



North Chenango River Corridor  
Brownfield Opportunity Area  
City of Binghamton  
Broome County, New York

*Market and Development Feasibility Assessment*

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## EXECUTIVE SUMMARY

HR&A Advisors, Inc. (HR&A) completed a market assessment to support the Step 2 Nomination Study for the North Chenango River Corridor Brownfield Opportunity Area (BOA) in Binghamton, New York. The BOA encompasses approximately 410 acres in Binghamton mainly in the North Side neighborhood north of downtown between the Chenango River and the Brandywine Highway (State Route 7). This study builds on findings from two earlier BOA studies of adjacent areas and several vision and revitalization plans for the North Side neighborhood.

While the City of Binghamton has faced many of the same struggles as other Upstate cities with losses of population and employment to the suburbs and other areas, it benefits from a strong institutional presence with Binghamton University and United Health Services. In recent years, these have helped its economy remain stable along with regionally strong defense and technology industries.

Key demographic characteristics include:

- A City population that held stable between 2000 and 2010. Population in the BOA declined by less than one percent.
- Median household incomes in the City lower than in the region overall, with even lower median household incomes in the BOA.
- Lower homeownership rates in the BOA, and subsequent deferred maintenance or neglect of rental properties by absentee landlords, that contributes to a negative perception of residential areas.

Key economic characteristics include:

- Growth of Binghamton University, specifically expansion of research centers and commercialization potential.
- Recent economic diversification to offset continued decline in manufacturing.

Key real estate market characteristics include:

- General lack of market velocity makes new development challenging. However, redevelopment of existing properties, particularly rehabilitation or conversions, is possible.
- Potential infill opportunities and growth in relation to the planned Center for Technology and Innovation in the BOA.
- Dated retail properties in the BOA that contribute to negative neighborhood perception.
- Accessibility to major highways, particularly with the reconfiguration of the Route 17/81 interchange with Brandywine highway. Within the BOA, connectivity could be improved with incorporation of complete streets concepts consistent with City policies.
- Potential to strengthen waterfront connections and improve the public realm to attract retailers and recreational visitors to the area.

Successful redevelopment in the BOA must leverage its existing and emerging assets as well as successful development in Downtown to overcome negative neighborhood perceptions. Building on the market analysis, HR&A recommends the following approach to the development:

- Rehabilitation, rather than new construction, is a crucial development tool. As discussed in the “Development Recommendations” section of this report, uses that support revitalization within the BOA are more financially feasible for developers or property owners through redevelopment, while new construction is not market supportable.
- Redevelopment of retail and attraction of new retailers is a strong, near-term strategy for activating plazas in the BOA and connecting the community to the riverfront, and rehabilitation of existing structures is financially feasible.
- Residential development will strengthen the community throughout the BOA, by supporting the local retail market and activating neighborhoods, with senior housing a promising longer-term strategy.
- Increasing stock of flex/industrial/office space is economically challenging, and likely a longer-term strategy if start-ups grow out of the Binghamton University incubator or other initiatives and need affordable scale up space.

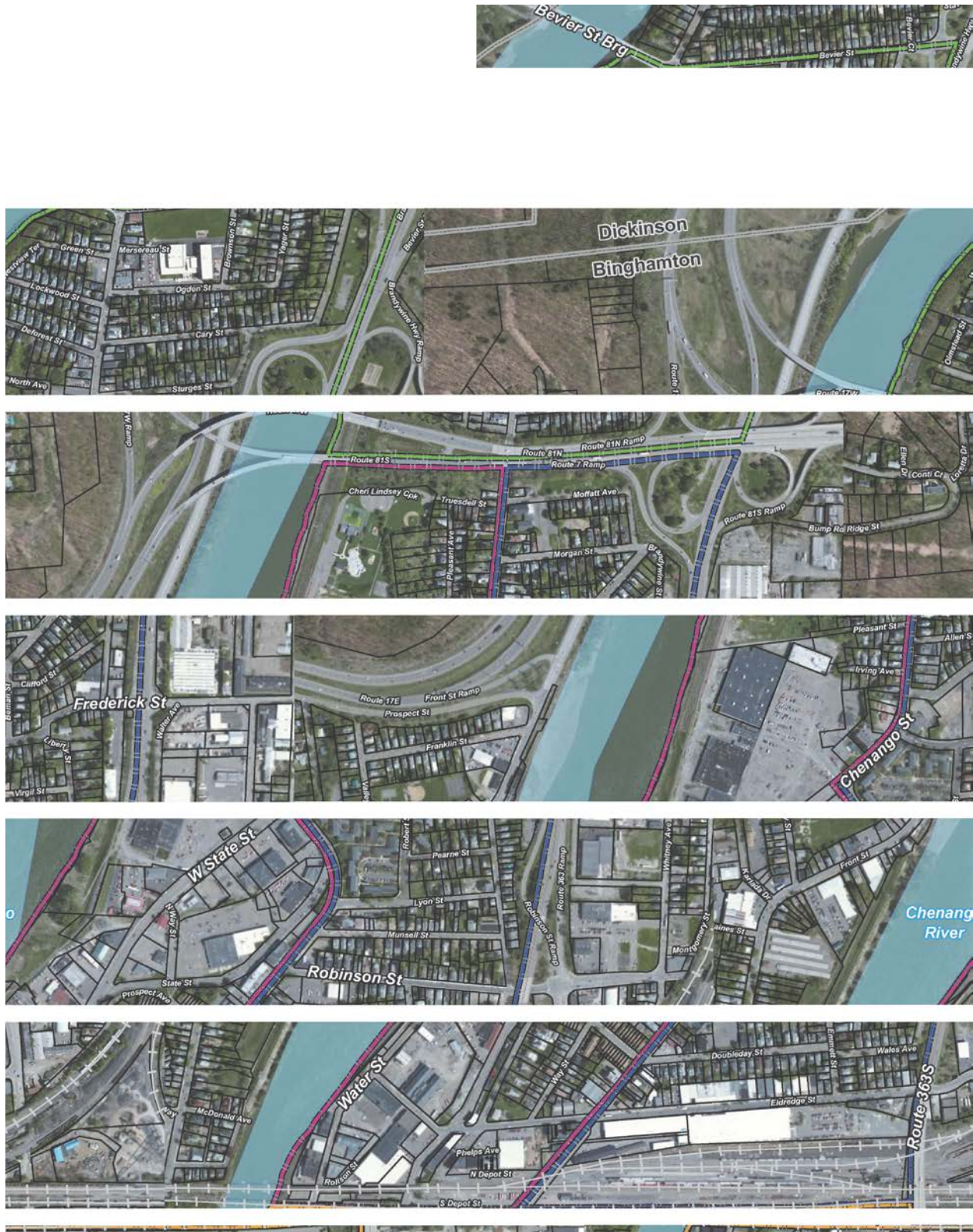
HR&A developed a phasing strategy to align with findings and development recommendations, structured as follows:

- BOA redevelopment should proceed in three phases:
  - Revitalization of retail plazas in the Core Area through completion of main roadways, rehabilitation of existing buildings, and strengthening connections to the riverfront.
  - Street and infrastructure improvements connecting the Core Area to Subarea 3 and Downtown Binghamton, through streetscape and plaza improvements, connecting the riverfront to the upland by incentivizing public space improvements, and improving the streetwall along key roadways.
  - Public investment in support of social services and plazas in the Core Area and Area 1 to create distinct roadways and drive lanes within plazas, incentivize improvements within these areas, and develop new neighborhood and infill retail to strengthen the plazas.

## **PROJECT PURPOSE**

HR&A was engaged to conduct a market assessment on behalf of the Step 2 Nomination Study for the North Chenango River Corridor Brownfield Opportunity Area (BOA) in Binghamton, New York. The BOA encompasses the City's North Side neighborhood and the industrial neighborhood just north of Downtown Binghamton. The BOA is bounded to the north by Bevier Street and to the south by Henry Street. East to west, the BOA runs from the Chenango River to the Brandywine Highway (which then becomes North Shore Drive). The purpose of this study is to build upon previous work to assess the retail, office, industrial, and residential markets. The research is informed by analysis of recent market and economic data as well as conversations with key stakeholders. The assessment of local and regional real estate and market conditions provides a framework for identifying development opportunities within the BOA.

Figure 1: BOA Areas: Core, Area 1, Area 2, and Area 3



## Previous Studies

A number of previous studies provide a strong base for HR&A's analysis that considers updated data and conversations with a range of stakeholders. Stakeholders in Binghamton have been deeply involved in redevelopment efforts through the generation of Revitalization and Vision plans for individual neighborhoods and the City as a whole. These plans have identified specific unmet needs and uses in the Binghamton area, and provide a framework for future development recommendations. Key studies include:

- **The First Ward Redevelopment Plan**, a Step 1 Pre-Nomination Study, which focused on economic revitalization and job creation within the First Ward in order to build on the area's rich history and engage neighborhood residents in multiple aspects of their day-to-day lives.
- **The Brandywine Corridor Brownfield Opportunity Area Nomination Study**, which dealt with creating an industrial corridor within the center of the study area (along the eastern side of the Brandywine Highway) and introducing mixed-use developments at the northern and southern ends to improve quality of life within the BOA and activate residential communities. The Brandywine study also points out the need to address floodplain conditions that encompass the study area, both in requesting amendments to the floodplain boundary and discussing mitigation strategies for increased insurance costs. The ambitious mixed-use plans laid out in this study rely on interventions to improve the pedestrian experience along major roadways and will require continued outreach and stakeholder engagement in order to build support for new investment.

In addition, several other plans have identified community needs, vision and goals. These include:

- **North Side Vision Plan** emphasizes the community's desire to see neighborhood-wide revitalization and introduction of an easily accessible grocery store.
- **City of Binghamton Local Waterfront Revitalization Plan** laid out economic development goals surrounding revitalization of the Chenango Riverbanks, grounded in the historical use of and access to the river and stakeholder outreach.
- **City of Binghamton Comprehensive Plan**, which set out an implementation plan to strengthen communities in Binghamton and redevelop neighborhoods through reorganization of City leadership.

These studies provide a strong basis for understanding neighborhood conditions and priorities that helped direct HR&A's market analysis in the following sections.

