



2012 Market Study Guidelines

The Internal Revenue Code and the 2012 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 2012 tax credits will be 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.**

Effective January 1, 2012, **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.

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 PDF/electronic format. VHDA should be able to select, cut and copy 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.**

A market study that is 6 to 12 months old at the time of submission, must include an update letter stating "No material changes" or be updated in its entirety, if there are material changes. **No study over 12 months old will be accepted.**

Also effective January 1, 2012, market studies for LIHTC developments will model the National Council of Affordable Housing Market Analysts' (NCAHMA's) [Model Content Standards for Market Studies for Rental Housing](#) , as well as its [Market Study Terminology](#) and [Market Study Index](#). In addition to NCAHMA, 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.

NCAHMA Section B: Project Description

In addition to NCAHMA 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. Number of Buildings
5. Number of Stories
6. Structure Type - Garden Apartments, Townhouse
7. Indicate If The Proposal Is A Scattered Site Development
8. Site amenities of one phase of a development cannot be included as amenities in subsequent phases of a development.

NCAHMA Section C: Location and Market Area Definition

In addition to NCAHMA 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. **Secondary and tertiary markets are strongly discouraged for purposes of calculating demand.** If used, the analyst must provide detailed

explanation of reasoning and source of demand. This will be closely scrutinized by VHDA staff.

4. Analysts are encouraged to be conservative in defining the primary market area.
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.

NCAHMA Section E: Demographic Characteristics

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

1. The number of owner and renter household (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

NCAHMA Section F: Competitive Environment

1. In addition to NCAHMA requirements under this section, the analyst must consider the following:
2. All LIHTC developments located within the primary market area must be included in the analysis.
3. Proposed rural developments for which a sufficient number of comparables does not exist, the analyst must select at least three (3) developments in adjacent localities with similar characteristics to be included in the analysis.
4. Family and elderly developments should not be considered as competitive with each other.

NCAHMA Section G: Analysis/Conclusions

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

Demand from New Rental Households: In instances where a significant number of proposed units (more than 20%) are comprised on 3BR and 4BR units, the analyst must refine the analysis by factoring in the number of large households, typically four or more persons. 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. Vacancies in developments placed in service that have not yet reached stabilized occupancy (95%) must also be included in supply.

Demand, Supply, Net Demand and Total Absorption Period should be indicated in the following format:

Income Restrictions	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)
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				
ABSORPTION PERIOD				

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.

NCAHMA Section I: Other Requirements

In addition to NCAHMA 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

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