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Downtown Huntsville Districts Rental Housing Market Study Huntsville, Alabama



Date of Research
November 30, 2021

Date of the Report
December 28, 2021

Underwriting Support By & Prepared for
Downtown Huntsville, Inc. Google Fiber



File Number 2021-261

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"Providing solutions & exceeding expectations through vision, integrity & excellence"

December 28, 2021

Mr. Chad Emerson
Downtown Huntsville, Inc.
P.O. Box 471
Huntsville, AL 35804

Internal File Number: 2021-261

Re: **Market Assessment** to determine support for additional rental multifamily housing to be located within the Districts of Downtown Huntsville, Madison County, Alabama

Dear Mr. Emerson:

At your request, Value Tech Realty Services, Inc. (VT) has analyzed the districts surrounding downtown to determine the number of supportable rental apartment units as well as the orientation of the product that would complement and supplement the urban core. This study recognizes a conservative 255 to aggressive 610-units of Class A unmet demand exists in the core in addition to the findings for the surrounding districts. This report quantifies unmet demand for the surrounding districts.

Huntsville has defined six areas surrounding the core as "districts" that have the potential to provide rental apartments as a housing option for residents. These are defined as Monte Sano (east), Lincoln Mall (north), Medical District (south), Lowe Mill (southwest), Merrimack (far southeast) and West Huntsville (west).

Unprecedented velocity of employment along diverse industries has ignited the interest of developers to build rental properties in greater Huntsville. The volume of residential apartment projects has accelerated to unprecedented levels. This is placing strain on the ability to effectively plan for future housing needs and to direct growth in a manner that is beneficial to the city's needs.

Most new development is occurring on the fringes of the city where vacant land is available. The districts are proximate major economic nodes and offer "infill" sites for new development as well as redevelopment opportunities. Therefore, there is an opportunity for the districts to capture regional household growth as well as broaden the type and quality of rental housing servicing existing residents.

The purpose of this study is to quantify rental housing needs in the district(s) and provide guidance with the product type that best aligns with the character of each district.

The market study includes an executive summary highlighting the key findings with the balance of the report providing details that support the conclusions and recommendations.

Mr. Chad Emerson
Downtown Huntsville, Inc.

December 28, 2021
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Respectfully submitted,

VALUE TECH REALTY SERVICES, INC.

A handwritten signature in blue ink that reads "Quintin Kauchick". The signature is written in a cursive style with a large initial 'Q'.

Quintin Kauchick
Director of Operations

A handwritten signature in blue ink that reads "Kay Kauchick". The signature is written in a cursive style with a large initial 'K'.

Kay Kauchick
President

KK:QK:kw
2021-261

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Scope of Work

Huntsville asked Value Tech Realty Services, Inc. to provide guidance with respect to the amount of demand that may exist for rental apartments and the type of potential product needed to meet the needs of their residents. Huntsville is experiencing unprecedented development in response to rapid employment expansion. Rental housing development has occurred in the region but with minimal activity in the districts surrounding the urban core. Value Tech Realty Services, Inc. is providing guidance with respect to the amount of unmet rental housing demand and the housing product(s) that may be appropriate for each district. The scope of work includes the following:

1. Examine the region's employment trends to assess the type of jobs that are anticipated to attract new households into the region in general and Districts in specific;
2. Project Household formation by Income;
3. Project propensity to rent factors based on trends within the Districts;
4. Quantify current and known future supply additions to determine where voids exist in supply and determine the number of supportable units in the District overall;
5. Provide general guidelines with respect to project concept(s) for each District;
6. Prepare a written report that documents our findings.

Executive Summary

Huntsville is experiencing an accelerating growth cycle. The region is recording record population growth and household formation, largely spurred by an influx of employment opportunities. An analysis of each district was completed relative to Huntsville’s housing needs. Housing need is classified in four categories: public housing, low-income tax credit (LIHTC), workforce housing, and market-rate housing. The timeline utilized in the analysis is 2022 through 2026.

The seven districts that includes the downtown urban core are illustrated:



Rental multifamily unmet demand in the districts includes product to accommodate new household formation, rent-overburdened households, and replacement housing for substandard product that has exceeded its economic life. Replacement housing addresses the need for quality housing options accommodating low- to moderate-income households. These households are subdivided into income brackets. The minimum income levels are provided below:

HOUSEHOLD INCOME REQUIREMENTS				
AMI	30%	50% - 60%	70% - 80%	Market
Minimum Income	\$0	\$25,000	\$37,500	\$48,000

Unmet demand was evaluated by tenant profile. The tenant profile is defined by household income. Income is aligned with rental housing product servicing higher-income, moderate-income essential workforce, lower-moderate-income affordable and low-income rent subsidized. Unmet demand is summarized in a conservative and aggressive analysis:

TOTAL DEMAND BY AMI - DISTRICTS - CONSERVATIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	48	172	227	1,045
Existing Demand from Rent Overburdened Households	3,425	816	184	0
Existing Demand from Substandard Rental Units	222	0	0	0
Future Supply	0	0	0	(490)
Total Demand	3,695	988	411	555

TOTAL DEMAND BY AMI - DISTRICTS - AGGRESSIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	240	280	300	1,166
Existing Demand from Rent Overburdened Households	3,543	844	190	0
Existing Demand from Substandard Rental Units	230	0	0	0
Future Supply	0	0	0	(490)
Total Demand	4,013	1,123	490	676

The analysis covers a five-year period through 2026. Once new residential occurs within a district and synergy is created, a location such as a specific district will gain momentum and additional supply can be supported. An example is the current downtown core that has entered a growth phase in residential development with several projects currently underway.

As discussed within this report, apartments capturing new household formation align with the current characteristics of Lincoln Mill and West Huntsville.

In the analysis, a range of 555-676 units of unmet demand exists for market-rate housing between the Lincoln Mill and West Huntsville districts. The share of market-rate rental households one of these districts will capture is determined by taking a district’s total households and dividing it by the total households overall:

DISTRICT ALLOCATION		
District	Households	% of District Total
Lincoln Mill	1,738	36%
West Huntsville	3,100	64%
Totals	4,838	100%

The lower end of the range represents the conservative analysis, while the upper end of the range represents the aggressive analysis.

MARKET-RATE HOUSING ALLOCATION - CONSERVATIVE		
District	% of District Total	Unmet Demand: Renter Households
Lincoln Mill	36%	199
West Huntsville	64%	355
Totals	100%	555

MARKET-RATE HOUSING ALLOCATION - AGGRESSIVE		
District	% of District Total	Unmet Demand: Renter Households
Lincoln Mill	36%	243
West Huntsville	64%	433
Totals	100%	676

Market-rate households in urbanized locations will prioritize location and amenities over price point. As such it is recommended that market-rate housing be allocated to Lincoln Mill and West Huntsville as these

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two districts have locations and supportive land uses that are most sought after by households migrating to the region.

Workforce housing is provided below in a conservative and aggressive analysis:

WORKFORCE HOUSING ALLOCATION - CONSERVATIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	446

WORKFORCE HOUSING ALLOCATION - AGGRESSIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	525

Workforce housing is allocated to the medical district. This is an area of most critical need where housing within a walkable or non-car dependency manner is necessary to support the hospital and associated businesses. Many employers in this district indicated that they subsidize parking for their employees as many of them must commute because downtown core rents are above their wage levels. If workforce housing was proximate the major medical node it would lower the rental strain on essential workforce as well as reduce their impact on parking and other infrastructure in this district.

Rent subsidized and affordable (Low Income Housing Tax Credit) demand is not allocated due to elevated barriers to entry in the districts. The City of Huntsville and the Huntsville Housing Authority must collaborate with private individuals in pursuit of acceptable development sites. Typically, a variety of incentives and financial support will be necessary to provide grants and/or gap funding in order to achieve a financially viable project. When possible, emphasis should be placed on creating “mixed-income” neighborhoods.

Unmet demand for the Class A market-rate tenant profile excludes the downtown core. Demand is for the districts in total. The placement of the housing product is discussed according to district and what type of housing best aligns with the infrastructure and support-services within each geographical area.

Methodology

Demand was evaluated with reliance on traditional methodologies employed by housing market analysts and standards set by the National Council of Housing Market Analysts (NCHMA), Alabama Housing Finance Authority (AHFA) and Housing and Urban Development (HUD).

Development Strategies Considered

Unmet demand formed the basis for determining where specific product should strategically be considered. A number of peer cities were evaluated to glean strategies utilized to encourage and direct apartment development. Some of the strategies considered are summarized:

- Identify opportunities for infill and/or redevelopment to take advantage of existing infrastructure;
- Target development opportunities to nearby, compatible land uses to encourage the use of alternative modes of transportation, such as walking, bicycling and public transit;
- Assess the real estate market and consider the viability of mixed-use development to create walkable live/work/education/recreate/entertain environments;



- Review financial and/or regulatory incentives utilized to attract and encourage development aligning with desired housing goals, such as permit fee reductions, tax abatements, expedited development approval processes, density bonuses, etc.;
- Evaluate areas that are market-ready (re)development, and/or are located within the defined district(s) that complement the “community theme” of each district.

Housing Allocation Recommendations

A synopsis of the housing allocation by district is provided as a general guide. These recommendations align with primary research conducted by Value Tech Realty Services, Inc.

Housing Allocation Recommendations	
<i>District</i>	<i>Housing Recommendation</i>
Lincoln Mill	Public (Rent Assisted) / LIHTC / Market-Rate
Lowe Mill	Mixed-Income / Live-Work
Medical District	Micro-Units / Workforce
Merrimack District	LIHTC / Mixed-Income
West Huntsville	Student / LIHTC / Market-Rate
Monte Sano	Market-Rate (Long Term)

Market-Rate housing beyond the downtown core is most synergistic to the districts of Lincoln Mill and West Huntsville. Lowe Mill, Merrimack, and Monte Sano are largely family-oriented, single-family communities. If additional rental product is allocated to these districts, it is highly suggested to be mixed income in nature, located on major thoroughfares, and proximate major commercial nodes.

Housing demand is projected through the analysis period of 2026. A brief synopsis of the major districts utilized in the analysis in Huntsville are provided:

Downtown Core

The downtown core is the community life of the region. The core is on a path of transformation from an office-institution and public-service dominated landscape into a multifaceted destination to live, work, and entertain. Major mixed-use development with the “live” component are underway. The downtown core was evaluated under a separate study and has unmet demand of 255-610 Class A market-rate apartments. This is after consideration of the existing, under-construction and known proposed future supply.

Downtown is the premier location for high-income rental households. Therefore, development within the surrounding districts should complement the urban core. Under-utilized land including public housing within the core should be evaluated for redevelopment with moderate- to high-density projects that complement the direction of growth sought by the city.

The surrounding districts are linked to downtown with minimal barriers. The districts can supplement housing product diversity. The urban core should maximize the density of Class A market- rate product.

Lincoln Mill:

Lincoln Mill has a strategic location linking downtown on the south with the education corridor to the north that includes Alabama A&M and Drake State Community & Technical College. Historical buildings from the 1900s including Lincoln Mill are being restored and repurposed to pay homage to Huntsville’s industrial



past and technology-forward future. Unique retail offerings, food and beverage establishments are concentrating along Meridian Street.

Single-family residences include historical village homes originally constructed to provide housing for workers at Dallas Mill, a cotton sheeting manufacturer. Quality rental housing options regardless of targeted income level are limited.

New rental housing development includes The Lofts at Dallas Mill. This community fronts Meridian Street and is a market-rate complex expecting to deliver units in 2022. The 148-unit project is designed to attract young workforce tenants and will likely accommodate some students.

Lincoln Mill's prime location between education dominant land uses to the north and the urban core to the south provides opportunities for a very diverse housing market. Additional rental housing will provide the necessary density to achieve a sustainable live/work/entertain environment. The lineal nature of development forces tenants to have transportation to patronize businesses. With foresight and planning, moderate-to-high-density residential combined with alternatives to car dependence transportation should be incorporated into this district's planning.

Lincoln Mill has the opportunity to revamp under-utilized land transforming the district into a highly desirable area for market rate within the five-year projection period as well as long-term for mixed-income households. The higher density will provide the critical mass of households necessary to support continued retail and commercial businesses.

Low Mill:

Low Mill is home to the Low Mill ARTS & Entertainment center. This center provides cultural diversity to the immediate area and sets itself apart from the other districts of Huntsville.

Low Mill ARTS & Entertainment has about 144 working studios in the facility that was funded in part by the Hudson Family who purchased the 171,000 square foot complex in 2000. The complex is "an incubator for creative minds."

Low Mill District has the potential to become a creative cluster community. Because many creative businesses occupy the same site and/or same general neighborhood, people are attracted to the uniqueness often occupied by small businesses growing together contributing exponentially to each other's success.

Economic success of creative clusters is based on their diversity and multifaceted medley of retail and entertainment. This will typically include bars, local boutiques, art galleries, shops, and commercial venues, all under one roof or in one general neighborhood. They are places which are organic rather than designed with a polished or clinical 'finish'.

Existing housing in this district is comprised predominantly of low-density subsidized housing and single-family homes. Higher housing density is necessary if the district is to expand its community of creative-oriented businesses. Redevelopment of under-utilized land could increase the number of live / work units in the immediate area surrounding the Low Mill ARTS & Entertainment center. This may require zoning changes to allow concentrated moderate-density rental housing within established core areas or along lineal traffic routes. Design controls should encourage compatible facades with existing historical buildings.

Medical District:

The Medical District of Huntsville abuts the high-density development concentrated along Governors Drive Southwest. Huntsville High School and various commercial uses are located in the medical district, but the primary economic driver in this region is the dense medical node on the southern boundary of the urban core.

Huntsville Hospital and Huntsville Hospital for Women & Children are two major components within the Huntsville Hospital Health System. The health system has expanded as a result of population growth. The urban core will continue to be the primary concentration for the hospital. To support the increased staffing needs the city likely needs to assist the hospital with identifying where growth can occur as well as encouraging the private sector to provide support that includes housing.

Wage levels are moderate on average. Class A market-rate rental housing options in the downtown core are priced at levels that are above essential workforce wages. Housing in the medical district is ideal because it can provide a “walkable” environment removing the need for cars and additional parking lots.

The challenge in the medical district is the lack of vacant land. Therefore, redevelopment of older buildings may be required. The overwhelming need is housing that aligns with workforce wage levels. Peer cities have utilized a variety of incentives to secure workforce housing near their urban cores. This includes significant density bonuses for projects that incorporate apartments specifically targeting the workforce.

Huntsville Hospital has permanent and temporary employees. Temporary employees may be in training or assignment to the hospital under a contract. This tenant will typically make economic-driven housing decisions. Therefore, smaller apartments and/or roommate style that may offer fully furnished options are desirable.

The Medical District could accommodate specialty housing product such as micro-units. A portion of the workforce is single workers and entry-level wage earners. Micro-units provide quality living spaces at economic price points. This aligns with the motivation of the tenant profile seeking a convenient non-car dependent location and quality accommodations.

Merrimack District:

Merrimack has a variety of recreation and community-support facilities sought by families. The district’s existing development is comprised of low density commercial, single-family, and older multifamily developments.

This district should target mixed incomes with a dominance of apartments accommodating families. The district’s proximity to residential support services and major thoroughfares to employment nodes is highly attractive to families. The plethora of green space and activities is also attractive to seniors seeking rental housing as a lifestyle choice.

West Huntsville District:

West Huntsville is bifurcated by Interstate 565. The southern portion of the district is anchored by the commercial node along Clinton Avenue West and Governors Drive Southwest. Breweries, dining, and entertainment options along this strip are abundant thereby offering a diverse entertainment draw. Connectivity to major employment nodes provides a quasi-central commuting location to The Cummings Research Park, The University of Alabama in Huntsville, Redstone Arsenal and Downtown.

Tenant profiles will be moderate- to high-income households attracted to the variety of entertainment options but at price points below the urban core. Long-term, mixed-incomes and ages will allow a diverse array of housing product to be considered for this district.

The northern portion of the West Huntsville District is dominated by low-density single family and elementary schools. This portion of the district should orient multi-family developments towards young couples and families to provide the most synergy within the existing community’s attributes.

Monte Sano:

Monte Santo district includes the mountainous area northeast of downtown linked to the urban core by US Highway 72. This district is in the beginning of a growth stage as new residential and commercial development has started to push easterly along the roadway. Because of the mountainous topography, development will be funneled into the flat lands primarily along the US Highway 72 corridor. The District’s geography should be extended to include the growth occurring along US Highway 72 and Old Gurley Road.

Multifamily proximate the core will be difficult due to the topography. Market-rate rental product with low to moderate-density is compatible with existing land uses and the nature-driven ambiance of the district. This district is in its infancy of development. New multifamily beyond what has been identified would likely have market support outside of the projection period.

Multifamily development should represent a small portion of housing. This geographical area lends itself to market-rate apartments based on the limited public transportation options.

Housing recommendations are provided below for each district. These recommendations are based on primary research and discussions conducted with residents and city personnel:

Housing Allocation Recommendations	
<i>District</i>	<i>Housing Recommendation</i>
Lincoln Mill	Public (Rent Assisted) / LIHTC / Market-Rate
Lowe Mill	Mixed-Income / Live-Work
Medical District	Micro-Units / Workforce
Merrimack District	LIHTC / Mixed-Income
West Huntsville	Student / LIHTC / Market-Rate
Monte Sano	Market-Rate (Long Term)

Rental Household Demand

Households were examined based on their income levels as well as if demand is generated from new households or existing residents. New households are primarily relocating into the region for job opportunities. Existing households are seeking higher quality housing and/or more affordable price points.



Demand was quantified based on the following parameters:

DEMAND HOUSEHOLD PROFILE		
Housing Product	Income Level	Characteristics
Market Rate	\$48,000+	New Households
Essential Workers	\$37,500-\$48,000	New and Existing: Rent Overburdened
Affordable	50%-60% AMI (\$25,000-<\$37,500)	Existing Rent Overburdened
Rent Assistance	<50% AMI	Existing Substandard Housing

New market-rate properties within the district will accommodate the moderate- to high-income household. Essential workers are typically at moderate income levels that are at or below the qualification threshold for new Class A communities generally considered 35% of income. This worker profile will need to expend more than 35% of their income to reside in newer apartments.

Affordable properties will typically target households at the 50% to 60% area median income. These communities provide a quality living environment for residents that would be rent overburdened in like-kind traditional apartments.

Rent assistance are households at or below the poverty level. The households reside in public housing or have rental assistance through vouchers or other available programs.

Demographics

Components of demand generated from this report rely on household formation, substandard housing, and rent overburdened households. Demographic trends within the county and defined District were utilized as the basis for quantifying rental demand. Household growth in the districts is projected to remain at elevated levels in the near term as major employers in the region expand their footprint. Many of these new employment opportunities are in highly skilled fields. As the unemployment rate in Madison County is at a record low, many of these positions will need to be filled with new households.

Household formation projections are provided below:

TOTAL HOUSEHOLDS IN THE DISTRICTS						
Income Level:	2021	2022	2023	2024	2025	2026
<\$15,000	4,095	4,109	4,124	4,138	4,152	4,167
\$15,000-\$24,999	2,879	2,876	2,873	2,869	2,866	2,863
\$25,000-\$34,999	2,673	2,687	2,700	2,714	2,728	2,742
\$35,000-\$49,999	2,363	2,410	2,458	2,507	2,557	2,608
\$50,000-\$74,999	2,447	2,512	2,579	2,648	2,718	2,791
\$75,000-\$99,999	1,677	1,715	1,753	1,793	1,833	1,875
\$100,000-\$149,999	2,365	2,476	2,592	2,714	2,841	2,975
\$150,000-\$199,999	996	1,057	1,123	1,192	1,265	1,343
\$200,000+	1,236	1,287	1,341	1,397	1,455	1,516
Total Households	20,731	21,130	21,543	21,972	22,417	22,878

The other components of demand will be substandard housing and rent overburdened housing. These two components of demand will not be prevalent in market-rate household, as such household formation will be the major driver for the market-rate housing analysis.

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Substandard housing provides a basis for understanding housing needs for lower income households. These residents are currently in-place in the districts and are quantified for each income band in the analysis. Housing product for this market will require financial support through grants or gap financing. The other existing housing need relates to rent overburdened households. Demand is quantified overall by income-profile and discussed in greater detail later in the report. The concluding line items for these two demand generators in the tables below are Substandard Housing Demand and Rent Burdened Demand:

2026 30% AMI DEMAND	
Renter Households - 5 Yr. Estimate	5,522
Percent of Households Substandard	4.0%
Substandard Housing Demand	222
Percent of Households Rent Burdened	62.0%
Rent Burdened Demand	3,425

AFFORDABLE RENT BURDENED

2026 50-60% AMI DEMAND	
Renter Households - 5 Yr. Estimate	3,100
Percent of Households Substandard	0.0%
Substandard Housing Demand	0
Percent of Households Rent Burdened	26.3%
Rent Burdened Demand	816

WORKFORCE RENT BURDENED

2026 70-80% AMI DEMAND	
Renter Households - 5 Yr. Estimate	2,112
Percent of Households Substandard	0.0%
Substandard Housing Demand	0
Percent of Households Rent Burdened	8.7%
Rent Burdened Demand	184

The rent-subsidized and affordable housing will require financial support for development. Workforce housing can be achieved through diversified product offering by the private sector and/or with incentives provided through infrastructure support, reduction in on-site parking, density bonuses and/or financial support.



Certificate of Market Study

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- Our compensation is not contingent upon the reporting of a predetermined result that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event.
- This engagement is a market and economic analysis of the housing dynamics of the defined area and is not an appraisal or appraisal related service.
- Quintin Kauchick and Kay Kauchick conducted a physical inspection of the market and the comparables indicated.

VALUE TECH REALTY SERVICES, INC.



Quintin Kauchick
Director of Operations



Kay Kauchick
President

Definitions

The definitions included in this section have been extracted, solely or in combination, from definitions and descriptions printed in The Census or Market Analysis for Real Estate published by the Appraisal Institute.

Household

A household includes all the people who occupy a housing unit as their usual place of residence.

Householder

The person, or one of the people, in whose name the home is owned, being bought, or rented.

If there is no such person present, any household member 15 years old and over can serve as the householder for the purposes of the census.

Two types of householders are distinguished: a family householder and a non-family householder. A family householder is a householder living with one or more people related to him or her by birth, marriage, or adoption. The householder and all people in the household related to him are family members. A non-family householder is a householder living alone or with non-relatives only.

Family Household (Family)

A family includes a householder and one or more people living in the same household who are related to the householder by birth, marriage, or adoption. All people in a household who are related to the householder are regarded as members of his or her family. A family household may contain people not related to the householder, but those people are not included as part of the householder's family in census tabulations. Thus, the number of family households is equal to the number of families, but family households may include more members than do families. A household can contain only one family for purposes of census tabulations. Not all households contain families since a household may comprise a group of unrelated people or one person living alone.

Housing Unit

A house, an apartment, a mobile home or trailer, a group of rooms, or a single room occupied as separate living quarters, or if vacant, intended for occupancy as separate living quarters. Separate living quarters are those in which the occupants live separately from any other individuals in the building and which have direct access from outside the building or through a common hall. For vacant units, the criteria of separateness and direct access are applied to the intended occupants whenever possible.

Effective Date of the Market Study

The date at which the market conclusion applies, which may or may not be the date of inspection; the date of the market conditions that provide the context for the market opinion.

Gross Building Area (GBA)

The total floor area of a building, including below-grade space but excluding unenclosed areas; measured from the exterior of the walls. (*Dictionary*)

Absorption Period

A period of time necessary to lease the property to a stabilized level typically considered 93% to 95%.

Market Study

A macroeconomic analysis that examines the general market conditions of supply, demand, and pricing or the demographics of demand for a specific area or property type. A market study may also include analyses of construction and absorption trends. A market study may also be the process of determining the general market conditions affecting the property to be marketed, including historical and potential levels of supply and demand.

Marketability Study

A process that investigates how a particular piece of property will be absorbed, sold, or leased under current or anticipated market conditions; includes a market study or analysis of the general class of property being studied. A marketability study can also be a microeconomic study that examines the marketability of a given property or class of properties, usually focusing on the market segment(s) in which the property is likely to generate demand. Marketability studies are useful in determining a specific highest and best use, testing development proposals, and projecting an appropriate tenant mix.

General Limiting Conditions

- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The market analyst herein by reason of this report is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all nor any part of the contents of this report (especially any conclusions as to market support, the identity of the market analyst or that with which the market analyst is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the market analyst.

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Madison County Area Analysis

Highlights of key demographic and economic trends are provided. A complete area analysis is contained in the addenda.

