Rochester 2018

CITYWIDE HOUSING MARKET STUDY

SEPTEMBER 2018

czb

Prepared by czbLLC for the Department of Neighborhood and Business Development, City of Rochester, NY

Acknowledgments

Mayor Lovely A. Warren
Chief of Staff, Alex R. Yudelson
Commissioner of Neighborhood and Business Development, Bayè M. Muhammad

Molly Clifford, Northwest District Councilmember
Malik D. Evans, At-Large Councilmember
Mitchell D. Gruber, At-Large Councilmember
Willie J. Lightfoot, At-Large Councilmember
Adam McFadden, City Council Vice President, South District Councilmember
Jacklyn Ortiz, At-Large Councilmember
Michael A. Patterson, Northeast District Councilmember
Loretta C. Scott, City Council President, At-Large Councilmember
Elaine M. Spaull, East District Councilmember

Housing Market Study Steering Committee
Gary Kirkmire, Director of Buildings and Zoning
Paul Scuderi, Director of Real Estate
Mike Zazzara, City Assessor
Dorraine Kirkmire, Manager of Planning
Carol Wheeler, Manager of Housing
Anne DaSilva Tella, Manager of Project Development
Anne Spaulding, Manager of Environmental Quality
Linda Hedden, Housing
Scott Smith, Law
Conrad Floss, Rehab and Repair
Eric Van Dusen, Business Development
Brenda Massie, Mayor's Office of Innovation
Matt Simonis, Zoning

Housing Market Study Steering Committee
City Planning Office
Elizabeth Murphy, Housing Market Study Project Manager
Kevin Kelley
Scott Thompson

Housing Development
Lia Anselm
Alisha Curry
John Oster
Lissette Wearing

Mayor's Office of Innovation
Henry Fitts
Kate May
Eitan Sirkovich

Consultant
czbLLC

Special thanks to staff and leadership from the following organizations who participated in focus groups or shared data to inform the development of this study: Rochester Housing Authority (RHA), Greater Rochester Association of Realtors (GRAR), Greater Rochester Housing Partnership (GRHP), Rochester Downtown Development Corporation (RDDC), Home Leasing, Key Bank, The Housing Council, Urban League Home Store, NCS Community Development Corporation, Northeast Area Development (NEAD), NeighborWorks Rochester, Flower City Habitat for Humanity, Pathstone Corporation, Urban League Economic Development Corporation, Rochester's Cornerstone Group, Rochester Management, Conifer Realty, Landsman Development, Morgan Communities, Winn Companies, several individual housing developers (Dan Morgenstern, Robert DiPaola, Joel Barrett, Matthew Denker, Blake Gianniny, and Ted Messner), more than 15 individual Realtors working across various homebuyer and investor home purchase markets within the City and region, and University of Rochester Faculty from the Departments of Political Science and Environmental Medicine.

Special thanks also to the following local housing experts who participated in one-on-one interviews to inform development of this study: Theodora Finn (GRHP), Brett Garwood (Home Leasing), Heidi Zimmer-Meyer (RDDC), Linda Wilson and Jim Yockel (GRAR), and Phil Swetz (Key Bank).

Table of Contents

Introduction

This 2018 Citywide Housing Market Study is the first comprehensive analysis of market conditions and trends in Rochester since 2007. Much has happened since then to influence the city's housing market – from the Great Recession and subsequent changes in lending standards, to national demographic and economic trends favoring rental housing, to local efforts to stimulate homeownership in city neighborhoods and adaptive reuse of downtown buildings. These and numerous other external and internal factors have all been shaping patterns of housing investment and disinvestment within the city and the broader Monroe County market.

To understand these patterns and their impact on housing opportunities in Rochester, this study drew upon a wide range of quantitative sources. These included datasets from the U.S. Census Bureau as well as extensive local data – provided at the parcel or address level – on real estate sales, property conditions, foreclosure and eviction filings, assessment records, and the location of housing interventions within the city (e.g., homebuyer grants and affordable housing construction/preservation efforts).

In addition, qualitative data were gathered through one-one one interviews with six local housing experts and a series of focus groups with forty-five additional experts. The focus groups featured affordable housing developers, market rate developers (at a range of scales and price points), affordable homeownership promotion and support agencies, housing services providers, property managers, and Realtors across a range of homebuyer and investor purchase markets (city and region). Qualitative data gathered through these interviews and focus groups, as well as input from the project Steering Committee, provided vital perspectives to inform interpretation of the quantitative data.

As work continues on ***Rochester 2034*** – the comprehensive plan that will guide policy and investment decisions by the City of Rochester in advance of its 200th birthday – this study has been developed to inform that and other planning initiatives by providing a base of information about Rochester's diverse housing markets and relating those conditions to the development of actionable strategies in pursuit of community goals.

