Housing Needs Characteristics Scores:

For the purposes of the QAP, need is defined as a relative lack of housing supply for a given level of demand. Areas that display more need (i.e., high demand for relatively few units) will score more points.

First, the approach being presented tailors points given to different types of projects ("straight" LIHTC vs. Preservation of subsidized housing vs. Supportive housing). This allows for a more nuanced approach to fostering construction.

Second, in terms of "moving parts", the proposed system only has two major ones: Supply and Demand.

- The supply portion takes the existing portfolio of affordable units in a market by type (Section 8 for Preservation points and LIHTC +Section 236 for "Open" projects. Supply is not calculated for Supportive Housing projects, since we assume that whatever exists in the marketplace is not meeting current demand in any case.
- We realize that just because units exist in a market doesn't mean that all of them are available for renting; projects tend to stabilize at an occupancy rate between 90% and 95% most often. In addition, many renters move in and out of housing in a year, and we know that renters are generally more prone to move. So, in order to model this, the supply in markets is multiplied by a turnover factor—30% for Section 8, and 35% for LIHTC and Section 236. This basically says that in any year, about one-third of developed units are vacant at some point, and available for new tenants. This multiplication gives us our Supply in each of the Open and Preservation categories.
- Demand is equal to the number of income-qualified households that recently (within the last year) moved into housing other than single-family detached units (a product type we do not usually fund with LIHTC), according to the 2010 American Community Survey. Households that made less than 30% of AMI were identified as the demand for Preservation projects, while households making between 30% and 60% of AMI were equated with demand for "Open" projects.
- When these figures are calculated, supply is subtracted from demand, to give an "unmet need" number. This is a direct comparison between the number of households looking for housing in a market, and the housing available to them.
- Finally, each market was ranked on a percentile basis, and its rank was multiplied by 15 to give the number of points a project located within it could achieve. For example, for the Open category, the market that displays the most unmet need is Ann Arbor city. It has a demand figure of 1,515 and a supply of 236 units. Its unmet need is 1,279, which places it at the 100th percentile. This means that its unmet need is greater than all of the other markets. It gets 15 points for location (15 times 100%). Berrien West (the western portion of Berrien County outside of Benton Harbor) has 249 units of demand, and no supply. Therefore, its unmet need is 249, which puts it at the 82nd percentile (its unmet need is greater than 82% of the state's markets). A project located there would receive 12 points (82% of 15).

Both the supply and demand numbers can easily be changed as information becomes available. The new ACS is due out in August, and the one-year data may be available a few months after that. This will

ensure that demand estimates are relatively fresh. Supply can also be changed, as information on new construction, or LIHTC projects leaving the program, is gathered.

One should remember that this is like a 30,000 foot view into the state's affordable housing markets. It is meant to be a rough guide, and not determinative of the value of a project on its own. The market study will still be necessary to determine the feasibility of each deal as it comes in. The data in the sheet just serves to point developers to areas that have a higher imbalance in demand and supply in general.