

NEED AND DEMAND ANALYSIS  
FOR THE HARWOOD PLACE II APARTMENTS  
IN  
FRONT ROYAL, VIRGINIA

Prepared for  
Harwood Place II VA LLC  
for submission to  
Virginia Housing

Virginia Housing Application: 2026-C-57

As of January 5, 2026

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## A. EXECUTIVE SUMMARY

The site of the proposed Harwood Place II Apartments is to the north of East Criser Road and to the west of Remount Road to the south and east of Front Royal. There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

Of the 41-unit total, five units will be targeted to households with incomes up to 30 percent of the median, 16 units will be targeted to households with incomes up to 50 percent of the median, five units will be targeted at the 60 percent level, and the remaining 15 units will be targeted at 80 percent of the median, and therefore qualify the apartments for low income housing tax credit status.

Given that the project will include units targeted to households with incomes in excess of 60 percent of the local area median income, income averaging is applied. Thus, the average target income, overall, cannot exceed 60 percent of the median.

Employment in 2024 - the most recent annual report shows employment at 21,291. Employment decreased by 1,041 between 2019 and 2020 as a consequence of the COVID-19 pandemic (where unemployment reached as much as 11.4 percent in April, 2020). Prior to 2020, employment grew quite consistently on an annual basis, and employment levels are currently above pre-COVID levels.

In Warren County the most recent annual unemployment rate for the County is 2.7 percent, similar to that of the previous year, and the year before that. This pattern is paralleled at the state and national level over this period.

The market area for the proposed development is Warren County.

The population of the market area is projected to increase from 42,027 in 2026, to 43,198 in 2031. The number of households is projected to increase, from 15,940 in 2026, to 16,497 in 2031. The number of renter households in the market area is projected to increase from 3,826 to 3,959 over the 2026 to 2031 projection period.

There are relatively few apartment complexes located in the Front Royal Area. These include properties financed with low income housing tax credits, and subsidized housing for very low income households and few market rate properties.

Based on our survey, there is a market-wide occupancy rate of 96.2 percent - with the occupancy at the tax credit property being 95.8 percent.

Total demand is seen to amount to 1,494 units. The net demand is for 1,449 units.

Consideration of the capture rate (2.8 percent) and the (2.3 percent) affordability analysis capture rate and (11.4 percent) penetration rate suggests that the proposed development is marketable, as proposed.

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated five-month period, or so.

The proposed development will not have an impact on existing housing in the area.

The proposed development is considered marketable and can be developed as proposed.

Astoria data:

Project Wide Capture Rate, LIHTC units: 2.8 percent

Project Wide Capture Rate, market units: n/a

Project Wide Capture Rate, all units: 2.8 percent

Project Wide Absorption Period (Months): five-months

## B. INTRODUCTION AND SCOPE OF WORK

This report is a professional market analysis of the need and demand for the proposed development.

The report is prepared for Harwood Place II VA LLC for submission to Virginia Housing.

The report is designed to satisfy the underwriting criteria of the reviewing agency for which it was performed, and the conclusions, based on the results of our research, experience, and expertise reflect the predicted ability of the project, as presented to us, to meet or exceed that reviewing agency's guidelines. Thus, a positive conclusion does not necessarily imply that the project would be found to be feasible or successful under different underwriting standards, and this study does not necessarily incorporate generally accepted professional market study standards and elements pre-empted by the guidelines set out by the reviewing agency.

The report was completed using professional market techniques. The findings of this study are predicated upon the assumption that the proposed development, as presented to us, will be located at the site described in the report, that it will be funded through the program under which it was prepared, and within the stated projection period.

Further, the findings are based on the assumption that once funded, the complex will be well-designed, well-marketed, and professionally managed.

The site of the proposed apartments was visited on January 5, 2026.

The site was visited by T. Ronald Brown.

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis. The President of the firm is T. Ronald Brown. Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland. He has 40 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last three decades or so, Mr. Brown has produced more than 3,000 studies in at least 20 states, predominantly in the Southeast.

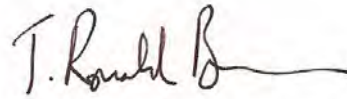
Mr. Brown is responsible for the analysis and write-up of this report – performing the role of both analyst and author.

To the best of our knowledge, this report is an accurate representation of market conditions. While due care and professional housing market study techniques were used, no guarantee is made of the findings.

It is stated that we do not have, nor will have in the future, any material interest in the proposed development, and that there is no identity of interest between us and the party for whom the project was prepared. Further, we state that the payment of the fee is not contingent upon a favorable conclusion, nor approval of the project by any agency before or after the fact. The payment of the fee does not include payment for testimony nor further consultation.

Submitted, and attested to, by:

T. Ronald Brown, President  
T. Ronald Brown: Research & Analysis  
P.O. Box 18534  
Asheville, North Carolina 28814-0534  
919.612.5328

A handwritten signature in black ink, appearing to read "T. Ronald Brown", with a long horizontal flourish extending to the right.

Date: March 7, 2026

C. PROJECT DESCRIPTION

The Harwood Place II Apartments will comprise 41 units - 18 two-bedroom units and 23 three-bedroom units. The project is new construction.

The project is to be configured as follows:

	<u>Units</u>	<u>sq. ft</u>	<u>Rent</u>	<u>Targeting*</u>
2 bedroom/1 ½ bath	5	950	\$549	less than 30 percent
2 bedroom/1 ½ bath	13	950	\$1,017	less than 50 percent
3 bedroom/2 bath	3	1,125	\$1,159	less than 50 percent
3 bedroom/2 bath	5	1,125	\$1,429	less than 60 percent
3 bedroom/2 bath	15	1,125	\$1,779	less than 80 percent

\* percentage of area median income

Of the 41-unit total, five units will be targeted to households with incomes up to 30 percent of the median, 16 units will be targeted to households with incomes up to 50 percent of the median, five units will be targeted at the 60 percent level, and the remaining 15 units will be targeted at 80 percent of the median, and therefore qualify the apartments for low income housing tax credit status.

There is no project based rental assistance.

Given that the project will include units targeted to households with incomes in excess of 60 percent of the local area median income, income averaging is applied. Thus, the average target income, overall, cannot exceed 60 percent of the median.

Utilities (excluding trash collection) will be paid by the tenant - utility allowances are \$153 for the two-bedroom units, and \$191 for the three-bedroom units. Based on information supplied by the developer, the proposed apartments will meet energy-saving standards, both for construction and for appliances provided.

The property will feature a single three-story building, which will have an elevator. The building will have a combination exterior, with brick. Common area and site amenities include a business center, community room, and laundry. The property will offer various enhancements, as per Virginia Housing guidelines.

There will be 90 parking spaces.

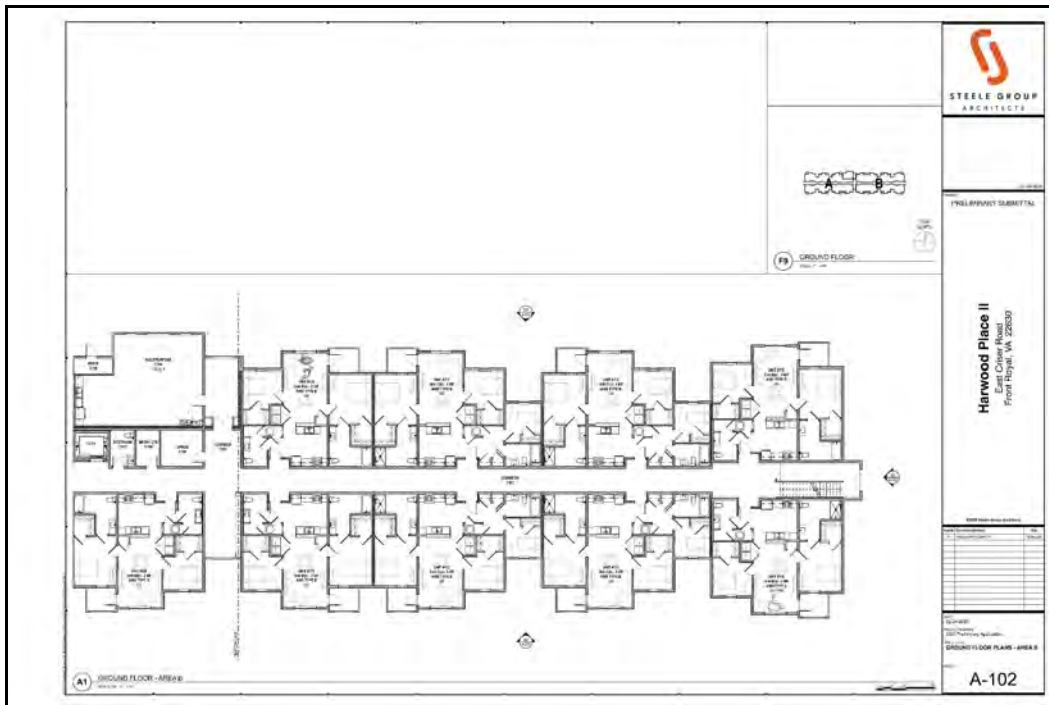
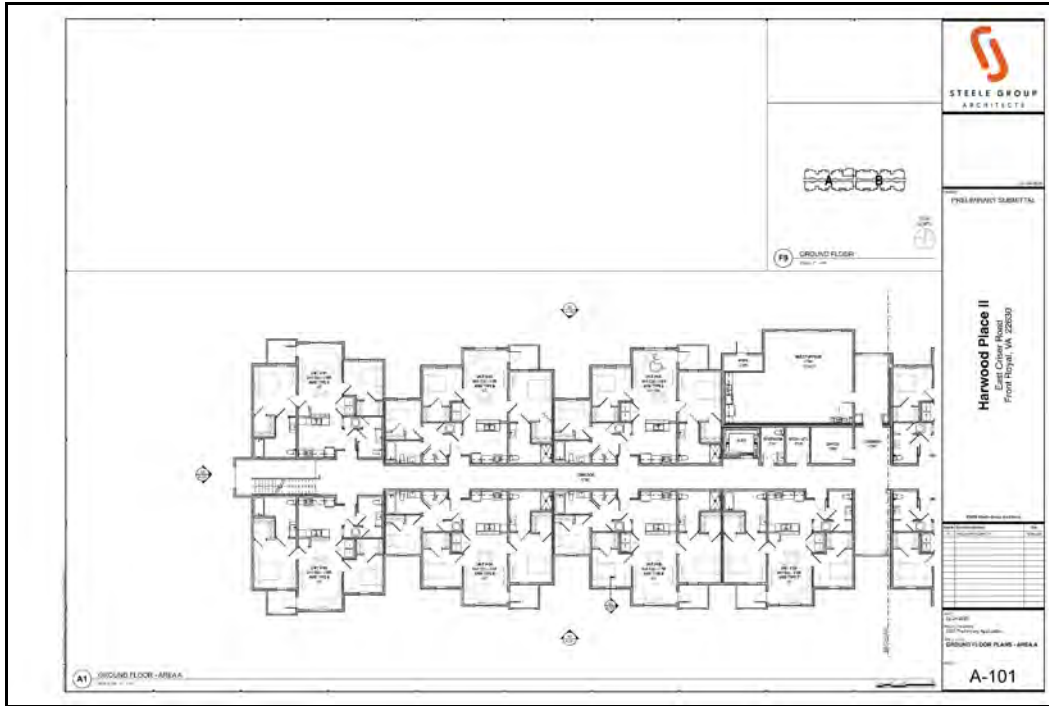
It is understood that the construction program would commence in June, 2027 and would be completed by September 2028.

