



REAL PROPERTY RESEARCH GROUP

ATLANTA ■ WASHINGTON/BALTIMORE

Market Feasibility Analysis

## Five Points 4 Apartments

Knoxville, Knox County, Tennessee

Prepared for: Knoxville's Community Development Corporation (KCDC)

Site Inspection: January 11, 2018

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## EXECUTIVE SUMMARY

### *Proposed Site*

- The Five Points neighborhood is part of an older and established neighborhood featuring a mixture of working class housing and deeply subsidized rental housing addressing households with low incomes. Although the site is located within a relative close proximity (two miles) to downtown Knoxville, downtown redevelopment has not spread significantly east of James White Parkway.
- The subject site is located at the east corner of the McConnell Street and Martin Luther King Jr Avenue intersection.
- The Five Points neighborhood is located in close proximity to downtown and is accessible via MLK Jr. Avenue/Hill Street and Magnolia Avenue (U.S. Highway 70). Those working near downtown would have an easy commute from the subject site.
- The subject site is located in close proximity to area employers, transportation arteries, public transportation, and neighborhood services. Several commercial nodes are within two miles of the site. The site is located within one mile of several public parks and places of worship.
- The primary market area includes downtown Knoxville and much of eastern Knoxville and surrounding areas. This is the portion of Knoxville most comparable to the land uses surrounding the subject site and the area in which competitive communities are located.

### *Economic Context*

- Knox County's has been performing well since the economic recession with six consecutive years of job growth and reduced unemployment rates jobs.
- Job growth accelerated from 2014 to 2016 with an average of more than 5,200 jobs added per year to the county.
- The most recent annual average employment rates were 4.1 percent in the county, 4.8 percent in the state, and 4.9 percent in the nation; unemployment rates decreased in all three areas through the third quarter of 2017 including a low 3.5 percent in Knox County.
- Nearly two-thirds (64.3 percent) of market area workers commute less than 25 minutes to work, reflecting a strong local employment base. Roughly 21 percent of workers commuted 25-34 minutes, which covers most areas of downtown Knoxville. Over 20 percent of market area workers are employed outside of Knox County, reflecting the draw of the National Laboratory in Oak Ridge roughly 10 miles north of the subject site.

### *Demographic Trends*

- The Five Points Market Area lost population and households from 2000 to 2010 with net loss of roughly two percent. These trends reversed over the past eight years.
- Based on Esri data, RPRG estimates that the Five Points Market Area rebounded with net gains of 3,042 people and 1,301 households from 2010 to 2018. Annual gains over the past eight years were 380 people (0.9 percent) and 163 households (0.9 percent) bring the totals to 42,834 people and 19,607 households. The county increased at comparable rates of 1.0 percent for population and 0.8 percent for households.
- Recent trends are projected to continue in both the market area and county over the next five years with annual increases of 383 people (0.9 percent) and 168 households (0.8 percent). The market area will reach 44,749 people and 20,445 households by 2023. Knox County will





increase at similar annual rates of 0.8 percent for population and 0.8 percent for households from 2018 to 2023.

- The population for Five Points Market Area is older than Knox County with 2018 median population ages of 40 and 38, respectively. Adults age 35-61 are the largest cohort in both areas at roughly 35.5 percent.
- The Five Points Market Area's households have a much higher propensity to rent than in Knox County with 2018 renter percentages of 56.5 percent in the market area and 36.6 percent in the county (Table 13). The market area gained 316 renter households, but lost 687 owner households from 2000 to 2010. This trend continued over the past eight years with the net gain of 1,515 renter households and loss of 214 owner households from 2010 to 2018.
- Half of the renter households in the Five Points Market Area were single person households as of the 2010 Census and 22.9 percent had two people. One and two person households combined for 69.3 percent of all renter households in Knox County including 41.4 percent with one person.
- Based on Esri estimates, the Five Points Market Area's 2018 median income of \$31,233 is \$22,579 or 42.0 percent lower than the \$53,812 median income in Knox County. Approximately 42 percent of the households in the Five Points Market Area earn less than \$25,000 including 25.6 percent earning less than \$15,000.
- The median income of renters in the Five Points Market Area as of 2018 is \$22,674 for renters and \$49,028 for owners. Fifty-five percent of renter households earn less than \$25,000 and 26.3 percent earn \$25,000 to \$49,999.

### Competitive Housing Analysis

- As part of this analysis, RPRG surveyed five general occupancy rental communities in the Five Points Market Area including three market rate and two LIHTC communities. The market area includes few large and modern multi-family rental communities. These five communities are representative of market conditions in the market area.
- The average year built of surveyed rental communities in the market area is 1990; the two LIHTC communities are newer with an average year built of 2004. River View Park (LIHTC) is the newest community in the market area, but is more than a decade old (2007).
- Among the four communities reporting vacancy data, 13 of 623 units were reported vacant for an aggregate vacancy rate of 2.1 percent. The two LIHTC communities have only two of 170 units vacant for a rate of 1.2 percent; both vacancies were at River View Park.
- Among the surveyed rental communities in the market area, net rents, unit sizes, and rents per square foot are as follows:
  - **One bedroom** rents averaged \$698 with a range from \$595 to \$791 per month. The average market rate one bedroom unit has 676 square feet, which results in an average rent per square foot of \$1.03.
  - **Two bedroom** rents averaged \$770 with a range from \$650 to \$1,025 per month. The average two bedroom unit has 955 square feet for \$0.81 per square foot. Both LIHTC communities have 60 percent units at \$650.
  - **Three bedroom** rents averaged \$1,002 with a range from \$1,750 to \$1,790 per month. The average market rate three bedroom unit has 1,220 square feet, which results in an average rent per square foot of \$0.82. Both LIHTC communities have 60 percent units for \$750.
  - **Four bedroom** units at Maplehurst Park include two single-family detached homes for \$2,690 or \$1.35 per square foot.



- The only directly comparable pipeline communities in the market area are phases two and three of the subject property; phase one is a completed senior community.

#### ***Affordability and Penetration Analysis***

- As proposed, Five Points 4 will target households earning at or below 50 percent and 60 percent of the Area Median, adjusted for household size.
- Without PBRA, the proposed 50 percent units will target renter households earning from \$20,571 to \$39,560. With 3,002 renter households earning within this range, the capture rate for the 17 units at 50 percent of Area Median Income is 0.6 percent.
- The proposed 60 percent units will target renter households earning from \$24,686 to \$47,580. The 2,750 income qualified renter households within this range result in a capture rate of 8.5 percent for the 65 units at 60 percent AMI.
- The overall capture rate for the 82 units is 2.4 percent, which is based on 3,454 renter households earning \$20,571 to \$44,520.
- The overall penetration rate is 7.3 percent for all LIHTC units.

#### ***Demand and Capture Rates***

- LIHTC capture rates are 1.3 percent for 50 percent units, 5.5 percent for 60 percent units, and 5.5 percent for all units.
- All capture rates are well within acceptable ranges.

#### **Price Position**

The proposed LIHTC rents at Five Points 4 will be among the lowest in the market and well below the top of the market. The one bedroom units are comparably sized compared to competitors with pricing lower than most product. The subject's 60 percent two bedroom units will be more expensive than existing 60 percent units in the market, while the subject's 50 percent two units will be the least expensive housing alternative. The proposed three bedroom units will be larger than competitive three bedroom units. While the three bedroom 60 percent rents will be higher than existing 60 percent three bedroom rents, the 50 percent three bedroom rents will be the least expensive three bedroom rents in the market. The proposed four and five bedroom units are priced near the bottom of the market.

#### **Absorption Estimate**

Recent absorption data is not available for the market area as all existing communities are old; the only recent additions to the rental stock are deeply subsidized senior communities. In addition to the absorption experience of other communities, the absorption estimate for the subject property is based on current market conditions and the competitive position of the subject property including:

- The market area is projected to add 601 renter households over the next five years.
- A low vacancy rate of 2.1 percent for all surveyed communities; the LIHTC vacancy rate is lower at 1.2 percent.
- The proposed rents are lower than comparable market rate units and result in a significant market advantage.
- LIHTC demand capture rates are low and indicate demand for the proposed units.
- The proposed location and product is appropriate for the target market and will be well received.



Based on the factors listed above, we believe Five Points 4 will lease-up at a rate of at least ten units per month. At this rate, the subject property would reach a stabilized occupancy of 93 percent within eight months. This absorption estimate does not account for PBRA on all units. The community is likely to lease units as they become available with PBRA. Assuming units are available, the community should be stabilized within two months

***Final Conclusion/Recommendation***

Based on an analysis of projected household growth trends, overall affordability and demand estimates, current rental market conditions, and socio-economic and demographic characteristics of the Five Points Market Area, RPRG believes that the proposed Five Points 4 will be able to successfully reach and maintain a stabilized occupancy of at least 93 percent following entrance into the rental market. Given the product to be constructed, the subject will be competitively positioned with existing communities in the Five Points Market Area and the units will be well received by the target market. We recommend proceeding with the project as proposed.



## 1. SCOPE OF WORK

### A. Overview of Subject

The subject of this report is Five Points 4, a proposed multi-family rental community in Knoxville, Knox County, Tennessee. Five Points 4 will be financed in part by Low Income Housing Tax Credits (LIHTC) allocated by the Tennessee Housing Development Agency (THDA). Upon completion, Five Points 4 will offer 82 newly constructed rental units reserved for households earning at or below 50 percent and 60 percent of the Area Median Income (AMI), adjusted for household size. All units will have additional subsidies through Section 8/Public Housing with rents based on income. The subject property is the fourth phase of the redevelopment of 33-acre Lee Williams and Walter P. Taylor Homes public housing communities.

### B. Purpose of Report

The purpose of this market study is to perform a market feasibility analysis through an examination of the economic context, a demographic analysis of the defined market area, a competitive housing analysis, a derivation of demand, and an affordability analysis. RPRG expects this study to be submitted along with an application for Low Income Housing Tax Credits to the Tennessee Housing Development Agency.

### C. Format of Report

The report format is comprehensive and conforms to THDA's 2018 Market Study Requirements. The market study also considered the National Council of Housing Market Analysts' (NCHMA) recommended Model Content Standards and Market Study Index.

### D. Client, Intended User, and Intended Use

The Client is Knoxville's Community Development Corporation (KCDC) (Developer). Along with the Client, the intended users are THDA and potential investors.

### E. Applicable Requirements

This market study is intended to conform to the requirements of the following:

- THDA's 2018 Market Study Requirements
- The National Council of the Housing Market Analyst's (NCHMA) Model Content Standards and Market Study Index.

### F. Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the market study, the needs of the user, the complexity of the property, and other pertinent factors.

Our concluded scope of work is described below:

- Please refer to Appendix 4 for a detailed list of NCHMA requirements and the corresponding pages of requirements within the report.
- Tad Scepianiak (Managing Principal), conducted visits to the subject site, neighborhood, and market area on January 11, 2018.
- Primary information gathered through field and phone interviews was used throughout the various sections of this report. The interviewees included rental community property



managers, Chevelle Lewis with the Knoxville Building Department and Tammy Harvey with the Knox County Building Department.

- All pertinent information obtained was incorporated in the appropriate section(s) of this report.

#### **G. Report Limitations**

The conclusions reached in a market assessment are inherently subjective and should not be relied upon as a determinative predictor of results that will actually occur in the marketplace. There can be no assurance that the estimates made, or assumptions employed in preparing this report will in fact be realized or that other methods or assumptions might not be appropriate. The conclusions expressed in this report are as of the date of this report, and an analysis conducted as of another date may require different conclusions. The actual results achieved will depend on a variety of factors, including the performance of management, the impact of changes in general and local economic conditions, and the absence of material changes in the regulatory or competitive environment. Reference is made to the statement of Underlying Assumptions and Limiting Conditions contained in Appendix I of this report.

#### **H. Other Pertinent Remarks**

None.



## 2. PROJECT DESCRIPTION

### A. Project Overview

Five Points 4 will contain 82 units, all of which will benefit from Low Income Housing Tax Credits. Income targeting will include 17 units at 50 percent AMI and 65 units at 60 percent AMI. All units will have Project Based Rental Assistance (PBRA); thus, the lower income targets will float and not be tied to a specific bedroom sizes. Tenant-paid rents for PBRA units are based on a percentage of each tenant's rent.

### B. Project Type and Target Market

Five Points 4 will target low income renter households. Income targeting includes 17 units at 50 percent AMI and 65 units at 60 percent AMI. With a unit mix of one, two, three, four, and five bedroom units, the property will target the gamut of household types from singles to large households with children.

### C. Building Type and Placement

Five Points 4 will include a mixture of garden apartments, single-story buildings with exterior access, townhomes, and single-family detached homes (five bedrooms only). Residents will have access to community amenities shared by phases two and three of the redevelopment; phase one is a senior community with separate amenities. The buildings will be situated inside the perimeter of the site. Surface parking will be available along the community access road in front of each residential building and free for all residents. Residential buildings will have wood frames with HardiPlank siding and brick exteriors.

### D. Detailed Project Description

#### 1. Project Description

The 82 units at Five Points 4 will comprise 14 one bedroom units, 22 two bedroom units, 24 three bedroom units, 16 four bedroom units, and 6 five bedroom units (Table 1). Proposed unit finishes and community amenities are presented in Table 2.

**Table 1 Detailed Unit Mix and Rents, Five Points 4**

Unit Mix/Rents								
Type	Bed	Bath	Income Target	#	Avg. Heated Sq. Feet	Max LIHTC Gross Rent	Utility Allowance	Max. LIHTC Net Rent
LIHTC	1	1	50%	3	651	\$600	\$91	\$509
LIHTC	1	1	60%	11	651	\$720	\$91	\$629
LIHTC	2	2	50%	5	882	\$720	\$122	\$598
LIHTC	2	2	60%	17	882	\$864	\$122	\$742
LIHTC	3	2	50%	5	1,295	\$831	\$150	\$681
LIHTC	3	2	60%	19	1,295	\$997	\$150	\$847
LIHTC	4	2	50%	3	1,581	\$927	\$182	\$745
LIHTC	4	2	60%	13	1,581	\$1,113	\$182	\$931
LIHTC	5	3	50%	1	1,747	\$991	\$211	\$780
LIHTC	5	3	60%	5	1,747	\$1,189	\$211	\$978
<b>Total/Avg.</b>				<b>82</b>				
Rents include: water, sewer, and trash					Source: KCDC			



**Table 2 Unit Features and Community Amenities**

Unit Features	Community Amenities
<ul style="list-style-type: none"> <li>• Kitchens with a range/oven refrigerator, and dishwasher.</li> <li>• Washer/Dryer Connections</li> <li>• Carpet in bedrooms and hallways</li> <li>• Vinyl in bathroom and kitchen</li> <li>• Ceiling fans and window blinds</li> </ul>	<ul style="list-style-type: none"> <li>• Community room with Computers</li> <li>• Laundry Room</li> <li>• Leasing Office</li> <li>• Playground</li> </ul>

**2. Other Proposed Uses**

None

**3. Proposed Timing of Construction**

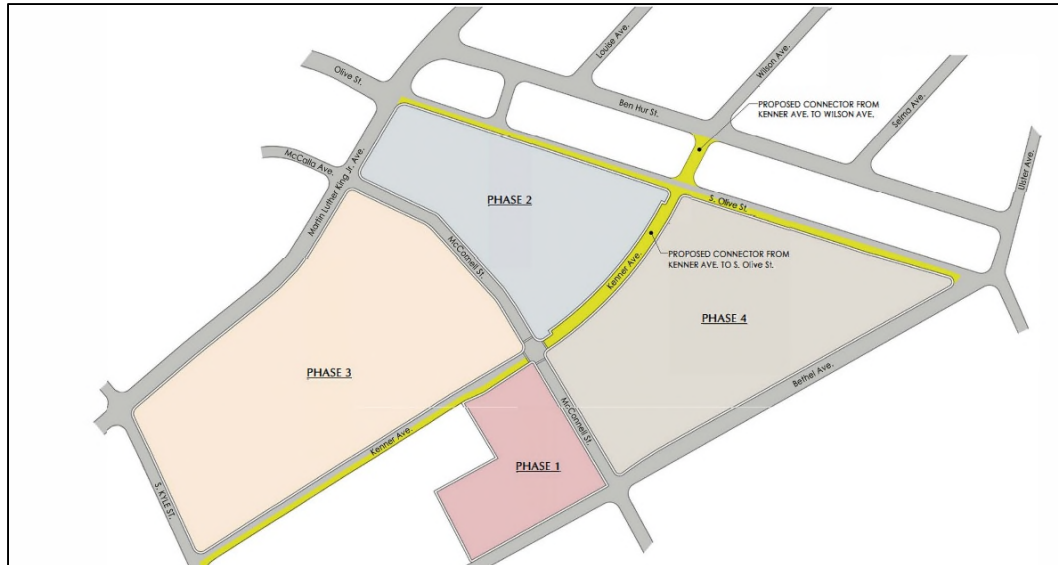
Five Points 4 is expected to begin construction in mid 2019 with completion in mid 2020.





units at 50 percent and 60 percent AMI. Public housing units from the Phase III site have been demolished and cleared, but vertical building construction has not started.

**Figure 1 Phasing Plan, Five Points Development**



Source: Knoxville's Community Development Corporation (KCDC)

The Five Points Neighborhood is an older residential section of Knoxville, located roughly two miles east of downtown Knoxville (Figure 2). The redevelopment of the former public housing authority communities will be the largest residential development in eastern Knoxville. Morningside Gardens, a 268 unit senior community, is located in the northwest portion of the Five Points neighborhood along Linden Avenue. All 268 units have project-based Section 8 assistance with rent based on a percentage of each tenant's income. The remainder of the housing stock in the Five Points neighborhood is older single-family detached homes. Most of these homes are single-story and include a range of property condition including many showing signs of deferred maintenance. Some homes are well maintained including some with signs of renovation.

**Figure 2 Satellite Image, Site and Surrounding Area**

### 3. Existing Uses

The subject site includes the remaining public housing units are Walter P. Taylor Homes (Figure 3). Public housing units for phases one through three have been removed.

### 4. Size, Shape, and Topography

The site encompasses a portion of a larger 33-acre tract. The site is roughly rectangular and flat.

**Figure 3 Views of Subject Site**



Existing buildings from Bethel Avenue.



Existing building from McConnell Street



Existing buildings from Bethel Avenue.



Existing building from Bethel Avenue.



View facing east on Olive Street, site on left.

### 5. Specific Identification of Land Uses Surrounding the Subject Site

The land uses directly bordering the subject property include:

- **North:** Olive Street and single-family detached homes
- **East:** Single-family detached homes
- **South:** Bethel Avenue and single-family detached homes
- **West:** McConnell Street and Five Point I and II

**Figure 4 Views of Surrounding Land Uses**



Residences at Five Points, Senior LIHTC to south



Five Points II, under construction west of site



Five Points III, cleared site



Single-family homes to east



Commercial building to west



Park to west

## B. Neighborhood Analysis

### 1. General Description of Neighborhood

The site is located in an established and older residential neighborhood approximately 1.5 miles east of downtown land uses. Surrounding land uses are primarily residential and include a mixture single-family detached homes and multi-family apartments. Both single-family and multi-family communities represent a range of quality and value with some homes showing significant signs of deferred maintenance and others showing obvious signs of renovations. Commercial uses in the area are generally centered along E Magnolia Avenue with one-half mile of the site to the north; commercial uses include smaller retailers, convenience stores, and restaurants.

Moving west from the site, the neighborhood becomes denser along Magnolia Avenue (Highway 70) approaching downtown. This portion of the neighborhood includes a large number of commercial and office complexes, in addition to schools and churches. The neighborhood is predominately single-family detached homes to the southwest, most of which have been well maintained. This portion of the neighborhood also includes a number of public parks, wooded parcels, and greenways.

Other notable land uses between the subject site and downtown include a small campus of Pellissippi State Community College, public schools, and public parks. Several office buildings, distribution facilities, and light industrial uses are less than one mile west of the site closer to downtown.

### 2. Neighborhood Investment and Planning Activities

The subject site is part of the large-scale redevelopment of two former public housing communities, which is the only notable investment or initiative in the immediate area.

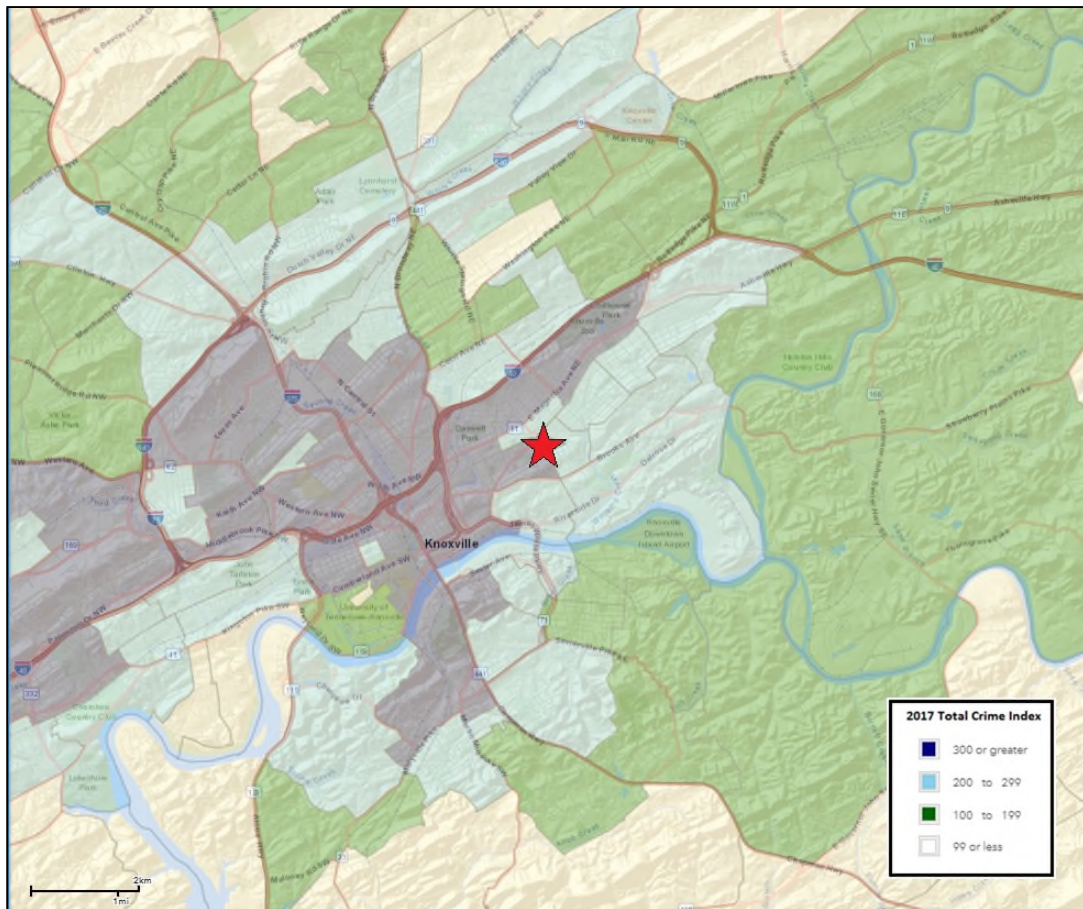
### 3. Crime Index

CrimeRisk data is an analysis tool for crime provided by Applied Geographic Solutions (AGS). CrimeRisk is a block-group level index that measures the relative risk of crime compared to a national average. AGS analyzes known socio-economic indicators for local jurisdictions that report crime statistics to the FBI under the Uniform Crime Reports (UCR) program. Based on detailed modeling of these relationships, CrimeRisk provides a detailed view of the risk of total crime as well as specific crime types at the block group level. In accordance with the reporting procedures used in the UCR reports, aggregate indexes have been prepared for personal and property crimes separately as well as a total index. However, it must be recognized that these are un-weighted indexes, in that

a murder is weighted no more heavily than purse snatching in this computation. The analysis provides a useful measure of the relative overall crime risk in an area but should be used in conjunction with other measures.

