

NEED AND DEMAND ANALYSIS
FOR PECAN ACRES ESTATES, PHASE II
IN
PETERSBURG, VIRGINIA

Prepared for
Pecan Acres Estates, Phase II, LLP
for submission to
Virginia Housing

Virginia Housing Application: 2023 - C - 24

As of
March 4, 2023

T Ronald Brown: Research & Analysis
P.O. Box 18534
Asheville, NC 28814-0534

TABLE OF CONTENTS

A. EXECUTIVE SUMMARY	Page 1
B. INTRODUCTION AND SCOPE OF WORK	Page 3
C. PROJECT DESCRIPTION	Page 5
D. LOCATION	Page 11
E. MARKET AREA DEFINITION	Page 17
F. EMPLOYMENT AND ECONOMY	Page 19
G. DEMOGRAPHIC CHARACTERISTICS	Page 26
H. COMPETITIVE ENVIRONMENT	Page 34
I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES	Page 55
J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET	Page 64
K. ANALYSIS/CONCLUSIONS	Page 65
L. OTHER REQUIREMENTS	Page 66

LIST OF TABLES

Table 1 - Distance to Neighborhood and Community Amenities	Page 15
Table 2 - Total Employment	Page 19
Table 3 - Employment, by sector	Page 20
Table 4 - Unemployment trends	Page 21
Table 5 - Major Employers	Page 22
Table 6 - Average Wages by Industry Sector	Page 23
Table 7 - Commuting Data	Page 24
Table 8 - Commuting Patterns	Page 25
Table 9- Population Trends	Page 26
Table 10 - Household Trends	Page 27
Table 11 - Age Distribution	Page 28
Table 12 - Household Size	Page 29
Table 13 - Tenure	Page 30
Table 14 - Household Income	Page 31
Table 15 - Household Income, Renter Households	Page 32
Table 16 - Residential Construction Since 2010	Page 33
Table 17 - Market Rate Properties	Page 38
Table 18 - Income Limits	Page 55
Table 19 - Rents and Income Targeting	Page 56
Table 20 - Qualifying Income Ranges	Page 57
Table 21 - Household Income, Renter Households	Page 58
Table 22 - Demand Calculations	Page 60
Table 23 - Capture Rates	Page 61

A. EXECUTIVE SUMMARY

The Pecan Acres Apartments are located at Pecan Street off Fairgrounds Road, south of West Washington Street (US 460) in Petersburg. There are no apparent physical, environmental, or other constraints upon the redevelopment and marketing of the proposed project at this location.

The proposed project will comprise the construction of 84 new units - twelve one-bedroom, 48 two-bedroom units, and 24 three-bedroom units. will comprise the construction of 82 units - 42 two-bedroom units and 40 three-bedroom units. Of the 84-unit total, four units will be targeted to households with incomes up to 40 percent of the median, and the remaining 80 units will be targeted at 50 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Full rental assistance is available.

Employment in the City of Petersburg in 2012 was 11,992. Since then, employment levels have varied somewhat - increasing to 12,343 in 2019, for example. It should be noted that data - both nationally and locally - suggest that employment gains over the last decade or so have been significantly impacted by the economic disruption caused by the coronavirus pandemic. In Petersburg, employment decreased by 1,122 between 2019 and 2020 as a consequence.

In Petersburg, it is seen that the most recent annual average unemployment rate is 10.5 percent, down from 14.2 percent the previous year. The rate was 11.7 percent in 2012.

The market area for the proposed development is the City of Petersburg.

The population of the market area is projected to increase from 33,620 in 2023, to 33,897 in 2028. The number of households is projected to increase, from 14,660 in 2023 to 14,897 in 2028. The number of renter households in the market area is projected to increase from 9,439 to 10,263 over the 2023 to 2028 projection period.

There are several apartment complexes located in the Petersburg area. These include conventional/market rate properties, properties financed with low income housing tax credits, and subsidized housing for very low income households.

Based on our survey, there is a market-wide occupancy rate of 91.7 percent. Occupancy at tax credit properties is found to be around 89.7 (which is largely a consequence of eviction activity at the Pinetree Apartments). Most other vacant units in tax credit projects represent turnover.

The total need for rent-assisted tax credit units, such as is proposed, in the Petersburg area by 2028 is calculated to be for 4,466 units. The net need is for 4,466 units. Given the calculated net need, the proposed 84-unit development amounts to 1.9 percent of the need.

Consideration of the capture rate (1.9 percent) and the (1.5 percent) affordability analysis capture rate, and (8.6 percent) penetration rate suggests that the proposed development is very marketable, as proposed.

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over the duration of the construction process, plus two months.

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.

Application data:

Project Wide Capture Rate, LIHTC units: 1.9 percent

Project Wide Capture Rate, market units: n/a

Project Wide Capture Rate, all units: 1.9 percent*

Project Wide Absorption Period (Months): the construction process, plus two months.

* the capture rate for the 84 units, without rental assistance is determined to be 12.4 percent

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 Pecan Estates, Phase II, LLP for submission to Virginia Housing.

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 March 4, 2023).

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 35 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.

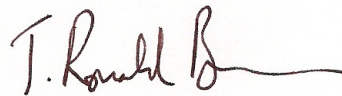
Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

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, North Carolina 28814-0534
919. 233.0670 or 919.612.5328

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

Date: March 9, 2023

C. PROJECT DESCRIPTION

Pecan Acres Estates, Phase II, will comprise 84 units - twelve one-bedroom, 48 two-bedroom units, and 24 three-bedroom units. The project is new construction - following demolition of a portion of the existing public housing complex.

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	9	742	\$1,070	less than 40 percent **
1 bedroom /1 bath	3	742	\$1,070	less than 50 percent **
2 bedroom/2 baths	48	1,019-1,052	\$1,114	less than 50 percent **
3 bedroom/2 baths	24	1,228	\$1,436	less than 50 percent **

* percentage of area median income

** rent assisted

Of the 84-unit total, four units will be targeted to households with incomes up to 40 percent of the median, and the remaining 80 units will be targeted at 50 percent of the median, and therefore qualify the apartments for low income housing tax credit status. Full rental assistance is available.

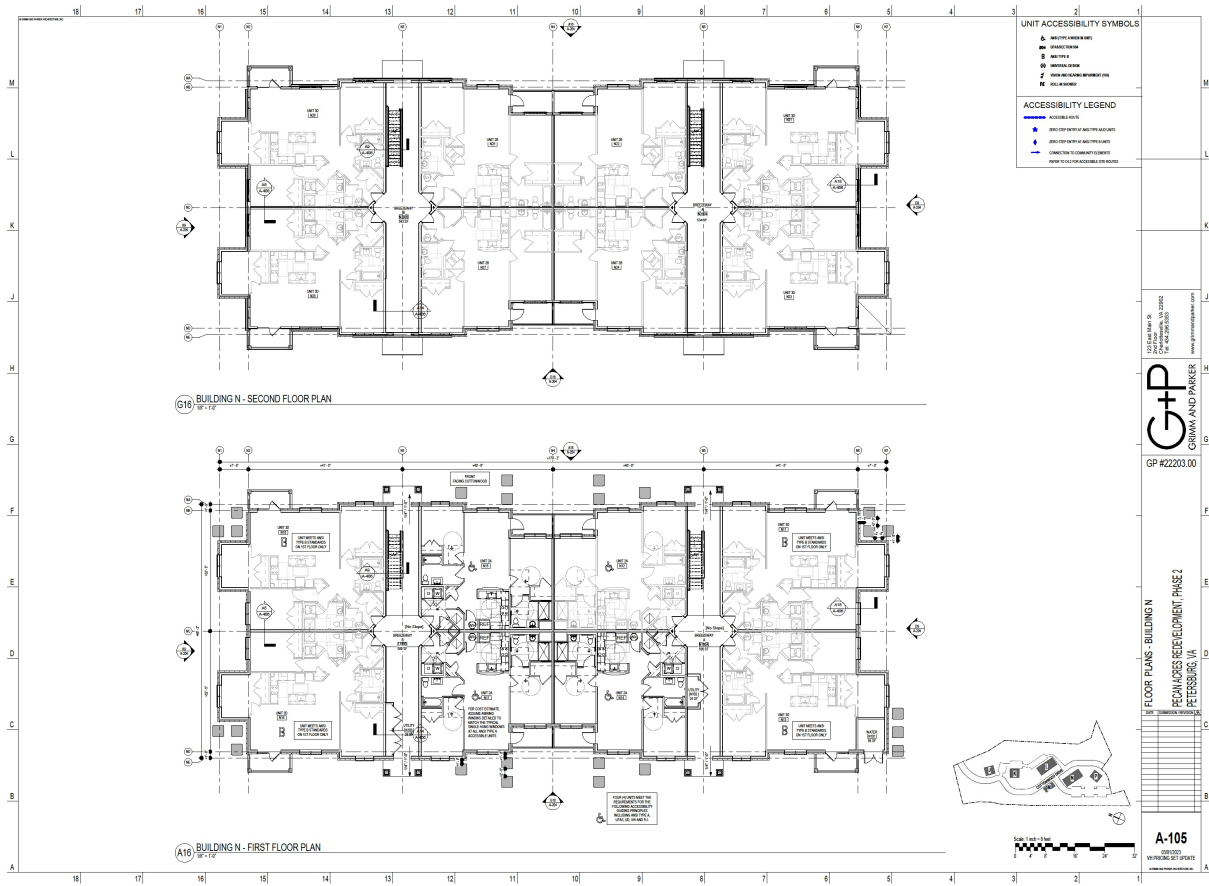
Utilities (excluding trash collection) will be paid by the tenant - utility allowances are \$113 for the one-bedroom units, \$136 for the two-bedroom units and, \$170 for the three-bedroom units.

