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**Need and Demand Analysis For
ZeroPak Apartments
536 North Cameron Street
Winchester, Virginia 22601**

**Prepared For
ZeroPak Development, LLC
P.O. Box 1330
Winchester, Virginia 22604**

**Effective Date
December 22, 2022**

**Date of Report
January 27, 2023**

ZeroPak Apartments Phase I
536 North Cameron Street
Winchester, Virginia 22601



January 27, 2023

Mr. Rick Slagle
ZeroPak Development, LLC
P.O. Box 1330
Winchester, Virginia 22604

Dear Mr. Slagle:

Following is a market study which was completed for Aspen Grove Housing Partners, under the guidelines set forth by Virginia Housing. The subject property is located at 536 North Cameron Street in Winchester, Virginia. The subject consist of a proposed Low Income Housing Tax Credit development to be known as ZeroPak Apartments. The site currently contains a blighted cold storage warehouse that will be substaintially renovated and repurposed into a multifamily development. As complete, the property will consist of one one-, three- and six-story elevator building containing a total of 121 one-, two- and three-bedroom units, clubhouse, meeting room, exercise room, library, package receiving area, telephonic/virtual healthcare services, leasing office and maintenance area. The subject will be Low Income Housing Tax Credit (LIHTC) at 60 percent of the area median income. The building will have a predominantly brick exterior and a flat roof.

The purpose of the following market study is to determine if the community has a need for the proposed subject units. To do so, the analyst, Samuel T. Gill, utilized data from the U.S. Census Bureau; Claritas and Ribbon Demographics, 2022 Data; and various other demographic resources. Community information and opinion was also utilized. This information was collected during a field survey conducted by Samuel T. Gill while visiting the site and area on December 22, 2022. An attempt was made to survey 100 percent of all competitive housing in the area.

I certify that there is not now nor will there be an identity of interest between or among the applicant, contractor, architect, engineer, attorney, interim lender, subcontractors, material suppliers, equipment lessors or any of their members, directors, officers, stockholders, partners or beneficiaries without prior written identification to Virginia Housing and written consent to such identity of interest by Virginia Housing. All recommendations and conclusions are based solely on the professional opinion and best efforts of the analysts. This statement is given for the purpose of inducing the United States of America to make a loan as requested in the loan pre-application or application of which this statement is a part.

The proposal, ZeroPak Apartments, will include 121 apartment units financed by 4% Low Income Housing Tax Credit (LIHTC) equity. The report is in support of the 4% 121-unit proposal.

A handwritten signature in black ink that reads "Samuel T. Gill".

Samuel T. Gill
Market Analyst



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CERTIFICATION

This is to certify that a field visit was made by the market analyst or one of his associates and information was obtained from publications of federal, state and local agencies. Interviews were held with apartment owners or managers, local officials and others as appropriate who may be knowledgeable of the housing market in Winchester.

In accordance with Virginia Housing, I hereby certify that the information provided in this Market Study was written according to Virginia Housing's market study requirements and is truthful and accurate to the best of my knowledge and belief. The estimates of demand for family housing made by this report are based on the assumption of a free market situation, unencumbered by local mores, affirmative fair housing marketing or prejudice toward the site location.

This is to affirm that I will receive no fees which are contingent upon approval of the project by Virginia Housing, before or after the fact, and that I will have no interest in the housing project.

A handwritten signature in cursive script that reads "Samuel T. Gill".

Samuel T. Gill
Market Analyst

Tax ID Number: 43-1352932

January 27, 2023



IDENTITY OF INTEREST

I understand and agree that Virginia Housing will consider an identity of interest to exist between the loan applicant as the party of the first part and general contractors, architects, engineers, attorneys, interim lenders, subcontractors, material suppliers or equipment lessors as parties of the second part under any of the following conditions:

1. When there is any financial interest of the party of the first part in the party of the second part;
2. When one or more of the officers, directors, stockholders or partners of the party of the first part is also an officer, director, stockholder or partner of the party of the second part;
3. When any officer, director, stockholder or partner of the party of the first part has any financial interest whatsoever in the party of the second part;
4. When the party of the second part advances any funds to the party of the first part other than an interim lender advancing funds to enable the applicant to pay for construction and other authorized and legally eligible expenses during the construction period;
5. When the party of the second part provides and pays on behalf of the party of the first part the cost of any legal services, architectural services or interim financing other than those of the survey, general superintendent or engineer employed by a general contractor in connection with obligations under the construction contract;
6. When the party of the second part takes stock or any interest in the party of the first part as part of the consideration to be paid them; and
7. When there exists or comes into being any side deals, agreements, contracts or undertakings entered into thereby altering, amending or canceling any of the required closing documents or approval conditions as approved by Virginia Housing.

I certify that there is not now nor will there be an identity of interest between or among the applicant, contractor, architect, interim lender, subcontractors, material suppliers, equipment lessors or any of their members, directors, officers, stockholders, partners or beneficiaries without prior written identification to Virginia Housing and written consent to such identity of interest by Virginia Housing. This statement is given for the purpose of inducing the United States of America to make a loan as requested in the loan pre-application or application of which this statement is a part.

There is no identity of interest between the loan applicant and the Market Analyst or Gill Group.

Samuel T. Gill
Market Analyst

January 27, 2023



NCHMA MEMBER CERTIFICATION



Formerly known as
National Council of Affordable
Housing Market Analysts

This market study has been prepared by Gill Group, Inc., a member in good standing of the National Council of Housing Market Analysts (NCHMA). This study has been prepared in conformance with the standards adopted by NCHMA for the market analysts' industry. These standards include the *Standard Definitions of Key Terms Used in Market Studies*, and *Model Content Standards for the Content of Market Studies*. These Standards are designed to enhance the quality of market studies and to make them easier to prepare, understand, and use by market analysts and by the end users. These Standards are voluntary only, and no legal responsibility regarding their use is assumed by the National Council of Housing Market Analysts.

Gill Group, Inc. is duly qualified and experienced in providing market analysis for Affordable Housing. The company's principals participate in the National Council of Housing Market Analysts (NCHMA) educational and information sharing programs to maintain the highest professional standards and state-of-the-art knowledge. Gill Group, Inc. is an independent market analyst. No principal or employee of Gill Group, Inc. has any financial interest whatsoever in the development for which this analysis has been undertaken.

Samuel T. Gill
Market Analyst
Gill Group

January 27, 2023

EXECUTIVE SUMMARY



Executive Summary

It is the opinion of the analyst that a market exists for the proposed 121-unit development designed for families and that there is no need for alterations of any kind. This recommendation is made based on the information included in this report and assuming that the project is completed as detailed in this report. Any changes to the proposed construction of the subject could alter the findings in this report.

Project Description

The subject, ZeroPak Apartments, is a proposed LIHTC development to be designated for families. The property will contain 121 units. The site currently contains a blighted cold storage facility that will be substantially renovated and repurposed into a multifamily development. The developer is applying for an allocation of Low-Income Housing Tax Credits for all units, which will set the income eligibility to individuals earning up to 60 percent of the area median income. Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development.

The following chart lists the subject's proposed unit distribution by unit type, size and rent structure.

MAXIMUM LIHTC RENTS AND UTILITY ALLOWANCES							
Unit Type	# of Units	Average Square Feet	% of Median Income	Maximum LIHTC Rent	Gross Rent	Utility Allowance	Net Rent
1/1	61	833	60%	\$1,023	\$1,023	\$71	\$952
2/2	54	1,146	60%	\$1,228	\$1,228	\$82	\$1,146
3/2	6	1,712	60%	\$1,419	\$1,419	\$102	\$1,317

The development will be restricted to households with incomes up to 60 percent of the area median income. The subject's proposed rental rates are in line with the maximum allowable LIHTC rents.

Income Averaging

The developer has not elected to use the Income-Averaging option.

Housing Profile

The rental housing stock in the market area is comprised of single-family homes and market-rate and income-restricted apartment complexes. The current vacancy rate in surveyed income-restricted apartment complexes is 0.0 percent. The current vacancy rate in surveyed market-rate apartment complexes is 0.7 percent. The current vacancy rate of the competitive properties in the market area is 0.0 percent.

The proposed construction will not have an adverse impact on the market area. As complete, the property will be 100 percent LIHTC at 60 percent of the area median income. There were five income-restricted developments confirmed in the market area. Of the five confirmed income-restricted developments, four will directly compete with the subject. All competing developments maintain high occupancy rates and maintain waiting lists from which the subject could draw residents. Therefore, it does not appear the market area is saturated with affordable housing.

Market Feasibility

The following table shows the capture rate for the proposed development:

CAPTURE RATE	
PROJECT-WIDE CAPTURE RATE - LIHTC UNITS	7.2%
PROJECT-WIDE CAPTURE RATE - MARKET UNITS	N/A
PROJECT-WIDE CAPTURE RATE - ALL UNITS	7.2%
PROJECT-WIDE ABSORPTION PERIOD (MONTHS)	6 Months



The market shows a net demand of 1,678 households for all units. As complete, the property will be 100 percent LIHTC at 60 percent of the area median income. The capture rate for the subject is 7.2 percent, which is considered acceptable. In addition, based on the occupancy rates of apartment complexes in the market area, the existing waiting lists, the projected family population and household growth and the economic factors, it is believed that property will be viable within the market area and will meet the demand for affordable housing in the market area.

Evaluation of Project

The property will be easily accessed via North Cameron Street. North Cameron Street is a primary road also known as U.S. Highway 11, and is a major thoroughfare in the city. Therefore, the subject has good visibility and easy access. The subject's proposed site plan and project design will be similar to competing apartment developments. The subject's proposed unit mix of one-, two, and three-bedroom units will be suitable in the market.

Positive/Negative Attributes

Strengths: The subject's location is comparable to other developments in the market area. Its proposed in-unit and common area amenities will be competitive with the other developments in the market area. When these factors are taken into consideration, the subject's proposed units will provide a good value to prospective tenants.

Weaknesses: There are no apparent weaknesses.

Conclusions

The subject can attain its required share of the market area for the following reasons:

- The subject's proposed design and amenities will be competitive with existing projects in the market area. Therefore, no modifications to the subject are necessary.
- The subject's location have average visibility and easy access. The site is located near all needed services and numerous recreation and shopping opportunities. In addition, the site is suitable for a multifamily development.
- The subject will be superior in condition when compared to the majority of the current housing stock
- The market area's population and households are projected to increase through 2027, indicating a need for additional housing the market area. In addition, all restricted properties confirmed maintain high occupancy rates, and maintain waiting lists. Therefore, it appears the market is not oversaturated with affordable rental housing.
- As there are new and expanding businesses, decreasing unemployment rates, increasing wages and low commuting times, it is anticipated that the area will remain economically stable for the next two to five years.
- The subject will have 121 units. Based on the lease-up rates of recently constructed properties in the market area, the property is anticipated to absorb between 20 to 25 units per month, resulting in a 95 percent occupancy level within five- to six-months.
- According to the past, present and future demographic and economic trends within the primary market area, it is the opinion of the analyst that the proposed development will be suitable for the market area. Given the current low vacancy rates for income-restricted senior properties as well as the waiting lists at several properties, the development will not have an adverse effect on the existing rental comparables and the anticipated pipeline additions to the rental base.

INTRODUCTION AND SCOPE OF WORK



Introduction and Scope of Work

The Scope of Work Rule requires us to gather and analyze information about those assignment elements that are necessary to properly identify the problem to be solved. According to the Standards Rule 1-2, identification of the problem to be solved requires us to identify the following assignment elements.

- Client and any other intended users: The client and developer for this market study assignment is Aspen Grove Housing Partners. The intended users of the report are Aspen Grove Housing Partners and Virginia Housing. No other users are intended.
- Intended use of the analyst's opinions and conclusions: The intended use of this market study is to apply for Low Income Housing Tax Credits through Virginia Housing.
- Effective date of the analyst's opinions and conclusions: The effective date of the rental estimate is December 22, 2022.
- Subject of the assignment and its relevant characteristics: The subject property is a proposed 121-unit apartment complex known as ZeroPak Apartments. The subject is located along the east side of North Cameron Street. Its physical address is 536 North Cameron Street.
- Assignment conditions: Assignment conditions include assumptions, extraordinary assumptions, hypothetical conditions, supplemental standards, jurisdictional exceptions, and other conditions that affect the scope of work. The following assumptions are used in this market study assignment: *The market study was written under the extraordinary assumption that the property will be constructed as indicated in the Scope of Work. This market study was written under the extraordinary assumption that there are no long term impacts from the COVID-19 pandemic. The market rents in the need and demand analysis were determined under the hypothetical condition that the subject will be unrestricted or conventional and not subject to any rent restrictions.*
- An environmental audit was not provided. I am not qualified to complete an environmental audit. The stated opinion of rental rates is predicated on the assumption that no hazardous substances or conditions materially affect the subject property.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. No specific compliance survey or analysis of the identified property has been made to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property will not comply with one or more of the requirements of the Act. If so, this fact could have an adverse impact upon the value of the property. Since there is no direct evidence relating to this issue, it is assumed that no substantial immediate outlays will be mandated by governing authorities to meet ADA requirements.
- Unemployment statistics are based on the information available from the U.S. Department of Labor Bureau of Labor Statistics. The data shown in this report is based on the data available as of the effective date of the analysis. The Department of Labor will periodically revise the data by incorporating additional information that was not available at the time of the initial publication of the estimates. The initial data is revised twice, first within two months of initial publication in order to incorporate additional sample data from respondents in the survey and recalculate seasonal adjustment factors, and second on an annual basis to incorporate a benchmark revision that estimates nearly complete employment counts available from unemployment insurance tax records.
- The U.S. Census Bureau American Community Survey (ACS) uses a series of monthly samples to produce annually updated estimates for the same small areas (census tracts and block groups) formerly surveyed via the decennial census long-form sample. Initially, five years of samples were required to produce these small-area data. Once the U.S. Census Bureau released its first five-year estimates, new small-area statistics were produced annually. The Census Bureau also produces three-year and one-year data products for larger geographic areas.
- The American Housing Survey (AHS) is sponsored by the Department of Housing and Urban Development (HUD) and conducted by the U.S. Census Bureau. The survey provides up-to-date information about the quality and cost of housing in the United States and major metropolitan areas. It also includes questions about the physical condition of homes and neighborhoods, the cost of financing and maintaining homes and the characteristics of people who live in these



homes. The survey is conducted every other year and covers all 50 states and the District of Columbia. The 2015 AHS underwent a major redesign. Prior to this survey, the same households were re-surveyed every two years. A new sample was redrawn in 2015 for the first time since 1985, and new households were asked to participate in the survey. Additionally, the questionnaire was redesigned with some variables added and others dropped or modified. Imputation methods were also streamlined, and the weighting methodology changed. Therefore, some estimates in 2015 are not comparable to previous years.

- The building improvements meet all governing codes, unless otherwise noted in this report.

An **extraordinary assumption**¹ is defined as:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis, which, if found to be false, could alter the appraiser's opinions or conclusions. Uncertain information might include physical, legal or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.

An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The analyst has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The analyst complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.²

A **hypothetical condition**³ is defined as:

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market condition or trends; or about the integrity of data used in an analysis.

A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The analyst complies with the disclosure requirements set forth in USPAP for hypothetical conditions.⁴

¹ Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition Effective January 1, 2020, through December 31, 2022 (The Appraisal Foundation, 2020), pg. 4

² Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition Effective January 1, 2020, through December 31, 2022 (The Appraisal Foundation, 2020), pg. 14

³ Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition Effective January 1, 2020, through December 31, 2022 (The Appraisal Foundation, 2020), pg. 4

⁴ Uniform Standards of Professional Appraisal Practice, 2020-2021 Edition Effective January 1, 2020, through December 31, 2022 (The Appraisal Foundation, 2020), pg. 14



The following extraordinary assumptions are used in this market study consultation assignment: *The market study was written under the extraordinary assumption that the property will be constructed as indicated in the Scope of Work. This market study was written under the extraordinary assumption that there are no long term impacts from the COVID-19 pandemic.*

The following hypothetical condition are used in this market study consultation assignment: *The market rents in the need and demand analysis were determined under the hypothetical condition that the subject will be unrestricted or conventional and not subject to any rent restrictions.*

This market study was completed in accordance with the requirements set forth in Virginia Housing's 2022 Market Study Guidelines.

Samuel T. Gill, State Certified General Real Estate Appraiser and Market Analyst, oversaw and supervised all data collection and analysis and performed the research. The following actions were taken to complete this market study.

- On December 22, 2022, Samuel T. Gill, a Market Analyst, conducted a site inspection and consulted plans to determine the property's proposed physical and functional characteristics. Samuel T. Gill inspected all common areas and at least one unit of each varying type.
- The purpose of this market study is to determine if the community has a need for the subject units. To do so, the analysts utilize data from the U.S. Census Bureau; Claritas and Ribbon Demographics, 2022 Data; and various other demographic resources. Community information and opinion was also utilized. The research retrieved data from several of the following: internet sites, local newspapers and rental publications, city records, owners and managers of local apartment properties, local real estate brokers, fellow analysts and the analyst's office files.
- During the week of December 22, 2022, Samuel T. Gill, inspected the exterior of each comparable property used in the analysis. During the site inspections or in separate telephone interviews, Samuel T. Gill, or one of his associates, spoke with the managers of the comparable properties to confirm all data and to collect additional information about each comparable including size, age, amenities, occupancy rates and general market information. The property manager provided floor plans or other information describing the size of comparable units after it was explained that the interior size was needed.
- Samuel T. Gill, the primary market analyst, completed the data and adjustments columns of the Rent Comparability Grids and determined the final estimate of rents. After completing the Rent Comparability Grids, Samuel T. Gill derived an estimated market rent and an estimated achievable rent for each unit type. Samuel T. Gill also completed the demand, penetration rate and capture rate conclusions through analysis of all aspects of the subject, market area and demographic data available to the analyst.

PROJECT DESCRIPTION



Project Description

Project Name: ZeroPak Apartments
 Location: 536 North Cameron Street
 Winchester, Virginia
 Project Type: Families
 Construction Type: New Construction
 Developer: Aspen Grove Housing Partners
 Area Median Family Income: \$96,400

The subject, ZeroPak Apartments, is a proposed LIHTC development to be designated for families. The property will contain 121 units. The site currently contains a blighted cold storage facility that will be substantially renovated and repurposed into a multifamily development. The developer is applying for an allocation of Low-Income Housing Tax Credits for all units, which will set the income eligibility to individuals earning up to 60 percent of the area median income. Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development.

Project Design

ZeroPak Apartments will be comprised of one one-, three- and six-story elevator building. The site currently contains a blighted cold storage facility that will be substantially renovated and repurposed into a multifamily development. The building will have a basement foundation and masonry framing, with predominantly brick exterior and a flat roof. Landscaping will consist of grass, trees and shrubs. The property will not be a scattered site development.

Unit Features

Each unit will contain the following amenities: refrigerator, range/oven, garbage disposal, dishwasher, microwave, washer, dryer, carpet, wood, concrete and/or ceramic tile flooring, blinds, extra storage and coat closet. Select units will also have a walk-in closet and exposed brick. The units will also have free internet.

Common Amenities and Services

The property will provide the following project amenities: clubhouse, meeting room, exercise room, library, package receiving, telephonic/virtual healthcare services, on-site management, on-site maintenance, intercom entry and common area wi-fi.

Parking

The complex will contain a parking garage with 180 parking spaces. Therefore, the subject will have a parking ratio 1.5 parking spaces per unit.

Utilities

The following table describes the subject property's proposed utility combination.

UTILITY SCHEDULE		
Utility	Type	Who Pays
Heat	Forced Air Electric	Tenant
Air Conditioning	Central Electric	Tenant
Hot Water	Electric	Tenant
Cooking	Electric	Tenant
Other Electric	Electric	Tenant
Cold Water/Sewer	N/A	Landlord
Trash Collection	N/A	Landlord

The landlord will provide cold water, sewer and trash collection services. All remaining utilities will be the responsibility of the tenants.



Unit Mix, Size and Rent Structure

The following chart lists the subject’s proposed unit distribution by unit type, size and rent structure.

MAXIMUM LIHTC RENTS AND UTILITY ALLOWANCES							
Unit Type	# of Units	Average Square Feet	% of Median Income	Maximum LIHTC Rent	Gross Rent	Utility Allowance	Net Rent
1/1	61	833	60%	\$1,023	\$1,023	\$71	\$952
2/2	54	1,146	60%	\$1,228	\$1,228	\$82	\$1,146
3/2	6	1,712	60%	\$1,419	\$1,419	\$102	\$1,317

The development will be restricted to households with incomes up to 60 percent of the area median income. The subject’s proposed rental rates are in line with the maximum allowable LIHTC rents.

The developer is applying for an allocation of Low-Income Housing Tax Credits for all units, which will set the income eligibility to individuals earning up to 60 percent of the area median income.

LIHTC INCOME LIMITS	
Person in Households	60%
1	\$38,220
2	\$43,680
3	\$49,140
4	\$54,600
5	\$58,980
6	\$63,360

Source: HUD

Tenant Services

ZeroPak Apartments will offer telephonic/virtual healthcare services.

Scope of Work

The subject is proposed. Construction will begin in July 2023 and is projected to be complete by October 2024.



Location/Site Characteristics

The subject site consists of one irregular-shaped tract of land that contains a total of 3.749 acres. The subject property is zoned B-1, Central Business District. The subject will be a legal, conforming use. The subject will not be a scattered site development. The site is located in Census Tract #0001.02.

The subject neighborhood is a mixture of single-family residences, multifamily dwellings and commercial/industrial properties, and 95 percent built up. Approximately 40 percent of the land use is comprised of single-family residences. Commercial properties comprise of approximately 30 percent of land use. Multifamily dwellings make up the remaining 20 percent of the area's land use.

Commercial and industrial properties are located to the north of the site. Single-family residences and multifamily dwellings are located to the south, east and west of the site. The area is mostly suburban.

SITE EVALUATION

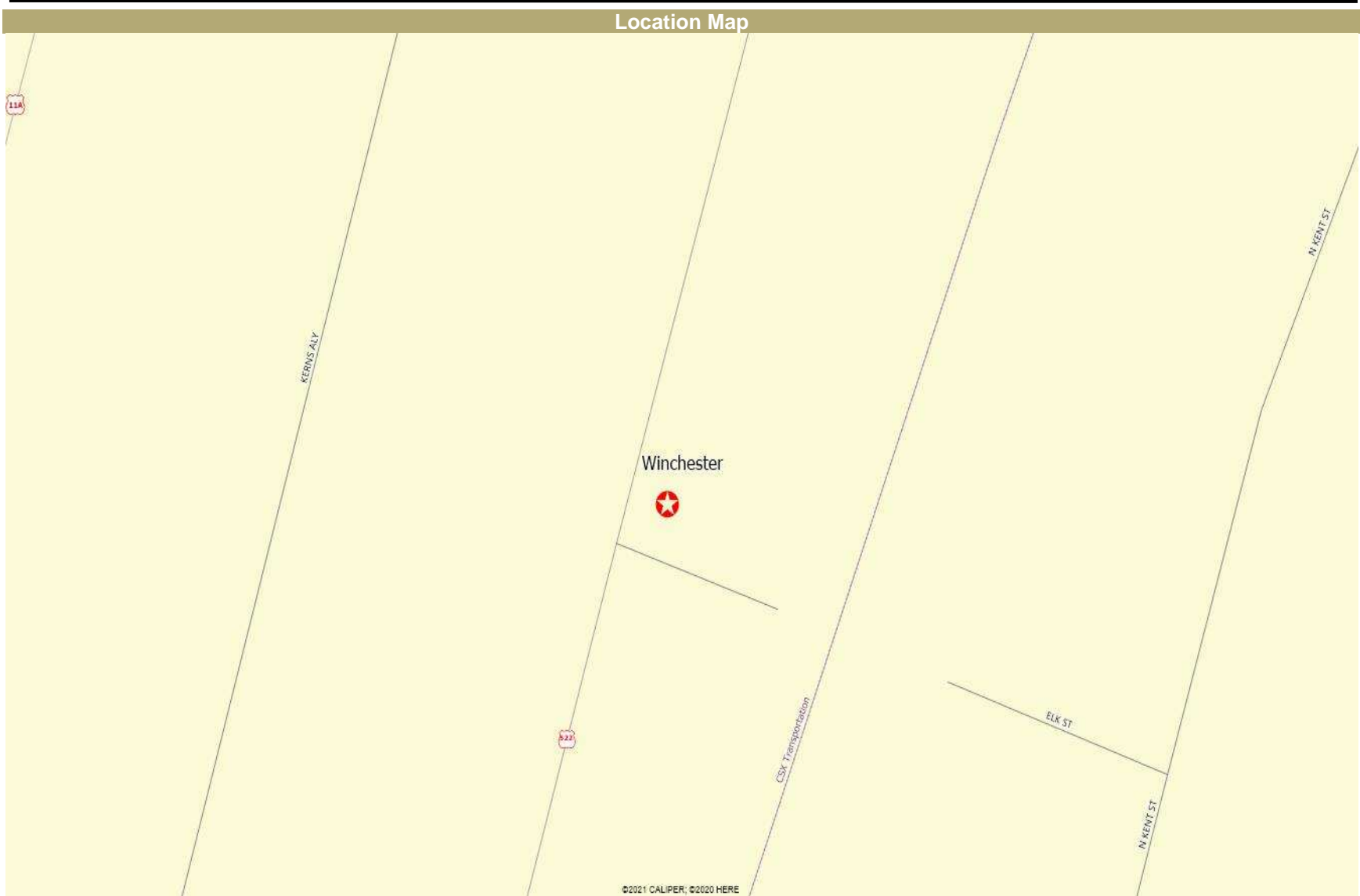


Project Location

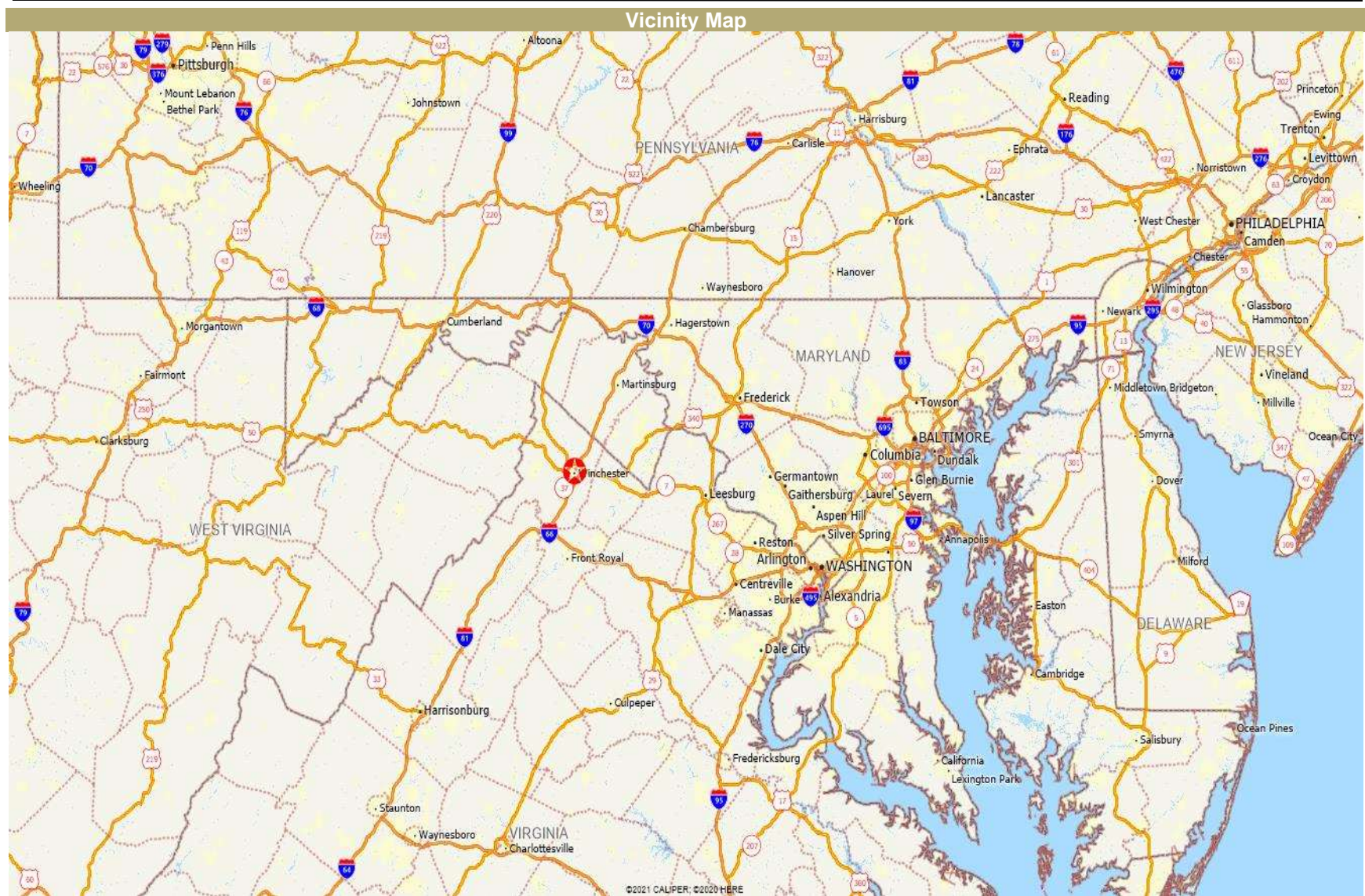
The subject property will be located in the northern portion of the City of Winchester, which is located in the southeastern portion of Frederick County, Virginia. Frederick County is located in the northern portion of Virginia. Nearby cities include Stephenson, Clear Brook, Parkins Mills, Gore, Cross Junction, Shawnee Land, Wilde Acres, Stephens City, Middletown and Star Tannery. Frederick County has the following boundaries: North – West Virginia State Line; East – Clarke County; South – Warren and Shenandoah Counties; and West – West Virginia State Line.

Major highways in Frederick County include Interstate Highway 81; U.S. Highway 11, 48, 50 and 522; and State Highways 7, 37, 259, 277, 600, 608, 622, 628, 631, 639, 654, 656, 671, 672, 679, 690, 693, 694, 701, 703, 739, 761 and 1322.