The 2017 CrimeRisk is displayed in gradations from yellow (least risk) to purple (most risk) (Map 2). The subject site is positioned on the edge of the higher crime risk areas closer to downtown Knoxville and lower crime risks in residential neighborhoods to the east. The redevelopment of the former public housing authority communities should significant include crime and perceptions of crime in the immediate area. Based on this data and field observations, crime or the perception of crime could impact the marketability of the subject property.

**Map 2 Crime Index Map**



## C. Site Visibility and Accessibility

### 1. Visibility

Five Points 4 will have frontage on Olive Street, McConnell Street, and Bethel Avenue, relatively lightly traveled residential roads. The site is within the larger redevelopment of the Five Points community, which has already garnered significant community awareness and press coverage. While drive by visibility of the specific building may be limited, the overall community will have significant community visibility within the Knoxville community.



## **2. Vehicular Access**

Five Points 4 will be accessible from entrances on nearby neighborhood streets and within the overall Five Points development. Traffic is generally light in front of the site. RPRG does not expect problems with site accessibility.

## **3. Availability of Public Transit**

Public fixed-route bus transportation through the Greenville Metro Area is provided by the Greenville Transit Authority (known as GreenLink); which will provide residents with suitable public transportation as the property sits on a major metropolitan thoroughfare. The closest GreenLink stop to the subject site is a two minute walk west to the intersection of South Street and Yellow Jasmin Drive.

## **4. Regional Transit**

Knoxville Area Transit (KAT) provides public fixed route transportation in Knoxville; Bus Routes 33 and 34 serve eastern Knoxville with bus stops within one-quarter mile of the subject site.

Interstates 40, 75, and 400 serve greater Knoxville with I-40 less than one-mile north of the site U.S. Highway 11 (E Magnolia Avenue) is a few blocks north and is the primary thoroughfare in eastern Knoxville and provides a connection to downtown.

## **5. Pedestrian Access**

The neighborhood surrounding Five Points has an established sidewalk network providing pedestrian access to nearby retailers, parks, and public bus stops.

## **6. Accessibility Improvements under Construction and Planned**

RPRG reviewed information from local stakeholders to assess whether any capital improvement projects affecting road, transit, or pedestrian access to the subject site are currently underway or likely to commence within the next few years. Observations made during the site visit contributed to this process. Through this research, RPRG did not identify any major roadway or transit-oriented improvements that would have a direct impact on this market.

## **D. Residential Support Network**

### **1. Key Facilities and Services near the Subject Sites**

The appeal of any given community is often based in part to its proximity to those facilities and services required on a daily basis. Key facilities and services and their driving distances from the subject site are listed in Table 3 and their locations are plotted on Map 3.



**Table 3 Key Facilities and Services**

Establishment	Type	Address	Driving Distance
Knoxville Area Transit	Bus Stop	MLK WB @ Kyle St.	0.1 mile
Dollar General	General Retail	2265 McCalla Ave.	0.2 mile
Jackie's Dream	Restaurant	2223 McCalla Ave.	0.3 mile
Vine Middle School	School	1807 Martin Luther King Jr Ave.	0.5 mile
Green Grocery 2	Grocery	1822 E Magnolia Ave.	0.8 mile
Magnolia Shopping Center	Shopping Mall	1822 E Magnolia Ave.	0.8 mile
Knoxville Fire Department	Fire	900 E Hill Ave. #430	0.9 mile
Harriet Tubman Park	Park	300 Harriet Tubman St.	0.9 mile
Regions Bank	Bank	1503 E Magnolia Ave.	1 mile
Green Elementary School	School	801 Lula Powell Dr.	1.2 miles
Qwik Pantry	Convenience Store	1198 E Magnolia Ave.	1.2 miles
Knoxville Police Department	Police	800 Howard Baker Jr Blvd.	1.3 miles
Austin-East High School	School	2800 Martin Luther King Jr Ave.	1.4 miles
The Phoenix Pharmacy	Pharmacy	418 S Gay St.	1.7 miles
Corporate Library-Knoxville	Library	400 W Summit Hill Dr. SW	1.7 miles
United States Postal Service	Post Office	501 W Main St.	2.1 miles
Christenberry Clinic	Doctor/Medical	1318 Clinch Ave.	2.4 miles
Tennova-Physician's Regional Medical	Hospital	900 E Oak Hill Ave.	2.9 miles

Source: Field and Internet Research, RPRG, Inc.

**Map 3 Location of Key Facilities and Services**





## **2. Essential Services**

### ***a. Health Care***

Tennova-Physicians Regional Medical Center is the closest major medical provider to the subject site, located roughly three miles north of the subject site. This 442-bed medical center offers a wide range of services including a 24-hour Emergency Room and general medical care.

Several smaller medical clinics and doctor's offices serve eastern Knoxville. Christenberry Clinic is the closest medical center to the subject site at 2.4 miles.

### ***b. Education***

Knox County Schools provides public education in Knoxville. School-age students residing at the subject site would attend Green Elementary School (1.2 miles), Vine Middle School (0.5 mile), and Austin-East High School (1.4 miles).

The Knoxville region is home to several colleges and universities with The University of Tennessee's Knoxville campus the largest with more than 26,000 students and a 581-bed teaching hospital. Pellissippi State Community College is the closest smaller post-secondary institution to the subject at roughly one-half mile to the north. Pellissippi State provides college courses and programs through the associate's degree level.

## **3. Commercial Goods and Services**

### ***a. Convenience Goods***

The term "convenience goods" refers to inexpensive, nondurable items that households purchase on a frequent basis and for which they generally do not comparison shop. Examples of convenience goods are groceries, fast food, health and beauty aids, household cleaning products, newspapers, and gasoline.

An assortment of local retailers, service providers, and restaurants are located along E Magnolia Avenue, which is a few blocks north of the subject site. Stores within one-mile of the subject site include convenience stores, restaurants, pawn shops, Dollar Tree and Family Dollar. Green Grocery is the closest grocery store at 0.8 mile to the north. Sav-A-Lot and Kroger have larger facilities roughly two miles to the northeast along Magnolia Avenue; Publix has a store on the east side of downtown Knoxville also roughly two miles from the site.

### ***b. Shoppers Goods***

The term "shoppers goods" refers to larger ticket merchandise that households purchase on an infrequent basis and for which they usually comparison shop. The category is sometimes called "comparison goods." Examples of shoppers' goods are apparel and accessories, furniture and home furnishings, appliances, jewelry, and sporting goods.

The closest concentration of major retailers is northeast of the site along Interstate 640 including East Town Mall and surrounding shopping centers approximately five miles from the site. Belk, Sears, and Golds Gym serve as the mall's anchors with a total of 120 stores and restaurants. Walmart, Target, Home Depot, and Lowe's Home Improvement are near the mall in strip shopping centers.





## 4. HOUSING MARKET AREA

### A. Introduction

The primary market area for the proposed Five Points 4 is defined as the geographic area from which future residents of the community would primarily be drawn and in which competitive rental housing alternatives are located. In defining the Five Points Market Area, RPRG sought to accommodate the joint interests of conservatively estimating housing demand and reflecting the realities of the local rental housing marketplace.

### B. Delineation of Market Area

The Five Points Market Area consists of census tracts including downtown Knoxville and much of eastern Knoxville (Map 4). This market area includes the portions of Knoxville that are most comparable with the areas surrounding the subject site; residents of this market area would find the subject site an acceptable location for rental housing. The market area does not extend further west as this area is heavily influenced by The University of Tennessee and its large student population and housing is generally not comparable to that of the market area. The Tennessee and Holston Rivers act as natural barriers to development in Knoxville to the south and east of the site; land uses become rural quickly on the opposite side of these rivers. The Five Points Market Area does not extend further to the north due to distance and a transition to suburban areas. The boundaries of the Five Points Market Area and their approximate distance from the subject site are.

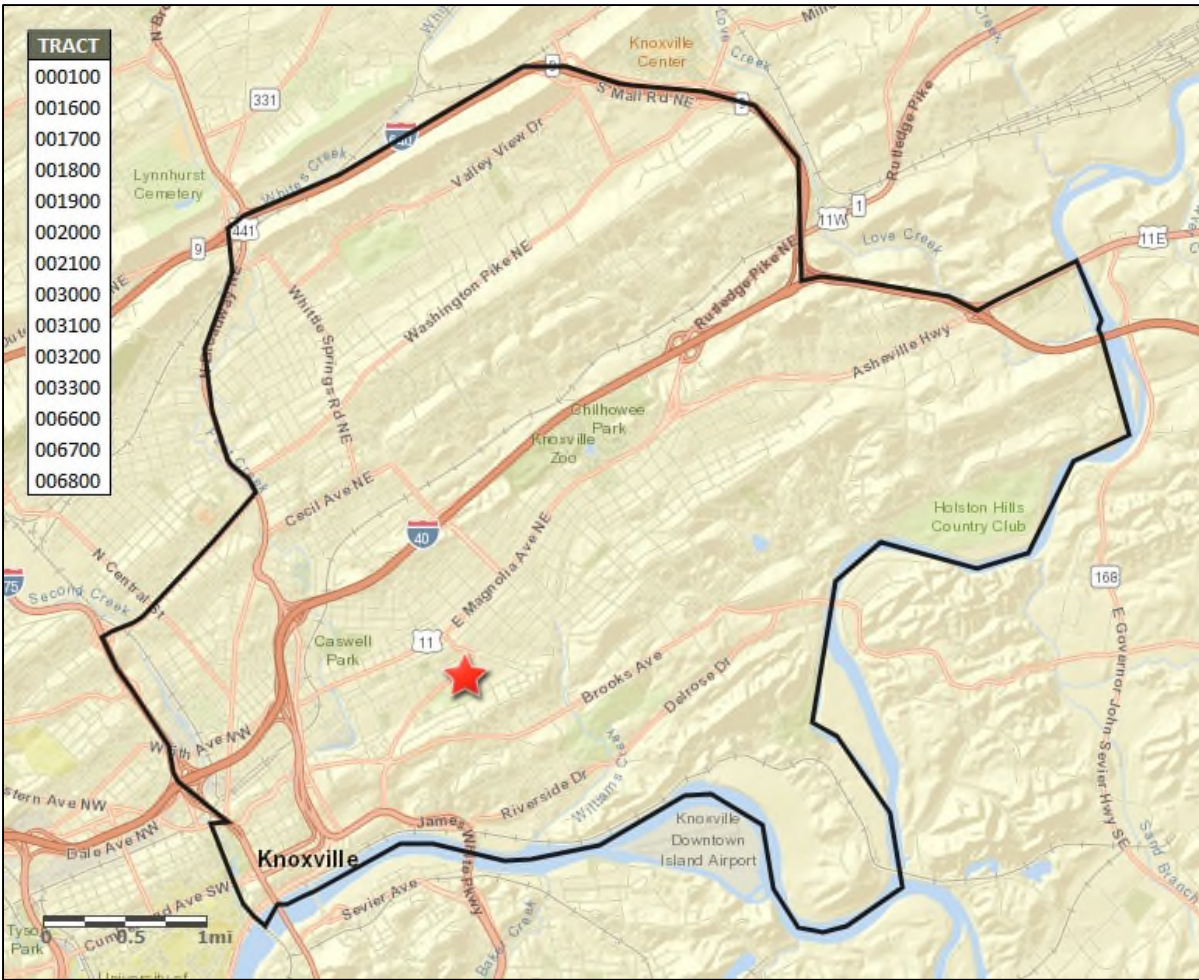
The approximate boundaries of the market area and their distances from the subject are:

<b>North:</b>	Interstate 640	3.5 miles
<b>East:</b>	Holston River	3.8 miles
<b>South:</b>	Tennessee River	1.1 miles
<b>West:</b>	U.S. Highway 441 / Interstate 275	2.1 miles

As appropriate for this analysis, the Five Points Market Area is compared and contrasted to Knox County as a whole. This can be considered a secondary market area for the subject; however, demand is based solely on the Five Points Market Area.



Map 4 Five Points Market Area





## 5. EMPLOYMENT AND ECONOMY

### A. Introduction

This section of the report focuses primarily on economic trends and conditions in Knox County, Tennessee, the county in which the subject site is located. Economic trends in Tennessee and the nation are also discussed for comparison purposes.

### B. Labor Force, Resident Employment, and Unemployment

#### 1. Trends in County Labor Force and Resident Employment

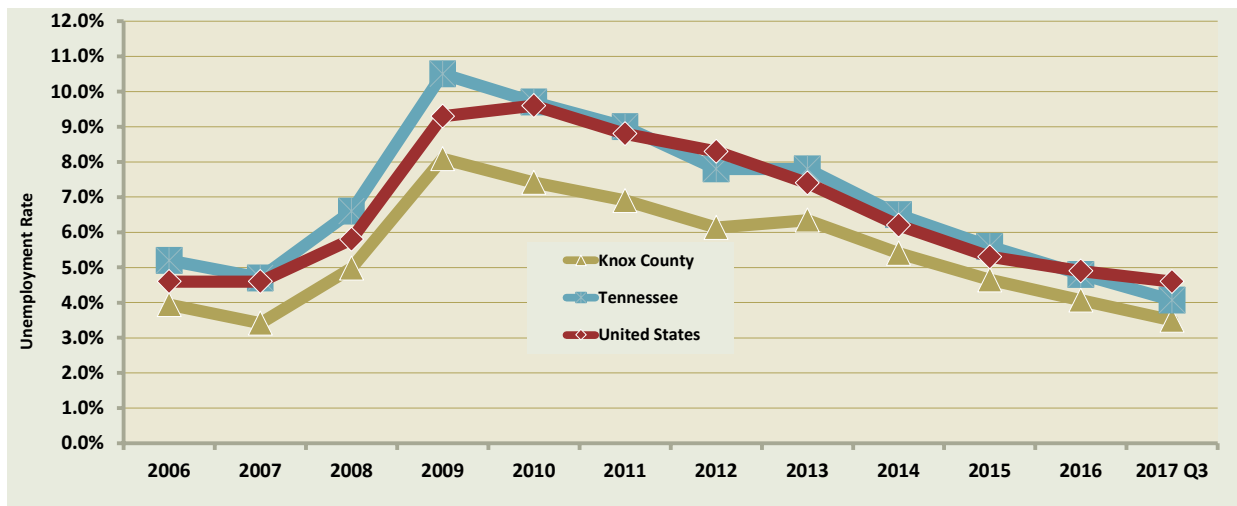
From 2006 to 2016, the labor force for Knox County generally increased with net growth of 9,209 workers or 4.1 percent, although the county had some annual decreases. The annual average labor force of 233,254 workers in 2016 is a high point over the past 10 years (Table 4). The labor continued to grow through the first three quarters of 2017 with net growth of roughly 1,200 workers. The employed portion of the labor force increased by 10,782 workers since 2013, while the number of workers classified as unemployed decreased by 4,929 workers over the same period.

**Table 4 Labor Force and Unemployment Rates**

Annual Unemployment Rates - Not Seasonally Adjusted

Annual Unemployment	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Q3
Labor Force	224,145	229,804	230,189	230,341	229,800	233,360	230,959	227,501	226,045	228,660	233,354	234,535
Employment	215,313	221,965	218,720	211,705	212,757	217,245	216,796	213,067	213,830	218,029	223,849	226,345
Unemployment	8,832	7,839	11,469	18,636	17,043	16,115	14,163	14,434	12,215	10,631	9,505	8,191
<b>Unemployment Rate</b>												
Knox County	3.9%	3.4%	5.0%	8.1%	7.4%	6.9%	6.1%	6.3%	5.4%	4.6%	4.1%	3.5%
Tennessee	5.2%	4.7%	6.6%	10.5%	9.7%	9.0%	7.8%	7.8%	6.5%	5.6%	4.8%	4.1%
United States	4.6%	4.6%	5.8%	9.3%	9.6%	8.8%	8.3%	7.4%	6.2%	5.3%	4.9%	4.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics



#### 2. Trends in County Unemployment Rate

Knox County’s unemployment rate has historically been below both state and national rates. The most recent annual average (2016) unemployment rate 4.1 percent is roughly half of the county’s recession-era high of 8.1 percent. The county weathered the national recession much better than the state and nation, which had peak unemployment rates of 10.5 percent and 9.6 percent, respectively.

Unemployment rates have decreased further through the first three quarters of 2017 to 3.5 percent in the county, 4.1 percent in the state, and 4.6 percent in the nation.

## B. Commutation Patterns

According to 2012-2016 American Community Survey (ACS) data, 52.1 percent of market area workers are employed locally with commutes less than 20 minutes; 25 percent commute 20-29 minutes to work (Table 5). These commute times suggest most local workers are employed in eastern Knoxville County or downtown. The high percentage of those commuting more than 20 minutes reflect the strong employment base in western Knox County and the bordering Oak Ridge.

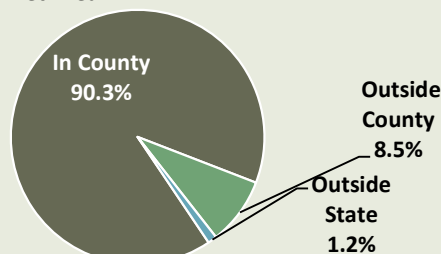
Over 90 percent of workers residing in the Five Points Market Area worked in Knox County and 8.5 percent worked in another Tennessee county. Only 1.2 percent of the Five Points Market Area's working residents were employed outside the state.

**Table 5 Commutation Data, Five Points Market Area**

Travel Time to Work			Place of Work		
Workers 16 years+	#	%	Workers 16 years and over	#	%
Did not work at home:	18,265	97.3%	Worked in state of residence:	18,556	98.8%
Less than 5 minutes	484	2.6%	Worked in county of residence	16,951	90.3%
5 to 9 minutes	2,201	11.7%	Worked outside county of residence	1,605	8.5%
10 to 14 minutes	3,231	17.2%	Worked outside state of residence	217	1.2%
15 to 19 minutes	3,873	20.6%	<b>Total</b>	<b>18,773</b>	<b>100%</b>
20 to 24 minutes	3,808	20.3%			
25 to 29 minutes	874	4.7%			
30 to 34 minutes	1,864	9.9%			
35 to 39 minutes	223	1.2%			
40 to 44 minutes	251	1.3%			
45 to 59 minutes	759	4.0%			
60 to 89 minutes	444	2.4%			
90 or more minutes	253	1.3%			
Worked at home	508	2.7%			
<b>Total</b>	<b>18,773</b>				

Source: American Community Survey 2012-2016

**2012-2016 Commuting Patterns  
Five Points Market Area**



**In County 90.3%**  
**Outside County 8.5%**  
**Outside State 1.2%**

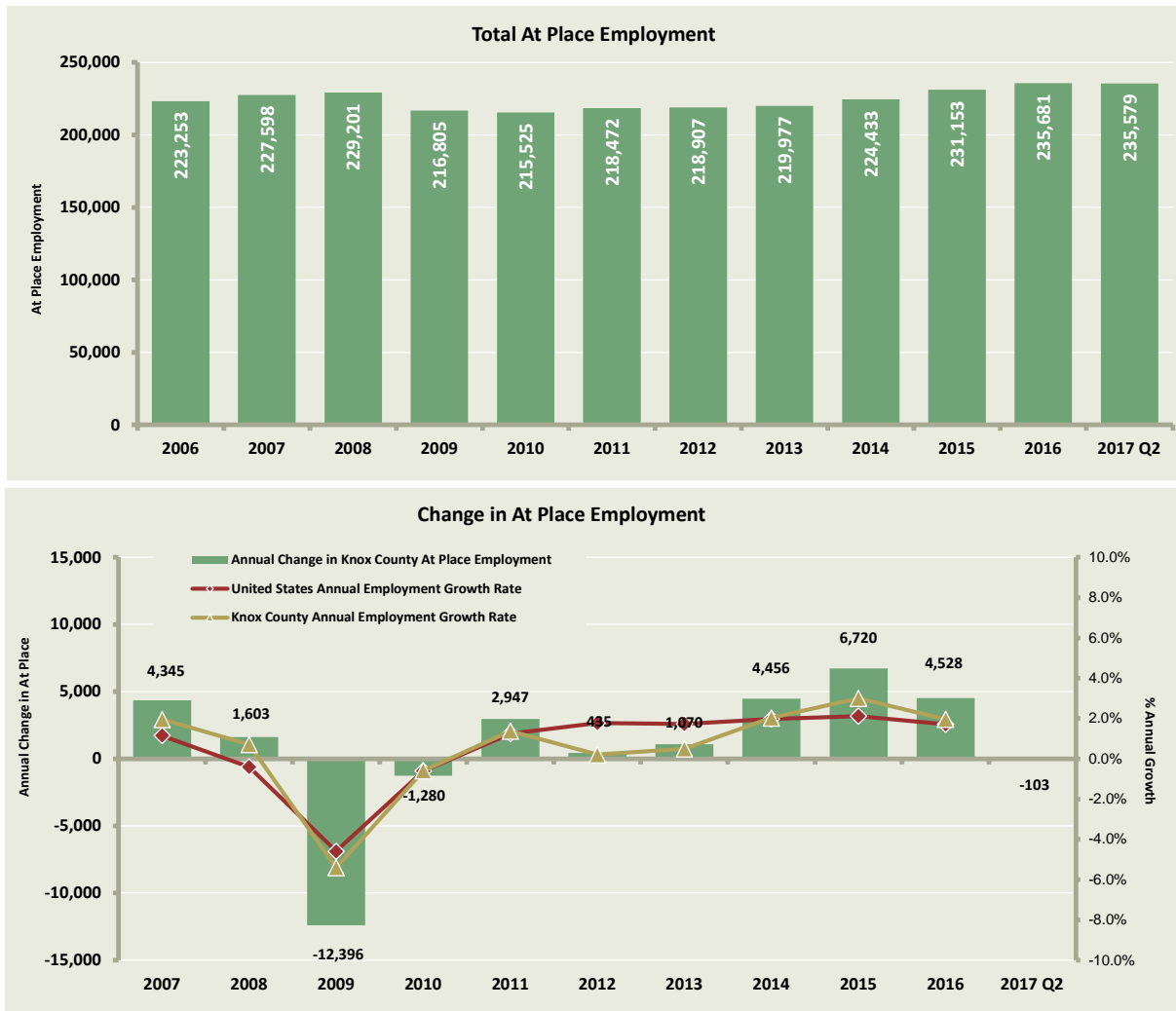
## C. County At-Place Employment

### 1. Trends in Total At-Place Employment

Knox County's At-Place Employment (jobs located in the county) has grown steadily following the recession (Figure 5). The county has added jobs in six consecutive years with net growth of 20,156 jobs from 2010 to 2016; the bulk of the growth has been over the past three years with annual average growth of 5,235 jobs. The county's At-Place Employment has remained relatively unchanged through the first half of 2017 with a minor net loss of 103 jobs relative to the 2016 annual average. As detailed in the lower panel of Figure 5, Knox County's rate of job growth has exceeded the nation rate of growth since 2011.



