

**NEED AND DEMAND ANALYSIS**

**FOR THE**

**MONROE ELEMENTARY APARTMENTS**

**IN**

**MONROE, GEORGIA**

**Prepared for the  
Landmark Asset Services  
for submission to  
the Georgia Department of Community Affairs  
Office of Affordable Housing**

June 2012

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## INTRODUCTION

### PURPOSE

The purpose of this report is to present the findings of an analysis of the market for the Monroe Elementary Apartments in Monroe, Georgia. A total of 48 units are to be provided: 40 one-bedroom units, and eight two-bedroom units. All 48 units will rent to households whose incomes qualify their apartments for tax credit status, with units to be targeted to households aged 55 years and older, at 50 and 60 percent of the local area median income.

### ASSUMPTIONS AND CONDITIONS

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

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

The data and analysis in this study are based on information relating to conditions in the town, market area, county, and state in which the project is to be located, and has been obtained from the most pertinent and current available sources. Likewise, every effort has been made to ensure its accuracy and reliability. However, we can assume no responsibility for inaccuracies in reporting by any local, regional, state, or federal agency cited, nor for any information withheld or erroneously reported by the sources cited during the normal course of our professional research. Consequently, we reserve the right to alter our findings and conclusions, if necessary, on the basis of any discovered material inaccuracies.

The site of the proposed apartments was visited. In addition, interviews were held with persons with particular knowledge pertinent to the study.

It is important to stress that this analysis was carried out after some initial releases of 2010 Census Data - but before those data were fully made available. Also, coverage from the 2010 Census - when complete - will not equate with the coverage provided in previous decennial Censuses. Thus, other sources - notably the Census Bureau's American Community Survey - is necessarily to be relied upon. The latter is based on a relatively small sample (compared with earlier sample-based Census reports) and therefore is subject to large statistical margins of error. Thus, use of these data is subject to the *caveat* that those data may not be as rigorous or as reliable as Census data prior to 2010. In this regard, if the data suggest outcomes at variance with our observations from other sources, these will be highlighted in our findings.

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

It is stated that we have no responsibility for opinions requiring expertise in other fields of expertise - these would include, for example, legal, environmental, architectural, and engineering matters.

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

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

**Submitted, and attested to, by:**

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## EXECUTIVE SUMMARY

The following provides a brief summary of the market analysis, and is based on the Georgia DCA market study guidelines.

### Project Description:

The Monroe Elementary Apartments are to be located at 203 East Bold Springs Avenue, Monroe GA 30655 - that is, between Midland Avenue and Madison Avenue, south of East Marable Street, in north-central Monroe. The project is the adaptive re-use of a former school, and will provide a total of 48 new units, for elderly tenants.

One bedroom units will be of around 750 square feet, and the two bedroom units will be around 900 square feet.

The project is to be configured as follows:

<u>Unit type</u>	<u>No. of units</u>	<u>Rents</u>	<u>Utilities</u>	<u>Targeting*</u>
1 bedroom/1 bath	8	\$410	\$152	less than 50 percent
1 bedroom/1 bath	32	\$517	\$152	less than 60 percent
2 bedroom/2 bath	2	\$510	\$195	less than 50 percent
2 bedroom/2 bath	6	\$562	\$195	less than 60 percent

\* Percent of area median

The proposed development will offer an elderly project that is newer and in better physical condition, with better amenities, than is the norm in the market in Monroe at present.

Based upon the information provided by the developer, the proposed development will feature the following unit amenities: refrigerator, dishwashers, in-sink disposal, carpeting, window coverings (blinds), ceiling fans, washer/dryer hook-ups, and central air conditioning. Project amenities will include interior, open-air, common space, a community room (with kitchenette), computer center, fitness center, and a laundry facility. The property will offer a covered pavilion, with picnic tables and grills, and a community garden.

A wide range of supportive services is to be offered.

The existing school gymnasium will be leased to the local parks and recreation department for community uses and programs. Likewise, the open space to the north of the property will be retained as open/recreation space for the community.

#### Site Description/Evaluation:

The site is generally flat, and is the site of a former school - which is comprises several buildings which will be incorporated into the design of the complex. Adjacent properties are typically small single family homes, most of which are in good condition. The area to the north of the site (south of East Marable Street) is undeveloped, open space.

The property is very visible from both Bold Springs Avenue and from Midland Avenue and Madison Avenue. The reconfiguration of the existing buildings at this site is considered a positive and an innovative approach to preserving and re-using existing/landmark structures. There are no significant positive or negative aspects with respect to the site - nonetheless, its redevelopment will have a positive impact on the area.

Access from the site to major thoroughfares, shopping, health, and other services is good. There are no apparent physical, or other constraints upon the construction and marketing of the proposed apartments at this location.

#### Market Area Definition:

The market area for the proposed development is central Walton County. This area is focused on Monroe, and extends to an approximately four-to-ten mile hinterland. The area is that which constitutes the geographic area immediately adjacent to the site and extends to all locations of relatively similar character and with residents or potential residents likely to be interested in the proposed project.

#### Community Demographic Data:

The population of the Monroe market area is projected to increase from 48,232 in 2010 to 49,963 in 2012, and 51,972 in 2014. The number of households is projected to increase from 17,167 in 2010, to 17,677 in 2012, and 18,473 in 2014. The number of renter households in the market area in 2010 was 4,808. This is projected to increase to 4,951 in 2012, and to 5,174 in 2014.

In 2010, there were a total of 11,626 persons aged 55 years or older in the project market area. By 2012, it is projected that there will be 12,262 elderly persons in 7,294 households in the market area, with the corresponding figures for 2014 being 13,285 and 7,903, respectively.

The median household income for Monroe is around \$27,903 and that for the County is around \$51,721. The median income for the market area is estimated at around \$47,510.

It is our opinion that the impact of foreclosed, etc., properties in the market area would not have any appreciable impact on the marketability of the proposed elderly development.

#### Economic Data:

Covered private employment, as reported, rose from 17,682 in 2010 to 18,417 in 2011. In Walton County the largest employment sector is retail trade - which accounted for 17.5 percent of the total in 2011. Other significant sectors include educational services, construction, and manufacturing.

In 2011, the Walton County labor force comprised an estimated 40,825 persons. Of this total, 36,791 were employed, and 4,034, or 9.9 percent, were unemployed. Since 2002, labor force has increased by 19.3 percent, and employment has increased by 12.3 percent. Given the relatively greater increase in labor force relative to employment, the rate of unemployment has increased significantly over this period - from 4.2 percent to as much as 10.3 percent.

Figures from the Georgia Department of Labor suggest that there have been a total of two business closings or layoffs in Walton County since 2007 - which have resulted in a total of 139 job losses. Based on Chamber data, employment at Wal-Mart Supply Chain increased from 783 persons to 900 persons over the last year or so, and employment at Hitachi increased for 210 to 325. Information from the Chamber suggests that there are no new firms announced for the area, and that Hitachi may still be expanding.

Based on the trends since 2000, the Monroe area shows positive economic and population growth which suggest an ongoing demand for additional housing in the area - however, the recent economic downturn has likely dampened that growth potential somewhat. Nonetheless, it is seen that there is ongoing need for attractive, new, affordable housing for persons aged 55 years and over.

#### Project-Specific Affordability and Demand Analysis:

Our calculations show that there will be a total of 416 older renter households in the qualifying income ranges in the project market area in 2014.

Total demand for the proposed development based on the Georgia DCA market study methodology is determined to be for 447 units. The net demand is for 447 units. Thus, a 48-unit development amounts to 10.7 percent of the total net need. The corresponding capture rate for units targeted at 50 percent of the median is 3.4 percent. The capture rate for units targeted at 60 percent of the median is 13.4 percent. The capture rates for the potential one-, and two-bedroom units are calculated to be 13.4 and 5.4 percent, respectively. These various capture rates suggest that the project is feasible based on DCA criteria.

### Competitive Rental Analysis:

At present there are several apartment complexes located in Monroe. These include a few small conventional, market rate properties, properties financed with low income housing tax credits, and a significant amount of subsidized housing for very low income tenants (including public housing). At present, there are three rental properties which are designated for elderly tenants. Two such properties are fully subsidized, and the other is a market rate development.

There are no tax credit-financed properties in Monroe which are designated for seniors. The proposed development is an adaptive re-use project which will offer new, affordable, housing in the Monroe area. As such, it is quite unique - and consequently there are no properties in the area at present which can be considered directly comparable.

The proposed development will offer a project that is newer and in better physical condition, with better amenities, than is the norm in the subsidized market in Monroe at present, and will offer affordable units, relative to the existing market rate elderly units. The proposed mix of rents, unit, types, and unit sizes are considered appropriate for a new tax credit property in this community.

The only market rate apartments for the elderly are the Cottages at Monroe. Rents at this property are in the \$1,945 to \$2,025 range - for large, luxury units and include security, garages, and all utilities. Based on this single example it is difficult to establish a market rent for elderly housing for the area.

Georgia DCA market study guidelines require the determination of average market rents. Given the limitations of the Monroe market, these averages are found to be \$585 for a one-bedroom unit and \$640 for a two-bedroom unit.

The proposed mix of rents, unit, types, and unit sizes are considered appropriate for a new tax credit property in this community.

Absorption/Stabilization Estimate:

Our review of the capture rates for the proposed development suggest that the project is realistic, as proposed. Thus, in our opinion, the size of the project, the site location, and capture rates suggest that the project could expect to rent-up over a 180-day period, or less (given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program). This translates to an average of eight units per month.

The ten units targeted at 50 percent of the median are estimated to be able to be absorbed over 60 days or so, and the 38 units at 60 percent of the median are estimated to be absorbed over 180 days or so (again, given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program).

The project should reach stabilized occupancy in 180 days or so.

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



DEMOGRAPHIC DATA (found on page 42)						
	2010		2012		2014	
Elderly Renter Households	1,493	21.6%	1,575	21.6%	1,706	21.6%
Income-Qualified Renter HHs (LIHTC)		%		%	416	24.4% (of renters)
Income-Qualified Renter HHs (MR)		%		%		%
TARGETED INCOME-QUALIFIED RENTER HOUSEHOLD DEMAND (found on pages 44 and 46)						
Type of Demand	30%	50%	60%	Market-rate	Other: ____	Overall
Renter Household Growth		34	37			52
Existing Household (Overburd + Substand)		191	175			292
Homeowner conversation (Seniors)		29	33			45
Less Comparable/Competitive Supply		0	0			0
<b>Net Income-qualified Renter HHs</b>		292	283			447
CAPTURE RATES (found on page 46)						
Targeted Population	30%	50%	60%	Market-rate	Other: ____	Overall
Capture Rate		3.4%	13.4%			10.7%

### PROJECT DESCRIPTION

The Monroe Elementary Apartments are to be located at 203 East Bold Springs Avenue, Monroe GA 30655. The project will provide a total of 48 new units, designated for elderly tenants (55 years and older).

There will be 40 one-bedroom units, and eight two-bedroom units. Of the total 48 units, ten units will be targeted to households with incomes up to 50 percent of the median, and 38 units will be targeted to households with incomes up to 60 percent of the median.

One bedroom units will be of around 750 square feet, and the two bedroom units will be around 900 square feet.

