Ohio Conference of Community Development

HOUSING STRATEGY WORKSHOP

Housekeeping

- Greetings and salutations
- Need to know
- Schedule
- Tell me, who are you?
  - What is your name?
  - What do you do?
  - What is your favorite food?

Brian Higgins
Arch City Development

- Been involved in community development for over 15 years.
- Worked for a neighborhood –based CHDO
- Ran a community business association
- Eight years at a national non-profit
- Lender
- HUD TA provider
- Public/private sector development

Workshop Outline

- *Comprehensive housing strategy development* – Having a thoughtful plan to guide your process is a wise first step. What does that entail? How can we maximize this process?
  - *Market preparation* – Too often housing investments are made without considering the broader state of the community. What else can be done to help enhance the success of investment?
  - *Market / demographic analysis* – What do demographics really tell us and how can we utilize them?

- *Rehab vs. new construction* – Pros and cons of both development strategies. What makes sense for you?

- *Leveraging resources* – Using CHIP and other governmental assets to attract private sector finance.

Rural/Small City Challenges

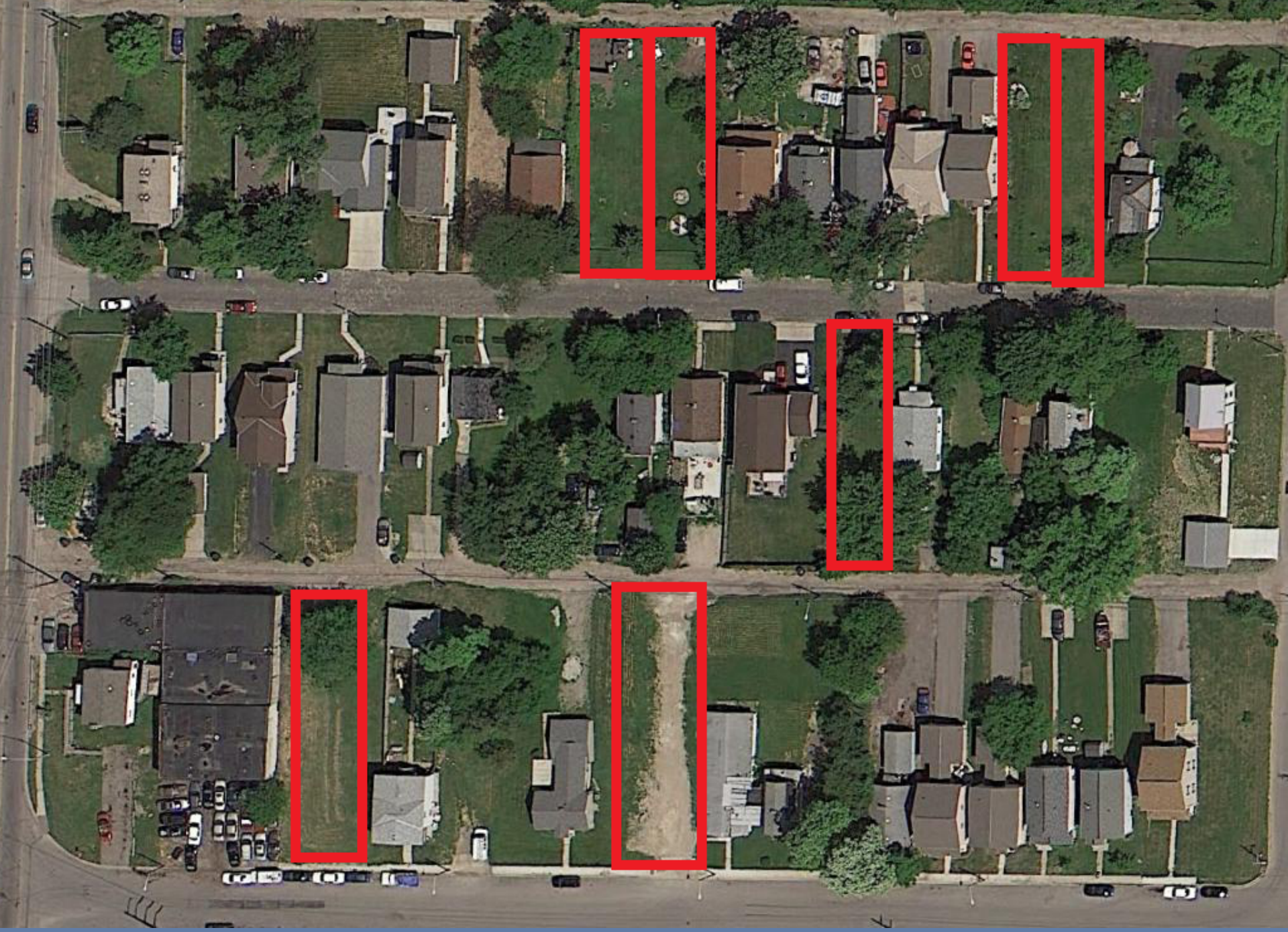
- Resources might be just as limited as in the inner city, if not more so.
- Population is often low to moderate income.
- Lacks density of the cities.
- Goals remain the same. There are commonalities than run throughout community development.

Market Preparation

- How many times have you seen (or even been involved with) a project that plops down a half dozen homes on a street without having a long-term vision in place?
- There very well may be a vision, but it might be bad.
- Land availability, pre-existing relationships or just a failure to think things through can be disastorous.

Example

- ABCDC in Ohiotown – these are not their real names – recently received its CHDO certification and is about to embark on an infill project.
- The own several parcels of land and have been able to option several more, giving them a concentration of parcels on three blocks.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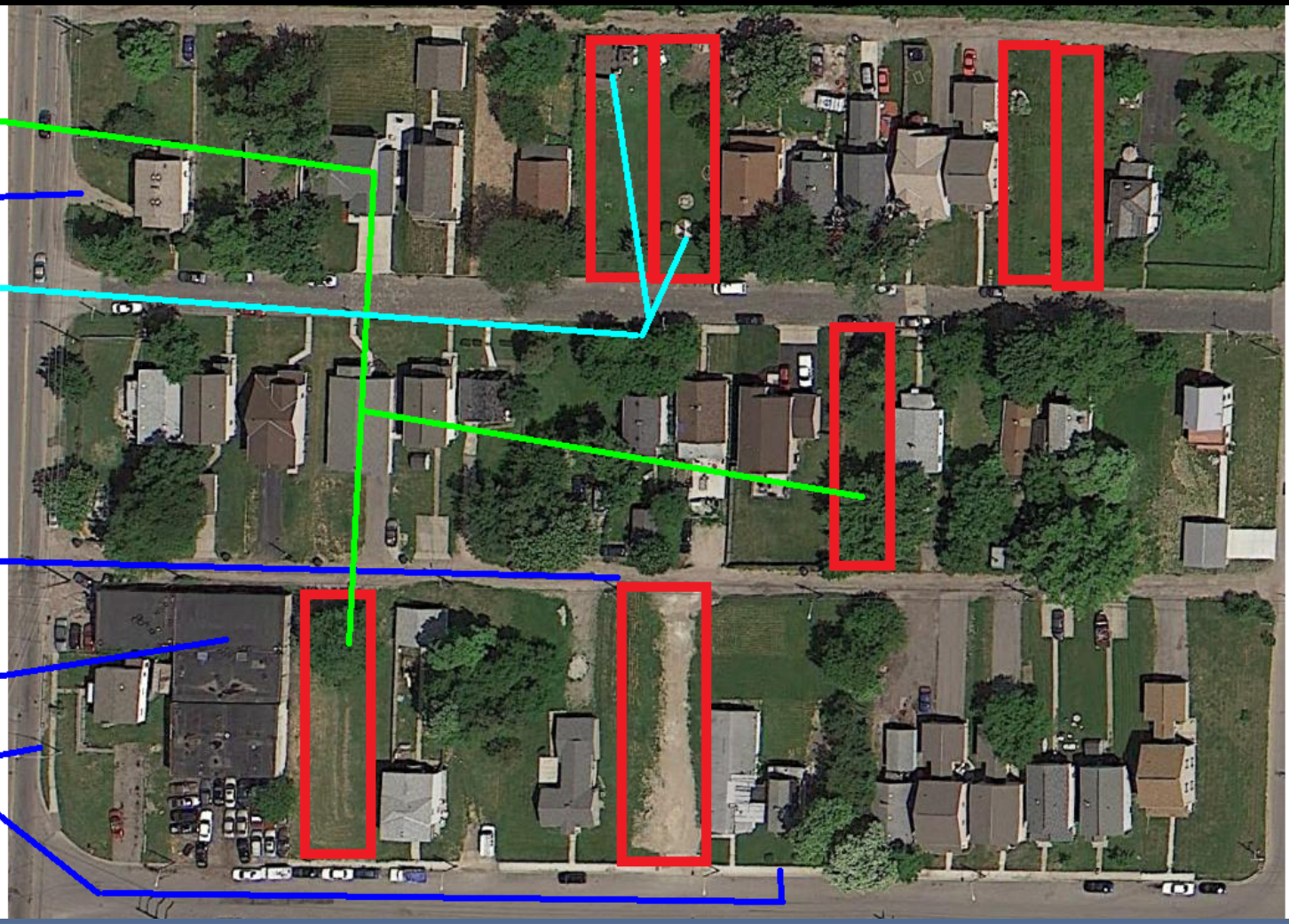
Initial observations

- Some lots appear to be heavily treed
- Is this a dirt path??
- Some lots appear to have items on them
- Is one of the lots being used as a mid-block cut through?
- This use appears to be automotive/light industrial
- Few sidewalks



Street View

- Confirmed lack of sidewalks
- No street lighting
- Trees need trimmed out of right-of-way
- Looks like some curbs are missing
- Brick street can add charm, if it is well maintained

Preliminary Intervention

- Addressing these issues before a housing investment is made can increase the success of the project.

- What about the issues we can't see
  - Condition o f water/sewer
    - Combined?
    - Capacity?
    - Stormwater
  - Electric service

Existing stock

- The total development cost of a seven-unit infill project could cost in excess of $1.4 million
- Is it logical to make that kind of investment if the surrounding homes are in disrepair?
- Resources are limited.

Home Repair Program

- Investment of $5,000-$15,000. Most, but not all , focus on area homeowners.

- Could be as simple as fresh paint.

- Could be more meaningful (making a house ADA accessible does not mean you don't have to paint the ramp!)

Beyond Bricks & Sticks

- Public transportation
- Access to goods and services
- Workforce development

The Larger Site

- This far, we have been examining this project's development area.
- Let's examine the broader context.

Project Site

- What do you think about this site now?
- Would you recommend investment?
- Why or why not?

Market Research / Demographic Analyis

Market/Demographic Analysis

- Market studies have become an integral part of nearly every real estate transaction in America.
- How/why did this happen?
- What are the major components of a market study?
- What can a market study tell you and how can you use it?

What is a Market Study?

- A comprehensive analysis of the housing market in a defined market area.
  - Determine housing needs in specific geography
  - Specific need for proposed development
- Depth and durability of the market
  - Supply and demand (demographic) analysis
- Marketability of a proposed site

Purpose of a Market Study

The site specific market study answers three basic questions:

- How many units can be supported?
- What rent can be charged/sales price achieved?
- How long will it take to achieve a stabilized occupancy?

Present two of these variables, and the market study will answer the third

Market Study Users

Broad and diverse:

- Developers, lenders, syndicators
- State agencies, HUD
- Development partners

Not so obvious:

- Management
- Planning agencies
- Marketing personnel

Categories of Market Studies

Type

- Housing
- Commercial

Geographic

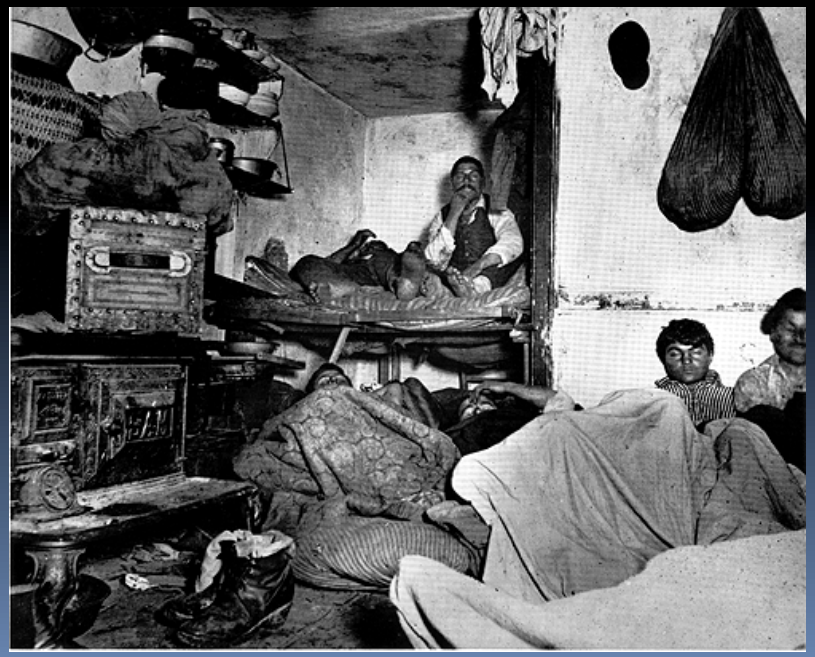
- Site specific
- Scattered site
- Regional

Finance

- Subsidized
- Market rate

History

- Housing in the U.S. was once developed without standards.
- New York's Five Points neighborhood was among the worst/most notorious.



Charles Dickens

This is the place—these narrow ways, diverging to the right and left, and reeking everywhere with, dirt and filth.

The coarse and bloated faces at the doors have counterparts at home and all the wide world over.

Debauchery has made the very houses prematurely old. See how the rotten beams are tumbling down, and how the patched and broken windows seem to scowl dimly, like eyes that have been hurt in drunken frays.

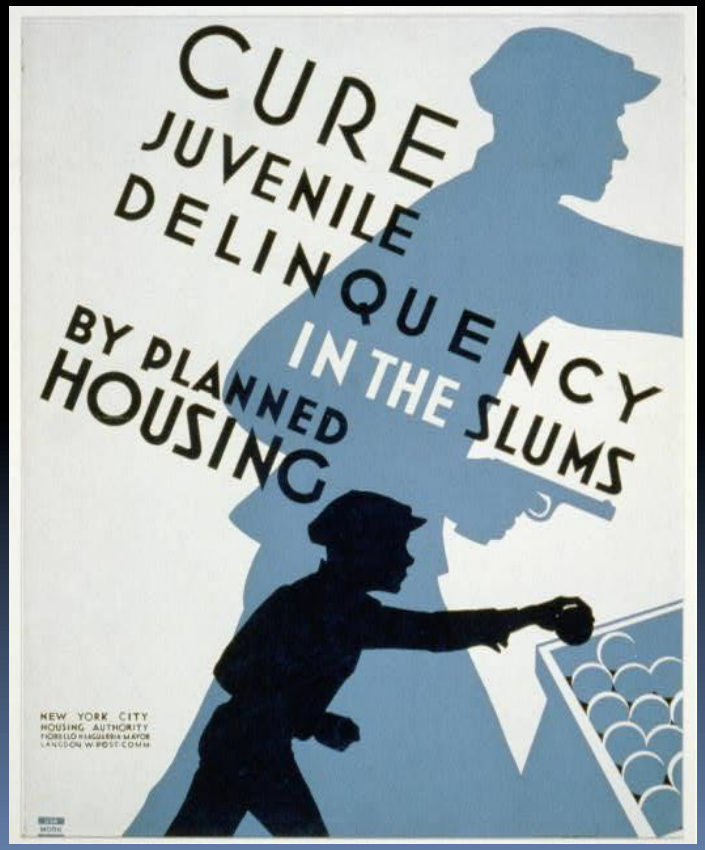
Jacob Riis

- New York Tribune writer and photographer Jacob Riis exposed the sordid conditions of the Five Points to the rest of the work in his publication, *How the Other Half Lives (1890)*.

- This book is considered to be the catalyst for housing reforms instituted in New York and later the rest of the U.S.
  - Focused on light, air, size.

