

Arkansas Development Finance Authority

MARKET STUDY GUIDELINES FOR ADFA HOUSING PROGRAMS

**Effective Date:
September 1, 2002**



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The market study guidelines apply to all applicants seeking Housing Tax Credits under Arkansas' Low-Income Housing Tax Credit Program (LIHTC), bond financing under the Tax-Exempt Volume Cap Program, funding from the HOME Investment Partnership Program, or any other ADFA affordable housing program.

The comprehensive market feasibility study must demonstrate that sufficient demand for rental housing exists in the proposed geographic market area to support the proposed project. The market feasibility study must be conducted at the applicant's expense by a disinterested third party approved by ADFA. Attached hereto as Exhibit "A" is a complete list of market study firms approved to perform market feasibility studies. **Market studies performed by a firm not on ADFA's approved list will not be accepted.**

The market study should be organized in a format that follows a logical progression and must include, at a minimum, the following items:

Introduction

- Name and address of person authorizing the report.
- Name and address of the report provider.
- Property address and/or location, including street address and brief summary description.
- Property type.
- Date of report (the study should be dated within twelve (12) months prior to the date of application).

Table of Contents

- Each section of the study should be identified with the corresponding page number.
- The exhibits included with the report should be numbered for easy reference.

Photographs

- Good quality color photographs of the subject property must be included. The photographs should be properly labeled and include photographs from the north, south, east and west directions of the property, view of the neighborhood and street scenes.
- For rehabilitation properties also include photographs of the front and rear of each building and on-site amenities.
- Photographs of all comparable properties in the primary market area are required. See additional requirements for comparable properties below.
- A map clearly identifying the location of the project is required. The map should also identify the comparable properties in the primary market area, closest shopping areas, schools, medical facilities and other amenities that would be important in the target area.

Minimum Requirements

The market study should include, at the minimum, the following requirements. Market studies not meeting these minimum requirements will not be accepted. Market analysts that do not comply with these Guidelines are subject to removal from ADFA's approved list.

- Purpose of the study.
- Assumptions and Limited Conditions.
- Report provider's qualifications detailing education and experience.
- Statement regarding the current ownership of the subject property.
- Current zoning of the property.
- Summary of sources used in the process of collecting, confirming and reporting the data.
- General description of the geographic location including a description of the property and any structures surrounding the subject property and current conditions.
- Community demographic data for the market area, including historical data as well as current data and estimates. Provide a reasonable rationale for the suggested market area, taking into account such things as political and natural boundaries and socioeconomic characteristics.
- Summary of neighborhood trends, future development, economic viability of the specific area, with emphasis given to low-income housing.
- Market analysis including the relationship between supply and demand, a review of the inventory of affordable housing in the market area and the occupancy rates of the concerned properties, population trends, housing trends, employment trends, household income distribution, and impact on existing and planned affordable housing (See additional comparable property requirements below).
- Capture rate analysis must be completed for each targeted income group and each bedroom size proposed as well as for the project overall, including the impact of the capture rate for the subject property.
- Absorption rate including the time expected for the project to reach 85% occupancy. The absorption period is considered to start at the placed in service date.
- For developments intended to be partially or all special needs (elderly, disabled, etc), the study must address the population/household trends, the demand estimate and absorption rate for each of the population types.
- For developments intended to be partially market rate and partially affordable, the study should address the population/household trends, housing income distribution, demand, capture rate and absorption rate for both the market rate units and affordable units.
- Reconciliation and Summary.

Comparable Properties

The market study must identify all comparable properties in the primary market area. The following information must be included for each comparable property. Do not omit any comparable property or information for a comparable property because of lack of information. Information that is not available must be noted with “NA” with an explanation as to why the information was not obtainable.

- Photograph of Comparable Property
- Property Name
- Property Address
- Telephone Number
- Distance from Subject
- Current Occupancy Rate
- Target (family, elderly, etc.)
- Chart/Table outlining unit type and number of bedrooms and baths, number of units per unit type, number of vacancies per unit type, square footage for each unit type, rent for each unit type and current vacancy rate for each unit type. Total for each column should be included.
- Amenities
- Appliances
- Unit Features
- Security Features
- Utility Type
- Waiting List
- Property Type (mrkt/li/etc)

Clarifications

ADFA reserves the right, in its sole and absolute discretion, to independently evaluate the demand for additional affordable rental housing in the geographic market area. ADFA is not bound by any recommendation or conclusion of the market study and may substitute its own analysis and underwriting conclusions for those submitted by the report provider.