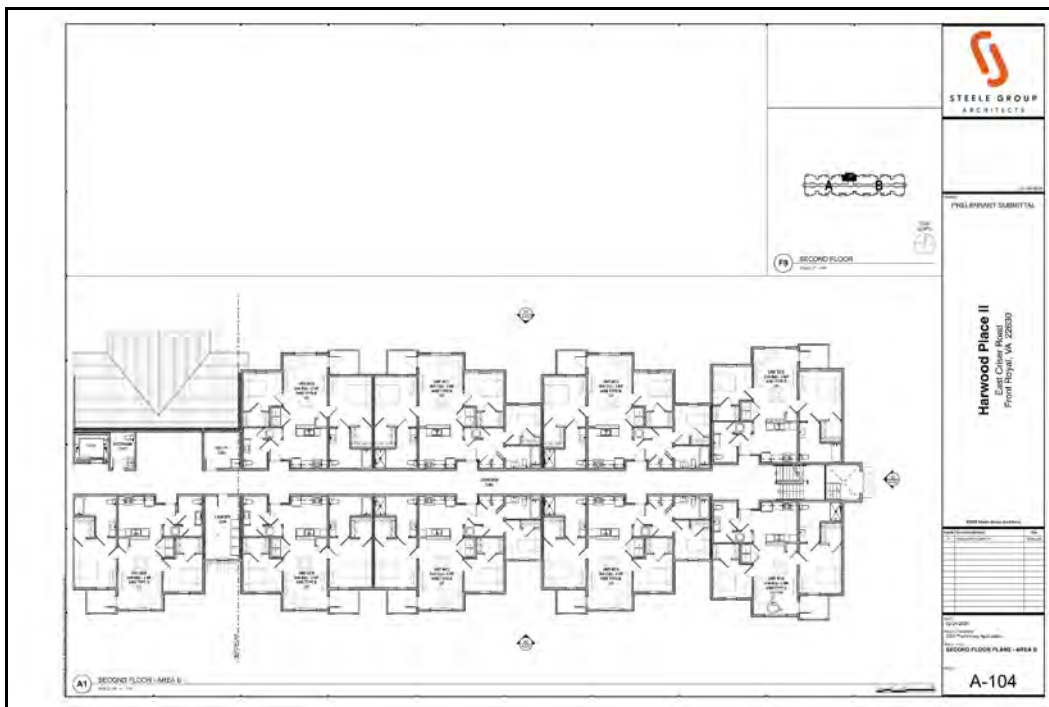
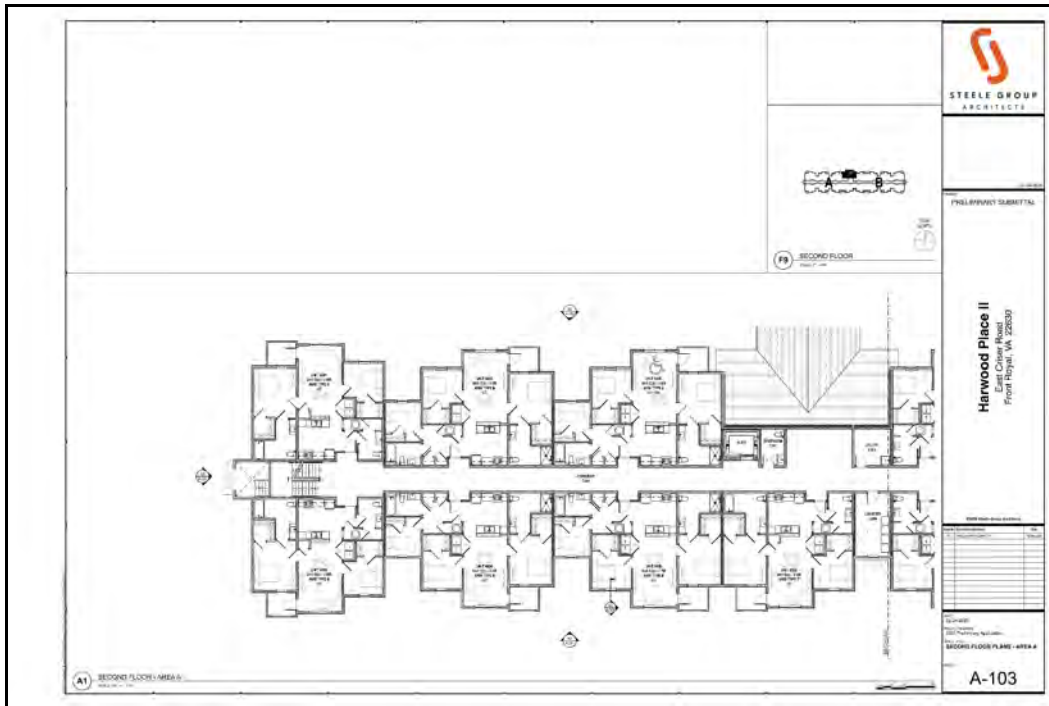
Representative architectural drawings are set out on the following pages.

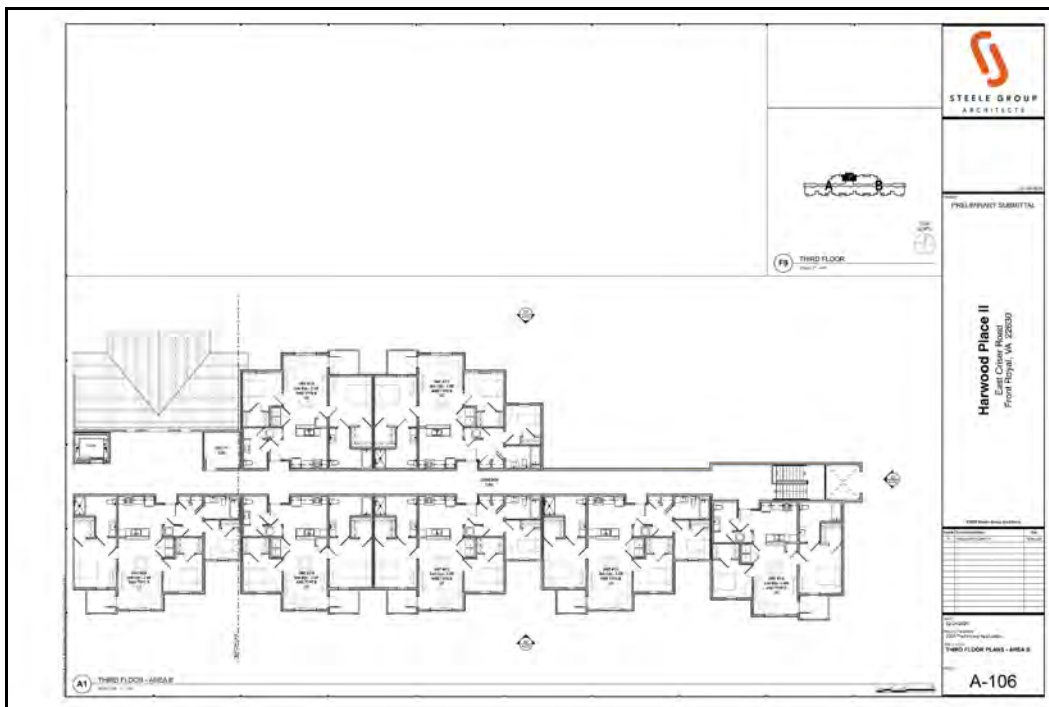
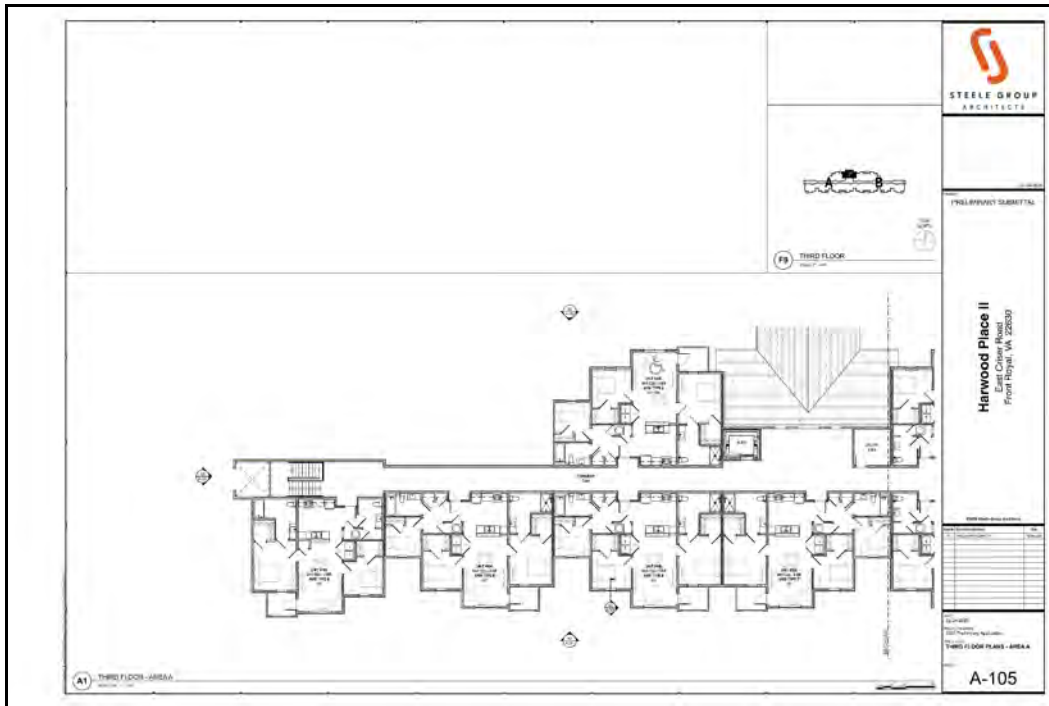
Site plan



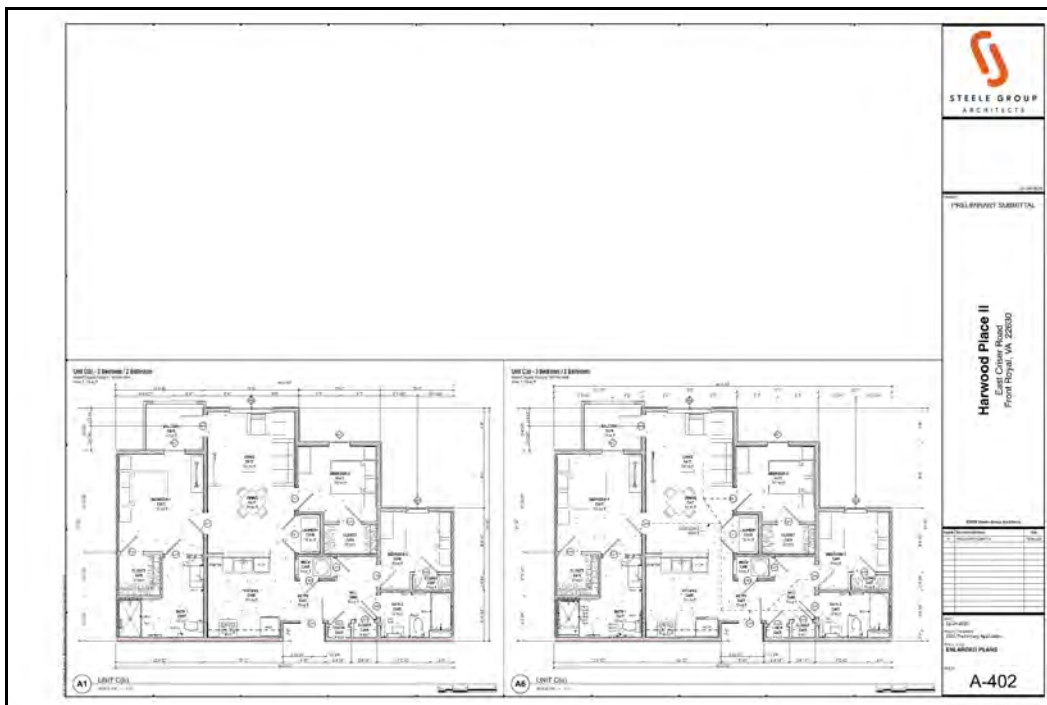
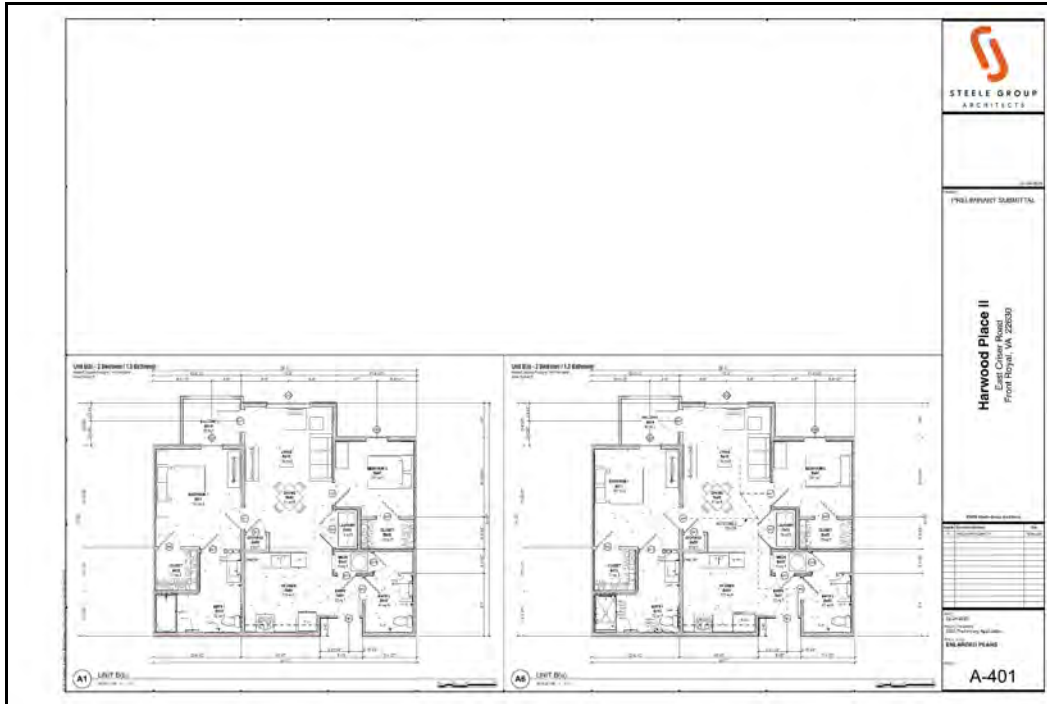
Floor plans