The subject is located in on the eastern side of North Cameron Street, also known as U.S. Highway 11, which is a major thoroughfare in both the city and county.



ZeroPak Apartments Phase I
536 North Cameron Street
Winchester, Virginia 22601





Community and Site Information

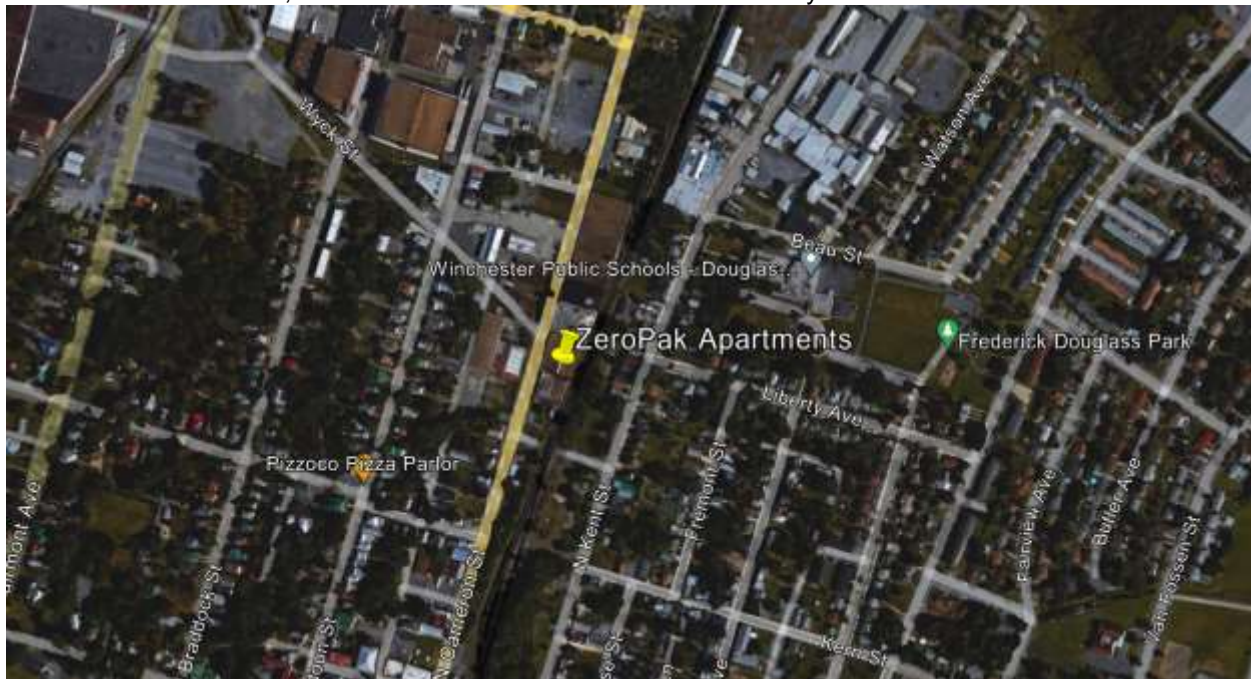
Site Characteristics

The property will be easily accessed via North Cameron Street. North Cameron Street is a primary road also known as U.S. Highway 11, and is a major thoroughfare in the city. Therefore, the subject has good visibility and easy access.

The subject site consists of one irregular-shaped tract of land that contains a total of 3.749 acres. The subject property is zoned B-1, Central Business District. The subject will be a legal, conforming use. The subject will not be a scattered site development. The site is located in Census Tract #0001.02.

Surrounding Land Uses

The subject neighborhood is a mixture of single-family residences, multifamily dwellings and commercial/industrial properties, and 95 percent built up. Approximately 40 percent of the land use is comprised of single-family residences. Commercial properties comprise of approximately 30 percent of land use. Multifamily dwellings make up the remaining 20 percent of the area's land use. Commercial and industrial properties are located to the north of the site. Single-family residences and multifamily dwellings are located to the south, east and west of the site. The area is mostly suburban.





Subject Photos



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Exterior



View of Interior



View of Interior



View of Interior



View of Interior



View of Interior



View of Interior



View of Interior



View of Interior



View to the North



View to the South



View to the East



View to the West



Nearby Employment Opportunities

Most market area tenants have white collar occupations. According to the Claritas and Ribbon Demographics, approximately 61.2 percent of the market area works in white-collar industries; 23.5 percent work in blue-collar industries; and 15.3 percent work in service and/or farm industries.

Regional and Area Data

Parks and Recreational Opportunities

The Winchester Park and Recreation Department offers several opportunities for recreation including after school programs, summer camps, adult and youth sports programs, aquatic classes and groups, education and recreation classes and community recreation programs. In addition, the department manages several parks and recreation areas including, but not limited to the following: the Jim Barnett Park , which offers playgrounds, pavilions, picnic area with grills, indoor and outdoor pools, outdoor basketball courts, tennis courts, sports fields, gymnasium, recreation center, disc golf course, dog park, arboretum, fishing lake, horseshoe courts, BMX track and memorials; The Abrams Creek Water Preserve, which contains 25-acres that is home to numerous plant species and wildlife; and the Green Circle Trail. The city also offers several neighborhood parks including Whittier Park, NESW Park, Friendship Park, Timbrook Park, Ruth Jackson Memorial Park, Shawnee Springs Preserve, Overlook Green Space, Harvest Ridge Park and Weaver Park.

Government/Public Safety

The City of Winchester is organized under the Council-Manager form of government. The governing body, the Common Council, is elected by voters under a ward system. Two council members are elected from each of the four wards, and the Mayor is elected at-large. The City of Winchester Police Department has 105 employees, 79 of which are sworn law enforcement officers. The Chief of Police is responsible for the direction of all department activities and is appointed by the City Manager. The City of Winchester Fire and Rescue Department is a combined career and volunteer department, which consist of 70 firefighters/EMTs and Paramedics who operate from four stations located throughout the city.

Utilities

The City of Winchester provides water and sewer services to the residents of the city and a portion of Frederick County. Electric services are provided by Shenandoah Valley Electric Cooperative. Natural gas is provided by Shenandoah Gas. Basic phone service is provided by Vetstelecom. Cellular providers in the area are AT&T, Sprint, T-Mobile and Verizon. Internet providers in the area are Glo Fiber, Winchester Wireless and Xfinity. Cable providers in the area are Xfinity, Verizon and DirecTV.

Health Services

Hospitals in the area include Winchester Medical Center, Sinclair Health Clinic, Valley Health, Selma Medical Associates, Omega Medical, Shenandoah Community Health, VA Medical Outpatient Clinic and Amherst Family Practice.

Transportation

Major highways in Frederick County include Interstate Highway 81; U.S. Highway 11, 48, 50 and 522; and State Highways 7, 37, 259, 277, 600, 608, 622, 628, 631, 639, 654, 656, 671, 672, 679, 690, 693, 694, 701, 703, 739, 761 and 1322. Airports in the area include Winchester Regional Airport (OKV) and Smith Heliport. Bus service is provided by Vin Tran.

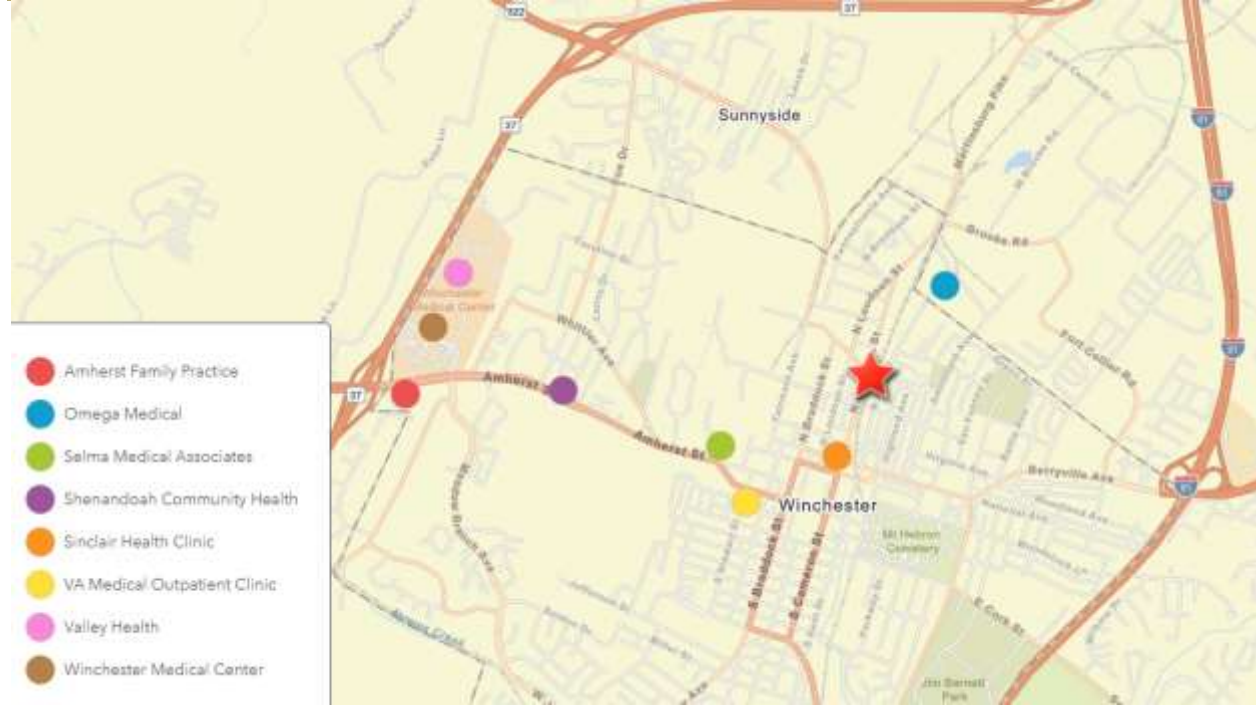


Crime

According to AreaVibes, approximately 225 per 100,000 residents in Winchester are victims of a violent crime annually, and approximately 2,072 per 100,000 residents are victims of a property crime each year. The crime rate for the city is 28.4 percent higher than for the state, and 0.8 percent lower than for the nation. The total number of crimes in Winchester has increased 12 percent within the past year, according to AreaVibes. In the city, there is a 1 in 393 chance of being the victim of a violent crime and a 1 in 49 chance of being the victim of a property crime. The life cycle is generally in the stability stage. Therefore, there are no major adverse influences or hazards observed or known by the appraiser in the immediate surrounding area.

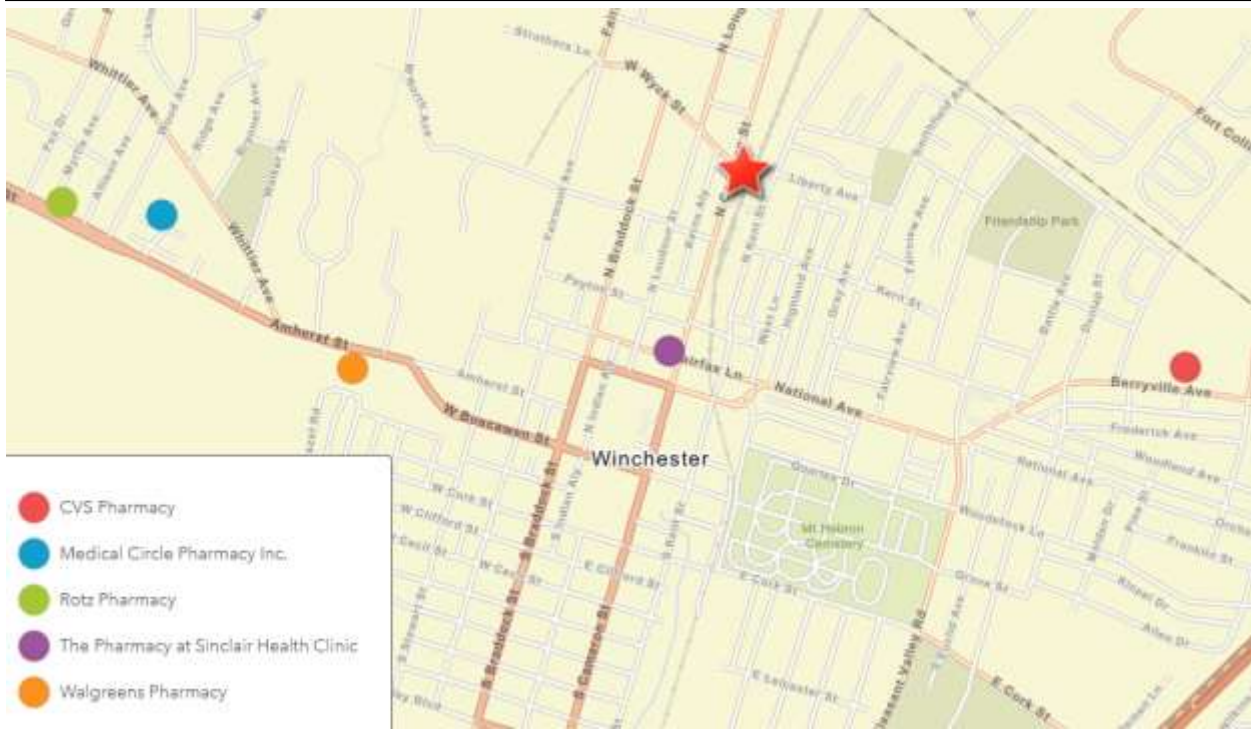


Community Services Legends and Maps



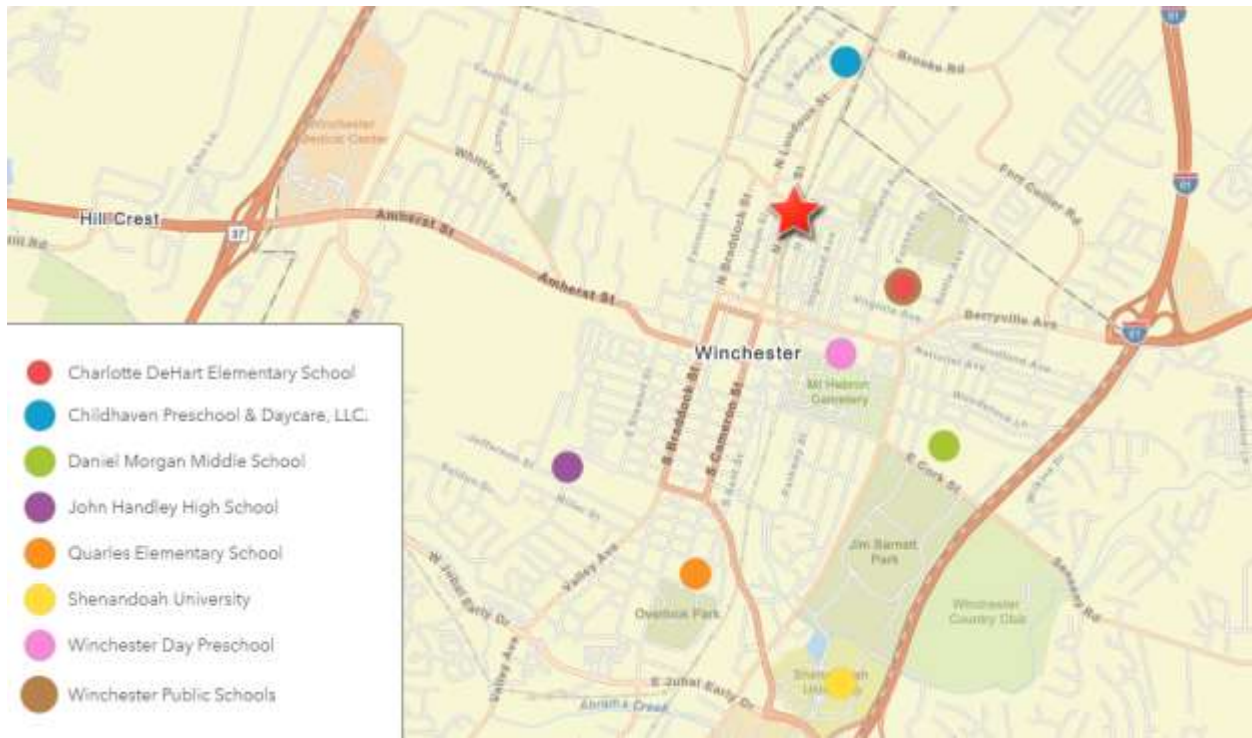
MEDICAL FACILITIES

Service	Distance From Site (in Miles)
Sinclair Health Clinic	0.3
VA Medical Outpatient Clinic	0.9
Omega Medical	1.1
Selma Medical Associates	1.1
Shenandoah Community Health	1.6
Winchester Medical Center	2.3
Amherst Family Practice	2.4
Valley Health	2.8



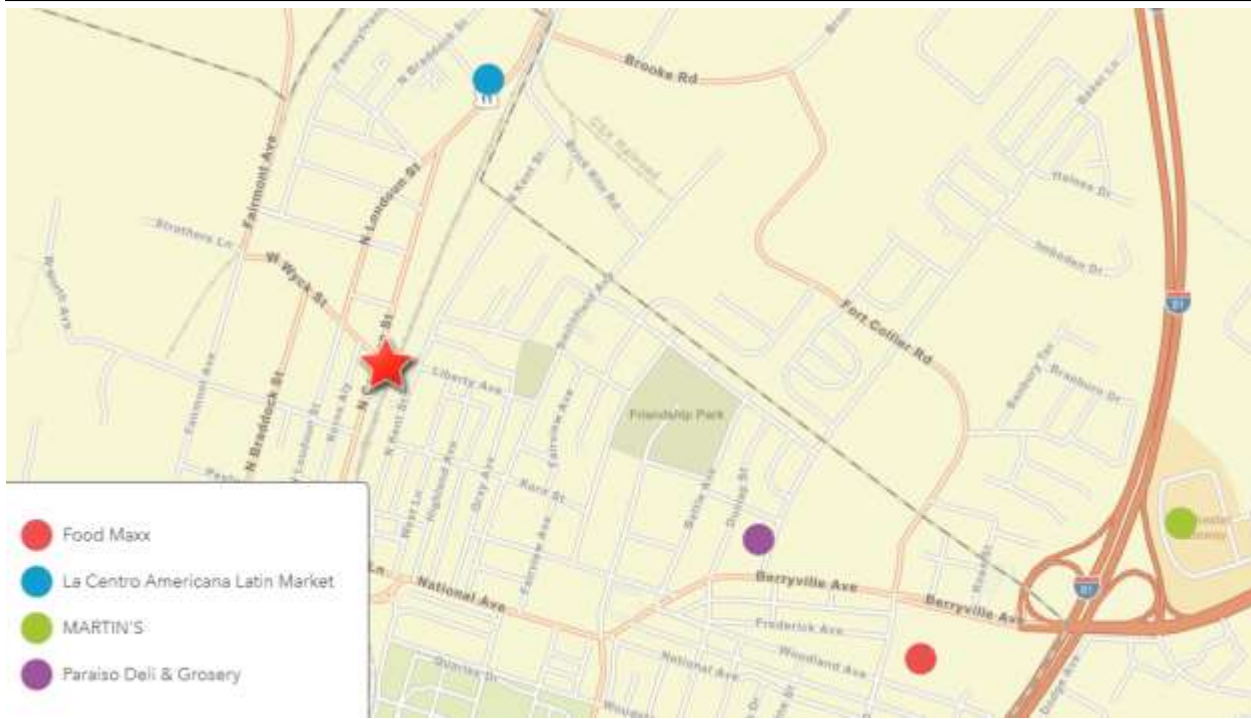
PHARMACIES

Service	Distance From Site (in Miles)
The Pharmacy at Sinclair Health Clinic	0.4
Walgreens Pharmacy	1.0
CVS Pharmacy	1.3
Medical Circle Pharmacy Inc.	1.6
Rotz Pharmacy	1.7



SCHOOLS

Service	Distance From Site (in Miles)
Childhaven Preschool & Daycare, LLC.	0.7
Winchester Day Preschool	0.8
Winchester Public Schools	1.0
Charlotte DeHart Elementary School	1.0
Quarles Elementary School	1.3
Daniel Morgan Middle School	1.4
John Handley High School	1.6
Shenandoah University	1.8



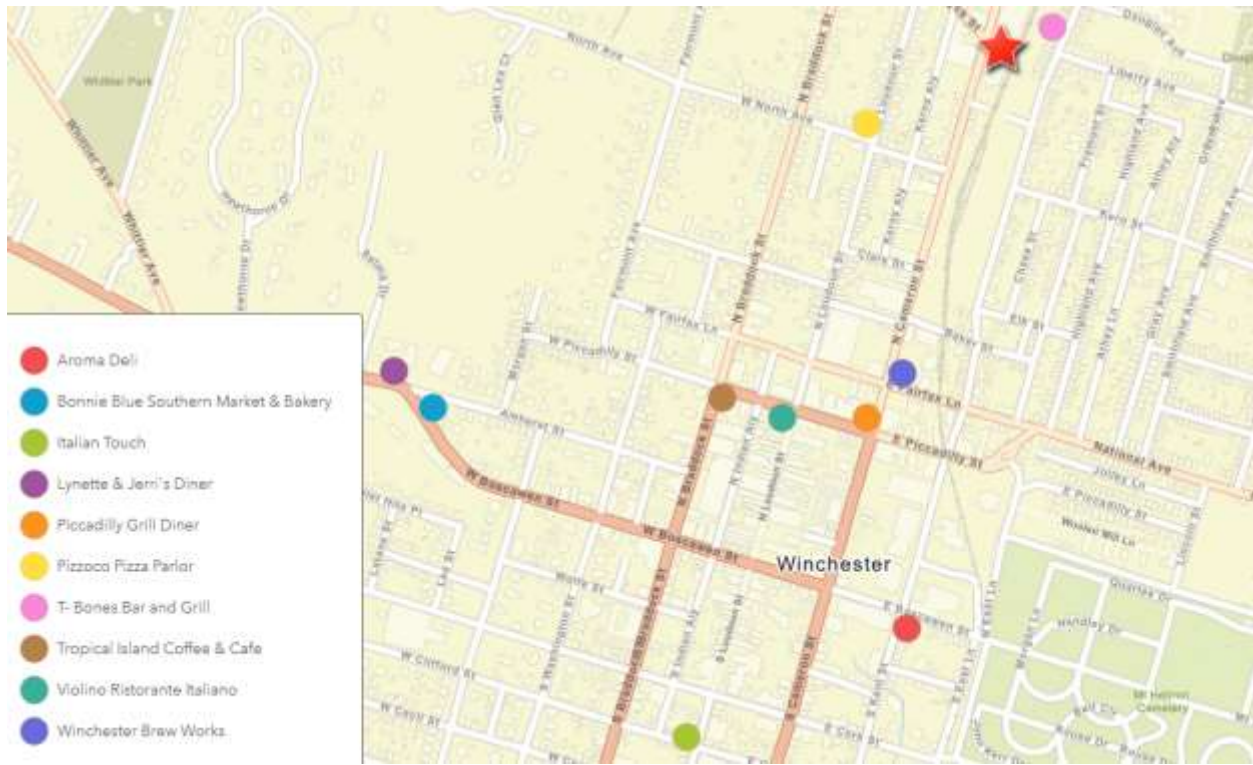
GROCERY STORES/SUPERMARKETS

Service	Distance From Site (in Miles)
La Centro Americana Latin Market	0.6
Paraiso Deli & Groery	1.2
Food Maxx	1.6
MARTIN'S	2.4



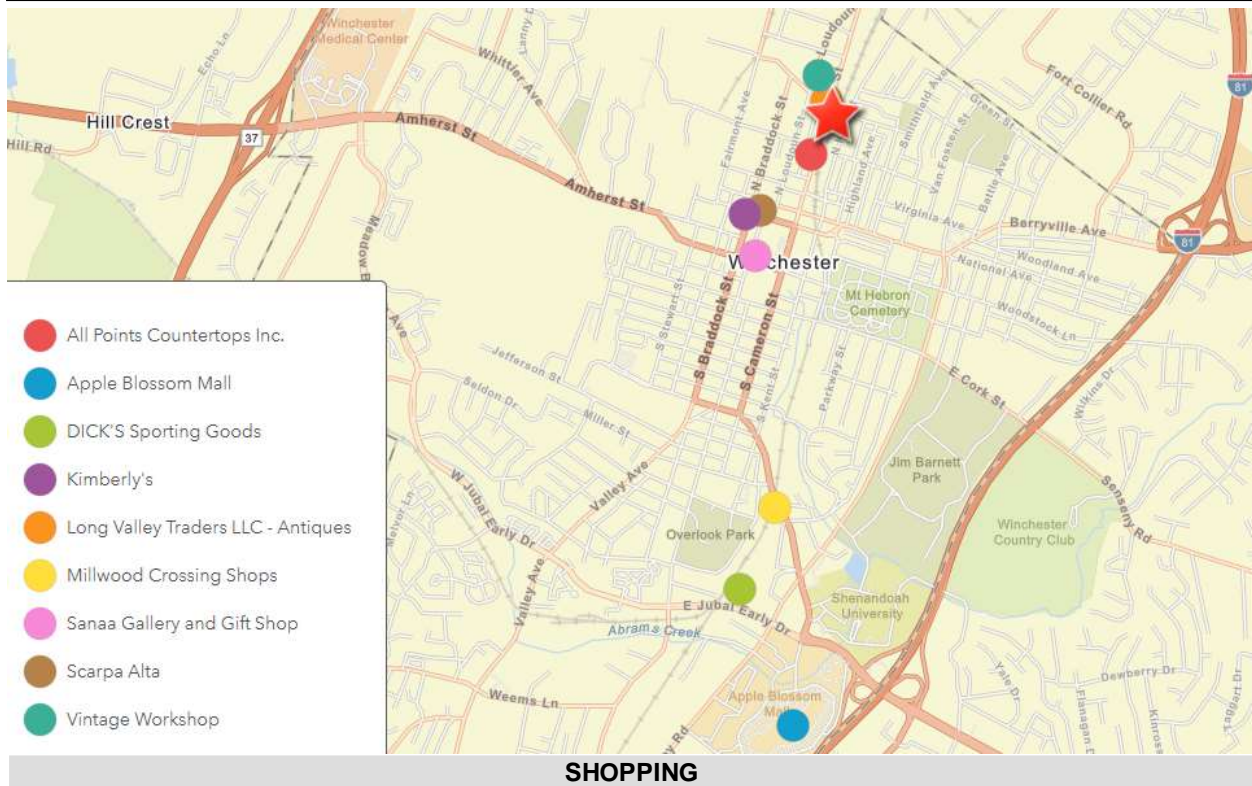
BANKS/LENDING INSTITUTIONS

Service	Distance From Site (in Miles)
United Bank	0.4
Bank of Clarke County	0.5
Union Bank & Trust	0.6
Jones Trusts	1.0

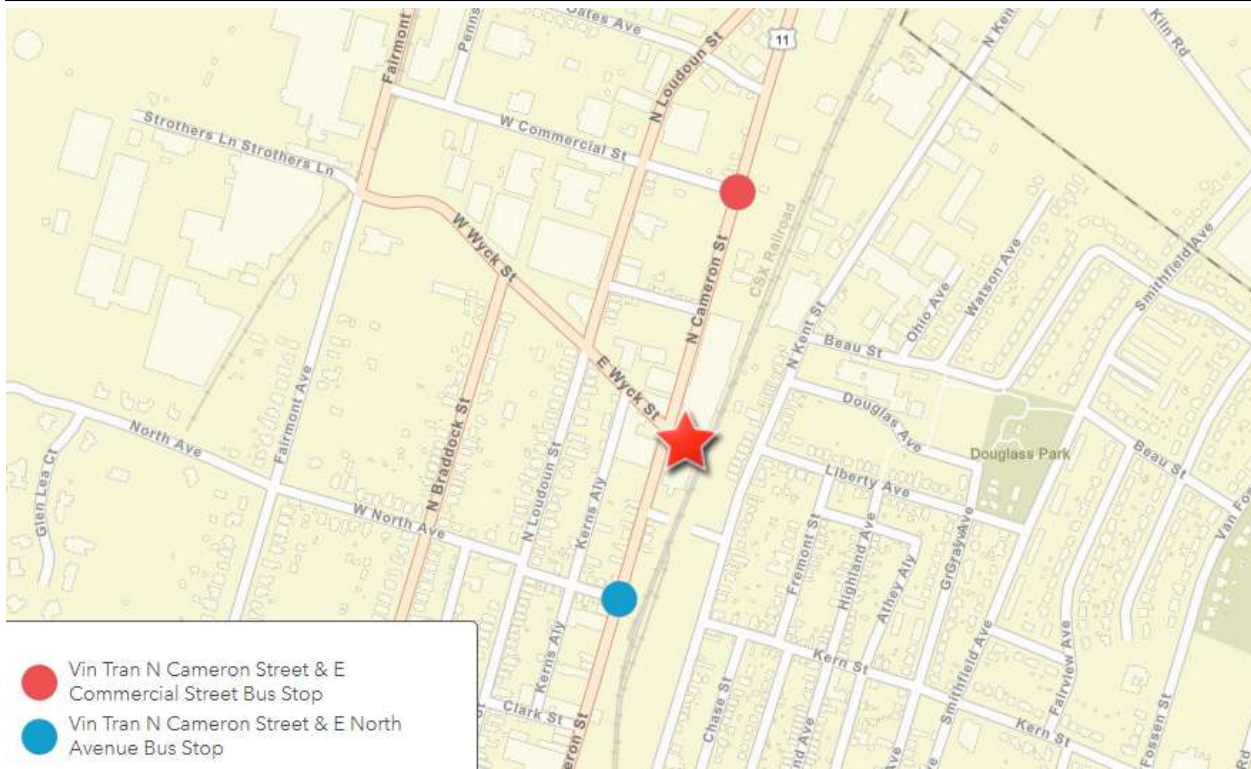


RESTAURANTS

Service	Distance From Site (in Miles)
Pizzoco Pizza Parlor	0.3
Winchester Brew Works	0.3
Piccadilly Grill Diner	0.4
Tropical Island Coffee & Cafe	0.5
Violino Ristorante Italiano	0.5
Aroma Deli	0.6
T- Bones Bar and Grill	0.7
Italian Touch	0.8
Bonnie Blue Southern Market & Bakery	1.0
Lynette & Jerri's Diner	1.0



