

Exhibit S

2018 Market Study Guideline Procedures

*All relevant tables should be placed with corresponding text.

Market Study Process:

The Applicant will be required to submit a cashier's check in the amount of \$600.00 at Application submission or the application will be disqualified.

1. Applicants must use an Authority approved market analysts to complete market studies. All market analysts **must adhere** to Market Study terminology as sanctioned by the National Council of Housing Market Analysts. The Market Study Terminology list is available at: www.housingonline.com/Resources.aspx. An electronic copy of the market study must be submitted with the Tax Credit Application in the form of a CD, DVD or Flash Drive.
2. Submitted market studies must conform to the requirements in these Guideline Procedures and Exhibit S-2. The market study should reflect conclusions based on the proposed development. This includes capture rates, absorption periods, market advantage, etc. An Exhibit S-2 form and S-2 Calculation sheet must be completed and included with the market study. The market study should also include the table provided in the S-2 Worksheet.
3. The Applicant's market analyst must indicate within the conclusion and recommendations section of the market study a conclusion regarding the ability of the market area to support the proposed development. This conclusion should further address the depth of the rental market and whether the proposed development will have a negative long-term impact on existing rental communities.
4. Upon receipt of the Tax Credit Applications, the Authority will forward a copy of the market study to the Authority's third party market analyst who will perform a review of each individual market study.
5. The Authority's third party market analyst will have six (6) weeks to complete the review of all market studies. Applicants and the market analyst that prepared the market study will be notified by the Authority's third party market analyst via email of any deficiencies found in the submitted market study. All issues must be resolved to the satisfaction of the Authority's market analyst and Authority staff in order for the study to be deemed acceptable.
6. In conjunction with the Authority's third party market analyst, the Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the market study submitted by the applicant and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

Market Study Requirements:

A. Project Description

1. Give the following information for the proposed subject as provided by the LIHTC Applicant:
 - a. Development Location;
 - b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
 - c. Occupancy Type: Family, Older Persons, etc.;
 - d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
 - e. Special Needs Population (if applicable);
 - f. Number of units by bedroom/bathroom;
 - g. Number of buildings and stories and if there will be an elevator;
 - h. Unit Size(s);
 - i. Structure Type/Design: Townhouse, Garden Apartment, etc.;
 - j. Proposed Rents and Utility Allowances including energy source (Gas, Oil, Electric) and if utility is Tenant or Owner's responsibility;
 - k. Status of Project Based Rental Assistance: None, Existing, Proposed;
 - l. Proposed Development Amenities;
 - m. Proposed Unit Amenities;
 - n. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

B. Site Description

1. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments.
2. Describe physical features of the site, adjacent parcels, surrounding structures and neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns.
3. Give the site's general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population.
4. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area.
5. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable.
6. Comment on access, ingress/egress, and visibility to site.
7. Describe overall positive and negative attributes about the site as they relate to marketability.

C. Market Area

1. A map of the Primary Market Area (PMA) including the subject site. Identify boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Define the larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.);
2. A physical description of the PMA including the methodology used to define it;
3. A detailed narrative that includes market specific language rather than a list of generic concepts or factors considered. The narrative must also:
 - (a) Explain how the market area was determined; and
 - (b) Discuss whether prospective tenants within the PMA will be able to afford the Pro Forma rents and if they cannot provide further comments on where eligible demand will come from;
4. Identify the borders of the market area and approximate distance from the subject property/site;
5. Census tracts that encompass the PMA;
6. Provide the most recent statistics on race available for the census tract in which the development is located; and
7. The analyst may provide information about the secondary market area if desired; however, demand should be based solely on the PMA.

D. MARKET AREA ECONOMY

1. A **map** of the site as compared to the locations of major employment concentrations.
2. Employment by industry--numbers and percentages (i.e. Manufacturing: 150,000 (20%)).
3. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area.
4. Total workforce figures and employment and unemployment trends for the county and, where possible, the PMA. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%).
5. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA.
6. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

E. COMMUNITY DEMOGRAPHIC DATA

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2010 to 2017 and projected to 2020. Historical 2000 Census data can also be included to provide further insight into the historical demographic trends. However, the 2000 Census data is not required. Projections must be prepared by a reputable source such as Nielsen, ESRI, or Ribbon Demographics. U.S. Census data prior to the 2010 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. **Both numbers and percentages should be shown for the data below. Annualized growth figures should be included.** Please include a brief narrative of overall conclusions.

