

## Market Study Standards

Below are the Vermont Housing Finance Agency's standards for all market studies for Low Income Housing Tax Credit applications. Certain housing projects do not need to answer every question, and a matrix is attached to these standards, outlining the specific requirements for Special Needs housing proposals and existing subsidized housing rehabilitation projects. "Describe" or "prepare a description," means provide a brief narrative.

For all capitalized terms, there is a corresponding definition in the definitions section.

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 adjacent parcels, particularly Neighborhood housing.
2. A brief summary of the project including number of buildings, proposed rents and population served. If this is a Special Needs housing project, state the number of units serving that population.
3. Precise statement of key conclusions reached by the analyst.
4. Precise statement of analyst's opinion of market feasibility including the prospect for long-term performance of the property given housing and demographic trends and economic factors.
5. Provide a summary of market related strengths and/or weaknesses which may influence the subject development marketability, including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, and number of units, and make recommendations to improve marketability.

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. The project description should include:

1. Proposed number of units by: Number of bedrooms and baths, Income Limit as a percent of Area Median Income (AMI), unit size in square feet, and utility allowances for Tenant Paid Utilities.
2. The utilities expected to be paid by tenants and energy sources for tenant-paid hot water, heat, cooking.
  - a. For rehabilitation projects, identification of any existing Assisted Housing program at the property such as HUD's Housing Choice Voucher Program, Section 202, Section 811, Below Market Interest Rate Programs, Section 236, etc.
3. Developer's projected dates for construction start and completion, and start of pre-leasing.
4. Description of: The number of buildings, design (walk-up, elevator, etc.), and number of stories, unit and common Amenities, site Amenities and parking.
5. A description of any strengths or weaknesses that will affect the marketability of the project.
6. Describe the Target Population.

### **C. Location and Market Area Definition**

1. Define the Primary Market Area (PMA) and if applicable the Secondary Market Area (SMA) including a map that clearly delineates the areas and an explanation of the basis for the boundaries of the PMA and SMA. Identify PMA and SMA boundaries by Census Tracts, jurisdictions, street names, or other geography forming the boundaries. Also define the larger geographic area in which the PMA is located (i.e. city, county, Metropolitan Statistical Area (MSA), etc.). If using SMA please explain the basis on which the decision was made to use an SMA, and how you have managed to ensure that you are not duplicating household counts that may have been part of projected in-migration into the PMA. VHFAs expects to see SMA used infrequently.
  - a. Special Needs housing developments: The PMA may be different for Special Needs populations. Key considerations to defining the Primary Market Area are the service/support providers, their current caseloads, and “geographic reach.”
2. Provide a description of the finished site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.
3. 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.
4. Describe the Marketability of the proposed development.
5. Describe and evaluate the visibility and accessibility of the site.

### **D. Population and Households**

1. Provide the following information for the Primary Market Area and Secondary Market Area, if one has been defined. Provide the two most recent decennial censuses or another source to show the historical trends of each data piece. If available, also include a current year estimate and future projection. Indicate the source of all data, methodology for estimates, and an analysis of trends indicated by the information.
  - Total population
  - Number of households
  - Number of households by Tenure and age
  - Tenure by number of persons in household
  - Number of households by income band (preferably in \$5,000 increments)
  - Number of households by age and income band (preferably in \$5,000 increments)
  - If available, Tenure of households by income band (preferably in \$5,000 increments)
2. For existing subsidized housing rehabilitation projects, the only information needed is the population, age, and income data for existing tenants.

E. **Area Services.** Describe and evaluate the availability of area services as related to the intended tenants. Listed below are general categories that should be addressed but this list is not intended to be all-inclusive. Additional services may be applicable, while some of those listed may not.

1. Shopping and Related Services: Location and distance from the site of the nearest grocery, drugstore, convenience store, pharmacy and other essential services and retail shopping (including neighborhood shopping malls and regional shopping centers).
2. Transportation: Access and proximity to major roads and highways, bus service (if applicable), transit centers, commuter rail stations, and airports.
3. Health Care: Location and distance from the site to the nearest hospitals.
4. Senior Services/Center - for elderly housing projects: Location and distance from the site to the area's senior center. List the services available through the center or through various organizations in the area serving the senior population.
5. Location of relevant supportive service providers and the distance in miles from the site. Detail the types of services provided, experience of that agency, and the ability of the service provider to sustain these services over time. Indicate any other non-profit entities that will have involvement in providing services to the Target Population, i.e. churches, etc.

F. **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. For a development that is restricted to occupancy for seniors only, the assumption may be made that most of these tenants will be retired and therefore this Section F may be omitted.

