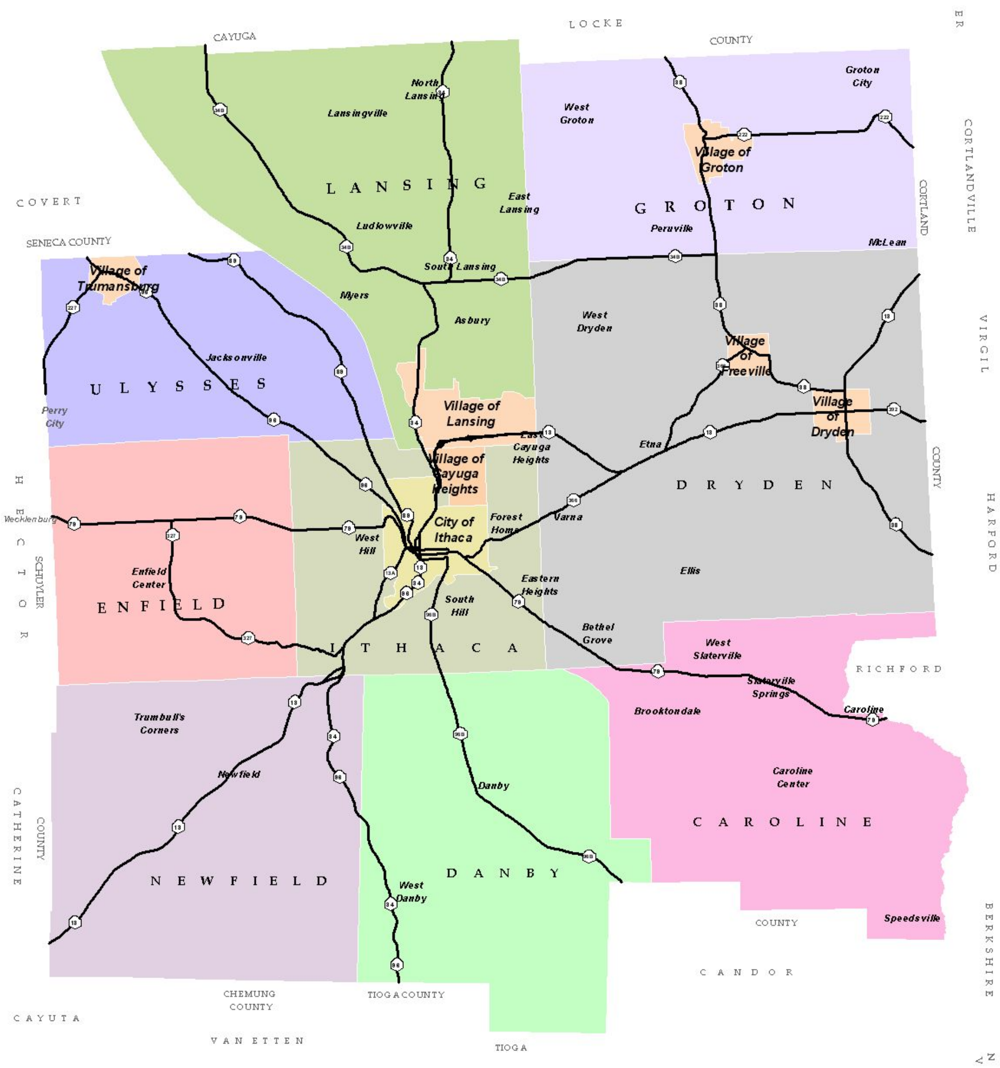
Affordable Housing Needs Assessment

Prepared for

Tompkins County Planning Department

August 1, 2006



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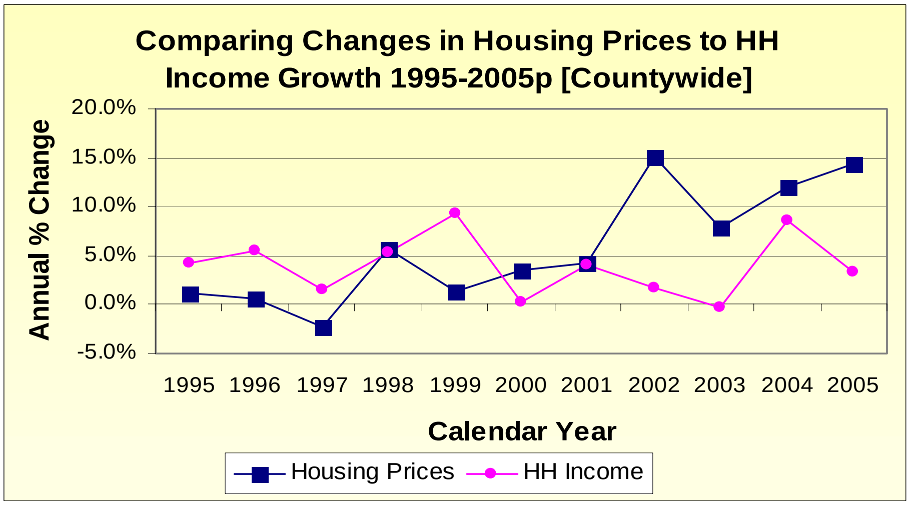
Introduction

Tompkins County is currently experiencing housing availability and affordability problems for some population groups and household income categories. This is true even though the country has come through a very housing friendly period marked by the lowest mortgage interest rates in more than 40 years. In addition, for the first time since World War II, a national economic recession did not put the housing sector through a period of decline. The county's housing affordability situation has been impacted by a number of local issues, as is so often the case with housing markets. High levels of competition for renter units, at least in part due to the presence of the county's university and college, have resulted in low vacancy rates and rising rents. Students are attractive to owners of rental property because the sum of multiple student payments toward rent exceeds the fair market rent a family or most working individuals can pay. This has been particularly true for the urban portion of the county[1] where most of the county's renter households live.



Strong demand for owner housing in response to the extended period of exceptionally low mortgage interest rates has in recent times outstripped the ability of developers to add units to the inventory, forcing up single family home prices much faster than household income. This has created an imbalance between household income growth and home prices, which, as of this writing at the beginning of calendar year 2006, has not yet begun to abate in any significant way.

In 1999, Census data indicated that 40% of households in Tompkins County spent more than one-third of their income on housing and 20% spent more than half of their income on housing. Cost burden was more acute for renters than homeowners, many of whom are not students. Among non-student renters, nearly 30% spent more than half of their income on rent. Families at the lowest end of the income spectrum had the greatest difficulty affording housing. Approximately 80% of the 6,086 families earning below 30% of median family income spent more than one third of their income on housing and 68% spent more than half of their income on housing. For the 4,682 families between 30% and 50% of median family income, 70% spent more than one third of their income on housing and 28% spent more than half their income on housing.

[1] Defined as the City of Ithaca, the Town of Ithaca, and the Village of Lansing.

