

Downtown Fayetteville **HOUSING SUMMARY**

Prepared for Allison Platt & Associates
and
The Downtown Development Corporation of Fayetteville

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MEMORANDUM

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TO: Ms. Allison Platt
FROM: Randy Gross
SUBJECT: Fayetteville Housing

This memorandum provides a brief overview of downtown Fayetteville housing market opportunities and underlying issues. A full housing market report will follow.

Key Market Issues

- **Small downtown employment base.** The most important indicator / generator of downtown housing demand is usually the downtown employment base. Fayetteville's primary employment generator (Fort Bragg) is 7 miles out of town. Downtown does not have any major employment anchors but rather a small base of local government offices, banks, medical, industrial, and retail businesses. Highsmith-Rainey Memorial Hospital is perhaps the most important downtown employer. Downtown Fayetteville's employment base represents just 2.8% of the total civilian employment base in the county. By comparison, Wilmington's CBD employment is almost 14% of the county's total. This is perhaps the most significant constraint on the downtown housing market. Even much smaller towns have a regional bank office or other professional employer in the downtown. In this regard, Fayetteville is very unique for a metropolitan area of over 300,000 people.
- **Suburban sprawl.** The city of Fayetteville is only growing through annexation. The urban census tracts that comprise downtown's key housing market lost 13% of their population between 1990 and 2002. Meanwhile, Cumberland County's overall population increased by 11% during the same period. Metro Fayetteville (Cumberland County) now has over 300,000 people. Suburbanization is draining downtown of its market base, particularly since development is heading further west, creating a one-sided market. The military is concerned about the impacts of sprawl edging toward their training areas. The North Carolina Forest Service is concerned about Fayetteville's sprawl heading west into a sensitive Forest Legacy Area (Sandhills and Uwharries).

- **Dependence on military.** Fort Bragg's direct employment totals 55,168 (46,463 military + 8,705 civilian contractors), representing almost 40% of all jobs held by Cumberland County residents. This doesn't include all of the indirect impacts spinning through the local economy. The regional economic impact is estimated at \$4.8 Billion per year. About 31,000 people (19,000 military + 12,000 family) live on base. Of these, 44% live in group quarters. An estimated 44,000 military + family live off base. Thus, the Fort Bragg population is estimated at 75,000 or 25% of the total metro population.
- **Commuting distance to base.** Proximity to base is a crucial determinant of housing location for probably 50% of the market. Downtown is a long commute. New roads like the extension of U.S. Route 13 north of town only encourage suburban sprawl and create housing locations that are competitive with downtown. Proximity to base has a strong influence on the location of rental housing.
- **Low income and image.** Clearly there is a need to encourage housing development east of downtown. However, these areas currently suffer from an historic image problem and contain concentrated pockets of poverty. For example, 84% of households in Tract 13 (north/east of the CBD) have incomes of less than \$25,000. The area is further constrained by floodplain and development problems. As we have noted, the best sites with clear amenity value are difficult to develop due to existing uses.
- **Lack of downtown amenity base.** Downtown does not yet have the kind of activity that attracts typical CBD housing markets (single young professionals / transfers, immigrants, or down-sizers). Thus, housing projects must either create their own amenities, offer price incentives, or coordinate closely with other types of amenity-driven development projects. Furthermore, downtowns typically attract people who are more transient and likely to be renters, but Fayetteville's rental market is heavily dependent on proximity to Fort Bragg.

Key Housing Opportunities

Because of the constraints discussed above, housing is a difficult market to promote in the downtown area for the near future. *Housing opportunities would be driven first by enhancing the employment base in downtown Fayetteville. Without increasing employment, there is little market base on which to draw for either rental or for-sale housing.*

Based on the housing market analysis, it has become clear that the real need is to attract large employment generators to downtown Fayetteville. Job creation is also the top priority for local government officials. This will be addressed somewhat through the retail piece, but there will still remain a need for

overall economic development strategic planning that exceeds the scope of this assignment.

In the absence of employment generators, key market-rate housing opportunities must relate to creating amenity value and capturing niche markets like military retirees and the few downtown workers. Strategic housing development should occur on the city's east side, first as a way of enhancing the overall downtown retail market and second as a way of revitalizing the city's most distressed neighborhoods. However, the environment for housing development on the east side is poor. This would not be the first, second, or third preference by housing developers.

Housing development efforts would either need to occur in isolated, well-planned and secure environments or (preferably), as part of a major, long-term revitalization effort for neighborhoods in east Fayetteville. Thus, these projects must be viewed in the overall context of long-term neighborhood revitalization.

