

Exhibit L
Arizona Department of Housing (ADOH) Year 2012
Market Study Guide for Multifamily Rental Housing

GENERAL REQUIREMENTS FOR A MARKET STUDY:

The Arizona Department of Housing (ADOH) requires an independent, comprehensive, current, and professional Market Study for each proposed development. The Market Study must be prepared no more than six months before the Application is submitted to ADOH. The applicable date for the start of the six month period prior to the Application date is the field research date. A Market Analyst, unaffiliated with the Applicant, Developer, Lender, and/or Syndicator and experienced in multi-family rental housing, must prepare the study. The Market Study must be prepared using the market study requirements in ADOH's Market Study Guide (the "Guide"). Market studies that do not conform to the requirements in the Guide will be subject to further review and possibly not accepted until a conforming study is submitted.

ADOH may reject an Application if it determines, in its sole discretion, that the Market Study:

- 1) is not in final form;
- 2) has not been executed by the analyst;
- 3) deviates from the requirements of this Guide; or
- 4) fails to include an analyst's certification that substantially complies with Addendum 1 to this Guide.

ADOH will consider all facts and circumstances in making this determination, including the possible disruption caused by unneeded units entering the market at low rents. As a protection against the saturation of low-income units and to ensure absorption of new units, ADOH will approve no more than one family, one elderly, and one special needs category project (one project for each special needs category) per Tax Credit round in a community with a population of 50,000 or less.

ADOH receives a large number of market studies as part of the application process for financing and requests for rental housing Tax Credits. By requiring specific information in all market studies, ADOH will be able to assess housing needs in competing communities through a comparison of similar characteristics. By requiring that all market studies be prepared in accordance with a specific outline, ADOH will be able to perform a more comprehensive and expeditious review. The two main objectives of the Market Study are to demonstrate that sufficient demand exists for the proposed development in the market area, and that the proposed project will not cause undue economic harm on the existing rental stock in the market area.

In its review of supply and demand, the Market Study must focus on the type of low-income housing development being proposed (i.e., elderly, large family, populations with special housing needs) as well as the income and rent levels proposed for the project. The Market Study must demonstrate strong demand for the type of low-income housing project proposed, as evidenced by growth of income qualified renter households in the market area, relatively low vacancy rates, comparable rent levels,

reliable wait lists and strong absorption rates at comparable properties in the Market Area. The Market Analyst is required to solicit the opinion of those knowledgeable of the housing submarket in the community where the proposed development is located. These experts include, but not limited to appropriate government officials (housing, planning, or economic development), local experts (i.e. brokers, developers, chambers of commerce), and colleges or universities. The opinions of these experts must be recorded in the Market Study. The Applicant must provide these officials a copy of the Market Study as soon as it is available. The table below provides contact information for housing departments for Arizona communities of population of 100,000 or more:

City of Phoenix	(602) 262-6291
City of Tucson	(520) 791-4171
City of Mesa	(480) 644-2168
City of Glendale	(623) 930-2868
City of Scottsdale	(480) 312-4304
City of Tempe	(480) 350-2912
City of Chandler	(480) 782-3200
Town of Gilbert	(480) 503-6893
Town of Peoria	(623) 773-7167

In addition, the local government entity must submit a letter commenting on the conclusions of the Market Study and issue any disagreements it may have with the Market Study. ADOH issues a letter to the appropriate government entity requesting their response to the Market Study. ADOH shall notify the Applicant of any such disagreement so that the Market Analyst can issue a response.

All assumptions and sources of data used within the Market Study must be clearly documented. All demographic tables must include both absolute numbers and corresponding percentages (% of growth or % of total). All data and information that applies to a specific area such as a primary market area, competitive market area, difficult to develop area, or a particular qualified census tract; the data and information shall clearly identify the specific area to which it applies.

Following its review of the Market Study, ADOH, in its sole discretion, may request additional market information from the Applicant, the Applicant's Market Analyst, or another Market Analyst. Additional comment from the local government before reserving Tax Credits may be required.

The following Market Study Outline establishes the minimum requirements of ADOH. Market Analysts are expected to include any additional information that may be relevant and necessary to the analysis.

MARKET STUDY OUTLINE:

The Market Study must be prepared based on the following outline. The order and names of each section detailed in this outline must be used.

Table of Contents

I. INTRODUCTION 5

 OBJECTIVES OF THE MARKET STUDY5

 QUALIFICATIONS OF THE ANALYST5

 CERTIFICATION LETTER5

II. EXECUTIVE SUMMARY 6

III. PROPOSED PROJECT SUMMARY 7

 PROJECT DESCRIPTION7

 PROPOSED UNIT AND PROJECT AMENITIES7

IV. PROPOSED SITE ANALYSIS 8

 SITE DESCRIPTION8

 SITE ACCESS AND VISIBILITY8

 PROXIMITY TO COMMUNITY SERVICES.....8

 SITE PHOTOGRAPHS9

V. MARKET AREA ANALYSIS..... 10

 MARKET AREA DESCRIPTION10

 MARKET AREA MAP.....10

VI. DEMOGRAPHIC AND ECONOMIC ANALYSIS..... 11

 POPULATION AND HOUSEHOLDS11

 HOUSEHOLD INCOME.....11

 EMPLOYMENT.....12

 HOUSING12

 REQUIREMENTS FOR PROJECTS PROPOSING NON-AFFORDABLE COMPONENTS.....13

 CRIME ANALYSIS AND MAPS.....13

VII. SUPPLY ANALYSIS..... 15

 RENTAL HOUSING OVERVIEW15

Historical and Current Rental Inventory..... 15

Current Rents & Concessions 15

Absorption and Waiting Lists 16

Properties Under Construction or Planned..... 16
COMPARABLE PROPERTIES 16
VIII. CAPTURE RATE ANALYSIS 19
IX. CONCLUSIONS 21
ADDENDUM 1 – CERTIFICATION LETTER..... 22
Arizona Department of Housing Market Study Certification 22
Notification of confidentiality and declaration of proprietary right to Market Demand Study..... 23
ADDENDUM 2 – PROJECT SUMMARY TABLE..... 24
ADDENDUM 3 – PROPOSED AMENITIES 25
ADDENDUM 4 – COMMUNITY SERVICES AND SITE AREA DETRACTIONS 26
ADDENDUM 5 – CAPTURE RATE ANALYSIS 27

