

Downtown Meridian Multifamily & Condominium Market Feasibility Study

Prepared for
Meridian Development Corporation

Prepared by
Pegasus Planning and Development
www.PegasusATX.com

Executive Summary

This report was created for the Meridian Development Corporation with the intention of gauging market demand for multifamily and condominium style housing in Downtown Meridian. This study also examined the perceptions of fostering housing in Downtown among developers, lenders and brokers.

The results of this quantitative and qualitative analysis is that Downtown Meridian can support up to 488 multifamily and condominium residential units through 2025 (~40 units per year). The current occupancy rates for both types of housing are very high (above 94%) and there are few new projects in the pipeline that will change that occupancy rate significantly. Furthermore, historical and projected population and employment growth yield a continued demand for new housing.

The housing demand was not surprising, given a region and community that has and will continue to grow. The surprising element to this study was the perceptions of the lending, appraisal and broker community about the possibility of doing housing or even mixed-use in Downtown Meridian. Because of these perceptions, a significant amount of resources (time and money) will need to be spent to illustrate the true market opportunities and destination attraction that Meridian has to offer.

Actions the City and MDC should take include the following key recommendations:

- ✓ Market the downtown to developers, brokers, bankers
- ✓ Be more aggressive about developing key parcels for mixed-use development
- ✓ Focus economic development efforts downtown to stimulate catalytic projects in or near downtown
- ✓ Better collaborate on implementation

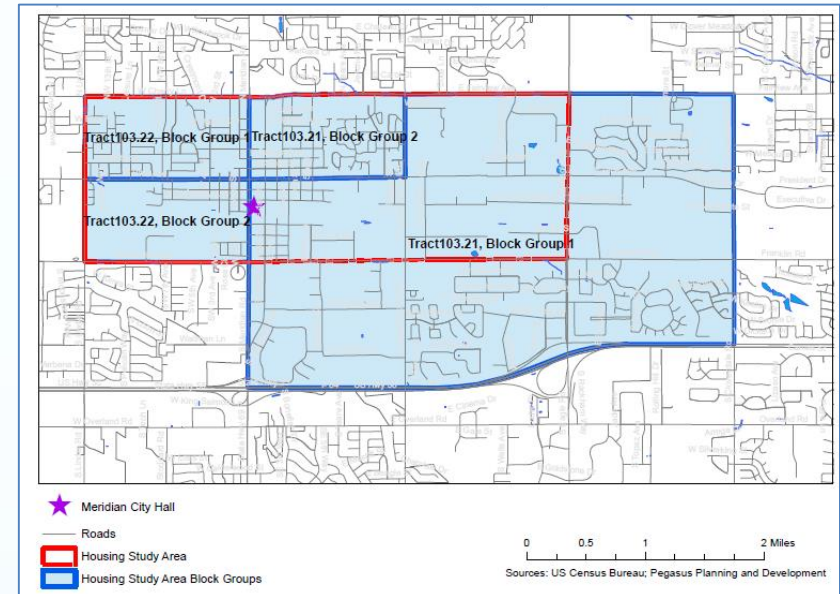
This study will help MDC and its partners focus resources to jumpstart downtown revitalization.



The buyers and renters moving into downtown Boise (and really all over US downtowns) are baby boomers (>55 years old) and Millennials (30-40 years old). Meridian should consider these two markets for residential development, and the amenities that will draw them – walkability/bikeability to their employer/office, college, entertainment and cafes/dining. They also like the ability to walk their dogs in a dog park, meet friends at “third places” and farmer’s markets.

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For questions and comments related to the data in this report, please contact:

Sean Garretson
President
Pegasus Planning and Development
Sean@PegasusATX.com
(512) 300-7270

Introduction



Introduction

This report was commissioned by the Meridian Development Corporation (MDC) in October 2014. It was completed by economic strategy and market analysis firm, Pegasus Planning and Development.

Purpose of the Study

The MDC and their partners are interested in understanding market opportunities for increased housing in greater Downtown Meridian (defined as the area located between Cherry Lane and Franklin Road, and Linder Road and Eagle Road). Specifically, MDC would like to understand the market opportunities for multifamily and condominium, and the potential for applying these uses in a vertical mixed-use development. The MDC currently manages the city's only Urban Renewal District and would identify the best and highest value propositions for improvements in this reinvestment zone.

Function of the Report

This report is designed to generate reasonable assumptions of future housing units demanded in the next eleven years (from 2014-2025), and to test assumptions related to consumer segmentation for such units. This report will ideally serve to inform the MDC, City of Meridian, and potential developers and lenders of the nature and scale of housing demanded in the study area.

Methodology

Pegasus conducted thorough data analysis of trends in the Meridian, Downtown Meridian, and Boise markets. We analyzed statistical data through public data sources as well as qualitative input from area brokers, developers, and lenders to approximate an appropriate demand projection. Projections were derived through analyzing historical growth trends and extrapolation.

Qualitative Input



Brokers

Brokers feel that area with the greatest demand for condos is Downtown Boise, however this is primarily for younger buyers looking for a lot of activity and entertainment. They feel there is more opportunity for condos in Meridian for Baby Boomers or Seniors. If the Downtown area were to garner more commercial activity Downtown, they know there would be a good portion of buyers looking at Boise who would consider Meridian and units could presale more easily.

Lending Community

Lenders would be interested in receiving proposals and funding MF and Condos in the Downtown; however, there would be challenges with appraisal due to the existing market. May be a need for the City or MDC to provide loan guarantees to offset the high interest rates or significant private equity portions lenders currently require for downtown projects.

Developer Community

Developers want to see more activity in the Downtown to increase demand and willingness to pay to ensure that projected rents could pencil out. The economics of land values, construction cost, and Median Incomes in the market area perpetuate the status quo of Single Family development on the outside of town. While there could be demand on the part of consumers, it is still a high risk endeavor considering potential rents/sf. Boise dominates the market for these types of units. There needs to be someone or something done to mitigate that risk and provide more upside potential.

Business Community

Employers in and around Meridian consider traffic on I-80 and Eagle Road to be cumbersome to their employees. They know that their employees want to live closer to work, and they are looking for something to do outside of The Village for entertainment. They feel Downtown is a missed opportunity and a priority for the City to improve its economic competitiveness. Downtown is currently home for at least two new high-tech startups, including Scale Station. More employment downtown will translate to more retail and housing created downtown.

Summary of Findings



Greater-Market Area Context

1. Meridian is the fastest growing community in Ada County.
2. The proportion of people living and working in Meridian is increasing
3. Local employers plan to increase investment in the community.
4. The proportion of housing that is Multi-family (2 or more rental units) and condominiums is growing in Meridian but declining in Boise.
5. Vacancy rates for housing is declining and currently only 1.4% for Meridian.
6. Household size is also growing in Meridian and declining in Boise.

Market Area

1. The market area targeted for this study has a higher rental rate than the rest of the city.
2. The market area is growing, but not at the rate of the surrounding city.
3. Lease rates for MF in Meridian are just below that of Downtown Boise
4. Sales prices for single-family homes and condominiums in Meridian are much less per square foot than in Boise. Yet, construction costs are similar.

Projected Units

1. 329 new units can be built in the market area by 2025 if it retains its current capture rate for new housing in Ada County and its high proportion of multifamily and condominium units.
2. If it grows at the same rate as Meridian Household Growth, there will be only 162 units in the market area.
3. If the downtown area follows the rapid rate of population growth, there could be as many as 488 new units.
4. The buyers and renters moving into downtown Boise (and really all over US downtowns) are baby boomers (>55 years old) and Millennials (30-40 years old).

Summary of Findings



Qualitative Input on the Market Area and MF/Condo Development

According to interviews conducted during this study, there are four (4) main challenges for pursuing these development options:

1. Space requirements for residents (extra storage space for recreational equipment)
2. Lack of comparable units for appraisals, “new” and unproven market for lenders lender, who may require up to 50% private equity requirements.
3. Area incomes and willingness to pay make it hard for the development deal to “pencil out”
4. Perception issues among some lenders, brokers and developers that there is no market in Downtown Meridian.