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.
  - a. For Special Needs housing developments: Particular attention should be paid to the level of employment in the unskilled and semi-skilled sectors. Supportive work settings should be identified and their capacity for providing additional work opportunities discussed.
2. List major employers in the PMA, the type of business and the number employed. Comment on trends for employment in the PMA in relation to the subject.
3. Discuss any seasonal versus permanent employment opportunities in the area and how that may affect the Marketability of the housing.
4. Show the historical unemployment rate for the last five years (or other appropriate period) for the PMA.
5. Show employment growth over the same period or a more recent, shorter period (last two to three years).
6. If relevant, comment on the availability of Affordable Housing for employees of businesses and industries that draw from the Primary Market Area.

7. Provide a breakdown of typical wages by occupation. This information may be provided on a regional basis rather than for the specific PMA, if that is the best data that is readily available.
8. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

G. **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 within the 12-month period following the date of the Market Study. This section of the Market Study should include:

1. The number of new units that have come online in the Primary Market Area in the last five years and identify the source of the information. These should both include Market Rate and subsidized units.
2. The number of rental projects in the pipeline for local or State permits in the Primary Market Area. These should both include Market Rate and subsidized units.
3. A list of existing comparable property, including: name; location; Target Population; type of design; age and condition; number of units by bedroom type; rent levels by bedroom type; number of bedrooms and baths for each unit type; square footage of units; kitchen equipment available; type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking); unit and site Amenities included; site staffing; occupancy and Absorption Rate (if recently completed); and name, address and phone number of property contact.
4. Provide a narrative evaluation of the subject property in relation to the comparable properties.
5. Describe the size of the overall rental market in the PMA affordable to the Target Population, including available subsidized units, and Market Rate properties.
6. Discuss the availability of Affordable Housing options, including purchase or sale of homes. For Special Needs housing developments, list the housing options for the Target Population this project will serve.
7. Discuss the impact of the subject development on the existing housing stock.
8. An estimate of the Market Vacancy Rate for the Primary Market Area rental housing stock.

H. **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 (including Public Housing Authorities) and market participants (including rental property owners) 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. This should also include the cost and availability of home ownership and mobile home living, if applicable.
2. For Special Needs housing: Interviews with area service providers and area advocates for the Target Population.

I. **Analysis.** Provide documentation and descriptions that show the methodology for calculations in the analysis section and relate the conclusions to the data. Do not include all rent-overburdened households as part of pent-up market demand for the units. For the portion of rent-overburdened households that you do include, provide your methodology.

1. Provide a detailed analysis of the income levels of the potential tenants who can afford the proposed rents. State and support the minimum Household income used for total housing expenses to set the lower limit of the Targeted Population's income range.
2. Derive a Market Rent for the subject property and quantify and discuss Market Advantage of the subject and impact on Marketability of the developer's proposed rents for the subject property.
3. Calculate the Capture Rate for the Targeted Population in the subject property incorporating restrictions such as age, income, living in Substandard Conditions, renters versus home owners, Household sizes, etc.
4. Calculate the Penetration Rate.
5. Define and justify the Absorption Period and Absorption Rate for the subject property.
6. Provide recommendations and/or suggest modifications to the proposed project.
7. Identify risks (i.e. competitive properties that may come on line at the same time as the subject property, declining population in the PMA, etc.), unusual conditions and mitigating circumstances.
8. Special Needs housing: Discuss the demand/need for a project targeting the proposed Special Needs population. This should include, but not be limited to, information garnered from area service providers which assist the proposed project's Target Population.
9. Determine whether or not the Amenities are appropriate and sufficient for the market and the intended tenants. Also include any Amenities available to the tenant at an additional cost and what that expected cost will be.
  - a. If this is Special Needs housing, evaluate the appropriateness of the building design for the market and the intended tenants. Also for Special Needs housing, note the streets that will provide access to the site and evaluate the accessibility of the site in terms of local public transportation, parking, and major thoroughfares.
  - b. For rehabilitation projects, provide a description of the methodology for the rehabilitation and the scope of work. A copy of the floor plans and elevations (if ready) should be included as an attachment to the report.

J. **Other Requirements**

1. Date report was prepared, date of inspection 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.
5. List of sources for data in the Market Study.
6. Provide the demographic reports used for the study upon request.
7. Append utility allowance schedule (or utility company provider letters).