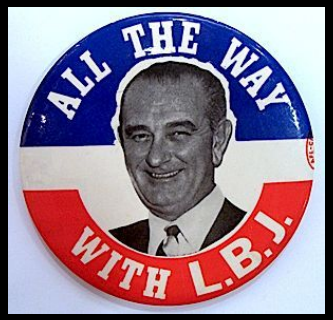
New Deal Housing Programs

- Federal Home Loan Bank System
- Federal Housing Authority
- Sec 221(d)(3) / (4)
- Housing Act 1937
  - Creates Housing Authorities



1960's: An Age of Activism

- Great Society Programs & War on Poverty
  - Rebuild inner-city housing stock
  - 1964 Civil Rights Act
    - Equal opportunity in housing
    - Outlawed discrimination



- HUD 1965
  - Cabinet level agency created unified federal agency to address crisis in urban areas (3rd Director?)
- 1968 Housing Act
  - Ten year plan to create 26 million housing units

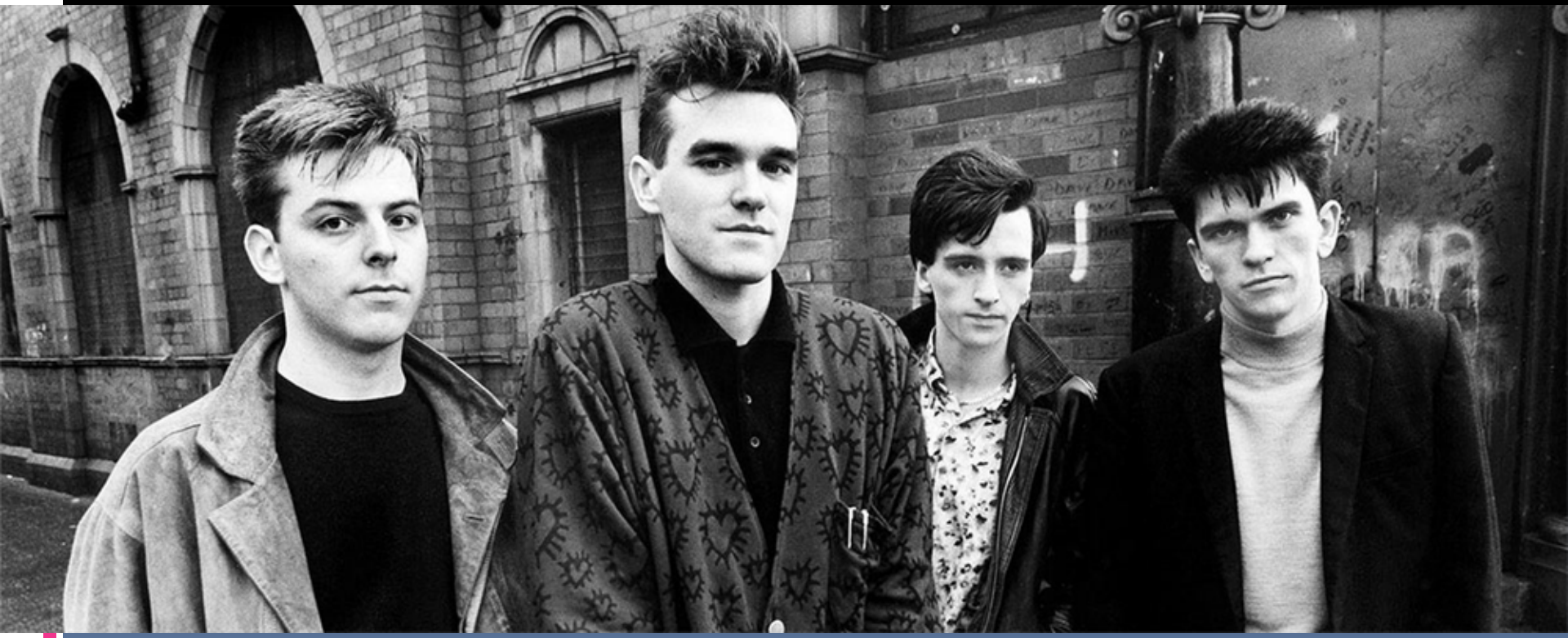
1970'S HOUSING INITIATIVES

- Government sponsorship without direct ownership
  - Section 236
    - Low interest loans and tax benefits
    - Inflation and rising operating expenses
  - Section 8
    - Rent Subsidy program
      - Project based or tenant based
    - Annual appropriations or annually renewable

Something very important happened in 1986…

The Smiths

- 1st – The Smith break up.



2nd - Tax Credit Housing

- Designed to promote private investment and minimize write-offs for investors.
- Market studies became a fixed part of the tax-credit process and have a very specific series of criteria.
- Lenders require it for virtually all speculative multi-family projects or single-family tract developments, irrespective of income targets or location.

Jim Baker fails to pay attention while The Gipper signs the Tax Reform Act of 1986.

Background on Market Studies

- Focus of Residential Market Studies
  - LIHTC – Mandatory since 1986
  - Market Rate Housing
  - Senior Housing (independent, assisted living)
  - Student Housing
  - Military Housing

  - Since the housing crisis, market studies are increasingly required by lenders and investors.

Different Purposes

- A use with a site to determine feasibility
- A use in search of a site and feasibility
- A site in search of a feasible use

Elements of Market Analysis

- Who Uses It?
  - Project-specific market studies are often used by developers, lenders, 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.
  - At a minimum, market studies include a review of location, economic conditions, demographics, and existing and proposed housing stock.

Elements of Market Analysis

- Components of a Market Study include:
  - Executive Summary
  - Project Description
  - Location and Market Area
  - Employment and Economy
  - Population and Households
  - Existing Housing Stock (field survey)
  - Housing Market and Housing Alternatives
  - Analysis
  - Conclusions and Recommendations

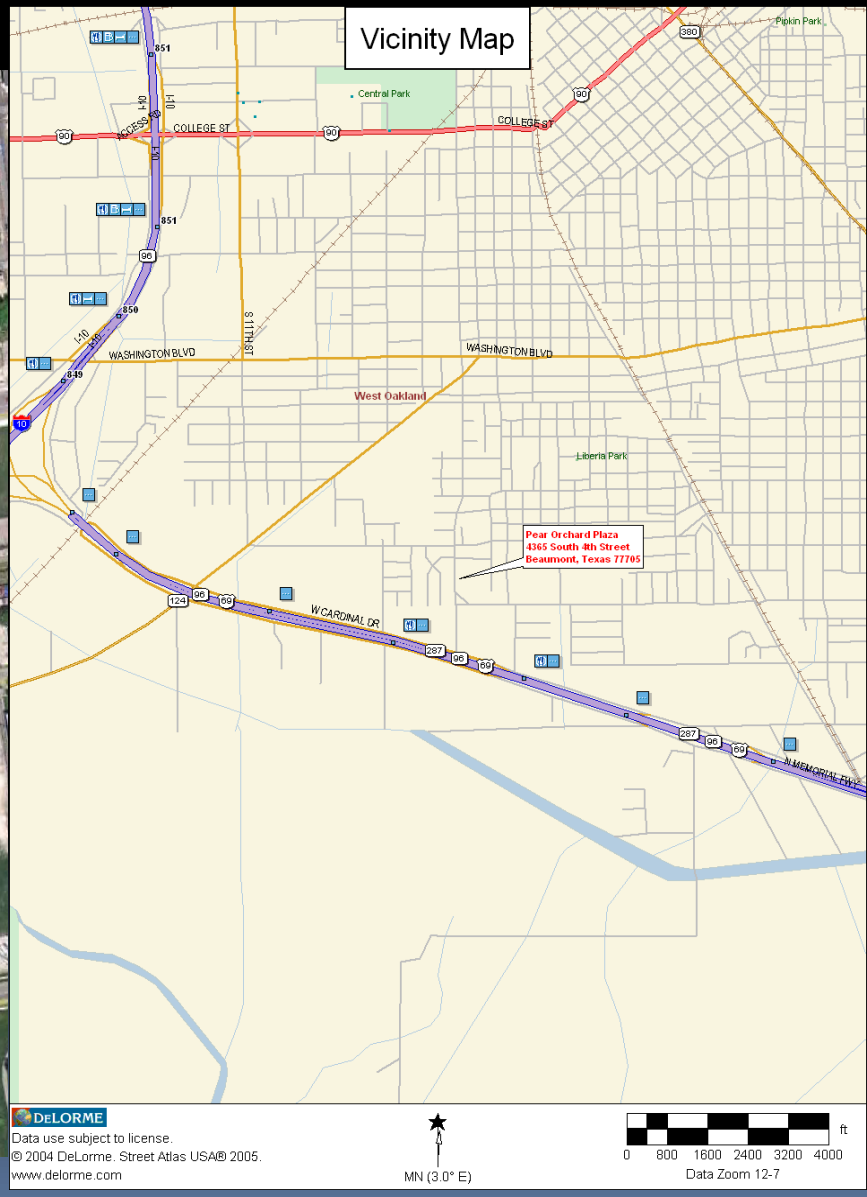
Elements of Market Analysis

- The following elements should be made available to the analyst
  - Unit mix (bedrooms, baths, etc.)
  - Preliminary rents (pro forma)
  - Type of utilities and the person(s) responsible for paying for the utilities
  - Unit and project amenities
  - Target market
    - Family, senior, special needs
  - Parking type and number of spaces
  - Location of property, including directions to and a map of the site, if available
  - Anticipated construction schedule (anticipated COO)
  - Plans and specs, if available
  - Any adverse influences in the area that are known by the developer

Project Location

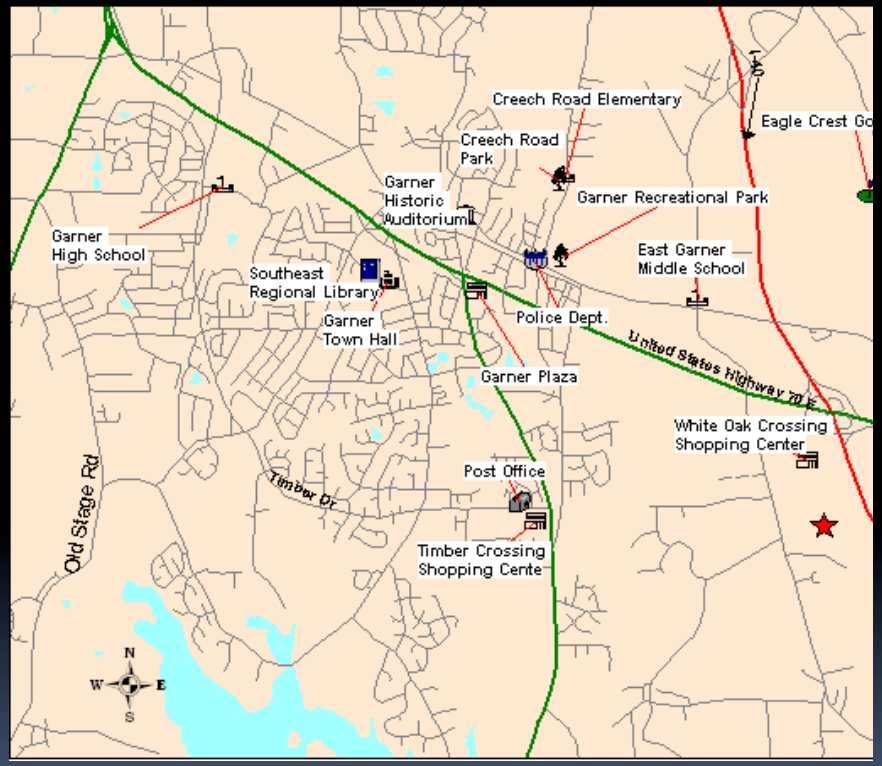
- City, State, and Exact Location within the State are discussed in the narrative.
- Mapping programs such as CoPilot, DeLorme, Site to do Business and Microsoft are typical in the industry.
  - These are used to show the location on the street, within the neighborhood, within the city, within the county and sometimes within the state.

W State St
Green St
Site
Sandusky St
S Souder Ave
S Davis Ave
S Green St
W Innerdelt
315
Plain Alley
© 2012 Google
39°57'21.87" N 83°01'09.78" W elev 708 ft


Vicinity Map
Pipkin Park
Central Park
COLLEGE ST
ACCESS
I-10
WASHINGTON BLVD
S 11TH ST
West Oakland
Liberia Park
Pear Orchard Plaza
4365 South 4th Street
Beaumont, Texas 77705
W CARDINAL DR
DELORME
Data use subject to license.
© 2004 DeLorme. Street Atlas USA® 2005.
www.delorme.com
MN (3.0° E)
0 800 1600 2400 3200 4000 ft
Data Zoom 12-7

Site Analysis

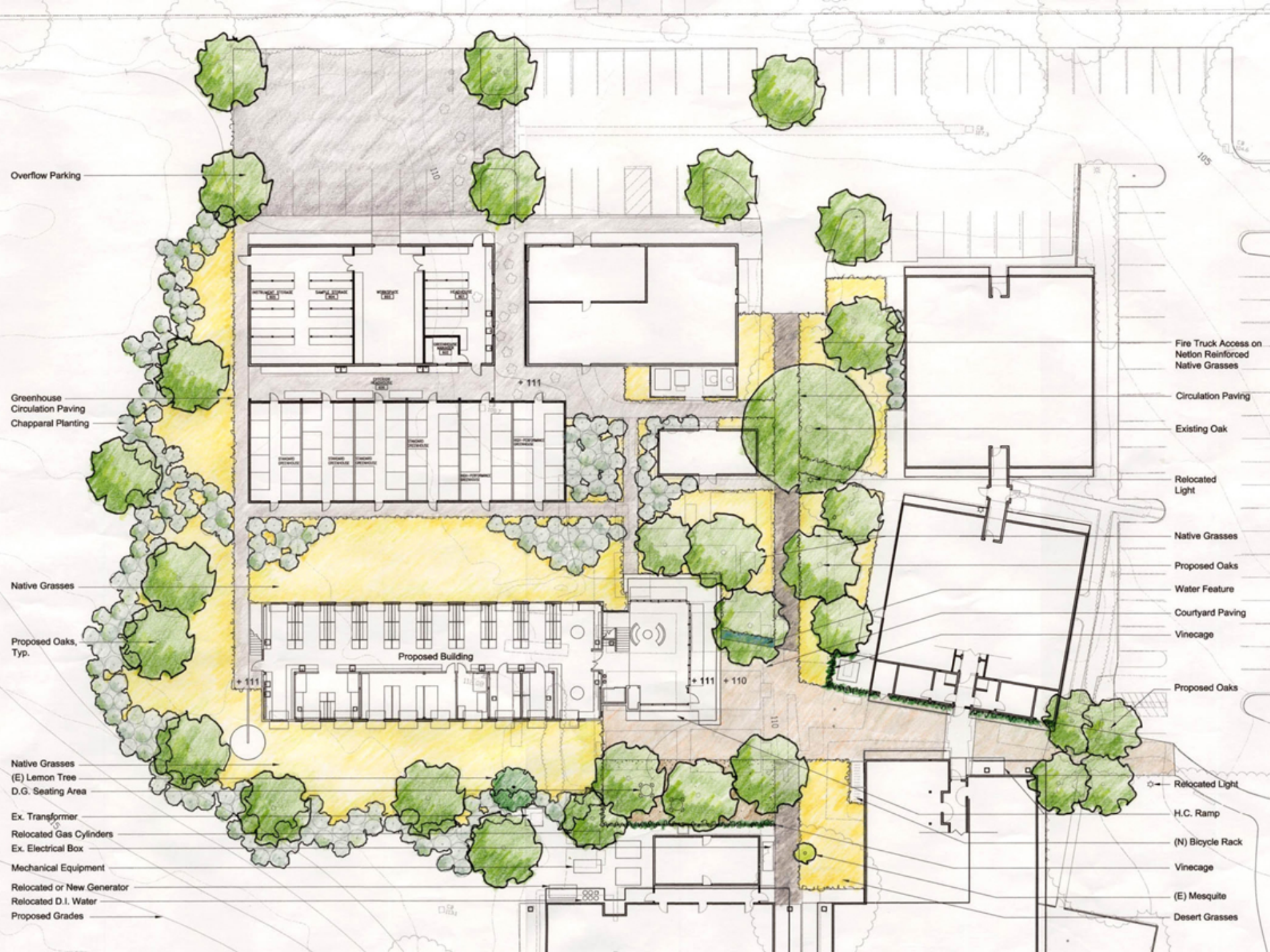
- Is the site suitable for development as housing?
  - Surrounding land uses compatible with housing?
  - Neighborhood adequately served by facilities and services?
  - Is it accessible by car and public transportation?
  - Does it have reasonable visibility?
  - Planned changes in the area that may compromise its suitability in the future?



