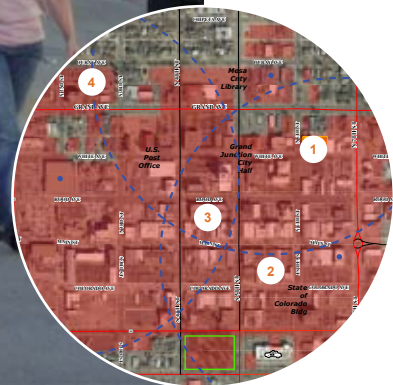
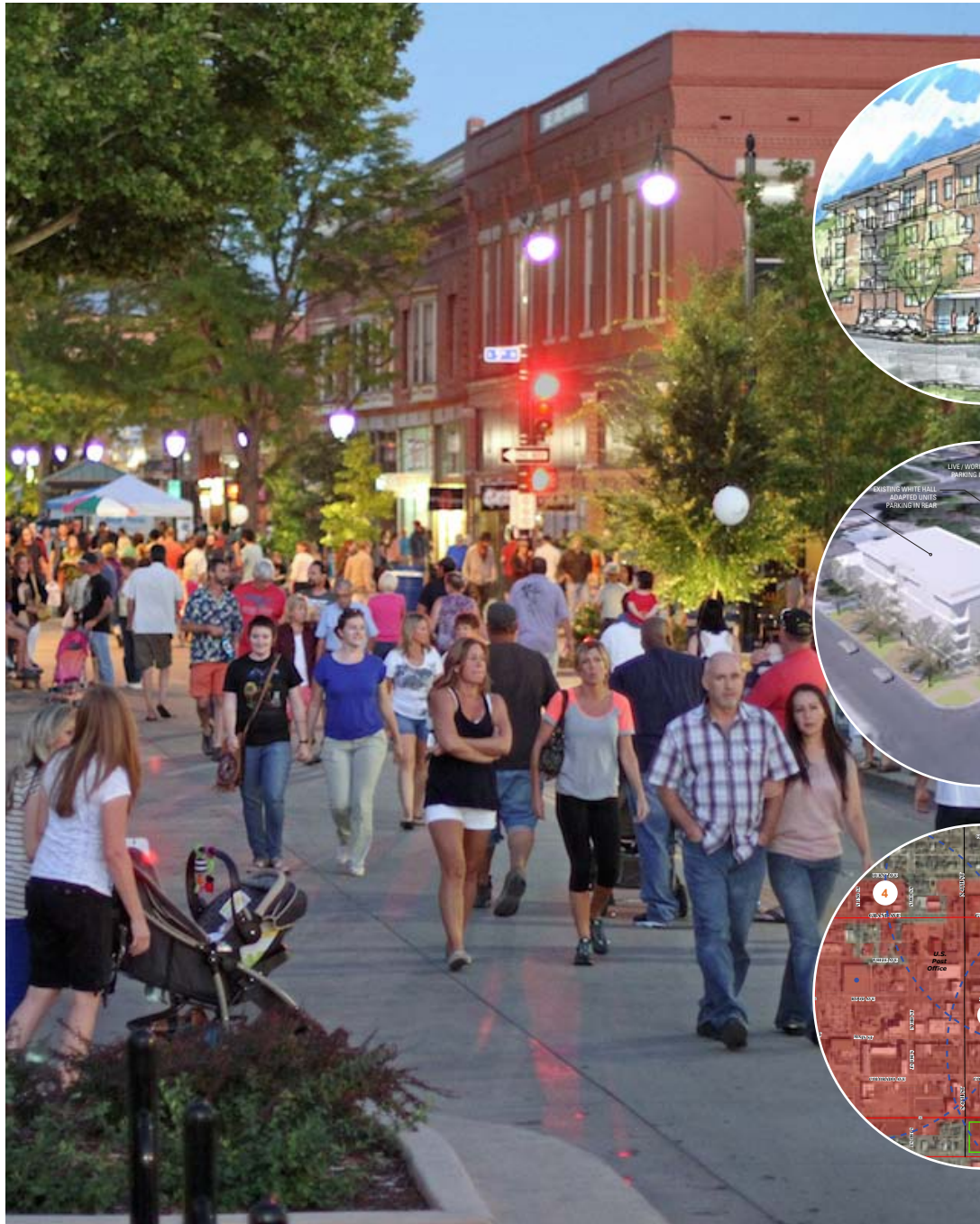


DOWNTOWN GRAND JUNCTION HOUSING STUDY



DOWNTOWN
GRAND JUNCTION, COLORADO
Life Happens Here

**JANUARY 15, 2015
FINAL DRAFT**

PREPARED FOR: GRAND JUNCTION DOWNTOWN DEVELOPMENT AUTHORITY
PREPARED BY: COMMUNITY BUILDERS, A PROJECT OF THE SONORAN INSTITUTE
WITH ASSISTANCE FROM: REES CONSULTING, INC., RRC ASSOCIATES,
VAN METER WILLIAMS POLLACK, AND DEVELOPMENT RESEARCH PARTNERS

COVER PHOTO: Downtown Grand Junction at night. Photo courtesy of the Grand Junction Downtown Development Authority.

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EXECUTIVE SUMMARY

SECTION 1: INTRODUCTION

The Downtown Grand Junction Housing Study (“Housing Study” or “Study”), initiated as a partnership between the Grand Junction Downtown Development Authority (DDA) and the Sonoran Institute, provides a realistic, market-based assessment for expanding the amount and variety of housing available in Downtown Grand Junction. A critical mass of residents living in the downtown will support the DDA’s efforts to facilitate economic development and enhance the vitality of the Downtown.

The DDA formed a project advisory committee (PAC) to provide guidance, leadership and local expertise to the process. The PAC included realtors, downtown residents, developers, business owners and DDA board members. A full list of the PAC is on page 29. The City of Grand Junction (City) assisted with the project through PAC participation and technical assistance.

WHY HOUSING IN THE DOWNTOWN?

Housing is an essential ingredient for an economically strong and socially vibrant downtown. When people live downtown, they improve the economic base for local businesses and enhance the overall vitality of the area. Downtown residents are the critical element that transforms traditional commercial districts, even highly successful central business districts, into active and safe 24/7 neighborhoods. Without residents, most downtowns lack a critical mass of people needed to fully activate the area’s economic potential, including the redevelopment of underutilized real property through infill construction that is essential for the expansion of commercial activity.

The DDA and the City of Grand Junction recognize the importance of housing for the continued success of downtown Grand Junction. The Greater Downtown Plan adopted in April 2013 promotes downtown living achieved through a wide range of housing opportunities, both rental and for sale. This Housing Study compiles information needed to achieve this goal through the development of housing that is responsive to demand. Although the Study’s market analysis clearly identifies significant demand for downtown housing there are equally significant challenges to overcome for infill development to occur.

The Housing Study offers actionable strategies to expand housing within the downtown, including a variety of development concepts the DDA could use to initiate a catalytic project in the near-term.

Grand Junction is the largest economic and population center in Western Colorado. The 151,303 residents of Mesa County (including Grand Junction, Fruita and Palisade as its largest communities) represent the largest population center in Western Colorado. Grand Junction itself, with 58,704 residents, is the largest city on the Western Slope and the largest City between Denver and Salt Lake City. The area has the largest workforce of Western Colorado, with a total labor force of 75,907 people (Source: CO State Demography Office). All of these are positive attributes for the prospects of downtown housing, which in turn have the potential to enhance and expand the role of Downtown Grand Junction in the local and regional economy.

Population increase is ultimately the driver for housing demand in the Grand Junction MSA. In 2010 there were approximately 2.5 persons per household in Mesa County according to the U.S. Census Bureau. Using this as a basis, household growth in the County would support demand for housing of around 12,000 units. This is a significant number of new homes, about 19% of the total housing stock of 62,600 homes in the County, but is reasonable considering that over 14,000 homes were added between 2000 and 2010 or about a 30% increase (Financial Analysis p. 6).

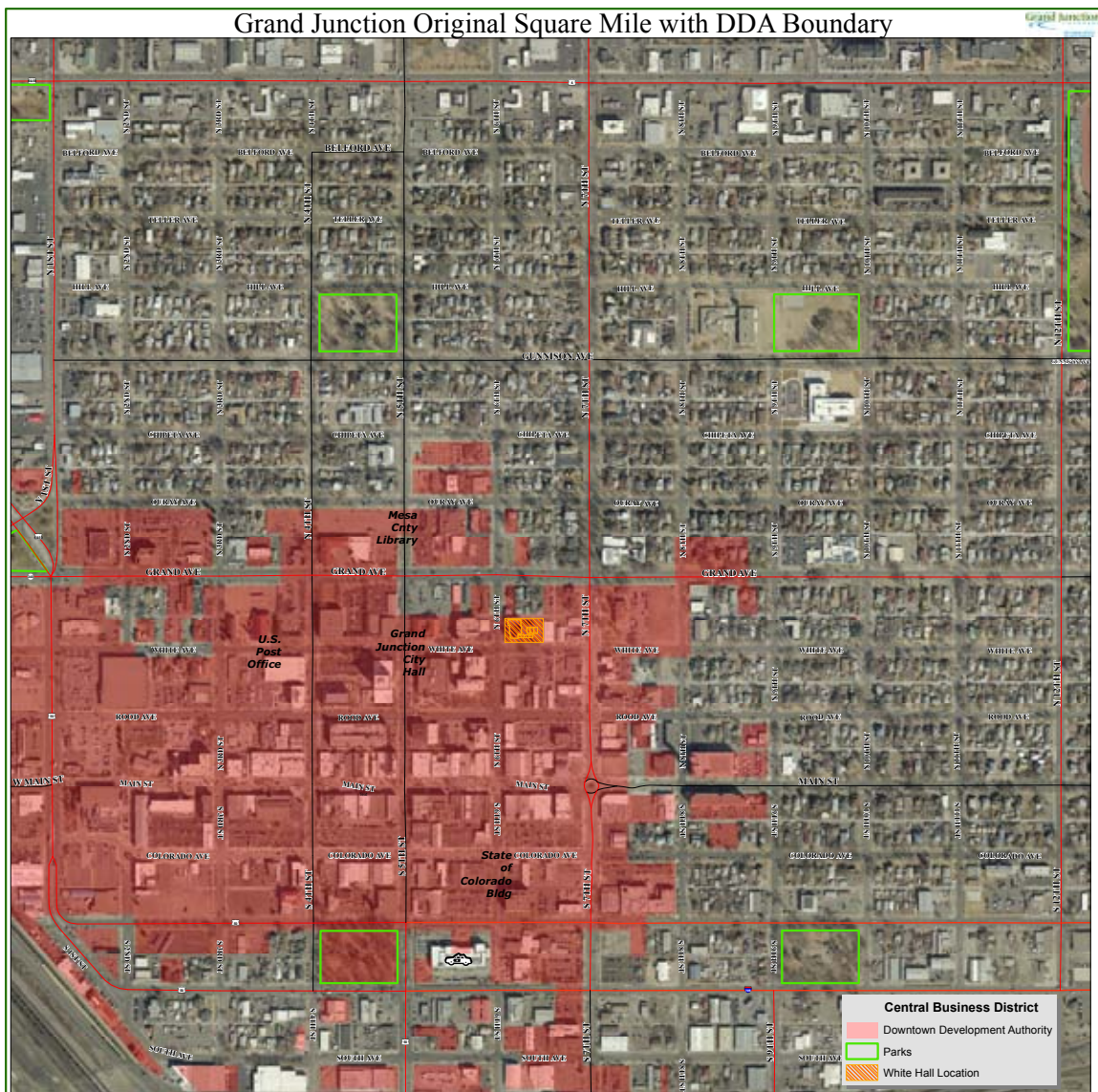
Mesa County Population & Housing Change			
Year	Population Change	Estimated New Housing Demand*	% of Total 10-Year New Housing Demand
2014	1,687	675	5.6%
2015	1,917	767	6.4%
2016	2,294	918	7.6%
2017	2,741	1,096	9.1%
2018	2,990	1,196	9.9%
2019	3,200	1,280	10.6%
2020	2,940	1,176	9.8%
2021	3,137	1,255	10.4%
2022	3,099	1,239	10.3%
2023	3,069	1,228	10.2%
2024	3,042	1,217	10.1%
Total 10-Year Housing Demand		12,047	100%

* Which may be existing inventory or new construction

Source: CO State Demography Office, Development Research Partners, Inc.

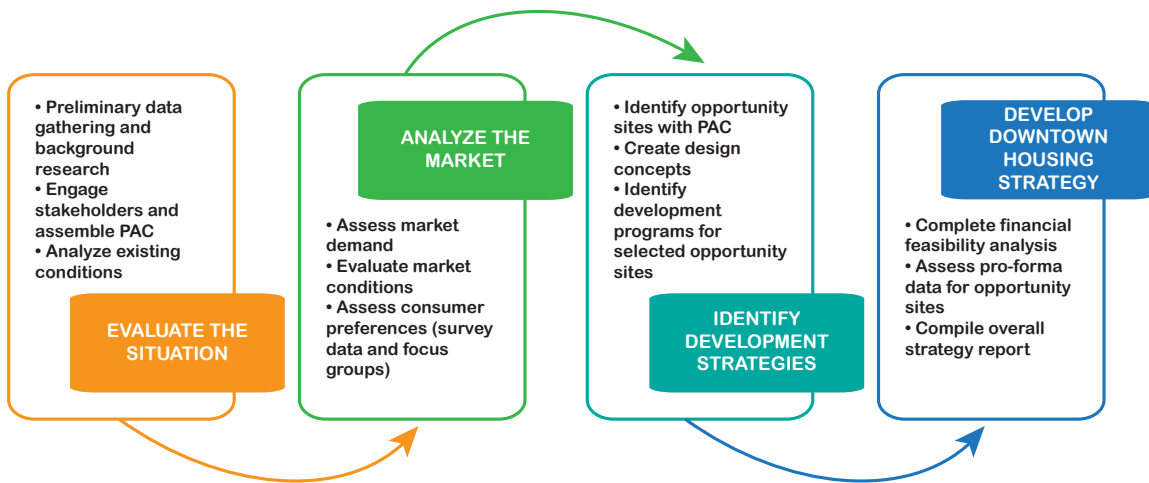
STUDY AREA

The Study examined housing across the entire Greater Downtown area which encompasses the original square mile incorporated when Grand Junction was founded. The Greater Downtown area is dominated by single-family detached housing on small lots (with the occasional multi-family infill or conversion) concentrated to the north and east of the Central Business District. Though an essential part of the center city and its housing context, this early inner-ring neighborhood stands outside of the DDA District and in stark contrast to the mixed-use Central Business District (CBD) that has very few residential units. The CBD is generally bounded by Grand Avenue on the north, 8th Street on the east, Pitkin Avenue on the south and 1st Street on the west, and constitutes the primary focus of the DDA's housing efforts. See study area map below.



PROJECT OVERVIEW

The purpose of the Grand Junction Downtown Housing Study is to create a realistic and actionable strategy, based on market demand and feasibility, for expanding the amount and variety of housing available in downtown Grand Junction. To meet this goal, the project included four core elements, shown in the graphic below, and summarized here.



- 1. EVALUATE THE SITUATION.** The project team along with the PAC, identified key challenges and opportunities related to expanding housing choices in the downtown.
- 2. ANALYZE THE MARKET.** A combination of quantitative market analysis, along with survey data and focus groups, was used to assess market demand, product gaps and consumer preferences.
- 3. IDENTIFY AND TEST DIFFERENT DEVELOPMENT CONCEPTS.** The market analysis and stakeholder input explored the feasibility of different development scenarios tested on four opportunity sites in the downtown. Then, the project team identified implementation strategies for the four opportunity sites.
 - A. OPPORTUNITY SITES:** The PAC used a scoring system to prioritize several “opportunity sites” within the study area that particularly well suited to infill housing. From a larger group of nine sites, the project team selected four sites for more focused design and financial analysis. Key considerations for site selection were capacity/suitability for different housing types, relative proximity to the center of the CBD, and potential to catalyze additional housing. Three of the four sites were already in public sector ownership and considered more ready candidates for redevelopment.

- B. DESIGN CONCEPTS:** The design team crafted specific development concepts for each of the four opportunity sites over the course of a two-day design workshop, which included meetings with local developers, city staff, property owners and other interested stakeholders.
 - C. FINANCIAL ANALYSIS:** During the design workshop, the team also began financial feasibility analyses for each development program and opportunity site, concentrating on real estate development and construction costs, and resulting in a financial pro-forma analysis for each of the four development concepts.
- 4. DEVELOP DOWNTOWN HOUSING STRATEGY.** The final stage aligns market demand, urban design, financial feasibility and other considerations into a concrete implementation strategy focused on near-term steps the DDA and City can take to expand housing choices in the downtown, including bringing a catalyst project to fruition to help prove the market and spur additional investment.

PREVIOUS STUDIES

The City identified the Downtown District as an area of need of further planning consideration in their Comprehensive Plan update in 2010. From this identification, the City underwent a planning process for the Downtown District and adopted the Greater Downtown Plan in April 2013. Previously, the City underwent a planning process to create a housing strategy for the entire Grand Valley, called the Grand Valley Housing Strategy in April 2009. Both of these Plans provide background and input for the Housing Study.

GREATER DOWNTOWN PLAN: APRIL 2013

The Greater Downtown Plan incorporates elements of the DDA’s potential projects in order to support the DDA’s Downtown Plan of Development, as well as incorporating elements of the Comprehensive Plan. The planning process for the Greater Downtown Plan reanalyzed and revised two previous planning efforts and the study area was expanded to include areas integrated into a single plan for the downtown area.

GRAND VALLEY HOUSING STRATEGY: APRIL 2009

The Grand Valley Housing Strategy is the product of a public-private initiative to create long-term, sustainable solutions for housing challenges in the Grand Valley. Grand Valley jurisdictions, in partnership with private and nonprofit entities, sought to address barriers to housing investment, while also capitalizing on market opportunities and attending to product voids through the development of a comprehensive valley-wide housing strategy.

SECTION 2: PROCESS OVERVIEW & KEY FINDINGS

This section provides an overview of the key phases of the Housing Study process and a few key findings from the market analysis and financial analysis. The Study included four core elements, introduced in the project overview of the introduction: evaluating the situation, analyzing the market, identifying development strategies, and developing the downtown housing strategy. The phases were important to be developed consecutively as each phase provided information and research for the next to be completed.

MARKET ANALYSIS

The Study included an in-depth analysis of the market demand for housing in downtown Grand Junction. This task produced a separate Market Analysis report (included as Appendix A) and relied heavily upon primary research, including: (1) an on-line survey supplemented with a print version distributed widely through employers and by media, through which a total of 1,131 responses were received; (2) three focus groups involving real estate agents and brokers, rental property managers and downtown residents; and (3) a windshield survey of the Downtown District conducted in November 2013 assessing the condition of existing housing stock and the inner-ring neighborhood opportunities for infill and redevelopment, and sites for new development.

The Market Analysis includes the sections below, as well as an appendix containing supplemental information intended to assist in the planning and design of downtown housing.

- Demographic and economic analysis to evaluate market conditions.
- Housing inventory of all existing downtown housing stock to inventory current housing units.
- Rental market analysis of the downtown's current rental supply.
- Ownership market analysis of the downtown's current market of homeowners.
- Demand for downtown housing assessed based upon aforementioned analyses and consumer preference input from the survey and focus groups.
- Downtown housing product types and design determined by consumer preference input.

Results from the survey and focus groups indicate there is strong interest in living downtown but an extreme lack of desirable housing options in the district. The demand for housing is sufficiently strong to develop a variety of both rental and ownership housing. Key findings include:

- Of the surveyed, **38% are interested in living in the CBD**. Of these, 84% would consider living in Greater Downtown (Market Analysis p. 19).
- **Interest in living downtown is particularly high among persons in the 25 to 35 age range** (Market Analysis p. 20) and a disproportionately high percentage of the persons who now reside in the CBD are in the 50 to 59 age range (Market Analysis p. 5), and the same age groups that were the first to move in significant numbers into downtown Denver and other US metro areas in the late 1980s and early 1990s.
- While seniors expressed a slightly lower interest in living in the CBD compared to survey respondents overall, **the senior population in Mesa County is significant and growing** (Market Analysis p. 21). Housing designed specifically to serve this population would fit well within the Downtown District as the attributes of the area – good sidewalks, availability and ease of access to services, shopping, and institutional anchors – are highly valued by retirees.
- About **two-thirds of the persons who indicated interest in living downtown now own their homes**. Half would like to own within two years of moving downtown while the other half would like to rent or are uncertain. Interest in ownership will increase as the length of downtown residency increases (Market Analysis p. 25-26).
- **Housing within the Downtown District has performed better than the overall market in Mesa County** – the number of sales has dramatically increased, prices have increased to the extent that they are now at pre-Recession levels, and the inventory of homes listed for sale is smaller in relative terms (Market Analysis p. 17-18).
- There is almost **equal interest in CBD flats, lofts, and live/work style units**. Given the small absorption numbers, a mixture of housing units can be incrementally introduced into the market and unit mix adjusted as the emerging markets are tested (Market Analysis p. 26-27).
- There was **slightly less interest in townhomes according to the survey**. This is not surprising given that townhomes tend to compete with single-family homes in the rental market and cater to families or renters requiring larger units. Additionally, the townhome housing type is not common in Grand Junction (Market Analysis p. 26-27).

For the full findings from the Market Analysis, please see Appendix A. For survey questions see Appendix B.

OPPORTUNITY SITES

Another goal of the project was to identify a small number of specific “opportunity sites” that were particularly well positioned, based on ownership, existing uses, location and other considerations, for infill housing development. The PAC identified nine opportunity sites around the downtown, which are shown in the map below. Using a set of scoring criteria, the PAC narrowed those nine sites to four that would be the focus of more detailed design and pro-forma analysis. The scoring criteria included such factors as location, development costs, site readiness, suitability of housing, catalytic impact and overall site readiness, which resulted in the selection of the following four opportunity sites:

1. White Hall Site (detailed in [pages 15 to 20](#)),
2. Colorado Avenue Parking Lot (detailed in [pages 21 to 25](#)),
3. Rood Avenue Parking Deck Endcaps (detailed in [pages 26 to 30](#)), and
4. Grand Avenue Bank Lot (detailed in [pages 31 to 34](#)).