Madison County is surrounded by Lincoln County, Tennessee to the north, Franklin County, Tennessee to the northeast, Jackson County to the east, Marshall County to the southeast, Morgan County to the southwest, and Limestone County to the west. The county is included in the Huntsville, AL metropolitan statistical area (MSA).

Population and Demographics

The information in this section was obtained through the U.S. Census Bureau and ESRI. Madison County continues to experience positive population growth as evidenced by the following:

POPULATION AND HOUSEHOLDS: MADISON COUNTY				
	2010	2021	Change	% Change
Total Population	334,811	388,971	54,160	16.2%
Total Households	134,700	158,267	23,567	17.5%

Source: Demographic and Income Profile, ESRI Site Analysis

Total population and households have increased over the past 11 years.

Demographic data from ESRI is presented for general statistics and trends. However, Madison County is surpassing ESRI projections. Employment announcements have accelerated, attracting in migration of persons to fill job opportunities. Thus, the growth in households will likely exceed the data presented. The following chart provides historical population data as well as future projections by age for Madison County:

MADISON COUNTY POPULATION PROJECTIONS BY AGE					
Total Number of Residents					
Age	2010	2021	2026	Change 2021 - 2026	% Change
0-4	20,869	21,124	22,386	1,262	6.0%
5-9	21,285	22,512	23,180	668	3.0%
10-14	22,834	24,132	24,580	448	1.9%
15-19	24,777	24,463	25,922	1,459	6.0%
20-24	24,321	25,184	24,763	-421	-1.7%
25-34	43,958	54,337	54,732	395	0.7%
35-44	44,357	50,694	56,650	5,956	11.7%
45-54	53,816	48,085	48,540	455	0.9%
55-64	37,721	53,933	52,520	-1,413	-2.6%
65-74	23,151	38,124	45,062	6,938	18.2%
75-84	13,284	19,354	24,708	5,354	27.7%
85+	4,438	7,029	8,419	1,390	19.8%
Total	334,811	388,971	411,462	22,491	5.8%
% Change		16.2%	5.8%		
Compounded annual growth rate (2010 to 2026)			1.3%		
Compounded annual growth rate (2021 to 2026)			1.1%		

Source: Demographic and Income Profile, ESRI Site Analysis

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The county has experienced positive growth trends which are projected to continue through 2026. The largest increase in population is projected for the age groups between 65 and 84. The 65+ age cohorts represent the empty nester housing market. This is becoming a more important segment within the rental housing industry as seniors seek low maintenance lifestyles within a secured living environment. The following table provides information on the working-age population within Madison County:

MADISON COUNTY WORKING-AGE RESIDENTS					
Total Number of Residents					
Age	2010	2021	2026	Change 2021 - 2026	% Change
20-24	24,321	25,184	24,763	-421	-1.7%
25-34	43,958	54,337	54,732	395	0.7%
35-44	44,357	50,694	56,650	5,956	11.7%
45-54	53,816	48,085	48,540	455	0.9%
55-64	37,721	53,933	52,520	-1,413	-2.6%
Total	204,173	232,233	237,205	4,972	2.1%
% Change		13.7%	2.1%		
Compounded annual growth rate (2010 to 2026)			0.9%		
Compounded annual growth rate (2021 to 2026)			0.4%		

Source: Demographic and Income Profile, STDB, Inc., ESRI Site Analysis.

The working-age population increased from 2010 to 2021 and will continue this trend through 2026. The following table exhibits household growth within Madison County as well as expected future growth:

HOUSEHOLD PROJECTION FOR 2021 to 2026					
MADISON COUNTY					
				% Household Change	
Year	2010	2021	2026	2010-2021	2021-2026
Total	134,700	158,267	168,119	17.5%	6.2%
Compounded annual growth rate				1.5%	1.2%
Average Size	2.43	2.40	2.39		

Source: Site To Do Business

As previously discussed, household formation is anticipated to exceed the projections based on current job formation and recently announced employment expansion. The number of households increased from 2010 to 2021 and is projected to continue strong growth trends through 2026.

Households by size within Madison County are provided:

HOUSEHOLDS BY SIZE IN MADISON COUNTY		
Tenure	2010	
Persons Per Household	Number	Percentage
One Person	38,659	28.7%
Two People	45,125	33.5%
Three People	22,360	16.6%
Four People	17,646	13.1%
Five People	7,274	5.4%
Six People	2,425	1.8%
Seven or More People	1,212	0.9%
Total	134,700	100%

Source: ESRI, Market Profile, 2010

Most households within Madison County are one- or two-person households. Further, husband-wife families make up the majority of two-person households.

Household Income

The median household income in Madison County is provided:

MEDIAN HOUSEHOLD INCOME IN MADISON COUNTY	
2021	2026
\$68,166	\$77,680
Source: Age by Income Profile, ESRI Site Analysis	

Near-Term Employment Expansion Summary

Major employers in the region are expanding their footprint in Huntsville. New job openings from these major employers in the greater Huntsville region are anticipated to accelerate to over 10,000 new positions throughout 2022 as detailed in the table below:

Job Growth		
Employer	Employees	Year
Mazda-Toyota Direct	4,000	2022
Mazda-Toyota Indirect	2,000	2022
Amazon	500	2021
Facebook	200	2022
FBI	4,000	2030
City Center	300	2022
Teledyne Brown	200	2022
565 Logistics Center	300	2021
Blue Origin	300	2021
BAE	300	2021
Total	12,100	---

A brief summary of the employment expansion is provided later in this section.

Employment Trends

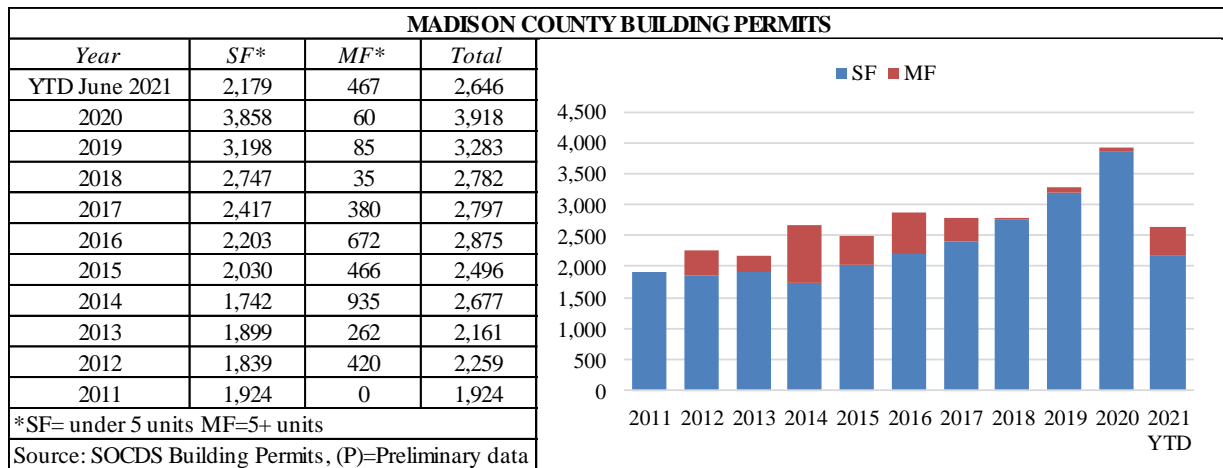
The civilian labor force is defined as all employed or unemployed persons 16+ years of age who are actively looking for work and available to accept employment. Persons in the Armed Forces or within institutional settings such as prisons, nursing homes, etc. are not counted within the civilian labor force. The trend in employment is provided:

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT DATA IN MADISON COUNTY				
Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2021 YTD	190,704	186,383	4,321	2.3%
2020	187,247	178,579	8,668	4.6%
2019	184,941	180,126	4,815	2.6%
2018	180,767	174,517	6,250	3.5%
2017	175,368	168,333	7,035	4.0%
2016	172,125	163,288	8,837	5.1%
2015	170,473	161,071	9,402	5.5%
2014	170,377	159,923	10,454	6.1%
2013	171,178	160,213	10,965	6.4%
2012	170,324	158,207	12,117	7.1%
2011	171,679	157,588	14,091	8.2%

Source: Bureau of Labor Statistics
 YTD 2021 consists of data through Apr 2021; the data is not seasonally adjusted.

Housing Market

Residential building permits for Madison County are presented below:



Residential development in the market has trended upward.

The median home price for Madison County is provided:

MEDIAN HOME PRICES FOR MADISON COUNTY	
2021	2026
\$213,915	\$248,881

Source: Housing Profile

Underwriting Support by & Prepared for:



Conclusion

The Huntsville region including Downtown and the surrounding Districts have major economic drivers that generate rental housing demand. The employment base is diverse and includes medical, government, private-sector companies, entertainment, and support services. The downtown sector is redeveloping as the heart of the community with a walkable environment that includes a variety of cultural and entertainment-related establishments. Adding to the vibrant city are parks, social and recreational venues. The surrounding Districts have infill and redevelopment opportunities to complement the core. Access to downtown and the District is good. All the neighborhoods will benefit from additional rental housing providing the critical mass of household necessary to sustain vibrant communities.

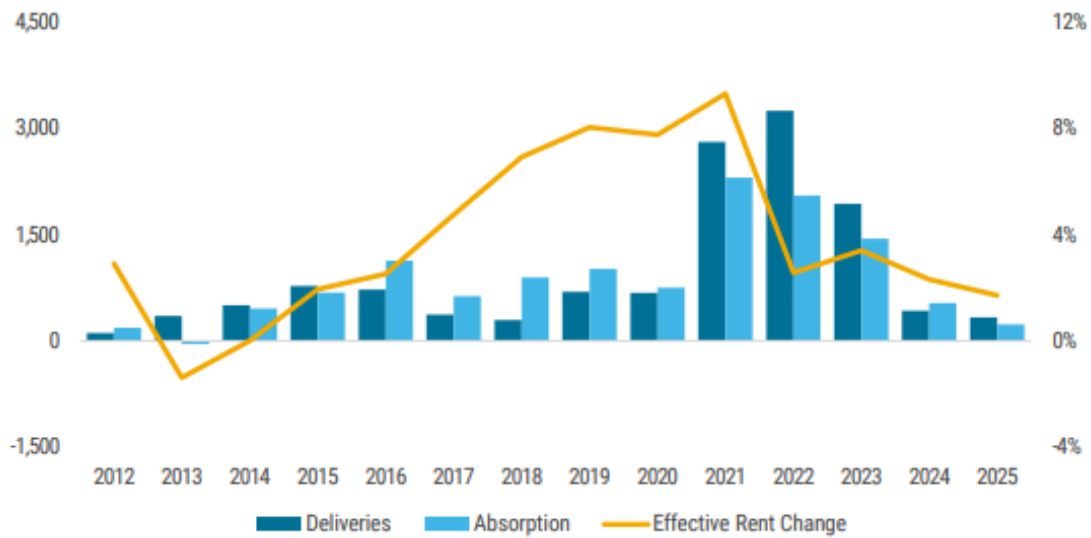


Macro Market Overview – Madison County

Information for the macro discussion was obtained from Value Tech Realty Services, Inc. internal data sources, the Berkadia Mid-Year 2021 Report prepared by Berkadia as well as from CoStar.

Madison County has an expanding multifamily market that is under-supplied. Accelerated additions to supply delivered may help to contain rapid price increases. Trends in deliveries, absorption, and effective rent are provided below:

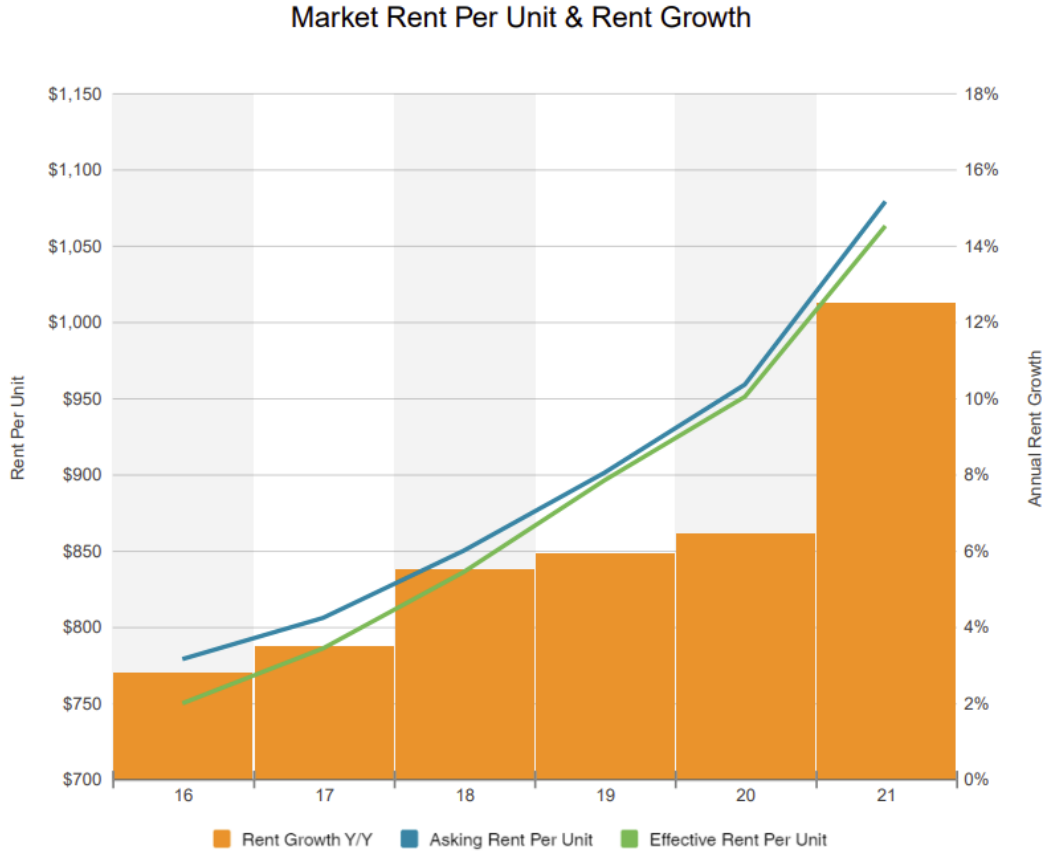
Deliveries, Absorption, & Effective Rent Change



Source: Berkadia Mid-Year 2021

Madison County has experienced record rent growth. Average asking rent in 2016 was \$779 which increased to \$1,038 in 2021, or 5.9% compounded annually compared to inflation at less than 2.0% nationally over the same time period. Rent growth increased 9.5% between 2020 and 2021. The following chart illustrates Huntsville’s effective rent, asking rent and rent growth.





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Rental apartment development lagged demand as noted by the exceptionally strong absorption. Vacancy was reported only briefly as new properties were delivered. A market is considered in balance at 5% vacancy level. Madison County reported 5.5% October 2021 that includes a significant volume of new supply between 2020 and 2021. The trend in absorption, net deliveries, and vacancy since 2016 is presented.

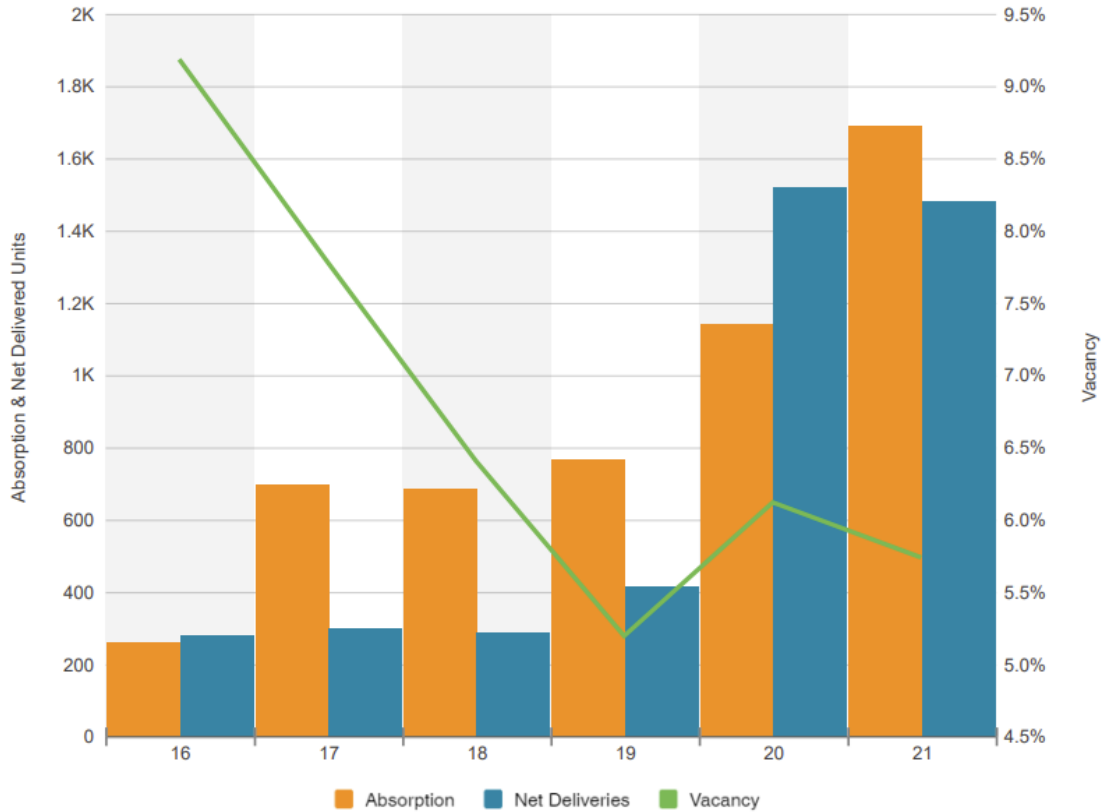
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Absorption, Net Deliveries & Vacancy



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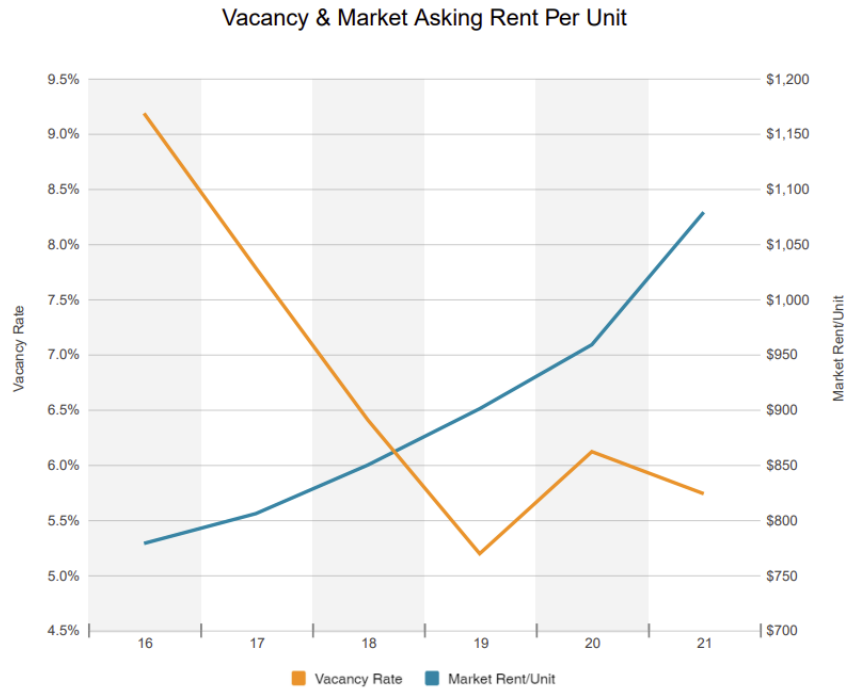
Despite additions to supply, vacancy remains low and rental rates continue to increase:

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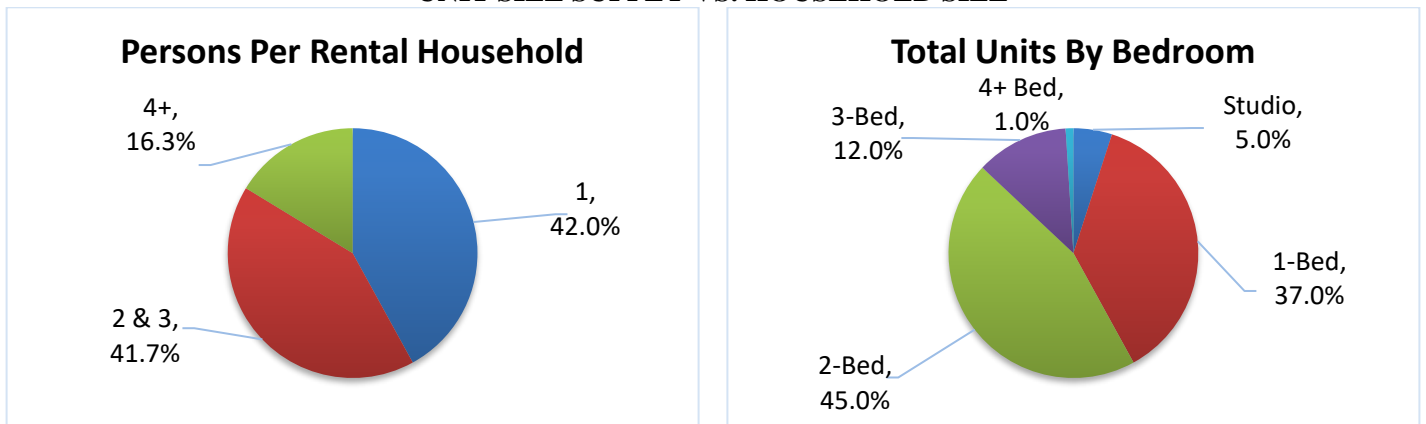
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10/1/2021

Rental rates rose despite a significant increase to supply commencing in 2016 and accelerating through 2021. The 2020-2021 time period reported nearly double the additions in supply from prior years, yet vacancy experienced only a minor increase despite a 9.5% bump in rental rates.

The mix of units expanded to include more studios, providing an economic price point for residents. The mix remains dominated by one- and two-bedroom floor plans. The mix aligns with the persons per rental household. Typically, one-person households will occupy studios and one-bedroom units. Two- and three-person households dominate occupancy of two-bedroom apartments. Three-person and larger households will generally seek three-bedroom and larger units. The comparison between apartment unit supply by bedroom to households is presented:

UNIT SIZE SUPPLY VS. HOUSEHOLD SIZE



The unit mix in the market aligns closely with the household sizes. This suggests new housing is developed consistent with demand.

Pipeline activity is strong and projected to remain active in response to anticipated employment formation.

Economic Growth and Housing

Economic growth is driving demand for housing. Since 2016, employment has increased from 162,411 jobs to a preliminary estimate of 195,031 jobs in 2022. In addition, over 12,000 new jobs from major companies alone have been announced to enter the region from 2021-2022. A summary of employment trends since 2016 is presented.

Employment Growth				
Year	Employment	Difference	3YR CAGR	5YR CAGR
2016	162,411	---	---	---
2017	166,889	4,478	---	---
2018	172,844	5,955	---	---
2019	178,329	5,485	---	---
2020	176,573	-1,756	---	---
2021	184,631	8,058	2.2%	2.6%
2022(p)	195,031(p)	10,400(p)	3.0%	3.2%

Major employers in the region are expanding their footprint in Huntsville. New job openings from these major employers in the greater Huntsville region are anticipated to accelerate throughout 2022 as detailed in the table below:

Job Growth		
Employer	Employees	Year
Mazda-Toyota Direct	4,000	2022
Mazda-Toyota Indirect	2,000	2022
Amazon	500	2021
Facebook	200	2022
FBI	4,000	2030
City Center	300	2022
Teledyne Brown	200	2022
565 Logistics Center	300	2021
Blue Origin	300	2021
BAE	300	2021
Total	12,100	---

The jobs are from major employers only. The multiplier effect will further expand the workforce.

Market Supply and Demand Analysis

The first portion of the market supply and demand section discusses the methodology employed for quantifying unmet demand. The analysis includes four tenant profiles; market-rate, essential workforce, affordable and rent-subsidized (low-income). The methodology is presented with results summarized. The addenda contain the detailed quantification of demand for each of the four tenant profiles.

District Definition

The geographic area utilized for the housing analysis aligns with the definition utilized by the City of Huntsville. Census tracts were obtained for data sources that most closely aligns with the districts. The map is provided:



The selected census tracts are presented in the chart as follows:

CENSUS TRACTS	
010890009.02	010890020.00
010890010.00	010890021.00
010890012.00	010890022.00
010890015.00	010890023.00
010890017.00	010890025.01
010890018.01	010890030.00
010890019.01	010890031.00

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The demand analysis provides an indication of market support at the price points anticipated for each tenant profile. A demographic analysis was conducted of the district. The market analysis is based on the following steps:

1. Quantify the number of renter households within the district by income level;
2. Analyze household growth to estimate the future rental demand that would likely reside within apartments;
3. Quantify the level of rental demand for each tenant profile;
4. Quantify supply and demand;
5. Determine unmet demand.

