



CONNECTICUT
HOUSING FINANCE
AUTHORITY

The Key To Affordable Housing

Connecticut Housing Finance Authority

Appraisal & Market
Study Guidelines

August 2016

**CONNECTICUT HOUSING FINANCE AUTHORITY
APPRAISAL & MARKET STUDY – GUIDELINES**

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CONNECTICUT HOUSING FINANCE AUTHORITY APPRAISAL & MARKET STUDY GUIDELINES

INTRODUCTION

Connecticut Housing Finance Authority (CHFA) requires appraisals and market studies for the purposes of lending and allocating various federal and state resources. The intent of these Guidelines is to provide an overview with respect to measuring and evaluating the value of real estate being considered for CHFA mortgage financing and/or an allocation of Low-Income Housing Tax Credits (LIHTCs).

APPRAISALS

The appraisal may provide as-is market values of unimproved, vacant land and existing properties. The as-improved value of the real estate post-construction or rehabilitation will inform the prospective value of the property considering the finished scope of work, rents and operating expenses at the time of completion.

BASIC REQUIREMENTS

An acceptable appraisal is a Self-Contained Comprehensive Appraisal Report; the most current editions of The Appraisal Foundation's Uniform Standards of Professional Appraisal Practice (USPAP); and, is completed by a Certified General Real Estate Appraiser licensed by the State of Connecticut. For developments with CHFA financing or programmatic funding, the appraiser must additionally be on CHFA's list of pre-qualified appraisers.

APPRAISAL PURPOSE

The principal purpose of the appraisal is to estimate both the market value and the investment value of a property. The definition of market value shall be consistent with USPAP requirements and these Guidelines. The appraisal will be used by CHFA to help underwrite the risk and evaluate the security for the loan as well as for the allocation of resources.

FORM OF APPRAISAL

The Self-Contained or Comprehensive Appraisal Report is a detailed, narrative form appraisal to evaluate residential and commercial income property. Residential and commercial income property includes all buildings that contain: a) one or more non-residential income producing units, b) five or more residential rental dwelling units, or buildings containing one to four residential units that are part of a larger development, or as defined in programmatic requirements; or, c) a combination of non-residential income producing units and residential rental dwelling units. Appraisals of residential and

commercial income properties must be in a narrative form consistent with CHFA requirements and the appraisal standards of the USPAP requirements and should include, but not be limited to, the following elements:

- An "as is" estimate of value including a separate land value;
- An opinion of the highest and best use of the property;
- The appraiser's certification;
- The appraiser's assumptions and all contingent and limiting conditions of the appraisal (as well as special situations, unusual variables, and/or evidence of deterioration or obsolescence);
- A detailed description of the property and the market area in which the property is located;
- A legal description of the site;
- A description of any zoning restrictions, special assessments of record, and easements and covenants of record;
- A three-year sales history of the site;
- Physical information about the development including site width, frontage and depth, available utility connections and restrictions, contour, topography and landscape features and unusual site features;
- Pictures of the building and site;
- Pictures of comparable sales and location map for rental and sales comparables;
- A final opinion of market value derived from income valuation, sales comparison, or cost methodologies; and
- A final opinion of investment value utilizing a discounted cash flow approach.

VALUATION METHODS

Traditional appraisals use one of three methodologies to determine value: income method, sales comparison method and cost method. Each has particular issues when used for the valuation of affordable housing. Appraisers will exercise their professional judgment as to the appropriate valuation methodologies for the particular property being appraised.

Income Method

Regulated affordable housing properties typically have restrictions on their use, operation, or distribution of income to the owner. Some properties were developed utilizing defunct housing programs making it unlikely that the property can be replicated. Due to these circumstances, the income method may often be the most, or even the only, appropriate valuation method. Even with this method, appraisers exercise appropriate discretion regarding these approaches. For example, direct capitalization¹ is well suited for properties expected to have stable net operating income (NOI) while a discounted cash flow analysis² may be better for properties that could have fluctuating NOI due to changes in the rental income stream.

¹ To estimate value with direct capitalization, a property's stabilized NOI is divided by the market capitalization rate.

² Discounted cash flow analysis requires estimates of each year's NOI along with the subject property's expected reversion value at the end of the analysis period.

Generally, CHFA will require the Income Method approach for existing properties.