I. INTRODUCTION

OBJECTIVES OF THE MARKET STUDY

This section provides a brief overview of the project including, but not limited to, the following items:

- 1) Project Name
- 2) Location (address/intersection and City/Town, longitude, latitude)
- 3) Type of project (new construction, rehab, acq/demo/new construction)
- 4) Market segment served (households with children, elderly (62+), senior (55+), chronically homeless, veterans or special needs)
- 5) Income targeting (60%, 50%, 40%, 30% AMI; public housing; market rate)
- 6) Number of units

Also, the entity that commissioned the Market Study must be identified including entity name, contact name, address, and phone number. This section must also explain any assumptions and limiting conditions that the Market Study is subject to.

QUALIFICATIONS OF THE ANALYST

This section of the study must include a one to two page summary of the Market Analyst's qualifications and experience in conducting market studies for income-restricted rental housing properties.

CERTIFICATION LETTER

The Market Analyst must include the Certification Letter provided as ADDENDUM 1.

II. EXECUTIVE SUMMARY

The Executive Summary must outline the most pertinent findings of each section of the Market Study. The Executive Summary should not exceed five pages. It must provide brief summaries of the proposed development, site evaluation, market area, demographic and economic trends, rental housing market, comparable market rents, capture rate analysis, and conclusions. A table detailing the characteristics of the proposed development and conclusions of the Market Study must be provided. The following table includes the minimum information and format required. Other information may be added.

Quick Project Details			
Location		Description	
Project Name:		Project Type:	<i>New Construction or Rehab</i>
City/Town:		Total Units:	
County:		Low Income Units:	
Address/Intersection:		Market Rate Units:	
Census Tract:		Unit Types:	
		Income Set Asides:	<i>% of units at 40/50/60 AMI</i>
		Target Population:	<i>Family, elderly, or special needs</i>
Demand, Absorption, and Occupancy			
Target Vacancy Rate:			
Projected Absorption Rate:			
Projected Lease-Up Period:			
New Households Capture Rate (Project Total):			

III. PROPOSED PROJECT SUMMARY

PROJECT DESCRIPTION

The Market Analyst must incorporate the Project Summary Table provided as ADDENDUM 2 to describe the proposed unit mix, unit size, gross rents, utility allowances, and collected rents. In addition, the Market Analyst must specify utility responsibility and the anticipated date of opening. A description of the number of proposed buildings, their appearance (e.g., 40% brick/60% stucco with tiled roof), number of stories, and construction type (i.e., walk-up, townhouse, high-rise with elevator) must be provided as well.

For rehabilitation projects, provide current rents by unit type, current rent roll, current and historical vacancy rates, and wait lists must be provided where available. Also, an analysis of the number of existing units occupied by residents who are expected to be income-eligible for the proposed development is required.

If the project is submitted under the Acquisition/Demolition/New Construction of a Blighted Structure or Stalled Project category, additional stipulations are required. First, the Market Analyst must acknowledge that they have performed at least a cursory inspection of the property's current use. Second, they need to have reviewed, evaluated and provided marketability input regarding the proposed site plan, elevations, unit configurations, unit mix, project amenities as well as assess the proposed project's competitive position within the Primary Market Area (PMA). Third, in the conclusion section of this report, the Market Analyst must provide their opinion and rationale explaining why the Acquisition/Demolition/New Construction of a Blighted Structure or Stalled Project strategy is superior.

If the property is mixed to include retail, office or other commercial uses, describe the expected synergies and potential conflicts between and among each use. The analyst must discuss possible conflicts arising from the separate uses including, but not limited to, the separate parking requirements for each.

PROPOSED UNIT AND PROJECT AMENITIES

The Market Analyst must incorporate the Amenities Table provided as ADDENDUM 3 to describe the unit and project amenities being proposed. The number and type of parking spaces proposed must be described, as does the net (heated) square footage of the community building (if proposed). The proposed rent for any optional amenities must also be included.

For rehabilitation projects, a detailed list of the proposed improvements must be included as well. (This can be provided by the developer and included as an Addendum to the study.)

IV. PROPOSED SITE ANALYSIS

SITE DESCRIPTION

The Market Analyst must personally visit the proposed site. The site location must be described using the nearest roadways (streets and/or highways). The observable physical features of the proposed site must be described (i.e. flat, undeveloped, agricultural, rocky, etc). Other information to be documented includes the size of the proposed site (in acres) and the census tract in which the site is located. The census tract of the proposed site is available from the Census Bureau at the following link.

http://factfinder.census.gov/servlet/AGSGeoAddressServlet?_programYear=50&_treeId=420&_lang=en&_sse=on

The project location must be described in terms of characteristics of the neighborhood and submarket with respect to schools, transportation, employment centers, shopping, community services, and public facilities. A discussion of the current land uses of property adjacent to the proposed development must be included. In addition, the condition of surrounding land uses, and the positive and negative attributes of the proposed site and surrounding neighborhood must be discussed. The Market Analyst should also discuss the impact of the site and neighborhood on project marketability.

