

NEED AND DEMAND ANALYSIS
FOR THE
WOODLAWN SCHOOL APARTMENTS
IN
WOODLAWN VIRGINIA

Prepared for
Woodlawn School Apartments, LLC
for submission to
the Virginia Housing Development Authority

VHDA Application: 2020-C-71

As of February 20, 2020

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A. EXECUTIVE SUMMARY

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

The Woodlawn School Apartments are to be located in a school on the southern side of the Woodlawn Road in the unincorporated Woodlawn community. There are no apparent physical, environmental, or other constraints upon the rehabilitation and marketing of the proposed project at this location.

The proposed project will comprise the construction of 51 units - ten one-bedroom units, 26 two-bedroom units, and 15 three-bedroom units, with six units targeted to households with incomes up to 40 percent of the median, and 45 units targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status.

Employment in Carroll County 2009 was 12,848. Since then, employment fluctuated somewhat and was recorded at 12,863 in 2018.

The most recent annual unemployment rate for Carroll County is 3.6 percent, down from 4.4 percent the previous year. The rate was 11.5 percent in 2010.

The market area for the proposed development is Carroll County and the City of Galax.

The population of the market area is projected to decrease from 35,522 in 2020, to 35,192 in 2025. The number of households is projected to decrease, slightly, from 15,299 in 2020, to 15,266 in 2025. The number of renters is, however, projected to increase from 4,629 to 5,047 over that period.

There are several apartment complexes located in the Carroll County and Galax area. 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 is one unsubsidized tax credit property, and no market rate housing.

The total potential net need for tax credit units such as is proposed in the Woodlawn area by 2025 is calculated to be for 414 units. Given the calculated need, the proposed 51-unit development amounts to 12.3 percent of the need, as calculated.

Consideration of the capture rate (12.3 percent), the (2.9 percent) affordability analysis capture rate, and (5.6 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 Woodlawn School Apartments 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.

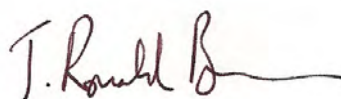
Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

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 Woodlawn School Apartments will comprise 51 units - and is the adaptive re-use of the Woodlawn School.

The project is understood to be a scattered site development.

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	2	710	\$396	less than 40 percent
1 bedroom/1 bath	4	710	\$510	less than 60 percent **
1 bedroom/1 bath	4	710	\$545	less than 60 percent
2 bedroom/1 ½ bath	2	905	\$476	less than 40 percent
2 bedroom/1 ½ bath	11	905	\$595	less than 60 percent **
2 bedroom/1 ½ bath	13	905	\$614	less than 60 percent
3 bedroom/2 bath	2	1,240	\$549	less than 40 percent
3 bedroom/2 bath	5	1,240	\$679	less than 60 percent **
3 bedroom/2 bath	8	1,240	\$710	less than 60 percent

* percentage of area median income

** affordable at 50 percent of the median

Of the 51 unit total, there will be six units targeted to households with incomes up to 40 percent of the median and 45 units targeted at 60 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Twenty of the units targeted to households with incomes up to 60 percent of the median will be affordable at the 50 percent level.

Utilities (excluding water, sewer and trash collection) will be paid by the tenant - utility allowances are - \$58 for the one-bedroom units, \$69 for the two-bedroom units, and \$81 for the three-bedroom units. Based on information supplied by the developer, the proposed apartments will meet energy-saving standards, both for construction and for appliances provided.

There is an existing single one- and two-story building.

Common area and site amenities include a, community room, computers for tenant use, a playground, a picnic area and an exercise area. Unit amenities will include washer/dryer hook-ups.

There are 129 parking spaces.

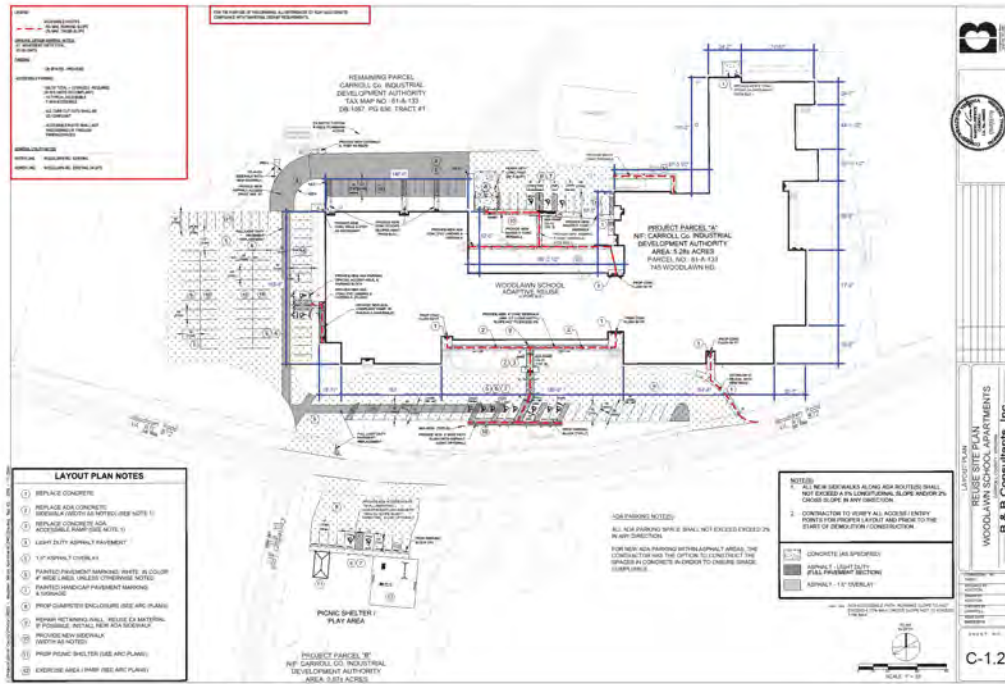
Representative architectural drawings are set out on the following pages.

Based on information supplied by the developer, the proposed renovation includes, roofing, landscaping, parking lot improvements, as well as other major interior repairs and replacements reflecting the adaptation to residential use.

It is understood that the construction program would commence in April 2020 and would be completed within 12 months, or so.