Unit plans







## D. LOCATION

The site of the Harwood Place II Apartments is adjacent and to the north of the site of the Harwood Place development - to the north of East Criser Road and to the west of Remount Road to the south and east of Front Royal. Construction has yet to begin on the Harwood Place complex. Access will be off East Criser Road. Adjacent properties include the Samuels Public Library and the Brooks Burrell Park. The Royal Plaza shopping center is to the north of the site. Two schools are located to the west of the Library and the Royal Arms Apartments are located across East Criser Road from the schools and the Library. The site is relatively flat and is mostly cleared.





View on property



View on property



View towards Royal Plaza shopping center



View onto site from behind shopping center



View onto site at entrance



View of Brooks Burrell Park



View towards Samuels public library



View east on E Criser Rd., at entrance to site



View west on E. Criser Rd., at entrance to site



View across E. Criser Rd., from entrance to site

The site is to the north of East Criser Road and to the west of Remount Road to the south and east of Front Royal. Access to the site, from East Criser Road, is good.

Given the site location and its situation, the site is less visible than it would be if it were directly on East Criser Road.

Access from the site to major thoroughfares, shopping, schools, and other local services is good.

The site is located one tenth of a mile from Remount Road - US 522 - a major north-south thoroughfare serving Front Royal It is within two-thirds of a mile of US 340 - South Royal Avenue, and is within four and one half miles of Interstate 66.

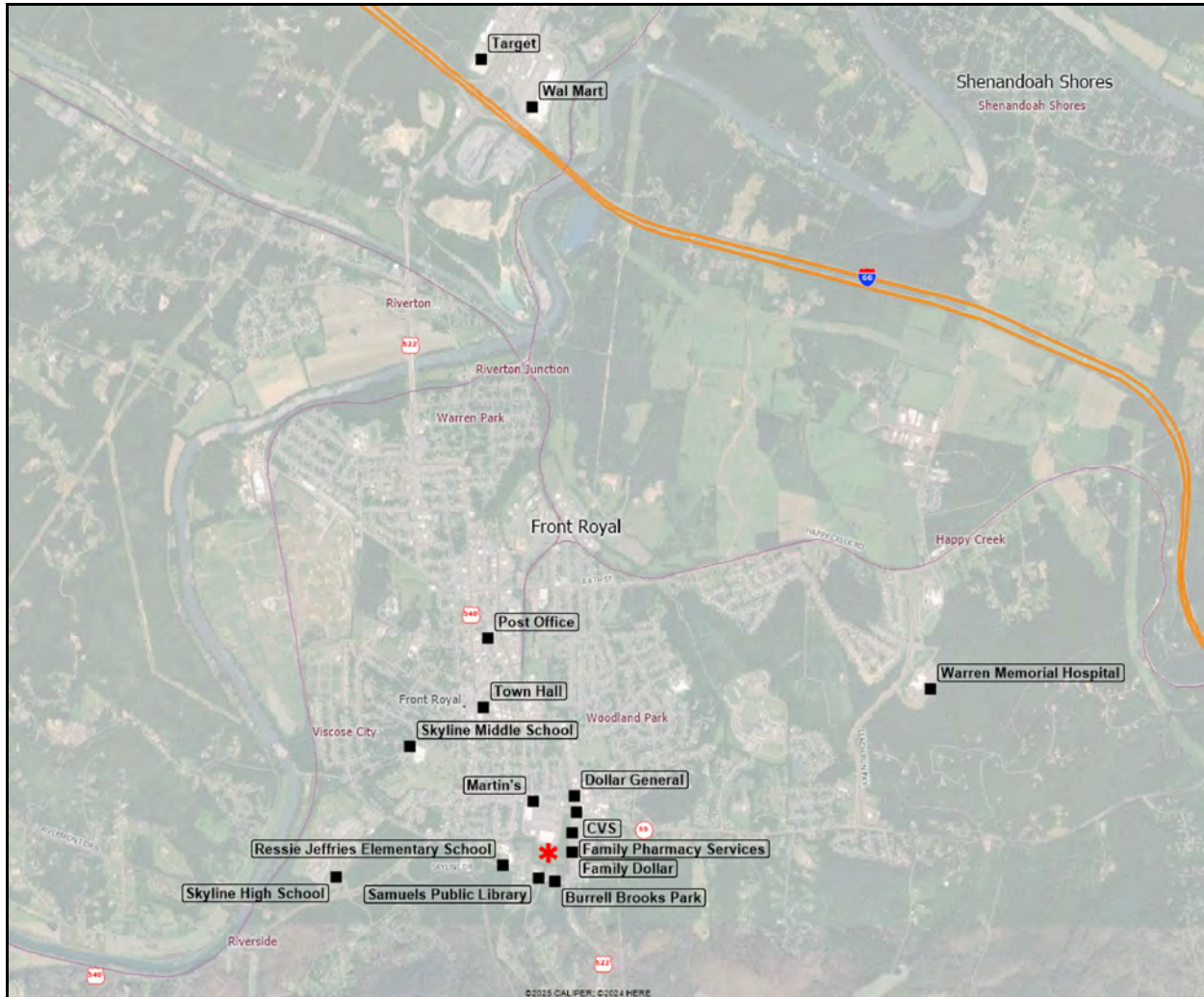
The closest grocery shopping is a Martin's supermarket located in the Royal Plaza shopping center which is at the intersection of Remount Street and South Street a three-quarter mile drive from the site (although that center does back up to the site). Other shopping in that area includes a Dollar General store, a CVS pharmacy, the Family Pharmacy Services drugstore and a Family Dollar store. A Wal Mart Supercenter and a Target store are located approximately five and one half miles from the site north of Interstate 66.

The site is adjacent to the Samuels Library and the Burrell Brooks Park. The Ressie Jeffries Elementary School is adjacent to the Library. These facilities are served by a Royal Trolley bus stop.

As noted, an elementary school is in the vicinity of the site, and the Skyline Middle School and Skyline High School are within one- and one-half miles of the site.

The site is within three and half miles of the Warren Memorial Hospital, and associated medical services.

The site is within two miles of the shopping, government and other services located in the Front Royal downtown area.



The following table illustrates the noteworthy community amenities serving the site and the (driving) distance to the site.

Table 1 - Distance to Neighborhood and Community Amenities

<u>Category</u>	<u>Neighborhood/Community Amenity</u>	<u>Distance (miles)</u>
Highways	US 522 Remount Road	0.1
	US 340 South Royal Avenue	0.6
	I 66	4.5
Bus Stop	Fort Royal Trolley South Loop	0.1
Retail - Grocery	Martins	0.7
Retail - Other	CVS	0.6
	Family Pharmacy	0.5
	Family Dollar	0.3
	Dollar General	0.8
	Target	5.3
	Wal-mart	5.5
Medical	Warren Memorial Hospital	3.5
Recreation	Burrell Brooks Park	0.1
Schools	Ressie Jeffries Elementary School	0.2
	Skyline Middle School	1.4
	Skyline High School	1.2
Post Office	Fort Royal	1.6
Government	Front Royal City Hall	1.2
Library	Samuels	0.1

Source: T.Ronald Brown: Research & Analysis

Based on our observations during our site visit, there is no reason to expect that the risk of crime in this neighborhood would be greater or less than that for other parts of the market area.

There are no apparent physical, environmental, or other constraints upon the construction and marketing of the proposed project at this location.

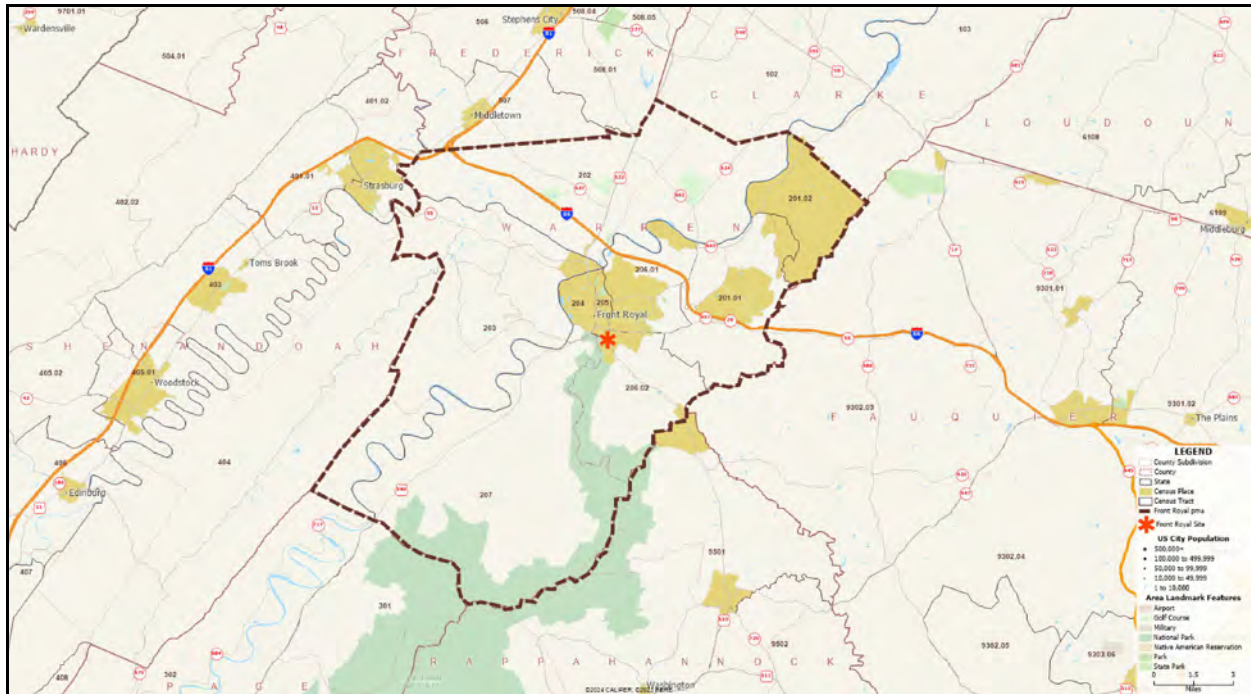
The site is considered marketable.