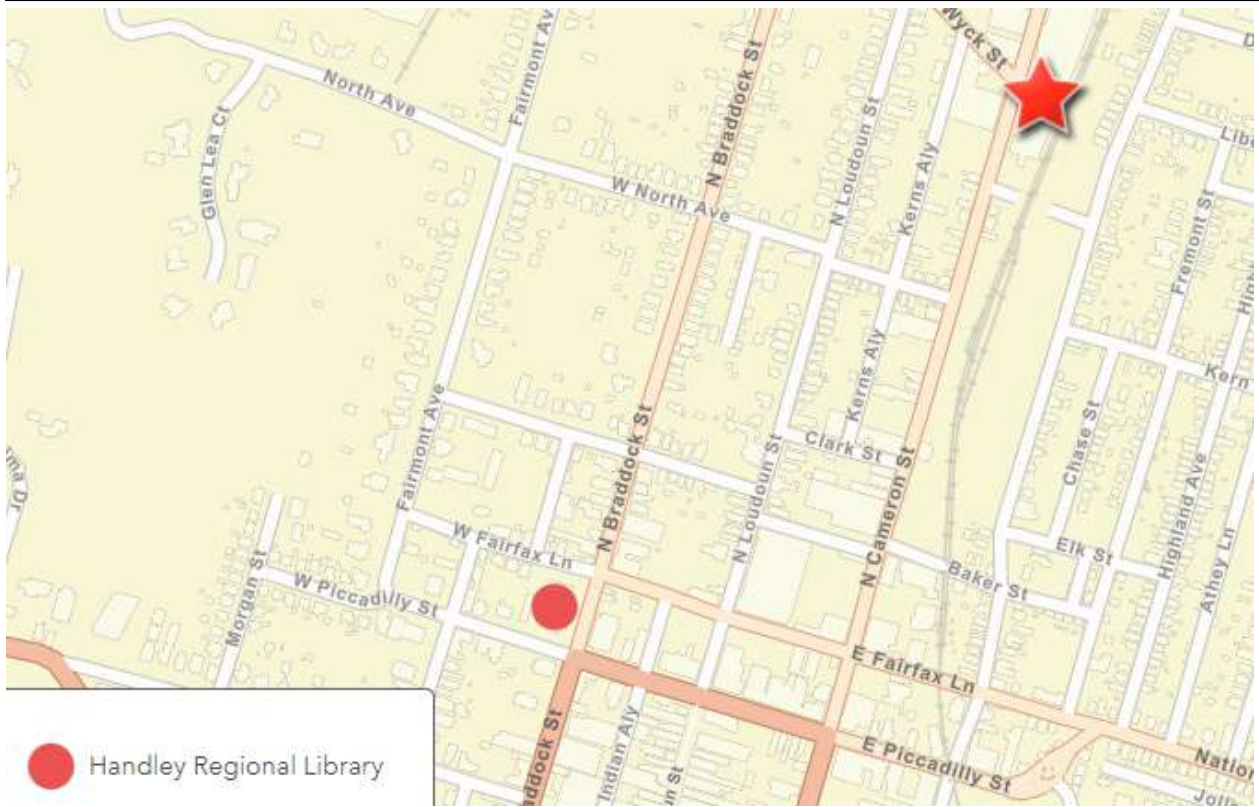
SHOPPING	
Service	Distance From Site (in Miles)
Long Valley Traders LLC - Antiques	0.1
All Points Countertops Inc.	0.1
Vintage Workshop	0.2
Scarpa Alta	0.5
Kimberly's	0.6
Sanaa Gallery and Gift Shop	0.8
Millwood Crossing Shops	1.5
DICK'S Sporting Goods	2.0
Apple Blossom Mall	2.4



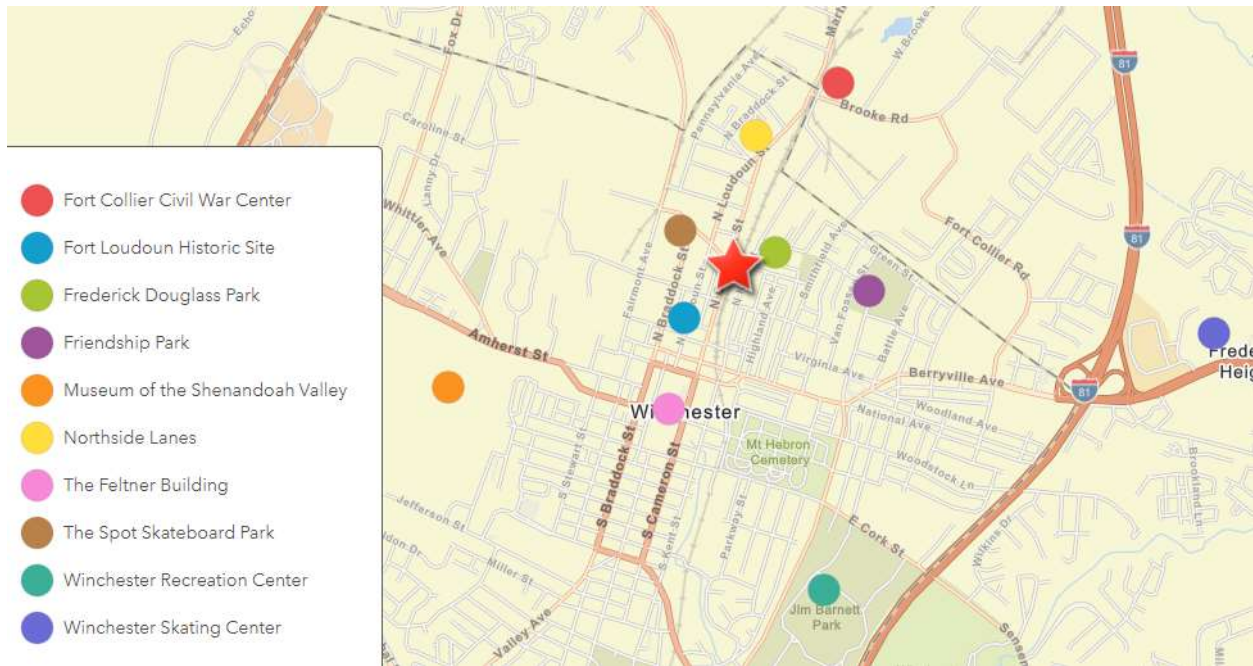
- Vin Tran N Cameron Street & E Commercial Street Bus Stop
- Vin Tran N Cameron Street & E North Avenue Bus Stop

TRANSPORTATION

Service	Distance From Site (in Miles)
Vin Tran N Cameron Street & E North Avenue Bus Stop	0.1
Vin Tran N Cameron Street & E Commercial Street Bus Stop	0.3

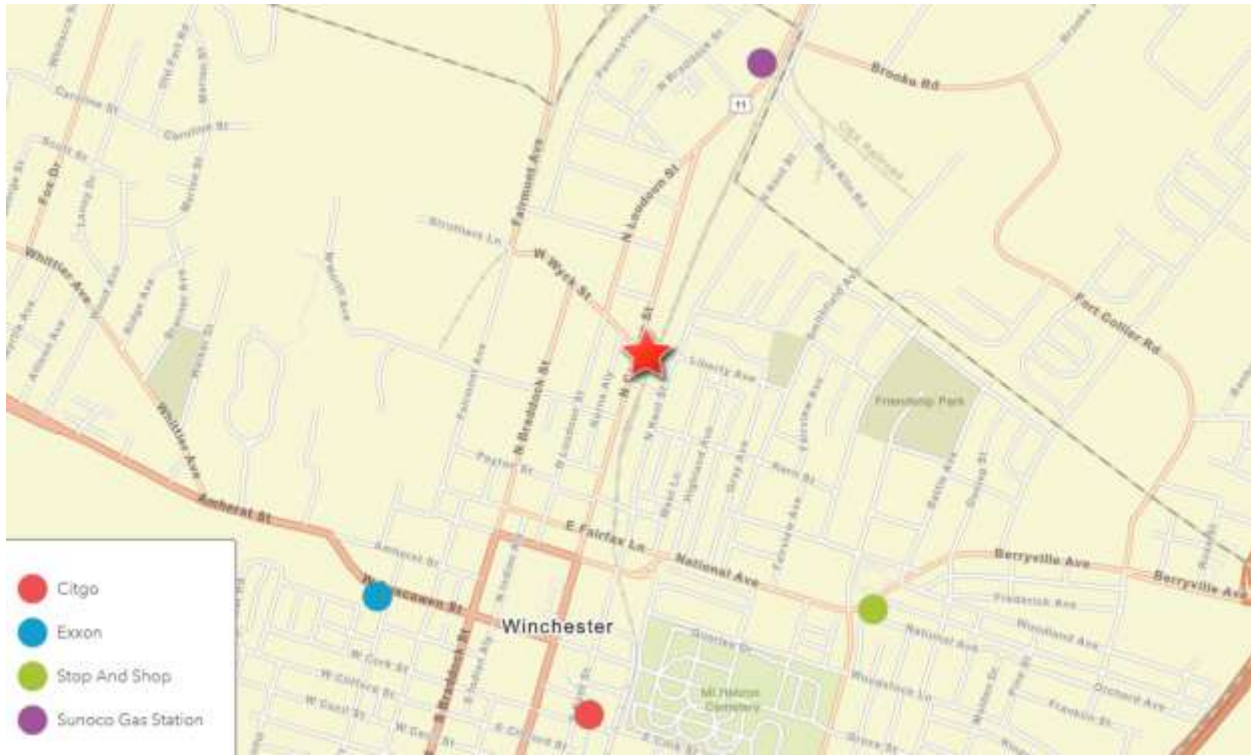


LIBRARIES	
Service	Distance From Site (in Miles)
Handley Regional Library	0.6



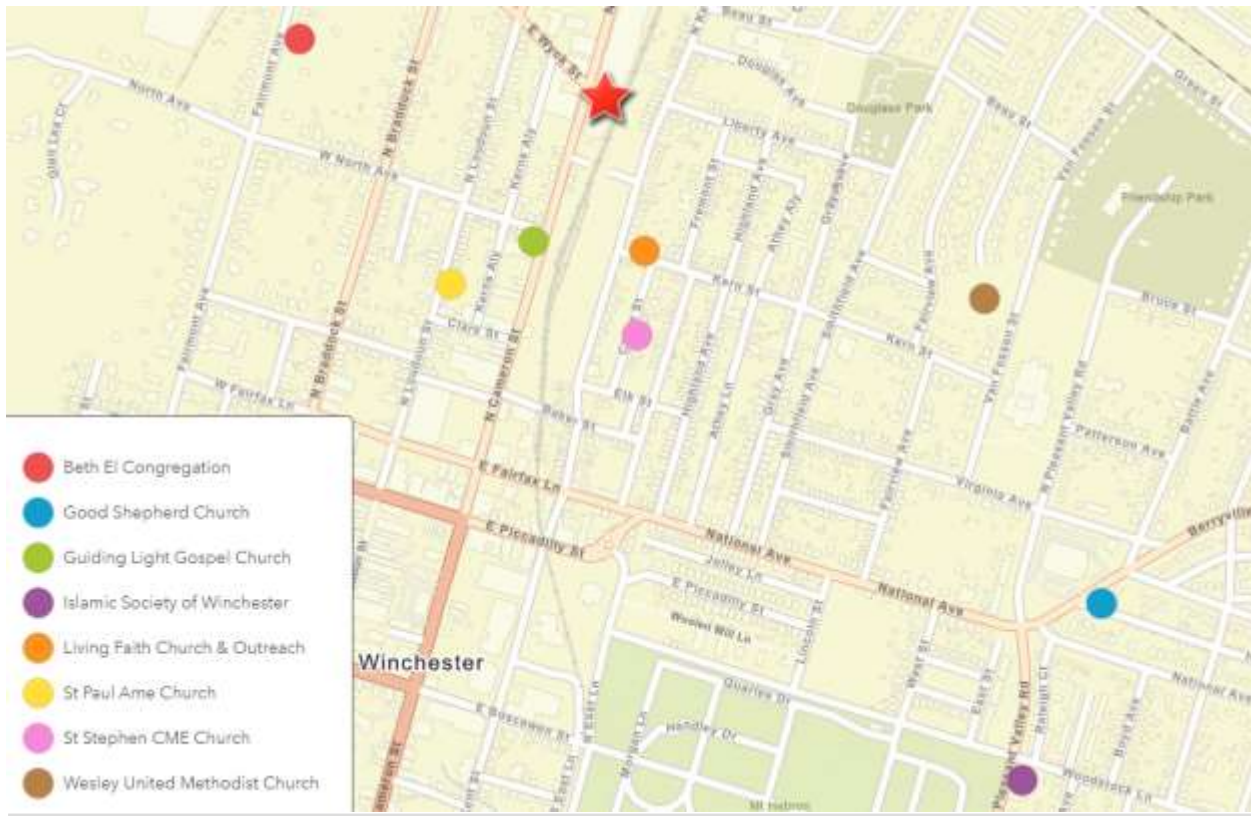
PARKS/RECREATION

Service	Distance From Site (in Miles)
Fort Loudoun Historic Site	0.3
The Spot Skateboard Park	0.3
Northside Lanes	0.5
The Feltner Building	0.8
Fort Collier Civil War Center	0.8
Frederick Douglass Park	0.9
Friendship Park	1.3
Museum of the Shenandoah Valley	1.6
Winchester Recreation Center	2.0
Winchester Skating Center	2.7



CONVENIENCE STORES

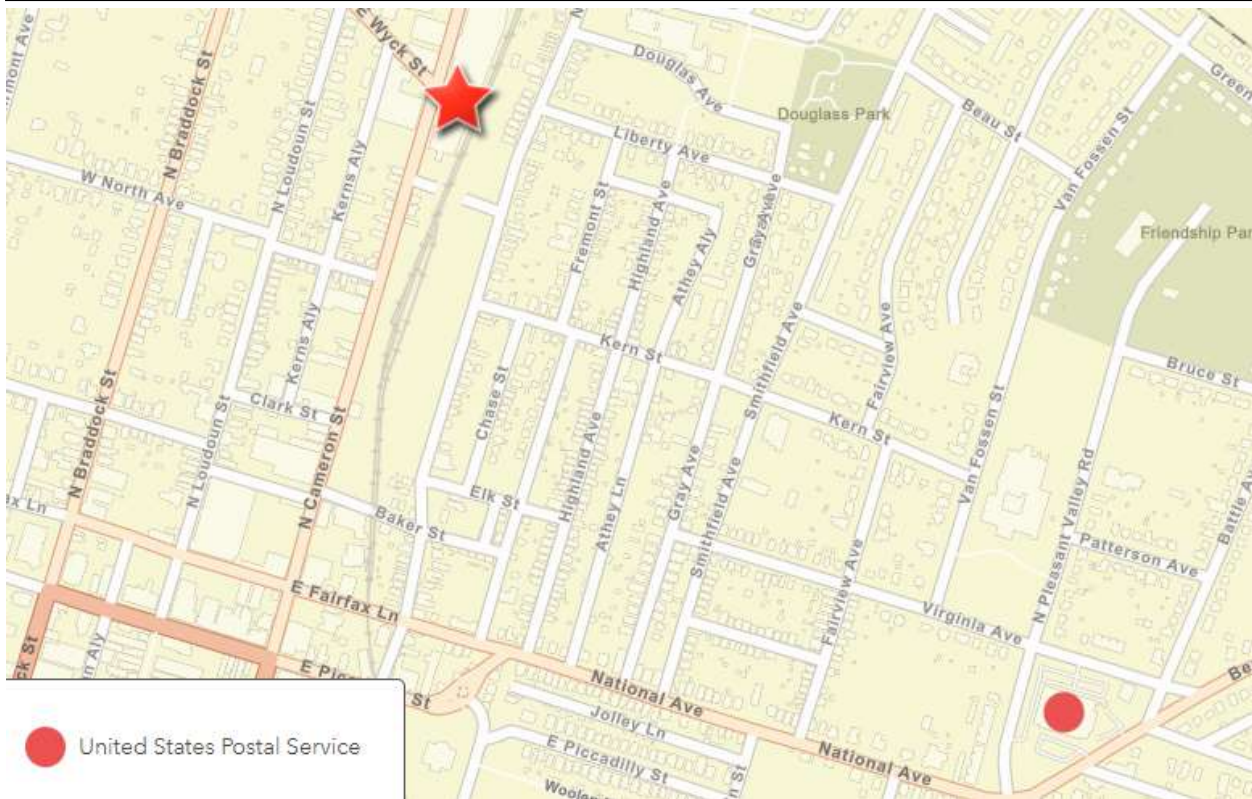
Service	Distance From Site (in Miles)
Sunoco Gas Station	0.7
Citgo	0.8
Stop And Shop	0.9
Exxon	0.9



HOUSES OF WORSHIP

Service	Distance From Site (in Miles)
Guiding Light Gospel Church	0.1
St Paul Ame Church	0.3
Living Faith Church & Outreach	0.5
St Stephen CME Church	0.5
Beth El Congregation	0.5
Good Shepherd Church	0.9
Islamic Society of Winchester	1.0
Wesley United Methodist Church	1.1

ZeroPak Apartments Phase I
 536 North Cameron Street
 Winchester, Virginia 22601



POST OFFICES	
Service	Distance From Site (in Miles)
United States Postal Service	0.9



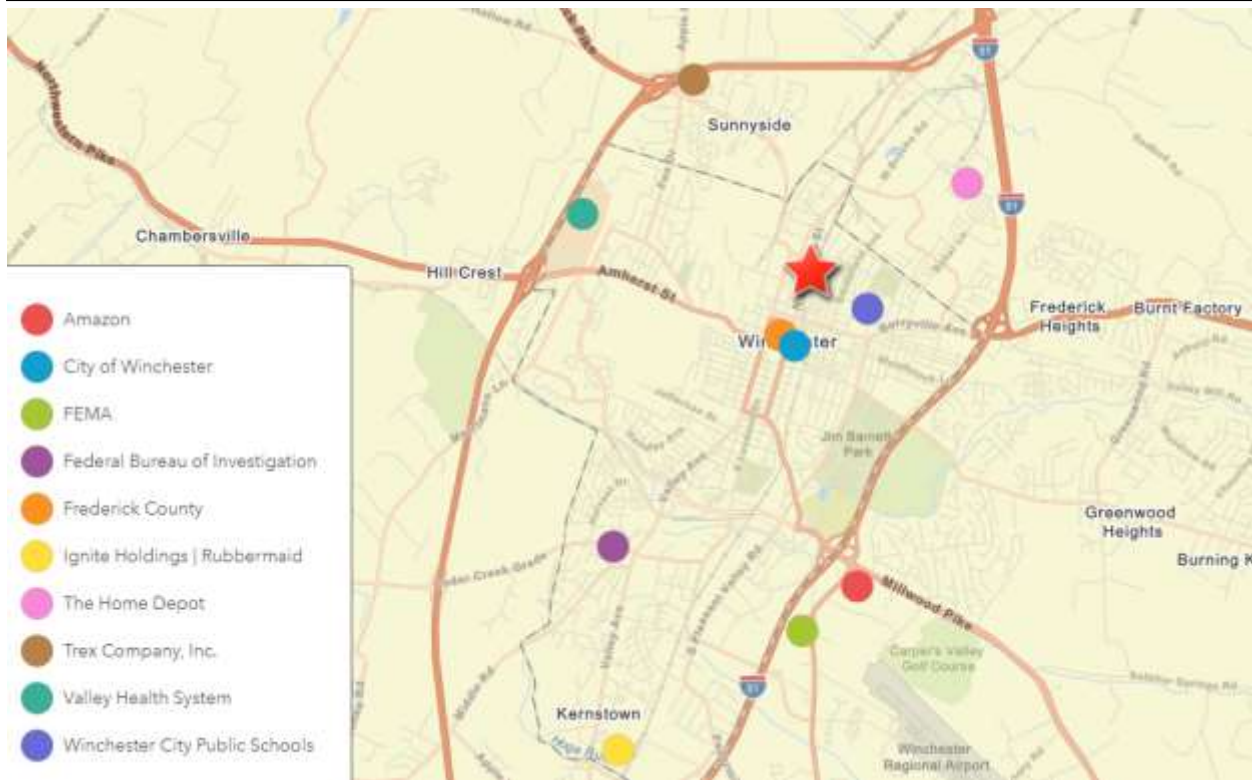
PUBLIC SAFETY/GOVERNMENT

Service	Distance From Site (in Miles)
Winchester VA Police Department	0.5
Frederick County	0.5
City of Winchester	0.6
Rouss Fire Co	0.7



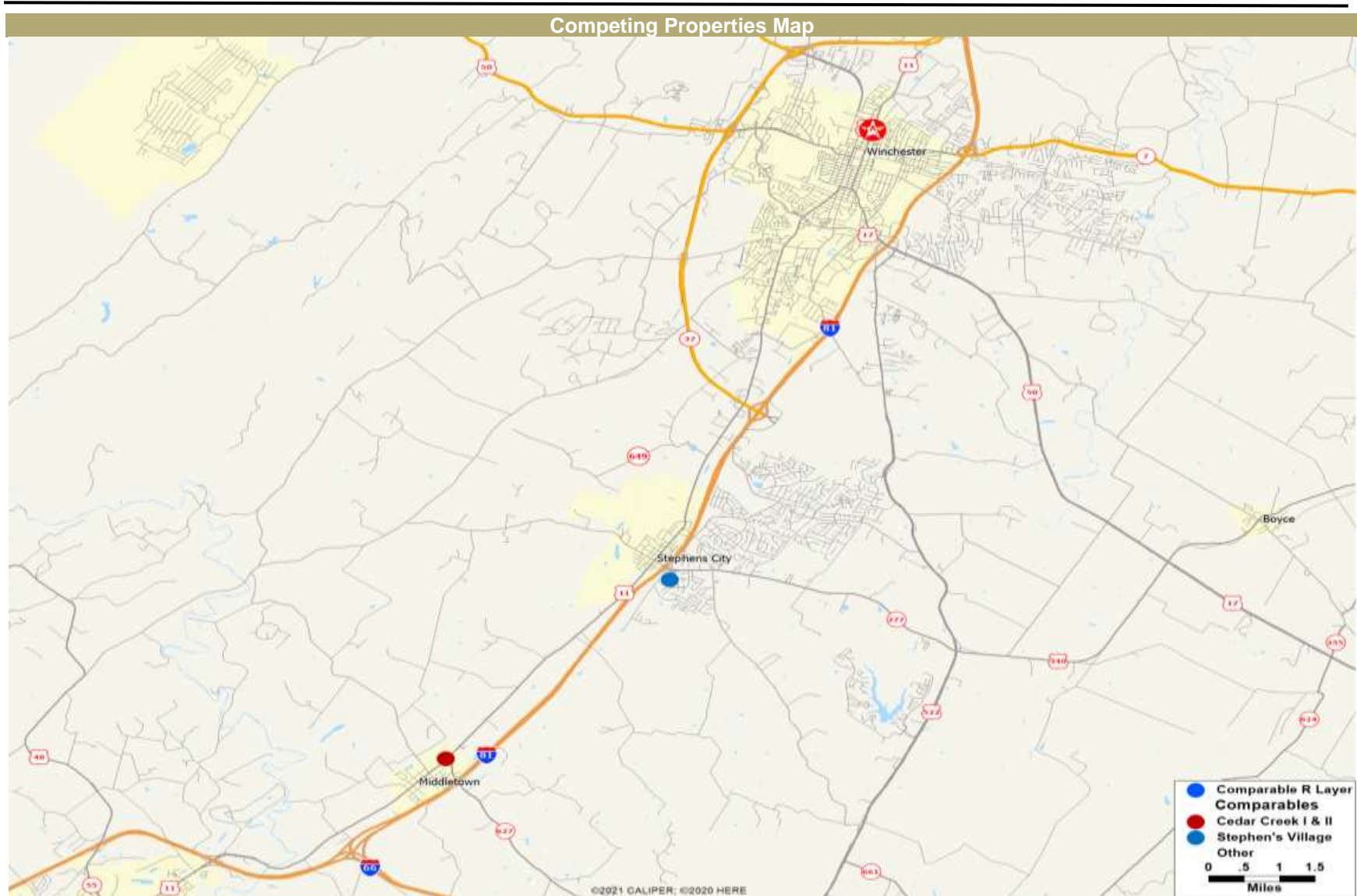
SOCIAL SERVICES

Service	Distance From Site (in Miles)
Winchester Social Services Department	0.3
Shenandoah Valley Community	0.3
Frederick County Department of Social Services	0.5
Bridges Squared Youth Leadership Services	0.5
CCAP	0.7



MAJOR EMPLOYERS

Service	Distance From Site (in Miles)
Frederick County	0.5
City of Winchester	0.6
Winchester City Public Schools	1.0
Trex Company, Inc.	1.9
The Home Depot	2.0
Amazon	2.6
Valley Health System	2.8
Federal Bureau of Investigation	2.8
FEMA	3.0
Ignite Holdings Rubbermaid	4.1





Summary of Site Strengths and Weaknesses

Strengths – The site has good visibility and access. The subject is close to employment centers, healthcare services, government and public services. In addition, the subject will have excellent access to public transportation. Furthermore, the subject's location provides easy access to major thoroughfares and many recreation and shopping opportunities.

Weaknesses – The site has no apparent weaknesses.

MARKET AREA



Delineation of Market Area

Following is a list of considerations used when determining the market area:

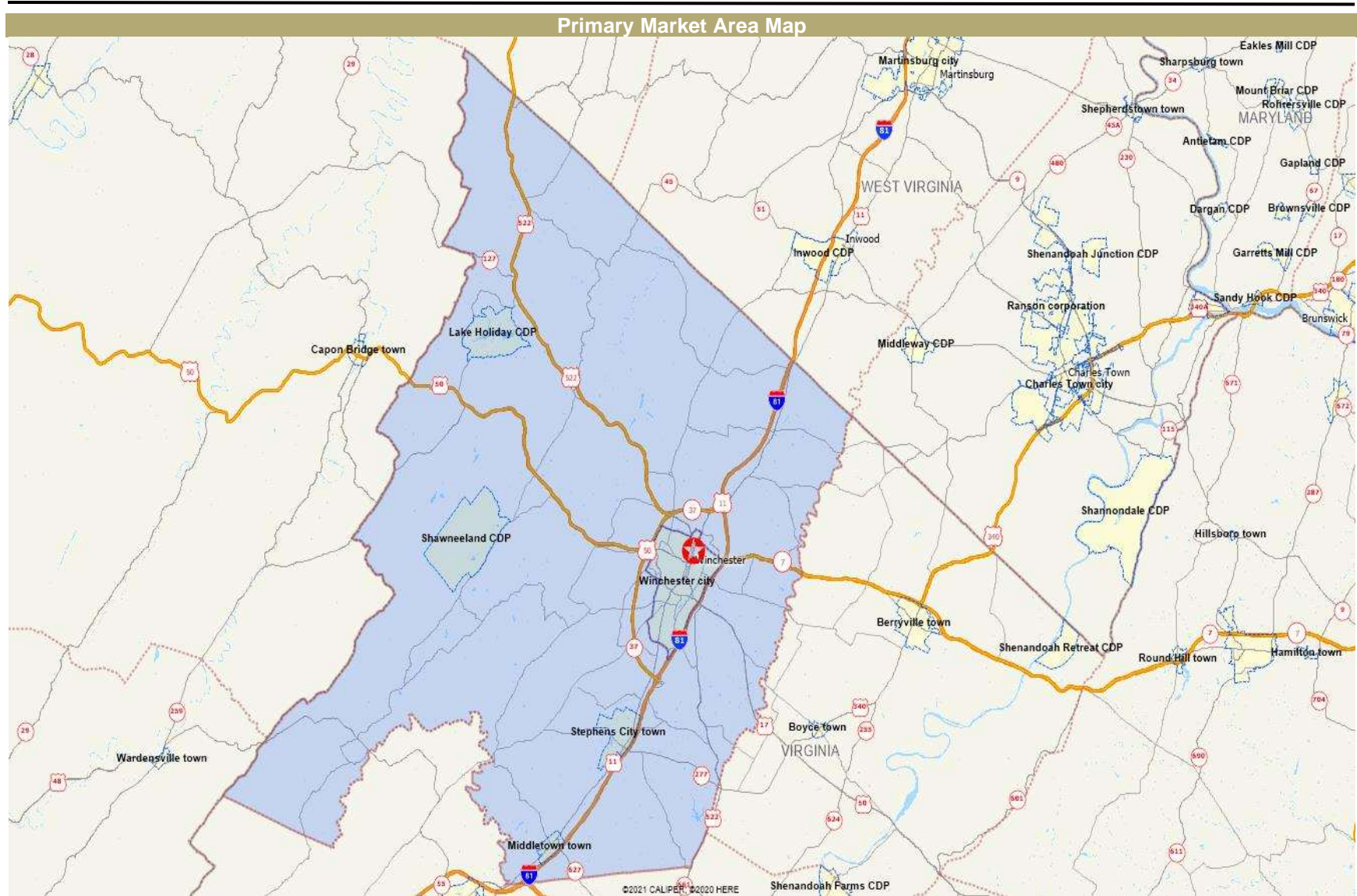
- **Population and Households Counts:** The number of households in a market area is directly proportionate to its geographic size within an individual market. Total householders residing in a market area can greatly influence demand calculations.
- **General Demographics:** The socio-economic composition of a market area including income, household size and tenure can be largely influenced by the erroneous inclusion or exclusions of non-comparable areas.
- **Demand:** Too large of a market may result in overstating demand for a proposed development. Conversely, too conservative of a market area may discount the demand for new product, especially if a lack of quality housing currently exists.
- **Supply Analysis:** While a larger market area generally includes higher household totals, it likewise may include a higher number of directly comparable units. If using demand methodologies that net out recently constructed and comparable rental units from the demand estimate, the increase in the number of comparable units can outweigh the increase in demand.
- **Competitive Stock:** The existing rental stock surveyed for a market study is dependent on the number of rental properties in a given market and therefore the boundaries of a primary market area. If existing developments are going to be used as “comparables,” they should be located in the primary market area, if possible.
- **Attainable Rents:** If the market area includes non-comparable areas, the analysis may use comparables projects that suggest that a project can achieve rents that area significantly higher or lower than the rents its micro location will support.
- **Location of Competitive Properties:** A primary consideration in defining a market area is identifying those locations that offer alternative opportunities to a potential renter for a subject site. The managers of existing comparable properties near the site are excellent sources in determining those competitive locations.
- **Accessibility:** Available transportation linkages including both traffic arteries and mass transit options can influence the size of the market. Mass transit can have a significant impact on projects addressing very low income households for which transportation options may be limited.
- **Natural Boundaries:** Natural boundaries including rivers and mountains can restrict the movement within a market due to a lack of accessibility.
- **Housing Project Characteristics:** The availability of a unique structure type such as a high rise may alter the typical draw of a potential project.
- **Market Perceptions:** Whether grounded in reality or not, market perceptions can be a significant determinant of market area boundaries. Social stigmas often exist within sub-markets, with residents from one side of a submarket may not move to a close by neighborhood, regardless of housing opportunities. The construction of a new, attractive rental community may not necessarily relieve this perception.
- **Commuting Patterns:** The time spent commuting and employment destination could often reveal distinct patterns. High percentages of workers with long commutes or working in neighboring counties are often indicators of a lack of affordable housing options near employment centers.
- **Target Market:** Proposed developments targeting a special needs population such as seniors generally draw from a larger geographic region. Given the smaller pool of qualified householders, the location and quantity of comparable stock is of additional importance. An acceptable market area for a family oriented rental community will often be too conservative for a rental community targeting senior rental householders.
- **Jurisdictional Boundaries:** Differences in the quality and services provided by school districts, municipalities, or counties often influence consumer location choices.
- **Local Agency Service Boundaries:** The geographic areas covered by local agencies, such as housing authorities, senior citizen centers, community-based organizations, or churches can be a strong indicator of market area boundaries, especially when the project has a community-based sponsor or co-sponsor.



