ROME RENTAL HOUSING MARKET
SUMMARY REPORT
Rome, NY

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Prepared for
City of Rome
Department of Community Development

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INTRODUCTION AND PURPOSE

The City of Rome has commissioned **Asterhill Incorporated**, a community planning and development consultant, to compile a **Rental Housing Market Study** to review the need for rental housing for two specific projects and Rome in general. The study will be used to address the need for rental housing for the projects which are located in the City of Rome. Further, the study will review the overall rental housing needs in the City. The City of Rome specifically asked about the need for rentals for two projects.

1. Is there a market for the proposed "**Harborway on the Erie**" project? Phase-I of the project proposes the development of 220 market-rate rental residential housing units mixed with commercial space.

2. What rental housing products are suitable for the two vacant lots fronting on W. Dominic Street and Erie Boulevard referred to as the "**A&C Site**"?

The purpose of a housing market study is to examine a number of indicators and population data to determine if a need for rental housing exists. The methodologies used in making this determination are accepted by lending institutions, state housing departments, and U.S. Department of Housing and Urban Development.   Analysts from these institutions and agencies are also known as underwriters. The underwriting process provides a thorough review of key indicators used to determine the viability of potential income to support housing units for rent or sale. These indicators include but are not limited to the following:

- Population Changes

- Household Characteristics

- Vacancy Rates

- Housing Inventories

- Unemployment Rates

- Economic Growth

The outcome of this process identifies a qualified population, existing housing stock and characteristics, estimates for the demand for new rental units, and their absorption into the market. This summary report will present the findings of the Rome Rental Housing Market Study and clarify elements of the process in reaching the conclusions. For more details about the findings and conclusions, please refer to the Rome Rental Housing Market Study. Key definitions will be included to make it easier to understand this report.

The study relies on census data to conduct all quantitative analysis. Additional information is collected from the market area to (i) supplement census data, (ii) assess the perspectives of residents, developers, and government officials, and (iii) determine if there are any mitigating circumstances influencing the market. The process used to determine the market demand for rental housing units includes defining market boundaries, analyzing populations, and housing data. In addition to this data, competition and comparable products are identified to assess the depth of the market. A market perspective was collected from public officials, developers, and property owners. Finally, an estimate of market demand was calculated and conclusions were made.

MARKET AREA

The market area is broken down into three areas; (i) Primary Market Area, (ii) Secondary Market Area, and (iii) Regional Market Area. The Primary Market Area, also known as the PMA, is the geographic area from which rental housing projects expect to draw the majority of their residents. Map-1 below depicts this geographic boundary. For more details about the formation of the Primary Market Area, please refer to the full Rome Rental Housing Market Study.

Map 1 Primary Market Area (PMA)
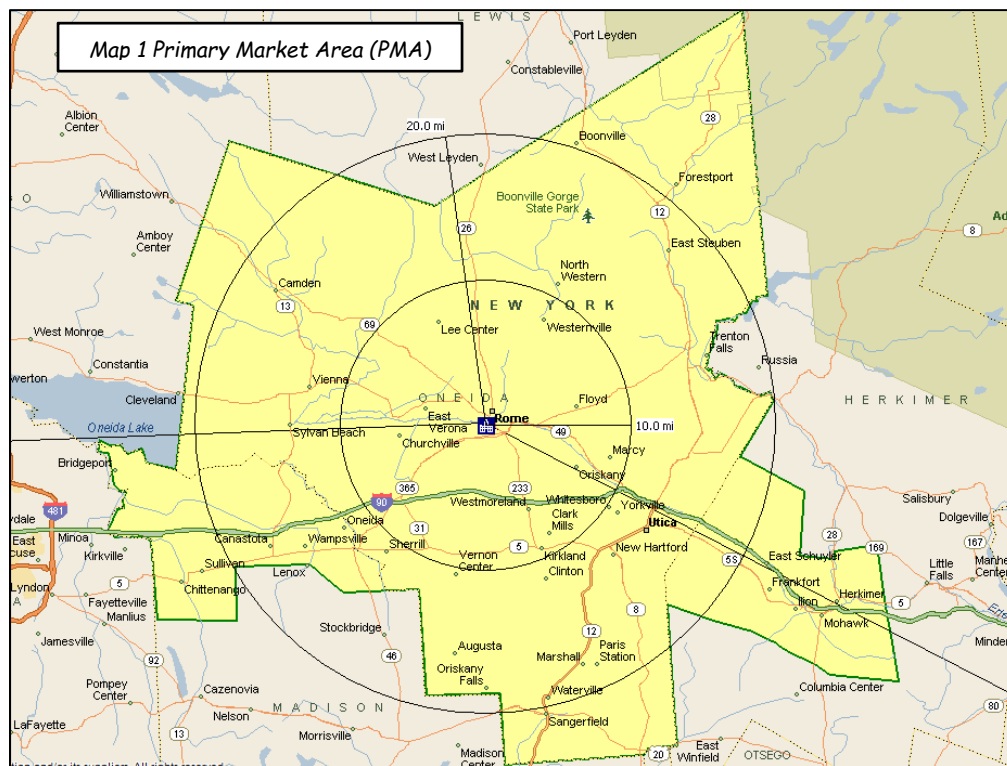
The secondary and regional market areas may influence the number of prospective renters, depending on the type of product. The Harborway project proposes a rental product that can be influenced by the secondary and regional areas.

