Report to Partnership for Community Development

Hamilton, NY

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INTRODUCTION

Hamilton's regional characteristics give context to the local market where Hamilton is a jobs center with a small volume of housing. Most of the existing, limited housing choices consist of some combination of small homes, old homes, and overall, homes in need of significant investment. At the same time, those limited and less-than-ideal housing choices are subject to small amounts of outsize demand from Colgate-affiliated buyers (alumni, parents, employees) and renters (students and employees).

As small amounts of strong demand meet with the short inventory of housing that is mainly small, old, and tired, the following occurs. Lower income renters and would-be buyers get priced out. A high percentage of middle and higher income renters and would-buyers that can afford Hamilton, but who do not believe the housing they can afford is worth the price being asked, go elsewhere. Would-be sellers hold onto properties longer, especially properties lacking historic significance, for there's no demand for them except as conversions to rentals. In turn, these proprieties get deprived of needed maintenance, and almost never receive long overdue capital improvements.

Renters and aspiring buyers who go looking outside of Hamilton become ironically lucky, as the region - spanning from eastern Onondaga County over to Utica and south to Chenango County - offers a large volume of housing choices that are both more desirable in size, age, and condition and also more affordable than what is typically available in Hamilton. Instead of about eight in ten Hamilton workers commuting in from homes elsewhere - the norm for most communities in the region - almost nine in ten do.

The cost of making a choice for a location in the region other than Hamilton where someone is employed comes primarily in the form of a commute, and primarily in response to the lack of desirable inventory. This is an expense that many Hamilton area workers are more than willing to make. It's a cost many workers all across the US are used to. In general, by offering sufficient quality and affordability for Hamilton area workers for the seemingly small price of a commute, the *region* has found a path to balance jobs and housing in a way that leaves little complaint for most *area* residents.

Because the *region* so capably meets the housing needs of so many *area* workers, the private sector sees little justification to extend itself to develop new housing in Hamilton. When the demand for housing is already being met (albeit facilitated by 30-45 minute commutes), developers effectively ask themselves "why take a substantial risk to build new housing in the Village of Hamilton that the market is not sure it really even wants, when I can satisfy that demand in a lower cost environment where the risk is less?"

While there has been some new housing development in Hamilton in recent decades, it has tended to be a few houses at a time, on the periphery of the Village, with unremarkable architecture and little attention paid to honoring the form that has helped make Hamilton such a charming place.

The Five Trees development is the kind of housing that can be produced by a private sector in the region when not encouraged to do better, and, in large enough numbers, will simultaneously help the housing situation in Hamilton (by adding supply) while undermining Village character (through regrettable, charmless design). Encouraging quality, by contrast, can grow profit margins.

Going forward, this is not the kind of housing solution that Hamilton ought to pursue or permit. Such development patterns - one off ranch style homes or farmettes in the Town or in peripheral cul-de-sacs in the Village - are certainly not unique to Hamilton. Unimaginative housing development can be found in small villages and cities across New York State and in fact, everywhere. Geneva…Clinton…Saratoga…Geneseo…all picturesque, and none immune to an assault on character and quality of life in the form of cheap construction, bad planning, or both.

This raises a vital question that Village authorities should consider: if the region is responding - that is, if the region is moderatly healthy housing wise and providing good housing options to the vast majority of households - what actually is the problem to solve?

In point of fact, Hamilton's lack of desirable housing *is* being solved, just not in the Village. Moreover, it is being solved in ways that work rather well for most households in the region. Nevertheless, there are ways in which the market is not functioning optimally.

5 WAYS THE MARKET IS NOT FUNCTIONING AS IT SHOULD

1 Hamilton workers, such as assistant Colgate coaches or small business employees just starting out, have both a need and desire to live in or very near to the Village but can only do so by overpaying or by living in less space and lower quality settings than they desire.

2 Colgate, the Community Hospital, the Central School District and other employers lose out on potential employees who will accept neither suboptimal housing choices (paying too much for too little) in or near Hamilton, nor the 30-45 minute commute required to compensate.

3 The Village, Town, and school district lose out on increased economic and civic vibrancy that could be created if housing demand were captured locally instead of regionally. Every time a family lives in Canastota and commutes, Hamilton loses both financially and civically.

4 Hamilton is at risk of becoming incrementally less like the close-knit and vibrant community it hopes (and markets itself) to be, as many of the people who contribute to civic life during the week from 9-5 reserve their greatest energy for their home communities.

5 Like every community in America where workers commute from somewhere else, there is an environmental impact that results from the increased use of fossil fuels, and a cultural heritage cost resulting from a pyrrhic exchange of farmland for subdivisions.

This document is a guide for Hamilton stakeholders to evaluate whether to respond, and, if so, why. By way of background and explanation for the status quo, it provides guidance to stakeholders to the following key questions:

- *What are the interventions that are most likely to address the problem(s)?*
- *How would implementation of potential strategies be started?*
- *Where (locations) might Village stakeholders focus action?*
- *How much action do stakeholders take over what period of time (number of units)?*
- *How much might a series of interventions cost?*
- *Who pays?*
- *Who does what?*

HAMILTON'S **SUBOPTIMAL MARKET**

Hamilton NY is one of the most picturesque places in the Northeast. Its restored and historically important late Federalist, Mid Century Revival, Victorian, and Second Empire architecture, as well as its impeccable Village Green come together to make Hamilton memorable.

The Village's setting amidst roughly 60 square miles of serene and rolling south Madison County, Chenanago Valley farmland make the Village and Town quite special.

Colgate University, Hamilton's economic driver and one of New York's most highly ranked private colleges, generates a steady demand for upwardly mobile, well-educated households. Colgate, itself has been not just an anchor for the Hamilton economy, but an institution of significant and positive influence. The University has been exercising leadership in local civic affairs for more than a century and a half.

In the last 15 years especially, important Colgate-Village partnership-driven investments that were intended to re-energize languishing five point real estate have been tremendously successful. Today there's a restored Hamilton Theater, the Colgate Bookstore and Coop, a refurbished Colgate Inn, Swank, the spirited presence of TIA, Flour and Salt, and other activated civic and retail spaces. In the same period, agribusiness has evolved, elevating Madison County into a regional leader. From Kriemhild Dairy to Good Nature Brewery, these and other upgrades to County and Village commercial life have further increased what Hamilton and the surrounding crossroads of Hubbardsville, Poolville, and Randallsville have to offer.

Ordinarily, these kinds of strengths stimulate demand for housing. They also should prompt investment in commercial real estate. The high quality of life possible in Hamilton would typically contribute not just to rising property values, but also to subsequent development activity. Rising values generally ensure that the local tax base is stable. Growing home equity typically ensures local government is able to continually afford creative, self-funded reinvestment in value-engineered public infrastructure, and can afford to reduce the millage when called for. When demand is strong and followed by good quality development, local government is thus able to keep pace with costs and and with service expectations by itself, not having to rely on external subsidy (federal, county and state grants on the public side and largesse on the private and philanthropy end).

The demand that flows from a high quality of life - present for current residents and promised for future arrivals - is typically reflected in meaningful population growth, robust home building activity, a critical mass of public school enrollment, and increased demand for unsubsidized non-residential real estate. Strengths such Hamilton's ought to be reflected in sustained rehabilitation of existing homes at levels above current market conditions, by current residents.

Durable vitality should show up in the form of older homes being redeveloped by outside investors who then profitably sell upgraded properties to new residents working in the Village who want to live in Hamilton full time. It would be manifest as constant - if modest - levels (proportional to the small population) of construction of new homes and new rental apartments on lots available for infill, speculative building, continual demolition of poorly maintained structures of no historic value and subsequent development activity, and the constantly improving fiscal strength of the Village.

These "should be's" are not happening.

- The Village of Hamilton **should be growing in population**. **It is not.**
- It **should be experiencing robust acquisition-rehabilitation-sale activities** to new residents coming to Hamilton to work at Colgate. **It is not.**
- The Village and the Town's **fiscal situation should be steadily improving** to the point where there's an annual fund balance. This isn't happening. In fact, one of the important aims of both the Village and the Town - growing the tax base - is not likely to be realized anytime soon insofar as any new housing development that is stimulated likely becomes feasible in some respect by tax forgiveness, at least in the short run. And in any event the number of new residents Hamilton could practically recruit given its location is modest, so even with a high tax rate, revenue gains will be negligible.
- **New homes should be being permitted with frequent regularity**. **This isn't happening, either.**

Population and Households by County

	Population 2010	Estimated Population 2016	Percentage Change	Households 2010	Estimated Households 2016	Percentage Change
Madison County	73,442	72,089	-1.8%	27,754	26,121	-5.9%
Oneida County	234,878	232,858	-0.9%	93,028	90,260	-3.0%
Cortland County	49,336	48,713	-1.3%	18,671	17,683	-5.3%
Onondaga County	467,026	468,050	0.2%	187,686	184,925	-1.5%
Oswego County	122,109	120,513	-1.3%	46,400	45,374	-2.2%
Chenango County	50,477	49,286	-2.4%	20,436	19,837	-2.9%
Otsego County	62,259	60,979	-2.1%	24,620	23,539	-4.4%
Herkimer County	64,519	63,558	-1.5%	26,324	25,670	-2.5%
Region	1,124,046	1,116,046	-0.7%	444,919	433,409	-2.6%
Hamilton Town	6,690	6,568	-1.8%	1,891	1,753	-7.3%
Hamilton Village	4,239	4,020	-5.2%	950	795	-16.3%

Source: US Census.

Note: Even factoring in margin of error, disagreement as to the above number has been expressed by numerous Hamilton stakeholders.

While prices are outpacing some local working families' ability to keep pace, too few units are turning over. It is also the case that too few units are being upgraded, and too few units are being built.

Both in response and then as an influencing factor, it is simply the case that neighboring jurisdictions are outcompeting Hamilton to be the home of choice for about four of every five Village workers. Most who work in Hamilton routinely conclude (and for some years have concluded) it simply makes more sense to buy (or rent) in Manlius or Chittenango or elsewhere, and commute, than it does to wait for what the Hamilton inventory might offer.

In fact, over the last 18 years, the Village of Hamilton has averaged less than 2.5 new home permits annually. Just 43 units of any kind have been permitted in this period. Minus calendar year 2005, when 20 multifamily units came on-line, Hamilton's average number of new home permits is barely one per year.

Given the rate of population loss owing to demographics and the gradual replacement of year-round residents with second home owners, this corresponds with the reality of a slowly shrinking Hamilton in a slowly shrinking town in a slowly shrinking region of a state that continues to struggle to retain its population. The regional economy is soft, and the housing market generally reflects that, with value to income ratios across the region mostly hovering around 2.5:1.

The costs of building a new single family detached home of average quality in the Village of Hamilton - estimated by czb (using RS Means historical and more recent Q1 and Q2 2018 data) to be between $240,000 and $450,000 (with square foot costs ranging between $220 and $260/SF exclusive of land) and depending on size and finish - has probably resulted in few builders being willing to assume construction and development risk. The low end of this estimate presumes units so small and finishes so modest it is hard to imagine them being marketable to buyers.