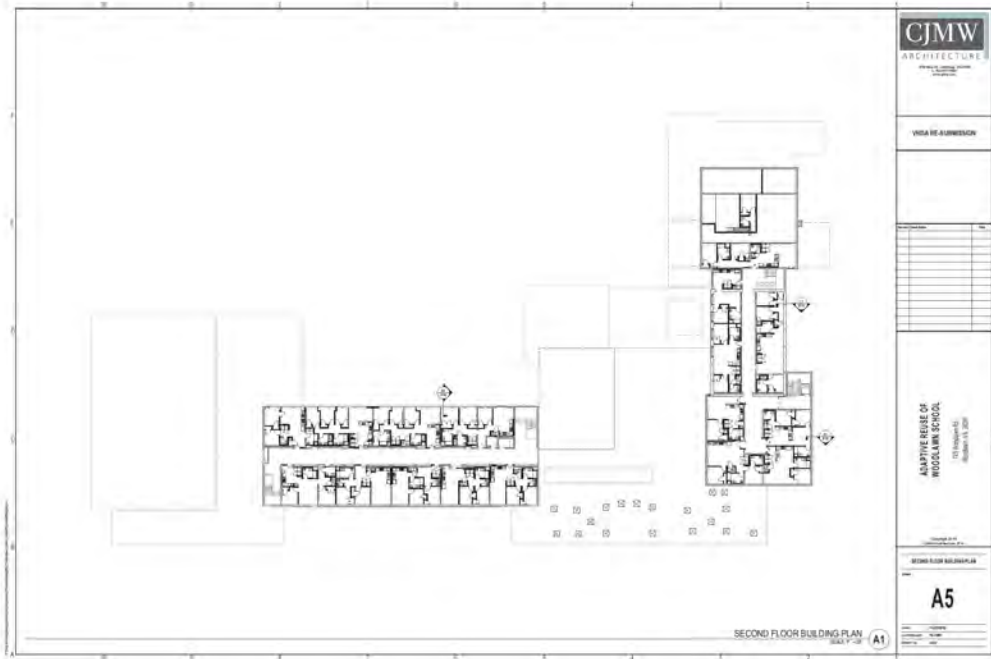
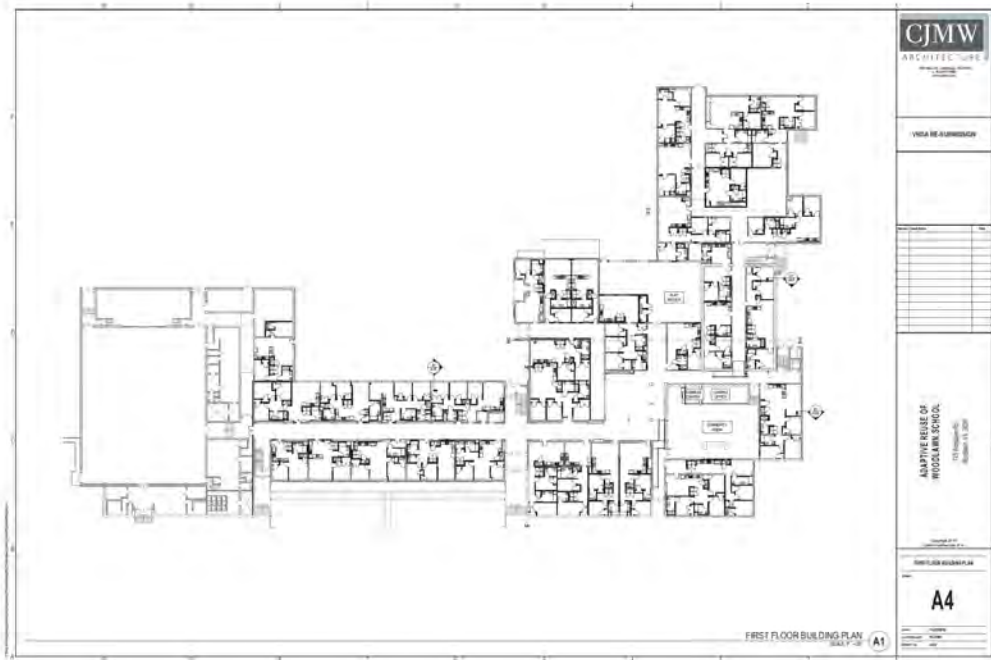
Report for the Woodlawn School Apartments in Woodlawn, Virginia

Site plan



Report for the Woodlawn School Apartments in Woodlawn, Virginia

Floor plans



Unit plans



Elevations



D. LOCATION

The Woodlawn School Apartments are to be located in a former school property on the southern side of the Woodlawn Road in the unincorporated Woodlawn community. It is understood that a portion of the property is across the street from the school (marked, below, by *). Adjacent properties include a church, low density single-family homes, and undeveloped land.





View of the property



View of the property



View of the property



View of the property



View of the property



View of the property



View north on Woodlawn Rd., at property



View south on Woodlawn Rd., at property



View across Woodlawn Rd., from property

Report for the Woodlawn School Apartments in Woodlawn, Virginia

The Woodlawn School Apartments are to be located in a school property on the southern side of the Woodlawn Road in the unincorporated Woodlawn community. The property is in a rural area, with good access.

Given the site location and its situation, the site is very visible.

Access from the site to major thoroughfares, and local shopping, and other immediately local services is good - which is largely a function of the size of the community. Although it is in a rural location, the site is reasonably located with respect to major thoroughfares and the services and amenities available in both the neighboring communities of Galax and Hillsville.

The site is within two thirds of a mile of Stuart Drive/Carrollton Pike - US 58/221 - the major east west route serving Carroll County and the City of Galax. The site is three miles from Interstate 77, to the east.

The site is within two-thirds of a mile of a small local grocery store on Coulson Church Road at Stuart Drive, and a relatively new Dollar General Store . The site is within five miles of a CVS and Dollar General store located on Stuart Drive in Hillsville. The site is within five miles of a Wal-Mart supercenter located on Stuart Drive in Galax.

The Woodlawn Post Office is six-tenths of one mile from the subject property - at Stuart Drive .

The site is seven miles from the Laurel Elementary School, located in Austinville, to the north of Woodlawn. The site is within six miles of both the Carroll County Middle and High Schools, both of which are in Hillsville.

The site is within seven and one-half miles of the Twin County Regional Hospital in Galax.

The Carroll County Courthouse is in Hillsville, within six miles of the site of the proposed development.

Report for the Woodlawn School Apartments in Woodlawn, Virginia

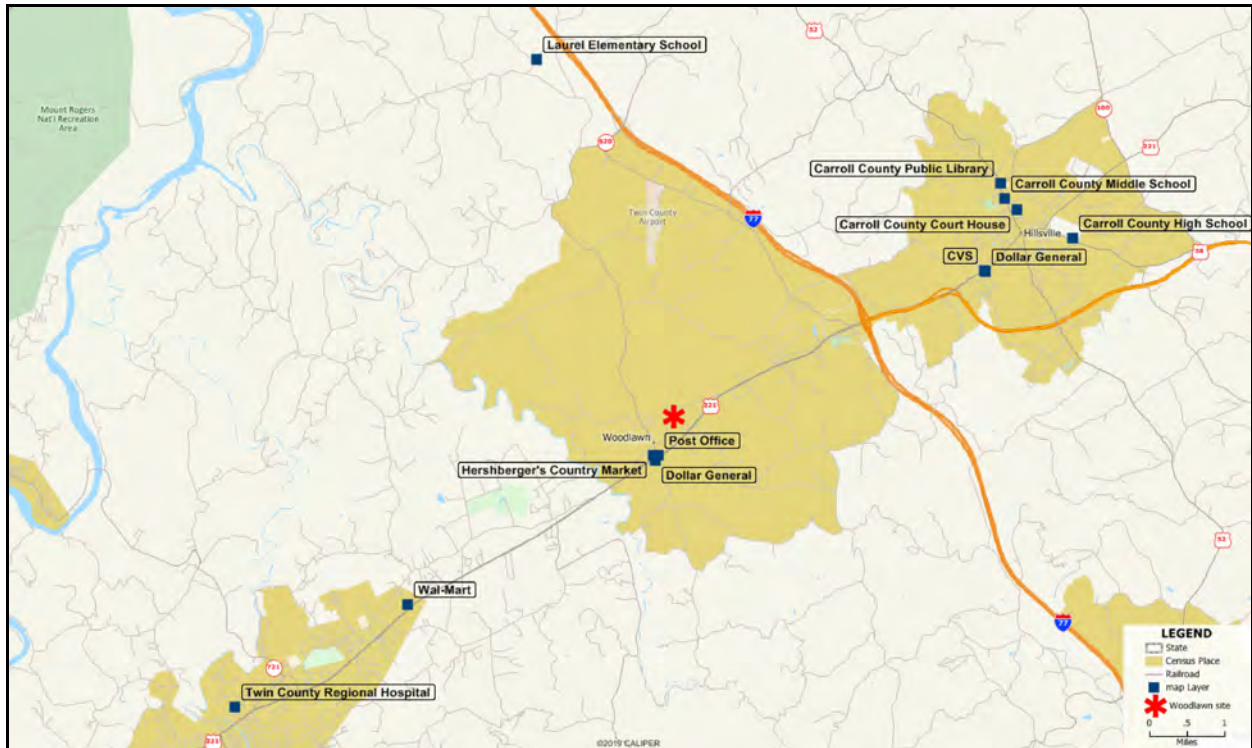
The following table illustrates the various local amenities serving the site and the (driving) distance to the site.

