

Market Study Guidelines

The Internal Revenue Code and the Qualified Allocation Plan (“QAP”) of Virginia require the submission of a market study in connection with an application for Low Income Housing Tax Credits (LIHTC).

Virginia Housing, in accordance with Section 42(m)(1)(A)(iii) of the Internal Revenue Code, requires that the entity preparing the market study be a disinterested party, approved by Virginia Housing (“the credit agency”). Accordingly, the analyst cannot have any interest in the development or have a relationship with the owner of the development.

All applicants applying for Low-Income Housing Tax Credits (LIHTC) are required to submit a market study at the time of application. **Failure to submit the market study by the stated deadline may disqualify the application.**

Only Virginia Housing approved market analysts will be allowed to complete market studies for developments seeking a LIHTC reservation. A complete listing of approved market analysts can be found on the Virginia Housing website.

A developer submitting an application for a development that will be funded with both 9% and 4% tax credits, must submit a separate market study for the 9% project and the 4% project.

Virginia Housing has no contractual relationship with the preparer of the market study. Market studies are procured directly by the LIHTC applicant and accordingly, the applicant is the client of the market analyst. Therefore, the market study should be addressed directly to the client and any representations made by the market analyst should not directly or indirectly communicate that the market analyst is representing Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing. The analyst, however, must identify Virginia Housing as an authorized user of the market study, noting that Virginia Housing may rely on the representations made therein.

The market study **must be submitted to Virginia Housing by the LIHTC applicant and included within the PDF Application Tab.**

The market study should be in electronic, PDF format. Virginia Housing should be able to select, copy and cut text. In reviewing any LIHTC application and the corresponding market study, Virginia Housing at its sole discretion may request supplementary market data from the analyst or commission an additional market study. The market analyst conducting this additional work, will be commissioned and compensated directly by Virginia Housing, and in such transaction, Virginia Housing will be the client of the market study preparer. The applicant may be required to bear the cost of additional market studies/inquiries.

Any market study submitted to Virginia Housing in connection with a LIHTC application will remain Virginia Housing’s possession and may continue to be relied upon by Virginia Housing in determining the market feasibility of the proposed development, regardless of any circumstances that might exist between the LIHTC applicant and the market study analyst or firm.

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On occasion, there are inconsistencies between certain representations in the LIHTC application and representations in the market study pertaining to various development attributes, such as architectural features, unit amenities, site amenities, etc. In these instances, Virginia Housing will rely only upon representations made in the LIHTC application, including supporting application documentation, as the basis for any LIHTC allocation. If the degree of inconsistency implies a disconnection between the applicant and the market analyst, then the market study may not be approved and the LIHTC application may be disqualified.

No LIHTC reservation will be made until Virginia Housing has determined that a sufficient analysis of demand for the proposed development has been completed. Each report must meet all market study requirements, including, the inclusion of specific data, required calculation methods and report format. Furthermore, reports must be written and contain sufficient information, analysis and supporting documentation to provide Virginia Housing with an understanding of the market data presented, the analysis of the data, and the conclusion(s) of such data and its relationship to the subject property. The market study should lead the reader to the same or similar conclusion(s) reached by the analyst. If these requirements are not met, then the study and the entity which prepared it may not be approved.

For Virginia Housing purposes, **the date of the site inspection is the Effective Date of the report.** The Effective Date must be obviously stated on the cover page or in the Executive Summary section of the report. For a market study with an Effective Date that is 6 to 12 months old at the time of submission, if there are no material changes to the development and/or market, the analyst can provide a letter stating “No material changes since last report dated...” If there are material changes, the market study must be updated to include detailed discussion about those changes. No market study greater than 12 months old will be accepted, meaning a site inspection by the market analyst **must** occur within 12 months of Virginia Housing’s application deadline.

Market studies for LIHTC developments will model the National Council of Housing Market Analysts’ (NCHMA’s) Model Content Standards (Version 3.0) , as well as its Market Study Terminology , Market Study Index and FAQs (for Model Content Standard).