Sales Comparison Method

The sales comparison method is based upon the principle that an investor will not pay more to purchase a property than it will cost to purchase a comparable substitute property. The objective of this approach is to deduce from sales of comparable properties the amount that the property under evaluation would bring on the open market. Appraisers shall take care that selected comparables are truly comparable in their tenancy, market position, location, affordability restrictions, and other relevant variables such as distribution limitations.

Generally, CHFA will require the Sales Comparison Method approach for unimproved, vacant land.

Cost Method

The cost method should be utilized, including estimate of land value, regardless of the age of the property. Replacement value must be based on cost estimates that reflect the general level of costs necessary to build a similar development in new condition. The appraisal must include references for the sources of cost data used by the appraiser. This may include cost service index references or development cost estimates through analysis of comparable square footage construction cost data.

Because the cost method is not reliably applicable to affordable housing properties, appraisers should consult CHFA staff if planning to rely on the cost method in the valuation process.

VALUATION TYPES

Appraisals for CHFA should provide the following values as part of the valuation report based on information provided by CHFA:

As-Is Value

The “as-is” value is the market value of the property in its current physical condition considering any income, zoning, or use restrictions in place at the time of the valuation. If applicable, a summary of emergency or essential repairs shall be provided by CHFA to the appraiser for consideration in the value. The acquisition price of the property in the development budget should not exceed the lesser of the appraised value or the purchase price. When the actual rent supporting development operations is lower than the market or restricted rent in the applicable area, the lower of the market or restricted rent shall be used for the as-is valuation.

A separate as-is vacant “land only” value should also be provided and supported by an analysis, with justification, separate and apart from the valuation of the improvements. The value of the land included in the development budget should not exceed the lesser of the appraised value or the purchase price. When the acquisition price of the land and improvements exceeds the appraised value and the “lower of” standard is used, the land value may not be pro-rated.

In instances when more land is being acquired than proposed for a particular development, the as-is value for the land may be prorated provided it will not be restricted as open space. A development

with excess land should segregate the value of the excess land and exclude it from acquisition in the development budget.

Prospective Value (“As-Improved”)

The prospective value is generally a capitalized valuation providing the as-improved market value estimate of the projected value of the property post-construction or post-rehabilitation based on the following:

- Proposed and completed scope of work (as documented by the construction plans and specifications);
- The use of a market rate estimate for any unsubsidized or non-affordable units;
- For affordable units, the lower of market rents or the proposed subsidized rent;
- An operating expense estimate proposed by market/historical operating expenses; and
- Any special financing (e.g., below market interest rates, government grants, etc.).

Please note that if the local market rents are below the maximum LIHTC rents, the local market rent must be utilized in the valuation analysis. If the local market rent is equal to or greater than the maximum LIHTC-restricted rent, the maximum LIHTC rent must be used in the analysis. If the local market rent is below the restricted rent, the local market rent becomes the basis of the gross potential income to be utilized in the analysis.

Investment Value

Investment value presents the value of a specific property to a particular investor. As used in appraisal assignments, investment value is the value of a property to a particular investor based on that person’s (or entity’s) investment requirements. In contrast to market value, investment value is value to an individual, not necessarily value in the market place.³

TIMING AND DELIVERY

Generally, CHFA anticipates that an appraisal will be delivered within 4-6 weeks from the latter of a) receipt by the appraiser of all relevant information in order to commence the assignment or b) the signing of the letter of engagement. It is the responsibility of the owner or owner’s authorized representative to provide CHFA with complete and accurate information in a timely manner.

APPRAISAL UTILIZATION FOR LIHTC-ONLY PROPOSALS

For proposals seeking an allocation of LIHTCs only, CHFA may utilize an applicant’s appraisal provided it: 1) meets CHFA’s Supplementary Criteria requirements (attached herein as Exhibit A); 2) meets the as-is value standard contained herein including a separate value for the land; and 3) the report is less than 12 months old at the time of the carryover allocation agreement. CHFA may require the appraiser to update its existing appraisal to match these criteria or may order an additional appraisal. The cost of the updated appraisal will be paid for by the applicant.

³ *The Appraisal of Real Estate, 13th ed., pp. 28-29*

For appraisals dated more than 12 months prior to the carryover allocation agreement, the appraiser may provide an updated letter if there are no material changes to the development, market, and the update meets USPAP and CHFA requirements.

APPRAISAL UPDATES

CHFA may request an updated appraisal in certain circumstances, including but not limited to: the original appraisal is more than 12 months old, or; the original scope of work for which the appraisal was ordered has materially changed. In the event that CHFA deems that an appraisal must be updated, the cost of such update will be borne by the owner.