Table 1 - Distance to Neighborhood and Community Amenities

<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Highways	US 58	0.6
	Interstate 77	3.0
Retail - Grocery	Hershbergers Country Market	0.6
	Dollar General	0.7
	Dollar General	4.9
Retail - Other	Wal Mart	4.6
Pharmacies	CVS	4.9
Schools	Laurel Elementary School	7.0
	Carroll County Middle School	5.9
	Carroll County High School	6.0
Post Office	Woodlawn	0.6
Government	Carroll County Courthouse	5.8
Library	Carroll County Public Library	6.1
Hospital	Twin County Regional	7.4

Source: T.Ronald Brown: Research & Analysis

Report for the Woodlawn School Apartments in Woodlawn, Virginia



There is regularly-scheduled public transportation available in Carroll County through Mountain Lynx Transit. Service to the site of the development is available on-demand.

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 rehabilitation and marketing of the proposed project at this location.

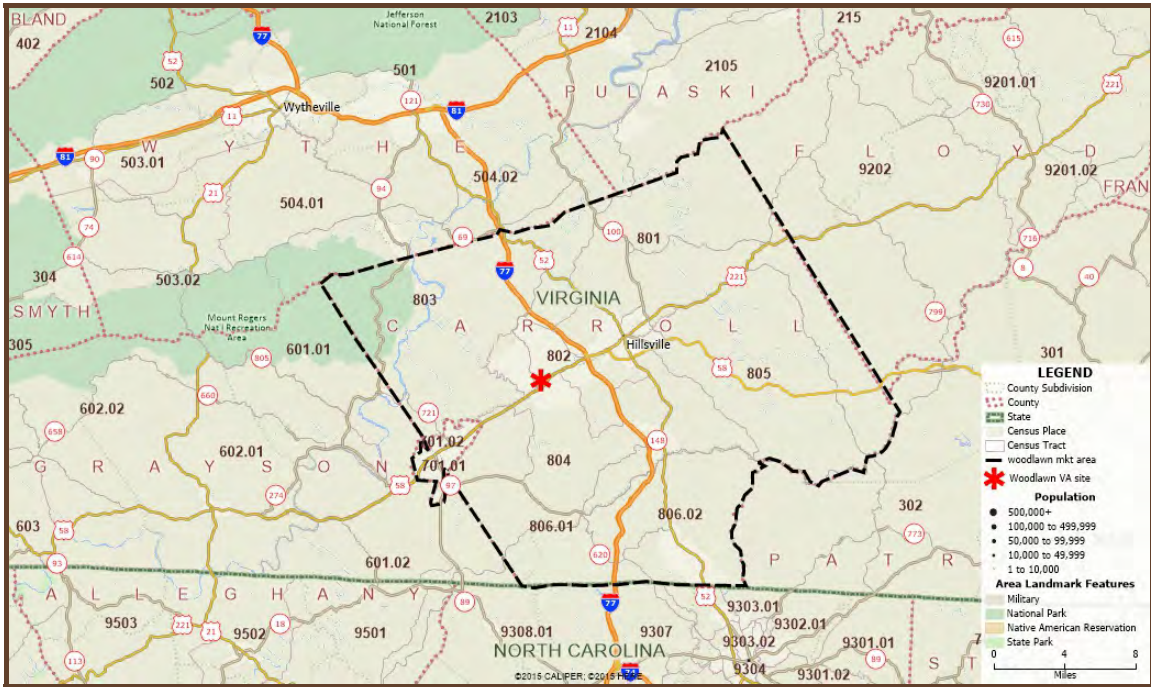
E MARKET AREA DEFINITION

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.

The community of Woodlawn (an unincorporated, Census Designated Place) is located in Carroll County in south-western Virginia. The market area for the proposed development is defined as Carroll County and the City of Galax. This area is roughly focused on the site of the proposed development (which is understood to be a scattered site development) and extends to an approximately eight- to 18- mile rural hinterland. This area includes the communities of Galax and Hillsville, but excludes neighboring and potentially competing communities such as Wytheville. 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.

Report for the Woodlawn School Apartments in Woodlawn, Virginia



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 Carroll County are illustrated in the table, below. Employment in 2009 was 12,848. Since then, employment fluctuated somewhat and was recorded at 12,863 in 2018.

Table 2 - Total Employment

		Change over previous year	
		<u>number</u>	<u>percent</u>
2009	12,848		
2010	12,388	-460	-3.6
2011	12,284	-104	-0.8
2012	11,343	-941	-7.7
2013	12,164	821	7.2
2014	12,292	128	1.1
2015	12,349	57	0.5
2016	12,273	-76	-0.6
2017	12,906	633	5.2
2018	12,863	-43	-0.3

Source: Virginia Labor Market Information

Employment trends, by sector

Information on employment, by industry for Carroll County in 2017 and 2018 (the most recent data) is set out in Table 3, below. From this it is seen that, with respect to employment, the largest subsectors were manufacturing, retail trade ,and healthcare, which employed 18.6 percent, 12.4 percent and 17.1 percent, respectively.

Table 3 - Employment, by sector

	2017		2018		pct change
	number	percent	number	percent	
Agriculture, Forestry, etc					
Mining, etc.					
Utilities					
Construction	295	4.5	288	4.5	-2.4
Manufacturing	1,168	17.8	1,192	18.6	2.1
Wholesale trade					
Retail trade	813	12.4	794	12.4	-2.3
Transp. and Warehousing	172	2.6	180	2.8	4.7
Information	12	0.2	9	0.1	-25.0
Finance and Insurance	75	1.1	73	1.1	-2.7
Real estate	24	0.4	25	0.4	4.2
Professional and Technical services	128	1.9	120	1.9	-6.3
Management					
Administrative and Waste services	189	2.9	200	3.1	5.8
Educational services	747	11.4			
Health Care and Social Assistance	1,210	18.4	1,097	17.1	-9.3
Arts, Entertainment, Recreation			61	1.0	
Accommodation and Food services	742	11.3	741	11.6	-0.1
Other Services	138	2.1	157	2.5	13.8
Public Administration	306	4.7	313	4.9	2.3
Unclassified	0	0.0	5	0.1	
Total	6,580		6,399		-2.8

Source: Virginia Labor Market Information

Unemployment trends

Unemployment trends for Carroll County 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 3.6 percent, down from 4.4 percent the previous year. The rate was 11.5 percent in 2010.

Table 4 - Unemployment trends

	<u>Carroll County</u>	<u>Virginia</u>	<u>U.S.</u>
2009	10.8%	6.7%	9.3%
2010	11.5%	7.1%	9.6%
2011	9.9%	6.6%	8.9%
2012	8.5%	6.1%	8.1%
2013	8.3%	5.7%	7.4%
2014	6.7%	5.2%	6.2%
2015	5.3%	4.5%	5.3%
2016	5.2%	4.1%	4.9%
2017	4.4%	3.7%	4.4%
2018	3.6%	3.0%	3.9%

Source: Virginia Labor Market Information

Major Employers

The major employers in the Carroll County area are listed in Table 5, below. From this table it is seen that the area’s largest employers are typically manufacturers- including various lumber, wood, and furniture companies. Other sources of employment in the area would include the local school system and local governments.

