
Market Analysis of Growth Driven Opportunities and Development Potential Cleveland, Texas



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Executive Summary

Research Objectives

The purpose of the Market Analysis of Growth Driven Opportunities is to assess development potential for the City of Cleveland, Texas. This study combines several primary and secondary research methods used to support the conclusions and recommendations presented throughout. The results of this study should provide the basis for an actionable growth management plan designed to address current and future needs of development in the City of Cleveland.

Demographic/Economic Trends

The economic and demographic trends affecting Cleveland play a core role in the assessment of market demand for various land uses. The economic climate impacts the income of area residents and the nature of demand for commercial land uses. Demographic trends shape the type and makeup of the City's population, determining demand for housing and retail uses. Key findings that impact The City of Cleveland include:

- ❖ Strong historical population growth, particularly in the period from 1990 to 2000 (31.8%)
- ❖ Anticipated population growth within the Market Area of over 6,000 in the next five years
- ❖ Residents of the City of Cleveland and Cleveland Market Area are less educated than the Houston MSA and the State of Texas
- ❖ Median income for Cleveland has increased by 21% over the past nine year period
 - Income levels in Cleveland are expected to rise by an additional 8% over the next five year period
- ❖ However, income levels in Cleveland are lower than those for Liberty County as a whole and the State of Texas as well
- ❖ Liberty County unemployment is higher than the other Market Area counties of Montgomery and San Jacinto
 - After an increase that occurred through mid 2009, unemployment rates in Liberty County have remained fairly level
- ❖ Cleveland and the surrounding Market Area have a strong base of service and retail workers
 - Although total employment has decreased slightly over the past five year period, services workers, including educational and health services, have gained nearly 5% over the same period
- ❖ Future expectations, as predicted by the Houston-Galveston Area Council, estimate an increase of more than 700 new jobs within the Cleveland ETJ over the next ten years

Market Analysis – Commercial/Retail

The Cleveland commercial market is currently limited. Comments on the current commercial conditions in Cleveland were expressed throughout the interview process. In addition, respondents to the employee survey expressed a general feeling that the commercial corridors were not aesthetically welcoming to potential patrons.

Although there has been some new commercial building activity over the last five years, as evidenced by permits, it has been modest in both quantity and value. Specific permit data was not made available to CDS. However, evidence suggests that a large portion of these permits are for additions rather than new commercial structures.

Decreasing sales, increasing sales leakage and an obvious desire for more retail choices indicated through the Cleveland employee survey make a strong case for additional retail offerings in Cleveland. The Humble area was indicated as the currently benefiting the most from leakage away from Cleveland. Specific responses in the survey indicated an overwhelming desire for Target, Chili's, JC Penny, Olive Garden and Kohl's.

One factor that has the potential to limit the addition of new commercial development in Cleveland is the current asking prices of some of the smaller commercial land parcels. Higher than supportable land prices could lead to lost opportunities for the City of Cleveland. However, asking prices for larger commercial tracts are in line with recent sales comparables.

Although the floodplain and floodways in and around Cleveland act as a constraint to development in some areas, proper usage of these "wet" areas could be featured as an amenity well planned development. Developments of this type of nature would have to be carefully planned, but the benefits of turning this current constraint into an amenity could be very valuable to the City of Cleveland.

Market Analysis – Industrial

Cleveland has, and for the foreseeable future will continue to have, a strong working class population. This existing labor force is a key to the success of the city and should help the city when trying to attract new industrial businesses. The combination of the current labor force and construction ready industrial development sites will greatly aid Cleveland in attracting new manufacturing, warehousing and other industrial type jobs. If these sites were made available and correctly marketed there is good potential for increased industry and employment for Cleveland.

Market Analysis – Hospitality / Lodging Facilities

CDS identified three traditional standard market facilities, totaling 145 rooms, and four non-standard facilities with 78 rooms. The operating statistics for standard market facilities located in the market area show strong performance and a healthy market overall. Measures of Average Daily Rate (ADR) and Revenue per Available Room (RevPAR) have both been on the rise since the addition and market acceptance of two new facilities. In response to these strong market indicators, two new facilities are currently under construction with scheduled completion in late 2010 or early 2011.

A demand analysis for lodging showed that when the two new facilities are completed, the City of Cleveland will be over supplied. However, the Market Area, for which Cleveland serves as a hub, has a lack of sufficient lodging establishments for this larger area. This analysis is based on comparing

Cleveland and the Market Area, to the State of Texas and the City of Houston, by a ratio of hotel rooms to total population and employment in the area.

In this analysis CDS, identified the potential for additional meeting space/conference facilities in the area. . The largest available meeting space is the Cleveland Civic Center which is reported to be booked for every weekend through 2012. Other smaller facilities indicate strong bookings as well.

Strong performance suggests that the Cleveland Market Area can support an additional Hotel/convention center with meeting space. However, the City of Cleveland should be selective in order to gain the right type of facility that will provide the greatest benefit to Cleveland.

Market Analysis – Residential

Single family residences represent 74.3% of the homes in the City of Cleveland and 96.1% of the housing stock in the Market area. The Mobile Home or Trailer category, which is included in single family residences, represents 11% of total housing in the City of Cleveland and 37% of housing for the entire market area.

Single Family

The median age of housing structures in the City of Cleveland is 37 years old. Other than the few lots still available for development in Kirby Woods and infill lots located throughout the city, there are no other housing opportunities of scale available within the city at this time. The median year built for housing in the market area is 1985 (25 years old).

Median values of existing housing stock within both Cleveland and the Market Area have increased over the last nine year period. However, values in the area outside of the City of Cleveland have had greater increases. According to data for 171 resale properties sold through the multiple listing service, the average resale price in the City of Cleveland has maintained a fairly consistent level around the \$75,000 mark. However, there have been a scattering of home sales over \$150,000 within the last five and a half years as well.

Throughout the interview process when participants were asked about housing preference and opinions in the local market, CDS learned a major factor in the decision of where to locate was the perception of the Cleveland school district. The historically negative perception of Cleveland ISD has steered many new residents of the area to live outside of the City of Cleveland in the Tarkington School District, which has been historically regarded more highly. CDS has learned through our data collection and personal interviews that the once true perception of the Cleveland school district is no longer a fact, but is a current misrepresentation of a once true statement. In recent years school officials and administrators have implemented programs and have begun leading with a different mentality that has changed the performance and ratings of schools within Cleveland ISD. Continuance and promotion of this change is very important to the future of the single family market in the City of Cleveland.

Multiple potential new residential developments are currently in some stage of proposal or planning within or directly adjacent to the City of Cleveland. These include properties know as the Whitetail Tract, Liberty Motor Sports Park, NAFTA Park, and other potential developments that have not yet been named. CDS is of the opinion that there is good potential for new residential development in Cleveland if the strategic recommendations outlined in this report are followed. Additionally, results from the employee survey have illustrated current demand for 143 homes within Cleveland. The largest portion

of this demand was illustrated within the price point of \$125,000 to \$174,000. However, CDS feels each of these potential new developments would necessitate an independent market study to ensure correct product type and price points are determined, and to further examine the depth of the market.

Multifamily

CDS identified nine multifamily properties within the City of Cleveland. These nine properties include a total of 561 units and have a median age of 27 years old. Occupancy in these apartment communities is very strong with a weighted average occupancy of 97%. Reported rent levels vary by unit and complex but range from roughly \$400 to \$750, with a weighted average of \$583.

Of the nine multifamily properties in Cleveland CDS was able to complete personal interviews with owners or property managers of eight of these. From this interview process CDS learned that of the eight responding complexes, six of them accepted some type of subsidy program or rental assistance. The two complexes that were reported to be market rate only were Sleepy Hollow and Pine Hollow. It appears that the proportion of subsidized apartments is higher than would be expected in a community such as Cleveland.

Analysis of current market performance shows strong indicators that additional multifamily units would likely be well received in Cleveland.

Online Employee Survey

An online employee survey was conducted based on a random sampling of major employers within the Cleveland area. The sampling concluded with 362 respondents in Cleveland which includes approximately 22% of all employees from the employers who participated. The purpose of this survey was to perform an independent and comprehensive analysis of residential and retail shopping behavior to determine where residents live, what type of dwelling they live in, value of dwelling, where they typically shop, why they go outside of Cleveland retail areas, what specific stores are missing or underrepresented in Cleveland. Surveyed respondents were asked:

- ❖ Where they work and live
- ❖ Value of home/residence, own or rent status
- ❖ Attractiveness of various existing stores and restaurants in Cleveland
- ❖ Frequency of shopping at various retailers outside of Cleveland
- ❖ Ratings of the selection of retail and restaurants available in Cleveland
- ❖ Desired retail and restaurants not currently located in Cleveland
- ❖ Demographic information including age, sex, education level, marital status

Highlights of the survey include the following findings:

- ❖ An overwhelming 74% of survey respondents do not live in Cleveland
- ❖ Cleveland employees ranked geographic proximity to work, family and friends are the highest among all responses when asked why they like living in Cleveland
- ❖ Survey respondents who are residents of Cleveland indicated a strong desire to have more retail shopping, restaurants and entertainments venues

- ❖ When employees were asked where they shop and dine out most often, with the exception of grocery shopping for current Cleveland residents, the majority of responses mentioned locations other than Cleveland
- ❖ The highest share of shopping done outside of Cleveland was for clothing
- ❖ The survey indicated that there is substantial retail spending leakage outside of Cleveland
- ❖ Humble has been indicated as the obviously preferred dining location by survey respondents
- ❖ Although Cleveland currently has a Wal-Mart there has been strong indication from survey response that a Target would be well received in Cleveland
- ❖ Other top mentions include apparel, hardware/lumber, and outdoor sporting goods stores. All of which have also been indicated in the Retail Opportunity Analysis
- ❖ Chili's was an overwhelming favorite amongst survey respondents when asked what restaurant employees would like to see open in the Cleveland
- ❖ Of the 26% of respondents who indicated movement in the next one or two year period, the majority are planning on upgrading their homes
- ❖ Out of a total of 235 responses to the applicable question, 61% (143 respondents) indicated they would purchase a new construction home in Cleveland
- ❖ However, when asked what type and the specific location of a home 41 people said they would currently purchase a home in or near the City of Cleveland

Strategic Recommendations

Below is a summary list of strategic recommendations CDS is offering for consideration by the City of Cleveland and the Cleveland Economic Development Corporation.

Retail

- ❖ The City of Cleveland should make efforts to pursue retailers noted in the survey results and in data provided from Retail Lease Trac
- ❖ The City of Cleveland should form a public private partnership with a separate funding source dedicated to improvement and beautification of downtown Cleveland
- ❖ The City of Cleveland should engage in a downtown façade improvement grant program.
- ❖ Cleveland should use city regulations to improve the appearance of the retail corridors
- ❖ Cleveland should invest in planning and infrastructure to create quality development ready commercial sites along the US 59 and SH 105 corridors

Industrial

- ❖ Cleveland should make efforts to build an industrial park and promote the park as well as the current labor base in order to attract new industrial employers

Hospitality / lodging facilities

- ❖ Cleveland should carefully consider and review any potential new hotel/convention center projects before granting approval

Single family

- ❖ The City of Cleveland should diligently continue current efforts by code enforcement officials
- ❖ The City of Cleveland should develop and implement a marketing program emphasizing school quality
- ❖ The City of Cleveland should encourage quality infill development

Multifamily

- ❖ The City of Cleveland should diligently enforce city codes at multifamily properties
- ❖ Effort should be made to discourage additional subsidized multifamily units within the city of Cleveland
- ❖ Cleveland should selectively approve multifamily projects based on achieving desired market characteristics and project features

Additional Strategic Recommendations

Potential for recreational amenities

- ❖ Cleveland should give consideration to construction of a public recreational complex and family sporting facility
- ❖ The City of Cleveland should capitalize on the natural and ecological amenities located around the city

Additional municipal plans and guidelines

- ❖ Cleveland should consider creation of an infrastructure and utilities master plan and clear development guidelines and standards
- ❖ Cleveland should consider execution of an interlocal agreement and municipal partnership with the City of North Cleveland based on mutually beneficial goals

Overall community beautification

In addition to code enforcement and specific recommendations presented in other sections, below are some State Sponsored programs for possible beautification program participation.

- ❖ **Highway Beautification** – Texas Department of Transportation has in the past provided funding for landscaping along state highways
- ❖ **Keep Texas Beautiful** – Texas Department of Transportation awards grants for this program
- ❖ **GO TEXAN** – Rural Community Beautification Program of the Texas Department of Agriculture (TDA) that provides grants for small community downtown beautification efforts on a competitive basis

Additional marketing and publications

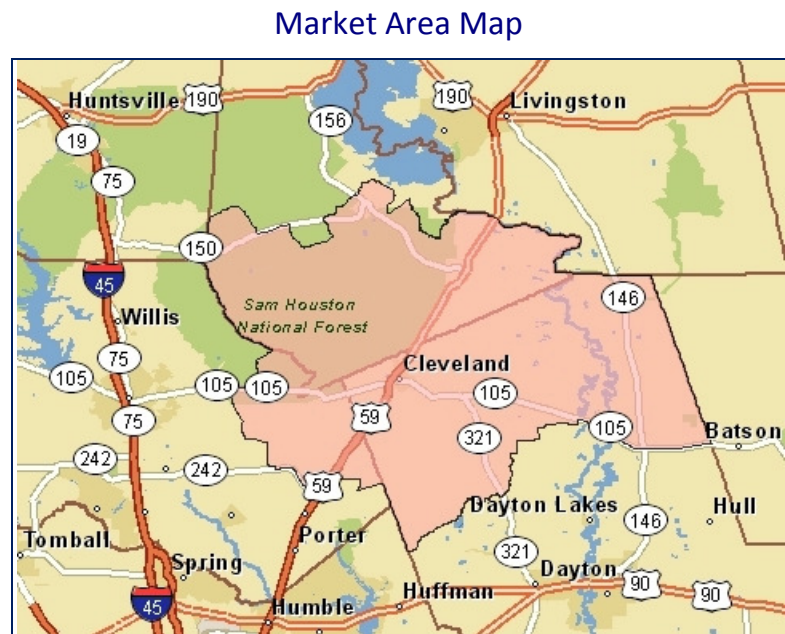
- ❖ Cleveland should add all available for sale and lease properties to www.texassitesearch.com
- ❖ Cleveland should complete the steps necessary to get on the State of Texas Designated Community Economic Development (DCED) Organizations list

Research Objectives

The purpose of the following report is to assess growth driven opportunities and development potential for the City of Cleveland, Texas. This study combines several primary and secondary research methods used to support the conclusions and recommendations presented throughout. The results of this study will provide the basis for an actionable growth management plan designed to address current and future needs of development in the City of Cleveland.

Market Area

For uniform comparison of data and statistics a Market Area, which we consider to be a primary trade area, has been determined for this study. The shape of the area is a compilation of statistical areas known as block groups. Block Group units have been used primarily for the purpose of the uniform comparison opportunities. Several sources of data are available at this discrete level, including population, demographic, economic, business and employment information. Therefore, for these purposes the trade area has been delineated as seen in the rose color in the map to the right.



Sources: PCensus for MapInfo; CDS Market Research

CDS considers the study area to be representative of a reasonable commercial trade area which the City of Cleveland could expect to draw from on a regular basis. However, this is only the primary trade area and is to be considered as the base area from which demand could be drawn. Exceptions to this would include any development or venue that might provide a unique good or experience with a regional or even larger (i.e. State or National) draw, depending on the type of product and nature of its drawing power.

Cleveland City Limits and ETJ Map



Sources: CDS Market Research

Demographic/Economic Trends

The economic and demographic trends affecting Cleveland play a core role in the assessment of market demand for various land uses. The economic climate impacts the income of area residents and the nature of demand for commercial land uses. Demographic trends shape the type and makeup of the City's population, determining demand for housing and retail uses.

Population / Households

The most basic measurements of the Cleveland Area's demographic characteristics are its population and household levels. Changes in population, coupled with trends in household size, determine the number of households, which translates into the demand for both housing and commercial land uses including retail. The tables to the right present historical and projected future population and household data for the City of Cleveland, Cleveland Extra Territorial Jurisdiction (ETJ), and the market Area which has been defined for the purposes of this study. A map identifying the City of Cleveland (in brown) and the ETJ (red outline) can be found on the previous page.

From 1990 to 2000, the Cleveland area enjoyed a period of significant growth, most notably in the Market Area. Since that period the City and ETJ areas have leveled off to a slow growth pace. On the other hand, the population in the Market Area has continued to grow an impressive pace. Though this pace has slowed in more recent periods, there has still been impressive growth in the area's population and households. Population projections show an expectation for growth in all illustrated areas. However, the most significant growth is expected to continue outside of the City of Cleveland and ETJ. This growth is expected to increase the population in the Market Area by over 6,000 people from the current population estimate. Nearly 2,000 additional households are anticipated in the Market Area over the same period.

Cleveland Area Population Trends

Population	Cleveland	Cleveland ETJ	Market Area
2014 Projection	7,939	11,554	69,446
2009 Estimate	7,793	11,250	63,415
2000 Census	7,605	10,896	53,464
1990 Census	7,132	9,274	40,579
Growth 2009-2014	1.9%	2.7%	9.5%
Growth 2000-2009	2.5%	3.2%	18.6%
Growth 1990-2000	6.6%	17.5%	31.8%

Sources: PCensus for MapInfo; CDS Market Research

Cleveland Area Household Trends

Households	Cleveland	Cleveland ETJ	Market Area
2014 Projection	2,713	3,909	23,834
2009 Estimate	2,673	3,830	21,868
2000 Census	2,645	3,771	18,632
1990 Census	2,490	3,226	14,228
Growth 2009-2014	1.5%	2.1%	9.0%
Growth 2000-2009	1.1%	1.6%	17.4%
Growth 1990-2000	6.2%	16.9%	31.0%

Sources: PCensus for MapInfo; CDS Market Research

Educational Attainment

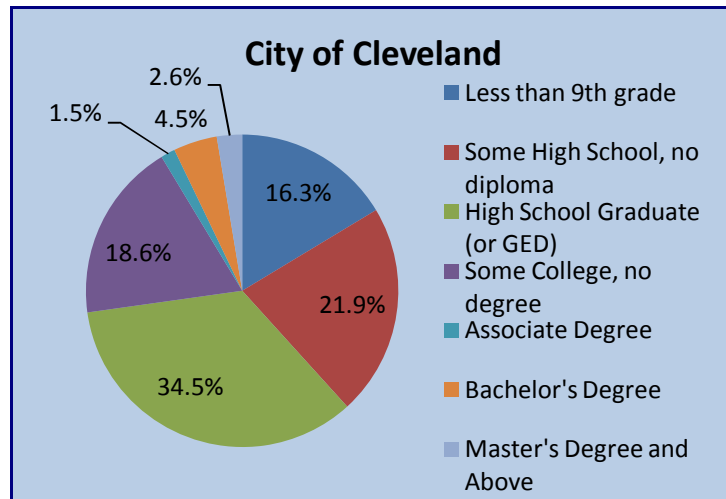
Educational levels for the City of Cleveland and the Cleveland market area are illustrated in the two pie charts to the right of this page. These figures represent education of the population age 25 and older by place of residence.

The two cohorts which comprise the largest portion of education in both areas are the High School Graduate (or GED) and the Some High School, no Diploma categories. Within the city limits of Cleveland these two groups comprise 56.4% of the total population. This combined figure is 61.6% for the Market Area. In both comparison areas the largest single category of educational attainment is High School Graduate (or GED).

The share of population that has not obtained a high school diploma within the City of Cleveland totals 38.2%. Those holding a college degree, including associates through doctoral categories total 8.6% for the same area.

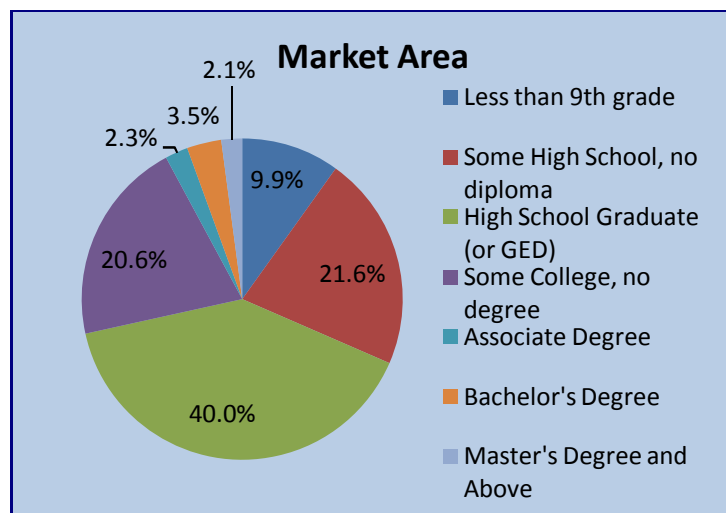
Population in City of Cleveland has somewhat higher levels of education than the market area but both areas of comparison are significantly lagging compared to the Houston MSA and the State of Texas. Figures for the Houston MSA show 22.9% of the population has no High School diploma and 32% have a college degree, and in the State of Texas population 23.4% have no high school diploma, and 29.6% of the population in Texas has a college degree of some type.

City of Cleveland Educational Attainment



Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Market Area Educational Attainment



Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Income

Income levels and the mix of incomes in a geographic area are important factors of demand for all types of retail products and commercial land uses. Historical and projected figures for income in the Cleveland area are presented in the table below. With respect to median income, the past nine year period has shown significant growth of 21% (Cleveland) to 27% (Market Area), with additional expected future growth of 8% to 11% in the same areas.

Household Income Trend

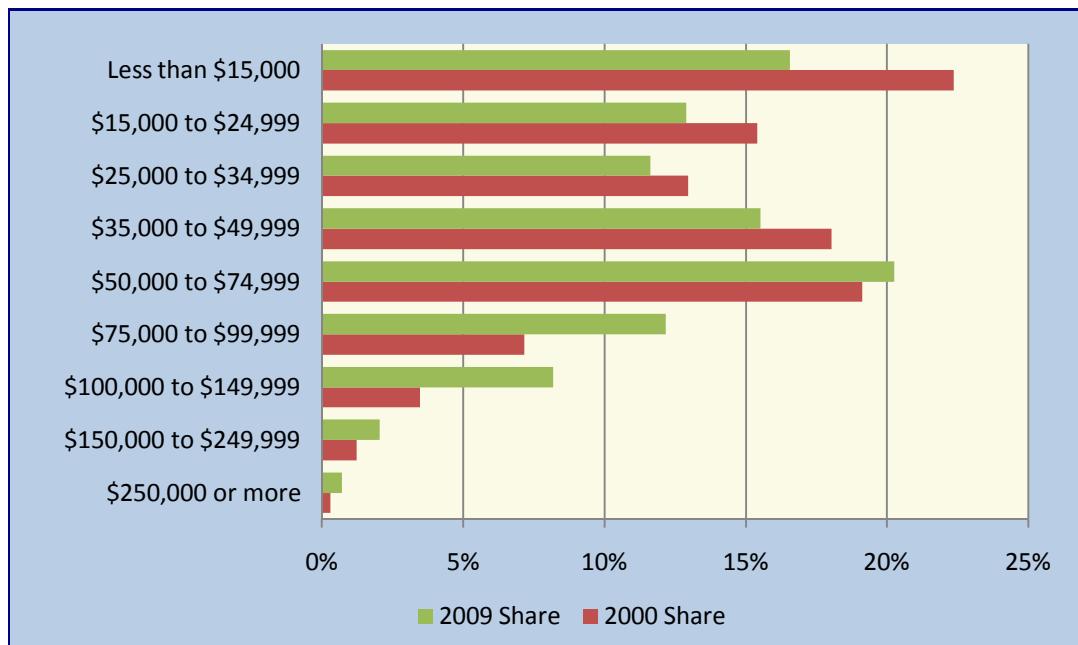
	Cleveland	Cleveland ETJ	Market Area
2000 Census Average Household Income	\$ 37,686	\$42,665	\$42,207
2000 Census Median Household Income	\$ 24,106	\$ 28,993	\$ 34,450
2009 Census Average Household Income	\$ 43,680	\$ 49,850	\$ 53,729
2009 Estimated Median Household Income	\$ 30,246	\$ 35,005	\$ 43,625
2014 Projected Average Household Income	\$ 48,571	\$ 55,330	\$ 60,222
2014 Projected Median Household Income	\$ 32,645	\$ 38,920	\$ 48,080

Sources: PCensus for MapInfo; CDS Market Research

Income distributions for the Market Area have been provided in the chart below for both the 2000 census data and the current 2009 estimates. This chart helps to visualize the changing of the income distribution from being weighted fairly heavily in the lower income portion of the ranges in the year 2000, toward being distributed somewhat more in the middle ranges of income in the current 2009 estimates.

Comparing Cleveland to Liberty County and the State of Texas, with respective 2009 median incomes of \$47,262 and \$48,479, shows that while the market area as a whole is somewhat comparable, the City of Cleveland could still be characterize as lower income in comparison.