Therefore, $375,000 is the minimum estimated target construction cost for planning purposes to development a marketable and bankable 1,800 SF single family detached home in the Village or Town, exclusive of land acquisition expense. As these costs require a dependable flow of buyers *both* earning between $80,000 and $130,000 a year *and* not finding a net they believe is better for the money within a reasonable commute, these are not unjustified risk anxieties.

Why are concerns about such builder/developer risk as regards new construction of single family homes in the Village warranted? It is less than a 30 mile drive from the Village to a neighboring jurisdiction with a consistently sizable supply of excellent homes at equal or better prices than what exists now in Hamilton, or what can be dependably delivered without subsidy.

Translation? As long as there is no subsidy, there will be no product. As long as there's no product, workers will commute. Distance plus decades of deferred maintenance by property owners will do that to a market.

The problem is not confined to new construction. This is also the case with respect to acquisition-rehabilitation. When homes are being acquired and rehabilitated in Hamilton, it is often by absentee investors for whom the rehabilitation expense of $175/SF (and usually higher) and resulting prices in $500,000 territory are recoverable mainly by focusing on and selling to second home owners instead of Village workers.

Conventionally financing a $500,000 home will require no less than $35,000 cash on hand for down payment and closing costs. That same home will require at least $160,000 in annual household income at current interest rates to afford the resulting mortgage. There are only so many Colgate, Community Hospital, and Central School District employees capable of punching in that weight class without assistance.

As a consequence, two types of homes dominate the local Hamilton market. The first are those that tend to be undesirable to two-income professional households that can afford the few homes in the regular inventory of what's available, otherwise known as a "willingness to pay" problem. The second are those that are too expensive for middle, working, and low-income families; an "ability to pay" problem.

In response, higher and also moderate income households commute. 87% of the workers holding the Village's 2,768 jobs do not live in Hamilton. This is comparable to what's happening in Clinton, NY (91%) (Hamilton College), and Geneseo, NY (93%)(SUNY), and is a bit higher than what's found in Colgate's

Selected Communities with High Rates of In-Commuting

	Estimated 2016 Population	Median Household Income	Median Home Value	Ratio of Home Value to Income	Total Jobs	Jobs Held by Commuters	Percent Jobs Held by Commuters
Point Reyes, CA	**574**	**$31,005**	**$1,054,800**	34.0	**711**	**692**	97%
Laguna Beach, CA	**23,204**	**$100,506**	**$1,390,500**	13.8	**10,465**	**9,283**	89%
Boulder, CO	**105,420**	**$60,569**	**$554,500**	9.2	**81,326**	**60,920**	75%
Park City, UT	**8,064**	**$105,604**	**$872,700**	8.3	**12,452**	**10,658**	86%
Ashland, OR	**21,002**	**$47,314**	**$362,500**	7.7	**9,770**	**6,110**	63%
New Paltz, NY	**7,034**	**$40,717**	**$290,500**	7.1	**7,460**	**6,295**	84%
Aspen, CO	**6,788**	**$67,776**	**$483,000**	7.1	**10,096**	**7,309**	72%
Burlington, VT	**42,556**	**$46,754**	**$264,300**	5.7	**35,396**	**25,806**	73%
Williamstown, MA	**4,315**	**$68,094**	**$331,700**	4.9	**2,631**	**2,099**	80%
Saratoga Springs, NY	**27,447**	**$73,661**	**$332,800**	4.5	**23,747**	**19,846**	84%
Geneseo, NY	**8,124**	**$36,102**	**$157,800**	4.4	**4,361**	**4,059**	93%
Brunswick, ME	**15,564**	**$51,905**	**$198,400**	3.8	**8,865**	**7,144**	81%
Hamilton, NY (Village)	**4,020**	**$63,199**	**$233,800**	3.7	**2,560**	**2,233**	87%
Clinton NY	**1,967**	**$52,350**	**$183,200**	3.5	**969**	**882**	91%
HEALTHY MARKET				3.25			75%
Geneva, NY	**13,136**	**$37,975**	**$91,000**	2.4	**8,206**	**6,332**	77%

Source: U.S. Census Bureau (American Community Survey and Center for Economic Studies)

Not cheap, but not outrageously expensive, either.

analogue communities of Brunswick, ME (Bowdoin) at 80% and Williamstown, MA (Williams) at 79%.

This strongly suggests the regional micro-markets around Clinton (Oneida County) and Hamilton (Madison) and Geneseo (Livingston) are both generally softer than Down East or the Berkshires, and tend to operate more regionally in nature. In other words, the commute sheds are large and the local markets a bit weaker the further one gets from Rochester and Syracuse.

Conventional wisdom says that high housing costs push workers to more affordable options someplace else. And in fact Hamilton's percentage of workers commuting from homes elsewhere is on par with Laguna Beach, CA (88%), Park City, UT (85%), and New Paltz, NY (84%), all high costs markets whose texture provides insight, *suggesting* this may be the case in Hamilton.

But this one-dimensional explanation - lack of affordability as the major factor behind commuting - is belied by the more telling ratio of median home value in the Village of Hamilton to the Village's median household income. At 3.70, it is certainly true that Hamilton's median value to median income ratio is expensive. Especially for the worker who would need to make $14.14/hr to afford median rent as the sole wage earner in a household, housing costs in Hamilton are substantial.

But a deeper look shows that by comparison, Laguna Beach's ratio of 13.83 means a minimum annual income of $463,500 is needed to afford a median priced home there; 3.73 times Hamilton's. Similarly, an income of $290,900 would be needed in Park City, UT, and $93,883 is needed in New Paltz.

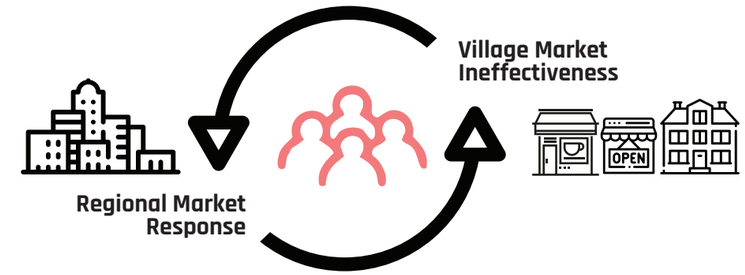
At a ratio of 3.70, an annual income of $77,933 is needed to afford a median priced home in the Village. Requiring an income at 123% AMI, it is already high for the market to be sure; but if Hamilton's housing market were on par with, for example, Williamstown, MA where the value to income ratio is 4.87, Hamilton's median home value would be closer to $380,000 than the current $288,000.

What factors account for this missing $100,000 in median value and the resulting lost ad valorem? Mainly a cadre of existing owners either with seasoned mortgages or who own their homes free and clear who have not made major upgrades for years if not decades. In failing to keep the stocks marketable, buyers discount their offers by commuting. Of course if realized, the higher value the Village needs fiscally will pose hurdles to hourly workers. Still, a ratio of 3.70 suggests the real challenge is not lack of affordability but lack of desirable product.

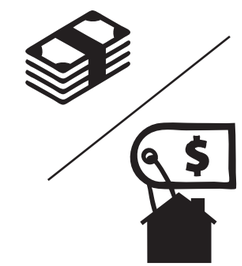
At about the moment a theoretical Hamilton household makes enough income - $80,000 annually - to affordably purchase a home in Hamilton, their purchasing power of roughly $240,000-$250,000 (or higher with favorable rates) puts them in a position to buy a newer, and usually larger, and usually a better maintained home elsewhere in the region, and almost always within what would be considered a modest commute along beautiful country roads. To buy in or near the Village of Hamilton, an $80,000 - $120,000 a year household would need to want an older home in the Village, or a more contemporary one in the Town's nearby countryside, the former which will generally require substantial work and entail high utility costs, the latter delivering the same, but with less charm.

The calculus to arrive at such a decision will also make more sense when both earners in such a hypothetical family are employed in the Village. Whenever one spouse works in Utica or Syracuse, for example, splitting the commute and preserving maximum employment flexibility become factors few housing strategies can mitigate.

Factors at play in retaining and attracting households in the Village of Hamilton



Ideal Home Value to Annual Income Ratio



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This goldilocks ratio occurs when home values are solid and wealth from home equity is possible, but rates of appreciation are more or less in line with wage growth.

To summarize, there are several underlying reasons for the housing challenges facing Hamilton.

First, as noted, **the wider regional market is a very able supplier of a more than ample supply of well-riced housing alternatives** to what local workers will find in the Village, or just outside in the Town in the same price range.

Second, and what's most important, key stakeholder disposition on **taxes** (can't be raised, which reduces what's available dollar-wise from the public sector; and can't be lowered, which keeps PITI high), **land use** (certain locations and development approaches are off-limits, which renders net land use economically inefficient), and **design** inconsistent (insistence on high quality which is an insistence on higher prices), have affected the translation of local demand for housing into good local housing options that are also good Village outcomes.

Third, as a result, the **Village housing market is stuck.**

The local housing market is the victim of self-fulfilling inputs: few new housing starts, costly rehabilitation and few year-round resident takers, older residents with seasoned mortgages who stay put in homes not upgraded for years with little inclination to up their levels of reinvestment, sub-optimal sites and development patterns that have been moved to the head of the line since better options have been taken off the table, and responsive-enough markets less than an hour away.

Hamilton's 2018 status quo housing market and civic circumstances:

- A small inventory of new homes in the Village
- A small inventory of existing homes in the Village that are desirable to local workers and affordable at local wages
- A sizable inventory of otherwise developable land held off the market by current owners
- High local property and school taxes,
- Layered and costly Village-Town governance
- New large-lot charm-eroding development in the Town
- The beginnings of the same in the Village (and emergent conviction that that's not a problem)
- Constrained flexibility on the part of major stakeholders

These factors have become incrementally more solidified over time.

Each has become an input and a self-fulfilling outcome in itself. The results are expressed unambiguously in the fact that in the last five years there have been but two building permits for new housing in the Village. Moreover, less than 20 miles away during the last 18 years - a period during which the Village of Hamilton permitted 43 units overall (2.38/year) - Cazenovia permitted 118 (6.5/year).

The basis of these disparities is Hamilton workers commuting from homes nearer to Syracuse and Utica. This is supported by extensive Longitudinal Employer Household Data (LEHD) and primary employment data provided by the Hamilton Central School District and Community Memorial Hospital. It is estimated that there are 2,768 jobs in Hamilton. 87% (2,408) of these are filled by workers who do not live in the Village of Hamilton.

This is not abnormal - American workers commute. But it is a problem for a Village that would be economically and civically healthier if more families both were able to afford living in the Village, and when able, were actually choosing Hamilton as their home. And it is a problem for a school district struggling to maintain a critical mass, a community hospital struggling to remain solvent, and a university working hrad to recruit and retain.

