

Housing Opportunities Analysis

City of Defiance, Ohio



Prepared For:

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Addendum: Gateway Illustrations and Best Practice Examples (Gossman Group)

I. Executive Summary

The purpose of this report is the identification of housing opportunities within the City of Defiance and strategies to facilitate housing development. The following summarizes the key findings and conclusions contained within the market analysis.

It is DDA's opinion that a market exists in the next three years for 274 to 386 new housing units within the City of Defiance. A distribution of housing support by product type and area is included in the following table:

Market-Supported New Housing Development Three-Year Total City of Defiance, Ohio

Housing Type & Price Range	Total Units
Rental Housing	190 - 266
Less than \$750	82 - 116
\$750 to \$849	55 - 78
\$850 to \$999	37 - 52
\$1,000 and Higher	16 - 20
For-Sale Single-Family	52 - 64
\$125,000 to \$199,999	40 - 44
\$200,000 to \$299,000	10 - 16
\$300,000+	2 - 4
For-Sale Condominium/Villa/Duplex/Townhouse	30 - 52
\$125,000 to \$199,999	26 - 40
\$200,000 to \$300,000	4 - 12
3-Year Total	274 - 386

The projected total units represent optimal market support in the market assuming a variety of housing types, price points and locations are available. Additional market support exists at lower sale prices; however, the ability of home builders to delivery new housing below \$125,000 is limited due to rising construction costs.

The Defiance housing market is severely constrained by the lack of modern housing production, especially among rental housing and more moderately priced for-sale housing. The lack of modern housing in Defiance is hindering household growth in the market and adversely impacting the addition and sustainability of local businesses (e.g. lower consumer spending power and smaller labor pool) and municipal and school district revenue (e.g. income and property tax).

The greatest unmet demand for housing in Defiance is rental housing, despite the fact that three of four households in the area are homeowners. Overall, the rental housing stock in the City of Defiance is much older and more often functionally obsolete than for-sale housing options. The low prevailing rent associated with the older housing has unrealistically set expectations of achievable rents in the area and likely dissuaded multifamily housing developers from entering the market. DDA has documented the demand for higher-priced newer housing in this report through a combination of our online housing survey and a detailed housing and demand analysis.

Housing Development Strategies

DDA has provided examples of development sites for a variety of housing products throughout the area based on three factors:

1. Relocation to most popular areas (based on online survey results)
2. Vacant and/or redevelopment potential
3. Attractive environment that commands housing premiums
 - a. Rentals: higher market exposure, proximity to shopping and employment
 - b. For-Sale: homes back up to wooded areas, water, golf course, parkland, etc.

Property owners were not contacted regarding the status of their properties. Therefore, the inclusion of their properties in the list is for example purposes only.

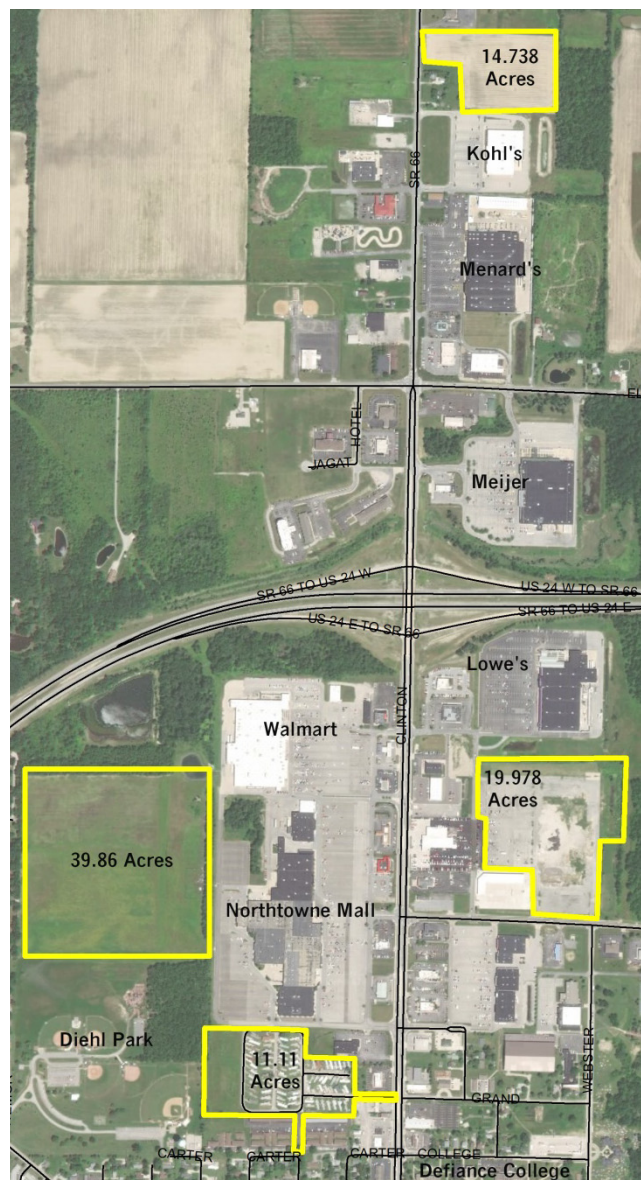
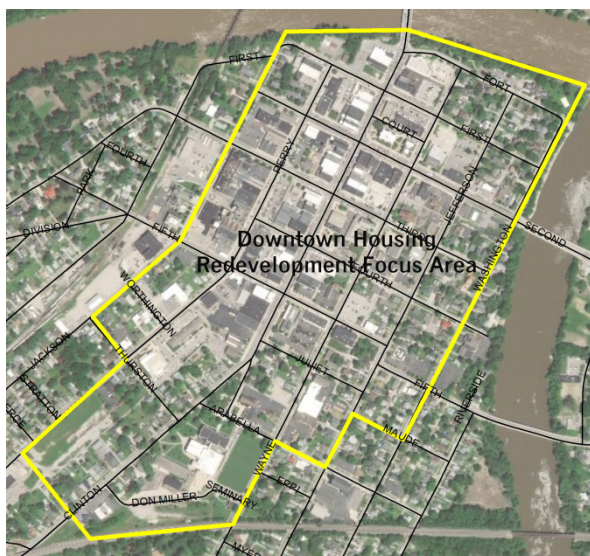
Rental Housing

Our online survey of more than 700 local residents and workers indicated the North Clinton Street area and Downtown are the most popular places in Defiance for renters to relocate.

All of the example rental housing sites shown are in mixed-use environments. The 11-acre site along North Clinton Street is currently a trailer park called Northtowne Estates. The property is in disrepair and has been plagued by past sewage issues and overdue water bills.

The trailer park site and the vacant 40-acre site are adjacent Diehl Park and Northtowne Mall. The sites south of US Highway 24 are also within walking distance of Defiance College.

Areas within a few blocks of the core downtown area are considered candidates for multifamily redevelopment, primarily rental, but also for-sale housing.

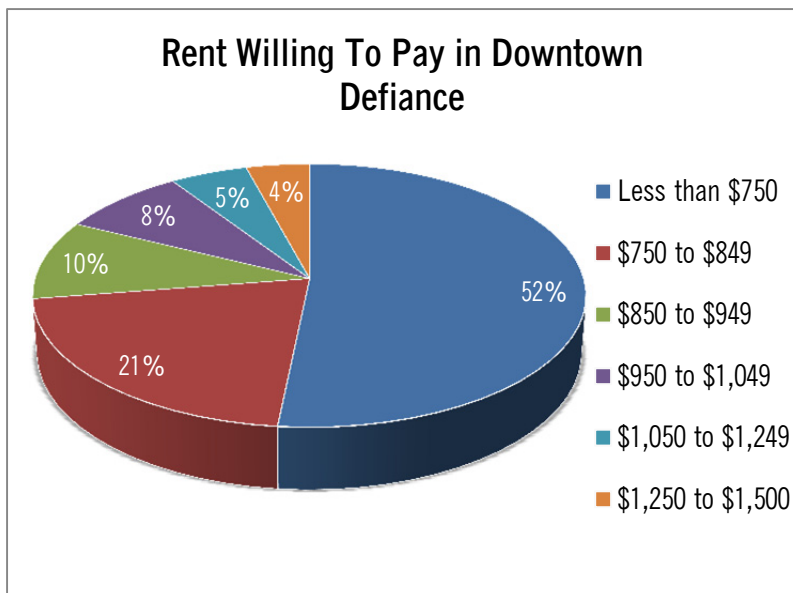


The North Clinton Street and Downtown areas present the best opportunities for housing developers to achieve moderate to high-level rents of \$750 and higher.

Units Priced Above \$750/Month:

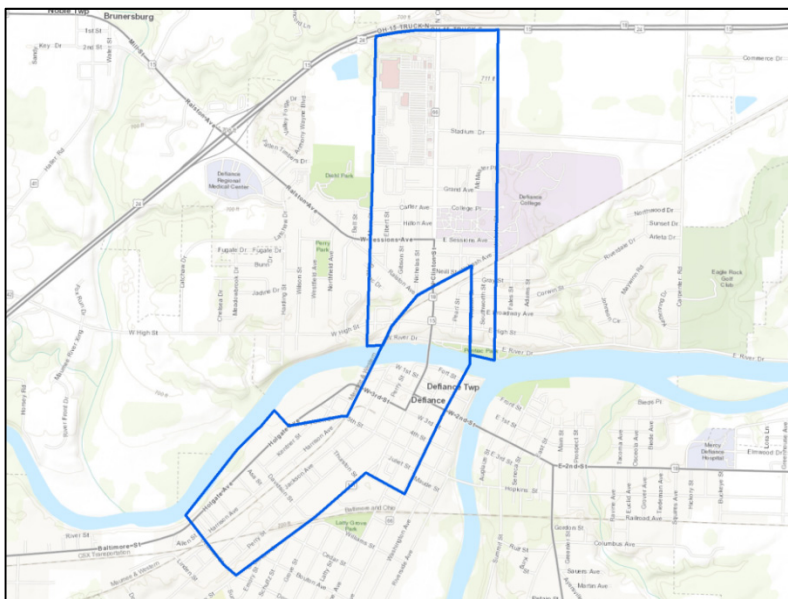
Nearly half the residents and local workers surveyed indicated that they would pay more than \$750 per month for housing that met their preferences.

There are approximately 1,000 renter households within the City of Defiance and immediate surroundings that can adequately afford rents in excess of current rent levels. Based on results of our online survey, a higher percentage of households prefer to rent in the downtown area with nearly half willing to pay rents above \$750 per month, 12 percentage points higher than renters willing to pay outside of the downtown area.



Both areas are also within two of the city's four Community Reinvestment Areas (CRAs). CRAs One and Two provides 100 percent tax abatement for commercial and residential construction over a 15-year period (see map on right for CRAs boundaries).

Community Reinvestment Area Program – CRAs One & Two



Qualified Opportunity Zones

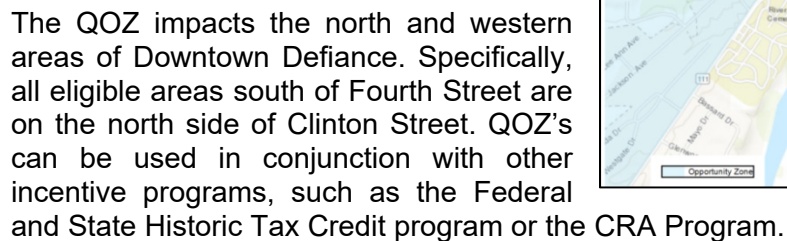
A majority of the downtown area is also within the newly created Qualified Opportunity Zones (QOZs). QOZs were created by the 2017 Tax Cuts and Jobs Act, and are designed to spur investment in communities through tax benefits.

QOZs provide a deferral and reduction of capital gains taxes within five to seven years and a total waiver of capital gains taxes at ten years or longer. The Qualified Opportunity Zone for the City of Defiance is census tract 9586.00 (see map on following page).

Properties eligible for QOZ investment or Qualified Opportunity Funds (QOF) must be purchased after 12/31/2017 with any prior ownership limited to 20% of the fund.

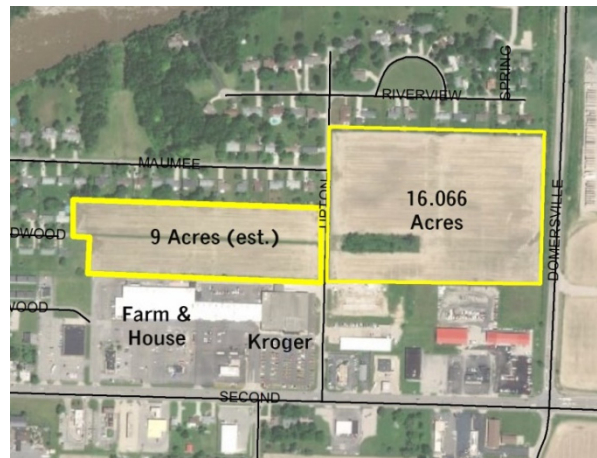
QOF Important Dates

- Qualified Opportunity Zone (highlighted in blue)



The demand for modern rental housing is highest for units priced less than \$750 per month. Without subsidies, however, it is unlikely a developer would consider building new or substantially renovating housing renting below \$750 per month. However, the Ohio Housing Finance Agency (OHFA) offers a new affordable housing tax credit program that provides housing for households earning up to 80% of the area median household income (\$40,000 for a two-person household). In prior years, OHFA's tax credit program was limited to households earning up to 60% of area median household income (\$30,000 for a two-person household).

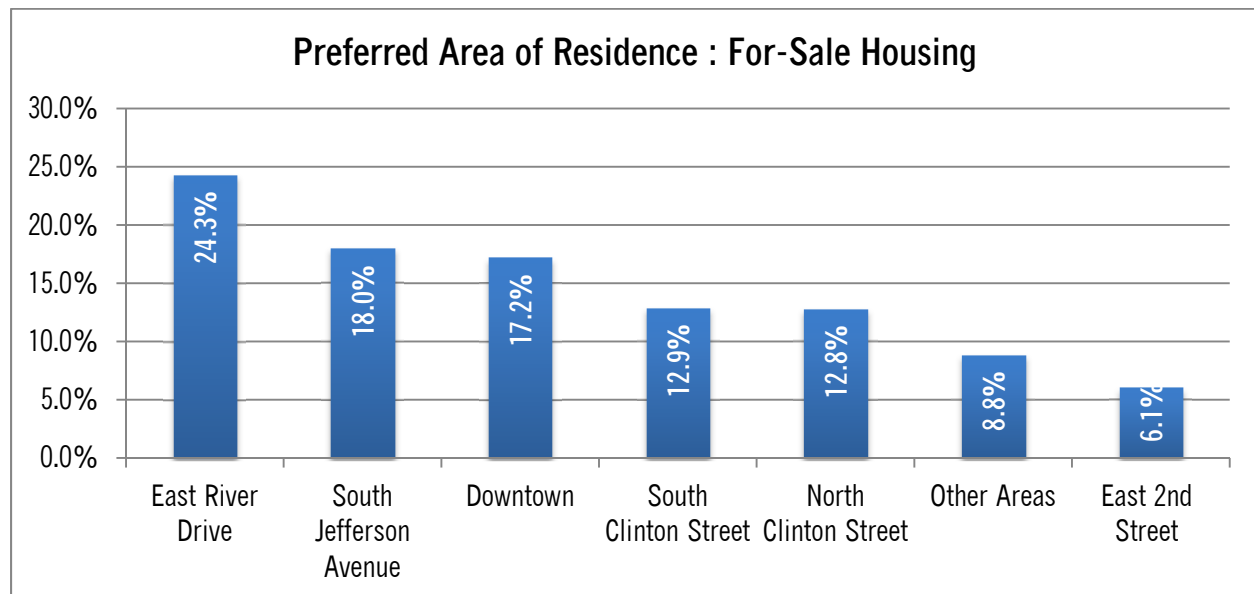
Funding from OHFA's tax credit program is based on a competitive scoring process with other sites throughout Ohio. Developers are most attracted to communities where development sites can garner high scores based on OHFA's criteria. Based on our review of OHFA's Draft 2020-2021 Qualified Allocation Plan, it is important for sites to be proximate amenities, employment centers and significant community investments. OHFA also has scoring based on census tract indices and Opportunity Zones. Examples of two sites in Defiance's Qualified Census Tract 9588 along East Second Street are shown in the map on the right.



Based on our discussion with tax credit housing developers and OHFA thresholds, a minimum development of at least 40 units is required.

For-Sale Housing

The Kettenring area of Defiance, within the East River Drive corridor, continues to be the most popular and preferred area of residence for homeowners, followed by the South Jefferson Avenue area and Downtown. Notably, there were strong responses in all areas of the city as long as the new housing met their preferences.

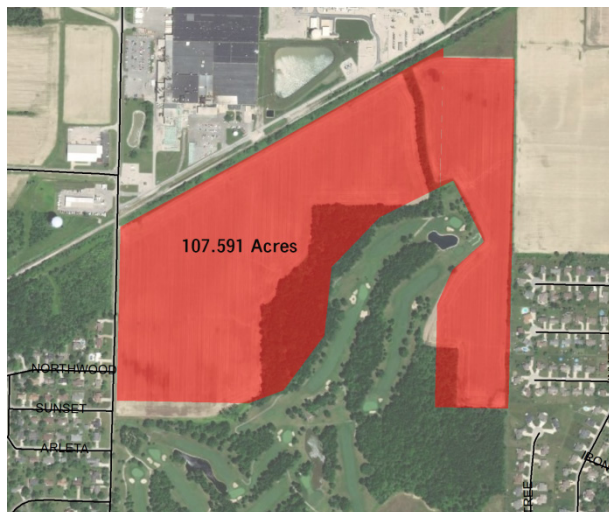


Examples of For-Sale Housing Site Candidates

Vacant land surrounding the northern portion of the Eagle Rock Golf Club is a prime example for a for-sale housing development where homebuyers are more likely to pay premiums to live adjacent a golf course (see map on following page).

The northern edge of the 108-acre parcel is bounded by train tracks, but proper buffering should help mitigate any noise issues. A large wooded tract also provides the potential for lot/home premiums at a site in the South Clinton Street area.

Carpenter Road Site – Kettenring Area



Canal Road Site – South Clinton Street Area

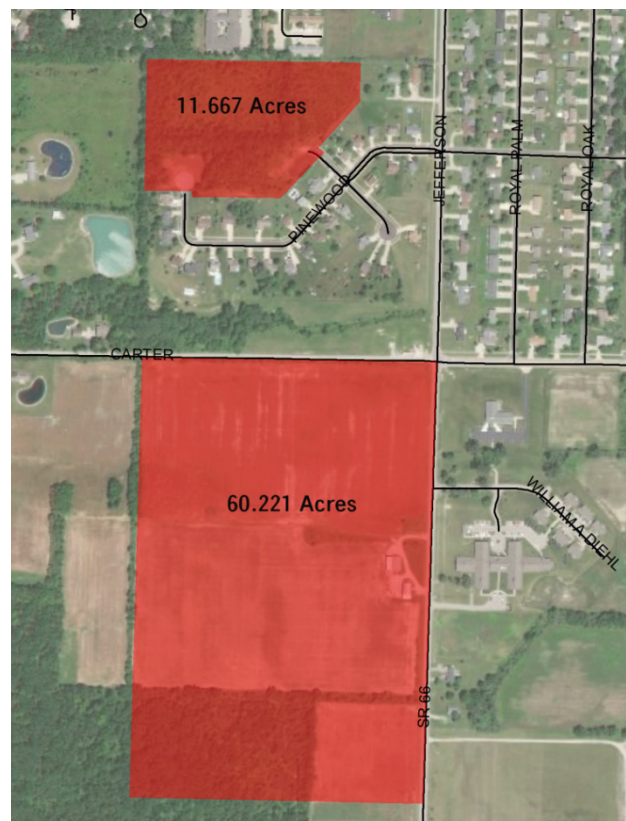


There is potential for additional phases of for-sale housing developments throughout the area. Two examples of this type of development with proximate infrastructure are: a 24-acre site near Promedica Defiance Regional Hospital (map on bottom left) and a 12-acre site in the South Jefferson Avenue area (map on bottom right). The 60-acre site at the southwest corner of Carter Road and South Jefferson Avenue is largely flat agricultural land. The development of larger sites for housing developments should consider a retention pond as a featured amenity and premium for adjacent homes.

Latchaw Drive Site – North Clinton Street Area



Carter Road Site/South Jefferson Avenue Area



The demand for new single-family home development leads the market. More than seven of every ten households surveyed would consider paying a monthly fee for maintenance-free living.

The high-end of the condominium or villaminium market appears to be at approximately \$200,000 with rare sales of attached ranch product occurring above \$200,000 and those listed are staying on the market for an extended period of time. Based on DDA's experience in similar markets, a multi-story townhome product in or near the downtown could command sales rates in the upper \$200,000s. Consideration should be given to identifying townhome sites in the downtown area or other CRA areas that would provide property tax abatement.

DDA and the Gossman Group identified a potential for-sale townhome site near the old Junior High School. Consideration should be given to adding this area as a residential CRA and/or incentivizing the land purchase to the developer. In Downtown Dayton, the City Development Corporation, a local CDC, provided city-owned property to developers at relatively no cost to facilitate townhome development.

The value of living in or near downtown, whether renting or owning will be predicated on the attraction and vibrancy of the downtown commercial environment.

Downtown Defiance Commercial Environment

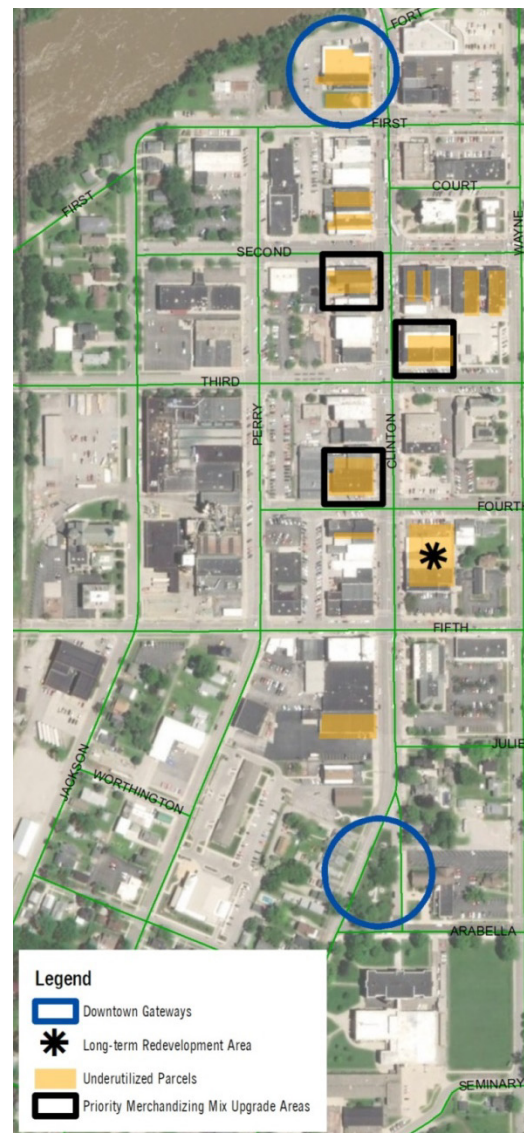
Tenant mix was assessed by DDA in Downtown Defiance. The food and beverage category, including upscale full-service restaurants and brewery/tap room and brew pubs, are deemed the most underserved tenant type and should be the priority target for future marketing efforts. Retail goods and services are also underrepresented within the downtown. A list of other candidates for the downtown based on comparisons with other downtowns can be found on pages 28 and 29.

Based on the locations of vacant space and buildings with less than optimal uses or tenants (parcels highlighted in light orange below) we have identified three priority areas to upgrade the merchandizing mix (shown on map as black boxes):

1. Clinton/Second (SW corner) – 300-304 Clinton (see photo)



2. Clinton/Third (NE corner) – 319-325 Clinton
3. Clinton/Fourth (NW corner) – 416-428 Clinton



The priority corner locations to upgrade are a few of the most highly visible spaces. If upgraded with engaging uses could help promote walkability along the downtown corridor, resulting in more visitations and spending.

Downtown Gateways

Gateways are important place-makers for downtowns and special districts. Gateways, when done well, are not only visually attractive and provide a strong first impression of the downtown, but also help to define the geographic limits of the downtown district. Framing the boundaries of downtown with gateways heightens visitor awareness of the special territory the architecture, public realm and collection of tenants within it.

When completed, the gateways and the downtown environs all contribute to the truest sense of place. DDA teamed with Gossman Group, a design and planning firm, to identify the best possible gateway locations and provide illustrative examples. The recommended gateways for the downtown are at the north and south ends of the Clinton Street corridor (areas circled in blue on map on prior page). An illustration and example photo of potential redevelopment for each gateway follows. Additional illustrations and examples are included in the Addendum.

Downtown North Gateway

The northwest corner of Clinton and West First Streets with frontage along the Maumee River was identified as the downtown's north gateway. Portions of the property are within a floodplain and FEMA monies are under consideration to fund demolition of at least two buildings and possibly a third (Harper Building, shown as #4 on map). The illustration below shows a scenario in which Fort Street is vacated and the Harper building remains. We recommend outdoor seating and recreation area focused along the riverfront with more consideration given to commercial use south of Spanky's and a potential Spanky's expansion combined with outdoor seating. Another redevelopment scenario is illustrated in the Addendum section of the report.



1. Trail Network
2. Lawn/Park Area
3. Trellis or Covered Seating
4. Renovated "Harper" Building
5. Removal of ½ of the Second Floor for outdoor deck
6. Spanky's Expansion Opportunity
7. Back of House/Garbage Area
8. Parking Lot
9. Stone Walls with Signage Opportunity



Example of outdoor seating under trellis

Downtown South Gateway and Potential Townhome Site

The point of the Clinton Street South split was identified as the downtown's southern gateway. The gateway is approximately 600 feet from the Clinton/Fifth Street intersection. Despite this close proximity, however, it is difficult to see the iconic clock set back among mature trees and as a result it does not compel downtown visitors to walk farther south. Combined with the atypical downtown uses in the 600 block of Clinton Street, this visual disconnect effectively cuts off visitation to the southern portion of the downtown.

The illustration by the Gossman Group shows an extended park with a relocated clock farther north with connectivity to Hometown Heroes Park via a crosswalk.

In this illustration, Triangle Park is turned into a plaza with a prominent artwork piece in the middle.



Example of sculptured art

The suggested textured paving of the street further promotes walkability and connectivity in and around the park. A suggested memorial to Don Miller is included retaining the end zone and other key fixtures such as the scoreboard and northern field goal post. The improved gateway will also serve as a key amenity to the future redevelopment of the Junior High School.



For-sale townhomes are shown along Wayne Avenue. The most likely development scenario for the townhomes involves phased development of four or more attached townhomes.

1. Textured Pavement
2. Add crosswalk to connect to Hometown Heroes Park
3. Relocate Clock to northern end of extended park and
4. Triangle Park to be turned into plaza with prominent artwork in middle
5. Preserve large trees in park
6. Investigate improved traffic circulation; potential conversion from one-way to two-way street(s)
7. The Four Horseman/Don Miller Memorial
8. Redevelopment Opportunity
9. Future Townhome Opportunity (later phases)
10. Parking Lot
11. Townhomes at Wayne Avenue

The importance of constructing gateways was identified in The City of Defiance Strategic Plan and 2030 Land Use Plan, created in 2011. The plan stated, *“In order to define and identify the ‘Downtown District’ as a special place within the City of Defiance, gateways or entry portals into the Downtown should be designed and constructed at key locations. These gateways should contain signage, landscaping, lighting, and other design elements that make a statement about entering the Downtown District and give visitors a sense of being in a special place.”* The plan identified the Clinton Street and Second Street bridges as potential locations. One of our two recommended gateways is at the Clinton Street Bridge.

We do not recommend another gateway at the Second Street Bridge as a priority because the development environment in that portion of the downtown area does not reflect the downtown’s core urban design. Instead the area is vehicle-oriented and more reflective of a development found in the suburbs. Additionally, it is our opinion that the Defiance County Courthouse is an attractive landmark on Second Street that serves to let people know they have arrived downtown. Since many visitors will travel to the downtown via Second Street, it will be important, that other attractive uses also are visible at the intersection. This is one of the reasons that the properties at 300-304 Clinton Street were identified as one of three priority merchandizing mix upgrade areas.

Near and Long-Term Downtown Redevelopment Opportunities

1. Near-Term

Based on our experience, in other downtowns nationwide and our online survey results of local residents and workers, an immediate opportunity exists for upscale rental housing in the downtown area. The focus of redevelopment should be the conversion of upper floor spaces in historic buildings along the Clinton Street corridor into rental housing units. The downtown offers the best opportunity to capitalize on rent premiums and pent up demand for modern housing in Defiance.

Similarly, premiums also exist for for-sale housing on the periphery of the downtown. The redevelopment potential of municipal-owned parcels, including surface parking and other underutilized parcels, should be a priority to incentivizing developers to build new housing in the greater downtown area of Defiance.

2. Long-Term

In most markets, the success of upper floor condominiums above retail space typically follows the successful redevelopment and occupancy of upscale rental housing development. The willingness of people to pay upscale rents to live downtown ease their mind regarding resale values when ready to resell. That being said, developers/builders who are interested in apartment development and want to take advantage of a QOZ investment, may consider setting the building up as a condominium so that they have an additional exit strategy after ten years.

Also, the successful renting of upscale units in the downtown at higher rent levels will pave the way for future rentals in other areas of the city currently dominated by low-rent housing.

The 500 Block on the east side of Clinton (505 through 519) includes some of downtown’s largest spaces with an atypical downtown tenant (NAPA). Two of the buildings on this block were home to a bowling alley and the former Strand Theater. The spaces are too large for most of the common downtown tenant types. It is our opinion, that the most likely redevelopment scenario involves demolition of parts or all of the larger buildings. An indoor recreational use could be an interim reuse of one of the buildings. Recreation and entertainment were noted in the survey as desired amenities for the downtown.

II. Introduction

A. Objective

DiSalvo Development Advisors, LLC (DDA) has analyzed the market-supported opportunities for housing in the City of Defiance and the strategies in support of housing and long-term vibrancy of the downtown.

B. Methodology

DDA's conclusions related to the market-supported opportunities for housing in Defiance are based on analyses of the housing market within the Primary Market Area, area demographics and the attractiveness of the surrounding environment.

1. Primary Market Area

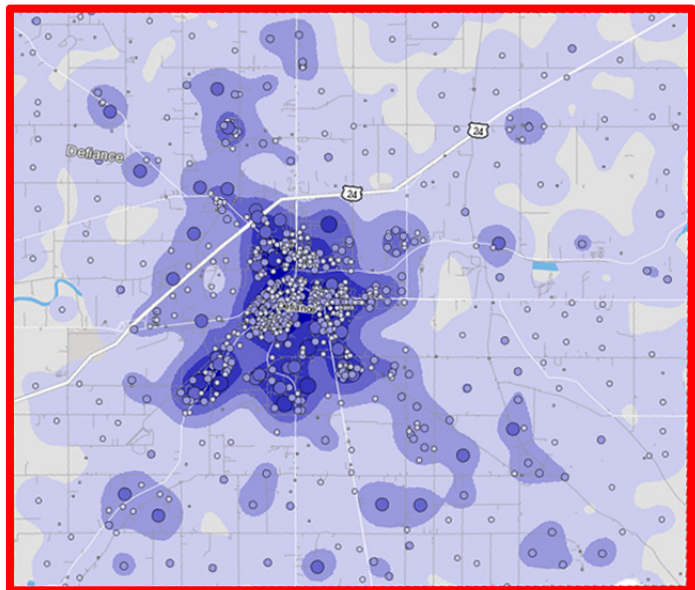
Identification of an appropriate Primary Market Area (PMA) is essential to this analysis as it is used to establish market demand and housing values within the City of Defiance.

A PMA is the smallest geographic area which represents 60% to 70% of anticipated support for housing in the City of Defiance. The PMA includes the City of Defiance, Defiance, Richland and Noble Townships and portions of Highland, Tiffin and Adams Townships.

The PMA was determined based on interviews with area real estate, planning, and housing professionals, analyses of area mobility patterns, and determining factors made by DDA's analysts in the field. The PMA was further validated from data obtained from an online worker and resident survey.

The PMA is a 120-square mile area situated in the southeastern area of Defiance County. While it is not uncommon for a county seat to attract households throughout the entire county, we have excluded the more rural areas of Defiance County. The PMA captures the highest concentration of areas where local workers live (see thematic map on right).

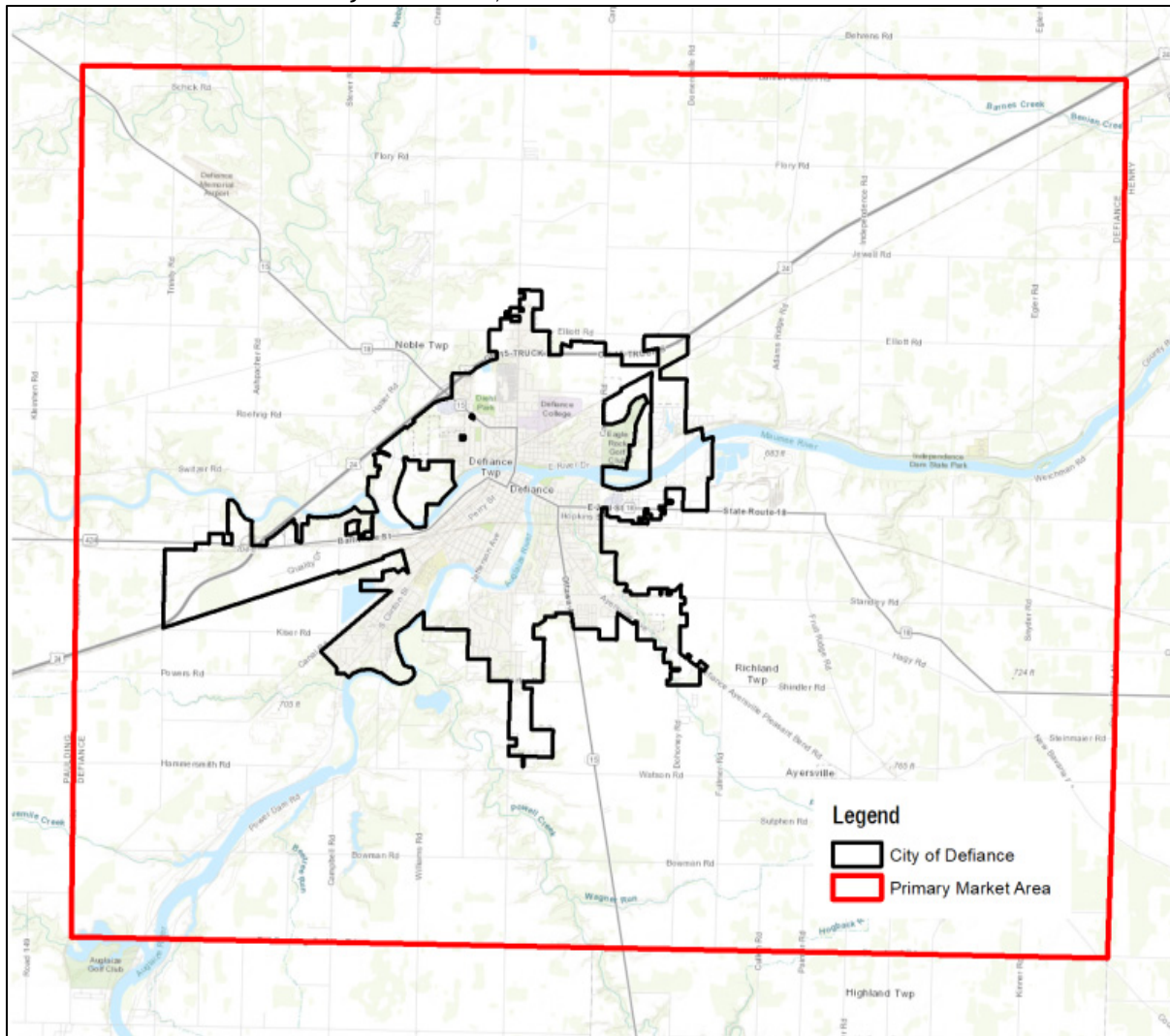
We do not expect substantial support originating from residents in rural environments because a move would be a significant change in lifestyle.



Place of Residence for Local Workers (2015 Longitudinal Data, Census)

A street map with the delineated Primary Market Area and City of Defiance corporate limits follows.

PRIMARY MARKET AREA – City of Defiance, Ohio



2. Downtown Assessment - Commercial Opportunities/Strategies

Downtowns are the heart of small and mid-size cities and often considered the measure of a community's overall charm and marketability. A vibrant downtown positively impacts housing throughout the city and offers an urban mixed-use lifestyle often sought by young professionals, empty nesters and employee transfers from major urban markets. In communities dominated by decade's old housing stock and lower rent levels, downtown areas often represent the best opportunity to deliver modern housing stock including new construction and historic rehab.

The ability of the market to support an appreciable amount of residential space will be predicated not only on building attributes and prevailing market conditions, but also on entertainment, green space, restaurants, coffee shops and night clubs within easy walking distance (1/4 mile). Based on DDA's experience with mixed-use development in downtowns and lifestyle centers, these types of amenities provide a unique lifestyle that is necessary for attracting tenants and achieving higher housing values.

The following steps will be taken to assess non-residential opportunities within the downtown.

- Conduct stakeholder interviews to assess strengths/weakness
- Inventory ground floor businesses in core downtown area
- Provide tenant profile (vacancies and users)
- Compare downtown with other downtown areas

A basic downtown market plan in the form of a bubble diagram will be developed to highlight areas of optimal redevelopment potential considering the following factors:

- Development strategies
- Housing placement
- Adding to existing retail/restaurant clusters
- Leveraging and enhancing areas with strong community assets (i.e. greenspace, popular commercial businesses and parking provisions)
- Other market opportunities

3. Identification of Market Conditions

Conventional apartment properties have been identified and personally inspected and/or contacted by telephone by an analyst of DiSalvo Development Advisors.

Annual for-sale housing sales trend data and Defiance County Auditor data has been analyzed to assess the depth of the for-sale housing market.

4. Demographic and Economic Summary

Household trends have been analyzed, including increases/decreases in households' (projected through 2023), incomes and tenure (owner/renter).

A review of major employers, labor force, unemployment rate and distribution of employees by industry type will be provided.

5. Demand Analysis

The report includes a demand analysis for housing development which considers several key issues.

- Historic absorption/sales rates of rental and for-sale housing within the city
- Internal support – Demand from all households within the City of Defiance
- External support – Demand from employees in Defiance residing outside Defiance and anticipated new hires/transfers from outside the area.
- Optimal absorption – Achievable housing total based on experience of similar sized markets, citywide and downtown specific

The demand analysis is supplemented by results of an online survey of local workers and residents.

III. Housing Market Conditions

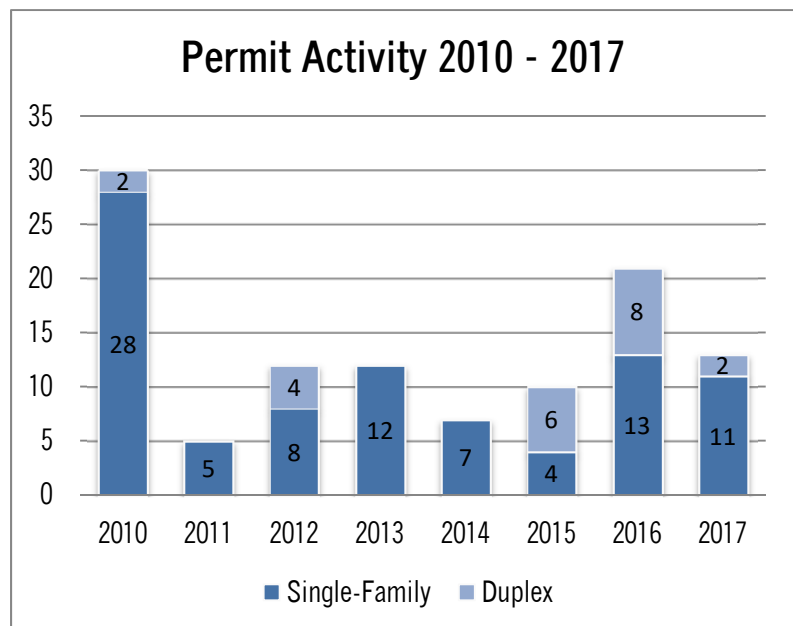
Housing market conditions have been identified through an analysis of permit activity and surveys of rental and for-sale housing. The results of the housing surveys are used to establish the overall strength of the housing market and to identify opportunities and obstacles related to housing development.

1. Housing Permit Activity

The City of Defiance has averaged 11 single-family home permits annually since 2010. An additional four to five single-family homes were permitted annually in the nearby townships of Noble, Defiance and Richland. Single-family permitting activity in Defiance accounts for slightly more than one-third (36.8%) of all single-family homes in Defiance County.

Year of Housing Permit	Single-Family Detached			2-Unit Attached (Duplex)		
	Total Units	Total Value	Average Value	Total Units	Total Value	Average Value
2010	28	\$2,832,297	\$101,153	2	\$300,000	\$150,000
2011	5	\$1,010,000	\$202,000	0	\$0	\$0
2012	8	\$2,169,348	\$271,169	4	\$570,000	\$142,500
2013	12	\$2,306,650	\$192,221	0	\$0	\$0
2014	7	\$1,678,500	\$239,786	0	\$0	\$0
2015	4	\$847,000	\$211,750	6	\$730,000	\$121,667
2016	13	\$2,671,317	\$205,486	8	\$1,050,000	\$131,250
2017	11	\$3,075,000	\$279,545	2	\$293,000	\$146,500
<i>Total</i>	<i>88</i>	<i>\$16,590,112</i>	<i>\$188,524</i>	<i>22</i>	<i>\$2,943,000</i>	<i>\$133,773</i>

The highest number of annual single-family home permits was 28 units in 2010. The peak in single-family production during this period is attributable to development of Defiance Crossing Homes, an affordable rental housing development. Notwithstanding 2010, the highest number of permits was 13, issued in 2016. One of every four homes permitted in the City of Defiance are two-unit attached homes or duplexes. A distribution of home permits by year, value and housing type follows.



Since 2010, nearly three-fourths of the permits issued for duplexes in the county were within the City of Defiance. During this period, permits for one triplex and ten units within buildings of five or more units were issued (none in Defiance).

2. Rental Housing

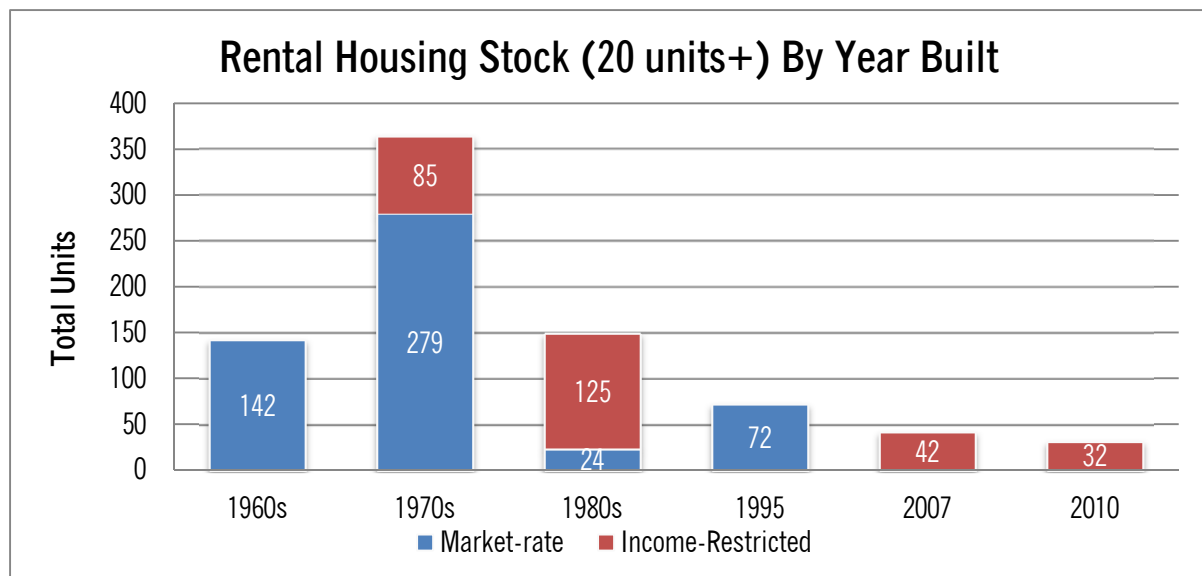
DDA identified and surveyed 17 apartment properties within the Defiance area totaling 801 units. At an overall 99.5% occupancy level, the local apartment market is clearly constrained as demand is exceeding supply. A healthy rental market has an occupancy rate of approximately 95%. The 5% vacancy provides ample mobility for residents in and out of the area to move into alternative housing as their housing needs change. DDA identified only two available market-rate apartments and two affordable senior housing units. Waiting lists were indicated at more than half of the properties surveyed. As the table below shows, overall occupancy rates are high among all ages and types of rental housing in the PMA.

Apartment Property	Year Built	Total Units	Occupancy Rate	Project Type
Defiance Crossing Homes	2010	32	100.0%	LIHTC, Single-family Homes
Villas of Wayne Trail	2007	42	95.2%	LIHTC, Older Adults, Age 55+
Chelsea Village	1995	72	97.2%*	Market-Rate (former LIHTC)
Island Parkway Manor*	1985	45	100.0%	HUD Section 202; Age 62+
Clinton Circle	1981	80	100.0%	HUD Section 8; 30% of income
Kettenring Hills	1980	24	100.0%	Market-Rate
Wooded Acres	1979	60	100.0%	Market-Rate
Defiance Ridge	1978	35	100.0%	LIHTC/RHS Section 515
Castle Court Apartments	1974	50	Not Available	Market-Rate
Arlington Place	1973	64	Not Available	Market-Rate
Carter Apartments	1972	57	100.0%	Market-Rate
Lexington Apartments	1971	28	100.0%	Market-Rate
Carriage House	1970	20	100.0%	Market-Rate
Ralston Square	1970	50	100.0%	HUD Section 8; 30% of income
Rosewood Manor	1969	32	100.0%	Market-Rate
Winthrop Terrace	1969	80	100.0%	Market-Rate
Belden Circle	1965	30	Not Available	Market-Rate
Total		801	99.5%*	

LIHTC — Low-Income Housing Tax Credit; RHS — Rural Housing Services; HUD — Housing and Urban Development

*Of the 14 participating properties

Of the 517 market-rate units, 421 (81.4%) were built in the 1960s and 1970s.



Chelsea Village is the newest apartment property in the PMA built in 1995. The property originally operated as a Low-Income Housing Tax Credit property (LIHTC) and was converted into a market-rate property (no maximum income restrictions) in 2014. Management indicated that they are currently operating from a waiting list. Published rents at the property have increased 5.4% to 7.0% in three months. This is a high rental increase, indicative of demand for modern rental housing in the PMA. A 2.5% to 3.0% is considered a healthy annual rent increase in well-established markets.

Rental housing rates in the PMA are low ranging from \$410 to \$630 among one-bedroom units and \$445 to \$850 among two-bedroom units. We attribute the low rates to the dated rental housing stock with minimal amenities. A distribution of one- and two-bedroom collected rents by property, size and resulting rent per square foot follows.

Apartment Property	One-Bedroom			Two-Bedroom/1 Bath		
	Rent	Size (SF)	RPSF	Rent	Size (SF)	RPSF
Lexington Apartments	\$495	750	\$0.66	\$550	830	\$0.66
Carter Apartments	\$475	740	\$0.64	\$525	950	\$0.55
Rosewood Manor	\$475	525	\$0.90	-	-	-
Carriage House	\$410	675	\$0.61	\$550	950	\$0.58
Wooded Acres	\$360	650	\$0.55	\$445-\$460	925	\$0.48-\$0.50
Winthrop Terrace	\$490-\$500	620-660	\$0.76-\$0.79	\$565-\$575	744-792	\$0.73-\$0.76
Chelsea Village	-	-	-	\$685 - \$740*	789-981*	\$0.75-\$0.87
Kettenring Hills	-	-	-	\$850	1,100	\$0.77
Arlington Place	-	-	-	\$600	760	\$0.79
Villas of Wayne Trail (LIHTC)	\$630	688	\$0.92	\$754	855	\$0.88
Castle Court	Not Available					
Belden Circle	Not Available					
Range	\$410-\$630	525-750	\$0.55-\$0.92	\$445-\$850	744-981*	\$0.48-\$0.88

RPSF – Rent Per Square Foot

*1/5-bath townhome

The highest rent per square foot achieved in the PMA is at an income-restricted senior housing development, Villas of Wayne Trail. The one- and two-bedroom rent per square foot is \$0.92 and \$0.88, respectively. The development includes attached ranch or one floor duplex units with an attached one-car garage (photo on right). The property was built in 2007 and is restricted to persons age 55 and older with incomes at or below 35%, 50% and 60% of area median income. A two-person household is eligible with an annual income of \$30,000 or less (60%). The units include a dishwasher unit which is only available in three market-rate properties in the PMA.



Villas of Wayne Trail, affordable housing for persons age 55+

The highest one-bedroom collected rent among market-rate properties is \$500 at Winthrop Terrace. Unit amenities at Winthrop Terrace include refrigerators, ranges and disposals (no dishwasher, icemaker, and microwave), mini-blinds, wall air conditioning units, ceiling fans and units with either a patio or balcony. The property is the only development that includes a pool and only one of five properties surveyed that include an on-site laundry room.



Winthrop Terrace

Kettenring Hills offers the highest-priced two-bedroom/one bath apartment in the PMA at \$850 per month. The property was built in 1980 and is located in the popular Kettenring area of Defiance and is situated with views of Kettenring Hills Lake, a reservoir to Auglaize River. Unit amenities include a dishwasher, disposal, microwave, balcony or patio and laundry facility.



Kettenring Hills

Notably, Chelsea Village is the only property in the PMA that offers two-bedroom and more than one bathroom. Chelsea Village also is the only market-rate property in the PMA that offers three-bedroom units. The three-bedroom townhomes at Chelsea Village include 1.5 to 2 bathrooms and range in price from \$870 to \$910 per month.

Defiance Crossing Homes, the newest rental community built in Defiance (2010), includes 32 affordable detached single-family homes. The three- and four-bedroom homes range in price from \$625 to \$660 per month, respectively. The homes are available to families with incomes up to 60% of the area median income (e.g. \$37,440 for a four-person household). The homes include 2 to 2.5 baths and range in size from 1,116 to 1,417 total square feet.



Defiance Crossing Homes

Other Rentals

According to area realtors, modest- to larger-size homes with an attached garage typically command rents of \$700 to \$1,200 per month. Smaller homes in the area are generally rented in the \$500s and \$600s. These smaller homes typically do not include more than one bath and do not have an attached garage.

There is a high share of duplex rentals on the east side of the Kettenring Hills Lake along Deerwood Drive. The typical duplex includes three bedrooms and two bathrooms with a one- or two-car attached garage. A realtor indicated that the third bedroom is often used as an office. Rents reportedly are upwards of \$1,000 per month including lawn care and snow removal. One owner of multiple duplexes in the area cited a 14-person waiting list.



Photo of typical duplex in Kettenring area

3. For-Sale Housing

Platted subdivisions represent the majority of the for-sale housing alternatives and locations within the City of Defiance. Scattered farmhouses and manufactured homes typically situated on larger tracts, often adjacent agriculture, are more prevalent outside the city limits in more rural areas of the county.

Area	Single-Family*	Farmhouse	Condominium	Duplex	Manufactured Home	Total
PMA	7,089	417	271	111	120	8,008
City of Defiance	4,890	2	250	98	25	5,265
Defiance County	10,901	1,414	335	124	350	13,124

Source: Defiance County Auditor and DDA

*Reflect homes within platted subdivisions.

With an estimated 4,207 homeowners in the City of Defiance in 2018 (source: ESRI, Incorporated), approximately 1,000 or 20% of the 5,265 typical owner-occupied homes within the City of Defiance are rented or vacant (for-sale, for rent or uninhabitable). Within the PMA, the overall share of potential rentals among these housing types is slightly lower at 15%.

Single-Family Home Sales

According to the Defiance County Auditor, there were 255 single-family home sales within the PMA in the past year (excluding home sales of less than \$50,000). A review of home sales data provided by Re/Max Realty of Defiance indicates that the 255 home sales in 2018 are relatively comparable to sales achieved in prior years.

Nearly half the home sales were among homes priced between \$50,000 and \$100,000. A review of a sample of sales among this lower priced point indicated a high share of investor sales with few homeowners using the home as a primary residence. Additionally, as the table below shows, the majority of homes within the lowest price point include but one bathroom.

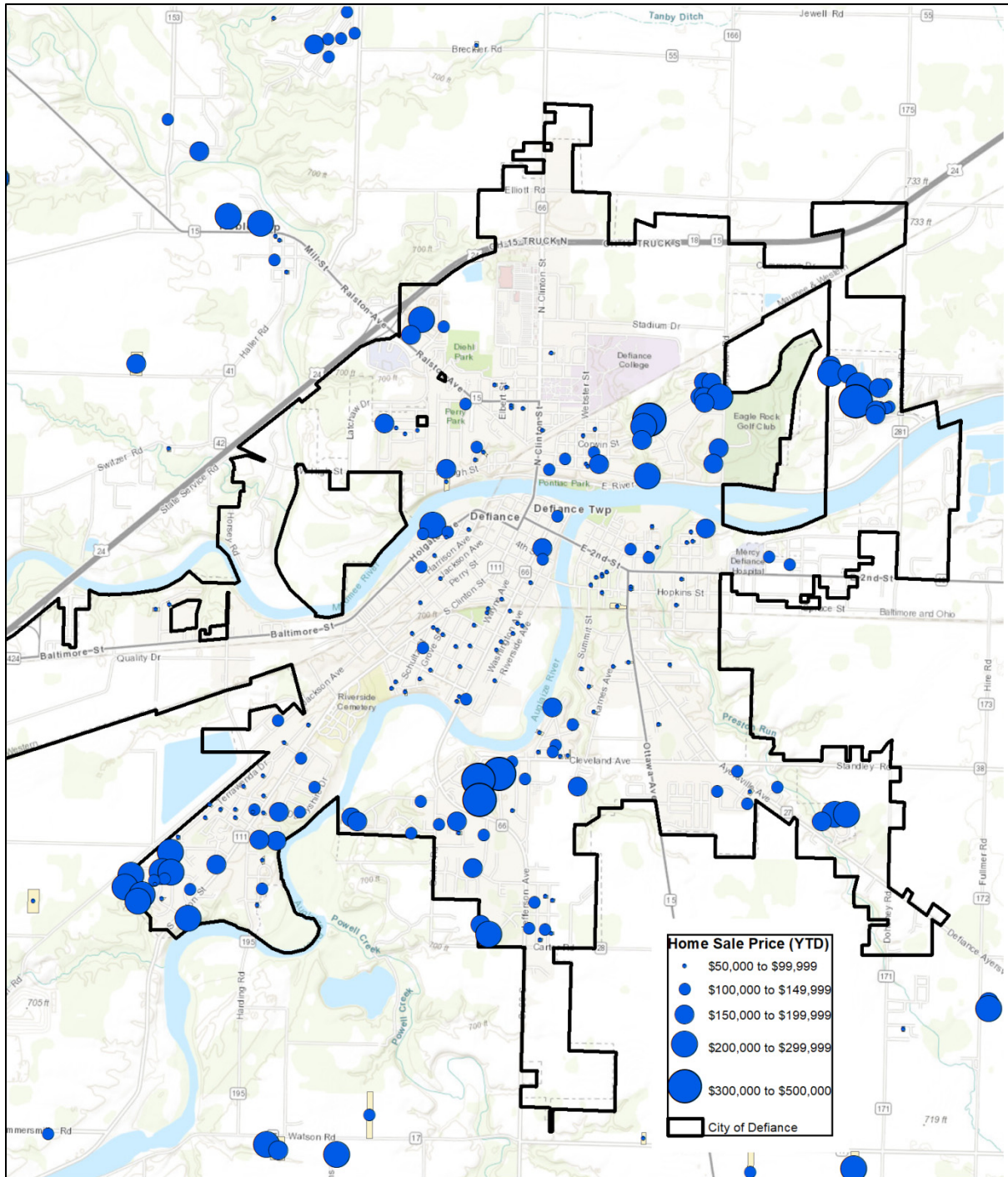
Home Sale Price	Median Year Built	Home Sales by Sale Price and Number of Bedroom/Bathrooms						Total
		1-2Br/1Ba	2Br/2+Ba	3Br/1Ba	3Br/2+Ba	4+Br/1Ba	4+Br/2+Ba	
\$50,000 to \$99,999	1952	19	5	44	36	8	11	123
\$100,000 to \$149,999	1961	2	5	9	32	1	13	62
\$150,000 to \$199,999	1972	1	1	0	27	0	6	35
\$200,000 to \$299,999	1993	0	1	0	12	0	16	29
\$300,000 and Higher	2003	0	0	0	0	0	6	6
Total		22	12	53	107	9	52	255
Share		8.6%	4.7%	20.8%	42.0%	3.5%	20.4%	100.0%

Note: Table does not include farmhouse sales

The median year built by home sales price shows a trend with a decade or more difference in home age for every \$50,000 to \$100,000 increase in home sales price.

A map illustrating where home sales occurred within the PMA by price range within the past year follows.

**Home Sales in 2018
Platted Subdivisions
City of Defiance and Outlying Areas of PMA**



The majority of home sales of \$200,000 and higher are occurring in the Berkshire Village area (southwest), Kettenring (northeast) and the South Jefferson Avenue area (near south) of the City of Defiance.

Condominiums

A total of 15 condominium units were sold within the City of Defiance in 2018. According to Re/Max data, the highest condominium/villa sales total, in the past few years, of \$50,000 or more was 18 in 2015 and again in 2017. A summary of the recent condominium sales by condominium development follows.

Condominium Development	Year Built	Unit Size (SF)	Bedrooms	Baths	Sale Amount
Auglaize Condominiums	1999	1626	3	2	\$194,900
	2000	1626	2	2	\$190,000
Courtyard Condominiums	1986	1416	3	3	\$195,500
	1990	1882	3	2	\$139,900
	1989	2896	4	3	\$175,000
Green Meadows	2005	904	2	1	\$85,000
	2004	904	2	1	\$84,900
	2006	904	2	1	\$82,000
Hunter Glen Condominiums	2006	1314	3	2	\$127,000
Kettenring Hills Condominiums	1978	1198	3	3	\$162,500
Lakota Ridge	1990	1368	2	2	\$130,000
Pontiac Condominiums	1962	1450	2	2	\$87,000
River Crossing	2008	1424	2	2	\$145,000
	2002	1266	2	2	\$135,000
	2003	1266	2	2	\$132,000

Notably, all of the condominium sales are duplex-style with two attached homes, most often one-story buildings with attached garages. In 2018, Green Meadows and Pontiac Condominiums are achieving the lowest resale prices in the market. The highest resales occurred among Auglaize Condominiums in the South Jefferson Avenue area and Courtyard Condominiums in the Kettenring area. The majority of condominiums are within these two popular areas of the city.

A review of condominiums listed on Realtor.com shows a newly constructed duplex in the Kettenring area priced above \$200,000, but it has been listed for more than one year. To date, just one unit has a sale pending. In total, we identified four duplex sales above \$200,000, one in 2014 and 2015 and two in 2017, all at Lakota Hills Condominiums near the Auglaize River and South Jefferson Avenue.



Kettenring area condominium listed for sale
(source: Realtor.com)

IV. Demographics & Economic Analysis

A. Area Demographics

1. Population Trends

A slight population decline of 448 occurred in the PMA between 2000 and 2010. Declines are estimated and projected to continue at nearly the same rate in 2018 and 2023. From 2000 to 2010, the population decline in the City of Defiance was half the rate of decline of the overall PMA (0.9%). The projected population decline in Defiance from 2018 to 2023 is 1.4%, 0.4 percentage point below the rate of the PMA. The population for 2000, 2010, 2018 (estimated) and 2023 (projected) are summarized as follows:

	Year			
	2000 (Census)	2010 (Census)	2018 (Estimated)	2023 (Projected)
Population	25,099	24,651	24,188	23,764
Population Change	-	-448	-463	-424
Percent Change	-	-1.8%	-1.9%	-1.8%

Source: 2000, 2010 Census; ESRI Incorporated

Between 2018 and 2023, the population is projected to decline by 1,940 persons or 0.8%.

2. Household Trends

Households are a better indication of housing demand than population, especially with number of persons per households declining nationally. Household trends within the PMA are summarized as follows:

	Year			
	2000 (Census)	2010 (Census)	2018 (Estimated)	2023 (Projected)
Households	9,814	9,843	9,750	9,612
Household Change	-	+29	-93	-138
Percent Change	-	+0.3%	-0.9%	-1.4%
Household Size	-	2.44	2.41	2.40

Source: 2000, 2010 Census; ESRI Incorporated

Within the PMA, households increased by 29 households between 2000 and 2010. Between 2010 and 2018, the household base experienced a slight decline of 93 households. By 2023 the household base is projected to continue a slight decline to 9,612 households, a change of only 1.4% since 2018.

The average household size within the PMA of 2.41 persons is slightly larger than the households in the City of Defiance (2.35).

Between 2018 and 2023, the greatest growth among household age groups is projected to be among the households between the ages of 65 and older indicating an increasing need for housing for older adults/seniors in the market. A modest decline is projected among households age 25 to 34 and 55 to 64. Households by age are summarized as follows:

Households by Age	2018 (Estimated)		2023 (Projected)		Change 2018-2023	
	Number	Percent	Number	Percent	Number	Percent Points
Under 25	414	4.2%	400	4.2%	-14	-0.1
25 to 34	1,403	14.4%	1,270	13.2%	-133	-1.2
35 to 44	1,522	15.6%	1,555	16.2%	33	0.6
45 to 54	1,545	15.8%	1,458	15.2%	-87	-0.7
55 to 64	1,981	20.3%	1,735	18.1%	-246	-2.3
65 to 74	1,651	16.9%	1,834	19.1%	183	2.1
75 & Over	1,233	12.6%	1,360	14.1%	127	1.5
Total	9,749	100.0%	9,612	100.0%	-137	-

Source: ESRI, Incorporated

From 2010 to 2018, there was a four-percentage point tenure shift with an estimated increase of 365 renter households and decline of 458 homeowners. By 2023, household tenure shares are projected to remain relatively the same as 2018. There remains an above average share of renters relative to the county (26.4%) and region. Households by tenure are distributed as follows:

Tenure	2010 Census		2018 (Estimated)		2023 (Projected)	
	Number	Percent	Number	Percent	Number	Percent
Owner-Occupied	7,253	73.7%	6,795	69.7%	6,720	69.9%
Renter-Occupied	2,590	26.3%	2,955	30.3%	2,892	30.1%
Total	9,843	100.0%	9,750	100.0%	9,612	100.0%

Source: ESRI, Incorporated

3. Household Income Trends

The distribution of households by income within the PMA is summarized as follows:

Household Income	2018 (Estimated)		2023 (Projected)	
	Households	Percent	Households	Percent
Less Than \$15,000	1,160	11.9%	907	9.4%
\$15,000 to \$24,999	993	10.2%	778	8.1%
\$25,000 to \$34,999	881	9.0%	749	7.8%
\$35,000 to \$49,999	1,443	14.8%	1,355	14.1%
\$50,000 to \$74,999	2,238	23.0%	2,207	23.0%
\$75,000 to \$99,999	1,300	13.3%	1,408	14.6%
\$100,000 to \$149,999	1,095	11.2%	1,404	14.6%
\$150,000 to \$199,999	353	3.6%	460	4.8%
\$200,000 & Over	285	2.9%	346	3.6%
Total	9,750	100.0%	9,613	100.0%
Median Income	\$52,957		\$58,884	

Source: Esri, Incorporated

From 2018 to 2023, ESRI, Incorporated projects an income shift with 600 or 20% less households earning less than \$35,000 a year. During this same period, households earning \$75,000 or more are projected to increase by 585. In 2018, the median household income was \$52,957. By 2023, the median household income is projected to increase 11.2% to

\$58,884. The 2018 median household income in Defiance is \$49,852, slightly lower than the PMA.

The following table shows the estimated number of owner households within the PMA by size and income for 2018.

Owner Households	1-PHH	2-PHH	3-PHH	4-PHH	5+PHH	Total, All Ages	Age 65+
Less than \$15,000	296	84	23	48	6	457	261
\$15,000 - \$24,999	245	102	17	30	8	402	339
\$25,000 - \$34,999	237	169	27	51	18	503	337
\$35,000 - \$49,999	294	469	65	94	38	960	449
\$50,000 - \$74,999	253	859	269	162	113	1,655	502
\$75,000 - \$99,999	79	507	219	176	151	1,132	244
\$100,000 - \$149,999	50	389	261	175	186	1,061	190
\$150,000 or more	13	228	182	122	79	623	129
Total	1,465	2,807	1,064	857	600	6,793	2,450
Share	21.6%	41.3%	15.7%	12.6%	8.8%	100.0%	36.1%

Note: The data is derived from HUD's Economic and Market Analysis Division, 2016 ACS county data and has been adjusted accordingly by DDA to reflect 2018 household estimates for the PMA.

The owner and renter households of one- to two-persons represent nearly two-thirds of the households in the PMA. However, approximately 40% of homeowners are two-person while nearly the same share among renters is one-person households. There are 2.5 times more homeowners age 65 and older than renters within the same age group.

The following table shows the estimated number of renter households within the PMA by size and income for 2018.

Renter Households	1-PHH	2-PHH	3-PHH	4-PHH	5+PHH	Total, All Ages	Age 65+
Less than \$15,000	461	112	67	51	13	703	146
\$15,000 - \$24,999	305	135	84	39	28	591	155
\$25,000 - \$34,999	162	75	60	34	47	378	39
\$35,000 - \$49,999	109	153	84	39	99	483	45
\$50,000 - \$74,999	53	264	111	125	30	583	32
\$75,000 - \$99,999	24	41	33	24	47	168	9
\$100,000 - \$149,999	0	14	20	0	0	34	0
\$150,000 or more	15	0	0	0	0	15	7
Total	1,127	793	458	312	264	2,955	434
	38.1%	26.8%	15.5%	10.6%	8.9%	100.0%	14.7%

Note: The data is derived from HUD's Economic and Market Analysis Division, 2016 ACS county data and has been adjusted accordingly by DDA to reflect 2018 household estimates for the PMA.

B. Employment

According to the 2015 Longitudinal Census data, more than 7,000 employees commute within and out of the PMA.

The 7,421 employees that live outside the area and commute into the PMA for work represent a potential source of support for the subject property. Another 5,859 people live inside the PMA and commute to work outside the PMA. In 2015, 4,456 or 37.5% of the 11,877 employees in the PMA also lived in the PMA.



1. Labor Force Profile

One-third of the labor force in the PMA is within the Manufacturing industry. Health Care & Social Assistance (13.7%), Retail Trade (13.1%) and Accommodation & Food Services (7.3%) constitute another third of the employment base. Employment in the PMA, as of 2018, was distributed as follows:

NAICS Group	Establishments	Employees	Percent
Manufacturing	40	5,838	33.9%
Health Care & Social Assistance	103	2,365	13.7%
Retail Trade	156	2,256	13.1%
Accommodation & Food Services	79	1,256	7.3%
Public Administration	86	859	5.0%
Other Services (except Public Admin)	153	831	4.8%
Finance & Insurance	58	598	3.5%
Construction	68	540	3.1%
Educational Services	18	446	2.6%
Professional, Scientific & Tech Services	67	389	2.3%
Transportation & Warehousing	19	366	2.1%
Wholesale Trade	30	340	2.0%
Information	30	331	1.9%
Real Estate, Rental & Leasing	58	250	1.5%
Management of Companies & Enterprises	3	220	1.3%
Arts, Entertainment & Recreation	16	115	0.7%
Admin & Support, Waste Mgt & Remediation	23	99	0.6%
Unclassified Establishments	35	105	0.6%
Agriculture, Forestry, Fishing & Hunting	6	9	0.1%
Utilities	4	21	0.1%
Total	1,053	17,233	100.0%

Sources: ESRI Incorporated and Infogroup

2. Major Employers

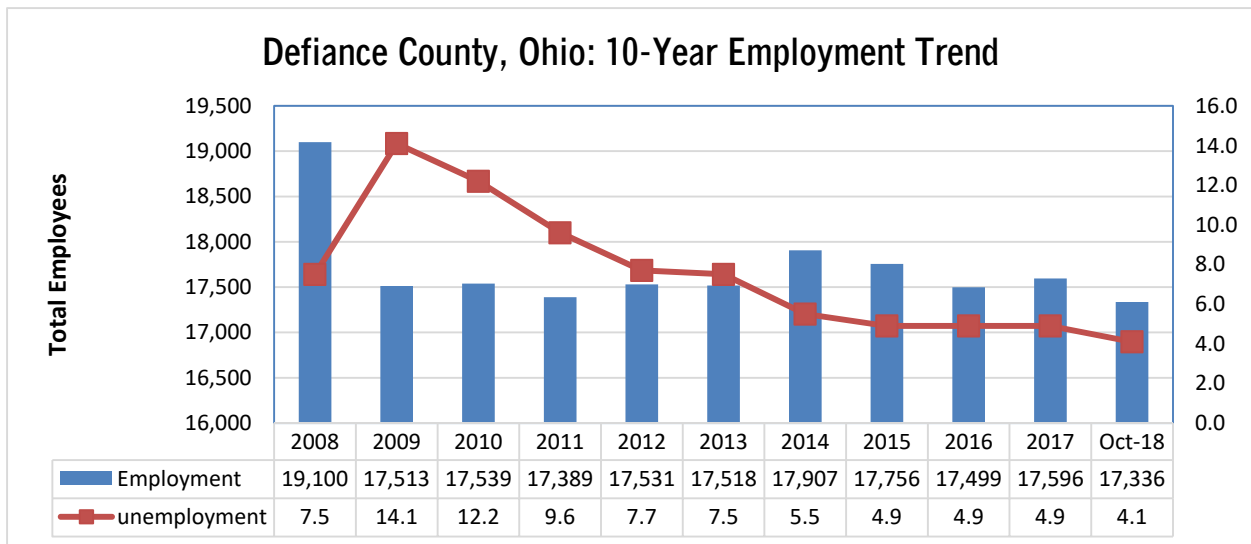
The 15 largest employers within the Primary Market Area employ approximately 4,500. The area's three largest employers are in the manufacturing industry. A list of employers of 125 or more employees is summarized as follows:

Business Name	Major Industry	Number of Employees
Gm Powertrain	Manufacturing	651
Defiance Metal Products		640
Johns Manville		635
ProMedica Defiance Oncology	Health Care and Social Assistance	350
ProMedica Defiance Regional Hospital		340
Mercy Health - Defiance Hospital		325
Laurels of Defiance		140
Northwestern OH Community Action Commission, Inc.		140
Meijer	Retail Trade	200
Lowe's Home Improvement		150
Menards		130
Kroger Pharmacy		120
First Federal Bank	Finance	177
First Defiance Financial Corp	Management of Companies	177
Thomas E Keller Trucking Inc	Transportation and Warehousing	160

Sources: ESRI Incorporated, Infogroup and Defiance County Economic Development

3. Employment Trends

The following charts were generated from the U.S. Department of Labor's, Bureau of Labor Statistics. It reflects employment and unemployment trends for Defiance County, Ohio. Unemployment rates are at a ten-year low in Defiance County. The total of resident employees in Defiance County has remained relatively stable since 2009.



Note: October 2018 employment data is preliminary, subject to change.

V. Downtown Assessment

The housing market potential in Downtown Defiance is predicated on the variety and quality of commercial businesses within the downtown. The commercial environment is an important factor in providing a unique lifestyle to attract persons to live downtown. The type and number of households that would consider living downtown increases when there is a more developed and vibrant commercial environment.

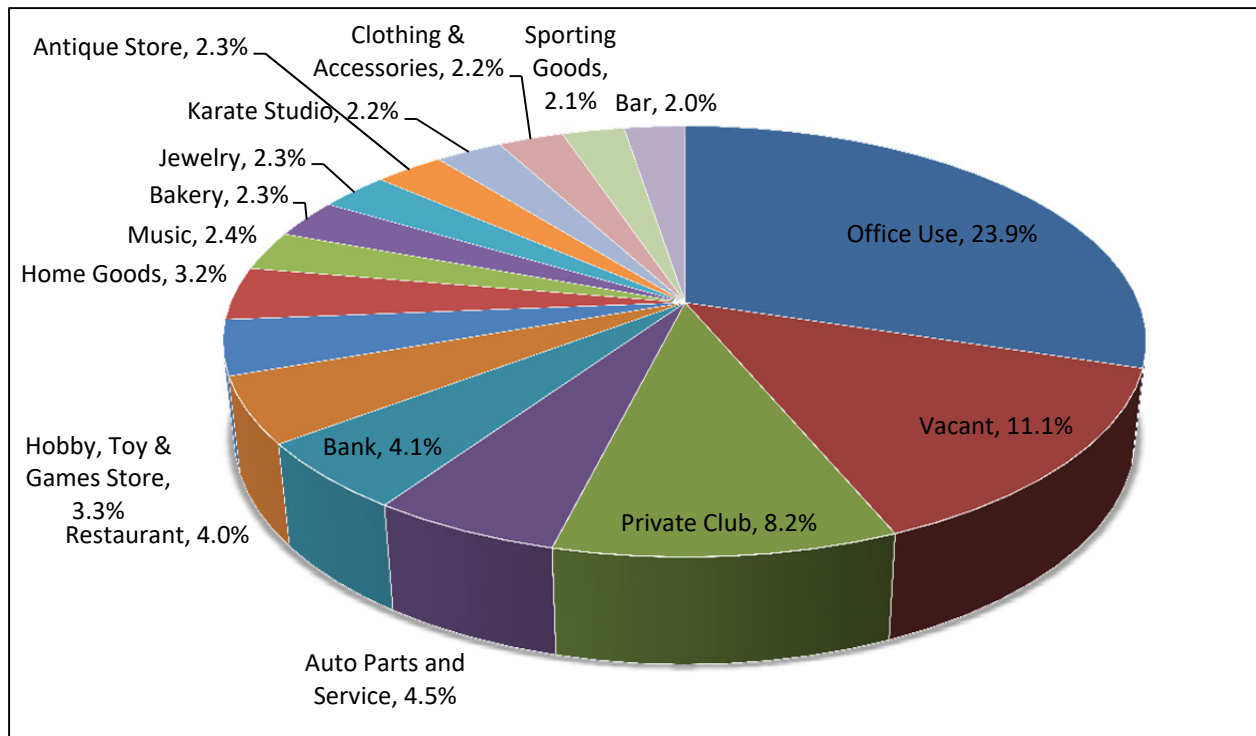
To assess the downtown's commercial environment, DDA inventoried building uses within the core area of the downtown. The inventory included properties with frontage along South Clinton Street generally extending from the Maumee River to Fifth Street and properties within a block of Clinton Street along Second Street.

Downtown Defiance encompasses a much larger area. However, we have focused on the smaller more walkable core area for assessing the commercial environment. These types of uses typically require higher traffic volume and visibility associated with Clinton Street's more conventional retail space.

1. Downtown Inventory

There is approximately 200,000 square feet of ground floor space in the core area of Downtown Defiance. Of this space, nearly one-fourth (24%) is used by office tenants. The next largest space user is private clubs (Masonic Temple and VFW) at 8.2%, followed by auto parts and service (NAPA). Vacant space accounts for 11.1% of all ground floor space. Notably, much of the vacant space is not actively marketed as available, yet other spaces have no tenants at all and are used as transitional storage space. A distribution of ground floor space in the core area of Downtown Defiance by uses of 4,000 or more (2% share) square feet follows.

Downtown Core Uses by Share of Ground Floor Space



There are at least 33 different uses throughout the core downtown area, not including vacant space. A more detailed inventory of ground floor uses by estimated total square footage and share follows.

**Ground Floor Uses by Estimated Square Footage
Core Area of Downtown Defiance
4th Quarter 2018**

Business Type	Estimated Square Feet	Share of Ground Floor Space
Office Use	48,080	23.9%
Vacant	22,398	11.1%
Private Club	16,385	8.2%
Auto Parts and Service	9,069	4.5%
Bank	8,300	4.1%
Restaurant	7,992	4.0%
Hobby, Toy & Games Store	6,613	3.3%
Home Goods	6,420	3.2%
Music	4,797	2.4%
Bakery	4,716	2.3%
Jewelry	4,644	2.3%
Antique Store	4,640	2.3%
Karate Studio	4,478	2.2%
Clothing & Accessories	4,400	2.2%
Sporting Goods	4,182	2.1%
Bar	4,096	2.0%
Hair Salon	3,828	1.9%
Computer Repair	3,520	1.8%
Day spa	3,124	1.6%
Home furnishings	3,080	1.5%
Coffee	3,000	1.5%
Art Gallery	2,948	1.5%
Crafts Store	2,904	1.4%
Fitness	2,332	1.2%
Beauty Supplies	2,244	1.1%
Baby Goods	1,958	1.0%
Church	1,760	0.9%
Nail Salon	1,760	0.9%
Art Studio (instructional)	1,450	0.7%
Commercial Screen Printing	1,364	0.7%
Medical Supplies	1,232	0.6%
Photography Studio	1,150	0.6%
Vacuum Repair	1,056	0.5%
Wholesale	1,056	0.5%
Total	200,976	100.0%

Source: Defiance County Auditor and DDA estimates

The downtown tenant mix was also compared with similar sized downtowns to assess its mix of uses.

2. Downtown Commercial Environment Comparisons

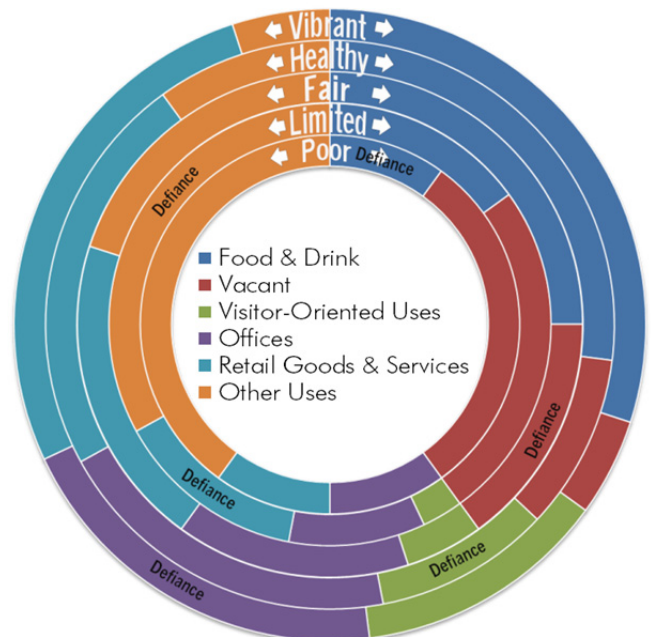
DDA inventoried other small- to medium-sized downtowns in Ohio to identify the typical mix of uses associated with downtowns in different stages of maturation. Based on this comparative assessment, Downtown Defiance has a low share of food and drink establishments and retail goods. A relatively healthy mix of visitor-oriented uses, such as Ruby Rose Market, Anna Marie's Creations and Fort Defiance Antiques, exists in the core downtown area. There are high shares of office users in ground floor spaces. Office workers bolster consumer spending in the downtown, however, such a high share of ground-floor office spaces limits opportunities for restaurants and/or retail establishments. A comparison of the Downtown Defiance mix of uses with the average share in a variety of commercial environments follows.



Quality Of Environment	Average Share of Uses In Core Downtown Ground Floor Space By Quality of Environment					
	Food & Drink	Vacant	Visitor-Oriented	Offices	Retail Goods/Services	Other Uses
Poor	10%	30%	0%	10%	10%	40%
Limited	15%	25%	3%	10%	14%	33%
Fair	25%	15%	5%	15%	20%	20%
Healthy	27%	10%	10%	20%	23%	10%
Vibrant	30%	5%	13%	20%	27%	5%
Defiance	10%	11%	11%	24%	15%	29%

Our assessment of the mix of uses in Downtown Defiance is illustrated in the concentric ring illustration (see image on right). Overall, it is DDA's opinion that the downtown area rates at a limited-to-fair commercial environment. The introduction of additional food and beverage establishments will immediately improve the downtown and attract more visitors, patrons and residents.

Notably, however, a high share of respondents to the online survey indicated that they would live in downtown if housing met their preferences. This fact is a clear indication that the commercial environment is adequate enough to attract prospective residents.



The assessment that there is a low share of restaurants in the downtown is validated by residents and local workers who indicated in the on-line survey that restaurants were the top business desired for the downtown. The addition of boutique retail shops and more modern bars were the second and third top responses to the online survey.

While the quantity of commercial offers is important, a variety in quality is equally important. For example, the downtown has several well-established fast casual moderately-priced restaurants, but no higher priced options.

A list of common businesses found in other well-developed downtowns follows. The uses highlighted are not located in the core downtown area.

Common Downtown Businesses	
Antique	Full-service restaurant
Apparel & accessories (excluding women's boutique)	Furniture
Art galleries	Game store
Arts and crafts	Hardware
Bakery	Health club/yoga studio/fitness center/training facility
Dog bakery	Hobby/collectibles/toy
Barber	Home accessories
Beauty salon	Ice cream/yogurt
Beauty supplies	Jeweler
Bicycle	Limited-service restaurant
Book/comics	Musical instruments
Bridal shop	Nails salon
Candy	Painting studio
Candle shop	Pet goods store
Cards and gifts	Pet grooming
Cellular/wireless	Photo studio
Cigar	Record Stores - CDs/Vinyl albums
Coffee/tea	Shoe repair
Day spa	Shoes
Delicatessen/Sandwich shop	Specialty sporting goods
Doughnut/muffin/cupcake	Tailor
Drug store	Tattoo
Dry cleaner	Tavern/brew pub/arcade bar
Electronic/computer repair	Variety store
Eye care/eyewear	Vintage shops
Family recreation	Wine shop
Florist/flowers/plants	Women's boutique (including consignment)

Notably, hardware and drug stores in downtowns are those that have typically been in the market for decades.

VI. Online Housing Survey

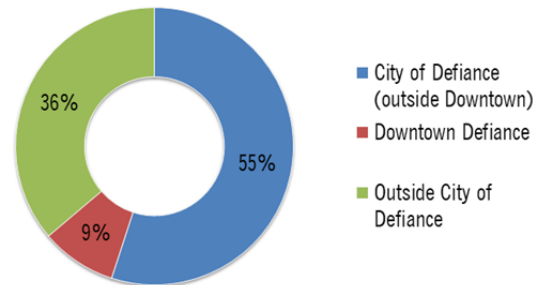
An online housing survey was responded to by 778 persons in October and November 2018. Of the 778 respondents, 673 indicated that they or a family member work in Defiance and 98 do not work in Defiance (7 skipped question). A summary of the respondent's profile and answers to housing questions follows.

1. Respondent Profile

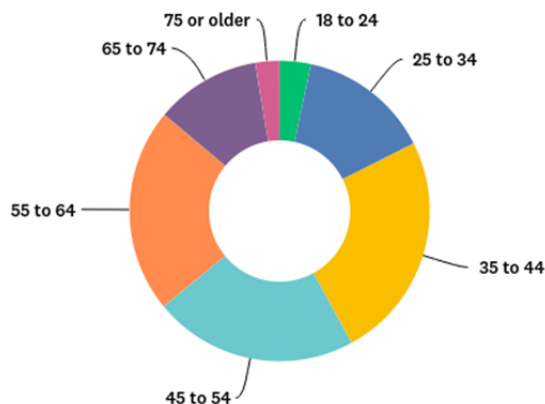
- 471 respondents live in the City of Defiance.
- 65 live within the downtown area
- 267 live outside Defiance (32 in Ayersville; 11 Continental; 10 Brunersburg; all other locations received less than 10 responses)

The response rate reflects a higher share of homeowners, higher-income households and larger-sized households than the City of Defiance resident population. Nonetheless, all demographic groups were represented.

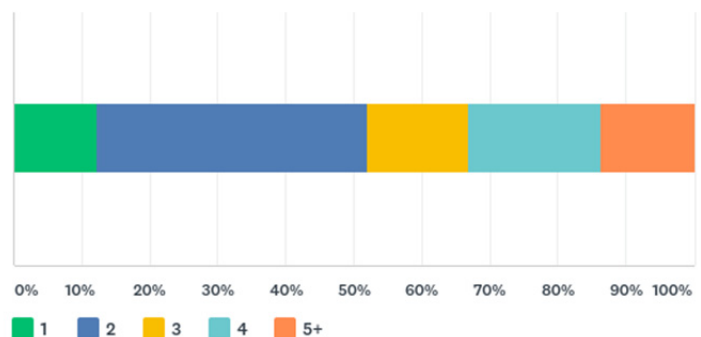
Place of Residence



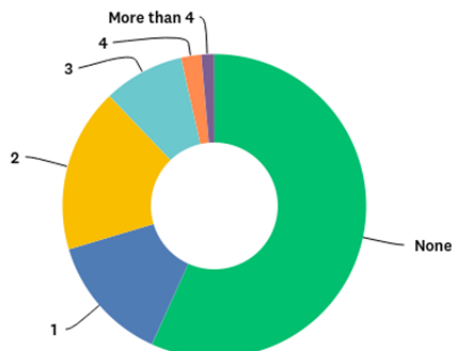
Age of Respondent



Number of Persons in Household



Number of Children (under 18)

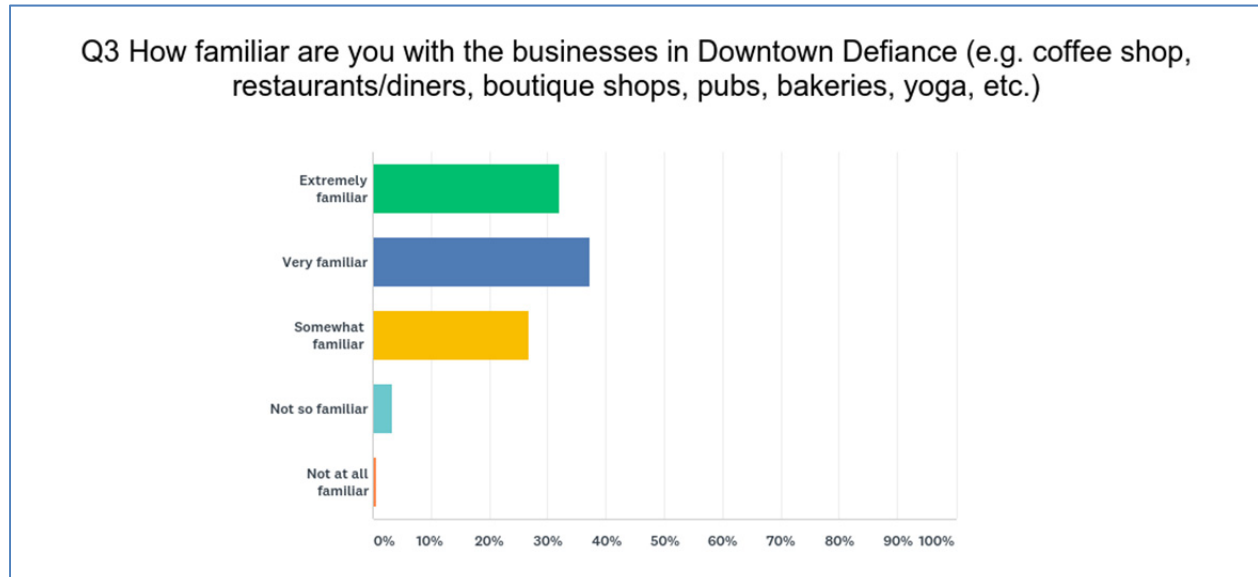


Gross Annual Household Income



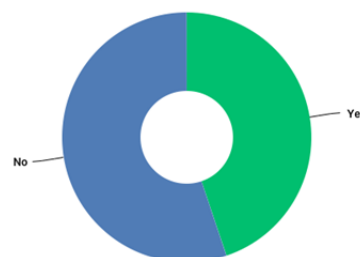
2. Downtown Living

More than three-fourths (69.3%) of the respondents are extremely or very familiar with the businesses in Downtown Defiance.



When asked, “Would you consider living in downtown if the housing met all or most of your preferences?” 305 or 45% of respondents indicated “Yes.” The 45% share of respondents who would live downtown is higher than typical. In other markets surveyed the share was approximately 30%.

Q4 Would you consider living in Downtown Defiance if the housing met all or most of your preferences?



Respondents who would consider living in Downtown Defiance:

- 25.9% somewhat or not familiar with businesses in downtown
- All age groups
- 101 with school-age children
- 200 Live in Defiance (outside downtown)
- 99 Live outside Defiance

Respondents who would not consider living in Downtown Defiance:

- 34.4% somewhat or not familiar with businesses in downtown
- High share of those age 35 to 64
- 158 with school-age children
- 203 Live in Defiance (outside downtown)
- 165 Live outside Defiance

A total of 48 respondents would reconsider living downtown if there were more complementary businesses. *Top responses:* restaurants (some noted upscale) and brewery/bar; improved parking and pet friendly environment.

Downtown Rental Housing

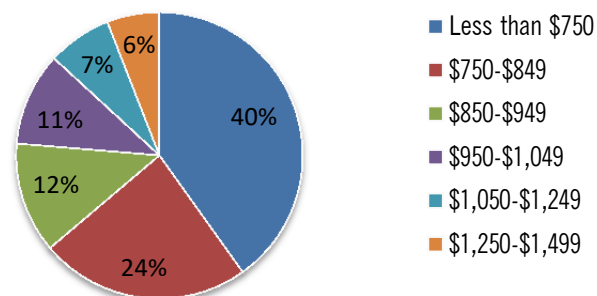
Two- and three-bedroom flats received the highest response for preferred unit types in the downtown. Notably, the share of one-person households' responses to the survey was low and attributes, in part, the low response rate for one-bedroom units.

Total Bedrooms - Unit Type	Desired Minimum Number of Bedrooms and Preferred Rental Rate							Total
	Less than \$750	\$750- \$849	\$850- \$949	\$950- \$1,049	\$1,050- \$1,249	\$1,250- \$1,499	No Answer	
One - Flat	5	1					0	6
One - TH	3	1	1	1			2	8
Two - Flat	55	17	5	9	3		42	131
Two - TH	13	9	4	3	2	5	17	53
Three - Flat	20	9	5	1	4	1	74	114
Three - TH	13	8	6	4	2	3	47	83
Total	109	45	21	18	11	9	182	395

TH- Townhouse

Slightly more than half the respondents (51.2%) indicated that they would want to pay a monthly rental rate less than \$750, consistent with the prevailing rates in the marketplace. One third of these respondents earn less than \$35,000 a year. Conversely, nearly half the remaining respondents would pay rents above those typically found in Defiance.

Rent Willing to Pay for Modern Housing Households With Incomes \$35,000+



Preferred Rental Rate by Household Income

Household Income	Less than \$750	\$750- \$849	\$850- \$949	\$950- \$1,049	\$1,050- \$1,249	\$1,250- \$1,499	Total
Less than \$35,000	38	3		1			42
\$35,000-\$49,999	26	9	4	2		1	42
\$50,000-\$74,999	20	13	4	4	1	1	43
\$75,000-\$99,999	10	5	6	2	5	3	31
\$100,000 and Higher	5	9	5	8	5	4	36
	99	39	19	17	11	9	194

Downtown For-Sale Housing

An equal number of respondents indicated that they would consider purchasing housing in the downtown. One third of these respondents would pay between \$150,000 and \$200,000 for housing in the downtown. Another 54 respondents would consider paying in excess of \$200,000.

Total Bedrooms - Unit Type	Less than \$150,000	\$150,000- \$199,999	\$200,000- \$249,999	\$250,000- \$299,999	\$300,000 and Higher	No Answer	Total
One - Flat	3					3	6
One - TH	2	3	1			2	8
Two - Flat	68	33	8	3	1	17	130
Two - TH	15	20	7			9	51
Three - Flat	48	42	10	5	2	7	114
Three - TH	23	35	12	2	3	7	82
Total	159	133	38	10	6	45	391

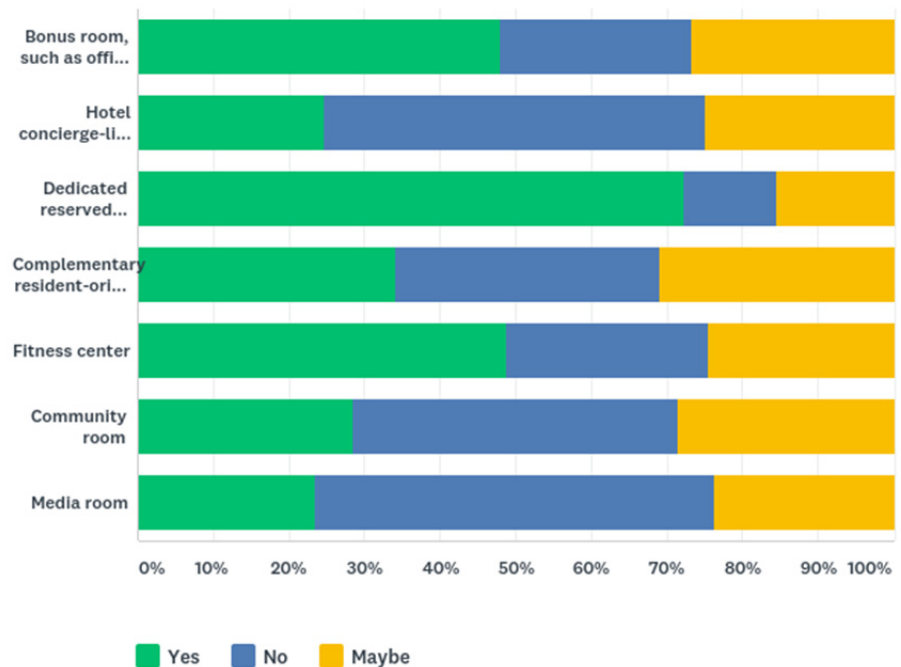
TH- Townhouse

Those respondents with lower household incomes who indicated higher sale prices are typically persons age 65 and older with the wealth or equity in their existing homes and are able to afford the higher price.

Preferred For-Sale Price by Household Income

Household Income	Less than \$150,000	\$150,000- \$199,999	\$200,000- \$249,999	\$250,000- \$299,999	\$300,000 and Higher	Total
Less than \$35,000	34	4	1			39
\$35,000-\$49,999	38	9	1			48
\$50,000-\$74,999	40	23	6			69
\$75,000-\$99,999	22	29	8	3		62
\$100,000 and Higher	12	56	18	5	5	96
	146	121	34	8	5	314

Would you consider paying more for housing in the downtown (rental or for-sale) for additional amenities (see responses in chart on right)?



3. Areas Outside Downtown

Respondents were asked where, of the below areas outside Downtown Defiance, they would consider living if housing met their preferences. An “other area” option was also provided.



Respondents who indicated that they would purchase a home selected the East River Drive area followed by South Jefferson Avenue. The East 2nd Street area accounted for the lowest response among homeowners. Renters indicated that the North Clinton Street area was the primary choice with the remaining areas receiving relatively comparable response rates.

Area	Rent	Own	No Answer	Total
North Clinton St - near Defiance College and Northtowne Mall	63	133	3	199
South Clinton St - near Berkshire residential development	37	134	2	173
Jefferson Avenue - area near roundabout, new schools	48	187	0	235
East 2 nd Street - near Mercy Defiance Hospital and GM facility	30	63	2	95
East River Drive - near Kettering Hills	41	253	5	299
Other Areas – rural/country (23); Ayersville (9)	16	92	7	115

Note: area counts represent multiple choices by respondents

Rental Housing (outside Downtown area)

Two-bedroom apartments received the highest response for preferred unit types outside the downtown area. A two-bedroom with only one bath was enough for most renters willing to pay less than \$750 per month. The majority of the remaining respondents wanted two bathrooms. As noted earlier, the share of one-person households responded to the survey was low and attributes, in part, the low response rate for one-bedroom units.

Unit Type	Desired Minimum Number of Bedrooms and Preferred Rental Rate							Total
	Less than \$750	\$750-\$799	\$800-\$849	\$850-\$900	\$900-\$949	\$950-\$999	\$1,000 or Higher	
One-Bedroom	8	4						12
Two-Bedroom	47	14	9	4	2	2	2	80
Three-Bedroom	23	1	2		2		1	29
Four-Bedroom	5	1	2		1			9
Total	83	20	13	4	5	2	3	130

Nearly two-thirds of the respondents (63.8%) indicated that they would want to pay a monthly rental rate less than \$750, 12.6 percentage points higher than housing in the downtown. Slightly less than one third of these respondents earn less than \$35,000 a year.

Preferred Rental Rate by Household Income

Household Income	Less than \$750	\$750-\$799	\$800-\$849	\$850-\$900	\$900-\$949	\$950-\$999	\$1,000 or Higher	Total
Less than \$35,000	35	4			1			40
\$35,000-\$49,999	24	7	3	1	1			36
\$50,000-\$74,999	16	8	4	2	1			31
\$75,000-\$99,999	4	1	4	1	1	1		12
\$100,000 and Higher	2		1		1	1	3	8
Total	81	20	12	4	5	2	3	127

Only 11.0% of renters would pay more than \$850 in monthly rent for housing that met their preferences. Within the downtown area the share willing to pay higher rents than \$850 was 28.9%. This difference in values validates what premiums people will pay to live downtown.

When asked “Other than a fully-furnished kitchen, what amenities would you expect from a new and modern rental?” nearly three-fourths of the respondents were not sure. The remaining respondents indicated amenities and quality that is standard in new rental housing, such as closet space, air conditioning, washer/dryer and/or laundry room.

For-Sale Housing (Outside Downtown)

Eight out of ten respondents indicated that they would consider purchasing housing in an area of the city outside downtown. The largest share of respondents (41.2%) would pay between \$150,000 and \$200,000 for housing. Another 136 respondents would consider paying in excess of \$200,000.

Unit Type	Less than \$150,000	\$150,000-\$199,999	\$200,000-\$299,999	\$300,000 and Higher	Total
One-Bedroom	8	-	-	-	8
Two-Bedroom	55	62	27	1	145
Three-Bedroom	96	126	67	12	301
Four-Bedroom	16	30	23	6	75
Total	175	218	117	19	529

Similar to those interested in for-sale housing in downtown, the respondents with lower household incomes indicating higher sale prices are typically those persons age 65 and older using equity in their existing homes to afford the higher price.

Preferred For-Sale Price by Household Income

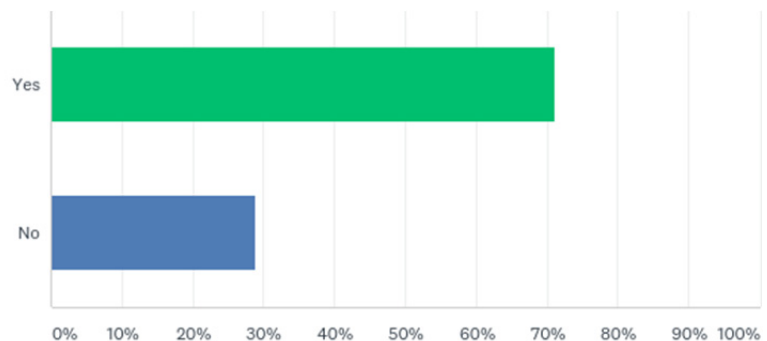
Household Income	Less than \$150,000	\$150,000-\$199,999	\$200,000-\$299,999	\$300,000 and Higher	Total
Less than \$35,000	23	6	2	-	31
\$35,000-\$49,999	39	11	2	-	52
\$50,000-\$74,999	52	44	10	-	106
\$75,000-\$99,999	29	76	20	1	126
\$100,000 and Higher	21	72	77	15	185
	164	209	111	16	500

A total of 387 respondents indicated that they would consider paying an additional monthly fee for maintenance-free living which includes services such as mowing, landscaping, shoveling and exterior building maintenance.

Seven out of ten respondents indicated that they would consider moving into new modern housing in the City of Defiance if it were available under the conditions that they indicated in the survey.

One-fourth of those who indicated that they would not consider moving into new housing in the city said they would reconsider if they received a tax abatement of ten or more years on new construction or home improvements.

Q25: Would you consider moving into new modern housing in the City of Defiance if it were available under the conditions you indicated?



VII. Demand Analysis

The results of our online housing survey show demand for a variety of new modern housing types throughout the city. The survey, however, is not a statistically valid representation of the resident population or local workforce nor any indication that a person would “consider” moving into new modern housing into the city and does not necessarily equate to market support for a new housing unit.

To more accurately assess the number of market-supported housing units in the City of Defiance, a more detailed analysis of the target market and applicable capture rates follows.

1. Rental Units

The market is constrained by lack of product and price points. With an occupancy rate of 99.5% and the existence of waiting lists, it's clear an increase in rental product is needed to provide more rental alternatives for locals and out-of-town households looking to move into the city. To provide balance to the market, we have calculated demand based on three factors:

- 4.5% vacancy factor to bring market to 95.0% occupancy
- 30.0% to 50.0% of market support to originate from persons currently living outside the area, the higher external support factor represents external demand for downtown living

A total of 191 to 268 market-supported rental housing units are projected for the City of Defiance. The results of the online survey showed interest from 130 persons renting a new modern rental outside the downtown and 200 in the downtown area (totals include overlap by respondents who indicated they would consider both the downtown area and areas outside the downtown).

Household Income	Market-Supported Rental Units – City of Defiance		
	Vacancy Factor (4.5%)	External Support (30% - 50%)	Total
Less than \$25,000	58	25 - 58	83 - 116
\$25,000 - \$34,999	17	7 - 17	24 - 34
\$35,000 - \$49,999	22	9 - 22	31 - 44
\$50,000 - \$74,999	26	11 - 26	37 - 52
\$75,000 - \$99,999	8	3 - 8	11 - 16
\$100,000 - \$149,999	2	1 - 2	3 - 4
\$150,000 or more	1	1	2
Total	134	57 - 134	191 - 268

According to the US Department of Housing and Urban Development (HUD), housing costs are considered affordable to households who are not paying more than 30% of their income towards gross rent. In Defiance, however, the reality is higher incomes typically have lower income-to-gross rent ratios. In fact, several renter households with incomes in excess of \$100,000 indicated that they would be willing to pay a rent below \$750 per month for new modern housing that met their preferences, a 10% income-to-gross rent ratio.

Affordable gross and collected rents (net electricity and heating) are summarized in the following table by household income, income-to-gross-rent ratio and affordable rents.

Household Income	Income-to-Gross Rent Ratio	Affordable Gross Rent	Affordable Net Monthly Rent By Bedroom Size		
			One-Bedroom	Two-Bedroom	Three-Bedroom
Less than \$24,999	30%	Less than \$625	Less than \$553	Less than \$536	Less than \$519
\$25,000 - \$34,999	30%	\$625 - \$874	\$553 - \$802	\$536 - \$785	\$519 - \$768
\$35,000 - \$49,999	25% - 30%	\$875 - \$1,041	\$803 - \$969	\$786 - \$952	\$769 - \$935
\$50,000 - \$74,999	20% - 25%	\$1,042 - \$1,249	\$970 - \$1,177	\$953 - \$1,160	\$936 - \$1,143
\$75,000 - \$99,999	20%	\$1,250 - \$1,666	\$1,178 - \$1,594	\$1,161 - \$1,577	\$1,144 - \$1,560
\$100,000 - \$149,999	20%	\$1,667 - \$2,499	\$1,595 - \$2,427	\$1,578 - \$2,410	\$1,561 - \$2,393
\$150,000 or more	20%	\$2,500+	\$2,428+	\$2,411	\$2,394+

The highlighted cells in the table above indicate the prevailing rental rates in the marketplace among all rental types. Notably, one-person renter households with an income of \$25,000 or higher is paying housing costs below the 30% level.

2. For-Sale Housing

The results of the online survey were blended with current demographic data to assess the market demand for for-sale housing units in the City of Defiance. Older households (age 65+) who do not have the income to afford new home prices, instead can afford the home based on their current equity, were considered in the following analysis.

Household Income	Less than \$150,000	\$150,000 to \$199,999	\$200,000 to \$299,999	\$300,000 and Higher	Total
\$25,000 to \$35,000*	250	65	22	0	337
\$35,000 to \$49,999	720	203	37	0	960
\$50,000 to \$74,999	812	687	156	0	1,655
\$75,000 to \$99,999	261	683	180	9	1,132
\$100,000 and Higher	191	655	701	137	1,684
Total	2,234	2,293	1,095	146	5,768

*Income cohort of \$25,000 to \$35,000 includes only households age 65 and older

Homes between \$150,000 and \$200,000 have the largest target households in the marketplace, followed by homes priced below \$150,000. According to the National Association of Home Builders (NAHB), the average homeowner moves every 15 years indicating that 6.66% of homeowners are moving each year. We have applied a range of rates including more conservative turnover rates of 4% to 5%. Based on this analysis, there is a deficit of approximately 100 to 157 homes in the market to allow homeowners other housing alternatives as family dynamics change, including income, age and number of households.

Home Sale Price	Homes Sold (2018)	Target Households	Current Capture Rate	Market Potential Based on 4% - 5% Turnover	Deficit
\$100,000 to \$149,999	62	2,234	2.8%	89 - 112	27 - 50
\$150,000 to \$199,999	35	2,293	1.5%	92 - 115	57 - 80
\$200,000 to \$299,999	29	1,095	2.6%	44 - 55	15 - 26
\$300,000 and Higher	6	146	4.1%	6 - 7	1
Total	132	5,768	4.4%	231 - 289	100 - 157

The ability of the market to support additional newly constructed for-sale housing units in the market is largely predicated on several factors:

1. *Homeowner being able to sell their current home to another household*

In DDA's opinion, sufficient support exists to support these new homes. There are an estimated 7,421 workers commuting into Defiance for work and more than half of those households (57.4%) indicated they are willing to consider moving into the city.

2. *The cost associated with new housing construction and resulting sale price*

Based on our conversations with builders in the area and other secondary sources, the minimum home construction cost is \$125 per square foot. Homes of 1,000 and 1,200 square feet would cost between \$125,000 and \$150,000. In fact, a newly constructed duplex in the northwest area of Defiance includes 1,054 square feet of living space and is listed for sale at \$139,900 and \$144,900 or \$133 to \$137 per square foot. Therefore, the deficit among the \$100,000 and \$150,000 price range has been reduced by two-thirds resulting in a deficit for new construction of 82 to 124 total units.

3. *Highest annual building activity achieved in the City of Defiance*

A review of building permit activity in the City of Defiance over the past 20 years shows the highest annual single-family activity was 36 homes in 2002 and 22 duplexes in 2006. The activity was during the peak economic times of the mid-2000s. Nonetheless, over a three-year period the projected 124-unit housing deficit reflects an annual demand for 41 to 55 units, 72% to 95% of the peak total permit activity achieved in prior years.

4. *Variety in product, location and price point*

With an anticipated overall sales rate of 1 unit per month per development, optimal buildout of the projected housing totals will require four to five different housing developments and locations throughout the city. Since 2000, condominiums or "villaminiums" and duplexes in the City of Defiance represent 35% of the for-sale housing stock. With nearly three-fourths of the respondents to the online survey indicating they would consider paying an additional monthly fee for maintenance-free living, the demand for condominiums likely exceeds the 35% share.

Uses, Applications and Assumptions

Although this report represents the best available attempt to identify the current market status and future market trends, it is important to note that most markets are continually affected by demographic, economic and developmental changes. This analysis also has been conducted with respect to a particular client's development objectives, and consequently has been developed to determine the current market's ability to support those particular objectives. For these reasons, the conclusions and recommendations in this study are applicable only to the subject site identified herein, and only for the potential uses for that site as described to us by our client.

This study represents a compilation of data gathered from various sources, including the properties surveyed, local records and interviews with local officials, real estate professionals and major employers and the use of secondary demographic material. Although we judge these sources to be reliable, it is impossible to authenticate all data. The analyst does not guarantee the data and assumes no liability for any errors in fact, analysis or judgment. The conclusions contained in this report are based on the best judgments of the analysts; we make no guarantees or assurances that the projections or conclusions will be realized as stated.

Addendum

Downtown Defiance
North & South Gateway Illustrations

North Gateway

Concept 1



Legend

- 1. Trail network
- 2. Lawn/Park Area
- 3. Low Stone Wall
- 4. Fire Pit
- 5. Open Seating
- 6. Trellis or Covered Seating
- 7. Back of House/Garbage Area
- 8. Parking Lot
- 9. Stone Walls with Signage Opportunity



North Gateway

Concept 2



Legend

- 1. Trail network
- 2. Lawn/Park Area
- 3. Trellis or Covered Seating
- 4. Renovated "Harper" Building
- 5. Remove of 1/2 of the 2nd Floor for outdoor deck
- 6. Spanky's Expansion Opportunity
- 7. Back of House/Garbage Area
- 8. Parking Lot
- 9. Stone Walls with Signage Opportunity



North Gateway

Best Practice Examples



Fire Pit



Trellis with Seating



Covered Seating



Walking/Biking
Trail along River



Low Seat Wall



Stone Wall
with Signage
Opportunity



South Gateway

Concept - Triangle Park and Former Football Field



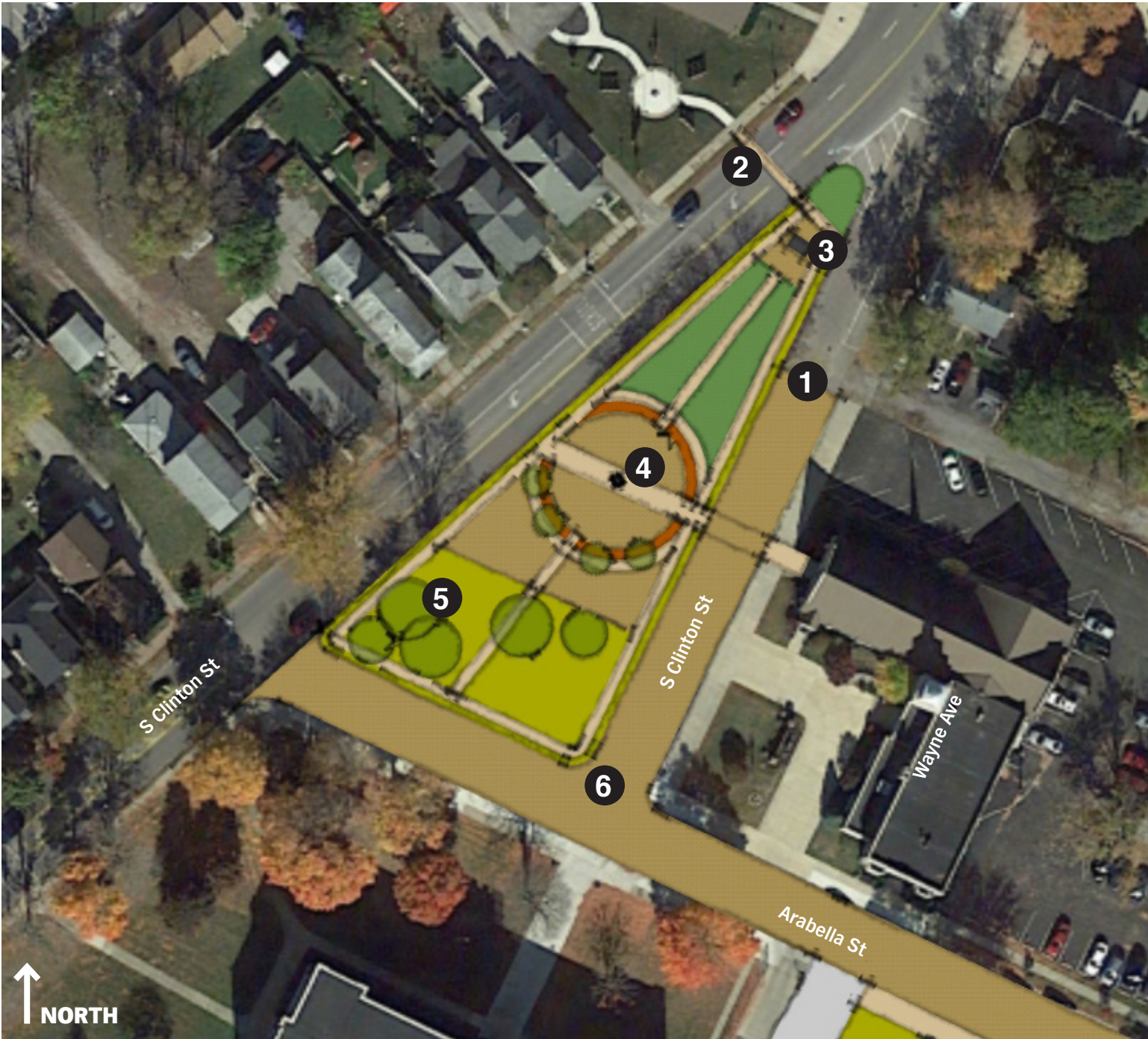
Key Ideas

- 1. Textured pavement
- 2. Add crosswalk to connect to Hometown Heroes Park
- 3. Relocate Clock to northern end of extended park
- 4. Triangle Park to be turned into plaza with prominent artwork in the middle
- 5. Preserve large trees in Triangle Park
- 6. Investigate improved traffic circulation; potential conversion from one-way to two-way street(s)
- 7. The Four Horsemen/Don Miller Memorial
- 8. Redevelopment Opportunity
- 9. Future Townhome Opportunity (Later Phases)
- 10. Parking Lot
- 11. Townhomes at Wayne Avenue



South Gateway

Concept - Triangle Park



Key Ideas

- 1. Textured pavement
- 2. Add crosswalk to connect to Hometown Heroes Park
- 3. Relocate Clock to northern end of extended park
- 4. Triangle Park to be turned into plaza with prominent artwork in the middle
- 5. Preserve large trees in Triangle Park
- 6. Investigate improved traffic circulation; potential conversion from one-way to two-way street(s)



South Gateway

Best Practice Examples



Townhomes



Townhomes with Garages in Back



Sculpture Art at Triangle Park



Textured Pavement