The project is to be configured as follows:

<u>Unit type</u>	<u>No. of units</u>	<u>Rents</u>	<u>Utilities</u>	<u>Targeting*</u>
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\* Percent of area median

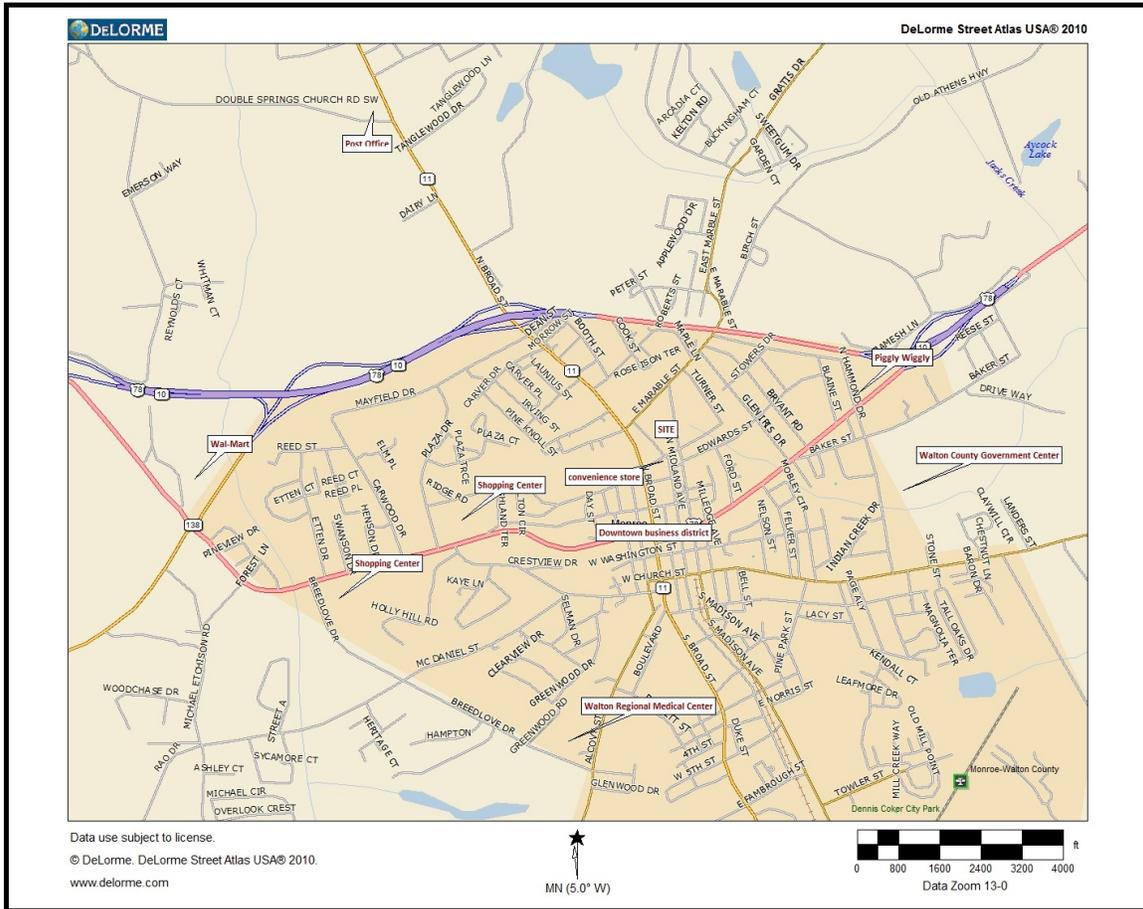
Based upon the information provided by the developer, the proposed development will feature the following unit amenities: refrigerator, dishwashers, in-sink disposal, carpeting, window coverings (blinds), ceiling fans, washer/dryer hook-ups, and central air conditioning. Project amenities will include interior, open-air, common space, a community room (with kitchenette), computer center, fitness center, and a laundry facility. The property will offer a covered pavilion, with picnic tables and grills, and a community garden.

A wide range of supportive services is to be offered.

The existing school gymnasium will be leased to the local parks and recreation department for community uses and programs. Likewise, the open space to the north of the property will be retained as open/recreation space for the community.

**SITE EVALUATION<sup>1</sup>**

The site of the proposed Monroe Elementary Apartments is on the north side of East Bold Springs Avenue, between Midland Avenue and Madison Avenue, south of East Marable Street, in north-central Monroe. Adjacent properties are typically small single family homes, most of which are in good condition. The area to the north of the site (south of East Marable Street) is undeveloped, open space.

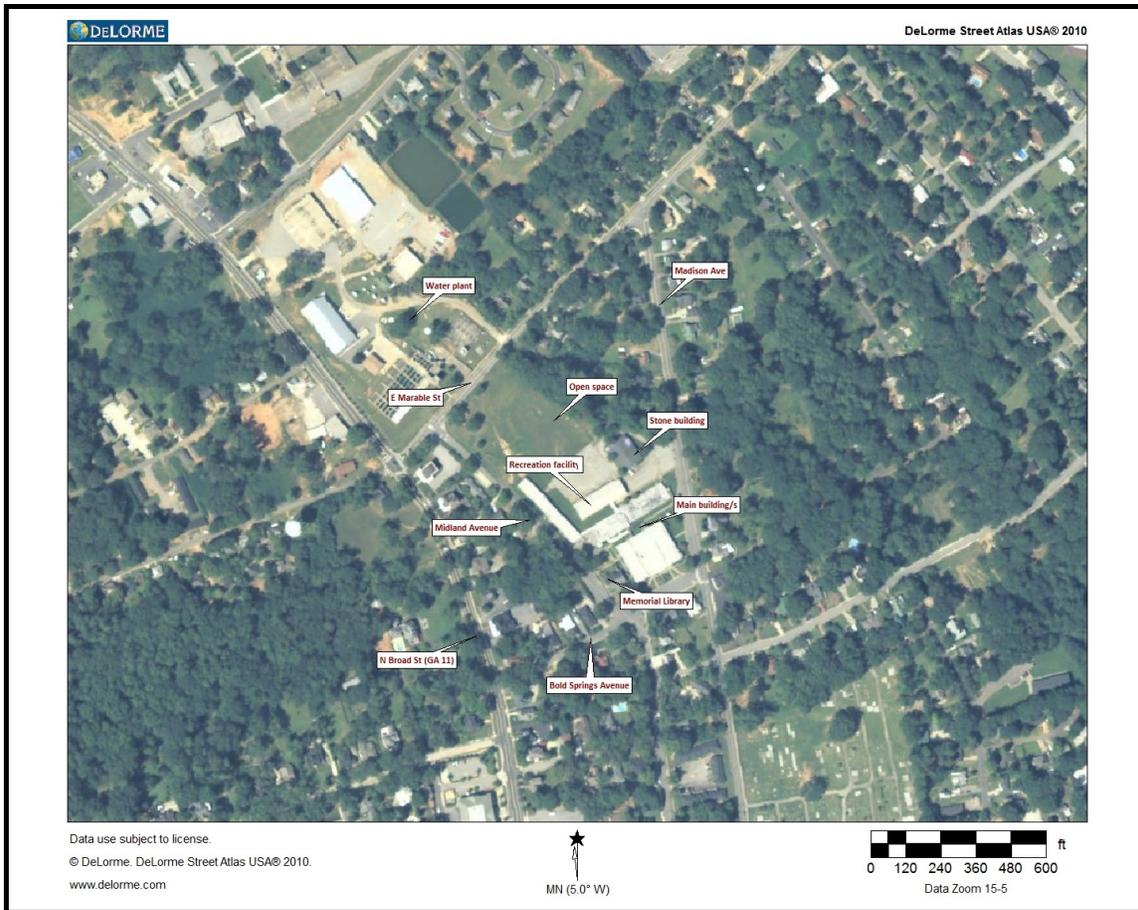


Site location

The site is generally flat, and is the site of a former school - which is comprises several buildings which will be incorporated in the design of the complex (see over).

<sup>1</sup>The site visit was conducted by Mr T. Ronald Brown, on June 8, 2011

The two main school buildings will be reconfigured to create one structure which will have an open interior courtyard. The existing classroom block which parallels Midland Avenue will be divided into two five-unit buildings, which will front on Midland. The existing stone building, on the Madison Avenue side of the property, will be rehabilitated to accommodate eight two-bedroom units. The Memorial Library will be converted to office and community space. The existing gymnasium, north of the school will be converted to a recreational facility, administered by a third party, as will the open/recreational space to the north of that.



Aerial view of site



View of school - Bold Springs Ave



View of school



Side/rear view of school



Rear building



Memorial Library - future community/office space



Midland Ave building



Midland Ave building



Stone building



Stone building



Recreation building - adjacent



Open space - adjacent

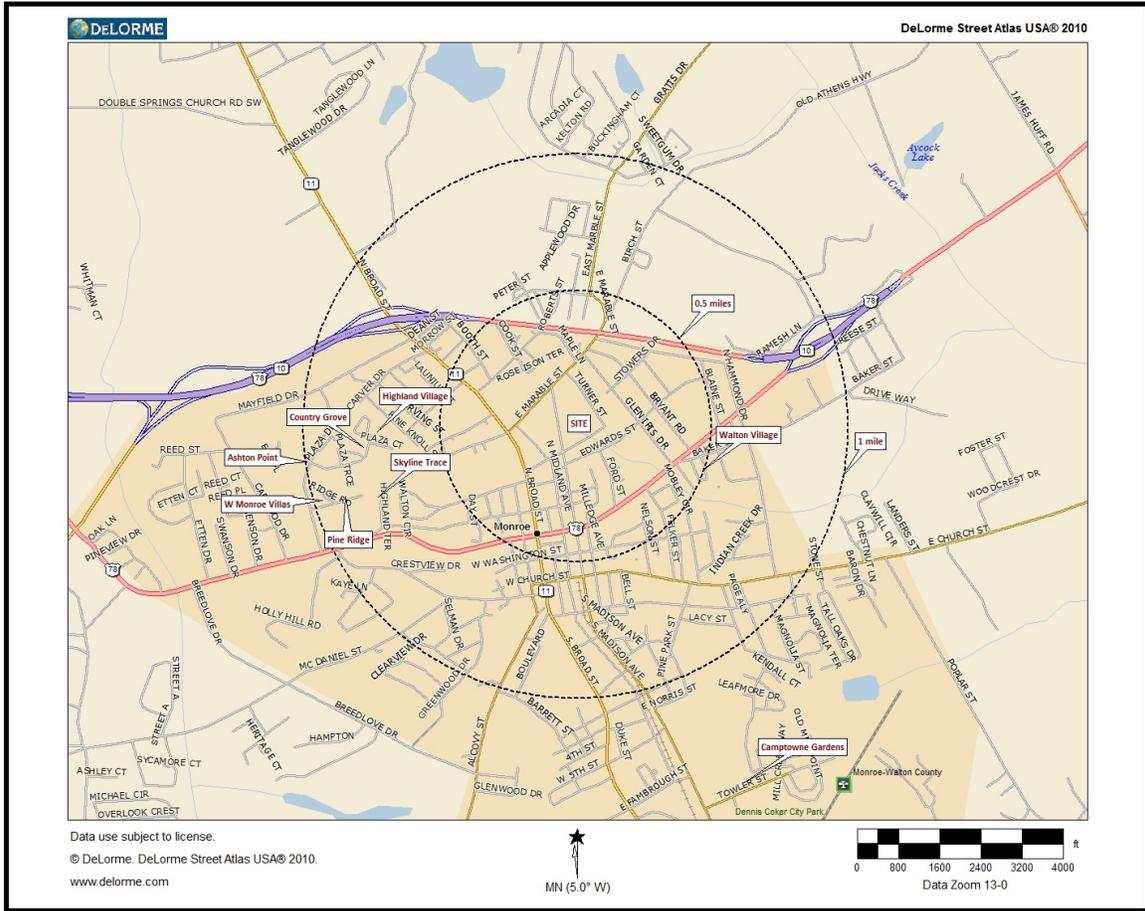
Access from the site to major thoroughfares, shopping, health, and other services is good.

