

**Missouri Housing Development Commission
Market Study Standards for Rental Housing Developments
MHDC Form 1300**

Revised July 30, 2007



**3435 Broadway
Kansas City, Missouri 64111**

I. Purpose

The purpose of these standards is to provide standardized terminology and content for market studies prepared for developers of rental housing to be financed in whole or in part by Missouri Housing Development Commission (MHDC). The standards outline the content, data, analysis and conclusions to be included in Market Studies for rental housing.

II. Content

Market Studies must be prepared by experienced and **MHDC approved** market analysts, should contain the information and analysis outlined in this guideline, and must have an effective date within 6 months of the submission date to MHDC. Market studies with an effective date older than 6 months must be updated. The update must contain MHDC Form 1300-S.

A. Missouri Housing Development Commission Summary. Each market study and each market study update **must** include a signed Missouri Housing Development Commission Market Study Summary (MHDC Form 1300-S) that will include the following information:

1. A concise description of primary and secondary market areas from which potential tenants of the proposed development are expected to come;
2. The estimated market rent(s), proposed development rent(s) and a brief summary of the rent advantage of the proposed rents;
3. A summary of present and anticipated new household demand for the proposed units and the resulting capture rates for the various unit/rent sizes and the development as a whole;
4. A summary of the existing affordable housing developments in the market, and with consideration to the existing affordable housing inventory, a concise explanation regarding the market need for the proposed development that may be supported by market occupancy/vacancy levels, property condition, waiting lists, etc.;
5. An indication of whether the proposed site is located in a 100-year flood hazard area;
6. An indication of the anticipated monthly absorption rate and the expected absorption period for the units in the proposed development;
7. A summary of market related economic strengths and/or weakness which may influence the subject development's marketability;
8. A summary of market related demographic strengths and/or weakness which may influence the subject development's marketability;
9. A summary of positive or negative development attributes and issues that may affect the property's performance and lease-up;
10. A summary of positive or negative neighborhood attributes and issues that may affect the property's performance and lease-up;
11. A summary of the five most comparable affordable housing developments that currently exist in the market of the proposed development; and
12. **The analyst's opinion of why there is a need for the proposed development to serve the low-income individuals in the area and the effect it will have on the existing affordable housing market.**

B. Project Description. The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. The project description should include:

1. Proposed number of units by: number of bedrooms and baths, income limit as a percent of AMI, square feet, proposed rents and utility allowances;
2. The utilities expected to be paid by tenants and energy sources for tenant-paid hot water, heat, cooking, etc.;
3. The number of buildings, design (walk-up, elevators, etc.) and number of stories;
4. Statement of unit and common amenities, site amenities and parking;
5. Identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc.;
6. Developer's projected dates for construction start and completion, and start of pre-leasing;
7. The status or date of architectural plans and name of architect. For rehabilitation projects provide a description of the methodology for the rehabilitation and the scope of work;
8. Description of the Target Population (small family, large family, senior 55+, senior 62+);
9. Current occupancy percentage of the development and estimates of the percentages of senior and non-senior tenant households;
10. Information regarding the existence of an age waiver for a senior development that allows non-elderly households (if applicable) and the percentage of non-elderly households residing in a senior development due to the waiver; and
11. Report on the Flood Zone of the property.

C. Location and Market Area Definition

1. Define the Primary (PMA) and Secondary (SMA) Market Areas including a map which clearly delineates the areas and an explanation of the basis for the boundaries of the PMA and SMA. Identify PMA and SMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries.
2. Provide a description of the site characteristics including its size, shape, general topography and vegetation and proximity to adverse conditions.
3. Provide photographs of the site and neighborhood, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, banks, etc.
4. Describe the compatibility of the proposed development with the neighborhood.
5. Describe and evaluate the visibility and accessibility of the site.
6. Provide information or statistics on crime in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.

D. Population and Households

1. Provide total population, age and income target data for the PMA using the 1990 census, 2000 census, current year estimates, and a five year projection. Available data from other legitimate studies with detail on household size, tenure, age and other relevant categories should be provided when available. Provide the same information for the SMA, if one has been defined. Indicate the source for all data, provide a methodology for estimates and provide an analysis of trends indicated by the data.
2. Provide a breakdown of households by tenure for 1990 Census, 2000 Census, current year and five year projection.
3. Provide an analysis of trends indicated by the data and include reference sources for the data and methodology for analyzing the data.
4. Provide a breakdown of households by incomes in \$5,000 - \$10,000 increments, by household size and by tenure for 1990 and 2000 Census, current year, and five year projection.

E. Employment and Economy. Provide data and analysis on the employment and economy of the PMA to give an understanding of the overall economic health of the community in which the PMA is located. List sources for the data and methodology for the analysis.

1. Provide a description of employment by industry sector for the PMA or smallest geographic area available that includes the PMA and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.
2. List major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, County, SMA, etc.).
3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA, County, SMA, etc.).
4. Show employment growth over the same period or a more recent, shorter period (last 5 years). Compare to the larger geographic area.
5. Comment on trends for employment in the PMA in relation to the subject.
6. If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
7. Provide a breakdown of typical wages by occupation.
8. When available, provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA?