Section A (Virginia Housing & NCHMA Model Content Standards): **Executive Summary**

Section B (Virginia Housing & NCHMA Model Content Standards): **Introduction and Scope of Work**

Section C (Virginia Housing & NCHMA Model Content Standards): **Project Description**

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

1. Construction Type - New Construction, Rehabilitation, Adaptive Reuse.
2. Occupancy Type - Family, Elderly.
3. Indicate if the proposal is a scattered site development.
4. Income Restrictions: Use the applicable income restrictions of the proposed development. Analysts must take the income and occupancy restrictions indicated in the LIHTC application into account when estimating demand.
5. Site amenities of one phase of a development cannot be included as amenities in subsequent phases of a development.

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Section D (Virginia Housing & NCHMA Model Content Standards): Location

Section E (Virginia Housing & NCHMA Model Content Standards): Market Area

In addition to NCHMA requirements under this section, the analyst must consider:

1. All sites in a scattered site development must be within the boundaries of the primary market area.
2. Primary market areas are prohibited from being defined using concentric rings.
3. Analysts are encouraged to be conservative in defining the primary market area.
4. Include secondary or tertiary markets.
5. Primary market areas deemed to be inappropriate by Virginia Housing may cause the market study/analyst to be rejected and thereby cause the application to be disqualified.

Section F (Virginia Housing & NCHMA Model Content Standards): Employment & Economy

Section G (Virginia Housing & NCHMA Model Content Standards): Demographic Characteristics

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

1. Elderly is defined as 55 and older.
2. If elderly population serving 55 and older, account for that population.
3. The number of owner and renter households (if appropriate, breakout by elderly/non-elderly).
4. Households by income (if elderly development, indicate income distribution of elderly households only).
5. Renter households by number of persons in the household.
6. At a minimum, use the current year's estimate and a five-year projection).

Section H (Virginia Housing & NCHMA Model Content Standards): Competitive Environment

In addition to NCHMA requirements under this section, the analyst must consider the following:

1. All comparable LIHTC developments located within the primary market area must be included in the analysis; LIHTC communities targeting a different tenant base (elderly, family, and/or PBRA) may be excluded from the analysis but identified.
2. Provide a detailed analysis of the impact of the proposed project on existing and comparable LIHTC properties in the primary market area.
3. Proposed rural developments for which a sufficient number of comparable properties does not exist, the analyst must select at least three (3) comparable developments in adjacent localities with similar characteristics to be included in its analysis. Analysts should explain any socio-economic or housing market differences between the comparable properties' and the subject project's markets.
4. Family and elderly developments should not be considered as competitive with each other. However, in cases where there are no comparable senior projects in the primary market area or region, analysts may consider using family projects with bedroom types similar to those proposed at the subject project as comparable properties.
5. Total housing costs (rent plus utilities). The demand analysis must clearly indicate the minimum and maximum income range for each targeted group.

Appendices continued

For applicants proposing developments with project-based rental assistance (Section 8, Public Housing, USDA Rental Assistance) analysts should use the lesser of maximum allowable LIHTC rents or proposed rents based on income targeting indicated in the application in determining affordability. Analysts should provide demand estimates and capture rates both with and without additional project-based subsidies.

For applicants proposing developments with market rate units, the analyst must make a reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental housing market. Assumptions used in making this determination must be clearly stated in the report.

For applicants submitting an application for a development that will be funded with both 9% and 4% tax credits, the capture and penetration rate analyses should be done for the total number of units expected to come online between both the 4% and 9% projects.

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6. Analysts are required to use net demand in calculating capture rates and the absorption period. Net demand should be determined by subtracting the supply of vacant comparable units in the PMA, completed or pipeline, from total demand. Demand, Supply, Net Demand and Total Absorption Period should be indicated as follows:

Income Restrictions	Up to 40% (min. income to max. income)	Up to 50% (min. income to max. income)	Up to 60% (min. income to max. income)	Market Rate (min. income to max. income)	Project Total (min. income to max. income)
New Rental Households					
(+)					
Existing Households - Overburdened					
(+)					
Existing Households - Substandard Housing					
(+)					
Elderly Households - Likely to Convert to Rental Housing					
(+)					
Existing Qualifying Tenants - to Remain After Renovation					
TOTAL DEMAND					
(-)					
Supply (includes directly comparable vacant Units completed or in pipeline in PMA)					
NET DEMAND					
PROPOSED UNITS					
CAPTURE RATE					
ABSORPTION PERIOD					

Project Wide Capture Rate – LIHTC Units _____
 Project Wide Capture Rate – Market Units _____
 Project Wide Capture Rate – All Units _____
 Project Wide Absorption Period (Months) _____

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New Rental Households: determine new units in the primary market area based on projected rental household growth. The projected household base **must be** limited to the target group, age and income appropriate. Demand for each target group must be shown separately.

