

# MISSOURI HOUSING DEVELOPMENT COMMISSION

## 2021 MARKET STUDY GUIDELINES

Effective June 18, 2021



*Strength, Dignity, Quality of Life*

**MISSOURI HOUSING**  
DEVELOPMENT COMMISSION

**The Missouri Housing Development Commission is dedicated to  
strengthening communities and the lives of Missourians  
through the financing, development and preservation of affordable housing.**

**Missouri Housing Development Commission  
920 Main, Suite 1400  
Kansas City, MO 64105**

# MHDC 2021 Market Study Guidelines

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# **MHDC 2021 Market Study Guidelines**

## **MISSOURI HOUSING DEVELOPMENT COMMISSION 2021 MARKET STUDY GUIDELINES**

**Effective June 18, 2021**

*All market studies developed for use by the Missouri Housing Development Commission must substantially adhere to these guidelines, which may be revised from time to time. These guidelines have been modified for use in the 2021 application rounds.*

Forms and documents related to Missouri Housing Development Commission (MHDC) Market Study Guidelines may be accessed at the following link:

[http://www.mhdc.com/rental\\_production/market\\_study/index.htm](http://www.mhdc.com/rental_production/market_study/index.htm)

### **PURPOSE**

The purpose of these guidelines is to show the expected minimum level of content for market studies developed for rental housing to be financed in whole or in part by the Missouri Housing Development Commission (MHDC). The guidelines outline the content, data, analysis and conclusions to be included in a market study prepared for MHDC. These are minimum standards; the analyst is free to add anything to the report necessary to support the analysis and conclusions.

**Remember, the point of all the analysis is to inform MHDC:**

- ✓ What positive and negative locational factors affect the subject site.
- ✓ What the achievable restricted rent is per unit type.
- ✓ What the achievable market rent is per unit type.
- ✓ If the market supports the developer's projected restricted rents.
- ✓ That point in time when the property is expected to reach stabilization.
- ✓ If there are any risks to these projections.
- ✓ If there are enough households at sufficient income levels to make the project viable.<sup>1</sup>

<sup>1</sup> The project should absorb the restricted units and not reduce occupancy at other affordable developments in the PMA.

*The points above must be answered in the executive summary.*

**Remember the study will be reviewed against and compared to the following criteria:**

- Each study will be reviewed by MHDC, and any market study that does not substantially conform to the current MHDC Market Study Standards and the work of peers is subject to rejection by MHDC.
- A market study will only be accepted by those firms approved by MHDC and listed on our approved appraisers list found at this link:

[http://www.mhdc.com/rental\\_production/market\\_study/index.htm](http://www.mhdc.com/rental_production/market_study/index.htm)

- MHDC, based on USPAP (the Uniform Standards of Professional Appraisal Practice) and Missouri law, considers a market study to be an appraisal. USPAP is promulgated by the Appraisal Foundation, and provides guidelines for appraisal practice. If the analyst is a state certified appraiser, then the report must conform to USPAP as explained under General Report Content on the next page. MHDC will not accept a market study not signed by a certified appraiser and reports developed and/or submitted by appraisers with only an appraisal *license* will not be accepted.

# **MHDC 2021 Market Study Guidelines**

## **Each Market Study Must:**

- Be in *searchable* PDF format.
- Be in color.
- Be prepared by an experienced appraiser approved by MHDC from a firm specifically approved by MHDC. Reports developed by a “branch office” are subject to rejection.
- Contain, at a minimum, the information and analysis contained in these 2021 guidelines.
- Include the source for data presented in each table used in the report *at the location of the table*.
- Have consecutive page numbers and a table of contents.

If you are unable to inspect/re-inspect a property due to the global outbreak of "coronavirus" known as COVID-19, you may submit a waiver request that will be evaluated for approval by MHDC staff.

## **MHDC 1300 FORM**

Each application must include a concisely completed MHDC 1300 Form. However, it is to be a separate document and NO LONGER CONTAINED IN THE MARKET STUDY NARRATIVE.

In addition, a market study need no longer include the MHDC Market Study Index (table of contents). The index provided by the National Council of Housing Market Analysts (NCHMA) should be used instead and placed after the executive summary.

The NCHMA Market Study Index is found at the following link:

[http://services.housingonline.com/nhra\\_images/Final%20Market%20Study%20Index%20V3.0.pdf](http://services.housingonline.com/nhra_images/Final%20Market%20Study%20Index%20V3.0.pdf)

## **UPDATES**

The narrative study and MHDC 1300 Form must have been prepared or updated within six months of the submission date to MHDC. A previously submitted market study can be used to satisfy the submission requirements of a subsequent funding round if updated properly, which includes a re-inspection of the site and neighborhood. MHDC will not accept a market study that is more than 24 months past the effective date of the originally submitted market study.

Acceptable market study updates must include:

- an updated MHDC 1300 Form (as a separate document). The 1300 Form must also contain the contact information (name and phone number) for all updated comparable data.
- describe any changes/modifications to the development from the previously submitted market study.
- provide rents if they are different from the original market study and an updated weighted overall Rent Advantage/Disadvantage Rate.
- review of economic conditions and the demand for the proposed development.
- a statement of positive and negative attributes that will affect the property's marketability, performance and lease up.

# **MHDC 2021 Market Study Guidelines**

## **GENERAL REPORT CONTENT**

The report cannot be a restricted report, as defined by USPAP and must include the following content, preferably in the order shown. The appraiser and report must:

- Be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.
- Not commit a substantial error of omission or commission that significantly affects the conclusions.
- Clearly and accurately set forth the appraisal and report in a manner that will not be misleading.
- Not render appraisal services in a careless or negligent manner by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results.
- Contain sufficient information to enable the intended users to understand the report.
- Contain effective date of the report.
- Contain the report date.
- Identify the intended user of the report.
- Identify the intended use of the appraiser's opinions and conclusions.
- Contain a non-generic scope of work that is specific to the project being studied.
- Contain necessary extraordinary assumptions and hypothetical conditions.
- State the definition of market rent and its source.
- Contain copies of appropriate certifications.

All photos in the report must be "first party" photographs taken by the appraiser during the site inspection. "Second party" photos (e.g., MLS or web page) are not allowed. All reports submitted to MHDC are (except the cover page) to be numerically and consecutively numbered, and the report must include a table of contents.

## **SPECIFIC REPORT CONTENT**

The remainder of this document shows the required content of a Market Study. These 2021 MHDC Guidelines are different from those used for the 2019 round(s). New to the 2019 guidelines was the Income Averaging Minimum Set Aside (see page 21).

## **LETTER OF TRANSMITTAL**

The report must have a transmittal letter. At a minimum the letter must state that:

- The analyst is a disinterested third party and that there is no identity of interest between the analyst and the client and intended users for whom the report is prepared.
- Any and all recommendations and conclusions are based solely on professional opinion and best efforts.
- The subject, neighborhood and comparables were inspected within the past three months of the effective date.
- **The analyst has read these 2021 guidelines.** (Reports not including this statement will be subject to rejection and/or sent back to the sponsoring developer).