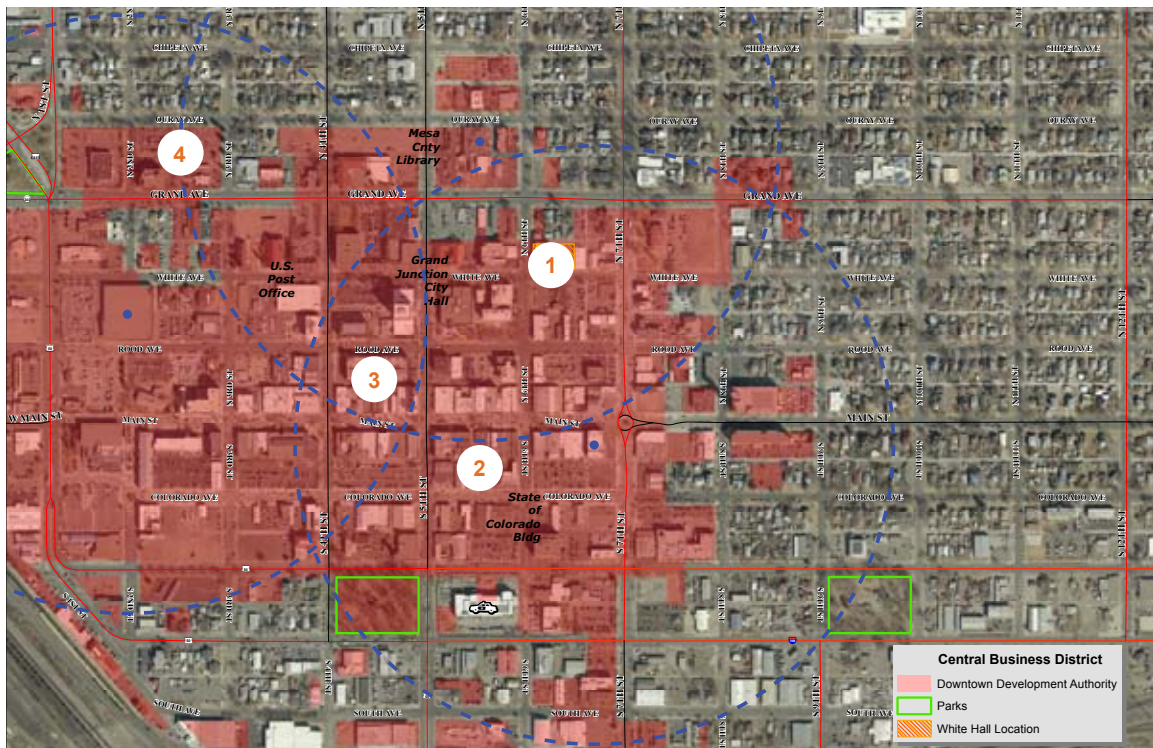


Image 1. The four selected opportunity infill sites are numbered. The red-shaded boundary indicates the DDA boundary within the CBD. The dashed blue circles indicate a ¼ mile walking radius from the City Market, the Mesa County Library and the Avalon Theater (from west to east).

DESIGN WORKSHOP

While the market analysis focused on the demand for housing and the current supply, the design workshop explored more specific planning and design concepts. Over the course of an intensive two-day design workshop, the team developed conceptual site plans, residential development programs, and parking capacity analyses for each of the four opportunity sites. A summary of each of the four concepts is provided in the sections that follow. The design concepts were rooted in the consumer preferences reported in the market demand report, allowing the design team to test schemes that included the variety of housing types that were popular in the survey. The design team also worked hand-in-hand with the project team's real-estate economist to assess the economic feasibility of the schemes as they evolved.

The design workshop also provided the opportunity for key stakeholders (i.e. City of Grand Junction, Downtown Development Authority, Project Advisory Committee, local developers) and the public to share their ideas with the designers.



Image 2. Participants of the developer focus group on March 25, 2014 gave invaluable input on realistic development costs and market trends for housing in Grand Junction.

FINANCIAL ANALYSIS

The financial analysis is intended to inform criteria for site prioritization, evaluate the financial performance and feasibility of the projects proposed, evaluate the impact of new units on the general housing market of the area, and help inform potential developers of both the opportunities and the challenges for Downtown housing. The financial analysis included collection of the opportunity site parcel data; the housing demand in Grand Junction and absorption of new units; the Shadow Market and its effects; impacts of new construction on vacancy rates; multi-family rental rates; commercial space trends; pro-forma analyses of all four opportunity infill sites; and overall feasibility.

Below are several key findings from the Financial Analysis:

- The downtown core can absorb **331 new housing units** over the next 10 years. In 2012 about 66% of Grand Junction households lived in single-family homes and about 15% lived in multi-family units of 5 units or more (the balance of housing is in duplex, four-plex, mobile homes, or other types of housing). Assuming a similar distribution, annual absorption of multi-family units in the CBD are forecast to total 331 units over the next 10 years (Financial Analysis p. 8);
- Grand Junction's **housing market is recovering**. Overall housing vacancy is currently about 7%, not far off from a market at full occupancy, which would range from 94% to 95%. According to April 2014 home sales data reported by Trulio.com, average price per square foot for single-family homes sold in Grand Junction was \$111, an increase of 4.7% compared to the same period last year. Trulio data supports the notion of a stabilizing market after a dip in late 2013 market. The late 2013 sales dip seems to reflect a return to a more typical seasonal pattern last seen in 2010 (Financial Analysis p. 9).
- An average multi-family **rental rate from \$750 to \$1,200 per month is deemed reasonable** and readily achievable as an anticipated rental rate for the projects evaluated here (Financial Analysis p. 13).
- It will take an estimated **5 to 6 years for the CBD multi-family market to reach 95% stabilized occupancy**. Given anticipated absorption, if all 129 units projected on the four opportunity sites were constructed now (without pre-leasing), greater downtown occupancy would drop to about 86% and CBD would drop to about 40.5% (Financial Analysis p. 11).

For the full findings from the Financial Analysis, please see Appendix C.

SECTION 3: OPPORTUNITY SITE DEVELOPMENT CONCEPTS

This section includes an overview of the development concepts, including design considerations, development program, market demand and financial feasibility, for each of the four opportunity sites: White Hall site, Colorado Avenue parking lot, Rood Avenue Parking Deck Endcaps, and the Grand Avenue bank lot.

SITE 1: WHITE HALL SITE

The White Hall site is viewed as the high priority and an ideal candidate as a catalyst project by the project team, PAC and DDA due to its location, existing ownership by the DDA, and the opportunity to transform a vacant but viable building into high quality residential complex. Located on the northeast corner of 6th Street and White Avenue, White Hall is in a relatively quiet sub-area of the CBD surrounded primarily by office and institutional uses, yet is within easy walking distance of many downtown businesses and anchors.

White Hall was formerly a church complex consisting of a 1923 sanctuary with a 1950's school annex. The sanctuary was destroyed in a fire in September 2011, and subsequently demolished in 2013, but the 12,000 square foot masonry three-story education annex survived with only minor damage. The annex offers a unique opportunity for adaptive rehabilitation as rental units, while also providing an economic asset from which demolition and site remediation costs can be recovered. The vacant areas to the east and west of the annex can accommodate a range of housing types from flats to live/work loft spaces.



Image 3. White Hall as it stands today, with a demolished west-facing wall and open pit.

In addition to the need to improve the site itself, there are a number of surface parking lots in the immediate vicinity of White Hall that offer tremendous potential for future infill development. Thus, a successful redevelopment of White Hall may serve as a direct catalyst of further residential development on adjacent underutilized property.



Image 4. White Hall as it stands today, with the existing school annex in place.

The graphic below shows a street view perspective of the proposed development concept with new construction flanking both sides of the existing annex located at mid-site.



Image 5. Perspective drawing of the potential design for White Hall.

DEVELOPMENT PROGRAM

The adjacent graphic shows the proposed development program for the 0.57 acre site, which was identified as the best fit for the site's conditions, constraints and context. The proposed development program consists of three parts: (1) on the western-most portion of the site 1 and 2 bedroom flats over ground floor offices masking parking at grade behind, and one full level of underground parking; (2) adaptive rehabilitation of the existing

education annex for studio and 1 bedroom apartments with parking along the alley at the rear; and (3) live/work units with parking to the rear on the easternmost portion of the site.



Image 6. Massing diagram depicting the scale and form of White Hall.

DEVELOPMENT PROGRAM OVERVIEW

SITE: 0.57 acres in the B-2 zone (downtown mixed-use land use area) located in the Greater Downtown Core and Central Business District overlay zones.

RESIDENTIAL: 43 dwelling units (density = 75 dwelling units per acre) including:

- West site: 24 flats [22,800 square feet]
- Mid-site existing structure: 15 adapted apartments [9,750 square feet]
- East site: 4 live/work lofts [4,600 square feet]

COMMERCIAL: 3,700 square feet of office or retail space including:

- 1,600 square feet employment space
- 2,100 square feet live/work flex space

PARKING: 68 parking spaces (1.75 parking spaces per unit)

- 19 underground parking spaces
- 13 at-grade covered parking spaces
- 15 on-site surface parking spaces
- 21 on-street parking spaces

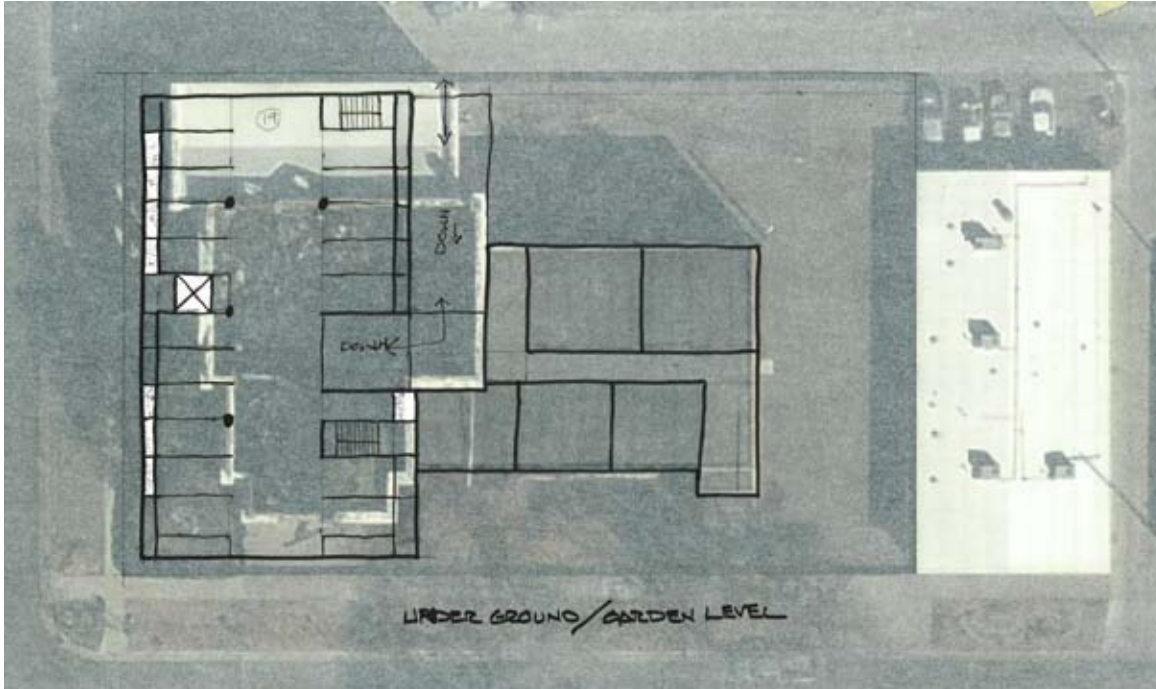


Image 7. Floor plan showing the proposed layout of the basement of White Hall.

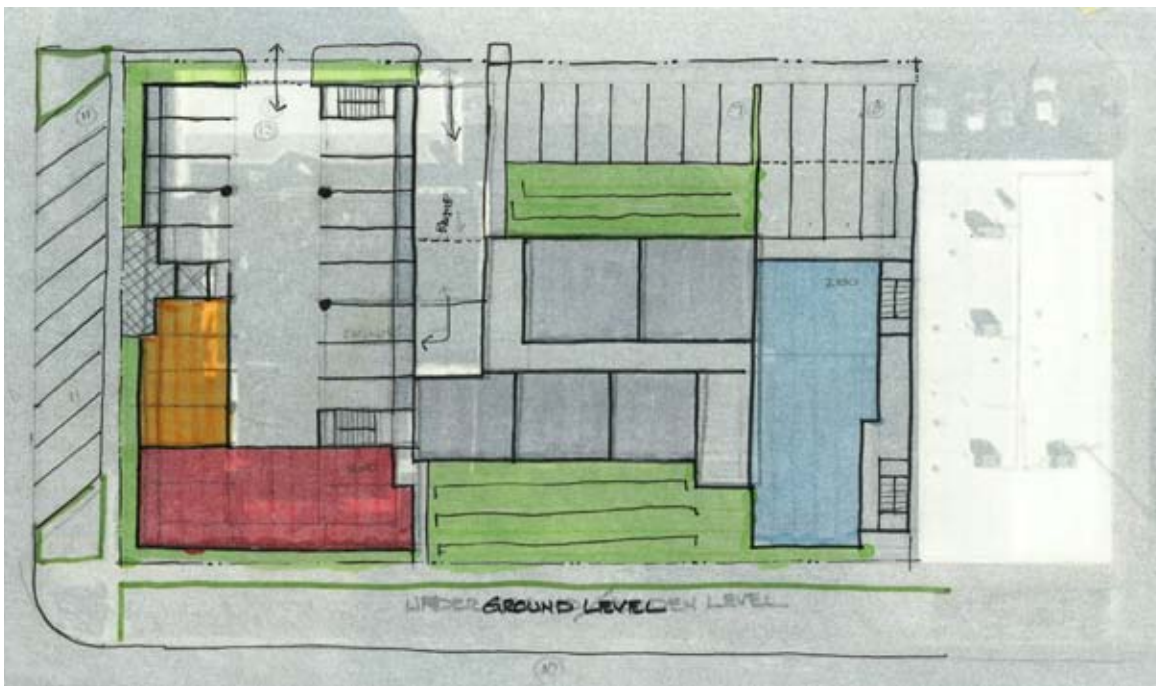


Image 8. Floor plan showing the proposed layout of the ground level of White Hall.

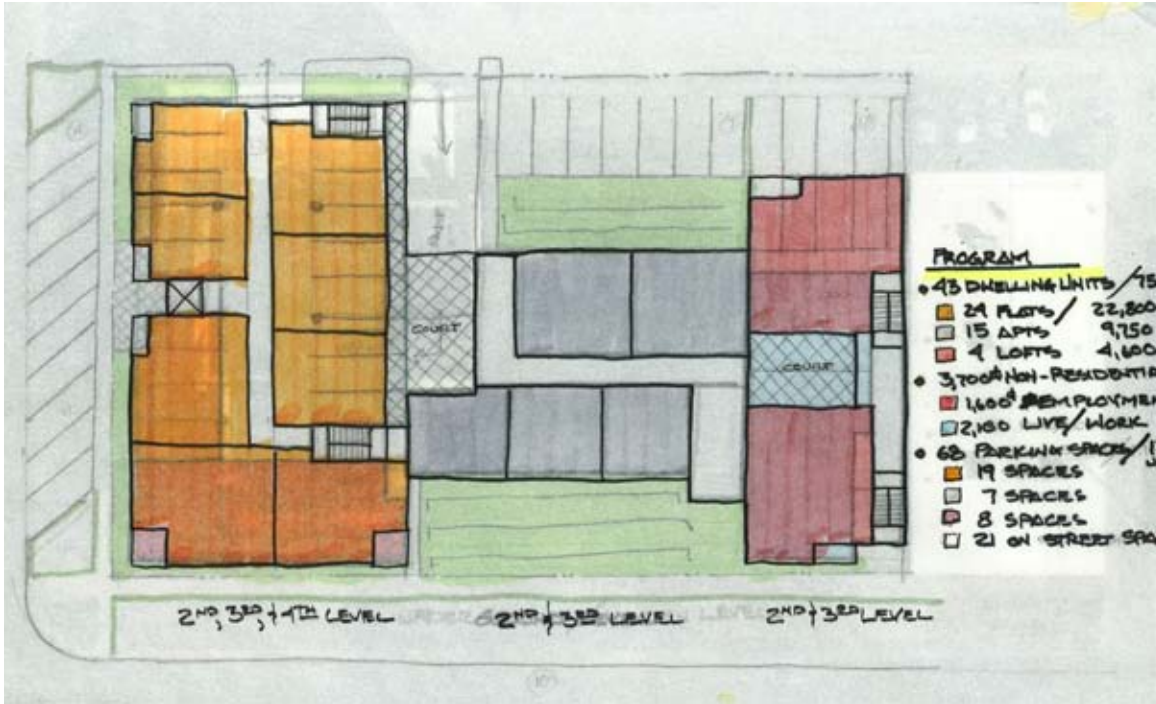


Image 9. Floor plan showing the proposed layout of the second/third levels of White Hall.

MARKET & FINANCIAL FINDINGS

Given anticipated absorption, if the 43 unit White Hall project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 93% and CBD would drop to about 63%. Given projected absorption, it will take an estimated 2 years for the CBD multi-family market to reach 95% stabilized occupancy.

White Hall	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	43	43	43
New Total Units	26,158	2,086	158
% Total Market Added	0.2%	2.1%	37.4%
New Occupancy	92.8%	89.1%	62.6%
Absorption to reach 95% Occupancy	563	123	51

The following financial analysis for the White Hall site contains estimated construction costs to assume the overall development costs of this project. For a full financial analysis on White Hall see Appendix C.

DEVELOPMENT COSTS:		White Hall		
Project	Square Feet	Units	SF/Unit	
SF Residential: Flats	22,800	24	950	
SF Residential: Lofts	4,600	4	1,150	
SF Remodel Units	9,750	15		
SF Commercial	3,700			
Structured Parking (# spaces)	0			
Underground Parking (# spaces)	19			
Total Residential	37,150	43		
Total Commercial	3,700			
Site size (sf)	25,134			
Buildings Footprint	12,234			
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>		
SF Residential: Flats	\$123.00	\$2,804,400		
SF Residential: Lofts	\$125.00	\$575,000		
SF Remodel Units	\$90.00	\$877,500		
SF Commercial	\$148.00	\$547,600		
Structured Parking (per space)	\$40,000.00	\$0		
Underground Parking (per space)	\$40,000.00	\$760,000		
Additional Costs:	--	--		
Asbestos Abatement		\$400,000		
Fill, Grading		\$25,000		
Base Construction Costs:		\$5,989,500		
Plus:	SF	Cost per SF	Total Cost	
Land	25,134	\$6.00	\$150,804	
Surface Parking	4,500	\$50.00	\$225,000	
Landscaping	8,400	\$5.00	\$42,000	
			\$6,407,304	
TOTAL				
Development Cost Estimate			<u>\$6,407,304</u>	
Total Development Cost Estimate			<u>\$6,400,000</u>	
Total Development Cost per Rentable SF			\$157	
Residential Development Cost Estimate			\$5,900,000	
Residential Units			43	
Residential Development Cost per Unit			\$137,000	
Residential Development Cost per SF			\$159	
<i>* includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction</i>				

SITE 2: COLORADO AVENUE PARKING LOT

A City- and DDA-owned parking lot located mid-block between 5th Street and 6th Street on Colorado Avenue offers a unique catalyst site for housing development one-half block south of Main Street. The current surface parking lot on 0.50 acres is accessible via a pedestrian breezeway to Main Street, which offers a prime infill development location close to the Avalon Theater and other downtown attractions and amenities. The potential development of this site envisions the extension of the breezeway south to Colorado Avenue with mixed-use buildings on both sides.



Image 10. Perspective drawing of the potential design for the Colorado Avenue parking lot.

DEVELOPMENT PROGRAM

The location of this site allowed for a creative mix of residential and commercial development by the design team. On the east of the breezeway ground level private parking accessed from the alley is surmounted by maisonettes and flats organized around a private courtyard raised one story above the street. Shallow retail space aligns along the Colorado Avenue sidewalk, shielding the parking behind from the pedestrian experience. On the west flats over shallow incubator space oriented towards and opening on to the breezeway transform the breezeway extension into an activated pedestrian mews shared by both residents and the general public.



Image 11. Massing diagram depicting the scale and form of the potential Colorado Avenue parking lot development.

DEVELOPMENT PROGRAM OVERVIEW

SITE: 0.50 acres in the B-2 zone (downtown mixed-use land use area) located in the Greater Downtown Core and Central Business District overlay zones.

RESIDENTIAL: 26 dwelling units (density = 52 dwelling units per acre) including:

- 20 flats [14,500 square feet]
- 6 maissonettes [7,200 square feet]

COMMERCIAL: 7,000 square feet of office, retail, or incubator space including:

- 4,000 square feet office or retail space
- 3,000 square feet of incubator space

PARKING: 26 parking spaces (1.0 parking space per unit)

- 26 covered parking spaces off alley



Image 12. Floor plans showing the layout of the potential first level of the Colorado Avenue parking lot development.



Image 13. Floor plan showing the layout of the potential Colorado Avenue second level parking lot development.

MARKET & FINANCIAL FINDINGS

Given anticipated absorption, if the 26 unit Colorado Avenue project was constructed now (without preleasing), greater downtown occupancy would drop to about 90% and CBD would drop to about 70%. Given projected absorption, it will take about 1 to 2 years for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Colorado Lots	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	26	26	26
New Total Units	26,141	2,069	141
% Total Market Added	0.1%	1.3%	22.6%
New Occupancy	92.9%	89.9%	70.1%
Absorption to reach 95% Occupancy	547	106	35

The following financial analysis for the Colorado Avenue parking lot site contains estimated construction costs to assume the overall development costs of this project. For a full financial analysis on the Colorado Avenue parking lot see Appendix C.

DEVELOPMENT COSTS:		Colorado Avenue		
Project	Square Feet	Units	SF/Unit	
SF Residential: Flats	14,500	20	725	
SF Residential: Masonets	7,200	6	1,200	
SF Commercial	7,000			
Tuck Under Parking	7,200			
Total Residential	21,700	26		
Total Commercial	7,000			
Site size (sf)	21,998			
Buildings Footprint	13,823			
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>		
SF Residential: Flats	\$123.00	\$1,783,500		
SF Residential: Masonets	\$123.00	\$885,600		
SF Commercial	\$150.00	\$1,050,000		
Additional Costs:	--	--		
Base Construction Costs:		\$3,719,100		
Plus:	SF	Cost per SF	Total Cost	
Land	21,998	\$6.00	\$131,988	
Landscaping	8,175	\$5.00	\$40,875	
			\$3,891,963	
TOTAL				
Total Development Cost Estimate			\$3,900,000	
Total Development Cost per Rentable SF			\$135.89	
Residential Development Cost Estimate			\$2,800,000	
Residential Units			26	
Residential Development Cost per Unit			\$108,000	
Residential Development Cost per SF			\$129	
<i>* includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction</i>				

SITE 3: ROOD AVENUE PARKING DECK ENDCAPS

The vacant end-cap lots located to the west and east of the Rood Avenue parking structure offer two unique, smaller infill sites that would complete the development of the half-block. These end-cap lots are located along Rood Avenue between 4th Street on the west and 5th Street on the east, and are located in a prime location one half-block north of Main Street and in the middle of the CBD. The end-cap lots have the potential to house flats and lofts over office or retail space at ground level. Additionally, the ground floor frontage of the existing parking structure along Rood Avenue could be developed into shallow-depth incubator space thereby activating the entire length of the block front that is now dedicated to passive parking.

DEVELOPMENT PROGRAM

With its unique existing condition, the design team found that this site was most suitable for a mixed-use development program. The end-caps are proposed as mirror-image 4-story buildings with commercial space on the first level, flats on the second and third levels, and lofts with mezzanines and balconies on the fourth level. The void space between the end-cap buildings and the existing parking structure are proposed to be open-air light wells and circulation space. The first floor of the existing parking structure's first bay of parking along the Rood Ave street-edge are suggested to be removed (26 parking spaces total) and replaced with 5,000 square feet of incubator spaces. Parking to serve the new space would be absorbed by the existing parking structure where the DDA owns 60 parking stalls that can be allocated to the development.



