

Farmers Branch Council Retreat, 2016

CULTIVATING A FARMERS BRANCH FOR ALL GENERATIONS





CITY'S NORTH ARROW

DEMOGRAPHIC AND PSYCHOGRAPHIC TRENDS

SOCIAL TRENDS IMPACT ON REAL ESTATE (PRODUCT TYPES)

INNER RING COMMUNITY ATTRIBUTES

ESTABLISHING AND PURSUING YOUR NORTH ARROW

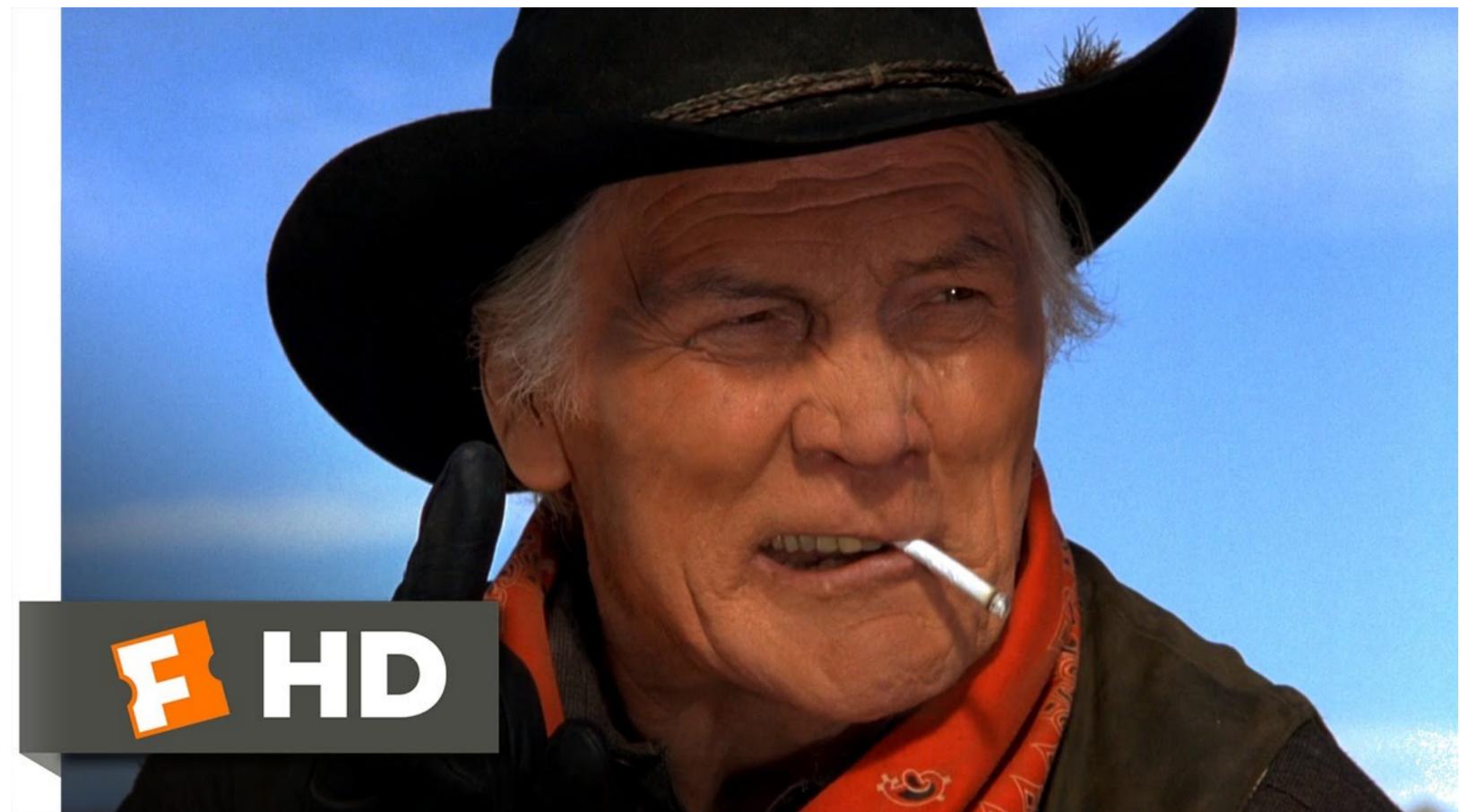


CITY'S NORTH ARROW



Definition of a “North Arrow”

A symbol indicating the direction and the type of meridian to which the control framework of a map or drawing is referenced.
(literal) That “one thing” (in the words of Curly from the movie *City Slickers*), to which every action, project, program, policy and resource identified and expended, it is in-service. (metaphoric)





2017 Farmers Branch Strategic Plan

Guiding Principle (paraphrased)

- Doing the right things for the right reasons delivers appropriate results ...
- Stakeholders investments should be protected ...
- Stakeholders deserve to know what is happening in the community and have the opportunity to participate ...
- Provide safety and security for citizens, visitors, and businesses ...
- A strong, diversified economic base provides sustainable growth ...
- Effective planning, land use, development, code enforcement, and revitalization activities yield strong neighborhoods ...
- Beautifully maintained and natural environments .. a wide variety of recreational opportunities for all ages ...
- Functional, sustainable, and well-maintained infrastructure, facilities, and equipment are essential elements ...
- A motivated, educated experienced workforce is needed to carry out our mission ...
- Phenomenal service sets us apart as a community of choice ...



DEMOGRAPHIC AND PSYCHOGRAPHIC TRENDS

Demographic Profile



2015 Indicator (unless otherwise noted)	City of Farmers	
	Branch	Dallas County
2010 Population	28,616	2,368,139
2015 Population	30,124	2,476,360
2015 Households	11,428	891,437
Annual Household Growth Rate (Projected through 2025)	1.3%	1.1%
Average Household Size	2.63	2.74
Percent Non-Family Households	36%	35%
Percent One- and Two-Person Households	61%	56%
Percent Renters	40%	44%
Percent Age 65+	14%	10%
Percent Age 0-17	22%	26%
Median Age	36.4	33.2
Percent With Bachelors Degree	33%	30%
Median Household Income	\$56,316	\$50,489
Percent With Income Below \$25,000	15%	24%
Percent With Income Over \$100,000	24%	22%
Percent Hispanic	41%	39%
Percent Black/African-American	5%	23%
Percent Asian American	5%	6%

Source: U.S. Census; American Community Survey; ESRI, Inc.; and Ricker | Cunningham.