Table 5 - Major Employers

<u>Employer Name</u>	<u>Product/Service</u>
Albany Industries	Upholstered household furniture
Barker MicroFarads	Electronic components
Caterpillar	Mining equipment
Consolidated Glass and Mirror	Mirrors and glass
Core Health and Fitness	Fitness equipment
DLB	Heavy construction
Darco Southern	Gaskets
Hansen Turbine	Aircraft and turbine parts coating
Independence Lumber	Sawmill
Key Logisitics Soultions	Automotive components
McAllister Mills	High temperature fabric
Mohawk ESV Inc	Carpet backing
Moog, Inc	Printed circuit boards
Parkdale Mills/Magnolia Mfg	Cotton yarn
Tritex	High temperature fabric
Tuyrman Hardwood Flooring	Hardwood flooring
Turman Sawmill	Millwork and dimension lumber
Vanguard Furniture	Upholstered furniture
Vauughn-Bassett Furniture	Household furnishings
Virginia Produce Co	Food products

Source: Virginia Labor Market Information

Report for the Woodlawn School Apartments in Woodlawn, Virginia

Virginia Economic Development Partnership reports no jobs lost through layoffs and/or closings or other reductions in Galax and Carroll County in recent years. With respect to expansions, the Virginia Economic Development Partnership reports a total of 154 new jobs: all being 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 Carroll County 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 3.9 percent between 2017 and 2018.

Table 6 - Wages by Industry Sector

	<u>2017</u>	<u>2018</u>	<u>pct change</u>
Agriculture, Forestry, etc			
Mining, etc.			
Utilities			
Construction	\$713	\$760	6.6
Manufacturing	\$638	\$667	4.5
Wholesale trade			
Retail trade	\$430	\$438	1.9
Transp. and Warehousing	\$802	\$846	5.5
Information	\$1,010	\$1,047	3.7
Finance and Insurance	\$756	\$779	3.0
Real estate	\$580	\$550	-5.2
Professional and Technical services	\$886	\$928	4.7
Management			
Administrative and Waste services	\$487	\$506	3.9
Educational services	\$682		
Health Care and Social Assistance	\$694	\$747	7.6
Arts, Entertainment, Recreation		\$433	
Accommodation and Food services	\$264	\$276	na
Other Services	\$526	\$511	-2.9
Public Administration	\$718	\$732	1.9
Unclassified		\$588	
Total	\$591	\$614	3.9

Source: Virginia Labor Market Information

Commuting patterns

With respect to commuting, data from the American Community Survey, 13.8 percent of workers resident in Woodlawn were employed there. The average driving time to work for residents of Woodlawn was 18.2 minutes.

Table 7 - Commuting Data

	<u>number</u>	<u>percent</u>
Total Workers	1,224	100.0
Worked in Place of residence	169	13.8
Worked in County of residence	649	53.0
Worked outside Place of residence	1,055	86.2
Worked outside County of residence	575	47.0
Mean travel time to work (minutes)	18.2	

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

Report for the Woodlawn School Apartments in Woodlawn, Virginia

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

Here it is seen that many persons who work in Carroll County commute into the County from, for example, Grayson County and Galax. Likewise, many residents of Carroll County commute to work in Galax, Surry County (North Carolina), and other adjacent counties.

Table 8 - Commuting Patterns

<u>Place of work</u>	<u>Place of Residence</u>	<u>Number of Workers</u>
Carroll County	Carroll County	4,465
Carroll County	Grayson County	1,140
Carroll County	Galax City	937
Surry County, NC	Carroll County	1,445
Grayson County	Carroll County	683
Pulaski County	Carroll County	645
Wythe County	Carroll County	624
Galax City	Carroll County	1,611

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

G. DEMOGRAPHIC CHARACTERISTICS

Population and Household Trends

In 2000, the population of Carroll County was 29,245, and in 2010 the population was recorded as 30,042. Population projections for Carroll County are provided by the Virginia State Data Center. Based on these data, the population of the area is projected to be 29,014 by 2020, and to be around 28,796 by 2025.

In 2000, the population of the market area was 36,082, and in 2010 the population was recorded as 37,084. Population projections for the market area are based on the official State Data Center numbers for Galax and for Carroll County. Based on these data, the population of the area is projected to be 35,522 by 2020, and to be around 35,192 by 2025.

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

Table 9- Population Trends

	Woodlawn	Market Area	Carroll County
2000	2,249	36,082	29,245
2010	2,343	37,084	30,042
2020	n/a	35,522	29,014
2025	n/a	35,192	28,796
absolute change			
2000-2010	94	1,002	797
2010-2020	n/a	-1,562	-1,028
2020-2025	n/a	-330	-218
annual change			
2000-2010	9	100	80
2010-2020	n/a	-156	-103
2020-2025	n/a	-66	-44

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

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

In 2000, there were 12,186 households in Carroll County and 12,831 in 2010. Based on the population projections set out, above, there will be around 12,702 households in 2020 and 12,763 in 2025.

There were 15,136 households in the market area in 2000 and 15,753 in 2010. Projections show around 15,299 and 15,266 households in 2020 and 2025, respectively.

Table 10 - Household Trends

	Woodlawn	Market Area	Carroll County
2000	847	15,136	12,186
2010	908	15,753	12,831
2020	n/a	15,299	12,702
2025	n/a	15,266	12,763
absolute change			
2000-2010	61	617	645
2010-2020	n/a	-454	-129
2020-2025	n/a	-33	61
annual change			
2000-2010	6	62	65
2010-2020	n/a	-45	-13
2020-2025	n/a	-7	12

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

Report for the Woodlawn School Apartments in Woodlawn, Virginia

Population and household characteristics

Age distribution

The distribution of the population, by age, for the Woodlawn, the market area, and Carroll 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 Woodlawn was 44.8 years and that for Carroll County was recorded as 44.7 years. The estimated median age for the market area is 43.4 years.

Table 11 - Age Distribution

	Woodlawn		Market Area		Carroll County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Under 5 years	110	4.7	1,997	5.4	1,583	5.3
5 to 9 years	120	5.1	2,081	5.6	1,671	5.6
10 to 14 years	139	5.9	2,294	6.2	1,843	6.1
15 to 19 years	148	6.3	2,191	5.9	1,770	5.9
20 to 24 years	109	4.7	1,759	4.7	1,335	4.4
25 to 29 years	118	5.0	1,788	4.8	1,411	4.7
30 to 34 years	124	5.3	1,873	5.1	1,502	5.0
35 to 39 years	157	6.7	2,372	6.4	1,939	6.5
40 to 44 years	151	6.4	2,548	6.9	2,079	6.9
45 to 49 years	189	8.1	2,747	7.4	2,291	7.6
50 to 54 years	184	7.9	2,739	7.4	2,240	7.5
55 to 59 years	207	8.8	2,851	7.7	2,360	7.9
60 to 64 years	165	7.0	2,584	7.0	2,181	7.3
65 to 69 years	131	5.6	2,229	6.0	1,860	6.2
70 to 74 years	88	3.8	1,724	4.6	1,442	4.8
75 to 79 years	95	4.1	1,355	3.7	1,097	3.7
80 to 84 years	66	2.8	1,014	2.7	779	2.6
85 years and over	42	1.8	938	2.5	659	2.2
55 and older	794	33.9	12,695	34.2	10,378	34.5
65 and older	422	18.0	7,260	19.6	5,837	19.4
median	44.8		43.4 *		44.7	