The Market Study must include a map showing the site and important neighborhood facilities and amenities, with a distance scale on the map (i.e. 1" = 2 miles).

SITE ACCESS AND VISIBILITY

The roadway(s) providing access to the proposed development must be described, and include the latest available traffic counts. Traffic count surveys are generally readily available from a community or county. To the extent that a traffic count survey is either unavailable or does not cover the roadways adjacent to the proposed site, a statement to that effect must be made. The Market Analyst must describe the proposed site's roadway frontage (in feet) and evaluate the proposed site in terms of its visibility from the adjacent roadways. If the site is located along a secondary roadway, its proximity to the nearest major roadway must be described. The Market Analyst must discuss any difficulties with visibility and access including, but not limited to, highways, power lines, railroad tracks, or landfills. The impact that these difficulties and any other location factor consideration relevant to the market and marketability of the proposed site must be evaluated.

PROXIMITY TO COMMUNITY SERVICES

The Market Analyst must incorporate the Proximity to Community Services Table provided as ADDENDUM 4. Distance (in miles) must be described as travel distance (i.e., calculated along dedicated roadways), not as direct distance or "as the crow flies." However, direct distance must be described for the nearest site detractors (i.e., excessive noise generators and health hazards, etc.) where appropriate. Include a map detailing the locations of the community services in relation to the proposed site. Be sure to include a distance scale on the map (i.e. 1" = 2 miles).

SITE PHOTOGRAPHS

Color photographs of the subject site from various vantage points, and color photographs of adjacent properties and streetscapes must be included. All photographs must be described (e.g., view of the site, looking northeast from Main Street / view from the site, looking west toward the adjacent single family home).

V. MARKET AREA ANALYSIS

MARKET AREA DESCRIPTION

The Market Area is the geographic area in which the subject development will compete with similar properties for residents. It is the area in which properties of the same use are affected by the same economic, demographic, and supply and demand factors. It is also the smallest geographic area from which the subject development will draw most of its residents. Unless accompanied by a waiver request, it is expected that all primary competitive properties will be located within the PMA. The PMA must be a contiguous functional region with similar uses and demographic trends.

The Market Area must be justified. The Market Analyst must provide a narrative describing the methodology and rationale used to determine the Market Area. The narrative must include the names and telephone numbers of the local officials, experts, or other persons with submarket knowledge interviewed and the summaries of the salient points of those interviews of local officials who assisted in the determination of the Market Area. Local officials and experts include, but are not limited to, city or county administrators, economic development officials, postmasters, law enforcement officials, school administrators, apartment managers with experience in the area where the project is located, senior center operators, and hospital administrators. If the Market Analyst chooses to define a secondary market area, a description and justification must be provided. The Market Analyst must explain the percentage of estimated demand to be derived from the primary and secondary market areas.

The square mileage of the Market Area must be described. Market Areas shall be limited by natural (e.g., rivers and mountains) or man-made (e.g., political and socio-economic) boundaries. Market Areas shall not be radial, nor shall they be based on concentric circle approach. Market Areas may follow Census-defined boundaries including census tracts, block groups or blocks where appropriate. The Market Analyst has substantial latitude in determining the shape of a Market Area polygon, as long as it does not exhibit the characteristics of a “red flag” market area described by NCAHMA including: radi-concentric circle, county-wide market areas and gerrymandered market areas.

The project site should be located at or near the centroid of the PMA. ADOH may reject a market study if the project site is located outside of the PMA or if the site appears to be only marginally correlated to the centroid of the PMA.

Census tract maps are available from the U.S. Census Bureau at the following link.

http://factfinder.census.gov/servlet/ReferenceMapFramesetServlet?_lang=en&_lang=en

MARKET AREA MAP

A map clearly illustrating the Market Area is required. This map must describe the proposed site location. The map must be scaled for distance.

VI. DEMOGRAPHIC AND ECONOMIC ANALYSIS

POPULATION AND HOUSEHOLDS

Population and household trends within the Market Area must be described in table format. The table must include population and households' data from the current year, year of project opening, and five-year projection (5 years from the current year). Population and household growth must be described in absolute and percentage terms. Percentage growth must be listed as compound annual rates. Nationally recognized demographic providers (Claritas, ESRI, AGS, for example) are suggested sources for estimates and projections. Other commercial or government sources of population and household projections may be considered. If the Market Analyst determines that the growth rates projected by Claritas, ESRI, or other sources are not realistic, the Market Analyst may not adjust the projected growth rates unless a proper justification is included in the narrative analysis. In this case, the Market Analyst is required to show the projected growth rates from Claritas, ESRI, or other sources as well as the adjusted growth rates.

Market studies addressing a proposed development serving persons with disabilities must include the 2000 distribution of Noninstitutionalized Population with Disabilities by Type of Disability. This data is available from the Census 2000 Summary File 3 (SF 3), Table P41. Additional data regarding specialized population characteristics may be sourced from service providers serving such populations and having more than 5 years of continuous operating experience.

In addition to reporting the requested data in table format, the Market Analyst is expected to provide a narrative analysis of the data provided and its potential impact on demand for the proposed development.

HOUSEHOLD INCOME

Distributions of Household Income within the Market Area must be provided in table format for the current year, and 5-year projection. The current estimated median household income among all households, owner households, and renter households must be described.

