

NEED AND DEMAND ANALYSIS
FOR THE
MOUNTAIN LAUREL MANOR APARTMENTS (PHASE III)
IN
STAUNTON/AUGUSTA COUNTY, VIRGINIA

Prepared for
Mountain Laurel Manor III VA LLC
for submission to
the Virginia Housing Development Authority

VHDA Application: 2019 - C - 38

As of February 21, 2019

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TABLE OF CONTENTS

A. EXECUTIVE SUMMARY	Page 1
B. INTRODUCTION AND SCOPE OF WORK	Page 3
C. PROJECT DESCRIPTION	Page 5
D. LOCATION	Page 9
E MARKET AREA DEFINITION	Page 18
F. EMPLOYMENT AND ECONOMY	Page 20
G. DEMOGRAPHIC CHARACTERISTICS	Page 28
H. COMPETITIVE ENVIRONMENT	Page 36
I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES. .	Page 59
J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET	Page 69
K. ANALYSIS/CONCLUSIONS	Page 70
L. OTHER REQUIREMENTS.	Page 71
MARKET STUDY TERMINOLOGY	Page 76

LIST OF TABLES

Table 1 - Distance to Neighborhood and Community Amenities	Page 16
Table 2 - Total Employment	Page 20
Table 3 - Employment, by sector	Page 21
Table 4 - Unemployment trends	Page 22
Table 5 - Major Employers	Page 24
Table 6 - Wages by Industry Sector	Page 25
Table 7 - Commuting Data	Page 26
Table 8 - Commuting Patterns	Page 27
Table 9- Population Trends	Page 28
Table 10 - Household Trends	Page 29
Table 11 - Age Distribution	Page 30
Table 12 - Household Size	Page 31
Table 13 - Tenure	Page 32
Table 14 - Household Income	Page 33
Table 15 - Household Income, Renter Households	Page 34
Table 16 - Residential Construction Since 2000	Page 35
Table 17 - Market Rate Properties	Page 38
Table 18 - Income Limits	Page 59
Table 19 - Rents and Income Targeting	Page 60
Table 20 - Qualifying Income Ranges	Page 61
Table 21 - Household Income, Renter Households	Page 63
Table 22 - Demand Calculations	Page 65
Table 23 - Capture Rates	Page 66

A. EXECUTIVE SUMMARY

The following provides a brief summary of each of the major sections in the market analysis.

The third phase of the Mountain Laurel Manor Apartments are to be located to the east of Bobby's Way in the Maple Ridge Square development and to the west of Myer's Corner Drive, to the south of the Jefferson Highway in Augusta County. There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

The proposed project will comprise the construction of 48 units - 28 two-bedroom units and 20 three-bedroom units. There will be five units targeted at 30 percent of the median income, 19 units targeted to households with incomes up to 50 percent of the median, 19 units targeted at 60 percent of the median, and five units targeted at 80 percent of the median.

Employment in Augusta County fell from 46,518 in 2008 to 34,481 in 2010. Since then, employment has grown - to 35,575 in 2017.

For Augusta County, the current unemployment rate is 3.6 percent, down from 3.7 percent the previous year. The rate was 7.1 percent in 2010, having been 3.6 percent in 2008.

The market area for the proposed development is central and eastern Augusta County, the City of Staunton, and the City of Waynesboro.

The population of the market area is projected to increase from 97,542 in 2019, to 100,257 in 2024. The number of households is projected to increase, from 41,760 in 2019 to 43,708 in 2024. The number of renter households in the market area is projected to increase from 13,476 to 14,563 over the 2019 to 2024 projection period.

There are several apartment complexes located in the Augusta County area. These include conventional, market rate properties, properties financed with low income housing tax credits, and subsidized housing for low and very low income households.

Based on our survey, there is a market-wide occupancy rate of 98.4 percent. Occupancy at tax credit properties is found to be around 96.9 percent.

The total need for tax credit units such as is proposed in the Staunton/Augusta County area by 2024 is calculated to be for 2,179 units. The net need is for 2,083 units. Given the calculated net need, the proposed 48-unit development amounts to 2.3 percent of the need.

Consideration of the capture rate (2.3 percent), the (0.5 percent) affordability analysis capture and (5.7 percent) penetration rate, suggest that the proposed development is marketable, as proposed.

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated three- to-four- month period, or so. This is likely to be abbreviated assuming that the waiting list for the initial phases can be draw-on.

The proposed development will not have an impact on existing housing in the area.

The proposed development is considered marketable and can be developed as proposed.

B. INTRODUCTION AND SCOPE OF WORK

This report is a professional market analysis of the need and demand for the proposed development.

The report is prepared for Mountain Laurel Manor III VA LLC, for submission to the Virginia Housing Development Authority.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

The report was completed using professional market techniques. The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The site of the proposed apartments was visited (on February 21, 2019)

The site was visited by T. Ronald Brown.

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis. The President of the firm is T. Ronald Brown. Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland. He has 35 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last three decades or so, Mr. Brown has produced more than 3,000 studies in at least 20 states, predominantly in the Southeast.

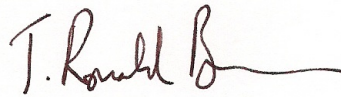
Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

Submitted, and attested to, by:

T. Ronald Brown, President
T. Ronald Brown: Research & Analysis
P.O. Box 18534
Asheville, North Carolina 28814-0441
919. 233.0670 or 919.612.5328

A handwritten signature in black ink, appearing to read "T. Ronald Brown", with a long horizontal flourish extending to the right.

Date: March 12, 2019

C. PROJECT DESCRIPTION

The Mountain Laurel Manor III Apartments will comprise 48 units - 24 two- bedroom units and 24 three- bedroom units. The project is new construction.

The project is to be configured as follows:

	<u>Units</u>	<u>sq. ft</u>	<u>Rent</u>	<u>Targeting*</u>
2 bedroom/2 bath	5	919	\$330	less than 30 percent
2 bedroom/2 bath	19	919	\$619	less than 50 percent
2 bedroom/2 bath	4	919-932	\$755	less than 60 percent
3 bedroom/2 bath	15	1,153-1,159	\$840	less than 60 percent
3 bedroom/2 bath	5	1,159	\$1,100	less than 80 percent
* percentage of area median income				

Of the 48 unit total, there will be five units targeted to households with incomes up to 30 percent of the median, 19 units targeted to households with incomes up to 50 percent of the median, 19 units targeted at 60 percent of the median, and five units will be targeted at 80 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Given that the project will include units targeted to households with incomes in excess of 60 percent of the local area median income, income averaging is applied. Thus, the average target income, overall, cannot exceed 60 percent of the median.

Utilities (excluding trash collection) will be paid by the tenant - utility allowances are: \$104 for the two-- bedroom units and \$127 for the three -bedroom units. Based on information supplied by the developer, the proposed apartments will meet energy-saving standards, both for construction and for appliances provided.

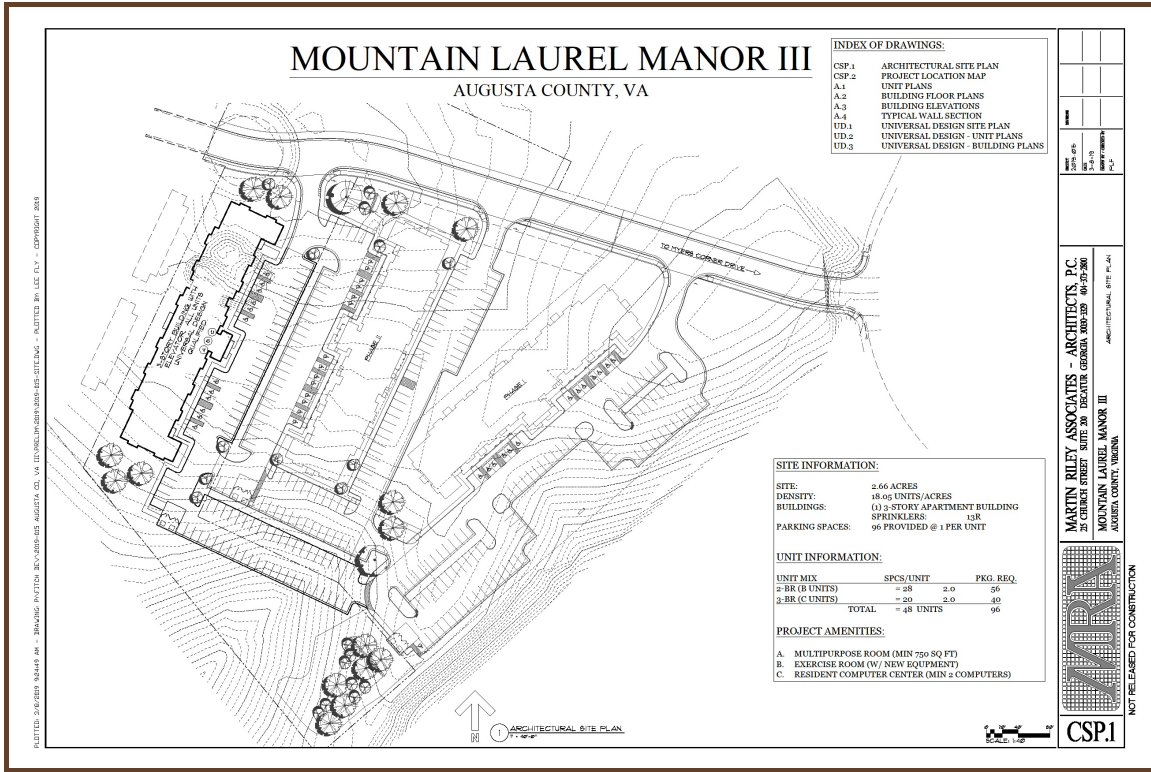
The property will feature a single, three-story, building and will have a brick exterior. Common area and site amenities include a multi-purpose room and laundry. The property will offer various enhancements, as per VHDA guidelines.

There are 96 parking spaces.