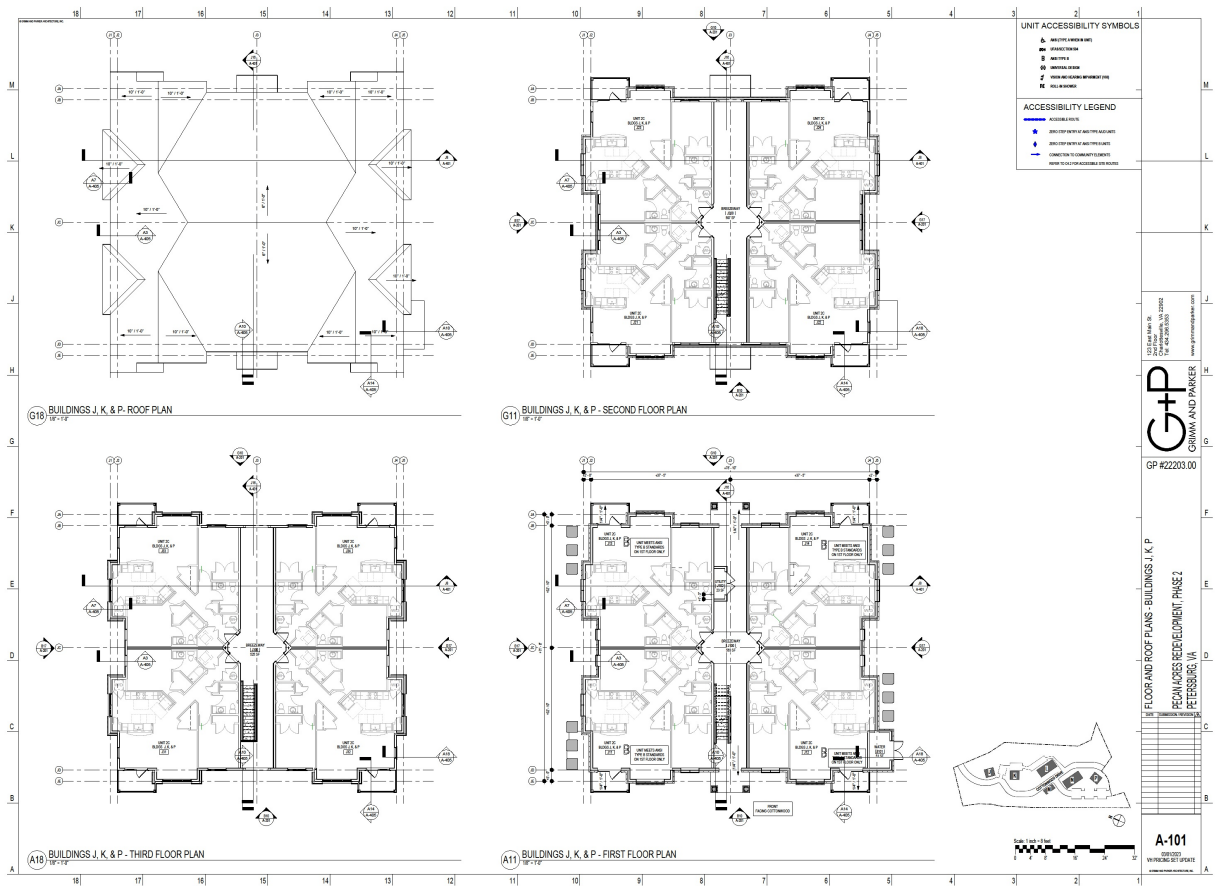
The property will feature five three-story buildings. A new community center was provided during the initial phase of the redevelopment program

Representative architectural drawings are set out on the following pages.

It is understood that demolition would begin in September 2023, and the construction program would commence in February, 2024, and would be completed within 12 months, or so.

Floor plans





Elevations





D. LOCATION

The Pecan Acres Apartments are located at Pecan Street off Fairgrounds Road, south of West Washington Street (US 460) in Petersburg. Adjacent properties include a church, a PAT transit facility, railroad, and single-family homes, and undeveloped land. The second phase is located adjacent to the newly developed first phase.





View on property



View on property



View on property



View on property



View on property



View on property - toward Phase I

The Pecan Acres Apartments are located at the southern end of Fairgrounds Road, off West Washington Street (US 460), in western Petersburg. Access to the site is by way off Fairgrounds, consequently access to the site is somewhat restricted.

Given the site location and its situation, the site is not very visible.

Access from the site to major thoroughfares, shopping, schools, health, and other services is fair - reflecting the peripheral location of the site in the western part of the City, with most services being located in the southern part of the community, and in neighboring Colonial Heights.

The site is located one half mile south of West Washington Street (US 460) - a significant east-west route serving the Petersburg area. The site is within two and one-half miles of Interstates 85 and 95.

The site is within two and one-third miles of a Food Lion grocery stores, off West Washington Street, to the west. The site is four-to-five miles from the Southpark Mall, off Interstate 85/95 in Colonial Heights, to the north.

The Peabody Middle School is within one and three-fourth miles of the site, and the Elementary, Junior High, and High Schools are within four miles, or so, of the property.

The site is within seven miles of the Southside Regional Medical Center, and associated services, to the south of the City.

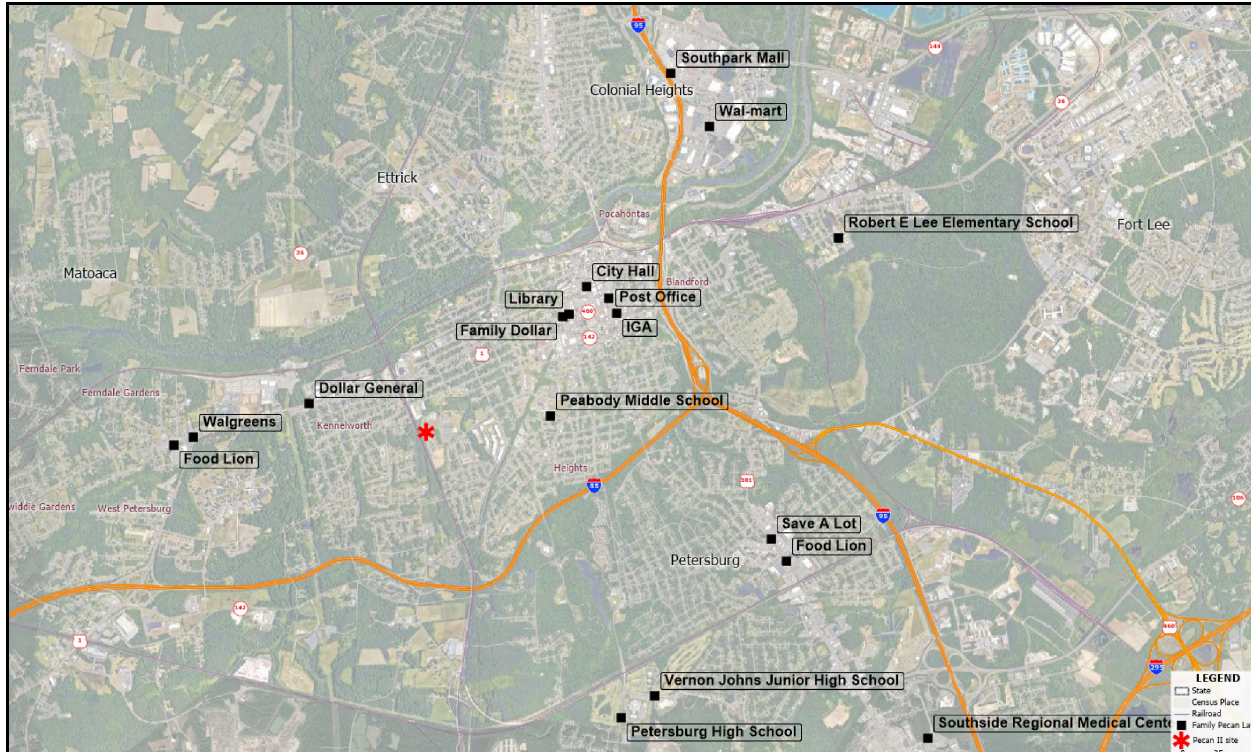
The site is within approximately two miles of the public library, shopping, and other services located in the Petersburg downtown area.

The following table illustrates the noteworthy community 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	W. Washington Street/US 460	0.5
	Interstate 85	1.5
	Interstate 85/95	2.3
Public Transportation	PAT	< 0.1
Retail - Grocery	IGA	2.0
	Food Lion	2.3
Retail - Other	Wal-mart - Southpark	3.9
	Southpark Mall	4.5
Pharmacies	Walgreens	2.0
Senior Center	Tabernacle Community Life Center	0.5
City Hall	City of Petersburg	1.9
Post Office	Petersburg Post Office	2.0
Library	Petersburg Public Library	1.7
Hospital	Southside Regional Medical Center	6.7

Source: T.Ronald Brown: Research & Analysis



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 redevelopment and marketing of the proposed project at this location.

The site is considered marketable.

