APPENDIX 4

SCOPE OF WORK

HTFC/DHCR Market Study Content Guidelines

A. Executive Summary. Each market study must include a concise summary of the data, analysis and conclusions, including the following:

- A concise description of the site, adjacent parcels and the immediately surrounding area.

- A brief summary of the project including the type of construction, number of buildings, number and type of units, proposed rents and the proposed population to be served.

- Precise statement of key conclusions reached by the analyst.

- Precise statement of analyst's opinion of market feasibility including the prospect for long term performance of the property given housing and demographic trends and economic factors.

- Provide recommendations and/or suggest modifications to the proposed project.

- Provide a summary of market related strengths and/or weaknesses which may influence the subject development's marketability, including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, and number of units.

B. Project Description. The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. The project description should include:

- Proposed number of units by: number of bedrooms and baths, income limit as a percent of Area Median Income (AMI), unit size in square feet and utility allowances for tenant paid utilities, proposed rents, and target population, including income restrictions and any special needs set-asides.

- The utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat, cooking.

- For existing occupied properties, identification of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, Section 236, etc, as well as current occupancy levels, current rents and proposed rents.

C. Location and Market Area Definition

- Define the Primary (PMA) Market Area including a map that clearly delineates the area and provide a clear explanation of the basis for the boundaries of the PMA. Identify PMA boundaries by municipality (ies), census tracts/block groups,

street/highway names, or other appropriate geographic features (a river for example) forming the boundaries. Also define the larger geographic area in which the PMA is located (i.e. city, county, Metropolitan Statistical Area (MSA), etc.). The use of entire census tracts or block groups in defining the PMA is strongly encouraged.

- Provide photographs of the site and neighborhood, and a map clearly identifying the location of the project and the closest transportation linkages, shopping, schools, medical services, public transportation, places of worship, and other services such as libraries, community centers, bank, etc. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.

- Describe the marketability of the proposed development.

- Provide information or statistics on crime in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.

D.   Population and Households

- Provide total population, age and income target data for the Primary Market Area using the 2000 Census, current year estimates, and a five year projection. Data from other legitimate studies, such as Claritas, CACI and similar demographic information companies, with detail on household size, tenure, age and other relevant categories may be provided. Indicate the source for all data and provide a methodology for estimates.

- Provide a breakdown of households by tenure for 2000 Census, current year and five year projection.

- Provide an analysis of trends indicated by the data and include reference sources for the data and methodology for analyzing the data.

- Provide a breakdown of households by incomes in $5,000-$10,000 increments, by household size and by tenure for 2000 Census, current year, and five year projection.

E.   Employment and Economy. Provide data and analysis on the employment and economy of the PMA to give an understanding of the overall economic health of the community in which the PMA is located. List sources for the data and methodology for the analysis.

- Provide a description of employment by industry sector for the PMA or smallest geographic area available that includes the PMA and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA.

- List major employers in the PMA, the type of business and the number employed and compare the data to the larger geographic area (i.e. MSA, County, etc.).

- Show the historical unemployment rate for the last ten years (or other appropriate period) for the PMA and compare to the larger geographic area (i.e. MSA,

County, etc.).

- Show employment trends over the same period or a more recent, shorter period (last 5 years). Compare to the larger geographic area.

- Comment on trends for employment in the PMA in relation to the subject development.

- If relevant, comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.

- Provide a breakdown of typical wages by occupation.

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

F.   Existing Rental Housing. Provide information on other multifamily rental housing in the PMA and any rental housing proposed to be developed in the PMA. This section of the study should include:

- If relevant in the market, a 10-year, or other appropriate period, history of building permits, if available, by housing type and comments on building trends in relation to household trends.

- Identify a list of existing comparable and competitive properties, including: name, location, population served, type of design, age and condition, number of units by bedroom type, rent levels, number of bedrooms and baths for each unit type, size in square footage of units, kitchen equipment, type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking), unit and site amenities included. Also, if available, site staffing, occupancy rate, and absorption history for the property (if recently completed). Provide the name, address and phone number of property contact. Attach photos of each comparable property. Include a map showing the location of each comparable property in relation to the subject.