## E. MARKET AREA DEFINITION

Market areas are defined on the basis of the consideration of many inter-related factors. These include consideration of the site location, consideration of socio-demographic characteristics of the area (tenure, income, rent-levels, etc.), local commuting patterns, physical (or other) boundaries, census geographies, and especially the location of comparable and/or potentially competing communities.

In communities such as county seats where that community is the county's largest community and is centrally located and can draw from the entire county, the county may be the market area. In circumstances where there are potentially competing communities in one county, the market area will be that part of the county (and, potentially, portions of adjacent counties) which the proposed development is most likely to draw from. In urban or suburban markets, the market area will be areas adjacent to the site and will extend to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project. Here combinations of census tracts, may be used to define the market area.

The proposed development is located to the south and east of Front Royal in northern Virginia. The market area for the proposed development is Warren County. This area is focused on the site of the proposed development and extends to an approximately six- to ten-mile hinterland. The market area, as defined, therefore is that which constitutes the area adjacent to the site of the proposed development and extends to all locations of relatively similar character, and with residents or potential residents likely to be interested in the project.



## F. EMPLOYMENT AND ECONOMY

The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general.

### Employment trends

Employment trends for Warren County are illustrated in the table, below. Employment in 2024 - the most recent annual report shows employment at 21,291.

Employment decreased by 1,041 between 2019 and 2020 as a consequence of the COVID-19 pandemic (where unemployment reached as much as 11.4 percent in April, 2020). Prior to 2020, employment grew quite consistently on an annual basis, and employment levels are currently above pre-COVID levels.

Table 2 - Total Employment

		Change over previous year	
		<u>number</u>	<u>percent</u>
2015	18,754		
2016	18,764	10	0.1
2017	19,184	420	2.2
2018	19,677	493	2.6
2019	19,978	301	1.5
2020	18,937	-1,041	-5.2
2021	19,536	599	3.2
2022	20,475	939	4.8
2023	21,143	668	3.3
2024	21,291	148	0.7

Source: Bureau of Labor Statistics

## Employment trends, by sector

Information on employment, by industry for Warren County in 2023 and 2024 (the most recent annual data) is set out in Table 2, below. From this it is seen that, with respect to employment, the largest subsector is retail trade - employing 14.8 percent in the most recent year. Other significant subsectors are manufacturing, healthcare, and accommodation and food services - each employing more than 10 percent of the total.

Table 3 - Employment, by sector

	2023		2024		pct change
	number	percent	number	percent	
Agriculture, Forestry, etc Mining, etc.			120	1.1	
Utilities					
Construction	746	6.4	755	6.6	1.2
Manufacturing	1,326	11.3	1,383	12.1	4.3
Wholesale trade			87	0.8	
Retail trade	1,680	14.4	1,681	14.8	0.1
Transp. and Warehousing	1,341	11.5	1,233	10.8	-8.1
Information	67	0.6	58	0.5	-13.4
Finance and Insurance	266	2.3	244	2.1	-8.3
Real estate	76	0.6	88	0.8	15.8
Professional and Technical services	374	3.2	397	3.5	6.1
Management	105	0.9	116	1.0	10.5
Administrative and Waste services	1,069	9.1	666	5.9	-37.7
Educational services	755	6.5	766	6.7	1.5
Health Care and Social Assistance	1,455	12.4	1,479	13.0	1.6
Arts, Entertainment, Recreation	219	1.9	213	1.9	-2.7
Accommodation and Food services	1,440	12.3	1,467	12.9	1.9
Other Services	458	3.9	483	4.2	5.5
Unclassified	53	0.5	67	0.6	26.4
<b>Total (private)</b>	<b>11,699</b>		<b>11,383</b>		<b>-2.7</b>

Source: Bureau of Labor Statistics

## Unemployment trends

Unemployment trends for Warren County are illustrated in the table, below. Rates for Virginia and for the U.S. as a whole are also shown, for reference. Here it is seen that the most recent annual unemployment rate for the County is 2.7 percent, similar to that of the previous year, and the year before that. As can be seen, this pattern is paralleled at the state and national level over this period.

Table 4 - Unemployment trends

	<u>Warren County</u>	<u>Virginia</u>	<u>U.S.</u>
2015	4.7%	5.1%	6.2%
2016	4.0%	4.4%	5.3%
2017	3.6%	4.0%	4.9%
2018	3.1%	3.6%	4.4%
2019	2.8%	3.0%	3.9%
2020	6.0%	2.8%	3.7%
2021	3.5%	6.5%	8.1%
2022	2.7%	3.8%	5.3%
2023	2.7%	2.7%	3.6%
2024	2.7%	2.7%	3.6%
			4.1%

Source: Bureau of Labor Statistics

## Major Employers

The major employers in Warren County are listed in Table 5, below. Here it is seen that the largest employers Axalta Coatings, Family Dollar, and Wal Mart, as well as the local hospital, public schools, colleges, and local government.

Table 5 - Major Employers

<u>Employer Name</u>
Warren County School Board
Axalta Coatings Systems
Family Dollar Stores
Sysco Resources Services
Valley Health System
Wal Mart
County of Warren
Interbake Foods
Christendom College
Ferguson Enterprises
Town of Front Royal
Jackson Furniture Company
Moms in Motion
Seton Home Study School
Martin's Food Market
Toray Plastics
Lowes Home Centers
Target Corp
Nature's Touch Frozen Food
Sodexo
RSW Regional Jail Authority
Shenandoah Operations Holdings
Cracker Barrel Old Country Store
Randolph Macon Academy
Capstone Logistics

Source: Virginia Economic Development Partnership

The Virginia Economic Development Partnership reports a total of 100 new jobs added at one location (Shahi Foods) in recent years (since 2020). With respect to closures and layoffs, the Virginia Economic Development Partnership reports no jobs lost in recent years.

The proposed development is not located in a market - such as a resort area - that would need housing for employees in such a specific market, although, as noted, the tourism industry is significant.

Wages by Industry Sector

Information on wages, by employment sector, for Warren County is set out in Table 6, below. Here, average wages show some variation - both between sectors and also over time - with average wages increasing by 5.5 percent between 2023 and 2024.

Table 6 - Average Wages by Industry Sector

	<u>2023</u>	<u>2024</u>	<u>pct change</u>
Agriculture, Forestry, etc			
Mining, etc.			
Utilities		\$2,558	n/a
Construction	\$1,079	\$1,179	9.3
Manufacturing	\$1,316	\$1,390	5.6
Wholesale trade		\$1,444	n/a
Retail trade	\$648	\$656	1.2
Transp. and Warehousing	\$1,071	\$1,116	4.2
Information	\$809	\$843	4.2
Finance and Insurance	\$1,406	\$1,271	-9.6
Real estate	\$832	\$1,096	31.7
Professional and Technical services	\$1,518	\$1,631	7.4
Management	\$827	\$961	16.2
Administrative and Waste services	\$901	\$1,080	19.9
Educational services	\$741	\$782	5.5
Health Care and Social Assistance	\$1,026	\$1,083	5.6
Arts, Entertainment, Recreation	\$361	\$384	6.4
Accommodation and Food services	\$480	\$484	0.8
Other Services	\$783	\$824	5.2
Unclassified	\$968	\$951	-1.8
<b>Total</b>	<b>\$931</b>	<b>\$982</b>	<b>5.5</b>

Source: Virginia Labor Market Information

Commuting patterns

Based on data from the American Community Survey, 35.8 percent of workers resident in Front Royal were employed in Front Royal, with 52.0 percent employed in Warren County as a whole. The average driving time to work for residents of Front Royal was as much as 32.7 minutes, compared with 27.3 for Virginia as a whole.

Table 7 - Commuting Data

	<u>number</u>	<u>percent</u>
Total Workers	7,258	100.0
Worked in Place of residence	2,598	35.8
Worked in County of residence	3,774	52.0
Worked outside Place of residence	4,660	64.2
Worked outside County of residence	3,484	48.0
Mean travel time to work (minutes)	32.7	

Source: 2020 to 2024 American Community Survey; T.Ronald Brown: Research & Analysis

Commuting patterns data are no longer provided in the Decennial Census. Here, data are obtained from the LEHD Origin-Destination Statistics program available from the Census Bureau's OnTheMap application. These data, on commuting patterns for persons who live and/or work in the Williamsburg area are set out, below.

Here it is seen that many persons who work in Warren County County commute into the County from, for example, Fairfax County. Many residents of Warren commute to work in, for example, Frederick County and Shenandoah County.

Table 8 - Commuting Patterns

Working in Warren County	4,992
Where Warren County workers are commuting from:	
Fairfax County	3,419
Loudon County	1,712
Prince William County	1,545
Frederick County	1,315
Winchester City	1,214
Fauquier County	799
District of Columbia, DC	556
Montgomery County, MD	493
Arlington County, VA	452
Elsewhere	5,048
Where Warren County residents are commuting to:	
Frederick County	1,626
Shenandoah County	1,140
Page County	499
Winchester City	468
Berkeley County, WV	406
Loudon County	360
Price William County	319
Fairfax County	294
Fauquier County	244
Elsewhere	3,088

Source: LEHD Origin-Destination Statistics program/OnTheMap; T.Ronald Brown: Research & Analysis

It is expected that the local economic conditions will not likely have a direct positive or negative impact on the subject property, to any significant extent.

G. DEMOGRAPHIC CHARACTERISTICS

Population and Household Trends

In 2010, the population of Warren County was 37,575, and in 2020 the population was recorded as 40,727. Population projections for Warren County are provided by the Virginia State Data Center. Based on these data, the population of the county/market area is projected to be 42,027 by 2026, and to be around 43,198 in 2031.

Information on population trends and changes between 2000 and 2031 are set out in Table 9, below.

Table 9- Population Trends

	Front Royal	Market Area/Warren County
2000	13,589	31,584
2010	14,440	37,575
2020	15,011	40,727
2026	n/a	42,027
2031	n/a	43,198
<b>absolute change</b>		
2000-2010	851	5,991
2010-2020	571	3,152
2020-2026	n/a	1,300
2026-2031	n/a	1,171
<b>annual change</b>		
2000-2010	85	599
2010-2020	57	315
2020-2026	n/a	217
2026-2031	n/a	234

Source: 2000, 2010 and 2020 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Projections of the number of households for Front Royal, and the Warren County market area are set out in Table 10, below.

In 2010, there were 14,085 households in the Warren County market area and 15,322 in 2020. Based on the population projections, there to be around 15,940 households in the area in 2026, and 16,497 in 2031.

Table 10 - Household Trends

	Front Royal	Market Area/Warren County
2000	5,425	12,087
2010	5,561	14,085
2020	5,905	15,322
2026	n/a	15,940
2031	n/a	16,497
absolute change		
2000-2010	136	1,998
2010-2020	344	1,237
2020-2026	n/a	618
2026-2031	n/a	557
annual change		
2000-2010	14	200
2010-2020	34	124
2020-2026	n/a	103
2026-2031	n/a	111

Source: 2000, 2010 and 2020 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

## Population and household characteristics

## Age distribution

The distribution of the population, by age, for Front Royal, and the Warren County market area is set out in Table 11, below. These data are from the 2020 Census.