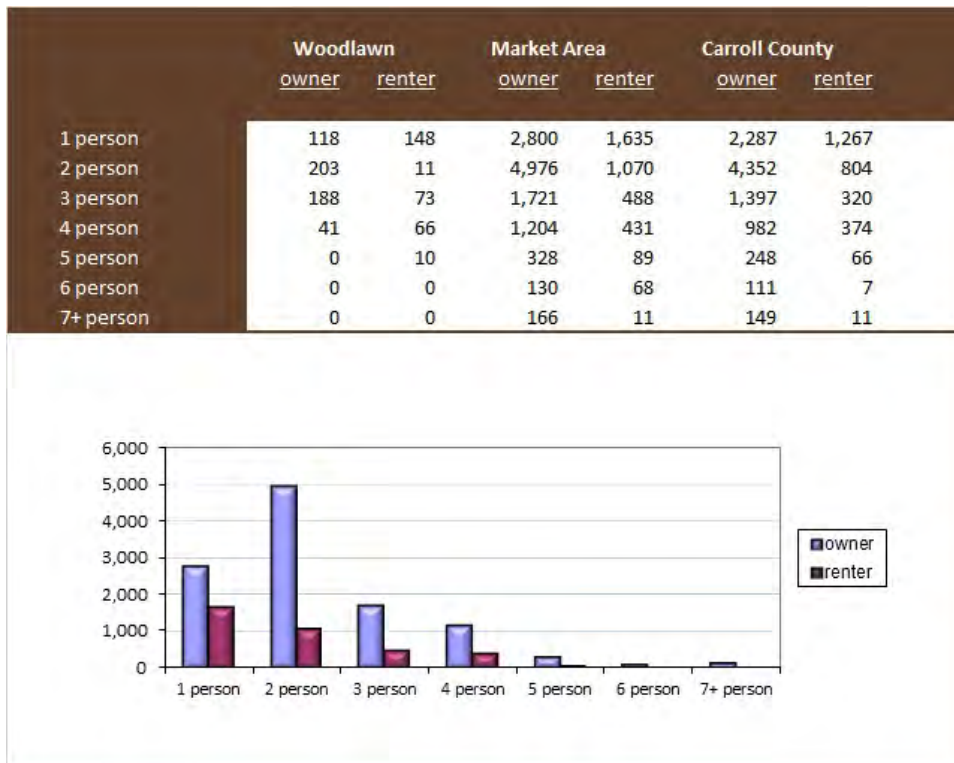
* Estimate

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

Household size

Table 12 below, sets out household size, by tenure, for households in Woodlawn, the market area, and Carroll County.

Table 12 - Household Size



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

Report for the Woodlawn School Apartments in Woodlawn, Virginia

Tenure

Table 13, below, sets out the number and proportion of owner and renter households for Woodlawn, the market area, and for Carroll County. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 tenure trends. In 2010, 25.2 percent of households in Woodlawn were renters, 25.3 percent of households in the market area were renters, and 22.4 percent in Carroll County were renters.

Table 13 - Tenure

Woodlawn		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	2,249	847	2.66	680	80.3	167	19.7
2010	2,343	908	2.58	679	74.8	229	25.2
2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2025	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Market Area		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	36,082	15,136	2.38	11,922	78.8	3,214	21.2
2010	37,084	15,753	2.35	11,760	74.7	3,993	25.3
2020	35,522	15,299	2.32	10,670	69.7	4,629	30.3
2025	35,192	15,266	2.31	10,219	66.9	5,047	33.1
Carroll County		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	29,245	12,186	2.40	9,968	81.8	2,218	18.2
2010	30,042	12,831	2.34	9,955	77.6	2,876	22.4
2020	29,014	12,702	2.28	9,196	72.4	3,506	27.6
2025	28,796	12,763	2.26	8,853	69.4	3,910	30.6

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

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Income Distribution

The distribution of household incomes for Woodlawn, the market area, and Carroll County. are set out in Table 14, 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 Woodlawn is around \$54,022, and that for Carroll County as a whole is seen to be \$43,532. The median income for the market area is estimated at \$34,899.

Table 14 - Household Income

	Woodlawn		Market area		Carroll County	
	number	percent	number	percent	number	percent
less than \$10,000	12	1.4	337	9.2	325	11.6
\$10,000 to \$14,999	36	4.1	353	9.6	317	11.4
\$15,000 to \$19,999	30	3.4	217	5.9	187	6.7
\$20,000 to \$24,999	69	7.9	355	9.7	286	10.3
\$25,000 to \$29,999	25	2.9	212	5.8	187	6.7
\$30,000 to \$34,999	114	13.0	366	10.0	252	9.0
\$35,000 to \$39,999	0	0.0	110	3.0	110	3.9
\$40,000 to \$44,999	78	8.9	176	4.8	98	3.5
\$45,000 to \$49,999	51	5.8	110	3.0	59	2.1
\$50,000 to \$59,999	146	16.6	370	10.1	224	8.0
\$60,000 to \$74,999	115	13.1	272	7.4	157	5.6
\$75,000 to \$99,999	109	12.4	357	9.7	248	8.9
\$100,000 to \$124,999	21	2.4	203	5.5	182	6.5
\$125,000 to \$149,999	34	3.9	127	3.5	93	3.3
\$150,000 to \$199,999	10	1.1	54	1.5	44	1.6
\$200,000 or more	27	3.1	48	1.3	21	0.8
median income	\$54,022		\$34,899 *		\$43,532	

* Estimate

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

Renter Income

The distribution of household incomes for renter households for Woodlawn, the market area, and Carroll County, are set out in Table 15, below. These figures are also taken from the 2014 to 2018 American Community Survey.

The median household income for Woodlawn is around \$40,352, and that for Carroll County as a whole is seen to be \$25,583. The median income for the market area is estimated at \$23,251.

Table 15 - Household Income, Renter Households

	Woodlawn		Market area		Carroll County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	236	25.0	711	18.8	475	16.7
\$10,000 to \$19,999	300	31.8	1,018	26.8	718	25.2
\$20,000 to \$34,999	229	24.3	771	20.3	542	19.0
\$35,000 to \$49,999	48	5.1	570	15.0	522	18.3
\$50,000 to \$74,999	30	3.2	364	9.6	334	11.7
\$75,000 to \$99,999	12	1.3	197	5.2	185	6.5
\$100,000 or more	88	9.3	161	4.2	73	2.6
median income	\$40,352		\$23,251 *		\$25,583	