Site Plan

- Site characteristics are usually described by:
  - Size, Shape, Zoning, Frontage, etc.

- A typical site plan will show where the following will be located:
  - Buildings, parking, site access, project amenities, landscaping, etc.
  - Sometimes it will contain utilities, traffic flow and anything else important for the site.


Overflow Parking
Greenhouse Circulation Paving
Chapparal Planting
Native Grasses
Proposed Oaks, Typ.
Native Grasses
(E) Lemon Tree
D.G. Seating Area
Ex. Transformer
Relocated Gas Cylinders
Ex. Electrical Box
Mechanical Equipment
Relocated or New Generator
Relocated D.I. Water
Proposed Grades
Proposed Building
+ 111
+ 111
+ 111
+ 110
110
110
105
Fire Truck Access on Netlon Reinforced Native Grasses
Circulation Paving
Existing Oak
Relocated Light
Native Grasses
Proposed Oaks
Water Feature
Courtyard Paving
Vinecage
Proposed Oaks
Relocated Light
H.C. Ramp
(N) Bicycle Rack
Vinecage
(E) Mesquite
Desert Grasses

Design/Sketch

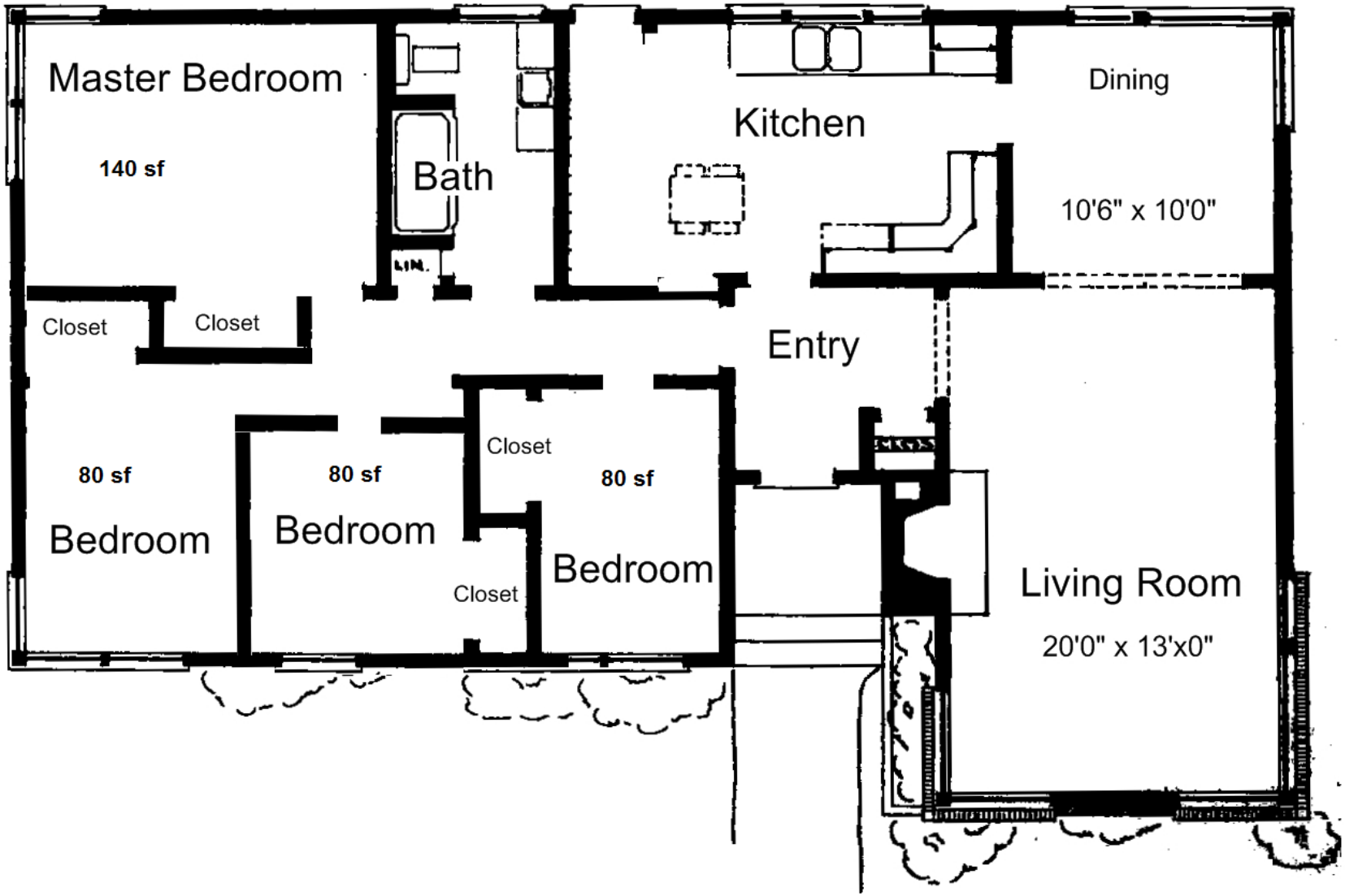
A typical unit sketch will show the basic layout of each unit:

- Size, shape, number of rooms, location of each room, etc.
- Usually, if there are numerous types of units, a floor plan/sketch will be included for each unit type.

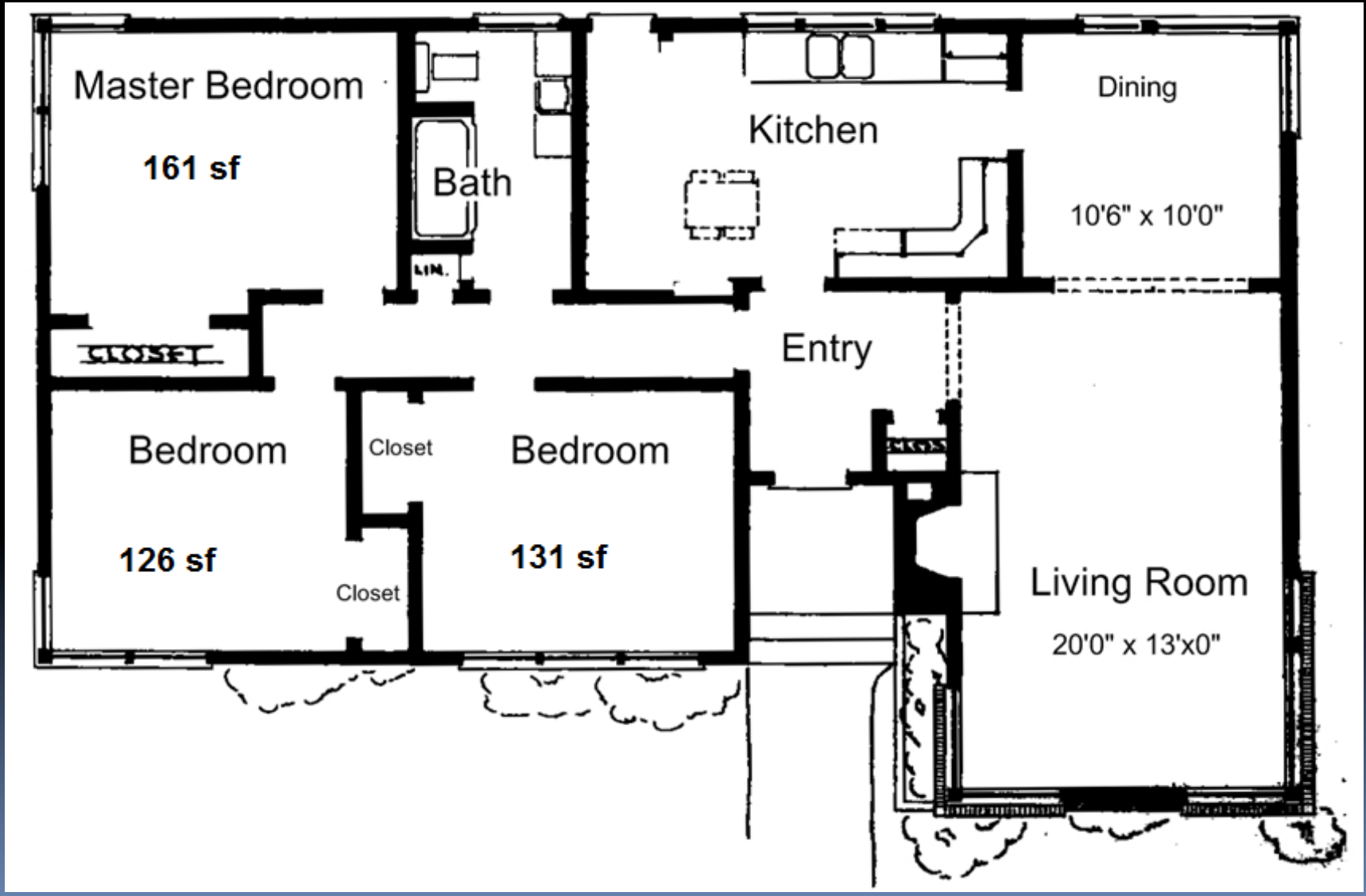
- Sometimes there is no design, as the analysis will inform the client what the market demands.

- Which seems better to you, Option A or Option B?

A


Master Bedroom
140 sf
Bath
LIN.
Kitchen
Dining
10'6" x 10'0"
Closet
Closet
Entry
Closet
80 sf
80 sf
80 sf
Bedroom
Bedroom
Bedroom
Closet
Living Room
20'0" x 13'x0"

Or B


Master Bedroom
161 sf
Bath
LIN.
Kitchen
Dining
10'6" x 10'0"
CLOSET
Entry
Bedroom
126 sf
Closet
Closet
Bedroom
131 sf
Living Room
20'0" x 13'x0"

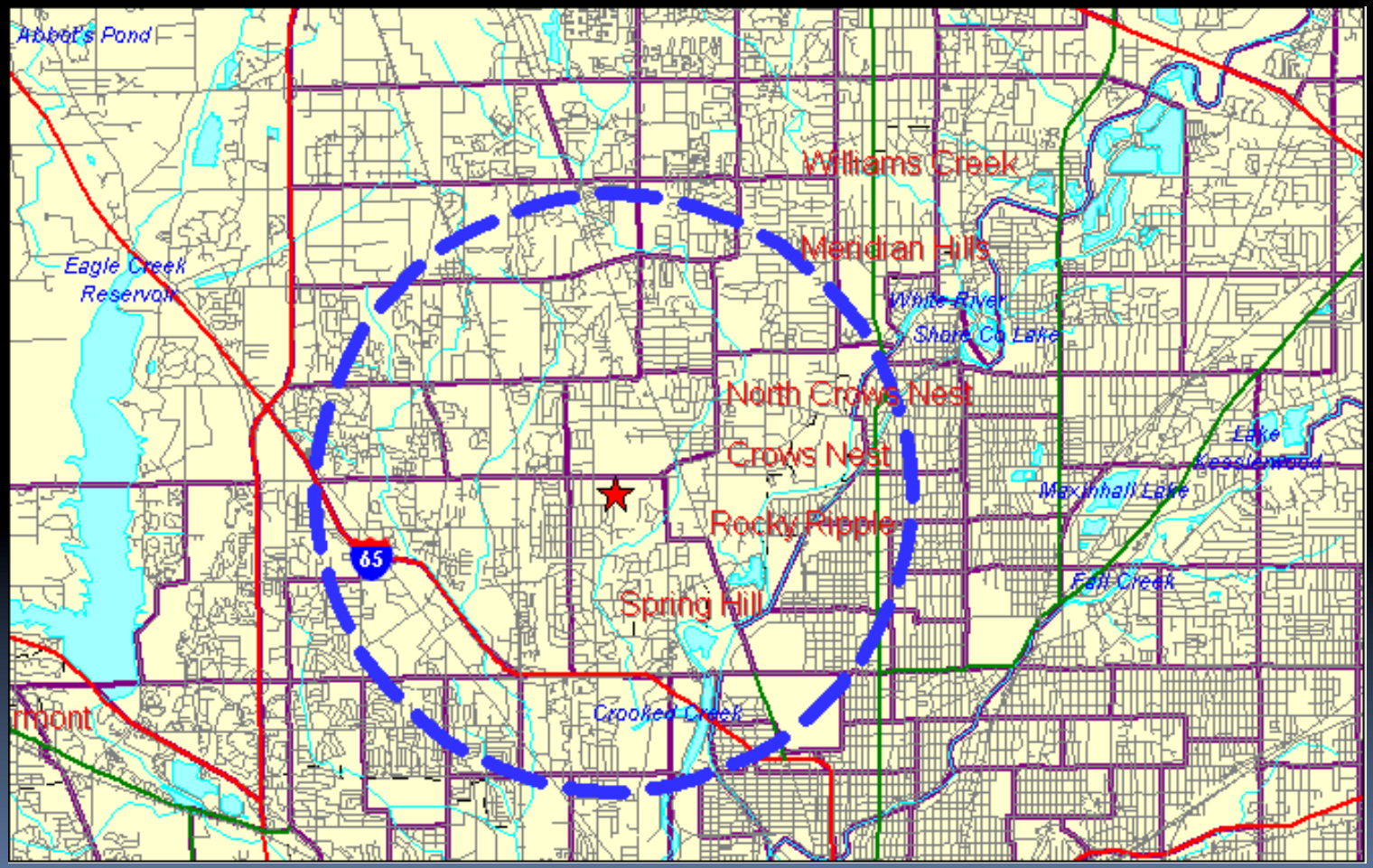
- Option B has rooms that are 8’ x 10’ rooms.
- Does that sound like a familiar dimension to you?
- If not, good for you. You kept your nose clean when you were younger.
- If so….

