

NEED AND DEMAND ANALYSIS
FOR THE MIDDLEBROOK TRACE II APARTMENTS
IN
STAUNTON, VIRGINIA

Prepared for
Middlebrook Trace II VA LLC
for submission to
Virginia Housing

Virginia Housing Application: 2022- C- 56

As of February 24, 2022

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A. EXECUTIVE SUMMARY

The site of the proposed Middlebrook Trace II Apartments is on Middlebrook Avenue - which connects the downtown area and the Woodrow Wilson Parkway, to the west of Staunton. There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

The proposed project will comprise the construction of 48 units - 26 two-bedroom units and 22 three-bedroom units. Of the 48-unit total, 12 units will be targeted to households at each of the 30 percent, 50 percent 60 percent level, and 80 percent of the median income levels, and therefore qualify the apartments for low income housing tax credit status. Nine units will be rent-assisted: three three-bedroom units targeted at 30 percent of the median, and six three-bedroom units targeted at the 50 percent level.

Employment trends for the City of Staunton are illustrated in the table, below. Employment in 2011 was 11,139. Since then, employment levels have varied somewhat - increasing to 11,999 in 2019, for example - an increase of over 800 jobs over that period. It should be noted that data - both nationally and locally - suggest that employment gains over the last decade or so have been significantly impacted with the onset of the economic disruption caused by the coronavirus pandemic. In Staunton, employment decreased by 519 between 2019 and 2020 as a consequence of the COVID-19 pandemic.

In Staunton, it is seen that the most recent annual average unemployment rate is 6.3 percent, up from 2.6 percent the previous year. The rate was 7.1 percent in 2011. The most recent monthly unemployment rate (December 2021) was 2.6 percent.

The market area for the proposed development is the City of Staunton and central and eastern Augusta County.

The population of the market area is projected to increase from 54,051 in 2022, to 55,491 in 2027. The number of households is projected to increase, from 24,019 in 2022 to 25,473 in 2027. The number of renter households in the market area is projected to increase from 7,918 to 8,629 over the 2022 to 2027 projection period.

There are several apartment complexes located in the Staunton area. These include conventional/market rate properties, properties financed with low income housing tax credits, and subsidized housing for very low income households.

Based on our survey, there is a market-wide occupancy rate of 99.4 percent. Occupancy at tax credit properties is found to be around 95.5 percent (with many of the vacant units representing turnover).

The total need for tax credit units such as is proposed in the Staunton area by 2027 is calculated to be for 1,070 units. The net need is for 824 units. Given the calculated net need, the proposed 48-unit development amounts to 5.8 percent of the need.

Consideration of the capture rate (5.8 percent) and the (1.1 percent) affordability analysis capture rate, and (13.2 percent) penetration rate suggests that the proposed development is very marketable, as proposed.

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated four- to five- month period, or so. This is likely to be abbreviated assuming that the waiting list for the initial phase can be drawn-on.

The proposed development will not have an impact on existing housing in the area.

The proposed development is considered marketable and can be developed as proposed.

Astoria data:

Project Wide Capture Rate, LIHTC units: 5.8 percent

Project Wide Capture Rate, market units: n/a

Project Wide Capture Rate, all units: 5.8 percent

Project Wide Absorption Period (Months): four- to five- months

B. INTRODUCTION AND SCOPE OF WORK

This report is a professional market analysis of the need and demand for the proposed development.

The report is prepared for Middlebrook Trace II VA LLC, for submission to Virginia Housing.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

The report was completed using professional market techniques. The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The site of the proposed apartments was visited (most recently on February 24, 2022).

The site was visited by T. Ronald Brown.

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis. The President of the firm is T. Ronald Brown. Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland. He has 35 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last three decades or so, Mr. Brown has produced more than 3,000 studies in at least 20 states, predominantly in the Southeast.

Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

Submitted, and attested to, by:

T. Ronald Brown, President
T. Ronald Brown: Research & Analysis
P.O. Box 18534
Asheville, North Carolina 28814-0534
919. 233.0670 or 919.612.5328

A handwritten signature in dark ink, appearing to read "T. Ronald Brown", with a long horizontal flourish extending to the right.

Date: March 6, 2022

C. PROJECT DESCRIPTION

Middlebrook Trace will comprise 48 units - 26 two-bedroom units and 22 three-bedroom units. The project is new construction.

The project is to be configured as follows:

	<u>Units</u>	<u>sq. ft</u>	<u>Rent</u>	<u>Targeting*</u>
2 bedroom/1 ½ bath	9	789	\$369	less than 30 percent
2 bedroom/1 ½ bath	6	789	\$690	less than 50 percent
2 bedroom/1 ½ bath	6	789	\$850	less than 60 percent
2 bedroom/1 ½ bath	5	789	\$850	less than 80 percent
3 bedroom/2 bath	3	1,252	\$967	less than 30 percent **
3 bedroom/2 bath	6	1,252	\$967	less than 50 percent **
3 bedroom/2 bath	6	1,252	\$975	less than 60 percent
3 bedroom/2 bath	7	1,252	\$975	less than 80 percent

* percentage of area median income

** rent assisted

Of the 48-unit total, 12 units will be targeted to households with incomes up to 30 percent of the median, 12 units will be targeted to households with incomes up to 50 percent of the median, 12 units will be targeted at the 60 percent level, and the remaining 12 units will be targeted at 80 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Nine units will be rent-assisted: three three-bedroom units targeted at 30 percent of the median, and six three-bedroom units targeted at the 50 percent level.

Given that the project will include units targeted to households with incomes in excess of 60 percent of the local area median income, income averaging is applied. Thus, the average target income, overall, cannot exceed 60 percent of the median.

Utilities (excluding trash collection) will be paid by the tenant - utility allowances are \$111 for the two-bedroom units and, \$131 for the three-bedroom units. Based on information supplied by the developer, the proposed apartments will meet energy-saving standards, both for construction and for appliances provided.

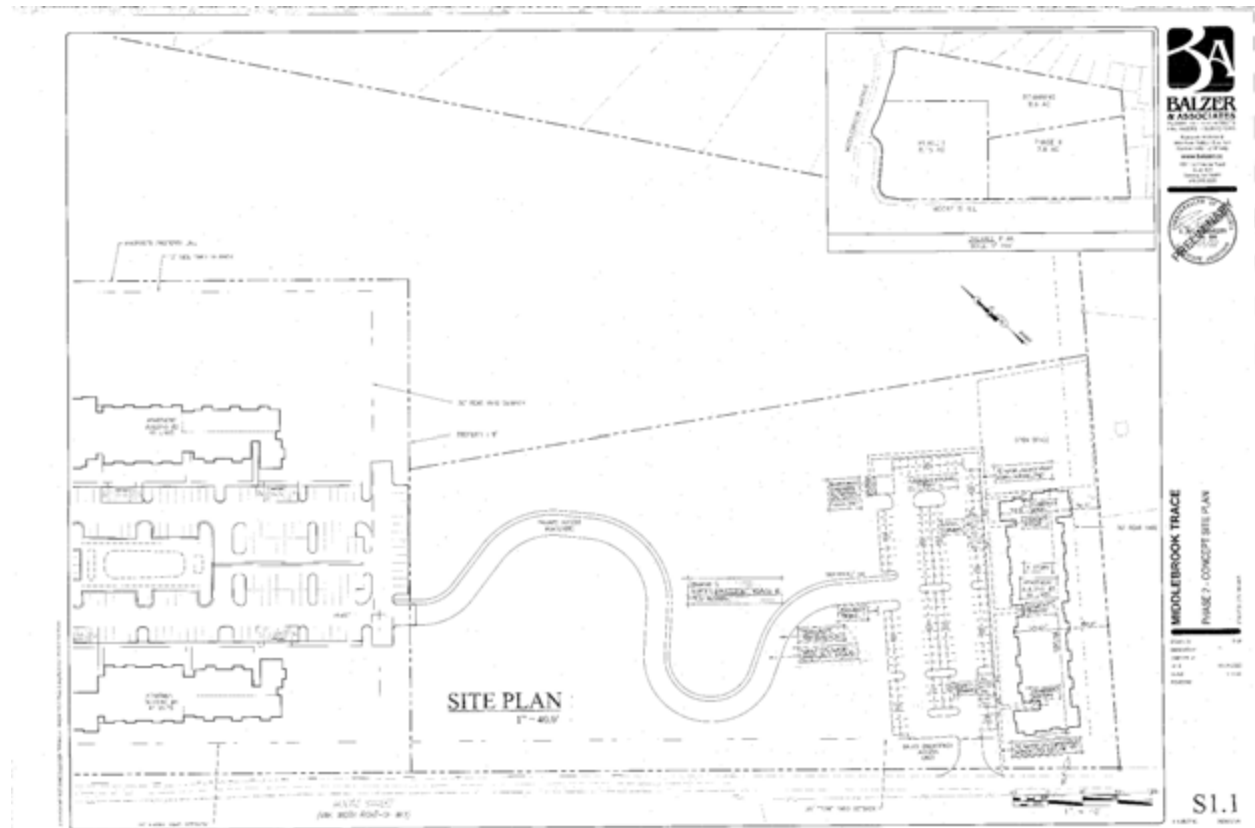
The property will feature a single four-story building, which will have an elevator. The building will have a combination exterior. Common area and site amenities include a multi-purpose room and laundry. The property will offer various enhancements, as per Virginia Housing guidelines.

There will be 110 parking spaces.