Psychographic Profile

City of Farmers Branch

	2015	% of Total	U.S.
Tapestry Segment	Households	Households	Index=100*
Metro Renters	2,362	20.7%	1,280
Urban Villages	1,709	15.0%	1,292
Comfortable Empty Nesters	1,245	10.9%	434
In Style	843	7.4%	338
Golden Years	823	7.2%	557
Total Above Segments	6,982	61.1%	--

	2015	% of Total	U.S.
Urbanization Group	Households	Households	Index=100*
Suburban Periphery	3,869	33.9%	101
Principal Urban Center	2,899	25.4%	301
Urban Periphery	2,617	22.9%	166
Metro Cities	1,359	11.9%	66
Semirural	426	3.7%	39
Total Above Groups	11,170	97.7%	--
Total Trade Area	11,428	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

Dallas County

	2015	% of Total	U.S.
Tapestry Segment	Households	Households	Index=100*
Barrios Urbanos	100,044	11.2%	1,044
NeWest Residents	75,529	8.5%	959
American Dreamers	75,166	8.4%	542
Metro Renters	70,946	8.0%	508
Young and Restless	55,482	6.2%	346
Total Above Segments	377,167	42.3%	--

	2015	% of Total	U.S.
Urbanization Group	Households	Households	Index=100*
Urban Periphery	317,222	35.6%	219
Suburban Periphery	254,556	28.6%	88
Principal Urban Center	163,757	18.4%	249
Metro Cities	135,418	15.2%	74
Semirural	12,156	1.4%	16
Total Above Groups	883,109	99.1%	--
Total Trade Area	891,437	100.0%	--



Preferences and Attitudes by Age Cohort

Indicators:	Baby Boomers:	X Generation:	Y Generation: *