Map 2-Secondary Market Area

Map 3-Regional Market Area
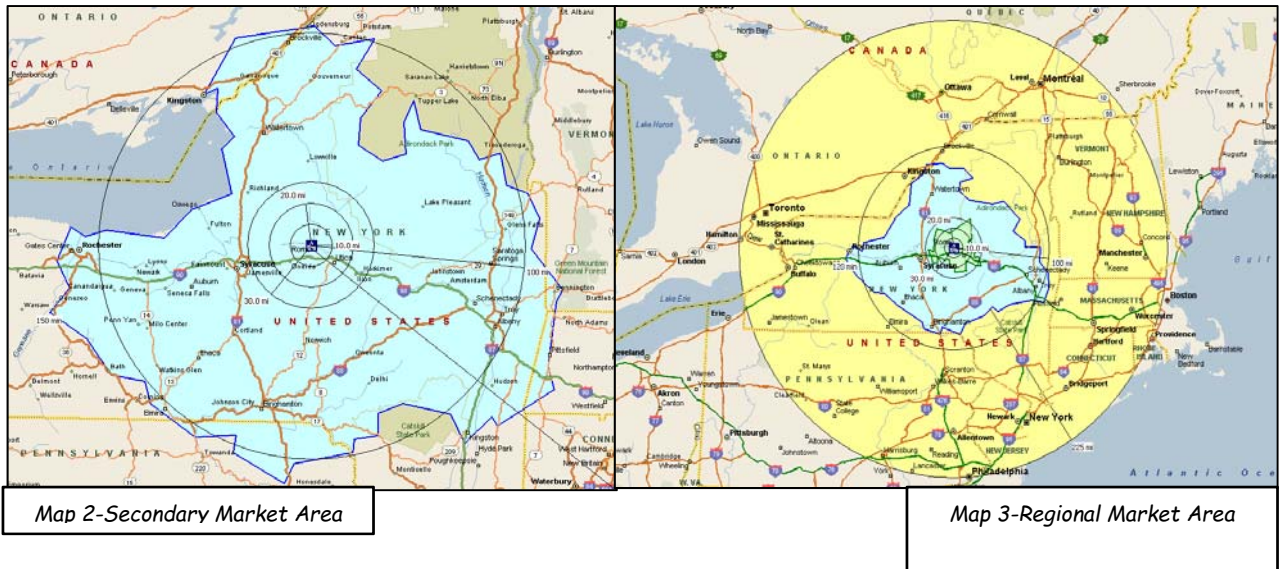
It is estimated that up to 15-20% of potential renters for the Harborway project could come from the Secondary and Regional Markets. With access to regional amenities such as the Erie Canal, Oneida Lake, Turning Stone Casino, and Adirondack Mountains, there may be an opportunity to sell some of these. The Secondary and Regional Markets do not significantly impact the need for rental housing for the A&C Sites and the Rome PMA in general.