Zoning, Site Development and Permitting

1. There appears to be no issue with Meridian codes or permitting among developers interviewed for this project, and based on Pegasus’ review and understanding of development in other communities.
2. The study area contains more than enough land to accommodate our demand projections for multifamily/condominium housing. This land is already designated for some form of Medium to High Density Residential housing in the Meridian Future Land Use Map (FLUM).
3. The study area does not contain enough undeveloped land to accommodate our projections for single-family housing demand. None of the remaining undeveloped land is currently zoned for Low Density Residential in the Meridian FLUM. Other land would have to be rezoned, including substantial portions of land currently devoted to light industrial uses.
4. Because of spatial constraints and zoning conflicts, Meridian should focus on promoting more Medium to High Density Residential development in the Greater Downtown.

Strategic Considerations

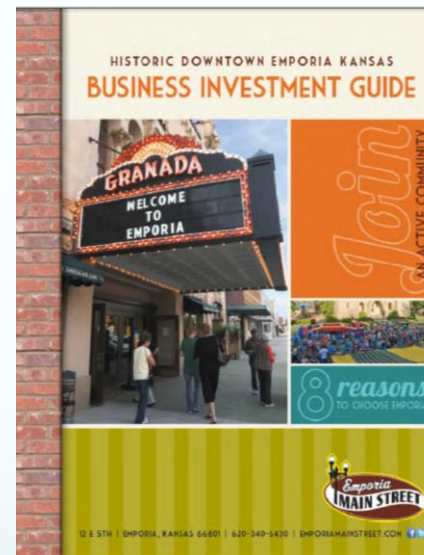


A common definition for Economic Development is “the process of how the public sector facilitates private sector investment.” Never a better case existed for such intervention as with Downtown Meridian revitalization and workforce housing. MDC and the City should continue efforts of urban design, streetscape and infrastructure improvements, and focus additional efforts on the following recommendations to specifically foster downtown housing.

The market analysis found herein reveals the market opportunity for housing in downtown Meridian. Yet, public intervention is required to Change the Perception of Downtown Meridian and to Foster Mixed-use and Mixed-income development in Downtown Meridian. The following are recommendations that Pegasus offers, based on our experiences with developing affordable mixed-use housing in Austin, Texas:

1. Develop a marketing and public relations strategy

- Action 1.1 - Develop a marketing piece specifically for properties in the downtown, stressing the Vision, the current conditions, properties for sale and market opportunities.
 - Use this locally and also within the NW US.
 - Don't rely on local developers, bankers and investors.
 - Join Urban Land Institute and Congress for New Urbanism, and attend conferences with eye towards deal making.
- Action 1.2 - Develop a public relations campaign geared towards Millennials and Baby Boomers
 - Stress/cite the current high-tech companies downtown, the ease of transportation access to downtown Meridian, and the housing and real estate.



Strategic Considerations



2. Leverage Public Resources

- Action 2.1 – Secure or preserve key properties for revitalization.
 - Purchase the McFadden property. The asking price is below market. This is an opportunity for the MDC to own a key parcel and then create a RFP to solicit developer participation. In that RFP, the MDC and City articulate their needs and interests (housing, retail, other) and make that a part of the required development. In return, the developer obtains the property free and clear, once all public benefits have been met.
 - Purchase the church property on Pine, should this property ever become available. Church property in such a small downtown can be limiting in the positive impact to the pedestrian activity that is desired downtown. This property is a key property that if assembled correctly, could yield a tremendous mixed-use project.
- Action 2.2 – Utilize public-private funds to stimulate housing development.
 - Utilize CDBG funding (City) in downtown and take a 5-yr advance on the approximately \$300k/year that the City typically gets for CDBG funding. Eligible uses include Demolition, Rehabilitation, Construction, Infrastructure and several other items. Confer with local HUD Office. Consider developing these programs:
 - Down-payment assistance program (combined with Employer-based Assistance Programs)
 - Revolving Loan Fund (for commercial or residential) which can be used for new developments or rehabilitations of existing buildings.
 - Purchase land for private development (and public benefit).
 - Develop a workforce housing fund for developers who are interested in creating housing for those making less than 80% MFI
 - Consider creating a housing finance corporation with City of Meridian.
 - Consider creating forgivable loans to developers, or partner with local or outside banks to create guarantees for loan commitments. In return, Lenders provide lower interest loans and require less than 30% private equity to receive 70% debt financing.



3. Foster Networking and Economic Development

- Action 3.1 – Create a food trailer park with private developers
- Action 3.2 – Foster office technology firms downtown

Housing Unit Demand: Quantitative Analysis



Overview

We studied the housing unit potential of the Greater Downtown Meridian area using a variety of methods informed by Census statistics and geospatial analysis:

- We identified the study area and compared it to Census Block Group data.
- We used three methods to estimate total demand of housing units in that area between 2013-2025
- From these three methods we generated the projections below, including recommended “business as usual” targets and an ambitious “proactive policy” target for multifamily and condo units.
- We tested these estimates against existing zoning on undeveloped land in Greater Downtown Meridian to see if there is sufficient land to accommodate these projections

Housing Unit Demand Projections Greater Downtown Meridian	
Total Units, 2013-2025	1,781
New Single-Family Households	1,452
New Multifamily & Condo Units	329
New Multifamily & Condo Units, with Proactive Policy	488

Market Area Analysis

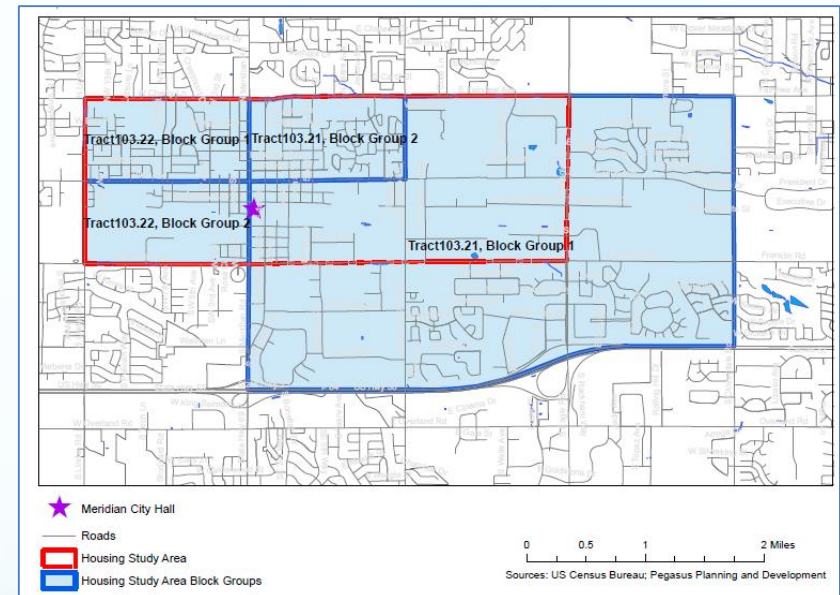


Definition

The study area for this market report is within the City of Meridian, located in Ada County. It is defined by the Red box below, bound by Eagle Road to the East, Cherry Ln/Fairview Ave to the North, Ten Mile Rd to the west, and Franklin Rd to the south (larger map present in the Appendix). Available data sources (Census) cannot be completely dis-aggregated to isolate this this area, so the blue boxes delineate the Census Block Groups used for in this study.

The area is located inside the City of Meridian and encapsulates what is the city's Historic Downtown. Currently the area is home to civic, residential, neighborhood commercial, and some restaurants and bars. The area has an older housing and building stock as well as smaller lots and footprints making it an ideal market for revitalization investments. However, the area's median incomes are lower than the surrounding market, and there remain psychological barriers to investment due to perceptions of the neighborhood. While folks enjoy coming downtown to dine or stop by city hall, housing in the downtown area has lagged behind the growth rates of peri-urban subdivision developments.

For this reason, we analyzed downtown housing in the multifamily and condominium market and performance in the nearest comparable market of Boise.



Housing Unit Demand Estimation



We estimated new unit demand for the Meridian Downtown by using three different methods.