% married at age 18 – 32	48% (1980)	36% (1997)	26% (2013)
% consider people trustworthy	40%	31%	19%
% earn enough now / will earn enough to live desired life	45% / 15%	38% / 30%	32% / 52%
% believe in God – certain to uncertain	93%	93%	86%
% identify as “environmentalist”	42%	42%	32%
% non-white	43%	39%	28%

Millennials -- Living Arrangements

- 18 – 34 years, 36% are living at home and 25 – 34 years, 19% are living at home
- Staying in the nest -- living with parents the most common arrangement with the balance living alone, living with relatives, college dorms, with one or more roommate -- homeowners age 55 – 64 years, 20% still have adult children at home
- Delaying, not avoiding marriage – women and men in this group are getting married seven years older than they were 50 years ago



Definition of Age Cohorts

Baby Boomers:

1980 -- 16 - 34 years

1990 – 26 – 44 years

2000 – 36 – 54 years

2010 – 46 – 64 years

2015 – 51 – 69 years

2020 – 56 – 74 years

X Generation:

1980 – < 15 years

1990 – 6 – 25 years

2000 – 16 – 34 years

2010 – 26 – 45 years

2015 – 31– 50 years

2020 – 36 – 55 years

Y Generation: *

1980 – n.a.

1990 -- < 5 years

2000 – < 15 years

2010 – 10 – 25 years

2015 – 15– 30 years

2020 – 20 – 35 years

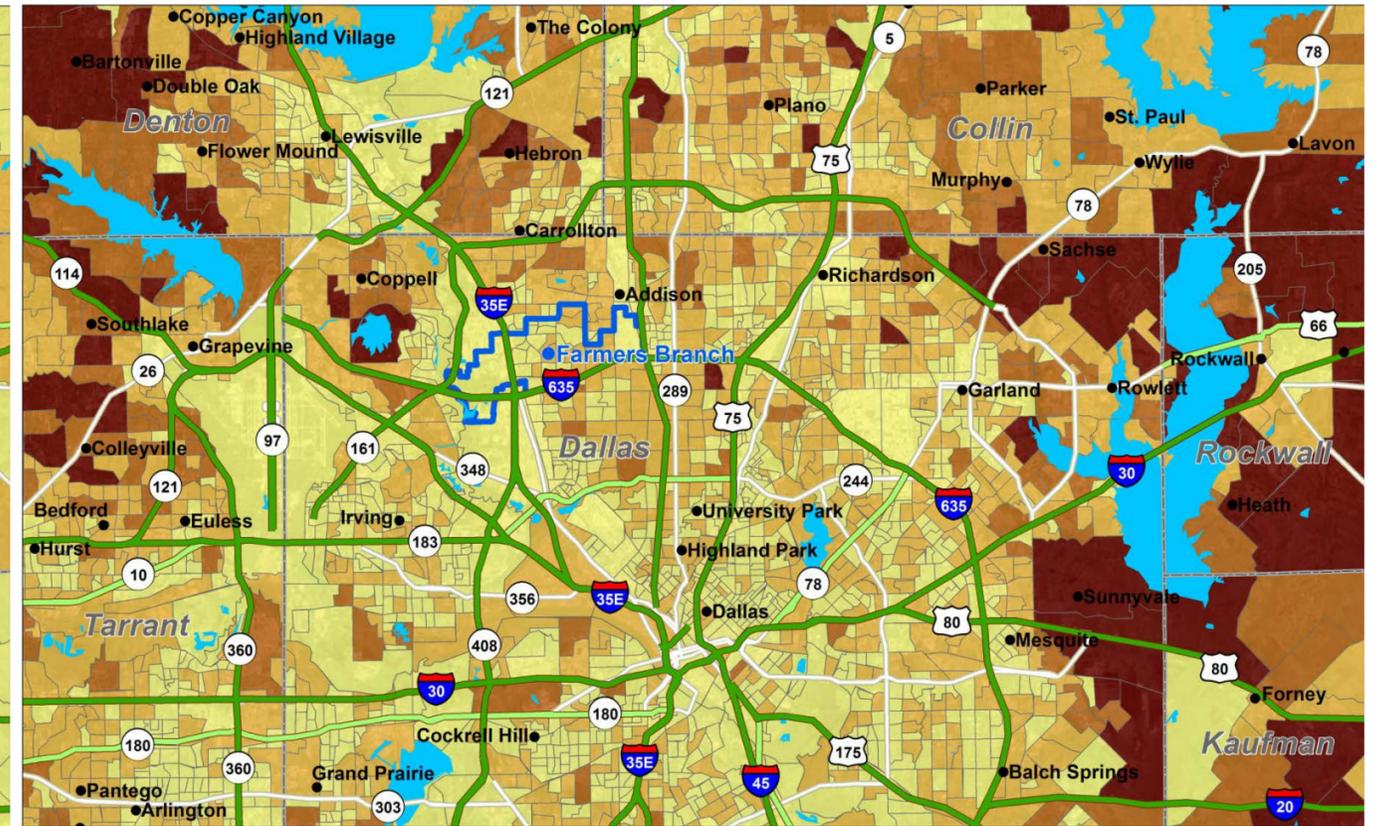
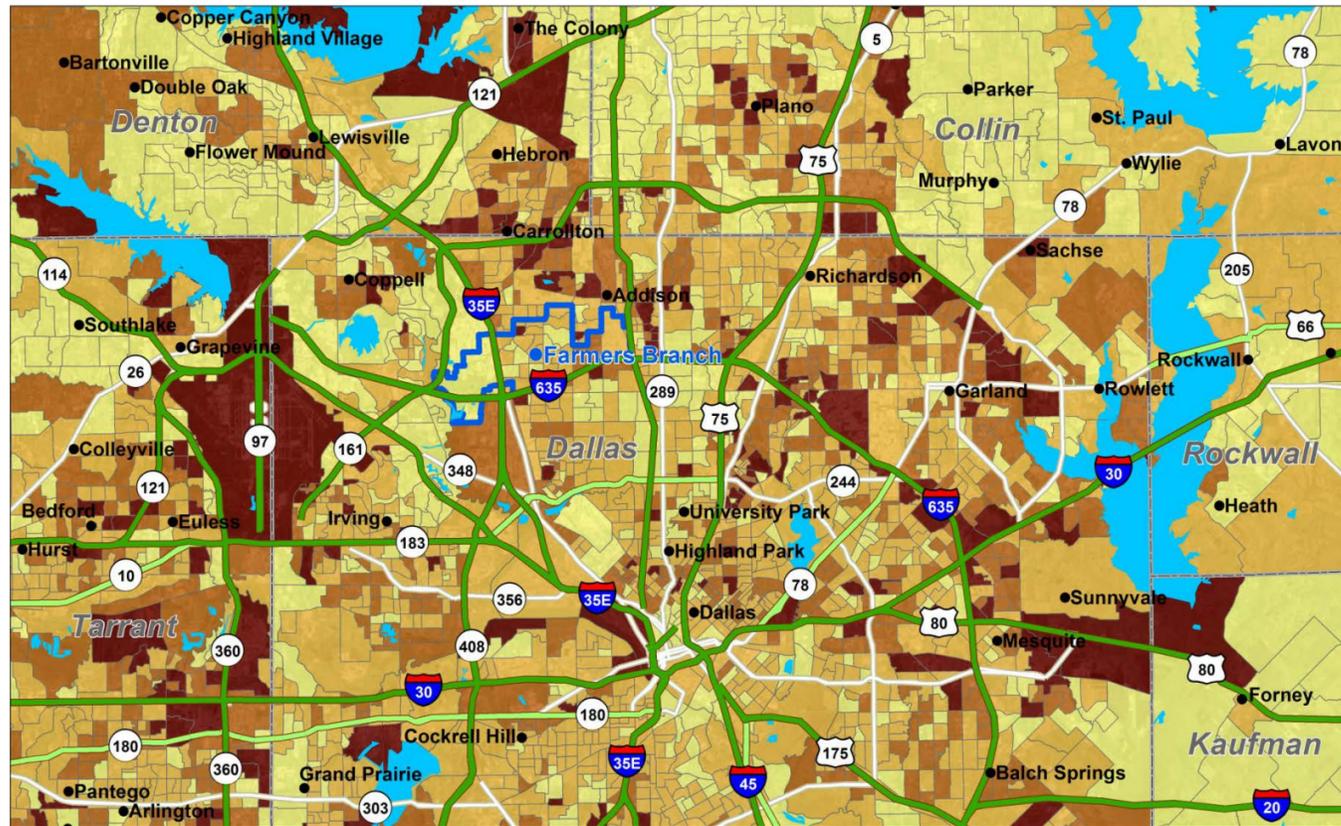
* Millennials