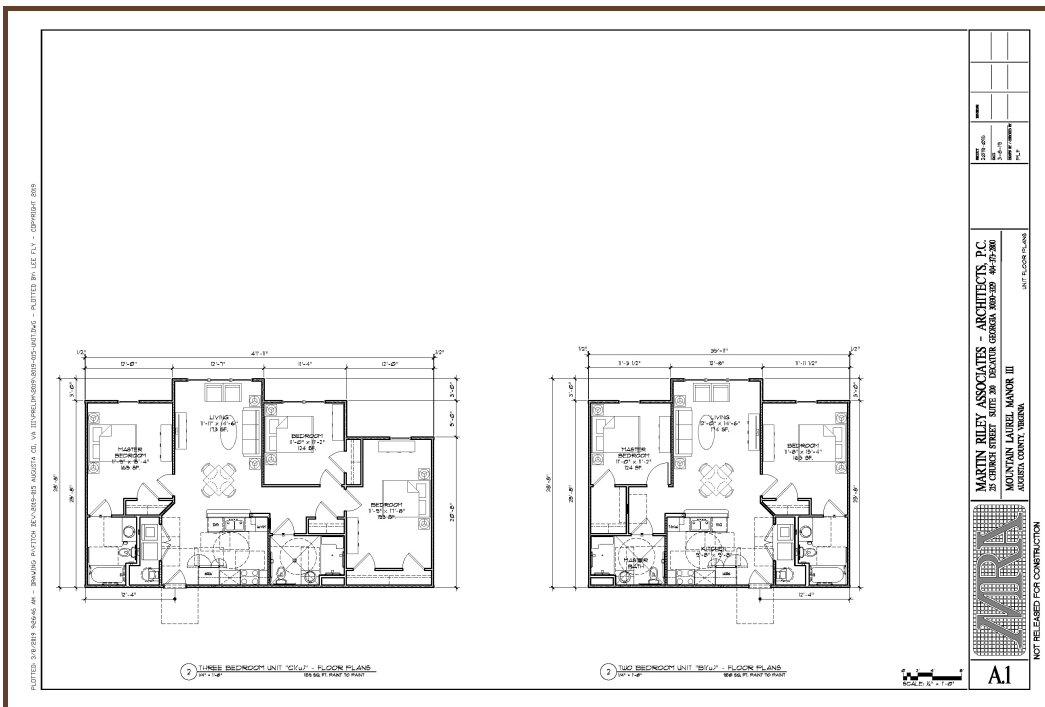
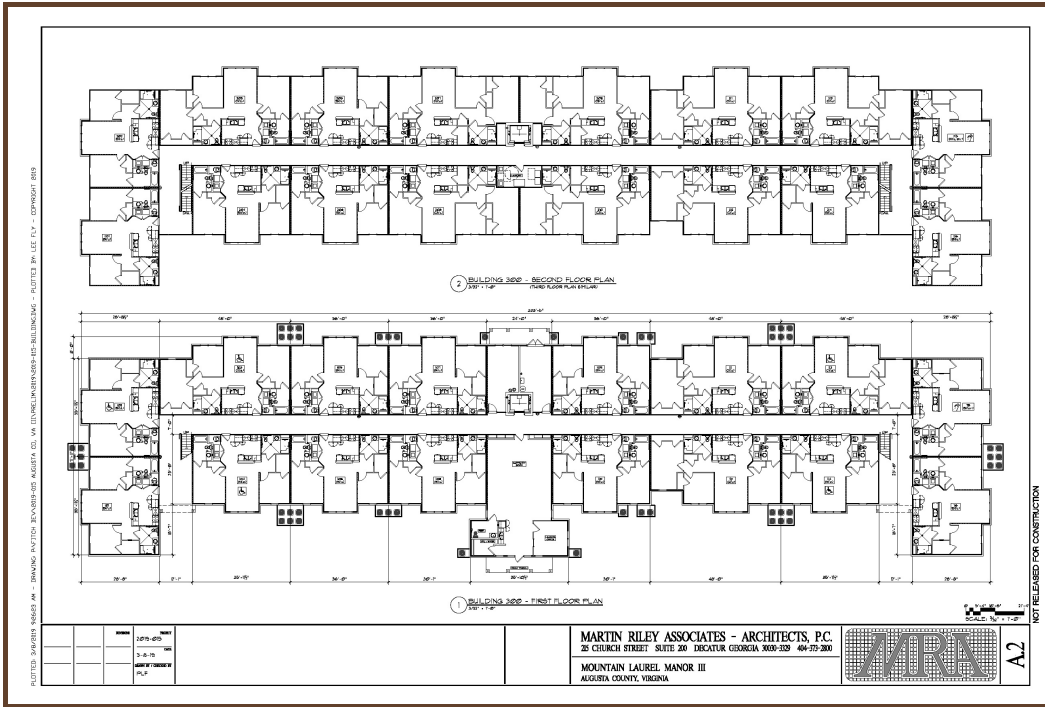
Representative architectural drawings are set out on the following pages.

It is understood that the construction program would commence in April 2020 and would be completed within 12 months, or so.

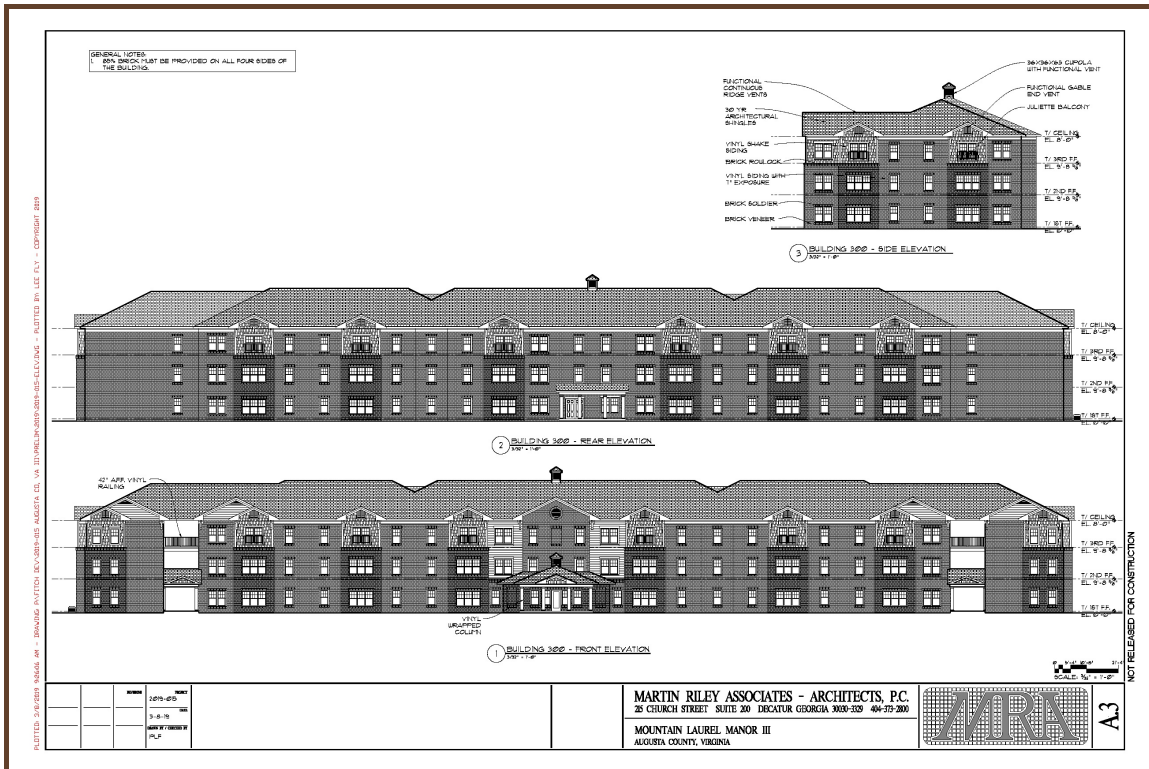
Site plan



Floor plans



Elevations



D. LOCATION

The third phase of the Mountain Laurel Manor Apartments is to be located to the east of Bobby's Way in the Maple Ridge Square development and to the west of Myer's Corner Drive, to the south of the Jefferson Highway in the northern and western part of the Fishersville community in Augusta County. Adjacent properties include the site of the initial phases of the development (and where the initial phase is under construction at present), townhouses, various professional business offices, an assisted living facility, pharmacy, and undeveloped land.





View on property



View on property



View on property



View onto property, from Bobby's Way



View of assisted living facility, from property



View to Maple Ridge Square, from property



Ongoing construction, Phase I



View onto property, from Bobby's Way



View of assisted living facility, from property



View to Maple Ridge Square, from property



View east on Jefferson Highway, at Maple Ridge Sq.



View west on Jefferson Highway, at Maple Ridge Sq.

The site is located off the Jefferson Highway (US 250), between the Maple Ridge Square development and Myer's Corner Drive. Access to the site is very good.

Given the site location and its situation, the site is quite visible.

Access from the site to major thoroughfares, shopping, health, and other local services is very good.

The site is off the Jefferson Highway (US 250) a major east-west route serving the area.. The site is within three miles of both Interstate 64 and Interstate 81.

As noted, the site is well-located with respect to the Jefferson Highway has a significant concentration of shopping and other services which serve the area either on it or easily accessible from it. Thus, for example, the site is within one and one-half miles of the Windward Pointe shopping center - which is anchored by a Food Lion grocery store. The Fishersville Family Pharmacy is within one half-mile of the site. The site is within four miles of a Wal-mart supercenter in Staunton, to the north.

The local schools are also located to the north, off the Jefferson Highway. The Wilson Elementary School is within one mile of the site and the Wilson Middle, and Wilson memorial High Schools are each within two miles of the site.

The Augusta Medical Center and associated medical services is located just over two miles from the site of the proposed development.

The site is within one and two-thirds miles of the Fishersville Post Office, and is just over two miles from the Augusta Public Library.

The following table illustrates the noteworthy community amenities serving the site and the (driving) distance to the site.

It should also be noted, that given Fishersville’s location between the cities of Staunton and Waynesboro, the various amenities located in each of those communities are also within relatively easy reach of the site of the proposed development.

Table 1 - Distance to Neighborhood and Community Amenities

<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Highways	Jefferson Highway/ US 250	0.2
	Interstate 64	2.8
	Interstate 81	2.6
Public Transportation	BRITE	0.2
Retail - Grocery	Food Lion	1.5
Retail - Other	Dollar General	2.1
Pharmacies	Fishersville Family Pharmacy	0.5
Schools	Wilson Memorial High School	1.7
	Wilson Middle School	1.6
	Wilson Elementary School	0.9
Post Office	Fishersville Post Office	1.6
Library	Augusta County Library	2.1
Hospital	Augusta Medical Center	2.1

Source: T.Ronald Brown: Research & Analysis



Public transportation is available on the BRITE system, with a stop at the entrance to Maple Ridge Square.

Based on our observations during our site visit, there is no reason to expect that the risk of crime in this neighborhood would be greater or less than that for other parts of the market area.

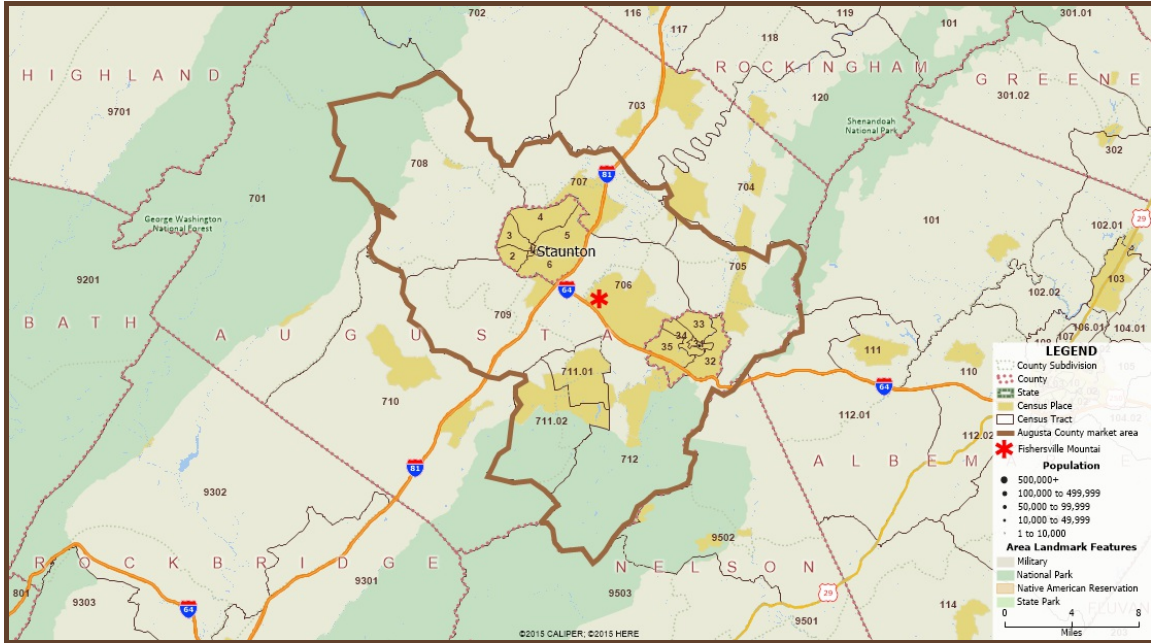
There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

E MARKET AREA DEFINITION

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project. Here combinations of census tracts, may be used to define the market area.