# **MHDC 2021 Market Study Guidelines**

## **EXECUTIVE SUMMARY**

The executive summary needs to contain conclusions from each section of the report. Minimum content of the executive summary includes:

- Brief summary of the subject development, including the proposed targeted population to be served.
- Brief description of the defined primary market area (PMA).
- Summary of economic conditions in the PMA.
- Summary of key demographic data including number of households and income levels.
- Precise statements of key conclusions reached by the appraiser. These statements should provide a definitive evaluation of the proposed development and its prospect for success as proposed. These statements should reconcile any conflicting data indicators among the various sections of the report.
- Summary of positive and negative attributes and issues that will affect the property's marketability, performance, and lease-up.
- Concise description of the site and the immediately surrounding land uses.

### Restatement of:

- The household poverty rate in the subject's census tract.
- The percent and number of publically subsidized housing units (as defined by MHDC in these guidelines) in the subject's census tract and abutting census tracts (but only if the subject is in either the Kansas City or St. Louis Regions, as defined by MHDC)\*.
- If the subject is located outside of the Kansas City or St. Louis regions, then these variables are only required for the subject's singular census tract.
- The crime rate in the PMA sourced to Areavibes.com (See the Neighborhood section for more information).
- The rank/ratings of the subject's school district.
- The distance to free (or nearly free) public transit.
- The unemployment rate in the PMA (or the smallest geography that includes the PMA).
- A statement describing if the subject site (but only if in the Kansas City or St. Louis Regions as defined by MHDC) is within a one-mile radius of any property that has been approved for state or federal LIHTC, HOME, or MHDC Fund Balance financing within the previous two funding year cycles. Identify the property and its current occupancy or vacancy.
- Statement of the subject's absorption estimate. If recommendations are provided in the report, it should be clear if this absorption estimate is as-proposed or assuming the appraiser's proposed recommendations are followed.
- Summary of competitive market conditions, including counts of publically subsidized housing in the subject's census tract and abutting census tracts. (The abutting census tract threshold applies only if the subject is located in the St. Louis or Kansas City Regions).
- Summary of demand for the proposed development.
- Summary of capture rate analysis.
- If needed, recommendations and/or suggested modifications to the proposed project. It should be clear if these modifications would be necessary for the project's success.

\*The St. Louis Region includes St. Louis City plus the counties of St. Louis, St. Charles, Jefferson and Franklin.

\*The Kansas City Region includes the counties of: Jackson, Cass, Clay, Platte and Ray.

# **MHDC 2021 Market Study Guidelines**

## **INTRODUCTION AND SCOPE OF WORK**

The introduction of the market study should summarize the report's purpose and scope of work conducted during the preparation of the report. This section should include:

- The name of the client and project developer.
- The intended use and users of the report. The report must include MHDC as an intended user.
- The identifying steps taken to complete the report (scope of work), including what specific people were contacted. *If any significant steps were not taken, identify and explain.*
- The date of field work and site visit.
- The name of the person conducting the field work.
- The name of the primary analyst reaching conclusions contained in the report. The person responsible for the report's conclusions must be Generally Certified.

## **SUBJECT'S IMPROVEMENT DESCRIPTION**

If the property includes an existing building(s) (vacant or occupied) provide a one or two sentence summary of what the existing structure is and if it is going to be removed or rehabbed.

The market study must include a project description detailing the appraiser's understanding of the project as proposed (whether rehab or new construction). The project description must include a narrative of the proposed development and the following:

### Description of the proposed development including:

- Number of buildings.
- Building type (single-story, walk-up, mid-rise, etc.).
- Number of stories.
- Exterior finish.
- Planned common area and/or site amenities and project amenities.
- Parking options to be provided including number of spaces and any parking fees paid or included in rent.
- A copy of the floor plans and elevations (can be an Appendix item).
- Developer's projected dates for construction start, completion and date of stabilization.
- Description of any supportive services provided for residents (if applicable).

### The proposed unit mix including:

- Number of units, including number of each unit type.
- Square footage per unit (heated and cooled areas only).
- Unit amenities, features and finishes.
- Proposed utility policy and energy sources (i.e., which fuel serves heat, hot water, cooling, etc.) and which utilities are included in rent.

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- Proposed net rents and gross rents for each unit type.
- The property's target market and any tenancy restrictions. This may include income, age, or special needs.
- Identify age restrictions (55+, 62+, etc.) if any, for the property. The analyst should discuss the appropriateness of the age restriction in light of local market conditions and experiences of comparable properties.
- Income restrictions for each unit type including minimum and maximum income limits should be presented.
- Identify project-based rental subsidies, if any, to be offered and the number of units to which the subsidy applies.

## **For properties to be rehabilitated, the market study must provide:**

- A comment as to whether or not the renovation/rehabilitation appears to be justified.
- Existing unit mix and rents including any existing housing subsidies. Compare current and proposed rents.
- Current and historical (if available) occupancy information.
- A brief analysis of the current rent roll (if available) to determine if existing tenants will remain income qualified and/or able to afford the proposed rents.
- Conclusion: At a minimum, re-state the planned number of units by unit type and their amenities, and their intended occupancy. (This conclusion may be used in the executive summary).

## **LOCATION**

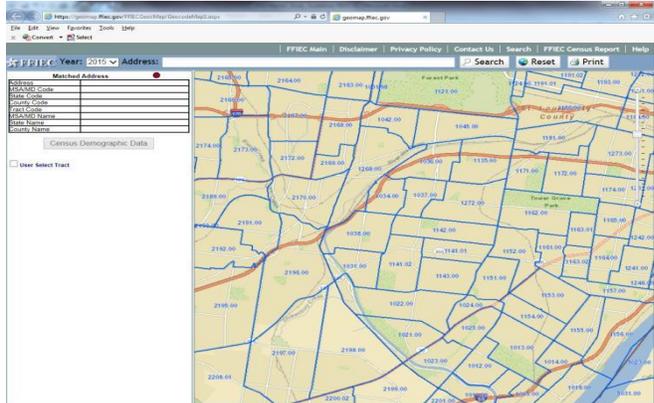
- Provide a description of the site characteristics including its size, shape, accessibility (when the project is complete), visibility (for marketing), general topography, vegetation and proximity to adverse conditions. A flood determination is required.
- Discuss the site's positive and negative attributes and compare the subject to a typical site.
- Provide color photographs of the site (including any existing improvements) and neighborhood including picture captions and vantage points. A picture caption stating "Street Scene" is inadequate. The caption must include the street name, direction of the view and where the subject is in relation to the street. Include a plat and aerial photo, if possible, showing the outline of the subject site. Preferably these items appear in this section of the report.
- Identify land uses directly surrounding the subject site or lying across the street. Discuss any adverse or beneficial effects that they may have on the subject site.
- Provide a best estimate of the shortest distance between the subject's 'front door' (when complete) and any local public transportation, such as a city bus stop, OATS service or MetroLink stop that would take residents to local services. Do not include sources like freeways, Amtrak or airports in this section of the report.
- Provide a conclusion which, at a minimum, discusses how the site compares to other sites having the same purpose, and the suitability of the site for the proposed use. (This conclusion may be used in the executive summary).

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## CENSUS TRACT DESCRIPTION

State the household poverty rate for the subject census tract and state the source of the information at the location of said statement (not in another part of the report). Do not use the poverty rate from the Federal Financial Institution Examination Council (FFIEC) website (to the right) since it shows *family* poverty, not *household* poverty.