Age Cohort Movement – Baby Boomers



1990

2020



0 2.5 5 Miles

Farmers Branch

1990 Baby Boomer Population by Census Block Group
SOURCE: Geolytics, Ricker | Cunningham

250 and Less 501 to 750
251 to 500 751 and Greater

0 2.5 5 Miles

Farmers Branch

2020 Baby Boomer Population by Census Block Group
SOURCE: ESRI, 2015 and Ricker | Cunningham

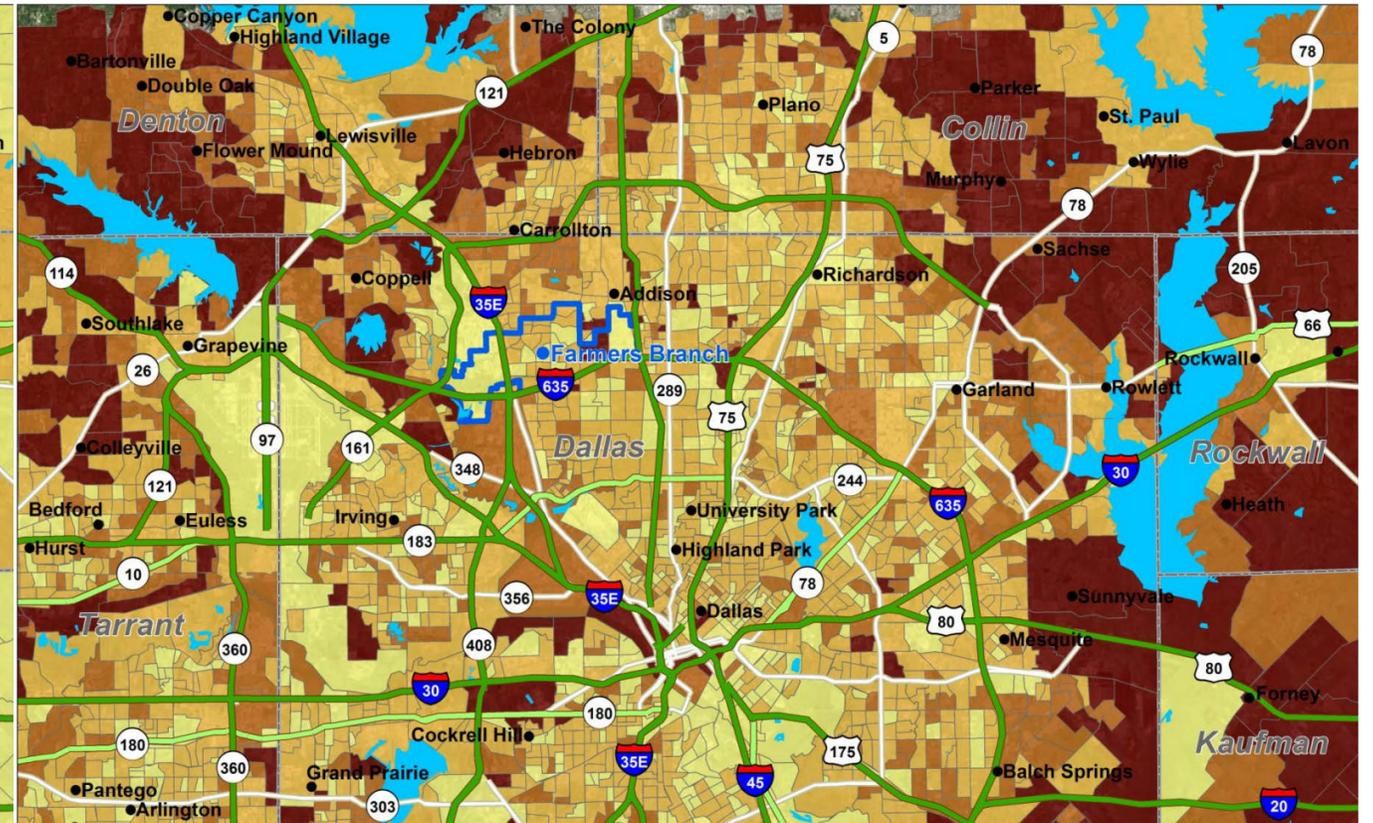
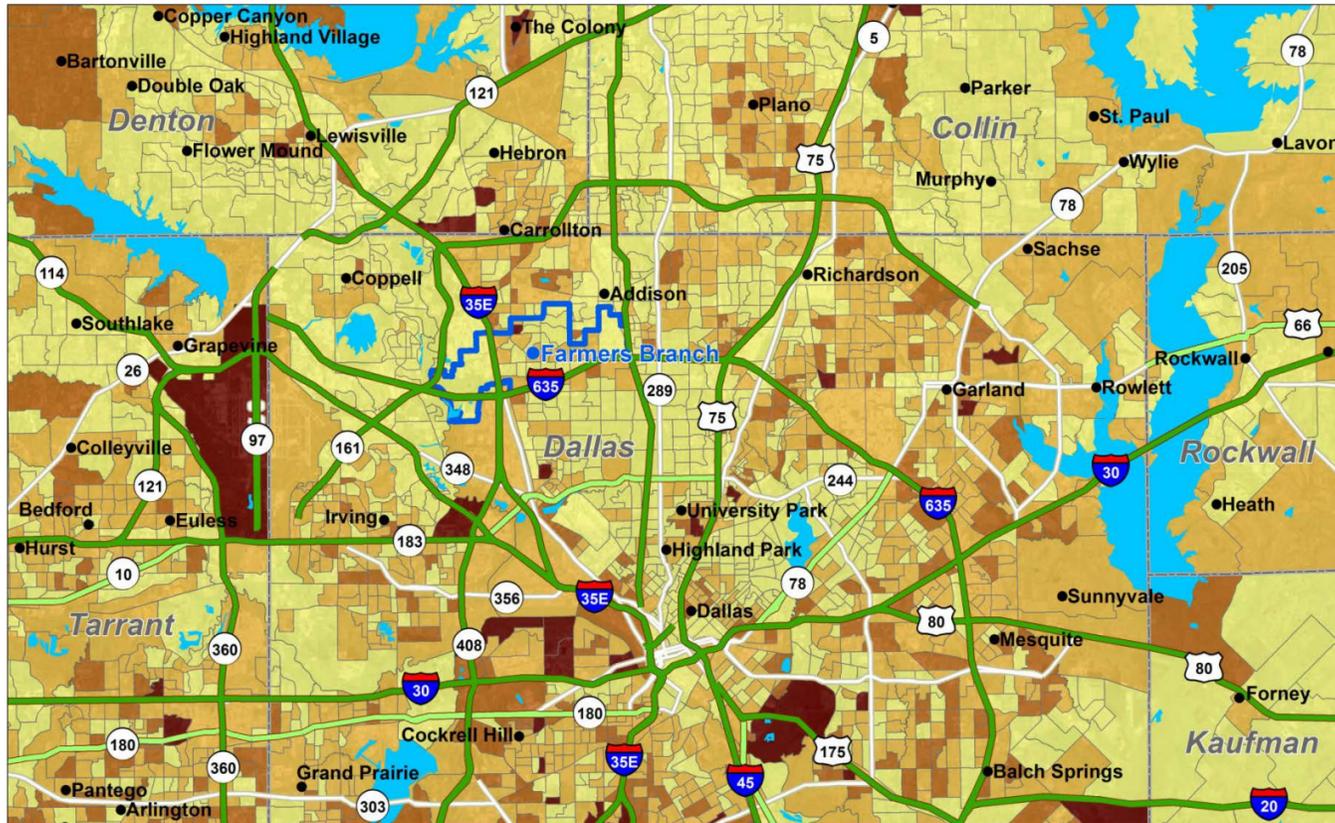
250 and Less 501 to 750
251 to 500 751 and Greater

Age Cohort Movement – Gen X



1990

2020



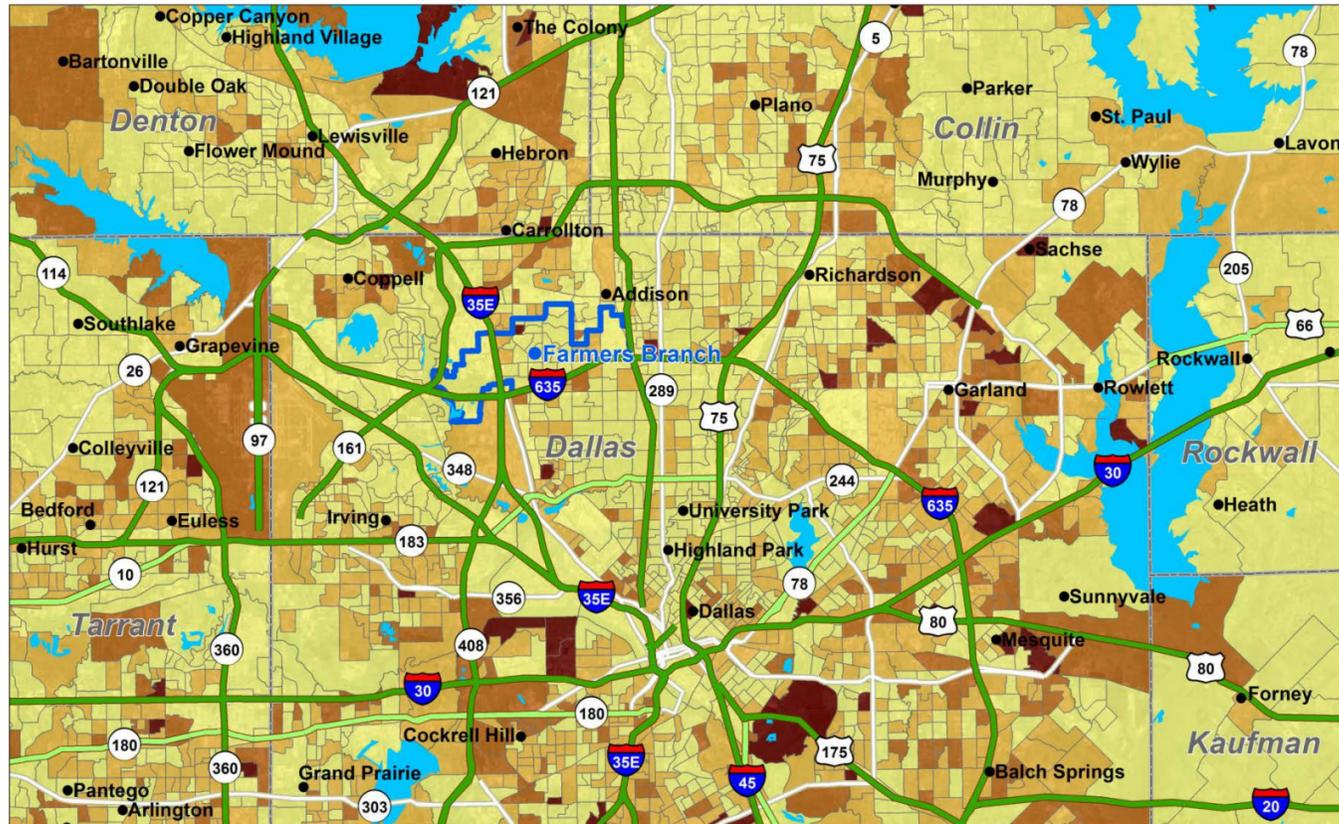
0 2.5 5 Miles
 Farmers Branch
1990 Generation X Population by Census Block Group
 SOURCE: Geolytics, Ricker | Cunningham

