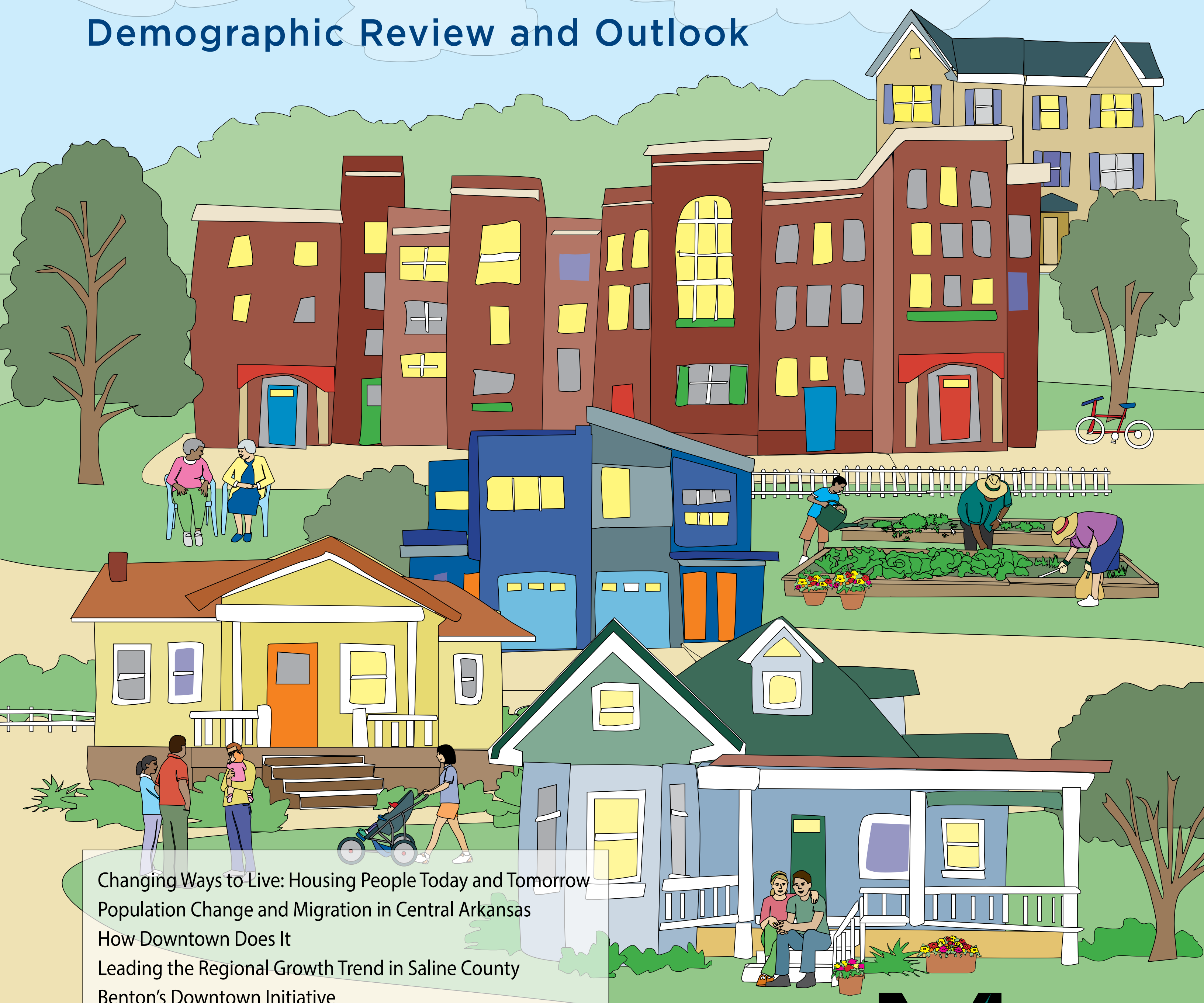
METRO TRENDS

Demographic Review and Outlook

July 2016

Owning, Renting, and a Changing Housing Market in Central Arkansas



METROPLAN

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Metroplan's Demographic Review and Outlook is an annual chronicle providing demographic and housing data and insight for the Little Rock-North Little Rock-Conway MSA.

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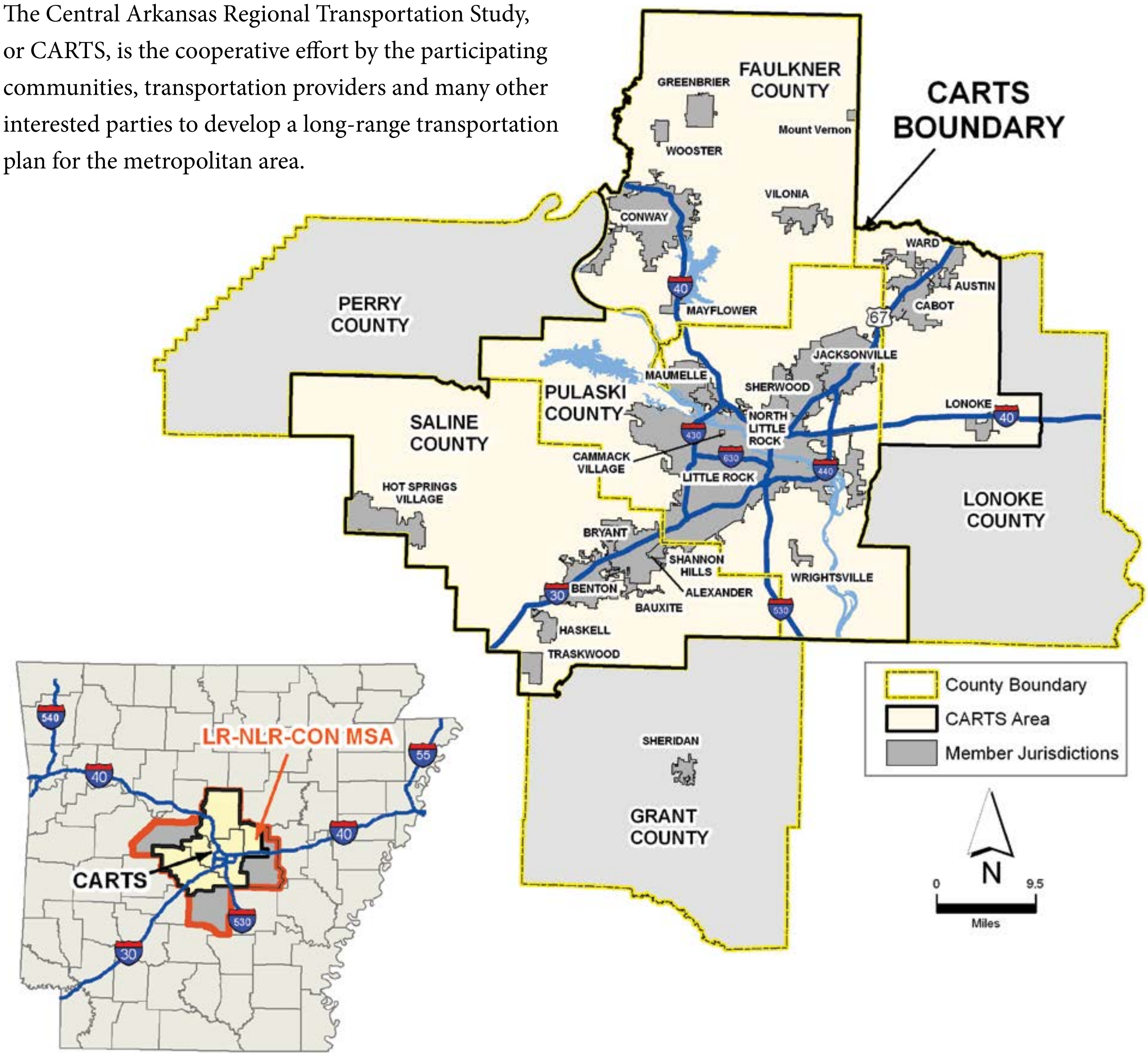
About Metroplan

Metroplan is a voluntary association of local governments that has operated by interlocal agreement since 1955. Originally formed as the Metropolitan Area Planning Commission of Pulaski County, Metroplan now has members in five counties of the six-county metro area (see below). Metroplan is the designated metropolitan planning organization (MPO) under Title 23 of the United States Code.

