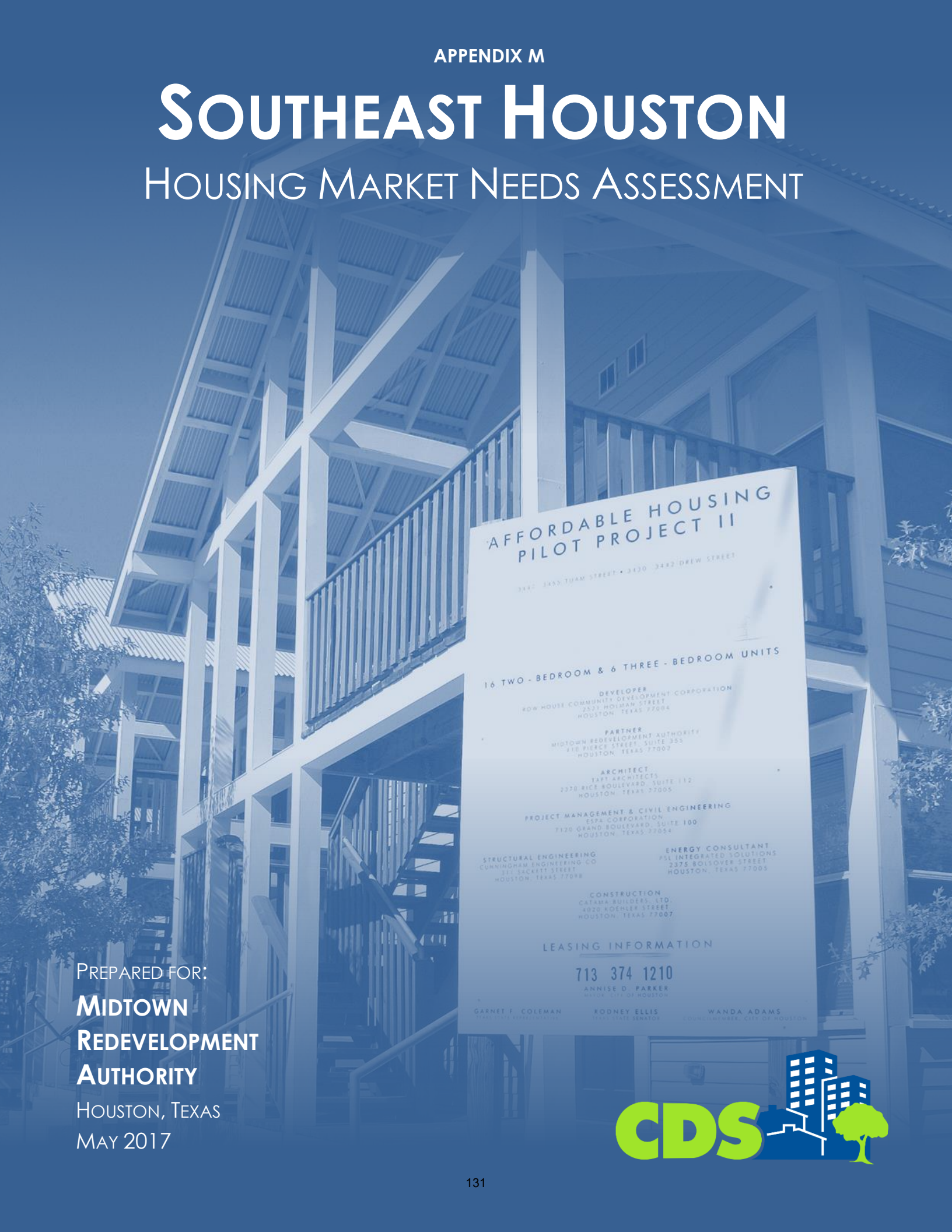
APPENDIX M

SOUTHEAST HOUSTON

HOUSING MARKET NEEDS ASSESSMENT



PREPARED FOR:

MIDTOWN REDEVELOPMENT AUTHORITY

HOUSTON, TEXAS

MAY 2017

CDS

SOUTHEAST HOUSTON

HOUSING MARKET NEEDS ASSESSMENT

MAY 2017

Prepared for:

Midtown Redevelopment Authority

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A Message from the Midtown Redevelopment Authority

Midtown seeks to be an example of a sustainable urban community. Both residents and visitors benefit from Midtown's urban, mixed-use environment, enhanced with pedestrian-oriented sidewalks, decorative street lighting and streets designed for easy traffic flow whether on foot, on bicycles or in vehicles.

Midtown uses one-third of its tax increment revenue to induce and develop affordable housing. The Authority has developed an affordable housing strategy that focuses on land assembly and affordable housing development to encourage mixed use, transit-oriented affordable housing development.

Our efforts reflect the collaboration and financial participation of the City of Houston, Harris County, the Houston Independent School District and the Houston Community College System along with the direction of State Senator Rodney Ellis and State Representative Garnet Coleman – Midtown's partners in the leadership, funding and participation in the Zone. If you have any questions or concerns, please contact me.



Sincerely,

Matt Thibodeaux

Executive Director

midtown

EXECUTIVE SUMMARY

Introduction

CDS Community Development Strategies was hired by the Midtown Redevelopment Authority to conduct a thorough market assessment which will provide a detailed report of the housing needs and development opportunities in Southeast Houston (the primary CMA).

Demographic Analysis

The Houston area has experienced tremendous growth over the last several years. The primary CMA has shared in some of this growth and is beginning to change as other parts of inner Loop Houston have, but—demographically and economically—the area still experiences residential affordability challenges. Population projections for the future of the primary CMA are positive. The area is expected to add 2,839 residents over the next 5 years from 2016 to 2021, resulting in an estimated 1,109 households.

Housing Market Trends – For Sale Units

All the MLS real estate indicators point to high demand for housing in the $100K to $250K price range in the primary and single family CMAs. Perhaps the most striking indicator, the median days on market is currently at 19 days for the primary CMA and 12 days for the single family CMA. As interviews with realtors in the area confirmed, affordable re-sale homes with minimal needed repairs are quickly sold, often times receiving multiple offers within a few days. As for new single family homes in the primary CMA, supply has been extremely limited. This section examines the market for both single family detached units and townhome/condo units.

Housing Market Trends – Rental Units

The local multifamily rental market has seen significant demand pressure. In the primary CMA the lack of a significant change in supply over the last ten years combined with rising occupancy rates has resulted in rising rents for the last 7 years straight. Over the next two years, an estimated 1,150 new units will be added to the primary CMA, accounting for roughly 16% of the existing total units. Given that the net change in total unit number from 2007 to 2016 has not been more than 100 units, this will have a significant impact on the existing multifamily market. This section also examines the market and supply for single family rentals, transitional living, assisted living, and senior living facilities.

Conclusions and Recommendations

This final section of the study contains the conclusions and recommendations for the primary CMA, specifically examining the potential for new single family home development and multifamily development. The most critical conclusions and recommendations include:

- While there have been new homes built in the primary CMA for under $250K in recent years, they have been few in number. According to interviews with developers, the cost of construction has increased significantly in recent years as the price of materials and labor has increased dramatically. But for those working inside the Loop, the largest challenge to building affordable homes has been the price and availability of land. The MRA's program to take the land cost component away has been received positively by the partnering developers interviewed. This will bring new affordable for-sale housing supply into Southeast Houston and allow the developers to do so profitably. However, it must be understood that developers are still constrained on price,

reaching construction costs near $100 per square foot. One of the factors that can critically affect this calculation is the size of the lot and the scale of the project.

- Based on interviews with partnering developers, and based on available information, it appears the MRA is currently approaching the development of new affordable for-sale housing project by project. It is recommended that the MRA consider a more strategic, long term approach. This is not meant as a criticism of the current process, which CDS understands can be complex and challenging. But larger scale planning and more coordinated partnering may allow the MRA to organize a bulk purchasing plan for materials between developers that would allow several relatively small developments to have the economy of scale, and ultimately provide a beneficial cost savings. This could also involve a coordinated marketing campaign which would allow potential homebuyers to be identified and begin the application process earlier. To make this work, it would be essential to have a multi-year plan of inventory with the possibility of continual absorption. The benefit to the developer/homebuilder is that their inventory is moving more quickly—adding an additional savings in smaller financing costs.
- While it is recommended that for-sale homes remain the focus of MRA's single family development efforts, it is also recommended that the MRA consider retaining a number of the homes as single family rentals. According to realtors interviewed, single family rentals managed for low income families would be a unique and highly welcomed product. While single family rentals can be found in the primary CMA, management and quality vary considerably. A related ownership model which could be utilized on a select number of properties would be an affordable housing rent-to-own program. Such a program would still select tenants based on income in accordance with Low-Income Housing Tax Credit (LIHTC) program guidelines, but allow for a rental period before ownership is a possibility. This creates an opportunity for certain low income households who are not currently in a financial situation to purchase a home but have the means to pay rent.
- Rather than focusing on large-scale complexes, the MRA has an opportunity to provide a product that is rarely provided for in the modern residential landscape: low density multifamily structures. What is considered low density multifamily can vary by definition, but it is generally a residential structure with 10 or fewer units. It is recommended that the MRA echo projects like the 15, 2-unit structures built near Napoleon and Tuam in the Third Ward.
- Where attempting to build non-conventional residential structures in many cities would be challenging, in the City of Houston these non-conventional residential structures are not restricted by zoning or law. And, not only are they legal, but the Houston homebuyer assistance program specifically states that these types of structures can be approved for loan assistance. In some cities, most notably Seattle and LA, it has been challenging to alter regulations to allow such units in single family areas. The fact that the MRA is operating in Houston presents a real opportunity to provide affordable housing options with non-conventional residential structures.
- Providing a strategic mix of variable size, varying ownership model, multifamily structures would reflect the diversity and non-traditional household demographics of Southeast Houston, such as the higher number of nonfamily households, single parent households, and multigenerational households. It would create smaller affordable rental spaces that still fit within the community—as opposed to big affordable housing complexes which fill a sometimes desperate need, but which sometimes have a large impact of the existing nature of the community.

INTRODUCTION

CDS Company Bio

CDS Community Development Strategies (CDS) is a leading national consulting firm headquartered in Houston, Texas, providing economic analysis, public planning, and market research services to clients in a wide variety of industries. CDS was formed in 1971 and is staffed with seasoned professionals who have training and experience in economic development, demographic research, urban planning, statistical analysis, market evaluation, and all aspects of real estate development.

Since 1971, CDS has remained at the forefront of the industry by doing three things:

1. Staying actively involved in numerous professional and trade associations.
2. Providing clear, unbiased, and up-to-date solutions by employing the most appropriate and cost effective research methods.
3. Utilizing solution-oriented analysis teams to focus on each project assignment adapted to your needs.

The Midtown Redevelopment Authority

The Midtown TIRZ was created by the City of Houston on December 14, 1994, for the purpose of redevelopment of the area located generally between the central business district of the City and the Texas Medical Center. In conjunction, the City authorized the creation of the Midtown Redevelopment Authority (MRA), a not-for-profit local government corporation formed pursuant to the provisions of Texas state code. As a parallel organization to the Midtown TIRZ (the Boards of Directors for the Midtown TIRZ and the Authority consist of the same nine members), the MRA was created to aid, assist, and act on behalf of the City in the performance of the City's governmental functions to promote the common good and general welfare of the Midtown area and to provide an operating and financing vehicle for implementing the Midtown TIRZ Project and Financing Plan.

The MRA ant the Midtown TIRZ uses incremental taxes generated in the District to provide basic infrastructure improvements and public right of way enhancements. The MRA solicits new developments, and coordinates with city departments and private developers to implement Midtown's Redevelopment Master Plan. The TIRZ funds are used for public projects such as public parks, improved street lighting, capital improvements, and landscaping enhancements.

In fulfilling its obligation to provide affordable housing, the Authority has adopted an affordable housing strategy consisting of two phases: (1) land assembly within a targeted area of the City limits to create a diversified inventory of property and (2) development of affordable housing units (single-family, duplex/triplex and low- to mid-density multi-family developments) on such land.

The Purpose of this Study

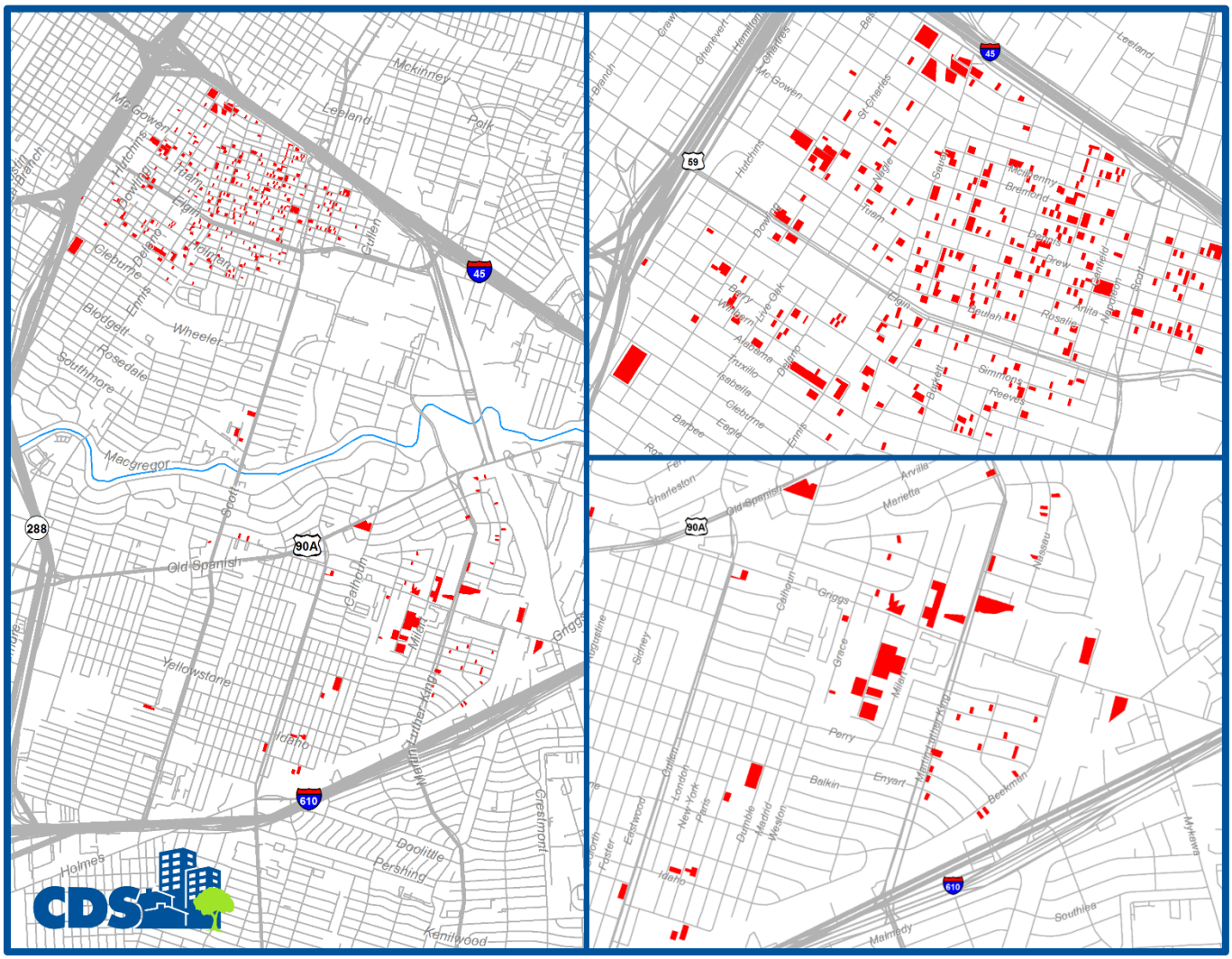
The MRA has acquired a large inventory of undeveloped land that is scattered throughout Southeast Houston. This land inventory represents a substantial opportunity for the development of new housing that could serve both current and new residents—particularly lower income households in need of affordable options.

Before the MRA moves forward with development plans, a clear understanding is needed of the existing market demand in the area. To this end, CDS has been contracted to conduct a thorough market assessment which will provide a detailed report of the housing needs and development opportunities.

MRA Properties

According to records from the Harris County Appraisal District, the MRA has a total of 457 properties located in Southeast Houston. These properties consist of developed lots, underdeveloped lots, and vacant lots.

Figure 1: MRA Properties in Southeast Houston

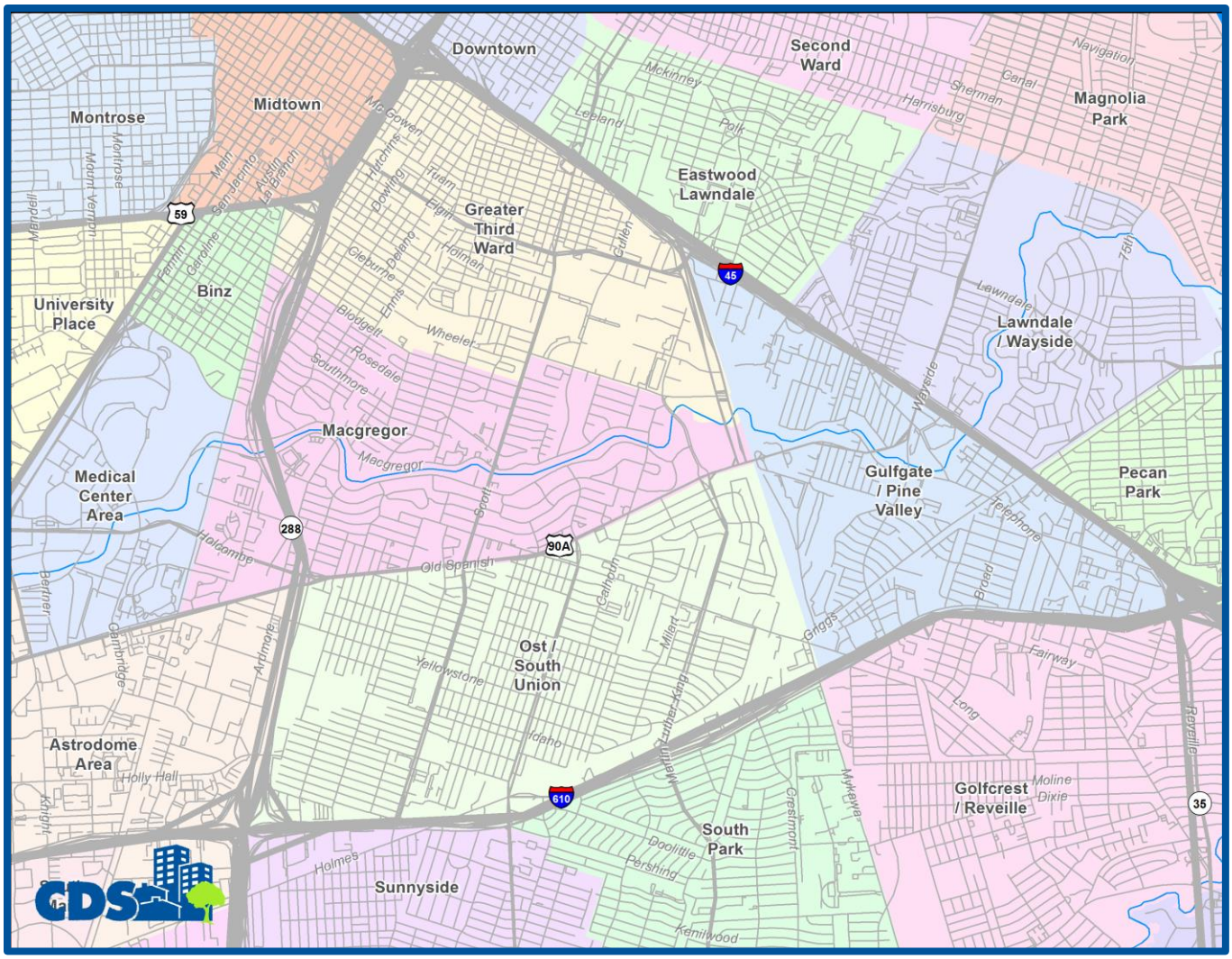


Source: Midtown Redevelopment Authority, Harris County Appraisal District, CDS Community Development Strategies

Southeast Houston

For the purposes of this study, the area bounded by Interstate 45 to the east, Highway 288 to the west, and Interstate 610 to the south, will be referred to as "Southeast Houston" in this study. This area includes most or all of the following super neighborhoods: Greater Third Ward, Macgregor, Gulfgate/Pine Valley, and OST/South Union. This area is the main focus of this study, and is the primary competitive market area, as explained in the next section.

Figure 2: Super Neighborhoods Near the Third Ward



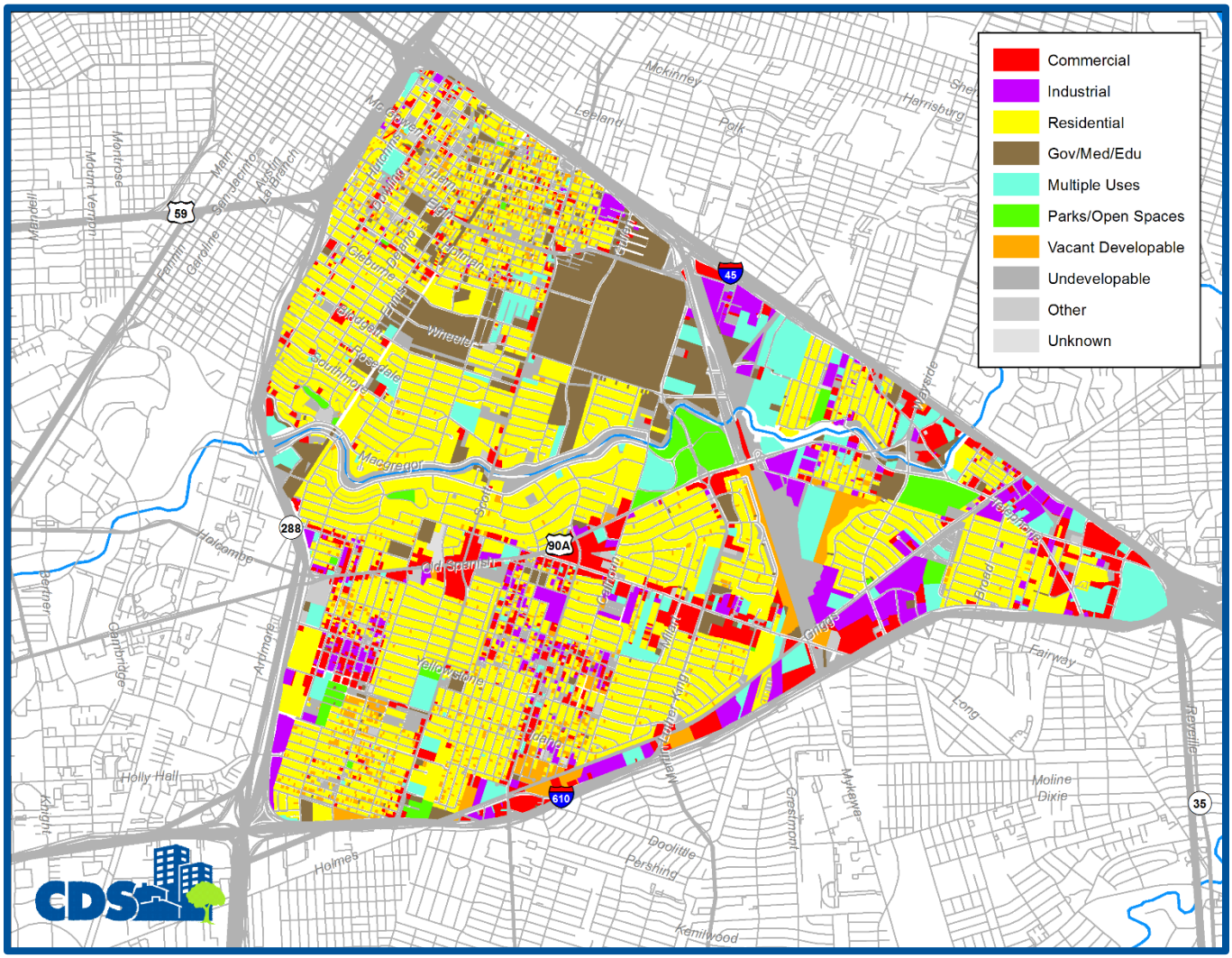
Source: City of Houston, CDS Community Development Strategies

Within Southeast Houston, it is helpful to review the existing land use conditions of the area. This was done using multiple sources. The first source utilized was the Harris County Appraisal District (HCAD). The HCAD is a regional agency responsible for appraising all property within the boundaries of Harris County for property tax purposes. In addition to appraising the value, HCAD also designates the current land use on each parcel. Because HCAD's focus is tax collection, land uses are not always coded in a way that would be intuitive to a casual observer on the street. Because of this, the H-GAC has reclassified HCAD data into more meaningful and accurate categories. The

following figure displays the HCAD data as classified by the H-GAC. After reviewing this depiction with first-hand, on-street observations, this land use data appears to provide a helpful overview of the existing conditions in the CMA.