How to Use This Study

This document is organized into the following four parts, all of which play a distinct role in establishing an understanding of how the housing market has operated in recent years and how these conditions can shape the process of defining and implementing future strategies:

Part I:

Rochester's Housing Market

Part I provides a broad overview of recent housing market performance within the City of Rochester and places city market conditions within the context of Monroe County. It does so by introducing a housing market typology to categorize levels of demand throughout the city, presenting population and housing characteristics of the city's different market types, revealing critical disparities in household distribution between city and county housing markets, and providing an overview emerging market issues – including affordability and the expansion of downtown housing.

Part II:

Strategic Direction for Rochester's Market

Part II offers a general framework for defning realistic goals that respond to the challenges faced by different markets across the city and defines appropriate strategies to support those goals. It also provides guidance on the differing scale of interventions, role of public subsidy, and timeframes required when working in different market types, and highlights a few best practice examples of market responsive strategies from other communities.

Part III:

Housing Market Interventions

Part III calls attention to select programs and initiatives that have been used to influence housing market outcomes in one or more ways. It provides descriptive data on program outputs and relates them to the housing market typology.

Part IV:

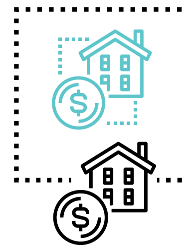
Recommendations

The final pat provides general recommendations on how to incorporate learnings from this study to inform future housing market interventions, the Rochester 2034 plan, and the application of a basic decision-making principle.

Key Findings

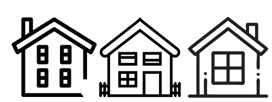
Research for this Citywide Housing Market Study revealed five key findings about the Rochester market that are essential for understanding the challenges and opportunities that face the City and its partners when it comes to housing and neighborhood policy. All five are highly interconnected and reinforced by data and analysis throughout the document – especially Part I.

1. Rochester is a soft market within a soft regional market.



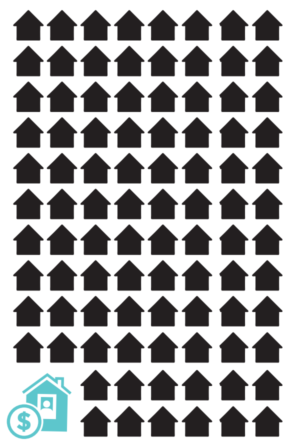
Overall housing supply exceeds demand in Rochester and Monroe County, resulting in a housing stock that is broadly undervalued and has been so for decades. This condition dampens reinvestment by property owners and limits the City's fiscal capacity to invest in its goals. Unlike markets such as Boston or Portland, where the primary problem to solve is limited supply in the face of strong demand, Rochester's market requires a focus on stimulating demand and growing property values.

2. There are three distinct patterns of housing demand in Rochester — each with distinct problems and opportunities to address.



Analysis of multiple market indicators reveals that Rochester has well-defined areas of higher demand, moderate demand, and lower demand. These general market conditions each come with specific issues to address and outcomes to seek, as well as strategies best-suited for the work at hand. In areas of higher demand, maintaining strength and creating greater levels of inclusiveness are key objectives. In areas of moderate demand, strengthening and revitalizing blocks to build confidence are essential tasks. And in areas of lower demand, stabilization and improving quality of life are important precursors to future market recovery.

3. Very low incomes — not high housing costs — are at the root of affordability challenges in Rochester and cannot be solved by housing policy.



In America's strongest urban housing markets today, housing costs are at levels that are unaffordable to households earning typical incomes in those regions. As a consequence, teachers, police officers, and nurses – not to mention service-sector wage earners – are unable to afford the typical home or apartment. That is not the case in Rochester's soft and undervalued housing market. Instead, lack of affordability here is rooted in very low income levels. This distinction is critical because low incomes are an entirely different problem to solve than high housing costs. And it is a problem, unlike high housing costs, that housing policy cannot directly solve.

4. Virtually all housing development in Rochester requires subsidy either to induce or assist.

The cost to bring a new or rehabilitated housing unit to market in Rochester – regardless of tenant income level – requires rent of approximately $1,500 per month for the project to break even without any subsidy. For lower income households, subsidy is needed to make the unit affordable. For households able to afford $1,500 per month, but unwilling to do so given the multitude of less expensive options in the Rochester market, subsidy is needed to bring rents closer to their willingness to pay.

5. Growing Rochester's limited share of regional housing demand is necessary to strengthen the City's markets and financial capacity.