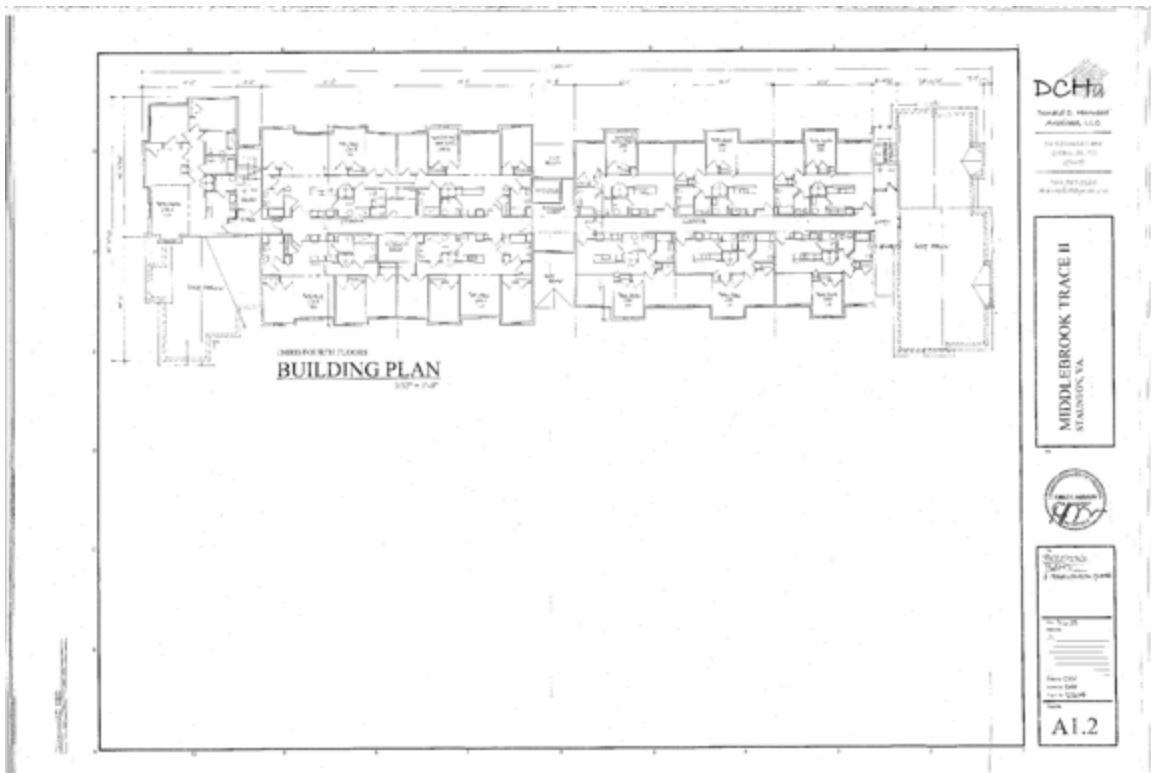
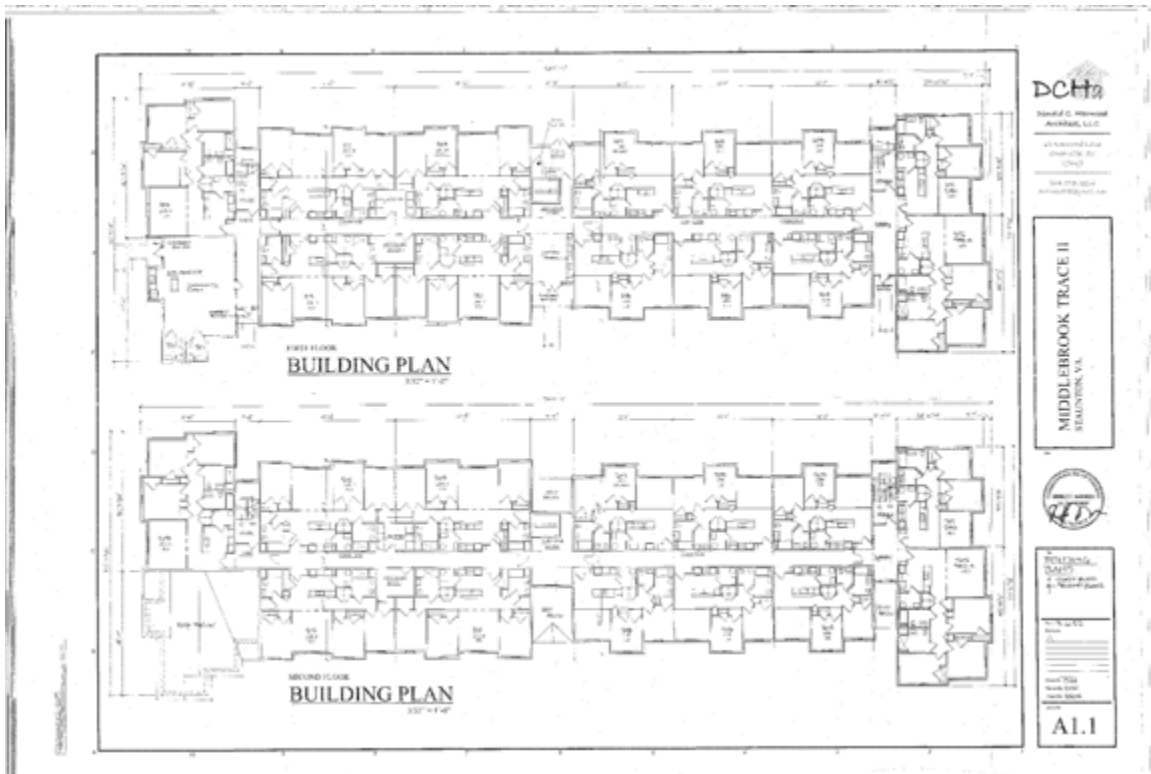
Representative architectural drawings are set out on the following pages.

It is understood that the construction program would commence in March, 2023 and would be completed within 12 months, or so.

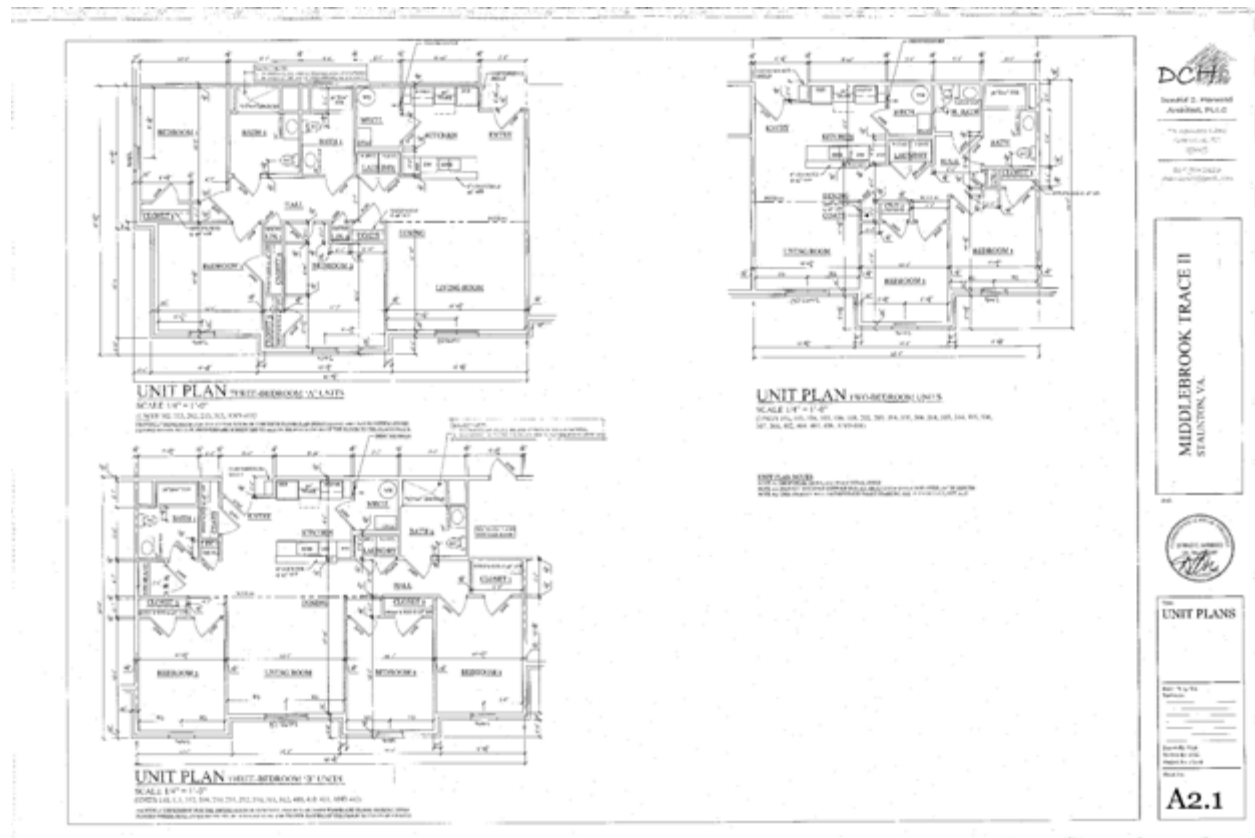
Site plan



Floor plan



Unit plans



Elevations



D. LOCATION

The site of the proposed second phase of the Middlebrook Trace Apartments is on Middlebrook Avenue, and is to be located to the rear of the initial phase of the development (which has yet to commence construction). Middlebrook Avenue connects the downtown area and the Woodrow Wilson Parkway, to the west of Staunton. Adjacent uses include single-family homes and undeveloped land. A maintenance facility is located on Middlebrook Avenue, east of the site, and three small apartment developments are located off Seth Drive, south of Middlebrook Avenue, across a creek. The property is sited above Middlebrook Avenue, and is gently sloping and is mostly cleared.





View onto property



View on property



View from site to Middlebrook Ave.



View across Middlebrook Ave., onto site



View north on Middlebrook Ave., at site



View south on Middlebrook Ave., at site/Moore St.

The site is located on Middlebrook Avenue - which connects the downtown area and the Woodrow Wilson Parkway (VA 262). Given the site location and its situation, the site is very visible.

Access from the site to major thoroughfares, shopping, schools, health, and other services is good.

The Woodrow Wilson Parkway is within eight-tenths of a mile of the site. The site is within there and one-third miles of Interstate 81. The major north-south route serving the area, and is within four and one half miles of the intersection of Interstate 81 and Interstate 64 (the major east-west route). Access to the site is good.

Regularly-schedule public bus service is available on the West Loop of the Brite bus system, within one-half mile of the site. The site is within three-fourths of a mile or so the Staunton Amtrak Station.

The site is within one and one-half miles of the Statler Square shopping center, which is anchored by a Kroger supermarket. The site is located within two-and one half to three miles or so of the various shops and other services located on Richmond Avenue , located north of Interstate 81. The latter include a Martins Foods, an ALDI supermarket, and a Walmart Supercenter. The site is within two and one-fourth miles of the Staunton Mall, which is anchored by a Belk department store.

The site is within one mile of the Bessie Weller Elementary School and is within two- and one-half to three miles of the McSwain and Ware Elementary Schools, and the Shelburne Middle and Staunton High Schools.

The various government, shopping and other services located in the Staunton downtown business district are within one- to two miles of the site.

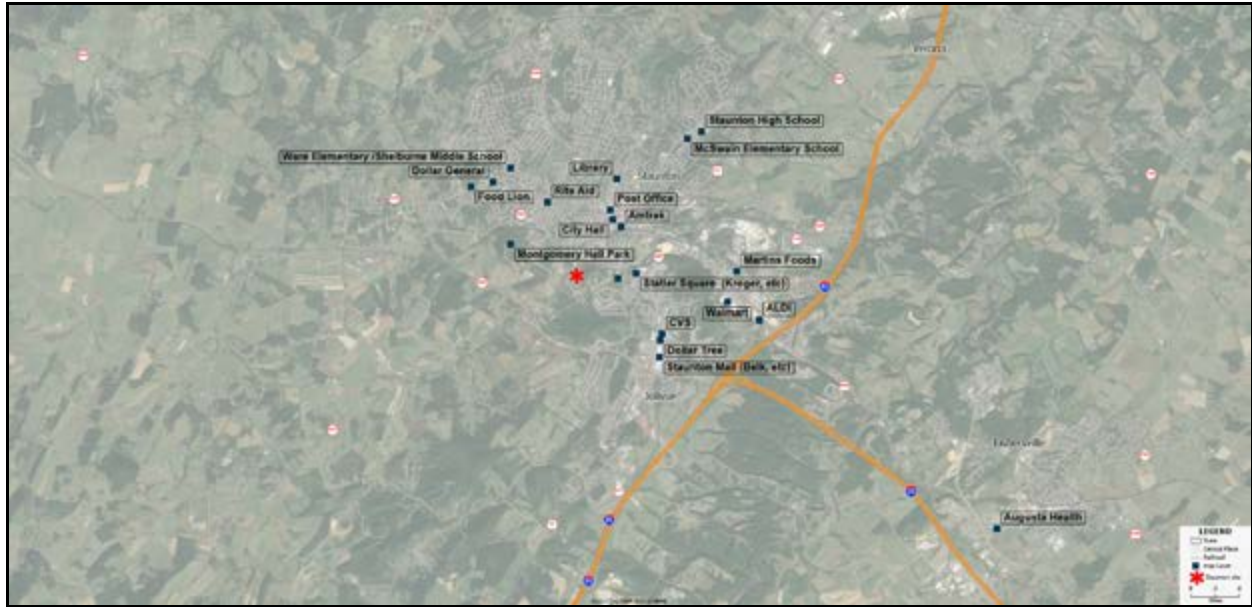
The Augusta Health hospital and associated medical services are located off Interstate 64 in Fishersville, within ten miles of the site.