EXISTING HOUSING SUPPLY

In the PMA, there are approximately **14,276 renter-occupied units.** This represents **35.4%** of all occupied housing units in the PMA. Respectively, there are **5,752 renter-occupied** units in the City of Rome, which represents **36.1%** of all occupied housing units. These housing units are a mix of affordable, senior, and market-rate dwellings. The majority of renter-occupied units in the PMA and city are market-rate units. These units generally include no supportive services or staffing to address the special needs of residents. Actual vacancy rates were consistent with the census data and properties reviewed

Table 1: Households: Owners vs Renters Analysis							
PMA				City of Rome			
	2000	2010	%Chg 00-10		2000	2010	%Chg 00-10
All Households	**36,002**	**44,099**	22.5%	All Households	13,653	13,526	-0.9%
Homeowner Occp	23,769	26,045	9.6%	Homeowner Occp	7,792	7,774	-0.2%
Avg Hsehld Size	2.59	2.49	-3.6%	Avg Hsehld Size	2.45	2.41	-1.6%
Rental Occp	**12,233**	**14,276**	16.7%	Rental Occp	5,861	5,752	-1.9%
Avg Rent Size	2.15	2.13	-0.9%	Avg Rent Size	2.11	2.10	-0.5%
Rental Vacancy Rate	12.3%	7.7%	-37.0%	Rental Vacancy Rate	17.0%	9.7%	-42.9%
Renters/Hse	4,479	3,778	-15.7%	Renters/Hse	2,619	1,367	-47.8%

The market vacancy rates in the PMA have decreased to 7.7%. Vacancy rates among the senior properties reviewed were about 2% at the time of this report. These lower rates are a reflection of the unmet need for housing and absorption of vacant units. Over the last 10 years, the vacancy rates have decreased, while the number of households in the PMA has grown from 34,221 in 2000, to 44,099 in 2010.   It is estimated that the housing stock will stabilize and grow by 2-4% through 2015. Single-family units make up over 64% of the present Primary Market Area. Over 90% of all housing units were built prior to 1970. Since 2002, there has been an average of 34 multifamily housing units added each year through 2012, in the PMA. Roughly, 2 of the 34 multifamily housing units were built in the City of Rome; however, four to seven housing units are lost (in the PMA) due to age, neglect, and other social factors.

It is estimated that over 11,146 rental units are leased to renters between the ages of 24 and 74 years (in the PMA). Among those rentals, approximately 23% are subsidized properties. Among the projects identified as rental housing, the most significant characteristic identified were changes in the number of bedrooms (See Table 2 below).

| Table 2: Households: Bedroom Analysis							
PMA				**City of Rome**			
	2000	2010	%Chg 00-10		2000	2010	%Chg 00-10
Studio	250	315	26.0%	Studio	144	202	40.3%
One Bedroom	3,878	4,107	5.9%	One bedroom	1,869	873	**-53.3%**
Two Bedrooms	4,729	5,202	10.0%	Two bedrooms	2,278	1,205	**-47.1%**
Three Bedrooms	2,704	3,145	16.3%	Three bedrooms	1,294	376	**-70.9%**
Four Bedrooms	593	641	8.1%	Four bedrooms	225	277	23.1%
Five or more Bedrooms	154	292	89.6%	Five or more bedrooms	73	9.7%	**-61.6%**

The square footage of the apartments varied. Older facilities tended to have smaller
units; newer facilities had larger units and were better organized. In the PMA, a
sampling of rent and fees was taken from 30 facilities. Overall, the rents paid on a
month-to-month basis that varied from $360/month to over $2,400/month. Table 3
below compares rental fees among the projects in the PMA and qualifying incomes
expressed as percentage of average median incomes. HUD's Fair Market Rent (FMR)
includes a heating allowance.

Table 3: PMA Rents and Median Income									
Bedroom Type	PMA Unit Sq.ft.	2012 Rent Ranges Low to High		FMR	% of FMR	Income express as 30% of Rent	50% of Median Income	60% of Median Income	80% of Median Income	Max per House-hold
Studio	*300-500*	*375*	*525*	563	93.3%	22,520	34,350	37,785	54,960	1
One bedroom	450-775	575	880	573	153.6%	22,920	44,000	48,400	58,080	2
Two Bedroom	575-975	650	975	729	133.7%	29,160	49,500	54,450	65,340	3
Three Bedroom	775-1,600	750	1,950	966	201.9%	38,640	59,350	65,285	78,342	5
Four+ Bedroom	860-2,400	900	2,250	1,084	154.5%	43,360	63,750	70,125	84,150	6

SOCIO-ECONOMIC CONDITIONS

The 2010 population of Oneida County was approximately 234,878 and the city
of Rome's is 33,725. The PMA population was approximately 98,847. Seniors (65
years and older) represent about 16.3% of the total population. There has been a
steady decline in age segments with those households having members under 25 to 44

years and 45 to 74 years old since 2000. The age segments showing growth are

households with members between the ages of 45 and 74.   Part of this growth

represents the beginning of the baby boomer phenomenon. The real growth in the

senior population began around the year 2010 and will continue through 2025.