1. Population Trends
 - a. Total Population
 - b. Population by age groups
 - c. Number of older persons (for older persons projects)
 - d. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.
2. Household Trends
 - a. Total number of households, average household size, and group quarter.
 - b. Households by tenure (If appropriate, breakout by older persons and non-older persons).
 - c. Households by income. (Older person(s) proposals should reflect the income distribution of those households only).
 - d. Renter households by number of persons in the household.

F. Project-Specific Demand Analysis

1. **Income Restrictions:** Use the applicable incomes and rents in the subject's application. Be aware of the specific income restrictions which apply to the tax credit program. Analysts must take the income restrictions designated in the application into account when estimating demand.
 - The maximum income for the proposed units will be based on 1.5-persons per bedroom (rounded up to the nearest whole person for those that end in 0.5). For elderly developments, the maximum incomes will be capped at the 2-person limits.
2. **Affordability:** Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.
3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.

In cases where the proposed rents for projects with Project Based Rental Assistance are higher than the maximum allowable LIHTC rents, two separate demand analyses must be shown: One with the rental assistance (thereby allowing \$0 for the minimum income) and one without the rental assistance. For the second demand calculation without rental assistance, analysts should use tax credit rents regardless of market conditions.

For projects with market rate units, the analyst must make some reasonable determination of a maximum income level beyond which a household would not likely be a participant in the rental market. The analyst should clearly state the assumptions used in making the aforementioned determination.

4. **Demand:** The demand should be derived from the following sources using data established from a reputable source:
 - a. **Demand from New Renter Households:** New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2017 and projecting forward to the anticipated placed-in-service date of 2020. The household projections must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
 - In instances where a significant number (more than 20%) of proposed rental units are comprised of three-bedroom units or larger, analysts must conduct the required capture rate analysis, followed by an additional refined large-household capture rate analysis for the proposed three-bedroom units or larger by considering the number of large households (three-persons and larger). A demand analysis which does not evaluate both the overall capture rate as well as the additional refined large-households (three-person and larger) analysis may not accurately illustrate the demographic support base.
 - b. **Demand from Existing Households:** The second source of demand should be determined using 2010 census data or the most current American Community Survey (ACS) data and projected from:
 - 1) **Rent over-burdened households**, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of

elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.

- 2) **Households living in substandard housing.** Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
 - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
 - 3) **Elderly Homeowners likely to convert to rentership:** The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly tax credit housing. A narrative of the steps taken to arrive at this demand figure should be included. The elderly homeowner conversion demand component shall not account for more than 20% of the total demand.
 - 4) **Other:** Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.
5. **Method:** Please note that the Authority’s stabilized level of occupancy is 93%.
- a. **Demand:** The two overall demand components added together 4a and 4b above represent demand for the project.
 - b. **Supply:** Comparable/competitive units funded, under construction, or placed in service since the base year of demand (2017) must be subtracted to calculate net demand. Vacancies incomparable/competitive projects placed in service which have not reached stabilized occupancy (93%) must also be considered as part of the supply.
 - c. **Capture rates:** Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
 - d. **Absorption rates:** The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.
6. **Example of Method:**
- a. **Demand**

Overall Demographic Demand by Targeted Income			
	Households at 50% Median Income (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New Households (age and income appropriate)			
+	+	+	
Demand from Existing Households Rent-Overburdened			
+	+	+	
Demand from Existing Households Renters in Substandard Housing			
+	+	+	
Demand from Existing Households Elderly Homeowner Turnover			
=	=	=	
Total Demand			
-	-	-	
Supply			

=	=	=	
Net Demand			
Proposed Subject Units			
Proposed Subject Units Divided by Net Demand			
Overall Capture Rate by Income Level			

b. Net Demand and Capture Rates

Demographic Demand by Bedroom Size					
Bedrooms	Total Demand	Supply	Net Demand	Units Proposed	Capture Rate
1 Bedroom % AMI					
2 Bedroom % AMI					
3 Bedroom % AMI					
4 Bedroom % AMI					

In instances where a significant number (more than 20%) of proposed rental units are comprised of three-bedroom units or larger, the following large households (3-person and larger) demographic demand by targeted income level evaluation must be conducted for the proposed three-bedroom or larger units.