Metroplan serves as the regional voice on issues affecting Central Arkansas, develops transportation plans required by federal law, convenes stakeholders to deal with common environmental issues, and provides information and staff resources to our member local governments, the business community and the public. As part of that mission, Metroplan publishes Metrotrends twice yearly. The spring edition is the *Demographic Review and Outlook*; the fall edition is the *Economic Review and Outlook*.

About CARTS

The Central Arkansas Regional Transportation Study, or CARTS, is the cooperative effort by the participating communities, transportation providers and many other interested parties to develop a long-range transportation plan for the metropolitan area.



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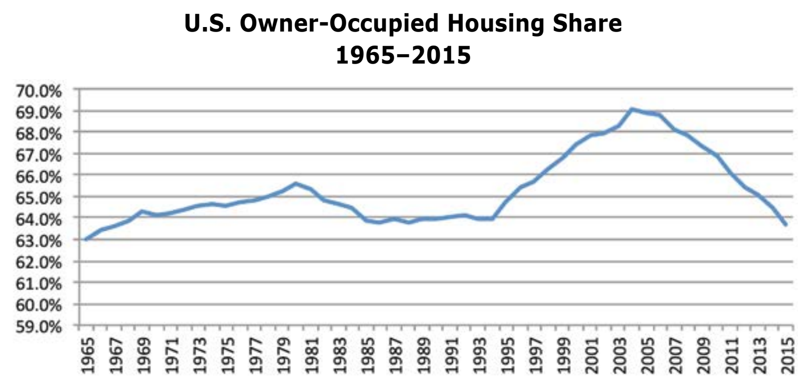
Changing Ways to Live: Housing People Today and Tomorrow

U.S. housing markets have changed radically in recent years, and our region is feeling the consequences. While the economy has been in recovery mode since at least 2010–2011, housing market trends continue following the line charted out during the housing bust in the middle of the 2000 decade, and the Great Recession that followed. The chart below shows the trend in U.S. homeownership 1965-2015.[1]

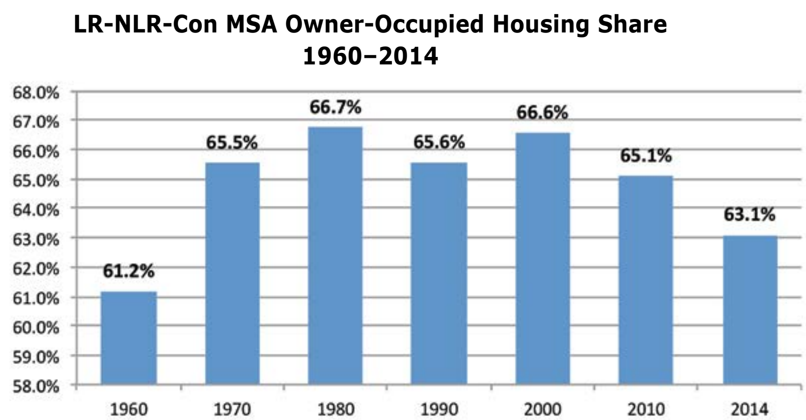
Home-ownership generally rose through the 1960s and 1970s, turned downward in face of high interest rates and demographic factors in the 1980s, then took a sharp upward turn in the 1990s, from around 64 percent in 1994 to a peak of 69 percent ten years later. From 2005 onward it began a downward descent. In 2015, six years after the current economic recovery began, the rate of homeownership had fallen to 63.7 percent, and the downward slope shows no immediate sign of abating.

The trend for Central Arkansas (shown below) has been similar, although homeownership in the six-county Little Rock-North Little Rock-Conway MSA has generally run a bit below the U.S. average.[2]

If this is the American dream, it is available to fewer of us now.

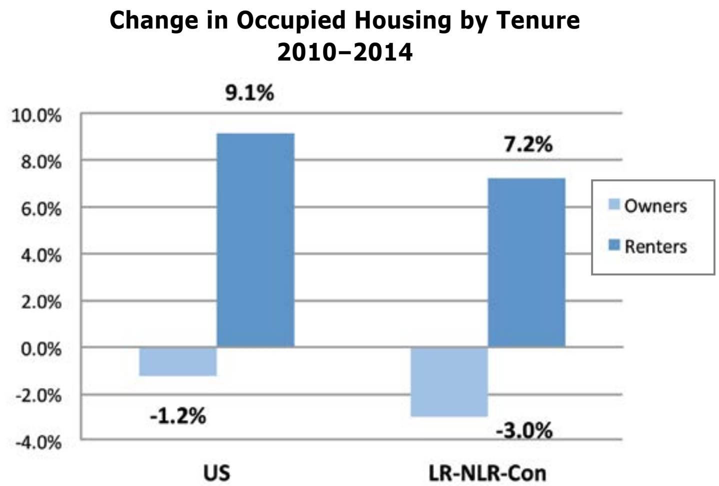


Construction of single-family homes like this one in Cabot has slowed since about 2006.



[1]U.S. Bureau of the Census, Current Population Survey.
[2]Decennial census 1960–2010, with one-year ACS data for 2014.

These trends are beginning to affect the nature of housing, nationally and locally. The chart at right shows change in owner- and renter-occupied households from 2010 to 2014, when all of the net growth was in rental housing. The local housing market has grown less than the U.S. average over this period, which helps to explain why local ownership has declined more (down 3 percent, compared with a 1.2 percent loss nationally). But the biggest change has been in rental housing, which has grown by more than 9 percent nationally, and over 7 percent in Central Arkansas.



You can see this change in the landscape. Since 2010, the region has witnessed several apartment complexes of over 400 units each built in North Little Rock, Little Rock, Bryant and Benton. The largest so far, the Longhills project in Benton, is today nearing completion with 612 new units. Another area of fast multi-family growth is in western Little Rock. From 2010 through early 2016, the city permitted a total of 1,298 new apartment units within 1.5 miles of the intersection of Bowman and Kanis Roads.

Given the traffic and quality-of-life impacts for existing residents, large-scale apartment development sometimes yields community push-back. For example, the City of Bryant issued a temporary moratorium on new apartment construction in 2011, followed in 2013 by imposition of an ordinance requiring a minimum per-unit size for new apartments, with the additional restriction that the ratio of apartments not exceed 20 percent of total residential housing stock.[3] In early 2016, under pressure from many residents, the City of Little Rock imposed a one-year moratorium on new apartments along Bowman Road, while the City puts the issue under study.

While multi-family housing and rental housing are not automatically the same thing, the increase in multi-family units reflects the growing demand for rental housing. Like most economic issues, this one can be seen through the inter-related concepts of demand and supply.

Stricter financial regulation in recent years has hurt first-time homebuyers, already burdened by slow income growth since the Great Recession. Prospective homeowners now must typically put up 20 percent of the value as a down payment. This has weakened home-buying demand. Generational factors count, too. Today's young adults—the Millennial Generation—have been less willing, or less able, to buy their first homes than Generation X or the Baby Boom groups that preceded them. In many cases, Millennials have put off marriage and child-bearing as they grapple with college debt burdens and career challenges from slow economic growth.

This new apartment complex on Bowman Road in Little Rock aims at meeting growing demand for rental housing.

[3]Boozer, Chelsea, "Bryant Council to Review Proposed Apartment Rules," Arkansas Democrat-Gazette, Feb. 28, 2013.

The number of persons living alone has continued rising in recent years, and two-person households have become more common than 3+ person households in the local region. Rental demand continues climbing. Having more rental options may help Central Arkansas as it competes against larger metro areas for mobile human talent.