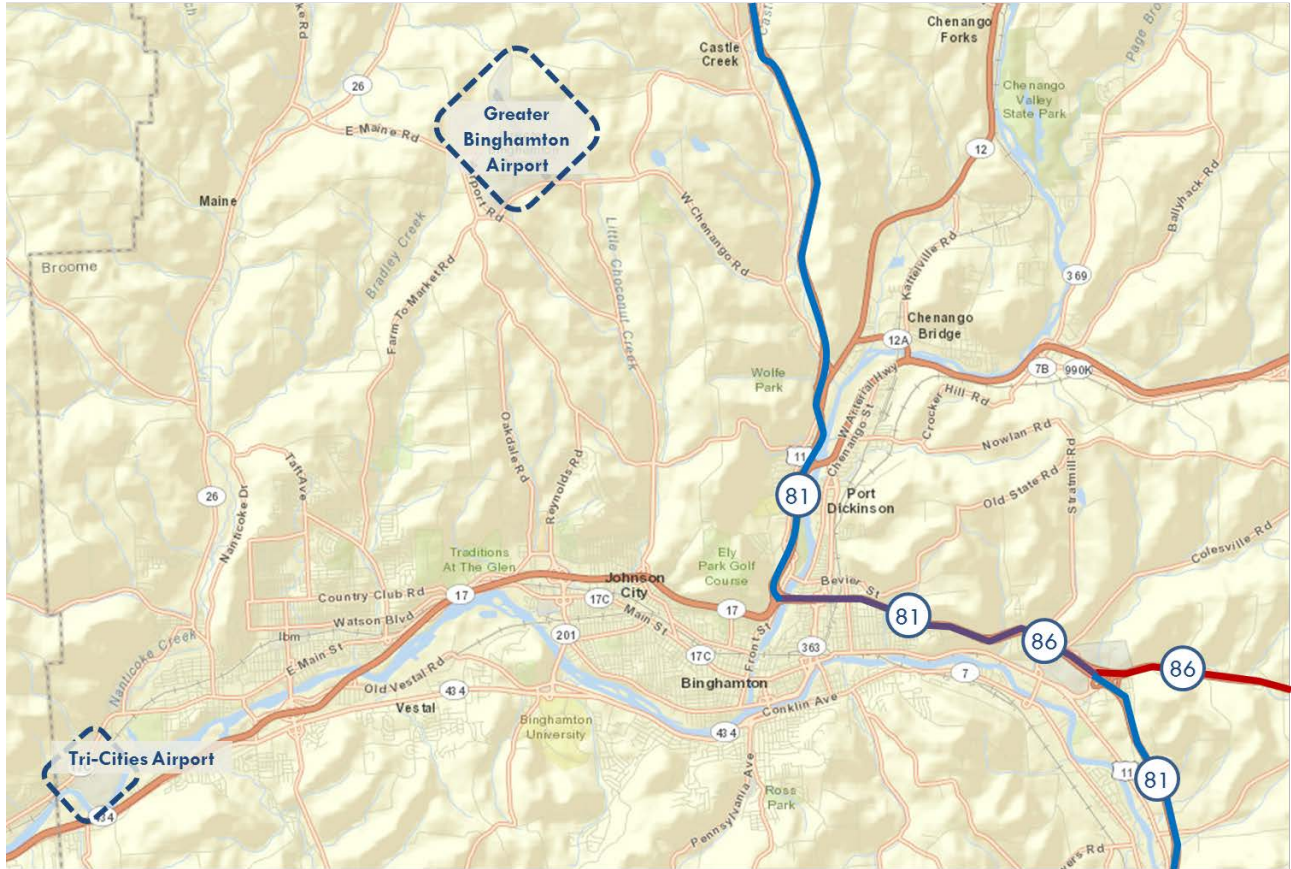
## REGIONAL OVERVIEW

### Physical Location

The City of Binghamton is located in Broome County within the Southern Tier of New York State. Binghamton lies at the confluence of the Susquehanna and Chenango Rivers. Located 140 miles west of Albany and 175 miles northwest of New York City, the City is only a 2-3 hour drive from major hubs of government and commerce. Its location at the intersection of two major interstates (I-81 and I-88) and New York State Route 17/I-86 make it highly accessible by road from several directions. The Greater Binghamton and Tri-Cities Airports, located less than 10 miles from the City, provide regional air service. Finally, the City is also accessible by bicycle along New York State Bicycle Route 11.



Figure 2: Regional Transportation



## Key Assets

In addition to its strategic location and natural features, the City has a number of assets that contribute to its economic stability. Binghamton University (BU) is one of the City's key economic drivers. Established in 1946 as The State University of New York at Binghamton, the school is home to approximately 15,000 undergraduate and graduate students and is planning further expansion. BU excels in the sciences and has climbed in university and college rankings due to its successful research initiatives. It is the site of a New York State Center of Excellence, known as The Small Scale Systems Integration and Packaging Center (s3ip). This member of the statewide Centers of Excellence program promotes research and development of microelectronics. The University was also recently awarded a New York State challenge grant to establish a new center for Smart Energy Research and Development. Continually striving for excellence, BU is a major driver for research and development in Binghamton and brings a skilled, highly educated workforce to the area, in addition to its student body.

In addition, independent cultural organizations such as the Center for Technology and Innovation (CT&I) welcome visitors and residents with educational programming about Binghamton's tech-focused past and history as a hub for the tech industry. CT&I is currently working through development of a new facility, TechWorks!, which will house exhibitions and installations educating visitors about inventions and industrial innovations born in New York's Southern Tier.

## REGIONAL ECONOMIC OVERVIEW

In addition to the large role played by Binghamton University, manufacturing, defense, and health care industries are the City's key sectors, with some recent growth in the technology sector independent of the defense industry. Like other Upstate cities, it has struggled with the decline of manufacturing industries and exodus of companies from downtown to suburban locations, such as Vestal and Endwell.

The City's economic strengths are demonstrated by a number of key, long-term, larger employers:

- Binghamton University, which employs 5,500 faculty and staff, is the area's largest employer according to the Broome County Industrial Development Agency's survey of the top 25 employers in the Binghamton MSA in 2012. The University continues to act as a major economic driver for the area and is expanding its efforts to support start-ups founded in the Center for Excellence or among its research and development labs by opening a new, 54,000 square foot incubator space at Hawley and Carroll Streets in downtown Binghamton. The incubator is anticipated to house 24 new companies, and maintain two anchor tenants.
- United Health Services (UHS) has a large presence in Binghamton at the UHS Binghamton General Hospital. Founded in 1888, the hospital is now a full-service, 200-bed facility, and employs almost 5,500 staff members. According to the UHS website, the hospital recently completed a \$30 million expansion onto UHS Vestal, a new campus located directly across Vestal Parkway from Binghamton University.
- Lourdes Hospital, part of Ascension Health, a Catholic health provider, also maintains a presence in Binghamton with a general hospital of approximately 200 beds and 2,300 employees. Lourdes also operates special programs such as hospice, a cancer center, and family health center. The

hospital is in the midst of a three-year, \$70 million improvement and expansion campaign to its current facilities, including an expanded and modernized emergency care department, construction of a new ambulatory care building, and addition of structured parking.

- The defense industry still maintains a strong presence in the region, employing over 5,000 workers between three of the area’s top ten employers, Lockheed Martin, BAE Systems, and Amphenol Aerospace. Many of these companies, however, are now located outside of the City of Binghamton in Endicott, Johnson City, and Sidney. The industry still makes up four of the top ten employers in the Binghamton MSA, according to the Broome County Industrial Development Agency.
- Additionally, the region supports a concentration of food services and distribution companies. Three such companies are headquartered within the region (Maines Paper & Food, Willow Run Foods, Crowley Foods), and other major companies employ area residents, including Frito Lay, a popular snack foods company and division of PepsiCo. These companies have found space for large production facilities within the Binghamton area that allow access to surrounding consumer markets.

Binghamton’s top employers reflect a change from a manufacturing-driven economy to a more diverse economy that maintains strong connections to the City’s technology and innovation roots. BU’s success and expansion represents a new phase of a combined technology and knowledge-based economy, while a strong healthcare system displays the area’s shift to a more varied economic base.

Figure 3 lists the locations and work force hired by the top ten employers noted in the Broome County IDA survey numbered by ranking.

Figure 3: Top 10 Employers in the Binghamton MSA, 2012

<b>Company</b>	<b>Number of Employees</b>	<b>Location</b>
Binghamton University	5,493	Vestal
United Health Services	5,428	Binghamton
Lockheed Martin	2,800	Owego
Broome County Government	2,500	Binghamton
Lourdes Hospital	2,311	Binghamton
New York State	2,034	Binghamton
Broome Developmental Center	1,400	Binghamton
Amphenol Aerospace	1,400	Sidney
BAE Systems	1,350	Johnson City
Endicott Interconnect	1,250	Endicott

## DEMOGRAPHIC AND MARKET ASSESSMENT OF THE BOA

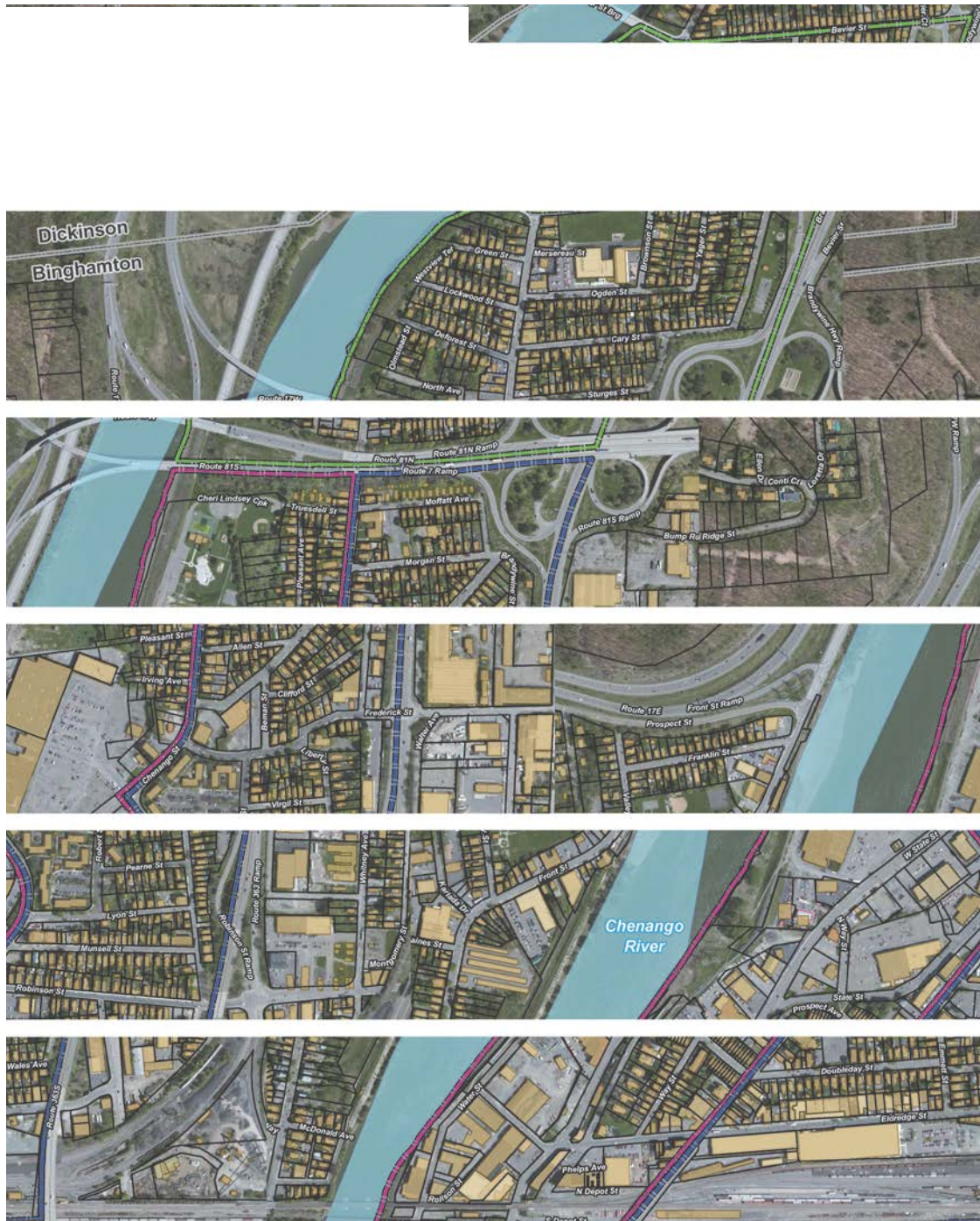
### Study Area Overview

The purpose of this section is to provide an overview of the study area to provide a framework for the demographic and real estate assessment in later sections. The North Chenango River Brownfield Opportunity Area (BOA) encompasses approximately 410 acres between Henry Street and Bevier Street in the City of Binghamton. This area includes much of the North Side neighborhood above the railroad tracks and a portion of the City north of downtown, which is also known as the “Center City” neighborhood, and maintains distinct characteristics between its subareas.

