

Housing Market Analysis

Dove Street Area

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Prepared for:
Richmond Redevelopment and Housing Authority

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Proposed Overall Housing Mix

300 new housing units are targeted for the Dove Street area, of which 180 are anticipated for the first phase Carrington/Northridge/Dove Court sites and 120 units for other sites in the area. On **Table 1**, we show the unit mix by income level and tenure proposed for this location. This mix is 35% rental and 65% sales; 30% of units are programmed as public housing replacement rentals. 35% of units are targeted to be affordable at 80% of SMSA median, including 90 sales units and 15 affordable rentals. The final 35% are sales units being offered at market rate (105 units).

Table 1: Recommended Housing Mix for Dove Street Area

Dove Street Area Mix	Proposed Mix		Based on 300 Units	
	Sales	Rental	Sales	Rental
Targeted to Public Housing Eligible Affordable—80% of AMI		30%		90
Market-Rate	30%	5%	90	15
	35%	-	105	-
TOTAL	65%	35%	195	105

Depending on market conditions in neighborhoods surrounding the Dove Street sites in particular years, “market-rate” home sales may also end up being affordable at 80% of SMSA median.

The overall proposed housing unit mix and phasing for 300 units of development are shown on **Table 2**. For the 90 units of rental product targeted to the public housing income-eligible market, the proposed distribution of unit sizes is:

- 15% one-bedroom—14 units;
- 55% two-bedroom—49 units;
- 25% three-bedroom—23 units; and
- 5% four-bedroom—4 units.

For compatibility with the character of the surrounding community and with the proposed sales unit development on these sites, these rental housing units will be clustered in smaller building types of 2,500 to 5,000 SF. As a result, the preponderant building types should be duplexes or small clusters of three to four townhomes or stacked flats, as detailed on Table 2.

Sales unit housing types being considered for affordable and market-rate sales include small lot single family detached homes, “new urbanist” duplexes with non-adjacent or set-back entrances, townhomes, and multi-unit manor home structures.

Table 2: Overall Housing Mix for Dove Street Area

Overall Dove Street Area Housing Mix							
Unit Size	Total Units	Total Sales	Building Type/Location for Sales Housing		Total Rental	Building Type/Location for Rental Housing	
			Carrington/ Northridge/ Dove Court	Other Locations		Carrington/ Northridge/ Dove Court	Other Locations
<u>Replacement Housing:</u>							
One-Bedroom	14				14	8	6
Two-Bedroom Townhome/Manorhome	13				13	8	5
Two-Bedroom Duplex	36				36	22	14
Three-Bedroom Townhome/Manorhome	11				11	6	5
Three-Bedroom Duplex	12				12	7	5
Four-Bedroom Duplex	2				2	1	1
Four-Bedroom SFR	2				2	2	
Total	90				90	54	36
<u>Affordable</u>							
One-Bedroom	2				2		2
Two-Bedroom Townhome/Manorhome	12	8	6	2	4	3	1
Two-Bedroom Duplex	16	12	8	4	4	2	2
Three-Bedroom Townhome/Manorhome	11	10	8	2	1	1	
Three-Bedroom Duplex	52	48	32	16	4	2	2
Three-Bedroom SFR	4	4	4				
Four-Bedroom SFR	8	8	5	3			
Total	105	90	63	27	15	8	7
<u>Market Rate</u>							
Two-Bedroom Townhome/Manorhome	9	9	7	2			
Three-Bedroom Townhome/Manorhome	17	17	15	2			
Three-Bedroom Duplex	34	34	30	4			
Three-Bedroom SFR	14	14	1	13			
Four-Bedroom SFR	31	31	2	29			
Total	105	105	55	50			
Total	300	195	118	77	105	62	43

Source: Urban Partners

Sales Housing Mix and Pricing

We have examined the 186 home sales transactions that have occurred in the neighborhoods surrounding the Dove Street area in the past two years and have extrapolated to the likely demand for new sales units on the Dove Street sites. All these recorded sales are single-family detached homes and this examination included 11 recorded sales of newly-constructed homes in the Rose Corridor development. We should also note that 30% of these sales were to investors, including 44% of units smaller than 1,200 SF.