The community of Fishersville is located in central Augusta County, between Staunton and Waynesboro, in west-central Virginia. The market area for the proposed development is central and eastern Augusta County - as defined by several census tracts - and the City of Staunton and the City of Waynesboro. This area is focused on the site of the proposed development and extends to an approximately nine- to 13-mile hinterland. The market area, as defined, therefore is that which constitutes the area adjacent to the site of the proposed development and extends to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project.



F. EMPLOYMENT AND ECONOMY

The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general.

Employment trends

Employment trends for Augusta County are illustrated in the table, below. Employment fell from 46,518 in 2008 to 34,481 in 2010. Since then, employment has grown - to 35,575 in 2017.

Table 2 - Total Employment

		Change over previous year	
		<u>number</u>	<u>percent</u>
2008	36,518		
2009	35,964	-554	-1.5
2010	34,481	-1,483	-4.1
2011	35,060	579	1.7
2012	34,897	-163	-0.5
2013	34,964	67	0.2
2014	35,111	147	0.4
2015	35,139	28	0.1
2016	35,433	294	0.8
2017	35,575	142	0.4

Source: Virginia Labor Market Information

Employment trends, by sector

Information on employment, by industry for Augusta County in 2017 and 2018 (the most recent data) is set out in Table 2, below. From this it is seen that, with respect to employment, the largest subsectors were manufacturing and health care which employed 21.0 percent and 17.0 percent of the total, respectively in the most recent quarter. Other significant subsectors include transportation and warehousing - employing more than 10 percent of the total.

Table 3 - Employment, by sector

	2017		2018*		pct change
	number	percent	number	percent	
Accommodation and Food services	1,625	6.1	1,613	5.9	-0.7
Administrative and Waste services	1,063	4.0	1,300	4.7	22.3
Agriculture, Forestry, etc	318	1.2	370	1.3	16.4
Arts, Entertainment, Recreation	238	0.9	202	0.7	-15.1
Construction	1,882	7.1	1,903	6.9	1.1
Educational services	2,244	8.4	2,271	8.3	1.2
Financial and Insurance	301	1.1	275	1.0	-8.6
Health Care and Social Assistance	4,613	17.3	4,662	17.0	1.1
Information	136	0.5	130	0.5	-4.4
Management	35	0.1	37	0.1	5.7
Manufacturing	5,557	20.8	5,772	21.0	3.9
Mining	26	0.1	24	0.1	-7.7
Other Services	530	2.0	583	2.1	10.0
Professional and Technical services	473	1.8	577	2.1	22.0
Public Administration	1,072	4.0	1,089	4.0	1.6
Real estate	224	0.8	221	0.8	-1.3
Retail trade	2,049	7.7	2,021	7.4	-1.4
Transp. and Warehousing	3,233	12.1	3,300	12.0	2.1
Unclassified	35	0.1	72	0.3	105.7
Utilities	184	0.7	184	0.7	0.0
Wholesale trade	831	3.1	846	3.1	1.8
Total	26,669		27,449		2.9

* most recent quarter (data for previous year is for the same quarter)

Source: Virginia Labor Market Information

Unemployment trends

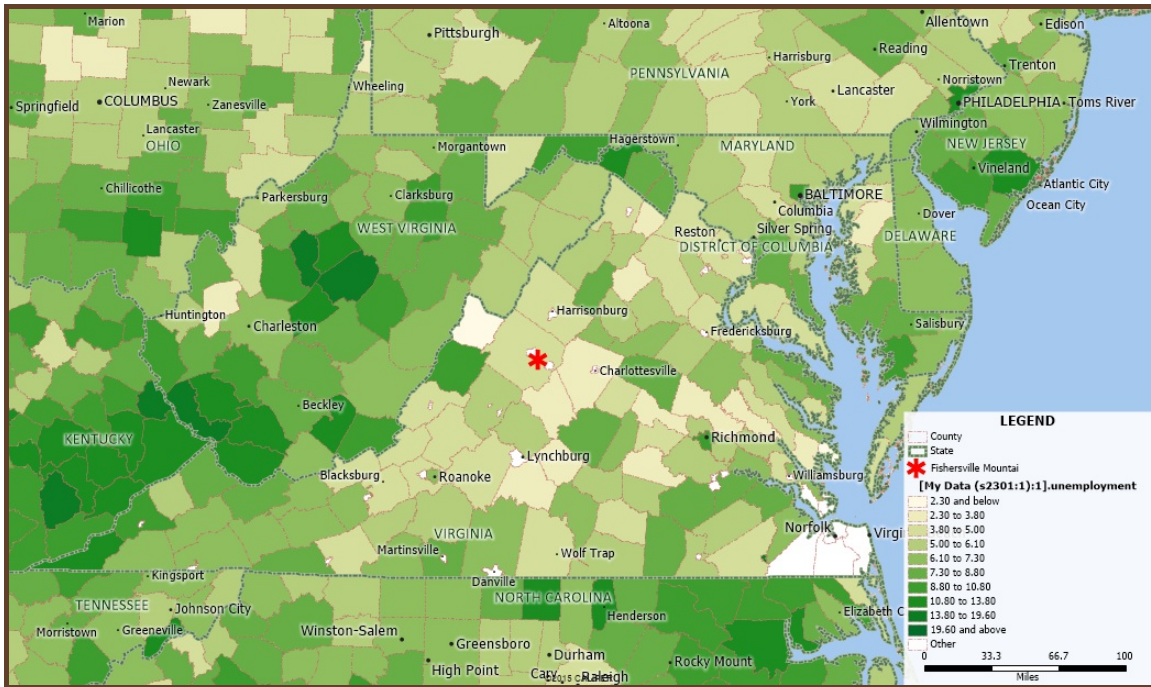
Unemployment trends for Augusta County are illustrated in the table, below. Rates for Virginia and for the U.S as a whole are also shown, for reference. Here it is seen that the current unemployment rate is 3.6 percent, down from 3.7 percent the previous year. The rate was 7.1 percent in 2010, having been 3.6 percent in 2008.

Table 4 - Unemployment trends

	<u>Augusta</u> <u>County</u>	<u>Virginia</u>	<u>U.S.</u>
2008	3.6%	3.9%	5.8%
2009	6.4%	6.7%	9.3%
2010	7.1%	7.1%	9.6%
2011	6.3%	6.6%	8.9%
2012	5.8%	6.1%	8.1%
2013	5.2%	5.7%	7.4%
2014	4.7%	5.2%	6.2%
2015	4.1%	4.5%	5.3%
2016	3.7%	4.1%	4.9%
2017	3.6%	3.8%	4.4%

Source: Virginia Labor Market Information

Current levels of unemployment throughout Virginia are illustrated, below.



Major Employers

The major employers in the Augusta County area are listed in Table 5, below. Here it is seen that the largest single employers include the local school system and the local hospital (the Augusta Medical Center) - each of which employs more than 1,000 persons.

Table 5 - Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
<u>Augusta County</u>		
Augusta County School Board	Educational Services	1000+
Augusta Medical Center	Hospitals	1000+
Hershey Chocolate of Virginia	Food Manufacturing	500 to 999
McKee Foods Corporation	Food Manufacturing	500 to 999
Target Corp	General Merchandise Stores	500 to 999
AAF McQuay, Inc.	Machinery Manufacturing	500 to 999
Hollister, Inc.	Miscellaneous Manufacturing	500 to 999
J.B. Hunt Transport	Truck Transportation	500 to 999
County of Augusta	Local Government	250 to 499
NIBCO of Virginia	Fabricated Metal Product Manufacturing	250 to 499
Variform Inc	Plastics and Rubber Products Manufacturing	250 to 499
Woodrow Wilson Rehabilitation Center	Social Assistance	250 to 499
Blue Ridge Community College	Educational Services	250 to 499
U.P.S.	Couriers and Messengers	250 to 499
Augusta Correctional Center	Local Government	250 to 499
Innovative Refrig Systems Inc	Specialty Trade Contractors	250 to 499
Valley Community Services	Social Assistance	250 to 499
<u>Stanton City</u>		
Western State Hospital	Hospitals	500 to 999
Staunton City School Board	Educational Services	250 to 499
City of Staunton	Local Government	250 to 499
Mary Baldwin College	Educational Services	250 to 499
Wal Mart	General Merchandise Stores	250 to 499
Fisher Auto Parts Inc.	Motor Vehicle and Parts Dealers	250 to 499
Brightview Senior Living, LLC	Nursing and Residential Care Facilities	250 to 499
<u>Waynesboro City</u>		
Waynesboro School Board	Educational Services	500 to 999
Wal Mart	General Merchandise Stores	250 to 499
A&AT	Chemical Manufacturing	250 to 499
City of Waynesboro	Local Government	250 to 499
Lumos Payroll Corp	Management of Companies and Enterprises	250 to 499

Source: Virginia Labor Market Information

Virginia Economic Development Partnership reports a total of just under 4,000 jobs lost throughout the area at 25 locations. The largest loss was the layoff of 1,148 persons at REO Logistics in Waynesboro. With respect to expansions, the Virginia Economic Development Partnership reports 282 new jobs at ten locations.

The proposed development is not located in a market - such as a resort area - that would need housing for employees in such a specific market.

Wages by Industry Sector

Information on wages, by employment sector, for Augusta County area is set out in Table 6, below. Here, average wages show some variation - both between sectors and also over time - with average wages increasing by 4.1 percent between 2017 and 2018.

Table 6 - Wages by Industry Sector

	<u>2017</u>	<u>2018*</u>	<u>pct change</u>
Accommodation and Food services	\$299	\$320	7.0
Administrative and Waste services	\$545	\$514	-5.7
Agriculture, Forestry, etc	\$508	\$527	3.7
Arts, Entertainment, Recreation	\$321	\$390	21.5
Construction	\$817	\$933	14.2
Educational services	\$707	\$737	4.2
Financial and Insurance	\$844	\$895	6.0
Health Care and Social Assistance	\$923	\$958	3.8
Information	\$1,058	\$1,100	4.0
Management	\$1,672	\$1,716	2.6
Manufacturing	\$1,130	\$1,167	3.3
Mining	\$939	\$959	n/a
Other Services	\$614	\$621	1.1
Professional and Technical services	\$788	\$785	-0.4
Public Administration	\$827	\$840	1.6
Real estate	\$651	\$676	3.8
Retail trade	\$549	\$581	5.8
Transp. and Warehousing	\$955	\$993	4.0
Unclassified	\$530	\$479	-9.6
Utilities	\$1,184	\$1,198	1.2
Wholesale trade	\$889	\$923	3.8
Total	\$839	\$873	4.1

* most recent quarter (data for previous year is for the same quarter)

Source: Virginia Labor Market Information

Commuting patterns

With respect to commuting, data from the American Community Survey, 23.7 percent of workers resident in Fishersville were employed there, with 52.2 percent working in Augusta County. The average driving time to work for residents of Fishersville was 23.7 minutes.

Table 7 - Commuting Data

	<u>number</u>	<u>percent</u>
Total Workers	3,415	100.0
Worked in Place of residence	884	25.9
Worked in County of residence	1,783	52.2
Worked outside Place of residence	2,531	74.1
Worked outside County of residence	1,632	47.8
Mean travel time to work (minutes)	23.7	

Source: 2013 to 2017 American Community Survey; T.Ronald Brown: Research & Analysis

The most recent Census data for commuting patterns for persons who live and/or work in the Fishersville area are illustrated, below.

Here it is seen that many persons who work in Augusta County commute into the County from, for example, Rockingham County and the cities of Staunton and Waynesboro. Likewise, many residents of Augusta County commute to work in Harrisonburg, Staunton, Waynesboro, and Rockingham County.