For more questions or concerns regarding these Guidelines, please contact:

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For a summary of CHFA's Multifamily Underwriting Guidelines, please click [here](#) or visit www.chfa.org.

MARKET STUDIES

CHFA requires an independent, professional market study on all multifamily rental housing developments being considered for CHFA mortgage financing, and for all developments in receipt of an allocation of LIHTCs. In developments where the applicant's sponsor is a not-for-profit and the multifamily rental housing development contains fifteen (15) apartments or less, or benefits from project-based rental assistance for the entire development, then CHFA may determine that the market analysis required as part of the prospective appraisal valuation required under Sec. A-8 will be sufficient so as to not require a separate market study, or CHFA may accept a market analysis prepared by an acceptable alternative source. A hard copy of the market analysis must be submitted to CHFA to be held on file.

For 9% LIHTC transactions without CHFA lending, only a market study is required. In transactions not involving CHFA financing, CHFA may elect, at its own discretion, to accept a market study provided by the applicant. In all instances, the market study should meet the requirements outlined in the Supplementary Criteria for Market Study Reports (attached herein as Exhibit B). In addition to identifying the client ordering the market study and the project developer, the market study should identify CHFA as the intended user of the market analysis report. A copy of the market study will be kept on file by CHFA.

Applicants shall make full payment for the market study in advance. This payment is non-refundable.

RECOMMENDED STANDARDS

The accepted CHFA market study should follow CHFA's Supplementary Criteria requirements (as noted above and in Exhibit B) and the Model Content Standards for Rental Housing Market Studies established and adopted by the National Council of Housing Market Analysts (NCHMA).

This model content includes:

1. Concise description of the site and the immediately surrounding area/surrounding land uses;
2. Summary of the subject development, including the proposed targeted population to be served;
3. Summary of economic conditions;
4. Project description and support of the defined primary market area;
5. Summary of key demographic data;
6. Summary of competitive market conditions;
7. 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;
8. 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;
9. 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;

10. 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; and,
11. 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.

SCOPE OF THE ASSIGNMENT

The scope of the assignment will typically be a Comprehensive Market Analysis Full Narrative Report. If circumstances warrant a less detailed report such as Summary Report or Market Advisory Report, it will be specifically requested by CHFA.

TIMING AND DELIVERY

Generally, CHFA anticipates that a market study will be delivered within 4-6 weeks from the latter of a) receipt by the market study analyst of all relevant information in order to commence the assignment or b) the signing of the letter of engagement. It is the responsibility of the owner or owner's authorized representative to provide CHFA with complete and accurate information in a timely manner.

MARKET STUDY UPDATES

CHFA may request an updated market study in certain circumstances, including but not limited to: the original market study is more than 12 months old, or; the original scope of work for which the market study was ordered has materially changed. In the event that CHFA deems that a market study must be updated, the cost of such update will be borne by the owner.

For more questions or concerns regarding these Guidelines, please contact:

Joe Voccio
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EXHIBIT A
SUPPLEMENTARY CRITERIA
FOR
COMPLETE SELF-CONTAINED APPRAISALS

1. Appraisal reports shall be in writing and authored/signed **only** by General Certified Real Estate Appraisers in the State. Photocopies of current license certifications of appraisers performing and signing the appraisal report shall be included as exhibits in appraisal reports.
2. No party shall provide significant professional assistance to the Appraiser's Principal Appraiser who authors and signs the appraisal report.
3. A statement must be included in the Appraisal Report that the appraisal is prepared in conformance to the Uniform Standards of Professional Appraisal Practice (USPAP).
4. For existing developments, the Appraiser's principal appraiser shall personally perform a thorough, physical inspection of the Development, which inspection shall include, but not be limited to, a review of the Development's exterior, its common areas and at least one of each of the representative unit types. For proposed developments, the Appraiser's principal appraiser shall personally visit the site and perform a thorough review of the proposed Development's plans and specifications.
5. If, in the Appraiser's reasonable opinion, an appraisal assignment is/becomes substantially dissimilar to that which was understood by the Appraiser pursuant to this Agreement, then the Appraiser shall immediately notify CHFA in writing and not proceed further until receiving guidance/direction from CHFA.
6. The appraisal report shall clearly define if a fee simple estate or a leased fee estate is being appraised.
7. The Appraiser shall separate the "Land Only As-Is" Value of the Development from the As-Is Building Value in the final report. The Appraiser shall provide separate figures for each, along with justification and support for such differentiation. The As-Is Value is the current market value of the property in its current physical condition, which value should be based on, among other things, consideration of any income, zoning, or use restrictions in place at the time of the valuation.