E. MARKET AREA DEFINITION

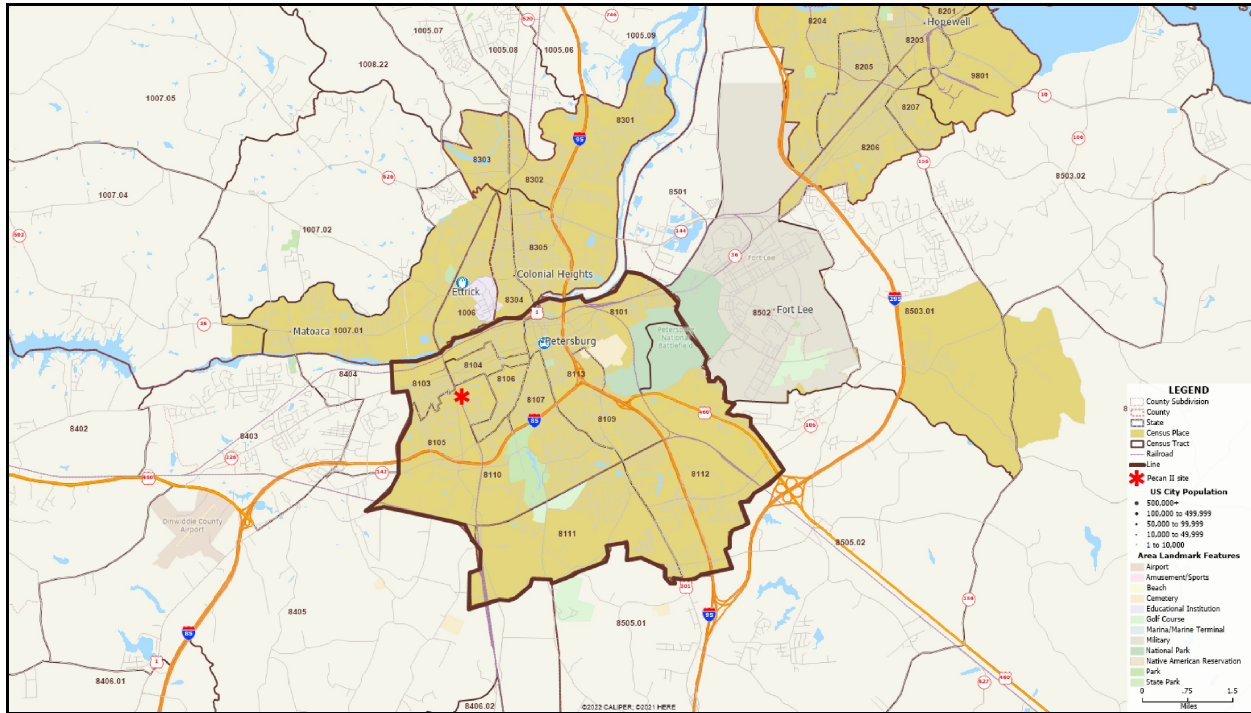
Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census 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. 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. Here combinations of census tracts, may be used to define the market area.

The proposed development is located in the City of Petersburg in south-central Virginia. The market area for the proposed development is defined the City of Petersburg¹. This area is focused on the site of the proposed development and extends to an approximately three- to-four mile hinterland, except to the north, (where it extends to less than one mile, to the Appomattox River). This area excludes neighboring and potentially competing communities such as Colonial heights and Hopewell. 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.

¹ The City of Petersburg is an independent City. Normally, reports provide data at the city, county and market area level. Here, the City is the equivalent of a County, and is the market area for the project. Hence, data area provided at the one geographic level.

Market area



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 the City of Petersburg are illustrated in the table, below. Employment in 2012 was 11,992. Since then, employment levels have varied somewhat - increasing to 12,343 in 2019, for example - an increase of 351 jobs over that period.

It should be noted those modest employment gains were significantly impacted with the onset of the economic disruption caused by the coronavirus pandemic. In Petersburg, employment decreased as much as 1,122 between 2019 and 2020 as a consequence of the COVID-19 pandemic.

Table 2 - Total Employment

		Change over previous year	
		<u>number</u>	<u>percent</u>
2012	11,992		
2013	12,190	198	1.7
2014	12,371	181	1.5
2015	12,320	-51	-0.4
2016	12,194	-126	-1.0
2017	12,308	114	0.9
2018	12,311	3	0.0
2019	12,343	32	0.3
2020	11,221	-1,122	-9.1
2021	11,210	-11	-0.1

Source: Bureau of Labor Statistics

Employment trends, by sector

Information on employment, by industry for the City of Petersburg in 2020 and 2021 (the most recent annual data) is set out in Table 2, below. From this it is seen that, with respect to employment, the largest subsector was healthcare - which employed almost 4,000 persons, or 38.9 percent of the total. The only other subsector to employ at least 10 percent of the total was retail trade, which employed at least 14.5 percent of the total.

Table 3 - Employment, by sector

	2020		2021		pct change
	number	percent	number	percent	
Agriculture, Forestry, etc Mining, etc.					
Utilities					
Construction	963	9.7	524	5.3	-45.6
Manufacturing	877	8.8	878	8.9	0.1
Wholesale trade	287	2.9	297	3.0	3.5
Retail trade	1,563	15.7	1,436	14.5	-8.1
Transp. and Warehousing					
Information	34	0.3			
Finance and Insurance	168	1.7	143	1.4	-14.9
Real estate	169	1.7	154	1.6	-8.9
Professional and Technical services					
Management					
Administrative and Waste services	550	5.5	666	6.7	21.1
Educational services			73	0.7	
Health Care and Social Assistance			3,838	38.9	
Arts, Entertainment, Recreation	72	0.7	71	0.7	-1.4
Accommodation and Food services	815	8.2	852	8.6	4.5
Other Services	566	5.7	539	5.5	-4.8
Unclassified	64	0.6			
Total (all establishments)	9,976		9,876		-1.0

Source: Bureau of Labor Statistics

Unemployment trends

Unemployment trends for the City of Petersburg 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 for the county is 10.5 percent, down from 14.2 percent the previous year - reflecting the impact of the COVID pandemic. The rate was 11.7 percent in 2012, decreasing to 5.6 percent in 2019..

The annual average unemployment rate for the US as a whole in 2021 was 5.3 percent, having been 8.1 percent in 2020, compared with 3.9 percent for 2019.

Table 4 - Unemployment trends

	Petersburg		
	<u>City</u>	<u>Virginia</u>	<u>U.S.</u>
2012	11.7%	5.9%	8.9%
2013	11.4%	5.6%	8.1%
2014	10.5%	5.1%	7.4%
2015	9.1%	4.4%	6.2%
2016	7.7%	4.0%	5.3%
2017	7.2%	3.7%	4.9%
2018	6.1%	3.0%	4.4%
2019	5.6%	2.8%	3.9%
2020	14.2%	6.2%	8.1%
2021	10.5%	3.9%	5.3%

Source: Bureau of Labor Statistics

Major Employers

The major employers in the Petersburg area are listed in Table 5, below. Here it is seen that the largest single employers include the local/regional hospital, schools, and local government.

Table 5 - Major Employers

City of Petersburg

- Bon Secours Health System
- City of Petersburg School Board
- City of Petersburg
- Connectrn
- Horizon Mental Health Management
- The Mentor Network
- Arnsted Rail Company
- Wal Mart
- Communicare Health Service
- District 19 Mental Health and Retardation Services
- Quality Plus Services
- Four Square Industrial Constructors
- Virginia Linen Service
- Rehabilitation Hospital
- Ampac Fine Chemicals

Source: Virginia Employment Commission

Virginia Economic Development Partnership reports no jobs lost in Petersburg County in recent years (2020 through 2023). With respect to expansions, the Virginia Economic Development Partnership reports that a total of 373 new jobs created at three firms - with a 156 person expansion at Ampac, and 186 new jobs at CivicRx.

The VA WARN system reports no closures in Petersburg from 2020 to 2023.

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, although, as noted, the tourism industry is significant.

Wages by Industry Sector

Information on wages, by employment sector, for Petersburg 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 4.7 percent between 2020 and 2021.

Table 6 - Average Wages by Industry Sector

	<u>2020</u>	<u>2021</u>	<u>pct change</u>
Agriculture, Forestry, etc Mining, etc.			
Utilities			
Construction	\$1,158	\$1,170	1.0
Manufacturing	\$1,189	\$1,364	14.7
Wholesale trade	\$1,352	\$1,995	47.6
Retail trade	\$584	\$621	6.3
Transp. and Warehousing			
Information	\$642		
Finance and Insurance	\$965	\$1,065	10.4
Real estate	\$865	\$924	6.8
Professional and Technical services			
Management			
Administrative and Waste services	\$635	\$735	15.7
Educational services		\$671	
Health Care and Social Assistance		\$767	
Arts, Entertainment, Recreation	\$198	\$217	9.6
Accommodation and Food services	\$325	\$361	11.1
Other Services	\$618	\$712	15.2
Unclassified	\$620		
Total	\$793	\$830	4.7

Source: Virginia Labor Market Information

Commuting patterns

With respect to commuting, data from the American Community Survey, 36.5 percent of workers resident in Petersburg were employed there. The average driving time to work for residents of Petersburg was 24.3 minutes.

Table 7 - Commuting Data

	<u>number</u>	<u>percent</u>
Total Workers	14,284	100.0
Worked in Place of residence	5,214	36.5
Worked in County of residence	5,214	36.5
Worked outside Place of residence	9,070	63.5
Worked outside County of residence	9,070	63.5
Mean travel time to work (minutes)	24.3	

Source: 2016 to 2020 American Community Survey; T.Ronald Brown: Research & Analysis

Commuting patterns data are no longer provided in the Decennial Census. Here, data are obtained from the LEHD Origin-Destination Statistics program available from the Census Bureau’s OnTheMap application. These data, on commuting patterns for persons who live and/or work in Petersburg are set out, below.

As is to be seen from the Table, below, 3,118 people working in Petersburg were commuting from Chesterfield County and more than 1,000 were commuting from both Henrico County and from Richmond. Similarly, 2,786 residents of Petersburg were commuting to Chesterfield County, and more than 1,000 persons were commuting to Henrico County and to Richmond.

Table 8 - Commuting Patterns

Working in Petersburg	2,576
Where Petersburg residents are commuting to:	
Chesterfield County	2,786
Henrico County	1,275
Richmond City	1,141
Prince George County	632
Colonial Heights City	593
Dinwiddie County	588
Hopewell City	485
Hanover County	216
Fairfax County	214
Elsewhere	3,034
Where Petersburg workers are commuting from:	
Chesterfield County	3,118
Henrico County	1,479
Richmond City	1,375
Prince George County	1,054
Colonial Heights City	622
Dinwiddie County	550
Hopewell City	380
Hanover County	315
Fairfax County	310
Elsewhere	3,547

Source: : LEHD Origin-Destination Statistics program/OnTheMap; T.Ronald Brown: Research & Analysis

Given that the proposed apartments are the rehabilitation of an existing property, local economic conditions will not likely have a direct positive or negative impact on the subject property, to any significant extent.

