



REQUEST FOR PROPOSALS

DATE OF ISSUE: September 7, 2017

TO: Potential Providers of Services

RE: **Request for Proposals (“RFP”) for Conducting Market Studies for Affordable Housing Projects in Michigan**

I. Services Sought by Authority

The Michigan State Housing Development Authority ("Authority") is seeking an organization authorized to do business in Michigan to create market studies for affordable housing projects in the Direct Lending, Low Income Housing Tax Credit Modified Pass-Through and multiple Preservation programs, as well as to provide Rent Reasonableness Tests as needed.

Michigan law allows for veterans preference only; however, women-owned, minority-owned, and small businesses authorized to conduct business in the State of Michigan are encouraged to register with Buy4Michigan and submit proposals.

It is anticipated that a three-year contract may be awarded.

II. Contents of this RFP

- Overview of services sought, tasks and activities (“Scope of Work” or “SOW”)
- Exhibit A – Notices to Bidders
- Exhibit B – Proposal Submission
- Exhibit C – Proposal Format
- Exhibit D – Project Personnel Form
- Exhibit E – Market Study Guidelines

III. Overview

The Authority seeks an organization to create market studies for affordable housing projects. The services assist Authority Market Research staff in making decisions concerning the market viability of development funding proposals. The service will help/enable the Authority to choose the best proposals by approved analysts, providing accurate, unbiased information as well as carefully considered professional expertise.

The selected contractor will also advise and educate Authority representatives related to contractor services sought as outlined below.

IV. Objectives, Tasks & Activities, and Deadlines

A. Objectives. To successfully perform the services described above, the selected contractor must satisfy the following objectives:

1. Conduct market analyses using Authority guidelines and time lines.
2. Employ data and analysis to support the development of marketable housing units that serve the need for affordable housing in Michigan's communities.
3. Provide recommendations on the character of affordable housing developments that can be used in Authority decision-making processes.

B. Activities/Responsibilities Necessary to Complete Scope of Work. To achieve the objectives, the selected contractor shall perform the following activities required to achieve the objectives:

1. Perform analysis of housing markets.
2. Conduct site visits as necessary.
3. Create market studies using Authority market study guidelines as provided in Exhibit E attached and incorporated into this RFP.
4. Estimate the effect of new development on existing Authority portfolio projects in the same market.
5. Communicate results of studies to both developers and the Authority.
6. Make objective recommendations concerning rents, absorption periods and overall market feasibility of a project consistent with data and analysis presented in market studies.

C. Deadlines for Completing Objectives.

1. Work must be completed within given time frames:
 - a. Five to six weeks for a full study.
 - b. Three to four weeks for both a preliminary market study and a recued scope market study.

V. Standards for Performance

If awarded a contract, the selected contractor shall perform the tasks/activities and complete the objectives in accordance with the following standards:

- A.** Conclusions reached in the study should reflect the analyst's objective, professional opinion on the market need and performance of the subject property.
- B.** Studies must conform to Authority market analysis guidelines, ***including the order of information presented.***

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSALS**

EXHIBIT A

NOTICE TO BIDDERS

I. Bidder Qualifications/Requirements

Proposals not including requested information may be viewed by the Authority as non-responsive and not considered further. Bidders are strongly encouraged to review their proposals prior to submission to ensure that all requested information is included.

A. Bidder's Experience. The Authority has identified the following qualifications that it believes are necessary for the successful performance and completion of the services described in the Scope of Work:

1. Experience in analyzing affordable rental housing markets in Michigan.
2. Experience in understanding and applying Authority housing programs.
3. Experience conducting and interpreting statistical analysis of demographic, economic and other trends.
4. Past experience, education and professional affiliations that contribute to the ability to complete the work described in this proposal.

B. Company Background Information.

1. Legal business name and address.
[Name]
[Street Address]
[City, State, Zip]
[Phone Number]
[Website address]
2. State your business is incorporated in.
3. Number of years in business and number of employees.
4. Legal business name of any applicable parent company, and its address.
5. Has there been a recent change in the organizational structure (e.g., management team) or a change of control (merger or acquisition)?
(Yes / No)
If Yes, why and how has it affected your company?
6. Has your company ever been debarred, suspended, or otherwise disqualified from bidding, proposing, or contracting with any governmental entity, including the State?
(Yes / No)
If Yes, provide the date, governmental entity, and details surrounding the action.
7. Has your company ever been sued by the State of Michigan?
(Yes / No)

If Yes, provide the date, case caption, case number, and identify the court that the case was filed in.

8. Has your company ever sued the State of Michigan?

(Yes /No)

If Yes, provide the date, case caption, case number, and identify court that case was filed in.

9. Within the past five (5) years, has your company defaulted on a government contract, or been terminated for cause by any governmental entity, including the State?

(Yes / No)

If Yes, provide the date of action, contracting entity, type of contract, and details surrounding the termination or default.

10. Within the past five (5) years, has your company defaulted on a contract or been terminated for cause by any private entity in which similar service or products were being provided by your company?

(Yes / No)

If Yes, provide the date of action, contracting entity, type of contract, and details surrounding the termination or default.

11. Does your company have experience working with the State of Michigan?

(Yes / No)

If Yes, please provide a list (including the contract number) of the contracts you hold or have held with the State for the last 10 years.

C. Bidder's Authorized Signatory. An official authorized to commit the Bidder to the terms and conditions of the proposal must sign the proposal being submitted. The Bidder must clearly identify the full title and authorization of the designated official and provide a statement of bid commitment with the accompanying signature of the official. Attach any resolutions authorizing the approved signatory with the proposal. Include the name and telephone number of person(s) in your organization authorized to expedite any proposed contract with the Authority.

D. Bidder Organization Authorized to Transact Business in Michigan. The Bidder must be either a Michigan entity (limited partnership, Limited Liability Company, for-profit corporation or non-profit corporation, etc.) or, if foreign, authorized to do business in the State of Michigan.

Proposals from Sole Proprietors Will Not be Accepted

Questions regarding specific requirements to transact business in the State of Michigan should be referred to or otherwise contact the Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau at:

http://www.michigan.gov/lara/0,4601,7-154-61343_35413---,00.html.

E. Bidder's Minimum Internet/Technological Capabilities. The Bidder must have phone, internet, and e-mail access. Internet and e-mail access must be adequate enough to allow the Bidder to receive, download and upload data, files and attachments from Authority staff. (Current state standards are limited to a functional size of 20 MB).

F. Limits on Liability & Indemnification. The Bidder must review and acknowledge that the Authority will require the Bidder to satisfy the following requirements prior to the execution of a contract with the Authority. If the Bidder has objections, please provide an explanation with your proposal outlining the objection.

If awarded a contract, the Bidder agrees to:

1. Indemnify, defend and hold harmless the Authority, its Board, officers, employees and agents, from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:
 - a. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from (1) the services provided ("Services") or (2) performance of the Services, duties, responsibilities, actions or omissions of the Bidder or any of its subcontractors under an awarded contract.
 - b. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from a breach by the Bidder of any representation or warranty made by the Bidder in an awarded contract.
 - c. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or related to occurrences that the Bidder is required to insure against as provided for in an awarded contract.
 - d. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Bidder, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the Authority.
 - e. any claim, demand, action, citation or legal proceeding against the Authority, its employees and agents which results from an act or omission of the Bidder or any of its subcontractors in its or their capacity as an employer of a person.
 - f. any action or proceeding threatened or brought against the Authority to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Bidder or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States.

G. Bidder's Insurance Coverage. The Bidder must maintain and provide evidence, satisfactory to the Authority, of the following minimum insurance coverage:

1. General Liability Insurance for \$1,000,000 with the Authority shown as additional insured;
2. Errors and Omissions Insurance for \$1,000,000 for each occurrence and \$1,000,000 annual aggregate;
3. Worker's Compensation Insurance (if required under state law). Any citing of a policy of insurance must include a listing of the States where that policy's coverage is applicable.
4. If required by the Authority, Cyber Security Insurance for \$1,000,000.

