

Michigan State Housing Development Authority

Approved Market Analyst List

**For Conducting Market Studies for
Affordable Housing Projects in Michigan**

- Vogt, Williams & Bowen LLC
- Lea & Company
- Community Research Services, LLC
- Market Analyst Professionals, LLC
- Novogradac & Company LLC
- RealPropertyResearchGroup, Inc.
- Shaw Research and Consulting

MSHDA Market Requirements

January 28, 2009

I. Purpose

The purpose of market studies for the Michigan State Housing Development Authority is to help staff determine whether a market exists for a given low or moderate income rental housing proposal. The study should contain information, including statistics on demographics, income and current rental market conditions, necessary for that conclusion. In addition to supporting data, it is vital that the market study contain analysis that makes the findings relevant to the marketability of the proposal as described in the sponsor's application. Since the market study is of such importance, it is incumbent on the market analyst to provide a thorough analysis of the data that is presented. While data is a necessary part of the analysis process, it is not enough to merely describe the data and expect a reader or reviewer to automatically follow the logic of the argument. First, to the extent possible an analyst must explain trends in the data, weigh their importance and describe what they imply for the success of the project under study. Second, the analyst must provide support for the conclusions that they put forward.

In addition to the general questions that a market analysis answers, a few specific ones come to mind that the Authority has grappled with in its work. These include the absorption rate of higher-targeted (60% AMI) units at proposals relative to their lower-targeted units, how projects with Section 8 or other rental subsidies would reposition themselves in the market if the subsidies would become unavailable, and the importance of various types of amenities to rapid absorption and continued marketability. Market studies submitted to the Authority should strive to answer these and other questions as they relate to the subject property.

In order to provide the counsel that MSHDA staff require, each market study submitted to the Authority shall contain the following information, **in the order provided**, along with a checklist to be made available to the analyst that indexes the study's contents.

II. Content

A. Executive Summary. Each market study should include a concise summary of the data, analysis and conclusions, including the following:

1. A concise description of the site and the immediately surrounding area.
2. A brief summary of the project including its proposed target market.
3. Precise statement of key conclusions reached by the analyst.
4. Precise statement of analyst's opinion of market feasibility including the estimate of the long term performance of the property, given housing and demographic trends and economic factors.
5. Provide recommendations and/or suggest modifications to the proposed project.
6. Provide a summary of market related strengths and/or weaknesses which may influence the subject development's marketability , including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, and number of units.

B. Project Description. The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. In addition, analysts should fill out the project description form. It is in Excel format, and is available on MSHDA's website.

The project description should include:

1. PROJECT STRUCTURE:

1. number of units by unit mix (bedrooms and baths),
2. targeted income limit as a percent of AMI,
3. unit size in net square feet (the living area of a unit, exclusive of common areas),
4. proposed contract and gross rents,
5. the utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat and cooking, as well as the utility allowances for tenant paid utilities and the type of heat provided

2. PROJECT DESCRIPTION:

1. target population, including income restrictions and any special needs set-asides
2. the number of buildings,
3. design type (walk-up, elevator, etc.),
4. number of stories,
5. unit and development amenities,
6. parking
7. developer's projected dates for construction start and completion, and start of pre-leasing.
8. a copy of the floor plans and elevations should be included as an attachment to the report.

3. REHABILITATION EFFORTS:

1. identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc, as well as current occupancy levels, current rents and proposed rents.
2. a description of the methodology for the rehabilitation, including the phasing of rehab activities, impact of the rehabilitation work and new rent structure on current tenants, and information on needed relocation of tenants (if necessary),
3. the scope of work, including the specific updates planned by the sponsor,
4. a rent roll showing tenant incomes for all affordable units at the subject, as well as the household size occupying the unit and the unit's number of bedrooms. If the income data is old, the Consumer Price Index (CPI) can be used to inflate incomes to current dollars; an inflation calculator can be found on the US Bureau of Labor Statistics' site (www.bls.gov)
5. documentation of the length of time that subsidies will remain available at the project, or of the availability of additional rental subsidy at the proposal (i.e, additional Rental Assistance units for RHS 515 projects), such as a copy of the applicable portion of the HAP contract, or a letter from the Rural Housing Service showing that the RA units at the subject will remain after rehab efforts are finished.
6. the market analyst should review site and architectural plans and give a rough opinion on their effects on the marketing of the completed project

If the plans are not completed at the time of the analysis, the market analyst should so state.

