MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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M E M O R A N D U M

TO: Interested parties, including potential sponsors for housing projects using MSHDA funding sources

FROM: Tom McKee, Chief Market Analyst, Office of Market Research

DATE: July 7, 2026

RE: Market Study Procurement Process and MSHDA Guidelines for Market Studies updates

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MSHDA's Office of Market Research (OMR) is updating the way market studies are procured for programs and funding sources requiring third-party market analysis. These changes restore long-standing MSHDA procedures that align with IRS requirements for independence and eliminate structural incentives that have introduced perception of bias in recent years.

Additionally, OMR is transitioning to a new system for initiating market review for projects and a new SharePoint site for file sharing between sponsors, analysts, and OMR within the market study process. The new initiation system will reduce duplicate submission of information for OMR by collecting project details from NOITAs and site review requests and pre-populating that information into a project-specific Market Study Initiation Request form to be shared with the sponsor. The SharePoint site will help to reduce reliance on email for file sharing; reduce the administrative workload associated with market study procurement for OMR, sponsors, and analysts; and integrate the process more closely with OMR's internal file-management system.

Effective for all market studies ordered July 17, 2026 or later, including all studies ordered for NOFA 20 projects:

Market studies for all MSHDA funding sources that require a third-party market study (Pass-Through Bonds, 9% LIHTC, and Direct Lending projects) must be ordered through OMR. Direct engagement between sponsors and analysts for these studies will no longer be permitted. This restores the pre-2023 process and ensures compliance with IRS requirements for independent, third-party analysis. These changes are not a reflection on the MSHDA's confidence in the analysts included on MSHDA's approved list, but rather an effort to remove any incentive for, or appearance of, bias. Removing a structural incentive or appearance of bias is especially important after MSHDA's 2023 decision to rely fully on the third-party analysts' conclusions for Pass-Through and 9% LIHTC projects.

Market study firms have been encouraged to share that studies ordered directly by a project sponsor will not meet threshold requirements if a sponsor approaches them directly for a market study, but it is the sponsor's responsibility to submit a market study that meets threshold requirements for their project(s). Sponsors may, of course, directly procure market studies unrelated to MSHDA programs or directly engage with firms on MSHDA's approved list for general consultation that does not result in a study

intended for MSHDA use. However, if sponsors need studies for MSHDA programs, they must order the study through OMR.

Sponsors will initiate market analysis in one of three new ways, depending on the funding source:

- **For 9% LIHTC projects, sponsors will fill out the web-based form titled "9% Site Selection Submission" at the MSHDA Market Research website.** This form must be filled out ahead of the deadlines noted within the QAP for each 9% round. Upon submission of this form, a project-specific folder will be created for file sharing, and an email with a link to the folder and instructions of what needs to be uploaded to the folder will be sent to the sponsor. OMR staff will use the information from the form to conduct a site evaluation and produce a site review memo, which will be provided to the sponsor upon completion. Additionally, OMR staff will provide the sponsor with a Market Study Initiation Request Form (MSIRF) via a project-specific SharePoint folder. The sponsor must wire payment for the market study to MSHDA and return this completed form to OMR staff via the same SharePoint folder at least 6 weeks prior to the round's application deadline to ensure the market study can be completed on time to be submitted as part of the project's full application package. Once payment has been confirmed, OMR will assign a due date for the market study and an analyst, which will also be given access to the project-specific SharePoint folder. The analyst will upload the completed study to the SharePoint folder by the due date; it remains the sponsor's responsibility to include the market study within their full application package by the 9% round deadline.
- **For 4% Direct Lending projects within a NOFA round, submission of a Notice of Intent to Apply (NOITA) that meets the program parameters will automatically initiate OMR market review.** OMR staff will use the information within the NOITA to conduct a site evaluation and produce a site review memo, which will be uploaded to the Rental Development Direct Lending portal. Additionally, like the 9% process, OMR staff will provide the sponsor with a Market Study Initiation Request Form (MSIRF) via a project-specific SharePoint folder. The sponsor must wire payment for the market study to MSHDA and return this completed form to OMR staff via the same SharePoint folder by the deadline noted within the NOFA round's program parameters to ensure the market study can be completed on time to be submitted as part of the project's full application package. Once payment has been confirmed, OMR will assign a due date for the market study and an analyst, which will also be given access to the project-specific SharePoint folder. The analyst will upload the completed study to the SharePoint folder by the due date. No further action is required by the sponsor once the market study has been uploaded by the analyst.
- **For all other projects, including Pass-Through, Direct Lending outside of a NOFA round, and any other MSHDA funding source, sponsors will fill out the web-based form titled "Market Study Order Request" at the MSHDA Market Research website.** These projects do not receive an OMR site review ahead of the market study being ordered, but rather OMR staff reviews the site concurrently with the assigned analyst's production of the market study. Like the 9% and 4% Direct Lending within a NOFA round processes, OMR staff will provide the sponsor with a Market Study Initiation Request Form (MSIRF) via a project-specific SharePoint folder. The sponsor must wire payment for the market study to MSHDA and return this completed form to OMR staff via the same SharePoint folder to order the market study. Once payment has been confirmed, OMR will assign a due date for the market study and an analyst, which will also be given access to the project-specific SharePoint folder. The analyst will upload the completed study to the SharePoint folder by the due date. No further action is required by the sponsor once the market study has been uploaded by the analyst.