- The **core area** of the BOA study area is a patchwork of older retail shopping centers and a small residential neighborhood to the north, meeting the Chenango River to the west. There is currently a bike path running north from Downtown Binghamton to Truesdell Street, just before meeting Route 17 and Interstate 81.
- **Subareas one and two** are predominantly residential, consisting of mainly single-family homes located on primarily residential streets or cul de sacs. There are a number of churches, small parks, and a school in the area. The southernmost portion of subarea one and the core area share a border at the Norfolk Southern tracks, meeting a row of industrial buildings.
- **Subarea three** is a predominantly industrial neighborhood, made up of civic, commercial, and industrial/warehouse buildings, many of which have been converted to office space. Some older office stock is now used for small tech and start-up companies. The area is also home to NYSEG Stadium, built in the early 1990s, and now home to the Binghamton Mets.

Figure 4 on the next page illustrates the boundaries of the BOA and subareas along with building shading.

Figure 4: BOA Subarea Overview



## Demographic Overview

### Population Change

Figure 5 illustrates the stabilization that Binghamton’s population has experienced in the last decade. The City of Binghamton had a population of 47,376 people and 1,635 households in 2010. While this count is significantly smaller than the peak of 80,000 people in the 1940s and 1950s, the overall population appeared to stabilize from 2000-2010, with negligible losses in the City and a slight increase in the County. The BOA had a population of 3,462 in 2010, representing only a -0.2% annualized decline from the population in 2000.

Figure 5: Population Change

Population	Annualized Growth				
	1990	2000	2010	1990-2000	2000-2010
North Chenango BOA	4,122	3,534	3,462	-1.5%	-0.2%
Binghamton City	53,287	47,380	47,376	-1.2%	0.0%
Broome County	212,160	200,536	200,600	-0.5%	0.0%

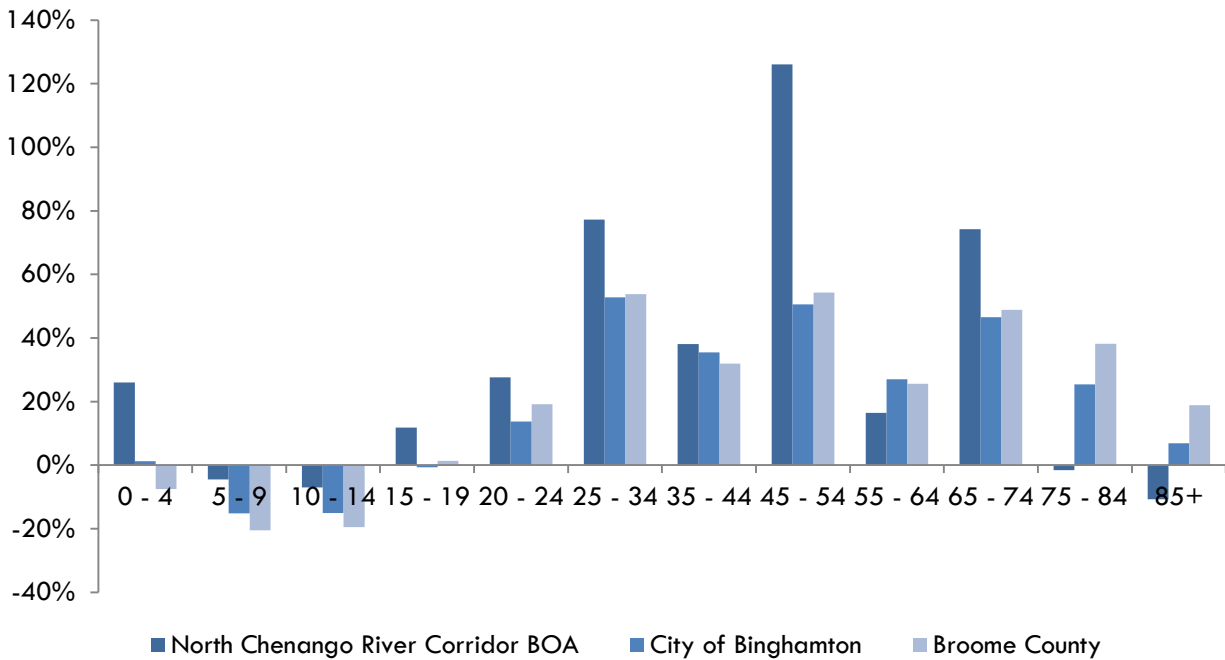
Source: ESRI Demographic Data, HR&A Advisors

### Age

The average age of residents within the BOA is 36, in line with the City of Binghamton overall and slightly lower than Broome County’s average age of 40. The BOA maintains a higher percentage of infants, toddlers, and middle-aged (45-54 years old) individuals than surrounding areas. Despite a relatively strong public school district within Binghamton, the BOA, City, and County have not retained school-aged children and young families.

HR&A found that the overall regional population is aging, with a 10-20% increase in the number of people 85+ years of age. This trend is strongly reflected in the age distribution of the BOA population, with over a 70% increase in the 65-74 year old age cohort from 2000 to 2010. This suggests that some seniors are aging in place, creating a need to continue local public and social services. However, the number of BOA residents in age cohorts above 75 years old have decreased dramatically (between 10-15%). Given the lower median income in the BOA, residents in this age cohort may find current housing options unaffordable and may search for alternative living arrangements. The closest senior housing and care facility, United Methodist Homes (UMH) is located within the City of Binghamton, but outside of the BOA (across the Chenango River and approximately one mile north). While UMH is now situated in an area with ample space for expansion, seniors’ changing needs and preferences, such as desiring a more urban environment, may present an opportunity to look further into options for affordable senior housing in the area. Revitalization of the BOA will strengthen its appeal to local seniors by providing an improved public realm, with complete streets and a safer pedestrian experience, access to social services that are already in place within Binghamton, and diverse retail and access to recreational activities.

Figure 6: Change in Population by Age Cohort, 2000-2010

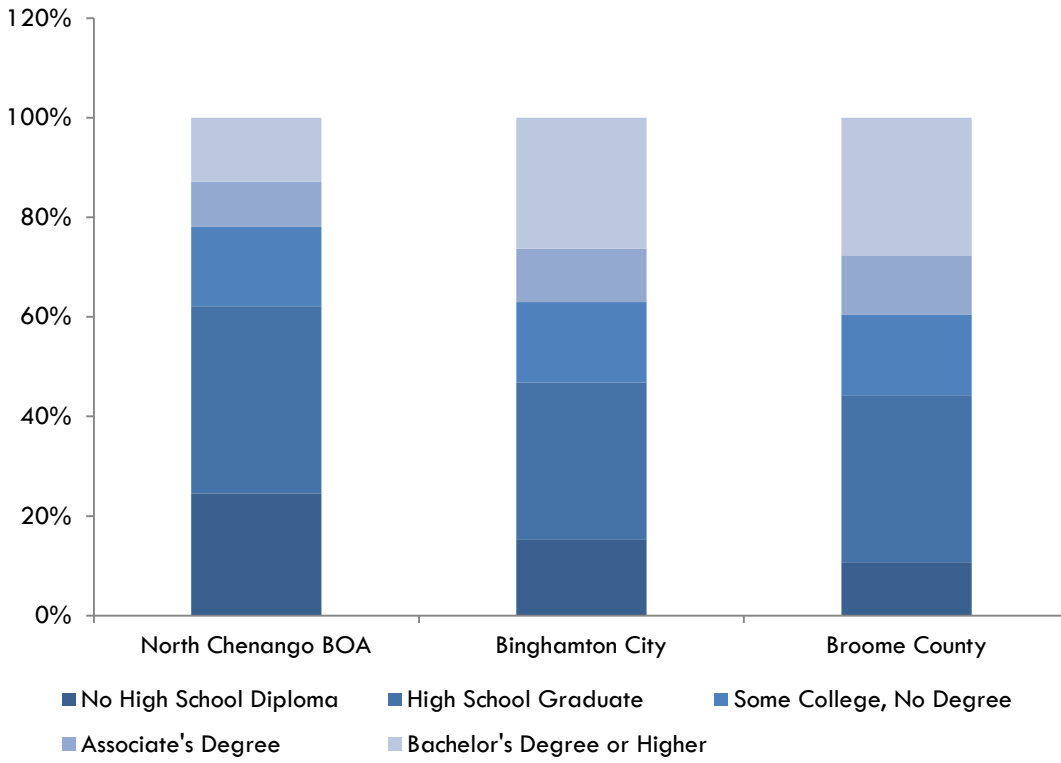


Source: ESRI Demographic Data, HR&A Advisors

**Education**

The BOA lags the surrounding area in attainment of higher education degrees. The percentage of residents with a bachelor’s degree in the BOA (7%) is less than half that in the City overall (14%). The percentage of residents with at least a high school diploma (or GED) is 39%, in contrast to 32% in the City overall. In addition, the BOA has a higher percentage of residents without a high school diploma or GED. These educational statistics suggest that training programs and other workforce development initiatives are necessary in addition to investment to stimulate economic growth in the BOA.