The costs of home ownership have risen significantly over the last six to seven years, with the median sales price of a single family home in the county rising over 50% since 1998. The median price of a single family home in the county rose from $92,000 in 1998 to $140,000 in 2004 (or 7.2% per year). A median priced $140,000 single family home in the county required nearly $55,000 in household income (between all earners in the household) just to keep housing costs from being a burden on the household. By this definition, many of the county's households, residents and their families have been and are currently experiencing housing cost stress, and many more would be if not for the fact that more than one member of the household was working in 2004. Renters, likewise, are also finding it difficult to find decent housing that does not claim a disproportionately high percentage of their household income. In 2004, renter households needed household income of roughly $28,000 (again, among all earners in the household) to afford the estimated median cash rent of $646 in the county without being overly burdened with housing costs.

The economic and housing market factors are further exacerbated in the county by the presence of community resistance to higher density housing development. This resistance is often tied to perceptions, both correct and incorrect, about the associated municipal cost increases and negative impacts on property values in neighborhoods where such lower cost, higher density housing development is planned and constructed.

This affordable housing needs assessment will examine the facts behind this situation in detail, establish and quantify the need for housing over the next ten years and make recommendations for action by government, non-profits and the private sector to meet the need.

Assessing Housing Affordability

The affordability analysis presented in this study is based on U.S. Department of Housing and Urban Development (HUD) guidelines. Owner occupied housing is affordable if not more than 30% of a household's gross income is spent on a mortgage payment, utilities, taxes, and insurance. For renter units, the HUD standard is that no more than 30% of a renter household's income should be spent on rent and utilities (including fuel for heat, hot water and cooking, electricity for lights, water and waste water charges, and trash removal). Tables 1 and 2 show the detail of these key housing expenditure categories for owners and renters, respectively. College student households were eliminated from these tables because their low personal incomes coupled with the ability to pay high rents tend to skew the findings. Tables including all households, however, are included in the technical appendix.

Table 1 presents an estimate of the affordable housing price by household income category and the level of housing affordability for owner housing units in the county in 2004. For households at 120% of the median household income and above, there is no housing price affordability shortfall indicated. For households at or below 100% of the median household income, a median priced single family home in the county was priced well beyond their capacity to afford it. In 2004, only 392 (or less than one-half) of the 916 single family home sales in the county were affordable to households at the county median household income.

Table 1: County-Wide Estimated Affordable Home Price/2004 Profile of Affordable Home Sales

(Excluding Student Households) Percent of Median	A 50%	B 80%	C 100%	D 120%
Annual Household Income	$25,344	$40,550	$50,688	$60,825
Monthly Household Income	$2,112	$3,379	$4,224	$5,069
% of Income for Mortgage, Property Tax, Insurance, and Utility Payments	30%	30%	30%	30%
Affordable Mortgage, Property Tax, Insurance, and Utility Payments/Month	$634	$1,014	$1,267	$1,521
Affordable Home Price (2004)	$58,482	$99,905	$127,959	$156,132
Median Price Home (2004)	$140,000	$140,000	$140,000	$140,000
Affordable Price-Difference from Median	($81,518)	($40,095)	($12,041)	$16,132
Home Sales Priced At or Below in 2004 (916 Total SF Home Sales)	81	254	392	544
Percent of Total	8.8%	27.7%	42.8%	59.4%

For renters, Table 2 shows that households at just above 50% of median income and higher are able to afford the estimated median rent in the county as a whole. However, renter affordability pressures were evident in 2004 at the lower end of the household income spectrum. The study found that roughly 90% of the renter units in the county were affordable to households at or below 100% of the county median household income.

Table 2: County-Wide Estimated Affordable Rent/2004 Profile of Affordable Renter Units

(Excluding Student Households) Percent of Median	A 50%	B 80%	C 100%	D 120%
Annual Household Income	$25,344	$40,550	$50,688	$60,825
Monthly Household Income	$2,112	$3,379	$4,224	$5,069
% of Income for Rent and Utility Payments	30%	30%	30%	30%
Affordable Rent and Utility Payments/Month	$634	$1,014	$1,267	$1,521
Estimated 2004 Median Rent (Census Bureau "Gross Rent" Concept) (Including Utilities)	$646	$646	$646	$646
Affordable Rent-Difference from Median-Including Utilities	($12)	$368	$622	$875
Estimate of Year-Round Rental Units At or Below in 2004	6,690	14,907	16,477	17,113
Percent of the Total	36.5%	81.3%	89.9%	93.4%

Before reaching any conclusions about affordable housing in the county, other factors and a greater level of detail must be considered. Another way to look at housing affordability is to examine the county's job base and develop an understanding of how well wage levels relate to the household income required to: (1) afford to purchase a median priced home, or (2) afford to pay the average rent for a rental unit in the county.

Relating Affordability to Household Wages in 2004

Table 3 brings the household earnings/income side of the affordability equation into this analysis by calculating the level of household earnings that is needed to afford an average priced home in the county and the county's urban and rural

areas, without spending more than 30% of household income on housing. Because the household is the fundamental unit of the earnings side of the affordability equation, this analysis recognizes that earnings can and often do come from more than one wage earner in the household. The result of this analysis shows that in 2004, it was very difficult for a household with a single wage earner to work and afford to own a home in Tompkins County. A very small percentage of jobs have wage levels that would pay an affordable housing wage by themselves. The table shows that the typical household in the county needed a household income of $54,880 (or total household earnings equal to $26.38 per hour), on average, from all workers in the household to afford a median priced, single family home in 2004. That means that it took a total of 1.5 wage earners per household earning the county-wide average wage of $36,328 to achieve the level of household earnings needed to affordably purchase a single family home at the median price in 2004. If a household had to depend on only a single wage earner in 2004 to affordably purchase a home, only 4 (or 5.2%) of the county's 76 employment sectors had an average wage that on average paid more than the county-wide housing wage in 2004.[2]

Table 3: # of Workers Per Household Needed to Afford a Median Priced Home, 2004

Community	Median Price in 2004	Hourly HH Wage to Afford	Annual HH Wage to Afford	# of Wage Earners Needed at the County Average Wage	# of Sectors w/Ave. Wage >/= the Housing Wage
	($)	($ Per Hour)	($ Per Year)		
Tompkins County	**$140,000**	**$26.38**	**$54,880**	**1.5**	**4**
Urban Area	$169,500	$34.25	$71,240	2.0	2
Rural Area	$124,000	$22.83	$47,480	1.3	10
Memo:					
Total Number of Job Sectors (County-Wide--Including Private and Public Sectors)					76

Notes:
[1] QCEW wage data for 2004 calendar year
[2] Median Price for 2004 calendar year
[3] Annual Average Wage is calculated by multiplying the Hourly Housing Wage by 2,080 hours
[4] Relative to the county-wide average wage of $36,078
Sources:
New York State Office of Real Property [SF Home Sales]
New York State Department of Labor [Quarterly Census of Employment and Wage Data for Job Sectors]
Prepared By: Economic & Policy Resources, Inc.