Overall Affordability Limits

Demand is projected based on household income. Demand was evaluated by tenant profile that includes residents that income-qualify for (1) new market rate communities, (2) essential workers who are rent burdened at market-rate levels, (3) household incomes at levels that qualify for affordable communities, and necessary housing to replace substandard housing typically occupied by (4) lower-income households.

Family households are considered rent overburdened when more than 35% of income is spent on housing. Therefore, a 35% rent to income ratio was applied in the analysis.

A review of rental rates achieved in the region established the benchmark for incomes necessary to qualify for market-rate apartments. This aligned with over 80% area median income (AMI). Essential workers were defined as income levels at 70% to 80% AMI. Affordable households are 50% to 60% AMI. The substandard housing is set at or below 30% AMI.

There will be some overlap between income bands within the various tenant profiles. This is a function of household size. In affordable housing, larger families can qualify for housing at higher household incomes than smaller families. Within market-rate and essential worker profiles, a household could elect to reside in a smaller floor plan in a full market complex or a larger apartment in an essential workforce community.

Minimum and maximum (the minimum for the next highest income group sets the maximum for each income band) household incomes for each tenant profile are provided.

HOUSEHOLD INCOME REQUIREMENTS				
AMI	30%	50% - 60%	70% - 80%	Market
Minimum Income	\$0	\$25,000	\$37,500	\$48,000

MAXIMUM INCOME LIMIT BY AMI & HOUSEHOLD SIZE				
Persons	30% AMI	50-60% AMI	70-80% AMI	MKT% AMI
1	\$17,430	\$29,050	\$40,670	N/A
2	\$19,920	\$33,200	\$46,480	N/A
3	\$22,410	\$37,350	\$52,290	N/A
4	\$24,870	\$41,450	\$58,030	N/A
5	\$26,880	\$44,800	\$62,720	N/A
6	\$28,860	\$48,100	\$67,340	N/A

Source: Novogradac

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The households are distributed according to the income level by tenant profile noted. These are summarized:

INCOME LEVEL DISTRIBUTION				
Household Income	30%	50% - 60%	70% - 80%	Market
Less than \$10,000:	100%			
\$10,000 to \$19,999:	100%			
\$20,000 to \$34,999:	33%	67%		
\$35,000 to \$49,999:		100%	83%	13%
\$50,000 to \$74,999:			80%	100%
\$75,000 to \$99,999:				100%
\$100,000 or more:				100%

Once the baseline for income-qualified households was calculated, it was projected forward based on growth rates provided by the Bureau of Labor Statistics for employment in the region. The conservative projection details are provided. The aggressive scenario mirrors the methodology presented but at a higher growth rate.

EMPLOYMENT GROWTH				
Year	Employment	Difference	3YR CAGR	5YR CAGR
2016	162,411	---	---	---
2017	166,889	4,478	---	---
2018	172,844	5,955	---	---
2019	178,329	5,485	---	---
2020	176,573	-1,756	---	---
2021	184,631	8,058	2.2%	2.6%
2022(p)	195,031(p)	10,400(p)	3.0%	3.2%
Conclusion				2.5%

The projected growth rate and the growth for each income band for each year are presented for the conservative scenario:

TOTAL HOUSEHOLDS IN THE DISTRICTS						
Income Level:	2021	2022	2023	2024	2025	2026
<\$15,000	4,095	4,109	4,124	4,138	4,152	4,167
\$15,000-\$24,999	2,879	2,876	2,873	2,869	2,866	2,863
\$25,000-\$34,999	2,673	2,687	2,700	2,714	2,728	2,742
\$35,000-\$49,999	2,363	2,410	2,458	2,507	2,557	2,608
\$50,000-\$74,999	2,447	2,512	2,579	2,648	2,718	2,791
\$75,000-\$99,999	1,677	1,715	1,753	1,793	1,833	1,875
\$100,000-\$149,999	2,365	2,476	2,592	2,714	2,841	2,975
\$150,000-\$199,999	996	1,057	1,123	1,192	1,265	1,343
\$200,000+	1,236	1,287	1,341	1,397	1,455	1,516
Total Households	20,731	21,130	21,543	21,972	22,417	22,878

After income qualified households are estimated, demand is further segmented according to ownership and rental. A propensity to rent factor is applied to the income-qualified households to estimate potential rental demand for households in the last year of the projection, 2026:

PROJECTED RENTER HOUSEHOLDS BY INCOME - 2026			
Income Levels	Total Households	Propensity to Rent	Renter Households
\$0-\$14,999	4,167	83.4%	3,476
\$15,000-\$24,999	2,863	71.5%	2,046
\$25,000-\$34,999	2,742	63.0%	1,727
\$35,000-\$49,999	2,608	52.6%	1,373
\$50,000-\$74,999	2,791	43.6%	1,216
\$75,000-\$99,999	1,875	27.6%	517
\$100,000-\$149,999	2,975	19.7%	585
\$150,000-\$199,999	1,343	13.2%	178
\$200,000+	1,516	13.2%	200
Total Projected Renter Households - 2026			11,317
Source: American Community Survey, ESRI, Value Tech Realty Services			

Rent Overburdened & Substandard Housing Demand

Rent overburdened impacts households within the lower- to moderate-income brackets defined as the affordable and essential workforce tenants. The very low-income tenant receives rent subsidies and market-rate tenants have income levels sufficient to cover their housing.

The 2018 American Community Survey (most recent available) was utilized to quantify rent overburdened households and households living in substandard housing. Family households were considered rent overburdened when gross rent as a percentage of household income was 35% or above. Rental households by gross rent as a percentage of monthly income are provided as follows:

RENT OVERBURDENED HOUSEHOLDS IN DISTRICT									
Household Income	<20.0%	20.0% - 24.9%	25.0% - 29.9%	30.0% - 34.9%	35.0% - 39.9%	40.0% - 49.9%	50.0% +	Not Computed	Total
Less than \$10,000:	5.4%	1.4%	3.2%	5.8%	2.0%	4.9%	53.6%	23.7%	100.0%
\$10,000 to \$19,999:	2.8%	3.4%	9.7%	7.1%	7.3%	21.1%	43.6%	5.0%	100.0%
\$20,000 to \$34,999:	9.0%	11.1%	20.7%	22.4%	10.3%	13.0%	9.9%	3.6%	100.0%
\$35,000 to \$49,999:	34.2%	29.8%	8.2%	6.7%	12.3%	4.5%	0.0%	4.4%	100.0%
\$50,000 to \$74,999:	64.0%	19.4%	12.9%	3.1%	0.0%	0.0%	0.0%	0.6%	100.0%
\$75,000 to \$99,999:	84.9%	13.6%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
\$100,000 or more:	96.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	3.1%	100.0%

Source: American Community Survey 2015-2019

An average of approximately **39% of renter households are rent overburdened in the districts.**

Substandard Housing

Substandard aligns primarily with the very low-income household defined as rent subsidized.

Substandard housing is defined as households that lack complete plumbing or kitchen facilities and households that have greater than 1.0 occupants per room. Total substandard households regardless of age

or income are calculated as a percentage of total rental households. Once this percentage is calculated, it is applied to the rental households in order to determine the number of substandard households.

SUBSTANDARD HOUSING INTERPOLATION	
	Districts
Renter Households	9,863
Complete Kitchen Facilities	9,857
Lacking Complete Kitchen Facilities	6
Complete Plumbing Facilities	9,863
Lacking Complete Plumbing Facilities	0
<0.51 Occupants per Room	6,991
0.51-1.00 Occupants per Room	2,481
1.01-1.50 Occupants per Room	224
1.51-2.00 Occupants per Room	130
>2.00 Occupants per Room	37
Total Substandard Housing Units	397
Substandard Housing %	4.0%
Source: American Community Survey 2015-2019	

A summary of housing needs by tenant profile is provided on a conservative and aggressive basis. The aggressive case assumes Huntsville maintains the aggressive employment growth projected for FY2022 through 2026:

TOTAL DEMAND BY AMI - DISTRICTS - CONSERVATIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	48	172	227	1,045
Existing Demand from Rent Overburdened Households	3,425	816	184	0
Existing Demand from Substandard Rental Units	222	0	0	0
Future Supply	0	0	0	(490)
Total Demand	3,695	988	411	555

TOTAL DEMAND BY AMI - DISTRICTS - AGGRESSIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	240	280	300	1,166
Existing Demand from Rent Overburdened Households	3,543	844	190	0
Existing Demand from Substandard Rental Units	230	0	0	0
Future Supply	0	0	0	(490)
Total Demand	4,013	1,123	490	676

The breakout of demand by tenant profile will exceed overall demand because some households could fall into more than one category.

Rental Housing Product Definitions

The city has the ability to diversify the type of rental product offered in the districts. A discussion is provided of rental housing product that includes traditional market rent, senior-age restricted, traditional affordable for families and/or elderly, specialty housing for Workforce Housing, Live/Work, and replacement for substandard or economically obsolete subsidized housing.

A brief discussion of the various product types is provided.

Market Rate Housing

Market rate apartments have no income-restrictions. Discussions within the region noted households are qualified typically at three times rent. Market rents can be within traditional communities or specialty product such as micro-units, live/work, active senior, attached or single-family homes, as examples.

Workforce Housing

Workforce housing is oriented to households with wage levels that align with essential workers in the medical, service, and public sector. Development of workforce housing is difficult due to the high cost of construction relative to achievable rent levels. To be able to provide workforce housing, many developers will seek some form of financial or development assistance from the public sector. This could include assistance with infrastructure, flexibility in zoning or density bonuses to be able to construct units at targeted price points.

Affordable Housing

Affordable housing is generally defined as properties that have income-restrictions in place. Rents are set below market. This is defined as 50% and 60% AMI. There are income bands that could be funded at different AMI levels but this demand overlaps with workforce or rent subsidized households.

Subsidized Housing

Subsidized housing is for households that receive economic assistance towards alleviating housing costs and expenses for low-income residents generally at or below the poverty level. Forms of subsidies may include direct housing subsidies, non-profit housing, public housing, and rent supplements/vouchers.

Specialty Housing-Micro Units

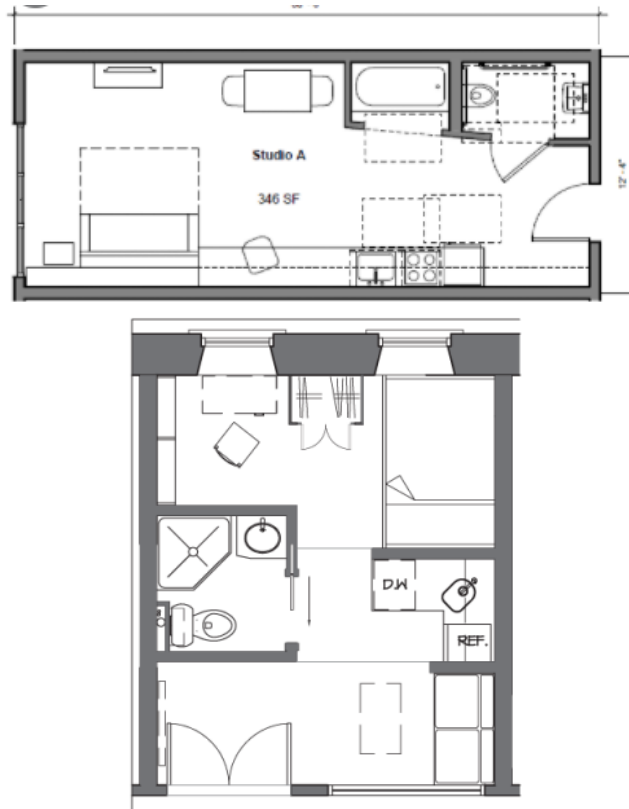
The Districts can provide variety in housing product. A brief discussion of some specialty housing product type follows:

Micro units may be a development option that reduces entry level pricing by offering small floor plans. Micro/small floor plans feature units in the range of 200-550 square feet, with an emphasis on efficient use of space. Developers place a priority on space saving features such as pull-down or lofted beds, tables, and desks that fold, and appliances that are hidden or compact. As these units are highly attractive to single renters, the developers will also prioritize communal activities. A roof deck, pet spa, pet park, movie area, cookout space, and professional workspace are a few popular amenities in micro unit or live/work communities.

Project designs must be careful to comply with the Fair Housing Amendment Act and accessibility requirements. Providing livable units is achieved with flexible furniture systems, high ceilings (more than nine feet), oversized windows, built-in storage, upright washer/dryers, gadget walls, retractable walls, customizable closets and storage areas, and movable kitchen islands. Some developers have built into their designs the ability to combine units to achieve full one-bedroom or two-bedroom apartments. Storage is critical to making micro units livable. Thus, built-in seating above storage and maximizing the vertical use of spaces is critical. Developers incorporate built-in armoires, kitchen islands, built-in seating, and dining, etc. so tenants do not bring in large furniture pieces. TV and web-based monitors are mounted on flexible arms. Thus, floor space is left open to reduce walkability barriers.

Important to the small or micro unit project is the emphasis on common spaces. An extensive array of amenities, intimate gathering spaces, indoor and outdoor recreational amenities, and services to residents enable and encourage community engagement outside units. Bikes are increasingly replacing cars in micro unit communities which are “car-lite” or carless. Pet-centric amenities are common with grooming stations; pet walks, pet space and pet parks provided.

Typical floor plans in for a micro-unit are as follow:



Typical amenity options found at micro-unit communities follows:



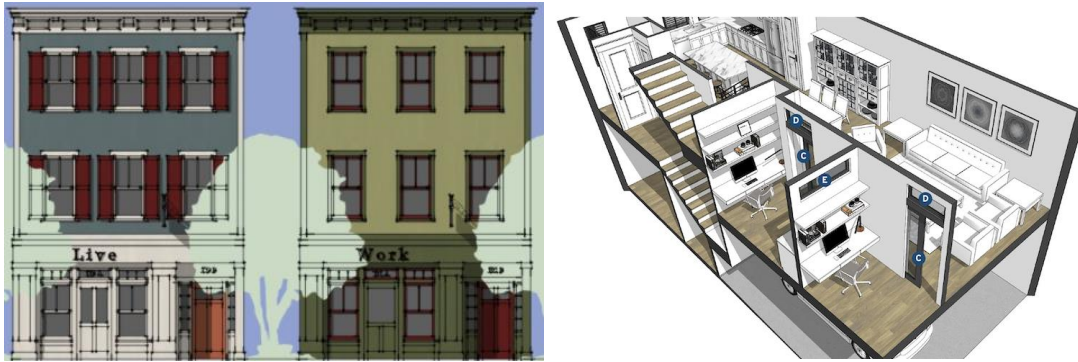
Live/Work Housing

Live/Work housing generally offers larger floorplans than a typical workforce housing community with emphasis on the professional amenities offered. Workspace in the unit is typically segregated from the rest of the unit. From a design and construction perspective, this space is usually taken from what would traditionally be a bedroom. Some successful live/work communities have large office and conferencing space centrally located within the community. This space is subdivided with both private and collaborative options for tenants.

Live/Work housing communities with retail on the first floor are also highly attractive to young entrepreneurs that have established their business. Typically, the residential component is above or adjacent the “business” space. This provides the necessary frontage and exposure for the business, and a low-cost residential option for the business owner. Work-from-home is a popular trend and could be attracted to live/work units.

Designs for some live work buildings and floorplans are provided:





Active Senior

Active senior rental communities blend housing with social activities. Optional support services are available at additional fees outside of rent. Residents in a senior community are typically leaving a home. They may be moving from outside the market and leaving their existing network of friends and support. Active senior demand may be in addition to traditional apartment demand.

Successful active senior communities offer programs to encourage resident interaction to facilitate the formation of new friends. Staff create social programs, activities, and outings to provide vehicles for residents to remain active both physically and mentally. A robust offering of support services is available so residents can remain engaged.

Active adult senior housing communities are priced at or above traditional multi-family housing. Active adult communities are similar in design and appearance to traditional multi-family but offer senior-specific features and amenities that make the apartment more senior-friendly and desirable. General discernable differences between the active senior rental community's residents versus other healthcare-oriented housing options are the ability to live without direct oversight and its position as choice-based housing.

Active adult residents are typically younger seniors with minimal impairments. Independent living residents will typically have an instrumental or physical constraint that restricts their lifestyle and will have meals and service fees included within the rent. Assisted living and memory care residents have acuity levels requiring personal or cognitive support and are need-based. Their resident profile is generally older and frailer. A chart displaying the differences between the types of senior communities (traditional market-rate, senior-restricted, independent living, and assisted living) is provided:

Active Adult Senior Housing Communities vs. Other Housing Options

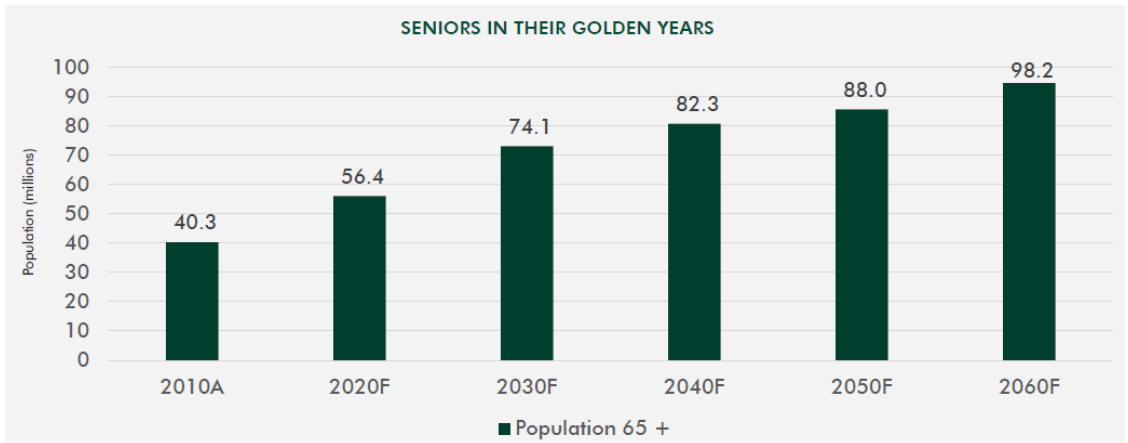
Features & Amenities	Market Rate	Active Adult	Independent Living	Assisted Living
Senior-Only Community		✓	✓	✓
Choice-Based	✓	✓	✓	
Need-Based				✓
Upscale Apartments	✓	✓	✓	✓
Senior Friendly Design*		✓	✓	
Fully Accessible Design				✓
Amenity-rich Clubhouse	✓	✓	✓	✓
Social Activities		✓	✓	✓
Wellness Support Programs		✓	✓	✓
Transportation		✓	✓	
Ala Carte Amenities**		✓	✓	
Meals			✓	✓
Personal Services				✓
Medical Services / Life Care				✓

* Senior Friendly Design - includes design features that accommodate a resident's changing needs without appearing institutional, such as: elevator-buildings, wider door ways, blocking for grab bars, larger maneuvering spaces in kitchens & bathrooms, larger shower/bath areas, taller toilets, accessible appliances, etc.

** Ala Carte Amenities - typically include personal care (e.g., hair styling, manicures, massages), housekeeping, in-home care, health or wellness services, laundry, etc.

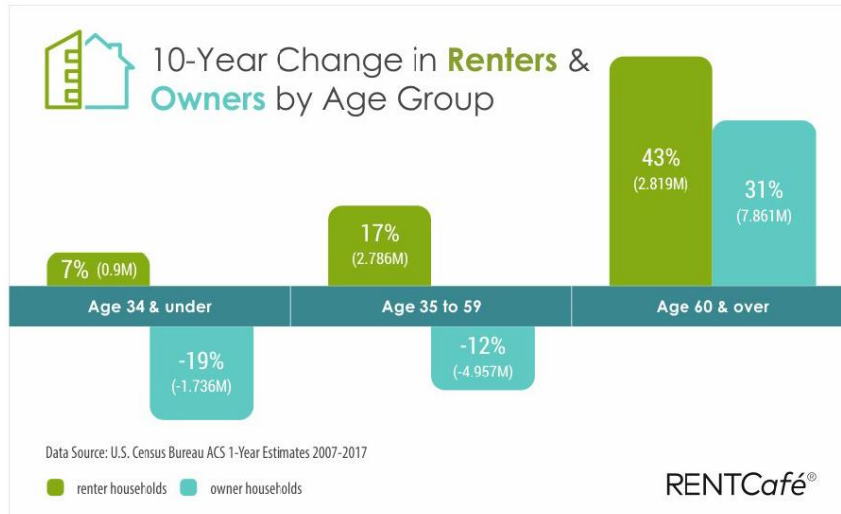
The active senior subset of the 62+ population is a rapidly expanding portion of rental households. Seniors are selling their homes, recouping equity, and moving into apartment communities to reduce the maintenance required of homeownership and downsize their belongings.

The generation that is currently seeking this style of housing is the Baby Boomer. It is projected that by 2030 approximately 21% of the total US population will be over 65. This is an increase of 50% over the current 2020 numbers. The projected trend in the 65+ population is provided:



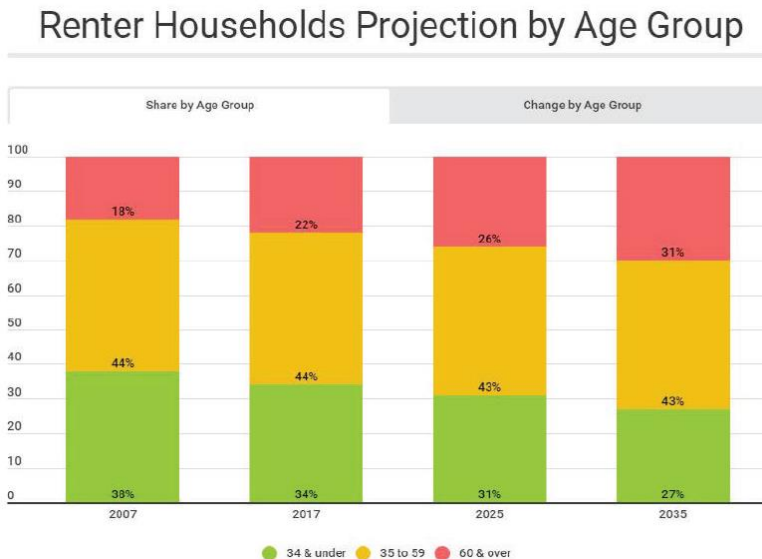
Many of these individuals are retired without an active working income. From a rental perspective, this results in a much smaller percent of defaults as the risk of losing a source of income is minimal.

From 2007 to 2017, the percent of renters aged 60+ grew by approximately 43% with an increase of over 2.8 million people as provided below:



Additionally, the increase in senior rental households surpassed that of ownership as the prospect of owning a home in retirement becomes less attractive to the aging Baby Boomer population.

This trend is anticipated to continue over the next several decades with the percent of senior renters increasing. This is shown in the following graph:



Active adult communities will accommodate residents who are couples, widowed, or single and attracted to the companionship offered at the property. The second reason for a move into an active adult will be to

move to be closer to grandchildren or family members. A survey of active adult communities in the northeastern United States indicated that approximately 25% of residents are moving to be closer to their children.

Huntsville has unmet senior apartment demand. Although not specifically quantified within the various tenant profiles, a summary of households by age and income illustrates demand exists across all household incomes. Senior households that would likely be a potential tenant within age-restricted communities are generally 55+ in age:

2026 HOUSEHOLDS BY INCOME AND AGE OF HOUSEHOLDER							
HH Income Base	<25	25-34	35-44	45-54	55-64	65-74	75+
<\$15,000	523	681	668	579	627	589	500
\$15,000-\$24,999	307	437	318	317	399	462	622
\$25,000-\$34,999	229	478	524	323	346	404	438
\$35,000-\$49,999	180	296	407	314	415	545	451
\$50,000-\$74,999	143	407	449	468	505	469	350
\$75,000-\$99,999	98	320	404	271	289	308	186
\$100,000-\$149,999	75	404	546	558	534	480	378
\$150,000-\$199,999	6	122	294	274	299	258	89
\$200,000+	2	103	311	334	344	285	135



District Discussion



Downtown Core:

Presented under a separate report is a study specific to the downtown urban core. The reader is referred to that study for details concerning the core. Only a brief summary of the conclusions is provided in this report.