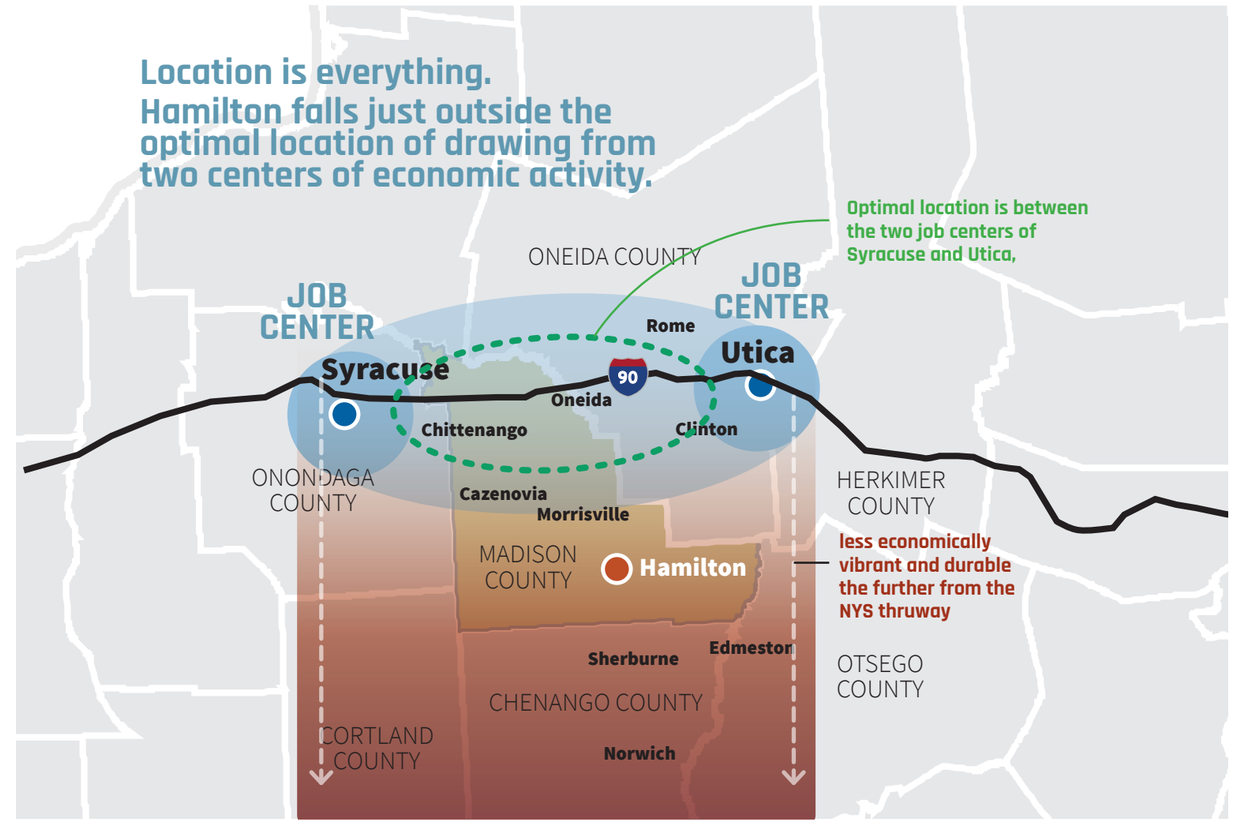
The verdict on all this from the development community is unmistakable. Without subsidy to address the former, the probability of the latter is simply too risky for them to take. The most immediate consequence is the most palpable: an inventory lacking the homes people want and no willingness by builders to venture forward without an insurance policy of some sort (owner equity or guaranteed rents, for example).

Throughout Madison County - whether in land-constrained Village settings that enjoy a better location relative to jobs, or in the more permissively zoned Towns where pretty much anyone who can build a box and drill a well is legally if not feeling culturally entitled to disrupt the charm of the countryside - there's ample well-priced supply to contend with. Hence the Village is not getting a suitable share of new housing starts or affordably rehabilitated homes matched to local wages. It is simply too easy to work in the Village and either drive a short distance to a ranch house on a large lot in the Town of Hamilton, or drive just a bit longer to any of half a dozen delightful, high quality-of-life Villages with more housing options to choose from at better prices.

This situation becomes magnified in the era of two income households. Since Moms and Dads increasingly work in two locales and frequently decide to live partway between, geography works against Hamilton which is not between large job centers but rather is one. Illustrative of this is the fact that Cazenovia has about one new permit each year for every 40 people living in the village whereas Hamilton has about one each year for every 93 people.

Village of Hamilton Commuting Inflow/Outflow (2015)

HAMILTON **HURT BY A MORE OR LESS HEALTHY REGION**



On one hand, the Village (and to a lesser extent the Town) pushes away families who might prefer to live in Hamilton. The Village and the Town do this through a combination of layered local government that is long overdue for consolidation into a single entity, high taxes, and less house for every dollar. Meanwhile, throughout Madison County (and in adjoining Chenango, Onondaga, and Oneida counties), numerous towns and villages draw away Hamilton workers, offering better housing options where the cost of commuting is negated by financial and imputed benefits.

This is where the location of Hamilton becomes absolutely paramount in tipping the scales against the Village and to some extent the Town as well. The further south from the Thruway (between Utica and Syracuse), the less economically vibrant and durable every place in Madison County (as well as Chenango) is slowly becoming.

Hamilton is just south enough, just isolated enough - with no important nearby economic drivers to its south - that it suffers by being a foci of an economic ellipse. If all else were exactly the same, but Norwich had a vibrant economy and a population of 70,000 instead of 7,000, Hamilton would be in the throes of what might be called the Cazenovia effect.

As it stands though, Hamilton is really the last location of any objective economic value for miles around. As a focal point in and of itself instead of being between two foci, it can't easily cannibalize neighboring jurisdictions' demand the way Canastota or Chittenango are positioned to. This shows up in housing activity that requires compensatory subsidy to make it worth a family's while. No subsidy, no growth.

Except for households earning more, in general, than $100,000 a year, whose home purchasing power, depending on interest rates, is between $300,000 and $350,000, a commute of about half an hour to 45 minutes each way puts every such household in a position to obtain considerably more home for the money nearer to Syracuse and Utica than what they can find in the Village or in most cases in the Town.

Considered together it is recommended that the Village and its stakeholders use the $125,000 annual income as a dividing line when developing strategy. For households with annual incomes less than this, a housing subsidy will be needed to either make a compelling case to live in Hamilton, or assist others who want to but can't.

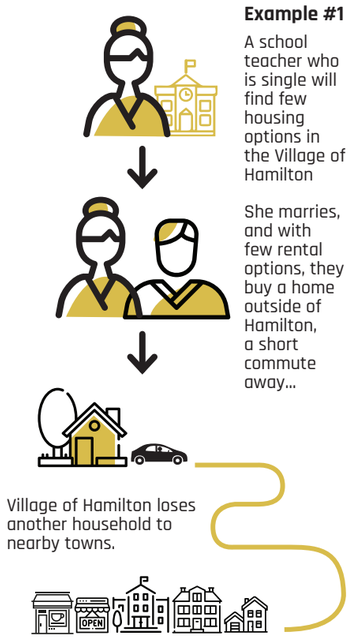
The Village of Hamilton, already at a competitive economic disadvantage owing to rural isolation and the fact that it lies at the apogee of furthest reaches of the Syracuse economy, is additionally disadvantaged by allowing itself to be outcompeted for middle class households by neighboring jurisdictions, especially those closer to the Thruway. Consequently, the Village is increasingly a community for the wealthy, and to some extent - by long tenure mainly - lower income households and retirees.

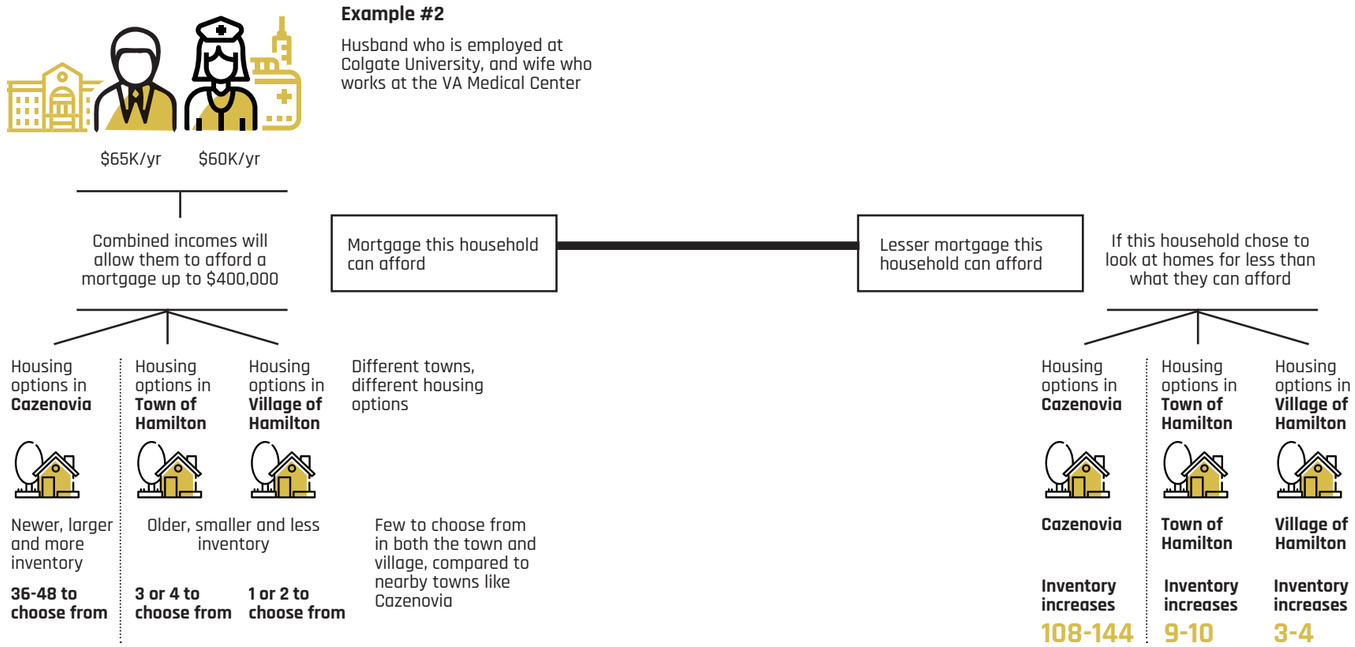
> It's not until the $425,000 price point that the quality of the home for the money begins to justify the price, meaning that until a family is earning about $125,000, Hamilton isn't an economically sensible choice even it is financially feasible.
>
> Families have figured this out. So have investors. So have developers.

Every increment on the Village's part of failing to act to make infill housing pencil out for developers seeking to create homes for middle class Village workers also becomes a de facto inducement for sprawl. In the inefficient consumption of land - single family detached homes on lots in the economic death-zone (du/a between 7 and 1/20) - and in the aesthetic degradation of Madison County (through the loss of unprofitable farmland converted to charmless large lot housing development) the stuck housing situation in the Village acts as a driver for the kind of tasteless sprawl that's still permissible in the interstitial space of many local codes where growth management rhetoric has outpaced the adoption of growth management action.