[2] The reader will note that there are many workers in each sector earning more and earning less than the average wage for the entire sector. The reader is cautioned there are likely many workers in the county within many sectors of the county's economy that earn enough in wages to afford a median priced home. The county lacks occupational wage data that would ordinarily allow for such cross-sector analyses that are more typical in housing assessment studies. This approach was used—albeit imperfectly—as a substitute to that more typical occupational wage-earnings approach.

For the urban region of the county, the table indicates that the combined wage of $34.25 per hour means that the typical household needed $71,240 in household income to afford a $169,500 median priced home. That indicates that it would take 2.0 wage earners per household earning at the county average wage level in order to reach that level of household income. If the urban area household is relying on only one wage earner, only 2 job sectors (or 2.6% of the total) paid enough on average to support the purchase of a median price home in the county's urban area. For the county's rural area, the benchmarks are slightly better with a total of 1.3 wage earners per household and 10 of the county's 76 job sectors paying enough on average for a single wage earner household to afford a median priced home.

The results of a similar analysis approach for renter affordability is presented in Table 4 (below) for the county as a whole, for the urban area, and for the rural region. The table shows that the typical household in the county needed $28,022 in household income from all workers in the household to afford a rental unit at the county median rent level (including utilities). That equates to just under 1 worker per household earning at the $36,078 average wage level for the county in 2004. Just over ½ of the county's private sector and public sector job sectors (or 41 of 76 total sectors) paid at the county average. The number of wage earners per household needed to afford the median rent in the county's urban and rural regions in 2004 were similar, with 0.8 and 0.7 wage earners per household needed to afford a renter unit at the median rent level in the county's urban and rural areas, respectively. The average wage paid in just under ½ of the county's public sector and private sector job categories in 2004 was high enough for a single wage earner household to afford the median rent in the county's urban area. Just over ½ of the county's public and private sector job categories paid on average enough to enable a single wage earner household in the county's rural area to afford the median rent in the county's rural area without exceeding the 30% of household income housing cost ceiling indicating housing cost stress.

Table 4: Household Earnings Multiple Needed to Afford a Median Rent Apartment, 2004

Community	Median Rent in 2004	Hourly HH Wage to Afford	Annual HH Wage to Afford	# of Wage Earners Needed at the County Average Wage	# of Sectors w/Ave. Wage >/= the Housing Wage
Tompkins County	**$646**	**$13.47**	**$28,022**	**0.8**	**41**
Urban Area	$671	$14.25	$29,632	0.8	37
Rural Area	$580	$12.04	$25,041	0.7	43
Memo:					
Total Number of Job Sectors (County-Wide--Including Private and Public Sectors)					76

Sources:
New York State Office of Real Property [SF Home Sales]
New York State Department of Labor [Quarterly Census of Employment and Wage Data for Job Sectors]

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Housing Market Trends

The data presented above reflect a snapshot estimate of the affordability of the existing housing stock in the county. Clearly, not all or even a substantial portion of the housing stock in a community is on the market at any given point in time. To more accurately portray housing affordability in the county, housing market sales trends were analyzed over a number of years, using New York Office of Real Property data for the 1993 through 2005 (through July) period.

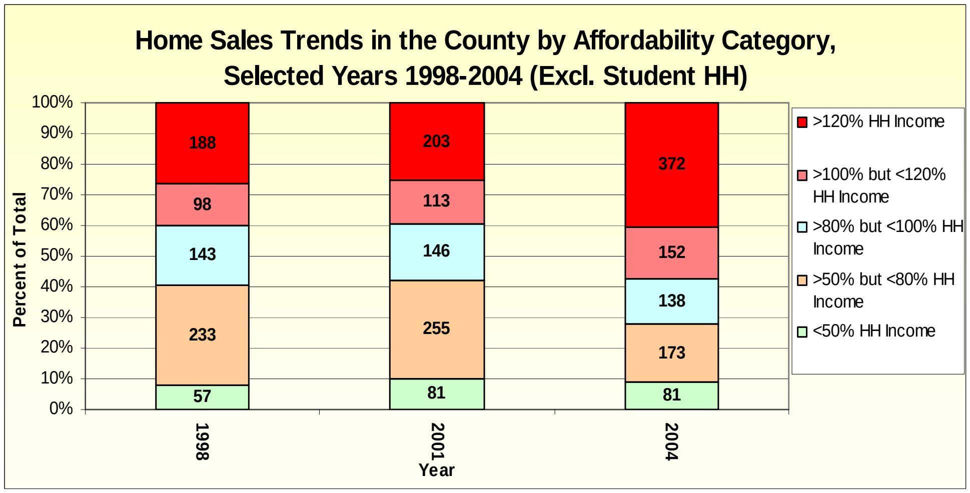
The median single family home sales price rose from $92,000 in 1998 to $140,000 in 2004; an increase of 52.2%, or 7.2% per year (see Table 5). In the urban area, single family median home sales prices rose at about the same pace as the county as a whole, increasing 54.1% or by 7.5% per year. However, median sales prices in the urban area were slightly higher than the county as a whole, increasing from $110,000 in 1998 to $169,500 in 2004. In the county's rural region, prices rose from a relatively low level of $85,000 in 1998 to a median of $124,000 in 2004, increasing 45.9% or by 6.5% per year. Overall, the county's single family home sales prices have out-paced the annual rate of household income growth experienced in the county.

Table 5: Comparing Housing Price Change to Household Income Growth [1]

Community	Median Price 2004	Annual Percent Change	Median Household Income	Annual Percent Change
2005 (Estimated)	$162,250	14.5%	$44,338	3.4%
2004	$140,000	12.0%	$42,899	8.6%
2003	$125,000	7.9%	$39,497	-0.2%
2002	$115,900	15.2%	$39,583	1.7%
2001	$100,647	4.3%	$38,917	4.1%
2000	$96,500	3.5%	$37,390	0.3%
1999	$93,250	1.4%	$37,272	9.3%
1998	$92,000	5.7%	$34,107	5.4%
Average Annual Change (1998-2004)		7.2%		3.9%

Notes:
[1] Includes arms length sales of single family homes, condominiums, and mobile homes
Basic Data Source: New York State Office of Real Property
Source of the 2005 Estimate: Economic & Policy Resources, Inc.
Prepared By: Economic & Policy Resources, Inc.

In fact, home price increases have exceeded household income growth by more than 20 percent over the past ten years, and are forecasted to continue to do so in 2005 and 2006. This affordability erosion has included a shift in the nature of single family home sales from the middle range for a single family home back in 1998 to the upper end of the price spectrum across the county in 2004. Real estate market activity that once was for the most part affordable to homebuyers near the county's median household income level in 1998 has been replaced by sales activity in the county that is affordable only to those at or above 120% of the county's median household income level. Excluding college student households from the affordability analysis results in less than half (or 42.8%) of the single family home sales transactions being affordable at the 100% of median household income level. At the 80% of the county median household income level and below, the percentage of single family home sales that are affordable falls to less than one in three sales (or 27.7%) in 2004.



