

TO: CITY OF DRIPPING SPRINGS
FROM: Kim Fernea
RE: ECONOMIC DEVELOPMENT COMMITTEE MONTHLY REPORT
DATE: February 1, 2021

Please accept this memo as the City of Dripping Springs Economic Development Committee's (the "Committee") monthly update to Council regarding projects and progress during the months of December 2020 and January 2021.

The Committee convened via Zoom January 27th.

Agenda:

- **Call to Order**
- **Business Agenda**
 - Presentation and discussion regarding the Avalon Park Group potential Office Project Concept. *Richard Kunz, Avalon Park Group*
 - Update and discussion regarding the potential Roger Hanks Parkway Homes for Rent project Concept. *Kyle Lovelady, NewGrowth*
- **Reports**
 - City Council Monthly Report – Mayor Pro Tem Taline Manassian

Committee members present: Rex Baker, Dave Edwards, Melanie Fenelon, Susan Kimball, John Kroll, Andrea Nicholas, Patrick Rose, Keenan Smith, Robert Avera, Council Member Taline Manassian, Kim Fernea

Chamber members present: Karlon Cox, Gigi McClaskey

City representatives present: Mayor Bill Foulds, Michelle Fischer, Andrea Cunningham

Citizen visitor: Becky Atkins, Jorge Marriott,

Presenter/Guest: Richard Kunz, Ben Sorrell for Office Project

Kyle Lovelady, Isaac Karplay, Frank Cappello, Peter Johnson, Dan Nethercott (all with NewGrowth)

Richard Kunz, Avalon Park Group – Potential Concepts attached

- Two Concept Plans shown
 - First: 60K RSF- 2 story buildings with potential café
 - Second: 57K RSF – 2 story buildings, with potential land swap with City
- Site is north side of Arrowhead
- Working to save 144 trees
- Would like to propose land swap with City to give direct access to the Trail Head
- Comments by Committee:
 - Appreciate more sensitive site planning. With the potential win-win approach of the land swap
 - Good to see Office Development West of 290/12
 - Feels Community Centric

Kyle Lovelady, NewGrowth

- Full Presentation attached
- Comments by Committee:
 - See it as a less dense Multi-family project instead of dense Single-Family
 - This seems to hit the missing middle and offers attainable housing for many in our community.
 - Alignment with City's Comprehensive Plan.

- Would allow Dripping Springs to become a more Complete Community (different tool in the tool box for attainable housing).
- Provides much needed diversity in housing stock
- Appreciate the form base code
- Like the village concept

City County Monthly Report - Mayor Pro Tem Taline Manassian

1. We annexed and zoned property on Rose Drive
2. We did some zoning amendments along 12 near Summit Drive and along Old Fitzhugh Road
3. We approved the selection of a grant writer for our Old Fitzhugh Road Improvement Project
4. We accepted a donation deed on Rathgeber, a 300 acre park just west/northwest of Headwaters
5. We discussed concept plans and related density issues for the Cannon Tract and Cynosure (now being called Wild Ridge)
6. We updated ordinances to address major and minor revisions to preliminary plats
7. We approved a new parkland dedication ordinance
8. We initiated the process for doing a major rewrite of our Zoning Ordinance
9. We approved the cancellation of Founders Day for 2021

NEW GROWTH LIVING
Roger Hanks Parkway Community



January 2021

NEW GROWTH LIVING
Roger Hanks Parkway Community



Embodying the benefits of single family living without the burdens

New Growth Living builds medium-density, single-family rental home communities for people opting-in to the freedom and flexibility that a maintenance-free, highly-amenitized, rentable neighborhood lifestyle provides.

Who seeks this lifestyle?

- Anyone who wants a more "grown-up" experience with more privacy, space and amenities but doesn't want, or can't currently afford, the price and burden of home-ownership within the community they work and love
- Essential workers - policemen, firemen, teachers, administrators and healthcare workers who are essential to the economic livelihood of cities
- Professional millennials
- Move-up young couples and families outgrowing apartment life
- New Household formations - divorcees & single parents
- Empty-Nester's seeking "lock & leave" flexibility, but not in an apartment or age-restricted community



ROGER HANKS PARKWAY

High Tech & Sought-After Amenities



Roger Hanks Parkway - A professionally-managed community with curated amenities

Anticipated Community Amenities

- Class A clubhouse facility
- Resort Pool
- Central linear park
- Community high-speed Wi-Fi
- Indoor and outdoor lounge areas
- Barbecue grills / outdoor kitchen
- Pocket parks, pet parks and walking paths
- Yoga / fitness rooms
- Electric car charging stations

Anticipated home amenities to include:

- Leading edge in-unit smart home technology
- Highest available internet speeds
- Key-less entry & smart thermostats
- Private maintained yards with doggy-doors
- Zoom-room office spaces



ROGER HANKS PARKWAY

Project Description



New Growth provides a wide range of home offerings appealing and attainable to a broad demographic.

Home offerings range from one-bedroom duets to 3-bedroom single family detached homes, all intermingled into a tastefully curated community with defining streetscapes and timeless architecture

Roger Hanks Parkway - a community of approximately 288 homes anticipated to include:

- Single-story 1-bedroom and 1-bedroom/den duets ranging from 675 SF to 850 SF, each with a private entry, back yard and reserved and detached garage options
- Two-story, 2- and 3-bedroom, "brownstone style" townhomes ranging from 1,300 SF to 1,700 SF with one- & two-car direct-access garages
- Single-story and two-story, single-family detached cottage homes ranging from 1,250 SF to 1,700 SF with one- & two-car direct-access garages
- Rental ranges are projected to range from \$1,250 to \$2,400

Land-use and Zoning considerations

- Provide approximately 2.4 acres of commercial/retail frontage along HWY 290
- Consolidate to include 1 commercial lot & 4 residential lots (with common ownership)
- PDD entitlement allowing 10-12 residential DU/Acre densities across residential lots
- Wastewater extension agreement to serve property from West Interceptor
- One (or more) water master-meters per lot, depending on impact fee and rate calculations



ROGER HANKS PARKWAY

Class A Design & Finishes



ROGER HANKS PARKWAY

Conceptual Community Site Plan



LEGEND

- 1-STORY RESIDENTIAL
- 2-STORY RESIDENTIAL

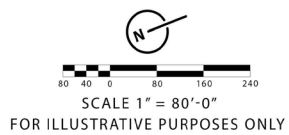
CONCEPTUAL PROJECT INFORMATION*

TOTAL AREA - 28.78 ACRES

RESIDENTIAL - 288 UNITS AT ± 10 DU/AC GROSS

- 1 BD DUET HOME - 1-STORY DUPLEX - 76 UNITS
- 2 BD COTTAGE HOME - 1-STORY ATTACHED GARAGE - 35 UNITS
- 2 BD COTTAGE HOME - 2-STORY ATTACHED GARAGE - 43 UNITS
- 3 BD COTTAGE HOME - 2-STORY ATTACHED GARAGE - 54 UNITS
- TOWNHOMES - 2-STORY ATTACHED GARAGE - 80 UNITS