8. When verifying government subsidized contract rents for the Development, if any, or any development used as a comparable property (either sale or rental), the Appraiser shall not rely solely on information provided by a property owner, but shall provide independent verification.
9. The Appraiser shall include a highest and best use analysis that shall be thoroughly supported by economic facts contained in the appraisal report, which should consider among other things the “consistent use” methodology that assumes that the land cannot be valued on a different basis than the existing improvements on the property.
10. The Appraiser shall provide regional and neighborhood data in the appraisal report. Any statistics supporting such information shall be analyzed and related to the Development by the Appraiser in the appraisal report.
11. The Appraiser shall include current census tract data, with maps, in the appraisal report. The Appraiser shall thoroughly analyze census data rental statistics and relate such data to all estimated value conclusions.
12. The appraisal report shall contain a three (3) year history of the Development. If the Development has been on the market “for sale” within the past three (3) years, then the Appraiser shall include an analysis of the Development’s asking price and any price adjustments (increases and/or reductions) thereto. If the Development is under contract for purchase/sale, or if an option to purchase the Development exists, then the Appraiser shall include an analysis of the contract/option price and/or option agreement and the terms and conditions thereof.
13. The appraisal report shall contain a study of the Development’s market including data that supports the Appraiser’s analysis of the Development’s market conditions. Data shall be provided to concur with the analysis regarding declining, stable or appreciating market conditions. The appraiser shall analyze and report on current market conditions and trends that will affect estimates of income or absorption to the extent they affect the value of the subject property.
14. The appraisal report shall include the amount of the Development’s annual real and personal property taxes and any past due taxes. The Appraiser shall comment on the reasonableness of the Development’s assessment, its relationship to the assessments of comparable properties, assessment trends, and the timing of the municipality’s next revaluation. The Appraisal shall include, as an exhibit to the appraisal report, complete photocopies of the municipality’s tax field cards for the Development.

15. The Appraiser shall base its estimated value(s) of the Development on existing zoning and the current income and use restrictions in place at the time of the valuation; however, the Appraiser may, if considered reasonable, also value the Development based upon alternate zoning that is likely to be obtainable within a reasonable period of time. If an alternate zoning scenario is considered by the Appraiser in developing one (1) or more estimates of the Development's value, then the Appraiser shall state in the appraisal report its rationale, probability, and estimated timeframe for obtaining such alternative zoning. If a multifamily zoning exists or is considered a reasonable alternate, then the Appraiser is strongly encouraged to incorporate a per unit value estimate.
16. The Appraiser shall include copies of all zoning, site, wetlands, topographical, and flood maps applicable to the Development in the appraisal report.
17. The appraisal report shall include the Appraiser's opinion of the Development's positive and negative attributes and conditions, including but not limited to any known or disclosed adverse environmental circumstances, and those of surrounding and/or competing properties. The Appraiser shall analyze the impact of such attributes and conditions on the Development's value(s) as presented in the appraisal report. The Appraiser's "due diligence" in the discovery of any environmental hazards at the Development shall be fully disclosed by the Appraiser in the appraisal report.
18. The Appraisal report shall include a statement that it is a "complete and self-contained" report. The appraisal report shall be self-contained thereby enabling CHFA to clearly understand the Appraiser's conclusion(s) of the Development's value(s) without having to reference any other documents. Any studies and/or reports referenced in the appraisal report but prepared by others shall be independently verified by the Appraiser to the extent that such studies and/or reports may impact any of the Appraiser's assumptions or conclusions contained in the appraisal report.
19. The appraisal report shall include detailed cost estimates to resolve any observed deferred maintenance or essential repairs, to correct any known or disclosed code violation(s), and/or to remedy curable, functional obsolescence at the Development. The Appraiser shall specify whether such associated expenses have been considered in determining the Development's estimated value(s). The Appraiser shall independently verify the reasonableness of any cost estimates provided by third parties for such repairs, alterations, or capital improvements to the Development. Analyses performed by the Appraiser to verify or invalidate such third parties' cost estimates shall be included in the appraisal report.
20. A minimum of three (3) color photographs of the Development's exterior (front, rear, street or location view) and a minimum of three (3) color photographs of the Development's interior

shall be included in the appraisal report. Additionally, color photographs of each of the Development's amenities, to include but not be limited to an on-site management/leasing office, community center, pool, recreation areas/facilities, laundry facilities, etc., shall be included in the appraisal report.

