

EXECUTIVE SUMMARY

A. INTRODUCTION

The purpose of this report is to evaluate the potential for residential development in the City of Galion in Crawford County, Ohio. Residential development uses considered in this analysis include the following:

- Market-rate multifamily rental housing
- Affordable multifamily rental housing (Low Income Housing Tax Credit)
- Independent-Living rental housing for senior households
- Assisted-Living rental housing for senior households
- Memory Care rental housing for senior households
- For-sale single-family housing
- For-sale multifamily (condominium) housing

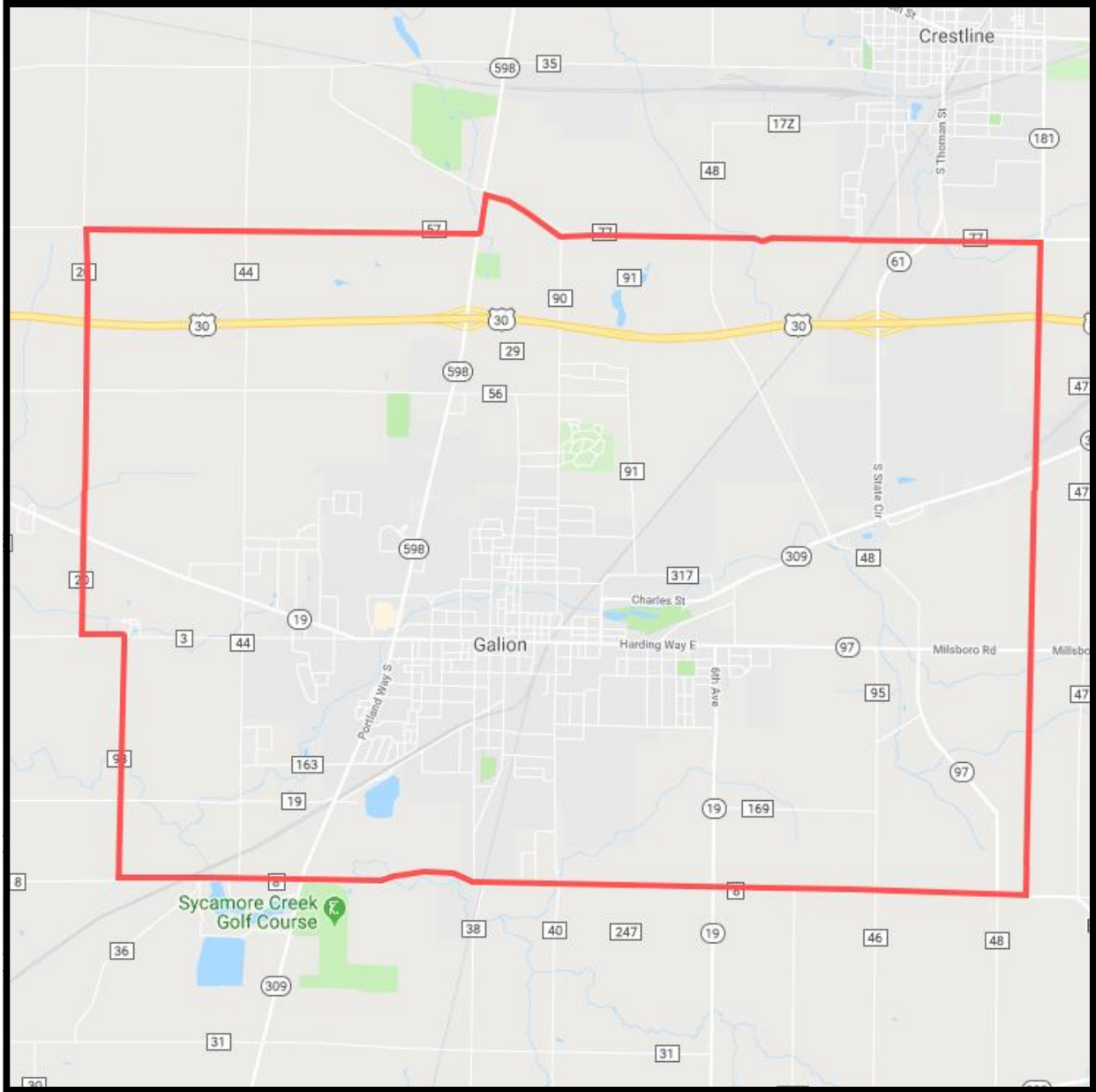
This study analyzes the overall for-sale and rental housing needs for Galion and its periphery. No site has been specified for development and our recommendations relate to the potential to develop within the Galion area, but not for specific sites. Due to their proximity and shared base of household services, we have combined Galion and Crestline for senior housing.