C. Location and Market Area Definition

1. PRIMARY MARKET AREA AND SECONDARY MARKET AREA

1. For the purposes of MSHDA market studies, the Primary Market Area is the local area from which the subject will draw potential renters. It implies that households within the PMA would be willing to move to, or shop for, housing located therein, and that rents, amenities and other aspects of housing would be similar among multifamily complexes in that area.
2. Given this definition, the analyst must define the Primary Market Area (PMA) that pertain to the subject. Identify PMA boundaries by census tracts, school districts, jurisdictions, street names, or other geography forming the boundaries. Also, include a map that clearly shows the borders of the PMA, and its major features (towns and cities included, major roadways, and the location of the subject).
3. Defend the composition and extent of the PMA. To the extent possible, the PMA should be based on real-world data, such as the experience of other complexes in the area. This is especially applicable if the proposal is for a new phase of a successful project. **It is important to note that PMA boundaries based on radii are no longer accepted by the Authority.** In addition, PMAs that cross state borders are allowed only if convincing evidence of cross-border interaction (migration, commuting, shopping, experience of other projects in the market, etc.) is presented in the study.

2. SITE CHARACTERISTICS

1. Provide a description of the site characteristics including its size, shape, general topography and vegetation. For scattered site projects, note the differences in quality that may occur between parcels, as well as a map of the parcels showing their geographic distribution.
2. Provide photographs of the site and neighborhood, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.
3. Where applicable, provide evidence of new private or public investment in the area near the proposal. This could include community revitalization plans, other housing developments, new commercial enterprises, or others.
4. Describe the marketability of the proposed development. Aspects of this include the following:
 1. curb appeal
 2. non-residential land uses contiguous to the site (dumps, auto salvage yards, heavy industrial uses or other land uses that are generally not compatible with)
 3. an analysis of the linkages between the project and local amenities noted in the PMA map described previously
 4. an analysis of the surrounding neighborhood, including the analyst's perception of its residential character, non-residential

- land uses (if any), the quality of the housing stock, its level of upkeep, and its effects on the market performance of the proposal
5. Describe and evaluate the visibility and accessibility of the site. Important aspects of this include the following:
 1. ease of ingress and egress, including a discussion of traffic controls around the site, difficult left-hand turns against prevailing traffic, excessive curb cuts surrounding the entrance to the development, and unreasonable lines of sight at the entrance. Excessive traffic congestion should be avoided, such as around major employment parking lots, large shopping malls and multi-screen theaters.
 2. self-advertising quality of the site, by virtue of its visibility from roadways
 3. adequate visual separation from adjacent land uses
 4. potential for adequate signage, lighting and landscaping
 6. MSHDA has a set of site criteria on its website, www.michigan.gov/MSHDA. Analysts should look at these criteria, and determine how well the site of the subject meets them.

D. Population and Households. Provide total population, age and income target data for the Primary Market Area using the 1990 Census, 2000 Census, current year estimates, and projected market entry (usually one to two years after the current year). Data from third-party demographic data providers, such as Claritas, CACI, ESRI and others is acceptable. Indicate the source for all data, and provide an analysis of trends indicated by the data. This is especially important if the trends noted in the Census figures do not match those coming from the third-party sources (i.e., Claritas or ESRI). When they differ, the analyst must offer a plausible explanation for the difference with proof; as a last resort, if one cannot be made, then straight-line estimates and projections using the 1990 and 2000 data should be used. In addition, the market analyst's own estimates can be used, but these must be accompanied by a detailed description of their derivation, and enough data to allow MSHDA staff to recreate them, if needed.