Rochester has 28% of Monroe County's households. But only 17% of households who make $50,000 or more – and have options – choose to own a home or rent in Rochester. This limited share of regional housing demand has a considerable influence on disinvestment and market softness within the city. Moving in the direction of a fair share of regional demand will be critical to the City's efforts to stabilize, revitalize, and strengthen markets while achieving financial stability.

Definitions

Several terms or concepts recur throughout this document that have specific meaning within the context of a housing market analysis. The most common are listed and defined here for the reader's benefit.

Affordable

As a general rule of thumb, housing is considered to be affordable if the occupant household is paying 30% or less of their gross income on housing costs. For renter households, this threshold typically includes contract rent + utilities (referred to as "gross rent" by the U.S. Census Bureau) and for owner households this typically includes mortgage payment (principal + insurance + taxes + interest, or "PITI"). For example, housing costs would be considered to be affordable for a household earning $32,000 per year if rent + utilities or mortgage PITI are $800/month or less.

What is this based on? This metric was developed by the Federal government in the early 20th century when then Federal Housing Administration was formed and housing lenders found that defaults rose sharply when buyers' monthly housing costs exceeded 30%, regardless of amortization schedules.

Housing demand

Demand for housing exists when an ability to pay for housing is equaled by a willingness to pay for a given unit or location. A household that chooses a home or apartment in Rochester and is able to afford their housing payment represents demand for housing.

Housing need

Need for housing exists when insufficient ability to pay for housing on the private market sharply limits a household's options. A household that requires assistance to pay for adequate housing represents a need that is either met by some form of public subsidy (an income-qualified unit or rent assistance, for example) or remains an unmet need.

Inclusion / inclusionary

Policies or strategies that are designed to preserve or include income diversity (typically units for low- or moderate-income households) in middle or higher demand markets, or in market-rate housing developments.

Income-qualified

Income-qualified housing units can only be rented or sold to households with qualifying incomes and are therefore not rented or sold at prevailing market rates. This is a mechanism by which publicly-funded affordable housing programs ensure that units are serving the intended households.

Income qualifications are most often based on a household's income as a percentage of Area Median Income (or AMI) and vary depending on the source and purpose of the funding.

Soft market

A market where supply of housing exceeds demand, leading to property values and housing reinvestment and appreciation rates that are lower than would exist in a healthy, balanced market.

Market-rate housing

A market-rate housing unit is rented or sold at prevailing market rates and without any restriction on income. Market-rate housing is priced across a wide range of rents and home sale prices. Market-rate housing is affordable for any household that is able to pay prevailing prices in the market without exceeding 30% of their gross income.

Mixed-income housing

Mixed-income housing refers to neighborhoods or housing developments that include a mixture of housing prices affordable to a range of household types and income levels. Sometimes mixed-income housing includes a mixture of market-rate and income-qualified units or homes within the same housing development or area.

Revitalization

An effort to stimulate housing demand and investment in a middle market that may be vulnerable to decline or in a strategically-located weak market. Revitalization tools and strategies include investments in infrastructure, support for homeownership and home improvements, and cultivation of resident leadership capacity.

Stabilization

Outcome sought in low demand markets where further decline needs to be stopped for revitalization to become feasible. Stabilization tools and strategies seek to improve quality of life while moving an oversupply of ill-maintained housing into closer balance with existing demand.

PART I
Rochester's Housing Market:
Current Conditions, Recent Trends, and Regional Context

Housing Market Typology

Any understanding of Rochester's housing market – and any attempt to develop strategies to influence the market in ways likely to achieve community goals – must begin with recognition that market conditions in the city are highly uneven. On some blocks, competition for real estate is strong and expressed by pricing and investment levels that are above city averages. On other blocks, private demand is much lower and expressed by above average levels of disinvestment and physical distress. Still other blocks are in the middle – both in terms of condition of housing and prevailing prices.

These block-by-block differences are obvious to most residents and shape their options, preferences, and actions as property owners and renters. And, importantly, these differences shape the opportunities and challenges that exist in each neighborhood, the types of policy and investment tools to utilize in response to specific needs, and the level and range of available resources, both public and private, to meet those needs. The City of Rochester has long appreciated that a one-size-fits-all approach to housing and neighborhood strategy is inadequate in such a diverse market environment, and that is no less true today.

To concisely describe distinct market conditions and trends across the city in this study, a Housing Market Typology was developed using a wide range of indicators to gauge market health and investment behaviors. This section of the Citywide Housing Market Study introduces the typology and its components. In later sections, the typology is used as a tool for describing and understanding demographic and economic patterns within the city, the implications of existing market patterns on strategy development, and how existing or potential policy and investment tools relate to market conditions.