Distributions of Income among Renter Households must be provided in table format for current year and the anticipated year of project opening. The Market Analyst shall project the Distribution of Income among Renter Households to the anticipated year of project opening.

Market studies addressing a proposed development serving an age-restricted population must include Distributions of Income among Owner Households by Age, as well as Distributions of Income among Renter Households by Age. Age cohorts of 10 years must be used, when applicable and where available. The distributions can be limited to those age cohorts applicable to the proposed development (i.e., age 55+ or age 62+).

For all tables, income cohorts of no more than \$5,000 must be used, when applicable and where available. Households with income over \$50,000 can be condensed into a single cohort.

All tables must include both the numbers and correlating percentages.

EMPLOYMENT

The potential demand for the proposed development is a function of the local and regional economy. The Market Analyst is required to provide an analysis of current and forecasted economic conditions and how they relate to demand for additional new rental housing.

The economy of the Market Area and the region surrounding the Market Area must be addressed with a minimum of the following information:

- 1) Total employment growth – Current year through forecast period (5 year projection).
- 2) Unemployment rate – Current year.
- 3) Major current employers and estimated employment within 20 minute drive time (urban projects) and 45 minute drive time (rural projects).
- 4) Average annual wages by industry – Current year.
- 5) Anticipated expansions, closures, and any new employment planned within drive times described above.
- 6) Proposed transportation improvements and detrimental changes.

The Market Analyst must provide the above information for the relevant Market Area if available. Otherwise, metro area or countywide figures are suggested. In the case of employment by industry, total employment and percent of total employment must be reported. For total employment growth, total employment and percentage growth must be provided.

Employment and wage data can be found from a number of sources including the Arizona Department of Economic Security and the U.S. Bureau of Labor Statistics. Use the following links for further information.

<http://www.workforce.az.gov/>

or <http://www.bls.gov/>

HOUSING

In order to characterize the existing housing stock in the Market Area, a number of data points are required. The Market Analyst must provide lease up year and five year projected values for the numbered items below. In the event lease up year data is unavailable, the Market Analyst can interpolate current year data. The data should be reported in table format using both absolute numbers and percent of total.

- 1) Housing Units by Occupancy and Tenure
- 2) Owner Occupied Housing Units by Value
- 3) Households Annual Growth Rate

The Market Analyst must address the affordability of home ownership alternatives available to the target population within the Market Area, and its impact on the proposed rental housing development.

REQUIREMENTS FOR PROJECTS PROPOSING NON-AFFORDABLE COMPONENTS

Market Studies supporting projects that propose non-affordable components such as market-rate units or mixed-use (i.e. non-residential commercial or retail) components of a project shall comply with the following:

- 1) The Market Study must clearly identify and account for the demand for the non-affordable component of a project; and,
- 2) For projects with non-affordable income producing components, the Market Study must reasonably address the demand for each non-affordable component and the consequences of poor market performance of the non-affordable component on demand for the affordable rental units. At a minimum a Market Study for a project with a mixed-use component shall include the following elements:
 - a. A justification of the construction of the project's competitive market/trade area ("CMA") as required by this Guide for the PMA for residential rental properties.
 - b. A gap analysis analyzing the current supply and demand conditions within the CMA for the proposed use.
 - c. A 5-year forecast for supply and demand factors within the CMA.
 - d. An explanation of the optimal tenant mix for commercial space(s) based on the CMA construction analysis described in paragraph 7(l)(ix)(2)(a).
 - e. An analysis and explanation of achievable rents and any competitive advantage offered by the project.
 - f. Estimated vacancy rates with expected scenarios.
 - g. Estimated lease up time frames with expected scenarios.
 - h. An explanation of the suitability of the proposed mixed use for the project as a whole, i.e., demonstration that the proposed use is complementary and synergistic with other uses or components of the project.
 - i. An explanation and analysis of ingress/egress (both pedestrian and vehicular) and parking needs for the total project.
 - j. An explanation of other functional constraints such as commercial delivery, trash disposal, odor control, ventilation, and other constraints reasonably contemplated by the proposed project.
 - k. Evidence of any pre-leasing interest in the property.

CRIME ANALYSIS AND MAPS

In conjunction with crime information analysis and communications with knowledgeable local market participants (Section V Market Area Description), the Market Analyst is expected to provide ADOH with a commentary and analysis on neighborhood crime trends, implications and perceptions integrating all pertinent information.

Include a map of the PMA showing property and violent crime for the most recent period, as well as a map showing crime data for the prior 12 months. Describe if there are any special enforcement zones or concentration efforts on behalf of law enforcement within or adjacent to the PMA.

If the controlling jurisdiction does not provide mapping, the Market Analyst can provide the most recent data and the prior year data for violent and property crime statistics in tabular form.

VII. SUPPLY ANALYSIS

RENTAL HOUSING OVERVIEW

The Market Analyst must conduct a large enough survey of the existing rental stock within the Market Area to provide an accurate overview of the entire rental housing market. The Market Area is the geographic area in which the subject development will compete with similar properties for residents. It is the area in which properties of the same use are affected by the same economic, demographic, and supply and demand factors. It is also the smallest geographic area from which the subject development will draw most of its residents. Unless accompanied by a waiver request, it is expected that all primary competitive properties will be located within the PMA. The PMA must be a contiguous functional region with similar uses and demographic trends. In addition to market rate properties, this survey must include all Tax Credit (9%) and Bond (4%) developments.

The following information must be provided at a minimum. If certain information is not available, provide as much information as possible. In addition to tables, the Market Analyst must include a narrative summarizing the overall condition of the rental housing market within the Market Area.