The downtown core is the community life of the region. The core is on a path of formation from an office-institution and public-service dominated landscape into a multifaceted destination to live, work, and entertain. Major mixed-use development with the “live” component are underway. The downtown core was evaluated under a separate study and has unmet demand of 255-610 market-rate apartments. This is after consideration of the existing, under-construction and known proposed future supply.

Downtown is the premier location for high-income rental households. Therefore, development within the districts should complement the urban core. Under-utilized land including public housing should be evaluated for redevelopment with moderate- to high-density projects that complement the direction of growth sought by the city.

As presented previously, there is unmet demand for affordable housing, essential and replacement subsidized housing. While the core could capture some of this demand, the surrounding districts have more opportunities to integrate multiple tenant profiles into their communities.

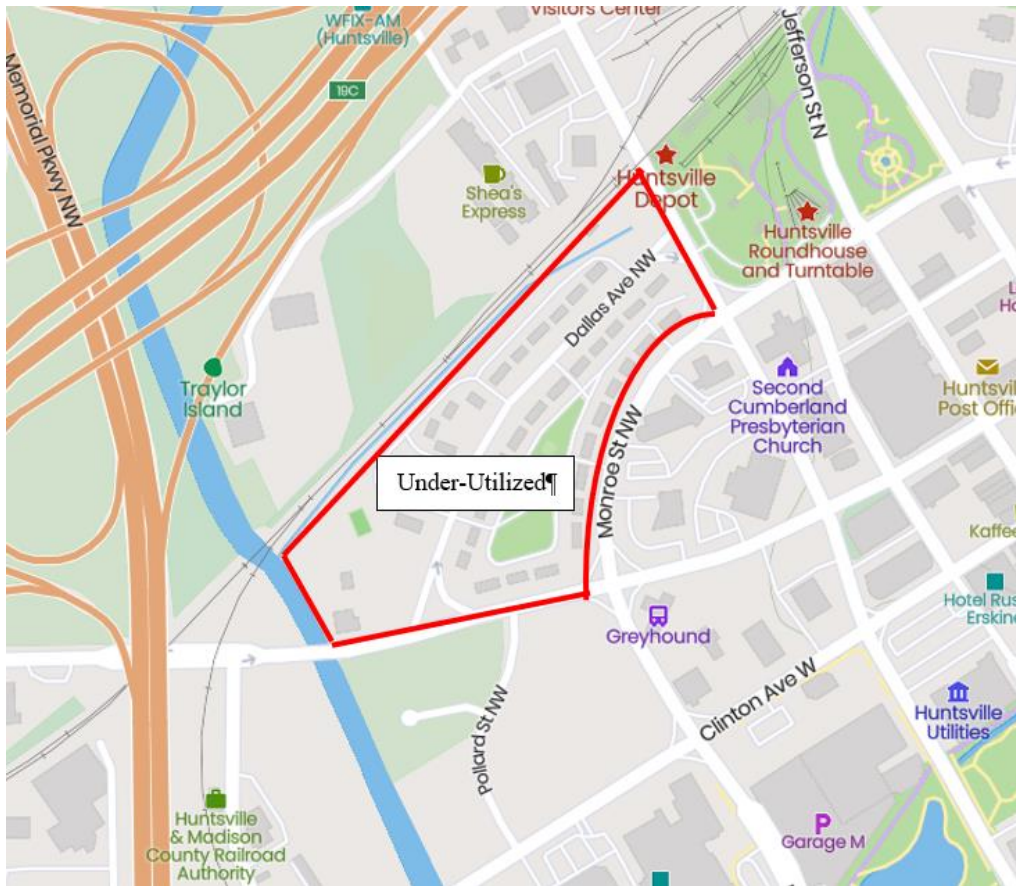
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Under-utilized land near the entrance of downtown could accommodate new housing with a mixed-use component. Most of the land is occupied by Searcy Homes, part of the Huntsville Housing Authority portfolio. Redevelopment of this land would be a long-term strategy outside of the projection timeline. A map of the under-utilized site is provided:



Downtown Core

The site is about 20 acres. With an urban zoning, the parcel could accommodate a significant mixed-use project. Across is the Rocket Development site that will be mixed-use including high-quality rental housing. This under-utilized site could be earmarked to accommodate a portion of downtown’s unmet demand of 500 units.

Huntsville Housing Authority has made strides to replace their outdated public housing product including Searcy Homes. A mission to include affordable and rent subsidized housing throughout Huntsville and not concentrated within any particular area has commenced as evidenced by the completion of two 40-unit complexes, Research Park and Winchester Road.

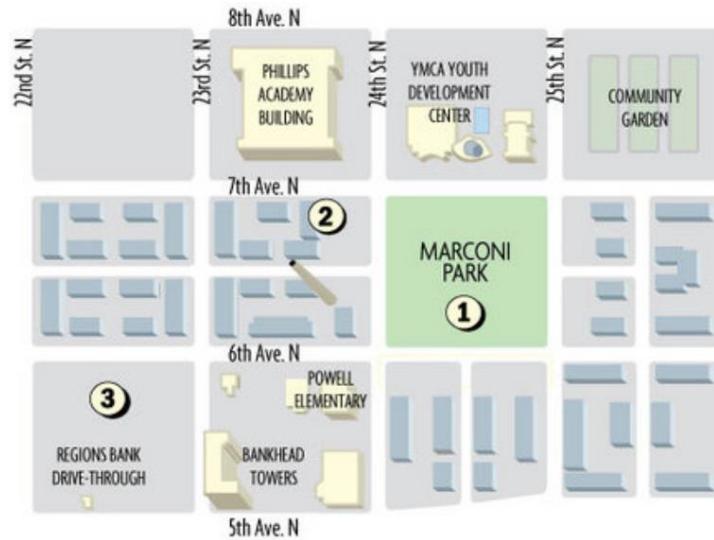
The City sold an under-utilized site in downtown that was purchased for the development of Twickenham. Thus, the redevelopment of the Searcy Housing site could be a source of funding to achieve the goals of the Housing Authority to continue to update their existing housing stock.

Adaptive re-use of existing buildings is another approach to diversifying housing product. The micro-units, live/work and loft-style product has been successfully added to rental stock in other urban cities.

Redevelopment – Peer Cities

Peer cities such as Birmingham, Tampa and Kansas City have successfully redeveloped under-utilized public housing lands to revitalize neighborhoods with more inclusive housing options. A brief discussion highlights development opportunities to consider for Lincoln Mills District.

Birmingham’s Park Place redeveloped six blocks on the fringe of downtown with 471-mixed use apartments including 79 restricted to seniors. Of the total units, 241 are fully subsidized, 82 are partially-subsidized and 148 are market rate. Park Place was credited with stimulating redevelopment of the neighborhood. This small project had a positive impact on the city.



Park Place Birmingham

Tampa aggressively approached its under-utilized public housing holdings and has redeveloped most of its communities. The city introduced a variety of home options including for-sale and for-rent. The for-sale provides more permanent tenancy into an area.

The redevelopment of the oldest public housing community on North Boulevard became The West River Redevelopment project. This is a good case study for consideration of Lincoln Park. West River is a 120-acre plot of land planned as a mixed-income neighborhood offering housing, retail, office, and community centers.

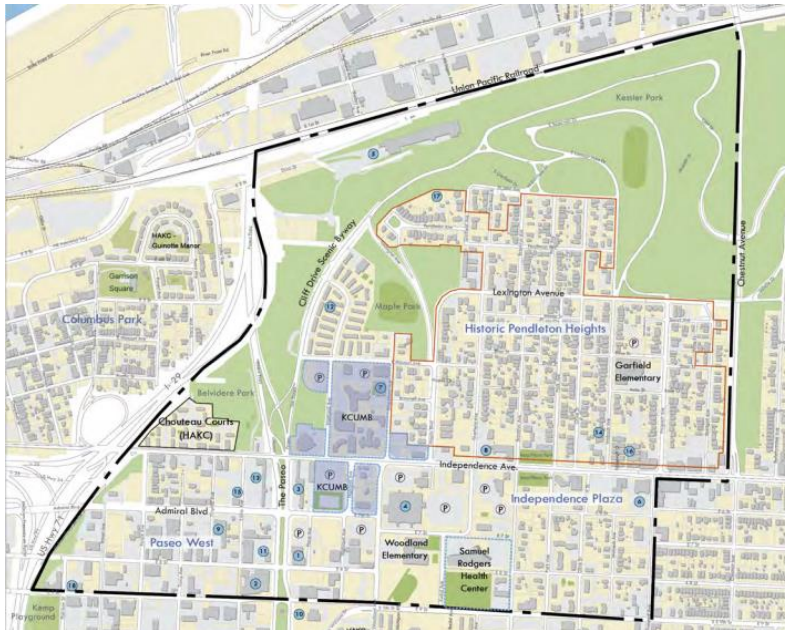
The 120 acres includes 40.84 acres for residential. Total build-out of the main residential component was 2,142 units or a density of 52.45 units per acre. The high density provided the ability to reconstruct infrastructure, provide green spaces and support services. The density also provided the incentive for developments to accommodate households across the full spectrum of income levels.



Tampa West River

Kansas City is transforming Paseo Gateway to improve the link between the historic northeast and downtown. New mixed-income developments include replacement of public housing units, affordable housing units, and unrestricted market rate units. Paseo is in the early stages of redevelopment.

Paseo Gateway is upgrading public parks, recreational amenities, commercial, and entrepreneurial opportunity zones as well as infrastructure.



Paseo Gateway

Nashville

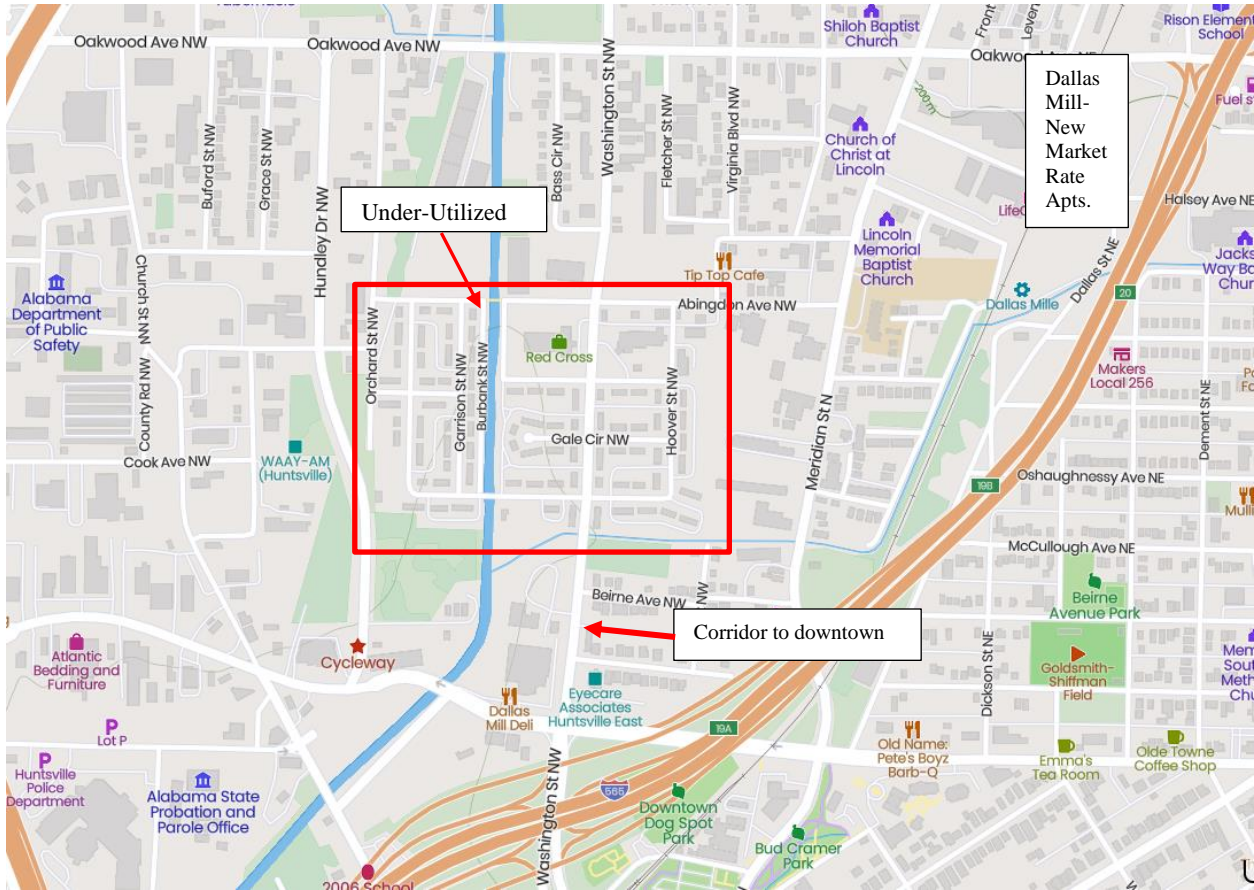
Nashville has aggressively redeveloped under-utilized lands proximate their downtown core. One of the currently active areas is The Gulch:



In 2001, the City of Nashville designated MarketStreet Enterprises as the Master Developer of the Gulch. A general development plan was put in place where redevelopment of older buildings was encouraged and/or incentives provided. Once the site of Nashville’s bustling railroad yard, the Gulch today is a dynamic mix of hospitality, retail, entertainment, office, and residential offerings.

The Gulch has developed into three different “neighborhoods” each with its own ambiance. The entire Gulch neighborhood is connected by a Greenway Trail and other pedestrian focused infrastructure.

Lincoln Mill:



Lincoln Mill has a strategic location linking downtown on the south with the education corridor to the north that includes Alabama A&M and Drake State Community & Technical College. Historical buildings from the 1900s including Lincoln Mill are being restored and repurposed to pay homage to Huntsville’s industrial past and technology-forward future. Unique retail offerings, food and beverage establishments are concentrating along Meridian Street.

Single-family residences include historical village homes originally constructed to provide housing for workers at Dallas Mill, a cotton sheeting manufacturer. Currently, quality rental housing options are limited.

New development includes The Lofts at Dallas Mill. This community fronts Meridian Street and is a market-rate complex expecting to deliver units in late 2020. The 148-unit project is designed to attract young workforce tenants and will likely accommodate some students.

Lincoln Mill will need additional rental housing to reach the necessary density to achieve a sustainable live/work/entertain environment. The linear nature of development forces tenants to have transportation to patronize the various businesses. With foresight and planning, alternatives to car dependence can be incorporated into this district.

Lincoln Mill has current unmet demand for market-rate apartments and the long-term opportunity to revamp under-utilized land transforming the district into a highly desirable area for mixed-income households. The higher density will provide the critical mass of households necessary to support continued retail and commercial venues.

Market rate apartments will be well-positioned along major traffic corridors. A clustering of new supply with properties currently under construction will provide synergy among the communities.

Long-term, there is an opportunity to create housing for mixed-income households. Within the heart of the district is about 40 acres of low-density public housing servicing about 193 households. The land is under-utilized and the housing has exceeded its economic life. The existing improvements were not built-up outside of the flood plain. Therefore, replacement housing would require extensive site work to elevate buildings outside of the flood hazard. The cost would be feasible if sufficient density can be achieved to off-set costs.

Redevelopment with moderate-density targeting mixed-income households provides the opportunity to create a cohesive community. The increase in households will provide support for additional commercial venues and residential services. Household income stratification will allow essential and moderate wage workers a proximate location to employment offering in downtown.

Lincoln Mill has substantial land holdings controlled by the Huntsville Housing Authority and City to be able to transform the District. The opportunity could be created to revamp under-utilized land transforming the district into a highly desirable area for mixed-income households. Demand will be generated primarily by accommodating residents living in rent over-burdened and substandard housing. The higher density will provide the critical household mass necessary to support expansion within the retail and commercial sectors.

Low Mill:

Low Mill is home to the Lowe Mill ARTS & Entertainment center. This center provides cultural diversity to the immediate area and allows the Lowe Mill district to set itself apart from the other districts of Huntsville.

Low Mill ARTS & Entertainment has about 144 working studios in the facility that was funded in part by the Hudson Family who purchased the 171,000 square foot complex in 2000. The complex is “an incubator for creative minds.”

Low Mill District has the potential to become a “creative cluster” community. A creative cluster is when many creative businesses occupy the same site and/or same general neighborhood. People are attracted to the uniqueness often occupied by small businesses growing together contributing exponentially to each other’s success.

Economic success of creative clusters is that they are multifaceted with a diverse medley of arts, entertainment, and businesses. Often included are bars, local boutiques, art galleries, shops, and commercial venues, all under one roof or in one general neighborhood. They are places which are organic rather than designed with a polished or clinical ‘finish.’

Existing housing in this district is comprised predominantly of low-density subsidized housing and single-family homes. Redevelopment could increase in the number of live / work units in the immediate area surrounding the Lowe Mill ARTS & Entertainment center. This may require zoning changes to allow

concentrated moderate-density rental housing within established core areas or along lineal traffic routes. Design controls should encourage compatible facades with existing historical buildings.

The public housing immediate north of Lowe Mill ARTS & Entertainment would provide a valuable location linking the “live” component of the district to the commercial enterprises.



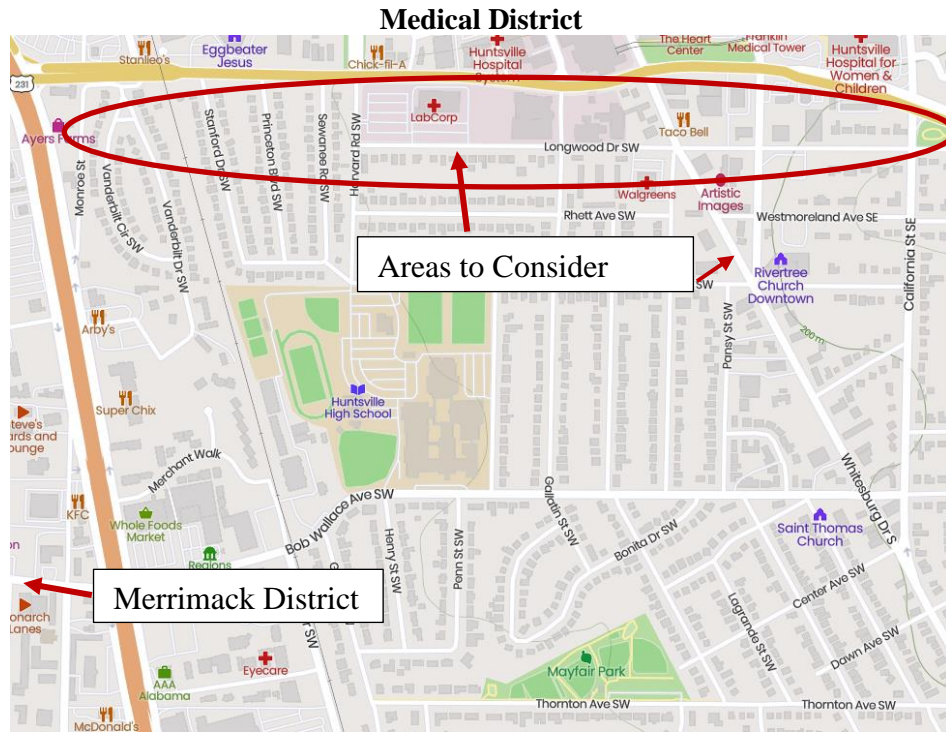
Medical District:

The Medical District of Huntsville is high-density and concentrated along Governors Drive SW. Huntsville High School and various commercial uses are also located in the medical district, but the primary economic driver in this region is the dense medical node on the southern boundary of the urban core.

Employment within and proximate to the Medical District is medical, government, public-service, and education. Wage levels are dominated by moderate-income jobs. Market-rate rental housing options located in the downtown core are priced at levels that are often above the 35% rent to income threshold. Rent-overburden is a housing issue that should be addressed. Peer cities have allowed significant density bonuses for projects that incorporate a portion of their units to accommodate essential personnel wage levels.

The Medical District could accommodate specialty housing product such as micro-units. A portion of the workforce is single workers and entry-level wage earners. Micro-units provide quality living spaces at economic price points. This aligns with the motivation of the tenant profile seeking a convenient non-car dependent location and quality accommodations.

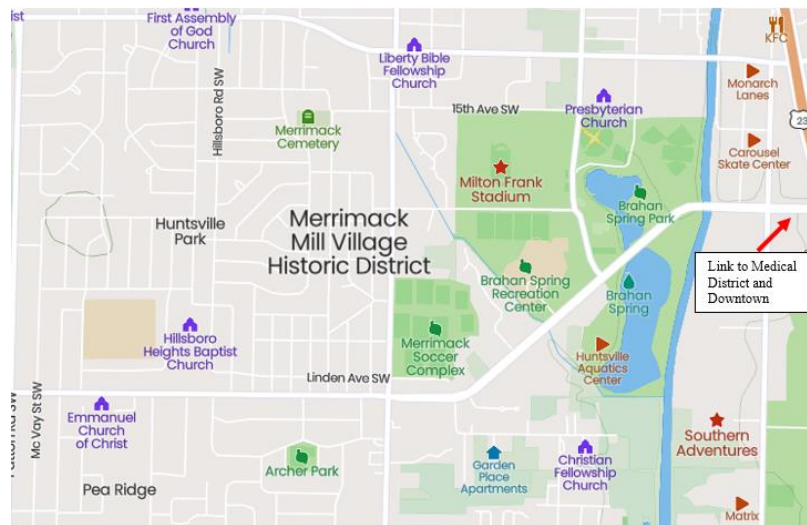
Vacant land is scarce. Redevelopment of older homes and commercial establishments along or proximate to the major traffic arterials would be encouraged. Walkable, pedestrian-friendly paths and tram/public transit into the medical center if the residential component can be linked with employment nodes. This would greatly reduce demand on parking downtown.



Merrimack District:

Merrimack District is linked to the Medical District and could be utilized to supplement the Medical district with the housing. Merrimack District is a prime location for a broad-spectrum of the housing product. Merrimack has a variety of recreation and community-support facilities sought by families. The district’s existing development is comprised of low density commercial, single-family, and older multifamily developments.

This district should target mixed-incomes with a dominance of apartments accommodating families. The district’s proximity to residential support services and major thoroughfares to employment nodes is highly attractive to families. The plethora of green space and activities is also attractive to seniors seeking rental housing as a lifestyle choice.



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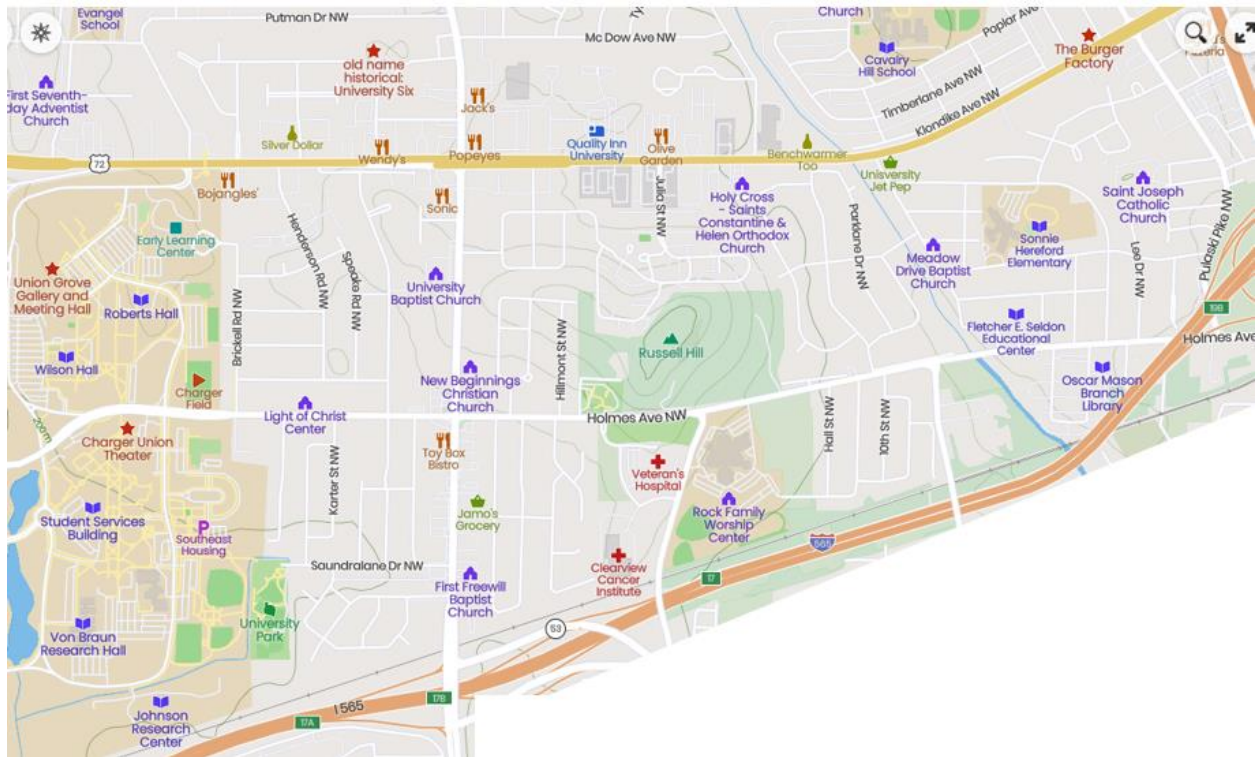
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West Huntsville District:

West Huntsville is bifurcated by Interstate 565. West Huntsville is discussed based on the land mass “north” of the interstate and the neighborhood “south.”