**Figure 5 At-Place Employment, Knox County**



Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

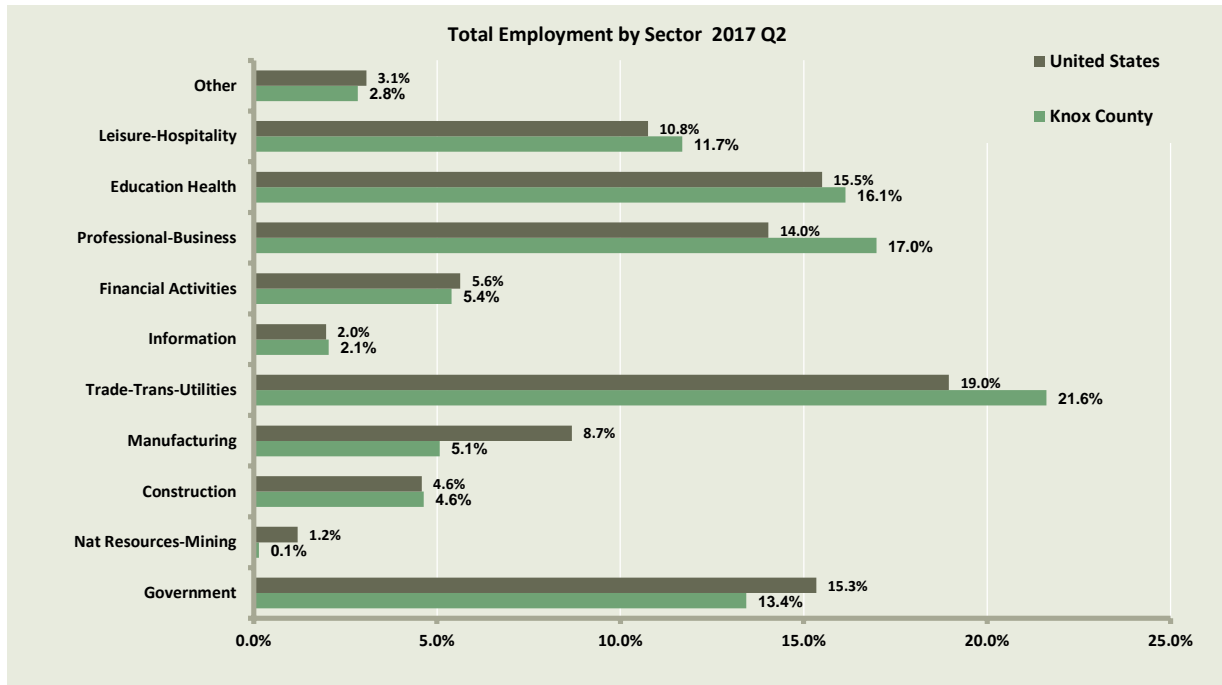
## 2. At-Place Employment by Industry Sector

Trade-Transportation-Utilities, Professional-Business, and Education-Health are Knox County’s largest employment sectors; each sector accounts for at least 16.1 percent of the county’s jobs and the three combine for 54.7 percent of the county’s total At-Place Employment compared to 48.5 percent of jobs (Figure 6). Government (13.4 percent) and Leisure-Hospitality (11.7 percent) also each account for more than 10 percent of the county’s jobs. Compared to national percentages, Knox County has a smaller percentage of jobs in the Natural Resources, Manufacturing, and Government.

Nine of eleven economic sectors added jobs from 2011 to 2017(Q2) including at least 9.7 percent net growth including Professional-Business at 18.6 percent, 16.3 percent in Construction, 14.3 percent in Financial Activities, and 9.7 percent in Education Health (Figure 7).

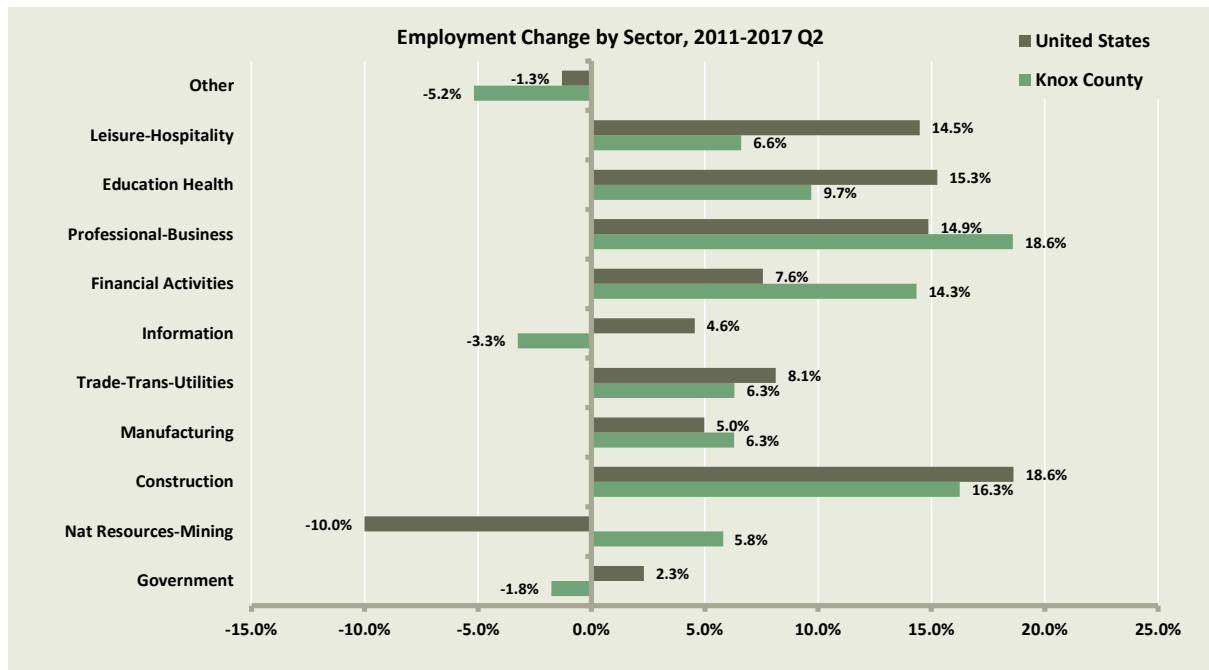


**Figure 6 Total Employment by Sector**



Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

**Figure 7 Employment Change by Sector, 2011-2017(Q2)**



Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages



### D. Wage Data

In 2016, Knox County reported an average annual wage of \$46,437, which was \$966 or 2.05 percent less than the \$50,676 average annual wage for Tennessee. The county’s average annual wage has increased from 10,125 or 27.9 percent from 2006 to 2016 (Table 6).

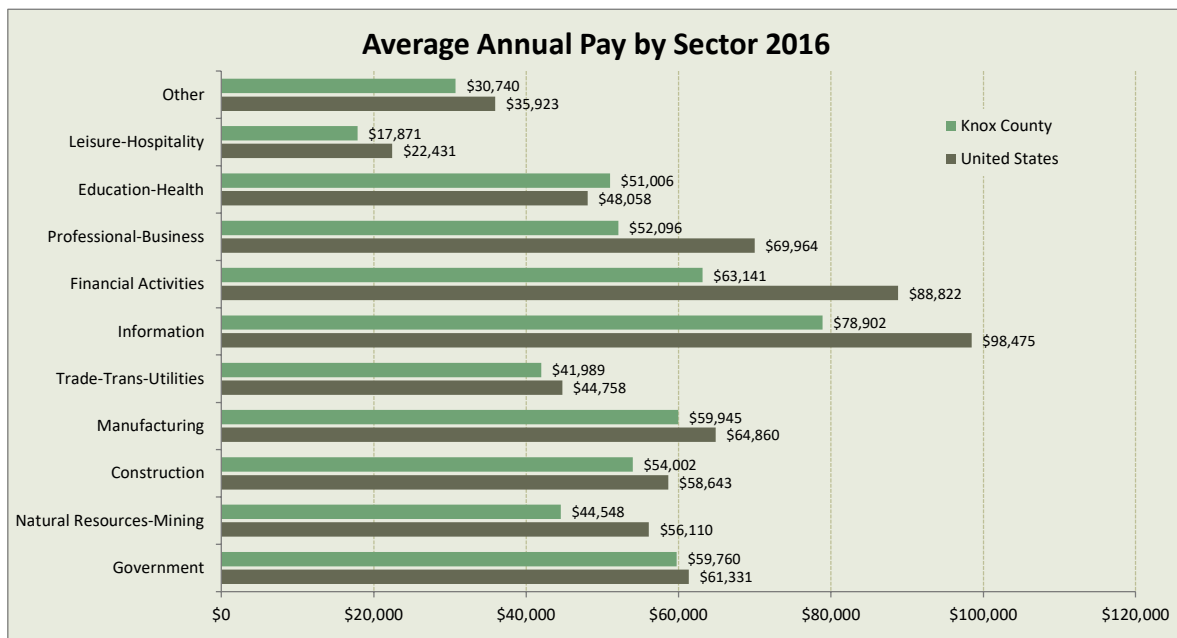
**Table 6 Wage Data, Knox County**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Knox County	\$36,312	\$37,642	\$38,109	\$38,554	\$39,785	\$40,862	\$42,254	\$42,912	\$44,216	\$45,487	\$46,437
Tennessee	\$37,564	\$39,082	\$39,996	\$40,242	\$41,572	\$42,454	\$43,961	\$44,091	\$45,202	\$46,742	\$47,403
United States	\$42,535	\$44,458	\$45,563	\$45,559	\$46,751	\$48,043	\$49,289	\$49,804	\$51,361	\$52,942	\$53,611

Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Information is the highest paying sector in Knox County at \$78,902 and Financial Activities pays an average of \$63,141, but these sectors are relatively small. Five sectors pay an average annual wage of \$50,000 to \$60,000 including large sectors of Professional-Business, Education-Health, and Government (Figure 8). Most sectors’ average annual wage in Knox County is well below the national average; Education Health is the only sector paying above the national average.

**Figure 8 Wage by Sector, Knox County**



Source: U.S. Department of Labor, Bureau of Labor Statistics, Quarterly Census of Employment and Wages

### E. Major Employers

The National Laboratory in Oak Ridge (Dept. of Energy) and Covenant Health are Knoxville’s largest employers and the only individual employers with more than 10,000 employees (Table 7). Nine companies employ 3,000 to 7,250 jobs including the local school system, the University of Tennessee, two healthcare companies, and two retailers. Most of Knox County’s major employers are near downtown Knoxville within five miles of the subject site (Map 5).

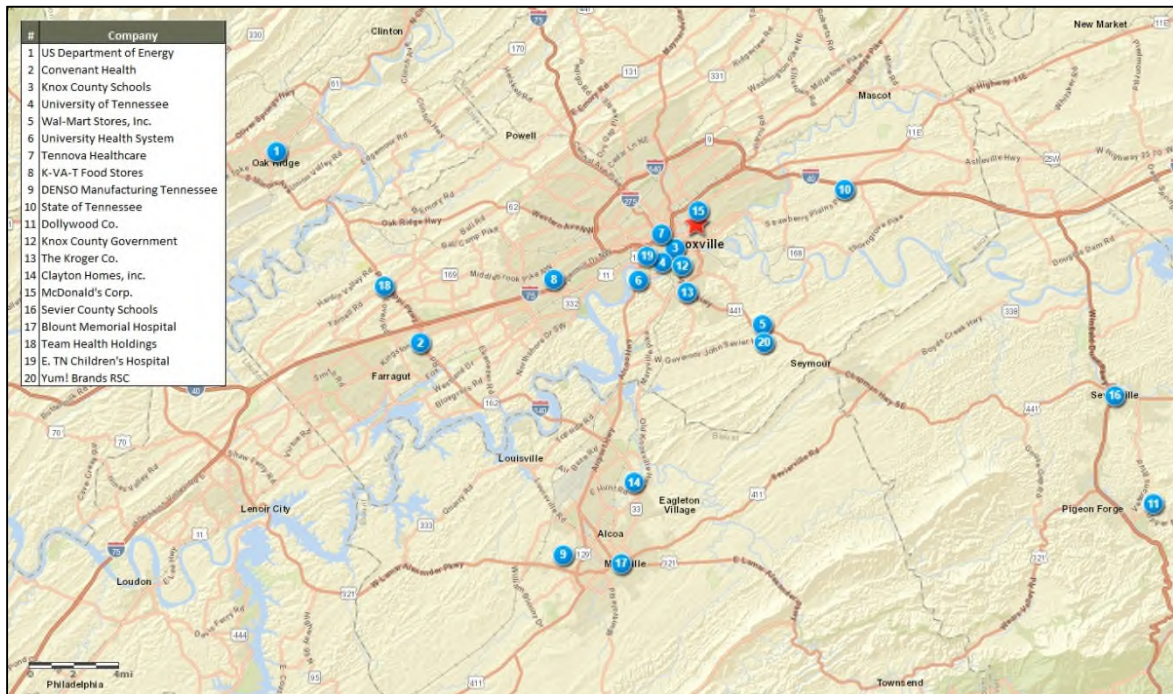


**Table 7 Major Employers, Knox County**

Rank	Name	Sector	Employment
1	US Department of Energy	Utilities	11,986
2	Convenant Health	Healthcare	10,304
3	Knox County Schools	Education	7,241
4	University of Tennessee	Education	6,609
5	Wal-Mart Stores, Inc.	Retail	5,951
6	University Health System	Healthcare	4,941
7	Tennova Healthcare	Healthcare	3,997
8	K-VA-T Food Stores	Retail	3,913
9	DENSO Manufacturing Tennessee	Manufacturing	3,800
10	State of Tennessee	Government	3,153
11	Dollywood Co.	Travel & Leisure	3,000
12	Knox County Government	Government	2,952
13	The Kroger Co.	Retail	2,952
14	Clayton Homes, inc.	Manufacturing	2,883
15	McDonald's Corp.	Restarurant	2,846
16	Sevier County Schools	Education	2,500
17	Blount Memorial Hospital	Healthcare	2,418
18	Team Health Holdings	Healthcare	2,015
19	E. TN Children's Hospital	Healthcare	2,000
20	Yum! Brands RSC	Restarurant	1,853

Source: Joe Riley, Research Specialist at Knoxville Oak Ridge Innovation Valley

**Map 5 Major Employers, Knox County**







## F. Economic Expansions, Contractions, and Projections

Information obtained by the Knoxville Area Chamber of Commerce show 11 new companies and 35 expansions for a combined 4,043 new jobs since 2015; total capital investment was estimated at \$442.5 million (Table 8). Thirty-three companies report layoffs or closures over the past three years with a combined 1,329 jobs lost. The net gain from companies on these lists was 2,714 jobs over the past three years.

**Table 8 Recent Economic Expansions, Knox County**

New				Expansions			
Year	#	Total Jobs Added	Capital Investment (Millions)	Year	#	Total Jobs Added	Capital Investment (Millions)
2015	8	1,047	\$131.1	2015	20	1,057	\$84.0
2016	2	442	\$146.4	2016	15	986	\$36.5
2017	1	350	\$22.5	2017	1	161	\$22.0
Total	11	1,839	\$300.0	Total	35	2,204	\$142.5

Downsizing		
Year	#	Total Jobs Lost
2015	8	291
2016	9	501
2017	16	537
Total	33	1,329

Source: Knoxville Chamber of Commerce

## G. Economic Conclusions and Projections

Knox County's economy quickly rebounded from heavy job losses during the national recession. The county added more than 20,000 net jobs from 2011 to 2016 with an average annual net increase of 5,235 jobs over the past three years. The county's unemployment rate of 3.5 percent through the third quarter of 2017 was the lowest level since 2007 and well below state and national rates. Local economic projections were not available, but RPRG expects continued strong economic trends based on recent data. Preliminary data for 2017 shows a potential slowing, but quarterly data is not comparable with annual averages



## 6. DEMOGRAPHIC CHARACTERISTICS

### A. Introduction and Methodology

RPRG analyzed recent trends in population and households in the Five Points Market Area and the Knox County using several sources. Projections of population and households are based on data prepared by Esri, a national data vendor. The estimates and projections were examined, compared, and evaluated in the context of decennial U.S. Census data (from 2000 and 2010) as well as building permit trend information.

### B. Trends in Population and Households

#### 1. Recent Past Trends

The population of the Five Points Market Area decreased by 1.7 percent, falling from 40,471 to 39,792 people from 2000 to 2010 (Table 9). The annual average decrease was 68 people or 0.2 percent. The number of households in the Five Points Market Area decreased by 2.0 percent, from 18,677 to 18,306 households, an annual decrease of 0.2 percent or 37 households during the same decade.

Knox County also experienced steady population and household growth during the previous decade with net gains of 13.1 percent for population and 12.3 percent for households. Annual increases in the county were 5,019 people (1.2 percent) and 1,938 households (1.2 percent).

Based on Esri data, RPRG estimates that the Five Points Market Area rebounded with net gains of 3,042 people and 1,301 households from 2010 to 2018. Annual gains over the past eight years were 380 people (0.9 percent) and 163 households (0.9 percent) bring the totals to 42,834 people and 19,607 households. The county increased at comparable rates of 1.0 percent for population and 0.8 percent for households.

#### 2. Projected Trends

Recent trends are projected to continue in both the market area and county over the next five years with annual increases of 383 people (0.9 percent) and 168 households (0.8 percent). The market area will reach 44,749 people and 20,445 households by 2023. Knox County will increase at similar annual rates of 0.8 percent for population and 0.8 percent for households from 2018 to 2023.

#### 3. Building Permit Trends

Annual average building permit activity in Knox County averaged 2,122 units permitted from 2000 to 2016 including an annual average of 2,903 units permitted from 2000 to 2010 (Table 10), which was well above annual household growth of 1,938 during the decade. Annual permit activity peaked in 2004 to 2006 with an average of roughly 4,000 units permitted per year. Permit activity decreased significantly over the next five years to a low of 741 units permitted in 2011. Permit activity has steadily increased over the past five years to 2,122 units permitted in 2016.

Single-family detached homes in Knox County have accounted for 79 percent of all units permitted from 2000 to 2016, with multifamily structures with five or more units accounting for 19 percent of all units.



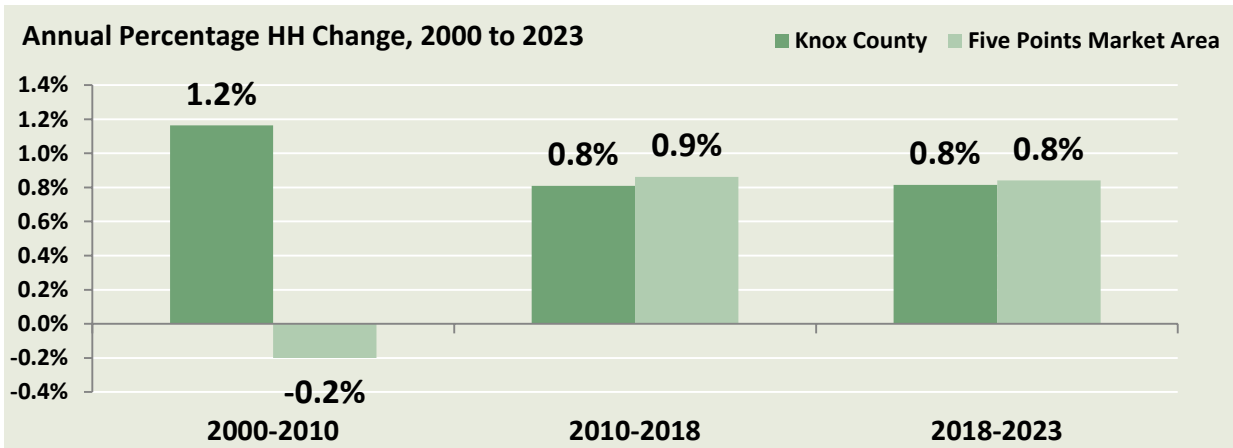
**Table 9 Population and Household Projections**

		Knox County				Five Points Market Area				
Population	Count	Total Change		Annual Change		Count	Total Change		Annual Change	
		#	%	#	%		#	%	#	%
2000	382,032					40,471				
2010	432,226	50,194	13.1%	5,019	1.2%	39,792	-679	-1.7%	-68	-0.2%
2018	466,347	34,121	7.9%	4,265	1.0%	42,834	3,042	7.6%	380	0.9%
2023	487,611	21,264	4.6%	4,253	0.9%	44,749	1,915	4.5%	383	0.9%

		Knox County				Five Points Market Area				
Households	Count	Total Change		Annual Change		Count	Total Change		Annual Change	
		#	%	#	%		#	%	#	%
2000	157,872					18,677				
2010	177,249	19,377	12.3%	1,938	1.2%	18,306	-371	-2.0%	-37	-0.2%
2018	189,062	11,813	6.7%	1,477	0.8%	19,607	1,301	7.1%	163	0.9%
2023	196,889	7,827	4.1%	1,565	0.8%	20,445	838	4.3%	168	0.8%

Source: 2000 Census; 2010 Census; Esri; and Real Property Research Group, Inc.



**Table 10 Building Permits by Structure Type, Knox County**

Knox County																		2000-2016	Annual Average
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016			
Single Family	2,291	2,336	2,493	2,882	3,283	3,478	3,162	2,620	1,302	887	878	731	916	1,190	1,226	1,483	1,592	32,750	1,926
Two Family	22	58	146	30	18	24	8	4	62	44	6	6	8	6	6	0	2	450	26
3 - 4 Family	63	55	135	19	8	25	6	3	0	0	4	0	0	0	0	0	0	318	19
5+ Family	438	452	209	30	874	309	818	730	531	468	722	0	375	304	680	254	528	7,722	454
<b>Total</b>	<b>2,814</b>	<b>2,901</b>	<b>2,983</b>	<b>2,961</b>	<b>4,183</b>	<b>3,836</b>	<b>3,994</b>	<b>3,357</b>	<b>1,895</b>	<b>1,399</b>	<b>1,606</b>	<b>741</b>	<b>1,299</b>	<b>1,500</b>	<b>1,912</b>	<b>1,737</b>	<b>2,122</b>	<b>41,240</b>	<b>2,426</b>

Source: U.S. Census Bureau, C-40 Building Permit Reports.