Detail on the following demographic topics is necessary:

- 1. POPULATION AND HOUSEHOLDS:**
 1. Population trends
 2. Population by age, including the number of non-elderly (0-64) and elderly (65 and over). If sufficient evidence is introduced, younger elderly populations might be accepted; this will depend greatly on the product type proposed by the developer.
 3. Household trends
 4. Tenure by age of householder, including the number of renters and owners that are headed by seniors (aged 65 and over) and non-seniors.
 5. Household size by tenure (both the average number of persons per household and tenure group, and a breakdown of households by number of persons per household and tenure group)
 6. For congregate care projects, ages used (for both population and household information) should be 75 and over.

2. INCOME BY TENURE:

1. Provide a breakdown of households by incomes in \$5,000-\$10,000 increments, by household size and by tenure for 1990 and 2000 Census, current year, and the year of market entry. If necessary, the 2000 income distribution by tenure can be applied to the market-entry estimate of households.
2. In most cases, elderly households must be removed from these totals when analyzing family projects, and non-elderly households must be removed with senior subject proposals. The only exception for this rule concerns markets where the subject, by virtue of market or unit size (for example, markets with a lack of senior housing, or proposals that feature one and two bedroom unit mixes), might indeed attract senior renters. Proof of this contention is necessary.
3. The data for independent elderly proposals should be based on households 65 years and over, while congregate care housing should be based on households 75 years and over.
3. **FOCUS GROUPS:** For projects in uncertain markets or for proposals whose market appeal is questionable, MSHDA can, under its sole discretion, order a focus group analysis. The purpose of this research will be to test the market for the proposal, its rent levels, amenity provision, and other factors. MSHDA will pay for the initial cost of the study, and if the project moves forward, will be reimbursed by the developer through the inclusion of the cost of the study in eligible basis.
4. **CRIME DATA:** Provide information or statistics on crime in the Primary Market Area relative to data for the overall area. Where the data on crime is limited, information for the jurisdiction where the proposal is located can be substituted for PMA data. However, interviews with local law enforcement officers should be used to put those numbers in context; this is very important for proposals located in larger cities where a jurisdiction-wide figure can mask local detail. Address any local perceptions of crime or problems in the Primary Market Area, as well as how the subject plans to overcome any negative perception associated with the incidence of neighborhood crime.
5. **SCHOOL PERFORMANCE DATA:** Information pertaining to school performance should also be analyzed, including:
 1. Math and English standardized test results, compared to the state's average
 2. Graduation rates, compared to the state's average
 3. An analysis of how this information might affect the market performance of the subject.
 4. The website www.schoolmatters.com contains this information.

E. Employment and Economy. Provide data and analysis on the employment and economy of the Primary Market Area to give an understanding of the overall economic health of the community in which the Primary Market Area is located. List sources for the data and methodology for the analysis, and be sure to relate all findings to the market performance of the subject property.

1. EMPLOYMENT AND UNEMPLOYMENT:

1. Provide a description of employment by industry sector for the Primary Market Area or smallest geographic area available that includes the Primary Market Area and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.
 2. List major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, County, etc.).
 3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, etc.).
 4. Show employment growth over the same period. Compare to the larger geographic area.
 5. Comment on future trends for employment, as well as general economic conditions, in the PMA in relation to the subject property. This would include expected employer expansions or contractions, plant openings and closings or other similar information. Provide proof of your contentions.
2. **EMPLOYEE HOUSING:** If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
 3. **WAGES BY OCCUPATION:** Provide a breakdown of typical wages by occupation. These are usually available on an MSA-wide basis, but some sources might exist for smaller areas.
 4. **COMMUTING PATTERNS:** Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA. Comment on what these patterns mean for the marketability of the subject proposal.
 5. **LONG TERM ECONOMIC PROJECTIONS:** Provide estimates of employment growth or decline by major NAICS code through 2014 for the state Economic Forecast Region that includes the subject. This information is located on the Michigan Labor Market Information website, www.milmi.org, on the Industry Information link on the left side of the page. If available, the analyst can use more local sources of information, such as from a county economic development officer, local planning office, or the like. In this case the analyst must describe the data source.