Market Area Income Distribution

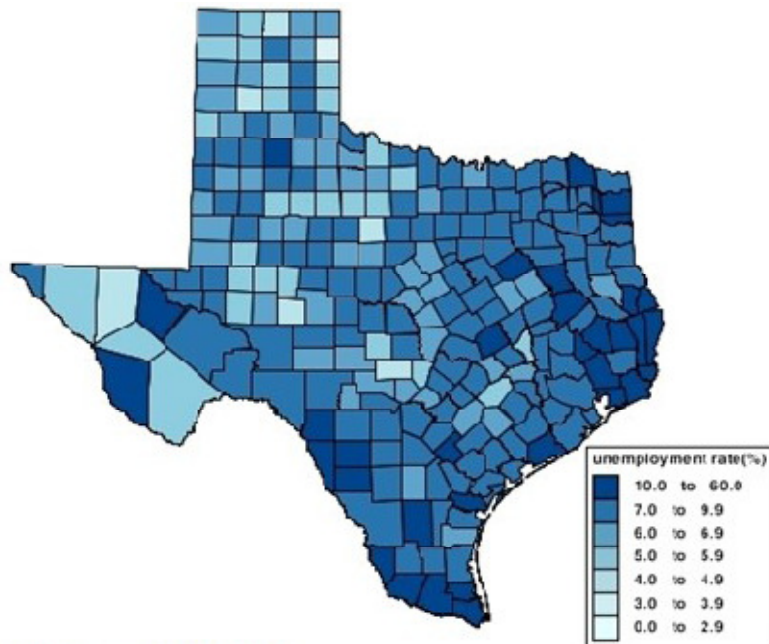


Sources: PCensus for Map Info; CDS Market Research

Employment

In most locations, the local employment base is the most important underlying factor in analyzing the demand for real estate products. Employment is also the principal driver of population and household trends in most cases. Different types of employers and their workforce demand a variety of different housing stock, retail store mixes, office and industrial structures, as well as recreational and hospitality uses. Although not the sole underlying factor to determine real estate demand, employment trends are a good base for initial analysis and indicator of future needs.

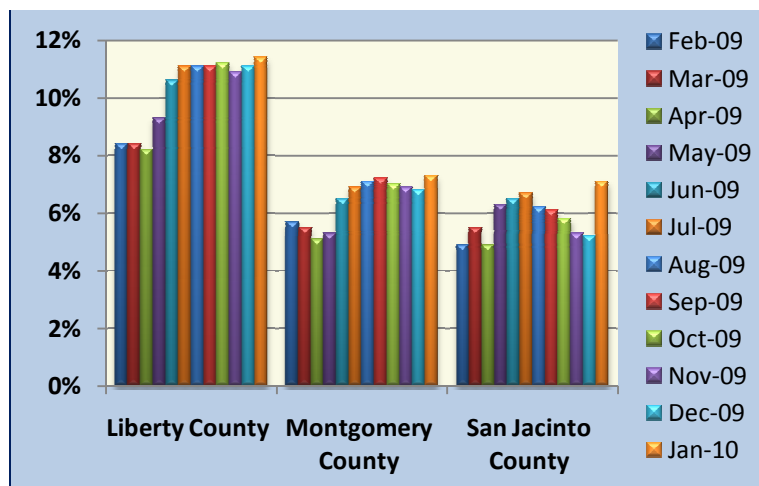
Texas Unemployment by County – February 2010



Source: Bureau of Labor Statistics

The current state of the national economy has taken a well known toll on employment figures across the nation. In the beginning of the current national economic struggles Texas was not affected greatly. However, effects are certainly now being felt in the State of Texas, and more locally the Market Area for this study. Overall the State of Texas has held to lower unemployment figures than that of the nation thus far. As of February, 2010 that is still the case as Texas holds an unemployment rate of 8.2%, compared to 9.7% for the nation as a whole. Unemployment levels throughout the state of Texas are displayed in the graphic above which illustrates a comparison among all counties as of February 2010.

Unemployment in Market Area Counties – February 2010



Source: Bureau of Labor Statistics

In comparison to the Nation, and the State of Texas, Liberty County currently has a higher current unemployment level at 10.8%. However, as shown in the chart to the left, the recent 12 month unemployment trend for Liberty and the neighboring Market Area counties of Montgomery and San Jacinto has leveled off and even decreased at times. It is noteworthy though that unemployment rates in Montgomery and San Jacinto have not reached levels as high as those sustained by Liberty County over the same 12 month period.

The City of Cleveland is located just 45 miles from downtown Houston. Due to ease of access some residents likely commute daily into the Houston area for their jobs. However, the best determinate of the type of current and future resident in the Cleveland area is still dependant on the type and amount of employment that is and will be available in the Cleveland area.

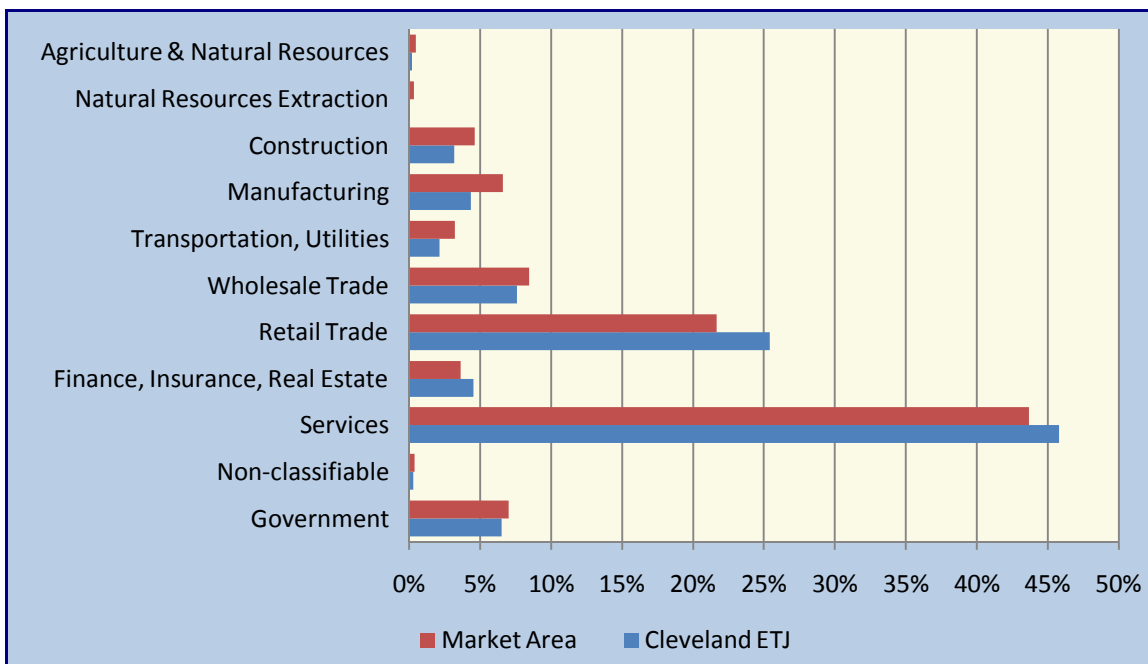
Historical trends illustrated in the table to the right show a decline in job positions in the in the Market Area over the period from 2004 to 2007. Although not all of the positions that were lost during the previous period have been regained, the Market Area has been able to regain some of the jobs that were lost during that time. While this is slightly counter intuitive considering the increase in unemployment over the past 12 months, the larger picture provides that previous to the slight decline in number of jobs recently the Market Area had began to recover well from the jobs previously lost.

Cleveland Market Area Employment Trends

SIC Job Category	Market Area		
	2004	2007	2009
Agriculture & Natural Resources	100	63	57
Natural Resources Extraction	58	43	38
Construction	968	594	563
Manufacturing	759	788	806
Transportation, Utilities	545	627	390
Wholesale Trade	780	1,057	1,028
Retail Trade	2,902	2,763	2,641
<i>Eating & drinking places</i>	456	431	913
<i>Food stores</i>	591	473	385
<i>Auto dealers, gas stations</i>	800	839	418
Finance, Insurance, Real Estate	395	459	441
Services	5,087	4,492	5,324
<i>Health services</i>	1,047	1,046	1,011
<i>Educational services</i>	1,728	1,496	2,032
Government	1,109	718	852
Non-classifiable	112	103	43
Total	12,815	11,707	12,183

Sources: PCensus for MapInfo; CDS Market Research

2009 Employment Share by Category



Sources: PCensus for Map Info; CDS Market Research

The predominate job positions currently in the Cleveland area are classified in the service and retail categories. These two employment classifications make up roughly 70% of the jobs within the Cleveland ETJ and 65% of jobs in the Market Area, as seen in the chart on the previous page. The largest portion of retail positions are in Eating and Drinking establishments, while the majority of the service oriented positions are in the education and health care fields. Even though the Market Area is geographically quiet larger and includes she cities of Shepherd and Coldspring, the chart also shows the similar makeup of the employment within the Cleveland ETJ and the Market Area.

The top ten current employers, ranked by number of employees, for the Cleveland are presented in the table on the following page. These figures reflect a variety of retail and service providers as reflected in the previous statistics.

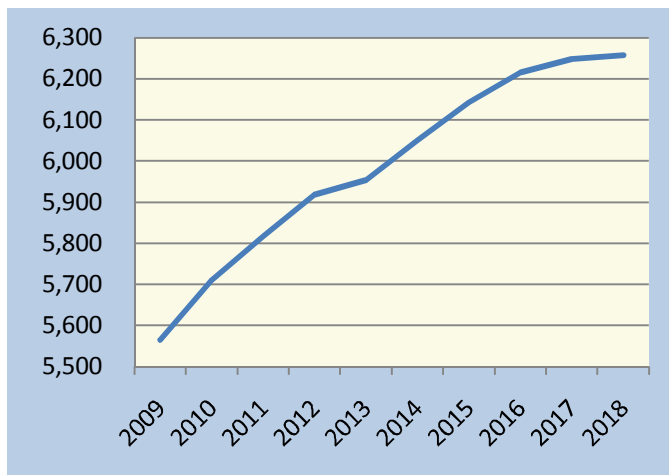
Top Ten Cleveland Employers

Employer	#of Employees
Cleveland Independent School Dist.	541
Georgia Pacific Corporation	400
Campbell Concrete & Materials	350
Wal-Mart	350
Performance Truck	280
Cleveland Regional Medical Center	250
The GEO Group (Correctional Center)	129
City of Cleveland	124
Union Tank Car	100
Cleveland Heath Care	80
TOTAL	2,604

Source: Cleveland Chamber of Commerce

Future expectations of employment for the Cleveland ETJ are illustrated below. Expectations include moderate growth that is fairly steady over the foreseeable ten year period forecasted. Total growth during this period is expected to be greater than 700 total jobs, which would be an addition of 13% to the current PCensus estimate of 5,538 jobs for 2009.

Projected Growth in Cleveland Employment



Sources: Houston Galveston Area Council; CDS Market Research

CDS is aware of six potential new employers that are all in some stage of consideration in regard to locating in Cleveland. Due to the nature of this process CDS is not at the liberty to discuss detailed information about the potential new employers. However in sum they comprise an initial job force of 500, with possible growth upwards of 1,500 total new jobs. Successfully attracting all of these six potential employers to locate in Cleveland is probably unlikely. However the addition of these potential employers is a huge opportunity to the City of Cleveland and the additional job positions would certainly benefit the local economy and increase opportunities for the City of Cleveland.

Market Analysis – Commercial/Retail

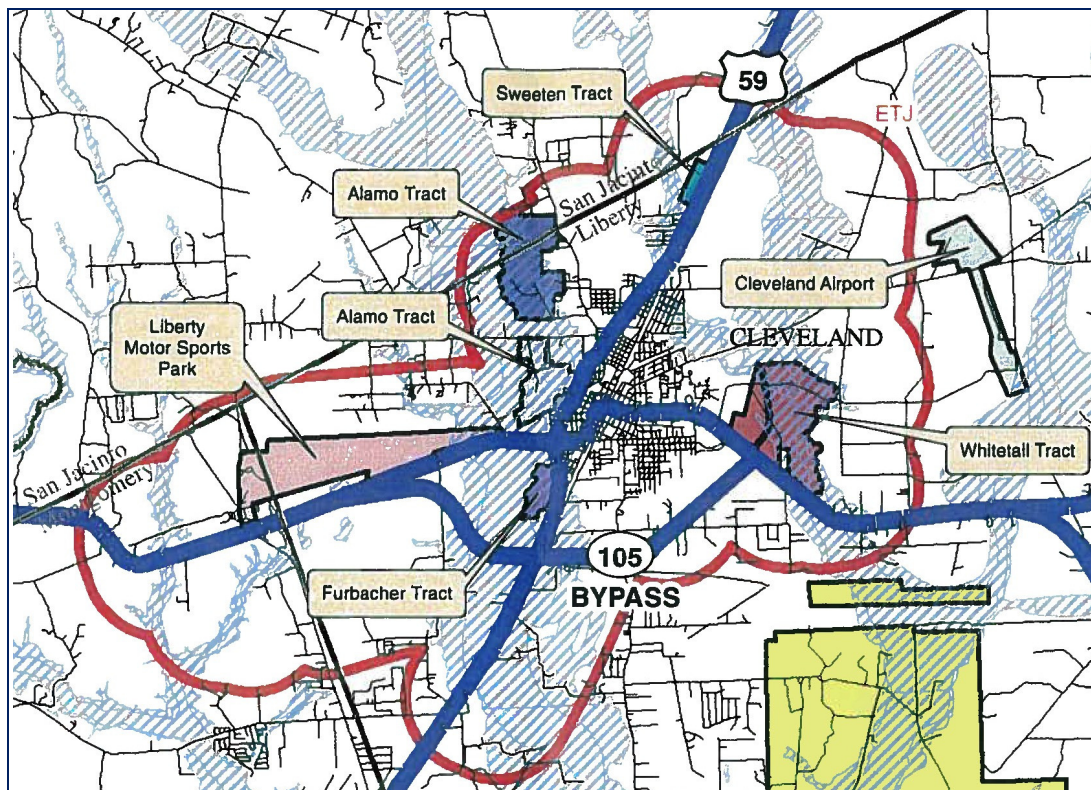
The type and mix of retail and commercial property uses in a city are a vital factor in its economic well-being. This is certainly the case for the City of Cleveland as well. Ensuring strategically located market supportable growth in commercial properties in the form of a healthy mix of retail and commercial property types is a high priority for Cleveland. While the City does have potential for some well placed retail and commercial uses, a share of challenges exist as well.

Existing Conditions

Overview

Historically commercial development in Cleveland has occurred along the main corridors including Washington Street and Houston Street. While often it is the case that commercial property is constructed along the originally established main corridors in a community, the vast majority of the time once a highway bypass is constructed the commercial development flocks to the highway frontage. However, in the case of Cleveland the development along the highway bypass frontages has been limited. This is the case primarily due to the current obstacle of the floodways and floodplains which are present due to the close proximity of the San Jacinto River located to the west of Cleveland and additional floodplain corridors to the northeast and east of the city. These floodplain areas are highlight (blue striped areas) in relation to some of the prominent potential development tracts and the City of Cleveland ETJ boundary in the below.

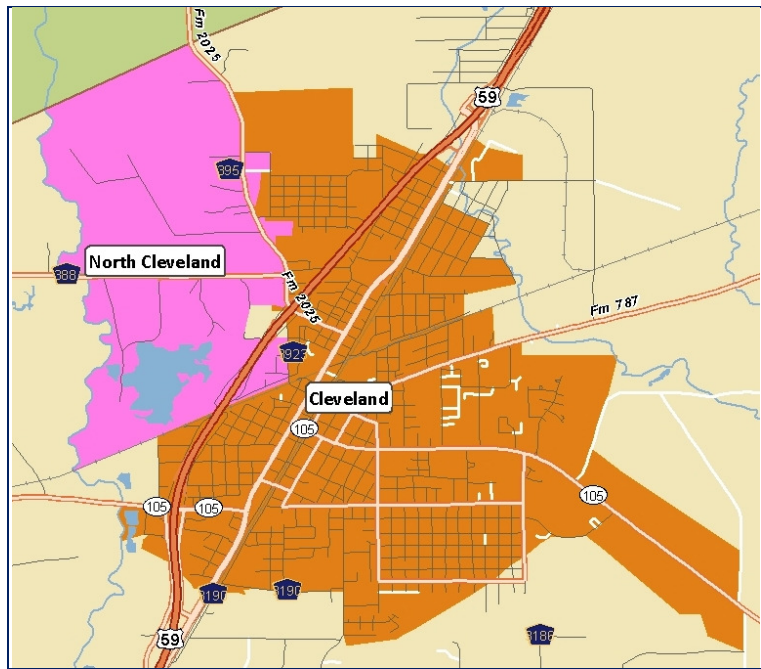
Cleveland Area Floodplain Map



Source: Montgomery and Associates

Another factor of consideration relating to the Highway 59 frontage is the current boundary the Cleveland city limits in relation to the highway. In some areas the City limits of Cleveland include both sides of Highway 59 frontage within its jurisdiction. However, there is a portion of the Highway 59 frontage along both sides of the road that is not within the City of Cleveland. This is the case due to the presence of the directly neighboring City of North Cleveland to the west as seen highlighted purple in the map to the right.

Cleveland and North Cleveland City Limits Map



Source: CDS Market Research

North Cleveland has jurisdiction over potential new development within its boundaries, but has no known funding mechanisms to independently support development of infrastructure and services to support new development. Therefore, it is important for the City of Cleveland to maintain a positive working relationship with North Cleveland. Doing this may lead to increased opportunities for development for both municipalities. Potential for future agreements for infrastructure and services similar to that previously performed for the Loves truck stop development in North Cleveland are mutually beneficial to both municipalities.

Commercial Permitting Activity

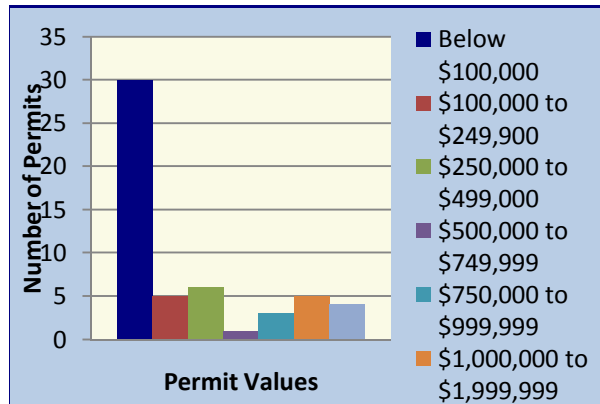
Commercial property permitting activity since 2005 is illustrated by number and value of permits per year and by quantity per total value in the following two charts. The number and value of new construction commercial permits has varied greatly over this five plus year history. However, the majority of permits in a single price band as categorized in the chart fall in to the below \$100,000 category. However, although no individual price segment above \$100,000 had more than six total permits, the total number of the over \$100,000 band was 24. Therefore the under \$100,000 and total over \$100,000 ranges are fairly even over

New Construction Commercial Building Permits 2005-2010

Cleveland Commercial Building Permits				
Year	# of Permits	Low Value	High Value	Median Value
2005	8	\$800	\$1,500,000	\$49,390
2006	13	\$4,000	\$2,986,625	\$140,000
2007	6	\$25	\$1,147,995	\$925,000
2008	5	\$30,000	\$3,447,000	\$400,000
2009	14	\$16,500	\$2,000,000	\$74,000
2010*	8	\$1	\$71,175	\$42,175
Total	54	\$1	\$3,447,000	\$68,588

Source: City of Cleveland, Texas *Through March 2010

New Construction Commercial Building Permit Value 2005-2010*



Source: City of Cleveland, Texas *Through March 2010

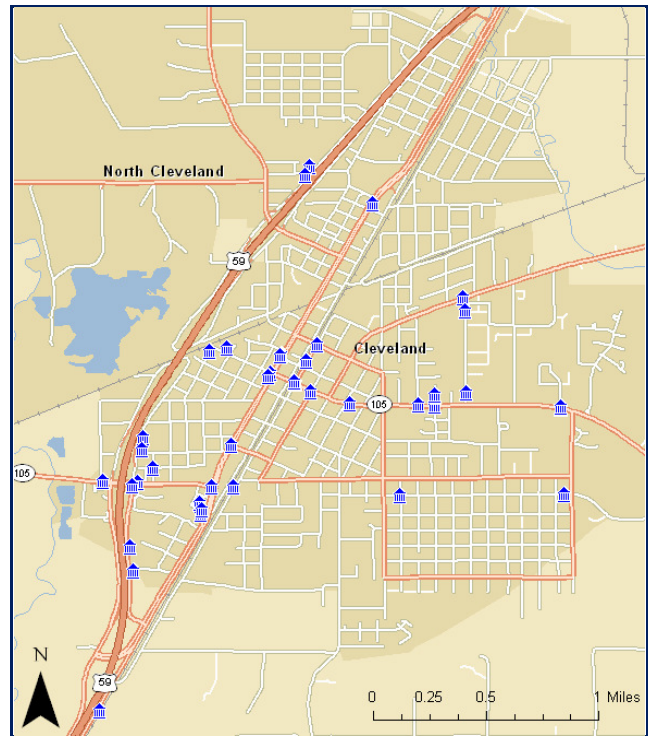
the period illustrated. For purposes of presentation though CDS chose to break out the upper value price bands to illustrate the diversity in new construction commercial permits over this time period.

Commercial Land Pricing

Several parcels of commercial land currently available for sale have been identified within the Cleveland ETJ. These parcels are presented by size and asking price in the table to the right. Although the sample size is limited, asking prices for commercial parcels one acre and less in size are somewhat higher than would be expected for the Cleveland area based on recent sales of comparable property in the Market Area. Recent Market Area sales have been gathered from CoStar, LoopNet, and area appraisers and have been assembled in the table second table on the right.

The current high asking prices of some commercial parcels in Cleveland ETJ, in comparison to recent sales of parcels within the Market Area, could result in lost opportunities. Without the presence of market comparable asking prices from current land owners, retailers and potential new small business operators could choose to locate in areas other than Cleveland that have more affordable land available.

New Commercial Building Permits Map 2005-2010



Source: City of Cleveland, Texas

Asking Prices of for Sale Commercial Property in Cleveland ETJ

Size in Acres	Count	\$/SF		
		Low	High	Average
1 or Less	3	\$8.00	\$15.26	\$11.92
1 to 10	10	\$1.03	\$8.00	\$3.02
11 to 50	3	\$1.74	\$3.38	\$2.32
Over 50	1	\$1.20	\$1.20	\$1.20

Sources: Commercial Gateway, Cameron Real Estate, Century21, CDS Market Research

Recent Market Area Commercial Property Sales (Closed Transactions)

Size in Acres	Count	\$/SF		
		Low	High	Average
1 or Less	6	\$1.39	\$6.23	\$3.26
1 to 10	14	\$0.75	\$6.24	\$3.32
11 to 50	12	\$0.38	\$6.00	\$3.21
Over 50	2	\$0.14	\$0.40	\$0.27

Sources: Commercial Gateway, Cameron Real Estate, Century 21, CDS Market Research

Market Area Buying Power

A critical factor in consideration for commercial retail development is the buying power of the market area that a potential development site is located in. Buying power can be measured by the level of disposable or expendable income from consumers in a market area. Information presented in the table below displays the consumer expenditures for the three comparison areas. While the buying power data for the City of Cleveland is somewhat modest, the data representing the Market Area presents and increased buying power than the area of the City of Cleveland or the ETJ.

Cleveland Area Buying Power

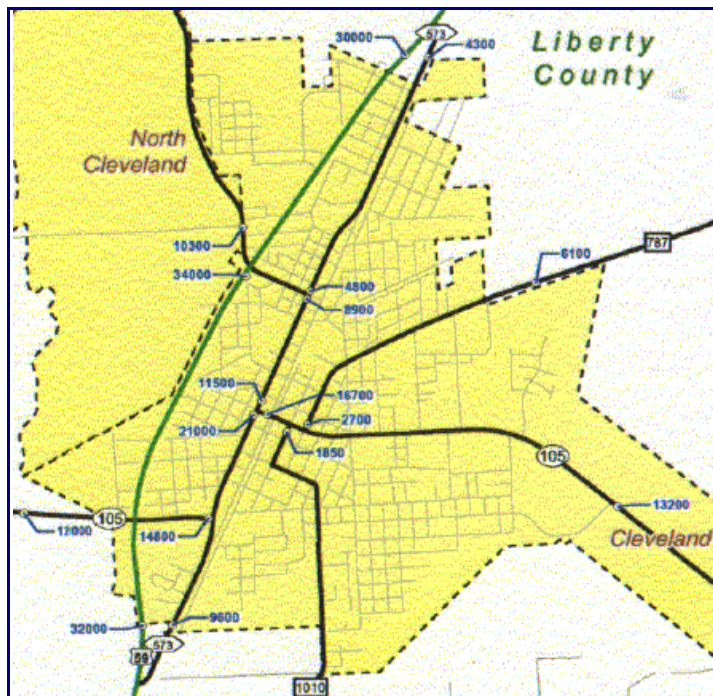
	Cleveland	Cleveland ETJ	Market Area
2009 Estimated Average Total Consumer Expenditures Per Household	\$ 36,445	\$ 39,720	\$ 43,435
2009 Estimated Total Consumer Expenditures Per Square Mile	\$ 20,244,932	\$ 3,247,783	\$ 1,107,516
2009 Estimated Total Consumer Expenditures	\$ 97,418,613	\$ 152,129,401	\$ 949,832,207

Sources: PCensus for MapInfo; CDS Market Research

Traffic Counts

Many retail developers rely heavily on traffic counts to attract potential tenants to their sites. In the marketplace today many retailers have a pre-set minimum vehicle traffic count level as a qualification

2009 Traffic Count Map



Source: Texas Department of Transportation. Scott Lambert

that must be met in order to locate in any given area. Thus, traffic volumes have a significant impact on the attractiveness of one development site versus another. The graphic below shows 2009 traffic counts for the highways and major thoroughfares in the Cleveland Area.