A small convenience store is located within easy walking distance of the site. The site is within one to two-and one half miles of the several shopping centers and other service outlets on West Spring Street (US 78) - the Wal-mart Supercenter, for example is on West Spring Street, at its intersection with the Martin Luther King, jr Boulevard (GA 138). The site is within one-half mile of the government, shopping, and other services located in the Monroe downtown business district.

The site is within one and one-half miles of the Regional Medical Center and associated medical services, located on Alcovy Street at Breedlove Drive, to the south of Monroe.

It is understood that the property will be zoned for multi-family use, and that access will be from Bold Springs Avenue, and Midland Avenue.

The site is generally flat, and is the site of a former school - which is comprises several buildings which will be incorporated into the design of the complex (see above). There are no apparent physical, or other constraints upon the construction and marketing of the proposed apartments at this location.



Existing low income housing

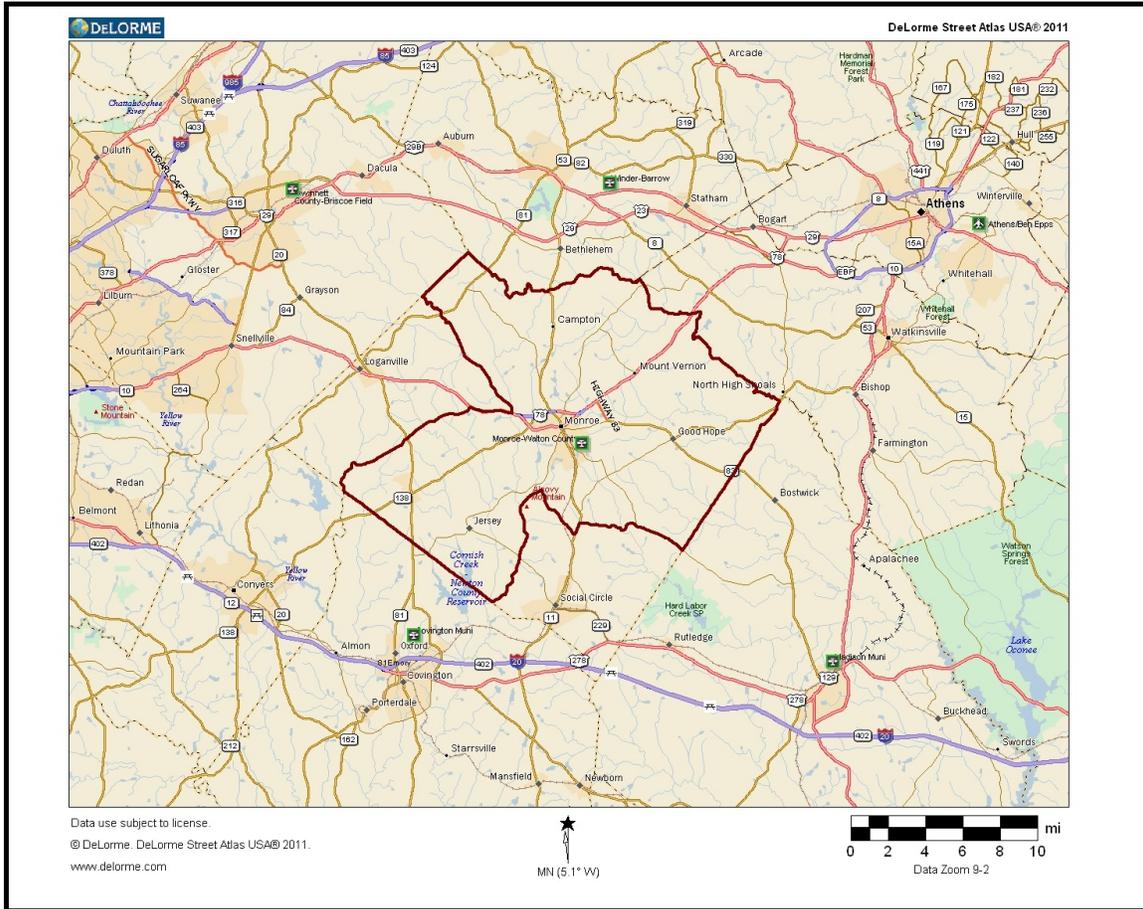
## MARKET AREA

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

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

Monroe is located in central Walton County in north-eastern Georgia. The market area for the proposed development is central Walton County. This area is focused on Monroe, and extends to an approximately four-to-ten mile hinterland. The area excludes neighboring and potentially competing communities in Walton County such as Loganville, and Social Circle, and excludes potentially competing communities in neighboring counties. This area is that which constitutes the geographic area immediately adjacent to the site and extends to all locations of relatively similar character and with residents or potential residents likely to be interested in the proposed project. As such, this market area is the community where the project is to be located and only those outlying areas which will be directly impacted by the complex, and excludes other significant, established communities.

In accordance with Georgia DCA recommendations, this market area is considered both reasonable and somewhat conservative in order to ensure that demand is not overstated when, as required, demand calculations are adjusted to account for potential demand from outwith this area, as defined.



Project market area

## COMMUNITY DEMOGRAPHIC DATA

## POPULATION TRENDS AND PROJECTIONS

In 2000, the population of Walton County was 60,687, and in 2010 the population was recorded as 83,768. There are no official population projections at the county level in Georgia which incorporate 2010 Census data. Here, it is conservatively estimated that growth beyond 2010 is equivalent to one-half that recorded between 2000 and 2010 (reflecting recent economic circumstances). Thus, the population of the county is projected to be 86,557 by 2012, and to be around 90,926 by 2014.

Population projections for the project market area are based on the same assumptions. Thus, the projection is that in 2012 the project market area will have a population of around 49,693 and around 51,972 in 2014. In 2010, the population of the market area was 48,233.

Information on population trends and changes between 2000 and 2014 are set out in Table 1, below.

Table 1 - Population

	Monroe	Market Area	Walton County
2000	11,407	35,946	60,687
2010	13,234	48,232	83,768
2012	n/a	49,693	86,557
2014	n/a	51,972	90,926
absolute change			
2000-2010	1,827	12,286	23,081
2000-2012	n/a	1,461	2,789
2012-2014	n/a	2,279	4,369
annual change			
2000-2010	183	1,229	2,308
2000-2012	n/a	730	1,394
2012-2014	n/a	1,140	2,185

Source: 2000 Census and 2010 Census; John Wall and Associates

## AGE

The distribution of the population, by age, for Monroe and for Walton County are set out in Table 2, below. These data are from the 2010 Census. Here it is seen that the median age of the population of Monroe was recorded as 33.1 years, with that for the county being 37.4 years.

Table 2 - Age Distribution

	Monroe		Walton County	
	number	percent	number	percent
Under 5 years	1,100	8.3	5,804	6.9
5 to 9 years	1,071	8.1	6,351	7.6
10 to 14 years	928	7.0	6,498	7.8
15 to 19 years	959	7.2	5,972	7.1
20 to 24 years	1,022	7.7	4,620	5.5
25 to 29 years	977	7.4	4,672	5.6
30 to 34 years	866	6.5	5,197	6.2
35 to 39 years	876	6.6	5,968	7.1
40 to 44 years	956	7.2	6,555	7.8
45 to 49 years	813	6.1	6,499	7.8
50 to 54 years	732	5.5	5,810	6.9
55 to 59 years	629	4.8	5,014	6.0
60 to 64 years	644	4.9	4,716	5.6
65 to 69 years	495	3.7	3,614	4.3
70 to 74 years	384	2.9	2,368	2.8
75 to 79 years	277	2.1	1,745	2.1
80 to 84 years	259	2.0	1,221	1.5
85 to 89 years	160	1.2	745	0.9
90 years and over	86	0.6	399	0.5
median	33.1		37.4	

Source: 2010 Census; John Wall and Associates

HOUSEHOLD TRENDS AND PROJECTIONS

Projections of the number of households for Monroe, the project market area, and for Walton County are set out in Table 3 below. These projections are based on the population projections set out, above.

The projection is that in 2012 the project market area will have around 17,677 households, and around 18,473 in 2014. In 2010, there were 17,167 households in the market area.

Table 3- Household Trends

	Monroe	Market Area	Walton County
2000	4,287	12,863	21,307
2010	4,886	17,167	29,583
2012	n/a	17,677	30,586
2014	n/a	18,473	32,160
absolute change			
2000-2010	599	4,304	8,276
2000-2012	n/a	510	1,003
2012-2014	n/a	795	1,573
annual change			
2000-2010	60	430	828
2000-2012	n/a	255	502
2012-2014	n/a	398	787

Source: 2000 Census and 2010 Census; John Wall and Associates

## POPULATION AND HOUSEHOLD TRENDS AND PROJECTIONS, BY AGE

Again, no official population projections (by age) are available at the county level in Georgia that incorporate 2010 Census data. Thus, population projections by age are based on the same, conservative, assumptions used for the overall population. Here, the population of Walton County aged 55 years and older is projected to increase from 19,822 in 2010 to 21,046 in 2012, and to 23,033 in 2014. The number of elderly households was 11,698 in 2010, and is projected to reach 12,420 and 13,593 in 2012 and 2014, respectively.

In 2010, there were a total of 11,626 persons aged 55 years or older in the project market area. By 2012, it is projected that there will be 12,262 elderly persons in 7,294 households in the market area. The corresponding figures for 2014 are 13,285 persons and 7,903 elderly households.

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Table 4 - Population and Households, 55 years and older

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	<b>Market Area</b>		<b>Walton County</b>	
	Population	H'holds	Population	H'holds
2000	6,919	4,121	11,074	6,527
2010	11,626	6,916	19,822	11,698
2012	12,262	7,294	21,046	12,420
2014	13,285	7,903	23,033	13,593

Source: 2000 Census and 2010 Census; John Wall and Associates

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## TENURE

Table 5, below, sets out the number and proportion of owner and renter households for Monroe, the project market area, and for Walton County. In the years beyond 2010, the tenure proportions are assumed to be the same as for 2010. In 2010, 28.0 percent of households in the market area were renters, compared with 58.9 percent for Monroe, and 24.5 percent for Walton County.

Table 5 - Tenure

<b>Monroe</b>			persons per	Owner-occupied		Renter-occupied	
	population	households	household	number	percent	number	percent
2000	11,407	4,287	2.66	1,482	34.6	2805	65.4
2010	13,234	4,886	2.71	2,010	41.1	2876	58.9
2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2014	n/a	n/a	n/a	n/a	n/a	n/a	n/a

<b>Market Area</b>			persons per	Owner-occupied		Renter-occupied	
	population	households	household	number	percent	number	percent
2000	35,946	12,863	2.79	8,766	68.1	4,097	31.9
2010	48,232	17,167	2.81	12,359	72.0	4,808	28.0
2012	49,693	17,677	2.81	12,726	72.0	4,951	28.0
2014	51,972	18,473	2.81	13,299	72.0	5,174	28.0

<b>Walton County</b>			persons per	Owner-occupied		Renter-occupied	
	population	households	household	number	percent	number	percent
2000	60,687	21,307	2.85	14,006	65.7	7,301	34.3
2010	83,768	29,583	2.83	22,330	75.5	7,253	24.5
2012	86,557	30,586	2.83	23,087	75.5	7,499	24.5
2014	90,926	32,160	2.83	24,275	75.5	7,885	24.5

Source: 2000 Census and 2010 Census; John Wall and Associates

## TENURE, BY AGE

Table 6, below, sets out the number of owner and renter households, by age of household head for older households in the Monroe market area and Walton County. From this table it can be seen that, for example, 1,493 out of 6,916 households headed by a person 55 years or older in the market area are renters (21.6 percent). The corresponding proportion for the county is 19.1 percent.