F. Existing Affordable Rental Housing Stock. Provide information on other affordable rental housing in the PMA and any affordable rental housing proposed to be developed in the PMA within the 12-month period following the date of the Market Study. This section of the Market Study should include:

1. If relevant in the market, a 10-year, or other appropriate period, history of building permits by housing type and comments on building trends in relation to household trends;
2. A list of existing comparable property, including: name, location, population served, type of design, age and condition, number of units by bedroom type,

- rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included, site staffing, occupancy rate, absorption history (if recently completed), name, address and phone number of property contact;
3. For each comparable property comparisons to the subject rents based on the comparable property amenities, tenant paid utilities, location, parking, concessions and rent increase or decrease trends;
 4. An estimate of the Market Vacancy Rate for the PMA rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project Based Rent Assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size;
 5. Photos of each comparable property;
 6. The number of people on waiting lists for each project;
 7. A narrative evaluation of the subject property in relation to the comparable properties;
 8. A discussion of the availability of affordable housing options, including purchase or sale of homes;
 9. A discussion of the impact of the subject development on the existing housing stock.
 10. A map identifying the location of each comparable property in relation to the subject.
 11. A description of the size of the overall rental market in the PMA, including the percentage of market rate and affordable properties; and
 12. A list of LIHTC projects with allocations that are not placed in service, giving as much known detail as possible on estimated Place In Service dates, unit mix and Income Levels to be served.

(MHDC considers the Existing Rental Housing Stock section of the market study to be one of the most important because the experience of the existing affordable housing developments will determine if there appears to be a need for the proposed development to serve low-income households in the area. Market analysts should give special attention to this section because MHDC will give it careful consideration in its review of this report.)

G. Local Perspective of Rental Housing Market and Housing Alternatives. The Market Study should include a summary of the perspective on the rental market, need for the proposed housing and Unmet Housing Need in the market. The local perspective should consider:

1. Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject and to evaluate the local perception of need for additional housing;
2. Interviews with local Public Housing Authority (PHA) seeking comment on the need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number

- and types of households on the waiting lists for Housing Choice Vouchers;
and
3. The cost and availability of home ownership and mobile home living, if applicable.

H. Analysis

1. Provide a detailed analysis of the income levels of the potential tenants for the proposed units. State and support the minimum household income used for total housing expenses to set the lower limit of the targeted household income range. If required, provide an analysis based on the regulating agency's requirements.
2. Derive a Market Rent for the subject property.
3. Calculate the Capture Rate for each Income Limit in the subject property incorporating any Housing Finance Agency or other regulating agency restrictions such as age, income, living in Substandard Conditions, renters versus home owners, household sizes, etc.
4. Estimate the Demand for the type of units proposed at the time placed in service by considering new households and existing households in rent burdened, substandard, overcrowded, or over-housed situations.
5. Define and justify the Absorption Period and Absorption Rate for the subject property.
6. Project and explain any future changes in the housing population within the market area.
7. Identify risks, unusual conditions and mitigating circumstances.
8. Provide documentation and descriptions which show the methodology for calculations in the analysis section and relate the conclusions to the data.

III. Other Requirements

The Market Study shall also include:

- A. Date report was prepared, date of inspection and name and telephone number of analyst preparing study;
- B. Certification of no identify of interest;
- C. Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
- D. Statement of qualifications;
- E. List of sources for data in the Market Study;
- F. An appendix including the demographic reports used for the study; and
- G. An appendix including the Utility Allowance schedule (or utility company provider letters).

IV. Information Links

The following sites may prove helpful in obtaining information regarding existing developments in the market.

- <http://lihtc.huduser.org/>
- <http://affordablehousingonline.com/apartments.asp?mnuState=MO>
- http://www.mhdc.com/rental_production/Prior-Years-funding.htm

- http://www.mhdc.com/rental_production/Web%20List%20Approved%202006.
- <http://www.rurdev.usda.gov/mo/ao-list.htm>
- <https://pic.hud.gov/pic/haprofiles/haprofilelist.asp>
- <http://www.hud.gov/apps/section8/step2.cfm?state=MO%2CMissouri>

V. Market Study Index and Certification

- A. The market study should include a checklist to help the reader find specific information quickly, this checklist provides a list of the specific individual component areas of information that the MHDC Standards says should be provided in a market study, with a space where the analyst can insert the page number of where each component is addressed in the study.
- B. This statement will be inserted in market studies prepared by market analysts that are members of the National Council of Affordable Housing Market Analysts (NCAHMA). Signed by the analyst that prepared the market study, the statement will certify that *the analyst has no financial interest in the project and that the market study has been prepared in conformance with NCAHMA's Market Study Terminology and Model Content Standards (and, in areas where it does not conform, the reasons for non-conformance)*.