-
- **Non-Geographic Factors:** Employees who might be expected to reside in a development as a result of planned or existing job opportunities and special needs households who are served by a multi-jurisdictional agency that covers communities that are clearly distinct market areas.

The determination of the market area is based on the boundaries between governmental units. In such a method, county, division or city boundaries become the boundaries of the market area. The primary market area for the subject consists of Frederick County. The market area has the following boundaries: North – West Virginia State Line; East – Clarke County; South – Warren and Shenandoah Counties; and West – West Virginia State Line.

The analysis was conducted using only the demographics data from the primary market area. However, according to the market study guidelines for Virginia Housing, a secondary or tertiary market area was also determined. The secondary market area is defined as Frederick and Clark Counties. The secondary market area has the following boundaries: North West Virginia State Line; South – Shenandoah and Warren Counties; East – Loudon and Fauquier Counties; and West - West Virginia State Line.



EMPLOYMENT AND ECONOMY



Employment and Economy

The economy of Frederick County is based on construction; educational services; healthcare and social assistance services; manufacturing; professional, scientific and technical services, public administration; and retail trade sectors. Each of these categories has experienced reasonable growth within the past few years.

Unemployment in the City of Winchester reached a high of 8.5 percent in 2010 and was at its lowest in 2019 with 2.8 percent. The rate for the City of Winchester for November 2022 was 2.7 percent. The number of persons employed has increased an average of 0.9 percent since 2010.

LABOR FORCE AND EMPLOYMENT TRENDS FOR WINCHESTER					
ANNUALS	CIVILIAN LABOR FORCE*	EMPLOYMENT		UNEMPLOYMENT	
		TOTAL	%	TOTAL	%
2010	13,705	12,545	91.5%	1,160	8.5%
2011	14,053	13,014	92.6%	1,039	7.4%
2012	14,223	13,292	93.5%	931	6.5%
2013	14,363	13,547	94.3%	816	5.7%
2014	14,481	13,753	95.0%	728	5.0%
2015	14,256	13,640	95.7%	616	4.3%
2016	14,345	13,780	96.1%	565	3.9%
2017	14,611	14,083	96.4%	528	3.6%
2018	14,690	14,258	97.1%	432	2.9%
2019	14,953	14,539	97.2%	414	2.8%
2020	14,688	13,818	94.1%	870	5.9%
2021	14,437	13,932	96.5%	505	3.5%
2022**	14,642	14,242	97.3%	400	2.7%

* Data based on place of residence.

**Preliminary - based on monthly data through November 2022

Source: U.S. Bureau of Labor Statistics

Unemployment in Frederick County reached a high of 7.6 percent in 2010 and was at its lowest in 2019 with 2.4 percent. The rate for Frederick County for November 2022 was 2.5 percent. The number employed has increased an average of 1.9 percent since 2010.

LABOR FORCE AND EMPLOYMENT TRENDS FOR FREDERICK COUNTY					
ANNUALS	CIVILIAN LABOR FORCE*	EMPLOYMENT		UNEMPLOYMENT	
		TOTAL	%	TOTAL	%
2010	42,027	38,812	92.4%	3,215	7.6%
2011	43,128	40,343	93.5%	2,785	6.5%
2012	43,416	40,959	94.3%	2,457	5.7%
2013	44,153	41,871	94.8%	2,282	5.2%
2014	44,636	42,578	95.4%	2,058	4.6%
2015	44,796	43,043	96.1%	1,753	3.9%
2016	45,404	43,842	96.6%	1,562	3.4%
2017	46,824	45,346	96.8%	1,478	3.2%
2018	47,832	46,597	97.4%	1,235	2.6%
2019	49,229	48,048	97.6%	1,181	2.4%
2020	49,464	47,189	95.4%	2,275	4.6%
2021	49,021	47,598	97.1%	1,423	2.9%
2022**	49,930	48,659	97.5%	1,271	2.5%

* Data based on place of residence.

**Preliminary - based on monthly data through November 2022

Source: U.S. Bureau of Labor Statistics



The State of Virginia reached a high of 7.3 percent in 2010 and was at its lowest point in 2019 with 2.8 percent. The rate for the State of Virginia for November 2022 was 3.0 percent. The number employed has increased 0.5 percent per year since 2010.

LABOR FORCE AND EMPLOYMENT TRENDS FOR VIRGINIA					
ANNUALS	CIVILIAN LABOR FORCE*	EMPLOYMENT		UNEMPLOYMENT	
		TOTAL	%	TOTAL	%
2010	4,163,293	3,858,466	92.7%	304,827	7.3%
2011	4,205,184	3,929,008	93.4%	276,176	6.6%
2012	4,217,529	3,967,151	94.1%	250,378	5.9%
2013	4,238,377	4,002,057	94.4%	236,320	5.6%
2014	4,258,856	4,040,908	94.9%	217,948	5.1%
2015	4,233,981	4,048,081	95.6%	185,900	4.4%
2016	4,254,348	4,084,822	96.0%	169,526	4.0%
2017	4,352,977	4,193,290	96.3%	159,687	3.7%
2018	4,384,657	4,255,213	97.0%	129,444	3.0%
2019	4,455,815	4,332,647	97.2%	123,168	2.8%
2020	4,368,772	4,097,860	93.8%	270,912	6.2%
2021	4,267,656	4,100,803	96.1%	166,853	3.9%
2022**	4,340,216	4,211,830	97.0%	128,386	3.0%

* Data based on place of residence.

**Preliminary - based on monthly data through November 2022

Source: U.S. Bureau of Labor Statistics

According to the U.S. Bureau of Labor Statistics, unemployment trends for the City of Winchester and Frederick County are similar to the unemployment trends for the State of Virginia.

CHANGE IN TOTAL EMPLOYMENT FOR WINCHESTER				
PERIOD	NUMBER		PERCENT	
	TOTAL	ANNUAL	TOTAL	ANNUAL
2010-2015	1,095	219	8.7%	1.7%
2015-2020	292	58	2.1%	0.4%

Source: U.S. Bureau of Labor Statistics

CHANGE IN TOTAL EMPLOYMENT FOR FREDERICK COUNTY				
PERIOD	NUMBER		PERCENT	
	TOTAL	ANNUAL	TOTAL	ANNUAL
2010-2015	4,231	846	10.9%	2.2%
2015-2020	4,555	911	10.6%	2.1%

Source: U.S. Bureau of Labor Statistics

The changes in employment since 2010 for the city and county by time period are listed in the above tables. The data shows that between 2010 and 2020, the number of persons employed in Winchester increased an average of 1.1 percent per year, and the number of persons employed in Frederick County increased an average of 2.1 percent.



RECENT CHANGES IN EMPLOYMENT FOR WINCHESTER			
YEAR	NUMBER EMPLOYED	ANNUAL CHANGE	% OF LABOR FORCE UNEMPLOYED
2015	13,640	(113)	4.3%
2016	13,780	140	3.9%
2017	14,083	303	3.6%
2018	14,258	175	2.9%
2019	14,539	281	2.8%
2020	13,818	(721)	5.9%
2021	13,932	114	3.5%

Source: U.S. Bureau of Labor Statistics

RECENT CHANGES IN EMPLOYMENT FOR FREDERICK COUNTY			
YEAR	NUMBER EMPLOYED	ANNUAL CHANGE	% OF LABOR FORCE UNEMPLOYED
2015	43,043	465	3.9%
2016	43,842	799	3.4%
2017	45,346	1,504	3.2%
2018	46,597	1,251	2.6%
2019	48,048	1,451	2.4%
2020	47,189	(859)	4.6%
2021	47,598	409	2.9%

Source: U.S. Bureau of Labor Statistics

The previous tables show the changes in employment and percent unemployed for the past six years for the city and county. The unemployment rate for the City of Winchester has fluctuated from 2.8 percent to 5.9 percent, and the unemployment rate for Frederick County has fluctuated from 2.4 percent to 4.6 percent since 2015.

Major Employers

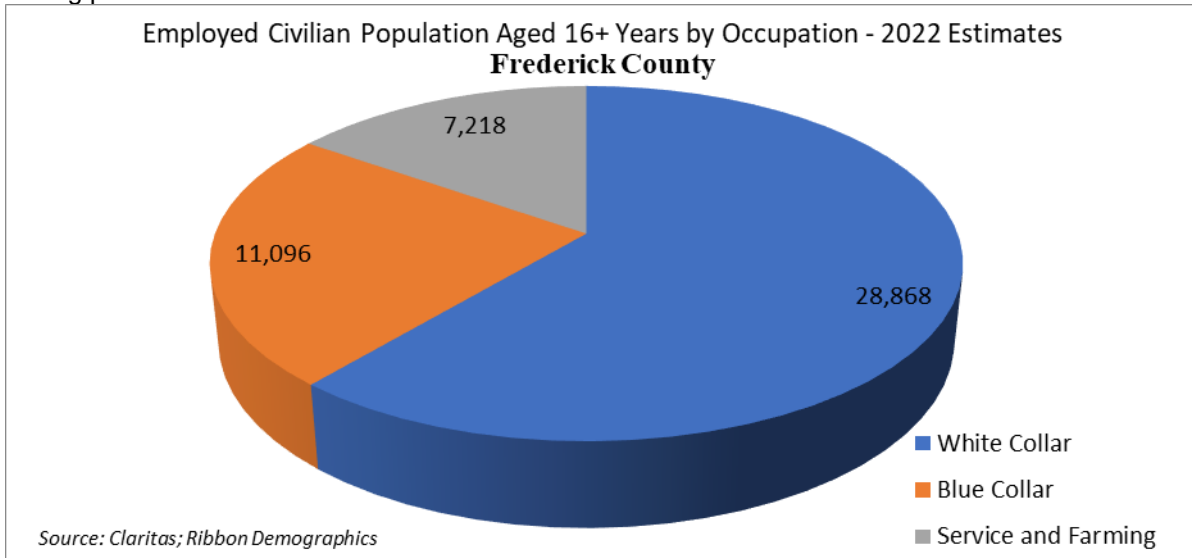
Major employers for the City of Winchester and the industry are shown in the following table:

MAJOR EMPLOYERS		
Name	Product/Service	Total Employees
Valley Health System	Hospitals	1000+
Frederick Co Public Schools	Education	1000+
Navy Federal Credit Union	Financial	1000+
Amazon	E-commerce Facility	1000+
Trex	Manufacturing & Logistics	1000+
FEMA	Administration of Economic	1000+
Walmart	Retail	1000+
Winchester City Public Schools	Education	500-999
Shenandoah University	Education	500-999
County of Frederick	Local Government	500-999
The Home Depot	Retail	500-999
FBI	Federal Government	500-999
Martin's Food Market	Grocery	500-999
City of Winchester	Local Government	500-999
Ignite Holdings Rubbermaid	Plastics Manufacturing	500-999
Thermo Fisher Scientific	Chemical Manufacturing	250-499
Kraft Heinz	Food Manufacturing	250-499
Life Style Staffing	Administrative and Support	250-499
Annandale Millwork	Wood Product	250-499
Berry M&H	Plastics Manufacturing	250-499
Metromont Corporation	Concrete Product	250-499
Monoflo	Plastics & Rubber	250-499
Continental	Plastics & Rubber	250-499

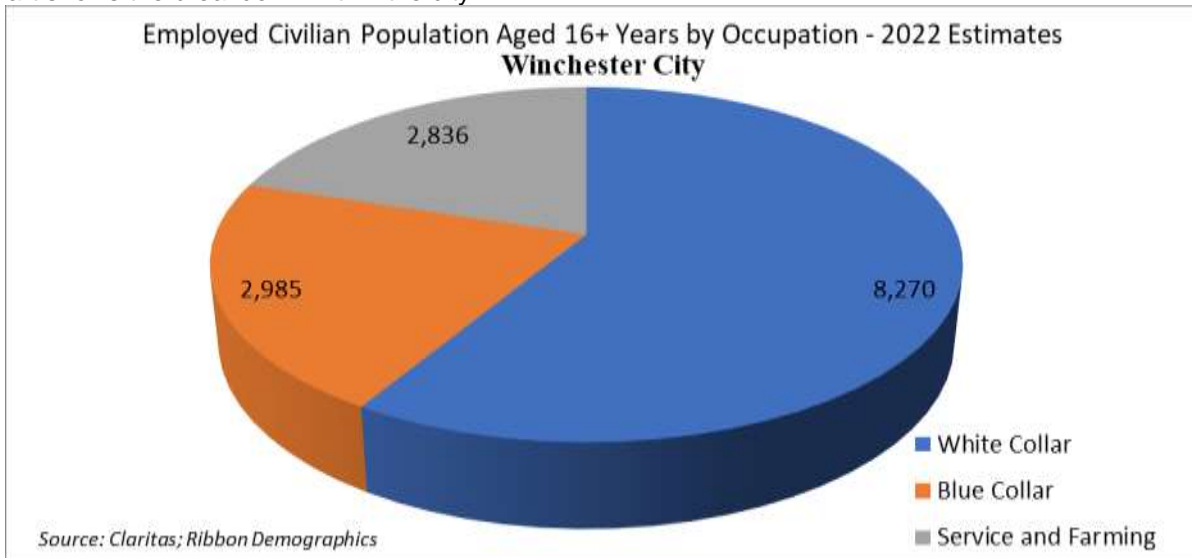
Source: Frederick County Economic Development



The majority of the civilian population within the market area are employed in white collar jobs. The following pie chart shows the breakdown within the market area.



The majority of the civilian population within the city are employed in white collar jobs. The following pie chart shows the breakdown within the city.





Place of Work Employment

The following chart shows the number of people employed in different sectors of the market area's economy in 2022.

Employed Civilian Population Aged 16+ Years by Industry Current Year Estimates - 2022		
Frederick County		
Industry	Number Employed	Percent Employed
Accommodation/Food Services	2,558	5.4%
Administrative/Support/Waste Management	2,204	4.7%
Agriculture/Forestry/Fishing/Hunting/Mining	772	1.6%
Arts/Entertainment/Recreation	503	1.1%
Construction	4,412	9.4%
Educational Services	4,324	9.2%
Finance/Insurance/Real Estate/Rent/Lease	2,701	5.7%
Health Care/Social Assistance	5,775	12.2%
Information	854	1.8%
Management of Companies and Enterprises	58	0.1%
Manufacturing	4,609	9.8%
Other Services Except Public Administration	1,898	4.0%
Professional/Scientific/Technical Services	3,740	7.9%
Public Administration	3,733	7.9%
Retail Trade	5,158	10.9%
Transportation/Warehousing/Utilities	2,714	5.8%
Wholesale Trade	1,169	2.5%
Total:	47,182	100.0%

Source: Claritas; Ribbon Demographics

The following chart shows the number of people employed in different sectors of the city's economy in 2022.

Employed Civilian Population Aged 16+ Years by Industry Current Year Estimates - 2022		
Winchester City		
Industry	Number Employed	Percent Employed
Accommodation/Food Services	1,136	8.1%
Administrative/Support/Waste Management	760	5.4%
Agriculture/Forestry/Fishing/Hunting/Mining	336	2.4%
Arts/Entertainment/Recreation	553	3.9%
Construction	918	6.5%
Educational Services	1,373	9.7%
Finance/Insurance/Real Estate/Rent/Lease	792	5.6%
Health Care/Social Assistance	1,883	13.4%
Information	297	2.1%
Management of Companies and Enterprises	-	0.0%
Manufacturing	1,267	9.0%
Other Services Except Public Administration	804	5.7%
Professional/Scientific/Technical Services	742	5.3%
Public Administration	749	5.3%
Retail Trade	1,543	11.0%
Transportation/Warehousing/Utilities	677	4.8%
Wholesale Trade	261	1.9%
Total:	14,091	100.0%

Source: Claritas; Ribbon Demographics



The previous charts shows the number of people employed in different sectors of the City of Winchester and Frederick County economies in 2022. According to interviews conducted by the analyst, employers in the area indicate that the area economy should remain stable in the next two to five years.

Future Employment Trends

An ongoing worldwide pandemic called COVID-19 has substantially affected the economy of much of the United States. The first case of COVID-19 was diagnosed in the United States on January 21, 2020, in the State of Washington. Since that date, COVID-19 spread rapidly throughout the U.S. The CDC warned that widespread transmission of the disease could force a large number of people to seek hospitalization, overloading the healthcare system. As time has passed, the majority of restrictions have either been removed or relaxed.

The long-term impact of the pandemic is not yet fully known. However, the temporary impact is already visible for many areas, with mass layoffs of non-essential workers. The Virginia Employment Commission was researched for any Worker Adjustment and Retraining Notifications (W.A.R.N.) in the county. There have not been any W.A.R.N. notices issued for Frederick County within the past two years.

Furthermore, according to Donna McIlwee, Administrative Assistant of the Frederick County Economic Development Authority there have been numerous new and expanding businesses in the county, including but not limited to, the following:

- Kingspan Insulation announced in 2022 that the company will expand its production capacity by adding a new manufacturing facility for high-demand, ultra-high energy efficient OPTIM-R vacuum insulated panels and will create 37 new jobs.
- Monoflor International's expansion extends across the nation; however, the company's main location remains in Frederick County. The company recently broke ground on its Imboden production facility, and created 50 new jobs.
- Evolve Stone announced that the company will invest \$12.5 million to add a second production line and triple its current facility space in Frederick County. The project will create 84 new jobs.
- Trex recently celebrated its grand opening of its second Frederick County manufacturing facility, which is part of a \$200 million investment in infrastructure, people and processes to increase its manufacturing facilities. The company also recently announced it will construct its headquarters facility in the City of Winchester.
- The Navy Federal Credit Union, Frederick County's largest private employer, completed a \$100 million expansion of its Winchester Operations Center.
- Misty Mountain Meadworks also recently invested \$125,000 into the completion of its expansion which included the addition of a new facility and production lines.
- Melnor, a distribution company of lawn and garden products completed an expansion that included a new 159,000-square-foot facility.

She further noted that there have been numerous new small and family owned businesses in the county. She noted that the area was not negatively impacted by COVID, and there were no major business closures or layoffs. She noted that the county offers several grants and programs that assisted business during the pandemic, which resulted in very few closures.

Due to the new and expanding businesses, decreasing unemployment and lack of permanent layoffs and closures in the area, it is believed that the economic outlook for the area will remain stable for the next two to five years.



Wages

The average annual wage of employees in Winchester was \$53,157 in 2021. Wages have been increasing 5.0 percent per year.

AVERAGE ANNUAL WAGE BY SECTOR

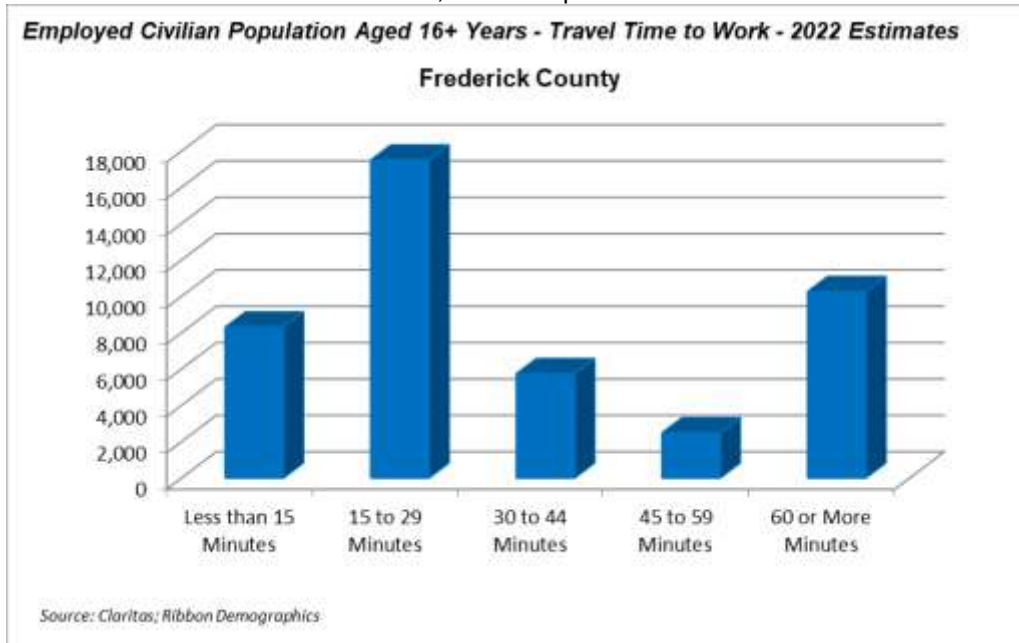
INDUSTRY	2020	2021	% INCREASE
Agriculture, Forestry and Fisheries	N/A*	N/A*	N/A*
Mining	\$38,589	\$36,317	-5.9%
Construction	\$56,247	\$56,409	0.3%
Manufacturing	\$66,188	\$71,100	7.4%
Transportation and Warehousing	\$48,472	\$51,851	7.0%
Utilities	\$80,782	\$88,313	9.3%
Wholesale Trade	\$60,958	\$64,994	6.6%
Retail Trade	\$35,049	\$37,442	6.8%
Leisure and Hospitality	\$20,434	\$23,141	13.2%
Education and Health Services	\$42,725	\$45,251	5.9%
Professional and Business Services	\$44,724	\$49,585	10.9%
Financial Activities	\$69,127	\$70,514	2.0%
Information	\$47,745	\$45,417	-4.9%
Other Services	\$41,489	\$42,598	2.7%
Public Administration (Local Government)	\$56,367	\$61,262	8.7%

Source: U.S. Bureau of Labor Statistics

*Data was not available.

Employment Outside the County

In 2022, for residents employed in market area, the travel time to work from the site is less than 30 minutes. For the majority of those employed in other parts of the area, the travel time would be within 45 minutes. According to the chart below, 18.8 percent have a travel time of less than 15 minutes; 39.5 percent have a travel time of 15 to 29 minutes; and 41.7 percent have a travel time of over 30 minutes.





Summary of Employment Trends in Market Area

The property is applying for an allocation of Low-Income Housing Tax Credits for all units, which will set the income eligibility to individuals earning up to 60 percent of the area median income. Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development. Major employers shown on Page 68 are included in the education and health services; retail trade; public administration; and manufacturing. The available employment is well-suited to the targeted population of the proposed LIHTC development.

DEMOGRAPHIC CHARACTERISTICS



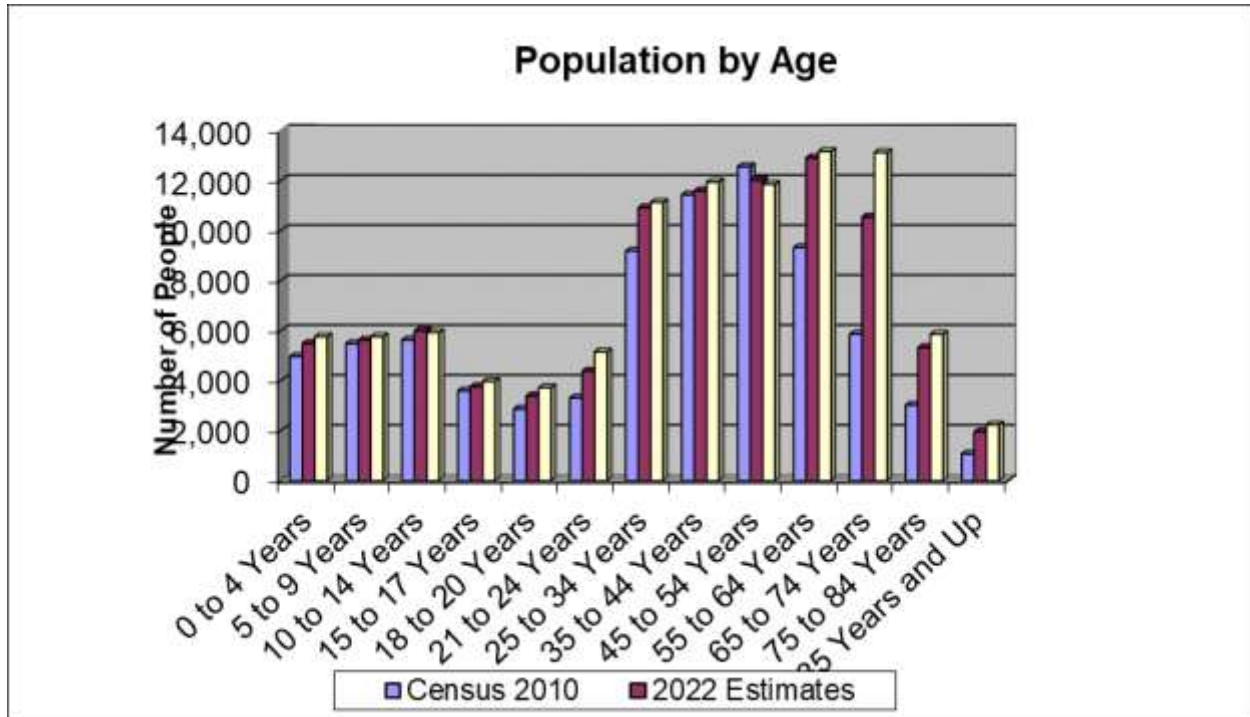
Population and Households Trends and Analysis

The housing Market Area for the proposed units is an area in which people could locate their residences and have fairly equal access to the same job market, community services and amenities and be in the socio-economic community they choose.

The primary market area for the subject consists of Frederick County.

Population by Age & Sex Frederick County											
Census 2010				Current Year Estimates - 2022				Five Year Projections - 2027			
Age	Male	Female	Total	Age	Male	Female	Total	Age	Male	Female	Total
0 to 4 Years	2,591	2,379	4,970	0 to 4 Years	2,791	2,697	5,488	0 to 4 Years	2,944	2,815	5,759
5 to 9 Years	2,778	2,706	5,484	5 to 9 Years	2,858	2,759	5,617	5 to 9 Years	2,925	2,833	5,758
10 to 14 Years	2,867	2,762	5,629	10 to 14 Years	3,100	2,894	5,994	10 to 14 Years	3,023	2,899	5,922
15 to 17 Years	1,847	1,745	3,592	15 to 17 Years	1,957	1,804	3,761	15 to 17 Years	2,063	1,908	3,971
18 to 20 Years	1,527	1,340	2,867	18 to 20 Years	1,798	1,599	3,397	18 to 20 Years	1,966	1,752	3,718
21 to 24 Years	1,710	1,602	3,312	21 to 24 Years	2,267	2,114	4,381	21 to 24 Years	2,692	2,460	5,152
25 to 34 Years	4,533	4,650	9,183	25 to 34 Years	5,567	5,349	10,916	25 to 34 Years	5,717	5,408	11,125
35 to 44 Years	5,604	5,827	11,431	35 to 44 Years	5,743	5,845	11,588	35 to 44 Years	5,940	5,999	11,939
45 to 54 Years	6,345	6,213	12,558	45 to 54 Years	5,997	6,005	12,002	45 to 54 Years	5,859	5,989	11,848
55 to 64 Years	4,557	4,768	9,325	55 to 64 Years	6,417	6,491	12,908	55 to 64 Years	6,599	6,567	13,166
65 to 74 Years	2,827	3,032	5,859	65 to 74 Years	5,041	5,504	10,545	65 to 74 Years	6,274	6,848	13,122
75 to 84 Years	1,347	1,676	3,023	75 to 84 Years	2,437	2,885	5,322	75 to 84 Years	2,672	3,185	5,857
85 Years and Up	<u>383</u>	<u>689</u>	<u>1,072</u>	85 Years and Up	<u>790</u>	<u>1,169</u>	<u>1,959</u>	85 Years and Up	<u>907</u>	<u>1,329</u>	<u>2,236</u>
Total	38,916	39,389	78,305	Total	46,763	47,115	93,878	Total	49,581	49,992	99,573
62+ Years	n/a	n/a	12,582	62+ Years	n/a	n/a	21,453	62+ Years	n/a	n/a	25,135
		Median Age:	38.6			Median Age:	41.4			Median Age:	42.0

Source: Claritas; Ribbon Demographics



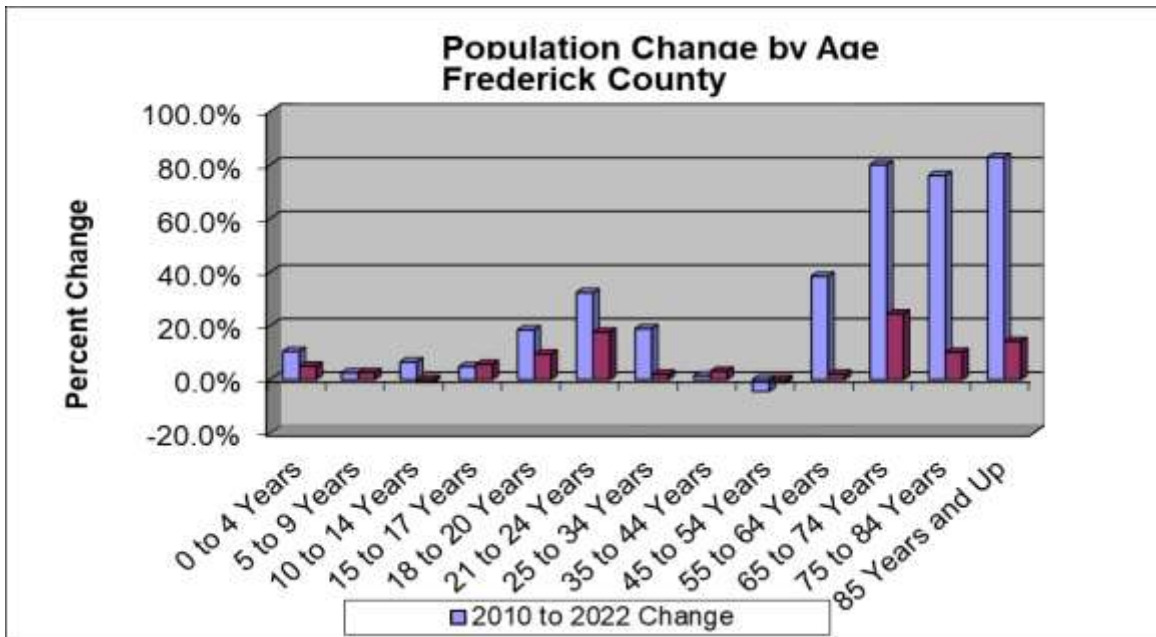
Source: Claritas; Ribbon Demographics



In 2000, this geographic market area contained an estimated population of 59,205. The population in 2010 in the market area increased 32.3 percent to 78,305. In 2022, the population in this market area increased 19.9 percent to 93,878. It is projected that between 2022 and 2027, population in the market area will increase an additional 6.1 percent to 99,573. Population estimates and projections are based on the most recent data from Claritas and Ribbon Demographics. The data was produced during the COVID-19 pandemic. Currently, there are no estimated changes due to the virus. The long-term economic impact on any region is not yet known. The short-term economic impact has been relatively minor. However, it is possible the population growth could be impacted by the COVID-19 if there are long-term economic impacts in the area. The following tables show the population change by age in the market area.