1. We estimated demand based on housing growth rates for Meridian.
2. We estimated demand based on population growth rates for Meridian.
3. We estimated demand based on Meridian Downtown's share of Ada County growth.

We used three different methods to create a reasonable "range" for projecting new unit demand.

1. Method #1 generated a low unit estimate.
2. Method #2 generated a high unit estimate.
3. Method #3 generated an estimate in the middle, between Method #1 and Method #2.

We are recommending that Meridian use this range for its downtown housing planning. *In particular, we recommend the middle estimate, generated by **Method #3**, because this middle "not too low, not too high, but just right" estimate reflects the broader regional trends effectively.* This is important when evaluating the growth potential of any city or sub-geography in a well-integrated metropolitan region.

With proactive policies, however, Meridian could generate the high demand estimated by Method #2.

This is an important benchmark to consider. While the "middle" estimate of Method #3 is likely without any policy changes, with effective leadership the "high" estimate of Method #3 could be achieved, along with the benefits to Meridian's Downtown.

Greater Market Context

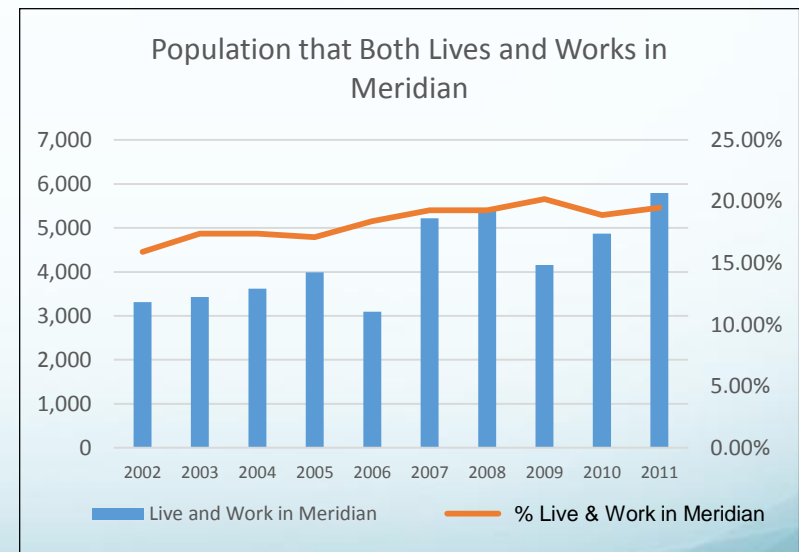
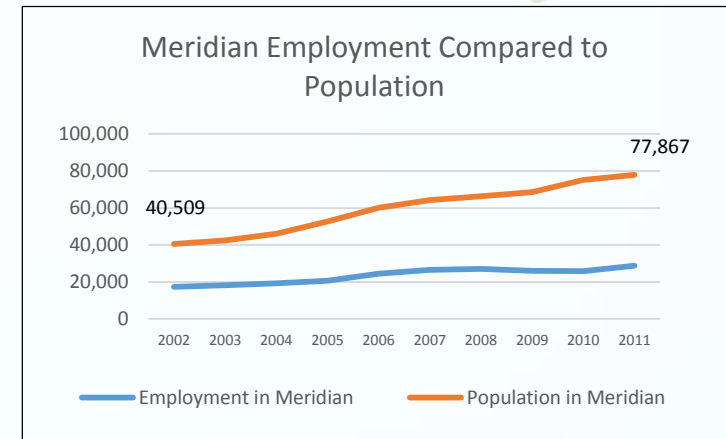


Population & Employment

The population has risen sharply since 1990 when the population was only approximately 10,000 residents. And the current population of 77,936 (according to the American Community Survey estimates) is expected to nearly double by 2035.

The portion of Meridian residents who also work in the city is also climbing in recent years and is now currently at approximately 20% of all workers. The City is engaging in steps to increase local employment through expanding its currently industry base and cultivating workforce programs to facilitate the expansion into new diverse industries. They are seeking to encourage entrepreneurialism with an emphasis on cultivating a start-up cultural nexus in the Downtown.

This public sector leadership and strategy will bolster local employment and keep new businesses in Meridian. And as employment concentrates in the Downtown, particularly new ventures and start-ups, Downtown living will become more attractive.



Zoning Analysis



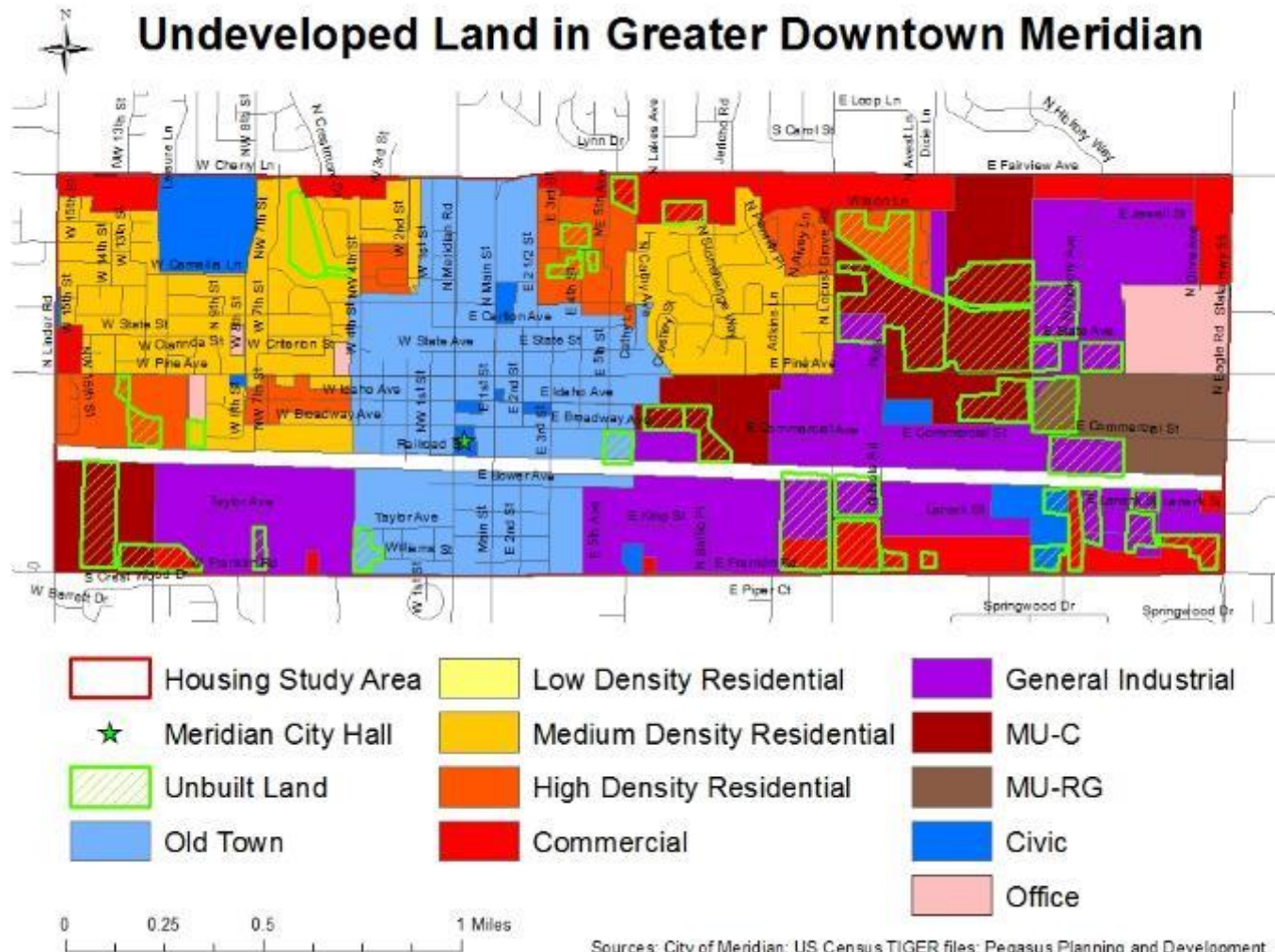
Analyzing Meridian's zoning suggests sufficient capacity to accommodate our growth projections. This map shows undeveloped/agricultural land in Greater Downtown Meridian, compared to their zoning designations in Meridian's Future Land Use Map. Without even addressing redevelopment of existing structures (for instance, the considerable number of light industrial and warehouse spaces in this area) and using the housing density standards of the FLUM, unbuilt land could accommodate between 650-1,670 new units.

