

## Guidelines for Preparing Market Studies

Submitted to the City of Troy Planning Department Required by the Troy Zoning Ordinance

Per Section 2.264 of the Troy Zoning Ordinance, for all new or proposed multi-family developments and/or structures and/or comprehensive group residential developments containing more than 25 dwelling units and/or containing more than 50 bedrooms, a current professional residential market study from a valid source acceptable to the City, shall be provided to show the need and support for such new or proposed multi-family developments and/or structures and/or comprehensive group residential developments within the City of Troy. For the purposes of this Section, current means within six (6) months of the site plan application submittal.

These guidelines establish the minimum information and analysis. Meeting these guidelines does not ensure acceptance of the study. Methodology used and conclusions drawn must be reasonable.

**Required Market Studies shall be submitted with the site plan application and/or any application to the Board of Adjustment or Planning Commission for such development requiring a Market Study.**

Market studies provide data on other housing in the market area and are used to evaluate the risk associated with developing new housing in the market area. The market study must have been prepared within the previous six months of the application submission deadline by an independent market analyst acceptable to the City of Troy.

Generally, for a market analyst to meet the City of Troy's requirements, the market analyst must have demonstrated experience preparing market studies of similar type and scope as the subject property and have no identity of interest in the subject property. Market studies prepared by licensed real estate agents will not be accepted.

All market studies submitted must include a certification from the provider stating there is no Identity of Interest as defined below.

"An identity of interest relationship exists if any officer, director, board member, or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.):

1. is also an officer, director, board member or authorized agent of any other development team member;
2. has any financial interest in any other development team member's firm or corporation;
3. is a business partner of an officer, director, board member or authorized agent of any other development team member;
4. has a family relationship through blood, marriage or adoption with an officer, director, board member, or authorized agent of any other development team member; or
5. advances any funds or items of value to the sponsor/borrower."

The study must be a concisely-written bound report including pictures and tables.

Studies will be considered "stale" after 6 months, but may be updated by the provider to meet requirements. Studies with appropriate updates are considered stale after 12 months from original market study date. Such updates shall identify and analyze the impact of additional developments not identified in the prior report. It shall also include changes in the occupancy in the marketplace. The analyst should address other factors that may have significant impact on the proposed development, such as economic changes and/or demographics. The analyst should specify in the update whether or not all of the changes listed above exist, and explain the changes and resulting effects. The updated information can be provided in the form of a letter update attached to the original application. Studies over 12 months old will not be accepted.

The analyst should prepare the study based on a site visit to the community in which the project is located and other available information. The market study should be detailed, provide a logical basis for all conclusions, clearly indicate a need for the housing, demonstrate that the project will be competitive in the local market and demonstrate that the project will not compete adversely with other projects in the market area.

The market study report shall contain, at a minimum, the following data and information:

1. Executive summary. The executive summary should include a concise summary of each section of the market study including data, analysis, and conclusions. The executive summary section should include, at a minimum:
  - a. Concise description of the site and the immediately surrounding area/surrounding land uses.
  - b. Brief summary of the subject development, including the proposed targeted population to be served.
  - c. Summary of economic conditions.
  - d. Brief description and support of the defined primary market area.
  - e. Summary of key demographic data and competitive market conditions.
  - f. Summary of demand for the proposed development including a concise statement of the analyst's opinion of market feasibility, determined by factors of market demand.
  - g. Summary of positive and negative attributes and issues that will affect the property's marketability, performance, and lease-up. Mitigating factors of any negative attributes should be identified, if any.
  - h. Precise statement of key conclusions reached by the analyst. This statement should provide a definitive evaluation of the proposed development and its prospect for success as proposed. This statement should reconcile any conflicting data indicators among the various sections of the report.
  - i. Precise statement of analyst's opinion of Market Feasibility including the prospect for long-term performance of the property given housing and demographic trends and economic factors
  - j. If needed, recommendations and/or suggested modifications to the proposed project. It should be clear if these modifications would be necessary for the project's success.

