

# **A Residential Analysis in Downtown Ithaca, New York**

**Prepared For:  
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# I. INTRODUCTION

## A. OBJECTIVES

The objective of this analysis is to identify multifamily residential development opportunities and strategies in Ithaca, New York. After fully discussing the scope and area of survey with Mr. Gary Ferguson of the Downtown Ithaca Alliance, the Danter Company, LLC undertook the analysis. This analysis was undertaken concurrently with the development of the Tompkins County, New York Housing Needs Assessment Model, also completed by The Danter Company.

## B. METHODOLOGY

The methodology we use in our studies is centered on three analytical techniques: the Effective Market Area (EMA)<sup>SM</sup> principle, a 100% data base, and the application of data generated from supplemental proprietary research.

The Effective Market Area (EMA) Principle—The EMA principle is a concept developed by the Danter Company, LLC to delineate the support that can be expected for a proposed development. An EMA is the smallest specific geographic area that will generate the most support for that development. This methodology has significant advantages in that it considers existing natural and manmade boundaries and socioeconomic conditions.

Survey Data Base—Our surveys employ a 100% data base. In the course of a study, our field analysts survey not only the developments within a given range of price, amenities, or facilities, but all conventional developments within the EMA.

Proprietary Research—In addition to site-specific analyses, Danter Company, LLC conducts a number of ongoing studies, the results of which are used as support data for our conclusions. Danter Company, LLC maintains a 100% data base of more than 1,500 communities, with each development cross-analyzed by rents, unit and project amenities, occupancy levels, rate of absorption, and rent/value relationships.

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<sup>SM</sup> Service mark of Danter Company, LLC

## **C. DATA ANALYSIS**

This study represents a compilation of data gathered from various sources, including the properties surveyed, local records, and interviews with local officials, real estate professionals, and major employers, as well as secondary demographic material. Although we judge these sources to be reliable, it is impossible to authenticate all data. The analyst does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgment.

The secondary data used in this study are the most recent available at the time of the report preparation.

In Section VI—Field Survey, we have attempted to survey 100% of all units. Since this is not always possible, we have also compared the number of units surveyed with the number of multifamily housing starts to establish acceptable levels of representation. All developments included in the study are personally inspected by a field analyst directly employed by the Danter Company, LLC.

The objective of this report is to gather, analyze, and present as many market components as reasonably possible within the time constraints agreed upon. The conclusions contained in this report are based on the best judgments of the analysts; we make no guarantees or assurances that the projections or conclusions will be realized as stated. It is our function to provide our best effort in data aggregation, and to express opinions based on our evaluation.

## **D. USES AND APPLICATIONS**

Although this report represents the best available attempt to identify the current market status and future market trends, note that most markets are continually affected by demographic, economic, and developmental changes. Further, this analysis has been conducted with respect to a particular client's development objectives, and consequently has been developed to determine the current market's ability to support those particular objectives. For these reasons, the conclusions and recommendations in this study are applicable only to the proposed site identified herein, and only for the potential uses for that site as described to us by our client. Use of the conclusions and recommendations in this study by any other party or for any other purpose compromises our analysis and is strictly prohibited, unless otherwise specified in writing by the Danter Company, LLC.

## II. SCOPE OF SURVEY

A complete analysis of a rental market requires the following considerations: a field survey of conventional apartments; an analysis of area housing; an analysis of the area economy; a demographic analysis; and recommendations for development.

Field Survey—Our survey of conventional apartments includes a cross-analysis of vacancies by rents, a survey of unit and project amenities, and a rent/value analysis.

Area Housing Analysis—We have conducted an analysis of housing demand that includes a study of support by both growth and internal mobility. Further, we have analyzed existing housing using the most recent census material.

Economic Analysis—Major employers, utilities, banks, savings and loans, and media that serve the area are listed in the study. The information gathered has been used to create a Community Services map showing school, shopping, and employment areas in relation to the proposed site.

Demographic Analysis—The study includes an analysis of social and demographic characteristics of the area, and a description of the area economy that includes income and employment trends.

Key Interviews—Interviews regarding the perception of housing, recent development trends, planned and proposed developments and local conditions were conducted with city and county officials, area property owners and developers, major employers and human resource directors, major institutions such as schools and hospitals and real estate professionals.

# III. CONCLUSIONS

## A. INTRODUCTION

The primary purpose of this report is to identify potential support levels for new market-rate, Tax Credit and purpose-built student apartments, as well as condominium development, in downtown Ithaca, New York.

This analysis focuses on the core part of downtown Ithaca, which is generally bounded by Buffalo Street to the North, Aurora Street to the east, Clinton Street to the south, and Albany Street to the west. This area is referred to as downtown Ithaca or the Central Business District (CBD) throughout this report.

This analysis was undertaken concurrently with the development of the Tompkins County, New York Housing Needs Assessment Model, also completed by The Danter Company.

It should be emphasized that while the two reports were conducted concurrently, there were two separate objectives.

1. The Tompkins County Housing Needs Assessment Model was provided in order to identify the parameters of a well-balanced housing market in Tompkins County and what housing types are needed to bring the market into balance. It provides a model to adjust overall needs as changes occur in the market over time.
2. The Downtown Ithaca assignment was to identify what housing types could be supported by the market even though they may be in conflict with an overall demand model.

Conclusions for the identification of multifamily housing potential in downtown Ithaca are based on analyses of the area including the existing and anticipated rental and condominium housing market, demographics, the economy, the appropriateness of the area for the development, and housing demand. The study evaluates past, current, and future trends in the area; the impact of those trends on rental housing alternatives; current rental housing alternatives; need and market support for additional rental housing; and any proposed additions to the area rental base.

Recommendations include support by product type and price range. In addition, general guidelines for unit and project amenities are identified for each price range. The data presented in this report may be used as a base to conduct future site specific analyses.

The analysis of the existing rental housing market is based on the establishment and analysis of an Effective Market Area (EMA) for the proposed project. EMA refers to a methodology developed by the Danter Company, LLC to describe areas of similar economic and demographic characteristics. EMAs are bounded by both "hard" and "soft" boundaries. Hard boundaries are marked by rivers, freeways, railroad rights of way, and other physical boundaries. Soft boundaries are changes in the socioeconomic makeup of neighborhoods.

The Effective Market Area (EMA) is defined as the smallest geographic area that will contribute 60% to 70% of support for new development. An EMA has been defined for both the apartment component and the condominium component that includes all of Ithaca, Ithaca Town and the adjacent surrounding communities.

Based on the characteristics of the EMA, a field survey of existing rental housing development, an analysis of the appropriateness of the area for the proposed development, and a demographic analysis of the EMA, support levels can be established for additional multifamily rental development. It should be noted that no specific sites have been identified for this report. Recommendations for an individual site may differ based on the specific attributes.

This analysis focuses on the core part of downtown Ithaca, which is generally bounded by Buffalo Street to the North, Aurora Street to the east, Clinton Street to the south, and Albany Street to the west. The Effective Market Area for downtown Ithaca includes Ithaca, Lansing and the surrounding area.

Recommendations include support by product type and price range. In addition, general guidelines for unit and project amenities are identified for each price range. The data presented in this report may be used as a base to conduct future site specific analyses.

Development potential identified in this report is as of spring 2016. There are several properties in the pipeline and while it is highly likely both will be constructed they have not assumed to be part of the existing inventory and, thus, must be accounted for within the estimated development potential. The ultimate number of units, the mix and rents has not been established at the time of this report.

The following analyses have been conducted to identify market potential market-rate apartment and/or condominium development in the downtown area:

- Analysis of the overall EMA rental housing and condominium market
- Historical housing trends
- Current market conditions based on 100% field survey of modern apartments
- A field survey of smaller apartment properties in Ithaca
- A field survey of condominium developments
- A condominium and rental housing demand analysis
- Appropriateness of downtown Ithaca for potential development
- Current and expected economic and household growth conditions
- Area housing demand factors, including:
  - Income-appropriate households
  - Support from existing multifamily renters (step-up/down support)
  - Floor plan analysis and comparison with comparable product
- A trend line analysis, based on a "rent by comparability index" evaluation of all conventional developments within the residential EMA, is used to evaluate rents for the recommended development(s).

We recommend that the rents for new developments include water, sewer and trash removal. As such, the rents among the market-rate properties (when necessary) have been adjusted to represent a utility package similar to what will be included at new developments in order to complete an even rent comparison. These will be referred to as collected rents throughout this analysis.

## **B. SUMMARY OF FIVE-YEAR HOUSING PROJECTIONS**

Because of the historic housing shortage in Ithaca, as well as the overall cost of construction and development, downtown Ithaca has an overabundance of high-end rental housing. Further, student housing is in relatively short supply and much of the existing inventory of market-rate apartments has been historically occupied by students. We have identified rental housing potential in five separate development categories.

1. Upscale and luxury priced market-rate apartments.
2. Market-rate apartments oriented to the Tompkins County workforce. While this is generally difficult to achieve in areas with high student demand, there are some policies that can mitigate student dominance.
  - a. Build primarily one- and two-bedroom units.
  - b. Require all prospective tenants to be income qualified, individually, for the entire unit, as opposed to individual leases in which the tenant is only responsible for his, or her, share of the lease.
  - c. Do not accept outside co-signers to the lease.
3. Affordable housing in the form of Low Income Housing Tax Credit (LIHTC) development. LIHTC housing, when offered at the 50% or 60% of median income, requires a household income of at least \$29,400 for a two-person occupant in a two-bedroom unit.
4. Purpose-built student housing, defined as market-rate, privately developed apartment properties rented by the bedroom with individual leases. Units are usually furnished and rents often include all utilities and services.
5. Condominiums

Downtown Ithaca has historically added rental housing product at relatively high rents due primarily to:

1. High land costs
2. A long and often contentious entitlement process
3. Building restrictions that preclude maximizing full site potential
4. Increasing construction costs

Further, downtown Ithaca is a popular residential area for students, professionals and seniors in the market. The overall shortage of rental housing has served to support ever higher rents. However, a benefit of continued development has been to create a base of supporting rental housing with a continuum of rents from upscale to luxury, supporting higher rents with only modest increases as residents move upward through the rent continuum.



Tompkins County has an unmet demand for over 1,800 non-student market-rate apartments, primarily one- and two-bedroom units. Deficits for one-bedroom units are for product under \$1,000 per month and under \$1,800 per month for two-bedroom units. Because of the disparity between the one- and two-bedroom rents (more affordable one-bedroom units have been offered in the market) likely development will contain mostly two-bedroom units. However, rents could be “pushed” in a limited number of one-bedroom units in order to balance the offerings of a specific development.

Over the next 5 years there is overall housing demand for up to 1,350 units in the downtown EMA consisting of up to 350 for-sale housing units and up to 1,000 rental housing units.

<b>MULTIFAMILY HOUSING DEMAND                      ITHACA DOWNTOWN EMA                      2016 THROUGH 2021</b>		
<b>DEVELOPMENT TYPE</b>	<b>ANNUAL DEMAND                      TOTAL UNITS</b>	<b>5-YEAR DEMAND TOTAL                      UNITS</b>
For-Sale Housing Units	60 - 70	300 - 350
Rental Housing	180 - 200	900 - 1,000
Total	240 - 270	1,200 - 1,350

A distribution of market demand for each of these development types by price point follows.

**RENTAL HOUSING SUMMARY**

The demand potential for apartments in the downtown EMA has yet to be realized as evidenced by the area’s low vacancy rate, extremely high rents and ability to readily absorb new units in the marketplace.

Students are and will continue to be a dominate factor in the Ithaca rental housing market and they are important for the success of residential housing, as well as, the retail and commercial economy in downtown Ithaca. In addition, colleges and universities add daytime and evening population to the neighborhood and bring vibrancy to any area, epically a downtown. Academic hours may extend beyond the traditional 8 to 5 of other businesses, and evenings and weekends bring athletic, social, academic and cultural events.

The demand for purpose built student housing is a separate component of this report (Section III-D).



<b>ANNUAL UNITS OF SUPPORT – RENTAL HOUSING DOWNTOWN EMA</b>			
<b>RENTAL PRODUCT TYPES</b>	<b>AVERAGE MONTHLY RENTS*</b>	<b>ANNUAL DEMAND TOTAL UNITS</b>	<b>5-YEAR DEMAND TOTAL UNITS</b>
Luxury	\$1,800+	20 - 25	100 - 125
Upscale	\$1,400 - \$1,700	35 - 45	175 - 225
Affordable-Moderate	\$1,000 - \$1,300	60 - 70	300 - 350
Tax Credit (50% - 60%) Family And/Or Senior	\$800 - \$1,000	60 - 70	300 - 350
<i>Overall Support</i>		<i>180 - 225</i>	<i>900 - 1,050</i>
*Based on a two-bedroom unit net rent (includes water, sewer, and trash removal only) The overall mix would include other unit types at proportional rents.			

It is unlikely that the either the affordable rental product (or affordable condominium development) can be developed in the immediate downtown area without some public assistance because of land and development costs associated with such development. There may; however, be land on the periphery suited for such development.

While purpose-built student housing has not been specifically identified in this section of the report, it is anticipated that students will be a significant factor in the support for rental housing (excluding Tax Credit development). Currently, students comprise approximately 40% of the Central Business District market-rate apartments and 49% in the EMA. This should diminish, somewhat, in the Central Business District as future student housing development occurs elsewhere in the market.

### **CONDOMINIUM SUMMARY**

The market demand for for-sale housing in the downtown Ithaca EMA is distributed among three sales price ranges: under \$250,000, \$250,000 to \$399,999, and \$400,000 and higher.

<b>PROJECTED FOR-SALE HOUSING DEMAND BY SALES PRICE ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA</b>		
<b>SALES PRICE</b>	<b>ANNUAL DEMAND TOTAL UNITS</b>	<b>5-YEAR DEMAND TOTAL UNITS</b>
Under \$250,000	40 - 44	200 - 220
\$250,000 - \$399,999	16 - 20	80 - 100
\$400,000 And Higher	4 - 6	20 - 30
<i>Overall Support</i>	<i>60 - 70</i>	<i>300 - 350</i>

## **C. MARKET-RATE AND TAX CREDIT RENTAL HOUSING**

### **1. INTRODUCTION**

Following are guidelines for several prototypical developments in downtown Ithaca. However, this report is not intended to be a site specific market study. We recognize that individual developers may have development concepts other than those presented here offering product that may supersede market expectations. Further, specific sites may have attributes, or limitations that may not provide the best fit of product.

Most of the apartment projects inside the downtown Ithaca EMA include landlord-paid water, sewer, and trash collection in the rents, while tenants are typically responsible for the remaining utilities (gas, electricity, cable television, and high-speed Internet). The rents for prototypical recommended developments will include water, sewer, and trash removal. As such, the rents among the market-rate and Tax Credit properties (when necessary) have been adjusted to represent a utility package similar to what will be included in the recommended rents in order to complete an even rent comparison. These will be referred to as collected rents throughout this analysis.

	<b>MARKET-RATE AND TAX CREDIT PROJECTS*</b>	
	<b>TENANT</b>	<b>LANDLORD</b>
Heat	37	54
Hot Water	35	56
Electricity	80	11
Water/Sewer	9	82
Trash	14	77
Cable TV	85	6
Internet	71	20
*Includes properties currently under construction		

## **2. RECOMMENDED DEVELOPMENT GUIDELINES BY PRODUCT TYPE**

It is our opinion that a market exists for the development of several types of rental housing in Ithaca, New York. While we are well aware that individual developers will have their own plans and concepts, here are our general guidelines for development.

