

**HOME INVESTMENT PARTNERSHIPS PROGRAM
MARKET STUDY HOUSING NEEDS ASSESSMENT
PROGRAM GUIDELINES**

The City of Erie provides funding resources to increase and preserve affordable housing throughout the City. One of these funding sources is the Housing and Urban Development (HUD) HOME Program. Current HUD regulations for the HOME Program require participating jurisdictions (PJs) to ensure adequate need for each project before entering into a legally binding agreement. PJs must follow written policies and procedures for assessing and documenting the market need. These guidelines are in response to these requirements.

The City of Erie requires HOME applicants seeking funds for Homebuyer and Rental projects to submit a Market Study and Housing Needs Assessment with their application. This requirement does not apply to homeowner rehabilitation projects or projects that provide down-payment assistance alone.

Applicants will be required to submit copies of a completed City of Erie Market Analysis, along with all required forms. (See attachment.) The Applicant must ensure that the Analysis is completed accurately and DECD reserves the right to reject any incomplete, falsified/misleading Analysis. DECD may request additional documentation or clarification in reviewing materials submitted by applicants.

The Market Analysis submitted must have been completed within the past 12 months. If the project receives funding from another funding source, and a Market Analysis was required by that funding source, or if a Market Analysis was provided for a comparable project within the same area, the applicant must contact the Grant Administrator, Ms. Debra Smith, prior to the application deadline. The Grant Administrator will review the Comparable Analysis and a determination will be made as to its acceptance.

The City's current Market Analysis forms are attached. Applicants must not deviate from the City's format without prior approval. (Additional response lines may be added.)

OVERVIEW

Prior to executing a legally binding written agreement with a developer for the HOME Investment Partnerships Program (HOME), DECD must: (a) conduct an underwriting review; (b) assess the developer's capacity and fiscal soundness; and (c) examine the developer's Neighborhood Market Study/Housing Needs Assessment (MS/HNA) to ensure adequate need for the proposed project. For item "c," HUD's HOME Rule at 24 CFR 92.250(b)(2), as may be amended, requires the City to assess evidence of *current* market demand for each specific project.

- HOME-assisted Homebuyer and Rental projects that include Acquisition, Rehabilitation, New Construction and/or Downpayment Assistance must submit a MS/HNA based upon the specific project seeking HOME funding.
- MS/HNAs are not required for rehabilitation of owner-occupied housing (92.254(b)) or to HOME-funded downpayment assistance programs (pursuant to 92.254(a)) that do not include HOME-funded development activity.

In accordance with [HUD's CPD Notice 15-11](#), the market analysis must contain adequate information to allow the City assess the following:

- Evaluate general demographic, economic, and housing conditions in the community.
- Delineate the market area by identifying the geographic area from which the majority of a project's tenants or buyers are likely to come. This may or may not coincide with census tract or neighborhood boundaries.
 - Quantify the pool of eligible tenants or buyers in terms of household size, age, income, tenure (homeowner or renter), and other relevant factors. Not all residents of the market area are potential or likely tenants or buyers of any given project.
 - Analyze the competition by evaluating other housing opportunities with an emphasis on other affordable rental developments or sales opportunities in the market area, including those financed through either the HOME program or other federal programs.
 - Assess the market for the planned units and determine if there is sufficient demand to sell the HOME-assisted housing within nine months of construction completion (§92.254(a)(3)) or to rent the HOME-assisted housing within 18 months of project completion (§92.252).
 - Evaluate the effective demand and the capture rate, usually expressed as a percentage (the project's units divided by the applicant pool). The capture rate is the percentage of likely eligible and interested households living nearby who will need to rent units in the proposed project in order to fully occupy it. The lower this rate, the more likely a project is to succeed.
 - Estimate the absorption period. Plan how many units can be successfully leased or sold each month and how long it will take to achieve initial occupancy/sale of the HOME units and stabilized occupancy for the project as a whole.