The Galion study area for rental housing, condominium, and single-family residential includes the City of Galion, most of Polk Township, a portion of Jefferson Township and a small portion of Jackson Township.

The Galion/Crestline senior housing study is bounded by State Route 96, County Road 198, and County Road 170 to the north, State Route 314 to the east, Steam Corners Road, County Road 40, County Road 35, State Route 61, County Road 51, and State Route 309 to the south, and State Route 100, Monnett Chapel Road, Shearer Road, State Route 19, and State Route 602 to the west.

Maps illustrating these study areas are illustrated on the following pages:

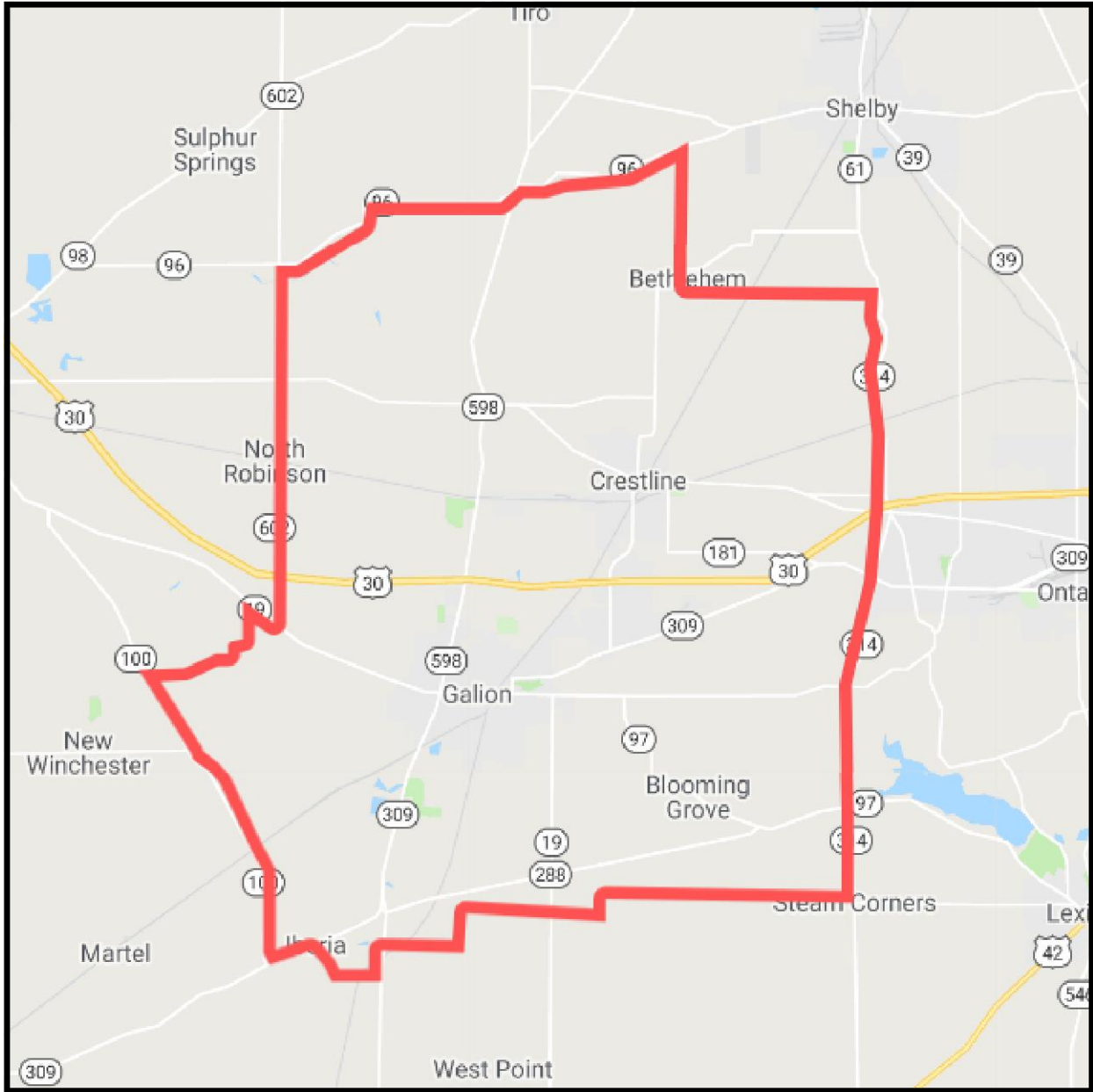
STUDY AREA MAP



GALION, OHIO



SENIOR HOUSING STUDY AREA



GALION/CRESTLINE



Given the lack of conventional rental housing in each of the study areas, we have case studied several “Peer Cities” in the Midwest with well-developed market-rate multifamily rental markets to assist in identifying potential for additional development in each study area.

Based on field surveys of existing rental and for-sale housing development, and a demographic analysis of the Galion study area, support levels can be established for additional housing development potential. We have considered the following in our recommendations:

- Analysis of the overall rental and for-sale housing market in each study area
- Historical housing trends
- Current market conditions based on 100% field survey of modern apartments, condominiums, single-family subdivisions, and senior rental housing
- Appropriateness of each study area for additional development
- Current and expected economic and household growth conditions
- Area housing demand factors, including:
 - Income-appropriate renter households
 - Age- and income-appropriate households
 - Support from existing renters (step-up/down support)
 - Case studies of “Peer Cities” with fully developed apartment markets
 - Condominium and single-family support considers optimum capture factors based on income cohorts.

The Galion study area does not feature moderate or upscale multifamily rental housing, which is vitally important to supporting multifamily rental growth as well as potential condominium and single-family home ownership. Further, moderate and upscale apartments are critical in attracting new employees to growing companies or businesses new to the market.

ECONOMY/EMPLOYMENT

Crawford County, overall, has a good ratio of jobs to labor force. There has been little change in the ratio of labor force and employment in the past 10 years. However, both the labor force and employment in Crawford County have declined during the same span.