Everyone in the city stands to gain from growth; productivity in skilled cities rises with population, so when more people move in, all workers' incomes should rise. But the gains from any particular property development are relatively small and thinly spread, whereas the costs are highly concentrated.

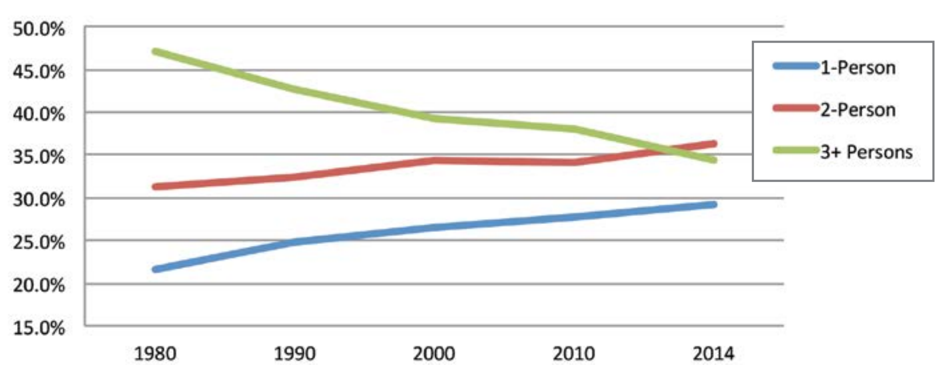
—"Terms of Enlargement"
The Economist, April 16, 2016

The supply side depends on the ability of developers to provide multi-family housing, and the willingness of communities to accept larger amounts of it. Modern apartment complexes tend to be large, often with several hundred units apiece. When this many apartments emerge in a single area, it can change neighborhood character through nuisance factors.[4] Yet developers know that to keep their units affordable and competitive they must cluster many units—typically 100 at least—to allow efficient on-site management and maintenance. More is at stake than local controversy, because economic analyses have established that heightened land use regulation reliably raises housing costs.[5] There is also the risk that multi-family can become like a football that every city wants to punt. Exclusionary zoning in one community causes multi-family developers to build in another, which then develops exclusionary zoning, sending the development elsewhere.[6]

There are sound reasons for growing rental housing demand. College debt, shrinkage of well-paying working-class jobs, and stagnant per capita income growth have put ownership out of reach, at least temporarily, for many. At the same time, home ownership is less advantageous as an investment in a time of low inflation. Even for those who can afford to own, renting offers greater flexibility. This includes career demands, but lifestyle change isn't always a choice. As they transition through life, people often find themselves in situations they never expected, due to changes like divorce, death of a family member, failing health, and financial setbacks. In a time of generational flux, leavened by economic and cultural changes, the common perception of housing rental is changing. Expect renting to continue becoming more common, and less stigmatized, than it was in the past.[7]

Apartment development will remain a conflict between market demands for well-located rental housing on the one hand and the concerns of neighboring property owners on the other. Several articles in this issue of the *Metrotrends Demographic Review and Outlook* will review local successes that might point the way ahead. It is important to seek housing solutions, because demographic and economic factors suggest that rental demand will continue growing.

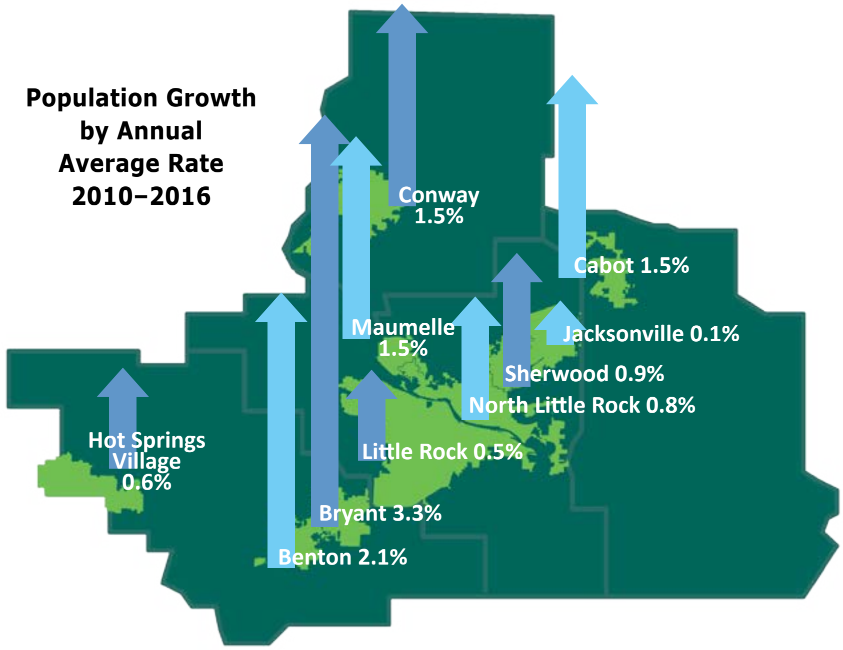
LR-NLR-Con MSA Share of Households by Size 1980–2014



[4]Nuisances often cited include allegations about traffic, loud music and, above all, increased crime.
[5]Glaeser, Ed and Joseph Gyourko, "The Impact of Zoning on Housing Affordability," *NBER working paper 8835*, March 2002.
[6]Harney, Benjamin. "The Economics of Exclusionary Zoning and Affordable Housing," *2010 Zoning and Planning Law Handbook,* ed. Patricia Salkin, Thomson Reuters.
[7]Archer, John "The Future of Suburbia." National Planning Conference, American Planning Association, Minneapolis, April 26 2009.

Population 2016

Regional population continues growing slowly. Since the most recent decennial census in 2010, the six-county metropolitan area has grown by 5.3 percent, slightly faster than 4.5 percent growth for the U.S. overall. Within the region, Saline County remains the fastest-growing, having gained 10,000 persons over the year 2010, a growth rate of 9.5 percent. Faulkner County is now the region's second-fastest growing county, with 8.3 percent growth 2010–2016, having slowed in recent years. Lonoke County is third fastest-growing, at 6 percent 2010–2016. Pulaski County grew by a more modest 3.4 percent over the period, but when measured by absolute population gain it ranked first, growing 13,204 persons compared with 10,189 for Saline County.



The map at right shows the average annual growth rate for the region's ten largest cities over the period 2010-2016. The Saline County cities Bryant and Benton top the list, while the larger Pulaski County cities Little Rock, North Little Rock and Jacksonville had the slowest growth rates. Little Rock, with 199,000 people, still accounts for slightly over one-quarter of total population in the six-county region. The chart at right shows a very different measure, comparing population size of the region's top five cities in 2016. Little Rock's total population remains higher than the next four cities combined. North Little Rock remains the region's second-largest city with just over 65,000 people, but Conway is closing the gap with over 64,000 in 2016. Like all population figures, these remain a moving target that will keep changing.

Estimating Population in 2016 and Beyond

The table at right shows Metroplan's latest estimates for city and county populations within the Central Arkansas region. Note that, in some cases, the estimates given are lower than those made for the previous year, 2015. This does not imply that population has declined since 2015, but rather that Metroplan's assumptions for household size and occupancy have changed in light of new information.

These estimates are based on building permit-based data on growth in housing units, adjusted to changes in average household size, and housing occupancy as of January 1, 2016. Most housing unit data comes from city building permit records, supplemented in a few cases by Census data. We track variables like occupancy and average household size based on data from the sample-based American Community Survey (ACS).

The aim is to give our best picture of population at the point in time of the most recent estimate, rather than to maintain perfect consistency from one annual estimate to the next. It is now six years since the last decennial census. From now until the 2020 decennial census results are released in early 2021, all estimates will be subject to increasing margins of error. Occasional adjustments to the assumptions are necessary to keep the estimates as accurate as possible, in face of shifting messages from the data.