Changes in Population by Age & Sex									
Frederick County									
Estimated Change - 2010 to 2022					Projected Change - 2022 to 2027				
Age	Male	Female	Total Change	Percent Change	Age	Male	Female	Total Change	Percent Change
0 to 4 Years	200	318	518	10.4%	0 to 4 Years	153	118	271	4.9%
5 to 9 Years	80	53	133	2.4%	5 to 9 Years	67	74	141	2.5%
10 to 14 Years	233	132	365	6.5%	10 to 14 Years	-77	5	-72	-1.2%
15 to 17 Years	110	59	169	4.7%	15 to 17 Years	106	104	210	5.6%
18 to 20 Years	271	259	530	18.5%	18 to 20 Years	168	153	321	9.4%
21 to 24 Years	557	512	1,069	32.3%	21 to 24 Years	425	346	771	17.6%
25 to 34 Years	1,034	699	1,733	18.9%	25 to 34 Years	150	59	209	1.9%
35 to 44 Years	139	18	157	1.4%	35 to 44 Years	197	154	351	3.0%
45 to 54 Years	-348	-208	-556	-4.4%	45 to 54 Years	-138	-16	-154	-1.3%
55 to 64 Years	1,860	1,723	3,583	38.4%	55 to 64 Years	182	76	258	2.0%
65 to 74 Years	2,214	2,472	4,686	80.0%	65 to 74 Years	1,233	1,344	2,577	24.4%
75 to 84 Years	1,090	1,209	2,299	76.1%	75 to 84 Years	235	300	535	10.1%
85 Years and Up	407	480	887	82.7%	85 Years and Up	117	160	277	14.1%
Total	7,847	7,726	15,573	19.9%	Total	2,818	2,877	5,695	6.1%
62+ Years	n/a	n/a	8,871	70.5%	62+ Years	n/a	n/a	3,682	17.2%

Source: Claritas; Ribbon Demographics



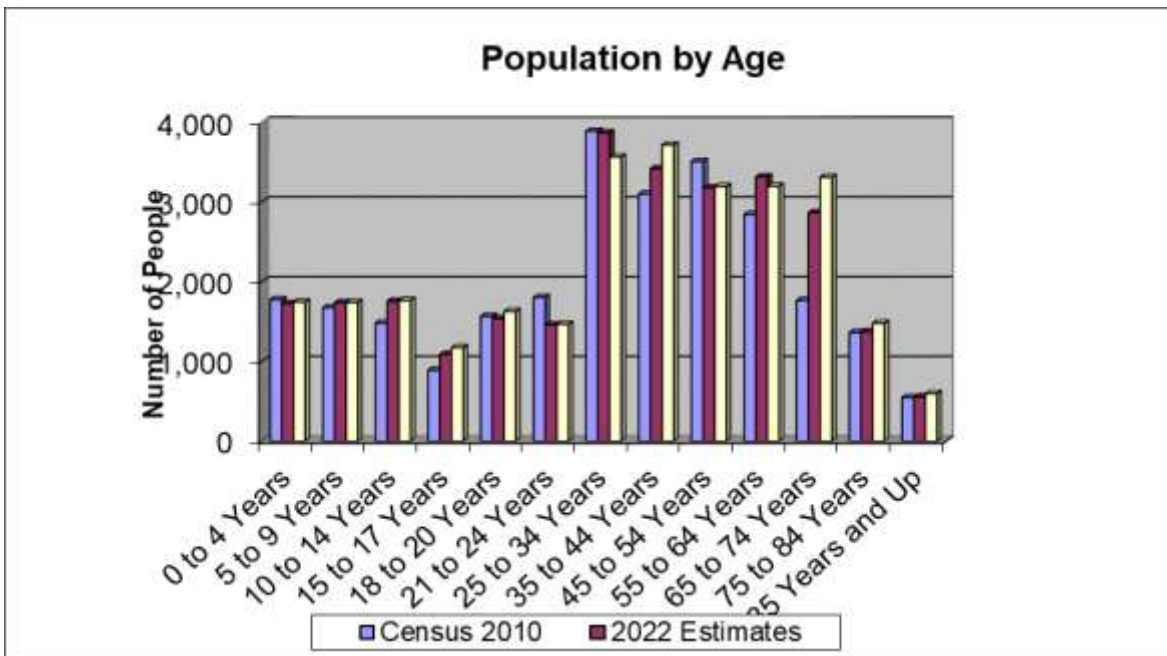
Source: Claritas; Ribbon Demographics



The following data shows the change in population within the City of Winchester. The city's population also shows significant increases since 2000, though it is increasing at a slower rate than the county overall.

Population by Age & Sex Winchester City											
Census 2010				Current Year Estimates - 2022				Five Year Projections - 2027			
Age	Male	Female	Total	Age	Male	Female	Total	Age	Male	Female	Total
0 to 4 Years	957	818	1,775	0 to 4 Years	884	842	1,726	0 to 4 Years	892	854	1,746
5 to 9 Years	855	820	1,675	5 to 9 Years	903	834	1,737	5 to 9 Years	893	848	1,741
10 to 14 Years	757	724	1,481	10 to 14 Years	922	833	1,755	10 to 14 Years	921	844	1,765
15 to 17 Years	475	415	890	15 to 17 Years	555	533	1,088	15 to 17 Years	601	571	1,172
18 to 20 Years	775	791	1,566	18 to 20 Years	771	765	1,536	18 to 20 Years	823	803	1,626
21 to 24 Years	897	905	1,802	21 to 24 Years	743	715	1,458	21 to 24 Years	762	705	1,467
25 to 34 Years	1,955	1,932	3,887	25 to 34 Years	1,919	1,949	3,868	25 to 34 Years	1,778	1,785	3,563
35 to 44 Years	1,584	1,516	3,100	35 to 44 Years	1,772	1,644	3,416	35 to 44 Years	1,892	1,822	3,714
45 to 54 Years	1,748	1,759	3,507	45 to 54 Years	1,515	1,662	3,177	45 to 54 Years	1,589	1,604	3,193
55 to 64 Years	1,401	1,443	2,844	55 to 64 Years	1,607	1,707	3,314	55 to 64 Years	1,521	1,676	3,197
65 to 74 Years	789	977	1,766	65 to 74 Years	1,333	1,532	2,865	65 to 74 Years	1,547	1,762	3,309
75 to 84 Years	540	823	1,363	75 to 84 Years	576	797	1,373	75 to 84 Years	625	854	1,479
85 Years and Up	165	382	547	85 Years and Up	215	340	555	85 Years and Up	231	365	596
Total	12,898	13,305	26,203	Total	13,715	14,153	27,868	Total	14,075	14,493	28,568
62+ Years	n/a	n/a	4,436	62+ Years	n/a	n/a	5,739	62+ Years	n/a	n/a	6,318
Median Age:		35.1		Median Age:		37.2		Median Age:		38.2	

Source: Claritas; Ribbon Demographics



Source: Claritas; Ribbon Demographics



Housing Market

The demand for additional housing in a market area is a function of population growth, household formations and, also, a replacement of units lost through demolition and extreme obsolescence. Also, within the overall demand are segments of the market asking for more or less expense (related to income) and for ownership or rental.

Some of the demand has been, or will be, satisfied by units which have been built, or will be built, by the time the project is renting. The difference between demand and supply, the residual, is the total market of which the project's market will be a share.

The "tenure" of existing housing will be examined first as a guide to the future proportion of ownership and rentals; then characteristics of the housing stock will be noted.

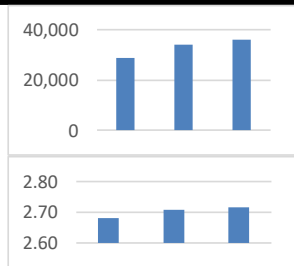
The most important analysis is that of demand, supply and residual demand which follows. Its product is the number of type rental units which will be demanded.

Tenure

The percentage of renters in Frederick County in 2022 is 21.3 percent, while the percentage of renters in the City of Winchester in 2022 is 53.7 percent. Currently, there are no estimated changes due to the virus. The long-term economic impact on any region is not yet known. The short-term economic impact has been relatively minor. However, it is possible the household growth could be impacted by the COVID-19 if there are long-term economic impacts in the area.

Frederick County		
Total Households		
Census 2010	28,864	
Current Year Estimates - 2022	34,237	
Five Year Projections - 2027	36,245	
Estimated Change - 2010 to 2022	5,373	18.6%
Projected Change - 2022 to 2027	2,008	5.9%
Average Household Size 2010	2.68	
Average Household Size 2022	2.71	
Average Household Size 2027	2.71	

Households by Tenure		
2010 Owner	22,673	78.6%
2010 Renter	6,191	21.4%
2022 Owner	26,935	78.7%
2022 Renter	7,302	21.3%
2027 Owner	28,520	78.7%
2027 Renter	7,725	21.3%

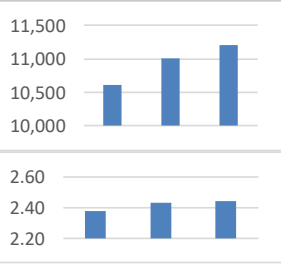


Source: Claritas; Ribbon Demographics



Winchester City
Total Households

Census 2010	10,607	
Current Year Estimates - 2022	11,007	
Five Year Projections - 2027	11,209	
Estimated Change - 2010 to 2022	400	3.8%
Projected Change - 2022 to 2027	202	1.8%
Average Household Size 2010	2.38	
Average Household Size 2022	2.43	
Average Household Size 2027	2.44	



Households by Tenure

2010 Owner	4,861	45.8%
2010 Renter	5,746	54.2%
2022 Owner	5,096	46.3%
2022 Renter	5,911	53.7%
2027 Owner	5,207	46.5%
2027 Renter	6,002	53.5%

Source: Claritas; Ribbon Demographics



Rent Overburdened Households

According to the Comprehensive Housing Affordability Strategy (CHAS) published by the Office of Policy Development and Research, in 2019 (the most recent data available), there were 840 renter-occupied households in the county with incomes greater than 30 percent and less than or equal to 50 percent that are considered rent overburdened. The rent overburdened households represent 79.2 percent of the households in the county with incomes greater than 30 percent and less than or equal to 50 percent. The percentage of rent-overburdened households was used in the demand analysis to calculate the number of households within the subject's income range that are rent-overburdened.

Income by Cost Burden (Renters only)	Cost burden > 30%	Cost burden > 50%	Total
Household Income <= 30% HAMFI	780	685	1,170
Household Income >30% to <=50% HAMFI	840	330	1,060
Household Income >50% to <=80% HAMFI	455	10	1,390
Household Income >80% to <=100% HAMFI	170	20	845
Household Income >100% HAMFI	155	35	2,590
Total	2,400	1,080	7,055

Source: CHAS 2015-2019 American Community Survey

Substandard Households

According to the Comprehensive Housing Affordability Strategy (CHAS) published by the Office of Policy Development and Research, in 2019 (the most recent data available), there were 2,670 renter-occupied households in the county with at least one of the four following housing problems: incomplete kitchen facilities, incomplete plumbing facilities, more than one person per room and cost burden greater than 30 percent. This data includes rent-overburdened households which have already been addressed. Therefore, it is necessary to remove the rent-overburdened households from the data to determine the remaining substandard households. The previous table indicates there are 1,060 total rent overburdened households with incomes greater than 30 percent and less than or equal to 50 percent. These 1,060 households that were rent-overburdened were subtracted from the 2,670 households that are substandard. The result of 1,610 households represents 22.8 percent of the total renter households in the county. The percentage of substandard households was used in the demand analysis to calculate the number of households within the subject's income range that are considered substandard.

Housing Problems Overview	Owner	Renter	Total
Household Has At Least 1 of 4 Housing Problems	4,480	2,670	7,150
Household Has None of 4 Housing Problems or Cost Burden Not Available, No Other Problems	19,970	4,385	24,355
Total	24,450	7,055	31,505

Source: CHAS 2015-2019 American Community Survey



Income Eligibility Analysis

Renter Households

All Age Groups

Year 2022 Estimates

	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	259	76	6	3	23	367
\$10,000-20,000	306	120	104	7	17	554
\$20,000-30,000	287	144	144	54	87	716
\$30,000-40,000	360	162	63	146	43	774
\$40,000-50,000	142	211	122	50	48	573
\$50,000-60,000	316	175	55	65	116	727
\$60,000-75,000	123	151	242	77	172	765
\$75,000-100,000	162	359	205	206	157	1,089
\$100,000-125,000	77	255	94	52	200	678
\$125,000-150,000	160	145	65	4	33	407
\$150,000-200,000	62	80	86	75	61	364
\$200,000+	<u>131</u>	<u>54</u>	<u>23</u>	<u>4</u>	<u>76</u>	<u>288</u>
Total	2,385	1,932	1,209	743	1,033	7,302

Source: Claritas and Ribbon Demographics

Owner Households

All Age Groups

Year 2022 Estimates

	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	324	170	34	22	12	562
\$10,000-20,000	543	264	84	22	33	946
\$20,000-30,000	368	369	141	26	26	930
\$30,000-40,000	535	760	165	88	47	1,595
\$40,000-50,000	382	670	142	87	87	1,368
\$50,000-60,000	252	714	270	132	134	1,502
\$60,000-75,000	627	1,184	327	227	143	2,508
\$75,000-100,000	553	1,553	1,162	525	503	4,296
\$100,000-125,000	269	1,233	835	1,211	633	4,181
\$125,000-150,000	338	959	569	554	618	3,038
\$150,000-200,000	167	1,249	520	1,021	414	3,371
\$200,000+	<u>298</u>	<u>732</u>	<u>780</u>	<u>433</u>	<u>395</u>	<u>2,638</u>
Total	4,656	9,857	5,029	4,348	3,045	26,935

Source: Claritas and Ribbon Demographics



Renter Households						
All Age Groups						
Year 2027 Projections						
	1-Person	2-Person	3-Person	4-Person	5+-Person	Total
	Household	Household	Household	Household	Household	
\$0-10,000	258	80	9	6	13	366
\$10,000-20,000	305	111	94	6	19	535
\$20,000-30,000	299	139	138	51	93	720
\$30,000-40,000	329	135	46	157	37	704
\$40,000-50,000	161	238	137	59	59	654
\$50,000-60,000	291	145	47	60	112	655
\$60,000-75,000	132	148	237	81	184	782
\$75,000-100,000	179	371	228	213	166	1,157
\$100,000-125,000	81	282	120	50	214	747
\$125,000-150,000	203	155	76	5	50	489
\$150,000-200,000	91	116	94	98	70	469
\$200,000+	<u>206</u>	<u>74</u>	<u>46</u>	<u>7</u>	<u>114</u>	<u>447</u>
Total	2,535	1,994	1,272	793	1,131	7,725

Source: Claritas and Ribbon Demographics

Owner Households						
All Age Groups						
Year 2027 Projections						
	1-Person	2-Person	3-Person	4-Person	5+-Person	Total
	Household	Household	Household	Household	Household	
\$0-10,000	333	161	30	18	12	554
\$10,000-20,000	517	252	83	24	26	902
\$20,000-30,000	358	349	140	21	35	903
\$30,000-40,000	490	732	132	67	41	1,462
\$40,000-50,000	417	692	132	98	83	1,422
\$50,000-60,000	236	706	247	127	134	1,450
\$60,000-75,000	614	1,210	317	205	133	2,479
\$75,000-100,000	569	1,544	1,120	508	451	4,192
\$100,000-125,000	278	1,280	828	1,173	650	4,209
\$125,000-150,000	421	1,047	660	595	681	3,404
\$150,000-200,000	201	1,447	597	1,147	483	3,875
\$200,000+	<u>477</u>	<u>1,032</u>	<u>1,054</u>	<u>585</u>	<u>520</u>	<u>3,668</u>
Total	4,911	10,452	5,340	4,568	3,249	28,520

Source: Claritas and Ribbon Demographics



Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development. Income is a key characteristic in analyzing housing markets. The previous pages show household incomes for the Market Area for all renter and owner households in 2022 and 2027. However, this analysis is primarily concerned with target incomes of renters as shown in the following table:

INCOME-ELIGIBLE RENTER HOUSEHOLDS					
	Gross Rent	Lower Range	Upper Range	% Income Qualified	Income-Eligible Households
All Unit Types (All)	\$1,023	\$35,074	\$58,980	22.0%	1,607
1 BR (60%)	\$1,023	\$35,074	\$43,680	9.0%	387
2 BR (60%)	\$1,228	\$42,103	\$49,140	7.5%	234
3 BR (60%)	\$1,419	\$48,651	\$58,980	8.1%	242

Source: Claritas; Ribbon Demographics and HUD

Target incomes for the different unit types are derived by the analyst. For the low end of the range, the lowest rent charged in an income limit (i.e., 60% AMI) for a unit is divided by 35 percent. The resulting number is then multiplied by 12 to derive an annual income ($\$1,023 / 35\% = \$2,922.85 \times 12 = \$35,074$). This process is based on the premise that a tenant should not pay more than 35 percent of his annual income on rent.

For the high end of the range, the analyst consults the income limits set by the state housing authority. If the largest unit in an income limit (i.e., 60% AMI) is a two-bedroom unit, the analyst utilizes the three-person households to find how many people could reside in that unit. The analyst then consults the state income limits to set the high end of the range (2 bedroom x 1.5 = 3 people/unit; therefore, the 60% 3-person maximum income would be used).

The following table shows the maximum income limits at each income level as determined by the U.S. Department of Housing and Urban Development.

LIHTC INCOME LIMITS	
Person in Households	60%
1	\$38,220
2	\$43,680
3	\$49,140
4	\$54,600
5	\$58,980
6	\$63,360

Source: HUD

DEVELOPMENT-SPECIFIC DEMAND ANALYSIS



Sources of Demand

The potential tenants for the proposed development include households who now live within the market area. It will appeal to potential tenants who have adequate incomes to pay the proposed rents and find the development more attractive in terms of price, unit features and project amenities than other available rental units. It also will attract households that the market area gains between now and when the development is ready for occupancy.

Required Unit Mix

The LIHTC program is based on the premise that 1.5 persons per household will occupy rental units. I expect that five percent of one-person households will occupy efficiency units. Ninety-five percent (95%) of one-person households and 25 percent of two-person households will occupy one-bedroom units. I expect that 75 percent of two-person households and 50 percent of three-person households will occupy two-bedroom units. I expect that 50 percent of three-person households, 90 percent of four-person households and 90 percent of households with five or more persons will occupy three-bedroom units. I expect that 10 percent of four-person households and 10 percent of households with five or more persons will occupy four-bedroom units.

The following table illustrates the ratio of units required by each household size. These occupancy patterns suggest that efficiency units should account for 1.6 percent of the renter housing demand; one-bedroom units should account for 37.6 percent; two-bedroom units should account for 28.1 percent; three-bedroom units should account for 30.2 percent, and units with four or more bedrooms should account for 2.4 percent of the renter housing demand in the market area.

RENTAL HOUSING DEMAND BY NUMBER OF BEDROOMS						
HOUSEHOLD SIZE	0 BR	1 BR	2 BR	3 BR	4 BR	TOTAL
1 Person	119	2,266	0	0	0	2,385
2 Persons	0	483	1,449	0	0	1,932
3 Persons	0	0	605	605	0	1,209
4 Persons	0	0	0	669	74	743
5 or More Persons	0	0	0	930	103	1,033
TOTAL	119	2,749	2,054	2,203	178	7,302
PERCENT	1.6%	37.6%	28.1%	30.2%	2.4%	100.0%

Source: Claritas; Ribbon Demographics

Eligible Households

Landlords evaluate a potential tenant's income and credit to decide if applicant can pay the required rents. Commercial underwriters and owners of conventional market rate developments generally require that the monthly contract rent should not exceed one-third of a tenant's income. This is increased to 35 percent for family tenants in the LIHTC program.

Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development. The following table shows the income-eligible households for the proposed subject:

INCOME-ELIGIBLE RENTER HOUSEHOLDS					
	Gross Rent	Lower Range	Upper Range	% Income Qualified	Income-Eligible Households
All Unit Types (All)	\$1,023	\$35,074	\$58,980	22.0%	1,607
1 BR (60%)	\$1,023	\$35,074	\$43,680	9.0%	387
2 BR (60%)	\$1,228	\$42,103	\$49,140	7.5%	234
3 BR (60%)	\$1,419	\$48,651	\$58,980	8.1%	242

Source: Claritas; Ribbon Demographics and HUD



Penetration Rate

There are no properties currently under construction or planned in the market area that will have units competitive with the proposed development. There are currently 474 competitive units in the market area, and the proposed development will contain 121 units. Therefore, the total affordable inventory would be 595 units. The chart below indicates a penetration rate of 37.0 percent for the market area when considering all competitive units.

REQUIRED PENETRATION RATE - ALL COMPETITIVE UNITS	
Income-Eligible Renter Households	1,607
Existing Competitive LIHTC Units	474
LIHTC Competitive Units Planned	0
Proposed Units in Subject	121
Total Inventory	595
Penetration Rate	37.0%

A penetration rate considering only the vacant competitive units in the market area was also determined. The total inventory when considering only the vacant competitive units is 121 units. The chart below indicates a penetration rate of 7.5 percent for the market area when considering only the vacant competitive units.

REQUIRED PENETRATION RATE - VACANT COMPETITIVE UNITS	
Income-Eligible Renter Households	1,607
Existing Vacant LIHTC Units	0
LIHTC Units Planned	0
Proposed Units in Subject	121
Total Inventory	121
Penetration Rate	7.5%



Demand Analysis

The following table will contain the summary demand estimates for the proposed units:

REQUIRED DEMAND	
	All Units (\$35,074 to \$58,980)
New Rental Households	37
+	
Existing Households - Overburdened	1,274
+	
Existing Households - Substandard	367
+	
Existing Qualifying Tenants - to Remain After Renovation	0
TOTAL DEMAND	
TOTAL DEMAND	1,678
-	
Supply (Directly Comparable Vacant Units Completed or in Pipeline in PMA)	0
NET DEMAND	1,678
PROPOSED UNITS	121
CAPTURE RATE	7.2%
ABSORPTION PERIOD	6 Months

*See Page 86 for absorption period explanation.



Demand Analysis Summary

New Rental Households: The demand from new renter household growth is calculated by taking the new rental households projected between 2022 and 2027 divided by five years (85 households) and then multiplying by two years since the rehabilitation will be complete at the end 2024. This resulted in a new renter household growth total of 170. The new renter household growth number of 170 was then multiplied by the percent of income qualified tenants in the market area ($170 \times 22.0\% = 37$). The subject will attract tenants between \$35,074 and \$58,980. The percent of income qualified households can be seen on Page 83. The demand from new household growth is 37 for all units.

Existing Households – Overburdened: The total number of income-eligible renter households is 1,607. The percent overburdened percentage of 79.2 percent determined on Page 78 was applied to this number to derive the existing households – overburdened shown on the demand chart on the previous page.

Existing Households – Substandard: The total number of income-eligible households is 1,607. The percent of substandard households as determined on Page 78 was applied to this number to derive the substandard households as shown on the demand chart on the previous page.

Existing Qualifying Tenants Likely to Remain After Renovation: The subject is a proposed LIHTC development. Therefore, there are no existing tenants.

Supply: There are no vacant competitive units in the market area. There are no planned competitive developments or competitive developments currently under construction in the market area. Therefore, no units were subtracted as supply.

Net Demand, Capture Rate and Conclusion: The market shows a net demand of 1,678 units for all units. Based on the demand analysis, a capture rate of 7.2 percent was determined. The capture rate is considered acceptable. In addition, due to the existing waiting lists and high occupancy rates of LIHTC properties in the market area as well as the current population and household growth and stable economic factors, it is the belief of the analyst that the property will be viable within the market area. Consequently, it is firmly believed that the proposed development will satisfy a portion of the demand for rental units within the market. It is believed that the property will meet the demand for affordable housing in the market area.

Absorption Period: The subject is a proposed LIHTC development that will contain 121 units. The absorption level is typically based on the most recent multifamily developments. However, there were no newly constructed developments in the market area that were able to disclose lease-up data. Therefore, it was necessary to consider the opinions of apartment managers and local real estate agents, the current occupancy rates of the surveyed developments and the current waiting lists of the affordable developments confirmed in the market area. After considering all factors, it is estimated that the development could absorb 20 to 25 units per month, resulting in a 95 percent occupancy level within five to six months.



Capture Rate Analysis

The following table shows the capture rates for the proposed development.

CAPTURE RATE	
PROJECT-WIDE CAPTURE RATE - LIHTC UNITS	7.2%
PROJECT-WIDE CAPTURE RATE - MARKET UNITS	N/A
PROJECT-WIDE CAPTURE RATE - ALL UNITS	7.2%
PROJECT-WIDE ABSORPTION PERIOD (MONTHS)	6 Months

The market shows a net demand of 1,678 households for all units. As complete, the property will be 100 percent LIHTC at 60 percent of the area median income. The capture rate for the subject is 7.2 percent, which is considered acceptable. In addition, based on the occupancy rates of apartment complexes in the market area, the existing waiting lists, the projected family population and household growth and the economic factors, it is believed that property will be viable within the market area and will meet the demand for affordable housing in the market area.

COMPETITIVE ENVIRONMENT



Housing Profile

Market Area Overview

The rental housing stock in the market area is comprised of single-family homes as well as market-rate and restricted apartment complexes. The majority of the housing stock was built in the 1980s and 2000s.

Housing Inventory

From 2010 through October 2022, permit-issuing jurisdictions in Frederick County reported a total of 7,111 single-family and multifamily dwelling permits. Multifamily units made up 9.7 percent of the planned construction activity.

BUILDING PERMITS ISSUED			
YEAR	SINGLE-FAMILY	MULTIFAMILY	TOTAL
2010	247	0	247
2011	229	0	229
2012	266	0	266
2013	357	0	357
2014	436	0	436
2015	532	137	669
2016	791	0	791
2017	562	99	661
2018	525	191	716
2019	594	177	771
2020	678	0	678
2021	667	20	687
2022*	540	63	603
TOTAL	6,424	687	7,111

*Preliminary Numbers through October 2022

Source: SOCDS

Projects Planned or Under Construction

According to Virginia Housing, there has only been one development awarded tax credits in the market area in the last five years. Senseny Place was awarded tax credits in 2021 for the construction of new elderly development that will contain a total of 63 units. As the property will be designated for the elderly, the property will not directly compete with the subject.

Unit Condition

The market area's rental housing stock is in varying condition. Overall, the developments are well maintained.



Housing Units

The following tables show significant characteristics of the market area's housing stock in 2022. According to Claritas and Ribbon Demographics, there are 36,778 total housing units in the market area, 34,237 of which are occupied. There are 26,935 owner-occupied households and 7,302 renter-occupied households for 2022. In addition, there are 2,541 total vacant housing units in the market area.

Housing Unit Summary		
<i>Current Year Estimates - 2022</i>		
Frederick County		
	Number	Percent
Housing Units	36,778	100.0%
Vacant Housing Units	2,541	6.9%
Renter-Occupied	7,302	21.3%
Owner-Occupied	26,935	78.7%
Total Occupied:	34,237	100.0%

Source: Claritas; Ribbon Demographics

Age of Rental Units

In 2022, there are 2,038 households constructed prior to 1939. According to Claritas and Ribbon Demographics, 6,732 households were built in 2010 or later.