PMA Population Projections 2000-2016

Graph 1-PMA Population Projections
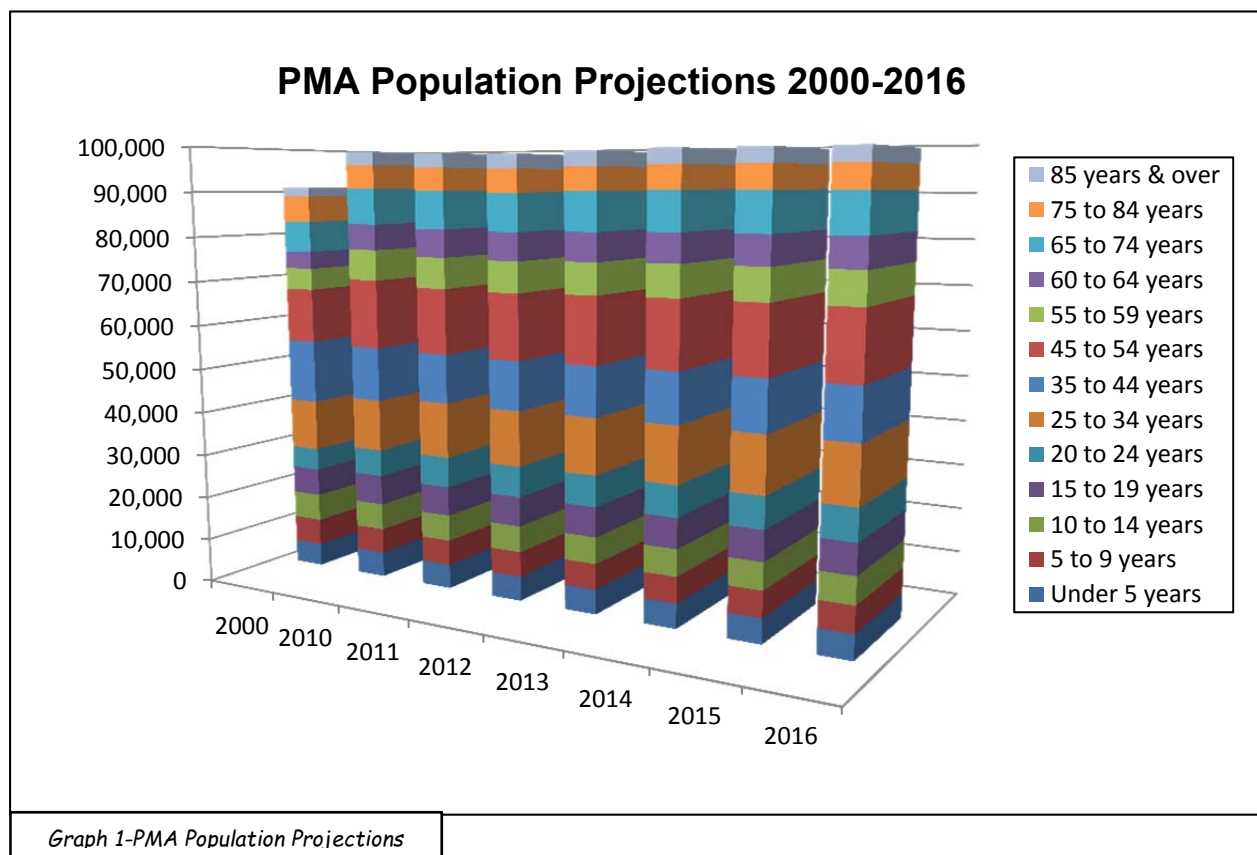
Economically, the region has become relatively stable. Unemployment has

decreased from 10% to 7.4% in 2013 in the Rome-Utica MSA. Many of the local

municipalities in the PMA are aggressively marketing themselves to the world. It

appears this trend of stability will continue**.**   In 2012, health care and social assistance

was the largest of 20 major sectors. It had an average salary-per-job of $36,755. Per

capita income grew by 14.0% between 2001 and 2011 (adjusted for inflation). The

unemployment rates have declined in the region by 2.6%. Private sector employment in

the region increased over the year by 2,400, or 1.0 %, to 231,800 in December 2010.

