

**NEED AND DEMAND ANALYSIS**

**FOR THE**

**AARON MILLS APARTMENTS**

**IN**

**MARTINSVILLE, VIRGINIA**

**Prepared for  
Aaron Street Lofts, LLC  
for submission to  
the Virginia Housing Development Authority**

**VHDA Application: 2020-C-85**

As of February 20, 2020

**T Ronald Brown: Research & Analysis**

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## A. EXECUTIVE SUMMARY

The following provides a brief summary of each of the major sections in the market analysis.

The Aaron Mills Apartments are to be located the north side of Aaron Street, to the east of its intersection with Broad Street, to the south of downtown Martinsville. There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location other than might be a consequence of not being in a more residential and/or commercial area.

The proposed project will be targeted to elderly households and comprise the construction of 52 new units - 34 one-bedroom units and 18 two-bedroom units. Six units will be households with incomes up to 40 percent of the median and 46 units will be targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status.

Employment in Martinsville in 2009 was 5,011. Since then, employment decreased to 4,788 in 2016, but rebounded to 5,203 by 2018.

For Martinsville, the most recent annual unemployment rate is 4.6 percent, down from 6.3 percent the previous year. The rate was 19.3 percent in 2009, and remained above 10 percent until 2014.

The market area for the proposed development is the City of Martinsville and Henry County.

The population of the market area is projected to decrease from 63,988 in 2020, to 61,096 in 2025. The number of households is projected to decrease, from 29,416 in 2020, to 28,703 in 2025. The number of renters is, however, projected to increase from 9,685 to 9,960 over that period.

The elderly population of the market area is projected to decrease from 25,200 in 2020, to 24,884 in 2025. The number of households is projected to decrease, from 16,314 in 2020, to 16,109 in 2025. The number of renters is, however, projected to increase from 3,474 to 3,570 over that period.

There are several apartment complexes located in the Martinsville and Henry County area that are designated for seniors. These are primarily properties that are subsidized and available to low and very low income households - either financed through HUD or USDA/Rural Development. There are no unsubsidized tax credit properties for the elderly, and no market rate housing.

The total net need for tax credit units such as is proposed in the Martinsville area by 2025 is calculated to be for 480 units. Given the calculated need, the proposed 52-unit development amounts to 10.8 percent of the need, as calculated.

Consideration of the capture rate (10.8 percent), the (2.8 percent) affordability analysis capture and (2.8 percent) penetration rate, suggest that the proposed development is marketable, as proposed.

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated six month period, or so.

The proposed development will not have an impact on existing housing in the area.

The proposed development is considered marketable and can be developed as proposed.

## B. INTRODUCTION AND SCOPE OF WORK

This report is a professional market analysis of the need and demand for the proposed development.

The report is prepared for Aaron Street Lofts LLC, for submission to the Virginia Housing Development Authority.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

The report was completed using professional market techniques. The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The site of the proposed apartments was visited (on February 20, 2020).

The site was visited by T. Ronald Brown.

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis. The President of the firm is T. Ronald Brown. Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland. He has 30 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last three decades or so, Mr. Brown has produced more than 3,000 studies in at least 20 states, predominantly in the Southeast.

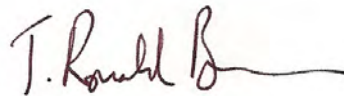
Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

**Submitted, and attested to, by:**

T. Ronald Brown, President  
T. Ronald Brown: Research & Analysis  
P.O. Box 18534  
Asheville, NC 28814

A handwritten signature in dark ink, appearing to read "T. Ronald Brown", with a long horizontal flourish extending to the right.

Date: March 9, 2020

**C. PROJECT DESCRIPTION**

The Aaron Mills Apartments will comprise 52 units - and is new construction.

The project is to be configured as follows:

	<u>Units</u>	<u>sq. ft</u>	<u>Rent</u>	<u>Targeting*</u>
1 bedroom/1 bath	4	691	\$377	less than 40 percent
1 bedroom/1 bath	12	691	\$491	less than 60 percent **
1 bedroom/1 bath	18	691	\$550	less than 60 percent
2 bedroom/2 bath	2	980	\$443	less than 40 percent
2 bedroom/2 bath	8	980	\$579	less than 60 percent **
2 bedroom/2 bath	8	980	\$650	less than 60 percent

\* percentage of area median income

\*\* set to be affordable at 50 percent of the median

Of the 52-unit total, all will be targeted to elderly households (55 years and older). There will be six units with incomes up to 40 percent of the median and 46 units targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Twenty units targeted to households with incomes up to 60 percent of the median will have rents set to be affordable to persons with incomes up to 50 percent of the median.

Utilities (excluding trash collection) will be paid by the tenant - utility allowances are \$77 for a one-bedroom unit, and \$102 for a two-bedroom unit. Based on information supplied by the developer, the proposed apartments will meet energy-saving standards, both for construction and for appliances provided.

The property will feature a single-two story building and will have a brick exterior. There will be an elevator. Common area and site amenities include a multi-purpose room, computer room, fitness center, and laundry. There will be an on-site management office. Outside amenities will include a picnic shelter with tables and grill. Planting gardens will also be provided.

There are 59 parking spaces.

Representative architectural drawings are set out on the following pages.

It is understood that the construction program would commence in June 2021 and would be completed within 12 months, or earlier.



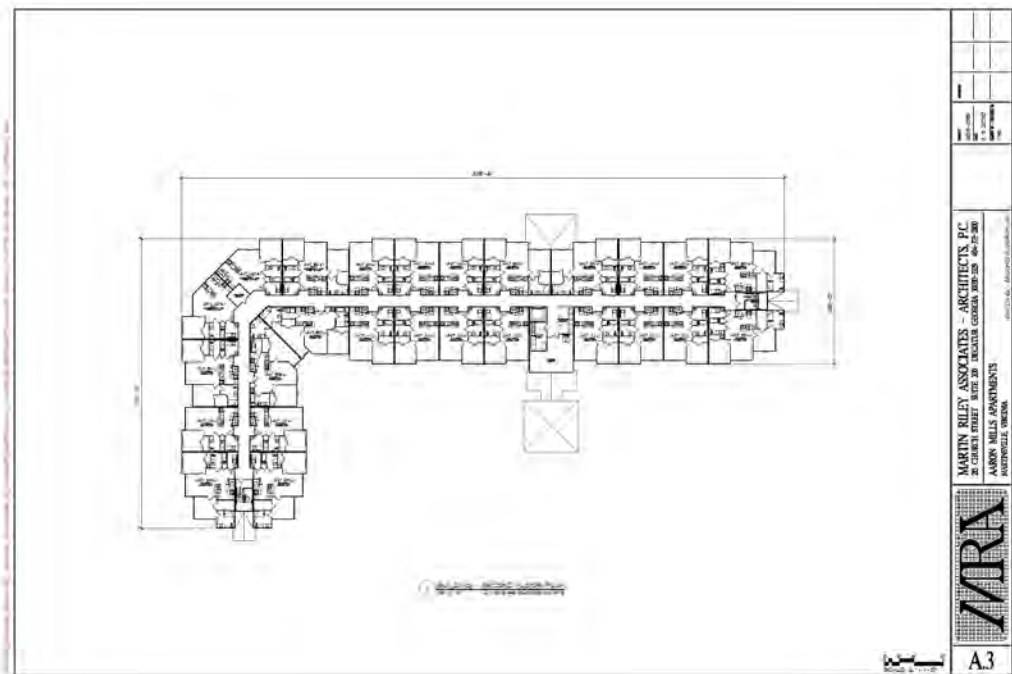
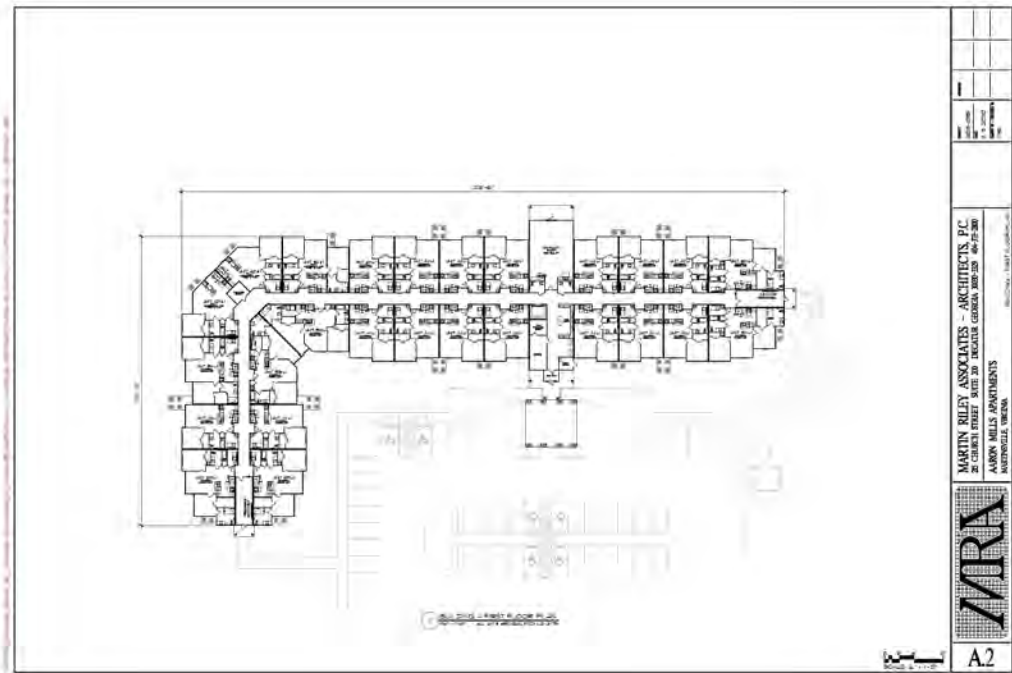
Site plan



