
RESIDENTIAL MARKET ANALYSIS

A. INTRODUCTION

The City of New Bern in partnership with its Housing Authority is seeking to develop a comprehensive plan for the greater Five Points community that celebrates the area's rich heritage and culture, bringing together the number of previous efforts to enhance this part of the City (referred most frequently as the Renaissance Gateway area). The City Aldermen established the greater Five Points area as a priority more than 15 years ago (Swiss Bear Five Points Project), with those efforts most recently culminating in the Renaissance Gateway Plan.

To move the City from visioning to action, the Housing Authority successfully applied for a Housing and Urban Development (HUD) Choice Neighborhoods grant. A component of the Choice Neighborhoods program is stimulating real estate investment and economic revitalization to enhance the local residents' quality of life while respecting the scale and aesthetic significance of the community. RKG Associates was retained by the Housing Authority to perform the Residential Market Study for the Five Points area.

The Residential Market Study is an essential analysis to inform and support the Choice Neighborhoods planning effort. Simply put, creating a choice neighborhood requires quality, desirable housing in a location with the appropriate employment and community services. It is RKG Associates' understanding that the Residential Market Study is intended to be a technical document that details the existing market climate. The focus of this effort is to identify market opportunities for rehabilitating existing housing and attracting new housing.

It is important to note that a Choice Neighborhood is one that is inclusive, and not exclusive. To this point, the implementation phase of this effort needs to incorporate the existing community into a strategy that improves the quality of life for the entire City. This analysis identifies housing needs, opportunities, and challenges across the affordability spectrum.

B. INITIAL SITE ASSESSMENT

RKG Associates performed a guided tour of New Bern and the Five Points Area (Map 1 at the end of this narrative) to provide context when performing the data analysis for this effort. The observations presented in this section are the initial reactions of the Study Area devoid of influence from the empirical data assessment. These findings, along with the interviews and data analysis, provide part of the foundation used to generate the recommendations presented at the end of this document.

1. Strengths

- *Central Location* – Being well situated between Downtown, the hospital area, and the commercial activity surrounding the Twin Rivers Mall is a benefit to the Five Points Study Area. The central location makes this area a prominent part of New Bern's economic activity. Residents and visitors all interact with the study area whether or not they stop/live in the neighborhood. Having this level of prominence makes it easier for the City/property

- owners to change the perception of the area through investment (whether financial or marketing). It is important to note that caution must be made to avoid “selling” an image of the area that is not defensible. The drawback of the area’s prominence is that people view it regularly, giving them first-hand accounts of actual conditions.
- Proximity to Downtown New Bern – Downtown New Bern has experienced a renaissance of its own over the past 30 years, making it one of the most valuable assets in New Bern. The City has successfully revitalized the Downtown area into a destination dining and entertainment hub for the County and the region. The Study Area benefits from its immediate proximity to Downtown. In fact, development along Broad and Pollock Streets (with exception for the undeveloped parcels) is consistent in scale to Downtown, offering the potential to create a “seamless” connection.
 - Proximity/Access to New Bern’s Waterfront – New Bern’s waterfront has attracted substantial investments over the years, and remains a driving market force for residential demand. Market values are strongest near the City’s water bodies. Any development activity in the Study Area with access/views of New Bern’s waterfront will have a direct impact on the market potential of that project.
 - Automotive Access – The Five Points Area is served by the City’s three main east-west corridors; Broad Street, Pollock Street, and Highway 70. The interchange access to Highway 70 (via 1st Street) is particularly valuable, as it creates a convenient connection to regional markets as well as local residents. The transportation connectivity of the Study Area means that New Bern (and Craven County) residents travel through the Study Area regularly to access employment areas and services.
 - Neighborhoods Stability Around Study Area – The neighborhoods that surround the study area are performing well within the regional market. For example, Downtown and the neighborhoods southwest of Five Points (i.e. Ghent) are stable, thriving communities. This area is a mixture of older neighborhoods that have seen notable reinvestment and newer subdivisions that have provided infill development. This finding indicates that the Five Points study area has the potential to be a viable housing location.

2. Challenges

- Housing Conditions/Existing Land Use – Many of the structures in the Five Points study area require substantial rehabilitation. The site assessment revealed there are notable building vacancies, deferred maintenance of housing/commercial structures, large vacant parcels in prominent locations, and a high concentration of industrial and automotive uses in the study area. Each contributes to the lack of market appeal for New Bern/Craven County consumers. The most notable and obvious example is the former Days Inn hotel property. The building is improperly maintained and has had chronic vacancy despite its prominent location in the area. Further inspection of the residential neighborhoods—particularly the Duffyfield neighborhood and the area surrounding Craven Terrace—indicates property condition is an issue for much of the study area.
- Housing Stock/Diversity – The Five Points Study area, with the exception of the southwestern portion, has largely dated and comparatively small single family detached housing units. The non-public housing development of the study area does not meet the market expectations of most housing consumers. In addition to being too small, many of the houses have not been updated/well maintained. This challenge is compounded by the high number of vacant lots

within the residential area, which disrupts the neighborhood feel and character. Almost all of the infill in these areas have been mobile homes, further impacting the character of the area.

- Floodplain – Much of the residential area of the Five Points study area is within the City’s 100-year floodplain. This impacts the type and look of potential housing development across a large portion of the study area. Most notably, new development in this area will carry a higher construction cost to mitigate the environmental and safety requirements. This added cost further impacts the competitiveness of the area. The requirement to elevate the living areas above the floodplain impacts the type of housing that can be developed in these areas.
- Multi-Modal Access– While the Five Points area is well served for vehicle traffic, it is not well served by alternative modes of travel. Public transportation options are not prevalent in the neighborhood. Service appeared to be infrequent and inconsistent, making getting to and from the area more challenging for residents. From a walk/bike perspective, the existing neighborhoods are not well connected to Downtown or the surrounding neighborhoods. Unlike Downtown, it is not convenient to park once and take advantage of all the amenities in the Five Points area.
- Competition – As notes, being well situated between Downtown, the hospital area, and the commercial focus near the mall is a benefit of the Five Points area. However, the relatively less competitive position of the existing housing compared to surrounding neighborhoods (i.e. housing type and condition, market demand, character and charm) makes it a less desirable place to live. Simply put, New Bern consumers have sufficient alternatives that offer similar advantages for the study area to be competitive from a purely location perspective. The future success of new residential development will be largely determined by the ability to “create” a market for study area. In other words, large fundamental changes to housing inventory, cost structures, and perceptions of quality and safety will need to be made.

3. Opportunities

- Publicly Controlled Land – The most prominent opportunity is for the City or its implementation partners to use their existing real estate resources in enacting these strategies. At a base level, the City owns valuable properties within the study area, including several individual lots in the Duffyfield area. Having this control allows for a more direct collaboration with the development community. Previous efforts have identified the need for greater public intervention at critical sites within the study area (i.e. the Days Inn hotel site on Broad Street) that will have a transformative effect on the residential market climate beyond the immediate property. Having control of these critical assets puts the City in an advantageous position to enact change in the Five Points area. Additional acquisition should be considered, particularly for larger parcels at prominent intersections.
- Housing Authority Properties – The future of the Craven Terrace and Trent Court housing developments will have a profound impact on the residential marketplace in the Five Points study area. At a base level, the concentration of public housing has a well-documented adverse impact on market demand. More specifically, these properties are antiquated developments that have a negative perception within the community. The Housing Authority has the potential to reconsider these properties in a manner that integrates a diverse income group while creating signature developments in the Five Points area. That said, a greater strategy to decentralize the City’s public housing likely will need to be part of a larger strategy to enable a true income-diverse repositioning of these two communities.
- Density – The current state of the Days Inn hotel is not ideal in many ways to reposition the Five Points study area’s residential market. However, the building’s existing size is a

positive feature when considering redevelopment potential of the area. Simply put, the building establishes precedent in Five Points of potential building height and development density. Given the unproven nature of the local market, providing greater potential for revenue without subsequent increase in land base (cost) can reduce the requisite financial performance of the asset. Maximizing density potential providing new and greater variety, of housing in the Five Points area will be important to establishing financial feasibility for development projects. This is particularly true for the floodplain areas, where the living areas of buildings need to be raised above the floodplain. Townhouse development, for example, is much more conducive to meet this requirement than traditional single family detached houses.

- *Implementation Partners* – As noted, the Housing Authority owns two key pieces of land in the Gateway area, Craven Terrace and Trent Court. RKG Associates recognizes that the relationship of the City and the Housing Authority is important in creating a more desirable residential market in Five Points. However, the Housing Authority is not the only interested or willing partner. Several other organizations (i.e. Swiss Bear) have expressed some level of willingness to be a partner in the City’s implementation of this strategy. From the private sector, less interest has been expressed, but only as it relates to the local market. As noted in the Countywide economic development plan, the area has not been proactive in marketing and recruiting regional and national development interests. There is opportunity for the City to connect with downtown/urban redevelopment entities from the region (i.e. Raleigh/Durham, Charlotte, Hampton Roads, VA...).