Population Change 2010–2016

Little Rock-North Little Rock-Conway MSA Population Change 2010–2016

Faulkner County	2010	2016	Change
Conway	58,908	64,122	8.9%
Greenbrier	4,706	5,115	8.7%
Mayflower	2,234	2,384	6.7%
Vilonia	3,815	4,010	5.1%
Wooster	860	1,010	17.4%
Small communities	2,245	2,538	13.1%
Unincorporated	40,469	43,401	7.2%
County Total	113,237	122,580	8.3%

Grant County	2010	2016	Change
Sheridan	4,603	4,929	7.1%
County Total	17,853	18,102	1.4%

Lonoke County	2010	2016	Change
Cabot	23,776	25,887	8.9%
Austin	2,038	2,729	33.9%
Ward	4,067	4,919	20.9%
Lonoke	4,245	4,277	0.8%
England	2,825	2,772	-1.9%
Carlisle	2,214	2,198	-0.7%
Small communities	751	755	0.5%
Unincorporated	28,440	28,946	1.8%
County Total	68,356	72,483	6.0%

Perry County	2010	2016	Change
Perryville	1,460	1,430	-2.1%
County Total	10,445	10,189	-2.5%

Pulaski County	2010	2016	Change
Little Rock	193,524	199,597	3.1%
North Little Rock	62,304	65,316	4.8%
Jacksonville	28,364	28,585	0.8%
Sherwood	29,523	31,108	5.4%
Maumelle	17,163	18,706	9.0%
Wrightsville	2,114	2,102	-0.6%
Cammack Village	768	749	-2.5%
Alexander*	236	233	-1.3%
Unincorporated (N)	25,410	25,829	1.6%
Total North of River	162,764	169,544	4.2%
Unincorporated (S)	23,342	23,727	1.6%
Total South of River	219,984	226,408	2.9%
Total Unincorporated	48,752	49,556	1.6%
County Total	382,748	395,952	3.4%

Saline County	2010	2016	Change
Benton	30,681	34,669	13.0%
Bryant	16,688	20,141	20.7%
Shannon Hills	3,143	3,520	12.0%
Haskell	3,990	4,396	10.2%
Alexander*	2,665	2,630	-1.3%
Traskwood	518	538	3.9%
Bauxite	487	506	3.9%
Unincorporated	48,946	50,907	4.0%
County Total	107,118	117,307	9.5%

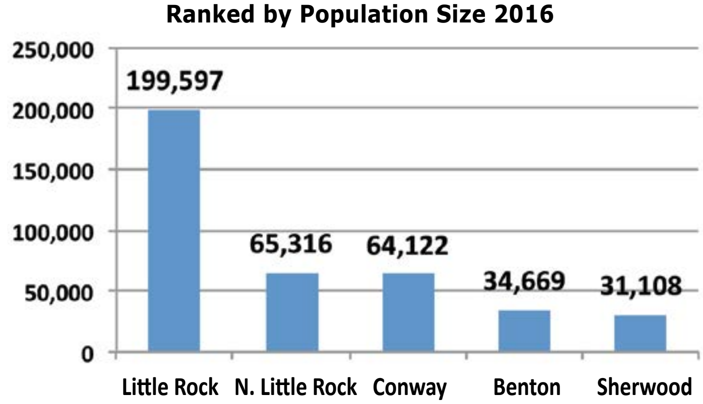
Hot Springs Village CDP (Unincorporated area)	2010	2016	Change
In Saline County	6,046	6,888	13.9%
In Garland County	6,761	6,393	-5.4%
HSV Total	12,807	13,281	3.7%

City of Alexander Total (County splits shown above)	2010	2016	Change
Alexander	2,901	2,863	-1.3%

4-County Region	671,459	708,322	5.5%
6-County MSA**	699,757	736,613	5.3%

*Represents portion of Alexander by county.
**Official MSA since May 2003

Top Five Central Arkansas Cities Ranked by Population Size 2016



Population Change and Migration in Central Arkansas

Three factors cause population change: births, deaths, and migration. Since births and deaths follow a steady pattern in developed countries, most major population gain or loss in a region is caused by the third factor: migration. The Great Recession 2008–2009 appears to have been an inflection point for local migration. Suburban growth slowed, while selected amenity-rich urban and suburban core areas (downtown Little Rock, North Little Rock and Conway as well as Midtown Little Rock) saw population growth.

Two outlying counties, Saline and Faulkner, continue absorbing migrants, in a pattern familiar from previous decades. Their growth has slowed since the recession, but has not stopped. Saline County is now the region's fastest-growing. Faulkner continues growing, but in the 2012–2013 interval saw net out-migration to the urban core (Pulaski County).[1] Faulkner instead gained in-migrants from nearby rural counties.

The rate of international migration to Central Arkansas runs below the U.S. average, but has grown over recent decades. International migrants change the region's ethnic character, and also contribute to entrepreneurship. International in-migrants are generally more willing to take risks and build businesses from scratch than native-born populations.[2] International migration to Central Arkansas accelerated from very low levels in 1990, and reached its recent peak about 2010. According to the 2014 ACS, the region seems to have seen a slowdown since 2010.

The population speaking a second language, and speaking English with less than full proficiency, increased in past decades but seems to have stabilized. The diversity of languages represented continued increasing, though. Spanish remains by far the most widely-spoken second language, but several other languages have grown a lot in recent years, including Chinese tongues, languages from the Indian subcontinent, and the Philippines.[3] Central Arkansas remains less diverse than the U.S. average in most measures of ethnicity, but this is slowly changing.

Although population growth has slowed in recent years, Central Arkansas is gradually becoming more diverse. Ubaldo Lopez, shown here with his family, is originally from Guatemala. He owns a tree service company and has lived in the U.S. for 16 years. His son attends North Little Rock High School and wants to be an orthodontist.

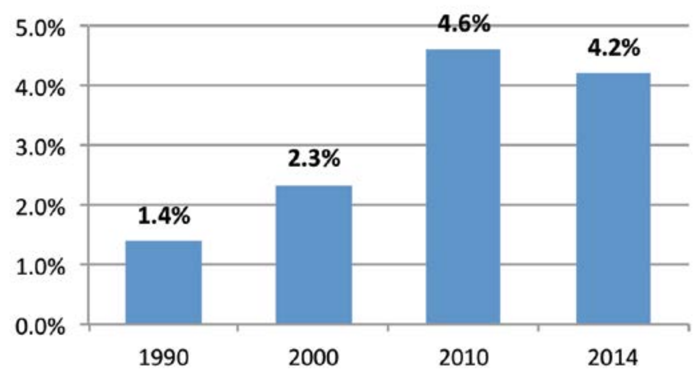
Little Rock-North Little Rock-Conway Population by Ethnicity 1990–2014

	1990	2014	Growth	Percent Growth
White	423,287	497,072	73,785	17.4%
African Amer.	102,118	166,661	64,543	63.2%
Asian	3,299	10,189	6,890	208.9%
Hispanic	4,293	36,389	32,096	747.6%
Other	2,037	17,467	15,430	757.5%
Total	**535,034**	**727,778**	**192,744**	**36.0%**

Note: Chart separates Hispanics as an ethnic category. White, African American, Asian and Other all represent non-Hispanic populations.

Sources: Decennial Census 1990; ACS 2014.

LR-NLR-Con Foreign-Born Share of Population 1990–2014



Sources: Decennial Census 1990 and 2000; ACS 2010 and 2014.

[1]IRS migration statistics, available at http://www.irs.gov (warning: data-intensive).
[2]Donovan Rypkema and Emilie Evans, "Rightsizing Cities Initiative and the Relocal Tool," Clinton School of Public Service Speaker Series March 8, 2016.
[3]Gujarati, Hindi and Urdu from the Indian subcontinent, and Tagalog from the Philippines.