As shown in the map, Southeast Houston is dominated by residential land uses. However, more than many parts of the Houston area there is a mix of several other land uses, including public buildings (UH and TSU), commercial properties along the major thoroughfares, industrial uses near the interstates, and several parcels with mixed uses. In addition, there are large areas of open space—which includes developable and undevelopable land such as the Brays Bayou greenspace, the rail yards near Produce Row, the Spur 5 right of way, and others (currently, there are no plans to extend Spur 5 in the near term).

Figure 3: Land Use in Southeast Houston



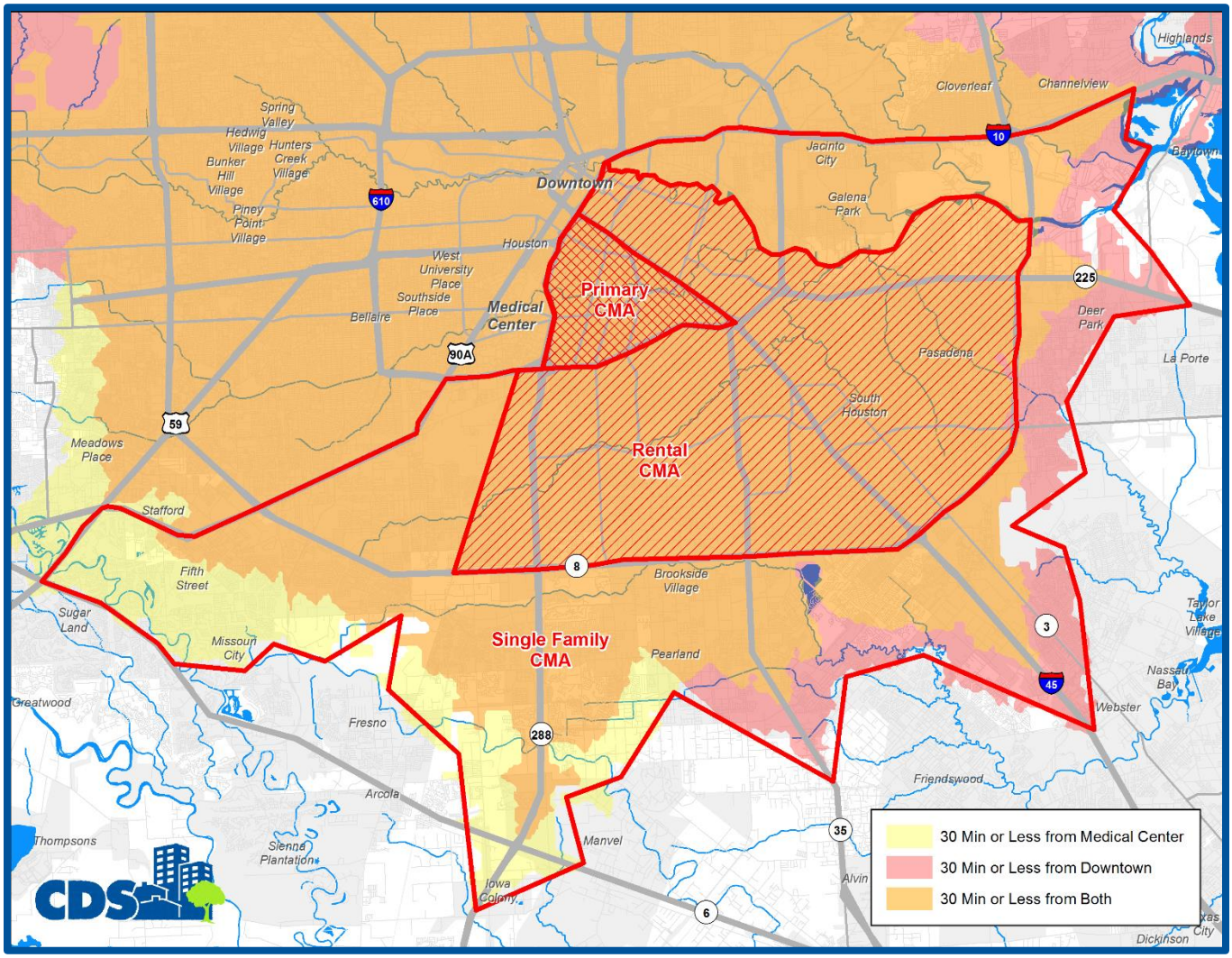
Source: HCAD, H-GAC, CDS Community Development Strategies

Although it may be difficult to see at this scale, there is also a fair amount of vacant developable land interspersed throughout Southeast Houston. Many of these parcels are properties where the buildings have fallen into disrepair and were razed. As mentioned previously, the MRA owns many of these lots.

Competitive Market Areas

This study examines three main geographies or competitive market areas (CMAs): the primary CMA, the rental CMA, and the single family CMA. Each CMA was created with the intent to capture the demographic and market activity relevant to each property type being examined. In other words, to examine the rental housing market in the primary CMA it is important to look at a larger area (the rental CMA) where prospective renters will be comparing options. The single family CMA encompasses an even greater extent, given the tendency of prospective home buyers to consider a wider area when shopping for a house.

Figure 4: CMAs Defined



Source: CDS Community Development Strategies

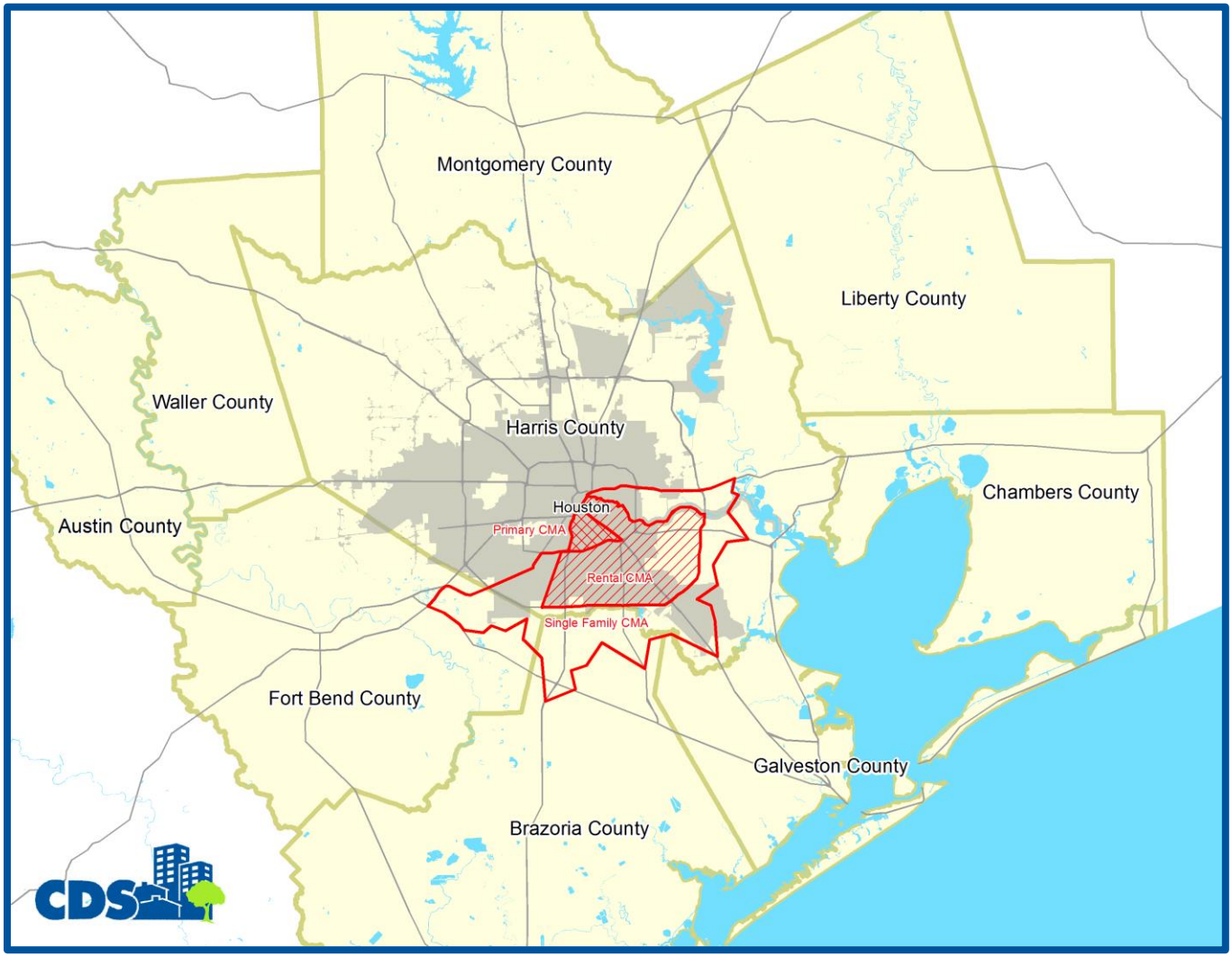
While individuals and households make decisions about where to live based on multiple factors, the proximity to work plays a vital part. This fact heavily influenced the delineation of the single family CMA, which is based on the area covered by a 30-minute drive time from either Downtown Houston or the Medical Center. These are both important job centers which account for roughly 250,000 jobs combined. Two other factors were also considered:

affordability and neighborhood demographics (which is why the area to the West and the area north of I-10 were not included in the single family CMA).

The Houston MSA

The Houston-The Woodlands-Sugar Land Metropolitan Statistical Area (Houston MSA) comprises nine counties: Austin, Brazoria, Chambers, Fort Bend, Harris, Galveston, Liberty, Montgomery, and Waller. The Houston MSA has a long history as a growth-oriented region with conditions that are generally supportive of business expansion—including low cost of living, affordable real estate prices, low unionization rates, and a pro-business regulatory environment. Despite periodic slowdowns—such as the current one—the region's growth has been consistently strong over the last several decades, and is expected to continue. For comparison purposes, several of the tables in this study also include data for the City of Houston, Harris County, and the Houston MSA.

Figure 5: Map of the CMAs and the Houston MSA



Source: CDS Community Development Strategies

Housing Affordability in the Houston Area – From the Kinder Institute

While this study focuses on Southeast Houston, reviewing affordability data for the Houston region is critical. The Kinder Institute for Urban Research has recently assembled and released demographic data related to housing affordability in the Houston area. The Kinder Institute is a multi-disciplinary "think-and-do tank" housed on the Rice University campus in central Houston, focusing on urban issues in Houston, the American Sunbelt, and around the world. With their permission, the latest estimates for the Houston area are as follows:

- **Houston Area Households in Need:**
  - 627,910 households in Harris County make less than 80% of HUD's area median income for Harris County.
  - 69% of the households making less than 80% of HUD's area median income for Harris County are cost burdened (paying at least 30% of their income to housing) or live in units with one or more major problems (lacking kitchen, bath, or more than 1 person per bedroom).
  - Across all income groups, 305,905 households in Harris County are facing severe housing problems of more than 50% of income or one or more major problems. 189,895 of those households are in the city of Houston.
  - There are 134,040 households in Harris County that make less than 30% AMI (area median income) and spend more than 50% of their household income on housing.
  - There are 58,250 households making between 30-50% AMI and spending more than 50% of their income on housing.
  - There are 22,375 household making between 50-80% AMI and spending more than 50%
  - Altogether, 214,665 households that are making less than 80% of the area median income are spending more than 50% of their income on housing.
- **Affordable Housing Demand:** The demand for affordable housing ranges between 215,000 and 435,000 units depending upon the goals chosen.
  - To house the poorest who are spending the most on housing, the need is 215,000 units. To assist all households that are burdened, then 435,000 are needed.
- **Affordable Housing Supply:** Estimated 90,000 affordable housing units.
  - Public: 22,294 vouchers from HHA and HCHA; 5,500 Public Housing units from HHA; 47,732 LIHTC since 1990 (some affordability periods have expired); 8,982 Non-LIHTC units across Harris County. Estimated total 84,508 public subsidized units.
  - Private: Among major CDC's and non-profits, including Avenue, Fifth Ward CRC, Neighborhood Recovery CDC, Project Row Houses CDC, New Hope Housing, Star of Hope, and Habitat for Humanity there are an estimated 4000 units.
- **Affordable Housing *Gap*:** The number of affordable housing units the Houston area needs to add varies with the objective:
  - To serve the 214,000 households that are below 80% and are severely cost burdened: 124,000 units.
  - Rolling up to the 305,000 that are cost burdened or have a severe problem: 215,000 units.
  - Including all households under 80% AMI paying more than 30% of their income to housing (435,515): 345,515 units.

Demographic Analysis

Demographic Overview

The demographic information provided in this study was assembled using the following data sources: US Census, American Community Survey (ACS), and Nielsen/Claritas – PCensus for ArcView (hereafter referred to as "PCensus"). This information should be viewed as a best estimate, being ultimately based on ACS surveys and Census collected data from self-reporting participants. The following table provides a demographic overview of the CMAs and other larger geographies. This data is broken down into three main sections: population characteristics, household characteristics, and housing unit characteristics.

Table 1: Demographic Overview for the Areas of Analysis, 2016

Areas	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
Population Characteristics						
Population	63K	546K	1,043K	2,315K	4,556K	6,677K
White *	8%	11%	19%	25%	31%	37%
Black *	58%	23%	24%	22%	18%	17%
Asian *	3%	2%	6%	7%	7%	7%
Other *	2%	1%	2%	2%	2%	2%
Hispanic	30%	62%	50%	45%	42%	37%
≥ Age 25, Bachelor Degree +	22%	12%	21%	30%	29%	30%
Median Age	30.7	31.4	32.8	33.7	33.5	34.4
Age 65+	12%	10%	10%	11%	10%	11%
Household Characteristics						
Total Households (HH)	22K	176K	341K	866K	1,591K	2,321K
Owner Occupied	40%	51%	61%	46%	57%	63%
Renter Occupied	60%	49%	39%	54%	43%	37%
Average HH Size	2.6	3.1	3.0	2.6	2.8	2.8
HH with Children	44%	52%	52%	49%	52%	51%
Median HH Income	$31K	$39K	$49K	$48K	$57K	$62K
Housing Unit Characteristics						
Total Housing Units	27K	199K	374K	978K	1,758K	2,559K
Single Family **	57%	62%	70%	51%	61%	66%
Median Year Built	1960	1970	1979	1978	1985	1989
Median Unit Value ***	$119K	$104K	$131K	$151K	$156K	$170K
Average Commute (Minutes)	26	29	31	29	31	32

Source: US Census, American Community Survey, PCensus, CDS Community Development Strategies

Notes: * Non-Hispanic, ** Attached & Detached, *** Owner Occupied

Observations from the previous table include the following:

- The primary CMA has a large African-American population, making up 58% of residents. This compares to 17% for the Houston MSA. In part because of its unique demographics, Southeast Houston has had an importance influence on Black History of Houston. Given these two facts, it is understandable that there is concern over how the nature of the primary CMA is changing.

- Although the difference is small, the primary CMA has the lowest median age but also the highest percentage of residents over the age of 65. The primary CMA also has the lowest percentage of households with children. This speaks to the lack of newer single family neighborhoods which households with children often prefer.
- The primary CMA has the lowest percentage of family households, making up only 58% of all households. In contrast, family households make up 71% of all households in the Houston MSA. Nonfamily households consist of people who live alone or who share their residence with unrelated individuals. The predominance of nonfamily households in the primary CMA is related to the presence of students in the area.
- Median incomes are lowest in the primary CMA and rental CMA, roughly $20K to $30K less than the median in Harris County and the Houston MSA.
- While housing units are predominately single family structures in the primary CMA—similar to the percentage for the MSA—housing is 60% renter occupied compared to the MSA at 37%. This is due in part to the lower incomes and home purchasing power of residents in the primary CMA. This is also related to the age of the community and the fact that the original owners of many homes have passed on but the family has decided to rent instead of sale.
- The median age of housing units in the primary CMA is 56 years (1960), nearly 30 years older than the median for the Houston MSA.

Population by Age

The following table provides current population by age statistics for the CMAs and other larger geographies. Most of the areas are similar, but the primary CMA stands out for the reasons stated previously, as well as nearly double the share of the population age 18 to 24. This is related to the presence of the University of Houston (UH) and Texas Southern University (TSU) within the boundaries of the primary CMA.

Table 2: Population by Age for the Areas of Analysis, 2016

Age	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
Age 0 to 4	6.7%	8.6%	8.0%	7.5%	7.7%	7.4%
Age 5 to 9	6.5%	8.1%	7.9%	7.4%	7.6%	7.5%
Age 10 to 14	6.1%	7.7%	7.7%	6.9%	7.4%	7.5%
Age 15 to 17	4.1%	4.6%	4.6%	4.0%	4.4%	4.4%
Age 18 to 20	9.2%	4.8%	4.5%	3.9%	4.1%	4.1%
Age 21 to 24	9.1%	6.2%	5.8%	5.4%	5.6%	5.5%
Age 25 to 34	14.7%	15.7%	14.8%	17.3%	15.4%	14.4%
Age 35 to 44	11.1%	13.4%	13.8%	14.3%	14.3%	14.1%
Age 45 to 54	10.5%	11.5%	12.2%	12.2%	12.8%	13.2%
Age 55 to 64	10.3%	9.6%	10.5%	10.6%	10.9%	11.4%
Age 65 to 74	6.6%	5.8%	6.3%	6.4%	6.2%	6.7%
Age 75 to 84	3.8%	3.0%	2.9%	3.0%	2.7%	2.8%
Age 85 and over	1.5%	1.1%	1.0%	1.2%	1.0%	1.0%
Age 17 and under	23.3%	29.0%	28.2%	25.8%	27.1%	26.8%
Age 18 to 24	18.3%	11.0%	10.3%	9.3%	9.7%	9.6%
Age 65 and over	11.8%	9.8%	10.3%	10.6%	9.9%	10.5%
Median Age	30.7	31.4	32.8	33.7	33.5	34.4

Source: US Census, American Community Survey, PCensus, CDS Community Development Strategies

Transportation

The following table provides current transportation related statistics for the CMAs and other larger geographies. Four times as many households in the primary CMA have no vehicles compared to the Houston MSA. Three times as many workers in the primary CMA use an alternative mode to work (other than personal vehicles) compared to the Houston CMA. Despite this, commute times are not drastically shorter. These differences are not necessarily related to lifestyle preferences alone, especially considering the economic challenges in the primary CMA. However, the proximity and quality of alternative transportation choices in the primary CMA—such as the new METRORail Southeast line—provide viable options for those who want to have fewer or no vehicles.

Table 3: Transportation Statistics for the Areas of Analysis, 2016

Areas	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
Vehicles Owned						
No Vehicles	23%	12%	8%	10%	7%	6%
1 Vehicle	40%	39%	35%	42%	37%	34%
2 Vehicles	26%	33%	38%	34%	39%	41%
3+ Vehicles	11%	17%	19%	14%	18%	19%
Commute Time to Work						
Less than 15 minutes	31%	21%	18%	21%	19%	20%
15 to 29 Minutes	37%	39%	37%	39%	36%	34%
30 to 44 Minutes	19%	25%	27%	25%	26%	25%
45 to 59 Minutes	5%	7%	10%	7%	10%	11%
60 or more Minutes	8%	8%	8%	7%	9%	10%
Average Commute (Minutes)	26	29	31	29	31	32
Mode to Work						
Drove Alone	66%	76%	80%	76%	79%	80%
Car Pooled	11%	13%	12%	12%	11%	11%
Public Transportation	10%	4%	2%	4%	3%	2%
Walked	6%	2%	1%	2%	2%	1%
Bicycle	2%	1%	0%	1%	0%	0%
Other Means	2%	2%	1%	2%	1%	1%
Worked at Home	4%	2%	3%	3%	3%	4%

Source: US Census, American Community Survey, PCensus, CDS Community Development Strategies

Households with Children

The following table displays family households in each area based on the presence of children. Most of the geographies are fairly similar, except for the primary CMA. The primary CMA the lowest share of total households with children, roughly half of which are female householders with children (the vast majority of which are assumed to be single mothers). This is essentially double the rate of the Houston MSA. The primary CMA also has double

the percentage of male householders with no children when compared to the Houston MSA, and nearly three times as many female householders with no children.

Table 4: Households with Children in the Areas of Analysis, 2016

Areas	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
Family Households	13K	124K	250K	533K	1,091K	1,650K
Households with Children						
Married-Couple Family, own children	20%	32%	34%	31%	35%	36%
Male Householder, own children	4%	5%	4%	4%	4%	4%
Female Householder, own children	20%	16%	13%	14%	13%	11%
Total Households	**44%**	**52%**	**52%**	**49%**	**52%**	**51%**
Households with No Children						
Married-Couple Family, no own children	25%	28%	32%	33%	34%	36%
Male Householder, no own children	8%	6%	5%	6%	5%	4%
Female Householder, no own children	23%	14%	12%	12%	9%	9%
Total Households	**56%**	**48%**	**48%**	**51%**	**48%**	**49%**

Source: US Census, American Community Survey, PCensus, CDS Community Development Strategies

Note: This data excludes non-family households

Population and Income Trends

The following table provides demographic trends for three important categories: population growth, household growth, and household income growth. These three categories are among the most important factors that affect housing demand. Observations from the previous table include the following:

- The Houston MSA experienced tremendous population and household growth from 2000 to 2016. In contrast the primary CMA experienced little growth. However, it's important to understand that new development has occurred in the Third Ward, but this growth has been relatively small in comparison and has been masked by the loss of homes due to condemnation and redevelopment.
- When adjusted for inflation, household incomes in nearly all geographies have been stagnant or declining. The exception is the primary CMA, where household incomes grew 5% from 2010 to 2016. The likely reason for this unique growth is related to the gentrification that has just begun to occur. Redevelopment in many cases means replacing lower income households with moderate or higher income households.