F. Existing Rental Housing Stock. Provide information on other multifamily rental housing in the Primary Market Area and any rental housing proposed to be developed in the Primary Market Area. This section of the Market Study should include:

1. **BUILDING PERMIT TRENDS:** A 5-year history of building permits, if available, by housing type and comments on building trends in relation to household trends will be included in the study.
2. **RENTAL MARKET INFORMATION:**
 1. Identify a list of existing multifamily rental projects in the PMA, including:
 1. name,
 2. street address,
 3. population served,
 4. type of design,
 5. age and condition,
 6. number of units by bedroom type,
 7. rent levels,

8. number of bedrooms and baths for each unit type,
 9. size in square footage of units,
 10. kitchen equipment,
 11. type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking),
 12. unit and site amenities included,
 13. site staffing,
 14. occupancy rate by unit size and AMI, if applicable,
 15. rental absorption history within the last two years,
 16. concessions currently offered
 17. number of households on waiting list
 18. name, address and phone number of property contact
 19. date of data collection
2. Include a map identifying the location of each property in relation to the subject, identifying its funding type or subsidy source (9% LIHTC, Conventional, Section 8, Section 236, Section 515, MSHDA financing, or other).
 3. Describe the size of the overall rental market in the PMA, including the percentage of Market Rate and Affordable Housing properties.
 4. Provide a narrative evaluation of the subject property in relation to the market's multifamily properties.
3. **MOST COMPARABLE PROPERTIES:**
1. Identify those properties which are most similar to the proposed development. The analyst should state why these comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.
 2. Pictures must be provided of the properties deemed most comparable to the subject. These must be of a size large enough to be useful to reviewers.
 3. Include a map of these properties, with a usable scale and the location of the subject property.
4. **COMPETITIVE ENVIRONMENT:**
1. Discuss the availability of affordable housing options, including purchase or sale of homes. This is very important in the case of rural markets, or subject properties that contain a large number of larger (three or four bedroom) units. It is also important for senior projects, in that homeowners must sell their existing homes before moving to the subject.
 2. If the subject property has three- or four-bedroom units that account for at least 20% of its total units, use single-family rentals for comparison purposes in markets that do not have multifamily rental stock with three or more bedrooms.
 3. When relevant, include a list of LIHTC projects with allocations in or near the market area that are not placed in service, giving as much detail as possible on estimated Placed-In-Service dates, unit mix and income levels to be served. **As noted in Section III MSHDA is expected to provide this information to the analyst.** If there are no comparable projects in the pipeline, the analyst must state this fact.
 4. Discuss the impact of the subject development on the existing housing stock, in terms of conventional multifamily projects, affordable projects (including RHS, HUD and others where applicable), and MSHDA-financed properties (including those that have not yet reached stabilized

5. The market vacancy rate for the PMA rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project Based Rent Assistance), type of occupancy (i.e. family, seniors, special populations) and unit size must be computed.
6. Provide an average rent among comparable properties in the area, and discuss its ramifications for the marketability of the subject. Note that in many markets the level of rent charged in HUD-assisted properties is often not attainable without the provision of rental subsidy. If rent grids are used, be sure to identify the reasons for adjustments.

G. Local Perspective of Rental Housing Market and Housing Alternatives. The market study should include a summary of the perspective on the rental market, need for the proposed housing and unmet housing need in the market. The local perspective should consider:

1. Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject and to evaluate the local perception of need for additional housing.
2. Interviews with local Public Housing Authority (PHA) officials to seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for Housing Choice Vouchers.

H. Demand Analysis: For the purposes of these analyses, it is assumed that market-rate households will pay up to 30% of their incomes toward gross rent, and that lower-income households will pay up to 40% of their incomes toward gross rent. For market-rate units, an upper income limit of \$50,000 will be used, since homeownership would be more likely among households with that level of income or higher. If evidence from the market exists, it is possible that a higher income-to-rent ratio may be used for senior projects; however, evidence supporting this contention must be presented in the study.