Most of these units (56-58%) could be accommodated by the unbuilt land currently designated for high density residential development. Approximately 10 acres are zoned for medium density residential, which could accommodate 42-85 units of either single-family or multifamily/condo development. However, without redevelopment of light industrial property, there is insufficient space to allow for the scale of additional single-family development suggested by the demand analysis.

New downtown housing development should be focused on multifamily and condo growth.

Undeveloped Land in Greater Downtown Meridian					
Zoning Category (FLUM)	Total Acreage	Dwelling Units per Acre		Potential Units	
		Low	High	Low	High
Low Density Residential	0.00	2	4	0	0
Medium Density Residential	10.57	4	8	42	85
High Density Residential	24.01	15	40	360	961
Mixed Use- Commercial (20%)	19.78	6	15	119	297
Mixed Use- Regional (10%)	0.99	15	40	15	39
Old Town	7.24	15	40	109	290
Total	62.59			645	1,671
Sources: City of Meridian; Pegasus Planning and Development					

Zoning Analysis (cont.)



APPENDIX

About US

ECONOMIC DEVELOPMENT

*create strategic plans
for economic
diversification*



MARKET ANALYSIS

*determine feasibility
and fiscal impact for
proposed developments*

"Trends Continue"



"Transitioning Densities"



REVITALIZATION & DEVELOPMENT

*provide insight,
recommendations, and
development services on
catalyst projects to
corridor rejuvenation*



*Mixed-use Buildings, Live-Work Development
3-sites, East Austin, Texas*



*Mixed-use Theater/Art House
East 12th Street, Austin, Texas*

Scope of Work

Pegasus proposes to assist MDC in understanding the housing market potential by performing the following tasks:

Task One – Demand Analysis

Pegasus will analyze the historical, current and projected population and employment trends for Meridian and the Boise Nampa MSA.

Task Two – Supply Analysis

Pegasus will analyze the supply of housing using key market databases (e.g., Census, Claritas), and available data and reports. We will also interview realtors, banks, developers, and MDC staff to determine existing residential inventory, vacancy rates, and lease rates, sales figures and general absorption, as well as gain an understanding of what is being planned or built in the immediate market.

Task Three – Housing Programs, Amenities and Land Development Opportunities and Challenges

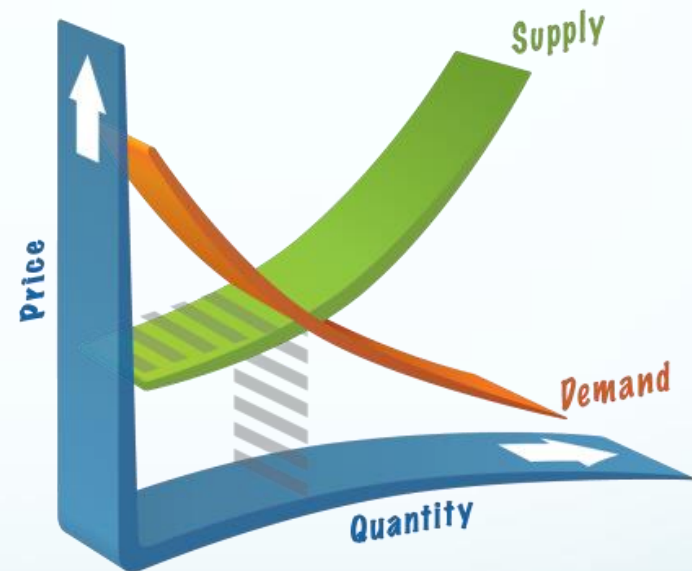
Pegasus will analyze and provide recommendations on housing programs MDC and the City can consider to foster mixed-income housing; land assembly challenges and land development code issues that may be impacting downtown; and amenities needed to attract certain demographics downtown.

Task Four – Summary of Findings & Strategic Recommendations

Pegasus will provide a power point summary of our findings and strategic recommendations for MDC to consider. This will include suggestions of what Millennials and Retirees are looking for in downtown living, and what we anticipate as the market demand in the Study Area (Pegasus will focus the analysis from Eagle Road to the east, Linder Road to the west, Cherry Lane to the north and Franklin Road to the south).

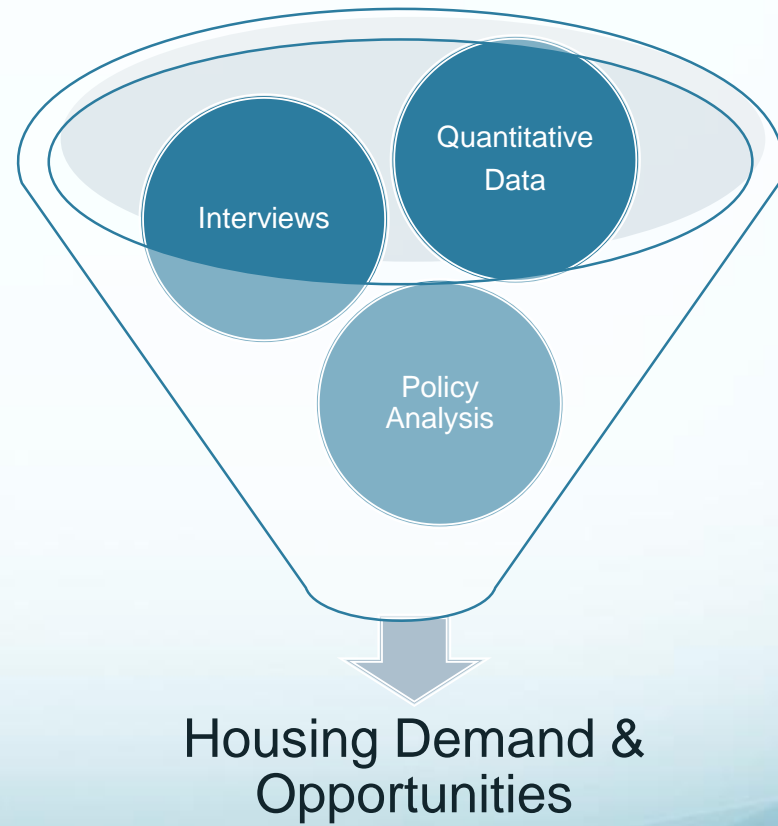
About the Study

- MDC Goals
 - Increase housing, employment, and activities downtown
- TASK TO CONSULTANTS
 - *Focus: MF & Condo*
 - Study existing supply
 - Analyze Market demand
 - Strategic Recommendations



Our Approach

- Quantitative Analysis
 - Employment data and growth
 - Population data
 - Demographics
 - Occupancy & Absorption
- Qualitative Data Gathering
 - Interviews: Developers, Lenders, Brokers in Meridian and Boise



Population and Economy



Population & Household Projection: Meridian

By 2025 if Meridian maintains the same rate of capture of population growth of Ada County, it will reach a population size of 114,932 persons and 38,239 households. The city does have land and room to grow with in the Area of City Impact, but land value will eventually reach a point where cities further west within the Boise Valley will be more affordable and attractive. Enabling denser housing and providing a diversity of housing options should continue to be a focus of the city over the next decade.