H. Project Personnel. Bids must acknowledge and identify project personnel who will be performing services pursuant to an awarded contract and (a) sign the contract on behalf of the selected contractor and/or (b) are listed in the form attached and incorporated into this RFP as Exhibit D.

II. Notifications to Bidders

A. Questions Regarding RFP. Questions raised by Bidders concerning the RFP must be submitted in writing via email.

- Address all questions regarding the RFP to the Authority's Procurement Office.
- Questions must be received in writing via email by **September 14, 2017 at 4 p.m.** Eastern Time.
- To ensure a fair and impartial process, the Authority's Procurement Office will *only* address on time and properly submitted questions.
- Phone calls involving the RFP or related questions will not be accepted.
- Firms submitting bids shall not contact any Board members or Authority staff.
- Submit questions using the subject line **Market Study RFP** to the attention of:

**Michigan State Housing Development Authority
c/o Procurement Office**

E-mail: MSHDA-Procurement@michigan.gov

- The Authority will hold no other question sessions or bidder's conferences.
- Responses to properly submitted questions will be posted on or around **September 20, 2017.**
- All questions and answers related to this RFP will be supplied to Bidders that submitted questions, and/or to organizations providing the Procurement Office with notification of intent to submit a proposal.

B. Revisions to RFP. If, prior to the proposal deadline, the Authority deems it necessary to provide additional clarifying information, or to revise any part of the RFP,

supplements or revisions will be provided to all Bidders who have indicated they will submit a proposal. Proposals will then be evaluated based on the terms and conditions of the RFP, any supplements or revisions to the RFP, and the answers to any written questions.

- C. Michigan Freedom of Information Act.** All documents submitted to the Authority are subject to the Michigan Freedom of Information Act ("FOIA"). In the event a request for submitted documents is made to the Authority, the Authority's FOIA Coordinator will redact or withhold information and/or documents that are exempt from disclosure under FOIA. See *MCL 15.243 et seq.* Please note that any requests by non-MSHDA personnel to review proposals will be denied until the deadline for submission of the bids has expired. See *MCL 15.243(1)(i)*.

Please submit FOIA requests to the Authority as follows:

**MSHDA FOIA Coordinator
c/o Legal Affairs**

Email: MSHDA-FOIA@michigan.gov

- D. Payments to Pensioned Retirees.** 2007 PA 95, MCL 38.68c requires retirees of the State Employees Retirement System ("Pensioned Retirees") who become employed by the State either directly or indirectly through a contractual arrangement with another party on or after October 1, 2007 to forfeit their respective state pensions for the duration of their reemployment. **Accordingly, any pensioned retiree who provides or renders services pursuant to the contract for which bids will be made under this RFP shall be required to forfeit his or her pension during the term of the contract.**

Proposals must acknowledge and confirm whether pensioned retirees will render services under the contract being sought through this RFP. If the Bidder intends to use a pensioned retiree, the Bidder must submit written confirmation from the pensioned retiree that he or she agrees to forfeit his or her pension during the term of the contract, if awarded. If awarded a contract, the Bidder must submit a copy of the pensioned retiree's directions to the State of Michigan's Office of Retirement Services ("ORS") to withhold the retiree's pension payments until the end of the contract term by having the pensioned retiree complete a Retiree Rehire Certificate. A copy of the Retiree Rehire Certificate will be required to be submitted prior to executing an awarded contract.

- E. Contract Award Approvals.** Prior to executing an awarded contract, the Authority must seek and obtain Michigan Civil Service approval. The required forms will be submitted to Civil Service prior to the Authority's Board approval.

Contracts that equal or exceed \$45,000 must be approved by the Authority's Board. Thereafter, an awarded contract will be forwarded to the selected Bidder with instructions to review and sign it. Upon receiving the signed contract, the Authority's Procurement Office will submit the contract to a duly authorized signatory for final execution on behalf of the Authority. One fully executed contract will then be returned to the selected contractor.

- F. Applicable Laws.** The selected contractor will be required to comply with all Michigan and federal laws, as well as acquire any permits or permission-related documents to provide services being sought.

G. Submissions Subsequent to Award. As part of an awarded contract, the selected contractor will be required to review and provide and/or acknowledge additional documents including but not limited to:

- W-9 Request for Taxpayer Identification Number and Certification.
- Retiree Rehire Certificate, if necessary.
- Proof of proper insurance.

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**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT B

PROPOSAL SUBMISSION

I. Submitting Proposal

- Bidders wishing to submit proposals must submit one (1) **.pdf** copy of a proposal to provide the services described above in the Scope of Work.
- Submitted proposals must respond to and address the tasks, activities, listed requirements and questions outlined in the Scope of Work of this RFP and its attached and incorporated exhibits.
- The Authority shall not be liable for any costs that a Bidder may incur while preparing a proposal.
- The Authority shall not be liable for any costs that a Bidder may incur prior to the complete execution of a contract.
- If the Authority enters into a contract, the Authority's consideration (payment) shall be limited to the term of the contract.

II. Proposal Delivery

- A. Due Date.** Proposals responding to this RFP are due **September 28, 2017 at 4 p.m.** Eastern Time.
- B. Originals and Copies.** Submit one .pdf version of a proposal via email outlining how the Bidder will provide the services described in the Scope of Work.
- C. Delivery of Proposal.** Direct all deliveries to:

MSHDA-Procurement@michigan.gov

Confirmation of Delivery. The Procurement Office will verify receipt of email and proposal to the Bidder within 24 hours. If Bidder has not received verification, the Bidder should verify the email address provided above (i.e., no spaces; hyphen between "MSHDA" and "Procurement") and resubmit an email asking for verification.

- D. Commencement of Work.** Project work shall not commence until execution of a project contract. The selected contractor shall not proceed with performance of the project work or incurring of project costs until both parties have signed the project contract to show acceptance of its terms and conditions.
- E. Project Control.** The selected contractor will carry out this project under the direction and control of the Authority and its designated Contract Administrator.

III. Selection of Proposal

The selection of a proposal shall be subject to a review by the Authority's Legal Affairs Division concerning conflicts of interest and/or participation in Authority programs by the Bidder, its officers, employees, subcontractors or independent contractors.

A. Selection Criteria. The Authority will select the proposal based on Selection Criteria listed below:

- | | | |
|----|--------------------------------------------------------------------------------------------|--------------------|
| 1. | Experience, education and/or certification | (20 Points) |
| 2. | Clarity and completeness of proposal | (20 Points) |
| 3. | Quality of submitted work sample
<i>(reference Exhibit E – Market Study Guidelines)</i> | (50 Points) |
| 4. | <u>Capacity available to perform services</u> | <u>(10 Points)</u> |

Total Possible Points:

100 Points

B. Proposal Selection. The Authority's review may take up to four weeks after the closing date for submitting proposals. The Authority anticipates notifying the selected contractor on or about October 25, 2017 via e-mail and posting on the Authority's website; however, the selection and final notice of award will be contingent on approval by the Michigan Civil Service Commission and the Authority's Board.

C. Cancellation of Selected Proposal. The selection of a proposal by the Authority may be cancelled at any time prior to the complete execution of a contract. If the Authority cancels its selection of a proposal, the Authority may repost this or a similar RFP and re-seek proposals. Reasons for canceling the selected proposal may include, but are not limited to, the following:

1. Refusal of Department of Civil Service to process required forms.
2. Refusal of duly authorized Authority signatory to execute the contract.

**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT C

PROPOSAL FORMAT

I. Overview

- Proposals must be submitted in the format described in this Exhibit C as outlined below.
- There should be no attachments, enclosures or exhibits other than those considered by the Bidder to be essential to a complete understanding of the proposal.
- Each section must be clearly identified with appropriate headings and/or table of contents.
- The proposal should be clear, accurate, and complete, with sufficient detail to enable the Authority to evaluate the services and methods proposed.