G. DEMOGRAPHIC CHARACTERISTICS

Population and Household Trends

In 2000, the population of Petersburg was 33,740, and in 2010 the population was recorded as 32,420. Population projections for the City of Petersburg are provided by the Virginia State Data Center. Based on these data, the population of the area is projected to increase to 33,620 by 2023, and to be around 33,892 by 2028.

Information on population trends and changes between 2000 and 2028 are set out in Table 9, below.

Table 9- Population Trends

Petersburg	
2000	33,740
2010	32,420
2023	33,620
2028	33,892
absolute change	
2000-2010	-1,320
2010-2023	1,200
2023-2028	272
annual change	
2000-2010	-132
2010-2023	92
2023-2028	54

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

Projections of the number of households for the City of Petersburg market area are set out in Table 10, below.

In 2000, there were 13,799 households in Petersburg and 13,634 in 2010. Based on the population projections set out, above, there will be around 14,660 households in 2023 and 14,987 in 2028.

Table 10 - Household Trends

	Petersburg
2000	13,799
2010	13,634
2023	14,660
2028	14,987
absolute change	
2000-2010	-165
2010-2023	1,026
2023-2028	327
annual change	
2000-2010	-17
2010-2023	79
2023-2028	65

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 City of Petersburg is set out in Table 11, below. These data are from the 2010 Census.

Table 11 - Age Distribution

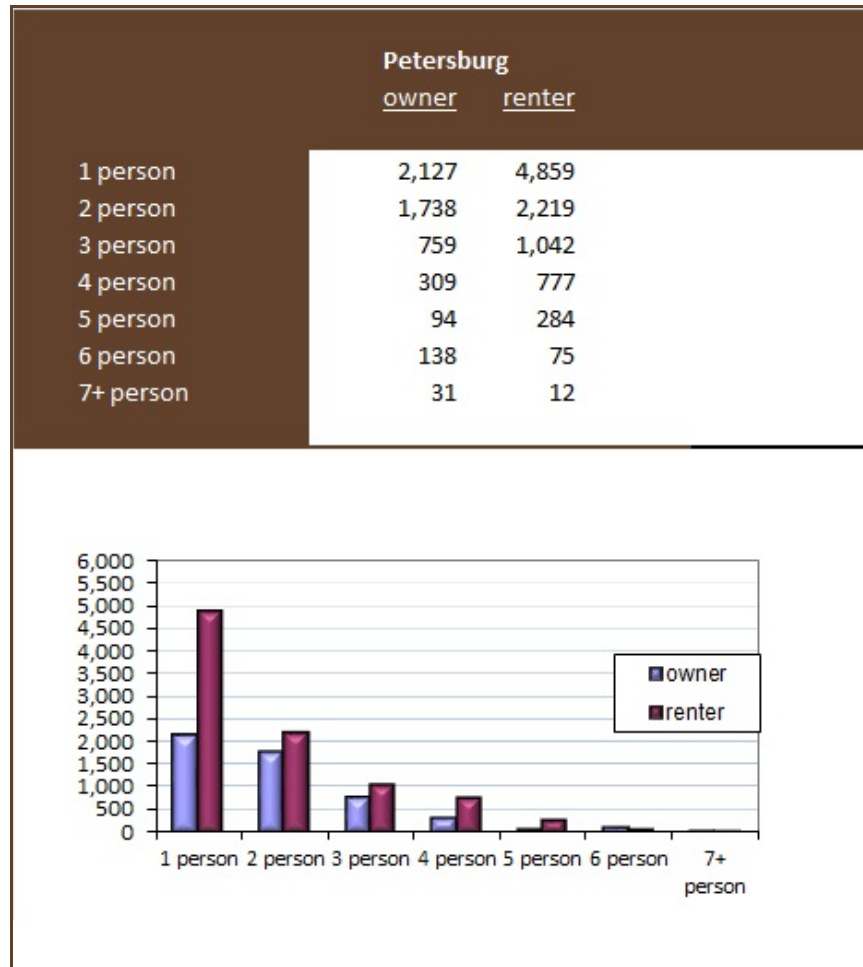
	Petersburg	
	<u>number</u>	<u>percent</u>
Under 5 years	2,109	6.5
5 to 9 years	1,735	5.4
10 to 14 years	1,726	5.3
15 to 19 years	2,020	6.2
20 to 24 years	2,888	8.9
25 to 29 years	2,433	7.5
30 to 34 years	1,749	5.4
35 to 39 years	1,607	5.0
40 to 44 years	2,146	6.6
45 to 49 years	2,511	7.7
50 to 54 years	2,486	7.7
55 to 59 years	2,302	7.1
60 to 64 years	1,854	5.7
65 to 69 years	1,483	4.6
70 to 74 years	1,089	3.4
75 to 79 years	870	2.7
80 to 84 years	677	2.1
85 years and over	735	2.3
55 and older	9,010	27.8
65 and older	4,854	15.0
Total	32,420	

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

Household size

Table 12 below, sets out household size, by tenure, for households in Petersburg .

Table 12 - Household Size



Source: 2016 to 2020 American Community Survey; T.Ronald Brown: Research & Analysis

Tenure

Table 13, below, sets out the number and proportion of owner and renter households for the Petersburg market area. In the years beyond 2010, the tenure proportions are based on 2000 to 2010 tenure trends. In 2010, 54.9 percent of households in Petersburg were renters, compared with 48.5 percent in 2000.

Table 13 - Tenure

Petersburg	population	households	persons per household	Owner-occupied		Renter-occupied	
				number	percent	number	percent
2000	33,740	13,799	2.45	7,107	51.5	6,692	48.5
2010	32,420	13,634	2.38	6,155	45.1	7,479	54.9
2023	33,620	14,660	2.29	5,221	35.6	9,439	64.4
2028	33,892	14,987	2.26	4,724	31.5	10,263	68.5

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

Income Distribution

The distribution of household incomes for the City of Petersburg are set out in Table 14, below. These figures are taken from the 2016 to 2020 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for Petersburg is around \$44,890. The median income for households in the census tract in which the proposed development is located is \$32,143.

Table 14 - Household Income

	Petersburg	
	<u>number</u>	<u>percent</u>
less than \$10,000	1,573	11.9
\$10,000 to \$14,999	997	7.5
\$15,000 to \$19,999	939	7.1
\$20,000 to \$24,999	787	6.0
\$25,000 to \$29,999	578	4.4
\$30,000 to \$34,999	813	6.2
\$35,000 to \$39,999	691	5.2
\$40,000 to \$44,999	871	6.6
\$45,000 to \$49,999	754	5.7
\$50,000 to \$59,999	1,534	11.6
\$60,000 to \$74,999	283	2.1
\$75,000 to \$99,999	1,634	12.4
\$100,000 to \$124,999	896	6.8
\$125,000 to \$149,999	336	2.5
\$150,000 to \$199,999	331	2.5
\$200,000 or more	191	1.4
median income	\$44,890	

Source: 2016 to 2020 American Community Survey; T.Ronald Brown: Research & Analysis

Renter Income

The distribution of household incomes for renter households for the City of Petersburg/market area set out in Table 15, below. These figures are also taken from the 2016 to 2020 American Community Survey.

The median renter household income for Petersburg is around \$40,210. The median income for renter households in the census tract in which the proposed development is located is \$20,750.

Table 15 - Household Income, Renter Households

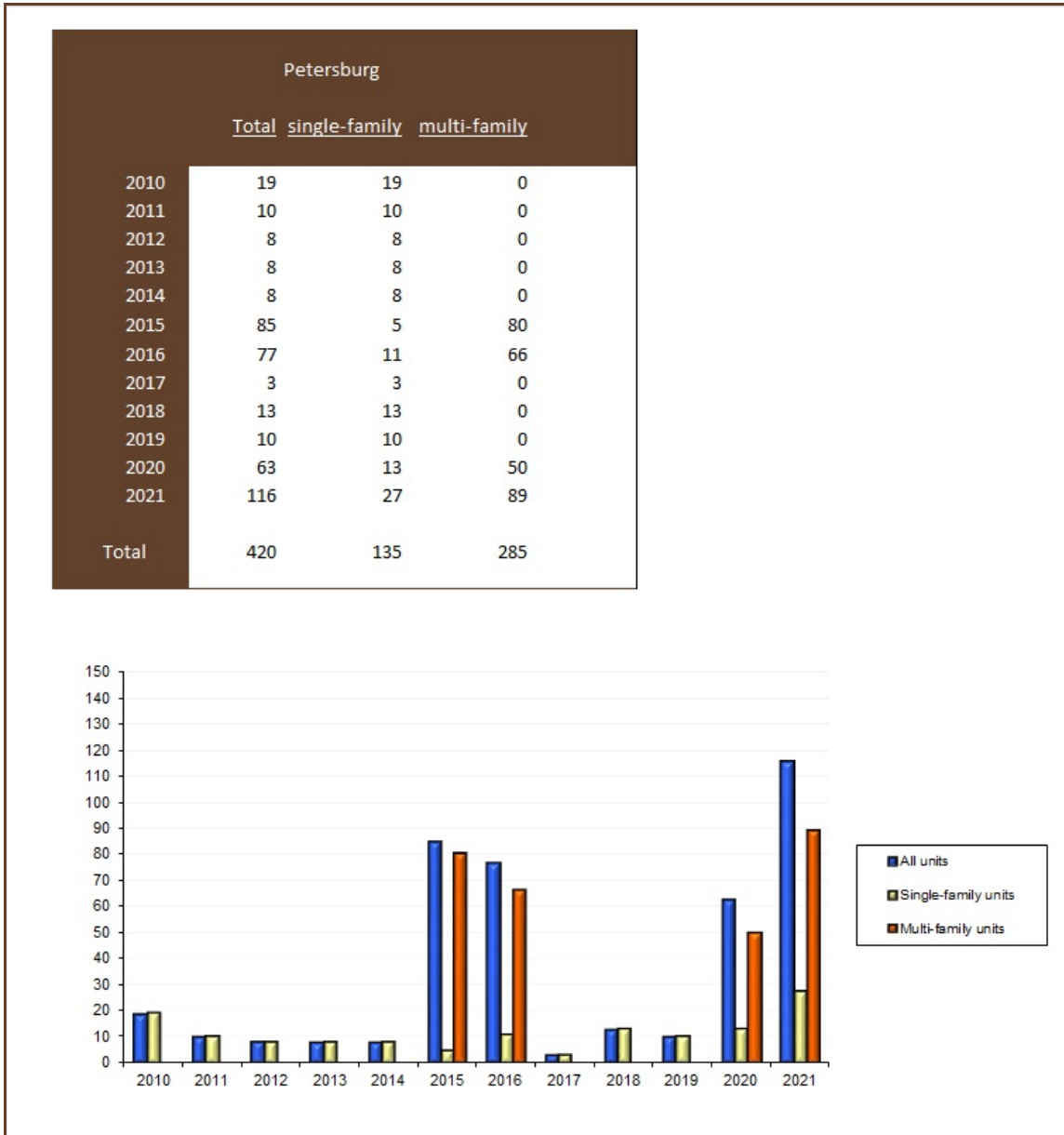
	Petersburg	
	<u>number</u>	<u>percent</u>
less than \$10,000	1,392	15.0
\$10,000 to \$19,999	1,440	15.5
\$20,000 to \$34,999	1,269	13.7
\$35,000 to \$49,999	1,594	17.2
\$50,000 to \$74,999	1,868	20.2
\$75,000 to \$99,999	1,026	11.1
\$100,000 or more	679	7.3
median income	\$40,210	

