

HOUSING MARKET STUDY

FOR

ORCHARD PARK

**A RURAL DEVELOPMENT 515
LIHTC ACQUISITION-REHABILITATION
APARTMENT PROJECT**

LOCATED IN:

**THE TOWN OF RIDGE SPRING
SALUDA COUNTY, SOUTH CAROLINA**

PREPARED FOR:

**SOUTH CAROLINA STATE HOUSING FINANCE
AND DEVELOPMENT AUTHORITY**

PREPARED BY:

**DOWNING & ASSOCIATES
610 BUTTERWOOD COURT
POWHATAN, VA 23139**

APRIL, 2006

STATEMENT OF CONTINGENT AND LIMITING CONDITIONS

1. The consultants declare that they do not have, and will not have in the future, any material interest in the proposed project, and that there is no identity between them and the applicant. Further, the consultants declare that the payment of the study fee is in no way contingent upon a favorable study conclusion, nor upon approval of the project by any agency, before or after the fact.
2. The consultants have based this analysis on information about conditions in the Town of Ridge Spring, Saluda County, South Carolina, which has been obtained from the most pertinent and current available sources, and every reasonable effort has been made to insure its accuracy and reliability. However, the consultants assume no responsibility for inaccuracies in reporting by any of the Federal, State, or Municipal agencies cited, nor for any data withheld or erroneously reported by sources cited during the normal course of a thorough investigation. The consultants reserve the right to alter their conclusions on the basis of any discovered inaccuracies.
3. No opinion of a legal, architectural or engineering nature is intentionally expressed or implied.
4. The fee charged for this study does not include payment for testimony nor further consultation.
5. This analysis assumes a free and fair real estate market place, with no constraints imposed by any market element based on race, age or gender, except for age eligibility established by law for units designated for occupancy by elderly households.
6. The study is designed to satisfy the underwriting guidelines, rules and methodology requirements of SCSHFDA, and the conclusions reflect the predicted ability of the project to meet or exceed SCSHFDA market thresholds. A positive conclusion does not necessarily imply that the project would be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted market analysis standards and elements pre-empted by SCSHFDA guidelines.

The consultants affirm that a senior member of the firm has made a physical inspection of the site and market area, and that information has been used in the full assessment of the need and demand for new rental units.

The consultants certify that no identity of interest exists between the preparer and the developer or owner of the proposed project, and that the market study complies to the best of our ability with the requirements of the 2006 QAP, Exhibit S.



Connie L Downing, Principal

Date: April 10, 2006

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MARKET ANALYST'S CERTIFICATION

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 & 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.

Connie L. Davy

Market Analyst/Author

April 10, 2006

Date

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EXECUTIVE SUMMARY

The Project:

The subject project is a proposed acquisition-rehabilitation of an existing RD 515 general occupancy (family) project, with RD Rental Assistance for all units. Orchard Park has the following profile:

Units	Mix	Size (Sq. Ft.)	Net Rent	Utility Allowance	Gross Rent	Target AMI
4	1BR/1Ba	659	\$520	\$72	\$592	50%
16	2BR/1Ba	835	\$540	\$82	\$622	50%
20						

Actual tenant-paid rents are based on income (BOI) and will not exceed the maximum allowable rents under RD or LIHTC guidelines.

All units are garden style, with a range of unit and site amenities in keeping with other RD 515 projects or similar size. Additional amenities are proposed as part of the renovation, along with upgrades and/or repairs to existing fittings and fixtures.

PMA Vacancy Rates:

The current overall reported vacancy rate among the 289 units in the primary survey was 2.8%, representing 8 vacancies. Data for the 2nd and 4th Quarter average was only available for three projects, comprising 105 units, with four vacancies reported (4.8%).

Among the LIHTC projects surveyed, the current vacancy rate was 7.1%, with 6 vacancies reported among 85 units. The average vacancy rate for the two quarters was 4.7% (4 vacancies).

Capture Rates – As Proposed:

The overall target income range and proportion of income-eligible renter households for the project as now operational, and as proposed is:

Target Income Range	Proportion	AMI Level
\$0 - \$22,150 (RA)	64.2%	50%

The overall capture rate for the target AMI group, assuming full RD Rental Assistance, with and without expected retention of current tenants is:

Net Demand	Capture Rate	Net - with Retention
144	13.9%	6.9%

Capture rates by target AMI and bedroom size for the project as proposed are:

SUMMARY: PBRA CAPTURE RATES (WITH RETENTION)				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS	CAPTURE RATE
1BR	50%	36	2	5.6%
2BR	50%	63	8	12.7%
	OVERALL	144	10	6.9%

Market Conclusions & Recommendations:

Given the analysis and conclusions of each of the report sections, this project is recommended as proposed, and no alterations are necessary.

This recommendation assumes that the planned renovation will be carried out in a timely manner, and that the scope of renovation work will be completed to a high standard. It further assumes that no tenants will be displaced.

A project of **20 units, positioned on the subsidized side of the rental scale**, will likely have little difficulty in being re-absorbed in the Ridge Spring Market Area, particularly given the lack of fully subsidized or assisted options. The project's ability to achieve and maintain stabilized occupancy levels of 93% or better in this area is also considered very likely.

Absorption Rate:

Absorption is considered likely to be 5 units per month or greater. This would result in an absorption period of roughly two months, with expected retention of 50% of the existing tenants.

Impact on Existing Projects:

The proposed renovation will have no impact on the existing apartment market. The subject is an existing, fully occupied project, which will retain the fully subsidized, based on income rents. Upon completion of renovations, there will be no change in the number of units available to the market. Further, there is no change in the rent structure to be paid by current and prospective tenants.

INTRODUCTION

The following is a professional real estate market study for the determination of the need and demand for an assisted general occupancy multi-family development in the Town of Ridge Spring, Saluda County, South Carolina. The study follows standard procedures for a multi-family market study, including the identification and analysis of the site circumstances, the demographic and income characteristics, and economic conditions in the market area; evaluation of the existing multi-family housing supply, and determination of projected demand among family households for rental housing.

The study will conform to professional standards of real estate market analysis, and is designed to satisfy the market study requirements of the Low Income Housing Tax Credit program as outlined in Exhibit S of the South Carolina State Housing Finance & Development Authority (SCSHFDA) 2006 application instructions, as well as incorporating additional guidelines promulgated by SCSHFDA.

In addition, there are several terms that will be used throughout the study, which have very specific meanings within a real estate framework, but which may have other meanings in other contexts. Two sets of terms in particular are identified here to avoid confusion in the study.

TYPE OF PROJECT RENT STRUCTURE:

- Conventional – also referred to as “market-rate”, reflects projects which are developed without any program funding from public or private sources, using equity and conventional finance. Rents are established by the owner, typically without regulatory constraints.
- Assisted – projects that use some form of program financing designed to make rents more affordable. The financing may include federal and state grant, loan or loan guarantee programs; the Low Income Housing Tax Credit program, direct rental assistance, and in some cases private grants or preferential loans.
- Subsidized – projects that have direct rental assistance, which allows tenants to pay only an affordable proportion of their income for rent, with the balance paid by another agency (usually governmental). These subsidies are project-based; that is, the subsidies are attached to the units. Tenant-based subsidies are carried by the tenants, who may use them in assisted or conventional projects. Note: all subsidized projects are also assisted projects, but not all assisted projects are subsidized.

RENT INCLUSIONS:

- Gross Rent refers to the total rent payment, including sewer, water, gas and electric utilities. (Cable and telephone utilities are excluded from this definition.) Gross rents are usually identified as a monthly rent. Gross rents are used in studies for program usage such as LIHTC maximum rents or HUD Fair Market Rents.
- Net Rent, sometimes called “street rent”, involves the rent paid to the landlord, and usually excludes some or all utilities. Net rents are used in comparisons with conventional projects, and are also usually identified as a monthly rent.
- Utility Allowance is the amount of the Gross Rent not included in the Net Rent, and reflects the estimated amount a tenant will have to pay out-of-pocket for utilities.

Other terminology utilized in the report is in accordance with the National Council for Affordable Housing Market Analysts (NCAHMA) definitions, except those instances where a specific definition is given in the 2006 QAP package.

The analyst performed a comprehensive on-site analysis in the market area, surrounding neighborhoods, and the site on Wednesday, March 15, 2006. Personal interviews were conducted with local area real estate professionals, county planners and other persons knowledgeable of the local housing market, particularly local area rental management firms and apartment managers.

Sources used and cited throughout the study are the U.S. Census of Population and Housing, the South Carolina Employment Security Commission, the U.S. Department of Housing and Urban Development, and pertinent information and materials collected from local professional real estate sources. Throughout the demographic analysis of this study, estimates and projections including households, tenure, household size and age, and income distribution are derived from data supplied by Ribbon Demographics in the form of HISTA tables using **CLARITAS** base data and assumptions. The HISTA data are a method of presenting **CLARITAS** data that is more directly pertinent to this type of demographic analysis. Current estimates determined by the US Census are also considered in the population forecasts.

Other, specific elements of the methodology are discussed in the text of the study.

PROJECT DESCRIPTION

Orchard Park is a 20-unit RD 515 project located on the north side of East Main Street (Route 23) in the Town of Ridge Spring, in the southernmost part of Saluda County. The project is proposed for acquisition and rehabilitation under the LIHTC program. The project profile includes the following:

- **Construction type:** Acquisition-Rehabilitation
- **Occupancy:** Family
- **Target Income Group:** 20 units at 50% of AMI
- **Special Needs Population:** None
- **Number of Buildings:** 3 residential buildings
1 non-residential with management office and laundry (OLM building)
- **Structure Type:** One- and two story; garden style, walk-up units
- **Project-based subsidy:** RD Rental Assistance
- **Energy source:** Total electric
- **Utilities Included:** Water/sewer and trash removal
- **Tenant Paid Utilities:** Electric, telephone, cable

The project configuration, with proposed rents and utility allowances, is shown below:

Units	Mix	Size (Sq. Ft.)	Net Rent	Utility Allowance	Gross Rent	Target AMI
4	1BR/1Ba	659	\$520	\$72	\$592	50%
16	2BR/1Ba	835	\$540	\$82	\$622	50%

All units carry RD Rental Assistance; actual tenant-paid rents are based on income (BOI) and will not exceed the maximum allowable rents for each bedroom type.

DEVELOPMENT AMENITIES

Amenities at Orchard Park are consistent with most RD 515 projects. Current amenities include:

- *651 square foot office with laundry facility
- *Playground
- *Mail station with shelter
- *Project signage

Amenities to be added include:

- *new plantings
- *picnic area with grill
- *park benches in the playground area
- *new playground equipment

UNIT AMENITIES

Current unit features and amenities include the following:

- *Electric range
- *Washer & dryer hook-ups
- *Central air-conditioning (heat pump)
- *Patios/balcony
- *Refrigerator
- *Mini-blinds
- *Walk-in closets (2BR units)

Amenities to be added include:

- *Dishwasher
- *Ceiling fans w/light
- *Range Queen

PARKING

The project has 30 parking spaces, in accordance with the minimum required by SCSHFDA. Parking spaces are located at the front of each residential building with additional spaces serving the OLM building.

CURRENT PROFILE

Orchard Park has a Rural Development Rental Assistance (RA) contract for all units, with current tenant-paid rents based on income. The current rent structure is shown below:

Units	Mix	Size (Sq. Ft.)	RD Basic Rent	Utility Allowance	Gross Rent	Target AMI
4	1BR/1Ba	659	\$458	\$72	\$530	50%
16	2BR/1Ba	835	\$486	\$82	\$568	50%

In the absence of RD Rental Assistance, tenants would pay the basic rent or overage. Maximum rents would be \$627 for 1BR and \$668 for 2BR, which are the current note rents. Current utility allowances for all units are equal to the estimates provided by the applicant. The Rental Assistance contract is expected to be renewed for the life of the project.

An analysis of the rent roll confirms that all tenants are very low income. The total tenant payment (TTP), inclusive of the utility allowance adjustment ranges from \$0 to \$266,

and averages \$82. Some tenants receive a utility allowance payment. All tenants have adjusted annual income of less than \$20,000, and 19 tenants have adjusted annual income of \$10,000 or less. The median income among all tenants is extremely low, at \$5,864; the average income is only slightly higher at \$6,010.

SCOPE OF WORK

Orchard Park was completed in 1985, and has reached a point in its economic life where renovations are needed beyond the scope of normal turnover maintenance. A detailed scope of work will be available after each unit is inspected and evaluated by the project engineer and other members of the development team.

The developer has indicated that in addition to the site and project amenities that are to be added, the scope of work will include, but not be limited to, the following:

- New roof;
- Replacement of existing siding with vinyl;
- New carpet and vinyl in all units;
- All units painted, and repairs made to drywall, baseboards, etc. as needed;
- Replacement of older HVAC units with 13 SEER heat pumps;
- Repair and/or replacement of kitchen countertops and units as needed;
- Repair and/or replacement of kitchen fittings as needed;
- Replacement of bathroom fixtures and fittings as needed;
- Replacement of kitchen appliances as needed;
- Replacement of mini-blinds as needed;
- Other interior and exterior repairs (doors, windows, etc.) as needed.

No tenants will be displaced or relocated during the course of renovations.

SITE EVALUATION

The site visit was conducted on Wednesday, March 15, 2006, and included an inspection of the site, surrounding market area, and competitive and/or comparable apartment developments, and other housing alternatives in the Ridge Spring market, as well as nearby towns (Johnston in Edgefield County and Batesburg-Leesville, which is mostly in Lexington County).

The subject site is located on the north side of East Main Street (Route 23), in the eastern section of the Town of Ridge Spring, in Census Tract 9604. The site is a rectangular parcel, with roughly 210 linear feet of frontage on Route 23. The specific project address is 100 Peach Leaf Curl, Ridge Spring, SC, 29129.

Access to the office and residential buildings is directly off East Main Street via a paved drive (Peach Leaf Curl). All residential buildings are visible from the highway, but with sufficient setback to ensure privacy. Route 23 is a minor thoroughfare through Saluda County, providing direct access to Batesburg-Leesville to the east, and to Johnston in Edgefield County to the west.

There are no specific road or infrastructure improvements planned in the immediate site vicinity or elsewhere in the PMA at this time.

SITE AND NEIGHBORHOOD CHARACTERISTICS

The site is a rectangular shaped parcel comprising 2 acres more or less. It is entirely developed with the subject's residential and office buildings and paved parking, but also includes lawn areas. There are mature trees at the rear of the site and along the east side. The character of the residential development in the site vicinity is such that no buffers are needed; all nearby uses are compatible.

The topography in the site vicinity is typical of the area, with slight relief to the north of Ridge Spring, giving way to nearly flat areas with little discernable slope. The site itself is completely flat.

Orchard Park is in a rural area, within the corporate limits of a small town, and large tracts of land surrounding Ridge Spring are either undeveloped or agricultural use, mostly peach groves. The immediate site area is low-density residential in character, interspersed with typical highway business uses (gas station, etc.). Land to the south, east and west is

developed with single family detached houses; land immediately north is undeveloped, with only agricultural use. There is a sidewalk along Main Street from the property into downtown Ridge Spring.

The pictures on the following pages show the site and surrounding land uses. A map noting the site location is also provided.



