

DELAWARE STATE HOUSING AUTHORITY MARKET STUDY REQUIREMENTS CHECKLIST

A market study of the population to be served by a Tax Credit-assisted Development must include recent data about employment, demographic, and housing trends for the defined market area.

While the below checklist outlines the study's requirements, a market study is not complete unless it also includes an analysis of the data. The data and analysis must clearly document sufficient demand in the market to support the proposed property without negatively impacting the concentration of existing tax credit developments and other affordable housing developments within the same market area. The study must identify any data sources, assumptions, estimates, projections, and models used in the analysis. **DSHA must pre-approve the preparer of every market study.** DSHA requires the market study be conducted within six (6) months of the date of application submission.

Market Study Requirements

- Description of Proposed Property**
Describe the proposed property and the expected target population, which should be defined by presenting a demographic profile in terms of age, income, household composition, and current living situation. This description should also identify all proposed rent and amenities to be offered within the proposed property. Describe how the characteristics of the proposed property-including unit mix, rent levels, proximity to services, and amenities-will meet the needs of the target market. Provide verification that property is located in an incorporated area or unincorporated area.

- Site Evaluation**
Evaluate the proposed site with regard to: physical features of the site and adjacent parcels; accessibility to markets, services, employment, and educational institutions; and compatibility of surrounding neighborhoods and land uses.

The market study shall provide, under a separate exhibit, a map indicating the name(s) and distances of the features listed below:

Map Features:

- Grocery of at least 10,000 sq. ft. and sufficient food to maintain daily food consumption
- Walk-in medical facility / hospital
- Walk / Bike Trail
- Pharmacy
- Child Care (family) / Senior Center (senior)
- Public School (family sites only)
- Library
- Park
- Community, civic, or town center open to public
- Fixed Route Transit Stop
- Bank
- Department or clothing store
- Hardware Store
- Post Office
- Indoor Fitness
- Community facilities: place of worship, community garden, cultural arts, police, or fire station

- Public Airport
- Active landfill / dump / junkyard
- Jail, prison, or detention center
- Railroad

The exhibit shall include detail describing the proposed site and its proximity to major roads, the economic mix of the area, as defined by Census data, and employment opportunities.



Define Market Area

Using geographic, demographic, and mobility factors, define the geographic area from which the majority (typically 60% to 90%) of potential residents of the proposed property are likely to move. The market study must provide a detailed analysis of the income levels of the potential residents for the proposed property.



Market Area Characteristics

Demographic Trends

Information to include: population by age cohorts, household formation rates by age of head of household, household income distributions by age of household, owner/renter ratios by age of head of household, and the likelihood of presence of children by age of household. This information is to determine household composition (age, income, and presence of children) and housing demand for ownership and rental units.

Economic Trends

Information to include: number of jobs by various occupational categories; major employers, number of jobs, salary ranges and location, median household incomes; and economic development activities.

Housing Supply

Information to include: number of owner and rental units by cost (value or rent) and quality; for sale housing and rental vacancy rates; and estimate of owner and rental unit needs for current year and next three (3) years. The market study should demonstrate the overall vacancy rate in the area of the proposed project (for all projects – should not exceed 15%) and the vacancy rates for affordable housing properties in the area (should not exceed 10%).

Market Area's Competitive/Comparable Housing Analysis

The market study should identify and consider existing, as well as planned competition, that is within or proximate to the defined market area. Analysis should be based upon the specifics of the proposed property, such as target population, rent levels, and bedroom mix, with any other type of housing the analyst deems competitive within the defined market area. This analysis should compare how existing sites meet the market demand and how these sites will be impacted by the proposed property. The analysis should include:

- Property name, address and age;
- Number of units by unit types (efficiency, one, two bedrooms, etc.);
- Monthly gross rent by unit type;
- Units size;
- Monthly rent per square foot;
- Vacancy rates;
- Five-year rent increase history;
- Services and amenities included in rent;
- Subsidized units or income-restricted units (federally or state-assisted);
- Occupancy levels, turnover and extent of waiting list; and

- Development amenities.