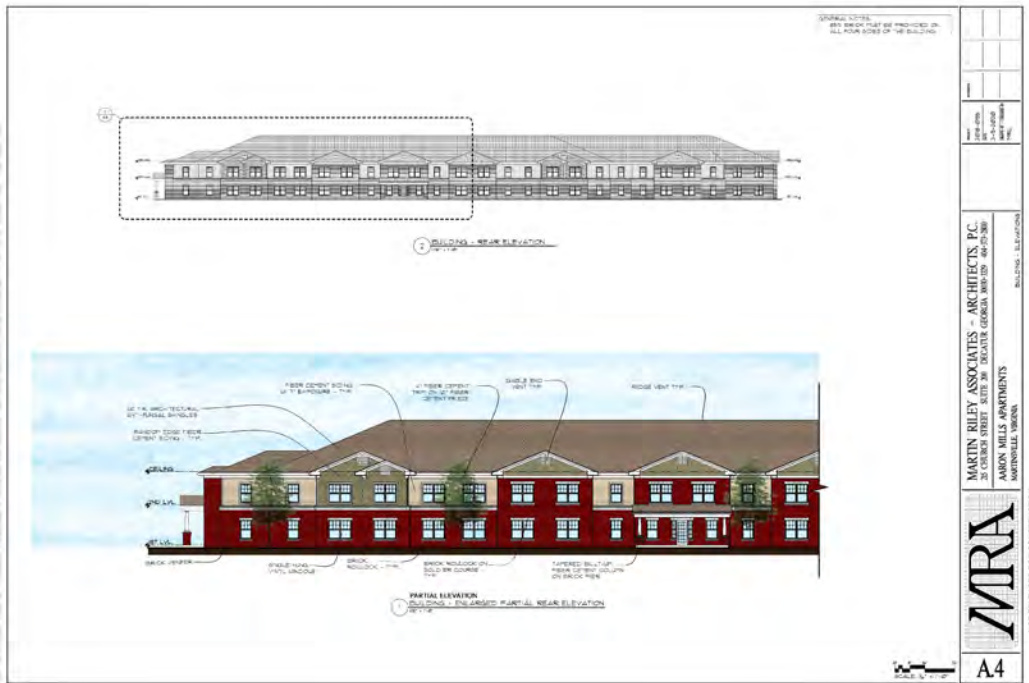
Unit plans



Floor plans



Elevation



#### D. LOCATION

The Aaron Mills Apartments are to be located on the north side of Aaron Street, to the east of its intersection with Broad Street, to the south of downtown Martinsville. Adjacent properties include vacant land, some low density single-family homes, and several businesses. A railroad is to the north of the property. The site is an abandoned industrial lot.





View onto property



View onto property



View across property



View west on Aaron St., site on right



View across Aaron St., towards site



View north on Broad St., at site



View south on Broad St.



View across Aaron St., at site

The Aaron Mills Apartments are to be developed at a site at Aaron Street and Broad Street, south of downtown Martinsville. The property is in an established area, with relatively good access.

Given the site location and its situation, the site is very visible, particularly on Aaron Street.

Access from the site to major thoroughfares, and local shopping, and other immediately local services is quite good - the site is within one-third of one mile of both Memorial Boulevard South and Starling Avenue, both of which are significant routes that serve Martinsville.

There are several small neighborhood stores not far from the site - Prices Mini Market, for example, is within one third of a mile of the property. The site is within one and one half miles of a Kroger grocery store at the Villages of Martinsville shopping center on Commonwealth Boulevard. An Aldi store is also on Commonwealth Boulevard, two miles from the site. The site is within two and one-fourth miles of a Walmart Supercenter, and is within one and one half miles of a Belk department store, at the Villages of Martinsville.

The Martinsville Post Office is six-tenths of one mile from the subject property - in downtown Martinsville.

The site is within two-thirds of a mile of the Martinsville senior center, and is within three fourths of one mile of the Blue Ridge Regional Library - both of which are in downtown Martinsville

The site is within one and three-fourth miles of the Sovah Hospital and associated medical services located off Commonwealth Boulevard, to the north of downtown.

The Martinsville City Hall is within three-fourths of a mile of the site.



The following table illustrates the various local amenities serving the site and the (driving) distance to the site.

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Table 1 - Distance to Neighborhood and Community Amenities

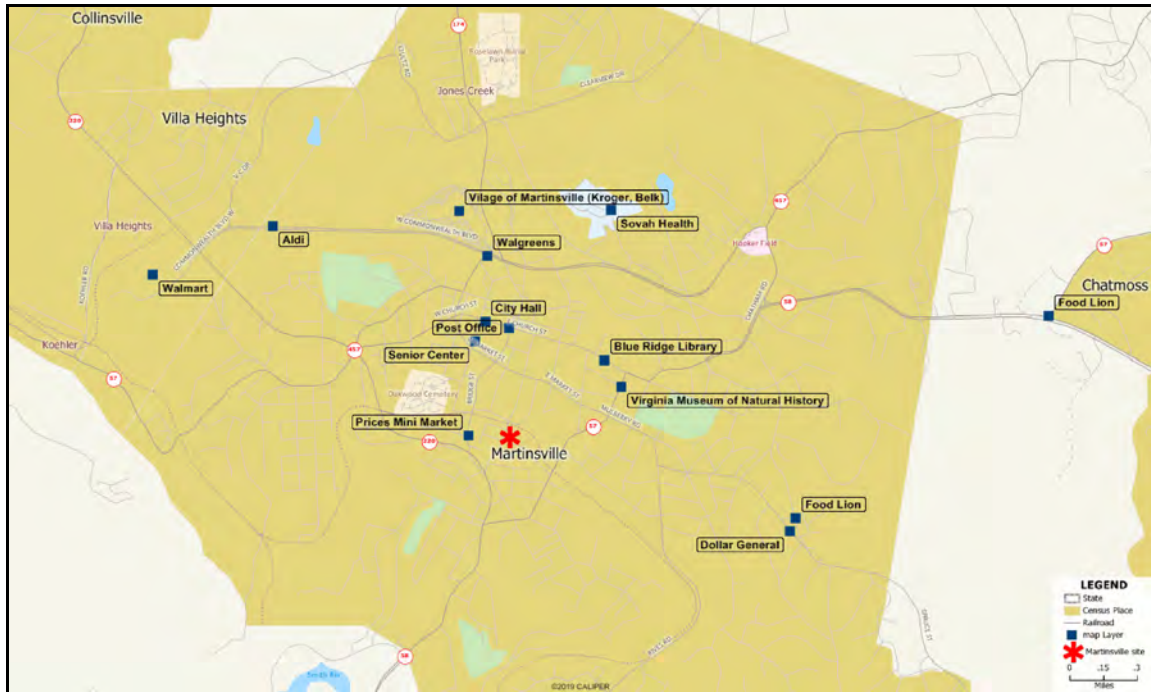
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<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Retail - Grocery	Kroger	1.3
	Aldi	2.0
Retail - Other	Prices Mini Market	0.3
	Wal Mart	2.2
	Villages of Martinsville (Belk, etc)	1.3
Pharmacies *	CVS	1.5
Entertainment, etc	Virginia Museum of Natural History	0.9
Senior Center	Martinsville	0.6
Post Office	Martinsville	1.2
Government	City of Martinsville	0.5
Library	Blue Ridge Regional	0.8
Hospital	Sovah Health Martinsville	1.7

\* excluding those in grocery stores

Source: T.Ronald Brown: Research & Analysis

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There is regularly-scheduled public transportation available in Martinsville and Henry County through Piedmont Area Regional Transit (PART) system.

Based on our observations during our site visit, there is no reason to expect that the risk of crime in this neighborhood would be greater or less than that for other parts of the market area.

There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location, other than any that might be a consequence of not being in a more residential and/or commercial area.

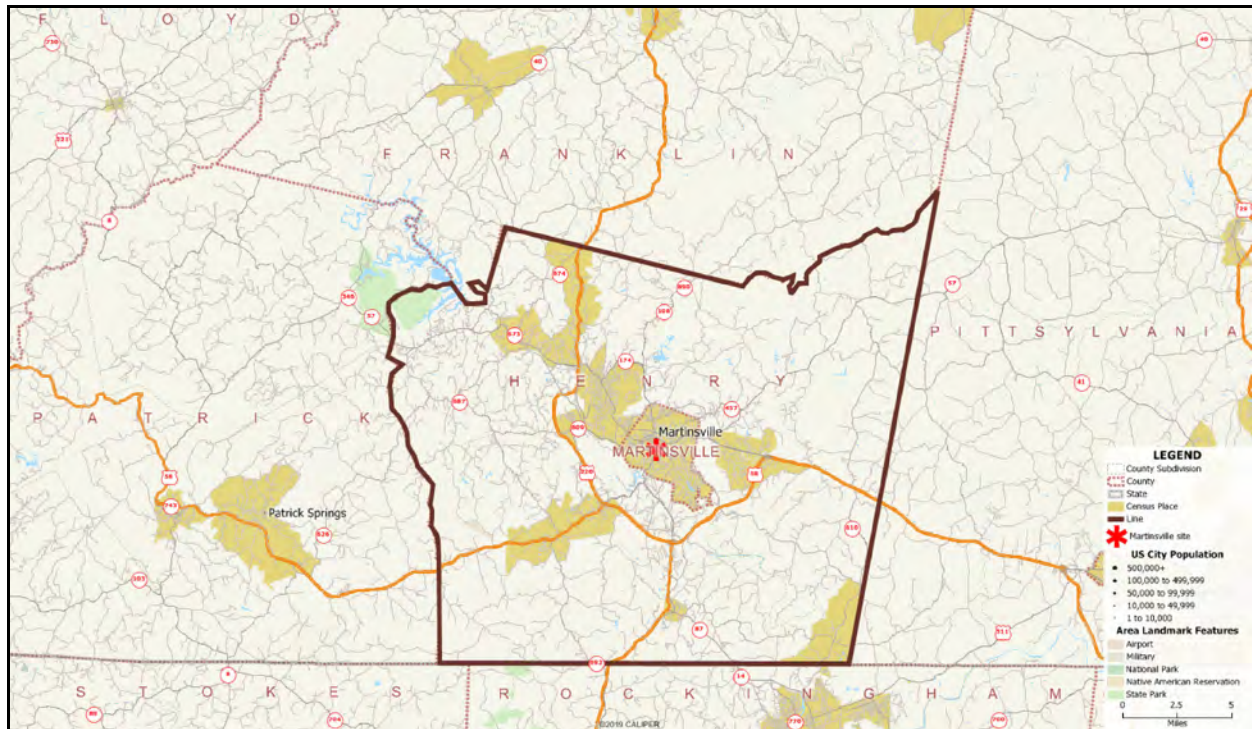
## E MARKET AREA DEFINITION

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. Here, a combination of census tracts may be used to define the market area. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project.