Figure 7: Educational Attainment, 2010



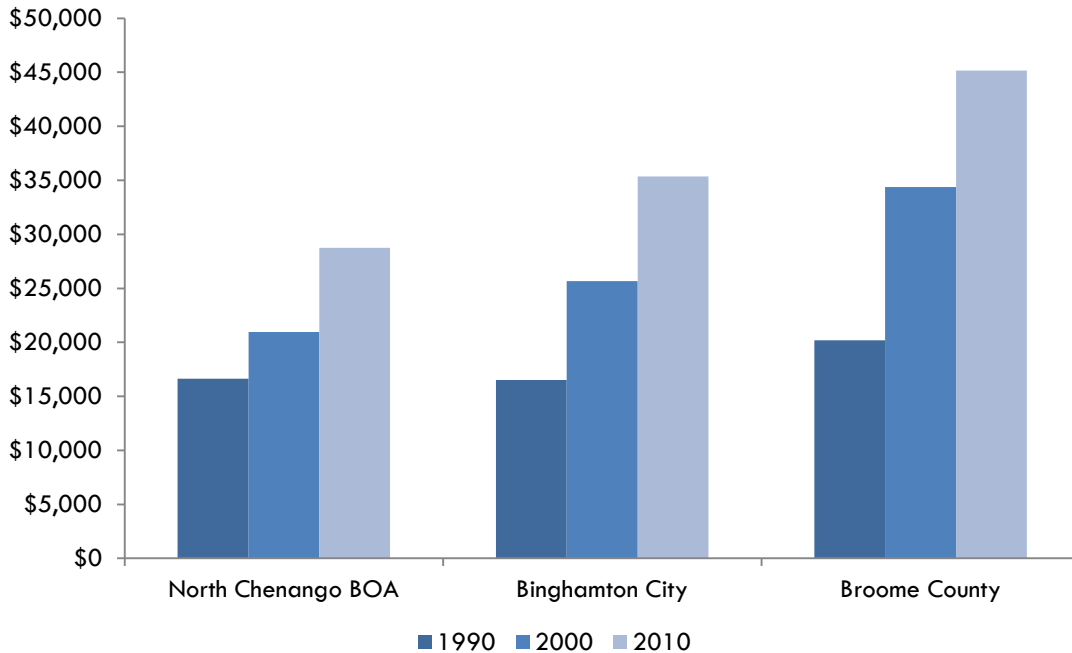
Source: ESRI Demographic Data, HR&A Advisors



### Household Income

The North Chenango BOA had a median income of \$28,743 in 2010, which is 17% higher than in 1990, but still lags the region overall. The City of Binghamton and Broome County had median incomes of \$34,382 and \$45,154 in 2010, a growth of 39% and 36%, respectively, over the same period. Data illustrated below shows the similar trends in median household income throughout the region, with the City and County’s median household income growing more quickly than the BOA.

Figure 8: Median Household Income

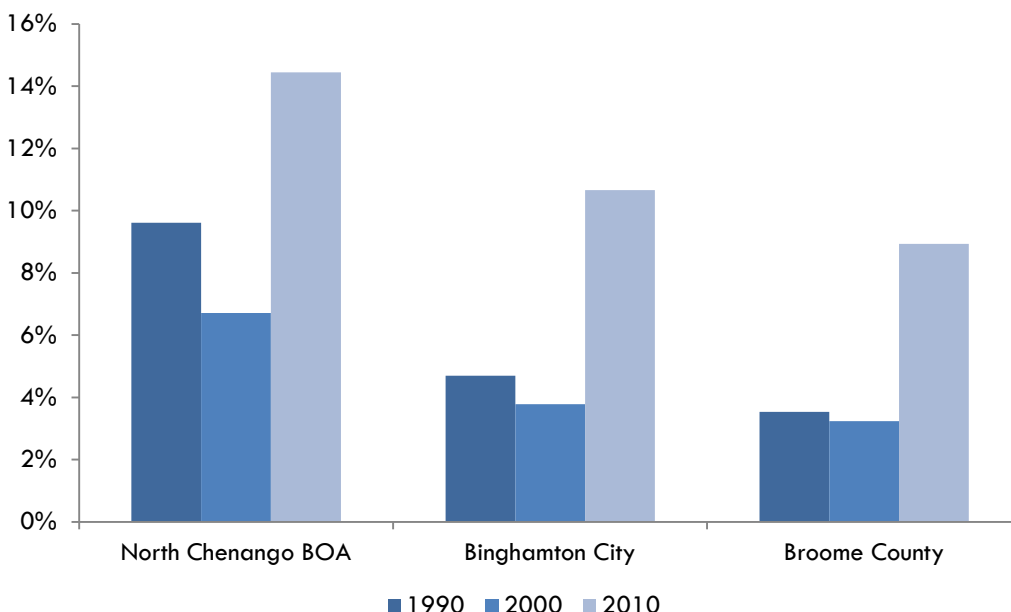


Source: ESRI Demographic Data, HR&A Advisors

### Unemployment

Along with a lower household income, the BOA has a higher unemployment rate than the City and County overall. However, the trends in unemployment are similar across the entire region. From 1990 to 2000, the BOA experienced a 3% drop in unemployment from 10% to 7%, but unemployment surged to 14% in 2010, influenced by the Great Recession. The City of Binghamton experienced similar changes in the same period of time, with unemployment first dropping 1% between 1990 and 2000, but gaining 7% between 2000 and 2010. Broome County experienced a similar increase in unemployment in the same decade. These changes may reflect larger economic changes affecting the region and nation, as opposed to local economic challenges. Figure 9 below shows the change in unemployment for the decades between 1990 and 2010.

Figure 9: Unemployment



Source: ESRI Demographic Data, HR&A Advisors

### Housing Tenure

Renters are far more prevalent than owners in the study area, a departure from much of the surrounding region and City of Binghamton. In 2010, 78% of housing units in the BOA were rental units, in comparison to 58% of the units in Binghamton overall. This is in contrast to Broome County, which has a 35% rental rate. The pattern of rental and ownership here is reflective of the national pattern of renters versus owners that occurs in urban versus suburban environments.

### REAL ESTATE MARKET OVERVIEW

Binghamton’s real estate market is fairly steady, with long-term owners holding large retail assets and office space occupied by small tech companies and some start-ups. Binghamton remains in close competition with nearby cities and towns that make up the Greater Binghamton MSA for major tenants, especially for retail and office space. Downtown Binghamton has recently become home to luxury student housing development, which may prove to be a driver for retail and entertainment uses in downtown.

This growth in the downtown, combined with the expansion of both UHS and Lourdes hospitals, suggest that institution-led investment has been key in driving the revitalization of downtown. The Step 2 Nomination Study, in conjunction with planning studies, will help identify how to leverage this momentum and draw activity north to the BOA.

While positive indicators are emerging, such as area lease transactions and positive absorption, CoStar data from the first quarter of 2012 for the core area, subarea 1, and subarea 2, displayed a vacancy rate of 20% for retail properties, while office buildings in subarea 3 have an almost 25% vacancy rate.

The residential vacancy rate for the total study area is 16%. In each of these categories, the study area shows higher vacancy rates than the City of Binghamton, suggesting that North Side revitalization efforts and stakeholder engagement throughout planning processes are integral parts of improving Binghamton’s overall economic health.

**Retail**

Core Area, Subarea 1, and Subarea 2:

Two main shopping centers are located within the core area of the BOA. Binghamton Plaza and Colonial Plaza are situated along West State Street (which becomes Chenango Street) the main roadway through the core area. Once used as a landfill, Binghamton Plaza was developed in the early 1960s and positioned to attract travelers along Routes 17 and I 81. The site is now home to a Kmart and a number of local businesses such as a pizzeria, billiard hall, and nail salon. Across West State Street, Colonial Plaza has office space for the Broome County Addiction Center, Action for Older Persons, and Mothers & Babies Perinatal Network. The adjoining Stow Plaza was formerly home to a Big Lots. A grocery store was considered for both sites, but ultimately did not locate in Binghamton. However, the North Side Vision Plan did identify a full-sized grocery store as an unfulfilled need in the community. In general, larger chains, including regional and national retailers have located in the more suburban areas surrounding Binghamton, as opposed to within the North Side’s retail plazas or in Binghamton’s Center City neighborhood.

Subarea 3:

Subarea three nearly meets downtown Binghamton’s retail corridor, where there is a cluster of restaurants and performing arts spaces. The retail market in subarea three is more similar to the downtown, as it is marked by lower vacancy and higher rents than the rest of the BOA. Within the study area above the railway tracks, rents drop off and vacancy is substantially higher. Binghamton’s overall retail vacancy rate is just under 7% and CoStar data for 2011 shows negative net absorption (-21,000 for FY 2011). However, gross absorption reported by CoStar shows market potential of 44,000 square feet, suggesting there is some activity in the market that available retail spaces may not be capturing due to obsolescence. Figure 10 below details the total rentable retail areas and vacant space, noting the stark difference in vacancy rates between the study area above the railroad tracks and the area below.

Figure 10: Retail Sector Vacancy

	<b>Rentable Building Area</b>	<b>Total Vacant SF</b>	<b>Total Vacant %</b>
North Chenango River Corridor BOA	676,282	97,060	14.35%
Core, Subarea 1, Subarea 2	465,890	95,250	20.44%
Subarea 3	210,392	1,810	0.86%
Downtown Binghamton	1,303,165	42,834	3.29%
City of Binghamton	4,475,907	297,826	6.65%

Source: CoStar Market Data, HR&A Advisors

Within retail plazas, rents are driven by store format and whether a retailer is local or part of a regional or national chain. Small store spaces run from \$4 to \$5 per square foot, while larger chains may pay up to \$10 per square foot on a triple net lease. The largest available spaces for mid and large-format retailers

are now located in the plazas along West State Street, though these centers have not been modernized since their development in the 1960s.

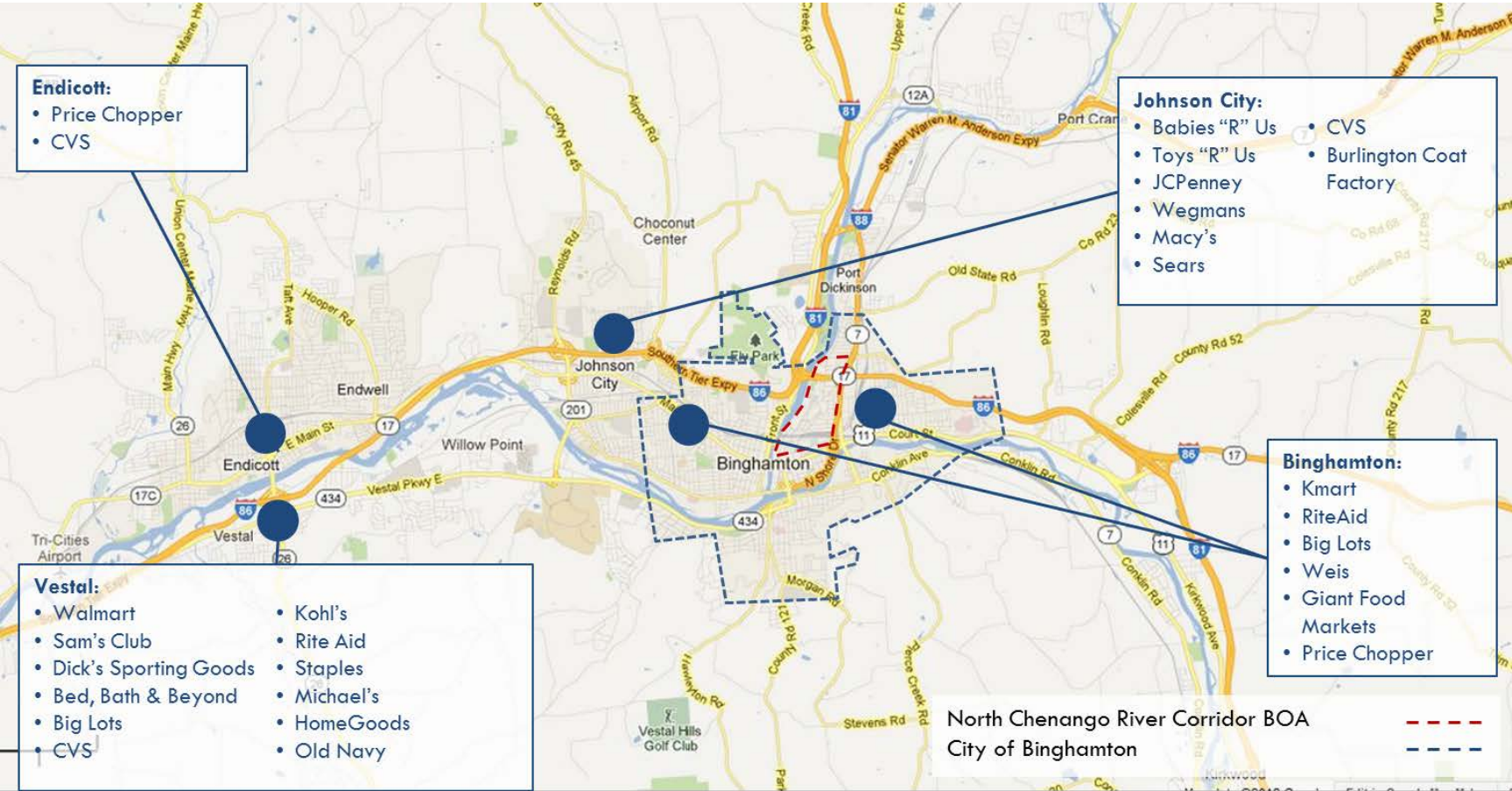
Old building stock or obsolete buildings may be one barrier to entry, as stakeholder outreach revealed that absentee landlords are not highly motivated to fund tenant improvements. According to local stakeholders and real estate professionals, investor confidence in the Greater Binghamton area's retail market also may still be feeling effects of the severe flooding that occurred in September 2011, though there were no reported closures or lingering effects to properties within the BOA. However, it is evident in the North Side Vision Plan, and was noted during stakeholder outreach, that redevelopment of retail in the North Side neighborhood and downtown Binghamton would be welcomed by community residents and area stakeholders.