- k. Absorption estimate for the subject property. If recommendations are provided in the report, it should be clear if this absorption estimate is as proposed or assuming the analyst's proposed recommendations are followed.
2. Introduction and Scope of Work. The introduction of the market study should summarize the report's purpose and scope of work conducted during the preparation of the report. The introduction and scope of work section should include, at a minimum:
    - a. Type of report.
    - b. Scope of work.
    - c. Client and project developer
    - d. Intended use and users of the report.
    - e. Steps taken in completion of the report.
    - f. Date of field work and site visit.
    - g. Person conducting field work.
    - h. Primary analyst reaching conclusions of report.
  3. Project Description. The market study should include a project description detailing the analyst's understanding of the project as proposed. The project description section should include, at a minimum:
    - a. The proposed unit mix including dwelling units, bedrooms, bathrooms, square footage, and proposed net rents and gross rents.
    - b. The community's target market and any tenancy restrictions.
    - c. Description of the proposed/existing development including number of buildings with number of stories per building.
    - d. Parking options provided including number of spaces.
    - e. The status or date of architectural plans, name of the architect, and/or a copy of the floor plans and elevations.
    - f. Developer's projected dates for start and completion of construction and start of lease up.
    - g. Description of supportive services provided for residents, if any will be provided.
  4. Location & Site Information. The market study should include a description of the site characteristics including its size, shape, general topography, vegetation and proximity to adverse conditions. The location & site information section should include, at a minimum:
    - a. Photographs of the site and neighborhood including description of picture and vantage point.
    - b. Land uses directly surrounding the subject site.
    - c. A map of the site.
    - d. Description of the proposed ingress/egress of the subject property and any potential concerns with site accessibility.
    - e. Description and evaluation of the visibility of the site.
    - f. Analysis of available neighborhood amenities with a table and map of neighborhood amenities and their distance from the subject site including transportation linkages, shopping, schools, medical services, public transportation, places of worship, recreational amenities and other services such as libraries, community centers, banks, etc.

- g. Commentary on the availability of public transportation
  - h. Analysis of public safety issues.
  - i. Conclusion concerning the suitability of the proposed site for the proposed use.
5. Market Area Definition. The market study should include a description of the primary market area and how it was determined. The market area definition section should include, at a minimum:
- a. Definition of the primary market area (PMA).
  - b. PMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries.
  - c. Definition of the larger geographic area in which the PMA is located (i.e. city, county, etc.)
  - d. A detailed narrative explaining how the market area was determined. The narrative should include market specific language rather than a list of generic concepts or factors considered.
  - e. Identification of the borders of the market area and approximate distance from the subject property/site.
  - f. A map of the PMA including the subject site.
6. Employment and Economy. The market study should provide data and analysis on the local employment and economy to give an understanding of the overall economic health of the region and its potential impact on household trends. Economic data should be presented for the market area or the smallest geographic area available. This data should be compared to regional data, which could include county, MSA, state, and/or nation. List data sources and describe the methodology for the analysis. The employment and economy section should include, at a minimum:
- a. Total At-Place Employment for the past ten years. "At-Place Employment" measures the number of jobs located within a specific geography and should not be confused with Employed Labor Force. Recent trends (job loss/gain) in At-Place Employment should be identified and discussed.
  - b. At-Place Employment by Sector and Employment Change by Sector. Identify the most important employment sectors in the area, potentially including share of employment and employment growth.
  - c. The historical unemployment rate for the last ten years (or other appropriate period) for the most appropriate geographic areas.
  - d. List of major employers in the PMA and/or region including the type of business and the number employed.
  - e. Commentary on recent or planned economic development and major employment expansions or reductions including potential impact on demand for rental housing. Comment on trends and projections of employment in the PMA, if any.
  - f. Commentary on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
  - g. A breakdown of typical wages by occupation or industry sector.
  - h. Documentation of commuting patterns for workers including commuting time and destination.