The northern portion of the West Huntsville District is dominated by low-density single family and schools. Commercial and retail line the major traffic arterials.



Northern Portion

North-portion multi-family development should complement the existing low- to moderate intensity of existing land uses. Because of the presence of schools, young couples and families would be attracted to this area. Household incomes are moderate in dominance aligning with the affordable housing profile. The product recommendation is essential workforce, affordable and rent-subsidized.

The southern portion of the district has a moderate- to high-density opportunity on the east and moderate- to low-density on the west. The southern portion is segmented into East and West.

The eastern area includes under-utilized land occupied by Butler Terrace and Butler Terrace Addition. These are distressed housing complexes that the housing authority has earmarked for mixed-income. The site is about 28 acres and is sufficient in size to also incorporate a commercial or retail component. The linkage into downtown provides the opportunity to service the full spectrum of incomes and product type including essential workforce.



Eastern Portion

The western portion of the southern district is anchored by the commercial node along Clinton Avenue West and Governors Drive Southwest. Breweries, dining, and entertainment options along this strip are abundant thereby offering a diverse entertainment draw. Connectivity to major employment nodes provides a quasi-central commuting location to The Cummings Research Park, The University of Alabama in Huntsville, Redstone Arsenal and Downtown.



Western Portion

Tenant profiles in the western portion will be moderate- to high-income households attracted to the variety of entertainment options but at price points below the urban core. Mixed-incomes and ages will allow a diverse array of housing product to be considered for this district. Product recommendation includes market-rate, essential workforce and affordable.

Monte Sano:

Monte Santo district includes the mountainous area northeast of downtown linked to the urban core by US Highway 72. This district is in the beginning of a growth stage as new residential and commercial development has started to push easterly along the roadway. Because of the mountainous topography, development will be funneled into the flat lands primarily along the US Highway 72 corridor. The District’s geography should be extended to include the growth occurring along US Highway 72 and Old Gurley Road.

Multifamily proximate the core will be difficult due to the topography. Market-rate rental product with low to moderate-density is compatible with existing land uses and the nature-driven ambiance of the district. There will likely be demand for market-rate or affordable product once the existing supply additions are fully absorbed. This would be outside of the projection period.

Multifamily development should represent a small portion of housing. This geographical area lends itself to market-rate apartments based on the limited public transportation options.



Product should consider the lower-density of the area and could include “cottage-style” or Build-To-Rent single-family.

District Conclusion

Unprecedented velocity of employment along diverse industries has ignited the interest of developers to build rental properties in greater Huntsville. The volume of residential apartment projects has accelerated to unprecedented levels. This is placing strain on the ability to effectively plan for future housing needs and to direct growth in a manner that is beneficial to the city’s needs.

Housing needs include demand for new apartments and existing households who require quality rental housing at affordable rent levels. Demand was evaluated based on income thresholds that aligned with housing product. Housing product included public (rent assisted), affordable (commonly referred to as Low-Income Housing Tax Credit), Workforce (market rents typically accommodating households in the 70% to 80% AMI, and market-rent (no restrictions).

A synopsis of total unmet demand by tenant profile is provided below in a conservative and aggressive analysis:

TOTAL DEMAND BY AMI - DISTRICTS - CONSERVATIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	48	172	227	1,045
Existing Demand from Rent Overburdened Households	3,425	816	184	0
Existing Demand from Substandard Rental Units	222	0	0	0
Future Supply	0	0	0	(490)
Total Demand	3,695	988	411	555

TOTAL DEMAND BY AMI - DISTRICTS - AGGRESSIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	240	280	300	1,166
Existing Demand from Rent Overburdened Households	3,543	844	190	0
Existing Demand from Substandard Rental Units	230	0	0	0
Future Supply	0	0	0	(490)
Total Demand	4,013	1,123	490	676

Districts were defined by local authorities. Once demand was quantified for the Districts overall, the type of housing that would best align with the support services, infrastructure and ambiance is discussed. Some specific areas within Districts are illustrated where under-utilized land could be considered for redevelopment in order to broaden the housing product within a geographical area.

Districts are defined based on their location to the downtown core as Monte Sano (east), Lincoln Mall (north), Medical District (south), Lowe Mill (southwest), Merrimack (far southeast) and West Huntsville (west).

The housing product recommendations by district are summarized:

Housing Allocation Recommendations	
District	Housing Recommendation
Lincoln Mill	Public (Rent Assisted) / LIHTC / Market-Rate
Lowe Mill	Mixed-Income / Live-Work
Medical District	Micro-Units / Workforce
Merrimack District	LIHTC / Mixed-Income
West Huntsville	Student / LIHTC / Market-Rate
Monte Sano	Market-Rate (Long Term)

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Housing recommendations align with the general social and economic trends in each district. Strategically aligning housing products with overall economic forces within each district will enable each district to mature in a sustainable fashion.

In the analysis, a range of 555-676 units of unmet demand exists for market-rate housing between the Lincoln Mill and West Huntsville districts. The share of market-rate rental households one of these districts will capture is determined by taking a district’s total households and dividing it by the total households overall:

DISTRICT ALLOCATION		
<i>District</i>	<i>Households</i>	<i>% of District Total</i>
Lincoln Mill	1,738	36%
West Huntsville	3,100	64%
Totals	4,838	100%

The lower end of the range represents the conservative analysis, while the upper end of the range represents the aggressive analysis.

MARKET-RATE HOUSING ALLOCATION - CONSERVATIVE		
<i>District</i>	<i>% of District Total</i>	<i>Unmet Demand: Renter Households</i>
Lincoln Mill	36%	199
West Huntsville	64%	355
Totals	100%	555

MARKET-RATE HOUSING ALLOCATION - AGGRESSIVE		
<i>District</i>	<i>% of District Total</i>	<i>Unmet Demand: Renter Households</i>
Lincoln Mill	36%	243
West Huntsville	64%	433
Totals	100%	676

Market-rate households in urbanized locations will prioritize location and amenities over price point. As such it is recommended that market-rate housing be allocated to Lincoln Mill and West Huntsville as these two districts have locations and supportive land uses that are most sought after by households migrating to the region.

Workforce housing is provided below in a conservative and aggressive analysis:

WORKFORCE HOUSING ALLOCATION - CONSERVATIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	446

WORKFORCE HOUSING ALLOCATION - AGGRESSIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	525

Workforce housing is allocated to the medical district. This is an area of most critical need where housing within a walkable or non-car dependency manner is necessary to support the hospital and associated businesses. Many employers in this district indicated that they subsidize parking for their employees as

many of them must commute because downtown core rents are above their wage levels. If workforce housing was proximate the major medical node it would lower the rental strain on essential workforce as well as reduce their impact on parking and other infrastructure in this district.

Rent subsidized and affordable (Low Income Housing Tax Credit) demand is not allocated due to elevated barriers to entry in the districts. The City of Huntsville and the Huntsville Housing Authority must collaborate with private individuals in pursuit of acceptable development sites. Typically, a variety of incentives and financial support will be necessary to provide grants and/or gap funding in order to achieve a financially viable project. When possible, emphasis should be placed on creating “mixed-income” neighborhoods.

Unmet demand for the Class A market-rate tenant profile excludes the downtown core. Demand is for the districts in total. The placement of the housing product is discussed according to district and what type of housing best aligns with the infrastructure and support-services within each geographical area.



ADDENDUM A
DEMAND ANALYSIS

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EFFECTIVE DEMAND ANALYSIS

Methodology

The effective demand analysis provides an indication of market support at the price points and product type anticipated for the districts. Further, it examines potential saturation. A demographic analysis was conducted of the district as a whole. The market analysis is based on the following steps:

1. Quantify the number of renter households within the districts by income level;
2. Analyze household growth to estimate the future rental demand that would likely reside within apartments;
3. Quantify the level of rental demand the districts would capture;
4. Determine the competitive set of apartments;
5. Quantify future supply and demand in a conservative and aggressive scenario;
6. Evaluate the results relative to the guidelines provided by the National Council of Housing Market Analysts (NCHMA)

Projected Households by Income

The analysis begins with the quantification of households within the districts by income. Once total households are calculated, they were projected forward based on growth rates obtained through national data sources such as ESRI and current employment trends. Household growth projected forward by income to 2026 is provided:

Demand was projected for conservative and aggressive scenarios. The conservative projection details are provided. The aggressive scenario mirrors the methodology presented but at a higher growth rate of 3.2%.

TOTAL HOUSEHOLDS IN THE DISTRICTS						
Income Level:	2021	2022	2023	2024	2025	2026
<\$15,000	4,095	4,109	4,124	4,138	4,152	4,167
\$15,000-\$24,999	2,879	2,876	2,873	2,869	2,866	2,863
\$25,000-\$34,999	2,673	2,687	2,700	2,714	2,728	2,742
\$35,000-\$49,999	2,363	2,410	2,458	2,507	2,557	2,608
\$50,000-\$74,999	2,447	2,512	2,579	2,648	2,718	2,791
\$75,000-\$99,999	1,677	1,715	1,753	1,793	1,833	1,875
\$100,000-\$149,999	2,365	2,476	2,592	2,714	2,841	2,975
\$150,000-\$199,999	996	1,057	1,123	1,192	1,265	1,343
\$200,000+	1,236	1,287	1,341	1,397	1,455	1,516
Total Households	20,731	21,130	21,543	21,972	22,417	22,878

Projected Renter Households by Income

The most recent American Community Survey data for the districts is used to estimate propensity to rent:

PROPENSITY TO RENT - EXISTING HOUSEHOLDS	
Income Level	Renter %
<\$15,000	83.4%
\$15,000-\$24,999	71.5%
\$25,000-\$34,999	63.0%
\$35,000-\$49,999	52.6%
\$50,000-\$74,999	43.6%
\$75,000-\$99,999	27.6%
\$100,000-\$149,999	19.7%
\$150,000+	13.2%
Source: American Community Survey	

These rates are generally indicative of an inverse relationship between household income levels and the propensity to rent: as household incomes decline, the propensity to rent increases. The propensity to rent is applied to the households to determine potential rental housing demand.

The propensity to rent by income is then applied to the projection of renter households by income at the end of the analysis period:

PROJECTED RENTER HOUSEHOLDS BY INCOME - 2026			
Income Levels	Total Households	Propensity to Rent	Renter Households
\$0-\$14,999	4,167	83.4%	3,476
\$15,000-\$24,999	2,863	71.5%	2,046
\$25,000-\$34,999	2,742	63.0%	1,727
\$35,000-\$49,999	2,608	52.6%	1,373
\$50,000-\$74,999	2,791	43.6%	1,216
\$75,000-\$99,999	1,875	27.6%	517
\$100,000-\$149,999	2,975	19.7%	585
\$150,000-\$199,999	1,343	13.2%	178
\$200,000+	1,516	13.2%	200
Total Projected Renter Households - 2026			11,317
Source: American Community Survey, ESRI, Value Tech Realty Services			

Rent Overburdened & Substandard Housing Demand

The districts have households that are residing within housing product that is substandard. In addition, there are households within rental housing that is priced at levels that results in rent overburdened (over 35% of income is spent on housing). Replacement housing is needed for these two household profiles.

The 2019 American Community Survey (most recent available) was utilized to quantify rent overburdened households and households living in substandard housing. Family households were considered rent

overburdened when gross rent as a percentage of household income was 35% or above. Rental households by gross rent as a percentage of monthly income are provided as follows:

RENT OVERBURDENED HOUSEHOLDS IN DISTRICT									
Household Income	<20.0%	20.0% - 24.9%	25.0% - 29.9%	30.0% - 34.9%	35.0% - 39.9%	40.0% - 49.9%	50.0% +	Not Computed	Total
Less than \$10,000:	5.4%	1.4%	3.2%	5.8%	2.0%	4.9%	53.6%	23.7%	100.0%
\$10,000 to \$19,999:	2.8%	3.4%	9.7%	7.1%	7.3%	21.1%	43.6%	5.0%	100.0%
\$20,000 to \$34,999:	9.0%	11.1%	20.7%	22.4%	10.3%	13.0%	9.9%	3.6%	100.0%
\$35,000 to \$49,999:	34.2%	29.8%	8.2%	6.7%	12.3%	4.5%	0.0%	4.4%	100.0%
\$50,000 to \$74,999:	64.0%	19.4%	12.9%	3.1%	0.0%	0.0%	0.0%	0.6%	100.0%
\$75,000 to \$99,999:	84.9%	13.6%	1.5%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
\$100,000 or more:	96.0%	0.0%	0.0%	0.0%	0.9%	0.0%	0.0%	3.1%	100.0%

Source: American Community Survey 2015-2019

Households residing in substandard housing can be accommodated throughout the districts. Substandard housing is defined as households that lack complete plumbing or kitchen facilities and households that have greater than 1.0 occupants per room. Total substandard households regardless of age or income are calculated as a percentage of total rental households. Once this percentage is calculated, it is applied to the rental households in the districts to determine the number of substandard households.

SUBSTANDARD HOUSING INTERPOLATION	
	Districts
Renter Households	9,863
Complete Kitchen Facilities	9,857
Lacking Complete Kitchen Facilities	6
Complete Plumbing Facilities	9,863
Lacking Complete Plumbing Facilities	0
<0.51 Occupants per Room	6,991
0.51-1.00 Occupants per Room	2,481
1.01-1.50 Occupants per Room	224
1.51-2.00 Occupants per Room	130
>2.00 Occupants per Room	37
Total Substandard Housing Units	397
Substandard Housing %	4.0%

Source: American Community Survey 2015-2019

As the charts illustrate, about 4% of households reside in substandard housing. Rent assisted apartments have the ability to accommodate much of this demand. Typically, substandard households are in the lowest income brackets, as such this component of demand is only calculated for the lowest income bands in the analysis.

EFFECTIVE DEMAND – 30% AMI (PUBLIC/RENT ASSISTED HOUSING)

Income Qualification – 30% AMI

An analysis was conducted to determine the cost-to-income ratio that is supportable by the market for potential residents at the lowest income levels in the district. The analysis for public and rent assisted housing considers households earning \$0 to approximately \$25,000. In addition, family households are considered rent overburdened when more than 35% of income is spent on housing. Therefore, a rounded 35% income ratio was applied in the analysis.

Rent subsidized housing will accommodate households with no income. This sets the minimum household income for the lowest housing income bracket.

HOUSEHOLD INCOME REQUIREMENTS 30% AMI	
Low End of District's Rental Range	\$0
Housing Cost	35%
Monthly Income Required	\$0
Annual Income Required	\$0

The maximum income limits by household size for public and rent assisted housing in Madison County are defined with reliance on the low-income-housing-tax-credit program. This information was obtained from Novogradac and is provided:

MAXIMUM INCOME LIMIT BY AMI & HOUSEHOLD SIZE				
Persons	30% AMI	50-60% AMI	70-80% AMI	MARKET
1	\$17,430	\$29,050	\$40,670	N/A
2	\$19,920	\$33,200	\$46,480	N/A
3	\$22,410	\$37,350	\$52,290	N/A
4	\$24,870	\$41,450	\$58,030	N/A
5	\$26,880	\$44,800	\$62,720	N/A
6	\$28,860	\$48,100	\$67,340	N/A

Source: Novogradac

The above income bands generally align with Novogradac’s research for each AMI bracket. This is generally the income groups that will qualify for public and/or rent assisted housing. Households are calculated as follows:

30% AMI RENTER HOUSEHOLDS - 2026			
Income Level:	Total Renter Households	Allocation	Qualified Renter Households
<\$15,000	3,476	100%	3,476
\$15,000-\$24,999	2,046	100%	2,046
\$25,000-\$34,999	1,727	0%	0
\$35,000-\$49,999	1,373	0%	0
\$50,000-\$74,999	1,216	0%	0
\$75,000-\$99,999	517	0%	0
\$100,000-\$149,999	585	0%	0
\$150,000-\$199,999	178	0%	0
\$200,000+	200	0%	0
Total Households	11,317	48.8%	5,522

Approximately 48.8% of the renter households in the districts will be income qualified based on the needs of the current tenant base.

Existing Supply – 30% AMI

There are about 1,236 units of public housing throughout the Huntsville districts.

Future Supply – 30% AMI

There are no proposed or under construction units in the districts targeting the 30% AMI households.

Qualified Net Demand – 30% AMI

Three sources of demand are considered for subsidized projects:

1. Household growth;
2. Rent overburdened households;
3. Renter households residing in substandard housing.

The components of demand through 2026 are provided:

CAPTURE RATE ANALYSIS - 30% AMI			
a	Projected Renter Household Growth		48
b	Existing Demand from Rent Overburdened Households	62.0%	+ 3425
c	Existing Demand from Substandard Rental Units	4.0%	+ 222
d	TOTAL DEMAND		= 3,695

Currently 1,236 units of public housing exist throughout the districts. As indicated in the table above there is significantly more need than supply. There are 3,695 households that are currently living in substandard housing that should be replaced.

Based on the demographic analysis, there is significant market support for additional rent subsidized housing. This demand could be accommodated in any of the districts.



EFFECTIVE DEMAND – 50% - 60% AMI (LIHTC)

Income Qualification – 50% - 60% AMI

An analysis was conducted to determine the cost-to-income ratio that is supportable by the market for potential residents in the districts. Households are considered rent overburdened when more than 35% of income is spent on housing. The 50% - 60% AMI households will be rent overburdened in most market-rate rental housing. Typically, the Low-Income-Housing-Tax-Credit (LIHTC) program is utilized to provide financing to construction housing targeting these income groups. The minimum income level is provided:

HOUSEHOLD INCOME REQUIREMENTS 50-60% AMI	
Low End of District's Rental Range	\$729
Housing Cost	35%
Monthly Income Required	\$2,083
Annual Income Required	\$25,000

The maximum income limits in Madison County are provided:

MAXIMUM INCOME LIMIT BY AMI & HOUSEHOLD SIZE				
Persons	30% AMI	50-60% AMI	70-80% AMI	MARKET
1	\$17,430	\$29,050	\$40,670	N/A
2	\$19,920	\$33,200	\$46,480	N/A
3	\$22,410	\$37,350	\$52,290	N/A
4	\$24,870	\$41,450	\$58,030	N/A
5	\$26,880	\$44,800	\$62,720	N/A
6	\$28,860	\$48,100	\$67,340	N/A

Source: Novogradac

The above income bands generally align with Novogradac’s research for each AMI bracket. This is calculated as follows:

50-60% AMI RENTER HOUSEHOLDS - 2026			
Income Level:	Total Renter Households	Allocation	Qualified Renter Households
<\$15,000	3,476	0%	0
\$15,000-\$24,999	2,046	0%	0
\$25,000-\$34,999	1,727	100%	1,727
\$35,000-\$49,999	1,373	100%	1,373
\$50,000-\$74,999	1,216	0%	0
\$75,000-\$99,999	517	0%	0
\$100,000-\$149,999	585	0%	0
\$150,000-\$199,999	178	0%	0
\$200,000+	200	0%	0
Total Households	11,317	27.4%	3,100

Approximately 27.4% of total renter households in the districts will be at income levels associated with affordable (LIHTC) rental housing.

Existing Supply – 50% - 60% AMI

Garden Cove Apartments, Spring Branch Apartments, Sunrise Gardens, Westbrooke Apartments, Westgate I, and Westgate II comprise the tax credit rental pool throughout the Huntsville Districts. These communities provide 408 affordable units that are restricted to households earning up to 60% AMI. There will be overlap between this rental pool and the rental pool for workforce housing.

Future Supply – 50% - 60% AMI

There are no proposed or under construction units in the districts targeting the 50% - 60% AMI households.

Qualified Net Demand – 50% - 60% AMI

Two sources of demand are considered for LIHTC projects:

- 1. Household growth;
- 2. Rent overburdened households;

Substandard rental units are only considered for households earning less than 30% AMI and are therefore excluded from the 50% - 60% AMI household analysis. The components of demand through 2026 are provided:

CAPTURE RATE ANALYSIS - 50-60% AMI				
a	Projected Renter Household Growth			172
b	Existing Demand from Rent Overburdened Households	26.3%	+	816
e	TOTAL DEMAND		=	988

By 2026 there will be 988 renter households within the districts living in overburdened housing product. New affordable rental product is recommended to provide a quality living environment for these residents.

Affordable housing will typically require financial support. This could be through LIHTC awards, grants, gap financing such as city-backed bonds or through other available programs.



EFFECTIVE DEMAND – 70% - 80% AMI (WORKFORCE HOUSING)

Income Qualification – 70% - 80% AMI

An analysis was conducted to determine the cost-to-income ratio that is supportable by the market. Households are considered rent overburdened when more than 35% of income is spent on housing. Therefore, a rounded 35% income ratio was applied in the analysis.

HOUSEHOLD INCOME REQUIREMENTS 70-80% AMI	
Low End of District's Rental Range	\$1,094
Housing Cost	35%
Monthly Income Required	\$3,125
Annual Income Required	\$37,500

The maximum income limits in Madison County are provided:

MAXIMUM INCOME LIMIT BY AMI & HOUSEHOLD SIZE				
Persons	30% AMI	50-60% AMI	70-80% AMI	MARKET
1	\$17,430	\$29,050	\$40,670	N/A
2	\$19,920	\$33,200	\$46,480	N/A
3	\$22,410	\$37,350	\$52,290	N/A
4	\$24,870	\$41,450	\$58,030	N/A
5	\$26,880	\$44,800	\$62,720	N/A
6	\$28,860	\$48,100	\$67,340	N/A

Source: Novogradac

Only a portion of the total income groups will qualify. Workforce housing is classified as households earning between \$37,500 and \$70,000 per year. These are households with incomes too high to be accommodated within affordable (LIHTC) properties but must utilize about 35% of their income to be within many of the market-rate communities. This is calculated as follows:

70-80% AMI RENTER HOUSEHOLDS - 2026			
Income Level:	Total Renter Households	Allocation	Qualified Renter Households
<\$15,000	3,476	0%	0
\$15,000-\$24,999	2,046	0%	0
\$25,000-\$34,999	1,727	0%	0
\$35,000-\$49,999	1,373	83%	1,139
\$50,000-\$74,999	1,216	80%	972
\$75,000-\$99,999	517	0%	0
\$100,000-\$149,999	585	0%	0
\$150,000-\$199,999	178	0%	0
\$200,000+	200	0%	0
Total Households	11,317	18.7%	2,112

Approximately 18.7% of the renter households in the districts will be income qualified for workforce housing based on the needs of the current tenant base.

Existing Supply – 70% - 80% AMI

Workforce housing is not offered within the districts.

Future Supply – 70% - 80% AMI

There are no proposed or under-construction communities within the districts targeting the workforce housing wage level.

Qualified Net Demand – 70% - 80% AMI

Three sources of demand are considered:

1. Household growth;
2. Rent overburdened households;
3. UAB Medical Students

The components of demand through 2026 are provided:

CAPTURE RATE ANALYSIS - 70-80% AMI			
a	Projected Renter Household Growth		227
b	Existing Demand from Rent Overburdened Households	8.7%	+ 184
c	Existing Demand UAB Medical Students		+ 35
e	TOTAL DEMAND		= 446

By 2026 there will be 446 renter households within the districts living in overburdened housing product. New workforce housing is recommended proximate the downtown core and medical district to provide a quality living environment for these essential personnel. A secondary analysis was conducted with elevated household growth. This scenario’s conclusion is provided alongside the initial analysis:

WORKFORCE HOUSING ALLOCATION - CONSERVATIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	446

WORKFORCE HOUSING ALLOCATION - AGGRESSIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	525

EFFECTIVE DEMAND – MARKET RATE

Income Qualification – Market Rate

An analysis was conducted to determine the cost-to-income ratio that is supportable by the market. Households are considered rent overburdened when more than 35% of income is spent on housing. Therefore, a rounded 35% income ratio was applied in the analysis.

