Market Analysis FAQ (4/2021)

**1) What rules govern the market analysis?**

Most of the rules that apply to market studies are located in the Market Analysis Rules and Guidelines in §11.303.

Application prioritization for capture rate calculations is outlined in the QAP 11.201(6)(A)**.**

Capture rate limits and feasibility are discussed in the Underwriting Rule §11.302 (i)(1) Gross Capture Rate, AMGI Band Capture Rates, and Individual Unit Capture Rate.

**2) What’s the difference in gross demand, AMGI band demand, and unit demand?**

Gross demand includes all income and size qualified households from smallest and lowest income household up to the largest and highest income household.

AMGI band demand takes the gross demand and the market analyst eliminates the overlaps between the AMGI bands by deciding where to “draw the line” and divide the overlapping income bands. Each household is included in only one AMGI band. *All of the AMGI band demands should add up to the gross demand.*

Unit demand requires the market analyst to apply a household distribution matrix and determine which households qualify to live in the specific units at the subject property; and that each household can only physically occupy one unit. *Qualified unit demands add up to less than the gross demand* because it includes only those households that are specifically qualified to live in specific units. (Gross demand overstates overall demand because it includes households with size/income combinations that do not actually fit the criteria for any particular unit.)

**3) In reference to** §11.303 (d)(10)(E)(iv) “proposed and Unstabilized Comparable Units that are located in close proximity to the subject PMA if they are likely to share eligible demand or if the PMAs have overlapping census tracts. Underwriter may require Market Analyst to run a combined PMA including eligible demand and Relevant Supply from the combined census tracts; the Gross Capture Rate generated from the combined PMA must meet the feasibility criteria as defined in §11.302(i),” **how will staff determine if a property outside the PMA will be included in capture rates?**

If a competitive property’s PMA overlaps with Subject’s PMA, that means they are sharing qualified demand and “fishing from the same pond” to lease their tax credit units. The competitive units of the overlapping PMA could be included in the demand calculation.

In cities/populous areas, Staff will look at the surrounding properties with applications from the last two years and see if their PMA’s overlap with Subject’s. If a project is already in lease-up, it is very likely to be stabilized before the Subject units start leasing, so we won’t include those units.

In rural areas, Staff is more likely to include any competitive property with an overlapping PMA that is not stabilized since the census tracts are less populous, rural PMA’s are usually large, and lease-up can be slower.

Market analysts are welcome and encouraged to discuss possible issues with Staff when drafting their market studies.

**4) How do I find competitive properties or competitive applications to include in my capture rate calculations?**

All TDHCA underwriting reports are published on the TDHCA website (<https://www.tdhca.state.tx.us/rea/index.htm> ). They are separated into three different groups:

1. Upcoming Board Meeting Underwriting Reports

2. The most recent 9% cycle of Underwriting Reports

3. Underwriting reports (previous 9% and 4% Underwriting Reports)

As for competitive applications prior to award, ask the applicant if they are aware of any other tax credit applications or recent awards in the PMA of their proposed development.

Tax Exempt Bond/4% HTC applications that have been received by the Department can be found on the Department website:

<https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-4pct/index.htm>

Applications for bond reservations can be found on the Bond Review Board website (<http://www.brb.state.tx.us/pab/pab_resources.aspx> ). The bond reservation date helps establish priority for capture rate calculations as discussed in 11.201(6)(A)**.**

For 9% applications, the scoring/priority for awards will not be known before Market Studies are due. TDHCA program review/scoring of the 9% applications will just be starting when the Market Studies are due. You can look at 9% application log posted on the 9% page to get an idea of 9% applications in the area, but you will not know for sure which will have priority over the Subject. <https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm>

Staff will include the high scoring competitive 9% applications in their capture rate calculations at the time of underwriting, regardless of whether they were considered by the Market Analyst.

If a bond deal has a reservation date prior to the 9% application deadline, the bond deal has priority over the 9% applications.