Table 11 - Age Distribution

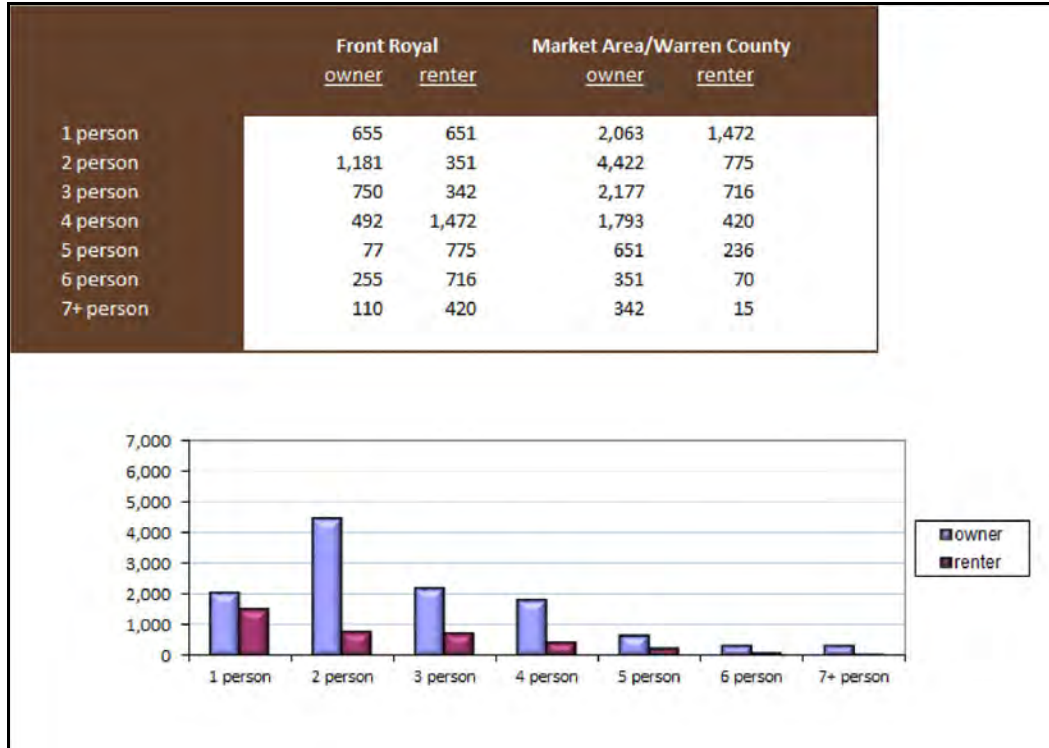
	Front Royal		Market Area/ Warren County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Under 5 years	909	6.1	2,331	5.7
5 to 9 years	990	6.6	2,447	6.0
10 to 14 years	1,021	6.8	2,564	6.3
15 to 19 years	1,013	6.7	2,734	6.7
20 to 24 years	848	5.6	2,317	5.7
25 to 29 years	939	6.3	2,373	5.8
30 to 34 years	967	6.4	2,648	6.5
35 to 39 years	882	5.9	2,445	6.0
40 to 44 years	847	5.6	2,337	5.7
45 to 49 years	906	6.0	2,538	6.2
50 to 54 years	934	6.2	2,759	6.8
55 to 59 years	1,088	7.2	3,355	8.2
60 to 64 years	934	6.2	2,940	7.2
65 to 69 years	772	5.1	2,346	5.8
70 to 74 years	698	4.6	1,815	4.5
75 to 79 years	521	3.5	1,268	3.1
80 to 84 years	371	2.5	786	1.9
85 years and over	371	2.5	724	1.8
55 and older	4,755	31.7	13,234	32.5
65 and older	2,733	18.2	6,939	17.0
Total	15,011		40,727	

Source: 2020 Census; T.Ronald Brown: Research & Analysis

Household size

Table 12 below, sets out household size, by tenure, for households in Front Royal, and the Warren County market area .

Table 12 - Household Size



Source: 2020 to 2024 American Community Survey; T.Ronald Brown: Research & Analysis

Tenure

Table 13, below, sets out the number and proportion of owner and renter households for Front Royal, and the Warren County market area. In the years beyond 2020, the tenure proportions are based on the 2020 proportions. In 2020, 42.5 percent of households in Front Royal were renters, 24.0 percent of households in the Warren County market area were renters.

Table 13 - Tenure

Front Royal			persons per	Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	13,589	5,425	2.50	3,250	59.9	2,175	40.1
2010	14,440	5,561	2.60	3,273	58.9	2,288	41.1
2020	15,011	5,905	2.54	3,395	57.5	2,510	42.5
2026	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2031	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Market Area/WarrenCounty			persons per	Owner-occupied		Renter-occupied	
	<u>population</u>	<u>households</u>	<u>household</u>	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
2000	31,584	12,087	2.61	8,967	74.2	3,120	25.8
2010	37,575	14,085	2.67	10,579	75.1	3,506	24.9
2020	40,727	15,322	2.66	11,650	76.0	3,672	24.0
2026	42,027	15,940	2.64	12,114	76.0	3,826	24.0
2031	43,198	16,497	2.62	12,538	76.0	3,959	24.0

Source: 2000, 2010 and 2020 Census; Virginia State Data Center; T.Ronald Brown: Research & Analysis

Income Distribution

The distribution of household incomes for Front Royal, and the Warren County market area are set out in Table 14, below. These figures are taken from the 2020 to 2024 American Community Survey, and as such are subject to the limitations imposed by this source.

The median household income for Front Royal is around \$64,838, and that for Warren County as a whole is seen to be \$84,682.

The median income for the census tract in which the site of the proposed development is located is estimated to be around \$56,306 - based on the American Community Survey data.

Table 14 - Household Income

	Front Royal		Market area/Warren County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	243	4.1	658	4.3
\$10,000 to \$14,999	291	4.9	541	3.5
\$15,000 to \$19,999	149	2.5	435	2.8
\$20,000 to \$24,999	226	3.8	415	2.7
\$25,000 to \$29,999	257	4.3	379	2.5
\$30,000 to \$34,999	195	3.3	361	2.4
\$35,000 to \$39,999	176	2.9	295	1.9
\$40,000 to \$44,999	183	3.1	576	3.8
\$45,000 to \$49,999	329	5.5	595	3.9
\$50,000 to \$59,999	606	10.1	1,051	6.9
\$60,000 to \$74,999	559	9.4	1,538	10.0
\$75,000 to \$99,999	953	15.9	1,981	12.9
\$100,000 to \$124,999	758	12.7	1,925	12.5
\$125,000 to \$149,999	335	5.6	1,135	7.4
\$150,000 to \$199,999	279	4.7	1,672	10.9
\$200,000 or more	437	7.3	1,782	11.6
median income	\$64,838		\$84,682	

Source: 2020 to 2024 American Community Survey; T.Ronald Brown: Research & Analysis

Renter Income

The distribution of household incomes for renter households for Front Royal, and the Warren County market area are set out in Table 15, below. These figures are also taken from the 2020 to 2024 American Community Survey.

The median renter household income for Front Royal is around \$50,165, and that for Warren County as a whole is seen to be \$53,368.

The median renter income for the census tract in which the site of the proposed development is located is estimated to be around \$53,156 - based on the American Community Survey data.

Table 15 - Household Income, Renter Households

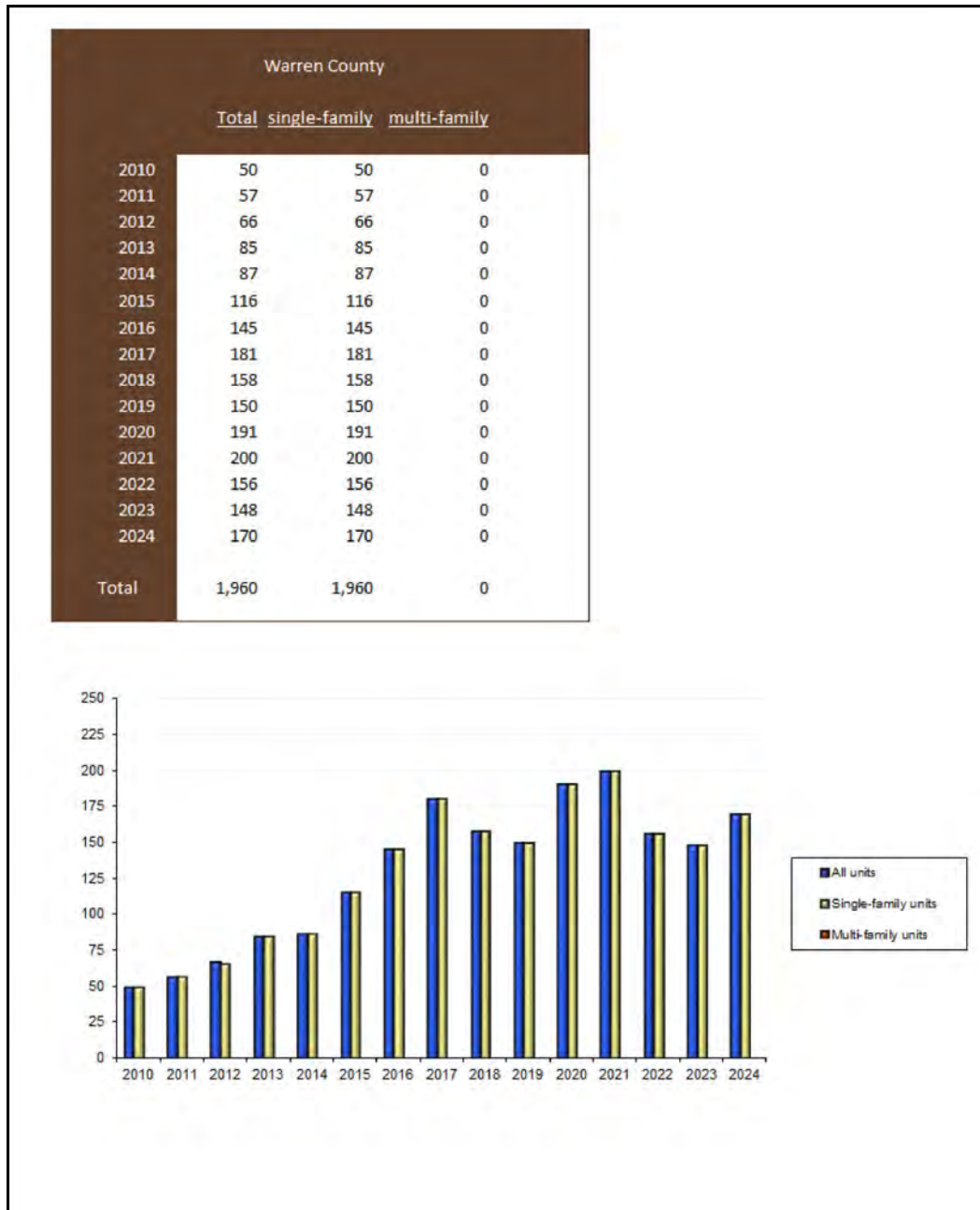
	Front Royal		Market area/Warren County	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
less than \$10,000	173	6.9	212	5.7
\$10,000 to \$19,999	334	13.4	533	14.4
\$20,000 to \$34,999	395	15.8	453	12.2
\$35,000 to \$49,999	341	13.7	449	12.1
\$50,000 to \$74,999	532	21.3	899	24.3
\$75,000 to \$99,999	317	12.7	448	12.1
\$100,000 or more	403	16.2	710	19.2
median income	\$50,165		\$53,368	

Source: 2020 to 2024 American Community Survey; T.Ronald Brown: Research & Analysis

Building permit trends

Table 16 below gives details of residential construction in Warren County since 2010. Where the data exist, it can be seen that a total of 1,960 units were added in the County (all of which were single-family units).

Table 16 - Residential Construction Since 2010



Source: Current Construction Reports, Bureau of the Census; T. Ronald Brown: Research & Analysis

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## H. COMPETITIVE ENVIRONMENT

There are relatively few apartment complexes located in the Front Royal Area. These include properties financed with low income housing tax credits, and subsidized housing for very low income households and also a few market rate properties. These complexes were identified and surveyed, and where useful information was made available to us, this is presented, below.

Based on information from Virginia Housing, the following are the significant (non-elderly) properties that have been financed with tax credits in the market area for the proposed development.

Harwood Place (45 units)  
Royal Arms (144 units)  
Royal Hills (46 units)  
Shenandoah Commons (119 units)  
Skyline Vista (80 units )

Harwood Place was funded in 2025, and is scheduled to be under construction in mid- 2026, and placed-in-service late the following year.