Between 2009 and 2018, employment decreased 6.5%, while the labor force declined more significantly, 16.0% during the same period. Although both have declined in the past 10 years, the ratio has tightened considerably since the economic decline in 2009 when the labor force was 117% of employment. It is currently 106% of employment. Following is a comparison of work force and employment in Crawford County:

A distribution of total employees working in Galion and Crawford County by category is as follows:

EMPLOYMENT CATEGORY	CRAWFORD COUNTY	GALION
Forestry, Fishing, Hunting And Agricultural Support	113	6
Mining	0	0
Utilities	17	1
Construction	575	208
Manufacturing	3,948	1,261
Wholesale Trade	589	283
Retail Trade	1,297	441
Transportation And Warehousing	155	32
Information	238	33
Finance And Insurance	689	181
Real Estate And Rental And Leasing	264	142
Professional, Scientific And Technical Services	567	324
Management Of Companies And Enterprises	75	0
Administrative Support, Waste Management, Remediation Services	328	65
Educational Services	1,420	248
Health Care And Social Assistance	2,021	693
Arts, Entertainment, And Recreation	183	48
Accommodation And Food Services	1,429	646
Other Services (Except Public Administration)	824	258
Public Administration	972	167
Unclassified Establishments	8	3
Total	15,712	5,041

The total number of employees working in Galion accounts for 32.1% of the total number of employees working in Crawford County.

Employment categories accounting for the highest share of employees among Crawford County include Manufacturing, Health Care and Social Assistance, Accommodations and Food Services, Education Services, and Retail Trade. These categories account for nearly 65% of the total employees in Crawford County.

C. RECOMMENDATIONS

It is our opinion that a market exists for multiple housing development alternatives in the Galion study area, including upscale apartments, moderate apartments, Tax Credit apartments, single-family subdivisions, and senior properties with services.

The current recommended demand for additional rental and for-sale housing in the study area is illustrated as follows. The recommended demand for senior housing was separated from the other housing components. Senior housing generally attracts residents from a greater area than the other housing types studied, resulting in larger study areas. Because Galion and Crestline share a hospital and community services, as well as their proximity to each other, we have considered Crestline and Galion together in a common study area. These recommended unit totals are based on the assumption that each product type would achieve a stabilized absorption within an appropriate timeframe.