Table 5: Demographic Trends for the Areas of Analysis, 2000 to 2016

Areas	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
Population Growth						
2000 Population	60K	485K	826K	1,975K	3,401K	4,693K
2010 Population	60K	514K	956K	2,099K	4,092K	5,920K
2016 Population	63K	546K	1,043K	2,315K	4,556K	6,677K
2000 - 2010 Change	0%	6%	16%	6%	20%	26%
2010 - 2016 Change	5%	6%	9%	10%	11%	13%
2000 - 2016 Change	5%	13%	26%	17%	34%	42%
Household (HH) Growth						

Areas	Primary CMA	Rental CMA	Single Family CMA	Houston	Harris County	Houston MSA
2000 HHs	21K	156K	267K	725K	1,206K	1,648K
2010 HHs	21K	165K	312K	780K	1,435K	2,063K
2016 HHs	22K	176K	341K	866K	1,591K	2,321K
2000 - 2010 Change	-1%	6%	17%	8%	19%	25%
2010 - 2016 Change	7%	7%	9%	11%	11%	13%
2000 - 2016 Change	6%	13%	27%	19%	32%	41%
Household (HH) Income Growth						
2000 Median HH Income *	$30.5K	$42.7K	$53.3K	$52.4K	$60.9K	$63.4K
2010 Median HH Income *	$29.7K	$41.2K	$52.7K	$49.6K	$58.7K	$63.2K
2016 Median HH Income	$31.1K	$38.9K	$49.3K	$47.8K	$56.9K	$62.0K
2000 - 2010 Change	-3%	-4%	-1%	-5%	-4%	0%
2010 - 2016 Change	5%	-5%	-6%	-4%	-3%	-2%
2000 - 2016 Change	2%	-9%	-7%	-9%	-7%	-2%

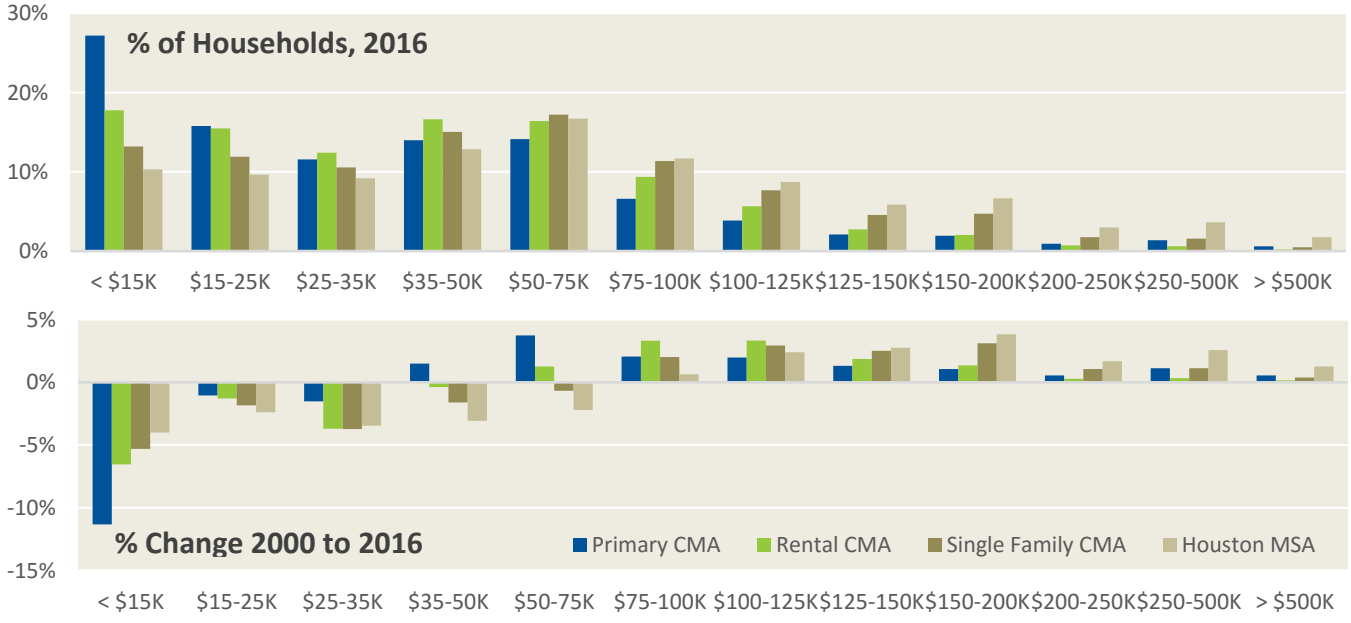
Source: US Census, American Community Survey, PCensus, CDS Community Development Strategies

Notes: * Income figures prior to 2016 have been adjusted for inflation

The following charts and table reveal the household income trends by income group for each of the CMAs as well as the Houston MSA. Noteworthy observations include the following:

- The < $15K household income group makes up the largest share of households in the primary CMA at roughly 27%. However, the primary CMA has seen a large decrease (-11%) in the share of households in this income group from 2000 to 2016. The largest increase for the primary CMA has been in the $50K to $75K household income group.
- Despite the general increases from 2000 to 2016, households with income below $50K still make up 69% of the primary CMA, 62% of the rental CMA, 51% of the single family CMA, and 42% of households in the Houston MSA.

Figure 6: Annual Household Income Trends ($), 2000 to 2016



Source: US Census, American Community Survey, PCensus

Table 6: Household Income Trends, 2000 to 2016

Location	Primary CMA			Rental CMA			Single Family CMA			Houston MSA		
Year	2000	2016	Change	2000	2016	Change	2000	2016	Change	2000	2016	Change
Total Households	21,009	22,222	5.8%	155,624	176,008	13.1%	267,411	340,725	27.4%	1,648,146	2,320,806	40.8%
Less than $15,000	38.5%	27.2%	-11.3%	24.3%	17.8%	-6.5%	18.5%	13.2%	-5.3%	14.3%	10.3%	-4.0%
$15,000 to $24,999	16.8%	15.8%	-1.1%	16.8%	15.5%	-1.3%	13.7%	11.9%	-1.8%	12.0%	9.6%	-2.4%
$25,000 to $34,999	13.1%	11.6%	-1.5%	16.1%	12.4%	-3.7%	14.3%	10.6%	-3.7%	12.7%	9.2%	-3.5%
$35,000 to $49,999	12.5%	14.0%	1.5%	17.0%	16.6%	-0.4%	16.6%	15.0%	-1.6%	15.9%	12.9%	-3.1%
$50,000 to $74,999	10.4%	14.1%	3.7%	15.1%	16.4%	1.3%	17.9%	17.2%	-0.7%	18.9%	16.7%	-2.2%
$75,000 to $99,999	4.6%	6.6%	2.1%	6.1%	9.4%	3.3%	9.4%	11.4%	2.0%	11.1%	11.7%	0.6%
$100,000 to $124,999	1.9%	3.9%	2.0%	2.3%	5.6%	3.3%	4.7%	7.7%	2.9%	6.3%	8.7%	2.4%
$125,000 to $149,999	0.8%	2.1%	1.3%	0.9%	2.7%	1.9%	2.0%	4.6%	2.5%	3.1%	5.9%	2.8%
$150,000 to $199,999	0.9%	1.9%	1.1%	0.7%	2.0%	1.4%	1.6%	4.7%	3.1%	2.8%	6.7%	3.8%
$200,000 to $249,999	0.4%	0.9%	0.6%	0.4%	0.7%	0.3%	0.7%	1.8%	1.1%	1.3%	3.0%	1.7%
$250,000 to $499,999	0.2%	1.4%	1.1%	0.3%	0.6%	0.3%	0.4%	1.6%	1.1%	1.1%	3.6%	2.6%
$500,000 or more	0.1%	0.6%	0.6%	0.0%	0.2%	0.2%	0.1%	0.5%	0.4%	0.5%	1.8%	1.3%
Median HH Income	$21,827	$31,079	42.4%	$30,545	$38,916	27.4%	$38,147	$49,334	29.3%	$45,353	$61,968	36.6%
Inflation Adjusted Median	$30,503	$31,079	1.9%	$42,686	$38,916	-8.8%	$53,310	$49,334	-7.5%	$63,380	$61,968	-2.2%

Source: US Census, American Community Survey, PCensus

* Note: Inflation adjustment is based on Bureau of Labor Statistics CPI Inflation Calculator ($100 in 2000 = $139.97 in 2016)

Housing and Household Trends

The following tables and figures present information regarding the housing characteristics and trends in the area. The majority of this information is derived from the US Census and the American Community Survey, and in some cases is self-reported data. While this can generate minor anomalies, the information presented in this section still provides a valuable overview of the housing situation in the area.

Housing Type Trends

The following table contains an estimate of the number and type of housing units in the CMAs. This data comes from the 2000 and 2010 Census as well as Census based estimates for 2016. Notable observations include the following:

- Single family detached housing currently makes up an estimated 53% of all units in the primary CMA, 59% in the rental CMA, and 67% in the single family CMA. This compares to 63% for the Houston MSA.
- The single family CMA has seen a significant growth in the overall number of housing units, with large increases in single family detached homes and small to medium sized multifamily structures, and a decrease in the number of units in large complexes (50+ units). The rental CMA is similar, except for lower growth in the number of single family detached units. The primary CMA has seen the slow growth in the number of overall units, at less than half the percentage change experienced by the single family CMA. The largest percentage growth in the primary CMA has come in medium and large sized multifamily structures, and single family attached housing (condos and townhomes).

- Besides the last two unit types, the only housing type to see a decrease in the primary CMA is the duplex (2 units). This housing type makes up roughly 3.9% of the housing stock in the primary CMA in 2016, down from 5.7% in 2000. In 2016, duplexes make up 2.6% of the housing stock in the rental CMA, and 1.6% in the single family CMA.

Table 7: Housing Type Trends, 2000 to 2016

Location	Primary CMA			Rental CMA			Single Family CMA		
Year	2000	2016	Change	2000	2016	Change	2000	2016	Change
Total Housing Units	23,758	26,689	12.3%	168,567	199,133	18.1%	285,253	374,309	31.2%
1 Unit Attached	877	1,035	18.0%	5,798	5,708	-1.6%	9,142	10,402	13.8%
1 Unit Detached	13,852	14,110	1.9%	99,585	117,458	17.9%	189,345	249,737	31.9%
2 Units	1,366	1,046	-23.4%	4,761	5,189	9.0%	5,548	6,170	11.2%
3 to 19 Units	4,287	5,924	38.2%	23,868	39,134	64.0%	33,011	59,125	79.1%
20 to 49 Units	684	1,106	61.7%	5,209	9,286	78.3%	6,981	14,608	109.3%
50 or More Units	2,204	3,083	39.9%	23,975	17,248	-28.1%	30,680	22,907	-25.3%
Mobile Home or Trailer	453	383	-15.5%	5,186	4,858	-6.3%	10,252	10,966	7.0%
Boat, RV, Van, etc.	35	2	-94.3%	185	251	35.7%	295	395	33.9%

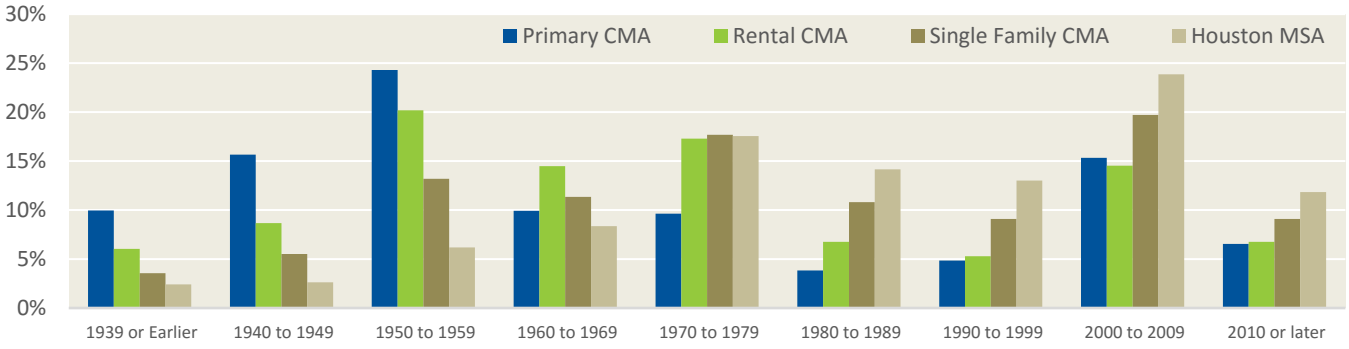
Source: US Census, American Community Survey, PCensus

Age of Existing Housing

The following chart and table display estimates for the age of the existing housing stock in the CMAs and the Houston MSA. This information is based on self-reported data gathered by the Census. Notable observations include the following:

- As was referenced earlier, the collective age of the housing stock in the primary CMA is considerably older than the housing stock in the Houston MSA. Roughly half of the housing stock in the primary CMA was built before 1960.
- Residents who are surveyed often have a tendency to underestimate the age of their dwelling, particularly if they are renters. Therefore, the numbers presented should be viewed with discretion (especially when comparing the number of units added since 2000 with other estimates in this study).

Figure 7: Age of Existing Housing Stock, 2000 to 2016



Source: US Census, American Community Survey, PCensus

Table 8: Age of Existing Housing Stock, 2000 to 2016

2016 Estimate	Primary CMA		Rental CMA		Single Family CMA		Houston MSA	
Total Housing Units	26,689		199,133		374,309		2,558,519	
Built 2010 or later	1,745	6.5%	13,448	6.8%	34,049	9.1%	302,947	11.8%
Built 2000 to 2009	4,091	15.3%	28,942	14.5%	73,755	19.7%	610,311	23.9%
Built 1990 to 1999	1,293	4.8%	10,523	5.3%	34,043	9.1%	333,101	13.0%
Built 1980 to 1989	1,022	3.8%	13,470	6.8%	40,447	10.8%	362,253	14.2%
Built 1970 to 1979	2,570	9.6%	34,444	17.3%	66,190	17.7%	449,189	17.6%
Built 1960 to 1969	2,648	9.9%	28,851	14.5%	42,487	11.4%	213,672	8.4%
Built 1950 to 1959	6,484	24.3%	40,189	20.2%	49,372	13.2%	158,148	6.2%
Built 1940 to 1949	4,178	15.7%	17,249	8.7%	20,660	5.5%	67,021	2.6%
Built 1939 or Earlier	2,658	10.0%	12,017	6.0%	13,306	3.6%	61,877	2.4%

Source: US Census, American Community Survey, PCensus

Housing Occupancy Trends

The following table provides estimates for housing occupancy in the CMAs and the Houston MSA. Overall, the balance of owner occupied versus rental occupied housing has remained similar in each geography. The most notable difference is a rise in the vacancy rate for all areas. The state and national average is 11.5% and 12.5% respectively. This puts the primary and rental CMAs above and on par with the state and nation, while the single family CMA and Houston MSA are lower. The vacancy rate considers all types of vacant housing (including temporarily unoccupied housing, uninhabitable homes, second homes, etc.). Generally, the largest portion of vacant housing in a stabilized market is made up of unoccupied rental units and for-sale homes currently on the market. The higher vacancy rate in the primary and rental CMAs is likely explained by the age and quality of the housing stock. The rise in the vacancy rate for all areas from 2000 to 2016 is likely related to new housing growth and an un-stabilized market with a higher than average share of temporarily unoccupied units.

Table 9: Housing Occupancy Trends, 2000 to 2016

Location	Primary CMA			Rental CMA			Single Family CMA			Houston MSA		
Year	2000	2016	Change	2000	2016	Change	2000	2016	Change	2000	2016	Change
Total Housing Units	24K	27K	12.3%	169K	199K	18.1%	285K	374K	31.2%	1,788K	2,559K	43.1%
Occupied Housing Units	88.4%	83.3%	-5.2%	92.3%	88.4%	-3.9%	93.6%	91.0%	-2.6%	92.2%	90.7%	-1.5%
Owner Occupied	38.3%	33.1%	-5.3%	47.5%	45.1%	-2.4%	56.7%	55.4%	-1.4%	56.0%	57.0%	1.0%
Renter Occupied	50.1%	50.2%	0.1%	44.9%	43.3%	-1.6%	36.9%	35.7%	-1.2%	36.2%	33.7%	-2.4%
Vacant Housing Units	11.6%	16.7%	5.2%	7.7%	11.6%	3.9%	6.4%	9.0%	2.6%	7.8%	9.3%	1.5%

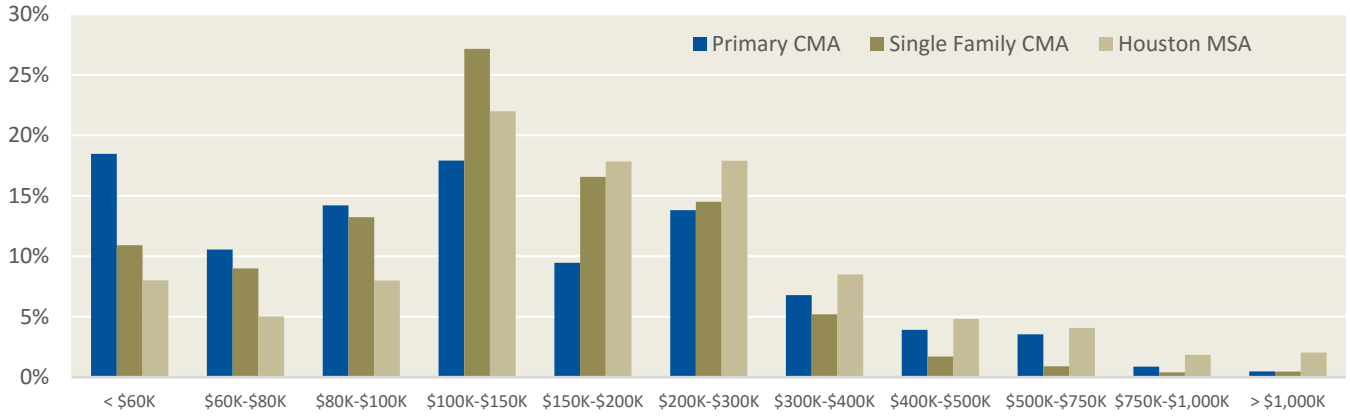
Source: US Census, American Community Survey, PCensus

Owner Occupied Housing Value Trends

The following figure and table display owner occupied housing units grouped into self-reported value ranges for the primary CMA, the single family CMA, and the Houston MSA. When compared to the Houston MSA, homes in

the primary CMA and single family CMA are weighted toward lower values; 61% of homes in the primary CMA and 60% of homes in the single family CMA are valued under $150k. This compares to 43% for the Houston MSA. Despite this, homes in the primary CMA have seen an inflation adjusted rise in median values of 62% from 2000 to 2016—over 20% more than homes in the Houston MSA.

Figure 8: Owner Occupied Housing Values, 2016



Source: US Census, American Community Survey, PCensus

Table 10: Housing Value Trends, 2000 to 2016

Location	Primary CMA			Single Family CMA			Houston MSA		
Year	2000	2016	Change	2000	2016	Change	2000	2016	Change
Owner-Occupied Housing	21K	22K	5.8%	156K	176K	13.1%	1,001K	1,458K	45.6%
Less than $60K	59.3%	18.5%	-40.9%	41.8%	10.9%	-30.9%	27.4%	8.0%	-19.4%
$60K to $80K	14.3%	10.6%	-3.7%	21.1%	9.0%	-12.1%	17.9%	5.0%	5.0%
$80K to $100K	8.9%	14.2%	5.3%	14.4%	13.2%	-1.2%	15.2%	8.0%	8.0%
$100K to $150K	8.3%	17.9%	9.6%	13.4%	27.1%	13.7%	18.7%	22.0%	22.0%
$150K to $200K	4.2%	9.5%	5.3%	5.6%	16.6%	11.0%	9.5%	17.8%	17.8%
$200K to $300K	2.5%	13.8%	11.3%	2.8%	14.5%	11.7%	6.5%	17.9%	17.9%
$300K to $400K	1.0%	6.8%	5.8%	0.5%	5.2%	4.7%	2.3%	8.5%	8.5%
$400K to $500K	0.4%	3.9%	3.5%	0.2%	1.7%	1.6%	1.0%	4.8%	4.8%
$500K to $750K	0.5%	3.5%	3.0%	0.1%	0.9%	0.8%	1.0%	4.1%	4.1%
$750K to $1,000K	0.4%	0.9%	0.5%	0.1%	0.4%	0.3%	0.4%	1.9%	1.9%
$1,000K or more	0.2%	0.5%	0.3%	0.1%	0.5%	0.4%	0.4%	2.0%	2.0%
Median Value	$53K	$119K	126.2%	$68K	$131K	93.4%	$86K	$170K	96.5%
Inflation Adjusted*	$73K	$119K	61.8%	$95K	$131K	38.4%	$121K	$170K	40.6%

Source: US Census, American Community Survey, PCensus

* Note: Inflation adjustment is based on Bureau of Labor Statistics CPI Inflation Calculator ($100 in 2000 = $139.97 in 2016)

Employment Trends

In most locations, local employment is a key indicator used in determining the demand for housing in a community, as well as the principal driver of population and household growth. The information in this section provides general and detailed employment statistics for the Houston Area.

Unemployment Rates

The table below displays unemployment rates for the Houston MSA, Texas, and the United States from 2010 to June 2016. According to the BLS, the "unemployed" are defined as all persons who had no employment during the reference period, were available for work, except for temporary illness, and had made specific efforts to find employment.

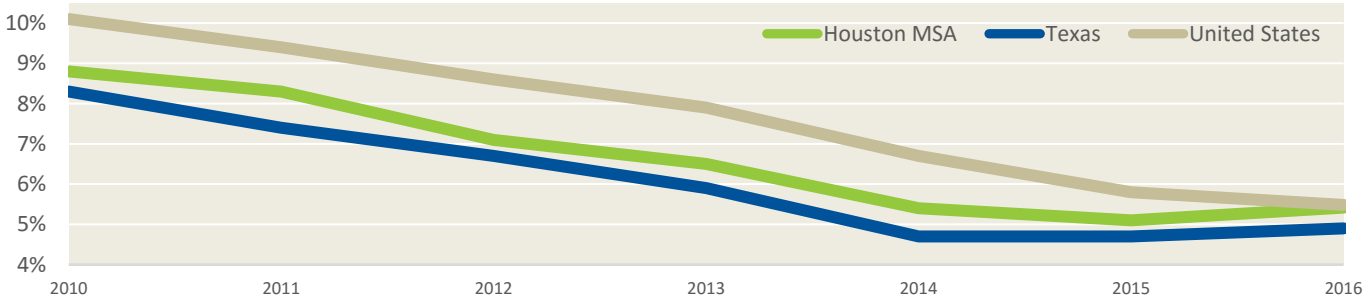
Table 11: Unemployment Rates, 2010 to June 2016

Time Period	Houston MSA	Texas	United States
2010	8.3%	7.8%	9.6%
2011	7.8%	6.9%	8.9%
2012	6.6%	6.2%	8.1%
2013	6.0%	5.4%	7.4%
2014	4.9%	4.2%	6.2%
2015	4.6%	4.2%	5.3%
January 2016	4.8%	4.4%	5.3%
February 2016	4.7%	4.3%	5.2%
March 2016	4.9%	4.5%	5.1%
April 2015	4.8%	4.2%	4.7%
May 2016	4.8%	4.2%	4.5%
June 2016	5.5%	4.8%	5.1%

Source: US Bureau of Labor Statistics, LAUS

The overall unemployment rate for the Houston MSA has remained lower than the national number for some time, and roughly similar to the rate observed for the State. The latest numbers for June 2016 show the Houston MSA rising slightly above the Nation. While this data is preliminary and subject to change, it is likely an accurate indicator of the general trend and related to the impacts of lower price crude oil affecting the Houston area.

Figure 9: Unemployment Rates, 2010 to June 2016



Source: US Bureau of Labor Statistics, LAUS; County numbers are not seasonally adjusted

Employment and Labor Force

The following table presents an estimate of employment figures for the CMAs. It is important to understand that the employment figures in this section are referring to residents (regardless of where they work). The labor force includes all employed residents and all residents actively seeking employment. The unemployment rate is calculated off of the labor force figure. Note that the "In Labor Force" and "Not in Labor Force" numbers do not add up to the total population of each geography; there are populations excluded from this calculation such as children and military personnel.

Figure 10: Employment and Labor Force Data in the CMAs, 2006 to 2016

Category	Primary CMA		Rental CMA		Single Family CMA	
	2010	2016	2010	2016	2010	2016
In Labor Force	31,417	28,497	245,091	253,177	482,350	514,261
Not in Labor Force	21,254	21,672	151,574	151,125	249,484	266,801
Unemployment Rate	10.6%	7.9%	6.3%	7.1%	5.2%	6.2%

Source: US Census, American Community Survey, PCensus

Because employment figures are not tracked for sub-city and sub-county geographies, the numbers in this section for the CMAs should be considered as approximates only. Still, they provide helpful insight into long term trends taking place in the CMA. In the primary CMA, the labor force has been shrinking, but so too has the unemployment rate. Therefore, the number of employed residents is expected to have remained fairly constant.

Employment Trends by Industries Tracked

The following table and figure take a closer look at the employed residents in the CMAs, comparing the share of total jobs by occupation from 2010 with 2016.

