

Q: IS THERE A MARKET FOR DOWNTOWN HOUSING?

Live It Up! Survey results suggest the answer is, "Yes."

- Fifty percent of all survey respondents answered "Yes" or "Maybe" when asked if they would be interested in living in Downtown Wheeling if suitable housing was available.
- Fifteen percent saying "yes" would be interested in living downtown as soon as they find a suitable place (9%) or within five years (6%).
- Thirty-three percent of those interested in living downtown reported an annual household income of \$100K or more.

Beyond survey indicators, occupancy trends and the Wheeling-Pitt Lofts Development underway point to an existing and evolving market already in place. Other methods for defining the "market" for housing in many downtown districts might take a more targeted approach that recognizes:

- The nature of the environment
- The ability to create housing products unique to the market
- Growing segments of the market that will choose to live downtown
- The scale and incremental nature of rehabilitation and development that more often occurs in a historic downtown or traditional neighborhood business district setting

These and other distinguishing traits, collectively, could point to another way of framing the question—one more targeted based on specific housing products and an incremental approach. When evaluating specific project concepts and proposals, a more appropriate question might ask, for example, "Are there eight persons or households in the market who would pay \$1,600 per month for a 1,280 square foot luxury loft?"

Q: WHAT ARE SOME HOUSEHOLD CHARACTERISTICS OF THE GROUP INTERESTED IN LIVING DOWNTOWN?

Fifty-five percent of survey respondents interested in living downtown have a current residence within Wheeling's city limits, and twenty-seven percent, while not city residents, live within twenty miles of Wheeling.

The current household composition of those indicating they are or might be interested in living downtown largely resembles the overall survey sample, with a slightly higher frequency of respondents identifying as "Adult living alone" (22% of those interested in living downtown compared to 19% of all survey respondents). The "Couple with child(ren)" group represented 28% of all survey respondents, and 20% of the group interested in living downtown.

Thirty percent of the group indicating interest in living downtown as soon as suitable housing is available or within five years identified as an "Adult living alone," and 23% as a "Couple without child(ren)." Members of the group are nearly three times more likely to describe the style of their current residence as an apartment (35% as compared to 13% of all survey respondents). Fifty-percent of the same group's members currently rent, and 39% own their current place of residence.

INTERESTED IN LIVING DOWNTOWN?

IF SUITABLE HOUSING WAS AVAILABLE

Yes, as soon as I find a place	9%
Yes, within 5 years	6%
Yes, within 5 to 10 years	5%
Yes, in 10 years or more	3%
Maybe	27%

HOUSEHOLD INCOME LEVELS

THOSE INTERESTED IN LIVING DOWNTOWN

Less than \$50K	29%
\$50K to \$99K	38%
\$100K to \$149K	19%
\$150K to \$199K	7%
\$200K or more	7%

MONTHLY HOUSING EXPENSE MAXIMUMS FOR POTENTIAL RENTERS

FOR THOSE MORE LIKELY TO RENT HOUSING

Household Income	Renters: Pct.	Max Range @ 30%
Less than \$25,000	32%	\$0 to \$625
\$25,000 to \$34,999	16%	\$625 to \$875
\$35,000 to \$49,999	9%	\$875 to \$1250
\$50,000 to \$74,999	18%	\$1,250 to \$1,875
\$75,000 to \$99,999	9%	\$1,875 to \$2,500
\$100,000 to \$149,999	13%	\$2,500 to \$3,750
\$150,000 to \$199,999	1%	\$3,750 to \$5,000
\$200,000 and greater	1%	\$5,000 and greater

A Rent-to-Income Ratio determines the monthly or annual gross income a tenant must earn to be able to afford rent each month. The calculations use the industry standard of 30% of a renter's annual household income.

Survey Respondents Interested in Living Downtown (Yes or Maybe)

Current Residence Location

Within Wheeling city limits	55.3%
Not in city limits, but within 20 miles of Wheeling	26.7%
More than 20 miles from Wheeling	18.0%

Survey Respondents Interested in Living Downtown (Yes or Maybe)

Current Household's Composition

Adult living alone	21.7%
Couple without child(ren)	21.1%
Couple with child(ren)	19.9%
Adult living with immediate and/or extended family	12.1%
Empty nester(s) or retired (no children at home)	12.1%
Single parent with child(ren)	7.5%
Adult living with unrelated roommate(s)	4.4%
Other	1.4%

Q: IS THERE INTEREST IN DOWNTOWN WHEELING OWNER-OCCUPIED HOUSING?