Image 14. Existing building located in the east Rood Avenue endcap.



Image 15. Massing diagram depicting the scale and form of the potential development of Rood Avenue parking lots.

DEVELOPMENT PROGRAM OVERVIEW

SITE: 0.28 acres in the B-2 zone (downtown mixed-use land use area) located in the Greater Downtown Core and Central Business District overlay zones.

RESIDENTIAL: 24 dwelling units (density = 85 dwelling units per acre) including:

- 16 flats [15,750 square feet]
- 8 lofts [7,200 square feet]

COMMERCIAL: 15,000 square feet of office, retail, or incubator space including:

- 10,000 square feet office or retail space
- 5,000 square feet of incubator space

PARKING: 24 parking spaces (1.0 parking space per unit). Shared parking in existing parking structure.



Image 16. Floor plans showing the layout of the potential development first level of the Rood Avenue parking lots.



Image 17. Floor plans showing the layout of the potential development second level of the Rood Avenue parking lots.

MARKET & FINANCIAL FINDINGS

Given anticipated absorption, if the 24 unit Rood Lots project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 90% and CBD would drop to about 71%. Given projected absorption, it will take about 1 year for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Rood Lots	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	24	24	24
New Total Units	26,139	2,067	139
% Total Market Added	0.1%	1.2%	20.9%
New Occupancy	92.9%	89.9%	71.2%
Absorption to reach 95% Occupancy	545	105	33

The following financial analysis for the Rood Avenue parking lots contains estimated construction costs to assume the overall development costs of this project. For a full financial analysis on the Rood Avenue parking lots see Appendix C.

DEVELOPMENT COSTS:		Rood Lots		
Project	Square Feet	Units	SF/Unit	
SF Residential: Flats	22,950	16	1,434	
SF Residential: Lofts	7,200	8	900	
SF Commercial	15,000			
Total Residential	30,150	24		
Total Commercial	15,000			
Site size (sf)	12,545			
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>		
SF Residential: Flats	\$125.00	\$2,868,750		
SF Residential: Lofts	\$125.00	\$900,000		
SF Commercial	\$115.00	\$1,725,000		
Additional Costs:	--	--		
Base Construction Costs:		\$5,493,750		
Plus:	SF	Cost per SF	Total Cost	
Land	12,545	\$6.00	<u>\$75,270</u>	
			\$5,569,020	
TOTAL				
Development Cost Estimate			<u>\$5,569,020</u>	
Total Development Cost Estimate			\$5,600,000	
Total Development Cost per Rentable SF			\$124.03	
Residential Development Cost Estimate			\$3,800,000	
Residential Units			24	
Residential Development Cost per Unit			\$158,000	
Residential Development Cost per SF			\$126	
<i>* includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction</i>				

SITE 4: GRAND AVENUE BANK LOT

This half-block located along the northern edge of the DDA district was identified as a potential infill site due to large amount of underutilized surface parking currently on the site. It is currently a portion of a full city block owned and occupied by the Bank of Colorado, bounded by Grand Avenue on the south, Ouray Avenue on the north, 2nd Street on the west, and 3rd Street on the east. The northern half of the site is the area chosen for this study as it would be readily subdivided from the larger assemblage, is currently underutilized as surface parking well in excess of the site's current needs. This site also straddles the transition zone between the Central Business District to the south and the inner-ring residential area adjoining the CBD at the north, comprising mostly one and two-story, single family homes.

DEVELOPMENT PROGRAM

The design team found that this site would be most appropriate being used only as a residential development since it is adjacent to existing single family homes to the north. Due to the lower density of this transitional area, the final program consists of 24 two-story townhouses along the Ouray block front, a shared internal green space behind the townhomes, and a row of garages with 2- to 3- story carriage flats above along a relocated alley access at the southern edge of the site. The garages would accommodate 38 covered parking spaces with an additional 26 on-street parking spaces along Ouray Avenue.



Image 18. Massing diagram depicting the scale and form of the Grand Avenue bank lot.

DEVELOPMENT PROGRAM OVERVIEW

SITE: 0.87 acres in the B-2 zone (downtown mixed-use land use area) located in the Greater Downtown Core and Central Business District overlay zones.

RESIDENTIAL: 36 dwelling units (density = 42 dwelling units per acre) including:

- 24 townhouses [26,400 square feet]
- 12 carriage units [10,500 square feet]

PARKING: 64 parking spaces (1.75 parking spaces per unit)

- 38 covered parking spaces
- 26 on-street parking spaces
- 40 bank-replacement parking spaces



Image 19. Floor plan showing the layout of the potential development of the Grand Avenue bank lot.

MARKET & FINANCIAL FINDINGS

Given anticipated absorption, if the 36 unit Grand Avenue project was constructed now (without preleasing), greater downtown occupancy would drop to about 93% and CBD would drop to about 66%. Given projected absorption, it will take about 1 to 2 years for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Grand Avenue	Grand Junction	Downtown District	CBD
Existing MF Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	36	36	36
New Total Units	26,151	2,079	151
% Total Market Added	0.1%	1.8%	31.3%
New Occupancy	92.9%	89.4%	65.5%
Absorption to reach 95% Occupancy	556	116	45

source: U.S. Census Bureau; Rees Consulting; Development Research Partners

The following financial analysis for the Grand Avenue bank lot site contains estimated construction costs to assume the overall development costs of this project. For a full financial analysis on the Grand Avenue bank lot see Appendix C.

DEVELOPMENT COSTS:				Grand Avenue			
Project	Square Feet	Units	SF/Unit				
SF Residential: Townhomes	26,400	24	1,100				
SF Residential: Carriage Units	10,500	12	875				
Tuck Under Parking	7,200						
Bank Surface Parking	12,000						
Total Residential	36,900	36					
Site size (sf)	21,998						
Buildings Footprint	13,823						
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>					
SF Residential: Townhomes	\$125.00	\$3,300,000					
SF Residential: Carriage Units	\$123.00	\$1,291,500					
Tuck Under Parking	\$100.00	\$720,000					
Surface Parking	\$50.00	\$600,000					
Additional Costs:	--	--					
Base Construction Costs:		\$5,911,500					
Plus:	SF	Cost per SF	Total Cost				
Land	21,998	\$6.00	\$131,988				
Landscaping	8,175	\$5.00	\$40,875				
			\$6,084,363				
TOTAL							
Residential Development Cost Estimate			\$6,100,000				
Residential Units			36				
Residential Development Cost per Unit			\$169,000				
Residential Development Cost per SF			\$165				

** includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction*

SECTION 4: DOWNTOWN HOUSING TYPOLOGIES

In addition to the design concepts created by the design team, the following housing typologies at varying densities offer a range of possibilities appropriate for housing in downtown Grand Junction. Each housing typology has corresponding market feasibility findings, as determined using Envision Tomorrow.

TYPE 1: LOFT OR LOFT-STYLE APARTMENT

Typically a loft apartment refers to a large, adaptable open space that is converted to residential use from some other past use. However, the term loft-style developments is now also used to describe a type of new development where a street-level business occupies the first level while loft apartments are placed above the first floor, often with the second level inhabited with office space. Loft apartments are most suitable in a higher density downtown setting, as within the CBD. Lofts can be used as rental or condominium (ownership) apartments, but are more often condominiums than rentals.



Image 20. Howelsen Place luxury condos in downtown Steamboat Springs, Colorado are located at 7th and Lincoln. Howelsen Place has 42 residential condos. Photo by Howelsen Place.



Image 21. 1201 Main in Durango, Colorado is home to 22 lofts and five commercial/office units. The property is popular among many different age groups, empty nesters are driving the success of the development. Photo by Feeney Architects.

TYPE 2: APARTMENT OR FLAT

An apartment or flat is a multi-family dwelling type that is a self-contained, single-story residential unit within a building. These buildings have many different references, most often called an apartment building, apartment house, high-rise building or condominium. Like lofts, when apartments are owned by an owner/occupier they are referred to as condominium apartments and when they are rented by tenants they are called rental apartments. The appropriate setting for apartments is in a downtown setting or other areas where higher-density residential housing is zoned. The CBD and transition zones to the Greater Downtown area would be appropriate areas for an apartment building.



Image 22. RiverClay Condominiums represent the Rocky Mountain region's first LEED-certified multi-family project, located in Jefferson Park, Denver, Colorado. It includes 60 residential units with two commercial units in a six-story building totaling 138,000 square feet. Built by Zocalo Community Development.



Image 23. To spark reinvestment, the neighborhood and the City of Denver sponsored a competition for proposals to redevelop the site of a vacant police station into a new, mixed-use project: the Zocalo Condominiums in Jefferson Park, Denver Colorado. It includes 42 condominiums with two commercial units in a four-story building totaling 77,200 square feet. Built by Zocalo Community Development.

TYPE 3: TOWNHOUSE, TOWNHOME, ROW HOUSE OR BROWNSTONE

A townhome or townhouse is a medium-density housing type that is typically no taller than three stories. Townhomes have a separate exterior entrance for each unit typically fronting the main street or sometimes an interior mews, and share demising walls with adjoining units. A row house or brownstone is similar to a townhome in structure, with a slightly varying appearance, with a stone or brick facade. Townhomes are a housing type well-suited to areas at the periphery of the CBD where the transition to existing neighborhoods with single family homes demands a less dense pattern of infill development and a sensitivity to architectural scale.



Image 24. Porches and landscaped yards create a unified sense of place for these row house townhomes in Highlands Garden Village in Denver, Colorado. Photo by Robert Steuteville.



Image 25. Touchstone Homes in Stapleton in Denver feature urban brownstones, which bring New York City to suburban Colorado. Photo by Touchstone Homes.

TYPE 4: LIVE-WORK LOFTS

A type of loft, live-work lofts are typically two or three stories and act as a flex space to house a resident on the upper level and the resident's business on the street level. In contrast to mixed-use buildings where residential and commercial functions may co-exist in separate units, the live-work loft is a mixed use unit. Both building and zoning codes have lagged in the regulatory treatment of live-work spaces, often defaulting to the higher standards required of commercial property over residential occupancies. Similarly, the mixed functions of a live-work unit do not readily align with conventional lending practices that are based on strict separation of residential and commercial space. Despite its regulatory and financial hurdles, this housing type is especially appropriate in downtown settings undergoing redevelopment. The CBD and transition zone are appropriate for live-work lofts.



Image 26 and 27. A live-work project overlooking the river in Estes Park, Colorado.

IMPLEMENTATION STEPS

PROJECT PARTNERS

GRAND JUNCTION DOWNTOWN DEVELOPMENT AUTHORITY

The DDA was established in 1981 by the City of Grand Junction after receiving approval through a special election of the Downtown property owners and businesses. The Authority was the first such organization in the State of Colorado and exemplifies the strong dedication and public support which has helped to shape Downtown Grand Junction. The primary mission of the DDA is to halt and prevent blight, preserve property values, support and facilitate economic development, and to enhance the vitality of the Downtown community through capital investment and construction.

Appointees serving as the DDA Board of Directors for 2014 are:

- Les Miller, Chair Jason Farrington, Vice Chair
- Shane Allerheiligen
- Martin Chazen, Council Representative
- Jodi Coleman-Niernberg
- P.J. McGovern
- Kevin Reimer
- Stephan Schweissing
- Kirk Granum

COMMUNITY BUILDERS, A PROJECT OF THE SONORAN INSTITUTE

Community Builders, a project of the Sonoran Institute, aims to help local leaders build successful communities in the American West: communities with strong and diverse economies, quality growth, vibrant downtowns, and complete neighborhoods. These are communities that offer people more choices in where they live and how they get around. They provide a quality of life that attracts talent, and the businesses that seek it. These are places where people feel they belong to a community and have a shared commitment to its future.

The Sonoran Institute is a nonprofit organization that works on community development and conservation throughout the West. The Sonoran Institute's Western Colorado and Northern Rockies offices are partners in this study, which have a region encompassing Western Colorado, Montana, Idaho and Wyoming.

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APPENDICES

APPENDIX 1: MARKET ANALYSIS

APPENDIX 2: SURVEY QUESTIONS

APPENDIX 3: FINANCIAL ANALYSIS

Downtown Grand Junction Housing Market Analysis

March 2014

Prepared by:

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Introduction

Purpose of the Study

The purpose of this study is to evaluate the potential market for housing in Grand Junction's Downtown District since, when people live downtown, they improve the economic viability of local businesses and enhance the overall vitality of the area. A goal of the *Greater Downtown Plan* adopted in April 2013, is to promote downtown living by providing a wide range of housing opportunities, both rental and for sale. This study provides the information needed to achieve this goal through the development of housing that is responsive to demand.

The Grand Junction Downtown Development Authority sponsored this study with financial, technical and management support from the Sonoran Institute.

Organization of the Report

This report is organized into six major sections:

1. Demographic and Economic Analysis
2. Housing Inventory
3. Rental Market Analysis
4. Ownership Market Analysis
5. Demand for Downtown Housing
6. Downtown Housing – Product Types and Design

An appendix contains supplemental, detailed tables for Sections 5 and 6 for reference when planning and designing downtown housing developments.

Sources and Methodology

This study relies heavily upon primary research including:

- An on-line survey supplemented with a print version distributed widely through employers and by media, through which a total of 1,131 responses were received;
- Three focus groups involving realtors, rental property managers and downtown residents; and
- A windshield survey of the Downtown District conducted in November 2013 through which the condition of homes, opportunities for infill and redevelopment, and sites for new development were assessed.

In addition, this study utilizes multiple sources of published information including:

- The 2010 Census;
- The Bray Report and Bray Perspective, December 2013;
- The Colorado Division of Housing Foreclosure Report;

- The Colorado Department of Labor and Employment, Labor Market Information and Quarterly Census of Employment and Wages; and
- ESRI Business Summary 2013 published by Dun and Bradstreet and provided by the City of Grand Junction.

Area Covered

This report uses several terms to describe the distinct areas within downtown Grand Junction.

- Central Business District (CBD) – This area is the primary focus of this study. It is bounded by Grand Ave. on the north, 7th St. on the east, Pitkin Ave. on the south and 1st St. on the west.
- Greater Downtown -- This is the secondary study area. For the purposes of providing Census information on demographics and the existing housing inventory, it is divided into two parts:
 - North Area: the area directly north of the CBD extending to North Ave.
 - East Area: the area bounded by North Ave. on the north, 12th St. on the east, Pitkin Ave. on the south and 7th St. on the west.
- Downtown District – The entire downtown area that encompasses the CBD and Greater Downtown; it is the original square mile incorporated as a city when Grand Junction was founded.

Key Findings

Results from the survey and focus groups indicate there is much interest in living downtown. The demand for housing is sufficiently strong to develop a variety of both rental and ownership housing. Key findings include:

- Of persons surveyed, 38% are interested in living in the CBD. Of these, 84% would also consider living in the Greater Downtown area (p. 19);
- Interest in living downtown is particularly high among persons in the 25 to 35 age range (p. 20) and a disproportionately high percentage of the persons who now reside in the CBD are in the 50 to 59 age range (p. 5). These are the same age groups that were the first to move in significant numbers into downtown Denver in the late 1980's and early 90's.
- While seniors tend to have slightly lower interest in living in the CBD compared to survey respondents overall, the senior population in Mesa County is significant and growing (p. 21). Housing to specifically serve this population would fit well within the Downtown District given that the attributes of the area (good sidewalks, availability of services and shopping) are highly valued by retirees.

- About two-thirds of the persons who indicated they are interested in living downtown now own their homes. Half would like to own within two years of moving downtown while the other half would like to rent or are uncertain. Interest in ownership will increase as the length of downtown residency increases (p. 25-26).
- Housing within the Downtown District has performed better than the overall market in Mesa County – the number of sales has dramatically increased, prices have increased to the extent that they are now at pre-Recession levels, and the inventory of homes listed for sale is smaller in relative terms (p. 17-18).

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I. Demographic and Economic Analysis

This section of the report provides information on who now lives downtown, economic trends in Mesa County, and employment in downtown including the number of employees and the industries in which they work.

Household Composition

Approximately 1,900 households now reside within the Downtown District.

- Half are one-person households;
- Couples without kids and non-family/roommate households are about equal at 16% each; and
- Children reside in 15% of the occupied units, compared with about 17% in Grand Junction and 20% in Mesa County as a whole.

About 100 households live within the CBD.

- There are proportionately more 1-person households; one person lives alone in over $\frac{3}{4}$ of the occupied housing units;
- Roommates live in about 8% of the units; and
- The 2010 Census found only two households with children residing in the CBD.

While the composition of households is very similar in the east and north areas of Greater Downtown, the north area has proportionately fewer single persons living alone.

Downtown Grand Junction Households, 2010

	CBD	Greater Dtn East	Greater Dtn North	Downtown District
All Households #	99	1,126	632	1,857
1-Person Living Alone	75	574	286	935
Other Non-Family Households	8	165	100	273
Couple, No Children	8	176	105	289
Couple with Children	0	90	50	140
Single parent w/child(ren)	2	63	60	125
Other Family	6	58	31	95
All Households				
1-Person Living Alone	76%	51%	45%	50%
Other Non-Family Households	8%	15%	16%	15%
Couple, No Children	8%	16%	17%	16%
Couple with Children	0%	8%	8%	8%
Single parent w/child(ren)	2%	6%	9%	7%
Other Family	6%	5%	5%	5%
	100%	100%	100%	100%

Source: 2010 Census, Summary File 1

Population and Age

The Downtown District had a population of 3,417 persons in 2010, most of whom lived in the Greater Downtown area; 147 persons or just over 4% resided within the CBD.

The Greater Downtown area has attracted a Gen Y population with 24% of the overall population in the 20 to 29 age range. This is likely due to the location of Colorado Mesa University just north of its boundary. Only 20% of the population within the CBD is within this age range although this is higher than in the city as a whole (16.6%).

There is one distinct and very relevant difference in the age distribution between the CBD and Greater Downtown. In the CBD, 29% of the population is in the 50 to 59 age range as compared to 16% in Greater Downtown and less than 14% city wide. Along with employees in their 20's, this is the same age group that was the first to move in significant numbers into downtown Denver in the late 1980's and early 90's. They are typically empty nesters at their income-earning peak who want low maintenance, market rate housing convenient to work and suitable for upcoming retirement.

The Downtown District has not attracted many seniors. Overall, 10% of the population is age 65 or older. This compares with 15.6% city wide.

Downtown Grand Junction Population by Age, 2010

Age Category	CBD	Greater Dtn. East	Greater Dtn. North	Downtown District
Total Population	147	2,110	1,215	3,472
Population Distribution				
Under 5 years	2%	6%	6%	6%
5 to 19 years	5%	14%	12%	13%
20 to 29 years	20%	25%	25%	24%
30 to 39 years	8%	15%	16%	15%
40 to 49 years	16%	11%	12%	11%
50 to 59 years	29%	16%	16%	17%
60 to 64 years	8%	5%	5%	5%
25 to 64 years	73%	57%	60%	59%
65 to 74 years	8%	5%	4%	5%
75+ years	2%	4%	4%	4%
85+ years	0%	1%	1%	1%
Total Population	100%	100%	100%	100%

Source: 2010 Census, Summary File 1

Race and Ethnicity

The Downtown District has attracted relatively more persons of Hispanic origin than Grand Junction as a whole (17% compared to 14% of the population) yet this is not the case within the CBD where Hispanics comprise 13% of the population.

Downtown Grand Junction Population by Race/Ethnicity, 2010

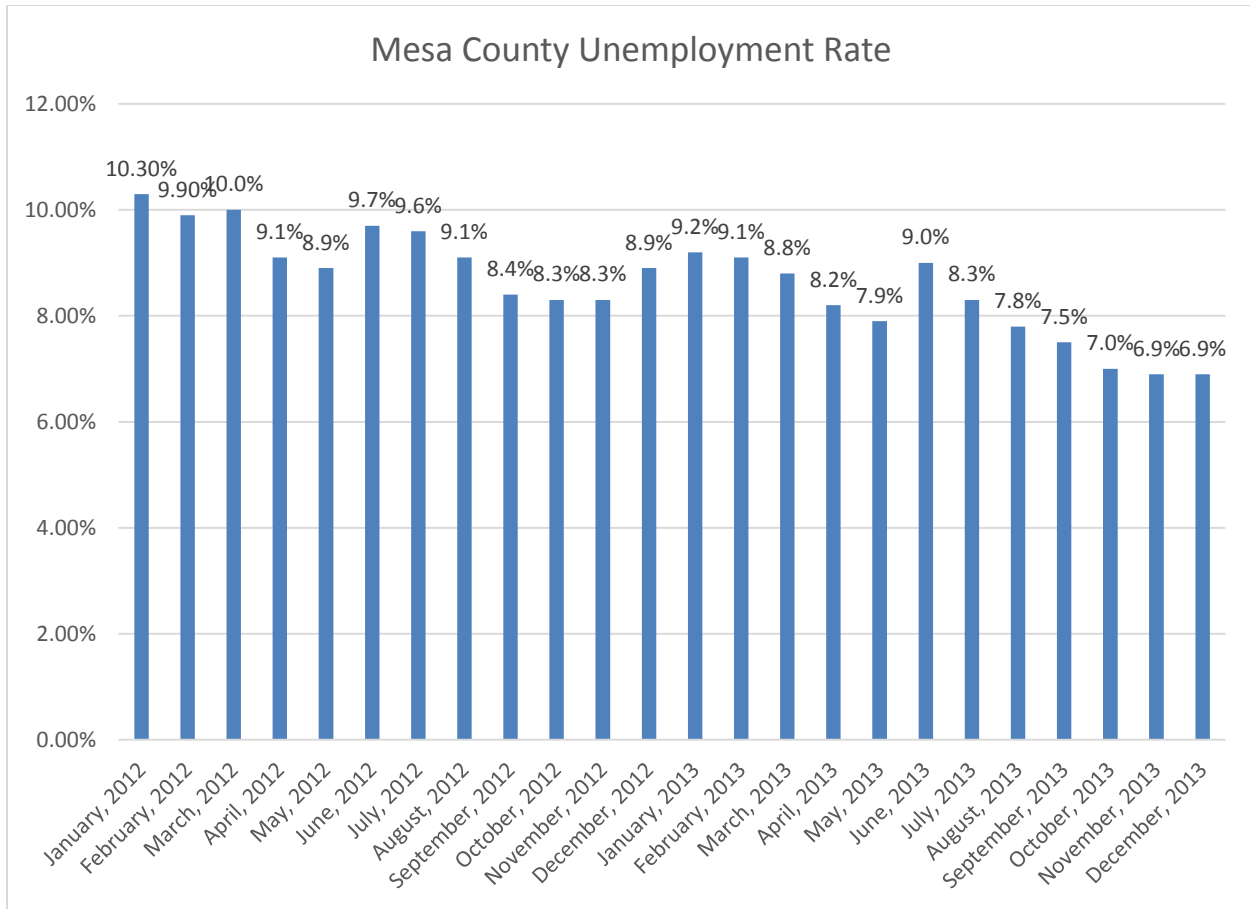
	CBD	Greater Dtn. East	Greater Dtn. North	Downtown District
Number				
Total Population	147	2,110	1,215	3,472
White	129	1,784	1,043	2,956
Hispanic or Latino	19	350	213	582
Other Races	18	326	172	516
Percent				
Total Population	100%	100%	100%	100%
White	88%	85%	86%	85%
Hispanic or Latino	13%	17%	18%	17%
Other Races	12%	15%	14%	15%

Source: 2010 U.S. Census, Summary File 1

The Mesa County Economy

In the past two years:

- The labor force in Mesa County has shown some seasonality and variation by month but appears to be largely stabilized at about 78,300 workers.
- The number of persons employed has grown by about 3,200.
- The unemployment rate has dropped significantly to 6.9% as of December 2013, just slightly higher than the state average of 6.2%.