The following table illustrates the noteworthy community amenities serving the site and the (driving) distance to the site.

Table 1 - Distance to Neighborhood and Community Amenities

<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Highways	Va 262/ Woodrow Wilson Parkway	0.8
	I-81	3.3
	I-64	4.5
Public Transportation	Brite bus (west loop)	0.4
	Amtrak	0.8
Retail - Grocery	Kroger (Statler Sq)	1.5
	Food Lion	2.5
	Martins Foods	2.5
	ALDI	3.1
Retail - Other	Wal-mart	2.8
	Belk (Staunton Mall)	2.2
Pharmacies	Rite Aid	1.4
Schools	Bessie Weller Elementary School	1.0
	McSwain Elementary School	2.5
	Ware Elementary /Shelburne Middle School	2.6
	Staunton High School	2.8
Recreation	Montgomery Hall Park	1.1
Library	Staunton	1.5
Post Office	Staunton	1.0
Government	Staunton City Hall	0.9
Hospital	Augusta Health	9.6

Source: T.Ronald Brown: Research & Analysis



Based on our observations during our site visit, there is no reason to expect that the risk of crime in this neighborhood would be greater or less than that for other parts of the market area.

There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

The site is considered marketable.

E. MARKET AREA DEFINITION

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project. Here combinations of census tracts, may be used to define the market area.

The proposed development is located in the City of Staunton in west-central Virginia. The market area for the proposed development is the City of Staunton and central and eastern Augusta County, as defined by several census tracts. This area is focused on the site of the proposed development and extends to an approximately eight mile hinterland, except where it extends to 13 miles or so, to the west. The market area, as defined, therefore is that which constitutes the area adjacent to the site of the proposed development and extends to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project.

F. EMPLOYMENT AND ECONOMY

The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general.

Employment trends

Employment trends for the City of Staunton are illustrated in the table, below. Employment in 2011 was 11,139. Since then, employment levels have varied somewhat - increasing to 11,999 in 2019, for example - an increase of over 800 jobs over that period.

It should be noted that data - both nationally and locally - suggest that employment gains over the last decade or so have been significantly impacted with the onset of the economic disruption caused by the coronavirus pandemic. In Staunton, employment decreased by 519 between 2019 and 2020 as a consequence of the COVID-19 pandemic.

Table 2 - Total Employment

		Change over previous year	
		<u>number</u>	<u>percent</u>
2011	11,139		
2012	11,064	-75	-0.7
2013	11,278	214	1.9
2014	11,472	194	1.7
2015	11,348	-124	-1.1
2016	11,354	6	0.1
2017	11,499	145	1.3
2018	11,731	232	2.0
2019	11,999	268	2.3
2020	11,480	-519	-4.3

Source: Bureau of Labor Statistics

Employment trends, by sector

Information on employment, by industry for the City of Staunton in 2019 and 2020 (the most recent annual data) is set out in Table 2, below. From this it is seen that, with respect to employment, the largest subsectors were healthcare and retail trade - employing 13.7 percent and 14.2 percent of the total, respectively, in the most recent year. Accommodation and food services, which is related to tourism, accounted for 11.2 of the total number employed.

Table 3 - Employment, by sector

	2019		2020		pct change
	number	percent	number	percent	
Agriculture, Forestry, etc					
Mining, etc.					
Utilities					
Construction					
Manufacturing	493	4.4	471	4.5	-4.5
Wholesale trade	241	2.1	238	2.3	-1.2
Retail trade	1,568	13.9	1,499	14.2	-4.4
Transp. and Warehousing					
Information	32	0.3	50	0.5	56.3
Finance and Insurance	381	3.4	360	3.4	-5.5
Real estate	169	1.5	151	1.4	-10.7
Professional and Technical services	333	3.0	292	2.8	-12.3
Management	336	3.0	339	3.2	n/a
Administrative and Waste services	247	2.2	230	2.2	-6.9
Educational services	585	5.2	537	5.1	-8.2
Health Care and Social Assistance	1,564	13.9	1,554	14.7	-0.6
Arts, Entertainment, Recreation	99	0.9	79	0.7	-20.2
Accommodation and Food services	1,420	12.6	1,186	11.2	-16.5
Other Services	567	5.0	447	4.2	-21.2
Unclassified	28	0.2	25	0.2	-10.7
Total	11,264		10,572		-6.1

Source: Bureau of Labor Statistics

Unemployment trends

Unemployment trends for the City of Staunton are illustrated in the table, below. Rates for Virginia and for the U.S. as a whole are also shown, for reference. Here it is seen that the most recent annual unemployment rate for the county is 6.3 percent, up from 2.6 percent the previous year. The rate was 7.1 percent in 2011.

Again, the impact of the economic disruption caused by the coronavirus pandemic is revealed in unemployment numbers. In Staunton, for example, the unemployment rate was 2.6 percent in December 2021, compared with 5.3 percent in December 2020 (having reached 11.8 percent in April 2020). The annual average unemployment rate for the US as a whole in 2022 was 5.3 percent, having been 8.1 percent in 2020, compared with 3.7 percent for 2019. (Data for 2021 are not yet available at the state or county level.)

Table 4 - Unemployment trends

	Staunton <u>City</u>	<u>Virginia</u>	<u>U.S.</u>
2011	7.1%	7.1%	9.6%
2012	6.3%	6.6%	8.9%
2013	5.7%	6.1%	8.1%
2014	5.1%	5.7%	7.4%
2015	4.3%	5.2%	6.2%
2016	3.8%	4.5%	5.3%
2017	3.5%	4.1%	4.9%
2018	2.8%	3.7%	4.4%
2019	2.6%	3.0%	3.9%
2020	6.3%	2.8%	3.7%
2021		6.2%	8.1%
2022			5.3%

Source: Bureau of Labor Statistics

Major Employers

The major private employers in the Staunton area are listed in Table 5, below. Here it is seen that the largest single employers include local hospitals, Hershey Chocolate, several large retailers in addition to the local public schools, and local governments.

Table 5 - Major Employers

City of Staunton

Western State Hospital
Staunton City School Board
City of Staunton
Mary Baldwin College
Fisher Auto Parts
Brightview Senior Living
Wal Mart
Best Buy
VDOT
Graphic Packaging International

Augusta County

Augusta Medical Center
Augusta County School Board
Hershey Chocolate
Target Corporation
McKee Foods Corporation
AAF McQuay
Hollister
NIBCO of Virginia
County of Augusta
Augusta Medical Group

Source: Virginia Economic Development Partnership

The Virginia Economic Development Partnership reports a total of 191 new jobs added at three locations in recent years (2019 and 2020), and the addition of 141 additional jobs at two locations (including 110 positions at Hershey). With respect to closures and layoffs, the Virginia Economic Development Partnership reports none in Staunton or Augusta County in the last two years. The VA WARN reports show layoffs at Super Shoes in the study area.

The proposed development is not located in a market - such as a resort area - that would need housing for employees in such a specific market, although, as noted, the tourism industry is significant.

Wages by Industry Sector

Information on wages, by employment sector, for the City of Staunton is set out in Table 6, below. Here, average wages show some variation - both between sectors and also over time - with average wages increasing by 5.1 percent between 2019 and 2020.

Table 6 - Average Wages by Industry Sector

	<u>2019</u>	<u>2020</u>	<u>pct change</u>
Agriculture, Forestry, etc			
Mining, etc.			
Utilities			
Construction			
Manufacturing	\$1,090	\$1,117	2.5
Wholesale trade	\$799	\$832	4.1
Retail trade	\$516	\$549	6.4
Transp. and Warehousing			
Information	\$872	\$719	-17.5
Finance and Insurance	\$1,411	\$1,490	5.6
Real estate	\$682	\$705	3.4
Professional and Technical services	\$983	\$1,123	14.2
Management	\$1,165	\$1,013	-13.0
Administrative and Waste services	\$558	\$562	0.7
Educational services	\$633	\$651	2.8
Health Care and Social Assistance	\$682	\$688	0.9
Arts, Entertainment, Recreation	\$447	\$395	-11.6
Accommodation and Food services	\$332	\$348	4.8
Other Services	\$484	\$533	10.1
Unclassified	\$551	\$680	23.4
Total (all establishments)	\$726	\$763	5.1

Source: Virginia Labor Market Information

Commuting patterns

Based on data from the American Community Survey, 45.1 percent of workers resident in Staunton were employed in Staunton, with 54.9 percent employed elsewhere. The average driving time to work for residents of Staunton was 21.6 minutes.

Table 7 - Commuting Data

	<u>number</u>	<u>percent</u>
Total Workers	11,859	100.0
Worked in County of residence	5,348	45.1
Worked outside County of residence	6,511	54.9
Mean travel time to work (minutes)	21.6	

Source: 2015 to 2019 American Community Survey; T.Ronald Brown: Research & Analysis

Commuting patterns data are no longer provided in the Decennial Census. Here, data are obtained from the LEHD Origin-Destination Statistics program available from the Census Bureau's OnTheMap application. These data, on commuting patterns for persons who live and/or work in the Staunton area are set out, below.

Here it is seen that many persons who work in the City of Staunton commute into the City from, as one would expect, Augusta County. Likewise, many residents of Staunton commute to work in Augusta County.

Table 8 - Commuting Patterns

Working in Staunton City	3,076
Where Staunton workers are commuting from:	
Augusta County	3,676
Rockingham County	734
Waynesboro City	664
Harrisonburg City	355
Albemarle County	326
Rockbridge County	197
Fairfax County	167
Charlottesville City	138
Prince William County	119
Elsewhere	2,972
Where Staunton residents are commuting to:	
Augusta County	2,677
Harrisonburg City	768
Waynesboro City	635
Rockingham County	527
Albemarle County	501
Charlottesville City	372
Lynchburg City	206
Roanoke City	165
Henrico County	154
Elsewhere	2,660

Source: LEHD Origin-Destination Statistics program/OnTheMap; T.Ronald Brown: Research & Analysis

While the local economy recovers from the impact of the COVID pandemic, the local economic conditions will not likely have a direct positive or negative impact on the subject property, to any significant extent.

G. DEMOGRAPHIC CHARACTERISTICS

Population and Household Trends

In 2000, the population of the City of Staunton was 23,853, and in 2010 the population was recorded as 23,746. Population projections for Staunton are provided by the Virginia State Data Center. Based on these data, the population of the area is projected to be 25,294 by 2022, and to be around 25,434 in 2027. The population of Augusta County is projected to be 76,868 and 79,661 in 2022 and 2027, respectively.

In 2000, the population of the market area was 47,063, and in 2010 the population was recorded as 50,855. Population projections for the market area are based on the official projections for Staunton and on the average of several small area population projection techniques using census tract trends for 2000 to 2010 in Augusta County, corrected for the official State Data Center numbers for that County. Based on these data, the population of the area is projected to be 54,051 by 2022, and to be around 55,491 by 2027.

Information on population trends and changes between 2000 and 2027 are set out in Table 9, below.