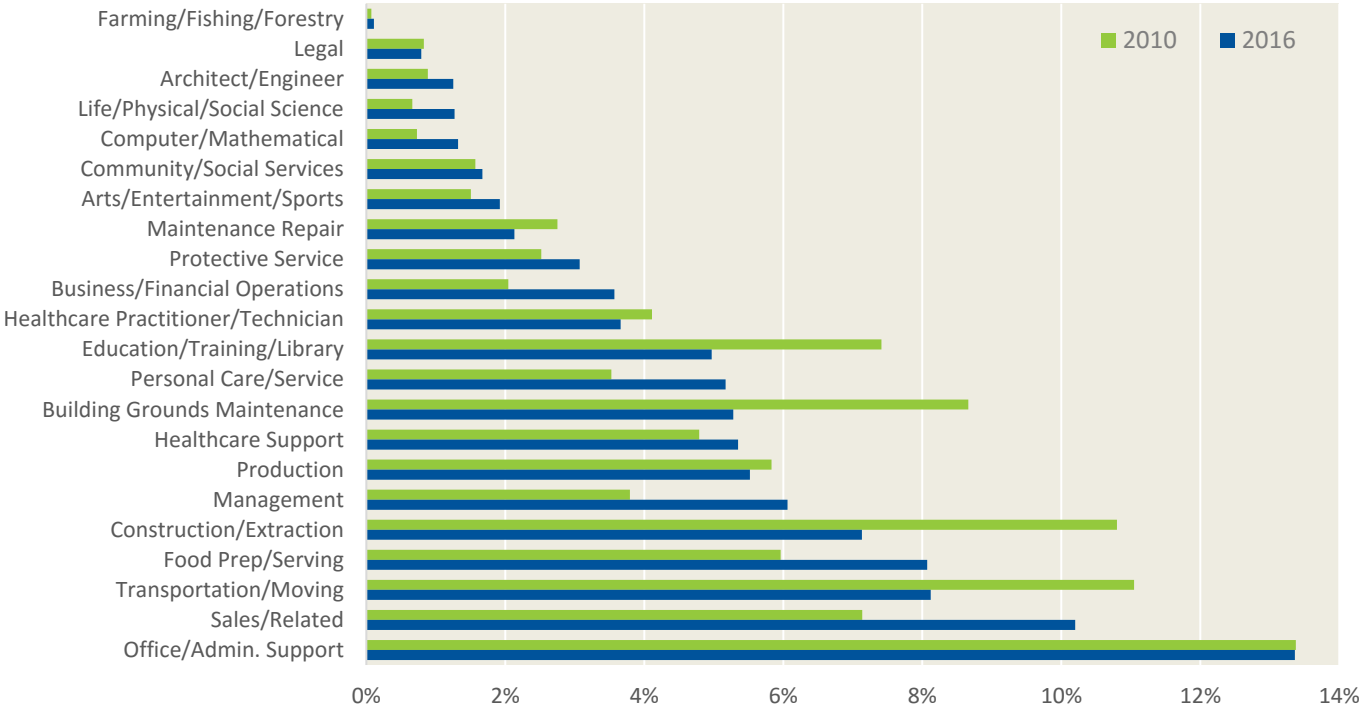
Table 12: Employment Trends by Occupation in the CMAs, 2006 to 2016

Occupation	Primary CMA		Rental CMA		Single Family CMA	
	2010	2016	2010	2016	2010	2016
Management	3.8%	6.1%	3.8%	4.3%	6.7%	6.8%
Business/Financial Operations	2.0%	3.6%	2.0%	2.6%	3.5%	3.8%
Computer/Mathematical	0.7%	1.3%	0.7%	1.0%	1.6%	1.7%
Architect/Engineer	0.9%	1.3%	1.0%	1.1%	2.2%	2.2%
Life/Physical/Social Science	0.7%	1.3%	0.4%	0.6%	0.8%	0.7%
Community/Social Services	1.6%	1.7%	0.8%	1.1%	1.0%	1.2%
Legal	0.8%	0.8%	0.5%	0.7%	0.7%	0.8%
Education/Training/Library	7.4%	5.0%	3.9%	3.8%	5.1%	5.0%
Arts/Entertainment/Sports	1.5%	1.9%	0.9%	1.0%	1.1%	1.5%
Healthcare Practitioner/Technician	4.1%	3.7%	2.6%	3.0%	4.5%	5.6%
Healthcare Support	4.8%	5.4%	2.6%	3.0%	2.2%	2.7%
Protective Service	2.5%	3.1%	2.0%	2.1%	2.0%	2.0%

Occupation	Primary CMA		Rental CMA		Single Family CMA	
	2010	2016	2010	2016	2010	2016
Food Prep/Serving	6.0%	8.1%	6.3%	7.2%	5.3%	6.0%
Building Grounds Maintenance	8.7%	5.3%	6.9%	6.6%	5.1%	5.1%
Personal Care/Service	3.5%	5.2%	3.0%	3.3%	2.7%	3.0%
Sales/Related	7.1%	10.2%	8.4%	8.7%	9.9%	9.3%
Office/Admin. Support	13.4%	13.4%	13.5%	13.1%	13.9%	13.5%
Farming/Fishing/Forestry	0.1%	0.1%	0.1%	0.3%	0.1%	0.2%
Construction/Extraction	10.8%	7.1%	16.0%	13.7%	11.2%	9.7%
Maintenance Repair	2.8%	2.1%	4.6%	4.2%	4.1%	4.1%
Production	5.8%	5.5%	9.7%	9.9%	8.1%	7.9%
Transportation/Moving	11.0%	8.1%	10.4%	8.6%	8.2%	7.4%

Source: US Census, American Community Survey, PCensus

Figure 11: Employment Trends by Occupation in the Primary CMA, 2006 to 2016



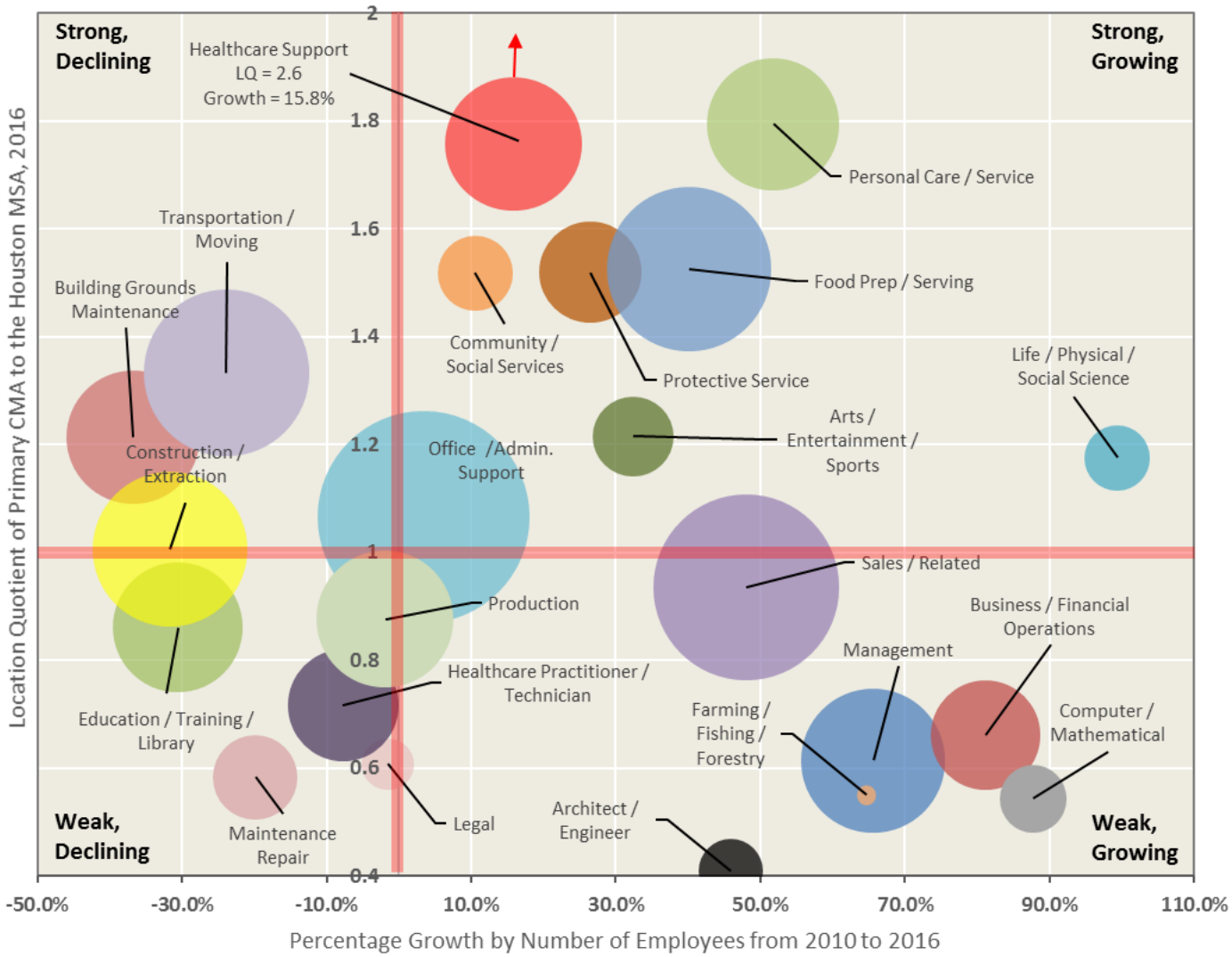
Source: CDS utilizing data from the US Bureau of Labor Statistics

In the primary CMA, there have been significant losses in the share of a few lower paying occupations requiring less education. At the same time, there have been moderate gains in many occupations which require higher education and provide higher incomes. This corroborates with the household income data presented previously which suggests that the area is in the early stages of gentrification, with new higher income households displacing lower income households.

Diverse Local Employment

The primary CMA has a diverse mix of residents employed across several different types of occupations. The following figure utilizes the data presented previously to illustrate how concentrated some of these jobs are in the area compared to the Houston MSA. Each bubble corresponds with an occupation. The size (area) of the bubble represents the proportionate number of employees in that occupation. The location of the bubble along the y-axis (vertical) represents the Location Quotient of that industry in the County, as compared with the Houston MSA. The location of the bubble along the x-axis (horizontal) represents the percentage that the industry has added or lost jobs from 2010 to 2016 (slightly different than the previous figure, which shows the change in an occupation's share of the total over the same time).

Figure 12: Size, Growth, and Location Quotient of Private Industries in the Primary CMA, 2015



Source: CDS utilizing data from PCensus

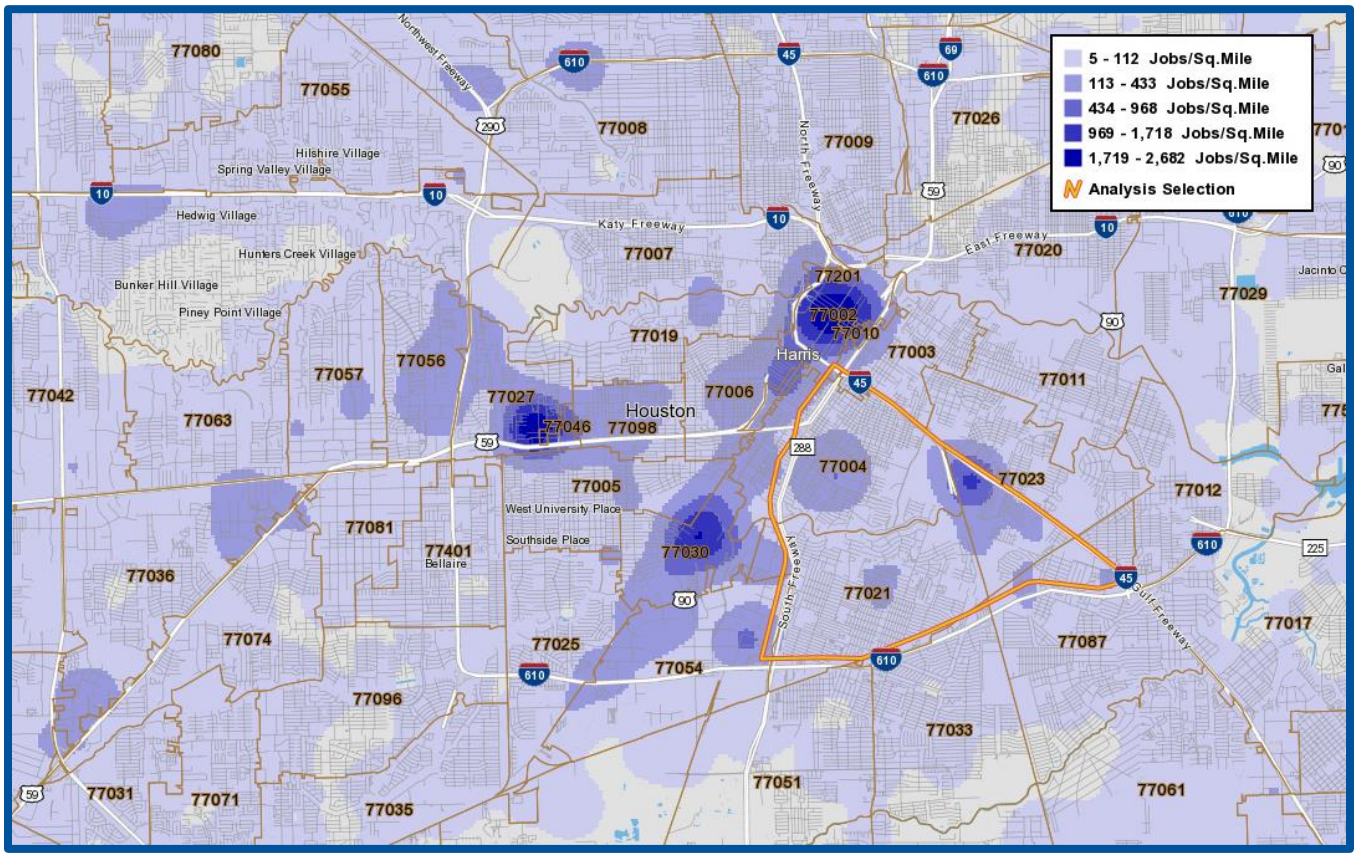
A word on Location Quotients (LQ): this number compares the relative concentration of an occupation in a local economy with the average concentration seen at a higher level—in this case, the Houston MSA. For example, the Personal Care/Service occupation in the primary CMA has an LQ of roughly 1.8, indicating that the local economy

has 80% more employed residents in that occupation per capita than the Houston MSA as a whole. An LQ of 1.0 indicates parity, and an LQ below 1.0 indicates a below average proportion of jobs. A high location quotient in a specific industry may translate into a competitive advantage in that industry for the local economy. Economic development opportunities may exist for additional growth because of the presence of an existing skilled labor pool or other resources such as suppliers, facilities, or transportation hubs in the region. An LQ less than 1.0 may indicate an opportunity to develop businesses in the area to better meet local demand. Combining all of this data into one chart—size of local industries, growth of local industries, and the Location Quotient—makes it easier to assess the health and direction of the local economy. This chart demonstrates that the primary CMA is not overly dependent on any one industry and has multiple industries which are strong and growing.

Work Destination Analysis

According to data from the Longitudinal Employer-Household Dynamic (LEHD), of the workers who live in the primary CMA, roughly 20% work in three nearby zip codes: 77002 – Downtown (8.8%), 77030 – Medical Center (5.7%), and 77027 – Galleria/Uptown area (5.4%). In addition, of the workers who live in the primary CMA, 6.4% work within the boundaries of the primary CMA. The three largest concentrations of jobs within the primary CMA (as displayed on the following figure) are the UH campus, the TSU campus, and the TAS Energy manufacturing facility located along Cullen Blvd south of Griggs.

Figure 13: Where Residents in the Primary CMA Work

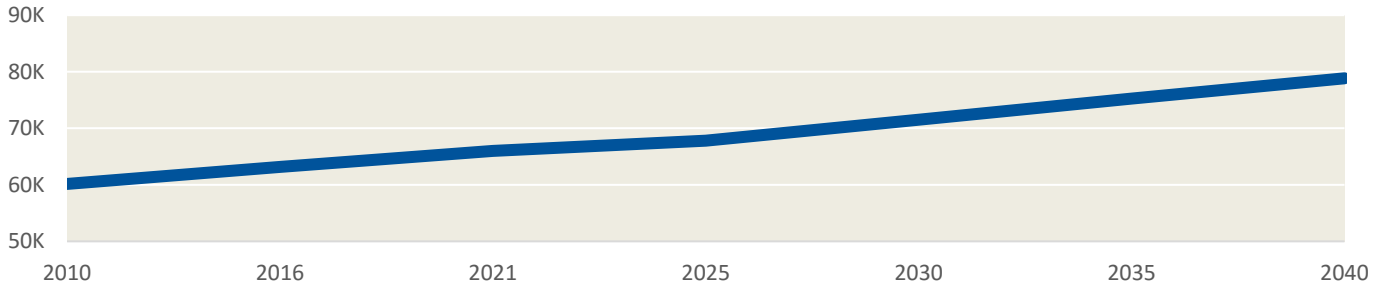


Source: US Census LEHD 2014, CDS Community Development Strategies

Population Projections

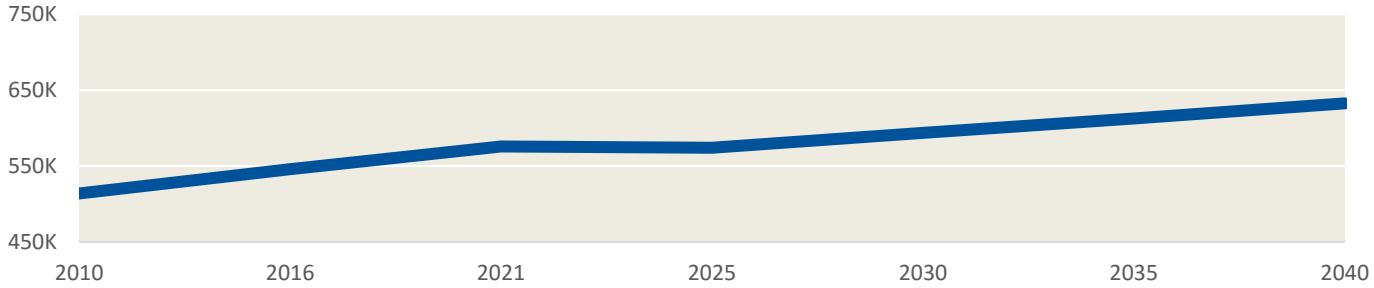
Short term, demographic forecasts for the CMAs were determined by utilizing PCensus data, which uses a formula to project future numbers based on existing Census data trends. CDS also provides another source for demographic projections in the CMA, with 5 year projections extending from 2025 to 2040. These estimates are analyzed by Traffic Area Zones (TAZ). The TAZ boundaries associated with the primary and rental CMAs lined up perfectly. The TAZ boundaries associated with the single family CMA were mostly lined up, except for a few TAZ geographies along the southern edge.

Figure 14: Population Projections for the Primary CMA



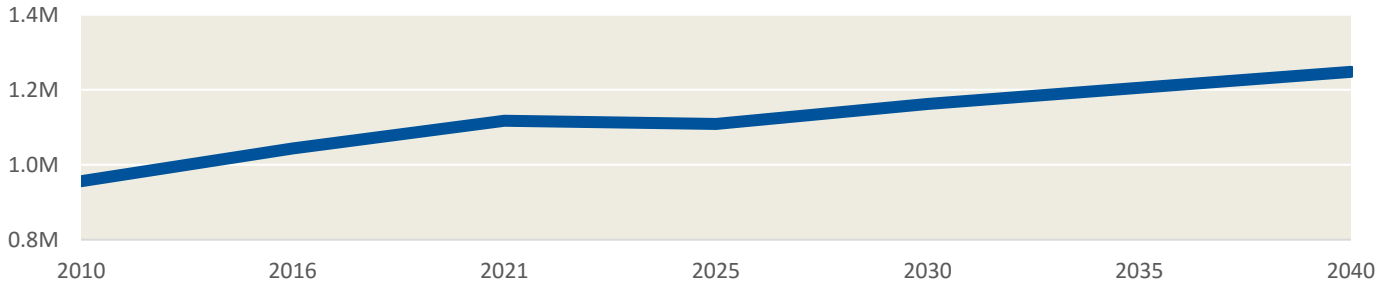
Source: US Census, American Community Survey, PCensus, H-GAC TAZ Forecast geography, CDS Community Development Strategy 2016 Forecast

Figure 15: Population Projections for the Rental CMA



Source: US Census, American Community Survey, PCensus, H-GAC TAZ Forecast geography, CDS Community Development Strategy 2016 Forecast

Figure 16: Population Projections for the Single Family CMA



Source: US Census, American Community Survey, PCensus, H-GAC TAZ Forecast geography, CDS Community Development Strategy 2016 Forecast

As the charts show, positive growth is expected for all CMAs from 2016 to 2014. The primary CMA is expected to add 2,839 residents over the next 5 years from 2016 to 2021. Utilizing the current persons per household for the primary CMA, this would result in an estimated 1,109 households. The rental CMA is expected to add 29,984

residents and 9,831 households. The single family CMA is expected to add 73,847 residents and 24,372 households.

These numbers should be viewed as conservative estimates, particularly for the primary CMA. The annual average growth rate for the estimate from 2016 to 2021 for each CMA is below the rate historically experienced by the Houston MSA. In addition, because this short term projection is based on near-term trends, the primary CMA has been calculated with lower growth. However, given how fast other inner-loop areas of Houston have changed and grown when they were targeted for redevelopment, the same process could occur for Southeast Houston. Indications are that this is beginning to happen, though Houston's short term economic situation may delay this process a bit compared to pre-2015 activity.

Table 13: Short Term Population Projections based on US Census Near-Term Trends

	2010	2016	2021	Growth 16-21	AAGR *
Primary CMA Population	60,152	63,161	66,000	2,839	0.9%
Rental CMA Population	513,845	545,866	575,850	29,984	1.1%
Single Family CMA Population	955,933	1,043,267	1,117,114	73,847	1.4%

Source: US Census, American Community Survey, PCensus

*AAGR = Annual Average Growth Rate ((FV/PV)^(1/n)) – 1)

Table 14: Long Term Population Projections based on CDS TAZ Level Forecasts

H-GAC Forecasts	2025	2030	2035	2040
Primary CMA Population	67,817	71,521	75,235	78,833
Rental CMA Population	574,132	593,778	612,655	632,607
Single Family CMA Population	1,108,617	1,162,025	1,205,270	1,247,652

Source: H-GAC TAZ Forecast geography, CDS Community Development Strategies 2016 Forecast

The longer term projections for the CMAs suggest that primary CMA is expected to add 12,833 residents from 2021 to 2040. Again, utilizing the current persons per household for the primary CMA, this would result in an estimated 5,013 households. The rental CMA is expected to add 56,757 residents and 18,609 households. The single family CMA is expected to add 130,538 residents and 43,082 households.

As with the short term projections, these longer term projections are conservative, particularly for the primary CMA. Given how much land in vacant and developable in Southeast Houston, and given the changing preferences in the Houston area for denser development (especially so close to Downtown and other inner-loop destinations), a considerably larger number of people and households could be added.

HOUSING MARKET TRENDS – FOR-SALE UNITS

As presented previously, single family detached units make up the majority of all housing types in the area, accounting for 53% of all units in the primary CMA, and 67% in the single family CMA. These homes vary in size and price from older, smaller tract homes in working class neighborhoods to larger and more expensive suburban homes located in deed restricted communities. This section examines the latest market trends for single family homes in the area, looking specifically at local real estate resale statistics and lot activity.