<b>LUXURY APARTMENTS</b>			
<b>UNIT DESCRIPTION</b>	<b>SQUARE FEET</b>	<b>RENTS AT OPENING*</b>	<b>RENT PER SQUARE FOOT</b>
Studio (Micro)	350	\$1,400	\$4.00
One-Bedroom/ 1.0 Bath Garden (Micro)	500	\$1,650	\$3.30
One-Bedroom/ 1.0 Bath Garden	700	\$1,800	\$2.57
Two-Bedroom/ 2.0 Bath Garden	1,050	\$2,400	\$2.29
*Average net rent (includes water, sewer, and trash removal)			

<b>UPSCALE APARTMENTS</b>			
<b>UNIT DESCRIPTION</b>	<b>SQUARE FEET</b>	<b>RENTS AT OPENING*</b>	<b>RENT PER SQUARE FOOT</b>
Studio (Micro)	300	\$1,200	\$4.00
One-Bedroom/ 1.0 Bath Garden (Micro)	450	\$1,350	\$3.00
One-Bedroom/ 1.0 Bath Garden	600	\$1,600	\$2.67
Two-Bedroom/ 2.0 Bath Garden	950	\$2,200	\$2.32
*Average net rent (includes water, sewer, and trash removal)			

<b>AFFORDABLE-MODERATE APARTMENTS</b>			
<b>UNIT DESCRIPTION</b>	<b>SQUARE FEET</b>	<b>RENTS AT OPENING*</b>	<b>RENT PER SQUARE FOOT</b>
Studio (Micro)	250	\$1,050	\$4.20
One-Bedroom/ 1.0 Bath Garden (Micro)	400	\$1,150	\$2.88
One-Bedroom/ 1.0 Bath Garden	550	\$1,400	\$2.55
Two-Bedroom/ 2.0 Bath Garden	875	\$1,900	\$2.17
*Average net rent (includes water, sewer, and trash removal)			

<b>TAX CREDIT APARTMENTS</b>			
<b>UNIT DESCRIPTION</b>	<b>SQUARE FEET</b>	<b>RENTS AT OPENING*</b>	<b>RENT PER SQUARE FOOT</b>
One-Bedroom/ 1.0 Bath Garden	650	\$689 (50%)	\$1.06
	650	\$827 (60%)	\$1.27
Two-Bedroom/ 2.0 Bath Garden	900	\$826 (50%)	\$0.92
	900	\$992 (60%)	\$1.10
Three-Bedroom/ 2.0 Bath Garden	1,150	\$954 (50%)	\$0.83
	1,150	\$1,145 (60%)	\$1.00
*Average net rent (includes water, sewer, and trash removal only)			

The square feet listed for all unit types are a guideline. Actual square feet will vary. Effective use of space within any new units is more important than actual square feet.

Generally, in well-developed urban markets, the unit mix differs from suburban markets. Urban markets typically include 10% studio units, 50% to 55% one-bedroom units, and 40% to 45% two-bedroom units. A modest number of three-bedroom units can be considered, however they will most likely be occupied by students.

Generally, most urban development consists of garden style apartments; however, urban townhomes are becoming a popular product line especially in the immediate periphery to the Central Business District.

**a. Unit Amenities**

Each unit in the recommended developments should include the following amenities:

- Range
- (Frost-free) Refrigerator
- Dishwasher
- Disposal
- Central air conditioning
- Washer/dryer hookups
- 9 Foot ceilings
- Balcony or patio
- Carpet
- Window coverings
- Intercom entry
- Ceiling fan
- Extra storage

Amenities at the luxury and upscale developments should also include a refrigerator with an ice maker, a microwave oven, washer and dryer in each unit, vaulted ceilings on the upper floors, and a security system.

**Floor Plan Considerations**

Prospective residents respond to three principal factors when selecting specific units:

- Perception of space often based on the entry into the unit
- Bedroom size
- Closets are especially important. Large closets are immediately noticed by prospective tenants. Further, having the largest closets in the market facilitate rent increases since it is virtually impossible for a tenant to move into another unit with less storage than they already have.

General guidelines for bedroom sizes (in square feet), closet space these projects are listed as follows:

**Bedrooms**

BEDROOM TYPE	BEDROOM TYPE			
	LUXURY	UPSCALE	MODERATE	TAX CREDIT
Master Bedroom	160+	150+	150+	140+
Second Bedroom	140+	140+	130+	130+
Third Bedroom	130+	130+	120+	120+



## Closets

BEDROOM TYPE	CLOSET LINEAL FEET			
	LUXURY	UPSCALE	MODERATE	TAX CREDIT
Studio	12	10	7	-
One-Bedroom	16	14	12	12
Two-Bedroom	26	22	20	18
Three-Bedroom				24

Recommended bedroom and closet sizes are based on an analysis of existing units in the EMA as well as surveys and case studies conducted by the Danter Company.

## Entry

The entry into the units should be open and airy. Entry should be directly into the great room with a view of the opposing windows if possible. Views should be maximized. It should be noted that competitive properties have, generally, relatively poor entryways. As is often the case in urban properties, existing building dimensions (or lot size) sometimes compromise the ability to provide optimum entry ways. Also, it is common for corner units to have very difficult entries; however, this is usually mitigated by outstanding views once inside.

### **b. Project Amenities**

Guidelines for project amenities are as follows:

- Community room
- Fitness center
- Secured entry
- On-site management
- Business center

Each new project should include an office with a manager available during business hours.

It is important to note that smaller projects do not generally include project amenities because of the cost associated with providing project amenities. Exceptions would be projects that have the ability to charge rents above existing market rents.

Amenities such as a fitness center or community room need not be extensive unless in significantly larger projects than currently exists in the Central Business District. Such features are defined as “rent up” amenities as opposed to “retention” amenities such as large closets, washer/dryers, etc.

### **c. Absorption**

Prior studies have shown that absorption tends to be seasonal, with up to 64% of annual absorption taking place in the peak summer months (May through August). The shoulder season (the two months on either side of the peak season) generally accounts for approximately 24% of annual absorption. The off season, November through February, typically accounts for the remaining 12% of absorption. While these percentages do not hold true in all markets, they give a good indication of the potential seasonal variations in absorption. However, because of the large student population impacting the Central Business District, absorption is influenced by the academic year with many units being preleased in the spring preceding the fall start at Cornell and Ithaca College.

Factors that affect absorption include (but are not limited to) the following: area mobility patterns; availability of new product; age, quality, and rent of existing rental properties in the EMA; area growth; area median income; product variety; proposed product development; and date of opening.

## **3. RENTAL HOUSING DEVELOPMENT**

### **a. Field Survey of Apartments**

A total of 6,628 conventional apartment units in 95 existing projects were surveyed in the downtown Ithaca EMA. A total of 6,001 of these units are in 87 market-rate and Tax Credit developments. There are 5,164 units within 78 existing market-rate developments and 837 units within 9 Tax Credit developments.

An additional 424 units were under construction as of February 2016 at 4 new market-rate properties and 2 existing market-rate properties (Village Solars I, Map Code 98 and Collegetown Terrace, Map Code 89).

The remaining 627 units are located in 8 subsidized developments. Subsidized units have been excluded from our analysis.

The focus on student housing in the Ithaca rental market has created a highly disproportionate share of rental housing. The home ownership rate in Tompkins County is only 54.1% and only 26.4% in the City of Ithaca. Between 2000 and 2010, Tompkins County added 2,950 new housing units; 59.4% were single-family and 40.6% were multifamily. Virtually all of the multifamily units were rental with few condominiums.



Following is a distribution of market-rate and Tax Credit units surveyed by unit type and vacancy rate:

<b>DISTRIBUTION OF CONVENTIONAL MARKET-RATE AND TAX CREDIT APARTMENTS AND VACANCY RATE ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>			
<b>UNIT TYPE</b>	<b>UNITS</b>		<b>VACANCY RATE</b>
	<b>NUMBER</b>	<b>PERCENT</b>	
Studio	886	14.8%	0.8%
One-Bedroom	1,986	33.1%	1.3%
Two-Bedroom	2,117	35.3%	1.8%
Three-Bedroom	793	13.2%	2.5%
Four-Bedroom	219	3.6%	0.5%
Total	6,001	100.0%	1.5%

The overall vacancy rate in the market is only 1.5%. Vacancies are extremely low in the market area, and the market is limited by supply rather than demand.

Among 87 market-rate and Tax Credit projects, 63 (72.4%) report no vacancies, accounting for 59.6% of the total units. Only 2 (2.3%) of all existing projects had occupancies below 98%.

In an analysis of tenant profiles, 44 of the 87 market-rate properties in the EMA contain over 80% student residents (graduate and undergraduate). These properties account for 58.3% of the total market rate units in the EMA. Among the 5,164 market-rate units in the EMA, approximately 67% are occupied by students. It should be noted that a large share of the student housing are graduate students. The second largest tenant category is Cornell faculty and staff. Interviews with owners and managers indicate that an increasing number of seniors and empty nesters are impacting the market; however, it is estimated to be only 6% to 8% of the total market. Nationally, we have seen an increasing number of seniors and empty nesters responding to a more urban lifestyle. However, this component is most responsive to larger complexes with a full amenity package, not unlike the typical suburban developments. Seniors are least likely to respond to smaller, "urban pioneer" style developments. We would expect a greater share of the senior market once such properties impact the Ithaca downtown.

The downtown Ithaca EMA apartment base contains a disproportionately high percentage (when compared to conventional apartment markets) of three- and four-bedroom units, 16.8% of the total. This is not uncommon in markets with a large percentage of college students.

Median rents are high, as are upper-quartile rents.

A comparison of median and upper-quartile rents and vacancies by each unit type follows:

<b>MEDIAN AND UPPER-QUARTILE RENTS AND VACANCIES ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>					
<b>UNIT TYPE</b>	<b>MEDIAN RENTS</b>	<b>OVERALL VACANCY RATE</b>	<b>UPPER-QUARTILE</b>		
			<b>RENT RANGE</b>	<b>NUMBER OF UNITS</b>	<b>VACANCY RATE</b>
Studio	\$967	0.8%	\$1,300 - \$1,701	222	0.0%
One-Bedroom	\$1,025	1.3%	\$1,170 - \$2,182	497	0.8%
Two-Bedroom	\$1,285	1.8%	\$1,575 - \$3,860	529	1.7%
Three-Bedroom	\$1,472	2.5%	\$1,965 - \$6,260	198	0.5%
Four-Bedroom	\$2,920	0.5%	\$3,393 - \$3,900	37	0.0%

While rents are relatively high, the median does not reflect the entire picture. Higher rents do not reflect higher quality product in the Ithaca market. The median Comparability Rating for apartments at median rent (\$1,285 for a two-bedroom unit) is only 16.5, which is considered below average.

To place this in perspective, the rent at a Comparability Index of 16.5 in several university markets is shown below:

CITY	SCHOOL	RENT AT 16.5 COMPARABILITY RATING	NUMBER OF PROJECTS AT 30.0 COMPARABILITY RATING OR HIGHER
East Lansing, MI	Michigan State University	\$690	8
Syracuse, NY	Syracuse University	\$900	4
Madison, WI	University of Wisconsin	\$820	3
Ann Arbor, MI	University of Michigan	\$1,050	7
Providence, RI	Brown University	\$1,050	2
Cleveland, OH	Cleveland State University	\$860	5
Tempe, AZ	Arizona State University	\$750	12
Rochester, NY	University of Rochester	\$905	2
State College, PA	Penn State University	\$890	6
Columbia, SC	University of South Carolina	\$805	6
Ithaca, NY	Cornell University	\$1,335	0

While the rents in Ithaca generally represent a typical distribution with a greater number of affordable units at the bottom of the market and less at the top, albeit, with a somewhat higher concentration at the top of the market, there is a lack of product at what would, under normal conditions, be classified as the “middle of the market”. In most conventional student dominated markets, a Comparability Index of 16.5 would represent generally “affordable housing” at the bottom of the market, even as represented above in other university communities. In Ithaca, there are only 586 market-rate and/or Tax Credit two-bedroom rental units renting for under \$1,000 per month. It should be noted that a \$1,000 rent requires an income of over \$23 per hour (\$48,000 per year) to qualify under most rental management criteria. Ithaca is missing the middle of the market – ALL rents have moved well beyond what would usually be considered “the middle.”

Clearly, there is a shortage of rental housing serving Ithaca and Tompkins County at all rent levels. It is especially important to recognize that every market is impacted by a housing continuum. Permanent residents move up through a series of housing choices and price points. A void in any specific portion of the market impacts those product lines above. The lack of middle market rental product for the non-student market eventually impacts the home ownership market. Given the potential for a weakening resale market, it is important to provide step up alternatives in order to continually “recharge” the single-family resale market.

A strategy encouraging non-student rental housing development at moderate rents (\$700 to \$900 for a two-bedroom unit) should be considered. In all likelihood this would

not be located in the center city area. This price point generally would require lower land and construction costs than usually encountered in urban neighborhoods. A strategy of encouraging such development in the peripheral neighborhoods within walking of the Central Business District would continue to strengthen the area.

Based on past studies conducted by The Danter Company, as well as interviews with property owners and managers, recent median rents in the EMA have increased by as much as 5.0%. However, median rents are impacted by the addition of new product, usually added to the top of the market. In an analysis of rents within same properties, rents have increased 2.0% to 2.2% annually. This is somewhat lower than the historic trend of 3.0% to 3.5%.

It is significant that 72.6% of the market-rate units surveyed were constructed and opened before 1990. These older developments contain a combined total of 3,748 units with 56 vacancies, a 1.5% vacancy rate.

Following is a distribution of units and vacancies by year of construction:

<b>DISTRIBUTION OF UNIT AND VACANCIES BY YEAR BUILT ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>			
<b>PERIOD</b>	<b>PROJECTS BUILT</b>	<b>UNITS BUILT</b>	<b>CURRENT VACANCY RATE</b>
Before 1970	17	1,101	1.5%
1970-1979	20	1,709	2.3%
1980-1989	20	1,173	1.5%
1990-1999	7	383	0.0%
2000-2009	15	899	0.3%
2010	0	0	-
2011	0	0	-
2012	1	16	0.0%
2013	1	24	0.0%
2014	2	88	0.0%
2015	4	608	2.5%
2016*	0	0	-
Total	87	6,001	1.5%
*Through February Does not include 4 projects under construction and not yet open as of February.			

Projects in the area range in size from 8 to 456 units. The average area project includes 69 units. The following table provides a distribution of units by the size of the project:

<b>DISTRIBUTION OF UNITS AND PROJECTS BY PROJECT SIZE ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>					
<b>TOTAL UNITS IN PROJECTS</b>	<b>PROJECTS</b>		<b>UNITS</b>		<b>VACANCY RATE</b>
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>	
Less Than 25	20	23.0%	331	5.5%	1.2%
25 To 49	25	28.7%	900	15.0%	2.3%
50 To 99	28	32.2%	1,934	32.2%	0.9%
100 To 199	8	9.2%	1,113	18.5%	1.4%
200 To 299	5	5.7%	1,267	21.1%	2.7%
300 Or Greater	1	1.1%	456	7.6%	0.0%
Total	87	100.0%	6,001	100.0%	1.5%

This does not include 4 projects under construction as of February.

The area apartment market has been evaluated by the comparability rating of each property. Comparability ratings are based on a rating system that awards points to each project based on its unit amenities, project amenities, and aesthetic amenities (curbside appeal). The median comparability rating in the EMA is only 17.0. The following table identifies units and vacancies by comparability rating:

<b>DISTRIBUTION OF UNITS AND PROJECTS BY COMPARABILITY RATING ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>			
<b>COMPARABILITY RATING RANGE</b>	<b>NUMBER OF PROJECTS</b>	<b>NUMBER OF UNITS</b>	<b>VACANCY RATE</b>
Less Than 15.0	25	1,511	2.0%
15.0 To 17.5	26	1,139	1.8%
18.0 To 20.5	20	1,731	1.6%
21.0 To 22.5	7	676	0.7%
23.0 Or Greater	9	944	1.1%
Total	87	6,001	1.5%

A total of 78 (89.7%) of the apartment properties surveyed have comparability ratings below 23.0. The highest-rated conventional project in the area is the 121-unit 312 College Avenue (Map Code 30), which opened in 1999 and has a rating of 27.5.

Overall, the EMA is typified by smaller properties with high rents and few amenities.