Opportunity for retail development will occur either through redevelopment of one of the plazas in North Side, and could be viewed as an opportunity to connect subarea three of the BOA with downtown Binghamton and draw visitors and students north. As noted above, Binghamton, Colonial, or Stow Plazas present the opportunity to attract grocery tenants or regional and national retailers who would serve both the surrounding community and draw residents from surrounding areas. Redevelopment of existing retail buildings, along with plaza's parking lots and surrounding landscaping, will make these more attractive locations for this type of retailer. With improvements to riverfront access and the pedestrian experience, these sites may also be attractive to large-format entertainment retail, such as bowling or movie establishments. However, redevelopment of these plazas will require a greater effort to work with current landowners to incentivize renovation and attract new tenants.

In Subarea 3, Water Street, the continuation of Hawley Street, could potentially draw consumers from downtown to the BOA and create a connection with the Chenango River. The redevelopment plans discussed in the BOA report emphasize connection of existing streets to the waterfront, and creation of complete streets, with improved pedestrian connections. Currently, the Water Street Brewing Co. is located just south of Henry Street. With planned addition of the new Center for Technology and Innovation above South Depot Street, and the Riverwalk Hotel between the two, this area could be home to a new retail corridor that would draw visitors to the riverfront.

The major retailers currently occupying surrounding areas are noted in Figure 11 on the following page.

Figure 11: Area Retailers



Source: CoStar, HR&A Advisors

## Industrial

The industrial buildings within the BOA are mainly older stock, with the average age for industrial buildings approximately 47 years. Many of these older spaces, while inexpensive to rent for start-ups and smaller companies, are in need of extensive repairs and modernization to be fully functional and attractive to longer-term tenants or to act as flexible space for technology-based companies in need of start-up space.

Above the junction of three railroad lines between Eldridge and South Depot Street is a long industrial building that is wholly occupied by VMR Electronics. VMR, an application engineering and full-scale manufacturing company, remains involved in one of Binghamton's core industries: defense manufacturing. The area near the railroads also maintains an industrial feel and provides ample space for the company's operations. However, railroads and area stakeholders did not express a strong desire to see manufacturing operations enter the market to support their own operations. In keeping with this sentiment, the Broome County Industrial Development Agency noted that the industrial market has remained fairly static. HR&A's assessment of development feasibility supported this conclusion, finding that new development of industrial properties would be economically challenging. However, infill opportunities for light manufacturing may exist, particularly within subarea 3.

Real estate professionals echoed this sentiment, but a quarterly Cushman and Wakefield report provided a slightly more positive outlook for the Greater Binghamton Area. Noting slow but steady increases in direct rents and decreases in vacancy over the past year, the report states that leasing activity is 2.5 times higher for Q2 in 2012 than the same quarter in 2011. However, CoStar reported only 207,000 sf of absorption throughout the City in 2011.

Within the BOA, however, CoStar reported no gross absorption or vacancy for the BOA in the same period, as shown in Figure 12 below. Detected gross absorption was also low within the BOA, at only 4,200 square feet for the year to date and none in 2011.

Note that CoStar draws on publicly-recorded data and data reported by real estate professionals to quantify market trends. A data point of zero may indicate a lack of reported information rather than no vacancy.

Figure 12: Industrial Sector Vacancy

	<b>Rentable Building Area</b>	<b>Total Vacant SF*</b>	<b>Total Vacant %*</b>
North Chenango River Corridor BOA	304,295	0	0.00%
Core, Subarea 1, Subarea 2	219,175	0	0.00%
Subarea 3	85,120	0	0.00%
Downtown Binghamton	339,068	0	0.00%
<b>City of Binghamton</b>	<b>3,942,413</b>	<b>319,235</b>	<b>8.10%</b>

Source: CoStar Market Data, HR&A Advisors

\* Displayed vacancy of 0% may be the result of a high number of owner-occupied buildings or direct tenant-owner transactions, which are not recorded by CoStar.

**Office**

With an average building age of 55 years, much of the office space in the BOA is also dated. Older stock and converted buildings with flexible layouts are attractive to companies growing within the area who look to expand into large, inexpensive space. Throughout the City and especially within subarea 3 of the BOA, former industrial company offices are also being leased as office space to newer technology companies. In this way, the area retains small companies that remain true to Binghamton’s technology-focused economy. However, economics for the purchase or purchase and revitalization of industrial buildings are challenging.

Low rents and sale prices combined with high taxes create challenging economics for current landlords or would-be investors. According to local real estate professionals, rents outside of downtown fall between \$5 and \$7 per square foot (triple net), while rents in the center of the City can climb to \$17 to \$18 per square foot for desirable office space. However, these rents are often not high enough to justify the cost of new construction and the elimination of tax advantages to locating within the City of Binghamton may deter potential investors.

Despite reported demand for office product, vacancy remains high in downtown and throughout the City, partly due to the long-term vacancy of corporate space that has not yet been filled, according to a Cushman and Wakefield report for the second quarter of 2012. The following CoStar data confirms this assertion and reveals that downtown Binghamton has the highest concentration of office vacancy in the area. Gross absorption was low for office space, at only 4,400 sf recorded in the BOA in 2011 and none to date this year.

As noted above, CoStar draws on publicly-recorded data and data reported by real estate professionals to quantify market trends. A data point of zero may indicate a lack of reported information rather than no vacancy.

Figure 13: Office Sector Vacancy

	<b>RBA</b>	<b>Total Vacant SF*</b>	<b>Total Vacant %*</b>
North Chenango River Corridor BOA	359,057	58,612	16.32%
Core, Subarea 1, Subarea 2	121,505	0	0.00%
Subarea 3	237,552	58,612	24.67%
Downtown Binghamton	1,495,804	421,771	28.20%
City of Binghamton	2,366,298	424,821	17.95%

Source: CoStar Market Data, HR&A Advisors

\* Displayed vacancy of 0% may be the result of a high number of owner-occupied buildings or direct tenant-owner transactions, which are not recorded by CoStar.

A major opportunity for increased demand for office space lies with the potential of emerging companies from BU’s research centers. The University now plans to open a new incubator space south of the BOA on Hawley Street, and whereas companies founded at Binghamton have previously located to nearby cities, this study and the incubator’s new location present an opportunity to retain companies and the knowledge

based economy in the BOA. Incentives offered through the brownfields programs (e.g. tax credits), regional economic councils, and other programs will be critical to fund redevelopment of key sites throughout the BOA in order to retain start-ups or technology-based companies and rebuild their community in Binghamton. However, HR&A sees this type of redevelopment as a longer-term strategy, to be evaluated as the market evolves.

## **Residential Overview**

The portion of the BOA closest to the Brandywine Highway (NYS Routes 363) continuing west to Chenango Street is characterized by residential neighborhoods featuring a mix of single-family homes and multi-family structures. Throughout the North Side neighborhood of Binghamton, many of these homes are rented to tenants by absentee landlords, however, information about these properties is scarce and they do not appear to be advertised widely.

In 2010, homes for sale for ownership or investment have a median value of approximately \$82,000 within the BOA. Third-party demographic data (ESRI) shows that this price point was low for the area, as compared to Binghamton's \$120,000 median home value and Broome County's \$135,000. This year, the median home sale price within Binghamton has fallen to just over \$100,000, a notable decrease from 2010, according to Zillow.com. However, home values have increased 7% across the BOA in the last ten years, possibly due to community efforts to revitalize the neighborhood. Residents of the North Side community have been working to improve area conditions for the last decade and have produced a Vision Plan for the neighborhood. The area received designation as a New York State Quality Community in 2002, giving the community a form of outreach for funds and assistance in planning efforts for neighborhood improvement.

Student housing also plays an important role in Binghamton, though is occurring only south of the BOA. Twin River Commons on Washington Street and 20 Hawley Street, a new student housing development, are notable examples of the potential to convert under-performing or historic office space into market-rate housing. Both were built to house Binghamton's expanded student body, which is planned to grow by 2,000 students this academic year. According to BU's advertisements for off-campus housing, rates at 20 Hawley Street ran from approximately \$800 to \$1050 per month for each student, depending on sharing arrangements. At Twin River Commons, rates covered a slightly larger range, from \$740 to \$1050, again depending on sharing (from a 4 bedroom to 1 bedroom unit). Students living in and around downtown Binghamton may encourage extra spending in the area and the City hopes their experiences will keep them in Binghamton after their time in school.

Given the region's aging demographic, there is likely to be increasing demand for senior housing. United Methodist Homes (UMH) operates a complex just outside the BOA across the river. Apartments are marketing to adults over the age of 65, though the average age of residents is 80. Residents pay approximately \$1,300 to \$1,900 a month for homes ranging from a traditional apartment to a patio-style home with garage. Pricing can include meals, housekeeping, transportation, social services, and chaplaincy. The two area hospitals (United Health Services and Lourdes Health Care) provide convenient access to necessary services and the homes are situated on six and a half acres with room to expand nearby. Providing expanded social and health services within Binghamton's communities, and improving access throughout the City, will help to meet the needs of potential senior residents. Support services for seniors already exist in the Study Area. (Action for Older Persons located in Colonial Plaza).



