



Frequently Asked Questions: 9% Tax Credit Market Study System (December 1, 2020)

Q: Why is MSHDA changing the market study procurement process? Under the previous system the proposed rents, number of units, and other key variables would often change, sometimes multiple times, during the time that market studies were being written. This and several other issues caused inefficiencies, delays, and confusion in the market study delivery process.

Q: How are the analysts on the approved list chosen and why must applicants choose a firm from that list? The analysts must submit a proposal demonstrating their qualifications to MSHDA in order to have their firm's name added to the approved list. Their proposals will be scored and selected based on the quality of past work and other considerations. This process is necessary to ensure that the firms can deliver the quality, objectivity, and compliance with MSHDA guidelines that we expect.

Q: What is the application deadline for the next 9% tax credit round? February 1, 2021. Information for the next round can be found at: https://www.michigan.gov/mshda/0,4641,7-141-5587_5601-31750--,00.html.

Q: Has the market study process for 4% tax credit proposals changed? A: No. The market study process and fee structure for proposals seeking 4% tax credits is the same as the current process with the exception that the option to veto up to two market study firms has been revised to allow only one veto. A separate memo will be issued to spell out the timeline and other details for the 4% market studies.

Q: What happens if the details of the proposed project in the market study differ from those in the application? The market study will not meet threshold requirements and will not be processed. The rents, amenities, site, and other elements that impact a property's market potential in the market study must be identical to the application.

Q: If I submit a proposal seeking both 4% and 9% tax credits, do I follow the new process or the original process? A: The original process; you must order your market study through MSHDA for any project involving a MSHDA loan.

Q: If I submit a market study in the 9% round for a proposal that does not receive tax credits, can I later use the same study to apply for 4% credits? A: No. A study must be ordered by MSHDA for every proposal that includes a MSHDA loan. If a sponsor is unsure about whether their project will include MSHDA financing, they should request a study under the 4% or 4%/9% system (ordering the market study through MSHDA).

Q. For a 9% tax credit market study, are sponsors required to fill out a Market Study Initiation Request as in the past? No. Sponsors no longer need to fill out a Market Study Initiation Request for strict 9% tax credit applications. However, as described in the previous

question, if a sponsor would like the option of using a 9% tax credit study when applying for 4% credits, an initiation sheet should be filled out and the study should be ordered through MSHDA.

Q. For a 9% tax credit market study, does MSHDA need to be included in the communications between the market study providers and the sponsor as in the past? A: Generally, no. Sponsors can usually communicate directly with market study firms without MSHDA involvement. The only exception would be a situation where a market study firm felt the sponsor was trying to influence analysis. In that case, MSHDA could become involved and ask to be included in all communications.

Q: How do I (or my market study firm) submit the market study? A: Market studies must be submitted in electronic form to the following email address: MSHDA-MarketStudies@michigan.gov by 5:00 p.m. on the application due date. Only one study per email should be submitted and the filename for each study should communicate the name of the project, the community in which it is located, and the tax credit round for which the application is being made (i.e., *River Pines Apartments—Townsville—Feb2021—Market Study.pdf.*)

Q: If a 9% study that was created under the previous system needs to be updated, is the sponsor required to hire the company that produced the original study to conduct the update? No. In these cases the sponsor will hire the market analysis firm of their choice.

Q: In context of the update letter, what does the term “fundamentally unchanged” mean? What can and cannot change from the original study? *MSHDA Guidelines for Market Studies* spells this out in detail; for example, rents cannot increase more than 10 percent from the original proposal. The guidelines are located in Tab C of the *Combined Application for Rental Housing Programs* on MSHDA’s webpage (www.michigan.gov/mshda). Please contact us at MSHDA-MarketStudies@michigan.gov if you are uncertain whether or not an existing study qualifies for an update.