Table 8 - Commuting Patterns

<u>Place of work</u>	<u>Place of Residence</u>	<u>Number of Workers</u>
Augusta County	Augusta County	17,307
Augusta County	Rockingham County	1,610
Augusta County	Staunton City	3,467
Augusta County	Waynesboro City	2,938
Albemarle County	Augusta County	876
Charlottesville City	Augusta County	687
Harrisonburg City	Augusta County	1,648
Rockingham County	Augusta County	2,727
Staunton City	Augusta County	4,684
Waynesboro City	Augusta County	3,981

Source: US County to County Commuting Flows; T.Ronald Brown: Research & Analysis

While the local economy remains somewhat stable, the local economic conditions will not have a direct positive or negative impact on the subject property.

G. DEMOGRAPHIC CHARACTERISTICS

Population and Household Trends

In 2000, the population of Augusta County was 65,165, and in 2010 the population was recorded as 73,750. Population projections for Augusta County are provided by the Virginia State Data Center. Based on these data, the population of the area is projected to be 75,574 by 2019, and to be around 78,013 by 2025.

In 2000, the population of the market area was 86,137, and in 2010 the population was recorded as 93,446. Population projections for the market area are based on the average of several small area population projection techniques using census tract trends for 2000 to 2010 in Augusta County, corrected for the official State Data Center numbers, and the official projections for the City of Staunton and the City of Waynesboro. Based on these data, the population of the area is projected to be 97,542 by 2019, and to be around 100,257 by 2024.

Information on population trends and changes between 2000 and 2024 are set out in Table 9, below.

Table 9- Population Trends

	Fishersville	Market Area	Augusta County
2000	4,998	86,137	65,165
2010	7,462	93,446	73,750
2019	n/a	97,542	75,574
2024	n/a	100,257	78,013
absolute change			
2000-2010	2,464	7,309	8,585
2010-2019	n/a	4,096	1,824
2019-2024	n/a	2,715	2,439
annual change			
2000-2010	246	731	859
2010-2019	n/a	455	203
2019-2024	n/a	543	488

Source: 2000 and 2010 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Projections of the number of households for Fishersville, the market area, and for Augusta County are set out in Table 10, below.

In 2000, there were 24,818 households in Augusta County and 28,516 in 2010. Based on the population projections set out, above, there will be around 30,008 households in 2019 and 31,457 in 2024.

There were 34,587 households in the market area in 2000 and 38,685 in 2010. Projections show around 41,760 and 43,708 households in 2019 and 2024, respectively.

Table 10 - Household Trends

	Fishersville	Market Area	Augusta County
2000	1,826	34,587	24,818
2010	2,862	38,685	28,516
2019	n/a	41,760	30,008
2024	n/a	43,708	31,457
absolute change			
2000-2010	1,036	4,098	3,698
2010-2019	n/a	3,075	1,492
2019-2024	n/a	1,948	1,449
annual change			
2000-2010	104	410	370
2010-2019	n/a	342	166
2019-2024	n/a	390	290

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Population and household characteristics

Age distribution

The distribution of the population, by age, for Fishersville, the market area, and Augusta County is set out in Table 11, below. These data are from the 2010 Census. Here it is seen that the median age of the population of Fishersville was 42.4 years and that for Augusta County was recorded as 42.9 years.

Table 11 - Age Distribution

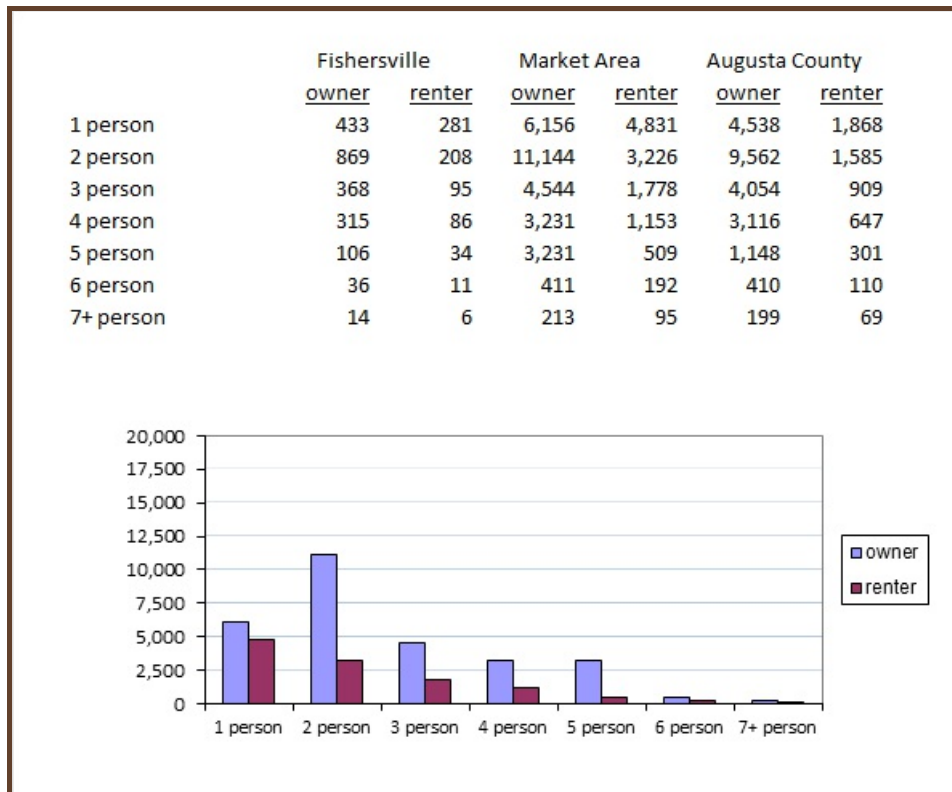
	Fishersville		Market Area		Augusta County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Under 5 years	408	5.5	5,427	5.8	3,839	5.2
5 to 9 years	460	6.2	5,419	5.8	4,323	5.9
10 to 14 years	453	6.1	5,416	5.8	4,655	6.3
15 to 19 years	578	7.7	5,992	6.4	4,769	6.5
20 to 24 years	451	6.0	5,264	5.6	3,654	5.0
25 to 29 years	336	4.5	5,635	6.0	3,905	5.3
30 to 34 years	351	4.7	5,284	5.7	3,995	5.4
35 to 39 years	426	5.7	5,565	6.0	4,679	6.3
40 to 44 years	543	7.3	6,083	6.5	5,239	7.1
45 to 49 years	591	7.9	7,006	7.5	6,201	8.4
50 to 54 years	521	7.0	7,088	7.6	6,049	8.2
55 to 59 years	445	6.0	6,594	7.1	5,563	7.5
60 to 64 years	407	5.5	6,193	6.6	5,040	6.8
65 to 69 years	377	5.1	5,039	5.4	4,002	5.4
70 to 74 years	336	4.5	3,838	4.1	2,890	3.9
75 to 79 years	252	3.4	3,059	3.3	2,133	2.9
80 to 84 years	228	3.1	2,390	2.6	1,558	2.1
85 years and over	299	4.0	2,154	2.3	1,256	1.7
55 and older	2,344	31.4	29,267	31.3	22,442	30.4
65 and older	1,492	20.0	16,480	17.6	11,839	16.1
median	42.4		n/a		42.9	

Source: 2010 Census; T.Ronald Brown: Research & Analysis

Household size

Table 12 below, sets out household size, by tenure, for households in Fishersville, the market area, and Augusta County.

Table 12 - Household Size



Source: 2010 Census; T.Ronald Brown: Research & Analysis

Tenure

Table 13, below, sets out the number and proportion of owner and renter households for Fishersville, the market area, and Augusta County. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 tenure trends. In 2010, 25.2 percent of households in Fishersville were renters, 30.5 percent of households in the market area were renters, and 19.2 percent in Augusta County were renters.

Table 13 - Tenure

Fishersville				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	4,998	1,826	2.74	1,546	85	280	15.3		
2010	7,462	2,862	2.61	2,141	74.8	721	25.2		
2019	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
2024	n/a	n/a	n/a	n/a	n/a	n/a	n/a		
Market Area				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	86,137	34,587	2.49	24,705	71.4	9,882	28.6		
2010	93,446	38,685	2.42	26,901	69.5	11,784	30.5		
2019	97,542	41,760	2.34	28,284	67.7	13,476	32.3		
2024	100,257	43,708	2.29	29,145	66.7	14,563	33.3		
Augusta County				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	65,165	24,818	2.63	21,320	85.9	3,498	14.1		
2010	73,750	28,516	2.59	23,027	80.8	5,489	19.2		
2019	75,574	30,008	2.52	22,361	74.5	7,646	25.5		
2024	78,013	31,457	2.48	22,090	70.2	9,367	29.8		

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Income Distribution

The distribution of household incomes for Fishersville, the market area, and Augusta County are set out in Table 14, below. These figures are taken from the 2013 to 2017 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for Fishersville is around \$70,019, and that for Augusta County as a whole is seen to be \$59,544.

Table 14 - Household Income

	Fishersville		Market area		Augusta County	
	number	percent	number	percent	number	percent
less than \$10,000	129	4.3	2,100	5.3	1,220	4.3
\$10,000 to \$14,999	117	3.9	2,275	5.8	1,453	5.2
\$15,000 to \$19,999	39	1.3	2,074	5.3	1,426	5.1
\$20,000 to \$24,999	93	3.1	2,056	5.2	1,057	3.8
\$25,000 to \$29,999	165	5.5	2,474	6.3	1,057	3.8
\$30,000 to \$34,999	88	2.9	1,816	4.6	1,058	3.8
\$35,000 to \$39,999	195	6.5	1,997	5.1	1,245	4.4
\$40,000 to \$44,999	193	6.4	1,974	5.0	1,376	4.9
\$45,000 to \$49,999	163	5.4	1,807	4.6	1,250	4.4
\$50,000 to \$59,999	141	4.7	3,322	8.5	2,760	9.8
\$60,000 to \$74,999	364	12.1	4,272	10.9	3,642	12.9
\$75,000 to \$99,999	472	15.7	5,602	14.3	4,306	15.3
\$100,000 to \$124,999	172	5.7	3,047	7.8	2,601	9.2
\$125,000 to \$149,999	253	8.4	2,053	5.2	1,522	5.4
\$150,000 to \$199,999	162	5.4	1,315	3.3	1,139	4.0
\$200,000 or more	262	8.7	1,094	2.8	1,053	3.7
median income	\$70,019		n/a		\$59,544	

Source: 2013 to 2017 American Community Survey; T.Ronald Brown: Research & Analysis

Renter Income

The distribution of household incomes for renter households for Fishersville, the market area, and Augusta County are set out in Table 15, below. These figures are also taken from the 2013 to 2017 American Community Survey.