Job gains were largest in educational and health services (+800), professional and

business services (+800), trade, transportation and utilities (+500), and leisure and

hospitality (+400). Government employment declined (-600) over the year.

NEED FOR RENTAL HOUSING

The stabilizing of the Primary Market Area population, with segments showing

growth and the expanding economy, are driving the need for new rental and for-sale

housing. The City of Rome and county officials have expressed concern about meeting

the future demand for housing as their job base continues to grow. Other factors

contributing to this growing demand are the age of the existing housing stock and

mobility of the population. About 70% of all housing in the Primary Market Area was

constructed before 1970. It would not meet today's building code standards for new

construction.

This study calculates demand for rental housing for the Harborway, A&C sites,

and the PMA. For each project, the population was qualified by age and income based

on the proposed product and by income segments for the PMA. The qualified

populations are also referred to as target populations. The qualifying populations are

adjusted for any mitigating factors such as migration in or out of the PMA. The next step

in the process is to identify the existing habitable rental inventories. The gross demand

is simply calculated by subtracting the existing rental inventory from the total qualified

target population. The gross demand was broken down by bedrooms and income

segments, as needed. The following tables and graphs summaries the demand for each

of the proposed projects, PMA and City of Rome.

1. Harborway on the Erie

    The Harborway project proposes to build and market 220 rental housing units. The demand is quantified for incomes over 60% of the average median income of the PMA and by bedroom. The projected capture rate is less than 18% for 50 new rental units per year. The rental units should be absorbed at a rate of four to five per month.

| Table 4: Harborway Demand by Bedrooms					
Estimated Demand		2013	2014	2015	2016
Demand by Bedrooms>60+% AMI only		281	284	297	335
Studio		0	0	0	0
One bedroom		90	91	95	107
Two Bedroom		109	111	116	131
Three Bedroom		74	75	79	89
Four+ Bedroom		7	7	7	8
Capture Rate Example (Units)	50	17.8%	17.6%	16.8%	14.9%
Sample Project	220	Absorption Rate four to five units/m			

2. A&C Sites

    The project sites are vacant lots in the heart of the city. The demand is quantified for households with incomes less than 60% of the average median income of the PMA and by bedroom. The projected capture rate is less than 10% for a 24-unit project. The rental units should be absorbed at a rate of three to four per month.

Table 5: A&C Sites Demand by Bedrooms					
Estimated Demand		2013	2014	2015	2016
Demand by Bedrooms <60% AMI only		239	242	253	285
Studio		4	4	5	6
One Bedroom		54	56	63	75
Two Bedroom		68	71	80	95
Three Bedroom		41	43	48	58
Four+ Bedroom		12	13	14	17
Capture Rate Example (Units)	10.0%	9.9%	9.5%	8.4%	9.6%
Sample Project	24	Absorption Rate three to four units/m			