Following is a breakdown of data and information required (to the extent it is available).

Historical and Current Rental Inventory

- 1) Current rental inventory in the Market Area for market rate and Tax Credit/Bond units (separately) detailing number of units by unit type, average gross rents by unit type (adjusted for utilities), average unit sizes by unit type, and vacancy rates. Include historical (prior 4 quarters where available) & current vacancy rates and new units constructed for the entire rental market.
- 2) Historical (prior 4 quarters where available) & current vacancy rates and new units constructed for Tax Credit and Bond developments.
- 3) Seasonality of market.
- 4) List of LIHTC and Bond developments including number of units, income set asides, current vacancy rates, and year built.
- 5) Provide a map showing the locations of the LIHTC and Bond developments in the Market Area.

Current Rents & Concessions

- 1) Current gross rents for comparable and competitive projects in the Market Area. This must include all Tax Credit and Bond projects as well as any market rate properties
- 2) Other projects offering rents effectively equal to those proposed rents at the subject property.
- 3) Discuss trends in rent increases/decreases during the most recent years – compare and contrast to vacancy trends.
- 4) Discuss initial and renewal concession trends at competitive properties.
- 5) Evaluate how and to what extent (if any) rents are overstated due to concessions or other factors.
- 6) Provide information on current, monthly rent concessions, if offered.

Absorption and Waiting Lists

- 1) Absorption experience of recently-completed market rate projects.
- 2) Absorption experience of recently-completed Tax Credit and Bond developments.
- 3) Wait lists used as evidence of demand must be submitted at time of application and have been recently updated; waitlists not showing activity and data updating within the past 3 months shall be considered stale and unreliable.
- 4) Wait lists should have sufficient demographic information regarding prospect names, date of visit(s) or contact(s), income levels, family sizes, desired unit type/size, etc., in order to be relied upon in the decision making process. This can include income-appropriate waiting lists from local housing authorities if updated within the past 3 months.
- 5) Wait lists used as evidence of demand must be updated within the past 3 months on Market Study resubmittals, even though the Department may elect to accept other market data which is up to 6 months old.

Properties Under Construction or Planned

- 1) Identify all Tax Credit and Bond properties in the Market Area that are either under construction or planned. If there are no developments in the planning stages or under construction, a statement to that effect must be provided.
- 2) Identify any market rate developments either under construction or planned that have rents similar to those offered by the subject property.
- 3) Provide a map showing the locations of all LIHTC and Bond properties either under construction or planned.
- 4) For each project under construction or planned, provide information such as unit types offered, unit sizes, average rents, estimated completion date, and the extent of any lease up activity (if available).
- 5) Lists of Tax Credit and Bond properties already completed and currently under development can be found at the following links:

http://www.azhousing.gov/azcms/uploads/RENTAL%20APPLICATIONS/LIHTC/Tax_Credit_Projects_1987_Current.pdf

http://www.azhousing.gov/azcms/uploads/RENTAL%20APPLICATIONS/MF_Bond_Revenue_Applications_List.pdf

COMPARABLE PROPERTIES

The Market Analyst is required to identify those properties that are considered comparable to and will compete directly with the proposed development. Comparable market information shall be drawn from properties that are located in and are, as much as reasonably possible, fairly evenly distributed throughout the PMA. This requirement shall be strictly construed. Comparable properties are those developments serving the same target population, offering similar amenity packages, and/or offering similar rents. This analysis is intended to illustrate the projects' competitive position with respect to other housing choices within the PMA. These include Tax Credit and Bond properties as well as market rate multi-family complexes and single family rentals (if applicable).

Proposed rents and unit sizes at the subject property must be compared to those offered at the comparable properties in the Market Area. The following information is required in table format.

- 1) Compare subject property to Tax Credit and Bond properties including a breakdown by unit type, unit size, current concessions, and current rent.
- 2) Compare subject property to comparable market rate properties including a breakdown by unit type, unit size, current concessions, and current rent.

If the proposed project includes any 3 bedroom or larger units the Market Analyst must survey the PMA and identify and provide a count of all comparable (i.e. 4BD house = 4BD unit offered in proposed project) single family (SF) rental units available for rent during the survey period. A subset containing at least 10 of the most comparable SF rental properties must be used for the following analysis: describe the asking rents, psf rents, and amenity levels of these properties. If average asking rents for the subset of single family properties are within \$100 of any concession adjusted rent used as a rent comparable, the single family units must be included in the competitive supply analysis section of the market study. Properties with 80% or more subsidized units/tenants (project based rents, HUD, RD) are NOT to be used as comparables to LIHTC/Bond projects unless a waiver is submitted documenting why their inclusion is warranted.

Following is a sample table format that may be used for each unit type. The Market Analyst must create a single consolidated Comparable Property Table showing the most comparable and competitive market rate and/or LIHTC properties within the PMA. If the PMA includes more than 12 comparable and competitive market rate and/or LIHTC properties, the Market Analyst can elect to limit the Comparable Property Table to 12 of the most comparable properties (the 12 count would not include the subject property). Those properties located within the PMA but excluded from the table by the analyst should be noted and include a brief comment explaining the rationale behind why they were excluded.