Year	Ada County Population	Annual Change	Meridian Forecasts				
			Capture Rate	Total Population	Household Size	Total Households	Annual HH Additions
2013	416,464	7,403	20.07%	83,594	2.97	28,155	1,051
2014	427,665	11,201	20.07%	85,832	2.97	28,880	724
2015	439,167	11,502	20.07%	88,141	2.98	29,626	747
2016	450,979	11,812	20.07%	90,511	2.98	30,392	766
2017	463,108	12,129	20.07%	92,946	2.98	31,177	786
2018	475,564	12,456	20.07%	95,446	2.98	31,983	806
2019	488,354	12,790	20.07%	98,013	2.99	32,810	827
2020	501,489	13,135	20.07%	100,649	2.99	33,658	848
2021	514,976	13,488	20.07%	103,356	2.99	34,528	870
2022	528,827	13,851	20.07%	106,136	3.00	35,421	893
2023	543,050	14,223	20.07%	108,990	3.00	36,337	916
2024	557,656	14,606	20.07%	111,921	3.00	37,276	939
2025	572,654	14,998	20.07%	114,932	3.01	38,239	964

Total New Households, 2013-2025: 11,136
10-year (2015-2025) Growth Rate: 29%

Population and Economy



Population & Household Projection: Boise

Boise household projections were developed for comparison to the Meridian model. Assuming the current capture rate of Ada County population, Boise will also continue to add substantial housing stock.

Year	Ada County Population	Annual Change	Boise Forecasts				
			Capture Rate	Total Population	Household Size	Total Households	Annual HH Additions
2013	416,464	7,403	52.60%	219,051	2.34	93,751	3,192
2014	427,665	11,201	52.60%	224,943	2.33	96,594	2,843
2015	439,167	11,502	52.60%	230,993	2.32	99,523	2,929
2016	450,979	11,812	52.60%	237,206	2.31	102,541	3,018
2017	463,108	12,129	52.60%	243,585	2.31	105,651	3,110
2018	475,564	12,456	52.60%	250,137	2.30	108,855	3,204
2019	488,354	12,790	52.60%	256,864	2.29	112,156	3,301
2020	501,489	13,135	52.60%	263,773	2.28	115,557	3,401
2021	514,976	13,488	52.60%	270,867	2.28	119,061	3,504
2022	528,827	13,851	52.60%	278,152	2.27	122,671	3,610
2023	543,050	14,223	52.60%	285,633	2.26	126,391	3,720
2024	557,656	14,606	52.60%	293,315	2.25	130,224	3,833
2025	572,654	14,998	52.60%	301,204	2.24	134,173	3,949

Total New Households, 2013-2025: 43,614
10-year (2015-2025) Growth Rate: 34.8%

Population and Economy



Historic Population Trends

The Market Area is growing at a slower rate than surrounding parts of Meridian. Much of this is due to economics of development costs and projected sales and rents – from a developer’s perspective, it is cheaper and easier to acquire sufficient land on the city’s periphery and to pencil out single-family home development. Meridian’s growth has been dominated by young families of moderate to high incomes seeking, good schools and affordable housing that is still a reasonable commute to their jobs – which are mostly concentrated in Boise and increasingly in Meridian and nearby cities of Eagle and Nampa. To developers, the Downtown area is more expensive and is considered a higher risk prospect because few comparable properties exist in Downtown Meridian and many perceive the Village development or Boise to be the favored options for more urban living.

Household sizes are rising overall in Meridian, though Downtown and in Boise household size is decreasing. Part of this is linked to national trends of lowering fertility rates among the Millennial Generation (those born from approx 1980 – 1995). Millennials are postponing marriage, finding a stable job, and buying a home and prefer to be mobile and living in accessible, walkable neighborhoods.

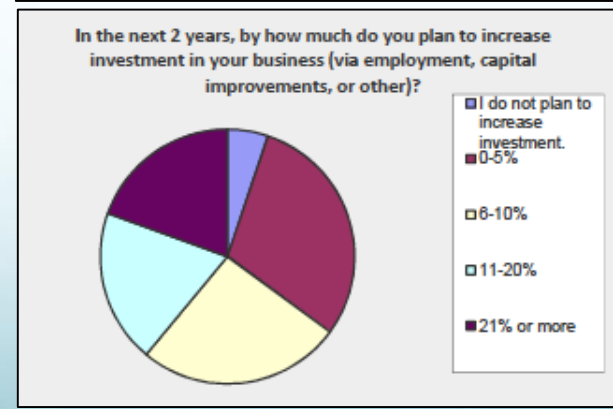
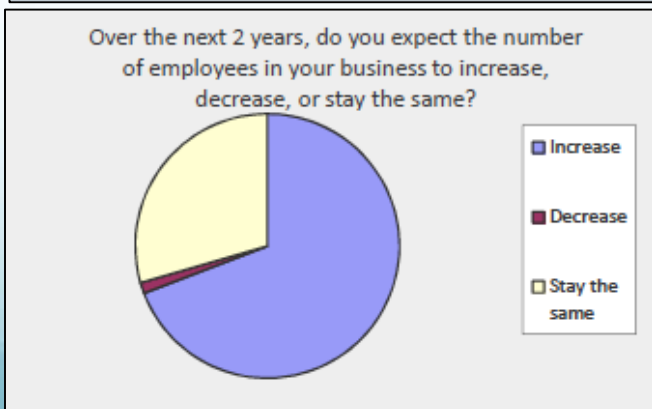
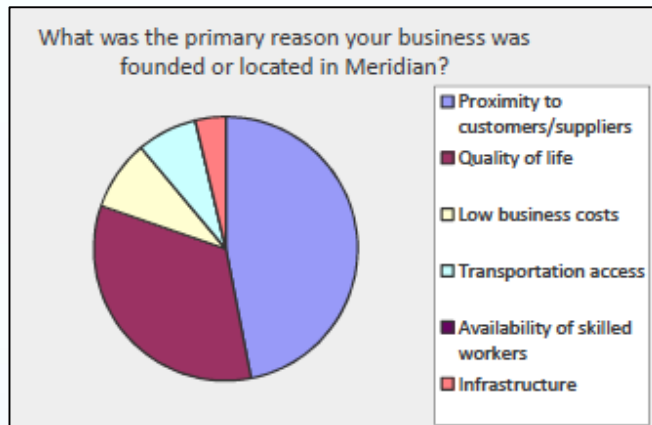
Area	Population			Population in Households		
	2000	2010	Annual Change	2000	2010	Annual Change
Ada County	300,904	392,365	2.69%	293,786	382,651	2.68%
Meridian	34,919	75,092	7.96%	34,656	74,785	7.99%
Boise	185,787	205,671	1.02%	181,774	201,954	1.06%
Market Area	8,308	10,811	2.67%	8,114	10,559	2.67%
Area	Total Households			Average Household Size		
	2000	2010	Annual Change	2000	2010	Annual Change
Ada County	113,408	159,779	3.49%	2.59	2.58	-0.04%
Meridian	11,829	25,302	7.90%	2.93	2.96	0.10%
Boise	74,438	85,704	1.42%	2.44	2.36	-0.33%
Market Area	3,107	4,065	2.72%	2.61	2.60	-0.05%