3. <u>PMA and City of Rome</u>

Income segments, in the graphs below for the PMA and City of Rome, break down the gross demand for rental housing units.
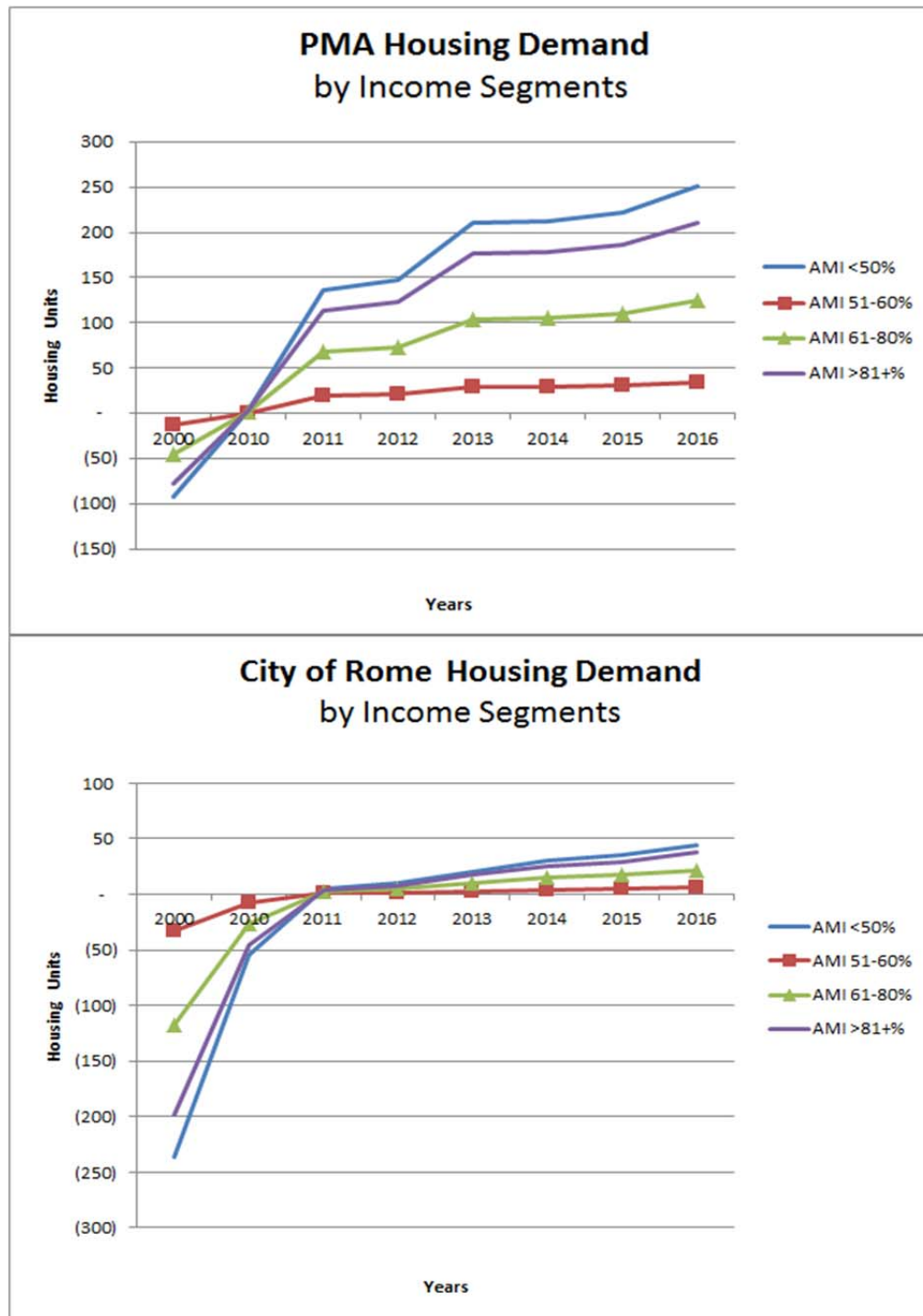
Graph 2&3-Housing Demand by Income Segments for PMA and City of Rome

CONCLUSION

The study found that **there is a demand for rental housing products** for Harborway on the Erie and the A&C Sites. **A need for rental housing units was identified** in the Primary Market Area and City of Rome at different income levels with a varying mix of bedrooms. The Rome area has undergone significant changes from the time of the Griffis AFB (Air Force Base) closing to the present. Together with the County of Oneida, both have reshaped the economy of the area, reducing unoccupied housing by 47.8%, reducing vacancy rates by 42.9%, and growing the job base over the last 15 years.

The following key indicators support this demand for rental housing at various levels of income and bedroom mixes:

- **Population growth:** The primary market area grew 8.7% between 2000 and 2010, absorbing the losses from Griffis AFB closing.

- **Declining Vacancy Rates:** Vacancy rates have dropped by 42% along with the number of unoccupied housing units by 50%.

- **Aging Housing Stock:** Almost 70% of all housing units were built prior to 1970 and would not meet current building codes for new dwellings.

