

## AHFC MARKET STUDY REQUIREMENTS AND APPROVED PREPARER QUALIFICATIONS

In order to receive funding under the GOAL program, a market study must be completed and submitted with the application for funding. All market study firms must be “approved” in advance by AHFC. Updates must be performed and provided for any market study that is over 180 days old or the study will not be accepted for the GOAL program. In order for a firm to be “approved” they must meet the requirements below.

### Application For Approval by AHFC:

To receive approval to be added to the list of “approved” market study firms, the market study firm must submit the following:

- a. A one-page letter of introduction about the firm, stating the length of experience of the firm and the staff conducting the market study.
- b. A one-page list of the most recent (last three years) state agencies to which the firm or the firm’s clients have submitted market studies or appraisals. Include contact names, addresses, telephone numbers and e-mail address.
- c. A one page list of the most recent (last three years) market studies completed for multi-family rental housing, the HOME program, the Low-Income Housing Tax Credit program, senior housing or other state or federally subsidized projects where the targeted tenant population earns less than 80% of the median income.

Once a firm has been added to the list, they will remain on the list unless additional information is obtained by AHFC which may cause AHFC to question the validity or ethical nature of the study or the firm.

### Preparer’s Qualifications:

- a. The preparer of the market study must have at least 3 years experience in market research on multifamily rental housing;
- b. The preparer of the market study must have at least one year of experience in working with rental housing programs subsidized by Federal or State funds or the Low Income Housing tax Credit Program, specifically (may be part of the 3 year requirement in (a));
- c. For senior housing, the preparer must have an additional two years of experience over the one year requirement in (b) in doing senior housing market studies (may be part of the 3 year requirement in (a)).

Firms that meet these requirements will be listed on the AHFC webpage.

### Market Study to Benefit AHFC:

Although the cost of the market study must be borne by the applicant for GOAL funding, the beneficiary of the study is AHFC. The market analyst is required to be a disinterested third party who will not benefit from the development of the project. Contact between the market analyst and any member of the development or ownership entity shall be limited to general administrative issues and in no way may influence the outcome of the study. The market analyst’s certification as to the objectivity of the reports conclusions must be included in section one of the report, “Underlying assumptions, Limiting Conditions, and Preparer’s Disclosures.”

Standard Form for Market Studies:

The report shall describe the characteristics of each primary market area including demand for rental housing and the supply of rental units in the primary market areas (subsidized and unsubsidized). The report may contain matrices, tables, and graphs to aid understanding of the study. To insure consistency between all market study firms and products, all market studies submitted to satisfy the requirement of the GOAL program must follow the format outlined here:

Section 1. Underlying Assumptions, Limiting Conditions, Preparer's Disclosures

Section 2. Executive Summary with Conclusions/Recommendations of the Market Study

- A. Profile of the proposed project (size, location, etc.).
- B. The following items must be considered in the market study recommendations:

*Is there a sufficient number of families at or below 60% or 50% of the median income to lease the number of units set-aside for low-income families in the proposed project. What about the demand for any non-set-aside units in the proposed project.*

*What are the major positive and negative attributes effecting the proposed project's ability to lease-up.*

*What percentage of the available tenant population in the market area will the property need to reach sustaining occupancy.*

*What will the impact be of the proposed project on the existing rental market.*

- C. Report Conclusions and Recommendations - Describe results and findings of the market study and also make recommendations for improving the lease up rate of the units. Recommendations may include, but are not limited to, modifying the unit mix, size, and type, suggestions about amenity items, and rent adjustments. The report conclusions and recommendations will also discuss the sufficiency of transportation, social, and other consumer services in the primary market areas and the relationship of these services to demand for rental units. Other items for discussion in the report may include the potential impact of increased homeownership rates on demand for the rental units.

Section 3. Market Area Analysis

- A. Identify the Primary Market Area - The consultant will define the primary market area and describe potential geographic competing areas. Demographic and/or geographic criteria used to define the primary market areas shall be described in the final market analysis report.
- B. Analyze Population Trends in the Market Areas - Estimates of changes in the population and/or the senior population, including births, deaths, in and out-migration, and/or aging in place. For senior housing, also include estimates of the number of senior citizens with deficiencies in two (2) or more activities of daily

living (ADLs) and the number residing in institutional settings. Data should be based on Department of Labor and Workforce Development, and US Census data corroborated with secondary data sources from the State of Alaska and the community for the proposed project. For senior housing, secondary data sources include the number of seniors receiving longevity bonus, local property tax exemption, and State Renter's rebate program and senior sales tax exemptions.