Existing Households: The sum of demand from rental household growth and demand from all components of existing households will constitute **Total Demand**.

- Over-burdened' is defined by Virginia Housing as households paying more than 35% of gross income (40% if elderly) for gross rent. Analysts are encouraged to be conservative.
- Households in substandard housing (i.e. overcrowded and/or lack of plumbing): Must be age and income group appropriate. Analysts must use their knowledge of the market area and the proposed development to determine if demand from this source is realistic. Analysts are encouraged to be conservative.
- Elderly homeowners likely to convert to rental housing: This component may not comprise more than 20% of total demand. The analyst must provide a narrative describing how these numbers were derived. Analysts are encouraged to be conservative.
- Existing qualifying tenants likely to remain at the subject property after renovation: This component of demand applies only to existing developments undergoing rehabilitation.

In addition to the above, the analyst is free to state other measures of demand in the body of the report. These statements must be fully explained as to where such demand is being derived, e.g. pent-up demand, tertiary demand, or demand from existing tenants in other rental properties.

Section J (Virginia Housing & NCHMA Model Content Standards): Local Perspective of Rental Housing Market and Housing Alternatives

Section K (Virginia Housing & NCHMA Model Content Standards): Analysis/ Conclusions

Section L (Virginia Housing & NCHMA Model Content Standards): Other Requirements

NOTE: #5 in this Section is not required by Virginia Housing.

In addition to NCHMA requirements under this section, the analyst must include and affirm (by signature) the following:

1. I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by Virginia Housing.

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4. Neither I nor anyone at my firm has any interest in the proposed development or a relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm in connection with the preparation of this report has communicated to others that my firm is representing Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing.
6. Compensation for my services is not contingent upon this development receiving a LIHTC reservation or allocation.
7. Evidence of my NCHMA membership is included.

Date _____

Market Analyst _____

Market Study Analyst Application For Approval

To be listed on Virginia Housing's website as a market study analyst, you must submit this form by email to TaxCreditApps@VirginiaHousing.com. For questions please call 804-343-5518.

Date _____

Name of Market Study Company _____

Contact Information

Address _____

Phone Number _____

Email _____

List all states in which you have submitted tax credit market studies

I have read and understand the market study guidelines. The market studies, submitted for purposes of LIHTC in Virginia, shall at a minimum conform to all the requirements of the current Virginia Housing Market Study Guidelines (posted at VirginiaHousing.com/LIHTC Program). I/my firm has a minimum of five years of experience in market research on affordable, multifamily, rental housing. I/my firm has not been banned from submitting a market study in any state or federal department or agency. My obligations as an analyst/firm will not be assigned or transferred to any other person, firm or corporation without the prior written consent of Virginia Housing. All the information I have submitted is true and may be placed on the Internet at VirginiaHousing.com. I understand that I may be removed from the approved market analyst list at anytime for any reason by Virginia Housing.

Principal _____

Signature _____

To be completed by Virginia Housing only.

Approved _____

Rejected _____

Criteria for Approved Market Analysts' Listing

Provide the following acknowledgements as included in the **Market Study Analyst Application for Approval**:

- That market studies, submitted for purposes of LIHTC in Virginia, shall at a minimum conform to all the requirements of the current Virginia Housing Market Study Guidelines (posted at VirginiaHousing.com/LIHTC Program).
- That the analyst and/or firm has a minimum of five (5) years of experience in market research on affordable, multifamily, rental housing.
- That the analyst and/or firm is not presently debarred, suspended, proposed for debarment or suspension, declared ineligible or excluded from participation by any state or federal department or agency.
- That the analyst's/firm's obligations will not be assigned or transferred to any other person, firm or corporation without the prior written consent of Virginia Housing.