II. Headers/Table of Contents

A. Business Organization. Include the following information and supporting documentation as outlined:

1. The full name and address of Bidder, including any "Doing Business As" titles.
2. The branch office or name and address of registered agent, if applicable.
3. The type of entity (e.g., Michigan corporation, Michigan nonprofit corporation, Michigan limited liability company, foreign). *Note:* Prior to contract execution, the selected contractor will be required to provide proof of authorization to conduct business in the State of Michigan.

B. Management and Personnel. Answer/Address the following:

1. **Officer and Management Summary.** Identify managers and/or officers who will manage the contract if it is awarded and provide their resumes or CVs. Identify officers and managers by name and position. List their responsibilities and the specific tasks each officer and manager assigned to the project will carry out and the anticipated time frames for each task. Provide current contact information including the manager(s) and/or officer(s) name, title, mailing address, email address, and phone and fax numbers.
2. **Personnel Summary.** Identify proposed key project personnel, including job titles, responsible for performing the activities and services described in the Scope of Work.
3. **Submit a Certificate Verifying Project Personnel.** The form is found in Exhibit D, attached and incorporated into this RFP.

- a. **Confirm Whether Any Assigned Personnel Receive Pension Payments from the State of Michigan.** Review Exhibit A, Section II.D above for important information regarding Pensioned Retirees.

C. Experience.

1. **Prior Experience of Bidder.** Indicate prior experience of your organization that you consider relevant to the successful accomplishment of the project described in this RFP. Include sufficient detail to demonstrate the relevance of such experience. Include descriptions of qualifying experience, including project descriptions, costs, and starting and ending dates of projects successfully completed. Also include the name, address, and telephone number of the responsible official of the client organization who may be contacted.
2. **Experience of Proposed Personnel Assigned to Provide Services.** The proposal should describe the education and experience of the personnel who will be assigned to provide the proposed services, including managers who may oversee work of personnel.
3. **Examples of Work.** The following example of recent work shall be submitted with the Bidder's proposal:
 - a. A previously completed Market Study for Rental Housing
4. **Professional References.** Include professional references who can provide information regarding the Bidder's prior past performance.
5. **Additional Information and Comments.** Include any other information that is believed to be pertinent but not specifically asked for elsewhere.

D. Proposed Services.

1. **How Services Will be Rendered.** Address and describe the process used to render the services and how the services will be rendered. This should be an overview of the methodology to be used, based on staff and time frames, to meet the project scope of work and complete the required services within the time frame of the project.
2. **Use of Subcontractors.** If any work will be subcontracted, describe the following:
 - a. Work that will be subcontracted.
 - b. The process used to select the subcontractors.
 - c. The subcontractor's experience and expertise.
 - d. The names of the firms/individual(s) who will perform the subcontracted work.
 - e. How quality of service will be monitored and ensured.

3. **Standards.** Describe or address the following:
 - a. The standards that the services will satisfy. (If standards of a professional association will be followed, identify the standards and the association.)
 - b. How quality of service will be monitored and ensured.
 - c. Whether "best practices" will be followed. (If applicable, identify the organization and/or document establishing such standards.)
4. **Security of Data.** If the services to be rendered require the collection and/or use of confidential and/or personal data, confirm the following:
 - a. Has your organization established and used a policy to address the security of paper and electronic data? (***Please do not submit a copy of your security policy.***)
 - b. Does your policy address the removal of confidential and/or personal data from storage media? (For example, does your firm's policy include the removal or "wiping" of data from hard drives when a computer is no longer used?)
5. **Copyrighted Materials.** Acknowledge and/or confirm the following:
 - a. You agree that any and all products produced as a result of this contract shall be the property of the Authority.
 - b. You agree that the Authority shall (a) hold a copyright on all materials or products produced under the contract and (b) be allowed to file for a copyright with the United States Copyright Office.
 - c. You acknowledge that submitted documents will not contain in part or whole copyrighted materials.

E. Price Proposal & Budget

1. **Price Proposal.** All rates quoted in proposals submitted in response to this RFP will be a firm fixed price for the duration of the contract. No price changes will be permitted. (***Note that proposals should reflect per diem rates in effect at the time of proposal submission. State per diem rates are subject to change during the term of an awarded contract. Rates for 2017 can be found here: http://www.michigan.gov/documents/dtmb/Travel_Rates_FY17_January_2017_547101_7.pdf .***)
2. **Budget.** Include in the proposal a line item budget identifying all expenses related to the work to be performed. By submitting the bid, the Bidder acknowledges that it bears the risk that its expenses may exceed the proposed amount. The budget should include applicable items, which may include the following:
 - a. Staff costs broken down by each individual staff person. Include # of hours, per hour rate, and work assignment.

- b. Lodging costs (based on State of Michigan per diem rates). Description should include when and why lodging is needed.
- c. Meal costs (based on State of Michigan per diem rates). Description should include when and why meals are needed.
- d. Transportation costs (based on standard State of Michigan mileage rate). Description should include type and reason for transportation cost.
- e. Costs of supplies and materials. Description should include items to be purchased and reason for purchase.
- f. Other direct costs. Description should include items to be purchased and reason for purchase.
- g. Total Budget.

F. Schedule/Timeline. Bids must include a schedule for delivery of services set forth in the Scope of Work and cite the proposed deadlines for completing the tasks within the Scope of Work.

Include a timetable indicating how the project will be scheduled.

<i>Completed Service/Project Components</i>	<i>Estimated Completion Dates</i>
Full Market Study	Five to six weeks
Preliminary Market Study and a Reduced Scope Market Study	Three to four weeks

G. Disclosure of Participation and Interests in Authority Programs.

1. **Disclosure of Interests in Authority Programs.** Authority programs include, but are not limited to, the Housing Voucher Program, any loans where the Authority is the lender, and any grants made by or administered by the Authority. Submit a list of all interests that the Bidder, its officers, board members, and employees respectively have in Authority programs. If the Bidder intends to use independent contractors or subcontractors to render services, include the interests that independent contractors or subcontractors and their officers, board members, and employees respectively have in Authority programs.
2. **Potential Conflicts of Interests.** Indicate in the proposal whether the Bidder is currently under contract and/or has been awarded a grant from the Authority. Please confirm whether any potential conflict of interest will exist if the Authority enters into a contract with the Bidder.

Potential conflicts of interest may arise from the Bidder’s officers, employees, members, board members, independent contractors or subcontractors the Bidder will use to render services if the firm enters into a contract with the Authority.

If the Bidder is currently under contract or is receiving a grant from the Authority, indicate if the Bidder or project personnel holds a position with another entity that may be under contract or receiving a grant from the Authority.

Include an organizational chart from each entity under contract or awarded a grant from the Authority in which the Bidder or project personnel holds a position. Include each employee's position and title within the entity. In addition, indicate whether the Bidder or the project personnel is responsible for making financial decisions in his/her capacity and what measures have been implemented to ensure that funds are not comingled.

THE STATE RESERVES THE RIGHT TO DEEM A BID NON-RESPONSIVE FOR FAILURE TO DISCLOSE A POTENTIAL CONFLICT OF INTEREST.

- 3. Family Members Who Work for Authority.** Please list the names of the Bidder's officers, board members, and employees who have family members who work for the Authority and the names of the family members who work for the Authority.

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H. Signature Clause to be Signed by Bidder's Authorized Signatory. Insert into the proposal and have the authorized signatory sign the following signature clause at the end of the proposal:

I confirm that I have submitted this proposal on behalf of

_____ in response to the
**Michigan State Housing Development Authority's Request for Proposals for
Market Analysis for Affordable Housing Projects.**

I also confirm that I have read and understand the Authority's indemnification, copyright, data security and insurance requirements.