*PROJECT DETAILS ARE REPRESENTATIVE AND MAY CHANGE BASED ON FURTHER ANALYSIS DURING THE DESIGN PROCESS



NEWGROWTH - DRIPPING SPRINGS
 DRIPPING SPRINGS, TEXAS
 Illustrative Site Plan



www.leeandassociates.net



New Growth SFR communities combine the best of single-family "for sale" & multifamily "for rent", providing a strong economic and lifestyle value to residents

	Single-family for sale	Multifamily	SFR/BFR
No Down Payment	✗	✓	✓
Central Amenities	✗	✓	✓
Private Yards	✓	✗	✓
Direct-Access Garages	✓	✗	✓
No Neighbors Above/ Below	✓	✗	✓
On-Site Staff	✗	✓	✓
24-Hr Maintenance	✗	✓	✓
Landscaping Service	✗	✓	✓
No Capital Repairs	✗	✓	✓
No Large Transaction Costs on Move-In/Out	✗	✓	✓
Includes Larger 3- and 4-Bedroom Options	✓	✗	✓

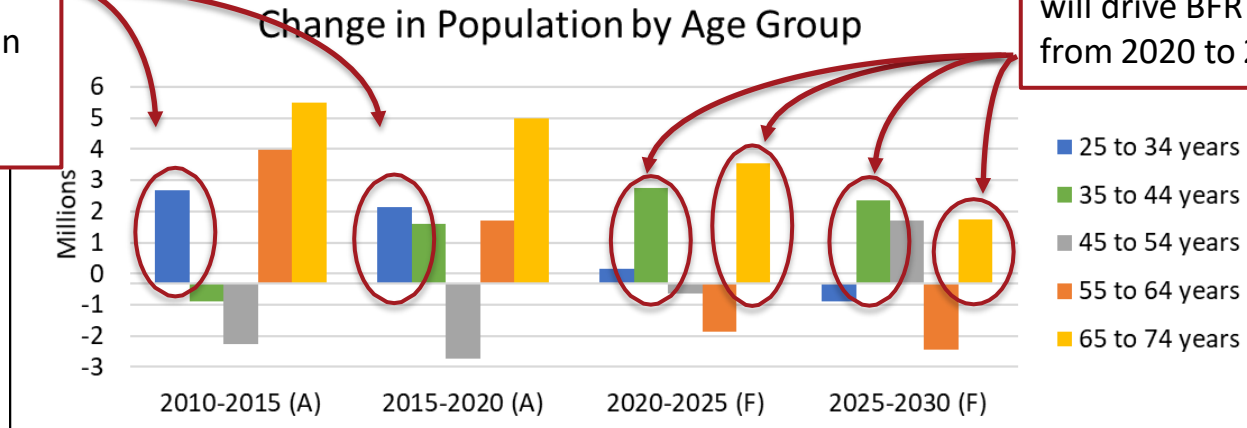
Real estate market experts believe that demand for Build-for-Rent ("BFR") / Single-Family Rental ("SFR") housing will only continue to grow with the emerging "demographic wave" and cultural shifts for years to come:

- *"On the consumer side, the major decision components when comparing (SFR & BFR) to a home purchase for tenants are convenience, mobility and affordability," ... "Culture change has also had a big impact, as renting has become an increasingly more popular choice." Jeff Cline of SVN/SFR Advisors tells Globe Street (April 2020)*
- *In reference to a public SFR operator: "...benefitting from strong industry trends and likely long-term tailwinds as COVID-19 induced shift of households moving to suburbs." Jonathan Litt – L&B (May 2020)*
- *"Single-family rentals are driven by this demographic wave that's the new part of housing demand, which is the millennials moving from their 20s to their 30s," notes Robert Dietz, NAHB's chief economist and senior vice president for economics and housing policy (Builderonline January 2018)*
- *"Nationally, the number of households earning more than 150k per year who rent increased two times faster (+157%) than the number of high-earning homeowner households (+78%) since 2010, as progressively more wealthy Americans choose renting over homeownership." RENTCafe (December 2019)*
- *"SF rental firms have seen apartment renters moving in to minimize their risk of exposure to Covid" John Burns Real Estate Consulting (March 2020)*

Demographic tailwinds from millennials and empty-nesters (boomers) will drive BFR/SFR demand over the next 10 years & beyond. Those two demographic cohorts outpace every other <75-year-old age group

- Yesterday's apartment renters are tomorrow's BFR/SFR renters** - Millennials, age 22 to 38 today, drove the US apartment construction boom from 2010-2020; now older and outgrowing apartment life, this same demographic is expected to drive BFR demand over the next 10 years
 - This cohort prefers mobility, is delaying marriage and children and has high levels of student debt, resulting in a low homeownership rate compared to other generations ¹
 - As millennials age, and increasingly form families, they will need more space and privacy
- Empty-nesters have shown strong demand for BFR/SFR** - Boomers looking to downsize or looking for a low-maintenance lifestyle have proven their demand for BFR/SFR

25- to 34-year-old millennials drove the apartment construction boom from 2010 to 2020²



35- to 44-year-old millennials and 65- to 74-year-old boomers will drive BFR demand from 2020 to 2030

(1) Homeownership rate of millennials between the ages of 25 and 34 was 37% in 2015, approximately 8% lower than the homeownership rate of Gen Xers and baby boomers at the same age
 (2) The 73 million baby boomers in the United States accounted for 58.6% of the net increase in renter households between 2006 and 2016, according to NMHC tabulations of U.S. Census data

City of Dripping Springs Comprehensive Plan – Housing Goals & Priorities

Support Housing Options in Dripping Springs (Dripping Springs Comprehensive Plan Section 3.1)

“The City should ensure that housing diversity is a priority goal in developing new regulations. This should include multi- family options. These do not have to be large apartment complexes, rather they can be smaller complexes that better fit the character of Dripping Springs...Townhomes, garden homes, and duplexes can be designed to complement single family development and be built in conjunction with single family homes. There are many ways to weave lower cost housing into existing and planned developments without negatively affecting home values and quality of life.”

Housing (Dripping Springs Comprehensive Plan Section 1.4)

“The high home prices also make it difficult for many skilled workers and professionals to find suitable housing including teachers, nurses, police officers, and others who are unable to live in Dripping Springs because of the high home prices.”

“One of the biggest challenges facing Dripping Springs will be to support an adequate supply of housing suitable for residents at all incomes, including those just starting out, and seniors who may transition to a fixed income at retirement.”

NEW GROWTH LIVING

Third Party Validation



New Growth Living engaged John Burns Real Estate Consulting to analyze the current and future impacts that demographic and cultural shifts are having on SFR and BFR housing products. John Burns Real Estate Consulting is a leading national real estate consulting firm specializing in Single-Family Rental ("SFR") and Build-For-Rent ("BFR").