Overview of Housing Market Typology

The Housing Market Typology in this study is a tool for understanding recent market conditions and variations within Rochester and informing housing and neighborhood strategy development. As with any typology, it is meant to simplify complex information into a limited number of meaningful categories to guide action. Local context and knowledge remain critical to understanding market conditions and should always be used alongside the typology to maximize its usefulness.

Geographic unit of analysis

The Block Group – a geographic unit determined by the U.S. Census Bureau – is the unit of analysis for this typology, which utilizes parcel-level data. There are over 200 Block Groups in Rochester, most of which cover a small cluster of city blocks and are home to between 600 and 3,000 residents. For this tool, the Block Group provides geographies large enough to have sufficient data to analyze and small enough to reveal market variations within small areas.

Four components

Analysis of multiple datasets led to the identification of four typology components that were most helpful in drawing out market variations within the city. Those components are described one-by-one on the following pages, with detailed methodological descriptions provided in the Appendix.

A spectrum of demand

The four components were folded together to create the Housing Market Typology on page 17. The seven categories of the typology describe a spectrum of housing demand – with stronger demand at one end and weaker demand at the other.

Typology Component #1

TERMS OF SALE

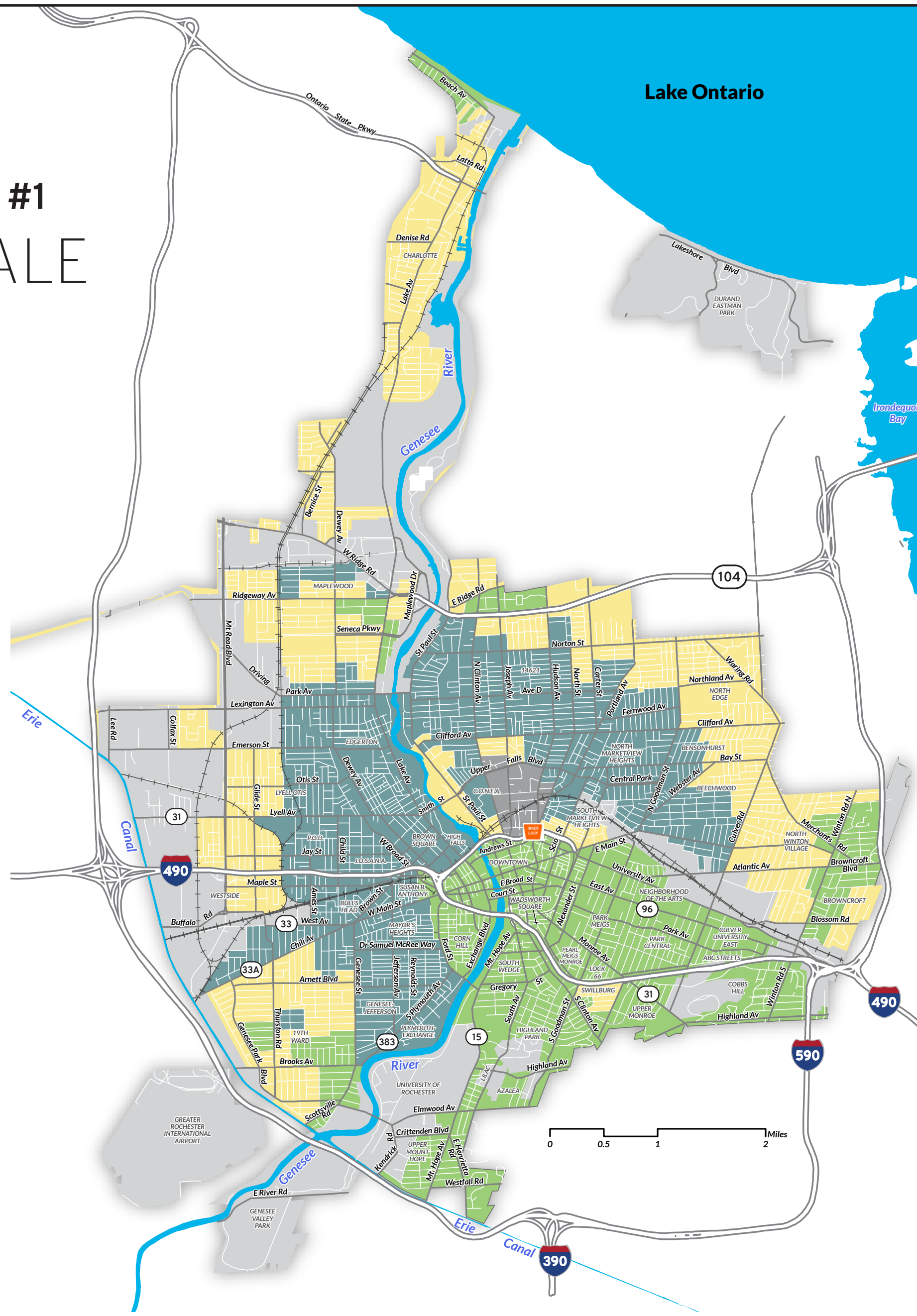
WHAT IS THIS COMPONENT?