C. DEMOGRAPHIC ANALYSIS

Housing need and opportunity can be impacted by income, household size, age and a variety of other factors. Additionally, understanding overall population and income trends gives a sense of the overall economic health of the community, enabling the consultant to further understand current and potential future housing need. Therefore, the consultant conducted an analysis of the demographic data for Five Points and the surrounding area to understand the housing demand within the community and to establish what the most common characteristics are of those households.

1. Methodology

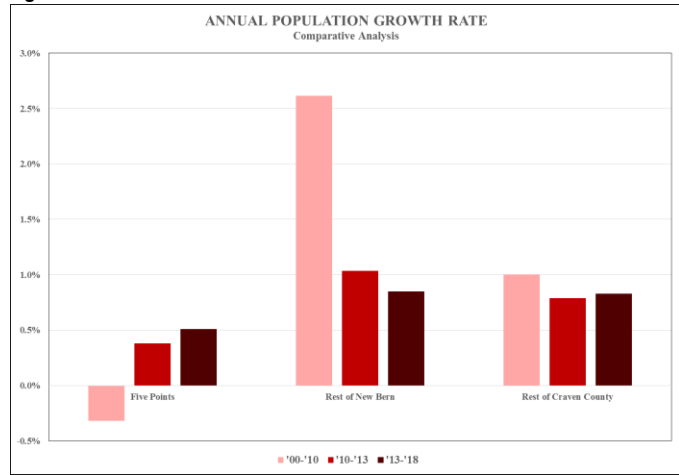
Unless otherwise noted, the data source for the demographic analysis was Experian, a nationally recognized, third party data provider of demographic and socioeconomic data for a variety of geographic areas. Experian reports decennial census data from the U.S. Census Bureau and uses this data and other industry-recognized resources to estimate current data and make projections 5 years into the future.

2. Population

The Five Points study area has experienced negative population growth, countering the City’s and County’s trends. During the 2000s, the population of Five Points declined by 110 persons, for a net annual population decline of 0.3% (Figure 1). This decline in population is result of a number of factors. At a base level, the area has experienced modest declines in household size (following a national trend). However, the greater impact has been the loss of housing units due to blight without subsequent replacement of new units. The City has implemented an effective blight removal program in the Five Points area that has reduced the substandard housing supply. However, lack of demand or development interest has not resulted in commensurate replacement.

In contrast, both the remainder of the City of New Bern and the portion of Craven County outside New Bern experienced substantial population growth. During this time period, the rest of the City experienced a net population increase of more than 5,400 persons (2.6% annual growth rate). The population in Craven County outside New Bern increased 6,750 persons (1.0% annual growth rate). The growth of population was a combination of increased activity at Marine Corps Air Station Cherry Point as well as the continued interest in the area for retirees. However, the data indicate neither of these populations has found the Five Points area an attractive place to locate.

Figure 1

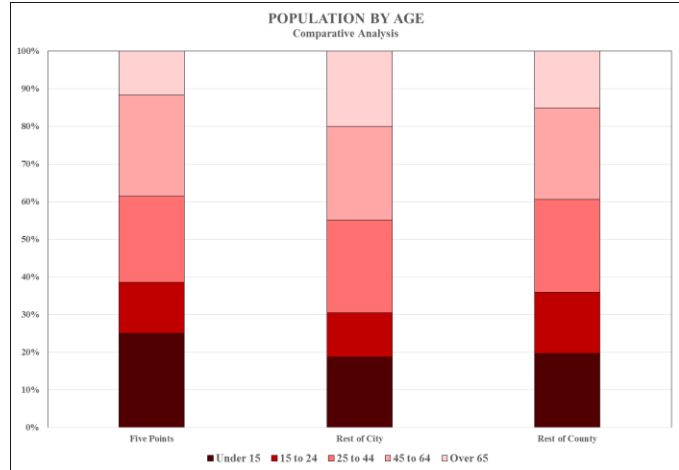


Population estimates and projections indicate modest population growth in Five Points, making it more consistent with the rest of the City and rest of Craven County (Figure 1). However, these estimates do not take into account any planned/ongoing blight removal activity that will further reduce the local housing supply. The Third Street housing development will help reverse the area's fortunes, but will not change the general market climate in the Five Points area that has led to this population decline.

3. Age Distribution

New Bern and Craven County are an attractive retirement destination. Population estimates indicate more than 16% of the total County population is over 65-years old. The City of New Bern has a higher concentration, at 19.1%. In comparison, the national average is 13.4%. This finding is consistent with the numerous reports that the cost of living, local quality of life, and access to amenities (i.e. the beach and the cities of Wilmington and Raleigh) has made the area attractive to retirees. More specifically, the area has attracted retired military personnel, who seek the aforementioned amenities adjacent to a large military installation that offers access to medical and service benefits afforded through service.

Figure 2



However, this concentration of retired persons has not settled in the Five Points study area. Only 11.7% of the Five Points study area population is over 65 years old (Figure 2). This is surprising, given the presence of New Bern Towers (an age-restricted housing community) within the study area. Anecdotal conversations indicate a number of residents in Craven Terrace and Trent Court are retirement age, but cannot get into New Bern Towers due to high demand. To this point, very few of

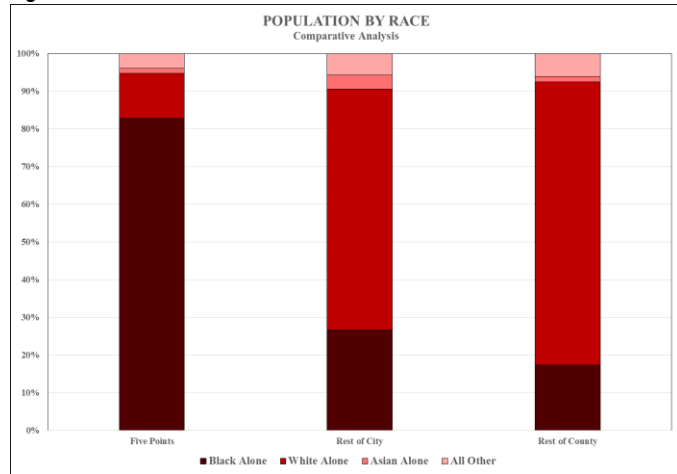
the retirees choosing to move to New Bern/Craven County are selecting the Five Points area as a place to live.

The data support the commonly held view that New Bern is attractive to the retirement community due to access to amenities, proximity to services and connectivity to the regional transportation network. Additionally, the analysis indicates that retirees are not concentrated within Five Points, which has an overall younger resident population and the smallest portion of persons aged 65 years and over when compared to the rest of New Bern and County households outside the City. That said, shifts in housing development trends within the area could attract some of this population.

4. Race & Ethnicity

Several existing studies of the Five Points area have chronicled the area's history as the City's initial African-American community. The study area has a number of landmarks (i.e. Good Shepard Hospital, the Omega Center, and the Greenwood Cemetery) celebrating the area's racial and cultural heritage. The population data indicate the Five Points study area remains a hub for the City's African-American community. Approximately 81% of the Five Points population is Black (Figure 3). In contrast, approximately 25% of the rest of the City's population is Black. Diversity is even lower outside of New Bern, with the remainder of the County's population primarily White (70.3%) and approximately 16% Black.

Figure 3



The data indicate a number of opportunities for the study area. Most notably, there is potential to create housing opportunities that diversify the local housing stock, offering all households greater choice within Five Points (both from a housing type and housing cost perspective). This effort will enable existing residents the chance to upgrade their housing, offer Black households living elsewhere the choice to locate in the area, and provide greater options for non-Black households to diversify the local community. Ultimately, any housing strategy needs to be respectful of the study area's heritage while focusing on creating greater options and prosperity for existing and new residents.

5. Households

Household growth followed a similar pattern as changes in population for the Five Points study area, the rest of the City and County. Five Points lost by 84 households through the 2000s for a total of 1,476 households in 2010. As noted, a part of this decline was the result of the loss of housing units. However, the economic downturn also impacted household formation. The residents of this area typically are modest income households, which were disproportionately affected by the recession. In contrast, the rest of New Bern experienced a 2.7% annual growth rate through 2010.

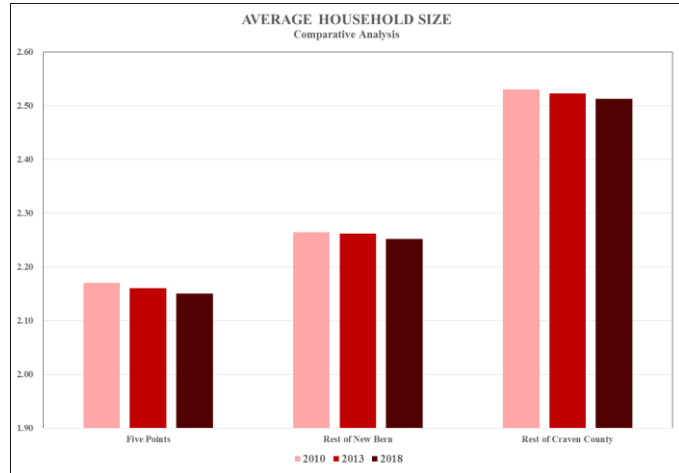
Current estimates indicate that the Five Points area has stabilized, with a modest increase in households. This likely is due to the modest economic recovery New Bern and the rest of the country

has been experiencing since 2010. However, future gains in households will be impacted by the ability to maintain the existing housing stock and provide replacement housing for those units removed through the City’s blight program.