When asked if they would be more likely to buy or rent housing, 65% of all survey respondents who would or might be interested in living in Downtown Wheeling indicated they would be more likely to purchase housing, with or without a mortgage. Of those respondents:

- In the immediate term, 48% of those interested in living downtown as soon as they can find a suitable place indicated they would be more likely to rent, and 38% would be more likely to buy.
- Fifty-three percent of those interested in living downtown within the next five years indicated they would be more likely to purchase.
- The percentage of those indicating they would be more likely to purchase downtown housing increases for the groups interested in living downtown in five years or more – to 63% within 5 to 10 years, and 72% for those interested in living downtown in 10 years or more.
- Forty-two percent of potential buyers interested in living downtown within 10+ years reported a household income of \$100K and greater.
- The five most popular housing styles selected by potential buyers interested in living downtown within 10+ years are:
 - 3+ Bedroom Single Family (43%)
 - 2 Bedroom Condominium (36%)
 - 2 Bedroom Single Family (35%)
 - 3+ Bedroom Townhome (31%)
 - 2 Bedroom Townhome (28%)
- Four of the five styles of housing most frequently identified by potential buyers as being of greatest interest, with possible exceptions, would seem most appropriately located in existing neighborhoods and other areas surrounding the core downtown district.

Q: HOW DO THE AGE GROUPS AND INCOME LEVELS OF POTENTIAL RENTERS AND BUYERS COMPARE?

Compared to all survey respondents, both potential renters and potential buyers interested in living downtown are more likely to be in the 25 to 34 years age group. The two largest segments of potential renters by age are in the 25 to 34 years (33%) and 65 or older (16%) age groups.

Potential renters are much more likely to have a household income of less than \$50,000, with 57% of those indicating they would be more likely to rent as compared to 14% of potential buyers and 28% of all survey respondents. As previously noted, 42% of potential buyers reported a total household income of \$100,000 or greater, compared to 15% of potential renters and 36% of the total survey sample.

MORE LIKELY TO PURCHASE OR RENT DOWNTOWN HOUSING BY TIMEFRAME

Interested in living downtown?	Purchase	Rent	Not Sure
Yes, as soon as I find a suitable place	38%	48%	15%
Yes, within the next 5 years	53%	30%	16%
Yes, within the next 5 to 10 years	63%	17%	20%
Yes, in ten years or more	72%	16%	13%

MONTHLY MORTGAGE EXPENSE MAXIMUMS FOR POTENTIAL BUYERS

FOR THOSE MORE LIKELY TO PURCHASE DOWNTOWN HOUSING IN 10+ YEARS

Household Income	Buyers: Pct.	Max Range @ 28%
Less than \$25,000	2%	\$0 to \$583
\$25,000 to \$34,999	3%	\$583 to \$817
\$35,000 to \$49,999	10%	\$817 to \$1,167
\$50,000 to \$74,999	24%	\$1,167 to \$1,750
\$75,000 to \$99,999	20%	\$1,750 to \$2,333
\$100,000 to \$149,999	22%	\$2,333 to \$3,500
\$150,000 to \$199,999	7%	\$3,500 to \$4,667
\$200,000 and greater	13%	\$4,667 and greater

The maximum range shown is calculated based on the 28% Rule which states borrowers should spend 28% or less of monthly gross income on their mortgage payment (e.g. principal, interest, taxes and insurance).

COMPARISON: TOTAL SAMPLE VS POTENTIAL RENTERS VS POTENTIAL BUYERS

Age Groups	Overall	Renters	Buyers
24 or younger	8%	14%	10%
25 to 34	26%	33%	32%
35 to 44	26%	14%	22%
45 to 54	13%	12%	12%
55 to 64	14%	10%	12%
65 or older	13%	16%	12%

INCOME GROUPS: TOTAL SAMPLE VS POTENTIAL RENTERS AND BUYERS

Total Household Income Groups	Overall	Renters	Buyers
Less than \$50,000	28%	57%	14%
\$50,000 to \$99,999	36%	27%	44%
\$100,000 to \$149,999	20%	13%	22%
\$150,000 to \$199,999	8%	1%	7%
\$200,000 and greater	8%	1%	13%

Q: HOW DO WE RECONCILE THE GAP BETWEEN CAPACITY AND THE AMOUNT ABLE/WILLING TO PAY?