Housing Units by Year Structure Built		
<i>Current Year Estimates - 2022</i>		
Frederick County		
Year	Number	Percent
2014 or Later	5,634	15.3%
2010 - 2013	1,098	3.0%
2000 - 2009	7,858	21.4%
1990 - 1999	6,305	17.1%
1980 - 1989	5,424	14.7%
1970 - 1979	4,618	12.6%
1960 - 1969	2,007	5.5%
1950 - 1959	1,222	3.3%
1940 - 1949	574	1.6%
1939 or Earlier	2,038	<u>5.5%</u>
Total:	36,778	100.0%

Source: Claritas; Ribbon Demographics



Unit Types

In 2022, there are 31,677 single-family housing units, 3,005 multifamily housing units and 2,096 mobile homes or other housing in the market area.

Housing Units by Units in Structure Current Year Estimates - 2022		
Frederick County		
Unit	Number	Percent
I Unit Detached	27,682	75.3%
I Unit Attached	3,995	10.9%
2 Units	252	0.7%
3 to 4 Units	292	0.8%
5 to 19 Units	1,444	3.9%
20 to 49 Units	100	0.3%
50 or More Units	917	2.5%
Mobile Home	2,085	5.7%
Other	11	0.0%
Total:	36,778	100.0%

Source: Claritas; Ribbon Demographics

Unit Size

The average size of the units in the surveyed developments is 716 square feet for one-bedroom units, 969 square feet for two-bedroom units and 1,161 square feet for three-bedroom units. The subject's proposed unit sizes will be larger than the average unit size. Consequently, it is believed the subject's unit sizes will be competitive in this market.

AVERAGE APARTMENT SIZE OF COMPARABLE APARTMENTS					
Unit Type	COMPARABLES			Average Subject (SF)	Subject's Advantage
	Minimum (SF)	Maximum (SF)	Average (SF)		
1 BR	500	958	716	833	16.3%
2 BR	675	1,225	969	1,146	18.3%
3 BR	840	1,380	1,161	1,712	47.5%

Source: Gill Group Field Survey

Rental Vacancy Rates

According to RealtyRates.com Market Survey, the vacancy rate for the South Atlantic Region has fluctuated only slightly. For 2021, the vacancy rate ranged from 5.4 percent to 5.8 percent, with an average of 5.6 percent. For 2022, the vacancy rate ranged from 5.1 percent to 5.3 percent, with an average of 5.2 percent.

REALTY RATES MARKET SURVEY - REGIONAL VACANCY RATES			
QUARTER	2020	2021	2022
1st Quarter	6.0%	5.8%	5.3%
2nd Quarter	5.9%	5.6%	5.2%
3rd Quarter	5.7%	5.5%	5.1%
4th Quarter	5.5%	5.4%	5.1%

Source: RealtyRates.com Market Survey, South Atlantic Region



Vacancy Analysis

The vacancy rate for affordable housing units in the market area is 0.0 percent. The following table shows the vacancy rates for all affordable housing properties verified in the market area. The vacancy rate for family competitive LIHTC housing in the market area is 0.0 percent. Of the verified competitive family units verified, none were vacant.

AFFORDABLE HOUSING VACANCIES			
Name of Property	# of Units	# of Vacant Units	Vacancy Rate
Preston Place Apartments	236	0	0.0%
Autumn Wind Apartments	104	0	0.0%
Cedar Creek I & II	88	0	0.0%
Stephen's Village	46	0	0.0%
Winchester House	160	0	0.0%
Totals	634	0	0.0%

The current vacancy rate in surveyed market-rate apartment complexes is 0.7 percent. Out of the total 915 units verified, six were vacant. The following table shows the vacancy rates for each conventional property verified in the area.

MARKET VACANCIES			
Name of Property	# of Units	# of Vacant Units	Vacancy Rate
Orchard Crest Apartments	199	0	0.0%
Pemberton Village	120	0	0.0%
Stuart Hill	180	4	2.2%
Cedar Hill	48	1	2.1%
Brookfield Apartments	29	0	0.0%
Contrail Park	36	0	0.0%
Peppertree Apartments	194	0	0.0%
Dove Landing	32	1	3.1%
Fort Collier Terrace	72	0	0.0%
Millwood Apartments	5	0	0.0%
Totals	915	6	0.7%

The market area has an overall rental vacancy rate of 0.4 percent. Of the 1,549 total units verified in the market area, six were vacant.

Lease Terms and Concessions

The typical lease is twelve months. As of the effective date of the analysis, none of the affordable housing properties were offering concessions.

Likely Impact of Proposed Development on Rental Occupancy Rates

The proposed development will not have an adverse impact on the market area. Its one-, two- and three-bedroom units will be suitable in the market. In addition, it can attract tenants from the waiting lists of the existing competitive properties as well as the new households in the growing market area. Therefore, the proposed development is unlikely to materially impact the existing competitive properties in the market area which exhibit strong occupancy rates.



Comparable Profile Pages
COMPARABLE APARTMENT RENTAL NO. 1



Property Type: Section 8/LIHTC/Walk-Up
 Property Name: Preston Place Apartments
 Address: 124 Castlebridge Court,
 Winchester, VA 22602
 Verification: Fran; 540-662-2292
 December 22, 2022, By
 Telephone
 Distance From Subject: 3.9 Miles

**Year Opening/Significant Renovation
 Amenities**

1993
 Refrigerator, Range/Oven, Washer/Dryer Hook-Up, Carpet, Vinyl,
 Blinds, Balcony, Patio, Clubhouse, Swimming Pool, Exercise Room,
 Picnic Area, Playground, Volleyball Court, Basketball Court, Extra
 Storage, Laundry Facility

Utilities (Type/Responsibility)

Heat – Electric - Tenant
 Air Conditioning - Electric - Tenant
 Cooking - Electric - Tenant
 Hot Water – Gas – Landlord
 Cold Water - Landlord
 Sewer - Landlord
 Trash - Landlord

Unit Type	No. of Units	No. Vacant	Unit Mix		Utility Allowance	Gross Rent
			Size SF	Collected Rent/Mo.		
2/2 (50%)	132	0	1,000	\$1,114	\$92	\$1,206
2/2 (50%)	32	0	1,080	\$1,114	\$92	\$1,206
3/2 (50%)	60	0	1,320	\$1,278	\$114	\$1,392
3/2 (50%)	12	0	1,380	\$1,278	\$114	\$1,392

Occupancy 100%
Total Units 236
No. of Buildings 11
Construction Type Siding
HVAC Central Elec/Central Elec
Stories 3
Waiting List 6-8 Months
Turnover Rate 28%
Absorption Rate N/A

Remarks

The property is designated for families at 50 percent of the area median income. The complex maintains a six- to eight-month waiting list. The annual turnover rate is 28 percent.



COMPARABLE APARTMENT RENTAL NO. 2



Property Type: Section 8/LIHTC/Walk-Up
 Property Name: Autumn Wind Apartments
 Address: 140 Scarlet Maple Drive,
 Winchester, VA 22603
 Verification: Christina; 540-299-2586
 December 22, 2022, By
 Telephone
 Distance From Subject: 1.2 Miles

**Year Opening/Significant Renovation
 Amenities**

1999
 Refrigerator, Range/Oven, Dishwasher, Washer, Dryer, Carpet,
 Vinyl, Wood, Blinds, Ceiling Fans, Balcony, Patio, Clubhouse,
 Swimming Pool, Exercise Room, Picnic Area, Playground,
 Laundry Facility, On-Site Management, On-Site Maintenance

Utilities (Type/Responsibility)

Heat - Electric - Tenant
 Air Conditioning - Electric - Tenant
 Cooking - Electric - Tenant
 Hot Water - Electric - Tenant
 Cold Water - Landlord
 Sewer - Landlord
 Trash - Landlord

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>No. Vacant</u>	<u>Size SF</u>	<u>Collected Rent/Mo.</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
2/2 (50%)	68	0	988	\$1,225	\$107	\$1,332
3/2 (50%)	36	0	1,128	\$1,422	\$132	\$1,454

Occupancy 100%
Total Units 104
No. of Buildings 11
Construction Type Siding
HVAC Central Elec/Central Elec
Stories 2, 3
Waiting List 6-8 Months
Turnover Rate 24%
Absorption Rate N/A

Remarks

The property is designated for families at 50 percent of the area median income. The complex maintains a six- to eight-month waiting list. The annual turnover rate is 24 percent.



COMPARABLE APARTMENT RENTAL NO. 3



Property Type: LIHTC/Walk-Up
 Property Name: Cedar Creek I & II
 Address: 7601 Main Street,
 Middletown, VA 22645
 Verification: Rob; 540-869-4008
 December 22, 2022, By
 Telephone
 Distance From Subject: 13.9 Miles

**Year Opening/Significant Renovation
 Amenities**

1984
 Refrigerator, Range/Oven, Carpet, Vinyl, Blinds, Ceiling Fans, Coat
 Closet, Safety Bars, Playground, Basketball Court, Laundry Facility,
 On-Site Management, On-Site Maintenance, Bike Storage

Utilities (Type/Responsibility)

Heat – Gas - Landlord
 Air Conditioning - Electric - Tenant
 Cooking - Gas - Landlord
 Hot Water – Gas – Landlord
 Cold Water - Landlord
 Sewer - Landlord
 Trash - Landlord

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>No. Vacant</u>	<u>Size SF</u>	<u>Collected Rent/Mo.</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
1/1 (60%)	30	0	617	\$400	Unknown	\$400
2/1 (60%)	46	0	770	\$460	Unknown	\$460
3/1 (60%)	12	0	938	\$520	Unknown	\$520

Occupancy 100%
Total Units 88
No. of Buildings 6
Construction Type Siding
HVAC Central Elec/Central Elec
Stories 3
Waiting List 43 Applicants
Turnover Rate N/A
Absorption Rate N/A

Remarks

The property is designated for families at 60 percent of the area median income. The complex maintains a waiting list with 43 applicants. The annual turnover rate was not disclosed.



COMPARABLE APARTMENT RENTAL NO. 4



Property Type: LIHTC/Walk-Up
 Property Name: Stephen's Village
 Address: 390 Stickley Drive, Stephens City, VA 22655
 Verification: Rob; 540-869-6680
 Date: December 22, 2022, By Telephone
 Distance From Subject: 9.2 Miles

Year Opening/Significant Renovation Amenities

1987
 Refrigerator, Range/Oven, Dishwasher, Carpet, Vinyl, Blinds, Ceiling Fans, Walk-In Closet, Coat Closet, Clubhouse, Picnic Area, Playground, On-Site Management, On-Site Maintenance

Utilities (Type/Responsibility)

Heat - Electric - Tenant
 Air Conditioning - Electric - Tenant
 Cooking - Electric - Tenant
 Hot Water - Electric - Tenant
 Cold Water - Landlord
 Sewer - Landlord
 Trash - Landlord

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>No. Vacant</u>	<u>Size SF</u>	<u>Collected Rent/Mo.</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
1/1 (60%)	12	0	566	\$470	Unknown	\$470
2/1 (60%)	34	0	745	\$530	Unknown	\$530

Occupancy 100%
Total Units 46
No. of Buildings 4
Construction Type Brick/Siding
HVAC Central Elec/Central Elec
Stories 2
Waiting List 15-20 Applicants
Turnover Rate N/A
Absorption Rate N/A

Remarks

The property is designated for families at 60 percent of the area median income. The property maintains a waiting list with 15 to 20 applicants. The annual turnover rate was not disclosed. The contact was unable to provide the utility allowance for each unit type information.



COMPARABLE APARTMENT RENTAL NO. 5



Property Type: Section 8/Elevator
 Property Name: Winchester House
 Address: 27 South Cameron Street,
 Winchester, VA 22601
 Verification: Becky; 540-667-4667
 December 22, 2022, By
 Telephone
 Distance From Subject: 0.6 Miles

**Year Opening/Significant Renovation
 Amenities**

1978
 Refrigerator, Range/Oven, Dishwasher, Microwave, Carpet, Vinyl,
 Blinds, Ceiling Fans, Coat Closet, Laundry Facility, On-Site
 Management, On-Site Maintenance

Utilities (Type/Responsibility)

Heat - Electric - Tenant
 Air Conditioning - Electric - Tenant
 Cooking - Gas - Tenant
 Hot Water - Gas - Tenant
 Cold Water - Landlord
 Sewer - Landlord
 Trash - Landlord

Unit Mix

<u>Unit Type</u>	<u>No. of Units</u>	<u>No. Vacant</u>	<u>Size SF</u>	<u>Collected Rent/Mo.</u>	<u>Utility Allowance</u>	<u>Gross Rent</u>
1/1	160	0	500	\$825	Unknown	\$825

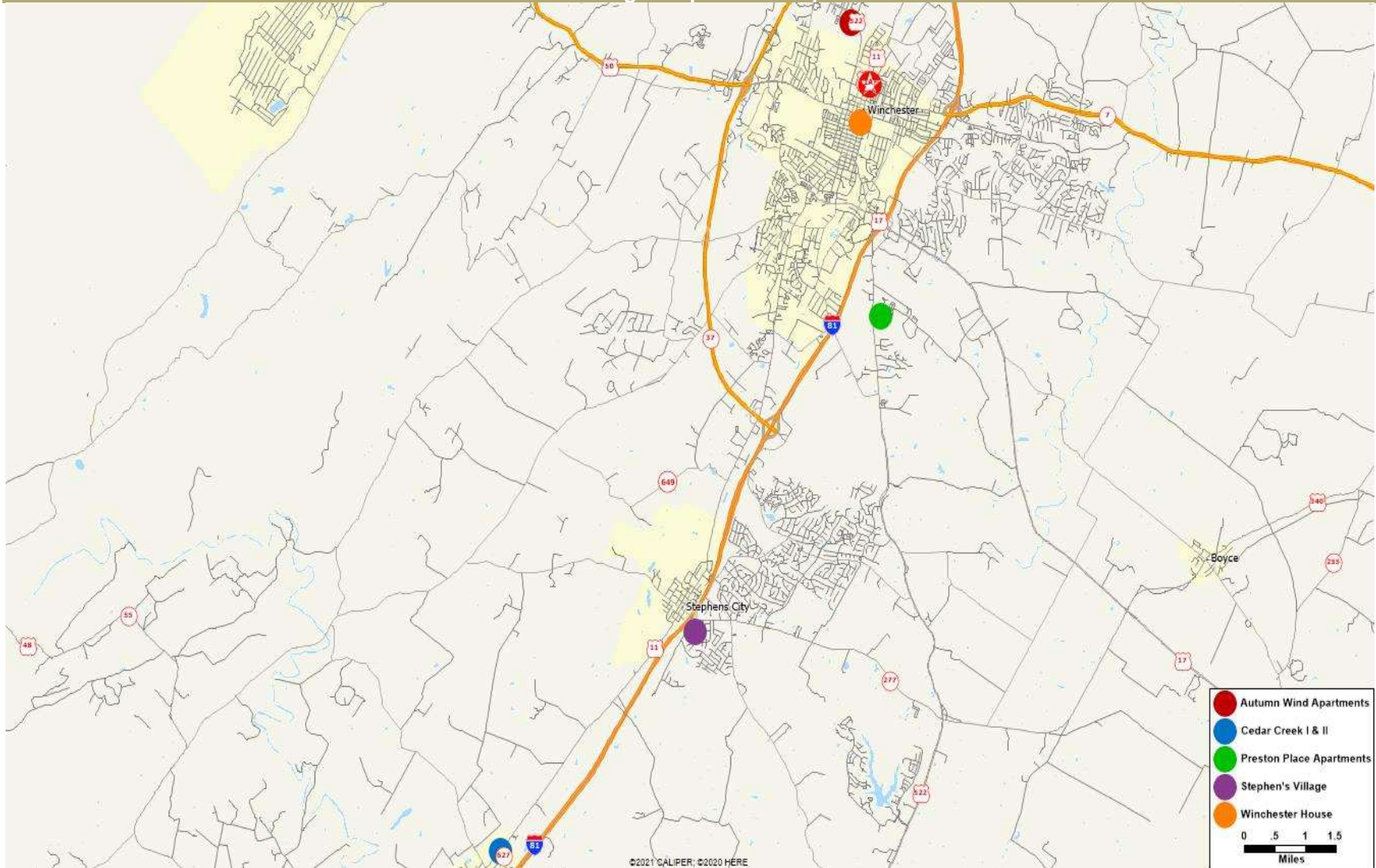
Occupancy 100%
Total Units 160
No. of Buildings 1
Construction Type Brick
HVAC Central Elec/Central Elec
Stories 6
Waiting List 18 Months
Turnover Rate N/A
Absorption Rate N/A

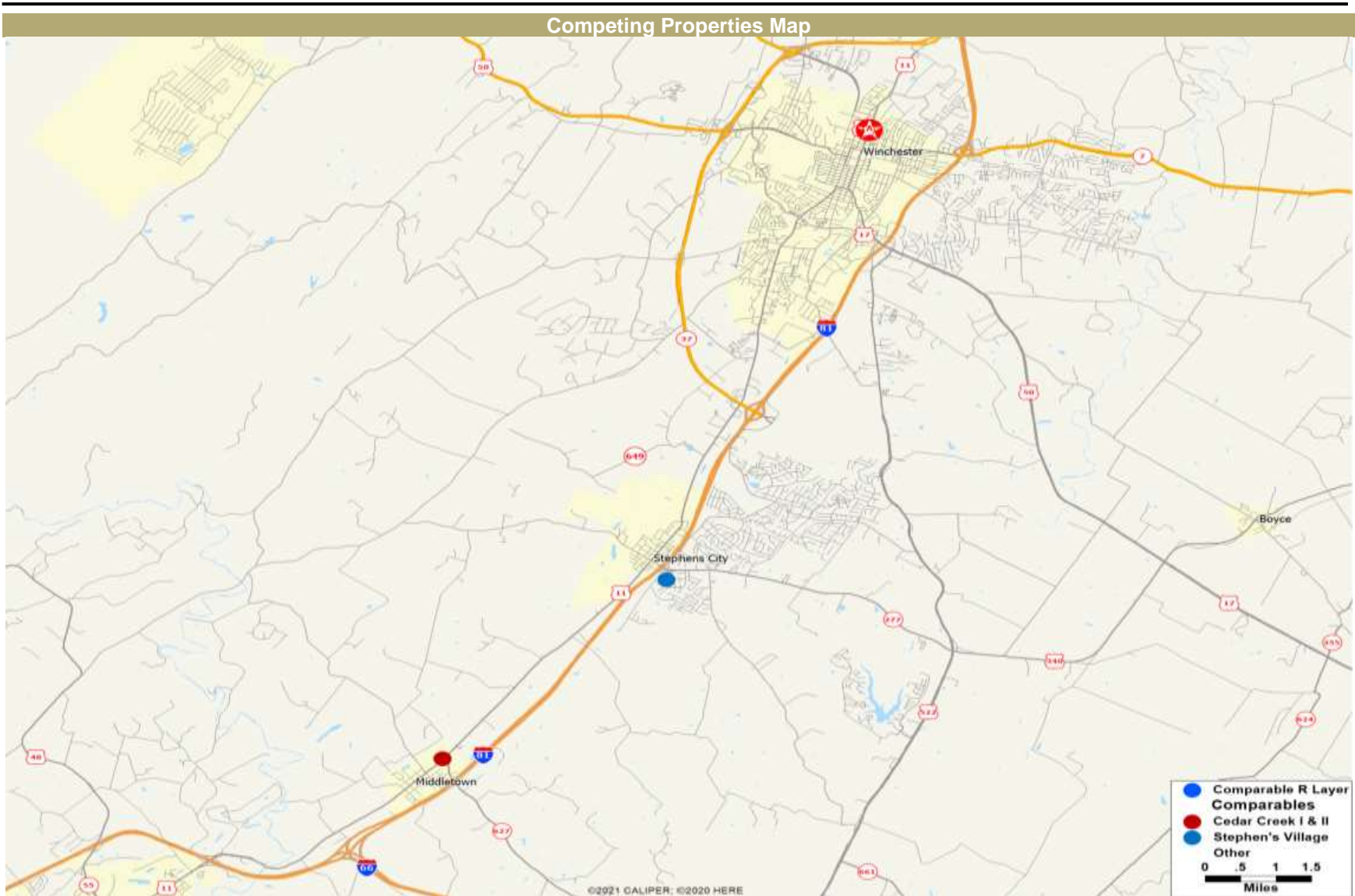
Remarks

The property is designated for seniors ages 62 years and older. The complex maintains an 18 month waiting list. The annual turnover rate was not disclosed.



Existing Comparables Map





The subject will have senior units at 60 percent AMI. Therefore, only the above two family properties will directly compete with the subject.



Additional Developments

The market area also includes additional developments that were excluded from the analysis due to non-competitiveness or inability to verify information. The developments located in the market area that were excluded from the survey are noted as follows:

Frederick House - Winchester, VA – Senior 62+ - Could Not Verify
Senseny Place – Winchester, VA – Senior 62+ - Could Not Verify
201 East Whitlock Avenue – Winchester, VA – Family - Could Not Verify
Shenandoah Apartments – Winchester, VA – Senior 55+ - Could Not Verify

Market-Rate Properties (Not Comparable in Restrictions or Tenant Base)

Orchard Crest Apartments – Winchester, VA
Pemberton Village – Winchester, VA
Stuart Hill – Winchester, VA
Cedar Hill – Winchester, VA
Brookfield Apartments – Winchester, VA
Contrail Park – Winchester, VA
Peppertree Apartments – Winchester, VA
Dove Landing – Winchester, VA
Fort Collier Terrace – Winchester, VA
Millwood Apartments – Winchester, VA



Market Rent Analysis

The market analyst researched rental housing in the market area and identified several apartment communities in and around the market area of the subject. The analyst identified the market-rate communities in the area that would directly compete with the subject. These comparables were then compared to the subject and adjusted for differences in amenities. These differences include, but are not limited to, location, structure, condition, unit size, number of bedrooms, number of baths, unit amenities (range/oven, refrigerator, microwave, dishwasher, etc.), project amenities (parking, storage, clubhouse, multipurpose room, pool, recreation area, etc.) and utilities provided. The adjustments made were based on the experience of the analyst, interviews with local officials, apartment managers and residents and information received from third-party sources (rent-to-own facilities, utility providers and housing authorities.) Additional adjustments were also determined using paired rental analysis. The paired rental analysis ranges are determined by comparing comparables with different numbers of bedrooms and factoring out any other differences (amenities, utilities provided, etc.) The resulting difference is assumed to be attributable to the differing number of bedrooms. The results are grouped together in a range. The adjustment is selected based on where the majority of the results fall within the range. If there is no majority, a conservative adjustment at the low end of the range is selected.



HUD-Forms 92273 – As Complete

One-Bedroom Units – (833 SF) – As Complete
Estimates of Market Rent
by Comparison - As Complete

U.S. Department of Housing and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0029
(exp. 09/30/2016)

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information is required by the Housing Appropriation Act of 9/28/1994. The information is needed to analyze the reasonableness of the Annual Adjustment Factor formula, and will be used where rent levels for a specific unit type, in a Substantial Rehabilitation or New Construction Contract, exceed the existing FMR rent. The information is considered non-sensitive and does not require special protection. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)	B. Comparable Property No. 2 (address)	C. Comparable Property No. 3 (address)	D. Comparable Property No. 4 (address)	E. Comparable Property No. 5 (address)					
One-Bedroom	ZeroPak Apartments Phase I 536 North Cameron Street Winchester, Frederick, VA	Orchard Crest Apartments 2524 Wilson Boulevard Winchester, Frederick, VA	Peppertree Apartments 221 Peppertree Lane Winchester, Frederick, VA	Stuart Hill Apartments 1981 Randolph Place Winchester, Frederick, VA	Fort Collier Terrace 900-1024 North Braddock Street Winchester, Frederick, VA	Brookfield Corporate Apartments 548 Brookfield Drive Winchester, Frederick, PA					
Characteristics	Data	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments
3. Effective Date of Rental	12/2022	12/2022		12/2022		12/2022		12/2022		12/2022	
4. Type of Project/Stories	E/6	WU/3	\$10	WU/2, 3	\$10	WU/3	\$10	WU/2	\$10	WU/2	\$10
5. Floor of Unit in Building	Varies	Varies		Varies		Varies		Varies		Varies	
6. Project Occupancy %	Proposed	100%		100%		100%		100%		100%	
7. Concessions	N	N		N		N		N		N	
8. Year Built	Proposed	1974	\$210	1987/2019		2003/2016		1989	\$210	1990/2018	
9. Sq. Ft. Area	833	510	\$140	755	\$35	845		800	\$15	680	\$65
10. Number of Bedrooms	1	1		1		1		1		1	
11. Number of Baths	1.0	1.0		1.0		1.0		1.0		1.0	
12. Number of Rooms	3	3		3		3		3		3	
13. Balc./Terrace/Patio	N	N		Y	(\$10)	Y	(\$10)	N		N	
14. Garage or Carport	L/O	L/O		L/O		L/O		L/O		L/O	
15. Equipment a. A/C	C	C		C		C		C		C	
b. Range/Refrigerator	RF	RF		RF		RF		RF		RF	
c. Disposal	Y	Y		Y		Y		N		Y	
d. Microwave/Dishwasher	MD	N	\$15	D	\$5	MD		D	\$5	M	\$10
e. Washer/Dryer	WD	L	\$25	HJ	\$20	WD		L	\$25	L	\$25
f. Carpet	C	C		C		C		C		V	
g. Drapes	B	B		B		B		B		B	
h. Pool/Rec. Area	ER	N	\$10	PER	(\$20)	PR	(\$10)	R	\$5	R	\$5
16. Services a. Heat/Type	N/E	N/G		N/E		N/E		N/G		N/G	
b. Cooling	N/E	N/E		N/E		N/E		N/E		N/E	
c. Cook/Type	N/E	N/G		N/E		N/E		N/E		N/E	
d. Electricity	N	N		N		N		N		N	
e. Hot Water	N/E	N/E		N/E		N/E		N/G		N/G	
f. Cold Water/Sewer	Y	Y		N	\$60	N	\$60	Y		Y	
g. Trash	Y	Y		Y		Y		Y		Y	
17. Storage	Y/\$0	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10
18. Project Location	Average	Similar		Similar		Similar		Similar		Similar	
19. Security	Y	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10
20. Clubhouse/Meeting Room	CMR	N	\$10	N	\$10	C	\$5	N	\$10	N	\$10
21. Special Features	N	N		N		N		N		N	
22. Business Center / Nbdh Netwk	N	N		N		N		N		N	
23. Unit Rent Per Month		\$900		\$1,520		\$1,300		\$1,010		\$1,200	
24. Total Adjustment			\$440		\$130		\$75		\$300		\$145
25. Indicated Rent		\$1,340		\$1,650		\$1,375		\$1,310		\$1,345	
26. Correlated Subject Rent	\$1,350										
If there are any Remarks, check here and add the remarks to the back of page. high rent \$1,650 low rent \$1,310 60% range \$1,378 to \$1,582 BELOW 60% RANGE											
Note: In the adjustments column, enter dollar amounts by which subject property varies from comparable properties. If subject is better, enter a "Plus" amount and if subject is inferior to the comparable, enter a "Minus" amount. Use back of page to explain adjustments as needed.				Appraiser's Signature <i>Samuel J. Kell</i>		Date (mm/dd/yy) 12/22/22		Reviewer's Signature		Date (mm/dd/yyyy)	

Previous editions are obsolete

form HUD-92273 (07/2003)

ZeroPak Apartments Phase I
 536 North Cameron Street
 Winchester, Virginia 22601



Two-Bedroom Units (1,146 SF) – As Complete
Estimates of Market Rent
by Comparison - As Complete

U.S. Department of Housing and Urban Development
 Office of Housing
 Federal Housing Commissioner

OMB Approval No. 2502-0029
 (exp. 09/30/2016)

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1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)		B. Comparable Property No. 2 (address)		C. Comparable Property No. 3 (address)		D. Comparable Property No. 4 (address)		E. Comparable Property No. 6 (address)	
Two-Bedroom	ZeroPak Apartments Phase I 536 North Cameron Street Winchester, Frederick, VA	Orchard Crest Apartments 2524 North Boulevard Winchester, Frederick, VA		Peppertree Apartments 221 Peppertree Lane Winchester, Frederick, VA		Stuart Hill Apartments 1981 Randolph Place Winchester, Frederick, VA		Fort Collier Terrace 900-1024 North Braddock Street Winchester, Frederick, VA		Contral Park Apartments 749 Front Royal Pike Winchester, Frederick, VA	
Characteristics	Data	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments
3. Effective Date of Rental	12/2022	12/2022		12/2022		12/2022		12/2022		12/2022	
4. Type of Project/Stories	E/6	WU/3	\$10	WU/2, 3	\$10	WU/3	\$10	T/2		WU/3	\$10
5. Floor of Unit in Building	Varies	Varies		Varies		Varies		Varies		Varies	
6. Project Occupancy %	Proposed	100%		100%		100%		100%		100%	
7. Concessions	N	N		N		N		N		N	
8. Year Built	Proposed	1974	\$210	1987/2019		2003/2016		1989	\$210	2017	
9. Sq. Ft. Area	1,146	675	\$175	960	\$70	1,099	\$15	900	\$90	1,225	(\$30)
10. Number of Bedrooms	2	2		2		2		2		2	
11. Number of Baths	2.0	1.0	\$20	2.0		2.0		1.5	\$10	2.0	
12. Number of Rooms	4	4		4		4		4		4	
13. Balc./Terrace/Patio	N	N		Y	(\$10)	Y	(\$10)	N		Y	(\$10)
14. Garage or Carport	L/0	L/0		L/0		L/0		L/0		L/0	
15. Equipment a. A/C	C	C		C		C		C		C	
b. Range/Refrigerator	RF	RF		RF		RF		RF		RF	
c. Disposal	Y	Y		Y		Y		N		Y	
d. Microwave/Dishwasher	MD	N	\$15	D	\$5	MD	\$5	D	\$5	MD	
e. Washer/Dryer	WD	L	\$25	HJ	\$20	WD		L	\$25	WD	
f. Carpet	C	C		C		C		C		C	
g. Drapes	B	B		B		B		B		B	
h. Pool/Rec. Area	ER	N	\$10	PER	(\$20)	PR	(\$10)	R	\$5	R	\$5
16. Services a. Heat/Type	N/E	N/G		N/E		N/E		N/G		N/E	
b. Cooling	N/E	N/E		N/E		N/E		N/E		N/E	
c. Cook/Type	N/E	N/G		N/E		N/E		N/E		N/E	
d. Electricity	N	N		N		N		N		N	
e. Hot Water	N/E	N/E		N/E		N/E		N/G		N/G	
f. Cold Water/Sewer	Y	Y		N	\$77	N	\$77	Y		N	\$77
g. Trash	Y	Y		Y		Y		Y		Y	
17. Storage	Y/\$0	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10
18. Project Location	Average	Similar		Similar		Similar		Similar		Similar	
19. Security	Y	N	\$10	N	\$10	N	\$10	N	\$10	N	
20. Clubhouse/Meeting Room	CMR	N	\$10	N	\$10	C	\$5	N	\$10	N	
21. Special Features	N	N		N		N		N		GC, F	(\$35)
22. Business Center / Nbrhd Netwk	N	N		N		N		N		N	
23. Unit Rent Per Month		\$1,000		\$1,850		\$1,700		\$1,300		\$1,500	
24. Total Adjustment			\$495		\$182		\$107		\$375		\$27
25. Indicated Rent		\$1,495		\$2,032		\$1,807		\$1,675		\$1,527	
26. Correlated Subject Rent	\$1,650	If there are any Remarks, check here and add the remarks to the back of page.									
	high rent	\$2,032	low rent	\$1,495	60% range	\$1,602	to	\$1,925			

Note: In the adjustments column, enter dollar amounts by which subject property varies from comparable properties. If subject is better, enter a "Plus" amount and if subject is inferior to the comparable, enter a "Minus" amount. Use back of page to explain adjustments as needed.