Table 15 - Household Income, Renter Households

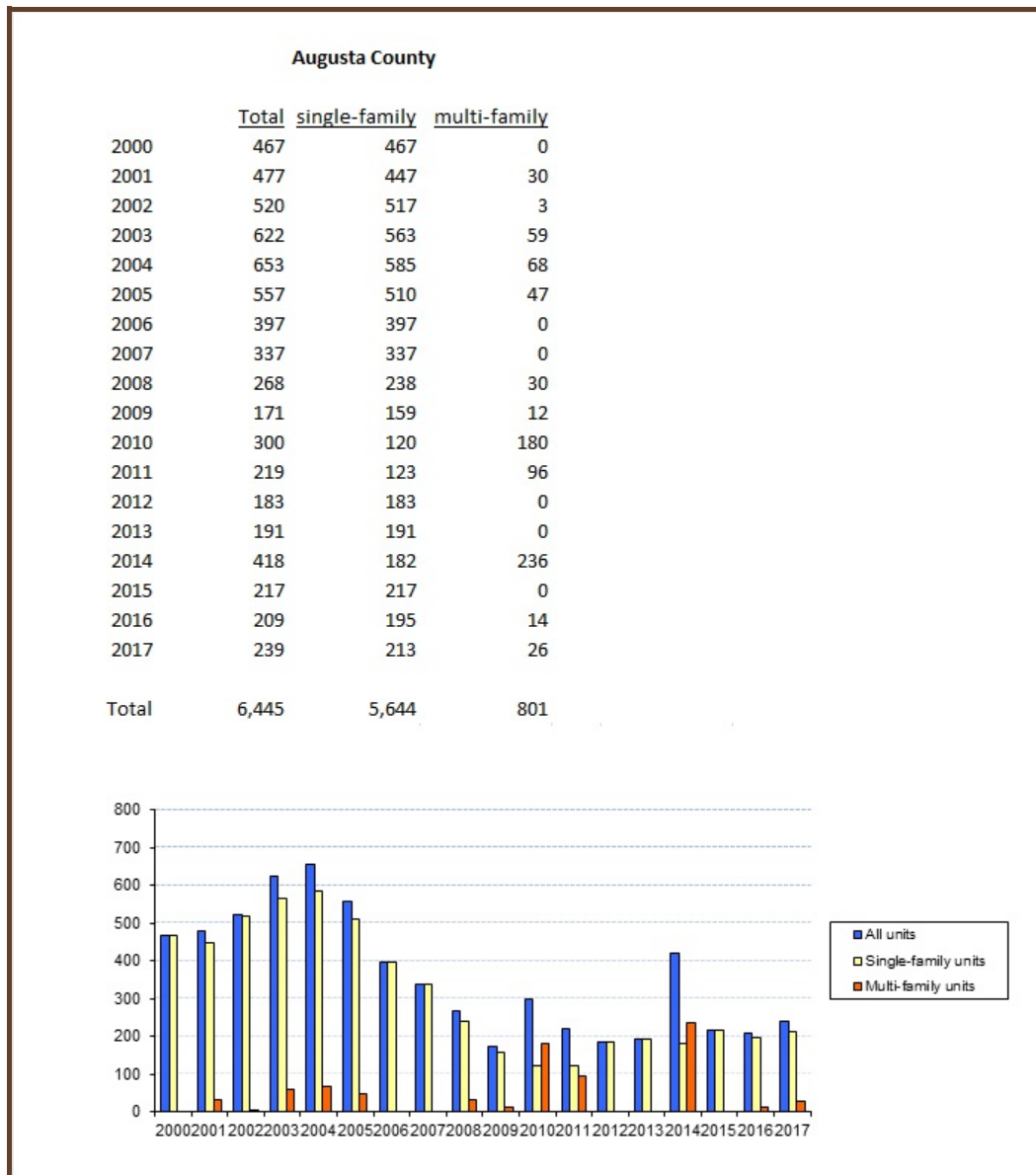
	Fishersville		Market area		Augusta County	
	number	percent	number	percent	number	percent
less than \$10,000	71	23.8	1,171	9.5	556	18.4
\$10,000 to \$19,999	83	27.9	2,575	21.0	1,096	36.3
\$20,000 to \$34,999	46	15.4	2,891	23.5	511	16.9
\$35,000 to \$49,999	35	11.7	2,021	16.4	154	5.1
\$50,000 to \$74,999	0	0.0	1,724	14.0	131	4.3
\$75,000 to \$99,999	50	16.8	1,081	8.8	508	16.8
\$100,000 or more	13	4.4	826	6.7	61	2.0

Source: 2013 to 2017 American Community Survey; T.Ronald Brown: Research & Analysis

Building permit trends

Table 16 below gives details of residential construction in Augusta County since 2000. Where the data exist, it can be seen that a total of 6,445 units were added in throughout the County - of which 801 were multi-family units. No data exist for Fishersville or the market area.

Table 16 - Residential Construction Since 2000



Source: Current Construction Reports, Bureau of the Census; T. Ronald Brown: Research & Analysis

H. COMPETITIVE ENVIRONMENT

There are several apartment complexes located in the Augusta County area. These include conventional/market rate properties, properties financed with low income housing tax credits, and subsidized housing for very low income households. These complexes were identified and surveyed, and where useful information was made available to us, this is presented, below.

Based on information from VHDA, the following are the significant (non-elderly) properties that have been financed with tax credits in the market area for the proposed development.

Frontier Ridge (100 units)

Montague Terrace (96 units)

Mountain Laurel Manor I (48 units)

Mountain Laurel Manor II (48 units)

Waterford Village (96 units)

Frontier Ridge is a 100-unit property that opened in 2006. As with each of the other existing tax credit developments (and the proposed one), this property offers a mix of two- and three-bedroom units. At Frontier Ridge, there are 50 two-bedroom of 959 square feet which rent for \$668, and 50 three-bedroom units which rent for \$768. Currently, the property is reported to have three vacant units - with typical occupancy reported to be around 95 percent, with a waiting list.

Montague Terrace is a newer, 96-unit complex, located in Stuarts Draft. It opened in 2012. No updated information could be obtained regarding rent or occupancy. Previously, typical occupancy was reported to be 97 percent, with a waiting list.

The first phase of the Mountain Laurel Manor property was funded in 2017. It has fewer units than previous tax credit projects - that is, 48 units: with a mix of two- and three bedroom units. Rents for the two-bedroom units will range from \$475 to \$760 - with most (19 out of 28 units) renting for \$621. The 20 three-bedroom units will rent for \$860.

The second phase of the Mountain Laurel Manor property was funded in 2018 and is similar to phase one. That is, 48 units: with a mix of two- and three bedroom units. Rents for the two-bedroom units will range from \$475 to \$745 - again, with most renting for \$621. The 20 three-bedroom units will rent for \$815.

Waterford Village was opened in 2010 at a site of the Jefferson Highway, to the west of the site of the proposed development. There a total of 96 units at this project: an equal mix of two-, and three-bedroom units. The two- bedrooms are available for \$651 and the three-bedroom units rent for \$752. Currently, there are two vacant units at this location (98 percent occupancy) - with typical occupancy reported to be in the 93-to-94 percent range (with a waiting list).

There are several market rate properties in the area. For example, the Apartments at Goose Creek is a large luxury complex that opened in 2015. There are a total of 204 units. Here, rents for one-bedroom units are reported to range from \$1,025 to \$1,120, the two-bedroom units rent between \$1,195 and \$1,290. Three bedrooms at this location are available from \$1,370 to \$1,445. The project is reported to be have no vacancies at present, but which is reported to be typical.

The Maple Ridge Townhouses is a rental property adjacent to the site of the proposed development. The property has 42 units: 28 two-bedroom (one and one-half bath) units, and 14 three-bedroom (two baths) units. Rents are reported to be \$745 and \$885 for the two- and three-bedroom units, respectively. Rents do include water, sewer, and trash pick-up. The property is reported to be fully occupied and to remain so on an ongoing basis.

In addition to the above there are several properties that are subsidized and available to low and very low income households. There are four properties developed through the USDA/RD development program and two HUD section 8 properties. Additionally there is one site that offers a mix of USDA/RD units and unrestricted/market rate units.

Based on our survey, there is a market-wide occupancy rate of 98.4 percent.

Occupancy at tax credit properties is found to be around 96.9 percent.

Occupancy at the various market rate properties in the market area is seen to be 99.3 percent (and that for the subsidized properties is 97.0 percent).

In order to determine market rents, a sample of comparable market area properties were identified. The projects selected were chosen on the basis of age, location, and bedroom mix. Information for units at these various properties are summarized below.

Table 17 - Market Rate Properties

<u>Property</u>	<u>Year built</u>	<u>Two-bedroom rents</u>	<u>Three-bedroom rents</u>
Apartments at Goose Creek	2015	\$1,195-1,290	\$1,370-1,445
Big Sky	2006	\$1,045-1,290	\$1,175-1,385
Windigrove	2014	\$1,125-\$1,225	\$1,275-\$1,325

Source: Apartment Managers; T.Ronald Brown: Research & Analysis

The location, rent levels, unit size, age, features, and amenities were analyzed in order to try to establish an estimate of market rent levels for the subject property. Following this approach we have determined that, all things being equal, these market properties suggest a rent of around \$1,060 for a two-bedroom unit, and \$1,218 for a three-bedroom unit.

These rents are seen to be reasonably above the proposed rents at the proposed development.

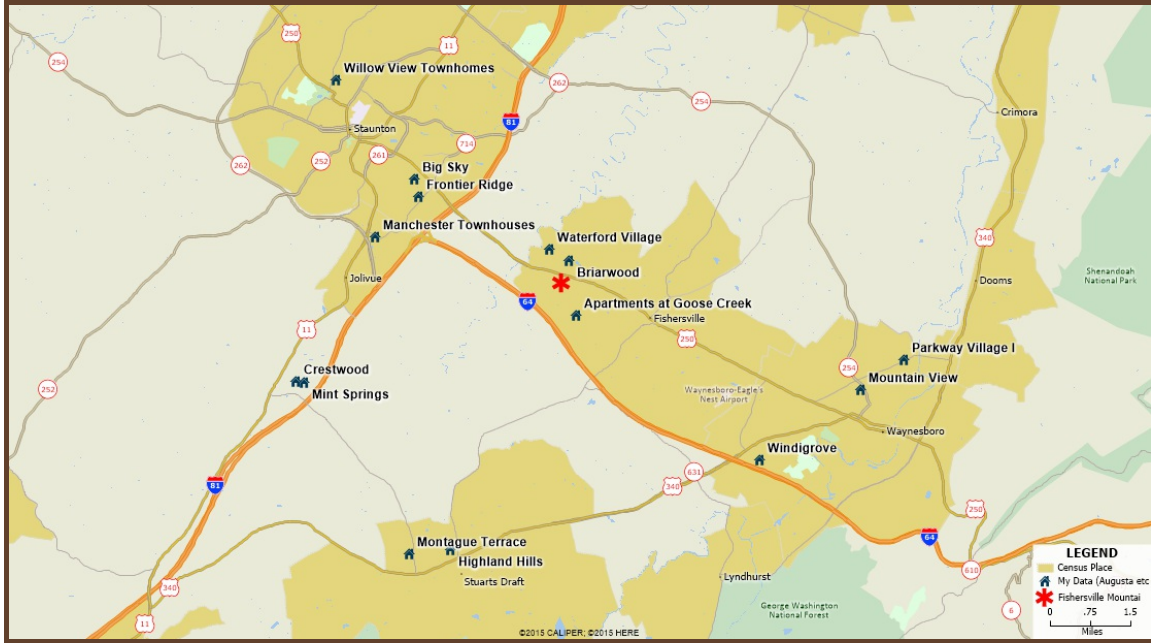
The various complexes surveyed are summarized as follows:

Complex name	Location	Financing	Year built	Total units	Vacant units	Occupancy (%)
Apartments at Goose Creek	Fishersville	market	2015	204	0	100.0
Big Sky	Staunton	market	2006-2017	249	2	99.2
Briarwood I	Fishersville	USDA/RD	1975	48	2	95.8
Briarwood II	Fishersville	USDA/RD	1976	44	0	100.0
Crestwood	Mint Springs	USDA/RD	1985	48	2	95.8
Frontier Ridge	Staunton	LIHTC	2006	100	4	96.0
Highland Hills	Stuarts Draft	USDA/RD/market	1979	124	n/a	n/a
Manchester Townhouses	Staunton	market	1973	156	2	98.7
Maple Ridge Townhouses	Fishersville	market	2012	42	0	100.0
Mint Spring	Mint Springs	USDA/RD	1979	60	3	95.0
Montague Terrace	Stuarts Draft	LIHTC	2012	96	n/a	n/a
Mountain Laurel Manor I	Staunton	LIHTC	2019	48		
Mountain Laurel Manor II	Staunton	LIHTC	2020	48		
Mountain View	Waynesboro	market	1978	129	3	97.7
Parkway Village	Waynesboro	HUD §8	1978	126	5	96.0
Waterford Village	Staunton	LIHTC	2010	96	2	97.9
Willow View Townhouses	Staunton	HUD §8	1979	110	1	99.1
Windigrove	Waynesboro	market	2014	234	0	100.0