The middle that can't afford Hamilton, and the upper middle who can but choose not to, go elsewhere. Typically they move closer to Syracuse or (on either large parcels or higher end residential developments) in Town relatively nearby if something's available to their liking. Lower income households migrate to Earlville and Sherburne and sometimes to Morrisville. They seek lower cost rentals wherever attainable. Add to all this the near-impossible economics of family farming, and both village charm and country heritage are at risk

Different households, but the same limited housing options in Hamilton





Single Teacher With Changing Household Composition

As one example, by herself, the typical school teacher in the Hamilton Central District will not be able to afford to own an upgraded home in the Village. She will find few acceptable rental options, the main ones being serviceable, but tired (at best). Hardly the kinds of options young professionals today seek.

Once married, she and her spouse will find a handful of additional rental options, but not many. They will not be in a position to buy in the Village without having to invest in costly catch up improvements. So they will buy a home a modest commute away, more than sanguine with the inventory - and amenities - other jurisdictions offer. This weakens Village finances and has a long term erosive impact on population and on the ability of the schools, Colgate, the hospital and others both in terms of recruitment and retention.

Two Earner Professional Family

In another case, a family with one parent who works at Colgate and earns $60,000 and whose spouse earns $65,000 working at the Syracuse VA Medical Center illustrate the situation in additional depth. Setting aside down payment challenges, the family will be able to afford a mortgage up to $400,000 with favorable rates. On any given day this past spring in 2018, they would have found about 35 homes listed for sale in and around the Village of Cazenovia in their price range.

The homes there will generally be newer than what is available in Hamilton. They will need a bit lessless attention. They will be larger. Mostly, the inventory will be able to better accommodate a contemporary family than most anything available in the Village.

Each earner in this family will have about a half hour commute if they buy in Cazenovia, one to Hamilton, the other to Syracuse. Alternatively, if the same family with a Colgate employee were instead able to find a job at the Hamilton Community Hospital for their spouse, the family's living situation would be vastly improved from a commuting standpoint.

However, whereas in the Town of Cazenovia at any given moment there would be three dozen homes to choose from, there would be but three or four in the Town of Hamilton and only one or perhaps two of those in the Village itself. A very small offering. So even if the family were able to secure employment for both Mom and Dad in the Village, today's unsatisfactory inventory will remain the recruiting impediment that rightly concerns Colgate, the hospital, and the schools.

Of course not all buyers maximize their purchasing power. In fact, Millennial households - more so than Gen X and Boomers - tend to buy less than they can afford. This is for a variety of reasons from delayed marriage to student debt.

If this same family opted to not maximize their buying power, and were willing to look at homes between $300,000 and $400,000, they would increase their options in the Town of Hamilton on an average day in the spring buying season from four to eight. Maybe nine or ten on a good non-average day. Six to seven of these would be outside the Village, and what would be in the Village would be homes that are comparatively small - at about 1,600 square feet - and require significant buyer imagination to address the challenges that come with older homes.

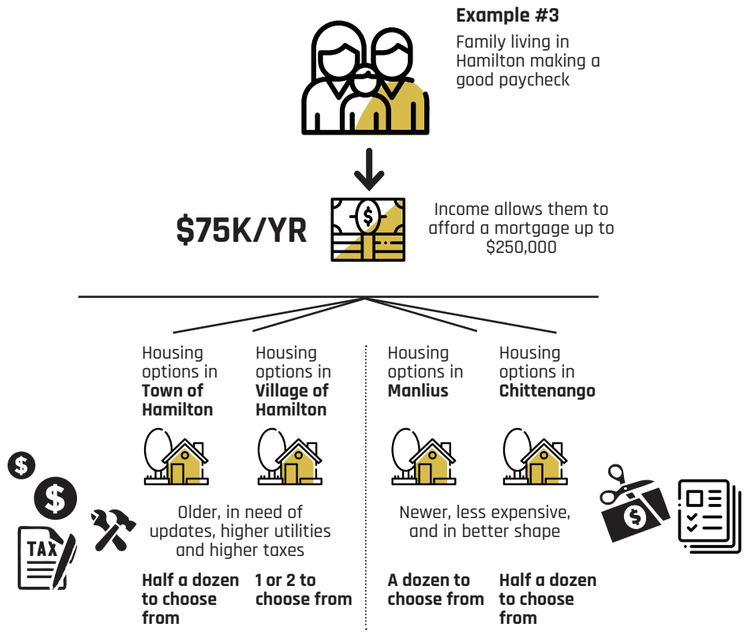
Remember though, if they were willing to spend less in Hamilton, they would likely be willing to spend less in another market, whereupon the comparatively deficient inventory would remain. Given that there would be almost three times the Hamilton inventory in Cazenovia alone, about twice the Hamilton inventory just in Clinton, and five to six times Hamilton's inventory just in Manlius, the comparative disadvantage is substantial.

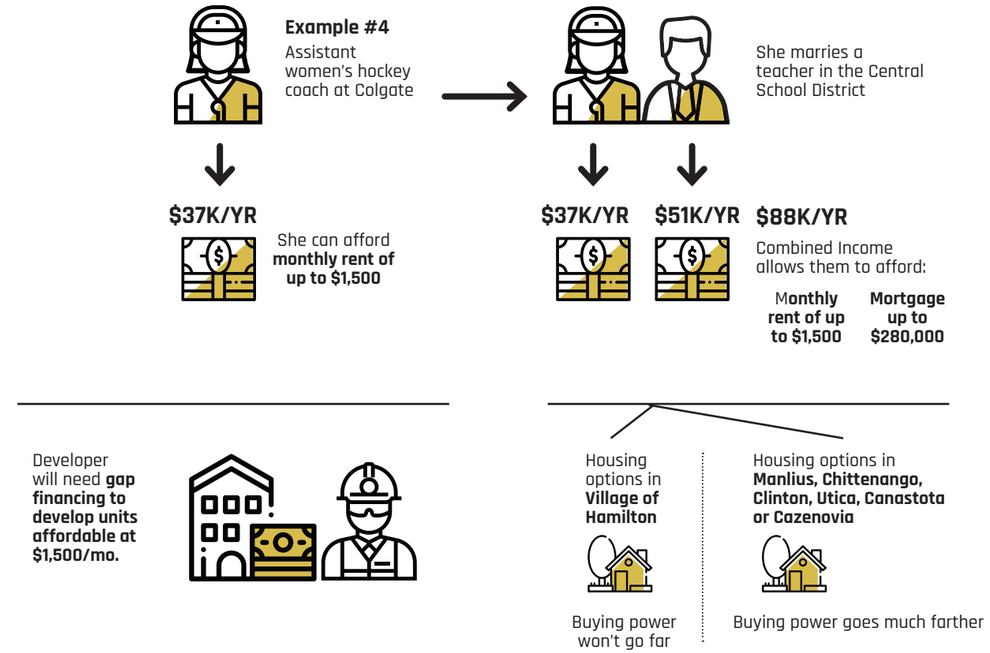
Put another way, for every one home in Hamilton that might work for this hypothetical two parent household with good incomes, at least ten would available a relatively short distance away. On top of the inventory disadvantage, schools in Cazenovia and Manlius generally rate as well or higher than those in Hamilton, even when considering the positive impact Colgate families have on the public schools in the Village. So, on balance, there's more housing choice in several Madison County locales than in Hamilton, and often with equal or better schooling options, and almost all superior options are to the north given the challenges faced by the Sherburne-Earlville schools, to the south.

These are hard realities, and hard to ignore.

Such gains are offset by the expense and hassle of commuting, and each family will weigh their own net differently. Invariably, a question for many families goes something like this: **"Even if we both can find employment in Hamilton, are the benefits of not commuting and living in the Village worth having to cope with a smaller, older home and the challenge of upgrading it, uncertainty about selling whatever we buy when that time comes, and the fact that the schools aren't necessarily any better?"**

In general, the answer has for some time been, and continues to be "no". This is the storyline underneath the metaphor of the nicely washed and waxed car still having a transmission in need of work.





Middle Income Family with One or Two Earners

Now, this same situation also holds true for the family doing well in Hamilton, but earning less. If a family makes $75,000 a year, they may be able to afford a $250,000 mortgage. They will find half a dozen homes in their price range in the Town of Hamilton, and one or two in the Village.

What's in their price range in the Village will be an older home with a mango yellow formica kitchen and dreary baths dating to the 1970s, an older furnace, a homeowner-installed pine panel job circa 1964 in the family room, looming maintenance costs, high utilities and high taxes. What's available in the Town will be a small handful of newer ranch and split level homes of nominal merit. They will sit on larger lots of usually one to two acres. Not winning combinations.

Meanwhile, there will be a dozen homes in Manlius, and another half dozen in Chittenango they can afford, nearly all of which will be a little less expensive, and in a little bit better shape, and thus more likely to find a good buyer when it comes time to sell. When places like Manlius and Chittenago — lacking anything comparable to Hamilton's Village Green or Colgate as a partner — are eating your lunch, it's time for a change.

Whereas lower income families are generally priced out of Hamilton, the challenges faced by middle income households demonstrate the problem of not choosing Hamilton, though able to. They are not willing to buy an older home and cope with the rehabilitation challenges incumbent to living in Hamilton with an income of less than $125,000. Nor are they eager to buy a newer home in the Town that lacks Village charm.

To remedy this situation, it will be necessary to expand the inventory of homes available in the Village of Hamilton for purchase by owner occupants with annual incomes between $65,000 and $125,000, perhaps even higher. These are households able to afford homes ranging from $200,000 to $425,000, or rents in the $1,600 - $2,500/month range. To unstick the local market and still maintain Village charm, special care to site selection, an unwavering insistence on architectural quality and fidelity to achieving population growth without sprawl — all of which are cost multipliers — will be necessary.

Of course, if the natural and aesthetics are of less concern to Village stakeholders than building the tax base over time or curbing the loss of market share of the middle class, the gap to close will be much much less.

Moderate Income Household

Moderate income households are those whose main challenge isn't a less than desirable inventory but instead one more defined by a degree of financial need. For these households, typically those earning less than $55,000 where $1,500 is the absolute highest monthly housing expense they can afford, new townhouse units for new owners will have to come in at far less than can be profitably done without subsidy.

It is worth considering an assistant women's hockey coach at Colgate who may have a $37,000 annual salary. Her maximum affordable monthly rent will be roughly $1,000. A seasoned multifamily developer could only generate rents that low by building apartments smaller than 600 SF, so unless there's a market for units that small - and there isn't - gap financing will be needed. Even if units that small could work at the current moment, there's little to suggest they will have durable value. Skepticism will be experienced in the form of costlier loans and investor terms.