Figure 17: Images of Single Family Detached Homes Under $250K Currently Listed in the Primary CMA



Source: Multiple Listing Service, CDS Community Development Strategies

Existing Single Family Detached For-Sale Home Market

The data which follows in this section focuses on the $100K-$250K price range for single family detached homes. Below this price range, homes are often sold as investments with needed repairs (that usually require a significant amount of cash-on-hand to make livable) or as essentially raw lots with demolition anticipated. Above this price range, homes are typically beyond the reach of lower income buyers. The intent in focusing on the $100K-$250K price range was to provide relevant data to the MRA and to homebuilders who will be partnering with the MRA

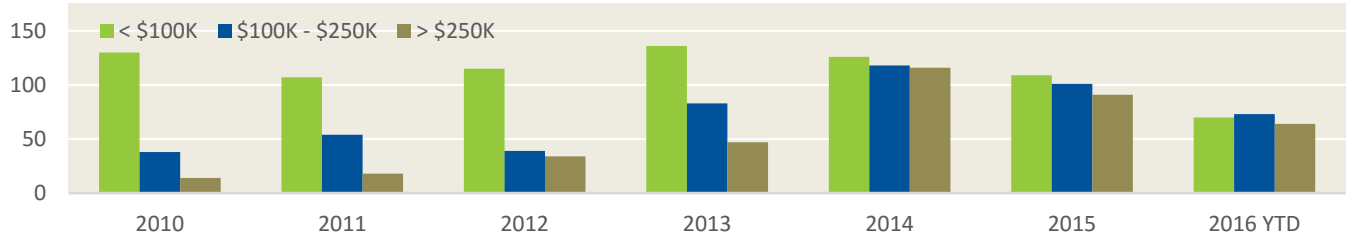
to build on their lots. The following table displays home sales in four price ranges from 2010 to 2016 year to date (YTD). The four price ranges are < $100K, $100K-$250K, > $250K, and All Prices. The figures which follows the table graphically displays the data.

Table 15: Primary and Single Family CMA Detached Sales Volume by Price Range, 2010-2016

Year	< $100K		$100K - $250K		> $250K		All Prices	
	#	%	#	%	#	%	#	%
Primary CMA								
2010	130	71%	38	21%	14	8%	182	100%
2011	107	60%	54	30%	18	10%	179	100%
2012	115	61%	39	21%	34	18%	188	100%
2013	136	51%	83	31%	47	18%	266	100%
2014	126	35%	118	33%	116	32%	360	100%
2015	109	36%	101	34%	91	30%	301	100%
2016 YTD	70	34%	73	35%	64	31%	207	100%
Single Family CMA								
2010	1,934	39%	2,622	53%	391	8%	4,947	100%
2011	2,178	42%	2,592	50%	423	8%	5,193	100%
2012	2,201	39%	3,004	53%	505	9%	5,710	100%
2013	1,925	30%	3,703	58%	809	13%	6,437	100%
2014	1,590	24%	3,928	58%	1,246	18%	6,764	100%
2015	1,225	19%	3,902	59%	1,486	22%	6,613	100%
2016 YTD	750	16%	2,797	59%	1,201	25%	4,748	100%

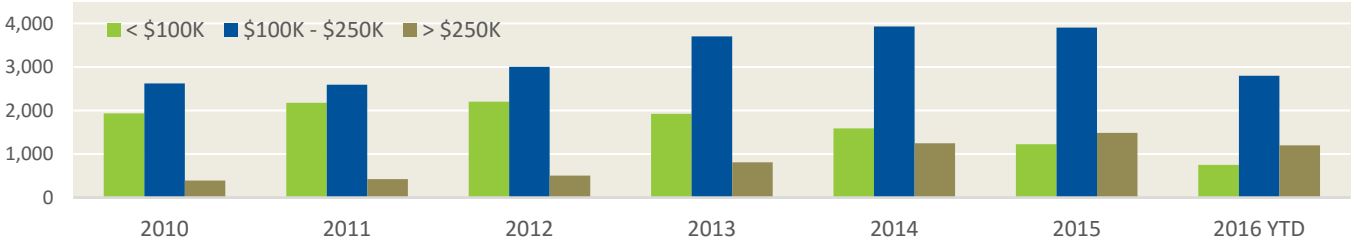
Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Figure 18: Primary CMA Detached Sales Volume by Price Range, 2010-2016



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 19: Single Family CMA Detached Sales Volume by Price Range, 2010-2016



Source: Multiple Listing Service, CDS Community Development Strategies

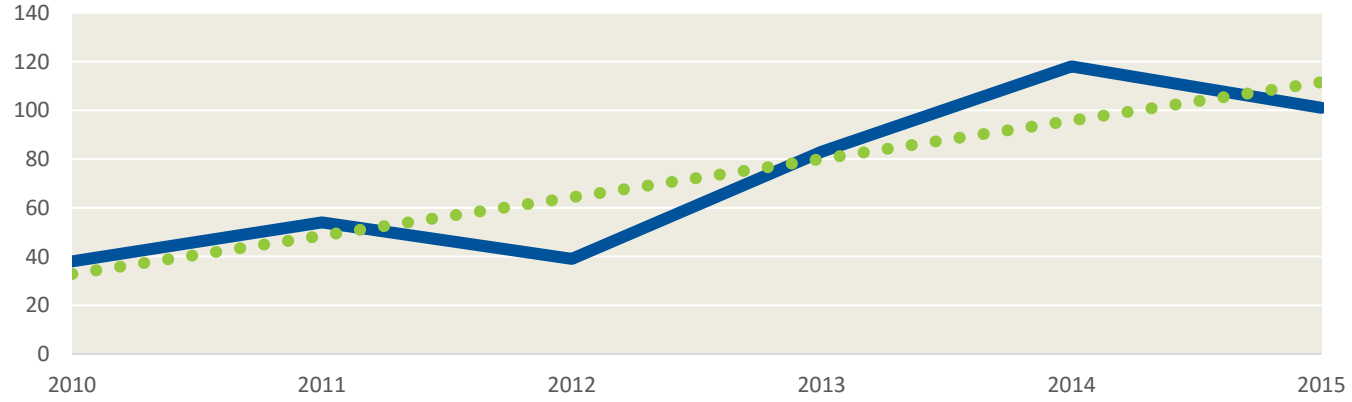
As seen in the previous table and charts, the sales that took place in the primary CMA from 2010 to 2012 were heavily weighted towards the < $100K price range. This began to change in 2013. Since 2014, the sales have been more evenly split between all price ranges. And, as noted previously, the vast majority of the homes sold < $100K currently are "fixer-uppers," requiring a significant investment. For the single family CMA, the < $100K has seen a large decline in the annual volume of sales while the higher price ranges have seen a sizable increase.

The following sections depict various key market indicators for single family detached home sales in the $100K to $250K price range for the primary and single family CMAs. For more detailed data in table format, see the appendix.

Sales Volume Trends - $100K to $250K Price Range

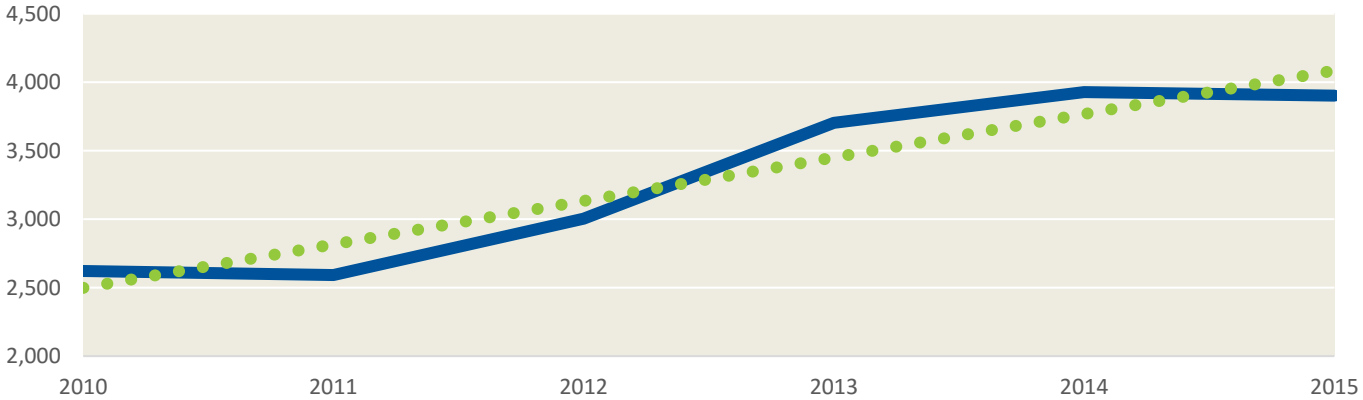
The following charts depict home sales volume trends in the $100K-$250K price range in the primary and single family CMA from 2010 to 2015. Volume in this price range has picked up significantly in all geographies following post-recession lows. Volume was down slightly in 2015 for the primary CMA but activity has remained level in the single family CMA. Partial figures for 2016 (not depicted) indicate volume will be level for the primary CMA and drop slightly for the single family CMA.

Figure 20: $100K to $250K Detached Home Sales Volume in the Primary CMA, 2010-2015



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 21: $100K to $250K Detached Home Sales Volume in the Single Family CMA, 2010-2015

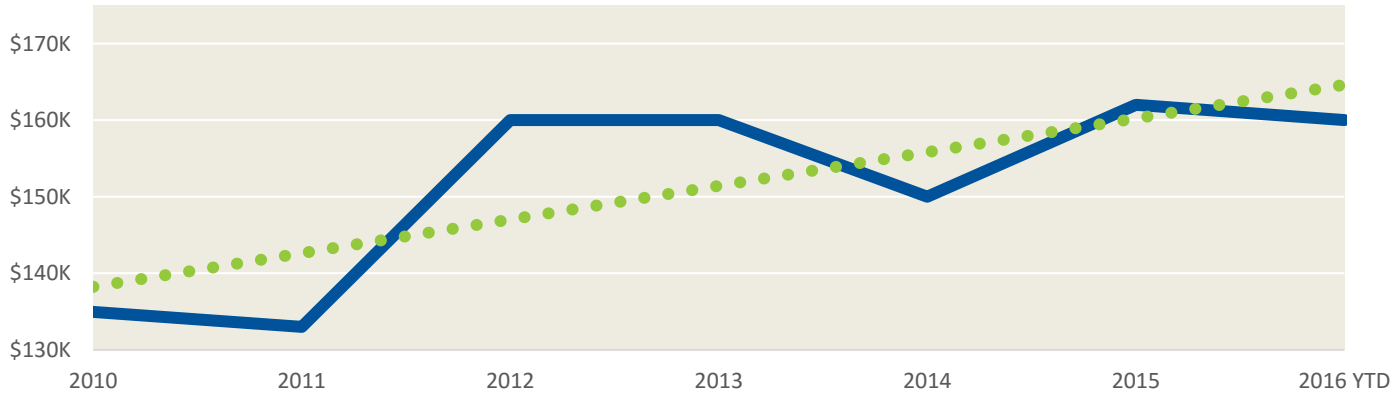


Source: Multiple Listing Service, CDS Community Development Strategies

Median Sale Price - $100K to $250K Price Range

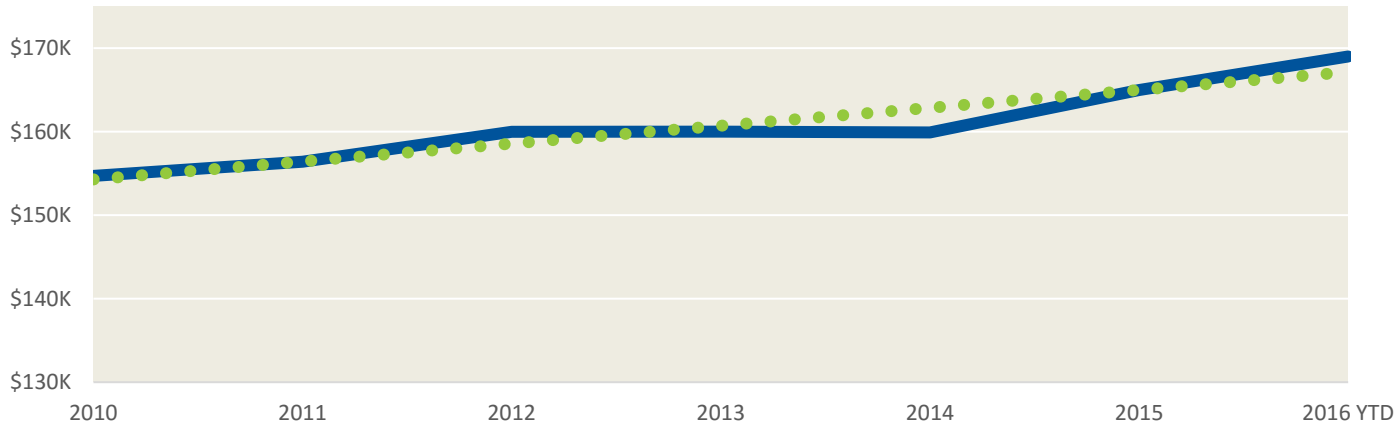
The following charts display the median sale price for homes in the $100K-$250K price range in the primary and single family CMA from 2010 to 2016 YTD. The median in the primary CMA has fluctuated, but with a strong trend upwards over the last several years—seeing a $25K+ increase from the low $130K's in 2011 to roughly $160K in 2016. Median prices in the single family CMA have seen a more consistent increase, but a smaller gain—adding approximately $15K from 2010 to 2016.

Figure 22: $100K to $250K Detached Median Sale Price in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 23: $100K to $250K Detached Median Sale Price in the Single Family CMA, 2010 to 2016 YTD



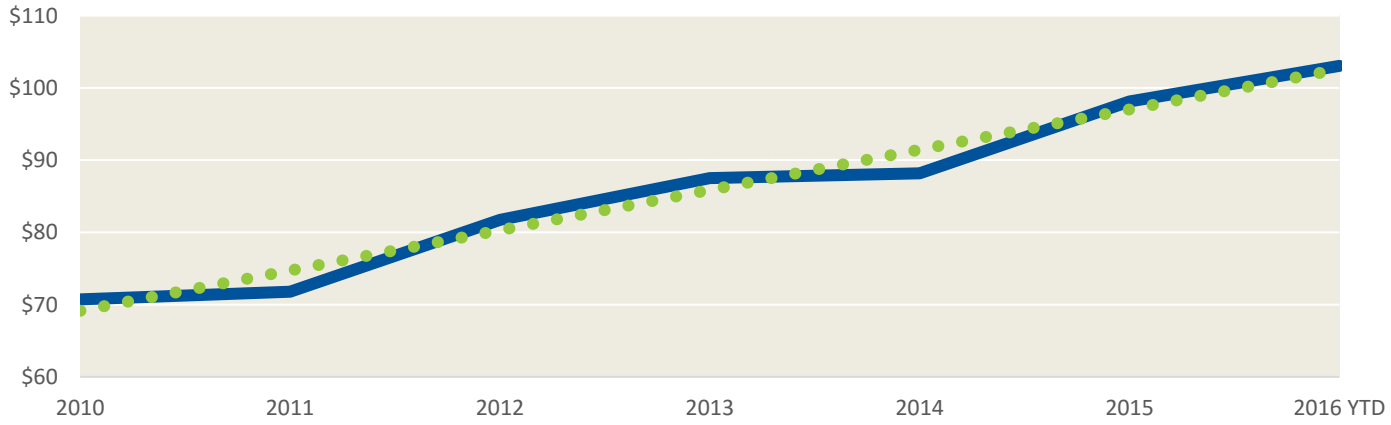
Source: Multiple Listing Service, CDS Community Development Strategies

Median Sale Price per Square Foot - $100K to $250K Price Range

The following figures display the median sale price per square foot (SP/SqFt) for homes in the $100K-$250K price range in the primary and single family CMA from 2010 to 2016 YTD. The SP/SqFt is a calculation of the value of each square foot of area—dividing the total sale price by the total square feet in the home. This calculation is more useful when comparing similar properties, but is still helpful as a tool to examine the overall direction of a market.

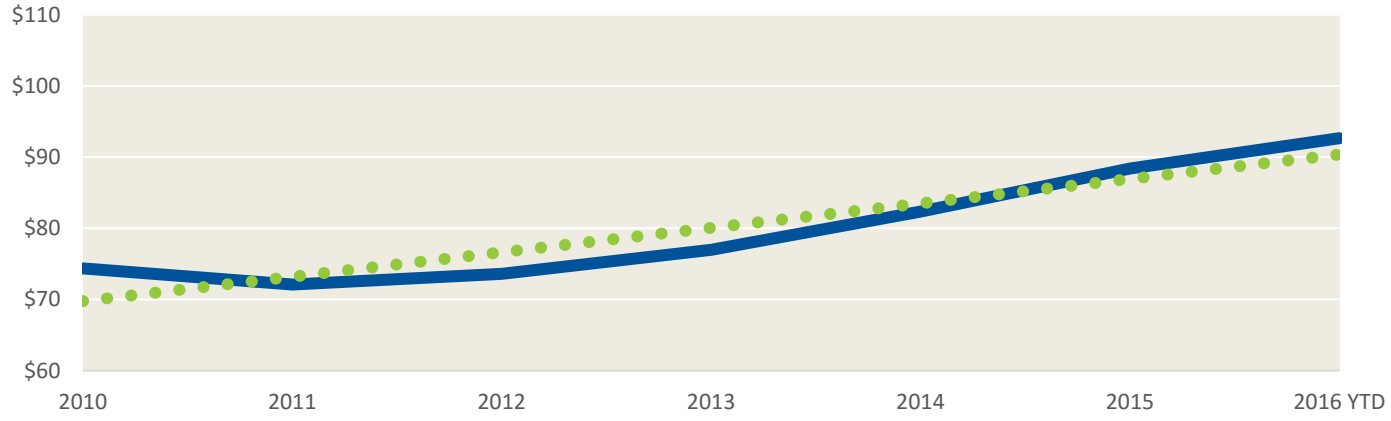
The median SP/SqFt is trending upward for both CMA. Currently, the single family CMA has a median of $93/SqFt. This is up from $74/SqFt in 2010, representing a 25% increase. For the primary CMA, the median is currently $103/SqFt. This is up from $71/SqFt in 2010, which is a 46% increase—nearly double the rate of increase experienced by the single family CMA.

Figure 24: $100K to $250K Detached Median Sale Price per SqFt in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 25: $100K to $250K Detached Median Sale Price per SqFt in the Single Family CMA, 2010 to 2016 YTD



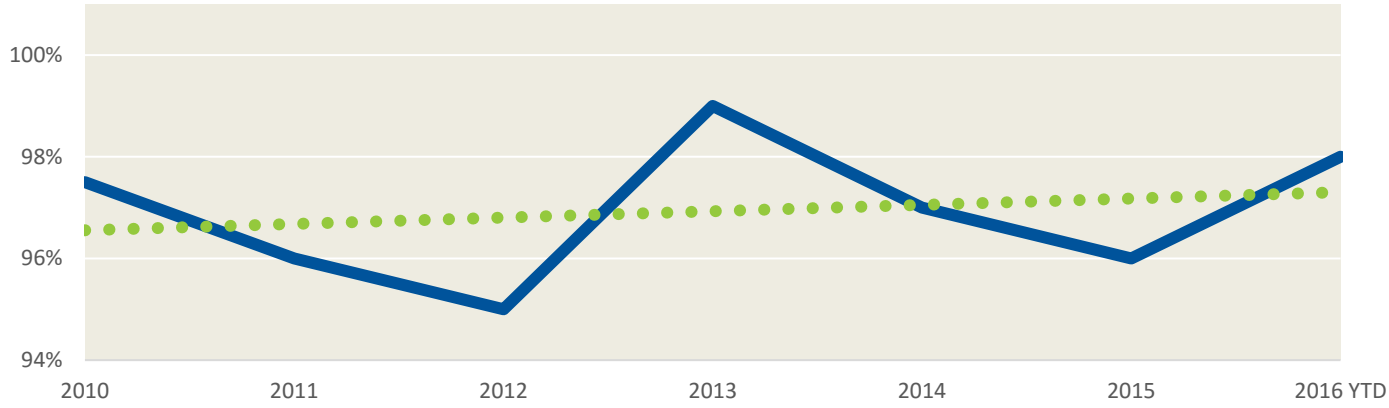
Source: Multiple Listing Service, CDS Community Development Strategies

Median Sale Price to List Price Ratio - $100K to $250K Price Range

The following figures display the median sale price to list price (SP/LP) ratio for homes in the $100K-$250K price range in the primary and single family CMA from 2010 to 2016 YTD. The final sale price (what a buyer pays for the home) divided by the last list price expressed as a percentage. If it's above 100%, the home sold for more than the list price. If it's less than 100%, the home sold for less than the list price. SP/LP ratios indicate the power of negotiation for a specific area. It is also an indication of the strength of a current market.

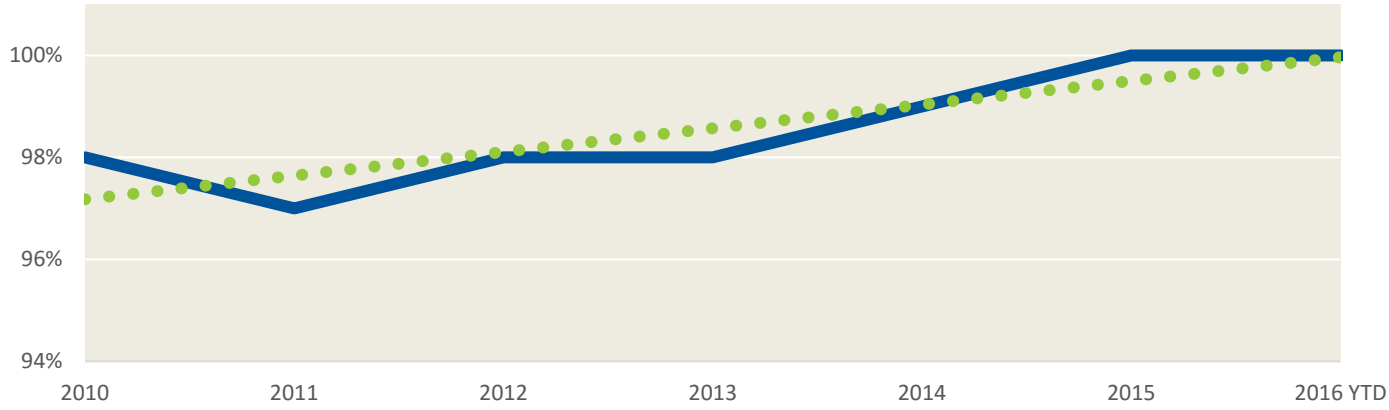
The SP/LP ratio for the primary CMA has fluctuated between 95% and 99%. Currently, the ratio is around 98%. For the single family CMA, the ratio has bene mostly above 98% and is currently at 100%. For comparison purposes, Texas has only recently risen to 95% for a statewide average.

Figure 26: $100K to $250K Detached Median SP to LP Ratio in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 27: $100K to $250K Detached Median SP to LP Ratio in the Single Family CMA, 2010 to 2016 YTD



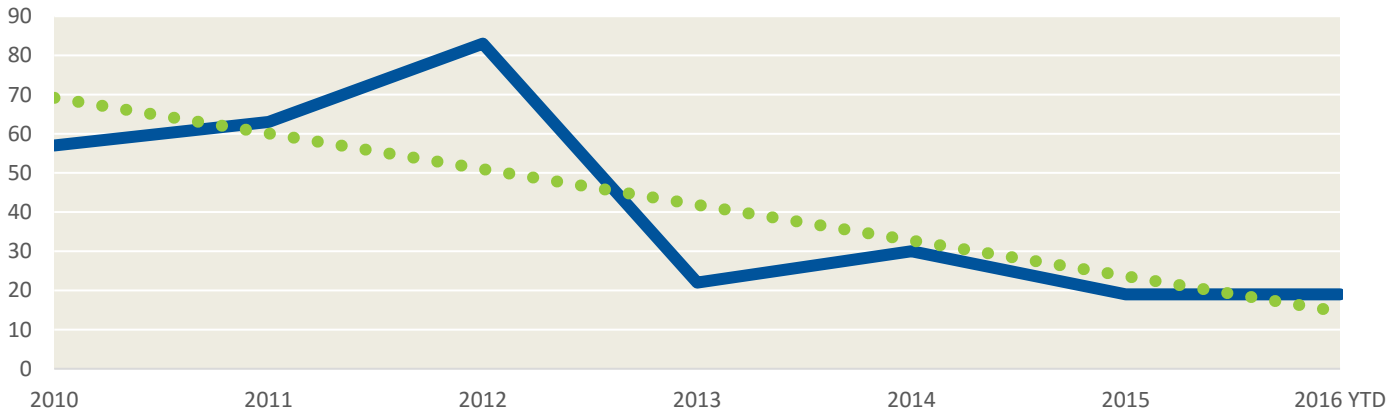
Source: Multiple Listing Service, CDS Community Development Strategies

Median Days on Market - $100K to $250K Price Range

The following three charts display the median days on market (DOM) for homes in the $100K-$250K price range in the primary and single family CMA from 2010 to 2016 YTD. The DOM is defined as the total number of days the listing is on the active market before it is sold. By looking at the DOM for one year alone, it can hard to draw conclusions. The DOM can also vary from place to place due to regulation and procedural differences, not just because of market conditions. This is where examining the DOM over time can provide important insight.