Source: 2016 to 2020 American Community Survey; T.Ronald Brown: Research & Analysis

Building permit trends

Table 16 below gives details of residential construction in Petersburg since 2010. Where the data exist, it can be seen that a total of 420 units were added in throughout the City, of which 285 were multi-family units. Here it is seen that a significant proportion of construction the City has been in recent years.

Table 16 - Residential Construction Since 2010



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

H. COMPETITIVE ENVIRONMENT

There are several apartment complexes located in the Petersburg area. These include conventional/market rate properties, properties financed with low income housing tax credits, and subsidized housing for very low income households. The various unsubsidized and/or potentially comparable complexes were identified and surveyed, as were several subsidized complexes. Where useful information was made available to us, this is presented, below.

Based on information from Virginia Housing, the following are the significant (non-elderly) properties that have been financed with tax credits in the market area for the proposed development*.

Cavalier II (66 units)
Henry Williams (42 units)
Jesse Lee (108 units)
Liberty Pointe (48 units)
Lieutenant's Run (168 units)
Pecan Acres Estates I (50 units)
Petersburg Artist Space (226 units)
Petersburg East (168 units)
Pin Oaks Estates (98 units)
Pinetree (144 units)

The most recent (unsubsidized) tax credit property to have reached stabilized occupancy is Cavalier II - a 66 unit project that opened in 2018. There is a mix of one-, two- and three- bedroom units, with rents targeted at 50 and 60 percent of the local area median. Rents are understood to be in the \$1,040 to \$1,590 range.

The Petersburg Artspace Lofts was awarded tax credits for 226 units in 2018 and is reported to have opened in 2022. To date, the project is understood to have yet to reach stabilized occupancy. Studio units of 608 square foot are offered for \$667 to \$1,064 and 629 square foot one-bedroom units are offered \$1,093 to \$1,472. Two bedroom units of 1,207 square fee (one and one-half baths) rent for \$1,315, and two bath models of 906 square feet are offered from \$862 to \$1,769. The property is the adaptive re-use of a tobacco facility that closed in 1985. A large proportion of ongoing apartment development in Petersburg is the re-use of historic downtown buildings for new, luxury, market rate apartments. These units are not considered comparable to the proposed development - however, one example of such a property - Mayton Lofts - is included in our survey, for reference.

Based on our survey, there is a market-wide occupancy rate of 91.7 percent.

Occupancy at tax credit properties is found to be around 89.6 percent. It should be noted that a very significant proportion of these vacancies are seen to be as a consequence of eviction activity at the Pinetree property. Most other vacant units in tax credit projects represent turnover, with tax credit properties such as Liberty Pointe and Lieutenant's Run being effectively fully occupied, with waiting lists).

The initial phase at Pecan Acres is fully occupied.

The various complexes surveyed are summarized as follows.

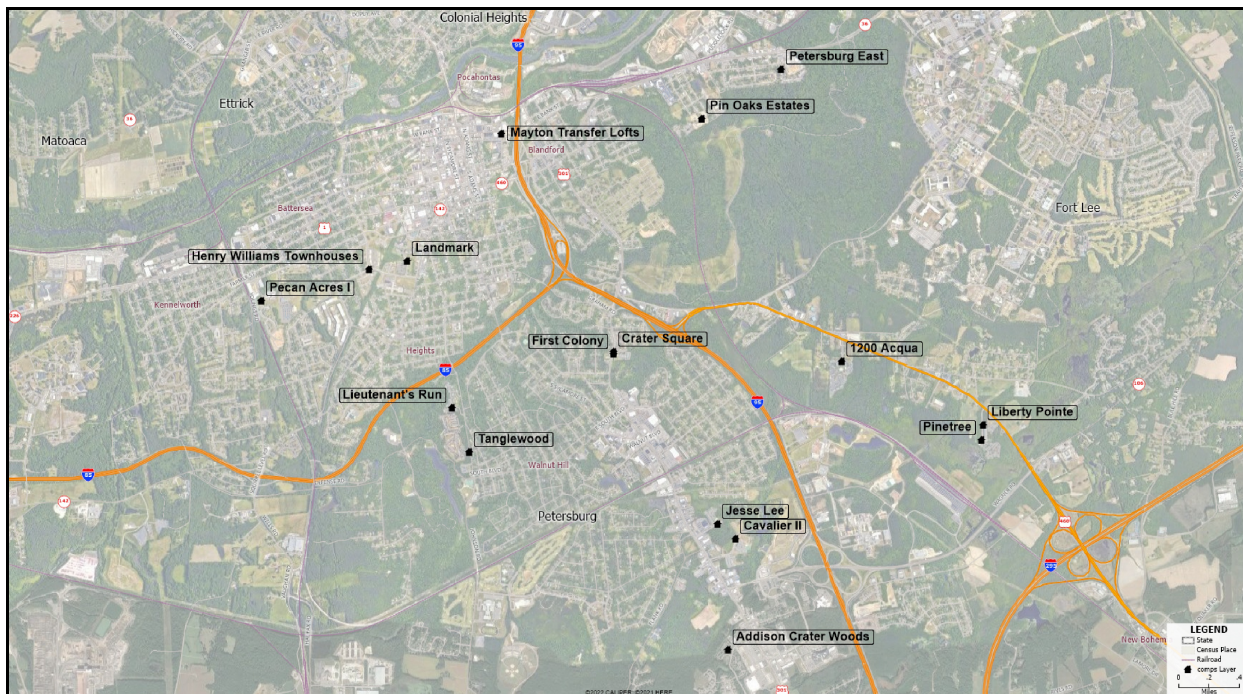
Complex name	Financing	Year built	Total units	Vacant units	Occupancy (%)
1200 Acqua	Conventional	2009	336	3	99.1
Addison Crater Woods	Conventional	1985	636	32	95.0
Cavalier II	LIHTC	2018	66	n/a	n/a
Crater Square	Conventional	1974	130	21	83.8
First Colony	Conventional	1963	58	9	84.5
Henry Williams Townhouses	LIHTC	2011	42	0	100.0
Jesse Lee	LIHTC	2008	108	2	98.1
Landmark	HUD §8	1983	53	n/a	n/a
Liberty Pointe	LIHTC	2015	48	2	95.8
Lieutenant's Run	LIHTC	2005	168	14	91.7
Mayton Transfer Lofts	Conventional	2011	229	16	93.0
Pecan Acres I	LIHTC/public housing	2022	50	0	100.0
Petersburg East	HUD §8	1976	168	25	85.1
Pinetree	LIHTC	1995	144	35	75.7
Pin Oaks Estates	LIHTC/public housing	2023	98	n/a	n/a
Tanglewood	Conventional	1971	408	51	87.5

	0 br/1ba			1 br/1ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
1200 Acqua				132	875	\$1,100-1,130
Addison Crater Woods				78	638-868	\$1,179-1,384
Cavalier II					700	\$1,040-1,190
Crater Square				16	648	\$949
First Colony						
Henry Williams Townhouses						
Jesse Lee						
Landmark						
Liberty Pointe						
Lieutenant's Run						
Mayton Transfer Lofts		600-734	\$1,141		600-833	\$1,056-1,178
Pecan Acres I				10	682-793	boi
Petersburg East				28	n/a	boi
Pinetree				9	780	\$1,033
Pin Oaks Estates				18	682-846	boi
Tanglewood				112	720	\$900

	2 br/1-1½ ba			2 br/2 ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
1200 Acqua				204	1,050-1,070	\$1,200-1,330
Addison Crater Woods				528	881-1,196	\$1,399-1,549
Cavalier II					975	\$1,390
Crater Square	70	774-855	\$1,099-1,149			
First Colony	58	855	\$1,149			
Henry Williams Townhouses	18	900	\$720			
Jesse Lee	78	834	\$760			
Landmark	32	n/a	boi			
Liberty Pointe	21	881	\$949			
Lieutenant's Run				84	985	\$1,180
Mayton Transfer Lofts		951-1,104	\$1,395			
Pecan Acres I	6	980-1,079	boi	12	1,051	boi
Petersburg East	88	n/a	boi			
Pinetree				128	1,000-1,080	\$1,139
Pin Oaks Estates	4	927-1,021	boi	30	850-1,052	boi
Tanglewood	280	926	\$1,100			

	3 br/1-1½ ba			3 br/2+ ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
1200 Acqua						
Addison Crater Woods				30	1,349	\$1,799
Cavalier II					1,100	\$1,590
Crater Square	44	942	\$1,249			
First Colony						
Henry Williams Townhouses	24	1,160	\$815			
Jesse Lee	30	1,023	\$860			
Landmark	21	n/a	boi			
Liberty Pointe	27	1,092	\$821-1,083			
Lieutenant's Run				94	1,208	\$1,330
Mayton Transfer Lofts						
Pecan Acres I				20	1,229-1,311	boi
Petersburg East	52	n/a	boi			
Pinetree				8	1,264-1,344	\$1,418
Pin Oaks Estates				38	1,222-1,238	boi
Tanglewood	16	1,224	\$1,300			

Apartment locations



In order to determine market rents, a sample of comparable market area properties were identified. The projects selected were chosen on the basis of age, location, and bedroom mix. Summary information for units at these various 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>
1200 Acqua	2009	\$1,100-1,130	\$1,200-1,330	
Addison Crater Woods	1985	\$1,179-1,384	\$1,399-1,814	\$1,799
Crater Square	1974	\$949	\$1,099-1,149	\$1,249
Tanglewood	1971	\$900	\$1,100	\$1,300

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 \$1,025 for a one-bedroom unit, around \$1,230 for a two-bedroom unit, and \$1,490 for a three-bedroom unit.