HOUSEHOLD INCOME REQUIREMENTS - MARKET	
Low End of District's Rental Range	\$1,400
Housing Cost	35%
Monthly Income Required	\$4,000
Annual Income Required	\$48,000

The maximum income limits in Madison County are provided. Market-rate communities do not have a maximum income limit as detailed in the table below:

MAXIMUM INCOME LIMIT BY AMI & HOUSEHOLD SIZE				
Persons	30% AMI	50-60% AMI	70-80% AMI	MKT% AMI
1	\$17,430	\$29,050	\$40,670	N/A
2	\$19,920	\$33,200	\$46,480	N/A
3	\$22,410	\$37,350	\$52,290	N/A
4	\$24,870	\$41,450	\$58,030	N/A
5	\$26,880	\$44,800	\$62,720	N/A
6	\$28,860	\$48,100	\$67,340	N/A

Source: Novogradac

Only a portion of the total income groups will income qualify. This is calculated as follows:

MARKET RENTER HOUSEHOLDS - 2026			
Income Level:	Total Renter Households	Allocation	Qualified Renter Households
<\$15,000	3,476	0%	0
\$15,000-\$24,999	2,046	0%	0
\$25,000-\$34,999	1,727	0%	0
\$35,000-\$49,999	1,373	13%	183
\$50,000-\$74,999	1,216	100%	1,216
\$75,000-\$99,999	517	100%	517
\$100,000-\$149,999	585	100%	585
\$150,000-\$199,999	178	100%	178
\$200,000+	200	100%	200
Total Households	11,317	25.4%	2,878
Normalized Propensity to Rent		30.9%	3,499

Approximately 25.4% of the renter households in the districts currently are income qualified based on the needs of the current tenant base. However, the propensity to rent was constrained due to a lack of supply. The normalized propensity rent represents the number of households that would be in rental housing if

supply were available. Overall propensity to rent in Madison County is approximately 45%, as such the normalized propensity at 30.9% is a conservative estimate.

The propensity to rent is increasing as more supply has been added. Thus, the normalized propensity to rent factor is applied.

Existing Supply – Market Rate

There are approximately 2,200 market rate rental units throughout the districts. Communities less than 25 units in size are excluded from the analysis.

Future Supply – Market Rate

There are 490 units of market-rate apartment supply currently under-construction or proposed throughout the districts. Future supply in the downtown core is not considered as part of the analysis as the downtown core of a major metro draws rental demand from the overall region.

Qualified Net Demand – Market Rate

Household growth is the only source of demand considered for the market-rate analysis. The proposed future supply is deducted from household growth to provide an estimate for unmet demand.

CAPTURE RATE ANALYSIS - MARKET		
a	Projected Renter Household Growth	1,045
b	Future Supply	(490)
c	UNMET DEMAND	= 555

By 2026 there will be approximately 555 units of unmet Class A market-rate demand in the districts. This number excludes the downtown core of Huntsville. The downtown core of a major metro draws rental demand from the overall region, and as such a separate analysis for the downtown core was completed. The future supply in the district analysis includes The Foundry and Dallas Mill Apartments.

Market-rate housing is allocated below in a conservative and aggressive analysis. The aggressive analysis utilizes an elevated household growth factor that is driven by employment projections for the region in 2022:

MARKET-RATE HOUSING ALLOCATION - CONSERVATIVE			
District	Households	% of District Total	Unmet Demand: Renter Households
Lincoln Mill	1,738	36%	199
West Huntsville	3,100	64%	355
Totals	4,838	100%	555

MARKET-RATE HOUSING ALLOCATION - AGGRESSIVE			
District	Households	% of District Total	Unmet Demand: Renter Households
Lincoln Mill	1,738	36%	243
West Huntsville	3,100	64%	433
Totals	4,838	100%	676

Underwriting Support by & Prepared for:



Conclusion

Housing demand provided within this addendum summarizes the conservative estimate for unmet housing demand in the districts. A secondary analysis was conducted which utilized elevated projected employment growth for FY2022 as the primary driver of the aggressive analysis. The conservative and aggressive scenarios are provided below:

TOTAL DEMAND BY AMI - DISTRICTS - CONSERVATIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	48	172	227	1,045
Existing Demand from Rent Overburdened Households	3,425	816	184	0
Existing Demand from Substandard Rental Units	222	0	0	0
Future Supply	0	0	0	(490)
Total Demand	3,695	988	411	555

TOTAL DEMAND BY AMI - DISTRICTS - AGGRESSIVE				
AMI	Public Housing	LIHTC	Workforce Housing	Market-Rate
Projected Renter Household Growth	240	280	300	1,166
Existing Demand from Rent Overburdened Households	3,543	844	190	0
Existing Demand from Substandard Rental Units	230	0	0	0
Future Supply	0	0	0	(490)
Total Demand	4,013	1,123	490	676

The projection relates to the five-year period through 2026. Once new residential development occurs within a district and synergy is created, a location such as a specific district will gain momentum and additional supply can be supported. An example is the current downtown core that has entered a growth phase is residential development with several projects currently underway.

Market-rate households in urbanized locations will prioritize location and amenities over price point. As such it is recommended that market-rate housing be allocated to Lincoln Mill and West Huntsville as these two districts have locations and supportive land uses that are most sought after by households migrating to the region.

In the analysis, a range of 555-676 units of unmet demand exists for market-rate housing between the Lincoln Mill and West Huntsville districts. The share of market-rate rental households one of these districts will capture is determined by taking a district’s total households and dividing it by the total households overall:

DISTRICT ALLOCATION		
<i>District</i>	<i>Households</i>	<i>% of District Total</i>
Lincoln Mill	1,738	36%
West Huntsville	3,100	64%
Totals	4,838	100%

The lower end of the range represents the conservative analysis, while the upper end of the range represents the aggressive analysis.

MARKET-RATE HOUSING ALLOCATION - CONSERVATIVE		
<i>District</i>	<i>% of District Total</i>	<i>Unmet Demand: Renter Households</i>
Lincoln Mill	36%	199
West Huntsville	64%	355
Totals	100%	555

Underwriting Support by & Prepared for:



MARKET-RATE HOUSING ALLOCATION - AGGRESSIVE		
<i>District</i>	<i>% of District Total</i>	<i>Unmet Demand: Renter Households</i>
Lincoln Mill	36%	243
West Huntsville	64%	433
Totals	100%	676

Workforce housing is provided below in a conservative and aggressive analysis:

WORKFORCE HOUSING ALLOCATION - CONSERVATIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	446

WORKFORCE HOUSING ALLOCATION - AGGRESSIVE	
<i>District</i>	<i>Unmet Demand: Renter Households</i>
Medical	525

Workforce housing is allocated to the medical district. This is an area of most critical need where housing within a walkable or non-car dependency manner is necessary to support the hospital and associated businesses. Many employers in this district indicated that they subsidize parking for their employees as many of them must commute because downtown core rents are above their wage levels. If workforce housing was proximate the major medical node it would lower the rental strain on essential workforce as well as reduce their impact on parking and other infrastructure in this district.

Rent subsidized and affordable (Low Income Housing Tax Credit) demand is not allocated due to elevated barriers to entry in the districts. The City of Huntsville and the Huntsville Housing Authority must collaborate with private individuals in pursuit of acceptable development sites. Typically, a variety of incentives and financial support will be necessary to provide grants and/or gap funding in order to achieve a financially viable project. When possible, emphasis should be placed on creating “mixed-income” neighborhoods.

Unmet demand for the Class A market-rate tenant profile excludes the downtown core. Demand is for the districts in total. The placement of the housing product is discussed according to district and what type of housing best aligns with the infrastructure and support-services within each geographical area.



ADDENDUM B
AREA ANALYSIS



Underwriting Support by & Prepared for:

Madison County Area Analysis



Introduction

Madison County was founded in 1808 and was named after James Madison, who was a Founding Father and the fourth president of the United States from 1809-1817. The county covers 813 square miles and has an estimated density of 468 people per square mile. Huntsville is the largest city and the county seat. The county's economy is largely based on aeronautic and engineering firms located in a large research park within the county. Military presence and incoming automotive manufacturing have set up Madison County for continued economic expansion.

Madison County is surrounded by Lincoln County, Tennessee to the north, Franklin County, Tennessee to the northeast, Jackson County to the east, Marshall County to the southeast, Morgan County to the southwest, and Limestone County to the west. The county is included in the Huntsville, AL metropolitan statistical area (MSA).

Population and Demographics

The information in this section was obtained through the U.S. Census Bureau and ESRI. Madison County continues to experience positive population growth as evidenced by the following:

POPULATION AND HOUSEHOLDS: MADISON COUNTY				
	2010	2021	Change	% Change
Total Population	334,811	388,971	54,160	16.2%
Total Households	134,700	158,267	23,567	17.5%
Source: Demographic and Income Profile, ESRI Site Analysis				

Total population and the total number of households have increased over the past 11 years.

The following chart provides historical population data as well as future projections by age for Madison County:

MADISON COUNTY POPULATION PROJECTIONS BY AGE					
Total Number of Residents					
Age	2010	2021	2026	Change 2021 - 2026	% Change
0-4	20,869	21,124	22,386	1,262	6.0%
5-9	21,285	22,512	23,180	668	3.0%
10-14	22,834	24,132	24,580	448	1.9%
15-19	24,777	24,463	25,922	1,459	6.0%
20-24	24,321	25,184	24,763	-421	-1.7%
25-34	43,958	54,337	54,732	395	0.7%
35-44	44,357	50,694	56,650	5,956	11.7%
45-54	53,816	48,085	48,540	455	0.9%
55-64	37,721	53,933	52,520	-1,413	-2.6%
65-74	23,151	38,124	45,062	6,938	18.2%
75-84	13,284	19,354	24,708	5,354	27.7%
85+	4,438	7,029	8,419	1,390	19.8%
Total	334,811	388,971	411,462	22,491	5.8%
% Change		16.2%	5.8%		
Compounded annual growth rate (2010 to 2026)			1.3%		
Compounded annual growth rate (2021 to 2026)			1.1%		
Source: Demographic and Income Profile, ESRI Site Analysis					

The county has experienced positive growth trends which are projected to continue through 2026. The largest increase in population is projected for the age groups between 65 and 84. The 65+ age cohorts represent the empty nester housing market. This is becoming a more important segment within the rental housing industry as seniors seek low maintenance lifestyles within a secured living environment.

The following table provides information on the working-age population within Madison County:

MADISON COUNTY WORKING-AGE RESIDENTS					
Total Number of Residents					
Age	2010	2021	2026	Change 2021 - 2026	% Change
20-24	24,321	25,184	24,763	-421	-1.7%
25-34	43,958	54,337	54,732	395	0.7%
35-44	44,357	50,694	56,650	5,956	11.7%
45-54	53,816	48,085	48,540	455	0.9%
55-64	37,721	53,933	52,520	-1,413	-2.6%
Total	204,173	232,233	237,205	4,972	2.1%
% Change		13.7%	2.1%		
Compounded annual growth rate (2010 to 2026)			0.9%		
Compounded annual growth rate (2021 to 2026)			0.4%		

Source: Demographic and Income Profile, STDB, Inc., ESRI Site Analysis.

The working-age population increased from 2010 to 2021 and will continue this trend through 2026.

The following table exhibits household growth within Madison County as well as expected future growth:

HOUSEHOLD PROJECTION FOR 2021 to 2026					
MADISON COUNTY					
				% Household Change	
Year	2010	2021	2026	2010-2021	2021-2026
Total	134,700	158,267	168,119	17.5%	6.2%
Compounded annual growth rate				1.5%	1.2%
Average Size	2.43	2.40	2.39		

Source: Site To Do Business

The number of households increased from 2010 to 2021 and is projected to continue this trend through 2026.

Households by size within Madison County are provided:

HOUSEHOLDS BY SIZE IN MADISON COUNTY		
Tenure	2010	
Persons Per Household	Number	Percentage
One Person	38,659	28.7%
Two People	45,125	33.5%
Three People	22,360	16.6%
Four People	17,646	13.1%
Five People	7,274	5.4%
Six People	2,425	1.8%
Seven or More People	1,212	0.9%
Total	134,700	100%

Source: ESRI, Market Profile, 2010

Most households within Madison County are one- or two-person households. Further, husband-wife families make up the majority of two-person households, as provided:

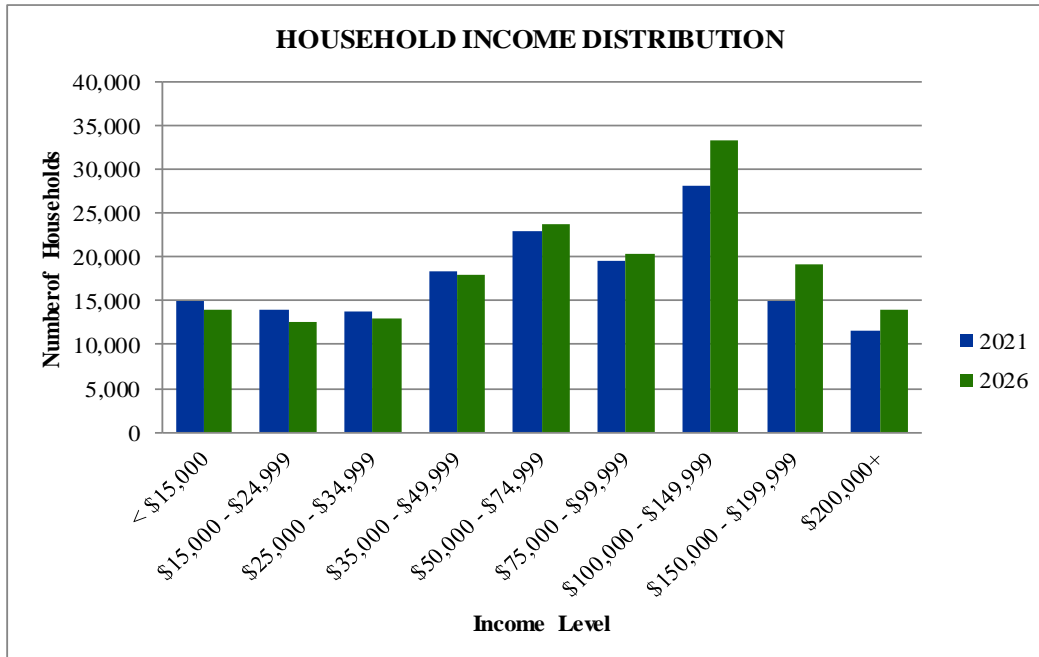
HOUSEHOLDS BY TYPE IN MADISON COUNTY	
Households with Two or More People	71.3%
Family Households	66.2%
Husband-wife Families	49.1%
With Related Children	21.7%
Other Family (No Spouse Present)	17.1%
Other Family with Male Householder	4.2%
With Related Children	2.3%
Other Family with Female Householder	12.8%
With Related Children	8.5%
Nonfamily Households	5.1%
Households with One Person	28.7%
Total Households	100.0%
Source: ESRI, Market Profile, 2010	

Household Income

The median household income in Madison County is provided:

MEDIAN HOUSEHOLD INCOME IN MADISON COUNTY	
2021	2026
\$68,166	\$77,680
Source: Age by Income Profile, ESRI Site Analysis	

More than 61% of households earn more than \$50,000 per year, the income levels typically associated with rental housing. The income distribution in Madison County is provided:



Households are generally projected to earn higher incomes by 2026.

Near-Term Employment Expansion Summary

Major employers in the region are expanding their footprint in Huntsville. New job openings from these major employers in the greater Huntsville region are anticipated to accelerate to over 12,000 new positions throughout 2021-2022 as detailed in the table below:

Job Growth		
Employer	Employees	Year
Mazda-Toyota Direct	4,000	2022
Mazda-Toyota Indirect	2,000	2022
Amazon	500	2021
Facebook	200	2022
FBI	4,000	2030
City Center	300	2022
Teledyne Brown	200	2022
565 Logistics Center	300	2021
Blue Origin	300	2021
BAE	300	2021
Total	12,100	---

A brief summary of the employment expansion is provided later in this section.

Employment Trends

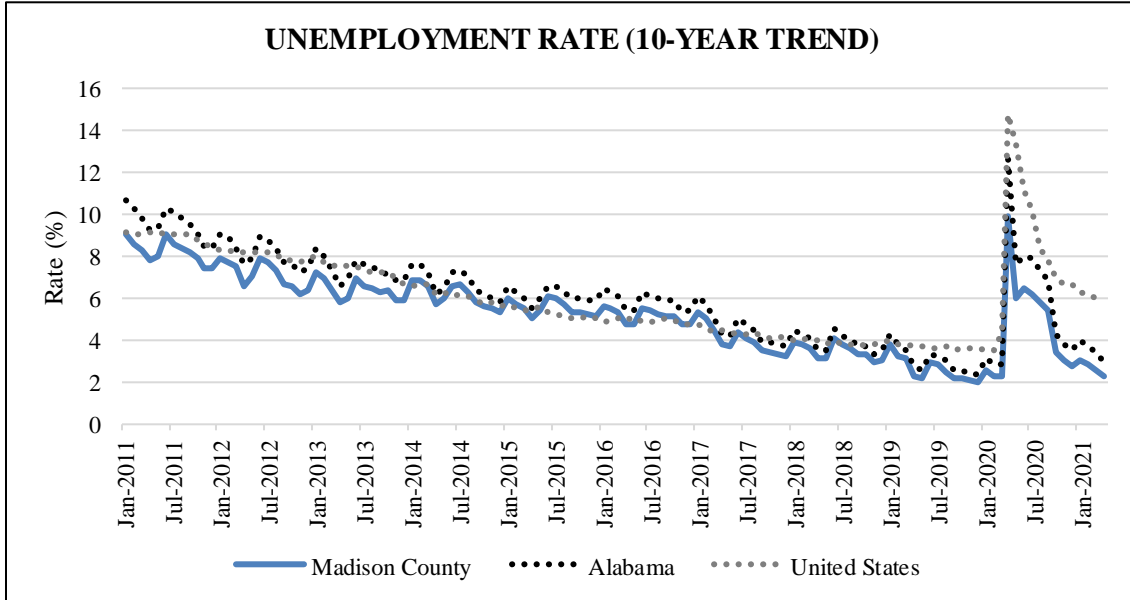
The civilian labor force is defined as all employed or unemployed persons 16+ years of age who are actively looking for work and available to accept employment. Persons in the Armed Forces or within institutional settings such as prisons, nursing homes, etc. are not counted within the civilian labor force. The trend in employment is provided:

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT DATA IN MADISON COUNTY				
Year	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2021 YTD	190,704	186,383	4,321	2.3%
2020	187,247	178,579	8,668	4.6%
2019	184,941	180,126	4,815	2.6%
2018	180,767	174,517	6,250	3.5%
2017	175,368	168,333	7,035	4.0%
2016	172,125	163,288	8,837	5.1%
2015	170,473	161,071	9,402	5.5%
2014	170,377	159,923	10,454	6.1%
2013	171,178	160,213	10,965	6.4%
2012	170,324	158,207	12,117	7.1%
2011	171,679	157,588	14,091	8.2%
Source: Bureau of Labor Statistics				
YTD 2021 consists of data through Apr 2021; the data is not seasonally adjusted.				

The unemployment rate in Madison County has been decreasing over the past several years, despite that the labor force is increasing.

The unemployment rate in Madison County has been decreasing over the past several years, despite that the labor force is increasing. The employed population decreased by around 20,900 from February 2020 to April 2020 due to the impact of COVID-19 on businesses. By April 2021, the employed population had increased by around 23,900 from its April 2020 trough. The employed population will continue to increase as the economy recovers.

The county’s unemployment rate compared to the state and nation’s unemployment rate over the past 10 years is provided:



Madison County’s unemployment rate has generally mirrored the state and national unemployment rate over the past 10 years. As of April 2021, Madison County’s unemployment rate of 2.3% was lower than the state and national rates.

At-place employment refers to jobs that are filled and located within the same county. The trend in the market is presented:

AT-PLACE EMPLOYMENT IN MADISON COUNTY			
Year	Employment	Change	Percent
2020 YTD	208,031	1,898	0.9%
2019	206,133	5,794	2.9%
2018	200,339	4,637	2.4%
2017	195,702	4,024	2.1%
2016	191,678	4,957	2.7%
2015	186,721	4,091	2.2%
2014	182,630	1,122	0.6%
2013	181,508	3,066	1.7%
2012	178,442	585	0.3%
2011	177,857	-766	-0.4%
2010	178,623	-	-

YTD data is provided through Dec. 2020
 Source: Department of Labor Statistics

The trend in the market was positive through 2019 as employment increased. The trend in the market was positive through 2019 as employment increased. From February to April 2020, at-place employment decreased by approximately 20,200 jobs due to the impact of COVID-19 on the economy. From April to December 2020 (most recent data available), at-place employment increased by approximately 19,300 jobs. Employment recovery is projected to continue along a positive trajectory.

The following chart illustrates employment by sector with the most recent data for Madison County:

MADISON COUNTY EMPLOYMENT BY INDUSTRY		
<i>Industry Sector</i>	<i>Annual 2020 (Most Recent Data)</i>	
	<i>Jobs #</i>	<i>Jobs %</i>
Private sector	159,261	78.5%
Goods producing	29,421	14.5%
Natural resources and mining	419	0.2%
Construction	6,748	3.3%
Manufacturing	22,254	11.0%
Service providing	129,840	64.0%
Trade, transportation, and utilities	28,061	13.8%
Information	1,823	0.9%
Financial activities	6,111	3.0%
Professional and business services	54,442	26.8%
Education and health services	18,977	9.4%
Leisure and hospitality	17,198	8.5%
Other services	3,229	1.6%
Unclassified	#N/A	#N/A
Public sector	43,529	21.5%
Federal government	18,530	9.1%
State government	3,437	1.7%
Local government	21,562	10.6%
TOTAL EMPLOYMENT	202,790	100.0%
Source: Bureau of Labor Statistics		

The top three industry sectors in the county are the trade, transportation, and utilities industry, the education and health services industry, and the leisure and hospitality industry.

Employment totals by industry sector over the previous five years are provided:

MADISON COUNTY EMPLOYMENT BY INDUSTRY									
Industry Sector	Annual 2016	Annual 2017	% Chg	Annual 2018	% Chg	Annual 2019	% Chg	Annual 2020	% Chg
Private sector	150,307	153,648	2.2%	157,472	2.5%	162,845	3.4%	159,261	-2.2%
Goods producing	26,123	26,822	2.7%	27,356	2.0%	28,442	4.0%	29,421	3.4%
Natural resources and mining	335	356	6.3%	393	10.4%	417	6.1%	419	0.5%
Construction	5,155	5,487	6.4%	5,802	5.7%	6,325	9.0%	6,748	6.7%
Manufacturing	20,634	20,979	1.7%	21,162	0.9%	21,700	2.5%	22,254	2.6%
Service providing	124,183	126,826	2.1%	130,116	2.6%	134,402	3.3%	129,840	-3.4%
Trade, transportation, and utilities	27,655	27,660	0.0%	28,067	1.5%	28,992	3.3%	28,061	-3.2%
Information	2,143	2,086	-2.7%	2,062	-1.2%	2,008	-2.6%	1,823	-9.2%
Financial activities	5,659	5,785	2.2%	5,900	2.0%	6,031	2.2%	6,111	1.3%
Professional and business services	48,754	49,990	2.5%	51,377	2.8%	53,863	4.8%	54,442	1.1%
Education and health services	18,058	18,482	2.3%	19,057	3.1%	19,579	2.7%	18,977	-3.1%
Leisure and hospitality	18,700	19,550	4.5%	20,337	4.0%	20,443	0.5%	17,198	-15.9%
Other services	3,214	3,274	1.9%	3,317	1.3%	3,487	5.1%	3,229	-7.4%
Unclassified	0	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Public sector	41,370	42,054	1.7%	42,867	1.9%	43,289	1.0%	43,529	0.6%
Federal government	17,772	17,789	0.1%	17,840	0.3%	18,004	0.9%	18,530	2.9%
State government	3,165	3,204	1.2%	3,294	2.8%	3,293	0.0%	3,437	4.4%
Local government	20,433	21,061	3.1%	21,733	3.2%	21,992	1.2%	21,562	-2.0%
TOTAL EMPLOYMENT	191,677	195,702	2.1%	200,339	2.4%	206,134	2.9%	202,790	-1.6%

Source: Bureau of Labor Statistics

Madison County lies within Alabama Region 1 Workforce Council, which includes Franklin, Colbert, Cullan, De Kalb, Jackson, Lauderdale, Lawrence, Limestone, Marion, Marshall, Morgan, and Winston Counties. The following chart provides the total job growth for Region 1 through 2026:

REGION 1 OCCUPATIONAL PROJECTIONS				
Total Employment	2016	2026	Total Growth %	Total Growth
All Occupations	516,010	558,250	8.2%	42,240
Compounded Annual Growth Rate			0.8%	

Source: Alabama Department of Labor, Labor Market Information Division

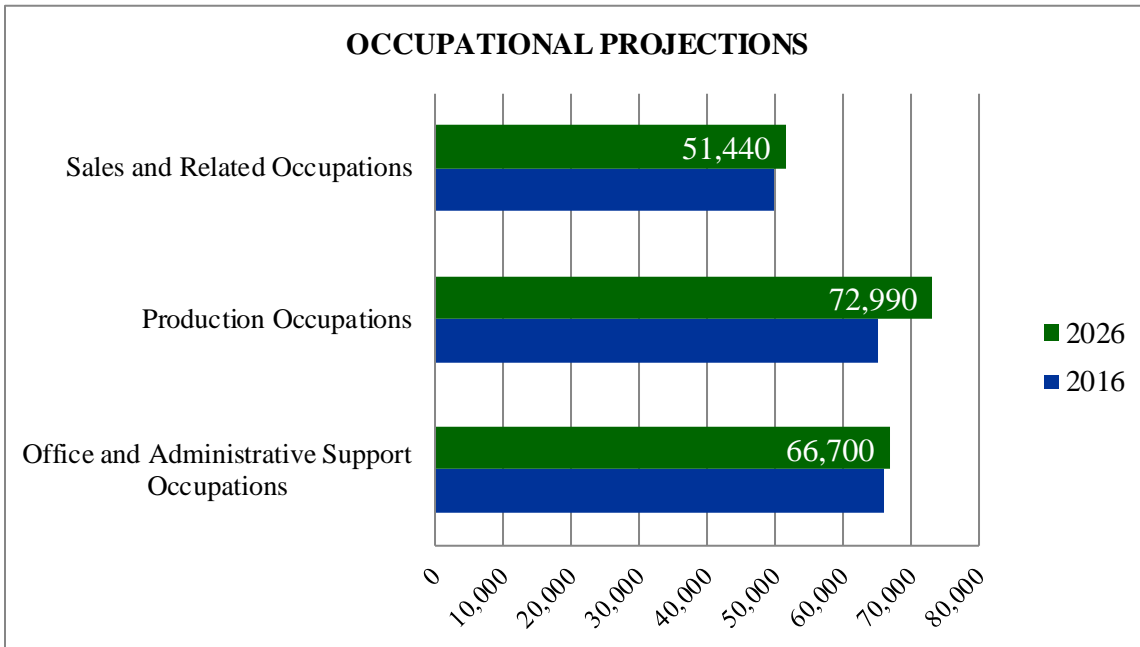
Jobs are projected to grow at an annual rate of 0.8% between 2016 and 2026. This amounts to an increase of over 42,000 total job openings.