For the 131 sales to owner-occupants, 15% of the units were smaller than 1,200 SF and another 15% of units were larger than 2,250 SF. The median unit size was 1,680 SF. Prices ranged from \$10,000 to \$266,000, with a median sales price of \$155,000. 18 of these units had been constructed since 1995; prices for these newer units ranged from \$135,000 to \$230,000, with a median of \$199,000.

Table 3 shows the proposed mix of sales unit types for the Dove Street area sites based on our analysis of the sales housing markets in the adjacent neighborhoods. We have assumed for financial feasibility and to maximize the effectiveness of the available sites that most units smaller than 1,900 SF would be clustered as duplexes, townhomes, or manor homes. We, however, assume that these units will be constructed in smaller two- to four-unit buildings that emulate the attractive single-family detached homes in the area.

The proposed overall mix includes approximately 30% single-family detached homes (SFRs), 50% duplexes, and 20% townhome/manor home units. The price ranges shown are market-rate; we assume until further more detailed analysis that the price points below \$195,000 identified for townhomes, duplexes, and SFRs of 1,700 SF or less will be deemed reasonably priced for the affordable market at 80% or less of the median income.

Table 3: Recommended Mix and Price Range for Dove Street Area Sales Housing

Unit Type	Estimated Price Per SF	Price Range		Share of Affordable & Market-Rate Sales Housing
		Low	High	
1,000 – 1,300 SF Townhome (2-Bedroom)	\$135	\$135,000	\$170,000	5-10%
1,300 – 1,600 SF Townhome (3-Bedroom)	\$120 - \$135	\$170,000	\$195,000	15%
1,500 – 1,900 SF Duplex (2 & 3 Bedroom)	\$110 - \$125	\$185,000	\$210,000	50%
1,700 – 2,100 SF SFR (3-Bedroom)	\$105 - \$115	\$195,000	\$220,000	10%
2,100 – 2,500 SF SFR (4-Bedroom)	\$100 - \$105	\$220,000	\$245,000	20%

Development Phasing and Sales Unit Absorption

The Dove Street area is assumed to be “ready to go.” The first phase of development is targeted for the Carrington/Northridge/Dove Court sites and will provide capacity for 180 units—62 rentals and 118 sales units (see Table 2). The initial development will include a rental tax-credit transaction providing the 62 rental units clustered in two groups of 22 and 40 units. With supported rent levels, these units should be absorbed immediately.

Sales housing should be marketed simultaneously with or, ideally, in advance of the development of this initial rental phase. The gateway to the Northridge/Carrington sites from Dove Street may provide a strong “front door” for this sales development. A mix of affordable and market rate units representing all proposed unit sizes and types should be made available in the early stages of development to capture the broad range of market potential.

Current (early 2009) housing market conditions nationally make it difficult to predict with any precision likely absorption of units. Assuming that national credit conditions improve by the end of 2009 and that current excess inventories are absorbed during 2010, we might anticipate that sales housing conditions in this area may return by 2011 to the levels of activity seen in 2006 through 2008.

Under these assumptions, new sales housing development in this first phase might capture 25% of market activity in the vicinity of the site, or perhaps two to three units of sales per month. At that pace of sales (25-35 per year), the proposed 118 sales units in Phase 1 would require three to five years for full absorption.

The second phase of development is targeted for other Dove Street area sites, generally north of Dove Street. These sites will provide capacity for 120 units—43 rentals and 77 sales units (see Table 2). This development will likely include a rental tax-credit transaction providing the 43 rental units in a compact cluster of half duplexes and half townhome/manor home product. Sales unit product in this second phase should be targeted more heavily to three- and four-bedroom market rate single family detached homes on smaller lots.