### C. Demographic Characteristics

#### 1. Age Distribution and Household Type

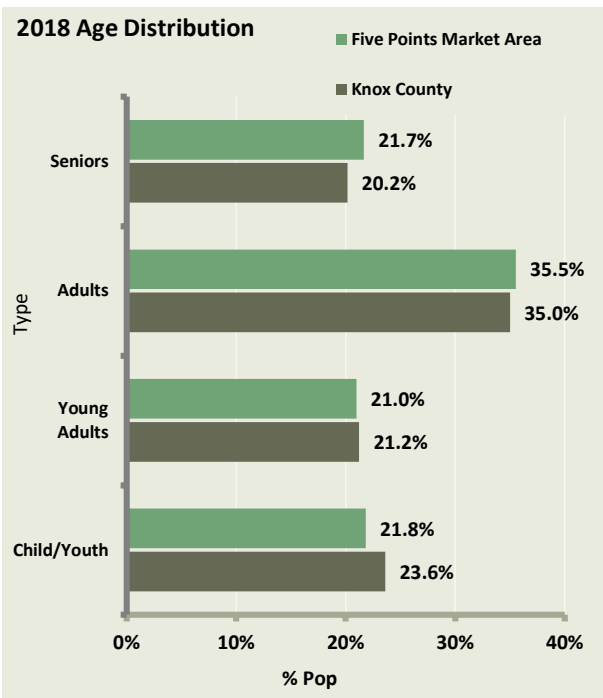
The population for Five Points Market Area is older than Knox County with 2018 median population ages of 40 and 38, respectively. Adults age 35-61 are the largest cohort in both areas at roughly 35.5 percent (Table 11). The market area has a lower percentage of Children/Youth at 21.8 percent



compared to 23.6 percent in the county; the higher percentage in the county is due to the influence of the University of Tennessee on the west side of downtown Knoxville. Young Adults age 20-35 and seniors age 62+ each account for roughly 21 percent of the market area’s population.

**Table 11 2018 Age Distribution**

2018 Age Distribution	Knox County		Five Points Market Area	
	#	%	#	%
<b>Children/Youth</b>	<b>110,105</b>	<b>23.6%</b>	<b>9,351</b>	<b>21.8%</b>
Under 5 years	25,597	5.5%	2,493	5.8%
5-9 years	27,069	5.8%	2,472	5.8%
10-14 years	27,770	6.0%	2,291	5.3%
15-19 years	29,669	6.4%	2,095	4.9%
<b>Young Adults</b>	<b>98,987</b>	<b>21.2%</b>	<b>8,983</b>	<b>21.0%</b>
20-24 years	36,878	7.9%	2,838	6.6%
25-34 years	62,109	13.3%	6,145	14.3%
<b>Adults</b>	<b>163,237</b>	<b>35.0%</b>	<b>15,219</b>	<b>35.5%</b>
35-44 years	60,519	13.0%	5,508	12.9%
45-54 years	60,357	12.9%	5,524	12.9%
55-61 years	42,361	9.1%	4,187	9.8%
<b>Seniors</b>	<b>94,017</b>	<b>20.2%</b>	<b>9,280</b>	<b>21.7%</b>
62-64 years	18,155	3.9%	1,795	4.2%
65-74 years	44,711	9.6%	4,358	10.2%
75-84 years	22,000	4.7%	2,107	4.9%
85 and older	9,151	2.0%	1,021	2.4%
<b>TOTAL</b>	<b>466,347</b>	<b>100%</b>	<b>42,834</b>	<b>100%</b>
<b>Median Age</b>	<b>38</b>		<b>40</b>	

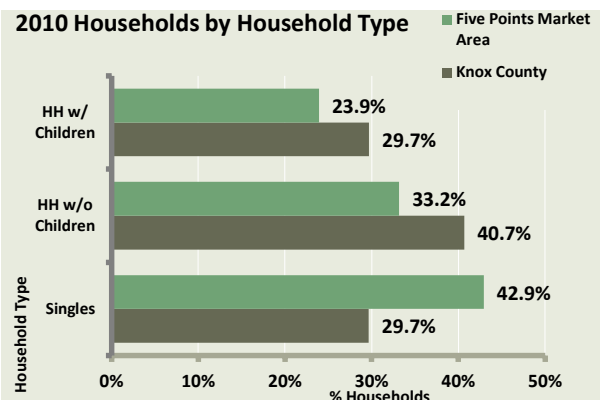


Source: Esri; RPRG, Inc.

Based on the 2010 Census, single-person households were the most common household type in the market area at 42.9 percent, much lower than the 29.7 percent in the county. The higher percentage of this household type reflects the inclusion of part of downtown Knoxville in the market area. Roughly 33.2 percent of households in the market area have at least two adults, but no children; this household type is the most common household type in the county at 40.7 percent. Households with children account for 23.9 percent of the households in the county and 29.7 percent in the county.

**Table 12 2010 Households by Household Type**

2010 Households by Household Type	Knox County		Five Points Market Area	
	#	%	#	%
Married w/Children	35,096	19.8%	1,733	9.5%
Other w/ Children	17,518	9.9%	2,646	14.5%
<b>Households w/ Children</b>	<b>52,614</b>	<b>29.7%</b>	<b>4,379</b>	<b>23.9%</b>
Married w/o Children	48,281	27.2%	3,023	16.5%
Other Family w/o Children	10,353	5.8%	1,539	8.4%
Non-Family w/o Children	13,444	7.6%	1,511	8.3%
<b>Households w/o Children</b>	<b>72,078</b>	<b>40.7%</b>	<b>6,073</b>	<b>33.2%</b>
<b>Singles</b>	<b>52,557</b>	<b>29.7%</b>	<b>7,854</b>	<b>42.9%</b>
<b>Total</b>	<b>177,249</b>	<b>100%</b>	<b>18,306</b>	<b>100%</b>



Source: 2010 Census; RPRG, Inc.



## 2. Renter Household Characteristics

The Five Points Market Area’s households have a much higher propensity to rent than in Knox County with 2018 renter percentages of 56.5 percent in the market area and 36.6 percent in the county (Table 13). The market area gained 316 renter households, but lost 687 owner households from 2000 to 2010. This trend continued over the past eight years with the net gain of 1,515 renter households and loss of 214 owner households from 2010 to 2018. The county’s net growth by tenure was also disproportionate from 2010 to 2018 with renters contributing 79.8 percent of net growth. Renter households are projected to reach 57.2 percent in the market area and 36.7 percent in Knox County by 2023.

**Table 13 Households by Tenure**

Knox County	2000		2010		Change 2000-2010		2018		Change 2010-2018		2023		Change 2018-2023	
Housing Units	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Owner Occupied	105,562	66.9%	117,412	66.2%	11,850	61.2%	119,800	63.4%	2,388	20.2%	124,663	63.3%	4,863	62.1%
Renter Occupied	52,310	33.1%	59,837	33.8%	7,527	38.8%	69,263	36.6%	9,426	79.8%	72,226	36.7%	2,964	37.9%
<b>Total Occupied</b>	<b>157,872</b>	<b>100%</b>	<b>177,249</b>	<b>100%</b>	<b>19,377</b>	<b>100%</b>	<b>189,062</b>	<b>100%</b>	<b>11,813</b>	<b>100%</b>	<b>196,889</b>	<b>100%</b>	<b>7,827</b>	<b>100%</b>
Total Vacant	13,567		17,700				18,393				19,038			
<b>TOTAL UNITS</b>	<b>171,439</b>		<b>194,949</b>				<b>207,456</b>				<b>215,928</b>			

Five Points Market Area	2000		2010		Change 2000-2010		2018		Change 2010-2018		2023		Change 2018-2023	
Housing Units	#	%	#	%	#	%	#	%	#	%	#	%	#	%
Owner Occupied	9,421	50.4%	8,734	47.7%	-687		8,520	43.5%	-214		8,757	42.8%	237	28.3%
Renter Occupied	9,256	49.6%	9,572	52.3%	316		11,087	56.5%	1,515		11,688	57.2%	601	71.7%
<b>Total Occupied</b>	<b>18,677</b>	<b>100%</b>	<b>18,306</b>	<b>100%</b>	<b>-371</b>	<b>100%</b>	<b>19,607</b>	<b>100%</b>	<b>1,301</b>	<b>100%</b>	<b>20,445</b>	<b>100%</b>	<b>838</b>	<b>100%</b>
Total Vacant	2,567		3,005				3,258				3,423			
<b>TOTAL UNITS</b>	<b>21,244</b>		<b>21,311</b>				<b>22,864</b>				<b>23,868</b>			

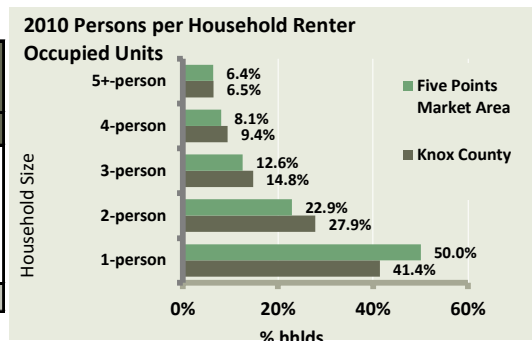
Source: U.S. Census of Population and Housing, 2000, 2010; Esri, RPRG, Inc.

Half of the renter households in the Five Points Market Area were single person households as of the 2010 Census and 22.9 percent had two people (Table 14). One and two person households combined for 69.3 percent of all renter households in Knox County including 41.4 percent with one person. Three and four person households accounted for 20.7 percent of the renter households in the market area and 24.2 percent of the renter households in the county. Roughly six percent of renter households in both areas had 5+ people.

**Table 14 2010 Renter Households by Household Size**

Renter Occupied	Knox County		Five Points Market Area	
	#	%	#	%
1-person hhld	24,795	41.4%	4,788	50.0%
2-person hhld	16,689	27.9%	2,196	22.9%
3-person hhld	8,841	14.8%	1,204	12.6%
4-person hhld	5,651	9.4%	774	8.1%
5+-person hhld	3,861	6.5%	610	6.4%
<b>TOTAL</b>	<b>59,837</b>	<b>100%</b>	<b>9,572</b>	<b>100%</b>

Source: 2010 Census



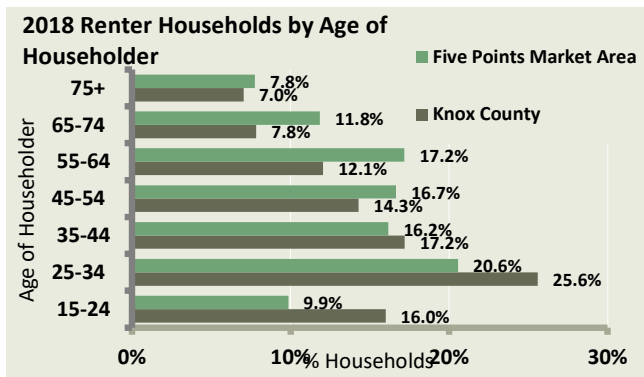


Working age renter household form the core of the Five Points Market Area with 36.7 percent of renter householders age 25-44 and 33.8 percent of renter households age 45-64 years (Table 15). Nearly 20 percent of renter households are age 65+ and 9.9 percent are under the age of 25. Reflecting the influence of the University of Knoxville, young renter households are far more common in the county with 41.6 percent of renter households under the age of 35 including 16 percent under 25.

**Table 15 Renter Households by Age of Householder**

Renter Households Age of HHldr	Knox County		Five Points Market Area	
	#	%	#	%
15-24 years	11,079	16.0%	1,093	9.9%
25-34 years	17,717	25.6%	2,279	20.6%
35-44 years	11,910	17.2%	1,792	16.2%
45-54 years	9,900	14.3%	1,846	16.7%
55-64 years	8,354	12.1%	1,905	17.2%
65-74 years	5,423	7.8%	1,313	11.8%
75+ years	4,880	7.0%	859	7.8%
<b>Total</b>	<b>69,263</b>	<b>100%</b>	<b>11,087</b>	<b>100%</b>

Source: Esri, Real Property Research Group, Inc.



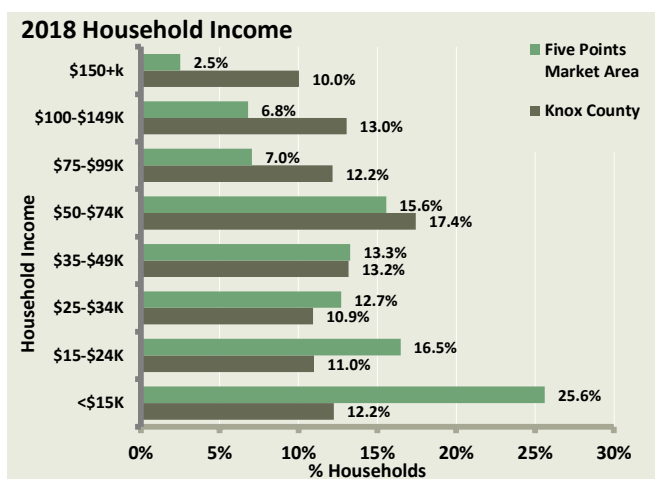
### 3. Income Characteristics

Based on Esri estimates, the Five Points Market Area’s 2018 median income of \$31,233 is \$22,579 or 42.0 percent lower than the \$53,812 median income in Knox County (Table 16). Approximately 42 percent of the households in the Five Points Market Area earn less than \$25,000 including 25.6 percent earning less than \$15,000. By comparison, only 23.2 percent of county households earn less than \$25,000.

**Table 16 2018 Household Income, Five Points Market Area**

Estimated 2018 Household Income		Knox County		Five Points Market Area	
		#	%	#	%
less than	\$15,000	23,156	12.2%	5,020	25.6%
	\$15,000 - \$24,999	20,772	11.0%	3,229	16.5%
	\$25,000 - \$34,999	20,657	10.9%	2,493	12.7%
	\$35,000 - \$49,999	24,920	13.2%	2,606	13.3%
	\$50,000 - \$74,999	32,953	17.4%	3,050	15.6%
	\$75,000 - \$99,999	22,986	12.2%	1,381	7.0%
	\$100,000 - \$149,999	24,662	13.0%	1,334	6.8%
	\$150,000 - Over	18,956	10.0%	493	2.5%
<b>Total</b>		<b>189,062</b>	<b>100%</b>	<b>19,607</b>	<b>100%</b>
<b>Median Income</b>		<b>\$53,812</b>		<b>\$31,233</b>	

Source: Esri; Real Property Research Group, Inc.



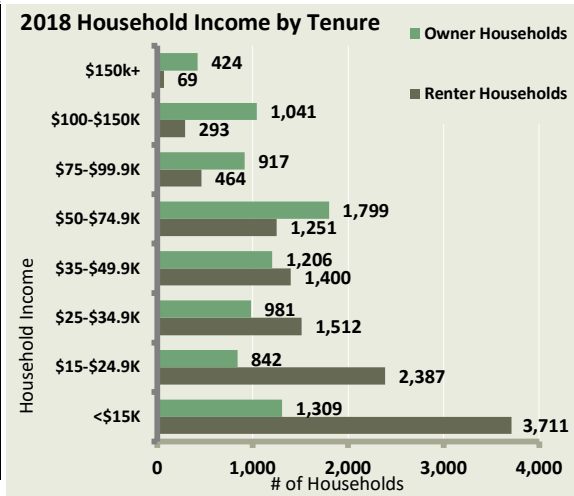


Based on the ACS data income projections, the breakdown of tenure, and household estimates, RPRG estimates that the median income by tenure in the Five Points Market Area as of 2018 is \$22,674 for renters and \$49,028 for owners (Table 17). Fifty-five percent of renter households earn less than \$25,000 and 26.3 percent earn \$25,000 to \$49,999.

**Table 17 2018 Income by Tenure**

Estimated 2018 HH Income		Renter Households		Owner Households	
Five Points Market Area		#	%	#	%
less than \$15,000		3,711	33.5%	1,309	15.4%
\$15,000 - \$24,999		2,387	21.5%	842	9.9%
\$25,000 - \$34,999		1,512	13.6%	981	11.5%
\$35,000 - \$49,999		1,400	12.6%	1,206	14.2%
\$50,000 - \$74,999		1,251	11.3%	1,799	21.1%
\$75,000 - \$99,999		464	4.2%	917	10.8%
\$100,000 - \$149,999		293	2.6%	1,041	12.2%
\$150,000 over		69	0.6%	424	5.0%
<b>Total</b>		<b>11,087</b>	<b>100%</b>	<b>8,520</b>	<b>100%</b>
<b>Median Income</b>		<b>\$22,674</b>		<b>\$49,028</b>	

Source: American Community Survey 2012-2016 Estimates, RPRG, Inc.



Approximately 39.0 percent of renter households in the Five Points Market Area pay more than 40 percent of their income towards rent and are classified as rent overburdened (Table 18). Only 2.5 percent of the renter occupied stock is considered substandard although this definition only accounts for plumbing and overcrowding.

**Table 18 Cost Burdened and Substandard Calculation, Five Points Market Area**

Rent Cost Burden		
Total Households	#	%
Less than 10.0 percent	341	3.0%
10.0 to 14.9 percent	604	5.3%
15.0 to 19.9 percent	899	7.9%
20.0 to 24.9 percent	994	8.7%
25.0 to 29.9 percent	1,708	14.9%
30.0 to 34.9 percent	1,074	9.4%
35.0 to 39.9 percent	738	6.5%
40.0 to 49.9 percent	933	8.2%
50.0 percent or more	3,140	27.5%
Not computed	1,006	8.8%
<b>Total</b>	<b>11,437</b>	<b>100.0%</b>
<b>&gt; 40% income on rent</b>	<b>4,073</b>	<b>39.0%</b>

Source: American Community Survey 2012-2016

Substandardness	
Total Households	
<b>Owner occupied:</b>	
Complete plumbing facilities:	8,593
1.00 or less occupants per room	8,545
1.01 or more occupants per room	48
Lacking complete plumbing facilities:	41
Overcrowded or lacking plumbing	89
<b>Renter occupied:</b>	
Complete plumbing facilities:	11,430
1.00 or less occupants per room	11,156
1.01 or more occupants per room	274
Lacking complete plumbing facilities:	7
Overcrowded or lacking plumbing	281
<b>Substandard Housing</b>	<b>370</b>
<b>% Total Stock Substandard</b>	<b>1.8%</b>
<b>% Rental Stock Substandard</b>	<b>2.5%</b>

## 7. COMPETITIVE ENVIRONMENT

This section presents data and analyses pertaining to the supply of housing in the Five Points Market Area. We pursued several avenues of research in an attempt to identify residential rental projects that are actively being planned or that are currently under construction within the Five Points Market Area. Site visit observations and past RPRG work in the region also informed this process. The rental survey of competitive projects was conducted in January 2018.

### A. Overview of Market Area Housing Stock

Based on the 2012-2016 ACS survey, large multi-family structures with five or more units contain more than half (50.7 percent) of renter occupied units in the Five Points Market Area compared to 46.5 percent in Knox County. Single-family detached homes account for 35.9 percent of the rentals in the market area and 32.2 percent in the county (Table 19).

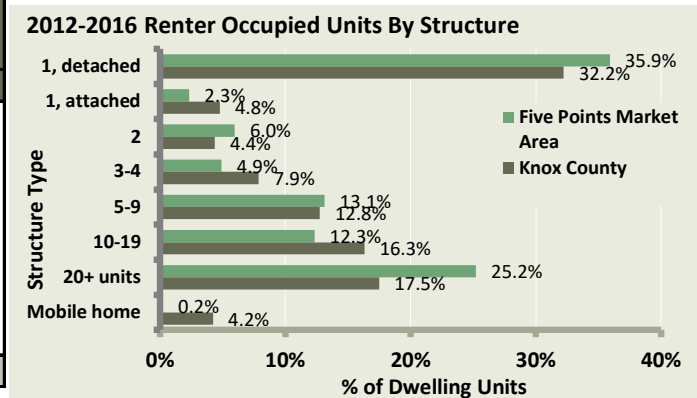
The housing stock in the Five Points Market Area is much older than in Knox County as a whole. The median year built of renter occupied units is 1966 in the market area and 1977 in the county (Table 20). The disparity is much greater among owner occupied units with median years built of 1956 in the market area and 1983 in the county. Only 13.6 percent of the market area's renter occupied units and 15.3 percent of owner occupied units have been built since 1990.

According to ACS data, the median value among owner-occupied housing units in the Five Points Market Area was \$100,695, \$67,149 or 40 percent lower than Knox County's median of \$167,844 (Table 21). ACS estimates home values based upon homeowners' assessments of the values of their homes. This data is traditionally a less accurate and reliable indicator of home prices in an area than actual sales data but offers insight of relative housing values among two or more areas.