* Estimate

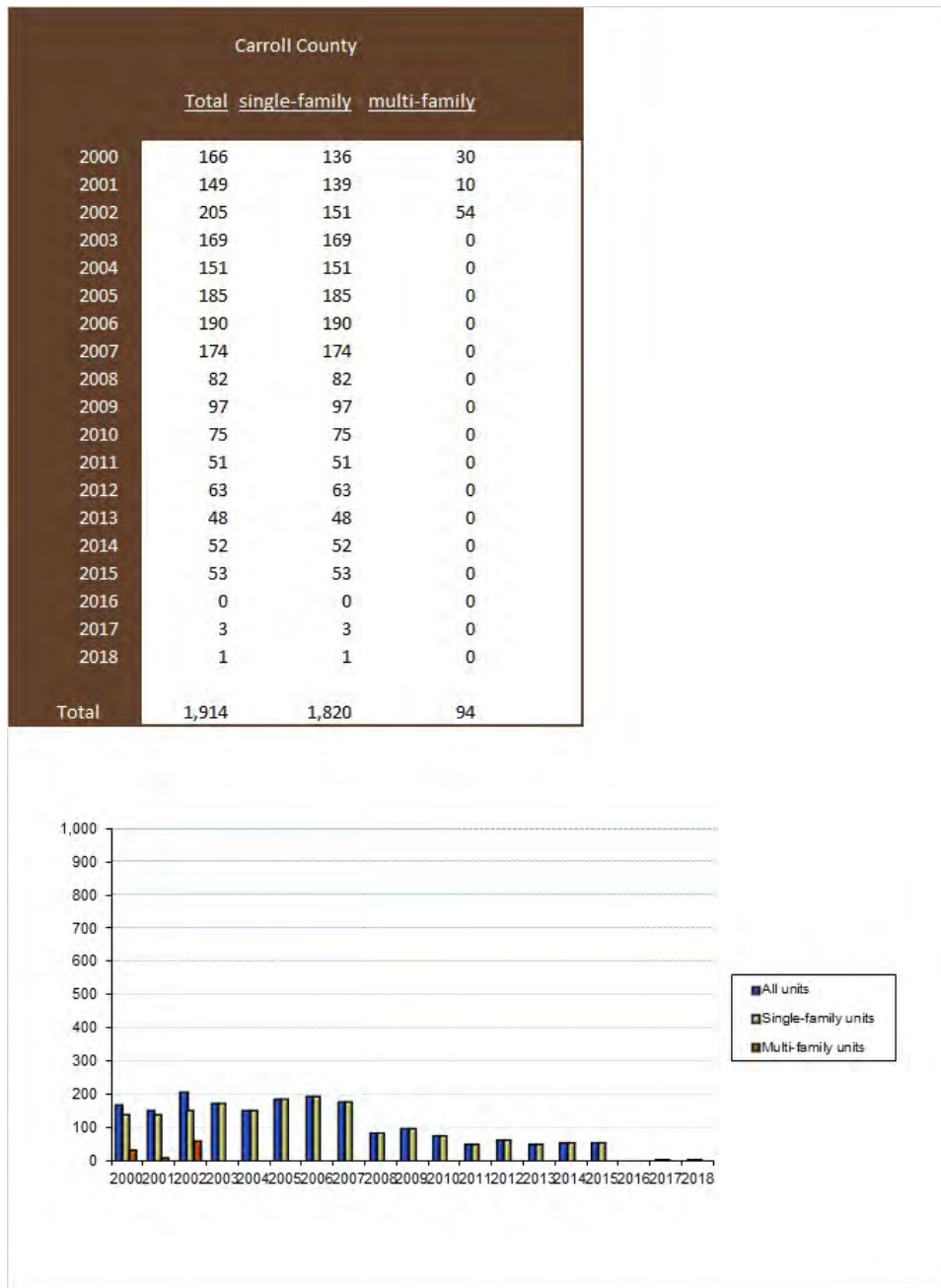
Source: 2014 to 2018 American Community Survey; T.Ronald Brown: Research & Analysis

Report for the Woodlawn School Apartments in Woodlawn, Virginia

Building permit trends

Table 16 below gives details of residential construction in Carroll County since 2000. Where the data exist, it can be seen that a total of 1,914 units were added in throughout the County.

Table 16 - 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 the Carroll County and Galax area. 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 is one unsubsidized tax credit property, and no market rate housing. These complexes were identified and surveyed, and where useful information was made available to us, this is presented, below.

Based on information from VHDA, the following is only (unsubsidized) property that has been financed with tax credits in the market area for the proposed development.

Melton's Run (48 units)

Melton's Run opened at a site on the edge of Galax in 2014. It provides an equal mix of two- and three-bedroom units. The two-bedroom units rent for between \$470 and \$515, and the three-bedroom units rent for between \$535 and \$580. Currently, the property is reported to have two vacant units (98.6 percent occupancy) - with typical occupancy reported to be around 99 percent.

There are no new units in the area

As noted, the other properties in the area are subsidized, either through HUD and/or USDA/Rural Development. These properties were developed between 1974 and 1989. Of the 286 units in five properties, there are two reported vacancies - a 98.6 occupancy level, overall. These properties typically have waiting lists.

Based on our survey, there is a market-wide occupancy rate of 98.2 percent.

Occupancy at the unsubsidized tax credit property is 95.8 percent.

There are no market rate properties in the market area, with occupancy in the subsidized properties being 98.6 percent).

Report for the Woodlawn School Apartments in Woodlawn, Virginia

As noted, there are no market rate properties in Carroll County or in Galax. 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 market-rate properties in adjacent communities. Here, these projects were in Roanoke. Information for these properties are summarized below

Table 17 - Market Rate Properties

<u>Property</u>	<u>Year built</u>	<u>One-bedroom rents</u>	<u>Two-bedroom rents</u>	<u>Three-bedroom rents</u>
Glade Creek	1998	\$945-970	\$1,010-1,160	\$1,375
Hickory Woods	1988	\$890-1,150	\$1,085	\$1,375
Retreat	2016	\$1,080-1,436	\$1,277-1,696	\$1,699-2,005
Summit at Roanoke	1993	\$725	\$799-849	\$949
Sunscape	1997	\$934-1,119	\$1,114-1,429	

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

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 \$750 for a one-bedroom unit, \$910 for a two-bedroom unit, and \$1,192 for a three-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 Woodlawn School Apartments in Woodlawn, Virginia

The various complexes surveyed are summarized as follows

<u>Complex name</u>	<u>Location</u>	<u>Financing</u>	<u>Year built</u>	<u>Total units</u>	<u>Vacant units</u>	<u>Occupancy (%)</u>
Glendale	Galax	HUD § 8	1982	68	1	98.5
Harmony Village	Galax	USDA/RD	1989	42	0	100.0
Laurel Ridge	Hillsville	HUD § 8	1980	56	1	98.2
Melton's Run	Galax	LIHTC	2014	48	2	95.8
Northway	Galax	HUD § 8	1974	72	2	97.2
Westview Terrace	Hillsville	HUD § 8	1980	48	0	100.0

	<u>0 br/1ba</u>			<u>1 br/1-1½ba</u>		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Woodlawn School				10	710	\$397-454
Glendale						
Harmony Village				12	665	boi
Laurel Ridge				14	600	boi
Melton's Run						
Northway				12	n/a	boi
Westview Terrace						

	<u>2 br/1-1½ ba</u>			<u>2 br/2 ba</u>		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Woodlawn School	26	905	\$476-614			
Glendale	48	840	boi			
Harmony Village	30	805	boi			
Laurel Ridge	28	1,000	boi			
Melton's Run				24	1,026	\$475-515
Northway	48	n/a	boi			
Westview Terrace	32	814	boi			

	<u>3 br/1-1½-1¾ba</u>			<u>3 br/2+ ba</u>		
	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>	<u>number</u>	<u>size (sq. ft.)</u>	<u>rent</u>
Woodlawn School				15	1,240	\$550-710
Glendale	20	945				
Harmony Village						
Laurel Ridge	9	1,283	boi			
Melton's Run				24	1,232	\$535-580
Northway	12	n/a	boi			
Westview Terrace	16	924	boi			



Glendale

Location: 102 Southerland Road, Galax

Telephone: 276.236.9961

Financing: HUD § 8

Year built: 1982

Total units: 68

Vacant units: 1 (99 percent occupied, typically 95-100 percent, with waiting list)

	<u>2 br/1 ba</u>	<u>3 br/1½ ba</u>
Units:	48	20
Unit size (sq. ft.):	840	945
Contract rent:	\$657-666	\$748-782