Table 6 - Tenure of Elderly Households

	Households	Owner-occupied		Renter-occupied	
		number	percent	number	percent
<b>Market Area</b>					
45 to 54 years	3,639	2,763	75.9	876	24.1
55 to 64 years	3,228	2,566	79.5	662	20.5
65 to 74 years	2,185	1,774	81.2	411	18.8
75 to 84 years	1,136	876	77.1	260	22.9
85 years and older	367	207	56.4	160	43.6
total, 55 and older	6,916	5,423	78.4	1,493	21.6
total, 65 and older	3,688	2,857	77.5	831	22.5
<b>Walton County</b>					
45 to 54 years	6,543	5,182	79.2	1,361	20.8
55 to 64 years	5,399	4,486	83.1	913	16.9
65 to 74 years	3,647	3,038	83.3	609	16.7
75 to 84 years	1,958	1,545	78.9	413	21.1
85 years and older	694	389	56.1	305	43.9
total, 55 and older	11,698	9,458	80.9	2,240	19.1
total, 65 and older	6,299	4,972	78.9	1,327	21.1

Source: 2010 Census; John Wall and Associates

HOUSEHOLD SIZE

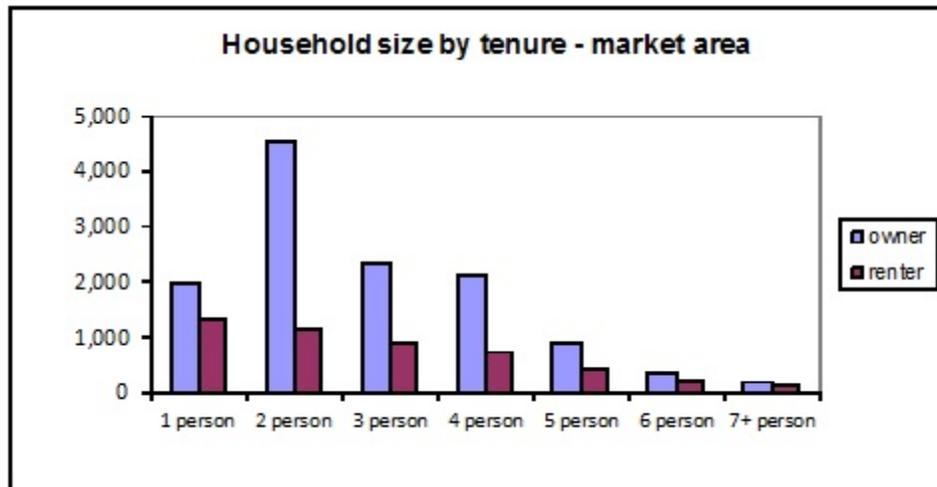
Table 7 below, sets out household size, by tenure, for households in Monroe, the project market area, and Walton County.

Table 7 - Household Size, by Tenure

	Monroe		Market Area		Walton County	
	owner	renter	owner	renter	owner	renter
1 person	454	961	1,977	1,349	3,495	2,026
2 person	731	628	4,529	1,137	7,876	1,761
3 person	344	500	2,325	900	4,244	1,338
4 person	281	400	2,107	716	3,973	1,078
5 person	122	211	892	393	1,720	601
6 person	45	116	338	202	669	289
7+ person	33	60	191	111	353	160

Source: 2010 Census; John Wall and Associates

The distribution of household sizes, by tenure, for the market area is illustrated, below.



## INCOME

The distribution of household incomes for Monroe, the project market area, and for Walton County are set out in Table 8, below. The median household income for Monroe is around \$27,903 and that for the County is around \$51,721. The median income for the market area is estimated at around \$47,510. These figures are taken from the 2006 to 2010 American Community Survey, and as such are subject to the limitations imposed by this source.

Table 8 - Household Income

	Monroe		Market area		Walton County	
	number	percent	number	percent	number	percent
less than \$10,000	885	17.4	1,543	9.1	2,118	7.3
\$10,000 to \$14,999	690	13.6	1,081	6.4	1,706	5.9
\$15,000 to \$19,999	400	7.9	834	4.9	1,529	5.2
\$20,000 to \$24,999	374	7.4	817	4.8	1,143	3.9
\$25,000 to \$29,999	271	5.3	1,054	6.2	1,596	5.5
\$30,000 to \$34,999	410	8.1	871	5.2	1,333	4.6
\$35,000 to \$39,999	159	3.1	747	4.4	1,248	4.3
\$40,000 to \$44,999	349	6.9	1,095	6.5	1,779	6.1
\$45,000 to \$49,999	326	6.4	825	4.9	1,584	5.4
\$50,000 to \$59,999	452	8.9	1,742	10.3	2,770	9.5
\$60,000 to \$74,999	373	7.3	1,816	10.7	3,288	11.3
\$75,000 to \$99,999	202	4.0	2,240	13.2	4,239	14.5
\$100,000 to \$124,999	122	2.4	1,355	8.0	2,424	8.3
\$125,000 to \$149,999	31	0.6	352	2.1	1,109	3.8
\$150,000 to \$199,999	40	0.8	358	2.1	826	2.8
\$200,000 or more	0	0.0	181	1.1	455	1.6

Source: 2006 to 2010 American Community Survey; John Wall and Associates

## HOUSEHOLD INCOME, BY AGE

The distribution of household incomes for persons aged 55 years and older in Monroe, the project market area, and Walton County are set out in Table 9, below. Again, these figures are taken from the 2006 to 2010 American Community Survey, and as such are subject to the limitations imposed by this source.

Table 9 - Household Income, by Age

	Monroe		Market area		Walton County	
	number	percent	number	percent	number	percent
less than \$10,000	439	21.6	695	10.7	941	8.6
\$10,000 to \$14,999	366	18.0	713	11.0	929	8.5
\$15,000 to \$19,999	186	9.1	384	5.9	766	7.0
\$20,000 to \$24,999	100	4.9	321	5.0	527	4.8
\$25,000 to \$29,999	146	7.2	455	7.0	668	6.1
\$30,000 to \$34,999	137	6.7	312	4.8	588	5.4
\$35,000 to \$39,999	43	2.1	389	6.0	567	5.2
\$40,000 to \$44,999	117	5.7	352	5.4	636	5.8
\$45,000 to \$49,999	80	3.9	301	4.7	486	4.4
\$50,000 to \$59,999	142	7.0	566	8.8	924	8.4
\$60,000 to \$74,999	124	6.1	567	8.8	995	9.1
\$75,000 to \$99,999	61	3.0	668	10.3	1,293	11.8
\$100,000 to \$124,999	59	2.9	434	6.7	812	7.4
\$125,000 to \$149,999	17	0.8	123	1.9	360	3.3
\$150,000 to \$199,999	18	0.9	132	2.0	301	2.7
\$200,000 or more	0	0.0	51	0.8	178	1.6

Source: 2006 to 2010 American Community Survey; John Wall and Associates

## RENTER HOUSEHOLD INCOME

The distribution of household incomes for renter households for Monroe, the market area, and Walton County are set out in Table 10, below. These figures are also taken from the 2006 to 2010 American Community Survey.

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Table 10 - Household Income, Renter Households

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	Monroe		Market area		Walton County	
	number	percent	number	percent	number	percent
less than \$10,000	649	21.8	1,454	18.8	1,046	15.0
\$10,000 to \$19,999	915	30.7	1,996	25.8	1,837	26.3
\$20,000 to \$34,999	611	20.5	1,662	21.5	1,471	21.1
\$35,000 to \$49,999	437	14.7	1,220	15.8	1,114	15.9
\$50,000 to \$74,999	307	10.3	1,068	13.8	1,084	15.5
\$75,000 to \$99,999	16	0.5	237	3.1	316	4.5
\$100,000 or more	41	1.4	97	1.3	118	1.7

Source: 2006 to 2010 American Community Survey; John Wall and Associates

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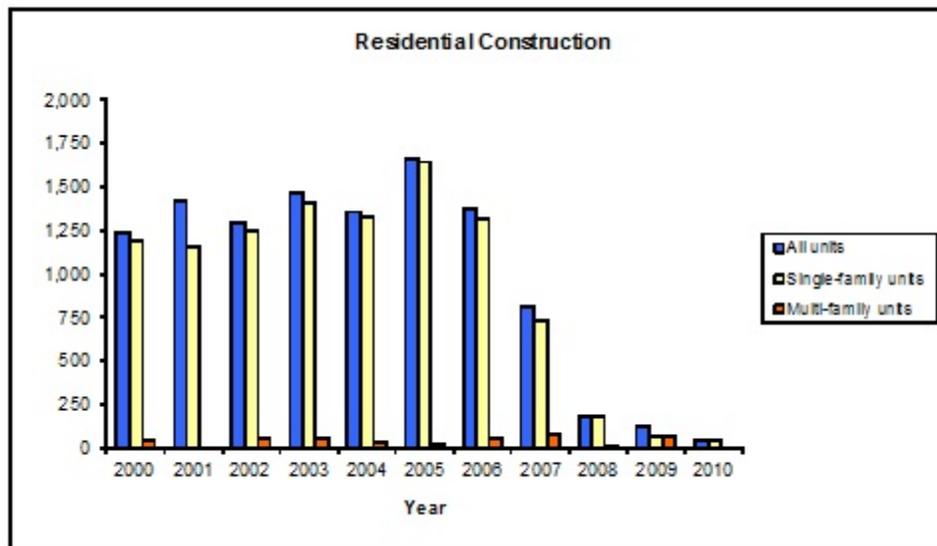
RESIDENTIAL CONSTRUCTION SINCE 2000

Table 11 below gives details of residential construction in Walton County since 2000. Where the data exist, it can be seen that a total of 1,195 units were permitted in Monroe and 11,021 units were permitted throughout the county as a whole. As can be seen from this table, construction levels have dropped-off very sharply since 2007.

Table 11 - Residential Construction Since 2000

	Walton County			Monroe		
	Total	single-family	multi-family	Total	single-family	multi-family
2000	1,241	1,195	46	102	68	34
2001	1,423	1,159	264	127	123	4
2002	1,302	1,249	53	124	115	9
2003	1,460	1,403	57	106	100	6
2004	1,353	1,330	23	181	161	20
2005	1,664	1,644	20	158	144	14
2006	1,379	1,321	58	288	236	52
2007	806	730	76	103	45	58
2008	185	182	3	6	6	0
2009	125	61	64	65	1	64
2010	45	45	0	1	1	0
2011	38	38	0	1	1	0
<b>Total</b>	<b>11,021</b>	<b>10,357</b>	<b>400</b>	<b>1,195</b>	<b>1,001</b>	<b>261</b>

Source: Current Construction Reports, C-40; Bureau of the Census; John Wall and Associates



## EMPLOYMENT TRENDS

The distribution of covered private employment, by industry, for Walton County in 2010 and 2011 (the data for 2011 is for the third quarter - the most recent data available). Data for 2010 ( also for the third quarter) are set out in Table 12, below. As can be seen, the number of jobs reported rose from 17,682 in 2010 to 18,417 in 2011. From this table it is seen that the largest employment sector is retail trade - which accounted for 17.5 percent of the total in 2011. Other significant sectors include educational services, construction, and manufacturing.