0 2.5 5 Miles
 Farmers Branch
2020 Generation X Population by Census Block Group
 SOURCE: ESRI, 2015 and Ricker | Cunningham

Age Cohort Movement – Gen Y



1990

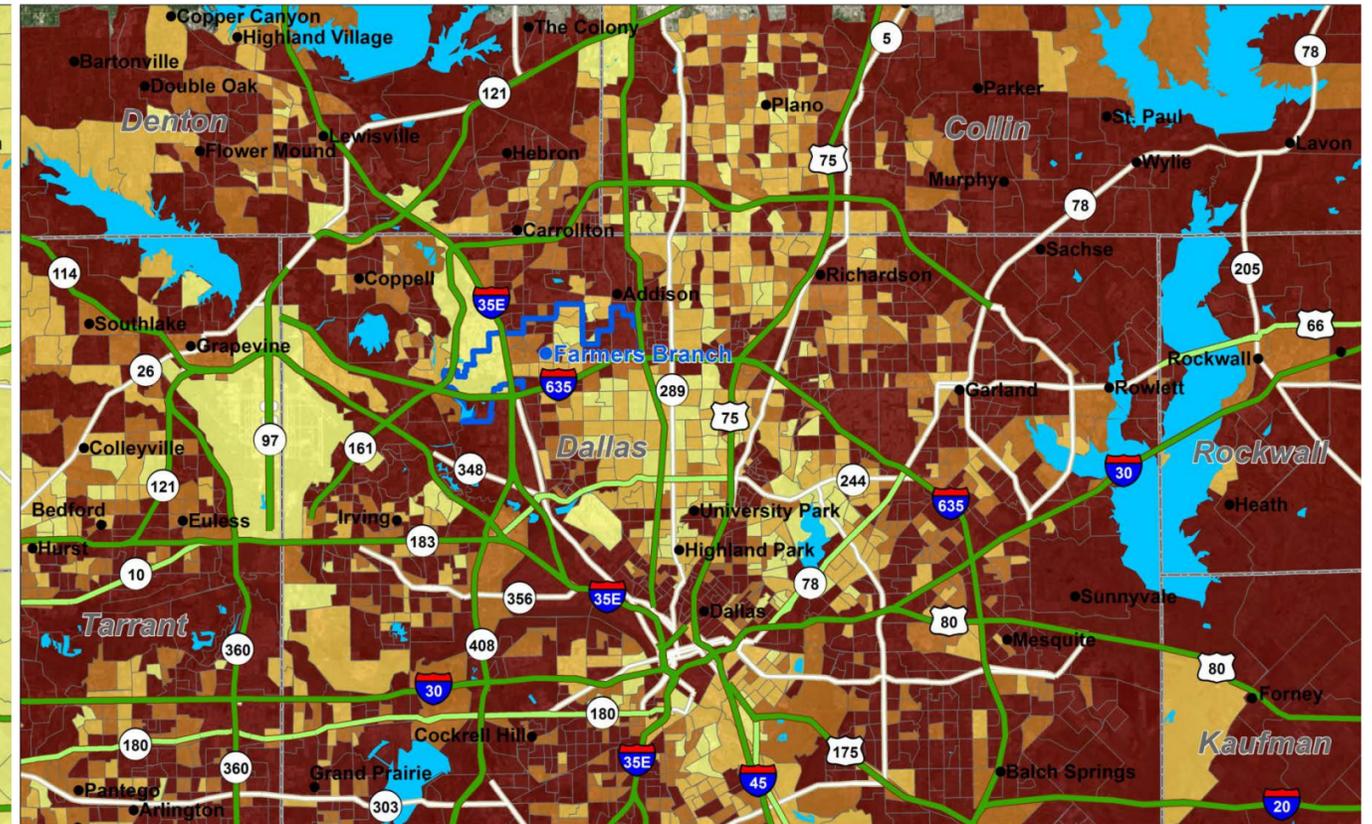


1990 Generation Y Population by Census Block Group
 SOURCE: Geolytics, Ricker | Cunningham

0 2.5 5 Miles
 Farmers Branch

100 and Less 201 to 300
 101 to 200 301 and Greater

2020



2020 Generation Y Population by Census Block Group
 SOURCE: ESRI, 2015 and Ricker | Cunningham

0 2.5 5 Miles
 Farmers Branch

100 and Less 201 to 300
 101 to 200 301 and Greater

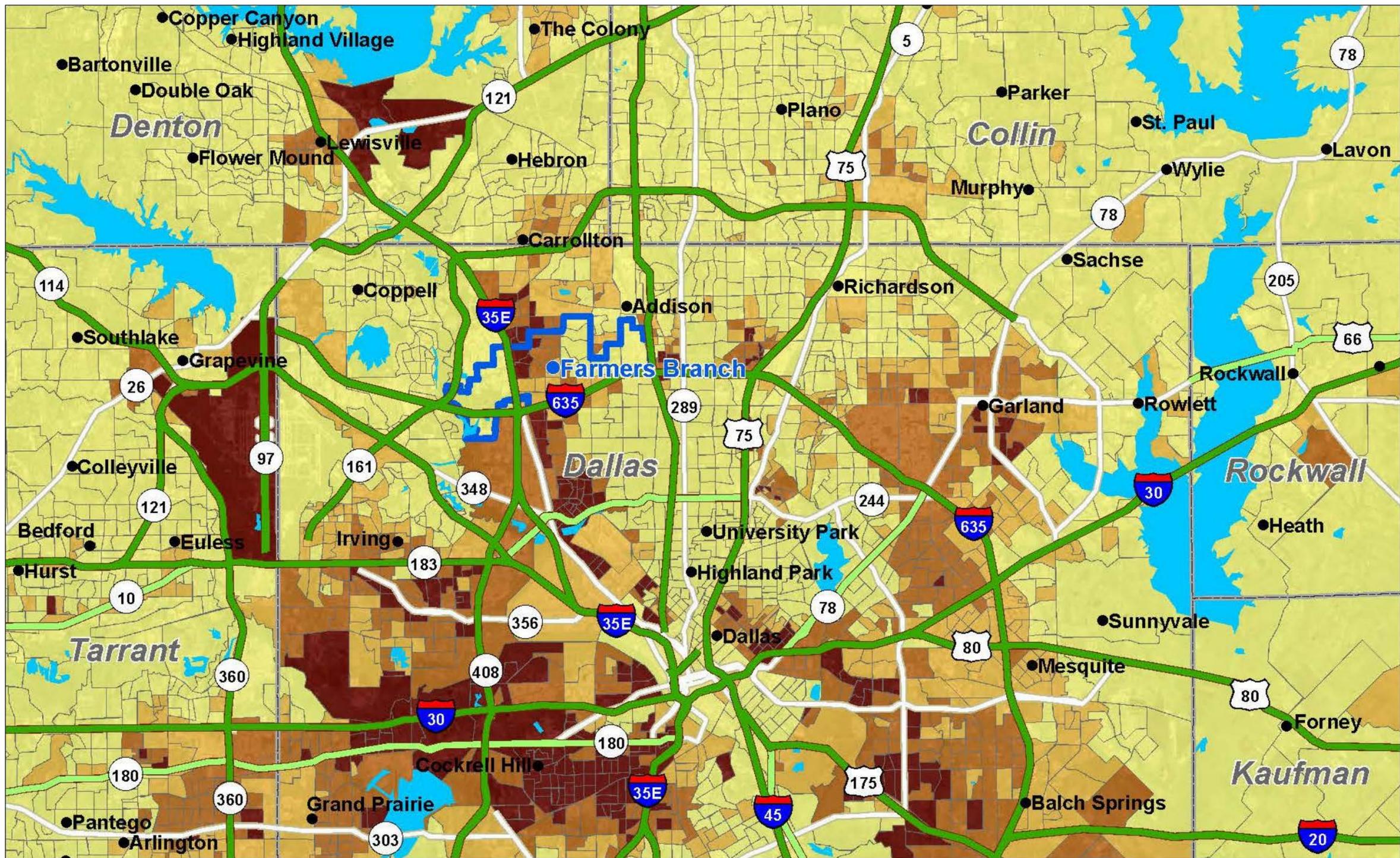


Residential Supply – Comparable Cities

Unit Type	2009	2010	2011	2012	2013	2014	2015	Total	Annual Average	% of Total
City of Farmers Branch										
Single Family Detached	2	8	36	49	33	28	16	172	25	4.3%
Single Family Attached (2-4 units)	0	0	0	0	0	0	0	0	0	0.0%
Multi-Family (5+ units)	0	0	0	867	299	0	1,045	2,211	316	21.9%
Total Units	2	8	36	916	332	28	1,061	2,383	340	16.9%
Town of Addison										
Single Family Detached	19	2	14	1	1	9	0	46	7	1.2%
Single Family Attached (2-4 units)	0	8	4	0	0	0	0	12	2	37.5%
Multi-Family (5+ units)	0	359	765	135	15	9	0	1,283	183	12.7%
Total Units	19	369	783	136	16	18	0	1,341	192	9.5%
City of Carrollton										
Single Family Detached	166	131	155	202	258	363	345	1,620	231	40.8%
Single Family Attached (2-4 units)	0	20	0	0	0	0	0	20	3	62.5%
Multi-Family (5+ units)	0	472	491	149	244	1,223	0	2,579	368	25.5%
Total Units	166	623	646	351	502	1,586	345	4,219	603	29.9%
City of Richardson										
Single Family Detached	55	56	55	431	150	95	114	956	137	24.1%
Single Family Attached (2-4 units)	0	0	0	0	0	0	0	0	0	0.0%
Multi-Family (5+ units)	154	140	198	0	1,155	532	1,417	3,596	514	35.6%
Total Units	209	196	253	431	1,305	627	1,531	4,552	650	32.3%
City of Garland										
Single Family Detached	162	147	148	158	215	180	162	1,172	167	29.6%
Single Family Attached (2-4 units)	0	0	0	0	0	0	0	0	0	0.0%
Multi-Family (5+ units)	0	0	146	147	0	149	0	442	63	4.4%
Total Units	162	147	294	305	215	329	162	1,614	231	11.4%

Source: U.S. Census Bureau and Ricker | Cunningham.