"Terms of sale" refers to the type of financing used to purchase a property. The basic categories of financing include **conventional loans** from a bank or other mortgage provider, an **FHA or VA loan** that is insured to assist purchases by low-to-moderate income households, and purchases made with **cash.** Method of financing is reported through the Multiple Listings Service (MLS) along with other transaction information.

Each Block Group in Rochester was categorized into one of these three financing types by identifying the term of sale in each Block Group that was most above the citywide average. For example, a Block Group where conventional loans were the type of financing most above the citywide average was categorized as a "conventional" Block Group. All sales of single-family and two-family homes between 2007 and 2017 were analyzed.

WHY DOES THIS MATTER?

Analysis revealed that the geographic patterns expressed by these three financing types aligned closely with other indicators of market strength and weakness. Areas where conventional loans were the most typical form of financing – indicating the presence of strong collateral and buyers with the financial capacity to secure conventional loans – overlapped with areas where property values were relatively high and levels of distress were low. The dominance of FHA/ VA loans tended to indicate the presence of affordable homeownership opportunities to purchasers of more limited means. The dominance of cash purchases tended to indicate high concentrations of investor-owned properties of limited market value besides their potential for rental cash flows.



BOTTOM LINE

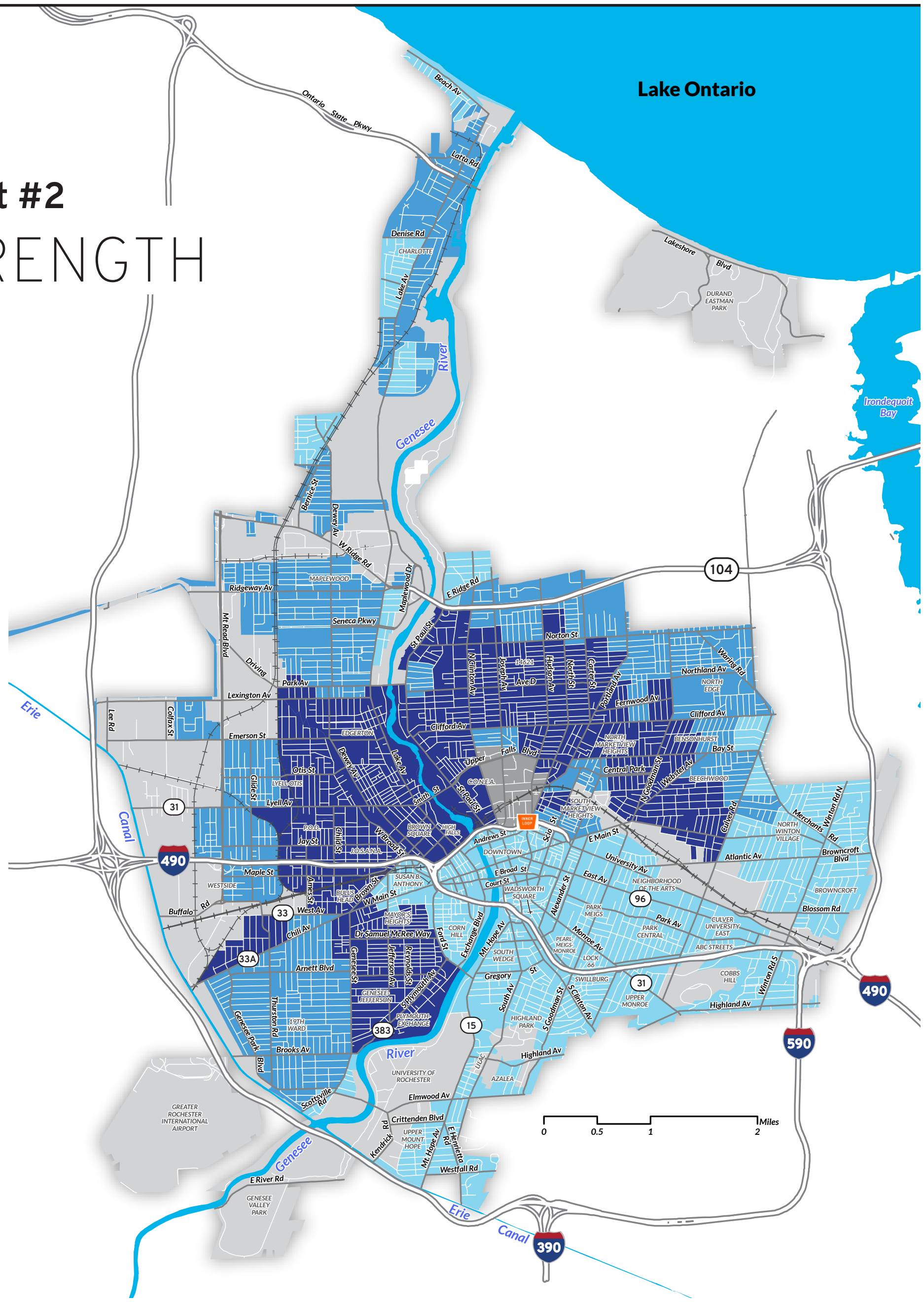
"Conventional" areas correspond with stronger levels of demand in Rochester; "FHA/VA" areas correspond with moderate levels of demand; and "cash" areas correspond with weaker levels of demand.