CURRENT RENTAL AND FOR-SALE HOUSING DEMAND GALION STUDY AREA (RENTAL) AND GALION/CRESTLINE AREA (SENIOR)	
DEVELOPMENT TYPE	GALION
Upscale Garden	28
Upscale Townhouse	24
Moderate Garden	48
Moderate Ranch	24
Low to Moderate Family Tax Credit	60
Low to Moderate Senior Tax Credit	32
Condominium	0
Single-Family Subdivision	20
Total	236
	GALION/CRESTLINE
Senior Independent-Living	60
Senior Assisted-Living	68
Senior Memory Care	40
Total	168

MARKET-RATE APARTMENTS

We recommend four types of market-rate development currently not represented in the market as follows:

Upscale Market-Rate Garden Apartments (among two- to three-story buildings)

UNIT DESCRIPTION	NUMBER	SQUARE FEET	CURRENT RENTS
One-Bedroom/1.0 Bath Garden	10	750	\$710
Two-Bedroom/2.0 Bath Garden	18	950	\$900
Total	28		

Upscale Market-Rate Townhouse Apartments

UNIT DESCRIPTION	NUMBER	SQUARE FEET	CURRENT RENTS
Two-Bedroom/2.5 Bath Townhouse With Attached Garage	18	1,000	\$1,005
Three-Bedroom/2.5 Bath Townhouse With Attached Garage	6	1,150	\$1,155
Total	24		

Moderate Market-Rate Garden Apartments (among two- to three-story buildings)

UNIT DESCRIPTION	NUMBER	SQUARE FEET	CURRENT RENTS
One-Bedroom/1.0 Bath Garden	20	675	\$645
Two-Bedroom/2.0 Bath Garden	28	900	\$825
Total	48		

Moderate Market-Rate Ranch Apartments (among single-story buildings with attached garage)

UNIT DESCRIPTION	NUMBER	SQUARE FEET	CURRENT RENTS
One-Bedroom/1.0 Bath Ranch With Attached Garage	8	700	\$685
Two-Bedroom/1.0 Bath Ranch With Attached Garage	16	925	\$865
Total	24		

LOW-INCOME HOUSING TAX CREDIT APARTMENTS- (FAMILY)

It is our opinion that a conventional, non-age-restricted low-income housing Tax Credit property would provide workforce housing and accelerate residential development.

Because the 2018 maximum allowable rents at 60% of the area median household income exceed the 90% threshold of comparable market rents in the Galion study area, we have recommended a Tax Credit product offering units at 40% and 50% of the area median household income.

The appropriate incomes at the 40% and 50% levels range from \$13,830 to \$30,700; within the Galion study area, there are currently 650 income-qualified renters within this income range. A 60-unit project would represent 9.2% of this total, which is within the Ohio Housing and Finance Agency's capture rate threshold of 10.0%.

UNIT DESCRIPTION	PERCENT OF MEDIAN HOUSEHOLD INCOME	NUMBER OF UNITS	SQUARE FEET	GROSS RENTS*	UTILITY ALLOWANCE	NET RENTS*
One-Bedroom/1.0 Bath Garden	40%	4	650	\$461	\$83	\$378
Two-Bedroom/2.0 Bath Garden	50%	16		\$576	\$83	\$493
Two-Bedroom/2.0 Bath Garden	40%	6	925	\$553	\$98	\$455
Two-Bedroom/2.0 Bath Garden	50%	26		\$691	\$98	\$593
Three-Bedroom/2.0 Bath Garden	40%	2	1,100	\$639	\$119	\$520
Three-Bedroom/2.0 Bath Garden	50%	6		\$798	\$119	\$679
Total		60				

*Based on 2018 Maximum Allowable Rent Range for Crawford County



LOW-INCOME HOUSING TAX CREDIT APARTMENTS- (SENIOR)

Given the strength of the current age-restricted Tax Credit apartment market and based on our Tax Credit demand analysis, it is our opinion that demand exists for additional age-restricted, low-income housing Tax Credit rental housing in Galion. Because older adult and elderly households tend to have lower monthly living expenses, we have used a 50% rent-to-monthly income ratio for the purpose of this analysis.

The appropriate incomes at the 40% and 50% levels range from \$11,060 to \$24,600; within the Galion study area, there are currently 349 age- and income-qualified households within this income range. A 32-unit project would represent 9.2% of this total, which is well within the Ohio Housing and Finance Agency's capture rate threshold of 10.0%.