- **Expanding Economy:** With declining unemployment of 7.3% and an increase in jobs by 1.9% in 2013, there are strong indicators of a stronger and stabilizing market. These economic indicators all lead to increasing the demand for more housing opportunities for rent and sale. Another sign of an improving economy is the development of a new nanotechnology park moving into the region, resulting

in increased economic development initiatives.   One other example is Premier

Aviation's new contract with Cape Air that will add new jobs to their present

growth path.

- **Rising Home Sales:** In 2012, there were approximately 1,489 real estate

  closings in Oneida County, representing an 8.9% increase from 2011. Listed

  homes sold in about 103 days on average and sellers received 94% of their

  asking prices. The average selling price of a home in 2012 was $112,900, an

  increase 2.7% over 2011 and a 7.5% over 2008. Three- and four-bedroom

  homes sold better, receiving an average of about 94.7% on their asking prices.

- **Access to regional amenities:** Rome is considered a gateway to the

  Adirondacks, Oneida Lake, and the Erie Canal. Another recreational amenity to

  be considered is Turning Stone Casino and Resort, within a 20-minute drive of

  the City of Rome.

- **Transportation Corridors**: With I-90 dissecting the Rome-Utica MSA and former

  Griffis AFB, Rome has become a logistical center for Walmart and the Family

  Dollar Store, along with other companies, moving inventories worth millions of

  dollars throughout the northeastern United States.

Key Conclusions

- The market can support the proposed units in the **Harborway project**. There is

  sufficient demand to absorb the proposed units over a four-year period.

- The market can support the development of rental units on the **A&C Sites**. The

  product mix and amenities should be looked at closely to create the best

  opportunities.

- There is a need for rental housing in the City of Rome. The demand is partially driven by the age of the existing housing stock. The cost to upgrade older properties may be greater than building new housing units. The need varies by income segments. The higher income segments may choose to seek out units they can purchase. This aspect of the market was not considered in this analysis.

APPENDIX

Definitions

ABSORPTION PERIOD: The number of months necessary to rent a specific number of units. If more than 12 months, the absorption period is adjusted to reflect replacement for turnover (see *aggregate absorption* and *net absorption*).

ABSORPTION RATE: The average number of units to be rented each month during the Absorption Period.

AMENITIES: Any tangible or intangible benefit associated with real property, particularly those that increase its attractiveness or value and contribute to its comfort or convenience, is deemed an amenity. In a residential community, tangible amenities may include golf, a swimming pool, tennis courts, dining and fitness facilities, a clubhouse, parks, dedicated walking/biking trails, a lake or fishing streams, and a manned, gated entrance. Intangible amenities may include views, nearby activities, a highly-rated school, and services such as concierge, valet, and on-site program directors and instructors.

CAPTURE RATE: The Capture Rate is calculated by dividing the total number of units at the proposed property by the estimated demand of age, size, and income-qualified renter households in the primary market area. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover ship, and other comparable factors.

DEMAND: The total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be of the appropriate age, income, tenure, and size for a specific proposed development. Components of demand vary and can include household growth, turnover, those living in substandard conditions, rent, over-burdened households, and demolished housing units. Demand is project-specific.

MARKET DEMAND: The additional number of units needed within the market area between the effective date of the report and the planned project's anticipated completion date. The overall demand estimate should consider the market area's existing vacancy levels, anticipated household growth rates, unit replacement needs, and project's that are planned and under construction. The analysis should determine if there is sufficient demand to support the proposed project.

PRIMARY MARKET AREA (PMA): A geographic area from which a property is expected to draw the majority of its residents.

PENETRATION RATE: Penetration rate is calculated by dividing the number of the proposed units, within each income strata (market rate, 80%, 60%, 50%, etc.), by the total number of income/age eligible households. The number of households should be based on those households at the minimum up to the maximum annual income levels for a given income strata.

SECONDARY MARKET AREA (SMA): The portion of a market area that supplies

additional support to an apartment property beyond that provided by the

primary market area.

TARGET POPULATION: The market segment or segments a development will

appeal or cater to. State agencies often use this term to refer to various

income set asides, elderly, families and etc.

VACANCY: As used by Asterhill, a vacancy is a multifamily unit available for

immediate occupancy. Manager's units and model units are not counted as

vacant units, nor are units that are unrentable due to excessive damage or

renovation. This definition of vacancy is often referred to as a market vacancy

and is different from an economic vacancy.

VACANCY RATE: The number of total habitable units that are vacant divided by the

total number of units in the property.