Market Area Criteria

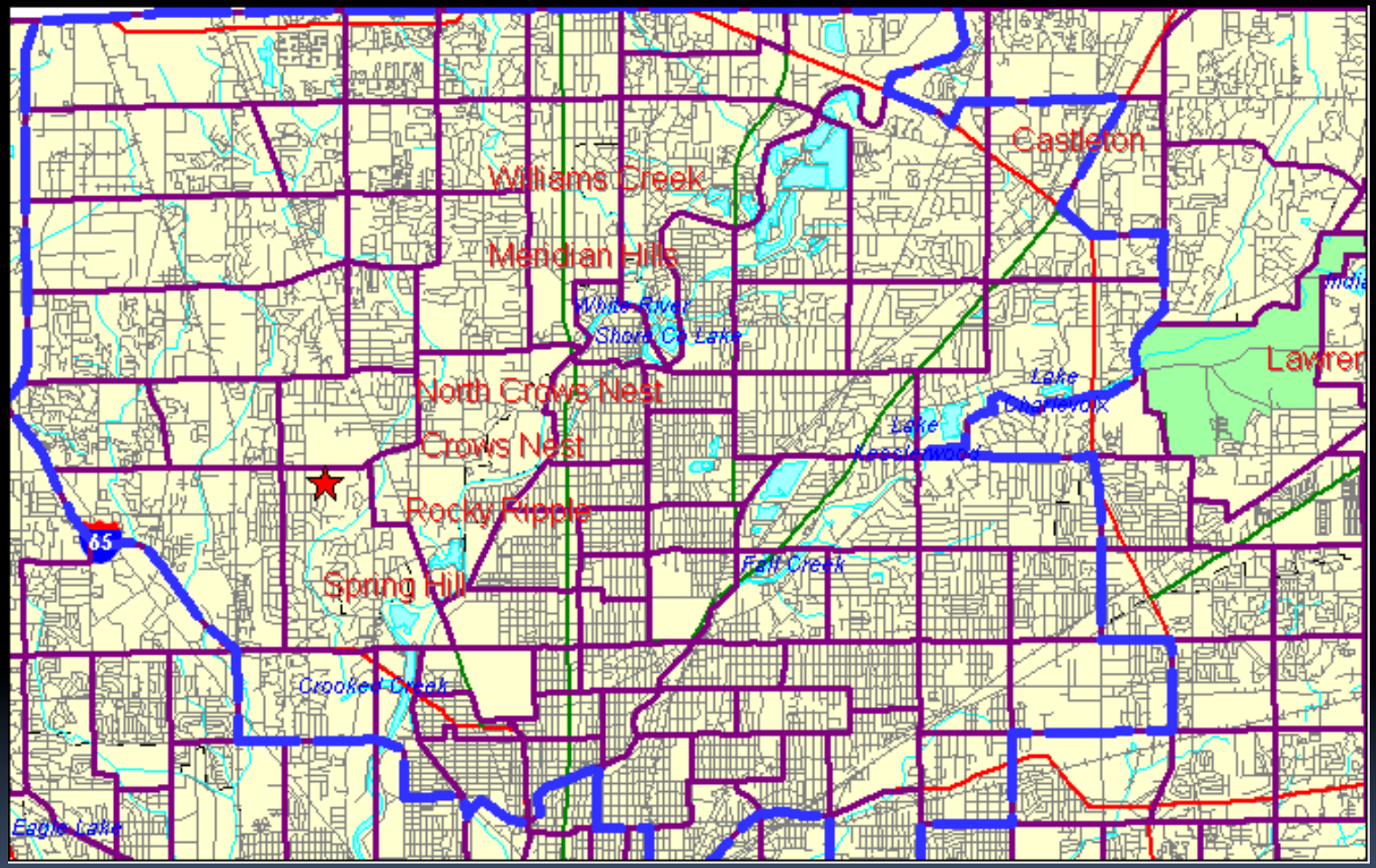
- A realistic market area is critical as it determines the geographic scope of other analyses.
  - Should reflect the area where most of the support will originate
  - Considerations should be given to the impact of natural and man-made barriers.
  - Socioeconomic characteristics
- Beware of radii, county boundaries, or multi-county boundaries.
- Projects for seniors often have market areas that are generally larger than those for family projects.

Determining Market Area: Quick Exercise

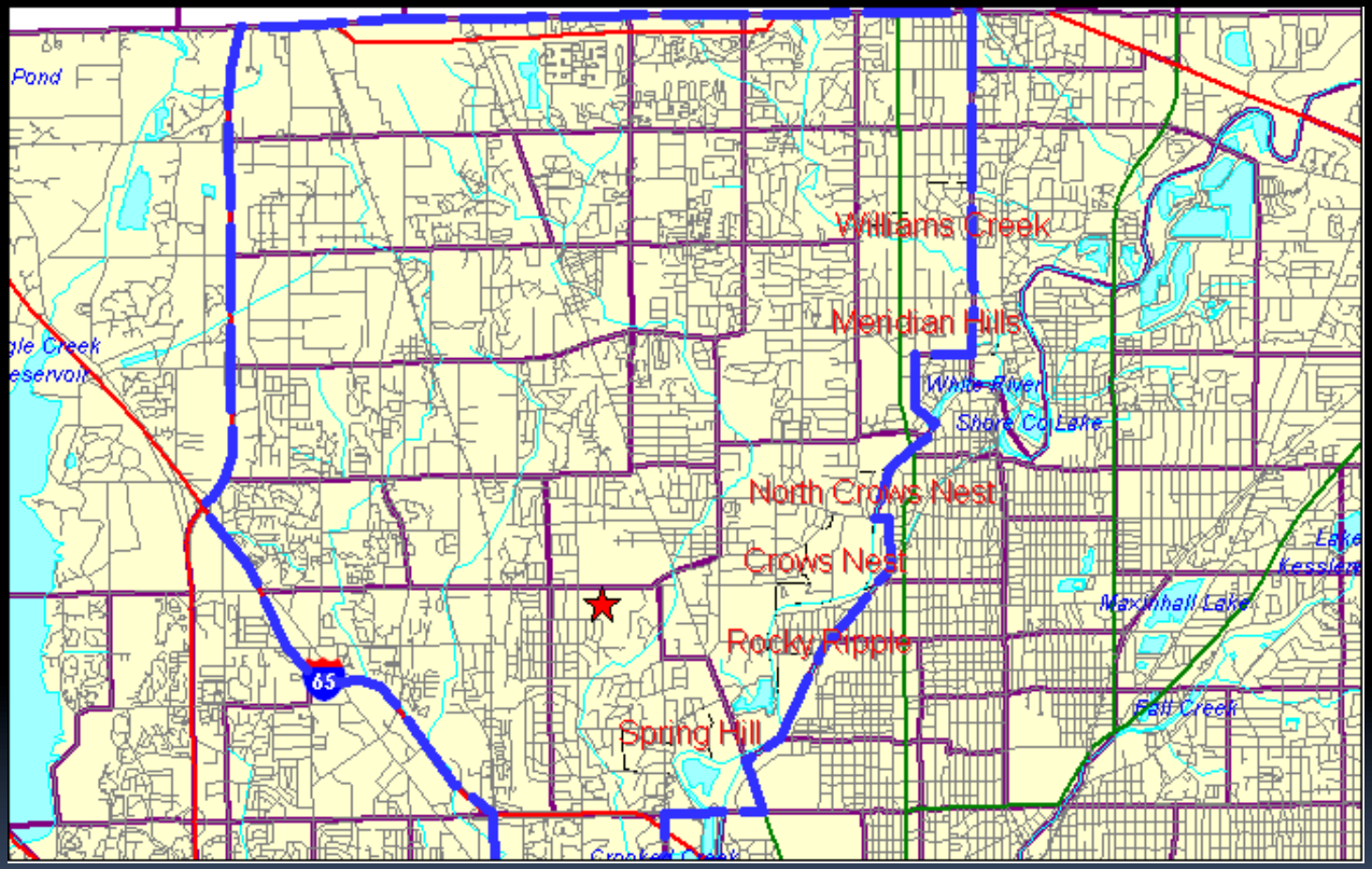
Is this a good market area?



How about this market area?



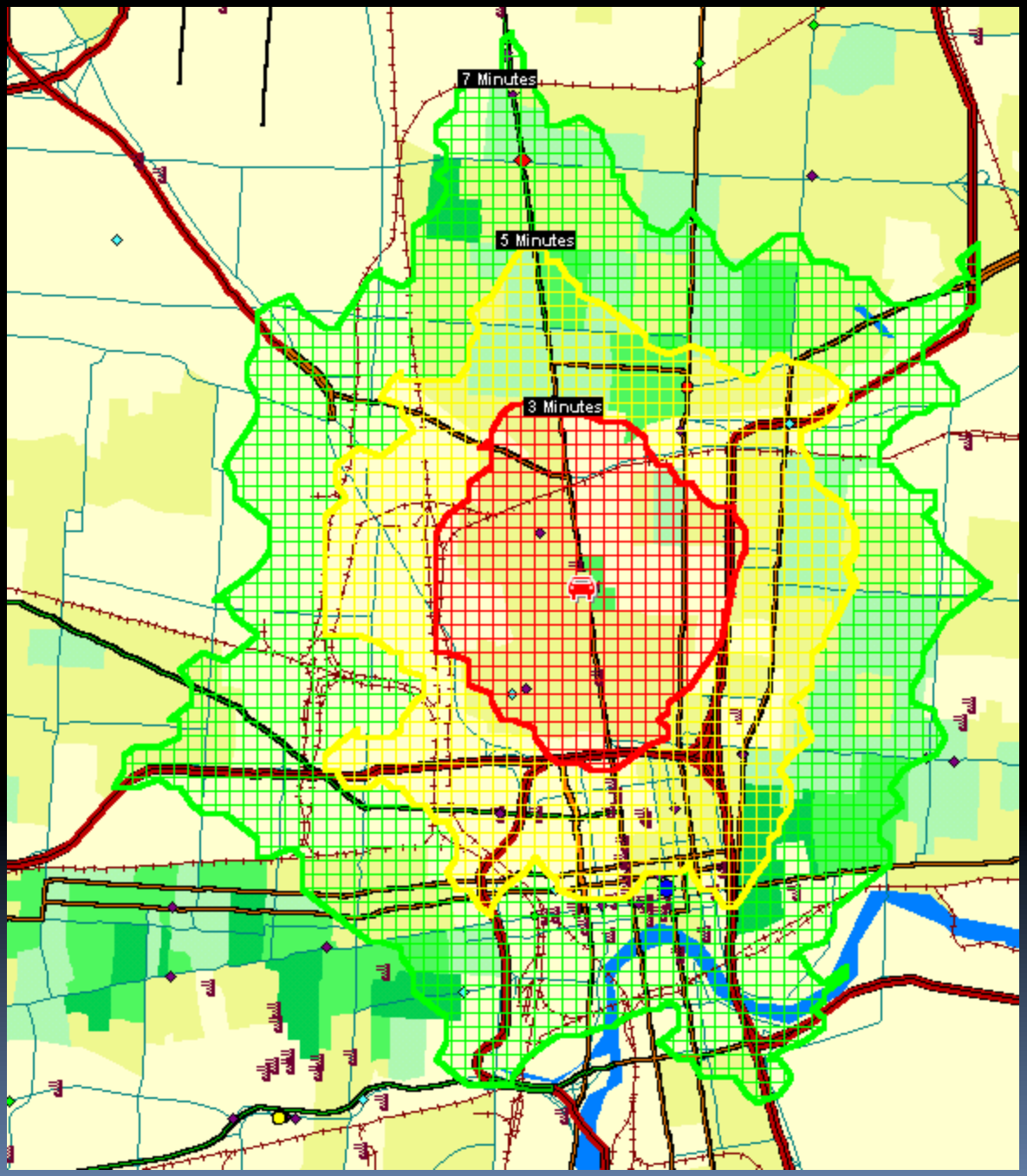
Does this seem reasonable?



Remember: Rural market areas are larger than small cities, which are larger than big cities.

Drive-time to a site

- 3 minutes
- 5 minutes
- 7 minutes



Field Survey: Cataloging of existing units in a market area

- Has a comprehensive field survey of properties been conducted for your market study?
- Such a survey will identify properties, their amenities, rents, vacancies, etc. in your market area.
- A good field survey can provide you with insights that will your project's level of success.

Market-rate and Non-Subsidized Tax Credit						
Year Range	Projects	Units	Vacant	Vacancy Rate	Total Units	Distribution
Before 1970	26	971	22	2.3%	971	35.9%
1970 to 1979	13	330	5	1.5%	1301	12.2%
1980 to 1989	7	264	8	3.0%	1565	9.8%
1990 to 1999	7	323	1	0.3%	1888	11.9%
2000 to 2004	3	303	22	7.3%	2191	11.2%
2005	1	1	0	0.0%	2192	0.0%
2006	1	10	0	0.0%	2202	0.4%
2007	0	0	0	0.0%	2202	0.0%
2008	2	104	0	0.0%	2306	3.8%
2009	1	239	33	13.8%	2545	8.8%
2010	1	20	0	0.0%	2565	0.7%
2011	1	140	14	10.0%		
2012*	0	0	0	0.0%		
Total	**63**	**2705**	**105**	**3.9%**		

Types of information captured in the field survey – unit age, number of units, vacancy, appliance, amenities, etc.

Appliances			
Appliance	Projects	Percent	Units*
Range	63	100.0%	2,705
Refrigerator	63	100.0%	2,705
Icemaker	6	9.5%	630
Dishwasher	37	58.7%	2,098
Disposal	48	76.2%	2,023
Microwave	10	15.9%	972
Pantry	0	0.0%	
Unit Amenities			
Amenity	Projects	Percent	Units*
AC - Central	34	54.0%	2,191
AC - Window	12	19.0%	903
Floor Covering	63	100.0%	2,705
Washer/Dryer	35	55.6%	854
Washer/Dryer Hook-Up	48	76.2%	1,488
Patio/Deck/Balcony	47	74.6%	2,051
Ceiling Fan	18	28.6%	916
Fireplace	1	1.6%	1
Basement	26	41.3%	100
Intercom System	1	1.6%	40
Security System	1	1.6%	239
Window Treatments	56	88.9%	2,600
Furnished Units	4	6.3%	573
E-Call Button	0	0.0%	
Storage	0	0.0%	
Walk-In Closets	0	0.0%	

5 Athens Garden Apts.

Address 300 W. State St.
Athens, OH 45701
Phone (740) 593-8321 (Contact in person)
Year Built 1980
Contact Kristi Jolley
Comments HUD Section 8; Townhomes have patios; Wait 2-br/8 households & 3- or 4-br/2 households

Total Units	44
Vacancies	0
Occupancy Rate	100.0%
Floors	1,2
Quality Rating	B
Waiting List	10 households

Key Appliances & Amenities												
	X	Range		Microwave		Parking Garage		Window AC		Pool		Clubhouse
	X	Refrigerator		Garage(Att)		Carport		Washer/Dryer	X	On-Site Mgmt		Elevator
		Dishwasher		Garage(Det)		Central AC		W/D Hook-up	X	Laundry Room		Computer Center

6 Andover Court

Address 5-B Cardinal Ln.
Athens, OH 45701
Phone (740) 593-7250 (Contact in person)
Year Built 1976
Contact Donna
Comments 1- & 2-br units have patios; 2-br units have washer/dryer hookups & dishwashers; Information as of 7/2011

Total Units	52
Vacancies	0
Occupancy Rate	100.0%
Floors	1
Quality Rating	C
Waiting List	2 households

Key Appliances & Amenities												
	X	Range	S	Microwave		Parking Garage	X	Window AC		Pool		Clubhouse
	X	Refrigerator		Garage(Att)		Carport		Washer/Dryer	X	On-Site Mgmt		Elevator
	S	Dishwasher		Garage(Det)		Central AC	S	W/D Hook-up	X	Laundry Room		Computer Center

7 Monticello Village Apts.

Address 6 Monticello Dr.
Athens, OH 45701
Phone (740) 593-6211 (Contact in person)
Year Built 1968 **Renovated** 2000
Contact Janis
Comments 2- & 3-br units have patio/balcony; Management stated that approximately 55% of tenants are business professionals

Total Units	68
Vacancies	0
Occupancy Rate	100.0%
Floors	2,2.5
Quality Rating	B-
Waiting List	None

Key Appliances & Amenities												
	X	Range		Microwave		Parking Garage		Window AC	X	Pool		Clubhouse
	X	Refrigerator		Garage(Att)		Carport		Washer/Dryer	X	On-Site Mgmt		Elevator
	X	Dishwasher		Garage(Det)	X	Central AC		W/D Hook-up	X	Laundry Room		Computer Center

Economic Context

What is the environment in which project will be operating?

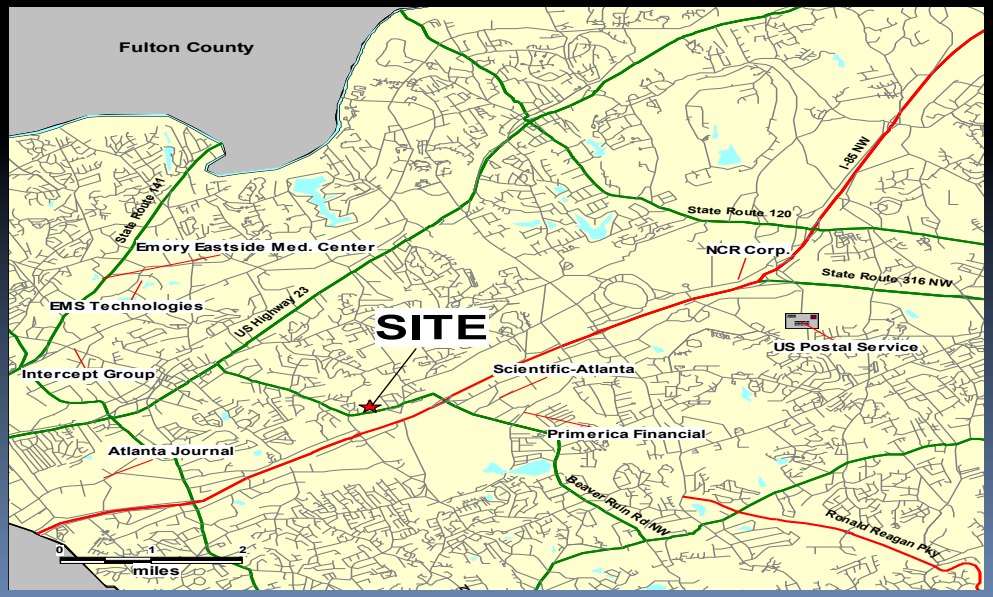
- Labor Force
- Unemployment
- At Place Employment
- Major Employers

- Be mindful of smaller markets that are dominated by one or two industries
  - Wilmington - DHL

Economic Forecast

Major Employers	Location; Size of Workforce; Prospects for future growth or reduction
Economic Expansions	Any planned expansions in the Market; i.e., BRAC, New Plants. Is household growth increasing demand for services
Economic Disruptions	Major Layoffs or Closing; Vulnerable Sectors of Economy
Wage Trends	Are wages increasing or decreasing

Location of Major Employers in proximity to site



Demography

- The statistical study of living human populations.