	0 br/1ba			1 br/1ba		
	number	size (sq. ft.)	rent	number	size (sq. ft.)	rent
Mountain Laurel Manor III						
Apartments at Goose Creek				n/a	805	\$1,025-1,120
Big Sky				n/a	905-1,237	\$945-1,065
Briarwood I				18	n/a	boi
Briarwood II						
Crestwood				32	n/a	boi
Frontier Ridge						
Highland Hills				8	n/a	boi
Manchester Townhouses						
Maple Ridge Townhouses						
Mint Spring						
Montague Terrace						
Mountain Laurel Manor I						
Mountain Laurel Manor II						
Mountain View						
Parkway Village				28	n/a	boi
Waterford Village						
Willow View Townhouses						
Windigrove				38	918-1,218	\$1,065-1,145

	2 br/1-1½ ba			2 br/2 ba		
	number	size (sq. ft.)	rent	number	size (sq. ft.)	rent
Mountain Laurel Manor III				28	919-932	\$330-755
Apartments at Goose Creek				n/a	1,155	\$1,195-1,290
Big Sky				n/a	1,076-1,509	\$1,045-1,290
Briarwood I	30	n/a	boi			
Briarwood II	44	n/a	boi			
Crestwood	16	n/a	boi			
Frontier Ridge				50	959	\$668
Highland Hills	116	n/a - 735	boi/\$675			
Manchester Townhouses	156	800	\$769-825			
Maple Ridge Townhouses	28	900	\$745			
Mint Spring	60	n/a	boi			
Montague Terrace				54	1,068	
Mountain Laurel Manor I				28	919	\$475-760
Mountain Laurel Manor II				28	919	\$475-745
Mountain View	129	750	\$612			
Parkway Village	62	n/a	boi			
Waterford Village				48	1,084	\$651
Willow View Townhouses	54	n/a	boi			
Windigrove				n/a	1,267-1,506	\$1,125-1,225

	3 br/1-1½ ba		3 br/2+ ba			
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
Mountain Laurel Manor III				20	1,153-1,159	\$840-1,100
Apartments at Goose Creek				n/a	1,357	\$1,370-1,445
Big Sky				n/a	1,304-1,557	\$1,175-1,385
Briarwood I						
Briarwood II						
Crestwood						
Frontier Ridge				50	1,234	\$768
Highland Hills						
Manchester Townhouses						
Maple Ridge Townhouses				14	1,100	\$885
Mint Spring						
Montague Terrace				40	1,194	
Mountain Laurel Manor I				20	1,153-1,159	\$860
Mountain Laurel Manor II				20	1,153-1,159	\$815
Mountain View						
Parkway Village				28	n/a	boi
Waterford Village				48	1,206	\$752
Willow View Townhouses				48	n/a	boi
Windigrove				n/a	1,450	\$1,275-1,325





Apartments at Goose Creek

Location: 80 Goose Point Lane, Fishersville
 Year built: 2015

Total units: 204
 Typical occupancy: 100%

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	n/a	n/a	n/a
Unit size (sq. ft.):	805	1,155	1,357
Rent:	\$1,025-1,120	\$1,195-1,290	\$1,370-1,445
Rent/sq. ft.:	\$1.33	\$1.08	\$1.04
Vacant units:	0, overall		

Management: Denstock (Christine - 540.712.2459 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity Cable

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Big Sky

Location: 107 Community Way, Staunton
 Year built: 2006 and 2017

Total units: 249
 Typical occupancy: 95-100%

	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	n/a	n/a	n/a
Unit size (sq. ft.):	905-1,237	1,076-1,509	1,304-1,557
Rent:	\$945-1,065	\$1,045-1,290	\$1,175-1,385
Rent/sq. ft.:	\$0.94	\$0.90	\$0.89
Vacant units: 2, overall			

Management: Park Properties (Lisa - 540.213.0234 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Briarwood I

Location: Briarwood Circle, Fishersville
 Financing: USDA/RD § 515
 Year built: 1975

Total units: 48
 Rental assistance: 45
 Typical occupancy: 95-100% (waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	18	30
Unit size (sq. ft.):	n/a	n/a
Basic rent:	\$568	\$590
Market rent:	\$680	\$714
Vacant units: 2, overall		

Management: Knopp Enterprises (Jeanine - 540.885.0836 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Briarwood II

Location: Briarwood Circle, Fishersville
 Financing: USDA/RD § 515
 Year built: 1976

Total units: 44
 Rental assistance: 40
 Typical occupancy: 95-100% (waiting list)

2 br/1 ba

Units: 44
 Unit size (sq. ft.): n/a
 Basic rent: \$588
 Market rent: \$732
 Vacant units: 0

Management: Knopp Enterprises (Jeanine - 540.885.0836 [1/28])
 Telephone: on site management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Crestwood

Location: Spring Crest Lane, Mint Springs
 Financing: USDA/RD § 515
 Year built: 1985

Total units: 48
 Rental assistance: 48
 Typical occupancy: 95-100% (waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	32	16
Unit size (sq. ft.):	n/a	n/a
Basic rent:	\$543	\$570
Market rent:	\$776	\$802
Vacant units: 2, overall		

Management: Knopp Enterprises (Jeanine - 540.885.0836 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Frontier Ridge

Location: 20 Frontier Drive, Staunton
 Year built: 2006

Total units: 100
 Typical occupancy: 95% ± (waiting list)

	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	50	50
Unit size (sq. ft.):	959	1,234
Rent:	\$668*	\$768*
Rent/sq. ft.:	\$0.70*	\$0.72*
Vacant overall: 4, overall		

Management: Fore Properties (Tricia - 540.887.3337 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies

* Tax Credit



Highland Hills

Location: 31 Highland Hills Lane, Stuarts Draft
 Financing: USDA/RD § 515/market
 Year built: 1979

Total units: 124
 Rental assistance: 0
 Typical occupancy: n/a

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	8	32	84
Unit size (sq. ft.):	n/a	n/a	735
Rent:			\$685
Rent/sq. ft.:			\$0.93
Basic rent:	\$431	\$481	
Market rent:	\$655	\$750	
Vacant units:	n/a		

Management: Koogler Management (Joyce - 540.337.4792 [1/29])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Manchester Townhouses

Location: 41 Manchester Drive, Staunton
Year built: 1973

Total units: 156
Typical occupancy: 95-100%

2 br/1½ ba

Units: 156
Unit size (sq. ft.): 800
Rent: \$790-825
Rent/sq. ft.: \$1.01
Vacant units: 2

Management: Thalhimer (Danielle - 540.885.4580 [1/28])
Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
Wood floor Fireplaces (\$) Patios/balconies



Maple Ridge Townhomes

Location: 36 Red Sunset Lane, Staunton
 Year built: 2012

Total units: 42
 Typical occupancy: 100%

	<u>2 br/1½ ba</u>	<u>3 br/2 ba</u>
Units:	28	14
Unit size (sq. ft.):	900	1,100
Rent:	\$745	\$885
Rent/sq. ft.:	\$0.83	\$0.80
Vacant overall: 0, overall		

Management: Augusta County Rentals (David - 540.255.7000 [1/28])
 Telephone: on site/ management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Mint Springs

Location: Spring Crest Lane, Mint Springs
 Financing: USDA/RD § 515
 Year built: 1979

Total units: 60
 Rental assistance: 53
 Typical occupancy: 100% (waiting list)

2 br/1 ba

Units: 60
 Unit size (sq. ft.): n/a
 Basic rent: \$603
 Market rent: \$750
 Vacant units: 3

Management: Knopp Enterprises (Jeanine - 540.885.0836 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Montague Terrace

Location: 28 Montague Court, Stuarts Draft
 Year built: 2012

Total units: 96
 Typical occupancy: n/a

	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	54	40
Unit size (sq. ft.):	1,068	1,194
Rent:	n/a*	n/a*
Rent/sq. ft.:	n/a*	n/a*
Vacant units: n/a		

Management: JDC Management (540.416.4384)
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies

* Tax credit



Mountain View

Location: 1625 Wickham Lane, Waynesboro
Year built: 1978 (2013 rehab)

Total units: 129
Typical occupancy: 100%

2 br/1 ba

Units: 129
Unit size (sq. ft.): 750
Rent: \$612*
Rent/sq. ft.: \$0.82*
Vacant units: 3

Management: South River (540.942.5718 [1/28])
Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
Wood floor Fireplaces (\$) Patios/balconies

* tax credit



Parkway Village

Location: 1001 Hopeman Parkway, Waynesboro
 Financing: HUD § 8
 Year built: 1978

Total units: 126
 Rental assistance
 Typical occupancy: 100% (waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>3 br/1 ba</u>	<u>4 br/2 ba</u>
Units:	28	62	28	8
Unit size (sq. ft.):	n/a	n/a	n/a	n/a
Contract rent:	\$489-504	\$616-630	\$688-719	\$811
Vacant units: 5, overall				

Management: TM Associates (Monika - 540.943.4075 [1/29])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Waterford Village

Location: 80 Imperial Drive, Staunton
 Year built: 2010

Total units: 96
 Typical occupancy: 93-94% (waiting list)

2 br/2 ba 3 br/2 ba

Units:	48	48
Unit size (sq. ft.):	1,084	1,206
Rent:	\$651*	\$752*
Rent/sq. ft.:	\$0.60*	\$0.62*

Vacant units: 2, overall

Management: JDC Management (Kathy - 540.416.4178 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies

* Tax credit



Willow View Townhouses

Location: 102 Baylor Street, Staunton
 Financing: HUD § 8
 Year built: 1979

Total units: 110
 Rental assistance
 Typical occupancy: 100% (waiting list)

	<u>2 br/1 ba</u>	<u>3 br/2 ba</u>	<u>4 br/2 ba</u>
Units:	54	48	8
Unit size (sq. ft.):	n/a	n/a	n/a
Contract rent:	\$634	\$761	\$844
Vacant units: 1, overall			

Management: Ledic Management (Jessica - 540.887.5088 [1/29])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies



Windigrove

Location: 357 Windigrove Drive, Waynesboro
 Year built: 2014

Total units: 234
 Typical occupancy: 97-100% (waiting list)

	<u>1 br/1 ba</u>	<u>1 br/1 ba</u>	<u>2 br/2 ba</u>	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	16	22	78	66	52
Unit size (sq. ft.):	918	1,218	1,267	1,506	1,450
Rent:	\$1,065	\$1,145	\$1,125-1,150	\$1,225	\$1,275-1,325
Rent/sq. ft.:	\$1.16	\$0.94	\$0.90	\$0.81	\$0.90
Vacant units:	0, overall				

Management: Park Properties (Alicia - 540.949.7158 [1/28])
 Telephone: on site / management site visit other

Utilities in rent: Water/Sewer Trash Heat Electricity

Amenities: Club House/Community Room Fitness center Pool Tennis Playground
 Business Center Security/ gate Garages Carport Laundry

Unit features: Microwave Dishwasher Washer/Dryer (\$) Washer/Dryer Hook-up
 Wood floor Fireplaces (\$) Patios/balconies

I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES

Demand Analysis

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available.