Hispanic Population



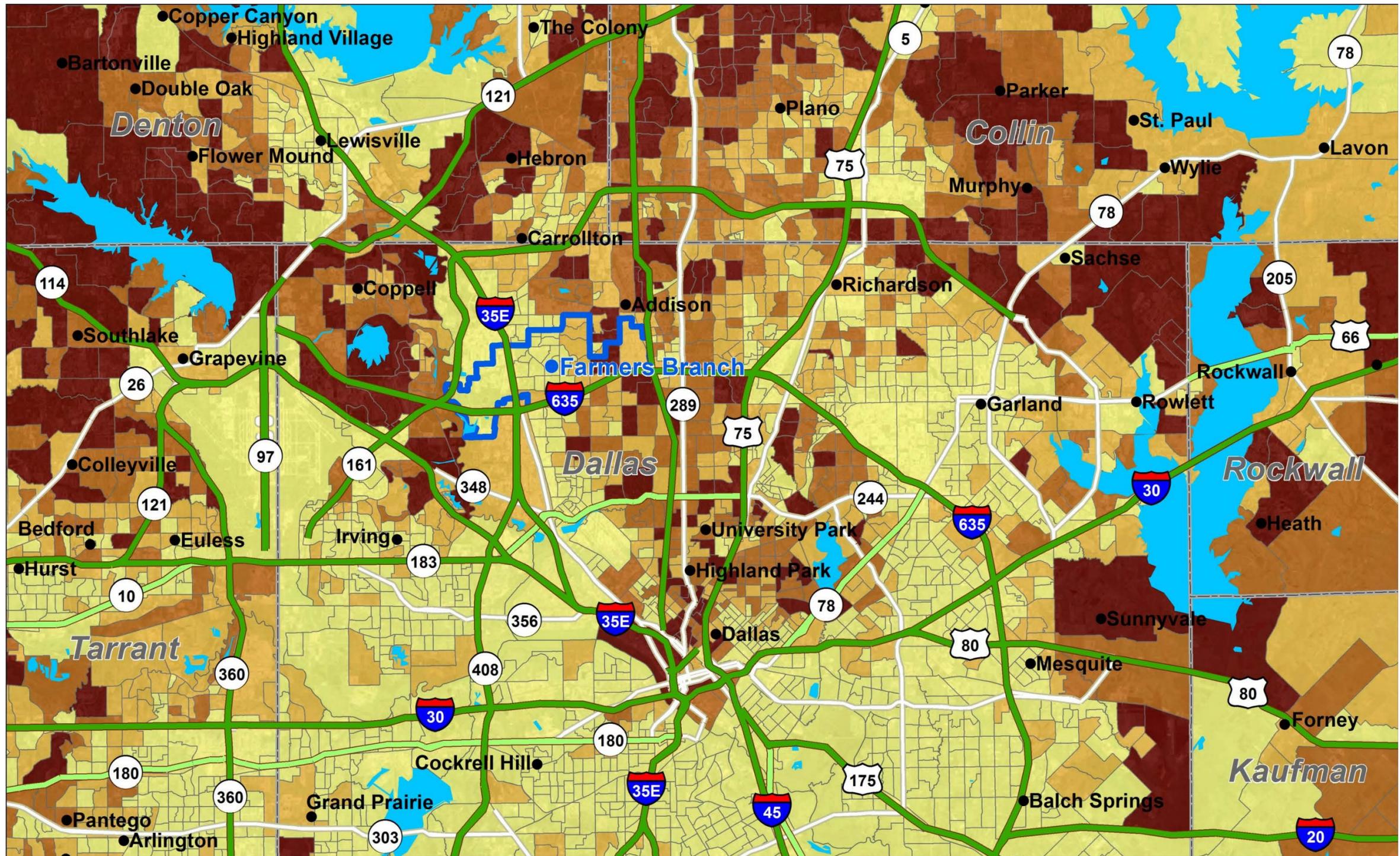
0 2.5 5 Miles

Farmers Branch

Percent of Hispanic Latino Population by Census Block Group
 SOURCE: ESRI, 2015

- 25% and Less
- 26% to 50%
- 51% to 75%
- 76% and Greater

Educational Attainment



Farmers Branch

Population 25 Years and Over with Bachelor's Degree or Higher by Census Block Group
SOURCE: U.S. Census, ACS 2013 5 Year Estimate





Median Household Income – 25 to 44



Farmers Branch

**Median Household Income,
Age 25-44 by Census Block Group**
SOURCE: U.S. Census, ACS 2013 5 Year Estimate

\$50,000 and Less	\$75,001 to \$100,000	No
\$50,001 to \$75,000	\$100,001 and Greater	



Residential Demand – 10 Year

Residential Demand Analysis					Households	2015	11,400		
City of Farmers Branch						2020	12,161	Annual Growth Rate	1.30%
10-yr Demand Estimates						2025	12,972		
					Household Growth (2015-25)		1,572	Adjust for 2nd homes, demolition, vacancy	1.0%
					Adjusted Unit Requirement		1,587	% Rental	40%
					Trade Area Demand from New Households (10-yr)				
Household Income Range (2015 dollars)	Approximate Rent Range	Supportable Home Price Range	Current Households in Income Bracket	New Households by Income Bracket	Total Units	Estimated % Rental	Total Rental Units	Total Ownership Units	
up to \$15K	up to \$375	up to \$75K	6%	5%	79	95%	75	4	
\$15-25K	\$375 - \$625	\$75 to \$100K	9%	6%	95	90%	86	10	
\$25-35K	\$625 - \$875	\$100 to \$150K	10%	9%	143	80%	114	29	
\$35-50K	\$875 - \$1,000	\$150 to \$200K	18%	17%	270	70%	189	81	
\$50-75K	\$1,000+	\$200 to \$250K	20%	19%	302	30%	90	211	
\$75-100K	\$1,000+	\$250 to \$350K	13%	15%	238	15%	36	202	
\$100-150K	\$1,000+	\$350 to \$500K	15%	18%	286	10%	29	257	
\$150K and up	\$1,000+	\$500K and up	9%	11%	175	5%	9	166	
Totals			100%	100%	1,587	40%	628	960	

Source: NCTCOG; U.S. Census; ESRI; and Ricker | Cunningham.



Economic Impact of Residential Inventory – Sample City

Single Family

Submarket	Median Home Value	% Change Last Year	% Decreasing in Value	% Sold for Loss
Bikini Bottom	\$87,700	-6.2%	86.0%	32.7%
Gotham City	\$241,700	3.2%	16.1%	NA
Orbit City	\$173,400	-1.3%	31.7%	33.4%
Bedrock	\$127,400	-3.2%	77.9%	30.9%
Metropolis	\$149,700	-4.5%	83.2%	NA
Springfield	\$138,900	-0.7%	44.1%	57.3%
DFW Metro Area	\$122,600	-2.6%	62.4%	34.6%

Submarket	Total Homes Sold	Median Sale Price	Median List Price	% Sale to List Price
Bikini Bottom	211	\$100,300	\$115,000	87.2%
Gotham City	15	---	\$295,000	NA
Orbit City	34	\$173,000	\$217,000	79.7%
Bedrock	65	\$134,300	\$164,900	81.4%
Metropolis	24	---	\$174,900	NA
Springfield	54	\$130,900	\$164,900	79.4%
DFW Metro Area	5,160	\$140,800	\$179,900	78.3%

Source: Zillow, Inc. and Ricker | Cunningham.

Economic Impact of Residential Inventory – Sample City



City	2011 Closings	Avg. Price	Price Range	Avg. Price/Sq Ft	Avg. Unit Size	Unit Range	Avg. Lot Size
Bikini Bottom	109	\$260,243	\$108,750 - \$463,125	\$83	3,118	1,216 - 4,320	7,685
Gotham City	18	\$333,875	\$125,000 - \$521,250	\$75	4,426	3,458 - 5,191	11,668
Orbit City	287	\$244,748	\$164,937 - \$708,750	\$86	2,852	1,144 - 5,087	14,074
Bedrock	17	\$222,346	\$132,500 - \$312,500	\$76	2,931	2,680 - 3,392	10,076
Metropolis	81	\$255,682	\$125,000 - \$425,125	\$84	3,058	2,455 - 4,648	9,668
Springfield	216	\$224,250	\$131,250 - \$495,000	\$75	3,004	1,190 - 4,379	9,300
Total Trade Area	728	\$243,883	\$108,750 - \$708,750	\$81	3,001	1,144 - 5,191	11,058

Source: Hanley Wood and Ricker | Cunningham.



