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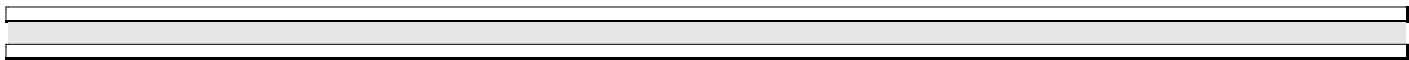
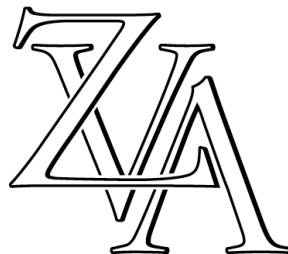
AN ANALYSIS OF
RESIDENTIAL MARKET POTENTIAL

Downtown Lake Charles Study Area

City of Lake Charles,
Calcasieu Parish, Louisiana

November, 2007

Conducted by
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Research & Strategic Analysis

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Downtown Lake Charles Study Area
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INTRODUCTION

The purpose of this study is to identify the depth and breadth of the market for newly-introduced market-rate housing units —created both through the adaptive re-use of existing non-residential buildings as well as through new construction—to be leased or sold within Downtown Lake Charles, in the City of Lake Charles, Calcasieu Parish, Louisiana. For purposes of this study, the Downtown Lake Charles Study Area encompasses the same area as the Downtown Development District, which includes the land north and east of Lake Charles beyond Interstate 10 to the Union Pacific railroad tracks in the north, to Ryan and then Hodges Streets in the east, and to the Python Coulee in the south. In addition to the central business district, the Downtown Study Area also includes the four tracts and public park space that comprise the Lakefront Development area. In the east, the Study Area overlaps with four blocks of the Charpentier Historical District; in the south, the Study Area abuts the Margaret Place Historical District.

The extent and characteristics of the potential market for new market-rate housing units within the Downtown Lake Charles Study Area were identified using Zimmerman/Volk Associates' proprietary target market methodology. This methodology was developed in response to the challenges that are inherent in the application of supply/demand analysis to urban development and redevelopment. Supply/demand analysis ignores the potential impact of newly-introduced

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housing units on settlement patterns, which can be substantial when those units are specifically targeted to match the housing preferences and economic capabilities of the draw area households.

In contrast to conventional supply/demand analysis, then—which is based on supply-side dynamics and baseline demographic projections—target market analysis determines the depth and breadth of the potential market derived from the housing preferences and socio-economic characteristics of households in the defined draw area. Because it considers not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestyle patterns and household compatibility issues, the target market methodology is particularly effective in defining a realistic housing potential for urban development and redevelopment.

In brief, using the target market methodology, Zimmerman/Volk Associates determined:

- Where the potential renters and buyers for new and existing market-rate housing units in the City of Lake Charles are likely to move from (the draw areas);
- Who currently lives in the draw areas and what they are like (the target markets);
- How many have the potential to move to the Downtown Study Area if appropriate housing units were to be made available (depth and breadth of the market);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);
- What their alternatives are (new construction or existing housing stock in the city);
- What they will pay to live in the Downtown Lake Charles Study Area (market-rate rents and prices); and
- How quickly they will rent or purchase the new units (absorption forecasts).

The target market methodology is described in detail in the METHODOLOGY section at the end of this study.

NOTE: Tables 1 and 2, included in this document, contain summaries of the market potential and general target groups for new market-rate housing units created through adaptive re-use of existing buildings and/or new construction within the Downtown Lake Charles Study Area. Tables 3 through 6 provide the relevant supply-side context. Tables 7 through 10 outline the optimum initial market position and the specific target household groups for new Downtown housing units. The appendix tables, provided in a separate document, contain migration and target market data covering the appropriate draw areas for the city and for the study area.

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OVERVIEW

As is typical of many core cities in slow-growing regions, the City of Lake Charles has lost more residents through out-migration than it has gained through in-migration. After Hurricanes Katrina and Rita in August and September 2005, several hundred households moved to Calcasieu Parish from Orleans and Jefferson Parishes (as a result of Katrina) and from Cameron Parish (as a result of Rita). Hurricane Rita also caused significant numbers of households to leave Calcasieu Parish for the Houston area and points west, resulting in a net loss of households from the parish in 2005 greater than in any previous year. However, by December 2006, the post-hurricane population estimate for the parish, conducted by the Census Bureau and refined by the Louisiana Department of Health and Hospitals, showed that Calcasieu was regaining its population and, at that point, had sustained a net loss of just 184 people. Based on Claritas' estimates and projections for 2007, 184,100 people (just under 71,000 households) currently live in the parish, of which 68,900 people (27,600 households) live in the city.

A core premise for the City of Lake Charles should be that it is just as important to retain current residents as it is to attract new ones. Because strong residential neighborhoods are critical to the economic and social sustainability of a city, it is vital that the city maintain secure and comfortable neighborhoods that offer housing options for a broad range of lifestyles, ages and incomes. The significant changes in American households (particularly shrinking household size and the predominance of one- and two-person households) over the past several years, combined with steadily increasing traffic congestion and rising gasoline prices, have resulted in significant changes in neighborhood and housing preferences, with major shifts from predominantly single-family detached houses in low-density suburbs to higher-density apartments, townhouses, and detached houses in urban and mixed-use neighborhoods. This fundamental transformation of American households is likely to continue over the next several years, representing an unprecedented demographic foundation on which cities can re-build their downtowns and in-town neighborhoods.

Currently, nearly 64 percent of all households that live in the City of Lake Charles contain just one or two persons; less than 19 percent of Lake Charles' households could be characterized as

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traditional families, i.e., married couples with children (compared to 21.6 percent of all U.S. households). The remaining 17 percent are non-traditional family households, i.e., single parents with children. Median household income in the city is currently estimated at \$34,800. (The per capita income is just under \$20,900.)

Just over 48 percent of the population is male and 52 percent is female. Approximately 47 percent of the city's residents are white, 49.5 percent are African-American, 1.3 percent Asian, 1.2 percent Latino, and the remaining one percent are some other race or a mix of two or more races. Median age is estimated at 36.1 years. Nearly 21 percent of all residents aged 25 or older have a college or advanced degree.

The unprecedented real estate escalation in the United States over the past several years has had less of an impact in Lake Charles, where the median housing value has risen from \$70,800 in 2000 to an estimated \$90,200 in 2007, an increase of just over 27 percent, or less than four per cent per year.

Slightly more than eight percent of all dwelling units in the city were built since 1999; just under eight percent were built prior to 1939. Housing production posted double-digit growth rates from the 1950s through the 1980s; however, the percentage of new units produced dropped to 7.2 percent during the 1990s. Slightly less than 70 percent of Lake Charles' dwelling units are single-family detached, just over five percent are units in large multi-family buildings of 50 units or more, and the remainder are a mix of units in smaller multi-family buildings as well as single-family attached units.

Forty-two percent of Lake Charles' households are renters; 58 percent own their units, a considerably higher percentage than in most American cities. More than 11 percent do not own automobiles. Almost 27 percent of the city's residents aged 16 or more are employed in sales and office work; 20.3 percent hold professional and related jobs; 22 percent have service jobs; 9.2 percent in management, business and financial employment; 11.7 percent production, transportation, and material moving; and just under 10 percent are construction and maintenance employees. Overall, 56 percent are white-collar occupations, 22 percent blue-collar, and 22

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percent service occupations. Just over five percent of the population over 16 years of age is unemployed, although more than 40 percent are not currently in the labor force. Less than three percent of employed residents walk to work, just over one-half of one percent take public transportation, 12.7 percent car-pool, and nearly 81 percent drive alone. (The remaining three percent either work at home, ride bicycles or motorcycles, or have other means of getting to work.)

Based on historic trends, Claritas projects that, without a large-scale hurricane over the next five years, the population of the City of Lake Charles will continue to decline, by more than eight tenths of one percent, down from an estimated 68,900 persons living in the city in 2007 to a projected 68,325 persons in 2012. During the 1990s, Lake Charles lost nearly one percent of its population; since the 2000 census, the city is estimated to have lost another four percent. In contrast, the number of households in Lake Charles is projected to rise slightly; by 2012, it is projected the city will contain 83 more households than in 2007. These projections do not, however, account for the population that would inhabit multiple new dwelling units that could be created in the Downtown Study Area over the next several years.

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MARKET POTENTIAL

American households, more than any other nation's, have always been extraordinarily mobile. In 2006, although varying by region, an average of 17 percent of American households moved from one dwelling unit to another. Household mobility is higher in urban areas; a higher percentage of renters move than owners; and a higher percentage of younger households move than older households.

Analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is therefore integral to the determination of the depth and breadth of the potential market for new market-rate housing units within the Downtown Lake Charles Study Area.

Calcasieu Parish migration and mobility data from 2001 through 2005—the latest data available from the Internal Revenue Service—show that the parish continues to lose households through out-migration, ranging from a net out-migration of 80 households in 2004 (smallest loss over the five-year period) to a net out-migration of nearly 500 households in 2005 (the largest loss over the study period, and a direct result of Hurricane Rita). (*See Appendix One, Table 1.*)

Annual in-migration to Calcasieu Parish ranged between the low of approximately 2,900 households in 2003 to the high of 3,575 households in 2005, due to considerably higher in-migration from Orleans, Jefferson, and Cameron Parishes as a result of Hurricanes Katrina and Rita. Under normal conditions, between 20 and 25 percent of all households moving into Calcasieu Parish each year are moving from the surrounding parishes of Cameron, Beauregard, Jefferson Davis, and Allen. The City of Houston (Harris County, Texas) represents another six percent of in-migration into Calcasieu Parish.

Over the same period, annual out-migration from Calcasieu Parish has ranged between just over 3,000 households each year between 2002 and 2004 and the high of more than 4,000 households, in 2005 (hurricane-related). Under normal conditions, approximately 16 to 18 percent of the out-migration is to the same four surrounding parishes, although collectively, the majority of out-migration is to other Louisiana parishes.

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Even though net migration provides insights into a city or parish's historic ability to attract or retain households compared to other locations, it is those households likely to move into an area (gross in-migration) that represent that area's external market potential.

This study therefore identifies the depth and breadth of the potential market for new and existing housing units within both the City of Lake Charles and the Downtown Lake Charles Study Area, and includes those households already living in the city as well as those households likely to move into the city.

Where will the potential market for housing in the City of Lake Charles move from?

—The Draw Areas—

The depth and breadth of the potential market for new and existing market-rate housing units in the City of Lake Charles was determined through migration, mobility and target market analyses of households currently living within defined draw areas. Based on the migration analysis described above, the draw areas for the City of Lake Charles and the Downtown Lake Charles Study Area have been delineated as follows:

- The primary draw area, covering households currently living within the Lake Charles city limits. Under normal conditions, up to 15 percent of the households living in the city, with the financial capacities to rent or purchase market-rate dwelling units, move to another residence within the city each year.
- The local draw area, covering households currently living in the balance of Calcasieu Parish. Between four and five percent of the households living in the balance of Calcasieu Parish, with the financial capacities to rent or purchase market-rate dwelling units, could move to a residence in the city each year, if appropriate housing units were to be made available.
- The regional draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Cameron, Beauregard, Jefferson Davis, and Allen Parishes.

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- The New Orleans draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Orleans and Jefferson Parishes, a trend that existed prior to Hurricane Katrina and likely to continue for several more years.
- The Houston draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Harris County, Texas.
- The national draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from all other U.S. counties. Under normal conditions, approximately 3,000 households move into Calcasieu Parish from elsewhere in the United States each year; a small additional number are households moving from outside the United States. Approximately 40 percent of those households move into the City of Lake Charles.

As derived from migration, mobility and target market analysis, then, the draw area distribution of market potential (those households with the potential to move within or to the City of Lake Charles) would be as follows (*see also* Appendix One, Table 10):

Market Potential by Draw Area
City of Lake Charles, Calcasieu Parish, Louisiana

City of Lake Charles (Primary Draw Area):	31.4%
Balance of Calcasieu Parish (Local Draw Area):	23.3%
Cameron/Beauregard/Jefferson Davis/Allen Parishes (Regional Draw Area):	8.1%
Orleans/Jefferson Parishes (New Orleans Draw Area):	2.3%
Harris County, Texas (Houston Draw Area):	4.7%
Balance of US (National Draw Area):	<u>30.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

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MARKET POTENTIAL FOR THE DOWNTOWN LAKE CHARLES STUDY AREA_____

Downtown Lake Charles is comprised of two distinct areas: the Central Business District and the Lakefront Development Area. The Study Area, which overlaps four blocks of the Charpentier Historical District and abuts the Margaret Place Historical District, currently contains only a limited number of dwelling units; the majority of those located in the downtown are income-restricted and/or seniors units. Downtown Lake Charles is the location of most of the parish and city's civic buildings, including the Parish Courthouse, the current City Hall, and the 1911 City Hall, which is now an arts and cultural center; the Civic Center; the Children's Museum; Veterans' Memorial Park, Millenium Park and the September 11 Memorial; and even a beach. The Post Office and Federal Courthouse are located just outside the Downtown Study Area.

Calcasieu Parish employment, prior to Hurricanes Katrina and Rita, had exceeded 85,000 workers. The largest employer in the parish is currently the school system, at 4,000 workers, although prior to Rita, the five casinos together employed 8,000 people. Private downtown employers include several banks and law firms, among others.

Currently, although the perception is that Downtown Lake Charles offers limited neighborhood-oriented retail and services, the downtown currently has some of the retailers or services—such as a dry cleaners, a nail salon, a barber shop, a candy store, art galleries, and a clothing store—normally found within a traditional “Main Street” environment. There are numerous restaurants, with a broad selection of cuisines, including the Pujos Street Café, the Blue Duck Café, Luna Grill, and the Cajun Café, among others . The Majestic grocery store on Ryan Street has been open intermittently.

As in many cities across the country, the major retailers are found in auto-oriented malls, in this case, the Lake Charles Power Center, a shopping center that includes a Wal Mart Supercenter, Home Depot, a United Artists 10 Movie Theatre, and multiple other shops and restaurants; and the Prien Lake Mall, anchored by Sears, Dillard's, and J.C. Penney.

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Where will the potential market for housing in Downtown Lake Charles move from?

The target market methodology identifies those households with a preference for living in downtowns and other urban neighborhoods. After discounting for those segments of the city's potential market that have preferences for suburban and/or rural locations, the distribution of draw area market potential for new market-rate dwelling units within the Downtown Lake Charles Study Area would be as follows (*see also* Appendix One, Table 11):

Market Potential by Draw Area
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

City of Lake Charles (Primary Draw Area):	29.2%
Balance of Calcasieu Parish (Local Draw Area):	13.7%
Cameron/Beauregard/Jefferson Davis/Allen Parishes (Regional Draw Area):	2.5%
Orleans/Jefferson Parishes (New Orleans Draw Area):	3.7%
Harris County, Texas (Houston Draw Area):	8.7%
Balance of US (National Draw Area):	<u>42.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The New Orleans, Houston, and national draw areas represent a considerably larger share of market potential for new housing in the Downtown (a combined 54.6 percent) than for the city as a whole (37.2 percent). Conversely, the primary, local, and regional draw areas represent comparatively smaller segments of market potential for Downtown (a combined 45.4 percent) than for the city as a whole (62.8 percent). (*See again* Appendix One, Table 10.)

How many households are likely to move within or to Downtown Lake Charles each year?

As determined by the target market methodology, which accounts for household mobility within the City of Lake Charles and the balance of Calcasieu Parish, as well as migration and mobility patterns for households currently living in all other parishes and counties, in the year 2007, more than 1,600 younger singles and couples, empty nesters and retirees, and traditional and non-traditional families, with the financial capacities to rent or purchase market-rate dwelling units, represent the potential market for new housing units within the Downtown Lake Charles Study Area.

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The housing preferences of these 1,610 draw area households—based on tenure (rental/ownership) choices and financial capacity—are outlined as follows (*see also* Table 1):

Annual Potential Market for New Housing Units
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	460	28.6%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	300	18.6%
Single-family attached for-sale (townhouses, fee-simple/ condominium ownership)	250	15.5%
Low-range single-family detached (houses, fee-simple ownership)	90	5.6%
Mid-range single-family detached (houses, fee-simple ownership)	280	17.4%
High-range single-family detached (houses, fee-simple ownership)	<u>230</u>	<u>14.3%</u>
Total	1,610	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

From the perspective of draw area target market propensities and compatibility, and within the context of the new housing marketplace in the Lake Charles market area, the potential market for new housing units within Downtown could include the full range of housing types, from rental multi-family to for-sale single-family detached. However, downtown development should concentrate on the highest-density housing types, including redevelopment of existing buildings, which support urban development and redevelopment most efficiently and provide the greatest fiscal, economic and social/lifestyle benefit.

Appropriate housing types therefore include:

- Rental lofts and apartments (multi-family for-rent);
- For-sale lofts and apartments (multi-family for-sale); and
- For-sale townhouses (single-family attached for-sale).

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Excluding single-family detached units, then, this analysis has determined that in the year 2007, up to 1,010 households currently living in the defined draw areas represent the pool of potential renters/buyers of new market-rate housing units (new construction and/or adaptive re-use of formerly non-residential structures) within the Downtown Lake Charles Study Area (*see again* Table 1). As derived from the tenure and housing preferences of those draw area households, the distribution of rental and for-sale multi-family and single-family attached housing types would be as follows:

Annual Potential Market for New Housing Units
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	460	45.5%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	300	29.7%
Single-family attached for-sale (townhouses, fee-simple/ condominium ownership)	<u>250</u>	<u>24.8%</u>
Total	1,010	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

These 1,010 households comprise approximately one quarter of the 4,000 households that represent the potential market for new and existing market-rate units in all of the City of Lake Charles, a share of the total market that is consistent with Zimmerman/Volk Associates' experience in other cities. For example, in recent analyses, the downtown market was found to represent approximately 23 percent of the city's potential market in Birmingham, Alabama, and Atlanta, Georgia; 24 percent in Mobile and Montgomery, Alabama, and Lafayette, Louisiana; 26 percent in Norfolk, Virginia; 30 percent in Baltimore, Maryland; 35 percent in Lexington, Kentucky; and 36 percent and 38 percent in Louisville, Kentucky.

The market potential numbers indicate the depth of the potential market for new housing units within the Downtown Lake Charles Study Area, not housing need and not projections of household change. These are the households that are likely to move within or to Downtown if appropriate housing options were to be made available.

Table 1

Potential Housing Market

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households
With The Potential To Move To The Area In 2007

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The City of Lake Charles, Calcasieu Parish, Louisiana

*City of Lake Charles; Balance of Calcasieu Parish; Adjacent Parishes;
Orleans and Jefferson Parishes; Harris County, Texas; All Other U.S. Counties/Parishes
Draw Areas*

Total Target Market Households
With Potential To Rent/Purchase In
The City of Lake Charles, Calcasieu Parish, Louisiana 4,000

Total Target Market Households
With Potential To Rent/Purchase In The
Downtown Lake Charles Study Area 1,610

Potential Housing Market

	<i>Multi- Family</i>		<i>Single- Family</i>			<u>Total</u>	
	<u>For-Rent</u>	<u>For-Sale</u>	<i>.. Attached .. All Ranges</i>	<i>..... Detached</i>			
			<u>Low-Range</u>	<u>Mid-Range</u>	<u>High-Range</u>		
Total Households:	460	300	250	90	280	230	1,610
<i>{Mix Distribution}:</i>	28.6%	18.6%	15.5%	5.6%	17.4%	14.3%	100.0%

**Downtown Residential Mix
(Excluding Single-Family Detached)**

	<i>Multi- Family</i>		<i>Single- ... Family Attached ..</i>	<u>Total</u>
	<u>For-Rent</u>	<u>For-Sale</u>	<u>All Ranges</u>	
Total Households:	460	300	250	1,010
<i>{Mix Distribution}:</i>	45.5%	29.7%	24.8%	100.0%

NOTE: Reference Appendix One, Tables 1 through 13.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

TARGET MARKET ANALYSIS

Who is the potential market?

—The Target Markets—

The market for urban housing, particularly within downtowns, is now being fueled by the convergence of the two largest generations in the history of America: the 79 million Baby Boomers born between 1946 and 1964, and the 77 million Millennials, who were born from 1977 to 1996.

Boomer households have been moving from the full-nest to the empty-nest life stage at an accelerating pace that will peak sometime in the next decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on urban, particularly downtown housing. After fueling the dramatic diffusion of the population into ever-lower-density exurbs for nearly three decades, Boomers, particularly affluent Boomers, are rediscovering the merits and pleasures of urban living.

At the same time, Millennials are just leaving the nest. The Millennials are the first generation to have been largely raised in the post-'70s world of the cul-de-sac as neighborhood, the mall as village center, and the driver's license as a necessity of life. As has been the case with predecessor generations, significant numbers of Millennials are heading for the city. They are not just moving to New York, Chicago, San Francisco and the other large American cities; often priced out of these larger cities, Millennials are discovering second, third and fourth tier urban centers.

The convergence of two generations of this size—simultaneously reaching a point when urban housing matches their life stage—is unprecedented. This year, there are about 41 million Americans between the ages of 20 and 29, forecast to grow to over 44 million by 2015. In that same year, the population aged 50 to 59 will have also reached 44 million, from 38 million today. The synchronization of these two demographic waves will mean that there will be an additional eight million potential urban housing consumers eight years from now.

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As determined by the target market analysis, and reflecting national trends, the potential market for new market-rate housing units in the Downtown Lake Charles Study Area can be characterized by general household type as follows (*see also* Table 2):

Downtown Residential Mix By Household Type
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

HOUSEHOLD TYPE	PERCENT OF TOTAL	RENTAL MULTI-FAM.	FOR-SALE MULTI-FAM.	FOR-SALE SF ATT.
Empty-Nesters & Retirees	28%	11%	44%	40%
Traditional & Non-Traditional Families	8%	9%	3%	12%
Younger Singles & Couples	<u>64%</u>	<u>80%</u>	<u>53%</u>	<u>48%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

- **The largest general market segment is composed of younger singles and couples. These households prefer to live in a downtown for its diversity, as well as for the availability of a variety of activities, including employment and cultural opportunities, as well as restaurants and clubs.**

At 64 percent, younger singles and couples represent the largest market for newly-created dwelling units within the Downtown Lake Charles Study Area. These households—which include, in order of median income, the target groups of *e-Types*, *Ex-Urban Power Couples*, *Fast-Track Professionals*, *The VIPs*, *Upscale Suburban Couples*, *Twentysomethings*, *Suburban Achievers*, and *Urban Achievers*—tend to move frequently and prefer neighborhoods that are ethnically and culturally diverse. These younger households are employed in a variety of occupations, ranging from office work, junior executives, university affiliates, artists or artisans, and retail, service, and casino employees. More than two-thirds of these households would be moving to Downtown Lake Charles from locations outside the city limits.

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Younger singles and couples currently make up between 48 and 80 percent of the market, depending on tenure and housing type, for new market-rate housing units in the Downtown Lake Charles Study Area. However, as noted above, the “Millennials” are likely to become an even larger market for downtown housing. If the preference for urban housing demonstrated by the leading edge of this generation is representative of the entire generation, the market potential from this segment should increase significantly over the next decade.

- **The next largest market segment is comprised of older households (empty nesters and retirees). More than a quarter of these households are currently living in Lake Charles’ close-in and suburban neighborhoods. A significant number of these households have grown children who have moved out of the family home; another large percentage are retirees, with incomes from pensions, savings and investments, and social security.**

Empty nesters and retirees—which include, in order of median income, the target groups of *Urban Establishment*, *Small-Town Establishment*, *Suburban Establishment*, *Affluent Empty Nesters*, *Cosmopolitan Couples*, *Cosmopolitan Elite*, and *New Empty Nester*—make up 28 percent of the potential market for new housing units in the Downtown Lake Charles Study Area. An increasing number of these older households choose to leave the houses in which they raised their families to move to newly-constructed housing wherever it is available. They have different expectations from either younger or family households, and paramount among them is the perceived ease and convenience of apartment living, whether rental or for-sale, without the maintenance and repairs required for single-family detached houses. In other cities, these households have been among the first to move into downtown units, particularly once larger and more amenity-oriented condominiums have become available.

Empty-nest and retiree households currently represent between 11 percent and 44 percent of the market for new housing units in the Downtown Lake Charles Study Area, depending on tenure and housing type. However, as with the Millennial Generation, over the next several years this market segment should substantially increase, because larger

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numbers of the “Baby Boom” generation will be entering the empty-nest life stage. In 2007, the oldest Baby Boomers are celebrating their 61st birthdays; in city after city across the country, a significant number of Baby Boomers have already made the decision to move from detached houses in the suburbs to rental or condominium apartments in or near downtowns, when those units have been available. This will be a significant segment of the empty-nest market in Downtown Lake Charles, particularly new units located on the lakefront.

- **The third, and smallest, general market segment is comprised of family-oriented households (traditional and non-traditional families). Non-traditional families, which during the 1990s became an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single parent with one or more children, an adult caring for younger siblings, a grandparent with grown children and grandchildren, to an unrelated same-sex couple with children. Traditional families contain a married man and woman with an average of two or more children. These can also include “blended” families, in which each parent was previously married to another individual and each has children from that marriage.**

Households with school-age children have historically been among the first to leave a city when one or all of three significant neighborhood elements—good schools, safe and secure streets, and sufficient green space—are perceived to be at risk. Although this is the smallest market segment, just under three-quarters of the households within the family groups—which includes, in order of median income, the target groups of *The Entrepreneurs*, *Full-Nest Urbanites*, and *Unibox Transferees*—would be moving into the downtown from urban neighborhoods elsewhere in the country. Most of the adults in these households were raised in or near an urban center and have rejected the suburban alternative; most will make appropriate school accommodations—public, parochial or private.

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Depending on tenure and housing type, family-oriented households, many of whom are single parents with one or two older children, comprise between three and 12 percent of the market for new housing units in the Downtown Lake Charles Study Area.

The primary target groups, their median and range of incomes, and median home values, are:

**Potential Housing Market
 (In Order of Median Income)
 DOWNTOWN LAKE CHARLES STUDY AREA
 City of Lake Charles, Calcasieu Parish, Louisiana**

HOUSEHOLD TYPE	MEDIAN INCOME	BROAD INCOME RANGE	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees			
<i>Urban Establishment</i>	\$131,200	\$85,000–\$200,000	\$346,600
<i>Small-Town Establishment</i>	\$109,300	\$75,000–\$150,000	\$216,000
<i>Suburban Establishment</i>	\$109,200	\$50,000–\$165,000	\$233,000
<i>Affluent Empty Nesters</i>	\$108,600	\$65,000–\$150,000	\$229,400
<i>Cosmopolitan Couples</i>	\$103,500	\$40,000–\$150,000	\$301,400
<i>Cosmopolitan Elite</i>	\$101,000	\$50,000–\$140,000	\$228,200
<i>New Empty Nesters</i>	\$93,700	\$60,000–\$125,000	\$229,400
Traditional & Non-Traditional Families			
<i>The Entrepreneurs</i>	\$154,000	\$75,000–\$225,000	\$325,500
<i>Full-Nest Urbanites</i>	\$117,000	\$50,000–\$175,000	\$334,900
<i>Unibox Transferees</i>	\$109,100	\$45,000–\$165,000	\$235,100
Younger Singles & Couples			
<i>e-Types</i>	\$128,800	\$60,000–\$185,000	\$314,200
<i>Ex-Urban Power Couples</i>	\$112,700	\$60,000–\$165,000	\$283,700
<i>Fast-Track Professionals</i>	\$99,600	\$50,000–\$150,000	\$203,700
<i>The VIPs</i>	\$95,700	\$45,000–\$135,000	\$202,600
<i>Upscale Suburban Couples</i>	\$89,600	\$40,000–\$130,000	\$179,000
<i>Twentysomethings</i>	\$71,200	\$35,000–\$100,000	\$159,300
<i>Suburban Achievers</i>	\$69,400	\$30,000–\$95,000	\$161,000
<i>Urban Achievers</i>	\$68,900	\$30,000–\$100,000	\$199,100

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The mix of general household types often progresses during the establishment of downtown living. In city after American city, the successful establishment of new market-rate housing options in downtown or in-town neighborhoods has often been initially dependent upon “risk-

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oblivious” households. “Risk-oblivious” households are mostly young singles and couples, often with a large contingent of gays and a high percentage of artists and artisans seeking inexpensive live-work space. Restaurants, bars, clubs and innovative or off-beat retail establishments begin to define the neighborhood character. At this point, these neighborhoods become sought after by “risk-tolerant” households. “Risk-tolerant” households are also usually young and almost always childless. The “risk-tolerant” includes those willing to make investments in ownership housing—sometimes they are the former “risk oblivious” seeking to recoup years of sweat equity.

In every case, however, the neighborhood established by these households has grown to encompass more than simply housing; its flavor and tone has been reinforced by the non-residential uses—the shops, galleries, clubs, and eating and drinking establishments—that follow the risk-oblivious and risk-tolerant households, make the neighborhood acceptable for “risk-aware” households and contribute to the area’s residential rent/price escalation and perceived economic stability.

The target market analysis indicates that there is a significant number of younger and older, single- and two-person households who already live within the Lake Charles city limits, and a sizeable market with the potential to move from other urban areas.

(Reference APPENDIX THREE, TARGET MARKET DESCRIPTIONS, for detail on each target group.)

Table 2

Downtown Residential Mix By Household Type

Derived From New Unit Purchase And Rental Propensities Of Draw Area Households

With The Potential To Move To The Area In 2007

Downtown Lake Charles Study Area

The City of Lake Charles, Calcasieu Parish, Louisiana

Number of Households:	Total	Multi- Family		Single- .. Family ..
		For-Rent	For-Sale	.. Attached .. All Ranges
	1,010	460	300	250
Empty Nesters & Retirees	28%	11%	44%	40%
Traditional & Non-Traditional Families	8%	9%	3%	12%
Younger Singles & Couples	64%	80%	53%	48%
	100%	100%	100%	100%

SOURCE: Claritas, Inc.;

Zimmerman/Volk Associates, Inc.

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City of Lake Charles, Calcasieu Parish, Louisiana
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THE CURRENT CONTEXT

There are very few market-rate dwelling units of any kind in Downtown Lake Charles. However, this does not indicate a limited potential market for new housing in the Downtown. In fact, as has been demonstrated in other downtowns across the country, appropriately-priced and targeted new housing units not only capture untapped markets, which increase over time, but can also have a transforming effect on adjacent neighborhoods.

In the core Downtown, the Muller building has recently been converted to 40 rental lofts, of which 10 were leased by the time of the field investigation. At that time, six of eight apartments located over the Pujos Street Café were occupied for rents ranging between approximately \$650 and \$750 per month, and the Chavanne Lofts on Ryan Street carried rents of \$1,000 to \$1,200 per month.

Outside of Downtown Lake Charles, there are several properties that have been built since the late 1990s (*see* Table 3). Market-rate rents at the surveyed properties generally fall between \$500 and just under \$1,000 per month for one-bedroom apartments ranging in size from approximately 550 to 800 square feet (\$0.64 to \$1.42 per square foot); from \$575 to more than \$1,200 per month for 850- to just under 1,300-square-foot two-bedroom apartments (\$0.61 to \$1.14 per square foot); and from \$685 to \$1,300 per month for three-bedroom apartments with 1,140 to 1,300 square feet (\$0.58 to \$1.09 per square foot). Many of the properties would not give out occupancy information, but for those that did, all are at least 95 percent occupied (functional full occupancy). In terms of community amenities, all 12 properties included in the survey provided a pool, seven of the properties maintained a fitness center, only four included a business center, and four a clubhouse. Other amenities included a putting green, volleyball court, tennis courts (two properties), or other form of recreation area.

• • •

There is an even greater dearth of for-sale multi-family (condominium apartments) or attached single-family (townhouses) in the city. As of October 2007, just one resale condominium was on the market, a 950-square-foot one-bedroom built during the 1980s that was priced at \$98,500 (\$104 per square foot). New construction was limited to the one remaining unit at Tuscan Town

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Homes on East McNeese Street, which was on the market for \$127,500 and contained 1,300 square feet (\$98 per square foot). (See Table 4.) A townhouse section called Cypress Turn recently opened at the 2,000-acre, master-planned community Graywood. A total of 25 units are planned for this section, and current asking prices range between \$234,360 to \$296,352 for 1,860 to 2,352 square feet of living space (\$126 per square foot). Five of the units have reportedly been sold, and at the time of the field investigation in August, five were under construction.

With the exception of Graywood, most of the new residential development in the Lake Charles area consists of small parcels of land subdivided by individual builders into single-family lots. (See Table 5.) At most of these subdivisions, new houses are constructed when a buyer selects a lot and a floorplan. However, in some cases, the builder has built spec houses in order to attract both transferees and those potential buyers that will not buy a house from a floorplan. At the time of the field investigation, only a few inventory houses were on the market, ranging in price from \$178,900 for an 1,882-square-foot house (\$95 per square foot) to \$424,000 for 3,082 square feet of living space (\$138 per square foot). The most recent single-family section at Graywood to enter the market is Azalea II, where houses are being built by Randy Tupper Homes. Base prices are currently running under \$300,000 for dwelling units containing between 2,000 and 2,400 square feet (approximately \$135 to \$140 per square foot).

There were nearly 800 listings on the market in Lake Charles in late October, of which approximately 50 were houses built since 2000 and priced at \$200,000 or more. (See Table 6.) The most expensive house, located in the Bayou Bay subdivision, was priced at \$3,750,000 for 10,000 square feet (\$375 per square foot). However, most of the 50 houses were priced under \$350,000, contained three or four bedrooms and between 2,000 and 3,000 square feet of living space, with the majority of the per square foot prices ranging between \$100 and \$125.

Summary Of Selected Rental Properties

(In Order of Most Expensive to Least Expensive)

*City of Lake Charles, Calcasieu Parish, Louisiana***October, 2007**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number</u> <u>of Units</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
River Oaks (1999) 4650 Nelson Road	176				99% occupancy <i>Fitness center, business center, pool, hot tub.</i>
	1BR/1BA	\$875 to \$985	618 to 739	\$1.33 to \$1.42	
	2BR/1BA	\$1,105 to \$1,125	969 to 1,005	\$1.12 to \$1.14	
	2BR/2BA	\$1,185 to \$1,205	1,037 to 1,075	\$1.12 to \$1.14	
	3BR/2BA	\$1,289 to \$1,299	1,182 to 1,239	\$1.05 to \$1.09	
Nelson Pointe (2004) 5200 Nelson Road	208				99% occupancy <i>Clubhouse, fitness center, business center, pool, spa, putting green.</i>
	1BR/1BA	\$795 to \$865	650 to 710	\$1.22 to \$1.22	
	2BR/1BA	\$915 to \$935	843	\$1.09 to \$1.11	
	2BR/2BA	\$1,040 to \$1,100	1,053 to 1,090	\$0.99 to \$1.01	
	3BR/2BA	\$1,160	1,206	\$0.96	
The Charlestonian (2000: 2006) 1531 Country Club Drive	224				100% occupancy <i>Business center, clubhouse, two pools, fitness center.</i>
	1BR/1BA	\$710 to \$790	665 to 762	\$1.04 to \$1.07	
	2BR/1BA	\$870	905	\$0.96	
	2BR/2BA	\$900 to \$920	961 to 1,026	\$0.90 to \$0.94	
	3BR/2BA	\$1,105	1,267	\$0.87	
The Embers 3619 Texas Street	208				95% occupancy <i>Fitness center, volleyball court, pool.</i>
	1BR/1BA	\$575 to \$595	700	\$0.82 to \$0.85	
	2BR/1.5BA	\$650 to \$680	925 to 936	\$0.70 to \$0.73	
	3BR/2BA	\$775 to \$795	1,200	\$0.65 to \$0.66	

Summary Of Selected Rental Properties

(In Order of Most Expensive to Least Expensive)

City of Lake Charles, Calcasieu Parish, Louisiana

October, 2007

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Willow Bend 1515 West McNeese Street	1BR/1BA 2BR/1BA 3BR/2BA	\$565 \$690 \$830	640 840 1,280	\$0.88 \$0.82 \$0.65	95% occupancy Business center, pool,
The Wilshire Apts. 4245 5th Avenue	125 1BR/1BA 2BR/2BA 3BR/2BA	\$550 to \$700 \$695 to \$850 \$850 to \$1,125	700 900 1,400	\$0.79 to \$1.00 \$0.77 to \$0.94 \$0.61 to \$0.80	96% occupancy Clubhouse, fitness center, pool, tennis courts.
Le Chateau 4404 Canal Street	1BR/1BA 1BR/1.5BA 2BR/2BA 2BR/2.5BA TH 3BR/2BA	\$545 \$595 \$660 \$625 \$700 \$720 \$800 \$850	780 900 900 1,200 1,200	\$0.70 to \$0.76 \$0.73 \$0.69 to \$0.78 \$0.60 to \$0.67 \$0.71	Pool.
Village Green 2700 Ernest Street	198 1BR/1BA 2BR/1 & 1.5BA 3BR/2 & 1.5BA	\$545 to \$675 \$755	706 to 708 1,046 to 1,098 1,386 to 1,400	\$0.77 to \$0.77 \$0.61 to \$0.65 \$0.54 to \$0.54	100% occupancy Clubhouse, fitness center, tennis courts, pool.
Trace 211 Louie Street	1BR/1BA 2BR/1BA 3BR/2BA	\$535 \$575 \$685	642 950 1,150	\$0.83 \$0.61 \$0.60	Pool.

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties

(In Order of Most Expensive to Least Expensive)

*City of Lake Charles, Calcasieu Parish, Louisiana***October, 2007**

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
Pecan Acres					
5020 Pecan Acres Drive	1BR/1BA	\$535	642	\$0.83	Pool.
	2BR/1&1.5BA	\$610 to \$665	817 to 950	\$0.64 to \$0.75	
	3BR/2BA	\$765	1,210	\$0.63	
Shadowood					
1045 Walters Street	1BR/1BA	\$520 to \$595	556 to 669	\$0.89 \$0.94	98% occupancy Pool, fitness center, recreation areas.
	2BR/1BA	\$705	856	\$0.82	
	2BR/2BA	\$775	955 to 968	\$0.80 to \$0.81	
	2BR/1.5BA	\$810	1,187	\$0.68	
	3BR/2BA	\$860	1,131 to 1,144	\$0.75 to \$0.76	
Suffolk Manor					
2960 Lake Street	1BR/1BA	\$500 to \$555	685 to 800	\$0.69 to \$0.73	Pool.
	2BR/2BA	\$610 to \$725	875 to 1,275	\$0.48 to \$0.70	
	3BR/2BA	\$760	1,300	\$0.58	

Table 4

**Summary Of Selected For-Sale Multi-Family
And Single-Family Attached Units**

(In Order of Most Expensive to Least Expensive)

City of Lake Charles, Calcasieu Parish, Louisiana

October, 2007

<i>Development</i>	<i>Unit Type</i>	<i>Unit Price Range</i>	<i>Unit Size Range</i>	<i>Price Per Sq. Ft.</i>	<i>Total Units</i>	<i>Number Sold</i>
<i>Developer/Builder</i>						
Cypress Turn Townhomes at Graywood (2007)					25	5
<i>Stream Properties</i>	TH	\$234,360 to \$296,352	1,860 to 2,352	\$126 to \$126		
Tuscany Town Homes						
<i>East McNeese Street</i>	TH	\$127,500 †	1,300	\$98	1 unit remaining	

† Inventory unit.

SOURCE: Zimmerman/Volk Associates, Inc.

Table 5

Summary Of Selected For-Sale Single-Family Developments

(In Order of Most Expensive to Least Expensive)

City of Lake Charles Area, Calcasieu Parish, Louisiana

October, 2007

<u>Development</u> <u>Address</u>	<u>Average</u> <u>Lot Size</u>	<u>Lot/Unit</u> <u>Price Range</u>	<u>Unit Size</u> <u>Range</u>	<u>Price Per</u> <u>Sq. Ft.</u>	<u>Total</u> <u>Lots</u>	<u>Total</u> <u>Sales</u>
..... Lots Only						
La Place des Chenes <i>Nelson Road</i>	120 x 150'	\$60,000 and up		\$3.33 and up	32	17
Horsepark Acres <i>Palomino Drive</i>	1/2 acre 1 acre	\$18,000 \$24,800		\$0.83 \$0.57	58	27
..... House-Lot Package						
Canal Place <i>Toups</i>		\$349,500 † \$424,000 †	2,780 3,082	\$126 \$138	Phase 1	
Azalea II at Graywood <i>Randy Tupper Homes</i>		\$281,500 † \$288,500 \$289,900	2,013 2,140	\$140 \$135	52	
Lafitte Landing <i>F.D.H.Development</i>		\$220,000 †	1,800	\$122	54	8
Windsor Court <i>Lake Street</i>	100 x 120'	\$199,900 to \$292,240	1,676 to 2,248	\$119 to \$130	47 2nd Phase	
Ash Ridge		\$178,900 † \$215,000 † \$229,900 †	1,882 2,261 2,439	\$95 \$95 \$94	3	
..... Sulphur						
Forest Park <i>Palermo Properties, Inc.</i>	105 x 139'	\$39,900 \$193,000 to \$230,000	1,800	\$2.73 \$107 to \$128	107 2nd Phase 47 lots	

† Inventory Home.

SOURCE: Zimmerman/Volk Associates, Inc.

**Summary of Selected Single-Family Detached Listings
Houses Built Since 2000 With Asking Prices Of \$200,000 Or More**

City of Lake Charles, Calcasieu Parish, Louisiana

October, 2007

<u>Subdivision</u>	<u>Year Built</u>	<u>Unit List Price</u>	<u>Unit Size</u>	<u>Price psf</u>	<u>Configuration</u>
Indian Ridge Estates	2000	\$204,900	2,104	\$97	3BR/2BA
Pentangeli Square	2003	\$205,000	1,908	\$107	3BR/2BA
Pentangeli Square	2003	\$214,000	2,179	\$98	4BR/2BA
Pentangeli Square	2000	\$269,900	2,742	\$98	4BR/2.5BA
Rolling Hills	2002	\$208,500	2,097	\$99	4BR/2BA
Rolling Hills	2001	\$219,000	2,332	\$94	4BR/2BA
Rolling Hills	2002	\$245,000	2,355	\$104	3BR/2BA
Emerald Forest	2002	\$209,900	2,189	\$96	4BR/2BA
Pine Forest	2004	\$219,900	2,306	\$95	4BR/2BA
Pecanwood	2000	\$229,000	1,867	\$123	3BR/2BA
Autumn Run	2000	\$229,900	2,030	\$113	4BR/2BA
Buccaneer Acres	2001	\$234,500	2,260	\$104	4BR/2.5BA
Buccaneer Acres	2004	\$340,000	3,200	\$106	4BR/2.5BA
Suburban Acres	2004	\$237,000	2,732	\$87	5BR/3BA
Hidden Oaks	2003	\$239,500	2,200	\$109	4BR/2.5BA
Woodland Forest Est.	2007	\$239,900	2,120	\$113	4BR/2BA
Woodland Forest Est.	2007	\$247,500	2,190	\$113	4BR/2BA
Ihles Cove <i>patio homes</i>	2007	\$269,500 to \$289,500	2,300	\$117 to \$126	3BR/2BA
Vineyards	2007	\$269,900	2,410	\$112	3BR/2BA
Vineyards	2006	\$339,000	3,100	\$109	4BR/3BA
Vineyards	2005	\$349,900	3,106	\$113	3BR/2.5BA
Deep Woods Estates	2000	\$270,000	2,541	\$106	4BR/2BA
Oak Park	2005	\$280,000	3,894	\$72	4BR/2.5BA
Prien Court	2006	\$289,900	2,240	\$129	3BR/2BA

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

**Summary of Selected Single-Family Detached Listings
Houses Built Since 2000 With Asking Prices Of \$200,000 Or More**

City of Lake Charles, Calcasieu Parish, Louisiana

October, 2007

<i>Building/Area</i>	<i>Year Built</i>	<i>Unit List Price</i>	<i>Unit Size</i>	<i>Price psf</i>	<i>Configuration</i>
Spring Crossing	2007	\$292,500	2,502	\$117	4BR/2.5BA
Spring Crossing	2007	\$298,900	2,560	\$117	4BR/3BA
Spring Crossing	2007	\$302,300	2,562	\$118	4BR/4BA
Spring Crossing	2006	\$305,600	2,657	\$115	4BR/3BA
Spring Crossing	2007	\$310,900	2,657	\$117	4BR/2BA
Spring Crossing	2007	\$339,900	2,780	\$122	4BR/3BA
Waterside	2007	\$299,900	2,358	\$127	4BR/3BA
Streamwood	2007	\$311,500	2,664	\$117	3BR/2.5BA
Streamwood	2007	\$355,000	3,202	\$111	4BR/3.5BA
Muirfield III	2007	\$317,000	2,357	\$134	3BR/2.5BA
Westridge	2002	\$344,900	3,682	\$94	5BR/4BA
Westridge	2005	\$456,500	3,488	\$131	5BR/4BA
Nautical Estates	2004	\$345,000	2,315	\$149	3BR/2BA
Nautical Estates	2001	\$389,000	2,390	\$163	3BR/3BA
Collette/Requielmy	2003	\$349,000	2,617	\$133	4BR/2.5BA
Crestview	2000	\$379,900	3,740	\$102	4BR/3.5BA
Geddings Estates	2007	\$389,500	3,170	\$123	4BR/3BA
lots priced from \$57,000 to \$222,000					
Indian Bay	2005	\$389,900	2,975	\$131	3BR/2.5BA
Oaks at Heyd Place	2007	\$439,000	3,455	\$127	4BR/3.5BA
Oaks at Heyd Place	2003	\$549,000	3,197	\$172	3BR/3.5BA
Cypress Landing	2005	\$612,900	5,285	\$116	4BR/3BA
Turnberry Row	2000	\$699,000	4,885	\$143	5BR/4.5BA
South Park Manor	2004	\$879,000	4,815	\$183	5BR/5.5BA
The Briars	2003	\$890,000	5,136	\$173	5BR/5BA
Bayou Bay	2006	\$3,750,000	10,000	\$375	4BR/5BA

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

DOWNTOWN MARKET-RATE RENT AND PRICE RANGES_____

From a market perspective, the assets of Downtown Lake Charles that would make it an attractive place to live include:

- **Lake Charles:** The adjacency to a lake as attractive as Lake Charles is an asset that very few downtowns are fortunate enough to possess.
- **Historic buildings:** The number of architecturally and historically significant buildings provide a unique identity for the Downtown.
- **Employment:** Downtown is a regional employment center and home to a variety of banks and law firms, as well as multiple city and parish offices.
- **Walkability:** Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience could be improved significantly.
- **Location and Access:** Downtown Lake Charles has direct access to Interstate 10, which makes it a convenient and highly accessible area.

From a market perspective, the challenges to new residential development in Downtown Lake Charles include:

- **Neglected or vacant properties:** Poorly-maintained and vacant properties are a deterrent to potential downtown residents, as they contribute to the perception that Downtown is a neglected, low-value neighborhood.
- **High costs:** The rising costs of materials, in addition to the typically high cost of adaptive re-use, drive rents and prices beyond the reach of many potential downtown residents.

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- Lack of marketing: Most of the marketing materials have a regional focus, which relegates the downtown to just another place in, rather than the urban center of the region.
- The isolation of the lakefront: Lakeshore Drive represents both a physical and psychological divider between the lakefront and the core downtown.

What is the market currently able to pay?

—Rent and Price Ranges—

Based on the tenure and housing preferences of draw area households and their income and equity levels, the general range of rents and prices for newly-developed market-rate residential units that could currently be sustained by the market is as follows (*see also* Table 7):

**Rent, Price and Size Range
 Newly-Created Housing (Adaptive Re-Use and New Construction)
 DOWNTOWN LAKE CHARLES STUDY AREA
 City of Lake Charles, Calcasieu Parish, Louisiana**

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
RENTAL—			
Live-Work Studios	\$600–\$1,000/month	500–1,000 sf	\$1.00–\$1.20 psf
Soft Lofts †	\$750–\$1,200/month	600–1,100 sf	\$1.09–\$1.25 psf
Apartments	\$925–\$1,450/month	700–1,250 sf	\$1.16–\$1.32 psf
FOR-SALE—			
Live-Work Studios	\$75,000–\$110,000	600–1,000 sf	\$110–\$125 psf
Soft Lofts †	\$95,000–\$135,000	750–1,100 sf	\$123–\$127 psf
Apartments	\$165,000–\$350,000	1,200–2,250 sf	\$138–\$156 psf
2-Story Townhouses	\$145,000–\$160,000	1,100–1,250 sf	\$128–\$132 psf
3-Story Townhouses	\$175,000–\$295,000	1,350–2,300 sf	\$128–\$130 psf

† Unit interiors of “soft lofts” may or may not have high ceilings and are fully finished, with the interiors partitioned into separate rooms.

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

The above rents and prices are in year 2007 dollars, are exclusive of consumer options and upgrades, or floor or location premiums, and cover the broad range of rents and prices for newly-

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developed units currently sustainable by the market in the Downtown Lake Charles Study Area. These rents and prices are also “market rates”—that is, within the economic capability of the target households that represent the current market for downtown housing; however, depending on land and building acquisition and construction costs, it is probable that many buildings or projects could require financing assistance, subsidies and/or tax incentives to provide units at these rents/prices.

How fast will the units lease or sell?

—Market Capture—

After nearly 20 years’ experience in various cities across the country, and in the context of the target market methodology, Zimmerman/Volk Associates has determined that a market the size of Lake Charles can achieve an annual capture of between 15 and 25 percent of the potential renters and buyers, depending on housing type, given the production of appropriately-positioned new housing. Based on a 25 percent capture of the potential multi-family market, both rental and for-sale, and a 15 percent capture of the potential for-sale single-family attached market, the Downtown Lake Charles Study Area should be able to support up to 228 new market-rate housing units per year, over the next five years, as follows:

Annual Capture of Market Potential
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
Multi-Family For-Rent (lofts/apartments, leaseholder)	460	25%	115
Multi-Family For-Sale (lofts/apartments, condo/co-op ownership)	300	25%	75
Single-Family Attached For-Sale (townhouses, condominium/fee simple ownership)	<u>250</u>	15%	<u>38</u>
Total	1,010		228

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

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NOTE: Target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

This analysis examines market potential over the next five years. Because of the dramatic changes in the composition of American households that occurred during the 1990s (*see again* THE TARGET MARKETS *above*), and the likelihood that significant changes will continue, both the depth and breadth of the potential market for downtown and in-town living is likely to increase. The experience of other American cities has been that, once the downtown residential alternative has been securely established, the percentage of households that will consider downtown and in-town housing typically increases.

Table 7

Optimum Market Position
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<i>Housing Type</i>	<i>Base Rent/Price Range</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.</i>	<i>Annual Market Capture</i>
Multi-Family For-Rent				115 units
Live-Work Studios <i>Open Floorplan/1ba</i>	\$600 to \$1,000	500 to 1,000	\$1.00 to \$1.20	
Soft Lofts <i>One and Two-Bedroom</i>	\$750 to \$1,200	600 to 1,100	\$1.09 to \$1.25	
Apartments <i>One- to Two-Bedroom/Office</i>	\$925 to \$1,450	700 to 1,250	\$1.16 to \$1.32	
Multi-Family For-Sale				75 units
Live-Work Studios <i>Open Floorplan/1ba</i>	\$75,000 to \$110,000	600 to 1,000	\$110 to \$125	
Soft Lofts <i>One and Two-Bedroom</i>	\$95,000 to \$135,000	750 to 1,100	\$123 to \$127	
Apartments <i>Two and Three-Bedroom</i>	\$165,000 to \$350,000	1,200 to 2,250	\$138 to \$156	
Single-Family Attached For-Sale				38 units
2-Story Townhouses <i>Two-Bedrooms</i>	\$145,000 to \$160,000	1,100 to 1,250	\$128 to \$132	
3-Story Townhouses <i>Two- and Three-Bedrooms</i>	\$175,000 to \$295,000	1,350 to 2,300	\$128 to \$130	

NOTE: Base rents/prices in year 2007 dollars and exclude floor and location premiums, consumer options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

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—*Rental Distribution*—

The market-rate rent range covers leases by households with annual incomes ranging between \$35,000 and \$75,000 or more. A single-person household with an income of \$35,000 per year, paying no more than 25 percent of gross income for rent and utilities—the national standard for affordability is 30 percent—could qualify for a rent of \$600 per month. A two- or three-person household, with an income of \$75,000 per year, paying no more than 25 percent of gross income for rent and utilities, could qualify for a rent of \$1,450 per month.

Based on the target household mix (*listed on Table 8*) and the incomes of the target households, the distribution by rent range of the 115 new rental units that could be absorbed each year over the next five years in the Downtown Lake Charles Study Area is as follows:

Loft/Apartment Distribution by Rent Range
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
\$500–\$750	30	26%
\$750–\$1,000	44	38%
\$1,000–\$1,250	23	20%
\$1,250 and up	<u>18</u>	<u>16%</u>
Total:	115	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Just under 93 percent of the lofts/apartments with monthly rents of \$1,000 or less are likely to be leased by younger singles and couples; empty nesters and retirees represent the market for the remaining seven percent of these units. Half of the most expensive soft lofts and luxury apartments (with monthly rents of \$1,250 or more) are likely to be leased by affluent dual-income younger couples, another third are likely to be leased by compact families where both parents are employed, and the remaining 17 percent are likely to be rented by older couples.

Table 8

**Annual Market Capture
Target Groups For Multi-Family For-Rent
Market-Rate Lofts/Apartments
Downtown Lake Charles Study Area**

City of Lake Charles, Calcasieu Parish, Louisiana

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 25 Percent Capture</i>
Cosmopolitan Couples	10	3
Cosmopolitan Elite	20	5
New Empty Nesters	20	5
Subtotal:	50	13
Traditional & Non-Traditional Families		
The Entrepreneurs	10	3
Full-Nest Urbanites	20	5
Unibox Transferees	10	3
Subtotal:	40	11
Younger Singles & Couples		
Ex-Urban Power Couples	10	3
Fast-Track Professionals	30	8
The VIPs	50	13
Upscale Suburban Couples	30	8
Twentysomethings	110	24
Suburban Achievers	80	20
Urban Achievers	60	15
Subtotal:	370	91
Total Households:	460	115

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

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—*For-Sale Distribution*—

The market-rate price range covers purchases by households with annual incomes ranging between \$35,000 and \$150,000 or more. A single-person household with an income of \$35,000 per year, paying no more than 25 percent of gross income for housing costs, including mortgage principal, interest, taxes, insurance and utilities, would qualify for a mortgage of \$70,000 at current interest rates. A two- or three-person household with an income of \$150,000 per year under the same criteria would qualify for a mortgage of \$325,000 at current interest rates.

Based on the target household mix (*listed on Table 9*) and incomes of the target households, the distribution by price range of the 75 market-rate for-sale apartments that could be absorbed each year over the next five years in the Downtown Lake Charles Study Area is as follows:

Loft/Apartment Distribution by Price Range
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
\$50,000–\$100,000	6	8%
\$100,000–\$150,000	12	16%
\$150,000–\$200,000	22	29%
\$200,000–\$250,000	19	26%
\$250,000–\$300,000	10	13%
\$300,000 and up	<u>6</u>	<u>8%</u>
Total:	75	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Younger singles and couples represent 89 percent of the market for units priced below \$150,000, and empty nesters and retirees the remaining 11 percent. Approximately 63 percent of the most expensive soft lofts and luxury apartments, priced at \$250,000 or more, are likely to be purchased by empty nesters and retirees, with the remaining 27 percent likely to be purchased by affluent younger couples and compact urban families.

Table 9

**Annual Market Capture
Target Groups For Multi-Family For-Sale
Market-Rate Lofts/Apartments
Downtown Lake Charles Study Area**

City of Lake Charles, Calcasieu Parish, Louisiana

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 25 Percent Capture</i>
Urban Establishment	10	3
Small-Town Establishment	30	7
Suburban Establishment	10	3
Affluent Empty Nesters	10	3
Cosmopolitan Couples	20	5
Cosmopolitan Elite	30	7
New Empty Nesters	20	5
Subtotal:	130	33
Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 25 Percent Capture</i>
Full-Nest Urbanites	10	3
Subtotal:	10	3
Younger Singles & Couples		
e-Types	10	3
Ex-Urban Power Couples	10	3
Fast-Track Professionals	10	3
The VIPs	30	7
Upscale Suburban Couples	20	5
Twentysomethings	30	7
Suburban Achievers	30	6
Urban Achievers	20	5
Subtotal:	160	39
Total Households:	300	75

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

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Based on the target household mix (*listed on* Table 10) and incomes of the target households, the distribution by price range of the 38 market-rate townhouses that could be absorbed each year over the next five years in the Downtown Lake Charles Study Area is as follows:

Townhouse Distribution by Price Range
DOWNTOWN LAKE CHARLES STUDY AREA
City of Lake Charles, Calcasieu Parish, Louisiana

PRICE RANGE	UNITS PER YEAR	PERCENTAGE
\$100,000–\$150,000	3	8%
\$150,000–\$200,000	8	21%
\$200,000–\$250,000	14	37%
\$250,000–\$300,000	8	21%
\$300,000 and up	<u>5</u>	<u>13%</u>
Total:	38	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

Younger singles and couples represent nearly all of the market for townhouses priced below \$200,000, with non-traditional families the remaining 10 percent. The market for the most expensive townhouses, priced at \$250,000 or more, is represented by 46 percent empty nesters and retirees, 31 percent traditional and non-traditional families, and 23 percent young professionals.

Table 10

**Annual Market Capture
Target Groups For Single-Family Attached For-Sale
Townhouses**

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City of Lake Charles, Calcasieu Parish, Louisiana

Empty Nesters & Retirees	<i>Number of Households</i>	<i>At 15 Percent Capture</i>
Urban Establishment	10	2
Small-Town Establishment	30	4
Affluent Empty Nesters	10	2
Cosmopolitan Elite	30	4
New Empty Nesters	20	2
Subtotal:	100	14
Traditional & Non-Traditional Families		
The Entrepreneurs	10	2
Full-Nest Urbanites	10	2
Unibox Transferees	10	2
Subtotal:	30	6
Younger Singles & Couples		
e-Types	10	2
Ex-Urban Power Couples	10	2
Fast-Track Professionals	20	3
The VIPs	30	4
Upscale Suburban Couples	10	2
Twentysomethings	20	2
Suburban Achievers	10	2
Urban Achievers	10	1
Subtotal:	120	18
Total Households:	250	38

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

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DOWNTOWN HOUSING TYPES

Adaptive re-use of existing, non-residential buildings can yield either lofts or fully-finished apartments. The lofts, whether for-rent or for-sale, new construction or adaptive re-use, should include work space as a permitted use.

The residential re-use of existing non-residential structures is one of the most beneficial downtown redevelopment types; adaptive re-use creates and enhances a pedestrian-oriented street environment at a familiar, and often historic, urban scale.

The creation of “loft” dwelling units through adaptive re-use of existing buildings has been instrumental in the establishment of successful residential neighborhoods in or near the downtowns of numerous American cities, from Louisville, Kentucky, where the first loft apartment building was successfully introduced and leased in 2002, to Saint Louis, Missouri, where, over the past three years, more than 1,000 loft apartments in the Washington Avenue Loft District have been completed and occupied, are under construction, or are in development. In addition to the major cities of New York, Boston, San Francisco and Chicago, other cities where loft development has occurred or is underway include Albuquerque, Atlanta, Baltimore, Birmingham, Buffalo, Charlotte, Dallas, Denver, Detroit, Grand Rapids, Lexington, Louisville, Minneapolis, Nashville, New Orleans, Portland, Richmond, Roanoke, Saint Paul, Syracuse and Toledo.

The raw space version of a loft, or “hard” loft, is adaptable for a wide range of non-residential uses, from an art or music studio to a small office, as well as residential living areas. The loft is not dependent upon building form, other than that it is almost always within a multi-unit building.

Building and unit types most successfully used in residential redevelopment or new residential construction in other downtowns comparable in size and scale to Downtown Lake Charles, include:

—*Building Types*—

- Courtyard Apartment Building: In new construction, an urban, pedestrian-oriented equivalent to conventional garden apartments. An urban courtyard building is four or more stories, often combined with non-residential uses on the ground floor. The building should be built to the sidewalk edge and, to provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk. Parking is either below grade, at grade behind or interior to the building, or in an integral structure.

The building's apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price.

- Loft Apartment Building: Either adaptive re-use of older warehouse and manufacturing buildings or a new-construction building type inspired by those buildings. The new-construction version is usually elevator-served with double-loaded corridors.
- Mansion Apartment Building: A two- to four-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.

Parking behind the mansion buildings can be either alley-loaded, or front-loaded served by shared drives.

Mansion buildings should be strictly regulated in form, but flexible in use. However, flexibility in use is somewhat constrained by the handicapped accessibility regulations in both the Fair Housing Act and the Americans with Disabilities Act.

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- **Townhouse:** Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks. To provide privacy and a sense of security, the first floor should be elevated significantly above the sidewalk.

—*Multi-Family Unit Types*—

Live-work: A live-work unit in this case is an open-plan unit within a multi-family building that could accommodate non-residential uses in addition to, or combined with living quarters.

In New Urbanist developments that are currently under construction across the country, true live-work units tend to be most successful in projects that have been underway for several years, within an already established neighborhood or town center. In most of the developments for which information is available, live-work units are likely to be purchased by households for use as dwelling units only, or purchased by investors.

Hard Lofts: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).

Soft Lofts: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of “hard lofts,” such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.

The building’s loft apartments can be leased, as in a conventional income property, or sold to individual buyers, under condominium or cooperative ownership, in which the owner pays a monthly maintenance fee in addition to the purchase price. (Loft apartments can also be incorporated into multifamily buildings along with conventionally-finished apartment units.)

UNIT AND PROPERTY AMENITIES

In-Unit Amenities

To meet the expectations of potential urban residents, all units should be wired for cable television and high-speed internet or, if practical, be served by a building-wide Wi-Fi system. For “live-work” units or “soft lofts” in adaptive re-use structures, existing floors should be salvaged and refinished and masonry walls should be exposed. Although some lofts are designed without interior walls, with the exception of the bathroom, as much closet and storage space as possible should be provided.

In the kitchens, buyers in particular will expect countertops to be granite, Corian, or an equivalent solid surface with integral or undermount sinks, and with backsplashes either matching or finished in tile or stainless steel; renters will expect contemporary, durable finishes appropriate to urban living, as opposed to the “beige” interiors of suburban multi-family housing. Cabinets should have flush fronts with integral or contemporary pulls, offered in a variety of finishes, ranging from bamboo to frosted glass. Appliances should have stainless fronts.

In new construction, suburban condominium finishes should be avoided. Those units configured as “soft” lofts should have bedrooms separated by walls or, in cases of interior rooms, partitions that run only partially to the ceiling. HVAC should be designed with exposed spiral ductwork. Lighting fixtures should have clean and minimalist designs, capable of accommodating compact fluorescent bulbs.

Floors should not be carpeted, but should, instead, be offered with scored, stained and polished concrete as standard and with bamboo as an option in the main rooms and bedrooms, and ceramic or stone as an option in the kitchens and baths.

Walls should be drywall finished with simple contemporary baseboards. Doors should be flush, matched-grain wood with stainless handles and hardware.

Bathrooms should have a standard contemporary finish package, including vessel-style sinks, and slate, marble or granite counter, shower and/or tub enclosures. All fixtures, faucets and lighting

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should be clean, minimalist and contemporary. Again, lighting should accommodate compact fluorescent bulbs.

Some of the more expensive apartments will require more traditional finishes, such as crown molding, chair rails, five-panel interior doors, carpeted bedroom floors, with carpet or hardwood in living and dining areas and tile in the kitchens and baths. Kitchen countertops should be granite, or Corian, or an equivalent solid surface, with integral or undermount ceramic sinks and upscale appliances, such as stainless steel, and a choice of European or traditional cabinets. Bathrooms should have ceramic tile floors and high-style, traditional fixtures.

Property Amenities

Larger rental properties, in order to be competitive, should provide the amenities that have become the norm for investment-grade assets: business center, clubroom with catering kitchen, and some level of exercise facility.

For condominiums, if the property is large enough (at least 50 units), property amenities could include a small fitness center with state-of-the-art treadmills, bikes, Stairmasters, and free weights. Building amenities in a large condominium property could also include an owners' club with a full working bar, media area with flat-screen television, chess, backgammon and card room, library and either high-speed internet access or Wi-Fi.

If space within the building is available, other amenities that are not very expensive to provide include storage units, bicycle racks, and recycling bins.

Any additional property amenities would depend on the scale of the development and the proposed price points; the more expensive the units, the greater the number of amenities that the buyers will expect. For very high-end developments, concierge services, accommodating a wide range of personal services, from dry cleaning pick-up/delivery to dinner reservations, would be appropriate. However, if these kinds of services generate high condominium fees, there is likely to be buyer resistance. It is for this reason that swimming pools are not recommended; pools are expensive to build and maintain, and are typically infrequently used by residents.

DOWNTOWN HOUSING STRATEGIES

From the perspective of draw area target market propensities and compatibility, a broad range of new construction as well as adaptive re-use of existing buildings will be required to support and sustain residential diversity in the Downtown Lake Charles Study Area, both within the core Downtown and within the Lakefront Development area.

An effective housing strategy to attract the target households should include:

- Preservation of the built environment: the restoration, repositioning and/or adaptive re-use of existing vacant or under-utilized buildings (private sector);
- Mixed-use development: the inclusion of a residential component within mixed-use buildings, either adaptive re-use or new construction (private sector);
- The development of programs and policies that encourage the creation of downtown housing (public sector).

In order to achieve maximum positive impact of downtown housing, three elements—location, design and marketing—must be carefully considered and executed.

Location: Evaluate Buildings/ Areas for Residential Development

In general, sites or buildings intended for new development or redevelopment should be evaluated relative to the following criteria for successful urban housing initiatives:

- (a) Advantageous adjacency. It is critical to “build on strength,” not only to provide maximum support for any proposed housing initiatives, but also, conversely, so that housing initiatives will reinforce existing or proposed adjacent developments (commercial, retail, or residential).
- (b) Building and/or land availability. At present, several buildings or parcels within the downtown are underutilized or vacant. From the city’s perspective, poorly-located or under-used surface parking lots are better utilized as sites for new infill mixed-use development, not only to enhance the city’s tax base, but also to provide a more inviting and interesting pedestrian experience for downtown residents and visitors

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(c) Potential for expansion. Each housing initiative should be located in an area where, at the successful completion of the initial project, adjacent or nearby buildings and/or land appropriate for the continuation or extension of the neighborhood, either through new construction or adaptive re-use would potentially be available. Each housing initiative should be viewed not as a “stand-alone” project, but rather as a potential catalyst for additional residential development in surrounding areas.

(d) Anchors/linkage. Each housing initiative must be seen as part of an overall urban strategy to build a critical mass of both housing and related non-residential uses. “Anchor” locations establish the potential for economic activity in an underutilized area; “linkage” locations build on the strength of two or more established, but disconnected assets.

A dual approach to downtown development and redevelopment should be pursued, both of which are equally important to the long-term viability of Downtown Lake Charles: the first approach focuses on the core Downtown, initially concentrating on adaptive re-use of the upper floors of existing buildings; a second, and simultaneous approach concentrates on new construction in the Lakefront Development area. These two approaches provide development and redevelopment opportunities that are complementary, not competitive; the introduction of significant residential in the core Downtown will have more immediate impact on Ryan Street retailers; however, initially, new residential construction located on the lakefront should achieve higher values than comparable new construction within the core Downtown.

(1) The Core Downtown: Development of residential units on the upper floors of the buildings along Ryan, Division and Broad Streets, in particular, and any other streets with appropriate buildings should be strongly encouraged and should continue until there are no buildings remaining with vacant upper floors. Several cities have held day-long seminars to assist building owners with the process of residential conversion, which can be complicated even for skilled developers. Because these units are all adaptive re-use, they will be most attractive to the market as live-work or soft lofts, with unit sizes comparable to those outlined in the optimum market position. Although the internal configuration of

the existing buildings can have significant impact on the size of the units created, wherever possible, smaller units (at comparatively lower rents and prices) should be the goal.

Downtown artist housing could be developed through the use of low-income tax credits combined with federal historic tax credits (appropriate buildings should be identified and designated as historic to enable this type of development to occur): artists do not typically have high incomes and could likely qualify for income-restricted units; as has been the case with many tax credit artists' housing across the country, an additional requirement would be that at least one member of the household have a successful portfolio review by a qualified committee established for that purpose.

Most of the vacant land in the core downtown is concentrated in parking lots. Residential construction on these lots would require not only the creation of new parking spaces to accommodate the new dwelling units, but also the replacement of the parking spaces in the lots. The only way a sufficient number of parking spaces could be created in an urban form attractive to the potential market is in a mixed-use structure or block with parking at its core and lined with ground-floor retail uses, and residential units on the upper floors and on top of the deck. The cost of this kind of development is likely to put the average rent/price of the units out of reach of a significant segment of the potential market, and may well make these types of projects infeasible. The solution devised in other cities across the country is a public-private partnership, where the city finances the infrastructure—in this case, the parking decks—and the developer finances the residential and/or commercial uses.

- (2) The Lakefront Development area: With its proximity to Lake Charles, the Civic Center, the amphitheater, and Millennium Park, Tract One-A would be an excellent location for a hotel/condominium development. Although in the past, most cities have established residential in downtown locations with rentals before introducing significant condominium development, these dynamics have changed, largely due to the combination of demographics and economics; the Boomer/Millennial convergence is increasing the number of households intent on investing in urban housing, and low interest rates have

enabled many of these households to purchase for monthly carrying costs similar to those of a high-quality rental.

From the market perspective, the advantages of building, say, four floors of condominium units above four floors of hotel rooms are many: a) Condominium buyers would have access to hotel services and amenities (such as the fitness center, swimming pool, concierge); b) The association with a hotel would give condominium buyers assurances that the units would indeed be constructed, and would likely escalate in value due to their unique position in the city; and c) the condominium units on the upper floors would have spectacular views of Lake Charles and downtown Lake Charles. The prices of these units would likely carry considerable premiums; prior to development, the units should be very carefully designed to match the expectations of the target households. Theoretically, this development could take place once a hotel agreement was in place; it is likely that a relatively upscale hotel—which should be the objective, given the lakefront location—could be attracted, particularly if additional commercial and residential development were taking place both along the lakefront and in the core downtown.

The remaining parcels in the Lakefront Development area are also exceptional locations on Lake Charles and new residential on these tracts should complement supportable retail/office development as well as the hotel/condominium tower. Rather than a series of units or buildings that present garages to the street, the preferred alternative would be townhouses, or courtyard or mansion apartment buildings that face either the public promenade along the lake, or new streets within each tract. If additional residential development is held until after completion of the hotel/condominium tower, it is likely that premium prices could be achieved for these later units; a mix of one- to three-bedroom condominiums, ranging in size from 1,000 to 2,000 square feet, and three-story townhouses would be appropriate in these locations. However, to achieve maximum values, it is critically important that any new residential development along the lakefront retain an urban, rather than a suburban form.

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Design: Ensure Appropriate Urban Design

A downtown neighborhood is the sum of a variety of elements: the configuration of the street and block network, the arrangement of lots on those blocks, and the manner in which buildings are disposed on their lots and address the street. Successful residential development throughout the Study Area will depend upon the preservation, enhancement, and restoration of the area's urban character. A downtown residential neighborhood succeeds when its physical characteristics consistently emphasize urbanity and the qualities of city life; conversely, attempts to introduce suburban scale and housing types (or, indeed, suburban building forms in general) into urban areas have invariably yielded disappointing results. Therefore, appropriate urban design—which places as much emphasis on creating quality streets and public places as on creating or redeveloping quality buildings—will be essential to success.

Marketing: Market and Monitor the Downtown

A high-profile marketing program should be undertaken to promote the neighborhoods of downtown as exciting residential alternatives.

- (a) Advertising and public relations should include an “image” campaign that not only keeps the downtown within the public consciousness, but also reinforces the positive aspects of urban living. The City of Norfolk, Virginia adopted the slogan “Come Home to Norfolk Now” as the centerpiece of their marketing campaign that focuses on downtown and surrounding in-town neighborhoods. The campaign has been highly successful in attracting new residents, to both the downtown as well as the city's in-town neighborhoods.
- (b) Many cities sponsor annual downtown housing tours, which have been enormously successful in familiarizing the public with the available housing options. In Louisville, Kentucky, the first Downtown housing tour attracted over 100 people with minimal marketing; tours now require several buses to accommodate the hundreds of participants. Many cities charge fees for the tours, with the fees donated to public or charitable organizations, ranging from arts organizations to the public library.

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Marketing efforts are most effective when they are constantly fine-tuned based on results, which requires some means of monitoring marketing impact. In the City of Baltimore, Maryland, the Downtown Partnership maintains a database of all existing residential properties located within the downtown. The Partnership updates, on a quarterly basis, the monthly rents, vacancy and turnover rates at each rental building; the values and sales of newly-developed units in new construction or adaptive re-use of existing buildings; and the values and frequency of resale activity within older condominium buildings, to determine value escalation, if any. In addition, the Partnership monitors the status of all new development proposals. This information is readily available to potential developers via the Partnership's website.

Downtown, and most of Baltimore's in-town neighborhoods, are actively marketed through another website, "Live Baltimore," which is linked to the Downtown Partnership website. This site describes in detail each neighborhood's assets, from cultural institutions to architectural characteristics, and also provides comprehensive listings of available rental and for-sale units (with location, asking rent/price, unit size and photograph).

POLICIES AND PROGRAMS

Impediments to downtown residential development and redevelopment include regulatory obstacles (inappropriate zoning and/or code requirements), high asking prices for existing, underutilized buildings and vacant land, and high production costs relative to the initial value of completed units. The cost problem may actually be more acute in adaptive re-use, since the existing structure often complicates the design effort while costing nearly as much as or, under some circumstances, more than new construction.

Strategies for downtown housing should be supported by targeted policies and programs that are coordinated for effective and efficient implementation. Policies and programs that have been effective across the country, and “best practices” resources are outlined here.

1. POLICIES AND PROGRAMS TO ADDRESS REGULATORY OBSTACLES

—*Special Code for Adaptive Re-Use*—

New Jersey was the first state to adopt a separate construction code for existing buildings. One important element of the code is that it is responsive to scale, easing compliance for small projects; code requirements increase with the scope of the rehabilitation project. This is of primary importance, since most neighborhoods will derive maximum benefits from residential and, indeed, non-residential initiatives that occur on a variety of scales. In cities across the country, it has become clear that neighborhoods with significant historic rehabilitation efforts have fared best in the maintenance and building of housing value. These historic rehabilitations have ranged in scale from the professional renovation and rehabilitation of large, multi-unit buildings to sweat-equity efforts of individual owner occupants.

Since the New Jersey code’s adoption in 1998, the amount of rehabilitation in the state’s largest cities has increased by 60 percent. Lake Charles could adopt a similar code, following the example of Wilmington, Delaware, which was the first of many cities to adopt a code modeled on the New Jersey statute. [New Jersey Department of Community Affairs, Division of Codes and Standards: Rehab Subcode of the Uniform Construction Code (NJAC 5:23-6).]

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—*Adaptive Re-Use Handbook*—

A handbook for developers and building professionals could be produced that summarizes the code and, if applicable, typical trade-offs and variances allowed. Qualification for regulatory relief should be presented clearly and unambiguously to assist in the evaluation of building suitability. The handbook could be used in the redevelopment of other city neighborhoods, not just the Downtown.

—*Adaptive Re-Use “Ombudsman”*—

Even with an appropriate and clearly-presented code for existing structures, given the wide variety of conditions represented by existing buildings, it should be anticipated that an equally wide variety of solutions to code compliance of adaptive re-use will be required. The coordination of the regulatory process can be overwhelming. The city can smooth the process by appointing a single code officer—an adaptive re-use “ombudsman”—to provide technical assistance to owners and developers. The ombudsman’s oversight of all adaptive re-use would also assure an informed and even-handed treatment of all cases. Again, depending on the volume of development, the ombudsman could also oversee development and redevelopment in other city neighborhoods.

—*Pre-Development Meetings*—

A number of cities have instituted the practice of pre-development meetings, which are held prior to submission of plans and in which the development team meets with relevant city departments, *i.e.*—zoning, permitting, engineering, inspections, etc., in an effort to streamline the pre-construction process. When well-managed, these meetings can be very effective, with all disciplines cooperating for the benefit of the common development objective. However, when managed poorly, these meetings can actually become counter-productive if each discipline is allowed to establish an unyielding position.

2. POLICIES AND PROGRAMS TO ADDRESS ACQUISITION AND DEVELOPMENT OBSTACLES

—Publicly-Owned Land—

Publicly-owned land and/or buildings in key downtown locations should be used to leverage residential development. This has been a key factor in stimulating residential development in numerous downtowns across the country with little or no existing market-rate housing. Publicly-owned land is not subject to the unrealistic land values often promulgated by private landowners, and can therefore act as a catalyst for development.

The first market-rate housing in 20 years in the City of Norfolk, Virginia was developed on three blocks owned by the city; that 300-unit project established the downtown market, and the City has since attracted national developers to the downtown through development RFPs for remaining city-owned parcels; at the present time, downtown Norfolk has several hundred units in development or recently completed.

To ensure maximum beneficial impact, the City of Lake Charles could require that each appropriately-located development parcel include residential uses.

—Investment in Infrastructure—

In the early 1990s, the City of Louisville, Kentucky invested significant funds to upgrade the infrastructure of West Main Street in downtown to encourage private investment in the historic cast iron buildings that line both sides of the street. Improvements included rebuilt sidewalks and new lighting, as well as the installation of brick pedestrian crosswalks. As a result, West Main Street is now home to the Louisville Slugger Museum, a boutique hotel, a children's museum, several businesses, and dozens of residential units.

The City of Lake Charles has funding to upgrade Ryan Street, which will be critical to the revitalization of this former premier retail street in the city.

3. POLICIES AND PROGRAMS TO ADDRESS HIGH DEVELOPMENT COSTS

—*Gap Financing Pool*—

Compared to suburban locations, most of the infill development opportunities within Downtown Lake Charles are likely to be smaller in scale—in most cases, fewer than 75 units and usually fewer than 50. These small properties lack development efficiency; since fixed costs are spread over fewer units, the cost per unit is higher without any corresponding increase in market value. Small properties have historically had difficulties attracting public capital assistance in any form; because of their small size, they are generally not considered to have the potential for catalytic impact. (This is one of the long-standing ironies of American urban initiatives: the properties that are large enough to have gained government support are often self-contained and have significantly less impact on surrounding uses than the same number of units in smaller, pedestrian-oriented properties.)

Gap funding should be available to both adaptive re-use and to new construction. The gap fund should be very flexible in order to respond to the special needs of each small, highly-individual property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

The Greater Downtown Partnership of Detroit has assembled a \$23 million fund to provide gap financing; the fund is currently being used to assist in the renovation and conversion of a number of downtown buildings from commercial to residential use.

Smaller cities can be successful with smaller funds: Louisville, Kentucky matched the \$3 million dollars contributed by six downtown banks, the sum of which, when augmented by \$1 million from the state and local businesses, created a \$7 million gap financing pool. The Lowell Plan, a private non-profit organization in Lowell, Massachusetts is currently building a \$20 million pool, targeted specifically to assist residential and mixed-use developers, following the commercial

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funding pool created during the 1990s that was successful in stimulating retail development in the downtown.

—*Gulf Opportunity Zone Act*—

The Gulf Opportunity Zone Act, passed by the United States Congress in response to the devastation caused by Hurricanes Katrina, Rita and Wilma, applies to parishes and counties in the three states most severely affected, and includes Calcasieu Parish. Tax incentives provided by the act that would be useful vis-à-vis housing development include increased allocations and cost coverage of the low-income housing tax credit, increases in cost coverage of the rehabilitation tax credit, incentives for employer-provided housing, expansion of the availability of below-market mortgages in the disaster areas, bonus depreciation for new real property and equipment investments, as well as numerous tax benefits.

—*Double Bottom-Line Fund*—

The double bottom-line fund is an investment fund designed to produce both acceptable financial returns to the investors and measurable social returns to the community, hence, the “double bottom-line.” Investors in these funds include banks, pension funds, business associations, and high net-worth individuals. The double bottom-line real estate equity fund first emerged as an investment and redevelopment tool in the 1990s, and was established as a significant funding resource in 2002 with the founding of the Bay Area Smart Growth Fund. This fund was sponsored by the Bay Area Council, with a membership of more than 275 businesses, and was chartered to invest in commercial and residential opportunities with the potential for measurable impact in 46 targeted communities in the Bay Area.

The social objectives of most double bottom-line funds include affordable housing, public transportation, crime reduction, job creation, the provision of previously-unavailable community services, and commercial office space for small business tenants and non-profits. In a survey published in 2003 by the Research Initiative on Social Entrepreneurship (RISE), a project of the Columbia Business School, the estimated internal rates of return of 36 funds that responded to a RISE survey ranged from a negative IRR of under 10 percent to positive returns of more than 50 percent; the more typical IRR ranged between seven and 15 percent.

4. BEST PRACTICES

—Business Improvement Districts—

Many of the most successful revitalized downtowns are guided by public-private partnerships such as a business improvement district (BID). A BID is funded by the property and business owners located within the downtown improvement district, and typically promotes economic development in the downtown by providing clean and safe streets, hospitality, and marketing services. BIDs are currently operating in each region of the United States, in 42 states and the District of Columbia .

—Young Professionals Organization—

Young people are not only a significant market for downtown housing, they represent the future of a city. Too many cities have been losing their young people because of the scarcity of employment geared to “knowledge workers,” the small number of attractive and stylish eating and drinking establishments and shopping options, and the lack of housing types appropriate for young people. In many cities, service and social organizations of young professionals—such as Young Leaders of Northeast Indiana in Fort Wayne, Indiana, and Young Professionals Association of Louisville—have demonstrated a commitment to downtown revitalization and through their activities have raised the downtown’s profile among their membership.

—Reduced Parking Requirements—

Although lack of parking is a recurring complaint in many cities, detailed analysis of parking capacity typically reveals under-utilization of existing parking. A number of cities have recently begun to eliminate parking requirements. For example, Portland, Oregon now exempts downtown residential development from required off-street parking; Olympia, Washington and Lafayette, Louisiana have no minimum parking requirements in their downtowns.

Resident parking on designated streets should be expanded to accommodate the number of dwelling units created through adaptive re-use of existing structures or in other circumstances where no on-site parking spaces can be created; permits should be issued at the cost of administering the program, including the added cost of enforcement.

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Shared parking should be encouraged in the core Downtown. The overall number of required parking spaces could be significantly reduced if businesses and residential development shared parking facilities, freeing more land for economic development.

—*Sales and Income Tax Incentives for Artists*—

Revitalization of urban neighborhoods across the country has often been initiated by the arts community. Since resident artists are critical to the establishment of a recognizable urban arts district, they can be encouraged through targeted tax relief. The City of Providence, Rhode Island has populated its DownCity Arts and Entertainment District through the use of sales and income tax exemptions. Artists and artisans in DownCity are exempt from state and local sales taxes; and resident artists are exempt from personal state income tax. The program has been deemed so successful that the Rhode Island General Assembly subsequently passed legislation to establish similar districts in two other Rhode Island cities, Westerly and Pawtucket.

—*“Arts District” Housing*—

A proven approach to maintaining a stock of affordable housing and live-work space for artists is the use of dedicated Low-Income Housing Tax Credits (LIHTC). In addition to household-size income qualification, prospective residents are also subject to a portfolio review to assure that at least one member of the household is a working artist. This program can be augmented with federal and state historic tax credits to redevelop existing buildings within an historic district.

Artspace Projects, Inc., based in Minneapolis, Minnesota, has redeveloped several buildings for artists in St. Paul, Minneapolis and Duluth using this strategy and has provided consultation services, with planned projects, for equivalent redevelopments in Buffalo, New York; Jackson, Michigan; Salt Lake City, Utah; Detroit, Michigan; and Philadelphia, Pennsylvania, among others.

—*“Live Near Your Work”*—

In order to increase homeownership opportunities, many cities have, in collaboration with local employers, universities, and medical institutions, created employer-assisted housing benefit plans for employees. Through these initiatives, employers provide eligible employees with a forgivable

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loan of a set amount—typically between \$2,000 and \$15,000, depending on local housing costs—as well as housing information and education, and innovative financing options. These initiatives are designed to promote urban revitalization by targeting dwelling units in the downtowns and in-town neighborhoods. This program has been highly successful in Baltimore, where more than 90 employers participate, and more than 2,100 families have benefited since the program's inception in 1997.

In Seattle, the City and Washington State have created the House Key Plus Seattle program, which offers first-time buyers loans at below-market interest rates. Since its start in 2004, the program has provided 71 homebuyers, with incomes no more than 80 percent of the area median income, an average assistance of more than \$40,700.

And in Lancaster, Pennsylvania, Franklin & Marshall College offers three employer-assisted housing benefit plans for employees through its City Life neighborhood housing program: Mortgage Guarantee, Settlement Assistance and Curb Appeal. These range from the College acting as a mortgage insurer, to deferred payment loans for down payments, closing costs, and interior and exterior home improvements; these programs apply to buildings located within a defined area adjacent to the campus. To date, 23 employees have purchased homes using Settlement Assistance, and 19 employees have participated in the Curb Appeal program.

METHODOLOGY

The technical analysis of market potential for the Downtown Lake Charles Study Area included delineation of the draw areas and physical evaluation of the area and the surrounding context.

The delineation of the draw areas for housing within the City of Lake Charles was based on historic settlement patterns, migration trends for Calcasieu Parish, and other market dynamics.

The evaluation of market potential for the Downtown was derived from target market analysis of households in the draw areas, and yielded:

- The depth and breadth of the potential housing market by tenure (rental and ownership) and by type (apartments, attached and detached houses); and
- The composition of the potential housing market (empty-nesters/retirees, traditional and non-traditional families, younger singles/couples).

NOTE: The Appendix Tables referenced here are provided in a separate document.

DELINEATION OF THE DRAW AREAS (MIGRATION ANALYSIS)—

Taxpayer migration data provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to Calcasieu Parish. These data are maintained at the parish (county) and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns.

Appendix One, Table 1.

Migration Trends

Analysis of Calcasieu Parish migration and mobility patterns from 2001 through 2005—the latest data available from the Internal Revenue Service—shows that Hurricanes Katrina and Rita, which occurred at the end of August and beginning of September in 2005, caused a substantial increase in the number of households moving into the parish that year. Prior to 2005, in-migration had held steady at just under 3,000 households; in 2005, in-migration jumped to nearly 3,600 households.

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Between 20 and 25 percent of the parish's in-migration is from neighboring Cameron, Beauregard, Jefferson Davis, and Allen Parishes; another five to six percent is from Houston (Harris County), Texas; the remainder is from other Louisiana parishes, in particular Orleans and Jefferson Parishes, and from other urban areas across the country.

Out-migration also rose significantly in 2005, from just over 3,000 households in 2002 through 2004, to more than 4,000 households in 2005, again as a result of the devastation of Hurricane Rita. Over the study period, Calcasieu Parish's net household migration losses (with more households moving out of the parish than moved in) ranged from just 90 households in 2002 to 350 households in 2001; up to 485 more households moved out of the parish in 2005 than moved in.

NOTE: Although net migration provides insights into a parish's historical ability to attract or retain households compared to other locations, it is those households likely to move into the parish (gross in-migration) that represent the parish's external market potential.

Based on the migration data, the draw areas for the City of Lake Charles and the Downtown Lake Charles Study Area have been delineated as follows:

- The primary draw area, covering households currently living within the Lake Charles city limits. Under normal conditions, up to 15 percent of the households living in the city, with the financial capacities to rent or purchase market-rate dwelling units, move to another residence within the city each year.
- The local draw area, covering households currently living in the balance of Calcasieu Parish. Between four and five percent of the households living in the balance of Calcasieu Parish, with the financial capacities to rent or purchase market-rate dwelling units, could move to a residence in the city each year, if appropriate housing units were to be made available.
- The regional draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Cameron, Beauregard, Jefferson Davis, and Allen Parishes.

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- The New Orleans draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Orleans and Jefferson Parishes, a trend that existed prior to Hurricane Katrina and like to continue for several more years.
- The Houston draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from Harris County, Texas.
- The national draw area, covering households, with the financial capacities to rent or purchase market-rate dwelling units, and with the potential to move to the City of Lake Charles from all other U.S. counties. Under normal conditions, approximately 3,000 households move into Calcasieu Parish from elsewhere in the United States each year; a small additional number are households moving from outside the United States. Approximately 40 percent of those households move into the City of Lake Charles.

Anecdotal information obtained from real estate brokers, sales persons, leasing agents, and other knowledgeable sources corresponded to the migration data.

Migration Methodology:

Parish-to-parish (county-to-county) migration is based on the year-to-year changes in the addresses shown on the population of returns from the Internal Revenue Service Individual Master File system. Data on migration patterns by parish (county), or county equivalent, for the entire United States, include inflows and outflows. The data include the number of returns (which can be used to approximate the number of households), and the median and average incomes reported on the returns.

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TARGET MARKET CLASSIFICATION OF CITY AND PARISH HOUSEHOLDS—

Geo-demographic data obtained from Claritas, Inc. provide the framework for the categorization of households, not only by demographic characteristics, but also by lifestyle preferences and socio-economic factors. An appendix containing detailed descriptions of each of these target market groups is provided along with the study.

Appendix One, Tables 2 and 3.
Target Market Classifications

Of the estimated 27,580 households living in the City of Lake Charles in 2007, just under 42 percent, or 11,500 households, have the capacity to rent or buy market-rate housing. (*Reference Appendix One, Table 2.*) Median income within the city is estimated at \$34,000, approximately 29 percent lower than the national median of \$49,300. Median home value within the city is estimated at \$90,200, just under 48 percent below the national median of \$172,900. Nearly 40 percent of the city's "market-rate" households can be characterized as empty nesters and retirees, another 30.6 percent are younger singles and couples, and 29.8 percent are traditional and non-traditional families.

Approximately 47 percent, or 33,420 households, of the estimated 70,990 households living in Calcasieu Parish in 2007 have the capacity to rent or buy market-rate housing. (*Reference Appendix One, Table 3.*) Median income within the parish is estimated at \$41,400, approximately 16 percent below the national median. Median home value within the parish is estimated at \$89,900, slightly below the Lake Charles median and almost half of the national median. Up to 46 percent of Calcasieu Parish's "market-rate" households are characterized as traditional and non-traditional families, another 31.1 percent are empty nesters and retirees, and the remaining 22.9 percent are younger singles and couples.

Target Market Methodology:

The proprietary target market methodology developed by Zimmerman/Volk Associates is an analytical technique, using the PRIZM NE household clustering system, that establishes the optimum market position for residential development of any property—from a specific site to an

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entire political jurisdiction—through cluster analysis of households living within designated draw areas. In contrast to classical supply/demand analysis—which is based on supply-side dynamics and baseline demographic projections—target market analysis establishes the optimum market position derived from the housing and lifestyle preferences of households in the draw area and within the framework of the local housing market context, even in locations where no close comparables exist.

Clusters of households (usually between 10 and 15) are grouped according to a variety of significant “predictor variables,” ranging from basic demographic characteristics, such as income qualification and age, to less-frequently considered attributes known as “behaviors,” such as mobility rates and lifestyle choices. Zimmerman/Volk Associates has refined the analysis of these household clusters through the correlation of more than 500 data points related to housing preferences and consumer and lifestyle characteristics.

As a result of this process, Zimmerman/Volk Associates has identified 41 target market groups with median incomes that enable most of the households within each group to qualify for market-rate housing, and an additional 25 groups with median incomes in which a much smaller number of households is able to qualify for market-rate housing. The most affluent of the 66 groups can afford the most expensive new ownership units; the least prosperous are candidates for the least expensive existing rental apartments.

Once the draw areas for a property have been defined, then—through field investigation, analysis of historic migration and development trends, and employment and commutation patterns—the households within those areas are quantified using the target market methodology. The potential market for new market-rate units is then determined by the correlation of a number of factors—including, but not limited to: household mobility rates; median incomes; lifestyle characteristics and housing preferences; the location of the site; and the competitive environment.

The end result of this series of filters is the optimum market position—by tenure, building configuration and household type, including specific recommendations for unit sizes, rents and/or prices—and projections of absorption within the local housing context.

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DETERMINATION OF THE POTENTIAL MARKET FOR THE CITY OF LAKE CHARLES (MOBILITY ANALYSIS)—

The mobility tables, individually and in summaries, indicate the number and type of households that have the potential to move within or to the City of Lake Charles in the year 2007. The total number from each parish/county is derived from historic migration trends; the number of households from each group is based on each group's mobility rate.

Appendix One, Table 4.

Internal Mobility (Households Moving Within the City of Lake Charles)—

Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine the number of households in each target market group that will move from one residence to another within a specific jurisdiction in a given year (internal mobility).

Using these data, Zimmerman/Volk Associates has determined that up to 1,350 households living in the City of Lake Charles, and with the capacity to rent or purchase market-rate housing, have the potential to move from one residence to another within the city this year. Approximately 40 percent of these households are likely to be younger singles and couples (as characterized within 10 Zimmerman/Volk Associates' target market groups); another 30.4 percent are likely to be family-oriented households (in 10 market groups); and the remaining 29.6 percent are likely to be empty nesters and retirees (in nine groups).

Appendix One, Table 5.

External Mobility (Households Moving To the City of Lake Charles from the Balance of Calcasieu Parish)—

The same sources of data are used to determine the number of households in each target market group that will move from one area to another within the same parish. Using these data, up to 1,000 households, currently living in the balance of Calcasieu Parish and with the capacity to rent or purchase market-rate housing, have the potential to move from a residence in the parish to a residence in the City of Lake Charles this year. Up to 55 percent of these households are likely to be traditional and non-traditional families (in nine market groups); 24 percent are likely to be younger singles and couples (in nine groups); and the remaining 21 percent are likely to be empty nesters and retirees (in six groups).

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Appendix One, Tables 6 through 9; Appendix Two, Tables 1 through 6.

External Mobility (Households Moving To the City of Lake Charles from Outside Calcasieu Parish)—

These tables determine the number of households in each target market group living in each draw area parish (county) that are likely to move to the City of Lake Charles in 2007 (through a correlation of Claritas data, U.S. Bureau of the Census data, and the Internal Revenue Service migration data).

Appendix One, Table 10.

Market Potential for the City of Lake Charles—

Appendix One, Table 10 summarizes Appendix One, Tables 4 through 9. The numbers in the Total column on page one of these tables indicate the depth and breadth of the potential market for new and existing market-rate dwelling units in the City of Lake Charles in the year 2007 originating from households currently living in the draw areas. At least 4,300 households with the potential to rent or purchase market-rate housing have the potential to move within or to the City of Lake Charles this year. Traditional and non-traditional families (in 15 groups) are likely to account for 43 percent of the market; younger singles and couples (in 12 groups) make up more than a third of these households; and the remaining 24 percent likely to be empty nesters and retirees (in 13 groups).

The distribution of the draw areas as a percentage of the potential market for the City of Lake Charles is as follows:

Market Potential by Draw Area	
<i>City of Lake Charles, Calcasieu Parish, Louisiana</i>	
City of Lake Charles (Primary Draw Area):	31.4%
Balance of Calcasieu Parish (Local Draw Area):	23.3%
Cameron/Beauregard/Jefferson Davis/Allen Parishes (Regional Draw Area):	8.1%
Orleans/Jefferson Parishes (New Orleans Draw Area):	2.3%
Harris County, Texas (Houston Draw Area):	4.7%
Balance of US (National Draw Area):	<u>30.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

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DETERMINATION OF THE POTENTIAL MARKET FOR THE DOWNTOWN LAKE CHARLES STUDY AREA—

The total potential market for the new market-rate housing units to be developed within existing buildings or new construction within Downtown Lake Charles also includes the primary, local, regional, New Orleans, Houston, and national draw areas. Zimmerman/Volk Associates uses U.S. Bureau of the Census data, combined with Claritas data, to determine which target market groups, as well as how many households within each group, are likely to move to the Downtown Lake Charles Study Area in a given year.

Appendix One, Tables 11 through 13.

Market Potential for the Downtown Lake Charles Study Area—

As derived by the target market methodology, up to 1,610 of the 4,300 households that represent the market for new and existing market-rate housing units in the City of Lake Charles are a market for new market-rate housing units within the Downtown Lake Charles Study Area. (*See* Appendix One, Table 11.) More than 57 percent of these households are likely to be younger singles and couples (in eight market groups); another 31 percent are likely to be empty nesters and retirees (in eight groups); and just 11.8 percent are likely to be traditional and non-traditional family households (in three groups).

The distribution of the draw areas as a percentage of the market for the Downtown Lake Charles Study Area is:

Market Potential by Draw Area	
DOWNTOWN LAKE CHARLES STUDY AREA	
<i>City of Lake Charles, Calcasieu Parish, Louisiana</i>	
City of Lake Charles (Primary Draw Area):	29.2%
Balance of Calcasieu Parish (Local Draw Area):	13.7%
Cameron/Beauregard/Jefferson Davis/Allen Parishes (Regional Draw Area):	2.5%
Orleans/Jefferson Parishes (New Orleans Draw Area):	3.7%
Harris County, Texas (Houston Draw Area):	8.7%
Balance of US (National Draw Area):	<u>42.2%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2007.

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The 1,610 draw area households that have the potential to move to the Downtown Lake Charles Study Area this year have been categorized by tenure propensities to determine renter/owner ratios. Up to 28.6 percent of these households (or 460 households) comprise the potential market for new market-rate rentals. The remaining 71.4 percent (or 1,150 households) comprise the market for new market-rate for-sale (ownership) housing units. (See Appendix One, Table 12.)

Of these 1,150 households, 26.1 percent (or 300 households) comprise the market for new market-rate multi-family for-sale units (condominium apartments and lofts); and another 21.7 percent (250 households) comprise the market for new market-rate attached single-family (townhouse) units. The remaining 52.2 percent (or 600 households) comprise the market for all ranges and densities of new market-rate single-family detached houses. (See Appendix One, Table 13.)

—Target Market Data—

Target market data are based on the Claritas PRIZM NE clustering system, modified and augmented by Zimmerman/Volk Associates as the basis for its proprietary target market methodology. Target market data provides number of households by cluster aggregated into the three main lifestyle categories—empty nesters and retirees; traditional and non-traditional families; and younger singles and couples.

Zimmerman/Volk Associates' target market classifications are updated periodically to reflect the relentless change in the composition of American households. Because of the nature of geodemographic segmentation, a change in household classification is directly correlated with a change in geography, *i.e.*—a move from one neighborhood condition to another. However, these changes of classification can also reflect an alteration in one of three additional basic characteristics:

- Age;
- Household composition; or
- Economic status.

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Age, of course, is the most predictable, and easily-defined of these changes. Household composition has also been relatively easy to define; recently, with the growth of non-traditional households, however, definitions of a family have had to be expanded and parsed into more highly-refined segments. Economic status remains clearly defined through measures of annual income and household wealth.

A change in classification is rarely induced by a change in just one of the four basic characteristics. This is one reason that the target household categories are so highly refined: they take in multiple characteristics. Even so, there are some rough equivalents in household types as they move from one neighborhood condition to another. There is, for example, a strong correlation between the *Suburban Achievers* and the *Urban Achievers*; a move by the *Suburban Achievers* to the urban core can make them *Urban Achievers*, if the move is accompanied by an upward move in socio-economic status. In contrast, *Suburban Achievers* who move up socio-economically, but remain within the metropolitan suburbs may become *Fast-Track Professionals* or *The VIPs*.

Household Classification Methodology:

Household classifications were originally based on the Claritas PRIZM geo-demographic segmentation system that was established in 1974 and then replaced by PRIZM NE in 2005. The revised household classifications are based on PRIZM NE which was developed through unique classification and regression trees delineating 66 specific clusters of American households. The system is now accurate to the individual household level, adding self-reported and list-based household data to geo-demographic information. The process applies hundreds of demographic variables to nearly 10,000 “behaviors.”

Downtown Lake Charles Study Area
City of Lake Charles, Calcasieu Parish, Louisiana
November, 2007

Over the past 19 years, Zimmerman/Volk Associates has augmented the PRIZM cluster system for use within the company's proprietary target market methodology specific to housing and neighborhood preferences, with additional algorithms, correlation with geo-coded consumer data, aggregation of clusters by broad household definition, and unique cluster names. For purposes of this study, only those household groups with median incomes that enable most of the households within each group to qualify for market-rate housing are included in the tables.



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ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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RIGHTS AND STUDY OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