Source: Colorado Department of Labor and Employment, Labor Market Statistics

Downtown Employment

Approximately 7,000 employees work in Grand Junction’s Downtown District, which equates to 11.4% of Mesa County employment. Of these, about 3,100 employees or just over 5% of all employees working in the county, work within the CBD.

2013 Employment Estimates

	CBD	Downtown District	Mesa County
# of Employers	403	928	11,241
# of Employees	3,110	6,987	61,083
Percent of County	5.1%	11.4%	100.0%

Source: ESRI/City of Grand Junction

The Downtown District compared to the county as a whole has:

- About the same percentage of retail employees;

- A disproportionately high number of employees in the finance/insurance/real estate and government sectors;
- Relatively fewer persons employed in the broad category of services.
- Less diversity with relatively fewer holding other jobs – agriculture, mining, transportation, manufacturing, construction, communication, wholesale trade.

2013 Employment Estimates by Sector

	CBD	Downtown District	Mesa County
Employees by Sector			
Retail	537	1,116	10,376
Fin/Ins/RE	338	666	3,394
Services	1,091	3,217	27,205
Government	565	845	3,462
Other	579	1,143	16,646
Total	3,110	6,987	61,083
Distribution by Sector			
Retail	17.3%	16.0%	17.0%
Fin/Ins/RE	10.9%	9.5%	5.6%
Services	35.1%	46.0%	44.5%
Government	18.2%	12.1%	5.7%
Other	18.6%	16.4%	27.3%
Total	100.0%	100.0%	100.0%

Source: ESRI/City of Grand Junction

II. Housing Inventory

This section describes housing that now exists in the Downtown District and identifies sites for additional units including owner/renter mix, occupancy levels, the condition of homes, redevelopment and infill opportunities and major opportunity sites.

Number of Housing Units

As of 2010, a total of 2,043 housing units were located within the entire Downtown District. Only 115 units, or 5.6% of the total, were within the CBD. About 60% were within the Greater Downtown East area and 34% were in Greater Downtown North.

While most the housing units within Greater Downtown appear to have been built prior to 1970, a townhome development at the southeast corner of Teller and 7th is very attractive and appears to be fully occupied. It is an example of the scale and density that could be appropriate for market rate ownership housing in the downtown area.

While relatively few seniors live within the Downtown District, Ratikin Tower at 875 Main is a 6-story building offering 107 one-bedroom apartments for seniors. It is fully leased with a waitlist for units. This attractive property demonstrates the appropriateness of living downtown for seniors.

Owner/Renter Mix

Overall, renter-occupied units outnumber owner-occupied units 2 to 1 within the Downtown District. This is the inverse of the owner/renter mix city wide where 62.4% of all housing units were owner occupied in 2010. Nearly all of the units (92%) within the CBD were renter occupied. The homeownership rate is highest in the Greater Downtown North area (38%).

Downtown Grand Junction Housing Inventory, 2010

Number	CBD	Greater Dtn. East	Greater Dtn. North	Downtown District
Housing Units	115	1,226	702	2,043
Vacant	16	100	70	186
Occupied	99	1,126	632	1,857
Owner Occupied	8	337	243	588
Renter Occupied	91	789	389	1,269
Percent				
Housing Units	100%	100%	100%	100%
Vacant	14%	8%	10%	9%
Occupied	86%	92%	90%	91%
Owner Occupied	8%	30%	38%	32%
Renter Occupied	92%	70%	62%	68%

Source: 2010 Census, Summary File 1

Occupancy Levels/Vacancy Rates

The vacancy rate was 9% in 2010, which was higher than the rate for Grand Junction of 7.1%, but not bad considering it was at the depth of the Recession. The vacancy rate was highest in the CBD (14%) and lowest in Greater Downtown East (8%).

Based on the windshield survey, occupancy levels seem very high within Greater Downtown. Few units appeared to be vacant. For-rent signs outnumber for-sale signs by about 2 or 3 to 1. This is in line with the owner/renter mix in the area. While some of the for-rent units were vacant, the for-sale units appear to be largely occupied.

From the windshield survey, it was difficult to tell if units on upper floors within the CBD are occupied or vacant. Focus group participants indicated high occupancy levels among units within the CBD.

Condition of Homes

Greater Downtown Area

Generally, homes in the center of the area around the North 7th Street Residential Historic District are in very good to excellent condition whereas homes along the periphery of the area interspersed with commercial buildings are typically in poor condition. The condition varies in between with homes that have been well maintained and renovated within the last 10 to 20 years adjacent to homes with deferred maintenance and no signs of significant improvements since originally constructed. Homes in good or excellent condition outnumber homes in fair or poor condition. On most blocks other than those along the northern, eastern and southern boundaries, only one or two homes appear to need major repair.

Few improvements were underway in November; one home is being re-roofed and some plumbing/mechanical work was being done on one unit, which may have been part of a larger remodel job.

The apartment buildings interspersed throughout the area are mostly in fair or poor condition. It appears most were constructed in the 1950's or 60's on lots originally platted for single family homes. Some apartment buildings on Belford appear to be well maintained. Most of the single family homes that have been converted into apartment units tend appear to be in fair condition.

Central Business District

The residential units in the CBD are mostly located on upper floors above commercial space. They appear to be in good to excellent condition. The single family homes and small apartment buildings south of Grand are in poor to fair condition. Most of the homes near 1st Street appear to need significant repairs. The units for formerly homeless persons located in three buildings behind City Market are the exception – they appear to be in very good condition.

Redevelopment and Infill Opportunities

Within Greater Downtown, the interspersed apartment buildings represent an opportunity for redevelopment. However, redevelopment done that is compatible with adjacent homes and sensitive to neighborhood character could result in fewer units. The buildings with small units crammed onto single family lots distract from the neighborhood and ideally should be replaced with fewer units that more closely resemble adjacent homes. An exception could be the apartment buildings along Chipeta Ave. between 3rd and 5th. These sites would potentially accommodate more units.

There are very few infill opportunities within Greater Downtown. Only a few residential lots appear to be vacant of any structures. Several additional lots have only small accessory structures with potential for additional development. But combined, it appears that no more than 10 to 20 additional units could be built on infill lots within the residential areas.

The alleys potentially present opportunities for infilling with accessory units. There are many dilapidated structures in the alleys, however, making it inappropriate to increase the number of residential units without some significant clean up and code enforcement.

Major Opportunity Sites

- The Whitehall site at 6th Street and White Avenue is well suited for residential redevelopment with residential units to the north and vacant property/underutilized parking lots to the south and west. These adjacent properties could be developed for residential use if the burned-out Whitehall structure is reconstructed. It is now an impediment to redevelopment in the area.
- The “Library Site” at 5th Street and Chipeta Avenue appears ideal for residential development with single-family homes to the north, apartments mixed with single family to the west, the Gray Gourmet meals on wheels facility, library offices and Senior Recreation Center to the east, and the new Central Library to the south.
- The eastern half of the lot containing the R5 High School between 7th and 8th just south of Grand appears to be an opportunity site since it is underutilized for parking.
- There are several sizable vacant lots east of 7th on White and Main. There are no obvious impediments to the development of these lots for residential or mixed uses.
- The Southwest area between Colorado and Ute and 2nd and 3rd Streets has significant potential. Moving the I-70 Business Loop one block south would reduce noise but could make ground floor retail/commercial space less viable. Overhead power lines will need to be placed underground. Positioning of residential units should be done to take advantage of views of the Colorado National Monument to the south. Multi-story buildings would be compatible in the area.

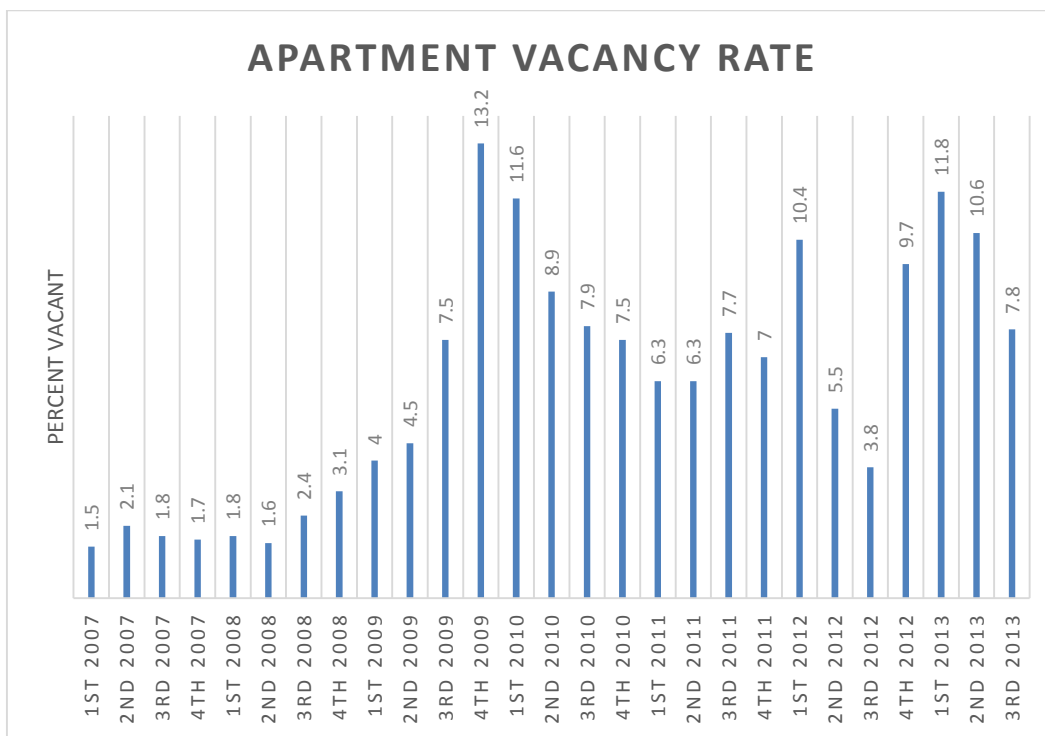
III. Rental Market Analysis

This section of the report examines rents and rental vacancies in the Grand Junction area. It provides information from the Colorado Division of Housing Multifamily Rent and Vacancy Survey. Since the reliability of this survey has declined in recent years with a drop in the number of units covered from over 1,800 in 2010 to only 810 units as of the third quarter of 2013, input from rental property managers gained through a focus group is used for interpretation and insight.

Vacancy Rates

The rental market in the Grand Junction area has been slowly recovering from the Recession when vacancy rates soared to double digits. Vacancies peaked in late 2009 and have since generally declined but still exceed the very low levels of 2007 and 2008.

Property managers report that current vacancy rates are generally lower than the 7.8% last reported by the Colorado Division of Housing’s quarterly survey. An overall vacancy rate of 5% is more accurate. The exception is among new properties that have not yet achieved full occupancy levels.



Source: Colorado Division of Housing; Multifamily Vacancy and Rent Survey

Vacancies vary by unit type.

- One-bedroom units are typically the easiest to lease and have historically had the highest occupancy levels. The popularity of one-bedroom units is fueled by the desire among single renters to live without roommates and the lower cost they offer for couples.
- Two-bedroom apartments with two bathrooms are harder to lease than two-bedroom units with only one bathroom; renters are cost conscious and tend to be unwilling to pay the higher rent for a second bathroom.
- Three-bedroom apartment are difficult to lease since families and other larger households typically opt to rent single-family homes or duplexes/townhomes.

Vacancies by Unit Type

Vacancy Rates	2nd Qtr 2013	3rd Qtr. 2013
Efficiency	0%	2.8%
1 BR	7.2%	4.6%
2 BR/1 BA	12.6%	10.1%
2 BR/2BA	12.4%	23.5%
3 BR	9.2%	2.5%
All	10.6%	7.8%

Source: Colorado Division of Housing; Multifamily Vacancy and Rent Survey

The “shadow” market (single family homes and other units built originally for ownership) supplies about 25% of the rental inventory in the Grand Junction area according to property managers. These units tend to be larger than apartments, often having three bedrooms and yards. They provide a competitive alternative to apartment living, especially for three-bedroom apartments. The shadow market has not decreased in size with the slow recovery of the ownership market but rather is still growing due to a combination of factors:

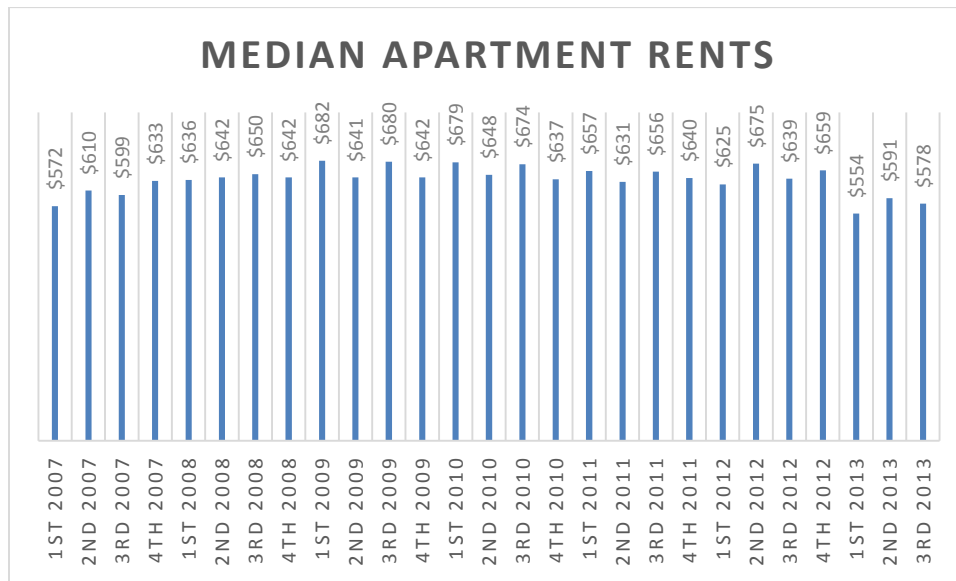
- Many owners have still been unable to sell their homes and anticipate that it will be at least another year before they can obtain acceptable prices;
- Foreclosed properties are being purchased by inventors for rental income; and
- “Fix and Flip” properties that were on the market have been purchased and are now being converted into rentals.

When the ownership market improves, the shadow market inventory will shrink and the overall rental market will tighten.

The completion of two new apartment properties with 48 units each had a noticeable impact on the ability to lease other properties, an indication of the market’s softness. Property managers report they noticed a decrease in their occupancy levels when the new apartments were delivered to the market in two consecutive years.

Rents

Rents have remained stagnant for several years. Property managers report rents are not keeping up with the increasing costs of property operations and repairs. Rents are higher, however, than the averages shown by the Division of Housing’s survey since it includes some apartment complexes where rents are subsidized/controlled. Market rents now start in the mid \$600 per month range with an average of around \$800 per month for all types of units combined.



Source: Colorado Division of Housing; Multifamily Vacancy and Rent Survey

The following table showing rents by unit type show extensive variation in rates between two quarters, bringing into question the reliability of the State’s survey. As such the survey should not be used to monitor rents as development of housing in the Downtown District moves forward.

Average Apartment Rents

Unit Type	2nd Qtr 2013	3rd Qtr. 2013
Efficiency	\$246	\$246
1 BR	\$471	\$444
2 BR/1 BA	\$665	\$475
2 BR/2BA	\$589	\$830
3 BR	\$584	\$817
All	\$591	\$578

Source: Colorado Division of Housing; Multifamily Vacancy and Rent Survey

Rents for the two new apartment properties in Grand Junction are a good indicator of market rents for new units. At Rya Suites, one-bedroom units rent for \$870 to \$950 per month. At Peppermill, one-bedroom apartments rent for \$775 per month.

Downtown Rents

Based on the rents charged for existing units in the downtown area, property managers suggest the appropriate rent range to target for new rental units is roughly \$1,000 to \$1,200 per month.

Renter Profile

The profile of renters in the Grand Junction area varies by the type of unit rented, the age of the units and rent rates.

- Overall, 70% to 80% of renter households are moving within the Grand Junction area; 20% to 30% are moving into the area from elsewhere; this varies depending upon what is happening with jobs;
- About 50% of *apartment* renters are singles, living alone or with roommates, roughly 40% are families and about 10% are empty nesters;
- At Rya Suites, which is one of the newest and the most expensive *apartment* property in Grand Junction, about 70% are young professionals and 30% are empty nesters; and
- Families rent about 90% of *single-family* home rentals.

Planned Projects

Two apartment projects are being planned for development in Grand Junction:

- Meridian Park – 150 units, Class B, market rate apartments are planned for a site on Orchard Mesa across from the fairgrounds and east of the City Market; the project is still under review at the City; and
- Sundance Village– Scenic Development, a Utah-based developer, is considering a site near the mall between 24 and 24 ½ Road (the Homestead Site); the City has not received an application.

These projects should be monitored to determine their impact on the overall rental market in the Grand Junction area. If both are constructed, it is likely that rents will continue to remain flat.

IV. Ownership Market Analysis

This section of the report examines the homeownership market in the Grand Junction area as a whole then focuses on home sales and listings in the Downtown District.

Market-Wide Trends

The Grand Junction area real estate market has been recovering slowly from the Recession. While sales volume suggests 2013 was a flat year, data supplied by the Bray Report, input from realtors in a focus group and MLS searches reveal some noticeable changes:

- The number of residential sales was almost identical in 2013 as in 2012 (2,596 compared with 2,599).
- The median price, however, rose from \$163,000 in 2012 to \$173,500 in 2013, a gain of 6.4%.
- The “toxic” inventory of foreclosed/bank owned homes has largely been absorbed.
- The recent slow increase in interest rates is spurring some to purchase who have been waiting to buy.
- Confidence in the market by middle-income buyers seems to be returning.
- Foreclosures have fallen over 50% from their peak in 2010; in 2013 foreclosures were filed on 786 residential units.
- The inventory of homes listed for sale is up from 2012 but much smaller than in 2010, and holding steady at five to six months.
- The inventory has been depleted in several categories; opportunities to find bargains and “fix and flip” properties have largely disappeared.
- The lowest price range at which buyers have much choice in terms of product and location is around \$150,000 to \$165,000.
- Units priced under \$200,000 are the quickest to sell; homes on small acreage suitable for families are the most sought after product.

Buyer Profile

Most buyers tend to be in their 30's or 40's and moving up from smaller homes in the area. There are some first-time buyers but not a large percentage overall. There are relatively few buyers moving in from elsewhere since in-migration is largely job driven, and there has been little job growth in the Grand Junction area. Of those who are new to the area, many are self-employed and tend to have work that is not location dependent. There is interest by empty nesters and retirees but the type of low maintenance, secure, “lock and leave” type of housing they seek is not generally available. Younger residents (the millennial generation) seem to be more interested in renting although their parents may purchase units for them to live in as an investment.

Variation in Price by Area

The Redlands and North submarkets tend to command the highest prices (\$128 and \$123 per square foot, respectively). The Downtown District is within the Grand Junction City submarket area, where the median price per square foot was \$100 in 2013, lower than in much of Mesa County. Realtors report, however, that homes in the Downtown District may be able to command price premiums but there is too little sale activity to quantify it.

Median Sales Price per Square Foot, 2013

Area	Price/SF	Area	Price/SF
Clifton	\$80	North	\$123
Collbran/Mesa	\$104	NW/Loma/Mack	\$106
De Beque	\$101	Orchard Mesa	\$104
EOM/Palisade	\$111	Redlands	\$128
Fruita	\$125	Southeast	\$104
Glade Park	\$127	West	\$30
GJ City	\$100	Whitewater/Gateway	\$116
Northeast	\$106		

Source: The Bray Report, December 2013

Product Types

Single-family homes dominate sales activity in the Grand Junction area. Buyers who are looking for alternative types of homes do not distinguish between condominiums and townhomes; they seek low maintenance and tend to be unconcerned about the technical differences among the various types of attached units. Loans are more difficult to obtain for condominiums, however as compared to townhomes that include title to the underlying land.

Downtown District Trends

The real estate market in the Downtown District recovered more quickly than elsewhere in the Grand Junction area. Prices have largely returned to pre-Recession levels, and the inventory of homes listed for sale is low.

Realtors attribute the superior performance of real estate in the Downtown District to the area's unique attributes. Downtown properties tend to have character and charm. There is a special sense of community in the Downtown District which now seems to be of greater interest among buyers than in the past when Grand Junction was rural then transitioned to suburban. Downtown is now appealing and trendy. Main Street is attractive and a draw for the entire area.

Downtown District Home Sales

	# of Sales	Avg. Price	Avg. Price/SF	Avg Bdrms	Avg, Size
2012 Sales	3	\$128,967	\$90	3.0	1,388
2013 Sales	45	\$155,088	\$103	2.56	1,537
Active Listings- Jan '13	17	\$190,606	\$114	2.88	1,782

Source: MLS complements of REMAX 4000

Between 2012 and 2013 in the Downtown District:

- The number of sales jumped dramatically, from 3 to 45 (1400%).
- The average price per unit rose just over 20%.
- The average price per square foot increased 14%.

Concerning the 17 for-sale listings as of January in the Downtown District:

- Asking prices average 23% more than the average 2013 sales price on a per-unit basis and 11% higher per square foot.
- The inventory as of mid-January equaled 4.7 months, better than the average of 5 to 6 months county wide.

Housing that has been developed within the CBD has largely been high end, historic conversions with prices exceeding \$500,000. Most of these units at prices over \$500,000 have not been purchased yet have been successfully rented with few vacancies.

Realtors suggest that the price point for housing to sell in the CBD is much lower - \$150,000 to \$300,000. This range would be affordable for middle-income households and empty nesters who want to downsize.

VI. Demand for Downtown Housing

The section of the report examines and quantifies the demand for downtown housing by focusing on survey responses indicating a 4 or 5 level of interest in moving to the CBD and/or Greater Downtown area on a scale where 1 equals not interested, 3 equals neutral/no opinion and 5 equals very interested.

Interest in Living Downtown

There is a high level of interest in living downtown. Of persons surveyed:

- 38% are interested in living in the CBD. Of these, 84% would also consider living in the Greater Downtown area; and
- 42% are interested in living in the Greater Downtown area. Of these, 79% would also consider the CBD.