Comparable Property	# of Units	Unit Size	Rent per month	Rent per sf	Concessions per month	Net Rent per month	Net Rent per sf
1 Bedroom							
Sample Property #1	50	650	\$715	\$1.10	\$50	\$665	\$1.02
Sample Property #2	75	850	\$723	\$0.85	\$100	\$623	\$0.73
Totals / Averages	125	770	\$720	\$0.93	\$80	\$640	\$0.83
Subject Property	35	625	\$521	\$0.83	\$0	\$521	\$0.83
% difference from Comparables		-18.8%	-27.6%	-10.8%		-18.5%	0.4%

ADOH generally considers the subject property to have a competitive advantage when the proposed rent(s) yield a 10% or greater price advantage relative to the peer group properties listed in the Comparable Property Table.

The following information must be provided in a one-page summary sheet for each Comparable Property (if available). A one page summary sheet is NOT required for SF or Mobile Home comparisons – these data points can be submitted in tabular form.

- 1) Color photograph of a residential building representative of the entire development
- 2) Name, address, telephone number of the development.

- 3) Contact person, date of contact, and mode of contact (i.e., in-person or by telephone).
- 4) Year of opening and year of significant renovation (if applicable).
- 5) Amenities (both unit- and project-related), including parking provisions.
- 6) Source of heat, water heating, and cooking (i.e., electric, natural gas, propane, etc.).
- 7) Utility responsibility (i.e., tenant-paid or owner-paid).
- 8) Number of units distributed by structure type (e.g., townhouse, garden-style, etc.) and unit type (i.e., number of bedrooms and baths within the unit).
- 9) Net (heated) square footage of units.
- 10) Collected rents are the gross rent less the utility allowance. Vacancy rates by unit type.
- 11) Program participation (e.g., HUD Section 8, RD Section 515, Tax Credit, etc.), if applicable.
- 12) Tenant profile (e.g., family, elderly, persons with special needs, etc.).
- 13) Waiting lists.
- 14) Turnover rate.
- 15) Absorption rate (if the property is less than 3 years of age).
- 16) Distance from the subject property. The distance from the subject property (in miles) must be described as travel distance (i.e., calculated along dedicated roadways), not as direct distance or “as the crow flies”.

For comparable developments in the planning or construction stages, provide as much of the required information (described on the preceding page) as is available, and include the development’s estimated date of market entry.

VIII. CAPTURE RATE ANALYSIS

The Market Analyst must describe the appropriate income range for each percent of Area Median Income (AMI) election at the proposed development.

For income-restricted Family Units, the minimum income must be based on the assumption that the household will apply up to 40% of their gross income towards their total housing expense. The maximum income must be based on the assumption that population per household will equal the number of bedrooms plus one (1). For example, the population of an efficiency unit is assumed to be 1 (i.e., zero bedrooms plus 1 equals 1), and the population of a three-bedroom unit is assumed to be 4 (i.e., 3 bedrooms plus 1 equals 4).

For income-restricted Senior Units, the minimum income must be based on the assumption that the household will apply up to 45% of their gross income towards their total housing expense. The Senior Capture Rate Analysis must focus on the targeted age group (i.e., age 55+, or age 62+). Up to 10% of the age and income appropriate homeowners within the Market Area may be included in the Senior Capture Rate analysis. (Homeowners are not to be included in the Family Capture Rate Analysis.)

For market-rate units, the Market Analyst must make some reasonable determination of a maximum income level beyond which a household will not likely be a participant in the rental market. The Market Analyst must clearly explain the assumptions used in determining the appropriate income range for the proposed market rate units. For units with project-based rental assistance, the appropriate income range can extend down to \$0.

In summarizing the Capture Rate Analysis, the Market Analyst is required to use the appropriate table provided in ADDENDUM 5. There is one table for family projects and one table for senior projects. Each of these tables includes two sections: Gross Households Capture Rate and Net New Households Capture Rate. Completion of these two sections is required.

In addition to the components of demand identified on the capture rate tables, the Market Analyst is required to account for two other factors. The number of comparable low income and market rate units (if applicable) in the Market Area that must be absorbed to reduce the vacancy rate to normalized conditions must be determined. The Market Analyst is required to assume that normalized vacancy is no more than 10%. The second factor that must be considered is comparable low income and market rate units either under construction or planned in the market area. Also, for all Rehab projects, the estimated number of existing residents that will be income-eligible and will likely remain at the property must be subtracted from the analysis.

For Acquisition/Demolition/New Construction of a Blighted Structure or Stall Project, the Market Analysts must assume that zero current residents will be expected to remain unless, a waiver is requested which includes a comprehensive relocation plan illustrating the relocation plan mechanics and all financing elements.

If the Market Analyst believes there are other sources of demand not included in the Capture Rate tables, they may be considered if the Market Analyst can justify the reason. Any additional sources of demand shall be calculated separately and be easily added or subtracted from the Capture Rate tables. If more

than 50% of the project's total net new household demand is found to be contingent upon demand arising from: substandard, overcrowded or units lacking complete plumbing, the maximum allowable rent shall be 20% below market rents.

Furthermore, if the proposed project's PMA includes 3 or more existing or approved and/or under construction LIHTC/Bond projects, and the 50% threshold above is triggered, ADOH may consider the PMA to be at an elevated risk of saturation and for cannibalism. Accordingly, ADOH may reject the capture rate outright or significantly adjust these figures. Therefore, in these circumstances the analyst has an additional burden of proof and must include relevant documentation showing recent cases in comparable market(s) where this demand actually materialized at or near the amounts forecasted without adversely affecting existing stock.

The Market Analyst must provide a narrative of what the capture rate means for the proposed development and market area. If the number of proposed units exceeds growth, the Market Analyst must provide additional documentation of demand that does not include cannibalization of existing affordable projects.