- This has been occurring in the United States since 1790 via the Census.
  - Used to better understand our population
  - Helps us determine how to deliver resources
  - The Census is only as good as the response rate
  - Traditionally a long-form and a short-form

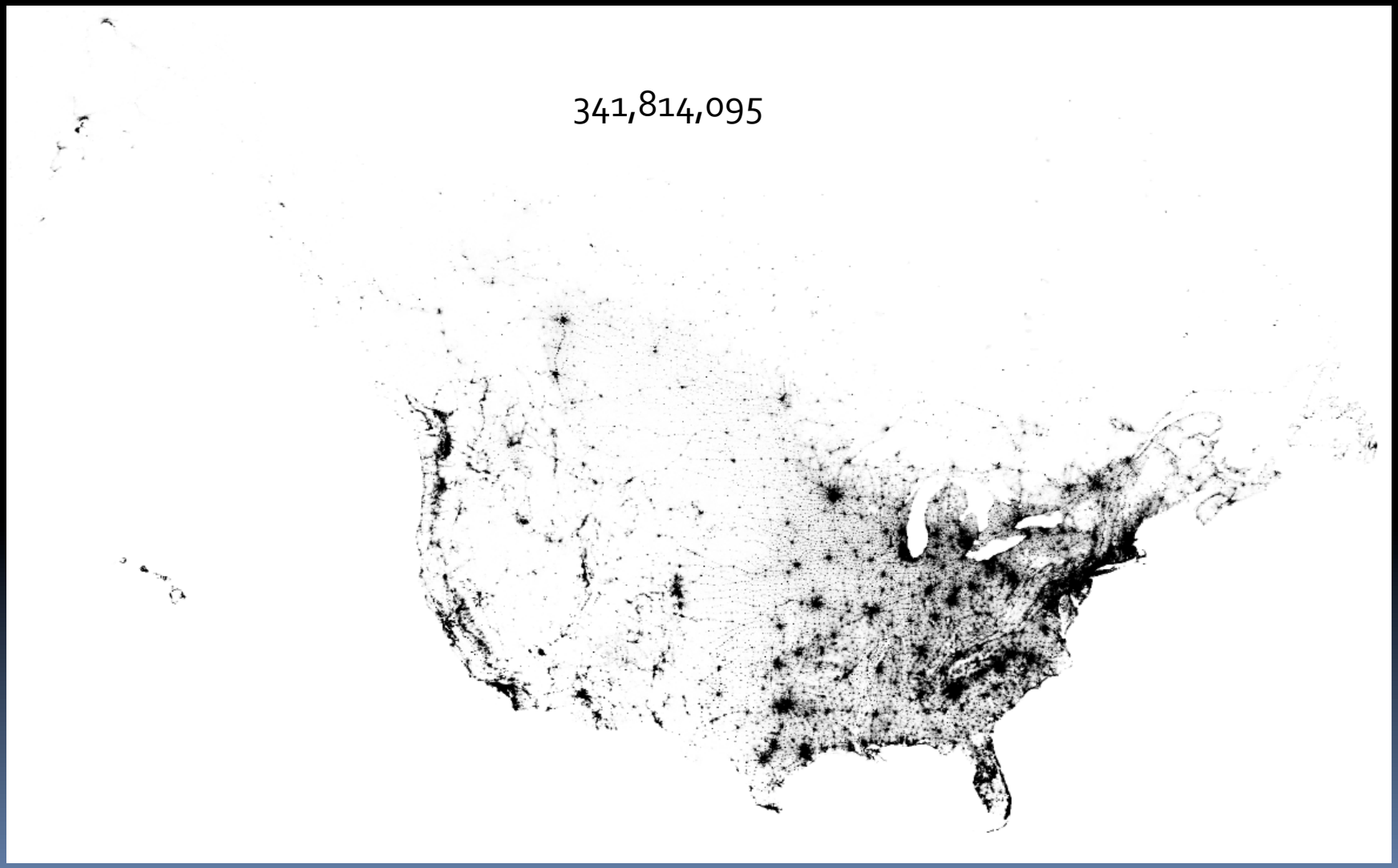
American Community Survey

- In 2010, only the short-form Census was distributed.
- Detailed data will be acquired through the American Community Survey (ACS).
- The ACS is sent to 250,000 random households every month.
- This creates a constant flow of data instead of having to wait a decade for updates.

Geographic levels of data

- Nation
- State
- Congressional District – approximately 720,000 people
- County
- Place
- Tract – approximately 4,000 people
- Block Group – average of 39 blocks
- Block – in the city this is often an actual block. In rural areas it is larger.

One dot = One person



O-hi-o

Ashtabula
Toledo
Mentor
Cleveland
Sandusky
Bowling Green
Defiance
Akron
Youngstow
Van Wert
Wooster
Canton
Lima
Mansfield
Marion
Ohio
Greenville
Newark
Whee
Columbus
Springfield
Zanesville
Dayton
Lancaster
Hamilton
Marietta
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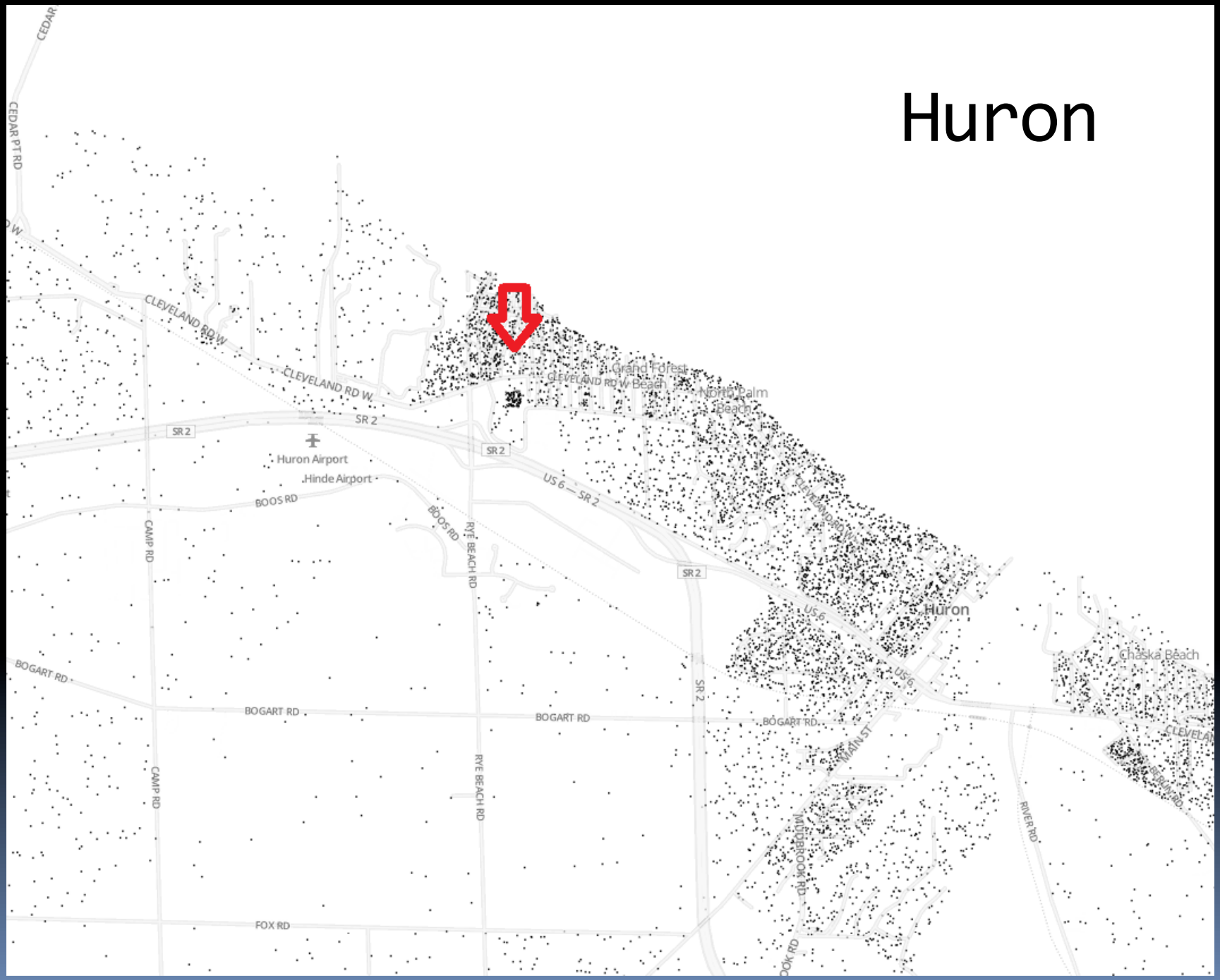
Athens
Parkers
Cincinnati
Portsmouth
land

Huron


CEDAR PT RD
CLEVELAND RD W
CLEVELAND RD W
SR 2
SR 2
SR 2
Huron Airport
Hinde Airport
BOOS RD
BOOS RD
CAMP RD
RYE BEACH RD
Grand Forest
CLEVELAND RD W Beach
North Palm Beach
US 6 — SR 2
SR 2
US 6
Huron
Chaska Beach
BOGART RD
BOGART RD
BOGART RD
BOGART RD
SR 2
MAIN ST
CAMP RD
RYE BEACH RD
MUDBROOK RD
RIVER RD
FOX RD

Demographics

- Important data set that informs the conclusions an analyst makes
- Should contain last Census, current year and at least five year projections
  - Population
  - Population by age
  - Households
  - Housing tenure
  - Housing units
  - Income by households by tenure

Population & Household Trends

- What is the nature of recent demographic trends in the market area?
  - Has the number of households been increasing, decreasing, or remaining about the same?
  - Are recent past trends expected to continue?
  - Are demographic projections from a reputable third-party source?
  - Does building permit activity correlate with household trends?

Comparison of Data Across Different Geographies

	MARKET AREA		COUNTY		MSA		OHIO	
	POP.	H.H.	POP.	H.H.	POP.	H.H.	POP.	H.H.
1990 CENSUS	50,496	21,598	1,031,483	418,688	2,537,864	959,789	4,374,011	1,647,427
2000 CENSUS	49,146	21,673	1,116,191	456,125	2,968,772	1,136,602	4,919,319	1,895,063
CHANGE 1990-2000	-1,350	75	84,708	37,438	430,908	176,813	545,308	247,636
PERCENT CHANGE 1990-2000	-2.7%	0.3%	8.2%	8.9%	17.0%	18.4%	12.5%	15.0%
2010 CENSUS	47,385	21,163	1,161,469	480,800	3,314,039	1,284,863	5,332,747	2,088,547
CHANGE 2000-2010	-1,761	-510	45,278	24,675	345,267	148,261	413,428	193,484
PERCENT CHANGE 2000-2010	-3.6%	-2.4%	4.1%	5.4%	11.6%	13.0%	8.4%	10.2%
2015 PROJECTED	47,304	21,218	1,180,287	489,991	3,469,860	1,348,824	5,504,112	2,164,310
CHANGE 2010-2015	-81	55	18,818	9,191	155,821	63,961	171,365	75,763
PERCENT CHANGE 2010-2015	-0.2%	0.3%	1.6%	1.9%	4.7%	5.0%	3.2%	3.6%

HISTA Example

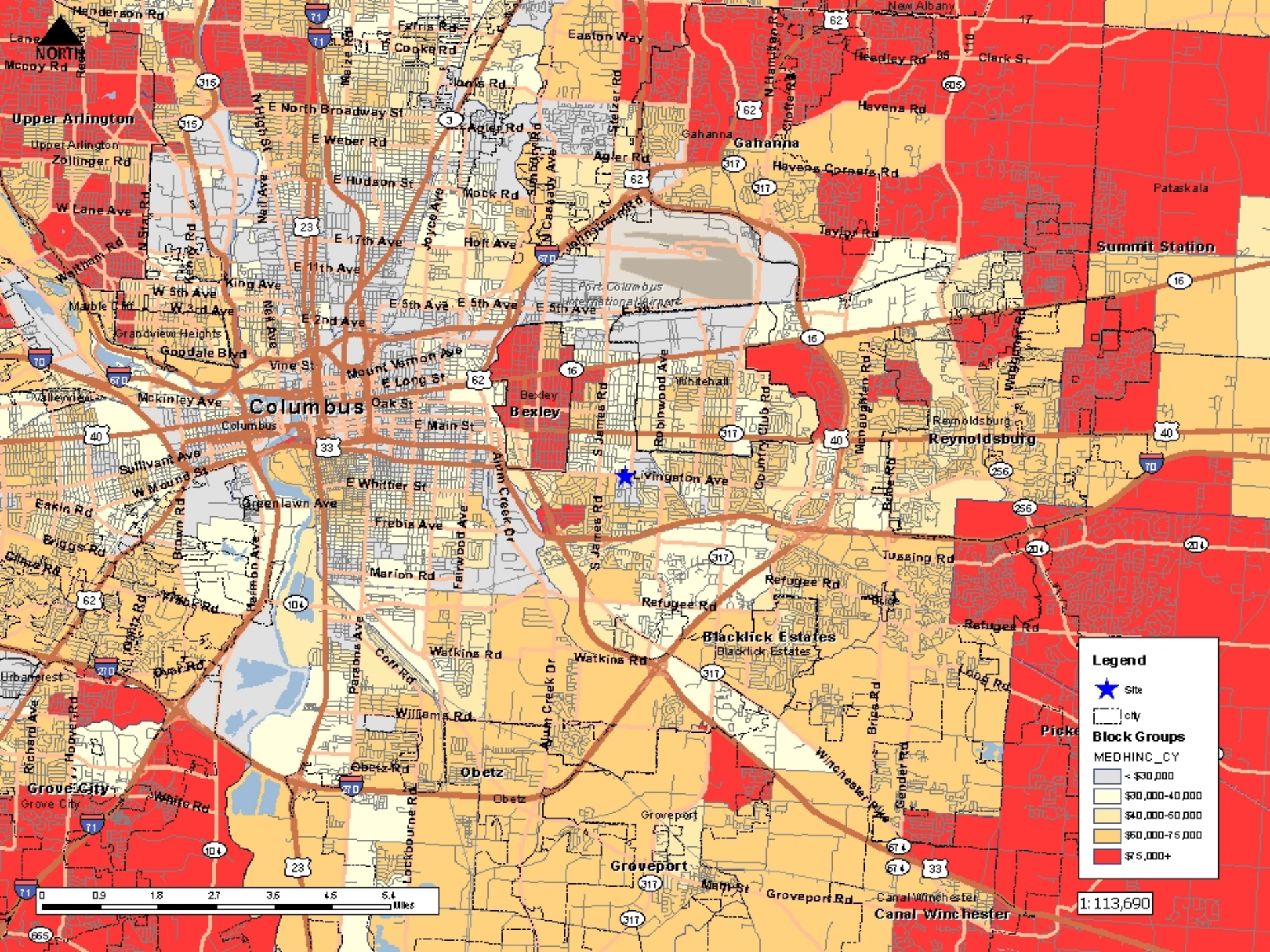
(households by income, size, tenure & age)

Renter 62+						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5+ Persons**	**TOTAL**
<$10k	257	0	0	0	0	**257**
$10k - <$20k	345	34	0	9	0	**387**
$20k - <$30k	96	22	0	0	0	**118**
$30k - <$40k	67	5	23	0	2	**97**
$40k - <$50k	11	21	1	2	0	**35**
$50k - <$60k	3	4	28	0	0	**36**
$60k+	0	5	11	0	0	**16**
TOTAL	**779**	**91**	**63**	**11**	**2**	**946**

Geographic Information Systems (GIS)

- Charts are boring.
- People are inherently visual.
- Being able to project demographic data visually can help you communicate with your audience.