Areas like the US 59 corridor, with 2009 traffic counts of greater than 30,000, are more likely to have future potential demand for larger scale retailers than in city thoroughfares, with counts ranging from 3,000 to 21,000 vehicle trips per day. This is the case particularly for those retailers looking to establish a more regional location and require an easily accessible, highly visible location to draw customers from a larger area. This however, provides that sites on the US 59 corridor would be able to develop either currently or through floodplain remediation. Such remediation would

have to be performed in a cost effective enough manner to prevent land cost from rising above economically feasible levels, therefore allowing land cost be offered to market at a price level that isn't inhibitive to profitable development.

Sales Trends

Due to privacy concerns, the most finite area for which sales information is available from the data provider is the zip code area level. Therefore, sales trends for the Cleveland Area have been analyzed by the five zip codes which closely correspond to the Cleveland Market Area. The area covered by these zip codes is illustrated in yellow on the map to the right.

Zip Code Area for Sales Trends

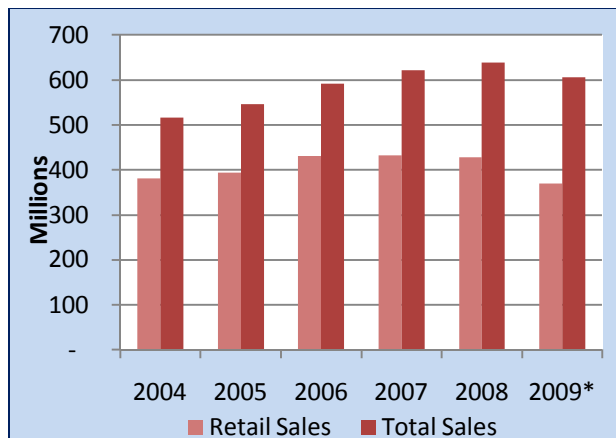


Source: CDS Market Research.

Since complete 2009 yearend figures were not yet available from the state as of the time of this study, the figures for 2009 have been annualized based on historical trends and information for the same sales area. These figures have been adjusted to current 2009 dollars using the Consumer Price Index (CPI) to account for inflation. The period from 2004 to 2008 saw a steady growth in dollar to dollar comparison of total sales, followed by a decline in the 2009 estimate due to the economic climate and the effects of the national recession.

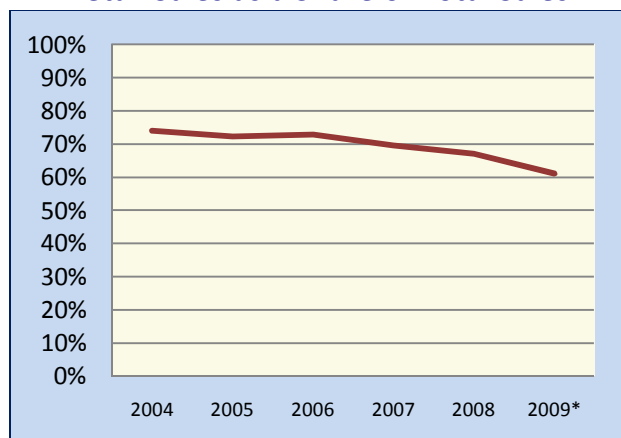
However, it is important to note the lack of corresponding growth in the retail sales category. Without exception, each year in the period illustrated shows an increasing disparity in the amount of retail sales as compared to total sales. Therefore, while there has been more money being spent in the Market Area as a whole, the portion of that being spent on retail has been in decline for the last six year, as illustrated in the chart below to the right. While the population increased 4.2% and a CPI Adjusted dollar to dollar comparison of total sales gained 17.5%, the same comparison reveals retail sales have

Retail Sales and Total Sales Trends



Sources: State of Texas Comptroller; CDS Market Research
*2009 Data annualized by historical statistics

Retail Sales as a Share of Total Sales



Sources: State of Texas Comptroller; CDS Market Research
*2009 Data annualized by historical statistics

actually decreased by 3.2% over this period. Provided the population’s spending per capita has not changed, this illustrates a trend of increasing retail sales “leakage”— Cleveland residents are increasingly traveling outside of the market area to shop.

Psychographic Analysis

Psychographic analysis is used to identify consumer segments and match retail demand categories in the trade area(s). CDS has broken down the market area resident populations utilizing a consumer segmentation methodology. This system is used to understand and profile the population in the market area for the purpose of targeting the largest consumer lifestyle segments. Every household is defined in terms of 66 demographically and behaviorally distinct groups. Specific lifestyle segments will be

Psychographics – City of Cleveland Top 10 Lifestyle Segments

City of Cleveland			
PRIZM NE Household Segments	Description	Households	%
48 Young & Rustic	Composed of young, restless singles, who tend to be lower income, high school educated and live in tiny apartments in exurban towns. With their service industry jobs and modest incomes, these folks still try to fashion fast-paced lifestyles centered on sports, cars, and dating.	405	15.2%
64 Bedrock America	Bedrock America consists of young, economically challenged families in small, isolated towns located throughout the nation's heartland. With modest educations, sprawling families, and blue-collar jobs, many of these residents struggle to makes ends meet. One quarter live in mobile homes. One in three haven't finished high school. Bedrock America is a haven for fishing, hunting, hiking, and camping.	332	12.4%
56 Crossroads Villagers	With a population of middle-aged blue-collar couples and families, Crossroads Villagers is a classic rural lifestyle. Residents are high school-educated, with lower-middle incomes and modest housing; one quarter live in mobile homes. And there's an air of self-reliance in these households as Crossroads Villagers help put food on the table through fishing, gardening, and hunting.	308	11.5%
57 Old Milltowns	America's once-thriving mining and manufacturing towns have aged-as have the residents in Old Milltowns communities. Today, the majority of residents are retired singles and couples living on downscale incomes in pre-1960 homes and apartments. For leisure, they enjoy gardening, sewing, socializing at veterans clubs, or eating out at casual restaurants.	275	10.3%
51 Shotguns & Pickups	These Americans tend to be young working-class couples with large families owning hunting rifles and pickup trucks. More than half have 2 or more kids-living in small homes and manufactured housing. Nearly a third of all residents live in mobile homes, more than anywhere else in the nation.	190	7.1%
37 Mayberryville	Like the old Andy Griffith Show set in a quaint, picturesque berg, Mayberry-ville harks back to an old-fashioned way of life. In these small towns, middle-class couples and families like to fish and hunt during the day, and stay home and watch at night. With lucrative blue-collar jobs and moderately priced housing, residents use their discretionary cash to purchase boats, campers, motorcycles, and pickup trucks.	129	4.8%
55 Golden Ponds	Golden Ponds is mostly a retirement lifestyle, dominated by downscale singles and couples over 65 years old. These high school-educated seniors live in small apartments on less than \$25,000 a year; one in five resides in a nursing home. For these elderly residents, daily life is often a succession of sedentary activities such as reading, watching TV, playing bingo, and doing craft projects.	129	4.8%
42 Red, White & Blues	The residents of Red, White, and Blues typically live in exurban towns rapidly morphing into bedroom suburbs. Their streets feature new fast food restaurants, and locals have recently celebrated the arrival of chains like Wal-Mart, Radio Shack, and Payless Shoes. Middle-aged, high school-educated and lower-middle class, these folks tend to have solid blue-collar jobs in manufacturing, milling, and construction.	112	4.2%
33 Big Sky Families	Scattered in placid towns across the American heartland, Big Sky Families is a segment of young, rural families who have turned high school educations and blue-collar jobs into busy, middle-class lifestyles. Residents like to play baseball, basketball, and volleyball, besides going fishing, hunting, and horseback riding. To entertain their sprawling families, they buy virtually every piece of sporting equipment on the market.	103	3.9%
50 Kid Country, USA	Widely scattered throughout the nation's heartland, Kid Country, USA is a segment dominated by large families living in small towns. Predominately white, with an above-average concentration of Hispanics, these young, working-class households include homeowners, renters, and military personnel living in base housing; about 20 percent of residents own mobile homes.	103	3.9%

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

quantified and ranked for the trade area. The top segments are correlated to likes, dislikes and purchase behavior relative to retail goods and services.

Descriptions within the psychographic categories for the City of Cleveland illustrate several categories of working class population with blue collar jobs that enjoy being located in a small to moderate sized town. As the top category by share for Cleveland, “Young and Rustic” describes these traits and desires well.

Although the City of Cleveland and the larger Market Area share six of the ten categories illustrated for each group, there is a discernable difference in the two noted by the rural, open space, slow paced lifestyle and choices reflected in the Market Area. This is described in the “Shotguns and Pickups” category, which represents the largest share of the population in the Market Area at 18.4%.

Psychographics – Market Area Top 10 Lifestyle Segments

Market Area			
PRIZM NE Household Segments	Description	Households	%
51 Shotguns & Pickups	These Americans tend to be young working-class couples with large families owning hunting rifles and pickup trucks. More than half have 2 or more kids-living in small homes and manufactured housing. Nearly a third of all residents live in mobile homes, more than anywhere else in the nation.	4,026	18.4%
45 Blue Highways	On maps, blue highways are often two-lane roads that wind through remote stretches of the American landscape. Among lifestyles, Blue Highways is the standout for lower-middle-class couples and families who live in isolated towns and farmsteads. Here, Boomer men like to hunt and fish; women enjoy sewing and crafts, and everyone looks forward to going out to a country music concert.	2,460	11.3%
33 Big Sky Families	Scattered in placid towns across the American heartland, Big Sky Families is a segment of young, rural families who have turned high school educations and blue-collar jobs into busy, middle-class lifestyles. Residents like to play baseball, basketball, and volleyball, besides going fishing, hunting, and horseback riding. To entertain their sprawling families, they buy virtually every piece of sporting equipment on the market.	1,927	8.8%
37 Mayberryville	Like the old Andy Griffith Show set in a quaint, picturesque berg, Mayberry-ville harks back to an old-fashioned way of life. In these small towns, middle-class couples and families like to fish and hunt during the day, and stay home and watch at night. With lucrative blue-collar jobs and moderately priced housing, residents use their discretionary cash to purchase boats, campers, motorcycles, and pickup trucks.	1,515	6.9%
48 Young & Rustic	Composed of young, restless singles, who tend to be lower income, high school educated and live in tiny apartments in exurban towns. With their service industry jobs and modest incomes, these folks still try to fashion fast-paced lifestyles centered on sports, cars, and dating.	1,255	5.7%
38 Simple Pleasures	With more than two-thirds of its residents over 65 years old, Simple Pleasures is mostly a retirement lifestyle; a neighborhood of lower-middle-class singles and couples living in modestly priced homes. Many are high school-educated seniors who held blue-collar jobs before their retirement. And a disproportionate number served in the military; no segment has more members of veterans clubs.	1,229	5.6%
43 Heartlanders	This widespread segment consists of middle-aged couples with working-class jobs living in sturdy, unpretentious homes. In these communities of small families and empty-nesting couples, Heartlanders pursue a rustic lifestyle where hunting and fishing remain prime leisure activities along with cooking, sewing, camping, and boating.	1,198	5.5%
58 Back Country Folks	Strewn among remote farm communities across the nation, Back Country Folks are a long way away from economic paradise. The residents tend to be low income, over 55 years old and living in older, modest-size homes and manufactured housing. Typically, life in this segment is a throwback to an earlier era when farming dominated the American landscape.	1,187	5.4%
56 Crossroads Villagers	With a population of middle-aged blue-collar couples and families, Crossroads Villagers is a classic rural lifestyle. Residents are high school-educated, with lower-middle incomes and modest housing; one quarter live in mobile homes. And there's an air of self-reliance in these households as Crossroads Villagers help put food on the table through fishing, gardening, and hunting.	1,076	4.9%
64 Bedrock America	Bedrock America consists of young, economically challenged families in small, isolated towns located throughout the nation's heartland. With modest educations, sprawling families, and blue-collar jobs, many of these residents struggle to makes ends meet. One quarter live in mobile homes. One in three haven't finished high school. Bedrock America is a haven for fishing, hunting, hiking, and camping.	918	4.2%

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Retail Opportunity Analysis

To further analyze the retail, financial and service climate of the Cleveland Market Area, CDS, along with partner InterDirect USA, has conducted a retail opportunity analysis. In this analysis, the Market Area demographics and firmographics are scaled against the number of retail and service businesses by category. This process is also performed on a larger geographic area chosen as a benchmark. The benchmark area chosen for this study are the surrounding eight counties in the Houston DMA (Brazoria, Chambers, Fort Bend, Galveston, Liberty, Montgomery, San Jacinto, and Waller), which is a well-established retail and service market. The benchmark is calculated using the ratio of population and employment figures per number of retail and service businesses and for the benchmark trade area. Finally, the ratio is divided into the trade area population and employment figures for the Cleveland Market Area to determine how many retail and service businesses the Market Area can support based on the benchmark area ratios.

The difference between the number of retailers currently known to exist in the Market Area and the expected number of service and retail providers from the application of the benchmark number indicates under-supply. Under-supplied types of businesses are presented in the following tables as negative numbers representing the estimated number of establishments that the Market Area currently lacks. The tables have been grouped into four categories which include service, medical service, restaurants, and retail businesses. In each table the amount of under supply is illustrated first as a figure based on population in the Market Area, secondly based on employment in the Market Area, and the final column illustrates the average of the two measurements.

Current Market Area Service Business Opportunity Analysis

SIC Code	Service Business Categories	Supply Based on Population	Supply Based on Employment	Average
811100	Legal Services	-22	-7	-15
653100	Real Estate Agent/Manager	-19	-3	-11
802100	Dentists Office	-16	-6	-11
641103	Insurance Agents/Brokers	-15	-1	-8
628200	Investment Advice	-8	-4	-6
835100	Child Day Care Services	-7	0	-4
872100	Accounting/Bookkeeping	-6	-2	-4
581266	Caterer/Contract Services	-4	-2	-3
871100	Engineering Services	-5	-2	-3
616200	Mortgage Bankers	-5	-1	-3
734200	Pest Control Services	-5	-1	-3
734900	Building Maintenance Services	-4	-1	-3
829900	School/Education Services	-4	-1	-3
836100	Residential Care	-3	-2	-2
655200	Subdividers & Developers	-3	-1	-2
799900	Amusement/Recreation Services	-4	1	-1
731900	Advertising Services	-2	-1	-1
731100	Advertising Agency	-1	-1	-1
872103	Tax Consultants	-1	-1	-1
729910	Massage Therapists	-1	-1	-1

Sources: PCensus for MapInfo, InterDirect USA, CDS Market Research *Sizes vary and are highly unique to each location

Current Market Area Medical Service Business Opportunity Analysis

SIC Code	Medical Service Categories	Supply Based on Population	Supply Based on Employment	Average
801100	Medical Doctors Office	-9	3	-3
801114	Family Practice	-5	-1	-3
804100	Chiropractors Off	-4	-1	-2
801138	Obstetrics & Gynecology	-3	-1	-2
804200	Optometrists Office	-3	-1	-2
801127	Internal Medicine	-3	-1	-2
801105	Anesthesiology	-2	-1	-2
807100	Medical Laboratory	-2	-1	-2
809900	Health Services	-3	0	-1
801174	Surgery - General	-2	-1	-1
801178	Surgery - Orthopedic	-2	-1	-1
801116	Gastroenterology	-2	-1	-1
801106	Cardiovascular Disease	-2	-1	-1
801104	Allergy & Immunology	-2	-1	-1
801144	Otorhinolaryngology	-2	-1	-1
801151	Pediatrics	-2	1	-1
801164	Radiology	-1	-1	-1
801159	Psychiatry	-1	-1	-1
801108	Dermatology	-1	-1	-1
801142	Ophthalmology	-1	0	-1
802103	Orthodontists	-1	0	-1
804300	Podiatrists Office	-1	0	-1

Sources: PCensus for MapInfo, InterDirect USA, CDS Market Research *Sizes vary and are highly unique to each location

Current Market Area Restaurant Business Opportunity Analysis

SIC Code	Restaurant Business Categories	Supply Based on Population	Supply Based on Employment	Average
581251	Mexican Menu Restaurant	-5	-2	-3
581300	Drinking Places	-5	-1	-3
581267	Coffee Shop	-4	-2	-3
581244	Quick Serve Sandwich/Deli	-3	0	-2
581252	Italian Menu Restaurant	-2	-1	-2
581247	Quick Serve Ice Cream/Yogurt	-2	-1	-1
581264	Seafood Menu Restaurant	-2	0	-1
581250	American Menu Restaurant	-1	0	-1

Sources: PCensus for MapInfo, InterDirect USA, CDS Market Research *Sizes vary and are highly unique to each location

Current Market Area Retail Business Opportunity Analysis

SIC Code	Retail Business Categories	Supply Based on Population	Supply Based on Employment	Average
723100	Beauty Shops	-10	-3	-6
602100	National Commercial Banks	-10	-1	-5
799100	Physical Fitness Centers	-5	-3	-4
562100	Women's Clothing Stores	-4	-3	-4
565100	Family Clothing Store	-4	-2	-3
591200	Drug/Proprietary Store	-5	-1	-3
594402	Jewel/Precious Metals/Stones	-4	-1	-3
599500	Optical Goods Stores	-3	-1	-2
523101	Glass Store	-3	-1	-2
573400	Computer/Software Store	-3	-1	-2
722100	Photo Studio	-3	0	-2
753700	Auto Transmission Repair	-2	-1	-2
566100	Shoe Stores	-2	-1	-2
531101	Discount Department Stores	-2	-1	-2
571905	Beddings And Linens	-2	-1	-2
573100	Radio/TV/Electronics Stores	-2	-1	-2
594700	Gift & Novelty Shops	-2	-1	-2
599911	Pets/Pet Supply Stores	-2	-1	-2
753200	Auto Body Repair	-3	0	-1
614101	Auto & Consumer Finance	-2	-1	-1
546100	Retail Bakeries	-2	-1	-1
791100	Dance Studios/Schools	-2	-1	-1
721500	Coin-Operated Laundries	-2	-1	-1
564100	Children's/Infants Wear	-2	-1	-1
799922	Stables	-2	-1	-1
735900	Equipment Rental/Leasing	-2	-1	-1
573402	Computer Software & Accessories	-2	0	-1
594100	Sporting Goods and Bicycle Shops	-2	0	-1
571301	Carpets/Carpeting Stores	-2	0	-1
521100	Lumber/Building Materials	-2	0	-1
571300	Floor Covering Stores	-1	-1	-1
799200	Public Golf Courses	-1	-1	-1
559900	Auto Dealers	-1	-1	-1
562103	Bridal Shops	-1	0	-1
561100	Men's & Boy's Clothing Store	-1	0	-1

Sources: PCensus for MapInfo, InterDirect USA, CDS Market Research *Sizes vary and are highly unique to each location

Residents located within the Cleveland Market Area are not necessarily going without the goods and services provided by the types of businesses identified by this analysis. Conversely, they are likely currently traveling outside of the Market Area for goods and services which are not currently provided or are under supplied in the area. This analysis provides a different type of evidence to illustrate leakage, as mentioned in the previous section.

In addition to determining the types of stores the Market Area population are most likely traveling outside of the area to frequent, this analysis determines which type of retail, financial business, and service is under-supplied and would therefore likely be welcomed in the Market Area. Based on this opportunity analysis, the addition of well placed and marketed stores and services illustrated as under supplied in the Cleveland Market Area, would be likely to succeed and be able to re-capture some amount of the leakage which is currently leaving the Area.

In addition to the current opportunities that may exist in the Cleveland Market Area, future demand for retail stores has been identified based on expected growth in consumer expenditures for the Market Area. Expenditures represented in this effort are representative of dollars spend by persons living within the boundaries of the Market Area. As previously mentioned, currently there is leakage of retail sales dollars into areas other than the Market Area. The following table represents the number of supportable new establishments that could likely succeed if there were no leakage of future expenditures from the Market Area. However, as in most normal retail markets, there will still be some level of expected leakage. Nevertheless, a significant portion of future stores and sales could be captured within the Market Area with proper store placement, offerings and marketing efforts.

Future Market Area Opportunity Analysis

Retail Store Type	2009 Estimated Aggregate Expenditure (Millions)	2014 Projected Aggregate Expenditure (Millions)	Total Expected Sales Growth (Millions)	Sales / SF	Additional SF of Demand	SF / Store	Total Number of Potential New Stores
Eating Places	\$ 51.0	\$ 103.0	\$ 52.0	\$ 304	171,389	4,050	42
Fast Food Restaurants	\$ 15.4	\$ 31.1	\$ 15.7	\$ 335	46,868	2,053	23
General Merchandise Stores	\$ 39.4	\$ 52.6	\$ 13.1	\$ 150	251,504	20,020	13
Gasoline Stations with Convenience Stores	\$ 50.9	\$ 82.9	\$ 32.0	\$ 1,321	24,222	3,175	8
Clothing & Clothing Accessory Store	\$ 3.2	\$ 4.4	\$ 1.1	\$ 233	57,482	9,000	6
Electronics, Computers and Software Stores	\$ 8.4	\$ 11.9	\$ 3.4	\$ 302	15,086	2,500	6
Furniture Stores	\$ 9.9	\$ 14.6	\$ 4.7	\$ 156	30,354	7,696	4
Other Home Furnishing Stores	\$ 7.1	\$ 10.5	\$ 3.4	\$ 209	16,156	6,730	2
Department Stores (Including Discount Dept. Stores)	\$ 0.6	\$ 0.8	\$ 0.2	\$ 186	100,335	46,695	2
Shoe Stores	\$ 2.0	\$ 2.7	\$ 0.8	\$ 193	6,721	3,306	2
Household Appliance Stores	\$ 2.6	\$ 3.9	\$ 1.3	\$ 302	4,169	2,648	2
Sporting Goods Stores	\$ 40.0	\$ 53.4	\$ 13.4	\$ 221	8,260	5,520	1
Gift, Novelty, & Souvenir Shops	\$ 11.7	\$ 16.3	\$ 4.6	\$ 170	4,437	4,468	1
Total/Average	\$242.2	\$388.0	\$145.8	\$314	736,983	9,066	112

Source: PCensus for MapInfo, Urban Land Institutes Dollars & Cents of Shopping Centers, CDS Market Research

In order to arrive at the number of potential new stores presented in the previous table, expected growth in expenditure has been divided by the median amount of sales per square foot in a typical super community retail center. This figure has then been divided by the median number of square feet of space typically found in each different type of store in order to arrive at an estimate for the number of stores that are supportable in the next five year period. A super community center is defined by the Urban Land Institute as “any center larger than a neighborhood center but with neither a traditional department store nor the trade area of a regional shopping center”. This table does not contain all market expenditures. Figures represented are only those with sufficient increase in expenditures which are likely sufficient enough to support additional retail stores within the Market Area

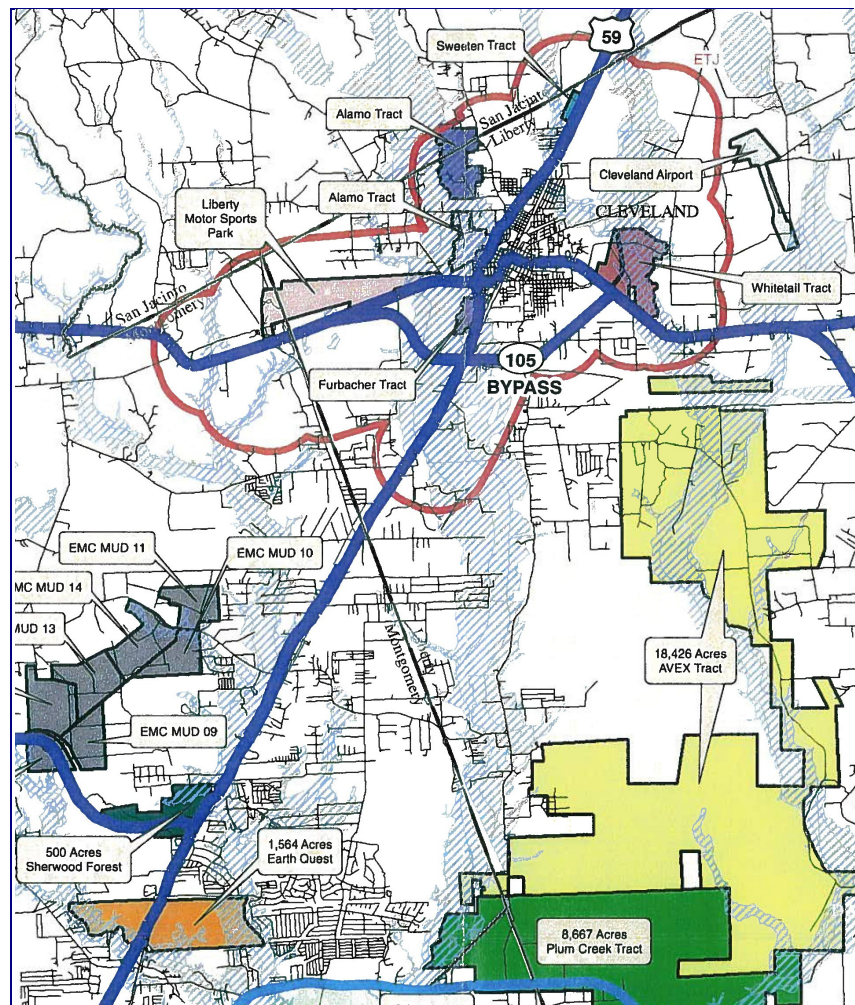
Based on the results of the current and future retail opportunity analysis, there are a number of likely market supportable retail land uses that could potentially be captured within the City of Cleveland. This is particularly true being that Cleveland has the geographic location, accessibility and current population to be the principal retail and service hub for the Market Area. Some opportunities which appeared in the retail analysis include banking and restaurant opportunities, gas/service stations with convenience stores, clothing apparel and shoe stores, discount department stores, electronics stores, furniture and home furnishing stores and lumber and building materials type stores. While specific uses would need further investigation at a more in depth level, the overall retail opportunity analysis performed here highlights several potential opportunities for retail and service business for the City of Cleveland

Potential new retail stores identified within the opportunity analysis are not representative of all potential retail and service opportunities. Due to the nature of the vast amount of retail and service categories, those opportunities which seem most likely applicable to the Cleveland Market Area have been presented in this analysis.