RESIDENTIAL SALE FINANCING TYPE, 2007-2017

(most above average type by block group)

- Conventional
- FHA/VA
- Cash
- Non-Residential Areas
- Insufficient Data

© czbLLC



Typology Component #2
MARKET STRENGTH

WHAT IS THIS COMPONENT?

In addition to Component #1, there are many other useful indicators for gauging market strength in Rochester. Three in particular – which were combined into this Market Strength component – were the following:

Share of sales going to owner-occupants: The share of single-family and two-family homes sold to owner-occupants between 2007 and 2017 was estimated for each Block Group by using MLS and property assessment records. Each Block Group was then compared to the average for all Block Groups.

Average sale price of homes selling to owner-occupants: The average price paid for single-family and two-family homes sold to owner-occupants between 2007 and 2017 was calculated for each block group using MLS records. Each Block Group was then compared to the average for all Block Groups.

Percentage change in assessed value: The change in assessed value of single-family and two-family homes between 2000 and 2017 was determined for each block group using assessment records. Each Block Group was then compared to the average for all Block Groups.

Calculations comparing Block Groups to the average for each of these three indicators were then combined to categorize each Block Group as "Above Average", "Average", or "Below Average" on overall market strength.

WHY DOES THIS MATTER?

The share of homes sold to owner-occupants (as opposed to investors) often has a strong correlation with neighborhood strength and stability. Where this share is high, homeowner confidence and commitment to reinvestment tends to be strong, and vice versa.

What homebuyers are willing and able to pay to live in a neighborhood is a very basic expression of neighborhood and housing stock desirability. And where sale prices are consistently stable or strong, this will be reflected over time in rising assessed values.

BOTTOM LINE

Above average market strength corresponds with stronger levels of demand, average market strength with moderate levels of demand, and below average market strength with weaker levels of demand.

MARKET STRENGTH
(indicators analyzed by block group)

- Above Average
- Average
- Below Average
- Non-Residential Areas
- Insufficient Data