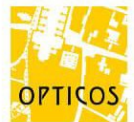
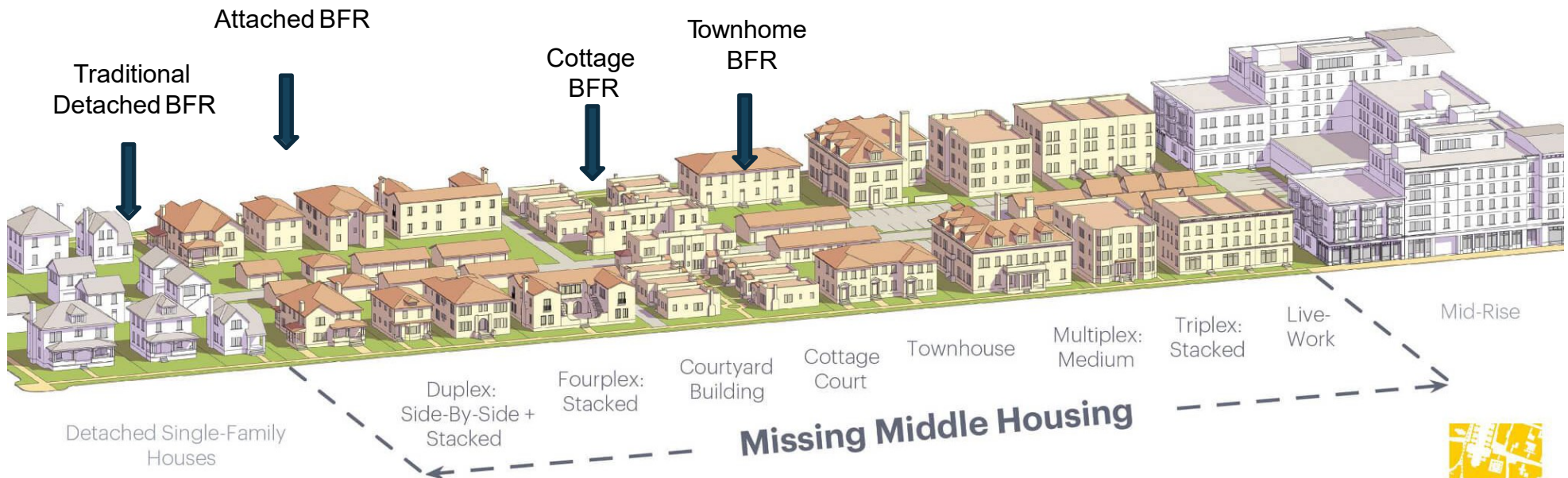
The following pages are excerpts from John Burns Real Estate Consulting's report



Density - An Increasingly Important Issue for Cities

SFR/BFR communities can help cities address the “Missing Middle” of the housing challenge – the area between traditional single-family homes and apartments. This housing type is critical in retaining young adults as they begin to advance in life and desire more than an apartment. **Cities can lose the opportunity to attract and retain these young adults as they will move to where their housing choice is available to "grow their roots".**

These SFR/BFR housing types can help visually blend areas of multifamily and single family while offering consumers a range of housing types and prices to meet their needs. Our research has shown that single-family renters are less-willing than homebuyers to pay extra for excessive space in a home and lot and will accept higher density detached homes. This higher density allows SFR/BFR operators to compete with for-sale home builders for land opportunities and provide a wide variety of housing types and sizes at more attainable pricing.



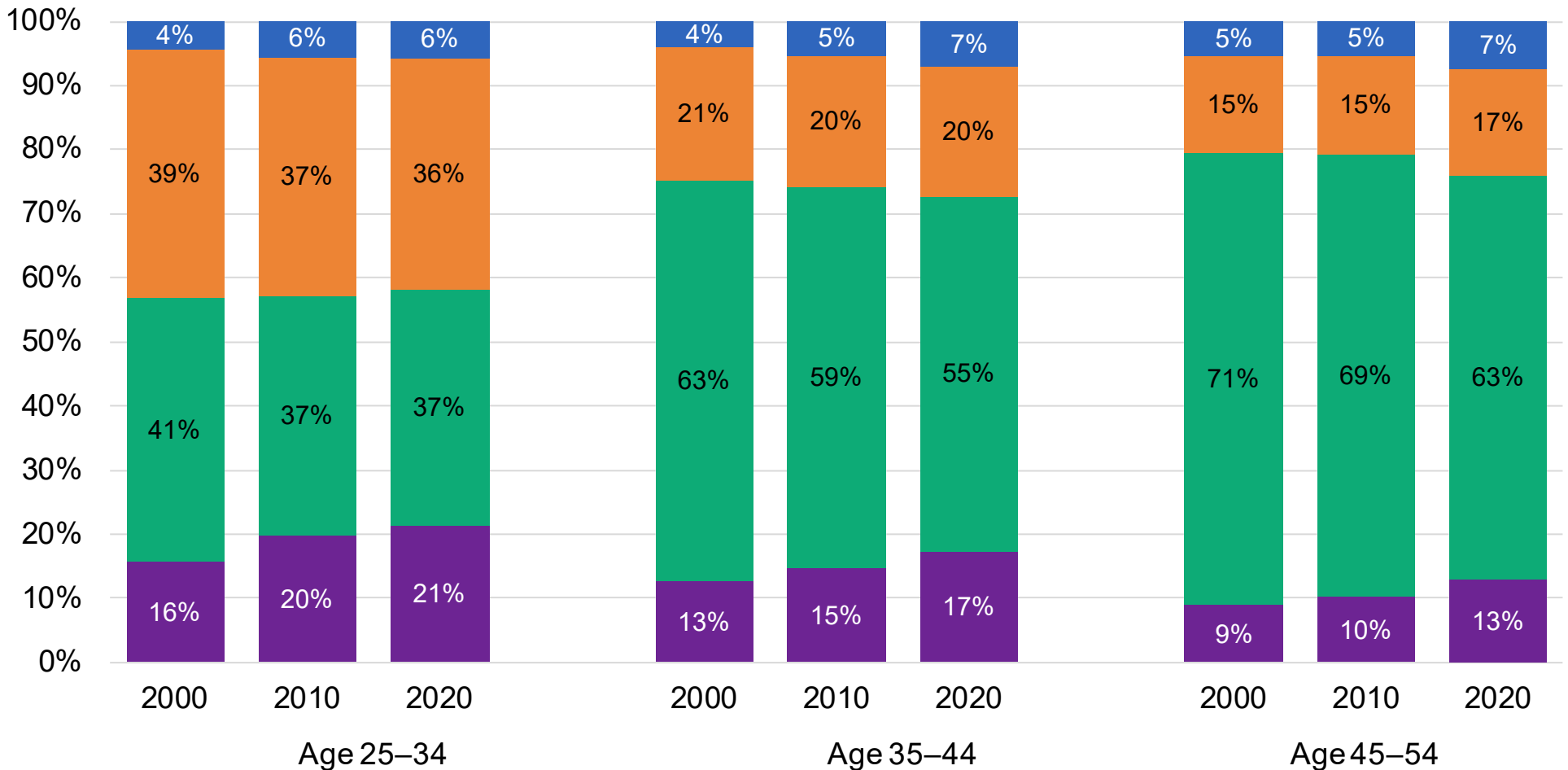


Home Preferences by Age Group

Single-Family Rentals have gained market share across all age groups.

