

Methodology

RESGroup performed the following tasks:

Task C: Community Engagement

- RESGroup attended and helped facilitate the first public engagement event on October 18, 2017 in Watkins Glen.

Task D: Downtown Profile and Assessment

- The two prior housing market studies were reviewed, and additional published data on the local residential and office markets was also obtained and reviewed.
- A physical inspection of the DRI area, the Village of Watkins Glen, and the surrounding area (“windshield” survey) was conducted to understand existing conditions, identify potential issues with local officials and potential opportunities. The locations of demand generators for both residential and office use, new developments in and near the DRI were also noted.
- The inspection and interviews (see Task F below) provided a basis for understanding the primary and secondary market areas for housing and office space in the DRI.
- RESGroup researched strategies utilized by other municipalities throughout North America to address the impact of seasonal housing on the availability and pricing of year-round housing. Strategies and lessons learned in these communities was summarized in the attached report.

Task F: Revitalization Strategies and Projects

- RESGroup obtained updated economic and demographic data for the market area. Housing inventory data, including year-round vs. seasonal, type, size, value, age, and monthly rents, provided a better understanding of the area’s residential supply, while the population by age, number of households, households by income, and households by size provided insights on local residential demand.
- Interviews with 23 local stakeholders were completed, and included local building owners, landlords, developers, residential and commercial brokers, major employers, representatives of local government and civic organizations, residents, and others. Interviews were also completed with Ilana Preuss of Recastcity.com, a co-working and maker-space consultant and Brad Treat Entrepreneur in Residence for the Southern Tier Start Up Alliance at Cornell University. These interviews supplemented the available published data and provided a more in depth understanding of potential demand for residential units in the DRI, whether in upper floor locations or new-build/redevelopment projects.
- These interviews were also the basis for understanding the potential for professional office space, medical office, and co-working space in the DRI. Given the small size of the local office market, no published data was available for Watkins Glen.
- This report was prepared and presented the findings of Tasks C, D, and F in a summary format.

Executive Summary – Potential for Residential and Office/Co-Working Demand in the Watkins Glen DRI

The following summarizes the critical findings of the Tasks C, D, and F performed by RESGroup.

Residential Potential

- Demographic and psychographic data for the area indicate the potential for slowly increasing demand for housing, with the Village of Watkins Glen growing faster than Schuyler County overall.
- The DRI's competitive advantages include its pedestrian friendliness, restaurants, character, lake access, and relative affordability, while the lack of social and recreational activities for younger adults, dearth of appropriately priced apartments, limited parking and roadway congestion during the summer, and noise from trucks represent the DRI's challenges.
- Growth in the area's tourism has negatively impacted the available housing inventory as conversions to Short Term Rentals ("STRs") like AirBnB or seasonal residences has reduced multi-family and single-family housing opportunities for year-round residents.
- Demand for existing apartments is strong, but weakens somewhat for more expensive units with monthly rents between \$1,200 to \$1,500. Demand above \$2,000 a month is particularly weak, as only five of the 22 units at the Seneca Terrace project have been leased since July 2017 (monthly rents here reportedly range from \$2,100 to \$2,500).
- Demand appears to be highest for two-bedroom and large one-bedroom units.
- The lack of apartments between \$800 and \$1,000 a month limits the DRI's appeal to younger professionals and service workers, as well as more price-sensitive empty nesters. At this price point amenities such as dedicated parking spaces, in-unit laundry, and central air-conditioning are not all required.
- Higher-end apartments renting from \$1,200 to \$1,500 generally require all of these amenities, and reflect landlord investments of \$100,000 to \$125,000 per unit. If elevators are required, the resulting increase in cost would likely make projects financially infeasible.
- Extensive renovations are often required because most of the housing inventory is over 65 years old.
- Given that most residents in the County prefer to own rather than rent their homes, there may be demand for a small number of condominiums with at least 2 bedrooms, 2 baths, in the DRI at a price point of \$250,000 to \$400,000, especially from older empty nesters/professionals. However, amenities such as dedicated parking, elevators, ample storage, and outdoor space could be required to entice buyers considering an alternative to single-family homes. There is no available inventory of finished single family homes outside of the DRI, which has been further diminished by the season rental market.
- Attracting large numbers of year-round residents to the DRI will likely require adding jobs within the County or Village, especially if new projects are at higher price points.

Office/Co-Working Potential

- While economic data for office space using job sectors in the larger market area is generally positive, the DRI is located outside of the region's existing concentrations of office space (such as

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Ithaca and Corning). Further, the Watkins Glen office market is not tracked by any of the commercial brokers in the region because it is too small.

- The office inventory in the DRI is approximately 100,000 square feet, with owner-occupied government buildings dominating the market.
- Vacancy rates in the market are estimated at 5% and 10%, assuming the vacant 7,800 square foot Guthrie Clinic is redeveloped as an alternate use.
- Office rents range from \$9 to \$15 gross per square foot, but Schuyler County leases space at their property for \$11 to \$12 net to non-profit groups and other government agencies. This is below \$18 to \$24 net rents in Ithaca, the region's largest office market.
- Brokers indicate that elevators and reserved off-street parking are required to attract quality tenants to available space in the DRI.
- Stakeholders estimate some demand for a co-working facility in the DRI to accommodate professionals working from home offices that are based in Ithaca, Corning, or Elmira, as well as seasonal residents that may work remotely during the spring, summer, and fall months.
- Given Watkin Glen's small population and office market and its demographic profile, it is likely that any new co-working space would require public sector support, investment and management, especially in the early years.

Watkins Glen DRI Site



The Watkins Glen DRI is located in the Village of Watkins Glen and at the southern terminus of Seneca Lake. Franklin Street (Route 14) is the primary commercial corridor in Watkins Glen, and forms the north-south spine of the DRI. It links the DRI with Montour Falls and Horseheads in the south, and extends north of the DRI along the western side of Seneca Lake through Geneva. Franklin Street is the focal point for the local community during the summer months but is also a year-round truck route. As such, noise and congestion along the street can be problematic for certain types of renters/home owners.

The DRI extends east of Franklin along East 4th Street (Route 414). Less dense than Franklin Street, 4th Street extends north along the east side of Seneca Lake and terminates in Lodi.

The entrance to Watkins Glen State Park is located on Franklin Avenue within the DRI. The Park is a highly popular attraction, with nearly 1 million visitors in 2016. A renovation of the Park's entrance and expansion of the parking facilities is currently under construction with completion anticipated by Spring

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2018. Visitation to the park is strong from May through October, peaking during the summer months. While the majority of these visitors, reportedly visit the park on Bus Trips, many of them return for a visit to Watkins Glen on their own.

In addition to Seneca Lake’s many recreational opportunities, the vineyards along the east and west sides of the Lake are also major tourist draw, with visitation peaking within the summer and fall months.