IX. CONCLUSIONS

The Market Analyst must summarize the proposed development's strengths and weaknesses in terms of the Market Area's rental housing market and target population. The Market Analyst must state his/her professional opinion regarding the proposed development's feasibility from a market perspective and what affect the proposed development would have on the existing market. Also, the Market Analyst must indicate any other information believed to be important to overall rental demand in the Market Area including comments on the appropriateness of the unit mix and proposed rents.

The Market Analyst must project an absorption rate (units per month), lease-up period (in months), and stabilized vacancy rate for the proposed development. The Market Analyst is required to properly justify the projected absorption rate, lease-up period, and stabilized vacancy rate for the proposed development. If the anticipated absorption rate causes the proposed development's initial absorption period to extend beyond one year, "replacement absorption" (i.e., the need to re-rent vacated units due to tenant turnover) needs to be factored into the Market Analyst's projection. (The subject property's absorption period is considered to start as soon as its first unit is certified for occupancy.)

For acquisition/rehabilitation projects, the Market Analyst must estimate the anticipated number of existing (program-eligible) residents who will elect to remain at the property through its renovation. With respect to the anticipated absorption period of renovation projects, the Market Analyst must describe the projection in two ways: 1) using the anticipated retention level and 2) using the assumption that no residents remain at the property.

For Acquisition/Demolition/New Construction of a Blighted Structure or Stalled Projects, the Market Analyst must provide a brief synopsis in this section discussing the key marketing/marketability considerations in comparing an Acquisition Rehab strategy versus an Acquisition/Demolition/New Construction of a Blighted Structure or Stalled Project strategy. This synopsis must address the property's current use and configuration compared to the proposed site plan, unit configurations, unit mix, project amenities as well as the proposed project's competitive position within the PMA.

If an unusually slow absorption rate and/or unusually low stabilized occupancy rate is anticipated, the Market Analyst must indicate if it is due more so to market-related issues or product-related issues. The Market Analyst is encouraged to make recommendations as to how the proposed development could be better structured to succeed within the market.

The Market Analyst must evaluate the impact the proposed development on the occupancy rates of all income-restricted properties within the PMA. This evaluation must result in a table noting each income-restricted rental housing property, its current vacancy rate, and anticipated vacancy rate at the subject property's projected date of stabilized occupancy.

A list of all ADOH-Tax Credit funded rental housing properties (existing and under development), are available for review at the following sites:

http://www.azhousing.gov/azcms/uploads/RENTAL%20APPLICATIONS/LIHTC/Tax_Credit_Projects_1987_Current.pdf

ADDENDUM 1 – Certification Letter

Arizona Department of Housing Market Study Certification

The undersigned, a recognized firm of independent market analysts knowledgeable and experienced in the development of affordable rental properties, completed this Market Study of (Development Name) in (Community Name) _____, Arizona, for (Developer/Applicant name).

To the best of our knowledge, all data contained in this report is correct to the extent that the local, State of Arizona, and federal recording agencies and demographic suppliers accurately record and publish this data. All projections were based on current professionally accepted methodology, and that we have primarily followed the ADOH Market Study Guidelines. If ADOH Market Study Guidelines have not been followed, then the analyst followed NCAHMA model.

The market analyst has no financial interest in the proposed project or in any other matters involving the Developer or Applicant, or their principals. The relationship of the market analyst is limited to that of an independent market analyst. The fee assessed for the study was not contingent on the proposed development or application being approved by the Arizona Department of Housing.

The market analyst made a physical inspection of the market area, reviewed all relevant data, conducted personal interviews with local apartment managers, government officials, local real estate professionals, and service providers, and independently established the conclusions for this report.

By: _____
(Market Analyst Company)

By: _____
(Authorized Representative)

Title: _____

Date: _____

Notification of confidentiality and declaration of proprietary right to Market Demand Study

The attached Market Demand Study is submitted to the Arizona Department of Housing (“the Department”) in support of the application to the Department and undersigned hereby notifies the Department as follows:

- 1) That applicant provides the attached market demand study to the Department solely for the Department’s use in evaluating and considering the related application and for use in determining the relative market demand for affordable housing in Arizona.
- 2) That although the Department shall retain custody of the attached market demand study, the study remains the property of the applicant and/or the analyst and shall be considered confidential, proprietary information of the applicant and/or the analyst for a period of no more than two years after the date of its submittal to the Department.
- 3) The applicant and/or the analyst further notify the Department that either one or both of them intend to treat the market demand study as a confidential proprietary document and shall not release the market demand study to third parties without taking reasonable and necessary steps to protect and preserve the confidential and proprietary nature of the document.
- 4) In the event that either one or both of the undersigned determine, within the two-year confidentiality period, to abandon or waive the proprietary right to the market demand study, the Department shall be notified accordingly.
- 5) The applicant and the preparing analyst understand that a market demand study submitted without executing this notification shall be considered by the Department to be records subject to public disclosure pursuant to A.R.S. Title 39, Chapter 1, Article 2.

The undersigned has legal authority to bind its principal.