The following chart illustrates the largest occupation categories and projected growth within those categories within the region:

REGION 1 OCCUPATIONAL PROJECTIONS				
Occupation Category	Employment		Total Growth %	Total Growth
	2016	2026		
Office and Administrative Support Occupations	65,860	66,700	1.3%	840
Production Occupations	65,060	72,990	12.2%	7,930
Sales and Related Occupations	49,770	51,440	3.4%	1,670
Food Preparation and Serving Related Occupations	38,560	42,370	9.9%	3,810
Transportation and Material Moving Occupations	36,660	38,950	6.2%	2,290
Management Occupations	31,470	34,050	8.2%	2,580
Healthcare Practitioners and Technical Occupations	26,980	30,540	13.2%	3,560
Education, Training, and Library Occupations	24,530	25,860	5.4%	1,330
Architecture Engineering Occupations	22,880	26,150	14.3%	3,270
Business and Financial Operations Occupations	22,460	24,720	10.1%	2,260

Source: Alabama Department of Labor, Labor Market Information Division

Office and administrative support occupations, production occupations, and sales and related occupations were the largest categories in 2016 and are expected to remain the largest through 2026.



The following chart shows the typical annual wages by occupation type for the Huntsville, AL MSA:

ANNUAL WAGE LEVEL BY OCCUPATION		
Occupation Type	Huntsville, AL MSA	Alabama
Management Occupations	\$129,950	\$110,040
Business and Financial Operations Occupations	\$88,700	\$74,820
Computer and Mathematical Occupations	\$99,370	\$86,720
Architecture and Engineering Occupations	\$103,200	\$90,900
Life, Physical, and Social Science Occupations	\$77,030	\$67,030
Community and Social Service Occupations	\$43,910	\$45,410
Legal Occupations	\$89,480	\$88,270
Education, Training, and Library Occupations	\$48,810	\$52,360
Arts, Design, Entertainment, Sports, and Media Occupations	\$52,420	\$47,480
Healthcare Practitioners and Technical Occupations	\$74,900	\$68,070
Healthcare Support Occupations	\$27,350	\$26,760
Protective Service Occupations	\$44,550	\$40,870
Food Preparation and Serving Related Occupations	\$22,110	\$21,870
Building and Grounds Cleaning and Maintenance Occupations	\$27,800	\$27,100
Personal Care and Service Occupations	\$26,370	\$26,160
Sales and Related Occupations	\$38,030	\$37,850
Office and Administrative Support Occupations	\$38,140	\$37,120
Farming, Fishing, and Forestry Occupations	\$27,950	\$33,300
Construction and Extraction Occupations	\$45,000	\$43,640
Installation Maintenance and Repair Occupations	\$48,840	\$48,920
Production Occupations	\$38,920	\$38,240
Transportation and Material Moving Occupations	\$32,500	\$34,550

Source: Bureau of Labor Statistics

The average annual wage level in the Huntsville, AL MSA is higher than that of the State of Alabama overall.

The following table illustrates the major employers in the area:

MAJOR EMPLOYERS IN MADISON COUNTY		
<i>Company</i>	<i>Number of Employees</i>	<i>Industry</i>
U.S. Army/Redstone Arsenal	44,000	Military
NASA/Marshall Space Flight Center	6,500	Government/Aerospace
Huntsville Hospital	6,341	Healthcare
Huntsville City Schools	3,000	Education
The Boeing Company	2,900	Aerospace
Madison County Schools	2,389	Education
SAIC	2,277	Research and Development
City of Huntsville	2,206	Government
University of Alabama in Huntsville	1,660	Education
ADTRAN, Inc.	1,549	Telecommunications
Technicolor	1,450	Technology
Toyota Motor Manufacturing Alabama, Inc.	1,350	Automotive
Hexagon US Federal	1,325	Software
Madison County Commission	1,242	Government
Alabama A&M University	1,207	Education
Northrop Grumman Corporation	1,100	Research and Development
KBRwyle	1,085	Research and Development
Dynetics, Inc.	1,038	Research and Development
Madison City Schools	976	Education
Polaris Industries	950	Utility Vehicle
Crestwood Medical Center	920	Healthcare
Alorica	800	Professional Services
Teledyne Brown Engineering	794	Research and Development
Lockheed Martin Corporation	764	Research and Development
PPG Aerospace	750	Aerospace
Sanmina	702	Electronics
Science and Engineering Services	692	Aviation
Redstone Federal Credit Union	681	Finance
Huntsville Utilities	642	Utilities
COLSA Corporation	635	Research and Development

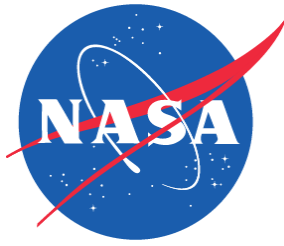
Source: Huntsville/Madison County Chamber of Commerce



Boeing is among the largest manufacturers of military aircraft and commercial jets worldwide. The company also manufactures satellites, launch vehicles, missiles, rotorcraft, and defense systems. As the country’s largest manufacturing exporter, Boeing supports airlines and US and allied government customers in over 150 countries. The company is headquartered in Chicago and employs over 140,000 people in more than 65 countries. Boeing employs approximately 2,900 individuals in Madison County.



Science Applications International Corporation (SAIC®) is a Fortune 500 scientific engineering company that primarily supports the government market. The company develops a wide range of products, including products that aid in military and intelligence agency operations. The company employs almost 2,300 individuals within Madison County.



The George C. Marshall Space Flight Center is the government's rocketry research center established in 1960. The center is located in Huntsville and consists of 170 primary facilities and 62 support facilities. NASA operations include transporting science experiments, equipment, and people into space and conducting related research. The space center has an annual budget of approximately \$2.6 billion. Marshall Space Flight Center employs 6,500 individuals within Madison County.

President Obama cancelled the Constellation program in 2011, which halted the production of the new \$9 billion space shuttle and rockets. These vehicles were intended to replace three space shuttles that were due for retirement. Huntsville's NASA facility continues to work at near pre-cancellation employment numbers and is a good indicator of growth. September 2011 brought the announcement that Huntsville NASA was to create the next and most powerful human-rated rocket. In January 2019, NASA loaded its new liquid hydrogen tank and oxygen tank onto a test stand in Huntsville to begin testing for the deep space rocket. It is the largest rocket stage ever built and will fuel NASA's journey to Mars. If Huntsville NASA can maintain its current pace, there will be a far higher possibility of funding for the future of NASA.

NASA's expertise is also being incorporated into private company plans such as those of Sierra Nevada. Sierra Nevada will be teaming with NASA to build what some have nicknamed "space taxis." Sierra Nevada named its shuttle the Dream Chaser. The project's main goal is to develop the capability to transport astronauts and cargo to the International Space Station.

Marshall Space Flight Center is designing the propulsion system for the Space Launch System, the most powerful rocket ever built. The liquid oxygen tank can hold over 730,000 gallons of propellant and will connect with the liquid hydrogen tank, intertank, and forward skirt to create the 212-foot core stage. The SLS is meant for deep space missions, including to an asteroid and ultimately to Mars. To get there, it will require an advanced booster with more thrust than any U.S. liquid- and solid-fueled booster.

Economic Development

Redstone Arsenal/Cummings Research Park

Redstone Arsenal, located in southern Huntsville, was built in 1941 for ammunition production. The Arsenal manages weapon systems and conducts research and development on weapon systems to ensure operational readiness. Some of the main functions of the military base are to provide missile and aviation systems to troops and provide services and supplies to allies. Multiple defense programs exist in Redstone Arsenal today. These include the U.S. Army Aviation and Missile Command (AMCOM), the Space and Missile Defense Command, and major components of the Defense Intelligence Agency and the Missile Defense Agency. NASA's Marshall Space Flight Center and various tenant and satellite organizations are also located at the arsenal.

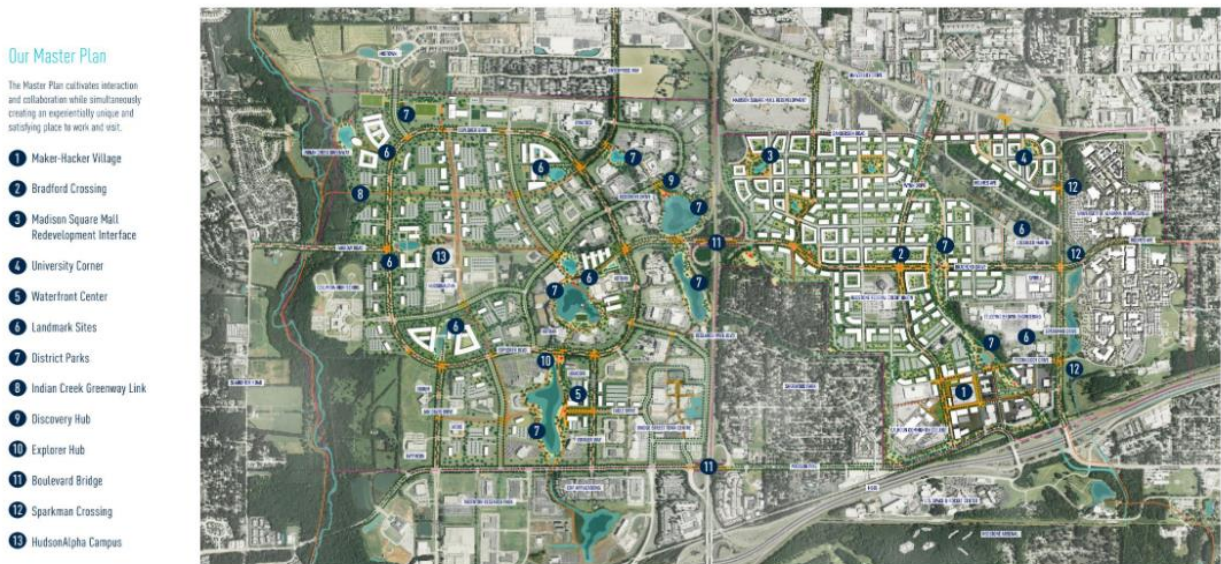
The population served includes 850 active-duty soldiers and over 15,000 retirees and their family members. Redstone encompasses 38,248 acres and 19 million square feet of building space. Redstone Arsenal employs approximately 44,000 individuals and is projected to grow to 50,000 employees by 2025. Annually, Redstone Arsenal contributes an economic impact of \$22 billion to the area through goods, services, and salaries.

The 2005 BRAC (military base realignment and closure) closed 25 military bases and another 24 were heavily downsized. Redstone Arsenal was a recipient of commands including the Army Material Command headquarters, Army Security Assistance Command headquarters, SMDC headquarters, Second Recruiting Brigade, Second Medical Recruiting Battalion and the location's first four-star general.

Redstone Arsenal maintains a close relationship with companies and contractors located within the Cummings Research Park.

The park is home to nearly 300 companies with more than 26,000 employees and 12,500 students. The park was originally created to be a central location for contracting firms working with Redstone Arsenal. The park was established in 1962 and has since expanded from 382 to 3,843 acres. Tenants include Lockheed Martin, Northrop Grumman, ADTRAN, and Teledyne Brown Engineering. Cummings Research Park is the foundation of Huntsville’s research and development sector. Strategically located near Redstone Arsenal and the University of Alabama Huntsville, the park is a vital part of the Huntsville region’s economy.

In June 2016, Cummings Research Park announced a master plan that will transform the park through 2025. The architecture and design firm, Perkins + Will, plans to turn the area into a vibrant urban center for high-tech research and development. The site plan is presented:

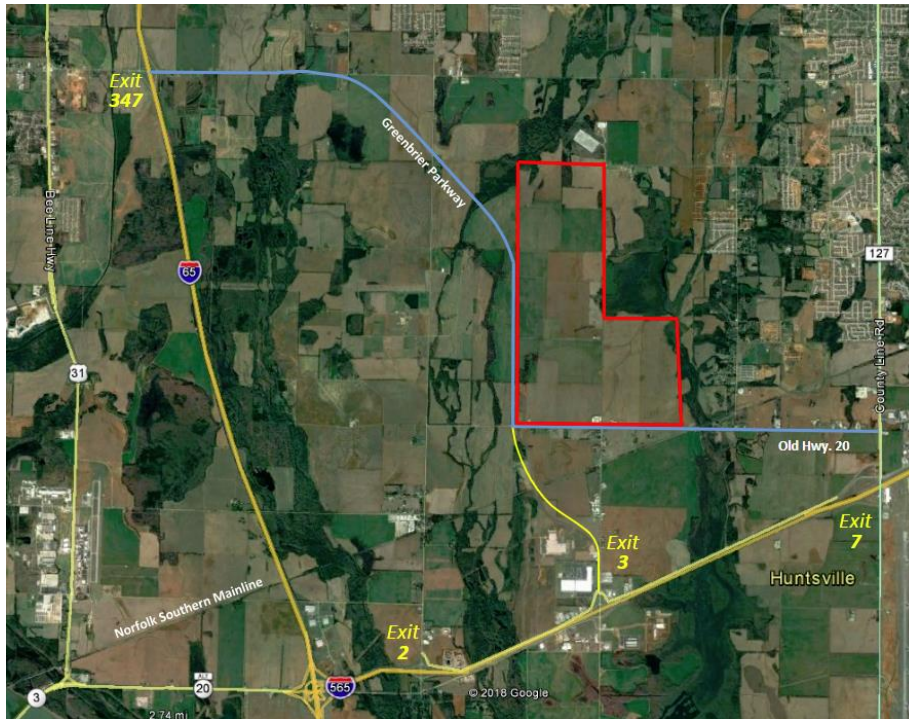


Mazda-Toyota Plant

In June 2021, Toyota and Mazda opened a \$1.6 billion auto manufacturing plant in Huntsville. The facility’s site spans 2,500 acres. The facility will create about 4,000 direct and 6,000 indirect jobs. Direct jobs will have an average salary of \$50,000. The plant will produce 300,000 vehicles annually. The company has already begun to move workers to the region to work at the facility and began hiring new employees in January 2020. Production will begin in 2021 yet the company will continue to hire on a rolling basis through 2022.

In August 2020, Toyota and Mazda announced plans to invest \$830 million in technology and training programs for the plant. This investment will accommodate production line enhancements to support the Mazda vehicle and design changes to the yet-to-be announced Toyota SUV.

The Mazda-Toyota plant will join a network of automobile manufacturers and the associated supply chain located throughout the south. Toyota has a partial Tier I and II supplier network in place. Mazda must built-out its supply-chain. Many of their Tier I and II companies are seeking sites in the region to construct their companies. The location map is provided:



The concentration of automotive facilities in the Southern US is known as the Southern Automobile Corridor. A map of the Southern Automobile Corridor is provided. The Mazda-Toyota plant has been added.



Rocket Development

In June 2021, the City of Huntsville approved a roughly \$325 million mixed-use project from Rocket Development Partners LLC in Huntsville. The project will consist of multiple phases and will include a hotel, multifamily housing, and retail space. The project is projected to finish by Q3 2025.

Amazon

In May 2021, Amazon announced plans for a Huntsville distribution center. The roughly 1 million square foot facility is projected to bring over 500 jobs to the area.

Marshall Medical

In April 2021, construction began on the renovation of Marshall Medical Center South. The roughly \$51 million project will add roughly 50 beds to the facility. It is projected to finish by 2024.

Federal Bureau of Investigations (FBI) and Redstone

The FBI has leased 1,600 acres on Redstone Arsenal to construct a second headquarters. With a \$1 billion investment, the new facility will focus on terrorism, ballistic devices, and emerging cyber threats. The first phase will be complete in 2021. Upon completion, 1,400 people will be transferred from the Washington D.C. headquarters to Huntsville. Over the next ten years, the FBI will create up to 4,000 jobs in the area.

Hampton Inn, Autograph, and Curio Hotels

In Fall 2019, a new 150-room Hampton Inn and Suites broke ground at Clinton Avenue and Monroe Street, near the Von Braun Center and was still under construction as of April 2021. The Autograph Hotel by Marriott, also located near the Von Braun Center, was still under construction as of February 2021. A third hotel, a Curio by Hilton Hotel on Jefferson Street, opened in June 2021. All three of these hotels will be located within one mile of the Von Braun Center. The new hotels are being constructed to make the Von Braun Center a more feasible location for larger events and conferences in the future. A site plan is provided:



Toyota Field

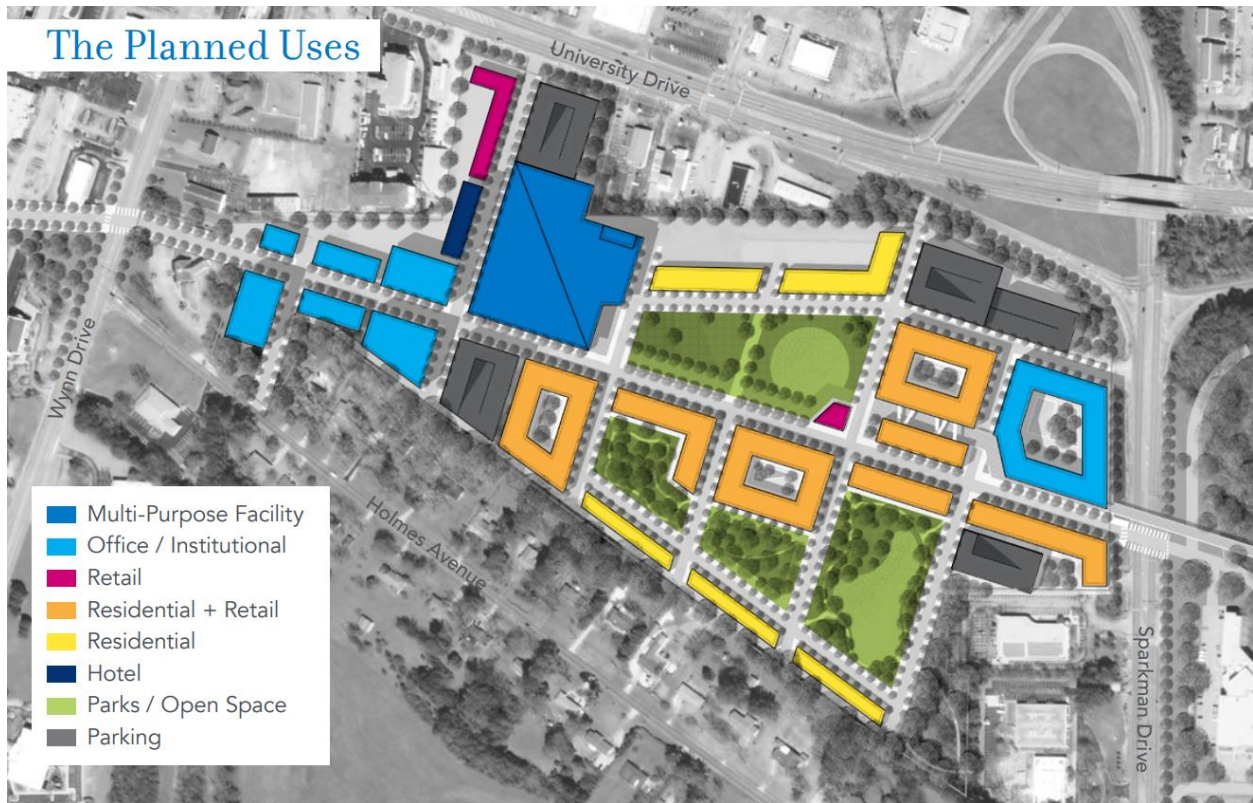
In February 2020, construction finished on the new Toyota Field Stadium in Town Madison. The new 82,328-square-foot, \$46 million baseball stadium will accommodate the Rocket City Trash Pandas, a local minor-league baseball team that is relocating from Mobile. The stadium will seat up to 7,000 people.

City Centre at Big Spring is a \$70-million mixed-use development currently under construction in downtown Huntsville. The project is being constructed in two phases. Phase I will contain 230 apartments, a 120 room AC by Marriott boutique hotel, and 38,000 square feet of retail space. The hotel opened for business in March 2019. Phase II will contain a Residence Inn with 100 rooms and additional retail or office space. The project is expected to bring 300 jobs to the downtown area. City officials indicated that the increase in hotel rooms will make the city significantly more marketable for business conferences. As of June 2021, Phase I was completed. An artistic rendering of the development is shown below:



University of Alabama in Huntsville (UAH)

In April 2021, UAH received approval from the University of Alabama System Board of Trustees for plans to develop a 58-acre mixed-use district oriented toward the life of students, faculty, and staff outside of the classroom. The new campus expansion will provide housing and lifestyle amenities such as dining, entertainment, events, performances, and outdoor recreation. The plan calls for 2,000 units devoted to student housing, 170,000 square feet of commercial retail, a 165,000-square-foot multipurpose facility, and 3.5 acres of parks, reservation, and open spaces. Below is a map of planned uses within the district:



Huntsville Hospital

In August 2018, the hospital announced a \$150 million expansion project. A new seven-story 380,000 square foot tower will be constructed along Gallatin Street with 24 operating rooms and 72 beds. The expansion is meant to accommodate future population growth in Huntsville that is driven by an expanding economic base. The new facility will largely house Orthopedic and Spinal care services and will free up more hospital beds in the main building. Construction was still unfinished as of June 2021.

Teledyne Brown Engineering

Teledyne Brown Engineering is currently constructing a 22,000 square-foot manufacturing facility in Cummings Research Park. The company recently secured a \$178 million federal contract to manufacture a submersible vehicle to be utilized by Navy SEAL Teams. The contract will be active through 2024.

In July 2020, the firm announced plans to expand one of its Huntsville facilities from roughly 200,000 to 255,000 square feet. The project is expected to generate around 100 jobs by 2022.

Huntsville 565 Logistics Project

An Atlanta-based Intersect Development Group broke ground on the Huntsville 565 Logistics Park in Fall 2020. Phase I of this development will include a 1,445,500-square-foot facility built upon 47 acres. This \$35 million project expects to create 300 jobs in e-commerce or local logistics and services. The project will be adjacent to GE Aviation, the Target distribution center, Polaris Manufacturing, and the new Mazda-Toyota factory.

