Market Study Process:

The Applicant will be required to submit a cashier’s check in the amount of $4,500.00 at the Tier One Application submittal or the application will be disqualified.

1. Upon receipt of Tier One Applications, the Authority will assign proposals to commissioned Market Analysts. The Authority will work to assign proposals which are geographically clustered and proposals for which the Analyst has not already performed a preliminary market study. Market studies must conform to the requirements in Exhibit S and S – 2 and both will become property of the Authority;

2. Applicants should notify the Authority immediately if they believe a conflict of interest exists with an assigned Market Analyst. The Authority will make the final determination if a conflict exists and/or if changes will be made;

3. Unless a specific definition is given in the 2011 QAP Package, commissioned market analysts must adhere to Market Study terminology as sanctioned by the National Council of Affordable Housing Market Analysts. The Market Study Terminology list is available at: www.housingonline.com/Resource.aspx.

4. Once assignments are made, analysts may contact Applicants to ensure they have all information necessary to complete a market study. However, analysts and Applicants must not discuss the market study, the market, marketability factors, and any additional information to be used in the market study for each assigned proposal by 5:00 PM (EST) Friday, March 11, 2011. Each pre-market analysis must include the following:
   a. A map of the PMA;
   b. A physical description of the PMA including the methodology used to define it;
   c. Census tracts that encompass the PMA; and
   d. A list of the comparable/competitive developments to be used in the market study.

5. The Authority will notify Analyst via email once all pre-market analysis is deemed acceptable. Analysts will have six (6) weeks to complete all assigned market studies. All completed studies must be received by 5:00 PM (EST) Friday April 15, 2011. Two hard copies must be submitted to the Authority along with one electronic copy. The electronic copy must be in the form of a CD, DVD or Flash Drive.

2.6 Upon receipt of all completed market studies, the Authority will forward a copy to the Applicant and begin the in-house review. If alterations are recommended, the market study should reflect conclusions based on both the original proposal and the recommendations. This includes capture rates, absorption periods, market advantage, etc. This would include completing Exhibit S – 2 for both scenarios.

b7 The Applicant must submit in writing to the Authority that s/he has received their market study. If alterations are recommended the Applicant must incorporate the changes into the proposal.

4.8 The Authority will consider the market study, the market, marketability factors, and any additional information available to determine if an acceptable market exists for a development as proposed. The Authority is not bound by the conclusions or recommendations of the Market Analysts and reserves the right to disqualify any application in the competition if it determines an acceptable market does not exist.

9. In one cover letter, separate from the individual market studies submitted, the Market Analyst must indicate which proposals, if any, are located within the same market area. A determination must be made if the PMA can absorb all proposals, and if not, the analyst must identify the strongest proposal(s) and the reasons why.

A. Project Description

1. Give the following information for the proposed subject as provided by the LIHTC Applicant:
   a. Development Location;
   b. Construction Type: New Construction, Rehab, Acquisition and Rehab, Adaptive Reuse;
   c. Occupancy Type: Family, Older Persons, etc.;
   d. Target Income Group: 50% AMI, 60% AMI, Market Rate;
   e. Special Needs Population (if applicable);
   f. Number of units by bedroom/bathroom;
   g. Number of buildings and stories and if there will be an elevator;
   h. Unit Size(s);
i. Structure Type/Design: Townhouse, Garden Apartment, etc.; 

j. Proposed Rents and Utility Allowances including energy source (Gas, Oil, Electric) and if utility is Tenant or Owner’s responsibility; 

k. Status of Project Based Rental Assistance: None, Existing, Proposed; 

l. Proposed Development Amenities; 

m. Proposed Unit Amenities; 

n. For rehab proposals, please provide: current occupancy levels, current rents being charged (versus proposed rents), tenant incomes, as well as detailed information about the scope of work planned and how the rehabilitation will be carried out.

B. Site Description

1. Give the date(s) the senior analyst/market study author made a site visit including surrounding market area developments. 

2. Describe physical features of the site, adjacent parcels, surrounding structures and neighborhoods. Give a brief description of the surrounding land uses. Note any obvious environmental concerns or any other visible concerns. 

3. Give the site’s general physical location to surrounding roads, public transportation, community amenities, employment, and services. It is extremely important to identify the closest shopping areas, schools, and employment centers, medical facilities and other amenities that would be important to the targeted population. 

4. Indicate if there are any road or infrastructure improvements planned or under construction in the proposed market area. 

5. Provide information or statistics as well as local perceptions of crime in the neighborhood, if applicable. 

6. Comment on access, ingress/egress, and visibility to site. 

7. Describe overall positive and negative attributes about the site as they relate to marketability.

C. Market Area

1. Provide all Primary Market Area pre-market analysis information. Include a copy of the email in which the Authority finalized the PMA. 