1200 Acqua

Location: 1200 Harrison Creek Boulevard
Petersburg

Financing: Conventional

Year Built: 2009

Total Units: 336

Vacant units: 3 99.1% occupied

Telephone: 804.431.1200

Management: Beco Asset Management
[2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft	Unit Amenities
1/1	132	875	\$1,100-1,130	\$1.27	Microwave ● Dishwasher ● Washer/dryer ●
2/2	108	1,050	\$1,200-1,230	\$1.16	Washer/dryer hook-up ●
2/2	96	1,070	\$1,300-1,330	\$1.23	9' Ceilings High-end kitchen Wood/style floors Fireplaces Patos/balconies ●
					<u>Community Amenities</u>
					Clubhouse/community room ●
					Fitness center ●
					Business center ●
					Pool ●
					Playground ●
					Controlled access/gated ●
					Elevator
					Garages ●
					Storage
					Laundry



Addison Crater Woods

Location: 6 Crater Woods Drive
Petersburg

Financing: Conventional

Year Built: 1985

Total Units: 636

Vacant units: 32 95.0% occupied

Telephone: 804.737.0220

Management: Weinstein Properties
[2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft	Unit Amenities
1/1	24	638	\$1,179	\$1.85	Microwave ●
1/1	12	806			Dishwasher ●
1/1	12	827	\$1,349	\$1.63	Washer/dryer ●
1/1	30	868	\$1,384	\$1.59	Washer/dryer hook-up ●
					9' Ceilings
					High-end kitchen
2/2	108	881	\$1,399	\$1.59	Wood/style floors
2/2	108	924	\$1,504	\$1.63	Fireplaces
2/2	102	1,154	\$1,529	\$1.32	Patios/balconies
2/2	102	1,183	\$1,814	\$1.53	
2/2	108	1,196	\$1,549	\$1.30	
					<u>Community Amenities</u>
3/2	30	1,349	\$1,799	\$1.33	Clubhouse/community room ●
					Fitness center ●
					Business center ●
					Pool ●
					Playground ●
					Controlled access/gated
					Elevator
					Garages
					Storage
					Laundry



Cavalier II

Location: 100 Cavalier Drive
Petersburg

Financing: LIHTC
Year Built: 2018
Total Units: 66
Vacant units: n/a n/a occupied

Telephone: 804.431.2145
Management: JDC Management

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
1/1		700	50%	\$1,040		\$1.49	Microwave
1/1		700	60%	\$1,190		\$1.70	Dishwasher ●
							Washer/dryer ●
							Washer/dryer hook-up ●
2/2		975	50%	\$1,390		\$1.43	9' Ceilings
2/2		975	60%	\$1,390		\$1.43	High-end kitchen
							Wood/style floors
3/2		1,100	50%	\$1,590		\$1.45	Fireplaces
3/2		1,100	60%	\$1,590		\$1.45	Patios/balconies
							<u>Community Amenities</u>
							Clubhouse/community room ●
							Fitness center ●
							Business center ●
							Pool ●
							Playground ●
							Controlled access/gated ●
							Elevator
							Garages
							Storage
							Laundry ●
							<u>Utilities in Rent</u>
							Water
							Sewer
							Trash ●



Crater Square

Location: 1025 South Crater Road
Petersburg

Financing: Conventional

Year Built: 1974

Total Units: 130

Vacant units: 21 83.8% occupied*

Telephone: 804.733.6298

Management: Greenbrier Management
[2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft
1/1	16	648	\$949	\$1.46
2/1		774	\$1,099	\$1.42
2/1½		855	\$1,149	\$1.34
3/1½	44	942	\$1,249	\$1.33

* average occupancy including First Colony

Unit Amenities

- Microwave
- Dishwasher ●
- Washer/dryer
- Washer/dryer hook-up
- 9' Ceilings
- High-end kitchen
- Wood/style floors
- Fireplaces
- Patios/balconies

Community Amenities

- Clubhouse/community room
- Fitness center ●
- Business center
- Pool ●
- Playground ●
- Controlled access/gated
- Elevator
- Garages ●
- Storage
- Laundry ●

Utilities in Rent

- Water ●
- Sewer ●
- Trash ●



First Colony

Location: 1655 South Crater Road
Petersburg

Financing: Conventional

Year Built: 1963

Total Units: 58

Vacant units: 9 84.5% occupied*

Telephone: 804.733.6298

Management: Greenbrier Management
[2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft
2/1½	58	855	\$1,149	\$1.34

Unit Amenities

- Microwave
- Dishwasher ●
- Washer/dryer
- Washer/dryer hook-up
- 9' Ceilings
- High-end kitchen
- Wood/style floors
- Fireplaces
- Patios/balconies ●

* average occupancy including Crater Square

Community Amenities

- Clubhouse/community room ●
- Fitness center
- Business center
- Pool ●
- Playground
- Controlled access/gated
- Elevator
- Garages
- Storage
- Laundry ●



Henry Williams Townhouses

Location: 800 South Street South
Petersburg

Financing: LIHTC

Year Built: 2011

Total Units: 42

Vacant units: 0 100.0% occupied

Telephone: 804.435.9024

Management: TM Associates
[2/14]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/1½	18	900	40% /50%	\$720	\$143	\$0.80	Microwave Dishwasher Washer/dryer
3/2	24	1,160	40% /50%	\$815	\$176	\$0.70	Washer/dryer hook-up 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patos/balconies
							<u>Community Amenities</u>
							Clubhouse/community room
							Fitness center
							Business center
							Pool
							Playground
							Controlled access/gated
							Elevator
							Garages
							Storage
							Laundry
<u>Utilities in Rent</u>							
Water							
Sewer							
Trash							



Jesse Lee

Location: 401 Roberts Avenue
Petersburg

Financing: LIHTC

Year Built: 2008

Total Units: 108

Vacant units: 2 98.1% occupied

Telephone: 804.733.4331

Management: Amurcon Realty
[2/14]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/1	78	834	50%	\$760	172	\$0.91	Microwave Dishwasher ● Washer/dryer Washer/dryer hook-up ● 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patios/balconies
3/2	30	1,023	50%	\$860	236	\$0.84	Community Amenities Clubhouse/community room ● Fitness center Business center Pool ● Playground ● Controlled access/gated Elevator Garages Storage ● Laundry ●
<u>Utilities in Rent</u>							
Gas	●						
Water							
Sewer							
Trash	●						



Landmark

Location: 450 Van Buren Drive
Petersburg

Financing: HUD §8

Year Built: 1983

Total Units: 53

Vacant units: n/a n/a occupied

Telephone: 804.861.5012

Management: Newport Management

Br/ba	Units	Sq. ft	Contract Rent
2/1	32	n/a	n/a
3/1½	21	n/a	n/a

Unit Amenities

- Microwave
- Dishwasher ●
- Washer/dryer
- Washer/dryer hook-up
- 9' Ceilings
- High-end kitchen
- Wood/style floors
- Fireplaces
- Patios/balconies

Community Amenities

- Clubhouse/community room ●
- Fitness center
- Business center
- Pool
- Playground ●
- Controlled access/gated
- Elevator
- Garages
- Storage
- Laundry ●

Utilities in Rent

- Water ●
- Sewer ●
- Trash ●



Liberty Pointe

Location: 3061 Pinetree Drive
Petersburg

Financing: LIHTC
Year Built: 2015
Total Units: 48
Vacant units: 2

Telephone: 804.255.1320
Management: Woda Management
[2/15]

95.8% occupied (waiting list)

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/1½		881	50%	\$949	184	\$1.08	Microwave
2/1½		881	60%	\$949	184	\$1.08	Dishwasher ●
3/2		1,092	50%	\$821	226	\$0.75	Washer/dryer ●
3/2		1,092	60%	\$1,083	226	\$0.99	Washer/dryer hook-up ●
							9' Ceilings
							High-end kitchen
							Wood/style floors
							Fireplaces
							Patios/balconies
							<u>Community Amenities</u>
							Clubhouse/community room ●
							Fitness center
							Business center
							Pool
							Playground ●
							Controlled access/gated
							Elevator ●
							Garages
							Storage
							Laundry ●
							<u>Utilities in Rent</u>
							Water
							Sewer
							Trash ●



Lieutenant's Run

Location: 102 Lieutenant's Run Drive
Petersburg

Financing: LIHTC
Year Built: 2005
Total Units: 168
Vacant units: 14 91.7% occupied

Telephone: 804.722.9625
Management: Franklin Johnston Group
[2/14]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/2	84	985	60%	\$1,180	\$173	\$1.20	Microwave Dishwasher ● Washer/dryer ●
3/2	94	1,208	60%	\$1,330	\$237	\$1.10	Washer/dryer hook-up ● 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patios/balconies ●
							<u>Community Amenities</u>
							Clubhouse/community room ●
							Fitness center ●
							Business center
							Pool ●
							Playground ●
							Controlled access/gated
							Elevator
							Garages
							Storage
							Laundry ●
<u>Utilities in Rent</u>							
Water							
Sewer							
Trash ●							