UNIT DESCRIPTION	PERCENT OF MEDIAN HOUSEHOLD INCOME	NUMBER OF UNITS	SQUARE FEET	GROSS RENTS*	UTILITY ALLOWANCE	NET RENTS*
One-Bedroom/1.0	40%	4	600	\$461	\$83	\$378
Bath Garden	50%	16		\$576	\$83	\$493
Two-Bedroom/2.0	40%	2	850	\$553	\$98	\$455
Bath Garden	50%	10		\$691	\$98	\$593
Total		32				
*Based on 2018 Maximum Allowable Rent Range for Crawford County						

Rents for all of the product types outlined in the previous pages include water, sewer, and trash removal services. Tenants will pay all other utilities.

FOR-SALE CONDOMINIUMS

Based on our condominium demand analysis, which accounts for support from both within the study area, as well as support from outside the area, there is annual demand for 18 new condominium units in the Galion study area.

It should be noted, however, that optimal absorption is seldom achieved within a market. Generally, maximum absorption occurs only when sales are a function of demand rather than being limited by supply.

In most markets that achieve sales close to demand, there are various product types represented with various sales prices available, i.e., a full range of price, concept and location alternatives. Maximum sales are, generally, only achieved in overbuilt markets. In underserved markets, individual projects often exceed expectations due to the lack of competition.

Also, the condominium market in the Galion study area was adversely affected by the economic downturn of the mid- to late-2000s. Since the economic downturn, condominiums have not recovered to their earlier favor. In addition, underwriting standards for developers, requiring increased equity and significant presales, often preclude condominium development. Further, underwriting for potential buyers has also become more restrictive, thereby compounding the issue of legitimate presales.

Galion contains existing condominium developments that have adjacent, vacant land that could potentially be developed into new for-sale condominium units and these unit totals, if ultimately constructed, would exceed the annual demand totals in each market.

It is unknown whether the 34 additional units at the one existing condominium development, Aspen Terrace, in Galion will ultimately be constructed. Similar to the properties in Bucyrus, Aspen Terrace experienced slow absorption and as a result, had to discount unit prices towards the end of the absorption period.

This property sold 45 units between January 2001 and December 2007, for an average absorption of 0.5 units per month. Average sales price for these units was \$184,947. However, the property did not experience any unit sales between 2008 and 2013, which was likely caused by the economic downturn.

Once the final four units were sold, which occurred between May 2014 and April 2016, the average sales price among these units was \$144,378, which was a discount of 21.9%.

SINGLE-FAMILY SUBDIVISIONS

Based on our single-family subdivision demand analysis, which accounts for support from both within the study area, as well as support from outside the area, there is annual demand for 21 new single-family homes in the Galion study area.

Similar to new condominium development, optimal absorption among new single-family development is seldom achieved within a market. Generally, maximum absorption occurs only when sales are a function of demand rather than being limited by supply.

In most markets that achieve sales close to demand, there are numerous product types represented with various sales prices available, i.e., a full range of price, concept and location alternatives. Maximum sales are, generally, only achieved in overbuilt markets. In underserved markets, individual projects often exceed expectations due to the lack of competition.

It should also be noted that the division of the annual potential by sales price is simply a demand model. It is possible for one or more of the price ranges to gain market share from one or more of the other price ranges in any given year. This is driven by the perception of quality and value associated with individual developments as well as pent up demand.

We did not identify any single-family subdivisions that experienced any new home sales over the past 20 years within the Galion study area. Thus, there is an overall deficit of 21 new single-family homes in this study area.

Based on our single-family subdivision demand analysis, it is our opinion that a market currently exists for up to a 20-lot subdivision offering product in the \$150,000 to \$250,000 price range in the Galion study area. At this price point, a 20-lot subdivision would be sold out or established within a 3.0 to 3.5 year period.