Cohort Structure and Tenant Share of Single-Family and Multifamily Residences

■ SF rent ■ SF own ■ MF rent ■ MF own

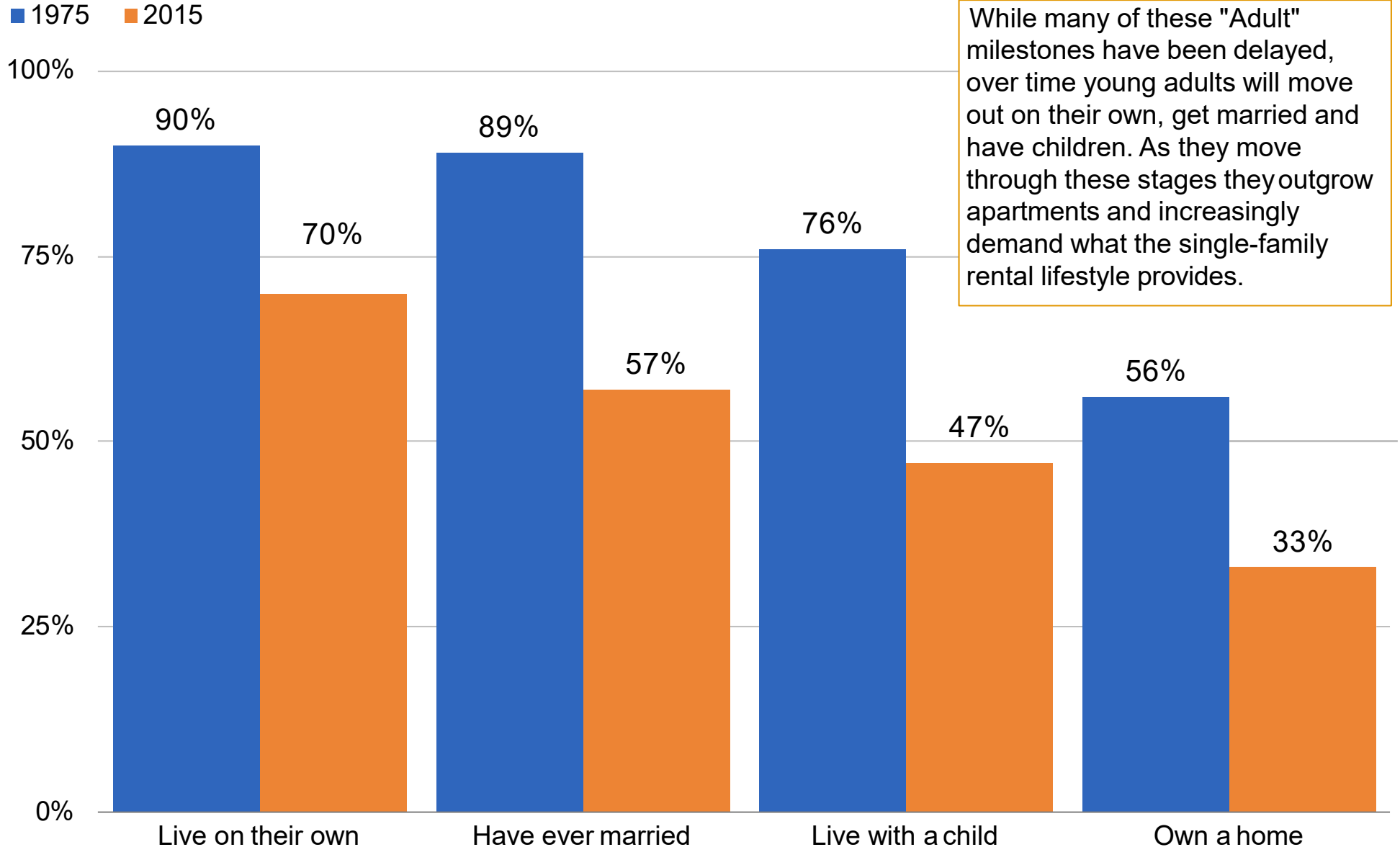


Sources: John Burns R. E. Consulting, LLC calculations of U.S. Census Bureau, Current Pop. Survey, Annual Social and Economic Supplements via IPUMS-CPS (Data: 2020, Pub: Nov-20)



Delayed "Adult" Milestones

Percentage of 30-Year-Olds Hitting 'Adult' Milestones



Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 2015†)



Demographic Trends and Housing Preference

Trend

Commentary

Population Growth in Interior Markets

As of September 2020, coastal markets had the slowest population growth and interior/more affordable markets had higher population growth. Population growth only exceeded 2% YOY in Phoenix and Austin.

Barriers to Homeownership

30-year-olds are hitting “adult milestones” later than ever and high student debt limits ability to save for a down payment. 64% of current single family renter households report affording a down payment or closing costs as a barrier to home purchase.

Fewer people want to own homes

Renters in all generations report less desire to own homes than they did in 2016.