Orchard Park: looking north from East Main Street



View to west along Route 23 toward downtown Ridge Spring from western boundary of site; Dollar Mart in distance on left; single-family homes to right



Looking east along Route 23; convenience/gas station in distance



Single-family property to east of Orchard Park site; looking north along property line



Outbuildings on property to west of Orchard Park site; looking north along property line



View to south and single-family house opposite Orchard Park on East Main

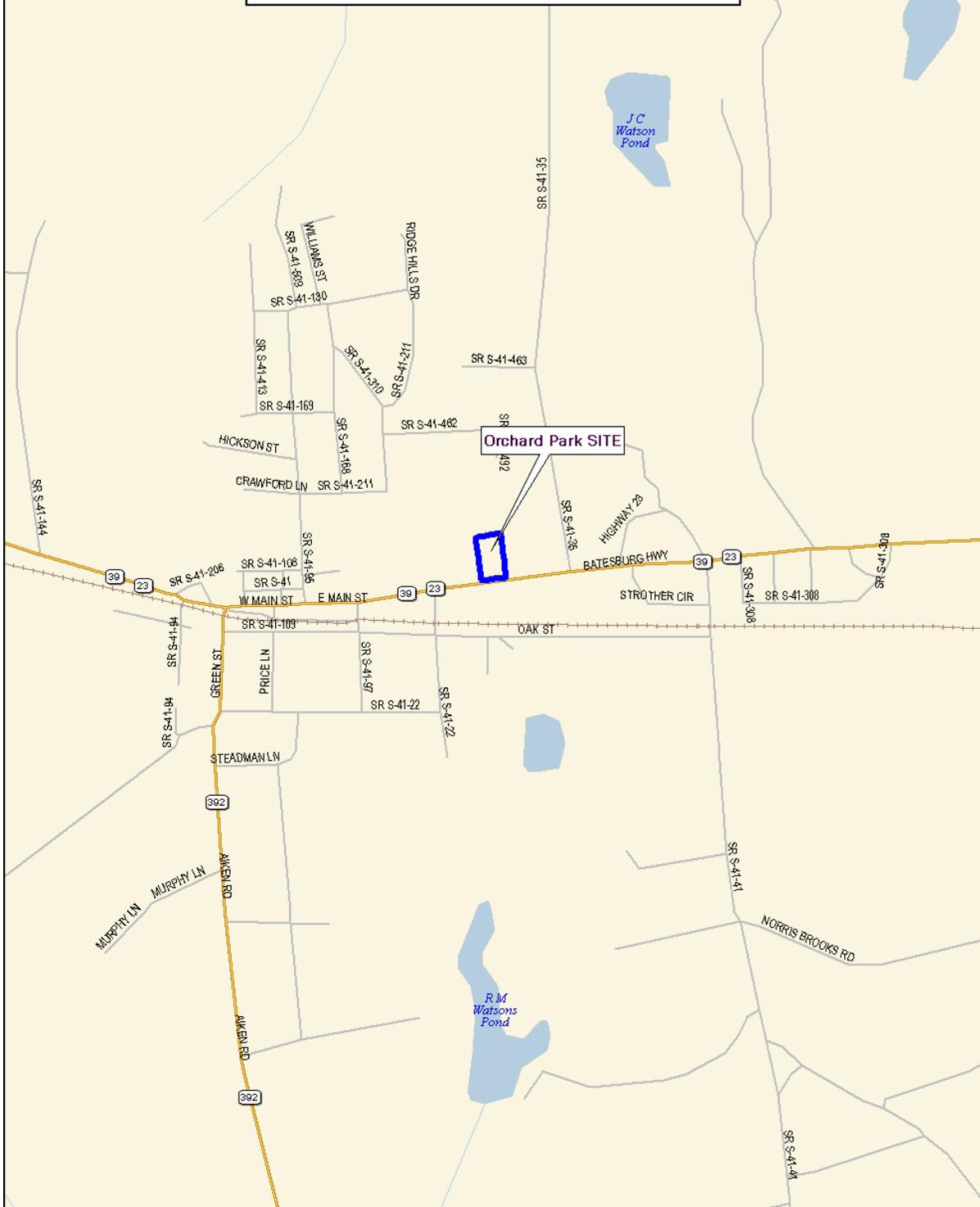


Residential building comprising 1BR units

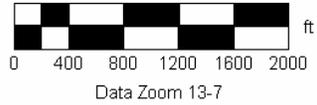


Two-story walk-up residential building (2BR units, stacked flats)

Orchard Park Site Location



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ACCESS TO SERVICES

The site is easily accessible to support services located within the Town of Ridge Spring, and in fact, many are within walking distance. Ridge Spring has a small business district centered on Main Street, generally east of the intersection with Route 392. Services in the downtown are typical of small town centers in the rural parts of South Carolina, and include town office, police, fire department and post office. A hardware store, grocery, pharmacy, restaurant, bank and other typical small-town support services are also located in the downtown area. A day care facility is located east of the site, and a second facility is about ½ mile away near the center of Ridge Spring.

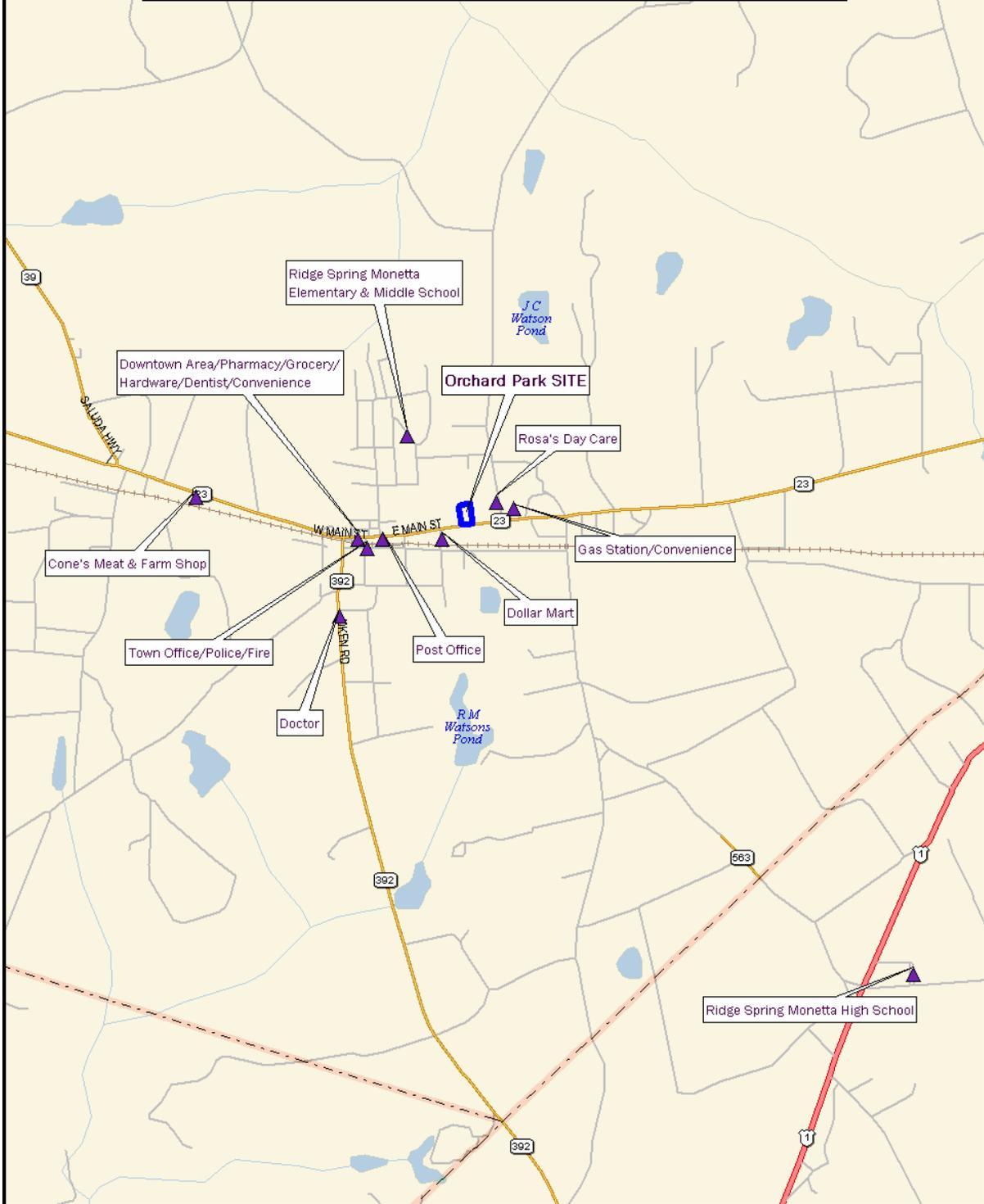
A limited range of medical services is available in the Town of Ridge Spring. A small medical practice and a dentist have offices in Ridge Spring, but for more extensive specialty care residents of the area travel to Aiken, Lexington or Columbia. The Aiken Regional Medical Center is about 20 miles southwest, and Lexington Medical Center is only slightly further (roughly 25 miles) to the northeast. The Lexington Medical Center also operates a clinic facility less than 10 miles from the site in Batesburg-Leesville. This location has some specialty practices and a fully staffed family practice with pediatrics and OB-GYN.

The Town of Ridge Spring and environs is served by the Aiken County School District 4, which covers the Ridge Spring, Monetta and Ward area of Saluda County, as well as northwest Aiken County and a small part of immediately adjacent areas in both Lexington County and Edgefield County. The site is served by Ridge Spring-Monetta Elementary and Middle Schools, located in Ridge Spring, and Ridge Spring-Monetta High School, located in Aiken County. The elementary and middle school complex could be considered within walking distance, but busing is provided for all students. Higher education opportunities are available at Piedmont Technical College (campus in Saluda and in Edgefield) and the University of South Carolina campus at Aiken.

There is no public transportation system within Saluda County. Tenants currently use personal transportation to access services.

A map showing the site and community services is presented on the following page. Distances from the site to a representative sample of community services in Ridge Spring are exhibited in Table 1. A wider range of services is available in nearby Batesburg-Leesville, including chain groceries, pharmacies, fast food and other residential support services, all within a 15 minute drive or less traveling east on Route 23.

Neighborhood and Community Services



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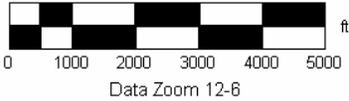


TABLE 1 COMMERCIAL AND PUBLIC SERVICES RIDGE SPRING MARKET AREA	
<u>Service</u>	Distance from Site <u>Miles</u>
Ridge Spring Family Practice	0.4
Ridge Spring Food Center	0.3
Post Office	0.3
Banks Drug	0.3
Dentist (D.G. Taylor)	0.3
Ridge Spring Food Center	0.3
Rosa's Day Care	0.1
City Hall/Police/Police	0.3
Aiken County District 4 Schools	
Ridge Spring-Monetta Elementary/Middle	0.8
Ridge Spring-Monetta High School	2.8
SOURCE: Consultant's Observation	

CONCLUSION

The site is typical of small towns in the central midlands/upper Savannah area of South Carolina. Access to services available within the Town of Ridge Spring is excellent, and includes most residential support services utilized on a day-to-day basis as well as some used on an occasional basis (medical services, etc.) Access to more extensive support services in larger towns, including Batesburg-Leesville or nearby metro areas (primarily Lexington or Columbia, but to a lesser extent N. Augusta or Aiken) is good, and would be considered normal and generally acceptable among residents of Ridge Spring. The site is considered marketable for the existing use, with few constraints. Compared to other potential sites **of the same type in the Town of Ridge Spring**, the site is considered above average, with good curb appeal, typical of the type developed in rural areas of the state.

Nothing was observed during the site visit that would detract from marketability or suitability of the site for the existing use.

MARKET AREA DESCRIPTION

The definition of a market area for any real estate use is generally limited to the geographic area within which consumers will consider the available alternatives to be relatively equal. This process implicitly and explicitly considers the location and proximity to consumer generators, transportation access, and the proximity and scale of competitive options. Frequently, both a primary and a secondary area are defined, where the primary area consumers will have the greatest propensity to choose a specific product at a specific location, and the secondary area consumers are less likely to choose the product but will still generate significant demand.

In almost all new apartment developments, a number of the tenants come from outside the defined primary (and/or secondary) market area. Out-of-market demand is not necessarily specific to any geography, and is often "opportunity-oriented": demand is generated by the availability of units. Out-of-market demand includes elderly who return home (move-backs), elderly parents "imported" by their children, and households of any age who move because appropriate and affordable housing options are available.

This evaluation considers demand from the defined primary market area only. No secondary market area was delineated, and there is no adjustment for out-of-market demand. In this case, the defined primary market area broadly reflects the geographic area from which most tenants will come.

PRIMARY MARKET AREA

An affordable housing market area definition is typically based on analysis of population and housing development, transportation and geographic patterns, housing stock conditions, and the location of competitive affordable housing. In this case, the primary factors are the site location within Saluda County and the Town of Saluda, proximity to Aiken County, the rural nature of the area, school district boundaries, the location of other apartment projects, current residential development patterns, as well as access to services. A further consideration is the availability of secondary data from the U.S. Census.

In South Carolina, data at the sub-County level are available for incorporated places; Census designated places (CDPs), Census County Divisions (CCDs), Census Tracts, Block Groups and Blocks. Complete data are not available for all levels in the Census hierarchy however; data at the Block Group and Block level are frequently withheld to avoid disclosure. In the rural areas of South Carolina, CCDs and Census Tracts are generally coextensive, and the boundaries are frequently arbitrary, for ease of data collection and reporting. The final definition of a Primary Market Area is ultimately based on a "best fit" geography, which utilizes the geographic area for which data are available that most closely

corresponds with the area identified through the analysis of the other factors previously noted.

Based on these factors, the effective market area for the project is defined as Census Tract 9604 in Saluda County (the location of the site) and adjacent Census Tract 201 in Aiken County. The rationale for this definition is explained below.

Saluda County is located in west-central South Carolina, roughly 48 miles due west of Columbia. The Town of Ridge Spring is in the southernmost part of the County, at the intersection of State routes 23 and 39. Ridge Spring is one of three communities in this part of Saluda County, and has historically functioned as an agricultural market center. Ridge Spring is roughly 5 miles from the border of Saluda County with Lexington County, and less than two miles from the border with Edgefield and Aiken counties. SR 39 and US 1 provide direct transportation linkages between Saluda County and Aiken County.

Ridge Spring is nearly equidistant from the Town of Johnston (Edgefield County) and the larger twin communities of Batesburg-Leesville. Batesburg is partially located within Saluda County and partly in Lexington; all of Leesville is in Lexington County. Ridge Spring is immediately north of US 1, which provides access to the Augusta metro area as well as Columbia. There is no interstate highway within the County, but I-20 is easily accessible from Ridge Spring.

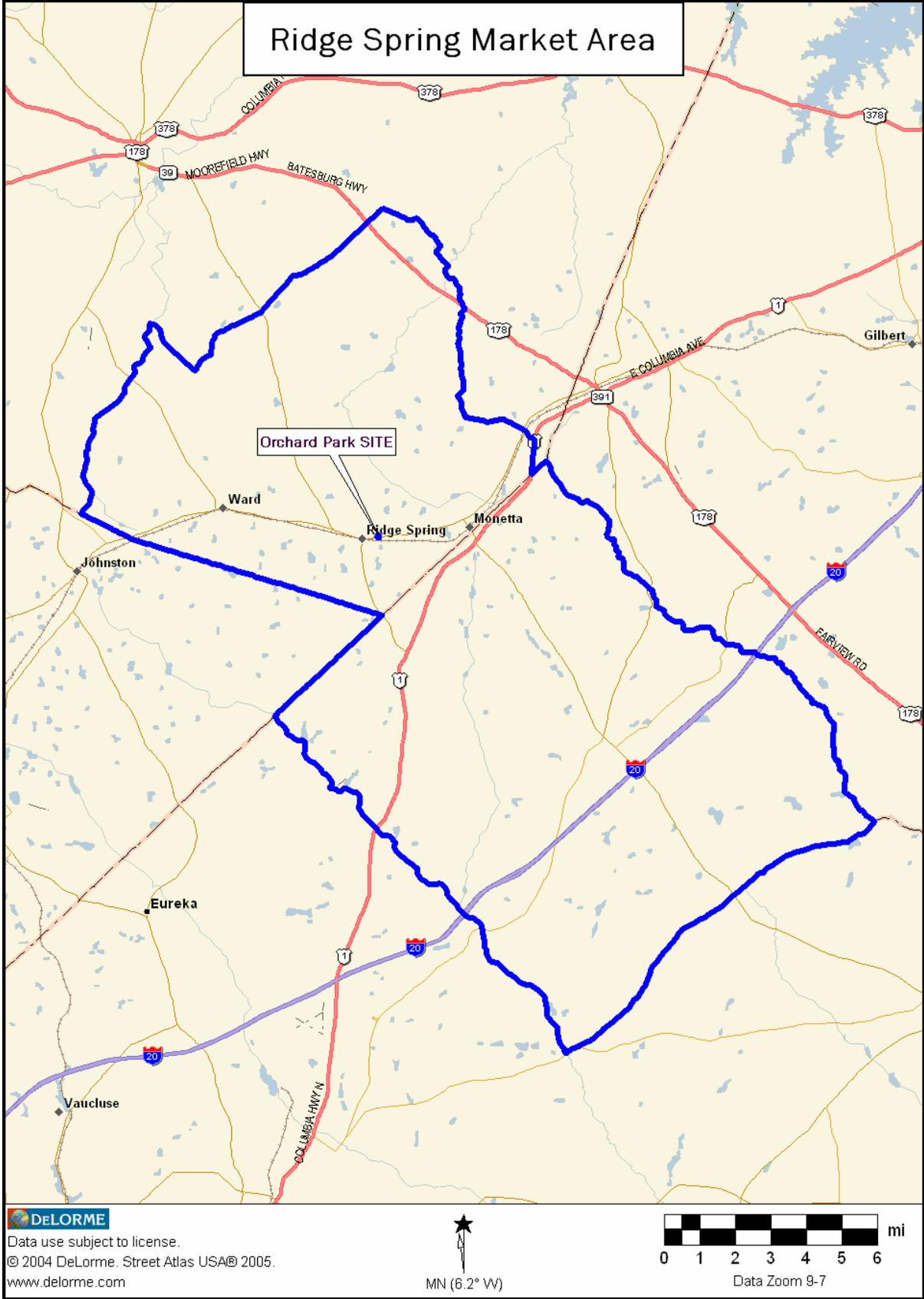
The Ridge Spring market area is constrained on all sides by other markets, some with a larger employment, population and service base. To the north, within Saluda County, is a larger market centered on the Town of Saluda. Edgefield and the smaller market town of Johnston are located to the southwest, and Batesburg-Leesville is located to the east. The Aiken County part of the PMA is mostly rural agricultural land, with no population centers, and together with most of the area in CT 9604 in Saluda County comprises District 4 of the Aiken County School system. The school district boundary was considered to be the strongest linkage for the area within the defined PMA, as this boundary tends to define a homogenous area, distinct and separate from surrounding areas.