In addition to the above, please submit the following via e-mail to:

TaxCreditApps@VirginiaHousing.com:

- Provide evidence that you are a member of the National Council of Housing Market Analysts (NCHMA). If you are currently not a member, please provide an explanation as to why you are not.
- A listing of up to 50 LIHTC and/or affordable, multifamily, rental developments for which you have completed market studies (preferably in Virginia), including development name, development address, number of units, construction type and development type (family/elderly)
- If the analyst/firm has not provided Virginia Housing with a market study for a LIHTC development in the last twenty-four (24) months, provide 3 reference letters from customers for whom you've completed market studies for LIHTC and/or affordable, multifamily, rental developments; preferably from state or local housing agencies and/or financial institutions. Letters should reference specific properties/property locations.
- If the analyst/firm is interested in performing market studies for LIHTC developments serving elderly and/or special needs tenants, provide a listing of all developments serving these specific populations for which you have completed market studies. This listing should include the property name, property address, number of units and whether the development was assisted with federal, state, or local funding.
- Please note if you have a preference for a particular area/region of Virginia (i.e. Northern Virginia, Hampton Roads, Central Virginia, Southwest Virginia, etc.). If there is no preference, please note "All areas of Virginia" in your cover letter/summary.

For questions concerning this criteria or Virginia Housing Market Study Guidelines, in general, contact the LIHTC Dept. at 804-343-5518 or via e-mail to: TaxCreditApps@VirginiaHousing.com.

Appendices continued

K. Appraisal Guidelines

Appraisal Information

Appraisals are required to be submitted with the Reservation Application when the applicant is seeking acquisition credits for acquisition rehab and/or adaptive reuse LIHTC developments.

Virginia Housing will accept RD appraisals that include its requested values.

The applicant obtains appraisals independently. However, Virginia Housing reserves the right to order its own appraisal (at the applicant's expense), if it has unresolved questions or concerns about the report. The associated fee will be communicated by Virginia Housing to the applicant in writing.

Regarding 9% LIHTC applications, all questions and concerns regarding the appraisal must be resolved before preliminary rankings. As such, your application could be disqualified if Virginia Housing has to order its own appraisal.

Regarding 4% LIHTC credit applications, all questions and concerns regarding the appraisal must be resolved before the 42m letter is issued.

Appraisal Guidelines

Pursuant to Section 13 VAC 10-180-60 of the QAP, appraisals are required for all acquisition/rehab and adaptive reuse developments, where the applicant is seeking a reservation of low-income housing tax credits. Appraisals are not required if acquisition credits are not requested. Virginia Housing will accept RD appraisals that include the values discussed below.

Appraisers must have a MAI designation from The Appraisal Institute or an ASA - Accredited Senior Appraiser designation from The American Society of Appraisers. Appraisers must be in good standing with the issuing organization at the time reports are completed for Virginia Housing.

Appraisals will be obtained independently by the applicant; however, if there are unresolved concerns about feasibility, Virginia Housing will order its own appraisal.

Appraisal fees are the sole responsibility of the applicant. If Virginia Housing orders an appraisal, the fee will be communicated to the applicant in writing. Appraisals will not be ordered until Virginia Housing receives the appraisal fee, which may result in a delay of Virginia Housing approval and/or the issuance of the Section 42(m) letter.

The appraisal must be no older than six (6) months at the time of application (see “Effective Date” below). For appraisals with an effective date greater than six (6) months (but less than twelve (12) months), if there are no material changes to the development and/or market, the appraiser can provide a letter stating “No material changes since last report dated...” If there are material changes, the appraisal must be updated to include detailed discussion about those changes. No appraisal greater than 12 months old will be accepted.

Appraisals submitted to Virginia Housing in connection with a tax credit application will remain Virginia Housing's possessions and may continue to be relied upon by Virginia Housing in determining the market feasibility of the proposed development, regardless of any unresolved concerns between the tax credit applicant and the appraiser.

If as a result of the appraisal, the owner/applicant refuses Virginia Housing's basis for any allocation of tax credits, then the appraisal will not be approved and the tax credit application will be disqualified.

If there are inconsistencies between representations in the tax credit application and those in the appraisal such as architectural features, unit amenities, site amenities, etc., Virginia Housing will rely only upon representations made in the tax credit application (including supporting application documentation).