**Table 19 Renter Occupied Units by Structure**

Renter Occupied	Knox County		Five Points Market Area	
	#	%	#	%
1, detached	21,013	32.2%	4,106	35.9%
1, attached	3,107	4.8%	266	2.3%
2	2,849	4.4%	682	6.0%
3-4	5,134	7.9%	560	4.9%
5-9	8,316	12.8%	1,502	13.1%
10-19	10,635	16.3%	1,411	12.3%
20+ units	11,402	17.5%	2,884	25.2%
Mobile home	2,754	4.2%	26	0.2%
<b>TOTAL</b>	<b>65,210</b>	<b>100%</b>	<b>11,437</b>	<b>100%</b>

Source: American Community Survey 2012-2016







**Table 20 Dwelling Units by Year Built and Tenure**

Owner Occupied	Knox County		Five Points Market Area	
	#	%	#	%
2014 or later	694	0.6%	0	0.0%
2010 to 2013	2,633	2.3%	90	1.0%
2000 to 2009	21,708	18.7%	558	6.5%
1990 to 1999	22,638	19.5%	671	7.8%
1980 to 1989	15,997	13.8%	549	6.4%
1970 to 1979	16,482	14.2%	719	8.3%
1960 to 1969	12,504	10.8%	1,094	12.7%
1950 to 1959	11,501	9.9%	2,026	23.5%
1940 to 1949	5,153	4.4%	1,097	12.7%
1939 or earlier	6,754	5.8%	1,830	21.2%
<b>TOTAL</b>	<b>116,064</b>	<b>100%</b>	<b>8,634</b>	<b>100%</b>
<b>MEDIAN YEAR BUILT</b>	<b>1983</b>		<b>1956</b>	

Source: American Community Survey 2012-2016

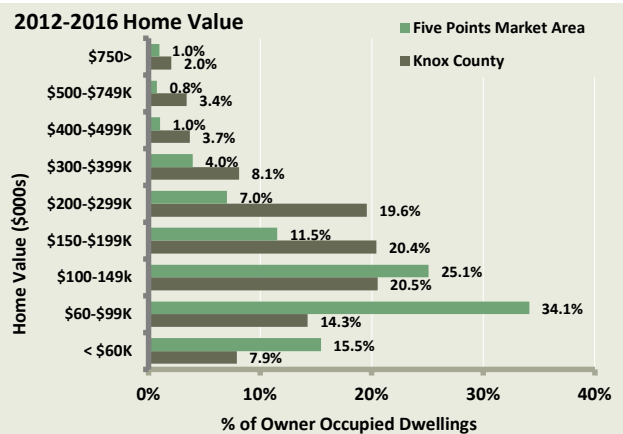
Renter Occupied	Knox County		Five Points Market Area	
	#	%	#	%
2014 or later	372	0.6%	48	0.4%
2010 to 2013	1,984	3.0%	420	3.7%
2000 to 2009	8,572	13.1%	768	6.7%
1990 to 1999	8,957	13.7%	322	2.8%
1980 to 1989	10,288	15.8%	859	7.5%
1970 to 1979	14,246	21.8%	2,486	21.7%
1960 to 1969	7,871	12.1%	2,151	18.8%
1950 to 1959	5,003	7.7%	1,474	12.9%
1940 to 1949	3,302	5.1%	970	8.5%
1939 or earlier	4,677	7.2%	1,939	17.0%
<b>TOTAL</b>	<b>65,272</b>	<b>100%</b>	<b>11,437</b>	<b>100%</b>
<b>MEDIAN YEAR BUILT</b>	<b>1977</b>		<b>1966</b>	

Source: American Community Survey 2012-2016

**Table 21 Value of Owner Occupied Housing Stock**

2012-2016 Home Value		Knox County		Five Points Market Area	
		#	%	#	%
less than \$60,000		9,180	7.9%	1,334	15.5%
\$60,000 - \$99,999		16,556	14.3%	2,946	34.1%
\$100,000 - \$149,999		23,832	20.5%	2,168	25.1%
\$150,000 - \$199,999		23,715	20.4%	996	11.5%
\$200,000 - \$299,999		22,717	19.6%	607	7.0%
\$300,000 - \$399,999		9,419	8.1%	342	4.0%
\$400,000 - \$499,999		4,295	3.7%	89	1.0%
\$500,000 - \$749,999		3,975	3.4%	66	0.8%
\$750,000 over		2,375	2.0%	86	1.0%
<b>Total</b>		<b>116,064</b>	<b>100%</b>	<b>8,634</b>	<b>100%</b>
<b>Median Value</b>		<b>\$167,844</b>		<b>\$100,695</b>	

Source: American Community Survey 2012-2016



## B. Survey of Competitive Rental Communities

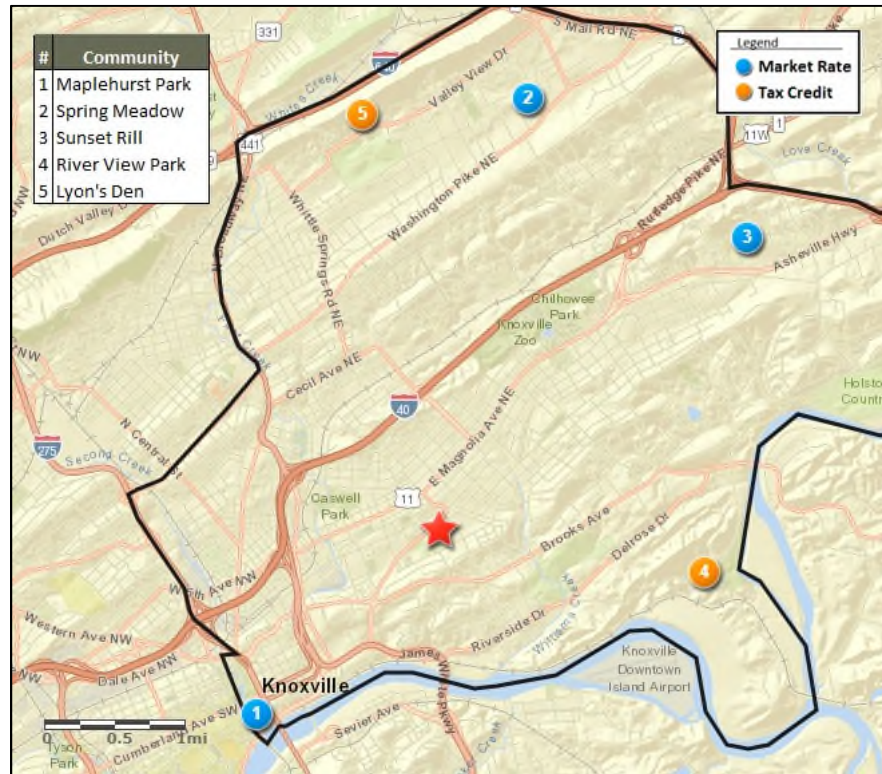
### 1. Introduction to the Rental Housing Survey

As part of this analysis, RPRG surveyed five general occupancy rental communities in the Five Points Market Area including three market rate and two LIHTC communities. The market area includes few large and modern multi-family rental communities. These five communities are representative of market conditions in the market area. Senior and/or special needs communities are not included as they are not directly comparable to general occupancy communities. Furthermore, deeply subsidized communities are not included as rents are contract rents and not necessarily reflective of market rents. Profile sheets with detailed information on each surveyed community, including photographs, are attached as Appendix 5.

## 2. Location

Three of the surveyed communities are north of the site near I-640, one is to the east near the Tennessee River, and one is west near downtown (Map 6). The two LIHTC communities are among the closest communities to the subject site.

**Map 6 Surveyed Rental Communities**



## 3. Age of Communities

The average year built of surveyed rental communities in the market area is 1990; the two LIHTC communities are newer with an average year built of 2004. River View Park (LIHTC) is the newest community in the market area but is more than a decade old (2007).

## 4. Structure Type

Four of five surveyed communities offer garden units exclusively. Maplehurst Park includes both garden apartments and single-family detached homes.

## 5. Size of Communities

The surveyed communities range from 74 to 248 units with an average of 161 per community. The two LIHTC communities are smaller than market rate communities with an average of 85 units.

**Table 22 Rental Summary, Surveyed Rental Communities**

Map #	Community	Year Built	Structure Type	Total Units	Vacant Units	Vacancy Rate	Avg 1BR Rent (1)	Avg 2BR Rent (1)	Incentive
	<b>Subject - 50%</b>		<b>Mix</b>	<b>17</b>			<b>\$509</b>	<b>\$598</b>	
	<b>Subject - 60%</b>		<b>Mix</b>	<b>65</b>			<b>\$629</b>	<b>\$742</b>	
1	Maplehurst Park	1975	Mix	205	5	2.4%	\$776	\$1,005	\$300 off 3x2.
2	Spring Meadow	1991	Gar	248	6	2.4%	\$693	\$826	None
3	Sunset Rill <sup>^</sup>	1975	Gar	180	-	-	\$595	\$680	None
4	River View Park*	2007	Gar	96	2	2.1%		\$650	None
5	Lyon's Den*	2001	Gar	74	0	0.0%		\$650	None
<b>Total</b>				<b>803</b>	<b>13</b>				
<b>Reporting Total/Average</b>				<b>623</b>	<b>13</b>	<b>2.1%</b>			
<b>LIHTC Total/Average</b>		<b>2004</b>		<b>170</b>	<b>2</b>	<b>1.2%</b>		<b>\$650</b>	
<b>Average</b>		<b>1990</b>		<b>161</b>			<b>\$688</b>	<b>\$762</b>	

(1) Rent is contract rent and not adjusted for utilities or incentives

(\*) Tax Credit Community

Source: Field Survey, RPRG, Inc. January 2018

(^) Refused Vacancy Information

## 6. Vacancy Rates

Among the four communities reporting vacancy data, 13 of 623 units were reported vacant for an aggregate vacancy rate of 2.1 percent. The two LIHTC communities have only two of 170 units vacant for a rate of 1.2 percent; both vacancies were at River View Park.

## 7. Rent Concessions

The highest priced communities is currently offering an incentive on its three bedroom units only. None of the other four communities reported rental incentives.

## 8. Absorption History

The newest community in the market area opened in 2007. Absorption data is neither available nor relevant.

## C. Analysis of Rental Pricing and Product

### 1. Payment of Utility Costs

All five surveyed communities include the cost of trash removal; three also include the cost of water and sewer (Table 23).

### 2. Unit Features

Reflecting the older vintage and/or smaller LIHTC communities, unit features are generally limited among surveyed communities. All of the communities offer dishwashers in at least select units, but none offers a microwave. Three communities have washer and dryer connections in each unit, one has them in select units, and one does not have connections.



**Table 23 Utilities and Unit Features– Surveyed Rental Communities**

Community	Heat Type	Utilities Included in Rent						Dish-washer	Parking	In-Unit Laundry
		Heat	Hot Water	Cooking	Electric	Water	Trash			
<b>Subject Property</b>	<b>Elec</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<b>STD</b>	<b>Surface</b>	<b>Hook Ups</b>
Maplehurst Park	Elec	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Select	Surface	Select Units
Spring Meadow	Elec	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STD	Surface	Hook Ups
Sunset Rill	Elec	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	STD	Surface	
River View Park	Elec	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	STD	Surface	Hook Ups
Lyon's Den	Elec	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	STD	Surface	Hook Ups

Source: Field Survey, RPRG, Inc. January 2018

### 3. Parking

All surveyed communities include free surface parking. Maplehurst Park has attached garages on single-family detached homes at no additional cost.

### 4. Community Amenities

The surveyed rental communities offer a wide range of community amenities with three communities offering at least three amenities and two offer no amenities (Table 24). Three communities include a community room and swimming pool; fitness rooms, playgrounds, and tennis courts are each provided at two communities. Five Points 4 will include a community room, playground, and computer room. These amenities will be competitive with the existing rental stock in the market area and are appropriate given the proposed rents and target market. The lack of a swimming pool is not a concern given the small size of the community and proposed PBRA on all units at the subject property.

**Table 24 Community Amenities – Surveyed Rental Communities**

Community	Clubhouse	Fitness Room	Pool	Playground	Tennis Court	Business Center
<b>Subject Property</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Maplehurst Park	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spring Meadow	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Sunset Rill	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
River View Park	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lyon's Den	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Source: Field Survey, RPRG, Inc. January 2018

### 5. Distribution of Units by Bedroom Type

Unit distributions were available for four of five surveyed rental communities containing 77.4 percent of surveyed units (Table 25). Two bedroom units are the most common floorplan among communities reporting distributions at 40.1 percent of all units. One bedroom units are slightly less common at



35.5 percent and three bedroom units comprise 20.9 percent of units. Maplehurst Park offers 20 efficiency units and 2 four bedroom units, the only community with either floorplan. Both LIHTC communities offer only two and three bedroom units with slightly more two bedroom units.

**6. Effective Rents**

Unit rents presented in (Table 25) are net or effective rents, as opposed to street or advertised rents. To arrive at effective rents, we apply adjustments to street rents at some communities in order to control for current rental incentives. The net rents further reflect adjustments to street rents to equalize the impact of utility expenses across complexes. Specifically, the net rents represent the hypothetical situation where water, sewer, and trash removal is included in monthly rents at all communities, with tenants responsible for other utility costs. Among the surveyed rental communities in the market area, net rents, unit sizes, and rents per square foot are as follows:

- **One bedroom** rents averaged \$698 with a range from \$595 to \$791 per month. The average market rate one bedroom unit has 676 square feet, which results in an average rent per square foot of \$1.03.
- **Two bedroom** rents averaged \$770 with a range from \$650 to \$1,025 per month. The average two bedroom unit has 955 square feet for \$0.81 per square foot. Both LIHTC communities have 60 percent units at \$650.
- **Three bedroom** rents averaged \$1,002 with a range from \$1,750 to \$1,790 per month. The average market rate three bedroom unit has 1,220 square feet, which results in an average rent per square foot of \$0.82. Both LIHTC communities have 60 percent units for \$750.
- **Four bedroom:** Maplehurst Park has two single-family detached homes for \$2,690 or \$1.35 per square foot.

**Table 25 Salient Characteristics, Surveyed Rental Communities**

Community	Total Units	One Bedroom Units				Two Bedroom Units				Three Bedroom Units				Four Bedroom Units			
		Units	Rent(1)	SF	Rent/SF	Units	Rent(1)	SF	Rent/SF	Units	Rent(1)	SF	Rent/SF	Units	Rent(1)	SF	Rent/SF
Subject - 50%	17	3	\$509	651	\$0.78	5	\$598	882	\$0.68	5	\$681	1,295	\$0.53	3	\$745	1,581	\$0.47
Subject - 60%	65	11	\$629	651	\$0.97	17	\$742	882	\$0.84	19	\$847	1,295	\$0.65	13	\$931	1,581	\$0.59
														Five Bedroom Units			
														1	\$780	1,747	\$0.45
														5	\$978	1,747	\$0.56
Maplehurst Park^	205	141	\$791	680	\$1.16	40	\$1,025	855	\$1.20	2	\$1,790	1,297	\$1.38	2	\$2,690	2,000	\$1.35
Spring Meadow	248	80	\$708	651	\$1.09	120	\$846	962	\$0.88	48	\$905	1,085	\$0.83				
Sunset Rill	180		\$595	696	\$0.85		\$680	989	\$0.69		\$815	1,388	\$0.59				
River View Park 60% AMI*	96					60	\$650	978	\$0.66	36	\$750	1,180	\$0.64				
Lyon's Den 60% AMI*	74					30	\$650	989	\$0.66	44	\$750	1,150	\$0.65				
<b>Total/Average</b>	<b>803</b>		<b>\$698</b>	<b>676</b>	<b>\$1.03</b>		<b>\$770</b>	<b>955</b>	<b>\$0.81</b>		<b>\$1,002</b>	<b>1,220</b>	<b>\$0.82</b>		<b>\$2,690</b>	<b>2,000</b>	<b>\$1.35</b>
<b>Unit Distribution</b>	<b>623</b>					<b>250</b>				<b>130</b>				<b>2</b>			
<b>% of Total</b>	<b>77.6%</b>	<b>35.5%</b>				<b>40.1%</b>				<b>20.9%</b>				<b>0.3%</b>			

(1) Rent is adjusted to include Water/Sewer, Trash, and Incentives

(\*) Tax Credit Community

^Has 20 efficiency units

Source: Field Survey, RPRG, Inc. January 2018

**D. Housing Authority Data / Subsidized Housing List**

The Section 8 Housing Choice Voucher Program for Knoxville is administered by KCDC. The housing authority owns and operates 24 public housing communities with 3,661 combined units; KCDC has an open waiting list for public housing. KCDC administers 3,482 Section 8 housing choice vouchers and the waiting has been closed since May 2015. A list of all subsidized communities in the market area is detailed in (Table 26) and the location relative to the site is shown on (Map 7).

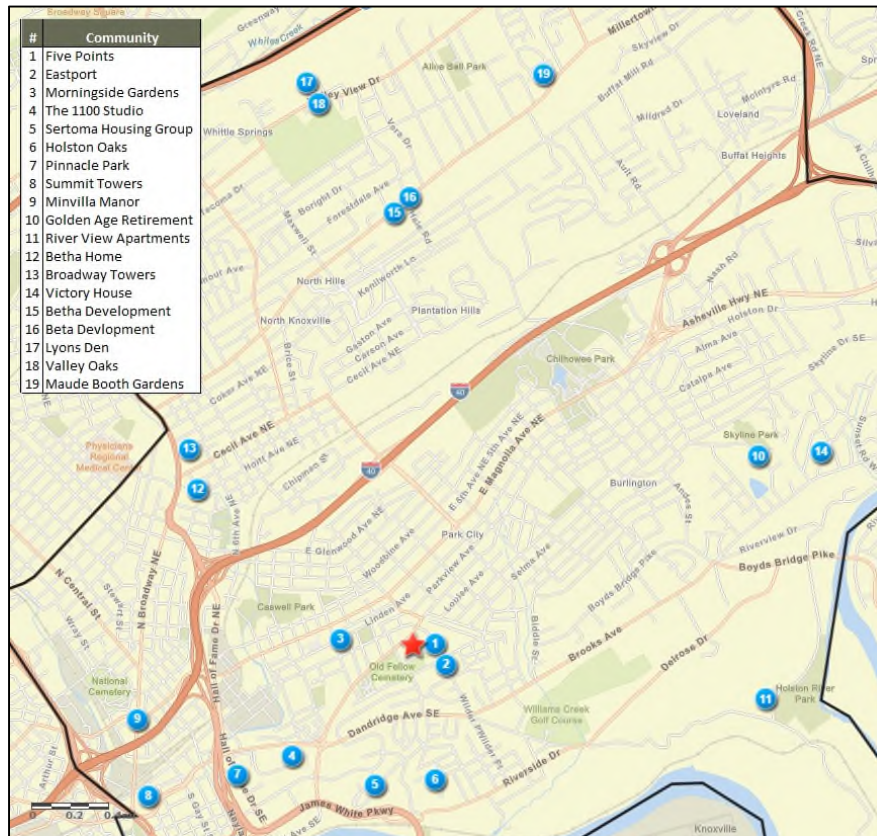


**Table 26 Subsidized Rental Communities, Five Points Market Area**

Community	Subsidy	Type	Address	City	Distance
Five Points	Sec. 8	General	317 McConnell Street	Knoxville	0.3 mile
Eastport	LIHTC	Senior	569 McConnell Street	Knoxville	0.4 mile
Morningside Gardens	Sec. 8 / LIHTC	General	1800 Linden Avenue	Knoxville	0.6 mile
The 1100 Studio	Sec. 8	General	1100 Townview Drive	Knoxville	1 mile
Sertoma Housing Group	Sec. 8	General	1136 Groner Drive	Knoxville	1.1 miles
Holston Oaks	Sec. 8	General	1930 Natchez Street	Knoxville	1.2 miles
Pinnacle Park	Sec. 8 / LIHTC	General	300 Hall of Fame Drive	Knoxville	1.6 miles
Summit Towers	Sec. 8 / LIHTC	General	201 Locust Street	Knoxville	1.9 miles
Minvilla Manor	LIHTC	Homeless	447 N Broadway Street	Knoxville	2 miles
Golden Age Retirement	Sec. 8	Senior	1109 Beaman Lake Road	Knoxville	2.4 miles
River View Apartments	LIHTC	General	3209 River Maple Way	Knoxville	2.7 miles
Betha Home	Sec. 8	Senior	1809 Luttrell Street	Knoxville	2.8 miles
Broadway Towers	Sec. 8	Senior	1508 McCroskey Avenue	Knoxville	2.8 miles
Victory House	Sec. 8	Disabled	4425 Plymouth Road	Knoxville	3.1 miles
Betha Development	Sec. 8	Senior	3706 Washington Pike	Knoxville	3.6 miles
Beta Development	Sec. 8	Senior	3706 Washington Pike	Knoxville	3.6 miles
Lyons Den	LIHTC	General	3610 Lyons Way	Knoxville	4.2 miles
Valley Oaks	Sec. 8	General	3504 Oak Branch Circle	Knoxville	4.2 miles
Maude Booth Gardens	Sec. 8	Senior	452 Maud Booth Way	Knoxville	4.4 miles

Source: HUD, USDA

**Map 7 Subsidized Rental Communities, Five Points Market Area**





### E. Potential Competition from For-Sale Housing and Scattered Site Rentals

Due to the low proposed rents and income ranges targeted including PBRA on all units, for-sale housing will not compete with Five Points 4. Given the limited number of multi-family rental communities and the proposed unit mix including four and five bedroom units, we researched scattered site rentals. Scattered site units have much higher rents than multi-family communities with averages of \$1,787 for four bedroom units and \$2,418 for five bedroom homes.

**Table 27 Scattered Site Rentals**

Scattered Site Rentals				
#	Address	Rent	SF	Rent/SF
1	1001 Westmoreland Blvd.	\$4,000	4,200	\$0.95
2	2211 Highland Ave.	\$2,740	1,453	\$1.89
3	500 Stone Pony Ln.	\$2,600	2,475	\$1.05
4	3233 Ginn Dr.	\$1,800	2,680	\$0.67
5	1122 Kenesaw Ave.	\$1,775	2,400	\$0.74
6	2641 Lynbrulee Ln.	\$1,750	2,840	\$0.62
7	3922 Cherokee Woods Way	\$1,600	1,510	\$1.06
8	4328 Lamour Rd.	\$1,450	1,450	\$1.00
9	5437 Osage Dr.	\$1,400	1,800	\$0.78
10	2811 Mynatt Rd.	\$1,200	200	\$6.00
11	533 Cedar Ave.	\$995	1,819	\$0.55
12	3229 Lansing Ave.	\$975	1,431	\$0.68
13	3560 Buffat Mill Rd.	\$945	1,400	\$0.68
<b>Four Bedroom Average</b>		<b>\$1,787</b>	<b>1,974</b>	<b>\$0.91</b>
14	9912 Westland Dr.	\$3,800	4,996	\$0.76
15	501 Serenity Ln.	\$3,000	5,543	\$0.54
16	2708 Ginn Dr.	\$1,800	1,404	\$1.28
17	742 Whitesburg Dr.	\$1,795	2,228	\$0.81
18	1832 Silver Cloud Ln.	\$1,695	2,712	\$0.63
<b>Five Bedroom Average</b>		<b>\$2,418</b>	<b>3,377</b>	<b>\$0.72</b>

Source: zillow.com, rent.com, apartments.com

### F. Proposed and Under Construction Rental Communities

The only directly comparable pipeline communities in the market area are phases two and three of the subject property; phase one is a completed senior community.

- **Phase II** is under construction with 84 LIHTC/PBRA units including 18 one bedroom units, 42 two bedroom units, 16 three bedroom units, and 8 four bedroom units. Units will address renter households at or below 50 percent and 60 percent AMI.
- **Phase III** has been cleared for 80 LIHTC/PBRA units including 48 one bedroom units, 14 two bedroom units, and 18 three bedroom units. Units will address renter households at or below 50 percent and 60 percent AMI.



## 8. AFFORDABILITY, DEMAND, AND PENetration RATE ANALYSIS

### A. Affordability Analysis/Penetration Rate

#### 1. Methodology

The Affordability Analysis tests the percent of income-qualified households in the market area that the subject community must capture in order to achieve full occupancy.

The first component of the Affordability Analyses involves looking at the total household income distribution and renter household income distribution among primary market area households for the target year of 2020. RPRG calculated the income distribution for both total households and renter households based on the relationship between owner and renter household incomes by income cohort from the 2012-2016 American Community Survey along with estimates and projected income growth as projected by Esri (Table 28).

A particular housing unit is typically said to be affordable to households that would be expending a certain percentage of their annual income or less on the expenses related to living in that unit. In the case of rental units, these expenses are generally of two types – monthly contract rents paid to landlords and payment of utility bills for which the tenant is responsible. The sum of the contract rent, and utility bills is referred to as a household's 'gross rent burden'. For the Affordability Analyses, RPRG employs a 35 percent gross rent burden.

The subject property will target renter households earning up to 50 percent and 60 percent of the Area Median Income (AMI), adjusted for household size. Maximum income limits are derived from 2017 income limits for the Knoxville, TN MSA as computed by HUD and are based on average household sizes of 1.5 persons per bedroom. Affordability and penetration is calculated without PBRA; demand will increase with PBRA as the removal of the minimum income limit increases the number of income qualified renter households.

**Table 28 2020 Income Distribution by Tenure**

Five Points Market Area		Total Households		Renter Households	
2020 Income		#	%	#	%
less than	\$15,000	5,070	25.4%	3,803	33.6%
	\$15,000 \$24,999	3,201	16.1%	2,401	21.2%
	\$25,000 \$34,999	2,448	12.3%	1,507	13.3%
	\$35,000 \$49,999	2,556	12.8%	1,393	12.3%
	\$50,000 \$74,999	3,086	15.5%	1,284	11.3%
	\$75,000 \$99,999	1,557	7.8%	531	4.7%
	\$100,000 \$149,999	1,489	7.5%	332	2.9%
	\$150,000 Over	535	2.7%	76	0.7%
<b>Total</b>		<b>19,942</b>	<b>100%</b>	<b>11,326</b>	<b>100%</b>
<b>Median Income</b>		<b>\$31,940</b>		<b>\$22,745</b>	

Source: American Community Survey 2012-2016 Projections, RPRG, Inc.

