

MARKET STUDY

A complete market study must be submitted with the Application. The market study must satisfy the requirements of this chapter, the Application and Section 42 of the Code. An independent third party analyst, using generally accepted principles and theory, must prepare the market study. The analyst must be included on the Commission's list of approved providers*. The analyst must have demonstrated experience in the proposed project's market area and with the rent restricted market. The market study must have an effective date no more than 6 months prior to the date that the Application is submitted to the Commission. An update of a market study will be accepted, at the Commission's discretion, if the effective date of the original market study is within 12 months of the Application deadline.

The market study must demonstrate to the Commission that the project is creating, preserving, or renovating housing that current market forces are not addressing. In addition, the market study must address current market conditions and determine that the project is viable and provides units at below market rents or gives some other public benefit.

The Commission will accept a current appraisal (same "currency" guidelines as above) in lieu of the required market study, provided that the market analysis and rent discussion sections include the information listed below. In addition, at the discretion of the Commission may require further market justification of the project, or accept a market study in a different format. Any deviation from the market study requirements must be approved in writing by the Commission prior to submission of the Application.

*The approved list, along with instructions for being added to the list may be found on the Commission website at wshfc.org/tax-credits/msprovider.htm or by contacting the Tax Credit Division. Please contact the Tax Credit Division to determine how an analyst can be added to the list.

Note: The Commission reserves the right to contact the market analyst as needed.

Minimum Requirements (Guidelines for Market Analysts)

I. EXECUTIVE SUMMARY

II. PROJECT DESCRIPTION

- (A) Description of Market Area (general and specific)
- (B) Site Amenities (Include any unique characteristics)
- (C) Description of Improvements (as available in the case of new construction)
 - (1) Unit mix, unit amenities, common amenities
 - (2) Comparison to market rate projects (does project have typical finish, amenities found in local market)
 - (3) Comparison to other rent restricted projects

III. MARKET AREA ECONOMY

- (A) Delineation of market area
- (B) Population and household trends
- (C) Housing trends, including proposed projects and other new developments
- (D) Supply and Demand Analysis
 - (1) Market Rate Supply
 - a. Existing
 - b. Potential/Developing
 - (2) Market Rate Demand
 - a. Vacancy rates, incentives
 - b. Rent Trends
 - c. Absorption
 - (3) Rent-Restricted Supply (discuss HUD-assisted housing, TC projects, other subsidized projects, and public housing, as applicable)
 - a. Existing
 - b. Potential/Developing
 - (4) Rent-Restricted Demand
 - a. Vacancy Rates
 - b. Market Penetration Analysis (using income banding – min. and max. income for project)
 - c. Projected Absorption for project
 - (5) Analysis of project's special-needs set asides, if applicable.
 - a. Statistical and anecdotal information from appropriate social service agencies
 - b. Analysis of specific demand for special needs units.
 - (6) Conclusion: Proposed project's competitive position

IV. COMPETITIVE RENTAL MARKET

Description of Comparable Properties, both **market rate** and **rent restricted**

- (1) Analysis of rents, including amenities and utilities
- (2) Conclusion of Rents by unit type

V. Analysis of Rent Gap (Gap between maximum restricted rents, projected restricted rents and market rents)

VI. Analysis of the project's effect on the market area, including the impact on Tax Credit and other existing affordable rental housing.

VII. CONCLUSION

(A) Specific Questions

- (1) Is the project, as proposed, viable?
- (2) Does the project meet a current or projected market need?
- (3) Does the project supply units below market rate?
- (4) If not, does the project provide some other public benefit?
(i.e. Curing deferred maintenance or supplying better housing than currently available, holding rents stable in a market of increasing housing prices, or supplying reasonably-priced housing where there is a shortage?)

(B) Summary

- (1) Recap of project
- (2) Conclusion and Recommendations