Irving, Texas – Market Value Analysis

City Council Community Services Committee
October 3, 2019
MVA Stakeholder Group

Role of the Stakeholder Group

*Work with the Reinvestment Fund team to understand the methods, view interim results and affirm final results. Support a data-driven approach to resource allocation and planning once the study is complete.*

Common Tasks and Responsibilities

- Help Team Secure Local Housing Data
- Contribute Local Knowledge of Markets
- Support Dissemination with Community
- Advise on Data Issues and Limitations
- Help Validate Models and Methods
- Recommend Strategic Actions for Public & Private Actors
The MVA Process

1. Acquire local administrative data and geocode to Census block group geographies.
2. Manually inspect and validate data layers by driving the area.
3. Use statistical cluster analysis to identify areas with common attributes.
4. Manually inspect areas for conformity with local experts to assess fit.
5. Alter parameters; re-solve and re-inspect until model accurately represents area.
6. Summarize and describe the characteristics of each market.

Lessons from 15+ years of experience

Validating Data is Critical. Researchers must systematically visit and observe neighborhoods in the city to understand the data and final model.

Geographic Scale Matters. MSA and Census tract geographies are too large to accurately reflect the nuances of local real estate markets.

One Size Does Not Fit All. MVA components and models share some similarities across cities but must be customized to the unique traits of each city.

Integrate Local Knowledge. All models are tested with local experts to incorporate qualitative feedback from each geography.
Driving Validation

Irving MVA 2019

Land Use

- Water
- Non-Residential
- Park
- Cemetery
- Hospital
- Shopping Centre
- Sports Complex
- University/College
Irving Market Value by MVA Category

Irving Market Value Analysis 2019
Irving Tenure by MVA Category
Market Overview: A

- Highest prices in Irving
- High owner occupancy
- A high percent of new construction
- Lowest rates of housing distress (e.g., code violations, vacancy, and foreclosure)
- This market has 38,000 (16%) residents.

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</tr>
</thead>
<tbody>
<tr>
<td>A (21)</td>
<td>$412,000</td>
<td>0.34</td>
<td>62%</td>
<td>9.9%</td>
<td>25.9%</td>
<td>&gt;1%</td>
<td>&gt;1%</td>
<td>0.1%</td>
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</table>
Market Overview: B and C

- Market values above the City average
- B markets have a mix of single family and multifamily homes
- C markets are multifamily areas with high amounts of new construction
- B and C markets have low rates of housing distress
- About 42,000 residents live in ‘B’ or ‘C’ markets, about 18% of Irving’s population.

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<tbody>
<tr>
<td>B (22)</td>
<td>$203,000</td>
<td>0.38</td>
<td>35%</td>
<td>1.0%</td>
<td>10.8%</td>
<td>1%</td>
<td>&gt;1%</td>
<td>0.4%</td>
<td>55%</td>
</tr>
<tr>
<td>C (6)</td>
<td>$203,000</td>
<td>0.37</td>
<td>4%</td>
<td>23.2%</td>
<td>4.9%</td>
<td>&gt;1%</td>
<td>1%</td>
<td>0.1%</td>
<td>95%</td>
</tr>
</tbody>
</table>
## Market Overview: D and E

- Median values slightly below the City average
- Low rates of new construction; D markets have the highest share of reinvestment in existing properties
- D markets have a high share of owners, while E markets are predominately renter occupied
- Levels of housing distress in D and E markets are comparable to the City average
- These markets have the largest share (41%) of Irving residents, about 98,000 people

### Median Market Value Table

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<thead>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>D (43)</td>
<td>$148,000</td>
<td>0.43</td>
<td>77%</td>
<td>0.4%</td>
<td>19.8%</td>
<td>&gt;1%</td>
<td>2%</td>
<td>0.5%</td>
<td>4%</td>
</tr>
<tr>
<td>E (32)</td>
<td>$151,000</td>
<td>0.26</td>
<td>3%</td>
<td>0.5%</td>
<td>2.6%</td>
<td>1%</td>
<td>1%</td>
<td>0.9%</td>
<td>93%</td>
</tr>
</tbody>
</table>
Market Overview: F and G

- Lowest sale prices in the City
- Low rates of new construction
- High rates of rental subsidy in ‘F’ markets
- ‘G’ markets have the highest sales price variation in Irving
- These markets are home to about 59,000 (25%) Irving residents.