## CONCLUSIONS

Binghamton's economic recovery from population decline and economic hardship during the mid-20<sup>th</sup> century continues slowly with stabilizing demographic, economic, and real estate market indicators:

### Demographics:

- Population within the BOA, and the region, has stabilized in the last decade.
- The BOA's population is concentrated in young adults and middle-aged residents, though does not retain families with young children. Distribution within the BOA closely reflects City and County trends.
- There is a greater portion of residents with higher education degrees (beyond high school) in the City and County than in the BOA, though 39% of residents of the BOA have at least a high school diploma.
- The household income in the BOA, \$28,743, lags the City and County medians (\$34,382 and \$45,154, respectively), and continues to grow more slowly.
- Rental housing units are much more prevalent in the BOA than owned-homes, as 78% of units are rentals. Throughout Broome County, this number is much lower, reflective of the change in trends from urban to suburban neighborhoods.

### Economic Condition:

- Binghamton University is a major economic driver for the area, as the top employer in the area and maintaining research and incubator facilities within Binghamton.
- The healthcare industry has become a major player in the local economy, with two large hospitals, United Health Services and Lourdes Hospital, completing recent expansions.
- The defense technology industry remains a strong part of the region's economy, with national companies remaining in the Binghamton area.
- Overall, Binghamton's economy has shifted from manufacturing to a more diverse set of drivers, though it maintains a close connection to its technology and innovation roots.

### Real Estate Market:

- Binghamton's retail plazas have aged and have yet to undergo renovation or modernization.
- Retail rents in the City's plazas vary for smaller format, independent stores to regional or national retailers, from \$4-\$5 per square foot to \$10 per square foot.
- The current office market allows small or start-up companies to move into relatively inexpensive space, though larger leases and new office space is scarce.
- Office vacancy remains high throughout the City, though Binghamton University recently moved a business incubator to downtown Binghamton.
- The median home value in the BOA is approximately \$82,000, lower than the surrounding area. However, home values have risen 7% in the last decade in light of revitalization efforts.
- United Methodist Homes has been located in Binghamton since the 1960s, and provides varied levels of care to the elderly.
- Student housing has gained popularity in the downtown, suggesting the opportunity to develop retail and active uses downtown, especially in subarea 3.

## Implications for Development

Despite the lack of regional market velocity, there have been some exciting recent developments in Binghamton that revitalized its urban core and started to lay the groundwork for development potential in the BOA. These include:

- Major downtown development projects, including luxury student housing developments on Washington Street and Hawley Street, which will activate the areas around these new buildings and could induce extra retail, dining, or entertainment spending around downtown.
- Plans for expansion of incubator space in downtown Binghamton, strengthening the partnership between Binghamton University and area public entities, and encouraging companies with products and processes related to University research to locate and expand in Binghamton.
- Office conversions providing inexpensive space to start-ups and companies looking to locate in the area represent an opportunity to retain small businesses.
- Expansion of the Center for Technology and Innovation to attract visitors to downtown Binghamton and the waterfront.
- A small cultural area in subarea three surrounding the ART Mission and Theater on Prospect Avenue and Depot Street. ART has created a contained cultural district in their complex, containing galleries, a theater, and loft apartments, and some small galleries have located nearby. In combination with the new Center for Technology and Innovation, this area could become a cultural district within Binghamton.

At the same time, there remain significant challenges, including:

- Limited redevelopment potential at large retail sites (such as Binghamton and Colonial Plazas), due to regulatory barriers and lack of economic motivation on the part of private owners to undertake site revitalization.
- Negative connotations associated with the North Side neighborhood, including the appearance of disinvestment in housing and lower household incomes compared to nearby urban areas.
- Lingering economic uncertainty, as Binghamton has strong institutional memory of companies moving outside of the City. Though this trend began in the mid-20<sup>th</sup> century, the City of Binghamton Comprehensive Plan still identifies economic transition as a point of friction for the City's economy.

## DEVELOPMENT RECOMMENDATIONS

### Approach

In coordination with VHB's land use planning framework, HR&A developed strategies for development in the BOA and performed a high-level development feasibility assessment. The development strategies laid out below reflect discussions with stakeholders, market trends analysis, and development feasibility analysis for industrial/flex, retail, and residential uses.

HR&A's recommendations align with the following principles for development in the North Chenango BOA study area.

1. *Successful Phase One projects are critical to the area's overall transformation.* Thus, early projects should be focused on small, infill sites to build successes. Development type should focus on small scale, neighborhood retail and revitalization of existing retail space. While HR&A did not conduct an in-depth demand analysis, a number of community stakeholders expressed a need for healthy neighborhood grocery (15,000-20,000 SF).
2. *Enhance existing properties.* The BOA has a number of properties occupied by small businesses, offices, and social service organizations. While economics for new construction are challenging, rehabilitation of some buildings and the plazas in which they are located should be explored.
3. *Open up the waterfront.* There is wide agreement that the Kmart Plaza is ripe for redevelopment. The division of the existing parcel into multiple blocks provides an opportunity to create new access points to the waterfront and multiple fronting parcels. Retail uses could include additional restaurants or entertainment uses attractive to a range of ages (e.g., bowling alley, Dave & Busters, movie theater, etc.).
4. *Over time, build on growth in Downtown.* Downtown Binghamton has experienced a number of exciting developments recently with the introduction of downtown student housing, new apartments, and several new stores and restaurants. In the long run, the BOA could be positioned to capture growth from businesses as they graduate from the incubator and look for scale up space that is still affordable.
5. *Leverage proximity to regional transportation network.* Binghamton sits at the junction of a number of active railroad lines, a state bike route, and main roadways. As Downtown Binghamton and the waterfront develop, the City should make efforts to leverage locational advantages and attract regional visitors or passers-through to visit Binghamton.
6. *Use strategic public investments to catalyze private investment.* Public investments in infrastructure and open space are a powerful tool for unlocking value on commercial parcels. These improvements will make development sites and existing assets more attractive to the private market, and attract investment and redevelopment in key areas of the BOA.

Gauging potential private market interest in these initiatives is a crucial part of planning for BOA redevelopment and revitalization. In order to evaluate the potential that these initiatives could attract private market interest, HR&A undertook a high-level feasibility analysis for three programmatic types: retail, flex/industrial/office property, and residential rental. These uses were informed by HR&A's market analysis, discussions with stakeholders and local real estate professionals, and aligned with the principles synthesized from market analysis. HR&A's rationale was as follows:

- **Retail:** Local real estate professionals emphasized the need to revitalize existing retail plazas, and prior planning studies discussed the community's desire to see a grocery store in the North Side neighborhood.
- **Flex/Industrial/Office:** Flex, industrial, and office space were considered together in light of stakeholder feedback that new office development was likely a difficult economic proposition for developer or landlords. Moreover, as the City and University foster tech companies and start-ups, flexible and former industrial space is better suited to meet the needs of both tenants and landlords in terms of level of improvements required and achievable rents.
- **Residential rental:** Residential was selected with acknowledgement that investment was occurring in select areas of Binghamton, concentrated in student housing, while the existing market-rate rental stock was older and less attractive. As part of redevelopment, bringing residents to the BOA will strengthen the community and other uses, such as retail and entertainment, creating a stronger City.

The analysis below identifies potential to attract private market interest to the key projects and components HR&A and VHB identified above.

### Methodology

Development recommendations are based on the market trends analysis detailed above, and analysis of real estate market data. HR&A used local market and construction cost data collected through third-party data providers, local market reports, and real estate professionals to develop a high-level pro forma and estimate viability for each programmatic use. HR&A presents a high and low scenario for the market value associated with each use, as varied locations can alter rents or other expenses significantly. For instance, residential product that is attractive to students and located closer to the downtown core will likely achieve higher rents than residential development adjacent to an industrial park or nearer the highway in other parts of the BOA. Market values are presented on a per square foot (PSF) basis against the total development cost PSF by program type, for which HR&A identified a new construction and building rehabilitation value. HR&A uses these metrics to determine residual land value, used here as a proxy for development feasibility: negative residual land value implies limited opportunity for development, while positive value implies opportunity for market supportable development.

The following points describe the specific data points and sources of information used to assess development feasibility.

1. **Market Value:** HR&A reviewed rents and vacancy for the fourth quarter of 2012 based on market reports, as well as individual transaction and property metrics collected from third-party data provider CoStar, and online listings from Trulia and Loopnet. HR&A used industry standard operating expenses to calculate net operating income, and market capitalization rates from market reports or comparable transactions by program type to estimate market value.
2. **Development Cost:** HR&A used national construction costs provider RS Means to calculate vertical hard costs, and industry standards to develop soft costs and account for developer profit. HR&A assumed soft costs of 20%, vertical site costs of 10%, and developer profit of 8% of total development cost. Based on prior studies in comparable markets, HR&A estimated that rehabilitation costs are typically 70% of new construction costs. Development costs for each program type are summarized in Figure 14.
3. **Feasibility Summary:** Market supportable feasibility of development is assessed by subtracting the total development cost per square foot from market value per square foot by program type.

### Development Feasibility

HR&A's high-level development feasibility analysis suggests:

- *Redevelopment or rehabilitation of existing structures is a crucial development tool.* HR&A's analysis suggests that new development is not financially feasible under current market conditions without significant public subsidy. However, rehabilitation costs, estimated at 70% of vertical costs for new construction, make development of all programmatic uses more viable under current market conditions in the BOA.
- *Retail presents a strong near-term development opportunity.* Rehabilitation is the strongest option for retail development, and attracting strong tenants is key to the success of retail development. Small, local retailers can be complemented by highly desired retail in the area, such as a grocery store, as discussed earlier in this report.

- *New construction of residential product, fit for senior or student housing, should be a long-term strategy, while rehabilitation of existing residential stock may be viable in the nearer-term if the market could attract high rents.* Analysis indicates that the market could support improvements to existing residential stock if higher rents could be achieved in the area. Though rehabilitation of existing residential stock may be market supportable, the core BOA area is currently not a highly residential area, and the market may not be primed for more residents. First moves should focus on creating amenities, from open space to retail, that will serve the community, before expanding residential product.
- *Flex/industrial/office space is not supported by the market without public subsidy.* In line with HR&A's market trends analysis above, rehabilitation of industrial/flex space into office, or new construction of office/flex space is economically challenging in the near term due to higher construction costs and very low market values. Significant subsidies would be required to construct new space in the near term and there is limited demand for tenants.

These conclusions are in line with HR&A's economic and market analysis conclusions. Recommended phasing for redevelopment and development projects is discussed in the following section. Figure 14 below summarizes the market value associated with each program type, development cost associated with both new construction and rehabilitation for each use, and residual value, serving as a proxy for development feasibility. This analysis is presented in greater detail in the attached Appendix.