21. Any favorable or detrimental conditions on or near the Development shall be photographed, noted, analyzed, and included in the appraisal report.
22. The appraisal report shall include a minimum of one (1) exterior color photograph of each property that is referenced as being a "comparable" (closed sales, listings, or rentals) to the Development.
23. The appraisal report shall include location maps of the Development and all comparable properties (closed sales, listings, or rentals) referenced in the appraisal report. Such maps shall be clearly reproduced and the properties' locations on such map(s) shall be readily identifiable.
24. The appraisal report shall contain a minimum of three (3) comparable closed sales; however, CHFA prefers that the Appraiser incorporate more than the minimum required comparable closed sales in the appraisal report. All comparable closed sales contained in the appraisal report shall be verifiable, and the Appraiser's source of the cited parameters associated with such comparable closed sales shall be identified in the appraisal report.
25. If the Appraiser references a "pending" comparable sale in the appraisal report, then such "pending" comparable sale may only be used as a fourth or additional comparable sale in addition to the referenced minimum requirement.
26. If the Appraiser includes a sale that closed more than three (3) years prior to the date of this Agreement as a comparable closed sale, then such "dated" comparable closed sale may only be used as a fourth or additional comparable sale to the referenced minimum requirement. The Appraiser shall include an adequate and thorough explanation as to why such "dated" comparable closed sale remains a "valid" comparable.
27. The appraisal report shall contain detailed adjustment analyses of all comparable sales and comparable rentals. The Appraiser shall place particular emphasis on the location, neighborhood, design, unit mix, curb appeal, property rights transferred, terms of sale, conditions of sale, condition of property, and any additional features important to the particular circumstances of the property being considered as comparable to the Development.

28. The appraisal report shall contain detailed comparable (closed sales, listings, or rentals) adjustment grids and the Appraiser shall properly account for all adjustments, in proper sequence, for each comparable property contained in the appraisal report. The Appraiser shall individually factor and clearly define and delineate all adjustments for comparable closed sales, listings, and/or rentals.
29. Any adjustment patterns applied by the Appraiser shall be consistent. Any condition adjustment of a comparable closed sale or rental property shall be made in relation to the Development's condition, NOT to the sale or adjusted sale price. The Appraiser's use of, or failure to use, a time adjustment shall be explained, consistent with market conditions stated in the appraisal report.
30. If a competing property deemed by the Appraiser to be superior to the Development is on the market "for sale" at an asking price that is equal to or less than the Appraiser's opinion of the Development's "as-is" value (on a per unit basis), then the Appraiser shall analyze such value conclusion and substantiate/justify such asking price differential in the appraisal report.
31. The Development's historical income and operating expenses shall be reviewed for reasonableness, and any unusual trends or exceptions shall be noted by the Appraiser. The Appraiser shall review the Development's other income sources, to include any commercial income, for reasonableness and shall incorporate such other income in its projections only if the Development's historical operating statements and current market conditions demonstrate the future feasibility for such other income on an ongoing basis. Similarly, the Appraiser shall make no special adjustments to its estimate of the Development's future operating expenses due to a particular owner's management expertise or economies of scale associated with management and/or ownership of multiple properties and an ability to receive discounts due to bulk purchasing potential. The Appraiser shall consider any unique circumstances (i.e., income producing equipment (such as washers or dryers) owned by the Development) when projecting the Development's reserve for replacements, the amount of which reserve shall, at a minimum, be in accordance with CHFA's current Guidelines.
32. When using the income approach to calculate the Development's value(s), the Appraiser shall fully explain/justify its methodology/rationale in determining the overall capitalization rate applied to the Development's net operating income (NOI).
33. When using the discounted cash flow (DCF) approach to determine the Development's value(s), the Appraiser shall fully explain/justify its methodology/rationale in determining (i) the discount rate(s) applied to the Development's annual net cash flows, (ii) the reversionary capitalization rate(s) applied to the Development's NOI in the reversion year, and (iii) the magnitude(s) of projected transaction costs occurring in the reversion year. DCF analyses shall incorporate a

minimum holding period of ten (10) years (fifteen (15) years for transactions with LIHTCs) unless otherwise directed in writing by CHFA.