Population and Economy



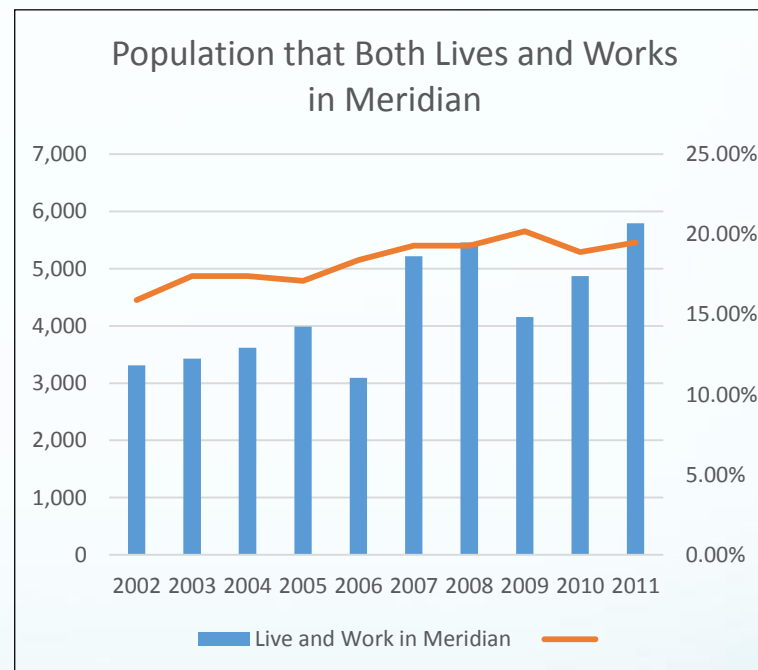
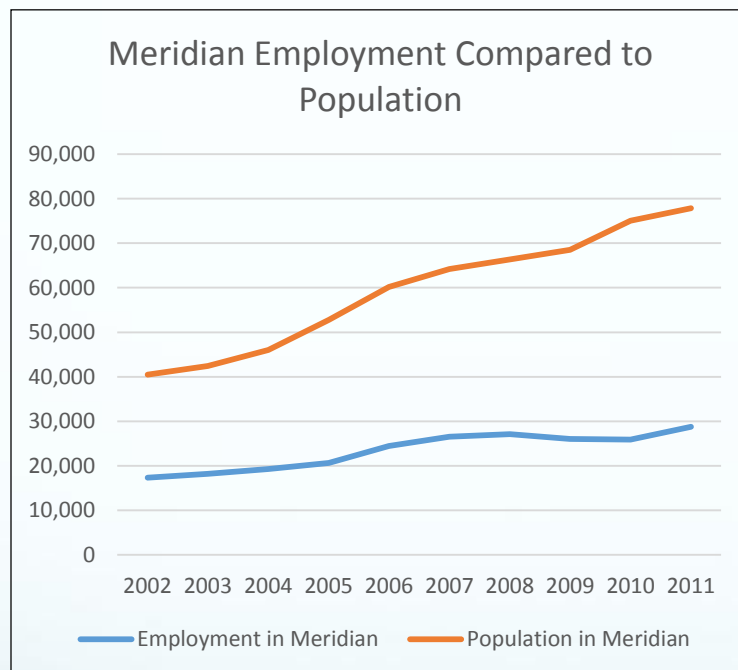
Local Employment Growth

Local businesses are happy with their decision to locate in the city, and they provide a diverse array of employment options for local residents. According to a survey of business owners in Meridian (for a range of businesses that employ anywhere from less than 20 to 500 or more) approximately 70% of area businesses plan to INCREASE their investment and expand in the community. Furthermore, these survey respondents also consider Downtown Improvements to be a top 3 priority for the city to address to improve economic development.



Source: Pegasus "Meridian Business Owner Survey," Conducted May 2014

Employment



Sources: U.S.Census Bureau, Center for Economic Studies, LEHD; Pegasus Planning and Development

Proportion of people who LIVE AND WORK in Meridian is on the rise...

Housing Supply



Supply of Multifamily & Condos

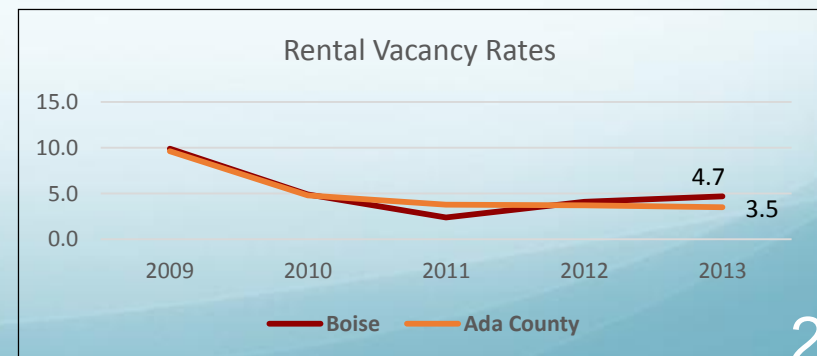
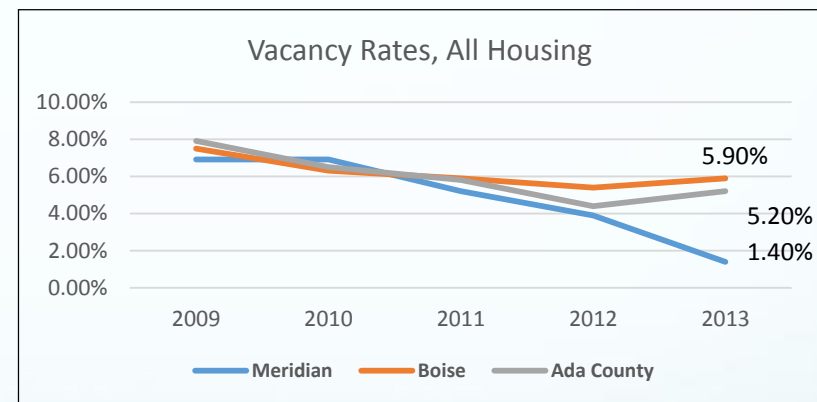
Meridian is a smaller community than that of the comparable market of Boise, but its population and housing supply growth rates have far exceeded those of Boise. Boise has a diverse mix of housing, with approximately 19.6% of housing considered Multi-family or Condominium. However, Meridian's percentage of Multi-family/Condos is on the rise while Boise's is in decline.

Furthermore, Boise's planned units will not be completed until approximately two years from now, according to sources interviewed. If Meridian is proactive, there is a window of opportunity for the city to capture some of the Boise's pent up demand.

Vacancy Rates

The housing market is squeezed tight in both Meridian and Boise. Meridian's current vacancy of housing is only 1.40%. In the rental market, Boise has an even shorter supply of units.

Multifamily and Condo Units				
	Meridian		Boise	
	2005	2013	2005	2013
Total Housing Units	23,766	29,116	86,690	93,243
Multifamily and Condo Units	1,521	2,125	22,748	18,291
MF and Condo as Percent of All Housing	6.4%	7.3%	26.2%	19.6%
Sources: ACS Comparative Housing Characteristics, US Census; Pegasus Planning and Development				



Housing Supply



Forecasted Growth in Housing

- Meridian shows higher growth rates for all three housing types
- Meridian will capture a growing share of housing units as Boise's share decreases.
- **Multifamily housing: at current rates, Boise's share of all MF units would decrease from 71% to 55%, while Meridian's would increase from 8% to 13%.**

New Housing Growth as Percentage of Ada County Total						
	All Units		Rental Units		Multifamily Units	
City	2013	2023	2013	2023	2013	2023
Meridian	17.8%	19.0%	13.9%	14.7%	8.2%	12.6%
Boise	56.9%	51.7%	63.9%	49.4%	70.8%	54.5%
Sources: ACS Comparative Housing Characteristics, US Census						