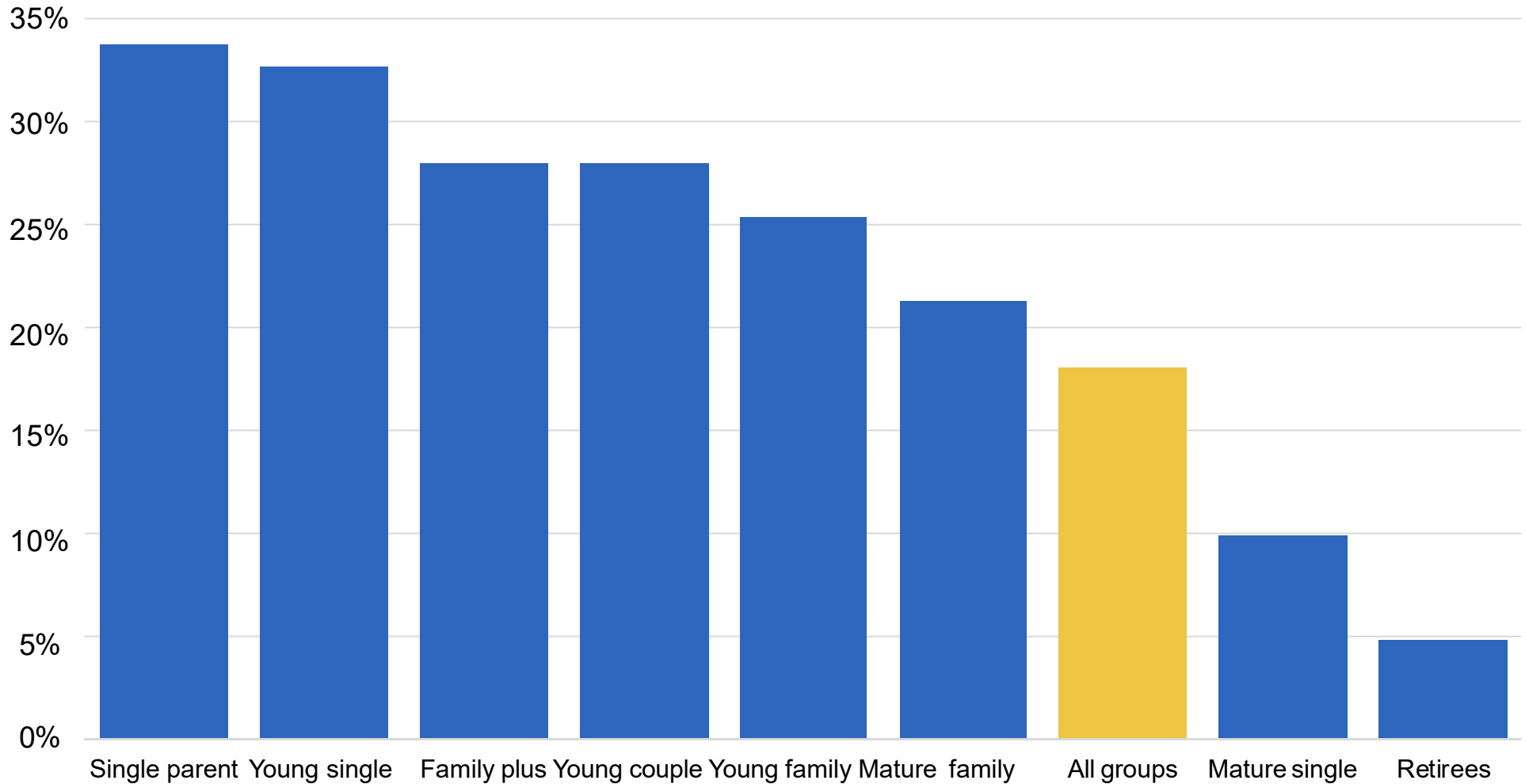
Generational Differences

Roughly 1/3 of Baby Boomer (ages 55-73) renters report having “no interest in ever owning a home.” These renters also stay in homes longer, 8.4 years on average.



Obstacles to Homeownership

% Reporting Down Payment as an Obstacle to Homeownership in 2018
Reported a Down Payment as an Obstacle to Homeownership in 2018

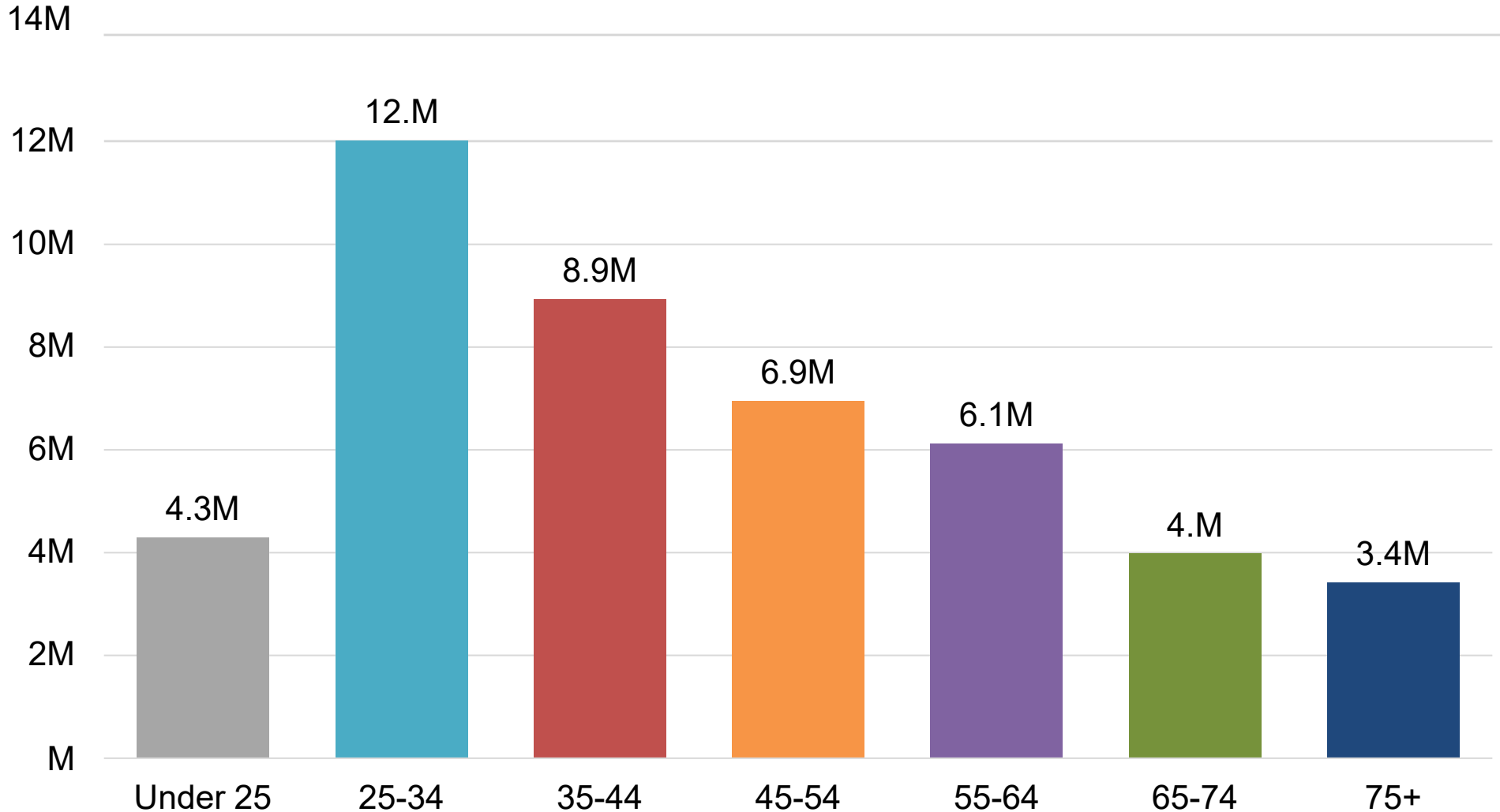




Renter Households by Age Cohort

There are nearly as many renter households over age 55 (13.5M) as there are under age 35 (16.3M).

Renter Households by Age Cohort



Sources: US Census Bureau, ESRI, John Burns Real Estate Consulting, LLC (Data: 2019, Pub: Nov-20)



Renter Preference - Renting is an Increasing Choice

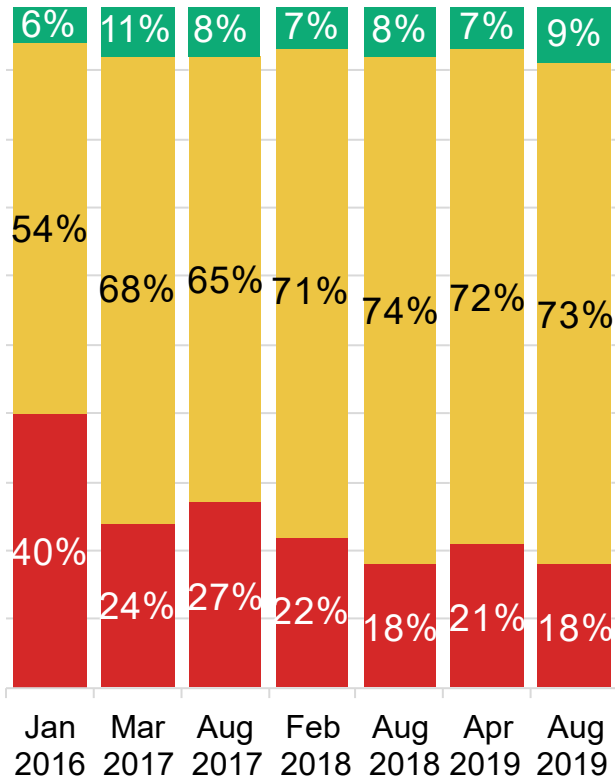
Renters between the ages of 55 and 73 expressed the least interest in homeownership, with 34% of respondents reporting no interest in ever owning a home, up from 23% in 2016, AND....