Interest in Living Downtown

	Central Business District	Greater Downtown
1=Not interested	37%	33%
2	7%	7%
3=Neutral/no opinion	18%	19%
4	18%	21%
5=Very interested	20%	21%
TOTAL	100%	100%
Average	2.8	2.9
# responding 4 or 5	387	427

These responses should be considered in light of the self-selection aspect of the survey. While all persons were encouraged to respond to the survey even if they had no interest in living downtown, disinterested persons were probably less likely to complete the survey.

Factors Influencing Interest in Living Downtown

As tables in the appendix show, interest in living downtown:

- Does not appear to be significantly correlated to type of job held;
- Is higher among persons already living in the Central or Greater Downtown Areas;
- Is slightly correlated to length of residency with greater interest among newer residents;
- Is higher among persons who currently live in multi-family units;

- Is particularly strong among persons in the 25 to 35 age range;
- Is higher among singles; and
- Appears related to household income. Persons interested in living in the Downtown District have lower incomes than others (a median of \$70,000 among persons interested in living in the CBD and a median of \$65,000 for persons interested in Greater Downtown compared with an overall median of \$75,000).

There is a slight correlation between where people work and their interest in living downtown. Persons working in Central Grand Junction, the CBD, the Greater Downtown area and the North area are more likely to want to live downtown than persons working elsewhere in Mesa County. Interest is highest among employees working in the Central area of Grand Junction where the hospital and Colorado Mesa University are located.

Interest in Living Downtown by Where Work

	OVERALL	Central	Greater Downtown	CBD	North	Elsewhere
1=Not interested	37%	32%	34%	34%	32%	45%
2	7%	6%	5%	10%	6%	7%
3=Neutral/no opinion	18%	18%	20%	17%	19%	14%
4	18%	22%	23%	16%	14%	16%
5=Very interested	20%	22%	17%	23%	29%	19%
Total	100%	100%	100%	100%	100%	100%
Total Interested	38%	44%	40%	39%	43%	35%
Average	2.8	3.0	2.8	2.8	3.0	2.6

Note: Responses for interest in living in CBD and Greater Downtown merged for this table.

Quantifying Demand

Housing demand is dynamic and will be influenced by numerous factors including rental market conditions, the availability and prices of homes for sale, interest rates, job growth or lack thereof, and the ability to produce units that are desired and affordable. Furthermore, demand will change over time as housing is developed downtown and the mix of uses shifts from being dominated by retail, restaurant and office uses to an increased residential presence and sense of neighborhood.

Because of the inexact and fluid nature of demand for housing in downtown Grand Junction, two approaches are used to quantify demand that provide a range bracketed by conservative and aggressive estimates.

1. **Demand from Survey Respondents.** This is a very simple and conservative approach that considers only the 387 survey responses received indicating an interest in living in the CBD

within the next five years. A total of 427 responses were received indicating interest in living in the Greater Downtown area. To satisfy this demand would involve development of about 75 to 85 units per year over the next five years.

- Applying Survey Results to Employment Estimates.** The survey produced a sample that represents a larger population. The survey indicated that 40% of those who work in the Downtown District are interested in living downtown. By applying this percentage to the 6,987 employees that work in the Downtown District, then dividing by 1.7 employees per households, it follows that there is potential demand for up to 1,640 units within the next five years, or about 325 units per year. This is an aggressive estimate that has not been adjusted for the self-selection aspect of the survey’s distribution. Current market conditions do not support the development of this many units; this estimate should be viewed more as long-range potential.

Capturing potential demand will require a mix of housing at various price ranges. The range of estimates above represent total demand. The free market will be unable to respond to all of this demand; development will not be financially feasible for lower income households without subsidies. Housing programs financed with Federal and State subsidies typically serve households with incomes no greater than 80% of the Area Median Income (AMI), the HUD definition of low income. Since the prices at which development of housing downtown will be economically feasible are unknown, households with incomes greater than 80% AMI will be assumed to comprise the demand for market housing.

The following table provides the AMI distribution for households interested in living downtown. It shows that about 75% of the demand for downtown housing is generated by households that have incomes above 80% AMI.

AMI Distribution – Interested in Living Downtown

Shading denotes income levels the market needs to serve.

	CBD	Greater Downtown
50% or less AMI	15%	15%
50.1% - 80% AMI	8%	13%
80.1% - 100% AMI	13%	11%
100.1% - 120% AMI	10%	13%
More than 120% AMI	54%	48%
TOTAL	100%	100%

Source: Survey

Potential for Senior Housing

Responses from surveys that indicated at least one member of the household was age 65 or older were examined for insight into the demand for senior housing. Overall, seniors tend to have slightly lower

interest levels than others in living in either the CBD (27%) or Greater Downtown (36%); however, the senior population in Mesa County is significant and growing. Housing to specifically serve this population would fit well within the Downtown District given that the attributes of the area (good sidewalks, availability of services and shopping) are highly valued by retirees.

Interest in Living Downtown - Households with Member Age 65+

	CBD	Greater Downtown
1=Not interested	48%	43%
2	2%	4%
3=Neutral/no opinion	22%	18%
4	13%	21%
5=Very interested	14%	15%
	100%	100%
Average	2.4	2.6

There are many types of senior housing ranging from independent living where design features accommodate the mobility challenged to options that offer various services and levels of care. It is a unique market that requires in-depth analysis beyond the scope of this study to understand. As part of this assessment, the performance of age-restricted housing in the Grand Junction area (occupancy levels, rents and trends) should be evaluated.

Influence of Downtown Characteristics on Demand

Most of the characteristics that are integral to downtown influence interest in living downtown. The availability of public transit and the presence of churches downtown are the only ones that have little influence. These survey findings suggest that:

- The safety of sidewalks and intersections should be maintained or enhanced as development/redevelopment occurs;
- Restaurants and retail shops should be encouraged to remain or locate in downtown;
- Parks and trails should be maintained/improved;
- The City Market needs to remain downtown; and
- The historic neighborhood character should be preserved.

Influence of Downtown Characteristics on Interest in Living Downtown

1 = Not Influential; 5 = Very Influential

	Interested in CBD	Interested in Greater Downtown
Wide sidewalks and safe intersections	4.3	4.2
Proximity to restaurants	4.3	4.1
Nearby parks and trails	4.2	4.1
Convenience to all areas of the community	4.2	4.1
The full-service City Market	4.0	3.9
The historic neighborhood character	4.0	4.0
Proximity to retail	4.0	3.8
Being in the city center	3.9	3.7
Bicycle friendly	3.9	3.9
The urban character	3.9	3.7
Ability to walk to work	3.9	3.8
Availability of services (medical, financial, etc)	3.8	3.7
Public transit	2.9	2.9
Downtown churches	2.6	2.7

Impediments to Demand

Concern about safety is the primary impediment to living downtown. All focus group participants and many survey respondents mentioned the presence of homeless persons and transients in the downtown area as a significant concern. Drug dealing and use was also mentioned through far less frequently than discomfort and fear from homeless persons.

Others reasons for not being interested in living downtown include:

- Noise from events, nightlife and the recorded raptor sounds played to discourage pigeons;
- Dogs on the sidewalks and at the Farmer's Market;
- Inability to have private yards; and
- The high price of existing units in the Central Business District.

VII. Downtown Housing – Product Type and Design

This section of the report focuses on survey findings from persons interested in living downtown supplemented with input from realtors and rental property managers. It provides information and recommendations on neighborhood preferences, unit type, owner/renter mix, bedrooms, affordability/pricing and tradeoffs needed to plan future housing developments.

Neighborhood Preferences

Employees interested in living downtown have strong preferences for diverse neighborhoods with a variety of housing, a mix of housing with retail and services, being able to walk or bike to work and smaller, lower maintenance yards. The Downtown District embodies these attributes. Future downtown developments should provide a mix of housing types and sizes and possibly include commercial space on site. Access should be pedestrian friendly rather than car dominated. Sites should not be consumed by large yards.

Neighborhood Preferences

	Interested in CBD	Interested in Greater Downtown
Similar size/priced homes OR	35%	42%
Diversity in housing - various types & price levels	65%	58%
A residential area - just homes OR	18%	28%
A mix of housing, retail shops, services	82%	72%
Driving a car to work & for errands OR	18%	20%
Being able to walk/bike to work & for errands	82%	80%
Neighbors that are similar OR	28%	30%
Diversity in the population	72%	70%
Large yards OR	30%	37%
Smaller, lower maintenance yards	70%	63%

Source: Survey

The ranking of the importance of various location and neighborhood attributes suggests that:

- Concerns about crime and safety, particularly stemming from the homeless population, need to be addressed when developments are planned. This was also emphasized in all focus groups.
- Safe, well lit, sidewalks and crosswalks are important on site and in proximity to future developments.
- Units should be designed such that there is privacy, avoiding things like windows facing each other. Each should have private outdoor space if possible. Buildings should be positioned to

take advantage of views. When determining pricing, units with good views can be charged premiums.

- Some solution for vagrancy in the parks in the Downtown District is needed.

Importance of Location/Neighborhood Attributes

1 = Not Important; 5 = Very Important

	Interested in CBD	Interested in Greater Downtown
Safety/security	4.6	4.6
Pedestrian friendly - sidewalks, crosswalks	4.4	4.4
Privacy from neighbors	4.2	4.3
Nearby parks and trails	4.2	4.2
Ability to walk to shops and services	4.1	4.0
Private outdoor yards	4.0	4.0
Views	4.0	3.9
Proximity to work	3.8	3.8
Low maintenance	3.9	3.8
Quality of schools	3.7	3.7
Bicycle commuting	3.5	3.5
Common outdoor areas	3.2	3.1
Proximity to public transit	2.9	2.8

Source: Survey

Ownership/Rental Mix

Survey results indicate there is immediate demand for both for sale and rental housing.

- Two-thirds of the employees interested in living downtown, in either the CBD or Greater Downtown area, now own their homes.
- If they moved downtown, just over half would want to buy within the first two years. This would increase to two-thirds within three to five years and to nearly 80% within five to 10 years.
- The percentage who are uncertain about owning or renting is relatively high.

While interest in ownership outweighs interest in rental housing, almost all residents now living within the CBD rent. The proven success of rental units suggests that the emphasis initially should be more focused on rental housing but that ownership opportunities should be developed simultaneously or soon.

Interest in Moving Downtown by Want to Own or Rent

		Interested in CBD	Interested in Greater Downtown
Within 2 years	Own	52%	50%
	Rent	31%	33%
	Other/don't know	17%	17%
	TOTAL	100%	100%
In 3 to 5 years	Own	67%	67%
	Rent	12%	12%
	Other/don't know	21%	21%
	TOTAL	100%	100%
In 5 to 10 years	Own	79%	78%
	Rent	3%	4%
	Other/don't know	18%	18%
	TOTAL	100%	100%

Source: Survey

Unit Type

Variety in terms of unit type would be responsive to market preferences. While small, detached bungalows rated highest in terms of interest among the six choices offered in the survey, they rated only 1/10th of a point higher than flats and lofts among persons interested in living in the CBD. Townhomes and live/work units also received fairly high ratings. Developing many accessory apartments (garage, basement or attic) is not advisable, however, given survey responses.

Type of Housing Desired

1 = Not Interested; 5 = Very Interested

	Interested in CBD	Interested in Greater Downtown
Bungalows - small detached houses	3.9	3.9
Flats - single story traditional full-height walls	3.8	3.8
Lofts - single story open floor plan	3.8	3.6
Townhomes - 2 or 3 stories	3.4	3.3
Live/work	3.3	3.3
Garage, basement or attic apartment	2.4	2.4

There were no significant differences in interest levels by income although low income respondents were more likely than persons with upper incomes to rate most of the options higher, especially bungalows. This suggests that preferences were not influenced by affordability.

There also is very little difference in interest in the various types of units according to whether the respondent wants to rent or own downtown.

Focus group participants suggested that secure mid-rise buildings with elevators (like Horizon Towers), single-story units without interior stairs and low maintenance features providing for “lock and leave” lifestyles would be popular.

Amenities/ Home Features

The design features that downtown housing should incorporate include:

- Energy efficiency in heating, cooling and appliances;
- Outdoor/green space: private and common areas (balconies, courtyards and rooftop terraces) to entertain, garden, have dogs and enjoy views;
- Secure covered/garage parking; off street parking with controlled access;
- Upscale interior finishes -- granite countertops, stainless appliances and dual sink vanities;
- Ample storage for bicycles and other recreational equipment;
- In-unit washers and dryers (full size stackable appliances);
- Walk-in closets;
- On-site exercise facilities, possibly including a pool that could serve multiple residential developments through a membership;
- Sidewalks making it safe and easy for pedestrians to come and go from their homes; and
- Pet friendly policies and outdoor space.

Importance of Home Features

1 = Not Important; 5 = Very Important

	Interested in CBD	Interested in Greater Downtown
Energy efficient heating/cooling	4.4	4.4
Quality of interior finish	4.4	4.3
Extra storage	4.3	4.3
Secure off-street parking	4.2	4.3
Pets allowed	4.2	4.2
Private garage	4.1	4.1
Energy star appliances	4.0	4.0
Private exterior entrance	3.8	3.8
Home office	3.4	3.4
One-story design	3.0	3.1
Multi-level design	2.5	2.5
Elevator	2.1	1.9

Source: Survey

Bedrooms

Most of the persons interested in living downtown indicated they need two or three bedrooms. The average was just under three.

Number of Bedrooms Needed

	Interested in CBD	Interested in Greater Downtown
1	6%	5%
2	40%	39%
3	45%	45%
4	8%	9%
5 or more	2%	2%
TOTAL	100%	100%
Average	2.9	2.9
Median	3.0	3.0

Source: Survey

Those interested in renting downtown are more likely to need one-bedroom units than are persons who are interesting in owning.

Bedrooms Needed by Desire to Own or Rent Downtown

	Within 2 Years			In 3 to 5 Years		
	Own	Rent	Don't Know	Own	Rent	Don't Know
1	1%	11%	3%	2%	22%	5%
2	41%	45%	40%	39%	46%	43%
3	50%	35%	42%	49%	25%	42%
4	8%	6%	11%	9%	1%	8%
5 or more		2%	3%	1%	6%	2%
Total	100%	100%	100%	100%	100%	100%
Average	2.7	3.0	3.0	2.8	4.0	2.7
Median	3.0	2.0	3.0	3.0	2.0	3.0

Source: Survey. Note: Responses for interest in living in CBD and Greater Downtown merged for this table.

The composition of the households interested in living downtown provides insight into the number of bedrooms needed. It suggests that many survey respondents indicated they may want more bedrooms than they actually need. For example, 24% of the persons indicating they want to rent for the first two years they live downtown live alone yet only 11% indicated they need just one bedroom.

Household Composition by Desire to Own or Rent Downtown

	Within 2 Years			In 3 to 5 Years		
	Own	Rent	Don't Know	Own	Rent	Don't Know
Adult living alone	11%	24%	19%	13%	17%	23%
Couple, no child(ren)	49%	31%	36%	45%	31%	32%
Couple with child(ren)	29%	23%	29%	30%	18%	25%
Single parent w/ child(ren)	3%	8%	4%	4%	3%	9%
Unrelated roommates	4%	9%	3%	3%	21%	3%
Immediate & extended family members	4%	6%	9%	4%	10%	8%
	100%	100%	100%	100%	100%	100%

Source: Survey. Note: Responses for interest in living in CBD and Greater Downtown merged for this table.

When considering the size of units to develop downtown, it should be noted that around 30% of the households interested in living downtown include at least one child. This is surprising given that only 15% of the households now living in the Downtown District include children, and only 2% in the CBD.

Affordability and Pricing

Housing units that have been developed in the CBD have mostly been high-end historic conversions, listed for prices that have not been acceptable, and few units have sold although these units have successfully rented for rates higher than average in the Grand Junction area. Realtors indicated that prices in the \$150,000 to \$300,000 range would be marketable.

Survey results support that this price range would be affordable for most of the households interested in living downtown. It shows that over half could afford homes that rent for \$1,485 or more per month or that could be purchased for prices at or above \$250,000, assuming they spend 30% of their income on their housing payment.

Affordable Rents and Purchase Prices by AMI

AMI	Max. Income*	Affordable Rent	Purchase Price**	AMI Distribution***
>120%	≥\$59,401	≥\$1,485	≥\$250,000	54%
120%	\$59,400	\$1,485	\$250,000	10%
100%	\$49,500	\$1,238	\$205,000	13%
80%	\$39,600	\$990	\$165,000	8%
50%	\$24,750	\$619	\$100,000	15%

*Income for 2-person households.

**Assumes 5% down, 4.5% interest for 30-year, fixed rate mortgage.

***For persons interested in living in the CBD.

Many buyers are not interested in spending the maximum for which they could qualify when buying a home, particularly empty nesters who are downsizing and preparing for retirement. Examining what they currently pay for housing provides insight into what they might be willing to pay. The average monthly payment among those interested in buying downtown is around \$1,000 per month. For those who would like to rent, the average rent paid is now about \$895. Approximately 15% who are interested in buying downtown have no mortgage.

Rent/Mortgage Payments by Own/Rent

	Within 2 Years			In 3 to 5 Years		
	Own	Rent	Don't Know	Own	Rent	Don't Know
No rent/mortgage	15%	5%	13%	14%	2%	10%
Average Payment	\$1,016	\$894	\$936	\$993	\$854	\$914
Median Payment	\$1,000	\$850	\$940	\$1,000	\$800	\$925

Source: Survey. Note: Responses for interest in living in CBD and Greater Downtown merged for this table.

Tradeoffs

Persons interested in living downtown were asked about their willingness to compromise and consider the following tradeoffs:

- **Location** – would consider downtown locations other than your top choice
- **Price** – would pay slightly more to live downtown than elsewhere for a similar home
- **Size** – would buy or rent a smaller home in order to live downtown
- **Type** - would consider a home with shared walls, like a townhome instead of a house

Survey results reflect flexibility but also a high degree of uncertainty. Location is the trade off most likely to be considered. Price is the one with the smallest degree of flexibility although 25% of those interested in living downtown indicated they would pay slightly more in order to live there.

Would Consider Trade Off

	Location	Price	Size	Type
Yes	43%	25%	37%	38%
Maybe	50%	44%	40%	39%
No	7%	31%	23%	24%
TOTAL	100%	100%	100%	100%

Source: Survey. Note: Responses for interest in living in CBD and Greater Downtown merged for this table.

Architecture

A variety of architectural styles would be appropriate for downtown housing. There should not be an attempt to create a “theme” in the Downtown District. Victorian, modern and “industrial chic” would be all compatible with the existing historic and newer buildings. Residential development on the north side of the CBD should be sensitive to the scale and charm of the adjacent older neighborhood.

Desired Downtown Improvements

In order to enhance the downtown living experience and provide services/facilities that now require travel by car, the following were suggested by focus group participants:

- A liquor/wine store;
- A hardware store;
- An improved connection for bikes and pedestrians with Colonais Park and the Riverfront Trail system;
- A park within walking distance that is safe and suitable for dog walking and children to play; and
- An outdoor amphitheater for concerts and other events.

Appendix
Supporting Tabulations

<i>Where Now Live</i>	OVERALL	Interested in Central Business District	Interested in Greater Downtown
North	18%	15%	16%
Redlands	18%	17%	15%
Central	12%	14%	18%
Orchard Mesa/East Orchard Mesa	12%	10%	10%
Greater Downtown Area	9%	15%	13%
Northeast	10%	9%	8%
Southeast	4%	4%	6%
Clifton	3%	5%	6%
Fruita	5%	3%	2%
Central Business District	3%	4%	3%
Palisade	2%	2%	1%
Rural Mesa County	2%	2%	1%
Northwest	2%	1%	1%
Other	1%	1%	1%
TOTAL	102%	101%	101%

<i>Length of Residency</i>	OVERALL	Interested in Central Business District	Interested in Greater Downtown
More than 10 years	67%	60%	61%
5 up to 10 years	16%	18%	17%
1 up to 3 years	8%	10%	11%
3 up to 5 years	5%	6%	6%
Less than 1 year	4%	6%	5%
TOTAL	101%	100%	100%

<i>Current Residence Type</i>	OVERALL	Interested in Central Business District	Interested in Greater Downtown
Single-family detached house	83%	76%	76%
Duplex, triplex or townhouse	7%	11%	11%
Apartment or condominium	6%	8%	8%
Mobile home	1%	3%	2%
Other	2%	2%	3%
TOTAL	100%	100%	100%

Where Work	OVERALL	Interested in Central Business District	Interested in Greater Downtown
Central	30%	32%	34%
Greater Downtown Area	32%	30%	30%
Central Business District	29%	29%	28%
North	12%	12%	13%
Northeast	10%	6%	8%
Northwest	7%	7%	7%
Orchard Mesa/East Orchard Mesa	5%	5%	7%
Redlands	6%	5%	4%
Palisade	4%	5%	5%
Southeast	4%	5%	4%
Clifton	4%	4%	5%
Fruita	4%	2%	3%
Rural Mesa County	3%	3%	4%
TOTAL	152%	145%	152%

Total exceeds 100% due to multiple responses.