Management: Millennia Housing Management (Donna [2/11])

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



Harmony Village

Location: 1151 Glendale Road, Galax

Telephone: 276.236.5555

Financing: USDA

Year built: 1989

Total units: 42

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

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	12	30
Unit size (sq. ft.):	665	805
Basic rent:	\$460	\$490
Market rent:	\$626	\$682

Management: GEM Management (Lisa [2/12])

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



Laurel Ridge

Location: 620 West Grayson Street, Hillsville

Telephone:

Financing: HUD § 8

Year built: 1980

Total units: 56

Vacant units: 1 (98 percent occupied, typically 100 percent, with waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>3 br/1 ba</u>	<u>4 br/2 ba</u>
Units:	14	28	9	4
Unit size (sq. ft.):	600	1,000	1,283	1,428
Contract Rent:				

Management: Southport Financial Services (PJ [2/18])

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



Melton's Run

Location: 13 Melton's Run, Galax

Telephone: 276.238.1030

Financing: LIHTC

Year built: 2014

Total units: 48

Vacant units: 2 (96 percent occupied, typically 99 percent, with waiting list)

	<u>2 br/2 ba</u>	<u>3 br/2 ba</u>
Units:	24	24
Unit size (sq. ft.):	1,026	1,232
Rent:	\$470-515	\$535-580
Rent/sq. ft.:	\$0.46-0.50	\$0.43-0.47

Management: TM Associates (Terri [2/11])

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



Northway

Location: 128 Wilson Avenue, Galax

Telephone: 276.236.8991

Financing: HUD § 8

Year built: 1974

Total units: 72

Vacant units: 2 (97 percent occupied, typically 100 percent, with waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>	<u>3 br/1½ ba</u>
Units:	12	48	12
Unit size (sq. ft.):	n/a	n/a	n/a
Contract rent:	\$444	\$536	\$710

Management: Community Housing Partners ([2/11])

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



Westview Terrace

Location: 167 Hamlett Street, Hillsville

Telephone: 276.728.3401

Financing: HUD § 8

Year built: 1980

Total units: 48

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

	<u>2 br/1 ba</u>	<u>3 br/1 ba</u>
Units:	32	16
Unit size (sq. ft.):	814	924
Contract rent:	\$660	\$733

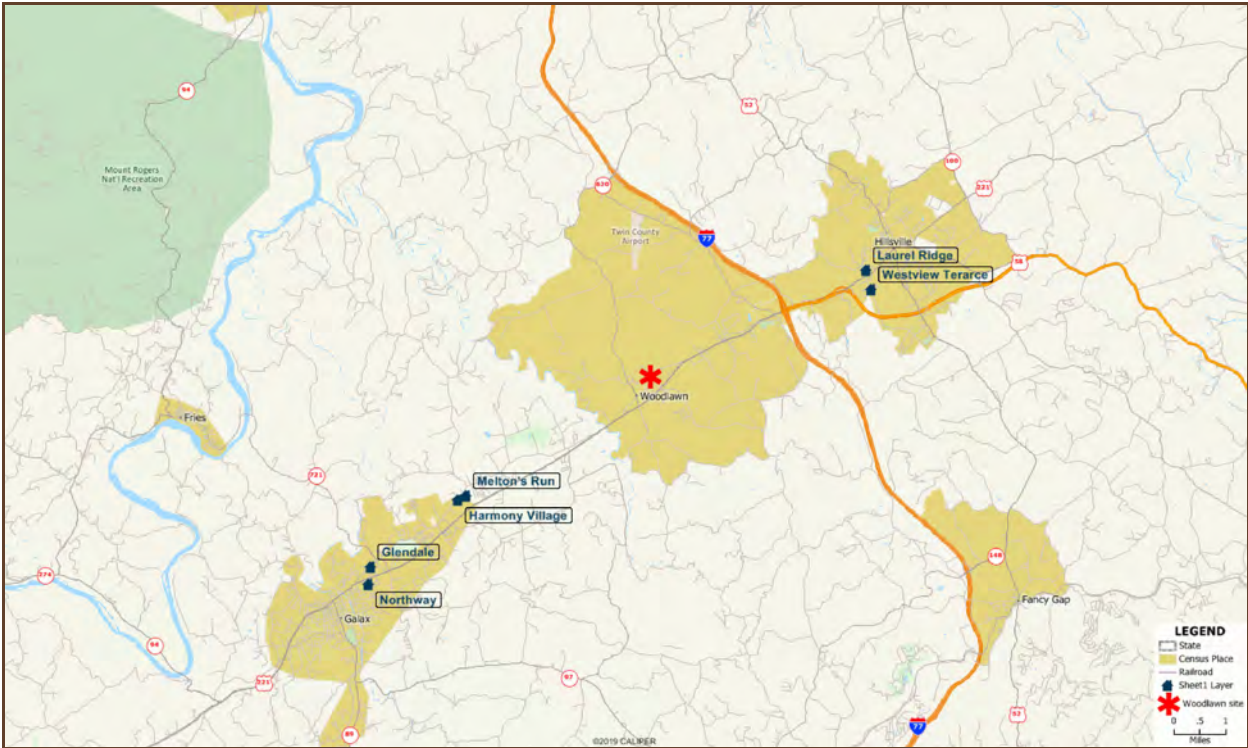
Management: GEM Management (Rhonda [2/11])

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 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.

Income is a key variable in the analysis of housing markets. Of the 51 units proposed, six will be targeted at 40 percent of the median, with 45 targeted at 60 percent of the median. Thus, the apartments qualify for low income housing tax credit status.

The HUD income limits for Carroll County are set out below. The median income for Carroll County in 2019 is \$50,500 - having been \$47,300 in 2018, and \$49,700 in 2009. This represents a 6.8 percent increase over the previous year, and a 1.6 percent increase over the last decade (or an average of 0.16 percent per year).

The maximum housing expenses for the proposed units are based on these 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 18 - Income Limits and Maximum Housing Costs

	<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
4 person	\$24,240	\$30,300	\$36,360
5 person	\$26,160	\$32,700	\$39,240
6 person	\$28,120	\$35,150	\$42,180
Maximum Housing Costs			
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 bedroom	\$455	\$568	\$682
2 bedroom	\$545	\$681	\$818
3 bedroom	\$630	\$788	\$945

Source: HUD

Information as to rents and income targeting are set out in Table 19, below

Table 19 - Rents and Income Targeting

income targeting				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total</u>
1 bedroom	2	0	8	10
2 bedroom	2	0	24	26
3 bedroom	2	0	13	15
Total	6	0	45	51

rent targeting				
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>Total</u>
1 bedroom	2	4	4	10
2 bedroom	2	11	13	26
3 bedroom	2	5	8	15
Total	6	20	25	51

proposed rents			
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 bedroom	\$396	\$510	\$545
2 bedroom	\$476	\$595	\$614
3 bedroom	\$549	\$679	\$710

proposed rents as a proportion (%) of maximum			
	<u>40 percent</u>	<u>50 percent</u>	<u>60 percent</u>
1 bedroom	99.9	100.0	87.4
2 bedroom	100.0	97.2	82.0
3 bedroom	100.0	96.1	82.2

Source: Applicant; T Ronald Brown: Research & Analysis

Utilities (excluding water, sewer, and trash collection) will be paid by the tenant - utility allowances for units in the school are \$58 for a one-bedroom unit, \$69 for a two-bedroom unit, and \$81 for a three bedroom unit.