How Downtown Does It

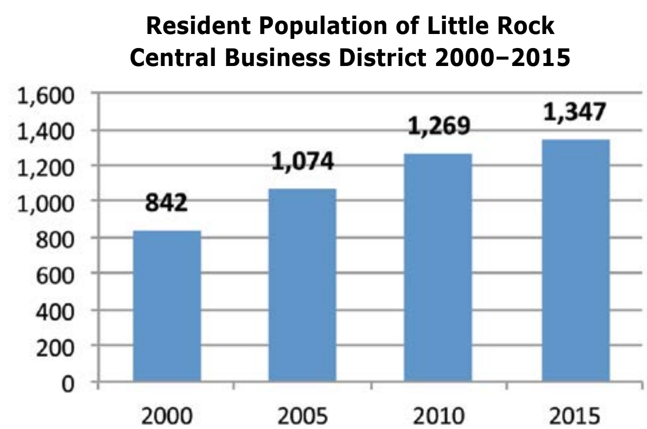
When 31 loft apartments opened in downtown Little Rock in late 1999, there was plenty of skepticism. Yet the Tuf-Nut apartments, crafted from a renovated blue jean factory, leased up almost immediately. In the years since, firms have built hundreds of condos and apartments in downtown Little Rock. Metroplan estimates that by 2015 downtown population had increased 54 percent from 842 in Census 2000 to over 1,300 by 2015 (based on historic central business district geography).[1] More apartments are under construction.

> *Our mission is to help create a vibrant and sustainable downtown.*
>
> —Rett Tucker,
> Moses Tucker Real Estate

While not the only firm involved in downtown Little Rock, Moses Tucker Real Estate has built the majority of new units. It has established a presence with its consistent strategy of urban revitalization, aiming toward a totality that is more than the sum of its parts—a livable, walkable downtown. New office and retail projects enhance the value of nearby housing, and vice versa. It's a strategy of active coordination which adds value at no additional cost.

Moses Tucker builds small multifamily projects, typically 36 to 50 units. This is about the limit for a typical downtown site (often half a city block) with a two- or three-story structure. Taller buildings require the added expense of elevators and more extensive structural work and life safety requirements. At the same time, smaller projects allow the company to respond to market conditions in bite-size increments, testing the waters with a modestly-sized project before moving to the next.

While Moses Tucker has already transformed downtown, it's still looking toward the future. To the west, Moses Tucker is helping redevelop Main Street, although the pedestrian linkage between the River Market and the Main Street area still needs reinforcing. The newest redevelopment "hot spot" will probably be east of I-30 in the East Village area, already the site of the Lost Forty Brewery. Redevelopment is likely to spread southward into the Hangar Hill neighborhood. Moses Tucker has recently begun work on a new multi-family project near McArthur Park, and is eyeing other potential sites in the downtown core.



Sources: Decennial census 2000 and 2010; Metroplan estimates 2005 and 2015

Now leasing, the MacArthur Commons project has added 59 units to downtown Little Rock.

In downtown LIttle Rock there's still a gap of parking lots that separates the River Market District from a reviving Main Steet. Studies have shown that people are more likely to get out and walk along a streetscape lined with buildings and storefronts.

[1]Based on historic CBD (Central Business District) geography, originally census tract 1 (today tract 44, block group 1) using 2010 decennial census data, plus subsequent building permit records.

Leading the Regional Growth Trend in Saline County

Saline County has logged some impressive growth statistics in recent years. So far in the 2010 decade, it gained population at an annualized rate of 1.7 percent. While down from 2.5 percent annually from 2000 to 2010, it is enough to rank Saline County as the region's fastest-growing (Faulkner County ranks second, at 1.4 percent annually 2010-2015).[1] Saline County is not only the state's sixth-largest county, it recorded the third highest rate of growth among Arkansas counties in the years 2010-2015. For the moment, it also remains a bedroom community. The latest commuting statistics show that 54 percent of workers who reside in Saline County commute to jobs in Pulaski County; in fact about 27,000 people make the journey on a more-or-less daily basis.[2]

The Longhills project is adding 612 multifamily units north of I-30 in Benton.

Benton, approaching 35,000 population, is now the fourth-largest city in the Central Arkansas region, and Bryant, passing 20,000, has grown by a factor of twenty in just fifty years. Saline County is seeing changes that may transform it from a suburb and bedroom community into an important regional center in its own right.

Construction of the River Center is part of Benton's ambitious plan for Riverside Park on the Saline River. The Center will include a community center, basketball and volleyball courts, space for civic events, offices, exercise equipment and meeting rooms. The Park will also house a new Boys and Girls Club building and a senior center. Photo illustration credit: http://cdicon.com/project/111/benton-riverside-park

The Old River Bridge is slated for a bike-and-pedestrian conversion as part of the Southwest Trail. Photo credit: Facebook.com/southwest-trail

[1]Based on Census estimates for population on July 1, 2015, compared with Census 2010 (April 1, 2010). Rankings by Metroplan.
[2]CTPP 2009-2013. CTPP stands for "Census Transportation Planning Package," which is based on ACS data from the Census Bureau.

Benton's Downtown Initiative

One of the oldest cities in Arkansas, Benton has seen its share of history. The oldest buildings in downtown Benton date from the early 1900s, including the Saline County Courthouse (1902) and the Hughes Building (1908). Benton community leaders have banded together with the city government to establish the Benton Commercial Historic District over an area of slightly over four square blocks containing a majority of historic structures. New standards will preserve property values and encourage high-quality restoration work. Like most older U.S. downtowns, central Benton is nicely walkable, and several retailers continue trading downtown. The city government has already built a small park, and will soon construct a farmers' market. Downtown Benton aims to develop the kind of entertainment and dining activity that extends past 5 pm. Since gentrification—downtown living—has not yet arrived in a big way, property values remain low enough to provide entrepreneurial opportunities.

ACDI (Access Control Devices), a growing Little Rock-based technology company, is moving in. ACDI has about 38 workers and a niche in print management solutions and pay-for-print services. Owners Josh and Mandy Lane are moving the 21-year-old technology company back to their home town. ACDI's new corporate headquarters will occupy an old Harvest Foods site, one block north of the Historic District. Family ties are part of the attraction, along with a desire to be located in walking distance of a reviving urban center.

Benton's Courthouse square contributes to a sense of place downtown.

The downtowns in Little Rock, North Little Rock and Conway are already making successful comebacks. Benton is primed to be next. It's a good deal for taxpayers, too, since the infrastructure and service costs of walkable downtown businesses run far lower per square foot than for businesses with a low-density, parking-intensive suburban format.[1] Located in the center of a county soon to pass 120,000 population, downtown Benton is giving Central Arkansas its newest infusion of urban vitality.

Downtown retail combines variety and walkability, while costing taxpayers less to develop and maintain.

Efforts to save the historic Royal Theater continue, but downtown Benton is reviving in any case.

[1]See *Metrotrends Demographic Review and Outlook* July 2015, pp. 10-11 for a Conway case study, available at http://metroplan.org.

Riverdale Living

Familiar to many as a district of well-known locally-owned restaurants like Loca Luna, Pizza Cafe, and Buffalo Grill, the Faded Rose, Maddie's Place and Brave New Restaurant, Riverdale is also a residential neighborhood with a 2016 population of about 2,800. About 88 percent of its approximately 1,900 occupied housing units represent rental housing. While there is some single-family housing at Canal Pointe, Sherrill Heights, and a small pocket in the Lilac Terrace area, Riverdale contains about 1,719 apartment units in nine large complexes, the largest (and newest) being the 261-unit LIV Riverdale complex, completed in 2015. There are also three condo complexes.

Riverdale is also a sizeable employment center, with over 4,300 primary jobs in 2014. This job total has declined about 30 percent over the past ten years. Most of the job loss happened after Verizon bought out Alltel, which had been headquartered in Riverdale. The area's job decline is beginning to reverse, with strong growth in finance and the professional/technical/science sectors, both paying high average incomes. The area also hosts nearly 500 restaurant jobs.

