

**GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS
HOUSING FINANCE AND DEVELOPMENT DIVISION
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 demand for it. DCA's primary goal when allocating resources is to support the best proposed developments possible given its limited availability of resources. One of DCA's main objectives in accomplishing this goal is to select proposed developments that are located in areas 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 submitted for affordable rental housing financing. Additionally, the market study must be completed no more than 6 months prior to the Application Submission date.

The market study must contain sufficient data and analysis to provide DCA with a clear understanding of the market data as presented, the analysis of that data and the conclusion(s) derived from such data 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, 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. This may include updated analysis of 9% applications and 4% deals pending review in the same market area, subject to DCA discretion.
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 of the prohibited basis, or to render 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.

Market Analysts must become familiar with policies, program guidelines and requirements in the DCA 2018 Qualified Allocation Plan. 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 studies as specified may result in the rejection of the market study and the project would fail threshold feasibility. The evaluation of the market study is an integral part of DCA's selection process 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, and that it accurately reflects the project as it is being proposed.

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, provide detailed descriptions, and contain adequate data to support the conclusions.

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, 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 manual, 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 provide the following information as outlined in each subsequent 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. 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 such as location, economic conditions, demographic, demand, and competitive environment. In addition, the Executive Summary should contain an overall conclusion regarding the viability of the proposed project. This overall conclusion should also include a statement regarding the Market Analyst's opinion whether the project will succeed as proposed or if any 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 type(s).
- Unit mix including bedrooms, bathrooms, square footage, income targeting, rents and 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. 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.
- A brief discussion of public safety, including comments on local perceptions, maps, or statistics of crime in the area.
- An overall conclusion of the site's appropriateness for the proposed development.

- 3. Market Area Definition:**
 - A brief definition of the Primary Market Area (PMA) including boundaries of the market area and their approximate distance from the subject property.
- 4. 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.
- 5. 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.
- 6. Project-Specific Affordability and Demand Analysis:**
 - Number of renter households income qualified for the proposed development given retention of current tenants (rehab only), 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.
 - Capture rates by bedroom type.
 - A conclusion regarding the achievability of these captures rates.
- 7. 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.
- 8. Absorption/Stabilization Estimate:**
 - An estimate of the number of units expected to be leased at the subject property, on average, per month.
 - Number of months required for the project to reach stabilization of 93% occupancy.
 - The absorption rate should coincide with other key conclusions. For example, insufficient demand or unachievable rents should be reflected in the absorption rate.
- 9. 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.

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 | | | | % | | | | | |
| <i>Assisted/Subsidized Housing not to include LIHTC</i> | | | | % | | | | | |
| 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 __) | | | | | | |
|--|------|---|------|---|------|---|
| | 2014 | | 2019 | | 2021 | |
| 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 (Overburden + Substandard) | | | | | | |
| Homeowner conversion (Seniors) | | | | | | |
| Total Primary Market Demand | | | | | | |
| Less Comparable/Competitive Supply | | | | | | |
| Adjusted 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 address and location.
2. Construction type: New Construction, Rehab, Adaptive Reuse, Historic Rehab
3. Occupancy Type: Family, Elderly, Housing for Older Persons, Special Needs.
4. Special Population Target (if applicable).
5. Number of units by bedroom type and income targeting (AMI).
6. Unit size, number of bedrooms and structure type (i.e. townhouse, garden apartment, etc)
7. Rents and Utility Allowances.
8. Existing or proposed project based rental assistance.
9. Proposed development amenities (i.e. washer/dryer hookups, dishwasher, computer center, etc.).
10. For rehab proposals, current occupancy levels, rents being charged, and tenant incomes, if available, as well as detailed information with regard to the scope of work planned. Scopes of work should include an estimate of the total and per unit construction cost.
11. 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 (including proximity to bus stops), 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, 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.
7. Discuss any public safety issues in the area. This can include local perceptions of crime, crime statistics, or other relevant information.
8. Include a map identifying existing low-income housing (4% & 9% tax credit properties, tax exempt bond projects, Rural Development properties, Public Housing, etc.), assisted rental housing projects also include DCA HOME funded properties, Sec. 1602 Tax Credit Exchange program, USDA financed properties, Georgia Housing Trust Fund of the Homeless financed properties, and HUD 202 or 811 (as appropriate) and properties with Project Based Rental Assistance (PBRA). 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 vehicular and pedestrian access, ingress/egress, and visibility of site.
11. Overall conclusions about the subject site, as it would relate 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. 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. Also utilize the NCAHMA best practice paper on establishing market areas as an additional reference. The analyst needs to make the primary market area as homogeneous 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 of the primary market area of the proposed development. The Primary Market Area is defined as that geographical area from which comparable properties and potential renters are expected to be drawn from with sufficient incomes and or applicable household size that would be expected to demand such housing during the forecast period, including the income levels and rent- to-income ratio(s) assumed in the study.

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, gross demand from the primary market should be carefully defined to limit the effect of the overlapping population concentrations.