By: _____

Its: _____

Date: _____

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**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

**EXHIBIT D
PROJECT PERSONNEL**

**CERTIFICATE VERIFYING PROJECT PERSONNEL OF THE
CONTRACTOR/SUBCONTRACTOR**

The Contractor/Subcontractor acknowledges that the following personnel are Project Personnel of the Contractor/Subcontractor:

(1) Name _____
(Print or type name above line)

Title with Contractor/Subcontractor _____

Is this person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

(2) Name _____
(Print or type name above line)

Title with Contractor/Subcontractor _____

Is the person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

(3) Name _____
(Print or type name above line)

Title with Contractor/Subcontractor _____

Is the person a retiree who receives a pension from the Michigan State Employees Retirement System? Yes _____/No _____

Name of Signatory for Contractor/Subcontractor:

Printed Name: _____
(Print or type name above line)

Its: _____

Signature: _____

Federal Identification Number: _____

Pensioned Retirees (2007, MCL 38.68) (12/7/07 Rev)



**MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
REQUEST FOR PROPOSAL**

EXHIBIT E

MARKET STUDY GUIDELINES

January 1, 2013

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- ADDENDUM 6: UNDUPLICATED DEMAND FOR AUTHORITY MARKET STUDIES

I. PURPOSE

The purpose of market studies for the Michigan State Housing Development Authority (MSHDA, the Authority) is to help staff determine whether a market exists for a given low or moderate-income rental housing proposal. The study should contain information, including statistics on demographics, income and current rental market conditions, necessary for that conclusion. In addition to supporting data, it is vital that the market study contain analysis that makes the findings relevant to the marketability of the proposal as described in the sponsor's application. Since the market study is of such importance, it is incumbent on the market analyst to provide a thorough analysis of the data that is presented. While data is a necessary part of the analysis process, it is not enough to merely describe the data and expect a reader or reviewer to automatically follow the logic of the argument. First, to the extent possible an analyst must explain trends in the data, weigh their importance and describe what they imply for the success of the project under study. Second, the analyst must provide support for the conclusions that they put forward.

In addition to the general questions that a market analysis answers, a few specific ones come to mind that the Authority has grappled with in its work. These include the absorption rate of higher-targeted (60% AMI) units at proposals relative to their lower-targeted units, how projects with Section 8 or other rental subsidies would reposition themselves in the market if the subsidies would become unavailable, the rehabbing of older conventional properties into LIHTC projects, scattered-site single-family projects and the importance of various types of amenities to a successful absorption and continued marketability. Market studies submitted to the Authority should strive to answer these and other questions as they relate to the subject property.

In order to provide the counsel that the Authority's staff require, each market study submitted to the Authority shall contain the following information, ***in the order presented below***. The Authority is making available a market study template which also contains the following information. Market studies not in the following order, or those that do not provide the requisite analysis, will be returned for correction.

II. CONTENT

A. Executive Summary.

Each market study should include a concise summary of the data, analysis and conclusions, including the following:

- A concise description of the site and the immediately surrounding area;
- A brief summary of the project including its proposed target market;
- A precise statement of key conclusions reached by the analyst;
- A precise statement of analyst's opinion of market feasibility including the estimate of the long-term performance of the property, given housing and demographic trends and economic factors;
- A clear, explicit and bolded recommendation of the project as proposed showing support, opposition or the analyst's suggested modifications to the project, if any.
- A summary of market related strengths and weaknesses which may influence the subject development's marketability, including compatibility with surrounding uses, the appropriateness of the subject property's location, unit sizes and configuration, and number of units.

B. Project Description.

The market study should include a project description to show the analyst's understanding of the project at the point in time the market study is undertaken. In addition, analysts should fill out the project description form. It is in Excel format, and available upon request.

The project description should include:

PROJECT STRUCTURE:

- Number of units by unit mix (bedrooms and baths);
- Targeted income limit as a percent of AMI;
- Unit size in net square feet (the living area of a unit, exclusive of common areas);
- Proposed contract and gross rents;
- The utilities expected to be paid by tenants and energy sources for tenant paid hot water, heat and cooking, as well as the utility allowances for tenant paid utilities and the type of heat provided.

PROJECT DESCRIPTION:

- Target population, including income restrictions and any special needs set-asides;
- The number of buildings;
- Design type (walk-up, elevator, etc.);
- Number of stories;
- Unit and development amenities;
- Parking, including the amount of any fees for carports or similar amenities;
- Developer's projected dates for construction start and completion, and start of pre-leasing;
- A copy of the floor plans and elevations should be included as an attachment to the report.

REHABILITATION EFFORTS:

- Identify of any existing assisted housing program at the property such as Section 8, Section 202, Section 811, BMIR, Section 236, etc.
- Occupancy history over the last three years, as well as the current occupancy rate, is required;
- Describe the current rent structure at the project and compare it to the proposed rents. Comment on the effect of any changes on the project's marketability;
- Describe the methodology for the rehabilitation, including the phasing of rehab activities, impact of the rehabilitation work and new rent structure on current tenants, and information on needed relocation of tenants (if necessary);
- Describe the scope of work, including the specific updates planned by the sponsor. Call out changes in amenity provision (additions or subtractions to current amenity package, and the analyst's opinion of the effects on marketability deriving from these changes);
- Include a rent roll **showing tenant incomes** for all affordable units at the subject, as well as the household size occupying the unit and the unit's number of bedrooms. If the income data is old, the Consumer Price Index (CPI) can be used to inflate incomes to current dollars; an inflation calculator can be found on the US Bureau of Labor Statistics' site (www.bls.gov). An analysis of this information is also needed, to indicate how many of the current tenants would be overburdened by the proposed rents, or would be over- or under-qualified for the income limits at the property post-rehab;
- Document the length of time that subsidies will remain available at the project, or of the availability of additional rental subsidy at the proposal (i.e, additional Rental Assistance units for RHS 515 projects), such as a copy of the applicable portion of the HAP

contract, or a letter from the Rural Housing Service showing that the RA units at the subject will remain after rehab efforts are finished;

- The market analyst should review site and architectural plans and give a rough opinion on their effects on the marketing of the completed project. If the plans are not completed at the time of the analysis, the market analyst should so state.

C. Location and Market Area Definition:

For the purposes of Authority market studies, the Primary Market Area is the local area from which the subject will draw potential renters. It implies that households within the PMA would be willing to move to, or shop for, housing located therein, and that rents, amenities and other aspects of housing are similar among multifamily complexes in that area.

Given this definition, the analyst must define the Primary Market Area (PMA) that pertains to the subject. Identify PMA boundaries by census tracts, school districts, jurisdictions, street names, or other geography forming the boundaries. Also, include a map that clearly shows the borders of the PMA, and its major features (towns and cities included, major roadways, and the location of the subject).

Defend the composition and extent of the PMA. To the extent possible, the PMA should be based on real-world data, such as the experience of other complexes in the area. This is especially applicable if the proposal is for a new phase of a successful project. It is important to note that PMA boundaries based on radii are not accepted by the Authority. In addition, PMAs that cross state borders are allowed only if convincing evidence of cross-border interaction (migration, commuting, shopping, experience of other projects in the market, etc.) is presented in the study. The Authority reserves the right to ask for changes or alterations to the PMA, taking into account analyst input.

D. Site Factors:

Provide a description of the site characteristics including its size, shape, general topography and vegetative cover.

Provide photographs of the site and neighborhood (defined as an area within two blocks of the proposal), and a map clearly identifying the location of the project. Analyze its location vis-à-vis the following:

- Closest transportation linkages;
- Community anchors such as a central business district, neighborhood commercial zones, places of worship, schools and community centers, among others;
- Medical services;
- Public transportation;
- Municipal services such as libraries, police and fire service
- Commercial services such as banks, grocery stores, pharmacies and others;

Map these locations as well. In situations where it is not feasible to show all the categories on a map, the categories may be addressed in the narrative.

Where applicable, provide evidence of new private or public investment in the area near the proposal. This could include community revitalization plans, other housing developments, new commercial enterprises, or others.

Describe the marketability of the proposed development. Aspects of this include the following:

- Curb appeal of the site (or the project itself, if it is a rehab proposal);

- An analysis of the linkages between the project and local amenities noted in the PMA map described previously;
- An analysis of the surrounding neighborhood, including the analyst's perception of its residential character, non-residential land uses (if any), the quality of the housing stock, its level of upkeep, and its effects on the market performance of the proposal. In cases of poor curb appeal, poor linkages or poor quality of housing stock, discuss these deficiencies and their likely effect on the marketability of the project.