Watkins Glen International racetrack is located less than five miles southwest of the DRI. The facility includes 1,800 acres and hosts NASCAR races, concerts, and festivals. Watkins Glen International is also available for rental by sports car clubs between April and October. In total, approximately 225,000 visit the facility each year, many of whom stay, shop, and dine in the DRI.

Economic and Demographic Overview

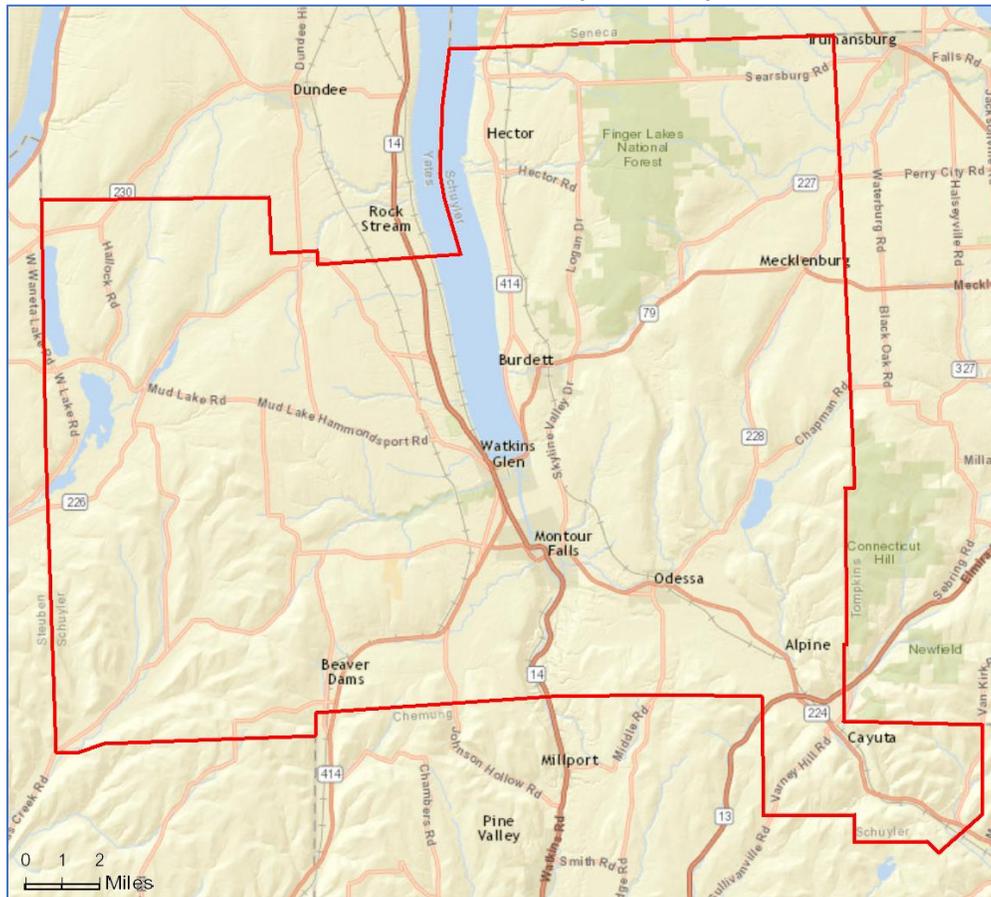
To provide a context for the real estate market analysis and potential demand trends, economic and demographic data for Watkins Glen and the surrounding area were gathered and analyzed. This analysis provides a basis for understanding historic trends and potential growth in demand for housing and office/co-working space.

The following market areas were considered when estimating demand for different land uses in the DRI:

Housing/Residential Demand: A Primary Market Area (“PMA”) of Schuyler County was estimated based on our stakeholder interviews and on the available psychographics for the area. Given the DRI’s development density and lot sizes, demand segments include those who prefer denser and smaller housing formats such as empty nesters, millennials who are just starting their careers and need affordable apartments, or retirees who don’t want the maintenance associated with single-family home ownership.

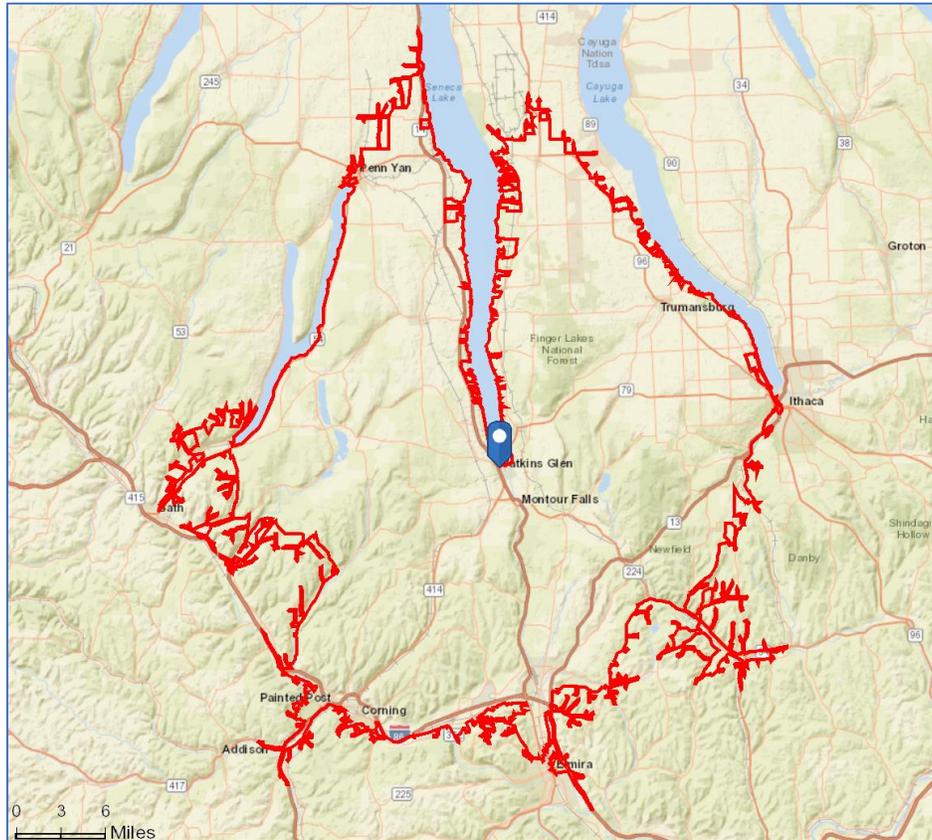
The Secondary Market Area (“SMA”) was considered to include an area within a 35-minute drive of Watkins Glen, since this is considered to be a reasonable commute to most jobs in the area.

Residential PMA – Schuyler County



Schuyler County is a “commuter county” (the County contains less than 10% of the SMA’s total jobs but 35% of the land area and 14% of the population), with many residents commuting up to 40 mins by car to jobs in Ithaca, Corning, Elmira, and other towns outside of Schuyler. Therefore, employment growth in the 35-Minute Drive Time was analyzed to understand the potential for new DRI housing. Trends in office space using sectors, such as finance and insurance, information, real estate, professional services, etc. were also analyzed to understand general demand levels in the larger market area.

Residential SMA – 35 Minute Drive Time



Population and Households

Although Schuyler County is the PMA for residential demand in the DRI, data was also gathered for the Village of Watkins Glen to provide a context for the County statistics.

Esri, a secondary data source, estimates that as of 2017, there are 1,899 residents in 900 households (“HH”) in the Village of Watkins Glen, or approximately 10% of the County’s 18,441 residents. Since 2010, growth has been slow and steady in both areas, but at a slightly higher rate in the Village, suggesting that housing in the DRI would have a slight competitive advantage compared with the County overall. Both areas are expected to continue to grow between 2017 and 2022, but at a slightly faster pace than the past seven years.

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	2010	2017(F)	2022(F)	CAGR 2010- 2017	CAGR 2017- 2022
Village of Watkins Glen					
Population	1,859	1,899	1,937	0.3%	0.4%
Households	873	900	917	0.4%	0.4%
Avg. HH Size	2.09	2.08	2.09	-0.1%	0.1%
Schuyler County (PMA)					
Population	18,343	18,441	18,637	0.1%	0.2%
Households	7,530	7,644	7,731	0.2%	0.2%
Avg. HH Size	2.39	2.39	2.38	0.0%	-0.1%
35-Minute Drive Time (SMA)					
Population	125,210	126,258	126,180	0.1%	0.0%
Households	51,303	51,832	51,784	0.1%	0.0%
Avg. HH Size	2.35	2.35	2.35	0.0%	0.0%

Source: Esri

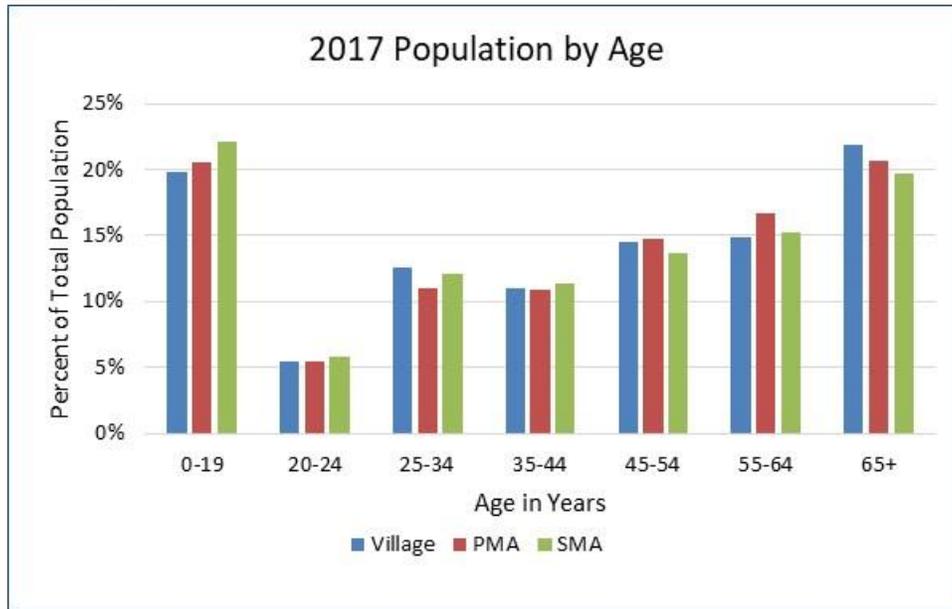
Note (1): CAGR is the Compounded Annual Growth Rate

(F): Forecast

Households in the Village are smaller than those both in the PMA and SMA overall, and likely reflect the Village’s higher ratio of apartments to single-family homes. Household sizes in the all three market areas have been stable since 2010 and are expected to remain at similar levels through 2022.

Esri anticipates 17 new households in the Village between 2017 and 2022, a disproportionately high 21% of the 87 new households projected by for the County. The Village’s higher growth rate is of particular note given that households in the SMA are forecast to decline slightly between 2017 and 2022. However, future growth could be restricted by the limited land available for future development in the Village.

Population by Age



Source: Esri

The Village has a slightly higher percentage of residents between 25 and 34, and over 65 years old. This distribution likely reflects younger adult’s preference for the smaller and more affordable housing formats typically found in more dense neighborhoods, as well as the presence of Jefferson Village and the Watkins Glen School Apartments, which are age-restricted housing developments. The portion of the SMA population between 25 and 34 is similar to the Village and may reflect some of the more densely populated areas of Ithaca, Elmira, and Horseheads.

Growth by age cohort between 2017 and 2022 was also analyzed. According to Esri, the Village’s fastest growing age segment during the next five years will be in 35 to 44 year olds. By comparison the fastest growing segment during this same period in both the PMA and SMA is anticipated to be in 65 years and older, far outpacing any other age segment.

Population by Age

Age in Years	2010	2017(F)	2022(F)	CAGR 2010-2017	CAGR 2017-2022
Village of Watkins Glen					
0-19	421	375	364	-1.6%	-0.6%
20-24	100	103	102	0.4%	-0.2%
25-34	239	238	224	-0.1%	-1.2%
35-44	213	208	238	-0.3%	2.7%
45-54	304	276	239	-1.4%	-2.8%
55-64	257	283	304	1.4%	1.4%
65+	325	414	464	3.5%	2.3%
Schuyler County (PMA)					
0-19	4,326	3,798	3,723	-1.8%	-0.4%
20-24	969	1,002	853	0.5%	-3.2%
25-34	1,787	2,032	1,992	1.9%	-0.4%
35-44	2,304	2,015	2,100	-1.9%	0.8%
45-54	3,082	2,721	2,398	-1.8%	-2.5%
55-64	2,759	3,070	3,103	1.5%	0.2%
65+	3,116	3,803	4,468	2.9%	3.3%
35-Minute Drive Time (SMA)					
0-19	30,743	27,942	27,352	-1.4%	-0.4%
20-24	6,861	7,312	6,491	0.9%	-2.4%
25-34	14,146	15,240	15,226	1.1%	0.0%
35-44	15,538	14,300	14,749	-1.2%	0.6%
45-54	19,676	17,319	15,352	-1.8%	-2.4%
55-64	17,326	19,218	18,783	1.5%	-0.5%
65+	20,919	24,927	28,225	2.5%	2.5%

Source: Esri

Note (1): CAGR is the Compounded Annual Growth Rate

(F): Forecast

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Households by Income

	2017(F)		2022(F)		CAGR
	#	%	#	%	2017-2022
Village of Watkins Glen					
\$0-\$24,999	260	29%	263	29%	0.2%
\$25,000-\$34,999	167	19%	164	18%	-0.4%
\$35,000-\$49,999	102	11%	99	11%	-0.6%
\$50,000-\$74,999	166	18%	166	18%	0.0%
\$75,000-\$99,999	82	9%	88	10%	1.4%
\$100,000-\$149,999	96	11%	103	11%	1.4%
\$150,000+	26	3%	32	3%	4.2%
Average HH Income	\$53,967		\$58,389		1.6%
Median HH Income	\$37,596		\$38,875		0.7%
Schuyler County (PMA)					
\$0-\$24,999	1,768	23%	1,767	20%	0.0%
\$25,000-\$34,999	921	12%	865	10%	-1.2%
\$35,000-\$49,999	1,075	14%	1,016	12%	-1.1%
\$50,000-\$74,999	1,606	21%	1,529	18%	-1.0%
\$75,000-\$99,999	862	11%	1,916	22%	17.3%
\$100,000-\$149,999	1,100	14%	1,222	14%	2.1%
\$150,000+	312	4%	416	5%	5.9%
Average HH Income	\$62,986		\$69,974		2.1%
Median HH Income	\$50,575		\$52,422		0.7%
35-Minute Drive Time (SMA)					
\$0-\$24,999	12,708	25%	12,672	24%	-0.1%
\$25,000-\$34,999	5,692	11%	5,378	10%	-1.1%
\$35,000-\$49,999	6,996	13%	6,353	12%	-1.9%
\$50,000-\$74,999	10,038	19%	8,961	17%	-2.2%
\$75,000-\$99,999	5,767	11%	5,744	11%	-0.1%
\$100,000-\$149,999	6,588	13%	7,496	14%	2.6%
\$150,000+	4,042	8%	5,178	10%	5.1%
Average HH Income	\$68,422		\$77,270		2.5%
Median HH Income	\$50,850		\$52,947		0.8%

Household incomes in the Village are generally lower than those in the PMA and SMA overall. The 2017 median HH income for the Village was \$37,596, below the \$50,575 and \$50,850 income in the PMA and SMA. The 2017 average HH income for the Village was \$53,967, compared to \$62,896 in the PMA and \$68,422 in the SMA.

Households experiencing the fastest growth in both the Village and County are those earning \$75,000 and higher, but in the SMA it is households earning at least \$100,000. The number of households with lower earnings (less than \$75,000) is forecast to decline in across all market areas.

Psychographics – Ersi Tapestry Segmentation

Tapestry segmentation is an analytical tool that was developed by Esri to classify residents in the US based on their socioeconomic and demographic compositions; 65 different segments that exhibited similar tastes, lifestyles, and behaviors were identified.¹ By quantifying more than basic demographic attributes such as age, income and sex, tapestry segmentation provides an enhanced understanding of the potential residential and other spending preferences of a population within a selected area. The following tables present the Tapestry Segments for Schuyler County.

Tapestry Segmentation - Schuyler County PMA

Rank	Tapestry Segment	Schuyler County	
		PMA Households % of Total	U.S. Households % of Total
1	Southern Satellites (10A)	26.3%	3.1%
2	Rooted Rural (10B)	16.3%	2.0%
3	The Great Outdoors (6C)	11.2%	1.6%
4	Small Town Simplicity (12C)	10.2%	1.9%
5	Heartland Communities (6F)	10.0%	2.3%
	SUBTOTAL	74.0%	10.9%
6	Midlife Constants (5E)	9.2%	2.5%
7	Salt of the Earth (6B)	7.4%	2.9%
8	Rural Resort Dwellers (6E)	5.2%	1.0%
9	Comfortable Empty Nesters (5A)	4.2%	2.5%
	SUBTOTAL	26.0%	8.9%

Source: ESRI

The Schuyler County population is very homogenous, with nearly all residents categorized within nine segments. A table presenting commonalities and statistics for these nine segments appears below.

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Tapestry Segment Descriptions - Schuyler County, NY

Segment	Marital and Family Status	Median Age vs US	Median Income vs US	Household Size vs US	Home Ownership Rate vs US	Home Preference	Car Ownership	Recreational Activities	Other
Southern Satellites (10A)	Typically married with children	39.7 vs 37.6	\$44,000 vs \$51,000	2.7 vs 2.6	78.6% vs 63.6%	Single family homes, mobile homes	1 to 3 vehicles	Outdoor activities like gardening, fishing, hunting	Often live in locations requiring satellite dish for TV/Internet
Rooted Rural (10B)	Older married, children left home	44.1 vs 37.6	\$38,000 vs \$51,000	2.5 vs 2.6	80.5% vs 63.6%	Single family homes, mobile homes	1 to 2 vehicles	Outdoor activities like gardening, fishing, hunting	Often live in highly seasonal neighborhoods
The Great Outdoors (6C)	Older married, some families with children	46.3 vs 37.6	\$53,000 vs \$51,000	2.4 vs 2.6	78.1% vs 63.6%	Single family homes	1 to 3 vehicles	Hiking, hunting, fishing, boating, gardening	Nearly 60% have attended college or hold a degree
Small Town Simplicity (12C)	Older married	40.0 vs 37.6	\$27,000 vs \$51,000	2.2 vs 2.6	50.9% vs 63.6%	Single family homes or apartments	0 to 1 vehicles	Scrapbooking, community, fishing, hunting	Nearly 25% of households are below the poverty level
Heartland Communities (6F)	Older married, children left home, some singles	41.5 vs 37.6	\$39,000 vs \$51,000	2.4 vs 2.6	70.3% vs 63.6%	Single family homes	1 to 2 vehicles	Community events, motorcycling, fishing, hunting	Most have high-speed internet access, driving vacations are common
Midlife Constants (5E)	Primarily older married but singles are growing share	45.9 vs 37.6	\$48,000 vs \$51,000	2.3 vs 2.6	73.6% vs 63.6%	Single family homes	1 to 2 vehicles	Scrapbooking, movies at home, reading, fishing, golf	Live in neighborhoods with slow rates of change, less price sensitive
Salt of the Earth (6B)	Older married some children moved out	43.1 vs 37.6	\$53,000 vs \$51,000	2.6 vs 2.6	83.7% vs 63.6%	Single family homes	2 to 3 vehicles	Outdoor activities, camping, gardening, boating, fishing, hunting	Prioritize time with family, health conscious, somewhat price sensitive
Rural Resort Dwellers (6E)	Older married, approaching retirement	52.4 vs 37.6	\$46,000 vs \$51,000	2.2 vs 2.6	81.8% vs 63.6%	Single family homes	2 vehicles	Outdoor activities, motorcycling, gardening, fishing, hunting, DIY projects	Live in remote locations where satellite dish required for TV/Internet, also seasonal areas with various outdoor activities each season
Comfortable Empty Nesters (5A)	Older married, some still with children	46.8 vs 37.6	\$68,000 vs \$51,000	2.5 vs 2.6	87.5% vs 63.6%	Mostly single family homes	1 to 2 vehicles	Active and health conscious, golfing, skiing, biking, working out, cooking	More educated, 66% with some college, many in suburbs where they grew up, professionals with higher net worth than average

Source: ESRI

A more detailed description of the above tapestry segments is available at <https://www2.locationone.com/UserControls/ESRITapestrySegmentation.pdf>

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The available psychographic data for Schuyler County suggests that although most tapestry segments prefer single family homes, the Comfortable Empty Nesters and Small-Town Simplicity would consider units at various price points in the DRI. The most significant demand for housing within the DRI would likely be with mid-priced rental units (\$800-\$1,000), a finding that was reinforced by our stakeholder interviews. There may also be opportunities for higher-end rentals to attract older empty nesters, but these units would likely require dedicated parking and higher-end finishes and amenities. Our interviews also suggested that young professionals (teachers and healthcare professionals) are difficult to attract to Watkins Glen and therefore may not be captured by the Tapestry assessment. Their incomes could support rents between \$1,000-\$1,200 but efforts to attract them would be more successful if combined with more social amenities such as media and community rooms.

Given that most tapestry segments in the County prefer to own their homes, there may also be demand for reasonably priced condominium units in the DRI, particularly for empty nesters. These units would need ample parking, as households in many segments have two or more vehicles. Opportunities for outdoor space and storage units may also attract buyers who are coming from single family homes outside of Watkins Glen who may also consider locations on the lake, which are higher priced. Interviews appeared to support this concept.

Employment Trends by Sector – 35 Minute Drive Time - SMA

To better understand future demand for residential and office space in the downtown, employment trends by sector were analyzed.

Employment by Place of Work

	2005		2010		2015		CAGR	CAGR
	#	%	#	%	#	%	2005-2010	2010-2015
35-Minute Drive Time - SMA								
Total All Jobs	46,181	100%	49,598	100%	50,131	100%	1.4%	0.2%
Jobs by NAICS Industry Sector								
Agriculture, Forestry, Fishing and Hunting	322	0.7%	412	0.8%	408	0.8%	5.1%	-0.2%
Mining, Quarrying, and Oil and Gas Extraction	57	0.1%	286	0.6%	352	0.7%	38.1%	4.2%
Utilities	293	0.6%	264	0.5%	207	0.4%	-2.1%	-4.7%
Construction	1,459	3.2%	1,303	2.6%	1,576	3.1%	-2.2%	3.9%
Manufacturing	7,811	16.9%	7,741	15.6%	7,193	14.3%	-0.2%	-1.5%
Wholesale Trade	1,406	3.0%	1,305	2.6%	1,145	2.3%	-1.5%	-2.6%
Retail Trade	5,758	12.5%	5,196	10.5%	5,433	10.8%	-2.0%	0.9%
Transportation and Warehousing	642	1.4%	978	2.0%	903	1.8%	8.8%	-1.6%
Information	694	1.5%	623	1.3%	478	1.0%	-2.1%	-5.2%
Finance and Insurance	1,089	2.4%	1,115	2.2%	1,136	2.3%	0.5%	0.4%
Real Estate and Rental and Leasing	500	1.1%	446	0.9%	481	1.0%	-2.3%	1.5%
Professional, Scientific, and Technical Services	2,142	4.6%	3,510	7.1%	4,283	8.5%	10.4%	4.1%
Management of Companies and Enterprises	847	1.8%	1,145	2.3%	1,440	2.9%	6.2%	4.7%
Administration & Support, Waste Management and Remediation	2,057	4.5%	2,742	5.5%	2,873	5.7%	5.9%	0.9%
Educational Services	4,070	8.8%	4,682	9.4%	4,255	8.5%	2.8%	-1.9%
Health Care and Social Assistance	9,592	20.8%	9,855	19.9%	9,931	19.8%	0.5%	0.2%
Arts, Entertainment, and Recreation	421	0.9%	609	1.2%	693	1.4%	7.7%	2.6%
Accommodation and Food Services	3,578	7.7%	4,109	8.3%	4,389	8.8%	2.8%	1.3%
Other Services (excluding Public Administration)	1,560	3.4%	1,538	3.1%	\$1,593	3.2%	-0.3%	0.7%
Public Administration	1,883	4.1%	1,739	3.5%	\$1,362	2.7%	-1.6%	-4.8%

Source: US Census Bureau

Note (1): CAGR is the Compounded Annual Growth Rate

n/a = not applicable

May not total 100% due to rounding

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Between 2005 and 2010 the 35 Minute Drive Time/SMA added over 3,400 jobs, with the Professional Services, Administration, Education, and Accommodation and Food Services sectors adding the highest number of jobs. The sectors losing the most jobs were the Retail Trade, Construction, and Public Administration sectors.

Job growth slowed between 2010 and 2015, with only 533 more jobs added in the SMA. The fastest growing sectors were the Mining, Management of Companies, Professional Services, and Administration sectors, while Manufacturing, Education, and Public Administration sectors lost the most jobs.

Although Watkins Glen is located outside the existing concentrations of office space in the SMA, employment growth has occurred in the region's office space using sectors (Professional Services, Finance and Insurance, Management of Companies, Administration, Health Care, etc.) between 2005 and 2015. This suggests that there may be an increasing need for office space in the SMA for certain types of companies, particularly professional services that do not work out of more institutional locations.

The table above also illustrates the relative diversity of the employment within the SMA, with no one sector representing more than 20% of the total. The largest employment sectors in the SMA were the Health Care and Social Services; Manufacturing; Retail Trade; Accommodation and Food Services; Professional, Scientific, and Technical Services; and Education Services sectors. This diversity is a positive factor for the regional economy which does not rely on one or two major industries to generate employment in the area.

A sample of the largest private employers in Schuyler County is presented below:

Schuyler County's Largest Employers

Employer	2014 Employees*
Schuyler Hospital	420
WalMart	243
Harbor Hotel	128
US Salt	127
Cargill	110
Wine & Glass Tours	100
Wagner Hardwoods	90
Watkins Glen International**	100
Parmenter Motors	85
Welliver McGuire	77
Hazlitt 1852 Vineyards	50
BMS	37

*2017 for Schuyler Hospital, Cargill, Watkins Glen International

**During summer, 35 off-season

Source: Southern Tier Central Regional Planning & Development Board, Stakeholder Interviews

While most of the above data reflects 2014 employment levels, some data was updated for 2017 based on the Stakeholder Interviews.

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Economic and Demographic Conclusions

Demographic trends suggest a slow but growing demand for housing and potentially office space in downtown Watkins Glen.

Median Incomes in the PMA are slightly lower than national averages, and are even lower in the Village indicating support for more affordable apartments between \$800-\$1,000 per month rents

The psychographic data supports the demand for single family homes, however, the DRI contains only a small amount of this product. This limited inventory could inhibit future growth in the Watkins Glen overall and the Village’s potential to support a growing DRI.

As such, and given the available psychographic data, demand for new apartments would likely occur across a variety of price points. Psychographic data also suggests that a limited number of condominiums may be well-received in the DRI, but would have to offer ample parking and elevators to attract buyers who are coming from single family homes.

The economy in the region is fairly diverse and growing slowly, however Schuyler County is a commuter county and without major employment centers. However, the employment sectors experiencing the most growth are those that typically use office space, suggesting an increasing demand within the PMA as the DRI makes planned improvements to the physical environment, reductions in retail vacancies, residential developments and cultural attractions as well as a potential branding campaign.

Residential Market Supply

Residential Inventories – DRI and Village of Watkins Glen

Housing Units by Occupancy Status and Tenure – DRI

Housing Units by Occupancy Status and Tenure	Census 2010		2017		2022	
	Number	Percent	Number	Percent	Number	Percent
Total Housing Units	369	100.0%	384	100.0%	394	100.0%
Occupied	343	93.0%	355	92.4%	362	91.9%
Owner	168	45.5%	173	45.1%	178	45.2%
Renter	175	47.4%	182	47.4%	184	46.7%
Vacant	26	7.0%	29	7.6%	31	7.9%

Source: Esri

Esri estimates 384 housing units within the DRI in 2017, increasing slightly to 394 units by 2022. Approximately 47% are renter occupied, 45% owner-occupied, and 8% vacant (the US Census includes seasonal, recreational, and occasional use homes in the vacant category). Data compiled in the most recent decennial census (2010) suggests that between 25% and 75% of the vacant units may include seasonal homes, and homes being used for short-term rentals (“STRs”).

Renter-occupied units are the largest housing segment in the DRI, and include apartments located above retail space in the row buildings on Franklin Street, and in subdivided homes along Decatur Street, Madison Avenue, and on side streets. According to the 2011-2015 ACS, nearly one-third of the DRI housing units are in structures that contain two to four units. There are a few multi-family apartment buildings, including Jefferson Village and the Watkins Glen School Apartments, which are affordable housing projects with 51 units or fewer.

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Vacant units, which include homes utilized as STRs (and are therefore not necessarily vacant all of the time), are the fastest growing segment in the DRI, increasing at a compounded annual growth rate (“CAGR”) of 1.8% from 2010 to 2017. This rate is forecast to decrease slightly to 1.3% between 2017 and 2022 according to Esri. However, local stakeholders report that the pace of conversions to STRs within the market has not decelerated, suggesting that this forecast underestimates future number of “vacant” houses.

Housing units in the DRI are in older homes and buildings, with nearly two-thirds located in structures at least 78 years old according to the 2011-2015 ACS. Only 16% of the structures are less than 40 years old. This finding implies that significant capital improvements may be required to appeal to modern renters and buyers.

According to the 2011-2015 ACS approximately 40% of the DRI’s renter-occupied units do not have vehicles, with 60% having one to two vehicles. Owner-occupied units in the DRI reflect a higher level of vehicle ownership, with 65% having or more vehicles.

Housing Units by Occupancy Status and Tenure – Village of Watkins Glen

Housing Units by Occupancy Status and Tenure	Census 2010		2017		2022	
	Number	Percent	Number	Percent	Number	Percent
Total Housing Units	977	100.0%	1,014	100.0%	1,037	100.0%
Occupied	873	89.4%	899	88.7%	917	88.4%
Owner	484	49.5%	498	49.1%	512	49.4%
Renter	389	39.8%	401	39.5%	405	39.1%
Vacant	104	10.6%	114	11.2%	120	11.6%

Source: Esri

Esri estimates 1,014 housing units are within the Village in 2017, increasing to 1,037 units by 2022. Approximately 49% of these units are owner-occupied, 40% renter-occupied, and 11% vacant (including STRs).

In the Village, owner-occupied units are the largest housing segment, contained primarily in the single-family homes located to the east and west of the Franklin Street corridor. According to the 2011-2015 ACS, nearly 60% of the Village’s housing units are in single-family homes.

Vacant units in the Village, like those in the DRI, are the fastest growing housing segment, increasing at a CAGR of 1.5% from 2010 to 2017, slightly below the rate in the DRI. While Esri estimates this growth rate will decline slightly, local stakeholder interviews suggest that this forecast underestimates future number of “vacant” houses.

As in the DRI, housing units in the Village are also older, with 63% in structures at least 78 years old, and only 15% in structures are less than 40 years old. As such significant investments may be required to update units to modern consumer expectations.

Vehicle ownership data for the Village is similar to the DRI, but the Village has a lower percentage of renters without vehicles. This suggests that attracting Villagers to new housing developments in the DRI may require off-street parking.

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Vacancy, Absorption and Demand Segments

As presented above, the overall vacancy rate for all types of housing in the DRI was 7.6% according to Esri. The vacancy rate for the Village is higher at 11.2%, which may reflect that the higher ratio of single family homes that are being renovated and offered as STRs.

According to the Stakeholder interviews, however, there is strong demand for apartments renting for between \$600 and \$1,000 a month. These units can be re-rented within a month, with most being released as soon as the unit is available. Units priced over \$1,000 a month take longer to re-lease, ranging from one to three months depending on the time of year. Absorption of all units has accelerated over the past five years, as units and homes have been converted to seasonal residences and STRs, and as the economy has improved. As such, this has decreased the inventory available for year-round residents, and increased competition between potential renters/owners.

This finding was supported by online searches, which were unable to identify available apartments in the DRI.

The \$1.2 million, 4.04 acre Seneca Terrace Apartments development was the only new apartment complex to open in the Village in 2017. This 22-unit project is located north of the DRI, between North Jackson Street and North Madison Avenue. This project features large triplex units with 2-bedrooms, 2 baths, updated kitchens, hard wood and carpet flooring, and a single-car garage. Units have views of Seneca Lake, central air conditioning in-unit washer/dryers, and balconies. Opening in July 2017, only five units have reportedly been leased due to the high asking rents ranging from \$2,100 to \$2,500 a month.

Demand for residences within the DRI includes workers at the Village's restaurants, retail stores, hotels, and motels, school system, hospital, and commuters who work throughout the SMA but live in Watkins Glen due to its affordability, pedestrian friendliness, character, recreational opportunities, personal ties, or because a spouse works nearby. Demand for DRI housing is also from local retirees who lived in or frequented the area but have downsized from single-family homes to smaller apartments.

Stakeholders report that Watkin's Glen walkable size, restaurants, breweries, character, and lake access are viewed as competitive advantages in attracting residents to the area. The lack of year-round activities for younger adults, the dearth of appropriately priced improved apartments, summertime parking and congestion, and truck traffic are considered the most significant competitive disadvantages. Stakeholders indicate increasing demand generated by both young and older renters looking for a pedestrian-oriented, more social lifestyle.

Rents

According to the 2011-2015 American Community Survey ("ACS") the median monthly contract rent is in the DRI is \$469, below the \$542 monthly contract rent in the Village. These rents are depressed somewhat due to the to the Jefferson Village and Watkins Glen School Apartment complexes, which are affordable housing projects and located in the DRI and Village, respectively.

Lower quality units in the area rent for \$450 to \$650 for studio and one-bedroom units ranging in size from 400 to 700 square feet. Two bedroom units in this category range from \$600 to \$800 a month for 800 to 900 square feet. These units are generally located in older homes that were subdivided and are in

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fair condition. These units typically do not include off-street parking, in-unit washers/dryers, or central air conditioning.

Higher quality units in the DRI have monthly rents ranging from \$1,200 to \$1,500 including all utilities. These units are located above ground floor retail space in the DRI's most upscale buildings and are typically large one-bedroom or two-bedroom units. Units generally have hardwood floors, upgraded kitchens (some with granite/stone countertops), central air conditioning, in unit washers/dryers (some have shared laundry facilities in the building), and dedicated outdoor parking spaces. They are generously sized two-bedroom units with two baths, and are 1,000 square feet or larger. Renovation costs for these units are approximately \$100,000 to \$125,000 per apartment.

Higher quality apartments in the Village also include the Waterworks Center Apartments, which are located Salt Lake Road above 400 feet of Seneca Lakefront. These two-bedroom two-bath units were built in 2013, are approximately 1,000 square feet, and include hardwood floors, central air conditioning, in-unit laundry, a balcony, off-street parking, and access to the roof deck. Rents for these Lakeview triplex units range are approximately \$2,000 and include all utilities.

Stakeholders report that there is a dearth of available rental units between the lower and upper ends of the market that would appeal to younger professionals or more price sensitive empty nesters. The DRI's mid-scale units rent for between \$800 and \$1,000 a month, and have amenities that represent a blend of those available in the lower- and higher-end apartments (e.g., some units have in-unit or on-site laundry, while others have none and are not improved). Off-street parking is not typically provided, nor is central air conditioning. These units are large one-bedroom or two-bedroom units and average approximately 1,000 square feet.

Residential Market Conclusions

Demographic trends suggest slow population growth, with interest in both renter- and owner-occupied housing types. However, the increasing popularity of Watkins Glen as a leisure destination has resulted in housing units being converted to seasonal residences and STRs. This limits housing options for year-round residents, and significantly increases pricing due to limited supply. Stakeholders report very low vacancies, with unit prices below \$1,000 being re-rented in a few days or weeks. Higher end units, with rents over \$1,200 a month, typically require 1 to 3 months to re-lease. However, demand for units over \$2,000 a month is weak.

Two-bedroom and large one-bedroom units are in highest demand, especially those priced from \$800 to \$1,000 a month. While most apartments at this price point don't include off-street parking, they sometimes have on-site or in-unit laundry.

Given the age of most of the housing stock in the DRI, higher-end apartments with rents ranging from \$1,200 to \$1,500, require investments of \$100,000 to \$125,000. They have updated kitchens, in-unit laundry, central air conditioning, hardwood floors, and off-street parking.

Psychographic data and stakeholder interviews also suggest that there may be demand for a small number of condominiums priced between \$250,000 and \$400,000, assuming they have many features available in single-family homes.

Without future job growth, and attraction of renters from outside the market area, adding large numbers new residential units may be challenging, especially if higher price points are targeted. This and the ages

of the local housing stock may require financial incentives to promote rehabilitation within the DRI, particularly projects requiring elevators to improve access to the upper floors or to maintain rent levels at the \$800-\$1,000 per month level to serve the larger demand segments of the population.

Office Market/Potential for Co-Working Space

Inventory and Demand Segments

Schuyler is a commuter county, containing a disproportionately small share of the jobs within the region. It is also located outside of the area's existing concentrations of office space, including Ithaca and Corning. The Watkins Glen office market is not tracked by any of the commercial brokers in the region, and no published data sources are available.

Based on interviews and site visits, RESGroup estimates that office space in the DRI totals approximately 100,000 square feet, with most buildings owner-occupied. Government uses dominate, as the County and Village buildings contain over half the DRI's total inventory. Smaller office space users in the market include the local banks, law firms, doctor's offices, and non-profit groups.

Office space is concentrated along Franklin Street, and in single-use office buildings. Brokers report limited demand for upper floor space unless there is elevator access. Reserved off-street parking is also required, especially during peak tourist season in the summer.

Vacancy Rate

Based on stakeholder interviews, RESGroup estimates a vacancy rate of between 5% and 10% in the DRI. This includes vacant space at the Frost Building, the Elmira Savings bank, and 1,500 square feet of space at the County Building where a lease is out for signature (to Catholic Charities). It should be noted that this space only became available November 1, 2017, suggesting some demand for office space in the market (at least for inexpensive non-profit space).

There is also 800 square feet of vacant space at the Elmira Savings Bank that has reportedly attracted little market interest as it does not have elevator access.

If the 7,800 square feet of vacant medical office space at the Guthrie Clinic is included the vacancy rate increases to between 10% and 15%. Stakeholders however report significant interest in acquiring this property for potential redevelopment as an alternate use, which may remove it from the inventory of available office space in the DRI. As it is already improved as medical offices, it could be an ideal location for a Watkins Glen location for physicians for any Hospital satellite services.

Rents

Stakeholders report office rental rates ranging from \$9 to \$15 gross per square foot depending on the location and quality level of the building and the size of the space. However, Schuyler County leases the unused space at their property for \$11 to \$12 net to non-profit groups and other government agencies.

By comparison, office rents in Ithaca, the region's largest office market are higher and range from \$18 to \$24 net. Rents in Corning are \$10 to \$12 net, comparable to the rents being charged at the County office buildings in Watkins Glen and Montour Falls. Elmira has a substantial amount of vacant office space,

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including a 63,000-square foot call center that was built for Corning in 2000, but has been available for the past ten years, with the current asking price at \$6 net.

Co-Working Potential

Co-Working involves a shared workspace that fosters collaboration between employees working for different companies or organizations or sole entrepreneurs. Often, these employees are independent contractors/freelancers or frequent travelers who otherwise would be working from home offices or coffee shops. The co-working environment can encourage networking building, collaboration, and learning new skills, and provides social interaction for individuals who have no direct business relationship. In terms of space programming, co-working spaces typically include desk spaces in an open floor plan with some private offices/cubicles, as well as common reception, conference, bathroom, and break room areas. Desks and offices are rented on a short-term basis, including hourly, daily, or monthly rentals. Depending on the local market, how co-working facilities operate can vary from leasing a desk or space offering short term leases to a more sophisticated business incubator. These spaces are defined by the types of services offered and may include a desk and common services to providing mentorship, training programs, and even investment opportunities.

To understand the potential demand and type of co-working space that would be supported in Watkins Glen DRI numerous interviews were conducted with local stakeholders (real estate brokers, building owners, business owners, economic authorities, etc.), as well as two co-working consultants. Trends in employment for sectors that typically utilize office space were also analyzed.

Stakeholders believe there is demand for a small-scale co-working facility in DRI. There are some local professionals who work mostly from their homes in Watkins Glen even though their companies are based in Ithaca, Corning, or Elmira, although that number is difficult to quantify without an in-depth survey. Having a local “office” with a reception area, conference room, and bathrooms would allow users to work in a more conducive and social environment, without being burdened solely with the cost of maintaining and staffing the office. Depending on their type of work (insurance, real estate, accounting, etc.), these professionals may prefer private offices or cubicles, while others may be comfortable working in an open floor plan.

Ilana Preuss from ReCastCity.com, a co-working and maker-space consultant, indicated that co-working facilities could work in communities with as few as 5,000 residents. While the Village of Watkins Glen has a population of less than 2,000, there are nearly 5,000 residents within 3 miles of the intersection of North Franklin and East 4th Street. As the area’s population increases between May and October, she thought there could also be additional demand from seasonal residents who work remotely while living in the Village. Demand may also be generated by visitors staying at the many STRs in the area, and marketing a co-working facility to these visitors (through the property owners) could be an opportunity to increase utilization.

Brad Treat, the Entrepreneur in Residence for the Southern Tier Startup Alliance based at Cornell University was also interviewed. While he thought that Watkins Glens was not ready yet for a business incubator, he did feel that co-working space could have better potential. Given Watkins Glen’s proximity to different agricultural uses and that the Glen Industries co-packing facility is located in the Village, he noted that there could be potential for a food and beverage incubator in Watkins Glen in the future if entrepreneurs could be identified.

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Employment by NAICS industry sector for Schuyler County is presented in the Appendix to this report. The three fastest growing sectors between 2010 and 2015 in the County were the Professional, Scientific, and Technical Services, Real Estate and Rental and Leasing, Administration & Support, and Fire and Insurance. While these sectors only added 78 jobs over five years, they do typically utilize office space. If a ratio of 150 square feet of office space per person is applied, this employment growth could have added up to 12,000 SF of demand for office space between 2010 and 2015.

Based on the above, converting the second floor of one of the row buildings along Franklin Street to co-working use should be considered. Floor plates in these buildings typically range from 1,500 to 2,000 SF and, assuming a loss of 30% for stairwells, bathrooms, and reception, conference, and break areas, may result in 7 to 10 desks/private cubicles/offices. Given the seasonality of visitation to Watkins Glen and the small size of its office market, a co-working facility in the Village would likely have to be developed and managed by the public sector to allow for the potential of a lengthy absorption and occupancy period, with groups that have experience working with the local business community (such as the CDC and Chamber of Commerce) as potential candidates.

Conclusion

The local office market is very small (approximately 100,000 square feet) and consists primarily of owner-occupied buildings. Vacancy rates are relatively low, and existing spaces with elevator access and off-street parking are usually re-leased within a short time period. However, rents are also low, and may not offset the cost of new construction in an elevator building. While economic data for the region suggests slow growth for sectors using office space, Watkin Glen's location distance from established office concentrations such as Ithaca or Corning, may limit the DRI's appeal to medium- and large-sized office tenants. However, there may be demand for smaller tenants (professional offices) or co-working spaces.

Appendix

Schuyler County Workers by NAICS Industry Sectors

	2005		2010		2015		CAGR	CAGR
	#	%	#	%	#	%	2005-2010	2010-2015
Schuyler County								
Total All Jobs	46,181	100%	49,598	100%	50,131	100%	1.4%	0.2%
Jobs by NAICS Industry Sector								
Agriculture, Forestry, Fishing and Hunting	91	0.2%	118	0.2%	171	0.3%	5.3%	7.7%
Mining, Quarrying, and Oil and Gas Extraction	3	0.0%	11	0.0%	0	0.0%	29.7%	0.0%
Utilities	37	0.1%	0	0.0%	3	0.0%	0.0%	n/a
Construction	278	0.6%	239	0.5%	244	0.5%	-3.0%	0.4%
Manufacturing	536	1.2%	541	1.1%	655	1.3%	0.2%	3.9%
Wholesale Trade	102	0.2%	79	0.2%	66	0.1%	-5.0%	-3.5%
Retail Trade	598	1.3%	576	1.2%	760	1.5%	-0.7%	5.7%
Transportation and Warehousing	52	0.1%	52	0.1%	46	0.1%	0.0%	-2.4%
Information	24	0.1%	24	0.0%	25	0.0%	0.0%	0.8%
Finance and Insurance	45	0.1%	43	0.1%	52	0.1%	-0.9%	3.9%
Real Estate and Rental and Leasing	18	0.0%	11	0.0%	14	0.0%	-9.4%	4.9%
Professional, Scientific, and Technical Services	67	0.1%	84	0.2%	137	0.3%	4.6%	10.3%
Management of Companies and Enterprises	0	0.0%	26	0.1%	25	0.0%	n/a	-0.8%
Administration & Support, Waste Management and Remediation	23	0.0%	26	0.1%	39	0.1%	2.5%	8.4%
Educational Services	529	1.1%	672	1.4%	617	1.2%	4.9%	-1.7%
Health Care and Social Assistance	679	1.5%	848	1.7%	826	1.6%	4.5%	-0.5%
Arts, Entertainment, and Recreation	82	0.2%	72	0.1%	67	0.1%	-2.6%	-1.4%
Accommodation and Food Services	333	0.7%	484	1.0%	537	1.1%	7.8%	2.1%
Other Services (excluding Public Administration)	128	0.3%	131	0.3%	139	0.3%	0.5%	1.2%
Public Administration	706	1.5%	582	1.2%	248	0.5%	-3.8%	-15.7%

Source: US Census Bureau

Note (1): CAGR is the Compounded Annual Growth Rate

n/a = not applicable

May not total 100% due to rounding