Table 9- Population Trends

	Staunton	Market Area	Augusta County
2000	23,853	47,063	65,615
2010	23,746	50,855	73,750
2022	25,294	54,051	76,868
2027	25,434	55,491	79,661
absolute change			
2000-2010	-107	3,792	8,135
2010-2022	1,548	3,196	3,118
2022-2027	140	1,440	2,793
annual change			
2000-2010	-11	379	814
2010-2022	129	266	260
2022-2027	28	288	559

Source: 2000 and 2010 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Projections of the number of households for Staunton, the market area, and for Augusta County are set out in Table 10, below.

In 2000, there were 9,676 households in Staunton and 10,480 in 2010. Based on the population projections set out, above, there will be around 12,235 households in 2022 and 12,955 in 2027. The projected number of households in Augusta County are found to be 30,803 and 32,421.

There were 18,832 households in the market area in 2000, and 21,184 in 2010. Projections show around 24,019 and 25,473 households in 2022 and 2027, respectively.

Table 10 - Household Trends

	Staunton	Market Area	Augusta County
2000	9,676	18,832	24,818
2010	10,480	21,184	28,516
2022	12,235	24,019	30,803
2027	12,955	25,473	32,421
absolute change			
2000-2010	804	2,352	3,698
2010-2022	1,755	2,835	2,287
2022-2027	720	1,454	1,618
annual change			
2000-2010	80	235	370
2010-2022	146	236	191
2022-2027	144	291	324

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Population and household characteristics

Age distribution

The distribution of the population, by age, for Staunton, the market area, and Augusta County is set out in Table 11, below. These data are from the 2010 Census.

Table 11 - Age Distribution

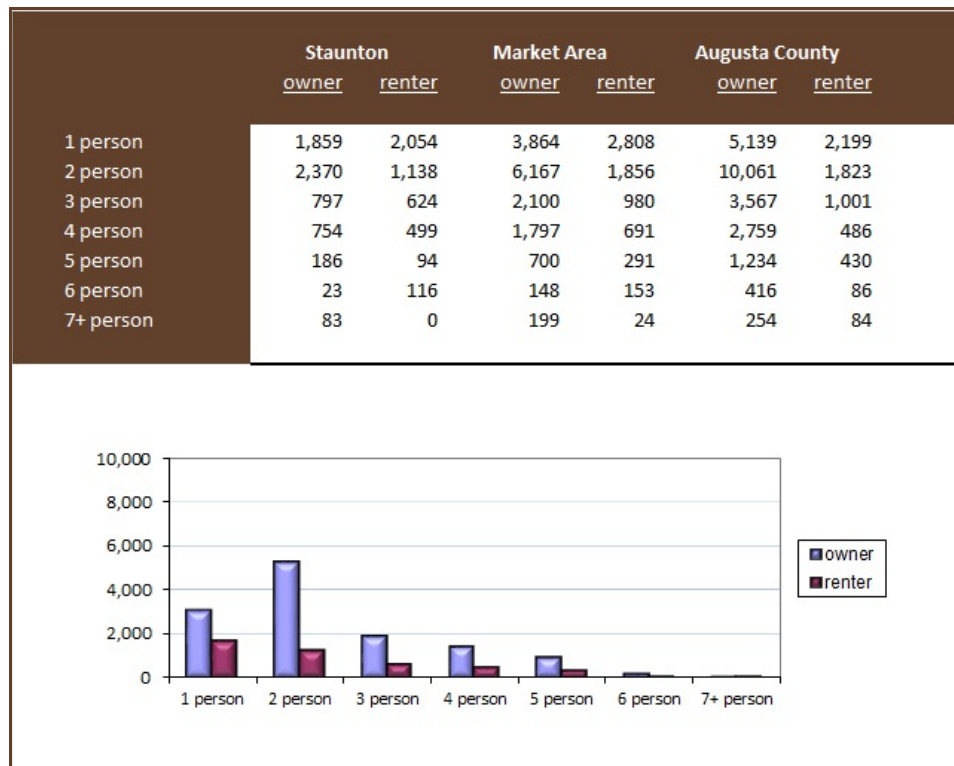
	Staunton		Market Area		Augusta County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Under 5 years	1,348	5.7	2,733	5.4	3,839	5.2
5 to 9 years	1,238	5.2	2,711	5.3	4,323	5.9
10 to 14 years	1,190	5.0	2,766	5.4	4,655	6.3
15 to 19 years	1,569	6.6	3,363	6.6	4,769	6.5
20 to 24 years	1,561	6.6	3,004	5.9	3,654	5.0
25 to 29 years	1,567	6.6	2,948	5.8	3,905	5.3
30 to 34 years	1,460	6.1	2,808	5.5	3,995	5.4
35 to 39 years	1,314	5.5	2,929	5.8	4,679	6.3
40 to 44 years	1,388	5.8	3,265	6.4	5,239	7.1
45 to 49 years	1,611	6.8	3,776	7.4	6,201	8.4
50 to 54 years	1,648	6.9	3,862	7.6	6,049	8.2
55 to 59 years	1,632	6.9	3,709	7.3	5,563	7.5
60 to 64 years	1,530	6.4	3,487	6.9	5,040	6.8
65 to 69 years	1,279	5.4	2,839	5.6	4,002	5.4
70 to 74 years	1,041	4.4	2,161	4.2	2,890	3.9
75 to 79 years	892	3.8	1,754	3.4	2,133	2.9
80 to 84 years	765	3.2	1,443	2.8	1,558	2.1
85 years and over	713	3.0	1,297	2.6	1,256	1.7
55 and older	7,852	33.1	16,690	32.8	22,442	30.4
65 and older	4,690	19.8	9,494	18.7	11,839	16.1
Total	23,746		50,855		73,750	

Source: 2010 Census; T.Ronald Brown: Research & Analysis

Household size

Table 12 below, sets out household size, by tenure, for households in Staunton, the market area, and Augusta County.

Table 12 - Household Size



Source: 2015 to 2019 American Community Survey; T.Ronald Brown: Research & Analysis

Tenure

Table 13, below, sets out the number and proportion of owner and renter households for Staunton, the market area, and for Augusta County. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 tenure trends. In 2010, 40.9 percent of households in Staunton were renters, 30.9 percent of households in the market area were renters, and 19.2 percent in Augusta County were renters.

Table 13 - Tenure

Staunton				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	23,853	9,676	2.47	5,939	61.4	3,737	38.6		
2010	23,746	10,480	2.27	6,196	59.1	4,284	40.9		
2022	25,294	12,235	2.07	6,881	56.2	5,354	43.8		
2027	25,434	12,955	1.96	7,123	55.0	5,832	45.0		
Market Area				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	47,063	18,832	2.50	13,323	70.7	5,509	29.3		
2010	50,855	21,184	2.40	14,641	69.1	6,543	30.9		
2022	54,051	24,019	2.25	16,101	67.0	7,918	33.0		
2027	55,491	25,473	2.18	16,844	66.1	8,629	33.9		
Augusta County				persons per		Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	65,615	24,818	2.64	20,628	83.1	4,190	16.9		
2010	73,750	28,516	2.59	23,027	80.8	5,489	19.2		
2022	76,868	30,803	2.50	23,863	77.5	6,940	22.5		
2027	79,661	32,421	2.46	24,622	75.9	7,799	24.1		

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Income Distribution

The distribution of household incomes for Staunton, the market area, and Augusta County are set out in Table 14, below. These figures are taken from the 2015 to 2019 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for Staunton is around \$52,611, and that for Augusta County as a whole is seen to be \$62,711. The median income for the market area is estimated at \$58,461.

Table 14 - Household Income

	Staunton		Market area		Augusta County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	597	5.6	1,086	5.0	1,200	4.1
\$10,000 to \$14,999	471	4.4	846	3.9	1,193	4.0
\$15,000 to \$19,999	585	5.5	951	4.4	1,146	3.9
\$20,000 to \$24,999	638	6.0	1,117	5.1	1,354	4.6
\$25,000 to \$29,999	603	5.7	1,047	4.8	1,424	4.8
\$30,000 to \$34,999	608	5.7	841	3.9	1,061	3.6
\$35,000 to \$39,999	547	5.2	1,091	5.0	1,305	4.4
\$40,000 to \$44,999	557	5.3	1,295	5.9	1,544	5.2
\$45,000 to \$49,999	443	4.2	940	4.3	1,282	4.3
\$50,000 to \$59,999	899	8.5	1,981	9.1	2,665	9.0
\$60,000 to \$74,999	959	9.0	2,080	9.6	3,708	12.6
\$75,000 to \$99,999	1,408	13.3	3,158	14.5	4,693	15.9
\$100,000 to \$124,999	1,001	9.4	2,116	9.7	2,842	9.6
\$125,000 to \$149,999	543	5.1	1,315	6.0	1,778	6.0
\$150,000 to \$199,999	393	3.7	1,021	4.7	1,388	4.7
\$200,000 or more	345	3.3	893	4.1	956	3.2
median income	\$52,611		\$58,461 *		\$62,711	

* Estimate

Source: 2015 to 2019 American Community Survey; T.Ronald Brown: Research & Analysis

Renter Income

The distribution of household incomes for renter households for Staunton, the market area, and Augusta County are set out in Table 15, below. These figures are also taken from the 2015 to 2019 American Community Survey.

The median renter household income for Staunton is around \$34,699, and that for Augusta County as a whole is seen to be \$43,076. The median renter income for the market area is estimated at \$39,323.

Table 15 - Household Income, Renter Households

	Staunton		Market area		Augusta County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	363	8.0	658	9.7	557	9.1
\$10,000 to \$19,999	722	16.0	922	13.6	896	14.7
\$20,000 to \$34,999	1,191	26.3	1,486	21.8	1,072	17.5
\$35,000 to \$49,999	753	16.6	1,159	17.0	907	14.8
\$50,000 to \$74,999	746	16.5	1,358	20.0	1,383	22.6
\$75,000 to \$99,999	373	8.2	627	9.2	750	12.3
\$100,000 or more	377	8.3	593	8.7	544	8.9
median income	\$34,699		\$39,323 *		\$43,076	