Parts of other Tracts in Saluda County, Edgefield County and to some extent Lexington County could logically be included in the PMA based on distance from the site. However, any subdivision of tract would be artificial, and data would be estimated. Accordingly, other tracts were excluded from the PMA definition. The gravity model and distance decay factors were also considered in the analysis and final definition.

Finally, the market area definition recognizes that many households prefer to remain close to their "home" town and market center, and are reluctant to move far from friends and service providers used for much of their lives.

While it is likely that some residents at the proposed project will be drawn from adjacent or reasonably close areas, some potential local residents may choose to migrate to other towns in the region (Edgefield, Aiken, etc.) or to the urban areas of Columbia or North Augusta. It is the consultant's opinion, fostered by conversations with local officials and residents in Saluda and the County, that the net migration effect will balance at zero, and the defined market area will best represent the population served by the proposed project.

The market area is shown on the map on the following page.



ECONOMIC AND DEMOGRAPHIC BASE

Demand for any real estate use is typically a function of three basic indices - employment, population and households, and income. Employment trends reflect the economic health of the market, as well as the potential for sustained growth. Population and particularly household data indicate the strength of the consumer base, and the characteristics of those consumer households affect product design and marketing. Analysis of the income distribution identifies the ability of target segments to afford a specific product.

For this study, reflecting a specified methodology and an affordable product, these three indices are examined with specific demand goals in mind. Need by type is based on household strength and income distribution, segmented by age, to identify eligible households. Demand is estimated using growth trends, mobility, tenure, and income segmentation, to determine the consumer base to evaluate in the competitive environment. Finally, household characteristics such as household size and age help determine the housing features in demand by the consumers.

Normally this type of analysis relies on Department of Housing and Urban Development (HUD) estimates of income medians, levels, and program limits for consumer households. The 2005 HUD income limits and data are used in this study in defining upper income limits for target household segments, as required by the LIHTC guidelines. For comparison purposes, the HUD Fair Market Rents are also identified, and reflect the final 2006 FMR's published in 2005.

For the purposes of this analysis, the forecast period is defined as three years, from 2005 to 2008, in accordance with SCSHFDA market study requirements. This allows sufficient time for predevelopment planning, financial approvals by multiple agencies, actual construction, and leasing. The proposed renovations have an estimated start date of October 2006, with completion expected in September 2007.

This type of study usually includes data at the County, market area and town; in this case, these levels are represented by Saluda County, the defined Primary Market Area, and the Town of Ridge Spring.

EMPLOYMENT

The economic situation for the Ridge Spring PMA and environs is statistically represented by the employment activity, both in workers and jobs, in Saluda County as a whole. The County in this case encompasses a slightly larger economy, and is a somewhat broader geographic and categorical employment base than the market area. Generally changes in family households reflect a fairly direct relationship with employment, while elderly household dynamics are much less dependent on immediate local economic changes. However, the employment data reflect the vitality and stability of the area for growth and development in general.

The national economy in general has shown very mixed recent signals, with a significant recession in 2000 – 2002, and a purported recovery in 2003 and 2004, but with very little recapture of the jobs lost. The recession was highlighted by lower factory orders and increasing transfer of jobs offshore, increased unemployment claims, increasing and longer layoffs and reduced consumer confidence. In 2004 and 2005, this trend had begun to turn around, with stronger growth and increases in jobs and workers. However, many economists are now concerned that the dramatic increases in oil prices and the severe and disruptive damage done to the Gulf Coast states by Hurricanes Katrina and Rita will cause the projected strong growth to be significantly reduced, with wide-spread economic repercussions.

Labor data for 2005 reflect a very minor increase in employment over the past year following losses between 2000 and 2004. These data must be viewed with caution, however as they are based on monthly data for 2005, are not seasonally adjusted, and subject to revision. The unemployment rate is above national averages but has decreased somewhat over the past year. Manufacturing is still an important part of the economy, but Saluda County has experienced significant decline in the number of manufacturing jobs, in common with other areas of South Carolina.

Jobs data have historically been reported using the Standard Industrial Classification (SIC) system. This has now been replaced by the North American Industry Classification System (NAICS), which will serve as the new structure for classifying business activity in the United States. The South Carolina Employment Security Commission began publishing NAICS-based state and local employment estimates in 2002. Unlike some states, revised/converted data for prior years have not yet been released to replace previously published SIC data; further, the County-level SIC data are no longer published. Accordingly, detailed analysis of long-term trends is not possible.

Table 2 presents jobs data by place of work for Saluda County for 2002 and the Third Quarter of 2005 reported under the new NAICS system. As noted, there was an annual loss of over 100 private sector jobs, chiefly in Health/Education Services, Agriculture and

Financial Services. There was a decline in government employment as well and only minor gains in Trade and Professional Services.

TABLE 2 EMPLOYMENT BY INDUSTRY GROUP (NAICS) SALUDA COUNTY 2002 - 2005 (Place of Work)				
		3rd Qtr		
	<u>2002</u>	<u>2005</u>	<u>Annual Growth</u>	
JOBS:				
Manufacturing	1,751	1,690	-20	-1.2%
Agriculture, Forestry, Fishing	481	359	-41	-9.3%
Construction, Natural Resources	198	173	-8	-4.4%
Trade	444	478	11	2.5%
Transport/Utilities	130	87	-14	-12.5%
Financial Services	216	149	-22	-11.6%
Professional/Technical Svcs.	67	141	25	28.1%
Education/Health Care Services	370	234	-45	-14.2%
Leisure and Hospitality	68	59	-3	-4.6%
Other Services	51	61	3	6.1%
Unclassified	--	20	NA	NA
Government	<u>967</u>	<u>910</u>	-19	-2.0%
Total	4,743	4,361	-127	-2.8%
Total Private	3,776	3,451	-108	-3.0%
NOTES: 1. Annual growth rates are compound, not simple averages.				
2. Data use NAICS system.				
SOURCE: South Carolina Employment Security Commission				

Table 3 indicates selected major employers in Saluda County. Employment numbers is not available for smaller employers, or for the County government and the local schools. As noted, the largest employer in the County is Amick Farms, which is headquartered near Batesburg-Leesville, and has facilities in neighboring counties as well. Small retail, service and agricultural employers collectively provide many of the available jobs within the County. Other employers serving residents of southern Saluda County and adjacent areas of Aiken County are located in Batesburg-Leesville. In addition to the manufacturing employers shown in Table 3, there is significant employment in retail and service outlets.

Agricultural employers provide significant seasonal employment, particularly during the peak harvest and packing months of June-August, when total employment is some 300% higher than in other months. There is a peach packing plant (Monetta Peach Packers) roughly 5 miles east of the site on Route 23. The area is known for peach production, and one of the largest commercial producers (Titan Peach Farms, Inc.) is headquartered near Ridge Spring.

The Saluda County Office of Planning and Economic Development is the lead economic development entity in Saluda County. The South Carolina Department of Commerce also promotes Saluda County (along with other SC counties) to international and out-of state companies. On a regional level the Central Carolina Alliance, a public/private regional economic South Carolina development organization, also markets the 12 counties of the region to potential employers. Saluda's small population base and lack of direct Interstate access has limited the County's ability to attract new industry.

Saluda County lost two major manufacturing employers in 2004. The Milliken textile plant closed in March 2004, with a loss of 140 jobs. Knight Industries had begun downsizing in 2002, when 91 workers were laid off, and finally closed in April 2004, with a further loss of 101 jobs. Knight Industries was a locally owned apparel manufacturing firm, and served as corporate headquarters as well. Both firms were located in Saluda, outside the defined PMA.

The only new employer expected in Saluda County is a feed mill, which is relocating to the Monetta area from Lexington County. No information on the number of jobs was available, but in any case, the net gain for Saluda County will be reflected as a net loss for Lexington County, as no new jobs will be created.

TABLE 3
 SELECTED MAJOR EMPLOYERS
 RIDGE SPRING MARKET AREA AND ENVIRONS

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Amick Farms, Inc.	Poultry processing	1,400
Gentry's Poultry	Poultry processing	200
Saluda Nursing Center	Health care/nursing home	120
Carolina By-Products	Animal feed	115
Saluda County	Government	NA
<u>Batesburg-Leesville</u>		
Union Switch & Signal	Electronic products	390
JB Martin Company	Velvet	228
Lion Ribbon Company	Ribbon/Narrow fabrics	222
SOURCES: South Carolina Employment Security Commission Saluda County Office of Planning & Economic Development		

There was an overall increase in employment during the 90's in Saluda County, (average 1.8% per year). Employment fluctuated from year-to-year throughout the period, but the overall trend was positive through 1999. The relatively large increase between 1999 and 2000 is likely the result of a change in benchmarks as noted below. The overall trend between 2000 and 2002 was negative, followed by a modest rebound in 2003 and further gains in 2004. Overall, between 2000 and 2004 there was a loss of 176 employed persons and an increase in the unemployment rate to 7.5%. See Table 4.

Some of these data again should be viewed with caution, as they represent different benchmark years. Post 2000 data have been benchmarked to the 2000 Census, but pre-2000 data have not been revised. Further, as previously noted, data for 2005 are preliminary and subject to revision. The higher unemployment rate in recent years appears to reflect job loss among residents of Saluda County who formerly commuted to jobs in surrounding counties in addition to local job loss.

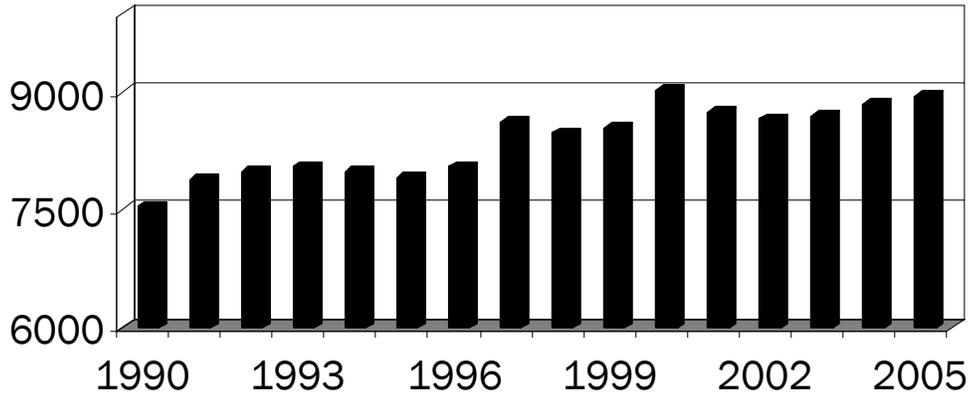
TABLE 4
LABOR FORCE TRENDS
SALUDA COUNTY
1990 - 2005
(Place of Residence)

	<u>1990</u>	<u>2000</u>	<u>2004</u>	<u>2005</u>
Civilian Labor Force	8,030	9,355	9,566	9,643
Employment	7,542	9,025	8,849	8,946
Unemployment	488	330	717	697
Unemployment Rate	6.1%	3.5%	7.5%	7.2%
CHANGES IN EMPLOYMENT LEVELS				
	NUMBER		GROWTH RATE	
	<u>Total</u>	<u>Annual</u>	<u>Total</u>	<u>Annual</u>
1990 - 2000	1,325	133	16.5%	1.8%
2000 - 2004	-176	-44	-2.0%	-0.5%
2004 - 2005	97	97	1.1%	1.1%
<p>NOTES: 1. 1990-2005 data are annual averages; due to changes in benchmarks, data are not strictly comparable from year to year.</p> <p>2. Annual growth rates are compound rates, not simple averages.</p>				
SOURCE: Bureau of Labor Statistics				

(NOTE: there have been several changes in the employment data reporting system in the past few years, which make data difficult to compare directly, in both this section and particularly the job trends section.)

Year-to-year changes in employment levels are shown graphically in Figure 1.

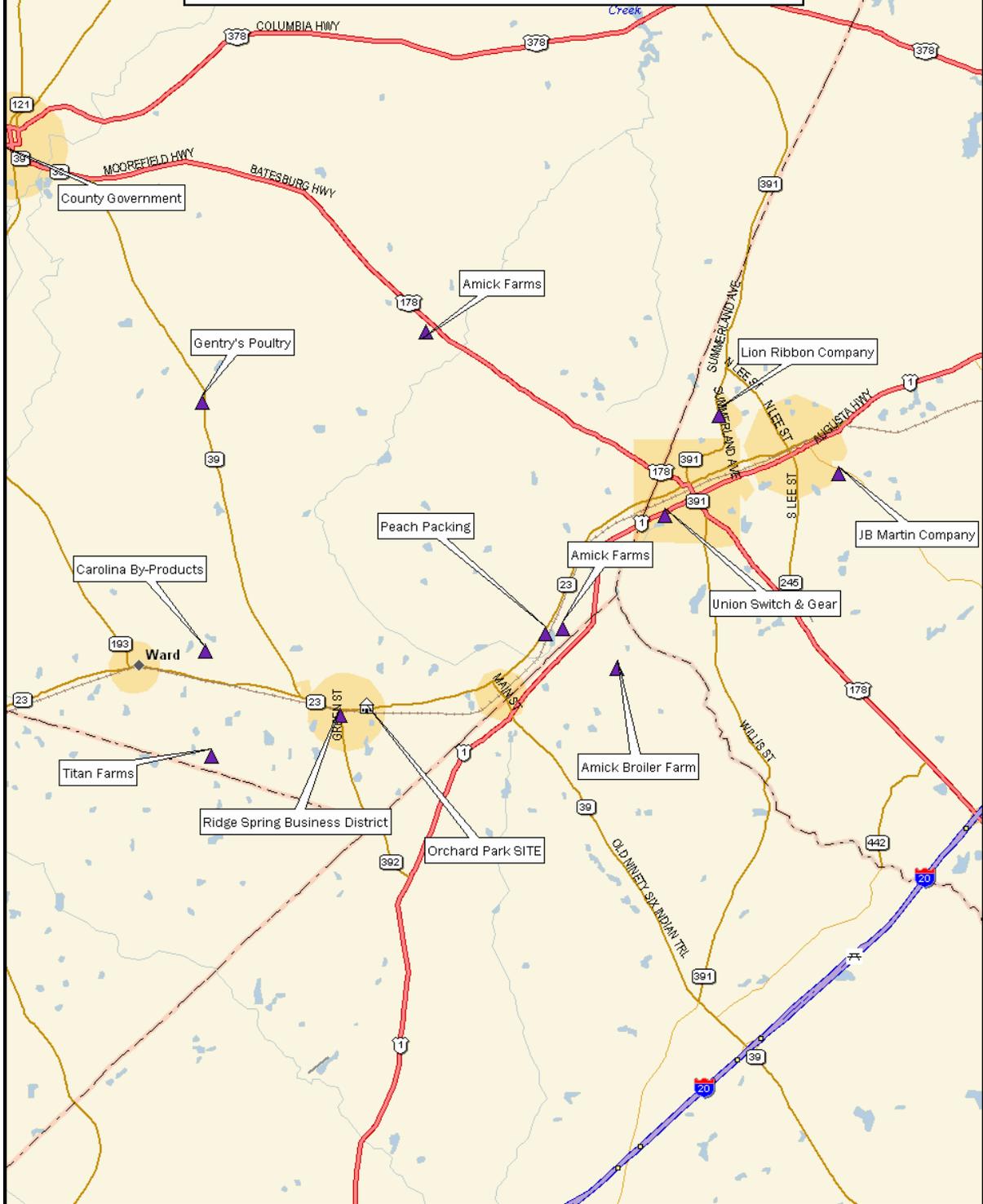
**FIGURE 1: EMPLOYMENT TRENDS,
SALUDA COUNTY**



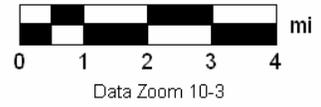
The two sets of data combined, workers and jobs, indicate an economic climate that has suffered some reversals in line with the national economic downturn and its aftermath, and with local conditions faring worse than the region and neighboring counties. Overall job levels have decreased, and worker levels have increased over the long term, but remained somewhat static in recent years, and the unemployment rate has increased as well. The unemployment rate for the County is above state and national levels. At the same time, the worker base is larger than the job base, indicating use of job opportunities in adjacent counties, including Aiken County, Lexington County and the Columbia metro area.