- i. Conclusion stating whether economic conditions will have a significant positive or negative impact on the subject property.
7. Demographic Characteristics. The market study should provide demographic data for the PMA and a comparison area, which may include a secondary market area, county, or MSA. Sources of data, projections, and estimates should be clearly identified. Data should reflect the most recent decennial Census Data, recent American Community Survey information, and/or data provided by third-party providers. Analyst should present detailed discussions of methodologies used to derive estimates or projections. The demographic characteristics section should include, at a minimum:
- a. Total population and household counts for historical census data, current year, and projection for five year growth or anticipated placed in service date
  - b. Population and households characteristics including age, household type, household size, and tenure.
  - c. Income distribution for total households and renter households using Census increments.
  - d. An analysis of trends indicated by the demographic data.
  - e. Historical building permits trends by housing type should be analyzed in the context of recent household trends and projections.
  - f. Summary of any specific demographic trends that that positively or negatively affect rental housing demand.
8. Competitive Environment. The market study should include a comprehensive description and analysis of the rental market serving the primary market area. While the focus of this section should be those properties that are most comparable to the subject property, the scope of the survey/analysis should be sufficient in breadth to evaluate where the subject property fits within the overall rental market. An overview of the City rental market including number of units planned/under construction and recent trends in rents and vacancies should be provided. Analyst should present detailed discussions of methodologies used to derive estimates or projections.

As the tenant-paid rents at rental communities with project based rental assistance (Section 8, Public Housing, USDA) are based on income, they are not generally an accurate representation market conditions. As such, the contract rents and vacancies at these communities should be presented separately of properties without these subsidies in the study.

The competitive environment section should include, at a minimum:

- a. An overview of the primary market area's housing stock including age, condition, structure type, and any identified market trends.
- b. Discussion of recent development activity in the market area including recently constructed rental structures and communities and those planned or under construction in the market area. The market study must include separate estimates of the numbers of rental units in existence, as well as, currently under construction and the numbers of units in the planning and development stages that are likely to enter the housing market during the specified forecast period. These estimates should include all rental units and developments known,

not solely those determined by the analyst to be comparable and competitive. The location of each pipeline community relative to the subject site should be presented. The report should contain estimates of:

- i. The estimated number of rental units in existence in the city, with the justification of estimation, and the sources of data and estimates should be clearly identified.
  - ii. The number of projects currently under construction, expected completion date, the total number of units, unit mix breakdown by bedroom and income target, and structure type.
  - iii. The number of projects in planning stages that are likely to be developed, including but not limited to those with building permits or firm financial commitments, including details on the number of units by bedroom size, rents, locations, and stage of development.
  - iv. Identification of any projects that will specifically compete with the subject property.
- c. Identify the most comparable communities to the subject property and provide a narrative evaluation of the subject property in relation to these communities. Market studies addressing affordable communities should identify the most comparable affordable communities and market rate comparables used for a comparison of rents. The study should explain how these communities were selected as the most comparable and why other projects were excluded.
- d. A survey of a representative sample of rental communities in the market area. The amenities and features of the subject property should be shown in comparison to existing communities in all tables. Information provided for each community should include:
- i. Name, address, occupancy target (senior/general occupancy), year built, condition, and property contact information.
  - ii. Unit mix including number of bedrooms and bathrooms, square footage, and rents.
  - iii. Current occupancy, historical occupancy if available, and absorption history (if recent/available).
  - iv. Waiting lists.
  - v. Current concessions being offered.
  - vi. Unit features including kitchen amenities, utility information (those included and energy source), and other features such as ceiling fans, patios, washer/dryer connections, etc...
  - vii. Community amenities such as recreation, laundry, and parking.
  - viii. Include a map of surveyed communities in relation to the subject site.
- e. Compare and analyze the subject property to the surveyed rental communities in terms of amenities, tenant paid utilities, location, parking, concessions, and rents. This analysis may be refined to include only the most comparable communities.
- f. Present the vacancy rate for the surveyed rental stock. As appropriate, vacancies should be broken up by property classifications and target market, which may include market rate, deeply subsidized (rent based on tenant income), senior, special needs, etc. As available, vacancy data should be provided by bedroom type (unit size).
- i. Vacancy trends should be provided and discussed if available/relevant.
  - ii. Significant seasonal variations in vacancy rates should be discussed if applicable.

