

SUMMARY OF INTERVIEWS
REAL ESTATE PROFESSIONALS,
PLANNERS, PUBLIC OFFICIALS AND
MAJOR EMPLOYERS
TOMPKINS COUNTY, NEW YORK
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I. INTRODUCTION

As part of the assignment to develop a Housing Demand Model for Tompkins County, interviews were conducted with major employers and real estate professionals, either in Tompkins County, or doing business within the county.

Interviews included the following:

- Real estate developers
- Property owners
- Property managers
- Lenders
- Major employers
- Architects/planners
- Public sector officials impacting development in Tompkins County

Interviews were generally informal and in a discussion format. Interviews with property owners and managers were often within the context of gathering data for the various field surveys of apartments, condominiums or single-family properties.

Respondents, when appropriate, were informed that their individual comments would be kept confidential and that opinions would only be conveyed as aggregate opinions or as general comments.

It is important to note that the following opinions may or may not be accurate, but simply the perceptions of those being interviewed.

II. MAJOR EMPLOYERS

Major employers unanimously expressed frustration with the high cost of residential real estate in Tompkins County and the impact on attracting and retaining employees. Further, the high percentage of in-commuters (some sources indicating fully one-third of employees originating from outside Tompkins County) and their impact during inclement weather is a significant issue.

Property tax rates are viewed as extremely high, not only impacting operating cost, but also viewed as a contributing factor in attracting new employees or enticing existing employees to move nearer to their place of employment.

One employer indicated their interest in diversifying some operations into a surrounding county in order to have better access to the work force.

III. REAL ESTATE PROFESSIONALS

During the course of this project, The Danter Company representatives had the opportunity to discuss real estate trends and issues with many professionals impacting residential development in Tompkins County.

Clearly, existing rental property owners are pleased with the rent levels in the area. While some of the recently opened properties are not renting up at the rate of earlier properties, most view this as a short term situation. Most believe that there are considerable barriers to entry (discussed later) that will inhibit future competition and maintain currently high rents. Further, most believe that initiatives to encourage more affordable housing will not meet with much success. To quote one property owner, "They've been talking about affordable housing for 10 years now, and there has been no progress and with the NIMBY mentality here it is not likely to happen in the future."

It should be noted that there is some difference of opinion between owners of larger properties and small property owners. The latter state that they are already feeling the impact of new rental development with higher vacancies and increased time on the market when releasing vacant units. This group is also concerned that rents for the smaller properties may decrease in the future. (Some say this is already occurring.) This would be especially troubling for some property owners that may have refinanced at a higher mortgage as their rents have increased. This possibility has also been recognized by the involved lenders, as well.

The general opinion among larger property owners is that there are too many smaller properties in the market at rents that are too high. They pointed out that with a small rent gap between small properties and fully-amenitized, larger properties, residents are quick to see the value in moving up.

During interviews with the development community there were several universal observations:

- Because of the high cost of housing in Tompkins County, land prices have escalated to a point that many developers believe will not support further development. However, since there is no shortage of potential buyers exploring the possibility of development, land owners have been reluctant to reduce prices. This is further impacted by "arbitrary" building restrictions that inhibit the potential to fully maximize the capacity of a potential site. As one developer stated, "If I'm restricted to building only 75% of the capacity of a site, the already high land cost is increased by an additional 33.3% per unit."
- The long and often contentious entitlement process has, in addition to adding to the land acquisition price, driven some developers from the market. One out-of-town developer, after reading the accounts of a recent entitlement battle, decided not to enter the market.

- It is a commonly held belief that the high taxes in Tompkins County preclude the possibility of developing affordable or work force housing without public sector incentives.
- It was perceived (correctly or incorrectly) in several interviews that taxes were high in Tompkins County in part because Cornell University and Tompkins County are the largest land owners, and that much of their property is tax exempt.
- Increasing construction costs and a higher cost of labor in Tompkins County place an additional burden on the developer.
- There is a belief that there is a shortage of buildable land available for development in Tompkins County, and that most has been acquired by Cornell University for their expansion plans.
- A single-family builder expressed concern that there are too few large, buildable parcels for single-family development meeting the expectations of today's buyers, especially within a convenient commute to major employment centers. Single-family developments creating identifiable neighborhoods with "signature" entries, boulevard streets and common area open space have not been widely developed in the area. The result has been that much of the single-family development has been on scattered sites and roadside "veneer" lots.
- There have been several condominium developers interested in the market. However, high land costs and increased building costs have slowed the development process. Developers further recognized that lenders have initiated higher equity requirements from developers and potential buyers. Further, lenders now have a significant presale requirement. Developers we interviewed are considering larger buildings which require a larger number of presales (as opposed to builders on four- to six-unit buildings that require fewer presales to satisfy loan requirements). Developers have stated that they perceive considerable buyer interest in condominiums but are concerned that the development costs may result in a price/value gap that is unattractive to buyers.

Analyst Note: A useful exercise would be to elicit the cooperation of a developer of a recent property and review their actual costs for development, as well as, operating costs. The objective would be to quantify all of the perceived issues to establish the actual impact on rents or purchase price. Ideally, the participating developer would have experience in other markets in order to make a valid comparison.

IV. PUBLIC OFFICIALS

Town supervisors, planners and other public officials were interviewed regarding their perceptions of the residential real estate market, as well as solutions, problems and major issues.

- Most acknowledged that community officials in Tompkins County towns had historically been anti-development. However, attitudes among community leaders were changing and planning initiatives were either under way or being considered. There remains a concern that the attitudes of residents remain unchanged and that any significant residential development will be met with opposition.
- There is a near universal belief that Tompkins County taxes are a major issue in attracting new employees to the area.
- Utility expansion is a major issue and a concern within most emerging master plans. Most new single-family development is on private wells and septic tanks. It is a widely held opinion that resident opposition to utility expansion is a major deterrent to economic development. There is a concern that Tompkins County will become even more economically “one dimensional.”
- There is a concern that many landlords of smaller properties will not accept Section 8 residents, primarily because higher rents can be achieved from students and the general public. Some agencies are hoping that if increased multifamily development occurs, the rent for scattered-site rentals will decline and owners will be more accepting of Section 8 residents.
- Agencies acknowledged the benefits of LIHTC development but also stated that the competition for tax credits was extremely high and a meaningful number of units were unlikely to be achieved.