The county's rural areas have experienced the sharpest decline in affordability since 2001. Nearly three quarters (or 74.8%) of single family home sales were affordable to households at or below 100% of the median household income in 2001. By 2004, just over half (or 55.1%) of the single family home sales transactions were affordable to households at 100% of the median household income or less. The percentage of home sales affordable to households in the urban region at 100% of median income or below fell from 40.6% of sales in 2001 to just 26.4% in 2004.

Less than five of every ten renter units (or 45.2%) in the county were affordable (including estimated cash rent payments and utility expenses) to households at or below the 50% of the median household income in 2004. For households at or below 80% of the median household income, the percentage increased to 87.5%. For households at 100% of the median household income level, this analysis estimated that just over nine of every ten renter units (or 93.4%) were affordable in 2004.

Renter affordability in the urban area overall, across all household income categories, remains well below that in the rural region. A total of 40.2% (or only 4 of every 10) of the total number of renter units in the urban region were estimated to be affordable to households at or below 50% of the median household income, a level fully 20 percentage points below the 60.6% of the total in the rural region of the county. At the 100% of median household income level and below, the percentage of renter units that are affordable in the urban region remains over 7½ percentage points lower, at 90.0% of the total units versus 97.6% of the number of renter units in the rural region.

The Population Forecast, 2005-14

Projected regional population growth and the changing characteristics of both the existing resident population and new population growth will be important determinants of housing demand. The county is expected to add a total of 5,600 net new residents over the next 10 years at an average annual population growth rate of 0.6%. According to these projections, the age group making the largest contribution to the county's overall population growth is the 45-64 years age category. The second greatest increase is in the 65 and older age group.

However, the formation of new households and the composition of existing households, rather than population growth alone, is the major determinant of housing demand. The county is projected to see growth of just over 2,800 total new households between 2005 and 2014, representing an increase of 0.8% per year. Not surprisingly, these projections follow the same age profile as the overall population projections with the older age categories providing the greatest household growth.

Current Housing Units Needed in 2005

There were an estimated 20,804 owner units (both occupied and vacant) and 18,592 renter units in the county as of December 31, 2005. At the end of 2005 there was a shortage of units (meaning an excess of demand over available supply) estimated to be just under 325 owner units and 550 renter units. Table 6 presents an estimate of the current 2005 excess of demand over available supply by tenure and affordability category. Assuming this estimate of unmet demand in 2005 is distributed among households similar to total demand, this implies a current need for at least 96 units of owner housing that is affordable to households at or below 50% of the county median household income. The table also shows a current need for 235 renter units affordable to households at or below 50% of the median household income.

Table 6: Estimate of Current Housing Units Needed

	2005 Estimate of Housing Units Needed	# of Units Needed At or Below 50% of Median Income	# of Units Needed At or Below 80% of Median Income	# of Units Needed At or Below 100% of Median Income	# of Units Needed At or Below 120% of Median Income	# of Units Affordable Above 120% of Median Income
		[Cummulative]	[Cummulative]	[Cummulative]	[Cummulative]	[>120% Category Only]
Total Housing Units	**871**	**331**	**470**	**539**	**606**	**266**
Percent of Total	**100.0%**	**38.0%**	**54.0%**	**61.9%**	**69.5%**	**30.5%**
Tenure Class:						
Owner	324	96	141	157	177	147
Percent of Total	100.0%	29.7%	43.4%	48.4%	54.7%	45.3%
Affordable Price ($2005) [1]		$58,500	$99,900	$128,000	$156,100	
Renter	547	235	329	382	428	119
Percent of Total	100.0%	43.0%	60.2%	69.9%	78.3%	21.7%
Affordable Rent ($2005) [2]		$575	$950	$1,200	$1,450	

Notes:
[1] Rounded to nearest $100; Assumes CPI inflation at +3.2% 2004-05.
[2] Rounded to nearest $25; Assumes CPI inflation at +3.2% 2004-05; Excluding utilities.

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Forecasted Housing Units Needed (2006 to 2014)

Housing unit demand is expected to increase by just over 3,000 units between 2006 and 2014, or approximately 300 units per year (see Table 7) excluding changes—both increases and declines—in student demand. This rate of increase is slightly less than the roughly 368 units per year rate of increase that occurred during the 2000-2005 period. The largest increase in the number of housing units demanded is forecasted to be1,580 renter units, or 158 units per year. Although the owner category is not expected to add units at the same pace as the last five years, the forecasted need of 1,442 units or 144 per year is reflective of a continuing favorable homeownership climate for at least the initial part of the forecast period.

Table 7: Estimate of 2006-14 Demand by Tenure and Affordability Cateogry (Excludes Changes in Student Demand)

	Estimated 2006-14 Housing Demand	Affordable At of Below 50% of Median Income	Affordable At of Below 80% of Median Income	Affordable At of Below 100% of Median Income	Affordable At of Below 120% of Median Income	Affordable Above 120% of Median Income [1]
		[Cummulative]	[Cummulative]	[Cummulative]	[Cummulative]	[>120% Category Only]
Total Housing Units	**3,023**	**1,131**	**1,644**	**2,017**	**2,325**	**697**
Percent of Total	**100.0%**	**37.4%**	**54.4%**	**66.7%**	**76.9%**	**23.1%**
Tenure Class:						
Owner	1,442	388	657	852	1,019	424
Percent of Total	100.0%	26.9%	45.5%	59.0%	70.6%	29.4%
2014 Affordable Price [2]		$61,600	$105,200	$134,700	$164,400	>$164,400
Renter	1,580	744	987	1,166	1,307	274
Percent of Total	100.0%	47.1%	62.5%	73.8%	82.7%	17.3%
2014 Affordable Rent [3]		$625	$975	$1,225	$1,475	>$1,475

Note:
[1] Total may not add due to rounding.
[2] In $2005, Rounded to nearest $100; Assumes CPI inflation at +3.2% per year through 2014.
[3] In $2005, Rounded to nearest $25; Assumes CPI inflation at +3.2% per year through 2014; Excluding utilities.

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Among owner units, the largest rates of increase in demand will be for households aged 45 and above. For this age group, unit demand is expected to increase by just over 2,000 total owner units, but some of this demand will be offset by the decline in demand of households aged 25 to 44. The significant numbers for his study are the 1,442 new units needed and the nearly absolute focus of demand on the 55 years and up age categories. While the vast majority of these owner households may stay in their current dwellings over the 10 year forecast period, increasing numbers will demand specialized or at least downsized housing. This must be planned for in the 10 year forecast period covered by this analysis. Among renters, the county is expected to experience an increase in demand of roughly 1,580 renter units per year over the 2006-2014 timeframe. The largest increase in demand is expected at both ends of the age spectrum.

Of the 1,442 total new unit demand forecasted for owners, 1,003 units need to be affordable for households at 120% of median income or below. Of those, 849 must be affordable for households at 100% of median income or below. Of those, 661 must be affordable for households at 80% of median income or below. And finally, 392 of those new units needed over the next 10 years should be affordable to households at or below 50% of median household income.