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>F (8)</td>
<td>$139,000</td>
<td>0.44</td>
<td>30%</td>
<td>0.2%</td>
<td>7.6%</td>
<td>40%</td>
<td>1%</td>
<td>0.6%</td>
<td>60%</td>
</tr>
<tr>
<td>G (32)</td>
<td>$126,000</td>
<td>0.53</td>
<td>39%</td>
<td>0.6%</td>
<td>10.3%</td>
<td>1%</td>
<td>2%</td>
<td>0.7%</td>
<td>45%</td>
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</tbody>
</table>
## Average Characteristics for Irving Market Types

*Percent Multifamily was not included in the MVA model and is included here for descriptive purposes.*

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<td>2%</td>
<td>0.7%</td>
<td>45%</td>
</tr>
</tbody>
</table>

**Avg. Irving Block Group**

| $187,000 | 0.40 | 43% | 2.6% | 13.1% | 3% | 1% | 0.5% | 45% |
## Population Characteristics for Irving Market Types

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
<td>Percent</td>
</tr>
<tr>
<td>A</td>
<td>14,687</td>
<td>17.3%</td>
<td>37,859</td>
<td>16.0%</td>
<td>16,784</td>
<td>39.5%</td>
</tr>
<tr>
<td>B</td>
<td>5,257</td>
<td>6.2%</td>
<td>11,259</td>
<td>4.8%</td>
<td>2,534</td>
<td>6.0%</td>
</tr>
<tr>
<td>C</td>
<td>12,107</td>
<td>14.3%</td>
<td>30,832</td>
<td>13.0%</td>
<td>7,066</td>
<td>16.6%</td>
</tr>
<tr>
<td>D</td>
<td>15,624</td>
<td>18.4%</td>
<td>52,372</td>
<td>22.1%</td>
<td>2,767</td>
<td>6.5%</td>
</tr>
<tr>
<td>E</td>
<td>18,404</td>
<td>21.7%</td>
<td>45,183</td>
<td>19.1%</td>
<td>11,101</td>
<td>26.1%</td>
</tr>
<tr>
<td>F</td>
<td>3,908</td>
<td>4.6%</td>
<td>11,352</td>
<td>4.8%</td>
<td>911</td>
<td>2.1%</td>
</tr>
<tr>
<td>G</td>
<td>14,765</td>
<td>17.4%</td>
<td>47,599</td>
<td>20.1%</td>
<td>1,369</td>
<td>3.2%</td>
</tr>
<tr>
<td>All</td>
<td>84,752</td>
<td>100.0%</td>
<td>236,456</td>
<td>100.0%</td>
<td>42,532</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Supplemental Analyses

Contextualizing social, economic and public health outcomes with housing market characteristics
MVA results can enhance insight into issues such as housing, health, and economic development when combined with additional datasets.

**Supplemental Analyses**

- **Area Affordability**
  Highlighting places where households of a variety of income levels can afford to live

- **Mortgage Activity**
  Spotlighting mortgage origination trends

- **Job Centers**
  Identifying significant employment locations

- **Investor Activity**
  Highlighting areas with indicators of substantial investor activity

- **Housing Age**
  Showing how home age relates to market value
Informing a Workforce Strategy

Land Use
- Water
- Non-Residential
- Park
- Cemetery
- Hospital
- Shopping Centre
- Sports Complex
- University/College

HighWage Job Density Sq. Km.
- 0 - 150
- 150 - 375
- 375 - 750
- 750 - 1,000
- 1,000 - 1,500
- 1,500 - 7,600

Irving MVA 2019
- A
- B
- C
- D
- E
- F
- G
Analyzing Mortgage Lending Activity

From 2015 to 2017, 8,596 home purchase applications were filed in Irving. Citywide, 74% of applications were approved. Approval and denial rates were consistent between market types.