Martinsville is an independent City in south-central Virginia. The market area for the proposed development is defined as the City of Martinsville and Henry County. This area is roughly focused on the site of the proposed development and extends to an approximately eight- to ten- mile rural hinterland. This area includes Martinsville and smaller communities such as Collinsville, but excludes neighboring and potentially competing communities such as Danville and Roanoke. The market area, as defined, therefore is that which constitutes the area adjacent to the site of the proposed development and extends to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project.

Market Area Map



F. EMPLOYMENT AND ECONOMY

The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general.

Employment trends

Employment trends for Martinsville are illustrated in the table, below. Employment in 2009 was 5,011. Since then, employment decreased to 4,788 in 2016, but rebounded to 5,203 by 2018.

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Table 2 - Total Employment

---

		Change over previous year	
		<u>number</u>	<u>percent</u>
2009	5,011		
2010	5,066	55	1.1
2011	5,005	-61	-1.2
2012	5,010	5	0.1
2013	5,059	49	1.0
2014	4,991	-68	-1.3
2015	4,885	-106	-2.1
2016	4,788	-97	-2.0
2017	5,161	373	7.8
2018	5,203	42	0.8

Source: Virginia Labor Market Information

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Employment trends, by sector

Information on employment, by industry for Henry County in 2017 and 2018 (the most recent data) is set out in Table 2, below. From this it is seen that, with respect to employment, the largest subsectors were administration, retail trade, and healthcare, which employed 13.6 percent, 15.0 percent and 23.8 percent, respectively.

Table 3 - Employment, by sector

	2017		2018		pct change
	number	percent	number	percent	
Agriculture, Forestry, etc Mining, etc. Utilities					
Construction	105	1.2	89	1.0	-15.2
Manufacturing	796	8.9	851	9.2	6.9
Wholesale trade	78	0.9	73	0.8	-6.4
Retail trade	1,365	15.2	1,386	15.0	1.5
Transp. and Warehousing	172	1.9	174	1.9	1.2
Information	133	1.5	101	1.1	-24.1
Finance and Insurance	187	2.1	200	2.2	7.0
Real estate	76	0.8	74	0.8	-2.6
Professional and Technical services Management	131	1.5	142	1.5	8.4
Administrative and Waste services	1,116	12.5	1,253	13.6	12.3
Educational services	479	5.3			
Health Care and Social Assistance	2,231	24.9	2,198	23.8	-1.5
Arts, Entertainment, Recreation	77	0.9	73	0.8	-5.2
Accommodation and Food services	656	7.3	730	7.9	11.3
Other Services	408	4.6	457	4.9	12.0
Public Administration	701	7.8	736	8.0	5.0
Unclassified	14	0.2	15	0.2	7.1
<b>Total</b>	<b>8,958</b>		<b>9,245</b>		<b>3.2</b>

Source: Virginia Labor Market Information

Unemployment trends

Unemployment trends for Martinsville are illustrated in the table, below. Rates for Virginia and for the U.S. as a whole are also shown, for reference. Here it is seen that the most recent annual unemployment rate is 4.6 percent, down from 6.3 percent the previous year. The rate was 19.3 percent in 2009, and remained above 10 percent until 2014.

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Table 4 - Unemployment trends

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	Martinsville		
	<u>City</u>	<u>Virginia</u>	<u>U.S.</u>
2009	19.3%	6.7%	9.3%
2010	17.4%	7.1%	9.6%
2011	15.2%	6.6%	8.9%
2012	12.8%	6.1%	8.1%
2013	11.2%	5.7%	7.4%
2014	9.9%	5.2%	6.2%
2015	8.8%	4.5%	5.3%
2016	7.1%	4.1%	4.9%
2017	6.3%	3.7%	4.4%
2018	4.6%	3.0%	3.9%

Source: Virginia Labor Market Information

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## Report for the Aaron Mills Apartments in Martinsville, Virginia

### Major Employers

The major employers in Martinsville and Henry County area are listed in Table 5, below. From this table it is seen that the area's largest employers are the Danville Regional Medical Center, the Henry County Schools, CPFilms, Monogram Management Services, and GSI Solutions, each of which employs at least 500 persons. Other significant employers include various local governments and retailers.

Table 5 - Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
<u>Martinsville</u>		
Danville Regional Medical	Hospitals	500 to 999
Martinsville City Schools	Educational Services	250 to 499
City of Martinsville	Local Government	250 to 499
Piedmont Regional Community Service Board	Local Government	250 to 499
Southern Finishing Company	Wood Product Manufacturing	250 to 499
Wal Mart	General Merchandise Stores	250 to 499
Kidd International Home C Inc	Administrative and Support Services	250 to 499
ABH Staffing	Administrative and Support Services	100 to 249
Faneuil Inc	Administrative and Support Services	100 to 249
Palm Harbor Homes Inc	Wood Product Manufacturing	100 to 249
Aarco Inc	Administrative and Support Services	100 to 249
Security Forces, Inc.	Administrative and Support Services	100 to 249
Ameristaff	Administrative and Support Services	100 to 249
Kroger	Food and Beverage Stores	100 to 249
Martinsville Plant	Furniture and Related Product Manufacturing	100 to 249
Lowe's Home Centers, Inc.	Building Materials, etc	100 to 249
YMCA	Religious, etc. Organizations	100 to 249
Lester Home Center	Building Materials, etc	100 to 249
<u>Henry County</u>		
Henry County School Board	Educational Services	500 to 999
Cpfilms, Inc.	Plastics and Rubber Products Manufacturing	500 to 999
Monogram Management Services	Food Manufacturing	500 to 999
GSI Solutions	Nonstore Retailers	500 to 999
Results Customer Solution	Administrative and Support Services	250 to 499
Springs Global Us Inc	Textile Product Mills	250 to 499
Hanesbrands Inc	Warehousing and Storage	250 to 499
County of Henry	Local Government	250 to 499
Patrick Henry Community College	Educational Services	250 to 499
Bassett Furniture Industries	Furniture and Related Product Manufacturing	250 to 499
ICF Inc LLC	Professional, Scientific, and Technical Svcs	250 to 499
Carter Bank & Trust	Credit Intermediation and Related Activities	100 to 249
Food Lion	Food and Beverage Stores	100 to 249
Jacobson Warehouse Company	Warehousing and Storage	100 to 249
Debbie's Staffing Services	Administrative and Support Services	100 to 249
Drake Extrusions	Chemical Manufacturing	100 to 249
NV Warehouse Company Inc	Warehousing and Storage	100 to 249
Gretna Health Care Center	Nursing and Residential Care Facilities	100 to 249
Nylstar Inc Dip	Chemical Manufacturing	100 to 249
Sunnyside Presbyterian Home	Nursing and Residential Care Facilities	100 to 249
Applied Felts	Textile Mills	100 to 249
Lambert Cable Splicing Company	Specialty Trade Contractors	100 to 249
Martinsville Plant	Furniture and Related Product Manufacturing	100 to 249
McDonald's	Food Services and Drinking Places	100 to 249
Martinsville Dupont Empl	Credit Intermediation and Related Activities	100 to 249

Source: Virginia Labor Market Information



Virginia Economic Development Partnership reports no jobs lost through layoffs and/or closings or other reductions in Martinsville and Henry County in recent years. With respect to expansions, the Virginia Economic Development Partnership reports a total of 647 new jobs: 344 at new firms and 303 additions at existing firms.

The proposed development is not located in a market - such as a resort area - that would need housing for employees in such a specific market.

Wages by Industry Sector

Information on wages, by employment sector, for Martinsville is set out in Table 6, below. Here, average wages show some variation - both between sectors and also over time - with average wages increasing by 2.6 percent between 2017 and 2018.

Table 6 - Wages by Industry Sector

	2017	2018	pct change
Agriculture, Forestry, etc	\$622	\$644	3.5
Mining, etc.	\$1,150	\$1,247	8.4
Utilities	\$1,711	\$1,795	4.9
Construction	\$1,102	\$1,113	1.0
Manufacturing	\$1,392	\$1,407	1.1
Wholesale trade	\$1,492	\$1,485	-0.5
Retail trade	\$550	\$563	2.4
Transp. and Warehousing	\$745	\$770	3.4
Information	\$1,168	\$1,200	2.7
Finance and Insurance	\$1,372	\$1,417	3.3
Real estate	\$987	\$1,081	9.5
Professional and Technical services	\$1,461	\$1,519	4.0
Management	\$2,519	\$2,815	11.8
Administrative and Waste services	\$650	\$669	2.9
Educational services	\$742	\$752	1.3
Health Care and Social Assistance	\$902	\$920	2.0
Arts, Entertainment, Recreation	\$305	\$314	3.0
Accommodation and Food services	\$315	\$324	na
Other Services	\$619	\$650	5.0
Public Administration	\$1,213	\$1,246	2.7
Unclassified	\$722	\$746	3.3
Total	\$889	\$912	2.6

Source: Virginia Labor Market Information

### Commuting patterns

With respect to commuting, data from the American Community Survey, 56.1 percent of workers resident in Martinsville were employed there. The average driving time to work for residents of Martinsville was 21.6 minutes.

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Table 7 - Commuting Data

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	<u>number</u>	<u>percent</u>
Total Workers	110,257	100.0
Worked in Place of residence	61,854	56.1
Worked in County of residence	61,854	56.1
Worked outside Place of residence	48,403	43.9
Worked outside County of residence	48,403	43.9
Mean travel time to work (minutes)	21.6	

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

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Census data for commuting patterns for persons who live and/or work in the Martinsville area are set out, below.

Here it is seen that many persons who work in Martinsville commute into the County from Henry County. Likewise, many residents of Martinsville commute to work to locations in Henry County.

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Table 8 - Commuting Patterns

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<u>Place of work</u>	<u>Place of Residence</u>	<u>Number of Workers</u>
Martinsville City	Martinsville City	2,283
Martinsville City	Henry County	4,535
Henry County	Martinsville City	1,962

Source: US County to County Commuting Flows; T.Ronald Brown: Research & Analysis

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Given that the proposed development will offer rental housing for seniors, the local economic conditions will not have a direct positive or negative impact on the subject property.

**G. DEMOGRAPHIC CHARACTERISTICS**

Population and Household Trends

In 2000, the population of Henry County was 57,930, and in 2010 the population was recorded as 54,151. Population projections for Henry County are provided by the Virginia State Data Center. Based on these data, the population of the area is projected to be 50,986 by 2020, and to be around 48,829 by 2025.

In 2000, the population of the market area was 73,346, and in 2010 the population was recorded as 67,972. Population projections for the market area are based on the official State Data Center numbers for Martinsville and for Henry County. Based on these data, the population of the area is projected to be 63,988 by 2020, and to be around 61,096 by 2025.

Information on population trends and changes between 2000 and 2025 are set out in Table 9, below.

Table 9- Population Trends

	Martinsville	Market Area	Henry County
2000	15,416	73,346	57,930
2010	13,821	67,972	54,151
2020	13,002	63,988	50,986
2025	12,267	61,096	48,829
absolute change			
2000-2010	-1,595	-5,374	-3,779
2010-2020	-819	-3,984	-3,165
2020-2025	-735	-2,892	-2,157
annual change			
2000-2010	-160	-537	-378
2010-2020	-82	-398	-317
2020-2025	-147	-578	-431

Source: 2000 and 2010 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Projections of the number of households for Martinsville, the market area, and for Henry County are set out in Table 10, below.

In 2000, there were 23,910 households in Henry County and 23,151 in 2010. Based on the population projections set out, above, there will be around 23,439 households in 2020 and 22,940 in 2025.

There were 30,408 households in the market area in 2000 and 29,235 in 2010. Projections show around 29,416 and 28,703 households in 2020 and 2025, respectively.

Table 10 - Household Trends

	Martinsville	Market Area	Henry County
2000	6,498	30,408	23,910
2010	6,084	29,235	23,151
2020	5,977	29,416	23,439
2025	5,763	28,703	22,940
absolute change			
2000-2010	-414	-1,173	-759
2010-2020	-107	181	288
2020-2025	-214	-713	-499
annual change			
2000-2010	-41	-117	-76
2010-2020	-11	18	29
2020-2025	-43	-143	-100

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Population and household characteristics

Age distribution

The distribution of the population, by age, for the Martinsville, the market area, and Henry County is set out in Table 11, below. These data are from the 2010 Census. Here it is seen that the median age of the population of Martinsville was 43.6 years and that for Henry County was recorded as 44.7 years. The estimated median age for the market area is 43.6 years.

Table 11 - Age Distribution

	Martinsville		Market Area		Henry County	
	number	percent	number	percent	number	percent
Under 5 years	850	6.2	3,779	5.6	2,929	5.4
5 to 9 years	769	5.6	3,803	5.6	3,034	5.6
10 to 14 years	819	5.9	3,938	5.8	3,119	5.8
15 to 19 years	845	6.1	3,994	5.9	3,149	5.8
20 to 24 years	769	5.6	3,518	5.2	2,749	5.1
25 to 29 years	705	5.1	3,395	5.0	2,690	5.0
30 to 34 years	755	5.5	3,408	5.0	2,653	4.9
35 to 39 years	737	5.3	3,925	5.8	3,188	5.9
40 to 44 years	937	6.8	4,711	6.9	3,774	7.0
45 to 49 years	1,055	7.6	5,328	7.8	4,273	7.9
50 to 54 years	1,102	8.0	5,393	7.9	4,291	7.9
55 to 59 years	946	6.8	4,828	7.1	3,882	7.2
60 to 64 years	883	6.4	4,647	6.8	3,764	7.0
65 to 69 years	683	4.9	4,042	5.9	3,359	6.2
70 to 74 years	592	4.3	3,266	4.8	2,674	4.9
75 to 79 years	475	3.4	2,427	3.6	1,952	3.6
80 to 84 years	445	3.2	1,931	2.8	1,486	2.7
85 years and over	454	3.3	1,639	2.4	1,185	2.2
55 and older	4,478	32.4	22,780	33.5	18,302	33.8
65 and older	2,649	19.2	13,305	19.6	10,656	19.7
median	43.6		43.6 *		44.7	

\* Estimate

Source: 2010 Census; T.Ronald Brown: Research & Analysis

Age projections

Official population projections by age at the County level are provided by the Virginia State Data Center. Here, the population of Henry County aged 55 years and older is projected to increase from 18,302 in 2010 to 20,500 in 2020 and to 20,352 by 2025.

In 2010, there were a total of 22,780 persons aged 55 years or older in the project market area, in 14,747 households. By 2020, it is projected (on the basis of the official projections for Martinsville and for Henry County) that there will be 25,200 elderly persons in 16,314 households in the market area. By 2025 it is projected that there will be 24,884 elderly persons in 16,109 households in the market area. The number of older renters is projected to increase from 3,474 to 3,570 between 2020 and 2025 (based on tenure trends).

Table 12 - Population and Households, 55 years and older

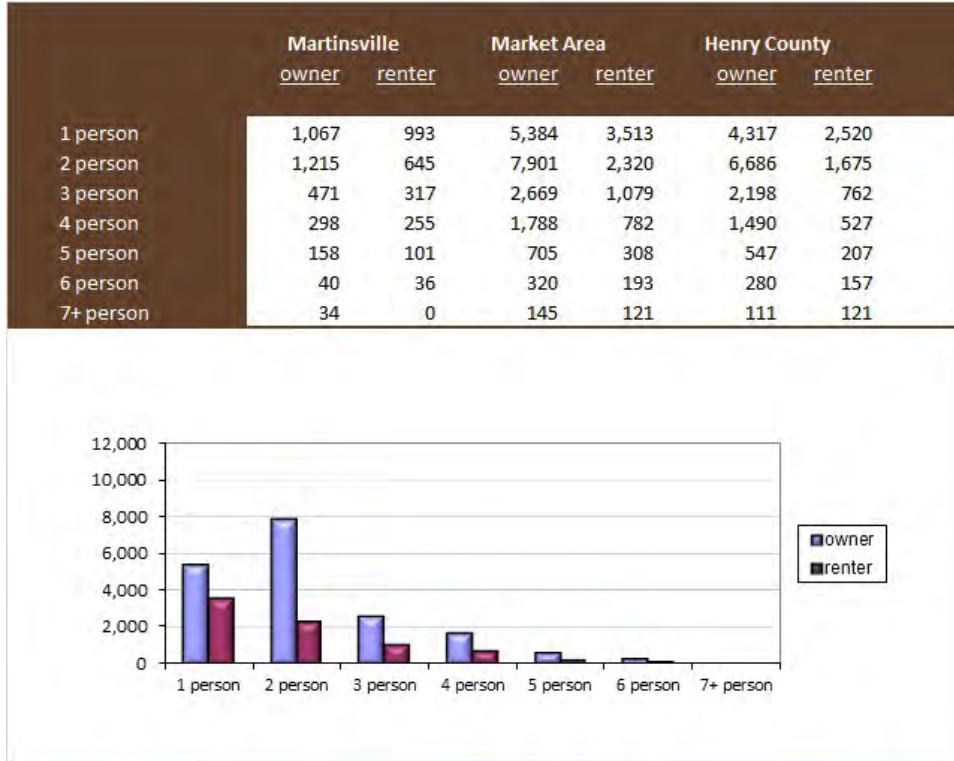
Market Area			
	<u>Population</u>	<u>H'holds</u>	<u>Renters</u>
2000	20,315	10,877	1,974
2010	22,780	14,747	2,899
2020	25,200	16,314	3,474
2025	24,884	16,109	3,570
Henry County			
	<u>Population</u>	<u>H'holds</u>	<u>Renters</u>
2000	15,587	8,735	1,198
2010	18,302	11,719	1,907
2020	20,500	13,126	2,534
2025	20,352	13,032	2,741

Source: 2000 Census and 2010 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Household size

Table 13 below, sets out household size, by tenure, for households in Martinsville, the market area, and Henry County.

Table 13 - Household Size



Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis



Tenure

Table 14, below, sets out the number and proportion of owner and renter households for Martinsville, the market area, and for Henry County. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 tenure trends. In 2010, 43.6 percent of households in Martinsville were renters, 29.6 percent of households in the market area were renters, and 26.0 percent in Henry County were renters.

Table 14 - Tenure

<b>Martinsville</b>			persons per	Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	15,416	6,498	2.37	3,914	60.2	2,584	39.8
2010	13,821	6,084	2.27	3,432	56.4	2,652	43.6
2020	13,002	5,977	2.18	3,121	52.2	2,856	47.8
2025	12,267	5,763	2.13	2,880	50.0	2,883	50.0
<b>Market Area</b>			persons per	Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	73,346	30,408	2.41	22,293	73.3	8,115	26.7
2010	67,972	29,235	2.33	20,569	70.4	8,666	29.6
2020	63,988	29,416	2.18	19,731	67.1	9,685	32.9
2025	61,096	28,703	2.13	18,743	65.3	9,960	34.7
<b>Henry County</b>			persons per	Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	57,930	23,910	2.42	18,379	76.9	5,531	23.1
2010	54,151	23,151	2.34	17,137	74.0	6,014	26.0
2020	50,986	23,439	2.18	16,601	70.8	6,838	29.2
2025	48,829	22,940	2.13	15,848	69.1	7,092	30.9

Source: 2000 Census and 2010 Census; T.Ronald Brown: Research & Analysis

Tenure by age

Table 15, below, sets out the number of owner and renter households, by age of household head for older households in Martinsville, the market area, and Henry County, based on data in the 2014 to 2018 American Community Survey. From this table it can be seen that, for example, 3,019 out of 15,117 households headed by a person 55 years or older in the market area are renters (20.0 percent).