2. The analyst may provide information about the secondary market area if desired. 

D. Market Area Economy

1. A map of the site as compared to the locations of major employment concentrations. 

2. Employment by industry—numbers and percentages (i.e. Manufacturing: 150,000 (20%)). 

3. The major current employers and anticipated expansions, contractions in their workforces, as well as newly planned employers and their impact on employment in the market area. 

4. Total workforce figures and employment and unemployment trends for the market area and, where possible, the county. Provide numbers and percentages for both. Provide annualized figures for these trends (i.e. average annual increase of unemployment of 1.2%). 

5. If relevant, comment on the availability of housing for low- to very low-income employees of businesses and industries that draw from the PMA. 

6. Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA.

E. Community Demographic Data

Provide the following demographic information for the market area, giving historical data as well as current data and estimates. Include data on population and household trends from 2000 to 2010 and projected to 2013. Projections must be prepared by a reputable source such as Claritas. U.S. Census data prior to the 2000 Census is only acceptable as historical data. If the Market Analyst does not agree with these projections, s/he must provide the reasoning, along with substitute projections. Both numbers and percentages should be shown for the data below. Annualized growth figures should be included. Please include a brief narrative of overall conclusions.

1. Population Trends 
   a. Total Population
b. Population by age groups
   c. Number of older persons (for older persons projects)
   d. If a special population is proposed for the development (i.e. migrant workers, homeless), provide additional information on population growth patterns specifically related to this population.

2. Household Trends
   a. Total number of households, average household size, and group quarter.
   b. Households by tenure (if applicable, breakout by older persons and non-older persons).
   c. Households by income. (Older persons proposals should reflect the income distribution of those households only).
   d. Renter households by number of persons in the household.

F. Project-Specific Demand Analysis

1. Income Restrictions: Use the applicable incomes and rents in the subject’s application. Be aware of the specific income restrictions which apply to the tax credit program. Analysts must take the income restrictions designated in the application into account when estimating demand.

2. Affordability: Analysts must assume that no family households are able to pay more than 35% of gross income towards gross rent and no elderly households are able to pay more than 40% of their gross income toward gross rent. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.

3. The demand analysis should clearly indicate the minimum and maximum income range for each targeted group.

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

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

4. Demand: The demand should be derived from the following sources using data established from a reputable source:

   a. Demand from New Renter Households: New rental units required in the market area due to projected renter household growth. Determinations must be made using the current base year of 2010 and projecting forward to the anticipated placed-in-service date of 2013. The population projected must be limited to the age and income cohort and the demand for each income group targeted (i.e. 50% of median income) must be shown separately.
   
   - In instances where a significant number (more than 20%) of proposed rental units are comprised of three-and four-bedroom units, analysts must refine the analysis by factoring in the number of large households (generally 4+ persons). A demand analysis which does not take this into account may overestimate demand.

   b. Demand from Existing Households: The second source of demand should be determined using 2000 census data and projected from:

   1) Rent over-burdened households, if any, within the age group, income cohort and tenure targeted for the proposed development. In order to achieve consistency in methodology, all analysts should assume that the rent-overburdened analysis includes households paying greater than 35% or in the case of elderly 40% of their gross income toward gross rent rather than some greater percentage. If an analyst feels strongly that the rent-overburdened analysis should focus on a greater percentage, they must give an in-depth explanation why this assumption should be included. Any such additional indicators should be calculated separately and be easily added or subtracted from the required demand analysis.

   2) Households living in substandard housing. Households in substandard housing should be adjusted for age, income bands and tenure that apply. The analyst should use their own knowledge of the market area and project to determine if households from substandard housing would be a realistic source of demand.
   
   - The Market Analyst is encouraged to be conservative in his/her estimate of demand from both households that are rent-overburdened and/or living in substandard housing.
3) Elderly Homeowners likely to convert to rentership: The Authority recognizes that this type of turnover is increasingly becoming a factor in the demand for elderly tax credit housing. A narrative of the steps taken to arrive at this demand figure should be included.

4) Other: Please note, the Authority does not, in general, consider household turnover rates other than those of elderly to be an accurate determination of market demand. However, if an analyst firmly believes that demand exists which is not being captured by the above methods, s/he may be allowed to consider this information in their analysis. The analyst may also use other indicators to estimate demand if they can be fully justified (e.g. an analysis of an under-built or over-built market in the base year). Any such additional indicators should be calculated separately and be easily added or subtracted from the demand analysis described above.