E. Community Demographic Data

The Market Study should provide the following demographic information for the PMA, 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. 2021). Projections **MUST** be based on current data; 2010 Census data and latest updates from the American Community Survey (ACS) (i.e. 2016) 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 and methodology. 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 Senior (HFOP & 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 who are 62 years or older according to the census.
- f. Housing for Older Persons Households populations will be based on households who are 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, contractions in their workforces, 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. Unemployment trends, total workforce 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 income 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.
3. **Demand:** The demand should be derived from the following sources:
 - a. **Demand from New Household:** 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 current 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 and 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; and 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 or living in substandard housing.

- c. **Elderly Homeowners likely to convert to renters:** DCA recognizes that this type of turnover is increasingly becoming a factor in the demand for Elderly tax credit housing. This segment should not account for more than 2% of total demand. Due to the difficulty of extrapolating elderly (62 and over) owner households from elderly renter households, 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.

Other: DCA does not consider household turnover to be a source of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, he/she may use other indicators to estimate demand if they can be 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 and be easily added or subtracted for the demand analysis described above. Such additions should be well documented by the analyst and included in the Market Study.

4. Net Demand, Capture Rate and Stabilization Calculations

Net Demand: The overall demand components added together 3(a), and (b) (and 3(c) for Senior Properties) above less the supply of competitive vacant and/or units constructed in the past 2 years. Comparable units (vacant or occupied) funded, under construction or placed in service in 2016 and 2017 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2016 which have not reached stabilized occupancy (i.e. at least 90% occupied) must also be considered as part of the supply. **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 conventional 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.

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, if 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. Project feasibility will be based on the following:

- Market capture rates 30 percent or less for all efficiency, one (1) and two (2) bedroom units, 40 percent or less for all three (3) bedroom units, and less 50 percent or less for all four (4) bedroom units in the project. In Rural areas, (as defined in the QAP) market feasibility will be based on market capture rates of 35 percent or less for all efficiency one (1) bedroom units, and 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 Applications in the Flexible Pool and 35 percent for Applications in the Rural Pool.
- Market capture rates for each bedroom type within each AMI market segment type (i.e. 30%, 50%, 60% & market) shall not exceed 60 percent. For example, the capture rate for 1 bedroom units at 50% AMI should not exceed 60 percent.

Income bands should overlap as appropriate, but an “overall” band must also be calculated. For 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

| AMI | Unit Size | Income limits | Units Proposed | Total Demand | Supply | Net Demand | Capture Rate | Absorption | Avg. Market Rent | Market Rents Band Min - Max | Proposed Rents |
|--------------------|-----------|---------------|----------------|--------------|--------|------------|--------------|------------|------------------|-----------------------------|----------------|
| 50% AMI | 1 Bd | | | | | | | | | | |
| | 2 Bd | | | | | | | | | | |
| | 3 Bd | | | | | | | | | | |
| | 4 Bd | | | | | | | | | | |
| 60% AMI | 1 Bd | | | | | | | | | | |
| | 2 Bd | | | | | | | | | | |
| | 3 Bd | | | | | | | | | | |
| | 4 Bd | | | | | | | | | | |
| Market Rate | 1 Bd | | | | | | | | | | |
| | 2 Bd | | | | | | | | | | |
| | 3 Bd | | | | | | | | | | |
| | 4 Bd | | | | | | | | | | |
| 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 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 Overburdened households | | | | |
| Sub Total | | | | |
| Demand from Existing Households - Elderly Homeowner Turnover (Limited to 2% where applicable) | | | | |
| Equals Total Demand | | | | |
| Less | | | | |
| Supply of Current vacant units, under construction and/or newly constructed in the past 2 years | | | | |
| 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. Efforts must be made to ensure the person with whom the Market Analyst discusses each project is knowledgeable regarding occupancies, rental rates, demand drivers etc. In many cases this means either the Property Manager or the Assistant Manager.

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 evaluate 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 competitive property development.
- Name, title, 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, including whether waitlisted households are income-qualified and when the list was last updated
- 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, 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 PMA, 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, rehabilitation, or construction stages, 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 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 PMA and provide an average market rent for each of the proposed unit types. Sufficient documentation and diagrams to support this conclusion with regards to the position of the projects 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, regardless of the funding type, are currently receiving for comparable bedroom types and sizes. Average market rent is not “Achievable unrestricted market rent.”

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 PMA must be included, particularly those within 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, HTF, 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 rates should be provided in the market study, which give an estimation of the time it is expected the project will take to reach 93% occupancy. The stabilization rate 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 Certificates of Occupancy (C.O.)).

A written statement is required if the vacancy and stabilization rates for the applicable Primary Market Areas are not within DCA's maximum (7% and 24 months, respectively) and whether or not high vacancy rates will occur. The analyst should consider the effect of other development in the area on the absorption rate and what historical absorption rates for comparable properties have been. Sufficient documentation to support the analysts' 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 others with 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, any obstacles to

consistent and healthy lease up and whether the project will likely experience chronic inability to consistently maintain at least a 93% occupancy rate. Finally, the analyst must provide a summary of all the major factors that have led to their 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. The report was written according to DCA's market study requirements, the information included is accurate and the report can be relied upon by DCA as a true assessment of the low-income housing rental market.

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.