However, if this coach marries someone who teaches in the Central School District and earns $51,000, their combined $88,000 annual income typifies a Hamilton household that can afford monthly rent of up to $2,400, or a mortgage on a $280,000 home. As a single wage earner, the affordability problem is one thing. Once married, what was an affordability challenge becomes a matter of willingness. Before combining incomes with a spouse, the coach's maximum affordable rent of $1,100 meant either a small, tired apartment, or a commute. Once married, $280,000 in home buying power will both not go far enough in Hamilton yet be thoroughly sufficient in Manlius, Chittenago, Clinton, Utica, Canastota, or Cazenovia. This is an example of a very valuable member of the community being recruited initially but not retained.

To ensure that family remains in the Village fold, good rental options for young singles will be needed, as will good first time buyer opportunities and, later, good move up options. What Hamilton will want to work towards is building - over time - a housing ladder of good quality rental as well as home ownership options at a variety of price points. The aim should be to align the many kinds of household and family circumstances that unfold over time with a variety of stocks well suited to their demands and purchasing power.

HOW HAMILTON'S LOCAL MARKET CONDITIONS **CAN BE IMPROVED**

Fixing this situation is straightforward. Not cheap, as the necessary gap financing will add up. Nor easy as opportunity costs will be incurred. But straightforward to the point of being simple.

To compete against surrounding jurisdictions that offer better housing choices nearby, Village and Town stakeholders are going to have to subsidize the households they want to live in Hamilton. Stakeholders potentially willing provide subsidy will have to decide who the target market is.

This subsidy needed can take many forms.

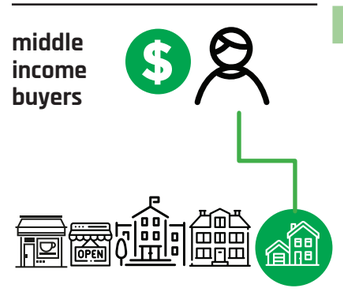
One may be at the front end in the form of granted land. This would remove a portion of the development expense for new construction. It would not constitute an especially large percentage of project cost, but would be enough to make a positive difference. This could be done in the form of a private or public land trust or an outright gift.

Another kind of subsidy to consider might be on the buyer side in the form of increased wages, or discounted financing, or abated taxes. A combination of some subsidy in the form of land, plus some subsidy in the form of reduced mortgage expense, plus some subsidy in the form of abated property or school taxes, can result in a final housing payment sufficiently reduced to change buyer and renter math.

Such subsidies could be applied to new construction or to acquisition-rehabilitation. They, or similar enhancements could likewise be applied to housing for home owners or for renters. At the end of the day, the gap between local employees' purchasing power and the cost of competing against what's available elsewhere will have to be enough to ensure:

- Sufficient seller gain
- Developer and builder profit
- Preservation of Village character and town heritage
- Creation of good quality collateral

middle income buyers



Depending on what Village and Town stakeholders determine regarding target market, subsidy may sometimes mean **helping middle income buyers obtain the home they want that today doesn't exist.** This would not be for reasons of social equity so much as doing so as a means of building the kind of Hamilton community desired by key stakeholders. As an example, were the Village to offer to transfer Triangle Park to a developer at no cost, stipulating that four deed-restricted, affordable homes be built there, it is conceivable that the location combined with a substantial concession on County, Town, School, and Village taxes might be enough for a final sale price on an 1,800 SF single family semi-detached home to be in the $350,000 price range and generate a mortgage payment (inclusive of insurance and negotiated taxes) of $1,800-$1,950/month, affordable to a household at $65,000 - $80,000, after a range of other subsidies were also included.

moderate income buyers

Sometimes it may mean **doing the same for moderate income families, whether buying or renting**. So developing the land along the towpath in concert with redevelopment of the train depot (and adding property along Milford) could yield a combination of rental and ownership units potentially affordable to households earning $40,000 - $60,000.

Similarly, **redevelopment of Wayne's Hardware at the corner property at Eaton and Lebanon into 4-5 dozen apartments** averaging 900-1,300 SF could be done to theoretically produce rents in the $1,400-$1,800/mo range, some even lower, depending on project financing. This would depend greatly on predevelopment expense after considerable subsidy and after determining the mix of incomes and target markets best suited for such a location, and of course, a willing and motivated seller.

lower income households

Other times it may mean **helping lower middle income and working families bridge more genuine affordability** (as opposed to desirability) **gaps**. For example, both the Little League ballfields on Eaton Street (10 acres), and the area between the fields and the water treatment facilities on Milford, represent excellent location for new housing. One option might be to relocate the fields to be closer to the water treatment facilities, and then to repurpose the existing field location as new housing, creating the opportunity for a significant number of multifamily rental units to be developed there. A related option would be the flank the existing fields with new cluster housing - either for owner or renter occupancy - on either side. Depending on tax abatements and land concessions, rents at this location could be affordable to working lower middle income and working families.

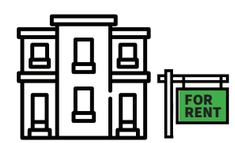
Each of these are simply examples where the Village might consider repurposing sites for housing that are now used differently. Each hypothetical example also serves as a proxy for stakeholders to determine the Village's target market it is willing to subsidize, and in that decision-making process, develop consensus agreement on reasoning.

By shifting uses in these hypothetical examples, priority could be given to Village form and housing market health. Both could be achieved in concert with preservation of Hamilton's vernacular, a vital ingredient in its long term interest to tend to. This is because it would confine new development to within the tight, genuinely walkable envelop that serves as the physical essence of Village form. Trying to achieve both improvements in character and market health would be a valuable shift from and contrast to whatever short term gains might be made possible by the development of less optimal sites. The trading of historic character for charmless cul-de-sacs are worth discouraging if indeed Village form is a categorical imperative, as the loss of Village charm undermines the value of the market, making subsidy worth less.

In all such scenarios, the key takeaway is that gap financing of some sort is going to be necessary if the Village and partner stakeholders want households earning less than $125,000 to make Hamilton their home.

Without gap financing as described generally, the private market in the Village will continue to do what it has defaulted to. It will proceed with profitably delivering outstanding local housing options for households earning at least $125,000 who want to live in Hamilton more than in surrounding areas. And will just as profitably keep providing marginal to poor quality homes via bottom-dwelling acquisition and bare minimum rehab in and on the outskirts of the Village for households earning less than $40,000 unable to afford better. There is the rare exception, of course, such as the well built and well managed 72 unit Madison Lane Apartments. But Madison Lane only reaffirms the point: without subsidy quality units will not materialize.

As a rule of thumb, czb has estimated that for every $1,000 in annual household income below the income deemed sufficient to meet break even rent for a new or newly renovated home in Hamilton, about $2,880 in capital subsidy will be required. For general strategic planning purposes, it is recommended this be rounded up to 1:3 (or $3,000 in reduced housing price to compensate for every $1,000 in reduced annual household income and roughly $50/month in reduced rent for a modestly-sized and modestly-appointed new apartment).

Challenge	Description	Implication
Historic Rehabilitation of Single Family Home 	Since it is estimated that the private sector cannot profitably acquire and rehabilitate and market and sell a professionally renovated typical home in the Village (to a standard that maintains and strengthens the local housing market) for much less than $410,000, any household earning less $125,000 annually that Village stakeholders want to live in Hamilton in a restored home will need a subsidy.	The further below $125,000 a household earns annually, the larger the subsidy to acquire and rehabilitate a pre-War home in Hamilton, or the less costly (and possibly less marketable) the finishes have to be.
New Single Family Detached or Semi-Attached 	Additionally, since it is estimated that the private sector cannot profitably produce a marketable (1,800 SF) new, single-family detached home for much less than $375,000, any household earning less than $100,000 annually that Village stakeholders want to live in Hamilton will need to receive either more income (or a housing subsidy) on the demand side, or a home that's sold for less on the supply side - whether by reduced land or financing costs - or reduced home size.	The further below $100,000 a household earns annually, the larger the subsidy for a new home in Hamilton, or the smaller (and possibly less marketable) the unit. As most families today buying a home want an least 2,000 square feet, these numbers will tend to vary upwards.
New Multifamily Rental Apartment 	Because a new small apartment (850-950 SF) cannot be profitably built whereupon debt is serviced, investors are repaid, and units thereafter responsibly managed for rents much less than $1,800/month, any household earning less than $65,000 annually that Village stakeholders want to live in Hamilton in a new apartment will also need a subsidy. Since a household that can afford $1,800 rent can afford to repay a mortgage of $215,000 even in the highest taxed NY jurisdictions, there is substantial apartment developer risk in a region where within a short drive of a risky new apartment venture banking on renters paying $1,800 a month, $215,000 homes for purchase are readily available.	The further below $65,000 a Hamilton household earns annually, the larger the subsidy for a small, new apartment in the Village.
Rental Rehabilitation 	Because renovating an existing apartment building in the Hamilton area will not likely produce units that can be rented for much less than $1,500/month - even with a donated building - any household earning less than $55,000 annually that Village stakeholders want to live in Hamilton in a new apartment will also need a subsidy.	The further below $55,000 a household earns annually, the larger the subsidy for a renovated apartment unit in Hamilton, or the less costly (and possibly less marketable) the finishes have to be.

NEXT STEPS
UNSTICKING THE HAMILTON MARKET

Right now, a dysfunctioning Village market allows the regional market to address Hamilton's identified shortcomings. This reinforces matters. Chris Argyris referred to such a situation as a system in need of systems-level change. Fail to address the underlying governing variables while trying to address ephemeral issues, and the outcome will be the same.

The exemplary work done by the Hamilton Initiative has done wonders to market Colgate. It has enabled the Village to present itself and all its very real charm in the best possible light to any visitor.

This has had a measurably salutary effect on Alumni, and impacted demand on the part of older, successful households who have begun to purchase second or third homes in Hamilton. It has similarly impacted the decision-making math of Colgate parents, who from time to time weigh student housing expense against the alternative of buying property in the Village, sometimes opting for the latter.

But these gains have not translated into developer confidence. They have not translated into buyer options. Gaps on these fronts remain.

Instead, these gains have been channeled into upper end housing - new in the Town, and historic and refurbished in the Village - on one hand, and shabby lower end rentals at the other. Missing a vibrant middle, or more accurately, ceding the vibrant middle to Chittenango and other communities, Hamilton lacks the population to drive the very tax base local government needs.

Unsticking the Village market is going to require the introduction of a modest number of new housing units on a regular basis, affordable to a range of households, from the cashier at the Byrne Dairy making $11/hour and now living in a mobile home off Airport Road in Town, to the young assistant hockey coach now tripling up with two other coaches in a poorly maintained 1910 wood frame in Randallsville.

Consistently averaging 16-18 new units a year over a period of about 10 years will add roughly 160-180 units to the Village inventory at a pace the market is likely to absorb. Six to eight per year over 12-15 years would also likely be a suitable, but might not have the stimulative impact needed. If 50-60 were developed as rental housing and most of the balance was reserved for home ownership, and priced across the income spectrum, the Village's missing middle could be rebuilt in a healthy and durable manner.

A variety of new housing products across a variety of price points should be encouraged. This will be important if there is a genuine desire by Village stakeholders to counter the diverging bifurcated nature of the evermore upwardly-tilted Hamilton market; if the baker at Flour and Salt can't afford to live in the Village, she will commute and eventually the Village will lose her and her talents and her potential contributions to Hamilton's civic fabric. If the only way for her to live in the Village in a good home is for a bagel at Flour and Salt to be $10 so she can can be paid $15/hr, Flour and Salt will go out of business. Therefore a third party will have to intervene if this proves to be a problem worth solving in the opinion of Village stakeholders.

HOME SALES ACROSS REGION
March-July 2018
700 SALES

SOLD

HAMILTON'S SHARE OF HOME SALES
ABOUT 2%
Hamilton's regional share of population is 3%

HOME FOR SALE HAMILTON
March-July 2018

FOR SALE

15 homes
7 MONTH SUPPLY
too little for market demand

Regional Demand Will Affect Absorption

Even though the local Hamilton market is stuck, the regional market actually works fairly well. This is why what's needed is more nuance than blunt force. Hamilton's is a market that needs to be tweaked more than overhauled.

In a typical spring-summer buying season across the region (most of Madison County and some parts of markets in adjoining counties), it is estimated that about 700 sales take place. Hamilton's share (4,000+) of this regional population (135,000) is roughly three percent (3%), but its reliable annual share (10-20) of sales activity (700) runs at about two percent (2%), or 50 percent of par.

The typical number of homes for sale (15) in the Village at periodic checkpoints made between March and July 2018 suggests that there is generally about a seven month supply. This is broadly indicative of a basically healthy market, but one constrained by too little of the product the market really wants. What's absorbed is what the market feels compelled to accept.

 # OF NEW HOMES HAMILTON MARKET CAN ABSORB
2020-2030

11-12 new homes
(if subsidized)

FOR SALE

Must be a competitive product offering in region

MARKET FOR THESE NEW HOMES

7 new homes → sell to existing Village workers

4 new homes → sell to new hires who are new to Village

Ownership

czb estimates that the local market can absorb about 11-12 new homes for sale each year for the next ten years (about 110 between 2020 and 2030), provided they are suitably subsidized. Subsidy notwithstanding, any product delivered with the ambition of unsticking the market will have to compete against comparative options offered by other neighboring markets in terms of aesthetics and size and level of finish. If in addition to meeting that test there is the ambition to complement Village form and charm, special attention to architecture and urban design will be equally essential.

It is projected that seven of the 11-12 new homes needed each year (112 by 2030), or about 60 percent, are likely to sell to existing Village workers who are going to want to upgrade their living situation, some of whom may move to Hamilton from their homes elsewhere in Madison County. It is also projected that roughly 40 percent, or about four each year, can be successfully marketed and sold to new hires coming to Hamilton for the first time. This is provided Colgate slowly expands its number of employees and the local economy remains stable.

AVERAGE MONTH SUPPLY OF MID-QUALITY RENTAL UNITS IN HAMILTON

30

Rental inventory is in need of substantial improvement in quality and number available.

ADDING 50-60 HIGH-QUALITY UNITS OVER THE NEXT FEW YEARS HELPS MAJOR EMPLOYERS RECRUIT AND RETAIN EMPLOYEES.

Rental

The rental market in Hamilton is characterized by tight vacancy rates, high rehabilitation costs, and excellent options for financially stronger households to buy elsewhere. Thus - generally speaking - apartments in and in the immediate vicinity of Hamilton tend to be one-offs of marginal quality. A stale $1,250/month two bedroom 1970s 8-plex near the Golf Course with baseboard electric heat here. A dingy $630/month warmed over Earlville "loft" there. In general, Hamilton's rental prices in no way gouge renters. They tend to be exquisitely priced to take full advantage of and perpetuate the stuck local market.

Where renters do feel pinched is in the self-fulfilling shortage of better quality alternatives. In a given month, there are about 30 middling quality apartments and homes for rent in the general Hamilton area. Most are basically serviceable. But that's about it. Very few are especially marketable except in a situation such as Hamilton's where options are so limited. The moment additional units of better quality come on-line, marginal existing stocks will experience higher vacancy rates until they are rehabilitated, in some cases significantly.

Rental housing plays an important role in any local market, adding elasticity to econometric decision-making. Fail to have a good inventory of rental housing and the result will become a limiting factor for the local economy's major employers. Generally regrettable quality in the rental stocks that are available and tight vacancy rates overall mean that financially stable households not ready to buy go elsewhere.

Coupled with the capacity of moderate income households to eventually buy in other locations, the local rental market has significantly become the domain of owners leasing to lower income households that tend to be financially weak, or those with moderate incomes not quite able to make the leap to local ownership. Of course not all owners and landlords are reprobates, nor are all renters financially troubled. In some Hamilton cases, excellent owners are leasing outstanding homes to financially stable renter households who are superb neighbors. The point remains. The rental inventory is in need of substantial improvement. By adding quality apartments to the housing inventory in Hamilton, pressure to upgrade poorer quality units will materialize, as noted. This will serve to assist families in need of good, basic rental options they can afford. Additionally, financially stronger households not wanting to buy just yet will choose to live in Hamilton.

In view of these dynamics, it is estimated that adding 50-60 new, high quality apartments of varying size and composition over the next ten years (between 2020-2030) to the local Village rental market will help major employers retain and recruit employees, and help in the work of slowly reducing the Village's percentage of workers who commute (now at 87%), bringing the rate down to be similar to New Paltz (SUNY) and, eventually, Brunswick (Bowdoin).

Conclusion

To achieve these aims, it is recommend that the Village and its partners establish a very attainable goal of adding 112 new homes for purchase to the Village inventory by 2030. It is further recommended that an equally attainable goal of adding 50-60 new rental units also be adopted. And additionally that the Village and its partners adopt the goal of redeveloping (acquisition and rehabilitation) 12 historic homes in the Village as high quality rentals.

This ambitious set of goals means developing a total of 178 homes between 2019 and 2030, with many front-loaded to stimulate demand. It is envisioned some development will be evenly spread out, and other development — multifamily — would likely occur in spurts, but that on average, the ambition should be toaim to add 166 new homes, and rehabilitate 12 others by 2030. This would constitute a unit increase from 947 to 1,113 (17.5%), sufficient if challenging in scope to unstick the local market and reposition the Village as a more economically diverse, and thus vibrant community, yet not too aggressive so as to glut the market.

It is estimated that approximately 14 acres of land will be needed for new homes and for new apartments. Some of the new units should be on parcels as new development (about 10-11 acres), and some in the form of repurposed property whereby existing buildings would be demolished and replaced by new construction, or rehabilitated and complemented by infill (3-4 acres). The entirety of the 14 acres envisioned as being necessary will need to be purchased and granted to developers to reduce development expense. In some instances - about a third of the recommended homes to be developed for buyers - a considerable property tax abatement is likely necessary to render development feasible or significant patient equity will be required. Property within the Village - walking distance to the Green - is optimal, though realistically meeting demand just outside the Village will cost less and also can be considered an improvement if done well.

By developing and redeveloping a range of homes - most new, but not all - at a high level of finish at good locations, over a period of 10-12 years, it will be possible, with subsidy, to target a range of renter and buyer households with incomes mainly between $60,000 to $120,000. It is estimated that an average of approximately $75,000 in subsidy for each will be needed plus land, through a combination of gifts, zero interest second mortgages, tax abatements, and permanent equity. Importantly, this assumes 148 of the 166 new units are primarily aimed at addressing willingness to pay challenges posed by median income households, and a small number aimed at addressing ability to pay problems faced by those with lower incomes. Ambitions for more deeply skewed rents will, of course, increase the average subsidy required.

BY 2030:

ADD 112 NEW HOMES FOR PURCHASE

ADD 50-60 RENTALS

REHAB 12 HISTORIC HOMES as high-quality

RECOMMENDED STRATEGY

It is recommended that PCD and Village Stakeholders encourage the development of 178 units of new and rehabilitated housing in the Village (166 new units and 12 historic rehabilitations). It is estimated this will constitute roughly $60M in development activity inclusive of land and in some cases building acquisition expenses. Note that land and building acquisition costs will vary. It is estimated conventional debt may possibly be obtained at 70% LTV (on average) for this market and this range of products, leaving PCD and its partners the task of making an $18.3M commitment between 2019-2030 ($1.67M/yr) to strengthen the Hamilton housing market as necessary.

BY 2030

166 NEW UNITS
12 HISTORIC REHABS

178 UNITS

SUMMARY RECOMMENDED USES

NEW OWNER UNITS	Est TDC	Total	Project Costs
1,800 SqFt SF Detached	450,000	40	$18,000,000
1,650 SF Semi Attached/Cluster	350,000	72	$25,200,000

NEW RENTAL UNITS	Est TDC	Total	Project Costs
1,300 SqFt 2 BR 1.5BA	240,000	12	$2,886,000
1,100 SqFt 2 BR 1.5 BA	220,000	36	$7,326,000
900 SF 1 BR 1.5 BA	200,000	6	$999,000

HISTORIC (RENTAL) REHAB	Est TDC	Total	Project Costs
Expected Average @ $175/SF + Acq`	475,000	12	$5,700,000
TOTAL		178	$60,111,000

SUMMARY RECOMMENDED SOURCES

Land Contributions (into Public Land Trust or Held/Leased)	5.96%	3,585,000
Colgate and Colgate Partner Equity and/or Tax Relief	24.44%	14,688,300
Conventional Debt	69.60%	41,837,700
TOTAL		$60,111,000

NEW OWNER UNITS

RECOMMENDED USES

NEW OWNER UNITS	Construction	Land/Acq	Total	Total	Project Costs
1,800 SqFt SF Detached	441,000	9,000	450,000	40	$18,000,000
1,650 SF Semi Attached/Cluster	450,000	3,500	350,000	72	$25,200,000
				112	$43,200,000

RECOMMENDED SOURCES

Mortgage 1,800 SF Detached	337,500			40	$13,500,000
0% Interest 2nd Mortgage	103,500			40	$4,140,000
Land Contributions	9,000			40	$360,000
Mortgage 1,650 SF Detached	262,500			72	$18,900,000
0% Interest 2nd Mortgage	84,000			72	$6,048,000
Land Contributions	3,500			72	$252,000
				112	$43,200,000

NEW RENTAL UNITS

RECOMMENDED USES

NEW RENTAL UNITS	Construction	Land/Acq	Total	Total	Project Costs
1,300 SqFt 2 BR 1.5BA	240,500	19,500	260,000	12	$2,886,000
1,100 SqFt 2 BR 1.5 BA	203,500	19,500	223,000	36	$7,326,000
900 SF 1 BR 1.5 BA	166,500	19,500	186,000	6	$999,000
					$11,211,000

RECOMMENDED SOURCES

Conventional Debt @ 65%	122,272			54	6,602,700
Equity or Tax Relief	65,839			54	3,555,300
Acquisition Contributions	19,500			54	1,053,000
					$11,211,000

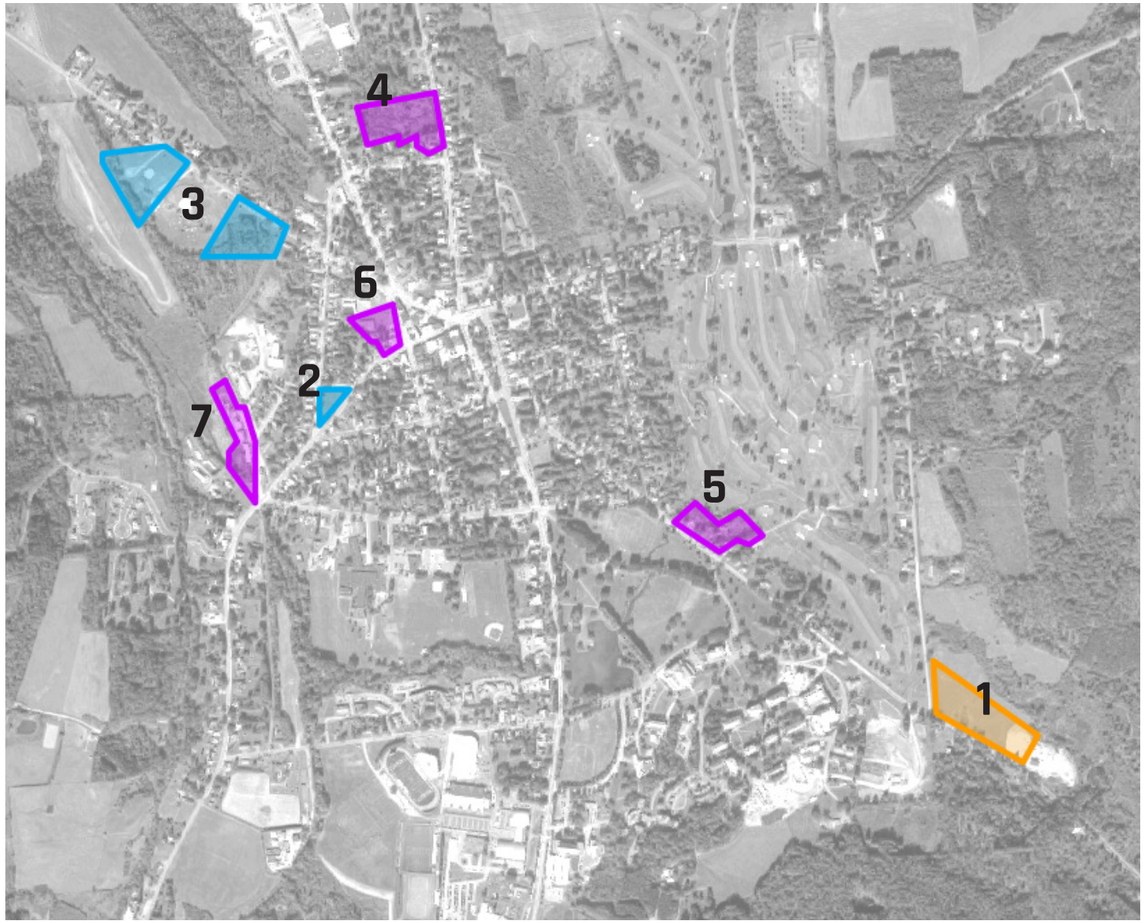
HISTORIC (RENTAL) REHAB

RECOMMENDED USES

(HISTORIC (RENTAL) REHAB)	Construction	Land/Acq	Total	Total	Project Costs
Est Average @ $175/SF + Acq`	315,000	160,000	475,000	12	$5,700,000

RECOMMENDED SOURCES

Conventional Debt @ 65%	236,250			12	$2,835,000
Equity	78,750			12	$945,000
Acquisition Contributions	160,000			12	$1,920,000
					$5,700,000



czb has identified 27.3 acres of quality potential sites that could support between 139-274 various housing units within the Village, most a short walk from the Village Green. None are perfect. All are viable options. It is estimated that to accommodate the development of 166 new units (12 are anticipated to be historic rehabilitations), approximately 14 acres will be required of varying densities across a number of locations.

166 NEW UNITS
12 HISTORIC REHABS

Colgate Site	1
Village-Owned Sites	2, 3
Privately-Held Sites	4, 5, 6, 7

Colgate Site

1 A Colgate-owned site at the intersection of Spring and Hamilton Highway is ideal for new, single family-detached homes aimed at buyers employed by Colgate. Approximately 6 of the 422 Colgate owned acres at this location could be developed at an average of 8 dwelling units an acre, for a total of 40-50 new homes. This could create home ownership for employees very close to campus. It is envisioned that Colgate, as an investor in such an endeavor would enter into a deed-restricted, shared equity arrangement with selected employees.
This area is located within the Town and zoned Agricultural-Residential District (ARD). The ARD zoning designations requires a minimum of 1 acre per dwelling unit which would only allow for a total of 6 units. This property could be easily connected to the existing utility and sewer infrastructure that is located just east of Spring Street, south of Hamilton Highway. It is recommended that the Town of Hamilton consider the creation of a new zoning designation that would allow this increased residential density that is more indicative of a village neighborhood.

Village-Owned Sites

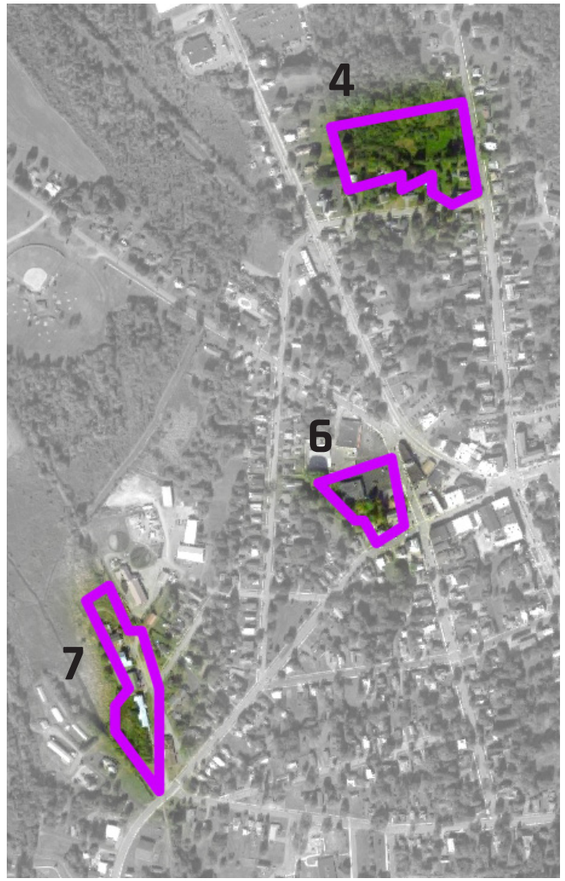
Two publicly owned parcels should be considered for the development of ownership or rental housing.

2 Triangle Park is ideal for four detached or semi-attached new homes. The small area of .74 acres is well located to permit new families to walk to work. No new infrastructure would be required.

Triangle Park is zoned Family Residential (R) which has a minimum 15,000 SF lot for a duplex. At 32,234 SF (.74 acres), 2 new duplexes could be built on this location. A single family dwelling unit requires 11,000 SF; the site is just a bit less than 33,000 SF to accommodate 3 detached single family units. A variance to allow 3 units could be argued given the odd shape of the land. Consideration should be given to a change of zoning to allow greater densities for single family and semi-attached (duplexes).

3 The Village also owns 16 acres on Eaton Street, the site of recreational ballfields and forest adjoining the water works. Here, the ballfields could be relocated or new multifamily rental or clustered home ownership housing could be developed on either side if the decision were made to keep the ball fields in tact. By allocating nine acres to housing at 12 units per acre, on average, as many as 108 units could be developed less than 700 yards from the center of the Village.

This area is also zoned Family Residential (R) and only permits single family housing on lots of at least 11,000 SF (or approximately 4 per acre). The Village should consider a Cluster Residential Zoning designation for the lands surrounding the ball fields if they remain or the entirety of the area if they were to be relocated. A Cluster Residential district could be designed to allow up to 12 units per acre equating to a minimum lot size of approximately 3600 SF. Such a lot could be configured at approximately 50' x 75', enough to accommodate a cottage style house in a clustered development.



Privately-Held Sites

It is estimated that four other locations - owned by neither Colgate nor the Village - represent excellent infill development and redevelopment opportunities, though all pose complex challenges.

4 43 Madison is approximately 3.4 acres of partially developable land 400 yards from the Village center. It is an ideal location to infill a variety of single family detached and semi attached homes that could be developed for owner or renter occupancy. Challenging flood plain and circulation issues would require attention by an able design team, but 12-18 new units at this location would be an excellent component of 166 Village-wide new unit strategy.

This area is zoned Family Residential (R) and only permits single family housing on lots of at least 11,000 SF (or approximately 4 per acre) and duplexes require a minimum lot size of 15,000 SF. Depending on the limitations presented by the flood plain issues, this area could deliver a combination of 12 - 18 single family and semi detached housing units with the existing zoning in place but again a new zoning district should be considered for this area - one that allows smaller lot development, perhaps lots in the 3500 - 7500 SF range.

5 55-59 Hamilton Street could be assembled and accommodate 10-12 single family detached homes at a highly desirable and marketable location. Separate of acquisition expense of two existing properties, $250/SF for 1,800-1,900 SF homes would generate excellent move up opportunities for Colgate affiliates.

This area, also zoned Family Residential (R), currently only allows 1 single family unit per 11,000 SF. With almost 4 acres at play in this location, up to 15 units of single family housing could be built and all would have easy access to the Seven Oaks golf course.

6 The Laundromat and adjoining property on Lebanon and **Wayne's Market** would require ambitious and complex assembly and site planning, but could ultimately be a very valuable undertaking for all stakeholders to consider. In spite of having to cope with the challenges posed by the Verizon building, 50-60 rental units in two multifamily buildings and half a dozen townhomes could be feasible with creativity and subsidy and motivated sellers. University and School District employees envisioned at this location would be the young professionals the Village needs to capture, most coming from existing sub-par rental circumstances.

This area is bifurcated by two zoning districts, the Mixed Use Core (MU-C) on the north side and the Family Residential (R) on the south side. The MU-C allows for creativity in terms of layout, size of units, and design. There are no minimum spatial requirements per the code; this flexibility could allow for a mix of unit types and sizes. The Village should consider expanding the MU-C south to Lebanon Street to provide opportunities for better on site residential layout and connectivity to the three-story commercial area on this end that begins with the New York Pizzeria.

7 Approximately 3.2 acres of land and older agricultural buildings on the Towpath Trail and Milford including the old train depot at Lebanon and Milford represent an excellent for redevelopment that could generate 18 rental units and depending on a number of other factors allow for infill new construction of 5-8 single family cottages.

This area is zoned Mixed Use Perimeter (MU-P) and does not allow multi-family residential development beyond 3 townhouses, each requiring a minimum 8,000 SF "lot area." Single family units require a minimum 11,000 SF lot area and duplexes require 15,000 SF; the same as the Family Residential (R) zoning designation. While a committed developer could likely design the site for approximately 12 - 14 units (mixed single family, duplex, and townhouses), greater flexibility for smaller lot development is recommended for the Mixed Use Perimeter zoning district.

Sample Approach to Potential Residential Development Opportunity
Multifamily, Stick Built Three Story Rental

(2 Buildings w 54 rental apartments)

Property Name	Wayne's Market
Address	Eaton Street
Square Footage	54,360
Total Development Cost	$11,362,712
TDC/SqFt	209
Projected Debt	$ 7,385,763
Needed Equity	3,976,949

Assumptions	
Vacancy	5.00%
Rent Escalation	1.50%
Operating Expense Escalation	2.50%
5 Year Cap Rate	8.00%
10 Year Cap Rate	9.00%
10 Year Cash on Cash	6.58%
10 Year IRR	-2.18%
5 Year Equity IRR	-4.71%
10 Year Equity IRR	10.29%

Outcomes	Year 1 Rent	HH Income
1 BR Units (24)	$ 965	$34,740
2 BR Units (24)	$1,315	$47,340
2 BR Units (6)	$1,490	$53,640
Lease Up % Year 1	50%	
Lease Up % Year 2	75%	

DEBT CONSTANT 6.5%

Development Costs	Est. Total	SF
Land (incl easements, brokerage, insurance, recording, taxes)	982,400	18.07
Land Improvement (incl water, sewer, fees)	42,500	0.78
Construction	8,749,334	1600.95
A/E		7.64
Marketing	56,100	1.03
Pre-development	86,450	1.63
Tenant Improvements		
Financing	428,800	7.89
Development Fee	350,000	6.44
Contingency	250,000	4.60
TDC	11,362,712	

Going Forward

PCD is encouraged to assemble its stakeholders and evaluate with care the target market most essential to maintaining the economic viability of major employers. Each new housing unit for targeted households will represent a substantial commitment in land and equity in order to drive conventional debt and persuade employees to plant roots in Hamilton.

Requests for qualifications should be prepared and marketed across the region to developers able to transform any of the sites considered here into housing. In most cases ownership will likely remain in the hands of key stakeholders.

The most advantageous route is the one that addresses not just land and development risk but market risk.

Two sites in particular can be readily developed and are apt to have a profoundly positive impact on the local market, from which learnings can quickly emerge and be folded into subsequent efforts. Wayne's Market and adjoining parcels and 43 Madison each represent opportunities to develop excellent rental and first time buyer options, and it is recommended PCD start with these. Longer term assembly of the parcels at Milford represent the next best chance to polish the Village's edges while strengthening the local market with creative infill.

Sites and development concepts that take away from Hamilton's charm should be avoided.

A demographic train wreck will likely occur nationally, reducing demand and prices as a glut of homes, many in nominal states of repair, flood the market. PCD is encouraged to develop a land banking capacity to intervene in the looming disposition challenge that Madison County will face.

PCD is encouraged to not only take the lead on developing a Hamilton Land Banking capacity to address looming disposition challenges, but an Affordable Housing Trust Fund capable of receiving future pay-ins from developers when the market is strong enough to support inclusionary provisions.

Colgate is encouraged to leverage the entrepreneurial energy that TIA has capably tapped into, with a specific focus on housing development and finance, local government, and the power of the Colgate Alumni network.

The long-term prospects for the region hinge on local government consolidation. The Town and Village will benefit from consolidation. Towns in New York commonly make the a priori case that development (of housing) is the remedy to fiscal weakness. In fact, a merged Town and Village where development in the Village is complemented by farmland preservation is the better course.

Belmont Green, Belmont, VA

Habersham Village, Beaufort, SC

Prairie Crossing, Grayslake, Illinois

Serenbe Village, Serenbe, GA

czb would like to express gratitude to Bogue Wallin for his expertise and camaraderie provided in the course of this project.

AFTERWORD

Land Use and Design

Design matters, and good design is good business. Hamilton stakeholders are strongly encouraged to treat Village housing and Town land use economics in tandem. The more the countryside of farmlands remains undeveloped, the more valuable scarce remaining lands become. The more valuable land becomes, the greater the built-in capacity to self finance stakeholder ambitions. The Town of Hamilton will be well-served in the long run by resisting conventional, sprawling developing on large lots; the Village will benefit proportional to the degree to which surrounding lands remain beautiful. Buying down development rights outside the Village is in both the Village and Town's best interest.

Establishing a growth boundary around the Village and steering development inside the edge is recommended. Firmly defining the series of transitions from sparse rural land use to denser urban form in the Village core will be necessary. At a minimum, formally connecting the Village and Town land use plans is recommended. Optimally, the Village and Town come together to adopt one common development code and one common comprehensive land use plan, both married to a growth boundary and both built on a ratified rural to urban transect.

Within either jurisdiction, the quality of urban design and architecture should be high. Numerous examples of excellent form in the built environment recently developed in similar rural village settings illustrate how Hamilton might manage change. Belmont Green (Belmont, Virginia), Habersham Village (Beaufort, SC), Prairie Crossing (Grayslake, Illinois), Serenbe Village (Palmetto, GA), and Birkdale Village (Huntersville, NC) are all good examples of development to consider.

Market

A variety of housing products developed over a period of about ten years is recommended. PCD is encouraged to consider the following targets, and to understand that these may be modified to suit more ambitious skewing or other goals, so long as additional subsidy is identified.

New Units

Owner Occupied

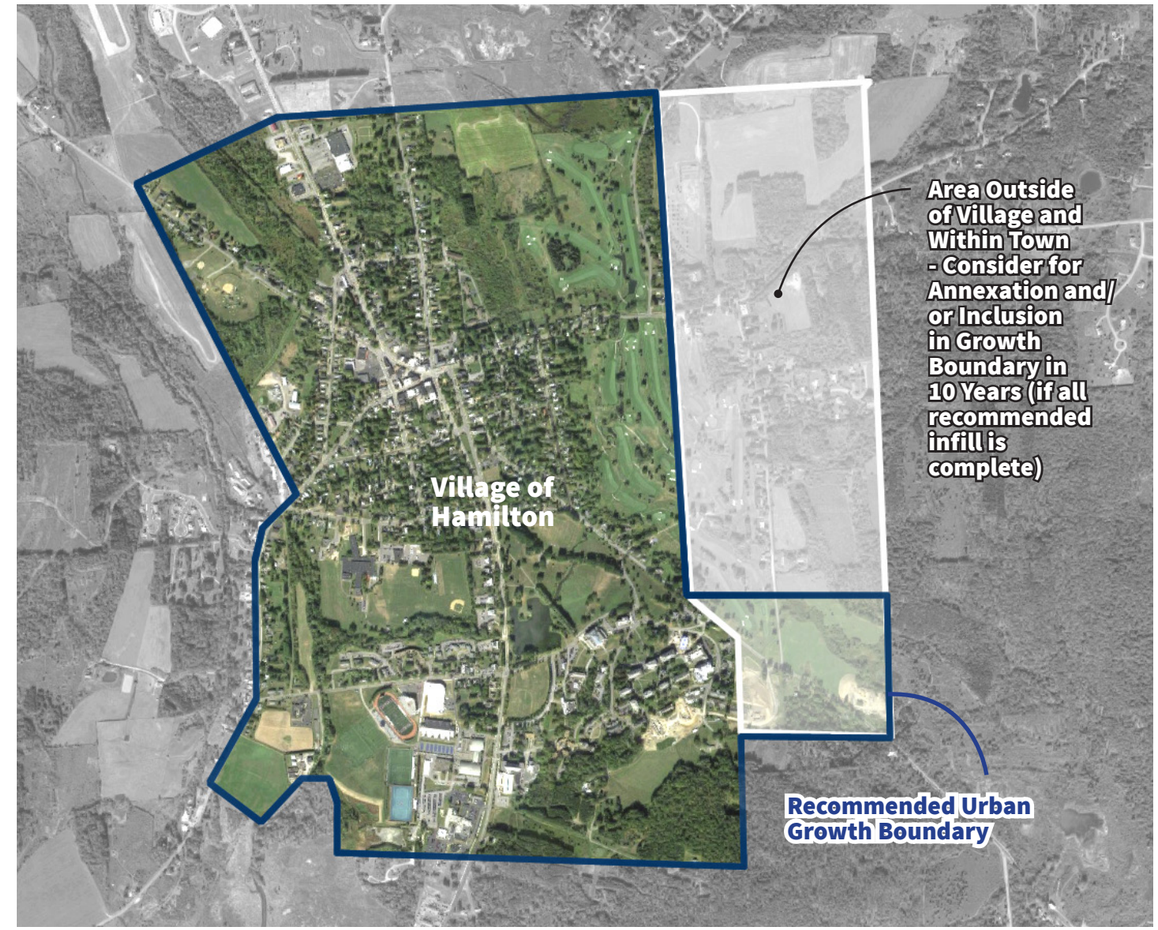
40	1,800 SF detached homes affordable to HHs with incomes between $80,000 - $90,000 a year
72	72 1,650 SF clustered semi-attached homes affordable to HHs with incomes between $70,000 - $80,000

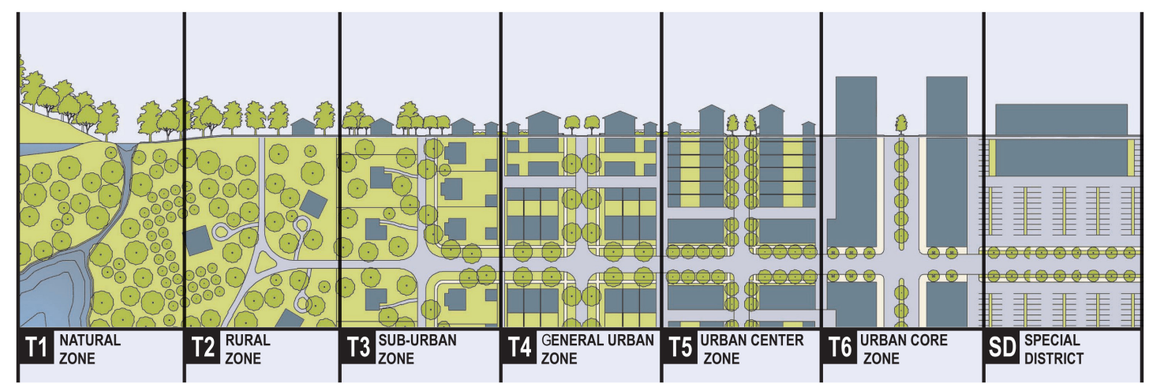
Renter Occupied

24	one-bedroom units affordable to HHs with incomes between $35,000 - $40,000
24	two-bedroom units affordable to HHs with incomes between $40,000 - $45,000
6	6 two-bedroom units affordable to HHs with incomes between $45,000 - $55,000

Rehabilitated Homes

12	historic rehabs aimed at higher income HHs with annual incomes generally above $125,000.





Source: DPZ.

Report to Partnership for Community Development

Hamilton, NY

czbLLC
August 2018

czb