



MEMORANDUM

TO: Interested Parties

FROM: David Allen, Chief Market Analyst

DATE: January 25, 2023

RE: Market Study Requests for Competitive 9% Tax Credit Round

In 2021, MSHDA's Office of Market Research (OMR) made significant changes to the process for procuring and submitting market studies in the competitive 9% Low-Income Housing Tax Credit (LIHTC) rounds and in the Pass-Through Bond Program. Since then, applicants have had the option of interacting directly with approved firms for the purchase of their studies. Market studies submitted for 9% tax credits are due the same day as tax credit applications.

The text below spells out the details of this process. Please note that the **changes to the market study process apply only to 9% competitive LIHTC and Pass-Through Bond Program applications.**

Multi-Process Market Studies

If a sponsor would like to submit a market study that can be used in either the 4% or 9% tax credit rounds, or that can be used in proposals that combine 4% and 9% credits, they should request a study through MSHDA as in the past. Studies ordered through MSHDA ("Full 4% Market Studies") are described in the "Market Study Types" section of the *MSHDA Guidelines for Market Studies*, Tab C of the *Combined Application for Rental Housing Programs*. The Full 4% Study can be used in any type of tax credit application. To order a study through MSHDA, please contact Lori Sykes at sykesl@michigan.gov and MSHDA-MarketStudies@michigan.gov.

Market Study Process for 9% Tax Credits. Under the former system, tax credit applicants forwarded to MSHDA their project information (pro forma, site plan, etc.) and payment for their study. MSHDA would then work with an approved market study firm to have the study created with MSHDA oversight. Since then, if seeking a 9% market study (meaning that the study cannot ever be submitted for 4% credits or a combination of 4% and 9% credits), sponsors can instead work directly with an approved firm to procure their market study. **All market studies, whether hired directly from a market study firm or ordered from MSHDA, will be due the same day that the 9% applications are due, in electronic format.** Further details follow:

- **Site Location.** At least 60 days in advance of the tax credit application due date, project sponsors must send MSHDA their site location (street address and a map showing the location of the site and structures, if known). We also ask applicants to provide whether the site is age-restricted and/or open-occupancy and an estimate of the number of units. We expect that any issues we identify in the site analysis will be addressed in the market study and strongly suggest that sponsors share their preliminary site assessments with their market study analysts.
- **Market Analyst Selection.** Unlike in the past, the sponsor has the option of selecting a market analyst from an approved list of firms and working directly with and paying their chosen firm without MSHDA involvement.

- **Market Study Firm Selection.** MSHDA will only accept market studies for the 9% rounds that have been written by one of the companies on the **approved market study provider listing** (attached). Studies written by firms other than these will not meet the threshold for a tax credit application.
- **Market Study Payment.** Unless ordering their study through MSHDA, tax credit applicants will pay their chosen market study firm directly for the market study. The price and other terms related to the study are to be decided between the applicant and the market study firm.
- **Content.** Tax credit applicants are responsible for ensuring their studies meet MSHDA's threshold requirements.

Market Study Timeline. Two critical timelines for applicants to understand are the submission of the site location and the submission of the market study itself are described below:

Submission of Site Location:

- The Office of Market Research requires that sponsors submit to MSHDA staff the address of the proposed project at least **60 days before the tax credit application deadline**. This is to ensure that enough time is available for MSHDA staff to assess the site feasibility of all proposed sites for the upcoming round.
- Sponsors are encouraged to contact OMR staff about potential development sites and project concepts before finalizing their site decisions; staff can review the site to determine whether it meets the site selection criteria (Tab CC of the *Combined Application for Rental Housing Programs*, www.michigan.gov/mshda).

Submission of Market Studies:

- **Market studies are due to MSHDA in electronic format by 5:00 p.m. on the same date that 9% tax credit applications are due.** No market studies will be accepted after 5:00 p.m. on the application due date. Market studies submitted after 5:00 p.m. on the due date, or delivered in hard copy, will not meet the 9% LIHTC threshold requirements, and will not be processed.

Market studies must be submitted in electronic form to the following email addresses: sykesl@michigan.gov and MSHDA-MarketStudies@michigan.gov.

- **Only one study per email should be submitted.**
- In order to help MSHDA manage incoming market studies, 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. For example, if an application for River Pines Apartments in Townsville, Michigan were submitted in a 9% tax credit round in February of 2021, a possible name for the study could be: "River Pines Apartments—Townsville—Feb2021—Market Study.pdf."
- Sponsors are encouraged to submit their completed market studies in advance of the tax credit application deadline.

Market Study Threshold Requirements. Sponsors should note that market studies are a threshold item for 9% LIHTC applications; if an acceptable market study is not submitted, the application will not meet threshold and will be rejected. To be accepted for threshold, studies must meet **all** of the following criteria:

- Market studies must comply with the *MSHDA Guidelines for Market Studies* (Tab C of the *Combined Application for Rental Housing Programs*.) Please note that the *Guidelines* may have been revised since the last 9% round, so sponsors are encouraged to read any updated versions before starting their LIHTC applications.
- The project proposal in the market study must be the same as the one proposed in the LIHTC application; **the market study's rents, amenities, site, and other elements that impact a property's market potential must be identical to those in the application.**
- Market studies must be submitted on time (by 5:00 on the date on which the 9% LIHTC application is due), and in electronic format.

Types of Studies. Sponsors may submit the market study types described below. Please consult the *MSHDA Guidelines for Market Studies* for further information.

- **Full 9% or full 4% market study** - A complete market study of the type submitted with most tax credit applications.
- **Reduced scope study** – An abbreviated study that may be used for fully-subsidized, fully-occupied properties that meet certain criteria.
- **Update letter** - An abbreviated study that updates the information in a previously approved full market study and is submitted between 6 and 12 months of the original study.
 - Please be aware that **updates are for proposals that are fundamentally unchanged from their last application.** *MSHDA's Guidelines for Market Studies*, located in Tab C of the *Combined Application for Rental Housing Programs* (www.michigan.gov/mshda) spell this out in detail.
 - Market studies are good for a six-month period without the need for updates. Updates are needed for studies aged between 6 months and one year. Studies more than a year old cannot be updated; new studies are needed in that case.
 - After one update, a new (full) study is needed; an update cannot be updated.

Market Study Reviews. Market study reviews will be provided by the LIHTC staff to developers at the end of the application review process along with feedback about other parts of the application.

Please feel free to contact the Office of Market Analysis staff with any questions at sykesl@michigan.gov and MSHDA-MarketStudies@michigan.gov.

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