Describe and **evaluate** the visibility and accessibility of the site. Important aspects of this include the following:

- Ease of ingress and egress, including a discussion of traffic controls around the site, difficult left-hand turns against prevailing traffic, excessive curb cuts surrounding the entrance to the development, and unreasonable lines of sight at the entrance. Excessive traffic congestion should be avoided, such as around major employment parking lots, large shopping malls and multi-screen theaters;
- Self-advertising quality of the site, by virtue of its visibility from roadways;
- Adequate visual separation from adjacent land uses;
- Potential for adequate signage, lighting and landscaping.

The Authority has a set of site criteria on its website, www.michigan.gov/MSHDA. Analysts should look at these criteria, as well as the scattered site criteria below, and determine how well the proposal's site meets them.

For scattered site, single family projects, the Authority has added site considerations that must be met in addition to those above. They are:

- No less than 20% of total units must be located on a single block (defined as both sides of a street; i.e., the north and south sides of May Street between First and Second Avenues);
- Blocks must be adjoining, as shown in the diagram below;



- There cannot be more than four existing housing units between proposed units all of which must be of good quality (good-quality units are either new, or display a minimum need for rehabilitation of major structural systems such as roofing, porches, or windows);
- There cannot be any blighted structures (defined as one that exhibits objectively determinable signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare) between any two proposed units regardless of the distance between them.

E. Demographic Factors.

Provide total population, age and income target data for the Primary Market Area using the 2000 Census, 2010 Census, current year estimates, and projected market entry (usually one to two years after the current year). Data from third-party demographic data providers, such as Claritas, CACI, ESRI and others is acceptable. Indicate the source for all data, and provide an analysis of trends indicated by the data. This is especially important if the trends noted in the Census figures do not match those coming from the third-party sources (i.e., Claritas or ESRI). When they differ, the analyst must offer a plausible explanation for the difference with proof; as a last resort, if one cannot be made, then straight-line estimates and projections using the 2000 and 2010 data should be used. In addition, the market analyst's own estimates can be used, but these must be accompanied by a detailed description of their derivation, and enough data to allow Authority staff to recreate them, if needed.

Detail on the following demographic topics is necessary:

POPULATION AND HOUSEHOLDS:

- Population trends;
- Population by age, including the number of non-elderly (0-64) and elderly (65 and over). If sufficient evidence is introduced, younger elderly populations might be accepted; this will depend greatly on the product type proposed by the developer;
- Household trends;
- Tenure by age of householder, including the number of renters and owners that are headed by seniors (aged 65 and over) and non-seniors;
- Household size by tenure (both the average number of persons per household and tenure group, and a breakdown of households by number of persons per household and tenure group);
- For congregate care projects, ages used (for both population and household information) should be 75 and over.

INCOME BY TENURE:

Provide a breakdown of households by incomes in \$5,000-\$10,000 increments, by household size and by tenure. The data should be taken from the 2000 Census, as well as the latest version of the American Community Survey and the year of market entry.

In most cases, elderly households must be removed from these totals when analyzing family projects, and non-elderly households must be removed with senior subject proposals. The only exception for this rule concerns markets where the subject, by virtue of market or unit size (for example, markets with a lack of senior housing, or proposals that feature one and two bedroom unit mixes), might attract senior renters. Proof of this contention is necessary.

The data for independent elderly proposals should be based on households 65 years and over, while congregate care housing should be based on households 75 years and over.

CRIME DATA:

Provide information or statistics on crime in the Primary Market Area relative to data for the overall area. Where the data on crime is limited, information for the jurisdiction where the

proposal is located can be substituted for PMA data. However, interviews with local law enforcement officers should be used to put those numbers in context; this is very important for proposals located in larger cities where a jurisdiction-wide figure can mask local detail. In larger cities, links to crime statistics in local areas might exist; Detroit for example has a very useful site (<http://detroit.mi.crimeviewcommunity.com>) that will allow more local analysis of crime trends. Address any local perceptions of crime or problems in the Primary Market Area, as well as how the subject plans to overcome any negative perception associated with the incidence of neighborhood crime.

F. Economic Factors.

Provide data and analysis on the employment and economy of the Primary Market Area to give an understanding of the overall economic health of the community in which the Primary Market Area is located. List sources for the data and methodology for the analysis, and be sure to relate all findings to the market performance of the subject property.

EMPLOYMENT AND UNEMPLOYMENT:

Provide a description of employment by industry sector for the Primary Market Area or smallest geographic area available that includes the Primary Market Area and compare the data to the larger geographic area, e.g. the city, county, labor market area, or MSA. Comment on how concentrated the local economy's employment is on an industrial sector basis.

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

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

Show employment growth over the same period. Compare to the larger geographic area.

Comment on future trends for employment, as well as general economic conditions, in the PMA in relation to the subject property. This would include expected employer expansions or contractions, plant openings and closings or other similar information. Provide proof of your contentions.

EMPLOYEE HOUSING:

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

WAGES BY OCCUPATION:

Provide a breakdown of typical wages by occupation. These are usually available on an MSA-wide basis, but some sources might exist for smaller areas (the American Community Survey, for example).

COMMUTING PATTERNS:

Provide commuting patterns for workers such as how many workers in the PMA commute from surrounding areas outside the PMA. Comment on what these patterns mean for the marketability of the subject proposal.

G. Supply Factors.

Provide information on other multifamily rental housing in the Primary Market Area and any rental housing proposed to be developed in the Primary Market Area. This section of the market study should include:

BUILDING PERMIT TRENDS:

A 5-year history of building permits, if available, by housing type and comments on building trends in relation to household trends will be included in the study.

RENTAL MARKET INFORMATION:

Identify a list of existing multifamily rental projects in the PMA, including:

- name;
- street address;
- population served;
- type of design (i.e. townhome, walk-up, duplex, etc.);
- age and condition;
- number of units by bedroom type;
- rent levels;
- number of bedrooms and baths for each unit type;
- size in square footage of units;
- kitchen equipment;
- type of utilities (state whether paid by tenant or owner and energy sources for hot water, heat and cooking);
- unit and site amenities included;
- site staffing;
- occupancy rate by unit size and AMI, if applicable;
- rental absorption history within the last two years;
- concessions currently offered;
- number of households on waiting list;
- name, address and phone number of property contact;
- date of data collection.
- For senior properties that offer services, give the types of services included in the rent or available for an additional fee. The costs of any for-fee services MUST be provided.

This data must also be provided in an Excel spreadsheet format.

Include a map identifying the location of each property in relation to the subject, identifying its funding type or subsidy source (9% LIHTC, Conventional, Section 8, Section 236, Section 515, Authority financing, or other).

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

Provide a narrative evaluation of the subject property in relation to the market's multifamily properties.

MOST COMPARABLE PROPERTIES:

Identify those properties which are most similar to the proposed development. The analyst should state why these comparables referenced have been selected, which are the most directly comparable, and explain why certain projects have not been referenced.

Pictures must be provided of the properties deemed most comparable to the subject. These must be of a size large enough to be useful to reviewers.

Include a map of these properties, with a usable scale and the location of the subject property.

COMPETITIVE ENVIRONMENT:

Discuss the availability of affordable housing options, including purchase or sale of homes. This is very important in the case of rural markets, or subject properties that contain a large number of larger (three or four bedroom) units. It is also important for senior projects, in that homeowners must sell their existing homes before moving to the subject.

If the subject property has three- or four-bedroom units that account for at least 20% of its total units, use single-family rentals for comparison purposes in markets that do not have multifamily rental stock with three or more bedrooms.

When relevant, include a list of LIHTC projects with allocations in or near the market area that are not placed in service, giving as much detail as possible on estimated Placed-In-Service dates, unit mix and income levels to be served. As noted in Section III the Authority will provide this information to the analyst upon request. If there are no comparable projects in the pipeline, the analyst must state this fact.

Discuss the impact of the subject development on the existing housing stock, in terms of conventional multifamily projects, affordable projects (including RHS, HUD and others where applicable), and Authority-financed properties (including those that have not yet reached stabilized occupancy).