The Royal Arms property is a HUD Section 8 complex, and Royal Arms is funded by USDA/Rural Development.

The Skyline Vista property is no longer a low income housing tax credit complex. Thus, the only potentially comparable complex to the proposed development is Shenandoah Commons. The latter was built in 1998 and offers a total of 120 units: a mix of two- and three bedroom units. Rents are targeted at 60 percent of the area media income, with two-bedroom units being offered at \$1,251 and three-bedrooms at \$1,451. The property is reported to be fully occupied and has a waiting list.

The only conventional property is the Skyline Vista Apartments. This is an 80-unit project that is reported to date from 1948. As noted, it was previously a tax credit property that was subsequently foreclosed upon and exhibits deferred maintenance. The new management company reports that the property is currently 81 percent occupied - reflecting its condition and recent history. This complex is not considered comparable to the proposed development.

Based on our survey, there is a market-wide occupancy rate of 90.7 percent - with the occupancy at the tax credit property being 100.0 percent.

As noted, there are no comparable market rate apartment developments in the Front Royal area. VHDA market study guidelines require the inclusion of at least three developments in adjacent localities with similar characteristics to be included in the analysis. Thus, in order to try to establish some benchmark for determining market rents we surveyed additional market-rate properties in an adjacent community. Here, these projects were in Winchester.

Information for two- and three-bedroom units at these various properties is summarized below.

Table 17 - Market Rate Properties

<u>Property</u>	<u>Year built</u>	<u>Two-bedroom rents</u>	<u>Three-bedroom rents</u>
Fort Coillier Terrace	1989	\$1,722	\$1,822
Pemberton Village	1997	\$1,525--\$1,580	\$1,800
Peppertree	1987	\$1,499-\$1,670	\$1,650-1,675
Stuart Hill	2003	\$1,855	n/a

Source: Apartment Managers; T.Ronald Brown: Research & Analysis

The location, rent levels, unit size, age, features, and amenities were analyzed in order to try to establish an estimate of market rent levels for the subject property. Following this approach we have determined that, all things being equal, these market properties suggest a rent of around \$1,673 for a two-bedroom unit, and \$1,815 for a three-bedroom unit.

These rents are seen to be reasonably above the proposed rents at the proposed development.



Fort Collier Terrace



Pemberton Village



Peppertree



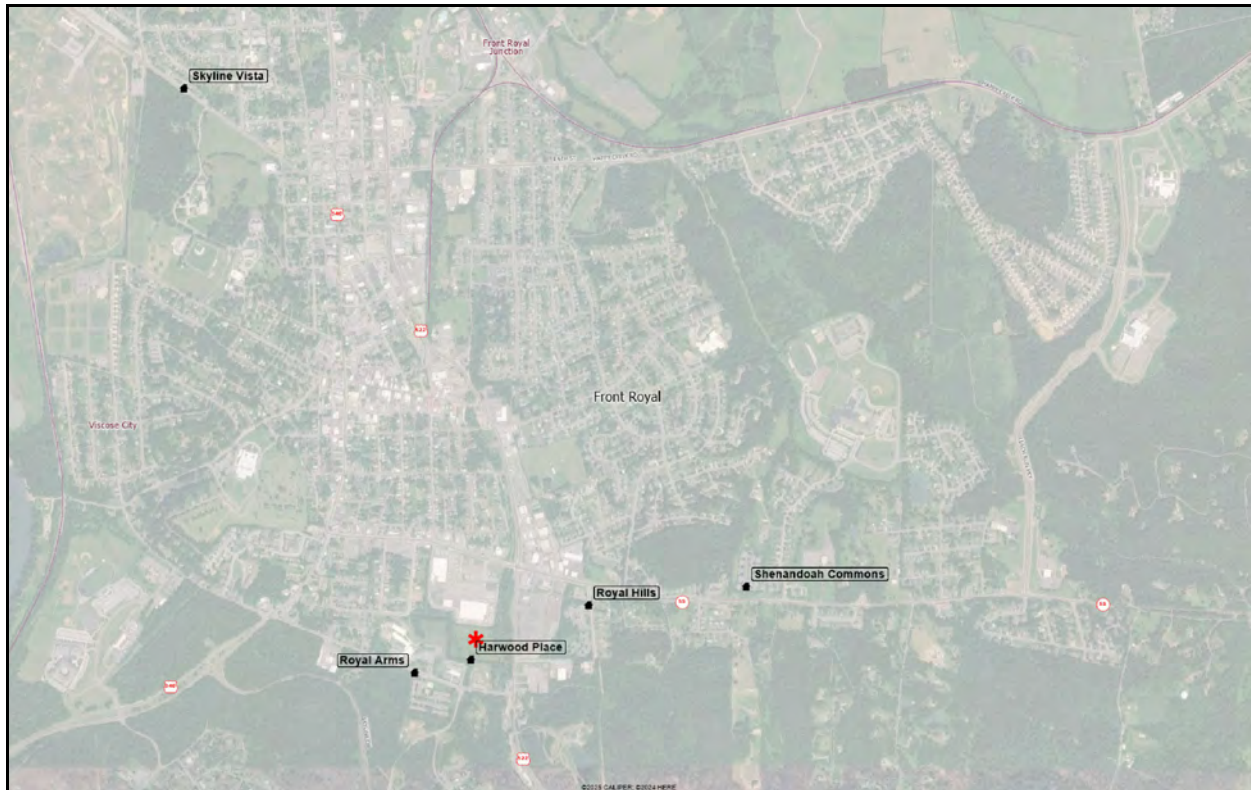
Stuart Hill

The various complexes surveyed are summarized as follows (with tax credit properties in bold face):

Complex name	Location	Financing	Year built	Total units	Vacant units	Occupancy (%)
<b>Harwood Place</b>	<b>Front Royal</b>	<b>LIHTC</b>	<b>2026</b>	<b>45</b>	<b>n/a</b>	<b>n/a</b>
Royal Arms	Front Royal	HUD §8	1974	144	6	95.8
Royal Hills	Front Royal	USDA/RD	n/a	88	n/a	n/a
<b>Shenandoah Commons</b>	<b>Front Royal</b>	<b>LIHTC</b>	<b>1998</b>	<b>120</b>	<b>5</b>	<b>95.8</b>
Skyline Vista	Front Royal	Conventional	1948	80	2	97.5

	0 br/1ba			1 br/1ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
<b>Harwood Place II</b>						
<b>Harwood Place</b>						
Royal Arms				36	678	boi
Royal Hills				24	n/a	boi
<b>Shenandoah Commons</b>						
Skyline Vista						
	2 br/1-1½ ba			2 br/2 ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
<b>Harwood Place II</b>	18	950	\$549-1,017			
<b>Harwood Place</b>	20	950	\$549-1,017			
Royal Arms	72	826	boi			
Royal Hills	52	n/a	boi			
<b>Shenandoah Commons</b>	61	872	\$1,251	35	985	\$1,251
Skyline Vista	58	917	\$1,300			
	3 br/1-1½ ba			3 br/2+ ba		
	number	size (sq. ft).	rent	number	size (sq. ft).	rent
<b>Harwood Place II</b>				23	1,125	\$1,159-1,779
<b>Harwood Place</b>				25	1,125	\$1,159-1,779
Royal Arms	35	1,035	boi			
Royal Hills	12	n/a	boi			
<b>Shenandoah Commons</b>	24	1,101	\$1,451			
Skyline Vista				22	1,026	\$1,500

### Apartment Locations



**Harwood Place**

Location: East Criser Road  
Front Royal

Financing: LIHTC

Year Built: 2026

Total Units: 45

Vacant units: n/a      n/a occupied

Telephone:

Management:

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/1½	5	950	30%	\$549	\$153	\$0.58	Microwave
2/1½	15	950	50%	\$1,017	\$153	\$1.07	Dishwasher •
							Washer/dryer •
							Washer/dryer hook-up •
3/2	3	1,125	30%	\$1,159	\$191	\$1.03	9' Ceilings
3/2	6	1,125	60%	\$1,429	\$191	\$1.27	High-end kitchen
3/2	16	1,125	80%	\$1,779	\$191	\$1.58	Wood/style floors •
							Fireplaces •
							Patios/balconies •
							<u>Community Amenities</u>
							Clubhouse/community room •
							Fitness center •
							Business center
							Pool
							Playground
							Controlled access/gated •
							Elevator •
							Garages
							Storage
							Laundry •
							<u>Utilities in Rent</u>
							Water
							Sewer
							Trash •



**Royal Arms**

Location: 401 East Criser Road  
Front Royal

Financing: HUD §8  
Year Built: 1974  
Total Units: 144  
Vacant units: 6 95.8% occupied

Telephone: 540.635.8080  
Management: Winn Companies  
[2/18]

Br/ba	Units	Sq. ft	Contract Rent
1/1	36	678	boi
2/	72	826	boi
3/	35	1,035	boi

Unit Amenities

- Microwave
- Dishwasher ●
- Washer/dryer
- Washer/dryer hook-up
- 9' Ceilings
- High-end kitchen
- Wood/style floors
- Fireplaces
- Patios/balconies

Community Amenities

- Clubhouse/community room ●
- Fitness center
- Business center
- Pool
- Playground ●
- Controlled access/gated
- Elevator
- Garages
- Storage
- Laundry ●

Utilities in Rent

- Water ●
- Sewer ●
- Trash ●



**Royal Hills**

Location: 31 Royal Avenue  
Front Royal

Financing: USDA/RD                      56 units rental assistance  
 Year Built: n/a  
 Total Units: 88  
 Vacant units: n/a            n/a            occupied

Telephone: 540.636.6818  
 Management: TM Associates

Br/ba	Units	Sq. ft	Basic Rent	Market Rent
1/1	24	n/a	n/a	n/a
2/1	52	n/a	n/a	n/a
3/1	12	n/a	n/a	n/a

Unit Amenities

- Microwave
- Dishwasher
- Washer/dryer
- Washer/dryer hook-up
- 9' Ceilings
- High-end kitchen
- Wood/style floors
- Fireplaces
- Patios/balconies

Community Amenities

- Clubhouse/community room
- Fitness center
- Business center
- Pool
- Playground ●
- Controlled access/gated
- Elevator
- Garages
- Storage
- Laundry ●

Utilities in Rent

- Water ●
- Sewer ●
- Trash ●



**Shenandoah Commons**

Location: 9 Shenandoah Commons Way  
Front Royal

Financing: LIHTC

Year Built: 1998

Total Units: 120

Vacant units: 5 95.8% occupied (waiting list)

Telephone: 540.305.3362

Management: Thalhimer

[12/13]

Br/ba	Units	Sq. ft	Targeting	Rent	U/A	Rent/sq.ft	Unit Amenities
2/1½	61	872	60%	\$1,251	\$134	\$1.43	Microwave • Dishwasher • Washer/dryer
2/2	35	985	60%	\$1,251	\$134	\$1.27	Washer/dryer hook-up 9' Ceilings
3/1½	24	1,101	60%	\$1,451	\$160	\$1.32	High-end kitchen • Wood/style floors • Fireplaces • Patios/balconies •
							<u>Community Amenities</u>
							Clubhouse/community room •
							Fitness center •
							Business center
							Pool •
							Playground •
							Controlled access/gated
							Elevator
							Garages
							Storage
							Laundry
							<u>Utilities in Rent</u>
							Water
							Sewer
							Trash



**Skyline Vista**

Location: 343 Kendrick Lane  
Front Royal

Financing: Conventional

Year Built: 1948

Total Units: 80

Vacant units: 2 97.5% occupied (waiting list)

Telephone: 540.622.6146

Management: Z Rentals

[2/13]

Br/ba	Units	Sq. ft	Rent	Rent/sq.ft	Unit Amenities
2/1	58	917	\$1,300	\$1.42	Microwave Dishwasher Washer/dryer
3/2	22	1,026	\$1,500	\$1.46	Washer/dryer hook-up 9' Ceilings High-end kitchen Wood/style floors Fireplaces Patos/balconies
					<u>Community Amenities</u>
					Clubhouse/community room Fitness center Business center Pool Playground Controlled access/gated Elevator Garages Storage Laundry
					<u>Utilities in Rent</u>
					Water Sewer Trash

I. AFFORDABILITY ANALYSIS, DEMAND ANALYSIS, CAPTURE RATES, AND PENETRATION RATES

Demand Analysis

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available.