6. Household Size

Given that household trends since 2010 mirror population trends, there has been little change in household size for Five Points, the rest of New Bern and Craven County outside New Bern. In all cases, average household size was greatest in 2010, but has declined steadily since then and is projected to continue to do so through 2018 (Figure 4). While little change has occurred in household size since 2010, the relative difference in size between these areas is noteworthy. Five Points consistently has maintained a smaller average household size, between 2.1 and 2.2 persons on average, than the rest of the City or County. This is likely due to the proportionately high number of small single family detached units and mobile homes, as well as the concentration of apartment-style housing (particularly the New Bern Towers age-restricted property). This development is more suited to smaller households, and in the Housing Authority’s case mandates household size based on unit size.

Figure 4

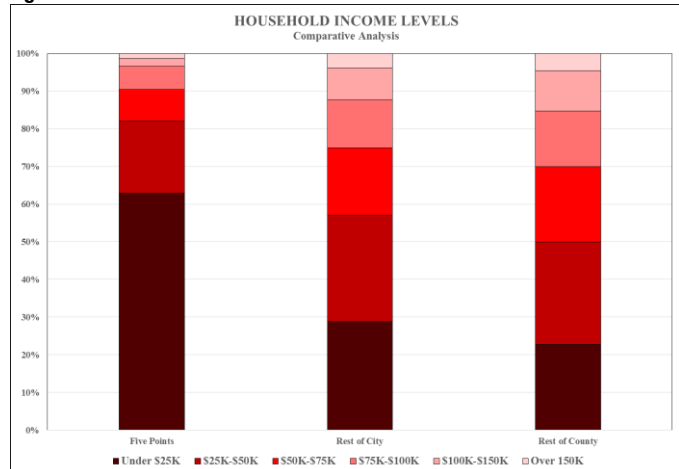


In comparison, the rest of New Bern has an average household size between 2.2 and 2.3 persons and the rest of the County averages between 2.5 and 2.6 persons per household. As with Five Points, the rest of the City is impacted by having a comparatively higher concentration of rental apartment development (i.e. the apartment cluster along Colony Drive). However, the mix of units for the rest of the City is more notably concentrated in single family detached homes. To this point, the average household size in Craven County outside New Bern is higher (2.5 persons per household), partially due to the much lower concentration of multifamily development. Another factor influencing the County household size is the presence of MCAS Cherry Point, with many of its military families choosing to locate outside the City where prices are more affordable and family households have more housing options.

7. Household Income

Income distribution varies greatly by study area. The income levels for residents of the Five Points study area are substantially lower than the larger New Bern/Craven market. Approximately 62%, of households living in the Five Points study area earn less than \$25,000 annually (Figure 5). This is a substantially higher portion of lower income households than for the rest of New Bern (29%) and the rest of the

Figure 5



County (23%). It is important to note that these results are influenced by the presence of the three Housing Authority properties, which have income limitations for entry into these communities. As a result, the distribution of households in the other income groups are comparatively lower than for the rest of the City and portions of the County outside New Bern. Less than 4% of the Five Points households earn above \$100,000 annually, as compared to 12.3% and 15.4% for the rest of the City and County, respectively.

The greater diversity in housing size and housing type has resulted in greater income diversity within the City (less the Five Points study area) compared to Craven County outside New Bern. As noted throughout this analysis, New Bern has a higher greater diversity in housing, including townhomes, condominiums, and apartment developments. Each of these housing types typically requires less income to be affordable. That said, the majority of social services are offered in and around Downtown New Bern. Given the areas lack of comprehensive public transportation, many lower income households seek opportunities in the City to have better access to these services.

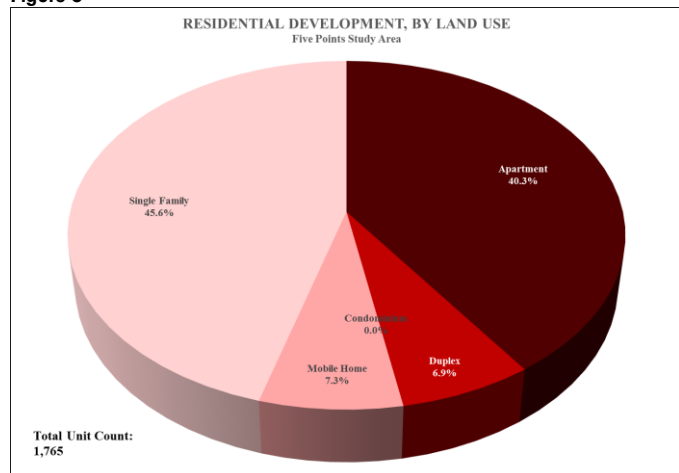
D. RESIDENTIAL HOUSING SUPPLY

Analyzing the housing supply of an area is a critical step in identifying housing needs, opportunities, and challenges. Simply put, understanding the type of housing that exists, the type of housing that has been developed in the recent past, and the value levels of this housing provide the framework for identifying ways to enhance housing choice. The following section assesses the housing markets within the Five Points study area and the rest of the City of New Bern. RKG Associates used the City’s property assessment database and its building permit database as the primary source of this information. Other sources are identified in the narrative, as necessary.

1. Five Points Market Profile

The Five Points study area has a diverse housing base. Single family detached housing accounts for the largest share of the local supply at 45.6%. Mobile homes constitute an additional 7.3%. In comparison, apartments account for more than 40% of the area’s housing supply (Figure 6). However, the Housing Authority’s three properties (New Bern Towers, Craven Terrace, and Trent Court) account for 579 of these apartment units, or nearly 33% of the area’s total housing supply. The study area has 132 apartment units that are not owned by the Housing Authority. If the Housing Authority’s properties are removed from the assessment, apartments would constitute 11.1% of the housing supply, with single family detached units totaling almost 68%.

Figure 6



While limitations in the City assessment information does not allow for a unit size comparison, the U.S. Census provides data about total bedroom count as part of the American Community Survey data. RKG Associates collected this data for the block groups that make up the Five Points study area and for the City of New Bern. The data reveal that housing units in the Five Points area tend to have

fewer bedrooms than units in the rest of the City. Almost 60% of all units in Five Points have two or fewer bedrooms, as compared to less than 40% for the rest of the City (Table 1). Two- and three-bedroom units appear to be the most abundant, totaling more than 81% of units in Five Points and 75% for the rest of the City. The disparity is most telling when looking at owner-occupied units, where approximately 49% of these units in Five Points have two or fewer bedrooms. In comparison, less than 17% of owner-occupied units in the rest of the City have fewer than three bedrooms. The renter occupied data indicate units in Five Points tend to have more bedrooms than those elsewhere in the City. However, this finding is impacted by the presence of the Housing Authority’s properties which have a more robust mix of bedroom counts as well as the influence of Five Points having a high concentration of traditional ownership units being used as rentals (discussed later in this report).

Table 1
Breakdown of Housing by Bedroom Count
Comparative Analysis

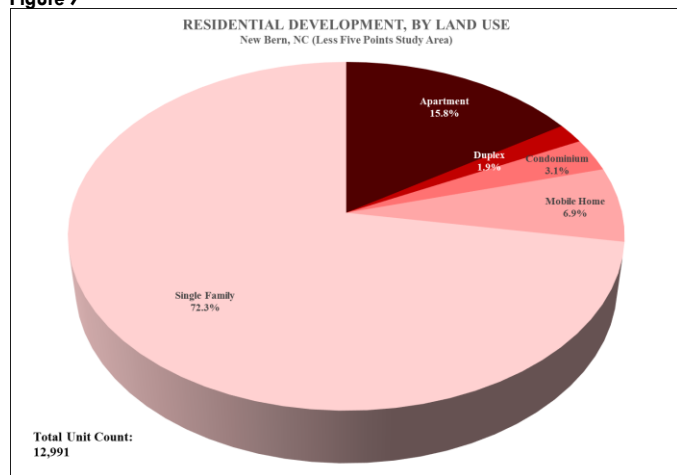
Count	Five Points	Rest of City
Owner Occupied Units		
No Bedrooms	0.0%	0.0%
1 Bedroom	4.0%	1.1%
2 Bedroom	45.1%	15.6%
3 Bedroom	41.6%	63.2%
4 Bedroom	9.2%	17.2%
5+ Bedroom	0.0%	2.9%
Renter Occupied Units		
No Bedrooms	0.0%	5.0%
1 Bedroom	10.4%	18.1%
2 Bedroom	51.0%	39.6%
3 Bedroom	29.4%	32.0%
4 Bedroom	9.1%	4.3%
5+ Bedroom	0.0%	1.1%
TOTAL UNITS		
No Bedrooms	0.0%	2.3%
1 Bedroom	9.2%	9.0%
2 Bedroom	49.9%	26.8%
3 Bedroom	31.8%	48.7%
4 Bedroom	9.1%	11.2%
5+ Bedroom	0.0%	2.1%

Source: ACS and RKG Associates, Inc., 2015

2. Rest of New Bern Market Profile

The rest of the City’s housing supply is concentrated in single family housing units. Approximately 72% of the 12,991 housing units throughout the City are single family detached units (Figure 7). Mobile homes account for 6.9%. Similar to the Five Points area—when Housing Authority properties are removed—apartments constitute a much smaller share, at 15.8% of the total supply. This finding is consistent with development patterns for cities within more rural areas. Despite the presence of a small downtown area, cities in exurban and rural areas tend to have development patterns more consistent with the surrounding areas. To this point, multifamily development tends to be unfavorable as residents seek a more typical suburban experience. However, this approach oftentimes (as it does in New Bern) limits housing choice for potential residents. While a community of New Bern’s size does not need housing distribution similar to larger cities (i.e. Charlotte or Raleigh), there is opportunity to diversify offerings by enabling greater townhouse and multifamily development.