Table 15 - Tenure of Elderly Households

	Households	Owner-occupied		Renter-occupied	
		number	percent	number	percent
<b>Martinsville</b>					
55 to 59 years	542	355	65.5	187	34.5
60 to 64 years	508	288	56.7	220	43.3
65 to 74 years	932	713	76.5	219	23.5
75 to 84 years	539	393	72.9	146	27.1
85 years and older	238	204	85.7	34	14.3
total, 55 and older	2,759	1,953	70.8	806	29.2
total, 65 and older	1,709	1,310	76.7	399	23.3
<b>Market Area</b>					
55 to 59 years	2,900	2,177	75.1	723	24.9
60 to 64 years	2,894	2,119	73.2	775	26.8
65 to 74 years	4,891	4,016	82.1	875	17.9
75 to 84 years	3,422	2,872	83.9	550	16.1
85 years and older	1,010	914	90.5	96	9.5
total, 55 and older	15,117	12,098	80.0	3,019	20.0
total, 65 and older	9,323	7,802	83.7	1,521	16.3
<b>Henry County</b>					
55 to 59 years	2,358	1,822	77.3	536	22.7
60 to 64 years	2,386	1,831	76.7	555	23.3
65 to 74 years	3,959	3,303	83.4	656	16.6
75 to 84 years	2,883	2,479	86.0	404	14.0
85 years and older	772	710	92.0	62	8.0
total, 55 and older	12,358	10,145	82.1	2,213	17.9
total, 65 and older	7,614	6,492	85.3	1,122	14.7

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

Income Distribution

The distribution of household incomes for Martinsville, the market area, and Henry County. are set out in Table 16, below. These figures are taken from the 2014 to 2018 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for Martinsville is around \$33,224, and that for Henry County as a whole is seen to be \$36,683. The median income for the market area is estimated at \$36,083.

Table 16 - Household Income

	Martinsville		Market area		Henry County	
	number	percent	number	percent	number	percent
less than \$10,000	1,874	8.7	2,702	9.9	828	14.7
\$10,000 to \$14,999	2,057	9.5	2,518	9.2	461	8.2
\$15,000 to \$19,999	1,672	7.7	2,011	7.4	339	6.0
\$20,000 to \$24,999	1,506	7.0	2,002	7.4	496	8.8
\$25,000 to \$29,999	1,981	9.2	2,471	9.1	490	8.7
\$30,000 to \$34,999	1,258	5.8	1,567	5.8	309	5.5
\$35,000 to \$39,999	1,398	6.5	1,622	6.0	224	4.0
\$40,000 to \$44,999	1,061	4.9	1,328	4.9	267	4.7
\$45,000 to \$49,999	960	4.4	1,140	4.2	180	3.2
\$50,000 to \$59,999	1,996	9.2	2,424	8.9	428	7.6
\$60,000 to \$74,999	1,846	8.5	2,270	8.3	424	7.5
\$75,000 to \$99,999	1,924	8.9	2,392	8.8	468	8.3
\$100,000 to \$124,999	967	4.5	1,199	4.4	232	4.1
\$125,000 to \$149,999	497	2.3	658	2.4	161	2.9
\$150,000 to \$199,999	349	1.6	494	1.8	145	2.6
\$200,000 or more	252	1.2	430	1.6	178	3.2
median income	\$33,224		\$36,083 *		\$36,683	

\* Estimate

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

Income, by age

The distribution of household incomes for persons aged 65 years and older in Martinsville, the market area, and Henry County are set out in Table 17, below. Again, these figures are taken from the 2014 to 2018 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for older households in Martinsville is around \$29,681, and that for Henry County as a whole is seen to be \$30,910. The median income for the market area is estimated at \$30,190.

Table 17 - Household Income, Households aged 65 and older

	Martinsville		Market area		Henry County	
	number	percent	number	percent	number	percent
less than \$10,000	200	11.7	597	6.4	397	5.2
\$10,000 to \$14,999	181	10.6	1,264	13.6	1,083	14.2
\$15,000 to \$19,999	156	9.1	971	10.4	815	10.7
\$20,000 to \$24,999	204	11.9	959	10.3	755	9.9
\$25,000 to \$29,999	125	7.3	858	9.2	733	9.6
\$30,000 to \$34,999	86	5.0	679	7.3	593	7.8
\$35,000 to \$39,999	102	6.0	602	6.5	500	6.6
\$40,000 to \$44,999	97	5.7	373	4.0	276	3.6
\$45,000 to \$49,999	53	3.1	361	3.9	308	4.0
\$50,000 to \$59,999	150	8.8	627	6.7	477	6.3
\$60,000 to \$74,999	92	5.4	720	7.7	628	8.2
\$75,000 to \$99,999	99	5.8	657	7.0	558	7.3
\$100,000 to \$124,999	41	2.4	268	2.9	227	3.0
\$125,000 to \$149,999	18	1.1	103	1.1	85	1.1
\$150,000 to \$199,999	52	3.0	136	1.5	84	1.1
\$200,000 or more	53	3.1	148	1.6	95	1.2
median income	\$29,681		\$30,069 *		\$30,190	

\* Estimate

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

Renter Income

The distribution of household incomes for renter households for Martinsville, the market area, and Henry County. are set out in Table 18, below. These figures are also taken from the 2014 to 2018 American Community Survey.

The median household income for Martinsville is around \$24,256, and that for Henry County as a whole is seen to be \$24,294. The median income for the market area is estimated at \$24,461.

Table 18 - Household Income, Renter Households

	Martinsville		Market area		Henry County	
	number	percent	number	percent	number	percent
less than \$10,000	588	25.1	1,575	18.9	987	16.5
\$10,000 to \$19,999	390	16.6	1,914	23.0	1,524	25.5
\$20,000 to \$34,999	709	30.2	2,238	26.9	1,529	25.6
\$35,000 to \$49,999	236	10.1	1,045	12.6	809	13.6
\$50,000 to \$74,999	222	9.5	802	9.6	580	9.7
\$75,000 to \$99,999	87	3.7	408	4.9	321	5.4
\$100,000 or more	115	4.9	334	4.0	219	3.7
median income	\$24,256		\$24,461 *		\$24,294	

\* Estimate

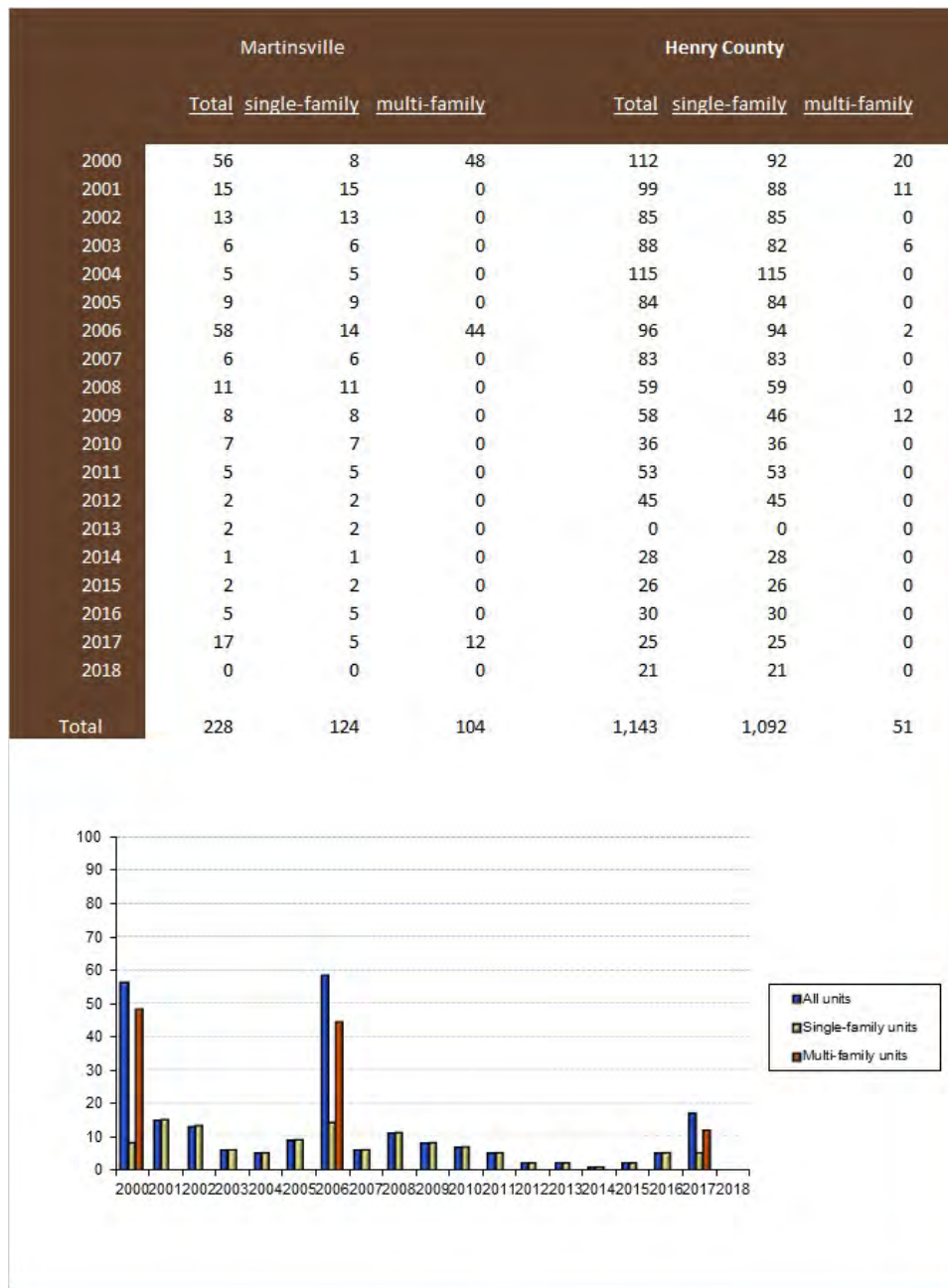
Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

## Report for the Aaron Mills Apartments in Martinsville, Virginia

### Building permit trends

Table 19 below gives details of residential construction in Henry County and Martinsville since 2000. Where the data exist, it can be seen that a total of 1,143 units were added in throughout the County, and 228 were added in Martinsville.

Table 19 - Residential Construction Since 2000



Source: Current Construction Reports, Bureau of the Census; T. Ronald Brown: Research & Analysis

## H. COMPETITIVE ENVIRONMENT

There are several apartment complexes located in Martinsville and in Henry County, with relatively few that are designated for older renters. The latter are primarily properties that are subsidized and available to low and very low income households - either financed through HUD or USDA/Rural Development. There is no unsubsidized tax credit properties for seniors, nor are there any market rate properties for the elderly (although the Kings Grant retirement community offers independent apartments - with a large entry fee). These various rental complexes for seniors were identified and surveyed, and where useful information was made available to us, this is presented, below.