"I want to own" has decreased in every age demographic

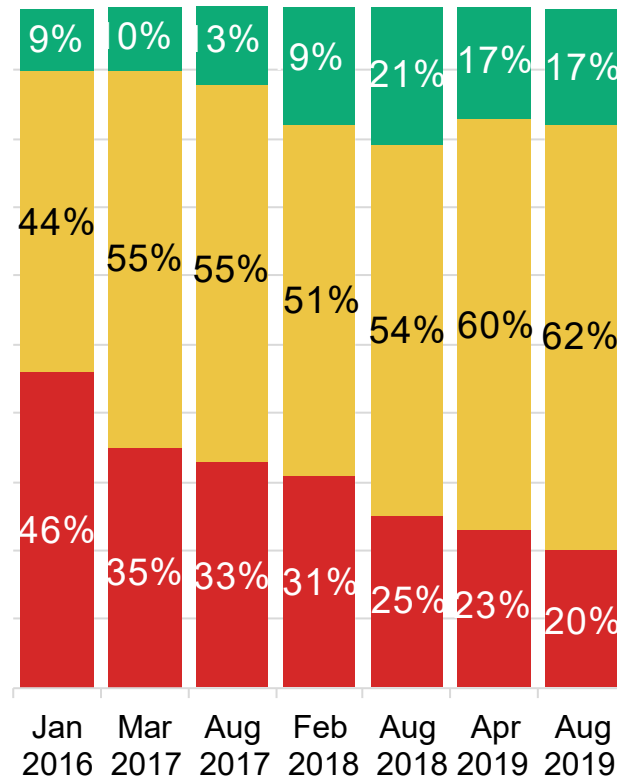
Q: Which one of these statements best reflects your views about why you are currently renting?

■ I have no interest in ever owning a home
 ■ Renting is a good choice now
 ■ I want to own

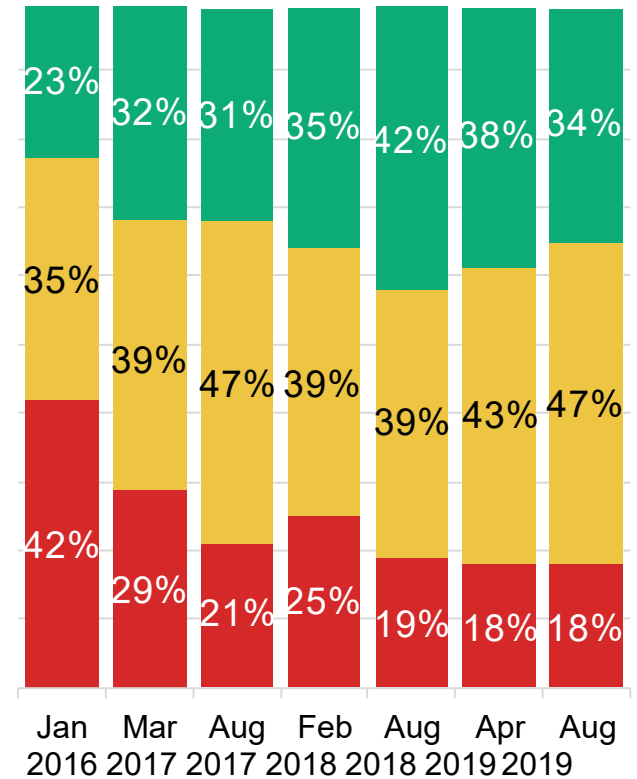
Millennial
Ages 23–38



Gen X
Ages 39–54



Baby boomer
Ages 55–73



Most recent survey base: 365 millennials, 271 Gen Xers, 323 baby boomers; sample includes SF and MF renters.

Sources: Freddie Mac Profile of Today's Renter, Multifamily Renter Research; John Burns Real Estate Consulting, LLC (Data: Aug-19, Pub: Nov-20)



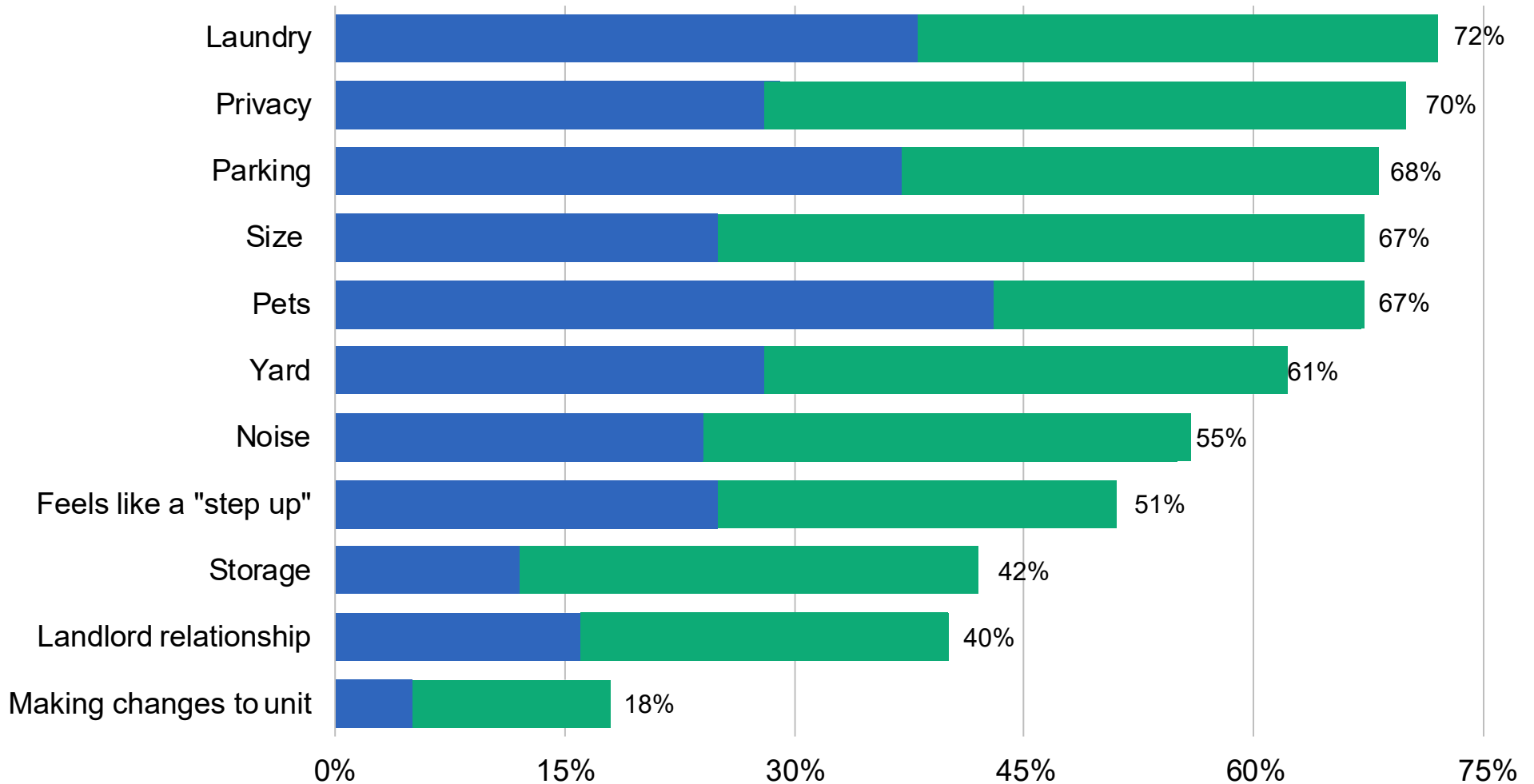
Factors Impacting Rental Home Choice

PPPY - Privacy, Parking, Pets, Yard :