Figure 7



The dispersion of housing varies between the Five Points study area and the rest of the City. With the exception of the Pembroke community, the various land use types are separated outside of the Five Points area (see Map 2 at the end of this report). Single family detached housing is the predominant residential land use type in New Bern. The apartment, condominium, and mobile home developments are clustered together, and are concentrated along major transportation routes. Apartment development is clustered near the Twin Rivers Mall area. In contrast, single family, mobile home and duplex uses are more integrated in the Pembroke and Five Points communities (see Map 3 at the end of this report). This likely is due to the age and condition of these neighborhoods, as mobile homes have been used for infill on lots that have not been developed or experienced demolition. The use of mobile homes for infill indicates these two markets are not strong enough to justify the cost of building a permanent structure. It is important to note that almost all of the residential development in the City south of the airport has been single family detached housing, indicating a strong market for suburban style development near the City core, but not in the City core.

3. Property Condition

The City tracks residential property condition as part of the assessment process. Each property is labeled as “standard/minor repair,” “moderate/severe repair,” and “dilapidated.” While these assessments are visual, accounting only for the condition of the exterior of the house, they provide a rough indication of neighborhood condition. The conditions in Five Points are notably worse than the rest of the City (see Map 4 at the end of this report). There are 51 properties labeled as dilapidated in New Bern. The Five Points study area accounts for 23. The Pembroke area has the next highest concentration. Five Points also accounts for nearly 50% of the properties rated as moderate or severe (92 out of 192 units).

The poor conditions were confirmed during RKG’s outreach effort to stakeholders and real estate professionals as well as the windshield survey. RKG was informed that maintaining/rehabilitating many of the units in Five Points is not justified when considered against the property value. In short, it is not worth reinvesting in many of these houses. As a result, there are a number of units where deferred maintenance has led to poor—and in some cases dangerous—living conditions. The City’s blight removal program has mitigated some of the worst properties. However, removing units in an existing neighborhood creates additional problems, specifically maintaining a sense of community and character.

4. Development Trends

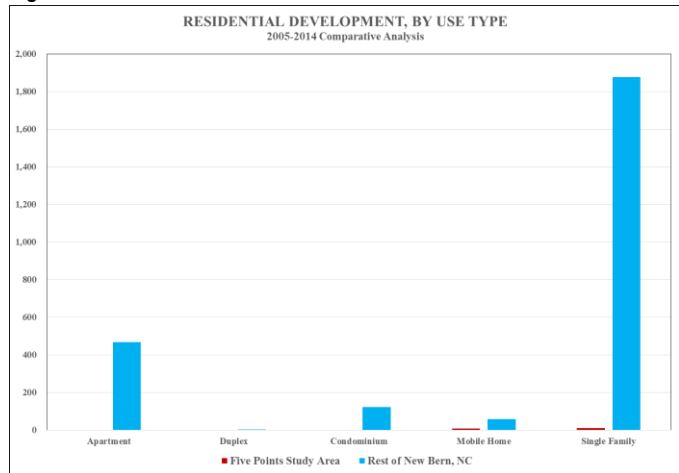
Residential development has been robust in the City of New Bern. Since 2005, 2,546 housing units have been delivered within the city limits. This total represents a 21.0% increase in total housing units over a 10-year period. However, housing development data reveals new construction in New Bern has not adapted to expand housing choice. Single family detached units constituted 74.1% of all new units developed during this time period. Apartment development totaled 18.3%, a slight increase, but did so at the expense of condominium and duplex development (combined 7.4% of all new units). The decline in condominium development (representing 4.8% of the 2,546 new units) is not surprising, given the impact on financial markets resulting from the economic downturn. However, the challenge to finance condominium development impacts the potential for new development in the Five Points area.

Almost all of the new housing development occurred outside the Five Points study area. Only 17 of the 2,546 new units were delivered in the Five Points area, or 0.7% of the total. These units were spread between mobile home and single family development (Figure 8). While the relatively built out environment of Five Points contributes to this finding, the level of demolition from the City’s blight

removal program and the number of currently vacant lots reveals there is a general lack of development interest for this area under current market conditions.

In terms of new development distribution, most activity since 2000 has taken place on the periphery of the City limits, likely as part of an annexation effort. Most notably, residential development has been particularly active in the portions of the City south of the airport (see Map 5 at the end of this report). This development has occurred along U.S. Route 70 in development like Taberna and Long Leaf Pines. Much of this construction is focused on the City's two main population growth areas—retirees and military personnel from MCAS Cherry Point. However, almost all of this growth is single family detached housing.

Figure 8

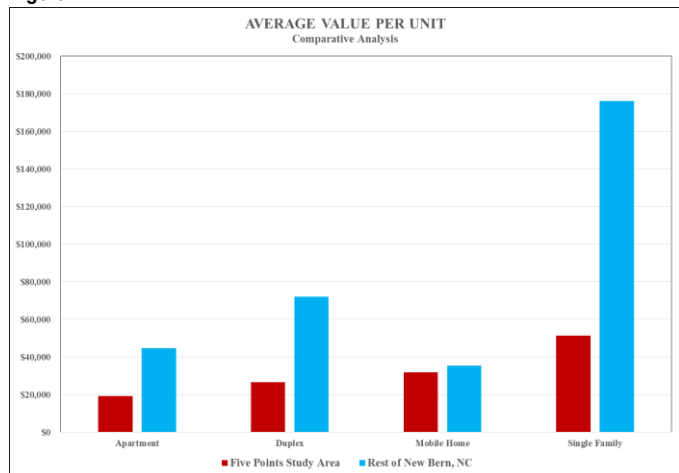


In contrast, development in the Five Points study area has focused on infill development (see Map 6 at the end of this report). This finding is not surprising, given the age and general built out conditions in all of central New Bern.

5. Residential Values

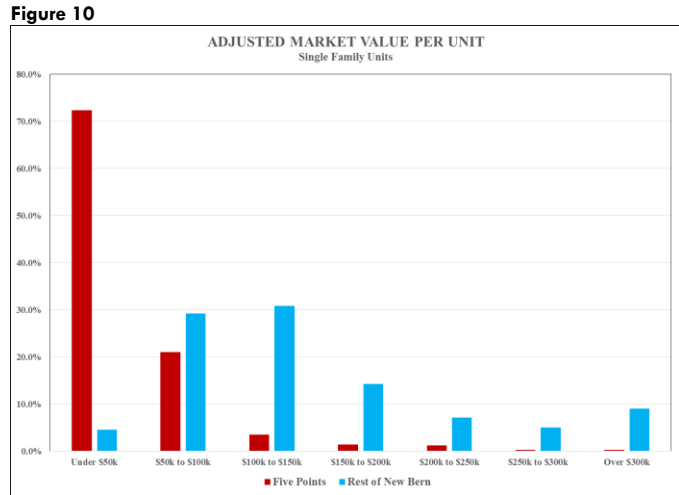
Unit size, market demand and property condition have resulted in more modest values in the Five Points study area. Other than mobile homes, the average apartment, duplex and single-family unit is less valued at less than 50% of those land uses outside of Five Points and within the City (Figure 9). Single family units have an average value of approximately \$51,500, compared to \$176,100 for the rest of New Bern. Not surprisingly, values are greatest in the areas of the City where housing development has occurred most recently, particularly in the areas of the City south of the airport (see Map 7 at the end of this report).

Figure 9



The comparably lower values offers opportunity and challenge for the Five Points study area. On one hand, having lower-valued units opens opportunities for modest income households to be homeowners. On the other hand, there is little opportunity for someone of higher income to maximize their ability to pay and/or find an appropriately sized/condition property.

For example, more than 72% of single family units in the Five Points study area have a market value below \$50,000 (Figure 10). Only 6.6% have a value over \$100,000 (see Map 8 at the end of this report for a more detailed look at unit value in Five Points). In contrast, fewer than 5% of single family units in the rest of New Bern have a market value of less than \$50,000. Approximately 60% are valued between \$50,000 and \$150,000. Fewer than 10% of all single family units in New Bern are valued above \$300,000. The disparity of value distribution for apartments and condominiums between the Five Points study area and the rest of New Bern are similar.