34. The Appraiser shall identify and thoroughly discuss any personal property, fixtures and/or intangible items that are not real property but which may affect the Development's value(s). The Appraiser shall separately analyze and thoroughly discuss any factors that may result in intangible property rights/restrictions with associated benefits/burdens in relation to the Development's real property rights.
35. The Development's valuation date shall be clearly stated in the appraisal report (e.g., "prospective market value is expected to be as of...", or "leased fee estate estimate of market value as of...").
36. A complete copy of the Agreement, inclusive of the Supplementary Criteria, shall be included as an exhibit in the appraisal report.

Revised (6/16)

**EXHIBIT B
SUPPLEMENTARY CRITERIA
FOR
MARKET STUDY REPORTS**

1. Market study reports shall be in writing and authored/signed by an authorized officer and the principal market analyst specified in this Agreement. Photocopies of the Market Analyst's professional credentials shall be included as exhibits in the market study report. Members of the Market Analyst's clerical and/or support staff shall not sign or initial a market study report on behalf of the authorized officer or principal analyst who authored the market study report.
2. No party, including but not limited to a trainee, shall provide significant professional assistance to the principal market analyst who authors and signs the market study report unless the Market Analyst receives CHFA's prior written approval for such professional assistance. Subcontracting of the market study assignment, or any portions thereof, is expressly forbidden without CHFA's prior written consent.
3. If the Development is an existing property, then the principal market analyst shall personally perform a thorough, physical inspection of the Development, which inspection shall not be limited to a review the Development's exterior, including its common areas and at least one of each of the representative unit types. If the Development is proposed new construction, then the principal market analyst shall personally visit the site and perform a thorough review of the proposed Development's plans and specifications.
4. The Market Analyst shall verify with CHFA's staff Underwriter that the Market Analyst has received and is incorporating the most current underwriting model for the development in the market study.
5. If, in the Market Analyst's reasonable opinion, a market study assignment is/becomes substantially dissimilar to that which was understood by the Market Analyst pursuant to this Agreement, then the Market Analyst shall immediately notify CHFA in writing and not proceed further until receiving guidance/direction from CHFA.
6. When verifying government subsidized contract rents, if any, for the Development or any development used as a comparable property, the Market Analyst shall not rely solely on information provided by a property owner. The Market Analyst shall independently verify such rental income and any anticipated decreases/increases thereof with the mortgagee's asset manager, or comparable representative, monitoring such development. The Market Analyst shall identify the source's name, title, employer, and telephone number of such information in the market study report with respect to the Development.

7. The Market Analyst shall provide regional and neighborhood data in the market study report. Any statistics supporting such information shall be analyzed and related to the Development by the Market Analyst in the market study report.
8. The Market Analyst shall include current census tract data, with maps, in the market study report. The Market Analyst shall thoroughly analyze census data rental statistics.
9. The analysis of the Development's market shall include, but not be limited to, the following:
 - a. Market Area Definition: The geographic boundaries for the Development's primary and secondary market areas shall be defined and supported with a detailed rationale for the inclusion (or exclusion) of specific geographic areas. Delineation of the Development's primary and secondary market area boundaries shall be based on specific information gathered by the Market Analyst through, but not limited to, telephone interviews with selected local and regional planning agencies, realtors, competitive facilities, and other referral sources and real estate professionals. The market study report shall contain maps identifying the Development's primary and secondary market areas, to include a summary of zip codes contained in each such market.
 - b. Demographic Analysis: Historic patterns and projected trends shall be summarized for national, New England, the State, county, and the Development's primary and secondary markets. The demographic analysis shall address trends (growth/stable/decline) for population, income, and family composition. The Market Analyst shall utilize alternative demographic data sources in addition to the Census Bureau.
 - c. Economic Profile and Projections: The national, New England, the State, county, and the Development's primary and secondary market's economy shall be evaluated, to include trends, current economic profiles, employment characteristics, and retail purchasing patterns. The Market Analyst shall analyze and summarize the Development's current market conditions and any trends thereof that may affect the Development's estimated income, expenses, or absorption.
 - d. Comparables and Competition: Competitive strength of existing and any proposed new and/or rehabilitated multifamily properties in the Development's primary and secondary markets shall be summarized including, but not be limited to, the following:
 - i. Property name with complete street address;
 - ii. Name of property's owner, property manager, contact person, and contact person's telephone number;
 - iii. Design type (i.e., contemporary, colonial, garden, mid-rise, high rise, etc.);