Include an aerial photo or map, similar to that displayed, which shows the enumerated subject census tract, plus the enumerated abutting census tracts. Data for the abutting census tracts is only required for proposals located in the St. Louis or Kansas City Regions. If the subject is located outside of these two regions, then only data for the subject's census tract is required. Show the location of the subject site on the map. The sample map that accompanies this section can be found at the following link:



<https://geomap.ffiec.gov/FFIECGeocMap/GeocodeMap1.aspx>

## NEIGHBORHOOD

- Provide a description of the neighborhood (including boundaries) and its positive and negative attributes. The neighborhood is generally expected to be (though not required) smaller than the PMA.
- Provide analysis of public safety issues including information or statistics on crime in the neighborhood compared to data for the next largest geography. Address any local perceptions of crime or problems in the neighborhood. Describe how crime statistics relate to the subject's existing or proposed rents. The data must come from Areavibes.com which will provide both small area and larger area crime data.

After steering to Areavibes.com, enter the subject's address (or nearest address) in the bar as shown below:



The image below is the next page to display.

# MHDC 2021 Market Study Guidelines

The screenshot displays the areavibes website interface. At the top, there is a search bar with the text "Address, Neighborhood, City, Zip or State/Province" and a search icon. To the right of the search bar are buttons for "Buy", "Rent", and "Livability", along with a menu icon. Below the search bar, there are several filter options: "SEARCH WITHIN 20mi / 32km", "INCLUDE Cities/Neighborhoods", "POPULATION 0 - 10M", and "SCORE BY Livability".

The main content area is divided into two columns. The left column features a map of Montgomery City, MO, with a green house icon indicating the selected location. The right column displays the following information:

- Montgomery City, MO**: Your matching location, Population: 2,757. A Livability score of 72 is shown in a blue shield.
- [View Nearby Homes](#) and [See Details](#) buttons.
- New Real Estate Listings In/Near Montgomery City**: Two listings are shown. The first is at 222 Scanland Farm Road, priced at \$360,000, with 3 beds, 3 baths, and 1960 sq ft. The second is at 0 Dogwood Court, priced at \$16,900, with no details provided.
- Text: "See more listings for sale in Montgomery City, MO".
- Text: "Pro Tip: Check your Credit Score today if you are".
- Text: "Refinance rates are near historic lows.".
- Text: "Secure Home Financing. Get A Mortgage Pre-".
- Nearby Areas With A High Livability Score**: A listing for Hermann, MO is shown, 19.5mi / 31.4km away, with a population of 2,491 and a Livability score of 84.
- Text: "Hermann is a lovely town in the heart of Missouri wine country. It has lots of amenities for residents, including a golf course, the Katy Trail, grocery stores, a building supply store, good schools. [read more]"

On the above image, click on the subject's location in the list on the right, or on the green marker on the map on the left and you will be shown a page similar to the following.

# MHDC 2021 Market Study Guidelines

The screenshot shows the areaVibes website interface. At the top, there is a search bar with the text "Address, Neighborhood, City, Zip or State/Province" and a search icon. To the right of the search bar are links for "Buy", "Rent", and "Livability". Below the search bar, the breadcrumb "Search » Missouri » Montgomery City" is visible. The main content area features a large image of a lake with trees in the background. Overlaid on this image is the text "Montgomery City, MO" with a location icon, and "Population: 2,757". A blue shield-shaped graphic contains the word "livability" and the number "72". Below the image is a navigation bar with tabs for "Overview", "Livability", "Real Estate", "Rentals", and "Demographics". The "Livability" tab is selected. Below the navigation bar is a section titled "Key Findings" with a list of five bullet points, each preceded by a right-pointing arrow icon.

areaVibes Address, Neighborhood, City, Zip or State/Province Buy Rent Livability

Search » Missouri » Montgomery City

Montgomery City, MO  
Population: 2,757

livability  
72

Overview Livability Real Estate Rentals Demographics

### Key Findings

- ➔ Montgomery City has a **Livability Score** of 72/100, which is considered excellent
- ➔ Montgomery City **crime rates** are 57% lower than the Missouri average
- ➔ **Cost of living** in Montgomery City is 6% lower than the Missouri average
- ➔ Montgomery City **real estate** prices are 37% lower than the Missouri average
- ➔ **Rental prices** in Montgomery City are 24% lower than the Missouri average

Click on 'Livability'. Then click the 'Crime' icon. In the example, 'A+' is the overall rating. MHDC requires more information. After clicking the 'Crime' icon a page similar to the following will appear.

# MHDC 2021 Market Study Guidelines

RATING  
A+

Total crime

45%↓

NAT. AVG.

Violent crime

100%↓

NAT. AVG.

Property crime

36%↓

NAT. AVG.

Find Homes

Find Rentals

Date & Last Updated: This data reflects the 2019 calendar year and was released from the FBI in September, 2020; this is the most current data available.

Statistic	Reported incidents	Montgomery City /100k people	Missouri /100k people	National /100k people
Total crime	36	1,360	3,134	2,489
Murder	0	0.0	9.3	5.0
Rape	0	0.0	47.5	42.6
Robbery	0	0.0	80.8	81.6
Assault	0	0.0	357.4	250.2
Violent crime	0	0	495	379
Burglary	10	377.8	430.4	340.5
Theft	22	831.1	1,865.0	1,549.5
Vehicle theft	4	151.1	343.3	219.9
Property crime	36	1,360	2,639	2,110

Report the data from the highlighted rows (violent crime and property crime) for your subject’s location and the state. Do not report Reported Incidents or National figures. The location used in this example is a small town. If the subject is in a large city the subject data will show for a neighborhood not the whole city.

- Along with the description, provide a table and map of neighborhood amenities and features and their distance from the subject site in terms of drive times. Such features, at a minimum would include:
  - transportation linkages (as described above).
  - medical services (emphasized for a senior property).
  - shopping and other amenities (banks, etc.).
  - schools (emphasized for a family property).
- Discuss the effect on the subject of any vacant and/or abandoned buildings near the subject’s location.
- Provide a brief conclusion as to the suitability of the neighborhood for the subject. (This conclusion may be used in the executive summary).

## PRIMARY MARKET AREA

- Geographically locate the primary market area (PMA).
- Identify the boundaries of the PMA. For verification purposes, the boundaries of the PMA must be a function of or agglomeration of census tracts.

# MHDC 2021 Market Study Guidelines

- In addition to the census tract boundaries, provide a narrative explaining how the PMA was determined. The narrative should include market specific language rather than a list of generic concepts or factors considered.
- Include a map or aerial photo of the PMA showing the boundaries of the PMA, the subject census tract and abutting census tracts (if required). Show the location of the subject site.
- Provide a brief conclusion of the PMA’s suitability to the subject. (This conclusion may be used in the executive summary).
- Provide the ratings of the subject’s school district as provided by the Missouri Department of Elementary and Secondary Education. The Missouri School District rating system has changed for 2019.