The map on the following page indicates the areas of employment concentration in the Ridge Spring area with respect to the subject site.

Major Employment Concentrations



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Commuting patterns from the 2000 Census indicate that 43.5% of the Ridge Spring PMA workers, compared to 44.3% of the Saluda County workers, have jobs in the County of residence. Residents of the Saluda County part of the PMA have a lower incidence of employment within the home County at 39.6%. Some 48.7% of persons in the Aiken County part of the PMA worked in the County of residence. A modest ratio of market area employees (2.9%) work out of state.

The time that workers spend in commuting illustrates the distance that some residents of the PMA travel for jobs, but also confirms that there are employment opportunities in proximity to the market area. Some 21% of the market area workers drive 15 minutes or less to work, but 48.1% travel 30 minutes or more. The largest group travels between 30 and 34 minutes (14.3%). In Saluda County, the commuting statistics are slightly different, with 47.1% traveling longer than 30 minutes, and 24.9% of the workers traveling less than 15 minutes to work. Commuting data and proportions are provided in Table 5.

TABLE 5
 COMMUTING TRENDS
 RIDGE SPRING MARKET AREA
 2000
 (From Residence)

	<u>PRIMARY MARKET AREA</u>		<u>SALUDA COUNTY</u>	
Workers By Place Of Residence:				
Worked in County	1,449	43.5%	3,805	44.3%
Worked Outside County, In State	1,781	53.5%	4,564	53.2%
Worked Out of State	<u>98</u>	2.9%	<u>215</u>	2.5%
Total Workers	3,328		8,584	
Travel Time to Work:				
Less than 5 minutes	97	2.9%	371	4.3%
5 to 9 minutes	267	8.0%	738	8.6%
10 to 14 minutes	336	10.1%	1,025	11.9%
15 to 19 minutes	360	10.8%	1,063	12.4%
20 to 24 minutes	404	12.1%	857	10.0%
25 to 29 minutes	171	5.1%	303	3.5%
30 to 34 minutes	475	14.3%	1,202	14.0%
35 to 39 minutes	70	2.1%	220	2.6%
40 to 44 minutes	118	3.5%	273	3.2%
45 to 59 minutes	423	12.7%	1,014	11.8%
60 to 89 minutes	369	11.1%	917	10.7%
90 or more minutes	146	4.4%	415	4.8%
Worked at home	92	2.8%	186	2.2%
SOURCES: 2000 Census of Population, SF3				

POPULATION AND HOUSEHOLDS

Population trends and projections, and particularly household formations, are the basic indicators of the need and demand for housing. Tables 6 through 11 provide indicators of the trends for population and household growth. For this market area, the Ridge Spring Market Area and Saluda County data are analyzed, supplemented by additional data on the Town of Ridge Spring where appropriate.

MARKET AREA DEMOGRAPHICS

For purposes of this analysis, data from the 2000 Census for the Ridge Spring Market Area are presented and compared to data from the 1990 Census. As previously noted, estimates and projects are derived from HISTA tables using CLARITAS base data.

The population of the Ridge Spring Market Area experienced an increase between 1990 and 2000 (2.2% annually). This positive trend continued, but at a much lower rate of 0.6% per year since 2000. Based on projections, this same rate of positive growth is expected through the forecast period, with an average of 45 persons per year added to the population base. [NOTE: Recently released population estimates for 2005 from the US Census Bureau indicate that the population of Saluda County has declined since 2000 to around 18,895. Projections prepared by the SC Office of Research and Statistics by contrast, show continued growth. State projections were prepared in 2003, and do not incorporate the effects of recent job loss, energy costs and other factors. The projections shown in this report were based on CLARITAS and HISTA data, and reflect continued growth, for the County as a whole, but at a more modest rate than State projections. All sources indicate continued strong growth in Aiken County.]

The same data and projections show similar trends in the general population in Saluda County. The general population increased by over 2,800 persons during the 90's or 1.6% per year – considered moderate. The general population is expected to increase by a significantly lower rate of 0.1% per year during the forecast period.

The population of the Town of Ridge Spring recorded a decline of 38 persons, to 823 during the 1990's decade. Based on recent Census Bureau estimates, the population has decreased to around 797 persons, or -3.2%. Relatively static conditions are forecast through 2008. See Table 6.

TABLE 6
POPULATION TRENDS
RIDGE SPRING MARKET AREA
1990 - 2008

	<u>1990</u>	<u>2000</u>	<u>2005</u>	<u>2008</u>
Primary Market Area	6,092	7,584	7,830	7,965
Town of Ridge Spring	861	823	797	790
Saluda County	16,357	19,181	19,320	19,380
Aiken County	120,940	142,552	148,750	152,540
PRIMARY MARKET AREA				
Total Population Change	NUMBER		GROWTH RATE	
	Total	Annual	Total	Annual
1990 - 2000	1,492	149	24.5%	2.2%
2000 - 2005	246	49	3.2%	0.6%
2005 - 2008	135	45	1.7%	0.6%
NOTES: 1. 2005 and 2008 data are projections.				
2. Annual growth rates are compound rates, not averages.				
SOURCES: 1990 Census of Population				
2000 Census of Population, SF1				
2004 and 2005 Census Estimates				
CLARITAS				

Mobility in the population confirms that a moderate amount of in-migration has occurred, and that net migration trend corresponds to the positive growth in the PMA during the 1990's. Around 20.7% of the Ridge Spring Market Area and 17.7% of the Saluda County populations moved into the area within the five-year period prior to the 2000 Census.

The age distribution tables (Tables 7 and 8) detail the growth rates among the various population segments between 1990 and 2000. The data show an increase of 21.9% in the number of children in the market area and an increase in all other age segments as well. Growth was strongest among the mature wage-earners – a result of population maturation. The change between 1990 and 2000 for the household formation segment (18-34) indicated a gain of 12.3%, while the more mature segment of 35 to 54 year olds increased by 47.9%. The younger elderly (65-74) age group reported a gain of 12.7%, while the older elderly reported a gain of 22%.

TABLE 7
POPULATION AGE DISTRIBUTION
RIDGE SPRING MARKET AREA
1990 - 2000

	<u>1990</u>	<u>2000</u>	<u>Change</u>	<u>Percent Change</u>
Less than 18 years	1,679	2,047	368	21.9%
Proportion	27.6%	27.0%		
18 - 34 years	1,565	1,757	192	12.3%
Proportion	25.7%	23.2%		
35 - 54 years	1,496	2,212	716	47.9%
Proportion	24.6%	29.2%		
55 - 64 years	590	681	91	15.4%
Proportion	9.7%	9.0%		
65 - 74 years	457	515	58	12.7%
Proportion	7.5%	6.8%		
75 years and over	305	372	67	22.0%
Proportion	5.0%	4.9%		
Total Population	6,092	7,584	1,492	24.5%

SOURCES: 1990 Census of Population and Housing
2000 Census of Population, SF1

In the County, the mature wage earner segment recorded an increase of 30.3%, and the household formation segment showed a gain of 7.4%. The increase in the number of elderly was highest in the oldest age segment, while the 55 - 64 cohort recorded a gain of 24.8%. The 65 - 74 segment recorded gain of 94 persons, or 6.8%.

TABLE 8 POPULATION AGE DISTRIBUTION SALUDA COUNTY 1990 - 2000				
	<u>1990</u>	<u>2000</u>	<u>Change</u>	<u>Percent Change</u>
Less than 18 years	4,325	4,780	455	10.5%
Proportion	26.4%	24.9%		
18 - 34 years	3,962	4,257	295	7.4%
Proportion	24.2%	22.2%		
35 - 54 years	4,138	5,391	1,253	30.3%
Proportion	25.3%	28.1%		
55 - 64 years	1,582	1,975	393	24.8%
Proportion	9.7%	10.3%		
65 - 74 years	1,380	1,474	94	6.8%
Proportion	8.4%	7.7%		
75 years and over	970	1,304	334	34.4%
Proportion	5.9%	6.8%		
Total Population	16,357	19,181	2,824	17.3%
SOURCES: 1990 Census of Population and Housing 2000 Census of Population, SF1				

HOUSEHOLDS

Household growth in the Ridge Spring Market Area was positive during the 90's, corresponding to a decrease in household size coupled with the positive population growth. The number of households is projected to increase in this market, with a gain of 73 households (24 annually) in the forecast period, a result of continued positive population growth coupled with a slight decline in average household size.

In the County, the growth averaged 2% per year or around 1,300 households. The number of County households is projected to increase by 73 overall during the forecast period. See Table 9.

In almost every market, rural and urban, there has been a decline in the household size since 1960, due to a number of sociological factors. These include smaller families, fewer extended or three generation families, greater number of divorces and single parents, increased personal longevity yielding more elderly, one- and two-person households, etc. (By definition, the minimum household size is 1.0.) This has been true in both Saluda County and in the PMA, with a decrease in household size recorded between 1990 and 2000, although the average household size was larger than in many similar rural areas.

TABLE 9 HOUSEHOLD TRENDS RIDGE SPRING MARKET AREA 1990 - 2008					
	<u>Year</u>	<u>Population</u>	<u>In Group Quarters</u>	<u>Households</u>	<u>Persons Per Household</u>
Saluda County	1990	16,357	311	5,824	2.76
	2000	19,181	262	7,127	2.65
	2005	19,320	262	7,244	2.63
	2008	19,380	262	7,317	2.61
Primary Market Area	1990	6,092	155	2,129	2.79
	2000	7,584	27	2,812	2.69
	2005	7,830	27	2,923	2.67
	2008	7,965	27	2,996	2.65
HOUSEHOLD TREND ANALYSIS - PRIMARY MARKET AREA					
		NUMBER		GROWTH RATE	
		<u>Total</u>	<u>Annual</u>	<u>Total</u>	<u>Annual</u>
	1990 - 2000	683	68	32.1%	2.8%
	2005 - 2008	73	24	2.5%	0.8%
NOTES: 1. 2005 and 2008 data are projections.					
2. Annual growth rates are compound rates, not averages.					
SOURCES: 1990 Census of Population and Housing					
2000 Census, SF1					
US Census Bureau, 2005 estimates of Group Quarters					
Population by County					
Ribbon Demographics/CLARITAS HISTA data					

Tenure among households showed an increasing proportion of renters over the 90's for the Ridge Spring Market Area, from 18.0% in 1990 to 18.5% in 2000. The ratios are projected to increase in the PMA to around 19.2% over the forecast period. Net renter

household growth in this market is projected to be only 14 units in the forecast period, all things being equal.

Similar trends were apparent in Saluda County as a whole during the 90's, with a net increase in the number of renters, and an increase in the ratio from 18.4% to 19.4%. The ratio of renters in the County is projected to stabilize during the forecast period, to around 19.8% of all households. See Table 10.

TABLE 10 HOUSEHOLDS BY TENURE RIDGE SPRING MARKET AREA 1990 - 2008					
Saluda County					
	<u>Households</u>	<u>Owner</u>	<u>Percent</u>	<u>Renter</u>	<u>Percent</u>
1990	5,824	4,752	81.6%	1,072	18.4%
2000	7,127	5,745	80.6%	1,382	19.4%
2005	7,244	5,819	80.3%	1,425	19.7%
2008	7,317	5,870	80.2%	1,448	19.8%
Primary Market Area					
	<u>Households</u>	<u>Owner</u>	<u>Percent</u>	<u>Renter</u>	<u>Percent</u>
1990	2,129	1,745	82.0%	384	18.0%
2000	2,812	2,293	81.5%	519	18.5%
2005	2,923	2,362	80.8%	561	19.2%
2008	2,996	2,421	80.8%	575	19.2%
RENTER HOUSEHOLD TREND ANALYSIS - PRIMARY MARKET AREA					
	<u>NUMBER</u>		<u>GROWTH RATE</u>		
	<u>Total</u>	<u>Annual</u>	<u>Total</u>	<u>Annual</u>	
1990 - 2000	135	14	35.2%	3.1%	
2005 - 2008	14	5	2.5%	0.8%	
SOURCES: 1990 Census of Population and Housing 2000 Census, SF1 Ribbon Demographics/CLARITAS HISTA data					

Household size data from the 2000 Census provide an indication that the population in Saluda County and the PMA vary slightly from national norms – 10.6% of all County households and 10.7% of all Ridge Spring Market Area households have five people or more (10% is typical). The majority of the households are still in the more traditional sizes of two to four (66.9% in the County and 66.4% in the PMA), and around 22.5% of County and 22.9% of PMA households are persons living alone.

These proportions do vary significantly with tenure. Again, in the market area, 56.5% of renters are in 2-4 person households, and 28.9% are persons living alone. In Saluda County, 26% of all renters live alone while 55.5% are in 2-4 person households. A very large ratio of renters – 14.6% in the PMA and 18.5% in the County – comprises households with 5 persons or more. These PMA trends imply that a mix that includes a larger ratio of 2BR units is appropriate for this market.

TABLE 11
HOUSEHOLDS BY SIZE
RIDGE SPRING MARKET AREA
2000

Primary Market Area	<u>Owner-Occupied</u>			<u>Renter-Occupied</u>		
	<u>Number</u>	<u>Percent</u>	<u>Cumulative Percentage</u>	<u>Number</u>	<u>Percent</u>	<u>Cumulative Percentage</u>
Household Size						
One Person	495	21.6%	21.6%	150	28.9%	28.9%
Two Persons	771	33.6%	55.2%	130	25.0%	53.9%
Three Persons	440	19.2%	74.4%	89	17.1%	71.1%
Four Persons	362	15.8%	90.2%	74	14.3%	85.4%
Five Persons	139	6.1%	96.2%	33	6.4%	91.7%
Six Persons	49	2.1%	98.4%	16	3.1%	94.8%
Seven or More Persons	<u>37</u>	<u>1.6%</u>	<u>100.0%</u>	<u>27</u>	<u>5.2%</u>	100.0%
Total Households	2,293	100.0%		519	100.0%	
Saluda County	<u>Owner-Occupied</u>			<u>Renter-Occupied</u>		
			<u>Cumulative</u>			<u>Cumulative</u>
	<u>Number</u>	<u>Percent</u>	<u>Percentage</u>	<u>Number</u>	<u>Percent</u>	<u>Percentage</u>
One Person	1,246	21.7%	21.7%	359	26.0%	26.0%
Two Persons	2,056	35.8%	57.5%	318	23.0%	49.0%
Three Persons	1,121	19.5%	77.0%	244	17.7%	66.6%
Four Persons	826	14.4%	91.4%	205	14.8%	81.5%
Five Persons	308	5.4%	96.7%	139	10.1%	91.5%
Six Persons	119	2.1%	98.8%	51	3.7%	95.2%
Seven or More Persons	<u>69</u>	<u>1.2%</u>	100.0%	<u>66</u>	<u>4.8%</u>	100.0%
Total Households	5,745	100.0%		1,382	100.0%	

SOURCE: 2000 Census of Population, SF1

INCOME

One of the first discriminating factors in residential analysis is income eligibility and affordability. The market study must distinguish between gross demand and effective demand - effective demand is represented by those households that can both qualify for and afford to rent the proposed low-income multi-family development. (For market-rate housing, the eligibility is unlimited, but affordability is nearly as an important a factor as in assisted housing.) In order to quantify this effective demand, the income distribution of the market area households must be analyzed.