Income is a key variable in the analysis of housing markets. Of the 48 units proposed, five will be targeted to households with incomes up to 30 percent of the median, 19 will be targeted to households with incomes up to 50 percent of the median, with 19 targeted at 60 percent of the median, and five units targeted at 80 percent of the median (and therefore applying income averaging). Thus, the apartments qualify for low income housing tax credit status.

The HUD income limits for Augusta County (the Staunton-Waynesboro MSA) are set out below. The median income for Augusta County in 2018 is \$64,3000 - having been \$64,500 in 2017, and \$57,700 in 2008. This represents a 0.3 percent decrease over the previous year, and an 11.4 percent increase over the last decade (or an average of 1.09 percent per year).

The maximum housing expenses for the proposed units are based on these income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities).

Table 18 - Income Limits and Maximum Housing Costs

Income Limits				
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>
1 person	\$13,530	\$22,550	\$27,060	\$36,080
2 person	\$15,480	\$25,800	\$30,960	\$41,280
3 person	\$17,400	\$29,000	\$34,800	\$46,400
4 person	\$19,320	\$32,200	\$38,640	\$51,520
5 person	\$20,880	\$34,800	\$41,760	\$55,680
6 person	\$22,440	\$37,400	\$44,880	\$59,840
Maximum Housing Costs				
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>
2 bedroom	\$435	\$725	\$870	\$1,160
3 bedroom	\$503	\$838	\$1,005	\$1,340

Source: HUD

Information as to rents and income targeting are set out in Table 19, below

Table 19 - Rents and Income Targeting

proposed units and rent targeting					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total</u>
2 bedroom	5	19	4	0	28
3 bedroom	0	0	15	5	20
total	5	19	19	5	48
proposed units and income targeting					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total</u>
2 bedroom	5	19	4	0	28
3 bedroom	0	0	15	5	20
total	5	19	19	5	48
proposed rents					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	
2 bedroom	\$330	\$619	\$755		
3 bedroom			\$840	\$1,100	
proposed rents as a proportion (%) of maximum					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	
2 bedroom	99.7	99.7	98.6		
3 bedroom			95.7	90.7	

Source: Applicant; T Ronald Brown: Research & Analysis

The utility allowances for the proposed development are \$104 and \$126 for the two-, and three-bedroom units, respectively

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall at the maximum allowable for the units targeted at 30 percent and 50 percent of the median, and around 96 to 99 percent of the maximum for the units targeted at 60 percent. The rents for the units targeted at the 80 percent of the median are seen to be 91 percent of the maximum allowable at that level.

Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of

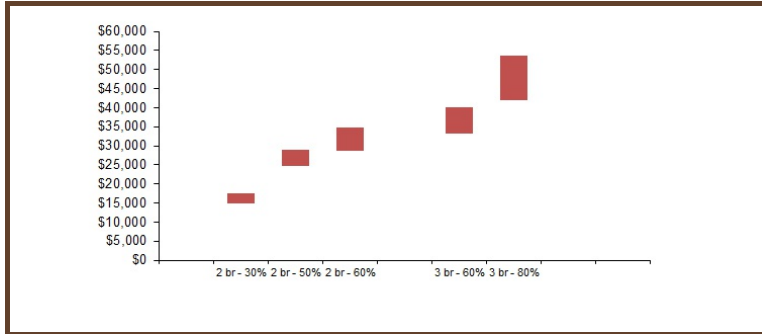
their income on housing costs (rent and utilities). The upper limits are a function of household size - based on a standard of one and one-half persons per bedroom. The qualifying income limits for one- and four bedroom units are based on the proposed rents level relative to the maximum allowable.

Table 20 - Qualifying Income Ranges

<u>30 percent</u>		
	lower	upper
2 bedroom	\$14,880	\$17,400
3 bedroom	\$17,211	\$20,100
<u>50 percent</u>		
	lower	upper
2 bedroom	\$24,789	\$29,000
3 bedroom	\$28,697	\$33,500
<u>60 percent</u>		
	lower	upper
2 bedroom	\$28,594	\$34,800
3 bedroom	\$33,154	\$40,200
<u>80 percent</u>		
	lower	upper
2 bedroom	\$36,309	\$46,400
3 bedroom	\$42,069	\$53,600

Source: Applicant; T Ronald Brown: Research & Analysis

The various qualifying income ranges, by bedroom mix and income targeting are illustrated, below. Any gaps and/or overlaps between these target income ranges will necessarily be taken into consideration in our calculations.



The major variables to be examined are tenure and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the market area for the proposed complex, are set out below.

Table 21 - Household Income, Renter Households

Income	All Renters		Overburdened Renters	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Up to \$10,000	1,171	9.5	809	18.9
\$10,000 - \$19,999	2,575	21.0	1,778	41.5
\$20,000 - \$34,999	2,891	23.5	1,453	33.9
\$35,000 - \$50,000	2,021	16.4	146	3.4
\$50,000 - \$75,000	1,724	14.0	102	2.4
\$75,000 - \$100,000	1,081	8.8	0	0.0
\$100,000 and over	826	6.7	0	0.0
Total	12,289		4,288	34.9

Source: 2013 to 2017 American Community Survey; T.Ronald Brown: Research & Analysis

As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2013 to 2017 - and not for a specific year.

From this table it can be seen that 9.5 percent of the market area renter households have incomes less than \$10,000, and a further 21.0 percent have incomes between \$10,000 and \$20,000. Around 23.5 percent of renters are seen to be in the \$25,000 to \$35,000 income range. Around 35 percent of all renters are rent-overburdened. This table also illustrates how rent-overburdened households are concentrated in the lower income groups.

Based on the income ranges set out in Table 20 and the income distribution set out in Table 21, it is found that around 5.3 percent of renter households qualify for units at the 30 percent of the median, 6.7 percent of market area renter households qualify for units at 50 percent of the median, and the corresponding figures for units at the 60 percent and 80 percent levels are 8.7 percent and 11.7 percent.

Projections of need and demand are based upon a 2019 to 2024 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

Based on the projections set out in Table 13, a total of 1,088 new rental units are needed between 2019 and 2024. A total of 353 units will be for households eligible for the proposed project (58 with incomes at 30 percent of the median, 73 with incomes qualifying at 50 percent of the median, 95 qualifying at the 60 percent level, and a further 127 qualifying at the 80 percent level).

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of as many as 4,724 renter households in the qualifying income range in the project market area - 778 at the 30 percent level, 976 at the 50 percent level, and 1,269 households at the 60 percent level, and 1,703 at the 80 percent level.. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. With respect to existing households in the project market area it is found that, based on the most recent American Community Survey data, as many as 65.7 percent of renters at the 30 percent income level are rent-overburdened and 46.4 percent of renters qualifying for units at 50 percent of the median are rent-overburdened. Likewise, 32.4 percent and 13.9 percent of those qualifying for units at the 60 percent and 80 percent levels, respectively, are rent-overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of rental units due to demolition, abandonment, obsolescence and the like. This substandard housing component is based on an annual average rate of 0.9 percent of the rental housing stock. This rate is based on data from the HUD American Housing Survey publication "Components of Inventory Change:2007-2009" published in May 2011. Based on the number of rental units in the project market area, this translates to a need for an additional 216 units, total.

Total demand is therefore seen to amount to 2,179 units. These figures are based on a 2019 to 2024 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area. Two directly comparable projects have been added in the project market area over the projection period - the 48-unit first phase of the Mountain Laurel Manor property and the 48-unit second phase at that property: a total of 96 new units. No other complexes have been funded or are under construction. The net need is therefore for 2,083 units

The preceding calculations are summarized in the table on the following page.

Table 22 - Demand Calculations

	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total *</u>
(i) income eligible new renter households	58	73	95	127	353
(ii) income eligible existing renter households	776	976	1,269	1,703	4,724
(iii) existing households, likely to move	510	453	411	237	1,610
(iv) need from obsolete housing	36	45	58	78	216
Total demand (i)+(iii)+(iv)	603	570	564	442	2,179
Supply	0	48	48	0	96
Net demand	603	522	516	442	2,083
* Excluding gap/overlap note: totals may not add due to rounding					

Source: T. Ronald Brown: Research & Analysis

Demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 31 percent of the total, two-bedroom units should account for 43 percent of the total, and three-bedroom units should account for 22 percent of the total with four- or more bedroom units accounting for 4 percent.

Capture rates are illustrated in the table, below.

Table 23 - Capture Rates

	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total*</u>
Total demand					
1 bedroom	186	176	174	136	672
2 bedroom	261	247	244	191	943
3 bedroom	133	126	125	98	482
4 bedroom	23	21	21	17	82
Total	603	570	564	442	2,179
Supply					
1 bedroom	0	0	0	0	0
2 bedroom	0	48	8	0	56
3 bedroom	0	0	40	0	40
4 bedroom	0	0	0	0	0
Total	0	48	48	0	96
Net demand					
1 bedroom	186	176	174	136	672
2 bedroom	261	199	236	191	887
3 bedroom	133	126	85	98	442
4 bedroom	23	21	21	17	82
Total	603	522	516	442	2,083
Units proposed					
1 bedroom	0	0	0	0	0
2 bedroom	5	19	4	0	28
3 bedroom	0	0	15	5	20
4 bedroom	0	0	0	0	0
Total	5	19	19	5	48
Capture rates					
1 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
2 bedroom	1.9%	2.0%	1.7%	0.0%	3.2%
3 bedroom	0.0%	11.9%	17.7%	5.1%	4.5%
4 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
Total	0.8%	3.6%	3.7%	1.1%	2.3%
<i>* Excluding gap/overlap</i>					

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 48-unit development amounts to 2.3 percent of the total net need.

The capture rate, by bedroom, is determined to be 3.2 percent for the 28 two-bedroom units, and 4.5 percent for the 20 three-bedroom units.

The five units targeted at 30 percent of the median amount to 0.8 percent of the demand at that target income level. The 19 units at 50 percent of the median amount to 3.6 percent of demand at that target level, and the 19 units targeted at the 60 percent level amount to around 3.7 percent of demand at that level. The five units targeted at 80 percent represent 1.1 percent of demand at that level.

The capture rates presented above are considered very reasonable for this property.

Affordability Analysis

Here, an affordability analysis addresses the total number of income eligible renter households in the market are relative to the size of the proposed development.

The minimum income is that associated with the rent for the least expensive unit offered, and the upper limit is based on the 80 percent limit (the highest target income range) for the largest unit size, by number of bedrooms. Here, the lower income is seen to be that for the proposed two-bedroom units that will be targeted to households at the 30 percent level. That is, \$330 per month. Given a \$104 utility allowance and a 35 percent rent-to-income ratio, the lower qualifying income is seen to be \$11,314. The upper income is \$53,600. Based on the income data set out in Table 21, there are found to be as many as 7,634 renter households in that range. Thus, the proposed 48-unit development corresponds to a 0.5 percent affordability analysis capture rate.

Penetration rate.

A penetration rate is defined, for the purposes of this analysis, as the proportion of income-eligible households needed to fill the proposed development, plus those in existing competitive units, plus any in competitive units that are approved and funded for future development.

The lower income limit for this analysis is the income needed to afford the least expensive competitive unit in the market (or the rent for the least-expensive proposed unit, if lower), and the upper income limit is the upper income limit for the competitive units (or the proposed units, if higher). Our survey of the existing, competitive inventory, shows that the lowest two bedroom units are those for the more deeply targeted units at the proposed development. Thus, given the rents for the proposed development, the target income range for this market is that for the proposed development. That is, from \$11,314 to \$53,600. Thus, given that there are as, noted, 7,634 qualifying renter households in the market area. It is seen that 48 units are proposed, and there are three existing comparable tax credit properties units, with two 48-unit projects funded for future construction. These properties - Frontier Ridge, Montague Terrace, and Waterford Village - amount to a total of 292 comparable units, plus the 96 units at the first and second phases of Mountain Laurel Manor, plus the proposed 48 units, yields 436 units. Thus, the penetration rate - as defined - amounts to 5.7 percent.