6. Implications

The Five Points study area is a value alternative for households who earn at the lower levels of the New Bern/Craven County market. While the relative low value of the Five Points community provides affordability opportunities (discussed later in this report), the lack of housing variety—from a unit type and value perspective—limits the housing choice New Bern/Craven County residents have within the study area. There are a number of factors that contribute to this issue including market climate, regulatory policy, housing stock, housing condition, and community perception. To this point, making Five Points into a true choice neighborhood will require more than simply diversifying the local housing stock.

E. RESIDENTIAL HOUSING DEMAND

The housing demand analysis focuses on the performance of the market area’s housing supply. For this analysis, RKG Associates measured the data available to understand consumption patterns and preferences within the local market. The following section focuses on the Five Points study area and the rest of the City of New Bern. However, some data was not available to RKG at the local level, so RKG used the smallest area available. Data for the demand analysis came from a variety of primary and secondary data sources including the U.S. Census, local property assessment data, and information provided by local real estate professionals. Data used in this section is identified accordingly.

1. Housing Occupancy

Housing occupancy is consistent between the Five Points study area and the rest of the City. Based on 2013 Census occupancy data, approximately 83.3% of the study area’s housing units were occupied (Table 2). In comparison, the rest of the City had an occupancy of nearly 88%. The overall occupancy is slightly lower than regional and national trends. However,

Table 2
2013 Housing Occupancy
Comparative Analysis

Count	Five Points	Rest of City
Total Units	1,765	12,991
Occupied Units	1,470	11,407
Vacant Units	295	1,584
Occupancy Rate	83.3%	87.8%

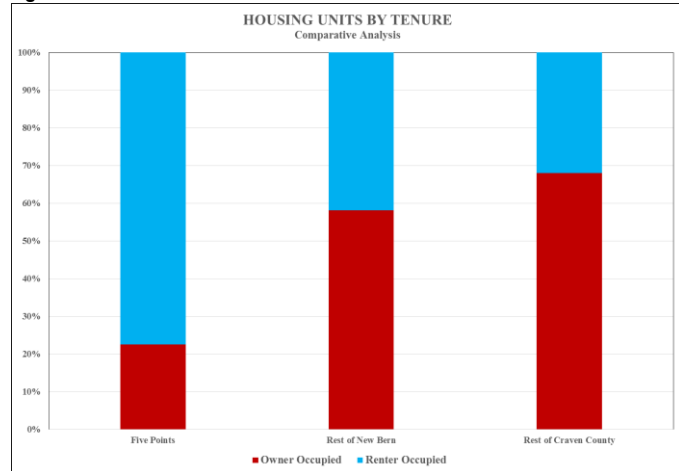
Source: RKG Associates, Inc., 2015

there are two factors noted by local real estate professionals contributing to this finding. First, the economic downturn has adversely impacted the local housing market, and recovery has been slow due to slight over speculation in development during the mid-2000s. The second is that New Bern has a notable second home market, meaning some of the units in the City are seasonal. That said, those respondents clarified that the vacancy in the Five Points study area is more attributable to market forces and property condition.

2. Housing Tenure

Housing tenure measures whether local residents rent or own their housing. The tenure analysis does not differentiate between type of housing, so traditional ownership units currently being rented are counted in the renter-occupied analysis. To this point, the demand analysis enables a comparison between housing type and tenure. This is a critical measure for the Five Points study area, as almost 80% of the housing units in the study area boundary are renter occupied. This contrasts the housing profile, where more than 45% of the units are single family units. The high conversion of traditional ownership units is indicative of the relative weakness of the ownership market in the Five Points area. As noted throughout this document, housing size, age, condition, and perceptions of the community all have influenced this market occurrence.

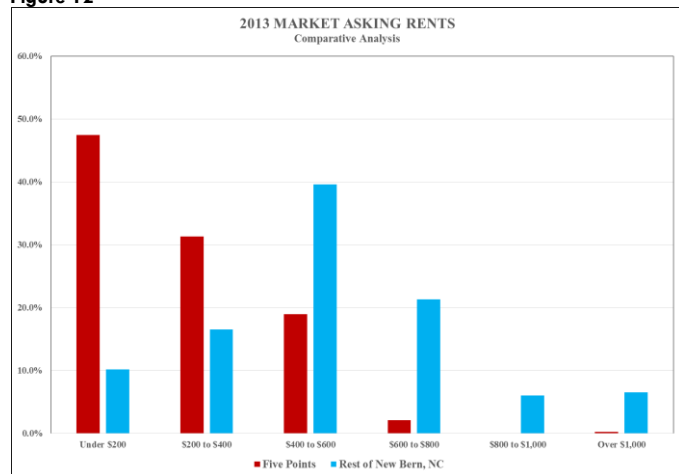
Figure 11



3. Rental Pricing Analysis

The Housing Authority properties have a substantial impact on rents within the Five Points study area. Average asking rent in the study area was \$304 in 2013 (U.S. Census ACS data). In comparison, the average asking rent was \$604 for the rest of the City. Almost 50% of the units in the study area have asking rents below \$200 per month, and almost 80% have asking rents below \$400 (Figure 12). In comparison, approximately 27% of the rest of the City’s rental units have asking rents below \$400.

Figure 12



In contrast, the Five Points study area has few mid-range and luxury rental units.

Only 32 of the more than 1,370 rental units have asking rents above \$600. Only 3 have asking rents above \$800. For the rest of the City, most of the rental units have asking rents between \$400 and \$800. More than 12% of the rest of the City’s rental housing stock has an asking rent above \$800.

RKG Associates contacted all apartment complexes within the City to gauge current asking prices. Table 3 shows the results of those that responded to our request. Each facility was offered confidentiality to provide the data. However the Table reflects approximately 60% of the market-rate multifamily housing stock. As seen, rent rates vary depending upon the number of bedrooms. One-bedroom units have the lowest rental rate, but highest rate per square foot. This finding is consistent with most rental markets, as smaller units tend to have a premium, in terms of cost to living area ratio.

Table 3
Sample of Market Rate Rental Housing
City of New Bern, NC

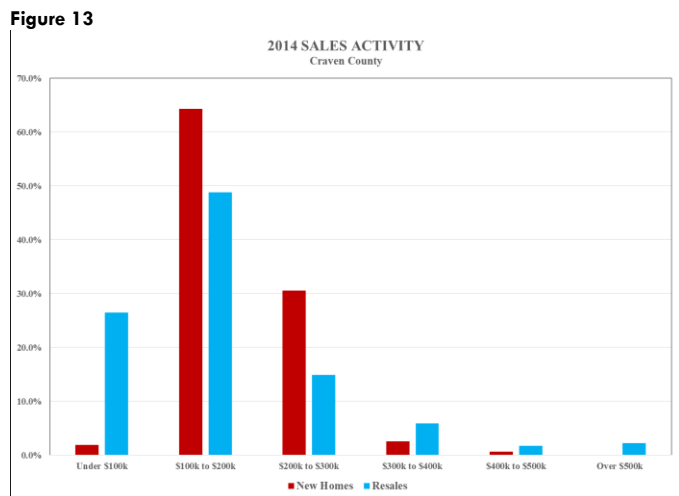
Count	Minimum	Maximum	Average
Unit Square Footage			
1 Bedroom	\$531	\$950	\$702
2 Bedroom	\$800	\$1,203	\$971
3 Bedroom	\$1,000	\$1,511	\$1,235
Asking Rent Per Square Foot (PSF)			
1 Bedroom	\$0.71	\$1.08	\$0.92
2 Bedroom	\$0.65	\$0.90	\$0.76
3 Bedroom	\$0.69	\$0.91	\$0.78

Source: RKG Associates, Inc., 2015

The data show asking rental rates likely have increases since the 2013 ACS averages were calculated. The lack of rental development compared to the overall development likely has changed the rental supply/demand equilibrium within the community, enabling apartment complexes to increase asking rents. That said, the data provided by the apartment complexes reveal most units in the City are one- and two-bedrooms. Based on the respondents, efficiencies, and three-bedroom units make up less than 15% of the total market-rate rental supply. It is important to note there are a number of income qualified developments in the City (mostly through the Low Income Housing Tax Credit—LITHC—program). These apartments are required to rent to households that make a prescribed annual income at a rate determined by the regional Fair Market Value thresholds (discussed in the affordability section of this report).

