



2016 Market Study Guidelines

The Internal Revenue Code and the Qualified Allocation Plan ("QAP") of Virginia require the submission of a market study in connection with an application for Low Income Housing Tax Credits (LIHTC).

VHDA, in accordance with Section 42(m)(1)(A)(iii) of the Internal Revenue Code, requires that the entity preparing the market study be a disinterested party, approved by VHDA ("the credit agency"). Accordingly, the analyst cannot have any interest in the development or have a relationship with the owner of the development.

All applicants applying for Low-Income Housing Tax Credits (LIHTC) are required to submit a market study at the time of application. **Failure to submit the market study by the stated deadline will disqualify the application.**

Only VHDA-approved market analysts will be allowed to complete market studies for developments seeking a LIHTC reservation. Developers must notify VHDA of the analyst it wishes to engage. Notification should be provided to Jaynell Pittman-Shaw at (804) 343-5733 or via e-mail, jaynell.pittman-shaw@vhda.com. Please note that analysts are limited in the number of studies they can provide for the competitive period. Fees are negotiated by the applicant.

A developer submitting an application for a development that will be funded with both 9% and 4% tax credits, must submit a separate market study for the 9% project and the 4% project.

VHDA has no contractual relationship with the preparer of the market study. Market studies are procured directly by the LIHTC applicant and accordingly, the applicant is the client of the market analyst. Therefore, the market study should be addressed directly to the client and any representations made by the market analyst should not directly or indirectly communicate that the market analyst is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA. The analyst, however, must identify VHDA as an authorized user of the market study, noting that VHDA may rely on the representations made therein.

The market study **must be submitted to VHDA by the LIHTC applicant.**

The market study should be in electronic, PDF format. VHDA should be able to select, copy and cut text.

In reviewing any LIHTC application and the corresponding market study, VHDA at its sole discretion may request supplementary market data from the analyst or commission an additional market study. The market analyst conducting this additional work, will be commissioned and compensated directly by VHDA, and in such transaction, VHDA will be the client of the market study preparer.

Any market study submitted to VHDA in connection with a LIHTC application will remain VHDA's possession and may continue to be relied upon by VHDA in determining the market feasibility of the proposed development, regardless of any circumstances that might exist between the LIHTC applicant and the market study analyst or firm.

On occasion, there are inconsistencies between certain representations in the LIHTC application and representations in the market study pertaining to various development attributes, such as architectural features, unit amenities, site amenities, etc. In these instances, VHDA will rely only upon representations made in the LIHTC application, including supporting application documentation, as the basis for any LIHTC allocation. If the degree of inconsistency implies a disconnection between the applicant and the market analyst, then the market study may not be approved and the LIHTC application may be disqualified.

No LIHTC reservation will be made until VHDA has determined that a sufficient analysis of demand for the proposed development has been completed. Each report must meet all market study requirements, including, the inclusion of specific data, required calculation methods and report format. Furthermore, reports must be written and contain sufficient information, analysis and supporting documentation to provide VHDA with an understanding of the market data presented, the analysis of the data, and the conclusion(s) of 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 analyst. **If these requirements are not met, then the study and the entity which prepared it may not be approved.**

For VHDA purposes, **the date of the site inspection is the Effective Date of the report.** The Effective Date must be obviously stated on the cover page or in the Executive Summary section of the report. For a market study with an Effective Date that is 6 to 12 months old at the time of submission, if there are no material changes to the development and/or market, the analyst can provide a letter stating "No material changes since last report dated..." If there are material changes, the market study must be updated to include detailed discussion about those changes. No market study greater than 12 months old will be accepted, meaning a site inspection by the market analyst **must** occur within 12 months of VHDA's application deadline.

Market studies for LIHTC developments will model the National Council of Housing Market Analysts' (NCHMA's) Model Content Standards for Market Studies for Rental Housing , as well as its Market Study Terminology and Market Study Index. In addition to NCHMA, the analyst must consider the following:

General

1. Elderly is defined as 65 and older.
2. **Income Restrictions:** Use the applicable income restrictions of the proposed development. Analysts must take the income and occupancy restrictions indicated in the LIHTC application into account when estimating demand.
3. **Affordability:** Analysts should assume that family households are able to pay no more than **35%** of gross income towards total housing costs and that elderly households are able to pay no more than **40%** of gross income towards total housing costs. The demand analysis must clearly indicate the minimum and maximum income range for each targeted group.

For applicants proposing developments with Section 8 project-based rental assistance analysts should use the lesser of maximum allowable LIHTC rents or proposed rents based on income targeting indicated in the application in determining affordability.

For applicants proposing developments with market rate units, the analyst must make a reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental housing market. Assumptions used in making this determination must be clearly stated in the report.

NCHMA Section B: Project Description

In addition to NCHMA requirements under this section, the analyst must discuss:

1. Construction Type - New Construction, Rehabilitation, Adaptive Reuse
2. Occupancy Type - Family, Elderly
3. Special Needs Population - if applicable
4. Structure Type - Garden Apartments, Townhouse
5. Indicate if the proposal is a scattered site development
6. Site amenities of one phase of a development cannot be included as amenities in subsequent phases of a development.

NCHMA Section C: Location and Market Area Definition

In addition to NCHMA requirements under this section, the analyst must consider:

1. All sites in a scattered site development must be within the boundaries of the primary market area.
2. Primary market areas are prohibited from being defined using concentric rings.
3. Analysts are encouraged to be conservative in defining the primary market area.
4. **Do not include secondary or tertiary markets.**
5. Primary market areas deemed to be inappropriate by VHDA will cause the market study/analyst to be rejected, and may cause the application to be disqualified.