Housing Supply



Multifamily and Condo Units				
	Meridian		Boise	
	2005	2013	2005	2013
Total Housing Units	23,766	29,116	86,690	93,243
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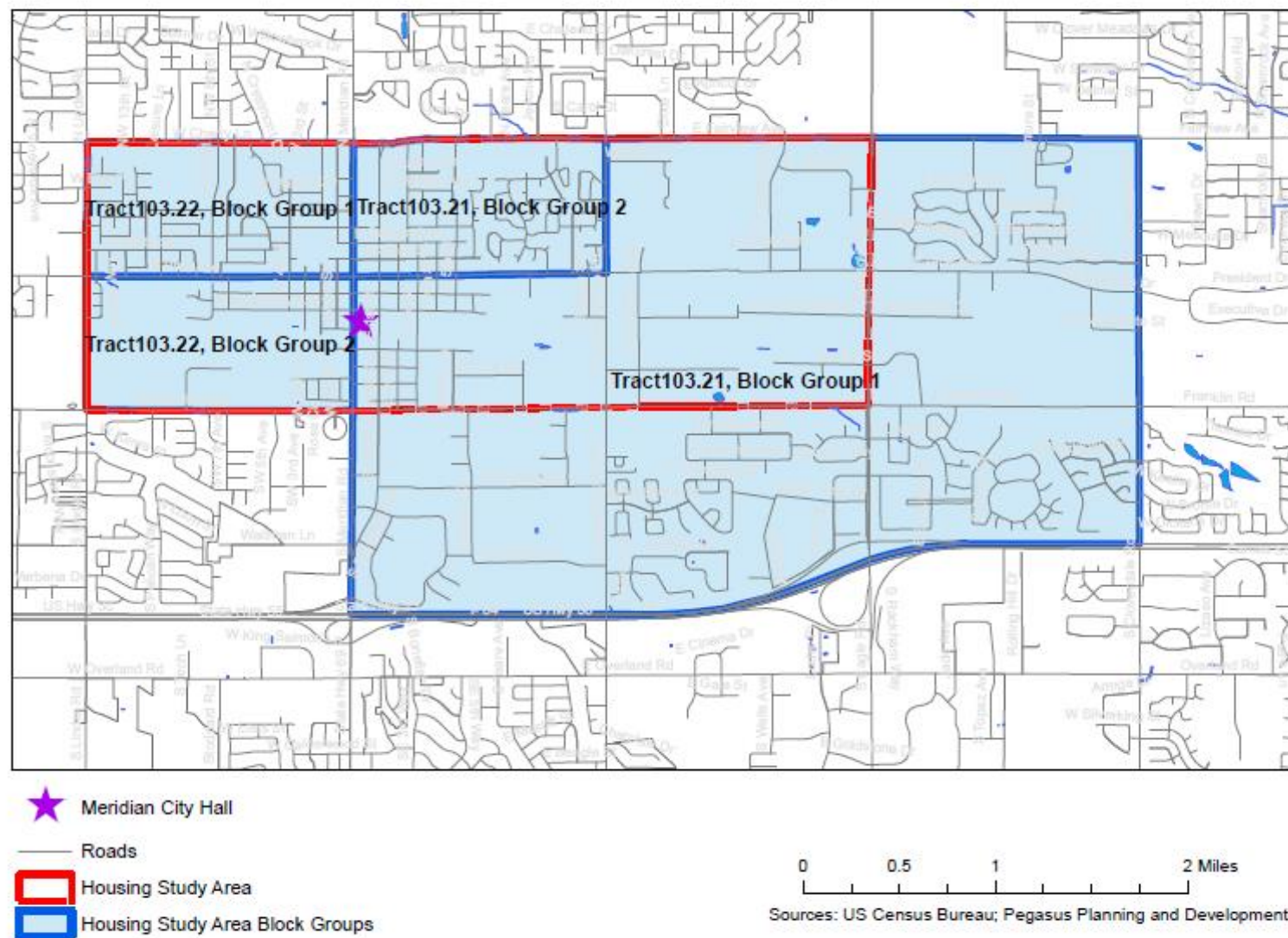
Apartments, Meridian

Downtown Meridian Housing Study - 12 02, 2014



Apartments, Boise

Market Area Overview



Market Area Overview



Rental Rates in the Market Area

Though the market area is home to a small portion of the overall population of Meridian, it is clearly a unique market that is similar to that of Boise. As shown on the previous page, the population increase has traditionally been lower than the surrounding parts of the city. Housing is more modest and units tend to be smaller than those in new subdivisions. In Census Tracts that comprise the market area, household sizes are smaller and a significantly higher portion of this population lives in rental housing.

This is a market with a unique set of priorities compared to other parts of the community.

Market Area Housing Statistics					
Census Tract	Households 2010	Renter Occupied Units 2010	Population In Rentals	Rental Rate	Average Household Size Rentals
103.21	1,644	483	1,277	29.40%	2.64
103.21	995	549	1,286	55.20%	2.34
103.22	800	220	633	27.50%	2.88
103.22	626	487	1,059	77.80%	2.17
Totals	4,065	1,739	4,255	42.78%	2.45

Sources: ACS Comparative Housing Characteristics, US Census

Housing Demand Estimation



Method #1

Method #1 created a “low” estimate for new housing growth in the study area. It was based on the growth rate in new housing units between 2010 and 2013. This time period was chosen to account for the slower growth in housing following the Great Recession.

1. The annual rate of household growth for Meridian was found.
2. This rate was projected forward to 2025.
3. The number of households in 2013 was subtracted from the number of households projected in 2025. This yields an estimate of 5,181 new households in the whole city between 2013-2025.
4. The percentage of multifamily (MF) and condo units in Meridian for 2013 (7.5%) was used to estimate the number of new MF and condo units between 2013-2025 (389)
5. The percentage of MF and condo units in the study area compared to all MF and condo units in the city was found (41.7%).
6. This ratio was compared to the total number of MF and condos expected for the city.

This assumes that the portion of all MF and condos in the study area compared to the city as a whole remains constant. This allows for a conservative estimate of **162** new MF and condo units in the study area.

Housing Unit and Population Growth Projections				
	2010	2013	Rate of Increase	Amount by 2025
Households	27,948	29,116	1.37%	34,297
Population	75,092	83,594	3.64%	128,381

Low Estimate for MF/Condos in Market Area	
All New Housing Unit Demand, Meridian (2013-2025)	5,181
MF/Condo as % of All Units, Meridian (2013)	7.5%
MF/Condo New Unit Projection, Meridian (2013-2025)	389
MF/Condo in Market Area Compared to All MF/Condo Units in Meridian	41.7%
MF/Condo Projection, Market Area (2013-2025)	162

Sources: ACS Comparative Housing Characteristics, US Census

Housing Demand Estimation



Method #2

Method #2 created a “high” estimate for new housing growth in the study area. It was based on the growth rate in population between 2010 and 2013.

1. The annual rate of population growth for Meridian was found.
2. This rate was projected forward to 2025.
3. The population in 2013 was subtracted from the population projected in 2025. This yields an estimate of 44,787 new people in the whole city between 2013-2025.
4. The average number of persons per household in 2013 (2.87) was used to estimate the number of new housing units for the city, 15,599. This is much higher than the estimate from housing units alone because the population growth rate is over twice as high as the housing unit growth rate.
5. The percentage of multifamily (MF) and condo units in Meridian for 2013 (7.5%) was used to estimate the number of new MF and condo units between 2013-2025 (1,170)
6. The percentage of MF and condo units in the study area compared to all MF and condo units in the city was found (41.7%).
7. This ratio was compared to the total number of MF and condos expected for the city.

This assumes that the portion of all MF and condos in the study area compared to the city as a whole remains constant. This allows for a conservative estimate of **488** new MF and condo units in the study area.

Housing Unit and Population Growth Projections				
	2010	2013	Rate of Increase	Amount by 2025
Households	27,948	29,116	1.37%	34,297
Population	75,092	83,594	3.64%	128,381

High Estimate for MF/Condos in Market Area	
New Population, Meridian (2013-2025)	44,787
Persons/ Household (2013)	2.87
All New Housing Unit Demand, Meridian (2013-2025)	15,599
MF/Condo as % of All Units, Meridian (2013)	7.5%
MF and Condo New Unit Projection	1,170
MF/Condo in Market Area Compared to All MF/Condo Units in Meridian	41.7%
MF and Condo Projection, Market Area (2013-2025)	488

Source: ACS, Comparative Housing Characteristics, US Census

Housing Demand Estimation



Method #3

Method #3 produced a “middle” estimate for new unit growth. It is based on determining the population share of the study area compared to Ada County.

1. The population and household growth rates were calculated for Ada County between 2000-2010.
2. The rate of change in average household size for Ada County was calculated.
3. These rates were projected forward to estimate annual population change in Ada County.
4. The population capture rate of the market area for all of Ada County (2.76%) was used to estimate how much new growth in the county would fall into the study area.
5. The average household size was projected forward to estimate the number of new households in the study area.

Area	Population (1,000s)			Population in Households		
	2000	2010	Annual Change	2000	2010	Annual Change
Ada County	301	392,365	2.69%	293,786	382,651	2.68%
Meridian	35	75,092	7.96%	34,656	74,785	7.99%
Boise	187	205,671	1.02%	181,774	201,954	1.06%
Market Area	8,308	10,811	2.67%	8,114	10,559	2.67%
Area	Total Households			Average Household Size		
	2000	2010	Annual Change	2000	2010	Annual Change
Ada County	113	159,779	3.49%	2.59	2.58	-0.04%
Meridian	12	25,302	7.90%	2.93	2.96	0.10%
Boise	74	85,704	1.42%	2.44	2.36	-0.33%
Market Area	3,107	4,065	2.72%	2.61	2.60	-0.05%

Source: ACS, Comparative Housing Characteristics, US Census

Housing Demand Estimation



Method #3 (cont.)