Establishing the factor to identify which target households are eligible by income requires the definition of the limits of the affordable income range. Typically in LIHTC demand analysis, the upper limit is set using HUD limits for the LIHTC program, at 50% and/or 60% of the area median income adjusted for household size. This analysis converts household size into bedroom mix using maximum reasonable occupancies, given the household size distribution in Table 11. Therefore, a 1BR unit can accommodate three people, but the expected average is 1.5 persons; 2BR = 3 people; and 3BR = 4.5 people. This includes expected household size and usage by elderly households, and generally are standards used in affordable housing programs.

TABLE 12 LIHTC INCOME LIMITS AND MAXIMUM RENTS SALUDA COUNTY 2005							
Bedroom <u>Mix</u>	Average Household <u>Size</u>	Income <u>Limit</u>	<u>50% of AMI</u>		<u>60% of AMI</u>		
			Maximum <u>Rent</u>	Proposed <u>Rent</u>	Income <u>Limit</u>	Maximum <u>Rent</u>	Proposed <u>Rent</u>
1BR	1.5 persons	\$18,450	\$461	\$592	\$22,140	\$553	NA
2BR	3 persons	\$22,150	\$553	\$622	\$26,580	\$664	NA
NOTE: All units carry RD Rental Assistance subsidies, with based-on-income (BOI) rents; such that tenant paid rents will not exceed the allowable maximum							
2005 Median Family Income			\$49,200				
HUD 2006	Fair Market Rents:		<u>0BR</u>	<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>4BR</u>
			\$521	\$567	\$632	\$781	\$805
SOURCES: U.S. Department of Housing and Urban Development. South Carolina State Housing Finance and Development Authority							

LIHTC INCOME LIMITS AND TARGET INCOME RANGE

The affordability range, including both upper and lower income limits, is defined by the subject rents and general affordability standards. Lower limits in most cases are established by assuming that a family household can afford to pay **up to 35%** of its income for housing expenses, including utilities. The upper limit is established by program income limits and the SCSHFDA guidelines.

The most recent Consumer Expenditure Survey (CSX, 2003) indicates that the average cost paid by renter households is around 33.1% of gross income, and about 35.9% of all household expenditures. This average declines as incomes increase, with lower income households paying a larger proportion of their income for rent, and higher income households paying a lower proportion of their incomes for rent. In very tight markets, some renters have paid in excess of 50% of their incomes for housing, but that limit tends to defeat the purpose of the LIHTC program.

In this case, the affordability range, including both upper and lower income limits, is defined by the program regulations. With subsidized units, the lower limit is effectively \$0, that is, a household could pay no rent or even receive a utility payment. The upper limit is established by RD 515 program income limits at 50% of Area Median Income (AMI) adjusted for household size for households receiving RD Rental Assistance. Preference may be given to the very low income households at 30% or below, but households at the 50% and below level would all be eligible.

The average income range for a family project with a mix of 1BR and 2BR units at the proposed rents/AMI targeting is set at \$0 to \$22,150 for the LIHTC units targeting the 50% of AMI level.

If RA subsidies were not available, the affordability range would be typically be defined by the proposed gross rents. In this case, however, the gross rents are above the LIHTC maximums. In accordance with SCSHFDA guidelines, the maximum LIHTC rents are utilized to establish affordability thresholds and maximum income limits, as follows:

Number of Units	Bedroom Size	Gross Rent	Minimum Income	Maximum Income	AMI
4	1BR/1Ba	\$461	\$15,806	\$18,450	50%
16	2BR/1Ba	\$553	\$18,960	\$22,150	50%

The data above are based on the proposed rent structure and target AMI levels, discussed earlier in the report and summarized here:

Units	Mix	Size (Sq. Ft.)	Net Rent	Utility Allowance	Gross Rent	Target AMI	Maximim Rent
4	1BR/1Ba	659	\$520	\$72	\$592	50%	\$461
16	2BR/1Ba	835	\$540	\$82	\$622	50%	\$553

Given the limitations of available data, and considering the modest degree of the overlap in the affordability ranges, the average income range for units **without** project-based subsidies is set at roughly \$15,806 to \$22,150 for the 50% of AMI level. In this case, demand is calculated for each group as if mutually exclusive.

Median household incomes among all households in the Market Area are relatively modest but have increased since 1999. [The Census reports the last full year of income; accordingly, incomes reported in the 2000 Census are for 1999.] The median income for all households was roughly \$33,272 in 1999. Estimated increases between 1999 and 2005 indicate the median for all households is now at approximately \$35,619, while the estimated renter median is only \$16,414, up from \$15,989 in 1999. (NOTE: incomes were projected to 2005 for consistency. While this analysis recognizes that incomes will likely increase by 2008, the affordability thresholds and maximum incomes/allowable rents will also increase. Accordingly, 2005 incomes and rents are considered to be “constant dollars” for purposes of this analysis.)

Even with the increases over recent years, there are a significant number of renter households who could not afford to pay market or LIHTC rents without project-based subsidies, as well as a modest proportion of households that would typically need the assisted if not directly subsidized rents. Please refer to Table 13 for the proportion of households in the target income range.

TABLE 13
HOUSEHOLD INCOME DISTRIBUTION
RIDGE SPRING MARKET AREA

1999				
Household Income Range	ALL HOUSEHOLDS		RENTER HOUSEHOLDS	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$0 - \$10,000	388	13.8%	155	29.8%
\$10,000 - \$20,000	453	16.1%	175	33.7%
\$20,000 - \$30,000	433	15.4%	69	13.3%
\$30,000 - \$40,000	397	14.1%	39	7.6%
\$40,000 - \$50,000	365	13.0%	37	7.0%
\$50,000 and over	<u>774</u>	<u>27.5%</u>	<u>44</u>	<u>8.5%</u>
TOTAL	2,812	100.0%	519	100.0%
Median	\$33,272		\$15,989	
2005				
Household Income Range	ALL HOUSEHOLDS		RENTER HOUSEHOLDS	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
\$0 - \$10,000	395	13.5%	168	30.0%
\$10,000 - \$20,000	431	14.7%	175	31.2%
\$20,000 - \$30,000	413	14.1%	78	13.9%
\$30,000 - \$40,000	396	13.5%	43	7.6%
\$40,000 - \$50,000	368	12.6%	40	7.2%
\$50,000 and over	<u>920</u>	<u>31.5%</u>	<u>57</u>	<u>10.1%</u>
TOTAL	2,923	100.0%	561	100.0%
Median	\$35,619		\$16,414	
Target Range				
\$0 - \$22,150 (RA)	915	31.3%	360	64.2%
\$15,800 - \$22,150 (50%)	518	17.7%	155	27.6%
SOURCES: 2000 Census of Population, SF1 & SF3 Ribbon Demographics/CLARITAS HISTA data				

HOUSING SUPPLY ANALYSIS

This section of the study examines the existing multi-family housing supply and its ability to satisfy the needs of the household population segments identified in the prior section, based on data from the 2000 Census. Further, the competitive environment is explored to define general rental market conditions, focusing on affordable options. The most directly competitive units are examined in greater detail regarding vacancy and waiting lists, unit and project features, rent levels and subsidies.

For purposes of this analysis, seasonal or second homes are excluded; only year-round units are considered. The number of seasonal units in Saluda County as a whole is significantly higher than many rural counties, due to the number of second-homes in the lakes areas (the western extent of Lake Murray that reaches into the Saluda River and Little Saluda River basins). Overall, according to the 2000 Census, there were 645 seasonal units, and the ratio comprised 7.6% of the housing stock. The number of seasonal units in the PMA is insignificant at 61 units overall, or 1.9% of the total housing stock.

HOUSING STOCK CONDITION AND AFFORDABILITY

In 2000, there were 179 occupied units (6.4% of the occupied housing stock) that either lacked plumbing or were overcrowded, and therefore defined as substandard. Of these, 82 or 45.8% were renter occupied. **Only 20 of these occupied units reflected units which lacked plumbing;** the balance were defined as overcrowded, which implies a need for some units with higher bedroom mix family households. A high proportion (37.9%) of the PMA housing stock was in mobile homes in 2000. Other factors yielding substandard or non-competitive conditions are not evaluated.

Rent overburden is also prevalent in the Ridge Spring PMA. According to the 2000 Census, nearly 25% of all renters in the PMA paid more than 35% of income for rent. Most of this condition is typically concentrated in the lowest income groups, and in this PMA is only found among households with incomes of less than \$20,000, and represents 39.5% of those households. Rent overburden is defined in this case as a condition where a household pays rent greater than **35%** of its household income.

Tables 14 and 15 summarize housing stock characteristics as reported in the 1990 and 2000 Census for the PMA and Saluda County. The distribution of occupied housing units by tenure and structure type is shown for 2000. The number of overcrowded units and units which lacked plumbing is also presented. It should be noted that the number of units reported as built before 1940 illogically increased. This is likely due to an error in reporting in one or both Census years.

TABLE 14
HOUSING STOCK GROWTH
RIDGE SPRING MARKET AREA
1990 - 2000

	<u>1990 - 2000</u>			
	<u>1990</u>	<u>2000</u>	<u>Change</u>	<u>Annual Percentage Change/Yr.</u>
Total Housing Units	2,364	3,207	84	3.1%
Seasonal Vacancies	<u>15</u>	<u>61</u>	5	15.1%
Year Round Units	2,349	3,146	80	3.0%
Units Built before 1940	319	348	3	0.9%
Vacancies:				
Vacant for Sale	15	39	2	10.0%
For Sale Vacancy Rate	0.9%	1.7%	NA	NA
Vacant for Rent	17	56	4	12.7%
For Rent Vacancy Rate	4.2%	9.7%	NA	NA
Occupied Units	2,129	2,812	68	2.8%
Units Per Building			<u>Owner</u>	<u>Renter</u>
1 Unit	1,715	1,959	1,419	262
2 - 9 Units	30	46	13	29
10 or more Units	6	2	0	2
Mobile Homes	579	1,192	864	217
Other	34	8	0	6
2000 Substandard Units:				
	<u>Owner</u>	<u>Renter</u>	<u>Total</u>	
Units Lacking Plumbing	4	16	20	
Overcrowded Units	<u>93</u>	<u>66</u>	<u>159</u>	
Subtotal	97	82	179	
Overcrowded Units AND				
Lacking Plumbing	<u>0</u>	<u>0</u>	<u>0</u>	
Total Substandard Units	97	82	179	
Proportion	4.2%	15.8%	6.4%	
SOURCES: 1990 Census of Population and Housing 2000 Census of Population Downing & Associates Calculations				

TABLE 15
HOUSING STOCK GROWTH
SALUDA COUNTY
1990 - 2000

	<u>1990 - 2000</u>			
	<u>1990</u>	<u>2000</u>	<u>Change</u>	<u>Annual Percentage Change/Yr.</u>
Total Housing Units	6,792	8,543	175	2.3%
Seasonal Vacancies	<u>293</u>	<u>645</u>	35	8.2%
Year Round Units	6,499	7,898	140	2.0%
Units Built before 1940	950	1,054	10	1.0%
Vacancies:				
Vacant for Sale	42	81	4	6.8%
For Sale Vacancy Rate	0.9%	1.4%	Na	Na
Vacant for Rent	103	93	-1	-1.0%
For Rent Vacancy Rate	8.8%	6.3%	Na	Na
Occupied Units	5,824	7,127	130	2.0%
Units Per Building				
1 Unit	5,115	5,801	4,164	762
2 - 9 Units	167	224	30	181
10 or more Units	34	2	0	2
Mobile Homes	1,389	2,495	1,551	437
Other	87	221	0	0
2000 Substandard Units:				
	<u>Owner</u>	<u>Renter</u>	<u>Total</u>	
Units Lacking Plumbing	60	15	75	
Overcrowded Units	<u>86</u>	<u>223</u>	<u>309</u>	
Subtotal	146	238	384	
Overcrowded Units AND				
Lacking Plumbing	<u>0</u>	<u>0</u>	<u>0</u>	
Total Substandard Units	146	238	384	
Proportion	2.5%	17.2%	5.4%	
SOURCES: 1990 Census of Population and Housing 2000 Census of Population Downing & Associates Calculations				

PRIMARY SURVEY SUMMARY

Market conditions in rental housing in the Ridge Spring Market area, based on the survey conducted by Downing & Associates in March 2006, indicate several key factors, including the following:

- The Ridge Spring Market Area comprises a small, very rural area, with limited rental options. The only rental apartment project for families is the subject, Orchard Park. No other rental apartment projects were identified in the market area.
- The detailed survey conducted by Downing & Associates in March 2006 comprised 7 projects with 289 units, inclusive of the subject. All of the projects included in the survey are assisted, and most are located within 10 miles of Ridge Spring, but are outside the defined PMA. Projects included in the survey were selected based on location, rent structure, amenity levels, and targeting, which allows a comparison of market conditions in assisted rentals in a broader region, but in general proximity to the subject. Discussions with managers of projects in nearby communities also helped define the boundaries of the PMA.
- Two projects (Saluda Crossing and Creek View) are LIHTC, with no project-based assistance. Both Leesville Gardens and Ramblewood have full HUD Section 8 subsidies, and Creekside and Parkwood Avenue II are RD 515 projects with partial RD Rental Assistance. The most comparable projects are those with fully subsidized, based on income (BOI) rents; RD projects without Rental Assistance, but with relatively low basic rents are considered indirect comparables, as are the LIHTC units. All projects represent alternatives.
- The current overall reported vacancy rate among the 289 units in the survey was 2.8%, representing 8 vacancies. Data for the 2nd and 4th Quarter average was only available for three projects, with an average of 5 vacancies reported, or 4.8% among the 105 units for which data were available. The highest vacancy rate was at Creek View, a LIHTC project located in Batesburg-Leesville. Creekvew had 6 vacancies (10%), up from an average of 3 for the two reporting quarters.
- Occupancy levels are consistently high among the fully subsidized projects. Units without project-based subsidy tend to have higher turnover, likely due to the low incomes among renters in this area.
- The balance of the rental inventory primarily comprises single-family detached units and mobile homes. Data on these units is difficult to obtain and organize in any meaningful way, and in this market, no realtors or property managers were identified in the PMA, and realtors in nearby towns did not respond to requests for information.

- In order to provide an overview of the scope of the rental market, the distribution of rental units by number of bedrooms and by bedroom size/gross rent, as reported in the 2000 Census, is shown in the following tables. These data are provided for reference, and illustrate the narrow range of reported gross rents, and limited availability of units with a larger bedroom mix. Please note that these data are from SF-3 (sample data) and totals may not sum to the 100% count SF-1 data for total renter households shown elsewhere in this report. Further, SF-3 data are not completely consistent from table to table, as illustrated by the data shown.