- **Old Campbellton Riverfront Condominiums.** The river is an underutilized resource. Even though the river is a mile from the downtown core, there is a need to attract housing in that direction. There is potential mid-term demand (through 2005) for up to 40 units of riverfront condominium (preferably as clustered cottages, but also as multi-family units), with the following caveats:
 - **Amenity-based.** The housing must be designed in such a way as to maximize any natural or recreational amenities associated with the river. Amenities would potentially include views, natural areas, trails/walkways, and boat slips; as well as security systems and cottage design ("historic small town charm") in Old Campbellton. The RV park is not such a bad idea. There may be opportunities to incorporate RV parking or related amenities into the project.
 - **DINKs & Military retirees.** Such a project would need to be marketed to potential military retirees and their families in the Fayetteville area or North Carolina. This niche market includes 90,000 Fort Bragg retirees in the state, of which 40,000 live in the Fayetteville area. Retirees would represent 25% to 35% of absorption for this project. Retirees are mainly attracted because of the medical benefits offered on-base through CHAMPUS, the military's medical insurance program. Retirees are increasingly interested in downtown living. Key amenities demanded by retirees are security and walkability. Ideally, a housing project could be integrated into a Cape Fear Riverwalk or riverfront walking/hiking/biking trail that could eventually extend to the coast.

- **Price Incentives.** Current attempts to promote downtown housing in Fayetteville have largely failed, in part due to the pricing structure (condo units offered at \$200,000+). The market for downtown housing, especially the “first” projects, is extremely price sensitive. Findings from the market analysis suggest demand is maximized at for-sale prices below \$100,000 (in the \$90,000 to \$110,000 range). Furthermore, the market for military and military retirees is enhanced through price incentives and packaging. Housing might be pre-sold with incentives on a graduated scale. (The first ten buyers get a 10% discount, etc). Marketing would be closely coordinated with base medical benefits. These prices are not unreasonable in this market. Glen Allen (off of Reilly Road) has single-family homes priced in the \$93,000 to \$109,000 range. Small single-lot-line cottages or multi-family condominium units can be built at a relatively low cost in this market. Even with such low prices, absorption would require up to 3 years for 40 units.
- **Community.** Marketing a relatively small project like this requires a larger, long-term concept for building community. The plan should provide a “vision” for long-term redevelopment in east Fayetteville (areas just east of Downtown).
- **Long-term projects.** One or two risky projects like this can help gradually create an environment in support of other types of housing development. Should this project succeed, there would be market opportunities for additional phases, larger riverfront projects, and then infill projects throughout the downtown-east area. A later phase would probably include another 40 to 70 units nearby, with absorption over a three-year period (say starting in 2006). Ideally, you’d want to coordinate design, bridge, and gateway improvements along Person, Grove, and/or Russell Streets with housing projects at the river.
- **Downtown upper-floor rentals.** Fayetteville’s existing downtown housing has been marketed for condominium ownership, at prices above what the market can bear. While rental demand is thin away from Fort Bragg, renters are a larger part of the overall market for downtown housing than are homeowners. Target niches include DINKs, young singles, and “alternative” lifestyles. The demand analysis suggests that there is more demand for rental than for-sale units in the upper-floor spaces of the downtown core. Even then, the market is price-sensitive. Downtown rents should not exceed the market rent of \$447 (one bedroom) or \$501 (two bedrooms). Thus, the strategy (that I will be considering) may relate to conversion of these for-sale units to a rental model.

- **HOPE VI.** The concept of redeveloping public housing areas such as Point Place or Grove View Terrace through a HOPE VI can be integrated into the overall revitalization “vision” for the east Fayetteville area. However, unless the purpose of the HOPE VI is to relocate public housing in order to free up a competitive housing site, it should not be a priority for the following reasons:
 - The public housing, especially Point Place, is in relatively good condition when compared with surrounding neighborhoods.
 - Market-rate housing will have a more beneficial impact on downtown Fayetteville’s business potentials. Revitalization of public housing may help enhance the image of the area, but it won’t raise income levels or increase the number of rooftops in support of the downtown market. There is a real need to diversify the income mix in this area to alleviate the exiting concentration of poverty and to raise the overall average household income. Certainly, higher-quality low-income housing should be a part of the overall vision, but HOPE VI should not be the priority (unless it’s specifically freeing up a site).
 - The challenges and bureaucratic planning process associated with HOPE VI will require significant time and effort. Plus, a Housing Authority Director has to be convinced it is worth his effort. There are other projects that can leverage both private and federal funding (CDBG, military housing, etc) that seem easier to carry out.