* Estimate

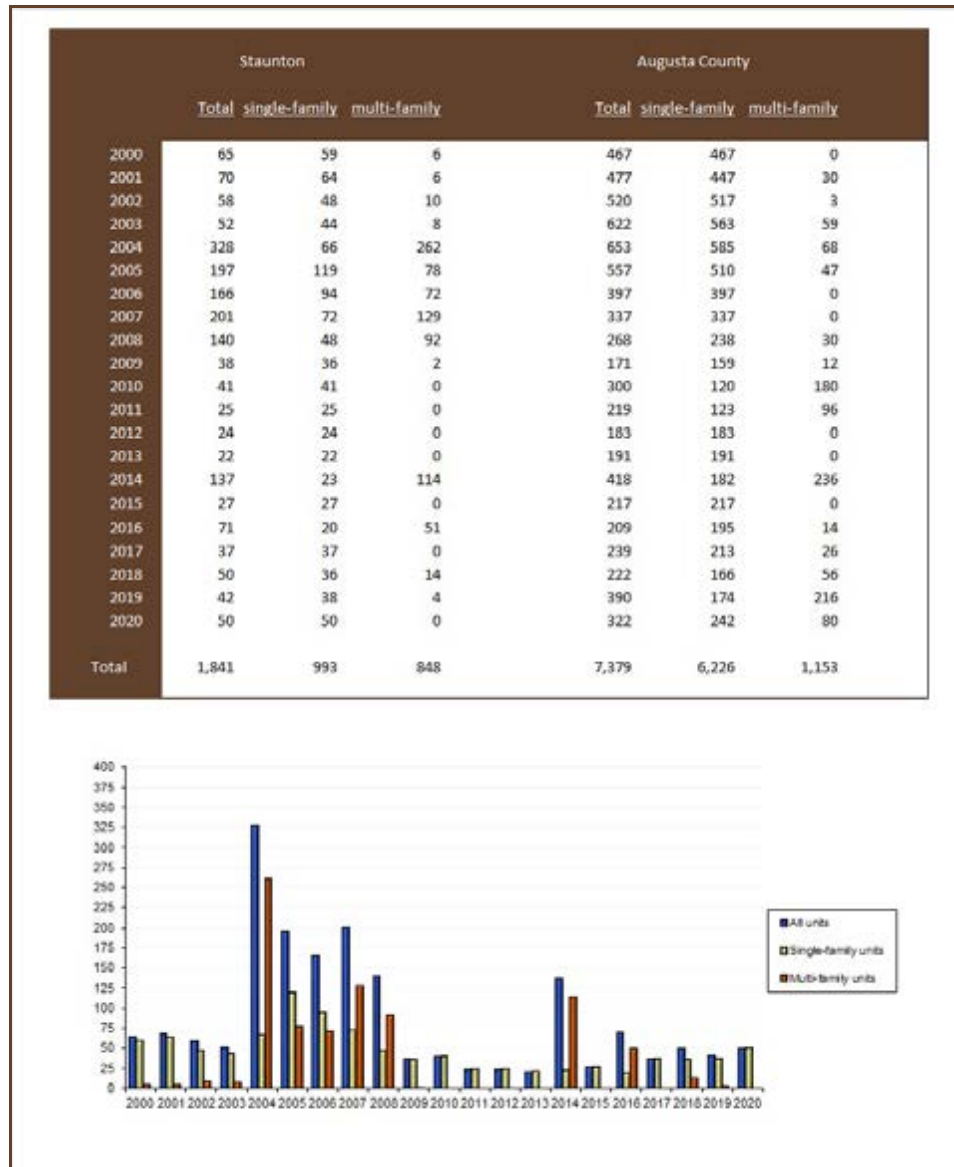
Source: 2015 to 2019 American Community Survey; T.Ronald Brown: Research & Analysis

Report for the Middlebrook Trace II Apartments in Staunton, Virginia

Building permit trends

Table 16 below gives details of residential construction in Staunton and Augusta County since 2000. Where the data exist, it can be seen that a total of 1,841 units were added in the City and that 7,379 were added throughout Augusta County. No data exist for the market area.

Table 16 - Residential Construction Since 2000



Source: Current Construction Reports, Bureau of the Census; T. Ronald Brown: Research & Analysis

H. COMPETITIVE ENVIRONMENT

There are several apartment complexes located in the Staunton and Augusta County area. These include conventional/market rate properties, properties financed with low income housing tax credits, and subsidized housing for very low income households. The various unsubsidized and/or potentially comparable complexes were identified and surveyed, and where useful information was made available to us, this is presented, below.

Based on information from Virginia Housing, the following are the significant (non-elderly) properties that have been financed with tax credits in the market area for the proposed development*.

Frontier Ridge (100 units)
Goose Creek Crossing (116 units)
Middlebrook Trace (82 units)
Mountain Laurel Manor I (48 units)
Mountain Laurel Manor II (48 units)
Mountain Laurel Manor III (48 units)
Waterford Village (96 units)

Frontier Ridge is a 100-unit property that opened in 2006. This property offers a mix of two- and three-bedroom units. At Frontier Ridge, there are 50 two-bedroom of 959 square feet which rent for \$732, and 50 three-bedroom units which rent for \$842. Currently, the property is reported to have four vacant units.

The Goose Creek Crossing Apartments is a 116- unit project that was funded in 2020 and is to be developed at a site on the Jefferson Highway, near the Waterford Village Apartments. There will be 72 two-bedroom units that will rent (based on the Reservation Application) from \$190 to \$990, and 44 three-bedroom units that will be available from \$371 to \$1,100. The units are targeted at 30 percent, 50 ,60, and 80 percent of the area median income. There is no date for when construction is scheduled to begin.

The 82 units at Middlebrook Trace represent the initial phase of the proposed development. Construction has yet to commence. The project will offer 42 two-bedroom units and 22 three-bedroom units, targeted at 30 percent, 50 percent, 60 percent, and 80 percent of the median income.

* With respect to tax credit properties for seniors in the market area for the proposed development, an 80-unit project, Gateway Senior, was funded in 2020 and is to be located in Fisherville in Augusta County. Two such properties have been financed in the City of Staunton - Gypsy Hill House (100 units funded in 2111), and Valley View (71 units, funded in 2005).

The first phase of the Mountain Laurel Manor property was funded in 2017. It has 48 units: with a mix of 28 two- and 20 three bedroom units. Rents for the two-bedroom units range from \$501 to \$827. The three-bedroom units rent for \$949. The property is reported to be 96 percent occupied at present, but it is effectively full, with a waiting list.

The second phase of the Mountain Laurel Manor property was funded in 2018. It is the same bedroom mix as the original phase. Rents for the two-bedroom units range from \$492 to \$813. The three-bedroom units rent for \$937. The management company reports the property to be 90 percent occupied at present, but it is effectively full, with a waiting list.

The third phase of the Mountain Laurel Manor property was funded in 2020 and is similar to phase one. That is, 48 units: with a mix of (28) two- and (20) three bedroom units. Rents will be from \$366 to \$847 for a two bedroom unit, with three-bedroom rents being \$423 to \$975. Construction is underway.

Waterford Village opened in 2010 at a site off the Jefferson Highway. There a total of 96 units at this project: an equal mix of two-, and three-bedroom units. The two- bedrooms are available for \$566 and \$716, and the three-bedroom units rent for \$634 and \$819. Currently, there are two vacant units at this location (98 percent occupancy).

There are several market rate properties in the area. For example, the Apartments at Goose Creek is a large luxury complex with an initial phase that opened in 2015. There are a total of 352 units. Here, rents for one-bedroom units are reported to range from \$1,218 to \$1,354, and the two-bedroom units rent from \$1,411 to \$1,516. Three bedrooms at this location are available from \$1,588 to \$1,673. The project is reported to have no vacancies at present - that is, 100 percent occupancy.

There are three smaller properties located at sites on Seth Drive, off Middlebrook Avenue, near the site of the proposed development. The Queensbrook Townhouses offer 30 two-bedroom units (no further information was made available to us). The Staunton Apartments provide 39 units - 14 two-bedroom units and 25 three-bedroom units. The two-bedroom units rent for \$1,000 and the three-bedroom units are available for \$1,300. These units are also fully occupied. No information is available on the third property - Windgate - where there are 57 units that were built in 2007. Currently, site preparation is underway for another market rate property -of up to 72 units - further north on Seth Drive. As yet, no building permits have been issued.

In addition to the above there are several properties that are subsidized and available to low and very low income households. There are three properties developed through the USDA/RD development program and one HUD section 8 properties.

Based on our survey, there is a market-wide occupancy rate of 96.5 percent.

Occupancy at tax credit properties is found to be around 95.5 percent (with many of the vacant units representing turnover).

Occupancy at the various market rate properties in the market area is seen to be 96.9 percent.

In order to determine market rents, a sample of comparable market area properties were identified. The projects selected were chosen on the basis of age, location, and bedroom mix. Information for units at these various properties are summarized below.

Table 17 - Market Rate Properties

<u>Property</u>	<u>Year built</u>	<u>Two-bedroom rents</u>	<u>Three-bedroom rents</u>
Apartments at Goose Creek	2015	\$1,411-1,516	\$1,588-1,673
Big Sky	2006	\$1,095-1,415	\$1,260-1,505
Staunton	2016-2020	\$1,000	\$1,300

Source: Apartment Managers; T.Ronald Brown: Research & Analysis

The location, rent levels, unit size, age, features, and amenities were analyzed in order to try to establish an estimate of market rent levels for the subject property. Following this approach we have determined that, all things being equal, these market properties suggest a rent of around \$1,115 for a two-bedroom unit, and \$1,366 for a three-bedroom unit.

These rents are seen to be reasonably above the proposed rents at the proposed development, particularly those at or below 60 percent of the local area median. The proposed rents targeted at the 80 percent level - \$850 and \$975 - are also seen to be reasonably below the estimated market rents.

Report for the Middlebrook Trace II Apartments in Staunton, Virginia

The various complexes surveyed are summarized as follows:

Complex name	Location	Financing	Year built	Total units	Vacant units	Occupancy (%)
Apartments at Goose Creek	Fishersville	market	2015	352	0	100.0
Big Sky	Staunton	market	2006-2017	249	25	90.0
Frontier Ridge	Staunton	LIHTC	2006	100	4	96.0
Goose Creek Crossing	Staunton	LIHTC	2022	116	n/a	n/a
Manchester Townhouses	Staunton	market	1973	156	0	100.0
Middlebrook Trace	Staunton	LIHTC	2023	82	n/a	n/a
Mountain Laurel Manor I	Staunton	LIHTC	2019	48	2	95.8
Mountain Laurel Manor II	Staunton	LIHTC	2020	48	5	89.6
Mountain Laurel Manor III	Staunton	LIHTC	2021	n/a	n/a	n/a
Staunton	Staunton	market	2016	39	0	100.0
Waterford Village	Staunton	LIHTC	2010	96	2	97.9

Report for the Middlebrook Trace II Apartments in Staunton, Virginia

	0 br/1ba			1 br/1ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Middlebrook Trace II						
Apartments at Goose Creek				n/a	805	\$1,218-1,334
Big Sky				n/a	905-1,237	\$1,030-1,245
Frontier Ridge						
Goose Creek Crossing						
Manchester Townhouses						
Middlebrook Trace						
Mountain Laurel Manor I						
Mountain Laurel Manor II						
Mountain Laurel Manor III						
Staunton						
Waterford Village						

	2 br/1-1½ ba			2 br/2 ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Middlebrook Trace II				26	789	\$369-850
Apartments at Goose Creek				n/a	1,155	\$1,411-1,516
Big Sky				n/a	1,076-1,509	\$1,095-1,415
Frontier Ridge				50	959	\$732
Goose Creek Crossing				72	975	\$190-638-794-990
Manchester Townhouses	156	800	\$910			
Middlebrook Trace				42	789	\$369-850
Mountain Laurel Manor I				28	919	\$501-822
Mountain Laurel Manor II				28	919	\$492-813
Mountain Laurel Manor III				28	919	\$366-847
Staunton	14	1,000	\$950			
Waterford Village				48	1,084	\$556-716

	3 br/1-1½ ba			3 br/2+ ba		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Middlebrook Trace II				22	1,252-1,255	\$975
Apartments at Goose Creek				n/a	1,357	\$1,588-1,673
Big Sky				n/a	1,304-1,557	\$1,260-1,505
Frontier Ridge				50	1,234	\$842
Goose Creek Crossing				44	1,110	\$371-731-911-1,100
Manchester Townhouses						
Middlebrook Trace				40	1,152-1,255	\$968-975
Mountain Laurel Manor I				20	1,153-1,159	\$949
Mountain Laurel Manor II				20	1,153-1,159	\$937
Mountain Laurel Manor III				20	1,153-1,159	\$423-975
Staunton				25	1,300	\$1,250
Waterford Village				48	1,206	\$634-819