- iii. Any vacancy or absorption problems should be identified and discussed, particularly among the most comparable rental communities.
    - iv. Identify any significant variances in vacancy rates that exist among price point, location, bedroom size, product type, target market, etc...
  - g. Absorption experience of recently completed rental developments as available, including units per month estimates for each project, with particular emphasis on comparable and competitive projects that have entered the market within the past 24 months.
  - h. Discussion of the availability and cost of housing options, including purchase or sale of homes, if applicable. The impact, if any, of the single family and condominium market conditions, including an analysis of the cost to rent versus to own, and the impact of foreclosures and of the single-family and condominium rental market.
- 9. Demand Analysis, Capture Rates, and Penetration Rates. The market study should include measurements of potential support of any given product. The analysis should first determine if additional demand exists in the market to support a proposed expansion of the multi-family rental stock. Further, the analyst should address whether sufficient demand or need exists to support to the proposed development.

The demand analysis, capture rates, and penetration rates section should include, at a minimum:

- a. Comment on the overall level of demand for rental housing in the market area based both on net demand for additional rental housing and needs addressing the existing population/housing stock.
- b. Calculate the penetration rate. A penetration rate measures the percentage of income-qualified households needed to fill the subject property, existing competitive units, and proposed competitive units. Given the inclusion of additional properties, the target income range may differ from that of the subject property. A detailed description of how the income range was calculated should be included.
- c. Analyst must evaluate the overall demand and penetration rate analysis and render an opinion on the potential impact of these indicators may have on the subject property.
- d. Compute an estimate of demand for new rental units in the market area. This demand estimate measures rental demand for a three or four year period to coincide with the estimated placed-in-service date of the subject property. As this demand analysis is a measurement of the overall rental market, it is based on the universe of rental housing rather than specific income targets. This demand estimate should consider:
  - i. Renter household growth during forecast period.
  - ii. Recent trends in tenure that may increase/decrease demand for rental units.
  - iii. Replacement of existing rental units from the inventory due to demolition, conversion, housing quality, shifting owner units into the rental market and by other means, and consideration of any current excess vacant supply based on a balanced market vacancy rate.
  - iv. The demand estimate should be presented in terms of the number of rental units needed for the market area to be balanced.
  - v. This gross demand estimate should be reconciled with estimated additions to the rental market (units under construction, approved, or proposed).

10. Analysis/ Conclusions. The analysis and conclusions section of the market study should summarize salient points from each section of the market study used by the analyst to reach the final conclusion.

The analysis and conclusions section should include, at a minimum:

- a. The estimate of the absorption rate for the subject property and the corresponding lease-up period. The absorption period should be based on stabilized occupancy rather than 100 percent occupancy.
- b. Comparison of the proposed developed to comparable rental communities including:
  - i. Unit distribution.
  - ii. Community amenities.
  - iii. Included utilities.
  - iv. Unit features and finishes.
  - v. Unit square footage.
  - vi. Location.
- c. Identification of any significant competitive advantages or disadvantages of the proposed development.
- d. Identification of risks (i.e. competitive properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances.
- e. Discussion of any impact (short/long term) the subject property will have on the overall rental market and comparable rental communities.
- f. The final conclusion of the report should reconcile any conflicting data in the report. For example, experience of comparable properties may indicate less/more demand than indicated in the demand section of the report.

The market study report shall also contain, at a minimum, the following:

1. Date report was prepared, date of inspection and name and telephone number of analyst preparing study.
2. Certifications that state:
  - a. No identity of interest between the analyst and the entity for which the report is prepared.
  - b. Recommendations and conclusions are based solely on professional opinion and best efforts.
2. Certification that recommendations and conclusions are based solely on professional opinion and best efforts.
3. Statement of analyst's qualifications.
4. List of sources for data in the market study that are not otherwise identified.