The market vacancy rate for the PMA rental housing stock by population served (i.e. market rate, Low Income Housing Tax Credit, and Project-Based Rental Assistance), type of occupancy (i.e. family, seniors, special populations) and unit size must be computed.

Provide both an achievable market rent and an achievable LIHTC rent derived from comparable properties in the area, and discuss its ramifications for the marketability of the subject. Note that in many markets the level of rent charged in HUD-assisted properties is often not achievable without the provision of rental subsidy. If rent grids are used, be sure to identify the reasons for adjustments.

A rent reasonableness test is also mandatory for those projects without existing project-based rental assistance covering all of their units (either through HUD or USDA). More information on this is found in the first addendum to these guidelines.

H. Local Perspective of Rental Housing Market and Housing Alternatives.

The market study should include a summary of the perspective on the rental market, need for the proposed housing and unmet housing need in the market. The local perspective should consider:

- Interviews with local planners, housing and community development officials and market participants to estimate proposed additions to the supply of housing that would compete with the subject, evaluate the local perception of need for additional housing and obtain information on any redevelopment plans that cover the site's location;
- Interviews with local Public Housing Authority (PHA) officials to seek comment on need for housing and possible impact of the proposed development on their housing inventory and waiting lists for assisted housing. Include a statement on the number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for Housing Choice Vouchers.

I. Demand Analysis:

For the purposes of these analyses, it is assumed that market-rate households will pay up to 30% of their incomes toward gross rent, and that lower-income households will pay up to 40%

of their incomes toward gross rent. For market-rate units, an upper income limit of \$50,000 will be used, since homeownership would be more likely among households with that level of income or higher. If evidence from the market exists, it is possible that a higher income levels or income-to-rent ratios may be used for senior projects; however, evidence supporting this contention must be presented in the study.

It is further assumed that for family proposals there will be 1.5 persons per bedroom; senior projects will rely on an assumption of two-person households. Demand estimates for proposals that contain a significant proportion of larger rental units (three and four bedrooms) will need to take into account the relatively small number of large households that would choose such unit sizes; the analyst must state how this circumstance has been accounted for. For the purposes of the Authority’s market studies, large households contain more than four persons.

Analysts should use the Excel worksheet provided on the Authority’s website for the calculation of demand estimates for each income limit at the subject property. These demand estimates should be constructed so as to eliminate double counting stemming from overlapping income qualification limits. Be sure to use income-specific renter propensities for demand estimation, to recognize the fact that more low-income households rent. This information is available from the US Census (factfinder.census.gov), on table HCT11 for family projects, and on the HUDUser website (www.huduser.org) for senior proposals. The use of other data sources (such as the HISTA dataset) is also acceptable. Movership rates that will be used to determine demand estimates are as follows:

Tenure	Detroit Metro	City of Detroit	Midwest Region	National Elderly
Owners	2.9%	3.8%	3.7%	1.4%
Renters	20.0%	20.0%	25.0%	7.1%

Calculations for the penetration rate, capture rate, and saturation rate are also on the worksheet provided on the Authority’s website. Information on the Authority’s preferred methodology on creating non-duplicated demand estimates is included in an addendum to these guidelines.

SCENARIOS:

A scenario approach to gauging the depth of demand for a specific proposal is welcome, but all studies shall include the basic Authority methodology in addition to any other data that the analyst feels is appropriate. In addition, the Authority’s demand figures will form the basis for decisions on particular markets, unless persuasive evidence to the contrary is presented. Scenarios can contain changed values for movership, different rents, varying income targeting plans, absorption of other product in the market, differing rates of pre-leasing activity, and other items. If a scenario approach is used, persuasive justification for any modifications to basic Authority methodology must be included in this section of the study, including proof of the validity of alternate assumptions.

ABSORPTION RATE:

Define and justify the absorption period and absorption rate for the subject property. While the specific methods used to generate this are left to the analyst to determine on the basis of market conditions, demographic change, the performance of earlier phases of the same development, and other factors, a guideline of five units per month for an average absorption rate can be used as a starting point. Weaker markets (characterized by high vacancy rates, large numbers of pipeline units, or other factors), senior projects or higher demand ratios would tend to slow absorption by some factor (resulting in fewer units absorbed per month). As a general guideline, new Authority-financed properties are leasing at a current rate of about three units per month, regardless of whether they are elderly-targeted projects or not.

FUTURE COMPETITIVE ENVIRONMENT:

Project and explain any future changes in the housing stock within the market area, and their effects on the marketability of the subject proposal. Identify risks (i.e. competitive properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances. Evaluate need for voucher support or HUD contracts.

REQUESTS FOR FURTHER INFORMATION:

Occasionally a project is located in a market where statistical information from the American Community Survey indicates that demand might be too small to absorb its units in a timely manner. When these situations arise, the Authority will specifically request answers to the following questions. The request will accompany the initial assignment notification. The answers should be placed in the Executive Summary of the report:

--**Pipeline considerations:** What is the status of recently-allocated LIHTC projects (within last two years) that may exist in the market? Please list these, along with placed-in-service updates, premarketing success (if any), absorption information, or other items of note. Are there affordable housing units that have been funded by other programs (local HOME, NSP1-2-3, or others) which may compete against the proposal?

--**Shadow rental market:** What is your best estimate of the size of the "shadow market" of single-family rental units in the area? To what extent do they represent a threat to the absorption of the property? Please provide information as to how important this source of competition is to the set of most-comparable properties in your comparable survey. Interviews with staff at those complexes can be used, as could other data points.

--**Site-specific considerations:** Are there aspects of the project's site, neighborhood, marketing plan or design that would make it compete more effectively in the marketplace than other newly-constructed units? If these exist, they must be explicitly called out, with an explanation of why they would do so.

--**Project-specific considerations:** What is different about the subject's units that would make them compete more effectively than existing projects, or fill a market need that is currently unmet?

--**Demographic estimates:** Do the demographic estimates from the third-party providers make sense in light of past Census patterns? If abrupt changes cannot be explained, or if counterintuitive trends are indicated, these must be called out in the narrative. Also, your strategy for dealing with them when demand is calculated must be spelled out. Additionally, what if all sources agree that the demographic indicators of demand are declining? Is there still a market for the project as proposed?

Finally, please note any key issues throughout your market analysis that bear on answering the question, "Are additional units in this market likely to be absorbed in a timely basis?" For example, how do your calculations of capture and penetration rates affect your answer to this question? How common are concessions in the market? Is there anything notable in the pattern of vacancy in the market that would tend to affect the subject's performance?

Please note that very little of this information and analysis is different from what is asked for in other portions of the study. The Authority calls it out here to highlight the importance of these

questions to its analysts, and to organize the report in a more useful manner to Authority reviewers.

J. Other Requirements

- Date report was prepared, date of site visit and name and telephone number of analyst preparing study;
- Certification of no identity of interest between the analyst and the entity for whom the report is prepared;
- Certification that recommendations and conclusions are based solely on professional opinion and best efforts;
- Statement of qualifications, including a resume;
- List of sources for data in the market study;
- The submission of the rental market information in an excel spreadsheet, including addresses, unit mix, rents, amenities and square footage.

III. INFORMATION TO BE PROVIDED BY THE AUTHORITY

The Authority will cooperate in the completion of the market study and provide data on rental housing inventory in the PMA financed or assisted by the Authority or which has received preliminary approval or reservations of funding of Low Income Housing Tax Credits and is expected to become available in the market. This data should include property address, number and type of units, rents by unit type and income limits, and other relevant information.

Addendum 1: Rent Reasonableness Tests

The following information must also be included in market studies:

Information on three (3) comparable properties for each unit type at the subject property. Comparability is defined as the following:

- Comparable properties must be market-rate properties, **not** LIHTC, HOME-assisted or subsidized units;
- Comparable properties must be the same construction type (garden style for proposals that are garden style apartments). Single-family comparables are not allowed for townhouse or garden-style apartment units.