Some of the most important reasons to upgrade from an apartment to SFR - and what move-down baby-boomers demand

Factors That Influence Single-Family Rental Housing Choice

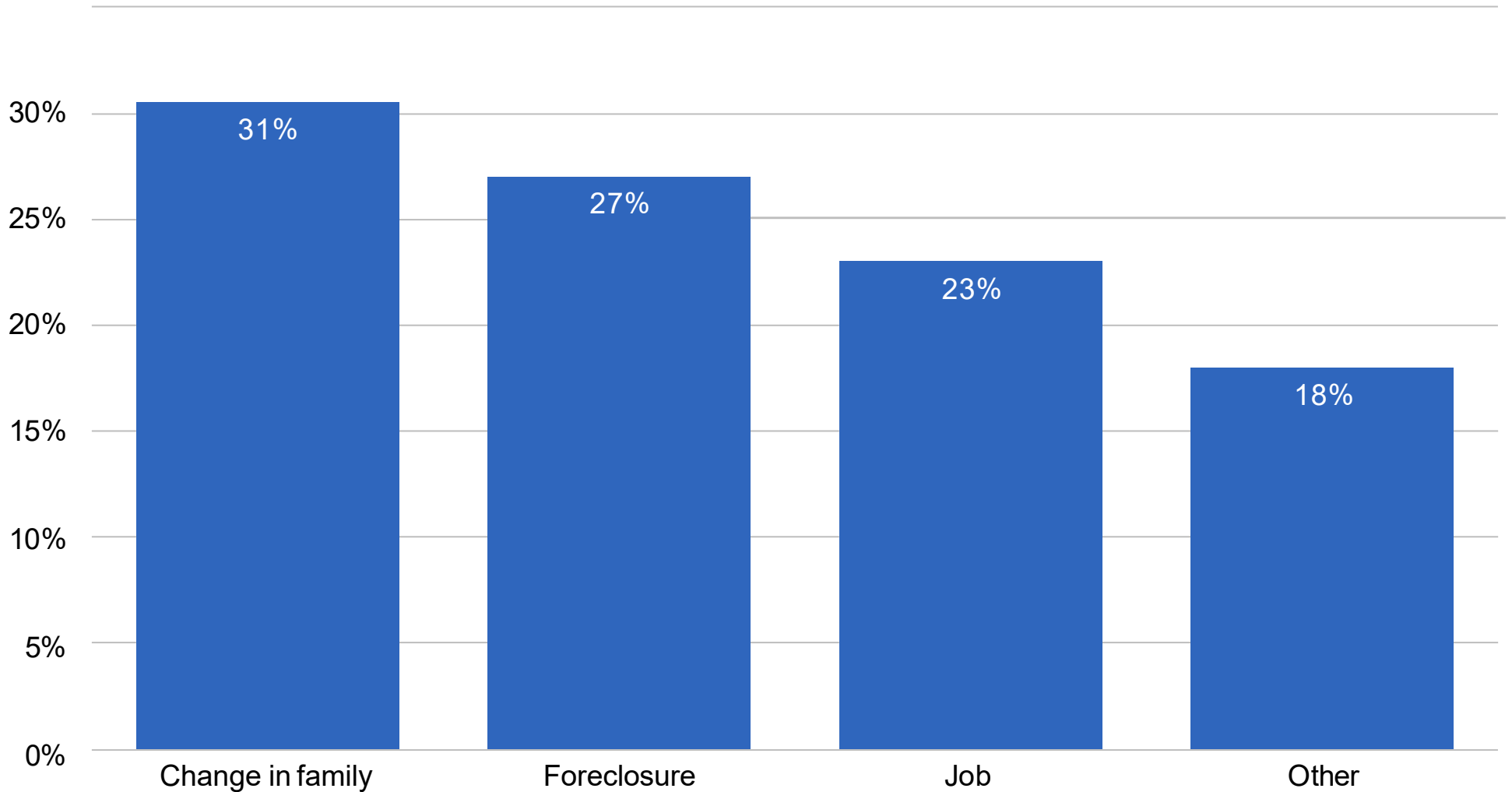
■ Extremely important ■ Very important





Reasons for Single-Family Renting

Reasons for Returning to Single-Family Rental after Owning a Home





The sponsor is a partnership between NewGrowth Living and Montgomery Street Partners (collectively, the “Sponsor”). NewGrowth is a developer of purpose-built single-family rental housing, and its principals have decades of experience in all facets of residential development

- **Multifamily Development:** Team has developed over 30,000 multifamily units
- **Land and Single-Family Home Development:** Developed over 10,000 residential lots and 7,500 for-sale homes
- **Leadership:** Previously executives at major residential developers, including The Wolff Company, SunCal, Grupe Company and The NRP Group
- **Investment Management:** Led the deployment of over \$5 billion of private equity capital into residential projects as fund principals
- **Portfolio Management:** Managed portfolios of residential assets (rental and for sale) through multiple market cycles
- **Geographic Spread:** Principals have long-term market relationships and expertise in Southern, Southeastern, and Western target markets
- **Institutional Backing:** MSP provides financial strength and lending relationships to help accelerate growth