Table 12 - Employment by Industry, Walton County

	2010		2011	
	number	percent	number	percent
Total	17,682	100.0	18,417	100.0
Agriculture, Forestry, etc	92	0.5	81	0.4
Mining				
Utilities				
Construction	1,940	11.0	1,869	10.1
Manufacturing	1,882	10.6	2,071	11.2
Wholesale trade	701	4.0	595	3.2
Retail trade	3,226	18.2	3,225	17.5
Transp. and Warehousing	342	1.9	460	2.5
Information	172	1.0	133	0.7
Financial and Insurance	341	1.9	325	1.8
Real estate	113	0.6	95	0.5
Professional and Technical services	464	2.6	498	2.7
Management	27	0.2	27	0.1
Administrative and Waste services	844	4.8	1,200	6.5
Educational services	2,350	13.3	2,382	12.9
Health Care and Social Assistance	1,507	8.5	1,599	8.7
Arts, Entertainment, Recreation	140	0.8	114	0.6
Accommodation and Food services	1,592	9.0	1,654	9.0
Other Services	363	2.1	403	2.2
Public Administration	1,303	7.4	1,301	7.1

Source: Georgia Department of Labor

## EMPLOYMENT BY INDUSTRY, PROJECT MARKET AREA

This distribution of employment, by industry, for the Monroe market area is set out in Table 13, below. This information is from the 2006 to 2010 American Community Survey (and as such is subject to the limitations of those data). Based on those data, the largest source of employment is retail trade which accounts for 16.7 percent of the total. Other important sectors include construction, manufacturing and healthcare - each of which employs at least 10 percent of the total.

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**Table 13 - Employment by Industry, Monroe Market Area**


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	number	percent
Agriculture, etc	270	0.7
Construction	4,151	11.4
Manufacturing	4,608	12.6
Wholesale trade	1,695	4.6
Retail trade	6,087	16.7
Transp, Warehousing	1,365	3.7
Utilities	745	2.0
Information	613	1.7
Finance, Insurance, Real Estate	1,957	5.4
Professional, scientific, management	1,130	3.1
Educational Services	3,126	8.6
Health care	4,224	11.6
Arts, entertainment, recreation	438	1.2
Accommodation and food services	1,786	4.9
Other services	2,238	6.1
Public Administration	2,020	5.5

Source: 2006 to 2010 American Community Survey: John Wall and Associates

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## COMMUTING

Based on data from the American Community Survey, 39.2 percent of workers resident in Monroe were employed in Monroe, with 51.9 percent employed in Walton County as a whole. The average driving time to work for residents of Monroe was 26.6 minutes.

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**Table 14 - Commuting Data**


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	number	percent
Total Workers	4,988	100.0
Worked in Place of residence	1,955	39.2
Worked in County of residence	2,589	51.9
Worked outside Place of residence	3,033	60.8
Worked outside County of residence	2,399	48.1
Mean travel time to work (minutes)	26.6	

Source: 2006 to 2010 American Community Survey; John Wall and Associates

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## MAJOR EMPLOYERS

The major employers in the Monroe area are listed in Table 15, below. From this table, it is seen that the largest employer in the area is the local public school system - with 1,876 employees. Wal-Mart Supply Chain employs 900 persons. Other significant employers include the local hospital and local governments. Other large employers are located in Social Circle and elsewhere in Walton County, outside the Monroe area.

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 Table 15 - Major Employers
 

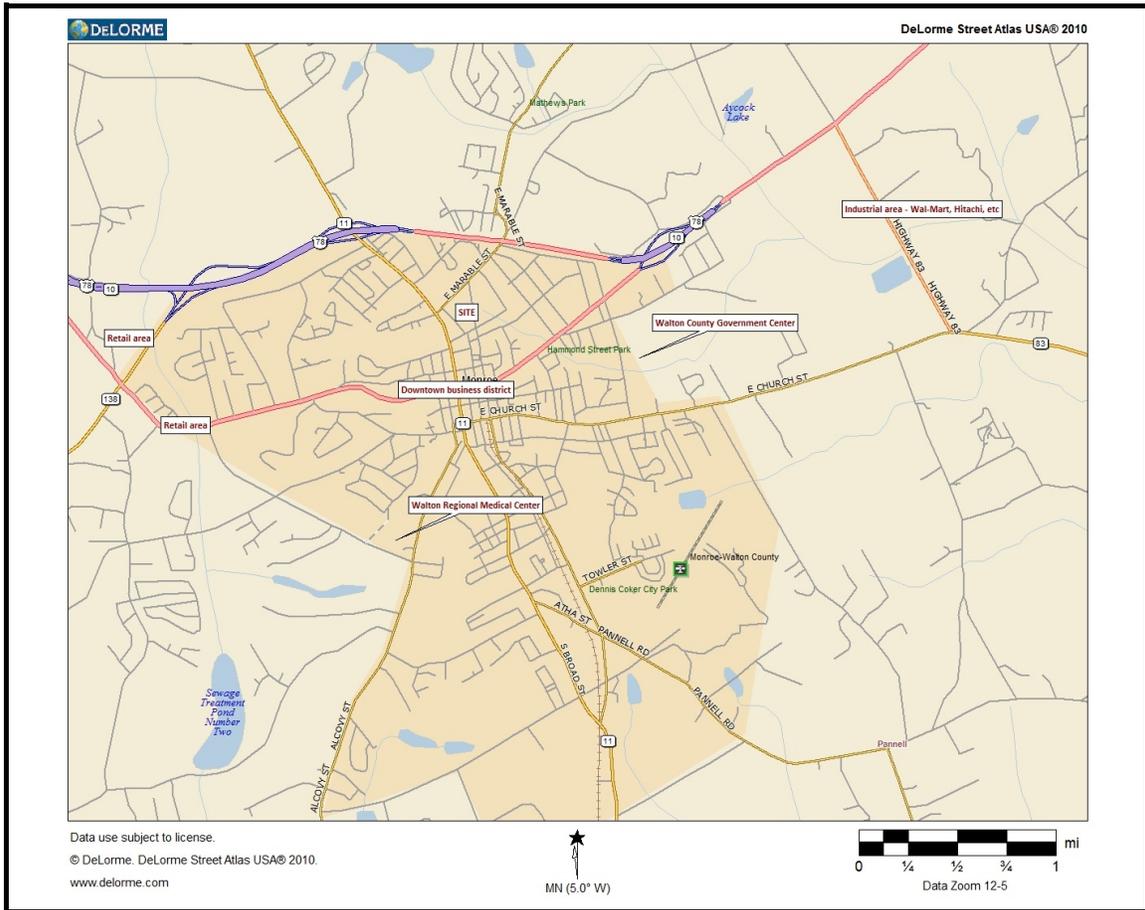
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<u>Firm</u>	<u>Employees</u>
Walton County Schools	1,876
Wal-Mart Supply Chain	900
Walton County Government	721
Walton Regional Medical Center	415
Wal-Mart Stores	352
Leggett and Platt	275
City of Monroe	232
Hitachi Automotive	325
Tucker Door	160
Walton Press	115

Source: Walton County Chamber of Commerce/Walton Development Authority

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Figures from the Georgia Department of Labor suggest that there have been a total of two business closings or layoffs in Walton County since 2007 - which have resulted in a total of 139 job losses. Based on Chamber data, employment at Wal-Mart Supply Chain increased from 783 persons to 900 persons over the last year or so, and employment at Hitachi increased for 210 to 325. Information from the Chamber suggests that there are no new firms announced for the area, and that Hitachi may still be expanding.



Major employers

## LABOR FORCE AND EMPLOYMENT

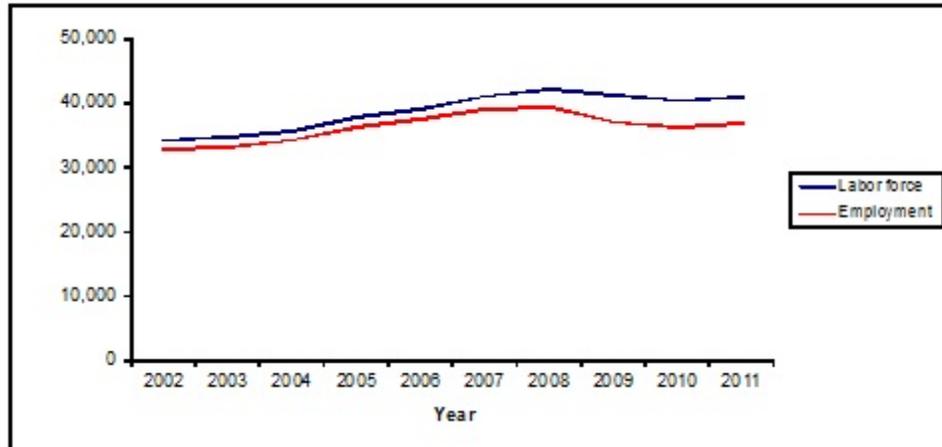
The makeup and trends of the labor force and employment have a strong influence on the growth and stability of the local housing market in general. In 2011, the most recent year for which annualized data are available, the Walton County labor force comprised an estimated 40,825 persons. Of this total, 36,791 were employed and 4,034 or 9.9 percent were unemployed. Labor force and employment have shown significant growth over the last decade, but have fluctuated over the last decade or so - with growth in the early part of the decade, but with decreases in recent years. Since 2002 the labor force has increased by 19.3 percent, and employment has increased by 12.3 percent. Under these circumstances unemployment has increased from, for example 4.7 percent in 2007 to 10.3 percent in 2009 and 9.9 percent in 2011.

Given the current economic conditions, it is noteworthy that the most recent monthly estimate is for a labor force of 40,591, with 37,303 employed, and 3,288 unemployed. This represented a very small increase in labor force from the same month the previous year (40,600). Over that year, employment fell (from 36,734), and the number unemployed decreased from 3,866- equivalent to a decrease in the rate of unemployment from 9.5 percent to 8.1 percent over that period. Under these circumstances it is difficult to predict labor force and employment levels in the short-term.

Table 16- Walton County Labor Force and Employment

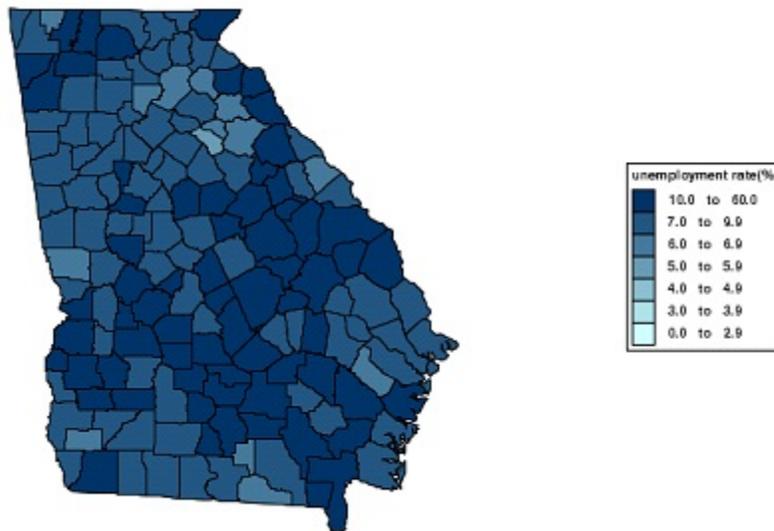
	<u>Labor Force</u>	<u>Employment</u>	<u>Total</u>	<u>Unemployment Rate (%)</u>
2002	34,217	32,775	1,442	4.2
2003	34,560	33,099	1,461	4.2
2004	35,678	34,103	1,575	4.4
2005	37,826	36,044	1,782	4.7
2006	39,147	37,364	1,783	4.6
2007	41,047	39,123	1,924	4.7
2008	42,033	39,324	2,709	6.4
2009	41,107	36,879	4,228	10.3
2010	40,315	36,188	4,127	10.2
2011	40,825	36,791	4,034	9.9
Apr-11	40,600	36,734	3,866	9.5
Apr-12	40,591	37,303	3,288	8.1

Source: U.S. Bureau of Labor Statistics



Current levels of unemployment throughout Georgia are illustrated, below

Unemployment rates by county, not seasonally adjusted, Georgia April 2012



Growth in labor force and employment can serve as a foundation for ongoing population and housing growth, which can translate into a need for more housing - however, the impact on the need for housing for the elderly is not significant. Information from the above shows that whereas Walton County has experienced notable growth over the first part of the last decade, that growth has been arrested and reversed in recent years.