C. Analyze Household Trends in the Market Areas - To include estimates of changes in general and/or senior household composition, rentership and homeownership. The sources should be based on Department of Labor and Workforce Development, and US Census data corroborated with secondary data sources from the State of Alaska and the community for the proposed project. For senior housing, secondary data sources include the number of seniors receiving longevity bonus, local property tax exemption, and State Renter's rebate program and senior sales tax exemptions.

D. Analyze Employment and Income Trends in the Market Areas - Provide data that describes the economic profile of the community which reside in the market areas. At a minimum, include:

*Data on household income (1990 Census Data and more recent projections by the Department of Labor and Workforce Development)*

*Number of households with income sufficient to pay market-rate rents*

*Low-Income households, including senior households with income at 50% and 60% of area median family income*

*Employment/unemployment rates and their possible impact on households*

*Economic outlook of community and relationship to household income of targeted populations.*

E. Identify the proximity and availability of services necessary for the targeted type of households - Outline the types of transportation, social, and other consumer services that are within the primary market areas. Discuss the current and future capacity of the primary market area in meeting demand for these services.

#### Section 4. Supply Analysis

A. Investigate New Rental Units under Development - The supply analysis shall include a discussion of new housing similar to the proposed project under development, both market-rate and subsidized units. In this process, utilize data supplied by sponsoring agencies, State and local government. Units should be classified by Primary Market Area and by type of facility – *Family Facility, Special Needs Housing Facility, Senior Independent Living Facility or Assisted Living Facility.*

B. Competitive Supply Analysis - The supply analysis shall include a profile of competing properties in the Primary Market Area by the number of units, rent levels,

amenities available, utility structure, unit mix and size, physical location, property age, property configuration and condition, resident restrictions, unit amenities, property amenities, security features, utility structure, and parking. The results of which shall be provided in a matrix for comparison by unit type, bedroom size, and primary market area.

- C. Discuss Market Characteristics - The market characteristics in the primary market area for properties similar to the proposed project shall be discussed and will include projections of vacancy, leasing pace, absorption, reasonability or rent, turnover, rent increases, concessions, and wait lists. Adjustments should be made to rents if concessions or utility adjustments are used in the market.

Section 5. Demand Analysis

- A. Satisfy the Following Requirements for the Demand Analysis - For this section the following guidelines must be complied with:

*Use rents that include utility cost (gross rents)*

*The proposed project rents should be compared against comparable rents in the market area in estimating demand. Are they above or below the area's fair market rent (HUD)? Do they exceed 35% of the targeted households median income.*

*Household size calculations (number of people per unit) should be based on information provided by the sponsors of the proposed rental development project.*

*Calculation of annual demand should count units that are under construction or that have received all funding commitments as available competing units that have the effect of reducing unmet demand. Units that are planned but that do not have all funding commitments secured should be quantified but should not be counted to reduce unmet demand.*

- B. Perform Income Eligibility Calculations - Determine the number of households in the primary market area that would be eligible to reside in the proposed rental development project with incomes sufficient to pay market rates and also for households with incomes at 50% and 60% of median family area income. Income eligibility calculations should also identify the potential for eligible households from adjoining communities (secondary market areas) to change their living arrangement and relocate to projects that are available or under development.
- C. Calculate Capture Rates by Bedroom Size - In the primary market area determine the rate of capture by bedroom size for current and projected independent and assisted living facilities. Include a discussion on the potential market draw from secondary market areas.
- D. Calculate Annual Rate of Capture - In the primary market area determine the annual rate of capture for current and projected projects of a nature similar to the proposed

project. Include a discussion on the potential market draw from secondary market areas.

- E. Estimate Demand for Subsidized Housing - In the primary market area determine the current rate of demand for rental housing using Section 8 Public Housing Wait List data, occupancy data, and current project participation data. Where applicable include a discussion on demand from secondary market areas.

Section 6. Operating Expense Analysis

- A. Comparable Property Operating Expense Analysis - The market study will sample, where available, operating expense data from other rental properties (subsidized and unsubsidized) in the primary market areas. From these data, the preparer will determine "reasonable" and "typical" project operating expenses in the primary market area. Comparables from outside the primary market area are not acceptable.