Large-Household (3-Person and Larger) Demographic Demand by Targeted Income			
	Households at 50% Median Income (min. income to max. income)	Households at 60% of Median Income (min. income to max. income)	Project Total (min. income to max. income)
Demand from New 3-Person+ Large-Households (income appropriate)			
+	+	+	
Demand from Existing 3-Person Large-Households Rent-Overburdened			
+	+	+	
Demand from Existing 3-Person+ Large Households Renters in Substandard Housing			
=	=	=	
Total 3-Person+ Large Household Demand			
-	-	-	
Supply (3-Bedroom+ Units)			
=	=	=	
Net 3-Person+ Large Household Demand			
Proposed 3-Bedroom+ Subject Units			
Proposed 3-Bedroom+ Subject Units Divided by Net 3-Person Large Household Demand			
Large-Household (3-Person+) Capture Rate by Income Level			

G. Supply Analysis (Comparable/Competitive Rental Developments)

The supply analysis will be given significant weight in the Authority’s review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. The analysis must include all existing LIHTC projects and other projects that would compete with or be affected by the proposed project. Specifically, comparable/competitive developments refer to LIHTC projects with units at similar income targets, rent levels and targeted age cohorts. In addition to these comparable/competitive LIHTC projects, comparable/competitive developments may also include Rural Development properties both subsidized and un-subsidized, HUD properties, etc. The analyst must include and consider all developments under construction and/or in the pipeline in the analysis.

1. The following information should be included for each comparable/competitive development:
 - a. Name, Address, and Phone Number

- b. Contact Person's Name and phone number of the comparable/competitive property development
- c. Photograph
- d. Monthly Rents and utilities included in the rent, if any
- e. Type of development (RHS, tax credit, conventional, bond, bond and tax credits, etc.)
- f. Breakdown of unit sizes by bedroom/bathroom count
- g. Square footage for each comparable/competitive unit type
- h. Project age and Condition
- i. Population Served
- j. Description of unit amenities (include kitchen equipment) and site amenities
- k. Concessions given, if any
- l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using the most current information provided by property management.
- m. Waiting list information, if any
- n. Number of units receiving rental assistance, description of assistance as project or tenant based.
- o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
- p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

The above information should be provided in a comparative framework **including** the proposed project and those projects under construction and/or in the pipeline. For example, in addition to providing a page of information along with a picture for each comparable/competitive development, the analyst should also provide comparative charts that show such factors as the proposed project's rents, square footages, amenities, etc. as compared to the other projects.

2. A **map** showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
3. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
4. Derive the market rent and compare them to the proposed development's rents. Quantify and discuss market advantage of the subject and impact on marketability. Market advantages should be provided for each unit type and the project overall.
5. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all LIHTC projects in the market area. (Do not include new projects in the process of "renting up" in vacancy rate.)
6. The cost and availability of homeownership and mobile home living, if applicable.
7. Conclusion as to the immediate and long term impact that the proposed project will have on the occupancy of comparable rental communities in the PMA, specifically other LIHTC communities.

H. Interviews

The results of formal or informal interviews with property managers, town planning officials or anyone with relevant information relating to the overall demand for the proposed development should be summarized in this section. Include the name and phone number of the person you talked to.

I. Recommendations

Market Analysts must provide a recommendation that clearly states whether a proposed project should be approved as proposed. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion.

The completed market study must meet the minimum threshold requirements stated in the 2017 and 2018 QAP and the applicable 2018 QAP Technical Amendments. If the development cannot meet the threshold requirements the development will be disqualified.

J. Signed Statement Requirements

The signed statement must include the following language:

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance &

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Development Authority's programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA's market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low-income housing rental market.

Market Analyst Author

Date