The tables to the right help to illustrate the gap between what might be expected in maximum rents based on the household income of survey respondents interested in living downtown and most likely to rent, and what those same respondents indicated they would be able and willing to pay for their choice of downtown housing. For example, based on an industry standard 30% Rent-to-Income Ratio, the breakdown shows:

- About 9% of those likely to rent could be expected to occupy housing at a monthly price point of \$875 to \$1,200 based on the 30% Rent-to-Income Ratio and reported income, while 43% of likely renters said they would be able and willing to pay \$800 to \$1,200 per month.
- Just 11% of likely renters indicated an ability and willingness to pay \$1,200 or more per month for their choice of downtown housing, as compared to the 42% that would be near or well below the 30% Rent-to-Income Ratio based on household income reported.

It is important to note the 30% ratio is a widely applied industry standard that yields a maximum figure or range—a benchmark—that does not account for the nuances of individual markets or tenants, local trends, or the condition, availability and actual price points of local rental housing.

Any further attempt at explaining or reconciling the gap between capacity or ability and willingness is often complex and likely influenced by a number of factors which, for Downtown Wheeling, could include:

- The comparatively high housing affordability index which, using a base of 100, is estimated by Esri at 212 for the city of Wheeling. An index greater than 100 represents an area where homes are affordable.
- Price points for existing renter-occupied housing in the downtown and surrounding area. Esri estimates median gross rent for city of Wheeling units at \$658 and average gross rent at \$669, with 77% of tenants paying extra for one or more utilities. Estimates for median and average gross rent are significantly lower in the downtown area, estimated at \$250 and \$345, respectively, with only 58% of tenants paying extra for one or more utilities.
- Downtown districts, in many communities, have historically been places to live because it was cheap—an image that, especially in the absence of housing products that provide a glimpse of what downtown housing is or could be, is often perpetuated.

With few exceptions, the style and quality of new and rehabilitated housing developed in a downtown area will take queues from the existing inventory and surrounding environment. Aspects identified by survey respondents as most important in their decision-making process when choosing a place to live, along with the nature of enhancements that might positively influence the market and downtown’s appeal as a place to visit, work, live, play and invest, can provide direction for supporting initiatives and messages.

ILLUSTRATING THE GAP BETWEEN EXPECTED AND ABLE /WILLING

MONTHLY HOUSING EXPENSE MAXIMUMS FOR GROUP MORE LIKELY TO RENT
BASED ON 30% RENT-TO-INCOME RATIO

HH Income	Pct.	Max @ 30%
Less than \$25K	32%	\$0 to \$625
\$25K to \$34.9K	16%	\$625 to \$875
\$35K to \$49.9K	9%	\$875 to \$1250
\$50K to \$74.9K	18%	\$1,250 to \$1,875
\$75K to \$99.9K	9%	\$1,875 to \$2,500
\$100K to \$149.9K	13%	\$2,500 to \$3,750
\$150K to \$199.9K	1%	\$3,750 to \$5,000
\$200K and greater	1%	\$5,000 and greater

Percentages shown by income category are based on the survey group identifying as more likely to rent.

A Rent-to-Income Ratio determines the monthly or annual gross income a tenant must earn to be able to afford rent each month. The calculations use the industry standard of 30% of a renter’s annual household income.

ABLE & WILLING TO PAY FOR HOUSING CHOICE
GROUP MORE LIKELY TO RENT

Able/Willing to Pay	Pct.
Less than \$800	46%
\$800 to \$899	19%
\$900 to \$999	9%
\$1,000 to \$1,099	10%
\$1,100 to \$1,199	5%
\$1,200 to \$1,299	5%
\$1,300 to \$1,399	1%
\$1,400 or more	5%

Percentages shown by the monthly amount those interested in living downtown within 10+ years, and more likely to rent, indicated they would be able and willing to pay for their choice of housing in Downtown Wheeling.

Q: Which of the following aspects are most important to you when choosing a place to live?

Responses Top 5 Shown	Percent
Safety of neighborhood	56.1%
Reasonable or low cost of housing	48.8%
Value for the size of home (cost per square foot)	36.3%
Walkable neighborhoods with good sidewalks	34.8%
Close to grocery store or food market	34.3%

Q: Which features or enhancements would most contribute to making downtown a more appealing place to visit, work and live?