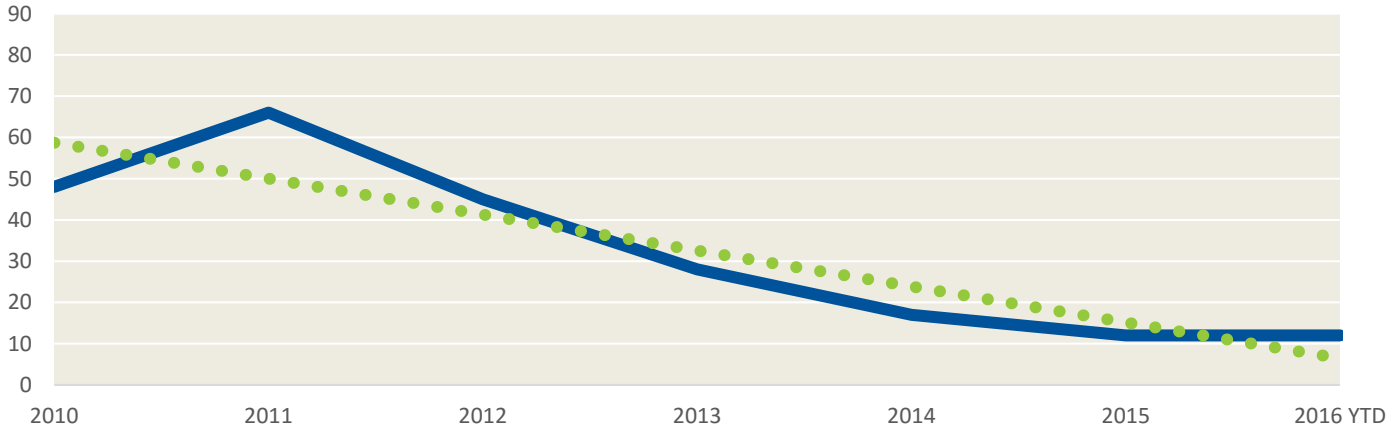
In both CMAs the DOM has dropped from 2011-2012 highs at around 70-80 (2-3 months) to a DOM currently at 19 days for the primary CMA and 12 days for the single family CMA. Generally, a DOM of 3 months or less is considered a seller's market. These numbers strongly suggest that the demand for homes in the $100K-$250K price range is very strong.

Figure 28: $100K to $250K Detached Median Days on Market in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 29: $100K to $250K Detached Median Days on Market in the Single Family CMA, 2010 to 2016 YTD

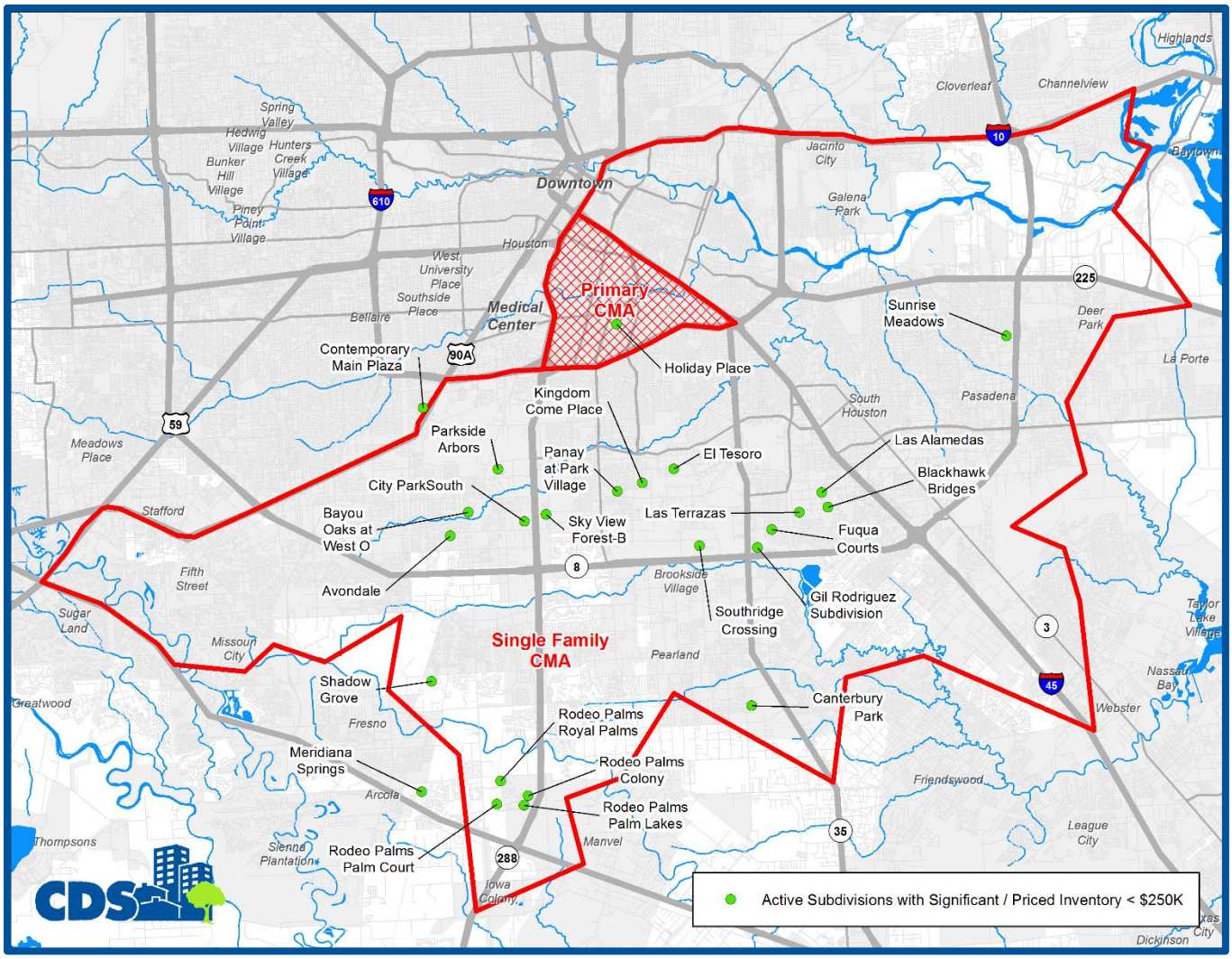


Source: Multiple Listing Service, CDS Community Development Strategies

New Single Family Detached For-Sale Home Market

In addition to the existing home market there is a significant amount of new home activity in the single family CMA. A portion of this activity is occurring in subdivisions with homes priced under $250K, and has been compiled in the following figure and table. Note, the subdivisions accounted for include those which are active and have a large inventory of total or remaining lots, and have announced home pricing that falls under $250K.

Figure 30: Active Subdivisions in the Single Family CMA with Large & Priced Inventories < $250K, 2Q 2016



Source: CDS housing inventory archives

Table 16: Active Subdivisions in the Single Family CMA with Significant / Priced Inventory < $250K, 2Q 2016

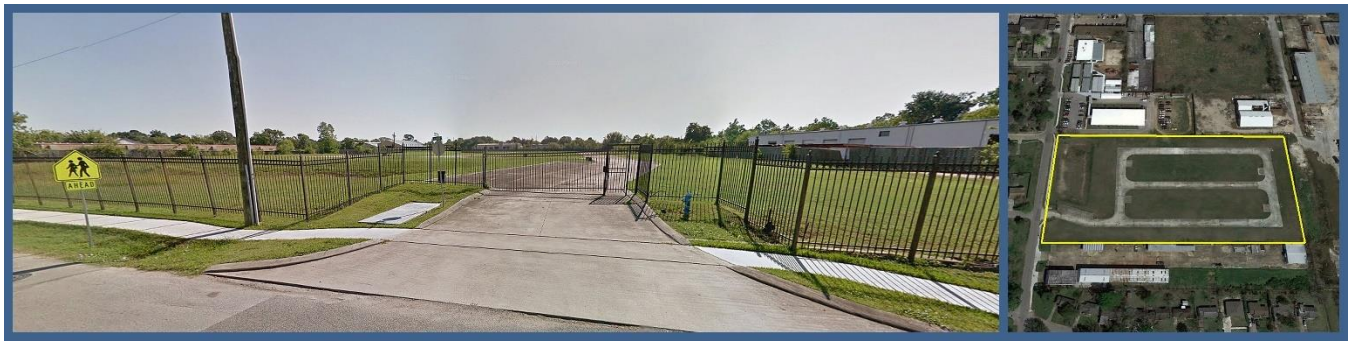
Subdivision	Price Range	An. Closings *	Occupied	Other **	Under Constr.	VDL	Planned	Total
Avondale	$142K-$165K	16	78	0	0	2	74	154
Bayou Oaks at West O	$120K-$179K	0	211	0	0	0	94	305
City Park South (City Oaks)	$187K-$264K	0	0	0	3	153	130	286
Contemporary Main Plaza	$190K-$215K	40	91	8	25	168	0	292
Parkside/Arbors	$134K-$181K	1	100	0	1	88	0	189

Subdivision	Price Range	An. Closings *	Occupied	Other **	Under Constr.	VDL	Planned	Total
Blackhawk/Bridges	$180K-$213K	51	89	7	7	0	0	103
El Tesoro	$130K-$190K	0	5	0	0	0	113	118
Fuqua Courts	$140K-$179K	0	5	0	0	12	0	17
Gil Rodriguez Subdivision	$120K-$150K	3	3	0	0	0	25	28
Holiday Place	$180K-$200K	0	0	0	0	120	0	120
Kingdom Come Place	$110K-$200K	19	160	0	10	21	0	191
Las Alamedas	$200K-$225K	2	42	0	2	15	0	59
Las Terrazas	$225K-$250K	0	17	0	2	31	0	50
Panay at Park Village	$117K-$169K	14	90	2	7	23	0	122
Sky View Forest-B	$133K-$165K	8	437	0	0	1	118	556
Southridge Crossing	$145K-$221K	109	284	2	45	7	197	535
Sunrise Meadows/Pasadena	$108K-$120K	0	29	0	0	21	0	50
Canterbury Park	$208K-$253K	52	242	7	11	71	0	331
Meridiana/Springs	$226K-$279K	0	0	6	5	78	0	89
Rodeo Palms/Colony	$180K-$273K	25	289	7	34	23	0	353
Rodeo Palms/Palm Court	$138K-$279K	35	166	30	28	8	0	232
Rodeo Palms/Palm Lakes	$162K-$269K	2	92	2	1	13	11	119
Rodeo Palms/Royal Palms	$200K-$260K	37	56	3	5	27	57	148
Shadow Grove	$211K-$300K	69	73	16	18	81	189	377
Total	-	483	2,559	90	204	963	1,008	4,824

Source: CDS housing inventory archives; Notes: * Annual Closings are from 3Q2015 - 2Q2016, ** Other = vacant and model homes

As of 2Q 2016, there have been 483 annual home closings in these subdivisions. In addition, there are 963 vacant developed lots and 1,008 more lots planned. At a rate of 500 home closings annually, this inventory of vacant and future lots would provide roughly 4 years of new home activity under $250K in the single family CMA. Within the primary CMA, only one subdivision was identified. Holiday Place, located near the southeast corner of Griggs and Calhoun. According to the records, this subdivision was developed in 2007 and has 120 vacant developed lots, but as of yet no new home construction activity has taken place.

Figure 31: Holiday Place Subdivision in the Primary CMA



Source: Google Earth and CDS Community Development Strategies

Existing and New Townhome/Condo For-Sale Market

There are single family attached homes in the primary CMA where the individual units are under private ownership. These range from two unit structures to many-unit structures. A rarer product is a single family detached structure which shares the lot it is on with another unit. Both of these products are called by different names, but they generally compete for the same home buyer profile. For the purposes of this study, these structures are placed into a group called "townhome/condo" (condo is short for condominium).

Given the ambiguity surrounding the classification of these structures, it is difficult to estimate the share of the housing stock that falls into this group. However, according to the Census related figures presented previously, 1-unit attached and 2 unit structures make up 7.8% of the housing stock in 2016. This is down from 9.4 in 2000.

Figure 32: Images of Townhomes/Condos Recently Sold and Listed Under $250K in the Primary CMA



Source: Multiple Listing Service, CDS Community Development Strategies

Important points to note:

- Because townhomes/condos are primarily an Inner Loop product, the market trend analysis in this section is limited to the primary CMA.
- Townhome/condo residential developments, such as those depicted in the previous figure, are typically more limited in scale—especially in comparison to the relatively large single family detached suburban projects identified in the single family CMA and presented in the previous section. These projects usually occur on smaller, infill lots, amidst denser residential and commercial development.

- Because of the smaller scale of these projects, developers and homebuilders do not typically market these developments as long or as widely as compared to larger single family detached projects. As a result, related data can be harder to find. Fortunately, many of the new construction sales for condos/townhomes are listed in the MLS (not usually the case for new single family detached spec homes). Therefore, the market trend data in this section includes both existing and new townhome/condo sales.

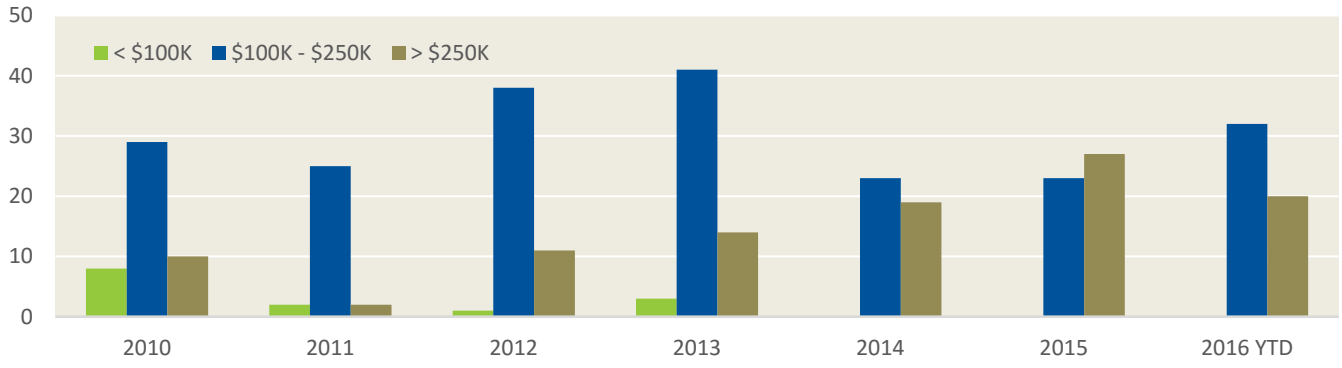
The following table displays townhome/condo sales in four price ranges from 2010 to 2016 year to date (YTD). The four price ranges are < $100K, $100K-$250K, > $250K, and All Prices. The figure which follows the table graphically displays the data. As the data indicates, the number of sales under $100K has been zero for the last three years. The number of sales in the $100k to $250k price range peaked in 2013, then fell, and is now showing growth again. The number of sales above $250K has continued to grow from 2012 to 2015. Total volume for all townhome/condo sales in the primary CMA has remained relatively steady at around 50 units per year.

Table 17: Primary CMA Townhome/Condo Sales Volume by Price Range, 2010-2016

Year	< $100K		$100K - $250K		> $250K		All Prices	
	#	%	#	%	#	%	#	%
Primary CMA								
2010	8	17%	29	62%	10	21%	47	100%
2011	2	7%	25	86%	2	7%	29	100%
2012	1	2%	38	76%	11	22%	50	100%
2013	3	5%	41	71%	14	24%	58	100%
2014	0	0%	23	55%	19	45%	42	100%
2015	0	0%	23	46%	27	54%	50	100%
2016 YTD	0	0%	32	62%	20	38%	52	100%

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Figure 33: Primary CMA Townhome/Condo Sales Volume by Price Range, 2010-2016



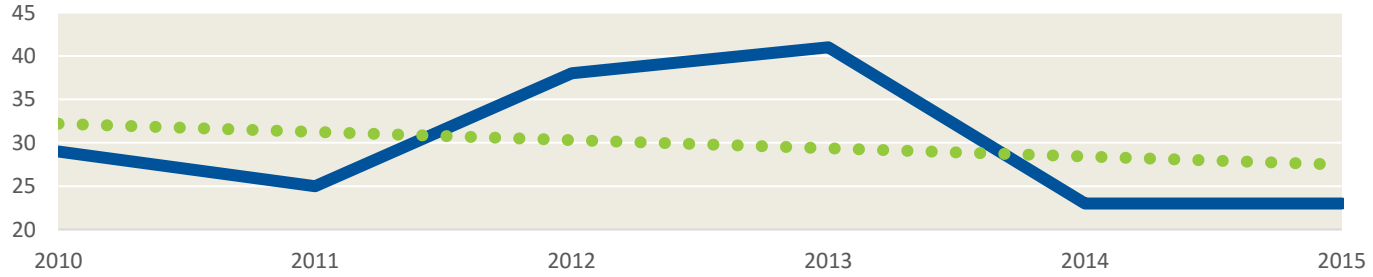
Source: Multiple Listing Service, CDS Community Development Strategies

Market Trends - $100K to $250K Price Range

The following figures depict various key market indicators for townhome/condo sales in the $100K to $250K price range for the primary CMA. For this product and within this price range, the market has been slightly volatile. This is as expected given the low sale volume, as irregular activity in any one year can skew the data. However, the data still points to growing unaffordability.

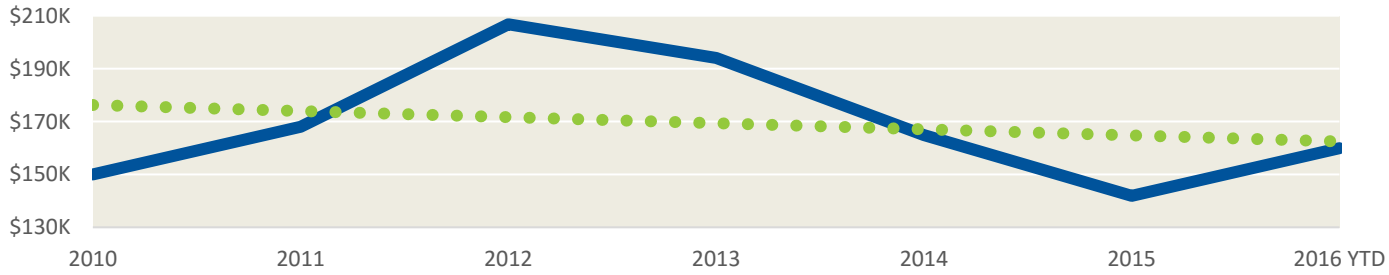
The overall sales volume in the price range is down. According to realtors and developers interviewed, this partly related to a lack of affordable land to build new units on. The median sale price peaked in 2012, trended downward to 2015, and has since moved back up. The sale price per square foot has seen a steady climb upwards since 2011. Currently, the median is $117/SqFt. This is up from $89/SqFt in 2010, representing a 32% increase. The median sale price to list price ratio has been at 100% for 3 of the last 4 years. The median days on market was down to 29 days in 2014, but is currently at 70. According to interviews, this may be due to the fact that several of the homes listed since that time have been pre-completion sales, which typically result in longer DOM versus units that are constructed, then listed, and ready to be viewed and sold immediately.

Figure 34: $100K to $250K Townhome/Condo Sales Volume in the Primary CMA, 2010-2015



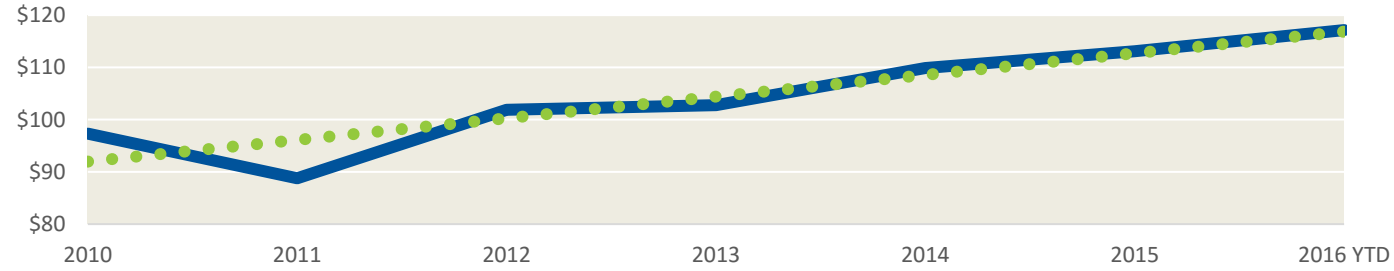
Source: Multiple Listing Service, CDS Community Development Strategies

Figure 35: $100K to $250K Townhome/Condo Median Sale Price in the Primary CMA, 2010 to 2016 YTD



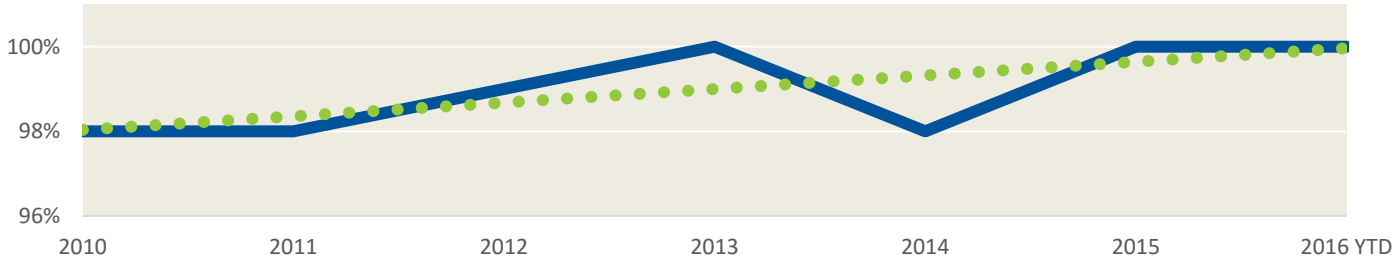
Source: Multiple Listing Service, CDS Community Development Strategies

Figure 36: $100K to $250K Townhome/Condo Median Sale Price per SqFt in the Primary CMA, 2010 to 2016 YTD



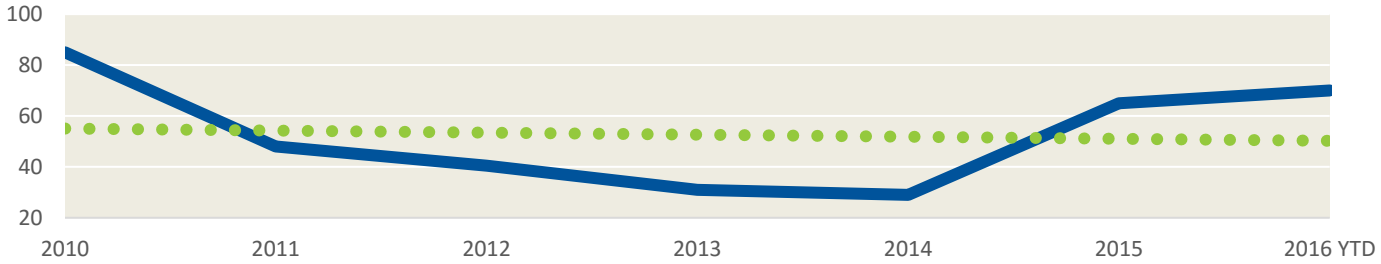
Source: Multiple Listing Service, CDS Community Development Strategies

Figure 37: $100K to $250K Townhome/Condo Median SP to LP Ratio in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

Figure 38: $100K to $250K Townhome/Condo Median Days on Market in the Primary CMA, 2010 to 2016 YTD



Source: Multiple Listing Service, CDS Community Development Strategies

HOUSING MARKET TRENDS – RENTAL UNITS

According to the Census related housing type estimates presented earlier in this report, there are currently 10,113 multifamily units in 3+ unit structures in the primary CMA, and 65,668 units of the same type in the rental CMA. Of these, 7,156 units have been identified in 115 complexes in the primary CMA, and 57,160 units have been identified in 493 complexes in the rental CMA. This section provides information on these units and complexes, which covers the vast majority of multifamily housing in the CMAs.