- Let’s take a look at a few examples…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Columbus
Bexley
Gahanna
Reynoldsburg
Summit Station
Blacklick Estates
Obetz
Groveport
Grove City
Canal Winchester
Pataskala
Port Columbus International Airport
Livingston Ave
Legend
Site
city
Block Groups
MEDHINC_CY
< $30,000
$30,000-40,000
$40,000-60,000
$60,000-75,000
$75,000+
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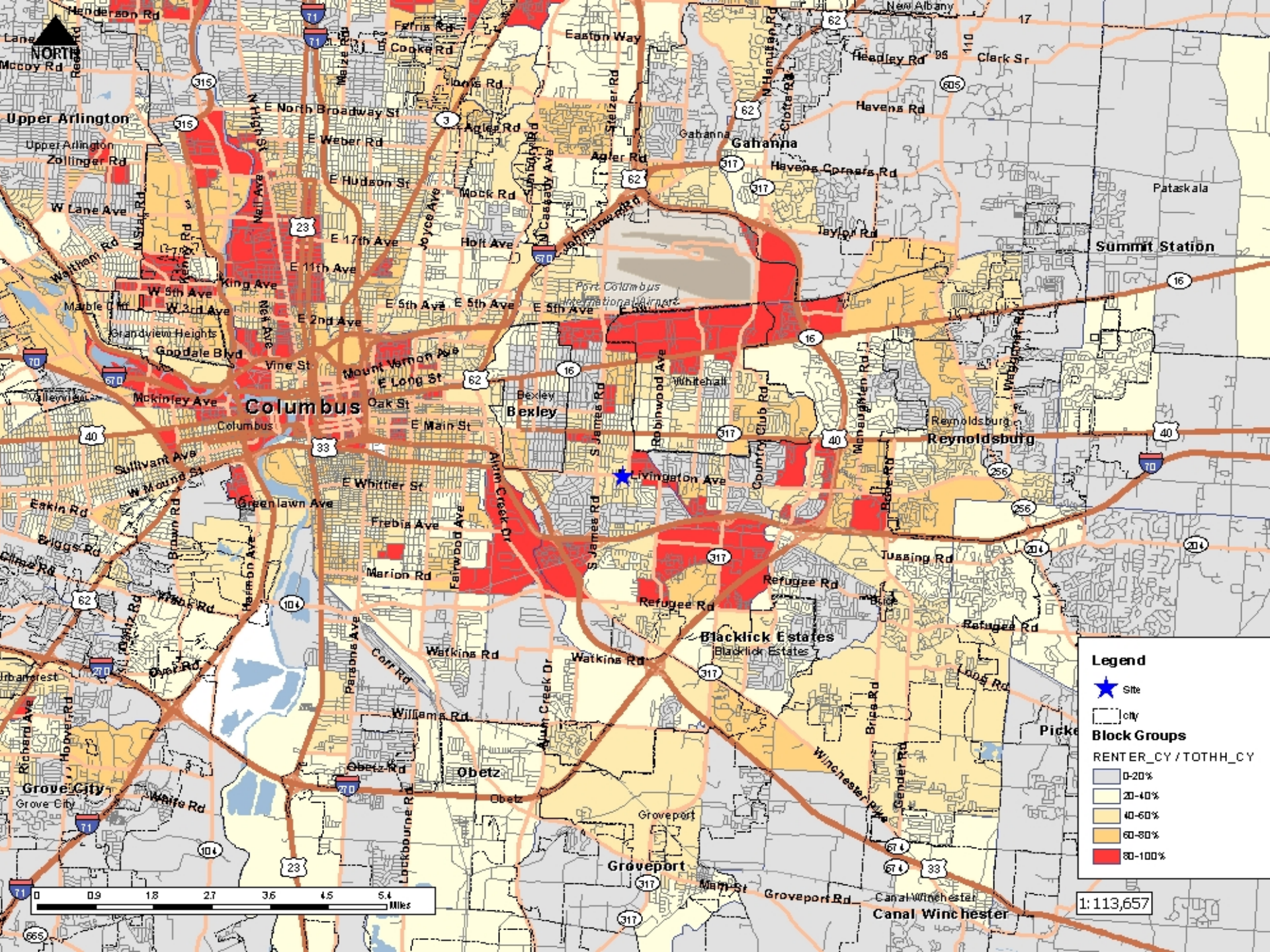
0 0.9 1.8 2.7 3.6 4.5 5.4 Miles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Blacklick Estates
Summit Station
Pataskala
Port Columbus International Airport
Grandview Heights
Whitehall
Livingston Ave
Alum Creek Dr
S James Rd
Refugee Rd
Watkins Rd
Williams Rd
Obetz Rd
Groveport Rd
Winchester Pike
Tussing Rd
Mock Rd
Holt Ave
Agler Rd
Easton Way
Hamilton Rd
Clark St
Havens Rd
Havens Corners Rd
Taylor Rd
Cleveland Ave
Sullivant Ave
Frebis Ave
Marion Rd
Parsons Ave
Lockbourne Rd
Legend
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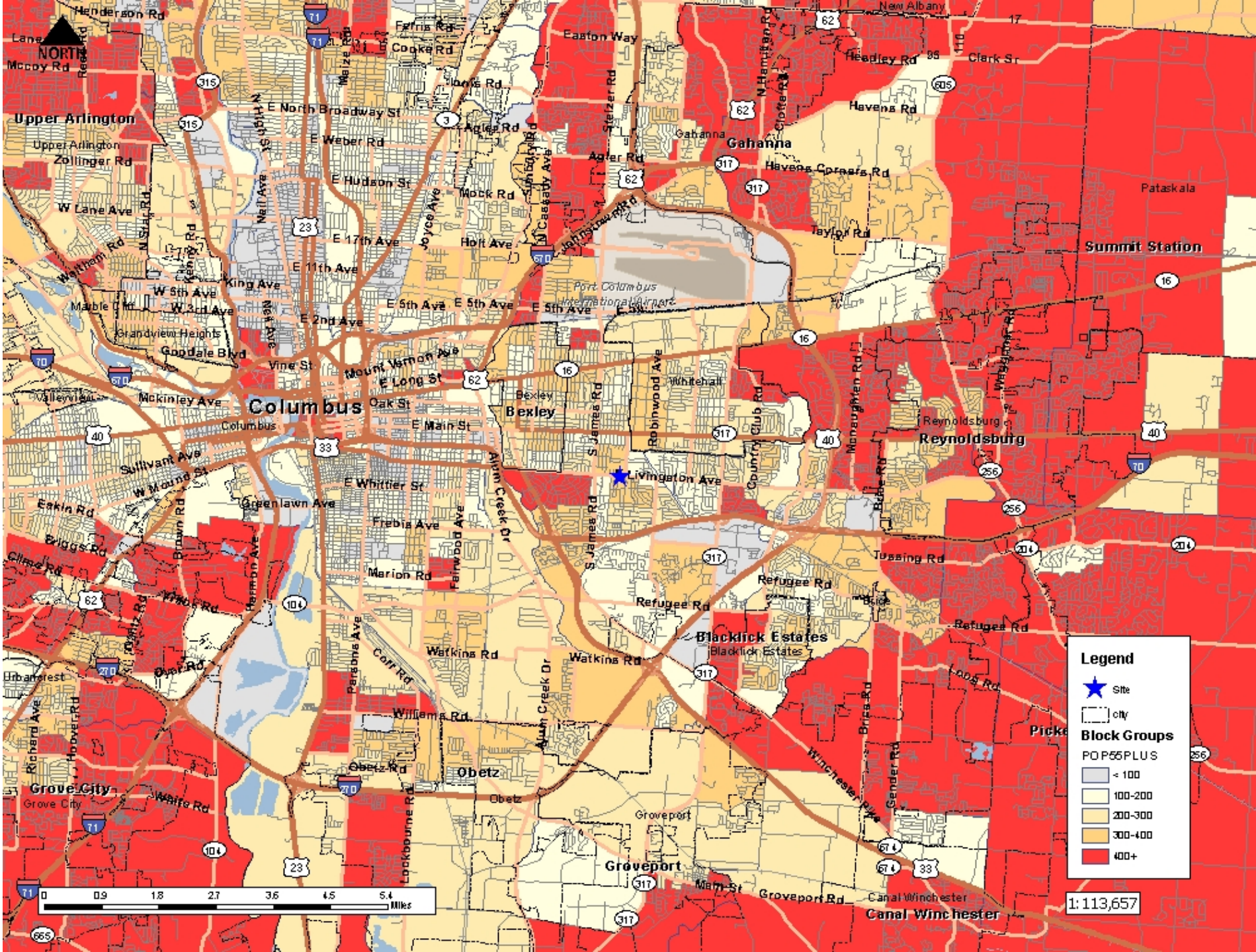
city
Block Groups
RENTER_CY / TOTHH_CY
0-20%
20-40%
40-60%
60-80%
80-100%
0 0.9 1.8 2.7 3.6 4.5 5.4 Miles
1:113,657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Summit Station
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Port Columbus International Airport
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< 100
100-200
200-300
300-400
400+
0 0.9 1.8 2.7 3.6 4.5 5.4 Miles
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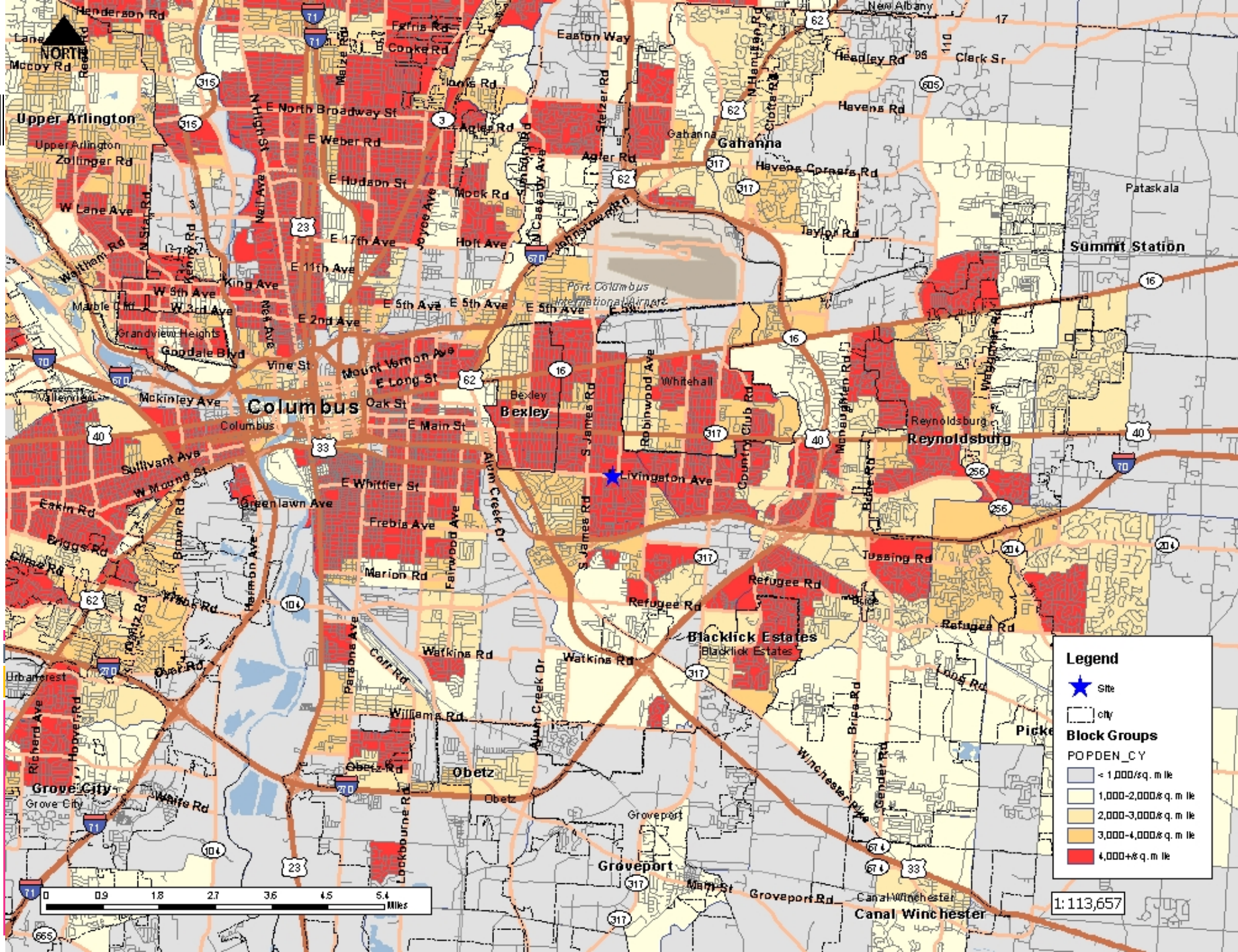
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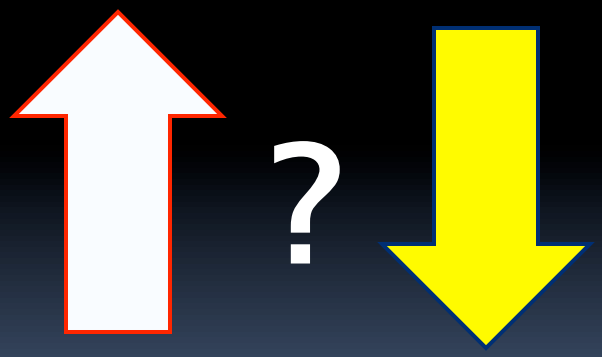
Pataskala
Port Columbus International Airport
Livingston Ave
Legend
Site
city
Block Groups
POPDEN_CY
< 1,000/sq. mile
1,000-2,000/sq. mile
2,000-3,000/sq. mile
3,000-4,000/sq. mile
4,000+/sq. mile
1:113,657
0 0.9 1.8 2.7 3.6 4.5 5.4 Miles

Market Rent Assessment

- Adjustment Process
  - Quantifiable –Extracted from market
    - Utility adjustments
    - Amenities / view / design / services
    - Seasonality
  - Qualitative
    - Appeal
    - Location
    - Quality / Condition
  - Units of comparison
    - Per unit
    - Per square foot



Calculating Market Rent

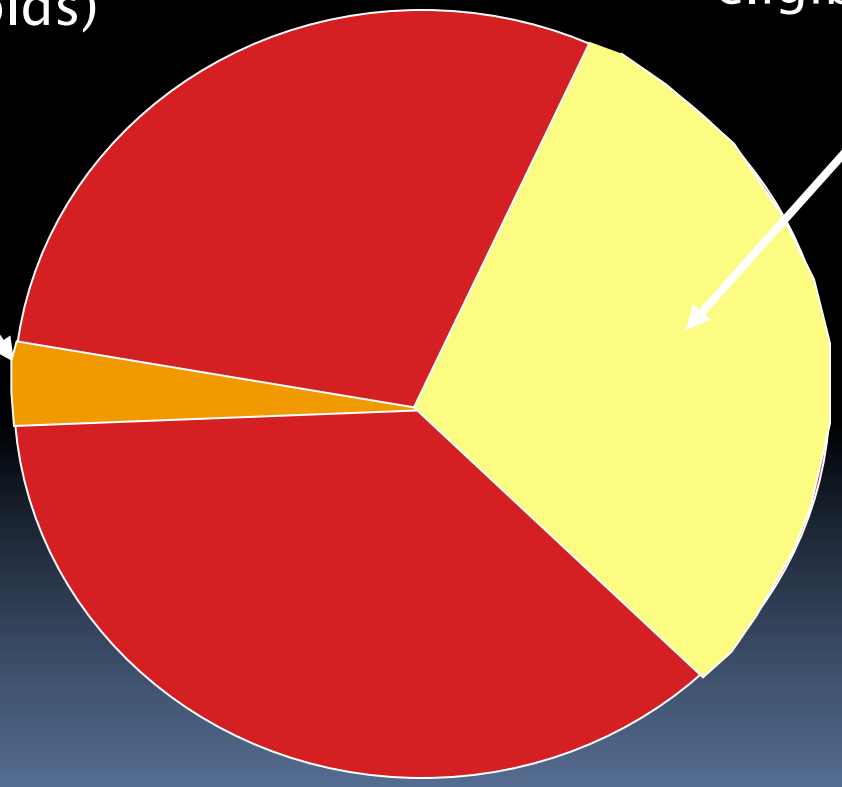
- Red Flags
  - Too many or too large adjustments, indicating lack of good comparables.
  - Comparables located long distances from subject.
  - No precedent for conclusion market place.