For all funding sources, the sponsor is encouraged to review the market study promptly after it has been uploaded by the analyst to the project-specific SharePoint folder. Note that changes to the project details from those provided in the MSIRF, such as changes to rent, targeting, amenities to be included, number of units, project location, and any other factors that affect project marketability may delay the delivery of the

market study depending on the extent of the change and when it is communicated, and changes requested after the market study is completed may incur further costs.

As discussed above, a new SharePoint file-sharing system will be used for all projects. When a sponsor orders a market study or submits a site for review, a project-specific folder will be created on a MSHDA-owned SharePoint site. Each project will have its own folder, with subfolders created for subsequent application rounds. The sponsor and OMR staff will have access to this folder. When OMR staff assigns an analyst to the market study, OMR will also grant the analyst access to the folder. All non-file-sharing communication should continue via email with OMR copied.

OMR will resume in-round review of 9% LIHTC and Pass-Through market studies on a case-by-case basis. OMR's findings, conclusions, and recommendations resulting from these reviews will be included in OMR's Market Study Summary Memo provided to LIHTC staff and typically included in LIHTC staff's 15-day letter to sponsors; these findings, conclusions, and recommendations are non-binding on the sponsor. Our review will focus on analysis of data provided within the market study from the perspective of a project's risk to the Authority, factual accuracy, and support for key assumptions to ensure OMR recommendations align with Authority needs.

Finally, along with the updates to the Guidelines for Market Studies necessary to implement the changes noted above, **OMR has revised the requirements for analysis within market studies in three significant areas** that sponsors should be aware of**:**

- **HUD Areas of Minority Concentration analysis.** Due to uncertainty at the time of application whether HUD funds that trigger AMC review will be part of the capital stack for the project, market studies for all projects that:
  (1) include at least one new-construction residential unit, ***and***
  (2) are located within an AMC as defined by HUD's AMC mapping tools, ***and***
  (3) are required to submit a market study along with their funding application
  must include the content noted on page 13 of the guidelines referenced under "Areas of Minority Concentration." Previously, only projects that were requesting HUD funding were required to include this section. However, as certain sources of HUD funding (such as HOME dollars) can be included at MSHDA's discretion without the sponsor's request, all market studies for projects subject to HUD's prohibition of placement of new-construction units within an AMC must include this section.
- **Estimated Achievable Market Rent analysis.** OMR has analyzed MSHDA's internal compliance data over the past year and has reached several conclusions about how rental units with proposed rents at 60%-AMI programmatic maximums and above perform in the market. Most importantly, this data suggests that less than ¼ of units targeting households earning greater than 60%-AMI are achieving rents above 60%-AMI programmatic maximums without the help of a Housing Choice Voucher. This pattern holds across all Michigan housing markets for which we have data. See page 21, section "B. Analysis of Rent Advantage" in the newly published guidelines for more details. OMR is asking for further supporting data from the analyst, beyond the market advantage if a market study concludes that 60%-AMI programmatic maximum rents or above are feasible.
- **Demand analysis (saturation, capture, and penetration rates).** The demand analysis in MSHDA-compliant market studies has long been based on the assumption that low-income households will pay up to 40% of their income towards rent. However, growing affordability difficulties for low- and moderate-income households means that spending percentages of their income on rent that has previously been considered affordable puts significant pressure on household food, healthcare, transportation, and childcare budgets.

  Due to these increased unaffordability pressures, demand analysis must now determine saturation, capture, and penetration rates for LIHTC units based on both the assumption that households will pay up to 40% of their income towards housing and, a new requirement, that households can only pay up to 30% of their income towards housing. The market study must discuss whether the difference in demand estimates resulting from the 40% and 30% assumptions suggest that the project's success is

reliant on potential future tenants who would be overburdened by the proposed rents.

Other minor changes to the Guidelines have been implemented as well. Among these, the change most relevant to sponsors is that market studies will be returned to the analyst for revision if a clear, explicit, and bolded recommendation for whether the project should move forward as proposed, should move forward only with the analyst's specific suggested modifications, or should not proceed at all is not included in the Executive Summary and Conclusions sections of the report. **If this section is missing from a market study, that omission alone will not cause a study to not meet threshold requirements.** The requirement to include this recommendation statement is not new, but returning a study for revision when it is missing is.

OMR is making this change to ensure that LIHTC staff receive the analyst's conclusion directly, in the analyst's own words and without any OMR interpretation or summarization, consistent with MSHDA's 2023 decision to rely on third-party market study conclusions for 9% LIHTC and Pass-Through projects. The inclusion of this recommendation statement is especially important for 9% LIHTC projects given the hard deadline for submission of full application packages and the required communication moratorium once the deadline for submission has passed.

Conclusion

The updated Market Study Guidelines have been uploaded to MSHDA's Market Research webpage: https://www.michigan.gov/mshda/developers/housing-market-research. If you would like to receive an email invite to test the SharePoint system prior to its implementation, please contact MSHDA-MarketStudies@michigan.gov. Full SharePoint instructions will be emailed to project sponsors on a project-by-project basis according to the process noted above.

MSHDA and OMR appreciate your partnership to provide quality housing that is affordable, a cornerstone of diverse, thriving communities. Please reach out with any questions.