



Scope of Work and Reporting Standards

The National Council of Housing Market Analysts' (NCHMA) has adopted a series of documents, including three cornerstone documents: the [Model Content Standards for Rental Housing Market Studies](#), the [Market Study Index](#), and the [Code of Ethics and Standards of Professional Practice](#). These fundamental and comprehensive documents are supplemented by several White Papers and Research Documents focusing on specific components and/or concepts of market studies. While this library of documents offers an overview of market study principles and provides a framework for market study content, the application of these principles is the professional responsibility of individual market analysts and can vary based on the specific assignment and intended use. To help reconcile these variances, NCHMA recommends the inclusion of a Scope of Work in each market research and analysis assignment.

The genesis for much of NCHMA's previous work and this Scope of Work is Section 42 of the IRS Code, which applies to the development and funding of rental communities through the Low Income Housing Tax Credit (LIHTC) Program. Of particular relevance, Section 42 of the IRS Code requires a [Comprehensive Market Study](#) completed by a [Disinterested Third Party](#) (emphasis added). The terms "comprehensive" and "disinterested" are defined in NCHMA's [Market Study Terminology](#). We further note that NCHMA members will find guidance regarding their obligation to act as a [Disinterested Third Party](#) (emphasis added) by referring to the [Code of Ethics and Standards of Professional Practice](#) (Specifically #3¹). In addition, as the need for professional and comprehensive market studies continues to grow and the industry continues to evolve, NCHMA's Recommended Practices and Model Contents, Scope of Work, and definition of "Comprehensive" should not be limited to the specific language of Section 42 and LIHTC compliance. The concepts developed by NCHMA can satisfy the needs of multiple affordable housing programs such as the HUD Section 202 program or the USDA-RD Section 538 program and can also be adapted to study the demand/need for market rate housing including the HUD 221(d)(4) program that require different approaches than those prescribed by NCHMA's Model Content Standards.

The inclusion of a well-defined Scope of Work in each market research and analysis assignment is intended to accomplish the following:

- **Define** the purpose of the market study or analysis assignment. Examples include to complete a comprehensive market analysis, to evaluate a specific defined project, to determine overall market conditions and demand, or to provide specific data and/or analysis to be used during the internal decision making process.

The scope of work should also define the project to be studied including the project location, number of units, and target market.

- **Inform** the reader of the steps taken during the preparation of a market study or other work product.
- **Identify** specific steps that were not taken during the preparation of a market study or other work product, which may limit the depth of the conclusion or analysis. For example, a preliminary demand estimate for a potential LIHTC project based on a specific state

¹ "3. Independence & Objectivity. NCHMA recognizes that the public trust is maintained through independent, unbiased, objective opinions.")

methodology can be conducted without a site visit. The lack of a specific site visit and the preliminary nature of the findings should be abundantly clear in the final work product.

- **Explain** methodologies used in the derivation of conclusions or methodologies. For example, certain state allocating agency's market study requirements have threshold requirements based on specific methodologies.
- **Prevent** misinterpretation or misuse of a market study or other work product by the reader or an unintended user.

In the end, a well defined Scope of Work will inform readers of reports of the depth or lack thereof of the conclusion of a market study or market research/analysis assignment.

In order to achieve consistency and transparency with the reporting of market research and analysis, NCHMA seeks to define a set of standard reporting options for market analysts. Coupled with a detailed scope of work, specificity of completed work products will not only inform the user of the depth and validity of the conclusions, but also preserve and enhance the value of a full and comprehensive market study. Comprehensive market analyses may be achieved through the following reporting options.

Comprehensive Market Analysis in Full Narrative Report

- Designed to meet or exceed the definition of a comprehensive market study conducted by a disinterested third party;
- Requires the inclusion of all NCHMA checklist items with reasonable analysis in addition to a physical inspection of subject site/property and environs;
- Requires reporting and documentation of all checklist items within the published report with no exceptions;
- May be certified as a NCHMA-compliant comprehensive market study.

Comprehensive Market Analysis in a Summary Report

- Designed to meet the definition of a comprehensive market study conducted by a disinterested third party;
- Requires the consideration of all NCHMA checklist items with an explanation of all departures;
- Evidence of consideration of all checklist items required to be in the analyst's work file. The narrative of the report is not required to discuss all checklist items;
- Although, reporting of the results may be significantly shorter than a full narrative, the report must include all items critical to the analysis;
- May be certified as a NCHMA-compliant comprehensive market study.

Clients may require information or preliminary analysis that does not require the completion of a comprehensive market study. Examples of such assignments include rental vacancy surveys, analyses of housing market trends, or preliminary demand estimates. Such assignments do not require a comprehensive market study. The Scope of Work for such work products must state that the document is not a comprehensive market study. For clarity purposes, work products less than a comprehensive market study shall be referred to as a "Market Advisory Report" in NCHMA documentation, although market analysts may choose more personalized and descriptive terms for individual products.

These reduced-scope "Market Advisory Reports" provide alternative analyses and reporting options that are suitable for the reduced scope of the assignment. The delineation between a Comprehensive Market Study and a Market Advisory Report preserves the credibility and veracity of a comprehensive market study while providing alternative reporting options. As a Market Advisory

Report is not designed to opine on the overall demand and feasibility of a proposed housing community, it does not have to meet all of the requirements for being “comprehensive”.

The Market Advisory Report options for the NCHMA members include:

Market Advisory Reports

- Designed to meet the needs specified by a client to contain only those elements needed to address a reduced scope or to answer a specific question(s);
- Does not meet the requirements of “comprehensive market study”;
- Requires the disclosure within the report that a comprehensive market analysis was not completed with a detailed Scope of Work.
- Examples of a “Market Advisory Report” include preliminary demand estimates and rent comp studies.