For renters, of the 1,580 total new units, 415 will be for households above 100% of median income. The remaining 1,165 will be needed for households with income at 100% of the median or below. Of those, 987 will be needed by households at 80% of median income or below. And finally, 744 (or nearly ½ the new rental units) will be in demand by households at 50% or less of the median household income.

Total Housing Units Needed in 2014

Table 8 highlights the estimated total housing units needed in the county in 2014 excluding changes—both increases and declines—in student demand. This estimate includes both the current unmet 2005 housing unit need and the forecasted level of demand growth between 2005 and 2014. These projections are a baseline and do not reflect the addition of owner and renter units by private developers, government or non-profits over the next ten years. What is clear from the recent past, however, is that the present and future need for owner and renter housing affordable to households with incomes at 100% of median or below and especially at 50% and below will not be met if left entirely to the marketplace.

Nearly 67% (or 2,556) of the 3,894 units projected will need to be affordable to households at 100% of household median income and below. Of these, 1,463 housing units need to be affordable to households at 50% of the median household income level or below. The breakdown of units by tenure for households at 50% of the median income and below is 484 owner units and 979 renter units.

Table 8: Estimate of Total Housing Unit Need Through 2014 (Excludes Changes in Student Demand)

	Estimate of Total Housing Unit Need	# of Units Needed At or Below 50% of Median Income	# of Units Needed At or Below 80% of Median Income	# of Units Needed At or Below 100% of Median Income	# of Units Needed At or Below 120% of Median Income	# of Units Affordable Above 120% of Median Income
		[Cummulative]	[Cummulative]	[Cummulative]	[Cummulative]	[>120% Category Only]
Total Housing Units	**3,894**	**1,463**	**2,114**	**2,556**	**2,931**	**963**
Percent of Total	**100.0%**	**37.6%**	**54.3%**	**65.7%**	**75.3%**	**24.7%**
Tenure Class:						
Owner	1,767	484	798	1,009	1,196	571
Percent of Total	100.0%	27.4%	45.2%	57.1%	67.7%	32.3%
2014 Affordable Price [2]		$61,600	$105,200	$134,700	$164,400	>$164,400
Renter	2,127	979	1,316	1,548	1,735	392
Percent of Total	100.0%	46.0%	61.9%	72.8%	81.5%	18.5%
2014 Affordable Rent [3]		$625	$975	$1,225	$1,475	>$1,475

Notes:
[1] The changes in student demand referred to above include both potential increases and declines.
[2] In $2005, Rounded to nearest $100; Assumes CPI inflation at +3.2% per year through 2014.
[3] In $2005, Rounded to nearest $25; Assumes CPI inflation at +3.2% per year through 2014; Excluding utilities.

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Impact of In-Commuters

The estimates of current and future housing unit needs in the county reflect a combination of the likely future economic climate, and the underlying demographic and housing market trends in the county. This means that the projected needs include the assumption there will be no major economic, demographic or housing market discontinuity that would positively or negatively impact future housing demand. One of the more significant housing market dynamics evident in the county is the significant number of the county's job holders that live outside of the county. As of the 2000 Census nearly 14,000 individuals commuted from outside Tompkins County to work. This number increased 21% from 1990 to 2000. For one major employer in the county (Cornell University), slightly more than one half responding to a recent survey indicated that they are living outside the county because housing prices are less expensive.[3] This number was over 60% for a 2005 survey of commuters to downtown Ithaca.

It therefore should be mentioned that if the county were to effectively address the housing price-cost issue the potential exists to capture some portion of the housing demand for this in-commuting population. Based on the profile of respondents to the Cornell survey and the indicated preferences from both surveys, it is likely the majority of additional units demanded would be owner units, and many would be oriented toward the upper end of the household income spectrum.[4] Overall, this would likely boost prospective county-wide owner housing unit needs, potentially by a significant amount, and could provide an additional market demand segment for developers of new housing products in Tompkins County.

Housing Strengths, Weaknesses, Opportunities and Threats

A series of 19 targeted interviews were conducted with a mix of key stakeholders representing housing organizations, realtors, financial institutions, policy makers and developers to assess the county's housing strengths, weaknesses, opportunities, and threats (SWOT). The SWOT was used to 1) identify perceived housing issues, 2) assess the level and quality of existing housing development efforts, and 3) solicit ideas and insights to help guide the recommendations section of this report. The findings of the SWOT are summarized below:

1. Strengths
   - (a) Housing organizations are well run and respected in the county
   - (b) Housing for the elderly is adequate for the time being

[3] As documented in a 2005 Cornell University Employee Commuter Survey, "Tompkins County/Cornell Employee Commuter Survey," Cornell University Survey Research Institute (June 2005).
[4] The household income profile of survey respondents included roughly 70% at the household income level of $50,000 and up.

(c) The financial community is supportive of affordable home ownership initiatives
(d) The City of Ithaca and the Town of Ithaca municipal governments generally favor affordable housing
(e) Tompkins County has a stable employment base

2. Weaknesses
   (a) Housing costs are high and continue to rise
   (b) Builders perceive building housing in the $120,000 to $150,000 range to be unprofitable
   (c) There is a shortage of rental housing for low- and moderate-income families
   (d) Cornell and Ithaca College students drive up rental costs in the central urban core of the county
   (e) The term "Affordable Housing" generates Not in My Back Yard (NIMBY) reactions in rural towns in the county
   (f) Most employers in the county are not focused on housing needs
   (g) The small but growing non-student minority population in the county may be isolated from some available housing services by language and culture

3. Opportunities
   (a) Key resources appear to be poised for a new housing initiative
   (b) There is a market for affordably-priced homes in the county
   (c) The NIMBY problem among municipal officials in rural communities is recognized and being addressed
   (d) The key stakeholders appear to be open to a coalition to lead and execute housing developments

4. Threats
   (a) Rural versus urban land use planning conflicts remain unresolved
   (b) Reduced federal funding support
   (c) The traffic bottleneck at the foot of West Hill
   (d) The high and still rising cost of construction and building materials

Municipal Land Use Regulation

The Tompkins County Planning Department reviewed each of the municipal plans and zoning ordinances in the county, using criteria developed by Economic and Policy Resources, Inc. to evaluate the regulatory environment for barriers and incentives to affordable housing. Staff also prepared a preliminary inventory of vacant land available for new housing development.

Most of the county's municipalities identify specific goals and policies that support providing choice and affordability in housing in their comprehensive plans and other municipal plans. Zoning regulations, on the other hand, generally do not provide any mechanisms to encourage affordable housing. Less than half of the municipalities allow accessory housing units, multi-family housing, or mixed use development. Only five of the 14 municipalities that have zoning allow higher density housing in areas with existing water and sewer infrastructure. None of the municipalities provide incentives such as density bonuses for higher density housing development.

