

May 2013

DRAFT

Housing Analysis

Town of Boone, North Carolina



Prepared by:



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Prepared For:

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1 EXECUTIVE SUMMARY

A. DEMOGRAPHIC ANALYSIS

The most significant increases in population in Boone and the surrounding area have been in the student-age population, which continues to grow in both real numbers and as a share of total population. The growth of the working age population (25-64) has been relatively stagnant in the Town of Boone from 1990 to 2010. Within the 4-mile radius, the population within this age cohort increased by 25% in the same period. During the same time period, the retirement age population increased in both the Town of and the surrounding area, growing almost 60%. Data would indicate that students in large measure, and retirees to a lesser extent, drive the Boone housing market.

Household income in Boone has been stagnant. This is likely due to the increase in the student aged population in recent decades, as well as the relative decline in age cohorts made up of earners in their peak earning years.

Income, educational attainment, housing size, and all other indicators become more typical moving away from the town center. This logically indicates a higher concentration of students closer to the main campus.

Over 30% of Boone's at-place employment population commutes further than 30 miles one way, pointing to housing issues not only in the Town, but in the area surrounding it as well. Of course, topographical issues constrain development in areas surrounding Boone, which compounds the housing issue.

B. HOUSING MARKET ANALYSIS

RKG estimates that ASU students occupy 50% to 65% of the roughly 11,000 housing units in the Boone marketplace. Approximately 3,250 apartment units, many purpose built to accommodate students, are target marketed to the student population. The remaining student-occupied units are a mix of single family houses, townhouses, duplexes, triplexes, and condos of different types.

Based on a current demand from approximately 16,000 students, RKG estimates a surplus of units available to students between 1,200 and 2,500. With approximately 1,600 additional student housing units in the development pipeline, and a projected increase in student enrollment by 2020 of less than 450, the oversupply of housing units targeted to students will increase.

Since 2003, approximately 800 new single family homes have been added to the Boone marketplace inventory. Based on the relatively high housing values in the area, these homes are most likely to be owner-occupied or second homes. An additional 136 condos were built within Boone's town limits.

According to the 2010 Census, the median value of owner occupied homes in Boone was almost 90% higher than the state median value – in Watauga County, the median value was 53% higher than the state's. The average value of single family homes built after 2002 is 76% higher than those built prior to 2003. For townhouses, the average value for newer product is 80% higher, for condominiums, 84% higher.

The oversupply of student housing will increase the potential for some student-oriented residential properties to reposition themselves for the non-student market. The current configuration of many student-oriented apartment units and fractured ownership of condominium developments will present challenges for market repositioning.

C. AFFORDABILITY ANALYSIS

Within the 'under \$35,600' income category, a combined 6,222 student/conventional households vie for 4,333 affordable units, leaving 1,889 households forced to seek housing that their incomes cannot support, from a HUD cost burdened definition. The precise ratio of student to non-student households that fall under these circumstances cannot be measured with any reasonable degree of accuracy, short of conducting an exhaustive survey. However, it can be surmised that a large majority of student households, while exhibiting relatively low incomes, nonetheless have a higher ability to pay by virtue of parent assistance and college loans. To this end, student households are more competitive within the market, from an ability to pay perspective, making it challenging for non-student households to secure suitable housing. Furthermore, much of the newer apartment development is geared towards the student population (i.e. divided into mini suites rather than a family-style unit). As a result, non-student households at the lower-end of earnings have limited options within the Town and its immediate vicinity. This finding is consistent with the commuting pattern data presented in the demographic section.

The economics of the under \$35,000 income housing market (homes with a purchase price of \$150,000 and less) are dictated by student demand, which is a captive market due to the steadily increasing enrollment at ASU. This has been the case for multiple development cycles over several decades, the result being that "lower end" student housing stock is being vacated in favor of newer accommodations with more amenities. Since much of this older housing stock was purpose built and configured to house students, it is not necessarily suitable or desirable for conventional households.

The shortage of housing in the over \$83,100 income category reflects the demand for relatively expensive second homes in the Boone marketplace and implies that residents in this profile are being "pushed" into the middle supply categories. Whereas a \$350,000 to \$450,000 home may be obtainable for some proportion of Boone's households, the trend in the single family market has been to target the households that can afford homes of \$500,000 and up.

There are no natural incentives in the marketplace to compel developers to build anything other than student housing or expensive – and oftentimes – second homes. Land values in the area are relatively high, which reflects the ability for the development community to pay for land given the strengths of the luxury, higher profit margin market.

Affordable housing opportunities in and around Boone will most likely come in the form of the rehabilitation and repositioning of older, underperforming student housing properties. While this supply likely will become more numerous as the new housing product under development is brought on line, housing choice will remain elusive without some policy and/or regulatory intervention by the Town and County.

2 INTRODUCTION

A. INTRODUCTION

RKG Associates, Inc. was engaged by the Town of Boone, North Carolina to prepare an assessment of the conditions and characteristics of the housing market in the greater Boone trade area. The housing market in Boone is one that is unique to university towns in that the majority of the resident population is comprised of students attending Appalachian State University (ASU). Located in the heart of Boone, the Main Campus enrollment was approximately 16,000 in 2013. In addition to being a university town, Boone is also a destination for vacationers, offering outdoor recreation such as skiing, hiking, camping, etc. In 2012, Boone was also listed among the ten best places to retire in the U.S. by U.S. News and World Report. Consequently, the second home market is also a key driver of housing in the Boone marketplace.

Boone is a significant employment center in Western North Carolina. ASU employed approximately 2,900 full and part time staff in 2012. The greater Boone area also has regional health care facilities in both Boone and the nearby town of Blowing Rock, and an estimated 3,500 workers are employed in health care and social assistance just in Boone. Over 14,000 people work in the Town of Boone, of who 12,000 commute from outside of town. Significantly for Boone, over 32% of its workers commute over 25 miles to get there, suggesting that workforce housing opportunities may be constrained. The key objective of this analysis is to assess the affordability of housing in the Boone marketplace with regard to the local, non-student population.

In the course of the work program, RKG professionals reviewed relevant plans and documents, and interacted with key stakeholders including Town staff, Planning Department staff, elected officials, local real estate professionals and developers, property owners and managers, ASU representatives, and others. In addition, a visual inventory of the greater Boone's housing stock was conducted.

The findings of the Town of Boone Housing Affordability Analysis are organized in this report in the following sections:

- Chapter 1 Executive Summary
- Chapter 2 Introduction
- Chapter 3 Demographic Analysis
- Chapter 4 Housing Market Assessment
- Chapter 5 Housing Affordability Analysis

3 DEMOGRAPHIC ANALYSIS

A. INTRODUCTION

The following chapter analyzes demographic trends and projections in areas such as population, households, income, education attainment, and employment data. The analysis focuses on trends and conditions within the Town of Boone, but includes comparative data for the surrounding community (within a 4-mile radius of the town), Watauga County, and the state of North Carolina. The data provides insight into local and regional growth trends as well as projected future growth patterns. These factors provide the framework for understanding the market potential for real estate activity and housing investment in Boone and the surrounding region. The consultant utilized several public and private data sources to complete the analysis including the Bureau of the Census and Site to Do Business.¹

B. METHODOLOGY

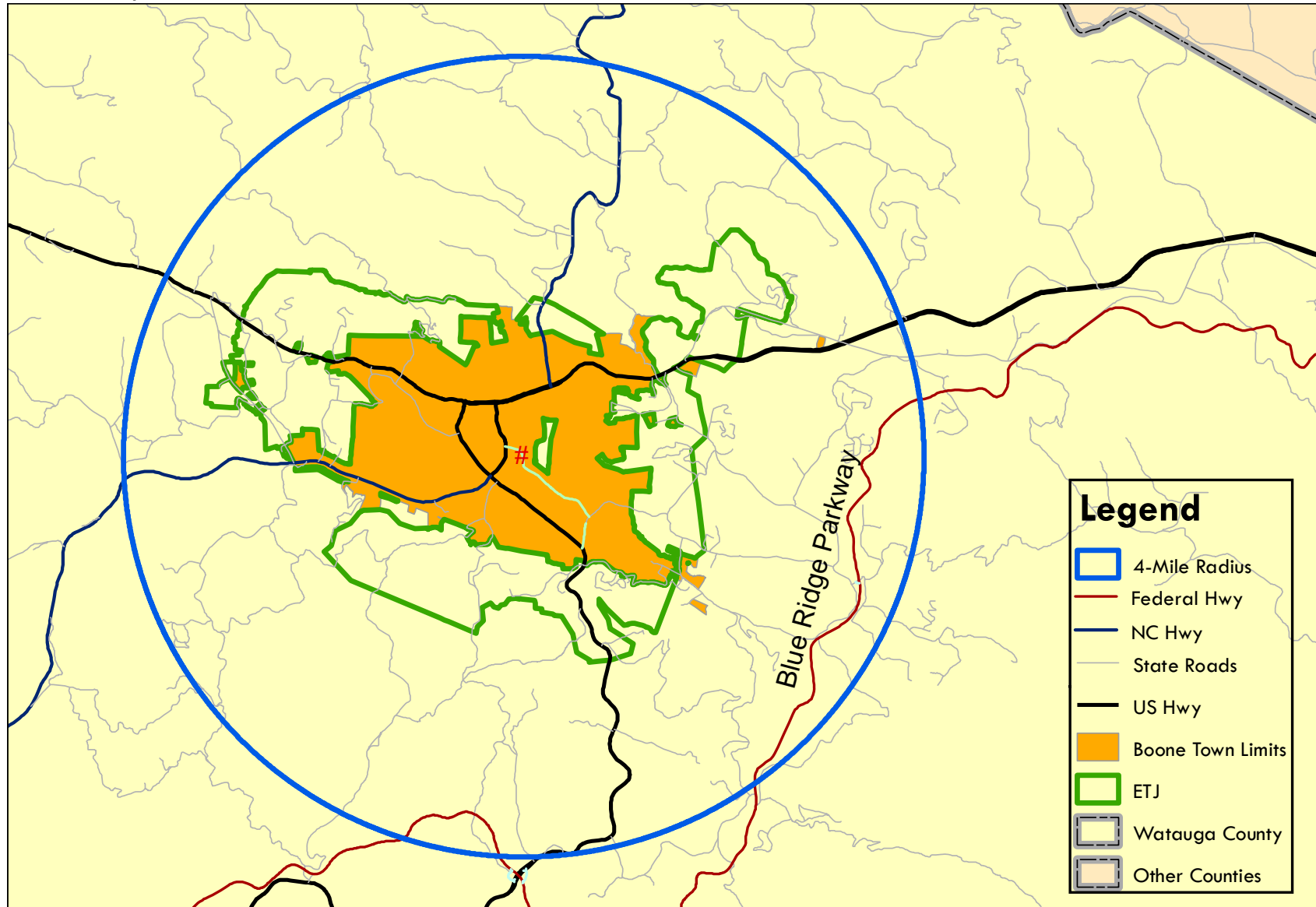
Population, household, and income trend data is collected from the U.S. Census Bureau and Site to Do Business. Much of the data provided by Site to Do Business consists of data from the U.S. Census Bureau provided in a summarized form presented for users in the real estate industry. RKG Associates uses demographic projections developed by Site to Do Business for this report, unless noted.

Data in tables is categorized by geographic area, with the Town of Boone, Watauga County, and the State of North Carolina listed separately for comparison purposes. In many instances, demographic and housing data is provided for a four-mile area surrounding the Town of Boone (Map 3-1). This area is defined as consisting of a four mile radius from the geographic center of the town, but does not include the Town itself. The purpose of this area definition is to give insight into statistics and trends impacting the parts of Watauga County nearest to Boone.

Data shown for Watauga County and North Carolina include the entirety of the area within their boundaries. Any variation or special information is noted with data tables or charts. Housing supply and demand analyses, found later in this report, may include data sets for the extraterritorial jurisdiction (ETJ) adjacent to Boone outside the town limits. For purposes of the demographic analysis section, the ETJ is not separately differentiated from the surrounding region or Watauga County.

¹ Site to Do Business is a private data vendor that compiles and analyzes socio-economic and demographic data from the U.S. Census and other data sources using applications developed by ESRI. The company also applies a proprietary methodology to develop future projections.

MAP 3-1 – Study Area Boundaries



C. POPULATION AND HOUSEHOLD TRENDS

1. Population Trends and Projections

Information from the U.S. Census indicates that Boone has experienced moderate to strong population growth over the past two decades. In the past twenty years, the town population has increased from 12,515 residents in 1990 to 17,122 in 2010, an increase of 27.1%. Projections by Site to Do Business (STDB) indicate that the population of Boone will continue to increase to 18,765 residents by 2017.

For regional comparison, Watauga County as a whole, and the four mile area in the county surrounding the Town of Boone have likewise experienced brisk population growth in the past few decades (Table 3-1, Figure 3-1). Watauga County overall experienced a population increase of 8,384 persons from 2000 to 2010, representing a 19.6% increase during the decade. The four mile radius of Boone experienced similar population growth, averaging 1.8% annually during the decade compared to Watauga County’s annual growth rate of 2.0%. A 1.0% to 1.5% annual rate of population growth is generally considered a positive indicator. Boone experienced slower annual population growth than the comparison jurisdictions for the period 1990 to 2000 (0.8%), but then outpaced the other areas significantly from 2000 to 2010 (2.7%). This is consistent with enrollment numbers at ASU, where the school experienced an increase of nearly 3,000 students during the 2000s.

The population of the Boone area has alternatively grown slightly faster or slower at various times than the state of North Carolina as a whole, but overall still exhibits positive growth trends. Between 2010 and 2017, the annual rate of population growth for the Town of Boone is forecast to grow at 1.3% annually. Watauga County and the surrounding four-mile radius of Boone are projected to grow at rates similar to the town, at 1.1% and 1.3% annual growth rates respectively.

These rates of local population growth are expected to surpass the projected growth rate of 0.9% for the state of North Carolina as a whole. Like many southern and sunbelt states, North Carolina experienced strong

**Table 3-1
Population Trends
Comparative Study Areas; 1990 to 2017**

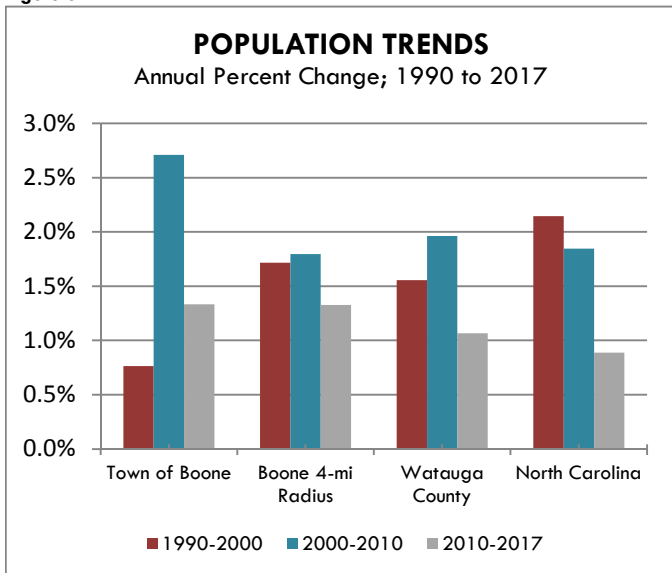
	1990	2000	2010	Projected 2017
POPULATION				
Town of Boone	12,515	13,472	17,122	18,765
Boone 4-mi Radius [1]	8,663	10,150	11,973	13,797
Watauga County [2]	36,952	42,695	51,079	56,789
North Carolina	6,628,637	8,049,313	9,535,483	10,365,298
PERCENT CHANGE IN POPULATION				
Town of Boone	--	7.6%	27.1%	9.3%
Boone 4-mi Radius	--	17.2%	18.0%	9.3%
Watauga County	--	15.5%	19.6%	7.5%
North Carolina	--	21.4%	18.5%	6.2%
ANNUAL PERCENT CHANGE IN POPULATION				
Town of Boone	--	0.8%	2.7%	1.3%
Boone 4-mi Radius	--	1.7%	1.8%	1.3%
Watauga County	--	1.6%	2.0%	1.1%
North Carolina	--	2.1%	1.8%	0.9%

Source: Site to Do Business and RKG Associates, Inc., 2013

[1] 4-mile radius of Boone, less area within town boundaries

[2] Includes Town of Boone

Figure 3-1



Source: Site to Do Business and RKG Associates, Inc., 2013

population growth in recent decades. While the rate of growth has slowed compared to last decade’s boom, trends for future growth remain healthy. Looking further into the future, official state projections of population growth indicate that Watauga County, including the Town of Boone, will grow at a faster rate than the state (Table 3-2).

The data indicate changes in Town population and the area immediately surrounding Boone are most heavily influenced by ASU enrollment. During periods where ASU enrollment has remained stable, Town population has increased comparatively slowly (presumably an increase in retirees and modest employment gains). However, the 2000s showed that increases in enrollment drive a total population shift. Anecdotal discussions with ASU representatives and Town leaders indicate this growth likely will continue into the near future. As a result, the demand for housing largely will be driven by student needs.

**Table 3-2
Projected Population Growth
2013 to 2029**

	Watauga County		North Carolina	
	Projected	Annual	Projected	Annual
2013	53,566	1.4%	9,886,349	1.1%
2014	54,304	1.4%	9,992,391	1.1%
2015	55,042	1.4%	10,096,810	1.0%
2016	55,778	1.3%	10,201,611	1.0%
2017	56,516	1.3%	10,305,263	1.0%
2018	57,255	1.3%	10,409,046	1.0%
2019	57,991	1.3%	10,511,877	1.0%
2020	58,729	1.3%	10,614,863	1.0%
2021	59,466	1.3%	10,717,106	1.0%
2022	60,204	1.2%	10,819,523	1.0%
2023	60,943	1.2%	10,921,252	0.9%
2024	61,680	1.2%	11,023,154	0.9%
2025	62,418	1.2%	11,124,477	0.9%
2026	63,157	1.2%	11,225,994	0.9%
2027	63,892	1.2%	11,326,960	0.9%
2028	64,631	1.2%	11,428,096	0.9%
2029	65,369	1.1%	11,528,742	0.9%

Source: North Carolina Office of State Budget and Management (OSBM) and RKG Associates, Inc., 2013

2. Population by Age

The population of Boone is young, which is expected for a town hosting a large state university. Historic and projected trends show the median age of Boone staying stable at just over 22 years of age (Table 3-3). The median age of Watauga County is 28.7 as of the 2010 Census. This is still considered young, and reflects the inclusion of the Town of Boone in Census population counts, as well as a portion of the student population that lives off-campus and outside of town. The median age for the state of North Carolina is 37.3, compared to 37.2 for the total U.S. population according to the 2010 Census.

As of the 2010 U.S. Census, 46% of the Boone population was in the 20 to 24 year old age cohort. This age group has shown regular growth as a percentage of the total population in Boone since 1990. Outside the Boone town limits, the population in Watauga County and the four-mile radius of Boone indicate a more even distribution of the population by age, although the 20 to 24 cohort is still the majority. As noted, this is consistent with enrollment data, where Appalachian State experienced a substantial increase in student population during the 2000s.

Age cohorts from 25 to 54 have shown slower rates of growth, and recent declines as a share of the total population of Boone. These age groups are important since they represent the prime years when adults marry, form families, and engage in the most productive phases of their careers. The population within this age range also forms the segment of the population that spends the most on goods, services, and housing. In 1990, the total of the three age cohorts representing the range of 25 to 54 encompassed 21% of the total population of the town of Boone. By 2010, the share of this group had declined to 15%. In the four-mile radius of Boone, the share was 40.7% in 1990, 44.1% in 2000, and 36.5% in 2010. Watauga County as a whole shows a similar trend.

**Table 3-3
Population by Age
Comparative Study Areas; 1990 to 2017**

	1990		2000		2010		Projected 2017	
TOWN OF BOONE								
0 to 4	269	2.1%	192	1.4%	267	1.6%	378	2.0%
5 to 19	3,436	27.5%	3,841	28.5%	4,571	26.7%	4,768	25.4%
20 to 24	4,708	37.6%	5,636	41.8%	7,870	46.0%	7,382	39.3%
25 to 34	1,135	9.1%	1,018	7.6%	1,290	7.5%	1,592	8.5%
35 to 44	792	6.3%	611	4.5%	631	3.7%	856	4.6%
45 to 54	702	5.6%	692	5.1%	647	3.8%	910	4.8%
55 to 64	571	4.6%	532	3.9%	686	4.0%	1,152	6.1%
Over 65	902	7.2%	950	7.1%	1,160	6.8%	1,728	9.2%
Total Pop.	12,515		13,472		17,122		18,765	
Median Age	22.7		22.4		22.4		22.9	
BOONE 4-MILE RADIUS [1]								
0 to 4	478	5.5%	480	4.8%	599	5.0%	617	4.5%
5 to 19	1,601	18.5%	1,824	18.1%	1,804	15.1%	1,941	14.1%
20 to 24	1,487	17.2%	1,072	10.7%	1,882	15.7%	2,928	21.2%
25 to 34	1,325	15.3%	1,267	12.6%	1,426	11.9%	1,594	11.6%
35 to 44	1,270	14.7%	1,585	15.8%	1,289	10.8%	1,256	9.1%
45 to 54	935	10.8%	1,586	15.8%	1,656	13.8%	1,494	10.8%
55 to 64	690	8.0%	1,059	10.5%	1,645	13.7%	1,803	13.1%
Over 65	877	10.1%	1,182	11.8%	1,673	14.0%	2,164	15.7%
Total Pop.	8,663		10,055		11,974		13,797	
Median Age	--		--		--		--	
WATAUGA COUNTY [2]								
0 to 4	1,714	4.6%	1,670	3.9%	1,947	3.8%	2,169	3.8%
5 to 19	8,051	21.8%	9,158	21.4%	9,926	19.4%	10,399	18.3%
20 to 24	7,333	19.8%	8,008	18.8%	11,464	22.4%	11,920	21.0%
25 to 34	4,939	13.4%	4,715	11.0%	5,243	10.3%	5,976	10.5%
35 to 44	4,662	12.6%	5,286	12.4%	4,669	9.1%	4,973	8.8%
45 to 54	3,522	9.5%	5,449	12.8%	5,744	11.2%	5,792	10.2%
55 to 64	2,800	7.6%	3,726	8.7%	5,757	11.3%	7,087	12.5%
Over 65	3,931	10.6%	4,683	11.0%	6,329	12.4%	8,473	14.9%
Total Pop.	36,952		42,695		51,079		56,789	
Median Age	27.8		29.9		28.7		31.0	
NORTH CAROLINA								
0 to 4	458,955	6.9%	539,509	6.7%	632,040	6.6%	683,760	6.6%
5 to 19	1,374,291	20.7%	1,653,851	20.5%	1,926,640	20.2%	2,011,023	19.4%
20 to 24	553,956	8.4%	577,508	7.2%	661,573	6.9%	672,811	6.5%
25 to 34	1,143,875	17.3%	1,213,415	15.1%	1,246,593	13.1%	1,385,498	13.4%
35 to 44	1,007,611	15.2%	1,287,120	16.0%	1,327,151	13.9%	1,369,811	13.2%
45 to 54	698,705	10.5%	1,085,150	13.5%	1,368,646	14.4%	1,329,242	12.8%
55 to 64	586,903	8.9%	723,712	9.0%	1,138,761	11.9%	1,342,487	13.0%
Over 65	804,341	12.1%	969,048	12.0%	1,234,079	12.9%	1,570,666	15.2%
Total Pop.	6,628,637		8,049,313		9,535,483		10,365,298	
Median Age	33.1		35.3		37.3		38.0	

Source: Site to Do Business and RKG Associates, Inc., 2013

[1] 4-mile radius of Boone, less area within town boundaries

[2] Includes Town of Boone

There are many reasons why this shift is occurring, including personal preference, disproportionate shifts in other age groups, and housing availability. The data indicate the change in population share results from each of these influences. Given the disproportionate need of faculty and staffing compared to enrollment, it is consistent that student-aged population has increased at a much faster rate. Furthermore, the net number of persons aged between 25 and 54 declined slightly from 1990 to 2010 despite this enrollment growth. It was noted through stakeholder interviews that many households opt to live away from ASU to avoid the externalities of living near a large university and/or that they cannot find appropriately-priced housing. The affordability analysis (detailed in chapter 5) corroborates the latter.

North Carolina in recent years has been a popular retirement destination, attracting residents with moderate weather and numerous amenities. The population growth of the age cohorts 55 and higher is an important indicator as it relates to housing production and second-home purchases in anticipation of retirement. As of the 1990 Census, the 55+ age cohort group represented 21% of the total population of North Carolina. By 2017 it is projected that this share will rise to 28.1% of the state’s population. The growth of this age group has been more stable in the town of Boone, slightly declining from 11.8% in 1990 to 10.8% in 2010, and then projected to rise to 15.3% by 2017. Outside Boone town limits, the growth of the 55+ age cohort is more pronounced.

In the immediate four-mile radius of Boone, the share of the 55+ population increased from 18.1% in 1990 to 27.7% in 2010, and is projected to increase modestly to 28.8% by 2017. In Watauga County as a whole, the 55+ population increased steadily between 1990 and 2010, from 18.2% to 23.7%, and is projected to make up 27.4% of the population by 2017.

This finding exacerbates housing affordability issues. While growth in students at ASU without a corresponding increase in on-campus housing puts pressure on the rental market, an increase in retirement-aged persons changes the demand for housing. This is particularly true from a price perspective since retirees tend to have comparatively more wealth available (oftentimes in the form of home equity) to invest in a new or second housing unit.

3. Household Trends and Projections

According to the 2010 Census, all study areas have seen increases in the net number of households since 1990 (Table 3-4). The change in the number of households and the annual rate of change in households mirrors similar trends in population growth.

In Boone the annual household growth rate was 3.2% per year from 2000 to 2010, compared to an annual population growth rate of 2.7% for the same period. As with population, the rate of change in households was greater in Boone than in Watauga County and the state of North Carolina. Household growth rates in Boone and Watauga county are projected to be similar leading to 2017 (between 1.2% and 1.3%), and while slower than the 2000-2010 period, they are expected to outpace the rate of household formation in the state as a whole. Average household size has been stable in Boone. According to Census data it was 1.97 in 2000,

**Table 3-4
Household Trends
Comparative Study Areas; 1990 to 2017**

	1990	2000	2010	Projected 2017
HOUSEHOLDS				
Town of Boone	3,986	4,374	5,755	6,522
Boone 4-mi Radius [1]	3,435	4,275	5,128	5,884
Watauga County [2]	13,693	16,540	20,403	22,934
North Carolina	2,517,026	3,132,013	3,745,155	4,079,941
PERCENT CHANGE IN HOUSEHOLDS				
Town of Boone	--	9.7%	31.6%	9.1%
Boone 4-mi Radius	--	24.5%	20.0%	9.2%
Watauga County	--	20.8%	23.4%	8.3%
North Carolina	--	24.4%	19.6%	6.5%
ANNUAL PERCENT CHANGE IN HOUSEHOLDS				
Town of Boone	--	1.0%	3.2%	1.3%
Boone 4-mi Radius	--	2.4%	2.0%	1.3%
Watauga County	--	2.1%	2.3%	1.2%
North Carolina	--	2.4%	2.0%	0.9%
AVERAGE HOUSEHOLD SIZE				
Town of Boone	2.11	1.97	2.08	2.11
Boone 4-mi Radius	N/A	N/A	N/A	N/A
Watauga County	2.37	2.26	2.24	2.24
North Carolina	3.03	2.98	2.48	2.48

Source: Site to Do Business and RKG Associates, Inc, 2013
 [1] 4-mile radius of Boone, less area within town boundaries
 [2] Includes Town of Boone

2.08 in 2010, and is projected to be 2.11 in 2017.

Average household size in Watauga County and the state has shown a trend toward households decreasing in size. Similar trends can be observed nationally, as there are increasing numbers of single-adult households, one-parent households, and generally lower fertility rates than in the past. Smaller household size could also be the result of an increase in the “empty-nest” retirement age population consisting largely of couples who no longer have children living with them.

A more detailed examination of household size and composition indicates that non-family households have increased as a percentage of all households in all comparison areas. The decrease in family households and subsequent increase in non-family households was more pronounced in Boone and Watauga County than in North Carolina as a whole (Table 3-5).

Table 3-5
Households by Size and Family Status
Comparative Study Areas; 2000 and 2010

	2000			2010			2000-2010 Change		
	Town of Boone	Watauga County [1]	North Carolina	Town of Boone	Watauga County	North Carolina	Town of Boone	Watauga County	North Carolina
FAMILY HOUSEHOLDS BY SIZE									
2 People	741	4,854	951,369	772	5,618	1,099,222	4.2%	15.7%	15.5%
3 People	253	2,191	537,515	267	2,312	597,995	5.5%	5.5%	11.3%
4 People	160	1,606	422,173	193	1,674	475,037	20.6%	4.2%	12.5%
5 People	60	562	163,998	69	572	206,469	15.0%	1.8%	25.9%
6 People	14	144	52,784	29	216	75,600	107.1%	50.0%	43.2%
7+ People	11	53	31,030	12	81	44,851	9.1%	52.8%	44.5%
Total	1,239	9,410	2,158,869	1,342	10,473	2,499,174	8.3%	11.3%	15.8%
F % of Total	28.3%	56.9%	68.9%	23.3%	51.3%	66.7%			
NON-FAMILY HOUSEHOLDS BY SIZE									
1 Person	1,681	4,731	795,271	1,872	5,806	1,011,348	11.4%	22.7%	27.2%
2 People	995	1,724	141,369	1,665	2,766	188,712	67.3%	60.4%	33.5%
3 People	250	393	22,921	488	752	29,440	95.2%	91.3%	28.4%
4 People	188	246	8,511	364	532	11,932	93.6%	116.3%	40.2%
5 People	18	27	2,887	20	59	2,848	11.1%	118.5%	-1.4%
6 People	3	6	1,249	3	9	1,042	0.0%	50.0%	-16.6%
7+ People	0	3	936	1	6	659	N/A	100.0%	-29.6%
Total	3,135	7,130	973,144	4,413	9,930	1,245,981	40.8%	39.3%	28.0%
NF % of Total	71.7%	43.1%	31.1%	76.7%	48.7%	33.3%			
Total Households	4,374	16,540	3,132,013	5,755	20,403	3,745,155	31.6%	23.4%	19.6%

Source: U.S. Census Bureau and RKG Associates, Inc., 2013

[1] 4-mile radius of Boone, less area within town boundaries

[2] Includes Town of Boone

In 2000, family households comprised 28.3% of total households in Boone. By 2010 this share had declined to 23.3%. Watauga county and the entire state also saw decreases in the share of family households. Non-family households have become more common, and make up the majority of households in Boone (76.7%), nearly half the households in Watauga County (48.7%), and one third of the total households in North Carolina (33.3%).

In addition to a trend towards more non-family households, such households have also seen increases in size. Between 2000 and 2010, Boone and Watauga have witnessed substantial growth in 2, 3, and 4 person households. Watauga saw notable increases, over 100% growth, in households with 4 or 5 people. This phenomenon may be due to the construction of multi-family housing with 4 bedrooms or more during the most recent decade prior to the recession and housing downturn. Such housing often

has many amenities such as clubhouses, pools, and sports fields, and is marketed to students. Most of these types of units have a 1 to 1 bedroom/bathroom ratio and can be built outside town limits due to larger undeveloped parcels that allow for larger buildings and complex that would not be possible in Boone.

D. INCOME TRENDS

1. Household Income Trends and Projections

Household income data shows that incomes in Boone are lower than Watauga County as a whole, and lower than the state of North Carolina. When adjusted for inflation to current dollars, median household income in Boone fell slightly (\$346) between 2000 and 2010 (Table 3-6). Household income also fell in the county and the state. Income growth has been slow or stagnant in much of the country, and data from the decade 2000-2010 particularly reflects the economic impacts of the recession occurring during that timeframe.

**Table 3-6
Median Household Income
Comparative Study Areas; 1990 to 2017**

	1990	2000	2010	Projected 2017
MEDIAN HOUSEHOLD INCOME				
Town of Boone	\$14,561	\$20,573	\$26,162	\$32,181
Watauga County [1]	\$20,252	\$32,763	\$37,028	\$40,057
North Carolina	\$26,647	\$39,190	\$47,031	\$50,853
MEDIAN HOUSEHOLD INCOME - 2013 DOLLARS				
Town of Boone	\$26,625	\$28,653	\$28,307	\$32,181
Watauga County	\$37,031	\$45,630	\$40,064	\$40,057
North Carolina	\$48,724	\$54,581	\$50,887	\$50,853

Source: Site to Do Business and RKG Associates, Inc., 2013

[1] Includes Town of Boone

While much lower than Watauga County and the state, median household income in Boone has been relatively stable and has not displayed the dramatic decline of the other study areas. This is likely due to the influence of ASU. Simply put, the growth of ASU over the past 20 years has provided a stable employment environment in the Town. On one hand, the increase in student households (which generally have low income levels) has kept the income level in the town below the comparison areas. However, the operational and employment growth at ASU has buffeted the community as compared to the rest of Watauga County and North Carolina as a whole.

2. Income Distribution

Data shows that among the study areas compared, Boone has the greatest portion of the population earning less than \$15,000 (Table 3-7). This is an expected result, again attributed to the influence of the student population. A key observation is that the percentage of the population earning \$150,000 or more is projected to increase between 2010 and 2017. Boone is projected to experience an 86.7% increase in households in this income bracket, while the four-mile radius of Boone is expecting a 65.2% increase. These changes are noteworthy in light of the projected 29.2% increase statewide for this household income group. This finding is important from a housing affordability standpoint, as the growth of wealthy households (predominantly retirees) creates an opportunity for developers to focus on highly profitable luxury development and disregard the need for workforce housing priced appropriately for the job base in the area. Household income is an important indicator as it relates to housing affordability, and is addressed in more detail in Chapter 4.

Table 3-7
Household Income as a Percentage of Total Households
Comparative Study Areas; 1990 to 2017 [1]

	1990	2000	2010	Estimated 2012	Projected 2017
TOWN OF BOONE					
<\$15,000	51.1%	40.9%	29.3%	27.1%	26.3%
\$15,000 - \$24,999	14.3%	15.9%	15.4%	17.1%	14.0%
\$25,000 - \$34,999	11.1%	13.6%	11.7%	12.9%	12.5%
\$35,000 - \$49,999	10.0%	10.1%	15.1%	10.9%	10.0%
\$50,000 - \$74,999	8.4%	11.0%	12.8%	15.2%	17.6%
\$75,000 - \$99,999	2.5%	5.3%	8.1%	7.7%	9.2%
\$100,000 - \$149,999	2.0%	2.1%	6.2%	6.4%	7.4%
\$150,000 +	0.6%	1.2%	1.5%	2.7%	2.8%
Median Household Income	\$14,561	\$20,573	\$28,307	\$28,725	\$32,181
Average Household Income	\$24,658	\$32,508	\$40,594	\$44,135	\$48,298
Per Capita Income	\$8,964	\$12,256	\$18,204	\$23,880	\$25,379
4-MILE RADIUS, LESS BOONE					
<\$15,000	34.7%	18.2%	15.7%	19.4%	18.3%
\$15,000 - \$24,999	19.8%	12.6%	10.5%	14.2%	11.4%
\$25,000 - \$34,999	14.3%	13.7%	11.1%	12.5%	11.5%
\$35,000 - \$49,999	13.3%	19.7%	18.2%	11.9%	11.0%
\$50,000 - \$74,999	11.3%	18.5%	20.3%	20.9%	23.6%
\$75,000 - \$99,999	3.8%	9.0%	12.8%	9.5%	11.3%
\$100,000 - \$149,999	2.2%	5.8%	8.5%	7.5%	8.4%
\$150,000 +	0.6%	2.5%	2.8%	4.1%	4.5%
WATAUGA COUNTY [2]					
<\$15,000	38.8%	24.4%	18.4%	20.6%	19.6%
\$15,000 - \$24,999	20.3%	14.4%	12.3%	16.8%	13.6%
\$25,000 - \$34,999	13.9%	14.1%	12.6%	12.3%	12.0%
\$35,000 - \$49,999	12.6%	16.8%	16.8%	12.0%	11.7%
\$50,000 - \$74,999	9.3%	17.1%	20.3%	19.8%	21.6%
\$75,000 - \$99,999	2.8%	7.1%	10.5%	8.6%	10.2%
\$100,000 - \$149,999	1.8%	3.9%	6.7%	6.6%	7.5%
\$150,000 +	0.5%	2.2%	2.3%	3.4%	3.8%
Median Household Income	\$20,252	\$32,763	\$40,064	\$35,292	\$40,057
Average Household Income	\$27,379	\$42,826	\$50,403	\$49,353	\$53,860
Per Capita Income	\$10,628	\$17,258	\$21,773	\$22,904	\$24,763
NORTH CAROLINA					
<\$15,000	27.0%	16.9%	12.4%	15.7%	14.8%
\$15,000 - \$24,999	19.8%	13.8%	9.9%	12.9%	10.0%
\$25,000 - \$34,999	17.2%	14.0%	10.6%	12.0%	9.6%
\$35,000 - \$49,999	17.6%	17.6%	16.2%	15.5%	14.5%
\$50,000 - \$74,999	12.4%	19.5%	22.1%	18.4%	21.9%
\$75,000 - \$99,999	3.4%	8.9%	13.9%	10.4%	12.4%
\$100,000 - \$149,999	1.7%	6.0%	10.1%	9.6%	10.5%
\$150,000 +	0.9%	3.4%	4.8%	5.6%	6.2%
Median Household Income	\$26,647	\$39,190	\$50,887	\$42,900	\$50,853
Average Household Income	\$33,242	\$51,225	\$63,346	\$59,081	\$65,809
Per Capita Income	\$12,885	\$20,307	\$25,349	\$23,938	\$26,628

Source: Site to Do Business and RKG Associates, Inc., 2013

[1] 2010 and 2017 expressed in current dollars

[2] Includes Town of Boone

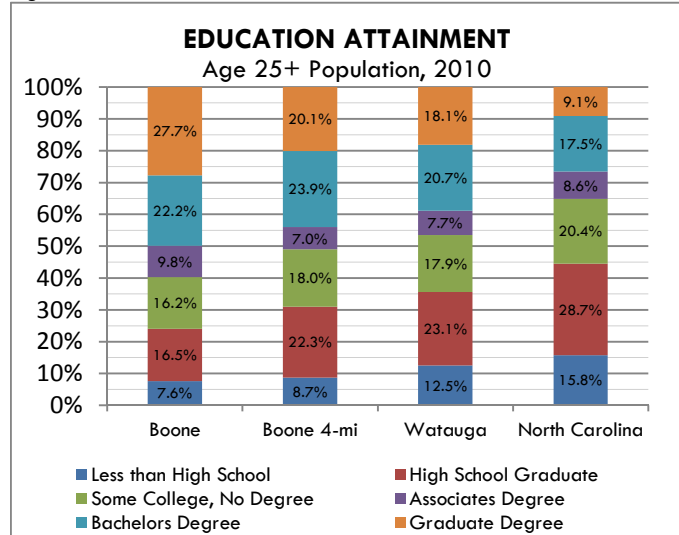
E. EDUCATION ATTAINMENT

The Town of Boone exhibits high levels of education attainment when compared to local and state statistics. This is expected of a town hosting a large university. Census data for education levels presents data for the population aged 25 and higher, which effectively removes a portion of the transient undergraduate student population and helps to provide a focus on the more stable working population.

Only 7.6% of the Boone population has less than a high school diploma, a rate that is less than half the rate for North Carolina as a whole (15.8%) (Figure 3-2, Table 3-8). The population of Watauga County that has less than a high school diploma is 12.5%, a higher proportion than Boone, but still less than the state.

On the other end of the education attainment spectrum, 27.7% of the population of Boone age 25 and higher has a graduate degree. This compares to 9.1% for the state of North Carolina. Rates of education attainment in Boone and the surrounding area of Watauga county show a clear pattern where highly educated segments of the population live in town, while education attainment levels

Figure 3-2



Source: RKG Associates, Inc., 2013

Table 3-8

Educational Attainment; Population Aged 25+ Comparative Study Areas; 2010

	Town of Boone	Boone 4-mi Radius [1]	Watauga County [2]	North Carolina
Age 25+ Population, Total	6,552	7,589	29,888	6,374,633
Less than 9th Grade	247	292	1,679	376,763
9th - 12th Grade, No Diploma	250	370	2,064	627,300
High School Graduate	1,082	1,689	6,891	1,831,407
Some College, No Degree	1,061	1,366	5,357	1,299,137
Associates Degree	642	533	2,300	546,941
Bachelors Degree	1,452	1,814	6,178	1,113,001
Graduate Degree	1,818	1,525	5,419	580,084

Source: Site to Do Business and RKG Associates, Inc., 2013

[1] 4-mile radius of Boone, less area within town boundaries

[2] Includes Town of Boone

F. AT-PLACE EMPLOYMENT

At-place employment measures the number of workers within a specific geography, without regard to place of residence. For example, the Town of Boone has over 14,000 people who work in Boone, but only 1,650 who both live and work in Boone.

Not surprisingly, the largest employment sector in Boone is Educational Services at 4,106, which includes the 2,900 employees of ASU. The second highest employment sector is Health Care and Social Services with 3,500 workers, most of whom are employed by the Appalachian Regional Health Care System, and many of whom are employed by Samaritan’s Purse. The Accommodation and Food Service (lodging and dining) sector employs over 3,200, and is largely supported by university and leisure activities. Retail Trade is the only other sector to employ more than 1,000, with just over 3,000 at-place workers in Boone (Table 3-9).

G. COMMUTING PATTERNS

An estimated 14,020 people work in the town of Boone. Of these, 1,653 live in Boone and commute locally. The remaining 12,367 workers commute into Boone, and 2,054 Boone residents leave Boone to go to work elsewhere (Figure 3-3). The ratio of commuters coming to Boone, compared to the number of commuters leaving Boone confirms that Boone is a strong employment center, but the vast majority of workers do not live in Boone.

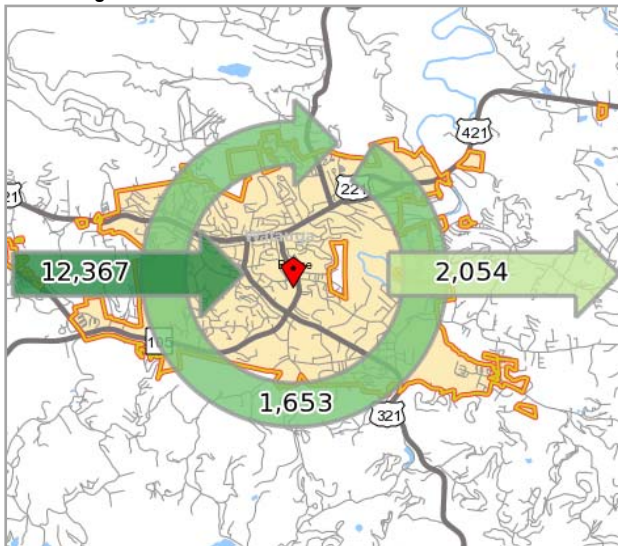
Data also shows that many of those employed in Boone travel rather long distances to get to work. While 47.4% of the commuter population has a commute of 10 miles or less, 8.7% travel between 25 and 50 miles, while an astounding 23.4% of commuters travel greater than 50 miles (Figure 3-4). This indicates that a significant part of the population is unable to find housing closer to Boone that is affordable to them or meets other criteria that is important to them.

**Table 3-9
At-Place Employment
Town of Boone, 2011**

Industry Sector	Number	Percent
Agriculture, Forestry	26	0.1%
Mining	33	0.2%
Utilities	54	0.3%
Construction	923	4.5%
Manufacturing	620	3.0%
Wholesale Trade	597	2.9%
Retail Trade	3,012	14.5%
Transportation & Warehousing	300	1.4%
Information	225	1.1%
Finance & Insurance	332	1.6%
Real Estate	330	1.6%
Professional, Scientific & Technical Services	708	3.4%
Management of Companies & Enterprises	278	1.3%
Administration & Support	1,079	5.2%
Educational Services	4,106	19.8%
Health Care & Social Assistance	3,500	16.9%
Arts, Entertainment & Recreation	260	1.3%
Accommodation & Food Services	3,254	15.7%
Other Services	351	1.7%
Public Administration	747	3.6%

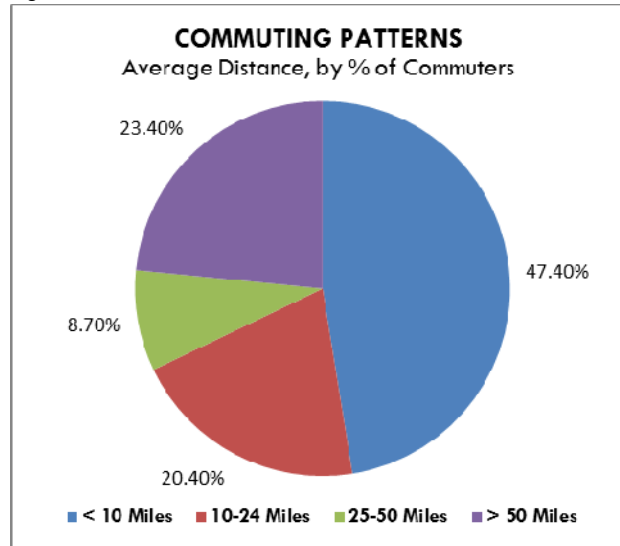
Source: U.S. Census, RKG Associates 2013

**Figure 3-3
Commuting Inflow and Outflow**



Source: US Census and RKG Associates, Inc., 2013

Figure 3-4



Source: US Census and RKG Associates 2013

H. IMPLICATIONS

The most significant increases in population in Boone and the surrounding area have been in the student-age population, which continues to grow in both real numbers and as a share of total population. The growth of the working age population (25-64) has been relatively stagnant in the Town of Boone from 1990 to 2010. Within the 4-mile radius, the population within this age cohort increased by 25% in the same period. During the same time period, the retirement age population

increased in both the Town of and the surrounding area, growing almost 60%. Data would indicate that students in large measure, and retirees to a lesser extent, drive the Boone housing market.

Household income in Boone has been stagnant. This is likely due to the increase in the student aged population in recent decades, as well as the relative decline in age cohorts made up of earners in their peak earning years.

Income, educational attainment, housing size, and all other indicators become more typical moving away from the town center. This logically indicates a higher concentration of students closer to the main campus.

Over 30% of Boone's at-place employment population commutes further than 30 miles one way, pointing to housing issues not only in the Town, but in the area surrounding it as well. Of course, topographical issues constrain development in areas surrounding Boone, which compounds the housing issue.

4 HOUSING MARKET ASSESSMENT

A. HOUSING ASSESSMENT OVERVIEW

The first step in a housing analysis is to determine the “market area”, which, in Boone’s case, comprises the Town Limits, the Extra Territorial Jurisdiction (ETJ), and an “outer limit” that is reasonably assumed to impact the greater Boone residential market. For the purposes of this analysis, the outer limit comprises a four-mile radius from the approximate geographic center of the Town of Boone, and encompasses the Town limits, the ETJ, and areas

**Table 4-1
Housing Units
Town of Boone and Vicinity**

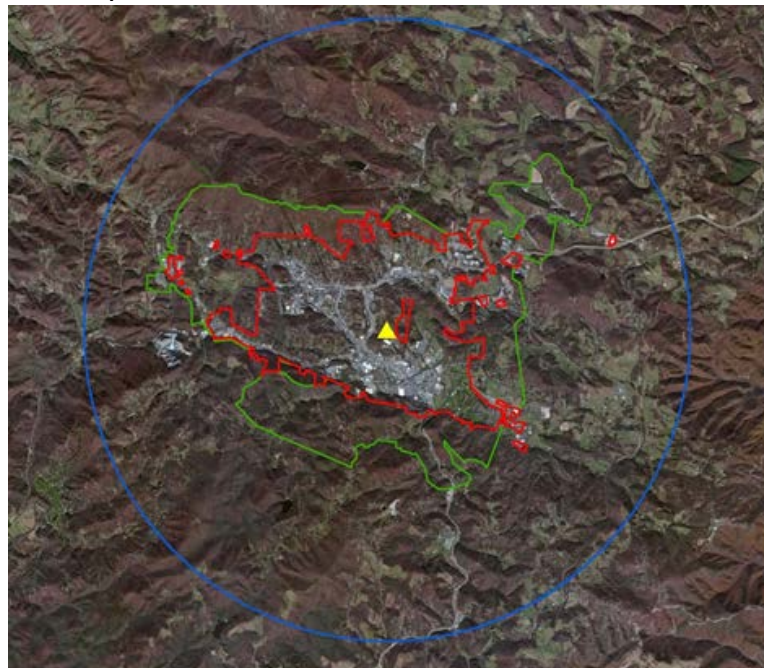
Housing Type	Town of Boone	ETJ	4_Mile Area
Single Family Houses	1,495	1,010	3,904
Townhouses	118	7	144
Duplex, Triplex, Mixed Use	195	63	260
Condominiums	848	14	58
Apartments	2,737	125	210
Subsidized/Age Restricted Units	157	134	0
TOTAL	5,550	1,353	4,576

Source: Watauga County and RKG Associates, Inc., 2013

outside of the ETJ still within the influence of the greater Boone marketplace. RKG determined that there are 11,479 housing units within the four-mile radius (Table 4-1)

In Figure 4-1, the red line indicates the Town Limits, the Green line indicates the boundary of the ETJ, and the blue circle is the four mile radius from the yellow triangle which signifies an approximation of the geographic center of Boone.

**Figure 4-1
Boone Study Area Boundaries**



The total number of housing units in the trade area establishes the benchmark that subsequent analysis keys in on. The 11,479 residential units shown in Table 4-1 are further categorized as: single family (including detached and townhouses); duplex, triplex, and mixed use; condominiums; apartments; and subsidized.

The following sections first examine and analyze the specific characteristics of the student housing market. While student housing is not the specific focus of this study, it is critical to ascertain how this key driver impacts the dynamics of the overall housing market.

B. STUDENT HOUSING ANALYSIS

In order to reasonably assess the conventional (non-student) housing market segment in Boone, the demand and supply characteristics of the student housing market must first be considered.

1. Student Housing Demand

Students attending classes at Appalachian State University (ASU) have several options with regard to housing. They can choose to live in an on-campus dormitory, off campus University-owned housing, or a wide variety of privately owned and operated housing located off campus. According to information obtained from ASU representatives, students who commute to class daily are estimated to comprise only 1.5 percent of the Main Campus enrollment. Based on actual Main Campus enrollment of 16,168 in 2012 (Table 4-2), an estimated 15,925 ASU students required housing within reasonable proximity to the Main Campus that year. Since student housing demand is typically quantified by beds rather than dwelling units, we can conclude that demand in the Boone study area was for 15,925 beds.

ASU has prepared an enrollment projection model that goes out to the year 2020. According to their enrollment projections, bed demand should increase by a total of 443 by the year 2020.

2. Student Housing Supply

For the purpose of this analysis, the supply of student housing in the Boone study area is divided into the following categories:

- On campus dormitories – On campus dormitories are purpose built and restricted to students. They are owned and operated by ASU. The University currently has 5,684 beds in its dormitories available for students.
- Off campus apartments – This category includes all apartments available for rent by students, including both older “conventional” inventory and apartments that are configured for, and targeted directly to, the resident student population. A survey conducted by RKG identified 7,556 beds that are directly and actively marketed to students. In addition to this supply, an additional 396 older (pre-1980) apartment units were identified that were not conclusively target-marketed to students. Although the number of bedrooms was not clearly identified in these units, RKG conservatively estimates that the majority are likely comprised of two-bedroom units, adding an additional 792 beds to the apartment inventory. The breakdown of

Table 4-2
Enrollment Trends: 2002-2020 [1]
Appalachian State University

Year	Total	% Change
2002	13,185	-
2003	13,362	1.3%
2004	13,463	0.8%
2005	13,478	0.1%
2006	13,872	2.9%
2007	14,482	4.4%
2008	15,018	3.7%
2009	15,387	2.5%
2010	15,674	1.9%
2011	16,023	2.2%
2012	16,168	0.9%
2013*	16,259	0.6%
2014*	16,348	0.5%
2015*	16,435	0.5%
2016*	16,452	0.1%
2017*	16,471	0.1%
2018*	16,492	0.1%
2019*	16,551	0.4%
2020*	16,611	0.4%

Source: ASU and RKG Associates, Inc. 2013

units, beds, and rents in the actively marketed student apartment inventory is shown below in Table 4-3.

Table 4-3
Apartments Actively Marketed to ASU Students
Watauga County

	Units		Beds		Average Rents	
	Total	Percentage	Total	Percentage	Per Unit	Per Bed
Efficiency	162	5.0%	162	2.1%	\$598	\$598
1 Bedroom	579	17.8%	579	7.7%	\$602	\$602
2 Bedroom	1,413	43.5%	2,826	37.4%	\$888	\$444
3 Bedroom	542	16.7%	1,626	21.5%	\$1,641	\$547
4 Bedroom	397	12.2%	1,588	21.0%	\$1,999	\$500
5 Bedroom	155	4.8%	775	10.3%	\$2,813	\$563
TOTAL	3,248	100.0%	7,556	100.0%		

Source: RKG Associates Inc., 2013

- **Houses and Condominiums** – A large proportion of houses and condominiums in the market area are available for rent, and it can be reasonably assumed that many, if not most, are rented to students. The following table shows housing units by type and tenure within the various subject areas. Note the higher proportion of absentee owner units in the ETJ and County areas, and the overall higher proportion of absentee owner to owner-occupied units (Table 4-4).

Table 4-4
Housing Units by Tenure
Town of Boone and Vicinity

	Owner-Occupied		Absentee Owner		Total Count
	Count	Percent	Count	Percent	
SINGLE FAMILY, TOWNHOUSES					
Boone Town Limits	845	52.4%	768	47.6%	1,613
Boone ETJ	495	48.7%	522	51.3%	1,017
4-mile Area, County	1,570	38.8%	2,478	61.2%	4,048
4-mile Area, Total	2,910	43.6%	3,768	56.4%	6,678
DUPLEX, TRIPLEX					
Boone Town Limits	55	28.2%	140	71.8%	195
Boone ETJ	20	31.7%	43	68.3%	63
4-mile Area, County	22	8.5%	238	91.5%	260
4-mile Area, Total	97	18.7%	421	81.3%	518
CONDOMINIUMS					
Boone Town Limits	33	3.9%	815	96.1%	848
Boone ETJ	1	7.1%	13	92.9%	14
4-mile Area, County	7	12.1%	51	87.9%	58
4-mile Area, Total	41	4.5%	879	95.5%	920

Source: Watauga County and RKG Associates, Inc., 2013

For the purposes of this analysis, we assume that absentee owner units are available for rent, and are therefore available for students to rent, as well as non-students. Although no hard data exists on the proportion of student to non-student renters of single family housing units, we can conservatively

estimate a range of the number of housing units available for student rentals. Based on anecdotal evidence obtained through stakeholder interviews and a visual inventory, and collaboration with City staff, it is estimated that 50 percent to 80 percent of the condominium, duplex, triplex and mixed-use inventory are available for rent by students. Based on a weighted average of 2.18 bedrooms per renter occupied units, we estimate a range of 1,183 to 1,892 condominium, duplex, triplex, and mixed use beds available to students.

Given that the greater Boone area is a year-round tourist destination, a different methodology is used to calculate the beds available for student rentals in the detached single family home category. Analysis shows that there are 3,070 renter occupied detached/townhouse units with assessed values less than \$350,000. For the purpose of this analysis, it is assumed that homes exceeding assessed values of \$350,000 are more likely candidates for vacation rentals, and homes whose assessed value is less than \$350,000 are more likely candidates for student rentals. Using a range of 50 percent to 80 percent, and a weighted average of 2.18 bedrooms per unit, RKG estimates a range of 3,346 to 5,354 detached/townhouse beds for rent by students.

3. Current Gap/Surplus

Using the previous analysis, RKG estimates that the current supply of beds available to ASU students for rent ranges between 18,561 and 21,278. Based on a 2012 student demand of 15,925, there is an existing oversupply of beds available to students of between 2,636 and 5,353. Using a weighted average of 2.18 beds per renter occupied unit, the oversupply of units is estimated to range from 1,209 to 2,456.

4. Future Demand/Supply

As stated in the Student Housing Demand section, ASU projects an increase in Main Campus enrollment of 443 by the Year 2020. According to the Town of Boone Department of Planning and Inspections, 289 multifamily units comprising 740 beds are currently under construction or in the development approval pipeline. An additional 135 units comprising 894 beds is under construction in the County (the Cottages). Based on an incremental Main Campus enrollment of 443 from 2012 to 2020, and an anticipated addition of 1,634 beds available for students to rent, RKG projects a surplus of between 1,756 and 3,002 residential units comprising 3,827 and 6,544 beds, respectively (Table 4-5).

**Table 4-5
Estimated Range of Bedrooms Available to Students
Town of Boone and Surrounding**

Housing Type	Range	
	Low	High
Dormitories	5,684	5,684
Student Oriented Apartments	7,556	7,556
Other Apartments	792	792
Condo, Duplex, Triplex, Mixed	1,183	1,892
Single Family Detached/Townhouse	3,346	5,354
TOTAL BEDROOMS	18,561	21,278
Student Demand	15,925	15,925
Oversupply	2,636	5,353
Estimated Bedrooms/Unit	2.18	2.18
ESTIMATED SURPLUS OF UNITS	1,209	2,456
Pipeline Units - Town	289	289
Pipeline Units - County	135	135
Total of Surplus and Pipeline Units	1,633	2,880
Total of Surplus and Future Beds	4,270	6,987
Incremental Student Demand 2020	443	443
ESTIMATED SURPLUS OF BEDS 2020	3,827	6,544
ESTIMATED SURPLUS OF UNITS 2020	1,756	3,002

Source: RKG Associates, Inc., 2013

5. Rental Housing Financial Parameters

The rental housing market in the Town of Boone is largely driven by student demand. Since student housing leases are typically tied to the bed and not to the unit, per bed rents strongly influence the overall rental market in Boone. Average rents are first estimated for apartments that are configured for and marketed directly to ASU students. As part of the analysis, RKG surveyed over 90 percent of this market segment, whose information is readily available online. Average monthly rents per bed

range from a low of \$444 for two-bedroom units and a high of \$602 for one-bedroom units. Per unit monthly rents range from \$598 for an efficiency to \$2,813 for a 5-bedroom apartment, assuming full occupancy (Table 4-3).

In order to assess the average rents for condominiums and houses, whose information is not as readily available as purpose-built student housing, RKG employed a telephone survey of statistical samples in each category, comprising 61 condominiums and 45 houses. The findings of this task showed per bed rents considerably lower than target marketed student housing, with the exception of one-bedroom units. Per bed monthly rents for condominiums range from \$415 in a four-bedroom unit to \$458 in a two-bedroom unit. Per bed monthly rents for houses range from \$300 in a five-bedroom unit to \$389 in a two-bedroom unit (Table 4-6).

**Table 4-6
Rental Condos and Houses
Minimum Income**

	Average Rents		Required
	Per Unit	HH Income	
CONDOMINIUMS FOR RENT			
Efficiency	N/A	N/A	
1 Bedroom	622	\$24,880	
2 Bedroom	916	\$36,640	
3 Bedroom	1,355	\$54,200	
4 Bedroom	1,660	\$66,400	
5 Bedroom	N/A	N/A	
HOUSES FOR RENT			
Efficiency	N/A	N/A	
1 Bedroom	685	\$27,400	
2 Bedroom	777	\$31,080	
3 Bedroom	1,000	\$40,000	
4 Bedroom	1,550	\$62,000	
5 Bedroom	1,500	\$60,000	

Source: RKG Associates Inc. 2013

C. CONVENTIONAL HOUSING ANALYSIS

1. Development Trends

For the purposes of this analysis, conventional housing is defined as that housing not necessarily targeted to the student population. Of course, in a market so strongly driven by student demand, making a clear distinction between the two is problematic for a large proportion of the overall study area’s housing inventory. Nonetheless, there is a clearly defined owner occupied housing component, and a significant surplus of potential student housing dictates that some property owners may be forced to reposition rental properties to the non-student segment.

An examination of the residential development trends over the past ten years is informative to assess the homeownership market, particularly for new single family homes, since they are the least likely candidates for student housing. From 2003 to present, the Town of Boone added 147 new single family houses, 79 were built in the ETJ, and an additional 606 were built in the 4-mile area, for a total of 832 single family detached units units in the study area. During the same period, 52 townhouses were built in the Town of Boone, and 62 were built in the 4-mile area, for a total of 114 townhouses in the study area.

New duplex/triplex/mixed-use and condominium units are more likely candidates for student housing, but depending on how they are configured, could also accommodate traditional households. In the duplex/triplex/mixed-use category 53 units were added in the study area over this time period, along with 195 condos, 193 of which were constructed in the Town of Boone (Table 4-7).

2. Financial Parameters and Sales Trends

According to the 2010 U.S. Census, the median value of owner occupied units in the Town of Boone was \$288,700, and \$234,300 in Watauga County, compared to \$152,700 and \$186,200 in the State of North Carolina and the U.S., respectively. An examination of Multiple Listing Service (MLS) activity between April 2010 and April 2013 show 375 single family detached homes sold for an average price of \$254,675. This price is approximately 67 percent higher than the 2010 state median value, and approximately 37 percent higher than the 2010 U.S. median value. During the same period, 118 condo/townhouses sold for an average price of \$172,971. Single family detached

houses sold for an average of 90.9 percent of their list price, and condo/townhouses sold for an average of 93.6 percent of their list price (Table 4-8).

Table 4-7
Residential Development Trends
Town of Boone and Vicinity

	Pre-2003		2003-Present		Total Count
	Count	Percent	Count	Percent	
SINGLE FAMILY DETACHED					
Boone Town Limits	1,348	90.2%	147	9.8%	1,495
Boone ETJ	931	92.2%	79	7.8%	1,010
4-mile Area, County	3,298	84.5%	606	15.5%	3,904
4-mile Area, Total	5,577	87.0%	832	13.0%	6,409
TOWNHOUSES					
Boone Town Limits	66	55.9%	52	44.1%	118
Boone ETJ	7	100.0%	0	0.0%	7
4-mile Area, County	82	56.9%	62	43.1%	144
4-mile Area, Total	155	57.6%	114	42.4%	269
DUPLEX, TRIPLEX					
Boone Town Limits	190	97.4%	5	2.6%	195
Boone ETJ	59	93.7%	4	6.3%	63
4-mile Area, County	238	84.4%	44	15.6%	282
4-mile Area, Total	487	90.2%	53	9.8%	540
CONDOMINIUMS					
Boone Town Limits	655	77.2%	193	22.8%	848
Boone ETJ	14	100.0%	0	0.0%	14
4-mile Area, County	56	96.6%	2	3.4%	58
4-mile Area, Total	725	78.8%	195	21.2%	920
APARTMENTS					
Boone Town Limits	2,038	74.5%	699	25.5%	2,737
Boone ETJ	125	100.0%	0	0.0%	125
4-mile Area, County	210	100.0%	0	0.0%	210
4-mile Area, Total	2,373	77.2%	699	22.8%	3,072

Source: Watauga County and RKG Associates, Inc., 2013

An inventory of single family detached homes for sale in the “Boone Area” was conducted in order to provide a real time range of values in the local marketplace. By far, the largest price category of homes is in the \$200,000 to \$300,000 range with 145 units for sale, followed by the \$100,000 to \$200,000 range with 87 units for sale, and the \$300,000 to \$400,000 range with 83 units for sale. The single family detached homes for sale at over \$400,000 total 156 units (Table 4-9).

Table 4-8
2010-2013 Multiple Listing Service Activity
Boone, Brushy Fork, and New River

	Single Family	Condo/ Townhouse	Duplex	Triplex/ Quadplex
Total Sold	375	118	10	2
Average Sale Price	\$254,675	\$172,971	\$181,450	\$427,500
Average Days on Market	203	221	200	116
Sale-Asking Ratio	90.9%	93.6%	86.9%	95.1%

Source: Multiple Listing Service, RKG Associates 2013

3. Second Homes

Boone’s identity as a year-round leisure destination is well documented, which supports the third key element in the local housing dynamic, second homes. Since second homes are very often available for rent when not being used by the owner, they fall under the U.S. Census’ absentee owner category, which blurs the distinction between vacation rentals and student rentals. Based on collaboration with City staff, a benchmark assessed value of \$350,000 and up for absentee owner houses most likely indicates vacation homes. Analysis of the property tax database for the 4-mile radius study area shows 567 detached houses and 39 townhouses have assessed values of \$350,000 and higher, making them the most likely inventory of vacation houses. Of course, some proportion of the absentee owner units with assessed values under \$350,000 not rented to students could also serve as vacation rentals.

Table 4-9
SFD Homes Advertised for Sale
March 2013

Price Range	Units
Under \$100,000	10
\$100,000 to \$200,000	87
\$200,000 to \$300,000	145
\$300,000 to \$400,000	83
\$400,000 to \$500,000	46
\$500,000 to \$600,000	31
\$600,000 to \$700,000	23
\$700,000 to \$800,000	9
Over \$800,000	47

Source: Loopnet, RKG Associates 2013

4. Trends in Housing Values

An analysis of housing values shows the greater Boone new construction housing market trending to the higher end. In order to assess non-apartment housing trends relative to value, an examination of current property assessments was conducted for housing constructed prior to 2003 and housing constructed between 2003 and 2012. The findings of this analysis showed that there was a trend in the Boone marketplace to develop higher end housing in the recent decade. As Table 4-10 shows, average values for all housing types developed after 2002 were significantly higher than the pre-2003 inventory. New single family homes constructed in this period have an average assessed value of \$404,000, an escalation of approximately \$175,000, or 76% in value over pre-2003 stock. Townhouses built after 2002 exceed the pre-2003 values by roughly the same amount, an 80% escalation in average value. Condominiums constructed after 2002 exceed pre-2003 values by approximately \$94,000 or 84%.

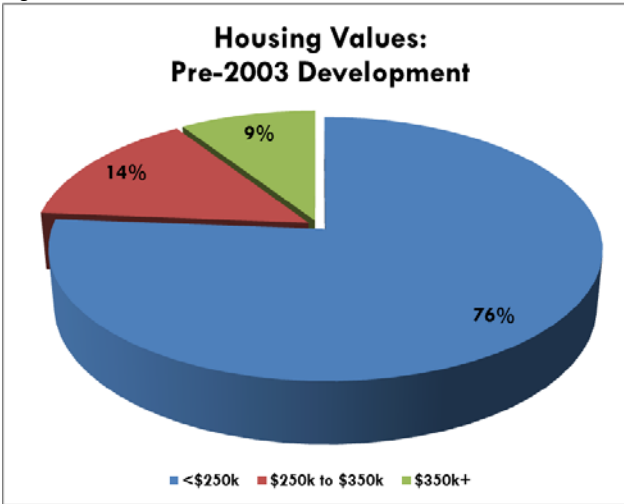
Table 4-10
Housing Value Escalations Per Assessment Data
Summary

Housing Type	Average Value 2003-2012 Development	Average Value Pre-2003 Development	Difference in Value	Percent Escalation in Value
Single Family Homes	\$403,921	\$229,201	\$174,719	76%
Townhouses	\$393,230	\$218,425	\$174,804	80%
Duplex	\$231,362	\$203,805	\$27,557	14%
Triplex	N/A	\$251,224	N/A	N/A
Mixed Res/Comm	N/A	\$225,144	N/A	N/A
Manufactured Home	\$110,575	\$75,206	\$35,369	47%
Condominiums	\$203,029	\$108,124	\$94,905	88%

Source: Watauga County Property Tax Database, RKG Associates 2013

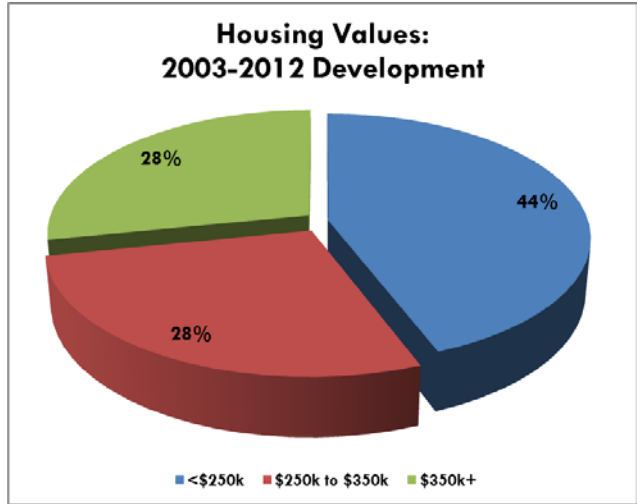
Of the total inventory of non-apartment housing constructed prior to 2003, 76% holds assessed values of less than \$250,000, 14% holds values between \$250,000 and \$350,000, and 9% exceeds \$350,000 in value. In contrast, 44% of housing constructed after 2002 is valued below \$250,000, 28% falls between \$250,000 and \$350,000, and 28% is valued at an amount higher than \$350,000. Fully 56% of the greater Boone housing inventory constructed after 2002 is valued at \$250,000 and higher (Figures 4-2 and 4-3).

Figure 4-2



Source: Watauga County and RKG Associates, Inc. 2013

Figure 4-3



Source: Watauga County and RKG Associates, Inc. 2013

A large proportion of single family homes (42%) constructed after 2002 are valued over \$350,000, with an average value of approximately \$404,000, which is indicative of the strong demand for second homes, particularly preceding 2007. Based on discussions with local real estate professionals, the years from 2003 through 2006 were very strong for the higher end, second home market. Note that almost half of the townhouses constructed during this period exceed \$350,000 as well, whereas the majority of recent condominiums are valued at less than \$250,000, suggesting that much of this market remains targeted to the student housing investor. Indeed, 98% of the condominiums built during this period reside within the Boone town limit, which puts them in relatively close proximity to ASU.

D. IMPLICATIONS

RKG estimates that ASU students occupy 50% to 65% of the roughly 11,000 housing units in the Boone marketplace. Approximately 3,250 apartment units, many purpose built to accommodate students, are target marketed to the student population. The remaining student-occupied units are a mix of single family houses, townhouses, duplexes, triplexes, and condos of different types.

Based on a current demand from approximately 16,000 students, RKG estimates a surplus of units available to students between 1,200 and 2,500. With approximately 1,600 additional student housing units in the development pipeline, and a projected increase in student enrollment by 2020 of less than 450, the oversupply of housing units targeted to students will increase.

Since 2003, approximately 800 new single family homes have been added to the Boone marketplace inventory. Based on the relatively high housing values in the area, these homes are most likely to be owner-occupied or second homes. An additional 136 condos were built within Boone’s town limits.

According to the 2010 Census, the median value of owner occupied homes in Boone was almost 90% higher than the state median value – in Watauga County, the median value was 53% higher than the state’s. The average value of single family homes built after 2002 is 76% higher than those built prior to 2003. For townhouses, the average value for newer product is 80% higher, for condominiums, 84% higher. The oversupply of student housing will increase the potential for some student-oriented residential properties to reposition themselves for the non-student market. The current configuration of many student-oriented apartment units and fractured ownership of condominium developments will present challenges for market repositioning.

5 HOUSING AFFORDABILITY ANALYSIS

A. INTRODUCTION

This chapter addresses the existing market climate for affordable housing within the greater Boone study area. It is widely understood that market affordability for housing within the greater Boone marketplace is limited. However, it is imperative to quantify and qualify the supply and demand of housing at various income levels in an effort to assist the town to define an improved course of action to serve the needs of those employed there. To this end, this chapter assesses current and projected supply and demand factors defining affordability to better identify those needs that will require the greatest attention from the Town of Boone.

The information and data used in this analysis comes largely from the Watauga County property assessment database and CCIM Institute's Site to do Business (STDB). In addition, RKG Associates conducted interviews with real estate professionals, community leaders, housing specialists, and key stakeholders in order to understand the nuances of the greater Boone market and to gain an "in the field" perspective on the current housing market as it relates to affordability. The results of the housing affordability analysis will inform whether and how the Town of Boone may address issues associated with its unique housing dynamic.

B. METHODOLOGY

In a housing market driven largely by ASU student demand, a key step in assessing housing affordability for the non-student sector is to make reasonable assumptions with regard to the proportion of student-aged households that are actually non-students. Although it can be surmised that the large majority of households headed by persons under 25 years-old are indeed comprised of students. However, it is not reasonable to assume this is an absolute. To address this, RKG conservatively estimates that within the Town of Boone, 5% of these households are non-students. Outside the town limit, but within the 4-mile radius, the proportion of under-25, income earning households is estimated to equal 10% up to the household income threshold of \$50,000 in annual income (household income is measured in the aggregate – meaning four students earning \$10,000 in annual income each would comprise a household earning \$40,000). Households earning over \$50,000 are assumed to be non-student. Once the student-age, non-student adjustment is made, it is added to the *household income breakdown by age of head of household* data from which estimates of demand are derived.

The housing affordability thresholds are defined as the maximum amount of rent or mortgage payment a household should pay per month. HUD has established a standard for determining the appropriateness of rent compared to the occupants' income level. Simply put, households paying more than 30% of their gross income for rent are considered to be "rent burdened." The calculations of affordability thresholds for ownership units are more complex. Unlike rental housing, where cost burden is a direct relationship to one's income level, ownership affordability is influenced by a series of individual and market factors including:

INDIVIDUAL VARIABLES

- Income level
- Credit rating
- Downpayment amount

MARKET VARIABLES

- Unit type
- Purchase price
- Lending institution

Simply put, there is no “true” benchmark to determine affordability because the factors that affect affordability change with market conditions and individual consumers. For the purposes of this analysis, calculations were made of “typical” ownership purchase scenarios to parse out the area’s ownership housing stock. The first step in the calculations was to divide the ownership stock into two categories: [1] FHA fee simple buyer, and [2] FHA condominium buyer. Federal Housing Administration, or FHA, standards were used because it provides the most conservative findings and it more accurately reflects how households at the lower spectrum likely will finance a new home. Data from local lending and insurance entities was used to determine current market costs for acquiring home loans for both condominiums and fee simple properties. To estimate a range of affordability, calculations were made of the affordability thresholds assuming all buyers had the minimum means and resources to purchase a home required by current market conditions (defined as FHA buyers) and then performed the same calculations as if all potential buyers met the requirements for the most advantageous loan vehicles (defined as conventional buyers). Based on RKG Associates’ research, current FHA lending standards allow a maximum payment of 31% of gross annual income. Monthly payments include mortgage cost, Private Mortgage Insurance (PMI), real estate taxes, insurance, and in the case of condos, condo fee.

The most noticeable difference is the down payment requirement, which currently is 20% for conventional loans and 3.5% for a Federal Housing Administration (FHA) loan. Using these two approaches, the Consultant then applied “real world” values for other payment factors such as the interest rate, homeowners’ insurance costs, and Private Mortgage Insurance costs (for FHA loans). For condominium units, the Boone marketplace-derived condominium fee was utilized (\$1,500 per year). Data is not available for all of the condominium fees in the area.

Consistent with the preceding analyses, a range of between \$150,000 and \$350,000 is used to demonstrate calculations of monthly payments for homeownership units, and is shown below (Table 5-1). The payments shown range from \$612 per month for a \$150,000 fee simple residence to \$2,080 for a \$330,000 condominium.

**Table 5-1
Housing Affordability Thresholds
Conventional and FHA Homebuyers**

	FHA HOMEBUYER		CONVENTIONAL BUYER	
	Fee Simple	Condo	Fee Simple	Condo
Maximum Home Value	\$350,000	\$330,000	\$150,000	\$150,000
Downpayment	3.5%	3.5%	20.0%	20.0%
Mortgage Total (%)	96.5%	96.5%	80.0%	80.0%
Current Interest Rates	3.79%	3.79%	3.60%	3.60%
Annual Mortgage Cost	\$18,803	\$17,728	\$6,527	\$6,527
Annual PMI	\$3,344	\$3,153	\$0	\$0
Real Estate Taxes	\$2,391	\$2,254	\$1,025	\$1,025
Insurance Cost	\$1,225	\$1,155	\$525	\$525
Condo Fee	\$0	\$1,500	\$0	\$1,500
Total Annual Cost	\$25,762	\$25,790	\$8,077	\$9,577
Required Gross Income	\$83,103	\$83,193	\$24,475	\$29,021
Monthly Payment	\$2,077.58	\$2,079.83	\$611.88	\$725.52

Source: RKG Associates

Once the methodology for calculating monthly house payments was established, affordability thresholds were calculated as shown in the next section.

C. AFFORDABILITY THRESHOLDS

Using the fee simple value thresholds of \$150,000, \$250,000 and \$350,000 that are consistent with preceding analyses, RKG calculated required household incomes based on conventional lending standards, shown in the left-hand column of Table 5-2. Condominium ownership and rent thresholds were calculated based on those household income levels in the left-hand column of the table. A home valued at \$150,000 would require a minimum household income of \$35,600, which could also buy a \$129,500 condominium or pay \$890 per month for a rental. On the high end of the scale, a home valued at \$350,000 would require a minimum household income of \$83,100, which could also buy a \$329,800 condominium or pay \$2,080 per month for a rental.

Table 5-2
Income/Affordability Threshold [1]
Boone, NC and Vicinity

Income	FHA Ownership Thresholds		Rental
	Fee Simple	Condominium	Threshold
\$35,600	\$150,000	\$129,500	\$890
\$59,400	\$250,000	\$229,700	\$1,490
\$83,100	\$350,000	\$329,800	\$2,080

Source: RKG Associates, Inc. 2013

[1] Purchasing power calculated based on HUD rent burdened and lending practices for maximum mortgage/income thresholds

According to the 2010 U.S. Census, the median value of an owner occupied house in the Town of Boone was \$288,700, which would require a minimum annual household income of \$68,548. A household income of \$68,548 could otherwise afford to pay \$1,714 per month in rent, based on a maximum 30% rent to gross income. The average rent for a market rate 3-bedroom apartment in the Boone marketplace is \$1,641.

D. DEMAND

Conventional (non-student) housing demand in the Boone marketplace is estimated based on the affordability thresholds described above. Households by income were categorized by the income thresholds derived in Table 5-3. The largest number of households fall into the under \$35,600 income category at over 38%. The next largest contingent is in the over \$83,100 income category at approximately 26%. The third largest group is in the \$35,600 to \$59,400 income category at nearly 23%, followed by the \$59,400 to \$83,100 income category at about 13%.

Table 5-3
Households by Income/Affordability Threshold [1]
Boone, NC and Vicinity

Income	DEMAND	
	Households [1]	Percent
Under \$35,600	2,704	38.3%
\$35,600 to \$59,400	1,592	22.6%
\$59,400 to \$83,100	929	13.2%
Over \$83,100	1,828	25.9%
TOTAL	7,053	100.0%

Source: RKG Associates, Inc. 2013

[1] Non-student households only

E. SUPPLY

In order to conduct a housing affordability analysis for the Boone marketplace, the housing inventory must be categorized by income/affordability threshold. The largest number of units fall into the under \$35,600 income category at over 36%. The next largest contingent is in the over \$83,100 income category at approximately 32%. The third largest group is in the \$59,400 to \$83,100 income category at nearly 18%, followed by the \$35,600 to \$59,400 income category at about 13%.

The largest number of rentals fall within the under \$35,600 income category, an amount that steadily decreases under each consecutive income increase. The largest number of fee simple units fall within the \$35,600 to \$59,400 income category, followed by the under \$35,600 income category, the \$59,400 to \$83,100 income category, and the over \$83,100 income category. Condos follow the same pattern as rentals, highest within the under \$35,600 income category and inversely proportional to increasing income categories (Table 5-4).

Table 5-4
Residential Units by Income/Affordability Threshold
Boone, NC and Vicinity

Income	SUPPLY			TOTAL	Percent
	FHA Fee Simple	FHA Condo	Rentals		
Under \$35,600	1,921	544	1,868	4,333	36.7%
\$35,600 to \$59,400	2,705	299	818	3,822	32.4%
\$59,400 to \$83,100	1,291	66	783	2,140	18.1%
Over \$83,100	1,041	11	466	1,518	12.9%
TOTALS	6,958	920	3,935	11,813	100.0%

Source: RKG Associates, Inc. 2013

F. AFFORDABILITY

The affordability analysis essentially matches demand to supply in order to estimate the number of rent burdened or mortgage burdened household within a specific geography. If only the non-student households are accounted for under the demand variable, surpluses in all of the income categories but the over \$83,100 are shown (Table 5-5). However, the reality of the Boone marketplace is that it is primarily driven by the ASU student population, so they must be considered.

Table 5-5
Non-Student Households by Income/Affordability Threshold
Boone, NC and Vicinity

Income	DEMAND	SUPPLY			TOTAL	Surplus/ (Shortage)
	Households [1]	FHA Fee Simple	FHA Condo	Rentals		
Under \$35,600	2,704	1,921	544	1,868	4,333	1,629
\$35,600 to \$59,400	1,592	2,705	299	818	3,822	2,230
\$59,400 to \$83,100	929	1,291	66	783	2,140	1,211
Over \$83,100	1,828	1,041	11	466	1,518	(310)
TOTALS	7,053	6,958	920	3,935	11,813	4,760

Source: RKG Associates, Inc. 2013

When student households are entered into the affordability equation, an entirely different picture emerges. Under the actual housing conditions in the Boone marketplace, 1,889 households are either rent or mortgage burdened. At the high end of the scale, 310 households are either rent or mortgage (cost) burdened.

Table 5-6
All Households by Income/Affordability Threshold
Boone, NC and Vicinity

Income	DEMAND	SUPPLY				TOTAL	Surplus/ (Shortage)
	Households [1]	FHA Fee Simple	FHA Condo	Rentals			
Under \$35,600	6,222	1,921	544	1,868	4,333	(1,889)	
\$35,600 to \$59,400	1,778	2,705	299	818	3,822	2,044	
\$59,400 to \$83,100	929	1,291	66	783	2,140	1,211	
Over \$83,100	1,828	1,041	11	466	1,518	(310)	
TOTALS	10,757	6,958	920	3,935	11,813	1,056	

Source: RKG Associates, Inc. 2013

G. IMPLICATIONS

Within the ‘under \$35,600’ income category, a combined 6,222 student/conventional households vie for 4,333 affordable units, leaving 1,889 households forced to seek housing that their incomes cannot support, from a HUD cost burdened definition. The precise ratio of student to non-student households that fall under these circumstances cannot be measured with any reasonable degree of accuracy, short of conducting an exhaustive survey. However, it can be surmised that a large majority of student households, while exhibiting relatively low incomes, nonetheless have a higher ability to pay by virtue of parent assistance and college loans. To this end, student households are more competitive within the market, from an ability to pay perspective, making it challenging for non-student households to secure suitable housing. Furthermore, much of the newer apartment development is geared towards the student population (i.e. divided into mini suites rather than a family-style unit). As a result, non-student households at the lower-end of earnings have limited options within the Town and its immediate vicinity. This finding is consistent with the commuting pattern data presented in the demographic section.

The economics of the under \$35,000 income housing market (homes with a purchase price of \$150,000 and less) are dictated by student demand, which is a captive market due to the steadily increasing enrollment at ASU. This has been the case for multiple development cycles over several decades, the result being that “lower end” student housing stock is being vacated in favor of newer accommodations with more amenities. Since much of this older housing stock was purpose built and configured to house students, it is not necessarily suitable or desirable for conventional households.

The shortage of housing in the over \$83,100 income category reflects the demand for relatively expensive second homes in the Boone marketplace and implies that residents in this profile are being “pushed” into the middle supply categories. Whereas a \$350,000 to \$450,000 home may be obtainable for some proportion of Boone’s households, the trend in the single family market has been to target the households that can afford homes of \$500,000 and up.

There are no natural incentives in the marketplace to compel developers to build anything other than student housing or expensive – and oftentimes – second homes. Land values in the area are relatively high, which reflects the ability for the development community to pay for land given the strengths of the luxury, higher profit margin market.

Affordable housing opportunities in and around Boone will most likely come in the form of the rehabilitation and repositioning of older, underperforming student housing properties. While this supply likely will become more numerous as the new housing product under development is brought on line, housing choice will remain elusive without some policy and/or regulatory intervention by the Town and County.