5. Method: Please note that the Authority’s stabilized level of occupancy is 93%.
   a. Demand: The two overall demand components added together 4a and 4b above represent demand for the project.
   b. Supply: Comparable/competitive units funded, under construction, or placed in service in 2010 must be subtracted to calculate net demand. Vacancies in projects placed in service prior to 2010 which have not reached stabilized occupancy must also be considered as part of the supply.
   c. Capture rates: Capture rates must be calculated for each targeted income group and each bedroom size proposed as well as for the project overall.
   d. Absorption rates: The absorption rate determination should consider such factors as the overall estimate of new renter household growth, the available supply of comparable/competitive units, observed trends in absorption of comparable/competitive units, and the availability of subsidies and rent specials.

6. Example of Method:
   a. Demand

<table>
<thead>
<tr>
<th></th>
<th>Households at 50% Median Income (min. income to max. income)</th>
<th>Households at 65% of Median Income (min. income to max. income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand from New Households (age and income appropriate)</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Demand from Existing Households Rent-Overburdened</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Demand from Existing Households Renters in Substandard Housing</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Demand from Existing Households Elderly Homeowner Turnover</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>=</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Total Demand</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Supply</td>
<td>=</td>
<td>=</td>
</tr>
<tr>
<td>Excess Demand/Supply</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

   b. Net Demand and Capture Rates

<table>
<thead>
<tr>
<th>Bedrooms</th>
<th>Total Demand</th>
<th>Supply</th>
<th>Net Demand</th>
<th>Units Proposed</th>
<th>Capture Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Bedroom % AMI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Bedroom % AMI</td>
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<tr>
<td>3 Bedroom % AMI</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4 Bedroom % AMI</td>
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</tr>
</tbody>
</table>

G. Supply Analysis (Comparable/Competitive Rental Developments)

The supply analysis will be given significant weight in the Authority’s review of the market study. The senior analyst/market study author must visit all comparable/competitive developments. The analysis must include all existing
LIHTC projects and other projects that would compete with or be affected by the proposed project. The analyst must include and consider all developments under construction and/or in the pipeline in the analysis.

1. Provide a copy of the email in which the Authority finalized the list of most directly comparable/competitive developments in the pre-market analysis.
2. The following information should be included for each comparable/competitive development:
   a. Name, Address, and Phone Number
   b. Contact Person’s Name and staffing of the comparable/competitive property development
   c. Photograph
   d. Monthly Rents and utilities included in the rent, if any
   e. Type of development (RHS, tax credit, conventional, bond, bond and tax credits, etc.)
   f. Breakdown of unit sizes by bedroom/bathroom count
   g. Square footage for each comparable/competitive unit type
   h. Project age and Condition
   i. Population Served
   j. Description of unit amenities (include kitchen equipment) and site amenities
   k. Concessions given, if any
   l. Current vacancy rates broken down by bedroom size. Vacancy rates are to be determined using 2010 second and fourth quarter information provided by property management.
   m. Waiting list information, if any
   n. Number of units receiving rental assistance, description of assistance as project or tenant based.
   o. For developments in the planning or construction stages, provide the name, address/location, name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
   p. If the proposed project is an additional phase of an existing project, include a tenant profile as well as any information about a waiting list.

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

3. A map showing the comparable/competitive developments in relation to the proposed site. The map should have an identifiable usable scale.
4. If applicable to the proposed development, provide data on three and four bedroom single-family rentals, OR provide information on rental trailer homes and single family homes in rural areas lacking sufficient three and four bedroom rental units in an attempt to identify where potential tenants are currently living.
5. Derive the programmatic rent and compare them to the proposed development’s rent. Quantify and discuss market advantage of the subject and impact on marketability.
6. Calculate the overall market vacancy rate, the overall comparable/competitive vacancy rate, and the overall vacancy rate for all LIHTC projects in the market area. (Do not include new projects in the process of “renting up” in vacancy rate.)
7. The cost and availability of homeownership and mobile home living, if applicable.
8. Conclusion as to the impact that the proposed project will have on the occupancy of other assisted housing projects in the market area.
9. Discuss the availability of affordable housing options, including purchase or sale of homes.
10. The Market Analyst should note any primary housing voids in the market and comment whether the proposed project will fill such a void or not.

H. Interviews

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

I. Recommendations

Market Analysts must provide a recommendation that clearly states whether a proposed project should be awarded tax credits. The Market Analyst must provide a brief summary of all the major factors that led to their conclusion. If the
analyst determines that the project can be altered to optimize the fit to its market, recommendations should be clearly addressed in a narrative form.

The completed market study must incorporate any changes necessary to meet the minimum threshold requirements stated in the 2011 QAP. If the development cannot be revised to meet the threshold requirements the market analyst must explain why they cannot be met.

**J. Signed Statement Requirements**

The signed statement must include the following language:

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. I understand that any misrepresentation of this statement may result in the denial of further participation in the South Carolina State Housing Finance & Development Authority’s programs. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the SCSHFDA’s market study requirements. The information included is accurate and can be relied upon by SCSHFDA to present a true assessment of the low-income housing rental market.

Market Analyst Author

Date