© czbLLC

Typology Component #3

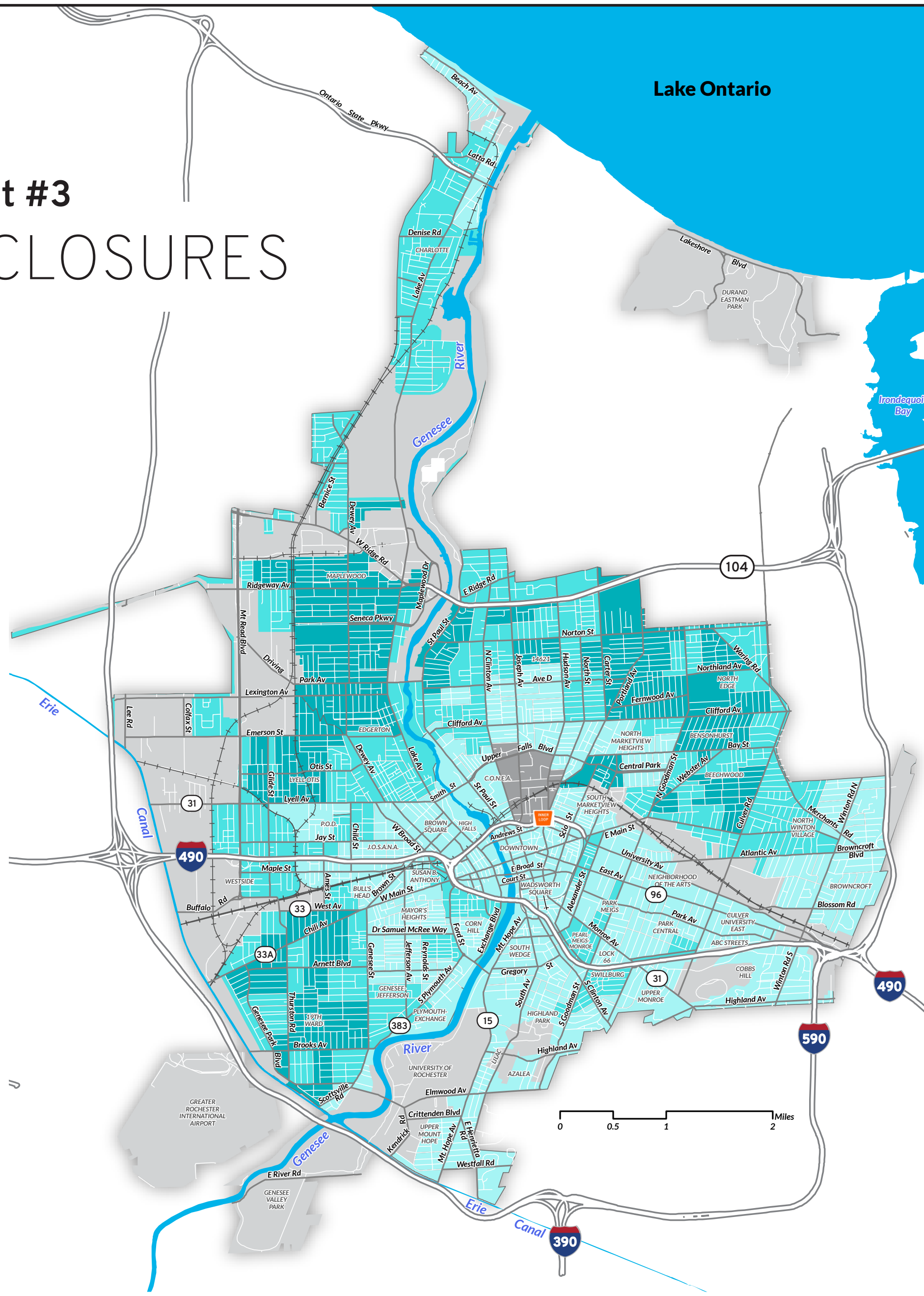
BANK FORECLOSURES

WHAT IS THIS COMPONENT?

When banks initiate foreclosure proceedings against a mortgage holder in default, they file a "lis pendens", which serves as written notice that a lawsuit is pending. For this component, lis pendens filings between 2007 and 2017 were tallied for each Block Group and converted into a rate based on the total number of residential structures in 2017. Each Block Group was then compared to the average lis pendens rate for all Block Groups and classified as "Above Average", "Average", or "Below Average".

WHY DOES THIS MATTER?

While not all lis pendens result in completed foreclosure actions, areas with high concentrations of lis pendens filings are threatened with unstable ownership situations and an elevated likelihood that basic maintenance activities are being deferred or neglected. This has repercussions on the confidence of neighboring property owners and the overall marketability of the housing stock. The phenomenon of "zombie" properties is closely related to this indicator.



BOTTOM LINE

Above average lis pendens filings correspond with areas where demand is strong enough to support an active mortgage market but threatened by lack of household financial capacity; average lis pendens filings correspond with areas where demand and household financially capacity are generally moderate; and below average lis pendens filings correspond with areas where both demand and household financially capacity are strong, as well as areas where demand is too weak to support an active mortgage market.

BANK FORECLOSURE FILINGS, 2007-2017

(lis pendens rate by block group)

- Above Average
- Average
- Below Average
- Non-Residential Areas
- Insufficient Data

© czbLLC

Typology Component #4
PROPERTY DISTRESS

WHAT IS THIS COMPONENT?

While bank foreclosures indicate vulnerability to property distress, other indicators can be used to more directly gauge property neglect and disinvestment. Four in particular – which were combined into this Property Distress component – are the following

Chronic code violations: A list of code violations that reflect serious levels of neglect was developed. For each Block Group, properties with at least one of these violations in three or more calendar years between 2007 and 2017 were counted and converted into a rate. Each Block Group was then compared to the average rate for all Block Groups.

Demolitions: A rate was determined for each Block Group based on demolitions between 2007 and 2017. Each Block Group was then compared to the average rate for all Block Groups.