Potential New Developments

Potential new developments within the boundaries of the Market Area can be seen on the map to the right. These

Potential New Development Map



Source: Montgomery & Barnes Inc.

large tracts of land have all had some degree of preparation or planning performed. All known plans except for the Sweeten and Alamo tracts are multi-use development, and include aspects of both commercial and residential development. These sites include a wide variety of plans ranging from the single land use commercial plans on the Sweeten tract to complex multi-use plans for the Liberty Motor Sports Park (LMSP) site. The only large tract with some level of development planning not on the previous map is located just south of the Sweeten tract with frontage on the west side of US 59. Most recent plans available made available to CDS name this the NAFTA International Park tract.

It is the understanding of CDS that commercial uses on the Whitetail tract are to be geared mostly at the neighborhood level, and focus on serving other proposed uses including single family that are also included in the development plans. However, potential commercial uses planned for all other tracts will be geared toward a larger retail and commercial uses and will certainly need to feed from a market area larger than the city of Cleveland alone in order to have enough demand to be sustainable.

Due to the limited amount of vacant land within the current boundaries of the City of Cleveland, developments mentioned within this text have some or all of their land located outside of the city limits. However, due to their proximity and expectations of future annexation, CDS considers understanding of these developments critical to the City of Cleveland. The most current land plans that have been made available to CDS for each of these potential developments are located in the appendix of this document. Summary descriptions below provide known information on the commercial portions of each of these tracts.

Whitetail: Whitetail is a proposed 712 acre mixed use development located on Highway 105 just east of the existing Kirbywoods subdivision and golf course. Current plans include commercial, office, warehouse, as well as both estate and conventional residential lots. Development for this site is currently in the planning phase with no known time frame for actual land development currently known or anticipated.

Sweeten Tract: This 115 acre tract located along the western frontage of US 59 has been platted for up to 1.7 million square feet of commercial development. Planned uses include retail, manufacturing, restaurant, and office.

Alamo Tract: Although details have not been released at this point market speculation is that the owners of the Alamo property are planning some aspect of commercial development within their site along the western frontage of US 59. However, due to flood plain issues in this area significant site preparation work would first be required.

Liberty Motorsports Park: This 914 acre proposed mixed use development is centered around a planned 2.45 mile European style road race track. Commercial uses included in this potential development have not been defined specifically at this point. Land along the frontage of SH 105 is coded as commercial reserves and can be seen colored red on the land plan in the appendix. Significant pre-development work has been achieved in this development but to this date a lack financing partners and capital investment has inhibited the development from going ahead.

NAFTA International Park: This is a 490 acre proposed mixed use development planned for a tract at the corner of Washington and US 59, North of Cleveland. As seen on the land plan in the appendix commercial land uses include an unspecified international business park and the Southeast Texas Biomedical Research Institute. The majority of this development is in the preliminary planning stage, and has been reportedly stalled in the planning stages for multiple years now.

Issues Affecting the Market and Development Opportunities

While there has been market demand noted for several types of retail establishments and has been a very strong response for retail desires from the employee survey, there are some challenges to retail development in the Cleveland. One challenge that is somewhat unique to Cleveland is the proximity of the City in relation to floodplain areas as mentioned previously. Highlighted in with blue stripes in the map on the previous page, the floodplain areas in Cleveland are a significant barrier to development currently. Most pertinent to commercial development opportunities is the floodplain area along the Highway 59 frontage. Although there are floodplain areas which run to the east and in other portions near Cleveland, these areas have less of an effect on potential retail/commercial development due to their proximity and accessibility compared to other areas of Cleveland along the highway frontage. The presence of the floodplain, in conjunction with a lack of prior planning efforts has left the City of Cleveland with very few development ready sites. If a developer wanted a site that was development ready today in Cleveland there would be very few or possibly no sites to locate on at this time. Therefore, the second major challenge to current commercial development in Cleveland is the lack of previous planning and placement of infrastructure.

While there are supportable opportunities within Cleveland for new retail stores and restaurants, depth of individual store types is limited. This is evidenced in the opportunity analysis where the number of potential opportunities based on the comparison to the benchmark area is highlighted within the last column of the table. This being the case, it is likely that the first development that responds to specific opportunities with a properly place and marketed product will likely satisfy the demand for such product.

Market Analysis – Industrial

As previously mentioned in the demographics section of this report the City of Cleveland and the Market Area have many service and blue collar workers within the population. The table below highlights the amount and percentages of these workers for the Cleveland area. The city of Cleveland is composed of 63% service, farm and blue collar workers. This strong existing presence of a strong labor force illustrated in this table should help Cleveland be able to attract industrial employers in the future.

Cleveland Occupation Classification

2009 Population Over Age 16 by Occupation Classification	Cleveland		Cleveland ETJ		Market Area	
	Count	Percentage	Count	Percentage	Count	Percentage
Service and Farm	685	26%	911	22%	4,271	17%
Blue Collar	986	37%	1,602	38%	10,177	39%
White Collar	976	37%	1,661	40%	11,310	44%
Total	2,647	100%	4,174	100%	25,758	100%

Sources: PCensus for MapInfo; CDS Market Research

Industrial related industry categories that have been expanding within Liberty and Montgomery Counties in the recent history are illustrated in the next two tables provided. These tables include industry categories in the transportation, warehousing and manufacturing industries that have expanded during the time period from 2000 to 2007. Industry categories with expansion of two or more additional facilities have been included in this table.

Industries with recent expansion in Liberty County include Local Freight Trucking, Support for Rail Transportation and Machine Shops. Top expansion industries in Montgomery County are Freight Transportation Arrangement, Local Freight, Machine Shops and Commercial Screen Printing. As depicted by the length of the list Montgomery County has greatly outpaced Liberty County in industry expansion over the period illustrated. However, with the prime location and strong workforce base that already exists in Cleveland the outlook for potential industrial business expansion appears strong to CDS.

Liberty County Industrial Business Expansion

Liberty County				
NAICS	NAICS Description (Transportation & Warehousing)	Number of		
		Year		Change
		2000	2007	
484110	General Freight Trucking, Local	3	6	3
488210	Support Activities for Rail Transportation	0	2	2
Manufacturing Industries				
332710	Machine shops	2	5	3
Total		5	13	8

Source: U.S. County Business Facts, CDS Market Research

Montgomery County Industrial Business Expansion

Montgomery County				
NAICS	NAICS Description (Transportation & Warehousing)	Number of		
		Year		Change
		2000	2007	
488510	Freight Transportation Arrangement	12	30	18
484110	General Freight Trucking, Local	12	25	13
484230	Specialized Freight (except Used Goods) Trucking, Long-Distance	6	13	7
484220	Specialized Freight (except Used Goods) Trucking, Local	24	29	5
483111	Deep Sea Freight Transportation		4	4
484121	General Freight Trucking, Long-Distance, Truckload	19	23	4
488190	Other Support Activities for Air Transportation	1	5	4
484210	Used Household and Office Goods Moving	3	6	3
493110	General Warehousing and Storage	3	6	3
484122	General Freight Trucking, Long-Distance, Less Than Truckload	2	4	2
486210	Pipeline Transportation of Natural Gas	3	5	2
488991	Packing and Crating	1	3	2
493190	Other Warehousing and Storage	1	3	2
Manufacturing Industries				
332710	Machine shops	35	60	25
323113	Commercial screen printing	1	11	10
333132	Oil & gas field machinery & equipment mfg	6	15	9
339112	Surgical & medical instrument mfg	2	9	7
332911	Industrial valve mfg	2	8	6
332999	All other misc fabricated metal product mfg	3	9	6
335129	Other lighting equipment mfg	1	6	5
332312	Fabricated structural metal mfg	2	6	4
332323	Ornamental & architectural metal work mfg	1	5	4
334513	Industrial process control mfg	4	8	4
337110	Wood kitchen cabinet & countertop mfg	2	6	4
326122	Plastics pipe & pipe fitting mfg	2	5	3
327991	Cut stone & stone product mfg	1	4	3
332311	Prefab metal building & component mfg	1	4	3
333319	Oth commercial, service industry machinery mfg	2	5	3
333911	Pump & pumping equipment mfg	1	4	3
336413	Other aircraft part & auxiliary equipment mfg	1	4	3
339999	All Other Miscellaneous Manufacturing	4	7	3
316110	Leather & hide tanning & finishing	1	3	2
321920	Wood container & pallet mfg	1	3	2
321999	All other miscellaneous wood product mfg	2	4	2
326191	Plastics plumbing fixture mfg	1	3	2
332313	Plate work mfg	3	5	2
332996	Fabricated pipe & pipe fitting mfg	3	5	2
339950	Sign mfg	6	8	2
	Total	175	363	188

Source: U.S. County Business Facts, CDS Market Research

Market Analysis – Hospitality / Lodging Facilities

Existing Conditions

Current market rate traditional lodging facilities in Cleveland include the Super 8, Best Western and Americas Best Value Inn and Suites. Several other lodging facilities exist in the Cleveland area but due to the quality of the facilities and their rental policies, including weekly and monthly rates, CDS has listed and considered these separately in our analysis. The number of rooms at each facility is listed in the table to the right.

Performance of lodging facilities is commonly measured by a number of standard metrics. Most common amongst these is historical comparison of Occupancy (proportion of available rooms rented over a period of time), Average Daily Rate (ADR, rental income charged per occupied room) and Revenue Per Available Room (RevPAR, a combination of the two). These measures are good indicators of the health of a lodging establishment’s core operation of selling roomnights and do not take ancillary income such as telephone, dining, or meeting space rentals into account.

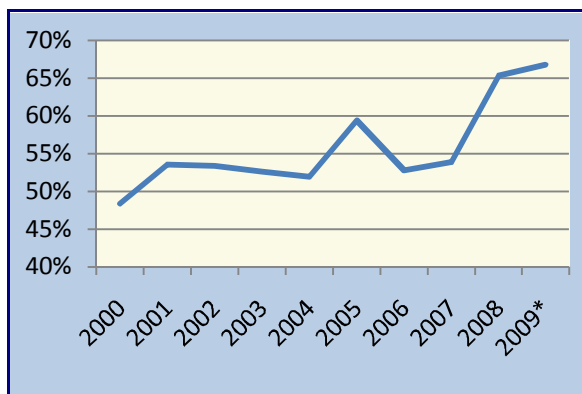
Charts presented below illustrate the metrics for comparison and analysis for lodging facilities located within the Market Area (on page 3). These figures include standard market properties in Cleveland as well as Artesian Lakes, San Jacinto Inn (Coldspring) and Americas Best Value Inn and Suites (Shepard). The ten year period illustrates an overall upward trend in Occupancy and RevPAR and a return to previous levels for ADR. During the period from 2003 to 2007 showed some fluctuation in statistics, but this was largely due to the addition of two lodging facilities in the market area during this period. After

Cleveland Lodging Inventory

Standard Market Facilities	Rooms
Super 8	44
Best Western	49
Americas Best Value Inn and Suites	52
Subtotal	145
Non-Standard Market Facilities	Rooms
Budget Inn	16
Delux Inn	15
Pine Forrest Motel	20
Holiday Motel	27
Subtotal	78
Grand Total	223

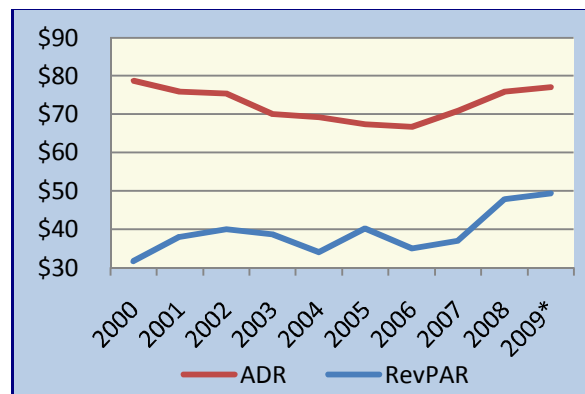
Source: Source Strategies, Inc. and CDS Market Research

Market Area Lodging Facility Occupancy



Sources: Source Strategies, Texas Hotel Performance Fact Book; CDS Market Research

Market Area ADR and RevPAR



Sources: Source Strategies, Texas Hotel Performance Fact Book; CDS Market Research

a short time of market absorbance for the new facilities the market regained upward momentum in occupancy, ADR and RevPAR. These are all good indications of a healthy lodging market within the Market Area.

Market Supply vs. Demand

Using average of Texas and Houston rooms used per 1,000 population and employment = 10.6

Normal Cleveland¹ room demand:

$$(11,250 \text{ population} + 5,538 \text{ employment}) \times 10.6 \text{ rooms used per } 1,000 \div 1,000 = 178$$

$$\text{Current Cleveland}^1 \text{ Inventory} = 145$$

Normal Market Area room demand:

$$(63,415 \text{ population} + 12,183 \text{ employment}) \times 10.6 \text{ rooms used per } 1,000 \div 1,000 = 801$$

$$\text{Current Market Area Inventory} = 222$$

Calculated additional Cleveland¹ demand:

$$178 \text{ expected normal room total} - 145^* \text{ current inventory} = \mathbf{33 \text{ additional room demand}}$$

Calculated Market Area room demand:

$$801 \text{ expected normal room total} - 222^* \text{ current inventory} = \mathbf{579 \text{ additional room demand}}$$

Sources: Source Strategies, Texas Hotel Performance Fact Book; CDS Market Research

¹ Within the boundaries of the Cleveland ETJ

*Figure does not include non-conventional establishments

Hotel demand for the Cleveland ETJ and the Market Area based on state wide and Houston averages is displayed in the previous chart. Using a calculation based on these averages the Cleveland Area has an additional demand of 33 rooms, and the larger Market Area has an additional demand of 579 rooms.

These figures however do not include the La Quinta Inn and Holiday Inn Express currently being constructed in Cleveland. These facilities would add an anticipated 59 and 77 rooms respectively. This addition to the market place is anticipated to occur in December 2010 or during the first part of 2011. The chart below shows the effect to total demand for the Cleveland Area and the Market Area based on completion of these facilities by first quarter 2011 as currently planned.

Using average of Texas and Houston rooms used per 1,000 population and employment = 10.6

Calculated additional Cleveland¹ demand:

$$178 \text{ expected normal room total} - 281^* \text{ anticipated inventory} = \mathbf{103 \text{ oversupply of rooms}}$$

Calculated Market Area room demand:

$$801 \text{ expected normal room total} - 358^* \text{ anticipated inventory} = \mathbf{443 \text{ additional room demand}}$$

Sources: Source Strategies, Texas Hotel Performance Fact Book; CDS Market Research

¹ Within the boundaries of the Cleveland ETJ

*Figure does not include non-conventional establishments

Conference/Convention Centers and Meeting Space

In addition to lodging, conference and convention center land uses are important in the Cleveland Market Area as well. Amongst the existing convention hosting facilities in the Cleveland Area there are only two facilities with sizable meeting spaces known to CDS and just one of them includes lodging facilities on site. This facility is Artesian Lakes, which is located within the Market Area approximately 17 miles northeast of Cleveland. While this facility is obviously outside of the city limits and the ETJ of Cleveland, consideration of a larger area must be considered when dealing with the potential for future convention space.

The Artesian Lakes facility is a very unique resort and conference center. Artesian Lakes lost the largest contiguous portion of their meeting space in a fire which destroyed a 5,000 SF ballroom and conference meeting area recently in October of 2009. Their facilities now include 30 rental cabins, approximately 3,500 SF of indoor meeting space and several outdoor meeting areas, in addition to a single family residential development on site. This facility is different than a traditional resort conference or convention center due to their focus on a holistic approach to resort accommodation. Artesian Lakes puts extra emphasis on its natural amenities and settings provided by the artesian wells located about the property.

Other sizeable meeting space in the Market Area includes the City of Cleveland Civic Center, which has nearly 10,000 SF of ballroom space with limited additional conference rooms and storage space. The Cleveland Civic Center currently reports high volumes of bookings and events. These events include a wide array of parties from corporate meetings and events to weddings and birthday parties for local residents. Currently the Cleveland Civic center facilities are booked every weekend through the year 2012, evidencing strong demand in for meeting space in the Market Area.

Smaller facilities and boutiques in the Cleveland area include New Beginnings Wedding Chapel & Reception Hall (S. Fenner Ave. at Clay St. in Cleveland), Twin Lakes (9 miles east of Cleveland on FM 787), Lonesome Dove (on 2025 towards Coldspring) and Red Barn Quilting Retreat (South of Coldspring on Hwy 150).

Recent performance of lodging establishments in the Cleveland Market Area has been very positive. Soon after the addition of two facilities in the market area in the years from 2003 to 2007 all standard metrics for comparison continued to improve, evidencing a resilient and strong lodging market. In likely response to knowledge of these factors construction is currently under way on two additional facilities, which are both located in Cleveland. These Facilities, both scheduled to be completed by the first quarter of 2011, are a La Quinta Inn and Holiday Inn Express with an expected 59 and 77 rooms respectively. Neither of these facilities are currently known to or expected to include any large amount of meeting or gathering space.

Based on average numbers of lodging rooms per population and employment presented on page 28 the addition of these two new facilities more than satisfy demand that currently exists for traditional market rate lodging in the City of Cleveland. However, population and employment figures inclusive of the entire Market Area will still be underserved after completion of these new facilities within the City of Cleveland.

Market Analysis – Residential

The housing market within the City of Cleveland and the Market Area contains homes in a variety of price points, ages, and lot sizes. Typical subdivisions such as Kirby Woods and Circle Drive exist within and near the City of Cleveland. Some larger lot communities containing high quality newer single family homes such as Timber Switch, Parkland, and North Woods have been developed throughout the larger Market Area. Finally, rural communities offering larger lots for manufactured homes such as Southern Crossing and Peach Creek have been developed within the Market Area. Several multifamily complexes, mostly inside of the City of Cleveland, are located in the area as well.

Housing Unit Mix

Understanding of the mix of housing units is important in order to provide appropriate types of housing for the residents within an area. The big difference seen when comparing Cleveland to the Market Area that surrounds the city is the number of multifamily and mobile home units. In the City of Cleveland 25.7% of the housing units are made up of multifamily structures. Conversely the Market area has very few additional multifamily properties but is composed of 36.6% Mobile Home units. This evidences the desire of the population outside of the Cleveland City limits to live in affordable single family units outside of the City. When looking at these figures it is important to remember that the City of Cleveland is contained within the boundaries of the Market Area. Therefore there is overlap in all presented figures.

Housing Units by Type

Housing Units by Type	2009 Estimate			
	City of Cleveland		Market Area	
	Number	Shares	Number	Shares
1 Unit Attached	135	4.5%	330	1.3%
1 Unit Detached	1,759	58.8%	14,231	57.3%
2 Units	111	3.7%	126	0.5%
3 to 19 Units	382	12.8%	506	2.0%
20 to 49 Units	154	5.2%	199	0.8%
50 or More Units	123	4.1%	129	0.5%
Mobile Home or Trailer	323	10.8%	9,102	36.6%
Boat, RV, Van, etc.	6	0.2%	223	0.9%
Total	2,993		24,846	

Source: PCensus for MapInfo. Tetrad Computer Applications. 2009

Housing Units by Type

Classification of Occupied Housing Units	2009 Estimate			
	City of Cleveland		Market Area	
	Number	Shares	Number	Shares
Owner-Occupied	1,394	52.2%	18,121	82.9%
Renter-Occupied	1,279	47.8%	3,747	17.1%
Total	2,673		21,868	

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Owner vs. Renter

As can be seen in the table to the left the occupied housing units in the City of Cleveland are nearly evenly split between owners and renters. This is a higher percentage than is typically found in balanced healthy markets. The share of owner occupied units in the area outside of the Cleveland City limits

is actually higher than reflected in the table because of the inclusion of Cleveland rental units in the Market Area calculation. This further evidences the discrepancy between the share of owner occupied units in the Cleveland in comparison to the Market Area. The For comparison purposes the Houston MSA is comprised of approximately 60% owner occupied units and 40% renter occupied units.

Single Family Existing Conditions

Housing Values

A comparison of estimated values for owner occupied housing units in both the City of Cleveland and the Market area are presented below. For this comparison estimates of number and share of housing are presented for the year 2000 as well as 2009. Over this nine year period both comparison areas have seen increasing home values. The share of the housing stock valued below \$40,000 in Cleveland has decreased by 18.1%, while the Market Area as a whole has declined 12.5% in the same price range. Also, the Market Area has increased its' share of housing stock with values over \$150,000 by 7.8%, while the City of Cleveland has increased only by 3.4%. While the City of Cleveland increased housing values over the period illustrated, the area was not able to add any large amounts of housing in upper price points as the Market Area did.

Value of Cleveland Housing Units

All Owner-Occupied Housing Units by Value	2000 Census				2009 Estimate			
	City of Cleveland		Market Area		City of Cleveland		Market Area	
	Number	Shares	Number	Shares	Number	Shares	Number	Shares
Less than \$20,000	196	14.9%	2,644	17.3%	124	8.9%	2,007	11.1%
\$20,000 to \$39,999	344	26.1%	3,537	23.1%	196	14.1%	3,029	16.7%
\$40,000 to \$59,999	344	26.1%	2,946	19.2%	333	23.9%	2,832	15.6%
\$60,000 to \$79,999	245	18.6%	2,418	15.8%	247	17.7%	2,543	14.0%
\$80,000 to \$99,999	124	9.4%	1,583	10.3%	227	16.3%	2,153	11.9%
\$100,000 to \$149,999	59	4.5%	1,467	9.6%	220	15.8%	3,277	18.1%
\$150,000 to \$199,999	0	0.0%	473	3.1%	40	2.9%	1,238	6.8%
\$200,000 to \$299,999	0	0.0%	139	0.9%	2	0.1%	790	4.4%
\$300,000 to \$399,999	0	0.0%	37	0.2%	1	0.1%	104	0.6%
\$400,000 to \$499,999	0	0.0%	31	0.2%	0	0.0%	35	0.2%
\$500,000 to \$749,999	0	0.0%	19	0.1%	0	0.0%	59	0.3%
\$750,000 to \$999,999	0	0.0%	17	0.1%	0	0.0%	20	0.1%
\$1,000,000 or more	4	0.3%	16	0.1%	4	0.3%	34	0.2%
Median House Value	\$46,860		\$50,064		\$63,563		\$69,379	

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

Age of Housing

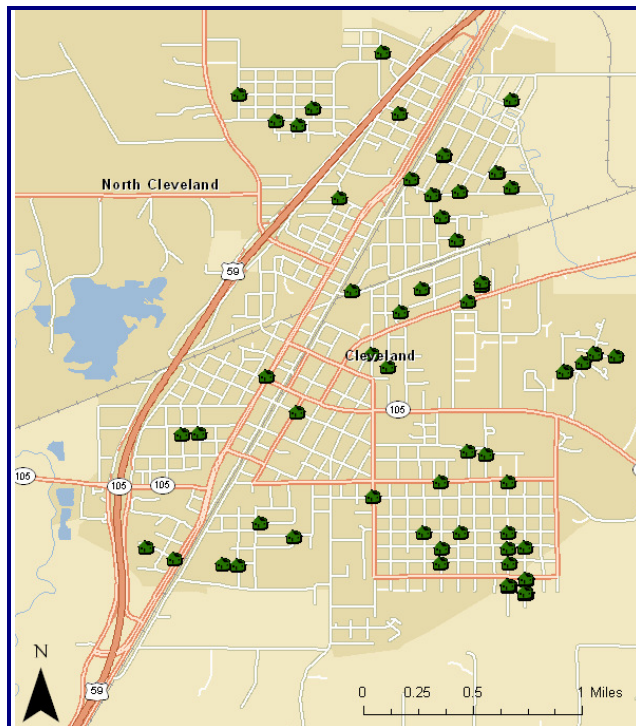
Current estimates of housing age for the City and the Market Area are presented in the table to the right. In interviews with local real estate professionals it was brought to our attention and subsequently confirmed in field research, that the last new subdivision of any scale that was built in Cleveland is Kirby Woods, which was originally developed in the early to mid 1970's. Other than building on the last few lots available in Kirby Woods, infill building in various areas scattered throughout Cleveland has been the only recent new addition to the City's housing stock. Therefore, it is no surprise that the City of Cleveland is comprised of a somewhat aged housing stock overall. Median year

Age of Housing 2009

Housing Units by Year Structure Built	2009 Estimate			
	City of Cleveland		Market Area	
	Number	Shares	Number	Shares
1999 to 2009	125	4.2%	4,898	19.7%
1990 to 1998	429	14.3%	4,890	19.7%
1980 to 1989	537	17.9%	5,146	20.7%
1970 to 1979	621	20.7%	4,954	19.9%
1960 to 1969	481	16.1%	2,139	8.6%
1950 to 1959	342	11.4%	1,551	6.2%
1940 to 1949	285	9.5%	666	2.7%
1939 or Earlier	173	5.8%	602	2.4%
Total	2,993		24,846	
Median Year Built	1973		1985	

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009

New Single Family Residential Building Permits Map 2005-2010



Source: City of Cleveland, Texas

of construction is 1973 in Cleveland, compared to the much more recent 1985 in the Market Area. With an almost 20% share of housing build within the last 10 years the Market Area, which includes the City of Cleveland, has a much higher percentage of newer housing that Cleveland alone, which is comprised of just over 4% build in the last 10 years.

