

2019 Market Study Guidelines Proposed Changes

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Market Study Guidelines Proposed Changes

- Proposed changes to joint CDLAC-TCAC market study guidelines
- Effective for applications submitted January 2019
- Two substantive changes
- Other changes -
 - Incorporate TCAC regulation changes
 - Clarifications

Substantive Proposed Change: Updated Market Study

Define “updated market study” as referenced in TCAC and CDLAC regulations:

Update as necessary:

- Executive summary
- Project description
- Market area delineation
- Market area economy
- Population, household, income trends
- Rent comparables
- Absorption rate
- Demand estimate

Substantive Proposed Change: Updated Market Study

Update as necessary:

- The demand estimate (capture rate and penetration rate) must be updated when new rent comparables affect demand at the proposed project. If the demand estimate remains unchanged, the update must indicate that this analysis was performed.
- The market study matrices must be updated if the proposed rents in the application change by any amount.

Substantive Proposed Change: 3 & 4 Bedroom Comps

For market rate comparables (comps) in rural areas, addition of an alternative to the single family home (SFH) comp requirement:

- Currently, in rural areas lacking sufficient three and four bedroom market rate rental comps, the guidelines require comparison to three and four bedroom SFH rentals, with rent at least 20% below rents for the single family homes.
- The proposal is that in any area (not limited to rural) the market study analyst may utilize two bedroom market rate rental comps for proposed three bedroom units and three bedroom market rate rental comps for proposed four bedroom units.

Substantive Proposed Change: 3 & 4 Bedroom Comps

The proposed alternative adds the following requirements:

- The square footage of the market rate units is increased to at least 900 square feet for a three bedroom unit and 1,100 for a four bedroom unit.
- The market rent “increase” is extrapolated using a \$/SF based on the original rent and square footage.

Additional Proposed Changes

Incorporating TCAC regulation changes

- For the market study alternative, the written statement's vacancy rate verification is:
 - 5% vacancy rate for all units except-
 - 10% vacancy for special needs and single room occupancy (SRO) units without significant project-based public rental subsidy
- Removal of lifetime rent benefit calculation requirement

Additional Proposed Changes

Clarification of CDLAC exemption from the 10% below market rent and an equal unit value ratio (\$/SF)

- Market Study Guidelines Section VIII.C.1
- For tax-exempt bond financed projects subject to an existing regulatory agreement not proposing tenant paid rents and income targeting to exceed 105% of current, and operating with a vacancy rate of no more than 5% (10% for SRO and special needs housing), these projects are exempt from the 10% below market rent and an equal unit value ratio (\$/SF) requirement.

Scattered Site Project. A project in which the parcels of land are not contiguous except for the interposition of a road, street, stream or similar property.

(1) For acquisition and/or rehabilitation projects with one pre-existing project-based Section 8 contract in effect for all the sites, there shall be no limit on the number or proximity of sites.

(2) For acquisition and/or rehabilitation projects with any of the following: (A) existing federal or state rental assistance or operating subsidies, (B) an existing CTCAC Regulatory Agreement, or (C) an existing regulatory agreement with a federal, state, or local public entity, the number of sites shall be limited to five, unless the Executive Director approves a higher number, and all sites shall be either within the boundaries of the same city, within a 10-mile diameter circle in the same county, or within the same county if no location is within a city having a population of five-hundred thousand (500,000) or more.

(3) For new construction projects and all other acquisition and/or rehabilitation projects, the number of sites shall be limited to five, and all sites shall be within a 1 mile diameter circle within the same county.

Additional Proposed Changes

Clarification of **scattered sites** of both NC and rehabilitation

- For rehabilitation scattered site projects with subsidies or regulatory agreements (2), sites must meet distance requirements, limit is 5 sites unless higher number is approved
- For new construction & non-subsidized rehabilitation scattered site projects (3), all sites must be within a 1-mile diameter, limit is 5 sites

For projects with both new construction and rehabilitation, the site limits established above apply to all sites; rehabilitation site limits and new construction site limits are not additive.

Timeline for 2019 Market Study Guidelines

Comment period ends December 19.

Final 2019 Market Study Guidelines will be published December 28.

Proposed changes will be effective for applications due January 18.

Timeline for 2019 Market Study Guidelines

Submit written comments to:

California Tax Credit Allocation Committee

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