## Applicability of Sections

	All Newly Created Housing and Existing Rehabs, Unsubsidized	Existing Subsidized Housing Rehabs*	Special Needs Housing
<b>A. Executive Summary</b>	X	X	X
<b>B. Project Description</b>			
1. – 5.	X	X	X
6. Describe the Target Population.	X		X
<b>C. Location and Market Area Definition</b>			
1. Define the Primary Market Area (PMA) and Secondary (SMA) Market Area...	X	X	
1(a). ...considerations ... are the service/support providers...			X
2. Provide a description of the site characteristics...	X		X
3. Provide photographs of the site if available and Neighborhood, and a map...	X		X
4. Describe the Marketability of the proposed development.	X		X
5. Describe and evaluate the visibility and accessibility of the site.	X		X
<b>D. Population and Households</b>			
1. Provide total population, age and income target data...	X		X
2. Provide population, age and income data for the existing tenants.		X	
<b>E. Area Services</b>			
1. Shopping and Related Services...	X		X
2. Transportation...	X		X
3. Health Care...			X
4. Senior Services / Care			X
5. Location of relevant supportive service providers...			X
<b>F. Employment and Economy</b>			
1. Provide a description of employment by industry sector...	X		X
1(a). ...level of employment in the unskilled and semi-skilled sectors...			X
2. – 8.	X		X
<b>G. Existing Rental Housing Stock</b>			
1. The number of new units that have come online...	X		X
2. The number of rental projects in the pipeline...	X	X	X
3. A list of existing comparable property...	X		X
4. Provide a narrative evaluation of the subject property...	X		X

	All Newly Created Housing and Existing Rehabs, Unsubsidized	Existing Subsidized Housing Rehabs*	Special Needs Housing
5. Describe the size of the overall rental market in the PMA...	X		X
6. Discuss the availability of Affordable Housing options...	X		X
7. Discuss the impact of the subject development on the existing housing stock.	X		X
8. An estimate of the market Vacancy Rate...	X		X
<b>H. Local Perspective of Rental Housing Market and Housing Alternatives</b>			
1. Interviews with local planners...	X		X
2. ...interviews with area service providers...			X
<b>I. Analysis</b>			
1. Provide a detailed analysis of the Income Levels of the potential tenants ...	X		X
2. Derive a Market Rent for the subject property...	X		X
3. – 6.	X		X
7. Identify Risks	X	X	X
8. ...demand/need for a project targeting the proposed Special Needs population...			X
9. Determine whether Amenities are appropriate and sufficient...	X	X	X
9 (a). ...Special Needs...appropriateness of building design...			X
9 (b). For rehab projects, methodology of scope of work	X	X	X
<b>J. Other Requirements</b>	X	X	X

- \* 1) In some circumstances, staff may only require existing unsubsidized housing meet this standard (i.e. units are initially occupied and will be occupied after rehab by the same group of tenants, all of whom income qualify for the project's financing requirements.)
- \* 2) Small number of units in a large housing market may only need to meet this standard (at staff discretion).

## DEFINITIONS

Absorption Period	The period of time necessary for a newly constructed or renovated property to achieve the Stabilized Level of Occupancy. The Absorption Period begins when the first certificate of occupancy is issued and ends when the last unit to reach the Stabilized Level of Occupancy has a signed lease. Assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month leasing is assumed to begin should accompany all absorption estimates.
Absorption Rate	The average number of units rented each month during the Absorption Period.
Affordable Housing	Housing where the tenant household pays no more than 30 percent of its annual income on Gross Rent.
Amenity	Tangible or intangible benefits offered to a Tenant at no fee, typically on-site recreational facilities, planned programs, services or activities.
Area Median Income (AMI)	100% of the gross median Household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.
Assisted Housing	Housing where federal, state or other programs subsidize the monthly costs to the Tenant.
Below Market Interest Rate Program (BMIR)	Program targeted to renters with incomes not exceeding 80% of area median income by limiting rents based on BMIR Program requirements and through the provision of an interest reduction contract to subsidize the market interest rate to a below-market rate.
Capture Rate	The percentage of age, size, and income qualified renter Households in the Primary Market Area that the property must capture to achieve the Stabilized Level of Occupancy. VHFA may require restrictions to the qualified Households used in the calculation including age, income, living in substandard housing, movership and other comparable factors. The Capture Rate is calculated by dividing the total number of units in the property by the total number of qualified renter Households in the Primary Market Area. See Penetration Rate for rate for entire Market Area.
Census Tract	A small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census Tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census Tracts average about 4,000 inhabitants.