City of Cleveland Single Family Permits

Although the housing stock in the City of Cleveland is somewhat aged, as previously mentioned new housing stock has been added as infill in various locations within Cleveland. The map to the left illustrates locations of new single family housing permits in the City of Cleveland for the period of 2005 to March 2010. Although there are some clustering around Kirby Woods and in the Jefferson/Shell Street area where a small amount of recent development has occurred. The largest portion of new single family

permitting activity has been spread fairly evenly throughout the city.

Two different charts presenting new single family permit data by year and by value are presented to the right. Permits issued per year for Cleveland follow the national trend reflecting the boom years of single family residential construction and subsequent decline that happened leading up to 2007 and 2008. However, Cleveland has seen a recovery in number of permits with 11 being issued for 2009 and 4 through the month of March, 2010. State values of these permits are presented in five different ranges. Ranges with the most numbers of permits are the below \$50,000 and \$50,000 to \$74,999 ranges. As previously mentioned, housing stock in the Cleveland is lower in value than that found in the areas outside of the city. New construction permit value representations in these charts highlight that it is not just the older homes that are of lower value in Cleveland. Recent construction homes are also being valued at modest price points. In the last five plus year period there has only been one single family permit issued that was valued at over \$150,000.

Single Family Sales Trends

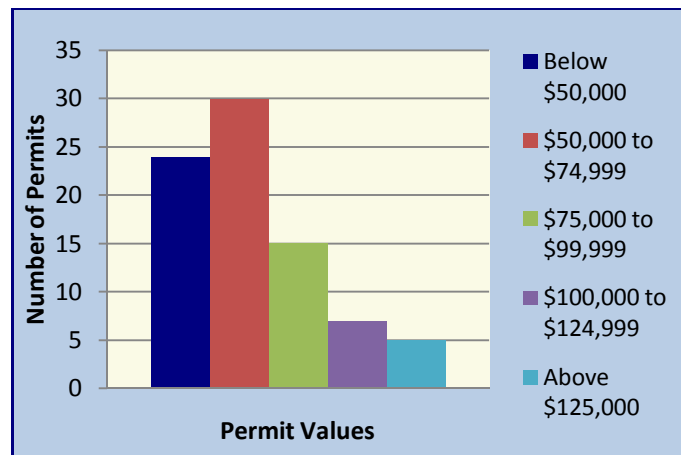
Sales data for the 171 site built homes in Cleveland since January 1st 2005 are presented in the table below. For the period illustrated the median home sold in Cleveland is an approximately 1,400 square foot three bed two bath home built in 1976 that sold for \$74,000 after 101 total days on the market.

New Residential Building Permits 2005-2010

Year	# of Permits	Median Value
2005	16	\$84,500
2006	27	\$64,000
2007	17	\$62,000
2008	6	\$52,100
2009	11	\$50,000
2010*	4	\$59,900
Total	81	\$62,000

Source: City of Cleveland, Texas
*Through March 2010

Value of Cleveland Residential Permits 2005-2010



Source: City of Cleveland, Texas

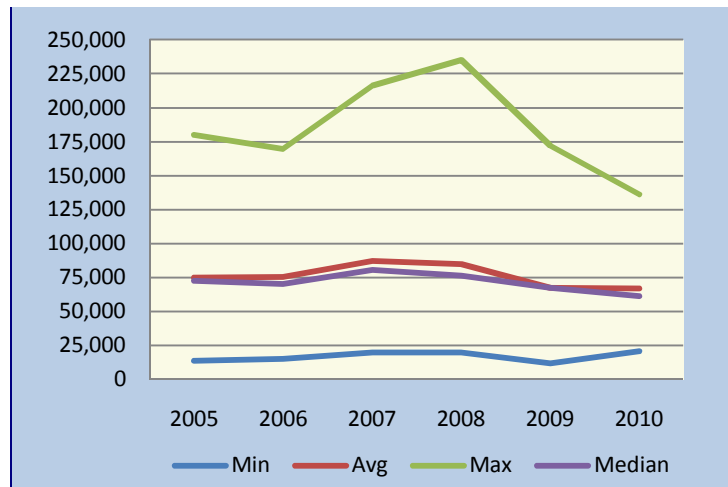
City of Cleveland – Home Sales 2005 to Present*

	Square Feet (SF)	Bedrooms	Full Baths	Half Baths	List Price /SF	List Price	Sales Price /SF	Sale Price	Sale Price / List Price %	Cumulative Days On Market	Year Built
Min	572	0	0	0	\$15.35	\$12,000	\$11.57	\$12,000	61%	0	1912
Avg.	1,592	2.9	1.63	0.2	\$50.82	\$80,889	\$49.00	\$77,982	96%	152	1976
Max	6,572	5	3	6	\$92.54	\$239,500	\$84.57	\$235,000	126%	876	2008
Median	1,393	3	2	0	\$55.21	\$78,000	\$52.72	\$74,000	97%	101	1976

Sources: Multiple Listing Service; CDS Market Research *Through April 2010

Data in the previous table further emphasizes the finding of moderate to low home prices in Cleveland. Price trends of all home sales summarized in the graph to the right highlight that while the vast majority of homes are in modest price ranges, there are homes in Cleveland that have fetched much higher prices within the last five years. However, since evidence appeared of the decline of the national housing market overall in 2008 the maximum home price in Cleveland has declined \$63,000 from 2008 to 2009 and the highest sales price so far in 2010 is nearly \$100,000 lower than the peak price achieved in 2008. One important consideration however, is the sample size of the data. With only 171 total sales over the five plus year period illustrated sales volume per year averages in the low 30's. The historical price trend based on all available metrics of comparison is illustrated in the graph above.

City of Cleveland – Home Sales Price Trend



Sources: Multiple Listing Service; CDS Market Research

Proposed New Residential Developments

Multiple new developments which have been previously mentioned include plans for some amount of residential development. These developments include the Whitetail tract, the LMSP tract and NAFTA International Park. Also as previously stated CDS acknowledged that some portion or all of their land located outside of the city limits. However, due to their proximity CDS considers understanding of these developments critical to the City of Cleveland.

Whitetail: Single family residential land uses include estate lots, which are planned for 107 acres toward the rear of the development. While not specifically illustrated on the latest available land plan conversations with real estate professionals have led CDS to believe traditional single family lots are likely to take the place of some uses presented on the land plan provided. However an expected number of lots have not been made available at this time.

Liberty Motorsports Park: Although the planned race track facility is the main focus of the development the planned housing component is also a significant portion of the development. Currently planned housing includes 85 - 60x120 lots, 112 - 70x120 lots, 131 - 80x130 lots, 41 - 125x175 lots, and 35 - 175x250 lots. Among this, furthest along in planning is the Williams Reserve Estates section, which is programmed to contain 148 lake view and estate lots. Reservations have already begun to be taken for this portion, and the response reported to CDS has been strong thus far. Significant pre-development work has been achieved in this development but to this date a lack financing partners and capital investment has inhibited the development from going ahead.

NAFTA International Park: This is a 490 acre proposed mixed use development planned for a tract at the corner of Washington and US 59, North of Cleveland. Condos, townhomes, hospitality uses, retail, and tourist attractions are among the proposed uses. This development is in the preliminary planning stage, and has been reportedly stalled in the planning stages for multiple years now.

Issues Affecting the Market and Development Opportunities

Historically the single largest factor affecting new development in Cleveland has been the quality of the public schools. Input gained through the interview process suggests this trend started historically as a response to issues with integration and truly low performing schools at the time. The effects of this historically accurate description still plague Cleveland today. The perception, which has not been helped by the media, of low quality schools in Cleveland once was very much a reality. The reality of Cleveland Independent School District (CISD) being low performing was accurate as recently as five years ago. However, today this is not the case. Statistics from the Texas Education Agency show that over the past three years all schools in Cleveland have been no less than “Academically Acceptable” and two of the three elementary schools have been upgraded to the “Recognized” category due to their performance on standardized tests. While it will likely take some time and a positive historical tract record to reinstate public confidence in the Cleveland school district, it should be noted that the negative historical perception of Cleveland schools is no longer the reality.

Responses to personal interviews CDS has learned that the common conception is that there is nowhere in Cleveland where you can buy a newer house if you had the desire. While globally speaking this is true the implication of this statement is that there is likely some amount of demand currently for new housing in Cleveland. Based on the evidence in the employee survey there has been a positive response which illustrates local employees’ acknowledgement of a lack of supply and likely current demand for newer single family housing in Cleveland. Anecdotally, area officials interviewed by CDS mentioned that a common complaint is that people want to move to Cleveland, but there are not a sufficient number of new homes being developed to provide them housing choices. Further evidence of pent up demand for new housing is evidenced by lots planned for Williams Reserve Estates, adjacent to the proposed LMSP. It was reported to CDS that 12 lots were reserved within the first week of sales efforts. These lots are approximately one half acre in size and range in pre-construction price from \$17,999 to \$49,999 for lake view lots.

Another issue that is currently affecting the Cleveland market is the national economic picture and the current lack of capital investment in real estate development. This is a very complex issue and predictions for when the marketplace will regain momentum. However, investors and lenders do still recognize quality well planned development with market proven demand and funding for such projects can still be obtained in the marketplace today.

Projected Trends and Demand – Single Family

Current single family trends in Cleveland consist of small amounts of pocket development of affordably priced homes and infill development throughout the city. The rural area surrounding Cleveland has seen a much greater portion of new homes being built on lots or land purchased by owners for the purpose of either building a new house or moving a manufactured home onto the property. A certain portion of the population will always, no matter what other choices exists, choose to live in a rural area outside of the city. However, CDS believes that with the continued progress of improvement in CISD there will be a much greater interested in living closer to and within the City of Cleveland. A critical factor in making this a reality will be to change the perception currently still held by the public. Proper promotion efforts from the City of Cleveland and CISD, coupled with continued improvement in test scores and

accountability rankings, can change in public perception of CISD and turn it into an asset rather than a liability.

As mentioned previously, the continued success and improvement CDS believes will occur in CISD will change the demand picture for single family housing in within CISD. Increased positive performance and perception in CISD will increase the demand for housing and an increase in home values will likely follow such increased demand. However, CDS does not expect a flight back into CISD schools by families that have moved into other school districts, such as Tarkington. Since families have already made an investment in these other areas and their children area in established roles with the schools CDS expects positive growth within CISD and demand for single family housing to come from new families moving into the area. Although some families that currently work in Cleveland may move closer to their jobs based on increasing school quality CDS believes that increases in employment bringing new families into the area will be the origination of increased demand for single family housing in the future.

Code enforcement efforts in Cleveland have been successful at improving the conditions of housing within the City. An owner of a house moving company informed CDS that “they don’t move old homes into Cleveland, they only leave”. While this is probably a generalization to some degree, the implicated success of the city’s proactive approach illustrates that the city is doing a good job at removing older housing units that are in disrepair from the city’s landscape.

Future demand for single family lots in the Cleveland Area will likely include various sizes. These lot types will include typical subdivision lots, large estate type lots and ranchette or/small acreage lots as well. Though demand for all of these types of lots is likely, typical subdivision and estate lots are the most likely candidates for development with the Cleveland and the ETJ.

Current housing demand, gathered from the employee survey responses, is illustrated in the charts below and on the following page. These charts show the price range and size of home expected, compared with the income of the respondent. Overall 143 respondents indicated they would currently purchase a home in Cleveland if new housing stock were available. Of the demand indicated by the 143 positive responses most demand has been illustrated in the \$125K to \$174K price range. The majority of these responses indicated that they would expect a home size of 1,500 to 1,999 square feet (SF).

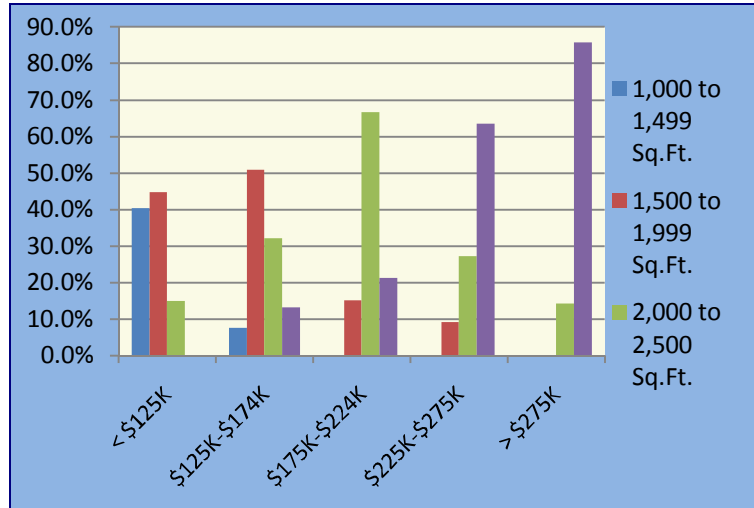
Cleveland Housing Price Preferences by Income

If available in Cleveland what price of new home would you buy?	What is your current yearly income?											
	under \$25,000		\$25,000 to \$49,000		\$50,000 to \$74,000		\$75,000 to \$100,000		\$100,000 and over		Response Totals	
	Count	Share	Count	Share	Count	Share	Count	Share	Count	Share	Count	Share
Under \$125K	11	42%	17	20%	10	16%	4	12%	1	4%	43	18%
\$125K to \$174K	4	15%	20	24%	15	23%	9	27%	3	11%	51	22%
\$175K to \$224K	0	0%	8	10%	9	14%	7	21%	8	30%	32	13%
\$225K to \$275K	0	0%	3	4%	4	6%	0	0%	4	15%	11	5%
Above \$275K	0	0%	1	1%	0	0%	2	6%	3	11%	6	3%
Not at any price	11	42%	35	42%	26	41%	12	35%	8	30%	92	39%
Total Responses	26		84		64		34		27		235	

Sources: CDS Market Research, Survey Monkey

The second most popular price range overall was the under \$125K category. This category was fairly evenly divided by those who expected 1,000 to 1,499 SF and others who expected 1,500 to 1,999 SF. A slight majority of households with income <100K indicated a new home preference in the \$125K to \$174K price range. Respondents with incomes of over \$100K per year indicated more preference to the price range from \$174K to \$225K. These potential buyers indicated expectation of homes sized from 2,000 to 2,500 SF.

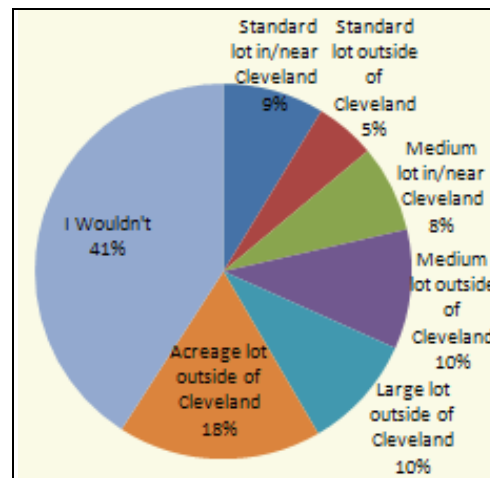
Cleveland Housing Price vs. Size



Source: CDS Market Research, Survey Monkey

The next question in the survey, “If new construction homes were available in the Cleveland area, in what location would you be likely purchase a new home”. 41 (17%) of the respondents indicated they would currently purchase a house in or near the City of Cleveland.

Cleveland New Home Location Preferences



Source: CDS Market Research, Survey Monkey

Multifamily Existing Conditions

Currently in Cleveland there are nine multifamily apartment complexes with a total of 561 units. The median age of these complexes is 1983. As seen in the map on the following page these complexes are almost all located on the east side of Cleveland and have gathered within close proximity to the high

Cleveland Multifamily Statistics

Complex	Year Built	Total Units	Occupancy	Unit Type (Bed/Bath)	Typical Rental Rates	Amenities	Subsidy Type Accepted
Sleepy Hollow	1984	96	99%	1/1	\$570-\$590	Swimming pool, Library, Pet walks, Barbeque and picnic area, Washer/Dryer, Dishwasher	None
				1/1	\$595-\$605		
				2/2	\$709		
Kirby Woods	1979	72	90%	1/1	\$485	Swimming pool, Small playground, Laundromat	Liberty County Housing
				2/1	\$595		
				2/1	\$605		
				2/1.5	\$610		
				3/3	\$740		
Cleveland Square	1975	48	96%	1/1	\$384 - \$411	Unknown	Income Based, non-HUD
				2/1	\$481 - 577		
Cleveland Plaza	1991	48	100%	1/1	\$375-\$500	Washers/Dryers, Refrigerator	HUD/Section 8 Vouchers
				2/1	\$440-\$564		
				3/1	\$470-\$620		
Brook Hollow	1982	64	97%	1/1	\$430	Laundromat	Section 8, Liberty County Housing
				1/1	\$450		
				2/2	\$575		
Lyle West*	1985	28	N/A	3/2	\$600	N/A	N/A
Pine Hollow	1980*	75	96%	1/1	\$480	Pool, Laundromat	None
				2/1	\$620		
				3/2	\$745		
Park Place	1983	60	100%	1/1	\$521	Laundromat, a playground and computer center coming soon	Section 8, soon tax credit
				2/1	\$651		
				2/1 handicap	\$651		
				3/1	\$777		
Pine Ridge Plaza	1998	70	98%	1/1	\$470	Playground, gated, benches, picnic area, barbeque, onsite daycare, washer/dryer connections, lights/wastewater and sewage paid	Tax credit
				2/2	\$630		
				3/2	\$670		

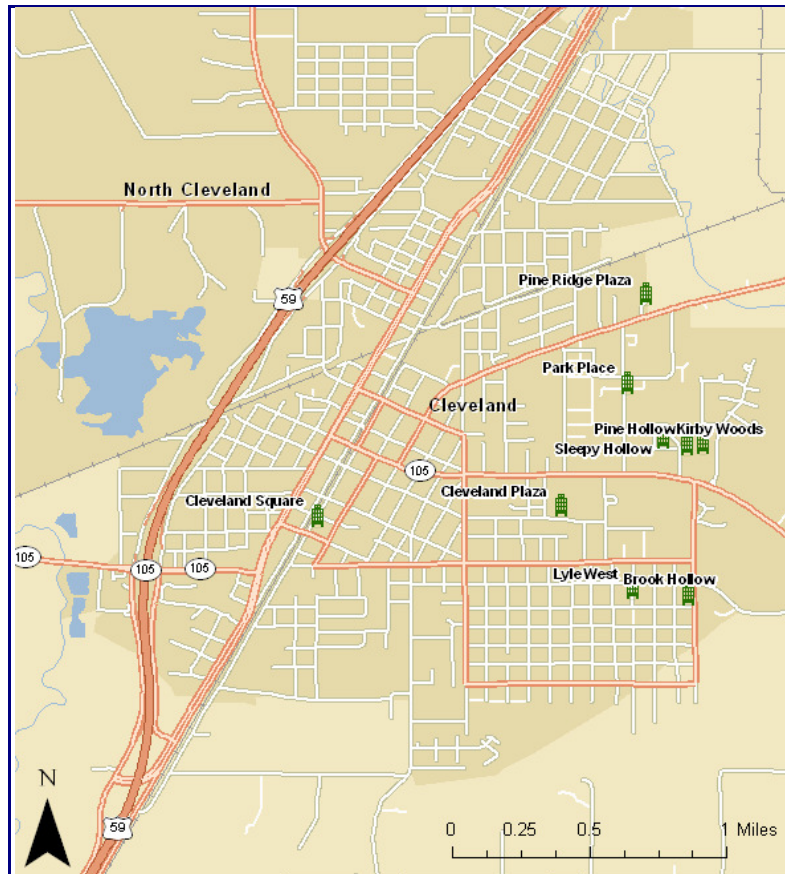
* Due to lack of available primary information data is based on third party sources and should be considered as estimates.

Source: CDS Market Research

school. The vast majority of these complexes participate in some form of rent assistance program. While CDS has been unable to gather information for one of the complexes, Lyle West, among all others there are only two that report to be standard market rent complexes. These two are Sleepy Hollow and Pine Hollow.

The principal concern about multifamily housing from our research is this lack of balance of the units in the local marketplace between subsidized and market rate properties. Although an obvious need and utilization of subsidized properties exist in Cleveland the unbalance that exists is typically a detrimental force that usually concludes with increased crime, property neglect and declining property value. During our interview process concern was expressed about maintenance and upkeep currently and especially for the future of the subsidized multifamily complexes.

Cleveland Multifamily Developments Map



Source: City of Cleveland, Texas

Existing Property Performance

The multifamily market in Cleveland is currently characterized by high occupancy rates and the large numbers of subsidized units. Across the nine apartment’s complexes performance figures are positive overall, including both subsidized and market rate complexes. The weighted average market occupancy for all reporting properties is 97%. Rents are doing marginally well with an average of \$583 and a range from roughly \$400 to \$775.

Issues Affecting the Market and Development Opportunities

The most prevalent issue in the Cleveland multifamily market is the balance of subsidized verses market rate multifamily units. Although it is clear, based on market performance, the existing subsidized units are doing well and are being accepted in the marketplace. This ratio being overweighed in subsidized units is of concern to CDS.

As with other single family development, the largest obstacle to new multifamily within Cleveland is growth in the number of households. There has certainly been a clear illustration in the employee survey that many who work in Cleveland do not currently live in the area. However, addition of new

households through job growth and creation will be needed to ensure continued demand for new multifamily properties.

Projected Trends and Demand – Multifamily

The proven market performance of multifamily in Cleveland ,as well as the large amount of employees illustrated in the survey that work in Cleveland but do not live in the city, shows that Cleveland has potential for growth in the multifamily market. Addition of a market rate apartment with amenities common in today’s marketplace will likely be well received in the City of Cleveland. However, CDS believes that the city should first address some of the other issues addressed throughout this report in order to ensure potential future residents that Cleveland is a city that is headed in the upward direction. A suggested order of operations by priority for the future of Cleveland has been provided in the executive summary at the beginning of this document.

Potential for Large Scale Seniors Housing

Questions concerning potential large scale seniors housing arose at multiple times throughout the course of this study. After interviews with professionals in the senior housing development field and analysis of the Cleveland Market Area CDS has come to the conclusion that the “Del Webb” type of development that has been inquired about is not likely in the Cleveland Area. There is a known presence of an aging population in Cleveland and in the market area as illustrated in the table to the right. On the other hand, this is not a unique factor, but rather falls in line with the aging trend of the Houston region and the entire United States.

The upper population cohorts in Cleveland may provide the potential for a small scale senior’s community for people who already live in the immediate area and do not want to leave in order to retire. However, CDS does not see Cleveland as destination for retirees at the current time or in the foreseeable future.

This is due largely to the lack of services and amenities in Cleveland as well as the lack of large scale master-planned communities which large scale comprehensive retirement communities migrate towards. Retirement communities of any large scale are often tied to a very large planned community where residents children and grandchildren live such as The Woodlands, which has unlimited nearby amenities and activities for a variety of population ages to participate in. Cleveland does not match the typical requirements for this type of housing product at this time.

Population Age Trends

	City of Cleveland	Market Area	Houston MSA	United States
Under Age	26.7%	26.9%	28.1%	24.3%
Age 18 to 24	8.7%	9.2%	9.5%	9.8%
Age 25 to 44	31.7%	28.9%	29.4%	27.2%
Age 45 to 64	20.4%	23.2%	24.4%	25.7%
Over Age 65	12.5%	11.7%	8.6%	12.9%

Source: PCensus for MapInfo, Tetrad Computer Applications, 2009.