#### 2. Affordability Analysis/Penetration Rate

The steps in the affordability analysis (Table 29) are as follows:





- Looking at the 50 percent one bedroom units, the overall shelter cost at the proposed rent would be \$600 (\$509 net rent plus a \$91 allowance to cover all utilities except water/sewer and trash removal).
- By applying a 35 percent rent burden to this gross rent, we determined that a 50 percent one bedroom unit would be affordable to households earning at least \$20,571 per year. A total of 13,088 households are projected to earn at least this amount in 2020.
- Based on an average household size of 1.5 persons per bedroom, the maximum income limit for a one bedroom unit at 50 percent of the AMI is \$24,000. According to the interpolated income distribution for 2020, 11,990 market area households will have incomes exceeding this income limit.
- Subtracting the 11,990 households with incomes above the maximum income limit from the 13,088 households that could afford to rent this unit, RPRG computes that 1,097 households in the market area will be within the band of affordability for the subject's one bedroom unit at 50 percent AMI.
- The subject property would need to capture 0.3 percent of these income-qualified households to absorb the three one bedroom units at 50 percent AMI.
- RPRG next tested the range of qualified renter households and determined that 6,185 renter households can afford to rent a unit at the subject property. Of these, 5,362 have incomes above the maximum income of \$24,000. The net result is 823 renter households within the income band. To absorb the three 50 percent one bedroom units, the subject would need to capture 0.4 percent of income-qualified renter households.
- Using the same methodology, we determined the band of qualified households for remaining floor plan types and income levels offered in the community. We also computed the capture rates for all units. The remaining renter capture rates by floor plan range from 0.4 percent to 3.3 percent.
- By income level, renter capture rates are 0.6 percent for 50 percent units, 2.4 percent for 60 percent units, and 2.4 percent for the project as a whole.

All capture rates are within reasonable and achievable levels, indicating sufficient income qualified renter households will exist in the Five Points Market Area as of 2020 to support the 82 units proposed at Five Points 4.

The penetration rate is based on all existing and proposed LIHTC units without PBRA in the market area as of 2020. Reflecting the limited number of LIHTC units without additional subsidies, the penetration rates are low at 0.6 percent for 50 percent units, 8.5 percent for 60 percent units, and 7.3 percent for all units.



**Table 29 Affordability and Penetration Analysis, Five Points 4**

50% Units	One Bedroom Units		Two Bedroom Units		Three Bedroom Units		Four Bedroom Units		Five Bedroom Units	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Number of Units	3		5		5		3		1	
Net Rent	\$509		\$598		\$681		\$745		\$780	
Gross Rent	\$600		\$720		\$831		\$927		\$991	
% Income for Shelter	35%		35%		35%		35%		35%	
Income Range (Min, Max)	\$20,571	\$24,000	\$24,686	\$28,800	\$28,491	\$33,250	\$31,783	\$37,100	\$33,977	\$39,650
<b>Total Households</b>										
Range of Qualified Hhlds	13,088	11,990	11,771	10,740	10,816	9,650	10,010	8,864	9,472	8,430
# Qualified Households	1,097		1,031		1,165		1,146		1,043	
<b>Total HH Capture Rate</b>	<b>0.3%</b>		<b>0.5%</b>		<b>0.4%</b>		<b>0.3%</b>		<b>0.1%</b>	
<b>Renter Households</b>										
Range of Qualified Hhlds	6,185	5,362	5,197	4,549	4,596	3,879	4,100	3,420	3,769	3,183
# Qualified Hhlds	823		648		717		680		586	
<b>Renter HH Capture Rate</b>	<b>0.4%</b>		<b>0.8%</b>		<b>0.7%</b>		<b>0.4%</b>		<b>0.2%</b>	

60% Units	One Bedroom Units		Two Bedroom Units		Three Bedroom Units		Four Bedroom Units		Five Bedroom Units	
	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Number of Units	11		17		19		13		5	
Net Rent	\$629		\$742		\$847		\$931		\$978	
Gross Rent	\$720		\$864		\$997		\$1,113		\$1,189	
% Income for Shelter	35%		35%		35%		35%		35%	
Income Range (Min, Max)	\$24,686	\$28,800	\$29,623	\$34,560	\$34,183	\$39,900	\$38,160	\$44,520	\$40,766	\$47,580
<b>Total Households</b>										
Range of Qualified Hhlds	11,771	10,740	10,538	9,330	9,422	8,387	8,683	7,600	8,239	7,078
# Qualified Households	1,031		1,209		1,035		1,084		1,161	
<b>Unit Total HH Capture Rate</b>	<b>1.1%</b>		<b>1.4%</b>		<b>1.8%</b>		<b>1.2%</b>		<b>0.4%</b>	
<b>Renter Households</b>										
Range of Qualified Hhlds	5,197	4,549	4,425	3,681	3,738	3,160	3,322	2,731	3,080	2,447
# Qualified Hhlds	648		744		578		591		633	
<b>Renter HH Capture Rate</b>	<b>1.7%</b>		<b>2.3%</b>		<b>3.3%</b>		<b>2.2%</b>		<b>0.8%</b>	

Income Target	# Units	All Households = 19,942					Renter Households = 11,326						
		Band of Qualified Hhlds		# Qualified HHs	Capture Rate	Band of Qualified Hhlds		# Qualified HHs	Capture Rate	All LIHTC (No PBRA)	Penetration Rate		
50% Units	17	Income	\$20,571	\$37,100	4,224	0.4%	Income	\$20,571	\$39,650	3,002	0.6%	17	0.6%
		Households	13,088	8,864			6,185	3,183					
60% Units	65	Income	\$24,686	\$44,520	4,171	1.6%	Income	\$24,686	\$47,580	2,750	2.4%	235	8.5%
		Households	11,771	7,600			5,197	2,447					
Total Units	82	Income	\$20,571	\$44,520	5,488	1.5%	Income	\$20,571	\$44,520	3,454	2.4%	252	7.3%
		Households	13,088	7,600			6,185	2,731					

Source: Income Projections, RPRG, Inc.

**B. Estimate of Demand**

LIHTC demand methodology for general occupancy communities consists of three components:

- The first component of demand is household growth. This number is the number of income qualified renter households projected to move into the Five Points Market Area between the base years of 2017 and estimated placed in service year of 2020.
- The second component of demand is income qualified renter households living in substandard households. “Substandard” is defined as having more than 1.01 persons per room and/or lacking complete plumbing facilities. According to 2012-2016 American Community Survey (ACS) data, 2.5 percent of the rental units in the Five Points Market Area are “substandard” (see Table 18).
- The third and final component of demand is cost burdened renters, which is defined as those renter households paying more than 40 percent of household income for housing costs. According to ACS data, 39.0 percent of Five Points Market Area renter households are categorized as cost burdened (see Table 18). We utilized the higher standard of 40 percent for this calculation to avoid over counting demand from this component as the subject property will underwrite at 35 percent.



Directly comparable units built or approved in the Five Points Market Area since the base year are to be subtracted from the demand estimates. No such units were identified in the Five Points Market Area meet this criterion as this demand estimate only includes units without PBRA; previous general occupancy phases of the subject property have PBRA on all units.

The overall demand capture rates by AMI level are 1.3 percent for 50 percent units, 5.5 percent for 60 percent units, and 5.5 percent for the project as a whole (Table 30). These capture rates show sufficient demand for the units as proposed; the typical threshold for this methodology is 30 percent.

**Table 30 Demand by AMI Level**

<i>Income Target</i>	<b>50% Units</b>	<b>60% Units</b>	<b>Total Units</b>
<i>Minimum Income Limit</i>	\$20,571	\$24,686	\$20,571
<i>Maximum Income Limit</i>	\$37,100	\$47,580	\$44,520
<i>(A) Renter Income Qualification Percentage</i>	26.5%	24.3%	30.5%
Demand from New Renter Households <i>Calculation: (C-B) * A</i>	75	68	86
<b>Plus</b>			
Demand from Substandard Housing <i>Calculation: B * D * F * A</i>	72	66	82
<b>Plus</b>			
Demand from Rent Over-burdened Households <i>Calculation: B * E * F * A</i>	1,138	1,043	1,309
<b>Equals</b>			
Total PMA Demand	1,284	1,177	1,478
<b>Less</b>			
Comparable Units	0	0	0
<b>Equals</b>			
<b>Net Demand</b>	<b>1,284</b>	<b>1,177</b>	<b>1,478</b>
Proposed Units	17	65	82
<b>Capture Rate</b>	<b>1.3%</b>	<b>5.5%</b>	<b>5.5%</b>

<b>Demand Calculation Inputs</b>	
(B) 2017 HH	19,444
(C) 2020 HH	19,942
(D) ACS Substandard Percentage	2.5%
(E) ACS Rent Over-Burdened Percentage	39.0%
(F) 2018 Renter Percent	56.5%



## 9. FINDINGS AND CONCLUSIONS

### A. Absorption Estimate

Recent absorption data is not available for the market area as all existing communities are old; the only recent additions to the rental stock are deeply subsidized senior communities. In addition to the absorption experience of other communities, the absorption estimate for the subject property is based on current market conditions and the competitive position of the subject property including:

- The market area is projected to add 601 renter households over the next five years.
- A low vacancy rate of 2.1 percent for all surveyed communities; the LIHTC vacancy rate is lower at 1.2 percent.
- The proposed rents are lower than comparable market rate units and result in a significant market advantage.
- LIHTC demand capture rates are low and indicate demand for the proposed units.
- The proposed location and product is appropriate for the target market and will be well received.

Based on the factors listed above, we believe Five Points 4 will lease-up at a rate of at least ten units per month. At this rate, the subject property would reach a stabilized occupancy of 93 percent within eight months. This absorption estimate does not account for PBRA on all units. The community is likely to lease units as they become available with PBRA. Assuming units are available, the community should be stabilized within two months.

### B. Evaluation of Proposed Rents

#### 1. Estimate of Market Rent

To understand how the proposed rents, compare with the rental market, rents of the most comparable communities are adjusted for a variety of factors including curb appeal, square footage, utilities, and amenities. The adjustments made in this analysis are broken down into four classifications. These classifications and an explanation of the adjustments made follows:

- Rents Charged – current rents charged, adjusted for utilities and incentives, if applicable.
- Design, Location, Condition – adjustments made in this section include:
  - Building Design - An adjustment was made, if necessary, to reflect the attractiveness of the proposed product relative to the comparable communities above and beyond what is applied for year built and/or condition (Table 31).
  - Year Built/Rehabbed - We applied a value of \$0.75 for each year newer a property is relative to a comparable.



**Table 31 Market Rent Adjustments Summary**

- Condition and Neighborhood – We rated these features on a scale of 1 to 5 with 5 being the most desirable. An adjustment of \$20 per variance was applied for condition as this factor is also accounted for in “year built.” The Neighborhood or location adjustment is generally \$30 per numerical variance. The comparable communities are located in similar type communities near I-385, yet none are situated directly on Main Street (SC Hwy 14) like the subject will be.
- Square Footage - Differences between comparable communities and the subject property are accounted for by an adjustment of \$0.25 per foot.
- Unit Equipment/Amenities – Adjustments were made for amenities included or excluded at the subject property. The exact value of each specific value is somewhat subjective as particular amenities are more attractive to certain renters and less important to others. Adjustment values were between \$5 and \$25 for each amenity. Adjustments of \$75 per bedroom and \$30 per bathroom were applied where applicable.
- Site Equipment – Adjustments were made in the same manner as with the unit amenities. Adjustment values were between \$5 and \$10 for each amenity.

Rent Adjustments Summary	
<b>B. Design, Location, Condition</b>	
Structure / Stories	
Year Built / Condition	\$0.75
Quality/Street Appeal	\$10.00
Location	\$10.00
<b>C. Unit Equipment / Amenities</b>	
Number of Bedrooms	\$75.00
Number of Bathrooms	\$15.00
Unit Interior Square Feet	\$0.25
Balcony / Patio / Porch	\$5.00
AC Type:	\$5.00
Range / Refrigerator	\$25.00
Microwave / Dishwasher	\$5.00
Washer / Dryer: In Unit	\$25.00
Washer / Dryer: Hook-ups	\$5.00
<b>D. Site Equipment / Amenities</b>	
Parking (\$ Fee)	
Club House	\$10.00
Pool	\$10.00
Recreation Areas	\$5.00
Fitness Center	\$10.00

Based on our adjustment calculations, the estimated market rents for the units at Five Points 4 are \$712 for one bedroom units (Table 32); \$865 for two bedroom units (Table 33), \$1,172 for three bedroom units, \$1,250 for two bedroom units, and \$1,402 for three bedroom units (Table 34). Maximum allowable LIHTC rents result in significant market advantages of at least 11.6 percent for all floorplans; the overall weighted market advantage is 31.3 percent (Table 37). As these rents are above maximum LIHTC levels, achievable/restricted rent for LIHTC units would be LIHTC maximums.



Table 32 Estimate of Market Rent, One Bedroom Units

One Bedroom Units							
Subject Property	Comparable Property #1		Comparable Property #2		Comparable Property #3		
Five Points 4 McConnell Street Knoxville, Knox County, TN	Maplehurst Park		Spring Meadow		Sunset Rill		
	814 W Hill Ave.		3101 Washington Ridge Way		235 Carta Rd.		
	Knoxville	Knox	Knoxville	Knox	Knoxville	Knox	
A. Rents Charged	Subject	Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Max 60% LIHTC Net Rent	\$629	\$776	\$0	\$693	\$0	\$595	\$0
Utilities Included	W,S,T	T	\$15	T	\$15	W,S,T	\$0
Rent Concessions		None	\$0	None	\$0	None	\$0
<b>Effective Rent</b>	<b>\$629</b>	<b>\$791</b>		<b>\$708</b>		<b>\$595</b>	
<i>In parts B thru D, adjustments were made only for differences</i>							
B. Design, Location, Condition		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Structure / Stories	Mix	Garden	\$0	Garden	\$0	Garden	\$0
Year Built / Condition	2020	2010	\$8	1991	\$22	1975	\$34
Quality/Street Appeal	Above Average	Average	\$10	Average	\$10	Below Average	\$20
Location	Average	Above Average	(\$10)	Average	\$0	Average	\$0
C. Unit Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Number of Bedrooms	1	1	\$0	1	\$0	1	\$0
Number of Bathrooms	1	1	\$0	1	\$0	1	\$0
Unit Interior Square Feet	651	680	(\$7)	651	\$0	696	(\$11)
Balcony / Patio / Porch	Yes	Yes	\$0	Yes	\$0	Yes	\$0
AC Type:	Central	Central	\$0	Central	\$0	Central	\$0
Range / Refrigerator	Yes / Yes	Yes / Yes	\$0	Yes / Yes	\$0	Yes / Yes	\$0
Microwave / Dishwasher	No / Yes	No / Yes	\$0	No / Yes	\$0	No / Yes	\$0
Washer / Dryer: In Unit	No	No	\$0	No	\$0	No	\$0
Washer / Dryer: Hook-ups	Yes	No	\$5	Yes	\$0	No	\$5
D. Site Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Parking (\$ Fee)	Free Surface	Free Surface	\$0	Free Surface	\$0	Free Surface	\$0
Club House	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Pool	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Recreation Areas	Yes	No	\$5	Yes	\$0	Yes	\$0
Fitness Center	No	No	\$0	Yes	(\$10)	No	\$0
E. Adjustments Recap		Positive	Negative	Positive	Negative	Positive	Negative
Total Number of Adjustments		4	2	2	3	3	3
Sum of Adjustments B to D		\$28	(\$17)	\$32	(\$30)	\$59	(\$31)
F. Total Summary							
Gross Total Adjustment		\$45		\$62		\$90	
Net Total Adjustment		\$11		\$2		\$28	
G. Adjusted And Achievable Rents		Adj. Rent		Adj. Rent		Adj. Rent	
Adjusted Rent		\$802		\$710		\$623	
% of Effective Rent		101.4%		100.3%		104.7%	
<b>Estimated Market Rent</b>	<b>\$712</b>						
<b>Rent Advantage \$</b>	<b>\$83</b>						
<b>Rent Advantage %</b>	<b>11.6%</b>						



Table 33 Estimate of Market Rent, Two Bedroom Units

Two Bedroom Units							
Subject Property	Comparable Property #1		Comparable Property #2		Comparable Property #3		
Five Points 4 McConnell Street Knoxville, Knox County, TN	Maplehurst Park		Spring Meadow		Sunset Rill		
	814 W Hill Ave.		3101 Washington Ridge Way		235 Carta Rd.		
	Knoxville	Knox	Knoxville	Knox	Knoxville	Knox	
A. Rents Charged	Subject	Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Max 60% LIHTC Net Rent	\$742	\$1,005	\$0	\$826	\$0	\$680	\$0
Utilities Included	W,S,T	T	\$20	T	\$20	W,S,T	\$0
Rent Concessions		None	\$0	None	\$0	None	\$0
<b>Effective Rent</b>	<b>\$742</b>	<b>\$1,025</b>		<b>\$846</b>		<b>\$680</b>	
<i>In parts B thru D, adjustments were made only for differences</i>							
B. Design, Location, Condition		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Structure / Stories	Mix	Garden	\$0	Garden	\$0	Garden	\$0
Year Built / Condition	2020	2010	\$8	1991	\$22	1975	\$34
Quality/Street Appeal	Above Average	Average	\$10	Average	\$10	Below Average	\$20
Location	Average	Above Average	(\$10)	Average	\$0	Average	\$0
C. Unit Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Number of Bedrooms	2	2	\$0	2	\$0	2	\$0
Number of Bathrooms	1.5	1	\$8	1	\$8	1	\$8
Unit Interior Square Feet	882	855	\$7	962	(\$20)	989	(\$27)
Balcony / Patio / Porch	Yes	Yes	\$0	Yes	\$0	Yes	\$0
AC: (C)entral / (W)all / (N)on	Central	Central	\$0	Central	\$0	Central	\$0
Range / Refrigerator	Yes / Yes	Yes / Yes	\$0	Yes / Yes	\$0	Yes / Yes	\$0
Microwave / Dishwasher	No / Yes	No / Yes	\$0	No / Yes	\$0	No / Yes	\$0
Washer / Dryer: In Unit	No	No	\$0	No	\$0	No	\$0
Washer / Dryer: Hook-ups	Yes	No	\$5	Yes	\$0	No	\$5
D. Site Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Parking (\$ Fee)	Free Surface	Free Surface	\$0	Free Surface	\$0	Free Surface	\$0
Club House	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Pool	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Recreation Areas	Yes	No	\$5	Yes	\$0	Yes	\$0
Fitness Center	No	No	\$0	Yes	(\$10)	No	\$0
E. Adjustments Recap		Positive	Negative	Positive	Negative	Positive	Negative
Total Number of Adjustments		6	1	3	4	4	3
Sum of Adjustments B to D		\$43	(\$10)	\$40	(\$50)	\$67	(\$47)
F. Total Summary							
Gross Total Adjustment		\$53		\$90		\$114	
Net Total Adjustment		\$33		(\$10)		\$20	
G. Adjusted And Achievable Rents		Adj. Rent		Adj. Rent		Adj. Rent	
Adjusted Rent		\$1,058		\$836		\$700	
% of Effective Rent		103.2%		98.8%		102.9%	
<b>Estimated Market Rent</b>	<b>\$865</b>						
<b>Rent Advantage \$</b>	<b>\$123</b>						
<b>Rent Advantage %</b>	<b>14.2%</b>						

**Table 34 Estimate of Market Rent, Three Bedroom Units**

Three Bedroom Units							
Subject Property	Comparable Property #1		Comparable Property #2		Comparable Property #3		
Five Points 4 McConnell Street Knoxville, Knox County, TN	Maplehurst Park		Spring Meadow		Sunset Rill		
	814 W Hill Ave.		3101 Washington Ridge Way		235 Carta Rd.		
	Knoxville	Knox	Knoxville	Knox	Knoxville	Knox	
A. Rents Charged	Subject	Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Max 60% LIHTC Net Rent	\$847	\$1,765	\$0	\$880	\$0	\$815	\$0
Utilities Included	W,S,T	T	\$25	T	\$25	W,S,T	\$0
Rent Concessions		None	\$0	None	\$0	None	\$0
<b>Effective Rent</b>	<b>\$847</b>	<b>\$1,790</b>		<b>\$905</b>		<b>\$815</b>	
<i>In parts B thru D, adjustments were made only for differences</i>							
B. Design, Location, Condition		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Structure / Stories	Mix	SFD	(\$50)	Garden	\$0	Garden	\$0
Year Built / Condition	2020	2010	\$8	1991	\$22	1975	\$34
Quality/Street Appeal	Above Average	Average	\$10	Average	\$10	Below Average	\$20
Location	Average	Above Average	(\$10)	Average	\$0	Average	\$0
C. Unit Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Number of Bedrooms	3	3	\$0	3	\$0	3	\$0
Number of Bathrooms	2	2	\$8	2	\$8	2	\$8
Unit Interior Square Feet	1,295	1,297	(\$1)	1,085	\$53	1,388	(\$23)
Balcony / Patio / Porch	Yes	Yes	\$0	Yes	\$0	Yes	\$0
AC: (C)entral / (W)all / (N)on	Central	Central	\$0	Central	\$0	Central	\$0
Range / Refrigerator	Yes / Yes	Yes / Yes	\$0	Yes / Yes	\$0	Yes / Yes	\$0
Microwave / Dishwasher	No / Yes	No / Yes	\$0	No / Yes	\$0	No / Yes	\$0
Washer / Dryer: In Unit	No	No	\$0	No	\$0	No	\$0
Washer / Dryer: Hook-ups	Yes	Yes	\$0	Yes	\$0	No	\$5
D. Site Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Parking (\$ Fee)	Free Surface	Garage	(\$50)	Free Surface	\$0	Free Surface	\$0
Club House	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Pool	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Recreation Areas	Yes	No	\$5	Yes	\$0	Yes	\$0
Fitness Center	No	No	\$0	Yes	(\$10)	No	\$0
E. Adjustments Recap		Positive	Negative	Positive	Negative	Positive	Negative
Total Number of Adjustments		4	4	4	3	4	3
Sum of Adjustments B to D		\$31	(\$111)	\$93	(\$30)	\$67	(\$43)
F. Total Summary							
Gross Total Adjustment		\$142		\$123		\$110	
Net Total Adjustment		(\$80)		\$63		\$24	
G. Adjusted And Achievable Rents		Adj. Rent		Adj. Rent		Adj. Rent	
Adjusted Rent		\$1,710		\$968		\$839	
% of Effective Rent		95.5%		107.0%		102.9%	
<b>Estimated Market Rent</b>	<b>\$1,172</b>						
<b>Rent Advantage \$</b>	<b>\$325</b>						
<b>Rent Advantage %</b>	<b>27.8%</b>						