Mayton Transfer Lofts

Financing: Conventional
 Location: 280 Madison Street North
 Petersburg

Financing: Conventional
 Year Built: 2011
 Total Units: 229
 Vacant units: 16 93.0% occupied

Telephone: 804.331.6966
 Management: BH Management
 [2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft	Unit Amenities
0/1		600-734	\$1,141	\$1.71	Microwave •
1/1		600-833	\$1,056-1,178	\$1.56	Dishwasher •
2/1		951-1,104	\$1,395	\$1.36	Washer/dryer •
2/2		n/a	n/a	n/a	Washer/dryer hook-up •
					9' Ceilings •
					High-end kitchen •
					Wood/style floors •
					Fireplaces •
					Patios/balconies •
					<u>Community Amenities</u>
					Clubhouse/community room
					Fitness center
					Business center
					Pool
					Playground
					Controlled access/gated •
					Elevator
					Garages
					Storage
					Laundry



Pecan Acres I

Location: 433 Pecan Street
Petersburg

Financing: LIHTC/public housing
Year Built: 2022
Total Units: 50
Vacant units: 0 100.0% occupied

Telephone:
Management: Petersburg R and HA
[3/2]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
1/1	10	682-793	50%	boi	\$100	n/a	Microwave Dishwasher ● Washer/dryer
2/1½	6	980-1,079	50%	boi	\$121	n/a	Washer/dryer hook-up ●
2/2	12	1,051	50%	boi	\$121	n/a	9' Ceilings High-end kitchen
3/2	20	1,229-1,311	50%	boi	\$153	n/a	Wood/style floors Fireplaces
4/2	2	1,326	50%	boi	\$181	n/a	Patios/balconies ●

boi - based on income
Full project-based rental assistance is available

<u>Utilities in Rent</u>		<u>Community Amenities</u>
Water		Clubhouse/community room ●
Sewer		Fitness center
Trash ●		Business center
		Pool
		Playground ●
		Controlled access/gated
		Elevator
		Garages
		Storage
		Laundry



Petersburg East

Location: 110 Crostar Drive
Petersburg

Financing: HUD §8

Year Built: 1976

Total Units: 168

Vacant units: 25 85.1% occupied

Telephone: 804.733.3657

Management: American Apartment Management
[2/14]

<u>Br/ba</u>	<u>Units</u>	<u>Sq. ft</u>	<u>Contract Rent</u>	<u>Unit Amenities</u>
1/1	28	n/a	n/a	Microwave Dishwasher ● Washer/dryer
2/1	60	n/a	n/a	Washer/dryer hook-up 9' Ceilings
2/1½	28	n/a	n/a	High-end kitchen Wood/style floors
3/1½	52	n/a	n/a	Fireplaces Patios/balconies
				<u>Community Amenities</u>
				Clubhouse/community room ●
				Fitness center
				Business center
				Pool
				Playground ●
				Controlled access/gated
				Elevator
				Garages
				Storage
				Laundry ●
<u>Utilities in Rent</u>				
Water	●			
Sewer	●			
Trash	●			



Pin Oaks Estates

Location: 37 Slagle Avenue
Petersburg

Financing: LIHTC/public housing
Year Built: 2023
Total Units: 98
Vacant units: n/a n/a occupied

Telephone:
Management: Petersburg R and HA
[3/2]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
1/1	18	682-846	50%	boi		n/a	Microwave Dishwasher Washer/dryer
2/1½	4	927-1,021	50%	boi		n/a	Washer/dryer hook-up
2/2	30	850-1,052	50%	boi		n/a	9' Ceilings High-end kitchen
3/2	38	1,222-1,238	50%	boi		n/a	Wood/style floors Fireplaces
4/2	8	1,431-1,492	50%	boi		n/a	Patios/balconies

boi - based on income
Full project-based rental assistance is available

- Community Amenities
- Clubhouse/community room
 - Fitness center
 - Business center
 - Pool
 - Playground
 - Controlled access/gated
 - Elevator
 - Garages
 - Storage
 - Laundry

- Utilities in Rent
- Water
 - Sewer
 - Trash



Pinetree

Location: 3100 Pinetree Drive
Petersburg

Financing: LIHTC
Year Built: 1995
Total Units: 144
Vacant units: 35

75.7% occupied

Telephone: 804.375.3141
Management: South Oxford Management
[2/14]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
1/1	9	780	60%	\$1,033	n/a	\$1.32	Microwave Dishwasher ● Washer/dryer ●
2/2	128	1,000-1,080	60%	\$1,139	\$80	\$1.10	Washer/dryer hook-up ● 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patios/balconies ●
3/2	8	1,264-1,344	60%	\$1,418	\$121	\$1.09	Community Amenities Clubhouse/community room ● Fitness center ● Business center Pool ● Playground ● Controlled access/gated Elevator Garages Storage Laundry ●

Utilities in Rent

- Water ●
- Sewer ●
- Trash ●



Tanglewood

Location: 1700 Johnson Road
Petersburg

Financing: Conventional

Year Built: 1971

Total Units: 408

Vacant units: 51 87.5% occupied

Telephone: 804.207.3552

Management: Carlton Equities
[2/14]

Br/ba	units	sq. ft	Rent	Rent/sq.ft	Unit Amenities
1/1	112	720	\$900	\$1.25	Microwave Dishwasher Washer/dryer
2/1½	280	926	\$1,100	\$1.19	Washer/dryer hook-up 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patos/balconies
3/1½	16	1,224	\$1,300	\$1.06	
					<u>Community Amenities</u> Clubhouse/community room Fitness center Business center Pool Playground Controlled access/gated Elevator Garages Storage Laundry

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 84 units proposed, four will be targeted at 40 percent of the median, with the remaining 80 being targeted to households with incomes up to 50 percent of the median. Thus, the apartments qualify for low income housing tax credit status. All 84 units will be rent-assisted.

The HUD income limits for the City of Petersburg (the Richmond MSA) are set out below. The median income for Petersburg in 2022 was \$101,000 - having been \$90,000 in 2021, and \$75,600 in 2012. This represents a 12.2 percent increase over the previous year, and a 33.6 percent increase over the last decade (or an average of 2.94 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

Income Limits		
	40 percent	50 percent
1 person	\$28,200	\$35,250
2 person	\$32,240	\$40,300
3 person	\$36,280	\$45,350
4 person	\$40,280	\$50,350
5 person	\$43,520	\$54,400
6 person	\$46,760	\$58,450
Maximum Housing Costs		
	40 percent	50 percent
1 bedroom	\$756	\$944
2 bedroom	\$907	\$1,134
3 bedroom	\$1,048	\$1,309

Source: HUD

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

Table 19 - Rents and Income Targeting

	<u>40 percent</u>	<u>50 percent</u>	<u>Total</u>
1 bedroom	9	3	12
2 bedroom	0	48	48
3 bedroom	0	24	24
Total	9	75	84
proposed rents			
	<u>40 percent</u>	<u>50 percent</u>	
1 bedroom	\$1,070	\$1,070	
2 bedroom		\$1,114	
3 bedroom		\$1,436	
proposed rents as a proportion (%) of maximum			
	<u>40 percent</u>	<u>50 percent</u>	
1 bedroom	166.5	128.7	
2 bedroom		111.7	
3 bedroom		126.0	

Source: Applicant; T Ronald Brown: Research & Analysis

The utility allowances for the proposed development are \$113, \$136 and \$170 for the one-, two-, and three-bedroom units, respectively

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall above at the maximum allowable for the units targeted at both income levels. Where rents may exceed the maximum allowable, the maximum is employed.

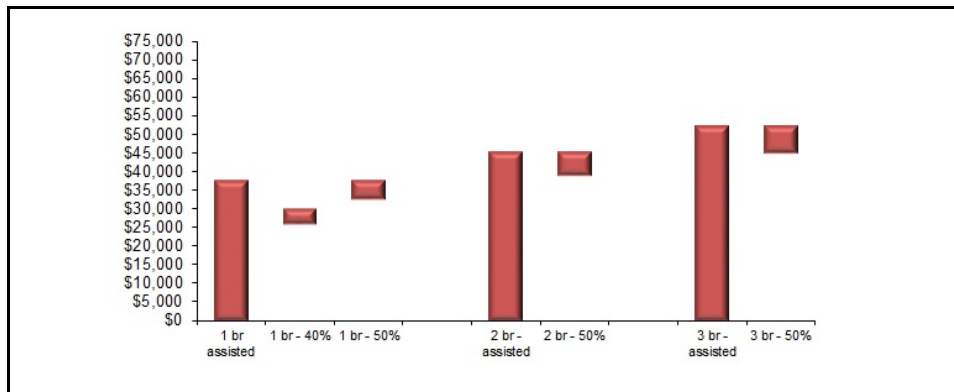
Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of 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 one- and four bedroom units are based on the proposed rents level relative to the maximum allowable.

Table 20 - Qualifying Income Ranges

	<u>assisted</u>	
	lower	upper
1 bedroom	\$0	\$37,775
2 bedroom	\$0	\$45,350
3 bedroom	\$0	\$52,375
	<u>40 percent</u>	
	lower	upper
1 bedroom	\$25,903	\$30,220
2 bedroom	\$31,097	\$36,280
3 bedroom	\$35,914	\$41,900
	<u>50 percent</u>	
	lower	upper
1 bedroom	\$32,379	\$37,775
2 bedroom	\$38,871	\$45,350
3 bedroom	\$44,893	\$52,375

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 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	1,345	14.6	1042	28.8
\$10,000 - \$19,999	1,440	15.6	1016	28.1
\$20,000 - \$34,999	1,269	13.8	903	25.0
\$35,000 - \$50,000	1,594	17.3	598	16.6
\$50,000 - \$75,000	1,868	20.3	53	1.5
\$75,000 - \$100,000	1,026	11.1	0	0.0
\$100,000 and over	679	7.4	0	0.0
Total	9,221		3,612	

Source: 2016 to 2020 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 2016 to 2020 - and not for a specific year.