Appendix

Strategic Recommendations

The following recommendations have been developed by CDS as a guide to assist the City of Cleveland to take advantage of positive opportunities and growth. These recommendations are intended as guide points from this point forward. Efforts involved in some recommendations may already be in place or in the works at this time. Where this is the case CDS recommends continuing these efforts as described.

Retail

Major Retailers Wanting to Expand/Enter the Texas Market

Currently there are numerous major retailers wanting to enter/expand in the Texas retail market. CDS has analyzed the current list of retailers looking for areas to open new stores. The Appendix of this document contains a list of retailers for which Cleveland meets, or is comparable to, the required criteria for population, income, traffic counts, etc. An abbreviated list of retail opportunities found in this table is provided in the table on the previous page.

The City of Cleveland should make efforts to pursue retailers noted in the survey results and in data provided from Retail Lease Trac. Based on the retail opportunity analysis there are currently many opportunities existing in the Cleveland Market Area for additional retail. Given qualifications from this analysis which match data from the survey, and Retail Lease Trac information, the Cleveland EDC and the City of Cleveland should pursue these retailers.

Prospective Retailers

Recommended Retailers	
Apparel	Health / Fitness / Nutrition
Factory Connection	General Nutrition Center
It's Fashion	Jewelry
Holliday's Fashions	Tharoo & Co. Jewelry Boutique
Cato Fashions	Office Supplies
Maurices	Office Depot
Bakery	Restaurant (family)
Tim Hortons	Huddle House
Coffee Shop	Sandella's Flatbread Cafe
Bear Creek Coffee	Denny's
Discount Department Store	Papa Murphy's
dd's Discounts	Restaurant (w/ liquor)
Fast Food	Taco Del Mar
Angel's Great Food and Ice	TaMolly's
The Taco Maker	Chili's Bar & Grill
Jimmy John's	Maggiano's
Captain D's	Salon / Spa
Arby's	Planet Tan
Krystal	Shoes
Specialty Food	Shoe Show
Cousins Subs	The Shoe Dept
Baskin Robbins	Sporting Goods
Dunkin' Donuts Brands Combo	Big 5 Sporting Goods

Source: Retail Lease Trac. CDS Market Research

Downtown Cleveland

The City of Cleveland should form a public private partnership with a separate funding source dedicated to improvement and beautification of downtown Cleveland. Stated goals of this organization should be to maintain and improve downtown Cleveland in order to improve image and

public perception of the area. This type of an organization will greatly assist the positive progression and improvement of the area. From interviews conducted with business owners and community leaders CDS learned the Friends of Downtown Cleveland (FDC) group has recently been restarted. The continued progress of this business owners and stakeholders group is very important to the City of Cleveland. Currently efforts to foster these programs are coming from the Mayor's office and the Chamber of Commerce. Maintaining these efforts through a public private partnership will aid greatly in keeping this momentum working in a positive direction.

Recognition among the public sector, downtown property owners, and businesses, that improving downtown will take a partnership with each willing to expend time, money, and effort will be critical to the success of the organization. Before risking capital, the private sector will have to be convinced of the public sector's commitment to facilitate change and provide resources where appropriate. That said, public sector efforts and expenditures would have little impact if downtown's private sector interests are not committed as a cohesive group to the improvement objective.

Most improvement efforts require funding and human effort. The City's resources are limited in respect to both. CDS recommends the FDC group form as an improvement association (voluntary private nonprofit with dues) or a business improvement district (mandatory public agency with assessments). Case studies from other small towns indicate that a cohesive private sector entity in partnership with the public sector is usually required for success of improving special districts. Many of the operating expenses associated with certain types of improvements (landscaping etc.) are well suited for funding by such an entity.

The City of Cleveland should engage in a downtown façade improvement grant program to assist property owners in transforming building fronts by either removing outer cladding to reveal and refurbish original facades or to modify existing facades to enhance visual appearance. Funding for this effort can come from both the private and public sectors.

Cleveland should use city regulations to improve the appearance of the retail corridors. Cleveland should work gradually to improve its appearance over time in a manner that would encourage desired development. This will work not only to enhance quality of retail corridor aesthetics but also to attract commercial developers seeking an environment with an assurance of quality in the surroundings. The Chamber of Commerce can help to initiate advocacy and work with existing property owners beginning with the FDC. Implementation of this recommendation will likely require grandfathering of existing properties.

Highway Corridors

Cleveland should invest in planning and infrastructure to create quality development ready commercial sites along the US 59 and SH 105 corridors within the City of Cleveland and the ETJ. In turn increased development would not only contribute to the economic success of the City of Cleveland by increasing the tax base but would also bring potential of new landmarks for Cleveland to be identified with. Particular attention should be given to fostering and encouraging supportable new development along these corridors.

Preparatory application of necessary capital expenditures to ensure proper infrastructure in these areas will benefit Cleveland in the long term. Often times when retailers are ready to move into an area they are unwilling to wait for long periods of time that would be required to fully develop a site that has no previous infrastructure and utilities made available to it. Therefore if Cleveland is financially able to

extend infrastructure to these areas in order to assure developments ready sites, it will likely improve the capture rate for potential retailers looking for sites to locate.

Previously acknowledged flood plain issues cannot be ignored when discussing development along the highway corridors. CDS believes development in this corridor should be encouraged to begin with sites not currently inhibited by flooding issues. Successful new market supported development in this corridor will increase awareness and momentum towards further development along the highway corridor. The effect of this will likely raise the values of other land parcels in the corridor. Although specific research would be needed to determine the exact costs associated with such an effort, the affect of the potential value appreciation on parcels that are currently within the floodplain could justify the expense of flood plain remediation to some of these areas at this future date.

Industrial

Cleveland should make efforts to build an industrial park and promote the park as well as the current labor base in order to attract new industrial employers. Due to the immediate proximity of several transportation opportunities including two rail lines, US Highway 59 and Cleveland Airport the northeastern portion of the Cleveland ETJ is a promising area for a future industrial park. Additionally current proposals call for a potential new rail line that would run from the Port of Houston to a connection with the current Union Pacific (UP) rail line northeast of Cleveland. At this time there are two known potential routes for the new rail line. However, both proposed routes are planned to intersect the current Burlington North Santa Fe (BNSF) line in approximately the same location and tie into the UP line at the same location. Either of the currently proposed alignments would increase the attractiveness of northeast Cleveland as a prime location for a potential industrial park. Potential industrial park uses for this area span a wide variety including warehouse/distribution facilities as well as both light and/or heavy manufacturing.

In regard to the somewhat recently purchased land adjacent to the Cleveland airport CDS believes that the Cleveland EDC should seek out a user that is looking for and will benefit from direct access to the adjacent Cleveland Airport. While this is a strong site by means of airport connection, the end user for this site will likely be a company specifically looking for direct airport access located close to a major metropolitan area.

Hospitality / Lodging Facilities

Cleveland should carefully consider and review any potential new hotel/convention center projects before granting approval. CDS concludes that upon completion of under construction facilities the market for the City of Cleveland will be saturated in regard to current room supply. However, due to the location of Cleveland as a central hub within the Market Area, based on the supply and demand illustrated on page 28, there is still demand for lodging facilities for this larger area. The combination of this illustrated demand as well as strong historical and future bookings by convention center uses suggests potential for success of a unique conference/convention type hotel with meeting space. There appears to be an opportunity for additional lodging facilities within the Cleveland Market Area. However, due to the pending saturation of lodging facilities in the City of Cleveland, additional new product will have to be strategically geared toward more than current business traffic and pass-by travelers that provide incidental room nights.

New lodging/convention facilities would have to create a unique travel destination in order to succeed in the market. This type of facility would need to create a unique experience that travelers and potential business clients would seek out because of its unique offerings rather than being another typical lodging establishment.

It is the opinion of CDS that an additional lodging establishment with meeting space is currently feasible in the Market Area. However, feasibility of a potential additional property would depend largely on the developer and builder creating a very unique location and experience that would be new to the marketplace and would create its own demand and draw. Also necessary for the success of an additional hospitality/lodging facility would be proper marketing efforts geared toward advertising the uniqueness of the property compared to other offerings in the region.

Single Family

The City of Cleveland should diligently continue current efforts by code enforcement officials. Proper maintenance and upkeep of single family properties throughout the city plays a substantial role in public perception of the city overall. Cleveland cannot afford to allow single family properties to continue as or enter into a state of disrepair or blight if the city is to gain a positive image as a place people want to live.

The City of Cleveland should develop and implement a marketing program emphasizing school quality. The negative perception which has historically surrounded CISD is changing somewhat as evidence in the employee survey and responses CDS received in personal interviews. However, a conscious effort by the City of Cleveland to promote the quality of its schools will be needed if the public perception is to change any time in the near future. In addition to this the city should support the school system in any way possible to ensure the continued positive growth and achievements currently being gained.

The City of Cleveland should encourage quality infill development by continuing previously mentioned code enforcement, good infrastructure maintenance and beautification programs throughout the city. If builders and homebuyers trust that the city will maintain progressive improvement and keep neighborhood from deteriorating, lot by lot infill development will likely increase.

Multifamily

The City of Cleveland should diligently enforce city codes at multifamily properties. These efforts will be important to the upkeep and maintenance of the aging multifamily properties in Cleveland. CDS acknowledges that continually improvement of the community and particularly the multifamily properties through code enforcement is a tough and laborious battle. However, with diligent efforts and proper enforcement code enforcement will make a positive difference in the City of Cleveland.

Effort should be made to discourage additional subsidized multifamily units within the city of Cleveland. CDS acknowledges the positive performance and need for well maintained subsidized housing within the City of Cleveland. However, an unhealthy mix of subsidized and non-subsidized units in the market will eventually create problems in any market and at this time Cleveland is overbalanced in subsidized verses non-subsidized units.

Cleveland should selectively approve multifamily projects based on achieving desired market characteristics and project features. Market evidence suggests that currently there is demand for additional multifamily units in Cleveland. However, CDS believes the City should be patient and

carefully review any potential new development plans to make sure that they will be the proper type of apartment complex that speaks to the goals and vision the City of Cleveland seeks to achieve. In order to find a developer that wants to produce an apartment complex with will provide more amenities and demand higher rents than what is currently being achieved in Cleveland, it is very likely that some other things need to happen first. These include the investment in beautification efforts and addition to both retail and recreational opportunities in Cleveland. Population in the Cleveland area has illustrated a historical growth trend which is expected to continue in the future. However, due to limited overall total population and current makeup of renter verses owner occupied housing in Cleveland CDS believes that the city should consciously make effort to limit potential multifamily growth to one apartment complex entering the market at any given time in order to evidence market stabilization and acceptance. With this patient and preemptive approach Cleveland will be able to head off any unnecessary overbuilding and dilution of the apartment market in Cleveland.

Additional Strategic Recommendations

Potential for Recreational Amenities

Cleveland should give consideration to construction of a public recreational complex and family sporting facility. Several times the desire for this type of facility was mentioned during the interview process. This type of facility also received recognition in the survey results where out of nine entertainment choices Outdoor Park or Organized Team Sports Complex was the fourth ranked response. Currently there is no outdoor team sporting type of complex known to exist in the Market Area. The City of Cleveland is well positioned geographically to become a central meeting point for sporting teams from around the area to meet for purposes of competition. Potential team sports facilities that should be considered by Cleveland could include softball, soccer and little league baseball fields. These fields could be used for children’s competitive sports as well as adult leagues. CDS acknowledges that the sporting events which would be located at the fields themselves may not provide any revenue stream to the City of Cleveland. However, local restaurants and retail outlets would likely benefit from revenue generated through expenditures by fans and participants traveling to play or watch others at various sporting events. Intangible benefits such as community pride and recognition would also be achieved through the hosting and success of well planned sporting events.

The City of Cleveland should capitalize on the natural and ecological amenities located around the city. While the amount of flood plain located adjacent to and within the boundaries of the city presents possible development constraints it also presents possible opportunities. Unique opportunities that are not found in other areas could easily stem from having the San Jacinto River and Tarkington Bayou located so close to the city. These could include land uses such as parks, or possible eco-entertainment types of venues. While the floodplain areas are commonly thought of as a hindrance to development, the EDC and the City should think of and advertise the San Jacinto River and Tarkington Bayou areas as an amenity that helps beatify Cleveland and provides unique opportunities. Potential expansion of the relationship currently held with the Legacy Land Trust could yield increased outdoor amenities in the area. Conversations held with Jennifer Lorenz, executive director of Legacy Land Trust, revealed a great interest in expansion of the organizations involvement in the Cleveland area. Nature conservation projects would be a way to not only protect the natural environment but also use this environment as an amenity for public enjoyment.

Additional Municipal Plans and Guidelines

Cleveland should consider creation of an infrastructure and utilities master plan and clear development guidelines and standards. Forming these plans and guidelines will help to encourage quality new developments throughout Cleveland. CDS encourages the development of these tools as a method to illustrate the City's ability to accommodate new development opportunities. Having an actionable plan in hand and being able to illustrate to developers where infrastructure exists and various sites that are within the planned area of service for the City of Cleveland will be a valuable tool for Cleveland. This will allow developers to understand how their potential development fits within the pattern of expected growth and development in the City of Cleveland.

Cleveland should consider execution of an interlocal agreement and municipal partnership with the City of North Cleveland based on mutually beneficial goals. The agreement and application of such an agreement can help both cities to achieve greater things. The ability of Cleveland to provide infrastructure and services for potential new development in North Cleveland in exchange of a share of tax revenues over a certain time would be mutually beneficial to both municipalities. CDS is aware such an agreement was executed in for the Loves Truck Stop Development in North Cleveland. This recommendation would allow for an overall agreement that would stand as a guide for all future co-ventures. Potential benefits from this relationship would include increased development opportunities and tax base for both cities. Most importantly though, rather than being an inconvenience or obstacle, a written plan and well thought agreement will allow both cities to share in the growth of the area together. This eases potential tension for a developer by letting them know that there is a partnership in place and that infrastructure and services will not be an issue for development within the boundaries of either municipality.

Overall Community Beautification

Increased efforts to upgrade the look and feel of the Cleveland have been expressed across the board throughout the interview process. In addition to code enforcement and specific recommendations presented in other sections, below are some State Sponsored programs for possible beautification program participation.

- **Highway Beautification** – Texas Department of Transportation has in the past provided funding for landscaping along state highways. Recent budget pressures have all but eliminated this program but it will likely continue in the future.
- **Keep Texas Beautiful** – Texas Department of Transportation awards grants for community beautification efforts.
- **GO TEXAN** – Rural Community Beautification Program of the Texas Department of Agriculture (TDA) that provides grants for small community downtown beautification efforts on a competitive basis.

Additional Marketing and Publications

Cleveland should add all available for sale and lease properties to www.texassitesearch.com. This is a website created and maintained by the governor's office in December of 2009 as a catalyst for economic development and site selection in communities throughout Texas.

Cleveland should complete the steps necessary to get on the State of Texas Designated Community Economic Development (DCEd) Organizations list. This list will help Cleveland to get the name of the

city in front of more potential new businesses. The list also will qualify Cleveland to receive prospect leads for business from the State of Texas. For information on the DCED list Cleveland should contact Sandra Dahdah at (512) 936-0534 or Sandra.Dahdah@governor.state.tx.us.

Online Employee Survey

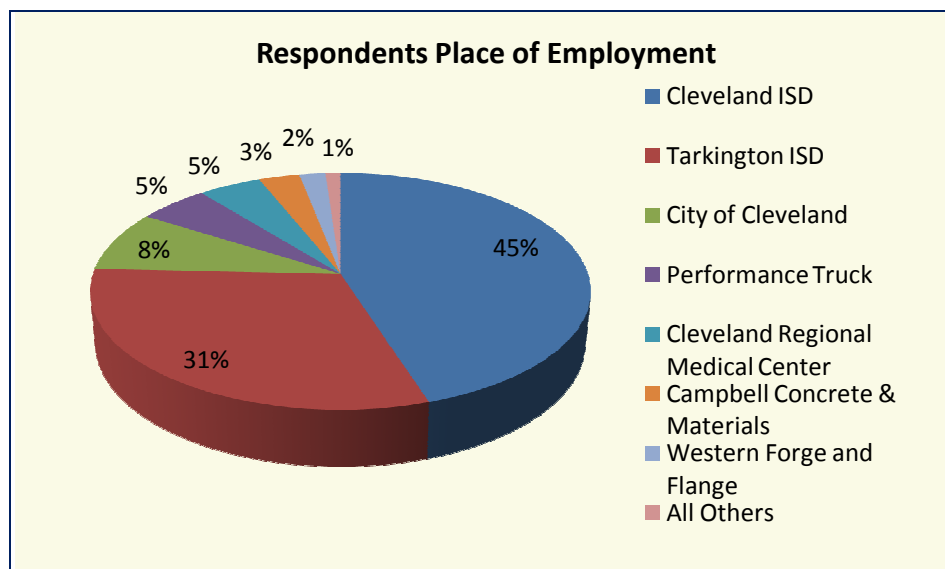
An online employee survey was conducted based on a random sampling from major employers within the Cleveland area including Cleveland ISD, Tarkington ISD, The City of Cleveland, Performance Truck, Cleveland Regional Medical Center, Campbell Concrete and Materials, and Western Forge and Flange. The survey was made available to Wal-Mart, The GEO Group, Georgia Pacific and Union Tank Car but no responses resulted from these employers. The sampling concluded with 362 employees in Cleveland which includes approximately 22% of all employees from employers who responded. The purpose of this survey was to perform an independent and comprehensive analysis of residential and retail shopping behavior to determine where residents live, what type of dwelling they live in, value of dwelling, where they typically shop, why they go outside of Cleveland retail areas, what specific stores are missing or underrepresented in Cleveland.

The actual interview questionnaire can be found at the end of this report document. To summarize, respondents were asked:

- Where they work and live
- Value of home/residence, own or rent status
- Attractiveness of various existing stores and restaurants in Cleveland
- Frequency of shopping at various retailers outside of Cleveland
- Ratings of the selection of retail and restaurants available in Cleveland
- Desired retail and restaurants not currently located in Cleveland
- Demographic information including age, sex, education level, marital status

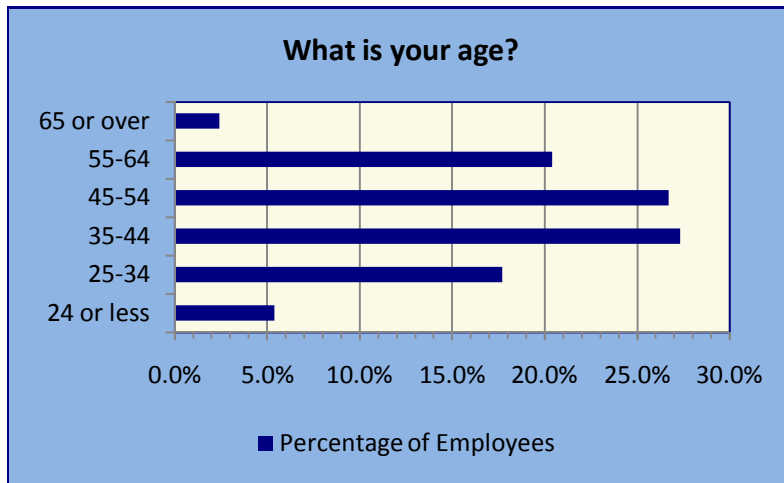
An overwhelming number of survey respondents are employed in Cleveland and Tarkington ISD. The lack of respondent distribution is somewhat unfortunate but after many attempts by the Cleveland Chamber of commerce and CDS to bolster responses from other employers this is the response sample we were able to obtain.

Respondents Place of Employment



Source: CDS Market Research, Survey Monkey

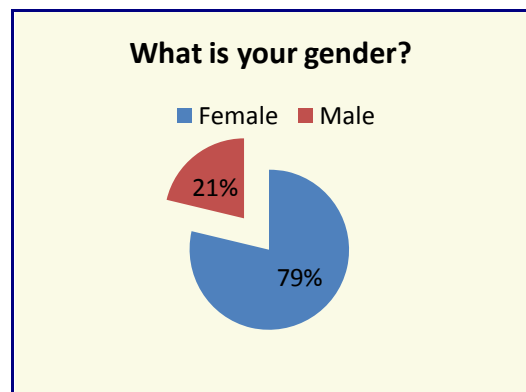
Demographic Comparisons



Source: CDS Market Research, Survey Monkey

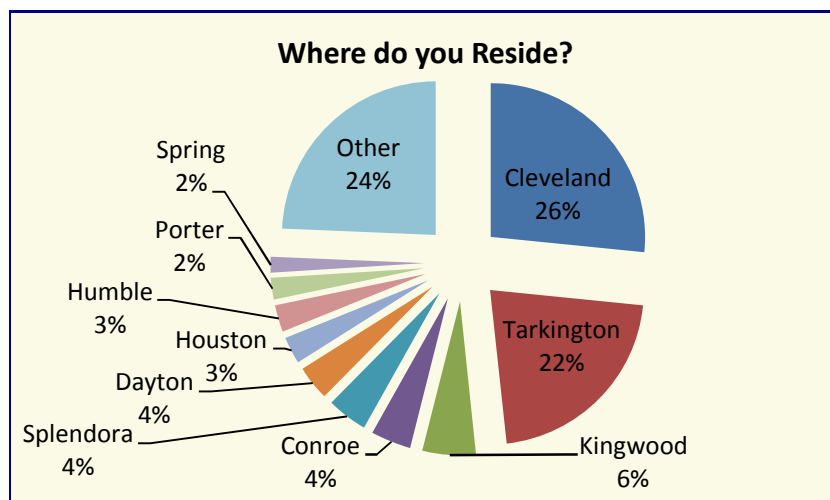
An overwhelming 74% of survey respondents do not live in Cleveland at this time.