Based on information from VHDA, there are no unsubsidized tax credit properties in the market area for the proposed development that could be considered comparable to the proposed apartments.

There are no new units in the area.

There are four complexes in the area which are subsidized, either through HUD and/or USDA/Rural Development. These properties were developed between 1980 and 2007. Of the 223 units in those properties there are no reported vacancies - a 100.0 occupancy level, overall. These properties typically have waiting lists.

Based on our survey, there is a market-wide occupancy rate of 100.0 percent.

As noted, there are no market rate properties for seniors.

The occupancy rate for the subsidized properties is 100.0 percent.

As noted, there are no market rate properties for seniors in the Martinsville area. VHDA market study guidelines require the inclusion of at least three developments in adjacent localities with similar characteristics to be included in the analysis. Thus, in order to try to establish some benchmark for determining market rents we surveyed additional non-elderly market-rate properties in adjacent communities. Here, these projects were in Roanoke. Information for one- and two-bedroom units at these properties are summarized below

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Table 20 - Market Rate Properties

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<u>Property</u>	<u>Year built</u>	<u>One-bedroom rents</u>	<u>Two-bedroom rents</u>
Glade Creek	1998	\$945-970	\$1,010-1,160
Hickory Woods	1988	\$890-1,150	\$1,085
Retreat	2016	\$1,080-1,436	\$1,277-1,696
Summit at Roanoke	1993	\$725	\$799-849
Sunscape	1997	\$934-1,119	\$1,114-1,429

Source: Apartment Managers; T.Ronald Brown: Research & Analysis

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The location, rent levels, unit size, age, features, and amenities were analyzed in order to try to establish an estimate of market rent levels for the subject property. Following this approach we have determined that, all things being equal, these market properties suggest a rent of around \$696 for a one-bedroom unit and \$895 for a two-bedroom unit

These rents are seen to significantly above the proposed rents at the proposed development.





Glade Creek



Hickory Woods



Retreat at Roanoke



Summit at Roanoke



Sunscape

**Report for the Aaron Mills Apartments in Martinsville, Virginia**

The various complexes surveyed are summarized as follows

Complex name	Financing	Year built	Total units	Vacant units	Occupancy (%)
Barrows Mill	HUD § 202	2007	44	0	100.0
Glen Ridge	USDA/RD	1985 ±	41	0	100.0
Martin's Landing II	USDA/RD	1994	38	0	100.0
Spruce Village	HUD § 8	1980	100	0	100.0

	0 br/1ba			1 br/1ba		
	number	size (sq. ft.)	rent	number	size (sq. ft.)	rent
Aaron Mills				34	691	\$377-550
Barrows Mill				44	n/a	boi
Glen Ridge				41	n/a	boi
Martin's Landing II				36	n/a	boi
Spruce Village				97	550	boi

	2 br/1-1½ ba			2 br/2 ba		
	number	size (sq. ft.)	rent	number	size (sq. ft.)	rent
Aaron Mills				18	980	\$443-650
Barrows Mill						
Glen Ridge						
Martin's Landing II	2	n/a	boi			
Spruce Village	3	825	boi			



**Barrows Mill**

Location: 1026 Barrows Mill Road, Martinsville

Telephone: 276.634.0900

Financing: HUD § 202

Year built: 2007

Total units: 44

Vacant units: 0 (100 percent occupied, typically 100 percent, with waiting list)

1 br/1 ba

Units: 44  
Unit size (sq. ft.): n/a  
Contract rent: \$519

Management: Wellons Foundation (Stacy - [2/5])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+ ) ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



### Glen Ridge

Location: 60 Theater Street, Martinsville

Telephone: 276.666.1541

Financing: USDA

Year built: 1985±

Total units: 41 (41 rent-assisted)

Vacant unit: 0 (100 percent occupied, typically 100 percent, with waiting list)

#### 1 br/1 ba

Units: 41  
Unit size (sq. ft.): n/a  
Basic rent: \$528  
Market rent: \$728

Management: Landura Management ( [2/6] )

Utilities in rent: Water/Sewer  Trash  Heat  Gas

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+ ) ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



**Martin's Landing II**

Location: 1151 East Church Street, Martinsville

Telephone: 276.638.7444

Financing: USDA

Year built: 1994

Total units: 38 (38 units assisted)

Vacant units: 0 (100 percent occupied, typically 100 percent, with waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	36	2
Unit size (sq. ft.):	n/a	n/a
Basic rent:	\$506	\$536
Market rent:	\$636	\$627

Management: Partnership Property Management (Rosa - [2/6])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'(+ ) ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies



### Spruce Village

Location: 1201 Spruce Street, Martinsville

Telephone: 276.632.5156

Financing: HUD § 8

Year built: 1980

Total units: 100

Vacant units: 0 (100 percent occupied, typically 100 percent, with waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	97	3
Unit size (sq. ft.):	550	825
Contract rent:	\$602	\$712

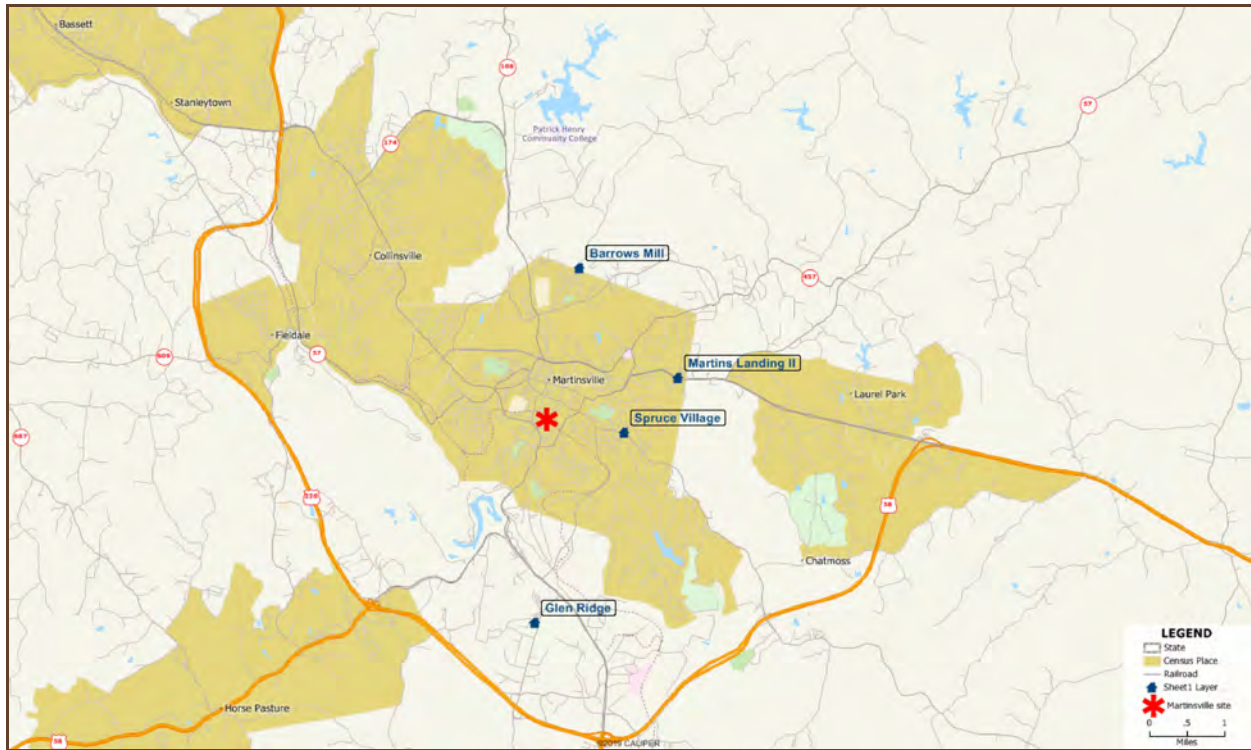
Management: Gene B. Glick Company (Deanna - [2/17])

Utilities in rent: Water/Sewer  Trash  Heat  Electricity

Amenities: Club House/Community Room  Fitness center  Pool  Tennis  Playground   
Business Center  Controlled access/Security/gated  Elevator  Garages  Storage  Laundry

Unit features: Microwave  Dishwasher  9'+ ceilings  High-end kitchen  Washer/Dryer   
Washer/Dryer Hook-up  Wood/wood style floor  Fireplaces  Patios/balconies

Location of Existing Apartments



I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES

Demand Analysis

The proposed development will rent to older adults - defined as those aged 55 years and older.

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available. With respect to the latter, separate consideration is given to market area renter households and market area owner-occupied households.

Income is a key variable in the analysis of housing markets. Of the 52 units proposed, six will be targeted to households with incomes up to 40 percent of the median, with 46 targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status.

The HUD income limits for the City of Martinsville are set out below. The median income for Martinsville in 2019 is \$44,300 - having been \$48,000 in 2018, and \$47,800 in 2009. This represents a 7.7 percent decrease over the previous year, and a 7.3 percent decrease over the last decade (or an average of 0.76 percent per year).

The maximum housing expenses for the proposed units are based on the above income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities).

Table 21 - Income Limits and Maximum Housing Costs

Income Limits			
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 person	\$16,960	\$21,200	\$25,440
2 person	\$19,400	\$24,250	\$29,100
3 person	\$21,800	\$27,250	\$32,700
Maximum Housing Costs			
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 bedroom	\$454	\$568	\$681
2 bedroom	\$545	\$681	\$817

Source: HUD



Information as to rents and income targeting, and qualifying income ranges are set out in Table 22, below

Table 22 - Rents and Income Targeting

Income targeting				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total</u>
1 bedroom	4	0	30	34
2 bedroom	2	0	16	18
total	6	0	46	52
Rent targeting				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total</u>
1 bedroom	4	12	18	34
2 bedroom	2	8	8	18
total	6	20	26	52
proposed rents				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	
1 bedroom	\$377	\$491	\$550	
2 bedroom	\$443	\$579	\$650	
proposed rents as a proportion (%) of maximum				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	
1 bedroom	100.0	100.0	92.0	
2 bedroom	100.0	100.0	92.0	

Source: Applicant; T Ronald Brown: Research & Analysis

As noted, 12 one-bedroom units will have rents targeted to be affordable at the 50 percent rent level, and the remaining 18 one-bedroom units are targeted at the 60 percent level. Likewise, eight two-bedrooms are set to be affordable at the 50 percent level and targeted at the 60 percent level, with the remaining eight two-bedroom units affordable at, and targeted to, the 60 percent level.