In purple and blue ("A", "B", and "C") markets, 73% of applications were approved and only 10% were rejected. In yellow ("F" and "G") markets, 73% of applications were approved while 11% were rejected.

From 2015 to 2017, 6,581 home refinance applications were filed in Irving. Citywide, 55% of applications were approved, however, the approval and denial rates varied between market types.

In purple and blue ("A", "B", and "C") markets 60% of applications were approved and 21% were rejected. In yellow ("F" and "G") markets, only 47% of applications were approved while 31% were rejected.

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### Home Purchase Applications, 2015-2017*

<table>
<thead>
<tr>
<th>Markets</th>
<th>Approved Apps</th>
<th>Rejected Apps</th>
<th>Withdrawn Apps</th>
<th>Total Apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purple Markets</td>
<td>2,134 (74%)</td>
<td>236 (8%)</td>
<td>514 (18%)</td>
<td>2,884 (100%)</td>
</tr>
<tr>
<td>Blue Markets</td>
<td>913 (72%)</td>
<td>167 (13%)</td>
<td>196 (15%)</td>
<td>1,276 (100%)</td>
</tr>
<tr>
<td>Green Markets</td>
<td>2,095 (72%)</td>
<td>294 (10%)</td>
<td>531 (18%)</td>
<td>2,920 (100%)</td>
</tr>
<tr>
<td>Yellow Markets</td>
<td>1,110 (73%)</td>
<td>170 (11%)</td>
<td>236 (16%)</td>
<td>1,516 (100%)</td>
</tr>
<tr>
<td>All Markets</td>
<td>6,252 (73%)</td>
<td>867 (10%)</td>
<td>1,477 (17%)</td>
<td>8,596 (100%)</td>
</tr>
</tbody>
</table>

### Home Refinance Applications, 2015-2017*

<table>
<thead>
<tr>
<th>Markets</th>
<th>Approved Apps</th>
<th>Rejected Apps</th>
<th>Withdrawn Apps</th>
<th>Total Apps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purple Markets</td>
<td>1,417 (61%)</td>
<td>456 (20%)</td>
<td>442 (19%)</td>
<td>2,315 (100%)</td>
</tr>
<tr>
<td>Blue Markets</td>
<td>383 (57%)</td>
<td>170 (25%)</td>
<td>122 (18%)</td>
<td>675 (100%)</td>
</tr>
<tr>
<td>Green Markets</td>
<td>1,182 (51%)</td>
<td>679 (29%)</td>
<td>441 (19%)</td>
<td>2,302 (100%)</td>
</tr>
<tr>
<td>Yellow Markets</td>
<td>611 (47%)</td>
<td>398 (31%)</td>
<td>280 (22%)</td>
<td>1,289 (100%)</td>
</tr>
<tr>
<td>All Markets</td>
<td>3,593 (55%)</td>
<td>1,703 (26%)</td>
<td>1,285 (20%)</td>
<td>6,581 (100%)</td>
</tr>
</tbody>
</table>

*Only includes first lien, home purchase and refinance applications for single family homes
Median household income in 2013-2017 for Irving is $58,196. Visible MVA areas had median sales prices (2017-2018) less than 3x 50% of median (i.e., $87,294). About 14,000 (16%) of Irving households have income below 50% of median.
Areas Affordable at up to 80% Median Household Income

Median household income in 2013-2017 for Irving is $58,196. Visible MVA areas had median sales prices (2017-2018) less than 3x 50% of median (i.e., $139,670). About 30,000 (36%) of Irving households have income below 80% of median.
Areas Affordable at up to 120% Median Household Income

Median household income in 2013-2017 for Irving is $58,196. Visible MVA areas had median sales prices (2017-2018) less than 3x 50% of median (i.e., $209,506). About 50,000 (59%) of Irving households have income below 120% of median.
Understand the Residential Real Estate Market

Establish & Compile Data Points to inform MVA

Establish Local Steering Committee & Schedule Meetings

3-4 Steering Committee Meetings to Conduct Field Verifications

Public Engagement 1: What does the MVA tell us about neighborhoods?