The following chart illustrated the potential comparability ratings of new rental housing based on our recommendation guidelines for development:

<b>ANTICIPATED COMPARABILITY RATINGS</b>	
<b>PROJECT TYPE</b>	<b>COMPARABILITY RATING</b>
Luxury	28.0
Upscale	25.0
Moderate-Affordable	22.0
Tax Credit	22.0

The standard amenities featured in at least 60% of the apartments in the downtown EMA include a refrigerator, range, carpeting, air conditioning, disposal, window coverings, laundry, and dishwasher. Washer and dryer and/or hookups are relatively uncommon, which explains the high number of developments with a laundry.

A distribution of amenities for market-rate and Tax Credit projects, including the 4 projects under construction, follows:

<b>DISTRIBUTION OF AMENITIES BY PROJECT ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA FEBRUARY 2016</b>			
<b>AMENITY</b>	<b>RECOMMENDED GUIDELINES</b>	<b>TOTAL NUMBER OF PROJECTS* (OUT OF 91)</b>	<b>SHARE OF PROJECTS WITH AMENITY</b>
Refrigerator	L, U, M, TC	91	100.0%
Range	L, U, M, TC	89	97.8%
Window Coverings	L, U, M, TC	87	95.6%
Carpet	L, U, M, TC	83	91.2%
Laundry		75	82.4%
Air Conditioning	L, U, M, TC	73	80.2%
Dishwasher	L, U, M, TC	70	76.9%
Disposal	L, U, M, TC	55	60.4%
Balcony/Patio	L, U, M, TC	53	58.2%
Microwave	L, U	46	50.5%
On-Site Management	L, U, M, TC	44	48.4%
Intercom Security	L, U, M, TC	35	38.5%
Washer/Dryer Hookups	L, U, M, TC	30	33.0%
Elevator	L,U,M	28	30.8%
Community Building/Room	L, U, M, TC	25	27.5%
Garage	L, U	22	24.2%
Exercise Room	L, U, M, TC	22	24.2%
Washer/Dryer	L, U	20	22.0%
Playground		17	18.7%
Vaulted/9' Ceilings	L, U, M, TC	16	17.6%
Fireplace		13	14.3%
Picnic Area	L, U, M, TC	12	13.2%
Ceiling Fan	L, U, M, TC	9	9.9%
Business Center	L, U, M, TC	9	9.9%
Carport		8	8.8%
Pool		6	6.6%
Basement		4	4.4%
Security System	L,U	4	4.4%
Security Gate		3	3.3%
Tennis Court		2	2.2%
Lake		2	2.2%
Sauna		1	1.1%
*Includes properties in which some or all of the units contain the amenity. L – Luxury units U – Upscale units M – Moderate-Affordable TC – Tax Credit			

**b. Analysis of Tax Credit Apartment Supply**

There are a total of 9 existing Tax Credit developments in the downtown Ithaca EMA. These 9 developments contain a total of 837 Tax Credit units. The overall occupancy rate among the Tax Credit units is 97.4%. Following is a summary of the existing Tax Credit units in the market:

MAP CODE	NAME	YEAR OPENED/ RENOVATED	TOTAL UNITS	RENT LEVELS				OCCUPANCY RATE
				ONE-BR.	TWO-BR.	THREE-BR.	FOUR-BR.	
-	<b>Recommended</b>	-	-	<b>\$689-\$827</b>	<b>\$826-\$992</b>	<b>\$954-\$1,145</b>	-	-
29	West Village	1972/2008	235	\$698	\$763	\$980	\$1,032	92.3%
31	Cayuga View	2005	24	-	\$860-\$1,000	-	-	100.0%
57	Linderman Creek Phase I	2000	56	\$706	\$706-\$796	\$814	-	100.0%
58	Linderman Creek Phase II	2004	72	\$747	\$831	\$1,010	-	98.6%
69	Conifer Village	2008	70	\$625-\$811	\$732-\$908	-	-	100.0%
71	Cedar Creek	2009	39	\$268-\$530	\$310-\$628	\$350-\$715	-	100.0%
79	Breckenridge Place	2014	50	\$588-\$857	\$696-\$1,020	-	-	100.0%
83	Stone Quarry	2015	35	\$316-\$616	\$721-\$1,021	\$802-\$1,152	-	91.4%
96	Overlook at West Hill	2006	256	\$365-\$809	\$426-\$959	\$485-\$1,100	-	100.0%

Conifer Village is restricted to older adults (age 55 or older).

**c. Geographic Origin of Support**

A comparison of typical versus anticipated geographic support for the recommended projects is as follows:

	TYPICAL SUPPORT	ANTICIPATED SUPPORT
Internal Mobility		
Apartment	50%	40%
Other	20%	20%
External Mobility	30%	40%
Total	100%	100%

Because Ithaca is significantly impacted by in-migration and in-commuters, we have noted a higher share of residents originating from outside the market.





#### **d. Competitive Analysis**

The following competitive analysis is meant at a guideline for development potential. Because we are not evaluating a specific project that has been proposed to be built, we have used the projects used as a guideline within this study.

There are two sets of criteria which can be used to identify comparable properties. A project can be comparable conceptually and/or economically.

Conceptually comparable properties are those properties that have a similar comparability index. A similar comparability index indicates that properties will likely have similar unit and project amenities and a similar aesthetic rating. They may or may not have similar rents.

Economically comparable properties are those properties with similar net rent levels. These properties may or may not have a similar comparability index.

Following summary of the properties that would be considered conceptually competitive with the recommended project types based on the guidelines presented within this report. These conceptually competitive properties have comparability ratings within plus or minus 2.0 points of the recommended properties. Typically, properties more than 10 years old and properties in poor condition are not considered competitive. Some properties are conceptually competitive with more than one of the recommended project types.

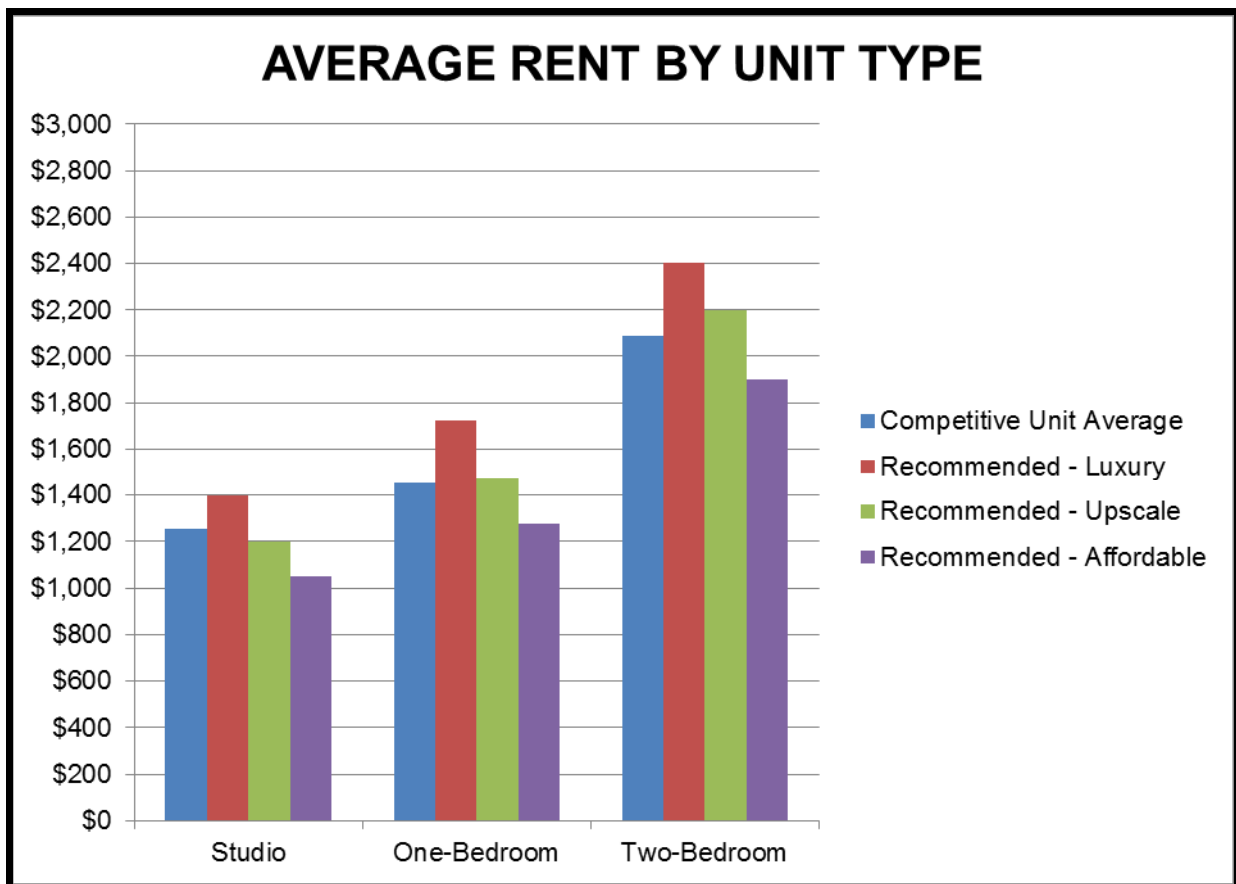
		Conceptually Competitive With Recommendations			
Name	Comparability Rating	Luxury	Upscale	Affordable/ Moderate	Tax Credit
312 College Avenue	27.5	X			
Collegetown Terrace	26.5	X	X		
Dryden South	26.0	X	X		
Casa Roma	25.0		X		
Horizon Villages On The Horizon*	24.5		X		
140 Seneca Way	24.5		X		
Collegetown Crossing	24.0		X	X	X
Cayuga View (TC)	23.5		X	X	X
Gateway Commons	23.0		X	X	X
Lofts at Six Mile Creek	23.0		X	X	X
Dryden Eddy	23.0		X	X	X
The Carey Building	22.5			X	X
Overlook at West Hill (TC)	22.5			X	X
Boiler Works	21.5			X	X
Conifer Village (TC)	21.5			X	X
Village Solars I	20.0			X	X
Breckenridge Place (TC)	20.0			X	X
The Coalyard	19.5			X	X
Sanctuary Homes	19.5			X	X
Stone Quarry (TC)	19.5			X	X
Cayuga Place	19.0			X	X
(TC) – Tax Credit property					
*Seniors 55+					

Prospective residents respond to three principal factors when selecting specific units:

- Perception of space often based on the entry into the unit
- Bedroom size
- Closets are especially important. Large closets are immediately noticed by prospective tenants. Further, having the largest closets in the market facilitate rent increases since it is virtually impossible for a tenant to move into another unit with less storage than they already have.

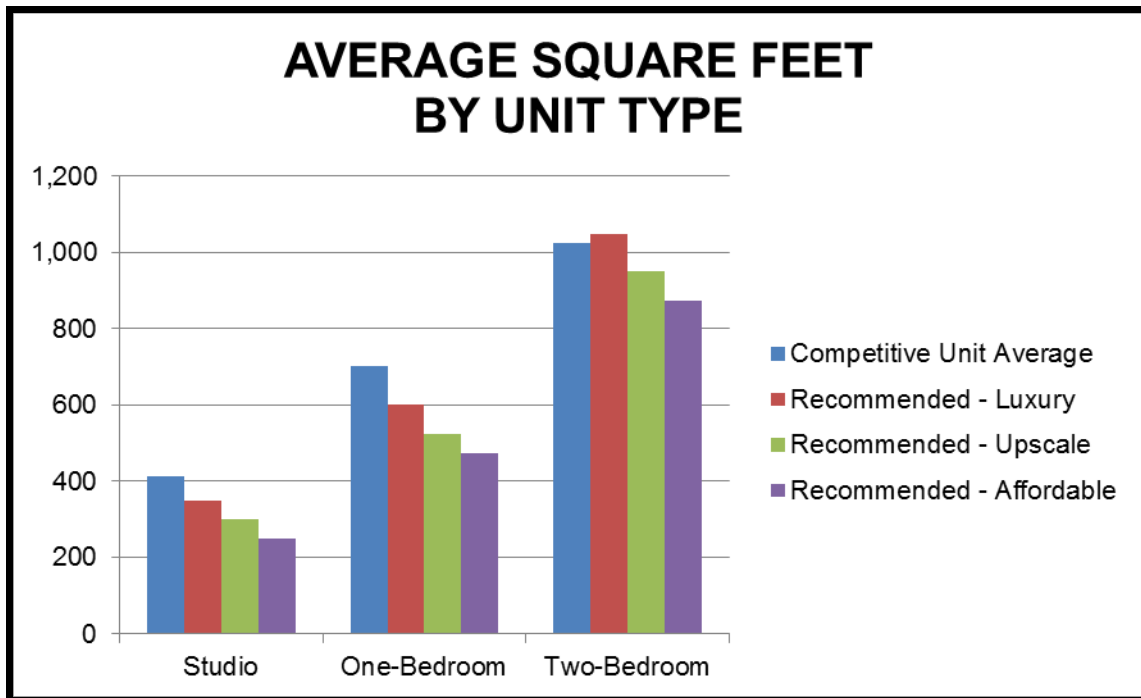
A total of 84 studio, one- and two-bedroom floorplans from competitive market-rate properties were analyzed. Purpose-built student housing properties were excluded from this analysis. Floorplans for Map Code 70, Sanctuary Homes, were not available.

The charts on the following pages summarize the average rent, unit size, and other features of the competitive market-rate units.



The recommended rents for the project types listed in the development guidelines above are either on par with or below the average competitive unit, with the exception of the luxury units and the upscale two-bedroom units. It is worth noting that the majority of the competitive units have a Comparability Rating well below 25.0, the rating for the recommended upscale project type.

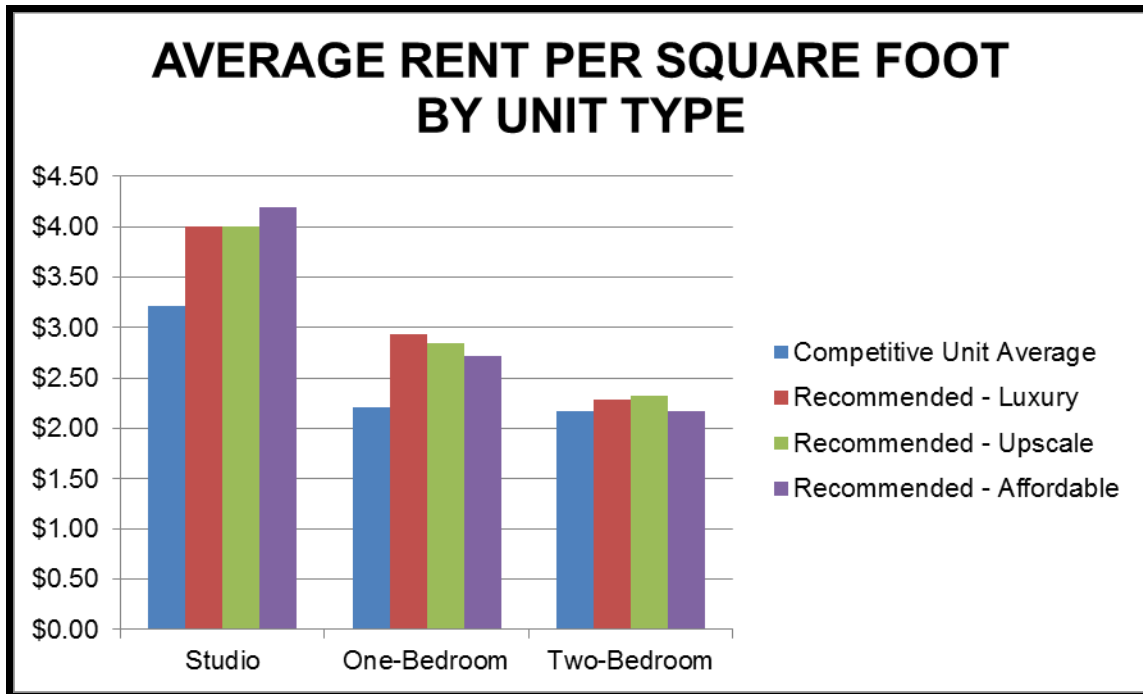
The following chart summarizes unit sizes for the average competitive unit and the average recommended unit.



