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Chattanooga's 2023 Market Value Analysis

September 12, 2023

About Reinvestment Fund

- We are a national mission-driven financial institution that creates opportunity for underserved people and places through partnerships. We marshal the capital, analytics, and expertise necessary to build strong, healthy, and more equitable communities.
- Since 1985, Reinvestment Fund has made **\$2.7 billion** in cumulative investments and loans.
- We are supported by **830 investors** that include individuals, foundations, religious institutions, financial institutions, civic organizations and government.

How we work:



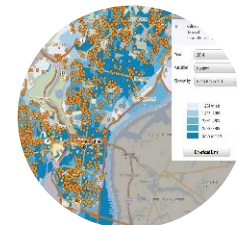
Lending & Investing



Capacity Building & Capital Access Programs



Policy Solutions



PolicyMap

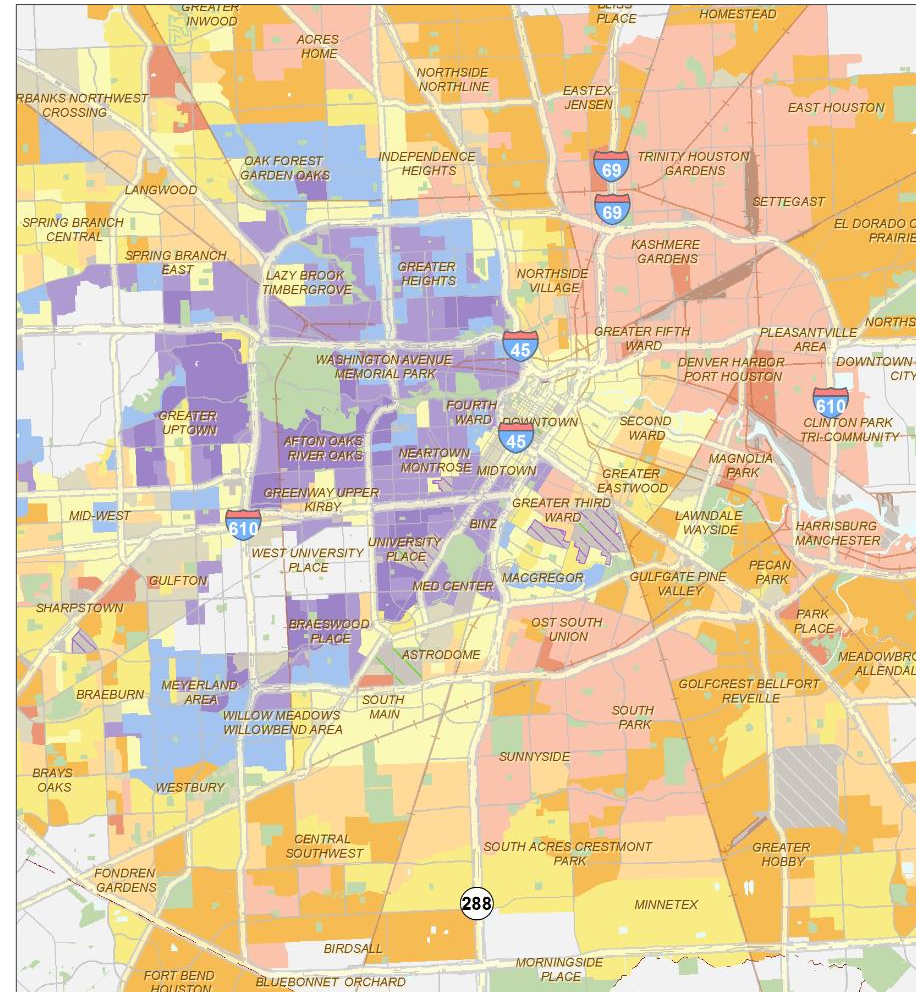


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The Market Value Analysis

The **Market Value Analysis (MVA)** is a tool to help residents and policymakers identify and understand the elements of their local real estate markets. It is an objective, data-driven tool built on local administrative data and validated with local experts.

With an MVA, public officials and private actors can more precisely target intervention strategies in weak markets and support sustainable growth in stronger markets.

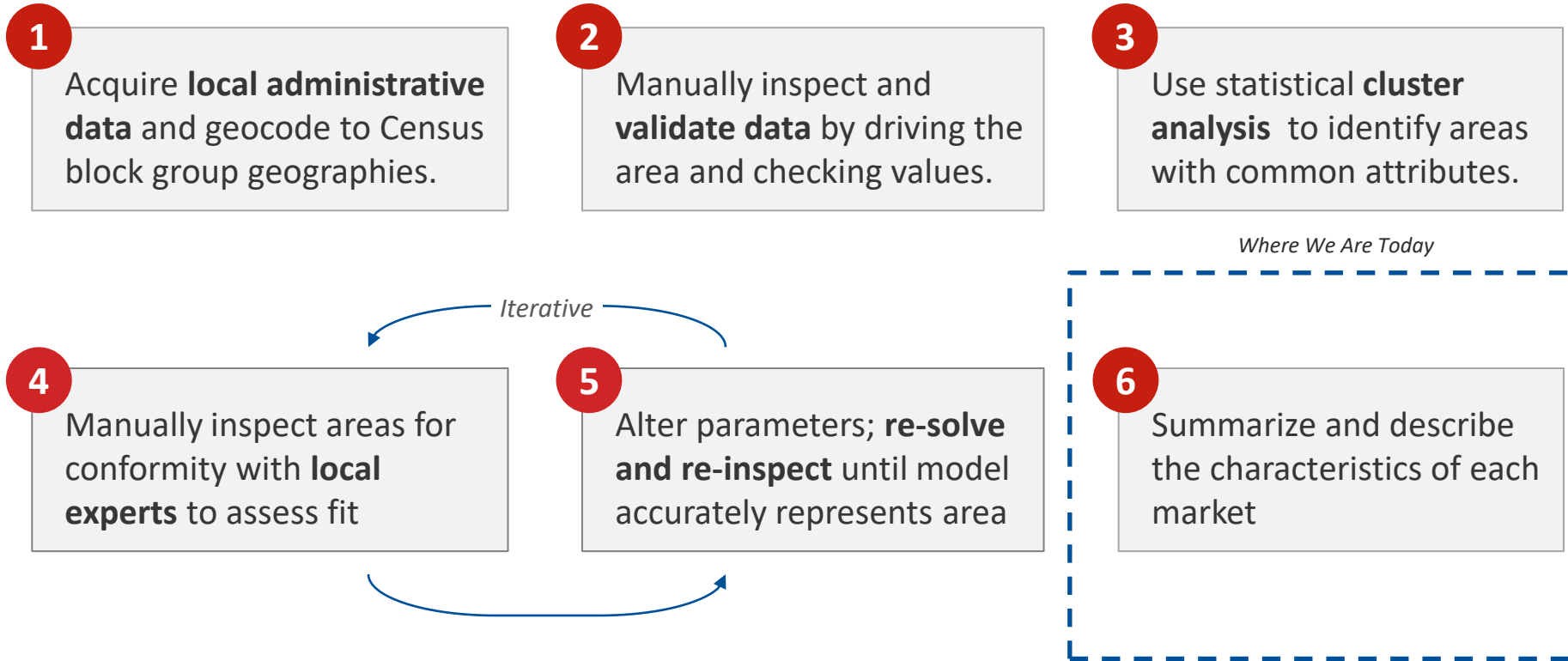


Our Normative Assumptions

When analyzing markets we begin with these principles:

- The best decisions are based on the sound and **objective analysis** of quantitative and qualitative data
- Public **subsidy is scarce**; acting alone, subsidies cannot create a market
- Public policy and subsidy must **leverage private investment** or create conditions for investment to occur
- In distressed markets, **build from strength** by investing near strong assets
- All **residents are customers** with an expectation of quality public services and amenities

The MVA Process



Lessons from 15+ years of experience

Validating Data is Critical.

Researchers must systematically visit and observe neighborhoods in the city to understand the data and final model.

Geographic Scale Matters.

MSA and Census tract geographies are too large to accurately reflect the nuances of local real estate markets.

One Size Does Not Fit All.

MVA components and models share some similarities across cities but must be customized to the unique traits of each city.

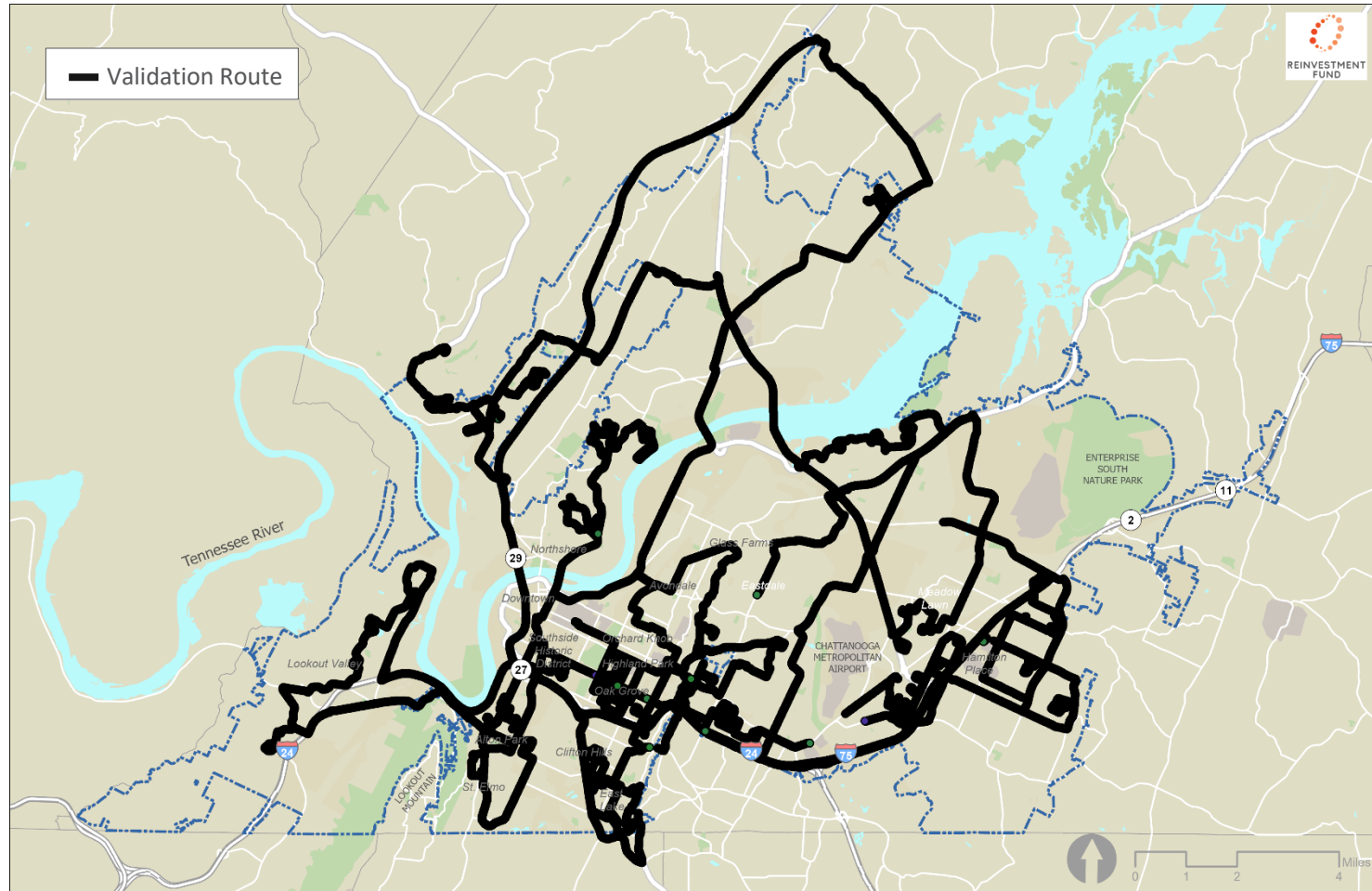
Integrate Local Knowledge.

All models are tested with local experts to incorporate qualitative feedback from each geography.

Agenda

- I. Overview of 2023 Market Value Analysis
- II. Demographic & Economic Connections with Markets
 - i. Population & Demographics
 - ii. Affordability
 - iii. Risk Of Economic Displacement

All Data/Results Validated By Local Experts & Fieldwork



Market Indicators

Property Value and Investment	Median Home Sales Price	Median price of arms-length residential property transactions, 2020-2022	<i>RF Analysis of Hamilton County Assessor Data</i>
	Home Price Variance	Coefficient of variance of arms-length residential property transactions, 2020-2022	<i>RF Analysis of Hamilton County Assessor Data</i>
	New Construction	Permits for single- and multi-family new construction, 2018-2022	<i>Hamilton County Public Works Department</i>
	Renovation Permits	Permits for single- and multi-family renovation, 2020-2022	<i>Hamilton County Public Works Department</i>
Market Stressors	Financial Stress	Foreclosure filings, late property taxes, or utility shutoffs, 2020-2022	<i>City of Chattanooga</i>
	Code Violations	Residential properties with 2 or more property maintenance or health and safety citations, 2020-2022	<i>Chattanooga Economic and Community Development Department</i>
	Vacant Parcels	Residential parcels classified as vacant land, with demolition permits, or vacancy related code violations, 2020-2022	<i>RF Analysis of Public Works Department Parcel File, Building Permits, Code Violations, and Utility Shutoffs</i>
Housing Stock and Land Use	Owner Occupancy	Owner Occupied Homes, 2017 – 2021	<i>American Community Survey, Five-Year Estimates, 2017-2021</i>
	Subsidized Housing	Units in affordable housing developments (e.g., LIHTC, Section 8, PILOT, HCV)	<i>City of Chattanooga Department of Economic Development, HUD POSH</i>
	Density	Residential acres per Residential Parcel	<i>RF Analysis of Public Works Department Parcel File</i>



Market Characteristics

Cluster Letter	n =	Median Sales Price 20-22	Coeff. Var. Sales	Home Owners	New Construction 18-22	Major Renovations 20-22	Vacant Parcels	Financial Distress 20-23	Code Violations 20-22	Subsidized Renter HHs	Density Acre/Pcl
A	32	\$ 421,649	0.51	76%	9%	4%	10%	4%	2%	4%	0.81
B	31	\$ 285,476	0.51	30%	7%	5%	11%	6%	7%	9%	0.58
C	29	\$ 242,562	0.52	80%	3%	3%	7%	4%	7%	8%	0.72
D	12	\$ 209,983	0.44	63%	4%	3%	9%	9%	7%	80%	0.48
E	28	\$ 159,751	0.52	51%	3%	3%	10%	13%	12%	13%	0.38
F	11	\$ 99,869	0.68	26%	5%	4%	26%	15%	29%	84%	0.37
G	14	\$ 75,148	0.73	38%	3%	4%	20%	15%	25%	18%	0.22
Citywide	157*	\$ 245,352	0.54	55%	6%	4%	11%	9%	10%	18%	0.50

*Includes census defined block groups and split block groups. Excluded block groups with fewer than 5 sales from 2020-2022



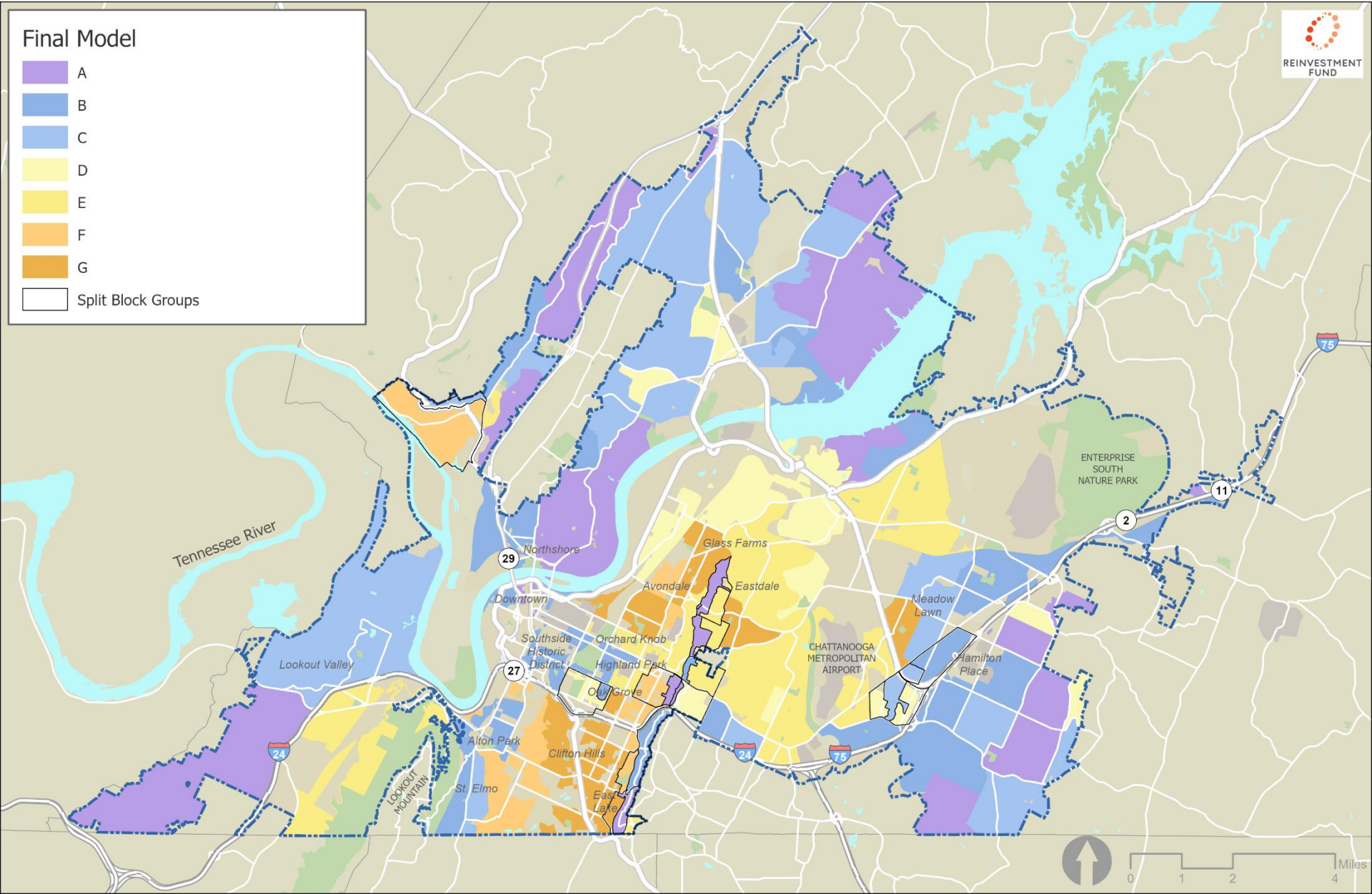
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Final Market Value Analysis



Final Model

- A
- B
- C
- D
- E
- F
- G
- Split Block Groups



Final Market Value Analysis

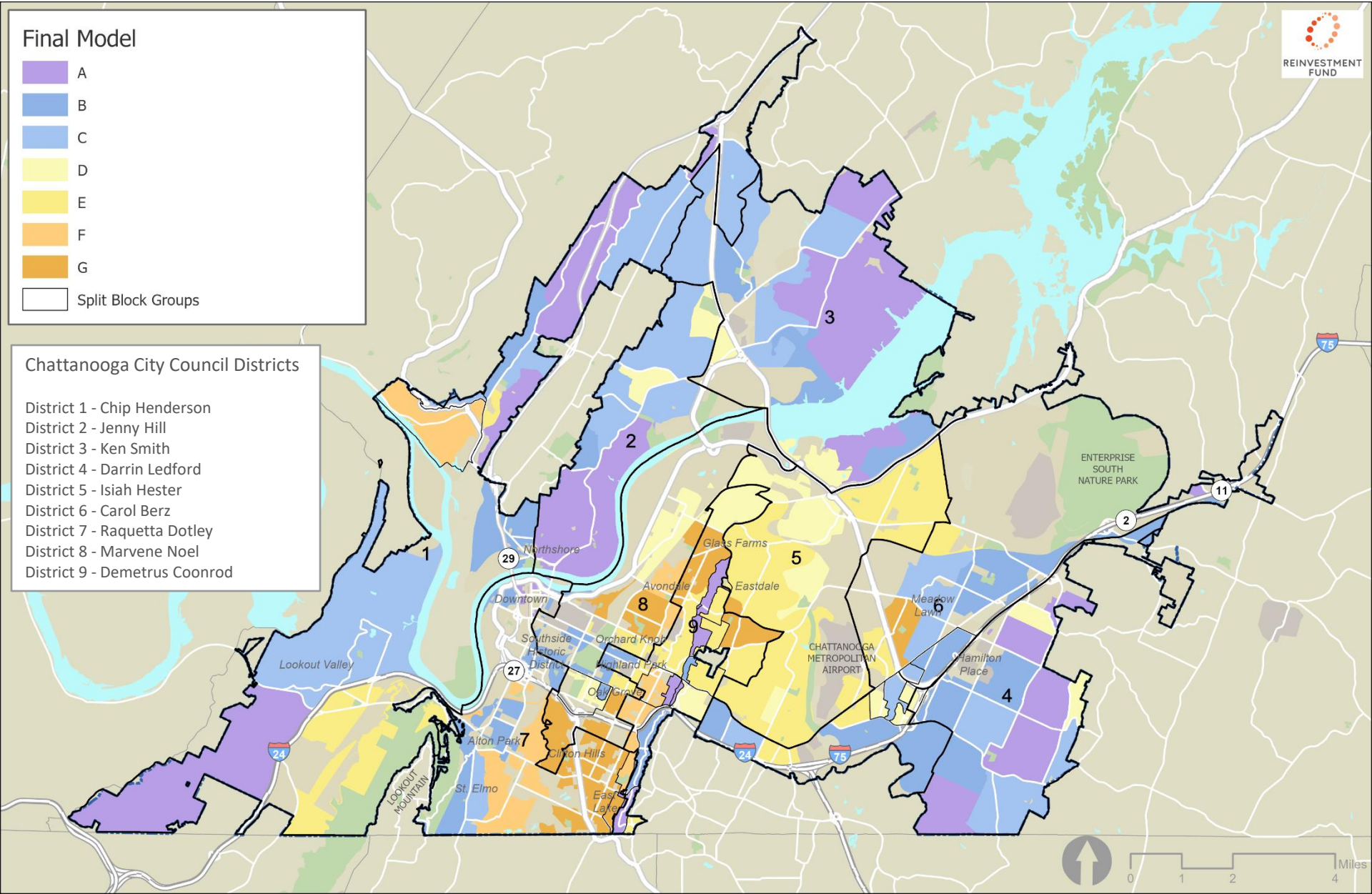


Final Model

- A
- B
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- Split Block Groups

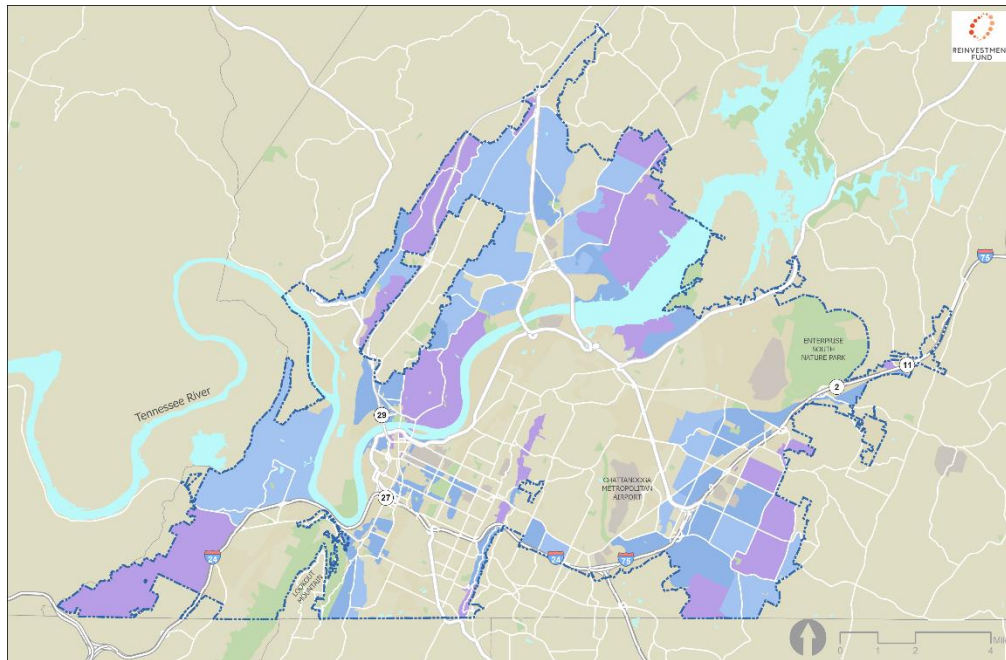
Chattanooga City Council Districts

- District 1 - Chip Henderson
- District 2 - Jenny Hill
- District 3 - Ken Smith
- District 4 - Darrin Ledford
- District 5 - Isiah Hester
- District 6 - Carol Berz
- District 7 - Raquetta Dotley
- District 8 - Marvene Noel
- District 9 - Demetrus Coonrod



Purple & Blue Markets

Cluster Letter	n =	Median Sales Price 20-22	Coeff. Var. Sales	Home Owners	New Construction 20-22	Major Renovations 20-22	Vacant Parcels	Financial Distress 20-23	Code Violations 20-22	Subsidized Renter HHs	Density Acre/Pcl
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Characteristics of Purple & Blue Markets

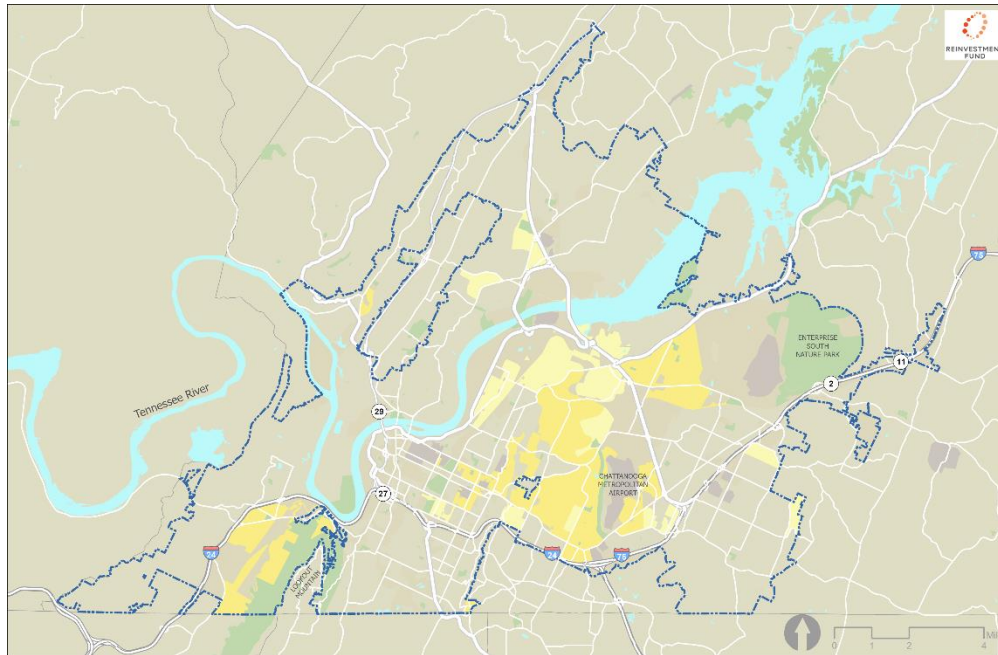
Purple markets have properties with the highest home values and lowest levels of financial distress. 'A' markets have the highest rate of new construction in the city.

Blue markets have more affordable home prices and are a mix of owner ('C') and renter neighborhoods ('B')



Yellow Markets

Cluster Letter	n =	Median Sales Price 20-22	Coeff. Var. Sales	Home Owners	New Construction 20-22	Major Renovations 20-22	Vacant Parcels	Financial Distress 20-23	Code Violations 20-22	Subsidized Renter HHs	Density Acre/Pcl
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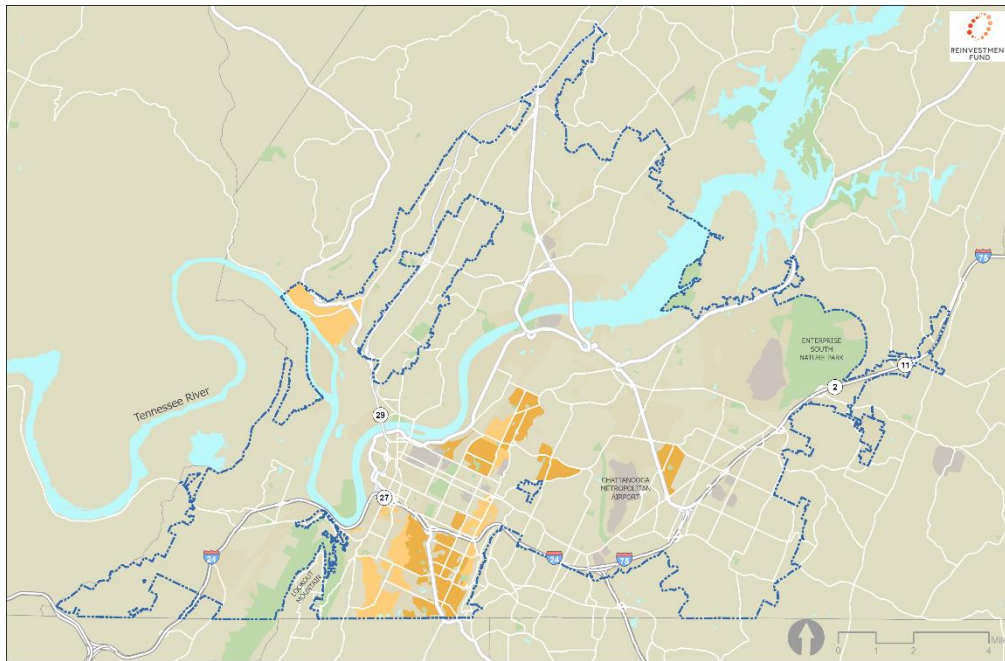
Characteristics of Yellow Markets

Yellow markets have below-average home prices and modest home-ownership rates. New construction and home renovation activity falls below the city average. 'D' markets have the second greatest share of subsidized renters in the city.



Orange Markets

Cluster Letter	n =	Median Sales Price 20-22	Coeff. Var. Sales	Home Owners	New Construction 20-22	Major Renovations 20-22	Vacant Parcels	Financial Distress 20-23	Code Violations 20-22	Subsidized Renter HHs	Density Acre/Pcl
F	11	\$ 99,869	0.68	26%	5%	4%	26%	15%	29%	84%	0.37
G	14	\$ 75,148	0.73	38%	3%	4%	20%	15%	25%	18%	0.22



Characteristics of Orange Markets

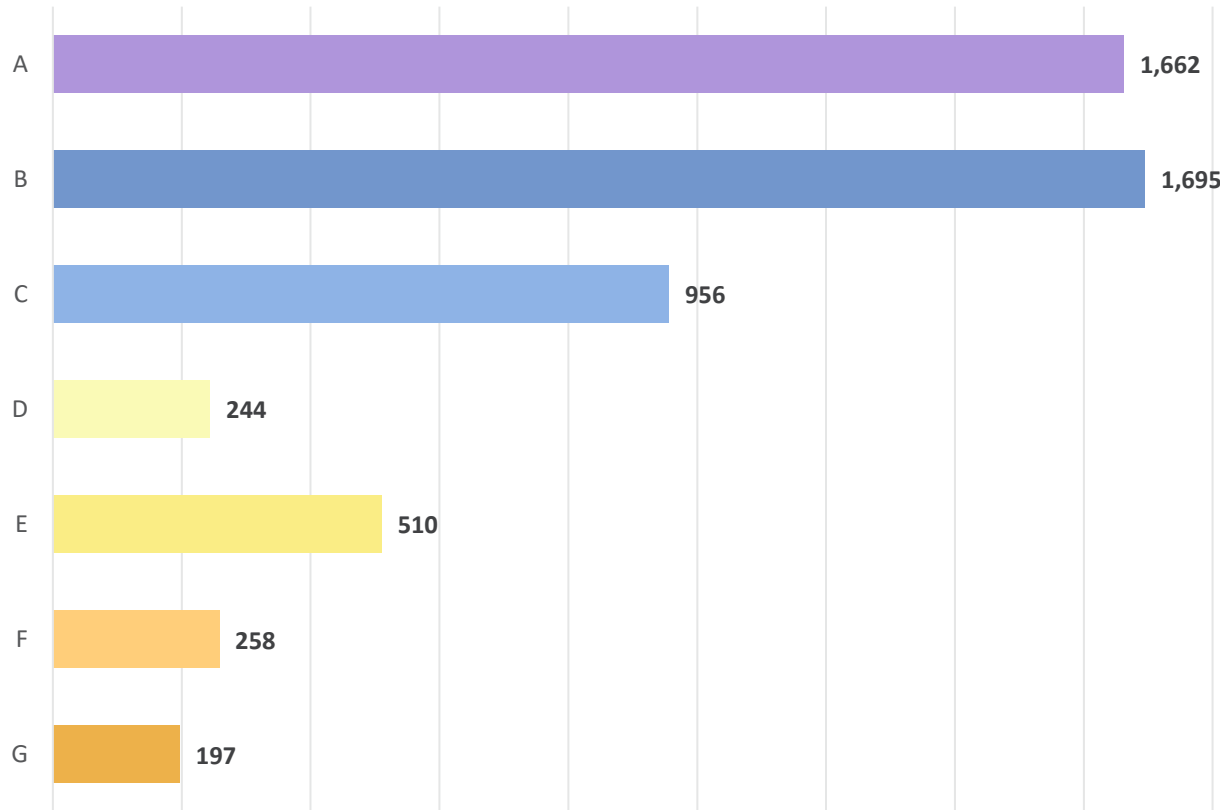
Orange markets have the lowest housing prices, low levels of development, and high rates of financial stress, vacancy and property code violations. Both F and G markets are majority renter neighborhoods, with F having the highest presence of subsidized renters.



Permits for New Construction

75% of permitted new housing units across the city have been built in the strongest three markets

Number of Permitted Newly Construction Units including apartments, 2018 to 2022



On average, A & B block groups had twice as many new units as the more stressed markets

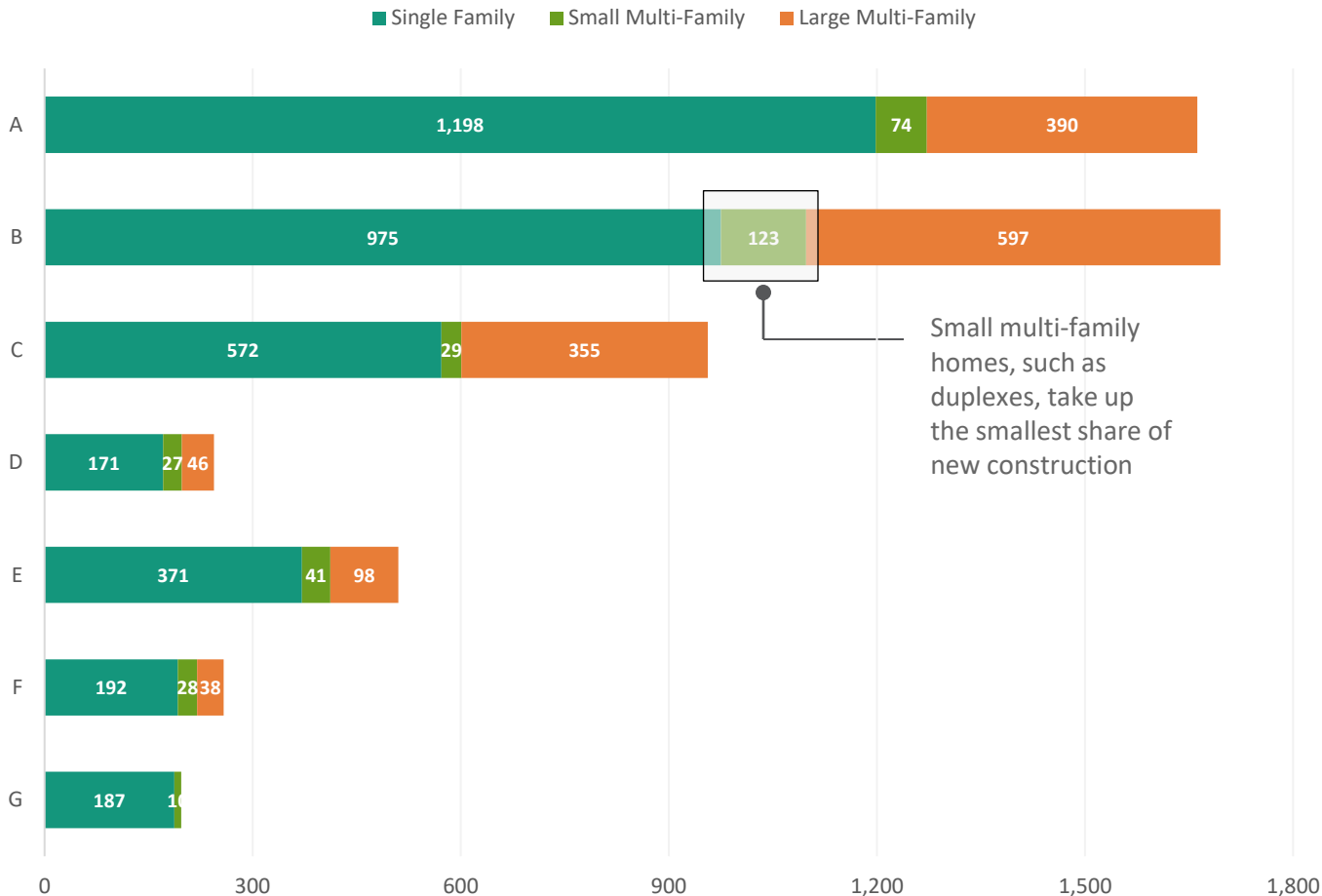
Market Type	Average # of New Units per Block Group
A	51
B	54
C	32
D	20
E	18
F	23
G	14

Total New Construction Units permitted: 5,784

What types of New Units are Being Built?

While single-family units are the most popular new construction type in every market, multi-family is concentrated in the strongest 3 markets

Number of Permitted Newly Construction Units by Dwelling Type including apartments, 2018 to 2022



Subsidy Types

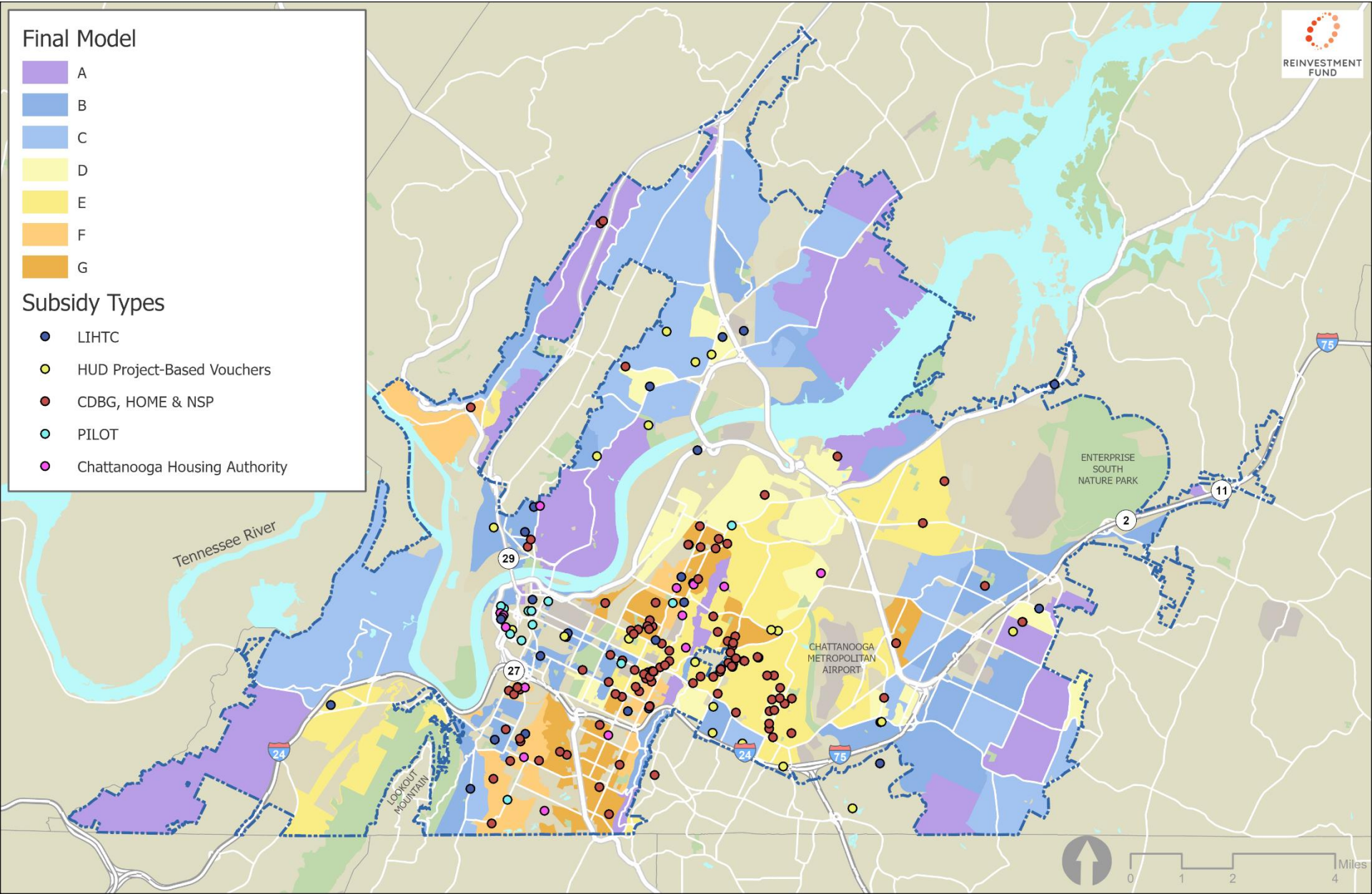


Final Model

- A
- B
- C
- D
- E
- F
- G

Subsidy Types

- LIHTC
- HUD Project-Based Vouchers
- CDBG, HOME & NSP
- PILOT
- Chattanooga Housing Authority



Permitted New Construction by Market Type

Distribution of New Construction Permits across Markets:

Most of new construction is happening in the top 3 markets, where we are also seeing a concentration of multi-family housing being built

Market Type	Single Family	Small Multi-Family (<10 units)	Large Multi-Family (>10 units)
A	32%	22%	22%
B	26%	37%	34%
C	15%	9%	20%
D	5%	8%	3%
E	10%	12%	6%
F	5%	8%	2%
G	5%	3%	0%
Unclassified	1%	0%	13%
Total	100%	100%	100%

Distribution of New Construction Permits within Markets:

Market Type	Single Family	Small Multi-Family (<10 units)	Large Multi-Family (>10 units)
A	72%	4%	23%
B	58%	7%	35%
C	60%	3%	37%
D	70%	11%	19%
E	73%	8%	19%
F	74%	11%	15%
G	95%	5%	0%
Unclassified	13%	0%	87%
Total	64%	6%	30%

MVAs in Action: How Cities Use the MVA



- Component of a local land banking strategy (Phila., NOLA, Pittsburgh, Wilmington)
- Guide capital budget (Detroit)
- Focus code enforcement (Phila., Baltimore, Indianapolis, NOLA)
- Benchmark quality of life measures (Phila.)
- Equitable development strategy (DE/DSHA)
- Target statewide Strong Neighborhoods Revolving Loan Fund (DE/DSHA)
- Inform LIHTC QAP (DE/DSHA)
- Develop CDBG ConPlan / Comprehensive plan (Detroit, Wilmington, St. Louis, Richmond, Dallas)
- Assessment of Fair Housing (Phila., Richmond)
- Assess changes in the market over time (Phila., Baltimore, Pittsburgh)
- Evaluate development opportunities (Pittsburgh, Phila., Houston, Detroit, St. Louis, cities in NJ)
- Target demolition and acquisition activities (Baltimore, Phila., Detroit, NOLA)
- Select transformative tipping point projects (Phila., Baltimore, Pittsburgh, NOLA)
- Engage partners – philanthropic, non-profit, government – in coordinated efforts to rebuild neighborhoods (Baltimore, Milwaukee, NOLA)
- Guide federal Neighborhood Stabilization Program Investment (States of PA & NJ, Houston, Detroit)

Using the MVA: Set Priorities by Market Cluster

MVA Market Types

Sample Activities	A	B	C	D	E	F
TIF						
PILOT						
LIHTC New Construction Development		<p>Each activity can be connected to different responsible organizations, including city agencies, commissions, non-profits, etc.</p> <p>Some activities represent annual expenses; others represent investments with an expectation of longer term returns beyond the immediate beneficiaries. Some are “universal” while others are best targeted.</p> <p>The Market Value Analysis allows for a coordination across organizations, agencies and funding sources (CDBG, CSBG, philanthropic, etc.).</p>				
Public Land for Housing						
Revolving Loan Fund						
Capacity Building for New Developers						
Home Repair Program						
Down Payment Assistance						
Soft Density including ADUs						
Streamline Development Approval Process						
Rezoning						



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Population and Demographics

Demographics by Market Type

Population Distribution Within Markets:

*Resident Population and Demographics by MVA Market Type**

	White, Non-Hispanic	Black, Non-Hispanic	Asian, Non-Hispanic	Hispanic	Other, Non-Hispanic	Total Population
A	82%	7%	5%	4%	2%	100%
B	66%	22%	3%	6%	4%	100%
C	80%	9%	3%	4%	4%	100%
D	53%	32%	3%	11%	2%	100%
E	33%	53%	1%	7%	5%	100%
F	21%	62%	0%	12%	4%	100%
G	27%	50%	0%	20%	3%	100%
<i>Unclassified</i>	73%	19%	1%	5%	2%	100%
Total	61%	26%	2%	7%	3%	100%

American Community Survey, Five-Year Estimates, 2017 – 2021

*Split block groups assigned to lowest cluster letter

**Based on population counts inclusive of Hamilton County where Chattanooga block groups span the city/county boundary

Demographics by Market Type

Population Distribution Across Markets:

*Resident Population and Demographics by MVA Market Type**

	White, Non-Hispanic	Black, Non-Hispanic	Asian, Non-Hispanic	Hispanic	Other, Non-Hispanic	Total Population
A	25%	5%	36%	9%	11%	19%
B	20%	16%	21%	15%	24%	19%
C	21%	6%	21%	10%	18%	16%
D	5%	8%	6%	10%	3%	6%
E	8%	31%	9%	16%	25%	15%
F	2%	10%	0%	8%	5%	4%
G	4%	15%	0%	22%	8%	8%
<i>Unclassified</i>	15%	9%	5%	10%	7%	12%
Total	100%	100%	100%	100%	100%	100%

American Community Survey, Five-Year Estimates, 2017 – 2021

*Split block groups assigned to lowest cluster letter

**Based on population counts inclusive of Hamilton County where Chattanooga block groups span the city/county boundary



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Affordability in Chattanooga

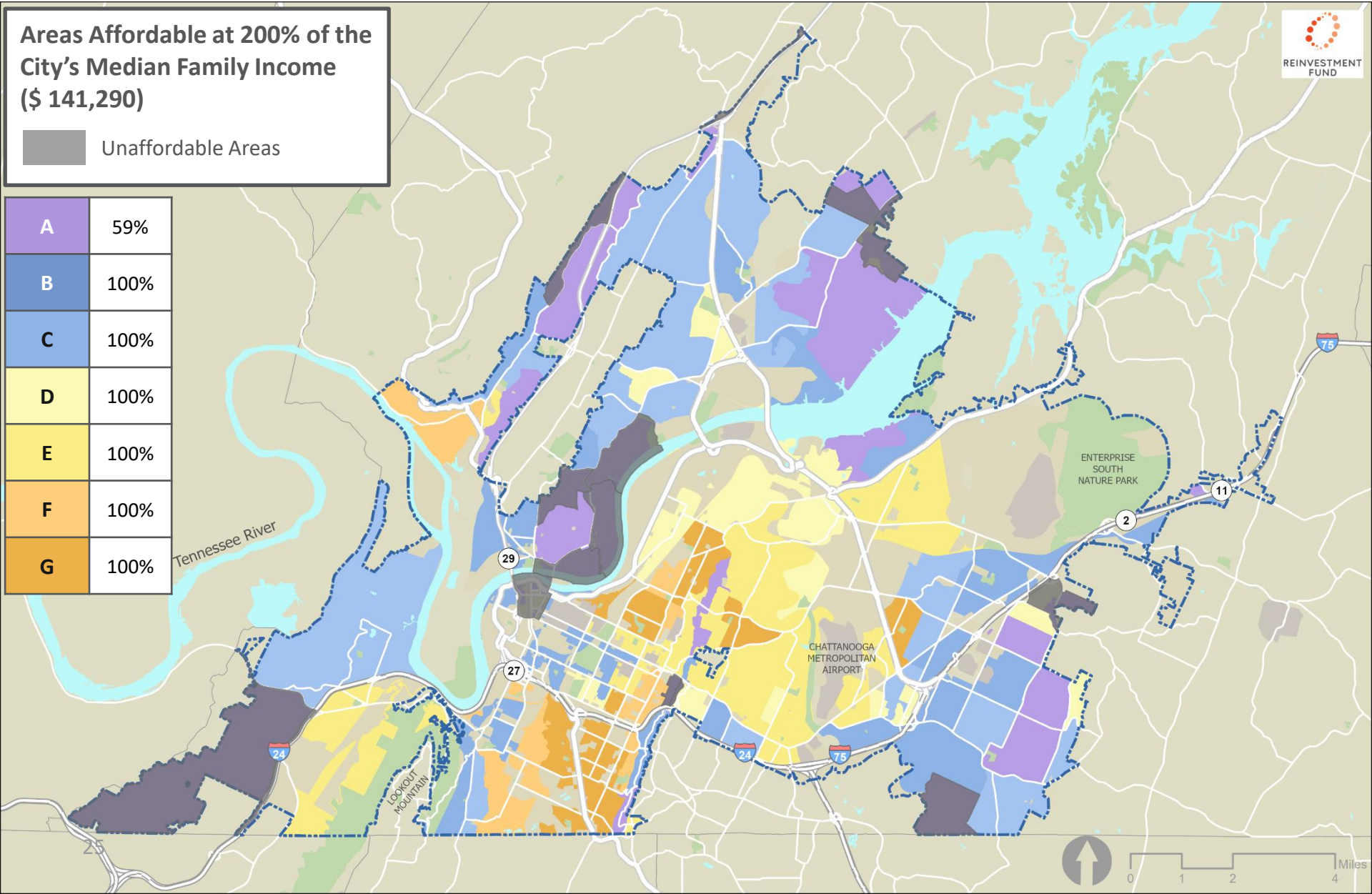
Areas Affordable at 200% Family Income



Areas Affordable at 200% of the City's Median Family Income (\$ 141,290)

Unaffordable Areas

A	59%
B	100%
C	100%
D	100%
E	100%
F	100%
G	100%



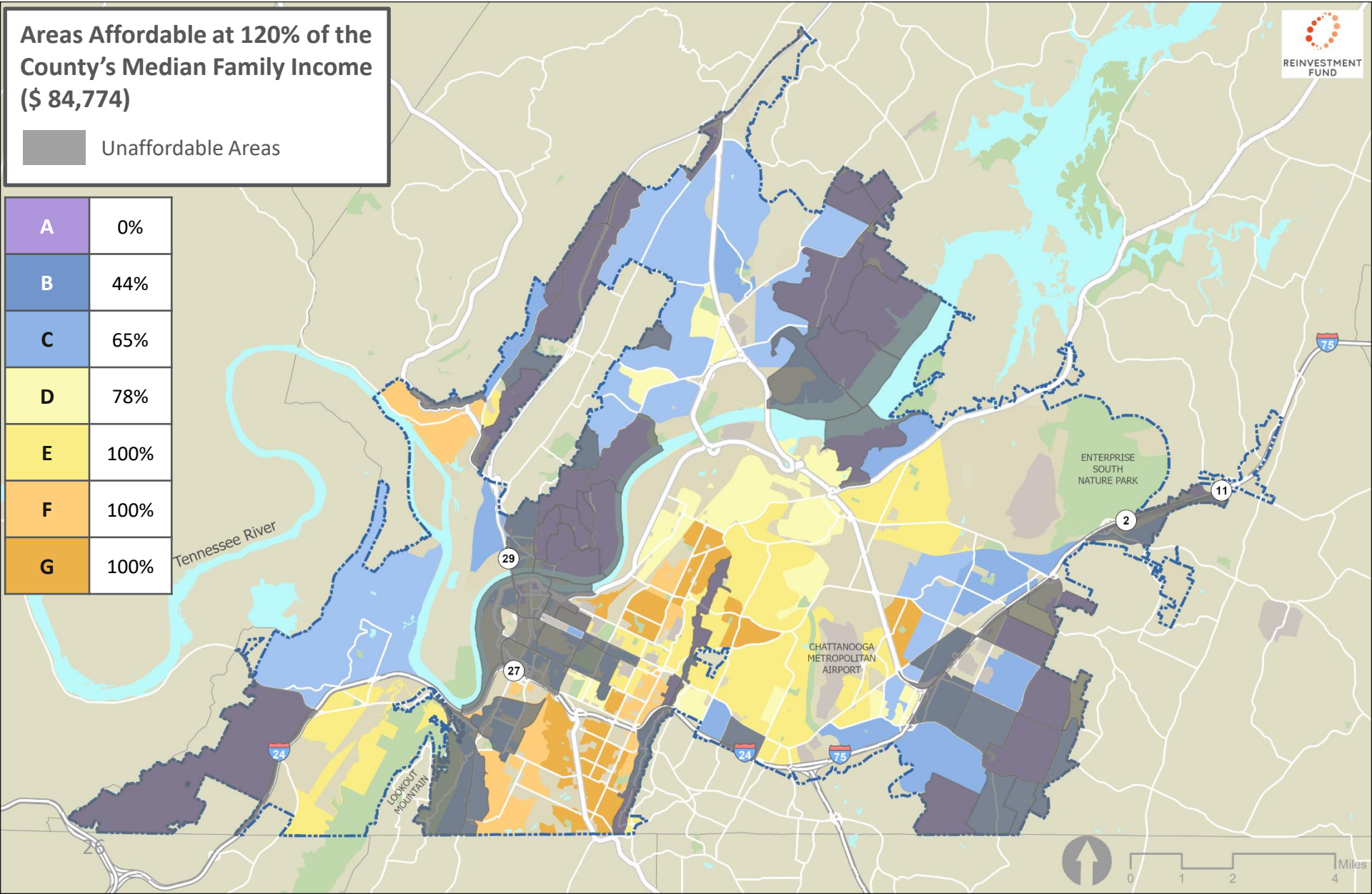
Areas Affordable at 120% Family Income



Areas Affordable at 120% of the County's Median Family Income (\$ 84,774)

Unaffordable Areas

A	0%
B	44%
C	65%
D	78%
E	100%
F	100%
G	100%



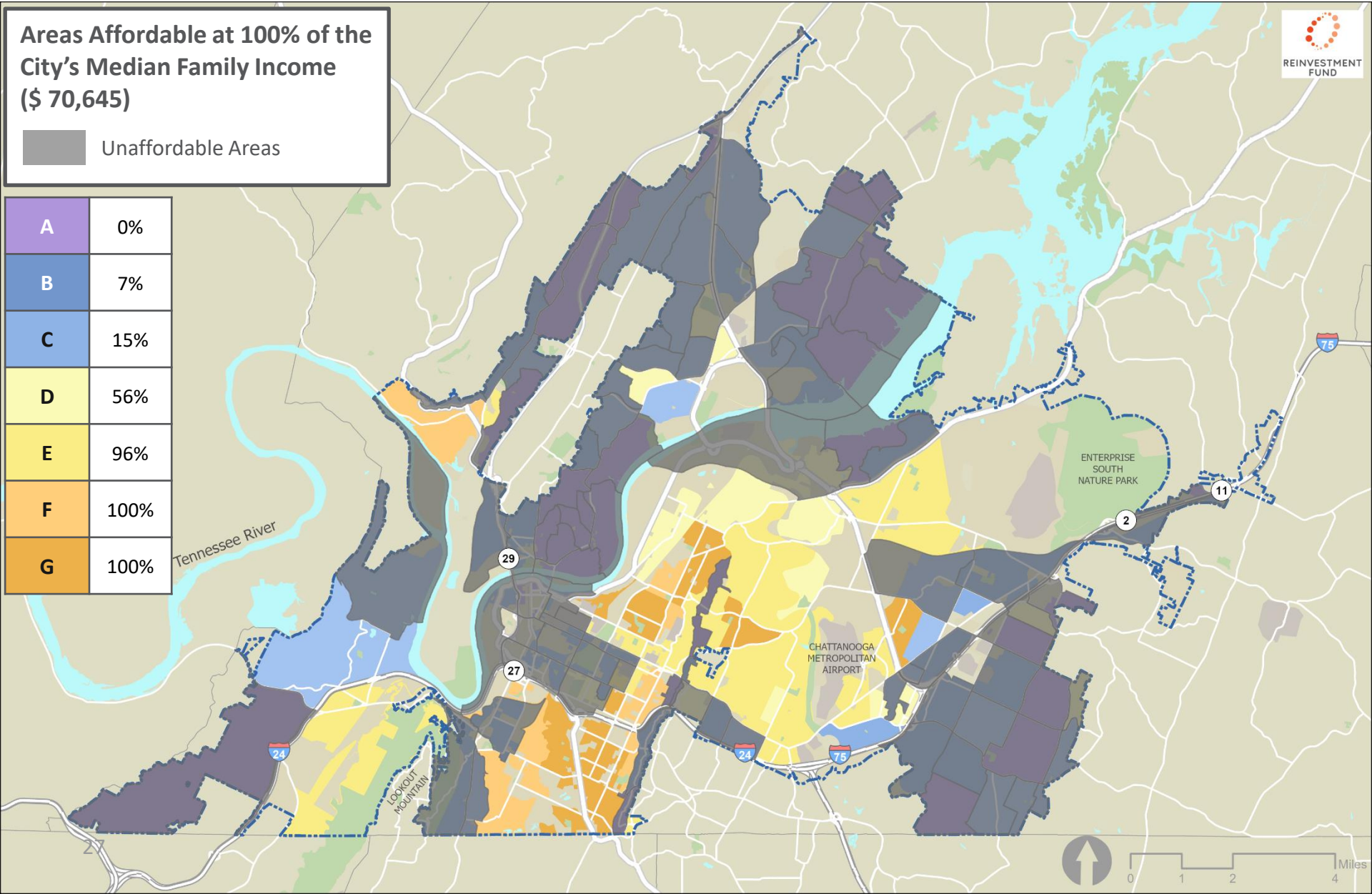
Areas Affordable at 100% Family Income



Areas Affordable at 100% of the City's Median Family Income (\$ 70,645)

Unaffordable Areas

A	0%
B	7%
C	15%
D	56%
E	96%
F	100%
G	100%



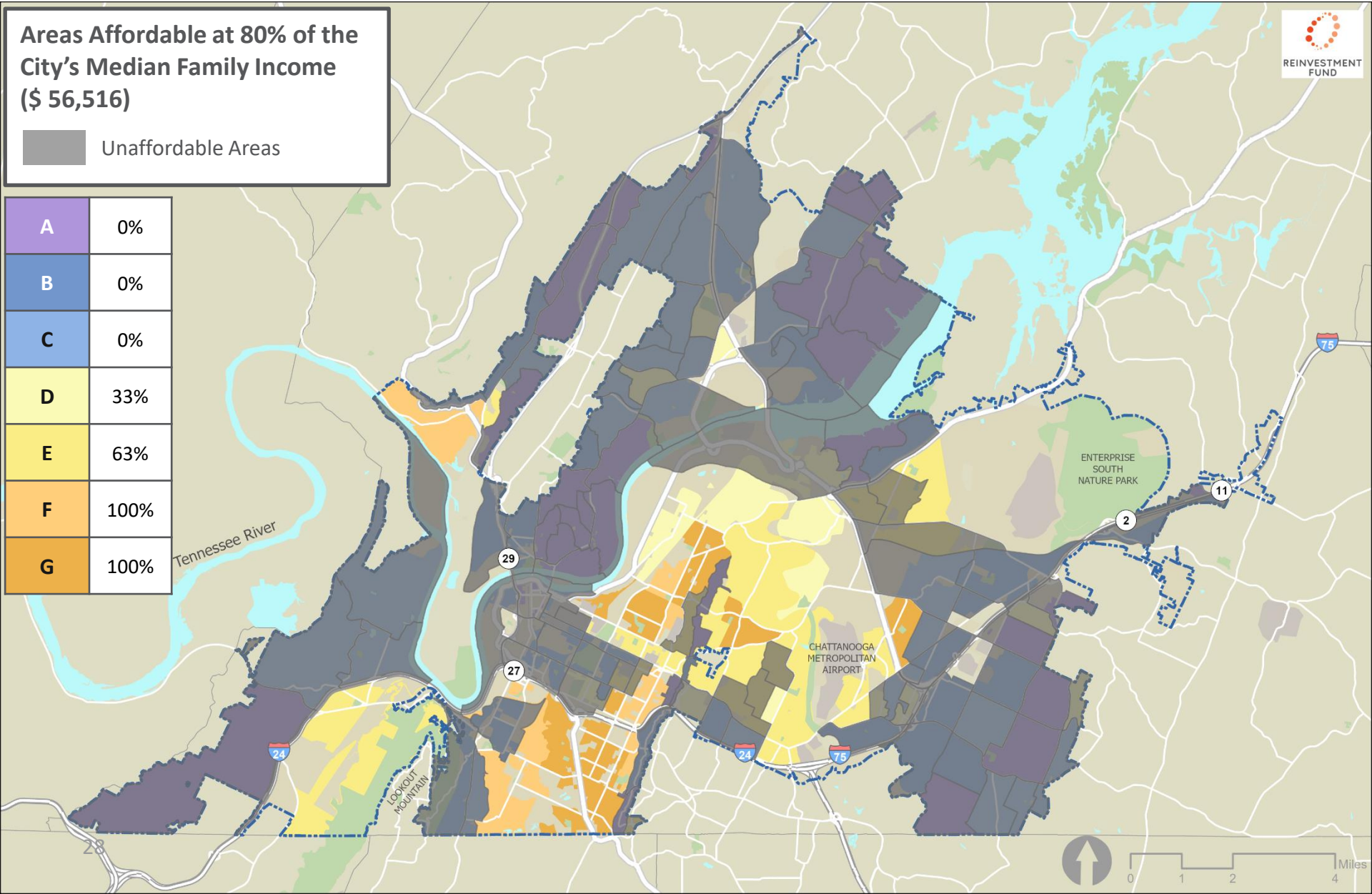
Areas Affordable at 80% Family Income



Areas Affordable at 80% of the City's Median Family Income (\$ 56,516)

Unaffordable Areas

A	0%
B	0%
C	0%
D	33%
E	63%
F	100%
G	100%



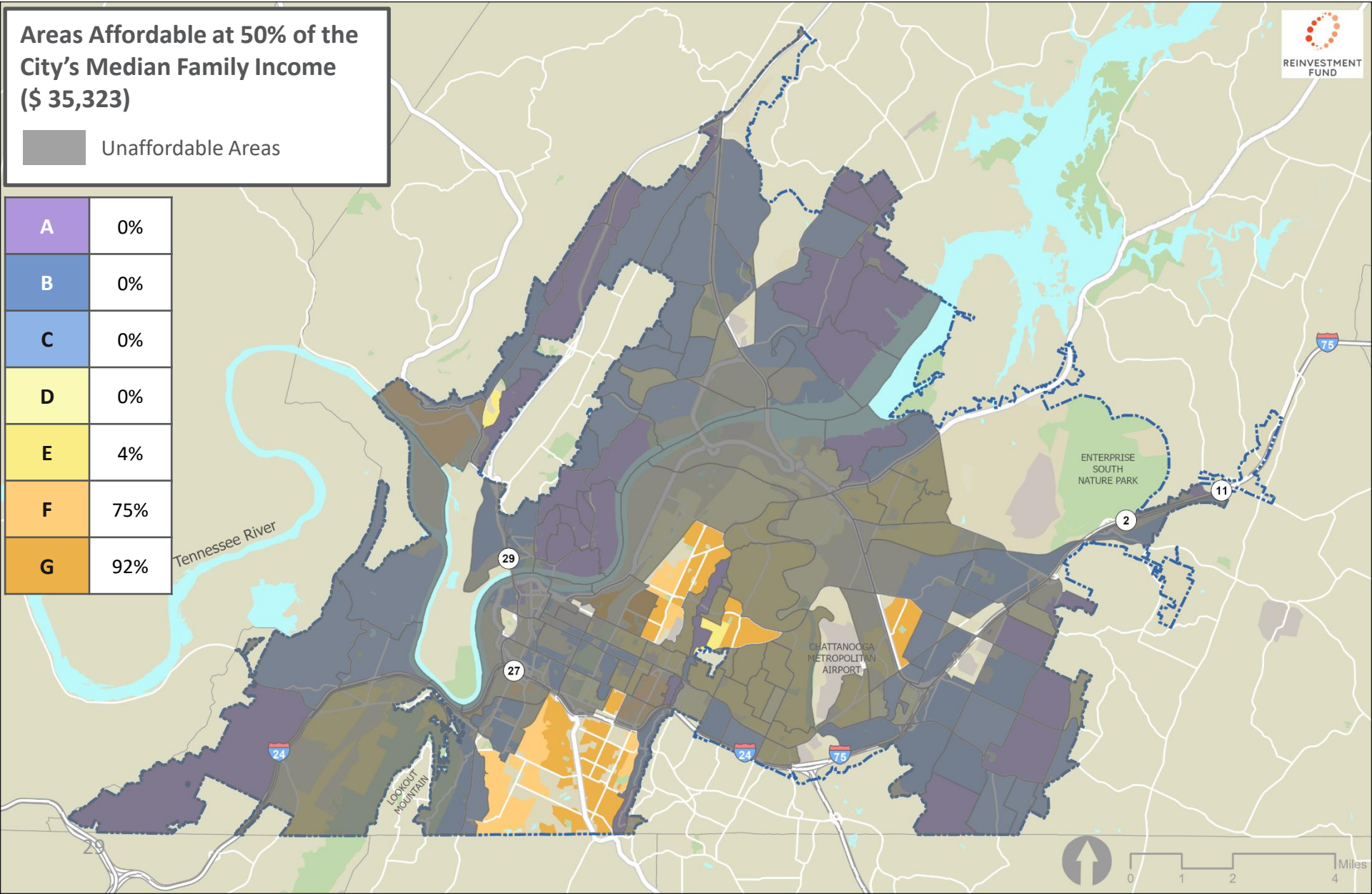
Areas Affordable at 50% Family Income



Areas Affordable at 50% of the City's Median Family Income (\$ 35,323)

Unaffordable Areas

A	0%
B	0%
C	0%
D	0%
E	4%
F	75%
G	92%



The Geography of Affordability in Chattanooga

Median Family Income Varies Considerably Across Race and Impacts Where Families Can Afford to Buy

Share of Block Groups Where Median Home Prices were Affordable to Typical White, Black, Hispanic, and Asian Families

	White Households (\$90,705)	Black Households (\$44,479)	Hispanic Households (\$46,158)	Asian Households (\$104,844)	Earning 100% Family Income (\$70,645)
A	0%	0%	0%	11%	0%
B	52%	0%	0%	63%	7%
C	77%	0%	0%	96%	15%
D	78%	11%	11%	100%	56%
E	100%	17%	17%	100%	96%
F	100%	88%	88%	100%	100%
G	100%	100%	100%	100%	100%
Total	73%	32%	33%	80%	53%

What is “Affordable”?

We define “affordable block groups” as places where the median home price was less than 3x median income.

An area where median home prices are \$300,000 would be identified as affordable to households earning at least \$100,000.

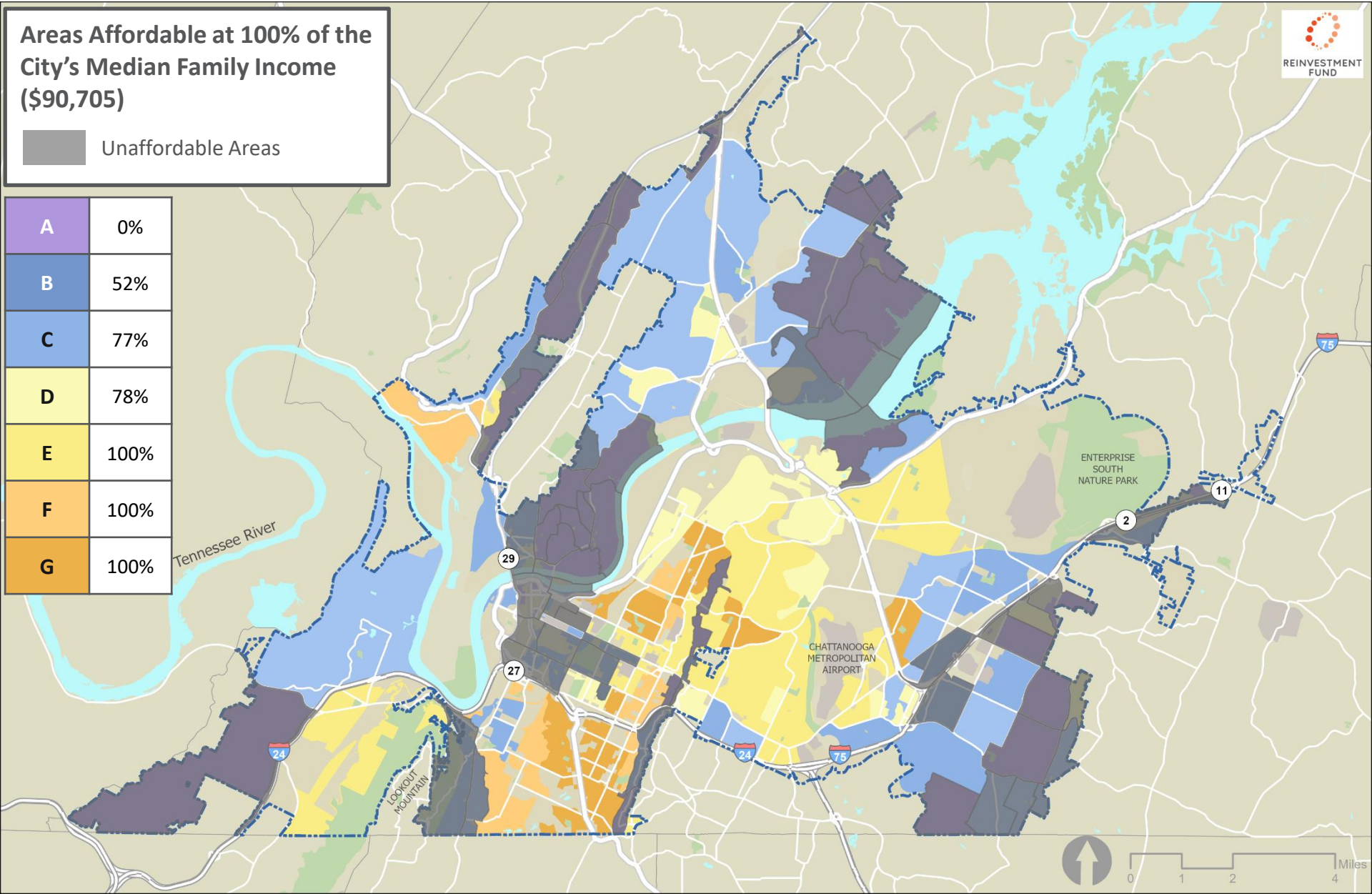
Affordability for Typical White Households



Areas Affordable at 100% of the City's Median Family Income (\$90,705)

Unaffordable Areas

A	0%
B	52%
C	77%
D	78%
E	100%
F	100%
G	100%



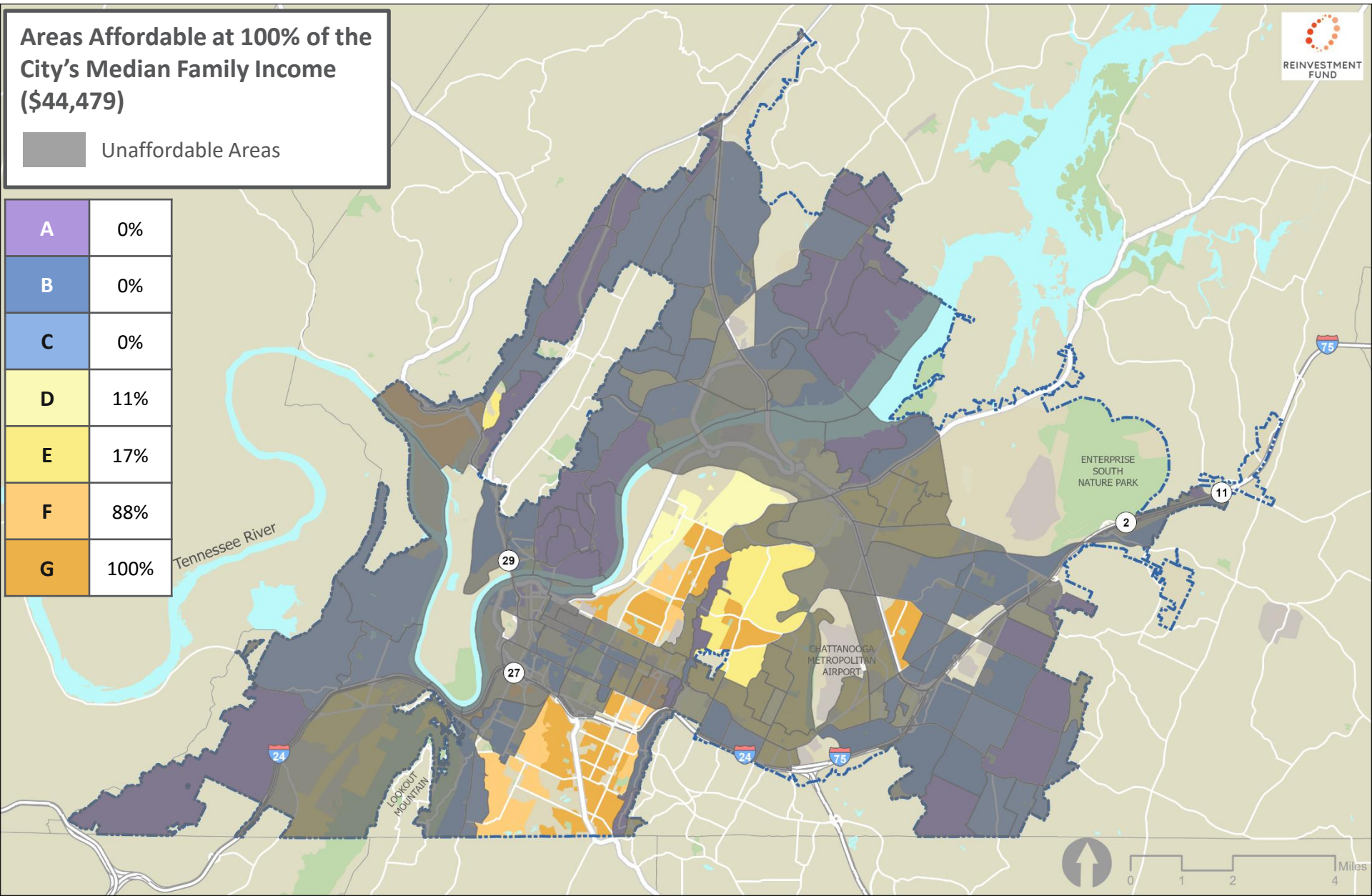
Affordability for Typical Black Households



Areas Affordable at 100% of the City's Median Family Income (\$44,479)

Unaffordable Areas

A	0%
B	0%
C	0%
D	11%
E	17%
F	88%
G	100%





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Risk of Economic Displacement

Measuring Resident Displacement Risk

Our Approach to Measuring Housing Market Pressure and Resident Displacement Risk

The concern driving this approach to measure is the *involuntary* aspect of displacement.



Households forced to leave their neighborhoods due to circumstances beyond their control (e.g., rising taxes, rent increase, condo conversion).

The analysis identifies areas where current housing prices are unaffordable to long-term residents.



Assumes housing should be close to 3x family income (following HUD guidelines).

Examines ratio of long-term residents' income at fixed start year to current housing prices to spotlight areas of concern.

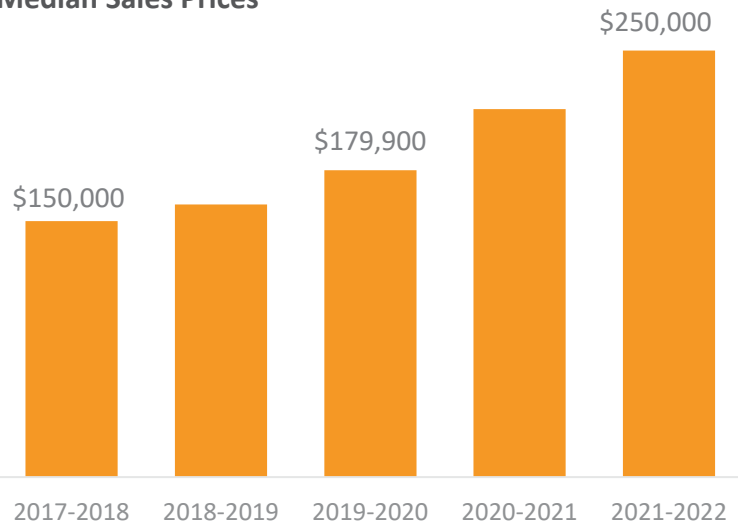


Areas with rapid increases (or decreases) in ratios signal potential concern.

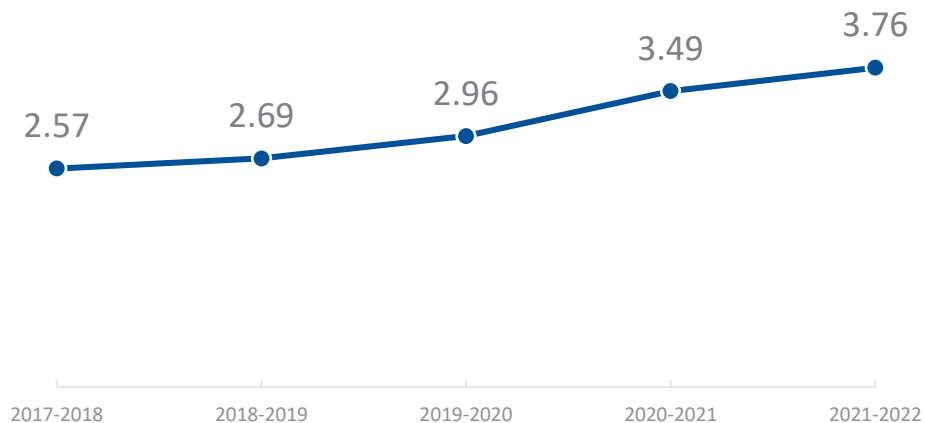


Measuring Displacement Risk in Chattanooga

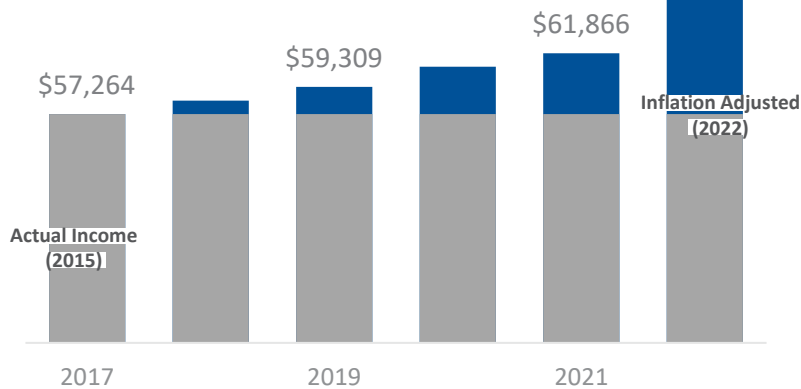
Median Sales Prices



Displacement Risk Ratio



Median Family Income



DRR Comparison to Other Cities

	2021/22
Nashville, TN	7.07
New Orleans, LA	4.72
Philadelphia, PA	4.25
Chattanooga, TN	3.76
Houston, TX	3.68

2017 used as the income base year

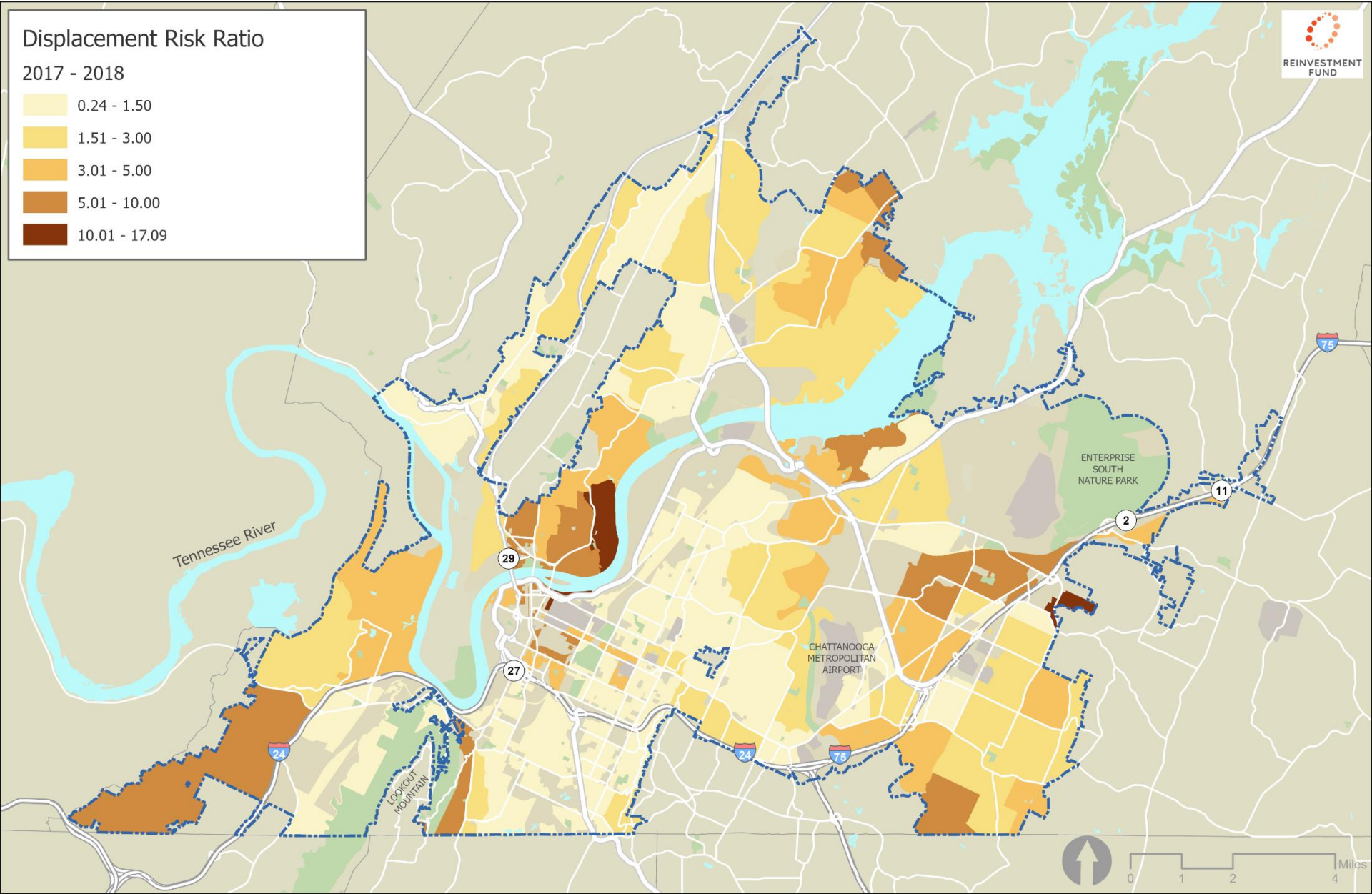
Displacement Risk Ratio, 2017 – 2018



Displacement Risk Ratio

2017 - 2018

- 0.24 - 1.50
- 1.51 - 3.00
- 3.01 - 5.00
- 5.01 - 10.00
- 10.01 - 17.09



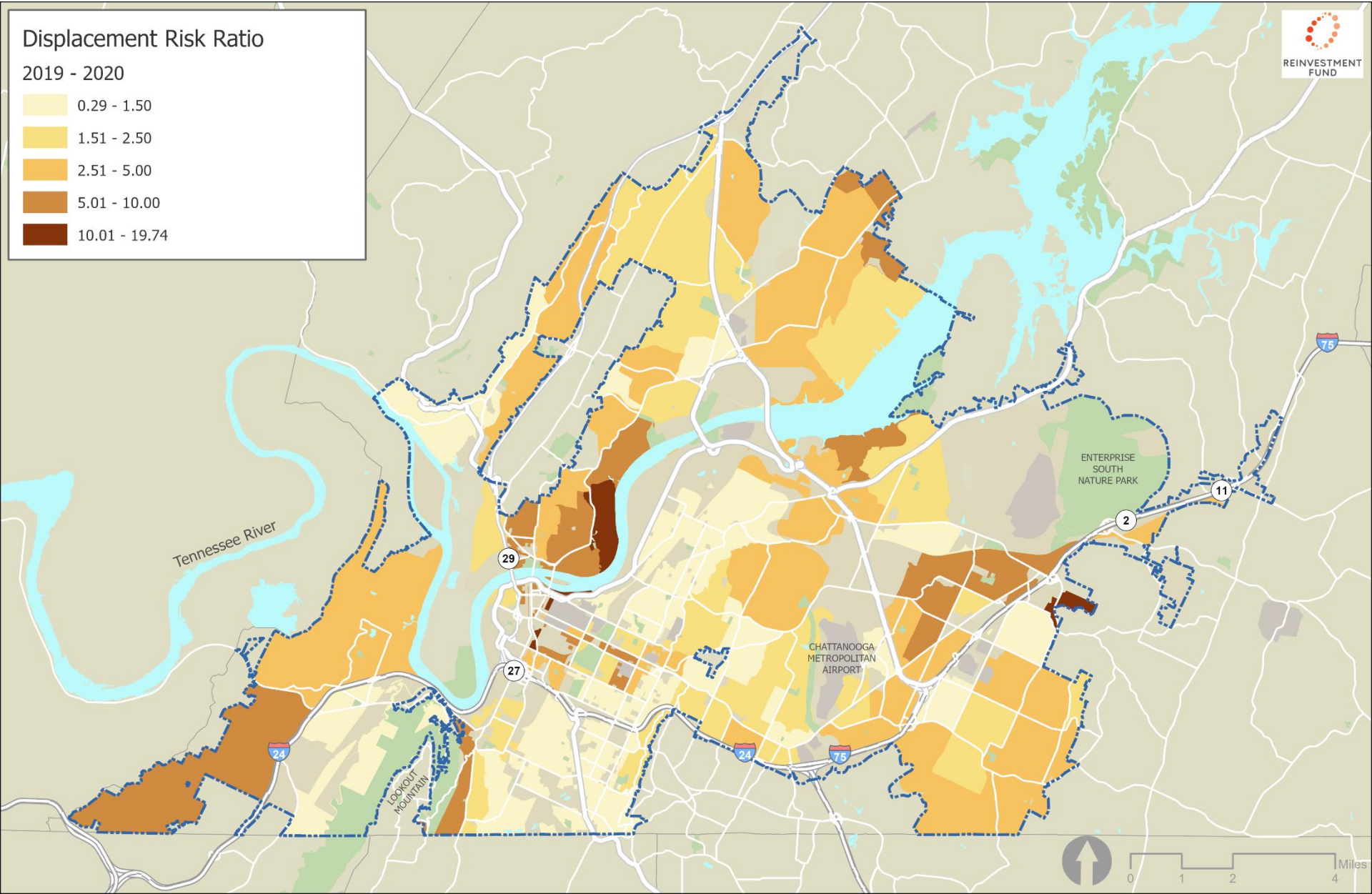
Displacement Risk Ratio, 2019 – 2020



Displacement Risk Ratio

2019 - 2020

- 0.29 - 1.50
- 1.51 - 2.50
- 2.51 - 5.00
- 5.01 - 10.00
- 10.01 - 19.74

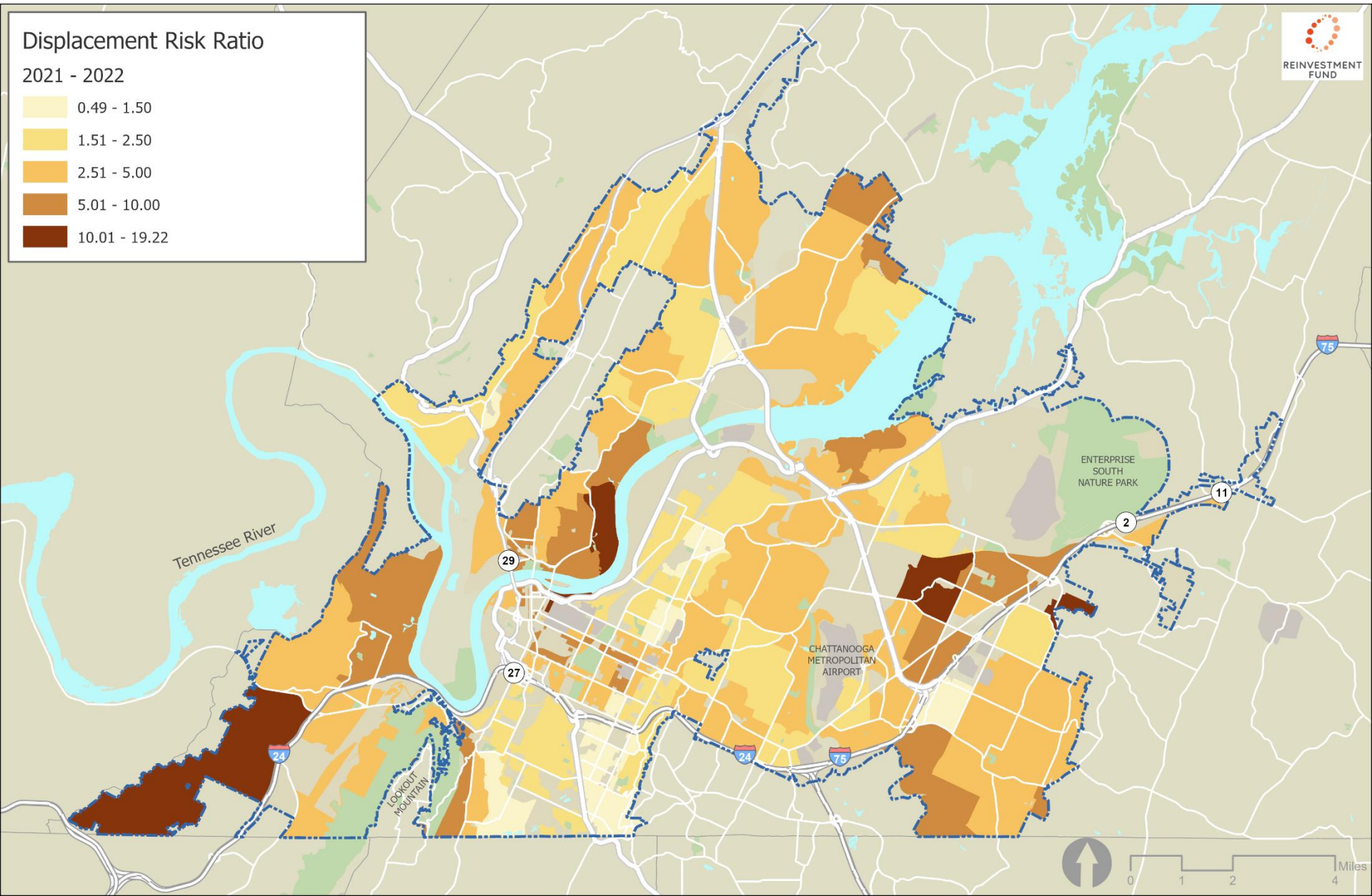


Displacement Risk Ratio, 2021 - 2022

Displacement Risk Ratio

2021 - 2022

- 0.49 - 1.50
- 1.51 - 2.50
- 2.51 - 5.00
- 5.01 - 10.00
- 10.01 - 19.22



Tennessee River

ENTERPRISE SOUTH NATURE PARK

CHATTANOOGA METROPOLITAN AIRPORT

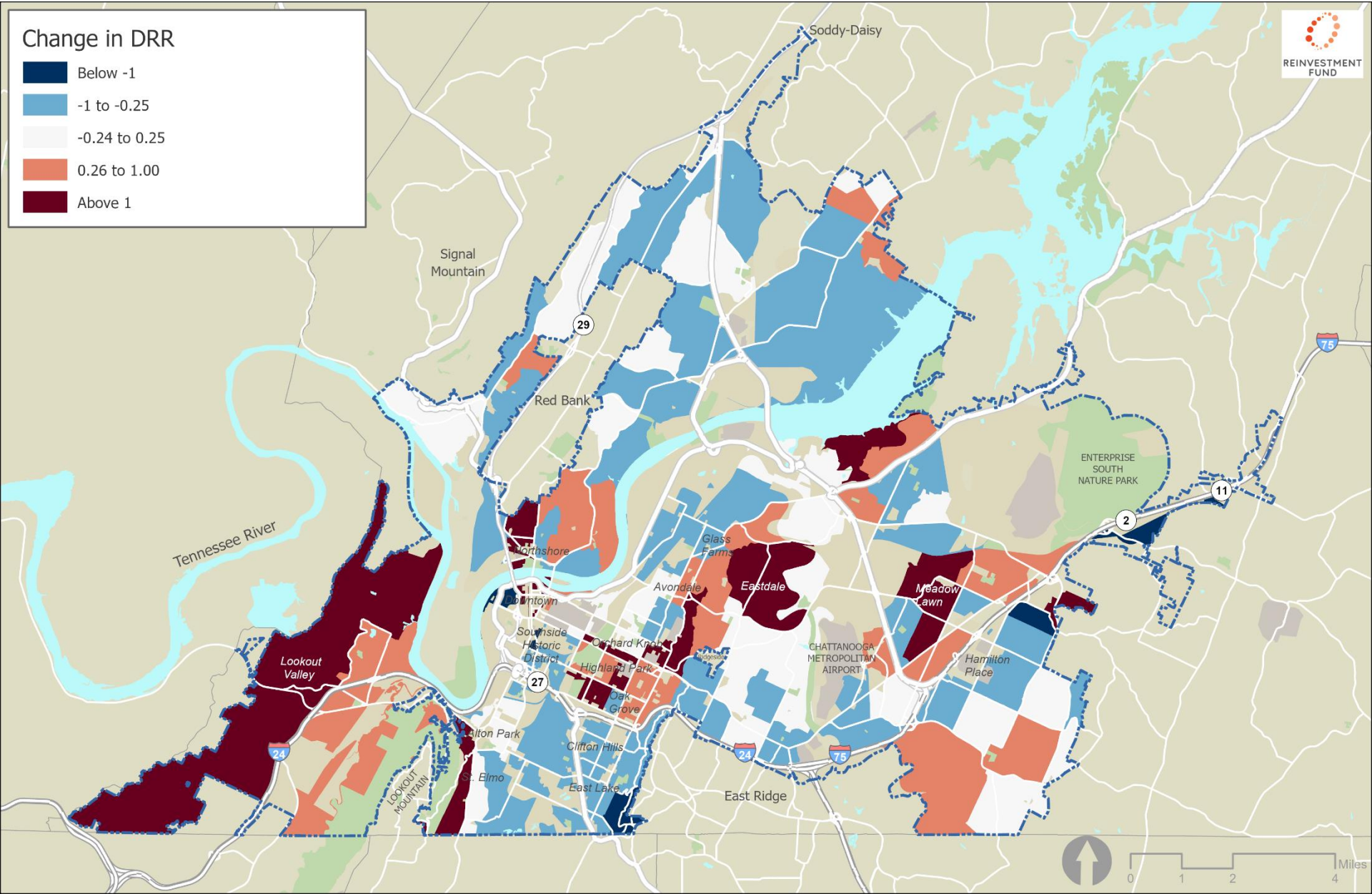
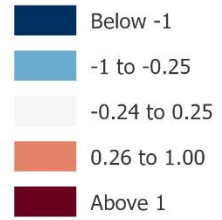
LOCKOUT MOUNTAIN



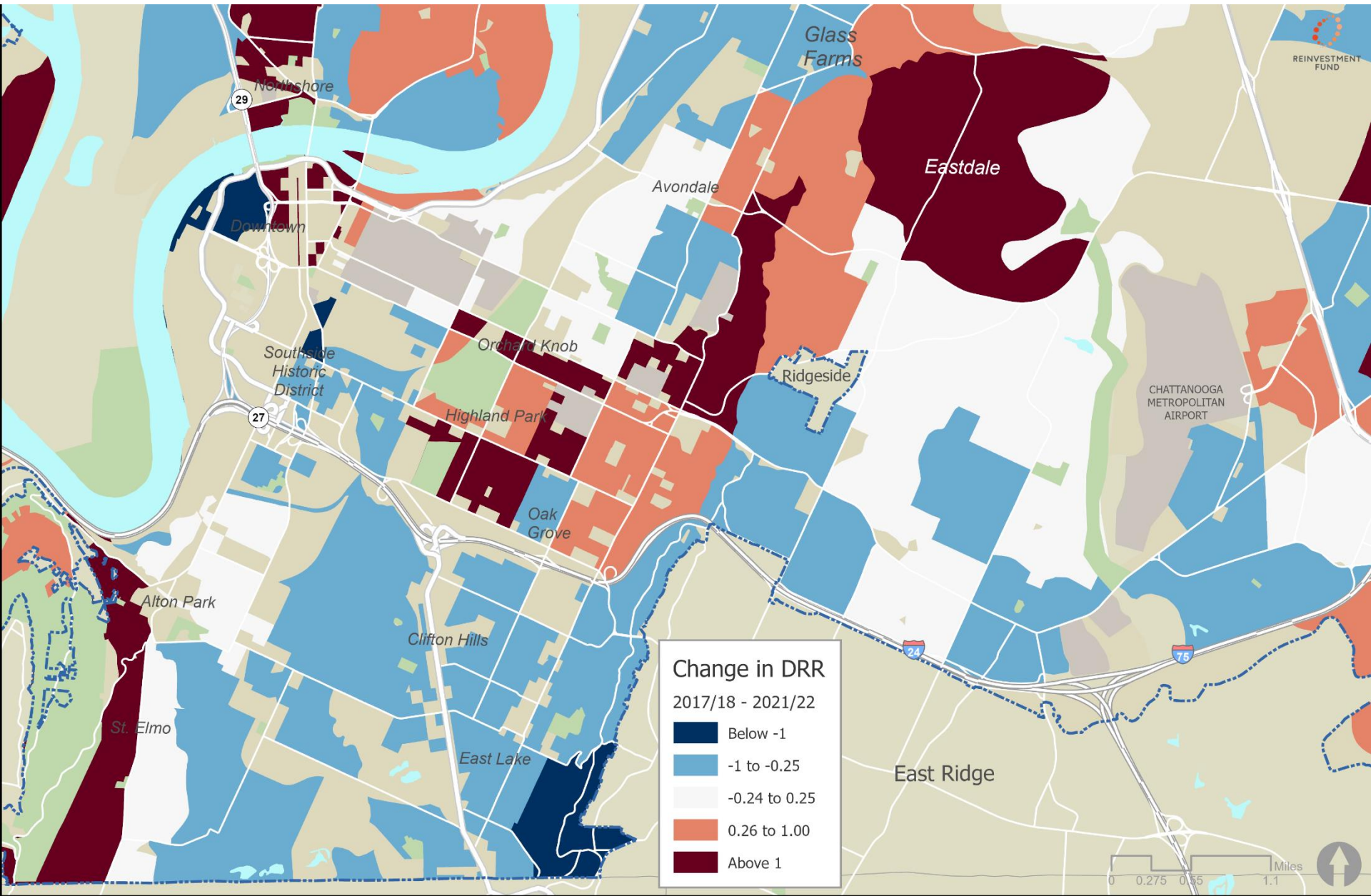
Change in Displacement Risk, 2017/18 – 2021/22



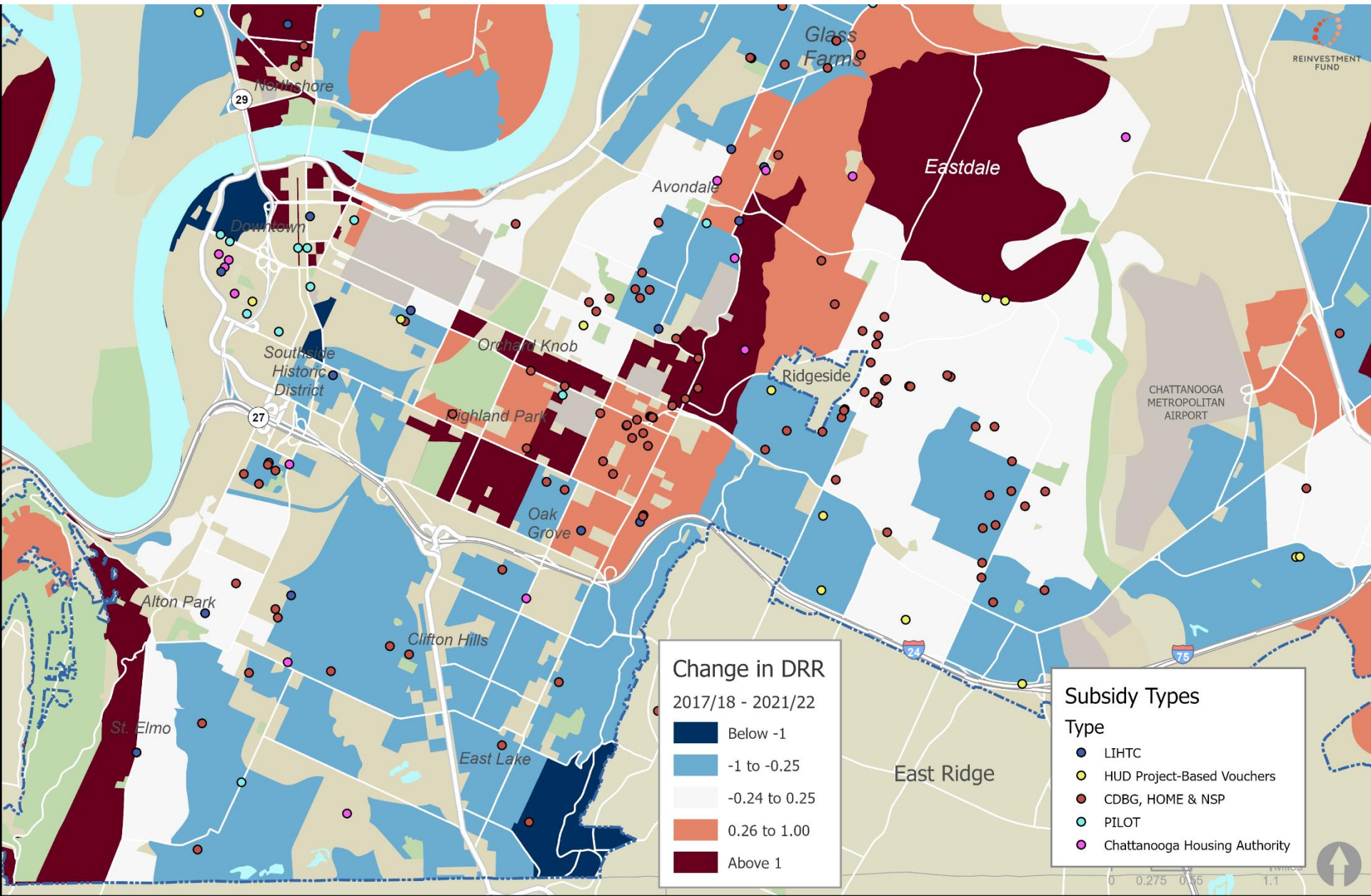
Change in DRR



Change in Displacement Risk, 2017/18 – 2021/22



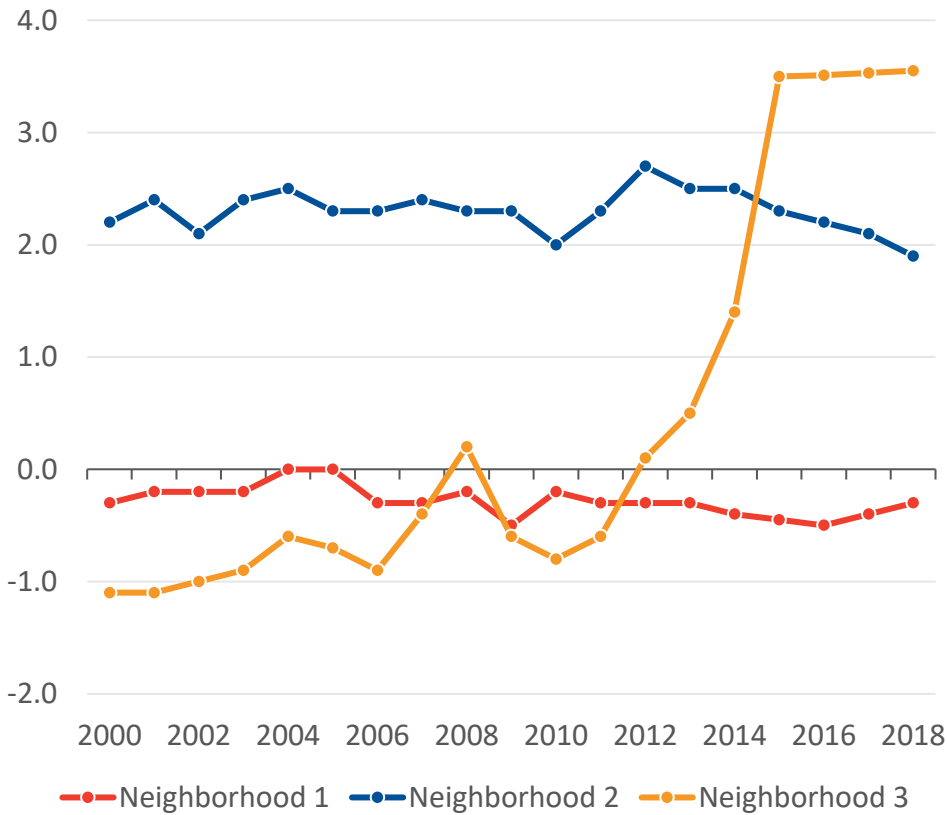
Change in Displacement Risk, 2017/18 – 2021/22



Identifying Types of Market Stress

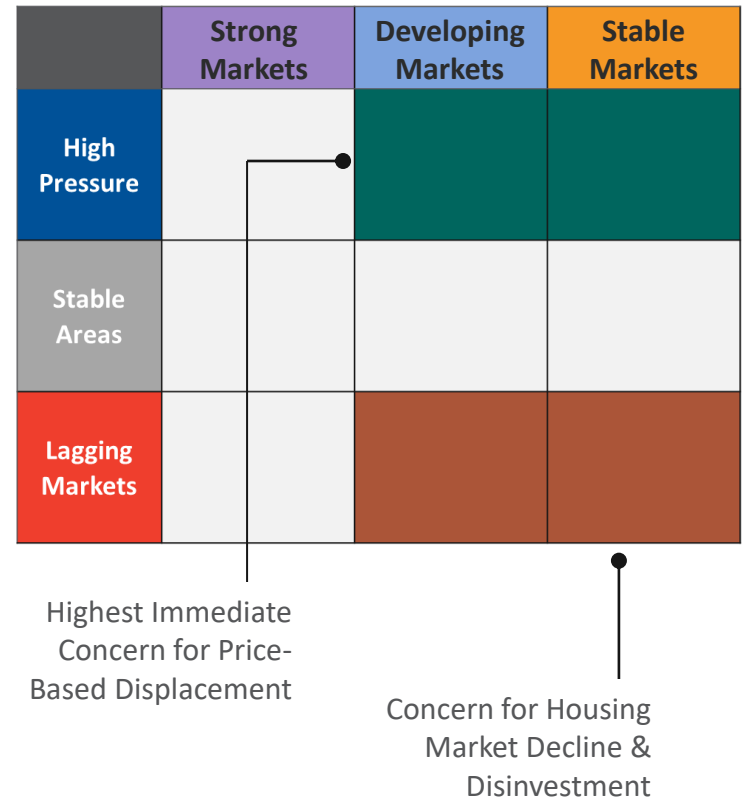
While Each Neighborhood Could Have Affordability Challenges
Neighborhood #2 Has the Highest Risk of Resident Displacement

DRR Trends in Three Philadelphia Neighborhoods



Developing and Stable Markets Experiencing High Pressure (Rising DRR) or Lagging Pressure (Falling DRR) Are Often Priority

MVA Classifications and DRR Categories

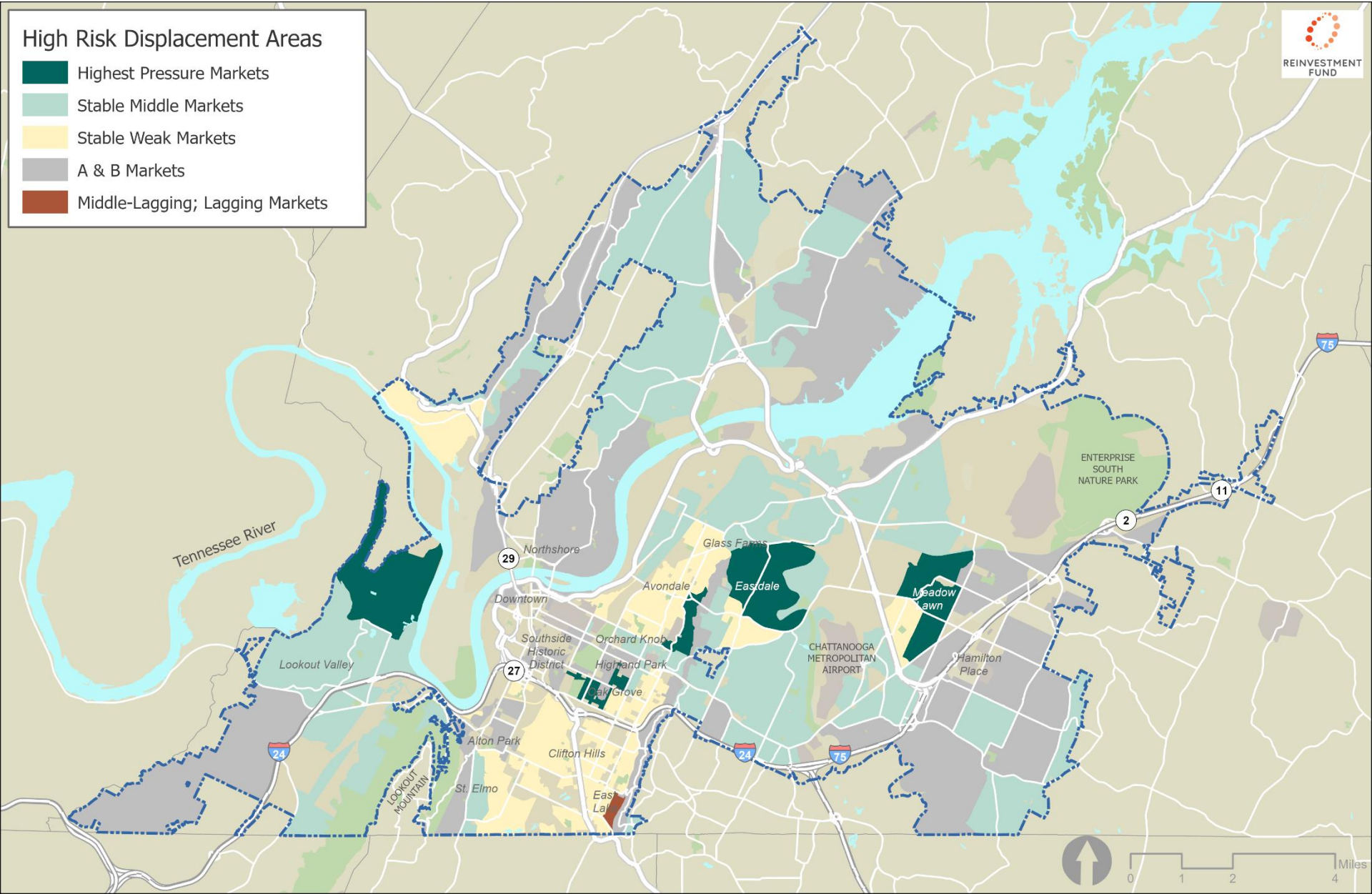


High Risk Displacement Areas



High Risk Displacement Areas

- Highest Pressure Markets
- Stable Middle Markets
- Stable Weak Markets
- A & B Markets
- Middle-Lagging; Lagging Markets



High Risk Displacement Areas x Subsidy

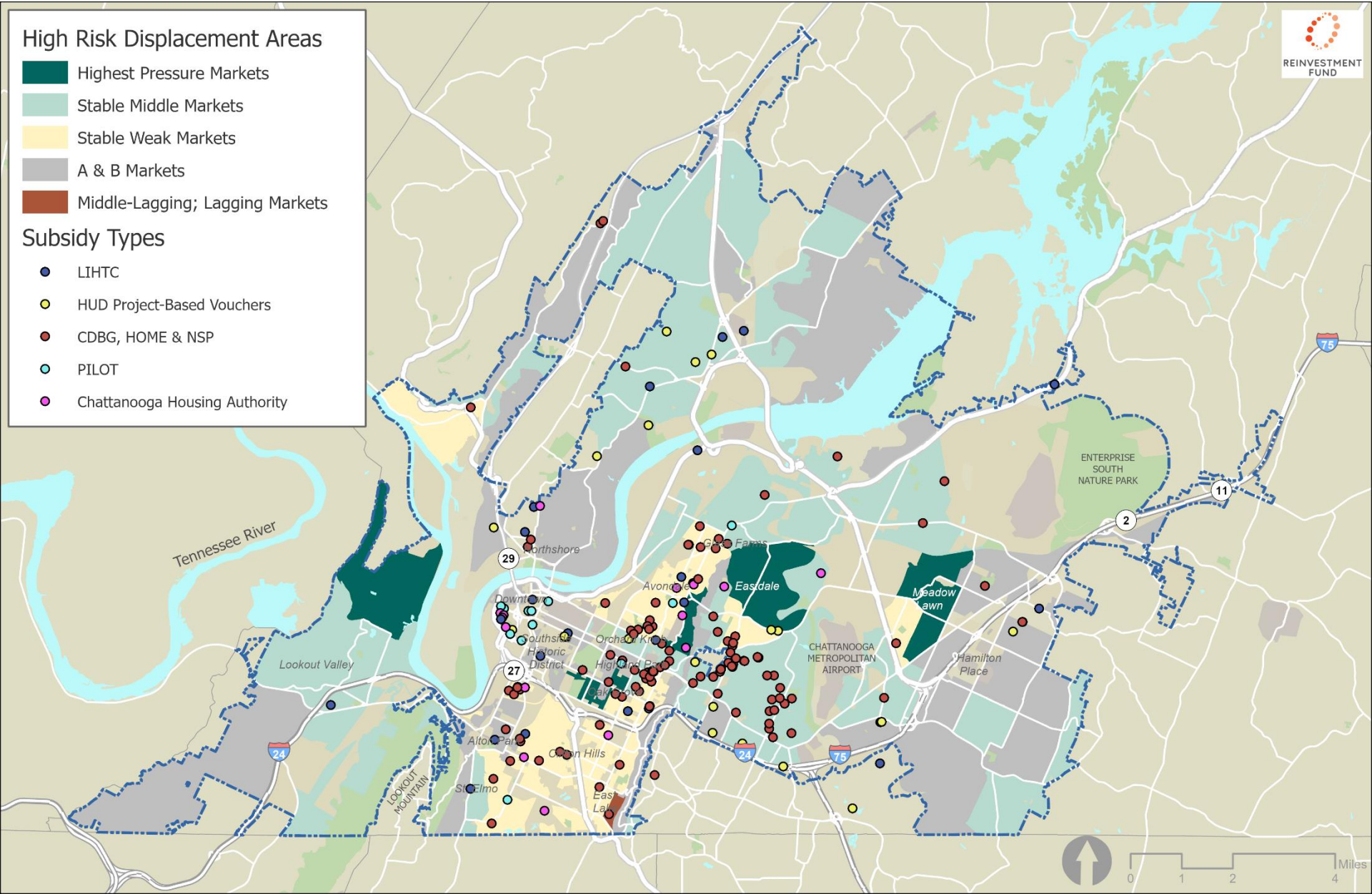


High Risk Displacement Areas

- Highest Pressure Markets
- Stable Middle Markets
- Stable Weak Markets
- A & B Markets
- Middle-Lagging; Lagging Markets

Subsidy Types

- LIHTC
- HUD Project-Based Vouchers
- CDBG, HOME & NSP
- PILOT
- Chattanooga Housing Authority



Tennessee River

Lookout Valley

LOOKOUT MOUNTAIN

Northshore

Downtown

Southside Historic District

Alton Park

St. Olmo

East Lake

Orchard Kroger

Highland Park

East Lake

East Lake

East Lake

East Lake

East Lake

East Lake

East Lake

East Lake

East Lake

Avondale

Avondale

Avondale

Avondale

Avondale

Avondale

Avondale

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Avondale

Avondale

Avondale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

Eastdale

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

St. Olmo

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Hamilton Place

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

Meadow Lawn

ENTERPRISE SOUTH NATURE PARK

CHATTANOOGA METROPOLITAN AIRPORT

Hamilton Place

29

27

24

24

24

24

24

24

24

24

75

75

75

2

11

75



0 1 2 4 Miles

New Research from Reinvestment Fund



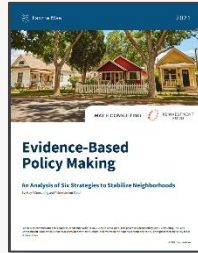
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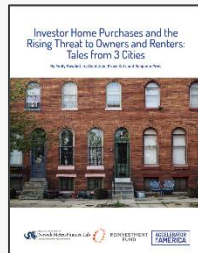
Evidence-Based Policy Making: Six Research-Based Strategies to Stabilize Neighborhoods

<https://www.reinvestment.com/insights/evidence-based-policy-making/>



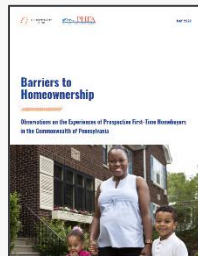
Philadelphia Home Appraisal Bias Task Force Report and Recommendations

<https://www.reinvestment.com/insights/philadelphia-home-appraisal-bias-task-force-report-and-recommendations/>



Investor Home Purchases and the Rising Threat to Owners and Renters: Tales from 3 Cities

<https://www.reinvestment.com/insights/investor-home-purchases-and-the-rising-threat-to-owners-and-renters-tales-from-3-cities/>



Barriers to Homeownership: Observations and Experiences of Prospective First-Time Homebuyers in the Commonwealth of Pennsylvania

<https://www.reinvestment.com/insights/barriers-to-homeownership/>