Figure 14: Development Feasibility Summary by Programmatic Type (PSF)

<b>Retail</b>	<b>New Construction</b>		<b>Rehab</b>	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$64	\$78	\$64	\$78
<u>Development Cost</u>	<u>\$88</u>	<u>\$88</u>	<u>\$62</u>	<u>\$62</u>
<i>Residual Value</i>	<b>(\$24)</b>	<b>(\$10)</b>	<b>\$2</b>	<b>\$16</b>
<b>Flex/Industrial/Office</b>	<b>New Construction</b>		<b>Rehab</b>	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$76	\$91	\$76	\$91
<u>Development Cost</u>	<u>\$126</u>	<u>\$126</u>	<u>\$88</u>	<u>\$88</u>
<i>Residual Value</i>	<b>(\$50)</b>	<b>(\$35)</b>	<b>(\$12)</b>	<b>\$3</b>
<b>Multifamily Rental</b>	<b>New Construction</b>		<b>Rehab</b>	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$79	\$94	\$79	\$94
<u>Development Cost</u>	<u>\$99</u>	<u>\$99</u>	<u>\$69</u>	<u>\$69</u>
<i>Residual Value</i>	<b>(\$20)</b>	<b>(\$5)</b>	<b>\$10</b>	<b>\$26</b>

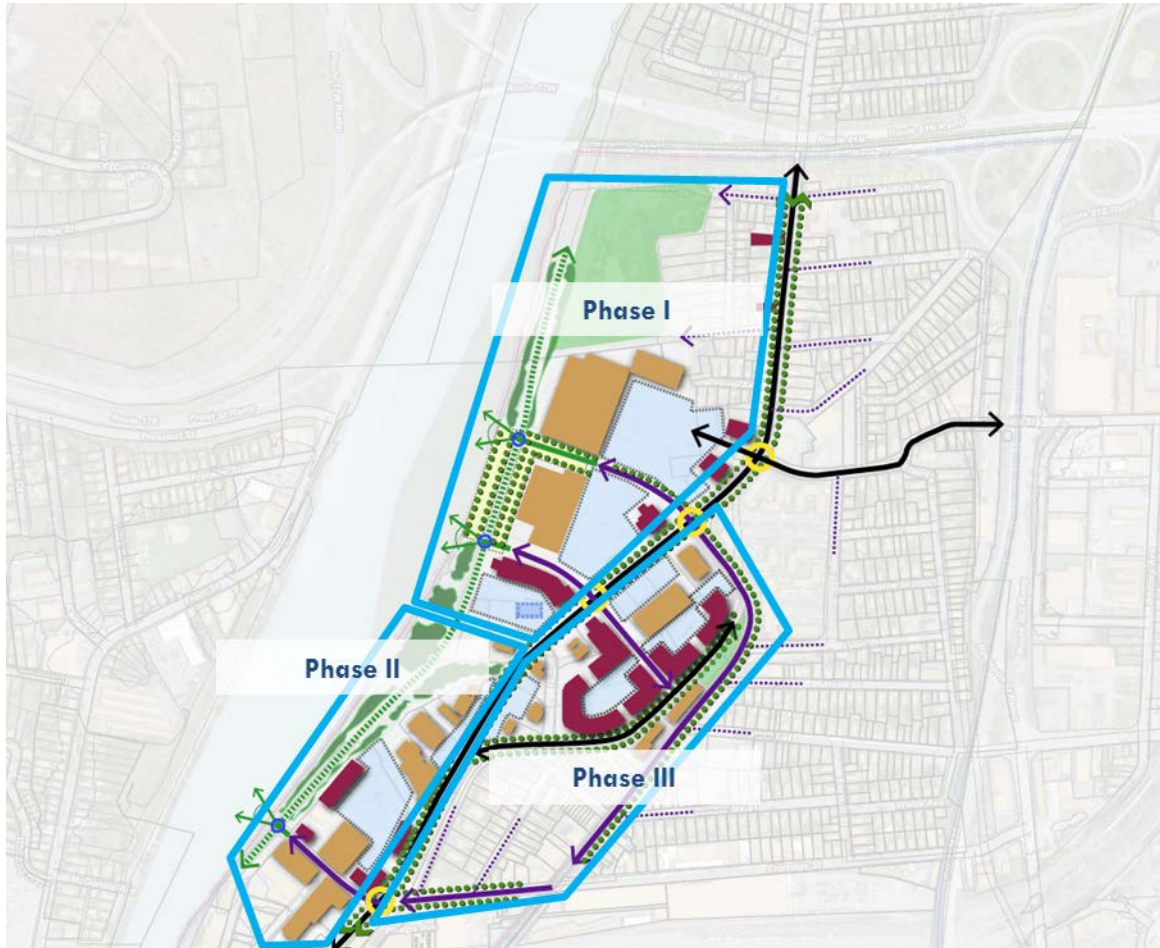
### Development Phasing

Based on VHB's land planning framework and HR&A's findings during market and development feasibility analysis, HR&A developed a preliminary phasing strategy for development and revitalization within the BOA. These recommendations reflect the principles presented earlier in this section, creating a distinct sense of place for each phase to meet the needs of residents and visitors, and draw activity toward downtown

and the riverfront. The phases described below and shown in Figure 15 are prioritized by both physical location and development priority.

1. The first phase of development should focus on Binghamton Plaza, Chenango Street, and riverfront access behind the retail plaza as part of a strategy to revitalize the area's retail and improve the public realm surrounding retail clusters. Revitalization of this plaza should be geared toward creating a **recreational hub** for Binghamton. Early moves include:
  - Completing Chenango Street at the intersection with West State Street, so that the roadway continues to the riverfront, creating a gateway for access. Incorporating complete streets concepts along Robinson Street across the Brandywine Highway to enhance access from the neighboring Brandywine BOA area. Consider in-fill development that would complete the Frederick Street intersection with Chenango Street.
  - Rehabilitating existing buildings on and immediately surrounding the site to attract stable retail tenants and expand the tenant base. Rehabilitation of existing structures is a stronger economic strategy for developers and the City, and if well executed, could attract retail that draws residents and area workers to the plaza and riverfront, including entertainment retail, a quality grocery store, or limited service food establishment.
  - Enhancing riverfront amenities, including extending the riverwalk north and including lighting, benches, and other amenities that strengthen a linear park to create a safe, attractive open space.
2. The second phase of development should draw redevelopment efforts toward Downtown, running south along State Street to Eldredge Street, connecting these roadways with Water Street and the riverfront. This phase focuses on strengthening the **vehicular connection to downtown** by:
  - Strengthening existing properties and encouraging in-fill development to complement the street grid. The area is currently home to a blend of retail storefronts and office or industrial/auto service buildings. Rehabilitation of buildings should focus on creating a gateway of retail or services that will draw residents or visitors Downtown.
  - Connecting riverfront amenities to upland areas by incentivizing landscape and façade improvements, encouraging property owners to invest in existing properties.
  - Improving the streetscape along Eldredge Street, strengthening the route to the riverfront and turning storefronts and existing businesses toward the street-front.
3. The third phase of development within the BOA focuses on the east side of West State Street, along Colonial Plaza and Stowe Plaza. Office space in this plaza is currently home to a number of social services, and the plaza is joined to a smaller lot occupied by food service establishments. This phase is recommended as a **later-stage move, requiring a higher level of public investment** to support necessary social services and improve the surrounding plaza. HR&A's redevelopment recommendations for this phase include:
  - Creating distinct roadways and drive lanes to maintain the street grid and provide more distinct organization within the plaza.
  - Incentivizing programs to strengthen the plaza, encouraging owners to invest in façade, landscape, and parking lot improvements.
  - Developing neighborhood retail and in-fill within the parcels to activate the plaza.

Figure 15: Development Phasing



Source: VHB Engineering, Surveying, and Landscape Architecture, PC

## Redevelopment Tools

There is a wide range of financing tools available through state or federal funding that would support redevelopment within the North Chenango River BOA. These tools vary from economic and community development initiatives to infrastructure improvement funding. A preliminary list of these initiatives and funding sources is described below.

### 1. Transportation/Streetscape Improvements

- **Transportation Alternatives Program**, administered by the US Department of Transportation Federal Highway Administration
  - Provides funding opportunities for surface transportation improvements, including: construction, planning, and design of on-road and off-road trail facilities for pedestrians and bicyclists; construction of turnouts, overlooks, and viewing areas; community improvement activities, including vegetation management practices and environmental mitigation activities; recreational trail improvements; and Safe Routes to School activities.
  - Of TAP funds allocated to each state, 50% are distributed based on share of the State's population, while 50% can be distributed at the State's discretion.

- This Federal program is administered through the New York State Department of Transportation. Applications are submitted through NYDOT.

- **Consolidated Local Street and Highway Improvement Program (CHIPS)**, administered by the New York State Department of Transportation
  - Eligible improvements are: i) undertaken by a municipality, ii) be for highway-related purposes, and iii) have a service life of 10 years or more
  - Eligible activities include microsurfacing; paver placed surface treatment; bike lanes and wide curb lanes; and new signs or traffic signals, amongst other activities.

## 2. *Community Revitalization/Economic Development*

- **Broome County Land Bank**, approved by the New York Empire State Development Corporation
  - This recently announced program allows the newly established Broome County Land Bank to take title of foreclosed properties that are historic, culturally significant, or vital to future development of specific neighborhoods.
  - The Land Bank's goals include: turning vacant spaces into vibrant spaces; returning vacant, tax-delinquent properties to productive use; spurring investment in neighborhoods surrounding these properties; providing a mechanism for coordinating reuse of flood-impacted properties; and promoting increased home ownership.
- **Regional Economic Development Council Awards**, an initiative of NYS, administered through Regional Economic Development Councils
  - The program provides financial assistance for projects that increase economic activity and support the creation and/or retention of jobs in New York State.
  - Funding available to municipalities, not-for-profits, local development corporations, and businesses involved in industrial, manufacturing, warehousing and distribution sectors.
  - Program funds: construction, expansion, and rehabilitation of buildings; purchase of machinery and equipment; working capital; and permanent, full-time workforce training.
  - Funds may be used for: real estate and land acquisition; demolition; construction and renovation; site and infrastructure; construction-related planning and design; soft costs; and other project-related uses.

## 3. *Site or Building Redevelopment*

- **New York Main Street Program (NYMS)**, administered by the NY Office of Community Renewal
  - NYMS provides grants for revitalization projects in main street/downtown business districts.
  - The Office of Community Renewable administers the program under the direction of the New York State Housing Trust Fund Corporation, which also provides funding.
  - Program funds are awarded on a competitive basis, with a maximum award of \$500,000.



- Projects must be concentrated in a mixed-use target area (typically no larger than three contiguous blocks) that has experienced neglect and/or decay, and has substandard buildings with vacant residential and commercial spaces.
- Target areas are located in a service area in which local residents earn less than 90% of the median income of the surrounding community.
- Eligible activities include building renovation, creation of downtown anchors, including business or cultural anchors, and streetscape enhancements.
- **EPA Grants**, administered by the Environmental Protection Agency
  - EPA sponsors two grant programs for Site Cleanup and Site Assessment. Eligible applicants for these programs are generally government, quasi-government and non-profit organizations.
  - The program includes two grant types: assessment grants, providing funding for compiling site data, remediation planning, and community engagement; and site cleanup grants, providing funding to carry out cleanup activities at specific brownfield sites owned by the applicant.
  - Funding is limited to \$200,000 per site, or up to \$350,000 for highly contaminated sites. A coalition of applicants can apply for up to \$1 million in funding. Applicants must provide min 20% of funding cost.
  - Eligibility may be contingent on application by EDC or another government agency on behalf of the developer/project.

Funding has been awarded to municipalities and economic development corporations for proposed projects similar to those described in this study through the Regional Economic Development Council Awards, an initiative of New York State. In total, the Southern Tier Regional Economic Development Council awarded \$91.1 million to 62 projects in 2012. For example, Development Chenango Corporation was awarded \$250,000 for planned work in the Town of New Berlin, including renovation of six buildings and streetscape improvements to accommodate revitalization and business expansion plans.

## Conclusion

HR&A's development recommendations encourage development of market supportable program, informed by market analysis, stakeholder conversations, and feasibility analysis. The phasing strategy first creates a recreational hub for residents and visitors, opening up access to the waterfront. The second phase focuses on connecting this recreational hub to Downtown Binghamton by strengthening the physical connection along West State Street through streetscape enhancements and strengthening properties along the streetwall. The final, later-stage phase requires investment in Colonial Plaza to make the area safe and attractive, while maintaining much-needed social services. Together, the principles and specific development recommendations above suggest the need for both private and public investment to strengthen the BOA's core and activate the surrounding area. There are a number of federal and state programs that can be utilized to support investments in redevelopment. Effective use of these financing tools for revitalization requires cooperation and investment of both the public and private sectors.

## APPENDIX

HR&A based assumptions for analysis on the above market analysis, supplementing this data with further consultation of third-party sources to refine data points as necessary.

### Retail

HR&A looked to existing retail to assess the market value of new or rehabilitated retail in the BOA. The rent and vacancy assumptions presented in Figure 16 below are based on data from CoStar, a national data provider, and corroborated through conversations with local real estate professionals. HR&A based capitalization rates on recent transactions found on Loopnet, and compared these to capitalization rates in the closest large market, Syracuse, for which capitalization rates are reported quarterly. HR&A used an industry standard of 15% for operating expenses to calculate the Net Operating Income and Market Value PSF, presented below.

Figure 16: Retail Market Value Summary (PSF)

Market Summary	<u>Base</u>	<u>High</u>
Annual Rent <sup>1</sup>	\$7.50	\$9.00
Vacancy	14.3%	14.3%
Operating Expenses	15%	15%
Net Operating Income	\$4.10	\$6.80
<u>Capitalization Rate</u>	<u>8.5%</u>	<u>8.5%</u>
<b>Market Value</b>	<b>\$64</b>	<b>\$78</b>

To calculate development costs for the type of retail space likely to be developed or rehabilitated in the BOA, HR&A collected data from RS Means. Analysis was performed on a 46,500 square foot single-story building (approximately the size of some of the buildings in Binghamton Plaza), likely constructed using concrete block. HR&A used industry standards for site costs and soft costs as a percentage of hard costs, and considered development profit as a percent of total investment, to estimate total development cost PSF of new construction. HR&A applied a 70% factor to vertical hard costs estimated by RS Means in order to estimate rehab costs PSF. Figure 17 presents the calculation for both new construction and rehabilitation costs.

Figure 17: Retail Development Cost (PSF)

Development Cost		New Construction	Rehab
Vertical Hard Costs (PSF)		\$58.88	\$41.21
Site Costs as % of Vertical Hard Costs	10%	\$5.89	\$4.12
Soft Costs as % of Hard Costs	20%	\$11.78	\$8.24
<u>Development Profit as % of Total Investment</u>	<u>8%</u>	<u>\$11.00</u>	<u>\$8.00</u>
<b>Total Development Cost</b>		<b>\$88</b>	<b>\$62</b>

<sup>1</sup> Annual rents calculated based on an average of CoStar reported rents, and increased 20% for the high scenario.

Analysis indicates that new construction of retail space is not market supportable, even if average rents of local and national brands reach \$9 PSF. However, rehabilitation of existing buildings reduces the development cost to an extent that retail is supportable, especially if higher rents are achieved. Figure 18 below summarizes the potential for market supportable retail development in the BOA.

Figure 18: Retail Development Feasibility (PSF)

	New Construction		Rehab	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$64	\$78	\$64	\$78
<u>Development Cost</u>	<u>\$88</u>	<u>\$88</u>	<u>\$62</u>	<u>\$62</u>
<b>Residual Value</b>	<b>(\$24)</b>	<b>(\$10)</b>	<b>\$3</b>	<b>\$16</b>

### Flex/Industrial/Office

For the purposes of this analysis, HR&A combined industrial and office uses to determine development feasibility. Though these programmatic types were addressed separately in HR&A’s market analysis, interviews with local real estate professionals and area stakeholders indicated that much of the opportunity for growing companies to fill office space lies in the potential to convert former industrial or flex space at low cost. Interviewees reported that even in cases of rehabilitation (as opposed to new construction), economics could be challenging for landlords and small tenants. HR&A’s analysis found this assertion to be true, suggesting that expansion of flex/industrial/office space in the BOA should be a longer-term strategy, and is not immediately market-supportable.

HR&A confirmed market metrics with data provided by quarterly Pyramid Brokerage Market Reports, taking an average of reported rents and vacancy for industrial and office space to account for the combined program type. Average rent and total direct vacancy reported by Pyramid was in line with information shared by interviewees and data gathered from CoStar during market analysis. The capitalization rate used for this analysis was based on comparable property transactions listed on Loopnet. HR&A assumed an industry standard of 10% for operating expenses to calculate NOI, and then applied the appropriate capitalization rate to calculate market value. Figure 19 presents this calculation for a base and high rent scenario.

Figure 19: Flex/Industrial/Office Market Value Summary (PSF)

Market Summary	<u>Base</u>	<u>High</u>
Annual Rent <sup>2</sup>	\$8.57	\$10.28
Vacancy	11.2%	11.2%
Operating Expenses	10%	10%
Net Operating Income	\$5.10	\$8.60
<u>Capitalization Rate</u>	<u>9.0%</u>	<u>9.0%</u>
<b>Market Value</b>	<b>\$76</b>	<b>\$91</b>

<sup>2</sup> Average rents were used to create a base scenario and increased 20% for the high scenario.

To calculate development costs for this program type HR&A collected data from RS Means. Analysis was performed on 15,000 square foot office and warehouse buildings, and then combined on a weighted average of 80% office/20% industrial space to reflect the likely usage of the building. HR&A used industry standards for site costs and soft costs as a percentage of hard costs, and considered development profit as a percent of total investment, to estimate total development cost PSF of new construction, shown in Figure 20. HR&A then applied a 70% factor to vertical hard costs estimated by RS Means in order to estimate rehab costs PSF.

Figure 20: Flex/Industrial/Office Development Cost (PSF)

Development Cost		New Construction	Rehab
Vertical Hard Costs (PSF)		\$89.73	\$62.81
Site Costs as % of Vertical Hard Costs	10%	\$8.97	\$6.28
Soft Costs as % of Hard Costs	20%	\$17.95	\$12.56
<u>Development Profit as % of Total Investment</u>	<u>8%</u>	<u>\$9.00</u>	<u>\$6.53</u>
<b>Total Development Cost</b>		<b>\$126</b>	<b>\$88</b>

As stated above, analysis indicates that expanding the stock of flex space, through new construction or rehabilitation, is economically challenging. With the introduction of the Binghamton University incubator in Downtown Binghamton, and ongoing activity at the University, the market should be monitored to anticipate future space needs. However, even the high rent, rehabilitation scenario presents a challenging economic position for development of this type of space. As the market evolves, this could be a longer-term strategy to meet industry growth needs, but does not suggest a near-term need for development of space. Figure 21 below presents a summary of development feasibility for flex space.

Figure 21: Flex/Industrial/Office Development Feasibility (PSF)

	New Construction		Rehab	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$76	\$91	\$76	\$91
<u>Development Cost</u>	<u>\$126</u>	<u>\$126</u>	<u>\$88</u>	<u>\$88</u>
<b>Residual Value</b>	<b>(\$50)</b>	<b>(\$35)</b>	<b>(\$12)</b>	<b>\$3</b>

### Residential

HR&A’s development feasibility for residential product focused on market-rate rental product. While this analysis shows promise for rehabilitation of existing structures into market-rate units, the current market in the BOA is somewhat more complex. Downtown Binghamton has received an influx of luxury student housing, which may capture the higher rents modeled here in the high scenario. However, rental apartments in the rest of the BOA often achieve lower rents, and current residents may not be in a financial position to rent in luxury or higher-end rental buildings. While renovation of existing buildings into higher-end residential is the most economically rational for the private market, there is likely still a need for public investment or assistance to improve the quality of existing housing stock in other areas of the BOA.

For the market-rate feasibility analysis, HR&A estimated average rents using area rental listings from Trulia, a national website for residential listings. HR&A used US Census Bureau data to confirm vacancy in

the area, and an industry standard of 35% for operating expenses to calculate Net Operating Income. A 9.5% capitalization rate, according to Pyramid Brokerage’s 2012 Q4 Market Report, was used to calculate market value. Figure 22 on the next page presents this calculation.

Figure 22: Residential Market Value Summary (PSF)

Market Summary	<u>Base</u>	<u>High</u>
Annual Rent <sup>3</sup>	\$12.77	\$15.33
Vacancy	14.9%	14.9%
Operating Expenses	35%	35%
Net Operating Income	\$5.30	\$8.80
<u>Capitalization Rate</u>	<u>9.0%</u>	<u>9.0%</u>
<b>Market Value</b>	<b>\$79</b>	<b>\$94</b>

HR&A drew on RS Means data for a 1 to 3 story apartment building of approximately 35,000 square feet to estimate vertical development costs for new construction. HR&A used industry standards for site costs and soft costs as a percentage of hard costs (10% and 20%, respectively), and considered development profit as a percent of total investment (8%), to estimate total development cost PSF of new construction, shown in Figure 23. HR&A then applied a 70% factor to vertical hard costs estimated by RS Means in order to estimate rehab costs PSF for use of an existing structure converted to rental units.

Figure 23: Residential (Multifamily) Development Cost (PSF)

Development Cost		New Construction	Rehab
Vertical Hard Costs (PSF)		\$64.70	\$45.29
Site Costs as % of Vertical Hard Costs	10%	\$6.47	\$4.53
Soft Costs as % of Hard Costs	20%	\$12.94	\$9.06
<u>Development Profit as % of Total Investment</u>	<u>8%</u>	<u>\$15.00</u>	<u>\$10.00</u>
<b>Total Development Cost</b>		<b>\$99</b>	<b>\$69</b>

In line with the discussion above, market analysis does not indicate strong demand for expanding residential product. Rather, feasibility analysis suggests that opportunity lies in renovating existing buildings and achieving higher than current market rents. Opportunities for student housing, and potentially urban senior housing, should be considered in addition to market-rate rentals. Figure 24 summarizes the potential for market supportable multifamily development in the BOA.

Figure 24: Residential (Multifamily) Development Feasibility (PSF)

	New Construction		Rehab	
	<u>Base</u>	<u>High</u>	<u>Base</u>	<u>High</u>
Market Value	\$79	\$94	\$79	\$94
<u>Development Cost</u>	<u>\$99</u>	<u>\$99</u>	<u>\$69</u>	<u>\$69</u>
<b>Residual Value</b>	<b>(\$20)</b>	<b>(\$5)</b>	<b>\$10</b>	<b>\$26</b>

<sup>3</sup> Average rents were used to create a base scenario and increased 20% for the high scenario.