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall at the maximum allowable for the units targeted at the 40 percent level, between 96 percent and 100 percent of the maximum for the units targeted to be affordable at 50 percent, with those at 60 percent of the median seen to be 82 to 87 percent of the maximum allowable at that level.

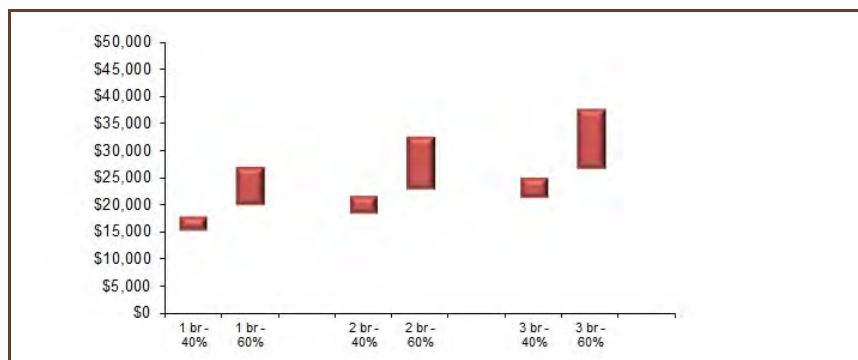
Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of 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. The qualifying income limits for four bedroom units are based on the proposed rents level relative to the maximum allowable. Where there are different rents for units at the same target income level (where units with rents that are affordable at 50 percent of the median are targeted to households at the 60 percent level), a weighted average is used.

Table 20 - Qualifying Income Ranges

	40 percent	
	lower	upper
1 bedroom	\$15,566	\$18,180
2 bedroom	\$18,686	\$21,800
3 bedroom	\$21,429	\$25,200
	60 percent	
	lower	upper
1 bedroom	\$20,057	\$27,270
2 bedroom	\$23,119	\$32,700
3 bedroom	\$26,690	\$37,800

Source: Applicant; T Ronald Brown: Research & Analysis

The various qualifying income ranges, by bedroom mix and income targeting are illustrated, below. Any gaps and/or overlaps between these target income ranges will necessarily be taken into consideration in our calculations. The wider target income range for the units at 60 percent of the median reflects the fact that certain of the units are set to be affordable at the 50 percent level.



The major variables to be examined are 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 21 - Household Income, Renter Households

Income	All Renters		Overburdened Renters	
	Number	Percent	Number	Percent
Up to \$10,000	711	18.8	454	38.8
\$10,000 - \$19,999	1,018	26.8	554	47.4
\$20,000 - \$34,999	771	20.3	161	13.8
\$35,000 - \$50,000	570	15.0	0	0.0
\$50,000 - \$75,000	364	9.6	0	0.0
\$75,000 - \$100,000	197	5.2	0	0.0
\$100,000 and over	161	4.2	0	0.0
Total	3,792		1,169	

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 18.8 percent of the market area renter households have incomes less than \$10,000, and a further 26.8 percent have incomes between \$10,000 and \$20,000. Around 20.3 percent of renters are seen to be in the \$25,000 to \$35,000 income range. Around 31 percent of all 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 20 and the income distribution set out in Table 21, it is found that around 8.9 percent of market area renter households qualify for units at 40 percent of the median, and the corresponding figure for units at the 60 percent level is 12.8 percent.

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.

Based on the projections set out in Table 13, a total of 418 new rental units are needed between 2020 and 2025. A total of 91 units will be for households eligible for the proposed project.

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households 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 763 renter households in the qualifying income range 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, 39.8 percent of renters qualifying for units at 40 percent of the median are rent-overburdened. Likewise, 23.2 percent of those qualifying for units at the 60 percent level are rent-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 33 units.

Total demand is therefore seen to amount to 414 units. 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, and no other complexes have been funded or are under construction. The net need is therefore for 414 units

The preceding calculations are summarized in the table on the following page.

Table 22 - Demand Calculations

	40 percent	60 percent	Total *
(i) income eligible new renter households	37	53	91
(ii) income eligible existing renter households	449	646	1,096
(iii) existing households, likely to move	179	111	290
(iv) need from obsolete housing	14	20	0
Total demand (i)+(iii)+(iv)	230	184	414
Supply	0	0	0
Net demand	230	184	414

Source: T. Ronald Brown: Research & Analysis

Demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 37 percent of the total, two-bedroom units should account for 44 percent of the total, and three-bedroom units should account for 17 percent of the total with four- or more bedroom units accounting for 3 percent.

Capture rates are illustrated in the table on the following page.

Table 23 - Capture Rates

	<u>40 percent</u>	<u>60 percent</u>	<u>Total*</u>
Total demand			
1 bedroom	84	67	151
2 bedroom	100	80	181
3 bedroom	39	31	71
4 bedroom	6	5	12
Total	230	184	414
Supply			
1 bedroom	0	0	0
2 bedroom	0	0	0
3 bedroom	0	0	0
4 bedroom	0	0	0
Total	0	0	0
Net demand			
1 bedroom	84	67	151
2 bedroom	100	80	181
3 bedroom	39	31	71
4 bedroom	6	5	12
Total	230	184	414
Units proposed			
1 bedroom	2	8	10
2 bedroom	2	24	26
3 bedroom	2	13	15
4 bedroom	0	0	0
Total	6	45	51
Capture rates			
1 bedroom	2.4%	11.9%	6.6%
2 bedroom	2.0%	29.8%	14.4%
3 bedroom	5.1%	41.3%	21.2%
4 bedroom	0.0%	0.0%	0.0%
Total	2.6%	24.4%	12.3%

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 51-unit development amounts to 12.3 percent of the total net need.

The capture rate, by bedroom, is determined to be 6.6 percent for the ten one-bedroom units, 14.4 percent for the 26 two-bedroom units, and 21.2 percent for the 15 three-bedroom units.

The six units at 40 percent of the median amount to 2.6 percent of the net demand at that level and the 45 units targeted at the 60 percent level amount to around 24.4 percent of demand at that level.

The capture rates presented above are considered reasonable for a property of this size in a non-urban market, and reflect the affordability of the units targeted at the 60 percent level which are set to be affordable at the 50 percent level.

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 60 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, \$15,566. The upper income is \$37,800. Based on the income data set out in Table 21, there are found to be 1,769 renter households in that range. Thus, the proposed 51-unit development corresponds to a 2.9 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 the lowest one bedroom units are those for the more deeply targeted units at the proposed development. Thus, given the rents for the proposed development, the target income range for this market is that for the proposed development. That is, from \$15,566 to \$37,800. There are as, noted, 1,769 qualifying renter households in the market area. It is seen that no new units are proposed, and there are 48 existing comparable tax credit units at Melton's Run, with the proposed 51 units, this yields 99 units. Thus, the penetration rate - as defined - amounts to 5.6 percent.

Summary

Consideration of the capture rate (12.3 percent) and the (2.9 percent) affordability analysis capture rate and (5.6 percent) penetration rate suggests that the proposed development is marketable, as proposed.

J. LOCAL PERSPECTIVE 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). The manager at Melton's Run - the only comparable development in the market area - does not see why another tax credit property would not be well accepted. This would be particularly so if some tenants had housing choice vouchers.

K. ANALYSIS/CONCLUSIONS

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

Based on the proposed development's site, bedroom mix, amenities and features, utility provision and costs, the proposed development is considered marketable and should be well-accepted in this market, particularly as it will be a new, affordable, property in a former school.

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

March 8 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 35 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 3,000 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 report 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

Carroll 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 typically⁷ 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. Housing units with new occupants / 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 50th 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 501(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.