Market Demand/Needs Analysis

Evaluate the need for the proposed property within the defined market area by determining the eligible population that would potentially be willing to move into the proposed site. Existing and proposed competition identified in the competitive analysis must also be deducted from the available net demand, to arrive at an un-accommodated demand pool, which the proposed site must penetrate.

- The study should clearly describe the methodology and assumptions utilized to demonstrate that the market is deep enough to support the proposed property. It is important that the assumptions, particularly those regarding target populations and income levels, be consistent with the proposed property and the specific market being targeted.
- The study should provide a summary of market-related strengths and/or weaknesses that may influence the project's marketability. This includes projecting and explaining any future changes in the housing stock in the area and identifying any risks, such as competitive projects also in the pipeline or declining populations.
- The study should include the following:
 - Demand from New Rental Households: Determine new units in the primary market area based on projected rental household growth. The projected population must be limited to the target group, age, and appropriate income. Demand for each target group must be shown separately;
 - Demand from Existing Households: The sum of demand from rental household growth and demand from all components of existing households will constitute Total Demand;
 - Cost Over-Burdened Rental Households: Must identify households, if any, within the age group, income group and renters targeted for the proposed development. 'Cost Over-Burdened' is defined by DSHA as households paying more than 35% of gross income (40% if elderly) for gross rent. Analysts are encouraged to be conservative in this regard;
 - 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 in this regard;
 - 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 in this regard; and
 - Existing qualifying tenants likely to remain after renovation: This component of demand applies only to existing developments undergoing rehabilitation.

The study should provide an opinion on the market feasibility including long-term performance of the property given housing and demographic trends and economic factors.

Net Demand Methodology

Demand, Supply, Net Demand, and Total Absorption Period should be indicated in the following format:

INCOME RESTRICTIONS					
	<i>Up to 40% (min. income to max. income)</i>	<i>Up to 50% (min. income to max. income)</i>	<i>Up to 60% (min. income to max. income)</i>	<i>Market Rate (min. income to max. income)</i>	<i>Project Total (min. income to max. income)</i>
New Rental Households					
Existing Households-Overburdened					
Existing Households-Substandard Housing					
Elderly Households – Likely to Convert to Rental Housing					
Existing Qualifying Tenants to Remain After Renovations					
TOTAL DEMAND					
Less (-)					
Supply (includes directly comparable vacant units completed or in pipeline in market area)					
NET DEMAND					
Proposed Units					
Capture Rate					
Absorption Rates					

NOTE: Market analysts are required to use net demand in calculating capture rate and the absorption period. Net demand should be determined by subtracting the supply of vacant comparable units in the market area, completed or in the pipeline, from total demand.

Absorption Analysis

The market study must provide a time schedule for absorption for the proposed property by analyzing and discussing the characteristics and depth of the target market which justify the estimated rate of absorption. Turnover potential of competitive existing sites must be included in this analysis. The market study must define and justify the absorption rate and absorption period for the proposed property, and should include a description of the methodology used for the calculation.

Capture Rate

The market study must provide a capture rate for the proposed project overall, as well as capture rates for each targeted income level and bedroom count. The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income, and the overall capture rate for a project must not exceed 10%.

Certification

The market analyst must include a signed statement by the preparer that:

1. He or she is an independent, third party professional with no financial interest in the development other than in the practice of his or her profession;
2. He or she has the requisite knowledge to proceed with the study;
3. He or she has personally inspected the subject property and the comparable properties analyzed in the report;
4. He or she has conducted the study in accordance with Standards 4 and 5 of the Uniform Standards of Professional Appraisal Practice (USPAP);
5. He or she certifies that the Market Study was conducted in accordance with DSHA requirements; and
6. Attests to the ability of the market to support the proposed housing units based upon market conditions.

NOTE: ANY RELATIONSHIP BETWEEN THE PREPARER AND THE PROPERTY SPONSOR/APPLICANT MUST BE DISCLOSED.