Responses Top 6 Shown	Percent
More or wider selection of retail establishments	56.5%
More or wider selection of eating and drinking places	43.8%
Better walking environment (e.g. sidewalks, lighting)	32.6%
More arts & culture activities and/or facilities	30.5%
More outdoor dining and lounging areas	30.1%
More people living downtown	22.9%

Q: WHAT IS THE POTENTIAL FOR NEW AND REHABILITATED DOWNTOWN HOUSING?

Based on Downtown Wheeling Live It Up! Survey responses, some preliminary development potentials can be determined.

Immediate to Five Years

- On hundred seventy-eight (178) respondents indicated they would be interested in living downtown as soon as they can find a suitable place or within five years. Assuming that 25% to 30% of these households would actually move, this would create immediate and near-term demand for 45 to 54 new units.
- Of the 103 respondents indicating they would move as soon as they find a suitable place, 49 indicated they would be more likely to rent as compared to 39 being more likely to buy, and 15 respondents being unsure. This indicates the immediate demand for downtown housing would likely be weighted toward renter-occupied opportunities.

Five to Ten Years

- Sixty (60) respondents indicated they would be interested in living downtown within five to ten years. Projecting demand this far into the future can be challenging, at best. But again, assuming that 25% to 30% of these households would actually move, this would create demand for at least 15 additional units. Of these 60 respondents, 38 indicated they would be more likely to buy housing, 10 would be more likely to rent, and 12 were unsure, pointing toward longer-term demand weighted toward owner-occupied opportunities.

Estimates are based only on the demand indicated by 1,324 respondents to the Live It Up! Survey. Given that survey respondents' preferences are likely, to some degree, reflective of the larger Wheeling area population, the estimates could reasonably be viewed as conservative, or even highly conservative. While it is impossible to quantify based on the survey's results, extrapolating interest to the larger Wheeling area population would result in increased estimates of demand.

At least as important to efforts to gauge potential, the Historic Wheeling-Pitt Lofts project will reportedly introduce 128 one- and two-bedroom loft style apartments to the mix in 2022 or 2023. The development is sure to absorb a portion of the immediate and near-term demand for downtown housing, but it could also, in essence, positively reset the downtown housing market.

Examples of other actions and factors that could positively influence the market and increase or even create demand for downtown housing include:

- Continuing to work with property owners, developers, local government, and other interests to incentivize development to reduce risk and offers a reasonable return on investment.
- Providing technical assistance to help property owners navigate the development process and access resources.

CATALYZING DEVELOPMENT

Some of the very best opportunities for housing in Downtown Wheeling already exist in the unoccupied and underutilized upper levels of some downtown buildings. Ultimately, these spaces will only be developed if property owners and investors can reasonably be assured of a return on investment. The estimated \$30 million Historic Wheeling-Pitt Lofts project currently underway was reportedly made possible, in part, through the use of historic tax credits and City of Wheeling investments in supporting infrastructure, including a new parking garage.

The following example shows, in the simplest terms, the impacts of federal and state historic preservation tax credits as part of a project's pro forma.

The Economics of Historic Tax Credits

Acquisition Cost	\$100,000
Rehabilitation Cost	\$1,000,000
Total Project	\$1,100,000
Federal Tax Credits (20%)	\$200,000
State Tax Credits (25%)	\$250,000
Equity Raised from Federal Tax Credits	\$180,000
Equity Raised from State Tax Credits	\$200,000
Project Cost	\$1,100,000 (100%)
Loan	\$660,000 (60%)
Equity Required	\$440,000 (40%)
– Equity from Federal Tax Credits	\$180,000 (16.4%)
– Equity from State Tax Credits	\$200,000 (18.2%)
– Equity from Owner/Developer	\$60,000 (5.4%)

As shown in the scenario appearing above, historic tax credits can prove instrumental to a project's feasibility. A series of assumptions are built into this simple example, including discounts on tax credits. Therefore, it is not intended to be a final answer but to promote a general understanding of how the use of tax credits can positively impact a project's viability, whether small or large in scale.

While the math shown is simple, development projects are not. An incremental approach, and one designed to promote a variety of housing styles appealing to the different segments and the lifestyles of those who will choose to live in a downtown setting, would include smaller projects involving property owners with little or no experience in this arena. Like demonstrated on the potentially game-changing Historic Wheeling-Pitt Lofts project, it will be important to engage the full roster of community resources and experience to help owners, developers and investors navigate development processes, and to explore the full range of possible options and means for assembling each project's capital stack, including projects that will not qualify for historic tax credits.