Gross Rent	The monthly housing cost to a tenant which equals: 1) the actual rent payable by the tenant to the owner (which includes any rent subsidy paid on behalf of the tenant), inclusive of all terms of the lease, and 2) the estimated cost of all Tenant Paid Utilities.
Household	One or more people who occupy a housing unit as their usual place of residence.
Housing Choice Voucher Program (HUD Section 8 Certificate or Voucher Program)	Federal program for Households earning less than 50% of the Area Median Income administered by a local Housing Authority. This program provides monthly rental subsidies to cover the difference between the Household's Gross Rent and the greater of 30 percent of the Household's adjusted income or 10 percent of the Household's gross income. Seventy-five percent of the Housing Authority's vouchers must serve households below 30% of the Area Median Income.
Income Limits	Maximum Household income by county or metropolitan statistical area (MSA), adjusted for Household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI.
Low Income Housing Tax Credit (see also "Housing Credit" in the Allocation Plan)	A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended.
Market Advantage	The difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.
Market Rate	Apartments or for-sale housing that are for sale or rent at levels unenhanced by special financing or other arrangements, and is unencumbered by any deed or operating restriction that would diminish its value.
Market Rent	The rent that an apartment, without rent or income restrictions or rent subsidies, would command in the open market considering its location, features, and Amenities. Market Rent should be adjusted for concessions and owner-paid utilities included in the rent.
Market Study	A macroeconomic analysis that examines the general market, economic, and environmental conditions of supply, demand, and pricing, or the demographics of demand for a specific area or property type. A Market Study may also include analyses of construction and absorption trends.
Marketability	The manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

Market Vacancy Rate	Average number of apartment units in the Market Area that are unoccupied divided by the total number of apartment units in the same Market Area, excluding units in properties that are in the lease-up stage.
Metropolitan Statistical Area (MSA)	A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The Burlington MSA is the only one in Vermont and covers the towns of: Chittenden County: Burlington, Charlotte, Colchester, Essex, Hinesburg, Jericho, Milton, Richmond, Shelburne, South Burlington, St. George, Williston, and Winooski. Franklin County: Fairfax, Georgia, St. Albans City and Town, and Swanton. Grand Isle County: Grand Isle and South Hero.
Neighborhood	An area of a city or town with common demographic and economic features that distinguish it from adjoining areas.
Penetration Rate	The percentage of age, size and income qualified renter Households in the Primary Market Area that all existing and proposed properties (to be completed within six months of the subject) – and which are competitively priced to the subject – must capture to achieve the Stabilized Level of Occupancy. Funding agencies may require restrictions to the qualified Households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. See Capture Rate for property specific rate.
Population Trends	Changes in population levels for a particular area over a specific period of time—which is a function of the level of births, deaths, and net migration.
Primary Market Area	A geographic area from which a property is expected to draw the majority of its residents. It is expected that the market analyst will use his or her experience and best knowledge to define the Primary Market Area (and Secondary Market Area) for the development.
Project Based Rent Assistance	Rental assistance from a federal, state or local program that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.
Secondary Market Area	The portion of a Market Area that supplies additional support to an apartment property beyond that provided by the Primary Market Area.

Section 202 Program	Federal program providing direct capital advances (i.e. grants) to construct, acquire or rehabilitate housing designed for elderly Households (over age 62) who have incomes not exceeding 50% of Area Median Income. Section 202 funding can also cover operating costs and rental assistance. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.
Section 236 Program	Federal program that provides interest reduction payments for loans that finance housing targeted to Households with income not exceeding 80% of Area Median Income. Tenants pay rent equal to the greater of basic rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.
Section 811 Program	Federal program providing direct capital advances to construct, acquire, or rehabilitate housing for people with disabilities who have income not exceeding 50% of Area Median Income. Section 811 funding can also cover operating costs and rental assistance. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.
Special Needs	Specific market niche that is typically not catered to in a conventional apartment property. This population should exhibit certain criteria that can be well-defined and are reasonably quantifiable, in order, for example, to assess the need and demand from this source. See the definition under “Special Needs Housing” in the State of Vermont 2004-2005 Allocation Plan.
Stabilized Level of Occupancy	The underwritten or actual number of occupied units that the property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.
Substandard Conditions	Housing conditions that are conventionally considered unacceptable that may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.
Target Population	Market niche a development will appeal to or cater to.
Tenant Paid Utilities	The cost of utilities necessary for the habitation of a dwelling unit that are paid by the tenant. Tenant Paid Utilities do not include costs for telephone or cable service.
Tenure	The distinction between owner-occupied and renter-occupied housing units.
Unmet Housing Need	New units required in the Market Area to accommodate Household growth, homeless Households, and Households in substandard housing.
Vacancy Period	The amount of time that an apartment remains vacant and available for rent.
Vacancy Rate	The number of total habitable units that are vacant divided by the total number of units in the property.