Income is a key variable in the analysis of housing markets. Of the 41 units proposed, five will be targeted at 30 percent of the median, 16 will be targeted to households with incomes up to 50 percent of the median, with five targeted at 60 percent of the median, and 15 units targeted at 80 percent of the median (and therefore applying income averaging). Thus, the apartments qualify for low income housing tax credit status.

The HUD income limits for Warren County are set out below. The median income for Newport News in 2025 was \$103,900 - having been \$98,200 in 2024, and \$74,900 in 2015. This represents a 5.8 percent increase over the previous year, and a 38.7 percent increase over the last decade (or an average of 3.33 percent per year).

The maximum housing expenses for the proposed units are based on these income limits and assume an average 1.5 persons per household and that renters will pay no more than 30 percent of their incomes on housing expenses (rent plus utilities).

Table 18 - Income Limits and Maximum Housing Costs

Income Limits				
	30 percent	50 percent	60 percent	80 percent
1 person	\$21,840	\$36,400	\$43,680	\$58,240
2 person	\$24,960	\$41,600	\$49,920	\$66,560
3 person	\$28,080	\$46,800	\$56,160	\$74,880
4 person	\$31,170	\$51,950	\$62,340	\$83,120
5 person	\$33,690	\$56,150	\$67,380	\$89,840
6 person	\$36,180	\$60,300	\$72,360	\$96,480

Maximum Housing Costs				
	30 percent	50 percent	60 percent	80 percent
1 bedroom	\$585	\$975	\$1,170	\$1,560
2 bedroom	\$702	\$1,170	\$1,404	\$1,872
3 bedroom	\$811	\$1,351	\$1,622	\$2,162

Source: HUD

Information as to rents and income targeting are set out in Table 19, below

Table 19 - Rents and Income Targeting

Income targeting					
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>Total</u>
1 bedroom					
2 bedroom	5	13			18
3 bedroom		3	5	15	23
<b>Total</b>	<b>5</b>	<b>16</b>	<b>5</b>	<b>15</b>	<b>41</b>

proposed rents				
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>
1 bedroom				
2 bedroom	\$549	\$1,017		
3 bedroom		\$1,159	\$1,429	\$1,779

proposed rents as a proportion (%) of maximum				
	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>
1 bedroom				
2 bedroom	100.0	100.0		
3 bedroom		99.9	99.9	90.3

Source: Applicant; T Ronald Brown: Research & Analysis

The utility allowances for the proposed development are \$153 and \$191 for the two- and three-bedroom units, respectively.

From the table above, it can be seen that housing expenses at the proposed apartments effectively fall at the maximum allowable for the units targeted at the 30 percent, 50 percent, and 60 percent levels (for unassisted units). The units at the 80 percent level are at 90 percent of the maximum allowable.

Qualifying income ranges are a function of the income needed to afford the proposed units and the mandated upper income limits. There is no official lower income limit for the proposed apartments. However, for the purposes of this report it is assumed that tenants will pay no more than 35 percent of their income on housing costs (rent and utilities). The upper limits are a function of household size - based on a standard of one and one-half persons per bedroom. The qualifying income limits for one- and four bedroom units, and for two- and three-bedroom units where the bedroom/income targeting combination that are not proposed, are based on the proposed rents level relative to the maximum allowable.

Table 20 - Qualifying Income Ranges

qualifying income ranges		
	30 percent	
	lower	upper
2 bedroom	\$24,069	\$28,080
3 bedroom	\$27,797	\$32,430
	50 percent	
	lower	upper
2 bedroom	\$40,114	\$46,800
3 bedroom	\$46,286	\$54,050
	60 percent	
	lower	upper
2 bedroom	\$48,137	\$56,160
3 bedroom	\$55,543	\$64,860
	80 percent	
	lower	upper
2 bedroom	\$58,289	\$74,880
3 bedroom	\$67,543	\$86,480

Source: Applicant; T Ronald Brown: Research & Analysis

Any gaps and/or overlaps between these target income ranges will necessarily be taken into consideration in our calculations.

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## NEW HOUSEHOLDS

Projections of need and demand are based upon a 2026 to 2031 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

Based on the projections set out in Table 13, a total of 134 new rental units are needed between 2026 and 2031. A total of 93 units will be for households eligible for the proposed project.

## EXISTING HOUSEHOLDS

Again, the market for the proposed apartments comprises not only demand from population and household growth, but also from existing renter households who would move to the new apartments were they made available. The extent to which any new development is able to attract a certain share of this market is largely a factor of several interrelated factors. These include the location of the development, the amenities it offers, the quality of design and the effectiveness of the development's marketing and management. That is, the perceived value of the community in terms of price, convenience, and life-style.

Our calculations show that there will be a total of 2,759 renter households in the qualifying income range in the project market area. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. With respect to existing households in the project market area it is found that, based on the most recent American Community Survey data, 74.0 percent of renters qualifying for units at 30 percent of the median are rent-overburdened. Likewise, 53.4 percent, 43.8 percent, and 39.2 percent of those qualifying for units at the 50 percent, 60 percent, and 80 percent levels, respectively, are rent-overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of rental units due to demolition, abandonment, obsolescence and the like. The proportion is based on a two-year loss of 1.2 percent of rental units detailed in the 2016 Edition of "Components of Inventory Change" published by HUD. Based on the number of rental units in the project market area this translates to a need for an additional 84 units.

Total demand is therefore seen to amount to 1,494 units. These figures are based on a 2026 to 2031 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area over that period. One directly comparable project has been awarded tax credits - the initial phase of the proposed development. The latter will offer 45 units (at 30 percent, 50 percent, 60 percent, and 80 percent of the area median income). The net need is therefore for 1,449 units.

The preceding calculations are summarized in the table on the following page.

Table 21 - Demand Calculations

	30 percent	50 percent	60 percent	80 percent	total *
(i) income eligible new renter households	18	31	40	62	93
(ii) income eligible existing renter households	522	930	1,180	1,841	2,759
(iii) existing households, likely to move	386	497	516	670	1,317
(iv) need from obsolete housing	16	28	36	56	84
Total demand (i)+(iii)+(iv)	420	557	592	788	1,494
Supply	8	15	6	16	45
Net demand	412	542	586	772	1,449

\* excludes gap/overlap

Source: T. Ronald Brown: Research & Analysis

Demand has to be segmented to determine demand by number of bedrooms per unit. Based on the distribution of household size in the market area and given data from the American Housing Survey correlating typical household size and number of bedrooms, we have determined that one-bedroom units should account for 27 percent of the total, two-bedroom units should account for 39 percent of the total, and three-bedroom units should account for 25 percent of the total with four- or more bedroom units accounting for 9 percent.

Capture rates are illustrated in the table on the following page.

Table 22 - Capture Rates

	<u>30 percent</u>	<u>50 percent</u>	<u>60 percent</u>	<u>80 percent</u>	<u>total *</u>
<b>Total demand</b>					
1 bedroom	113	150	160	213	404
2 bedroom	164	218	232	308	585
3 bedroom	105	139	148	197	373
4 bedroom	37	49	53	70	133
<b>Total</b>	<b>420</b>	<b>557</b>	<b>592</b>	<b>788</b>	<b>1,494</b>
<b>Supply</b>					
1 bedroom	0	0	0	0	0
2 bedroom	5	15	0	0	20
3 bedroom	3	0	6	16	25
4 bedroom	0	0	0	0	0
<b>Total</b>	<b>8</b>	<b>15</b>	<b>6</b>	<b>16</b>	<b>45</b>
<b>Net demand</b>					
1 bedroom	113	150	160	213	404
2 bedroom	159	203	232	308	565
3 bedroom	102	139	142	181	348
4 bedroom	37	49	53	70	133
<b>Total</b>	<b>412</b>	<b>542</b>	<b>586</b>	<b>772</b>	<b>1,449</b>
<b>Units proposed</b>					
1 bedroom	0	0	0	0	0
2 bedroom	5	13	0	0	18
3 bedroom	0	3	5	15	23
4 bedroom	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>16</b>	<b>5</b>	<b>15</b>	<b>41</b>
<b>Capture rates</b>					
1 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
2 bedroom	3.1%	6.4%	0.0%	0.0%	3.2%
3 bedroom	0.0%	2.2%	3.5%	8.3%	6.6%
4 bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>1.2%</b>	<b>3.0%</b>	<b>0.9%</b>	<b>1.9%</b>	<b>2.8%</b>

\* excludes gap/overlap

Source: T. Ronald Brown: Research & Analysis

Given the calculated need, the proposed 41-unit development amounts to 2.8 percent of the total net need.

The capture rate, by bedroom, is determined to be 3.2 percent for the 18 two-bedroom units, and 6.6 percent for the 23 three-bedroom units.

The five units at 30 percent of the median amount to 1.2 percent of the net demand at that level, the 16 units at 50 percent of the median amount to 3.0 percent of demand at that target level, and the five units targeted at the 60 percent level amount to around 0.9 percent of demand at that level. The 15 units targeted at 80 percent represent 1.9 percent of demand at that level..

The capture rates presented above are considered reasonable for this property of this size in a nono-uran market, with four target income ranges.

#### ABSORPTION RATES

As noted, the capture rates presented above are considered realistic. Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated five month period, or so.

## Affordability Analysis

Here, an affordability analysis addresses the total number of income eligible renter households in the market are relative to the size of the proposed development.

The minimum income is that associated with the rent for the least expensive unit offered, and the upper limit is based on the 80 percent limit (the highest target income range) for the largest unit size, by number of bedrooms. Here, the lower income is seen to be that for the proposed two-bedroom units that will be targeted to households at the 30 percent level. That is, \$549 per month. Given a \$153 utility allowance and a 35 percent rent-to-income ratio, the lower qualifying income is seen to be \$24,069. The upper income is \$96,480. Based on the income data set out in Table 21, there are found to be 1,678 renter households in that range. Thus, the proposed 41-unit development corresponds to a 2.3 percent affordability analysis capture rate.

Penetration rate.

A penetration rate is defined, for the purposes of this analysis, as the proportion of income-eligible households needed to fill the proposed development, plus those in existing competitive units, plus any in competitive units that are approved and funded for future development.

The lower income limit for this analysis is the income needed to afford the least expensive competitive unit in the market (or the rent for the least-expensive proposed unit, if lower), and the upper income limit is the upper income limit for the competitive units (or the proposed units, if higher). Our survey of the existing, competitive inventory, shows that the two bedroom rents are those for the more deeply targeted units at the initial and proposed phase of the proposed development (\$549). Thus, given that rent, the target income range for this market is from \$24,069 to \$96,480. Based on our research there are 120 potentially comparable tax credit units at Shenandoah Commons, and 45 units at the original phase of Harwood Place. These, plus the proposed 41 units, yields 206 units. Consequently, the penetration rate - as defined - amounts to 11.4 percent.

## Summary

Consideration of the capture rate (2.8 percent) and the (2.3 percent) affordability analysis capture rate and (11.4 percent) penetration rate suggests that the proposed development is marketable, as proposed.

## J. LOCAL PERSPECTIVE OF RENTAL HOUSING MARKET

As part of the research for this market study, interviews were held with property managers, local government officials, and others with particular knowledge of the local housing market. The proposed development will offer an attractive, new, apartment complex - to be leased subject to the provisions of the Low Income Housing Tax Credit program. Property managers of existing complexes and/or other representatives of management companies were a potential source of information.

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages). The manager at the Shenandoah Commons Apartments (the only comparable tax credit property in the market) agreed that "of course" a new tax credit development would be well-received.

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## K. ANALYSIS/CONCLUSIONS

Based on the above, the project could expect to lease-up (reach stabilized occupancy) over an estimated five - to six month period, or so.