**PROJECT SPECIFIC DEMAND ANALYSIS**

INTRODUCTION

The market for the proposed apartments is derived from two principal sources: the population and household growth market, and from existing households currently living in the area who could move to the project were it to be made available. With respect to the latter, separate consideration is given to market area renter households and market area owner-occupied households.

It is understood that the proposed complex will provide one- and two-bedroom units, and will rent to elderly households—defined here as those aged 55 years and older.

INCOME RESTRICTIONS

Income is a key variable in the analysis of housing markets. A total of 48 units is proposed, with ten units targeted to households with incomes up to 50 percent of the median, and 38 units targeted to households with incomes at 60 percent of the median and therefore qualify their apartments for low income housing tax credit status. The income limits for Walton County (Atlanta, MSA) are as follows:

Table 17 - Income Limits

	<u>50 percent</u>	<u>60 percent</u>
1 person	\$24,300	\$29,160
2 person	\$27,750	\$33,300
3 person	\$31,200	\$37,440

Source: HUD

The maximum housing expenses for the proposed units are based on the above income limits, and assume an average 1.5 persons per bedroom and that renters will pay no more than 30 percent of their income on housing expense (rent plus utilities). The maximum housing expenses for the proposed one-bedroom units will therefore be \$651 at the 50 percent level, and \$781 at the 60 percent level. The maximum housing expense for two-bedroom units will be \$780 (at 50 percent) and \$936 (at 60 percent of the median).

The proposed rents and utility allowances at the proposed apartments are set out in Table 18 below. From this it can be seen that the proposed rents at 50 percent of the median are around 82 to 87 percent of the maximum allowable, and the rents for the 60 percent units are at around 76 to 82 percent of the maximum allowable at that level.

Table 18 - Proposed Housing Expenses

<u>50 percent</u>		<u>Rent</u>	<u>Utilities</u>
1 bedroom		\$410	\$152
2 bedroom		\$510	\$195
	<u>Maximum Rent</u>	<u>Proposed Rent</u>	<u>Proposed Rent as a Proportion of Maximum (%)</u>
1 bedroom	\$499	\$410	82.2
2 bedroom	\$585	\$510	87.2
<u>60 percent</u>		<u>Rent</u>	<u>Utilities</u>
1 bedroom		\$517	\$152
2 bedroom		\$562	\$195
	<u>Maximum Rent</u>	<u>Proposed Rent</u>	<u>Proposed Rent as a Proportion of Maximum (%)</u>
1 bedroom	\$629	\$517	82.2
2 bedroom	\$741	\$562	75.8

Source: Client; John Wall and Associates

AFFORDABILITY

There is no official lower income limit for the proposed apartments. However, for the purpose of this report it is assumed that tenants will pay no more than 40 percent of their income on housing costs (rent and utilities). The minimum income needed to afford the proposed units at their proposed rents are set out below. From this table it can be seen that incomes fall at around 32 percent of median income for units at 50 percent of the median and around 36 to 41 percent for units targeted at 60 percent.

Table 19 - Qualifying Income Ranges

<u>50 percent</u>	<u>Income Needed</u>	<u>Income as Proportion of Area Median (%)</u>
1 bedroom	\$16,860	32.4
2 bedroom	\$20,070	32.2
<u>60 percent</u>	<u>Income Needed</u>	<u>Income as Proportion of Area Median (%)</u>
1 bedroom	\$21,150	40.6
2 bedroom	\$22,710	36.4

Source: John Wall and Associates

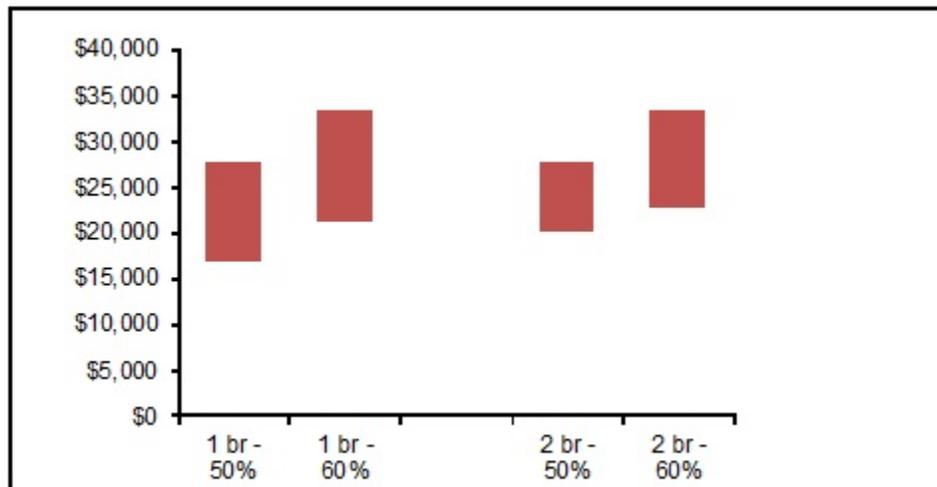
The qualifying income ranges for the proposed apartments are set out in Table 20. The upper income for one-bedroom units is that for two-person households, as is that for two-bedroom units is that for two-person households, as stipulated by the Georgia DCA market study guidelines.

Table 20 - Eligible Income Ranges

<u>50 Percent</u>	<u>Minimum</u>	<u>Maximum</u>
1 bedroom	\$16,860	\$27,750
2 bedroom	\$20,070	\$27,750
<u>60 Percent</u>	<u>Minimum</u>	<u>Maximum</u>
1 bedroom	\$21,150	\$33,300
2 bedroom	\$22,710	\$33,300

Source: John Wall and Associates.

Incomes for households qualifying at 50 percent of the median range from \$16,870 to \$27,750, and incomes for those at 60 percent of the median range from \$21,150 to \$33,300. It should be noted that there is a notable overlap between those qualifying at the 50 and 60 percent qualifying income ranges (see below). Here, the demand calculations will take this into account to avoid double-counting.



The major variables to be examined are age, tenure, and income. These data are no longer available from the Decennial Census. Nonetheless, data can be extrapolated from the most recent American Community Survey - again, subject the limitations of those data. These data, for the population aged 55 and older, for the market area for the proposed complex, are set out below.

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Table 21 - Household Income, Older Renter Households

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<u>Income</u>	<u>All Older Renters</u>		<u>Overburdened renters</u>	
	<u>Number</u>	<u>Percentage</u>	<u>Number</u>	<u>Percentage</u>
Up to \$10,000	384	19.3	245	24.6
\$10,000 - \$19,999	550	27.7	375	37.7
\$20,000 - \$34,999	451	22.7	216	21.7
\$35,000 - \$49,000	298	15.0	127	12.8
\$50,000 - \$74,999	259	13.1	33	3.3
\$75,000 - \$99,999	33	1.7	0	0.0
\$100,000 and over	13	0.7	0	0.0

Source: 2006 to 2010 American Community Survey; John Wall and Associates

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As noted, these data are necessarily from the American Community Survey and are based on the 5-year average for the period from 2006 to 2010 - and not for a specific year.

From this table it can be seen that 19.3 percent of the market area older households have incomes less than \$10,000 and a further 27.7 percent have incomes between \$10,00 and \$20,000. This table also illustrates that 50.1 percent of all elderly renters are rent-overburdened, and that those rent-overburdened households are concentrated in the lower income groups.

## NEW HOUSEHOLDS

Projections of need and demand are based upon a 2010 to 2014 projection period and the resulting calculations are corrected to account for any construction of comparable projects and/or planned comparable units.

With respect to household growth of older households, the projections of the older population and households for the project market area show that the number of elderly persons (55 years and older) was projected to increase from 11,626 in 2010 to 13,285 in 2014. Likewise, the number of older households was projected to increase from 6,916 to 7,903.

The number of elderly renters is projected to increase by 213 between 2010 and 2014 (from 1,493 to 1,706 households). Based on the distribution of elderly renter household incomes there are 52 new elderly renters who qualify for the proposed development: 34 renters at 50 percent of the median and 37 renters at 60 percent of the median.

## EXISTING HOUSEHOLDS

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

Our calculations show that there will be a total of 416 older renter households in the qualifying income ranges in the project market area. These figures have to be adjusted to reflect the proportion that are likely to move to a new complex. The 2006 to 2010 American Community Survey for the United States showed that around 31.6 percent of all renters moved in the previous 12 month period. Information from the same source suggests that the corresponding proportion for Georgia was around 35.1 percent. With respect to existing households in the project market area it is found that, based on American Community Survey data, around 68.2 percent of older renters in the target income range for units at 50 percent of the median, and 58.1 percent for those at 60 percent are rent-overburdened. Here, these proportions are applied to the number of income eligible existing renter households to estimate how many of those households are likely to consider moving to the proposed apartments.

State Agency market study guidelines allow for the replacement of physically substandard and/or overburdened rental units. HUD and USDA market guidelines allowed for the calculation of the replacement of units due to demolition or abandonment or obsolescence. USDA guidelines suggested one percent per year. The HUD publication *"Components of Inventory Change: 2001 to 2003"* (Published in August, 2005) provides information on housing units lost over that two-year period. For example, the overall loss rate for rental units was around 1.60 percent (0.80 percent per year), whereas that for rental units renting for less than \$600 per month was around 2.01 percent (1.00 percent per year), with that for rental units occupied by households with incomes below \$30,000 per year being 2.09 percent (1.05 percent per year). A figure of 1.0 percent is therefore considered appropriate and is employed in this report. Based on the number of rental units in the market area occupied by income-eligible elderly tenants, this translates to an additional eight units: five units at the 50 percent level and five units at 60 percent of the median.

Our calculations show that there will be a total of 899 older owner-occupied households in the qualifying income range in the market area: 573 households at 50 percent of the median and 669 at 60 percent of the median. With respect to the existing elderly homeowners it is realistically assumed that perhaps 5 percent would consider moving to the proposed apartments. Thus, a total of 45 income-qualified older homeowners might consider moving: 29 at 50 percent of the median, and 33 at 60 percent of the median. These figures amount to less than 15 percent of demand.

Georgia DCA market studies require consideration of potential demand from outside the primary market area, as defined. Potential demand from this source is assumed to amount to 115 percent of that from the primary market area. Thus, the calculations for the proposed development include a further 58 units: 38 at the 50 percent level, and 37 at 60 percent of the median.

Following this approach, the demand calculations are set out below. Here, there is seen to be a total demand for 447 elderly units as proposed: 292 qualifying at 50 percent and 283 qualifying at 60 percent of the median.