Complex: Apartments at Goose Creek

Location: 80 Goose Point Lane, Fishersville

Year Built: 2015-2021

Total units: 352

Vacant units: 0 (100 percent occupied)

Telephone: 540.712.2459

Management: Denstock Management

Contact: Tymber (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>Rent/sq. ft.</u>	<u>Community Amenities</u>
1/1	n/a	764-1,095	\$1,218-1,334	\$1.37	Clubhouse/community room <input checked="" type="checkbox"/>
					Fitness Center <input checked="" type="checkbox"/>
2/2	n/a	1,092-1,184	\$1,411-1,516	\$1.29	Business Center <input checked="" type="checkbox"/>
					Pool <input checked="" type="checkbox"/>
3/2	n/a	1,357-1,419	\$1,588-1,673	\$1.17	Playground <input type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input checked="" type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input type="checkbox"/>
<u>Unit Amenities</u>					
					Microwave <input checked="" type="checkbox"/>
					Dishwasher <input checked="" type="checkbox"/>
					Washer/dryer <input type="checkbox"/>
					Washer/dryer hook-up <input checked="" type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input checked="" type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input checked="" type="checkbox"/>
<u>Utilities in rent:</u>					
Water/sewer <input type="checkbox"/> Trash <input type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>					



Complex: Big Sky

Location: 107 Community Way, Staunton

Year Built: 2006-2017

Total units: 249

Vacant units: 25 (99 percent occupied)

Telephone: 540.213.0234

Management: Park Properties

Contact: Lisa (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>Rent/sq. ft.</u>	<u>Community Amenities</u>
1/1	n/a	805-1,237	\$1,030-1,245	\$1.11	Clubhouse/community room <input checked="" type="checkbox"/>
					Fitness Center <input checked="" type="checkbox"/>
2/2	n/a	1,076-1,509	\$1,095-1,415	\$0.97	Business Center <input type="checkbox"/>
					Pool <input checked="" type="checkbox"/>
3/3	n/a	1,304-1,492	\$1,260-1,505	\$0.99	Playground <input checked="" type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input type="checkbox"/>
<u>Unit Amenities</u>					
					Microwave <input checked="" type="checkbox"/>
					Dishwasher <input checked="" type="checkbox"/>
					Washer/dryer <input checked="" type="checkbox"/>
					Washer/dryer hook-up <input type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input checked="" type="checkbox"/>
<u>Utilities in rent:</u>					
Water/sewer <input type="checkbox"/> Trash <input checked="" type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>					



Complex: Frontier Ridge

Location: 20 Frontier Drive, Staunton

Financing: LIHTC (targeting 50% of AMI)

Year Built: 2006

Total units: 100

Vacant units: 4 (96 percent occupied)

Waiting list: ☒

Telephone: 540.887.3337

Management: MMS Group

Contact: Tricia (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>UA</u>	<u>Community Amenities</u>
2/2	50	959	\$732	\$71	Clubhouse/community room <input checked="" type="checkbox"/>
					Fitness Center <input checked="" type="checkbox"/>
					Business Center <input checked="" type="checkbox"/>
					Pool <input checked="" type="checkbox"/>
					Playground <input checked="" type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input checked="" type="checkbox"/>
					<u>Unit Amenities</u>
					Microwave <input type="checkbox"/>
					Dishwasher <input checked="" type="checkbox"/>
					Washer/dryer <input type="checkbox"/>
					Washer/dryer hook-up <input checked="" type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input checked="" type="checkbox"/>
					<u>Utilities in rent:</u>
					Water/sewer <input checked="" type="checkbox"/> Trash <input checked="" type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>



Complex: Manchester Townhouses

Location: 41 Manchester Drive, Staunton

Year Built: 1973

Total units: 156

Vacant units: 0 (100 percent occupied)

Telephone: 540.885.4580

Management: Thalhimer

Contact: Brenda (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>Rent/sq. ft.</u>	<u>Community Amenities</u>
2/1½	156	800	\$910	\$1.14	Clubhouse/community room <input type="checkbox"/> Fitness Center <input type="checkbox"/> Business Center <input type="checkbox"/> Pool <input checked="" type="checkbox"/> Playground <input checked="" type="checkbox"/> Controlled access/gated <input type="checkbox"/> Elevator <input type="checkbox"/> Garages <input type="checkbox"/> Storage <input type="checkbox"/> Laundry <input checked="" type="checkbox"/>
					<u>Unit Amenities</u>
					Microwave <input type="checkbox"/> Dishwasher <input checked="" type="checkbox"/> Washer/dryer <input type="checkbox"/> Washer/dryer hook-up <input checked="" type="checkbox"/> 9' ceilings <input type="checkbox"/> High-end kitchen <input type="checkbox"/> Wood/style floors <input type="checkbox"/> Fireplaces <input type="checkbox"/> Patios/balconies <input type="checkbox"/>
					<u>Utilities in rent:</u>
					Water/sewer <input type="checkbox"/> Trash <input checked="" type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>



Complex: Mountain Laurel Manor I

Location: 85 Bobby's Way, Staunton

Financing: LIHTC (targeting 40%,50%, and 60% of AMI)

Year Built: 2020

Telephone: 540.466.5424

Total units: 48

Management: GEM Management

Vacant units: 2 (96 percent occupied)

Contact: Alex 3/2 telephone ☐ onsite ☐ other ☒

Waiting list: ☒

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>UA</u>	<u>Community Amenities</u>	
2/2	28	919	\$501-822	\$142	Clubhouse/community room	<input checked="" type="checkbox"/>
					Fitness Center	<input type="checkbox"/>
					Business Center	<input type="checkbox"/>
3/2	20	1,153	\$949	\$165	Pool	<input type="checkbox"/>
					Playground	<input type="checkbox"/>
					Controlled access/gated	<input type="checkbox"/>
					Elevator	<input type="checkbox"/>
					Garages	<input type="checkbox"/>
					Storage	<input type="checkbox"/>
					Laundry	<input checked="" type="checkbox"/>
<u>Unit Amenities</u>						
					Microwave	<input type="checkbox"/>
					Dishwasher	<input checked="" type="checkbox"/>
					Washer/dryer	<input type="checkbox"/>
					Washer/dryer hook-up	<input type="checkbox"/>
					9' ceilings	<input type="checkbox"/>
					High-end kitchen	<input type="checkbox"/>
					Wood/style floors	<input type="checkbox"/>
					Fireplaces	<input type="checkbox"/>
					Patios/balconies	<input type="checkbox"/>

Utilities in rent:

Water/sewer ☒ Trash ☒ Electricity ☐ Heat ☐



Complex: Mountain Laurel Manor II

Location: 47 Bobby's Way, Staunton

Financing: LIHTC (targeting 40%, 50%, and 60% AMI)

Year Built: 2020

Telephone: 540.466.5424

Total units: 48

Management: GEM Management

Vacant units: 5 (90 percent occupied)

Contact: Alex 3/2 telephone ☐ onsite ☐ other ☒

Waiting list: ☒

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>UA</u>	<u>Community Amenities</u>	
2/2	28	919	\$492-813	\$151	Clubhouse/community room	<input checked="" type="checkbox"/>
					Fitness Center	<input type="checkbox"/>
					Business Center	<input type="checkbox"/>
					Pool	<input type="checkbox"/>
					Playground	<input type="checkbox"/>
					Controlled access/gated	<input type="checkbox"/>
					Elevator	<input type="checkbox"/>
					Garages	<input type="checkbox"/>
					Storage	<input type="checkbox"/>
					Laundry	<input checked="" type="checkbox"/>
					<u>Unit Amenities</u>	
					Microwave	<input type="checkbox"/>
					Dishwasher	<input checked="" type="checkbox"/>
					Washer/dryer	<input type="checkbox"/>
					Washer/dryer hook-up	<input type="checkbox"/>
					9' ceilings	<input type="checkbox"/>
					High-end kitchen	<input type="checkbox"/>
					Wood/style floors	<input type="checkbox"/>
					Fireplaces	<input type="checkbox"/>
					Patios/balconies	<input type="checkbox"/>

Utilities in rent:

Water/sewer ☒ Trash ☒ Electricity ☐ Heat ☐



Complex: Staunton

Location: 1008 Seth Drive, Staunton

Year Built: 2016-2020

Total units: 39

Vacant units: 0 (100 percent occupied)

Telephone: 540.290.8945

Management: Owner managed

Contact: (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>Rent/sq. ft.</u>	<u>Community Amenities</u>
2/1½	14	1,000	\$1,000	\$1.00	Clubhouse/community room <input type="checkbox"/>
					Fitness Center <input type="checkbox"/>
3/2	25	1,300	\$1,300	\$1.00	Business Center <input type="checkbox"/>
					Pool <input type="checkbox"/>
					Playground <input type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input type="checkbox"/>
<u>Unit Amenities</u>					
					Microwave <input checked="" type="checkbox"/>
					Dishwasher <input type="checkbox"/>
					Washer/dryer <input checked="" type="checkbox"/>
					Washer/dryer hook-up <input type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input type="checkbox"/>
<u>Utilities in rent:</u>					
Water/sewer <input checked="" type="checkbox"/> Trash <input checked="" type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>					



Complex: Waterford Village

Location: 80 Imperial Drive, Staunton

Financing: LIHTC (targeting: 40 and 50% of AMI)

Year Built: 2010

Total units: 96

Vacant units: 2 (98 percent occupied)

Waiting list: ☒

Telephone: 540.416.4178

Management: JDC Management

Contact: Lori (2/18) telephone ☒ onsite ☐ other ☐

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>UA</u>	<u>Community Amenities</u>
2/2	48	1,084	\$556-716	\$82	Clubhouse/community room <input checked="" type="checkbox"/>
					Fitness Center <input checked="" type="checkbox"/>
3/2	48	1,206	\$634-819	\$102	Business Center <input type="checkbox"/>
					Pool <input type="checkbox"/>
					Playground <input checked="" type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input type="checkbox"/>
<u>Unit Amenities</u>					
					Microwave <input type="checkbox"/>
					Dishwasher <input checked="" type="checkbox"/>
					Washer/dryer <input type="checkbox"/>
					Washer/dryer hook-up <input checked="" type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input type="checkbox"/>

Utilities in rent:

Water/sewer ☒ Trash ☒ Electricity ☐ Heat ☐



Complex: Windgate Place

Location: 1009 Seth Drive, Staunton

Year Built: 2007

Total units: 57

Vacant units: n/a

Telephone: 540.649.2175

Management: n/a

Contact: telephone ☐ onsite ☐ other ☒

<u>Br/Ba</u>	<u>Units</u>	<u>Sq. Feet</u>	<u>Rent</u>	<u>Rent/sq. ft.</u>	<u>Community Amenities</u>
2/1	n/a	1,080	\$975	\$0.90	Clubhouse/community room <input type="checkbox"/>
					Fitness Center <input type="checkbox"/>
2/1½	n/a	1,080	\$925	\$0.86	Business Center <input type="checkbox"/>
					Pool <input type="checkbox"/>
					Playground <input type="checkbox"/>
					Controlled access/gated <input type="checkbox"/>
					Elevator <input type="checkbox"/>
					Garages <input type="checkbox"/>
					Storage <input type="checkbox"/>
					Laundry <input type="checkbox"/>
<u>Unit Amenities</u>					
					Microwave <input type="checkbox"/>
					Dishwasher <input checked="" type="checkbox"/>
					Washer/dryer <input type="checkbox"/>
					Washer/dryer hook-up <input checked="" type="checkbox"/>
					9' ceilings <input type="checkbox"/>
					High-end kitchen <input type="checkbox"/>
					Wood/style floors <input type="checkbox"/>
					Fireplaces <input type="checkbox"/>
					Patios/balconies <input type="checkbox"/>
<u>Utilities in rent:</u>					
Water/sewer <input type="checkbox"/> Trash <input type="checkbox"/> Electricity <input type="checkbox"/> Heat <input type="checkbox"/>					

I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES

Demand Analysis

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available.