Based on the proposed development's size, bedroom mix, amenities and features, utility provision and costs, and the several target income ranges in particular, the proposed development is considered marketable and should be well-accepted in this market, particularly as it will be a new, affordable, property.

The site location will offer a significant advantage as will the proposed rents, particularly those set to be affordable to households at 30 and 50 percent of the median.

The proposed development should not have a negative impact on existing housing.

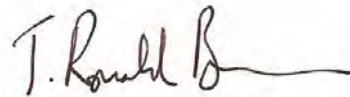
It is our recommendation that, based upon our analysis, the proposed apartments should be developed as proposed, and that the project should be awarded low income housing tax credits. This conclusion is based on our analysis of the economic and demographic criteria of the project market area as defined and on our project specific demand analysis and survey of the supply of rental housing in the market--as set out in the foregoing report and summarized in the Executive Summary.

## L. OTHER REQUIREMENTS

Statement and signature

I affirm the following:

1. that I have made a physical inspection of the site and market area.
2. The appropriate information has been used in the comprehensive evaluation of the need and demand for the proposed rental units.
3. To the best of my knowledge the market can support the demand shown in this study. I understand that any misrepresentation in this statement may result in the denial of participation in the Low Income Housing Tax Credit Program in Virginia as administered by Virginia Housing.
4. Neither I nor anyone at my firm has any interest in the proposed development or relationship with the ownership entity.
5. Neither I nor anyone at my firm nor anyone acting on behalf of my firm is representing Virginia Housing or in any way acting for, at the request of, or on behalf of Virginia Housing.
6. Compensation for my services is not contingent upon this development receiving a reservation or allocation of tax credits.



Market Analyst

March 7, 2026

As affirmed in the Scope of Work, there is no identity of interest between the analyst and the entity for which the report has been prepared.

Similarly, the recommendations and conclusions are based solely on the analyst's experience, opinion, and best efforts.

## Analyst Qualifications

T. Ronald Brown: Research & Analysis is a planning and economics consulting firm which provides real estate market analysis.

The President of the firm is T. Ronald Brown. He has 40 years experience in the provision of market studies for subsidized and unsubsidized apartment developments and for-sale housing. Over the last two decades or so, Mr. Brown has produced around 3,000 studies in at least 20 states, predominantly in the Southeast.

Mr. Brown has a Honours Master of Arts degree in Geographical Studies from the University of St. Andrews in St. Andrews, Scotland.

The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including low income tax credit financed projects) and subsidized housing.

Clients include for-profit developers, non-profit developers and community development corporations, state housing finance agencies, syndicators, and municipalities.



### List of sources

The foregoing report contains information from a variety of sources - those sources (such as contact numbers for property interviews) are cited at the appropriate place in the report itself. The major sources of data include:

The U.S. Census - 2000, 2010 and 2020, and the American Community Survey  
Virginia Housing  
U.S. Department of HUD  
U.S. Department of Agriculture  
Virginia State Data Center/Weldon Cooper Center for Public Service  
Virginia Employment Commission  
Virginia Economic Development Partnership  
Warren County  
U.S. Bureau of Labor Statistics  
HUDUSER (e.g., SOCDs building permits database)

## Market study checklist

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## MARKET STUDY TERMINOLOGY

The following presents the accepted definitions of various terms typically found in real estate market studies. These definitions are typically followed unless reviewing agency requirements differ.

*Absorption period* - the period of time necessary for a newly constructed or renovated property to achieve the *stabilized level of occupancy*. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the *stabilized level of occupancy* has a signed lease. Assumes a typical premarketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.

*Absorption rate* - the average number of unites rented each month during the *absorption period*.

*Acceptable rent burden* - the rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.

*Achievable rents* - See *Market Rent, Achievable Restricted Rent*.

*Affordable housing* - housing affordable to low or very low-income tenants.

*Amenity* - tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs, services and activities.

*Annual demand* - the total estimated demand present to the market in any one year for the type of units proposed.

*Assisted housing* - housing where federal, state or other programs *subsidize* the monthly costs to the tenants.

*Bias* - a proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.

*Capture rate* - the percentage of age, size, and income qualified renter households in the *primary market area* that the property must capture to fill the units. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The *Capture Rate* is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the *primary market area*. See also: penetration rate.

*Comparable property* - a property that is representative of the rental housing choices of the subject's *primary market area* and that is similar in construction, size, amenities, location, and/or age. Comparable and *competitive* properties are generally used to derive market rent and to evaluate the subject's position in the market.

*Competitive property* - a property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.

*Comprehensive market study* - NCHMA (the National Council of Housing Market Analysts) defines a comprehensive market study for the purposes of IRC Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRC Section 42 request for completion of a market study by a 'disinterested party.'

*Concession* - discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).

*Demand* - the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be the appropriate age, income, tenure and size for a specific proposed development. Components of demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.

*Effective rents* - contract rent less concessions.

*Household trends* - changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.g. at marriage or separation), changes in average household size, and net *migration*.

*Income band* - the range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined *acceptable rent burden* percentage and the maximum typically is pre-defined by specific program requirements or by general market parameters.

*Infrastructure* - services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.

*Market advantage* - the difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property.  $(\text{market rent} - \text{proposed rent}) / \text{market rent} * 100$

*Market analysis* - a study of real estate market conditions for a specific type of property.

*Market area* - See *primary market area*.

*Market demand* - the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.

*Market rent* - the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the *primary market area* considering its location, features and amenities. Market rent should be adjusted for *concessions* and owner paid utilities included in the rent.

*Market study* - a comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography.

*Marketability* - the manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.

*Market vacancy rate, economic* - percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.

*Market vacancy rate, physical* - average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.

*Migration* - the movement of households into or out of an area, especially a *primary market area*.

*Mixed income property* - an apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50%, and 60%).

*Mobility* - the ease with which people move from one location to another.

*Move-up demand* - an estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to new tax credit properties.

*Multi-family* - structures that contain more than two housing units.

*Neighborhood* - an area of a city or town with common demographic and economic features that distinguish it from adjoining areas.

*Net rent (also referred to as contract rent or lease rent)* - Gross rent less *tenant paid utilities*.

*Penetration rate* - The percentage of age and income qualified renter households in the *primary market area* that all existing and proposed properties, to be completed with six months of the subject, and which are competitively priced to the subject that must be captured to achieve the *stabilized level of occupancy*. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors. Units in all proposals / households in market \* 100, see also: capture rate.

*Pent-up demand* - a market in which there is a scarcity of supply and vacancy rates are very low.

*Population trends* - changes in population levels for a particular area over a specific period of time – which is a function of the level of births, deaths, and net *migration*.

*Primary market area* - a geographic area from which a property is expected to draw the majority of its residents.

*Programmatic rents* - See *restricted rents*.

*Project based rent assistance* - rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

*Redevelopment* - the redesign or rehabilitation of existing properties.

*Rent burden* - gross rent divided by adjusted monthly household income.

*Rent burdened households* - households with *rent burden* above the level determined by the lender, investor, or public program to be an acceptable rent-to-income.

*Restricted rent* - the rent charged under the restrictions of a specific housing program or subsidy.

*Restricted rent, achievable* - the rents that the project can attain taking into account both market conditions and rent in the *primary market area* and income restrictions.

*Saturation* - the point at which there is no longer demand to support additional unit. Saturation usually refers to a particular segment of a specific market.

*Secondary market area* - the portion of a market that supplies additional support to an apartment property beyond that provided by the primary market area.

*Special needs population* - specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs population include: substance abusers, visually impaired person or persons with mobility limitations.

*Stabilized level of occupancy* - the underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.

*Subsidy* - monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's *contract rent* and the amount paid by the tenant toward rent.

*Substandard conditions* - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.

*Target income band* - the *income band* from which the subject property will draw tenants.

*Target population* - the market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.

*Tenant paid utilities* - the cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.

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*Turnover period* - 1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period. Housing units with new occupants / housing units \* 100 2. The percent of occupants in a given apartment complex that move in one year.

*Unmet housing need* - new units required in the market area to accommodate household growth, homeless people, and housing in substandard conditions.

*Unrestricted rents* - rents that are not subject to *restriction*.

*Unrestricted units* - units that are not subject to any income or rent restrictions.

*Vacancy period* - the amount of time that an apartment remains vacant and available for rent.

*Vacancy rate-economic vacancy rate - physical* - maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

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## Other Terms

The following terms are also to be found in professional market studies - here, this information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

*Area Median Income (AMI)* - 100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.

*Attached housing* - two or more dwelling units connected with party walls (e.g. townhouses or flats).

*Basic rent* - the maximum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.

*Below Market Interest Rate program (BMIR)* - Program targeted to renters with income not exceeding 80% or area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.

*Census tract* - a small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.

*Central Business District (CBD)* - the center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.

*Community Development Corporation (CDC)* - entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.

*Condominium* - a form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

*Contract rent* - 1. The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).

*Difficult Development Area (DDA)* - an area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.

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*Detached housing* - a freestanding dwelling unit, typically single-family, situated on its own lot.

*Elder or senior housing* - housing where (1) all units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.

*Extremely low income* - person or household with income below 30% of the Area Median Income adjusted for household size.

*Fair Market Rent (FMR)* - the estimates established by HUD of the Gross rents (Contract rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally set FMR so that 40% of the rental units have rents below FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50<sup>th</sup> percentile of rents.

*Garden apartments* - apartments in low-rise buildings (typically two or four stories) that feature low density, ample open-space around buildings, and on-site parking.

*Gross rent* - the monthly housing cost to a tenant which equals the Contract rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.

*High-rise* - a residential building having more than ten stories.

*Household* - one or more people who occupy a housing unit as their usual place of residence.

*Housing unit* - house, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

*Housing Choice Voucher (Section 8 Program)* - federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible households in the use of the housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.

*Housing Finance Agency (FHA)* - state or local agencies responsible for financing housing and administering assisted housing programs.

*HUD Section 8 Program* - federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the contract rent and a specified percentage of tenants' adjusted income.

*HUD Section 202 Program* - federal program which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.

*HUD Section 811 Program* - federal program which provides direct capital assistance and operating of rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 510(c)(3) nonprofit organization.

*HUD Section 236 Program* - federal program which provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.

*Income limits* - maximum household income by county or Metropolitan Statistical Area, adjusted for household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes income limits each year for 30% median. Very low income (50%), and low income (80%), for households with 1 through 8 people.

*Low income* - person or household with gross household income below 80% of Area Median Income adjusted for household size.

*Low income housing tax credit* - a program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on those units be restricted accordingly.

*Low rise building* - a building with one to three stories.

*Metropolitan Statistical Area (MSA)* - a geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities have a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.

*Mid-rise* - a building with four to ten stories.

*Moderate income* - person or household with gross household income between 80 and 120 percent of area median income adjusted for household size.

*Public Housing or Low Income Conventional Public Housing* - HUD program administered by local (or regional) Housing Authorities which serves low- and very-low income households with rent based on the same formula used for HUD Section 8 assistance.

*Qualified Census Tract (QCT)* - any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of households have an income less than 60% of the area median income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credit may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.

*Rural Development (RD) market rent* - a monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an unsubsidized mortgage and provide an adequate return to the property owner. The rent is the maximum rent that a tenant can pay at an RD Property.

*Rural Development (RD) Program (Formerly the Farmers Home Administration Section 515 Rural Rental Housing Program)* - federal program which provides the low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, which is the higher (but not exceeding the market rent). The program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.

*Single-family housing* - a dwelling unit, either attached or detached, designed for use by one household and with the direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.

*State Data Center (SDC)* - a state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.

*Tenant* - one who rents real property from another.

*Tenure* - the distinction between owner-occupied and renter-occupied housing units.

*Townhouse (or Row House)* - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called row house.

*Very low income* - person or household whose gross household income does not exceed 50% of Area Median Income adjusted for household size.

*Zoning* - classification and regulation of land by local governments according to use categories (zones); often also includes density designations.