The utility allowance for the proposed development is \$77 for the one-bedroom units, and \$102 for the two-bedroom units.

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall at or near the maximum allowable for the units affordable at the 40 percent and 50 percent levels. Those units affordable at the 60 percent level are around 92 percent of the maximum. Rents at or near the maximum allowable will serve to constrain the market.

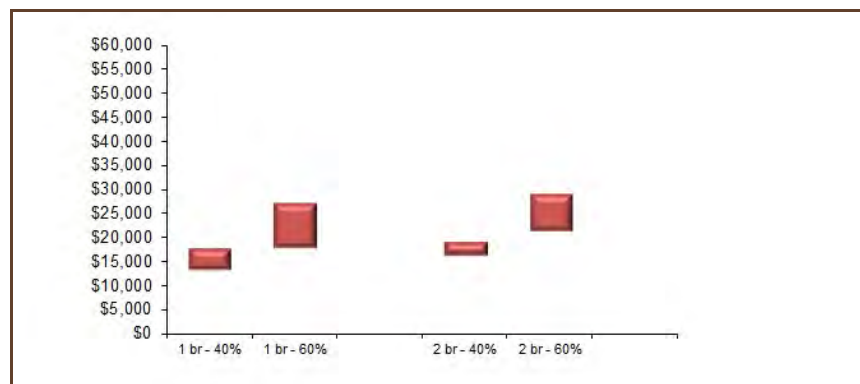
Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 40 percent of their income on housing costs (rent and utilities). The upper limits are a function of household size - based on a standard of one and one-half persons per bedroom, capped at two persons for elderly complexes). The qualifying income limits for one- bedroom units are based on the proposed rent levels relative to the maximum allowable. The qualifying income for the one- and two-bedroom units at 60 percent of the median are based on the weighted average of the proposed rents.

Table 23 - Qualifying Income Ranges

	40 percent	
	lower	upper
1 bedroom	\$13,620	\$18,180
2 bedroom	\$16,350	\$19,400
	60 percent	
	lower	upper
1 bedroom	\$18,102	\$27,270
2 bedroom	\$21,495	\$29,100

Source: Applicant; T Ronald Brown: Research & Analysis

The various qualifying income ranges, by bedroom mix and income targeting are illustrated, below. It should be noted from the diagram that the target income ranges for the two-bedroom units are somewhat compressed because two-person households are to be used for the upper income limit (and 1.5 persons for one-bedroom units). Any gaps and/or overlaps between these target income ranges will necessarily be taken into consideration in our calculations.



The major variables to be examined are age, tenure, and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the market area for the proposed complex, are set out below.

Table 24 - Household Income, Older Renter Households

Income	All Older Owners		All Older Renters		Overburdened Renters	
	Number	Percentage	Number	Percentage	Number	Percentage
Up to \$10,000	568	4.4	407	11.7	286	26.0
\$10,000 - \$19,999	2,679	20.9	1,230	35.4	605	54.9
\$20,000 - \$34,999	3,296	25.7	868	25.0	145	13.2
\$35,000 - \$50,000	1,999	15.6	317	9.1	65	5.9
\$50,000 - \$75,000	2,195	17.1	371	10.7	0	0.0
\$75,000 - \$100,000	982	7.6	145	4.2	0	0.0
\$100,000 and over	1,122	8.7	136	3.9	0	0.0
Total	12,840		3,474		1,101	

Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2014 to 2018 - and not for a specific year.

From this table it can be seen that 11.7 percent of the market area older renter households have incomes less than \$10,000 and as many as 35.4 percent have incomes between \$10,000 and \$20,000. Around 25.0 percent of older renters are seen to be in the \$25,000 to \$35,000 income range. Around 32 percent of all older renters are rent-overburdened. This table also illustrates how rent-overburdened households are concentrated in the lower income groups.

Based on the income ranges set out in Table 23 and the income distribution set out in Table 24, it is found that 13.5 percent of households at the 40 percent of the median qualify for the proposed units, and around 15.8 percent of market area older renter households qualify for units at 60 percent of the median.

Projections of need and demand are based upon a 2020 to 2025 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

With respect to household growth of older households, the projections of the older population and households for the project market area show that the number of elderly persons (55 years and older) was projected to decrease from 25,200 in 2020 to 24,884 in 2025. Likewise, the number of older households was projected to decrease from 16,316 to 16,109.

The number of elderly renters is projected to increase by 96 between 2020 and 2025 (from 3,474 to 3,570 households). Based on the distribution of elderly renter household incomes there are 28 new elderly renter households which qualify for the proposed development.

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing older households—both homeowners and renters—who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of 1,044 older renter households in the qualifying income ranges in the project market area. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. With respect to existing households in the project market area it is found that, based on the most recent American Community Survey data, 49.1 percent of renters at the 40 percent level are rent-overburdened, and 22.5 percent of renters qualifying at 60 percent, are overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of rental units due to demolition, abandonment, obsolescence and the like. This based on an annual average rate of 0.6 percent of the rental housing stock. The proportion is based on a two-year loss of 1.2 percent of rental units detailed in the 2016 Edition of "Components of Inventory Change" published by HUD. Based on the number of rental units in the project market area this translates to a need for an additional 32 units.

Our calculations show that there will be a total of 5,130 older owner-occupied households in the qualifying income ranges in the market area. With respect to the existing elderly homeowners it is realistically assumed that perhaps 2 percent would consider moving to the proposed apartments. This translates to around 57 new older renters.

Total demand is therefore seen to amount to 480 units. This total demand has to be segmented to determine demand by number of bedrooms per unit. For the purposes of this report, it can be reasonably assumed that up around two-thirds of older households would choose a one-bedroom unit, and one-third would chose a two-bedroom unit.

These figures are based on a 2020 to 2025 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area. No directly comparable projects have been added in the project market area over the projection period, nor are any other comparable properties funded or are under construction. The net need is therefore for 480 units.

The preceding calculations are summarized in the table, below.

Table 25 - Demand Calculations

	<u>40 percent</u>	<u>60 percent</u>	<u>Total*</u>
<i>(i)</i> income eligible new renter households	13	15	28
<i>(ii)</i> income eligible existing renter households	481	563	1,044
<i>(iii)</i> existing renter households, likely to move	236	127	363
<i>(iv)</i> renters in obsolete housing	15	17	32
<i>(v)</i> income eligible existing owner households	995	1,844	2,840
<i>(vi)</i> existing owner households, likely to move	20	37	57
Total demand <i>(i)+(iii)+(iv)+(vi)</i>	284	196	480
Supply	0	0	0
Net demand	284	196	480

Source: T. Ronald Brown: Research & Analysis

Capture rates are illustrated in the table, below.

Table 26 - Capture Rates

	<u>40 percent</u>	<u>60 percent</u>	<u>Total*</u>
<b>Total demand</b>			
1 bedroom	187	129	317
2 bedroom	97	67	163
<b>Total</b>	<b>284</b>	<b>196</b>	<b>480</b>
<b>Supply</b>			
1 bedroom	0	0	0
2 bedroom	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net demand</b>			
1 bedroom	187	129	317
2 bedroom	97	67	163
<b>Total</b>	<b>284</b>	<b>196</b>	<b>480</b>
<b>Units proposed</b>			
1 bedroom	4	30	34
2 bedroom	2	16	18
<b>Total</b>	<b>6</b>	<b>46</b>	<b>52</b>
<b>Capture rates</b>			
1 bedroom	2.1%	23.2%	10.7%
2 bedroom	2.1%	24.0%	11.0%
<b>Total</b>	<b>2.1%</b>	<b>23.5%</b>	<b>10.8%</b>

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 52-unit development amounts to 10.8 percent of the total net need.

The capture rate, by bedroom, is determined to be 10.7 percent for the 34 one-bedroom units, and 11.0 percent for the 18 two-bedroom units.

The six units targeted at 40 percent of the median amount to 2.1 percent of the demand at that target income level, and the 46 two-bedroom units at 60 percent of the median amount to 23.5 percent of demand at that target level.

The capture rates presented above are considered reasonable for and age- and income-restricted property of this size, in a non-urban market.

As noted, the capture rates presented above are considered realistic. Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated six month period, or so.

### Affordability Analysis

Here, an affordability analysis addresses the total number of income eligible renter households in the market are relative to the size of the proposed development.

The minimum income is that associated with the rent for the least expensive unit offered, and the upper limit is based on the 6 percent limit (the highest target income range) for the largest unit size, by number of bedrooms. Here, the lower income is seen to be that for the proposed one-bedroom units that will be targeted to households at the 40 percent level; that is, \$13,620. The upper income is \$43,600. Based on the income data set out in Table 24, there are found to be 1,835 older renter households in that range. Thus, the proposed 52-unit development corresponds to a 2.8 percent affordability analysis capture rate.

### Penetration rate.

A penetration rate is defined, for the purposes of this analysis, as the proportion of income-eligible households needed to fill the proposed development, plus those in existing competitive units, plus any in competitive units that are approved and funded for future development.

The lower income limit for this analysis is the income needed to afford the least expensive competitive unit in the market (or the rent for the least-expensive proposed unit, if lower), and the upper income limit is the upper income limit for the competitive units (or the proposed units, if higher). Our survey of the existing, competitive inventory, shows that there are no properties that are comparable to the proposed units. Thus, given the rents for the proposed development, the target income range for this market is that as set out above. That is, from \$13,620 to \$43,600. Thus, given that there are as, noted, 1,835 qualifying elderly renter households in the market area. It is seen that 52 units are proposed, there are no other comparable tax credit units in the market, with none under construction or funded for future construction. Thus, the penetration rate - as defined - amounts to 2.8 percent.

### Summary

Consideration of the capture rate (10.8 percent), the (2.8 percent) affordability analysis capture rate and (2.8 percent) penetration rate suggests that the proposed development is marketable, as proposed.