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Table 22 - Demand Calculations

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	<u>50 percent</u>	<u>60 percent</u>	<u>Total<sup>1</sup></u>
(i) New older renter households	34	37	52
(ii) Existing older renter households	273	293	416
(iii) Existing older renter households, likely to move	186	170	284
(iv) Need from obsolete elderly housing	5	5	8
(v) Existing older homeowner households	573	669	899
(vi) Existing older homeowner households likely to move	29	33	45
(vii) Households from outside market area	38	37	58
Total demand (i) + (iii) + (iv) + (vi) + (vii)	292	283	447

<sup>1</sup> Excluding overlap

note: totals may not add due to rounding

Source: John Wall and Associates

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### DEMAND

Total demand is therefore seen to amount to 447 units. This total demand has to be segmented to determine demand by number of bedrooms per unit. Typically, it can be reasonably assumed that perhaps two-thirds of older households (55 years and older) would choose a one-bedroom unit, and one-third would chose a two-bedroom unit.

### SUPPLY

These figures are based on a 2010 to 2014 projection period and therefore have been corrected to account for the funding and/or construction of any directly comparable projects in the market area over this period. There has been no construction of comparable housing over the projection period, nor has any been approved for construction. The net demand is therefore 447 units. These various calculations are summarized as set out in Table 23, on the following page.

Table 23 - Demand Calculations and Capture Rates

Overall Demand	<u>50 percent</u>	<u>60 percent</u>	<u>Total<sup>1</sup></u>
1 bedroom	195	188	298
2 bedroom	97	94	149
Total	292	283	447
Supply			
1 bedroom	0	0	0
2 bedroom	0	0	0
Total	0	0	0
Net Demand			
1 bedroom	1 195	188	298
2 bedroom	97	94	149
Total	292	283	447
Units proposed			
1 bedroom	8	32	40
2 bedroom	2	6	8
Total	10	38	48
Capture rates			
1 bedroom	4.1%	17.0%	13.34
2 bedroom	2.1%	6.4%	5.4%
Total	3.4%	13.4%	10.7%

<sup>1</sup> Excluding overlap

note: totals may not add due to rounding

Source: John Wall and Associates

## CAPTURE RATES

A total of 48 units are to be provided at the proposed development. Thus, this figure represents 10.7 percent of total need. The 40 one-bedroom units represent 13.4 percent of the calculated need for one-bedroom units, and the eight two-bedroom units represent 5.4 percent of that need. The ten units at 50 percent of the median represent 3.4 percent of the need for units at that level, and the 38 units at 60 percent of the median represent 13.4 percent of the need at that level. These various capture rates suggest that the units at the proposed project are feasible based on DCA criteria<sup>1</sup>.

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<sup>1</sup> Project feasibility will be based on market capture rates less than 30 percent for all efficiency, one - and two - bedroom units, less than 40 percent for all three-bedroom units, less than 50 percent for all four-bedroom units in the project.

In rural counties, (as defined), project feasibility will be based on market capture rates of 35 percent or less for all efficiency, one -bedroom units, 35 percent or less for all two-bedroom units, 40 percent or less for all three-bedroom units and 50 percent or less for all four- or more bedroom units in the project. In addition, project feasibility will be based on capture rates of less than 35 percent for all tax credit units, less than 35 percent for all market rate units and less than 35 percent for the project as a whole.

Market capture rates for each target income range shall not exceed 70 percent for all proposed bedroom types, (for example, the capture rate for all efficiency, 1, 2, 3, and 4 bedroom units at 50 percent proposed should be less than 70 percent.)

## ABSORPTION RATES

Our review of the capture rates for the proposed development suggest that the project is realistic, as proposed. Thus, in our opinion, the size of the project, the site location, and capture rates suggest that the project could expect to rent-up over a 180-day period, or less <sup>1</sup> (given that the project is presumed to be placed in-service in the second quarter of the year - which is advantageous - and that there is a professional pre-leasing program). This translates to an average of eight units per month.

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<sup>1</sup> assuming a sustained, achievable, occupancy level of 93 percent.

Capture Rate Analysis Chart

Unit Size	Income Limits	Units Proposed	Total Demand	Supply	Net Demand	Capture Rate (%)	Absorption (days) (approx)	Average Market Rent	Market Rents Band Min-Max	Proposed Rents
<b>30% AMI</b>	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4 Bdrm									
<b>50% AMI</b>	1 Bdrm	8	195	0	195	4.1	60	\$585	\$524-605	\$410
	2 Bdrm	2	97	0	97	2.1	30	\$640	\$576-647	\$510
	3 Bdrm									
	4 Bdrm									
<b>60% AMI</b>	1 Bdrm	32	188	0	188	17.0	180	\$585	\$524-605	\$517
	2 Bdrm	6	94	0	94	6.4	60	\$640	\$576-647	\$562
	3 Bdrm									
	4 Bdrm									
<b>Market</b>	1 Bdrm									
	2 Bdrm									
	3 Bdrm									
	4 Bdrm									
<b>TOTAL</b>	30% AMI									
<b>For</b>	50% AMI	10	292	0	292	3.4	60			
<b>Project</b>	60% AMI	38	283	0	283	13.4	180			
	Market									

### SUPPLY ANALYSIS (COMPARABLE RENTAL DEVELOPMENTS)

At present there are several apartment complexes located in Monroe. These include a few small conventional, market rate properties, properties financed with low income housing tax credits, and a significant amount of subsidized housing for very low income tenants (including public housing). At present, there are three rental properties which are designated for elderly tenants. Two such properties are fully subsidized, and the other is a market rate development. These complexes have been identified and surveyed, and where useful information was made available to us, this is presented, below.

There are no tax credit-financed properties in Monroe which are designated for seniors. The proposed development is an adaptive re-use project which will offer new, affordable, housing in the Monroe area. As such, it is quite unique - and consequently there are no properties in the area at present which can be considered directly comparable.

The Cottages at Monroe is a conventionally financed development catering to persons aged 55 years and older. The property is located on Breedlove Drive, near the Hospital. It opened in 2003 and offers a total of 51 units - 18 one-bedroom units and 33 two-bedroom units. These units are large and offer significant amenities. The one-bedroom units are 1,200 square feet and the two-bedroom units are 1,400 square feet. Rents are \$1,985 for a one-bedroom unit and \$2,025 for a two-bedroom unit - rent includes all utilities - water, sewer, trash, and electricity. The development is gated and each unit has a one car garage. Currently there are reported to be ten vacant units - 80.1percent occupancy - with 90 percent is reported to be typical.

Walton Village is a 48-unit HUD Section 8 complex for the elderly, handicapped, and disabled - built in 1982. All units have one bedroom. The contract rent is \$603, excluding utilities. The project is fully occupied and is reported to remain so on an ongoing basis (with a waiting list).

Highland Village is a 55-unit complex funded through the USDA/Rural Development Rural rental Housing program. There are 52 one-bedroom units, and three two-bedroom units. Market rents are \$524 and \$576 for one- and two-bedroom units, respectively. Of the 55 unit total, 51 units have full rental assistance. At present the property is 100 percent occupied, which is typical. There is a waiting list.

The proposed development will offer a project that is newer and in better physical condition, with better amenities, than is the norm in the subsidized market in Monroe at present, and will offer affordable units, relative to the existing market rate elderly units. The proposed mix of rents, unit, types, and unit sizes are considered appropriate for a new tax credit property in this community.

The newest tax credit project for families are the Skyline Trace Apartments - which was funded in 2008. There, one- and two-bedroom units are reported to be \$560 and \$630.

HUD Fair Market Rents range from \$757 for a one-bedroom unit to \$842 for a two-bedroom unit. Using the utility allowances for the subject property, this suggests rents of \$605 and \$647 for one-, and two-bedroom units.

Georgia DCA market study guidelines require the determination of average market rents. The only market rate apartments for the elderly are the Cottages at Monroe. As noted above the rents at this property are in the \$1,945 to \$2,025 range - for large, luxury units and include security, garages, and all utilities. Based on this single example it is difficult to establish a market rent for elderly housing for the area. Consideration of the Fair Market Rent for the area, the rents at the newest tax credit family property in particular, this suggests an average of around \$585 for a one-bedroom unit and \$640 for a two-bedroom unit. These values are considered reasonable for the purposes of this report (given the rents at the Cottages, these figures may be somewhat conservative).

Overall occupancy in the complexes surveyed and for which useful information was provided amounted to 93.5 percent. Occupancy in the market rate property amounted to 80.4 percent. Given that there are no tax credit financed complexes designated for the elderly, occupancy data are unavailable. There are no data available for market-wide occupancy levels over the last several years, nor are occupancy projections available.

The existing elderly developments in our survey are summarized as follows:

Complex name	Financing	Year built	Total units	Vacant units	Occupancy (%)
Cottages of Monroe	conventional	2003	51	10	80.4
Highland Village	USDA/RD § 515	1989	55	0	100.0
Walton Village	HUD § 8	1982	48	0	100.0

Number of Units

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Cottages of Monroe	51	-	18	-	-	33	-	-	-	-	-	-
Highland Village	55	-	52	3	-	-	-	-	-	-	-	-
Walton Village	48	-	48	-	-	-	-	-	-	-	-	-

Rent

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Cottages of Monroe	51	-	\$1,945	-	-	\$2,025	-	-	-	-	-	-
Highland Village	55	-	boi	boi	-	-	-	-	-	-	-	-
Walton Village	48	-	boi	-	-	-	-	-	-	-	-	-

Square Feet

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Cottages of Monroe	51	-	1200	-	-	1400	-	-	-	-	-	-
Highland Village	55	-	n/a	n/a	-	-	-	-	-	-	-	-
Walton Village	48	-	n/a	-	-	-	-	-	-	-	-	-

Rent/sq.ft.