INSTRUCTIONS

An initial MS/HNA must be submitted to DECD with the HOME application. During the underwriting process, the City may request the developer to provide updated information as the assessment must be performed not less than twelve (12) months prior to the commitment of HOME funds. The HOME Commitment is defined by HUD as the date of the last signature executed on the written HOME agreement.

HUD CPD Notice 15-11 also notes:

- Market studies may not be cost effective for smaller developments. For example, for existing projects where tenants are already HOME-eligible and rents are already within program limits, simplified or in-house market assessments may be more appropriate.
- Assessments for projects serving special needs can often be completed using primary data from service providers whose existing client base will form the primary pool of potential tenants.

The applicant has the option of completing the MS/HNA using an independent market analyst or his/her own resources and available data. The assumptions used in the MS/HNA (e.g. number of units, housing type, unit mix, projected rents, income targeting) must reflect the information contained in the development's underwriting materials submitted to and reviewed by the City. Proposals that include a MS/HNA that is inconsistent with or does not accurately reflect the information submitted in final underwriting materials will be rejected.

The City will consider MS/HNA in other formats if Applicants/developers have completed either a recent analysis for a comparable project within the same geographic area or a recent analysis for the project containing information required by the City. Applicants must contact Debra Smith, Grant Administrator and supply a copy of the comparable analysis for DECD review. DECD will determine whether or not the comparable analysis is acceptable and notify the Applicant of such decisions.

If the MS/HNA is not in the DECD's current format or format specifically approved by DECD; is incomplete; or does not meet provide adequate documentation, **the application may be rejected**. Applications may also be rejected if the proposed development is not supported by an MS/HNA acceptable to DECD or if DECD staff determines that there will be an adverse impact on the marketability of existing affordable housing developments or initiatives in the area. The MS/HNA shall become the property of DECD and may be subject to public dissemination.

Attach the following items on separate sheets:

- A) Street map indicating the proposed site, PMA, SMA, and amenities
- B) Map indicating locations of comparable housing units
- C) Comparable Housing forms
- D) Dated photographs of the proposed site(s) from a minimum of two perspectives
- E) Source data (such as Census Bureau tables) and calculations that support narrative descriptions below

Additional supporting information may be attached and must reference the corresponding question number.

PROJECTS WITH LESS THAN 11 UNITS are not required to answer questions 3, 4, 8, 9, 10, 11, and 14.

DECD will only accept market studies in DECD's current format/question order unless DECD has specifically determined that another study submitted by the Applicant is acceptable.

CENSUS BUREAU DATA *Optional* Resources

To locate PMA estimates, optional data resources are listed below:

1. Go to <https://factfinder.census.gov>
2. On the top blue bar, select "Advanced Search"
3. In the search options to the left, select Geographies to locate an area corresponding to the project PMA (Census Tract, etc.). Select the geographies to add to the "Your selections" area.
4. In the yellow "Refine your search results" area, type associated codes below in the "topic or table name" input box (see screenshot below). When available for the geography, use the most recent five-year estimates.

Vacancy rates: DP04 Select Housing Characteristics

PMA qualified income/ages: B19037 Age of householder by household income

The screenshot shows the American FactFinder search results page. The search criteria include 'Census Tract 2, Erie County, Pennsylvania'. The search results section shows 'Refine your search results' with the topic or table name 'B19037'. A table of results is displayed with columns for ID, Table, File or Document, Dataset, and About. The table contains the following rows:

ID	Table, File or Document	Dataset	About
S0101	AGE AND SEX	2015 ACS 5-year estimates	?
S0601	SELECTED CHARACTERISTICS OF THE TOTAL AND NATIVE POPULATIONS IN THE UNITED STATES	2015 ACS 5-year estimates	?