Household Composition	OVERALL	Interested in Central Business District	Interested in Greater Downtown
Adult living alone	14%	17%	18%
Couple, no child(ren)	42%	37%	36%
Couple with child(ren)	30%	27%	29%
Single parent with child(ren)	4%	7%	5%
Unrelated roommates	4%	7%	6%
Immediate and extended family members	6%	4%	5%
TOTAL	100%	100%	100%

Age of Respondent	OVERALL	Interested in Central Business District	Interested in Greater Downtown
18 - 24	2%	4%	5%
25 - 34	20%	25%	27%
35 - 44	18%	21%	21%
45 - 54	21%	19%	16%
55 - 64	26%	22%	21%
65 - 74	10%	8%	9%
75 or older	2%	1%	2%
TOTAL	100%	100%	100%
Average	48.5	45.5	45.0
Median	50.0	44.0	43.2

Employees in Household	OVERALL	Interested in CBD	Interested in Greater Downtown
1	32%	34%	34%
2	60%	58%	58%
3	7%	6%	7%
4	1%	1%	1%
TOTAL	100%	100%	100%
Average	1.7	1.7	1.7
Median	2.0	2.0	2.0

Household Income	OVERALL	Interested in CBD	Interested in Greater Downtown
None	1%	1%	1%
Under \$25,000	8%	8%	9%
\$25,000 - \$49,999	18%	20%	24%
\$50,000 - \$74,999	23%	24%	23%
\$75,000 - \$99,999	20%	18%	18%
\$100,000 - \$124,999	14%	14%	11%
\$125,000 - \$149,999	4%	3%	3%
\$150,000 - \$174,999	6%	4%	4%
\$175,000 - \$199,999	1%	1%	1%
\$200,000 - \$224,999	2%	3%	2%
\$225,000 - \$249,999	%	%	%
\$250,000 - \$499,999	3%	4%	3%
\$500,000 - \$999,999	%	%	%
TOTAL	100%	100%	100%
Average	\$86,089	\$85,395	\$79,988
Median	\$75,000	\$70,000	\$65,000

AMI – Interested in Living Downtown by Currently Own or Rent

	Own	Rent
50% or less AMI	5%	27%
50.1% - 80% AMI	9%	15%
80.1% - 100% AMI	10%	14%
100.1% - 120% AMI	11%	16%
>120% AMI	64%	28%
TOTAL	100%	100%
Average	\$92,594	\$64,666
Median	\$80,000	\$50,000

AMI by Want to Own or Rent Downtown

	Within 2 years			In 3 to 5 years		
	Own	Rent	don't know	Own	Rent	don't know
50% or less AMI	3%	21%	17%	7%	18%	21%
50.1% - 80% AMI	6%	25%	5%	7%	29%	12%
80.1% - 100% AMI	12%	12%	10%	13%	9%	11%
100.1% - 120% AMI	14%	8%	11%	11%	15%	15%
>120% AMI	65%	34%	57%	62%	28%	41%
	100%	100%	100%	100%	100%	100%
Average	\$102,570	\$60,537	\$83,004	\$92,624	\$58,233	\$77,346
Median	\$80,000	\$49,956	\$75,000	\$75,000	\$50,000	\$60,000

Currently Own or Rent by Interest in Downtown

	Interested in CBD	Interested in Greater Downtown
Own	67%	67%
Rent	30%	31%
Other	3%	2%
TOTAL	100%	100%

Interest in Type of Unit by AMI

Unit Type	50% or less AMI	50.1% - 80% AMI	80.1% - 100% AMI	100.1% - 120% AMI	More than 120% AMI
Lofts	3.9	3.4	3.3	3.3	3.5
Flats	4.0	3.8	3.5	3.6	3.6
Accessory apartment	2.8	2.6	2.4	2.5	2.3
Townhomes	3.4	3.4	3.1	3.6	3.2
Bungalows	4.3	4.1	4.1	3.7	3.6
Live/work	3.4	3.5	3.3	3.6	3.2

Interest in Type of Unit by Want to Own or Rent Downtown

	Within 2 Years			In 3 to 5 Years			In 5 to 10 Years		
	Own	Rent	Don't Know	Own	Rent	Don't Know	Own	Rent	Don't Know
Lofts	3.5	3.7	3.5	3.5	3.8	3.5	3.5	3.9	3.5
Flats	3.7	3.8	3.6	3.7	4.2	3.5	3.7	4.3	3.6
Accessory apartment	2.3	2.5	2.6	2.3	2.7	2.6	2.4	2.4	2.5
Townhomes	3.0	3.5	3.1	3.1	3.7	3.1	3.3	2.8	3.1
Bungalows	3.7	3.7	3.6	3.7	3.9	3.5	3.7	4.0	3.5
Live/work	3.3	3.1	3.1	3.3	3.4	3.0	3.3	3.6	3.0

Housing Payment by Want to Own or Rent Downtown

	Within 2 Years			In 3 to 5 Years		
	Own	Rent	Don't Know	Own	Rent	Don't Know
No rent/ mortgage	15%	5%	13%	14%	2%	10%
Under \$500	4%	8%	7%	5%	10%	8%
\$500 - \$749	11%	25%	12%	12%	26%	19%
\$750 - \$999	17%	23%	24%	19%	32%	20%
\$1,000 - \$1,249	26%	20%	17%	24%	17%	18%
\$1,250 - \$1,499	7%	10%	11%	9%	1%	12%
\$1,500 - \$1,749	9%	8%	6%	7%	10%	8%
\$1,750 - \$1,999	4%	1%	7%	4%	1%	4%
\$2,000 - \$2,499	4%	%	3%	3%		1%
\$2,500 - \$2,999	2%			2%		
\$3,000 - \$3,999	%			%		
\$4,000 or more	1%			%		
	100%	100%	100%	100%	100%	100%
Average	\$1,016	\$894	\$936	\$993	\$854	\$914
Median	\$1,000	\$850	\$940	\$1,000	\$800	\$925



Survey – Housing in Downtown Grand Junction

The Grand Junction Downtown Development Authority is evaluating the potential market for housing in the Downtown District. When people live downtown, they improve the economic viability of local businesses and enhance the overall vitality of the area. As such, a goal of the *Greater Downtown Plan* adopted in April 2013 is to promote downtown living by providing a wide range of housing opportunities, both rental and for sale.

Please help us understand what type of housing should be built downtown and how it should be priced by completing this confidential, 10-minute survey. Even if you have no interest in living downtown, your response is important to us. Please return in the postage paid envelop by Friday, December 20th. Thank you for your help.

Harry Weiss
 Director, Downtown Development Authority

1. How long have you continuously resided in the area? How long have you lived in your current home?

Lived In Area Lived in Current Home

- | | | |
|--------------------|----------------------------|--------------------------|
| Less than 1 year | 1 <input type="checkbox"/> | <input type="checkbox"/> |
| 1 up to 3 years | 2 <input type="checkbox"/> | <input type="checkbox"/> |
| 3 up to 5 years | 3 <input type="checkbox"/> | <input type="checkbox"/> |
| 5 up to 10 years | 4 <input type="checkbox"/> | <input type="checkbox"/> |
| More than 10 years | 5 <input type="checkbox"/> | <input type="checkbox"/> |

2. In what type of residence do you live?

- 1 Single-family detached house
- 2 Duplex, triplex or townhouse
- 3 Apartment or condominium
- 4 Mobile home
- 5 Other: _____

3. Where do you live and where do **all members of your household** work?

	Where Live?	Where Work?
		<i>Check all that apply.</i>
Greater Downtown Area	[]	[]
Central Business District	[]	[]
Redlands	[]	[]
Pear Park	[]	[]
Clifton	[]	[]
Fruitvale	[]	[]
Central Grand Junction (hospital, CMU)	[]	[]
Orchard Mesa	[]	[]
Appleton	[]	[]
Horizon	[]	[]
Garfield	[]	[]
North West Grand Junction	[]	[]
Palisade	[]	[]
Fruita	[]	[]

Rural Mesa County
 Other _____

[] []
 [] []

4. How many bedrooms are in your home? _____

5. Which types of neighborhoods most appeal to you?

- [] Similar size/priced homes OR [] Diversity in housing - various types & price levels
 [] A residential area – just homes OR [] Provides a mix of housing, retail shops, services
 [] Driving a car to work & for errands OR [] Being able to walk/bike to work & for errands
 [] Neighbors that are similar OR [] Diversity in the population
 [] Large yards OR [] Smaller, lower maintenance yards

6. How important are the following features when selecting a home? *Please circle response.*

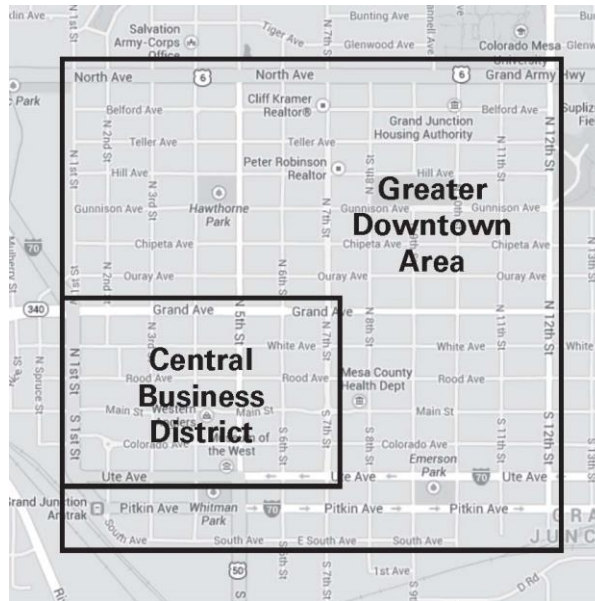
	Not Important		Neutral/ No Opinion		Very Important
One story design	1	2	3	4	5
Multi-level design	1	2	3	4	5
Elevator	1	2	3	4	5
Quality of interior finish	1	2	3	4	5
Home office	1	2	3	4	5
Private exterior entrance	1	2	3	4	5
Energy star appliances	1	2	3	4	5
Energy efficient heating/cooling	1	2	3	4	5
Private garage	1	2	3	4	5
Secure off street parking	1	2	3	4	5
Pets allowed	1	2	3	4	5
Extra storage	1	2	3	4	5
Other _____	1	2	3	4	5

7. How important are the following location/neighborhood attributes to you? *Please circle response.*

	Not Important		Neutral/ No Opinion		Very Important
Proximity to work					
Pedestrian friendly – sidewalks, crosswalks	1	2	3	4	5
Ability to walk to shops and services	1	2	3	4	5
Nearby parks and trails	1	2	3	4	5
Views	1	2	3	4	5
Private outdoor yards	1	2	3	4	5
Common outdoor areas	1	2	3	4	5
Low maintenance	1	2	3	4	5
Privacy from neighbors	1	2	3	4	5
Proximity to public transit	1	2	3	4	5
Bicycle commuting	1	2	3	4	5
Safety/security	1	2	3	4	5
Quality of schools	1	2	3	4	5
Other _____	1	2	3	4	5

8. Within the next 5 years, would you be interested in moving into the following downtown areas if housing is built that meets your needs and desires? *Please circle response.*

	Not Interested		Neutral/ No Opinion		Very Interested
Central Business District	1	2	3	4	5
Greater Downtown Area	1	2	3	4	5



If you are **not** interested in living downtown (answered 1 or 2 to both areas), please skip to Q. 14

9. To what extent do the following characteristics of the downtown influence your interest in living there? *Please circle response.*

	Not Influential		Neutral/ No Opinion		Very Influential
Ability to walk to work	1	2	3	4	5
Proximity to restaurants	1	2	3	4	5
Nearby parks and trails	1	2	3	4	5
Wide sidewalks and safe intersections	1	2	3	4	5
Bicycle friendly	1	2	3	4	5
Proximity to retail	1	2	3	4	5
Availability of services (medical, financial, etc.)	1	2	3	4	5
Public transit	1	2	3	4	5
The full-service City Market	1	2	3	4	5
Being in the city center	1	2	3	4	5
Downtown churches	1	2	3	4	5
The urban character	1	2	3	4	5
The historic neighborhood character	1	2	3	4	5
Convenience to all areas of the community	1	2	3	4	5

10. About owning or renting:

	Own	Rent	Other or Don't Know
Do you now?	[]	[]	[]
If you moved downtown:			
Within the first two years	[]	[]	[]
In 3 to 5 years	[]	[]	[]
In 5 to 10 years	[]	[]	[]

11. What is your interest in the following types of homes that might be built downtown?

	Not Interested		Neutral/ No Opinion		Very Interested
Lofts – single story; open floorplan	1	2	3	4	5
Flats – single story; traditional full height walls	1	2	3	4	5
Garage, basement or attic apartment	1	2	3	4	5
Townhomes – 2 or 3 stories	1	2	3	4	5
Bungalows – small detached houses	1	2	3	4	5
Live/work	1	2	3	4	5
Other _____	1	2	3	4	5

12. How many bedrooms would you need? _____

13. It may not be possible to build homes in the Downtown District that meet all of your desires. Trade-offs may be necessary. Please indicate your willingness to compromise and consider the following tradeoffs:

	Yes	Maybe	No
Location – would consider downtown locations other than your top choice	[]	[]	[]
Price – would pay slightly more to live downtown than elsewhere for a similar home	[]	[]	[]
Size – would buy or rent a smaller home in order to live downtown	[]	[]	[]
Type - would consider a home with shared walls, like a townhome instead of a house	[]	[]	[]

14. In what year were you born? _____

15. How many vehicles are typically at your household? _____

16. How many adults over the age of 18 in your household are employed? _____

17. What type of job do you hold? _____ Restaurant _____ Retail _____ Other

18. How many people live in your household and are in the following age groups? *(Include yourself)*

_____ Total number of persons in household

_____ Under 18 → Ages of children:

_____ 18 to 25 # _____ Under 5

_____ 26 to 45

_____ 5 to 11

_____ 46 to 65

_____ 12 to 17

_____ Over 65

19. Which of the following best describes your household?

1 Adult living alone

2 Couple, no child(ren)

3 Couple with child(ren)

4 Single parent with child(ren)

5 Unrelated roommates

6 Immediate and extended family members

7 Other: _____

20. What is the combined gross annual income of all household members (before taxes)? *Please remember that this survey is **CONFIDENTIAL**.*

\$ _____ per year

Comments

Please comment on any of the questions in this survey or on any issued related to Downtown Grand Junction.

THANK YOU!

Financial Analysis: Four Potential Downtown Housing Sites Grand Junction, Colorado

June 3, 2014

Prepared For:
Grand Junction Downtown Development Authority
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INTRODUCTION

The purpose of this study is to conduct financial analysis of four potential multi-family housing sites in Grand Junction, Colorado. Four potential mixed-use development projects have been conceptualized for four different sites in Downtown Grand Junction. The potential sites were identified by the Grand Junction Downtown Development Authority with input from stakeholders, local developers, and independent consultants including: a housing needs assessment (Rees Consulting Inc.); design concepts, architectural renderings, and construction programming (Van Meter Williams Pollack, LLP); and facilitation and implementation (Sonoran Institute).

This study is intended to provide market projections for site prioritization, evaluate financial performance and feasibility, gauge the impact of new construction on existing market vacancy, and inform potential developers. All four conceptual housing projects are evaluated as rental units only.

Project Description

The four development proposals evaluated herein have various configurations of residential, commercial, and work-live components:

1. Grand Avenue Site

- South side Ouray Avenue between N 2nd & N 3rd Streets
- 1.25 acres currently used as parking for the Bank of Colorado
- 36 dwelling units (42 du/ac): 24 townhouse [26,400 sf.], 12 carriage units [10,500 sf.]
- 64 parking spaces at 1.75/unit (38 covered parking spaces, 26 on-street parking spaces)

2. Rood Lots Site

- Southeast corner Rood Avenue and S 4th Street and Southwest corner Rood Avenue and S 5th Street
- Two 1.44 sites adjacent to opposite ends of a public parking structure
- 24 dwelling units (85 du/ac): 18 flats [15,750 sf.], 8 lofts [7,200 sf.]
- 15,500 sf incubator / commercial
- shared parking in structure

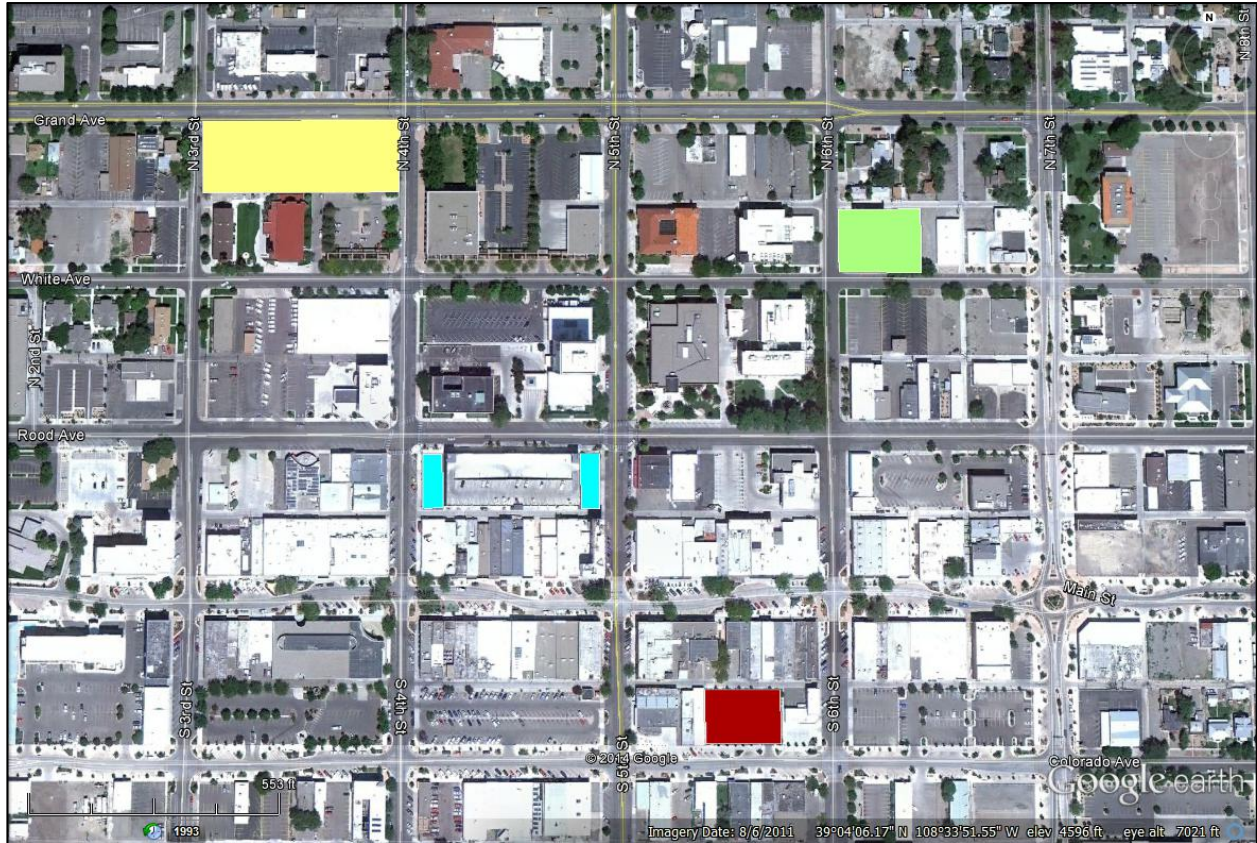
3. Colorado Avenue Lots Site

- North side Colorado Avenue between S 5th Street and S 6th Street
- 505 acre site currently used as parking for the Bank of Colorado
- 26 units (52 du/ac): 20 flats [14,500 sf.], 6 masonets [7,200 sf.]
- 7,000 sf non-residential commercial / incubator
- 26 covered parking spaces at 1/ unit

4. White Hall Site

- Northeast corner White Avenue and N 6th Street.
- 0.577 acres and the site of a partially burned and severely damaged building
- 43 dwelling units (75 du/ac): 24 flats [22,800sf], 15 adapted Apts. [9,750 sf], 4 lofts [4,600 sf]
- 3,700 sf non-residential (1,600 sf employment, 2,100 sf live-work)
- 68 parking spaces (1.75/unit)

SITE DESCRIPTIONS

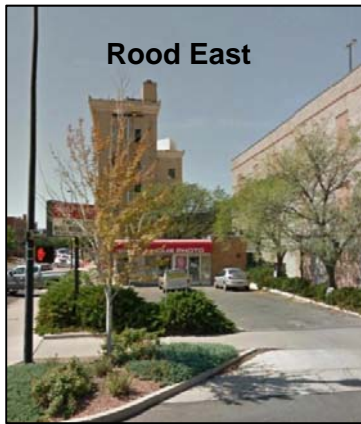


Colorado Avenue Lots

Rood Lots

Grand Avenue Lot

White Hall Site



Rood East



Grand



White Hall



Rood West



Colorado

SITE DESCRIPTIONS

Target Sites Description

Site	Grand Avenue	Rood Lots		Colorado Ave Lots	White Hall
Street Address	203 Ouray Avenue	130 4th St (west)	137 N 5th St (east)	Two adjacent lots: West Lot: 250 N 5th St East Lot: 248 S 4th St	600 White Avenue
Location & Frontage	Half Block spanning Ouray Avenue between N 2 nd and N 3 rd Has two corners 160' on N 2 nd 160' on N. 3 rd 470' on Ouray Ave	Corner lot 125' on N 4 th 55' on Rood Ave 55' on alley midway between Rood & Main	Corner lot 125' on N 5 th 40' on Rood Ave 40' on alley midway between Rood & Main	175' on Colorado Ave 175' on alley between Colorado & Main, 125' deep mid-block infill site	Corner lot 130' along N 6 th 215' along White Ave 130' on alley midway between White and Grand
Dimensions/ Topography/ Suitability	1.25 acres Rectangular Flat	0.144 acres Rectangular Flat	0.144 acres Rectangular Flat	East Lot: 0.36 ac West Lot: 0.145 ac Rectangular Flat	0.577 acres Rectangular Flat
Current Use	Paved parking lot with lighting and curbing	Vacant	6,534 sf Retail building,	Public Parking	Vacant Church Building, Fire Damaged
Zoning*	B-2, Downtown	B-2, Downtown	B-2, Downtown	B-2, Downtown	B-2, Downtown
Site access and circulation	Good	Good	Good	Good	Good
Demolition, Grading, Renovation	Minimal	None	936 sf masonry and brick exterior retail building	Minimal	Building damaged in fire; there may be need for fill and grading work in that some of the site; potential asbestos abatement needed
Availability of Utilities	All available	All available	All available	All available	All available
Site use history	Parking lot installed 1982	Na	Freestanding retail built 1975	Parking lot installed 2005	2-story Church built 1957

SITE DESCRIPTIONS

Continued

Site	Grand Avenue	Rood Lots		Colorado Ave Lots	White Hall
Potential environmental issues	None noted	None noted		Potential asbestos mitigation in building; slight potential for soil/groundwater contamination from former photo developing operations	
Flood zone/	Not in Flood Zone (FEMA)	Not in Flood Zone (FEMA)	Not in Flood Zone (FEMA)	Not in Flood Zone (FEMA)	Not in Flood Zone (FEMA)
Soil hazards	Low earthquake Potential (USGS general area map)	Low earthquake Potential (USGS general area map)	Low earthquake Potential (USGS general area map)	Low earthquake Potential (USGS general area map)	Low earthquake Potential (USGS general area map)
Surrounding uses (compatibility and value impairments)	Compatible with multi-family development	Compatible with multi-family development	Compatible with multi-family development	Compatible with multi-family development	Compatible with multi-family development
Parcel ID	2945-142-38-024	2945-143-56-942	2945-143-16-022	West Lot: 2945-143-20-941 East Lot: 2945-143-64-946	2945-143-66-941
Current Ownership	Bank of Colorado	Grand Junction Downtown Development Authority	Community Office Investors Inc. c/o HR Adventures LLC	West Lot: City of Grand Junction East Lot: Grand Junction Downtown Development Authority	Grand Junction Downtown Development Authority

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Population and Housing Market Outlook

The major driver for new housing demand arises from a growing population and is generally derived from natural growth and in-migration. The Grand Junction Metropolitan Statistical Area as defined by the U.S. Census Bureau includes all of Mesa County. Metropolitan Statistical Areas (MSAs) are regions around a central core city (Grand Junction) that share a common pool of workforce, infrastructure, and housing.

Population change is comprised of natural growth and in-migration. A strong population draw to any location arises from employment opportunity. Additionally, Grand Junction’s climate and outdoor recreation opportunities creates a draw for lifestyle-driven relocation including both workforce-age population and retirees. The Colorado State Demographer forecasts positive population growth for Mesa County into the foreseeable future.