SENIOR HOUSING WITH SERVICES

It is our opinion that support exists for additional senior housing with services in the combined Galion/Crestline Study Area. Recommendations for potential developments follow:

Independent-Living

UNIT TYPE	NUMBER OF UNITS/BEDS	BASE RATE*	AVERAGE UNIT SIZE (SQUARE FEET)
Independent-Living			
One-bedroom/1.0 bath	36	\$2,500	750
Two-bedroom/2.0 bath	24	\$3,100	900 -1,000
<i>Independent-living total</i>	<i>60</i>		

Assisted-Living

Assisted-Living			
Studio /1.0 bath	22/22	\$3,500	360
One-bedroom/1.0 bath	46/46	\$4,000	600
<i>Assisted-living total</i>	<i>68/68</i>		

Memory Care

Memory Care			
Private	12/12	\$5,000	300
Semiprivate	14/28	\$4,500	360
<i>Memory care total</i>	<i>26/40</i>		

The recommended senior units do not represent the full demand for senior housing. We have considered the number of units that the market is likely to successfully absorb over an industry-standard two-year absorption period.

UNIT AMENITIES

Market-Rate Apartment Unit Amenities:

Each unit in the proposed market-rate product (upscale garden, upscale townhouse, moderate garden, and moderate ranch-style) will include the following amenities:

- Range
- Frost-free refrigerator
- Dishwasher
- Disposal
- Central air conditioning
- Washer/dryer
- Carpet/faux-wood flooring
- Security system
- Balcony/patio
- Carport
- Attached garages (some)
- Ceiling fan
- 9' ceilings
- Window coverings

In addition, upscale properties would have upgraded finishes such as granite/quartz countertops, cabinetry, carpet/faux-wood flooring, stainless-steel appliances, ice-makers, etc.

Tax Credit Apartment Unit Amenities:

- Range
- Frost-free refrigerator
- Dishwasher
- Central air conditioning
- Washer/dryer
- Window coverings
- Balcony/patio
- Carpet/faux-wood flooring
- Ceiling fan

Competitive features such as room sizes, closets and storage, and entryways are critical in the successful marketing of rental properties. Following are our recommendations for each product.

Bedroom Sizes

The following table shows the minimum recommended bedroom sizes:

PROJECT TYPE	MASTER BEDROOM	SECOND BEDROOM	THIRD BEDROOM
Upscale Garden	160	150	-
Upscale Townhouse	165	150	130
Moderate-Rate Garden Units	150	140	-
Moderate Ranch	150	140	-
Tax Credit - Family	140	135	130
Tax Credit - Senior	140	130	-

Closet Space

The following lineal feet of closet space should be achieved:

One-Bedroom	12 to 15 Lineal Feet
Two-Bedroom	18 to 22 Lineal Feet
Three-Bedroom	24 to 28 Lineal Feet

It should be the goal to have the largest closet space in the market. This effectively reduces turnover. Walk-in closets should be included in the master bedroom; however they are not required in the second and third bedroom. Wall closets are considerably more space efficient. Walk-in closets do provide a “wow” factor, but that can be accomplished in the master bedroom.

Additional storage should be provided where ever possible. The ranch and townhouse units will have additional storage opportunities in the garage. Additional storage can be provided on patios and balconies. Also, additional storage can be provided in special buildings at an additional fee.

Entry

The entry into the units should be open and airy. Entry should be directly into the great room with a view of the opposing windows if possible.

Senior Housing Unit Amenities:

Each independent-living unit should include the following amenities:

- Kitchen featuring a refrigerator, dishwasher, sink, range/oven and microwave oven.
- Central air conditioning
- Carpet/floor coverings
- Window mini-blinds
- Pre-wired for cable/satellite television/Internet
- Emergency call system
- Bathroom fitted with safety bars
- Balcony/patio

Each assisted-living unit should include the following amenities:

- Kitchenette including a sink, microwave and refrigerator
- Emergency call system
- Carpet
- Window blinds/drapes
- Air conditioning

Each memory care unit should include the following amenities:

- Carpet
- Emergency call system
- Window blinds/drapes
- Air Conditioning

PROJECT AMENITIES

We recommend a master project amenity facility serving all of the market-rate rental properties.

Market-Rate Project Amenities:

- Community building
- Fitness center
- Business/computer center
- Car wash area
- Picnic area/BBQ area
- Pet friendly
- On-site management

Tax Credit Project Amenities:

- Community building
- Playground
- Business/computer center
- Picnic/BBQ area
- On-site management

Senior Housing Project Amenities:

- Beauty/barber shop
- Computer center
- Craft/activities room
- Exercise room/fitness center
- Indoor gathering area(s)/lounge(s)
- Wellness/therapy center
- Courtyard
- Formal dining area
- Private family dining room
- Media/TV room
- Library
- Outdoor walking path
- Public Area Wi-Fi
- Laundry room