ADDITIONAL RESOURCES

HUD CPD Maps (includes housing market analysis map layers)

<https://egis.hud.gov/cpdmaps/>

PHFA Inventory of Multi-Family Housing

<http://www.phfa.org/mhp/>

PHFA PA Housing Search

<http://www.pahousingsearch.com/>

HUD Open Data

<https://egis-hud.opendata.arcgis.com/>

CITY OF ERIE

HOME MARKET STUDY &

HOUSING NEEDS ASSESSMENT

FORMS & NARRATIVE QUESTIONS

**MARKET STUDY/HOUSING NEEDS ASSESSMENT (MS/HNA)
CITY OF ERIE – HOME UNDERWRITING**

10/2017 version

Proposed Development Name:
Address (street, city, zip code):
HOME Applicant/Developer:
Applicant Contact Person:
Agency/Analyst Completing this MS/HNA:
Date Study Completed:

The **primary market area** is defined by the following census tract(s) and/or zip code(s).

The **secondary market area** is defined by the following census tract(s) and/or zip code(s).

Total # of units: Est. # of HOME-assisted units:

Unit Type(s):	Bdrm Type	Quantity	Sq. Ft.	Rent
	SRO	_____	_____	_____
	EFF	_____	_____	_____
	1 Bdrm	_____	_____	_____
	2 Bdrm	_____	_____	_____
	3 Bdrm	_____	_____	_____
	4 Bdrm	_____	_____	_____
	5 Bdrm	_____	_____	_____

Expected date of completion:

Project Targeted Income Range(s):

Housing Type (check all that apply):

- Rental Homebuyer Other (describe) _____
- LIHTC Section 8

Target populations (check all that apply):

- Low-Income (all units) Mixed-Income Seniors – min. age: _____
- Special Needs Population – Type: _____
- Other (describe)

Brief project description:

Complete the following questions and attach requested documentation, including supporting data and calculations.

1. Provide a narrative describing **the primary market area (PMA) and secondary market areas (SMA)** and the factors used in making your determination. Describe the proposed site and surrounding area including access to amenities (employment opportunities, hospitals, schools, transportation, etc.). List each census tract or part thereof which comprises the PMA and SMA with specific references the location of the proposed site.
2. Discuss the overall population, household population, and vacancy rates over the past three years for the primary and secondary market areas. Discuss historic (prior three-five years) population trends; plausible future trends; and the potential factors that may be having the most impact on those trends.
3. Provide the age and/or income requirements for the project and estimates of the number of age and income qualified renter and homeowner households for the PMA. If the proposed project has mixed income or age eligibility for units, provide breakouts of households indicating the population type.

PROJECT POPULATION

Ages:
Income(s):
Homebuyers:
Renters:

PMA POPULATION

Age qualified:
Income qualified:
Homeowners:
Renters:

Based on this information, compute the **development specific** PMA capture rate percentage for the qualified households.

Total number of project units ____ divided by the number of *[sum of age & income qualified households in the PMA]* _____ equals a capture rate of ____%.

Compute the **overall PMA's capture rate** percentage, which incorporates both the number of project units proposed and the total of similar properties (general, subsidized, senior, bedroom size, homeless, special needs, etc.) in the PMA. Attach supporting information on estimates for similar properties.

Total number of project units ____ divided by the *[sum of age and income qualified households]* ____ equals an overall capture rate of ____%.

4. Interview and/or survey neighborhood groups, grassroots organizations, local community development corporations, potential tenant populations, or others potentially impacted by the project to determine support, interest and/or opposition to the proposed development. List all people interviewed with contact information and position in the community (resident, nonprofit, etc.). Summarize comments received.
5. Discuss how existing neighborhood plans affect the project positively or negatively, and whether or not the proposed housing development is recommended by such plans.
6. Analyze the suitability of the site(s) for the subject development including accessibility to employment and services and its compatibility with surrounding uses, including economic benefits to the area and/or the proposed residents. Are amenities likely to be needed by the targeted population accessible (transportation, health facilities, schools, etc.)?