**Table 35 Estimate of Market Rent, Four Bedroom Units**

Four Bedroom Units							
Subject Property	Comparable Property #1		Comparable Property #2		Comparable Property #3		
Five Points 4 McConnell Street Knoxville, Knox County, TN	Maplehurst Park		Spring Meadow		Sunset Rill		
	814 W Hill Ave.		3101 Washington Ridge Way		235 Carta Rd.		
	Knoxville	Knox	Knoxville	Knox	Knoxville	Knox	
A. Rents Charged	Subject	Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Max 60% LIHTC Net Rent	\$931	\$1,765	\$0	\$880	\$0	\$815	\$0
Utilities Included	W,S,T	T	\$25	T	\$25	W,S,T	\$0
Rent Concessions		None	\$0	None	\$0	None	\$0
<b>Effective Rent</b>	<b>\$931</b>	<b>\$1,790</b>		<b>\$905</b>		<b>\$815</b>	
<i>In parts B thru D, adjustments were made only for differences</i>							
B. Design, Location, Condition		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Structure / Stories	TH	SFD	(\$35)	Garden	\$15	Garden	\$15
Year Built / Condition	2020	2010	\$8	1991	\$22	1975	\$34
Quality/Street Appeal	Above Average	Average	\$10	Average	\$10	Below Average	\$20
Location	Average	Above Average	(\$10)	Average	\$0	Average	\$0
C. Unit Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Number of Bedrooms	4	4	\$0	4	\$75	4	\$75
Number of Bathrooms	2	2	\$8	2	\$8	2	\$8
Unit Interior Square Feet	1,581	2,000	(\$105)	1,085	\$124	1,388	\$48
Balcony / Patio / Porch	Yes	Yes	\$0	Yes	\$0	Yes	\$0
AC: (C)entral / (W)all / (N)on	Central	Central	\$0	Central	\$0	Central	\$0
Range / Refrigerator	Yes / Yes	Yes / Yes	\$0	Yes / Yes	\$0	Yes / Yes	\$0
Microwave / Dishwasher	No / Yes	No / Yes	\$0	No / Yes	\$0	No / Yes	\$0
Washer / Dryer: In Unit	No	No	\$0	No	\$0	No	\$0
Washer / Dryer: Hook-ups	Yes	Yes	\$0	Yes	\$0	No	\$5
D. Site Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Parking (\$ Fee)	Free Surface	Garage	(\$50)	Free Surface	\$0	Free Surface	\$0
Club House	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Pool	No	No	\$0	Yes	(\$10)	Yes	(\$10)
Recreation Areas	Yes	No	\$5	Yes	\$0	Yes	\$0
Fitness Center	No	No	\$0	Yes	(\$10)	No	\$0
E. Adjustments Recap		Positive	Negative	Positive	Negative	Positive	Negative
Total Number of Adjustments		4	4	6	3	7	2
Sum of Adjustments B to D		\$31	(\$200)	\$254	(\$30)	\$205	(\$20)
F. Total Summary							
Gross Total Adjustment		\$231		\$284		\$225	
Net Total Adjustment		(\$169)		\$224		\$185	
G. Adjusted And Achievable Rents		Adj. Rent		Adj. Rent		Adj. Rent	
Adjusted Rent		\$1,621		\$1,129		\$1,000	
% of Effective Rent		90.6%		124.8%		122.7%	
<b>Estimated Market Rent</b>	<b>\$1,250</b>						
<b>Rent Advantage \$</b>	<b>\$319</b>						
<b>Rent Advantage %</b>	<b>25.5%</b>						

**Table 36 Estimate of Market Rent, Five Bedroom Units**



Five Bedroom Units								
Subject Property	Comparable Property #1		Comparable Property #2		Comparable Property #3			
Five Points 4 McConnell Street Knoxville, Knox County, TN	Maplehurst Park		Spring Meadow		Sunset Rill			
	814 W Hill Ave.		3101 Washington Ridge Way		235 Carta Rd.			
	Knoxville	Knox	Knoxville	Knox	Knoxville	Knox		
A. Rents Charged		Subject	Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.
Max 60% LIHTC Net Rent		\$978	\$1,765	\$0	\$880	\$0	\$815	\$0
Utilities Included		W,S,T	T	\$25	T	\$25	W,S,T	\$0
Rent Concessions			None	\$0	None	\$0	None	\$0
<b>Effective Rent</b>		<b>\$978</b>	<b>\$1,790</b>		<b>\$905</b>		<b>\$815</b>	
<i>In parts B thru D, adjustments were made only for differences</i>								
B. Design, Location, Condition		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.	
Structure / Stories		SFD	SFD	\$0	Garden	\$50	Garden	\$50
Year Built / Condition		2020	2010	\$8	1991	\$22	1975	\$34
Quality/Street Appeal		Above Average	Average	\$10	Average	\$10	Below Average	\$20
Location		Average	Above Average	(\$10)	Average	\$0	Average	\$0
C. Unit Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.	
Number of Bedrooms		5	4	\$75	4	\$150	4	\$150
Number of Bathrooms		3	2	\$8	2	\$8	2	\$8
Unit Interior Square Feet		1,747	2,000	(\$63)	1,085	\$166	1,388	\$90
Balcony / Patio / Porch		Yes	Yes	\$0	Yes	\$0	Yes	\$0
AC: (C)entral / (W)all / (N)on		Central	Central	\$0	Central	\$0	Central	\$0
Range / Refrigerator		Yes / Yes	Yes / Yes	\$0	Yes / Yes	\$0	Yes / Yes	\$0
Microwave / Dishwasher		No / Yes	No / Yes	\$0	No / Yes	\$0	No / Yes	\$0
Washer / Dryer: In Unit		No	No	\$0	No	\$0	No	\$0
Washer / Dryer: Hook-ups		Yes	Yes	\$0	Yes	\$0	No	\$5
D. Site Equipment / Amenities		Data	\$ Adj.	Data	\$ Adj.	Data	\$ Adj.	
Parking (\$ Fee)		Free Surface	Garage	(\$50)	Free Surface	\$0	Free Surface	\$0
Club House		No	No	\$0	Yes	(\$10)	Yes	(\$10)
Pool		No	No	\$0	Yes	(\$10)	Yes	(\$10)
Recreation Areas		Yes	No	\$5	Yes	\$0	Yes	\$0
Fitness Center		No	No	\$0	Yes	(\$10)	No	\$0
E. Adjustments Recap		Positive	Negative	Positive	Negative	Positive	Negative	
Total Number of Adjustments		5	3	6	3	7	2	
Sum of Adjustments B to D		\$106	(\$123)	\$406	(\$30)	\$357	(\$20)	
F. Total Summary								
Gross Total Adjustment		\$229		\$436		\$377		
Net Total Adjustment		(\$17)		\$376		\$337		
G. Adjusted And Achievable Rents		Adj. Rent		Adj. Rent		Adj. Rent		
Adjusted Rent		\$1,773		\$1,281		\$1,152		
% of Effective Rent		99.1%		141.5%		141.3%		
<b>Estimated Market Rent</b>		<b>\$1,402</b>						
<b>Rent Advantage \$</b>		<b>\$424</b>						
<b>Rent Advantage %</b>		<b>30.2%</b>						



**Table 37 Rent Advantage Summary**

<b>60% AMI Units</b>	<b>One Bedroom</b>	<b>Two Bedroom</b>	<b>Three Bedroom</b>	<b>Four Bedroom</b>	<b>Five Bedroom</b>
Subject Rent*	\$629	\$472	\$847	\$931	\$978
Estimated Market Rent	\$712	\$865	\$1,172	\$1,250	\$1,402
Rent Advantage (\$)	\$83	\$393	\$325	\$319	\$424
Rent Advantage (%)	11.6%	45.4%	27.8%	25.5%	30.2%
Proposed Units	11	17	19	13	5
<b>50% AMI Units</b>	<b>One Bedroom</b>	<b>Two Bedroom</b>	<b>Three Bedroom</b>	<b>Four Bedroom</b>	<b>Five Bedroom</b>
Subject Rent*	\$509	\$598	\$681	\$745	\$780
Estimated Market Rent	\$712	\$865	\$1,172	\$1,250	\$1,402
Rent Advantage (\$)	\$203	\$267	\$491	\$505	\$622
Rent Advantage (%)	28.5%	30.8%	41.9%	40.4%	44.4%
Proposed Units	3	5	5	3	1
<b>Weighted Average</b>					<b>31.3%</b>

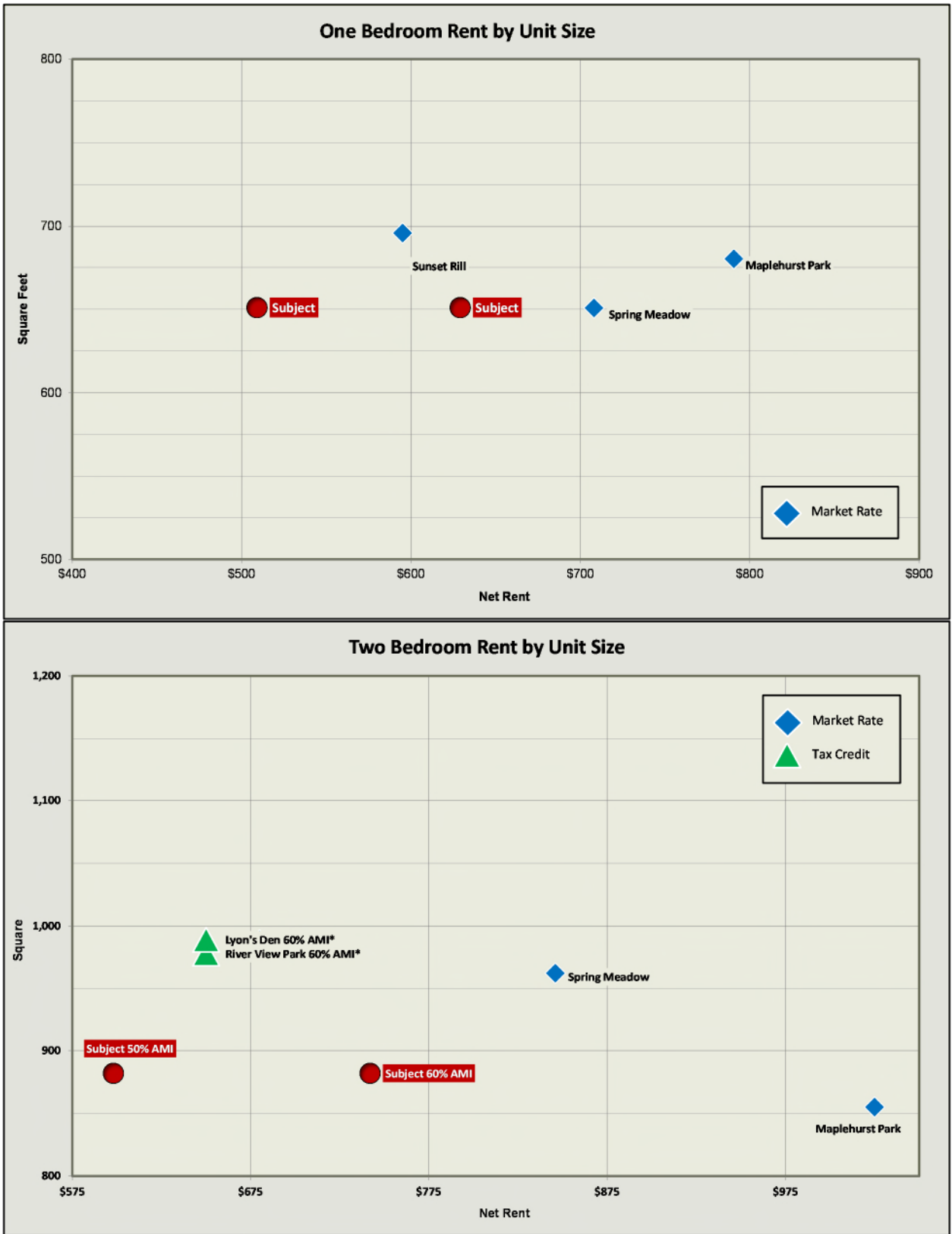
\*Subject rents are max LIHTC rents

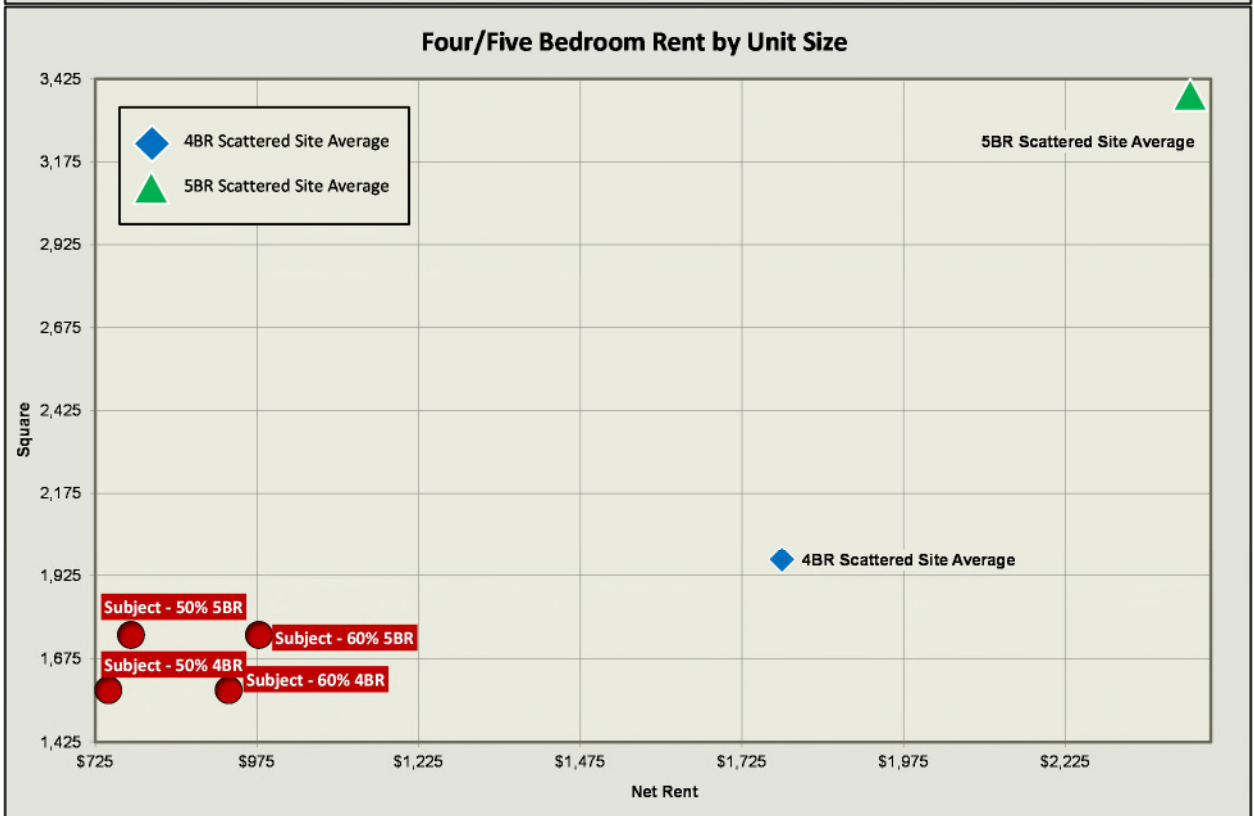
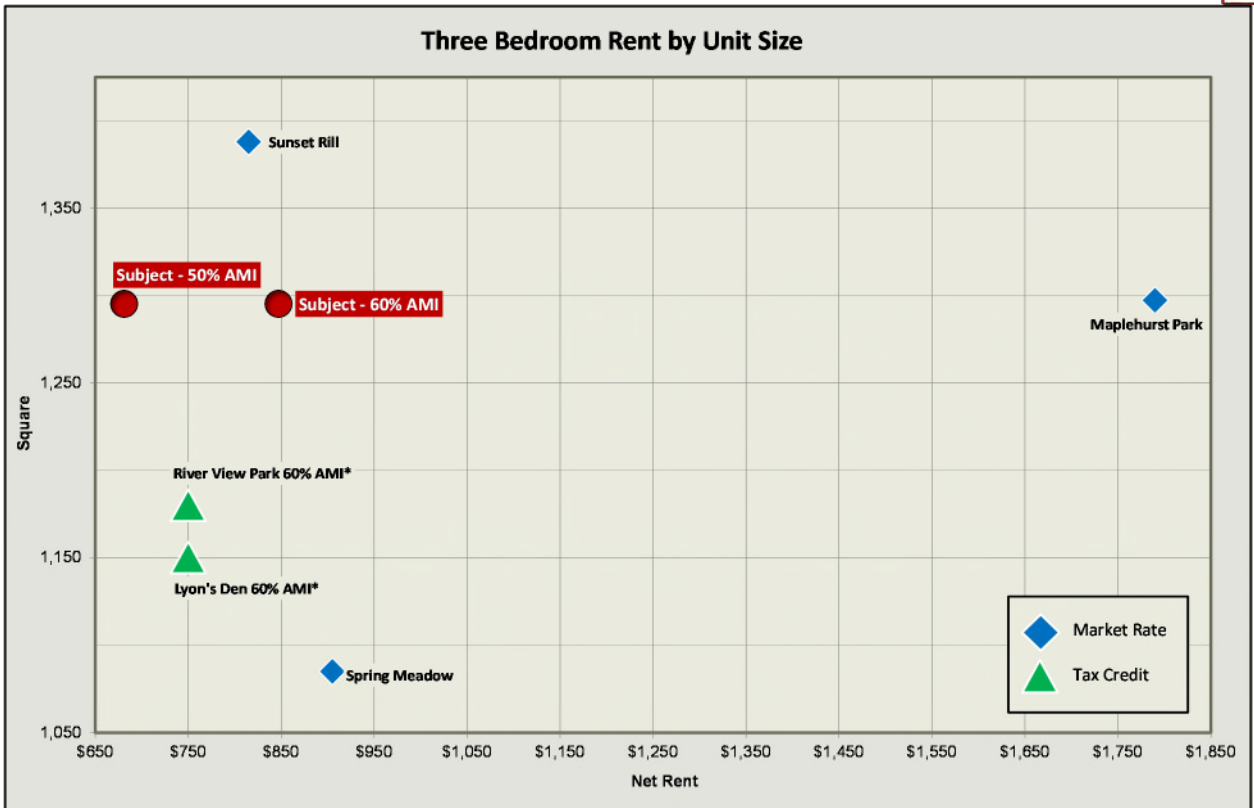
## 2. Price Position

As shown in Figure 9, the proposed LIHTC rents at Five Points IV will be among the lowest in the market and well below the top of the market. The one bedroom units are comparably sized compared to competitors with pricing lower than most product. The subject’s 60 percent two bedroom units will be more expensive than existing 60 percent units in the market, while the subject’s 50 percent two units will be the least expensive housing alternative. The proposed three bedroom units will be larger than competitive three bedroom units. While the three bedroom 60 percent rents will be higher than existing 60 percent three bedroom rents, the 50 percent three bedroom rents will be the least expensive three bedroom rents in the market. The proposed four and five bedroom units are priced near the bottom of the market.



Figure 9 Price Position, Five Points 4







## C. Key Conclusions

Based on the preceding review of the subject project, demographic and competitive housing trends in the Five Points Market Area, RPRG offers the following key findings:

### 1. Site and Neighborhood Analysis

The Five Points neighborhood is part of an older and established neighborhood featuring a mixture of working class housing and deeply subsidized rental housing addressing households with low incomes. Although the site is located within a relative close proximity (two miles) to downtown Knoxville, downtown redevelopment has not spread significantly east of James White Parkway.

- The subject site is located at the east corner of the McConnell Street and Martin Luther King Jr Avenue intersection.
- The Five Points neighborhood is located in close proximity to downtown and is accessible via MLK Jr. Avenue/Hill Street and Magnolia Avenue (U.S. Highway 70). Those working near downtown would have an easy commute from the subject site.
- The subject site is located in close proximity to area employers, transportation arteries, public transportation, and neighborhood services. Several commercial nodes are within two miles of the site. The site is located within one mile of several public parks and places of worship.
- The primary market area includes downtown Knoxville and much of eastern Knoxville and surrounding areas. This is the portion of Knoxville most comparable to the land uses surrounding the subject site and the area in which competitive communities are located.

### 2. Economic Context

Knox County's has been performing well since the economic recession with six consecutive years of job growth and reduced unemployment rates jobs.

- Job growth accelerated from 2014 to 2106 with an average of more than 5,200 jobs added per year to the county.
- The most recent annual average employment rates were 4.1 percent in the county, 4.8 percent in the state, and 4.9 percent in the nation; unemployment rates decreased in all three areas through the third quarter of 2017 including a low 3.5 percent in Knox County.
- Nearly two-thirds (64.3 percent) of market area workers commute less than 25 minutes to work, reflecting a strong local employment base. Roughly 21 percent of workers commuted 25-34 minutes, which covers most areas of downtown Knoxville. Over 20 percent of market area workers are employed outside of Knox County, reflecting the draw of the National Laboratory in Oak Ridge roughly 10 miles north of the subject site.

### 3. Demographic Trends

The Five Points Market Area lost population and households from 2000 to 2010 with net loss of roughly two percent. These trends reversed over the past eight years.

- Based on Esri data, RPRG estimates that the Five Points Market Area rebounded with net gains of 3,042 people and 1,301 households from 2010 to 2018. Annual gains over the past eight years were 380 people (0.9 percent) and 163 households (0.9 percent) bring the totals to 42,834 people and 19,607 households. The county increased at comparable rates of 1.0 percent for population and 0.8 percent for households.



- Recent trends are projected to continue in both the market area and county over the next five years with annual increases of 383 people (0.9 percent) and 168 households (0.8 percent). The market area will reach 44,749 people and 20,445 households by 2023. Knox County will increase at similar annual rates of 0.8 percent for population and 0.8 percent for households from 2018 to 2023.
- The population for Five Points Market Area is older than Knox County with 2018 median population ages of 40 and 38, respectively. Adults age 35-61 are the largest cohort in both areas at roughly 35.5 percent.
- The Five Points Market Area's households have a much higher propensity to rent than in Knox County with 2018 renter percentages of 56.5 percent in the market area and 36.6 percent in the county (Table 13). The market area gained 316 renter households, but lost 687 owner households from 2000 to 2010. This trend continued over the past eight years with the net gain of 1,515 renter households and loss of 214 owner households from 2010 to 2018.
- Half of the renter households in the Five Points Market Area were single person households as of the 2010 Census and 22.9 percent had two people. One and two person households combined for 69.3 percent of all renter households in Knox County including 41.4 percent with one person.
- Based on Esri estimates, the Five Points Market Area's 2018 median income of \$31,233 is \$22,579 or 42.0 percent lower than the \$53,812 median income in Knox County. Approximately 42 percent of the households in the Five Points Market Area earn less than \$25,000 including 25.6 percent earning less than \$15,000.
- The median income of renters in the Five Points Market Area as of 2018 is \$22,674 for renters and \$49,028 for owners. Fifty-five percent of renter households earn less than \$25,000 and 26.3 percent earn \$25,000 to \$49,999.

#### 4. Competitive Housing Analysis

As part of this analysis, RPRG surveyed five general occupancy rental communities in the Five Points Market Area including three market rate and two LIHTC communities. The market area includes few large and modern multi-family rental communities. These five communities are representative of market conditions in the market area.