Figure 39: Images of Multifamily Complexes in the Primary CMA



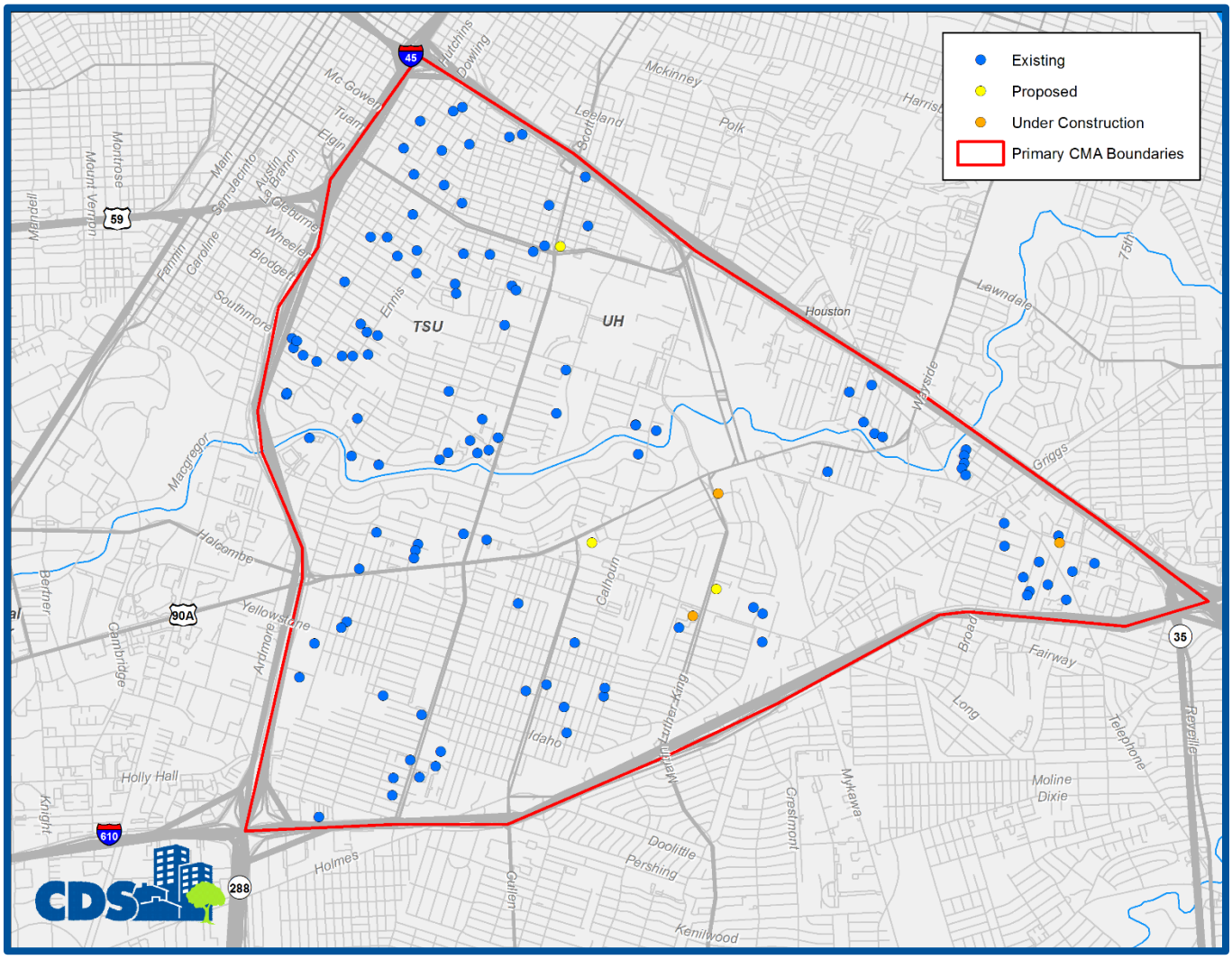
Source: Apartments.com, CoStar, Google Street View, CDS Community Development Strategies

Existing Multifamily Complexes

As previously stated there are 7,156 units in 115 complexes in the primary CMA, and 57,160 units in 493 complexes in the rental CMA. The majority of these complexes are low-rise and garden style apartment buildings spread throughout the CMAs. For the primary CMA, the median age of the existing complexes is in the late 1960's. While many of the complexes have been renovated since their initial construction, it is clear that the majority of the multifamily housing stock—like the single family housing stock—is older and in need of updates.

The following figure displays a map of the existing, under construction, and proposed complexes located inside the primary CMA.

Table 18: Multifamily Complexes in the Primary CMA



Source: CDS Community Development Strategies

Market Rate and Affordable Housing (Rent Restricted / Subsidized)

This study section refers to two general types of housing, market rate and affordable housing. Market rate housing refers to multifamily housing that was constructed with 100% private dollars. Affordable housing is a term which includes two broad types of housing, rent restricted and rent subsidized housing, as well as other types of housing including supportive housing, public housing, and others.

Like regular market rate housing, most of the affordable housing that is developed today is privately built and owned, either by non-profit organizations or private businesses and corporations. These organizations use a combination of private funding and public subsidies—often in the form of tax credits and/or special loans—to construct new apartments that are affordable for low and moderate income families. These apartments are typically regulated by state and/or Federal agencies that determine the rent amount and designate certain occupancy standards, including the eligible income ranges of renters.

Inventory of Units

The following two tables provide a detailed breakdown of the multifamily units located in identified complexes in the primary and rental CMA. These units are separated by the quality class (A to D), by the rent type (market rate, affordable, and mixed market rate/affordable), and by the market segment (all, senior, student housing). Also, in the second section of each table, the affordable housing units are broken out by rent restricted vs rent subsidized. Noteworthy observations include the following:

- Of all the units in the primary CMA, 12.6% are class A, 40.2% are class B, 45.8% are class C, and 1.4% are class D. This compares to rental CMA where 6.3% are class A, 40.2% are class B, 53.1% are class C, and 0.4% are class D. The growth of the class A market in the primary CMA is a relatively new phenomenon as developers have seen an opportunity related to the gentrification of many other parts of Inner Loop Houston.
- All student housing is market rate housing and is located exclusively in the primary CMA, as one would expect given the desire of students to locate near campus. This student housing is 35% class A and 64% class B.
- In the rental CMA, 2,714 units were identified as senior housing; 76% of these units were in affordable only complexes and 22% were in mixed market rate/affordable complexes. Only 2% were market rate. For the primary CMA, only 398 units were identified as senior housing, with 49 market rate and the rest affordable or mixed market rate/affordable.
- Affordable housing units make up 30%-40% of the total in the primary CMA and 21%-28% of the total in the rental CMA. There is a relatively even split between rent restricted and rent subsidized units.
- A word on mixed market rate/affordable complexes: the number of units in each complex dedicated to affordable housing is subject to change, therefore the share of affordable housing in the CMA is provided as a range.

Table 19: Inventory of Multifamily Units in the Primary CMA by Class

Category	A	B	C	D	Total
Total Units	902	2,877	3,279	98	7,156
Market Rate	902	1,246	1,997	98	4,243
All	462	412	1,956	98	2,928
Senior	0	24	25	0	49
Student Housing	440	810	16	0	1,266
Affordable	0	988	1,134	0	2,122
All	0	938	1,134	0	2,072
Senior	0	50	0	0	50
Market Rate/Affordable	0	643	148	0	791
All	0	440	52	0	492
Senior	0	203	96	0	299
Affordable	0	988	1,134	0	2,122
Rent Restricted	0	708	158	0	866
Rent Subsidized	0	280	976	0	1,256
Market Rate/Affordable	0	643	148	0	791
Rent Restricted	0	565	0	0	565
Rent Subsidized	0	78	148	0	226

Source: CoStar, CDS Community Development Strategies

Table 20: Inventory of Multifamily Units in the Rental CMA by Class

Category	A	B	C	D	Total
Total Units	3,616	22,962	30,346	236	57,160
Market Rate	2,166	12,761	24,559	236	39,722
All	2,166	12,761	24,877	236	40,040
Senior	0	24	25	0	49
Student Housing	440	810	16	0	1,266
Affordable	658	7,234	4,111	0	12,003
All	658	5,658	3,623	0	9,939
Senior	0	1,576	488	0	2,064
Market Rate/Affordable	352	2,133	1,317	0	3,802
All	352	1,628	1,221	0	3,201
Senior	0	505	96	0	601
Affordable	658	7,234	4,111	0	12,003
Rent Restricted	658	5,561	1,045	0	7,264
Rent Subsidized	0	1,673	3,066	0	4,739
Market Rate/Affordable	352	2,133	1,317	0	3,802
Rent Restricted	352	1,563	154	0	2,069
Rent Subsidized	0	570	1,163	0	1,733

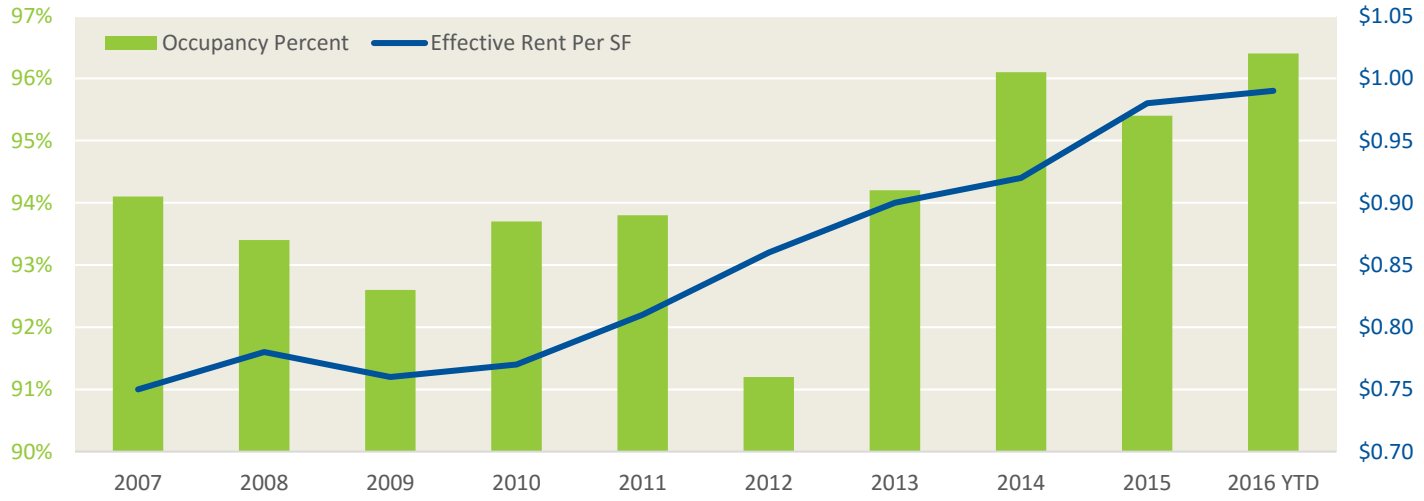
Source: CoStar, CDS Community Development Strategies

Current and Historical Occupancy and Pricing

The following figures provide a look occupancy and effective rent per square foot over a ten-year period in the primary and rental CMAs. The current occupancy of all units in the primary CMA is currently estimated at 96.4%. For the rental CMA, the estimate is currently 93.6%. Noteworthy observations include the following:

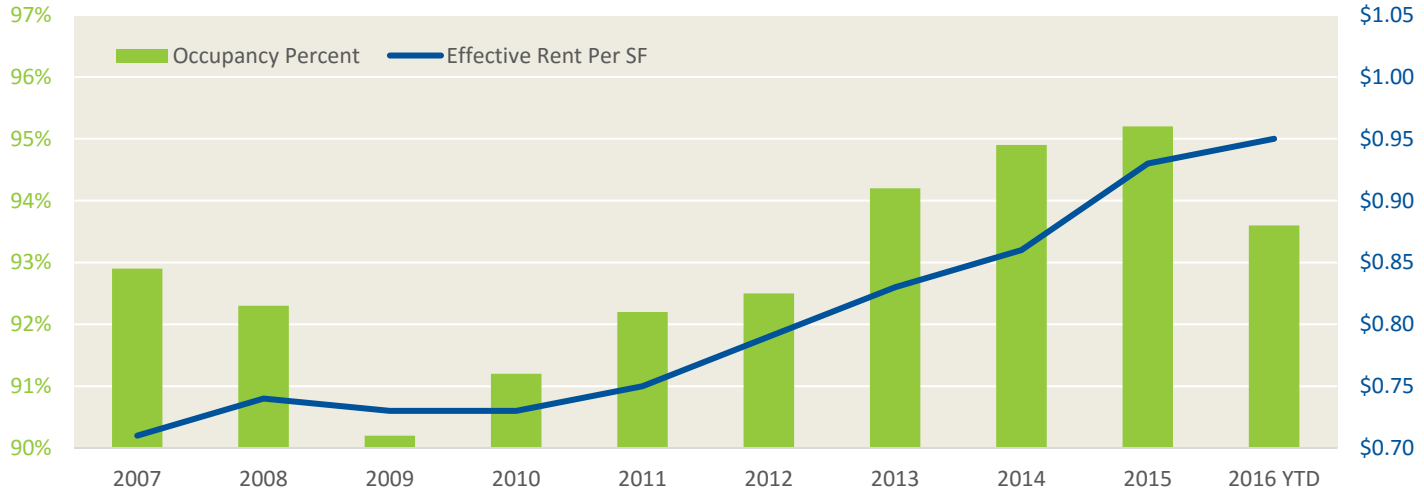
- Occupancies took a dip in the primary CMA in 2012, despite no change in total inventory over previous years (this could be an error in the data). Occupancies have been trending up since then, due in part to the loss of 2 complexes and roughly 300 units in 2013 and 2014. Around that many units were introduced back into the primary CMA in 2015. Currently, the occupancy rate for all identified complexes in the CMA is higher than it has been in the last ten years.
- Occupancies in the rental CMA bottomed out in 2009 but have been recovering. This year, the estimated occupancy rate is down from last year, but still relatively high given the age and quality of the majority of complexes in the rental CMA.
- Overall supply has changed slightly in the last ten years in the rental CMA. Roughly two thousand units have been added over that time period, accounting for 4% of the total number of units in the identified complexes.
- The effective rent in both CMAs has climbed upward over the last ten years, a phenomenon familiar in many other parts of Houston. In the primary CMA, rent has increased from $0.75 per SF to $0.99 per SF from 2007 to 2016, a 32% increase. In the rental CMA, rent has increased from $0.71 per SF to $0.95 per SF from 2007 to 2016, a 34% increase. The effective rent is true rent considering rental concessions, spread over the life of the lease.
- Despite the softening of rental markets in other parts of the Houston area, occupancies and rents have remained high since the drop in oil prices. Both CMAs have seen year over year increases in the average effective renter per SF from 2014 to 2016 YTD.

Figure 40: Occupancy and Effective Rent per SF in the Primary CMA, 2007 to 2016



Source: CoStar, CDS Community Development Strategies

Figure 41: Occupancy and Effective Rent per SF in the Rental CMA, 2007 to 2016



Source: CoStar, CDS Community Development Strategies

Layout and Pricing

Market data from another dataset provides layout and pricing information for an area covering the rental CMA (southeast Houston). One bedroom units make up 50% of the units in identified complexes, while two bedroom units make up 39%. Zero bedroom units (studios), three bedroom units, and four bedroom units make up the remainder of units at roughly 11% of the market. Other noteworthy observations include the following:

- Class A units in southeast Houston are average $1.23 per SF, higher than some might expect. Class B units are also doing well at $0.93 per SF, speaking to the high demand of complexes located conveniently near Downtown and the medical center.
- The rental rates displayed below are estimated for market rate apartments. Affordable housing rental rates can vary considerably based on the needs and qualifications of the tenant and his/her household.

Table 21: Layout and Pricing of Multifamily Units in an Area Covering the Rental CMA

Category / Class	A	B	C	D	Overall
Complex Layout					
0BR Share of Total	0.1%	0.1%	0.8%	0.0%	1.1%
1BR Share of Total	7.8%	18.8%	21.6%	1.9%	50.1%
2 BR Share of Total	5.3%	16.8%	15.4%	1.4%	39.1%
3 BR Share of Total	0.6%	4.5%	2.4%	0.4%	8.0%
4 BR Share of Total	N/A	1.1%	0.6%	0.0%	1.7%
Avg Units per Project	271	219	161	96	188
Avg SF	930	870	765	829	833
Rental Rates					
Avg Market Rent/SF	$1.23	$0.93	$0.85	$0.83	$0.93
Avg Market Rent/SF 0BR	$1.79	$1.50	$1.06	$1.28	$1.20
Avg Market Rent/SF 1BR	$1.33	$1.01	$0.91	$0.84	$1.01
Avg Market Rent/SF 2BR	$1.16	$0.89	$0.81	$0.83	$0.89
Avg Market Rent/SF 3BR	$1.15	$0.83	$0.84	$0.83	$0.86
Avg Market Rent/SF 4BR	N/A	$0.81	$0.92	$0.78	$0.84

Source: Enriched Data, CDS Community Development Strategies

Note: Submarkets include Inner Loop East, San Jacinto/Galena Park, Hwy 288/Almeda, Gulf Freeway

Under Construction and Proposed Complexes

Over the next two years, an estimated 1,150 new units could be added to the primary CMA, accounting for roughly 16% of the existing total units. Given that the net change in total unit number from 2007 to 2016 has not been more than 100 units, this will have a significant impact on the existing multifamily market. Market rate units open to all will account for 500 units, market rate student units will number 550, and one complex, the Trails at Palm Center, will be affordable housing. While the majority of these properties are proposed as class A (including the affordable housing complex which is rare), they will still have an impact on affordability adding to the overall supply of rentals in the area and alleviating some of the current pressure that has kept rents on the rise despite local economic challenges.

Table 22: Under Construction and Proposed Complexes in the Primary CMA

Building Name	Building Address	Building Status	Class	Units	Complete	Rent Type	Market
Aspen Heights	4917 Martin Luther King Jr Blvd	Under Construction	A	150	2018	Market	Student
Village at Palm Center	5110 Griggs Rd	Under Construction	A	222	2016	Market/Affordable	All
La Mariposa II	140 Winkler Dr	Under Construction	B	78	2017	Market	All
Trails at Palm Center	5635 Martin Luther King Jr Blvd	Proposed	A	100	2017	Affordable	All
The Icon Premier Residences	Elgin St	Proposed	A	400	2018	Market	Student
Lofts at Spanish Trails	4320 Old Spanish Trail	Proposed	A	200	2017	Market	All

Source: CoStar, CDS Community Development Strategies

Figure 42: New Multifamily Complexes in the Primary CMA



From top left, clockwise: Trails at Palm Center, Aspen Heights, Icon Premier, La Mariposa, Village at Palm Center

Source: www.studenthousingbusiness.com, www.houstonarchitecture.com, Houston Chronicle

Table 23: Additional Under Construction and Proposed Complexes in the Rental CMA

Building Name	Building Address	Building Status	Class	Units	Complete	Rent Type	Market
Gateway on Cullen	1901 Cullen Blvd	Under Construction	A	191	2017	Market	Student
NHH Harrisburg	3301 Harrisburg Blvd	Under Construction	B	175	2017	Affordable	All
The Oaks at Wayside	6502 Jamail Dr	Under Construction	B	60	2016	Market	All
Sampson Lofts	800 Sampson St	Under Construction	B	90	2017	Market	All
Cypress Creek at Wayside Drive	14220 S Wayside Dr	Under Construction	A	200	2017	Market	All
Fenix Estates	2100-2121 Hussion St	Proposed	B	200	2019	Affordable	All
City View Terrace	2616 Clay St	Proposed	A	336	2018	Market	All

Source: CoStar, CDS Community Development Strategies

In addition to the units being added in the primary CMA, the other areas of the rental CMA have 1,252 units under construction and proposed. The result is a possible 2,402 units over the next two to three years. This would account for 4.2% of the current total.

Single Family Rentals

According to Census based estimates, of the 26,689 estimated total housing units in the primary CMA, 13,396 are currently renter occupied households. Of that amount, 9,291 are estimated to be in multifamily structures (2 to 50+ unit structures). The remaining 4,105 are estimated to be single family rentals. This amounts to an estimated 31% of all rentals in the primary CMA. This is roughly the same as the other CMAs. Of the total occupied single family units in the primary CMA, 32% are estimated are estimated to be rentals. In other words, one in every three single family homes in the primary CMA is being rented. This is nearly double the rate of the single family CMA—where the overall rate of owner occupied units is considerably higher. Note, for the sake of this estimate, the vacancy rate is assumed the same regardless of whether the units are single family or multifamily.

Table 24: Single Family Rental Estimates for the CMAs

Single Family Rentals	Primary CMA	Rental CMA	Single Family CMA
Total Renter Households	13,396	86,170	133,480
Occupied Multifamily Units	9,291	62,628	93,586
Multifamily % of All Rentals	69%	73%	70%
Occupied Single Family Rentals	4,105	23,542	39,894
Single Family % of All Rentals	31%	27%	30%
Occupied Single Family Units	12,931	113,379	247,140
% of Single Family Units that are Rented	32%	21%	16%

Source: US Census, American Community Survey, PCensus

Alternative Housing Options

In addition to market rate and affordable housing which focuses on major market segments, there are other housing alternatives. This section examines the presence of transitional living, assisted living, and senior living facilities that are present in the primary CMA. These types of alternative housing options are often challenging to manage and are not always profitable. Because of this, many of these facilities are often subsidized directly or indirectly through several different funding types or tax abatements.

Transitional Living

Transitional living refers to any type of living situation that is temporary—particularly for vulnerable populations. The primary purpose or mission of transitional living environments is to help the resident become a productive member of society. Transitional living facilities often offer low cost or no cost housing. Transitional living residents that cater to those recovering from economic hardship often graduate from a shelter to lesser crowded living situation. Transitional Living may or may not have other common threads among residents. Transitional living provides professional support, education, and a stable living environment. Common types of transitional living include transitioning from jail or prison, an addiction treatment center or a mental health facility. Transitional living is provided by many well-known private and nonprofit organizations, by government, churches and other charitable organizations. The following facilities are located in or near the primary CMA:

- **New Hope Housing:** This organization has one location in the primary CMA on Perry St, and another facility just outside the primary CMA at Brays Crossing. The Perry St location has 160 fully furnished efficiency units. The Brays Crossing location has 149 fully furnished efficiency units. Residency at both facilities is restricted based on income and single household status. Rental rates are between $455 and $684 per month. With these

two facilities and others throughout the Houston area, New Hope Housing focuses on providing Permanent Supportive Housing (PSH), which they define as multifamily apartment housing with both rental subsidies and vital support services on site.

- **Madge Bush Transitional Living Center:** This facility is located at Sampson St and Tuam St and is a 16-unit 1-bedroom apartment complex for homeless single women with 1-2 children in their custody. Tenants are required to participate in the on-site life skills classes, attend school to earn a license or certification which can be completed within the first six months, work at least part-time, save 30% of their earnings, and meet with the case manager once a week.
- **Shamar Hope Haven Residential Treatment Center:** This organization provides residential treatment housing focused on male youth between the ages of 10 and 17. There are two locations, on Wheeler Ave and the other on Truxillo St. Acceptance of an applicant is based on an assessment of the child's psychological state, social history, medical history, and any other relevant information. The total capacity of this facility is 22 youth.
- **Star of Hope - Transitional Living Center:** This facility is a religious based institution providing many services for the homeless and at-risk population. Housing is providing for women and their children who are in an emergency situation or who are looking for longer term transitional living.
- **Temenos Community Development Corporation:** This organization administers two facilities located just outside the primary CMA near the instate, the Knowles-Temenos Place apartments and Temenos Place II apartments. The first provides affordable permanent housing to 43 single individuals in efficiency-style apartments. The second was recently completed in late 2015 and is a rent subsidized facility providing 80 housing units for homeless and extremely low income individuals. Both facilities provide residents access to supportive services, including but not limited to, job searching and preparation skills, educational classes, budgeting, nutrition and case management services.