From this table it can be seen that 14.6 percent of the market area renter households have incomes less than \$10,000, and a further 15.6 percent have incomes between \$10,000 and \$20,000. Around 13.8 percent of renters are seen to be in the \$25,000 to \$35,000 income range.

Around 39 percent of all renters are rent-overburdened. This table also illustrates how rent-overburdened households are concentrated in the lower income groups (where 73 percent of overburdened renters have incomes less than \$35,000).

Based on the income ranges set out in Table 20 and the income distribution set out in Table 21, it is found that around 58.6 percent of market area renter households qualify for rent-assisted units (up to 50 percent of the median), and the corresponding figures for unassisted units at the 40 percent and 50 percent levels are 5.9 percent and 6.9 percent, respectively.

Projections of need and demand are based upon a 2023 to 2028 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 824 new rental units are needed between 2023 and 2028. A total of 483 units will be for households eligible for the proposed rent-assisted project (with 106 eligible for unassisted units).

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 as many as 6,012 renter households in the qualifying income range for assisted units 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, 61.8 percent of renters qualifying for assisted units at 50 percent of the median are rent-overburdened. Likewise, around 51.9 percent, and 30.3 percent of those qualifying for unassisted units at the 40 percent and 50 percent levels, respectively, 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. 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 183 units, with rental assistance, and 40 units without assistance.

Virginia Housing market study guidelines allow for the inclusion of existing qualifying tenants likely to remain after renovation. Here, based on information for the housing authority suggests that the project will retain at 90 percent of its 94 tenants throughout the rehabilitation process. Thus, the project should retain at least 85 of its current tenant base.

Total demand is therefore seen to amount to 4,466 units. These figures are based on a 2023 to 2028 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area over that period. The only potentially comparable project to have been awarded tax credits in Petersburg is the Artspace project - which is not considered comparable to the proposed development, and where all units are unassisted and are targeted at 60 percent of the median. The net need is therefore for 4,466 units.

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

Table 22 - Demand Calculations

	<u>assisted</u>	<u>40 percent</u>	<u>50 percent</u>	<u>unassisted</u>
(i) income eligible new renter households	483	49	57	106
(ii) income eligible existing renter households	6,012	606	709	1,315
(iii) existing households, likely to move	3,716	314	215	529
(iv) need from obsolete housing	183	18	22	40
(v) Existing qualifying tenants likely to remain	85	0	0	0
Total demand (i)+(iii)+(iv)	4,466	381	294	675
Supply	0	0	0	0
Net demand	4,466	381	294	675

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 24 percent of the total, two-bedroom units should account for 40 percent of the total, and three-bedroom units should account for 20 percent of the total with four- or more bedroom units accounting for six percent.

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

Table 23 - Capture Rates

	<u>assisted</u>	<u>40 percent</u>	<u>50 percent</u>	<u>unassisted</u>
Total demand				
1 bedroom	1,527	130	100	231
2 bedroom	1,782	152	117	269
3 bedroom	899	77	59	136
4 bedroom	258	22	17	39
Total	4,466	381	294	675
Supply				
1 bedroom	0	0	0	0
2 bedroom	0	0	0	0
3 bedroom	0	0	0	0
4 bedroom	0	0	0	0
Total	0	0	0	0
Net demand				
1 bedroom	1,527	130	100	231
2 bedroom	1,782	152	117	269
3 bedroom	899	77	59	136
4 bedroom	258	22	17	39
Total	4,466	381	294	675
Units proposed				
1 bedroom	12	9	3	12
2 bedroom	48	0	48	48
3 bedroom	24	0	24	24
4 bedroom	0	0	0	0
Total	84	9	75	84
Capture rates				
1 bedroom	0.8%	6.9%	3.0%	5.2%
2 bedroom	2.7%	0.0%	41.0%	17.8%
3 bedroom	2.7%	0.0%	40.6%	17.7%
4 bedroom	0.0%	0.0%	0.0%	0.0%
Total	1.9%	2.4%	25.6%	12.4%

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 84-unit development amounts to 1.9 percent of the total net need for rent-assisted units, as proposed. The corresponding capture rate for units without that assistance is seen to be 12.4 percent.

The capture rate, by bedroom, for the proposed assisted units is determined to be 0.8 percent for the twelve one-bedroom units, 2.7 percent for the 48 two-bedroom units, and 2.7 percent for the 24 three-bedroom units. The corresponding capture rates for unassisted units is 5.2 percent for the one-bedroom units, and 17.8 percent and 17.7 percent for the two- and three-bedroom units.

For units without assistance, the nine units at 40 percent of the median amount to 2.4 percent of the net demand at that level and the 75 units at 50 percent of the median amounts to 25.6 percent of demand at that target level.

The capture rates presented above are considered very reasonable for this property.

ABSORPTION RATES

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 the duration of the construction process, plus two months.

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 50 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 assisted one-bedroom units - that is \$0. The upper income is \$45,350. Based on the income data set out in Table 21, there are found to be 5,736 renter households in that range. Thus, the proposed 84-unit development corresponds to a 1.5 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 four properties in the City that can be considered comparable to the proposed units. These properties - Landmark, Petersburg East, Pin Oaks, and Pecan Acres amount to 412 units (excluding the proposed 84 units). Thus, given the rents for the proposed development, the target income range for this market is that for the proposed development. That is, from \$0 to \$45,350. Thus, given that there are as noted, 5,736 qualifying renter households in the market area. It is seen that 84 units are proposed, there are 412 comparable units, with none under construction or funded for future construction units. Thus the penetration rate - as defined - amounts to 8.6 percent.

Summary

Consideration of the capture rate (1.9 percent), the (1.5 percent) affordability analysis capture and (8.6 percent) penetration rate, suggest that the proposed development is marketable, as proposed.

J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET

The proposed development is the rehabilitation of an existing public housing apartment complex. As such it does not represent a net addition to the local housing stock - thus this proposal represents a potential qualitative rather than a quantitative impact on the market. Representatives of the Housing Authority /property management company confirmed that the current residents would benefit significantly from the improvement to their apartments - as demonstrated by the experience of the initial phase.

K. ANALYSIS/CONCLUSIONS

Based on the above, the project could expect to lease-up over a period dictated by the rolling nature of the rehabilitation program, plus 60 days, or so. As the replacement for an existing, fully leased, property the proposed rehabilitation will not have an impact on existing housing in the area.

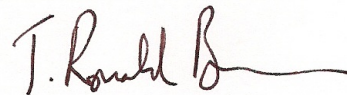
It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined 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 Virginia Housing.
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 Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing.
6. Compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits.



Market Analyst

March 9, 2023

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.

NCHMA MEMBER CERTIFICATION

This market study has been prepared by T. Ronald Brown: Research & Analysis, a member in good standing of the National Council of Housing Market Analysts (NCHMA). This study has been prepared in conformance with the standards adopted by NCHMA for the market analysts' industry. These standards include the *Standard Definitions of Key Terms used in Market Studies*, and *Model Content Standards for the Content of Market Studies*. These Standards are designed to enhance the quality of market studies and to make them easier to prepare, understand, and use by market analysts and the by the end users. These Standards are voluntary only, and no legal responsibility regarding their use is assumed by the National Council of Housing Market Analysts .

T.Ronald Brown: Research & Analysis is duly qualified and experienced in providing market analysis for Affordable Housing. The company's principal participates in the National Council of Housing Market Analysts (NCHMA) educational and information sharing programs to maintain the highest professional standards and state-of-the-art knowledge. T.Ronald Brown: Research and Analysis is an independent market analyst. No principle or employee of T. Ronald Brown: Research & Analysis has any financial interest whatsoever in the development for which this analysis has been undertaken.

Attested by:



T. Ronald Brown



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 (2016-2020)

Virginia Housing

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 Petersburg

U.S. Bureau of Labor Statistics

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

Market study checklist

A. Executive Summary		Pages
Executive Summary		1-2
B. Scope of Work		
Scope of Work		3-4
C. Project Description		
Unit mix inc. bedrooms, bathrooms, sq. footage, rents and income targeting		5
Utilities (and utility sources) included in rent		5
Target market/population description		5
Project description inc. unit features and community amenities		5
Date of construction/preliminary completion		5
Scope of work, existing rents, and existing vacancies (rehabilitation)		5
D. Location		
Concise description of the site and adjacent parcels		11
Site photos/maps		11-13
Map of community services		16
Site evaluation/neighborhood inc. visibility, accessibility and crime		14-16
E. Market area		
Market area description		17
Market area map		18
F. Employment and Economy		
Employment trends		19
Employment by sector		20
Unemployment rates		21
Major employers/employment centers and proximity to site		22
Recent or planned employment expansions/reductions		23
G. Demographic Characteristics		
Population and household estimates and projections		26-27
Area building permits		33
Population and household characteristics inc. income, tenure, and size		28-34
For senior or special need projects, data specific to target market		
H. Competitive Environment		
Comparable property profiles and photos		39-54
Map of comparable properties		37
Existing rental housing evaluation inc. vacancy and rents		35
Comparison of subject to comparable properties		36
Discussion of availability and cost of other affordable housing options		n/a
Rental communities under construction, approved, or proposed		59
Data specific to target market (senior/special needs)		
I. Affordability, Demand, and Penetration Rate Analysis		
Estimate of demand		55-62
Affordability analysis, with capture rate		63
Penetration rate analysis with capture rate		63
J. Analysis/Conclusions		
Absorption rate and estimated stabilized occupancy for subject		62
Evaluation of proposed rent levels, inc estimate of market rent		28
Precise statement of key conclusions		65
Market strengths and weaknesses impacting project		65
Product recommendations and/or suggested modifications to subject		65
Discussion of subject property's impact on existing housing		65
Discussion of risks or other mitigating circumstances impacting subject		16
Interviews with area housing stakeholders		64
K. Other Requirements		66,67,69
Certifications		67,68,70
Statement of qualifications		68
Sources of data not otherwise identified		70

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 unites 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.g. 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 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 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.