4. Ownership Sales Analysis

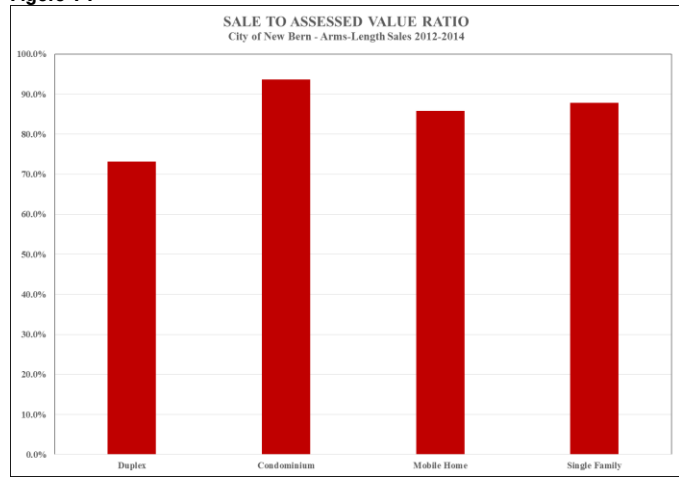
Residential sales data indicate the New Bern/Craven County market continues to recover from the economic downturn of 2007-2008. Keller Williams provided 2014 year-end data on sales within Craven County. The average sales price in the County was \$167,662, representing a slight drop from 2013. Both new home and resale purchases clustered between \$100,000 and \$200,000 (Figure 13), indicating the market has not appreciated substantially in recent years. Less than 10% of resales and 4% of new construction were over \$300,000. This data is consistent with market findings and anecdotal responses



from local real estate development professionals that military personnel are a large portion of the New Bern/Craven County market. Given salaries and housing benefits are fixed to the Department of Defense pay scale, these households ability to pay is somewhat restricted. It also was revealed that the barrier to development within the County is so low due to abundant land and non-restrictive zoning that over speculation is common in the area.

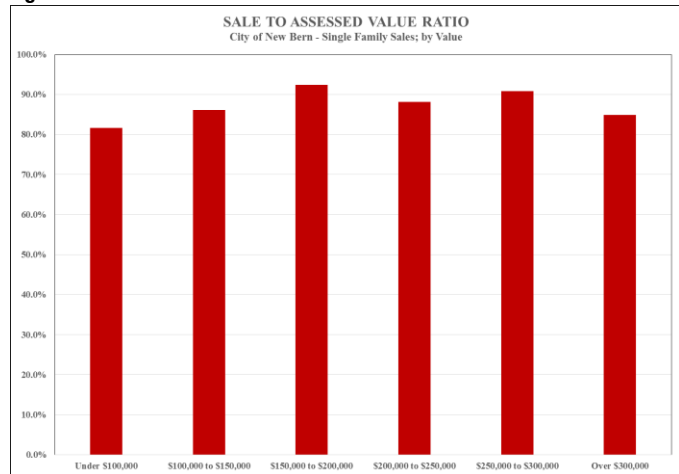
The City’s property assessment data confirms this finding. Arms-length sales of residential properties that occurred from 2012 to 2014 indicate final sales prices have been below property assessments (Figure 14). Only the condominium market has experienced a sale-to-value ratio above 90%. Anecdotal data reveal this has occurred because assessed values for condos have dropped more quickly due to poor market conditions. In any case, having sale prices that fall below assessments is an indication that supply and demand have not equalized in the community.

Figure 14



RKG Associates measured the sale-to-value ratio for single family homes at various price points to understand if there were portions of the market that were outperforming others. Based on the sales data recorded in the City’s assessment data, values for housing at all price points remain above the willingness to pay of the local consumer market. Sale to value ratios range from 81% for houses valued below \$100,000 to 92% for houses valued between \$150,000 and \$200,000 (Figure 15). This data also corroborate why the new construction market has focused on the \$100,000 to \$200,000 price point, as that appears to

Figure 15



be the largest and most active consumer band within New Bern/Craven County. Anecdotal data from the real estate community indicates that only prime properties (i.e. waterfront units, premium subdivisions) are selling at or above assessed value. There is a common belief that the New Bern/Craven market has excess supply. This is corroborated, in part, to the higher than average vacancy levels and substantial conversion of traditional ownership units to rentals.

That said, the local real estate community did identify some potential market challenges to be considered. First, interviewees indicated that overall demand for ownership housing has declined in recent years, as more military households are looking to rent rather than own. Given the 150+ days on market average for the County, it is not surprising that some households prefer not to have to deal with home sales when they are reassigned. Second, there is general concern in the market that the national troop drawdown will have an adverse impact on residential demand. While there is only speculation in the local market, estimates on the reduction at MCAS Cherry Point are as high as 1,500 personnel. This would be a substantial impact to the local market. Finally, the brokerage community representatives expressed concern that increased housing development activity will place the local market into a similar situation that occurred in 2008 and 2009. Simply put, developers were caught off guard by the economic downturn, and the local market correction was severe. Returning to high

levels of production without assessing the likely absorption levels could put the local market back into correction mode.

5. Primary Demand Sectors

Tapestry Segmentation is a system for classifying consumers and constituents using all the variables that can distinguish consumer behavior, from household characteristics such as income and family type to personal traits like age, education, or employment and even housing choices. Tapestry Segmentation is a product of ESRI, a global analytical and geospatial information systems (GIS) company. Tapestry classifies US neighborhoods into 65 distinct market segments, combining the “who” of lifestyle demography with the “where” of local neighborhood geography to create a model of various lifestyle classifications, or segments, of actual neighborhoods with addresses—distinct behavioral market segments. More data detailing Tapestry is available at ESRI’s website. This data provides an insight into the demand sectors within Five Points, New Bern, and Craven County.

The population currently residing in the Five Points study area is concentrated in two segments, City Commons and Modest Income Households (Table 4). Both of these classifications reflect a lower-income level and have high incidents of non-traditional households (i.e. single parent households and multi-generational). The typical housing choice is small single family units and multifamily developments, with a high propensity to rent rather than own (due to income challenges). To this point, the existing stock in Five Points is conducive to these demand segments.

In contrast, these segments make up significant, but much smaller portions of the City as a whole and the County. The most prominent demand segments for the greater housing market is concentrated in Midlife Junction and a number of more established/older segments (i.e. Silver and Gold, Retirement Communities).

The Midlife Junction segment focuses on those households that prefer to live and work in small urban enclaves in rural settings. This grouping reflects those households that have completed—or are near completing—child rearing and are transitioning into empty nester/retirement. The Midlife Junction reflects many of the military retirees or near-retirees that have chosen New Bern/Craven County due to its cost of living, quality of life, and access to

Table 4
Tapestry Segmentation
Comparative Analysis

Rank	Code	Tapestry Segment	Percent of HHs
FIVE POINTS STUDY AREA			
1	64	City Commons	51.9%
2	62	Modest Income Homes	37.6%
3	33	Midlife Junction	6.2%
4	30	Retirement Communities	4.2%
CITY OF NEW BERN			
1	33	Midlife Junction	23.8%
2	30	Retirement Communities	10.5%
3	48	Great Expectations	10.4%
4	26	Midland Crowd	9.0%
5	15	Silver and Gold	6.7%
6	64	City Commons	6.1%
7	36	Old and Newcomers	5.5%
8	46	Rooted Rural	5.4%
9	62	Modest Income Homes	4.4%
10	60	City Dimensions	4.0%
11	57	Simple Living	3.8%
12	32	Rustbelt Traditions	3.3%
13	14	Prosperous Empty Nesters	3.3%
14	50	Heartland Communities	3.0%
15	17	Green Acres	0.7%
CRAVEN COUNTY			
1	33	Midlife Junction	10.7%
2	15	Silver and Gold	10.3%
3	26	Midland Crowd	9.2%
4	17	Green Acres	8.5%
5	41	Crossroads	8.5%
6	46	Rooted Rural	8.4%
7	28	Aspiring Young Families	7.1%
8	14	Prosperous Empty Nesters	5.4%
9	40	Military Proximity	4.1%
10	48	Great Expectations	3.9%
11	30	Retirement Communities	3.3%
12	42	Southern Satellites	3.1%
13	19	Milk and Cookies	2.9%
14	64	City Commons	2.0%
15	25	Salt of the Earth	1.9%
16	60	City Dimensions	1.9%
17	36	Old and Newcomers	1.8%
18	50	Heartland Communities	1.6%
19	62	Modest Income Homes	1.4%
20	57	Simple Living	1.2%

Source: ESRI and RKG Associates, Inc., 2015

military benefits at MCAS Cherry Point. In contrast, the retiree groups reflect many of the former mid-Atlantic urbanities (i.e. Charlotte/Raleigh areas) that are seeking a good balance between natural amenities (i.e. the beach/outdoor recreation) and proximity to large cultural centers (i.e. Wilmington/Raleigh).

6. Implications

The data confirms the demographic analysis and reports from local real estate professionals. The strongest demand sectors for the New Bern market are military households—both active duty and almost retiree—and retirees/empty nesters. Given the current perceptions and realities about Five Points, any choice housing strategy likely will be more effective targeting households that do not have children and/or are seeking higher-density housing. Age restricted housing/assisted living could be a short-term market to help revitalize and reshape the Five Points area. That said, the existing resident clientele reflect a more modest income and demographically diverse community. Any strategy to enhance housing choice in Five Points will need to balance creating greater demand for housing in the study area with ensuring there is opportunity for the existing population. Focusing on only one of the two segments will make achieving true housing choice more challenging.

F. AFFORDABILITY ANALYSIS

This chapter addresses the existing market climate for affordable housing within the Five Points and the City of New Bern. It is imperative to quantify and qualify the supply and demand of housing at various income levels in an effort to define an improved course of action to provide a true choice housing neighborhood within New Bern. Simply put, it is in the City's best interest to focus on preserving and encouraging new "affordable" housing initiatives that address the needs of its current and future residents while reinvigorating economic activity and prosperity in the Five Points area. To this end, this chapter assesses supply and demand factors defining affordability to better identify those needs that will require the greatest attention.