- iv. Number of total units, number of each unit type, and representative floor plans for each unit type;
 - v. Utilities including an estimated cost of each utility type for each unit type and a statement as to whether each such utility is paid by the tenant or landlord;
 - vi. Appliances provided;
 - vii. Amenities (i.e., community center, pool, recreation areas, laundry facilities, etc.);
 - viii. Current occupancy/vacancy and historic occupancy/vacancy (prior five (5) years, if available);
 - ix. Current rents (per unit type and per square foot); and
 - x. Rental subsidies.
- e. Trend Analysis and Rate of Residential Rents: An in-depth analysis for New England, the State, county, and the Development's primary and secondary market area's rental rate trends shall be analyzed, to include a comparison of rental rates proposed for the Development in comparison to such trends. If the Development contains any commercial or retail space(s), then such analysis shall also include an analysis of the trends/proposed rentals for these spaces.
- f. Market Support Area Analysis: The range of market support for the Development throughout the Development's primary and secondary market areas shall be evaluated. Vacancy rates for the primary and secondary market areas shall be identified.
- g. Absorption Analysis: The Market Analyst's conservative, most probable, and optimistic absorption rate estimates between the commencement of lease-up and sustained occupancy shall be identified.
- h. Site and Development Program Analysis: The Development's geographic location and the site's physical characteristics, proposed architectural design, site configuration, amenity package, unit mix, and any other intrinsic features required for the Development to effectively compete at its optimum level shall be evaluated.
- i. Summary: The Market Analyst shall include a summary of its market data with supporting conclusions regarding the Development's overall feasibility.

- j. Exhibits: The market study shall include charts, graphs, rental grids, maps, and photographs of the Development, its neighborhood, etc.
10. The market study report shall include the Market Analyst's opinion of the Development's positive and negative attributes and conditions, including but not limited to any known or disclosed adverse environmental circumstances, and those of surrounding and/or competing properties. The Market Analyst shall analyze the impact of such attributes and conditions on the Development's marketability without having to reference any other documents. Any studies and/or reports referenced in the market study report but prepared by others shall be independently verified by the Market Analyst to the extent that such studies and/or reports may impact any of the Market Analyst's assumptions or conclusion contained in the market study report.
11. The market study report shall be "complete and self-contained" thereby enabling CHFA to clearly understand the Market Analyst's conclusion(s) regarding the Development without having to reference any other documents. Any studies and/or reports referenced in the market study report but prepared by others shall be independently verified by the Market Analyst to the extent that such studies and/or reports may impact any of the Market Analyst's assumptions or conclusions contained in the market study report.
12. A minimum of three (3) color photographs of the Development's exterior (front, rear, street or location view) and a minimum of three (3) color photographs of the Development's interiors shall be included in the market study report. Additionally, color photographs of each of the Development's amenities, to include but not be limited to an on-site management/leasing office, community center, pool, recreation areas/facilities, laundry facilities, etc., shall be included in the market study report.
13. Any favorable or detrimental conditions on or near the Development shall be photographed, noted, analyzed and such color photographs shall be included in the market study report.
14. The market study report shall include a minimum of one (1) exterior color photograph of each property that is referenced as being a "comparable" to the Development.
15. The market study report shall include location maps of the Development and all comparable properties referenced in the market study report. Such maps shall be clearly reproduced and the properties' locations on such map(s) shall be readily identifiable.
16. The market study report shall contain detailed adjustment analyses of all comparable rental properties. The Market Analyst shall place particular emphasis on the location, neighborhood, design, curb appeal, condition of property, and any additional features important to the particular circumstances of the property being considered as comparable to the Development.
17. The market study report shall contain detailed comparable adjustment grids and the Market Analyst shall properly account for all adjustments, in proper sequence, for each comparable

property contained in the market study report. The Market Analyst shall individually factor and clearly define and delineate all adjustments for comparable rentals.

18. Any market adjustment patterns applied by the Market Analyst shall be consistent. The Market Analyst's use of, or failure to use, a time adjustment shall be explained, consistent with market conditions stated in the market study report.
19. A complete copy of this Agreement, inclusive of the Supplementary Criteria, shall be included as an exhibit in the market study report.

Revised (6/2016)