Demographic Comparisons



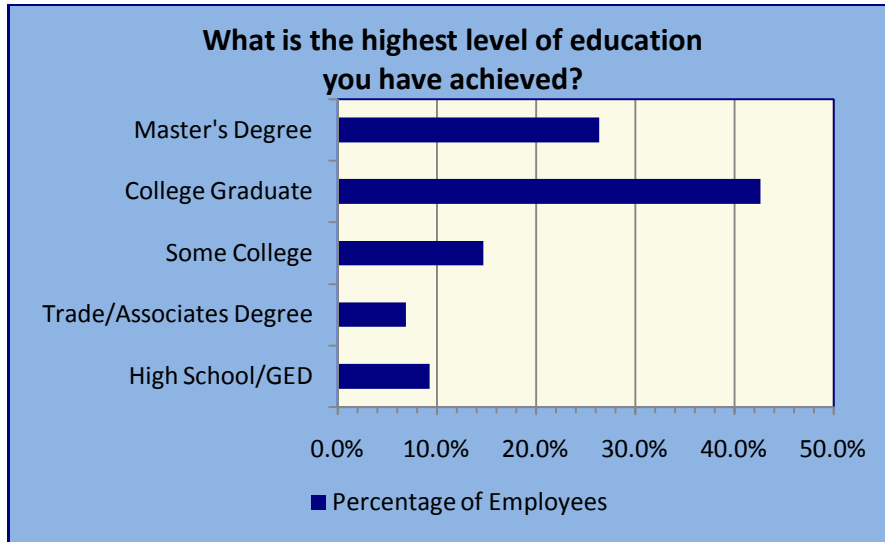
Source: CDS Market Research, Survey Monkey

Survey Demographics by Residence



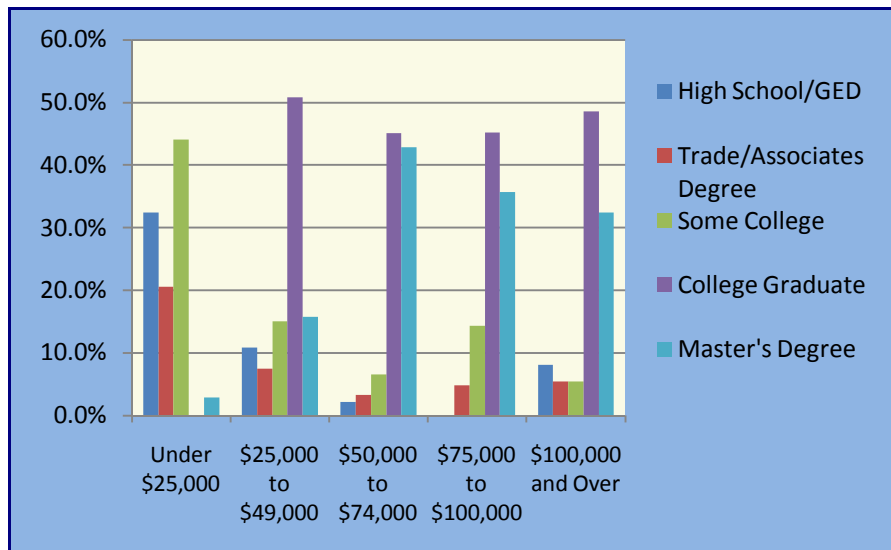
Source: CDS Market Research, Survey Monkey

Survey Demographics by Educational Attainment



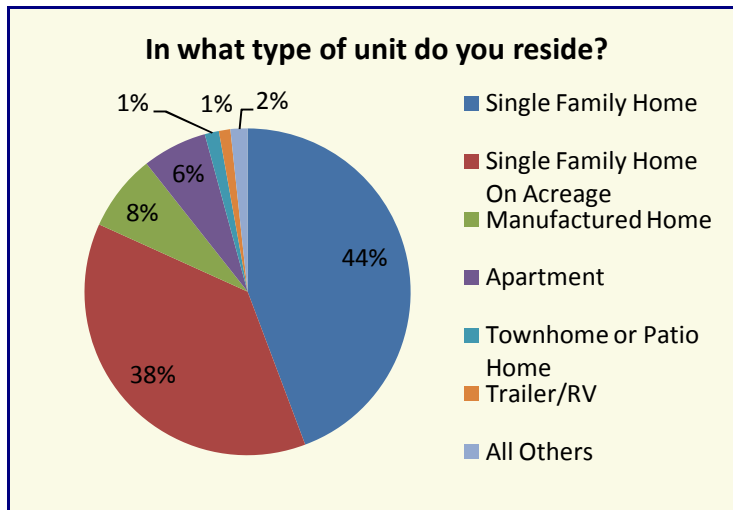
Source: CDS Market Research, Survey Monkey

Survey Demographics -
Income Levels by Educational Attainment



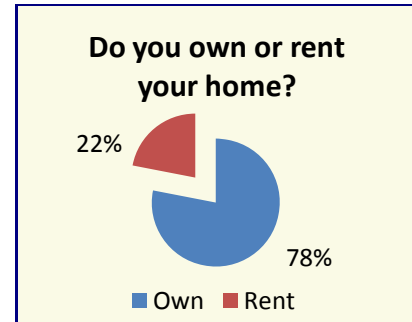
Source: CDS Market Research, Survey Monkey

Type of Residence



Source: CDS Market Research, Survey Monkey

Residence Ownership



Source: CDS Market Research, Survey Monkey

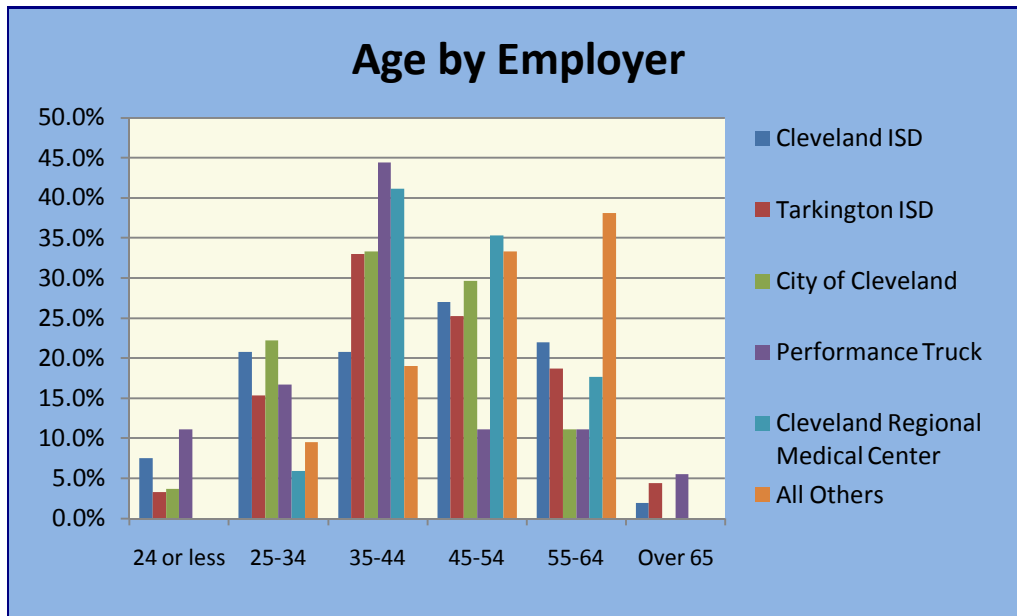
94% of all survey respondents live in Single Family Residences.
 83% of total employee respondents reported living in site built home.

Survey Demographics by Employer

Place of Employment	% who Reside in Cleveland	% who own their home	% who live in SF home	Value of Home				% who live in apartment
				Less than \$75,000	\$75,000 - \$149,999	\$150,000 - \$199,000	Above \$200,000	
Cleveland ISD (161)	27.3%	75.8%	90.1%	21.1%	32.9%	14.3%	6.2%	8.1%
Tarkington ISD (106)	25.5%	80.4%	94.4%	16.8%	25.2%	21.5%	14.0%	3.7%
City of Cleveland (29)	34.5%	65.5%	89.7%	17.2%	20.7%	10.3%	10.3%	10.3%
Performance Truck (19)	42.1%	100.0%	100.0%	15.8%	26.3%	15.8%	42.1%	0.0%
Cleveland Regional Medical Center (17)	0.0%	76.5%	88.2%	0.0%	11.8%	35.3%	29.4%	5.9%
Campbell Concrete & Materials (11)	27.3%	81.8%	72.7%	18.2%	18.2%	27.3%	18.2%	18.2%
Western Forge and Flange (7)	0.0%	85.7%	85.7%	0.0%	42.9%	14.3%	28.6%	0.0%
All Others (4)	25.0%	75.0%	100.0%	0.0%	0.0%	25.0%	50.0%	0.0%

Source: CDS Market Research, Survey Monkey

Employee Age by Employer



Source: CDS Market Research, Survey Monkey

Cleveland employees ranked geographic proximity to work, family and friends are the highest among all responses when asked why they like living in Cleveland.

What Do You Like Most About Living In Cleveland?

	Top Reason	Top Reason %	Total Mentions	Total %
Proximity to your work	48	37.8%	76	28.3%
Proximity to family/friends	35	27.6%	57	21.2%
Better work commute for spouse	12	9.4%	25	9.3%
Proximity to church	7	5.5%	23	8.6%
Better general quality of life	10	7.9%	21	7.8%
Safety, lack of crime	4	3.1%	16	5.9%
Quality of schools	6	4.7%	15	5.6%
Price points of housing available	3	2.4%	10	3.7%
Proximity to shopping/restaurants/entertainment	1	0.8%	7	2.6%
Quality and appearance of neighborhoods	1	0.8%	6	2.2%
Good housing choices	0	0.0%	4	1.5%
Other	0	0.0%	9	3.3%

Source: CDS Market Research, Survey Monkey

What Do You Like Least About Living In Cleveland?

	Top Reason	Top Reason %	Total Mentions	Total %
Lack of shopping	28	20.6%	58	19.8%
Lack of restaurants	27	19.9%	56	19.1%
Lack of entertainment	29	21.3%	53	18.1%
Quality and appearance of neighborhoods	17	12.5%	39	13.3%
Quality of schools	11	8.1%	19	6.5%
Lack of safety and increased crime	8	5.9%	16	5.5%
General quality of life	5	3.7%	11	3.8%
Lack of housing choices	6	4.4%	10	3.4%
Lack of new construction homes available	2	1.5%	8	2.7%
Proximity to family/friends	2	1.5%	7	2.4%
Lack of upper end homes available	1	0.7%	5	1.7%
Proximity to church	0	0.0%	2	0.7%
Price points of housing available	0	0.0%	1	0.3%
Others	0	0.0%	8	2.7%

Source: CDS Market Research, Survey Monkey

Survey respondents who are residents of Cleveland indicated a strong desire to have more retail shopping, restaurants and entertainments venues.

New Entertainment Venue
Preference by Average Rank (1 to 9)

	Average
Movie Theater	3.47
Bowling Alley	3.78
Family Amusement Center	4.22
Outdoor Park or Organized Team Sports Complex	4.48
Miniature Golf	4.55
Amusement Park Type Rides	5.15
Concert Hall	5.17
Roller Rink	5.68
Night Club/Bar	6.73

Source: CDS Market Research, Survey Monkey

Where do you shop and dine most often?

	Where do you most often shop for groceries?		Where do you most often shop for clothes?		Where do you dine out most often?	
	No.	%	No.	%	No.	%
Cleveland Residents						
In Cleveland	79	84.9%	15	16.1%	39	41.9%
Other Location	14	15.1%	78	83.9%	54	58.1%
	93	100.0%	93	100.0%	93	100.0%
Non-Residents						
In Cleveland	105	42.0%	33	13.2%	63	25.2%
in City of Residence	92	36.8%	68	27.2%	81	32.4%
Other	53	21.2%	149	59.6%	106	42.4%
	250	100.0%	250	100.0%	250	100.0%

Source: CDS Market Research, Survey Monkey

When employees were asked where they shop and dine out most often, with the exception of grocery shopping for current Cleveland residents, the majority of responses across the board were in locations other than Cleveland.

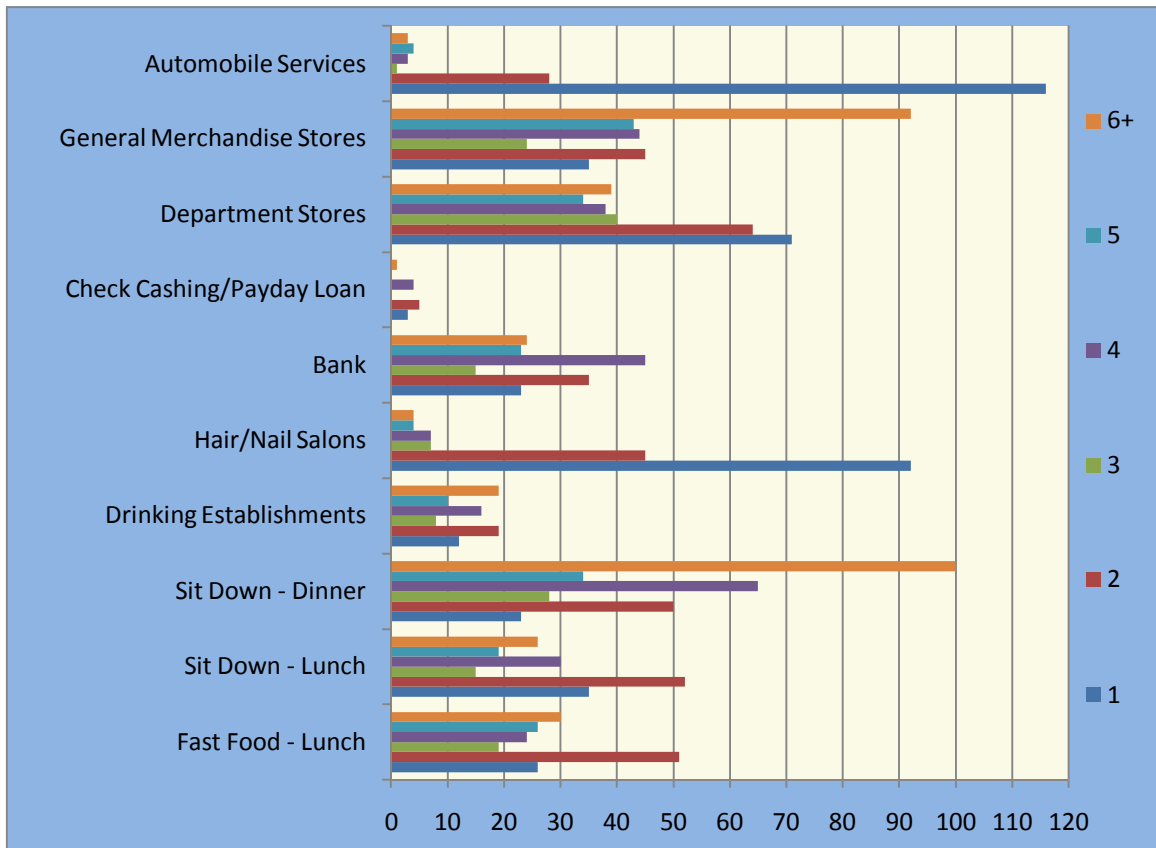
The highest share of shopping done outside of Cleveland was for clothing.

How would you rate Cleveland’s shopping and dining selection?



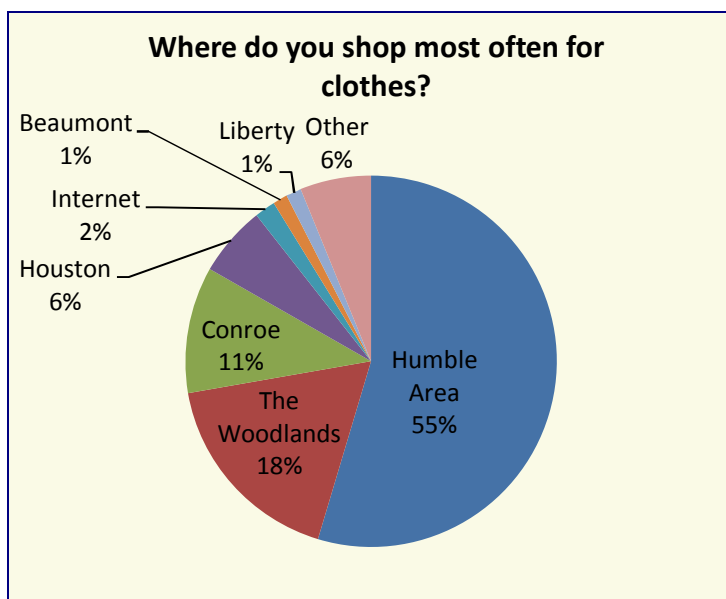
Source: CDS Market Research, Survey Monkey

How many times per month do you leave Cleveland for services/retail?



Source: CDS Market Research, Survey Monkey

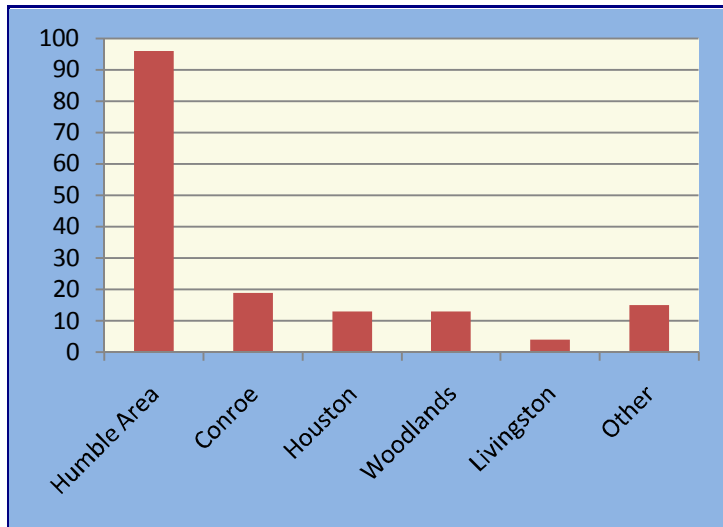
Where do you shop most often for clothes?



The numbers of trips outside of Cleveland per shopping type illustrated above further illustrate the amount of spending on various goods that is currently being lost to other areas with more shopping and service providers.

Source: CDS Market Research, Survey Monkey

Where do you dine out most often?



Humble has been indicated as the obviously preferred dining location by survey respondents.

Source: CDS Market Research, Survey Monkey

Please name three stores that are not currently in Cleveland but you would like to open in Cleveland?

Although Cleveland currently has a Wal-Mart there has been strong indication from survey response that a Target would be well received in Cleveland. Other top mentioned include apparel, hardware/lumber, and outdoor sporting goods stores. All of which have been previously mentioned in the Retail Opportunity Analysis.

	Top Mentions	Top Mention %	Total Mentions	Total %
Target	124	37.0%	200	21.6%
JC Penny	38	11.3%	93	10.0%
Kohls	23	6.9%	85	9.2%
Lowes	12	3.6%	48	5.2%
Academy	11	3.3%	41	4.4%
Home Depot	13	3.9%	41	4.4%
Macy's	16	4.8%	34	3.7%
Ross	9	2.7%	28	3.0%
New Grocery Store/Larger HEB	5	1.5%	27	2.9%
Best Buy	3	0.9%	25	2.7%
Old Navy	8	2.4%	21	2.3%
Sam's Club	3	0.9%	17	1.8%
Dillards	3	0.9%	16	1.7%
Catos	5	1.5%	13	1.4%
Sears	4	1.2%	12	1.3%
Office Depot	1	0.3%	10	1.1%
Tractor Supply Company	2	0.6%	10	1.1%
All Others	55	16.4%	205	22.1%

Source: CDS Market Research, Survey Monkey

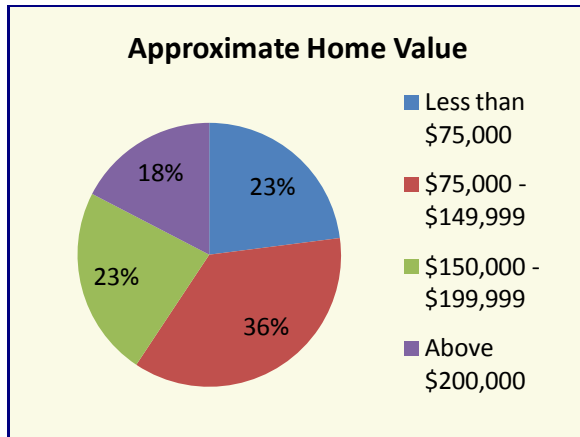
Chili's was an overwhelming favorite amongst survey respondents when asked what restaurant employees would like to see open in the Cleveland.

Please name three restaurants that are not currently in Cleveland but you would like to open in Cleveland?

	Top Mentions	Top Mention %	Total Mentions	Total %
Chili's	98	29.3%	161	17.0%
Olive Garden	24	7.2%	81	8.5%
Red Lobster	19	5.7%	50	5.3%
Chik-Fil-A	19	5.7%	41	4.3%
Texas Roadhouse	9	2.7%	40	4.2%
IHOP	11	3.3%	39	4.1%
Outback Steakhouse	8	2.4%	33	3.5%
Saltgrass Steakhouse	7	2.1%	33	3.5%
Wendy's	16	4.8%	28	3.0%
Applebee's	8	2.4%	27	2.8%
Luby's	5	1.5%	26	2.7%
Other Pappas Restaurant	5	1.5%	22	2.3%
Pappasitos	4	1.2%	21	2.2%
TGI Friday's	6	1.8%	17	1.8%
Cracker Barrel	7	2.1%	15	1.6%
Long John Silver's	4	1.2%	13	1.4%
Carrabas	4	1.2%	12	1.3%
KFC	5	1.5%	12	1.3%
ZIO's	5	1.5%	12	1.3%
Denny's	2	0.6%	9	0.9%
Schlotzsky's	2	0.6%	9	0.9%
All Others	67	20.0%	248	26.1%

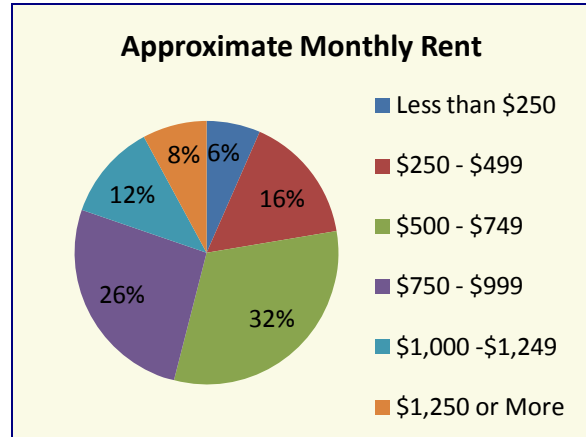
Source: CDS Market Research, Survey Monkey

Approximate Home Value



Source: CDS Market Research, Survey Monkey

Approximate Monthly Rent



Source: CDS Market Research, Survey Monkey

In the next 1 or 2 years, are you more likely to...

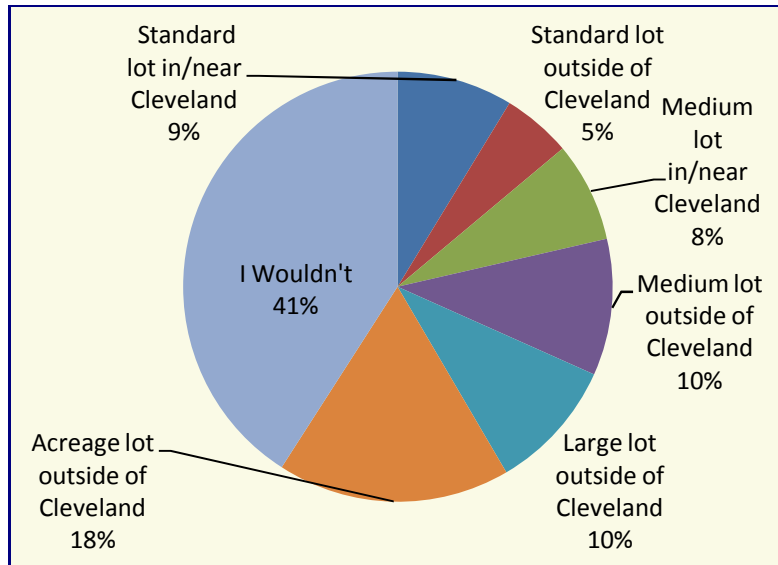
Action	Share	Downsize/Upgrade to	Share	Count
Remain in Current Location	74%			
Move and Downsize	5%	New construction in a different area	15.4%	2
		New construction in the Cleveland Area	15.4%	2
		Pre-owned home in different area	30.8%	4
		Pre-owned in Cleveland area	38.5%	5
Move and Upgrade	21%	New construction in a different area	46.0%	29
		New construction in the Cleveland Area	14.3%	9
		Pre-owned home in different area	27.0%	17
		Pre-owned in Cleveland area	12.7%	8

Source: CDS Market Research, Survey Monkey

Of the 26% of respondents who indicated movement in the next one or two year period, the majority are planning on upgrading their homes.

The total number of respondents that indicated current desire to move into the Cleveland area within the next one to two years was only 24 people total.

If new construction homes were available in the Cleveland area, in what location would you be likely purchase a new home?

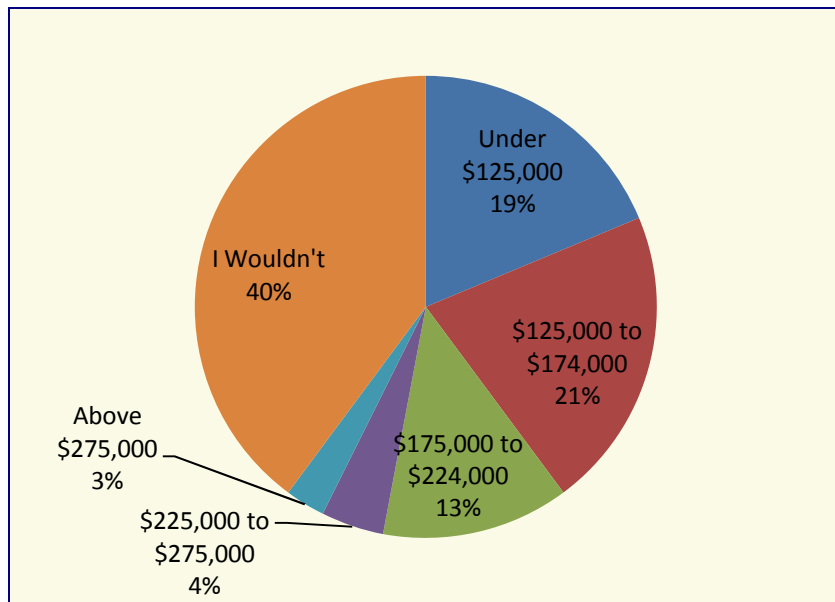


Definition of lots sizes given for purposes of this question are:
 Standard Lot: <1/3 acre
 Medium Lot: 1/3 to 2 acres
 Large Lot: 2 to 5 acres
 Acreage Lot: 5 or more acres

Source: CDS Market Research, Survey Monkey

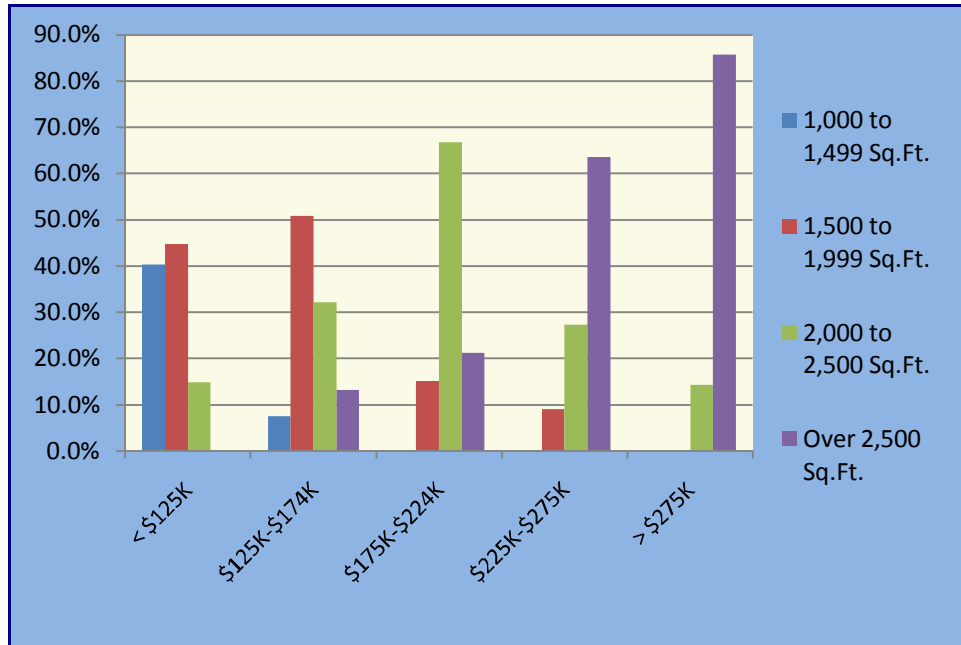
If new construction homes were available in Cleveland at what price level would you be likely purchase a new home?