Public Engagement 2: How to impact development costs in this community

Present Final Model of MVA

Public Engagement 3: Capital Access

Public Engagement 4: Program, Tools & Strategies for Increasing Housing Production

Present Draft of MVA Model to Steering Committee

Present Draft of MVA Model to Steering Committee

Public

Lenders, philanthropic and other equity sources

Draft Housing Policy

Development Community

Repeat Until

Reality Reflects Model

Provide SOP Manuals for Comprehensive Policy

Where we are in the process

✓

✓

✓

✓

✓
Public Engagement Process

Using MVA Discuss Factors Affecting Affordability

Development Costs
Appraisals, market analysis, land acquisition, zoning, permitting, environmental, development fees, insurance, payment & performance bonds, and construction financing.

Access to Capital
In market areas where new construction has not occurred, lenders are less willing to lend for upfront costs in development. This requires an Equity investment that exceeds what is feasible for a developer to invest for the return that the project can provide.

Cost of Capital
Because of the perceived risks in unproven markets, interest rates can be high and construction periods can drag out longer and that means higher carrying costs which = less return on investment.
Why do those factors matter?

Because of the relationship between:

Cost – all of those 3 make up the cost to build/rehab

Value – how much houses (units) sell/rent for in that market? and

Affordability – how much can our target market afford?
### CURRENT DALLAS COUNTY MEDIAN INCOME LIMITS
(100% of Median $83,100)

<table>
<thead>
<tr>
<th>Family Size</th>
<th>Very Low Income (30% of Median)</th>
<th>Low Income (50% of Median)</th>
<th>Moderate Income (80% of Median)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$17,500</td>
<td>$29,100</td>
<td>$46,550</td>
</tr>
<tr>
<td>2</td>
<td>$20,000</td>
<td>$33,250</td>
<td>$53,200</td>
</tr>
<tr>
<td>3</td>
<td>$22,500</td>
<td>$37,400</td>
<td>$59,850</td>
</tr>
<tr>
<td>4</td>
<td>$24,950</td>
<td>$41,550</td>
<td>$66,500</td>
</tr>
<tr>
<td>5</td>
<td>$26,950</td>
<td>$44,900</td>
<td>$71,850</td>
</tr>
<tr>
<td>6</td>
<td>$28,950</td>
<td>$48,200</td>
<td>$77,150</td>
</tr>
<tr>
<td>7</td>
<td>$30,950</td>
<td>$51,550</td>
<td>$82,500</td>
</tr>
<tr>
<td>8</td>
<td>$32,950</td>
<td>$54,850</td>
<td>$87,800</td>
</tr>
</tbody>
</table>
HOME Investment Partnership, CDBG, HUD 108, Tax Exempt Bonds, Tax Increment Financing, and GO Bonds, Neighborhood Empowerment Zones, Low Income Housing Tax Credits, Opportunity Zones
### PUBLIC MEETING TOPICS AND SCHEDULE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Date</th>
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<tbody>
<tr>
<td>How Residential Development gets Financed</td>
<td>October 2019-</td>
</tr>
<tr>
<td></td>
<td>January 2020</td>
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<tr>
<td>How to Reduce Development / Rehab Costs</td>
<td></td>
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<tr>
<td>How to Increase Access to Capital</td>
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<tr>
<td>Programs, Tools and Strategies to increase housing production</td>
<td></td>
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</tbody>
</table>
Housing Policy & Strategy

Recommendations

Presentations to City Council Committees & City Council January – February 2020
Contacts

Raquel Favela, Senior Director, NDC
rfavela@ndconline.org
210-215-0707

Ira Goldstein, President, RF
ira.goldstein@reinvestment.com

Colin Weidig, Senior Research Analyst, RF
colin.weidig@reinvestment.com
215-574-5815