The recommended studio and one-bedroom micro units are smaller than the average competitive unit; however they are still comparable to the typical competitive unit size ranges, as detailed in the following table.

Competitive Unit Sizes		
Unit Type	Lowest Square Footage	Highest Square Footage
Studio	255	644
One-Bedroom	420	938
Two-Bedroom	500	1,673

The following chart summarizes rent per square foot at the average competitive unit compared to the rent per square foot for the recommended development types.



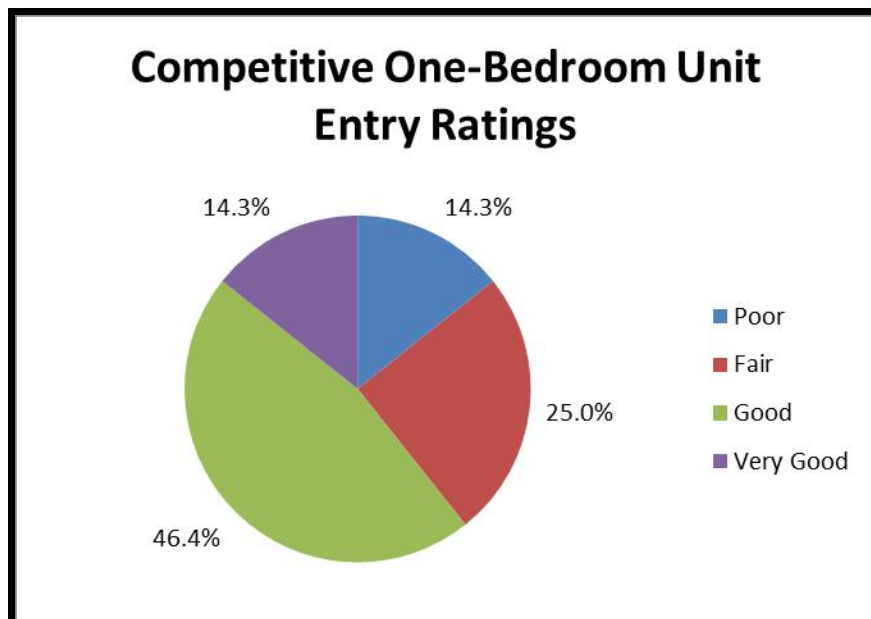
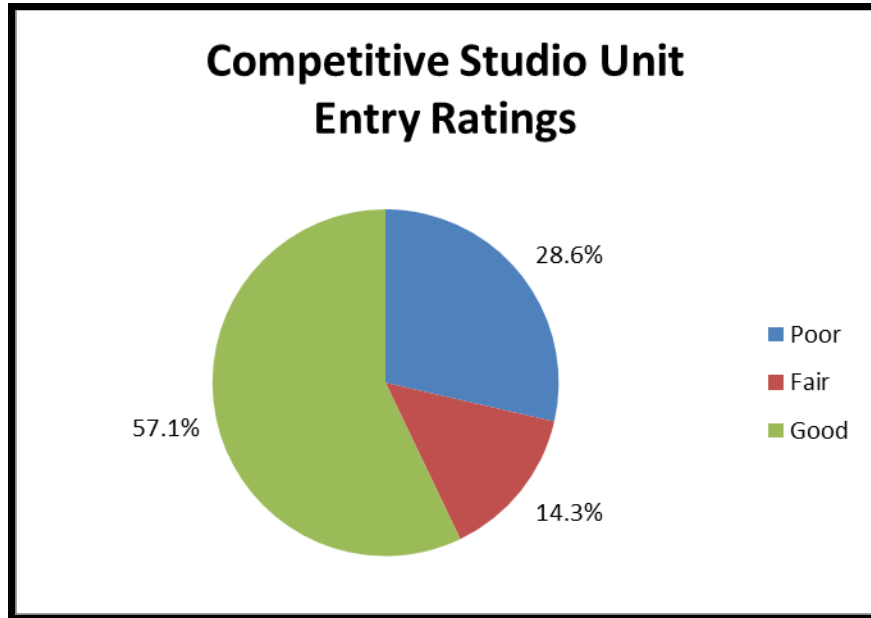
The following charts summarize bedroom sizes at the average competitive unit compared to the recommended development guidelines.

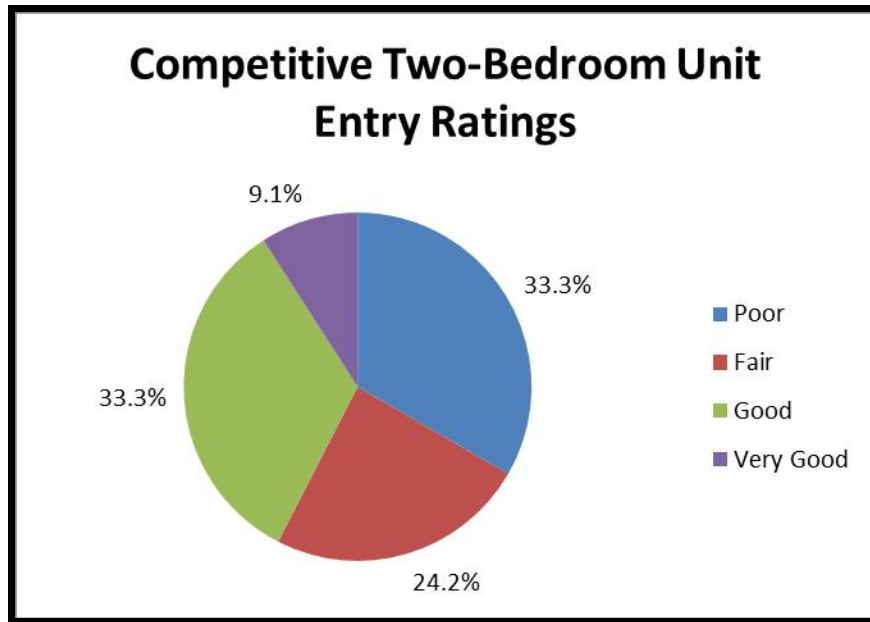
<b>BEDROOM SIZE (ONE-BEDROOM UNITS)</b>	
Competitive Unit Average	149
Recommended - Luxury	160
Recommended - Upscale	150
Recommended - Affordable	150

<b>BEDROOM SIZE (TWO-BEDROOM UNITS)</b>		
	<b>MASTER BEDROOM</b>	<b>SECOND BEDROOM</b>
Competitive Unit Average	157	126
Recommended - Luxury	160	140
Recommended - Upscale	150	140
Recommended - Affordable	150	130

Bedrooms in competitive one-bedroom units range in size from 89 to 220 square feet. Master bedrooms in competitive two-bedroom units range in size from 92 to 220 square feet, and second bedrooms in competitive two-bedroom units range in size from 80 to 190 square feet.

The entry for each competitive floorplan was evaluated and rated, and the following charts summarize the results of this analysis.





As the preceding charts illustrate, a significant number of competitive units, especially studio and two-bedroom units, have entries classified as “Poor”, meaning that upon entry to the unit, there is an impression of a small, closed-off space. A poor entry, for example, would be an entrance that leads into a long hallway, with no direct view of windows and/or no straight path into an open living room area.

Very few of the competitive units have floorplans with entries rated “Very Good,” which describes the sort of open, airy entry that is recommended in the development guidelines.

The following table summarizes the average lineal feet of closet space offered at the competitive units as compared to the lineal feet of closet space recommended in the development guidelines.

LINEAL FEET OF CLOSET SPACE			
UNIT TYPE	STUDIO	ONE-BEDROOM	TWO-BEDROOM
Comparable Unit Average	7.7	12.2	19.0
Recommended - Luxury	12	16.0	26.0
Recommended - Upscale	10	14.0	22.0
Recommended - Affordable	7	12.0	20.0

The recommended developments should meet or exceed the lineal feet of closet space offered at the average competitive unit.

## **4. APARTMENT SUPPORT COMPONENTS**

### **a. Step-Up/Down Support**

Previous studies performed by the Danter Company, LLC indicate that 60% of the support for new apartment development will typically be generated from the existing apartment base in the EMA, especially from those tenants paying rent within an appropriate step-up range of any new project.

The 100% database field survey methodology allows us to accurately measure potential support from conventional renters. Our studies indicate that, at the recommended luxury rent range, tenants are willing to incur rental increases up to \$175 per month for a rental alternative when it is perceived as a value. At the upscale rent range, tenants are willing to incur rental increases of up to \$150 per month for a rental alternative when it is perceived as a value. At the recommended moderate-affordable rent range, tenants would be willing to pay up to \$125 for a rental alternative when it is perceived as a value. And at the recommended Tax Credit rent range, tenants would be willing to pay up to \$60 for a rental alternative when it is perceived as a value. This is the step-up support base. Step-up support is not limited to only similar unit types. For example, the one-bedroom step-up support includes both studio and one-bedroom units.

In addition, the existing units in the market with rents higher than those recommended for the various product types and with project comparability ratings equal to or lower than the recommended product types represent potential step-down support.

Step-up/down support is a critical factor in projecting absorption because it directly measures the depth of potential support *from the households most likely to move to a new development*. Step-up/down support is best expressed as a ratio of proposed units to potential support. A lower ratio indicates a deeper level of market support and that any new project will have to capture fewer of these households in order to achieve successful initial absorption. A higher ratio indicates a lower level of potential support from conventional renters and that any new project will have to attract a higher level of support from outside this group, potentially slowing absorption.

Step-down support represents existing renters within the EMA who should perceive the recommended developments as offering a greater value at a rent lower than or equivalent to their current rent. Typically, this value results from renters who would perceive the recommended projects as a higher-quality project at an equal or lower rent, or as a project of quality similar to their current unit but at a lower rent.

The step-down base includes all units with higher rents than the recommended projects, but lower or equivalent comparability index ratings within the EMA.



<b>DISTRIBUTION OF STEP-DOWN SUPPORT LUXURY DEVELOPMENT</b>			
	<b>STEP-UP SUPPORT</b>	<b>STEP-DOWN SUPPORT</b>	<b>TOTAL</b>
Studio	160	151	311
One-Bedroom	120	268	388
Two-Bedroom	114	74	188
Total	394	493	887
Total Step-Up/Step-Down Support Base	887		
Annual Units Recommended	20 - 25		
Ratio Of Recommended Units To Potential Step-Up/Step-Down Support Base	2.3% - 2.8%		

A development of 20 to 25 luxury units (with rents based on development guidelines) per year would represent 2.3% to 2.8% of the total step-up/step-down support base, an excellent ratio.

<b>DISTRIBUTION OF STEP-DOWN SUPPORT UPSCALE DEVELOPMENT</b>			
	<b>STEP-UP SUPPORT</b>	<b>STEP-DOWN SUPPORT</b>	<b>TOTAL</b>
Studio	56	195	251
One-Bedroom	238	204	442
Two-Bedroom	58	93	151
Total	352	492	844
Total Step-Up/Step-Down Support Base	844		
Annual Units Recommended	40 – 45		
Ratio Of Recommended Units To Potential Step-Up/Step-Down Support Base	4.7% - 5.3%		

A development of 40 to 45 upscale units (with rents based on development guidelines) per year would represent 4.7% to 5.3% of the total step-up/step-down support base, an excellent ratio.

<b>DISTRIBUTION OF STEP-DOWN SUPPORT MODERATE/AFFORDABLE DEVELOPMENT</b>			
	<b>STEP-UP SUPPORT</b>	<b>STEP-DOWN SUPPORT</b>	<b>TOTAL</b>
Studio	121	114	235
One-Bedroom	506	340	846
Two-Bedroom	41	124	165
Total	668	578	1,246
Total Step-Up/Step-Down Support Base	1,246		
Annual Units Recommended	60		
Ratio Of Recommended Units To Potential Step-Up/Step-Down Support Base	4.8%		

A development of 60 moderate/affordable units (with rents based on development guidelines) per year would represent 4.8% of the total step-up/step-down support base, an excellent ratio.

<b>DISTRIBUTION OF STEP-DOWN SUPPORT TAX CREDIT DEVELOPMENT</b>			
	<b>STEP-UP SUPPORT</b>	<b>STEP-DOWN SUPPORT</b>	<b>TOTAL</b>
One-Bedroom	16	1,202	1,218
Two-Bedroom	75	1,198	1,273
Three-Bedroom	33	439	472
Total	124	2,839	2,963
Total Step-Up/Step-Down Support Base	2,963		
Annual Units Recommended	60 – 65		
Ratio Of Recommended Units To Potential Step-Up/Step-Down Support Base	2.0% - 2.2%		

A development of 60 to 65 Tax Credit units (with rents based on development guidelines) per year would represent 2.0% to 2.2% of the total step-up/step-down support base, an excellent ratio.

## **b. Comparable Market Rent Analysis**

Comparable market rent analysis establishes the rent potential renters would expect to pay for new apartment units in the open market. Comparable market rent is based on a trend line analysis for the area apartment market. For each unit type, the trend line analysis compares net rent by comparability index for all market-rate developments. This evaluation provides a comparison of existing market rents to those recommended for new development. A variety of factors influence a property's ability to actually achieve the comparable market rent, including the number of units at that comparable market rent, the step-up support base at that rent range, and the age and condition of competitive units.

Considering the guidelines for potential new apartment development in the Ithaca area, any new developments would be anticipated to have an overall comparability rating of approximately 28.0 for luxury units, 25.0 for upscale units and 22.0 for the moderate/affordable units and the Tax Credit units.

Based on the current rent structure of studio units, present-day comparable market rents are

- \$1,500 per month for the luxury units
- \$1,330 for the upscale units
- \$1,170 for the moderate/affordable units

Based on the current rent structure of one-bedroom units, present-day comparable market rents are

- \$1,825 per month for the luxury units
- \$1,625 for the upscale units
- \$1,425 for the moderate/affordable and Tax Credit developments

Based on the current rent structure of two-bedroom units, present-day comparable market rents are

- \$2,620 per month for the luxury units
- \$2,300 for the upscale units
- \$1,980 for the moderate/affordable units and Tax Credit units

Based on the current rent structure of three-bedroom units, present-day comparable market rents are

- \$2,450 for the Tax Credit units

The following tables compare the market rent with the recommended rents for studio, one-, two- and three-bedroom units. Rents are net, including only water/sewer and trash removal.

UNIT TYPE	PROJECT TYPE	COMPARABILITY RATING	MARKET-RENT	RECOMMENDED RENT	RENT AS A PERCENT OF MARKET RENT
Studio	Luxury	28.0	\$1,500	\$1,400	98.6%
	Upscale	25.0	\$1,330	\$1,200	90.2%
	Moderate	22.0	\$1,170	\$1,050	89.7%
One-Bedroom	Luxury	28.0	\$1,825	\$1,800	93.5%
	Upscale	25.0	\$1,625	\$1,600	98.5%
	Moderate	22.0	\$1,425	\$1,400	98.2%
	Tax Credit	22.0	\$1,425	\$689 - \$827	48.4% - 58.0%
Two-Bedroom	Luxury	28.0	\$2,620	\$2,400	91.6%
	Upscale	25.0	\$2,300	\$2,200	95.7%
	Moderate	22.0	\$1,980	\$1,900	96.0%
	Tax Credit		\$1,980	\$826 - \$992	41.7% - 50.1%
Three-Bedroom	Tax Credit	22.0	\$2,450	\$954 - \$1,145	38.9% - 46.7%

As the previous table illustrates, the rents used as a guideline for new development of luxury, upscale, and moderate/affordable units range from 89.7% to 98.6% of the market-driven rents and would be perceived as an excellent value within the market (exclusive of the Tax Credit units).

Micro units have also been recommended within the mix of product. It should be noted that the Ithaca apartment market already has a considerable number of “micro” units, that is, units with a very small square footage. Nearly one-third of the model types would qualify as “micro” with studio under 300 square feet, one-bedroom units under 500 square feet and two-bedroom units under 700 square feet. Micro units in the recommendations reflect the appropriate rent.