Renter-Occupied Units by Bedroom	
No bedroom	38
1 bedroom	45
2 bedrooms	237
3 bedrooms	150
4 bedrooms	44
5 or more bedrooms	<u>2</u>
TOTAL	516

	Studio	1BR	2BR	3BR or more	Total	
With cash rent:						
Less than \$200	0	0	20	4	24	5.0%
\$200 to \$299	0	26	26	3	55	11.5%
\$300 to \$499	8	9	115	50	182	38.0%
\$500 to \$749	16	4	13	37	70	14.6%
\$750 to \$999	0	0	3	0	3	0.6%
\$1,000 or more	0	0	0	0	0	0.0%
No cash rent	14	6	56	69	145	30.3%
TOTAL	38	45	233	163	479	

- The unit and project amenities among the older assisted rental projects are very limited, in keeping with HUD and Rural Development regulations and guidelines. Unit amenities are generally limited to basic appliances, carpet and window treatments and air conditioning. Four projects, including the subject, have washer-dryer hook-ups. Project amenities are even more limited, with laundry rooms (3 projects) and playgrounds (5 projects) and community rooms (2 projects). All projects have on-site managers, but some are part-time or manage multiple projects from one location.
- Among RD units without project-based RD Rental Assistance, 1BR basic rents are \$305 and \$355 and 2BR basic rents are \$335 and \$385. These are the minimum rents paid by tenants not receiving RA or using Housing Choice

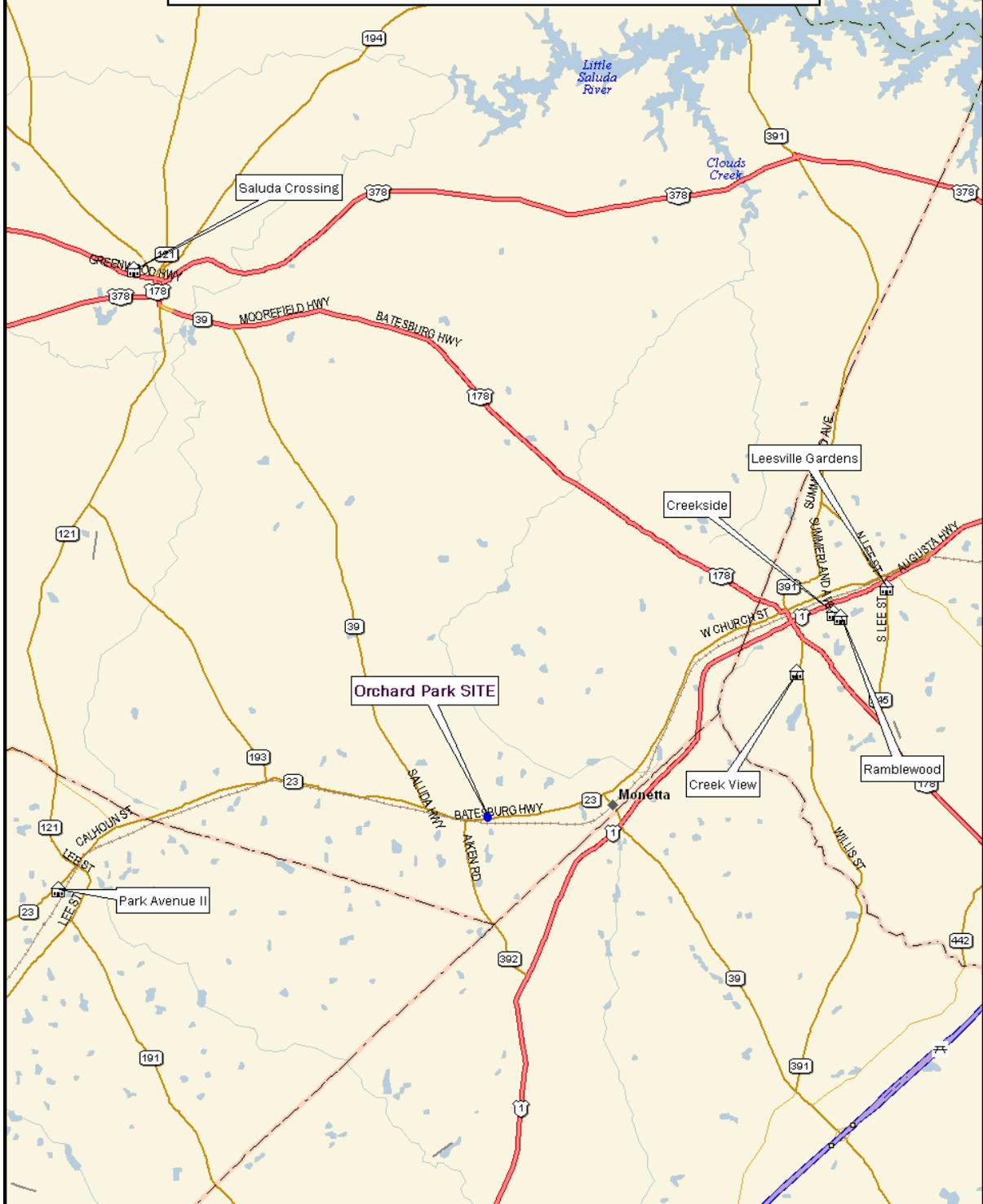
Vouchers, but could be higher among tenants with higher incomes who pay overages.

- The range of programmatic rents in the assisted projects and the total lack of market-rate projects illustrate the difficulty of deriving an adjusted market rent in rural markets where assisted product dominates the inventory. As previously noted, in this case, the other fully subsidized projects are true comparables; all would represent alternatives, but all are located outside the defined PMA.
- In accordance with SCSHFDA guidelines, an adjusted market rent was derived for 1BR and 2BR units using data from three projects: Creek View, Ramblewood and Leesville Gardens. The HUD contract rents were used for the evaluation for the two subsidized projects, as these rents are set by HUD based, in part, on market conditions. Further, these are the rents any higher income, “market renter” would pay. These projects were also chosen based on the bedroom mix, and overall age and condition. Factors considered in deriving the adjusted market rent include age, bedroom/bath configuration, unit size, amenities. Location with respect to services and other factors were also considered. The adjusted market rent is \$540 for 1BR and \$565 for 2BR units.
- The SC Regional Housing Authority #1 currently administers the HUD Housing Choice Voucher program for Saluda County. Only 31 households currently receive assistance; no waiting list numbers were available. Most Voucher holders rent mobile homes or single-family houses, and turnover among Voucher holders is extremely low, such that new Vouchers were said to be “rarely issued.” No Voucher usage was identified in Ridge Spring.
- Based on the data from the survey of the Ridge Spring rental market, the proposed renovation will have no impact on the existing apartment market. The subject is an existing, fully occupied project, and will retain the fully subsidized, based on income rents. Upon completion of renovations, there will be no change in the number of units available to the market. Further, there is no change in the rent structure to be paid by current and prospective tenants.
- No other projects are in development in the PMA at this time.

It is emphasized that local managers and realtors provide the individual project information voluntarily. In some cases, the managers are unwilling or unable to provide complete information, or may inadvertently provide incorrect information. Despite these potential problems, the compilation and synthesis of the status of the comparables is considered to provide the best indication of the competitive position of the subject project.

A map indicating locations of the surveyed projects in the PMA is provided on the following page, followed by summary tables reflecting apartment project details. Each project is then discussed individually, and photographs of the local complexes are included.

Primary Survey Apartment Locations



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Data Zoom 10-2

APARTMENT SURVEY SUMMARY

Project	Built	Total	Studio	1BR	2BR	3BR	4BR	5BR	Included Utilities	Vacant	Wait List
1 Orchard Park (Subject)	1985	20		4	16				W/S/T	0	1 6
101 Peach Leaf Curi	Rent			BOI	BOI						RD 515
Ridge Spring, SC	SF			659	835						20 RA
(803) 685-5477	Rent/SF			NA	NA						
	Vacant			0	0						
2 Saluda Crossing	2004	25		4	15	6			None	0	1 32
105 Oakwood Drive	Rent			\$318-354	\$408-455	\$510					UHTC
Saluda, SC	SF			1142	1307-1363	1396-1400					
(803) 649-6673	Rent/SF			\$0.28-0.31	\$0.31-0.33	\$0.36-0.37					
Ext. 227	Vacant			0	0	0					
3 Creek View	1997	60		10	20	30			W/S/T	6	3 10
221 Willis Drive	Rent			\$355-405	\$425-475	\$505-555					UHTC
Batesburg-Leesville, SC	SF			883	886	1,058					
(803) 532-0740	Rent/SF			\$0.52-0.58	\$0.48-0.54	\$0.48-0.52					
	Vacant			3	1	2					
4 Creekside	1985-85	40		12	28				T	1	NA 1
165 Pinewood	Rent			\$305/BOI	\$335/BOI						RD 515
Batesburg-Leesville, SC	SF			680	1000						13 RA
(803) 532-2500	Rent/SF			\$0.44	\$0.34						
	Vacant			0	1						
5 Leesville Gardens	1977	60		12	12	12	6	2	W/S/T	0	NA 7
120 W. Lee Street	Rent			BOI	BOI	BOI	BOI	BOI			RD 515
Batesburg-Leesville, SC	SF			524	665	888	1078	1268			HUD
(803) 532-5775	Rent/SF			NA	NA	NA	NA	NA			Section 8
	Vacant			0	0	0	0	0			
6 Rainblewood	1980	84		8	48	8			W/S/T	0	NA 4
131 David Drive	Rent			BOI	BOI	BOI					RD 515
Batesburg-Leesville, SC	SF			890	1063	1063					HUD
(803) 532-2500	Rent/SF			NA	NA	NA					Section 8
	Vacant			0	0	0					
7 Park Avenue II	1986	20		4	16				T	1	NA No
401 Park Avenue	Rent			\$345/BOI	\$385/BOI						RD 515
Johnston, SC	SF			NA	NA	NA					2 RA
(803) 275-2706	Rent/SF			NA	NA	NA					
	Vacant			0	1						
Total Units		289	16	50	144	65	12	2	Units reporting quarterly vacancy	0.68%	105
Proportion Vacant		8	5.5%	17.30%	49.83%	22.49%	24.00%	0	Average Vacancy Count	0	5
Rate		2.8%	0.0%	6.0%	2.1%	3.1%	0.0%	0.0%	Average Vacancy Rate	0.0%	4.8%

UNIT AMENITIES

	Refrigerator	Stove	Dishwasher	Disposal	Microwave	W-D Connections	Carpeting	Window Treatments	Ceiling Fans	Walk-in Closets	Air Conditioning	Washer-Dryer	Patio/Balcony	Storage
1 Orchard Park (Subject)	X	X	*			X	X	X	*	X	X		X	
2 Saluda Crossing	X	X	X	X		X	X	X	X	X	X		X	
3 Creek View	X	X	X	X		X	X	X		X	X			
4 Creekside	X	X				X	X	X			X			X
5 Leesville Gardens	X	X				X	X	X			X			
6 Ramblewood	X	X					X	X			X			S
7 Park Avenue II	X	X					X	X			X		X	

T=TENANT PROVIDES

S=SELECT UNITS

*=TO BE ADDED

PROJECT AMENITIES

- 1 Orchard Park (Subject)
- 2 Saluda Crossing
- 3 Creek View
- 4 Creekside
- 5 Leesville Gardens
- 6 Ramblewood
- 7 Park Avenue II

	On-Site management	Community Room	Fitness Center	Laundry Facility	Tennis Courts	Basketball/Volleyball	Playground	Swimming Pool	Picnic/Grill Area	Car Care Area	Walking Trails
1 Orchard Park (Subject)	X			X			X		*		
2 Saluda Crossing											
3 Creek View	X	X					X				
4 Creekside	X										
5 Leesville Gardens	X	X					X				
6 Ramblewood	X			X			X				
7 Park Avenue II	X			X			X				

T=TENANT PROVIDES
 S=SELECT UNITS
 *=TO BE ADDED

1 Orchard Park (SUBJECT)

101 Peach Leaf Curl
Ridge Spring, SC
(803) 685-5477

Survey Date 03/21/2006; via telephone

Contact: Doris Jimbruch

Building Style Walk-up; brick & frame

floors 1 & 2

Condition: Average for age

Type: RD 515

Income Restriction 50% AMI for RA

Completion Date: 1985

Age Restriction None

In Lease-up No

Project-Based Subsidy RD Rental Assistance

Absorption Rate: NA

of units with subsidy 20

Turnover Rate: 8 in 2005

Housing Choice Vouchers 0

Waiting List 6 applicants, but list is purged every month, so is very current

Unit Mix		Units	Type	Size (Sq.Ft)	RD Basic - Note		Net Rent/SF	Utility		Vacant
BR	Bath				RD Basic	RD Note		Allowance		
1	1	4	Ga	659	\$458	- \$627	\$0.69 - \$0.95	\$72		0
2	1	16	Ga	835	\$486	- \$668	\$0.58 - \$0.80	\$82		0
Totals		20								0

NOTE: All tenant-paid rents based on income (BOI)

Vacancy Rate: 0.0%

Deposits/Fees:

Application Fee \$25
Refundable Deposit: \$250
Non-Refundable Deposit \$0
Other Fees/Premiums: \$0

Pet Fees:

Pets Allowed No
Refundable Deposit \$0
Non-Refundable Fee \$0
Pet Rent/Month \$0

Rent Specials/Incentives:

None

Unit Features: Stove, refrigerator, carpet, blinds, washer-dryer hook-ups, walk-in closets (2BR); **ceiling fans, dishwashers to be added**

Amenities: On-site manager (part-time), laundry facility, playground; **picnic/grill area, benches to be added**

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Full Rental Assistance recently added; turnover much lower after RA allocation; 4 tenants in place prior to 2000; 19 with income less than \$10K; tenant-paid rent ranges from \$0-\$266; mostly 1 & 2-person households, including single-parents with one child; tenants mostly very local.

NOTES: 2nd quarter: 0 vacant; 4th quarter: 1 vacant; formerly had 11 RA slots

2 **Saluda Crossing**
 105 Oakwood Drive
 Saluda, SC
 (803) 649-6673
 Extension 228

Survey Date 03/20/2006; via telephone
Contact: Tonya Stroman, Aiken Housing Authority
Building Style Brick and frame; detached
floors 1
Condition: Excellent - new
Income Restriction 50% of AMI
Age Restriction None
Project-Based Subsidy None
of units with subsidy None
Housing Choice Vouchers 7 in use

Type: LIHTC
Completion Date: 2004
In Lease-up No
Absorption Rate: 3 months: 8 units/month
Turnover Rate: 2 in 2005
Waiting List 2BR: 14; 3BR: 14; 4BR: 4

Unit Mix				Size	Rent Range		Net Rent/SF		Utility Allowance	Vacant
BR	Bath	Units	Type	(Sq.Ft)						
2	2	4	Ga	1142	\$318	- \$354	\$0.28	- \$0.31	\$93	0
3	2	15	Ga	1307-1363	\$408	- \$455	\$0.31	- \$0.33	\$120	0
4	2	6	Ga	1396-1400	\$510	- \$510	\$0.37	- \$0.36	\$147	0
Totals		25								0
										Vacancy Rate: 0.0%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$0	Pets Allowed	No	None
Refundable Deposit:	1 month rent	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, disposal, washer-dryer hookups, carpet, patio, ceiling fans, walk-in closets, cable and internet ready, blinds

Amenities:

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Most tenants from "close by"

NOTES: 2nd quarter: 1 vacant; 4th quarter: 0 vacant

3 **Creek View**
 221 Willis Street
 Batesburg-Leesville, SC
 (803) 532-0740

Survey Date 03/15/2006; on-site interview
Contact: Robin Simpson
Building Style Walk-up; brick & frame
floors 2
Condition: Average for age
Income Restriction 13 at 45%; balance at 60%
Age Restriction None
Project-Based Subsidy None
of units with subsidy 0
Housing Choice Vouchers about 40 to 45 in use

Type: LIHTC
Completion Date: 1997
In Lease-up No
Absorption Rate: NA
Turnover Rate: Not-sure - new manager
Waiting List 10 applicant

Unit Mix				Size	Rent Range		Net Rent/SF	Utility Allowance	Vacant
BR	Bath	Units	Type	(Sq.Ft)					
1	1	10	Ga	688	\$355 -	\$405	\$0.52 - \$0.59	\$68	3
2	2	20	Ga	886	\$425 -	\$475	\$0.48 - \$0.54	\$96	1
3	2	30	Ga	1058	\$505 -	\$555	\$0.48 - \$0.52	\$127	2
Totals		60							6

Vacancy Rate: 10.0%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$25	Pets Allowed	No	None
Refundable Deposit:	\$150	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, dishwasher, disposal, carpet, blinds, walk-in closets, washer-dryer hookups

Amenities: On-site manager community room, playground

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Manager new to property and area; said occupancy averaged above 90% in 2005; had 3 vacancies pre-leased; owner had rent increase approved, but met some market resistance; still renting at older rents as shown above; lower rents are 45% AMI

NOTES: 2nd quarter: 4 vacant; 4th quarter: 2 vacant

4 Creekside Apartments

166 Pinewood Street
 Batesburg-Leesville, SC
 (803) 532-2500

Survey Date 03/15/2006; on-site interview
Contact: Susan Teeter
Building Style Brick & frame
floors 1 & 2 (TH)
Condition: Good for Age

Type: RD 515
Completion Date: 1985-86
In Lease-up No
Absorption Rate: NA
Turnover Rate: 1 or 2 per month
Waiting List 1 person

Income Restriction RD limits
Age Restriction None
Project-Based Subsidy RD Rental Assistance
of units with subsidy 13
Housing Choice Vouchers None

Unit Mix		Units	Type	Size (Sq.Ft)	RD Basic - Note Rent Range	Net Rent/SF	Utility Allowance		Vacant
BR	Bath								
1	1	12	Ga	690	\$305 - \$505	\$0.44 - \$0.73	\$72	0	
2	1.5	28	TH	1000	\$335 - \$575	\$0.34 - \$0.58	\$115	1	
Totals		40						1	
								Vacancy Rate:	2.5%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$0	Pets Allowed	No	None
Refundable Deposit:	\$150	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, washer-dryer hook-ups, blinds, carpet, storage closet

Amenities: Site manager at Ramblewood (adjacent)

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Generally higher turnover because W/S not included; deposit requirements for utilities higher; two tenants pay over basic; 12 units have \$60 RD "rent incentives", which acts as partial rental assistance