Provide the 2017, 2018 and the 2019 Academic Achievement Chart of the subject’s school district as provided by the Missouri Department of Elementary and Secondary Education. The report is 2019 MSIP5 District/Charter APR Supporting Data Report- Public. The ratings can be found at: <https://dese.mo.gov>

The link below will take you directly to the charts to be provided.

[https://apps.dese.mo.gov/MCDS/Reports/SSRS\\_Print.aspx?Reportid=d483e41d-222e-4028-a667-4aa3fca41709](https://apps.dese.mo.gov/MCDS/Reports/SSRS_Print.aspx?Reportid=d483e41d-222e-4028-a667-4aa3fca41709)

Select APR Year 2019. LEA select your district in the dropdown. Click view report.

## 2019 MSIP5 District/Charter APR Supporting Data Report - Public Final

ADAIR CO. R-I (001090)

[To Summary Data](#)

[Academic Achievement](#) | [Subgroup Achievement](#) | [CCR-HSR](#) | [Attendance](#) | [Graduation Rate](#)

1. Academic Achievement	Metric		2017 *			2018 *			2019		
English Language Arts			% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score
Status	331.9	Approaching	58.7%	342.3	49.5	41.7%	325.8	44.2	37.4%	327.6	45.8
Progress	-1.9	Floor	Prior 2 Yr NCE Avg = 46.9			Current 2 Yr NCE Avg = 45.0					
Growth	49.7 / N	On Track									
3 Yr Progress = Average(Current NCE and Year 2 NCE) - Average(Year 2 NCE and Year 3 NCE)											
Mathematics			2017 *			2018 *			2019		
Status	324.4	On Track	47.6%	338.1	58.5	45.0%	318.6	56.9	41.3%	316.5	56.3
Progress	-1.1	Floor	Prior 2 Yr NCE Avg = 57.7			Current 2 Yr NCE Avg = 56.6					
Growth	51.0 / N	On Track									
3 Yr Progress = Average(Current NCE and Year 2 NCE) - Average(Year 2 NCE and Year 3 NCE)											
Science			2016			2017			2019 *		
Status	320.8	Approaching	50.0%	356.3	61.4	38.5%	309.6	35.1	32.7%	296.4	44.1
Progress	-8.6	Floor	Prior 2 Yr NCE Avg = 48.2			Current 2 Yr NCE Avg = 39.6					
Social Studies - @@ - FIELD TEST			N/A		N/A		2019 *				
Status			N/A%	N/A	N/A%	N/A					
Progress			N/A								

\* A1 and E2 were excluded in 2017. New ELA and MA assessments in 2018. New science assessment in 2019 and field test for social studies. Direct comparison of MPI and proficiency rates across years is not advisable. 2018 and 2019 ELA and Math assessments are comparable

Both the Academic Achievement chart (displayed above) and Subgroup Achievement chart (displayed below) need to be provided.

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2. Subgroup Achievement	Metric		2017 *			2018 *			2019		
<b>English Language Arts</b>			% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score
Status	326.2	On Track	59.1%	341.9	65.8	39.4%	315.6	52.8	35.2%	321.0	57.1
Progress	-4.4	Floor	Prior 2 Yr NCE Avg = 59.3			Current 2 Yr NCE Avg = 54.9					
Growth	50.3 / N	On Track									
3 Yr Progress = Average(Current NCE and Year 2 NCE) - Average(Year 2 NCE and Year 3 NCE)											
			2017 *			2018 *			2019		
<b>Mathematics</b>			% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score
Status	312.2	On Track	44.7%	329.8	68.9	40.2%	301.8	63.8	37.9%	304.9	65.5
Progress	-1.6	Floor	Prior 2 Yr NCE Avg = 66.3			Current 2 Yr NCE Avg = 64.7					
Growth	51.0 / N	On Track									
3 Yr Progress = Average(Current NCE and Year 2 NCE) - Average(Year 2 NCE and Year 3 NCE)											
			2016			2017			2019 *		
<b>Science</b>			% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score	% Prof or Adv	MPI	NCE Score
Status	298.8	Floor	37.0%	329.6	60.4	30.6%	294.4	36.2	27.5%	272.5	43.9
Progress	-8.3	Floor	Prior 2 Yr NCE Avg = 48.3			Current 2 Yr NCE Avg = 40.0					
			N/A			N/A			2019 *		
<b>Social Studies - @@ - FIELD TEST</b>			% Prof or Adv	MPI		% Prof or Adv	MPI		% Prof or Adv	MPI	
Status			N/A%	N/A		N/A%	N/A				
Progress			Prior 2 Yr MPI Avg = N/A								

\* A1 and E2 were excluded in 2017. New ELA and MA assessments in 2018. New science assessment in 2019 and field test for social studies. Direct comparison of MPI and proficiency rates across years is not advisable. 2018 and 2019 ELA and Math assessments are comparable

## EMPLOYMENT AND ECONOMY

For a senior property, a one or two paragraph summary of the employment and economic characteristics in the PMA is sufficient. Mention any adverse trends and their effect on the subject.

For family proposals, provide data (in tabular format when possible) and analysis on the local employment and economy to give an understanding of the overall economic health of the region and its potential impact on household trends and the subject property. Economic data should be presented for the PMA or the smallest geographic area available, which is often the county. This data should be compared to regional data, which could include the county, MSA, or state. Do not include any national figures. List data sources and describe the methodology for the analysis.

### General Requirements

**All tables must be sorted by a pertinent variable such as Wages per Hour, Annual Household Income, Total Employed per Industry and/or Major Employer, etc.**

- Provide total At-Place Employment (also known as Establishment Employment) or Civilian Employment (also known as Resident Employment) for the past ten years (this is not the unemployment rate – see below). Recent trends (job loss or gain) should be identified and discussed; sources should be named.

# **MHDC 2021 Market Study Guidelines**

- Show employment by industrial sector and employment change by sector (if available). Identify the most important industrial/business sectors in the area, potentially including share of employment and employment growth. Sources should be named.
- Show the unemployment rate for the last ten years (or other suitable period) for the most appropriate geographic areas (e.g., PMA, county or MSA) that affect the subject.
- List major employers in the PMA and/or region including the type of business and the number employed. Sort this list by the number of employees.
- Discuss whether the subject is in a “mono industry” area and what effect that may have on the subject’s stabilized operation if the industry left the PMA.
- Comment on recent or planned major employment expansions or reductions including potential impact on demand for rental housing. Comment on trends and projections of employment in the PMA, if any.
- In relevant markets (such as resort areas or rural manufacturing locations), comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
- Provide a breakdown of typical annual (or hourly) wages by occupation or industrial sector present in the area. Show in a table sorted by income in ascending or descending order.
- If available, document commuting patterns for workers including commuting time and destination.
- Provide a conclusion stating whether economic conditions will have a significantly positive or negative impact on the subject property’s stabilized occupancy. (This conclusion may be used in the executive summary).

## **POPULATION, HOUSEHOLD AND INCOME CHARACTERISTICS**

Demographic data should be presented in sorted tabular form when possible (as opposed to a narrative discussion) for the PMA and a comparison area, which may be a county, MSA or state (national data should not be used). Sources of data, estimates and projections should be clearly identified at the location of the table (in addition to any list at a different part of the report). The focus should be on households.