1. Methodology

Affordable housing can be defined a number of ways. For this analysis, housing affordability was defined as spending no more than 30% of household annual gross income on housing costs which is consistent with the definition of housing affordability used by the U.S. Department of Housing and Urban Development (HUD). A household has the potential to become cost burdened when it pays more than 30% of annual gross income towards housing costs. For homeownership, housing costs include mortgage payments, homeowners insurance and property taxes. Renter households in this analysis, housing costs are gross rent which is the contract rent plus an estimate for utilities.

Affordability is important for households at all income levels. However, it is most critical for those with incomes below 100% of Area Median Income (AMI). In these cases, balancing housing costs with other costs of living become more critical. Therefore, for this analysis, housing affordability was evaluated as it relates to HUD income limits. These income limits are calculated by HUD in relation to the Area Median Income defined for New Bern ranging from one person to eight persons. The Craven County income limits were used for this analysis. These income limits were used to create affordability thresholds detailed below:

- 30% of AMI or less – Extremely Low Income
- 31% to 50% of AMI – Very Low Income
- 51% to 80% of AMI – Low Income

- 81% to 100% of AMI
- 101% to 120% of AMI
- 121% of AMI or more

The income thresholds for these groupings are presented in Table 5. For the purposes of this analysis, RKG Associates used the two-person threshold incomes to perform the analysis. While we recognize that not all households are two-person, it is impossible to assign an income to each household in Five Points and the City. As such, the analysis provides a general assessment of affordability. That said, RKG’s experience in doing these analyses reveals the results of our assessments typically reflect an accurate picture of affordability.

Table 5
HUD INCOME THRESHOLDS
New Bern, NC

	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person	7-Person	8-Person
30% of AMI	\$12,150	\$15,730	\$19,790	\$23,850	\$27,910	\$31,970	\$35,850	\$38,150
50% of AMI	\$20,250	\$23,150	\$26,050	\$28,900	\$31,250	\$33,550	\$35,850	\$38,150
80% of AMI	\$32,400	\$37,000	\$41,650	\$46,250	\$49,950	\$53,650	\$57,350	\$61,050
100% of AMI	\$40,500	\$46,300	\$52,100	\$57,800	\$62,500	\$67,100	\$71,700	\$76,300
120% of AMI	\$48,600	\$55,560	\$62,520	\$69,360	\$75,000	\$80,520	\$86,040	\$91,560

Source: HUD and RKG Associates, Inc., 2015

In addition to HUD income threshold data, RKG Associates used the following data sources to complete this analysis. The 2013 estimates for owner-occupied and renter-occupied housing units by value and household incomes for Five Points and the rest of New Bern were calculated using market-adjusted property assessment data from the City. Housing tenure information came from the 2013 American Community Survey 5-year estimates produced and collected by the U.S. Census Bureau for the Five Points study area and the City as a whole. Data related to the housing costs associated with homeownership were gathered using a variety of sources, including property tax rate information from the Craven County Tax Assessor’s Office, mortgage rates from www.bankrate.com and homeowners insurance rates from www.homeinsurance.com. FHA mortgage information was provided by the HUD First-Time Homebuyer Program.

2. Supply

The supply of homeownership units within the study area was determined using property tax assessment records. Ownership units were distributed across the affordability thresholds described above based on the maximum price that 30% of each income limit at 30%, 50%, 80% 100% and 120% of AMI can afford when housing costs such as mortgage payments, insurance and property taxes were included as seen in Table 6.

Table 6
COST BURDENED OWNERSHIP VALUE THRESHOLDS (30%)
New Bern, NC - 2-Person Income

	FHA Mortgage		Conventional Mortgage	
	Fee Simple [1]	Condo	Fee Simple [1]	Condo
30% of AMI	\$62,200	\$38,500	\$72,100	\$44,600
50% of AMI	\$91,600	\$67,900	\$106,100	\$78,600
80% of AMI	\$146,500	\$122,700	\$169,600	\$142,100
100% of AMI	\$183,300	\$159,500	\$212,200	\$184,700
120% of AMI	\$219,900	\$196,200	\$254,600	\$227,100

[1] Fee Simple includes single family, duplex, and mobile homes

Source: HUD and RKG Associates, Inc., 2015

The rental housing unit supply in Five Points and the rest of New Bern was determined through discussions with the client and a survey of rental properties within the City conducted by RKG Associates, Inc. Rental units were distributed across the affordability thresholds based on maximum rent for each affordability threshold. The maximum rent for each threshold was determined by calculating a monthly rent cost for the two-person income thresholds using cost burdening calculations. The final maximum monthly net rent for each threshold is detailed in Table 7.

Table 7
COST BURDENED RENT THRESHOLDS (30%)
New Bern, NC

	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person	7-Person	8-Person
30% of AMI	\$304	\$393	\$495	\$596	\$698	\$799	\$896	\$954
50% of AMI	\$506	\$579	\$651	\$723	\$781	\$839	\$896	\$954
80% of AMI	\$810	\$925	\$1,041	\$1,156	\$1,249	\$1,341	\$1,434	\$1,526
100% of AMI	\$1,013	\$1,158	\$1,303	\$1,445	\$1,563	\$1,678	\$1,793	\$1,908
120% of AMI	\$1,215	\$1,389	\$1,563	\$1,734	\$1,875	\$2,013	\$2,151	\$2,289

Source: HUD and RKG Associates, Inc., 2015

The predominance of housing in the Five Points study area is affordable at the lowest income threshold. More than 84% of all units in Five Points can be acquired by households earning below 30% of AMI, even using FHA purchasing standards (Table 8). Approximately 93% of the rental units are affordable at 30% of AMI, but that is influenced by the 579 public housing units owned by the Housing Authority. Regardless, almost all of the housing in Five Points is affordable at or below the Area Median Income. Only 28 units are priced above 100% of AMI, or less than 3% of the total.

Table 8
Housing Supply, by Affordability Thresholds
New Bern, NC

	Ownership Housing				Rental Housing	
	Conventional Financing		FHA Financing		Total	Share
	Total	Share	Total	Share		
Five Points Study Area						
Under 30% of AMI	935	88.7%	885	84.0%	661	93.0%
30% to 50%	67	6.4%	98	9.3%	42	5.9%
50% to 80%	35	3.3%	39	3.7%	8	1.1%
80% to 100%	5	0.5%	16	1.5%	0	0.0%
100% to 120%	9	0.9%	5	0.5%	0	0.0%
Over 120%	3	0.3%	11	1.0%	0	0.0%
Total	1,054	100.0%	1,054	100.0%	711	100.0%
Rest of New Bern						
Under 30% of AMI	2,600	23.7%	1,931	17.6%	769	36.8%
30% to 50%	2,459	22.4%	2,278	20.8%	609	29.1%
50% to 80%	3,142	28.6%	3,239	29.5%	571	27.3%
80% to 100%	957	8.7%	1,167	10.6%	43	2.1%
100% to 120%	537	4.9%	665	6.1%	22	1.1%
Over 120%	1,281	11.7%	1,696	15.5%	78	3.7%
Total	10,976	100.0%	10,976	100.0%	2,092	100.0%

Source: RKG Associates, Inc., 2015

The rest of New Bern more closely reflects diverse housing supply. Between 17% and 24% of the rest of the City’s ownership housing is priced affordably to households earning below 30% of AMI (depending on financing assumptions). Nearly 37% of the rental supply is affordable to the lowest income group, partially due to the 504 income controlled units throughout the rest of the City (not public housing). The markets best served, in terms of unit totals, are households earning between 30% and 80% of AMI for a two-person household--\$15,730 to \$37,000. In the rest of New Bern outside the Five Points study area, between 50% and 60% of ownership units and 56% of rental units are priced in this range. Less than 25% of ownership units and 5% of rental units are priced for households earning above the Area Median Income.

3. Demand

In both the homeownership analysis and the rental analysis, demand for housing was determined based on household income. Households were divided into thresholds by income delineated by the 2014 Fiscal Year Income Limits produced by HUD and then proportioned into either rental or ownership housing demand based on current housing tenure data for Five Points and the rest of New Bern. For this analysis, the income limits used corresponded to the two-person household income limits listed in Table 5.

Market demand for current homeowners consistent between Five Points and the rest of the City. Despite the relative affordability of housing in the Five Points study area, homeowners’ earnings are concentrated above the Area Median Income. More than 62% of current homeowners earn above 100% of AMI in both the Five Points study area and the rest of the City (Table 9). The finding is not surprising, as barriers to homeownership (i.e. down payments) restrict access for lower income groups. However, the uniformity between the study area and the rest of the City may be partially influenced by limitations in how this data is collected and disseminated by the U.S. Census.