It is further assumed that for family proposals there will be 1.5 persons per bedroom; senior projects will rely on an assumption of two person households. Demand estimates for proposals that contain a significant proportion of larger rental units (three and four bedrooms) will need to take into account the relatively small number of large households that would choose such unit sizes; the analyst must state how this circumstance has been accounted for.

Analysts should use the Excel worksheet provided on the MSHDA website for the calculation of demand estimates for each income limit at the subject property. These demand estimates should be constructed so as to eliminate double counting stemming

from overlapping income qualification limits. Be sure to use income-specific renter propensities for demand estimation, to recognize the fact that more low-income households rent. This information is available from the US Census (factfinder.census.gov), on table HCT11 for family projects, and on the HUDUser website (www.huduser.org) for senior proposals. Movership rates that will be used to determine demand estimates will be published on the MSHDA web site, and will be taken from the latest Census data available. Calculations for the penetration rate, capture rate, and saturation rate are also on the worksheet provided on the MSHDA website.

1. SCENARIOS: A scenario approach to gauging the depth of demand for a specific proposal is welcome, but all studies shall include the basic MSHDA methodology in addition to any other data that the analyst feels is appropriate. In addition, the MSHDA demand figures will form the basis for decisions on particular markets, unless persuasive evidence to the contrary is presented. Scenarios can contain changed values for movership, different rents, varying income targeting plans, absorption of other product in the market, differing rates of pre-leasing activity, and other items. Three scenarios should be provided—a “best case” scenario, the MSHDA methodology, and a “worst case” scenario. If a scenario approach is used, persuasive justification for any modifications to basic MSHDA methodology must be included in this section of the study, including proof of the validity of alternate assumptions.

2. ABSORPTION RATE: Define and justify the absorption period and absorption rate for the subject property. While the specific methods used to generate this are left to the analyst to determine on the basis of market conditions, demographic change and other factors, a guideline of eight units per month for an average absorption rate can be used as a starting point. Weaker markets (characterized by high vacancy rates, large numbers of pipeline units, or other factors), senior projects or higher demand ratios would tend to slow absorption by some factor (resulting in fewer units absorbed per month).

3. FUTURE COMPETITIVE ENVIRONMENT: Project and explain any future changes in the housing stock within the market area, and their effects on the marketability of the subject proposal. Identify risks (i.e. competitive properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.

I. Other Requirements

1. Date report was prepared, date of site visit and name and telephone number of analyst preparing study;
2. Certification of no identity of interest between the analyst and the entity for whom the report is prepared;
3. Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
4. Statement of qualifications, including a resume;
5. List of sources for data in the market study.

III. Information to be provided by MSHDA

MSHDA will cooperate in the completion of the market study and provide data on rental housing inventory in the PMA financed or assisted by MSHDA or which has received preliminary approval or reservations of funding of Low Income Housing Tax Credits and is expected to become available in the market. This data should include property address, number and type of units, rents by unit type and income limits, and other relevant information. This information will be made available on the MSHDA website.

Addendum 1: Special Needs Housing

Projects that combine special needs units with undesignated units should submit a study that conforms to the regular study outlined previously, as well as the following additional requirements:

- Identify and describe the special needs population to be served by the proposed housing as well as the amount and type of subsidy which will be made available to make this rental housing more affordable to the target population. If no such subsidy will be made available, state that fact, and justify the rents based on the incomes of the target population. Rents must be projected at 30% of the annual income of the special needs population, with no less than 20% of the units targeted to the lowest income group within the special needs population (SSI).
- Location of relevant support service providers and the distance in miles from the site. Detail on the types of services to be provided, experience at providing these services, and the ability of the service provider to sustain these services over time. Indicate any other non-profit entities which will have involvement in providing services to the subject special housing population (churches, etc.).
- The PMA for a special needs project is likely different from one for the general population. Key considerations to defining the market area are the service/support providers, their current caseloads and service area.
- Provide data on the current number of persons and households in the special needs category or categories to be served. Identify the sources for these estimates, such as service providers, human service agencies, CHAS, etc. Indicate changes in these populations and household counts from previous years, and provide projections for future years. To the extent possible, provide data on household size, age distribution, current place of residence and tenure. Provide information related to "Person-Centered Planning" for individuals with special needs.
- The overview of the local economy should pay close attention to the level of employment in the unskilled and semi-skilled occupations. Supportive work settings should be identified, and their capacity of providing additional work opportunities discussed.
- Provide estimates on the current income of the special needs households indicating the sources of income.
- Estimate the time it will take to fill all of the proposed units. Explain how this estimate was derived.
- Identify any existing rental housing specifically targeted to meet the needs of the special needs population. This includes conventionally-financed rental housing which serves a significant special needs population and those in the target market who currently live in group quarters/facilities. Identify any existing special needs housing where leases may not be renewed due to investor influence or significant increases in area rental rates.

- Identify other proposed developments that will be targeted to the same special needs population or have the potential to be competitive. Describe each in detail, including information on location, unit types and rents. If there are no other potentially competitive developments in the planning stages, a statement to that effect must be provided.

For projects that have 100% special needs units, an abbreviated market study is necessary. Information to be reviewed in these cases includes the bullet points described above.

Addendum 2. Rent Reasonableness Information for Project-Based Vouchers

In order to allow MSHDA to set rents for units slated to receive Project-Based Vouchers (PBV), the following information must be included in market studies:

- Information on three (3) comparable properties for each unit type at the subject property. Comparability is defined as the following:
 - Gross rents at comparable properties must be equal or greater than gross rents at the proposal.
 - Comparable properties must be market-rate, LIHTC or HOME-assisted units, not subsidized.
 - Comparable properties must be the same construction type (garden style for proposals that are garden style apartments). Single-family comparables are not allowed for townhouse or garden-style apartment units.
 - Information on the following types of project attributes must be presented on form MSHDA-37, one for each comparable and proposed unit type. A blank copy of this form is available on the SkyDrive.

- The same project attributes must be noted for the project. Acceptable comps are those that are within five points of the value of the project.
- The data included in this section must reflect the state of the market within one year of the signing of the HAP contract for the property. If the information is out-of-date, an update must be furnished.
- If there is a lack of suitable comparable properties to use in the PMA, then the search can be extended out of the market area, to include a county or group of counties that make up a survey area. The use of survey areas for comparable properties, rather than the original market area, must be explained in the study. The components of the survey areas are:

Area 1 – Huron, Sanilac Tuscola

Area 2 – Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne

Area 3 – Berrien, Branch, Cass, Hillsdale, St. Joseph

Area 4 – Barry, Calhoun, Jackson, Kalamazoo, Van Buren

Area 5 – Clinton, Eaton, Ingham

Area 6 – Bay, Genesee, Midland, Saginaw

Area 7 – Gratiot, Ionia, Isabella, Mecosta, Montcalm, Newaygo, Oceana, Shiawassee

Area 8 - Allegan, Kent, Muskegon, Ottawa

Area 9 – Alcona, Alpena, Antrim, Arenac, Cheboygan, Clare, Crawford, Gladwin, Iosco, Kalkaska, Lake, Manistee, Mason, Missaukee, Montmorency, Ogemaw, Osceola, Oscoda, Presque Isle, Roscommon, Wexford

Area 10 – Benzie, Charlevoix, Emmet, Grand Traverse, Leelanau, Otsego

Area 11 – Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft

Addendum 3: Preliminary Analysis Guidelines

Preliminary analyses commissioned by MSHDA for developers previous to application for MSHDA Direct Lending programs or the 9% Tax Credit funding rounds must include a brief analysis of the following information, which is a subset of the general market study requirements:

1. A paragraph summarizing the basic parameters of the proposal studied, including its address, number of proposed units, rents, income targeting, unit mix, and amenities. If no specific project is given, then a brief description of the area studied will suffice.
2. A brief description and defense of the PMA used in the analysis, including a map that clearly shows its boundaries.
3. If a site visit is ordered, the analyst should inspect the site and neighborhood of the proposal, and give an analysis of its marketability, access, visibility, and other features mentioned in the general market study guidelines in part C.2.
4. Population totals in the PMA from 1990, 2000, current year estimate, and five-year projection
5. Household count in the PMA from 1990, 2000, current year estimate and five-year projection
6. Number of renters in the PMA from 1990, 2000, current year estimate and five-year projection
7. Median household income in the PMA from 1990, 2000, current year estimate and five-year projection
8. Household income by tenure in the PMA for the current year
9. Analysis of the competitive rental market, including
 - a. A table describing the multifamily rental projects in the market area, showing total number of units, unit type, year built, and occupancy rate
 - b. Tables showing the occupancy rate broken out by bedroom size and funding type (LIHTC, conventional, subsidized, etc) in specific projects
 - c. A table showing the amenity offerings at the market area's developments
 - d. Information about development pipeline, if applicable
10. A table summarizing the analyst's suggested project profile, including:
 - a. Family or Senior Designation
 - b. Number of units
 - c. Income targeting

- d. Suggested rents
- e. Amenities needed to achieve suggested rents
- f. Projected absorption period, including factors that affect it (i.e., new employment opportunities, lack of similar housing, etc.)

11. A demand analysis, using MSHDA methodology and the suggested project profile detailed in the previous point.

12. A concluding paragraph summarizing the results of the analysis.

As part of the deliverable, a meeting (either in-person or over the phone) between the analyst, developer/sponsor and MSHDA staff will be held, to go over the results of the analysis.

This analysis is meant to provide a brief summary of information that will aid both the developer and MSHDA staff in determining the likely success of a proposal, or the strength of a particular market. Therefore, the analysis should be kept to an eight-page maximum, including both text and charts.

Addendum 4: Modified Pass-Through Guidelines

In keeping with the more streamlined approach to the Pass-Through program, a subset of the normal market study requirements is needed for these projects. These include:

Part A, Executive Summary

Part C.1., Primary Market Area

Part F.3., Most Comparable Properties

Part F.4., Competitive Environment

Part H, Demand Analysis

Unduplicated demand estimates must be prepared for each proposed rent level (e.g., units at 30%, 40%, 50% or 60% of Area Median Income). Further, the number of units at each of these rent levels must meet the threshold criteria for capture, penetration and saturation rates based upon the unduplicated demand estimate. These criteria are:

Penetration Rate: 3% or less for elderly, 6% or less for family

Saturation Rate: 10% or less for elderly, 20% or less for family

Capture Rate: 50% or less for all proposals

A completed Demand Calculation worksheet (which includes these rates) is also mandatory. In computing demand for these projects, seniors aged 65+ should be used for independent elderly rental housing. For elderly congregate housing, seniors 70+ should be used. The market analyst may deviate from these minimum age requirements, only if reasoning is provided in the text which clearly demonstrates the validity of the deviation.

Movership ratios are to be based on the most recent data from the US Census. Data may be provided at the regional, Metropolitan Statistical Area, county or city level, depending on data availability.

Addendum 5: Reduced Scope Studies for Preservation Proposals

If the market study's subject proposal is for the preservation of a deeply-subsidized project with rent subsidies that cover at least 95% of its units, is at least 80% occupied, features rent increases of less than 10%, AND has more than three years remaining on the property's HAP contract, then the study can utilize a reduced scope. The necessary components in this case include:

- Part A—Executive Summary, numbers 1-3, 5 and 6
- Part B—Project Description, including vacancy and turnover rates at the subject over the last three years
- Part C—Location and Market Area Definition
- Part F—Existing Rental Housing Stock

If the above requirements are not met, then the sponsor of the proposal must submit a full market study.