The appraiser should use the most recent decennial census data, recent United States Census Bureau information, and/or data provided by third-party providers. If self-developed, the analyst will need to present sufficiently detailed discussions of methods used to derive estimates or projections. All estimates and projections, if measured by the analyst, should be replicable by the reader.

The report should include an opinion as to whether third-party demographic estimates and projections are reasonable and supportable based on the analyst’s experience. The subscription demographic data should be adjusted as necessary with support.

Also, the report must show the percent and/or number of households for the Annual Median Income (AMI) levels proposed for the development. If the subject elected Income Averaging, the report must show the percent and/or number of households at 30%, 40%, 50%, 60%, 70% and 80% AMI’s. The source of the data must be included with the data itself.

In addition, the report must include a table showing what percent and how many households are below the poverty level as promulgated by the United States Census Bureau. The following link will take you to search on the Census Bureau’s website:

<https://data.census.gov/cedsci/>

# MHDC 2021 Market Study Guidelines



## Explore Census Data

The Census Bureau is the leading source of quality data about the nation's people and economy.

[SEARCH](#)

[Advanced Search](#) [Help](#) [Feedback](#)

Choose Advanced Search. On the Table ID line, type in B17017 (the table for households below the poverty level). Go down to BROWSE FILTERS. First select Years. Choose 2019. Second under BROWSE FILTERS select Surveys. Choose ACS 5-year Estimates Detailed Tables. Third under BROWSE FILTERS select Geography. Choose Tract. Choose Missouri. Choose the County that contains your census tract. Choose "ALL" census tracts within your county or you can choose one or multiple census tracts. Hit SEARCH. You will see the screen shown below. Select VIEW ALL TABLES.

### Tables

POVERTY STATUS IN THE PAST 12 MONTHS BY HOUSEHOLD TYPE BY AGE OF HOUSEHOLDER

Survey/Program: American Community Survey  
Years: 2018 Table: B17017

[VIEW ALL TABLES \(1\)](#)

### Maps

POVERTY STATUS IN THE PAST 12 MONTHS BY HOUSEHOLD TYPE BY AGE OF HOUSEHOLDER

Survey/Program: American Community Survey  
Years: 2018 Table: B17017

[VIEW ALL MAPS \(1\)](#)

See the table below.

# MHDC 2021 Market Study Guidelines

Census Tract 9502, Adair County, Missouri		
Label	Estimate	Margin of Error
▼ Total:	1,031	±89
▼ Income in the past 12 months below poverty level:	176	±44
▼ Family households:	92	±35
▼ Married-couple family:	54	±32
Householder under 25 years	0	±11

In the example above, the Total line shows the estimated number of households in the selected geography (1,031). This estimate can vary (up or down) by as much as 89 households. The estimated number of households that had incomes below the poverty level (in the past twelve months) is 176, or 17.07% ( $176 \div 1,031$ ). You may also select specific geographies, like a specific city or county. Whatever your geography, do not use family households.

## General Requirements

At a minimum provide:

- Overall population and household counts for:
  - Historical data, but none earlier than 2011.
  - Projection for five year growth.
  
- Population and household characteristics including:
  - Age by cohort bracket (with a focus on elderly households if the subject is planned to be a senior property).
  - Persons per Household (PPH).
  - Tenure (renter or owner).
  
- Income distribution for total, renter, and owner-occupied households using census increments.
  
- Discuss any specific demographic trends that may positively or negatively affect rental housing demand and specifically the subject's stabilized operation.
  - Information on substandard housing and an analysis of rent as a percent of income (rent burden) should be presented. Use caution in summing rent-burdened households to households living in substandard units to households on waiting lists; they may be the same household and not represent two different sources of demand.

## **MHDC 2021 Market Study Guidelines**

- Provide data and analysis on migration by census tract (from United States Census Bureau) for the subject census tract and all abutting census tracts. This is not required for every tract in the PMA. Below is a sample of what to provide.

### **MIGRATION**

As required by MHDC, the following table depicts migration of households by census tract in 2019. The Subject's census tract, as well as all abutting census tracts are included in the table.

<b>MIGRATION</b>						
	220.00 (Subject)(Clay)		219.00 (Clay)		306.00 (Platte)	
	Number	%	Number	%	Number	%
Same House One Year Ago	4787	81.8%	6160	88.6%	6720	84.4%
Moved within Same County	521	8.9%	195	2.8%	33	0.4%
Moved from within State	174	3.0%	134	1.9%	561	7.0%
Moved from Different State	260	4.4%	289	4.2%	148	1.9%
Moved from Abroad	0	0.0%	0	0.0%	16	0.2%
<b>Total</b>	<b>5854</b>		<b>6949</b>		<b>7961</b>	

As illustrated, 81.8 percent of the households in the Subject's census tract did not move in the previous year, while a total of 4.9 percent moved into the county from within the state.

- Provide a concise conclusion regarding demographic trends in the PMA and their relationship to the subject. (This conclusion may be used in the executive summary).

### **HOUSING MARKET AND COMPETITIVE ENVIRONMENT**

MHDC is interested to know the level of affordable housing concentration existing in the subject's census tract. MHDC wants to know if the percentage of affordable housing units in the subject's census tract exceeds 20% of the total housing units in those tracts. If the subject is located in the St. Louis or Kansas City regions (as defined elsewhere in these guidelines) then this information is also required for the census tracts that abut the subject's census tract. IT IS NOT REQUIRED FOR ALL OF THE CENSUS TRACTS IN THE PMA.

The market study shall include a comprehensive description and analysis of the rental market serving the PMA. While the focus of this section should be those properties that are most comparable to the subject property, the scope of the survey/analysis should be sufficient in breadth to evaluate and conclude where the subject property will fit within the overall rental market.

For the purposes of MHDC, affordable housing (publically subsidized housing) includes units in the following programs: Low-Income Housing Tax Credit (LIHTC), Project-Based Section 8 (Sec. 8), Housing Choice Sec. 8 Vouchers, Public Housing Authority (PHA, or local housing authority) and/or Rural Development (RD).

Present the number of affordable units in an array by affordable program like shown in the following table (that contains hypothetical census tracts and data), which will display:

- the total number of units.
- the number of affordable housing units (broken out by housing program as defined by MHDC).
- less 'other' units that are not a part of any of the other categories.
- leaving market rate units as a residual.

## **MHDC 2021 Market Study Guidelines**

A	B	C	D	E	F	G	H	I	J	K
Census Tract	Total Housing Units	PHA	Project Based Sec. 8	Housing Choice Sec. 8 Vouchers	RD	LIHTC	Total Affordable Sum of C to G	% Affordable Per Tract $H \div B$	Other	Remaining Market Rate Units $B - H$
1000.00 (Subject)	2,500	75	225	75	0	50	425	17.0%	120	1,955
1001.00	2,800	0	100	0	0	0	100	3.6%	0	2,700
1002.00	2,400	100	100	100	0	50	350	14.6%	0	2,050
1003.00	2,200	80	0	0	0	0	80	3.6%	25	2,095
1004.00	<u>2,700</u>	<u>20</u>	<u>325</u>	<u>50</u>	<u>0</u>	<u>200</u>	<u>595</u>	22.0%	0	2,105
Total	12,600	275	750	225	0	300	1,550	12.3%		10,905

In this hypothetical, the subject census tract (1000.00) has 2,500 total units of which 17% (or 425) are affordable as defined by MHDC. Seventeen percent does not exceed the 20% threshold for affordable units in a census tract. There are 1,550 total affordable units in the subject census tract plus the abutting tracts. This is 12.3% of the total housing units ( $1,550 \div 12,600$ ). The number of affordable units (as defined by MHDC) in census tract 1004.00 does exceed the 20% threshold and should be discussed.

