

## New Web Site Lists Potential LIHTC Development Sites

A MISHAWAKA, IN firm is launching a new Web site that lists sites in high-cost areas available for development of low-income housing tax credit (LIHTC) projects.

The new site, QCTSites.com ([www.qctsites.com](http://www.qctsites.com)), is scheduled to “go live” on 6/1/08, according to founder Kyle Bach, president and CEO of Mecca Companies, Inc., a real estate firm. Bach said subscriptions permitting access to detailed information on the site will be free for the first year; afterwards, a subscription fee will be charged. A beta version of the site has been up and running.

The new site contains information and data in report form on specific sites – land and existing apartment buildings, including historic structures – available for purchase and located in a qualified census tract (QCT) or difficult development area (DDA). QCTs and DDAs are high-cost areas under the LIHTC program in which projects qualify for an extra 30% in housing credit.

Bach said the Web site will contain a variety of information and a sales price for each site, including a description of the property, demographic information, a market “snapshot” of the locality, zoning information, applicable fees, proximity to key services and amenities, and an estimate of how the site scores against the site selection criteria in the state’s LIHTC qualified allocation

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## Changed Conditions Increase Need for, Impact, Market Studies, Site Selection

THE MARKET STUDY IS A KEY PART of the development process for a low-income housing tax credit (LIHTC) project.

Generally prepared by a qualified market analyst, this document provides a reasoned judgment of whether or not a proposed LIHTC project is likely to be successful, based on an analysis of a wide variety of collected information and data – about the project, site, surrounding neighborhood, market, local population, employment and income, rents and housing costs, and competing apartment properties.

State housing credit agencies (HCAs) require a market study for all new LIHTC projects. A number of state HCAs have adopted requirements based on model standards developed by the National Council of Affordable Housing Market Analysts, that contain recommendations for the content and preparation of market studies. (*For details, visit <http://www.housingonline.com>.*)

The market study is more important today for proposed LIHTC projects and more challenging to prepare, according to market analysts and others interviewed by the *Tax Credit Advisor*. Changes from a year ago include an economic downturn in the U.S. overall and in many local markets, sharply lower housing credit prices and a shortage of available tax credit equity, increased unemployment, rising home foreclosures and vacant homes, and a big hike in the price of gas. These factors can affect the market study for a proposed LIHTC project, project viability, and site selection.

### Current Trends

One new trend in market studies is a “lot more concern, a lot more due diligence being paid to the market study by users,” said Bethesda, MD market analyst Blair Kincer, a partner in the national accounting and consulting firm of Novogradac & Company LLP. Kincer said more individuals and firms that before didn’t order their own market study are now ordering them, including developers, syndicators, lenders, and equity investors. Given the sharp drop in credit pricing, shortage of equity, and other factors, he indicated the market study has become more popular and scrutinized because developers want to make sure they have a good project that will be able to attract equity, while lenders and finance sources want a market study they can have confidence in.

Another trend is “more and more scrutiny” by state housing credit agencies of market studies for proposed housing credit projects, said Columbus, OH market analyst Rob Vogt, of VWB Research. Kincer also said state agencies are asking for more information in the market study. Texas, for example, has begun to ask for a discussion of the density of multifamily housing within certain geographic areas, he noted.

Some sources suggested the rising number of foreclosed and vacant

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plan. Also included will be a proposed site plan for the property prepared by an architect retained by Bach's firm, municipal contact information, maps, applicable utility allowances, available financial incentives (e.g., tax abatement, state tax credits, location in an empowerment or enterprise zone), and other information.

*QCTs and DDAs are high-cost areas under the LIHTC program in which projects qualify for an extra 30% in housing credit.*

"We provide all the necessary information to quantify a financially and developmentally feasible transaction," Bach told the *Tax Credit Advisor* in an interview.

Bach said the Web site will list sites his firm has verified are available for purchase and over which his firm has control, typically through an option. He told the *Tax Credit Advisor* that about 50 sites are already posted on the site, and anticipated about 150 new sites will be posted each year. A bidding process will be used to sell each listed site.

Bach, a former real estate developer, said the Web site is designed to save LIHTC developers significant time and money in finding viable sites for new projects. He noted his firm's research found it takes on average roughly 50 hours, at a cost of about \$12,500, to identify and quantify one LIHTC development opportunity. ■

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acquisition/rehab projects often make more sense today than new construction; construction costs per unit are generally less, and, he added, "a lot of acquisition/rehabs are at points in their lives where the existing partners would like to be out of them and may be willing to recognize more changes in the marketplace than just pure land sellers."

Some sites may be not apparent at first. For example, in Westchester County, NY, an affluent, high-cost suburb of New York City, the county is exploring the possible development of affordable housing on land in underutilized office business parks. (*To view study, [http://www.westchestergov.com/pdfs/HOUSING\\_OfficeParkHousingStudy20080313.pdf](http://www.westchestergov.com/pdfs/HOUSING_OfficeParkHousingStudy20080313.pdf)*).

Madison, WI CPA Michael Kendhammer, a principal in the accounting and consulting firm of Suby, Von Haden & Associates, S.C., advised developers in trying to find a viable site for an LIHTC project to "work more closely with the local municipalities on where the [housing] needs are and where the growth patterns are in a market."

Kendhammer said a trend in Wisconsin is a growing choice by some developers of smaller and rural communities in the state as sites for new LIHTC projects. He said often "big box" firms are opening stores in these communities, which attract "linkages" like health care, shopping, and banking facilities, which in turn draw new residents. "What yesterday was a cornfield is now a prime location" for a new multifamily or single-family development,

Kendhammer noted.

One developer doing this is Paul Gerrard, one of the family owners of the La Crosse, WI-based Gerrard Corporation, which develops affordable and market-rate rental and owner-occupied housing, plus commercial real estate.

Gerrard, whose firm has developed several LIHTC projects, indicated he specializes in developing projects in small Wisconsin communities "that are next to a large metropolitan area, but being discovered by folks coming out of urban downtowns. They want a little bit different quality of life for their family or their parents." He said several years ago his firm noticed a pattern of young families with good jobs in a major city, deciding to live in these smaller outlying communities – "beyond the suburbs" – and being followed by their parents and grandparents.

One current LIHTC project by Gerrard Corporation is a 24-unit development in Hudson, WI, a fast-growing community of 10,000 close to Minneapolis-St. Paul. "They have been getting big box retailers, they have very good jobs, they have a strong growing economy," Gerrard said. He described the new project as a "cottage-style" apartment complex made up of fourplexes and eightplexes where each unit will have a garage. "It really simulates a home – it's not your central corridor building," Gerrard noted. In addition to housing credit equity, funding sources include federal HOME program funds and a Rural Development Section 538 guaranteed loan subsidized by interest credit. ■