Out of a total of 235 responses to the two questions presented on this page 61%, or 143 respondents, indicated they would purchase a new construction home in Cleveland. However, when asked what type and the specific location of a home 41 people said they would currently purchase a home in or near the City of Cleveland. This positive response shows an indication of demand for homes in a variety of price points and locations.



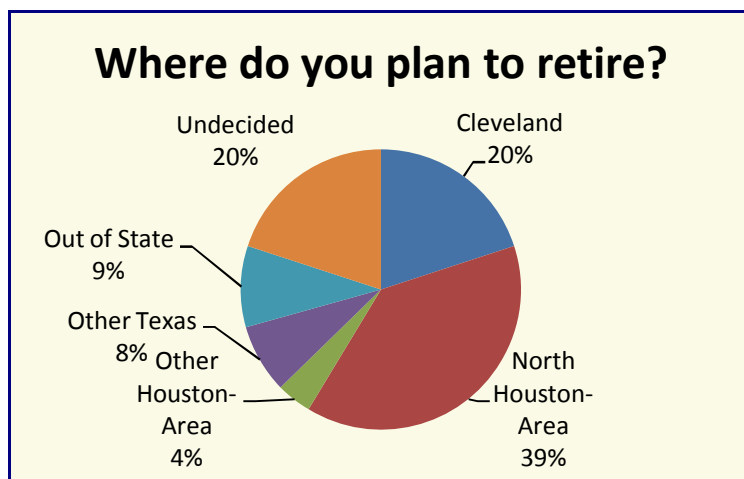
Source: CDS Market Research, Survey Monkey

What size home would you expect in these price ranges?



Source: CDS Market Research, Survey Monkey

For those eligible for retirement in the next 7 years, where do you plan to reside in retirement?



Source: CDS Market Research, Survey Monkey

Retail Lease Trac Contact Information

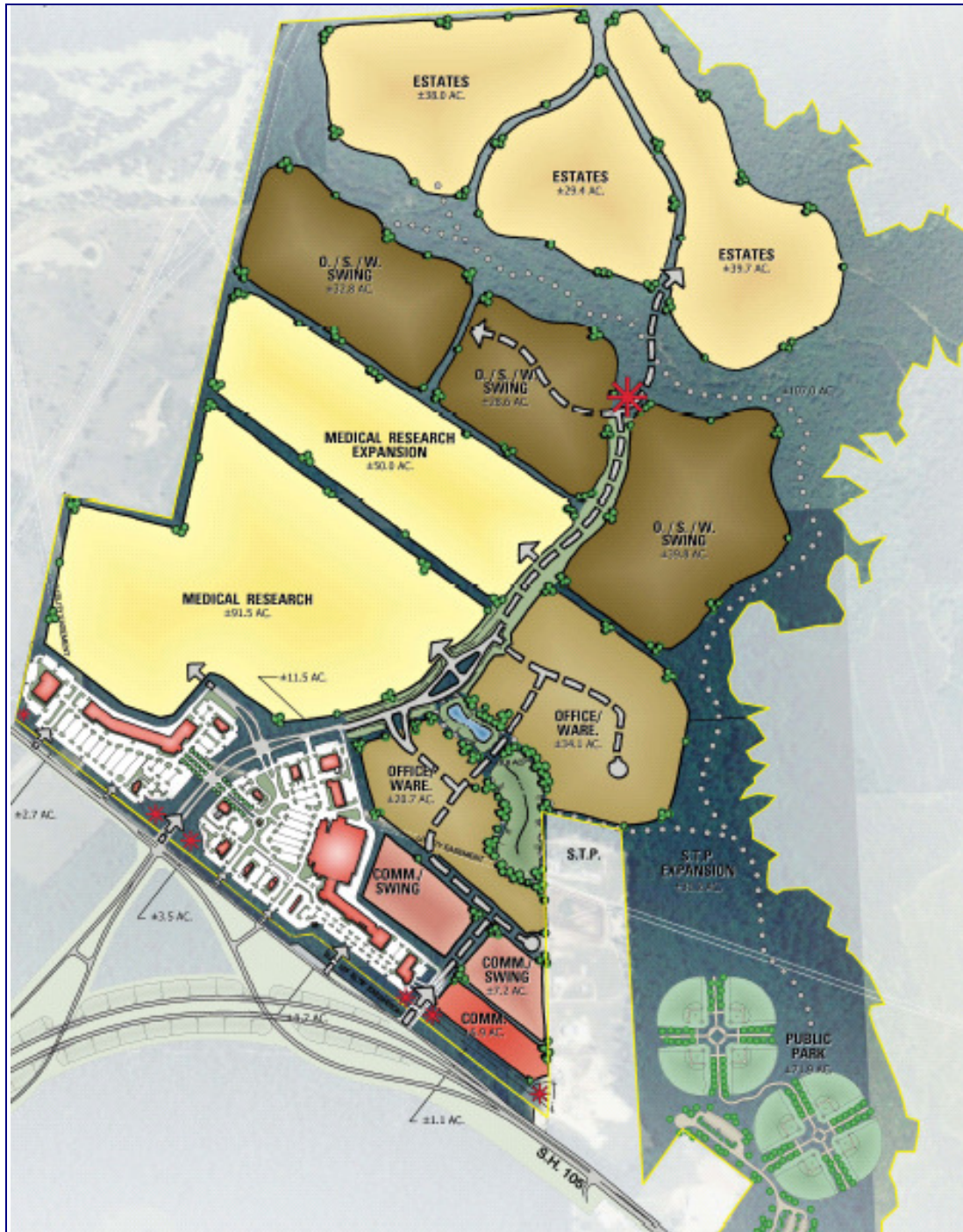
Category	Retailer	Contact	Population	Income	Radius	Facility Type
Apparel - Family	Factory Connection	Gaylan Hamilton, Director of Real Estate: 701 Railroad Avenue , Albertville, AL 35951-3421 (Tel) 256-878-2866 / (Fax) 256-878-0629 ghamilton@factory-connection.com	5,000	25,000	10	Downtown, Neighborhood Strip, Outlet Mall, Regional Mall, Regional Strip, Special Strip
Apparel - Family	It's Fashion	Kyle Edwards, Regional Vice President, Director of Real Estate: 8100 Denmark Road , Charlotte, NC 28273-5975 (Tel) 972-423-8148 / (Fax) 704-551-7594 kedwa@catocorp.com	25,000	-	-	Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip
Apparel - Womens	Cato Fashions	Kyle Edwards, Regional Vice President, Director of Real Estate: 8100 Denmark Road , Charlotte, NC 28273 (Tel) 704-551-7629 / (Fax) 704-551-7594 kedwa@catocorp.com	25,000	-	-	Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip
Apparel - Womens	Maurices	Jeff Holmes, Leasing Representative: 105 West Superior Street , Duluth, MN 55802-2031 (Tel) 218-720-2035 / (Fax) 218-720-2138 jholmes@maurices.com	25,000	-	-	Lifestyle Center, Neighborhood Strip, Power Center, Regional Mall, Regional Strip, Special Strip
Apparel - Womens	Holiday's Fashions	David Hays, Director of Operations: 4841 Summer Avenue , Memphis, TN 38122 (Tel) 901-522-1983 / (Fax) 901-526-3943 realestate@holidaysfashions.com	40,000	-	-	Free Standing, Lifestyle Center, Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip
Bakery	Tim Hortons	Stephen Johnston, SVP, US Development: 874 Sinclair Road , Oakville, ON L6K25Y1, (Tel) 905-339-6122 / (Fax) 905-845-0265 johnston_stephen@timhortons.com	3,000	10,000	1	Free Standing, Gas Station, Kiosk, Regional Mall
Coffee Shop	Bear Creek Coffee	Cory Hoffman, Real Estate Consultant: 8372 East US Hwy 36 , Avon, IN 46123 (Tel) 301-949-2935 / (Fax) 301-949-2936 sales@bearcreekcoffee.com	18,000	50,000	-	Free Standing, Kiosk, Neighborhood Strip, Regional Mall, Regional Strip, Special Strip
Discount Department Store	dd's Discounts	Glen Boyer, Vice President of Real Estate & Market Research: 4400 Rosewood Drive , Pleasanton, CA 94588 (Tel) 925-965-4676 / (Fax) 925-965-4174 glen.boyer@ros.com	100	-	3	Downtown, Neighborhood Strip, Regional Strip, Special Strip
Fast Food	Angel's Great Food and Ice Cream	Carlos Budet, Executive Vice President & COO, Fransglobal Corp.: P.O. Box 194389 , San Juan, 00919-4389 (Tel) 787-273-3160 / (Fax) 787-793-3130 cbudet@fransglobal.com	3,000	45,000	1	Campus Site, Downtown, Free Standing, Gas Station, Hotel Lobby, Lifestyle Center, Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip, Transit Terminal

Category	Retailer	Contact	Population	Income	Radius	Facility Type
Fast Food	The Taco Maker	Magda Acevedo-Ramos, Sales Coordinator, Fransglobal: 4605 Harrison Boulevard, Ogden, UT 84403 (Tel) 787-273-3160 / (Fax) 787-793-3130 macevedo@fransglobal.com	3,000	45,000	1	Campus Site, Downtown, Free Standing, Gas Station, Hotel Lobby, Lifestyle Center, Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip, Transit Terminal
Fast Food	Krystal	Colleen Fieser, Real Estate: 1 Union Square , Chattanooga, TN 37402 (Tel) 423-757-1504 / (Fax) 423-757-1588	10,000	-	-	Free Standing
Fast Food	Arby's	Charles Dechiro, Broker, The Dechiro Companies: 1155 Perimeter Center West , Atlanta, GA 30338 (Tel) 281-373-3157 / (Fax) 281-373-3197 cdechiro@comcast.net	20,000	-	-	Free Standing, Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip
Fast Food	Jimmy John's	Nate Minnis, Real Estate Manager: 2212 Fox Drive , Champaign, IL 61820 (Tel) 217-356-9900 / (Fax) 217-359-2956 realestate@jimmyjohns.com	25,000	-	-	Campus Site, Downtown, Free Standing, Neighborhood Strip, Regional Strip, Special Strip
Fast Food	Captain D's	Eric Edwards, Director of Franchise Development: 1717 Elm Hill Pike Suite A-10, Nashville, TN 37210 (Tel) 214-870-3888 / (Fax) 615-231-2734 eedwards@sagbrands.com	25,000	30,000	-	Free Standing, Lifestyle Center
Fast Food	Zaxby's	Tommy Mitchell, Real Estate Consultant, Snow Properties, Inc.: 1040 Founder's Boulevard , Athens, GA 30606 (Tel) 706-433-2289 / (Fax) 706-433-2294 tmitchell@zaxbys.com	30,000	45,000	-	Free Standing, Lifestyle Center, Power Center
Food or Beverage Specialty	Cousins Subs	Real Estate Site Selector, Real Estate Department: North 83 West 13400 Leon Road , Menomonee Falls, WI 53051 (Tel) 262-253-7700 / (Fax) 262-253-7710 info@cousinssubs.com	5,000	52,000	1	Free Standing, Regional Strip, Special Strip
Food or Beverage Specialty	Dunkin' Donuts Brands Combo Stores	James Tycom, Development Manager: 130 Royall Street , Canton, MA 2021 (Tel) 972-249-7510 / (Fax) 781-737-4000 Laurie.Savini@dunkinbrands.com	10,000	35,000	-	Free Standing, Neighborhood Strip, Regional Strip, Special Strip
Food or Beverage Specialty	Baskin Robbins	Andrew Buchmann, Development Manager - Houston: 130 Royall Street , Canton, MA 2021 (Tel) 713-205-2608 / (Fax) 972-361-5919 Laurie.Savini@dunkinbrands.com	15,000	40,000	-	Free Standing, Lifestyle Center, Neighborhood Strip, Power Center, Regional Strip, Special Strip
Health / Fitness / Nutrition	General Nutrition Center	Alison Barnwell, Senior Associate, CB Richard Ellis: 300 6th Avenue , Pittsburgh, PA 15222-2511 (Tel) 512-482-5567 / (Fax) 512-499-4999 alison.barnwell@cbre.com	30,000	-	-	Downtown, Lifestyle Center, Neighborhood Strip, Outlet Mall, Power Center, Regional Mall, Regional Strip, Special Strip

Category	Retailer	Contact	Population	Income	Radius	Facility Type
Office Supplies	Office Depot	Dan Depace, Senior Director of Real Estate: 2200 Old Germantown Road , Delray Beach, FL 33445 (Tel) 561-438-0837 / (Fax) 561-438-3947 dan.depace@officedepot.com	40,000	40,000	-	Free Standing, Lifestyle Center, Neighborhood Strip, Power Center, Regional Strip, Special Strip
Restaurant (family)	Huddle House	Jim Carr, Regional Contact: 5901-B Peachtree Dunwoody Road, Northeast , Atlanta, GA 30328 (Tel) 800-868-5700 / (Fax) 770-394-1970 realestate@huddlehouse.com	10,000	-	5	Free Standing
Restaurant (family)	Papa Murphy's	Frank Gunderson, Vice President of Development-West: 8000 Northeast Parkway Drive Suite 350, Vancouver, WA 98662 (Tel) 360-260-7272 / (Fax) 360-260-0500 frankg@papamurphys.com	15,000	-	-	Free Standing, Neighborhood Strip, Regional Strip, Special Strip, Transit Terminal
Restaurant (family)	Denny's	John Evans II, President, John T Evans Company, Inc.: 203 East Main Street , Spartanburg, SC 29319-9966 (Tel) 214-891-3200 / (Fax) 214-891-3232 john@jtevans.com	40,000	-	-	Downtown, Free Standing, Neighborhood Strip, Power Center, Regional Strip, Special Strip
Restaurant (family)	Sandella's Flatbread Cafe	Kevin Fissell, Real Estate Manager: 9 Brookside Place , West Redding , CT 6896 (Tel) 203-544-9984 / (Fax) 203-544-9981 kfissell@sandellas.com	50,000	-	-	Downtown, Free Standing, Neighborhood Strip, Regional Strip, Special Strip

Site Plans for Currently Planned Developments

Whitetail Land Plan



Sources: Scott Lambert

Williams Reserve Estates Land Plan



Sources: Scott Lambert, Montgomery and Associates

Sweeten Tract Land Plan



Sources: Scott Lambert, Montgomery and Associates

Survey Instrument

Cleveland Employee Survey

Introduction

The purpose of this survey is to provide the City of Cleveland with information that will help the City plan for future needs. Please take a few moments to complete the survey. Your answers will remain completely anonymous and your input is appreciated.

*** 1. Who is your current employer?**

- | | | |
|---|---|--|
| <input type="radio"/> The GEO Group (Cleveland Correctional Center) | <input type="radio"/> Performance Truck | <input type="radio"/> Western Forge and Flange |
| <input type="radio"/> City of Cleveland | <input type="radio"/> Cleveland Regional Medical Center | <input type="radio"/> Cleveland ISD |
| <input type="radio"/> Campbell Concrete & Materials | <input type="radio"/> Wal-Mart | <input type="radio"/> Tarkington ISD |
| <input type="radio"/> Union Tank Car | <input type="radio"/> Georgia Pacific | <input type="radio"/> Other |

Work and Residence

*** 2. About how long have you been employed by your current employer?**

Years

Months

*** 3. About how long have you lived in your current residence?**

Years

Months

Type of Dwelling

*** 4. In what type of dwelling unit do you currently reside? (check one)**

- | | |
|---|---|
| <input type="radio"/> single family home | <input type="radio"/> hotel/motel |
| <input type="radio"/> single family home on acreage | <input type="radio"/> rented room in single family home |
| <input type="radio"/> townhome or patio home | <input type="radio"/> apartment |
| <input type="radio"/> duplex/triplex/quadplex | <input type="radio"/> trailer/RV |
| <input type="radio"/> condominium | <input type="radio"/> some other type of dwelling |
| <input type="radio"/> manufactured home | |

Residence

Cleveland Employee Survey

*** 5. Do you own or rent your home?**

- own
- rent

*** 6. How far do you drive to work each day?**

miles

minutes

(commute time)

Home Value

7. What is the approximate market value of your home?(check one)

- less than \$25,000
- \$25,000 - \$49,999
- \$50,000 - \$74,999
- \$75,000 - \$99,999
- \$100,000 - \$149,999
- \$150,000 - \$199,999
- \$200,000 - \$299,999
- \$300,000 or more

Rental Rate

8. What is the approximate rent you pay monthly (check one)

- less than \$250/month
- \$250 - \$499/month
- \$500 - \$749/month
- \$750 - \$999/month
- \$1,000 - \$1,249/month
- \$1,250 or more/month

Live in Cleveland

*** 9. Do you live in Cleveland?**

- Yes
- No I live in another location (please specify)

Cleveland Likes and Dislikes

Cleveland Employee Survey

*** 10. What do you like most about living in Cleveland? (Please choose TOP THREE only)**

	Top Reason	Second Reason	Third Reason
better work commute for spouse	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to your work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to family/friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to shopping/restaurants/entertainment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
price points of housing available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
safety, lack of crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
good housing choices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
quality of schools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to church	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
quality and appearance of neighborhoods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
better general quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

Cleveland Employee Survey

*** 11. What do you like least about living in Cleveland? (Please choose TOP THREE only)**

	Top Reason	Second Reason	Third Reason
lack of shopping	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of restaurants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of entertainment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to family/friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
price points of housing available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of safety and increased crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of housing choices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of new construction homes available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
lack of upper end homes available	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
quality of schools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to church	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
quality and appearance of neighborhoods	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
general quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Other (please specify)

Housing Location Preference

Cleveland Employee Survey

*** 12. Why do you prefer living in your current location rather than Cleveland? (Please choose TOP THREE only)**

	Top Reason	Second Reason	Third Reason
better work commute for spouse	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to family/friends	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to shopping/restaurants/entertainment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
better home value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
safety/crime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
quality of schools	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
better housing choices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
proximity to church	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
better general quality of life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>		

*** 13. Which of the following would be the most likely to attract you to move to Cleveland rather than your current location? (please choose TOP THREE only)**

	Top Reason	Second Reason	Third Reason
change in spouse's work location	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increased shopping opportunities in Cleveland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increased restaurants in Cleveland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increased entertainment options in Cleveland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increased school district quality/performance in Cleveland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
increased housing variety and pricing in Cleveland	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other (please specify)	<input type="text"/>		

Future Plans

Cleveland Employee Survey**14. In the Next 1-2 Years, are you more likely to?**

- remain in your current location
- move and downsize
- move and upgrade

Future Plans Downsize**15. Are you more likely to?**

- downsize to new construction in a different area
- downsize to new construction in the Cleveland Area
- downsize to pre-owned home in different area
- downsize to pre-owned in Cleveland area

Future Plans Upgrade**16. Are you more likely to?**

- upgrade to new construction in a different area
- upgrade to new construction in the Cleveland Area
- upgrade to pre-owned home in different area
- upgrade to pre-owned in Cleveland area

Potential New Housing Location*** 17. If new construction homes were available in the Cleveland area, in what location would you be likely purchase a new home?**

- on a standard size subdivision lot (under 1/3 acre) in or very near the City of Cleveland
- on a standard size subdivision lot (under 1/3 acre) outside of the City of Cleveland
- on a medium size lot (1/3 to 2 acres) in or very near the City of Cleveland
- on a medium size lot (1/3 to 2 acres) outside of the City of Cleveland
- on a large lot (2-5 acres) outside of the City of Cleveland
- on an acreage lot (5 or more acres) outside of the City of Cleveland
- I wouldn't buy a new home in Cleveland in any location

Potential New Housing Pricing

Cleveland Employee Survey

*** 18. If new construction homes were available in Cleveland at what price level would you be likely purchase a new home?**

- under \$125,000
- \$125,000 to \$174,000
- \$175,000 to \$224,000
- \$225,000 to \$275,000
- above \$275,000
- I wouldn't buy a new home in Cleveland at any price level

New Housing Under \$125,000 Expectations

19. What size home would you expect in the under \$125,000 price range?

- 1,000 to 1,499 square feet
- 1,500 to 1,999 square feet
- 2,000 to 2,500 square feet
- over 2,500 square feet

New Housing \$125,000-\$174,000 Expectations

20. What size home would you expect in the \$125,000 to \$174,000 price range?

- 1,000 to 1,499 square feet
- 1,500 to 1,999 square feet
- 2,000 to 2,500 square feet
- over 2,500 square feet

New Housing \$175,000-\$224,000 Expectations

Cleveland Employee Survey

21. What size home would you expect in the \$175,000 to \$224,000 price range?

- 1,000 to 1,499 square feet
- 1,500 to 1,999 square feet
- 2,000 to 2,500 square feet
- over 2,500 square feet

New Housing \$225,000-\$275,000 Expectations

22. What size home would you expect in the \$225,000 to \$275,000 price range?

- 1,000 to 1,499 square feet
- 1,500 to 1,999 square feet
- 2,000 to 2,500 square feet
- over 2,500 square feet

New Housing over \$275,000 Expectations

23. What size home would you expect in the over \$275,000 price range?

- 1,000 to 1,499 square feet
- 1,500 to 1,999 square feet
- 2,000 to 2,500 square feet
- over 2,500 square feet

Grocery Shopping

*** 24. Where do you most often shop for groceries?**

- Cleveland
- city of residence
- other (please specify)

Shopping for Clothes

Cleveland Employee Survey

*** 25. Where do you most often shop for clothes?**

- Cleveland
- city of residence
- other (please specify)

Location for Dining

*** 26. Where do you dine out most often?**

- Cleveland
- city of residence
- other (please specify)

Retail Shopping in Cleveland

*** 27. How would you describe the retail shopping selection in Cleveland?
(Check one)**

- extremely good
- good
- average
- limited
- poor

*** 28. How would you describe the restaurant selection in Cleveland?**

- extremely good
- good
- average
- limited
- poor

Retail Purchases Outside of Cleveland

Cleveland Employee Survey

29. How many times in a typical month do you go for each type of service outside of Cleveland (outside the city limits)?

[please type the times PER MONTH in each category that applies]

- fast food restaurants for lunch
- sit down restaurants for lunch
- sit down restaurants for dinner
- drinking establishments
- hair and nail salons
- bank
- check cashing/payday loan places
- department stores (Macy's, J.C. Penney's etc.)
- general merchandise stores (Wal Mart, Target, etc)
- automobile services (oil change, repairs)

Cleveland Wanted

*** 30. Please name three retail stores that are not currently in Cleveland but you would like to open in Cleveland?**

- 1
- 2
- 3

*** 31. Please name three restaurants that are not currently in Cleveland but you would like to open in Cleveland?**

- 1
- 2
- 3

Cleveland Entertainment

Cleveland Employee Survey

*** 32. What entertainment venues would you frequent if located in Cleveland?
(please place number 1 - 9 in order of preference with 1 being the most frequented)**

night club/bar	<input type="text"/>
movie theater	<input type="text"/>
putt putt golf	<input type="text"/>
bowling alley	<input type="text"/>
roller rink	<input type="text"/>
concert hall	<input type="text"/>
outdoor park or organized team sports complex	<input type="text"/>
amusement park type rides	<input type="text"/>
family amusement center (Celebration Station, Etc.)	<input type="text"/>
none of the above	<input type="text"/>

Cleveland Improvement

33. In your opinion, what improvements would be necessary to increase the appeal of Cleveland as a place of residence?

Respondent Demographics

*** 34. What is your age?
(check one)**

<input type="radio"/> 24 or less	<input type="radio"/> 35-44	<input type="radio"/> 55-64
<input type="radio"/> 25-34	<input type="radio"/> 45-54	<input type="radio"/> 65 or over

*** 35. How many adults 18 or over live in your household?
(check one)**

<input type="radio"/> one	<input type="radio"/> three
<input type="radio"/> two	<input type="radio"/> four or more

Cleveland Employee Survey

*** 36. How many children under 18 live in your household?**

(check one)

- none two four or more
 one three

Respondent Demographics 2

*** 37. What is the highest level of education you have achieved?**

(Check one)

- high school/GED college graduate
 trade/associates degree grad master's degree or above
 some college

38. What is your current yearly income?

- under \$25,000
 \$25,000 to \$49,000
 \$50,000 to \$74,000
 \$75,000 to \$100,000
 \$100,000 and over

*** 39. What is your gender?**

- female male

*** 40. If married, does your spouse work outside the home?**

- not married yes, spouse works outside the home no, spouse does not work outside the home

Where Spouse Works

41. Where does your spouse work?

Retirement

Cleveland Employee Survey

42. Are you eligible for retirement within the next 7 years?

yes

no

Retirement Location

43. Where do you plan to reside in retirement?

44. Why are you choosing that location for retirement?

Conclusion

Thank you for your cooperation in responding to this survey. Your answers will help us make Cleveland better.

CDS Market Research

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