The 'Other' column is for units that are not distinguished as affordable by the MHDC definition, nor are they market rate. Such 'Other' units might be subsidized units in programs not recognized by MHDC as affordable. The last column shows the market rate units remaining after deduction of the defined affordable units and the 'other' units. Examples of 'Other' include: These programs include the Section 221(d) (3) Below Market Interest Rate (BMIR) program, Section 236, Section 231, Section 202 and Section 811 programs.

The Section 8 units and Housing Choice Voucher data can be found at the following link:

[https://www.huduser.gov/portal/datasets/assthsg.html#2009-2019\\_data](https://www.huduser.gov/portal/datasets/assthsg.html#2009-2019_data)

The link should provide the website shown below.

# MHDC 2021 Market Study Guidelines



ABOUT PD&R

RESEARCH & PUBLICATIONS

DATA SETS

INITIATIVES



## ASSISTED HOUSING: NATIONAL AND LOCAL

DATA SET / ASSISTED HOUSING: NATIONAL AND LOCAL

Other Datasets ▾

### Picture of Subsidized Households

Since passage of the U.S. Housing Act of 1937, the federal government has provided housing assistance to low-income renters. Most of these housing subsidies were provided under programs administered by the U.S. Department of Housing and Urban Development (HUD) or predecessor agencies. All programs covered in this report provide subsidies that reduce rents for low-income tenants who meet program eligibility requirements. Generally, households pay rent equal to 30 percent of their incomes, after deductions, while the federal government pays the remainder of rent or rental costs. To qualify for a subsidy, an applicant's income must initially fall below a certain **income limit**. These income limits are HUD-determined, location specific, and vary by household size. Applicants for housing assistance are usually placed on a waiting list until a subsidized unit becomes available.

Assistance provided under HUD programs falls into three categories: public housing, tenant-based, and privately owned, project-based.

In public housing, local housing agencies receive allocations of HUD funding to build, operate or make improvements to housing. The housing is owned by the local agencies. Public housing is a form of project-based subsidy because households may receive assistance only if they agree to live at a particular public housing project.

Currently, tenant based assistance is the most prevalent form of housing assistance provided. Historically, tenant based assistance began with the Section 8 certificate and voucher programs, which were created in 1974 and 1983, respectively. These programs were replaced by the Housing Choice Voucher program, under legislation enacted in 1998. Tenant based programs allow participants to find and lease housing in the private market. Local public housing agencies (PHAs) and some state agencies serving as PHAs enter into contracts with HUD to administer the programs. The PHAs then enter into contracts with private landlords. The housing must meet housing quality standards and other program requirements. The subsidies are used to supplement the rent paid by low-income households. Under tenant-based programs, assisted households may move and take their subsidy with them. The primary difference between certificates and vouchers is that under certificates, there was a maximum rent which the unit may not exceed. By contrast, vouchers have no specific maximum rent; the low-income household must pay any excess over the payment standard, an amount that is determined locally and that is based on the **Fair Market Rent**. HUD calculates the Fair Market Rent based on the 40th percentile of the gross rents paid by recent movers for non-luxury units meeting certain quality standards.

The third major type of HUD rental assistance is a collection of programs generally referred to as multifamily assisted, or, privately-owned, project-based housing. These types of housing assistance fall under a collection of programs created during the last four decades. What these programs have in common is that they provide rental housing that is owned by private landlords who enter into contracts with HUD in order to receive housing subsidies. The subsidies pay the difference between tenant rent and total rental costs. The subsidy arrangement is termed project-based because the assisted household may not take the subsidy and move to another location. The single largest project-based program was the Section 8 program, which was created in 1974. This program allowed for new construction and substantial rehabilitation that was delivered through a wide variety of financing mechanisms. An important variant of project-based Section 8 was the Loan Management Set Aside (LMSA) program, which was provided in projects financed under Federal Housing Administration (FHA) programs that were not originally intended to provide deep subsidy rental assistance. Projects receiving these LMSA "piggyback" subsidies were developed under the Section 236 program, the Section 221(d)(3) Below Market Interest Rate (BMIR) program, and others that were unassisted when originally developed.

Picture of Subsidized Households does not cover other housing subsidy programs, such as those of the U.S. Department of Agriculture's Rural Housing Service, unless they also receive subsidies referenced above. Other programs such as Indian Housing, HOME and Community Development Block Grants (CDBG) are also excluded.

### Public Housing Agencies

### Other HUD Multifamily data

### HUD programs

### Populations & numeric codes of places, counties, MSAs

2009-2020 2009 2004-2008 2000 1998 Year ▾

Query Tool Data Documentation

Select a Year 2020 Based on 2010 Census ▾

Select a Summary Level U.S. Total ▾

Select a Program Summary of All HUD Programs ×

Select a Variable All ×

Get Results

Please select options from "Query Options" above and click on "Get Results" button.

# **MHDC 2021 Market Study Guidelines**

Click on tab for 2009-2020 and the Data tab. Then click Census Tract: MO – WY. This will open a spreadsheet with census tract data for Mississippi to the Virgin Islands. Extract the rows for Missouri and save as a separate file. There are three rows per census tract. The first is a summary row, the second shows Housing Choice Vouchers and the third shows Project-Based Vouchers. Column ‘J’ provides the answers to some of the questions for the MHDC table on page 17.

- The contract rents and vacancies for Section 8, Public Housing and USDA-RD need to be presented or identified separately from properties without these subsidies. If market rents have discounts, the effective rents should be shown also.
- In addition, the analyst must report, (if the subject is new construction or a conversion located in either the St. Louis or Kansas City Regions) if:
  - The proposal is within a one-mile radius of any State LIHTC, Federal LIHTC, HOME, or Fund Balance financed (all considered to be MHDC funded) developments developed within the past two year funding cycles.
  - The occupancy of any MHDC funded property developed within the past two year funding cycles located within a one-mile radius of the subject.

## **General Requirements**

At a minimum, the study must include the following general requirements:

- Provide an overview of the PMA’s housing stock including age, condition, structure type, and any identified market trends. Ideally, this would be presented in tabular form with an explanatory narrative.
- Discuss recent rental development activity in the PMA, including those planned (or in the “pipeline”), or under construction. The study must include separate estimates of the number of rental units currently under construction versus the number of units in the planning stage. These estimates should include all market rate and restricted rate developments that are comparable to the subject in terms of appeal and marketability.
- The report must include a table and map(s) showing the location of each existing project (including an ‘overall’ map), plus those in the “pipeline” and under construction, relative to the subject site.
- Historical building permit trends by housing type should be analyzed in the context of recent household trends and projections.
- For each project under construction, provide the expected completion date, the structure type, the total number of units, unit mix breakdown by bedroom, income target, and anticipated tenancy (senior, etc.).