For the Applicant:

By: _____

Name: _____

Title: _____

For the Analyst:

By: _____

Name: _____

Title: _____

ADDENDUM 2 – PROJECT SUMMARY TABLE

UNIT TYPE	PERCENT OF AREA MEDIAN INCOME	NUMBER OF UNITS	NET SQUARE FEET	MAXIMUM ALLOWABLE GROSS RENT	RENTS AT OPENING*		
					GROSS	UTILITY ALLOWANCE	COLLECTED
EFFICIENCY/ 1 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$
ONE-BEDROOM/ 1 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$
TWO-BEDROOM/ 1 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$
TWO-BEDROOM/ 2 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$
THREE-BEDROOM/ 2 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$
FOUR-BEDROOM/ 2 BATH	20%			\$	\$	\$	\$
	30%			\$	\$	\$	
	40%			\$	\$	\$	
	50%			\$	\$	\$	
	60%			\$	\$	\$	
	MKT			N/A	\$	\$	\$

TOTAL

* _____ 20__

MKT: Market Rate

N/A: Not Applicable

ADDENDUM 3 – PROPOSED AMENITIES

UNIT AMENITIES		PROJECT AMENITIES	
	RANGE		ON-SITE MANAGEMENT
	REFRIGERATOR		COMMUNITY BUILDING/ROOM*
	DISHWASHER		
	DISPOSAL		LAUNDRY
	WASHER & DRYER		RESIDENT BUSINESS CENTER
	WASHER/DRYER HOOKUPS		DAY CARE CENTER
	CARPETING		EXERCISE ROOM
	WINDOW COVERINGS		SWIMMING POOL
	PATIO/BALCONY		PLAYGROUND
	BASEMENT		TENNIS COURT
	CARPORT		BASKETBALL COURT
	GARAGE		RAQUETBALL COURT
	INTERCOM SYSTEM		WALKING TRAIL
	SECURITY SYSTEM		LAKE
	OTHER:		OTHER:

* The community building/room has _____ square feet of heated space.

ADDENDUM 4 – COMMUNITY SERVICES AND SITE AREA DETRACTIONS

COMMUNITY SERVICES	NAME	TRAVEL DISTANCE* FROM SITE (IN MILES)
MAJOR HIGHWAY(S)		
PUBLIC BUS STOP		
MAJOR EMPLOYERS / EMPLOYMENT CENTERS		
CONVENIENCE STORE		
GROCERY		
DISCOUNT DEPARTMENT STORE		
SHOPPING CENTER / MALL		
SCHOOLS: ELEMENTARY MIDDLE / JUNIOR HIGH HIGH		
HOSPITAL		
POLICE		
FIRE		
POST OFFICE		
BANK		
SENIOR CENTER		
RECREATIONAL FACILITIES		
OTHER		

*CALCULATED ALONG DEDICATED ROADWAYS

SITE AREA DETRACTIONS	DIRECT DISTANCE° FROM SITE (IN MILES)
ACTIVE RAILROADS	
FREEWAYS	
NATURAL WASH AREAS	
HIGH TENSION POWER LINES	
LANDFILL / GARBAGE DUMP	
OIL / CHEMICAL REFINERY	
POWER PLANT	
OTHER	

°DIRECT DISTANCE IS “AS THE CROW FLIES”

ADDENDUM 5 – CAPTURE RATE ANALYSIS

FAMILY CAPTURE RATE ANALYSIS						
	30% AMI	40% AMI	50% AMI	60% AMI	MARKET RATE	TOTAL PROJECT
Appropriate Income Range	\$__ to \$__					
Gross Households Capture Rate						
Number of Renter Households in Current Year (20XX)						
Add: Number of renter households expected to be added to the market by project opening (20XX)						
Equals: Number of renter households at project opening						
Multiply: Percentage of renter households who are income eligible						
Equals: Number of income eligible renter households at project opening						
Equals: Number of age and income eligible renter households at project opening						
Divide: Number of units being proposed at each income range						
Equals: Gross Household Capture Rate						
Net (New) Household Capture Rate						
Number of renter households expected to be added to the market area between the current year and project opening (20XX)						
Multiply: Percentage of renter households who are income eligible						
Equals: Number of income eligible renter households expected to be added to the market area between the current year and project opening						
Subtract: Number of currently excess vacant units at comparable properties in the market area						
Subtract: Number of competitive units that are either under construction or planned in the market area						
Subtract: Number of existing residents that are income eligible and will likely remain at the property (REHAB Only)						
Equals: Net new renter households expected to be added to the market area between the current year and project opening						
Divide: Number of units being proposed at each income range (less number of units occupied by likely remaining residents REHAB only)						
Equals: Net (New) Household Capture Rate						

SENIOR CAPTURE RATE ANALYSIS						
	30% AMI	40% AMI	50% AMI	60% AMI	MARKET RATE	TOTAL PROJECT
Appropriate Income Range	\$__ to \$__					
Gross Households Capture Rate						
Number of Renter Households Age __+ in Current Year (20XX)						
Add: Number of renter households Age __+ expected to be added to the market by project opening (20XX)						
Equals: Number of renter households age __+ at project opening						
Multiply: Percentage of renter households age __+ who are income eligible						
Equals: Number of income eligible renter households at project opening						
Add: 10% of the age and income eligible homeowners						
Equals: Number of age and income eligible renter households at project opening						
Divide: Number of units being proposed at each income range						
Equals: Gross Household Capture Rate						
Net (New) Household Capture Rate						
Number of renter households expected to be added to the market area between the current year and project opening (20XX)						
Multiply: Percentage of renter households who are income eligible						
Equals: Number of income eligible renter households expected to be added to the market area between the current year and project opening						
Subtract: Number of currently excess vacant units at comparable properties in the market area						
Subtract: Number of competitive units that are either under construction or planned in the market area						
Subtract: Number of existing residents that are income eligible and will likely remain at the property (REHAB Only)						
Equals: Net new renter households expected to be added to the market area between the current year and project opening						
Divide: Number of units being proposed at each income range (less number of units occupied by likely remaining residents REHAB only)						
Equals: Net (New) Household Capture Rate						