It is important to note that the Ithaca apartment market is dominated by college students. Half of all units in the market are occupied by college students. Because of this fact, as well as the fact that the market is 98.5% occupied, the rents in the Ithaca area are much higher than rents in similar market and are out of reach for many renters in the Ithaca area. Although the rents used as a guideline for development in this report are well below the market-driven rents, they will respond well to non-student renters.

The recommended Tax Credit rents range from 38.9% to 46.7% of the market-driven rents and would be perceived as an excellent value within the market.

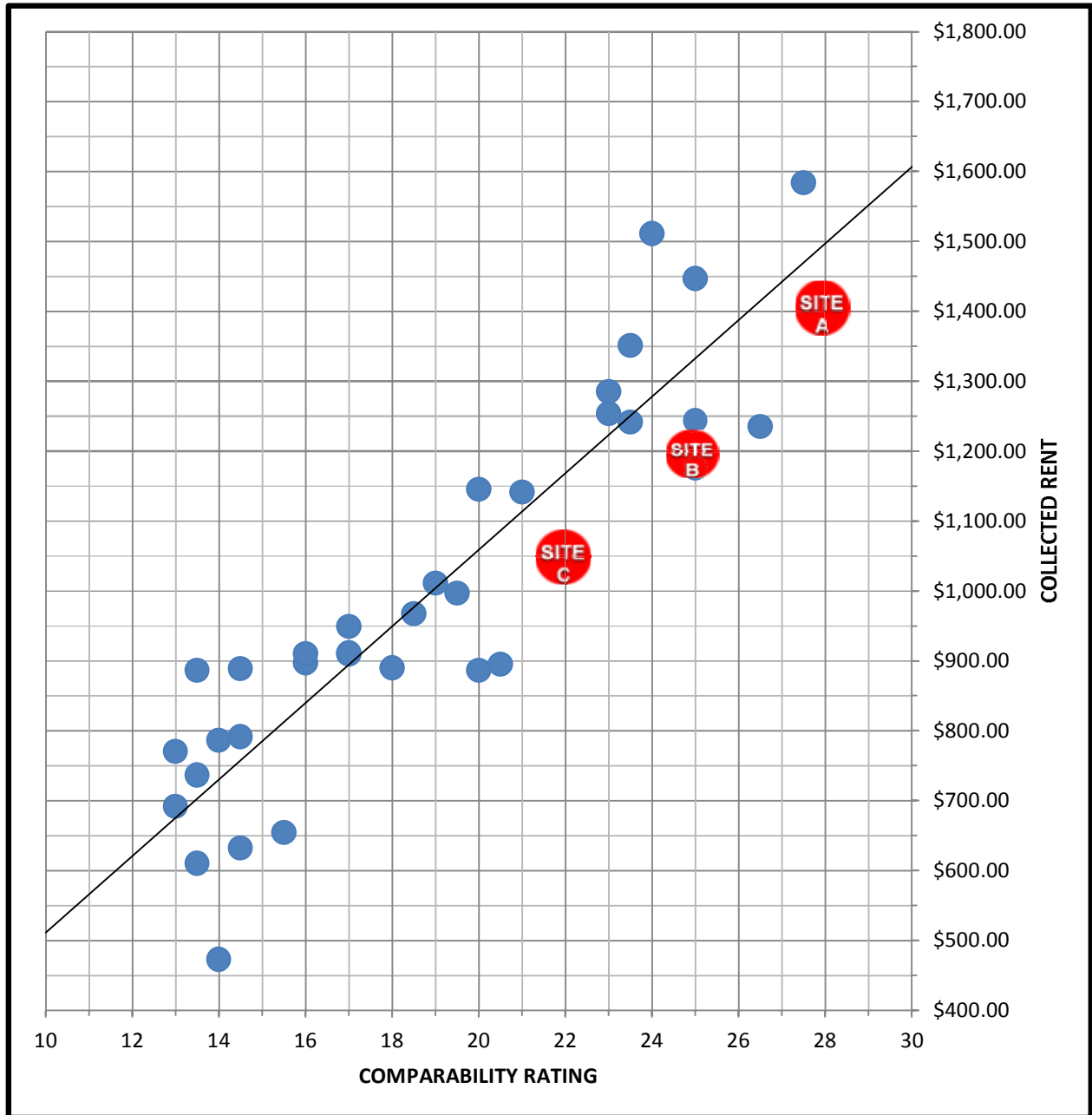
The number of any new units proposed for any new development in Ithaca must be considered relative to the project’s ability to achieve a given rent level.

Previous research conducted by Danter Company, LLC indicates that all other factors being equal, larger properties must be a better value in the marketplace than smaller properties due to the higher number of units that must be rented each month. To generate a sufficient number of potential renters, larger properties typically need to set rents below comparable market rent. Smaller projects provide the best opportunity to increase rents after stabilized rent up.

It is important to note that we have taken a conservative approach in determining the recommended rents for new development. Although our recommended rents range from 89.7% to 98.5% of the market rents, the high end properties are dominated by smaller projects that are able to achieve higher rents due to the number of units at those projects.

The relative value the recommended rents represent in the market is further illustrated by the following trend line analyses.

# STUDIO UNITS BY COLLECTED RENT AND COMPARABILITY INDEX

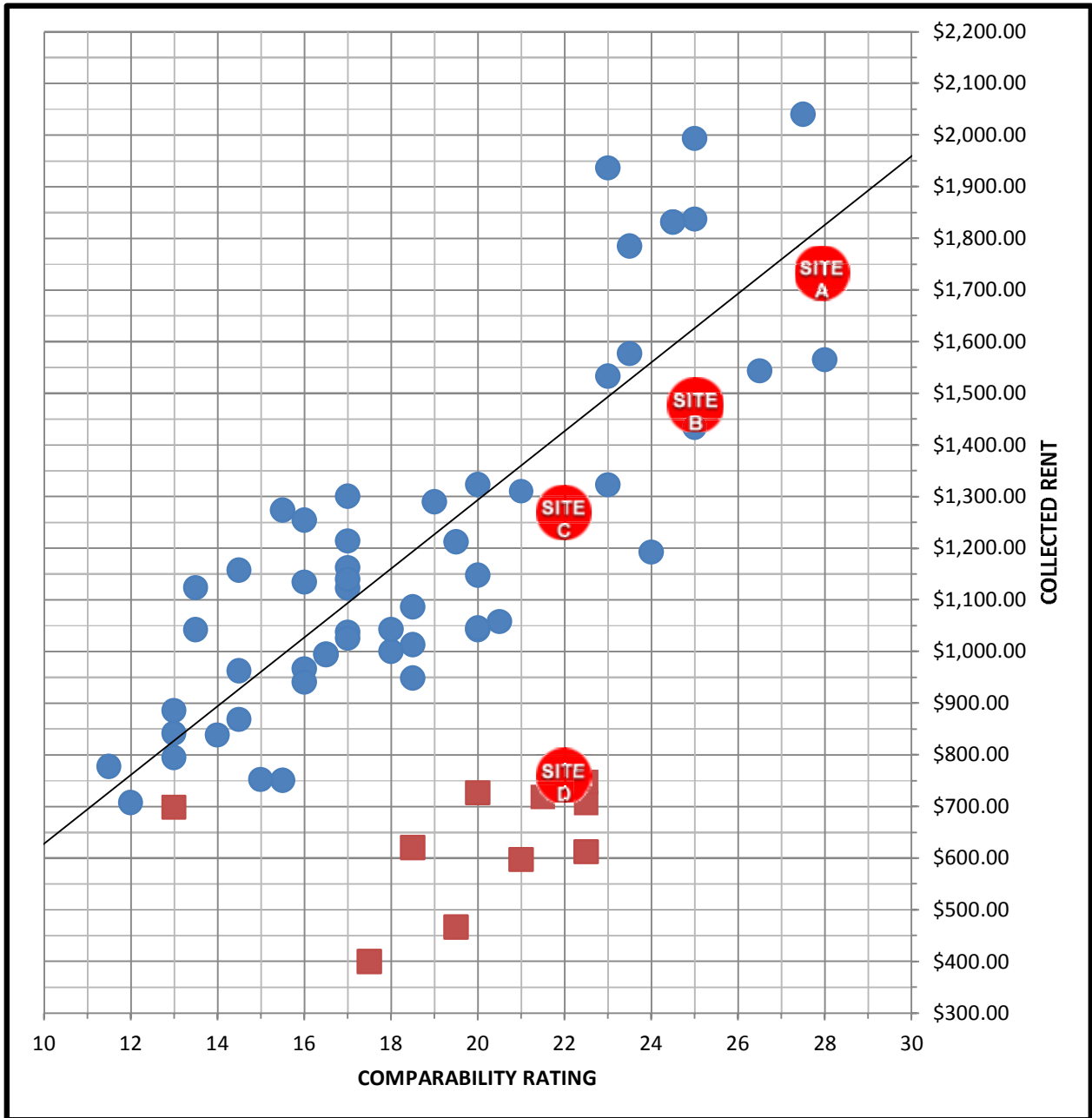


**Legend:**

- Market-Rate Properties
- Tax Credit Properties
- Market-Driven Rent
- SITE A Site - Luxury (average)
- SITE B Site - Upscale (average)
- SITE C Site - Affordable/Moderate (average)



# ONE-BEDROOM UNITS BY COLLECTED RENT AND COMPARABILITY INDEX

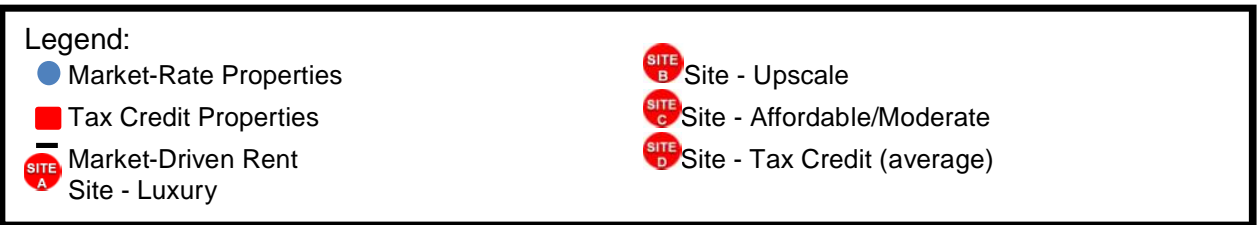
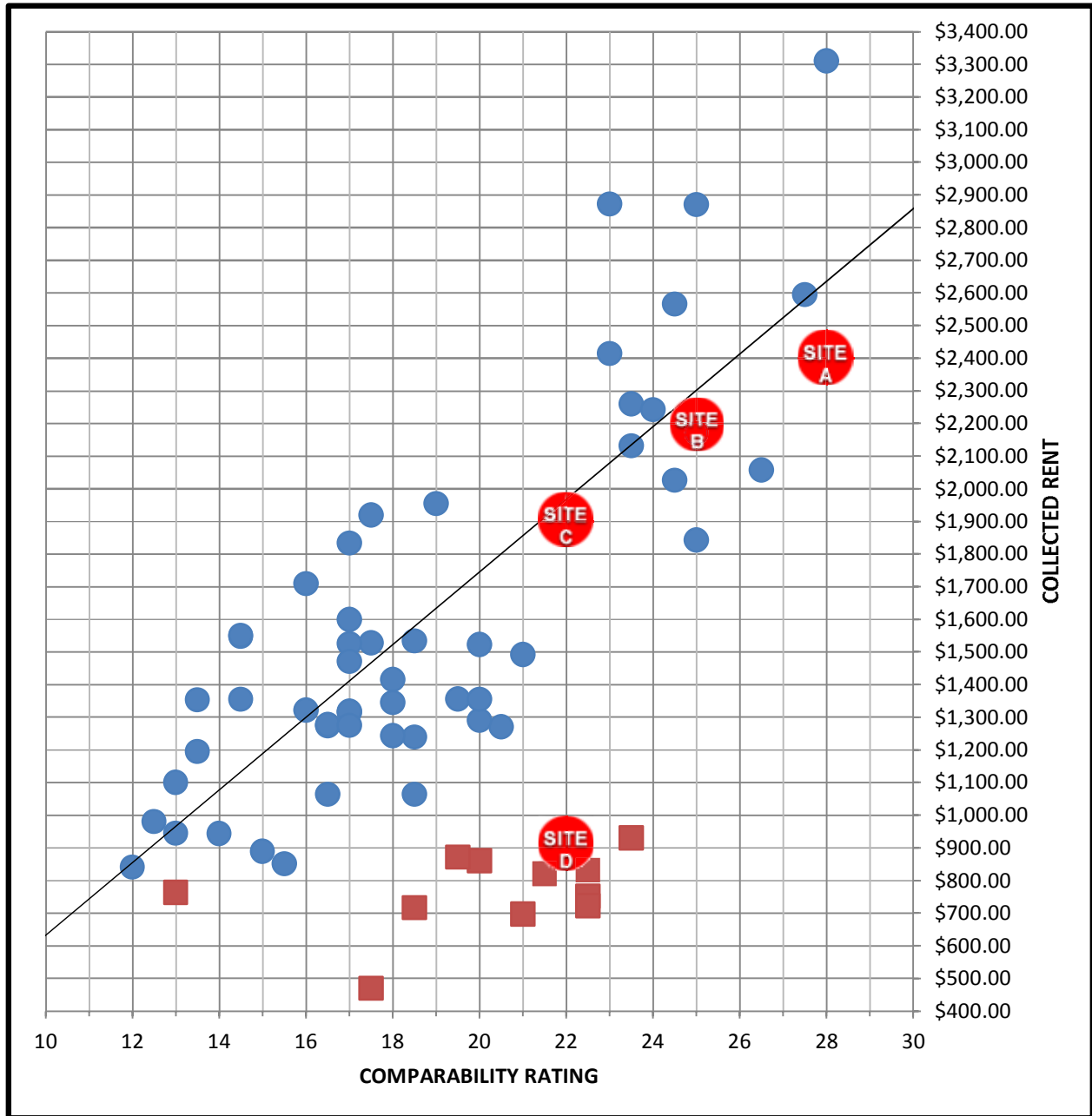


**Legend:**

- Market-Rate Properties
- Tax Credit Properties
- Market-Driven Rent
- Site - Luxury (average)
- Site - Upscale (average)
- Site - Affordable/Moderate (average)
- Site - Tax Credit (average)