The vacant land analysis found that there is probably an abundance of vacant land available to support more housing development, particularly in the existing nodes located in the urban core and the villages. In total, the 559 vacant parcels (or 1,946 acres) identified that were zoned for residential or mixed-use development were mostly free from environmental constraints, and had access to water and sewer or the possibility that water and sewer would be available within the next five years.

The Most Important Finding of the Affordable Housing Needs Assessment

Tompkins County and its municipalities and non-profits will need to mobilize planning, development and community organization resources over the next ten years to stimulate and facilitate the siting and construction of 2,500+ units of housing that are affordable to households with incomes at 100% of the county household median income level and below. That represents 250+ units annually, added on top of the existing shortfall of supply that needs to be made up and the nearly 1,350 units needed to meet demand for households at or above 100% of the county median household income.

Recommendations

The following recommendations were developed based on the analysis in this housing needs assessment. They are designed to be practical suggestions that offer promise for helping to meet the county's housing needs over the next decade. Most have proven to be effective elsewhere where there were similar housing needs and circumstances.

Some of these recommendations may seem at first to be too challenging or too costly to undertake. They also may look very similar or only slightly different from initiatives that may have already been tried and failed in the past. Readers are urged to keep an open mind when discussing the appropriateness of these suggested recommendations. With the outstanding human resources and competent organizations already present in the county, whatever implementation action is undertaken will have an excellent chance for success.

The key to the county's future success will be in bringing all of the various stakeholders—both inside and outside of housing circles—together in agreement to forge a broad enough consensus for coordinated action. This consensus will also be important for building the required level of public support for the resources needed to fund a credible effort.

Building this consensus will be an especially challenging task in the context of today's public funding realities. Public funding for housing and other supporting infrastructure has become much more difficult in recent years, as budget pressures on non-profits, and municipal, county, and state governments have increased. In addition, federal housing dollars also have become much harder to come by.[5] As such, a request for competitive funding support in this environment will almost certainly be fighting an uphill battle to succeed.

This is why the recommendations below emphasize the need for strategic partnerships. Forging such strategic partnerships will likely be the best approach for the county to leverage what public resources are currently available and likely will be available in the near future. Several involve suggested initiatives designed to encourage increased private sector participation—particularly potential private sector developers of housing projects in the county. Others involve coordinated support and augmentation of existing efforts.

1. Undertake Market Surveys to Help Developers Meet Key Components of Future Demand

The first area of recommendations suggests that the county, in conjunction with potential developers and appropriate stakeholders, undertake an effort to complete three key market surveys to build on the estimates of future housing need in this study. Although these estimates of needed housing units by tenure category are based on the population growth dynamics and underlying demographic trends in the county, one shortcoming of these estimates is that they provide no information about the evolving nature of this increased unit demand.

The surveys recommended here would assist potential developers in gaining a greater understanding of the nature and specific sub-components of this future unit demand. Armed with this information and data, developers would be better able to design and construct housing development projects targeted to efficiently meet emerging demand. Should the county decide to proceed with three market-based surveys, the county would have a powerful arsenal of important market information about current and future housing demand that could be used to attract potential housing developers to the area.

a. Complete a Market Survey of Senior Housing Needs

The first recommended market survey is one that would identify the evolving housing needs of the county's senior citizen population. While this study estimates that the most significant increase in housing demand will occur among the aging baby boom households, more specificity is needed regarding the precise housing preferences and housing needs of this growing population

[5] This includes a 21.8% reduction in budget authority for the commerce and housing function in the federal budget for fiscal year 2006.

segment. Information and market preference data relating to issues such as: (1) the type of housing seniors want (e.g. owner and renter, condominiums, etc.), (2) the desired price or rent level of that housing, (3) the timing of when they may be looking for a certain type of housing (e.g. the likely timing of a downsizing move), and (4) the type and level of supplemental living and/or health care services they may wish to see located within or close to such housing developments, is not presently well known. This information, configured in the form of a market study, would be important additional information for developers and stakeholder groups which may seek to develop housing projects to address this growing element of housing demand. Although the most significant housing demand impacts from the county's aging population are not expected to emerge until after 2014, it is important for the county to begin planning now while it still has enough time to develop well thought-out public-private strategies to meet this demand.

The survey should be done using a probability sample of households in a specified target age group (e.g. heads of household aged 55 years and up) so that the results could be used to develop valid county-wide estimates of housing demand by each demand segment or type of housing. These county-wide estimates of demand by segment would likely be the most useful to potential developers interested in developing such housing.

The cost of undertaking and completing such a survey would be significant. Cost is typically a function of the effort required to obtain a desired number of valid, completed surveys. It is recommended that a reputable, professional market research firm be retained to undertake and complete the surveying, and to compile and report the survey's results.[6] It is estimated that such an effort would take between three to four months from start to finish, once the survey firm is given the authorization to proceed. It is further recommended that this survey be periodically updated. Updates could occur as frequently as every five years, at least until the largest portion of the aging baby boomers proceed through the so-called "young-old" years and into the more advanced age category with their changing living requirements.

b. Implement an Annual or Biannual Survey of Renter Households

A second recommended survey would involve the development of an annual, county-wide survey of renters. For a county with significant higher education institutions and the real pressures that housing the student population pose, it is surprising that a periodic survey of renters is not routinely conducted in the county. Information and data about the type of renter housing needed, the composition and structure of the household or households living in unit types, the household income level, and information about the housing costs borne by renters would assist in developing a greater understanding of the needs and challenges faced by the county's renter households.

[6] Although it is recognized that there is a possibility for a cooperative effort with another stakeholder group and/ or higher education institution.

Questions should be carefully thought out so that they can be carried forward and repeated in subsequent surveys in order to assure that survey results are comparable from year-to-year (or over whatever time period is decided). Comparability of survey results is important for observing trends and changes to those trends over time. If desired and if resources permit, the survey could also include additional questions about the housing preferences of renters and topics of special interest at the time of the survey. All of this survey information could be helpful for identifying any significant segments of unmet market demand that may offer opportunities for private developers, stakeholders, and the county's education institutions to design and develop housing to meet that demand.

As with the senior housing survey outlined above, it is recommended that the group or groups that undertake such a survey engage a reputable, professional market research firm to undertake, complete, compile, and report the results of this possible survey. Also like the survey of seniors, the survey should be conducted using a probability sample of renter households in the county. A probability sample with an appropriate number of completed surveys is crucial for the results of the survey to be applied to the renter population as a whole.

The resources required to design and implement such a survey will again be significant A cost estimate for a multi-year program should be secured from a list of reputable firms capable of conducting such an ongoing survey. The cost per survey of a multi-year program would likely be somewhat lower for succeeding surveys following the development of the survey questions and the development of the first contact list. The cost of actually conducting the survey is likely to increase over time. However, the rate of cost increase may be limited with a multiple year engagement with a reputable firm.

c. Conduct a Survey of Homeowners

This study also recommends a county wide survey of owners as the third part of this supplemental market research effort. The objectives of this survey would be to develop a better understanding of owner households' current living arrangements to identify segments of unmet owner housing need. The identification of segments of demand by price level as they relate to household income levels and level of accumulated wealth would be the likely focus of such a survey.