Riverdale has a few single-family homes at its edges. The image below conveys the Riverdale area in three dimensions as it looked in mid-2016. Note the mix of sizeable office, commercial and housing land uses.

Riverdale is notable for its quality-of-life advantages, along the Arkansas River Trail with trail-rich parks nearby, local soccer and baseball fields, with a mix of restaurants and shops in addition to offices and apartments. Riverdale's live-work-play balance demonstrates that multifamily housing can coexist with high-quality lifestyles. Since the main constraint to future growth in Riverdale is lack of remaining developable land, over time the area could become a prime site for creative redevelopment with a higher-density mixed-use format.

The high-end LIV Riverdale complex at left is the newest addition to multi-family housing in the area. Older apartments and locally-owned retail are other features of this popular neighborhood.

Riverdale offers urban land-use diversity with a suburban feel, about a mile from downtown Little Rock.

Of Gardens and Urban Homesteads


Taking care of each other: Joy Rockenbach checks on her 95-year old neighbor, Gladys Reeves.

The Capitol View/Stifft Station neighborhood lies just west of downtown Little Rock, composed mostly of modest homes that once housed railroad workers and their families. By the early 1990s, when Joy and Lynn Rockenbach moved into the family home at the corner of Appianway and 6th Streets, there were rumors of crime and the neighborhood seemed a little shaky. Over the years, however, the community has made a comeback. Several artists' families took a liking to the homes, which were modestly priced, many featuring traditional front porches. A few years ago, a private property owner made a nearby vacant lot available for a community garden. Today the neighborhood along Appian Way remains affordable, but it's a place where people know their neighbors, walk their dogs, and share in raising cabbages, tomatoes and sunflowers. In a few cases new housing units have replaced older ones, not huge units economically "out of sight" for most middle-class people but rather affordable "green" homes designed for minimal energy waste.

The kind of redevelopment that has occurred here is organic, not the product of government policies. It offers a promising example. There are many other neighborhoods in equally convenient locations, enviably close to jobs, stores and entertainment, that remain stigmatized yet which contain good-quality housing units, where reinvestment can do more to provide good-quality, reasonably-priced housing. The New Urbanism movement is popular but high prices often exclude people outside the very highest income brackets. Perhaps part of the solution to the housing problem lies with plenty of "old urbanism" out there that can be quietly reclaimed.


Three generations of friends and neighbors: Lynn and Joy Rockenbach and the Kresse family.


A community garden brings neighbors together. Below: Housing types include well-tended older homes, an occasional duplex, and a recent restoration, as well as some new construction.




PDC Makes Affordable Housing that's Desirable, too

You might say there are two definitions for the term "affordable housing." The first refers to "housing that people can afford," i.e. generally moderately-priced market-rate housing. The second refers to housing that is tied to median household income, and is often subsidized.

Metropolitan Village in Little Rock provides affordable housing that is also safe, attractive and family-friendly.

The PDC Companies works mainly with the second kind. Many times affordable housing units evoke images of social despair, crime and urban dysfunction, but PDC communities show what can go right, thanks to close management oversight and careful planning.

> *There's a lot of good housing out there that goes on under the radar screen.*
>
> —Elizabeth Small, CEO of PDC Companies

PDC was the contractor for the twin projects Cumberland Manor and Metropolitan Village just south of Roosevelt Road in Little Rock (but does not own or manage them). With 120 units total, this community contains 50 tax credit units, 34 conventional public housing units, and 34 market-rate units. Although it thus mixes people with different economic situations, the projects provide a nice quality of life in a convenient location near downtown Little Rock. Strict tenant screening keeps crime out, allowing a safe environment for families and children. There is a community garden, used mainly to provide children an outdoor pastime with useful life lessons about work, time with nature, and nutrition. If you visit you may yearn to rent a unit, and develop a healthy, fulfilling hobby in the community garden. You might have trouble getting in, even with the market-rate units, because occupancy runs at 98 percent.

Cleveland Ellis' students learn reading skills and math in addition to gardening, nutrition and cooking. Mr. Ellis is a teacher at Central High School, as well as President of STOP (Students that Officially Patrol), a non-profit organization that helps children succeed through education and mentoring.

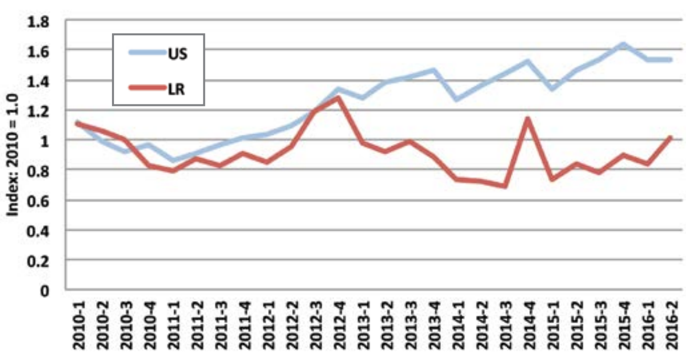
Elizabeth Small, President and CEO of PDC Companies, works to make affordable housing projects successful in Arkansas and Kentucky. PDC specializes in high quality construction, real estate and management. The company owns and manages 62 affordable housing apartment complexes, including several in Central Arkansas.

Multi-family Dominates Construction in 2015

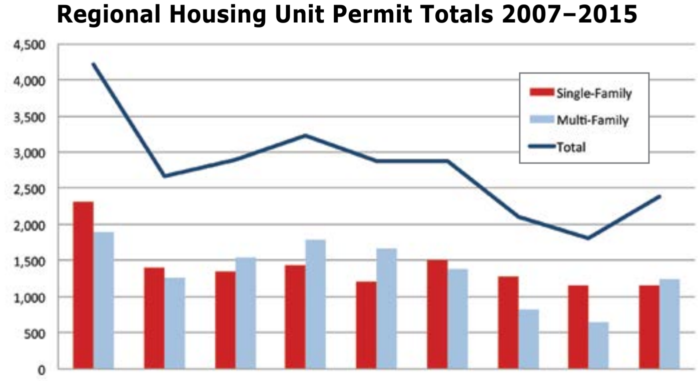
The year 2015 saw a modest pace of housing construction in the region. Total new housing starts turned up from record lows in 2013 and 2014. Single-family housing construction remained slow, however, tying 2014 for the smallest number of new starts (1,156) since 1982. The market was stronger in multi-family with 1,236 units, the highest since 2012.

Among the region's cities, single-family housing permits rose from 2014 to 2015 by the greatest amount in Cabot (+46), followed by Sherwood (+36) Conway (+26) and North Little Rock (+23). Bryant and Jacksonville saw small increases from 2014 to 2015, while single-family permits declined in Maumelle, Benton, and Little Rock. The long-term regional trend in local single-family construction (shown in the chart below) has run below the national average in recent years. Metroplan's single-family index showed local single-family running below its 2010 level throughout 2015, but rising to an index value of 1.01 in the second quarter of 2016. U.S. single-family construction has climbed since 2010, hovering around 1.56 in early 2016 (in the index on construction activity in the year 2010=1.0).

Quarterly Single-Family Construction 2010–2016 Q2



Regional Housing Unit Permit Totals 2007–2015



Multi-family construction accounted for about 7 percent more units than single-family during 2015. The largest project was a 612-unit complex in Benton. Little Rock saw 457 units started, including 223 additional units at Bowman Pointe on Bowman Road, and 170 units at Panther Branch on western Kanis Road. In addition, a 36-unit small complex was begun in September on Rock Street near the River Market District. Small duplex and triplex projects were also begun in Cabot and Conway.