## **AFFORDABILITY ANALYSIS**

The report should present an affordability analysis detailing the calculation of the minimum and maximum annual income requirements for each unit type. Components of the affordability analysis should include, at a minimum:

- An analysis of household trends (if not already developed) for the current year and a five-year projection, including tenure, average household size, renter households by number of persons per household and renter household by income distribution.
- The estimation of a minimum annual income that is based on the proposed gross rents and an acceptable rent burden. The analysis must identify if the minimum income is based on net rent or gross rent (including utility cost).
- A maximum income limit that is based on applicable housing program requirements.
- Maximum income limits for senior communities should be based on a maximum household size of two persons. Maximum income limits for efficiency units or smaller one-bedroom units may be based on less than two persons per household.
- Demand for senior communities should be measured on an appropriate minimum age classification. Senior

# **MHDC 2021 Market Study Guidelines**

households exceeding 85 years should be excluded as such households are not a major source of demand as people this age generally have a lessened ability for independent living.

- Estimation of demand for senior communities that includes homeownership conversion should be conservative and take into account the ability, or lack thereof, of seniors to sell their homes.
- A concluding table showing the range of affordability for each unit type and each AMI (Annual Median Income) level. If the subject elected Income Averaging, the affordability analysis will need to be for each unit type at 30%, 40%, 50%, 60%, 70% and 80% AMI's. (This table may be used in executive summary).

## **DEMAND ANALYSIS**

A demand analysis is required for the subject quantifying sources of demand (number of households) for the subject from the PMA, for each proposed AMI. If the subject elected Income Averaging, the demand analysis will need to be for 30%, 40%, 50%, 60%, 70% and 80% AMI's.

Sources could include:

- Existing renter households (by income cohort).
- Home ownership conversions, if applicable.
- Turnover rates; to the extent possible these rates should be based on the rates found at competing LIHTC properties. Use of market-rate property turnover rates should be avoided.
- Rent overburdened households.
- Substandard housing.
- Waiting lists at other properties.

The analyst is cautioned not to double count these sources of demand. For example, a household on a waiting list at "Property A" is likely to be on the waiting list for "Property B" and "Property C". Alternatively, a household in substandard housing could also be the same household that is rent overburdened. Or, a household may be on a waiting list because it currently occupies substandard housing.

- The conclusion of the demand analysis should show the number of households in the PMA that are available for the subject that are income qualified, age qualified (if a senior property), and qualified as to the number of persons per household. (This conclusion may be used in the executive summary).

## **CAPTURE RATE AND PENETRATION RATE**

The report should include a capture rate analysis showing what proportion of the households calculated in the demand analysis the subject is required to capture in order to achieve a stabilized occupancy. As intended herein, the overall capture rate is calculated by dividing the total number of units at the subject property by the total number of age, size and income qualified renter households in the PMA of the proposed development.

- A capture rate is required for each unit type.
- The presentation of a penetration rate is optional.
- Conclude by evaluating the capture rate(s) and penetration rate (if developed) and render an opinion on how the rates(s) reflect on the subject's marketability. (This conclusion may be used in the executive summary).

# **MHDC 2021 Market Study Guidelines**

## **ADDITIONAL MHDC REQUIREMENTS**

- If not already completed, affordability, demand, and capture rate analyses should be conducted both with and without project-based housing assistance, if applicable.
- The analyst will provide a conclusion stating whether project feasibility is dependent upon project-based rental subsidies. The analysis of the project without project-based rental subsidies may include assumptions regarding proposed rent on the part of the appraiser.

**All data sources used to determine affordability, demand, and capture rate(s) should be readily identifiable and easily replicated by MHDC.**

## **INCOME AVERAGING MINIMUM SET ASIDE**

The Consolidated Appropriations Act of 2018 permanently established Income-Averaging, or the Average-Income (AI) minimum set-aside as a third minimum set-aside election option for federal Low-Income Housing Tax Credit (LIHTC) developments. The AI minimum set-aside allows developments to serve households earning up to 80% of the Area Median Income (AMI) in credit-qualified units, so long as the average income/rent limit in the development is 60% or less of AMI. Owners electing the AI minimum set-aside must commit to having at least 40% of the units in the development affordable to eligible households.

The AI minimum set-aside applies to the designated income/rent levels of the units, not the incomes of the tenant households. The designated income/rent levels may only be set in 10% increments. The beginning or lowest AMI level is 30%.

Beginning in 2019, if a development elects income-averaging, Market Studies must establish estimated rents for all unit types and rents for all rent levels. For example, if the project has two and three bedroom units, the market study must provide LIHTC rents at 30, 40, 50, 60, 70 and 80% levels, along with Market Rent for the two and three bedroom units.

Additional data will need to be included in the market study in the following sections: Affordability Analysis, Demand Analysis, and the Market and Achievable Rent Analysis.

Information on Income Averaging Minimum Set-Aside can be accessed in the 2021 Qualified Allocation Plan (QAP) and in the 2021 Developer's Guide.

## **MARKET AND ACHIEVABLE RENT ANALYSIS**

This section will estimate both the market (unencumbered) rent and the restricted rent the subject is likely to achieve. Both analyses need to be via comparisons to existing market rate and restricted rent/income properties.

## **ADJUSTMENT GRIDS AND ADJUSTMENT EXPLANATIONS ARE REQUIRED FOR THE MARKET RATE RENTS AND ACHIEVABLE/AFFORDABLE RENTS FOR EACH MAJOR UNIT TYPE IN THE PROJECT.**

If the development elected Income Averaging, both a market (unencumbered) rent and an estimated restricted rent will need to be established for each unit type at each AMI level. All rents will need to be displayed on a chart for all unit types and for all AMI levels: 30%, 40%, 50%, 60%, 70%, 80% AMI's and Market Rent. Explain the methodology used to arrive at the projected potential rents.

- Identify those projects that will specifically compete with the subject, both affordable and market rate and provide a narrative evaluation of the subject property in relation to these communities. The study should explain how these communities were selected as the most comparable and why other projects were excluded. The comps must come from the PMA unless the analyst can provide a very good reason for an exception.

## **MHDC 2021 Market Study Guidelines**

- Compare and analyze the subject property to the surveyed comparable properties in terms of rents, unit and project amenities, tenant paid utilities, location, parking, concessions, etc. in all tables. This analysis may be refined to include only the most comparable communities. Generally, the comps will be those classified in the market as ‘B’ properties, that is, those that do not achieve neither the highest nor the lowest rents in the market area.
- The report should contain a table, similar to (or better than) the following example, that shows the subject property on the top line with the selected comparable properties below. This provides MHDC with an ‘at-a-glance’ way to compare the subject with the selected comps.

Comp #	Project Name	Proximity	Style	YOC / YReno.	Rent Basis	Unit Type	Rent	SF	Rent/SF
Subject	Apple Valley	NA	Villa	Proposed	60%	1/1 2/1.5	\$490 \$525	650 700	\$0.75 \$0.75
1	Pecan Grove	3 mi. E	Garden	2018	Mkt.	1/1	\$550	700	\$0.79
2	Walnut Villas	4 mi. W	2/WU	2019	50% 60% Mkt.	1/1 1/1 1/1	\$475 \$505 \$600	675 675 675	\$0.70 \$0.75 \$0.89
3	Etc.								