Information on comparable properties must be presented on form MSHDA-37, one for each comparable and proposed unit type. A blank copy of this form is available on the SkyDrive. The same project attributes must be noted for the project. Acceptable comps are those that are within five points of the value of the project.

These analyses aid the Authority's staff in determining a reasonable rent for project units, should they be chosen to receive project-based vouchers. In that circumstance, proposed gross rents are deemed reasonable if they are less than those found in comparable properties of similar quality.

The data included in this section must reflect the state of the market within one year of the signing of the HAP contract for the property. If the information is out-of-date, an update must be furnished.

If there is a lack of suitable comparable properties to use in the PMA, then the search can be extended out of the market area, to include a county or group of counties that make up a survey area. The use of survey areas for comparable properties, rather than the original market area, must be explained in the study; and the use of local comparables is preferred. The components of the survey areas are:

- Area 1 – Huron, Sanilac Tuscola
- Area 2 – Lapeer, Lenawee, Livingston, Macomb, Monroe, Oakland, St. Clair, Washtenaw, Wayne
- Area 3 – Berrien, Branch, Cass, Hillsdale, St. Joseph
- Area 4 – Barry, Calhoun, Jackson, Kalamazoo, Van Buren
- Area 5 – Clinton, Eaton, Ingham
- Area 6 – Bay, Genesee, Midland, Saginaw
- Area 7 – Gratiot, Ionia, Isabella, Mecosta, Montcalm, Newaygo, Oceana, Shiawassee
- Area 8 - Allegan, Kent, Muskegon, Ottawa
- Area 9 – Alcona, Alpena, Antrim, Arenac, Cheboygan, Clare, Crawford, Gladwin, Iosco, Kalkaska, Lake, Manistee, Mason, Missaukee, Montmorency, Ogemaw, Osceola, Oscoda, Presque Isle, Roscommon, Wexford
- Area 10 – Benzie, Charlevoix, Emmet, Grand Traverse, Leelanau, Otsego
- Area 11 – Alger, Baraga, Chippewa, Delta, Dickinson, Gogebic, Houghton, Iron, Keweenaw, Luce, Mackinac, Marquette, Menominee, Ontonagon, Schoolcraft

Addendum 2: Preliminary Analysis Guidelines

Preliminary analyses are meant to provide a brief summary of information that will aid both the developer and Authority staff in determining the strength of a particular market. Final decisions about a proposal's likely market performance is determined with a full study, but the preliminary is to indicate whether or not a proposal has sufficient merit to warrant further examination. Note that we are looking for an abbreviated treatment of this information, limited mostly to trends and possible red flags for affordable housing development.

Preliminary analyses commissioned by the authority for developers previous to application for the Authority's Direct Lending programs or the 9% Tax Credit funding rounds must include a brief analysis of the following information, which is a subset of the general market study requirements:

- Section A (Executive Summary), including the analyst's best guess as to the expected market performance of the project. This should be in tabular format, showing the following information for the subject:
 - Family or Senior Designation;
 - Number of units;
 - Income targeting;
 - Suggested rents;
 - Amenities needed to achieve suggested rents;
 - Projected absorption period, including factors that affect it (i.e., new employment opportunities, lack of similar housing, etc.);
- Section B (Project Description). It is possible that no solid project description exists at this point in the development process. If this is the case, then a brief description of what type of affordable housing the analyst thinks could be successfully developed should be given.
- Section C (Primary Market Area);
- Section D (Site Factors);
- Section E (Demographics) should include presentations of the following data points from 2000, 2010, current year, and five-year projections:
 - PMA population totals
 - PMA household counts
 - PMA tenure information (owner vs. renter)
 - PMA Median household income
- Section G (Competitive Analysis) comprised of the following data:
 - A table describing the multifamily rental projects in the market area, showing total number of units, unit type, year built, and occupancy rate;
 - Tables showing the occupancy rate broken out by bedroom size and funding type (LIHTC, conventional, subsidized, etc.) in specific projects;
 - A table showing the amenity offerings at the market area's developments;
 - Information about development pipeline, if applicable;
- Section I (Demand Analysis), using the Authority's methodology and the analyst's suggested project profile detailed in the executive summary. The analysis must include the projected absorption period;
- A concluding paragraph summarizing the results of the analysis.

Upon completion, MSHDA and the sponsor will be sent a copy of the report via email.

Addendum 3: Modified Pass-Through Guidelines

In keeping with the more streamlined approach to the Pass-Through program, a subset of the normal market study requirements is needed for these projects. These include:

- Part A, Executive Summary;
- Part C.1., Primary Market Area;
- Part F.3., Most Comparable Properties;
- Part F.4., Competitive Environment;
- Part H, Demand Analysis.

Unduplicated demand estimates must be prepared for each proposed rent level (e.g., units at 30%, 40%, 50% or 60% of Area Median Income). Further, the number of units at each of these rent levels must meet the threshold criteria for capture, penetration and saturation rates based upon the unduplicated demand estimate. These criteria are:

- Penetration Rate: 3% or less for elderly, 6% or less for family
- Saturation Rate: 10% or less for elderly, 20% or less for family
- Capture Rate: 50% or less for all proposals

A completed Demand Calculation worksheet (which includes these rates) is also mandatory. In computing demand for these projects, seniors aged 65+ should be used for independent elderly rental housing. For elderly congregate housing, seniors 75+ should be used. The market analyst may deviate from these minimum age requirements, only if reasoning is provided in the text which clearly demonstrates the validity of the deviation.

Movership ratios are to be based on the most recent data from the US Census. Data may be provided at the regional, Metropolitan Statistical Area, county or city level, depending on data availability.

Addendum 4: Reduced Scope Studies for Preservation Proposals

If the market study's subject proposal is for the preservation of a deeply-subsidized project with rent subsidies that cover at least 95% of its units, is at least 90% occupied, features rent increases of less than 10%, AND has more than five years remaining on the property's HAP contract, then the study can utilize a reduced scope. The necessary components in this case include:

- Part A—Executive Summary, numbers 1-3, 5 and 6;
- Part B—Project Description, including vacancy and turnover rates at the subject over the last three years;
- Part C—Location and Market Area Definition;
- Part F—Existing Rental Housing Stock;

If the above requirements are not met, then the sponsor of the proposal must submit a full market study.

Addendum 5: Update Memoranda

The Authority will now accept updates for market studies submitted for both 9% LIHTC and the Authority's Direct Lending programs. To qualify, the project must meet all of the following conditions:

- The study must be dated within six months to one year of the application due date in which the proposal will compete (market study updates cannot be "updated", a full study is needed for those proposals);
- The study must have been assigned by the Authority, or completed by a firm on our current approved list (in Tab C of the Combined Application on the Authority's website);
- The project that is described in the study has not undergone any major changes since the study was completed and submitted. Major changes include rent increases of more than 10%, including more targeted units at higher Area Median Income bands (more 60% AMI units, more market-rate units, etc.), changing more than three amenities on offer, changing a family-targeted proposal to senior (or vice versa), or other changes.

If all conditions are met, then an update can be ordered. The update will take the form of a letter, stating that no material changes have occurred in the market since the completion of the first study, and the recommendation given previously, in light of any minor changes planned for the current proposal, is still supportable (if these assertions are correct).