New Housing Unit Permits by City 2012–2016

Single-Family

	2012	2013	2014	2015
Benton	200	201	203	160
Bryant	143	110	73	79
Cabot	101	97	50	96
Conway	187	148	119	145
Hot Springs Vill.	45	72	40	60
Jacksonville	100	31	32	43
Little Rock	395	353	360	318
Maumelle	76	76	98	35
N. Little Rock	155	103	70	93
Sherwood	144	158	151	187
Total	1,501	1,277	1,156	1,156

Multi-Family

	2012	2013	2014	2015
Benton	24	8	0	632
Bryant	26	0	0	0
Cabot	308	0	11	29
Conway	144	152	67	10
Hot Springs Vill.	0	0	0	0
Jacksonville	8	2	14	0
Little Rock	275	265	556	457
Maumelle	108	0	0	108
N. Little Rock	488	396	4	0
Sherwood	0	0	0	0
Total	1,381	823	652	1,236

Units by Type and Overall Total

	2012	2013	2014	2015
Single-Family	1,501	1,277	1,156	1,156
Multi-Family	1,381	823	652	1,236
Total	2,882	2,100	1,808	2,392

Note: regional totals above exclude Hot Springs Village, which overlaps into Garland County.

Early 2016 saw additional multi-family permits, with 40 units on Rich Smith Lane in eastern Conway, and about 60 new units under construction in North Little Rock's Argenta district. Developer Keith Richardson got approval to start 242 additional units on Bowman Road, but Little Rock's city board also voted to impose a one-year moratorium on additional apartment construction along Bowman Road, to allow time to evaluate traffic and land-use impacts. Changes in economics, lifestyles, and generational demographics are favoring growth in rental living.

Housing Solutions

Most readers know the meaning of NIMBY, or "Not In My Back Yard." Similar but more facetious acronyms like LULU ("Locally Undesired Land Use") and BANANA ("Build Absolutely Nothing Anywhere Near Anybody") give an ironic twist to a serious matter: the recurring urban land use conflict between existing property owners and new developments.

A new single-family home goes in at Rockwater Village, adjacent to an apartment complex.

Demand for multifamily housing is stronger at present than for new single-family, a factor which is driving apartment construction like this complex along Bowman Road.

Despite opposition in some situations, new housing is good for a metro area's overall health. The residents of a new apartment complex, for example, typically boost a region's economy by performing work and producing incomes. Proximity is important, due to "agglomeration economics," i.e. the benefits in lower shipping costs, shorter commutes, and information exchange that accrue in higher density areas. Zoning and regulation that cause excessive separation of uses can thus be harmful to the general economy.[1] Zoning isn't going away, though. Those who oppose it in principle often come back to it when their own property values are put at risk.

Faced with a gap in affordable housing, many larger metro areas have created so-called "inclusionary zoning" laws that require developers to build a certain number of affordable units with each project. Unfortunately, these seem to add additional regulatory burdens (and costs) without substantially increasing the supply of affordable units.

A better answer may be to avoid regulatory battles through proactive development - public/private cooperation that emphasizes place-making in locations where opposition is likely to be less. Urban sites with quality-of-life advantages like trails, parks, and proximate retail in urban settings tend to be competitive, while generating less controversy than those set in suburbs among sizeable existing single-family neighborhoods.[2]

Looking toward the future, cities need to make ample provision for multi-family housing in their land use plans. Proactive public-private partnerships can employ strategic site-development investments first, then phase in housing development. Putting the multi-family housing in first, then building single-family that is attracted to high-quality amenities like trails, parks and retail, can be a prescription for successful development that provides a wide range of housing price-points.

Large apartment complexes which many developers prefer tend to generate the most opposition and aren't necessarily affordable. Many cities have flexed their zoning codes to allow

Continued on page 16

[1] Glaeser, Ed and Joseph Gyourko. "The Impact of Zoning on Housing Affordability." *NBER Working Paper 8835*, March 2002.
[2] To give examples, the Longhills in Benton includes (and is built around) in an insolvent former golf course. Other examples include LIV Riverdale and the Riverside at Rockwater sited near major employers and retail opportunities.
[3] Duany, Plater-Zyberk and Speck, *Suburban Nation*. North Point Press, 2000.

"granny flats" or secondary housing units on a single-family lot. The secondary housing unit tends to be more affordable, increases density and can be built so as not to disturb the single-family character of the neighborhood.

In many cases, the solution may involve the sort of "organic" redevelopment in the Capitol View area described on page 12. Many older Central Arkansas neighborhoods have vacant units, empty lots, and depressed values. Such under-valued housing has potential to revive with a combination of local activism, small-scale private investments, and relaxation of outdated local zoning codes that sometimes restrict redevelopment. Older urban areas also have leftover sites zoned commercial and industrial which can be reclaimed for mixed-use redevelopment.[3] There is no lack of so-called "grayfields" of empty parking space that can be profitably transformed into neighborhoods and homes.

[3] Duany, Plater-Zyberk and Speck, Suburban Nation. North Point Press, 2000.

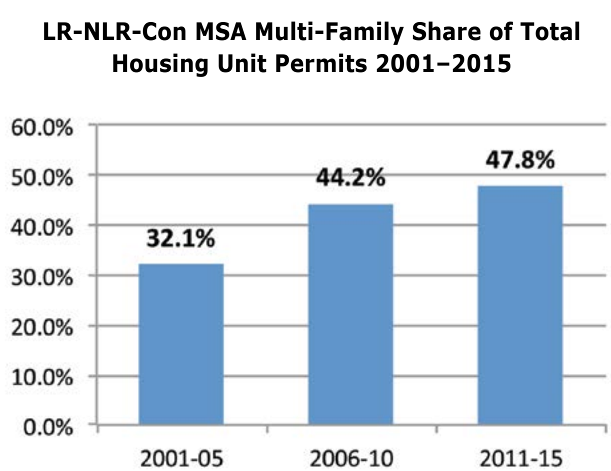
Demographic and Housing Outlook 2016

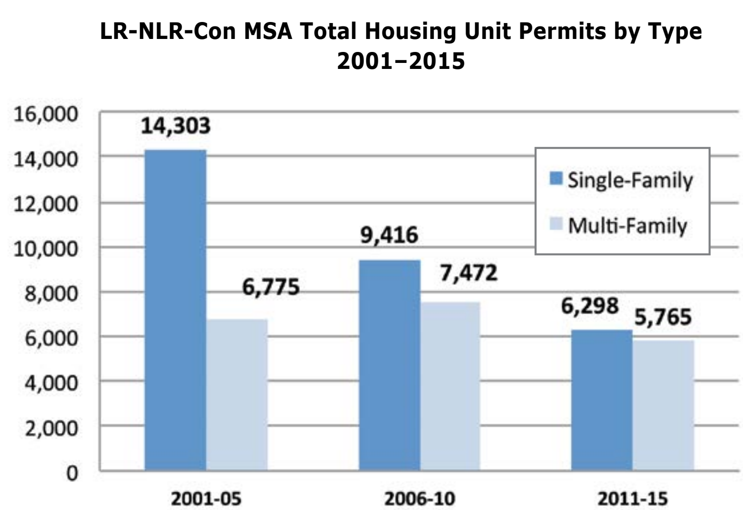
As the statistics in this report show, the housing market and economy in Central Arkansas have been growing slowly in recent years. This has been coupled with slower population growth since 2010, and reduced change to the area's ethnic mix. Recent figures make it clear that the region's share of homeownership has taken a hit, while rental housing has grown commensurately.

The future owner/renter balance is difficult to predict, but a continued shift toward multi-family seems likely in light of economic and demographic factors. Median household income in Central Arkansas declined 2.6 percent from 2010 to 2014, a bigger hit than the 0.3 percent decline for U.S. median incomes.[1] By 2014, ACS data showed two-thirds of local households with two or fewer persons, a higher share of small households than the national average.

A 36-unit Moses-Tucker project nears completion along Rock Street, in walking distance of the River Market District.

The Little Rock-North Little Rock-Conway metro retains comparatively low housing costs. This is particularly true for single-family homes, with local owners paying about 76





[1] ACS 2010 and 2014 one-year data, inflation-adjusted by Census Bureau.
[2] ACS 2014. Owner data refers only to units with a mortgage.

percent of the U.S. average, while local renters pay about 82 percent.[2] Lower-than-average housing costs may work to the region's advantage with housing costs soaring again in many larger metro areas, particularly coastal ones.