NEW GROWTH LIVING
Roger Hanks Parkway

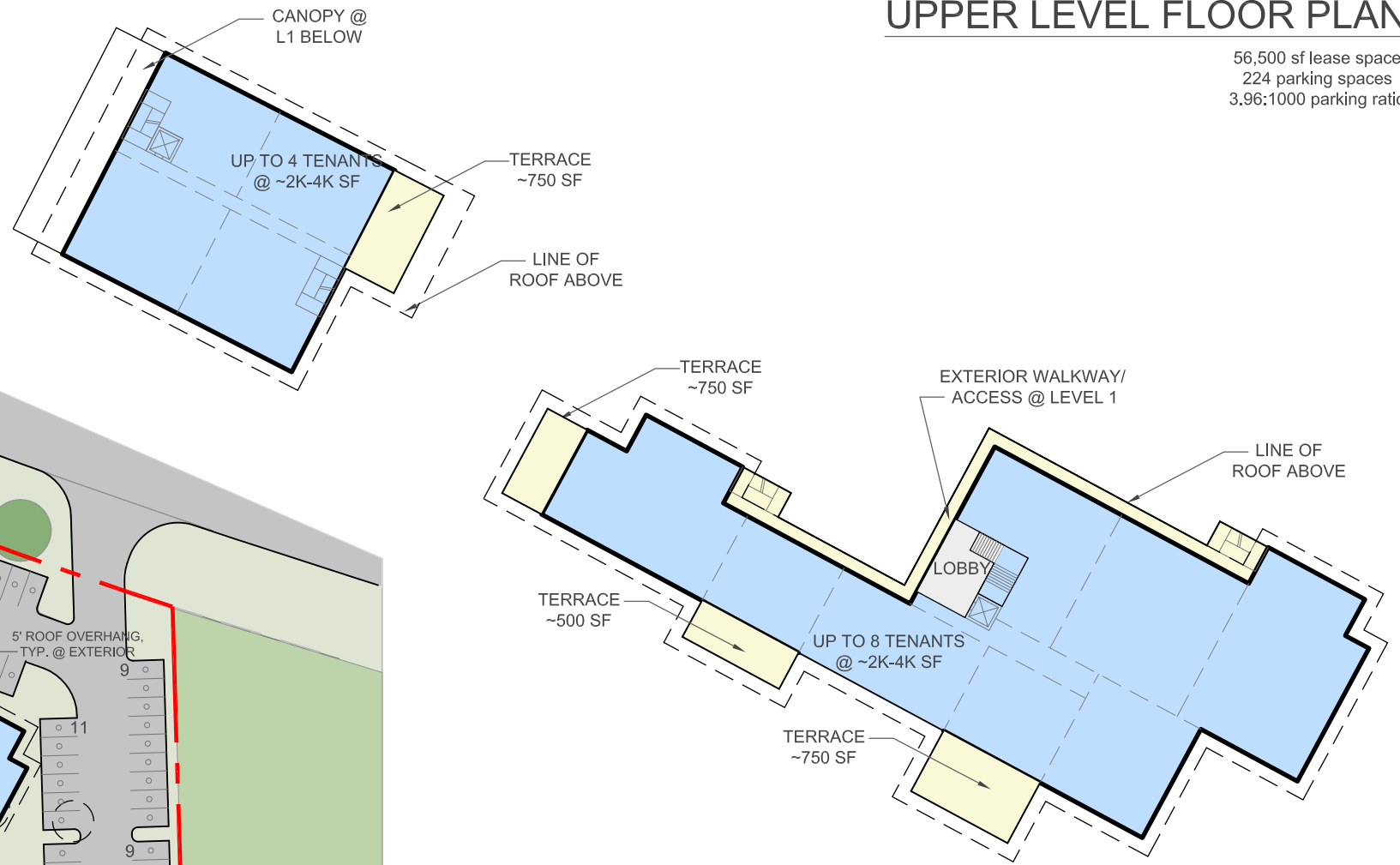


January 2021

LOWER LEVEL / SITE PLAN

UPPER LEVEL FLOOR PLAN

56,500 sf lease space
224 parking spaces
3.96:1000 parking ratio



TIGER LANE OFFICE/MIXED USE CONCEPT 2

56K RSF - 2 STORY BUILDINGS, NO LAND SWAP

SCALE : VARIES
CONCEPT DRAWING

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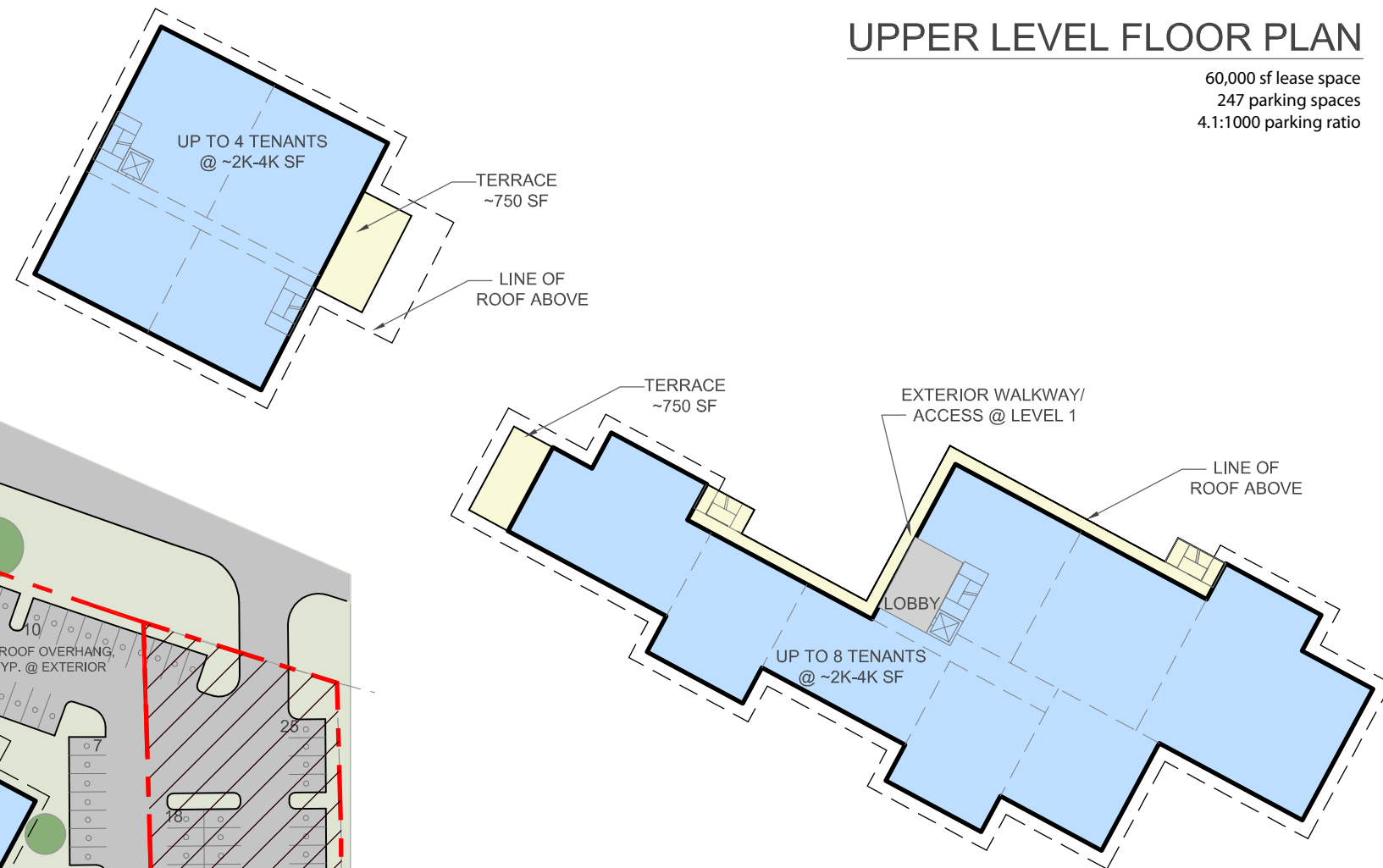
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LOWER LEVEL / SITE PLAN

UPPER LEVEL FLOOR PLAN

60,000 sf lease space
 247 parking spaces
 4.1:1000 parking ratio



TIGER LANE OFFICE/MIXED USE CONCEPT 2

60K RSF - 2 STORY BUILDINGS, W/LAND SWAP

SCALE : VARIES
 CONCEPT DRAWING

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