7. Discuss the characteristics of the target population for the proposed development in relationship to the PMA. Are various ethnicities, races, migrant workers or refugees likely to be attracted to the area? Will the project promote diversity without contributing to segregation or concentrated population types (ex: race, income, age)? How will the project impact economic diversity in the PMA?
8. List the name and address of all subsidized housing developments within the PMA, including current occupancy levels and number of persons on the waiting list. If the project is directed at homebuyers, list other available subsidized homebuyer programs available in the PMA. Describe any recent deviations in occupancy levels/home sales and size of waiting lists. Provide an analysis of how the project will impact other affordable and subsidized housing programs in the PMA. If the project will be located in an area with a high saturation of subsidized housing or higher poverty rates than neighboring sites, clearly justify the rationale for the site(s) selected.
9. Analyze any change in the number of units available and on the market in the past year within the PMA. Identify how many units have been added to the market and how many have been demolished.
10. Discuss the availability of affordable housing options, including home ownership opportunities for the target population. Describe the age, condition, etc. of housing, and the extent of vacant, foreclosed and abandoned housing and other buildings within the primary market area. If possible, identify any substandard housing in the primary market area.
11. Discuss the short and long-term impact that the subject development may have on existing and/or proposed affordable market rate, Tax Credit, and subsidized housing located within the PMA. List the properties and identify the current occupancy and number of persons on the waiting list for these properties.
12. Complete a minimum of three of the attached **Comparable Housing Survey** forms. List market rental comparables (no income restrictions) within the PMA. *Do not use rent subsidized developments.* If comparables cannot be located, a thorough explanation must be provided and report what type of rental housing is available in the market. Attach a map identifying the location of the subject and comparables.

Summarize the unassisted market rent for each unit size from the Comparable Housing Survey Forms.

<u>Unit Size</u>	<u>Rent</u>	<u>Tenant Paid Utilities</u>	<u>Adjusted Market Rent</u>
One-bedroom	\$ _____	+ \$ _____	= \$ _____
Two-bedroom	\$ _____	+ \$ _____	= \$ _____
Three-bedroom	\$ _____	+ \$ _____	= \$ _____
Four-bedroom	\$ _____	+ \$ _____	= \$ _____

13. Compute the Pricing Advantage of the subject development's proposed rents to the Adjusted Market Rent.

<u>Unit Size</u>	<u>Subject Rent</u>	<u>Adjusted Market Rent</u>	<u>Pricing Advantage*</u>
One-bedroom	\$ _____	\$ _____	\$ _____ %
Two-bedroom	\$ _____	\$ _____	\$ _____ %
Three-bedroom	\$ _____	\$ _____	\$ _____ %
Four-bedroom	\$ _____	\$ _____	\$ _____ %

**Calculated by subtracting the Subject Rent from the Adjusted Rent and dividing the difference by the Subject Rent.*

14. For Rehabilitation Projects only: Discuss demand for market rate units, waiting lists, increase in these units; any increases in area income, rents, property values; and new economic development/employment opportunities. Discuss if this project is a likely candidate to convert to market rate rental and not be affordable to existing residents.
15. Estimate the absorption period. What is the estimated timeframe for units to be successfully leased or sold?
16. Describe how the housing project aligns with the Erie County Regional Analysis of Impediments. <http://emerge2040.org/wp-content/uploads/2015/06/Erie-County-RAI-March-2015.pdf>

Submitted:

_____	_____
Date	Name (type or print)

	Title

	Firm/Agency

	Address

	Phone Number

	Fax Number

	Email

COMPARABLE HOUSING SURVEY FORM

Date: _____

Name of Property: _____

City: _____ Zip Code: _____

Address: _____

Distance from Subject Property: _____

Is it within Primary Market Area: Yes_ No_____

Building Type: _____ Walk-up _____ Row/Townhouse _____ Elevator

Age of the Property: _____

Contact: _____

Telephone No. of Contact: _____

	Type of Service (gas, elec., etc.)	Included in Rent			Included in Rent		List the appliances provided with the unit:
		Yes	No		Yes	No	
Heat	_____	_____	_____	Water Sewer	_____	_____	_____
Hot Water	_____	_____	_____		_____	_____	_____
Cooking	_____	_____	_____		_____	_____	_____
A/C	_____	_____	_____		_____	_____	_____
Unit Lighting	_____	_____	_____		_____	_____	_____

Number of Units	Number of Bdrm/Bath	Square Feet	Rent	Occupancy or Vacancy (%)	Number on Waiting List
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Identify any special characteristics or amenities of the comparables:
