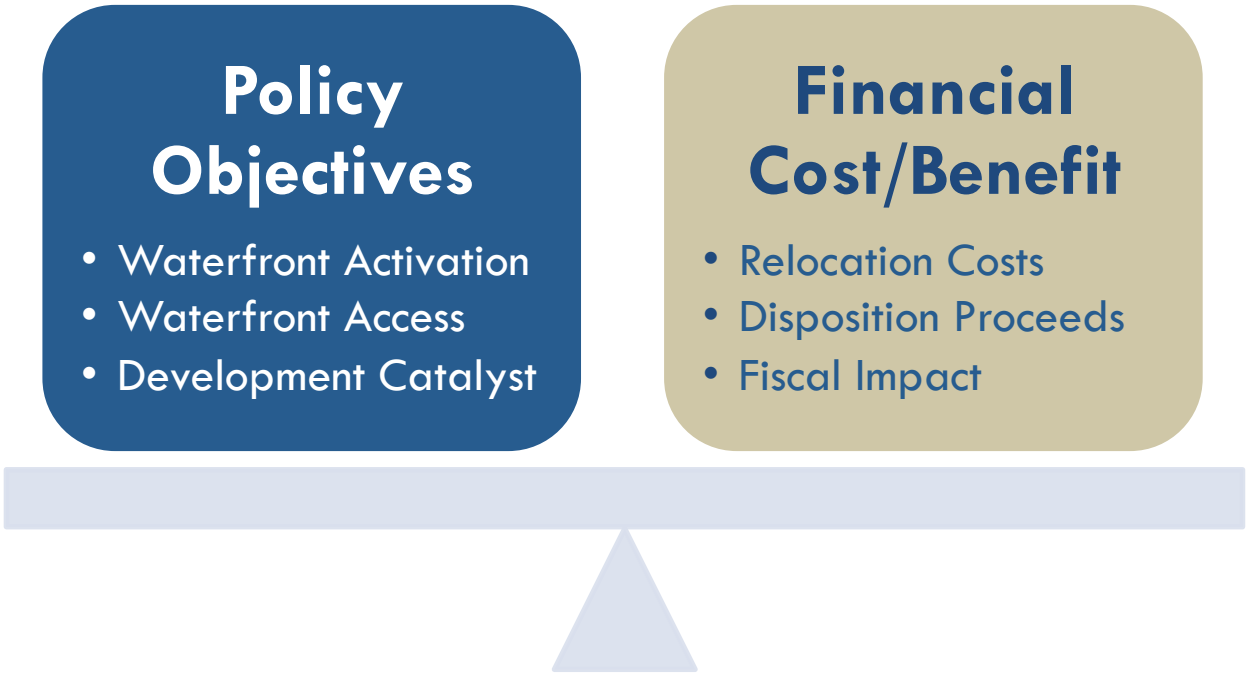
NYSDOT Maintenance Facility Relocation & Redevelopment

Market Context & Valuation Analysis

HR&A Analyze. Advise. Act.

September 14, 2015

Purpose



Our analysis aims to summarize market information to help the County and City weigh public policy goals against financial goals and constraints.

Executive Summary: Key Findings

- Given the NYSDOT site's unique location and size, **value-positive market development is likely feasible** but high development costs and parking requirements present **key barriers** to maximizing site density and value.
- The site's **highest and best use** is likely a mix of multifamily and townhouse product, yet this conclusion is highly sensitive to development costs, achievable rents, and developer risk tolerance – all difficult to predict given the lack of comparable projects.
- **Sale proceeds alone will be insufficient** to cover estimated NYSDOT relocation costs, yet **incremental tax revenue** to the County and City may justify upfront investment.
- To maximize potential sale price, an **RFP for this site** should a) remain flexible in program requirements and b) allow respondents to indicate changes to zoning or other policies that could improve site value.

Market Context

Residential

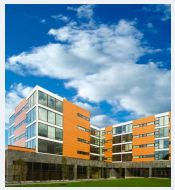
Hotel

Valuation Analysis

Appendix

Market Context – Residential

Residential | To guide income, cost, and program assumptions, HR&A selected four recent projects of comparable scale and market appeal.

	Property	Location	Year Built	# of Units
	Lofts @ Six Mile Creek	Downtown	2015	45
	Cayuga Place	Downtown	2008	68
	Gateway Commons	Downtown	2007	25
	Coal Yard Apartments	East Hill	2012	24

See Appendix for details about each comparable project.

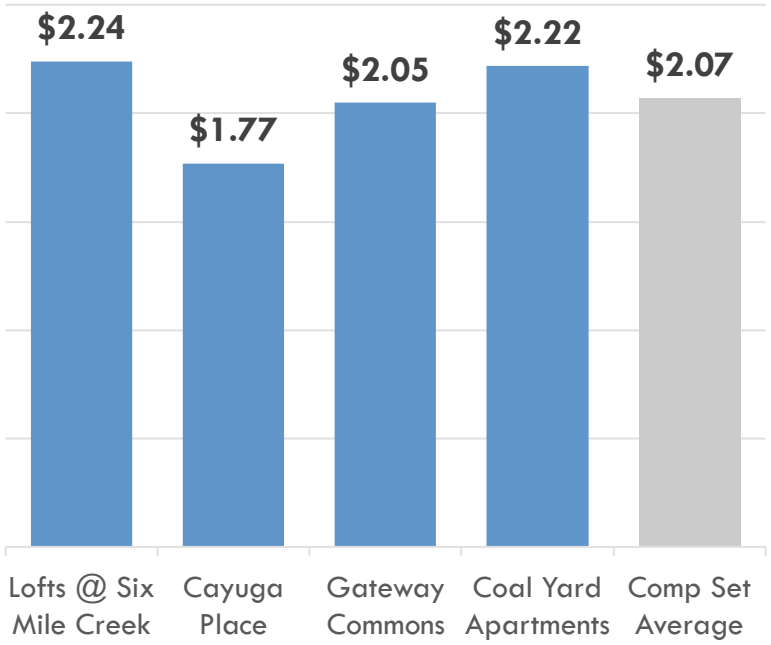
Residential | Pipeline development projects also guided program and cost assumptions, in particular pending waterfront development.

	Property	Location	Status	# of Units
	323 Taughannock	Waterfront	Planning	20
	Dewitt House (Former Library)	Downtown	Planning	60
	Carey Building	Downtown	Construction	20
	Chain Works District	South Hill	Planning	100+

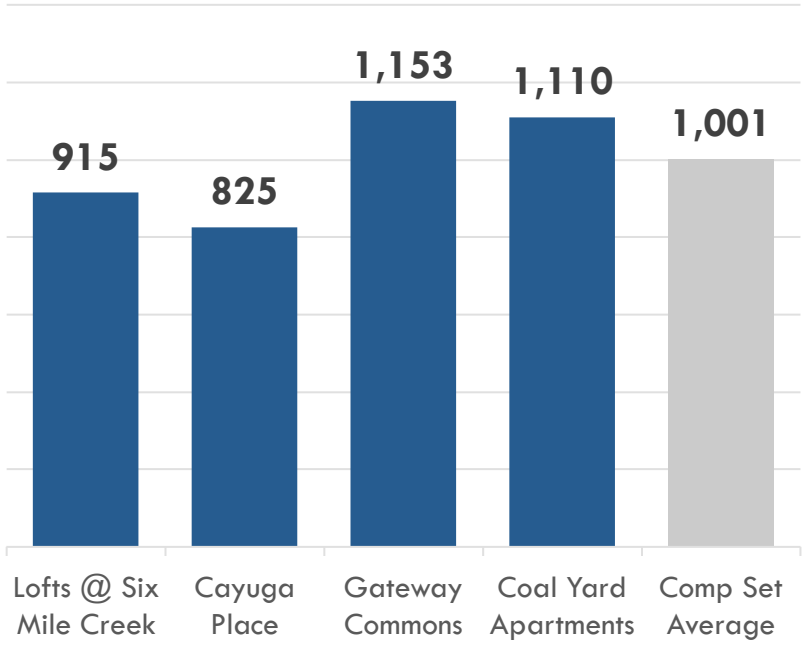
See Appendix for details about each comparable project.

Residential | Monthly rent among recently built product averages just over $2/SF. Unit size averages 1,000 SF.

Avg. Monthly Rents PSF

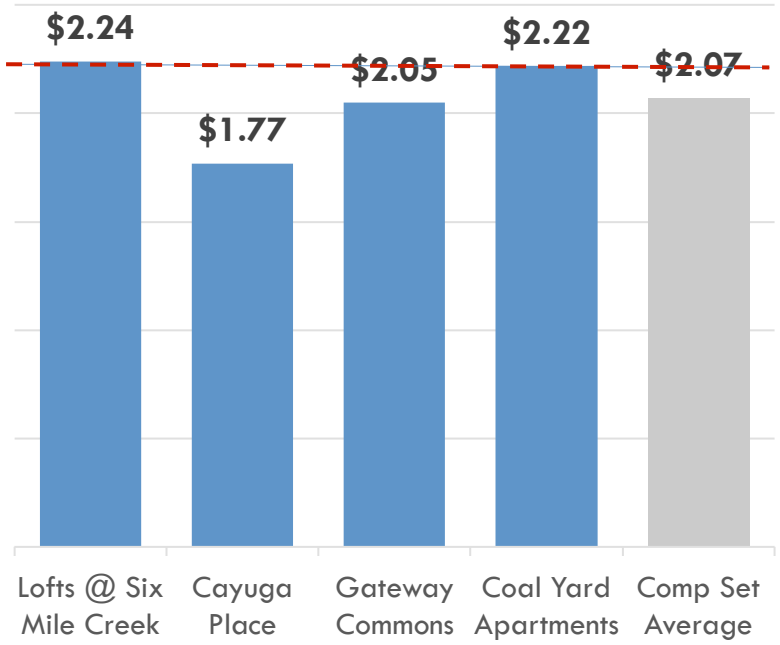


Average Unit Size (SF)



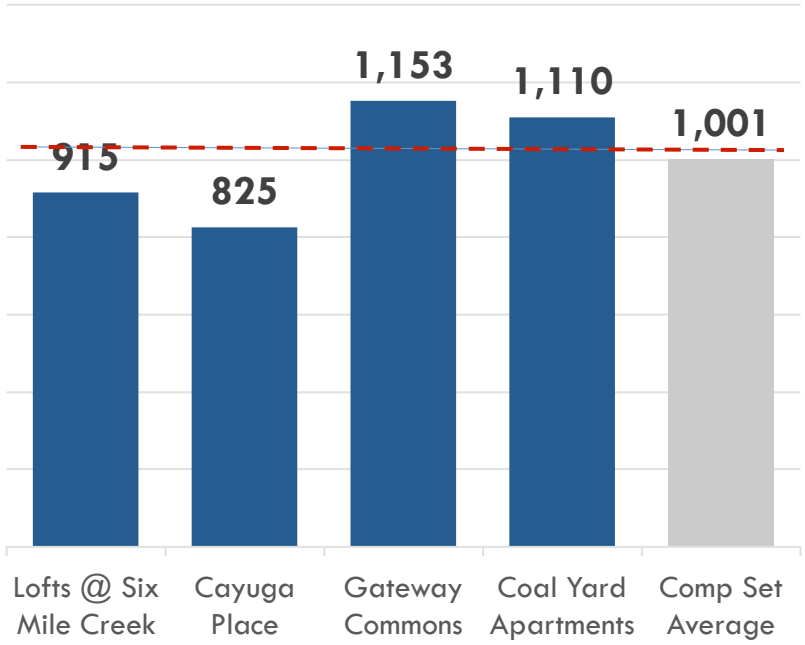
Assumptions | Our analysis assumes residential rents above the market average, but at a modest discount to prime Downtown deliveries.

Avg. Monthly Rents PSF



Estimated multifamily rent: **$2.15 per Sq. Ft.**

Average Unit Size (SF)



Estimated multifamily unit size: **1,000 SF/unit**

Residential | Key Takeaways

- The DOT site would represent the first large-scale waterfront multifamily development in Ithaca.
  - Opportunities: exclusivity, access to waterfront and Ithaca Farmers Market
  - Challenges: unproven market, lack of connectivity
- The DOT site lacks access to Downtown amenities and would require a more robust suite of on-site amenities to achieve comparable rents.
- Local market dynamics place a premium on rental product over for-sale product, although we recommend a mix of unit formats to support absorption.
- Anticipated absorption in the local rental market (beyond planned development) is 100-150 units per year, of which this site could capture a sizeable portion.

Market Context – Hotel

Hotel | HR&A also broadly studied the local hotel market to assess opportunities for new development.

- **1,656 total keys** in Tompkins County
- **255 keys** added in past 10 years
- **288 keys** currently planned or under construction
- Hotel properties have an **average age of 30 years**. New construction will likely replace outdated product rather than add to total supply.

Hotel | Two significant Downtown hotel developments signal demand for new product, primarily serving the business and academic traveler.

Marriott

In development

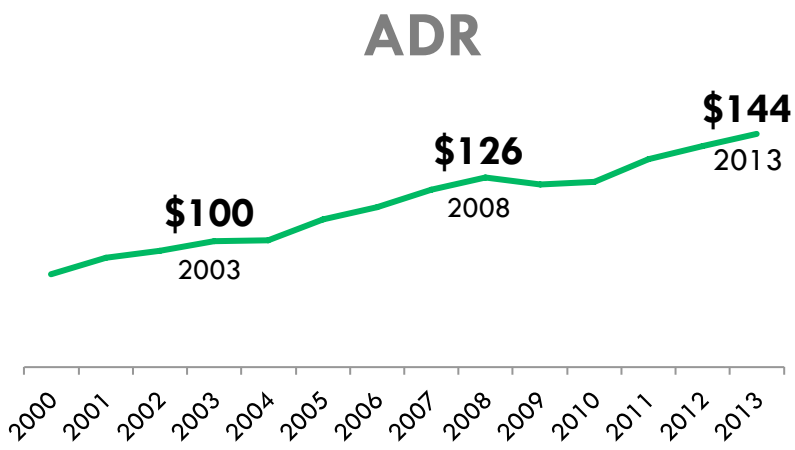
- 159 keys
- $32M project cost

Hilton Canopy

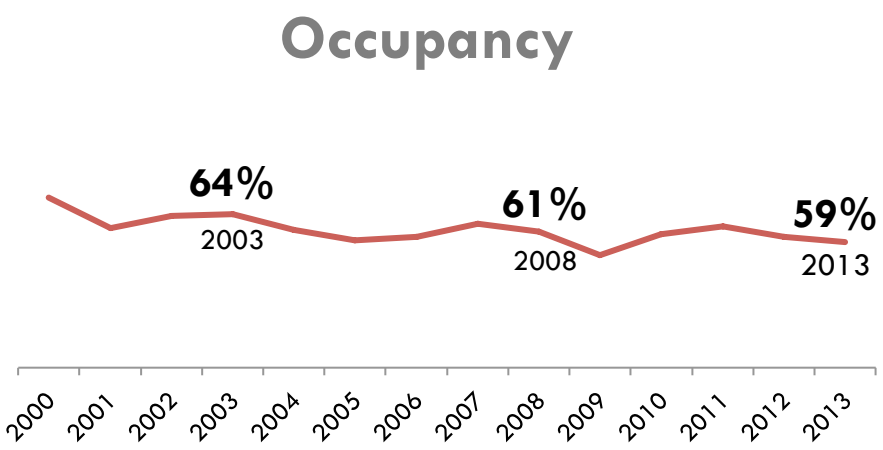
Proposed

- 129 keys
- $19M project cost

Hotel | Average daily rate (ADR) has risen over the past 10 years with only a modest impact on overall occupancy rates.



Avg. annual rate: **4%**

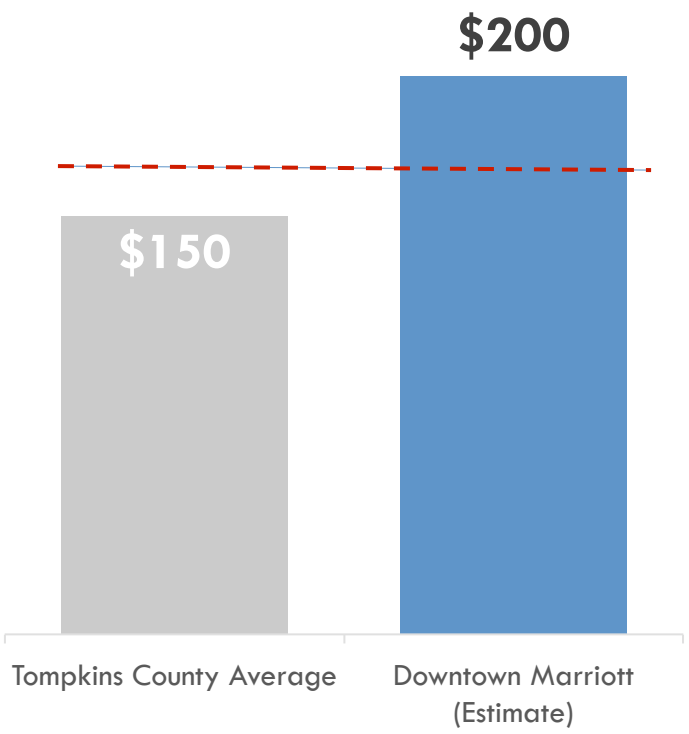


Avg. annual rate: **(1%)**

- Average ADR and occupancy are brought down by aging, less favored product.
- Pipeline hotels are forecasting ADRs near $200/key and occupancy near 80%.

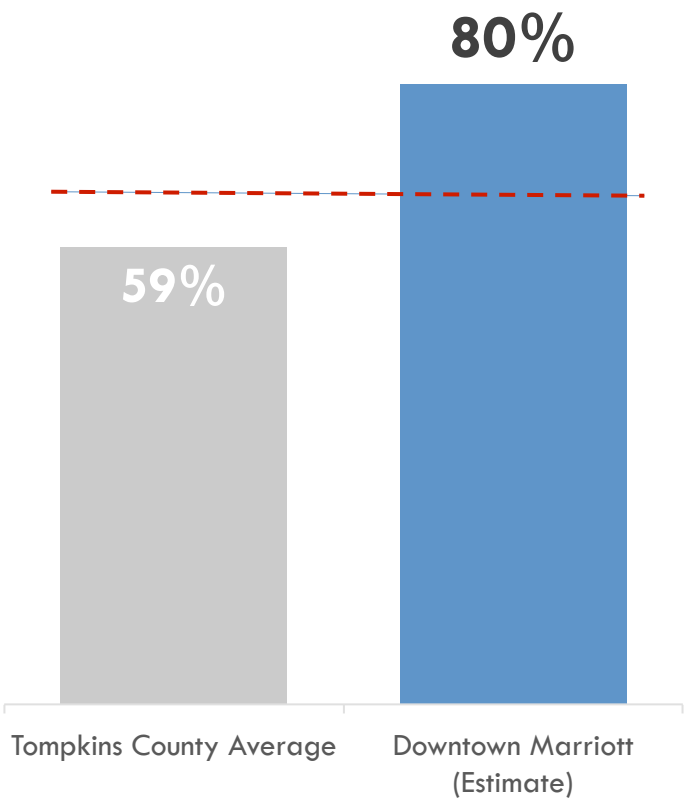
Assumptions | Our analysis assumes room rates and occupancy above the county average, but at a steep discount from new Downtown product.

Average Daily Rate



Estimated ADR: **$165**

Occupancy



Est. Occupancy: **65%**

Hotel | Key Takeaways

- A waterfront hotel would benefit from above-market summertime occupancy and rates, but its remote location would weaken off-season performance compared to new Downtown product.

- The local market could support 100+ additional keys, yet risks related to seasonality and access may deter developers from investing on the waterfront over alternative sites Downtown.

- Program feature takeaways:
  - Any hotel product should include 120+ rooms to support fixed project costs
  - Hotel could house destination restaurant and/or meeting space
  - Target flags would be Hyatt or Starwood (major brands without Ithaca presence)

Valuation Analysis

Program Assumptions | Concept Alternatives

MULTI-FAMILY/TOWNHOUSE

84 Multifamily Units

46 Townhouses

14,160 SF Commercial

346 parking spaces

HOTEL

52 Multifamily

10 Townhouses

6,450 SF Commercial

124 Hotel Rooms

286 parking spaces

MAX. DENSITY

137 Multifamily Units

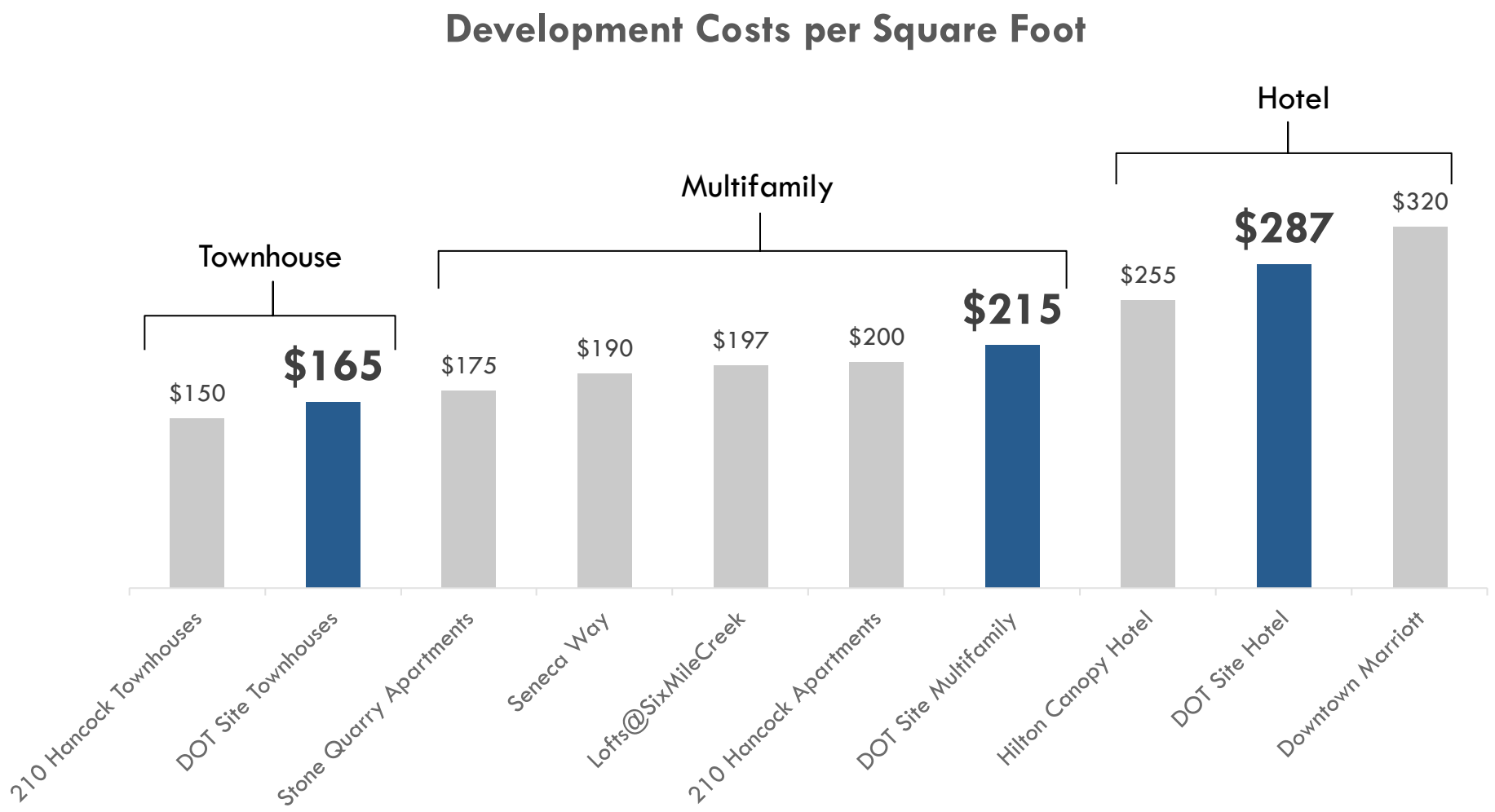
13,950 SF Commercial

378 parking spaces

General Assumptions | Land Valuation

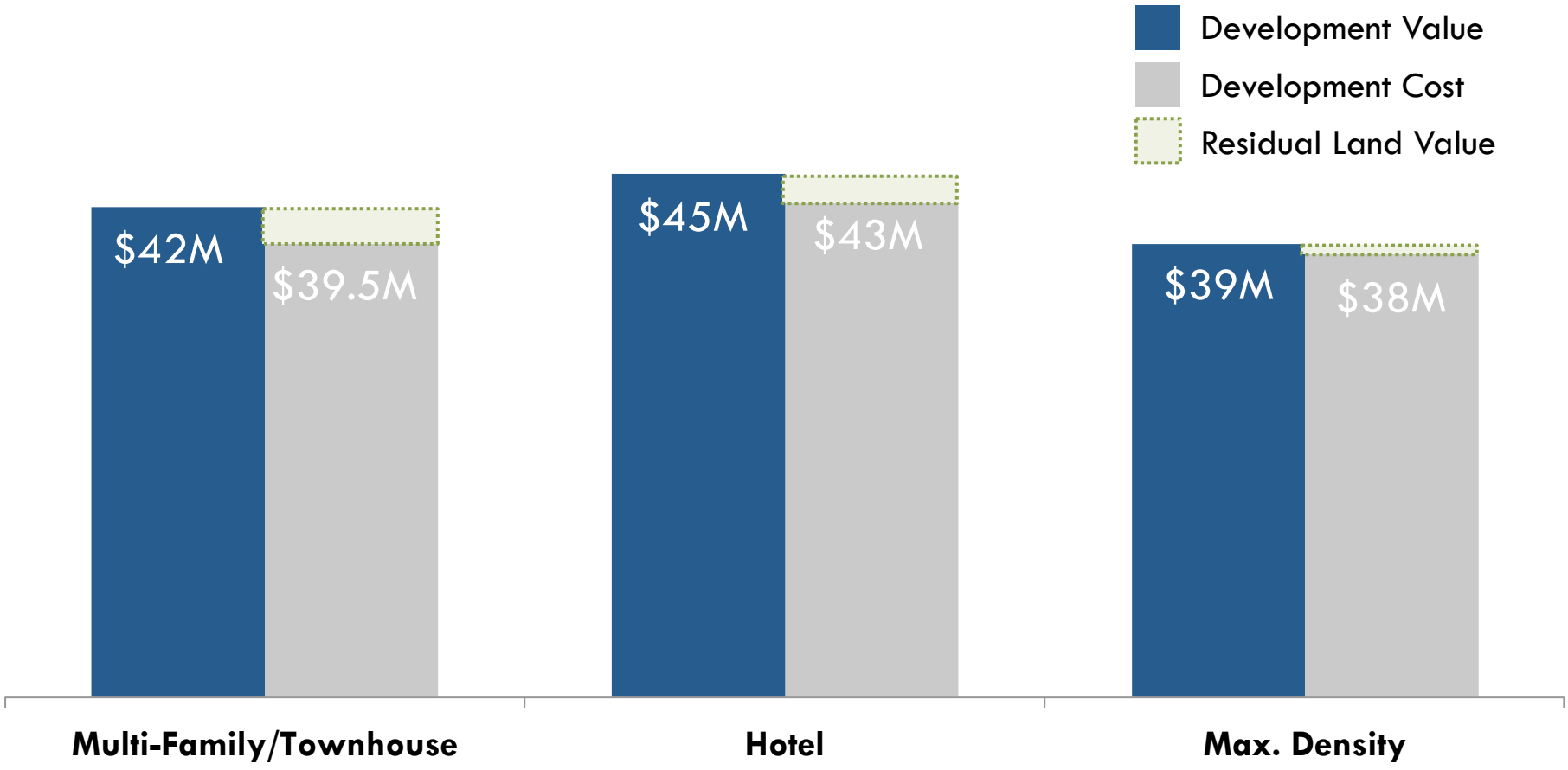
- All income and cost assumptions are high-level estimates, as the proposed concepts have no direct comparables. Findings are meant to guide County disposition strategy rather than predict actual sale value.
- Each concept is developed over a 3-year period in a single phase.
- Farmers Market remains in place and expands according to current plans.

Cost Assumptions | Development costs vary by use but costs for all use types will exceed local comps by ~10% due to soil conditions.



Process | Residual Land Value Analysis

Valuation Analysis | Estimated Residual Land Value by Concept



~$2.5 million

$320,000/acre

~$2 million

$250,000/acre

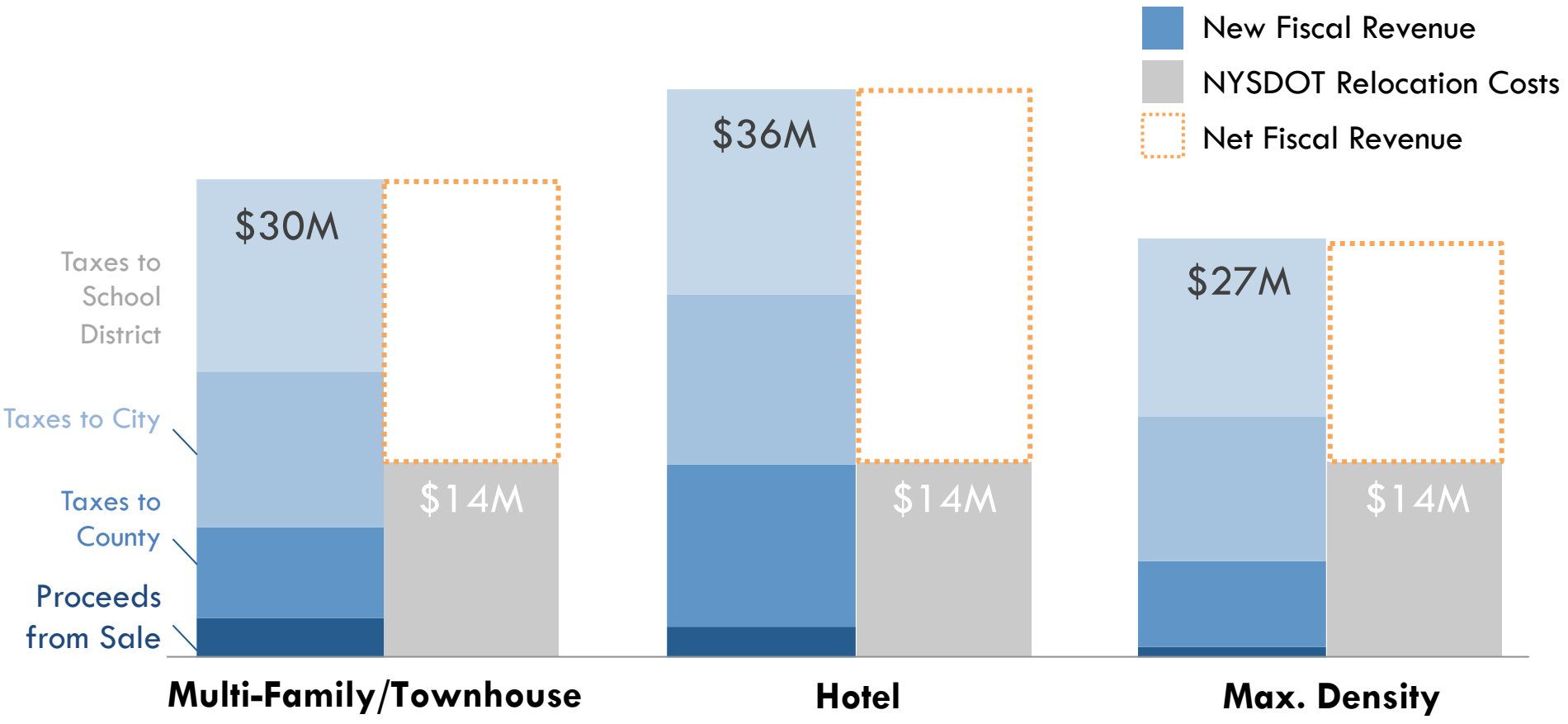
<$1 million

<$100,000/acre

General Assumptions | Net Fiscal Benefits

- Fiscal analysis considers net direct tax revenues related directly to as-built operations. Additional fiscal benefits may result from project construction and indirect and induced impacts of both construction and operations.
- Fiscal analysis considers the cost of relocating the NYSDOT facility (estimated cost: ~ $14 million) but not the cost of delivering expanded municipal services, for which more detailed analysis is required.
- Fiscal benefit is valued as net present value of future tax proceeds at a 5% discount rate.
- Development is not eligible for tax abatements or other public support.

Valuation Analysis | Estimated Net Fiscal Benefit (20-Year NPV)



~$16 million **~$22 million** **~$13 million**

Summary of Key Findings

- Given the NYSDOT site's unique location and size, **value-positive market development is likely feasible** but high development costs and parking requirements present **key barriers** to maximizing site density and value.
- The site's **highest and best use** is likely a mix of multifamily and townhouse product, yet this conclusion is highly sensitive to development costs, achievable rents, and developer risk tolerance – all difficult to predict given the lack of comparable projects.
- **Sale proceeds alone will be insufficient** to cover estimated NYSDOT relocation costs, yet **incremental tax revenue** to the County and City may justify upfront investment.
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Appendix:

Comparable Residential Projects

Residential | Multifamily: Recently Developed

Lofts @ Six Mile Creek

- Downtown
- 45 Units/7 stories
- Studio, 1 BR, 2 BR units
- Opening Fall 2015
- Structured Parking
- Adjacent to public green space
- Walk to retail and restaurants

Sample Units	SF	Rent/month	$/SF
Studio	555 SF	$1,220	$2.20
1 BR	981 SF	$2,160	$2.20
2 BR	1,135 SF	$2,095	$1.85
Average (all available units)			**$2.24**
Median (all available units)			$2.20

Residential | Multifamily: Recently Developed

Cayuga Place

- Downtown
- 68 Units/5 stories
- Studio, 1 BR, 2 BR units
- Opened in 2008
- Nearby structured parking
- Adjacent to public green space
- Walk to retail and restaurants

Sample Units	SF	Rent/month	$/SF
Studio	575 SF	$1,175	$2.04
1 BR	800 SF	$1,320	$1.65
2 BR	1,100 SF	$1,780	$1.62
Average (all available units)			**$1.77**
Median (all available units)			$1.65

Residential | Multifamily: Recently Developed

Gateway Commons

- Downtown
- 25 Units/6 stories
- 1 BR, 2 BR, 3 BR units
- Opened in 2007
- Off-street surface parking
- Access to public green space, retail and restaurants

Sample Units	SF	Rent/month	$/SF
1 BR	892 SF	$1,800	$2.02
2 BR	1,205 SF	$2,670	$2.22
3 BR	1,780 SF	$3,672	$2.06
Average (all available units)			**$2.05**
Median (all available units)			$2.03

Residential | Multifamily: Recently Developed

Coal Yard Apartments (Building #3)

- East Hill
- 24 Units/4 stories
- Studio, 1 BR, 2 BR, 3 BR units
- Opened in 2012
- 10-20 minute walk to Cornell
- Structured and surface parking available
- Adjacent to East Hill Recreation Trail
- On-site café

Sample Units	SF	Rent/month	$/SF
1 BR	687 SF	$1,800	$2.62
2 BR	883 SF	$2,025	$2.29
3 BR	1,589 SF	$3,045	$1.92
Average (all available units)			**$2.22**
Median (all available units)			$2.16

Residential | For-Sale: Recently Developed

Belle Sherman Cottages

- Belle Sherman
- Single-family detached and townhouses
- 2 BR and 3 BR units
- Some units occupied, some under construction

Sample Units	SF	Sale Price	$/SF
Detached	1,770 SF	$350,800	$198
Townhouse	1,325 SF	$272,225	$205
Townhouse	1,525 SF	$315,500	$207
Average (all available units)			**$201**
Median (all available units)			$201

Residential | Multifamily: Proposed

323 Taughannock Boulevard

- Inlet Island
- In pre-development
- 20 units on 3 floors above office/parking
- 1 BR, 2 BR, 3 BR units
- 600-1,500 SF per unit
- Rooftop terrace

Residential | Multifamily: Proposed

Ithaca Library Redevelopment

- Downtown
- Travis-Hyde selected as Preferred Developer August 2015
- 63 age-restricted rental units
- 1 BR, 2 BR units
- 600-800 SF per unit
- Fitness center and community room
- 30 spaces off-street parking

Residential | Multifamily: Proposed

Carey Building

- Downtown
- Under construction - expected completion in 2016
- 20 units on 4 floors above office/retail
- 16 400-500 SF studios
- 4 large 2 BR
- No dedicated parking
- Rooftop terrace for 2 BR units

Residential | Multifamily: Proposed

Chain Works District

- South Hill
- In pre-development
- 200+ units in mixed-use redevelopment over 2 or more phases
- Additional units in potential ground-up phases
- 1 BR, 2 BR, 3 BR units
- Rooftop terrace

NYSDOT Maintenance Facility Relocation & Redevelopment

Market Scan & Financial Analysis

HR&A Analyze. Advise. Act.

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