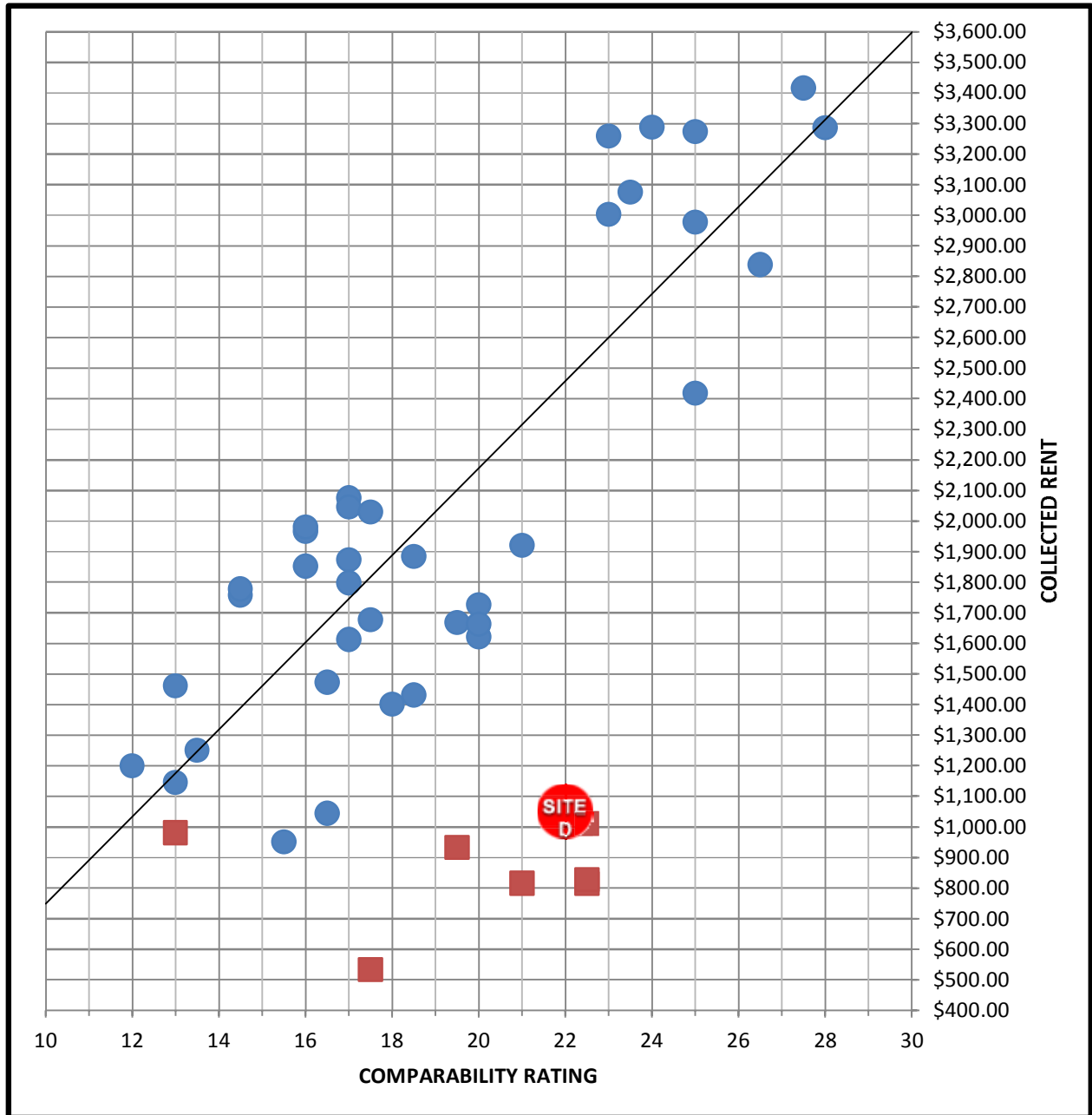


## TWO-BEDROOM UNITS BY COLLECTED RENT AND COMPARABILITY INDEX





# THREE-BEDROOM UNITS BY COLLECTED RENT AND COMPARABILITY INDEX



**Legend:**

- Site - Tax Credit (average)
- Market-Rate Properties
- Tax Credit Properties
- Market-Driven Rent



**c. Rent Gap**

Absorption at any new development should be closely monitored. Rent adjustments may be necessary in order to maintain an even absorption of all units. An absorption rate proportionate to unit mix can be maintained by establishing appropriate rent gaps (price differences) between unit types.

Proper rent gaps between all unit types will be important in order to ensure an even absorption of all units. Rent gaps must be monitored by mix, comparability differences, and location/view premiums. Suggested rents are responsive to absorption and can only be fine-tuned after product is available.

In the Effective Market Area, the rent gaps between one- and two-bedroom and two- and three-bedroom units are as follows:

	<b>STUDIO TO ONE-BEDROOM RENT GAP</b>	<b>ONE- TO TWO-BEDROOM RENT GAP</b>	<b>TWO- TO THREE-BEDROOM RENT GAP</b>
Rent at 28.0 Comparability Rating	\$425	\$695	
Rent at 25.0 Comparability Rating	\$295	\$675	
Rent at 22.0 Comparability Rating	\$255	\$555	
<b>Recommended Rent</b>			
Luxury Units	\$400	\$600	
Upscale Units	\$400	\$600	
Moderate Units	\$350	\$500	
Tax Credit Units		\$137 / \$165	\$128 / \$166

The rent gaps for the recommended units closely mirror the market driven rents in the EMA.

**d. Apartment Demand**

**Market-Rate**

Based on findings from the Danter Company's nationwide telephone survey, we anticipate that the recommended studio, one-, and two- bedroom market rate units will predominantly house one- to two-person households. Leasing industry standards for market-rate projects typically require households to have net rent-to-income ratios of 30%. The recommended net rents (includes water, sewer, and trash pickup) range from \$1,400 to \$2,400 per month for the luxury units, from \$1,200 to \$2,200 for the upscale units, and from \$1,050 to \$1,900 for the moderate/affordable units.



With the lowest recommended net monthly rent of \$1,400 for the luxury units, the minimum annual housing cost is \$16,800. Applying the 30% rent-to-income ratios requires a minimal annual household income of \$56,000.

With the lowest recommended net monthly rent of \$1,200 for the upscale units, the minimum annual housing cost is \$14,400. Applying the 30% rent-to-income ratios requires a minimal annual household income of \$48,000.

With the lowest recommended net monthly rent of \$1,050 for the moderate/affordable units, the minimum annual housing cost is \$12,600. Applying the 30% rent-to-income ratios requires a minimal annual household income of \$42,000.

There are no income restrictions for market-rate units. Further, more and more households are “renters by choice”, often not opting for home ownership until their family status changes. Therefore, household incomes are not limited at the top end.

### All Income-Qualified Households

The 2010 Census reported that 61.4% of the EMA households were renters, down from 66.2% in 2000. However, the reality is that this percentage varies depending on the income levels of the households. For example, at lower income levels, a higher ratio of renters is likely compared to the higher income levels.

### Luxury Units

Considering the renter to total households’ ratio established for households with higher incomes, the estimated number of renter households within the EMA that are income-appropriate for the recommended luxury units (above \$67,200) is estimated at 2,055 renter households in 2016. The recommended luxury units (up to 125 units) would represent 6.1% of their potential income-appropriate renter base. This is an excellent ratio of units to potential income-appropriate renter households.

### Upscale Units

Considering the renter to total households’ ratio established for households with higher incomes, the estimated number of renter households within the EMA that are income-appropriate for the recommended upscale units (above \$57,600) is estimated at 2,546 renter households in 2016. The recommended upscale units (up to 225 units) would represent 8.8% of their potential income-appropriate renter base. This is an excellent ratio of units to potential income-appropriate renter households.

### Moderate/Affordable Units

Considering the renter to total households' ratio established for households with higher incomes, the estimated number of renter households within the EMA that are income-appropriate for the recommended moderate/affordable units (above \$50,400) is estimated at 2,914 renter households in 2016. The recommended moderate units (up to 350 units) would represent 12.0% of their potential income-appropriate renter base. This is an excellent ratio of units to potential income-appropriate renter households.

The following table summarizes the total income qualified households for the recommended market-rate developments:

<b>PROJECT TYPE</b>	<b>MINIMUM INCOME</b>	<b>INCOME QUALIFIED RENTER HOUSEHOLDS</b>	<b>RATIO OF UNITS</b>
Luxury	\$67,200	2,055	6.1%
Upscale	\$57,600	2,546	8.8%
Moderate/Affordable	\$50,400	2,914	12.0%

### Renter Households

The 2010 Census indicated that 61.4% of the area households were rentals. The reality is that at lower income levels, a higher ratio of renters is likely compared to the overall market. Within the downtown Ithaca EMA, this is reflected.

Considering the renter to total households' ratio established for households with lower incomes, the estimated number of renter households within the EMA that are income-qualified for the recommended Tax Credit units (\$25,700 to \$47,580) is estimated at 4,165. The (up to 350 units) Tax Credit units recommended represent 18.4% of their potential income-qualified renter base. This is an excellent ratio of units to potential income-qualified renter households.

As noted earlier, there are 837 existing Tax Credit units within the downtown Ithaca EMA. Combined with the (up to 350 units) recommended units, these properties total 1,187 Tax Credit units. When the existing Tax Credit units in the EMA are also considered, the appropriate household income range is \$10,740 to \$47,580. This range is wider than the range for just the recommended development due to the variety of units and range of rents. The number of renter households within this income range is estimated to be 7,520. The 1,187 combined Tax Credit units (existing and recommended) represent 15.8% of the income-qualified renter base. This is considered a very good ratio of units to income-qualified renter households.

## Housing Choice Vouchers

It is anticipated that additional support for a new Tax Credit project would come from tenants with Housing Choice Vouchers. The current Fair Market Rents for the area as well as the recommended gross rents are as follows:

UNIT TYPE	FAIR MARKET RENTS	RECOMMENDED GROSS RENTS	
		50%	60%
One-Bedroom	\$937	\$689	\$827
Two-Bedroom	\$1,084	\$826	\$992
Three-Bedroom	\$1,406	\$954	\$1,145

Source: US Department of Housing and Urban Development  
Effective 2016  
Note: The Fair Market Rents have been established by the Department of Housing and Urban Development and are gross rents including all utilities.

As the above table indicates, the gross Tax Credit rents for the one-, two-, and three-bedroom units at the 50% and 60% income levels are below the Fair Market Rents. These units will be available to renters with Housing Choice Vouchers.

## Tax Credit

### Program Limitations and Qualifications

The recommended Tax Credit units include one-, two-, and three-bedroom garden units with rents based on 50% and 60% of the area median household income.

Rents for units operating within the Tax Credit program are based on income limits by household size. The gross rent charged for an eligible unit to a tenant cannot exceed 30% of the tenant income limitation (50% or 60% of area median income adjusted for household size).

Median incomes are established by the United States Department of Housing and Urban Development (HUD). Ithaca is located in Tompkins County, New York. For 2016, the median household income for Tompkins County is \$69,000.

The following chart illustrates the maximum income allowed per household size at the 50% and 60% levels, based on the 2016 median income for the Tompkins County:

HOUSEHOLD SIZE	MAXIMUM ALLOWABLE INCOME	
	50%	60%
One-Person	\$25,700	\$30,840
Two-Person	\$29,400	\$35,280
Three-Person	\$33,050	\$39,660
Four-Person	\$36,700	\$44,040
Five-Person	\$39,650	\$47,580

Current guidelines establish maximum rents based on the probable household size by number of bedrooms, with one-bedroom units at 1.5, two-bedroom units at 3.0, and three-bedroom units at 4.5 people per household (regardless of the actual number of people occupying the unit). Maximum rent by number of bedrooms is as follows:

UNIT TYPE	MAXIMUM GROSS RENT	
	50%	60%
One-Bedroom (1.5)	\$666	\$799
Two-Bedroom (3.0)	\$826	\$992
Three-Bedroom (4.5)	\$1,010	\$1,212

Utility cost estimates have been applied to the maximum gross rents in order to estimate maximum net rents. (Net rents are used to more easily compare with existing market rents in the area.)

UNIT TYPE	PERCENT OF MEDIAN HOUSEHOLD INCOME	MAXIMUM GROSS MONTHLY RENT	ESTIMATED UTILITY COST*	ESTIMATED MAXIMUM NET RENT	RECOMMENDED NET RENT
One-Bedroom	50%	\$666	\$185	\$851	\$850
	60%	\$799	\$185	\$984	\$975
Two-Bedroom	50%	\$826	\$229	\$1,055	\$1,050
	60%	\$992	\$229	\$1,221	\$1,220
Three-Bedroom	50%	\$1,010	\$273	\$1,283	\$1,275
	60%	\$1,212	\$273	\$1,486	\$1,475

\*Source: Ithaca Housing Authority

The recommended rents are set slightly below to the current (2016) maximum allowable. The maximum allowable net rents at opening may increase (or decrease) based on the median income and utility rates at the time.

### Income-Appropriate Households

Under the Section 42 Tax Credit program, a household may live in any unit type, regardless of size, as long as the household income does not exceed the maximum allowable for that household size.

Based on findings from The Danter Company's nationwide telephone survey, we anticipate that any new one-, two-, and three-bedroom Tax Credit units will predominantly house one- to four-person households. In addition, any Tax Credit units are recommended to include units available at rents based on 50% and 60% of the area median household income. For 2016, the maximum allowable income for a one-person household at the 50% income level is \$25,700 and the maximum allowable income for a four-person household at the 60% income level is \$44,040.

### All Income-Qualified Households

In 2016, there are an estimated 1,633 total households within the downtown Ithaca EMA with incomes between \$25,700 and \$47,580. The 350 Tax Credit units recommended account of 21.4% of that total.

These are excellent ratios and indicate a good supply of potential household support. These ratios have been considered in establishing anticipated absorption rates.

There are 9 existing Tax Credit properties with a total of 837 units within the downtown Ithaca EMA. The existing Tax Credit units range from one- to four-bedroom units:

- The 235-unit West Village project
- The 24-unit Cayuga View project
- The 56-unit Linderman Creek Phase I project
- The 72- unit Linderman Creek Phase II project
- The 70-unit Conifer Village project that is restricted to older adults 55 or older
- The 39-unit Cedar Creek project
- The 50-unit Breckenridge Place project
- The 35-unit Stone Quarry project
- The 256-unit Overlook at West Hill project

## **5. PLANNED, PROPOSED AND UNDER CONSTRUCTION PROJECTS**

According to planning and zoning officials with the City of Ithaca, the Town of Ithaca, and Tompkins County, there are several residential developments planned in the downtown Ithaca EMA. These planned projects are summarized as follows:

- Developer John Novarr (Novarr-MacKeseey Group) is proposing 50-60 units of rental townhouses to be located on the site of 3 existing structures at 119, 121 and 125 College Avenue. The project would also include first-floor retail, and the apartments would be marketed to Cornell faculty. If plans are approved Novarr hopes to open the project in spring 2018.
- Harold's Square is an 11-story mixed-use development that is being planned on the south side of the "Ithaca Commons" in downtown Ithaca. This development is expected to offer 108 apartment units (studio, one- and two-bedroom). Construction is expected to begin in spring 2017.
- 210 Hancock is a mixed-use development being developed by Ithaca Neighborhood Housing Services that will consist of 59 affordable rental housing units (54 garden units and 5 townhomes), commercial development, 7 for-sale townhomes, and a daycare center. This project will be in the northwest quadrant of the Hancock Street/Lake Avenue intersection and is expected to open in August 2017.
- Travis Hyde Properties is proposing DeWitt House, which will be a 60-unit mixed-income, senior-designated (age 55 and over) rental housing project on land that is occupied by the former Tompkins County library at 310 North Cayuga Street. This property will feature 39 one-bedroom units and 21 two-bedroom units and 60% of these units will be affordable, while the remaining 40% of the units will have market-rate rents. Construction is anticipated to begin in spring 2017.
- Newman Development Group is proposing City Centre, a 9-story mixed-use project that would be located at the corner of East State Street and Aurora Street. The project may include up to 250 apartment units and if it is approved developers would like to open in summer 2018.
- IRF Development, which is an affiliate of Travis Hyde Properties, is proposing 45 townhouse units at the site of the former Ithaca Gun Factory. This property is off of Lake Street, near the Ithaca Falls. According to the developer, it is currently undetermined whether these units will be available as rentals or will be for sale. Both the City of Ithaca and the developer are financially responsible for the continued removal of lead contaminated soil at the site, which has delayed progress on this development.