Income is a key variable in the analysis of housing markets. Of the 48 units proposed, 12 will be targeted at 30 percent of the median, 12 will be targeted to households with incomes up to 50 percent of the median, with 12 targeted at 60 percent of the median, and 12 units targeted at 80 percent of the median (and therefore applying income averaging). Thus, the apartments qualify for low income housing tax credit status.

The HUD income limits for the City of Staunton (the Staunton-Waynesboro MSA) are set out below. The median income for the City of Staunton in 2021 was \$71,200 - having been \$71,400 in 2020, and \$59,000 in 2011. This represents a 0.3 percent decrease over the previous year, and a 20.7 percent increase over the last decade (or an average of 1.90 percent per year).

The maximum housing expenses for the proposed units are based on these income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities).

Table 18 - Income Limits and Maximum Housing Costs

Income Limits				
	30 percent	50 percent	60 percent	80 percent
1 person	\$14,970	\$24,950	\$29,940	\$39,920
2 person	\$17,100	\$28,500	\$34,200	\$45,600
3 person	\$19,230	\$32,050	\$38,460	\$51,280
4 person	\$21,360	\$35,600	\$42,720	\$56,960
5 person	\$23,070	\$38,450	\$46,140	\$61,520
6 person	\$24,780	\$41,300	\$49,560	\$66,080

Maximum Housing Costs				
	30 percent	50 percent	60 percent	80 percent
2 bedroom	\$481	\$801	\$962	\$1,282
3 bedroom	\$555	\$926	\$1,111	\$1,481

Source: HUD

Information as to rents and income targeting are set out in Table 19, below. The demand for the 15 rent-assisted units (12 three-bedroom units at 30 percent of the median, and three three-bedroom units at 50 percent) is based on the maximum allowable at those levels and the adjusted rents used are cited in the table, below.

Table 19 - Rents and Income Targeting

	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total</u>
2 bedroom	9	6	6	5	26
3 bedroom	3	6	6	7	22
Total	12	12	12	12	48

proposed rents					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	
2 bedroom	\$369	\$690	\$850	\$850	
3 bedroom	\$424	\$795	\$975	\$975	

proposed rents as a proportion (%) of maximum					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	
2 bedroom	99.8	100.0	99.9	72.6	
3 bedroom	100.0	100.0	99.5	72.2	

Source: Applicant; T Ronald Brown: Research & Analysis

The utility allowances for the proposed development are \$111 and \$131 for the two-, and three-bedroom units, respectively

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall at the maximum allowable for the units targeted at the 30 percent level, the 50 percent level, and the 60 percent level. The rents for the units targeted at the 80 percent of the median are seen to be between 72 and 73 percent of the maximum allowable at that level.

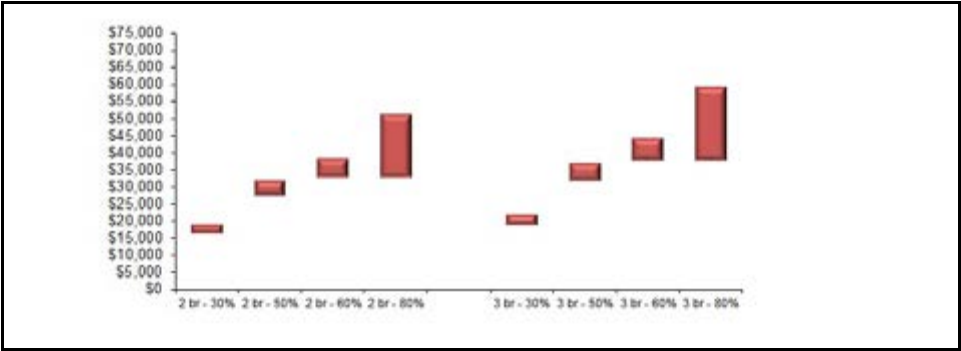
Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of their income on housing costs (rent and utilities). The upper limits are a function of household size - based on a standard of one and one-half persons per bedroom. The qualifying income limits for one- and four bedroom units are based on the proposed rents level relative to the maximum allowable. Similarly, rent assisted units are analyzed without that assistance, and rent for those units is assumed to be the maximum allowable.

Table 20 - Qualifying Income Ranges

<u>30 percent</u>		
	lower	upper
2 bedroom	\$16,457	\$19,230
3 bedroom	\$19,041	\$22,215
<u>50 percent</u>		
	lower	upper
2 bedroom	\$27,471	\$32,050
3 bedroom	\$31,736	\$37,025
<u>60 percent</u>		
	lower	upper
2 bedroom	\$32,949	\$38,460
3 bedroom	\$37,920	\$44,430
<u>80 percent</u>		
	lower	upper
2 bedroom	\$32,949	\$51,280
3 bedroom	\$37,920	\$59,240

Source: Applicant; T Ronald Brown: Research & Analysis

The various qualifying income ranges, by bedroom mix and income targeting are illustrated, below. Here, the qualifying income ranges for those units set at or near the maximum allowable are seen to be very narrow. Any gaps and/or overlaps between these target income ranges will necessarily be taken into consideration in our calculations.



The major variables to be examined are tenure and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the market area for the proposed complex, are set out below.

Table 21 - Household Income, Renter Households

Income	All Renters	Overburdened Renters		
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Up to \$10,000	658	9.7	383	18.7
\$10,000 - \$19,999	922	13.6	630	30.7
\$20,000 - \$34,999	1,486	21.8	816	39.7
\$35,000 - \$50,000	1,159	17.0	129	6.3
\$50,000 - \$75,000	1,358	20.0	85	4.1
\$75,000 - \$100,000	627	9.2	10	0.5
\$100,000 and over	593	8.7	0	0.0
Total	6,803		2,053	

Source: 2015 to 2019 American Community Survey; T.Ronald Brown: Research & Analysis

As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2015 to 2019 - and not for a specific year.

From this table it can be seen that 9.7 percent of the market area renter households have incomes less than \$10,000, and a further 13.6 percent have incomes between \$10,000 and \$20,000. Around 21.8 percent of renters are seen to be in the \$25,000 to \$35,000 income range. Around 30 percent of all renters are rent-overburdened. This table also illustrates how rent-overburdened households are concentrated in the lower income groups.

Based on the income ranges set out in Table 20 and the income distribution set out in Table 21, it is found that around 4.1 percent of market area renter households qualify for units at 30 percent of the median, and the corresponding figures for units at the 50 percent, 60 percent, and 80 percent levels are 6.5 percent, 7.3 percent, and 20.7 percent, respectively.

Projections of need and demand are based upon a 2022 to 2027 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

Based on the projections set out in Table 13, a total of 711 new rental units are needed between 2022 and 2027. A total of 224 units will be for households eligible for the proposed project.

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of 2,715 renter households in the qualifying income range in the project market area. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. With respect to existing households in the project market area it is found that, based on the most recent American Community Survey data, 62.6 percent of renters qualifying for units at 30 percent of the median are rent-overburdened. Likewise, 40.4 percent, 26.8 percent, and 16.0 percent of those qualifying for units at the 50 percent, 60 percent, and 80 percent levels, respectively, are rent-overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of rental units due to demolition, abandonment, obsolescence and the like. The proportion is based on a two-year loss of 1.2 percent of rental units detailed in the 2016 Edition of "Components of Inventory Change" published by HUD. Based on the number of rental units in the project market area this translates to a need for an additional 82 units.

Total demand is therefore seen to amount to 1,158 units. These figures are based on a 2022 to 2027 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area. One directly comparable project has been added in the project market area over the projection period - the 48 units at the third phase of the Mountain Laurel Manor development, which is currently under construction. The 82-unit first phase of Middlebrook Trace was funded in 2021. The Goose Creek Crossing Apartments were awarded tax credits in 2020, and construction is yet to commence -this will add 116 new units. No other comparable complexes are funded and/or are under construction. Given that this supply amounts to 246 units, the net need is therefore for 824 units

The preceding calculations are summarized in the table on the following page.

Table 22 - Demand Calculations

	30 percent	50 percent	60 percent	80 percent	total
(i) income eligible new renter households	29	46	52	147	224
(ii) income eligible existing renter households	354	561	630	1,786	2,715
(iii) existing households, likely to move	222	226	169	285	764
(iv) need from obsolete housing	11	17	19	54	82
Total demand (i)+(iii)+(iv)	262	290	240	487	1,070
Supply	38	86	54	68	246
Net demand	224	204	186	419	824

Total excludes gaps/overlap

Source: T. Ronald Brown: Research & Analysis

Demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 23 percent of the total, two-bedroom units should account for 43 percent of the total, and three-bedroom units should account for 25 percent of the total with four- or more bedroom units accounting for 9 percent.

Capture rates are illustrated in the table on the following page.

Table 23 - Capture Rates

	30 percent	50 percent	60 percent	80 percent	total
Total demand					
1 bedroom	60	67	55	113	247
2 bedroom	113	125	103	210	461
3 bedroom	65	72	60	121	267
4 bedroom	23	26	21	43	95
Total	262	290	240	487	1,070
Supply					
1 bedroom	0	0	0	0	0
2 bedroom	20	48	27	47	142
3 bedroom	18	38	27	21	104
4 bedroom	0	0	0	0	0
Total	38	86	54	68	246
Net demand					
1 bedroom	60	67	55	113	247
2 bedroom	93	77	76	163	319
3 bedroom	47	34	33	100	163
4 bedroom	23	26	21	43	95
Total	224	204	186	419	824
Units proposed					
1 bedroom	0	0	0	0	0
2 bedroom	9	6	6	5	26
3 bedroom	3	6	6	7	22
4 bedroom	0	0	0	0	0
Total	12	12	12	12	48
Capture rates					
1 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
2 bedroom	9.7%	7.8%	7.9%	3.1%	8.2%
3 bedroom	6.3%	17.5%	18.3%	7.0%	13.5%
4 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
Total	5.4%	5.9%	6.5%	2.9%	5.8%

Total excludes gaps/overlap

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 48-unit development amounts to 5.8 percent of the total net need.

The capture rate, by bedroom, is determined to be 8.2 percent for the 26 two-bedroom units, and 13.5 percent for the 24 three-bedroom units.

The 12 units at 30 percent of the median amount to 5.4 percent of the net demand at that level, the 12 units at 50 percent of the median amount to 5.9 percent of demand at that target level, and the 12 units targeted at the 60 percent level amount to around 6.5 percent of demand at that level. The 12 units targeted at 80 percent represent 2.9 percent of demand at that level.

The capture rates presented above are considered very reasonable for this property.

ABSORPTION RATES

As noted, the capture rates presented above are considered realistic. Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated four- to five- month period, or so. This is likely to be abbreviated assuming that the waiting list for the initial phase can be drawn-on.

Affordability Analysis

Here, an affordability analysis addresses the total number of income eligible renter households in the market are relative to the size of the proposed development.