**Mesa County Population Forecast
Components of Change**

Year	Total Population	Births	Deaths	Net Migration	Population Change
2014	151,303	2,038	1,251	900	1,687
2015	153,220	2,051	1,285	1,151	1,917
2016	155,514	2,068	1,305	1,532	2,294
2017	158,255	2,089	1,340	1,992	2,741
2018	161,245	2,113	1,380	2,257	2,990
2019	164,445	2,139	1,427	2,488	3,200
2020	167,385	2,161	1,463	2,242	2,940
2021	170,522	2,188	1,500	2,449	3,137
2022	173,620	2,216	1,528	2,411	3,099
2023	176,690	2,246	1,567	2,391	3,069
2024	179,732	2,277	1,611	2,376	3,042

Source: CO State Demography Office

 NOTE: This report cites various sources of numerical data generated through third party statistical analysis and further used for analysis herein. Third-party data points are not rounded, but reported and utilized in exact digital format to reduce cumulative rounding errors during analysis. Despite the appearance of precision, it should be recognized that all estimates presented herein are subject to a reasonable margin of error and precisely reported numbers represent a most likely result within a general magnitude of order.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Population increase is ultimately the driver for housing demand in the Grand Junction MSA. In 2010 there were approximately 2.5 persons per household in Mesa County according to the U.S. Census Bureau. Using this as a basis, household growth in the County would support demand for housing of around 12,000 units. This is a significant number of new homes, about 19% of the total housing stock of 62,600 homes in the County, but is reasonable considering that over 14,000 homes were added between 2000 and 2010 or about a 30% increase.

Mesa County Population & Housing Change			
Year	Population Change	Estimated New Housing Demand*	% of Total 10-Year New Housing Demand
2014	1,687	675	5.6%
2015	1,917	767	6.4%
2016	2,294	918	7.6%
2017	2,741	1,096	9.1%
2018	2,990	1,196	9.9%
2019	3,200	1,280	10.6%
2020	2,940	1,176	9.8%
2021	3,137	1,255	10.4%
2022	3,099	1,239	10.3%
2023	3,069	1,228	10.2%
2024	3,042	1,217	10.1%
Total 10-Year Housing Demand		12,047	100%

* Which may be existing inventory or new construction

Source: CO State Demography Office, Development Research Partners, Inc.

Occupational Outlook

Growth occupations for Mesa County are estimated by the Colorado State Demography Office. Estimated annual openings represent the total annual average openings due to both growth and net replacements.

"Replacement" refers to job openings created when people:

- Transfer to other occupations (as a step up the career ladder or to change careers)
- Stop working temporarily (for example, to return to school or care for a family member)
- Leave the labor force permanently (such as retirees)

Growth refers to newly-created job openings in an occupation. For example, if a hospital expanded its nursing staff from 100 to 150 (due to a variety of factors, such as an increased workload), those 50 job openings are due to growth.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Occupational Growth Projections, Mesa County 2012 - 2022

Occupations	2012	2022	Job Growth 2012 to 2022		2012 Average Annual Wage
			# Jobs	% Change	
Construction and Extraction	5,658	7,546	1,888	33.4%	\$45,252
Food Preparation and Serving Related	6,180	7,924	1,744	28.2%	\$21,584
Office and Administrative Support	9,742	11,404	1,662	17.1%	\$33,015
Sales and Related	7,735	8,928	1,193	15.4%	\$32,701
Healthcare Practitioners and Technical	3,874	5,041	1,167	30.1%	\$74,049
Transportation and Material Moving	4,427	5,220	793	17.9%	\$35,604
Personal Care and Service	2,241	2,918	677	30.2%	\$22,547
Business and Financial Operations	2,431	3,099	668	27.5%	\$62,009
Installation, Maintenance, and Repair	2,803	3,455	652	23.3%	\$44,751
Healthcare Support	2,160	2,748	588	27.2%	\$28,000
Building and Grounds Cleaning and Maintenance	1,902	2,224	322	16.9%	\$26,914
Production	2,508	2,823	315	12.6%	\$32,859
Protective Service	1,212	1,500	288	23.8%	\$43,396
Management	2,642	2,923	281	10.6%	\$96,011
Community and Social Services	1,154	1,390	236	20.5%	\$41,529
Arts, Design, Entertainment, Sports, and Media	1,336	1,569	233	17.4%	\$37,346
Architecture and Engineering	806	1,004	198	24.6%	\$69,939
Computer and Mathematical	526	691	165	31.4%	\$70,493
Life, Physical, and Social Science	693	823	130	18.8%	\$63,176
Legal	463	537	74	16.0%	\$78,896
Education, Training, and Library	na	na	na	na	na
Farming, Fishing, and Forestry	na	na	na	na	na
10 Year Total New Jobs and Wages*	60,493	73,767	13,274	21.9%	\$550,465,578
Average Annual New Jobs & Wages*	--	--	1,327	2.2%	55,046,558

* Total 2012 mean wages per new job

Source: CO State Demography Office: Development Research Partners, Inc.

Evaluating housing demand from the employment side, the Labor Market Information section of the Colorado Department of Labor and Employment estimates the growth in occupational job openings (from both growth and net replacements) from now until 2022 at about 13,300 positions. Using an estimate of about 1.7 household members per household in the workforce provides an estimate of around 8,200 new housing units being demanded in Mesa County due solely to job-pull. Allowing for additional in-migration attributable to the pull of a Mesa County Lifestyle will bump up this housing demand.

Occupational growth over the next 10 years is anticipated to provide average annual wages of about \$41,500. The top five occupations anticipated to grow over the next 10 years are: construction and extraction occupations; food preparation and serving related occupations; office and administrative support occupations; sales and related occupations; and healthcare practitioners and technical occupations. These five professions are anticipated to comprise almost 58% of new occupational growth.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Grand Junction Housing Absorption Projections

Overall it is estimated that housing demand (new and resale) and unit absorption of all types in Mesa County will be around 10,000 over the next 10 years. For these projections it is assumed that the City of Grand Junction will capture a share of the County's new residential units in a similar proportion as has been experienced over the recent past. According to U.S. Census Bureau data, from 2000 to 2010 Grand Junction captured about 58% of new construction in the County. Further, a March 2014 survey by Rees Consulting Inc found that 38% of people were interested or very interested in living in the central business district; this survey point is used to estimate Grand Junction demand capture for the CBD.

Estimated Absorption of Housing Units * Mesa County

Year	Mesa County New Housing Demand	Grand Junction New Housing Demand	CBD New Housing Demand
2014	675	391	149
2015	767	445	169
2016	918	532	202
2017	1,096	636	242
2018	1,196	694	264
2019	1,280	742	282
2020	1,176	682	259
2021	1,255	728	277
2022	1,239	719	273
2023	1,228	712	271
2024	1,217	706	268
TOTAL	12,046	6,987	2,655

* Which may be existing inventory or new construction

Source: Development Research Partners, Inc.

According to the U.S. Census Bureau, in 2012 about 66% of Grand Junction households lived in single-family homes and about 15% are living in multi-family units of 5 units or more (the balance of housing is in duplex, four-plex, mobile, or other types of housing). Assuming a similar distribution, annual absorption of multi-family units in the CBD are forecast to total almost 400 units over the next 10 years. In that currently there are a limited number of CBD multi-family units, it is assumed that demand will translate into new construction.

Estimated Absorption of Housing Units Downtown Core

Year	CBD Demand	Single-Family Demand	Multi-Family Demand
2014	149	98	22
2015	169	112	25
2016	202	133	30
2017	242	159	36
2018	264	174	40
2019	282	186	42
2020	259	171	39
2021	277	183	41
2022	273	180	41
2023	271	179	41
2024	268	177	40
TOTAL	2,655	1,752	398

Source: U.S. Census ACS 2008-2012; Development Research Partners, Inc.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

It should be noted that demand assumptions and projections are based on historical data trends and may be subject to variability and revision as the market continues to evolve.

According to the Rees Consulting survey of Grand Junction residents, there is almost equal interest in CBD flats, lofts, and live/work style units. Given the relatively small absorption numbers, a mixture of housing units can be incrementally introduced into the market and unit mix adjusted as the emerging markets are tested.

There was slightly less interest in townhomes according to the survey. This is not surprising given that townhomes tend to compete with single-family homes in the rental market and caters to a family dynamic or renters requiring larger units.

The Shadow Market

According to the Rees Consulting survey, about 25% of the rental-home supply is being met by single-family homes and other units originally built as for-sale units. Soft market conditions and investor-based foreclosure sales have been cited as reasons why many single-family homes are on the rental market.

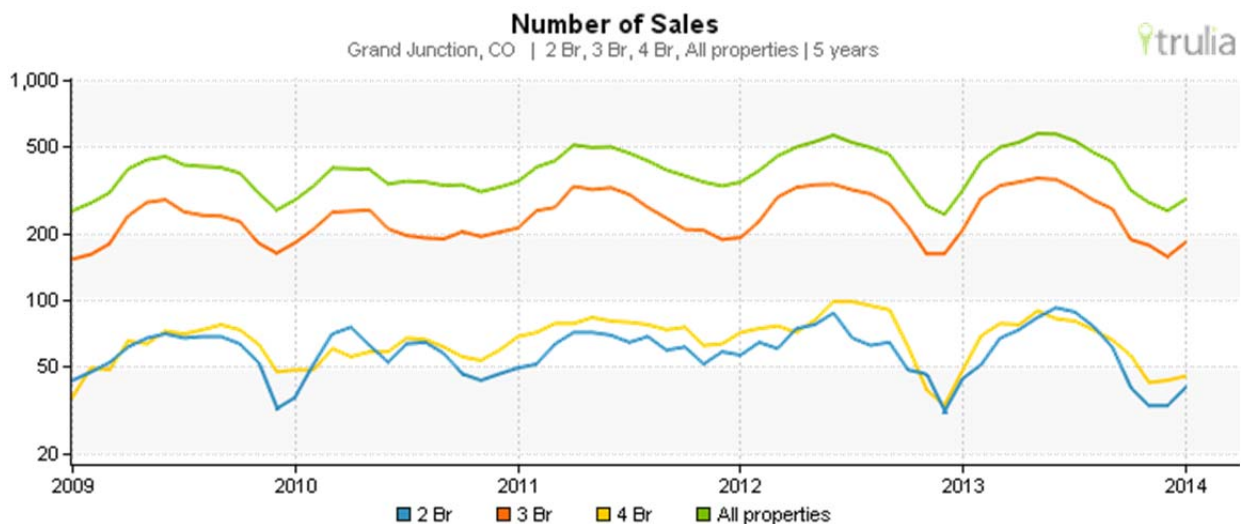
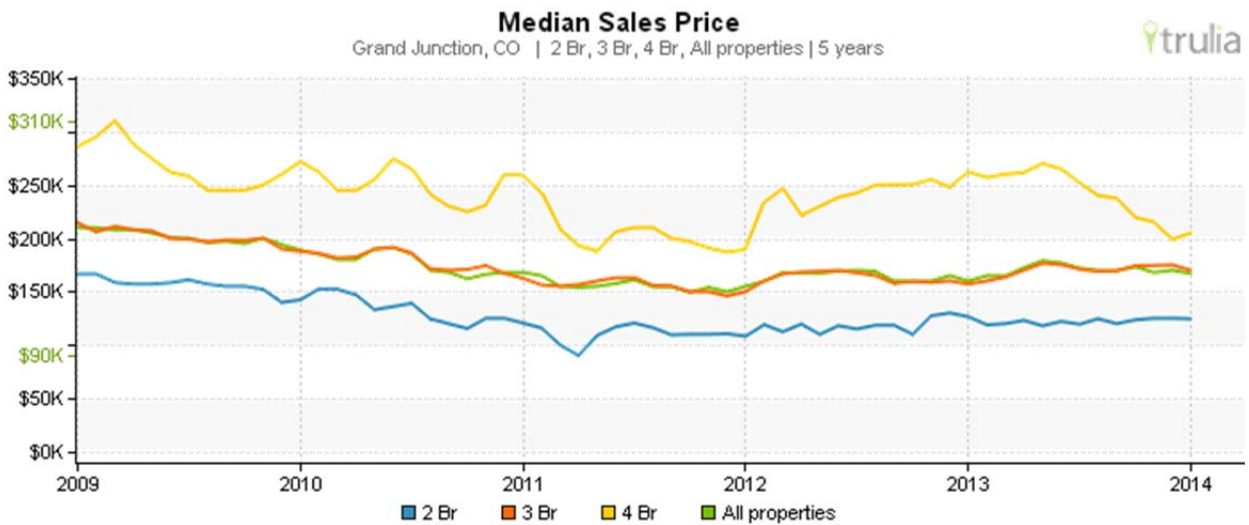
The Great Recession officially ended mid-year 2009, however it has been a slow recovery and Mesa County was particularly hard hit. Certain sectors and property types are harder hit than others and the softest market seems to be the single-family market. While the following chart compares only a single month, it is indicative of a slowly recovering market

Mesa County Foreclosures		
Month of January, Year over Year		
January 1	Foreclosure Filings	Foreclosure Sales
2014	51	59
2013	60	50
2012	93	77
2011	118	79
2010	142	70
2009	115	16

Source: Colorado Division of Housing

The overall housing vacancy was reported to be currently about 7%, not far off from a market at full occupancy, considered to be around 94% to 95%. According to April 2014 home sales data reported by Trulio.com, average price per square foot for single-family homes sold in Grand Junction was \$111, an increase of 4.7% compared to the same period last year. Trulio data supports the notion of a stabilizing market after a dip in late 2013 market. The late 2013 sales dip seems to reflect a return to a more typical seasonal pattern last seen in 2010.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS



The market most affected by single-family home sales is in townhomes and larger apartment units. The Rees Consulting report indicates that a 5% vacancy is being experienced in the downtown rental market, however tenuous. These signs point to a housing recovery and coupled with strong anticipated growth in jobs and immigration. Current trends support an optimistic view of the multi-family rental market. The absorption and other assumptions made herein are already considerate of shadow market conditions and therefore structurally incorporated into the projections herein.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Impact of New Construction on Market Vacancy

Based on housing inventory and vacancy data reported by the 2012 U.S. Census data for Grand Junction and by Rees Consulting, the addition of all proposed new 129 units would have a negligible impact on the overall Grand Junction market, but have a notable impact on the downtown and CBD market because of its smaller base.

- Given anticipated absorption, if all 129 units were constructed now (without pre-leasing), greater downtown occupancy would drop to about 86% and CBD would drop to about 40.5%. Given projected absorption, it will take an estimated 4 to 5 years for the CBD multi-family market to reach 95% stabilized occupancy.

All Proposed Units	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	129	129	129
New Total Units	26,244	2,172	244
% Total Market Added	0.5%	6.3%	112.2%
New Occupancy	92.5%	85.6%	40.5%
Absorption to reach 95% Occupancy	645	204	133

- Given anticipated absorption, if the 43 unit White Hall project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 93% and CBD would drop to about 63%. Given projected absorption, it will take an estimated 2 years for the CBD multi-family market to reach 95% stabilized occupancy.

White Hall	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	43	43	43
New Total Units	26,158	2,086	158
% Total Market Added	0.2%	2.1%	37.4%
New Occupancy	92.8%	89.1%	62.6%
Absorption to reach 95% Occupancy	563	123	51

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

- Given anticipated absorption, if the 24 unit Rood Lots project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 90% and CBD would drop to about 71%. Given projected absorption, it will take about 1 year for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Rood Lots	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	24	24	24
New Total Units	26,139	2,067	139
% Total Market Added	0.1%	1.2%	20.9%
New Occupancy	92.9%	89.9%	71.2%
Absorption to reach 95% Occupancy	545	105	33

- Given anticipated absorption, if the 26 unit Colorado Avenue project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 90% and CBD would drop to about 70%. Given projected absorption, it will take about 1 to 2 years for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Colorado Lots	Grand Junction	Downtown District	CBD
Existing Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	26	26	26
New Total Units	26,141	2,069	141
% Total Market Added	0.1%	1.3%	22.6%
New Occupancy	92.9%	89.9%	70.1%
Absorption to reach 95% Occupancy	547	106	35

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

- Given anticipated absorption, if the 36 unit Grand Avenue project was constructed now (without pre-leasing), greater downtown occupancy would drop to about 93% and CBD would drop to about 66%. Given projected absorption, it will take about 1 to 2 years for the CBD multi-family market to bounce back to 95% stabilized occupancy.

Grand Avenue	Grand Junction	Downtown District	CBD
Existing MF Units	26,115	2,043	115
Occupied Units	24,287	1,859	99
Current Occupancy*	93%	91%	86%
New Units Added	36	36	36
New Total Units	26,151	2,079	151
% Total Market Added	0.1%	1.8%	31.3%
New Occupancy	92.9%	89.4%	65.5%
Absorption to reach 95% Occupancy	556	116	45

source: U.S. Census Bureau; Rees Consulting; Development Research Partners

Presumably, most of the vacancy experienced will be in the new units constructed. There may be pressure put on older units as leases expire and renters take advantage of new housing options, however this churn in existing units will happen over a year time frame as leases expire. It is expected that openings in older properties will provide new housing opportunities for newcomers to CBD living.

Given the potential impacts on the local housing market, it would make sense to introduce projects over a multi-year timeline. Particular in the current tenuous market recovery it would prudent to not introduce more than about year's absorption of units. This would also allow for design modifications in response to the emerging market.

Multi-Family Rental Rates

A rental rate survey conducted by Rees Consulting suggests that apartment rental rates have been stagnant for several years and are renting from \$600 to \$800 per unit, with some newer projects leasing for upwards of \$950 for a single bedroom unit. It was also noted that the multi-family downtown market, is experiencing relatively high occupancy and stable. If not rising, rental rates; however it is still tenuous with recent projects adding 96 units and notably impacting rental rates. Reported by the Rees survey, downtown apartment managers are suggesting new units might rent for upwards of \$1,000 to \$1,200 per month.

According to the Colorado Division of Housing, average apartment rents in Grand Junction were about \$578 as of third quarter 2013 and Rees Consulting reports a current average rental rate of around \$800. A current online search for available rental units in Grand Junction shows some of the highest asking rents in Grand Junction including a \$1,300 2-bedroom/2-bath 1,259 square foot unit at the new Rya Suites. Most current rental listings in the \$900+ rental range compete with many single-family homes and "in-law apartments;" lifestyle choice would be an important deciding factor for renters.

GRAND JUNCTION HOUSING DEMAND PROJECTIONS

Regarding rental rates for the multi-family projects conceptualized herein, the units are lifestyle-oriented units targeted to young singles, young couples, and empty-nesters. The quality and amenities would target a better than average market, and average rental rates can be expected to be between \$750 and \$1,200 per month. The Colorado Avenue and the Rood Avenue sites are situated closer to the downtown core, may be subject to noise and activity, and may find the largest demand from young people (without kids) seeking this lifestyle at a lower price point. Alternatively, the White Hall and Grand Avenue sites are a little further from the busy downtown core, are in quieter areas transitioning to single-family neighborhood, and may be more attractive to higher-income empty nesters. Generally, larger units will rent for less per square foot and so unit size is also considering in estimating market rent. Specifically, current rent at opening is projected as follows:

Site	Estimated Current Market Rent			
	# Units	Average Unit Size (SF)	Monthly Rent	Rent per SF
White Hall	43	864	\$865	\$1.00
Grand Avenue	36	1,025	\$1,025	\$1.00
Rood Lots	24	1,256	\$1,180	\$0.94
Colorado Avenue Lots	26	835	\$795	\$0.95

There are a total of 125,900 square feet being proposed in 129 units. Considering the aggregate total proposed units these market rent projections equate to an average monthly rent of \$954 per unit and \$0.98 per square foot.

COMMERCIAL SPACE RENTAL RATES

There is a total of Base on discussions with developers in the stakeholder group interview and online review of spaces available it is estimated that new functionally modern commercial space could lease at around \$12 per square foot annually on a modified gross basis. This space would be expected lease rapidly and be fully occupied within a year of opening.

PROPOSED DEVELOPMENT SCENARIOS

The following design concepts and construction programs were provided by Van Meter, Williams, Pollack, LLP.

White Hall Site

43 dwelling units (75 du/ac): 24 flats [22,800sf], 15 adapted Apts. [9,750 sf], 4 lofts [4,600 sf]
 3,700 sf non-residential (1,600 sf employment, 2,100 sf live-work)
 68 parking spaces (1.75/unit)



Grand Avenue Lot

36 dwelling units (42 du/ac): 24 townhouse [26,400 sf.], 12 carriage units [10,500 sf.]
 64 parking spaces at 1.75/unit (38 covered parking spaces, 26 on-street parking spaces)



PROPOSED DEVELOPMENT SCENARIOS

Rood Lots

Two sites adjacent to opposite ends of a public parking structure, shared parking in structure
 24 dwelling units (85 du/ac): 18 flats [15,750 sf.], 8 lofts [7,200 sf.]
 15,500 sf incubator / commercial



Colorado Avenue Lot

26 units (52 du/ac): 20 flats [14,500 sf.], 6 masonets [7,200 sf.]
 7,000 sf non-residential commercial / incubator
 26 covered parking spaces at 1/ unit



PRO FORMA & FEASIBILITY INDICATORS

Based on the draft construction schedule provided the following financial indicators are evaluated for each development scenario:

- Estimated development costs
- Three-year real estate proforma to reach stabilized operations, for each component type and combined
- Required market rent for feasibility compared to current market; an indicator of current market to market equilibrium
- Three “Equity Gap” indicators that will be reconciled to a single estimate:
 - (1) a simple feasibility test comparing market value to development cost;
 - (2) the lender’s viewpoint evaluating equity deficit or surplus; and
 - (3) an investment viewpoint evaluating cash-on-cash rates of return
- Estimated Tax Revenues from new development

PRO FORMA & FEASIBILITY INDICATORS: WHITE HALL SITE

DEVELOPMENT COSTS:	White Hall		
Project	Square Feet	Units	SF/Unit
SF Residential: Flats	22,800	24	950
SF Residential: Lofts	4,600	4	1,150
SF Remodel Units	9,750	15	
SF Commercial	3,700		
Structured Parking (# spaces)	0		
Underground Parking (# spaces)	19		
Total Residential	37,150	43	
Total Commercial	3,700		
Site size (sf)	25,134		
Buildings Footprint	12,234		
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>	
SF Residential: Flats	\$123.00	\$2,804,400	
SF Residential: Lofts	\$125.00	\$575,000	
SF Remodel Units	\$90.00	\$877,500	
SF Commercial	\$148.00	\$547,600	
Structured Parking (per space)	\$40,000.00	\$0	
Underground Parking (per space)	\$40,000.00	\$760,000	
Additional Costs:	--	--	
Asbestos Abatement		\$400,000	
Fill, Grading		\$25,000	
Base Construction Costs:		\$5,989,500	
Plus:	SF	Cost per SF	Total Cost
Land	25,134	\$6.00	\$150,804
Surface Parking	4,500	\$50.00	\$225,000
Landscaping	8,400	\$5.00	\$42,000
			\$6,407,304
TOTAL			
Development Cost Estimate			\$6,407,304
Total Development Cost Estimate			\$6,400,000
Total Development Cost per Rentable SF			\$157
Residential Development Cost Estimate			\$5,900,000
Residential Units			43
Residential Development Cost per Unit			\$137,000
Residential Development Cost per SF			\$159
<i>* includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction</i>			

PRO FORMA & FEASIBILITY INDICATORS: WHITE HALL SITE

White Hall COMMERCIAL SPACE

Proforma Assumptions		Stabilized		
Rentable SF	3,700			
YEAR	Construction	1	2	3
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$12.00	\$12.24	\$12.48
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$33,300	\$40,160	\$40,867
Operating Expenses	\$2.00	\$7,400	\$7,548	\$7,699
Leasing Expense	1.0%	\$333	\$402	\$409
Total Operating Expenses		\$7,733	\$7,950	\$8,108
Capital Reserves	1.0%	\$333	\$402	\$409
Net Operating Income		\$25,234	\$31,809	\$32,351

White Hall RESIDENTIAL UNITS

Proforma Assumptions		Stabilized		
Units	43			
YEAR	Construction	1	2	3
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$1.00	\$1.02	\$1.04
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$334,350	\$403,226	\$410,328
Operating Expenses/Unit	\$3,500	\$150,500	\$153,510	\$156,580
Leasing Expenses	0.5%	\$1,672	\$2,016	\$2,052
Total Operating Expenses		\$152,172	\$155,526	\$158,632
Capital Reserves	1.5%	\$5,015	\$6,048	\$6,155
Net Operating Income		\$177,163	\$241,652	\$245,541

White Hall RESIDENTIAL UNITS + COMMERCIAL SPACE

Net Operating Income From All Sources				
Operating Year		1	2	3
Rental Revenue		\$367,650	\$443,386	\$451,195
Less:				
Operating Expenses		\$159,905	\$163,476	\$166,739
Capital Reserves		\$5,348	\$6,450	\$6,564
Net Operating Income		\$202,397	\$273,460	\$277,892

PRO FORMA & FEASIBILITY INDICATORS: WHITE HALL SITE

Required Market Rent for Feasibility

Required Market Rent for Feasibility	
Financial Indicator	Stabilized Year 3
Development Costs:	\$6,400,000
Stabilized Cap Rate:	7.00%
Required NOI:	\$448,000
vacancy (5%)	\$22,400
Plus: Expenses	\$8,108
Plus: Capital Reserves	\$817
Required Gross Revenue	\$479,325
Projected Gross Revenue	\$451,195
Surplus or (Deficit)	(\$28,130)

- Required rental income for feasibility is about \$28,000 below total rental income required to be feasible.
- Over the entire project, a rent increase of about \$0.69/SF or about 6.25% overall market improvement is needed to support new construction..