Value Per Acre By Product Type

High value real estate translates into revenue for community assets and services.



Product Type	Units per Acre / FAR	Development Value/Acre
Single Family Detached	3	\$1,200,000
Single Family Attached	12	\$3,000,000
Urban Apartments	30	\$2,700,000
Retail	25%	\$1,633,500
Office	35%	\$1,905,750
Industrial	20%	\$784,080

Values based on:

Single Family Detached	\$400,000	per Unit
Single Family Attached	\$250,000	per Unit
Urban Apartments	\$90,000	per Unit
Retail	\$150	per Sq Ft
Office	\$125	per Sq Ft
Industrial	\$90	per Sq Ft



SOCIAL TRENDS IMPACT ON REAL ESTATE

Real Estate Industry Trends

“The bad (investment opportunity): anything “garden variety.” Over the short haul, anyway, there is not much demand from either users or investors for plain-vanilla, highway-dependent office parks, or other real estate that falls into the “commodity” bucket. They are cheap, but you get what you pay for. The ugly: anything that smacks of “sprawl” ... properties dependent upon an inflated parking ratio, operationally tied to demand that presumes the growth of tract housing at the perimeter of a metro area ... rather, it must reflect a cogent appeal to either Millennials or Baby Boomers.” Urban Land Institute, Emerging Trends in Real Estate



“The Changing Face of Space”

According to the Urban Land Institute (ULI) -- this statement is supported by the fact that nearly all real estate property sectors made format changes post-Great Recession.

Conditions that prompted these changes include:

- demographic shifts

- evolving consumer expectations

- “re-urbanization” of America

- growth in technological infrastructure

The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

Product Types



“Retail space changes its face every seven years.” Unknown

- **Apartment projects** are diversifying with a mix of **smaller single units and double master units**, along with larger “community” spaces, collectively designed to meet the needs of Millennials desiring less permanence in their housing options, as well as the opportunity to share expenses.
- **Urban format retail space**, even among traditionally suburban operators, is a response to the “return to the city” by many Americans.
- Smaller retail spaces in urban and suburban locations are being made possible by **stronger connections to industrial concentrations** which are housing retail inventories previously maintained in stores.
- The most recent evolution of retail space (post-Great Recession) is largely rooted in the **“conversion of function in retailing,”** specifically, on-floor selling to order fulfillment, or stores shifting from “showrooms” to “web rooms” to “guide rooms.”
- The retail industry as a whole, since 2012, can be described as having “lackluster sales growth, limited new store openings, continued store closures, an overhang of crippled retail centers ‘burdening the shopping center picture’ serving the bottom third of trade area demographics.” Among those properties that have done well, they are largely institutional properties.
- **Retails healthiest products** today, and for the foreseeable future, are at either end of the **“barbell,”** value retailing and the luxury segment, mirroring national and regional trends in income disparity. Stores targeted to middle incomes, have and will continue to struggle. Commodity retailers have experienced the most significant declines over the past decade, including sellers of music, books, and travel.
- **Less office space per employee** (250 square feet) in 1980 compared to a projected 100 square feet in 2020 and more collaboration space.
- Retail space’s stronger connection to industrial largely due to the fact that **industrial space is now housing product inventories**, previously maintained in stores.
- **Distribution centers are making “just-in-time” deliveries** of commercial products ordered on-line possible in both primary and secondary markets.



Inner Ring Community Attributes



The Physical Environment

- Aged infrastructure
- Large industrial tracts
- Under-utilized parcels
- Concentrations of aging rental housing
- Over-retailed commercial corridors
- Older housing stock, but lacking the charm of historically-significant products often found in “downtown” and “main street environments.” *etc.*





Establishing and Pursuing Your North Arrow



Establish the Right “Infrastructure”

Communities that are “ready” for investment establish both an external and internal “infrastructure” that reflects their mission ... components including:

Up-To-Date Codes and Processes – keep their development codes and zoning maps up to-date and relevant; have trained and empowered decisions-makers at the front counter and within key departments, including those with an understanding of typical redevelopment challenges; actively seek quality development and developers; and, have clear, reliable processes and timetables.

Market Understanding – maintain access to current, and reliable market data; be prepared to supplement the developer’s research with a local perspective; continually update your inventories, generally understand any gaps, and correspondingly possible operators missing from the community’s business mix. (Note: Not all data obtained by second and third hand sources is accurate. Communities need to be prepared to explain and correct any anomalies or misconceptions.)

Development Policies – provide direct, coherent policies which foster desired quality levels and product types; and, an incentive policy that identifies available resources and incentives, along with criteria used to determine meritorious projects for which assistance will be considered and / or provided.

Alignment In All Regulatory and Policy Documents – ensure -- capital plans reflect desired infrastructure, policies are in sync with Council goals, regulatory requirements reflect market conditions, “gaps” have been addressed, incentives are targeted, and the community’s “north arrow” is consistently reflected in each one.



Establish the Right “Infrastructure” (cont’d)

Find the Right Partners – research and identify those **developers** who are willing to invest the resources to target the customer, rather than deliver housing products, and who understand the value of marketing the community, rather than the subdivision or unit type. Work with **school district representatives** to understand each others’ balance sheets, and keep all parties aware of programs and policies which will affect the other so that they can plan in advance for potential impacts.

Have a Vision – always be able to articulate your vision and have visible proof that you are committed to it long-term.





The Facts

- Almost **one-third of Americans** are seeking ... a community designed around the central theme of **healthy living**.
- A study of nine major U.S. markets confirmed that **nearly half of the population** is **looking for a different residential lifestyle** than is presently available to them in their marketplace.
- Approximately 55 percent of households are **composed of 1 or 2 people**.
- Homebuilders and architects agree, **people care less about space and more about how space is used**.
- According to the National Homebuilder's Assn, 94% of home owners ranked a home office ("hoffice") as an important feature.
- **Renting** is becoming a **choice**, not a requirement
- **Technology** has led to **isolation** and we want to connect.
- People **office** in a **variety** of locations.
- 2/3ds of **Boomers** intend to pursue an **encore career**.
- **Balance** is no longer a pursuit, but a **requirement**.





“If you want something you’ve never had, do something you’ve never done.”

Source: Unknown