Addendum 6: Unduplicated Demand for Authority Market Studies

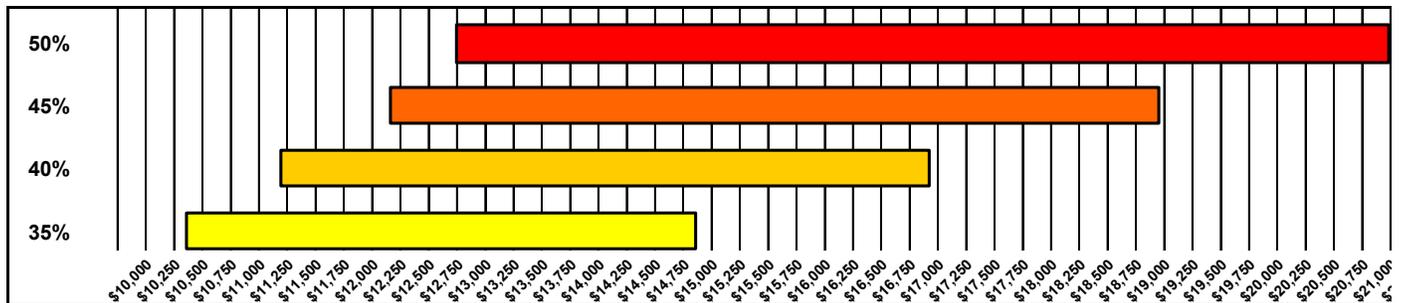
Unduplicated demand estimates segment the market for a project into separate AMI bands. This is a basic approach, done so that comparisons between competing proposals can be judged more completely, and that any double- (or triple-, or quadruple-) counting between AMI bands is removed from the analysis.

The steps used to do this are simple. First, the analyst determines the amount of overlap present between AMI levels (usually, this exists between the upper limit of one income band and the lower limit of the next-affluent band). Second, the analyst divides that overlap in half. Finally, the analyst allocates each half to the AMI bands in question. The graphics below will hopefully illustrate how this is done:

Take a hypothetical proposal, with the following income targeting, rents, and household income distribution:

% AMI	# Units	Contract		Lower Limit	Upper Limit
		Rent	Gross Rent		
35%	10	\$320	\$344	\$10,320	\$14,770
40%	10	\$350	\$374	\$11,220	\$16,880
45%	10	\$380	\$404	\$12,120	\$18,990
50%	10	\$420	\$444	\$13,320	\$21,000

The overall income band for LIHTC units in this case stretches from \$10,320 to \$21,000. As you can see, the example displays a great deal of overlap; in fact, those households that earn between \$13,320 and \$14,770 qualify for all of the units at once. The income bands in the table are graphically displayed below:



If demand by AMI band is computed and added together, the resulting figure will overestimate the total LIHTC demand by a large factor, due to the large amount of overlap present. To rid the analysis of this effect, the first step is to compute the amount of overlap between the bands—in effect, taking the upper limit of the lower income band, and subtracting from it the lower limit of the next-lowest band. This is illustrated in the following table:

% AMI	Lower Limit	Upper Limit	35% and 40% Overlap	40% and 45% Overlap	45% and 50% Overlap
35%	\$10,320	\$14,770	\$3,550	\$4,760	\$5,670
40%	\$11,220	\$16,880			
45%	\$12,120	\$18,990			
50%	\$13,320	\$21,000			

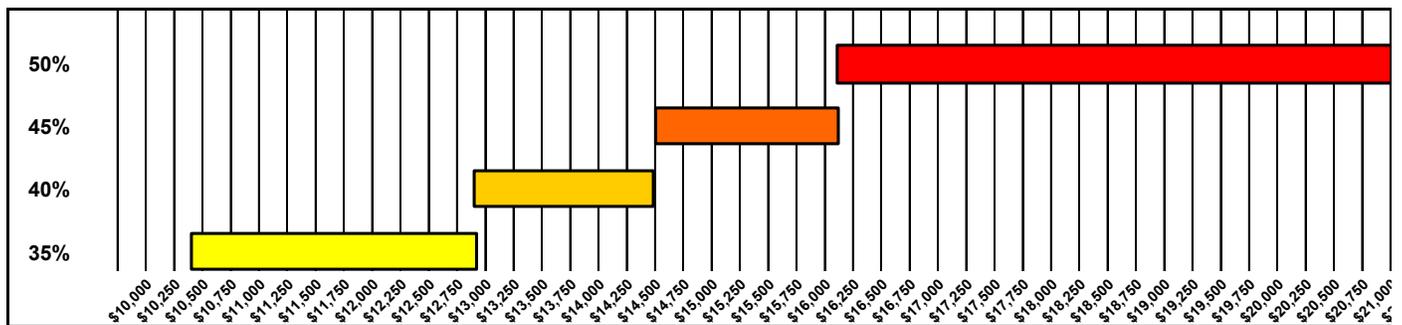
In this example, \$14,770 - \$11,220 = \$3,550, and so on.

The next step involves allocating 50% of this overlap to both income bands. The calculations are in the table below:

Lower Limit	Upper Limit	Split of Overlap	New Lower	New Upper
\$10,320	\$14,770	\$1,775	\$10,320	\$12,995
\$11,220	\$16,880	\$2,380	\$12,996	\$14,500
\$12,120	\$18,990	\$2,835	\$14,501	\$16,155
\$13,320	\$21,000		\$16,156	\$21,000

So, the overlap between the 35% and 40% bands is \$3,350. One half of that is \$1,775. Taking that amount from the old 35% upper limit leaves \$12,995. This is the new upper limit for the 35% units. The new lower limit for the 40% units is set at one dollar more than this, or \$12,996. This is done for all of the overlaps in the example.

A chart showing the new income limits is below:



Using these new limits will give you the following demand estimates, using the usual statewide movership rates for Michigan:

Income Distribution			Qualifying Percentages of Each Income Band					Number of Qualifying Households in Each Band (Tenure and Movership Included)				
Income Range	Renters	Owners	35%	40%	45%	50%	Total LIHTC	35%	40%	45%	50%	Total LIHTC
			\$10,320	\$12,996	\$14,501	\$16,156	\$10,320	\$10,320	\$12,996	\$14,501	\$16,156	\$10,320
			\$12,995	\$14,500	\$16,155	\$21,000	\$21,000	\$12,995	\$14,500	\$16,155	\$21,000	\$21,000
\$0 to \$9,999	624	304	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
\$10,000 to \$14,999	651	469	53.5%	30.1%	10.0%	0.0%	93.6%	84	60	20	0	165
\$15,000 to \$19,999	457	596	0.0%	0.0%	23.1%	76.9%	100.0%	0	0	35	117	152
\$20,000 to \$24,999	268	544	0.0%	0.0%	0.0%	20.0%	20.0%	0	0	0	19	19
\$25,000 to \$29,999	150	653	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
\$30,000 to \$39,999	110	450	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
\$40,000 to \$49,999	64	704	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
\$50,000 to \$74,999	45	484	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0
\$75,000 +	30	332	0.0%	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0

These estimates result in the following demand calculation:

	Number of Qualifying Households in Each Band				
	35%	40%	45%	50%	Total LIHTC
Present Demand:	84	60	55	136	336
Capture Rate:	11.9%	16.5%	18.1%	7.3%	11.9%

We are assuming for the purposes of this analysis that household growth did not occur in this market, and the demand is made entirely of current households.

Speaking of assumptions, these numbers represent the unduplicated demand for the project based on a number of them, namely the accuracy of HUD's income limits, the current household count, the current household income distribution, movership differences between tenure types, and the homogeneity of households throughout the income bands themselves in terms of desired monthly rent payments.

Keeping these things in mind, here are a few guidelines concerning how to use these estimates to determine market depth for a project:

- First, the concept of excess demand is important, since it will likely exist in most studies. In our example, an excess demand of 74 units exists for 35% units, 50 at the 40% level, 45 at the 45% AMI level and 126 at 50% AMI. Obviously, this example shows a project that has plenty of theoretical market to cover its units. In other situations, individual income bands can show a capture rate closer to 100%. In these cases, some of the excess at the next-lower income band can carry over, since households can qualify at more than one income level. Carrying a lower band's excess demand through more than one adjacent band is more risky.
- Second, it is possible to use these statistics to guide recommendations about income targeting. If demand indicators (capture, penetration and saturation rates) are strong in some levels, more room in the market might exist. If indicators are tight, then a reduction in units is probably warranted.
- The more conservative approach to assigning income limits in a demand analysis is to add more of the overlap to lower bands, rather than enlarging the top bands to lower their capture rates. The Authority's experience with leaseup has shown that in most projects it is the 60% units that tend to stay on the market longer, so showing large amounts of theoretical demand for them can be misleading in terms of absorption and, as a result, financial underwriting.