve the target market. In addition, the analyst must also indicate which developments in the market area s/he determines to be the most directly comparable. The analyst must provide a separate list for the properties included in the supply calculation and provide adequate information for the reader to compare these units to the proposed development. All properties included in the supply calculation must be clearly shown on the rent competitive map and notated as such.

1. The following information must be included for each competitive property:

- Name and address of the comparable property development.
- Name and phone number of contact person and date contact was made.
- Description of property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, structure type, etc.).
- Photographs of each competitive development.
- Square footage for each competitive unit type.
- Monthly rents and the utilities included in the rents for each unit type.
- Project age and current physical condition based upon a cursory exterior inspection.
- Concessions given, if any. Concessions should be explained and their impact given.
- Current vacancy rates, historic vacancy factors, waiting lists and turnover rates, broken down by bedroom size and structure type. Number of units receiving rental assistance, description of assistance as project or tenant based.

The above information should be provided in a comparable framework with the proposed project. For example, in addition to providing a page of information along with pictures of each competitive property, the analyst should also provide comparable charts that show such details as the proposed project’s rents, square footage, amenities, etc. as compared to the other projects.

2. The information provided in this section should also include the following:

- An analysis of the voucher and certificates available in the Market Area. If voucher and certificates go unused this should be explained. If there is a waiting list, this should also be documented.
- In addition, indicate the lease up history of competitive developments in the proposed market area.
- If the proposed development represents an additional phase of an existing housing development, include a tenant profile as well as additional information related to households on a waiting list of the existing phase.
- In rural areas lacking sufficient multifamily rental comparables, provide data on single-family rentals, rental trailer homes, duplexes, triplexes and single family homes in an attempt to identify where potential tenants are currently living.

3. A map showing the competitive projects in relation to the subject must be included. The map should have an identifiable usable scale. The map must show all existing LIHTC and Bond properties and all LIHTC and Bond proposed projects which have received tax credit allocations within the market area.

4. The analyst will provide a description of the proposed amenities for the project and offer an assessment as to the quality and compatibility of the proposed amenities to what is currently available in the market.
5. If the proposed project is a Family project, market area Senior projects are not comparable with Family units, and therefore should not be included in the comparable analysis. Conversely, if the proposed project is Senior, the market analysts should provide an evaluation of available Senior oriented rental housing. If comparable Senior units do not exist in the Primary Market area, an overview of Family oriented properties should be provided. Market analyst should account for the differences between Senior and Family properties when evaluating amenities, unit sizes, and rental levels.
6. Address whether the proposed project, in light of vacancy and stabilization rates of the local market area, is likely to result in a higher long-term vacancy rate than competitive units within the market area, especially those well-maintained units within the market area which are reserved for occupancy by low income tenants.
7. For developments in the planning stages of rehabilitation, or construction, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information, if available. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
8. The analyst shall provide a narrative or chart that discusses issues such as how each complex compares with the subject property in terms of such things as total units mix, rents, occupancy, location, etc. The analyst will also state how the projected initial rents for the project compare to the rental range for competitive projects within the primary market area and provide an average market rent for each of the proposed unit types. Sufficient documentation and diagrams to support this conclusion with regard to the position of the project rental rates in the Primary Market should be included.

Average market rent is to be a reflection of rents that are achieved in the market. In other words, the rents the competitive properties are currently receiving. Average market rent is not “Achievable unrestricted market rent.” In an urban market with many tax credit comps, the average market rent might be the weighted average of those tax credit comps. In cases where there are few tax credit comps, but many market rate comps with similar unit designs and amenity packages, then the average market rent might be the weighted average of those market rate comps. In a small rural market there may be neither tax credit comps nor market rate comps with similar positioning as the subject. In that case the average market rent would be a weighted average of whatever rents were present in the market.

Rent advantage is calculated as follows: $(\text{average market rent} - \text{proposed rent}) / \text{proposed rent}$.

9. Information on other DCA funded projects located in the proposed project’s Primary Market area must be included, particularly those within two (2) miles of the subject for Urban projects and the greater of the local government jurisdiction (city or town, not county) or 10 miles for Rural properties. The analyst should discuss the adequacy of demand for those other DCA funded projects. Also comment on any other DCA funded projects located outside of the Primary area, but located within a reasonable distance from the proposed project.