- The average year built of surveyed rental communities in the market area is 1990; the two LIHTC communities are newer with an average year built of 2004. River View Park (LIHTC) is the newest community in the market area, but is more than a decade old (2007).
- Among the four communities reporting vacancy data, 13 of 623 units were reported vacant for an aggregate vacancy rate of 2.1 percent. The two LIHTC communities have only two of 170 units vacant for a rate of 1.2 percent; both vacancies were at River View Park.
- Among the surveyed rental communities in the market area, net rents, unit sizes, and rents per square foot are as follows:
  - **One bedroom** rents averaged \$698 with a range from \$595 to \$791 per month. The average market rate one bedroom unit has 676 square feet, which results in an average rent per square foot of \$1.03.
  - **Two bedroom** rents averaged \$770 with a range from \$650 to \$1,025 per month. The average two bedroom unit has 955 square feet for \$0.81 per square foot. Both LIHTC communities have 60 percent units at \$650.
  - **Three bedroom** rents averaged \$1,002 with a range from \$1,750 to \$1,790 per month. The average market rate three bedroom unit has 1,220 square feet, which results in



an average rent per square foot of \$0.82. Both LIHTC communities have 60 percent units for \$750.

- **Four bedroom** units at Maplehurst Park include two single-family detached homes for \$2,690 or \$1.35 per square foot.
- The only directly comparable pipeline communities in the market area are phases two and three of the subject property; phase one is a completed senior community.

#### **D. Market Strengths and Weaknesses**

The subject property will offer new and modern rental units in an established market with an older housing stock. The subject will compete well with existing communities and does not have any notable weaknesses.

#### **E. Product Recommendations and/or Modifications**

Five Points 4 will offer one, two, three, four, and five bedroom floor plans with 50 percent and 60 percent rents. These units will appeal to a wide variety of very low and low income households including singles, couples, roommates, and families with children.

#### **F. Impact on Existing Market**

Based on the projected renter household growth and large number of income qualified renter households, Five Points 4 will not have a negative impact on existing rental communities. All units will have PBRA and units are expected to be leased by households on the housing authority's waiting list.

#### **G. Discussion of Risks or Other Mitigating Circumstances**

None noted.

#### **H. Interviews with Area Stakeholders**

For the purposes of this analysis, RPRG contacted local property managers, local planning officials, the housing authority, and chamber of commerce/economic development. All information is integrated into the appropriate section of this market study.

#### **I. Final Conclusion and Recommendation**

Based on an analysis of projected household growth trends, overall affordability and demand estimates, current rental market conditions, and socio-economic and demographic characteristics of the Five Points Market Area, RPRG believes that the proposed Five Points 4 will be able to successfully reach and maintain a stabilized occupancy of at least 93 percent following entrance into the rental market. Given the product to be constructed, the subject will be competitively positioned with existing communities in the Five Points Market Area and the units will be well received by the target market. We recommend proceeding with the project as proposed.

A handwritten signature in black ink, appearing to read 'Tad Scepaniak'.

---

Tad Scepaniak  
Managing Principal





## 10.APPENDIX 1 UNDERLYING ASSUMPTION AND LIMITING CONDITIONS

In conducting the analysis, we will make the following assumptions, except as otherwise noted in our report:

1. There is no zoning, building, safety, environmental or other federal, state or local laws, regulations or codes which would prohibit or impair the development, marketing or operation of the subject project in the manner contemplated in our report, and the subject project will be developed, marketed and operated in compliance with all applicable laws, regulations and codes.
2. No material changes will occur in (a) any federal, state or local law, regulation or code (including, without limitation, the Internal Revenue Code) affecting the subject project, or (b) any federal, state or local grant, financing or other program which is to be utilized in connection with the subject project.
3. The local, national and international economies will not deteriorate, and there will be no significant changes in interest rates or in rates of inflation or deflation.
4. The subject project will be served by adequate transportation, utilities and governmental facilities.
5. The subject project will not be subjected to any war, energy crisis, embargo, strike, earthquake, flood, fire or other casualty or act of God.
6. The subject project will be on the market at the time and with the product anticipated in our report, and at the price position specified in our report.
7. The subject project will be developed, marketed and operated in a highly professional manner.
8. No projects will be developed which will be in competition with the subject project, except as set forth in our report.
9. There are no existing judgments nor any pending or threatened litigation, which could hinder the development, marketing or operation of the subject project.



The analysis will be subject to the following limiting conditions, except as otherwise noted in our report:

1. The analysis contained in this report necessarily incorporates numerous estimates and assumptions with respect to property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material.
2. Our absorption estimates are based on the assumption that the product recommendations set forth in our report will be followed without material deviation.
3. All estimates of future dollar amounts are based on the current value of the dollar, without any allowance for inflation or deflation.
4. We have no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal matters, environmental matters, architectural matters, geologic considerations, such as soils and seismic stability, and civil, mechanical, electrical, structural and other engineering matters.
5. Information, estimates and opinions contained in or referred to in our report, which we have obtained from sources outside of this office, are assumed to be reliable and have not been independently verified.
6. The conclusions and recommendations in our report are subject to these Underlying Assumptions and Limiting Conditions and to any additional assumptions or conditions set forth in the body of our report.



## 11.APPENDIX 1 ANALYST CERTIFICATIONS

I affirm that I have made a physical inspection of the market and surrounding area and the information obtained in the field has been used to determine the need and demand for LIHTC units. I also affirm that I have no financial interest in the project or current business relationship with the ownership entity and my compensation is not contingent on this project being funded. This report was written according to the THDA's market study requirements. The information included is accurate and can be relied upon by THDA to present a true assessment of the low-income housing rental market.

A handwritten signature in black ink, appearing to read 'Tad Scepaniak', is positioned above a horizontal line that serves as a signature line.

January 11, 2018

Tad Scepaniak  
Managing Principal  
Real Property Research Group, Inc.

Date



## 12.APPENDIX 2 ANALYST RESUMES

### **TAD SCEPANIAK** **Managing Principal**

Tad Scepianiak assumed the role of Real Property Research Group's Managing Principal in November 2017 following more than 15 years with the firm. Tad has extensive experience conducting market feasibility studies on a wide range of residential and mixed-use developments for developers, lenders, and government entities. Tad directs the firm's research and production of feasibility studies including large-scale housing assessments to detailed reports for a specific project on a specific site. He has extensive experience analyzing affordable rental communities developed under the Low Income Housing Tax Credit (LIHTC) program and market-rate apartments developed under the HUD 221(d)(4) program and conventional financing. Tad is the key contact for research contracts many state housing finance agencies, including several that commission market studies for LIHTC applications.

Tad is National Chair of the National Council of Housing Market Analysts (NCHMA) and previously served as Vice Chair and Co-Chair of Standards Committee. He has taken a lead role in the development of the organization's Standard Definitions and Recommended Market Study Content, and he has authored and co-authored white papers on market areas, derivation of market rents, and selection of comparable properties. Tad is also a founding member of the Atlanta chapter of the Lambda Alpha Land Economics Society.

#### **Areas of Concentration:**

- Low Income Tax Credit Rental Housing: Mr. Scepianiak has worked extensively with the Low Income Tax Credit program throughout the United States, with special emphasis on the Southeast and Mid-Atlantic regions.
- Senior Housing: Mr. Scepianiak has conducted feasibility analysis for a variety of senior oriented rental housing. The majority of this work has been under the Low Income Tax Credit program; however, his experience includes assisted living facilities and market rate senior rental communities.
- Market Rate Rental Housing: Mr. Scepianiak has conducted various projects for developers of market rate rental housing. The studies produced for these developers are generally used to determine the rental housing needs of a specific submarket and to obtain financing.
- Public Housing Authority Consultation: Tad has worked with Housing Authorities throughout the United States to document trends rental and for sale housing market trends to better understand redevelopment opportunities. He has completed studies examining development opportunities for housing authorities through the Choice Neighborhood Initiative or other programs in Florida, Georgia, North Carolina, South Carolina, Texas, and Tennessee.

#### **Education:**

Bachelor of Science – Marketing; Berry College – Rome, Georgia



**ROBERT M. LEFENFELD**  
**Founding Principal**

Mr. Lefenfeld, Founding Principal of the firm, with over 30 years of experience in the field of residential market research. Before founding Real Property Research Group in 2001, Bob served as an officer of research subsidiaries of Reznick Fedder & Silverman and Legg Mason. Between 1998 and 2001, Bob was Managing Director of RF&S Realty Advisors, conducting residential market studies throughout the United States. From 1987 to 1995, Bob served as Senior Vice President of Legg Mason Realty Group, managing the firm's consulting practice and serving as publisher of a Mid-Atlantic residential data service, Housing Market Profiles. Prior to joining Legg Mason, Bob spent ten years with the Baltimore Metropolitan Council as a housing economist. Bob also served as Research Director for Regency Homes between 1995 and 1998, analyzing markets throughout the Eastern United States and evaluating the company's active building operation.

Bob provides input and guidance for the completion of the firm's research and analysis products. He combines extensive experience in the real estate industry with capabilities in database development and information management. Over the years, he has developed a series of information products and proprietary databases serving real estate professionals.

Bob has lectured and written extensively about residential real estate market analysis. Bob has created and teaches the market study module for the MBA HUD Underwriting course and has served as an adjunct professor for the Graduate Programs in Real Estate Development, School of Architecture, Planning and Preservation, University of Maryland College Park. He is the past National Chair of the National Council of Housing Market Analysts (NCHMA) and currently chairs its FHA Committee.

**Areas of Concentration:**

- **Strategic Assessments:** Mr. Lefenfeld has conducted numerous corridor analyses throughout the United States to assist building and real estate companies in evaluating development opportunities. Such analyses document demographic, economic, competitive, and proposed development activity by submarket and discuss opportunities for development.
- **Feasibility Analysis:** Mr. Lefenfeld has conducted feasibility studies for various types of residential developments for builders and developers. Subjects for these analyses have included for-sale single-family and townhouse developments, age-restricted rental and for-sale developments, large multi-product PUDs, urban renovations and continuing care facilities for the elderly.
- **Information Products:** Bob has developed a series of proprietary databases to assist clients in monitoring growth trends. Subjects of these databases have included for sale housing, pipeline information, and rental communities.

**Education:**

Master of Urban and Regional Planning; The George Washington University.  
Bachelor of Arts - Political Science; Northeastern University.

# Lyon's Den

## Multifamily Community Profile

3610 Lyons Way  
Knoxville, TN

CommunityType: LIHTC - General  
Structure Type: Garden

74 Units 0.0% Vacant (0 units vacant) as of 1/26/2018

Opened in 2001



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	--	--	--	--	<input type="checkbox"/>	<input type="checkbox"/>
One	--	--	--	--	Comm Rm:	Basketball:
One/Den	--	--	--	--	Centrl Lndry:	Tennis:
Two	40.5%	\$650	989	\$0.66	Elevator:	Volleyball:
Two/Den	--	--	--	--	Fitness:	CarWash:
Three	59.5%	\$750	1,150	\$0.65	Hot Tub:	BusinessCtr:
Four+	--	--	--	--	Sauna:	ComputerCtr:
					Playground:	<input type="checkbox"/>

Features	
Standard: Dishwasher; Disposal; In Unit Laundry (Hook-ups); Central A/C	
Select Units: --	
Optional(\$): --	
Security: --	
Parking 1: Free Surface Parking Fee: --	Parking 2: -- Fee: --
Property Manager: TN Housing Authority Owner: --	

### Comments

Select units have PBRA.

Floorplans (Published Rents as of 1/26/2018) (2)										Historic Vacancy & Eff. Rent (1)			
Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Garden	--	2	2	30	\$650	989	\$.66	LIHTC/ 60%	1/26/18	0.0%	--	\$650	\$750
Garden	--	3	2	44	\$750	1,150	\$.65	LIHTC/ 60%	1/9/17	0.0%	--	\$625	\$725
									12/30/15	0.0%	--	\$595	\$695
									12/19/14	0.0%	--	\$575	\$675

### Adjustments to Rent

Incentives:

None

Utilities in Rent: Heat Fuel: Electric

Heat:  Cooking:  Wtr/Swr:   
Hot Water:  Electricity:  Trash:

Lyon's Den

TN093-019559

# Maplehurst Park

## Multifamily Community Profile

814 W Hill Ave.  
Knoxville, TN

CommunityType: Market Rate - General

Structure Type: Mix

205 Units 2.4% Vacant (5 units vacant) as of 1/26/2018

Last Major Rehab in 2010 Opened in 1975



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	9.8%	\$678	356	\$1.91	<input type="checkbox"/>	<input type="checkbox"/>
One	68.8%	\$791	680	\$1.16	Comm Rm: <input type="checkbox"/>	Basketball: <input type="checkbox"/>
One/Den	--	--	--	--	Centrl Lndry: <input checked="" type="checkbox"/>	Tennis: <input type="checkbox"/>
Two	19.5%	\$1,025	855	\$1.20	Elevator: <input type="checkbox"/>	Volleyball: <input type="checkbox"/>
Two/Den	--	--	--	--	Fitness: <input type="checkbox"/>	CarWash: <input type="checkbox"/>
Three	1.0%	\$1,790	1,297	\$1.38	Hot Tub: <input type="checkbox"/>	BusinessCtr: <input type="checkbox"/>
Four+	1.0%	\$2,690	2,000	\$1.35	Sauna: <input type="checkbox"/>	ComputerCtr: <input type="checkbox"/>
					Playground: <input type="checkbox"/>	

Features	
Standard: Patio/Balcony	
Select Units: Dishwasher; Disposal; In Unit Laundry	
Optional(\$): --	
Security: --	
Parking 1: Free Surface Parking Fee: --	Parking 2: -- Fee: --
Property Manager: Dominion Manageme Owner: --	

### Comments

Waiting list 3 & 4 bedroom floorplans.  
Washer and dryer connections in single-family detached homes.

Floorplans (Published Rents as of 1/26/2018) (2)									Historic Vacancy & Eff. Rent (1)				
Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Garden	--	Eff	1	20	\$665	356	\$1.87	Market	1/26/18	2.4%	\$791	\$1,025	\$1,790
Garden	--	1	1	140	\$775	680	\$1.14	Market	1/9/17	0.5%	\$840	\$1,193	\$1,558
SF Detached	--	1	1	1	\$865	700	\$1.24	Market	12/30/15	0.0%	\$753	\$905	\$1,632
Garden	--	2	1	40	\$1,005	855	\$1.18	Market	12/19/14	0.0%	\$795	\$1,170	\$1,625
SF Detached	--	3	2	2	\$1,790	1,297	\$1.38	Market					
SF Detached	--	4	2	2	\$2,660	2,000	\$1.33	Market					

### Adjustments to Rent

Incentives:

\$300 off 3x2.

Utilities in Rent: Heat Fuel: Electric

Heat:  Cooking:  Wtr/Swr:   
Hot Water:  Electricity:  Trash:

Maplehurst Park

TN093-019560

# Minvilla Manor

## Multifamily Community Profile

447 N Broadway  
Knoxville, TN

CommunityType: LIHTC - Homeless

Structure Type: 3-Story Adaptive Reuse

57 Units 0.0% Vacant (0 units vacant) as of 1/26/2018

Opened in 2010



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	42.1%	\$451	362	\$1.25	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One	57.9%	\$533	509	\$1.05	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One/Den	--	--	--	--	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Two	--	--	--	--	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Two/Den	--	--	--	--	<input type="checkbox"/>	<input type="checkbox"/>
Three	--	--	--	--	<input type="checkbox"/>	<input type="checkbox"/>
Four+	--	--	--	--	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Features	
Standard: Microwave; Ceiling Fan; Central AC	
Select Units: Patio/Balcony	
Optional(\$): --	
Security: Gated Entry; Keyed Bldg Entry; Cameras	
Parking 1: Free Surface Parking Fee: --	Parking 2: -- Fee: --
Property Manager: American Apartment Owner: --	

### Comments

All units PBRA. Units filled by case mgt referrals. Tenants are chronically homeless. Opened 2010 & leased up quickly.  
Built in 1913 as Minvilla TH (13 units). 1960's converted to 5th Avenue Motel.

### Floorplans (Published Rents as of 1/26/2018) (2)

### Historic Vacancy & Eff. Rent (1)

Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Reuse	--	Eff	1	24	\$539	362	\$1.49	Section 8/ 50%	1/26/18	0.0%	\$533	--	--
Reuse	--	1	1	33	\$638	509	\$1.25	Section 8/ 50%	1/10/17	0.0%	\$533	--	--
									12/30/15	0.0%	\$506	--	--
									12/19/14	0.0%	\$407	--	--

### Adjustments to Rent

Incentives:

None

Utilities in Rent: Heat Fuel: Electric

Heat:  Cooking:  Wtr/Swr:   
Hot Water:  Electricity:  Trash:

Minvilla Manor

TN093-019561



# River View Park

## Multifamily Community Profile

3221 Holston Hills Rd.  
Knoxville, TN 37914

CommunityType: LIHTC - General

Structure Type: Garden

96 Units      2.1% Vacant (2 units vacant) as of 1/26/2018

Opened in 2007



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	--	--	--	--	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
One	--	--	--	--	<input checked="" type="checkbox"/>	Basketball: <input type="checkbox"/>
One/Den	--	--	--	--	Centrl Lndry: <input checked="" type="checkbox"/>	Tennis: <input type="checkbox"/>
Two	62.5%	\$650	978	\$0.66	Elevator: <input type="checkbox"/>	Volleyball: <input type="checkbox"/>
Two/Den	--	--	--	--	Fitness: <input checked="" type="checkbox"/>	CarWash: <input type="checkbox"/>
Three	37.5%	\$750	1,180	\$0.64	Hot Tub: <input type="checkbox"/>	BusinessCtr: <input type="checkbox"/>
Four+	--	--	--	--	Sauna: <input type="checkbox"/>	ComputerCtr: <input type="checkbox"/>
					Playground: <input checked="" type="checkbox"/>	

Features	
Standard: Dishwasher; Disposal; In Unit Laundry (Hook-ups); Central A/C; Patio/Balcony	
Select Units: --	
Optional(\$): --	
Security: --	
Parking 1: Free Surface Parking Fee: --	Parking 2: -- Fee: --
Property Manager: Crescent Bend Owner: --	

### Comments

--	--	--	--	--	--	--	--	--	--	--	--	--	--

Floorplans (Published Rents as of 1/26/2018) (2)										Historic Vacancy & Eff. Rent (1)			
Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Garden	--	2	2	60	\$650	978	\$.66	LIHTC/ 60%	1/26/18	2.1%	--	\$650	\$750
Garden	--	3	2	36	\$750	1,180	\$.64	LIHTC/ 60%	1/9/17	0.0%	--	\$610	\$720
									1/5/16	6.3%	--	\$0	\$0

### Adjustments to Rent

Incentives:

None

Utilities in Rent:      Heat Fuel: Electric

Heat:       Cooking:       Wtr/Swr:

Hot Water:       Electricity:       Trash:

# Spring Meadow

## Multifamily Community Profile

3101 Washington Ridge Way  
Knoxville, TN 37917

CommunityType: Market Rate - General

Structure Type: Garden

248 Units 2.4% Vacant (6 units vacant) as of 1/26/2018

Opened in 1991



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	--	--	--	--	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
One	32.3%	\$708	651	\$1.09	Comm Rm: <input checked="" type="checkbox"/>	Basketball: <input type="checkbox"/>
One/Den	--	--	--	--	Centrl Lndry: <input checked="" type="checkbox"/>	Tennis: <input checked="" type="checkbox"/>
Two	48.4%	\$846	962	\$0.88	Elevator: <input type="checkbox"/>	Volleyball: <input type="checkbox"/>
Two/Den	--	--	--	--	Fitness: <input checked="" type="checkbox"/>	CarWash: <input checked="" type="checkbox"/>
Three	19.4%	\$905	1,085	\$0.83	Hot Tub: <input type="checkbox"/>	BusinessCtr: <input checked="" type="checkbox"/>
Four+	--	--	--	--	Sauna: <input type="checkbox"/>	ComputerCtr: <input checked="" type="checkbox"/>
					Playground: <input checked="" type="checkbox"/>	

Features	
Standard: Dishwasher; Disposal; Ice Maker; Ceiling Fan; In Unit Laundry (Hooks); Central A/C; Patio/Balcony	
Select Units: Fireplace; HighCeilings	
Optional(\$): --	
Security: --	
Parking 1: Free Surface Parking Fee: --	Parking 2: -- Fee: --
Property Manager: The CJ Lombardo Co Owner: --	

### Comments

Video rental, book library. 8- 2BR units built 2014/2015.

Floorplans (Published Rents as of 1/26/2018) (2)										Historic Vacancy & Eff. Rent (1)			
Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Garden	--	1	1	32	\$675	562	\$1.20	Market	1/26/18	2.4%	\$708	\$846	\$905
Garden	--	1	1	48	\$705	710	\$0.99	Market	1/9/17	2.0%	\$683	\$832	\$905
Garden	--	2	1	24	\$810	900	\$0.90	Market	1/4/16	2.8%	\$676	\$821	\$905
Garden	--	2	2	96	\$830	978	\$0.85	Market	12/19/14	1.2%	\$650	\$830	\$874
Garden	--	3	2	48	\$880	1,085	\$0.81	Market					

### Adjustments to Rent

Incentives:

None

Utilities in Rent: Heat Fuel: Electric

Heat:  Cooking:  Wtr/Swr:   
Hot Water:  Electricity:  Trash:

# Sunset Rill

## Multifamily Community Profile

235 Carta Rd.  
Knoxville, TN 37914

CommunityType: Market Rate - General

Structure Type: Garden

180 Units Occupancy data not currently available

Opened in 1975



Unit Mix & Effective Rent (1)					Community Amenities	
Bedroom	%Total	Avg Rent	Avg SqFt	Avg \$/SqFt	Clubhouse:	Pool-Outdr:
Eff	--	--	--	--	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
One	--	\$595	696	\$0.85	<input checked="" type="checkbox"/>	<input type="checkbox"/>
One/Den	--	--	--	--	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Two	--	\$680	989	\$0.69	<input type="checkbox"/>	<input type="checkbox"/>
Two/Den	--	--	--	--	<input type="checkbox"/>	<input type="checkbox"/>
Three	--	\$815	1,388	\$0.59	<input type="checkbox"/>	<input type="checkbox"/>
Four+	--	--	--	--	<input type="checkbox"/>	<input type="checkbox"/>

Features	
Standard: Dishwasher; Disposal; Ice Maker; Ceiling Fan; Central A/C; Patio/Balcony	
Select Units:	--
Optional(\$):	--
Security:	--
Parking 1: Free Surface Parking	Parking 2: --
Fee: --	Fee: --
Property Manager:	--
Owner:	--

### Comments

Refused occupancy info.

Floorplans (Published Rents as of 1/26/2018) (2)									Historic Vacancy & Eff. Rent (1)				
Description	Feature	BRs	Bath	#Units	Rent	SqFt	Rent/SF	Program	Date	%Vac	1BR \$	2BR \$	3BR \$
Garden	--	1	1	--	\$595	696	\$.85	Market	1/26/18	--	\$595	\$680	\$815
Garden	--	2	1.5	--	\$680	1,091	\$.62	Market	1/12/17	--	\$560	\$633	\$783
Garden	--	2	1	--	\$660	933	\$.71	Market	10/15/13	2.2%	\$509	\$579	\$764
Garden	--	2	2.5	--	\$700	943	\$.74	Market					
Garden	--	3	2	--	\$815	1,388	\$.59	Market					

### Adjustments to Rent

Incentives:

None

Utilities in Rent: Heat Fuel: Electric

Heat:  Cooking:  Wtr/Swr:   
Hot Water:  Electricity:  Trash: