Downtown Huntington, WV

Opportunity Analysis

Fourth Economy | August 2021

Table of Contents

Executive Summary / Overview

This report analyzes the untapped potential of the real estate market in downtown Huntington, West Virginia. It examines both commercial and housing development potential in the downtown area, and considers the existing and potential development incentives for the area. A steering committee of local and regional development groups, businesses, and Marshall University contracted Fourth Economy to conduct this analysis. In tandem with this report, we have developed site-specific brochures that capture hypothetical development scenarios for three available sites in downtown Huntington. These brochures are available digitally here.

Summary of Findings

The city of Huntington is a university town nestled along the Ohio River in West Virginia with a daytime population of 71,000. It borders both Kentucky and Ohio. Huntington forms a metro area of 365,000 that is co-anchored by Ashland, Kentucky 10 miles up the river, while West Virginia's capital, Charleston, is 53 miles east. Huntington is a classic riverfront town that has retained a walkable Central Business District that is adjacent to the vibrant university district anchored by Marshall University and its 13,000 students. As a result, Huntington offers a combination of amenities that few similarly sized towns can offer.

Office

The downtown area comprises approximately 330 acres along 10 blocks in the east-west direction between Marshall and the Highway 527 Bridge. This area spans two census tracts, both of which are designated Opportunity Zones, and includes a National Register of Historic Places District. Downtown Huntington has grown as an employment and hub for businesses that crave an environment that is walkable and packed with amenities. The downtown provides a mix of retail, professional and technical businesses, as well as government. New incubators and accelerators at Marshall University and RCBI have also seeded a startup environment that is taking root in the city. Currently available downtown rents generally range from $10 to $15 per square foot per year, providing a mix of affordability and amenities for different businesses.

Retail

The city of Huntington and the downtown district specifically remain a retail hub for the region. As in the nation as a whole, retail in Huntington struggled during the pandemic. The city conducted an inventory during the pandemic in the spring of 2021 that confirmed retailers that remained in operation. As the reopening occurs, Huntington's mix of government, health care, business, and university activity ensure a base of demand that few communities have. Retailers have adapted to new consumer demands and are positioned for future growth and Huntington will continue to serve as a retail destination for residents, workers, students and visitors.

Residential

Downtown Huntington has not been a traditional residential neighborhood. There are a few apartment buildings downtown and some townhouses and duplexes adjacent to the downtown on both the east and west edges. Residential development in the downtown could tap the demand for modern rental amenities that would be attractive to younger residents and the workers of downtown businesses. Based on the gap analysis, (see Housing Gaps) demand exists for more rental units at a variety of price points in Huntington, but there is a shortage of 600 units that rent at $1,500 or more compared to the number of renters that could afford those units. These higher priced units, as well as for larger 2-3 bedroom rental units would fit the downtown area. There is also a gap of 3,400 owner units valued at $175,000 and above, which may support downtown condominiums as well as single family homes throughout the city. The city has sufficient mid-priced units but also needs more affordable rental and owner units.

Regional Context

Huntington lies within three hours of several major markets, including Lexington, Cincinnati, and Columbus — and within one hour of Charleston, WV. With the exception of Charleston, these market areas have minimal direct influence on demand for either commercial activity or housing as they are beyond the distance most people would travel for work or regular goods/services.

Figure 1: Market Proximity Map

Larger regional markets — including Louisville, Pittsburgh, and others in the Midwest and Appalachian area — may, however, offer Huntington an opportunity with respect to real estate development as sources of investment capital and expertise. Indeed, there are already several current examples of projects in the Downtown area that either have been or are currently being developed by a developer with strong ties to one of these market areas.

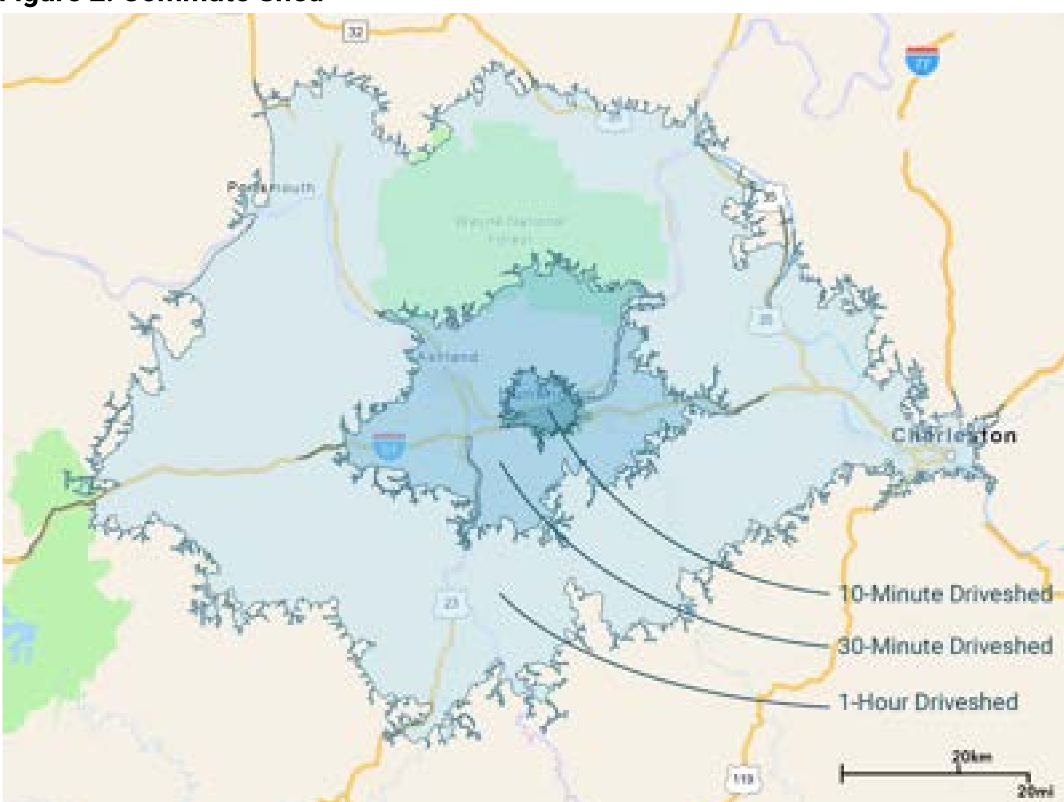
Travel Time Analysis

With several arterial roads emanating from or passing through the downtown area, a drive time analysis centered on the middle of the downtown helps us to understand the area that might be served by businesses located in the downtown and their laborshed of potential employees — as well as, to a lesser extent, the range of potential commutes for residents of the downtown. (Although it is worth noting that this pattern of reverse commuting, from a home in the downtown core to a more rural area, is not particularly common or likely in the Huntington market.)

The concentric polygons in Figure 2 display drive time areas (also referred to as drivesheds or isochrones), showing the distance one can generally travel in an automobile from the middle of downtown in 10 minutes, then 30 minutes, and one hour respectively. There are few other nodes of commercial activity in the area surrounding Huntington, with the exception of Charleston, which is just under an hour away.

We will revisit this geography in our commercial analysis in the following section.

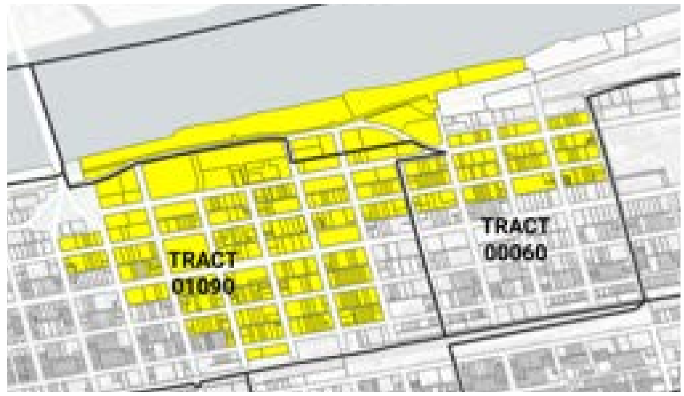
Figure 2: Commute Shed



Commercial Real Estate & Economic Overview

Preserving and enhancing Huntington's downtown area remains a core focus for the city and its partners. As a historical river town, the walkability and charm of the Central Business District, which is adjacent to the vibrant university district of Marshall, is a key differentiating factor for the city of Huntington.

Figure 3: Downtown Tracts

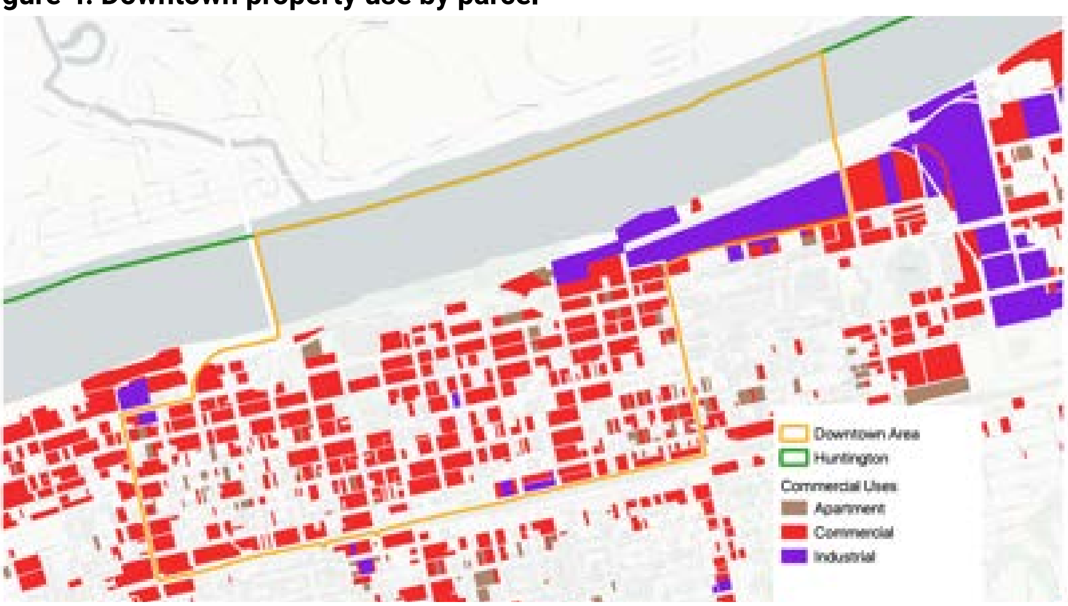


The downtown area itself comprises approximately 10 blocks in the east-west direction between Marshall and the Highway 527 Bridge. This area spans two census tracts, both of which are designated Opportunity Zones and includes an historic districts. (More detail on these points is discussed later in this report.)

Commercial Real Estate

The downtown area is dominated by commercial uses (retail and office), with a few apartment buildings, and some properties classified as industrial on the edges of the downtown area. There are fourteen vacant parcels and 131,500 square feet of lot space with high redevelopment potential within the downtown core.

Figure 4: Downtown property use by parcel



Source: Cabell County Assessor's Office.

Property values are generally higher, per unit of area and overall, in the downtown Huntington area than elsewhere in the city. The area surrounding Marshall's campus to the south and east also has pockets of higher-value activity (see Maps on the following page). These values are still, however, fairly modest for a regional city, with median commercial value below $13 per square foot of site area in the downtown. While this suggests relatively little development pressure, it also represents an opportunity for lower-cost acquisitions in a market that is relatively strong — with commercial real estate values consistently at least somewhat high throughout the core downtown area.

The table below captures the median value per unit (square feet) of parcel area. Note that this is not comparable to square-footage cost of building area, which is not available where building footprints are not measured.

Figure 5: Median Real Estate Values by Square Footage

Median Values per SF	Citywide	Downtown	Total
Apartment	$22.3	$29.0	$24.4
Commercial	$6.5	$12.9	$8.8
Industrial	$2.5	$6.3	$2.6
All	**$7.0**	**$13.6**	**$9.3**

Source: Cabell County Assessor's Office.

Figure 6: Downtown Area Commercial Values per Square Foot Site Area

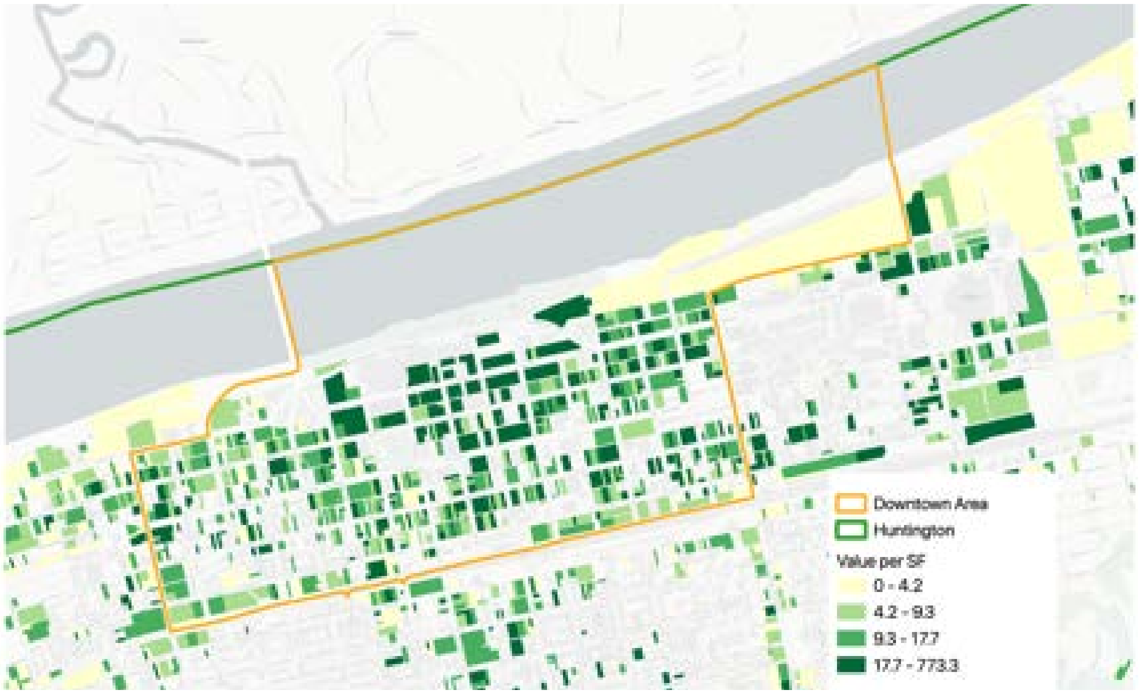
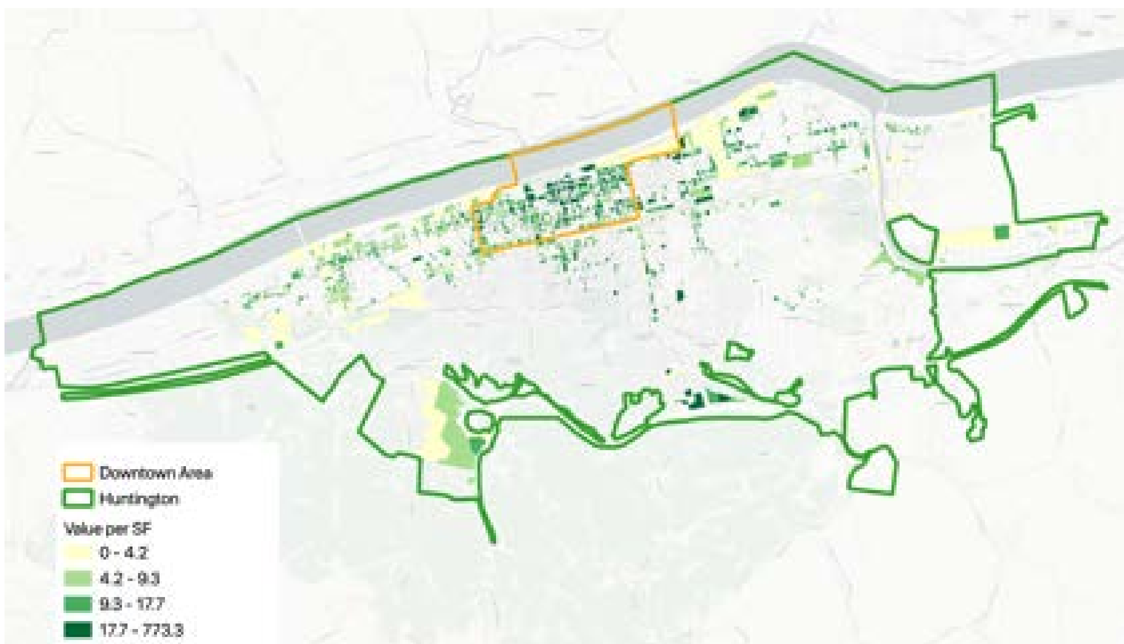


Figure 7: Cabell County Commercial Values per Square Foot Site Area



Source: All parcel data from Cabell County Assessor's Office.

Downtown Vacancy

In January of 2021, the Region 2 Planning and Development Council conducted an occupancy survey of downtown Huntington. The aim of the inventory was to identify properties that may have recently become vacant as a result of the COVID-19 pandemic. At the time of the assessment approximately 80% of the parcels and 84% of the lot square footage remained occupied.

Figure 8: Summary of Downtown Inventory

	Occupied	Vacant	Total
Parcels	57	14	71
Lot SF	699,900	131,500	831,400
Estimated Building SF	1,576,000	340,000	1,916,000
Appraised Value	$41,822,400	$4,894,500	$46,716,900

Source: All parcel data from Cabell County Assessor's Office. Vacancy inventory conducted by Region 2 Planning and Development Council in January of 2021.

Figure 9: Downtown Occupancy Vacancy Inventory

Source: All parcel data from Cabell County Assessor's Office. Vacancy inventory conducted by Region 2 Planning and Development Council in January of 2021.

Figure 10: Summary of Occupancy in the Downtown Inventory

	Parcels	Lot SF	Estimated Building SF	Appraised Value
Dining	6	26,100	76,900	$1,696,600
Government	5	109,200	165,800	$11,064,800
Lodging	2	135,700	219,700	$7,683,800
Multiuse	28	511,200	1,258,900	$37,220,200
Office	25	559,000	478,200	$23,297,400
Religious	2	42,000	2,600	$2,354,200
Retail	9	76,100	220,700	$3,495,400
Total	77	1,459,200	2,423,000	$86,812,400

Source: All parcel data from Cabell County Assessor's Office. Vacancy inventory conducted by Region 2 Planning and Development Council in January of 2021.

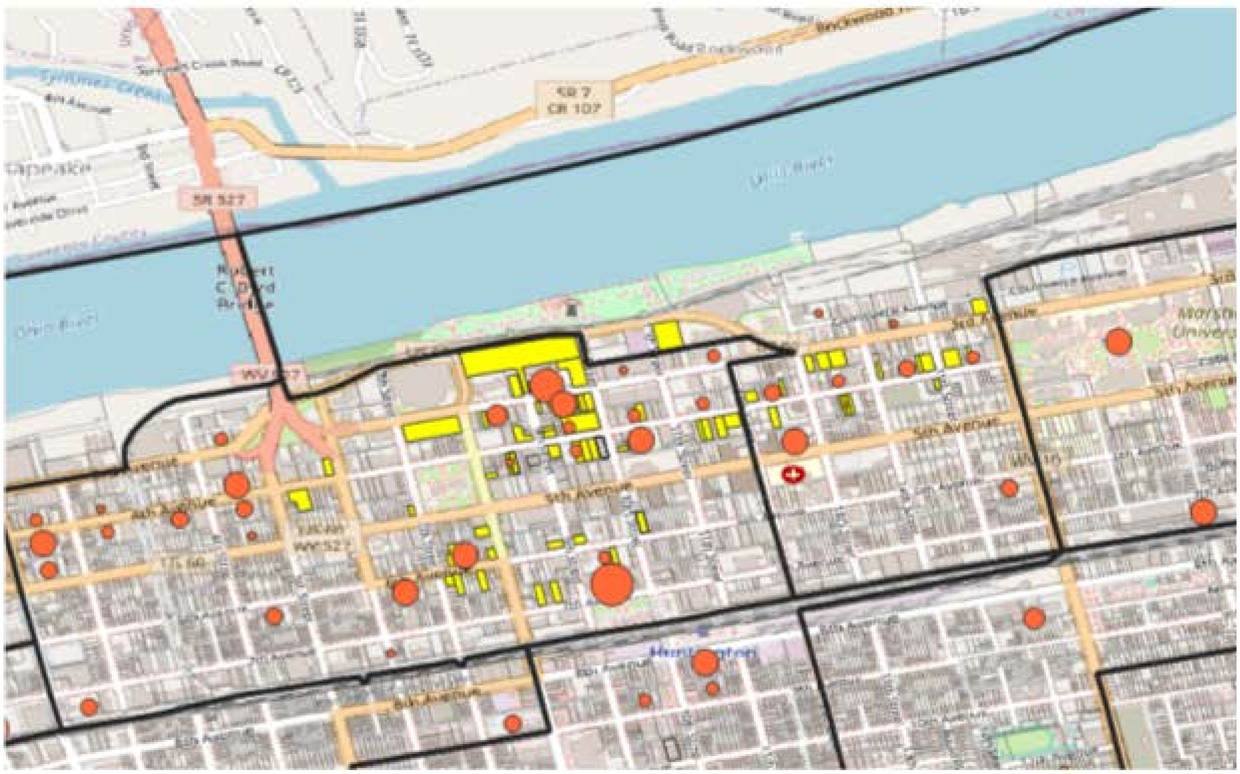
Office uses and multi use properties are the most common uses in the downtown inventory. The multi use properties include a mix of dining, retail, office and residential uses. The vacant sites and buildings are scattered throughout the downtown core. The three catalytic development sites identified on the map would significantly reduce the vacancy in this downtown core. The currently vacant sites account for approximately 131,500 square feet of ground lots, and an estimated 340,000 square feet of building space.

Retail Overview

The downtown area serves as a retail hub for the city and the surrounding region. Huntington is not immune to the changes in retail happening across the United States, with online activity increasing exponentially (even before the COVID-19 pandemic) and in-person shopping on the decline, but the presence of Marshall University in the city and adjacent to the downtown provides an opportunity that many similarly sized communities lack.

Retail Activity in Downtown Huntington

Figure 11: Concentration of Retail Employment Downtown



Source: Jobs from LEHD data, 2018.

While much of the commercial parcels in the downtown are occupied by offices, there is a base of retail activity. The city completed an inventory of the downtown properties in Spring 2021 to assess changing property use patterns during the pandemic, and the above map shows retail activity as observed — based on visual assessment — during that inventory, along with the most recent geographically detailed data on employment available from the Bureau of Labor Statistics, specifically for retail employment.

Retail Supply and Demand

The retail supply estimates sales to consumers, excluding business to business sales. Demand or retail potential is the expected amount spent by consumers at retail establishments based on their income. A negative retail gap or sales surplus exists where the sales exceed the expected consumer demand. In these sectors, local consumers are either spending more than expected, or retailers are drawing in additional consumers. This is also reflected in a negative value in the Leakage/Surplus Factor, which measures the relationship between supply and demand that ranges from -100 (total surplus) to +100 (total leakage). Leakage is represented by a positive value in the retail gap and Leakage/Surplus Factor that reflects the retail sales opportunity that is spent outside the trade area.

The data on the following tables shows the city of Huntington serves as a hub for several categories of retail activity that draws in consumers and spending from the surrounding area. Several categories of retail leakage in the city reflect sales that may be lost to online retailers, such as electronics and general merchandise. The shift in building and garden stores to big box retailers such as Lowe's and Home Depot that are located outside of the city may make it difficult for Huntington to recapture the sales leakage in building materials.

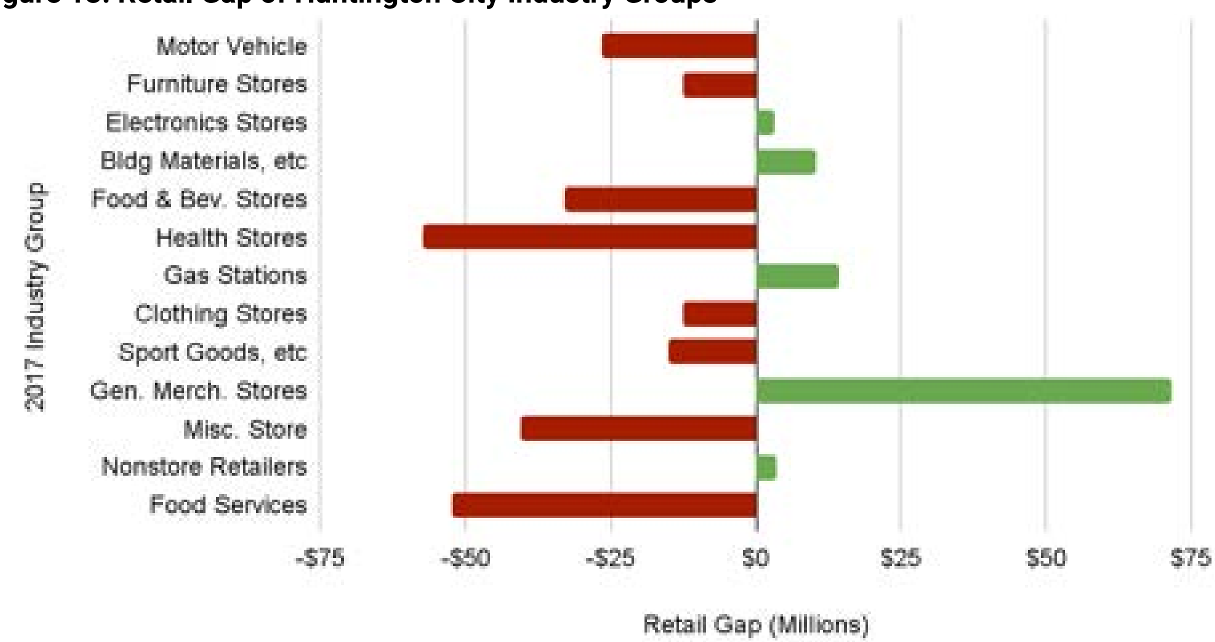
Within a 60-minute drive time, the only category with a retail leakage is food and beverage stores. This does not mean that there is no potential for further retail development, but it suggests that any retail development must be unique enough to attract consumers from outside the trade area or serve a specific niche that is not currently served in the market.

Huntington City: Retail Gaps Analysis

Figure 12: Consumer Demand by Industry Cluster in Huntington City

NAICS Industry Group	Retail Gap	Leakage/Surplus Factor
Motor Vehicle	-$26,686,876	-11.6
Furniture Stores	-$12,454,308	-30.1
Electronics Stores	$3,078,128	15.5
Bldg Materials, etc	$10,286,772	23.2
Food & Bev. Stores	-$33,160,813	-15.6
Health Stores	-$57,244,493	-49.8
Gas Stations	$14,456,912	13.6
Clothing Stores	-$12,720,822	-27.7
Sport Goods, etc	-$14,916,764	-39.3
Gen. Merch. Stores	$71,622,537	74.4
Misc. Store	-$40,581,066	-56.7
Nonstore Retailers	$3,526,672	31.8
Food Services	-$52,249,162	-35.1

Figure 13: Retail Gap of Huntington City Industry Groups



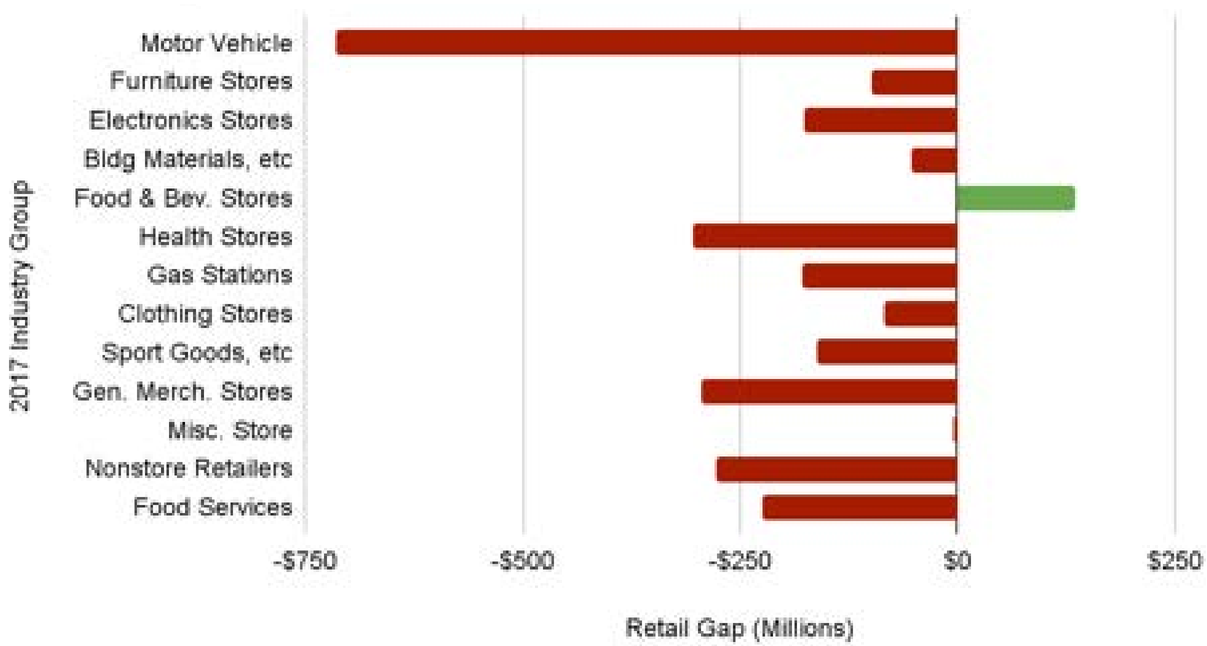
Source: ESRI

60-Minute Drive Time Area: Retail Gaps Analysis

Figure 14: Consumer Demand by Industry Cluster within a 60 minute drive

NAICS Industry Group	Retail Gap	Leakage/Surplus Factor
Motor Vehicle	-$715,012,975	-18.9
Furniture Stores	-$98,362,095	-20
Electronics Stores	-$176,437,981	-35.1
Bldg Materials, etc	-$52,352,290	-5.3
Food & Bev. Stores	**$135,978,934**	**5.8**
Health Stores	-$305,325,036	-25.2
Gas Stations	-$179,409,048	-9.5
Clothing Stores	-$85,621,105	-14.7
Sport Goods, etc	-$162,337,826	-34.7
Gen. Merch. Stores	-$295,178,030	-11.2
Misc. Store	-$3,689,897	-0.7
Nonstore Retailers	-$276,913,774	-57.5
Food Services	-$225,652,470	-14.5

Figure 15: Retail Gap Industry Groups within a 60 minute drive



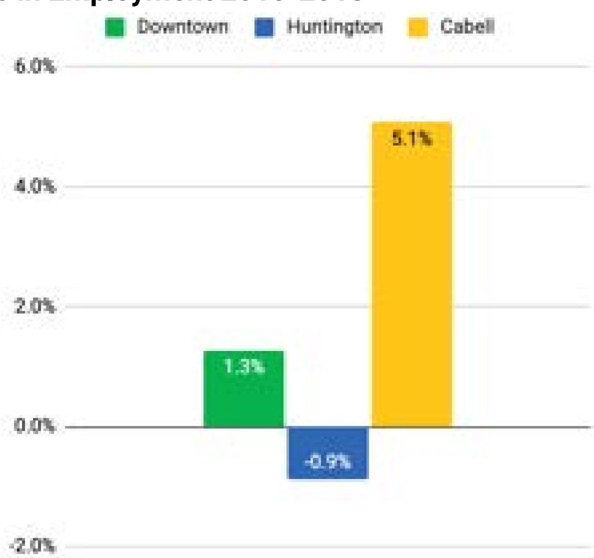
Source: ESRI

Employment and Talent Pipeline

More than 54,000 people work in Cabell County, with 35,000 (65%) working in Huntington, and 9,000 of those working in the downtown area. From 2010 to 2018, the city lost nearly 320 jobs while the downtown added 114 and the county added 2,620. The downtown primarily serves employers looking for a mixed-use environment, including a variety of smaller offices and a few large government departments and corporate offices. The more rural areas of the region would traditionally be more appealing for employers looking for large-footprint, low-rise development opportunities, but the downtown also has relatively low-cost development opportunities available, and resources in the area — like the Brad D. Smith Business Incubator and the Robert C. Byrd Institute — make the downtown area an attractive option for a variety of different development opportunities (including light manufacturing or maker businesses).

This pattern of growth in the county at large — more modest growth in the core, and decline in the city — presents a challenge for the Huntington area. There are, however, strong reasons to be optimistic about downtown revitalization in Huntington, both based on specific development examples, such as Pullman Square (220 9th Street), and economic data. By accelerating downtown redevelopment, the city has the chance to better capture employment growth that has taken place recently in more rural areas within the county.

Figure 16: Percent Change in Employment 2010-2018

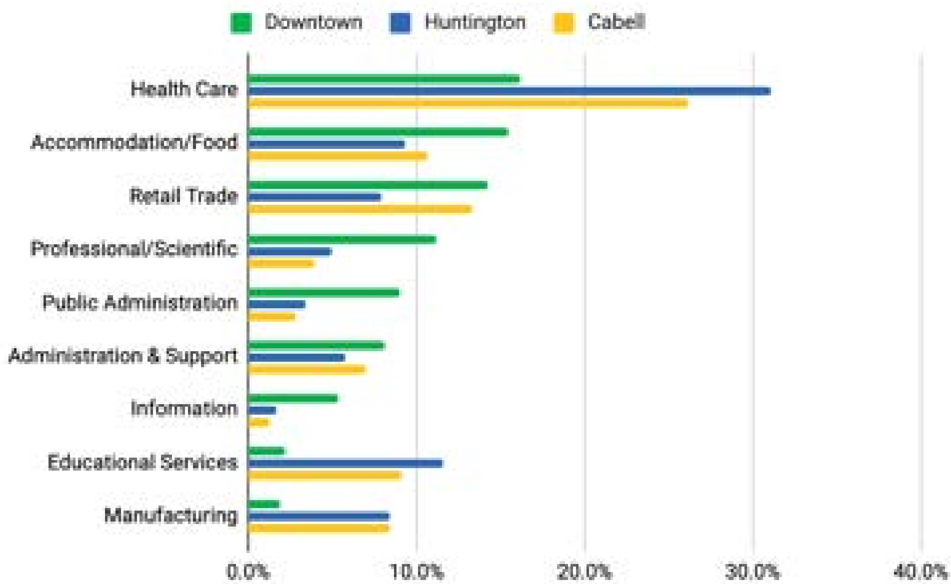


Source: Census LEHD.

It is worth making clear, however, that employment activity is often slower moving than other indicators of development potential, and these numbers are published only several years after collection. In others words, while future analysis of employment trends in the area may help to confirm or understand market shifts, these data will not be as useful in predicting those shifts, and existing development in the downtown suggests that Huntington could already be moving towards more significant growth in commercial activity in the next two years, with major housing projects driving expected demand for services, and Marshall's development of the new Brad D.

Smith College of Business site and surrounding commercial parcels in the downtown. The downtown has the potential to attract businesses related to the growth of Marshall University and could increase the presence of health care, professional/scientific and information businesses.

Figure 17: Percent in Employment in Key Sectors, 2018



Source: Census LEHD. Key sectors include those with more than 5% employment for the downtown or the city.

Advantage Valley has identified 20 significant business opportunities for entrepreneurs and businesses in the region that includes the Charleston and the Huntington metropolitan areas. The Businesses Opportunity Playbooks provide key data and resources for each of the 20 industries listed below:

1. Aerospace Product and Parts Manufacturing
2. Automotive Parts Manufacturing
3. Behavioral Health and Rehabilitation Clinics
4. Built Infrastructure Development
5. Carbon Fiber Reinforced Plastic Manufacturing and Recycling
6. Commercial and Industrial Machinery Equipment Repair and Maintenance
7. Ethyl Alcohol Manufacturing
8. Fats and Oils Refining and Blending
9. Food and Beverage Manufacturing
10. General Freight Trucking, Long-Distance, Truckload
11. Healthcare Supply Chain and Medical Laboratory Services
12. Home Healthcare
13. Information Communication Technology
14. Laboratory Services
15. Medical Device Manufacturing
16. Other Engine Equipment Manufacturing
17. Pharmaceutical and Nutraceutical Manufacturing
18. Polymer and Chemical Manufacturing
19. River Recreation
20. Support Services for Oil & Gas Fracking

Incentives

Huntington, Cabell County, and the state of West Virginia, along with other local and regional development partners have a number of existing incentive programs that can support the redevelopment of the key sites in the Huntington CBD and beyond. In addition, there are opportunities to package and leverage these incentives with other programs and support, as well as new initiatives that should be considered to facilitate redevelopment.

Relevant Existing State Incentives

Information on all of these incentives is available through the West Virginia Development Office. For more information, see West Virginia's Business Development Incentives | Development.

Corporate Headquarters Credit

Eligible for companies relocating their HQ from outside of WV. If 15 new jobs are created, the credit could be up to 100% of many tax liabilities for up to 13 years.

Economic Opportunity Credit

Offsets up to 100% of taxes for up to 13 years. Minimum job requirement is 20.

Manufacturing Investment Credit

Max 60% corporate net income tax and franchise tax credit with no new job creation required.

Manufacturing Sales Tax Exemption

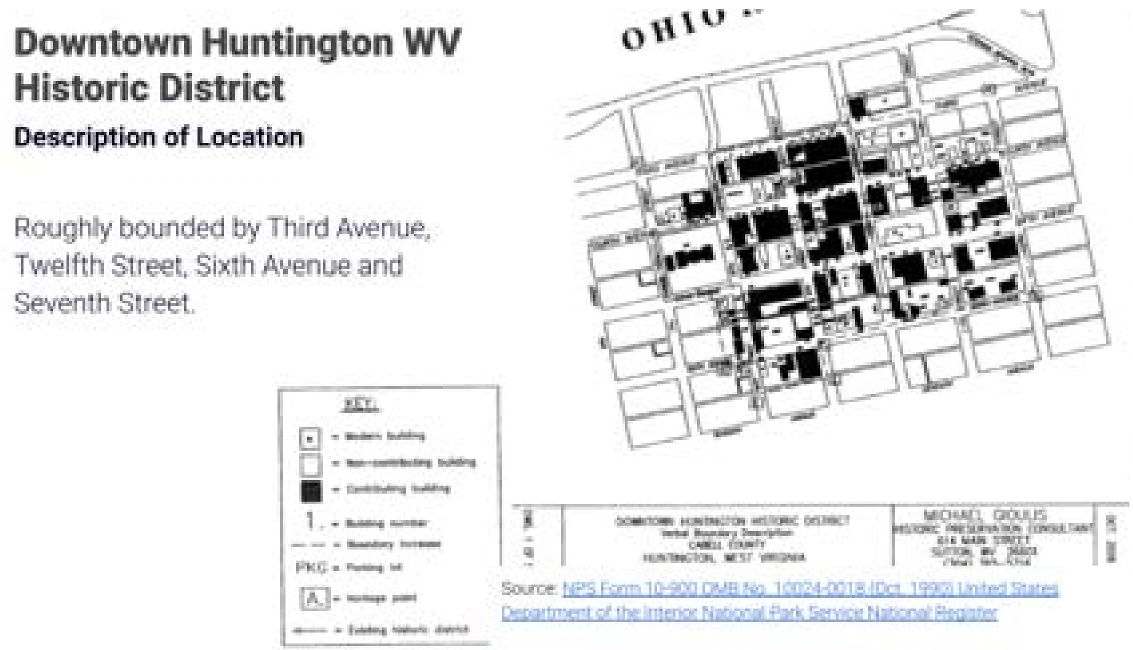
Materials and equipment purchased for direct use in manufacturing are exempt from the 6% state sales and use tax. Combined with other incentives, or an initiative such as the Lowertown Artist Relocation Program, the sales tax exemption could attract significant development interest. A similar program for Huntington could leverage the presence of existing programs and business accelerators, such as the Marshall University Brad D. Smith Business Incubator, and the RCBI Maker Vault provide support for entrepreneurs and businesses in Huntington.

Historic Tax Credits

WV 25% credit on state taxes that matches the 20% federal credit on federal taxes. Legislation to make the 25% state credit permanent is currently progressing through the legislature. Projects seeking the 25% credit should apply as soon as possible to lock-in the 25% credit.

For more information, see: an overview of the Historic Rehabilitation Tax Credits, and the requirements for the Rehabilitated Buildings Investment Credit.

Figure 18: Downtown Historic District Map



Source: [NPS Form 10-900 OMB No. 10024-0018 (Oct. 1990) United States Department of the Interior National Park Service National Register]

Rehabilitating historic buildings can be costly and risky. As a result, many cities and states offer additional financial and non-financial incentives for historic rehabilitation. The state of West Virginia and the City of Huntington should consider the following:

Financial

- Rehabilitation grants
- Facade improvement grants
- Revolving loan funds
- Low-interest loans
- Property Assessed Clean Energy (PACE) financing

Non-Financial

- Bonus development rights
- Regulatory relief
- Preservation easements
- Transferable development rights

Local Resources and Support

The incentives available from the state of West Virginia can be supplemented by a variety of local organizations and programs that can leverage project funding from federal, state and local sources, and provide a variety of other financial and non-financial development assistance.

Local Organizations

The Huntington Area Development Council (HADCO) works to attract, retain and expand businesses in Cabell and Wayne Counties, West Virginia. HADCO offers a range of assistance:

- Reduced price for land to build a new facility.
- "At cost" building construction and lease back.
- Buy down of lease cost on constructed facility.
- Financing of equipment and building.
- Free office space for a company's key person during the project's construction phase.
- Free office space for initial interviewing of applicants.
- Free rent during the initial phase of the lease.
- Temporary housing for a company's key person during the project's construction phase.
- Relocation grants based upon the type and number of new jobs to be created.

The KYOVA Interstate Planning Commission is the Metropolitan Planning Organization (MPO) for the Tri-State area of West Virginia, Kentucky, and Ohio. Each year, KYOVA distributes dollars in federal transportation funds for the West Virginia counties of Cabell and Wayne; Kentucky counties of Boyd and Greenup; and the urbanized area of Lawrence County, Ohio. KYOVA is critical to providing transportation funding to build the infrastructure to support development in the region.

The Region 2 Planning and Development Council is a council of governments in southwestern West Virginia serving all of the units of governments in the counties of Cabell, Lincoln, Logan, Mason, Mingo, and Wayne. The Council prepares the Regional Development Program which allocated funding for economic and community development projects. Project funding is frequently allocated from the following sources:

- Housing and Urban Development Small Cities Block Grant Program
- West Virginia Main Street Program for streetscape and downtown revitalization projects
- Appalachian Regional Commission and the Economic Development Administration for economic development studies, revolving loan funds, and industrial development
- US Department of Agriculture, Rural Utility Service
- Abandoned Mine Lands
- Private Foundation Grants

Advantage Valley is a non-profit economic development marketing organization working in partnership with the State of West Virginia, local governments, county economic development authorities, sector and business leaders, chambers of commerce, academic and training institutions, and nonprofit partners in order to showcase the region and build economic vibrancy in Cabell County and the broader Advantage Valley region. Advantage Valley developed the AdvantageValley Opportunity Zones PitchBook that covers the Opportunity Zone in Huntington.

The Huntington Municipal Development Authority (HMDA) promotes, develops and advances the business interests of the City of Huntington and its citizens. The Municipal Development Authority also owns KineticPark, a 96-acre business park located along W.Va. 10, just minutes away from downtown Huntington.

Existing Local Incentives / Funding

Tax increment financing (TIF) pledges all or a portion of future annual property value increases within the district to pay the debt service on the upfront development costs. TIF must be allowed by state law, and requires a municipality to designate a district or zone where increases in property tax revenue that result from a development are used to fund that development activity. In this manner it is similar to a revenue bond in that the financing is secured with a dedicated revenue stream. A TIF provides a structured revenue stream for an extended period of time - generally 20 years, give or take 5 years. Huntington currently has a downtown TIF district that extends from the river to the railroad, and from 6th Street over to Hal Greer Boulevard.

Figure 19: Downtown TIF Overlay Zone

Source: Cabell County GIS, TIF District Layers.

Existing Federal Incentives

Opportunity Zones (OZ) are low-income census tracts that offer tax incentives to groups who invest and hold their capital gains in Zone assets or property. By investing in Opportunity Zones, investors stand to gain a temporary deferral on their capital gains taxes if they hold their investments for at least 5 years, and a permanent exclusion from a tax on capital gains from the Opportunity Zones investments if the investments are held for 10 years.

Low-income census tracts have been designated as Opportunity Zones by the governor of the state or territory in which it is located. Designations will stay in place for 10 years (beginning 2018).

Map: [Opportunity Zones - Home | opportunityzones.hud.gov]

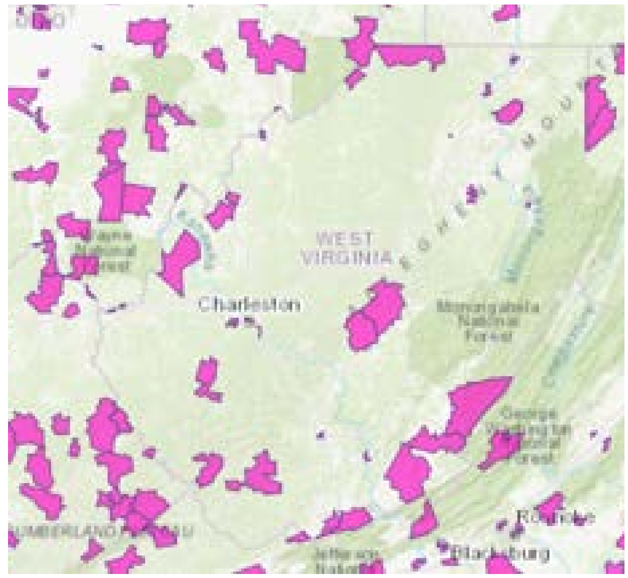


Figure 20: Opportunity Zones

Figure 21: Opportunity Zone Breakdown

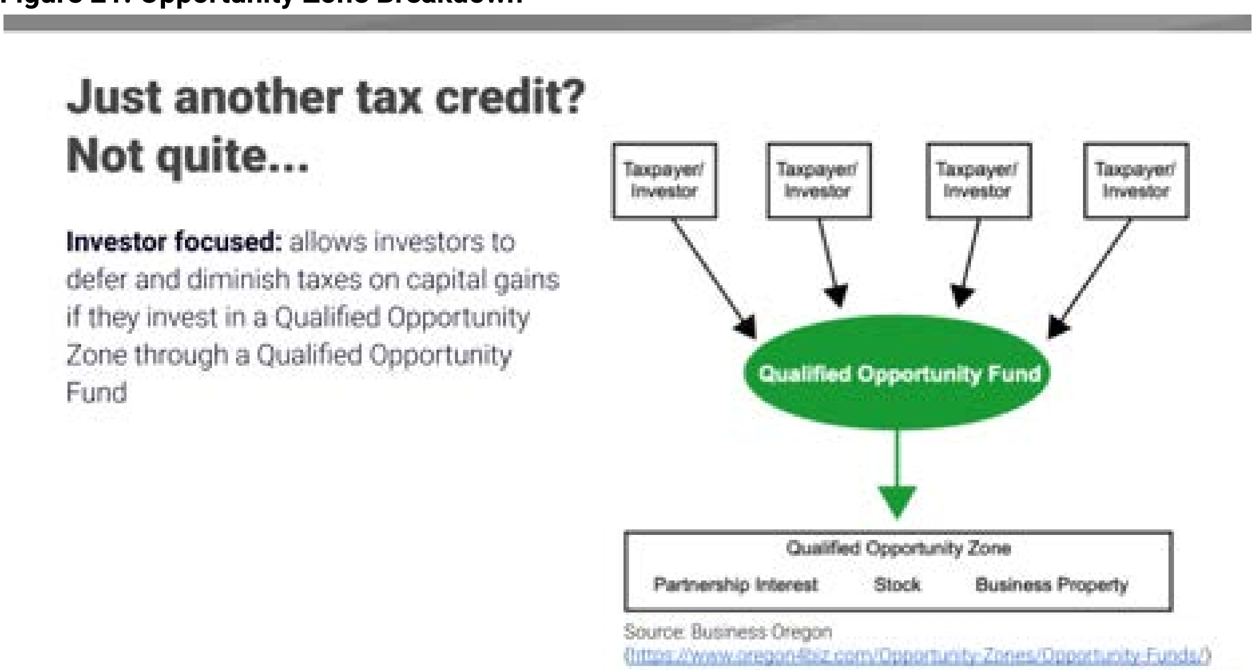
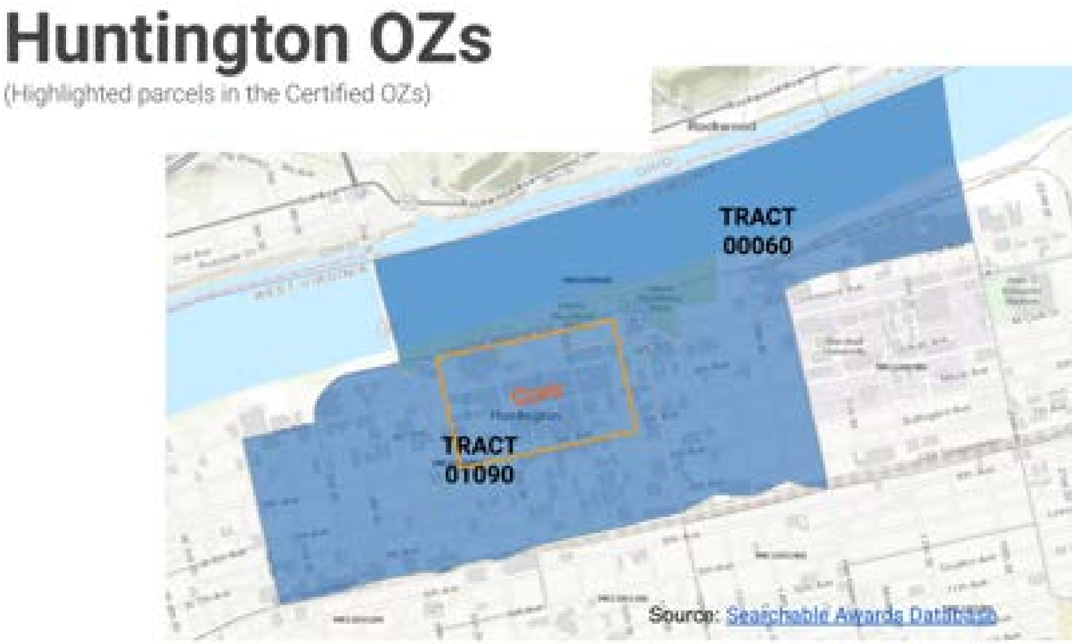


Figure 22: Huntington Opportunity Zones Map



A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a Qualified Opportunity Zone.

- Any tax paying individual or entity can self-certify as a Fund
- Institutional investors and investment banks, impact investors, CDFIs, multifamily offices, philanthropies, venture capital partnerships, angel groups, REITs and more can invest in or establish their own Opportunity Funds.
- Local communities are also setting up Opportunity Funds
- Opportunity Funds have different themes: e.g. Goldman Sachs Urban Investment Group

Opportunity Funds can invest in the following:

- Businesses (with some restrictions)
- Building new properties
- Substantially improving property

New Markets Tax Credits attract private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount in the CDE and is claimed over a period of seven years, with the annual rate changing over the period as follows:

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Total
5%	5%	5%	6%	6%	6%	6%	39%

Figure 23: Huntington New Market Tax Credits Map

Emerging Incentives

In addition to the existing federal, state and local programs, there are a variety of new and emerging economic development tools in use around the United States that could be deployed to support the development of downtown Huntington.

Alternative Financial Incentives

Job credits are based upon the number and type of jobs created by a project. Job credits can be applied as guidelines to scale financial incentives to project's impact. Job credits are more fair and effective when they are formally adopted, but they can also be used as guidelines for negotiating incentive packages when formal adoption is too cumbersome, as long as job credits are applied consistently.

Sales Tax Revenue Sharing creates a formula for government agencies to share a portion of the future sales tax revenue generated. This must be enacted by state legislatures in the form of revenue bonds or similar financing vehicles, but there are successful examples elsewhere in the state of West Virginia, and this represents a potentially powerful tool for driving investment.

Capital Improvement Projects using public funds for infrastructure or public improvements, can support private development by improving roads, parking or utilities (water, sewer, electric, or broadband). With the high cost of building materials driving up construction costs, Huntington and Cabell County may want to bank some capital improvement funds for future years when costs revert to normal levels. The planning for these projects could be done in conjunction with the redevelopment of catalytic sites in the downtown area. Infrastructure investments that promote Live-Work and Remote Work options can really enhance the downtown district.

Permit/Impact Fee Waivers and Rent Abatement are not expenditures but discounts and cost reductions for developers or tenant businesses. More generous waivers and abatements can be targeted at desired development types.

Alternative Non-Financial Incentives

In addition to the creative uses of financing described above, Huntington and its development partners can provide other programming and support to promote the high-quality development that is desired for a prime downtown location.

- Customized workforce development to assist existing and new employers with their staffing and training needs
- Relaxed zoning regulations and fast-track permitting that can provide more flexibility and speed the development process.
    - Density bonuses permit developers to increase the maximum development on their property in exchange for helping the community achieve public policy goals, such as providing support for local businesses, or supporting affordable housing.
    - Parking requirement offsets can reduce the number of parking spaces that a developer has to provide on-site. These offsets can be connected to increase the use of existing parking structures, capital improvements to build new parking structures or linked to incentives for transit, biking, walking, or ride-sharing.
- Providing complimentary data and research that facilitates understanding of market trends and conditions in the local area.
- Trailing Spouse programs help employers attract new employees by providing job search support for their new hires. With a large employer, such as Marshall University, Huntington has a natural partner that can team with employers to recruit a wider range of talent.
- Home buyer and rent-to-own programs provide a more direct pathway to retaining workers and students recruited into the city.
- Individual companies may have limited resources for their growth. Some college towns are partnering with their local institutions to generate and retain new companies that are affiliated with, or which leverage their programs and expertise. Leveraging new businesses that are aligned with the academic offerings of Marshall University provides a local base of potential partners for the university, and increases the local job market for their graduates.
    - The city of Harrisonburg, VA, which is home to James Madison University, created a revolving loan fund that offers $25,000 in low-interest bootstrapping loans to help new companies set up shop anywhere in the city.

Special Purpose Incentives

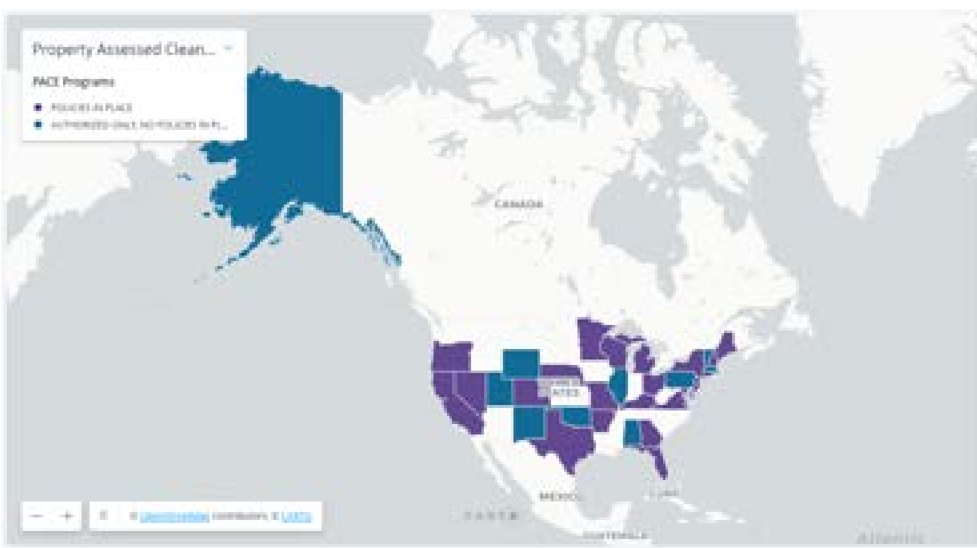
Across the United States, there are other examples of creative incentives that are targeted to achieve specific public goals or promote desired development projects.

Energy Efficiency

Several EDOs lend funds to help industrial and commercial clients reduce their energy use, such as the programs in Oregon and Alabama. Oregon's longstanding State Energy Loan Program, financed through state tax-exempt bonds, has made $420 million in loans since its inception. A now inactive program, AlabamaSAVES (Sustainable and Verifiable Energy Savings), made loans of up to 90 percent of project costs, up to $4,000,000 for energy-saving improvements. Borrowers have up to 10 years to repay the loans.

Property Assessed Clean Energy (PACE) is not currently authorized in West Virginia (see map above). When authorized, PACE helps home and business owners finance energy efficiency and renewable energy projects for their property. Owners opt in to receive financing from a local government for the up-front cost of qualified energy improvements, which are repaid through an assessment on their property tax over a period of years or decades. The financing is secured with a lien on the property. In the event of a foreclosure, the financing must be repaid before other claims against the property. The repayment obligation also remains with the property, so new owners inherit the responsibility for the remaining payments as well as ownership of the renewable energy system.

Figure 24: States with PACE Authorization



Source: Property Assessed Clean Energy (PACE) Programs

Small Grants and Startup Funding

The **Lowertown Artist Relocation Program**, Paducah, KY provides a model that could be adapted to include makers and craft producers as well as artists, which would enable Huntington to leverage the West Virginia Manufacturing Sales Tax Exemption. Paducah's Lowertown neighborhood was once marked by "condemned buildings, grand Victorian homes chopped up into apartments, drug use, crack sales and prostitution." The Lowertown Artist Relocation Program was instituted to reinvent the area into a vibrant cultural district. Applicants submit a proposal for the reuse of a vacant house or lot that they can buy for $1. They get $2,500 for architectural services, a 30-year loan for 100 percent of the renovations and grants up to $15,000 to acquire privately-owned property. The entire Lowertown area is designated as an enterprise zone, giving artists an additional incentive as construction materials are sales tax free.

Pathway Lending in Nashville, TN aggregates federal, state, local, and private funding to make startup loans. In its first 10 years, Pathway has made loans worth more than $30 million to 300 companies. Pathway loans have helped borrower companies create 1,000 new jobs. A similar program in Huntington would support the businesses and entrepreneurs affiliated with the Brad D. Smith Business Incubator and the RCBI Maker Vault.

Sales Tax Increment Financing (STIF)

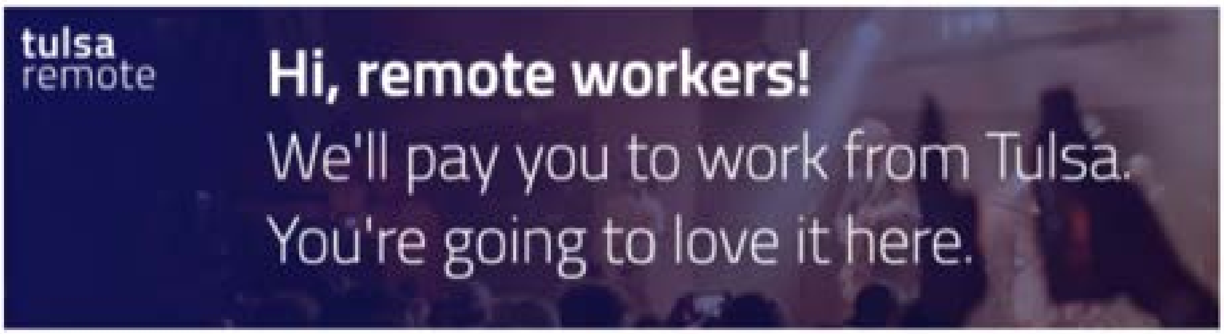
Figure 25: Map of the STIF at the Highlands

Sales Tax Increment Financing is a financing mechanism in which bonds are issued based on the gains from development, in this case, the bond payments are secured by the increase in sales taxes from the pre-development baseline. West Virginia currently has only one STIF district, located at The Highlands, a retail park with more than 100 shops in Triadelphia, WV, 7 miles east of the city of Wheeling. It opened in August 2004 with what was then the only Cabela's within a 5-hour distance. Other anchors include JCPenney, Kohl's, Target and Walmart as anchor tenants. With over 1.2 million square feet of retail space, it is the largest shopping complex in the Northern Panhandle of West Virginia. The center is owned and operated by its developer, the Ohio County Development Authority. The 6% state sales tax is diverted as local revenue. The Highlands STIF diverted $18 million in FY 2019. West Virginia requires a capital investment of $75 million within four years of creating the district. Based on our estimates and considering comparable examples, a STIF district in downtown Huntington could generate enough state and local sales taxes to divert $15 to $20 million over ten years. This assumes the addition of more than 2,200 jobs to the downtown and increasing downtown sales from $264 million to $315 million. This gain is more conservative than the Highlands STIF, but comparable given the relative sizes of each district and the developed state of downtown Huntington.

Big Ideas

A combination of existing and emerging incentives and development tools will likely be sufficient to advance redevelopment of the three catalytic sites in downtown Huntington. However, for those three sites to further catalyze redevelopment in the downtown may require broader and bolder approaches.

Tulsa Remote



Source: Tulsa Remote

Tulsa Remote is a new program to attract remote workers that provides an **upfront grant of $10,000** that can be applied for the purchase of a home in the city of Tulsa, OK. Recipients must be 18 or older; move to Tulsa within the 2021 calendar year; have full-time remote employment or self-employment outside of Oklahoma; and be eligible to work in the United States. In addition to the cash grant, the program offers free desk space at 36 Degrees North, a dynamic coworking space in Downtown Tulsa. Tulsa Remote also provides events and programming to help these new remote workers network, collaborate, and become part of the community. This last element of the program is critical to ensure that new residents will remain part of the community in the long term. Tulsa Remote has attracted more than 500 new residents since 2018. Seed funding was provided by the George Kaiser Family Foundation, as part of a broader portfolio of grants to support entrepreneurship and attract talent.

Tulsa is not alone as similar programs are operating in Northwest Arkansas, Topeka, KS, North Platte, NE, Hamilton, OH, and Newton, IA. And recently a similar initiative was announced in West Virginia (Ascend WV), which focuses specifically on enticing outdoor enthusiasts and includes additional perks related to outdoor recreation. However, the program is focused on other cities in the state, and Huntington specifically is not currently included.

Tax Increment Reinvestment Zone (TIRZ)

Houston's Tax Increment Reinvestment Zone (TIRZ) is a TIF district on steroids. What makes this program different is the sheer scale of the district. Like all TIF districts this requires state and local legislation to authorize the creation of the TIF. The 160-acre Buffalo Bayou Park, managed by Buffalo Bayou Partnership, is funded by the TIRZ, Houston First Corporation, and Houston Parks Board. The TIRZ now includes about 654 acres. According to the 2020 budget, the 1995 taxable value was about $22.2 million compared to a projected 2018 taxable value of $3.4 billion. The TIRZ will generate an estimated $67 million in 2020 for all of its functions. Houston is able to do this because of the size and scale of the city, which covers nearly 600 square miles compared to Huntington's 16 square miles. A comparably-sized TIRZ in Huntington could encompass nearly 17.5 acres.

Allentown Neighborhood Improvement Zone

Allentown's NIZ is another turbo-charged TIF District, partly because of its size, but more so because it diverts an extensive array of taxes from multiple sources. State taxes such as sales, corporate net income, employee withholding and amusement taxes for qualified businesses are diverted to ANIZDA.

It was created by state law in 2011 and revised in 2016 and 2018, the Neighborhood Improvement Zone (NIZ) as a special taxing district that encourages development and revitalization in 128 acres in center city Allentown and along the western side of the Lehigh River. It has spurred +$500M in redevelopment. ANIZDA projects have generated: 890M+ in Total Investment ($), 4,200+ Employees, 7.52M+ in Real Estate Taxes.

Central Market and Tenderloin Area Payroll Expense Tax Exclusion

San Francisco introduced another variation on the basic TIF model. San Francisco, which has a municipal payroll tax, and a lot of high-paying jobs in the city, was able to tap its payroll tax stream as a unique lever for using business investment to revitalize the neighborhoods. In 2011, San Francisco's Office of Economic and Workforce Development (OEWD) identified the Central Market and Tenderloin, two depressed neighborhoods south of San Francisco's Central Business District, as prime targets for redevelopment.

Cincinnati Center City Development Corporation (3CDC)

While many cities have developed creative financing mechanisms, Cincinnati built a flexible development organization that could leverage financing from multiple sources. 3CDC is a 501(c) 3 developer. Its mission and strategic focus is to strengthen the core assets of downtown by revitalizing and connecting the Central Business District and Over-the-Rhine (OTR). Formed in 2003, 3CDC operations are funded privately, through a combination of corporate contributions, management fees, and below-market developer fees. In 2004, 3CDC began operating two private investment funds, the Cincinnati New Markets Fund (CNMF) and the Cincinnati Equity Fund (CEF). These loan funds are geared toward downtown redevelopment and spurring economic development in distressed and struggling neighborhoods. Since 2004, 3CDC has leveraged $1.4 B in redevelopment.

Housing Market

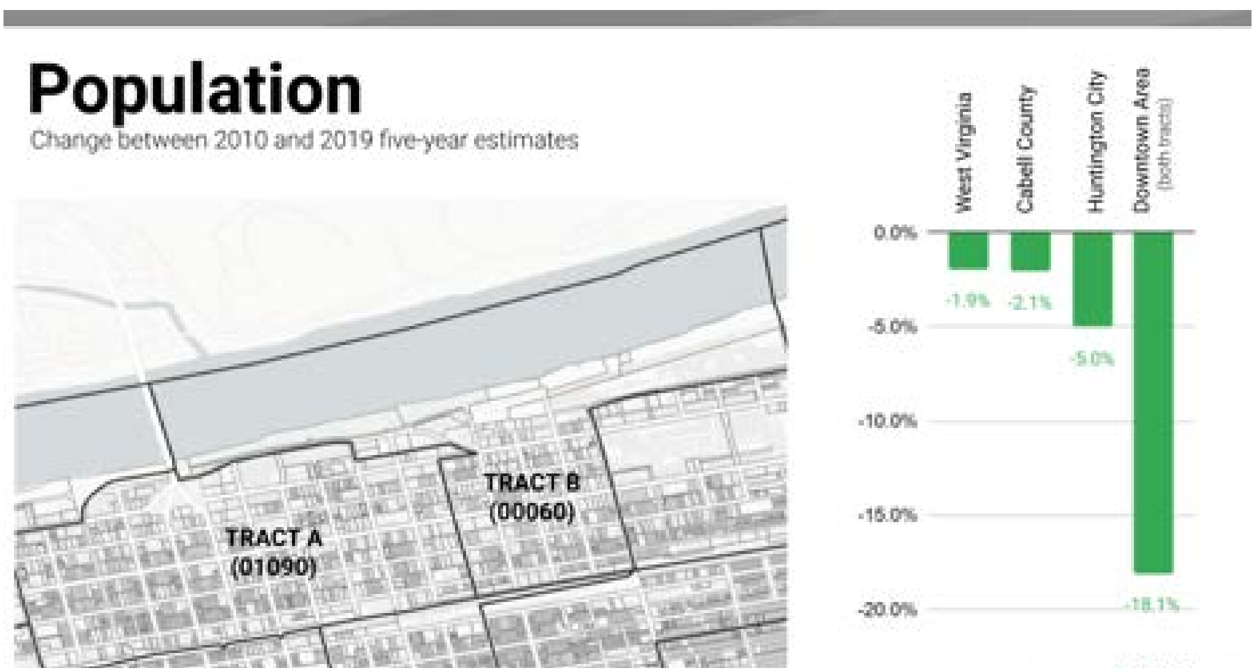
Currently the housing market has several areas of untapped potential. These are covered in more depth in the following section, but a summary of the key findings is provided below:

- Decreasing population in the city, downtown, county and state since 2010.
- Strong in-migration of new residents less than 24 years old and positive in-migration for all ages less than 45 years old after the Great Recession.
- Need for a more diverse housing mix overall by type and price points.
- Need for new or infill higher value ownership homes.
- Need for quality rental units at both lower and higher monthly rents.
- Potential to convert owner units to rental units.
- Need to address the quality of the housing stock.
- Low levels of residential investment for construction and renovation.

Population Change

Following the trend in Cabell County and the state, Huntington has lost population since the 2010 Census. The dramatic decrease in population in the core downtown area reflects that lack of residential opportunities and low levels of residential construction.

Figure 26: Population Change Across Geographies



Source: Census | American Community Survey, 2019 5-Year Estimates.

Most new residents moving into Cabell County are arriving from elsewhere in West Virginia. Ohio is the second largest source of inbound movers, but more residents leave Cabell County for Ohio resulting in a net loss of 337 residents. Cabell County has small net gains from Kentucky and Tennessee, as well as few other states.

Figure 27: 2014-2018 Cabell County Migration by Origin
Most inbound movers are coming from elsewhere in West Virginia.

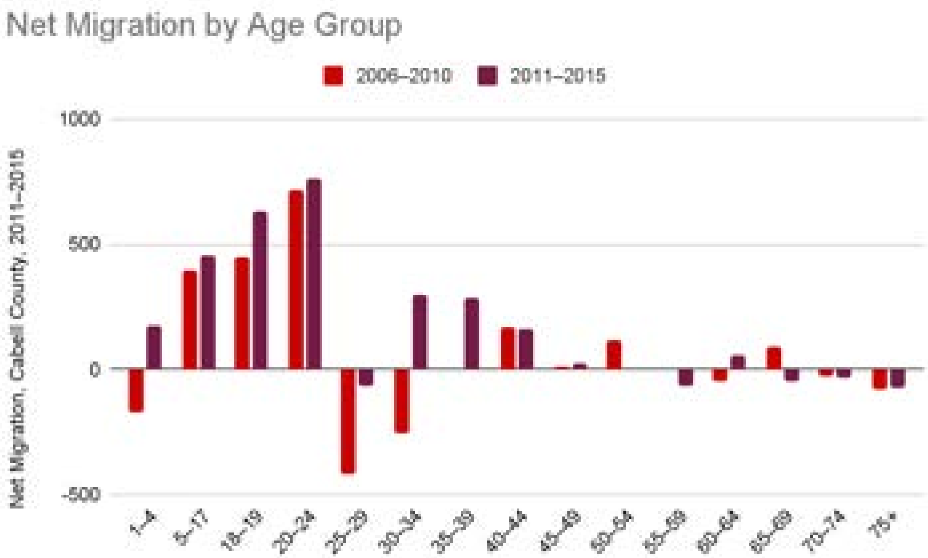
State	Net Migration	Total Inbound Movers	Percent of Inbound Movers
West Virginia	1,891	4,119	61.59%
Ohio	-337	876	13.10%
Kentucky	104	354	5.29%
Tennessee	87	148	2.21%
Virginia	-9	135	2.02%
North Carolina	-30	125	1.87%
Florida	-110	100	1.50%
Pennsylvania	-28	83	1.24%
New York	-19	80	1.20%
Maryland	3	75	1.12%
South Carolina	15	67	1.00%
All Others	76	526	7.86%
Total	1,643	6,688	

Source: Census | Migration Data.

One positive sign amid the population decline in the area is that Cabell County does attract a core demographic that many communities struggle to attract. Despite its decreasing population, and even after the Great Recession, data from 2011-2015 demonstrates that Cabell County has attracted **significant in-migration of new residents less than 24 years old, as well as positive in-migration for all ages less than 45 years old.** As many communities struggle with an aging population, the ability to attract working age residents is a critical advantage. The presence of Marshall University in Huntington is likely to be a large factor in what makes Cabell County attractive to this demographic.

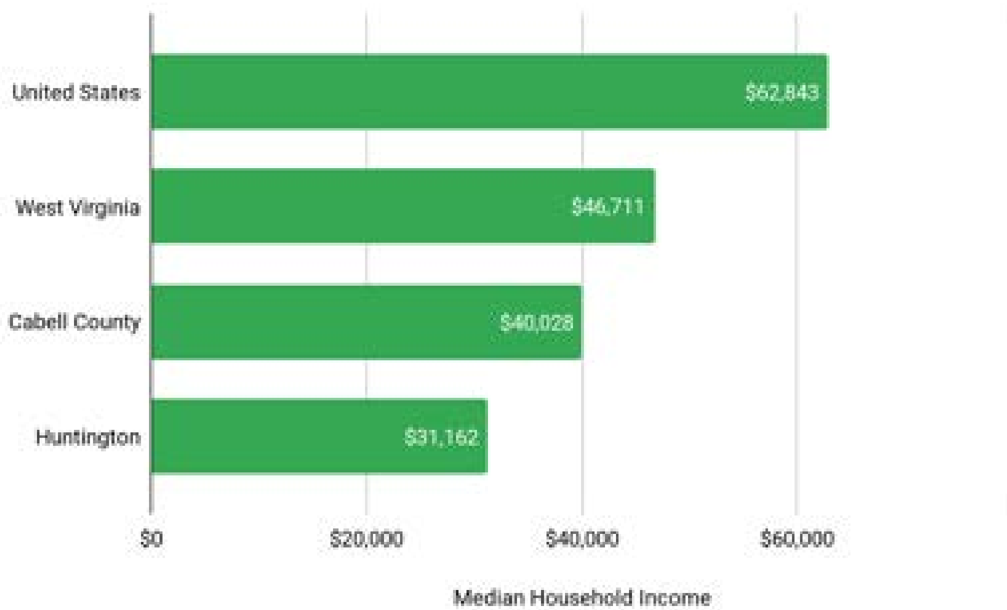
Figure 28: Cabell County Migration by Age

Post-recession upticks in migration were concentrated among young people



Source: Census | American Community Survey, Migration & Geographic Mobility.

Figure 29: Median Household Income 2019 Across Geographies



Source: Census | American Community Survey, 2019 5-Year Estimates.

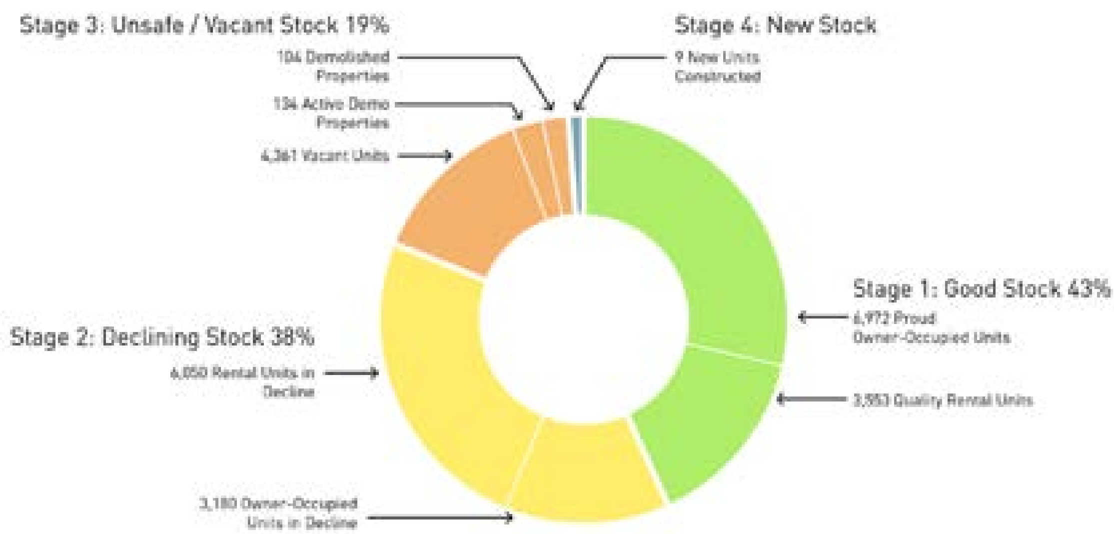
The median household income in Huntington is half of the U.S. median household income (see figure above). The low median household income in Huntington is distorted by the large number of college students living in the city. The presence of the students makes the city's household income artificially lower than it really is, but it is similar to other small college towns, such as Oxford, Ohio, home to Miami University. These students, however, add significant spending power to the community that is not reflected in these numbers.

Housing Supply

Understanding the composition and condition of the housing in the city of Huntington provides the foundation for our understanding of the overall housing market. Overall, the city of Huntington has a need for more rental units across the board, but most critically for affordable, quality rental units at rents of less than $500 per month, rents of $1,500 or more, as well as for larger 2-3 bedroom rental units. For ownership housing there is a strong need for housing valued at $175,000 and above.[1]

In Huntington, WV: The State of the City's Housing Stock, Cadence Bayley noted that while Huntington remains the economic center of the region, with a daytime population of 71,000 (an increase of more than 50%), these commuters are increasingly choosing to live in the surrounding bedroom communities. The report notes that the housing stock is declining in both the number of units and the quality of units, and most critically in the quality and affordability of the rental housing. Bayley notes that "currently the city's rental stock is between 60 - 80% code non-compliant."[2]

Figure 30: Housing Supply by Condition

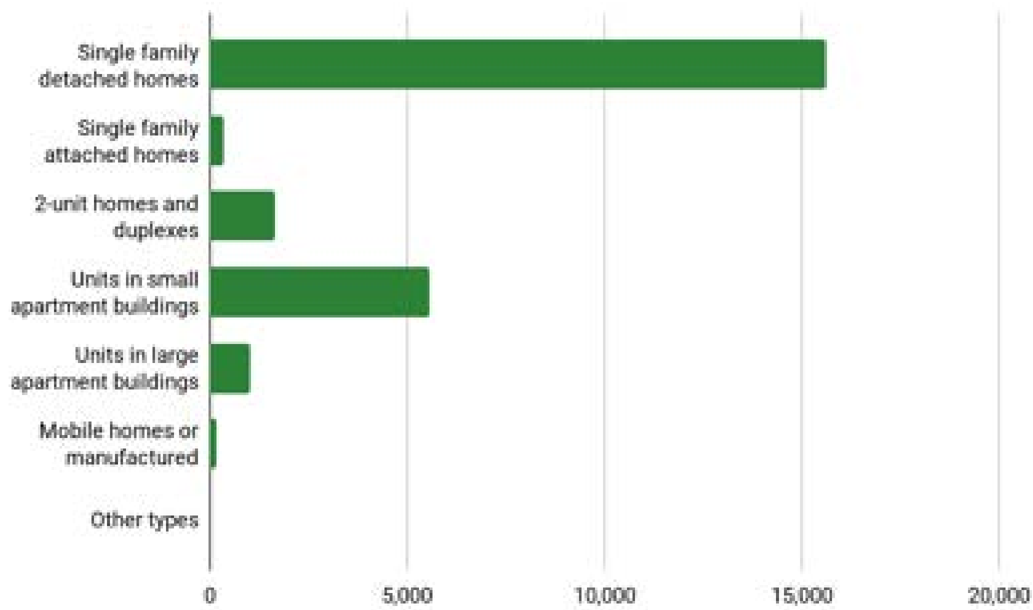


Source: Huntington, WV: The State of the City's Housing Stock, 2020. Cadence Bayley, Bloomberg Harvard Fellow.

[1] Analysis of household incomes and the values of rental and owner units. Data from the American Community Survey.
[2] *Huntington, WV: The State of the City's Housing Stock*, 2020. Cadence Bayley, Bloomberg Harvard Fellow.

There is currently very little diversity in the city's housing stock. Nationally, there are about 72 multifamily housing units for every 100 renter households. In Cabell County, there are only 63 units for every 100 households.

Figure 31: Housing Stock in the City as of 2019

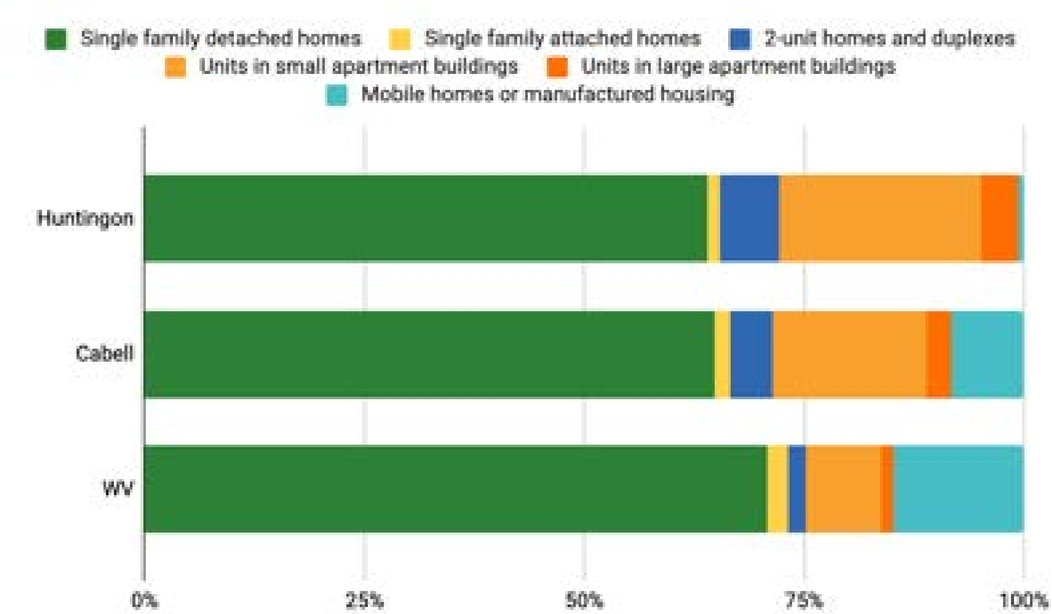


Source: Census | American Community Survey, 2019 5-Year Estimates.

Housing Stock in Context

Huntington's mix of the existing housing stock reflects its urban context and the presence of Marshall University. The city has fewer detached homes and fewer mobile homes than the county or the state, and a greater proportion of duplexes and apartments. The housing that would best fit the downtown would include both small and large apartment buildings, and potentially townhomes. However as the city seeks to further develop, it may need to look at neighborhoods where it would be appropriate to diversify the housing stock.

Figure 32: Housing Stock by Unit Type



Source: Census | American Community Survey, 2019 5-Year Estimates.

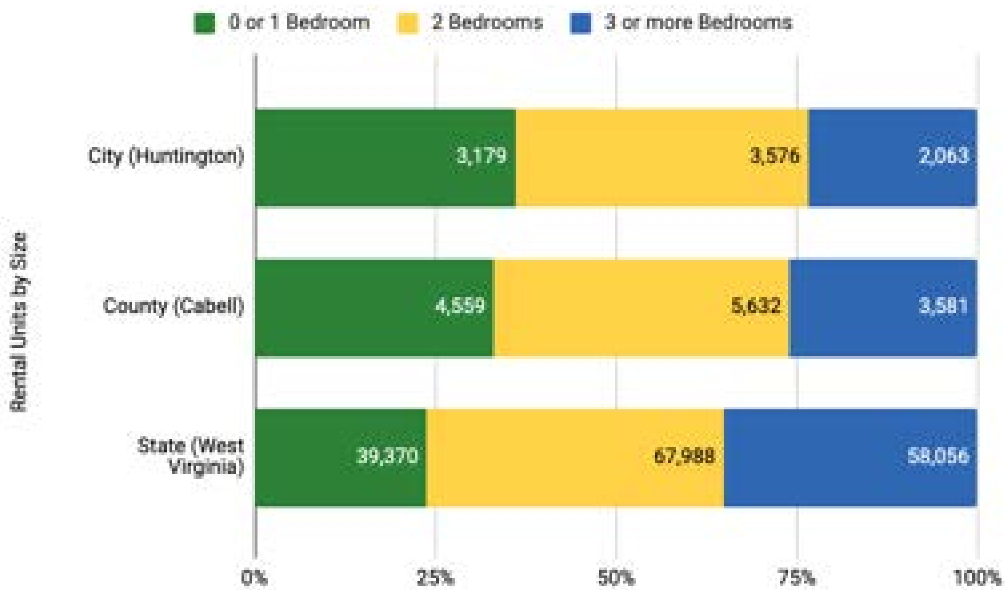
Housing Gaps

Rental Housing

Huntington has a large share of its rental units in smaller 0-1 bedroom units than Cabell county or the state. This likely reflects the influence of the nearly 13,000 students that attend Marshall University on the local housing market.

Huntington has fewer rental units with 3 bedrooms or more. This can present a challenge for retaining families as they grow and transition from renting to owning. It can also be a challenge in attracting empty nesters that may want extra bedrooms for visitors without having the hassles of owning a home. Larger rental units can also serve the live-work market that is looking to use a spare bedroom as an office or workspace separate from the main living areas.

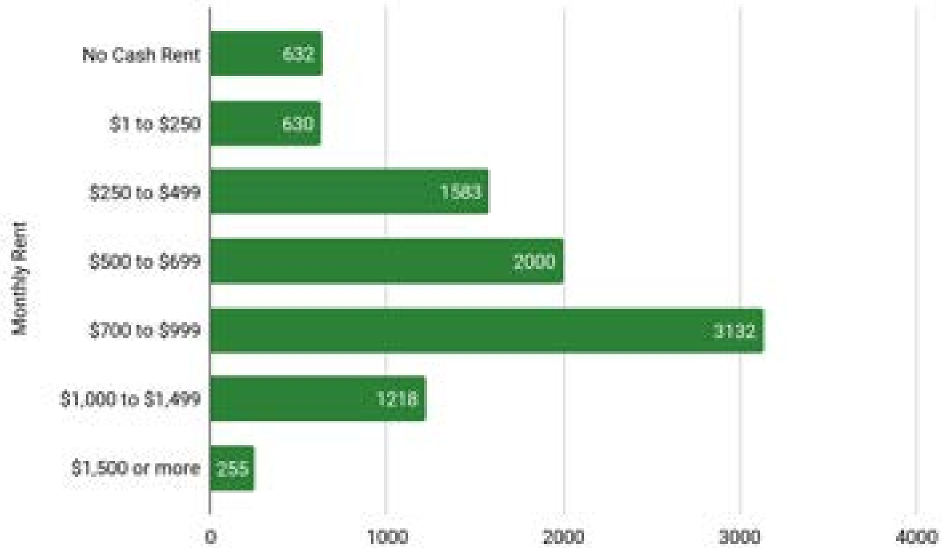
Figure 33: Rental Units by Size



Source: Census | American Community Survey, 2019 5-Year Estimates.

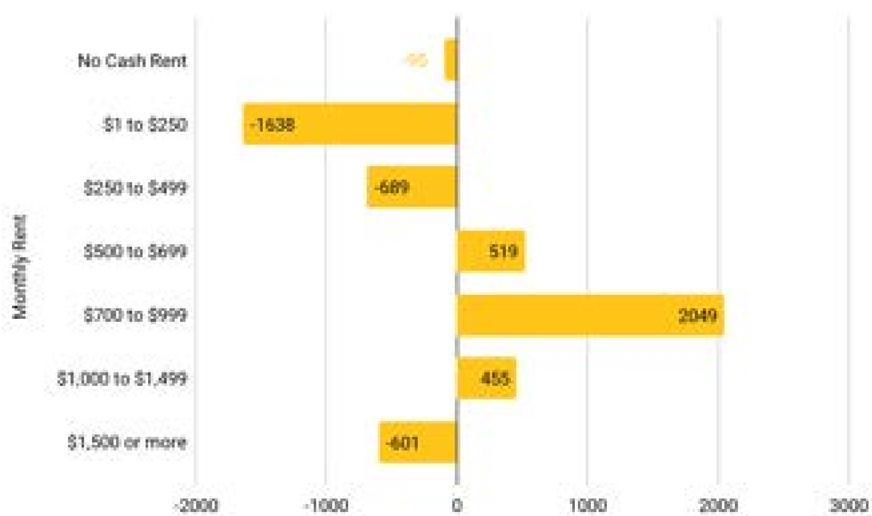
The distribution of rental units by monthly rent is more skewed to the higher priced units. Rental units at $700 to $999 per month account for one-third of the existing rental stock in Huntington. The impact of student housing on the rental market likely accounts for some of this distortion.

Figure 34: 2017 Rental Units by Monthly Rent



Source: Census | American Community Survey, 2019 5-Year Estimates.

Figure 35: 2019 Renters (underserved Households) versus Surplus Units



Source: Census | American Community Survey, 2019 5-Year Estimates.

Huntington's rental stock is generally unaffordable relative to the incomes of residents. While there are 2,845 units that rent for less than $500 per month, many of these units are likely to have some deficiency, as noted in Bayley's 2020 analysis.[3] In addition to the need for quality, affordable

[3] *Huntington, WV: The State of the City's Housing Stock*, 2020. Cadence Bayley, Bloomberg Harvard Fellow.

housing, Huntington only has 255 units that rent for $1,500 or more. This is in part a reflection of a rental stock that is dominated by smaller units.

Figure 36: Rents by Unit Size

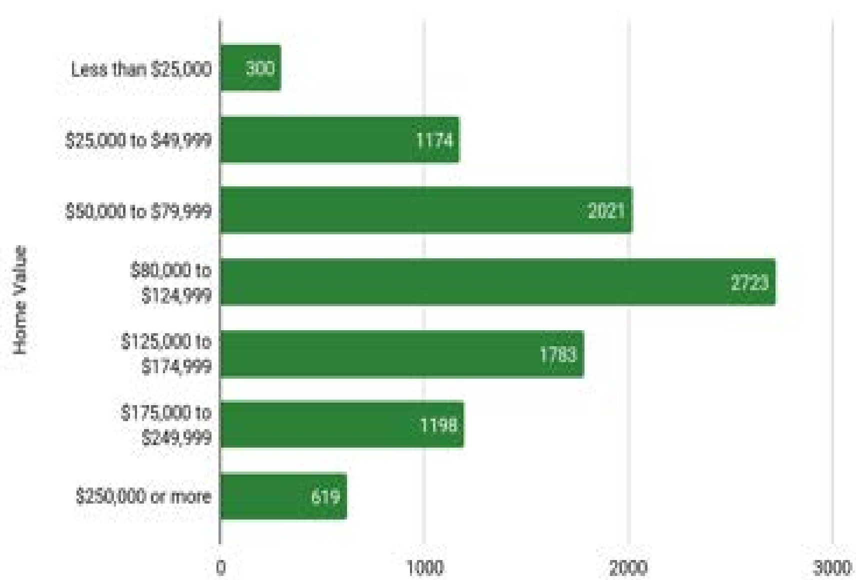
Source: Census | American Community Survey, 2019 5-Year Estimates.

Ownership Housing

Housing in any market is generally concentrated around values in the middle range, and this is true for Huntington. It is very common for housing prices to cluster near the mid-range as the lowest value homes may have significant problems or lack critical amenities.

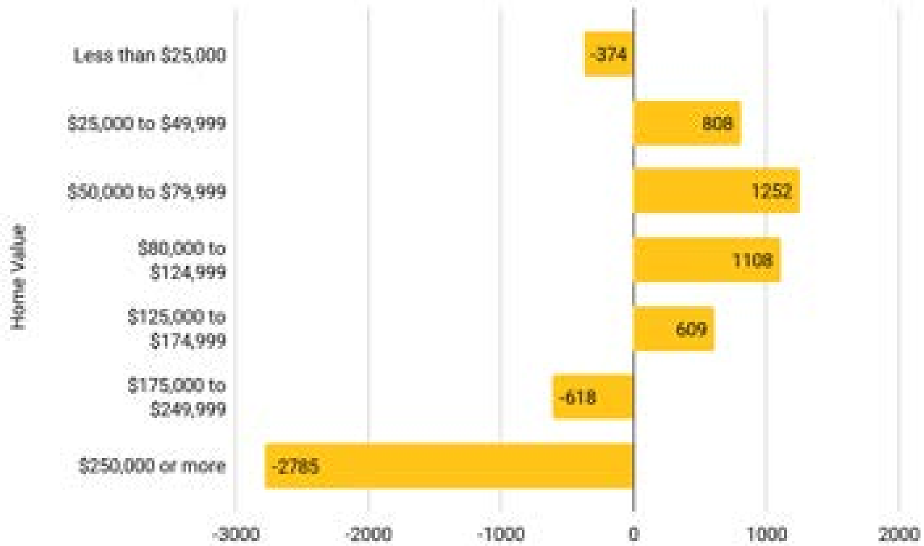
At the higher end of the market, it can be more difficult to find willing and able buyers. In Huntington only 6% of the ownership units are valued at $250,000 or more. There are nearly 2,800 households in Huntington that could afford units valued at $250,000 or more if there were more available. The lack of higher end homes makes it more difficult to retain higher income residents.

Figure 37: 2019 Ownership Housing Units



Source: Census | American Community Survey, 2019 5-Year Estimates.

Figure 38: 2019 Owners (Underserved Households) versus Surplus Units



Source: Census | American Community Survey, 2019 5-Year Estimates.

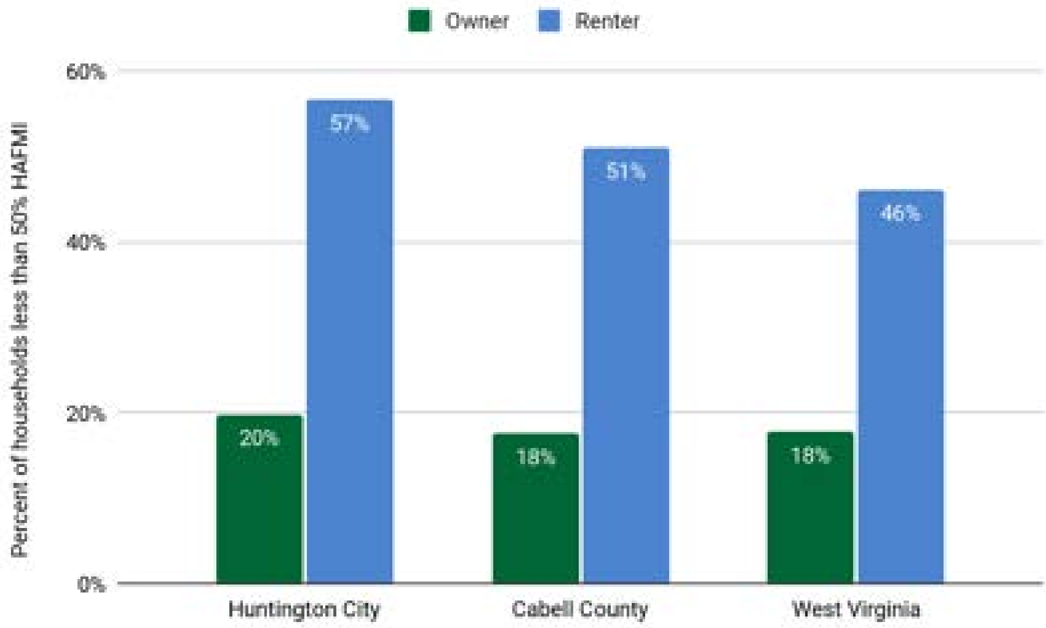
The Need for Affordability

While this report has noted the need for housing at both ends of the price spectrum, the housing at higher price points is likely to be addressed by the private development market. While this may require some support and incentives, the resources and efforts required from the public sector will not be as significant as those required to address the gaps in affordable housing. This need for affordable housing is not exclusive to the city of Huntington, but includes Cabell county as well.

Low-Income Households

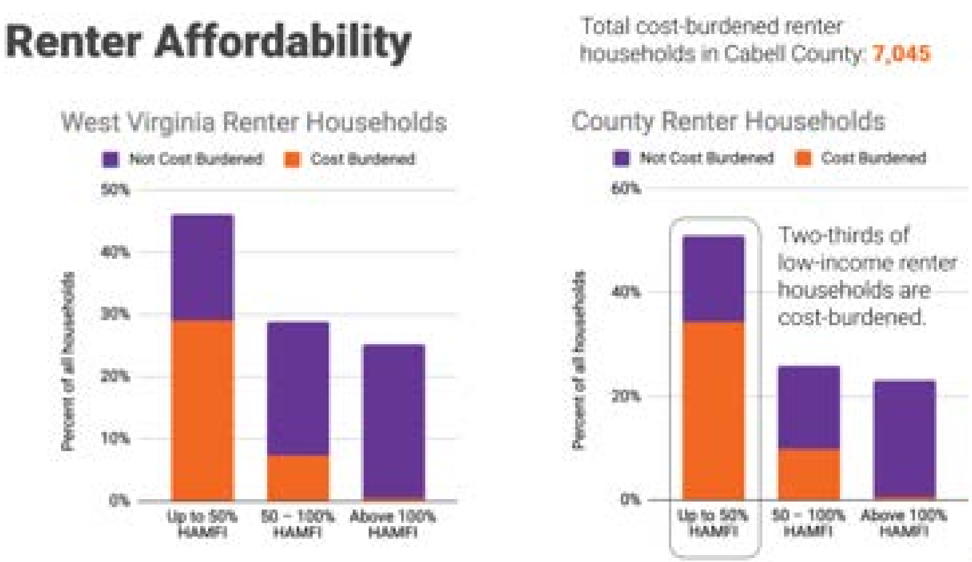
The area's housing market is similar to the state at large in its income profile within tenure groups (renters vs. owners). However, a higher percentage of the area's households are renters — 39.1% compared to 27.2% statewide. Further, 51% of the low income households in Cabell County are renters, compared to the state as a whole. The city of Huntington has a greater proportion of low-income households for both owners and renters.

Figure 39: Percent of Households less than 50% of HAFMI



Source: Census | American Community Survey, 2019 5-Year Estimates.

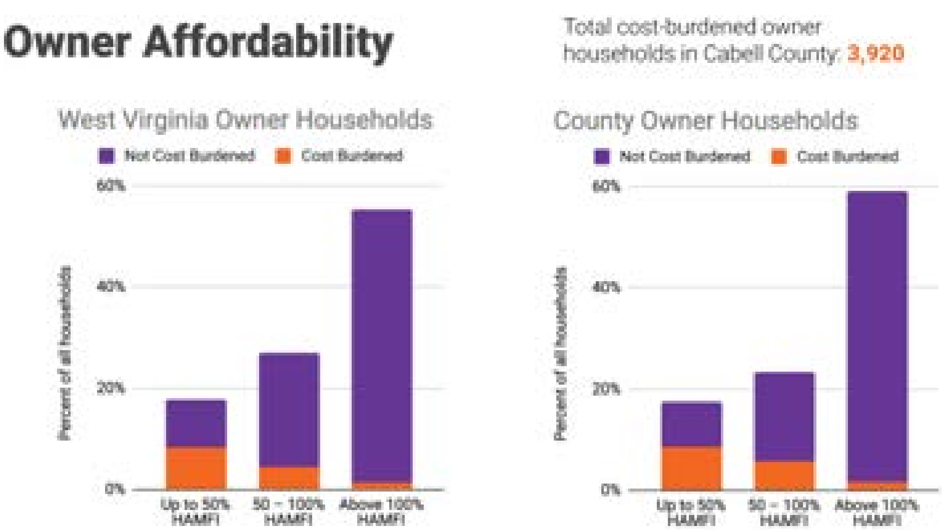
Figure 40: Cost Burden Households



Source: HUD | CHAS 2017 5-Year Data.

Overall there are more than 7,000 cost-burdened renters[4] in Cabell county with the majority of them at incomes that are half of the Housing Area Median Family Income (HAMFI). For the 3,920 cost-burdened owners, residents earning up to 50% HAMFI are still the majority of cost-burdened owners, but they are followed closely by owners between 50% to 100% HAMFI.

Figure 41: Owner Affordability



Source: HUD | CHAS 2017 5-Year Data.

[4] Housing cost burden is defined as households that pay more than 30% of their income towards housing costs.

Housing Cost Summary

Homeownership is relatively affordable in Huntington compared to household incomes, but the rents are significantly higher. The median gross rent in the city is 95% of the county median rent, but the city median income is only 78% of the county median. As a college town, the presence of a large number of university students, whose incomes are artificially low, is part of the explanation for the low median income in the city. The 13,000 students enrolled at Marshall University represent 28% of the city's population.[5] The affordability issues are likely more a result of artificially lower incomes versus higher rents.

Figure 42: Housing Cost Summary

	Huntington	Cabell County	United States
Median value, owner-occupied housing units, 2015-2019	$98,200	$124,500	$217,500
Median gross rent, 2015-2019	$712	$748	$1,062
Median household income (in 2019 dollars), 2015-2019	$31,162	$40,028	$62,843
Home Value to Household Income	3.15	3.11	3.46
Median Gross Rent to Monthly Income	27%	22%	20%

Source: Census | ACS 2019 five-year estimates.

Building Permits

As noted in the Bayley report, the city has demolished over 600 properties in the last 10 years.[6] In contrast, based on the city's building permit data, they have been building an average of only 13 units annually. Compared to the pace of demolition, the city's housing stock is shrinking by 50 units each year. Huntington's rate of residential construction, at 2.7 units per 10,000 residents is well below the U.S. pace of 40 units per 10,000 between 2015 and 2020 (or nearly 15x the rate in Huntington). Huntington's residential market is poised for growth!

Figure 43: Building Permits by Building Type

	Permits 2015 to 2020	Average Permits 2015 to 2020	Total Value 2015-2020	Total Square Footage 2015-2020
Commercial Building - Apt	8	3	$10,849,594	112,124
Residential Multi-Family	8	2	$871,440	10,932
Residential Single Family	62	10	$4,966,955	76,770
Total	**78**	**13**	**$16,687,989**	**199,826**

Source: City of Huntington | Building Permits - 2015 to 2020.

[5] This is a high estimate as some portion of these students may be commuting from outside of the city and not counted as city residents.
[6] *Huntington, WV: The State of the City's Housing Stock*, 2020. Cadence Bayley, Bloomberg Harvard Fellow.

Average annual investment in commercial permits from 2015 through 2020 is more than $3.6 million (average permit value of $1.2 million). The average annual investment in residential construction and renovation has been significantly lower with less than $220,000 per year for multi-family units (average permit value of $110,000), and nearly $830,000 annually for single family units (average permit value of $72,000). Most of these permits are for repairs and renovations with only 9 total permits for multi-family construction and 72 total permits for single family construction since 2015.

Figure 44: Value of Real Estate by Building Type

	Total Value 2015-2020	Average Annual Value 2015-2020
Commercial Building - Apt	$10,849,594	$3,616,531
Residential Multi-Family	$871,440	$217,860
Residential Single Family	$4,966,955	$827,826
Grand Total	$16,687,989	$2,781,332

Source: City of Huntington | Building Permits - 2015 to 2020.

Residential property values in Huntington range from an average of under $40,000 for a mobile home to nearly $154,000 for condominiums, and single family units averaging over $82,000. The table below also shows the median values per lot square footage as well as the value of the top 10 percent of units - those above the 90th percentile per square foot.

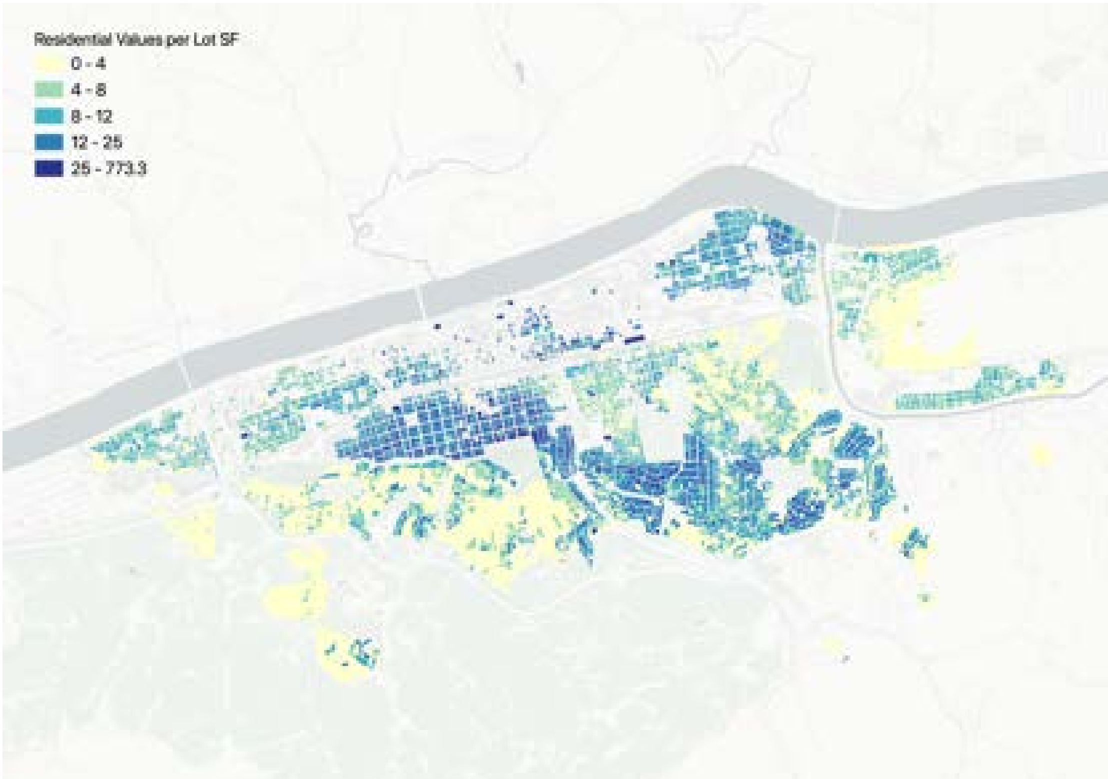
Figure 45: Real Estate Summary by Residential Type

Residential Type	Parcels	Average Appraised Value	Median Value per Lot SF	90th Percentile, Value per Lot SF
Condo	204	$153,476	$6	$23
Mixed Res-Com	219	$106,874	$16	$37
Mobile	64	$39,795	$4	$9
Multi-Family	1,406	$125,607	$15	$32
Res Auxiliary	153	$11,688	$2	$5
Res Vacant	2,298	$8,177	$1	$2
Single Family	13,561	$82,378	$11	$22
All Residential	**17,905**	**$76,603**	**$10**	**$22**

Source: Cabell County | Parcel Assessment Data 2019. Analysis by Fourth Economy.

High value residential properties are distributed throughout the city. There are relatively residential properties along the riverfront and only one cluster of high value residential riverfront properties.

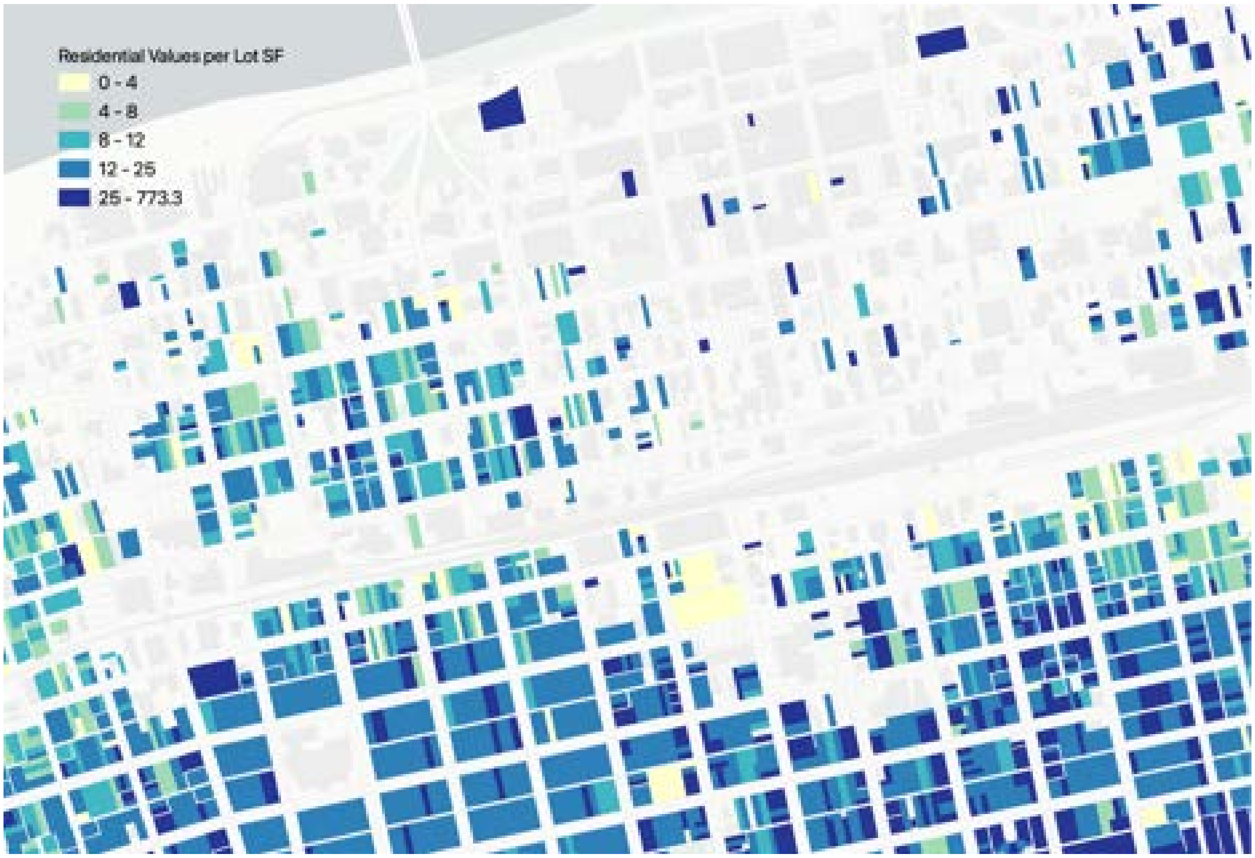
Figure 46: Residential Values by Lot Square Footage



Source: Cabell County | Parcel Assessment Data 2019. Analysis by Fourth Economy.

Residential properties are relatively scarce in downtown Huntington, particularly in the core of the downtown area.

Figure 47: Residential Values by Lot Square Footage Downtown



Source: Cabell County | Parcel Assessment Data 2019. Analysis by Fourth Economy.

Age of the Housing Stock

The lack of residential investment and development is reflected in the age of the housing stock. Only 2% of the housing is less than 25 years old, while 78% of the units are more than 50 years old. Old units often mean quality that lasts and housing that has architectural features that are less common in the newer housing stock. That quality stock should be preserved, but as identified by Bayley (2020) there are areas of blight that provide opportunities for redevelopment and infill. Furthermore, given the dearth of newer housing stock, any new units with modern features will face limited competition.

Figure 48: Housing Stock Age

Residential Type	25 Years or Less	26 to 50 Years	50 or More Years	Unknown
Condo	0	91	45	68
Mixed Res-Com	4	23	186	6
Mobile	2		4	58
Multi-Family	73	72	1,254	7
Res Auxiliary	1	1	2	149
Res Vacant	0		3	2,295
Single Family	281	748	12,520	12
All Residential	**361**	**935**	**14,014**	**2,595**

Source: Cabell County | Parcel Assessment Data 2019. Analysis by Fourth Economy.

Residential Buildings By Style

Conventional, Ranch and Cape Cod are the dominant building styles. For residential development in the downtown area, the most appropriate building styles would be condominiums, modern/contemporary or the rowhouse/townhouse, as well as apartments, which are not identified as a building style in the assessment data.

Figure 49: Housing Stock by Building Style

Building Style	Parcels	Median Value per Lot SF
Unknown	3,062	$1
Bi-level/Split Foyer	130	$11
Cabin	5	$7
Cape Cod/Cape Ann	2,418	$13
Colonial	32	$13
Condominium	128	$4
Conventional	9,212	$11
Modern/Contemporary	75	$14
Other	256	$10
Ranch	2,454	$10
Rowhouse/Townhouse	9	$48
Tri-Level/Split Level	124	$13
All Residential	**17,905**	**$10**

Source: Cabell County | Parcel Assessment Data 2019. Analysis by Fourth Economy.