    NOTE: A comparable property is one that is representative of the rental housing choices of the PMA and that is similar in construction, size, amenities, location, and/or age. A competitive property is comparable to the proposed project **and** competes at nearly the same rent levels and tenant profile, such as age, family or income.

- Describe the size of the overall rental market in the PMA, including the percentage of market rate and affordable housing properties.

- Provide a narrative evaluation of the subject property in relation to the comparable properties, and identify the competitive properties, which are most similar to the proposed development. The analyst should state why the comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.

- For each comparable property, provide comparisons to the subject rents based on the comparable property amenities, tenant paid utilities, location, parking, concessions and rent increase or decrease trends.

- Only the **directly comparable projects** should be used to derive the market rents in the PMA for use in evaluating the competitive advantage of the project rents. Market rents should be adjusted for owner paid utilities included in the rent. Including conventional projects with superior amenities, location, design, and larger unit sizes in determining the market rent is **not** acceptable. For example, the use of 1200 sq ft townhome style apartment units as comparables for a project with 850 sq ft, two bedroom units with limited amenities is not reasonable or acceptable.

- Discuss the availability of affordable housing options, including purchase or sale of homes.

- When relevant, include a list of LIHC/SLIHC, RD, HUD 202 and other subsidized projects with allocations/awards in or near the market area that are not placed in service, giving as much known detail as possible on estimated placed-in-service dates, unit mix and income to be served.

- Discuss the impact of the subject development on the existing housing stock.

- Describe the market vacancy rate for the PMA rental housing stock by population served (i.e. market rate, LIHC, and Project Based Rental Assistance) and type of occupancy (i.e. family, seniors, special populations) and unit size.

- Identify the number of people on waiting lists for each project. Indicate if the households have been income qualified, and when the wait list was last updated.

G. Local Perspective of Rental Housing Market and Housing Alternatives. The market study should include a summary of the local perspective on the rental market, need for the proposed housing and unmet housing needs in the market. The local perspective should consider:

- Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject development and to evaluate the local perception of need for additional housing.

- Interview local Public Housing Authority (PHA) officials and seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and

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types of households on the waiting lists for Housing Choice Vouchers. Compare subject development's proposed rents to local payments standards or median rents.

- The cost and availability of home ownership and mobile home living, if applicable.

H.   Analysis.

- Derive a market rent **using appropriate comparables as discussed in Section F above**, an achievable restricted rent given the project income limits, and then compare them to the developer's proposed rent. Quantify and discuss the market advantage of the proposed development and impact on marketability.

- Provide a detailed analysis of the income levels of the potential tenants for the proposed units. Eligible households will pay no less than 30% and no more than 48% of their income for gross rent (rent plus utilities). (See the DHCR Capital Programs Manual, Section 7.06.04, for additional information at www.nysdhcr.gov).

- Calculate separate capture rates **for each targeted income limit by unit type** in the subject property, incorporating DHCR/HTFC restrictions such as age, income, renters versus home owners, household sizes, etc. For example, if a project has 30 one bedroom units targeted at 50% of AMI, 10 one bedroom units targeted at 60% of AMI, and 20 two bedroom units targeted at 60% of AMI, three separate capture rates must be calculated. In calculating the capture rate the analyst should subtract all existing affordable housing in the PMA (supply) from the number of income eligible, age appropriate households (demand).

  Note: For senior projects only, 10% of the income eligible homeowners may be included in the demand calculation.

  The unmet demand for additional housing units must be more than 5 times the number of units proposed. Capture rates must be 20% or less for each targeted income limit by unit type.

- Define and justify the absorption period and absorption rate for the subject property.

- Project and explain any future changes in the housing stock within the market area.

- Identify risks (i.e. competitive properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.

- Provide documentation and descriptions that show the methodology for calculations in the analysis section and relate the conclusions to the data.

I.   Other Requirements

- Date report was prepared, date of inspection and name and telephone number of analyst preparing study.

- Certification of no identity of interest between the analyst and the entity for whom the report is prepared.

- Certification that recommendations and conclusions are based solely on professional opinion and best efforts.

- Statement of qualifications.

- List of sources for data in the market study.