Complex name	Total	0 br	1 br 1 ba	2 br 1 ba	2 br 1.5 ba	2br 2 ba	3 br 1 ba	3 br 1.5 ba	3 br 2 ba	3 br 2.5 ba	3 br 3 ba	4 br
Cottages of Monroe	51	-	\$1.62	-	-	\$1.45	-	-	-	-	-	-
Highland Village	55	-	n/a	n/a	-	-	-	-	-	-	-	-
Walton Village	48	-	n/a	-	-	-	-	-	-	-	-	-



**Cottages of Monroe**

Location: 601 Breedlove Drive, Monroe  
 Year built: 2003

Total units: 51  
 Typical occupancy: 90%

	<u>1 br/1½ ba</u>	<u>2 br/2 ba</u>
Units:	18	33
Unit size (sq. ft.):	1,200	1,400
Rent:	\$1,945	\$2,025
Rent/sq. ft.:	\$1.62	\$1.45

Vacant units: 10, overall

Management      Owner-managed (770.207.5335)

Utilities in rent:    Water     Sewer     Trash     Heat     Electricity

Amenities:            Club House/fitness center     Pool     Tennis     Playground     Business Center   
                              Security gate     Garages (\$ )     Laundry

Appliances:           Refrigerator     Range/oven     Microwave     Dishwasher     Disposal   
                              Washer/Dryer     Washer/Dryer Hook-up

Unit features:        Blinds/Drapes     Carpet     AC     Fireplaces (\$ )     Patios/balconies



**Highland Village**

Location: 510 Plaza Trace, Monroe  
 Financing: USDA/RD \$515  
 Year built: 1989

Total units: 55  
 Rental assistance: 51  
 Typical occupancy: 100 % (waiting list)

	<u>1 br/1 ba</u>	<u>2 br/1 ba</u>
Units:	52	3
Unit size (sq. ft.):	n/a	n/a
Basic rent:	\$365	\$385
Market rent:	\$524	\$576
Rent/sq. ft.:	n/a	n/a
Vacant units:	0	0

Management Boyd Management (770.267.5304)

Utilities in rent: Water  Sewer  Trash  Heat  Electricity

Amenities: Club House/fitness center  Pool  Tennis  Playground  Business Center   
 Security gate  Garages (\$ )  Laundry

Appliances: Refrigerator  Range/oven  Microwave  Dishwasher  Disposal   
 Washer/Dryer  Washer/Dryer Hook-up

Unit features: Blinds/Drapes  Carpet  AC  Fireplaces (\$ )  Patios/balconies



**Walton Village**

Location: 210 Baker Street, Monroe  
 Financing: HUD §8  
 Year built: 1982

Total units: 48  
 Rental assistance:  
 Typical occupancy: 100 % (waiting list)

1 br/1 ba

Units: 48  
 Unit size (sq. ft.): n/a  
 Contract rent: \$603  
 Rent/sq. ft.: n/a  
 Vacant units: 0

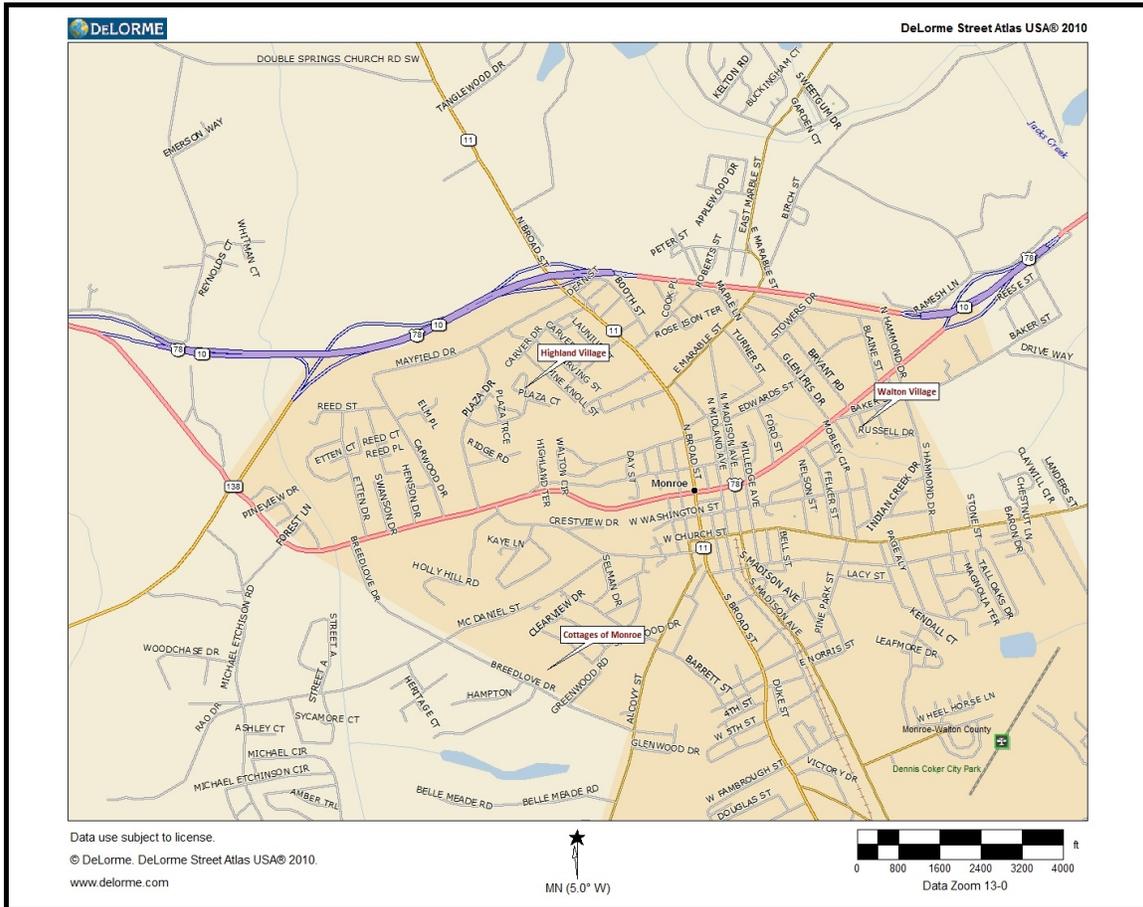
Management: Crimson Management (770.267.9588)

Utilities in rent: Water  Sewer  Trash  Heat  Electricity

Amenities: Club House/fitness center  Pool  Tennis  Playground  Business Center   
 Security gate  Garages (\$ )  Laundry

Appliances: Refrigerator  Range/oven  Microwave  Dishwasher  Disposal   
 Washer/Dryer  Washer/Dryer Hook-up

Unit features: Blinds/Drapes  Carpet  AC  Fireplaces (\$ )  Patios/balconies



Existing elderly apartments

## INTERVIEWS

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

As noted, property managers are a major source of information for a project such as that proposed (their contact details are provided as part of the rental survey set out in the previous pages).

Melna, the manager at Walton Village noted that older persons should be able to afford the rents at the proposed development based on what tenants at her property were paying. Margie, at the Cottages of Walton, noted that it did not appear to be a problem for potential tenants to sell their homes prior to relocating to her property.

## CONCLUSIONS AND RECOMMENDATIONS

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

## ANALYST QUALIFICATIONS

John Wall and Associates is a planning and economics consulting firm which provides real estate market analysis. The firm is an independent licensee of JWA, Incorporated. John Wall and Associates was established in Cary, North Carolina in June 1990. The firm has another office, located in Anderson, South Carolina.

The President of the Cary firm is T. Ronald Brown. He has more than 25 years experience in the provision of real estate market studies. Prior to establishing the Cary office of John Wall and Associates, Mr. Brown was Managing Associate of Stephens Associates in Raleigh for five years.

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

Since June, 1990 the firm has produced more than 1,500 market studies, in more than 20 states. The firm has primary experience in market analysis for residential projects including both single-family homes and multi-family units (for sale and for rent). A significant proportion of the firm's business focuses on apartment market studies—for family renters and for elderly persons. These reports include conventionally financed projects (including HUD 221 (d) (4) projects), affordable housing (including tax credit financed projects) and subsidized housing.

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

**SIGNED STATEMENT**

*I affirm that I, or an individual employed by my company, have made a physical inspection of the market area and site and that information has been used in the full assessment of the need and demand for new rental units. To the best of my knowledge, the market appears to support the demand shown in the study. I understand that any misrepresentation of this statement may result in denial of further participation in the Georgia Housing Finance and Development Authority's rental housing programs. I also affirm that I have no interest in the project or relationship with the ownership entity and my compensation is not contingent upon the project being funded.*



Market Analyst

Date: June 11, 2012

## GLOSSARY

The following presents the definitions of various terms typically found in real estate market studies. This information is drawn from various sources including HUD, the Census Bureau, and the Urban Land Institute.

**Absorption rate** - the amount of real estate (for example, apartment units) that will be leased (or sold) in a given period of time.

**Affordable housing** - housing that costs an owner or renter no more than 30 percent of his or her income.

**Amenity** - non-monetary tangible or intangible benefit offered to a leasee—typically recreational facilities or planned activities.

**Assisted housing** - housing where the monthly costs to the tenants are subsidized by federal or other programs.

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

**Average stabilized occupancy** - typical occupancy level after the initial rent-up period.

**Based-on-income (BOI)** - approach to determining housing costs in subsidized housing programs.

**Below Market Interest Rate program (BMIR)** - program targeted to lower income renters by limiting rents based on HUD income limits. Here, rent is not supplemented directly to a complex, but developers are eligible for below market interest rates on their mortgage loan.

**Capture rate** - proportion/percentage of total demand within a targeted market segment that a project can expect to attract.

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

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

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

**Comparable or comparable property** - another property to which a subject property can be compared to

reach an estimate of the subject property's market value or market rent.

**Concession** - discount given to a prospective tenant to induce him or her to sign a lease—typically in the form of free rent.

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

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

**Employment trends** - changes in the number of persons in employment for a particular area over a specific period of time.

**Extremely low income** - household income below 30 percent of the local area median, as defined by HUD.

**Fair Market Rents (FMR)** - HUD's estimate of market rent for an apartment in the conventional marketplace.

**Garden apartments** - two- or three-story multifamily housing development that features low density, ample open-space around buildings, and on-site parking.

**Group quarters (GQ)** - the Census Bureau classifies all people not living in households as living in group quarters. There are two types of group quarters: institutional (for example, correctional facilities, nursing homes, and mental hospitals) and non-institutional (for example, college dormitories, military barracks, group homes, missions, and shelters).

**High-rise** - a tall building, usually having more than ten stories in apartment buildings.

**Household** - a household includes all the people who occupy a housing unit as their usual place of residence.

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

**Housing Finance Agency (HFA)** - state agency responsible for financing housing and administering assisted housing programs.

**HUD Section 8 program** - program administered by HUD and targeted to low- and very-low income families who pay the higher of either 30 percent of their adjusted income or 10 percent of their gross income on rent. Many HUD § 8 apartments are reserved for the elderly, and a small portion are specially designed for the mobility impaired.

**HUD Section 202 program** - units designed for elderly or disabled low- and very-low income persons. Developed by non-profit entity.

**HUD Section 236 program** - program targeted to lower-income families who pay a set basic rent, or 30 percent of their adjusted income on rent, whichever is higher (but no exceeding the market rent).

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

**Low income** - as applied to most housing programs, household income below 80 percent of the local area median income, as defined by HUD.

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

**Market analysis** - the synthesis of supply and demand analysis in a particular market.

**Market area** - the geographical region from which the majority of demand and the majority of competitors are drawn is considered the market area, or primary market area. A secondary market may be that area beyond the primary market area from which a certain amount of demand and competition may be drawn.

**Market vacancy rate** - proportion/percentage of apartment units in any market which are unoccupied.

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

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

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

**Neighborhood** - a segment of a city or town with common features that distinguish it from adjoining areas.

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

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

**Reasonable marketing and management** - professional program to acquaint potential tenants with a particular product and retaining them after their agreement to rent.

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

**Rent overburden** - circumstances where renters devote more than 30 percent of their income to housing costs.

**Rental housing demand** - demand for rental housing--which may be derived from population and household growth and demand from existing rental households who would consider moving to any proposed development.

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

**Special needs population** - specific market niche which is typically not catered to in a conventional complex. This population should exhibit certain criteria which can be well-defined and are reasonably quantifiable, in order, for example, to assess the need and demand from this source.

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

**Subsidy** - below market rent charged to a tenant (usually in an income group below a specified threshold) that is a function of a particular financing program.

**Substandard conditions** - housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities or overcrowded conditions (more than one person per room, on average).

**Target population** - market niche a development will appeal to or cater to.

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

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

**Townhouses** - single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called a rowhouse.

**USDA/Rural Development (RD) program** - formerly the Farmers Home Administration Section 515 rural rental housing program. Here, low interest (1 percent) loans are made to owners to reduce rents (including utilities) paid by low-income tenants. The program serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent, whichever is the higher (but not exceeding the market rent). In many cases project-based rental assistance is available and very low income tenants pay 30 percent of their adjusted income on rent and utilities.

**Very low income** - household income below 50 percent of the local area median, as defined by HUD.

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