Table 9
Housing Demand, by Affordability Thresholds
New Bern, NC

	Current Owners		Current Renters	
	Total	Share	Total	Share
Five Points Study Area				
Under 30% of AMI	37	11.0%	675	58.0%
30% to 50%	16	4.7%	169	14.5%
50% to 80%	38	11.3%	203	17.5%
80% to 100%	37	11.0%	29	2.5%
100% to 120%	33	9.8%	22	1.9%
Over 120%	176	52.2%	65	5.6%
Total	337	100.0%	1,163	100.0%
Rest of New Bern				
Under 30% of AMI	668	11.0%	1,458	32.2%
30% to 50%	306	5.1%	489	10.8%
50% to 80%	686	11.3%	653	14.4%
80% to 100%	604	10.0%	471	10.4%
100% to 120%	534	8.8%	371	8.2%
Over 120%	3,253	53.8%	1,087	24.0%
Total	6,051	100.0%	4,529	100.0%

Source: RKG Associates, Inc., 2015

That said, income levels of current renters in the Five Points study area vary from the rest of the City. More than 72% of all rental households in Five Points earn below 50% of AMI. These income groups constitute 43% of the rest of the City. Conversely, less than 8% of Five Point renter households earn above 100% of AMI as opposed to 32% for the rest of the City. As noted earlier, this is due, in part, to the concentration of the Housing Authority’s income controlled units in Five Points (approximately 70% of all rental units) compared to the rest of the City.

4. Affordability Gaps

At a base level, Five Points and the rest of New Bern have sufficient housing to meet existing demand. Both the Five Points study area (265 units) and the rest of the City (2,488 units) have more housing units than households demanding housing. That said, there is a substantial disconnect between the value of housing in the City and the ability of its residents to pay for housing. In both study areas, there is excess housing at the lowest price points and shortages for the higher income thresholds. In Five Points, only the below 30% of AMI category has more housing units that demand (Table 10). For the rest of the City, the gap exists for units priced at or above affordability for the Area Median Income.

Table 10
Supply and Demand Equilibrium
FHA Financing Assumptions

INCOME GROUP	DEMAND			SUPPLY			UNIT SHORTAGE/SURPLUS	
	Ownership Demand	Rental Demand	TOTAL DEMAND	Ownership Units	Rental Units	TOTAL UNITS	BALANCE BY THRESHOLD	CUMULATIVE BALANCE
Five Points Study Area								
Under 30% of AMI	37	675	712	885	661	1,546	834	834
30% to 50%	16	169	185	98	42	140	(45)	789
50% to 80%	38	203	241	39	8	47	(194)	595
80% to 100%	37	29	66	16	0	16	(50)	545
100% to 120%	33	22	55	5	0	5	(50)	495
Over 120%	176	65	241	11	0	11	(230)	265
Total	337	1,163	1,500	1,054	711	1,765	265	NC
Rest of New Bern								
Under 30% of AMI	668	1,458	2,126	1,931	769	2,700	574	574
30% to 50%	306	489	795	2,278	609	2,887	2,092	2,666
50% to 80%	686	653	1,339	3,239	571	3,810	2,471	5,137
80% to 100%	604	471	1,075	1,167	43	1,210	135	5,272
100% to 120%	534	371	905	665	22	687	(218)	5,054
Over 120%	3,253	1,087	4,340	1,696	78	1,774	(2,566)	2,488
Total	6,051	4,529	10,580	10,976	2,092	13,068	2,488	NC

Source: RKG Associates, Inc., 2015

On the surface, this data would suggest that housing prices should be rising, as people’s ability to pay exceeds current market values. However, data provided by local real estate professionals provides some insight as to why this is not happening. Most notably, the continued development of new housing despite the excess supply keep prices artificially low. Consumers are enabled to look at what is available on the resale market and price compare against new construction. A “tighter” local market would limit that substitution effect.

Additionally, anecdotal data indicates that New Bern/Craven County consumers historically do not look to maximize their ability to pay for housing. This means they do not want to spend 30% of this income on housing despite the ability to do so. Whether this market phenomenon is a product of the supply/demand equilibrium or an inherent trait cannot be determined. However, it impacts the potential for new housing, given the existing alternatives in the market.

Finally, the relative low barrier to entry for developers influence these trends. It was reported that land is cheap, zoning is favorable for residential development, and there are a number of developers

ving for the limited market demand. These factors combined can lead to an overly aggressive development campaign that perpetuates the imbalance in the local market. As noted earlier, the brokerage community has expressed concern about this phenomenon forcing a repeat of the market corrections of 2008-2009 from which the New Bern community continues to recover.

G. OPPORTUNITIES

The residential market analysis has identified a number of key points that must be considered as the Housing Authority creates its Choice Neighborhood strategy for the Five Points study area. The recommendations made in this section take these findings into consideration. The following highlights the overarching market findings that influenced the recommendations.

- *Create Unique Housing Opportunities* – There are very few examples in New Bern or Craven County of more traditional “urban” housing alternatives (i.e. townhouses, lofts...). Five Points has the potential to offer some of these options, creating a unique market niche that may service existing residents while attracting new ones.
- *Balance Existing and New Residents* – The products delivered to the market need to be able to be priced to accommodate new residents while providing opportunities for existing residents to remain in Five Points. This effort does not endorse wholesale demolition and redevelopment. However, infill development will need to respect the existing scale of the community while expanding the appeal of the area.
- *Provide Value Alternatives to Existing Market* – Given the current perceptions of Five Points as a place to live, new housing options will need to be priced competitively compared to other areas other areas of the City/County. Providing greater density without impacting land costs can mitigate some of the cost differential. The recommended housing types have greater land efficiencies than existing development.
- *Enable Short-Term Success* – Opportunities to create short-term success are critical to reversing long-held perceptions of the area. Each of the three previous principles feed into enabling the Housing Authority to garner success early on, thus increasing market opportunities and fostering sustainability.

As noted throughout this analysis, RKG Associates recognizes that creating a truly choice neighborhood—from a residential perspective—in the Five Points study area will require substantially more coordination and intervention than simply enabling or building new housing. Rather, there are more fundamental challenges beyond the housing market that will influence whether greater housing diversity can be achieved and sustained within Five Points. That said, the following opportunities best fit the local and regional housing market needs while enabling the Housing Authority and its partners to a balance of supporting existing Five Points residents and attracting new households to the area.

1. Elevated Townhouses

As noted earlier, a large portion of the Five Points study area is within a 100-year floodplain. Environmental regulations require new housing development to raise the living area above the floodplain. One tool available is the use of elevated, or raised, townhouses. Simply put, this development type puts all living levels on a platform that serves as garage parking and unfinished storage. For this development type, the market analysis indicates two or three bedroom units totaling 1,200 to 1,600 square feet. Given the elevated nature of the unit, a total of two living levels is most appropriate. The elevated townhouse concept provides the Housing Authority flexibility in

implementation. These units can be marketed for either rental or ownership, and can be scaled from infill (2-4 units connected) to a full-scale development concept (for larger assemblages). Price points between \$80,000 and \$120,000 will have the greatest market appeal, although initial sales may require some level of incentive or benefit to attract initial buyers/renters.



Infill Elevated Townhouse Example



Attached Single Family Age-Restricted Housing Example

2. Age-Restricted/Assisted Living

One of the more immediate opportunities is to provide age-restricted housing. The local market is underserved with housing dedicated to more established households. While one existing consideration is assisted care facilities, there also are senior households that do not currently need assistance. To this point, the use of a Continuing Care Retirement Community (CCRC) model could address both needs and create a greater sense of community as older households establish residency and can stay in place as they continue to age. The Housing Authority could consider a public private partnership where a certain percentage of units can be dedicated to income-qualifying households.

3. Mixed Use Mid-Rise Buildings

A number of previous studies have identified the potential to bring mixed-use low- and mid-rise housing into the Five Points area. Locations such as the former Days Inn hotel and other prominent locations along Broad Street, Pollock Street, First Street, and Queen Street could accommodate a limited amount of mixed-use development. Developing this type of housing provides great flexibility to both the Housing Authority and the development community, in terms of final delivery. Mixed use structures can be either ownership or rental, can be 100% market rate or a mixture of market-rate and income controlled units, and can be for either family households or age restricted. Mixed use development also provides the potential to develop live/work space that can be part of a larger entrepreneurial development or arts community strategy. For family units, a concentration of one- and two-bedroom units will appeal to the greatest market share. For seniors, efficiencies and one-bedrooms are more appropriate. Rental pricing for market rate units will need to be priced competitively with existing market levels. RKG Associates recommends considering a 10% to 20% discount based on amenities and number of income controlled units in the structure.



Commercial Corridor Mixed-Use Example



Live-Work Mixed-Use Building Example

4. Stacked Townhouses

In portions of the study area outside the floodplain have the potential to accommodate a different higher-density development concept, the stacked townhouse. Simply put, a stacked townhouse (also referred as a “two over two” unit is a four-story structure that looks like a townhouse from the exterior, but has two units stacked on top of each other. The concept is to maintain a development intensity of a townhouse community while increasing the number of units and increasing affordability. Stacked townhouses typically are one- or two-bedroom units. The use of an 18-foot or 20-foot width concept to provide 900 to 1,300 square foot units is recommended (garage parking often is provided through a rear-entry). Similar to the raised townhouse concept, this approach can focus on rental or ownership development. Pricing between \$60,000 and \$110,000 per unit or rental rates between \$0.60 to \$0.80 per square foot will create the greatest access for the market while remaining competitive in the market.



Stacked Townhouse Example