Appraiser's Signature: *Samuel J. Seif* Date (mm/dd/yy): 12/22/22 Reviewer's Signature: _____ Date (mm/dd/yyyy): _____



Three-Bedroom Units (1,712 SF) – As Complete
Estimates of Market Rent
by Comparison - As Complete

U.S. Department of Housing and Urban Development
 Office of Housing
 Federal Housing Commissioner

OMB Approval No. 2502-0029
 (exp. 09/30/2016)

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1. Unit Type	2. Subject Property (Address)	A. Comparable Property No. 1 (address)		B. Comparable Property No. 2 (address)		C. Comparable Property No. 3 (address)		D. Comparable Property No. 4 (address)		E. Comparable Property No. 6 (address)	
Three-Bedroom	ZeroPak Apartments Phase I 536 North Cameron Street Winchester, Frederick,	Orchard Crest Apartments 2524 Wilson Boulevard Winchester, Frederick, VA		Peppertree Apartments 221 Peppertree Lane Winchester, Frederick, VA		Stuart Hill Apartments 1981 Randolph Place Winchester, Frederick, VA		Fort Collier Terrace 900-1024 North Braddock Street Winchester, Frederick, VA		Conrail Park Apartments 749 Front Royal Pike Winchester, Frederick, VA	
Characteristics	Data	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments	Data	Adjustments
3. Effective Date of Rental	12/2022	12/2022		12/2022		12/2022		12/2022		12/2022	
4. Type of Project/Stories	E/6	WU/3	\$10	WU/2, 3	\$10	WU/3	\$10	T/2		WU/3	\$10
5. Floor of Unit in Building	Varies	Varies		Varies		Varies		Varies		Varies	
6. Project Occupancy %	Proposed	100%		100%		100%		100%		100%	
7. Concessions	N	N		N		N		N		N	
8. Year Built	Proposed	1974	\$210	1987/2019		2003/2016		1989	\$210	2017	
9. Sq. Ft. Area	1,712	840	\$330	1,146	\$215	1,296	\$160	1,000	\$270	1,360	\$135
10. Number of Bedrooms	3	3		3		3		3		3	
11. Number of Baths	2.0	1.0	\$20	2.0		2.0		1.5	\$10	2.0	
12. Number of Rooms	5	5		5		5		5		5	
13. Balc./Terrace/Patio	N	N		Y	(\$10)	Y	(\$10)	N		Y	(\$10)
14. Garage or Carport	L/O	L/O		L/O		L/O		L/O		L/O	
15. Equipment a. A/C	C	C		C		C		C		C	
b. Range/Refrigerator	RF	RF		RF		RF		RF		RF	
c. Disposal	Y	Y		Y		Y		N		Y	
d. Microwave/Dishwasher	MD	N	\$15	D	\$5	MD		D	\$5	MD	
e. Washer/Dryer	WD	L	\$25	HU	\$20	WD		L	\$25	WD	
f. Carpet	C	C		C		C		C		C	
g. Drapes	B	B		B		B		B		B	
h. Pool/Rec. Area	ER	N	\$10	PER	(\$20)	PR	(\$10)	R	\$5	R	\$5
16. Services a. Heat/Type	N/E	N/G		N/E		N/E		N/G		N/E	
b. Cooling	N/E	N/E		N/E		N/E		N/E		N/E	
c. Cook/Type	N/E	N/G		N/E		N/E		N/E		N/E	
d. Electricity	N	N		N		N		N		N	
e. Hot Water	N/E	N/E		N/E		N/E		N/G		N/G	
f. Cold Water/Sewer	Y	Y		N	\$94	N	\$94	N		N	\$94
g. Trash	Y	Y		Y		Y		Y		Y	
17. Storage	Y/\$0	N	\$10	N	\$10	N	\$10	N	\$10	N	\$10
18. Project Location	Average	Similar		Similar		Similar		Similar		Similar	
19. Security	Y	N	\$10	N	\$10	N	\$10	N	\$10	N	
20. Clubhouse/Meeting Room	CMR	N	\$10	N	\$10	C	\$5	N	\$10	N	
21. Special Features	N	N		N		N		N		GC, F	(\$35)
22. Business Center / Nbdw Netwk	N	N		N		N		N		N	
23. Unit Rent Per Month		\$1,100		\$1,875		\$2,275		\$1,518		\$1,675	
24. Total Adjustment			\$650		\$344		\$269		\$555		\$209
25. Indicated Rent		\$1,750		\$2,219		\$2,544		\$2,073		\$1,884	
26. Correlated Subject Rent	\$2,050	If there are any Remarks, check here and add the remarks to the back of page.									
	high rent	\$2,544	low rent	\$1,750	60% range	\$1,909	to	\$2,385			

Note: In the adjustments column, enter dollar amounts by which subject property varies from comparable properties. If subject is better, enter a "Plus" amount and if subject is inferior to the comparable, enter a "Minus" amount. Use back of page to explain adjustments as needed.

Appraiser's Signature: *Samuel J. Hill* Date (mm/dd/yy): 12/22/22

Reviewer's Signature: _____ Date (mm/dd/yyyy): _____



Explanation of Adjustments and Market Rent Conclusions – As Complete

ZeroPak Apartments

Primary Unit Types – One-Bedroom Units (833 SF), Two-Bedroom Units (1,146 SF) and Three-Bedroom Units (1,712 SF)

The subject will contain a variety of units sizes of each type. Therefore, for the rent analysis, the average unit size of each unit type was utilized.

Please note: Minor adjustments in the \$5 to \$10 range are based on the appraiser’s evaluation of the overall market as well as typical responses indicated by existing tenants. In addition, this is standard industry practice when there is insufficient market data present to support adjustments. It is also considered an acceptable practice by HUD as indicated in the Section 8 Renewal Guide Chapter 9-12 (C) (3) which states: “For minor adjustments (generally in the \$5 to \$10 range), the appraiser may state his/her subjective evaluation of why the observed differences would affect rent.”

Rent comparability grids were prepared for the primary unit types. Comparable apartments used include the following: Orchard Crest Apartments (Comparable 1), Peppertree Apartments (Comparable 2), Stuart Hill Apartments (Comparable 3), Fort Collier Terrace (Comparable 4) Brookfield Corporate Apartments (Comparable 5) and Contrail Park Apartments (Comparable 6).

Structure/Stories – The subject will be located in a six-story elevator building. Comparables 1, 2, 3 and 5 are located in two- or three-story walk-up buildings. Comparable 4 is located in two-story walk-up or two-story townhome buildings. All units at the subject are easily accessible without having to utilize stairs. In elevator buildings, the units on all floors are easily accessible without having to utilize stairs. Therefore, it is the appraiser’s opinion that all units in elevator buildings would rent for a premium when compared to units not on the first floor in walk-up buildings. Units located in two-story townhome buildings are considered similar to the units in elevator buildings as all units are accessible without navigating stairs. Due to insufficient market data by which to extrapolate a market-based adjustment for structure/stories, the appraiser elected to adjust the comparables upward \$10. All comparables with elevator or townhome structures were considered similar to the subject and were not adjusted. The remaining comparables were adjusted upward \$10 per month.

Project Occupancy – The subject is proposed. The occupancy rates of the comparables are all 100 percent.

Concessions – The subject will not offer concessions. None of the comparables were offering concessions. No adjustments were made.

Year Built/Year Renovated – The subject is proposed. It has an anticipated completion year of 2024. When adjusting for year built and year renovated, the appraiser should consider the overall appearance of the project, such as whether the grounds are clean, whether the landscaping is well maintained and whether or not the paint and siding are in good condition. Other considerations would be whether the architecture of the buildings and layout of the site are appealing (open space, shrubbery, etc.). In summary, the appraiser must evaluate whether the comparables’ condition/street appeal could cause tenants to pay more or less than they would pay at the subject. The following table illustrates the descriptions of the ratings levels considered in the condition/street appeal analysis.

Condition	Description
Excellent	Desirable curb appeal, luxury or high end amenities and finishes, no deferred maintenance
Good	Well maintained or recently renovated property, limited deferred maintenance
Average	Some original finishes and amenities, Only minor upgrades needed
Fair	In need of repair, obvious deferred maintenance
Poor	Substantial need of major repairs or significant deferred maintenance



The subject is a new construction development and will be in good condition once complete. Comparable 1 was built in 1974. Comparable 2 was built in 1987 and was renovated in 2019. Comparable 3 was constructed in 2003 and was renovated in 2016. Comparable 4 was built in 1989. Comparable 5 was constructed in 1990 and renovated in 2018. Comparable 6 was constructed in 2017. Comparables 1 and 4 have been reasonably well-maintained and have typical signs of depreciation. Therefore, Comparables 1 and 4 were determined to be in average condition. Comparables 2, 3 and 5 have been recently renovated and were determined to be in good condition. Lastly, Comparable 6 was recently constructed and has been well-maintained. Therefore, Comparables 2, 3 5 and 6 were determined to be in good condition.

The following analysis details the method used to calculate appropriate adjustments for condition/street appeal.

Property Name	Rating Level	1 BR	2 BR	3 BR	Average
Orchard Crest Apartments	Average	\$1,135	\$1,285	\$1,540	\$1,320
Fort Collier Terrace	Average	\$1,100	\$1,465	\$1,863	\$1,476
Average Rent (Average Condition)		\$1,118	\$1,375	\$1,702	\$1,398
Peppertree Apartments	Good	\$1,650	\$2,032	\$2,219	\$1,967
Stuart Hill Apartments	Good	\$1,380	\$1,817	\$2,544	\$1,914
Brookfield Corporate Apartments	Good	\$1,350	N/A		\$1,350
Conrail Park Apartments	Good	N/A	\$1,527	\$1,879	\$1,703
Average Rent (Good Condition)		\$1,460	\$1,792	\$2,214	\$1,822
Difference Average vs. Good		(\$343)	(\$417)	(\$513)	(\$424)

Despite adjusting for the differences between the comparables, it is not always possible to fully account for the differences in rent between comparables as some is due to renter perception or management practices and is not due solely to differences in amenities or condition. If a specific area does not have rents with rent differences based solely on renovation, further analytics are needed. Paired analysis, while not perfect, is one of the best ways to determine adjustments for differences in condition as it factors out all other amenities and utilities differences between properties. However, as stated, paired analysis cannot fully quantify a renter's "perception" of differences in condition. Therefore, it is not appropriate to adjust the full amount determined through paired analysis, particularly when the adjustments will significantly decrease or increase the subject's rent. After considering all factors, Gill Group has elected to multiply the results by a 50 percent adjustment factor. The adjustment factor of 50 percent is subjective and is based on the experience and judgement of the appraiser. Gill Group has appraised multifamily properties for years, and that experience has aided in developing guidelines for determining appropriate adjustments when subjective adjustments are required. While opinions may differ as to what percentage is appropriate, this adjustment percentage is considered appropriate for this analysis. It is not accurate to adjust the full amount of the difference as that could substantially understate or overstate the difference in condition and could result in deflated or inflated rents. Therefore, the adjustment for the difference is rating level is \$210 (\$212, rounded to the nearest \$5). As previously indicated, the subject will be in good condition. Comparables 2, 3, 5 and 6 were deemed similar and were not adjusted. Comparables 1 and 4 were considered to be in average condition, and were, therefore, adjusted upward \$210 as indicated in the previous analysis.

SF Area – The subject and the comparables vary in square footage. Typically, all other variables being equal, a larger unit is more desirable than a smaller unit. However, the value of the additional square footage is mitigated to some degree by the similarity in perceived unit function. There is a diminishing return of value for additional square footage as each additional square foot does not necessarily equal additional functionality. Additionally, the units at the subject are measured as part of the scope of this assignment. However, the contacts at the comparables are often unwilling to allow interior inspections of the units. Therefore, it is necessary to rely on published unit sizes or verbal confirmation of unit sizes from the property contacts. As such, it is impossible to verify the accuracy of this data. In addition, the subject unit sizes are paint-to-paint measurements, while the contacts often report the "marketing" unit size which



is sometimes the gross exterior square footage. Therefore, the unit sizes at the comparables are not always a direct comparison to the unit sizes at the subject. For the purpose of this report, a range of comparable rents per square foot was derived. To determine this adjustment, each comparable's dollar per square foot rental rate was determined for each bedroom type. From these results, a median dollar per square foot rental rate is determined. The median dollar per square foot was then multiplied by 25 percent for each comparable to derive an adjusted dollar per square foot rental rate. The 25 percent was used to account for the diminished return of the larger unit sizes and the potential differences in reported unit sizes of the comparables versus the subject. Next, the difference in square footage between the subject and each comparable is determined. The difference is multiplied by the determined adjusted dollar per square foot rate to arrive at the adjustment for each comparable. The selected dollar per square foot for the one-bedroom comparison is \$0.44, for the two-bedroom comparison is \$0.37 and for the three-bedroom comparison is \$0.38. The result was rounded to the nearest \$5. No adjustments were made to comparables within 25 square feet of the subject because there is no difference in perceived unit function with 25 square feet. The adjustments are reflected on the HUD-Form 92273, which is attached.

of Bedrooms – The subject will contain one-, two- and three-bedroom units. All comparables are similar. No adjustments were needed.

of Baths – The subject will contain one bath in the one-bedroom units, and two baths in the two- and three-bedroom units. The majority of the difference in number of baths is accounted for in the unit square footage adjustment. However, an adjustment is made here to consider the added convenience of additional baths. The extra room(s) will enhance marketability of a unit even if the square footage remains the same. There was insufficient market data available for a paired analysis as the majority of properties in this market contain a similar number of baths. Therefore, \$10 half-bath and \$20 full bath per month adjustments were selected.

Balcony/Patio – The subject will not contain these features. Comparables 1, 4 and 5 are similar. The remaining comparables contain these features and were adjusted downward \$10 per month. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit. Therefore, the nominal \$10 adjustment was deemed reasonable.

Parking – The subject will have open lot parking for no additional monthly fee. All comparables are similar. No adjustments were needed.

AC: Central/Wall – The subject will contain central air conditioning. All comparables are similar. No adjustments were needed.

Range/Refrigerator – The subject will contain both amenities. All comparables contain both amenities. No adjustments were needed.

Garbage Disposal – The subject will contain garbage disposals in the units. All comparables are similar except Comparable 4. The market did not indicate a rent differential based on this feature. Therefore, no adjustments were needed.

Microwave/Dishwasher – The subject will contain both microwaves and dishwashers. Comparables 3 and 6 are similar. Comparables 2 and 5 contain dishwashers in each unit and were adjusted upward \$5 per month. Comparable 4 contains a microwave in the unit and was adjusted upward \$10 per month. Comparable 1 does not contain either feature and was adjusted upward \$15 per month. Dishwashers are an expensive feature and are likely to factor into a tenant's decision on which unit to lease. Although there is little market data available concerning units with this feature versus those without this feature, the added amenity is an enhancement to the unit. Therefore, an adjustment of \$10 was considered appropriate for dishwashers. Microwaves are a relatively inexpensive item and are unlikely to be a deciding factor when a tenant decides which unit to lease. However, because the included amenity is



considered an enhancement to the unit, it was considered appropriate to adjust a nominal \$5 per month for microwaves.

Washer/Dryer – The subject will contain a washer and dryer in the units. Comparables 3 and 6 are similar. Comparable 2 contains washer/dryer hook-ups in the units. Comparables 1, 4 and 5 contain an on-site laundry facility. Units with these amenities provided are preferred over units without these features as these appliances are expensive purchases for a prospective tenant. Although there is little market data available concerning units with these features versus those without these features, the amenities are an enhancement to the unit. In addition, the *2020 NMHC/Kingsley Apartment Resident Preferences Report* for Washington, D.C., the nearest metropolitan area, was consulted. According to the *2020 NMHC/Kingsley Apartment Resident Preferences Report*, residents in the metropolitan area indicated they would expect a renter to pay between \$32.17 and \$44.09 per month for washers and dryers in the unit. After considering all factors, washers and dryers were valued at \$25 per month, washer/dryer hook-ups are valued at \$10 per month and on-site laundry facilities are valued at \$5 per month.

Carpet – The subject will contain vinyl flooring. All comparables have carpet or vinyl flooring. The market did not indicate a rent differential based on floor coverings. Therefore, no adjustments were needed.

Drapes – The subject will contain window coverings. All comparables contain window coverings. No adjustment was needed.

Pool/Recreation Areas – The following table shows the proposed amenities at the subject and the amenities at each comparable:

Amenity	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Swimming Pool			\$10	\$10			
Exercise Room	\$5		\$5				
Picnic Area				\$5	\$5	\$5	\$5
Basketball Court			\$5				
Tennis Court			\$5	\$5			
Pet Park			\$5				
Library	\$5						
Total	\$10	\$0	\$30	\$20	\$5	\$5	\$5
Indicated Adjustment		\$10	(\$20)	(\$10)	\$5	\$5	\$5

Although there is little market data available concerning units with these features, the added amenities are an enhancement. Swimming pools are typically considered a more desirable feature than other recreation features. Therefore, a \$10 adjustment was determined for swimming pool, and a \$5 adjustment per feature was determined for each additional recreation area. The adjustments for the comparables are shown at the bottom of the table.

Heat – The subject will not have this utility provided. None of the comparables have this utility provided. No adjustment was needed.

Cooling – The subject will not have this utility provided. None of the comparables have this utility provided. No adjustment was needed.

Cooking – The subject will not have this utility provided. None of the comparables have this utility provided. No adjustment was needed.

Electricity – The subject will not have this utility provided. None of the comparables have this utility provided. No adjustment was needed.

Hot Water – The subject will not have this utility provided. None of the comparables have this utility provided. No adjustment was needed.

Cold Water/Sewer – The subject will provide these utilities. Comparables 1, 4 and 5 are similar. The remaining comparables do not provide these utilities and were adjusted upward \$60 per month for one-



bedroom units, \$77 per month for two-bedroom units, and \$94 per month for three-bedroom units based upon the Allowances for Tenant-Furnished Utilities and Other Services provided by Virginia Housing.

Trash – The subject will provide this utility. All comparables are similar. No adjustments were needed.

Extra Storage – The subject will contain extra storage at no additional costs to residents. None of the comparables have extra storage and were adjusted upward \$10 per month. Although there is little market data available concerning units with these features versus those without these features, the added amenity is an enhancement to the unit. Therefore, extra storage was given a nominal \$10 adjustment per month.

Location – The subject is located in the City of Winchester. All comparables are similar. No adjustments were needed.

Security – The subject will contain intercom entry. None of the comparables contain security. No complex in the market area shows a rent differential based on security features. However, security features are an enhancement to an apartment complex, particularly security that limits access to the building or grounds. Therefore, an upward adjustment of \$10 per month was selected for all comparables.

Clubhouse/Meeting Room – The subject will contain a clubhouse and meeting room. Comparable 3 contains a clubhouse and was adjusted upward \$5 per month. The remaining comparables do not contain either feature and were adjusted upward \$10 per month. No complex in the market area shows a rent differential based on these particular items; however, the added amenities are an enhancement. Apartments with these features can command a higher rent in the market area. Therefore, properties with these features were adjusted \$5 per feature.

Special Features – The subject will not contain special features. All comparables except Comparable 6 are similar. Comparable 6 contains granite countertops and a fireplace in each unit. Special features such as granite, quartz or solid-surface countertops will typically command a higher rent in the market. Tenants are typically willing to pay a higher premium for these features. Typically, when these features are included in the units, they are considered luxury items, and units are assessed an up-charge from the rent that would be charged if unit did not contain these features. The *2020 NMHC/Kingsley Apartment Resident Preferences Report* for Washington, D.C., the nearest metropolitan area, was consulted. According to the *2020 NMHC/Kingsley Apartment Resident Preferences Report*, residents in the metropolitan area indicated they would expect a renter to pay \$35.89 per month for premium countertops. After considering all factors, a \$25 adjustment was applied for the solid-surface countertops. Fireplaces are enhancements to the units, and tenants would expect to pay a premium fee if this amenity were included in the units. No complex in the market area shows a rent differential based on this particular item; however, an adjustment was considered appropriate. Therefore, a \$10 adjustment was selected for fireplaces. Consequently, Comparable 6 was adjusted downward \$35 per month.

Business Center/Neighborhood Network – The subject will not contain this feature. All comparables are similar. No adjustment was needed.

Conclusion of Market Rents – As Complete

The adjusted rents range from \$1,310 to \$1,650 for the one-bedroom comparison, from \$1,495 to \$2,032 for the two-bedroom comparison and from \$1,750 to \$2,544 for the three-bedroom comparison. All comparables were given consideration. The appraiser concluded the market rent for the units at the subject as follows:

•	833 SF One-Bedroom Units	-	\$1,350
•	1,146 SF Two-Bedroom Units	-	\$1,650
•	1,712 SF Three-Bedroom Units	-	\$2,050



The following table shows the proposed affordable rents. The proposed rents are below the estimated market rents and at the maximum net tax credit rents. Therefore, the proposed rents are considered reasonable and achievable.

MAXIMUM LIHTC RENTS AND UTILITY ALLOWANCES							
Unit Type	# of Units	Average Square Feet	% of Median Income	Maximum LIHTC Rent	Gross Rent	Utility Allowance	Net Rent
1/1	62	837	60%	\$1,023	\$1,023	\$60	\$963
2/2	53	1,147	60%	\$1,228	\$1,228	\$74	\$1,154
3/2	7	1,707	60%	\$1,419	\$1,419	\$85	\$1,334



Evaluation of the Proposed Development

Project Design

ZeroPak Apartments will be comprised of one one-, three- and six-story elevator building. The site currently contains a blighted cold storage facility that will be substantially renovated and repurposed into a multifamily development. The building will have a basement foundation and masonry framing, with predominantly brick exterior and a flat roof. Landscaping will consist of grass, trees and shrubs. The property will not be a scattered site development.

Project Amenities

The property will provide the following project amenities: clubhouse, meeting room, exercise room, library, package receiving, telephonic/virtual healthcare services, on-site management, on-site maintenance, intercom entry and common area wi-fi. The subject's project amenities will be competitive with the comparables in the market area.

Parking

The complex will contain a parking garage with 180 parking spaces. Therefore, the subject will have a parking ratio 1.5 parking spaces per unit. The parking is typical for the market area.

Unit Mix

The subject's proposed unit mix of one-, two- and three-bedroom units will be suitable in the market area.

Utilities

The subject will contain forced air electric heating and central electric cooling. Cooking and hot water will be electric. The landlord will provide cold water, sewer and trash collection services. This arrangement will be similar to the majority of the comparables in the market area.

Unit Amenities

Each unit will contain the following amenities: refrigerator, range/oven, garbage disposal, dishwasher, microwave, washer, dryer, carpet, wood, concrete and/or ceramic tile flooring, blinds, extra storage and coat closet. Select units will also have a walk-in closet and exposed brick. The units will also have free internet. The unit amenities will be competitive with the comparables in the market area.

Tenant Services

ZeroPak Apartments will telephonic/virtual healthcare services. This is superior to the majority of the comparables.

Impact of Existing/Planned Rental Housing

The market area exhibits sufficient demand for the proposed development. Based on the occupancy level of the family apartment complexes in the market area, the waiting lists, the projected population and household growth and the stable economic factors, it is believed that the property will have no adverse impact on the existing and/or planned market-rate rental housing properties in the market area.

Summary of Developments Strength and Weaknesses

Strengths

- The subject's proposed site plan and design will be competitive with the surveyed comparables.
- The development will be superior to most of the comparable developments in condition upon construction.
- The subject's proposed unit and project amenities will be competitive with the comparables in the market area.
- The subject's proposed rents will provide a good value to prospective tenants.

Weaknesses

- There are no apparent weaknesses.

LOCAL PERSPECTIVE AND INTERVIEWS



Local Interviews

Winchester Zoning Department

According to Alfredo Gutierrez-Velasquez, Zoning Administrator with the City of Winchester Zoning Department, the site is zoned B-1, Central Business District. He reported that this zoning district does allow for multifamily construction. Therefore, the subject will be a legal, conforming use of the zoning ordinance. Mr. Gutierrez-Velasquez indicated the land around the subject is zoned for commercial and/or residential. Winchester does not have a limit to the number of multifamily units that may be constructed annually. He reported that there have been only two developments constructed in the last five years were two market-rate developments. The telephone number for the City of Winchester Zoning Department, is 540-667-1815.

Virginia Housing

According to Sherry Richards, Housing Specialist for Virginia Housing, the City of Winchester does not have its own housing authority. She noted that the agency currently has 316 vouchers, 186 of which are allocated for the City of Winchester, and 64 of which are allocated to Frederick County. She stated that there are 16 vouchers currently available; however, the department is waiting on referrals for the special admissions vouchers. Ms. Richards reported the department does maintain a waiting list, and there are currently 1,043 applicants. She stated that out of the total 1,043 applicants, 262 meet the local preference of Living/Working waiting list. The waiting list is currently closed, and is not anticipated to reopen for the next three to five years. Ms. Richards noted that the current affordable housing stock is not sufficient and that all unit types are needed. The phone number for Virginia Housing is 504-532-8514.

Frederick County Economic Development Authority

according to Donna McIlwee, Administrative Assistant of the Frederick County Economic Development Authority there have been numerous new and expanding businesses in the county, including but not limited to, the following:

- Kingspan Insulation announced in 2022 that the company will expand its production capacity by adding a new manufacturing facility for high-demand, ultra-high energy efficient OPTIM-R vacuum insulated panels and will create 37 new jobs.
- Monoflor International's expansion extends across the nation; however, the company's main location remains in Frederick County. The company recently broke ground on its Imboden production facility, and created 50 new jobs.
- Evolve Stone announced that the company will invest \$12.5 million to add a second production line and triple its current facility space in Frederick County. The project will create 84 new jobs.
- Trex recently celebrated its grand opening of its second Frederick County manufacturing facility, which is part of a \$200 million investment in infrastructure, people and processes to increase its manufacturing facilities. The company also recently announced it will construct its headquarters facility in the City of Winchester.
- The Navy Federal Credit Union, Frederick County's largest private employer, completed a \$100 million expansion of its Winchester Operations Center.
- Misty Mountain Meadworks also recently invested \$125,000 into the completion of its expansion which included the addition of a new facility and production lines.
- Melnor, a distribution company of lawn and garden products completed an expansion that included a new 159,000-square-foot facility.

She further noted that there have been numerous new small and family owned businesses in the county. She noted that the area was not negatively impacted by COVID, and there were no major business closures or layoffs. She noted that the county offers several grants and programs that assisted business during the pandemic, which resulted in very few closures. Ms. McIlwee stated that the city experiencing a large population growth, which has resulted in a higher demand for housing. She noted that the current housing stock is not sufficient to meet the growing demand. The telephone number for the Frederick County Economic Development Authority is 540-665-0973.

RECOMMENDATIONS AND CONCLUSIONS



Recommendations and Conclusions

Project Description

The subject, ZeroPak Apartments, is a proposed LIHTC development to be designated for families. The property will contain 121 units. The site currently contains a blighted cold storage facility that will be substantially renovated and repurposed into a multifamily development. The developer is applying for an allocation of Low-Income Housing Tax Credits for all units, which will set the income eligibility to individuals earning up to 60 percent of the area median income. Households with one to five persons and incomes between \$35,074 and \$58,980 will be eligible for the proposed development.

The following chart lists the subject's proposed unit distribution by unit type, size and rent structure.

MAXIMUM LIHTC RENTS AND UTILITY ALLOWANCES							
Unit Type	# of Units	Average Square Feet	% of Median Income	Maximum LIHTC Rent	Gross Rent	Utility Allowance	Net Rent
1/1	61	833	60%	\$1,023	\$1,023	\$71	\$952
2/2	54	1,146	60%	\$1,228	\$1,228	\$82	\$1,146
3/2	6	1,712	60%	\$1,419	\$1,419	\$102	\$1,317

The development will be restricted to households with incomes up to 60 percent of the area median income. The subject's proposed rental rates are in line with the maximum allowable LIHTC rents.

Income Averaging

The developer has not elected to use the Income-Averaging option.

Housing Profile

The rental housing stock in the market area is comprised of single-family homes and market-rate and income-restricted apartment complexes. The current vacancy rate in surveyed income-restricted apartment complexes is 0.0 percent. The current vacancy rate in surveyed market-rate apartment complexes is 0.7 percent. The current vacancy rate of the competitive properties in the market area is 0.0 percent.

The proposed construction will not have an adverse impact on the market area. As complete, the property will be 100 percent LIHTC at 60 percent of the area median income. There were five income-restricted developments confirmed in the market area. Of the five confirmed income-restricted developments, four will directly compete with the subject. All competing developments maintain high occupancy rates, and maintain waiting lists from which the subject could draw residents. Therefore, it does not appear the market area is saturated with affordable housing.