Equity Gap Indicators

Market Value vs. Development Cost	
Financial Indicator	Stabilized Year 3
Net Operating Income	\$277,892
Overall Rate	7.00%
Market Value	\$3,969,882
Development Cost	\$6,400,000
Surplus or (Deficit)	(\$2,430,118)

Financing Parameters	
Financial Indicator	Stabilized Year 3
Loan to Value Method	
Loan: Value	75%
Market Value	\$4,000,000
Loan Amount	\$3,000,000
Equity on Loan	\$1,000,000
Development Cost	\$6,400,000
Additional Gap Equity Needed	\$2,400,000
Total Equity Required	\$3,400,000
Total Equity/Development Cost	53%

PRO FORMA & FEASIBILITY INDICATORS: WHITE HALL SITE

Investment Parameters		
Financial Indicator		Stabilized Year 3
Required Financing Equity		\$3,400,000
Net Operating Income		\$277,892
Less: Annual Loan Payment*		<u>\$221,071</u>
Cash Proceeds		\$56,820
Return on Equity (cash-on-cash)		1.7%
Required Cash-on-Cash		8% to 10%
Target CoC/Equity	9%	\$631,336
Required Financing Equity		\$3,400,000
Equity Gap		\$2,768,664
<i>*5.5%; 25 yr amort</i>		

- Comparing market value to development cost indicates an equity gap of around \$2.4 million
- From a financing perspective there is an equity gap of around \$2.4 million
- From an investment perspective, cash-on-cash rates of return indicate an equity gap of around \$2.8 million
- Indicators show an equity gap range of \$2.4 million to \$2.8 million. The overall equity gap is reconciled to around \$2.5 million

Estimated Tax Revenues from new development

Estimated Tax Revenue (Total District Mills)		
Stabilized Year 3		
Use	Residential	Commercial
Income	\$245,541	\$32,351
Cap Rate	<u>7.00%</u>	<u>7.00%</u>
Market Value Estimate	\$3,500,000	\$500,000
Equilization Rate	<u>7.96%</u>	<u>29.00%</u>
Assed Value Estimate	\$278,600	\$145,000
2013 Mil Levy	<u>68.108</u>	
Estimated Tax Revenue	\$18,975	\$9,876
Total Revenue Estimate	\$28,851	

PRO FORMA & FEASIBILITY INDICATORS: GRAND AVENUE SITE

DEVELOPMENT COSTS:

Grand Avenue

Project	Square Feet	Units	SF/Unit
SF Residential: Townhomes	26,400	24	1,100
SF Residential: Carriage Units	10,500	12	875
Tuck Under Parking	7,200		
Bank Surface Parking	12,000		
Total Residential	36,900	36	
Site size (sf)	21,998		
Buildings Footprint	13,823		
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>	
SF Residential: Townhomes	\$125.00	\$3,300,000	
SF Residential: Carriage Units	\$123.00	\$1,291,500	
Tuck Under Parking	\$100.00	\$720,000	
Surface Parking	\$50.00	\$600,000	
Additional Costs:	--	--	
Base Construction Costs:		\$5,911,500	
Plus:	SF	Cost per SF	Total Cost
Land	21,998	\$6.00	\$131,988
Landscaping	8,175	\$5.00	\$40,875
			\$6,084,363
TOTAL			
Residential Development Cost Estimate			\$6,100,000
Residential Units			36
Residential Development Cost per Unit			\$169,000
Residential Development Cost per SF			\$165

** includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction*

PRO FORMA & FEASIBILITY INDICATORS: GRAND AVENUE SITE

Grand Avenue

RESIDENTIAL UNITS

Proforma Assumptions		Stabilized		
Units	36			
YEAR	Construction	1	2	3
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$1.00	\$1.02	\$1.04
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$332,100	\$400,513	\$407,566
Operating Expenses/Unit	\$3,500	\$126,000	\$128,520	\$131,090
Leasing Expenses	0.5%	\$1,661	\$2,003	\$2,038
Total Operating Expenses		\$127,661	\$130,523	\$133,128
Capital Reserves	1.5%	\$4,982	\$6,008	\$6,113
Net Operating Income		\$199,458	\$263,982	\$268,325

Required Market Rent for Feasibility

Required Market Rent for Feasibility	
Financial Indicator	Stabilized Year 3
Development Costs:	\$6,100,000
Stabilized Cap Rate:	7.00%
Required NOI:	\$427,000
vacancy (5%)	\$21,350
Plus: Expenses	\$0
Plus: Capital Reserves	\$0
Required Gross Revenue	\$448,350
Projected Gross Revenue	\$407,566
Surplus or (Deficit)	(\$40,784)

- Required rental income for feasibility is about \$41,000 below total rental income required to be feasible.
- Over the project, a rent increase of about \$0.11/SF or about 11.0% overall market improvement is needed for the market to support new construction.

PRO FORMA & FEASIBILITY INDICATORS: GRAND AVENUE SITE

Equity Gap Indicators

Market Value vs. Development Cost	
Financial Indicator	Stabilized Year 3
Net Operating Income	\$268,325
Overall Rate	7.00%
Market Value	\$3,833,210
Development Cost	\$6,100,000
Surplus or (Deficit)	(\$2,266,790)

Financing Parameters	
Financial Indicator	Stabilized Year 3
Loan to Value Method	
Loan: Value	75%
Market Value	\$3,800,000
Loan Amount	\$2,850,000
Equity on Loan	\$950,000
Development Cost	\$6,100,000
Additional Gap Equity Needed	\$2,300,000
Total Equity Required	\$3,250,000
Equity/Development Cost	53%

Investment Parameters	
Financial Indicator	Stabilized Year 3
Required Financing Equity	\$3,250,000
Net Operating Income	\$268,325
Less: Annual Loan Payment*	<u>\$210,018</u>
Cash Proceeds	\$58,307
Return on Equity (cash-on-cash)	1.8%
Required Cash-on-Cash	8% to 10%
Target CoC/Equity	9%
Required Financing Equity	\$647,853
Required Financing Equity	\$3,250,000
Equity Gap	\$2,602,147
<i>*5.5%; 25 yr amort</i>	

- Comparing market value to development cost indicates an equity gap of around \$2.3 million
- From a financing perspective there is an equity gap of around \$2.3 million
- From an investment perspective, cash-on-cash rates of return indicate an equity gap of around \$2.6 million
- Indicators show an equity gap range of \$2.3 million to \$2.6 million. The overall equity gap is reconciled to around \$2.4 million

PRO FORMA & FEASIBILITY INDICATORS: GRAND AVENUE SITE

Estimated Tax Revenues from new development

Estimated Tax Revenue (Total District Mills)	
Stabilized Year 3	
Use	Residential
Income	\$268,325
Cap Rate	<u>7.00%</u>
Market Value Estimate	\$3,833,210
Equilization Rate	<u>7.96%</u>
Assesed Value Estimate	\$305,123
2013 Mil Levy	<u>68.108</u>
Estimated Tax Revenue	\$20,781

PRO FORMA & FEASIBILITY INDICATORS: ROOD LOTS SITE

DEVELOPMENT COSTS:	Rood Lots		
Project	Square Feet	Units	SF/Unit
SF Residential: Flats	22,950	16	1,434
SF Residential: Lofts	7,200	8	900
SF Commercial	15,000		
Total Residential	30,150	24	
Total Commercial	15,000		
Site size (sf)	12,545		
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>	
SF Residential: Flats	\$125.00	\$2,868,750	
SF Residential: Lofts	\$125.00	\$900,000	
SF Commercial	\$115.00	\$1,725,000	
Additional Costs:	--	--	
Base Construction Costs:		\$5,493,750	
Plus:	SF	Cost per SF	Total Cost
Land	12,545	\$6.00	\$75,270
			\$5,569,020
TOTAL			
Development Cost Estimate			\$5,569,020
Total Development Cost Estimate			\$5,600,000
Total Development Cost per Rentable SF			\$124.03
Residential Development Cost Estimate			\$3,800,000
Residential Units			24
Residential Development Cost per Unit			\$158,000
Residential Development Cost per SF			\$126

** includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction*

PRO FORMA & FEASIBILITY INDICATORS: ROOD LOTS SITE

Rood Lots COMMERCIAL SPACE

Proforma Assumptions		Stabilized		
YEAR	Construction	1	2	3
Rentable SF	15,000			
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$12.00	\$12.24	\$12.48
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$135,000	\$162,810	\$165,677
Operating Expenses	\$2.00	\$30,000	\$30,600	\$31,212
Leasing Expense	1.0%	\$1,350	\$1,628	\$1,657
Total Operating Expenses		\$31,350	\$32,228	\$32,869
Capital Reserves	1.0%	\$1,350	\$1,628	\$1,657
Net Operating Income		\$102,300	\$128,954	\$131,152

Rood Lots RESIDENTIAL UNITS

Proforma Assumptions		Stabilized		
YEAR	Construction	1	2	3
Units	24			
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$0.94	\$0.96	\$0.98
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$255,069	\$307,613	\$313,031
Operating Expenses/Unit	\$3,500	\$84,000	\$85,680	\$87,394
Leasing Expenses	0.5%	\$1,275	\$1,538	\$1,565
Total Operating Expenses		\$85,275	\$87,218	\$88,959
Capital Reserves	1.5%	\$3,826	\$4,614	\$4,695
Net Operating Income		\$165,968	\$215,781	\$219,377

Rood Lots RESIDENTIAL UNITS + COMMERCIAL SPACE

Net Operating Income From All Sources				
Operating Year		1	2	3
Rental Revenue		\$390,069	\$470,423	\$478,708
Less:				
Operating Expenses		\$116,625	\$119,446	\$121,828
Capital Reserves		\$5,176	\$6,242	\$6,352
Net Operating Income		\$268,268	\$344,735	\$350,529

PRO FORMA & FEASIBILITY INDICATORS: ROOD LOTS SITE

Required Market Rent for Feasibility

Required Market Rent for Feasibility	
Financial Indicator	Stabilized Year 3
Development Costs:	\$5,600,000
Stabilized Cap Rate:	7.00%
Required NOI:	\$392,000
vacancy (5%)	\$19,600
Plus: Expenses	\$32,869
Plus: Capital Reserves	\$3,314
Required Gross Revenue	\$447,782
Projected Gross Revenue	\$478,708
Surplus or (Deficit)	\$30,926

- Required rental income for feasibility is about \$31,000 greater than total rental income required to be feasible.
- This is feasible by less than 7% of the estimated required gross income, within a reasonable margin of error and considered marginally feasible. This outlook is susceptible to revisions in assumptions or market conditions.

Equity Gap Indicators

Market Value vs. Development Cost	
Financial Indicator	Stabilized Year 3
Net Operating Income	\$350,529
Overall Rate	7.00%
Market Value	\$5,007,550
Development Cost	\$5,600,000
Surplus or (Deficit)	(\$592,450)

Financing Parameters	
Financial Indicator	Stabilized Year 3
Loan to Value Method	
Loan: Value	75%
Market Value	\$5,000,000
Loan Amount	\$3,750,000
Equity on Loan	\$1,250,000
Development Cost	<u>\$5,600,000</u>
Additional Gap Equity Needed	\$600,000
Required Financing Equity	\$1,850,000
Equity/Development Cost	33%

PRO FORMA & FEASIBILITY INDICATORS: ROOD LOTS SITE

Investment Parameters		
Financial Indicator	Stabilized Year 3	
Required Financing Equity	\$1,850,000	
Net Operating Income	\$350,529	
Less: Annual Loan Payment*	<u>\$276,339</u>	
Cash Proceeds	\$74,189	
Return on Equity (cash-on-cash)	4.0%	
Required Cash-on-Cash	8% to 10%	
Target Cash-on-Cash	9%	\$824,324
Required Financing Equity	\$1,850,000	
Equity Gap	\$1,025,676	
<i>*5.5%; 25 yr amort</i>		

- Comparing market value to development cost indicates an equity gap of around \$600,000
- From a financing perspective there is an equity gap of around \$600,000
- From an investment perspective, cash-on-cash rates of return indicate an equity gap of around \$1 million
- Indicators show an equity gap range of \$600,000 to \$1 million. The overall equity gap is reconciled to around \$700,000

Estimated Tax Revenues from new development

Estimated Tax Revenue (Total District Mills)		
Stabilized Year 3		
Use	Residential	Commercial
Income	\$219,377	\$131,152
Cap Rate	<u>7.00%</u>	<u>7.00%</u>
Market Value Estimate	\$3,100,000	\$1,900,000
Equilization Rate	<u>7.96%</u>	<u>29.00%</u>
Assed Value Estimate	\$246,760	\$551,000
2013 Mil Levy	<u>68.108</u>	
Estimated Tax Revenue	\$16,806	\$37,528
Total Revenue Estimate	\$54,334	

PRO FORMA & FEASIBILITY INDICATORS: COLORADO AVENUE SITE

DEVELOPMENT COSTS:

Colorado Avenue

Project	Square Feet	Units	SF/Unit
SF Residential: Flats	14,500	20	725
SF Residential: Masonets	7,200	6	1,200
SF Commercial	7,000		
Tuck Under Parking	7,200		
Total Residential	21,700	26	
Total Commercial	7,000		
Site size (sf)	21,998		
Buildings Footprint	13,823		
CONSTRUCTION COST ESTIMATE*	<u>Cost/SF</u>	<u>Sub Cost</u>	
SF Residential: Flats	\$123.00	\$1,783,500	
SF Residential: Masonets	\$123.00	\$885,600	
SF Commercial	\$150.00	\$1,050,000	
Additional Costs:	--	--	

Base Construction Costs:		\$3,719,100	
Plus:	SF	Cost per SF	Total Cost
Land	21,998	\$6.00	\$131,988
Landscaping	8,175	\$5.00	\$40,875
			\$3,891,963
TOTAL			
Total Development Cost Estimate			\$3,900,000
Total Development Cost per Rentable SF			\$135.89
Residential Development Cost Estimate			\$2,800,000
Residential Units			26
Residential Development Cost per Unit			\$108,000
Residential Development Cost per SF			\$129
<i>* includes general reserves, overhead, Developer's profit; source: Means Cost Guide 2013 & FCI Construction</i>			

PRO FORMA & FEASIBILITY INDICATORS: COLORADO AVENUE SITE

Colorado Avenue COMMERCIAL SPACE

Proforma Assumptions		Stabilized		
Rentable SF	7,000			
YEAR	Construction	1	2	3
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$12.00	\$12.24	\$12.48
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$63,000	\$75,978	\$77,316
Operating Expenses	\$2.00	\$14,000	\$14,280	\$14,566
Leasing Expense	1.0%	\$630	\$760 ■	\$773
Total Operating Expenses		\$14,630	\$15,040	\$15,339
Capital Reserves	1.0%	\$630	\$760 ■	\$773
Net Operating Income		\$47,740	\$60,178 ■	\$61,204

Colorado Avenue RESIDENTIAL UNITS

Proforma Assumptions		Stabilized		
Units	26			
YEAR	Construction	1	2	3
Annual Rate Growth Rate	2%			
Rental Rate/SF		\$0.95	\$0.97	\$0.99
Occupancy Rate		75%	90%	90%
NOI Projections				
YEAR	Construction	1	2	3
Rental Revenue		\$185,535	\$223,755	\$227,696
Operating Expenses/Unit	\$3,500	\$91,000	\$92,820	\$94,676
Leasing Expenses	0.5%	\$928	\$1,119	\$1,138
Total Operating Expenses		\$91,928	\$93,939	\$95,815
Capital Reserves	1.5%	\$2,783	\$3,356	\$3,415
Net Operating Income		\$90,824	\$126,460 ■	\$128,466

Colorado Avenue RESIDENTIAL UNITS + COMMERCIAL SPACE

Net Operating Income From All Sources				
Operating Year		1	2	3
Rental Revenue		\$248,535	\$299,733	\$305,012
Less:				
Operating Expenses		\$106,558	\$108,979	\$111,154
Capital Reserves		\$3,413	\$4,116	\$4,189
Net Operating Income		\$138,564	\$186,639	\$189,670

PRO FORMA & FEASIBILITY INDICATORS: COLORADO AVENUE SITE

Required Market Rent for Feasibility

Required Market Rent for Feasibility	
Financial Indicator	Stabilized Year 3
Development Costs:	\$3,900,000
Stabilized Cap Rate:	7.00%
Required NOI:	\$273,000
vacancy (5%)	\$13,650
Plus: Expenses	\$15,339
Plus: Capital Reserves	\$1,546
Required Gross Revenue	\$303,535
Projected Gross Revenue	\$305,012
Surplus or (Deficit)	\$1,477

- Required rental income for feasibility is about \$1,500 greater than total rental income required to be feasible.
- This is feasible by less than 0.5% of the estimated required gross income, well within a margin of error and considered marginally feasible and susceptible to revisions in assumptions or market conditions.

Equity Gap Indicators

Market Value vs. Development Cost	
Financial Indicator	Stabilized Year 3
Net Operating Income	\$189,670
Overall Rate	7.00%
Market Value	\$2,709,569
Development Cost	\$3,900,000
Surplus or (Deficit)	(\$1,190,431)

Financing Parameters	
Financial Indicator	Stabilized Year 3
Loan to Value Method	
Loan: Value	75%
Market Value	\$2,700,000
Loan Amount	\$2,025,000
Equity on Loan	\$675,000
Development Cost	\$3,900,000
Additional Gap Equity Needed	\$1,200,000
Required Financing Equity	\$1,875,000
Equity/Development Cost	48%

PRO FORMA & FEASIBILITY INDICATORS: COLORADO AVENUE SITE

Investment Parameters		
Financial Indicator	Stabilized Year 3	
Required Financing Equity	\$1,875,000	
Net Operating Income	\$189,670	
Less: Annual Loan Payment*	<u>\$149,223</u>	
Cash Proceeds	\$40,447	
Return on Equity (cash-on-cash)	2.2%	
Required Cash-on-Cash	8% to 10%	
Target Cash-on-Cash	9%	\$449,407
Required Financing Equity	\$1,875,000	
Equity Gap	\$1,425,593	
<i>* 5.5%; 25 yr amort</i>		

- Comparing market value to development cost indicates an equity gap of around \$1.2 million
- From a financing perspective there is an equity gap of around \$1.2 million
- From an investment perspective, cash-on-cash rates of return indicate an equity gap of around \$1.4 million
- Indicators show an equity gap range of \$1.2 million to \$1.4 million. The overall equity gap is reconciled to around \$1.3 million

Estimated Tax Revenues from new development

Estimated Tax Revenue (Total District Mills)		
Stabilized Year 3		
Use	Residential	Commercial
Income	\$128,466	\$61,204
Cap Rate	7.00%	7.00%
Market Value Estimate	\$1,800,000	\$900,000
Equilization Rate	<u>7.96%</u>	<u>29.00%</u>
Assesed Value Estimate	\$143,280	\$261,000
2013 Mil Levy	<u>68.108</u>	
Estimated Tax Revenue	\$9,759	\$17,776
Total Revenue Estimate	\$27,535	

SUMMARY

- The purpose of this study is to conduct market analysis of four potential multi-family housing sites in Grand Junction, Colorado.
- The four development proposals evaluated herein have various configurations of residential, commercial, and work-live components
- Although hard hit by the Great Recession, the Grand Junction housing market is recovering from job losses and some of the highest foreclosure rates in the state.
- New job growth is projected to be positive over the next ten years which will support in-migration of population. The City will also continue to attract new residents seeking the Grand Junction lifestyle
- While the housing market is still soft, it is recovering and is expected to be able to absorb new multi-family units, particularly in the downtown core which is lacking in rental units. This absorption will be slow, however, and new units should be slowly phased into the market to support recovery.
- Given the potential impacts on the local housing market, it would make sense to introduce projects over a multi-year timeline. Particular in the current tenuous market recovery it would prudent to not introduce more than about year's absorption of units (20 to 30 units). This would also allow for design modifications in response to the emerging market.
- Multi-Family rental rates are expected to see increase as the market continues to recover.
- There is a variety of commercial space available in the downtown core, but much of it is older and lacking in functional utility and modern features. New, modern space should see good market acceptance if phased in slowly to maintain a balanced recovery.
- The commercial and residential markets are slowly recovering from the Great Recession and different combinations of space configuration, rental rate price points, and lending terms can impact financial feasibility. Based on the assumptions developed herein, the following is a summary of financial indicators for each of the development scenarios:

Indicator	White Hall	Grand Avenue	Rood Lots	Colorado Avenue
Square Feet Proposed				
Residential	37,150 SF	36,900 SF	30,150 SF	21,700 SF
Commercial	3,700 SF	0 SF	15,000 SF	13,823 SF
Development Cost per Square Foot	\$157	\$165	\$124	\$136
Feasibility				
Based on Current Market Rents	No	No	Marginal	Marginal
Rent Increase for Minimal Feasibility	6.25%	11%	0%	0%
Equity Gap				
Based on cash-on-cash returns	\$2.5 million	\$2.4 million	\$700,000	\$1.3 million

SUMMARY CONCLUSION

Grand Junction's real estate market is in a tenuous position as the general economic recovery slowly progresses, against a background of high foreclosure rates and tumultuous oil and gas industry. The outlook is positive with recovery anticipated to continue. Appropriately configured and priced development is marginal; a market improvement in rental rates of about 10% will turn the tide towards a strong market. The market is anticipated to improve to this equilibrium point over the next two to four years.

LIMITING CONDITION

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