- Rampart Real is proposing a 21-unit (16 one-bedroom, 5 two-bedroom) mixed-use development at 323 Taughannock Boulevard along the Cayuga Inlet in the western portion of downtown Ithaca. Plans have been approved but the construction start date is unknown as of August 2016.
- UnChained Properties, LLC has obtained a 95-acre parcel of land that was once occupied by the Emerson Power Transmission plant in the southern portion of Ithaca, along South Aurora Street. The developer is proposing an urban “live, work, play” mixed-use development known as Chain Works District that will include up to 915 apartments, office space, small business incubator and flex space, gardens and park, as well as areas devoted to manufacturing. This project is expected to remain in planning stages for some time.
- Edward Cope is constructing 12 condominium units at 215-221 West Spencer Street in the southern portion of Ithaca. The project is expected to be complete in late 2017.
- Cornell University owns East Hill Plaza, a 110,000-square foot shopping center, as well as land behind the neighborhood shopping center. There have been discussions regarding a mixed-use development on the vacant land behind the center to include residential and office development. This project is not yet in planning stages.
- Cornell University is partnering with student housing developer EdR on the Maplewood Park redevelopment project. This will involve demolishing the existing 337-bed Maplewood Park Apartments on campus and constructing a new project that is expected to open in 2018 and add 887 beds (453 units) for students and their families. The project is still in planning review (as of August 2016) but it is expected to go forward on schedule.
- Cayuga View is a 60-unit (48 two-bedroom, 12 one-bedroom) mixed-use project for older adults (age 55+) currently under construction on the west side of North Triphammer Road in Lansing. The project, from developer CU Suites, is expected to open in fall 2016.
- New Earth Living, LLC is constructing Amabel, a “pocket neighborhood” consisting of 30 environmentally friendly single-family homes at 619 Five Mile Drive. Construction has not yet started but sales began in July 2016.
- Conifer, LLC is constructing Cayuga Meadows, a 3-story, 68-unit Tax Credit project for older adults, west of Trumansburg Road near the Cayuga Medical Center. The project will contain 59 one-bedroom units and 9 two-bedroom units for seniors with incomes 60% or less the Area Median Income (AMI). The project is expected to be complete in late 2017.

- Modern Living Rentals, LLC is proposing an 87-unit (all studios) purpose-built student housing project at 815 South Aurora Street. The developer hopes to open in 2017.
- Avramis Real Estate is proposing Avenue 102, a 102-unit purpose-built student housing project located at 302-306 College Avenue. This project is not yet in planning stages and the houses currently located on the site are rented through 2018.
- WB Asset Management is proposing Cayuga Farms, a 102-unit rental townhouse project located on the west side of North Triphammer Road between Hillcrest Road and Asbury Road. This project is still in planning stages due to difficulty getting approval for the septic system, and no construction date has been set.
- Developer Todd Fox (Visum Development Group) is proposing a 5-story, 76-bed purpose-built student housing project at 201 College Avenue. As of August this project is currently seeking approval and construction is expected to start in fall 2016.
- Developers Todd Fox and Bryan Warren are proposing a mixed-use development at the corner of North Aurora Street and East Seneca Street. This project is still in preliminary planning stages, it could contain 60-85 multifamily rental units in addition to retail.
- Tom Livigne of Park Grove Realty is proposing a 140-unit apartment project in Lansing on Bomax Drive, plans have not yet been submitted and rezoning would be required for this to be approved.

## **6. EMA RENTAL BASE**

Detailed data regarding the Ithaca, New York Effective Market Area's rental base are provided by Esri, Incorporated, the 2010 Census and the 2000 Census.

In 2010, there were 20,551 occupied housing units within the Ithaca EMA. This is an increase from the 19,624 units identified in the 2000 Census. By 2021, the number of occupied area housing units is projected to increase 7.5% from 2010 to 22,101.

Distributions of housing units for 2000 and 2010 are as follows:

	<b>2000 CENSUS</b>		<b>2010 CENSUS</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Occupied	19,624	95.0%	20,551	94.0%
By Owner	7,475	38.1%	8,034	39.1%
By Renter	12,149	61.9%	12,517	60.9%
Vacant	1,026	5.0%	1,311	6.0%
<b>Total</b>	<b>20,650</b>	<b>100.0%</b>	<b>21,862</b>	<b>100.0%</b>

The above data are a distribution of all rental units (e.g., duplexes, conversions, units above storefronts, single-family homes, mobile homes, and conventional apartments) regardless of age or condition.

The 2010 Census marked a significant change in information gathering procedures. The information formerly gathered on the long form (income, rents, and mortgage details) is no longer being collected for the decennial Census. Instead, everyone received a short form. This information is being collected on the much less sampled American Community Survey and being released as five-year rolling averages, limiting its usefulness for small area demographics.

When available, we have presented 2010 Census data along with 2016 estimates and 2021 projections. When 2010 Census data are not available, we have presented 2000 Census data.

In 2000, there were approximately 12,149 renter-occupied housing units in the EMA. This includes all housing units (e.g., duplexes, single-family homes, mobile homes) regardless of age or condition.

A summary of the existing rental units in the market by type follows:

<b>DISTRIBUTION OF RENTED UNITS BY UNIT TYPE                      ITHACA, NEW YORK                      EFFECTIVE MARKET AREA                      2000</b>		
<b>UNIT TYPE</b>	<b>TOTAL NUMBER OF HOUSING UNITS</b>	<b>SHARE OF HOUSING UNITS</b>
Single, Detached	1,227	10.1%
Single, Attached	632	5.2%
2 to 4	3,973	32.7%
5 to 9	2,187	18.0%
10 to 19	1,421	11.7%
20 to 49	960	7.9%
50+	1,725	14.2%
Mobile Home or Trailer	36	0.3%
Other	0	0.0%
<b>Total</b>	<b>12,149</b>	<b>100.0%</b>

Of the 12,149 renter-occupied housing units in the EMA in 2000, 1,895 (15.6%) were within single-family detached and attached, and mobile homes or trailers. This is a moderate share of renter-occupied units in non-conventional alternatives.

Following is a summary of the renter households in the EMA by household size:

<b>DISTRIBUTION OF RENTER HOUSEHOLDS BY HOUSEHOLD SIZE                      ITHACA, NEW YORK                      EFFECTIVE MARKET AREA                      2010 CENSUS</b>		
<b>HOUSEHOLD SIZE</b>	<b>NUMBER</b>	<b>PERCENT</b>
One Person	6,063	48.4%
Two Persons	3,261	26.1%
Three Persons	1,628	13.0%
Four Persons	899	7.2%
Five or More Persons	666	5.3%
<b>Total</b>	<b>12,517</b>	<b>100.0%</b>
Sources: 2010 Census Esri, Incorporated		

In 2010, the owner- and renter-occupied households within the Ithaca Effective Market area were distributed as follows:

<b>DISTRIBUTION OF TENURE BY AGE ITHACA, NEW YORK EFFECTIVE MARKET AREA 2010 CENSUS</b>				
<b>TENURE</b>	<b>OWNER-OCCUPIED</b>		<b>RENTER-OCCUPIED</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Householder 15 to 24 Years	54	0.7%	3,959	31.6%
Householder 25 to 34 Years	611	7.6%	4,066	32.5%
Householder 35 to 44 Years	1,259	15.7%	1,303	10.4%
Householder 45 to 54 Years	1,834	22.8%	1,007	8.0%
Householder 55 to 64 Years	2,126	26.5%	853	6.8%
Householder 65 to 74 Years	1,119	13.9%	409	3.3%
Householder 75 to 84 Years	722	9.0%	449	3.6%
Householder 85 Years and Over	308	3.8%	472	3.8%
<b>Total</b>	<b>8,033</b>	<b>100.0%</b>	<b>12,518</b>	<b>100.0%</b>

In 2000, existing gross rents in the Effective Market Area were distributed as follows:

<b>DISTRIBUTION OF RENTAL UNITS BY GROSS RENT ITHACA, NEW YORK EFFECTIVE MARKET AREA 2000 CENSUS</b>		
	<b>NUMBER</b>	<b>PERCENT</b>
No Cash Rent	220	1.8%
Under \$250	481	4.0%
\$250 - \$349	409	3.4%
\$350 - \$449	1,446	11.9%
\$450 - \$549	1,746	14.4%
\$550 - \$649	2,087	17.2%
\$650 - \$749	2,127	17.5%
\$750 - \$899	1,630	13.4%
\$900 - \$999	495	4.1%
\$1,000 - \$1,499	823	6.8%
\$1,500 and Over	679	5.6%
<b>Total</b>	<b>12,149</b>	<b>100.0%</b>
<b>Median Gross Rent</b>	<b>\$639</b>	
Source: 2000 Census		

The following table provides a summary of gross rent as a percentage of household income for the renter households in the Ithaca EMA:

<b>GROSS RENT AS A PERCENT OF INCOME            ITHACA, NEW YORK            EFFECTIVE MARKET AREA            2000 CENSUS</b>		
<b>PERCENTAGE</b>	<b>RENTER HOUSEHOLDS</b>	
	<b>NUMBER</b>	<b>PERCENT</b>
Less than 20%	2,782	22.9%
20% to 24%	1,191	9.8%
25% to 29%	911	7.5%
30% to 34%	875	7.2%
35% or More	5,625	46.3%
Not Computed	765	6.3%
<b>Total</b>	12,149	100.0%

A total of 6,500 renter households, 53.5% of the total, paid over 30% of their annual household income for rental housing costs in 2000. A total of 5,625 renter households paid 35% or more of their income for rental housing costs, a very high number of rent burdened households.

#### **D. STUDENT HOUSING**

One market evaluation has been to compare the number of purpose-built beds in a market to the “net” enrollment of the supporting university. The “net” enrollment is the total enrollment minus the on-campus housing capacity, i.e., the total students being housed elsewhere in the community.

Purpose-built student housing has long been established with many markets housing up to 75% of their off-campus students in purpose built student housing.

Because of a later start with the product Midwestern and Northern schools have a much lower share of students in such housing, usually ranging between 20% and 35%.

Currently, purpose-built student housing in Ithaca accounts for 8% of the net enrollment of Cornell University students and 6% of the total students including Ithaca College and Tompkins Cortland Community College. To place this in perspective, following is a list of schools and their respective ratio of purpose-built beds.

<b>PURPOSE-BUILT BEDS AS A PERCENT OF NET ENROLLMENT SELECTED UNIVERSITIES</b>		
<b>UNIVERSITY</b>	<b>CITY, STATE</b>	<b>PERCENT</b>
Appalachia State University	Boone, NC	57%
Auburn University	Auburn, Alabama	44%
Brown University	Providence, RI	12%
Kent State University	Kent, OH	14%
Michigan State University	Lansing, MI	32%
Penn State University	State College, PA	29%
Rutgers University	New Brunswick, NJ	6%
Temple University	Philadelphia, PA	11%
University of West Virginia	Morgantown, WV	37%
University of Wisconsin	Madison, WI	22%
Virginia Tech	Blacksburg, Virginia	36%
Virginia Tech	Blacksburg, Virginia	36%
Cornell University	Ithaca, NY	8%
Combined Ithaca Schools	Ithaca, NY	6%

Based on the size and characteristics of Cornell University, a target of purpose-built student housing totaling 25% of the net enrollment is a reasonable expectation. This would total 3,618 beds. There are currently existing 1,173 beds with an additional 136 beds under construction. This brings the total to 1,309, or 9.0% of the net enrollment, a shortfall of 2,309 beds.

Ithaca College could support up to 20% of the net enrollment in purpose-built student housing, or 411 beds.

The combined total development potential is for 2,720 beds (over and above projects currently under construction).

	<b>CORNELL UNIVERSITY</b>	<b>ITHACA COLLEGE</b>
Total Enrollment	21,904	6,587
Dorm Capacity	7,430	4,530
Net Enrollment	14,474	2,057
Total Purpose-Built Bed Potential	3,618	411
Existing Purpose-Built Beds	1,309	0
Net Potential	2,309	411

The Danter Company also conducted an internet survey of Tompkins County residents, commuters and students. It is noteworthy that among students, 10% of Cornell University students and 28% of Ithaca College students said they would consider living off campus if more units were available in downtown Ithaca.

In another question, students were asked, “If there were enough suitable housing at a suitable price and you could live anywhere off-campus, where would you prefer to live?” A total of 23% of Cornell University students and 69% of Ithaca College students replied “Downtown Ithaca”.

While the study did not qualify the demand for downtown living by price, clearly, downtown Ithaca is a popular lifestyle choice for students. It is our opinion that up to 1,000 purpose built student housing beds could be supported in downtown Ithaca.

<b>PURPOSE-BUILT STUDENT HOUSING</b>			
<b>UNIT DESCRIPTION</b>	<b>SQUARE FEET</b>	<b>NUMBER OF BEDS</b>	<b>RENTS AT OPENING*</b>
One-Bedroom/1.0 Bath	700	40	\$1,500
Two-Bedroom/2.0 Bath	950	160	\$1,100
Four-Bedroom/4.0 Bath	1,400	800	\$1,025
*All-inclusive, furnished			

## **E. CONDOMINIUM DEVELOPMENT**

### **1. INTRODUCTION**

This section of the report evaluates the market potential to develop a for sale condominium development in downtown Ithaca, New York.

Our evaluation of the EMA includes the following components:

- Analysis of the existing EMA housing market supply, including:
  - Historical housing trends
  - Current market conditions based on 100% field survey of active and established condominiums, townhouse units, and patio homes
  - Area demand factors, including
    - Income-appropriate households
    - Current and expected economic and household growth conditions
    - Condominium Demand Analysis
    - Appropriateness of the area for the subject development
    - In-migration and in-commuting trends



Based on our analysis of the EMA condominium market, the key demand factors and proposed future condominium supply, support levels can be established for additional development.

## **2. CONDOMINIUM DEMAND**

The market demand for for-sale housing in the downtown Ithaca EMA is distributed among three sales price ranges: under \$250,000, \$250,000 to \$399,999, and \$400,000 and higher.

<b>PROJECTED FOR-SALE HOUSING DEMAND BY SALES PRICE ITHACA, NEW YORK DOWNTOWN EFFECTIVE MARKET AREA</b>		
<b>SALES PRICE</b>	<b>ANNUAL DEMAND TOTAL UNITS</b>	<b>5-YEAR DEMAND TOTAL UNITS</b>
Under \$250,000	40 - 44	200 - 220
\$250,000 - \$349,999	20 - 24	100 - 120
\$350,000 And Higher	12 - 14	60 - 70
<i>Overall Support</i>	<i>72 - 82</i>	<i>360 - 410</i>

It should be noted that the sales potential is an estimate of demand. Lending regulations and criteria may preclude the ability to deliver the product. It should also be pointed out that these estimates are discounted over 40% from estimates that might have been made during the height of the building boom leading up to 2006.

## **3. SUMMARY OF THE CONDOMINIUM MARKET**

Since 2006 the condominium market has seen a significant nationwide downturn in sales. Most conventional markets have declined by as much as 60% to 70%. Further, given changes in consumer confidence, as well as lending requirements, we do not anticipate any significant change in the demand side. However, it should be noted that the housing market in Ithaca has not been as severely impacted as experienced in much of the country. Based on a review of demand indicators, it is our opinion that while most of the U.S. has declined by at least 60%, the demand model for Ithaca has declined approximately 30% to 35%. It should be noted that this has gone unnoticed in Ithaca due primarily to the fact that there has been very little condominium development in the area. Little or no condominium sales in the region, even prior to 2006, have been a factor of supply rather than a lack of demand. Another factor, however, can impact condominium development in the foreseeable future; are significant changes in the lending environment for developers. Increased equity requirements and a requirement for presales will keep many developers out of the condominium market.

There is, however, always the possibility that the local development community will be able to facilitate condominium development. Therefore we have provided an analysis of potential support.

There is virtually no inventory of condominiums in the Ithaca market and only a few were even constructed during that period.

Based on our review of county records, as well as interviews with area planning and building officials and area realtors, there has been no new condominium development in the Ithaca EMA since the mid to late 1980's.

Most condominium developments in Ithaca are predominately two- and three-bedroom product; however, there is a high percentage of one-bath units.

Based on our review of the Ithaca condominium resale market, the average price is \$228,857 and the average square feet is 1,367. This yields an average price per square foot of \$167.

Condominium resales in the Ithaca EMA range in price \$137,000 for a two-bedroom unit with 860 square feet that was built in 1983 to \$332,000 for a two-bedroom unit with 2,020 that was built in 1988.

#### **4. CONDOMINIUM QUALIFIED INCOME DISTRIBUTION**

Generally, mobility patterns affecting support of maintenance-free home product (townhomes and condominiums) reflect those mobility patterns affecting single-family development. Therefore our approach to establishing the market for condominiums is based on an analysis of the demographic and economic characteristics of the downtown Ithaca EMA and the application of optimal capture factors. Based on the results of the countywide study of housing we have used all of Tompkins County as the Effective Market Area.