Summary

Consideration of the capture rate (2.3 percent) and the (0.5 percent) affordability analysis capture rate and (5.7 percent) penetration rate suggests that the proposed development is very marketable, as proposed.

J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a potential source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages). The site manager at Frontier Ridge believes a new project is a good idea - and notes that there is more need in the county on the basis of the area's schools. The manager at Waterford Village believes that a new property could be accommodated - she states that there are quite a few tax credit projects in the area already, but that the market is growing.

K. ANALYSIS/CONCLUSIONS

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated three- to-four- month period, or so. This is likely to be abbreviated assuming that the waiting list for the initial phases can be draw-on.

Based on the proposed development's site, bedroom mix, amenities and features, utility provision and costs, the proposed development is considered marketable and should be well-accepted in this market, property.

The site location will offer a significant advantage as will the proposed rents, particularly those set to be affordable to households at 30 percent of the median.

The proposed development should not have a negative impact on existing housing.

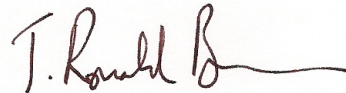
It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

L. OTHER REQUIREMENTS

Statement and signature

I affirm the following:

1. that 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 statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by the Virginia Housing Development Authority.
4. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of 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 reservation or allocation of tax credits.



Market Analyst

March 12, 2019

As affirmed in the Scope of Work, there is no identity of interest between the analyst and the entity for which the report has been prepared.

Similarly, the recommendations and conclusions are based solely on the analyst's experience, opinion, and best efforts.

Analyst Qualifications

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis.

The President of the firm is T. Ronald Brown. He has 35 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last two decades or so, Mr. Brown has produced around 3,000 studies in at least 20 states, predominantly in the Southeast.

Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including low income tax credit financed projects) and subsidized housing.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.

List of sources

The foregoing report contains information from a variety of sources - those sources (such as contact numbers for property interviews) are cited at the appropriate place in the report itself. The major sources of data include:

The U.S. Census - 2000 and 2010, and the American Community Survey (2013-2017)

Virginia Housing Development Authority

U.S. Department of HUD

U.S. Department of Agriculture

Virginia State Data Center/Weldon Cooper Center for Public Service

Virginia Employment Commission

Virginia Economic Development Partnership

Augusta County, City of Staunton, City of Waynesboro

U.S. Bureau of Labor Statistics

HUDUSER (e.g., SOCDs building permits database)

Market study checklist

	Page(s)
A. Executive Summary	
Executive Summary	1-2
B. Scope of Work	
Scope of Work	3
C. Project Description	
Unit mix inc. bedrooms, bathrooms, sq. footage, rents and income targeting	5
Utilities (and utility sources) included in rent	5
Target market/population description	5
Project description inc. unit features and community amenities	5
Date of construction/preliminary completion	5
Scope of work, existing rents, and existing vacancies (rehabilitation)	5
D. Location	
Concise description of the site and adjacent parcels	9
Site photos/maps	10-14
Map of community services	17
Site evaluation/neighborhood inc. visibility, accessibility and crime	15-17
E. Market area	
Market area description	18
Market area map	19
F. Employment and Economy	
Employment trends	20
Employment by sector	21
Unemployment rates	22
Major employers/employment centers and proximity to site	23
Recent or planned employment expansions/reductions	24
G. Demographic Characteristics	
Population and household estimates and projections	28-29
Area building permits	35
Population and household characteristics inc. income, tenure, and size	28-34
For senior or special need projects, data specific to target market	n/a
H. Competitive Environment	
Comparable property profiles and photos	39-58
Map of comparable properties	42
Existing rental housing evaluation inc. vacancy and rents	39-41
Comparison of subject to comparable properties	39-41
Discussion of availability and cost of other affordable housing options	n/a
Rental communities under construction, approved, or proposed	36,63
Data specific to target market (senior/special needs)	n/a
I. Affordability, Demand, and Penetration Rate Analysis	
Estimate of demand	59-67
Affordability analysis, with capture rate	68
Penetration rate analysis with capture rate	68
J. Analysis/Conclusions	
Absorption rate and estimated stabilized occupancy for subject	70
Evaluation of proposed rent levels, inc estimate of market rent	38
Precise statement of key conclusions	70
Market strengths and weaknesses impacting project	70
Product recommendations and/or suggested modifications to subject	70
Discussion of subject property's impact on existing housing	70
Discussion of risks or other mitigating circumstances impacting subject	70
Interviews with area housing stakeholders	69
K. Other Requirements	
Certifications	71-72
Statement of qualifications	73
Sources of data not otherwise identified	74

MARKET STUDY TERMINOLOGY

The following presents the accepted definitions of various terms typically found in real estate market studies. These definitions are typically followed unless reviewing agency requirements differ.

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 premarketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

Absorption rate - the average number of units rented each month during the *absorption period*.

Acceptable rent burden - the rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

Achievable rents - See *Market Rent, Achievable Restricted Rent*.

Affordable housing - housing affordable to low or very low-income tenants.

Amenity - tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs, services and activities.

Annual demand - the total estimated demand present to the market in any one year for the type of units proposed.

Assisted housing - housing where federal, state or other programs *subsidize* the monthly costs to the tenants.

Bias - a proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.

Capture rate - the percentage of age, size, and income qualified renter households in the *primary market area* that the property must capture to fill the units. 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. The *Capture Rate* is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the *primary market area*. See also: penetration rate.

Comparable property - a property that is representative of the rental housing choices of the subject's *primary market area* and that is similar in construction, size, amenities, location, and/or age. Comparable and *competitive* properties are generally used to derive market rent and to evaluate the subject's position in the market.

Competitive property - a property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.

Comprehensive market study - NCHMA (the National Council of Housing Market Analysts) defines a comprehensive market study for the purposes of IRC Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRC Section 42 request for completion of a market study by a 'disinterested party.'

Concession - discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).

Demand - the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

Effective rents - contract rent less concessions.

Household trends - changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.e. at marriage or separation), changes in average household size, and net *migration*.

Income band - the range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined *acceptable rent burden* percentage and the maximum typically is pre-defined by specific program requirements or by general market parameters.

Infrastructure - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

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. $(\text{market rent} - \text{proposed rent}) / \text{market rent} * 100$

Market analysis - a study of real estate market conditions for a specific type of property.

Market area - See primary market area.

Market demand - the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.

Market rent - the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

Market study - a comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography.

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, economic - percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.

Market vacancy rate, physical - average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

Migration - the movement of households into or out of an area, especially a *primary market area*.

Mixed income property - an apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50%, and 60%).

Mobility - the ease with which people move from one location to another.

Move-up demand - an estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to new tax credit properties.

Multi-family - structures that contain more than two housing units.

Neighborhood - an area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

Net rent (also referred to as contract rent or lease rent) - Gross rent less *tenant paid utilities*.

Penetration rate - The percentage of age and income qualified renter households in the *primary market area* that all existing and proposed properties, to be completed with six months of the subject, and which are competitively priced to the subject that must be captured 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. Units in all proposals / households in market * 100, see also: capture rate.

Pent-up demand - a market in which there is a scarcity of supply and vacancy rates are very low.

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.

Programmatic rents - See *restricted rents*.

Project based rent assistance - rental assistance from any source 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.

Redevelopment - the redesign or rehabilitation of existing properties.

Rent burden - gross rent divided by adjusted monthly household income.

Rent burdened households - households with *rent burden* above the level determined by the lender, investor, or public program to be an acceptable rent-to-income.

Restricted rent - the rent charged under the restrictions of a specific housing program or subsidy.

Restricted rent, achievable - the rents that the project can attain taking into account both market conditions and rent in the *primary market area* and income restrictions.

Saturation - the point at which there is no longer demand to support additional unit. Saturation usually refers to a particular segment of a specific market.

Secondary market area - the portion of a market that supplies additional support to an apartment property beyond that provided by the primary market area.

Special needs population - specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs population include: substance abusers, visually impaired person or persons with mobility limitations.

Stabilized level of occupancy - the underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

Subsidy - monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's *contract rent* and the amount paid by the tenant toward rent.

Substandard conditions - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

Target income band - the *income band* from which the subject property will draw tenants.

Target population - the market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

Tenant paid utilities - the cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.

Turnover period - 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period. Housing units with new occupants / housing units * 100 2. The percent of occupants in a given apartment complex that move in one year.

Unmet housing need - new units required in the market area to accommodate household growth, homeless people, and housing in substandard conditions.

Unrestricted rents - rents that are not subject to *restriction*.

Unrestricted units - units that are not subject to any income or rent restrictions.

Vacancy period - the amount of time that an apartment remains vacant and available for rent.

Vacancy rate-economic vacancy rate - physical - maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

Other Terms

The following terms are also to be found in professional market studies - here, this information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

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.

Attached housing - two or more dwelling units connected with party walls (e.g. townhouses or flats).

Basic rent - the maximum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

Below Market Interest Rate program (BMIR) - Program targeted to renters with income not exceeding 80% or area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

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.

Central Business District (CBD) - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

Community Development Corporation (CDC) - entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

Condominium - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

Contract rent - 1. The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

Difficult Development Area (DDA) - an area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.

Detached housing - a freestanding dwelling unit, typically single-family, situated on its own lot.

Elder or senior housing - housing where (1) all units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

Extremely low income - person or household with income below 30% of the Area Median Income adjusted for household size.

Fair Market Rent (FMR) - the estimates established by HUD of the Gross rents (Contract rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally set FMR so that 40% of the rental units have rents below FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50th percentile of rents.

Garden apartments - apartments in low-rise buildings (typically two or four stories) that feature low density, ample open-space around buildings, and on-site parking.

Gross rent - the monthly housing cost to a tenant which equals the Contract rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.

High-rise - a residential building having more than ten stories.

Household - one or more people who occupy a housing unit as their usual place of residence.

Housing unit - house, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

Housing Choice Voucher (Section 8 Program) - federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households in the use of the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

Housing Finance Agency (FHA) - state or local agencies responsible for financing housing and administering assisted housing programs.

HUD Section 8 Program - federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of tenants' adjusted income.

HUD Section 202 Program - federal program which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. 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. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

HUD Section 811 Program - federal program which provides direct capital assistance and operating of rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 510(c)(3) nonprofit organization.

HUD Section 236 Program - federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who 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.

Income limits - maximum household income by county or Metropolitan Statistical Area, 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. HUD publishes income limits each year for 30% median. Very low income (50%), and low income (80%), for households with 1 through 8 people.

Low income - person or household with gross household income below 80% of Area Median Income adjusted for household size.

Low income housing tax credit - a program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on those units be restricted accordingly.

Low rise building - a building with one to three stories.

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 have 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 county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

Mid-rise - a building with four to ten stories.

Moderate income - person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

Public Housing or Low Income Conventional Public Housing - HUD program administered by local (or regional) Housing Authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

Qualified Census Tract (QCT) - any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of the area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credit may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.

Rural Development (RD) market rent - a monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. The rent is the maximum rent that a tenant can pay at an RD Property.

Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program) - federal program which provides the low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, which is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

Single-family housing - a dwelling unit, either attached or detached, designed for use by one household and with the direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

State Data Center (SDC) - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.

Tenant - one who rents real property from another.

Tenure - the distinction between owner-occupied and renter-occupied housing units.

Townhouse (or Row House) - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called row house.

Very low income - person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

Zoning - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.