Figure 43: Images of the Newly Constructed Temenos Place II Apartments



Source: Google Street View, CDS Community Development Strategies

Assisted Living

Assisted living facilities may be called by different names, but typically include tenants who need some level of medical care (including skilled nursing for bed bound tenants). While pricing for assisted living facilities can vary widely depending on what medical services are required, or whether a single or shared room is selected, the range usually runs between $2,000 to $4,000 per month. According to a 2015 survey, the median cost in Texas for one

room (single occupancy) was $3,545 per month. Additional costs usually include fees for private transportation, off-site activities, and other services. While there are assisted living facilities in other nearby parts of Houston, no major assisted living facilities were identified in the primary CMA.

Senior Living

As stated previously, only 398 units were identified as senior housing in the primary CMA, with 49 market rate and the rest affordable or mixed market rate/affordable. Interviews with staff at multiple facilities confirmed that occupancies are high and this housing type is in limited supply and high demand for the area.

Table 25: Senior Living Apartments in the Primary CMA

Building Name	Building Address	Units	Class	Rent Type	Year Built	Occupancy
Zion Village Senior Apartments	3154 Gray St	50	B	Affordable	2008	98%
Dynasty	3501 N Macgregor Way	96	C	Market/Affordable	1970	100%
Beall Village	4463 N Macgregor Way	78	B	Market/Affordable	1959	97%
South Union Place Apartments	7210 Scott St	125	B	Market/Affordable	2005	100%
Grand Park Terrace Apartments	4714 Ward St	24	B	Market	1958	96%
The Yellowstone Apartments	4706 Yellowstone Blvd	25	C	Market	1955	96%

Source: CoStar, CDS Community Development Strategies

Figure 44: Images of Senior Living Apartments in the Primary CMA



Source: Google Street View, Apartments.com, CDS Community Development Strategies

CONCLUSIONS AND RECOMMENDATIONS

This section contains the conclusions and recommendations for the primary CMA, specifically examining the potential for new single family home development and multifamily development. As a reminder, the primary CMA and Southeast Houston are synonymous in meaning.

Interviews with Development Partners, Community Stakeholders, and Community Members

These conclusions and recommendations were formulated by consulting the data contained in this report as well as interviews with realtors, property managers, developers, local government staff, community members, and other stakeholders. In depth interviews were conducted throughout the research process for this study, including at the outset with multiple MRA development partners and MRA recommended community stakeholders. In addition, as research pointed to specific real estate listings and apartment complexes, several realtors and property managers were contacted, sometimes to clarify minor points, and sometimes for lengthy interviews. CDS would like to thank all of the individuals and organizations that participated; their insight and perspective was vital to providing the recommendations contained in this section.

Single Family Housing

Quantifying Demand

At the current rate of growth, the primary CMA is estimated to add 2,839 residents over the next 5 years from 2016 to 2021. Dividing this number by the existing persons per household number for the primary CMA results in an estimated 1,109 new households. Assuming these new households reflect the current demographics of existing households, an estimated 69% would make under $50K. If one third of these households could be accommodated in owner occupied housing, there would be a need for roughly 250 additional homes in the primary CMA over the next 5 years, or 50 annually. This is almost certainly an underestimate given the pent up demand of current rental households who have been looking to purchase a home in the area but have not had the opportunity given the lack of supply within reach of their purchasing power.

There is Significant Demand for Affordable Single Family Homes in the Primary CMA

As presented in this study, all the MLS real estate indicators point to high demand for housing in the $100K to $250K price range in the primary and single family CMAs. Perhaps the most striking indicator, the median days on market is currently at 19 days for the primary CMA and 12 days for the single family CMA. As interviews with realtors in the area confirmed, affordable re-sale homes with minimal needed repairs are quickly sold, often times receiving multiple offers within a few days. As for new single family homes in the primary CMA, supply has been extremely limited.

If a household has been willing to move out of the primary CMA and into the single family CMA, the supply of new homes in under $250K has been less of an issue. However, the largest volume developments which offer new homes under $250K have moved farther and farther south from central Houston. While this may have been a more acceptable option in previous years, several of those interviewed have noted that traffic along the major southern routes, such as Hwy 288, have become extremely congested during commuting hours (with limited alternative options such as tollways or easily accessible park and rides). This has led some households to reevaluate their concerns with living in or near Southeast Houston.

One of those concerns has historically been the schools, especially with households that have young children. However, according to those interviewed, this is not as big an issue as it has been in the past. While some households are still worried about the reputation of HISD, others desire to locate in the area *because of HISD*, particularly the specialized programs and magnet school options such as the Baylor College of Medicine Academy and the High School for Law and Justice.

Challenges to Affordability

While there have been new homes built in the primary CMA for under $250K in recent years, they have been few in number. According to interviews with developers, the cost of construction has increased significantly in recent years as the price of materials and labor has increased dramatically. But for those working inside the Loop, the largest challenge to building affordable homes has been the price and availability of land. The MRA's program to take the land cost component away has been received positively by the partnering developers interviewed. This will bring new affordable for-sale housing supply into the primary CMA and allow the developers to do so profitably. However, it must be understood that developers are still constrained on price, reaching construction costs ranging from $80 to $100 per square foot. One of the factors that can critically affect this calculation is the size of the lot and the scale of the project.

The Affordability Gap

One way to better understand the challenges to affordability is to examine the affordability gap. The following table provides an example of the gap between the cost of housing in the Houston area and what economically challenged households can afford. This example looks at what a household of four in the Houston area could afford based on three levels of income: 40% of the average median income (AMI), 60% AMI, and 80% AMI. In the Houston area, the AMI for a household of four in 2017 has been calculated by HUD as $69,200.

Table 26: The Affordability Gap between Household Incomes and Housing Costs in the Houston Area

Square Foot (SqFt.) Size of House	Affordable Monthly Payment (30% of Income)	3.5% Down Payment	Lot Cost (5,000 SqFt x $25/SqFt)	Construct. Cost ($80/SqFt)	Total Cost of House	Amount Household Can Afford	Affordability Gap
Households Earning 40% of the Average Median Income							
340 SqFt	$692	$5,419	$125,000	$29,842	$154,842	$154,842	**$0**
1,850 SqFt	$692	$5,419	$125,000	$162,800	$287,800	$154,842	**-$132,958**
Households Earning 60% of the Average Median Income							
1,220 SqFt	$1,038	$8,129	$125,000	$107,263	$232,263	$232,263	**$0**
1,850 SqFt	$1,038	$8,129	$125,000	$162,800	$287,800	$232,263	**-$55,537**
Households Earning 80% of the Average Median Income							
2,100 SqFt	$1,384	$10,839	$125,000	$184,684	$309,684	$309,684	**$0**
1,850 SqFt	$1,384	$10,839	$125,000	$162,800	$287,800	$309,684	**+$21,884**

Notes: AMI's are based on 4 person households. See: https://affordablehousingonline.com/housing-search/Texas/Houston#ami

Construction costs include 10% profit margin for the homebuilder/developer.

For each income level being examined, the first line demonstrates the maximum size of a home that can be afforded based on assumptions of a home purchase being financed with an FHA loan and conservative land/construction costs in the Houston area. The second line demonstrates what a typical 3-bedroom, 2-bathroom

1,850 square foot (SqFt) home would cost for the same household. The last column displays the gap between the amount the household can afford and the total cost of the house in question.

For a household of four earning 640% or 40% AMI, a typical 1,850 SqFt home on a small lot is clearly unattainable. While the same home appears attainable for a household of four earning 80% AMI (and above), it is important to consider that many households often have debt in the form of car payments, students loans, and other financial obligations which decrease the amount of home (the total cost) that can be financed. Also consider that for a household containing fewer than four individuals, the AMI is lower, which effectively widens the gap between what the household can afford and what a typical home in the Houston area currently costs.

Phased Development and Bulk Purchasing

Based on interviews with partnering developers, and based on available information, it appears the MRA is currently approaching the development of new affordable for-sale housing project by project. It is recommended that the MRA consider a more strategic, long term approach. This is not meant as a criticism of the current process, which CDS understands can be complex and challenging. But larger scale planning and more coordinated partnering may allow the MRA to organize a bulk purchasing plan for materials between developers that would allow several relatively small developments to have an economy of scale, and ultimately provide a beneficial cost savings. This could also involve a coordinated marketing campaign which would allow potential homebuyers to be identified and begin the application process earlier. To make this work, it would be essential to have a multi-year plan of inventory with the possibility of continual absorption. The benefit to the developer/homebuilder is that their inventory would move faster—adding an additional savings in financing costs.

Consider Partnering with Additional Homebuilders/Developers

To a large extent, homebuilders and developers make the decision about where to locate housing. How they decide to build in one location versus another can often be a complicated process which considers many factors such as the perceived demand in certain locations, availability of land, the price of land, infrastructure, the cost of development, regulations, the availability of financing, and other factors. But no matter how complicated the process may be, usually it starts with what the homebuilder is familiar with. CDS reached out to multiple homebuilders/developers at a recent citywide event and although some were familiar with the MRA in general, none were aware of the amount of land the MRA owned in the primary CMA and the desire to begin developing that land for affordable for-sale housing. It is recommended that the MRA consider reaching out to and partnering with additional homebuilders/developers who may bring a unique perspective and product to the table. An event such as a mobile open house that toured several of the MRA's lots in the primary CMA would create publicity and interest in the MRA's mission, and inform additional Houston area homebuilders/developers on the possibility of partnering.

Working with the Houston Homebuyer Assistance Program

The City of Houston currently has two financial assistance programs for homebuyers, the Homebuyer Assistance Program and the Workforce Housing Down-payment Assistance Program. These programs have been utilized with great success in the past, including for homes in the primary CMA. The Homebuyer Assistance Program (HAP) provides financial assistance to qualified low to moderate income first-time homebuyers purchasing within City limits. The low to moderate income qualification is based on a household income at or below 80% of the City's

median income, and is adjusted upward based on the number of individuals within the household. The HAP is designed to provide financial assistance to help offset costs associated with purchasing a home, including closing costs, down payment, and loan origination. The amount of HAP financial assistance is based upon the applicant's need, ability to obtain a mortgage loan, and the applicant's ability to meet the program guidelines.

The Workforce Housing Down-payment Assistance Program (WHDAP) is similar to the HAP, but was created specifically to expand the supply of decent, safe, sanitary, and affordable housing and to increase homeownership opportunities for income-eligible residents *within specific neighborhoods* in City limits. To qualify for this program household income must be at or below 110% of the City's median income. In addition, the applicant must purchase a newly constructed residential property, whereas the HAP covers both new and pre-owned residential properties. The following structures are approved for HAP: Single-family property (detached and attached 1-4 units), Condominium unit/Townhouse, Modular home/Manufactured home, Cooperative unit.

Multiple Ownership Models

While it is recommended that for-sale homes remain the focus of MRA's single family development efforts, it is also recommended that the MRA consider retaining a number of the homes as single family rentals. Because of the unique educational opportunities in the primary CMA (both secondary and post-secondary), as well as its close proximity to the medical center (for those needing short term and long term care), there is strong demand for single family rentals for individuals who want to live in single family housing but do not intend to stay long enough to make buying a home feasible. According to realtors interviewed, single family rentals managed for low income families would be a unique and highly welcomed product. While single family rentals can be found in the primary CMA, management and quality vary considerably.

A related ownership model which could be utilized on a select number of properties would be an affordable housing rent-to-own program. Such a program would still select tenants based on income in accordance with Low-Income Housing Tax Credit (LIHTC) program guidelines, but allow for a rental period before ownership is a possibility. This creates an opportunity for certain low income households who are not currently in a financial situation to purchase a home but have the means to pay rent. In Milwaukee, a partnership between a community development financial institution and a community development corporation developed a rent-to-own program for renovated residential homes in a neglected part of the city. The program manages the rental units for 15 years, then at the end of the rental period each tenant who decides to purchase the home will receive a credit of approximately $36,000 to be used for the down payment. To prepare tenants to own a home, the partnership will sponsor annual home buying classes provided by local banks and other local service providers. The City of Houston Housing Authority has a Project Based Voucher Program and RFP currently that would almost duplicate the Milwaukee program. HHA could provide over 700 PBV for MRA land which would meet the long term single family rental needs of the community and allow MRA to prevent even more significant and immediate gentrification.

Multifamily Housing

Quantifying Demand

At the current rate of growth, the primary CMA is estimated to add 2,839 residents over the next 5 years from 2016 to 2021. Utilizing the current persons per household for the primary CMA, this would result in an estimated 1,109 households. Assuming these new households reflect the current demographics of existing households, an estimated 69% would make under $50K. If two thirds of these households were accommodated in renter occupied housing, there would be a need for roughly 500 additional rental units in the primary CMA over the next 5 years, or 100 annually.

Development of Large-Scale Complexes in the Near Term Not Recommended

As stated previously, over the next two years, as many as 1,150 new units will be added to the primary CMA, which—if all built—could account for roughly 16% of the existing total units. Given that the net change in total unit number from 2007 to 2016 has not been more than 100 units, this will have a significant impact on the existing multifamily market. The vast majority of these new units will be class A, higher rent units, with 500 planned as market rate and 550 planned as student housing. While this will draw in new, higher income households from outside the primary CMA, it will also pull households from other complexes in the primary CMA who are looking to upgrade to a newer or higher quality apartment. This will also be the case for the student housing. As part of this study, property managers of several of the largest complexes in the primary CMA were interviewed. All of the market rate complexes contacted stated that their tenants include students. Not only will vacancies increase in the short term, but increases on rent will be expected to slow or stop. As demonstrated previously, in the primary CMA the lack of a significant change in supply over the last ten years combined with rising occupancy rates has resulted in rising rents for the last 7 years straight. This new supply will help alleviate pressure on older and lower quality class B and C complexes, and the halted rent increases will be a welcome respite for lower income households. Because of this potential new supply, it is recommended that the MRA closely monitor the supply of new large-scale multifamily rental units before planning a new project. It is recommended that the MRA wait until the rental market in the primary CMA area has stabilized and a better evaluation of demand can be determined.

Another reason to postpone any near term plans for large-scale multifamily rentals is related to the tightening of the LIHTC market. Due to the diminished funding for the LIHTC program, fewer tax credit applications have been approved this year. Because of this, it may be harder in the near term to find a multifamily development partner that is willing to invest in the planning and LIHTC application process with a greater risk of rejection (a popular vehicle for the development of affordable multifamily housing). With that said, there are efforts underway to increase funding for the LIHTC program, so this may change. In addition, following a federal judge's 2012 ruling that Texas' concentration of LIHTC units in Dallas violated disparate impact, the State has demonstrated a greater propensity to award funds for project placed in areas without a significant presence of affordable housing, rather than in areas like Southeast Houston, where affordable housing units make up roughly 30% of the multifamily housing stock. With that said, housing advocates have shown willingness to support affordable multifamily in areas shown to be subject to gentrification in the near future and with a general community development plan.

It is recommended that the MRA not pursue the development of transitional living facilities. As stated in the main body of this report, transitional living refers to any type of living situation that is temporary—particularly for vulnerable populations. At this time, the community needs for these facilities are being met by specialized

organizations with more expertise in this complex housing type—the success of which hinges more on the management of the facility than its construction.

It also recommended that the MRA not pursue the development of assisted living facilities. Assisted living facilities located in this area would not be expected to be feasible without a large subsidy. The operational costs would be too high for the nature of the revenue received (principally Medicare / Medicaid). However, if approached by an organization that specializes in providing subsidized assisted living care, the MRA should consider the donation of property for a facility, given that the primary CMA does not have one of significant size. Beyond land donation, it is recommended that the MRA have a minimal role. If an arrangement like this is pursued, obtaining a responsible operator would be critical to the success of the project.

The MRA Has a Unique Opportunity to Develop Low Density Affordable Multifamily Structures

Rather than focusing on large-scale rental complexes, the MRA has an opportunity to provide a product that is rarely provided for in the modern residential landscape: low density affordable multifamily structures. What is considered low density multifamily can vary by definition, but it is generally a residential structure with 10 or fewer units. It is recommended that the MRA echo projects like the 15, 2-unit structures built near Napoleon and Tuam in the Third Ward. With low density affordable multifamily structures, the MRA could serve multiple populations, including older households looking for senior living. The following points should be considered:

- With these multifamily structures, as with the single family development, the ownership models can vary. They could be setup as condo style developments where the land is held in common and the condos are privately owned. Or ownership could be retained by the MRA or another organization and the units could be rented. They could be setup as townhomes where the land and unit is individually owned, but the structure shares walls (such as row homes). Owner occupied multifamily structures could also be built. To maintain affordability and be built for under $250K, these would likely be small 2-unit structures on single infill lots. This would have the added benefit of creating locally managed rental spaces where the rental income is spent in the community.
- Providing a strategic mix of variable size (with variable ownership models) multifamily structures would reflect the diversity and non-traditional household demographics of the primary CMA; such as the higher number of nonfamily households, single parent households, and multigenerational households. It would create smaller affordable rental spaces that still fit within the community—as opposed to big affordable housing complexes which fill a sometimes desperate need, but which sometimes have a large impact on the existing look, feel, and culture of the local community. While determining the exact mix of structures to be built would depend on several factors (such as the size of the lot and the character of the street) it is recommended that the MRA explore a range of larger 4-plex, 6-plex, 8-plex, 10-plex structures as well as smaller two unit and duplex structures.
- Where attempting to build non-conventional residential structures in many cities would be challenging, in the City of Houston these non-conventional residential structures are not restricted by zoning or law. And, not only are they legal, but the Houston homebuyer assistance program specifically states that these types of structures can be approved for loan assistance. Because of Houston's unique lack of zoning, another possibility for the MRA is to build some properties as single family structures with small (even micro) accessory units (over the garage or separate rear-of-lot structure). Many cities are finding these "mother in law apartments" or "granny flats" can go a long way towards helping maintain affordable spaces that are integrated into a

community (rather than relegated in large complexes to certain parts of town). In some cities, most notably Seattle and LA, it has been challenging to alter regulations to allow such units in single family areas. The fact that the MRA is operating in Houston presents a real opportunity to provide affordable housing options with non-conventional residential structures.

Figure 45: MRA Duplexes Located near Napoleon and Tuam in the Third Ward



Source: CDS Community Development Strategy

- The proximity and quality of alternative transportation choices in the primary CMA—such as the new METRORail Southeast line—should make transit oriented development a priority for the MRA. Low density multifamily structures developed near transit stations would also make a great opportunity for seniors—who often require non-auto transportation options. With the high demand for senior housing in the primary CMA, the MRA could build any type of senior living facility and it would be expected to maintain high occupancy. However, rather than building one or two large senior living structures and concentrating the elderly in one location, the MRA could mix senior housing into some or all of the multifamily structures that are developed. This could be accomplished by reserving the ground floors on these structures for seniors. This would provide for a more integrated rental population, where old and young can interact—creating a benefit for both.
- In interviews with homebuilders/developers regarding the feasibility of this residential product type, it was noted that to maintain affordability the same challenges as building single family homes on MRA property would apply. Therefore, the possible remedies discussed for single family structures would also apply here.

APPENDIX A:

Aggregate Single Family Detached Home Sale Data - $100K to $250K Price Range

The following tables contain aggregate data for existing single family detached homes sold in the $100K to $250K price range for the primary and single family CMAs.

Table 27: Aggregate Detached Home Sale Data for the Primary CMA - $100K to $250K Price Range

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**38**	1,933	$139,200	$134,950	$71	98%	57	1945
2011	**54**	2,067	$144,750	$133,000	$72	96%	63	1950
2012	**39**	2,134	$169,900	$160,000	$82	95%	83	1950
2013	**83**	2,030	$169,000	$160,000	$88	99%	22	1945
2014	**118**	1,793	$160,000	$150,000	$88	97%	30	1946
2015	**101**	1,570	$169,000	$162,000	$98	96%	19	1948
2016 YTD	**73**	1,526	$175,000	$160,000	$103	98%	19	1950

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

Table 28: Aggregate Detached Home Sale Data for the Single Family CMA - $100K to $250K Price Range

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**2,622**	2,051	$154,700	$149,500	$74	98%	48	2000
2011	**2,592**	2,153	$156,393	$151,606	$72	97%	66	2002
2012	**3,004**	2,151	$159,990	$157,000	$74	98%	45	2002
2013	**3,703**	2,078	$160,000	$158,065	$77	98%	28	2000
2014	**3,928**	1,964	$159,900	$158,000	$82	99%	17	1998
2015	**3,902**	1,881	$164,990	$161,000	$88	100%	12	1992
2016 YTD	**2,797**	1,843	$169,000	$166,000	$93	100%	12	1989

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

Aggregate Single Family Detached Home Sale Data - All Price Ranges

The following tables contain aggregate data for existing single family detached homes sold in all price ranges for the primary and single family CMAs.

Table 29: Aggregate Detached Home Sale Data for the Primary CMA - All Price Ranges

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**182**	1,424	$69,450	$65,000	$43	95%	45	1948
2011	**179**	1,673	$79,900	$72,500	$44	95%	60	1950
2012	**188**	1,539	$75,000	$73,850	$47	96%	57	1950
2013	**266**	1,620	$99,850	$95,000	$61	97%	29	1949
2014	**360**	1,771	$149,950	$145,998	$82	98%	24	1950
2015	**301**	1,589	$160,000	$149,000	$91	97%	25	1950
2016 YTD	**207**	1,576	$175,000	$160,000	$102	98%	21	1950

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

Table 30: Aggregate Detached Home Sale Data for the Single Family CMA - All Price Ranges

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**4,947**	1,800	$121,500	$119,500	$66	98%	44	1986
2011	**5,193**	1,850	$119,900	$115,000	$62	97%	59	1991
2012	**5,710**	1,886	$127,500	$124,169	$65	98%	42	1991
2013	**6,437**	1,918	$140,000	$138,000	$72	98%	30	1992
2014	**6,764**	1,911	$154,000	$150,000	$80	99%	20	1992
2015	**6,613**	1,915	$169,400	$165,000	$88	99%	16	1991
2016 YTD	**4,748**	1,936	$179,900	$177,700	$94	99%	15	1992

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

Aggregate Townhome/Condo Sale Data - All Price Ranges

The following tables contain aggregate data for townhomes/condos sold in the $100K to $250K price range and for all price ranges, for the primary CMA.

Table 31: Aggregate Townhome/Condo Sale Data for the Primary CMA - $100K to $250K Price Range

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**29**	1,754	$159,900	$150,000	$97	98%	85	2007
2011	**25**	1,940	$168,900	$168,000	$89	98%	48	2006
2012	**38**	1,956	$207,500	$206,750	$102	99%	41	2008
2013	**41**	1,723	$193,050	$194,000	$103	100%	31	2007
2014	**23**	1,608	$164,900	$164,900	$110	98%	29	2006
2015	**23**	1,237	$142,900	$141,900	$113	100%	65	2009
2016 YTD	**32**	1,397	$159,900	$159,900	$117	100%	70	2015

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

Table 32: Aggregate Townhome/Condo Sale Data for the Primary CMA – All Price Ranges

Year	# Sold	SqFt	List Price $	Sale Price $	SP/SqFt	SP/LP %	DOM	Year Built
2010	**47**	1,960	$161,500	$152,400	$97	97%	85	2007
2011	**29**	1,940	$168,900	$168,000	$89	98%	57	2006
2012	**50**	2,008	$217,500	$221,000	$103	99%	41	2008
2013	**58**	1,754	$214,500	$217,000	$107	100%	29	2007
2014	**42**	1,836	$249,850	$245,500	$132	100%	19	2007
2015	**50**	1,890	$262,500	$267,500	$136	100%	29	2009
2016 YTD	**52**	1,501	$179,900	$179,900	$120	100%	53	2015

Source: Multiple Listing Service, CDS Community Development Strategies, 2016 YTD includes data to September

Note: SP = Sale Price, LP = List Price, DOM = Days On the Market

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