##### **Qualifying Incomes**

For the purpose of this analysis, we assume that 25% of the purchase price of new townhome or condominium will be cash, yielding a 75% mortgage requirement. While many developments offer 80% or 90% financing, townhomes and condominiums are often influenced by equity from the previous sale of a single-family house, and 50% to 60% financing is not uncommon.

Because of the difficulty of developing new product under \$150,000, our analysis will only consider households with incomes that will qualify them for homes above that price point. Even at \$150,000 there is a significant difficulty in providing product without public assistance in financing, infrastructure, etc.

Income/mortgage/purchase price requirements are as follows:

<b>INCOME</b>	<b>MORTGAGE</b>	<b>AMOUNT FINANCED</b>	<b>HOME PRICE RANGE</b>
\$45,000 - \$59,999	\$131,250 - \$149,999	75%	\$150,000 - \$199,999
\$60,000 - \$74,999	\$150,000 - \$187,499	75%	\$200,000 - \$249,999
\$75,000 - \$89,999	\$187,500 - \$224,999	75%	\$250,000 - \$299,999
\$90,000 - \$104,999	\$225,000 - \$262,499	75%	\$300,000 - \$349,999
\$105,000 - \$119,999	\$262,500 - \$299,999	75%	\$350,000 - \$399,999
\$120,000 - \$149,999	\$300,000 - \$374,999	75%	\$400,000 - \$499,999
\$150,000 and Over	\$375,000 and Over	75%	\$500,000 and Over

Following is the projected income distributions of total households in Tompkins County:

<b>HOUSEHOLD INCOME RANGE</b>	<b>QUALIFIED HOME PRICE</b>	<b>2015 TOTAL HOUSEHOLDS</b>	<b>DISTRIBUTION</b>
\$45,000 - \$59,999	\$150,000 - \$199,999	4,104	19.4%
\$60,000 - \$74,999	\$200,000 - \$249,999	3,965	18.7%
\$75,000 - \$89,999	\$250,000 - \$299,999	2,657	12.6%
\$90,000 - \$104,999	\$300,000 - \$349,999	2,248	10.6%
\$105,000 - \$119,999	\$350,000 - \$399,999	1,429	6.8%
\$120,000 - \$149,999	\$400,000 - \$499,999	2,858	13.5%
\$150,000 and Over	\$500,000 and Over	3,892	18.4%
Total		21,153	100.0%

Based on levels of affordability of new product, an optimal capture factor can be applied to income ranges to determine the annual demand. The optimal capture factors have been established in mature condominium markets with adequate supply. Within these markets, demographic characteristics have been analyzed including growth rates and household size, and economic factors have been considered including income levels and employment profiles.

### Condominium Penetration Analysis

Based on the application of established capture factors for similar markets, the resulting annual demand for condominium homes in Tompkins County can be established. We have applied established capture rates in established markets to establish the potential demand for condominium homes in Tompkins County.

<b>PRICE RANGE</b>	<b>QUALIFIED 2015 EMA HOUSEHOLDS</b>	<b>ESTIMATED INTERNAL DEMAND CAPTURE FACTOR</b>	<b>ESTIMATED DEMAND FROM EMA HOUSEHOLDS</b>
\$150,000 - \$199,999	4,104	0.008	33
\$200,000 - \$249,999	3,965	0.004	16
\$250,000 - \$299,999	2,657	0.004	12
\$300,000 - \$349,999	2,248	0.004	9
\$350,000 - \$399,999	1,429	0.006	9
\$400,000 - \$499,999	2,858	0.001	2
\$500,000 and Over	3,892	0.000	0
Total	21,153	0.005	80

When considering all price ranges, the total maximum annual support base is estimated to be approximately 80 condominium homes, without considering existing supply or demand from outside the market area. However, when considering only the potential for condominium homes over \$200,000, the demand is for 47 homes annually.

We estimate that as much as 20% of the support for any new condominium development in Ithaca will come from outside the EMA.

<b>PRICE RANGE</b>	<b>ESTIMATED DEMAND FROM EMA HOUSEHOLDS</b>	<b>DEMAND FROM OUTSIDE THE EMA</b>	<b>TOTAL DEMAND</b>
\$150,000 - \$199,999	33	7	40
\$200,000 - \$249,999	16	3	19
\$250,000 - \$299,999	12	2	14
\$300,000 - \$349,999	9	2	11
\$350,000 - \$399,999	9	2	11
\$400,000 - \$499,999	2	0	2
\$500,000 and Over	0	0	0
Total	81	16	97

We estimate that as much as 20% of the support for any new condominium development in Ithaca will come from outside the EMA.

When considering the demand from the EMA and from outside the EMA, the total support is estimated to be approximately 106 units per year of which 38 would be in the \$250,000 and over range.

It is important to note that optimal absorption is seldom achieved within a market. Generally, maximum absorption occurs only when sales are a function of demand rather than supply. Economic conditions also need to be factored into annual demand.

Although our condominium demand analysis indicates that there is annual demand of up to 106 condominium units in the EMA, rarely is the annual demand achieved. In most markets that achieve sales close to demand, there are various product types represented with various sales prices available. Within the Ithaca EMA, there is minimal demand for condominium development in the market.

**F. EMA DEMOGRAPHIC FACTORS**

The following tables provide key information on EMA demographics, including population trends, household trends, and household income trends.

<b>POPULATION AND HOUSEHOLDS ITHACA, NEW YORK EFFECTIVE MARKET AREA</b>			
<b>YEAR</b>	<b>POPULATION</b>	<b>HOUSEHOLDS</b>	<b>POPULATION PER HOUSEHOLD</b>
1990	52,586	17,807	2.95
2000	54,024	19,624	2.75
Change 1990-2000	2.7%	10.2%	-
2010 Census	56,924	20,551	2.77
Change 2000-2010	5.4%	4.7%	-
2016 (Estimated)	59,217	21,389	2.77
2021 (Projected)	61,005	22,101	2.76
Change 2016-2021	3.0%	3.3%	-
Sources: Danter Company, LLC 2000 Census Esri, Incorporated			

As the above table illustrates, the total population and households within the Ithaca EMA increased between 1990 and 2000. During this time period, the total population increased 2.7% from 52,586 in 1990 to 54,024 in 2000.



During this same time period, households increased 10.2% from 17,807 in 1990 to 19,624 in 2000. Both the total population and households are expected to continue to increase through 2021. The population is expected to increase by 1,788 (3.0%) between 2016 and 2021 while households are expected to increase by 712 (3.3%) from 21,389 in 2016 to 22,101 in 2021.

The median population age in the 2010 Census was 24.7 years old, 7.2 years younger than reported in the 2000 Census. By 2021, the median population age is expected to be 25.4 years old. The following tables detail the area population by age groups:

<b>DISTRIBUTION OF POPULATION BY AGE ITHACA, NEW YORK EFFECTIVE MARKET AREA 2000 CENSUS, 2010 CENSUS</b>				
<b>TOTAL POPULATION BY AGE</b>	<b>2000</b>		<b>2010</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Under 5 Years	1,790	3.3%	1,834	3.2%
5 to 9 Years	2,036	3.8%	1,830	3.2%
10 to 14 Years	1,991	3.7%	1,846	3.2%
15 to 19 Years	8,878	16.4%	9,017	15.8%
20 to 24 Years	14,271	26.4%	14,829	26.1%
25 to 34 Years	7,558	14.0%	8,298	14.6%
35 to 44 Years	5,131	9.5%	4,585	8.1%
45 to 54 Years	4,877	9.0%	4,742	8.3%
55 to 64 Years	2,631	4.9%	4,702	8.3%
65 to 74 Years	2,199	4.1%	2,394	4.2%
75 to 84 Years	1,803	3.3%	1,727	3.0%
85 Years and Over	859	1.6%	1,121	2.0%
<b>Total</b>	54,024	100.0%	56,924	100.0%
<b>Median Age</b>	31.9		24.7	
Sources: Danter Company, LLC 2000 Census, 2010 Census Esri, Incorporated				

<b>DISTRIBUTION OF POPULATION BY AGE ITHACA, NEW YORK EFFECTIVE MARKET AREA 2016 (ESTIMATED), AND 2021 (PROJECTED)</b>				
<b>TOTAL POPULATION BY AGE</b>	<b>2016 (ESTIMATED)</b>		<b>2021 (PROJECTED)</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Under 5 Years	1,781	3.0%	1,878	3.1%
5 to 9 Years	1,737	2.9%	1,700	2.8%
10 to 14 Years	1,806	3.0%	1,687	2.8%
15 to 19 Years	9,177	15.5%	9,140	15.0%
20 to 24 Years	15,664	26.5%	15,628	25.6%
25 to 34 Years	8,514	14.4%	9,510	15.6%
35 to 44 Years	4,678	7.9%	4,957	8.1%
45 to 54 Years	4,514	7.6%	4,240	7.0%
55 to 64 Years	5,106	8.6%	5,032	8.2%
65 to 74 Years	3,236	5.5%	3,945	6.5%
75 to 84 Years	1,815	3.1%	2,099	3.4%
85 Years and Over	1,191	2.0%	1,188	1.9%
<b>Total</b>	59,217	100.0%	61,005	100.0%
<b>Median Age</b>	24.8		25.4	
Sources: Danter Company, LLC Esri, Incorporated				

The following table illustrates the households by age in the EMA in 2000, 2016 (estimated), and 2021 (projected):

<b>HOUSEHOLDS BY AGE ITHACA, NEW YORK EFFECTIVE MARKET AREA 2000 CENSUS, 2016 (ESTIMATED), AND 2021 (PROJECTED)</b>						
<b>HOUSEHOLD AGE</b>	<b>2000</b>		<b>2016 (ESTIMATED)</b>		<b>2021 (PROJECTED)</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Under 25 Years	4,553	23.2%	4,283	20.0%	4,216	19.1%
25 to 34 Years	4,298	21.9%	4,741	22.2%	5,213	23.6%
35 to 44 Years	3,081	15.7%	2,556	12.0%	2,665	12.1%
45 to 54 Years	2,944	15.0%	2,634	12.3%	2,428	11.0%
55 to 64 Years	1,491	7.6%	3,152	14.7%	3,036	13.7%
65 to 74 Years	1,393	7.1%	2,008	9.4%	2,397	10.8%
75 and Older	1,864	9.5%	2,016	9.4%	2,145	9.7%
<b>Total</b>	19,624	100.0%	21,389	100.0%	22,101	100.0%
Sources: Danter Company, LLC 2000 Census Esri, Incorporated						



The following table illustrates the distribution of income among all households in the EMA in 2000, 2016 (estimated), and 2021 (projected). Again, it is worth remembering that income data were not collected for the 2010 Census.

<b>DISTRIBUTION OF INCOME ITHACA, NEW YORK EFFECTIVE MARKET AREA 2000 CENSUS, 2016 (ESTIMATED), AND 2021 (PROJECTED)</b>						
<b>HOUSEHOLD INCOME</b>	<b>2000</b>		<b>2016 (ESTIMATED)</b>		<b>2021 (PROJECTED)</b>	
	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>	<b>NUMBER</b>	<b>PERCENT</b>
Less than \$15,000	5,259	26.8%	4,807	22.5%	5,070	22.9%
\$15,000 to \$24,999	2,845	14.5%	1,996	9.3%	1,787	8.1%
\$25,000 to \$34,999	2,178	11.1%	2,167	10.1%	3,127	14.1%
\$35,000 to \$49,999	2,571	13.1%	2,467	11.5%	1,532	6.9%
\$50,000 to \$74,999	2,845	14.5%	3,054	14.3%	2,632	11.9%
\$75,000 to \$99,999	1,334	6.8%	2,006	9.4%	2,197	9.9%
\$100,000 to \$149,999	1,531	7.8%	2,418	11.3%	2,822	12.8%
\$150,000 to \$199,999	451	2.3%	1,333	6.2%	1,631	7.4%
\$200,000 or More	569	2.9%	1,140	5.3%	1,304	5.9%
<b>Total</b>	<b>19,624</b>	<b>100.0%</b>	<b>21,389</b>	<b>100.0%</b>	<b>22,101</b>	<b>100.0%</b>
<b>Median Income</b>	<b>\$32,748</b>		<b>\$44,525</b>		<b>\$44,638</b>	

The following tables illustrate the distribution of income by age in 2000, 2016 (estimated), and 2021 (projected), the most recent available:

<b>DISTRIBUTION OF INCOME BY AGE ITHACA, NEW YORK EFFECTIVE MARKET AREA 2000 CENSUS</b>							
<b>2000 HOUSEHOLD INCOME</b>	<b>AGE GROUP</b>						
	<b>UNDER 25</b>	<b>25-34</b>	<b>35-44</b>	<b>45-54</b>	<b>55-64</b>	<b>65-74</b>	<b>75+</b>
Less than \$10,000	2,094	679	166	183	88	160	203
\$10,000-\$14,999	669	340	142	100	51	102	291
\$15,000-\$24,999	760	911	364	212	115	247	246
\$25,000-\$34,999	360	735	311	306	106	109	254
\$35,000-\$49,999	346	696	428	391	277	173	255
\$50,000-\$74,999	237	559	804	645	233	201	158
\$75,000-\$99,999	18	185	348	347	182	106	155
\$100,000-\$149,999	36	129	320	389	300	156	216
\$150,000-\$199,999	18	43	74	156	48	70	47
\$200,000 or More	18	21	114	215	94	71	35
<b>Total</b>	<b>4,553</b>	<b>4,298</b>	<b>3,081</b>	<b>2,944</b>	<b>1,491</b>	<b>1,393</b>	<b>1,864</b>



**DISTRIBUTION OF INCOME BY AGE  
ITHACA, NEW YORK  
EFFECTIVE MARKET AREA  
2016 ESTIMATED**

2016 HOUSEHOLD INCOME	AGE GROUP						
	UNDER 25	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	1,995	1,050	317	293	456	255	442
\$15,000-\$24,999	566	440	174	135	189	184	308
\$25,000-\$34,999	522	548	230	180	207	204	276
\$35,000-\$49,999	429	612	298	243	318	274	293
\$50,000-\$74,999	340	708	429	440	514	348	276
\$75,000-\$99,999	176	421	305	354	440	184	126
\$100,000-\$149,999	159	489	371	451	544	254	150
\$150,000-\$199,999	58	301	223	272	222	172	86
\$200,000 or More	37	172	209	268	262	132	59
<b>Total</b>	4,283	4,741	2,556	2,634	3,152	2,008	2,016
<b>Median Income</b>	\$16,887	\$42,002	\$62,843	\$76,446	\$68,143	\$54,554	\$34,148
<b>Average Income</b>	\$32,337	\$65,646	\$92,258	\$104,424	\$93,454	\$84,087	\$56,183

**DISTRIBUTION OF INCOME BY AGE  
ITHACA, NEW YORK  
EFFECTIVE MARKET AREA  
2021 PROJECTED**

2021 HOUSEHOLD INCOME	AGE GROUP						
	UNDER 25	25-34	35-44	45-54	55-64	65-74	75+
Less than \$15,000	2,014	1,196	344	278	433	328	478
\$15,000-\$24,999	475	407	151	92	159	191	312
\$25,000-\$34,999	767	829	316	215	268	335	397
\$35,000-\$49,999	254	422	177	129	179	195	175
\$50,000-\$74,999	255	648	381	332	410	350	257
\$75,000-\$99,999	177	493	339	344	458	242	144
\$100,000-\$149,999	170	614	443	463	595	346	191
\$150,000-\$199,999	68	395	272	295	249	238	114
\$200,000 or More	36	211	242	281	285	173	76
<b>Total</b>	4,216	5,213	2,665	2,428	3,036	2,397	2,145
<b>Median Income</b>	\$16,441	\$40,311	\$71,793	\$85,471	\$77,870	\$58,624	\$31,353
<b>Average Income</b>	\$32,668	\$70,856	\$100,571	\$114,803	\$102,536	\$90,701	\$61,505