Market Feasibility

The following table shows the capture rate for the proposed development:

CAPTURE RATE	
PROJECT-WIDE CAPTURE RATE - LIHTC UNITS	7.2%
PROJECT-WIDE CAPTURE RATE - MARKET UNITS	N/A
PROJECT-WIDE CAPTURE RATE - ALL UNITS	7.2%
PROJECT-WIDE ABSORPTION PERIOD (MONTHS)	6 Months

The market shows a net demand of 1,678 households for all units. As complete, the property will be 100 percent LIHTC at 60 percent of the area median income. The capture rate for the subject is 7.2 percent, which is considered acceptable. In addition, based on the occupancy rates of apartment complexes in the market area, the existing waiting lists, the projected family population and household growth and the economic factors, it is believed that property will be viable within the market area and will meet the demand for affordable housing in the market area.

Evaluation of Project

The property will be easily accessed via North Cameron Street. North Cameron Street is a primary road also known as U.S. Highway 11, and is a major thoroughfare in the city. Therefore, the subject has good visibility and easy access. The subject's proposed site plan and project design will be similar to competing apartment developments. The subject's proposed unit mix of one-, two, and three-bedroom units will be suitable in the market.

Positive/Negative Attributes

Strengths: The subject's location is comparable to other developments in the market area. Its proposed in-unit and common area amenities will be competitive with the other developments in the market area. When these factors are taken into consideration, the subject's proposed units will provide a good value to prospective tenants.

Weaknesses: There are no apparent weaknesses.

Conclusions

The subject can attain its required share of the market area for the following reasons:

- The subject's proposed design and amenities will be competitive with existing projects in the market area. Therefore, no modifications to the subject are necessary.
- The subject's location have average visibility and easy access. The site is located near all needed services and numerous recreation and shopping opportunities. In addition, the site is suitable for a multifamily development.
- The subject will be superior in condition when compared to the majority of the current housing stock
- The market area's population and households are projected to increase through 2027, indicating a need for additional housing the market area. In addition, all restricted properties confirmed maintain high occupancy rates, and maintain waiting lists. Therefore, it appears the market is not oversaturated with affordable rental housing.
- As there are new and expanding businesses, decreasing unemployment rates, increasing wages and low commuting times, it is anticipated that the area will remain economically stable for the next two to five years.
- The subject will have 121 units. Based on the lease-up rates of recently constructed properties in the market area, the property is anticipated to absorb between 20 to 25 units per month, resulting in a 95 percent occupancy level within five- to six-months.
- According to the past, present and future demographic and economic trends within the primary market area, it is the opinion of the analyst that the proposed development will be suitable for the market area. Given the current low vacancy rates for income-restricted senior properties as well



as the waiting lists at several properties, the development will not have an adverse effect on the existing rental comparables and the anticipated pipeline additions to the rental base.

MARKET STUDY ANALYST STATEMENT OF EXPERIENCE



Qualifications of the Analyst

Gill Group is a nationwide marketing and real estate consulting firm specializing in market studies and real estate appraisals for low-income housing developments. For more than 30 years, Gill Group has been performing market research and appraisals on all types of properties. Primary data from field inspectors, analysts and appraisers is used. Our inspectors, analysts and appraisers personally inspect and examine every property included in the reports. Additional data is obtained from the U.S. Census Bureau, local public officials and reliable market data research companies such as ESRI Business Information Solutions. Gill Group's market studies have been used by clients in the Low Income Housing Tax Credit program and in obtaining and renewing state and federal subsidies for low-income housing developments, senior housing and multifamily rental housing. Samuel T. Gill has been active in the U.S. Department of Housing and Urban Development's Multifamily Accelerated Processing (M.A.P.) and Mark-to-Market programs.



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to dd.gill@gillgroup.com

OVERVIEW

Extensive multifamily experience over the past 25 years specializing in work for the Department of Housing and Urban Development (HUD), United States Department of Agriculture/Rural Development (USDA/RD) as well as lenders and developers through the Low-Income Housing Tax Credit (LIHTC) program including but not limited to, Section 8, Section 202, Section 236, Section 515 and Section 538 Programs. Additionally, extensive experience since inception of the Multifamily Accelerated Processing (MAP) Program of Sections 202/223(f), 232/223(f), 221(d)3, 221(d)4 and 223(f). Also, more than 20 years of experience with nursing homes, hotels and complicated commercial appraisal assignments.

ACCREDITATIONS

State Certified General Real Estate Appraiser

Alabama State License Number: G00548
Arizona State License Number: 31453
Colorado State License Number: CG40024048
Connecticut State License Number: RCG.0001276
District of Columbia License Number: GA11630
Georgia State License Number: 258907
Hawaii State License Number: CGA1096
Idaho State License Number: CGA-3101
Illinois State License Number: 153.0001384
Indiana State License Number: CG40200270
Iowa State License Number: CG02426
Kansas State License Number: G-1783
Louisiana State License Number: G1126
Maine State License Number: CG3635
Maryland State License Number: 32017
Michigan State License Number: 1201068069
Minnesota State License Number: 40186198
Mississippi State License Number: GA-624
Missouri State License Number: RA002563
Montana State License Number: REA-RAG-LIC-8530
Nebraska State License Number: CG2000046R
New York State License Number: 46000039864
North Carolina State License Number: A5519
North Dakota State License Number: CG-2601
Ohio State License Number: 448306
Oklahoma State License Number: 12524CGA
Oregon State License Number: C000793
Pennsylvania State License Number: GA001813R
South Carolina State License Number: 3976
Tennessee State License Number: 00003478
Texas State License Number: 1329698-G
Utah State License Number: 5510040-CG00
Virginia State License Number: 4001 015446
Washington State License Number: 1101018
West Virginia State License Number: CG358
Wisconsin State License Number: 1078-10
Wyoming State License Number: 479

Also received temporary licenses in the following states: Arkansas, California, Delaware, Florida, Kentucky, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, Puerto Rico, Rhode Island, South Dakota, the U.S. Virgin Islands and Vermont.



**EXPERIENCE
(1991 TO PRESENT)**

Primary provider of HUD Mark-to-Market Full Appraisals for mortgage restructuring and Mark-to-Market Lites for rent restructuring and has worked with HUD in this capacity since inception. Completed approximately 350 appraisals assignments under this program.

Provider of HUD MAP and TAP appraisals and market studies for multiple lenders since its inception. Completed approximately 350 appraisal assignments under this program.

Contract MAP quality control reviewer and field inspector for CohnReznick and HUD. Have completed approximately 350 reviews under this program. Have completed approximately 100 field inspections under this program.

Currently approved state reviewer for HUD Rent Comparability Studies for Section 8 Renewals in Alabama, California, Connecticut, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas, Louisiana, Minnesota, Nebraska, New Mexico, North Carolina, Oregon, Utah, Virgin Islands, Virginia, Washington, West Virginia and Wisconsin. Completed approximately 500 reviews under this program.

Provider of HUD Rent Comparability Studies for contract renewal purposes nationwide. Completed approximately 400 rent comparability studies.

Provider of tax credit financing analysis and value of financing analysis. Completed approximately 300 appraisal assignments and market studies under this program.

Provider of multifamily appraisals under the RD 515 and 538 programs. Completed approximately 200 appraisal assignments under these programs.

Partial list of clients include: Colorado Housing Finance Agency, CreditVest, Inc., Foley & Judell, LLP, Kentucky Housing Corporation, Kitsap County Consolidated Housing Authority, Louisiana Housing Finance Agency, Missouri Housing Development Agency, New Mexico Mortgage Finance Authority, Ontra, Inc., Quadel Consulting Corporation, CohnReznick, L.L.P., Group, Siegel Group, Signet Partners and Wachovia Securities.

**DEVELOPMENT/OWNERSHIP/
MANAGEMENT EXPERIENCE
(2006 TO PRESENT)**

For the past 10 years, he has owned three separate companies that develop, own and manage commercial, multifamily, residential, agricultural and vacant land properties.

In his portfolio are over 100,000 square feet of commercial space, over 1,000 units of multifamily, 200 acres of farmland, and 10 parcels of developable commercial and multifamily lots, all in the Midwest.

EDUCATION

Bachelor of Arts Degree

Southwest Missouri State University

Associate of Arts Degree

Three Rivers Community College



HUD/FHA Appraiser Training

Arkansas State Office

Multifamily Accelerated Processing Valuation (MAP)

U. S. Department of Housing and Urban Development

2nd Annual Multifamily Accelerated Processing Basic and Advanced Valuation (MAP)

U. S. Department of Housing and Urban Development

FHA Appraising Today

McKissock, Inc.

Texas USDA Rural Development Multifamily Housing Appraiser Training

Texas Rural Development

Kentucky USDA Rural Development Multifamily Housing Appraiser Training

Kentucky Rural Development

Financial Analysis of Income Properties

National Association of Independent Fee Appraisers

Income Capitalization

McKissock, Inc.

Introduction to Income Property Appraising

National Association of Independent Fee Appraisers

Concepts, Terminology & Techniques

National Association of Independent Fee Appraisers

Uniform Standards of Professional Appraisal Practice

Central Missouri State University

Appraisal of Scenic, Recreational and Forest Properties

University of Missouri-Columbia

Appraiser Liability

McKissock, Inc.

Appraisal Trends

McKissock, Inc.

Sales Comparison Approach

Hondros College

Even Odder: More Oddball Appraisals

McKissock, Inc.

Mortgage Fraud: A Dangerous Business

Hondros College

Private Appraisal Assignments

McKissock, Inc.

Construction Details & Trends

McKissock, Inc.

Condemnation Appraising Principles & Applications

Appraisal Institute

Michigan Law

McKissock, Inc.

Pennsylvania State Mandated Law

McKissock, Inc.



Valuing Real Estate in a Changing Market

National Association of Independent Fee Appraisers

Principles of Residential Real Estate Appraising

National Association of Independent Fee Appraisers

Real Estate Appraisal Methods

Southeast Missouri State University

Lead Inspector Training

The University of Kansas

Lead Inspector Refresher

Safety Support Services, Incorporated

Home Inspections: Common Defects in Homes

National Association of Independent Fee Appraisers

Heating and Air Conditioning Review

National Association of Independent Fee Appraisers

Professional Standards of Practice

National Association of Independent Fee Appraisers

Developing & Growing an Appraisal Practice – Virtual Classroom

McKissock, Inc.

The Appraiser as Expert Witness

McKissock, Inc.

Current Issues in Appraising

McKissock, Inc.

2011 ValExpo: Keynote-Valuation Visionaries

Van Education Center/Real Estate

Residential Report Writing

McKissock, Inc.

The Dirty Dozen

McKissock, Inc.

Risky Business: Ways to Minimize Your Liability

McKissock, Inc.

Introduction to Legal Descriptions

McKissock, Inc.

Introduction to the Uniform Appraisal Dataset

McKissock, Inc.

Mold Pollution and the Appraiser

McKissock, Inc.

Appraising Apartments: The Basics

McKissock, Inc.

Foundations in Sustainability: Greening the Real Estate and Appraisal Industries

McKissock, Inc.

Mortgage Fraud

McKissock, Inc.

The Nuts and Bolts of Green Building for Appraisers

McKissock, Inc.

The Cost Approach

McKissock, Inc.



Pennsylvania State Mandated Law for Appraisers

McKissock, Inc.

Michigan Appraisal Law

McKissock, Inc.

Modern Green Building Concepts

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Residential Appraisal Review

McKissock, Inc.

Residential Report Writing: More Than Forms

McKissock, Inc.

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Appraisal Applications of Regression Analysis

McKissock, Inc.

Appraisal of Self-Storage Facilities

McKissock, Inc.

Supervisor-Trainee Course for Missouri

McKissock, Inc.

The Thermal Shell

McKissock, Inc.

Even Odder – More Oddball Appraisals

McKissock, Inc.

Online Data Verification Methods

Appraisal Institute

Online Comparative Analysis

Appraisal Institute

Advanced Hotel Appraising – Full Service Hotels

McKissock, Inc.

Appraisal of Fast Food Facilities

McKissock, Inc.

Appraisal Review for Commercial Appraisers

McKissock, Inc.

Exploring Appraiser Liability

McKissock, Inc.



Certificate of Membership

Gill Group, Inc.
Is a Member Firm in Good Standing of



Formerly known as
NCAHMA

National Council of Housing Market Analysts
1400 16th St. NW
Suite 420
Washington, DC 20036
202-939-1750

Membership Term
2/1/2022 to 1/31/2023



Thomas Amdur
President, NH&RA



I affirm that we have made a physical inspection of the site and market area. I also affirm that the appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentations 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. I also affirm that neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity. In addition, I affirm that neither I nor anyone at my firm nor anyone acting on behalf of my firm in connection with the preparation of this report has communication to others that my firm is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA. Finally, I affirm that compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits.

A handwritten signature in black ink that reads "Samuel T. Gill". The signature is written in a cursive style.

Samuel T. Gill
Market Analyst

Date: December 22, 2022

ADDENDUM A – DATA SOURCES

2000 U.S. Census
2010 U.S. Census
2014-2018 American Community Survey
Claritas; Ribbon Demographics (A nationally recognized demographics forecaster)
SOCDS
U.S. Bureau of Labor Statistics

Information used in the market study was obtained from various sources including: the U.S. Census Bureau, Claritas and Ribbon Demographics, U.S. Bureau of Labor Statistics, interviews with local area and government officials and interview with local property owners or managers.

ADDENDUM B – MARKET STUDY TERMINOLOGY

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 temporary or permanent certificate of occupancy is issued and ends when the last unit to reach the Stabilized Level of Occupancy has a signed lease. Assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is expected 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.

Affordable Housing

Housing where the tenant household pays no more than 30 percent of its annual income on Gross Rent.

Amenity

Tangible or intangible benefits offered to a tenant at no fee (with the exception of day care), typically on-site recreational facilities or planned programs, services and activities.

Annual Demand

The total estimated demand present in the market in any one year for the type of units proposed. Annual demand estimates factor in tenure, tenant age, income restrictions, family size and turnover.

Area Median Income (AMI)

One-hundred percent of the gross median household income for a specific metropolitan statistical area, county or non-metropolitan area established annually by HUD.

Assisted Housing

Housing where the monthly costs to the tenants are subsidized by federal, state or other programs.

Attached Housing

Two or more dwelling units connected with party walls (e.g., townhouses or flats).

Basic Rent

The minimum 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 on the 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 percent of area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract to subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

Capture Rate

The percentage of age, size, and income qualified renter households in the Primary Market Area that the property must capture to achieve the Stabilized Level of Occupancy. 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 Penetration Rate for rate for entire market area.

Census Tract

A small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

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.

Comparable Property

A market-rate or Affordable Housing property that is representative of the rental housing choices of the subject's Primary Market Area and that is similar in construction, size, amenities, or age. These Comparables and Competitives are generally used to derive market rent.

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.

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 specified lease term or for free amenities which are normally charged separately (i.e., washer/dryer, parking).

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 tenants, 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).

Demand

An estimate of the total number of market households that have both the desire and the ability to obtain the product and/or services offered. These households must be of 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.

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 percent 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.

Effective Rents

Market Rents less concessions.

Elderly or Senior Housing

Housing where (1) all the units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80 percent 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 percent of 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 sets FMR so that 40 percent of the rental units have rents below the 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.

Family

A family consists of a householder (i.e., one who occupies or owns a house/head of a household) and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. Not all households contain families since a household may comprise a group of unrelated persons or one person living alone. (Source: U.S. Census)

Garden Apartments

Apartments in low-rise buildings (typically two to four stories) that feature low density, ample open-space around the 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

All the persons who occupy a housing unit as their usual place of residence. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements. (Source: U.S. Census)

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.g., at marriage or separation) and decreasing average household size.

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 to use in the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and the tenant's contribution of 30 percent of adjusted income (or 10 percent of gross income, whichever is greater). In cases where 30 percent 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 (HFA)

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 tenant's 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 percent 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 percent of tenant income.

HUD Section 811 Program

Federal program which provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50 percent 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.

HUD Section 236 Program

Federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80 percent of area median income who pay rent equal to the greater of Basic Rent of 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

Income Band

The range of incomes of households that can pay a specific rent but do not have more income than is allowed by the Income Limits of a particular housing program. The minimum household income typically is based on a defined Acceptable Rent Burden percentage and the maximum typically is pre-defined by specific programmatic requirements or by general market parameters.

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 percent of AMI. HUD publishes Income Limits each year for 30 percent median, Very Low Income (50%), and Low-Income (80%), for households with one through eight people.

Infrastructure

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

Low Income

Person or household with gross household income below 80 percent 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 percent or less of Area Median Income, and that the rents on these units be restricted accordingly.

Low Rise Building

A building with one to three stories.

Market Advantage

The difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.

Market Analysis

A study of real estate market conditions for a specific type of property.

Market Area

A geographic area from which a property is expected to draw the majority of its residents.

Market Area, Primary (PMA)

The most likely geographic area from which a property would draw its support.

Market Area, Secondary (SMA)

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

Market Demand

The number of units required in a defined market area to accommodate demand (i.e., households that desire to improve the quality of their housing without significantly increasing their economic burden). 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 demand.

Market Feasibility Analysis

An analysis that determines whether a proposed development can attain its target rents, taking into account the development's characteristics (location, size, unit mix, design and amenities), the depth of its target market, and the strength of its appeal in comparison to other existing and planned options available to potential consumers.

Market Rent

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

Market Study

A comprehensive review of the housing market in a defined market area. A market study can be used to determine the demand for specific proposed development or to examine the overall condition of an area's housing market. 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. At a minimum, market studies include a review of location, economic conditions, demographics, and existing and proposed housing stock.

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 – Physical

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

Market Vacancy Rate – Economic

Percentage of rent loss due to concessions and vacancies.

Metropolitan Statistical Area (MSA)

A geographic entity defined by the federal Office of Management and Budget, for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The 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.

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 percent).

Mobility

The ease with which people move from one location to another.

Moderate Income

Person or household with gross household income between 80 and 120 percent of Area Median Income adjusted for household size.

Move-Up Demand

An estimate of how many consumers are able and willing to relocate to more expensive or desirable units, such as tenants who move up from Class C properties to Class B; and Class B tenants that move up to Class A properties; and tenants that move from Class C and B properties to a new superior Low Income Tax Credit property. For purposes of demonstrating move-up demand both changes in Class Construction Type and changes in Quality Classification of five or more may be considered (Reference the Virginia State Board of Equalization Assessor's Handbook Section 531, January 2003, pages 4-5 for definitions of Class and Quality Classifications.)

Multifamily

Structures that contain two or more 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 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 live in all existing and proposed properties, to be completed within 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. See Capture Rate for property specific 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 levels of births, deaths, and net migration.

Primary Market Area

See Market Area

Programmatic Rents

The proposed rents for a Tax Credit or other income restricted property relative to comparable market rate properties and rents being achieved at another Low Income Housing Tax Credit or other income restricted properties in the market. Can be no greater than maximum rents permitted by the Low Income Housing Tax Credit or other program regulations.

Project Based Rent Assistance

Rental assistance from a federal, state or local program that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

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 percent of households have an income less than 60 percent of Area Median Income or where the poverty rate is at least 25 percent. A project located in a QCT and receiving Low Income Housing Tax Credits may qualify for up to 130 percent of eligible basis for the purpose of calculating the Tax Credit allocation.

Redevelopment

The redesign or rehabilitation of existing properties.

Rent Burden

Contract Rent plus Tenant Paid Utilities divided by the gross 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 ratio.

Restricted Rent

The maximum allowable rent under the restrictions of a specific housing program or subsidy.

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 un-subsidized mortgage and provide an adequate return to the property owner. This rent is the maximum rent that a tenant can pay at an RD property.

Rural Development (RD) Program

Federal program which provides 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, whichever 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.

Saturation

The point at which there is no longer demand to support additional units.

Secondary Market Area

The portion of a market area that supplies additional support to an apartment property beyond that provided by the Primary Market Area.

Single-Family Housing

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

Special Needs Population

Specific market niche that is typically not catered to in a conventional apartment property. This population should exhibit certain criteria, which can be well defined, in order, for example, to assess the need and demand from this source. Examples of special needs populations 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. For TCAC projects these percentages are equal to a physical occupancy rate that will generate 90 percent of aggregate restricted rents for SRO and Special Needs units and generate 95 percent of aggregate restricted rents for all other types of units.

State Data Center (SDC)

A state agency or university facility identified by the governor of each state to participate in the U.S. Census Bureau's cooperative network for the dissemination of the census data.

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 estimated Income Band from which the subject will likely draw tenants.

Target Population

Market niche 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

One who rents real property from another.

Tenant Paid Utilities

The cost of utilities necessary for the habitation of a dwelling unit, which are paid by the tenant. Tenant Paid Utilities do not include costs for telephone or cable service.

Tenure

The distinction between owner-occupied and renter-occupied housing units.

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 a row house.

Turnover

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. Only turnover in the primary market area rental market (i.e., number of rental housing units as a percentage of total rental housing units that will likely change occupants) shall be considered for purposes of constructing demand estimates. See Vacancy Period.

Unmet Housing Need

New units required in the Market Area to accommodate household growth, homeless households, and housing in substandard conditions.

Unrestricted Rents

The recommended rents for the market rate units at a Mixed-Income Property.

Vacancy Period

The amount of time that an apartment remains vacant and available for rent.

Vacancy Rate – Economic

Maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The economic vacancy rate should be used exclusively for project rent proformas, and not for reporting the vacancy rate of rent comparables.

Vacancy Rate – Physical

The number of total habitable units that are vacant divided by the total number of units in the property. The physical vacancy rate shall be used when reporting comparable vacancy rates.

Very Low Income

Person or household whose gross household income does not exceed 50 percent 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.

ADDENDUM C – NCHMA INDEX

NCHMA Market Study Index

Introduction: Members of the National Council of Housing Market Analysts provide the following checklist referencing various components necessary to conduct a comprehensive market study for rental housing. By completing the following checklist, the NCHMA Analyst certifies that he or she has performed all necessary work to support the conclusions included within the comprehensive market study. By completion of this checklist, the analyst asserts that he/she has completed all required items per section.

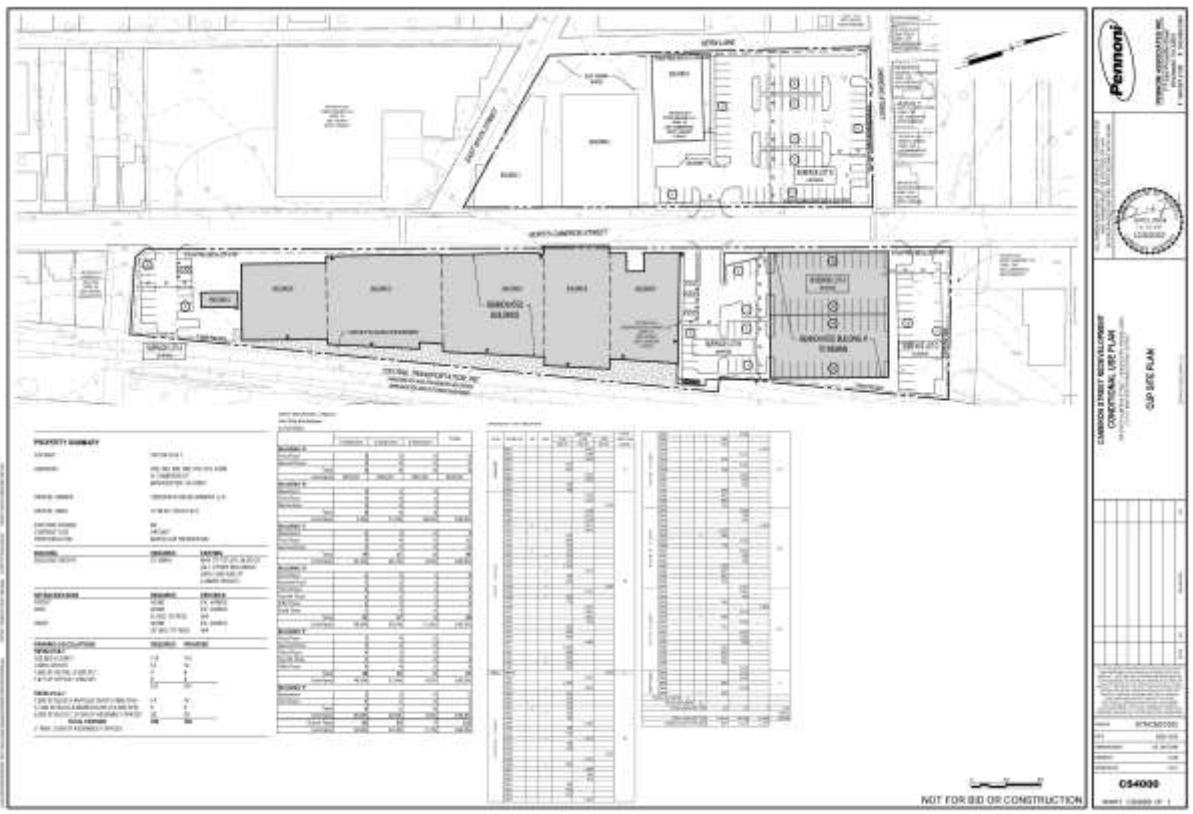
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NCHMA Market Study Index

Introduction: Members of the National Council of Housing Market Analysts provide the following checklist referencing various components necessary to conduct a comprehensive market study for rental housing. By completing the following checklist, the NCHMA Analyst certifies that he or she has performed all necessary work to support the conclusions included within the comprehensive market study. By completion of this checklist, the analyst asserts that he/she has completed all required items per section.

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ADDENDUM D - SUBJECT INFO

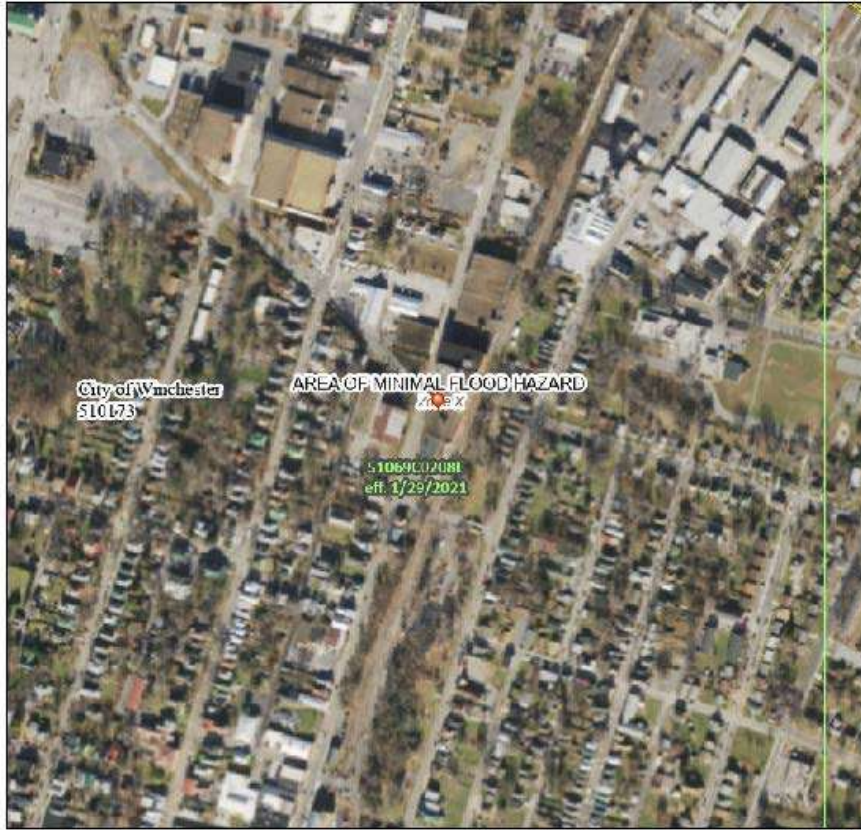


ADDENDUM E – FLOOD DATA

National Flood Hazard Layer FIRMette



78°23'37" W 32°11'18" N



0 250 500 1,000 1,500 2,000 Feet 1:6,000
 Basemap: USGS National Map Orthoimagery. Data refreshed October, 2020

Legend

SEE FIS REPORT FOR DETAILED LEGEND AND DEDICATED MAP FOR FIRM PANELS ONLY

SPECIAL FLOOD HAZARD AREAS		Minimum Base Flood Elevation (BFE) Zone A, V, XZ
		With BFE Depth Zone A, V, XZ, A, V, XZ
		Regulatory Floodway
OTHER AREAS OF FLOOD HAZARD		0.2% Annual Chance Flood Hazard, Areas of 1% annual chance flood with average depth less than one foot or with average areas of less than one square mile. Zone C
		Accumulated 1% Annual Chance Flood Hazard Zone D
		Area with Reduced Flood Risk due to Levee. See Note, Zone E
		Area with Flood Risk due to Levee Zone D
OTHER AREAS		Area of Minimal Flood Hazard Zone E
		Effective ID MRAs
GENERAL STRUCTURES		Area of Unconstrained Flood Hazard Zone D
		Channel, Culvert, or Storm Sewer
GENERAL STRUCTURES		Levee, Dike, or Restwell
		Areas Subject to 1% Annual Chance
OTHER FEATURES		Water Surface Elevation
		Coastal Trench
		Base Flood Elevation Date (BFE)
		Limit of Study
		Jurisdiction Boundary
		Coastal Trench, Baseline
OTHER FEATURES		Profile Baseline
		Hydrographic Feature
MAP PANELS		Digital Data Available
		No Digital Data Available
		Unmapped

The pin displayed on the map is an approximate point selected by the user and does not represent an authoritative property location.

This map complies with FEMA's standards for the use of digital flood maps. It is the user's responsibility to verify the accuracy of the data. The basemap shown complies with FEMA's basemap accuracy standards.

The flood hazard information is derived directly from the authoritative NFHL web services provided by FEMA. This map was updated on 10/27/2022 at 2:15 PM and does not reflect changes or corrections subsequent to this time and date. The NFHL and effective information may change or become superseded by revisions over time.

This map page is void if the site or place of the following map elements do not appear: basemap imagery, flood zone labels, legend, scale bar, map coordinate data, continuity identifiers, FIRM panel number, and FIRM effective date. Map images for unmapped and unmaintained areas cannot be used for regulatory purposes.