In land use controversies, it is easy to sympathize with homeowners concerned for protecting their lifestyles and property values. Yet the need for moderately-priced rental units is less visible and typically less well-represented in the municipal political process.[3]

From 1950 to 2005, America's homeownership rose from 55 percent to 69 percent. By 2015 it had fallen to 63 percent—the lowest since the 1960s—and seemed headed further downward... Half or more of the new housing demand to midcentury may be for rentals. Many of us have overemphasized home ownership in our planning.

—Arthur C. Nelson, "The New Home Ownership Reality," *Planning* June 2016.

Infill sites in more urban-type areas hold advantages, despite occasional conflicts with historic district zoning and complications assembling projects from multiple small lots. Sizeable portions of downtown Little Rock, for example, have little single-family housing nearby and hence fewer conflicts over land use, partly explaining the success of multi-family development there. Other multi-family opportunities might be found in older neighborhoods just a short distance out from current redevelopment hot spots, not just in downtown Little Rock and North Little Rock but also near downtown Conway and possibly Benton. Other recent multifamily successes like Little Rock's Park Avenue Center with 258 units in a revitalized retail-rich "dead mall" site, and LIV Riverdale with 216 units sited in a neighborhood with ample retail and recreational amenities, may hint at the region's multi-family future.

Local unemployment is down to about 3 percent, nearly two points below the U.S. average and its lowest in over twenty years. Job growth remains modest but steady. Local single-family housing permits have ticked up in early 2016. Weakened job growth at the national level suggests caution, but if forthcoming statistics confirm the early local indicators, the prospect for local growth remains positive.

Rockwater Village in North Little Rock is seeing high value single-family units built adjacent to the 264-unit Riverside at Rockwater apartment complex, located on the Arkansas River Trail.

Components of Population Change
Little Rock-North Little Rock-Conway MSA 2016

	January 1, 2016	April 1, 2010	Change	Births	Deaths	Natural Increase	Net Migration
Faulkner	122,580	113,237	9,343	8,862	4,964	3,898	5,445
Grant	18,102	17,853	249	1,126	1,097	29	220
Lonoke	72,483	68,356	4,127	5,525	3,458	2,067	2,060
Perry	10,189	10,445	(256)	609	694	(85)	(171)
Pulaski	395,952	382,748	13,204	32,270	20,135	12,135	1,069
Saline	117,307	107,118	10,189	7,698	5,793	1,905	8,284
MSA	736,613	699,757	36,856	56,090	36,141	19,949	16,907

Sources:
Birth and death data from Arkansas Department of Health; all figures for recent years are provisional and subject to minor changes. Metroplan extrapolations for 2015.

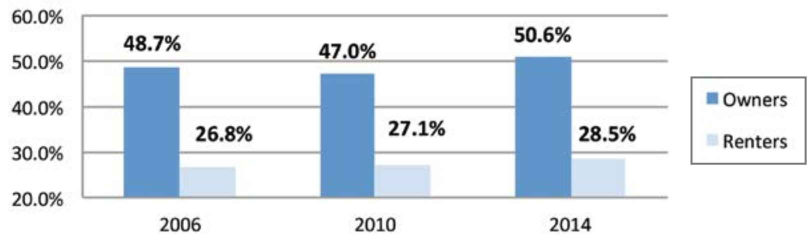
[3] David Schleicher, *Yale Law Journal*, May 2013.

Statistical Supplement

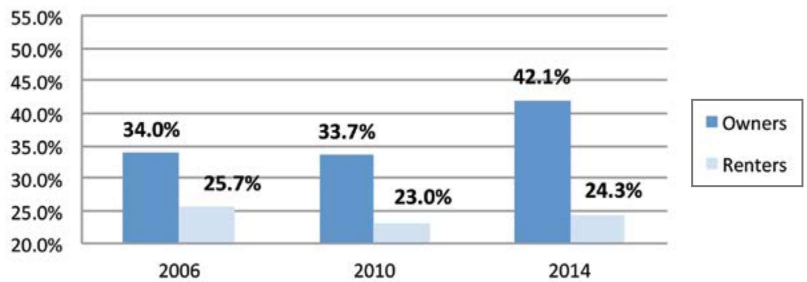
The tables and charts on this page are aimed at hard-core data users. They give some extra depth and insight into housing issues. The charts at right give a rough measure of local housing affordability in comparison with the national average. The chart at top right shows the share of households in Central Arkansas paying 20 percent or less of their income on housing, for owners and renters in the years 2006, 2010 and 2014. The chart below it gives comparable overall U.S. statistics. As you can see, over half of all owners and more than a quarter of all renters in Central Arkansas paid less than 20 percent of their incomes on housing in 2014. For the U.S. as a whole, only 42 percent of owners and 24 percent of renters had the same comparatively low costs. In short, housing costs are easier on many Central Arkansas residents, especially owners. While income growth has been lackluster, affordability has improved somewhat at local and national levels in recent years.

The chart at middle right compares renter share of housing for cities in Central Arkansas in 2000 and 2010. The chart uses decennial census complete-count data, somewhat more accurate than the sample-based ACS. As you can see, in 2000 Bryant had the smallest share of rental housing and Jacksonville the highest. The share of rental housing had grown in almost all cities by 2010 (and continues to grow overall) but Maumelle had the lowest share, and Conway the highest. The table at bottom gives the complete-count owner/renter figures from Census 2010.

LR-NLR-Con MSA Households with Housing Cost Under 20 Percent of Income

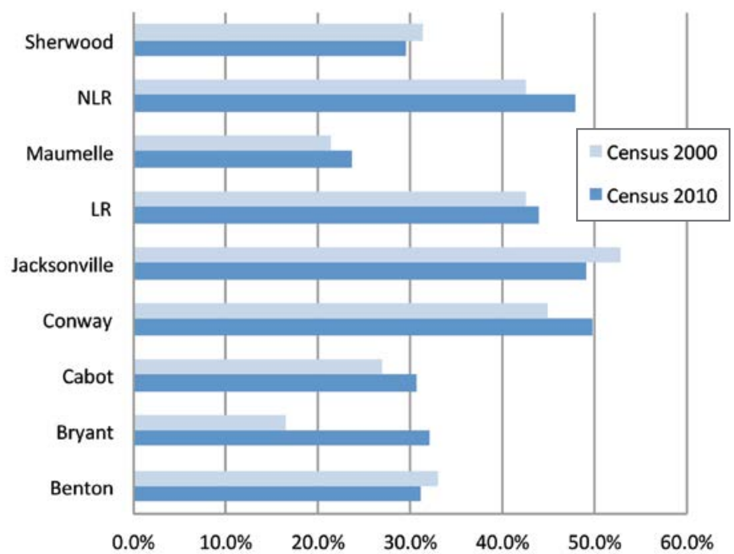


USA Households with Housing Cost Under 20 Percent of Income



Source: American Community Survey one-year data.

Renter Share of Housing



Source: Decennial Census 2000 and 2010.

Census 2010 Housing Owner/Renter Stats for Largest Cities in Central Arkansas

	Benton	Bryant	Cabot	Conway	Jacksonville	LR	Maumelle	NLR	Sherwood
Units	12,902	7,106	9,107	24,402	12,412	91,288	7,179	29,437	12,924
Occ Units	11,834	6,733	8,599	22,399	10,936	82,018	6,931	26,530	12,207
Owner	8,163	4,572	5,960	11,236	5,574	46,078	5,294	13,834	8,606
Renter	3,671	2,161	2,639	11,163	5,362	35,940	1,637	12,696	3,601
Renter Share	31.0%	32.1%	30.7%	49.8%	49.0%	43.8%	23.6%	47.9%	29.5%

Source: Decennial Census 2010.

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