## J. LOCAL PERSPECTIVES OF RENTAL HOUSING MARKET

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a potential source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages). It should be noted that as there are no directly comparable, stabilized, tax credit properties in this area, there are no site managers with direct experience with the proposed product in this market. The manager at the Glen Ridge Apartments noted that - reflecting her familiarity with the market for very low income seniors (aged 62 and older) - a new tax credit project would be accepted, but noted that it is a challenge if rents are high and incomes are low. Stacy, the manager at Barrows Mill made similar comments reflecting that Martinsville is a relatively low income area. Rosa, at Martins Landing II, thinks that some sort of subsidy would be necessary. Diana, the manager at the large Spruce Village HUD Section 8 property believes that maybe an unsubsidized would be accepted, but also remarks that incomes are low.

#### K. ANALYSIS/CONCLUSIONS

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated four- to six-month period, or so.

Based on the proposed development's site, bedroom mix, amenities and features, the proposed development is considered marketable and should be accepted in this market.

The site location will offer a significant advantage as will the proposed rents, particularly those set to be affordable to households at 30 percent of the median.

The proposed development should not have a negative impact on existing housing.

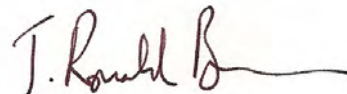
It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

#### L. OTHER REQUIREMENTS

Statement and signature

I affirm the following:

1. that I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by the Virginia Housing Development Authority.
4. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm is representing VHDA or in any way acting for, at the request of, or on behalf of VHDA
6. Compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits.



Market Analyst

Date March 9, 2020

As affirmed in the Scope of Work, there is no identity of interest between the analyst and the entity for which the report has been prepared.

Similarly, the recommendations and conclusions are based solely on the analyst's experience, opinion, and best efforts.

### Analyst Qualifications

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis.

The President of the firm is T. Ronald Brown. He has 30 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last two decades or so, Mr. Brown has produced around 2,500 studies in at least 20 states, predominantly in the Southeast.

Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including low income tax credit financed projects) and subsidized housing.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.

List of sources

The foregoing reports contains information from a variety of sources - those sources (such as contact numbers for property interviews) are cited at the appropriate place in the report itself. The major sources of data include:

The U.S. Census - 2000 and 2010, and the American Community Survey (2014-2018)

Virginia Housing Development Authority

U.S. Department of HUD

U.S. Department of Agriculture

Virginia State Data Center/Weldon Cooper Center for Public Service

Virginia Employment Commission

Virginia Economic Development Partnership

City of Martinsville, Henry County

U.S. Bureau of Labor Statistics

HUDUSER (e.g., SOCDs building permits database)

Market study Checklist

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## MARKET STUDY TERMINOLOGY

The following presents the accepted definitions of various terms typically found in real estate market studies. These definitions are typically followed unless reviewing agency requirements differ.

**Absorption period** - the period of time necessary for a newly constructed or renovated property to achieve the *stabilized level of occupancy*. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the *stabilized level of occupancy* has a signed lease. Assumes a typical premarketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

**Absorption rate** - the average number of units rented each month during the *absorption period*.

**Acceptable rent burden** - the rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

**Achievable rents** - See *Market Rent, Achievable Restricted Rent*.

**Affordable housing** - housing affordable to low or very low-income tenants.

**Amenity** - tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs, services and activities.

**Annual demand** - the total estimated demand present to the market in any one year for the type of units proposed.

**Assisted housing** - housing where federal, state or other programs *subsidize* the monthly costs to the tenants.

**Bias** - a proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.

**Capture rate** - the percentage of age, size, and income qualified renter households in the *primary market area* that the property must capture to fill the units. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The *Capture Rate* is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the *primary market area*. See also: penetration rate.

**Comparable property** - a property that is representative of the rental housing choices of the subject's *primary market area* and that is similar in construction, size, amenities, location, and/or age. Comparable and *competitive* properties are generally used to derive market rent and to evaluate the subject's position in the market.



**Competitive property** - a property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.

**Comprehensive market study** - NCHMA (the National Council of Housing Market Analysts) defines a comprehensive market study for the purposes of IRC Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRC Section 42 request for completion of a market study by a 'disinterested party.'

**Concession** - discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).

**Demand** - the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

**Effective rents** - contract rent less concessions.

**Household trends** - changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.e. at marriage or separation), changes in average household size, and net *migration*.

**Income band** - the range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined *acceptable rent burden* percentage and the maximum typically<sup>7</sup> is pre-defined by specific program requirements or by general market parameters.

**Infrastructure** - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

**Market advantage** - the difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.  $(\text{market rent} - \text{proposed rent}) / \text{market rent} * 100$

**Market analysis** - a study of real estate market conditions for a specific type of property.

**Market area** - See *primary market area*.

**Market demand** - the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.

**Market rent** - the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

**Market study** - a comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography.

**Marketability** - the manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

**Market vacancy rate, economic** - percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.

**Market vacancy rate, physical** - average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

**Migration** - the movement of households into or out of an area, especially a *primary market area*.

**Mixed income property** - an apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50%, and 60%).

**Mobility** - the ease with which people move from one location to another.

**Move-up demand** - an estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to new tax credit properties.

**Multi-family** - structures that contain more than two housing units.

**Neighborhood** - an area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

**Net rent (also referred to as contract rent or lease rent)** - Gross rent less *tenant paid utilities*.

**Penetration rate** - The percentage of age and income qualified renter households in the *primary market area* that all existing and proposed properties, to be completed with six months of the subject, and which are competitively priced to the subject that must be captured to achieve the *stabilized level of occupancy*. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. Units in all proposals / households in market \* 100, see also: capture rate.

**Pent-up demand** - a market in which there is a scarcity of supply and vacancy rates are very low.

**Population trends** - changes in population levels for a particular area over a specific period of time – which is a function of the level of births, deaths, and net *migration*.

**Primary market area** - a geographic area from which a property is expected to draw the majority of its residents.

**Programmatic rents** - See *restricted rents*.

**Project based rent assistance** - rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

**Redevelopment** - the redesign or rehabilitation of existing properties.

**Rent burden** - gross rent divided by adjusted monthly household income.

**Rent burdened households** - households with *rent burden* above the level determined by the lender, investor, or public program to be an acceptable rent-to-income.

**Restricted rent** - the rent charged under the restrictions of a specific housing program or subsidy.

**Restricted rent, achievable** - the rents that the project can attain taking into account both market conditions and rent in the *primary market area* and income restrictions.

**Saturation** - the point at which there is no longer demand to support additional unit. Saturation usually refers to a particular segment of a specific market.

**Secondary market area** - the portion of a market that supplies additional support to an apartment property beyond that provided by the primary market area.

**Special needs population** - specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs population include: substance abusers, visually impaired person or persons with mobility limitations.

**Stabilized level of occupancy** - the underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

**Subsidy** - monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's *contract rent* and the amount paid by the tenant toward rent.

**Substandard conditions** - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

**Target income band** - the *income band* from which the subject property will draw tenants.

**Target population** - the market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

**Tenant paid utilities** - the cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.

**Turnover period** - 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period.  $\text{Housing units with new occupants} / \text{housing units} * 100$  2. The percent of occupants in a given apartment complex that move in one year.

**Unmet housing need** - new units required in the market area to accommodate household growth, homeless people, and housing in substandard conditions.

**Unrestricted rents** - rents that are not subject to *restriction*.

**Unrestricted units** - units that are not subject to any income or rent restrictions.

**Vacancy period** - the amount of time that an apartment remains vacant and available for rent.

**Vacancy rate-economic vacancy rate - physical** - maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

## Other Terms

The following terms are also to be found in professional market studies - here, this information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

**Area Median Income (AMI)** - 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

**Attached housing** - two or more dwelling units connected with party walls (e.g. townhouses or flats).

**Basic rent** - the maximum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

**Below Market Interest Rate program (BMIR)** - Program targeted to renters with income not exceeding 80% or area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

**Census tract** - a small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

**Central Business District (CBD)** - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

**Community Development Corporation (CDC)** - entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

**Condominium** - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

**Contract rent** - 1. The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

**Difficult Development Area (DDA)** - an area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.

**Detached housing** - a freestanding dwelling unit, typically single-family, situated on its own lot.

**Elder or senior housing** - housing where (1) all units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

**Extremely low income** - person or household with income below 30% of the Area Median Income adjusted for household size.

**Fair Market Rent (FMR)** - the estimates established by HUD of the Gross rents (Contract rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally set FMR so that 40% of the rental units have rents below FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50<sup>th</sup> percentile of rents.

**Garden apartments** - apartments in low-rise buildings (typically two or four stories) that feature low density, ample open-space around buildings, and on-site parking.

**Gross rent** - the monthly housing cost to a tenant which equals the Contract rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.

**High-rise** - a residential building having more than ten stories.

**Household** - one or more people who occupy a housing unit as their usual place of residence.

**Housing unit** - house, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

**Housing Choice Voucher (Section 8 Program)** - federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households in the use of the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

**Housing Finance Agency (FHA)** - state or local agencies responsible for financing housing and administering assisted housing programs.

**HUD Section 8 Program** - federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of tenants' adjusted income.

**HUD Section 202 Program** - federal program which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

**HUD Section 811 Program** - federal program which provides direct capital assistance and operating of rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 510(c)(3) nonprofit organization.

**HUD Section 236 Program** - federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

**Income limits** - maximum household income by county or Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits each year for 30% median. Very low income (50%), and low income (80%), for households with 1 through 8 people.

**Low income** - person or household with gross household income below 80% of Area Median Income adjusted for household size.

**Low income housing tax credit** - a program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on those units be restricted accordingly.

**Low rise building** - a building with one to three stories.

**Metropolitan Statistical Area (MSA)** - a geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities have a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

**Mid-rise** - a building with four to ten stories.

**Moderate income** - person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

**Public Housing or Low Income Conventional Public Housing** - HUD program administered by local (or regional) Housing Authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

**Qualified Census Tract (QCT)** - any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of the area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credit may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.

**Rural Development (RD) market rent** - a monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. The rent is the maximum rent that a tenant can pay at an RD Property.

**Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program)** - federal program which provides the low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, which is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

**Single-family housing** - a dwelling unit, either attached or detached, designed for use by one household and with the direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

**State Data Center (SDC)** - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.

**Tenant** - one who rents real property from another.



**Tenure** - the distinction between owner-occupied and renter-occupied housing units.

**Townhouse (or Row House)** - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called row house.

**Very low income** - person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

**Zoning** - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.