10. Rental Trends in the Primary Market Area for the last 5 years, including average occupancy (tenure) trends for the last 5 years and projection for next 2 years.
11. Impact of foreclosed, abandoned and vacant, single and multifamily homes, and commercial properties in the PMA of the proposed development should be discussed.
12. The analyst should note the primary housing voids in the market and comment on whether the proposed project will fill such a void or not.
13. The analyst should note whether or not the proposed project adversely impacts the long term (more than 12 months or the reasonable rent up period for the proposed property) occupancy and health of existing assisted rental housing properties in the market area. Assisted rental housing properties include those financed by Credits, USDA, HUD 202, or 811 (as appropriate), DCA or locally financed HOME properties, Sec. 1602 Tax Credit Exchange program, Housing Trust Fund, and HUD 221(d)(3) and HUD 221 (d) (4) and other market rate FHA insured properties. DCA does not consider public housing properties in the adverse impact determination.

I. Absorption & Stabilization Rates

Stabilization period, an estimation of the time it is expected the project will require to reach 93% occupancy should be provided in the Market Study. The stabilization period determination should consider such factors as the overall estimate of new household growth, current market vacancy rates, the availability of subsidies, household turnover and rent specials. The stabilization period is considered to begin on the placed in service date provided in the application (when the subject receives its first Certificate of Occupancy). The absorption rate will indicate the approximate average number of units expected to rent each month during the stabilization period.

A written statement is required if the vacancy and stabilization rates for the applicable Primary and Secondary Market areas are less favorable than DCA's required minimum stabilization rate of 93% occupancy within 24 months. The analyst should consider the effect of other development in the area on the absorption rate and what historical absorption rates for comparative properties have been. Sufficient documentation to support the analyst's conclusion with regard to the anticipated time frame to reach the projected stabilization rate for the project should be included.

J. Interviews

The results of formal and informal interviews with property managers, town planning officers or any reliable source of relevant information relating to the overall demand of the proposed development must be summarized in this section.

K. Conclusions and Recommendations

Market Analyst must provide a conclusion and professional opinion regarding the factors analyzed in the market study stating whether there is a market for the project as proposed and if there are any indications that the project is unlikely to maintain the stabilized occupancy rate over time. Finally, the analyst must provide a summary of all the major factors that have led to this conclusion.

L. Signed Statement Requirements

A signed statement must include the following language:

I affirm that I have made a physical inspection of the market area and the subject property and that information has been used in the full study of the need and demand for the proposed units. To the best of my knowledge, the market can (cannot) support the project as shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in DCA's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent on this project being funded.

M. Market Study Representation

Market Study consultants must state that DCA may rely on the representation made in the market study provided and indicate that the document is assignable to other lenders that are parties to the DCA loan transaction.

Market Score

A two point maximum score is attributable to a project's Market Advantage Score under Section X. of the Appendix II of the 2012 Qualified Allocation Plan. These points are attributed to projects that DCA determines to have the ability to successfully lease up in accordance with the submitted Market Study. In determining whether a project will receive the full two points, DCA will utilize the criteria in the QAP and Market Study Manual.

Each project will start with 2 points. Points will be deducted from that score if DCA determines that one or more of the following conditions will negatively affect the ability of the project to meet the DCA market requirements.

- DCA determines that occupancy rates at comparable DCA properties have experienced a significant decline which indicates a deteriorating market. DCA would utilize the submitted market study, rent rolls and project data of similar projects located in close proximity to determine that the property could have difficulty in achieving the required lease up.
- Proposed rents are set at or near the maximum allowable rents that be lowered without affecting the long term feasibility of the project.
- There are more than two DCA funded projects in the primary market area which have occupancy rates of less than 90 percent and which compete for the same tenant base as the proposed project. (DCA reserves the right to determine that the low occupancy rate of a project is not the result of market conditions but rather the result of poor property management or deferral of physical maintenance).
- Analysis of one or more comparable properties in the market areas indicates that the property may have difficulty reaching stabilized occupancy within the required timeframe.
- DCA has one or more projects in the primary market area that have been unable to convert construction to permanent loans due to failure to reach stabilized occupancy.
- DCA determines that there has been a significant change in economic conditions in the proposed market that was unknown at the time of Application and which could detrimentally affect the long term viability of the proposed project and the proposed tenant population. An example would be the loss of a major employer that would affect the proposed tenant population.
- DCA determines that foreclosures in the proposed market area will detrimentally affect the ability of the proposed project to lease up.
- DCA determines that the proposed rents are at or near market rate rents of comparable properties.
- The proposed market area appears to be overestimated creating the likelihood that the demand for the project is weaker than projected.
- Land use and structures in the area immediately surrounding the site including significant concentrations of residential, commercial, industrial, vacant or agricultural use that may have a negative impact on market for the project as noted by the market analyst.