NCHMA Section E: Demographic Characteristics

In addition to NCHMA requirements under this section, the analyst must discuss:

1. The number of owner and renter households (if appropriate, breakout by elderly/non-elderly)
2. Households by income (if elderly development, indicate income distribution of elderly households only)
3. Renter households by number of persons in the household
4. At a minimum, use the previous year's data and five-year projections (i.e. if your study is completed in 2016, you will use 2015 data and projections for years 2016 - 2020).

NCHMA Section F: Competitive Environment

In addition to NCHMA requirements under this section, the analyst must consider the following:

1. All LIHTC developments located within the primary market area must be included in the analysis.
2. Provide a detailed analysis of the impact of the proposed project on existing, competitive, LIHTC properties in the primary market area.
3. Proposed rural developments for which a sufficient number of comparable properties does not exist, the analyst must select at least three (3) comparable developments in adjacent localities with similar characteristics to be included in its analysis.

4. Family and elderly developments should not be considered as competitive with each other.

NCHMA Section G: Analysis/Conclusions

In addition to NCHMA requirements under this section, the analyst must discuss:

Demand from New Rental Households: Determine new units in the primary market area based on projected rental household growth. The projected population must be limited to the target group, age and income appropriate. Demand for each target group must be shown separately.

For this section (NCHMA Section G, #7), 2015 is the base year, with a minimum forward projection to 2016.

In instances where greater than 20% of the proposed units are comprised of 3BR and 4BR units, the analyst must refine the analysis for those large units. Failure to account for this may result in overstated demand.

Demand from Existing Households: The sum of demand from rental household growth and demand from all components of existing households will constitute **Total Demand**.

- **Rent over-burdened households**, if any, within the age group, income group and renters targeted for the proposed development. 'Over-burdened' is defined by VHDA as households paying more than 35% of gross income (40% if elderly) for gross rent. Analysts are encouraged to be conservative in this regard.
- **Households in substandard housing** (i.e. overcrowded and/or lack of plumbing): Must be age and income group appropriate. Analysts must use their knowledge of the market area and the proposed development to determine if demand from this source is realistic. Analysts are encouraged to be conservative in this regard.
- **Elderly homeowners likely to convert to rental housing:** This component may not comprise more than 20% of total demand. The analyst must provide a narrative describing how these numbers were derived. Analysts are encouraged to be conservative in this regard.
- **Existing qualifying tenants likely to remain after renovation:** This component of demand applies only to existing developments undergoing rehabilitation.

Net Demand Methodology: Analysts are required to use net demand in calculating capture rates and the absorption period. Net demand should be determined by subtracting the supply of vacant comparable units in the PMA, completed or pipeline, from total demand.

Demand, Supply, Net Demand and Total Absorption Period should be indicated as follows:

	Up to 40% (min. income to max. income)	Up to 50% (min. income to max. income)	Up to 60% (min. income to max. income)	Market Rate (min. income to max. income)	Project Total (min. income to max. income)
Income Restrictions					
New Rental Households (+)					
Existing Households - Overburdened (+)					
Existing Households - Substandard Housing (+)					
Elderly Households - Likely to Convert to Rental Housing (+)					
Existing Qualifying Tenants - to Remain After Renovation (+)					
TOTAL DEMAND (-)					
Supply (includes directly comparable vacant Units completed or in pipeline in PMA) NET DEMAND					
PROPOSED UNITS					
CAPTURE RATE					
ABSORPTION PERIOD					

Project Wide Capture Rate - LIHTC Units	
Project Wide Capture Rate - Market Units	
Project Wide Capture Rate - All Units	
Project Wide Absorption Period (Months)	

In addition to the above statement of Net Demand, the analyst is free to state other measures of demand in the body of the report. These statements must be fully explained as to where such demand is being derived, i.e. pent-up demand, tertiary demand, or demand from existing tenants in other rental properties.

NCHMA Section I: Other Requirements

In addition to NCHMA requirements under this section, the analyst must include and sign the following:

I affirm the following:

1. I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by VHDA.
4. Neither I nor anyone at my firm has any interest in the proposed development or a relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm in connection with the preparation of this report has communicated to others that my firm is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA.
6. Compensation for my services is not contingent upon this development receiving a LIHTC reservation or allocation.

Market Analyst

Date

LOW INCOME HOUSING TAX CREDIT PROGRAM 2016 SCHEDULE

10/08/2015	2016 Tax Credit Forum meeting – The Westin Richmond
01/05/2016	How-to-Apply – Northern Virginia
01/06/2016	How-to-Apply – VHDA Housing Center
01/06/2016	How-to-Apply – Wytheville VHDA Housing Center
01/07/2016	How-to-Apply – Chesapeake (new location)
01/27/2016	CEO notification letter info deadline
03/04/2016	Application for Reservation deadline/ Market Study Deadline
04/01/2016	CEO letter deadline
05/03/2016	Preliminary Rankings/ begin comment period
05/10/2016	End comment period/ begin rebuttal comment period
05/17/2016	End rebuttal comment period
05/25/2016	Announce final rankings
06/08/2016	Review final rankings with VHDA Board
11/02/2016	Application for Allocation deadline
12/16/2016	Finalize Allocations