PRICE IS THE BEST AMENITY!

Interpreting Capture Rates

5% Capture Rate (need to get 1 in every 20 eligible households)

33% Capture Rate (need to get 1 in every 3 eligible households)



Which is better?

Which is more attainable?

Factors Impacting Demand

- **Location**—Surrounding land uses may attract or prevent renters from moving to the site
- **Proposed Rents**—Capture rates estimate the number of households *able* to pay the proposed rents, not the *willingness* to do so
- **Housing Markets**—Rental markets with high vacancy rates may reflect an oversupply of available housing. The overall health of the rental market may impact the ability of a proposed development to reach stabilization despite low capture rates.

Conclusions

- How did the analyst arrive at their conclusions?
  - Performance of Recently Completed Projects
  - Economic and Demographic Forecasts
  - Units in Pipeline
  - Occupancy Levels

- Result should be a mix of quantitative and qualitative analysis.

BREAK

Rehabilitation vs. New Construction

New Construction vs. Rehab

- Assume for a moment that there is no political agenda involved in this decision.
- Assume also that there is no outdated or brand new policy driving this decision.
- Stop laughing.

Rehab vs. New Construction

- This should be a project-by-project decision as both strategies have different positive and negative elements.
- Let's look at some pros and cons.

Rehab – Pro

- Usually less expensive than new construction.
- Reusing things, including homes, is a more sustainable public policy.
- Consider what it costs to build a new home. Then consider that a home, even in poor condition, has already absorbed those initial costs. You only need to address the neglect.

- There is an ample supply.
- Older homes were often build with a higher quality.

Rehab - con

- Risky, since you never know what problems you are going to encounter in a home.

- A home can be deconstructed and largely reused without incurring expensive renovation costs.
- Deconstruction can also serve as a workforce development program.

- More complicated/expensive for multi-family.

- Change of use to multi-family is intriguing, but even more challenging.

- This factory is now housing.

- People's housing preferences have evolved over time. You want homes to be responsive to the marketplace.
- It is very difficult to correct functional that obsolescence.

Functional Obsolescence

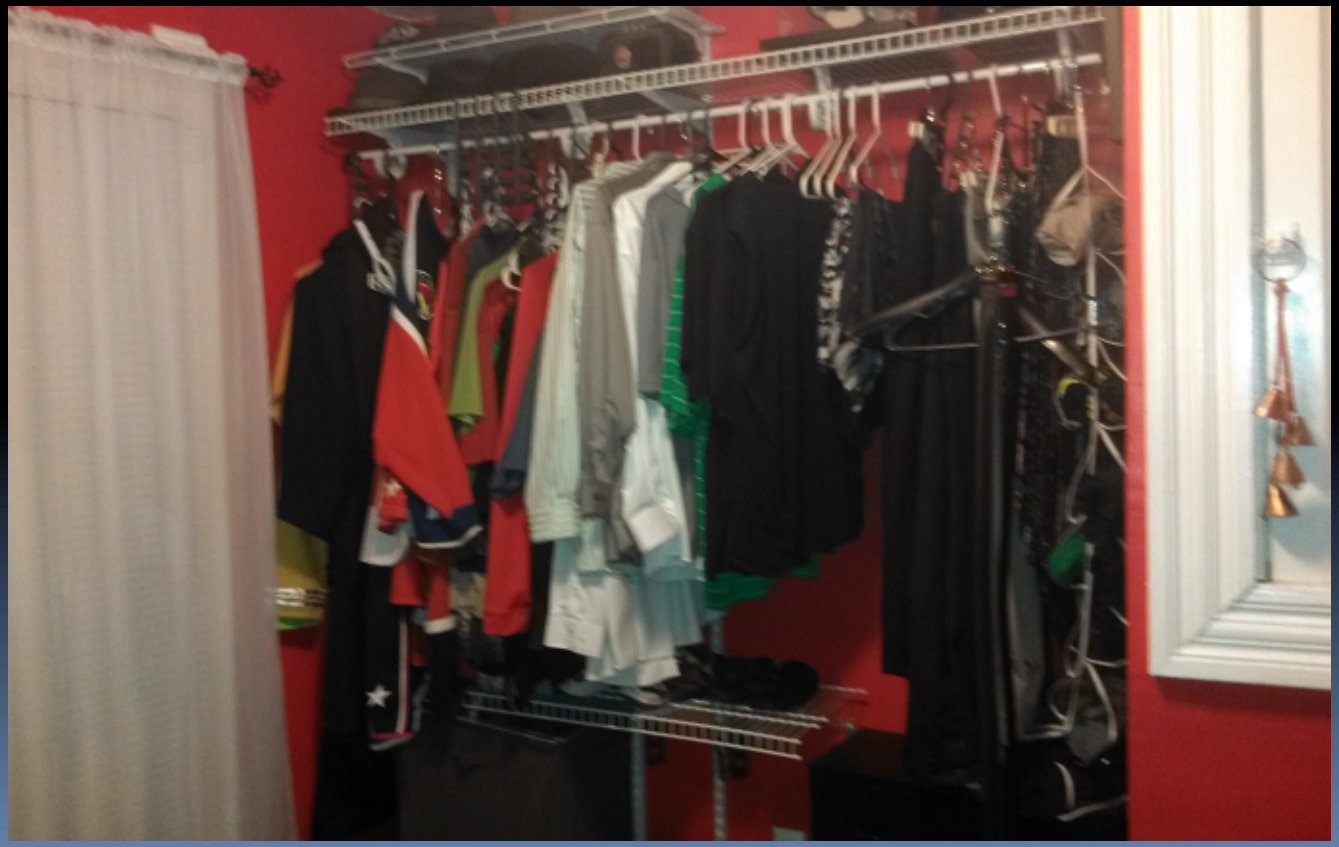
- People have different needs and expectations regarding their living space today then they did 30, 60 or 90 years age.
- These differences can affect consumer demand for a property and negatively impact the ability to rent or sell a home.

My Closet

- I like my house very much. It was built in 1890 and has a few challenges. Not least among them are the bedroom closets.
- Each closet is 30" wide by 13"
- The typical hanger is 16" wide.

My Solution

- Convert a small sitting room into a large closet.



Marketplace’s Solution

Closets? Big deal.

- Number of bedrooms
- Room size
- Floor plan (open first floor vs. compartmentalized)
- Garages (yes, no, attached, detached)
- Insulation
- Gas vs. electric heating
- A/C
- Bathroom size

- Note: A functionally obsolete home can be in good condition and perfectly livable.

New Construction - Pro

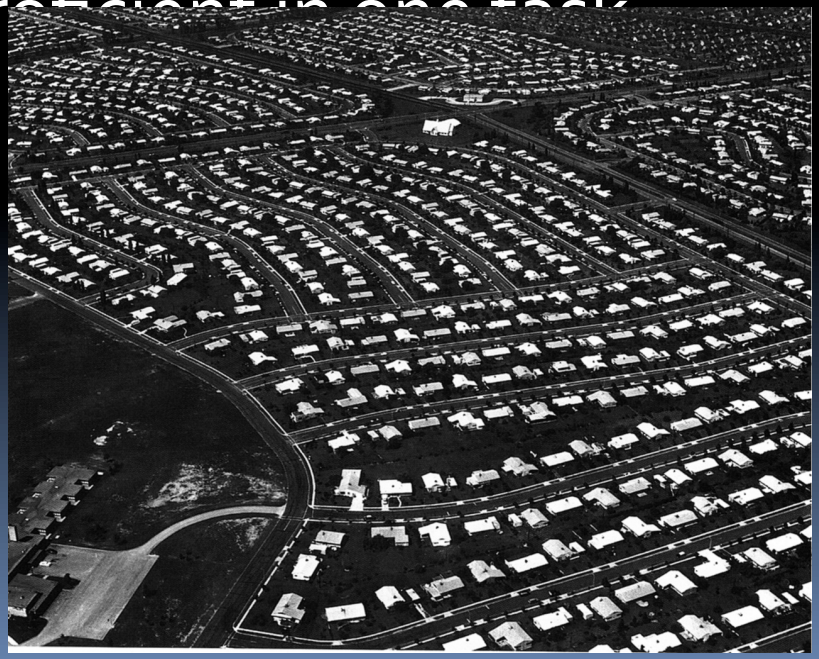
- Greater standardization and higher efficiencies are easier to achieve.
- These efficiencies also can create an environment where your material costs are higher than your labor. That is good for the bottom line.
- How is this possible?

Post World War II - 1946 to Now

- Returning veterans creates a housing shortage.
- FHA and VA loans
- 1949 Housing Act
  - Interest deduction
  - Provided federal financing for slum clearance programs associated with urban renewal projects in American cities
  - Increased authorization for the Federal Housing Administration (FHA) mortgage insurance
  - Extended federal money to build more than 800,000 public housing units
  - Permitted the FHA to provide financing for rural homeowners
- The beginning of production housing & beginning of the baby boomer influence.

Levittown

- First real production style builder.
- Broke the building process down into 26 steps and trained workers for only one step.
- This allowed less skilled workers to be trained, as they only needed to be proficient in one task.



Consider Modular

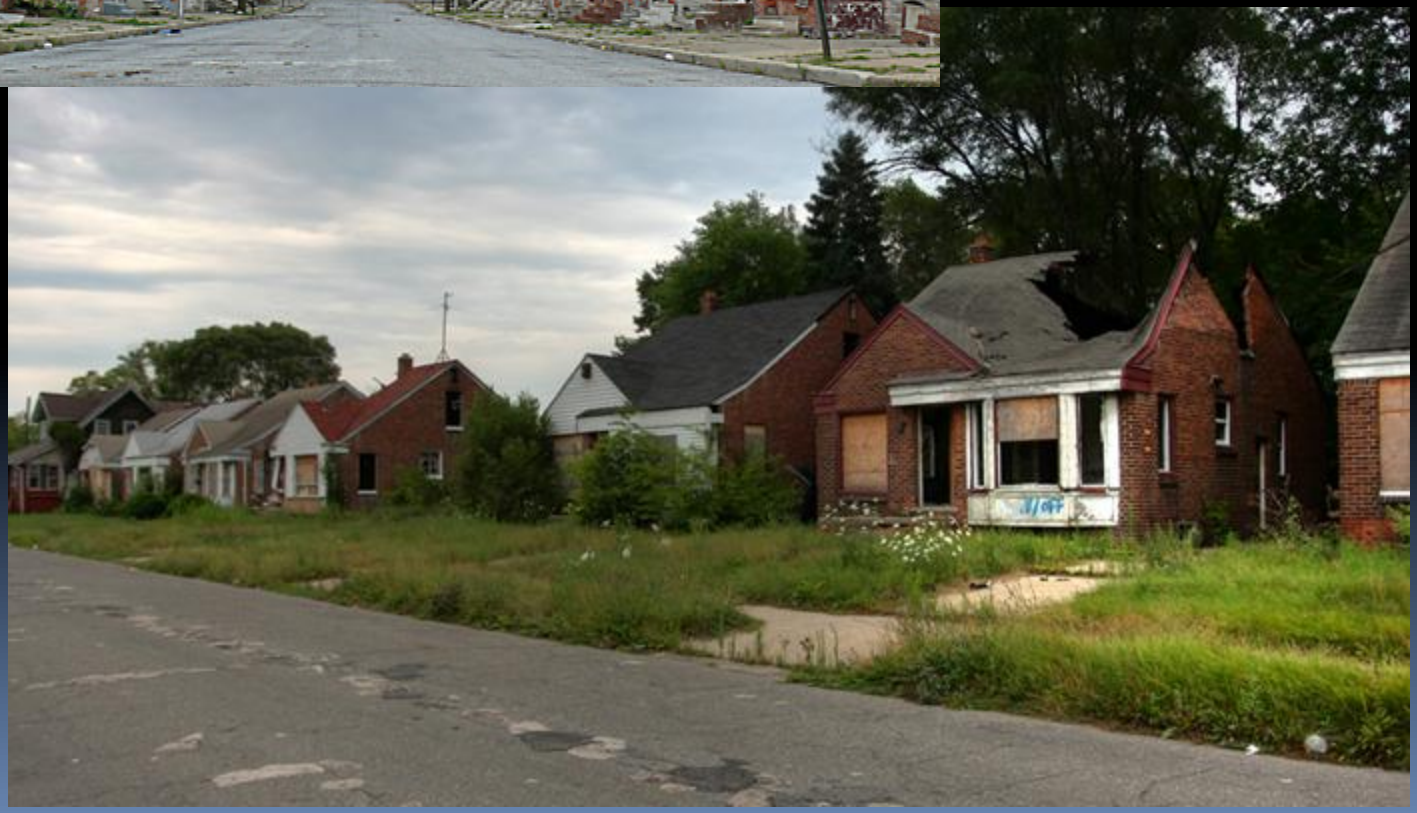
- Drives construction costs down approximately 30%
- No prevailing wage until you are on site.
- Can be set on existing foundations.
- Work in any environment from rural to urban multifamily.

16'

New Construction - Con

- Incorporating modern standards can potentially drive up costs.

- After the Great Recession, there is an excess of supply.
- An estimated 18.5 million homes in America are vacant.
- That is six per person!
- Does not count all that have been demolished.



- Should we focus on new construction when there are still so many vacant units? Maybe!
- Rural markets were not as acutely affected and vacant homes in a rural setting do not ready show a concentration of vacant homes like the previous slide.
- Like everything, this is a case-by-case decision. Just make sure it is an informed one!

Leveraging Resources

Leveraging Resources

- CHIP cannot be expected to move mountains.
- Additional resources may need to be identified to ensure the success of a project.
- Those resources need not always be monetary.

Examples

- Local governments
  - HOME
  - CDBG
  - NSP program income
  - Tax abatement
  - TIF
  - County Land Reutilization Corporations
  - SID/BID

Tax Increment Financing (TIF)

- TIF are used by municipal governments to pay for upfront infrastructure costs
- Taxes are frozen in a certain geography
- As that geography becomes more valuable due to the new infrastructure and associated development, the costs of the infrastructure is repaid.

County Land Reutilization Corporations

- To facilitate the acquisition, reclamation, rehabilitation & reutilization of vacant, abandoned, tax-foreclosed or other real property
- To efficiently hold and manage real property pending its reclamation, rehabilitation & reutilization
- To assist governmental entities & other non-profit or for-profit entities in the assembly of real property & the clearing of title in a coordinated manner
- To promote economic & housing development of the county and region

- Funding comes through Delinquent Tax & Assessment Collection (DTAC) funds.
- They need to put more properties back on the tax rolls than they are receiving in DTAC funds.
- HELP THEM!

A.G.

- Ohio has $75 million from a law suit against GMAC, BOA, Citi, Chase and Wells Fargo from fraudulent lending practices preceding the Great Recession.
- County Land Banks and local governments are eligible to apply for funds… but hurry!