NOTES: 2nd quarter: 0 vacant; 4th quarter: 0 vacant

5 **Creekside Apartments**

120 W. Lee Street
 Batesburg-Leesville, SC
 (803) 532-5775

Survey Date 03/23/2006; via telephone
Contact: Darlene Gant
Building Style birck
floors 1 & 2 (TH & some stacked flats)
Condition: Good for Age
Income Restriction 30% of AMI
Age Restriction 20 units for 62+ or DA/HC
Project-Based Subsidy HUD Section 8
of units with subsidy 60
Housing Choice Vouchers None

Type: RD 515/HUD Section 8
Completion Date: 1977
In Lease-up No
Absorption Rate: NA
Turnover Rate: 22 in 2005
Waiting List 1BR: 4; 2BR: 0; 3BR: 3; 4BR: 0; 5BR: 0

Unit Mix		Size			Rent Range		Net Rent/SF		Utility Allowance	Vacant
BR	Bath	Units	Type	(Sq.Ft)						
0	1	16	Ga	405	BOI - BOI	NA - NA		\$73	0	
1	1	12	Ga	524	BOI - BOI	NA - NA		\$56-\$77	0	
2	1	12	TH	665	BOI - BOI	NA - NA		\$82	0	
3	1.5	12	Ga	888	BOI - BOI	NA - NA		\$113	0	
4	2	6	Ga	1078	BOI - BOI	NA - NA		\$163	0	
5	2	2	Ga	1268	BOI - BOI	NA - NA		\$170	0	
Totals		60							0	

Vacancy Rate: 0.0%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$0	Pets Allowed	No	None
Refundable Deposit:	BOI	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, washer-dryer hook-ups, blinds, carpet,

Amenities: On-site manager, community room, playground

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Turnover in 2005 was mix of deaths (elderly tenants) and some skips; two tenants in place since 1977; tenants mostly from Batesburg-Leesville; occasionally from as far as Lexington; HUD contract rents are \$559/\$555/\$577/\$632/\$713/\$769

NOTES: 2nd and 4th quarter vacancy not available; average occupancy rate always near 100%

6 **Ramblewood**
 131 David Drive
 Batesburg-Leesville, SC
 (803) 532-2500

Survey Date 03/15/2006; on-site interview
Contact: Susan Teeter
Building Style Brick & frame
floors 2 (stacked flats)
Condition: Good for Age

Type: RD 515/HUD Section 8
Completion Date: 1980
In Lease-up No
Absorption Rate: NA
Turnover Rate: about 18 units in 2005
Waiting List 4 people

Income Restriction 50% AMI
Age Restriction None
Project-Based Subsidy HUD Section 8
of units with subsidy 64
Housing Choice Vouchers None

Unit Mix		Size			Rent Range			Net Rent/SF		Utility Allowance		Vacant
BR	Bath	Units	Type	(Sq.Ft)								
1	1	8	Ga	700	BOI	-	BOI	NA	-	NA	\$62	0
2	1	48	Ga	890	BOI	-	BOI	NA	-	NA	\$84	0
3	1.5	8	Ga	1063	BOI	-	BOI	NA	-	NA	\$105	0
Totals		64										0

Vacancy Rate: 0.0%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$0	Pets Allowed	No	None
Refundable Deposit:	\$50 minimum	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, carpet, blinds, storage (2BR & 3BR)

Amenities: On-site manager, laundry facility, playground

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Tenants mostly local but have come from as far as Lexington, Prosperity and Saluda; turnover is lower than Creekside; HUD contract rents are 1BR: \$471; 2BR: \$521 and 3BR: \$600

NOTES: 2nd and 4th quarter vacancy not available; average occupancy rate for past year near 100%

7 **Park Avenue II**
 401 Park Avenue
 Johnston, SC
 (803) 275-2706

Survey Date 03/15/2006; on-site interview
Contact: Kay Corley
Building Style Brick, walk-up
floors 1 & 2 (stacked flats)
Condition: Average for age

Type: RD 515
Completion Date: 1986
In Lease-up No
Absorption Rate: NA
Turnover Rate: 6 in 2005
Waiting List None

Income Restriction RD limits
Age Restriction None
Project-Based Subsidy RD Rental Assistance
of units with subsidy 2
Housing Choice Vouchers None

Unit Mix		Units	Type	Size (Sq.Ft)	RD Basic - Note Rent Range	Net Rent/SF	Utility		Vacant
BR	Bath						Allowance		
1	1	4	Ga	NA	\$345 - \$515	NA - NA	\$70	0	
2	1	16	Ga	NA	\$385 - \$565	NA - NA	\$125	1	
Totals		20						1	
								Vacancy Rate:	5.0%

Deposits/Fees:		Pet Fees:		Rent Specials/Incentives:
Application Fee	\$0	Pets Allowed	No pets	None
Refundable Deposit:	\$150	Refundable Deposit	\$0	
Non-Refundable Deposit	\$0	Non-Refundable Fee	\$0	
Other Fees/Premiums:	\$0	Pet Rent/Month	\$0	

Unit Features: Stove, refrigerator, carpet, blinds, patio/balcony

Amenities: On-site manager, laundry facility, playground

Utilities Included

- All
- None
- Water - Sewer
- Trash
- Hot Water
- Heat
- Gas
- Electric
- Internet Access
- Cable

Heat Type

- Heat Pump
- Electric Forced Air
- Gas Forced Air
- Electric Baseboard
- Radiator (Gas HW circulating)

Air-Conditioning

- Central
- Wall/Window
- Tenant Provides
- None



COMMENTS: Location in Edgefield County; few tenants ever come from Saluda; some from Aiken County, but no further than Ward in Saluda

NOTES: 2nd and 4th quarter vacancy not available

LIHTC HOUSING DEMAND FORECAST

The demand for Low Income Housing Tax Credit (LIHTC) assisted apartment units for family tenants is generated from three major sources, and adjusted for two more minor sources of demand. The first major source is new household growth in the market area, adjusted for the demand via affordability/tenure. The second major source of demand is forecast to come from existing renter-occupied households within the market area who are currently in a rent overburden condition. The third source of demand is similarly generated from renter households living in substandard units.

These sources will be added together in order to quantify the total effective LIHTC eligible renter demand estimate for the subject development. The demand estimate will then be evaluated vis a vis the project, in order to estimate what percentage of the income-eligible target group would need to be attracted to the subject to achieve a feasible development.

Initially, this analysis examines the project in relation to general household population, including factors of tenure and income qualification. This indicates the proportion of the housing stock the project represents. Subsequently, the analysis addresses the derivation of the effective demand pool from which tenants are likely to be drawn, as described above.

GENERAL HOUSEHOLD POPULATION

This section presents data on the gross household population, and the proportion of the totals represented by the proposed project. Within this general category, broad qualifications for tenure, income and age are also provided. The data is used to give a general indication of the scale of this project in total and its position in the Ridge Spring market, as it currently exists.

It must be emphasized that the Ridge Spring PMA comprises a small housing market, with a modest proportion of renters. The size of the proposed project in this market seemingly results in somewhat large measures of overall scale. In this market, however, there are no other subsidized projects, When considered in this context, the size of the subject is very reasonable for the narrowly defined PMA.

Throughout the demand forecast process, income qualification is based on the distribution estimates derived in Table 13 from the previous section of the report.

TABLE 16 PROPOSED PROJECT SCALE ORCHARD PARK		
Proposed Project Size (LIHTC Units)		20
		Project
	<u>Total</u>	<u>Proportion</u>
Total Households (2005)	2,923	0.7%
Total Renters	561	3.6%
Total Income Qualified Renters (RA)	360	5.6%
Total Income Qualified Renters (LIHTC)	155	12.9%

EFFECTIVE DEMAND POOL

DEMAND FROM NEW RENTER HOUSEHOLD GROWTH

For projects with Project Based Rental Assistance (PBRA), SCSHFDA guidelines require that demand be evaluated both with and without the PBRA. Further, in those instances where the proposed rents are greater than the maximum allowable tax credit rents, the second evaluation must utilize the maximum tax credit rents, regardless of market conditions. Accordingly, the affordability threshold without the PBRA is established by the maximum allowable rents for 1BR and 2BR units at the 50% of AMI level.

In accordance with these guidelines, two parallel demand calculations are shown in the section that follows. Please note that in this case, the demand calculations are mutually exclusive, since the evaluation focuses on an “either or” scenario.

For primary market area, forecast housing demand through household formation totals reflects a gain of 73 units for overall households, and an increase of 14 renter households. By definition, growth equals demand for new housing units, which would imply 14 units of demand from this component. This total is adjusted for income qualification at the target AMI levels. This calculation is summarized below:

New Renter Household Growth Calculation Summary

Renter Households projected in 2008:		575
Renter Households in 2005:		561
Renter-Occupied Unit Need:		14
Income Qualification Rate:	PBRA	50% AMI
	64.2%	27.6%
Income-Qualified Demand from New Renters:	9	4

DEMAND FROM EXISTING RENTER HOUSEHOLDS WITH RENT OVERBURDEN

In 2000, there were over 2,800 households and over 500 renter households in the primary market area. These households are considered to be the basis for demand by households already occupying housing units in the market area. This excludes existing rental units that are now vacant.

Based on the 2000 Census, it is estimated that nearly 25% of all renters in the PMA suffer from rent overburden. Most of this condition is typically concentrated in the lowest income groups, and in this PMA is only found among households with incomes of less than \$20,000, and represents 39.5% of those households. Rent overburden is defined in this case as a condition where a household pays rent greater than **35%** of its household income.

Application of this rate to the **income-qualified** renter bases in 2000 yields the following calculation, summarized below:

Existing Renter Household Calculation Summary - Rent Overburden

Gross Rental Pool (2000)		519
Income Qualification:	PBRA	50% AMI
	64.2%	27.6%
Income-Qualified Rental Pool:	333	143
Rent Overburden Rate:	24.6%	24.6%
Potential Effective Demand From Existing Renters with Rent Overburden (TARGET GROUP)	82	35

DEMAND FROM EXISTING RENTER HOUSEHOLDS IN SUBSTANDARD UNITS

SCSHDFA also allows a demand component from households in substandard units, typically this is likely to be a very limited source of demand, and is limited to households living in units without plumbing or in overcrowded conditions. In the Ridge Spring PMA, the ratio of substandard units is relatively high. This component calculation assumes that no additional units have been added which lack plumbing, and assumes that the condition is confined to the lower income groups.

According to the 2000 Census, 179 units (around 97 owner occupied and 82 renter occupied) in the Ridge Spring Market Area lacked complete plumbing or were overcrowded, and defined as substandard. Overall, substandard units comprised 6.4% of the occupied stock, and 15.8% of the occupied rental units. This factor does **not** take any other measures of substandard condition into account, including infestation by insects or other pests, inadequate or no heat source, or general deteriorating condition. The calculation is summarized below:

Existing Renter Household Calculation Summary - Substandard

Gross Rental Pool (2000)		519
	PBRA	50% AMI
Income Qualification:	64.2%	27.6%
Income-Qualified Rental Pool:	333	143
Substandard Rate:	<u>15.8%</u>	<u>15.8%</u>
Potential Effective Demand From Existing Renters in Substandard Units (TARGET GROUP)	53	23

ADJUSTMENT FOR NEW COMPARABLE UNITS

The demand methodology incorporates renter household growth since 2005 as one component, and identifies households experiencing rent overburden and substandard conditions in 2000 as different components. These calculations do not acknowledge the effect that the existing supply has on rental housing as of 2005. An adjustment must be made for comparable units that have been built since 2005, or are funded to be built in the forecast period, that satisfy the demand from these components. No projects have been added in this market since 2005, and no projects are in the "pipeline", so no adjustment is necessary.

ADJUSTMENT FOR EXCESS VACANCY

The demand methodology also assumes that a project will achieve normal occupancy – sufficient to allow normal turnover, cleaning and refurbishing, and a degree of choice available for consumer – when 93% of the units are leased. In many cases where demand exceeds supply, the occupancy rate may be much higher. However, in those cases where the occupancy at affordable apartments is below the "normal occupancy" rate, an adjustment is required to acknowledge the availability of those units to satisfy the demand. This market falls in the former category, where vacancy is less than the standard 7%, and no excess vacancy adjustment is required.

TOTAL EFFECTIVE DEMAND POOL AND CAPTURE RATE

The net potential demand from all these sources, divided into target AMI levels, is shown in Table 17. This estimate comprises the total age and income qualified demand pool from which the tenants at the proposed project will be drawn. The table also shows the capture rates required for each income target. Naturally, not every household in this effective demand pool will choose to enter the market for a new unit at this time; this is the gross effective demand.

In this case, given the very low incomes of the current tenants, the complete lack of fully subsidized rental housing in the Ridge Spring market, it is anticipated that the ability to retain tenants subsequent to renovations is quite positive for units with PBRA. The 50% retention estimate used in this analysis is considered conservative, particularly given the turnover ratios at Orchard Park and the full occupancy conditions in the market. Given the incomes of current tenants, in the absence of PBRA, no retention is assumed.

Based on the demand estimate, the subject project would need a capture rate of around **13.9%** of the effective income qualified demand at the 50% of AMI level with PBRA, and only **6.9% with expected retention**. In the absence of PBRA, the subject would need a capture rate of 32.3% of the effective income-qualified demand.

TABLE 17
CALCULATION OF NET HOUSING DEMAND ESTIMATE
RIDGE SPRING MARKET AREA

<u>LIHTC NET DEMAND ESTIMATE:</u>	<u>PBRA</u>	<u>50% AMI</u>
<u>GROSS DEMAND</u>		
Demand from New Income-Qualified Renters	9	4
Demand from Existing Households:		
Demand from Existing Rent Overburdened Renters	82	35
Demand from Renters in Substandard Units	<u>53</u>	<u>23</u>
TOTAL: Demand from Existing Households	135	58
Total Gross Income-Qualified Demand Estimate	144	62
<u>DEMAND ADJUSTMENTS</u>		
Comparable Apartments Added or Planned Available/Vacant Comparable Units in Excess of Normal Vacancy (7%)	0	0
Net Adjustments	<u>0</u>	<u>0</u>
Adjusted Demand Estimate	144	62
Units by Target Income Level	20	20
Required Capture Rate	13.9%	32.3%
Expected Retention	50%	0%
Net units to be absorbed	10	-
Net Capture Rate	6.9%	

ESTIMATE OF DEMAND BY BEDROOM MIX

This section of the demand analysis expands the evaluation to individual bedroom categories and AMI levels. Data from the 2001 American Housing Survey indicates the following preferences for bedroom mix among renter households:

Household Size	Bedroom Preference							
1-person	1BR:	55%	2BR:	31%	3BR:	8%		
2-person	1BR:	24%	2BR:	57%	3BR:	16%		
3-person	1BR:	11%	2BR:	54%	3BR:	31%		
4-person	1BR:	7%	2BR:	43%	3BR:	39%	4BR:	10%
5-persons +			2BR:	31%	3BR:	46%	4BR:	18%

Demand by bedroom mix can be estimated using the above ratios and the renter household size distribution in Table 11. This estimation process also assumes that few **new** renter households will have 5 or more persons.

The demand estimate by bedroom type for a family project at the 50% of AMI level, with and without PBRA, is as follows:

<u>PBRA</u>						<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>4BR</u>
One-person HH	144	x	28.9%	=	42 HH	23	13	3	0
Two-person HH	144	x	25.0%	=	36 HH	9	21	6	0
Three-person HH	144	x	17.1%	=	25 HH	3	14	8	0
Four-person HH	144	x	14.3%	=	21 HH	1	9	8	2
Five-person+ HH	144	x	14.6%	=	21 HH	<u>0</u>	<u>7</u>	<u>10</u>	<u>4</u>
						36	63	35	6

Capture Rate by Bedroom Type

	Gross - no retention			Net - with retention		
One-Bedroom	$\frac{4}{36}$	=	11.1%	$\frac{2}{36}$	=	5.6%
Two-Bedroom	$\frac{16}{63}$	=	25.4%	$\frac{8}{63}$	=	12.7%

These capture rates by bedroom size assume that units are rented to households in the exact proportions shown in the application, **and with the continuance of the RD Rental Assistance**. Further, this calculation assumes that the bedroom preference segments are

separate and discrete in themselves, and is shown both with and without expected retention.