- **Information provided for each property should include:**

- A rent analysis for each major unit type. The use of an adjustment grid for both market rents and achievable rents is required. The accompanying narrative must clearly explain (but need not be lengthy) the thought process of how the comparable rents were adjusted and rent conclusions ascertained.
- Comparable rents should NOT be adjusted for subject developments proposing to offer special needs accommodations and/or service enrichment (SN and/or SE). Similar to a Section 8 Rent Comparability Study (RCS), the market study should weigh the *availability* of SN and/or SE at the subject. However, the appraiser should report if funding is included in the developer’s budget for these items. After determination of market rent and achievable rent, the rent analysis should include a brief discussion of what the contributory value of the proposed SN and/or SE is.

For example, if the achievable rent for one of the subject’s units is \$500, but the developer is planning to offer SN and/or SE that the appraiser estimates the market would value at an extra \$50, then this would be stated below the unit’s rent conclusion. The provision of, or availability of, SN and/or SE may change over the holding period and MHDC wants to consider the value of SN and/or SE separately for underwriting purposes.

- “Rent comp write ups” (profiles) for each market rate and affordable property used in the analysis, including property name, address, occupancy target (senior/general occupancy), year built, condition, special features/quality items, property contact information and photograph. Include the date the data was gathered and the date that the property photo was taken.
- Unit mix including number of bedrooms and bathrooms, square footage, and rents.
- Current concessions being offered, if any. Effective rents should be provided for each surveyed rental community by bedroom size. Effective rents should account for any current incentives.
- Comparable rents should be adjusted to reflect a consistent utility policy in order to compare net rents across multiple properties.

# **MHDC 2021 Market Study Guidelines**

- Rent trends for the past 24-36 months should be included, if available.
- Number of households on waiting lists and if available, if these households are pre-qualified for income (if applicable) or merely names and phone number.
- Unit features including but not limited to: kitchen amenities, utility information (those included in rent and energy source – gas or electric), ceiling fans, patios, washer/dryer connections, etc.).
- Project amenities such as recreational facilities, laundry, and parking, etc.
- Any options/upgrades to the amenities should be identified with any change in associated rent.
- A map of surveyed communities in relation to the subject site.
- If the subject is a scattered site development, provide an analysis of available scattered site rentals including pricing and other available or pertinent data.

## **RENT CONCLUSIONS AND HOW TO HANDLE PROPOSED SPECIAL NEEDS (SN) AND SERVICE ENRICHED (SE)**

If the developer is proposing SN and/or SE items DO NOT include the contributory value in the adjustment grid or in the market rent or achievable rent conclusions for each unit type. Instead discuss the contributory value (if any) of these items in a separate paragraph below the adjustment grid. Underwriting needs to know the rental value (market and achievable) of the real estate only separate from any SN and/or SE items.

- Present the vacancy rates for the surveyed rental stock. As appropriate, vacancies should be broken up by property classifications and target markets, which will include LIHTC, Section 8, PHA, RD and market rate. If available, vacancy data should be provided by bedroom type.
- Vacancy trends should be provided and discussed if available or relevant.
- Significant seasonal variations in vacancy rates (e.g., resort areas) should be discussed, if applicable.
- Any vacancy or absorption problems should be identified and discussed, particularly among the most comparable rental communities.
- Identify any significant variances in vacancy rates that exist among rent amount, location, bedroom size, product type, target market, etc.
- Include absorption experience of recently completed rental developments, as available, including units absorbed per month estimates for each project. Particular emphasis should be placed on comparable projects that have entered the market within the past 24 months.

## **Affordable Rent Advantage Calculation**

Estimate a market rent and an achievable restricted rent and then compare them to the developer's proposed rent. Quantify and discuss any advantage of the subject rents over market rents and its impact on marketability, if any. Market advantage is to be calculated thus:

$$1 - (\text{affordable rent} \div \text{market rent}) \times 100, \text{ e.g.} \\ 1 - (\$600 \div \$700) \times 100 = 14.3\%$$

(If the LIHTC rent is less than the market rent, then report the result as a positive number)

## **MHDC 2021 Market Study Guidelines**

Calculate an overall affordable rent advantage/disadvantage rate as shown in the example below. The % Rent Advantage/Disadvantage column is the calculation of the formula displayed above. The Unit % column is the percentage of each unit type to the total number of units in the development. The Weighted Overall Rent Advantage/Disadvantage column is the % Rent Advantage/Disadvantage x the Unit %.

Unit Type	% of AMI	# Units per type	Proposed Affordable Net Rent	Market Rent	% Rent Advantage/Disadvantage	Unit %	Weighted Overall Rent Advantage/Disadvantage
1bd/1ba	30	2	410	700	41.43	0.05	2.07
2bd/1ba	30	4	485	900	46.11	0.10	4.61
1bd/1ba	50	8	530	700	24.29	0.20	4.86
2bd/1ba	50	4	630	900	30.00	0.10	3.00
1bd/1ba	60	14	575	700	17.86	0.35	6.25
2bd/1ba	60	8	675	900	25.00	0.20	5.00
<b>TOTAL</b>		40				1.00	<b>25.79</b>

Age restricted properties should be analyzed separately from general occupancy communities when evaluating rents, occupancy, services, etc. Examine features and amenities that are specifically designed to address seniors.

When available and when appropriate, an analysis of senior renters at comparable communities should be provided including average age of residents at entry, frequency of previous homeowners becoming renters, and persons per household.

Provide a concise conclusion for the competitive environment section with a focus on what affect, if any, will the competition have on the subject's stabilized operations and what effect, if any, will the subject's new units have on the PMA's vacancy rate. (This conclusion may be used in the executive summary).

**Every step in the procedures that follow should be replicable by the reader.** There may be more than one way to estimate affordability, demand and capture rate but MHDC should be able to reconstruct the analyst's way of estimating the number of affordability bands, qualified households and the capture rate step by step.

### **LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET AND HOUSING ALTERNATIVES**

The market study requires a summary of the opinions from local subject matter experts, about the subject property and existing housing. These opinions would include (at a minimum) local perspective on the affordable rental market and the need for the proposed development and unmet housing needs.

Local subject matter experts would include (at a minimum) local planners, housing and community development officials, and market participants. These sources must be specifically identified in the report.

### **FINAL CONCLUSION**

- The conclusion section of the market study must summarize conclusions from each section of the market study used by the analyst to reach the final results.
- Consider the conclusions from the prior report sections, then combine them into one final conclusion to answer the following questions:

## **MHDC 2021 Market Study Guidelines**

- What are the recommended affordable rents?
- How many households have the requisite income to afford the proposed units?
- The analyst must evaluate the affordability analysis, overall demand, capture rate(s) and penetration rate (if developed), and render an opinion on how they are a reflection of and measure the subject's marketability.

### **OTHER REQUIREMENTS**

- Professional Certifications.
- Copy (image) of the appraiser's Missouri Appraiser General Certification.
- Provide source of utility allowance estimate, which may include PHA Utility Allowance schedule or utility company provider letters.
- Statement of appraiser's qualifications.