Blue Origin

In January 2019, Blue Origin opened a new BE-4 manufacturing plant in Cummings Research Park with 200 workers and plans to employ another 300 by the end of 2021.

BAE Systems

In January 2020, BAE Systems opened a new 83,000 square-foot facility in Cummings Research Park. The facility is the first phase of a planned expansion and aims to employ approximately 300 by the end of 2021.

Electro Optic Systems

In October 2020, Electro Optic Systems (EOS), an Australian Aerotech and defense company, opened a factory in Huntsville. The facility is located at 2865 Wall Triana Highway. The company plans to hire up to 100 full-time workers in its first year of operation and eventually expand with more than 200 employees.

Lockheed Martin

In September 2019, Lockheed Martin announced an expansion in Cummings Research Park. The project will be at least a \$19.3 million investment and will be used to support the new Army contract for Long Range Hypersonic Weapon prototypes. The project will create 200 new jobs in Huntsville. Neither Lockheed nor the park had additional information as of June 2021.

Facebook

In June 2018, Facebook announced it will be building a new data center in Huntsville. The new facility will be over 970,000 square-feet in size and cost up to \$ 1 billion. The company estimates the data center will employ about 100 people with an average annual salary of \$80,000 once operational. The facility was projected to be complete in 2020 but construction has paused temporarily due to COVID-19. The site will be located on 340 acres in the North Huntsville Industrial Park.

Boeing

In October 2020, Boeing was awarded a \$249 million contract modification in support of the only operationally deployed missile defense capable of shielding the entire U.S. against long-range ballistic missile attacks. The system is designed to detect, intercept, and destroy long-range missiles during their midcourse phase of flight.

HudsonAlpha

In March 2021, HudsonAlpha announced it will invest roughly \$15 million into a new biotechnology campus. The project will consist of two parts – a roughly 90,000 square foot headquarters for Discovery Life Sciences and approximately 13,000 square feet of lab space for the HudsonAlpha Center for Plant Science and Sustainable Agriculture.

Huntsville Amphitheater

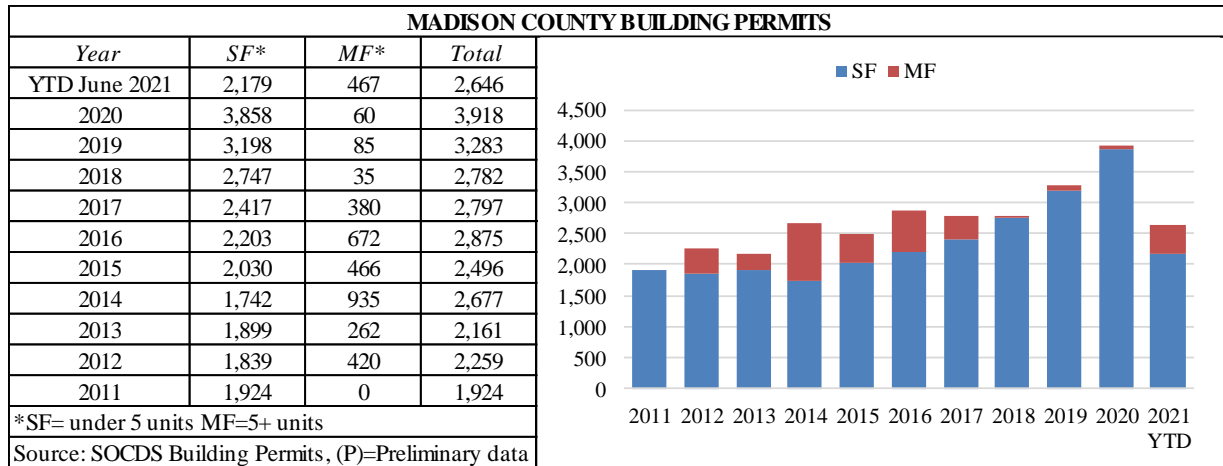
In February 2021, construction began on the Huntsville Amphitheater. The project will have roughly 8,000 seats and is expected to finish by April 2022. It is projected to cost roughly \$40 million.

Zierdt Road

The improvement project to Zierdt Road is currently in its final phase. Two red lights were installed at Nature's Way and the southbound lanes are complete. However, the city plans to construct a 12-foot multiuse path on the west side, seven lanes at the intersection of Martin and Zierdt Road, and six lanes at the intersection of Madison Boulevard and Zierdt Road. Construction commenced in the fall of 2018 and is expected to be completed in 2021.

Housing Market

Residential building permits for Madison County are presented below:



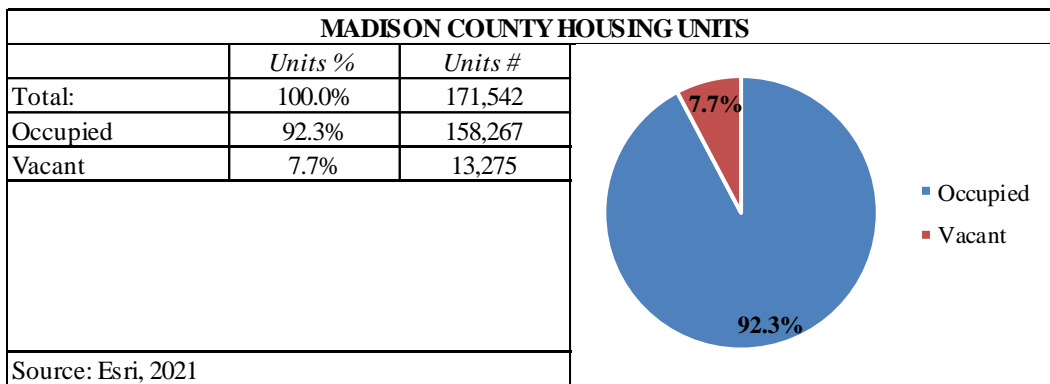
Residential development in the market has trended upward.

The median home price for Madison County is provided:

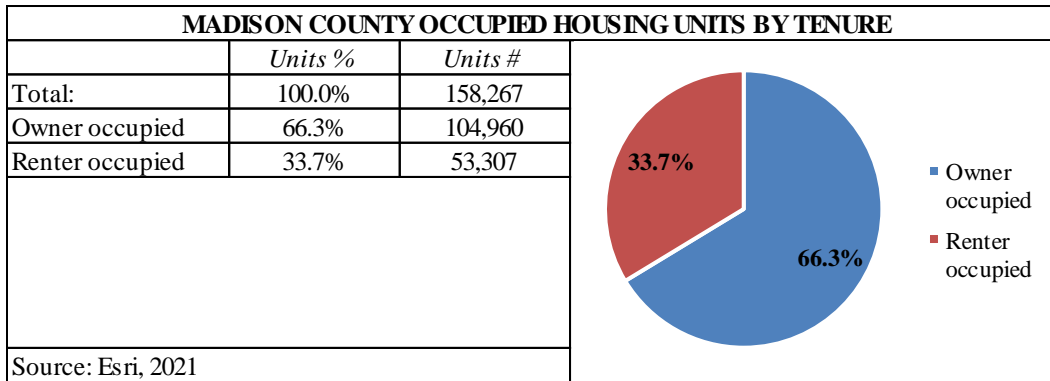
MEDIAN HOME PRICES FOR MADISON COUNTY	
2021	2026
\$213,915	\$248,881

Source: Housing Profile

The following table displays the occupancy and vacancy rates for the housing market in the county:



The vacancy rate includes all vacant homes regardless of their availability to be rented. Most housing units in the county are owner occupied. Rental housing includes all types of units such as apartments, duplexes, triplexes, manufactured housing, single-family homes, etc. The number of owner and renter occupied units for the area is provided:



For Sale Housing Trends

Single family housing statistics for Madison County are provided by the Huntsville Area Association of Realtors. Statistics for June 2021 and June 2020 are provided below:

The average sales price and homes sold rose from roughly \$249,000 to roughly \$326,000 in June 2021. Average days on market fell from 42 to 13 over the same period.

SINGLE-FAMILY HOUSING STATISTICS		
	Jun-20	Jun-21
Homes Sold	847	951
Avg. Sale Price	\$249,280	\$326,000
Avg. Days	42	13
Homes on Market	926	470

Source: Huntsville Area Association of Realtors

The average sale price rose from roughly \$249,000 in June 2020 to \$326,000 in June 2021. Average days on market fell from 42 to 13 over the same period.

Medical

The area is well serviced by the following major medical facilities:

MAJOR HOSPITALS IN MADISON COUNTY		
Facility	Beds	City
Huntsville Hospital	912	Huntsville
Crestwood Medical Center	183	Huntsville

Source: American Hospital Directory



Huntsville Hospital (HH) a full-service hospital with 912 beds serving as a regional center for North Alabama and Southern Tennessee. HH is the second largest hospital in Alabama and employs around 6,300 workers. The hospital sees an average of 62,000 patients and treats 163,000 emergency patients annually. Huntsville Hospital is a part of the Huntsville Hospital HealthCare System and is used as a teaching facility for UAB’s Family Practice and Internal Medicine Residency Programs. The system employs around 14,000 spread across North Alabama.

Schools



Huntsville City Schools educates more than 24,000 students across 43 public education facilities: 26 elementary schools, 11 middle schools, and six high schools. The district employs over 2,600 teachers, faculty, and staff members. The district had a per-pupil expenditure of over \$11,000 in the 2018 to 2019 school year.



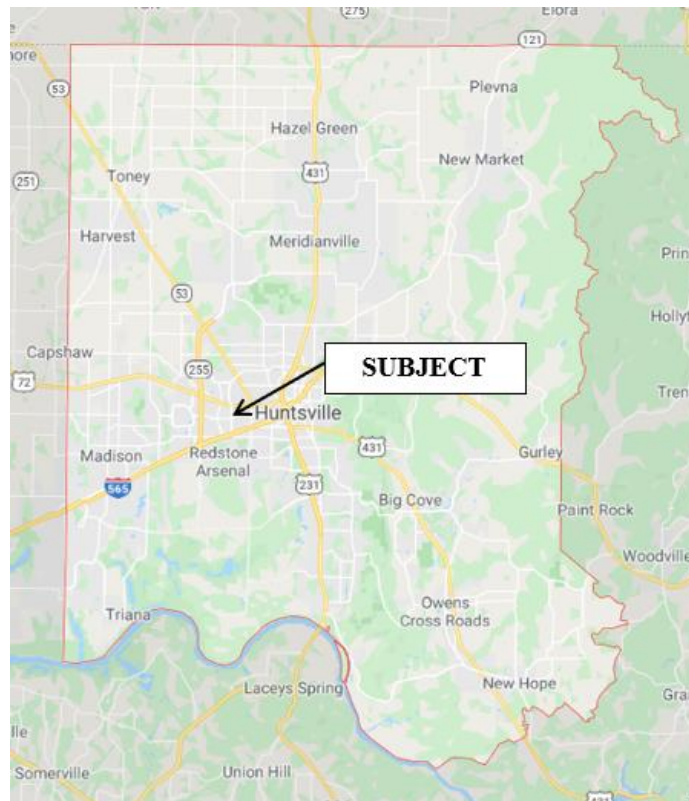
The University of Alabama in Huntsville (UAH) is a public university built in 1950. The campus encompasses over 53 buildings and 16 research centers. The university offers nearly 90 different degrees in nine colleges including engineering, science, business administration, and nursing. According to an economic impact study, the campus generates over \$475 million in economic impact for the state and \$21 million in tax revenues. It also contributes to nearly 3,900 jobs in the Huntsville MSA. UAH currently employs over 1,600 people and is a major employer in the county.

Government



Madison County has six districts with one commissioner elected per district. The board of commissioners is overseen by a Chairman and is voted on by the county as a whole. All commissioners serve four-year terms.

Transportation



Highway Network

The major roadways that service Madison County include Interstate 565 and U.S. Highways 231, 431, and 72. Huntsville serves as the main convergence point of the major highways in Madison County. Interstate 565 is an east-west interstate that connects Decatur to Huntsville. U.S. Highway 231 and U.S. Highway 431 are north-south arterials that connect Southern Madison County to Downtown Huntsville and continue through to Tennessee. U.S. Highway 72 is an east-west highway that allows Huntsville residents access to Athens. There are several state roads and county roads throughout the area providing local access to employment nodes, residences, and support services.

Travel patterns in the county provide an indication of where residents work and their commuting patterns. The typical modes of transportation are provided:

TYPICAL MODE OF TRANSPORTATION		
Mode of Transportation	Worker's Age 16+	
	Number	Percent
Drove Alone	150,637	88.1%
Carpooled	10,162	5.9%
Public Transit	300	0.2%
Walked	1,514	0.9%
Other Means	2,185	1.3%
Worked at Home	6,249	3.7%
Total	171,047	100.0%
Source: 2019 American Community Survey		

The majority of residents commute alone. Typical travel time provides an indication of the distance from employment residents live and/or the traffic congestion involved with their commutes. The typical travel time is provided:

TYPICAL TRAVEL TIME		
Travel Time	Worker's Age 16+	
	Number	Percent
Less Than 15 Minutes	39,195	23.8%
15 to 29 Minutes	82,808	50.2%
30 to 44 Minutes	33,365	20.2%
45 to 59 Minutes	6,479	3.9%
60 or More Minutes	2,951	1.8%
Total	164,798	100.0%
Source: 2019 American Community Survey		

Most residents have travel times less than 30 minutes. This suggests that a majority of the residents will live within urban or suburban areas.

Public Transit

The City of Huntsville public transportation system provides a daily bus service. The service has an extended weeknight that runs from 6 am through 9 pm. Saturday services run 7 am to 7 pm. It also provides a paratransit service for individuals with disabilities with the extended hours to match the current bus route. The city will be implementing a five-phase improvement plan to increase efficiency and get rid of disused stops. The first phase was implemented on July 1, 2019 and focused on changes to the bus network to reduce trip times and add more direct routes. Phases 2-5 will improve route frequency to 30 minutes or less through Huntsville’s entire transit network.

Airport

The Huntsville International Airport is located in southwestern Madison County. The airport has an 18-county service region and offers non-stop flights to locations ranging from Detroit to Denver.

In September 2018, Senator Richard Shelby announced that the Huntsville Madison County Airport Authority will receive a \$29.115 million federal Airport Improvement Program (AIP) grant from the US Department of Transportation. The growing airport recently added Silver Airways and Frontier Airlines to its list of commercial carriers. The funds will be used to build a new 4,600-foot taxiway which will allow increased accessibility and efficiency of air traffic flow.

Sierra Nevada Company, the manufacturer of the Dream Chaser space plane, is planning to begin landing the space plane at the airport in 2023. The plane will be used to transport NASA cargo. It will be the first airport licensed by the FAA for space planes.

Conclusion

Madison County is located in northern Alabama and is the third largest county by population in Alabama. This area has been steadily increasing in population over the past several years and is projected to increase through 2026. Currently, the area has become a hub for privatized aerospace projects, such as the EOS manufacturing facility, Boeing expansions, and AeroJet Rocketdyne manufacturing facility. Additionally, a new Toyota / Mazda manufacturing facility and FBI Headquarters are being constructed within Huntsville. These two developments alone are expected to bring up to 8,000 jobs to the area. Several large commercial developments are underway in the area to bring retail and entertainment space to support the expanding workforce.

ADDENDUM C
QUALIFICATIONS



"Providing solutions & exceeding expectations through vision, integrity & excellence"

Kay Kauchick, MAI

President

Value Tech Realty Services, Inc.

240 Crystal Grove Boulevard

Lutz, FL 33548

813.948.0545 Phone

813.909.9338 Fax

Certifications

Member: Appraisal Institute (MAI No. 10510)
NCHMA – National Council of Housing Market Analysts

State-Certified General Real Estate Appraiser in the following states:

- Alabama – G00706
- Arizona – 32204
- Arkansas – CG 4260
- Florida – RZ 2066
- Georgia – 251355
- Indiana – CG40700410
- Iowa – CG03490
- Kentucky – 003868
- Louisiana – G4460
- Maryland – 32466
- Michigan – 1205006024
- Mississippi – GA-813
- New Jersey – 42RG00194800
- New York – 46000052997
- North Carolina – A6711
- Ohio – 2006006410
- Pennsylvania – GA004330
- South Dakota – 1403CG
- Tennessee – 5891
- Texas – TX-1336610-G
- Virginia – 4001-015705

Education

Bachelor of Arts – Michigan State University with specializations in Tourism and Travel Management, Economics, and Marketing.

Mrs. Kauchick has successfully completed numerous real estate related courses and seminars sponsored by the Appraisal Institute, accredited universities and others. She is currently certified by the Appraisal Institute’s voluntary program of continuing education for its designated members. Mrs. Kauchick completed the HUD sponsored MAP training session in October 2000. She regularly updates her USPAP training and other education requirements as needed to maintain licensure in each state.

Professional Experience

Mrs. Kauchick is co-founder of Value Tech Realty Services, Inc. She is a real estate consultant and Member of the Appraisal Institute. Her consulting services cover a broad spectrum of industries including market analytics, economic evaluations and financial valuations with deliverables that include a variety of real estate related services such as appraisals, market studies, economic impact reports and investment consulting. Reports have been prepared for a variety of private and governmental entities including the U.S Department of Housing and Urban Development (HUD) including MAP applications, Fannie Mae, Freddie Mac, LIHTC and various Bond programs. Each report was prepared in conformance with its individual agency requirements and with adherence to USPAP.

Mrs. Kauchick has been actively engaged in real estate valuation and consulting since 1979 on national and international levels. Her background includes experience with the creation of economic development programs for third world countries utilizing tourism and real estate development as a stimulus for growth and detail market studies for private and public entities. She has assisted banks, international investment funds, and various profit and non-profit entities, evaluate investment opportunities. Her specialization has been within the housing, healthcare, multifamily, retail, office and hospitality industries. Clients served include accountants, investment firms, law firms, and lenders, private and public agencies. Valuations and market studies have been done on proposed, partially completed, renovated and existing structures.

Military-related work has been completed for the Navy, Air Force, Army, Army Core of Engineers, AAFES and developers providing services to each of the divisions. Economic and market program models have been created for the ability to evaluate various development scenarios. Demand studies were developed to interface with financial modeling programs in order to judge the highest and/or best use for military projects.

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"Providing solutions & exceeding expectations through vision, integrity & excellence"

Quintin Kauchick

Director of Operations & Trainee Appraiser
Value Tech Realty Services, Inc.
240 Crystal Grove Boulevard
Lutz, FL 33548
813.948.0545 Phone
813.909.9338 Fax

Certifications

Member: NCHMA – National Council of Housing Market Analysts

Florida Registered Trainee Appraiser RI 24977:

Mr. Kauchick has successfully completed his trainee appraiser coursework with the Appraisal Institute and is on track to obtain his Certified General designation in July of 2022.

Education

Bachelor of Science – Emory University

Professional Experience

Mr. Kauchick joined Value Tech Realty Services in January 2021. He is a real estate consultant focused primarily on the multifamily arena. He has been active in the real estate industry since 2015 with experience in acquisition due diligence, valuation, and market research.

At Value Tech his experience is utilized in market research across the southeast for mixed-use, affordable, and market-rate apartment communities. He is currently the project lead for consulting assignments that require feasibility and/or concept studies of major mixed-use developments. His market research experience is focused on developments that are best-in-class or unique for the target market.

His appraisal work is focused on both the healthcare and multifamily arena. His experience in multifamily and healthcare is focused primarily on HUD compliant 221(d)(4), 223(f), and 232 LEAN appraisals. His appraisal-related assignments are within Florida until he obtains his commercial general designation.

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ADDENDUM D
ENGAGEMENT LETTER



"Providing solutions & exceeding expectations through vision, integrity & excellence"

September 14, 2021

Mr. Chad Emerson
Chief Executive Officer
Downtown Huntsville, Inc.
P.O. Box 471
Huntsville, AL 35804
chad@downtownhuntsville.org

RE: Multifamily Market Assessment for the districts surrounding downtown Huntsville

Dear Mr. Emerson:

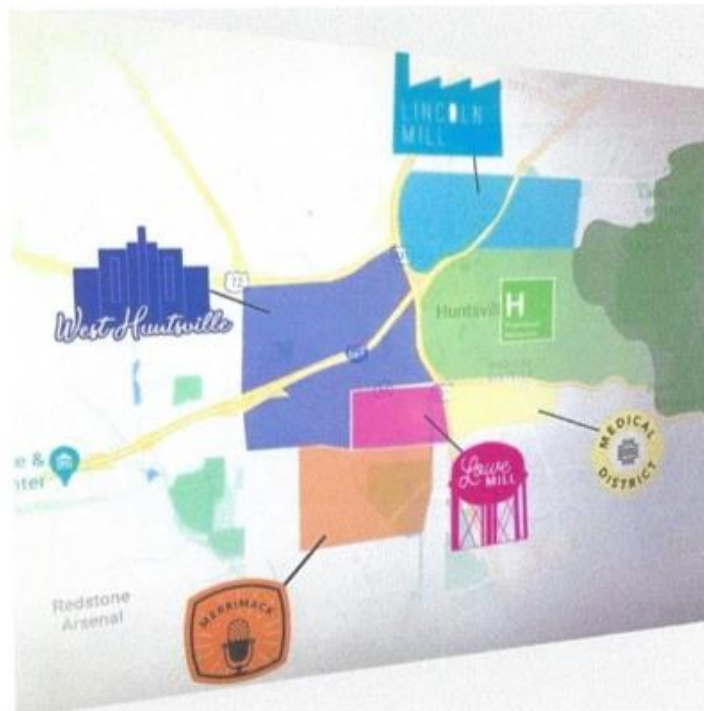
Huntsville has experienced accelerated growth with the influx of major employers and new households filling job opportunities. A housing shortage, despite unprecedented development, is projected to remain into the foreseeable future. As such, you have asked Value Tech Realty Services, Inc. (VT) to assist you in planning for the housing needs of your residents with a focus on the districts surrounding downtown. Multifamily product opportunities will be the focus of the study that can provide quality living environments with price points that align with the workforce.

You have indicated your organization is seeking information and analyses that can quantify the existing rental housing stock within each district and future projections of supply needs. The results of the study will be to provide with the amount of supply you should add to each of the defined neighborhoods.

Huntsville's current districts were defined as follows:

HUNTSVILLE DISTRICTS	
Name	Direction from Urban Core
Lincoln Mill	North
Medical District	South
Lowe Mill	Near Southwest
Merrimack	Far Southwest
West Huntsville	West

A map illustrates the districts:



Scope of Work

To provide the market assessment requested, we propose the following Scope of Work:

1. Conduct a historical review of development trends in Huntsville to quantify the current state of each district's rental housing market, demographics, and support services;
2. Obtain current development pipeline activity within each district;
3. Evaluate the tenant profile currently captured within each district;
4. Analyze the development stage of each district and determine where it resides within the growth cycle (emerging, growth, decline, redevelopment);
5. Evaluate the economic and/or social engine driving each district;
6. Examine the region's employment trends to assess the type of jobs that are anticipated to attract new households into the region and how this may impact each of the various districts;
7. Project rental housing demand for the region and the potential within each district;
8. Provide a summary of various development incentives that may have been utilized in peer cities to encourage and/or direct growth;
9. Prepare a written report that documents our findings.

The fee associated with the market study is _____ retainer is requested that provides the funding necessary to conduct the research. A preliminary draft of the research and conclusions will be issued for review prior to finalizing the document. The purpose of the review is to provide the opportunity for feedback and discussion of our findings. Corrections and/or additional explanations of the findings will be incorporated based on our discussions and a final report will be issued.

Mr. Chad Emerson
Downtown Huntsville, Inc.

Page 3
September 14, 2021

The time frame for a market study is typically five to eight (5-8) weeks. This timeline is flexible and is influenced in part by the ability to confirm the development pipeline and to complete supply interview. We encourage discussions with you as we move through the research and analytical process which could impact the timeline outlined for delivery of the final report.

We appreciate the opportunity to submit this proposal and would welcome the opportunity to work with you on this assignment. Please call me at (813) 948-0545 if you have any questions.

Respectfully submitted,

VALUE TECH REALTY SERVICES, INC.



Kay Kauchick, MAI
President

Your signature along with a retainer in the amount of _____ authorizes our firm to complete this assignment. The retainer will be applied to the total fee. The balance of the fee will be due prior to issuance of the final report. It is understood that in the event any part of the fee or expenses is not delivered to Value Tech Realty Services, Inc., the proprietary interest in the research shall remain exclusively in Value Tech Realty Services, Inc. It is further understood that you, the client, shall be responsible for any fees or costs that may be incurred in an attempt to collect unpaid fees under this agreement.

Accepted by:



Date:



Mr. Chad Emerson,
Chief Executive Office,
Downtown Huntsville, Inc.