6. The study area itself was evaluated to determine the portion of households that are currently MF or condo. This is 817 MF and condo units out of a total 4,428 housing units in the study area, or 18.5%.
7. This ratio, 18.5%, was compared to the total number of new households projected for the study area (1,781).

This yields an estimate of **329** multifamily/condo units and **1,452** single-family units in Greater Downtown Meridian.

Total New Households (City of Meridian), 2013-2025: 1,781

Year	Ada County Population	Annual Change	Market Area (Greater Downtown Meridian) Forecasts				
			Capture Rate	Total Population	HH Size	Total HHs	Annual HH Additions
2013	416,464	7,403	2.76%	11,484	2.59	4,428	81
2014	427,665	11,201	2.76%	11,792	2.59	4,550	122
2015	439,167	11,502	2.76%	12,110	2.59	4,674	125
2016	450,979	11,812	2.76%	12,435	2.59	4,803	128
2017	463,108	12,129	2.76%	12,770	2.59	4,935	132
2018	475,564	12,456	2.76%	13,113	2.59	5,070	135
2019	488,354	12,790	2.76%	13,466	2.59	5,209	139
2020	501,489	13,135	2.76%	13,828	2.58	5,352	143
2021	514,976	13,488	2.76%	14,200	2.58	5,499	147
2022	528,827	13,851	2.76%	14,582	2.58	5,650	151
2023	543,050	14,223	2.76%	14,974	2.58	5,805	155
2024	557,656	14,606	2.76%	15,377	2.58	5,964	159
2025	572,654	14,998	2.76%	15,790	2.58	6,128	164

Market Area Projections	
Total Households, 2013	4,428
MF and Condos, 2013	817
% MF and Condo, 2013	18.5%
Total New Households, 2013-2025	1,781
New MF & Condo Units	329

Summary	
Total New Households in Study Area	1,781
Total New Single-Family Units	1,452
Total New Multifamily and Condo Units	329
Percentage, Single Family	81.5%
Percentage, Multifamily or Condo	18.5%

Source: ACS, Comparative Housing Characteristics, US Census

Existing Market Area Conditions



Multifamily

We reviewed rents in existing apartment complexes in the Meridian Downtown area, the rest of Meridian, and Downtown Boise. Rental data for downtown Meridian is difficult to analyze and features many income-based complexes, but rents appear to average around \$0.75 per square foot.

Meridian Multifamily, Existing					
Total Multifamily Units Currently in Market Area			777		
Comparables: Downtown Meridian, Sample of Area Rents					
Complex	Total Units in Complex	Bedrooms	Monthly Rent	\$/Sq.Ft.	Year Built
Creekside Arbor	64	1	685	\$0.87	2001
Creekside Arbor	64	2	860	0.72	2001
Creekside Arbor	64	3	950	0.74	2001
Meridian Foothills (income-based)	54	2,3,4	677	0.64	2004
Tramore (senior, income-based)	72	2	763	0.84	2003
Penn Station	40	2	700	0.78	2001

Rents in Meridian but outside the market study are somewhat higher, averaging around \$0.97 per square foot. Downtown Boise rents are comparable or lower, averaging around \$0.85 per square foot, with higher end studios renting for \$1.22/sq.ft.

Comparables: Meridian (Outside Downtown), Sample of Area Rents					
Complex	Total Units in Complex	Bedrooms	Monthly Rent	\$/Sq.Ft.	Year Built
Red Tail Luxury Apartments	215	2	\$1,000-\$1,120	\$0.89-\$1.00	2014
Selway Apartments	171	2	865	0.97	2009
Sagecrest	58	2	850	0.93	2005
Regency At River Valley	240	1	850	0.97	2013
Regency At River Valley	240	1	850	0.97	2013

Comparables: Downtown Boise, Sample of Area Rents				
Address	Square Feet	Bedrooms	Monthly Rent	\$/Sq.Ft.
W Washington St	1,200	3	945	0.79
N 19th St	450	1	550	1.22
E Holly St	800	1	680	0.85
N 23rd St	1,140	2	945	0.83

Sources: City of Meridian; Trulia.com; Zillow.com; Apartmentguide.com; Pegasus Planning and Development

Existing Market Area Conditions



Condominiums

We reviewed assessed values in existing condominiums in the Meridian Downtown area and Downtown Boise. Assessed values in the downtown Meridian area appear to range between \$61-\$67 per square foot, with newer product assessed at \$81/sf.

<i>Meridian Condominiums, Existing</i>			
Total Condo Units Currently in Market Area			40
Comparables: Downtown Meridian, Sample of Area Condo Assessed Values			
Complex	Total Units	Year Built	\$/Sq.Ft.
Mayflower Place	8	2007	\$81.52
Calveras Subdivision	20	1998	\$67.49
Calveras Subdivision	20	1997	\$66.42
Broadway Estates	12	1979	\$62.87
Broadway Estates	12	1973	\$61.44

For comparison, we examined current sales prices for houses in Downtown Meridian and condos in Downtown Boise. Houses in Meridian appear to sell for much higher values, ranging from \$101-\$273 per square foot in the units we studied. Condo prices in Downtown Boise are even higher, ranging from \$214-\$367 per square foot in units we studied.

Comparables: Downtown Meridian, Sample of Area Home Sales Values			
Street	Bedrooms	Year Built	\$/Sq.Ft.
Pine Ave.	3	1938	\$273.48
W. Washington St.	3	1953	\$120.50
Carlton Ave.	3	2009	\$101.38
N Cathy Ave.	3	2000	\$104.06
N. Meridian Rd.	4	1955	\$170.07

Comparables: Downtown Boise, Sample of Area Sales Values		
Address	Year Built	\$/Sq.Ft.
199 N Capitol Blvd	1997	367.92
200 N 3rd	1964	302.56
412 S 13th St	2008	214.74
419 S 8th St	2009	275.83

Sources: City of Meridian; Trulia.com; Zillow.com;

Assumptions

- Downtown could support new MF & Condos – approx 400 units if the City/MDC are aggressive
- Market segmentation:
 - Rental = Millennials, 24-25 year olds; Some Senior Housing
 - Condos = Baby Boomers
- City/MDC must think comprehensively about developing downtown
 - *housing + employment + amenities*

Testing Assumptions

- DEVELOPER INTERVIEWS
- Boise is the best market for proposed developments
- The Village is big competitor, need to differentiate. Downtown has more urban feel than the Village, they should play that up.
- Meridian could do well with condos for boomers
- Rental is hard to pencil for Meridian – already hard in Boise!
- Meridian developers interested in more of the same (suburban)...Boise developers struggling to meet demand in their own market.
- *Could happen if...*
 - There were more entertainment (cafes, bars, performance space) downtown and more neighborhood services (grocery, laundry, etc)
 - Need to factor in space needs for area residents (storage)

Testing Assumptions

- LENDER INTERVIEWS
- Have not traditionally funded such projects for Meridian
- Have funded Senior housing in downtown area.
- Would be interested in considering funding
- Challenge is appraisal, comparables
- Would love to see something happen
- Would need 30-40% equity at least

Testing Assumptions

- BROKER INTERVIEWS
- The Village is right now where everyone is drawn, but that doesn't mean downtown wouldn't work.
- Condos for Meridian would be for an older market.
- Boise has next to zero vacancy for Downtown living
 - Planned developments to be complete by 2019
 - Could be an opportunity for Meridian if they act fast

What Now?

- Public entities must spur developers to pursue opportunities downtown
 - For everything - commercial to residential
- Policy ideas:
 - LDC: Boise restricts ground-floor units in Downtown, allow for this option
 - Address storage issues
 - Work with major employers to give them voice to developers
 - Ex: Scentsy workers *really want* urban living and they will continue very strong growth in the coming years.