BID/SID

- Business Improvement District / Special Improvement District
- Not a housing tool, but can help to prepare the market
- A self-imposed additional assessment used to finance projects in a defined area

- Cleaning streets
- Providing security
- Capital improvements
- Pedestrian and streetscape enhancements
- Marketing
- Common parking

Charitable organizations

- Local foundations
- Regional/national foundations
  - Kresge
  - Annie E. Casey
  - Kellogg
  - Ford

- Local non-profits
  - United Way
- Regional/national non-profits
  - Enterprise Community Partners
  - LISC
  - NeighborWorks

In-kind donations

- Materials (even discount)
  - Lowe's
  - Home Depot
  - Menard's
- Labor

Case Study

Nationwide Children's Hospital

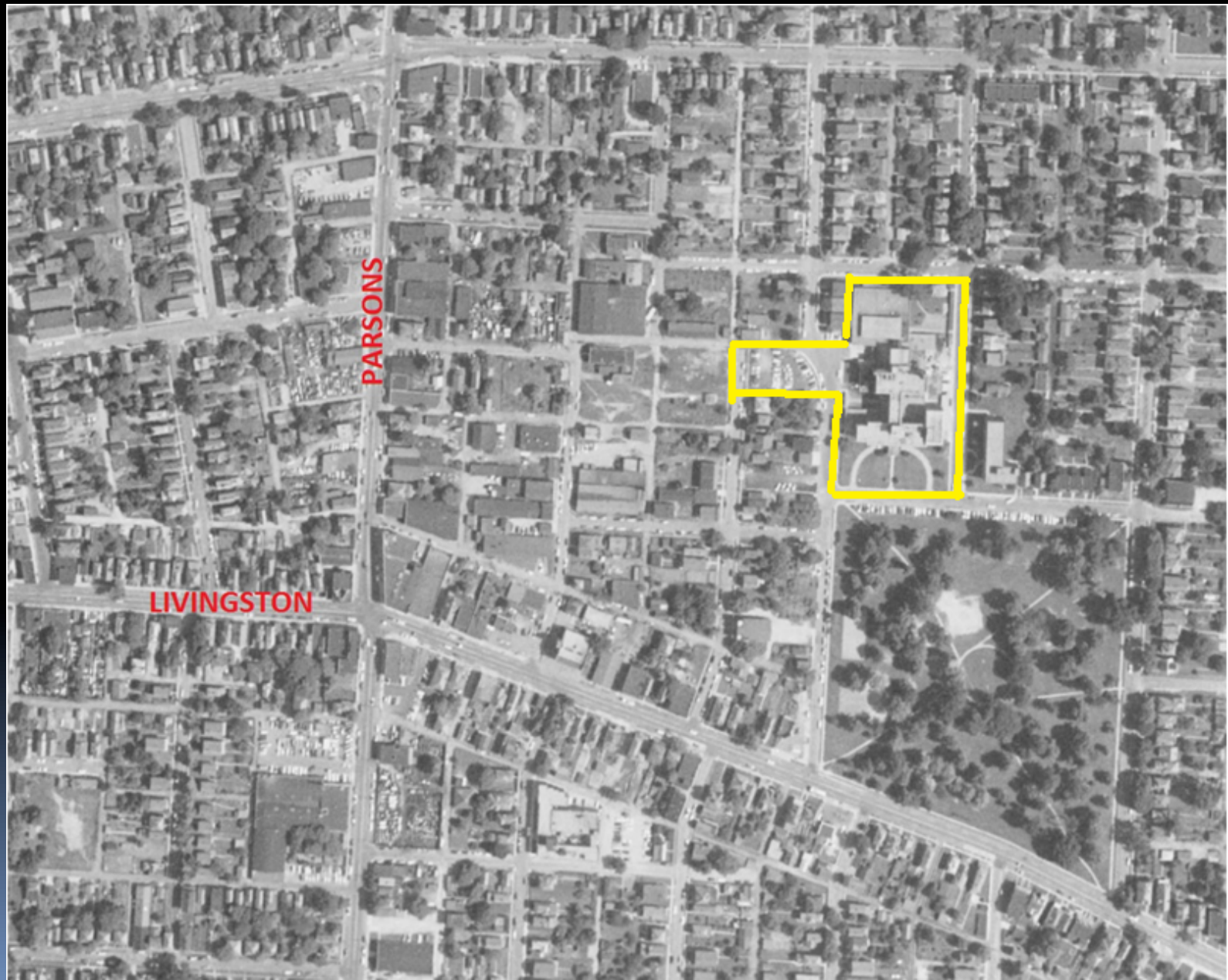
Nationwide Children's Hospital (NCH)

- Founded in 1892 with 9 patient beds.
- Pediatric teaching hospital for Ohio State since 1937.
- Currently, the main campus has over 8,000 employees, 18,500 annual inpatients, 925,000 outpatients.
- Just completed an $800 million expansion.

NCH

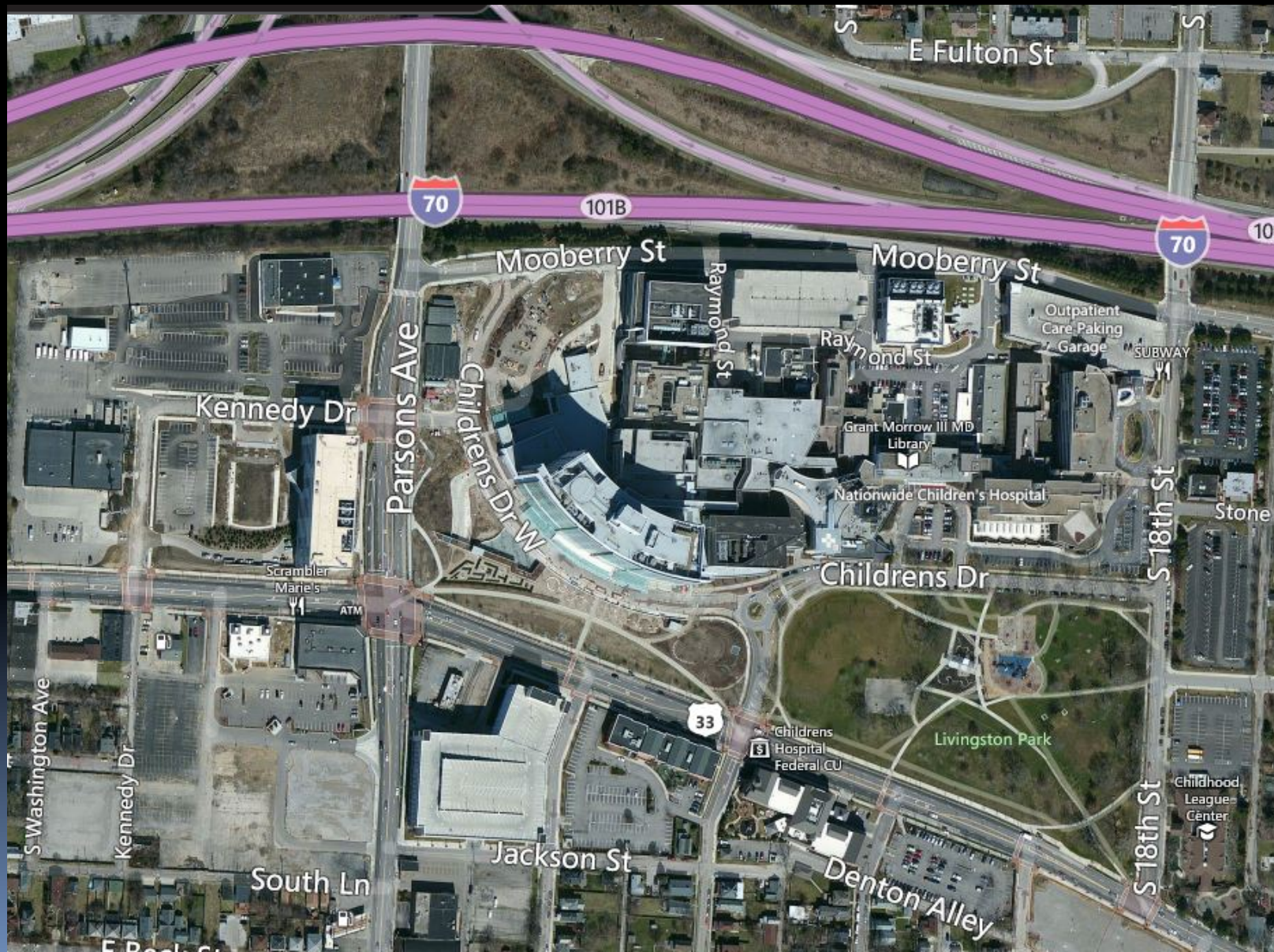
- Like many growing institutions, expansion required access to more land.
- This land was not vacant/unencumbered.
- Urban Renewal helped to acquire land.

1957



1971

2012


E Fulton St
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101B
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Mooberry St
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Raymond St
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Outpatient Care Paking Garage
SUBWAY
Kennedy Dr
Parsons Ave
Childrens Dr W
Grant Morrow III MD Library
Nationwide Children's Hospital
S 18th St
Stone
Scrambler Marie's
ATM
Childrens Dr
33
Childrens Hospital Federal CU
Livingston Park
Childhood League Center
S Washington Ave
Kennedy Dr
Jackson St
South Ln
Denton Alley
S 18th St

- Hospital expansion was focused on the campus.
- Little consideration was given to the surrounding community as it began to decline.
- By 2009, 30% of all housing units south of the hospital were vacant.

Healthy Neighborhoods
Healthy Families Realty Collaborative

- Partnership between Nationwide Children's Hospital (NCH) in Columbus and Community Development for All People (CD4AP).
- Designed to address to vacant housing epidemic south of the hospital.
- A new non-profit was created to address the housing issues.

HNHF

- Board consists of NCH executives, CD4AP staff, neighborhood residents, housing experts and business leaders.
- Staff targets vacant homes for acquisition/ rehab/sale.
- Owner occupied homes for exterior repairs.

- Target area south of the hospital.
- Focus on vacant homes so existing residents were not displaced.

HNHF

- NCH committed $3-$5 million.
  - Partnership with an anchor institution can be the difference between success and failure. They often have unencumbered resources.
- United Way: $1.3 million.
  - Investing in bricks and mortar development was a huge departure for this United Way.
  - In the end, they believed in the mission and found comfort in the number of partners at the table.

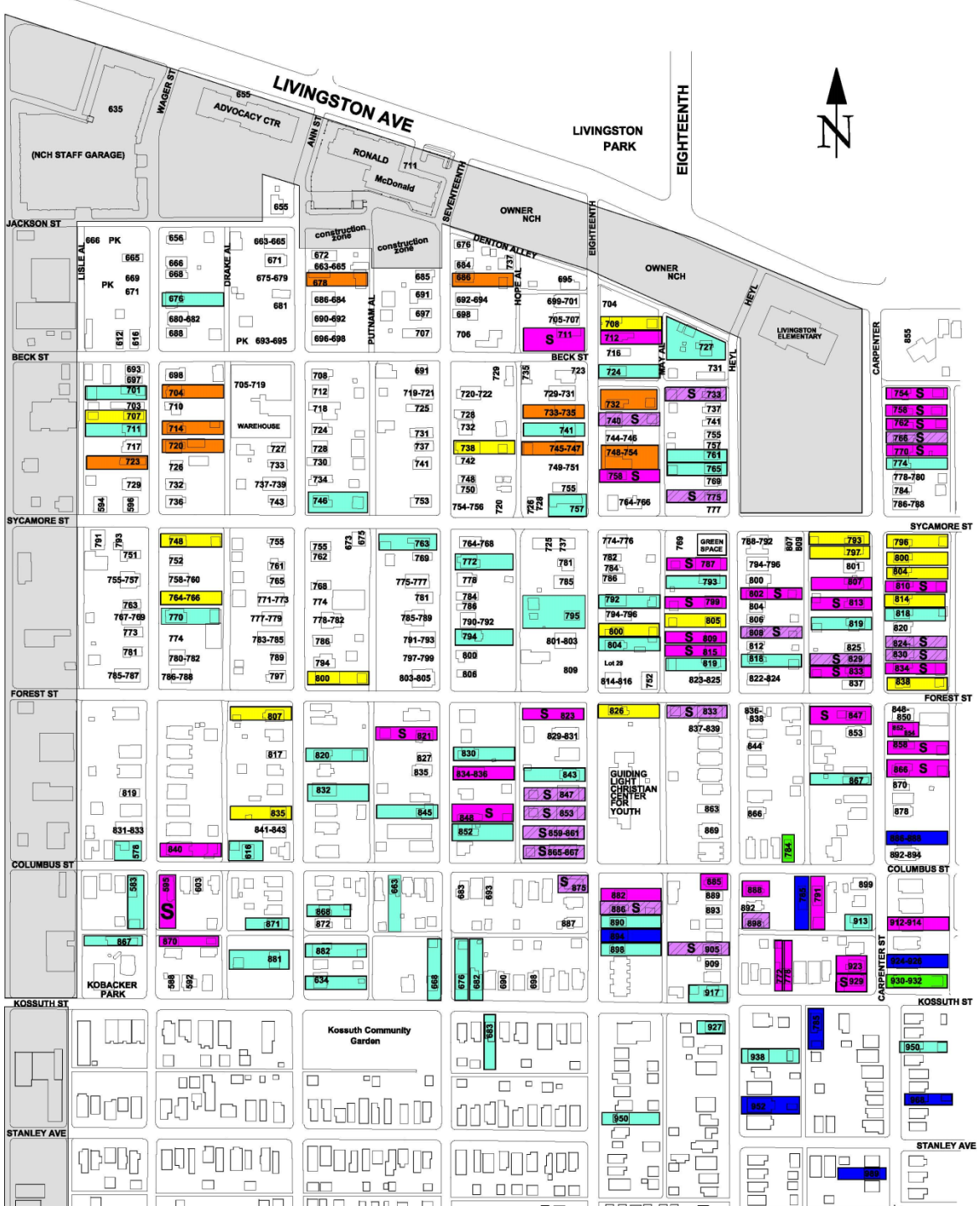
- Neighborhood Stabilization Program/ City of Columbus: Over $2 million.
  - The city was likely to invest in this project anyway, but the rollout of the NSP program was timely.
  - Other resources that might be made available:
    - HOME
    - Municipal Bonds
- Volunteer labor from Turner Construction and various religious organizations.

- Small grants were secured from Lowe's and Home Depot.
- Nearby LIHTC helped to create a buffer.
- Commercial focus to make the community more "livable"

HNHF

- The goal was to focus investment around Livingston Avenue Elementary School as it is a neighborhood asset.
- Try not to renovate one house on a block – cluster!
- Include amenities that will make homes competitive in the marketplace (open floor plans, 2nd floor laundry, nicer kitchen finishes, etc.).

- Some homes that were acquired were in very poor condition.
- They were demolished and new homes built in their place.
- A few homes made more sense as market rate rentals.
  - This is a very small component of the overall housing strategy as there is ample market rate rental.
  - This is has superior finishes/quality.



Healthy Homes

A HEALTHY NEIGHBORHOODS, HEALTHY FAMILIES INITIATIVE

Property Description

- HNHF HOME RENOVATION
- HNHF NSP RENOVATION
- HNHF HOME REPAIR
- HOME AGAIN
- OTHER CDC
- CITY OWNED
- PRIVATE INVESTOR
- SOLD PROPERTIES/ IN CONTRACT (S)
- PARCEL OUTLINE

NATIONWIDE CHILDREN'S

07/05/12

HNHF Impact

- HNHF: 51
- CD4AP: 12
- City's Home Again program: 5
- Home repair: 50

- **118 Homes**

- This might be an urban example, but the lessons

- Comprehensive strategy
- Rehab focus, limited new construction, home repair, market rate rental, LIHTC
- Volunteer labor

Spin off

- How many times have we said something along the lines of, "this investment will help stabilize the market and spur private sector investment."
- How often does that actually happen.
- I'll say it – it is rare.

- Private sector investors have piggy-backed off this development and have renovated an additional 12 homes in the target area.
- A large investor has purchased 20 homes in the area and hopes to buy more, citing higher comps as a magnet for their investment.

Replication

- This is a large, complicated model – but the lessons from this project are valuable.
- Compartmentalize for communities you work in.
- Pick and choose.
- Adjust for scale/access to resources.

Where do we go from here?

- Questions?
- Comments?

Contact Information

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@ArchCityCMH

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