It is characteristic of housing markets that many households, for lifestyle and other reasons, choose to live in housing that is priced significantly below the level that they could afford if they spent up to 30% of their household income on their housing. This means that instead of spending up to 30% of their household income on housing, households may choose to spend their incomes and financial resources for other non-housing cost items such as vacations, vehicles, recreation and recreation equipment, and/or to purchase a second home.

Because a significant number of households in the county do not choose to own a home that corresponds to their highest level of affordability, many owner households may end up living in an owner housing unit that has a value that is significantly below the highest valued owner unit that they are financially able to afford.[7]

This has significant implications for the regional housing market and how it operates. It suggests that higher income households–the ones who have relatively more housing and lifestyle choices–may in fact be competing with and rationing out lower income households for many lower priced owner housing units in the county. Oftentimes this rationing out process reflects nothing more than households with rising incomes and wealth simply staying put in their current house even though they could easily afford higher priced housing. This survey would be designed to obtain information to accurately describe this dynamic.

The resources required to design and conduct such a survey would again depend on the length and complexity of the survey and level of desired accuracy. This recommended survey should also employ a probability sample so that survey results would be representative of the entire owner household population. Like the two recommended surveys above, a reputable market survey firm should be retained to design, develop, and conduct the survey, and to compile and report the survey's results.

2. Facilitate a Housing-Friendly Environment for Development

The second area of recommendations involves a series of steps which could be undertaken to assist local developers and stakeholder groups with undertaking more affordable housing development. These recommendations range from increasing the financial return from such housing developments to a number of steps that could help to make the municipal regulatory environment more "friendly" to affordable housing development in the county.

a. Encourage Use of PILOT[8] Agreements to Support Low-Income Targeted and Sub-Market Rental Housing

The SWOT analysis and various comments in the public feedback process of this study indicate that the county's complex array of property tax assessments and the high levels of those assessments can be a significant financial obstacle to the development of affordably-priced housing. PILOT agreements for low-income, sub-market-priced housing can be useful for reducing the cost of property taxes on developers/owners of a housing development. These agreements can

[7] As determined by HUD 30% of household income housing cost stress threshold guideline. Many times this occurs simply because households stay in their current unit for many years as their household income increases over time

[8] PILOT refers to "Payment In Lieu of Taxes."

replace or supplement property tax assessments, and usually are made for a prescribed period of time that allow developers/owners to charge lower prices and/or rents for housing that is developed under such an agreement.

As a first step, stakeholder groups, with the assistance of the county, could sponsor development of a model PILOT agreement or agreements, consistent with current law, for broad use in the county by developers seeking lower taxes and greater future tax certainty for their housing developments. These model agreements would assist developers to more effectively articulate what is needed for their development as they request tax abatement assistance from both municipal legislative bodies and school boards.

b. Facilitate Removal of Regulatory Barriers

The review of municipal plans and regulatory barriers in this study identified a number of goals and objectives statements that supported affordable housing. However, many of those supportive statements were not put into practice in many of those same communities' zoning and subdivision regulations.

One of the keys to lower cost housing development in a region is having regulations in place that allow for higher density unit development. Zoning and subdivision regulations that allow for higher unit densities help developers spread the costs of a development across a higher number of units than would be the case with lower densities. This reduces the cost of land and needed infrastructure (e.g. water and waste water treatment) for each unit in a housing development, and allows the developer to charge a lower cost for each living unit in the development.

It is recommended that the county develop a package of technical assistance services for municipalities that would help them: (1) to identify specific regulatory obstacles that provide disincentives to housing development, and (2) provide appropriate modifications that could be employed to encourage more affordable housing development in their communities. Alternatively, and perhaps in addition to the above, the county also could draft and make available "model" zoning ordinances and subdivision regulations that could be used to encourage the development of more affordable housing in the county. Such model ordinances could be a helpful tool to engage other stakeholders in this effort to work constructively with municipalities to eliminate any disincentives and perhaps encourage the development of incentives to promote the construction of more affordable housing in their communities.

c. Provide Planning Assistance to Municipalities That Want to Expand Affordable Housing

A third initiative to be considered would be for the County Planning Department to provide technical assistance without charge to any municipality in the county seeking to expand affordable housing in their community. Waiving the customary fees or charges for assistance would be a way to demonstrate that the county is committed to encouraging more affordable housing development. One mechanism that could be used would be to waive all technical assistance fees at the point in time the legislative body adopts the recommended regulatory modification or modifications.

d. Examine the Pros and Cons of a Regional Approach

In the event that the preceding recommendations to facilitate a more housing friendly environment are not successful over time, it is recommended that the county investigate the possibility of an appropriate regional approach to encouraging the development of more affordable housing. Regional and state-level solutions such as the development of municipal affordable housing targets based on regional or state level needs and various fair share approaches have been successfully employed throughout the country. Often regional or state approaches arise from a judicial decision or from a legislative initiative at the state level. While it is recognized that a regional approach will be difficult to implement in the county, a discussion of the options, or a public discussion of the level of affordable housing need by municipality, could be helpful for raising the level of public awareness about the affordability issue.

3. Investigate the Pros and Cons of Establishing a Community Land Trust in Tompkins County

It is recommended that the county explore the possibility of setting up a county-level land trust as a tangible way to facilitate the development of affordable housing. Community land trusts (or CLTs) are currently successfully employed throughout the country to fulfill that objective. There is every reason to expect that an appropriately structured and funded CLT would likewise be successful in Tompkins County.

CLTs are non-profit, community-based organizations whose mission it is to provide affordable housing in perpetuity by owning the land and leasing or selling the homes on the land. They are formed to help create and maintain permanently affordable housing. Ownership of the land typically remains with the CLT. Homes and other buildings on the land are usually owned by individuals or by groups sharing ownership such as cooperatives or condominium associations. Such developments may include rental units, single family homes, or other forms of housing. Some CLTs own commercial as well as residential property.

While the non-profit mission of the corporation usually requires that the majority of homes are maintained as perpetually affordable housing, there are some examples of CLTs whose mission it is to promote mixed-income housing. That model is employed because it eliminates the tendency to concentrate people of lower socio-economic status in one area.

Among the considerations of establishing a CLT for the county are included: (1) the requirement of a significant level of commitment, time and energy—including the likely need for full-time staff and critical mass level of organizational capacity to investigate and act upon housing development-acquisition opportunities; (2) identification of a source of ongoing funding support, (3) the creation of by-laws and the establishment of a board of directors, and (4) the application for and acquisition of IRS 501(c) (3)—or tax exempt—status. This status is important because it allows tax free contributions by individuals to the CLT.