The minimum income is that associated with the rent for the least expensive unit offered, and the upper limit is based on the 80 percent limit (the highest target income range) for the largest unit size, by number of bedrooms. Here, the lower income is seen to be that for the proposed two-bedroom units that will be targeted to households at the 30 percent level. That is, \$369 per month. Given a \$103 utility allowance and a 35 percent rent-to-income ratio, the lower qualifying income is seen to be \$16,183. The upper income is \$59,240. Based on the income data set out in Table 21, there are found to be as many as 4,450 renter households in that range. Thus, the proposed 48-unit development corresponds to a 1.1 percent affordability analysis capture rate.

Penetration rate.

A penetration rate is defined, for the purposes of this analysis, as the proportion of income-eligible households needed to fill the proposed development, plus those in existing competitive units, plus any in competitive units that are approved and funded for future development.

The lower income limit for this analysis is the income needed to afford the least expensive competitive unit in the market (or the rent for the least-expensive proposed unit, if lower), and the upper income limit is the upper income limit for the competitive units (or the proposed units, if higher). Our survey of the existing, competitive inventory, shows that the lowest two bedroom units are those for the more deeply targeted units at the third phase of the Mountain Laurel Manor development* (\$366 per month). Thus, the target income range for this market is at is, from \$16,080 to \$59,240. There are seen to be 4,450 qualifying renter households in this income range in the market area. There are several existing comparable tax credit properties, there is one comparable project that is under construction, and the one comparable project (Goose Creek Crossing) that is funded for future construction. The existing tax credit projects comprise a total of 292 comparable units, with 48 units under construction at Mountain Laurel Manor, the 82 units at the initial phase of Middlebrook Trace, plus the 116 units at Goose Creek Crossing, and the proposed 48 units, yields 586 units. Thus, the penetration rate - as defined - amounts to 13.2 percent.

Summary

Consideration of the capture rate (5.8 percent) and the (1.1 percent) affordability analysis capture rate, and (13.2 percent) penetration rate suggests that the proposed development is very marketable, as proposed.

* The potential rents at the Goose Creek project was not considered, as it has yet to proceed.

J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a potential source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages). The site manager at Frontier Ridge (Tricia) believes that the area could accommodate another tax credit complex, and that housing is scarce. Michelle at Waterford Village expressed concern about the impact of an increase in minimum wages on the market for affordable housing.

K. ANALYSIS/CONCLUSIONS

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated nine month period, or so.

Based on the proposed development's site, bedroom mix, amenities and features, utility provision and costs, the proposed development is considered marketable and should be well-accepted in this market, particularly as it will be a new, affordable, property.

The site location will offer a significant advantage as will the proposed rents, particularly those set to be affordable to households at 30 percent and 50 percent of the median.

The proposed development should not have a negative impact on existing housing.

It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

L. OTHER REQUIREMENTS

Statement and signature

I affirm the following:

1. that I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by Virginia Housing.
4. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm is representing Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing
6. Compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits.



Market Analyst

March 6, 2022

As affirmed in the Scope of Work, there is no identity of interest between the analyst and the entity for which the report has been prepared.

Similarly, the recommendations and conclusions are based solely on the analyst's experience, opinion, and best efforts.

Analyst Qualifications

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis.

The President of the firm is T. Ronald Brown. He has more than 35 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last two decades or so, Mr. Brown has produced around 2,500 studies in at least 20 states, predominantly in the Southeast.

Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including low income tax credit financed projects) and subsidized housing.

Mr. Brown is a member of several groups that promote housing in general and affordable housing in particular. These include the North Carolina Housing Coalition, Preservation North Carolina, the Virginia Housing Alliance, and the National Council of Housing Market Analysts.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.

List of sources

The foregoing report contains information from a variety of sources - those sources (such as contact numbers for property interviews) are cited at the appropriate place in the report itself. The major sources of data include:

The U.S. Census - 2000 and 2010, and the American Community Survey (2014-2019)
Virginia Housing
U.S. Department of HUD
U.S. Department of Agriculture
Virginia State Data Center/Weldon Cooper Center for Public Service
Virginia Employment Commission
Virginia Economic Development Partnership
City of Staunton
U.S. Bureau of Labor Statistics
HUDUSER (e.g., SOCDs building permits database)

Market study checklist

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MARKET STUDY TERMINOLOGY

The following presents the accepted definitions of various terms typically found in real estate market studies. These definitions are typically followed unless reviewing agency requirements differ.

Absorption period - the period of time necessary for a newly constructed or renovated property to achieve the *stabilized level of occupancy*. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the *stabilized level of occupancy* has a signed lease. Assumes a typical premarketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

Absorption rate - the average number of units rented each month during the *absorption period*.

Acceptable rent burden - the rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

Achievable rents - See *Market Rent, Achievable Restricted Rent*.

Affordable housing - housing affordable to low or very low-income tenants.

Amenity - tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs, services and activities.

Annual demand - the total estimated demand present to the market in any one year for the type of units proposed.

Assisted housing - housing where federal, state or other programs *subsidize* the monthly costs to the tenants.

Bias - a proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.

Capture rate - the percentage of age, size, and income qualified renter households in the *primary market area* that the property must capture to fill the units. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The *Capture Rate* is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the *primary market area*. See also: penetration rate.

Comparable property - a property that is representative of the rental housing choices of the subject's *primary market area* and that is similar in construction, size, amenities, location, and/or age. Comparable and *competitive* properties are generally used to derive market rent and to evaluate the subject's position in the market.

Competitive property - a property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.

Comprehensive market study - NCHMA (the National Council of Housing Market Analysts) defines a comprehensive market study for the purposes of IRC Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRC Section 42 request for completion of a market study by a 'disinterested party.'

Concession - discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).

Demand - the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

Effective rents - contract rent less concessions.

Household trends - changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.e. at marriage or separation), changes in average household size, and net *migration*.

Income band - the range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined *acceptable rent burden* percentage and the maximum typically⁷ is pre-defined by specific program requirements or by general market parameters.

Infrastructure - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

Market advantage - the difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property. $(\text{market rent} - \text{proposed rent}) / \text{market rent} * 100$

Market analysis - a study of real estate market conditions for a specific type of property.

Market area - See *primary market area*.

Market demand - the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.

Market rent - the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

Market study - a comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography.

Marketability - the manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

Market vacancy rate, economic - percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.

Market vacancy rate, physical - average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

Migration - the movement of households into or out of an area, especially a *primary market area*.

Mixed income property - an apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50%, and 60%).

Mobility - the ease with which people move from one location to another.

Move-up demand - an estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to new tax credit properties.

Multi-family - structures that contain more than two housing units.

Neighborhood - an area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

Net rent (also referred to as contract rent or lease rent) - Gross rent less *tenant paid utilities*.

Penetration rate - The percentage of age and income qualified renter households in the *primary market area* that all existing and proposed properties, to be completed with six months of the subject, and which are competitively priced to the subject that must be captured to achieve the *stabilized level of occupancy*. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. Units in all proposals / households in market * 100, see also: capture rate.

Pent-up demand - a market in which there is a scarcity of supply and vacancy rates are very low.

Population trends - changes in population levels for a particular area over a specific period of time – which is a function of the level of births, deaths, and net *migration*.

Primary market area - a geographic area from which a property is expected to draw the majority of its residents.

Programmatic rents - See *restricted rents*.

Project based rent assistance - rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

Redevelopment - the redesign or rehabilitation of existing properties.

Rent burden - gross rent divided by adjusted monthly household income.

Rent burdened households - households with *rent burden* above the level determined by the lender, investor, or public program to be an acceptable rent-to-income.

Restricted rent - the rent charged under the restrictions of a specific housing program or subsidy.

Restricted rent, achievable - the rents that the project can attain taking into account both market conditions and rent in the *primary market area* and income restrictions.

Saturation - the point at which there is no longer demand to support additional unit. Saturation usually refers to a particular segment of a specific market.

Secondary market area - the portion of a market that supplies additional support to an apartment property beyond that provided by the primary market area.

Special needs population - specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs population include: substance abusers, visually impaired person or persons with mobility limitations.

Stabilized level of occupancy - the underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

Subsidy - monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's *contract rent* and the amount paid by the tenant toward rent.

Substandard conditions - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

Target income band - the *income band* from which the subject property will draw tenants.

Target population - the market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

Tenant paid utilities - the cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.

Turnover period - 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period. Housing units with new occupants / housing units * 100 2. The percent of occupants in a given apartment complex that move in one year.

Unmet housing need - new units required in the market area to accommodate household growth, homeless people, and housing in substandard conditions.

Unrestricted rents - rents that are not subject to *restriction*.

Unrestricted units - units that are not subject to any income or rent restrictions.

Vacancy period - the amount of time that an apartment remains vacant and available for rent.

Vacancy rate-economic vacancy rate - physical - maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

Other Terms

The following terms are also to be found in professional market studies - here, this information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

Area Median Income (AMI) - 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

Attached housing - two or more dwelling units connected with party walls (e.g. townhouses or flats).

Basic rent - the maximum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

Below Market Interest Rate program (BMIR) - Program targeted to renters with income not exceeding 80% or area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

Census tract - a small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

Central Business District (CBD) - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

Community Development Corporation (CDC) - entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

Condominium - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

Contract rent - 1. The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

Difficult Development Area (DDA) - an area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.

Detached housing - a freestanding dwelling unit, typically single-family, situated on its own lot.

Elder or senior housing - housing where (1) all units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

Extremely low income - person or household with income below 30% of the Area Median Income adjusted for household size.

Fair Market Rent (FMR) - the estimates established by HUD of the Gross rents (Contract rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally set FMR so that 40% of the rental units have rents below FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50th percentile of rents.

Garden apartments - apartments in low-rise buildings (typically two or four stories) that feature low density, ample open-space around buildings, and on-site parking.

Gross rent - the monthly housing cost to a tenant which equals the Contract rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.

High-rise - a residential building having more than ten stories.

Household - one or more people who occupy a housing unit as their usual place of residence.

Housing unit - house, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

Housing Choice Voucher (Section 8 Program) - federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households in the use of the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

Housing Finance Agency (FHA) - state or local agencies responsible for financing housing and administering assisted housing programs.

HUD Section 8 Program - federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of tenants' adjusted income.

HUD Section 202 Program - federal program which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

HUD Section 811 Program - federal program which provides direct capital assistance and operating of rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 510(c)(3) nonprofit organization.

HUD Section 236 Program - federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

Income limits - maximum household income by county or Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits each year for 30% median. Very low income (50%), and low income (80%), for households with 1 through 8 people.

Low income - person or household with gross household income below 80% of Area Median Income adjusted for household size.

Low income housing tax credit - a program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on those units be restricted accordingly.

Low rise building - a building with one to three stories.

Metropolitan Statistical Area (MSA) - a geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities have a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

Mid-rise - a building with four to ten stories.

Moderate income - person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

Public Housing or Low Income Conventional Public Housing - HUD program administered by local (or regional) Housing Authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

Qualified Census Tract (QCT) - any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of the area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credit may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.

Rural Development (RD) market rent - a monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. The rent is the maximum rent that a tenant can pay at an RD Property.

Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program) - federal program which provides the low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, which is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

Single-family housing - a dwelling unit, either attached or detached, designed for use by one household and with the direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

State Data Center (SDC) - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.

Tenant - one who rents real property from another.

Tenure - the distinction between owner-occupied and renter-occupied housing units.

Townhouse (or Row House) - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called row house.

Very low income - person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

Zoning - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.