Capture rates for the project if developed **without** the PBRA are as follows:

<u>50% of AMI</u>					<u>1BR</u>	<u>2BR</u>	<u>3BR</u>	<u>4BR</u>	
One-person HH	62	x	28.9%	=	18 HH	10	6	1	0
Two-person HH	62	x	25.0%	=	16 HH	4	9	3	0
Three-person HH	62	x	17.1%	=	11 HH	1	6	3	0
Four-person HH	62	x	14.3%	=	9 HH	1	4	4	1
Five-person+ HH	62	x	14.6%	=	9 HH	<u>0</u>	<u>3</u>	<u>4</u>	<u>2</u>
						16	27	15	3

Capture Rate by Bedroom Type

One-Bedroom	$\frac{4}{16}$	=	25.0%
Two-Bedroom	$\frac{16}{27}$	=	59.3%

These capture rates by bedroom size assume that units are rented to households in the exact proportions shown in the application, **and without the use of Vouchers or other assistance**. Further, this calculation assumes that the bedroom preference segments are separate and discrete in themselves.

The overall project demand and capture rates by target AMI level and by bedroom mix for each scenario, are summarized below:

SUMMARY: PBRA CAPTURE RATES (WITH RETENTION)				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS	CAPTURE RATE
1BR	50%	36	2	5.6%
2BR	50%	63	8	12.7%
	OVERALL	144	10	6.9%

SUMMARY: PBRA CAPTURE RATES (NO RETENTION)				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS	CAPTURE RATE
1BR	50%	36	4	11.1%
2BR	50%	63	16	25.4%
	OVERALL	144	20	13.9%

SUMMARY: CAPTURE RATES				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS PROPOSED	CAPTURE RATE
1BR	50%	16	4	25.0%
2BR	50%	27	16	59.3%
	OVERALL	62	20	32.3%

MARKET CONCLUSIONS AND RECOMMENDATIONS

Based on the preceding analysis, the following conclusions and recommendations can be reached regarding the rental market in the Ridge Spring Market Area and Saluda County:

- Orchard Park is an existing, fully subsidized project, with assisted rents targeted to the 50% of AMI level. The affordability range for each unit type is shown below:

Number of Units	Bedroom Size	Gross Rent	Minimum Income	Maximum Income	AMI
4	1BR/1Ba	\$592	\$0	\$18,450	50%
16	2BR/1Ba	\$622	\$0	\$22,150	50%

In the absence of PBRA, and based on the maximum allowable LIHTC rents, the affordability thresholds would be:

Number of Units	Bedroom Size	Gross Rent	Minimum Income	Maximum Income	AMI
4	1BR/1Ba	\$461	\$15,806	\$18,450	50%
16	2BR/1Ba	\$553	\$18,960	\$22,150	50%

- Given the limitations of available data, the overall income range for units and the proportion of eligible householders under each scenario is shown below:

Target Income Range	Proportion
\$0 - \$22,150 (RA)	64.2%
\$15,800 - \$22,150 (50%)	27.6%

- Based on the methodology specified by SCSHFDA, the overall total demand pool and required capture rates by target AMI are shown below. Demand for the project as proposed is shown both with and without expected retention of current tenants:

Demand	Capture Rate	Net - with Retention
144	13.9%	6.9%
62	32.3%	NA

- The demand calculations shown above do not take into account individual applicant eligibility based on credit history, or other screening factors used by management.

- The capture rates by bedroom size and AMI level and with PBRA, under each scenario, are as follows:

SUMMARY: PBRA CAPTURE RATES (WITH RETENTION)				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS	CAPTURE RATE
1BR	50%	36	2	5.6%
2BR	50%	63	8	12.7%
	OVERALL	144	10	6.9%

SUMMARY: PBRA CAPTURE RATES (NO RETENTION)				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS	CAPTURE RATE
1BR	50%	36	4	11.1%
2BR	50%	63	16	25.4%
	OVERALL	144	20	13.9%

- Capture rates by bedroom size and income group **without project-based subsidies** are:

SUMMARY: CAPTURE RATES				
BEDROOMS	AMI LEVEL	NET DEMAND	UNITS PROPOSED	CAPTURE RATE
1BR	50%	16	4	25.0%
2BR	50%	27	16	59.3%
	OVERALL	62	20	32.3%

These capture rates assume that units are rented to households at the AMI level shown in the application, and **without project-based subsidies, and using maximum LIHTC rents**. NOTE: each of the above calculations assumes that the bedroom preference segments are discrete in themselves.

- Given the analysis and conclusions of each of the report sections, this project is recommended as proposed, and no alterations are necessary.
- This recommendation assumes that the planned renovation will be carried out in a timely manner, and that the scope of renovation work will be completed to a high standard. It further assumes that no tenants will be displaced.
- A project of **20 units, positioned on the subsidized side of the rental scale**, will likely have little difficulty in being re-absorbed in the Ridge Spring Market Area, particularly given the lack of fully subsidized or assisted options. The project's ability to achieve

and maintain stabilized occupancy levels of 93% or better in this area is also considered very likely. Absorption is considered likely to be 5 units per month or greater. This would result in an absorption period of roughly two months, with expected retention of 50% of the existing tenants.

As previously mentioned, the demand analysis was directed to a three-year forecast period, from 2005 to 2008. The conclusions of this market study and the project evaluation are considered valid for that time period.

**OFFICIALS AND OTHER INFORMATION CONTACTS
AND
SUMMARY OF INTERVIEWS**

The following persons provided information on apartment projects included in the Housing Supply Section of the report. Information provided by these individuals is summarized on the individual apartment data sheets and specific facts or opinions are included in the body of the report where appropriate.

Tonya Stroman, Property Manager, Aiken Housing Authority, for Saluda Crossing Apartments, Saluda, SC, (803) 649-6673 ext. 228

Mrs. Doris Jimbruch, Manager, Orchard Park Apartments, Ridge Spring, SC, (803) 685-5477

Robin Simpson, Manager, Creek View Apartments, Batesburg-Leesville, SC, (803) 532-0740

Darlene Gant, Manager, Leesville Gardens, Batesburg-Leesville, SC, (803) 532-5775

Mrs. Susan Teeter, Manager, Creekside Apartments and Ramblewood Apartments, Batesburg-Leesville, SC, (803) 532-2500

Mrs. Jay Corley, Manager, Park Avenue II, Johnston, SC (803) 275-2706; “our market is Edgefield County, few from Aiken or Saluda; the line stops in Ward; people from past Ward don’t move to Johnston.”

Pam Calvert, South Carolina Regional Housing Authority #1, Housing Choice Voucher administration, (864) 984-0456

Mr. Richard Deason, Saluda, SC (864) 445-9222 or (864) 992-6122

Mr. Deason owns and manages mobile home rentals in Saluda. He provided an overview of rental rates, and general information on the rental market from his perspective.

Mr. Mike Deloache, Broker, Saluda Realty Company, Saluda, SC (864) 445-8186

Mr. Deloache provided general information on prices of homes available and sold in the Saluda area. Mr. Deloache also owns/manages a number of rent houses and mobile homes and provided information on the range of rents in the area, with comments on price differentials. Mr. Deloache stated that a modern, detached house would likely rent very quickly, as most of the units for rent in Saluda are older, and some do not have central heat and air-conditioning. He also said the range is very narrow, and that “you meet resistance” above \$500 for the average rent house.

The following persons were interviewed in person during the course of the site visit, or interviewed by telephone during the course of the study.

Mrs. Florence Householder, Town Clerk, Town of Ridge Spring, SC (803) 685-5511
“No other apartments in town; nothing being built, nothing else to rent”

Ms. Kim Westbury, Director, Saluda County Planning and Economic Development, Saluda, SC, (864) 445-4500 ext. 2224

Ms. Westbury provided information on general development patterns in Saluda County, current employment levels in local industries, and overall economic development trends.

Ms. Westbury stated: “I am very much in favor of additional housing for Saluda. As I’m sure you noticed on your trip here, there is a lot of substandard housing. We are in dire need of replacements so that we can get some of the worst areas cleaned up and certainly so our residents have decent homes in which to reside.”

With respect to Ridge Spring, Ms. Westbury stated: “I’m glad to hear about the rehab project in Ridge. Spring. That is a particularly charming little town and we should do everything we can to prevent it from looking like the county seat.”

Secondary Sources Utilized:

The Saluda Standard-Sentinel, March 16, 2006

Internet Sources Utilized:

www.bls.gov

www.huduser.org

www.census.gov

www.upstatealliance.com

www.sces.org

<http://www.sc-upstate-info.org/>

www.saludak-12.org/

<http://www.aikencounty.net/>

<http://www.batesburg-leesville.org/>

<http://www.amickfarms.com>

<http://www.edpsc.org/>

www.hud.gov

<http://www.centralsc.org/>

<http://www.realtor.com>

www.yahoo.com

<http://www.sces.org/lmi/data/mls/mls.asp>

<http://www.sciway.net/>

www.scddc.state.sc.us

<http://www.aiken.k12.sc.us/>

<http://www.titanfarms.com/>

<http://www.edgefieldcounty.sc.gov/>

Connie Downing

From: Leanne.Johnson@schousing.com
Sent: Wednesday, March 22, 2006 10:30 AM
To: downingresearch@verizon.net
Subject: FW: Ridge Spring (Saluda County) PMA definition

You may go ahead with this proposal.

-----Original Message-----

From: Gary D. Ellis [mailto:dellisgem@bellsouth.net]
Sent: Tuesday, March 21, 2006 4:28 PM
To: Johnson, Leanne 6-9194
Cc: Mel Melton
Subject: Fw: Ridge Spring (Saluda County) PMA definition

Leanne,
This is what I received on the new market area. It looks fine to me!
Thanks,
Danny

----- Original Message -----

From: [Connie Downing](#)
To: 'Danny Ellis' ; Leanne.Johnson@schousing.com
Sent: Tuesday, March 21, 2006 4:20 PM
Subject: FW: Ridge Spring (Saluda County) PMA definition

My apologies to all for attaching the wrong PDF file to the previous email. I should have noticed, but did not, and that is entirely my fault.

This is the correct attachment.

Connie

-----Original Message-----

From: Connie Downing [mailto:downing610@verizon.net]
Sent: Tuesday, March 21, 2006 2:58 PM
To: Danny Ellis (dellisgem@bellsouth.net); 'Leanne.Johnson@schousing.com'
Subject: Ridge Spring (Saluda County) PMA definition

Mr. Ellis,

Attached is the Primary Market Area designation for Orchard Park Apartments in Ridge Spring, SC along with a list of comparable and/or competitive properties for your review.

Please email or call with any questions or comments.

Connie Downing
Downing & Associates
610 Butterwood Court
Powhatan, VA 23139
804-403-3075

4/10/2006

EXHIBIT S – 2 SCSHFDA PRIMARY MARKET AREA ANALYSIS SUMMARY

Development Name:	Orchard Park	Total # Units:	20
Location:	Ridge Spring, SC	# LIHTC Units:	20
PMA Boundary:	Census Tract 9604 (Saluda County) and Census Tract 201 (Aiken County) boundaries		
	Farthest Boundary Distance to Subject:		15+/- miles

RENTAL HOUSING STOCK (found on page 43-47)

Type	# Properties	Total Units	Vacant Units	Average Occupancy*
All Rental Housing	7	289	8	97.2%
Market-Rate Housing	0	0	0	NA
Assisted/Subsidized Housing	7	289	8	97.2%
LIHTC (All)	2	85	6	92.9%
Stabilized Comps**	0	0	NA	NA%
Non-stabilized Comps				%

* Average Occupancy percentages will be determined by using the second and fourth quarter rates reported for 2005. **NOTE: current occupancy utilized.**
 ** Comps are those comparable to the subject and those that compete at nearly the same rent levels and tenant profile, such as age, family and income.

MONTHLY RENT COMPARISON (found on page 43-77)

Subject Development			Adjusted Market Rent			Highest Unadjusted Comp Rent		
Bedrooms	Baths	Size (SF)	Proposed Rent	Per Unit	Per SF	Advantage	Per Unit	Per SF
1	1	659	\$BOI	\$540	\$0.86	NA%	\$555	\$1.06
2	1	835	\$BOI	\$565	\$0.66	NA%	\$577	\$0.87
			\$	\$	\$	%	\$	\$
			\$	\$	\$	%	\$	\$
			\$	\$	\$	%	\$	\$
			\$	\$	\$	%	\$	\$

DEMOGRAPHIC DATA (found on page 30-39)

	2000		2005		2008	
Population	7,584		7,830		7,965	
Households	2,812		2,923		2,996	
Renter Households	519	18.5%	561	19.2%	575	19.2%
Income-Qualified Renter HHs (LIHTC)	345	66.4%	360	64.2%	369	64.2%
Income-Qualified Renter HHs (MR)	(if applicable)	%		%		%

TARGETED INCOME-QUALIFIED RENTER HOUSEHOLD DEMAND (found on page 58-62)

Type of Demand	50%	60%	Market-rate	Other: __	Other: __	Overall
Renter Household Growth	0					0
Existing Households (Overburd + Substand)	144					144
Homeowner conversion (Seniors)						
Other:						
Less Comparable/Competitive Supply	0					0
Net Income-qualified Renter HHs	144					144

CAPTURE RATES (found on page 62)

Targeted Population	50%	60%	Market-rate	Other: __	Other: __	Overall
Net Income-qualified Renter HHs	144					144
Proposed Subject Units	20					20
Capture Rate	13.9%					13.9

DOWNING & ASSOCIATES

610 BUTTERWOOD COURT, POWHATAN, VIRGINIA 23139

(804) 403-3075

downingresearch@verizon.net

Downing & Associates is a real estate market research and consulting firm specializing in market analysis for multi-family housing. The principal, Connie Downing, has worked as a professional real estate market analyst since 1983, and has conducted economic and market feasibility studies for private and public sector clients throughout the United States. Ms. Downing has conducted seminars on market studies for USDA (Rural Development) staff in Iowa, Kentucky, North Carolina and Virginia. She has also prepared training modules and conducted seminars on sources and use of Census and other secondary data for public and private data users.

We have extensive experience in both urban and rural markets. During the past 23 years, studies have been completed for projects in New England (Maine, Rhode Island, Connecticut, Vermont), the Mid-Atlantic (New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia), Southeast (North Carolina, South Carolina, Tennessee, Kentucky, West Virginia), South (Florida, Louisiana), Midwest (Iowa, Missouri, Ohio, Michigan, Illinois, Indiana) and the Southwest (Arizona, New Mexico, Colorado).

We perform market studies for conventional, affordable, and subsidized apartment developments, including:

- Low Income Housing Tax Credit projects (including bond-financed developments)
- USDA Rural Development housing (Section 515 Rural Rental Housing, Section 514/516 Farm Labor Housing and Section 538)
- Market rate apartments
- HUD programs (Section 202, Section 221(d)4, Section 232)

Clients include for-profit and non-profit developers, tax credit syndicators, lenders, and state housing finance agencies.

Our studies are targeted to your specific needs. We provide an in-depth analysis of each market, and findings, conclusions and recommendations are presented in a professional format. We pay strict attention to state agency underwriting guidelines and market study requirements, and our studies are designed to satisfy each state's specific requirements. We also work closely with syndicators to ensure that each study addresses their questions and underwriting criteria.

The firm is located in the greater Richmond, VA area.

STATEMENT OF QUALIFICATIONS

Connie L. Downing

Professional Experience:

- 2005 – Principal, Downing & Associates
Powhatan, Virginia
- 2000 – 2005: Research Director/Senior Analyst, The Waverly Research Group, Inc.
Midlothian, Virginia
- 1990 – 2000: Principal, Weir Associates
Winston-Salem, North Carolina and Leyland, Lancashire, UK
- 1986 – 1990: Vice-President of Research, Perry C. Craven Associates, Inc.
Winston-Salem, North Carolina
- 1983 – 1986: Senior Analyst, Bell & Gardner, Inc.
Winston-Salem, North Carolina
- 1981 – 1983: Housing Planner II and Appalachian Regional Commission Housing
Technical Assistance Coordinator, Northwest Piedmont Council of
Governments
Winston-Salem, North Carolina
- 1980 – 1981: Executive Director, Kankakee River Basin Commission
Highland, Indiana
- 1977 – 1980: Planner II, Northwestern Indiana Regional Planning Commission
Highland, Indiana

Education:

University of North Carolina at Greensboro, B.A. in Geography, 1973
Indiana State University, M.A. in Geography, 1981
University of North Carolina at Greensboro, M.B.A., 1986

Professional Affiliations:

Former Member, Board of Directors, Council for Rural Housing and Development (CRHD),
Washington, D.C.

Former Chair, Market Analysts Research Committee (MARC), Council for Rural Housing and
Development, Washington, D.C.