Given the high priority assigned to promoting affordable housing as evidenced by the policies articulated in the county's comprehensive plan, it is recommended that the county conduct an initial feasibility assessment for establishing a CLT. This feasibility assessment should include: (1) a review of existing resources and available information on successful CLTs in operation around the country (with applicability to the county's housing situation), (2) a concept design of how such an organization might operate, and (3) an inventory of viable financing options. This assessment should be configured as a pros and cons assessment, with the objective of identifying what would be needed to make a CLT both significant enough to be effective and at the same time be financially self-sustaining.

4. Coordinate County Housing Organizations

The preceding recommendations, if pursued, would represent a significant undertaking for the county. A logical question that comes to mind throughout these recommendations is just what organization or group of organizations is being referred to in this section as "the county." At this point, the study recommends that the County Planning Department, existing housing stakeholder groups, and individuals who are concerned about housing in the county consider forming some type of an action committee that makes sense in the local climate to take the lead in implementing the recommendations from this study. This action committee could also be charged with improving the level of coordination between the existing efforts of the county's housing stakeholders as well as to share information. Although there have been similar, largely unsuccessful efforts to assemble groups of housing stakeholders to coordinate efforts in the past, the findings of the SWOT analysis suggest that the environment may now be right for creating a successful action committee if it were formed with an appropriately detailed agenda for action.

The finding of this study suggests the following items as candidates for such an action agenda for 2006-10:

a) Develop an implementation plan for and seek resources to support any of the recommended items from this study where a consensus can be reached to support near-term action (e.g. the surveys, the investigation of the pros and cons of CLT, etc.). The action committee may also identify additional items that could periodically be added to this agenda as new issues arise and advancements in “best practices” approaches for developing affordable housing are made,

b) Periodically assess the progress of Better Housing’s current education efforts to address the NIMBY issue in the county and identify/implement additional educational efforts to augment this important effort. Examples of worthwhile efforts that could be undertaken under this action committee’s umbrella include: (1) holding additional public presentations on “best practices” in affordable housing design to address key aspects of NIMBY, and (2) the development workshops for elected and appointed municipal officials regarding the county’s affordable housing needs. These workshops would develop ways to translate the statements of support for affordable housing that are currently in municipal plans into housing friendly zoning and development review policy in those municipalities,

c) Develop an advocacy agenda in support of expanding the supply of affordable housing in the county. This would include a wide range of support activities, including the encouragement of positive participation by key affordable housing stakeholders in the municipal development review of proposed affordable housing projects. This participation could include simply speaking in favor of such projects at public hearings, and/or finding creative ways to increase the involvement of regional business in the housing issue as a means to help assure the future economic success of the county, and

d) Identify and advocate for new programs that could facilitate the expansion of the inventory of affordable housing in the county. This study identified many “best practices” options for state, local, and public-private programs that would require additional enabling groundwork (e.g. state legislative action) to be implemented. Programs such as “Live Near Your Work” and “Employer Tax Credit Programs” are possible candidates for this area of focus. An inventory of best practice housing tools and programs is located in the technical appendix. The agenda of such an action committee would be a good location for advancing such proposals by getting the right groups involved in advocating for the needed and enabling changes that would allow for such programs to be implemented in the county.

In order to get this action committee group started, a specific project with a reasonable probability of success should be selected as an initial focus. The SWOT analysis indicated that housing stakeholder groups, municipal officials and the general public are waiting for such a success. If a favorable initial perception of forward progress from this group is achieved, it would help this organization gain the credibility and experience it would need to be an effective agent of change on the housing issue in the county.

An initial project for such a coordinated effort with potential for early success might be to build on the recent discussions within the county regarding the use of tax abatements to advocate for the use of PILOT agreements for affordable housing projects (see 2.a. above). The development of an initial model PILOT agreement under the umbrella of this action committee that could be used by an affordable housing developer in a receptive municipality would be an important first action step to help address the county's affordable housing needs. In addition, the development of that model PILOT agreement would lay important groundwork for getting the various stakeholder groups to work together to gain specific knowledge as to what municipalities in the county will require for approval of affordable housing projects.

Addendum to Recommendations

The recommendations in this study are based on observations and analysis by Economic and Policy Resources. In response to discussion at a public meeting held on May 24, 2006 and written comments received from interested stakeholders, The Tompkins County Planning Department summarized the following community recommendations as an addendum to this report:

A-1. Identify land suitable for new housing development

A preliminary analysis of vacant land was completed for this study that identified 559 vacant parcels (or 1,946 acres) that were zoned for residential or mixed-use development, were mostly free from environmental constraints, and had access to water and sewer. A more detailed analysis of this vacant land, and potential infill sites, should be completed to help municipalities guide future growth and development and to assist developers in identifying the most appropriate sites to target for more intensive housing development.

A-2. Establish growth areas to facilitate new housing development

Higher density development is one of the most effective ways to meet housing needs at the lower end of the price spectrum because it allows for the costs of land and other infrastructure (i.e., roads, water, and sewer) to be spread across a higher number of units per dollar invested.

Single-family housing development at a density of four units per acre or more and multi-family development at a density of at least ten to fifteen units per acre are generally necessary to sufficiently spread out development costs and keep units affordable. However, many zoning and land use regulations in Tompkins County restrict the ability of developers to undertake such moderate density residential development. There are very few lots in areas where infrastructure is available that are zoned as of right to allow development at these densities. As a result, developers must go through costly and time consuming rezoning processes. In some communities, these densities are not allowed at all.

The challenge is to develop effective strategies across the county to promote higher density housing development that is well designed to integrate with and complement existing communities and that is appropriately located near jobs and services. One way to facilitate development is for municipalities to identify areas that could support higher density development and zone those sites appropriately to accommodate this type of growth. Municipalities with water and sewer services could identify two to four development sites where new single-family housing is appropriate and two to four development sites where new multi-family housing development is appropriate. These growth areas could then be zoned to allow such housing as of right. These areas should be environmentally suitable to accommodate residential development, have reasonable access to water, sewer and electric services, have close access to public transportation, and complement the character of existing neighborhoods.

A-3. Develop Strategies to Finance New Housing Development

The Needs Assessment suggests that construction of new housing units that are affordable to households in the lower income spectrum will require subsidies. Subsidies can come in the form of cash payments, reduced land costs, tax credits, below-market financing, tax abatements, guarantees of rents or purchase prices, sweat equity, in-kind services, infrastructure improvements or combinations of these. Federal funding for development is shrinking and the pre-eminent subsidy program for new construction, the Low-Income Housing Tax Credit (LIHTC) program, is inflexible in its application for providing mixed income development. It is clear that dwindling and inflexible funding at the state and federal levels will require local financial support to develop appropriate mixed-income housing.

Creating a local housing trust fund is one way to provide financing for local affordable housing projects. The fund could be capitalized through a variety of funding sources. Two examples of how other communities have capitalized a local housing trust are developer payments in-lieu of developing affordable units and employer contributions. A group of local stakeholders could be formed to oversee the allocation of funds for affordable housing projects that are appropriately located in designated growth areas and are consistent with the Tompkins County Comprehensive Plan.