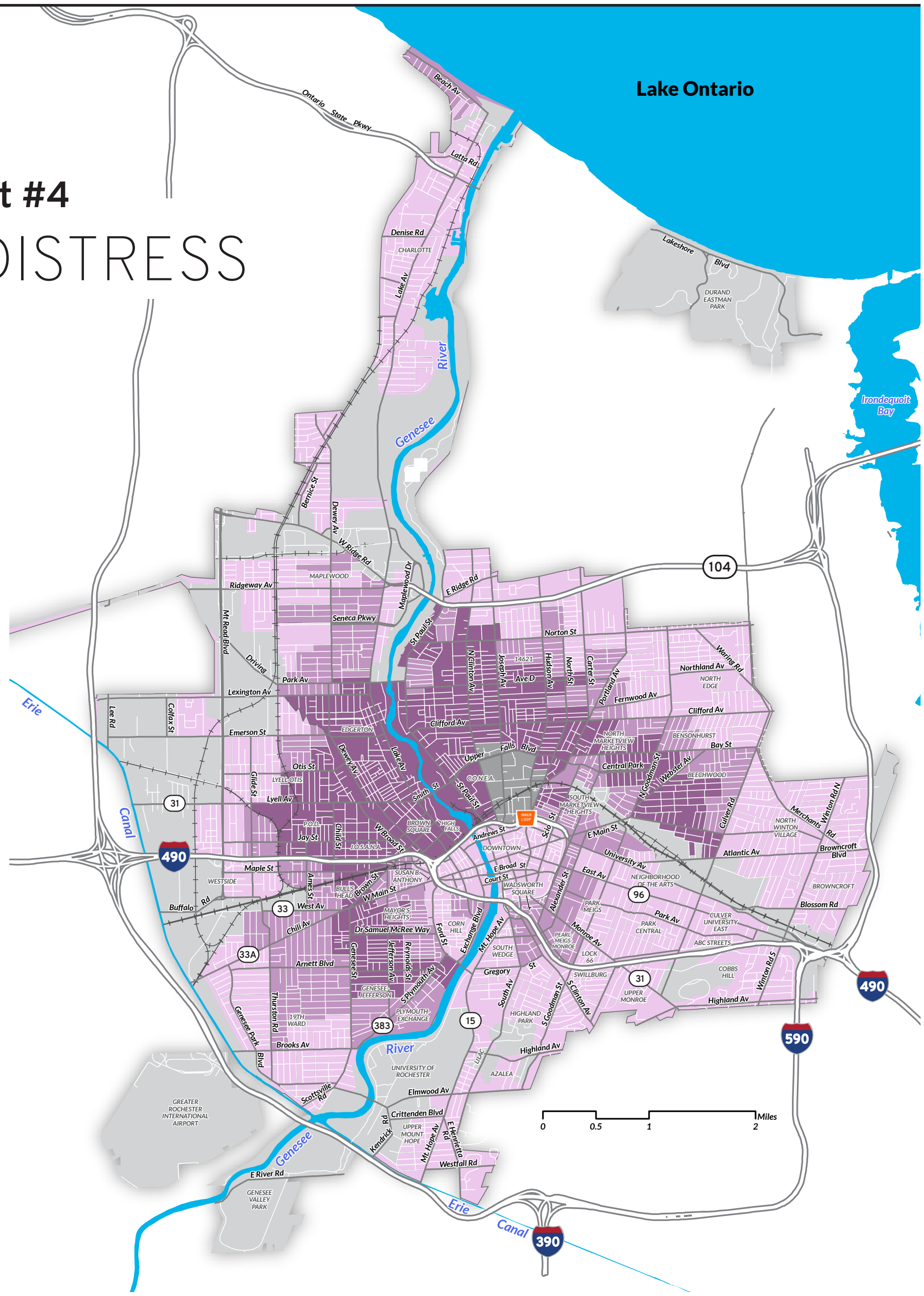
Tax Foreclosure: A rate was determined for each Block Group based on the City's 2018 tax foreclosure action list. Each Block Group was then compared to the average rate for all Block Groups.

Vacate orders: A rate was determined for each Block Group based on vacate orders issued by the City between 1998 and 2017. Each Block Group was then compared to the average rate for all Block Groups.

Calculations comparing Block Groups to the average for each indicator were then combined to categorize each Block Group as "Above Average", "Average", or "Below Average" on overall property distress.

WHY DOES THIS MATTER?

High concentrations of any of these indicators point to market conditions that have been weak for some time – resulting in high levels of deferred maintenance and a housing stock with limited marketability.



BOTTOM LINE

Above average property distress corresponds with weaker levels of demand, average property distress with moderate levels of demand, and below average property distress with stronger levels of demand.

PROPERTY DISTRESS, 2007-2017

(indicators analyzed by block group)

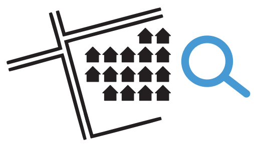
- Above Average
- Average
- Below Average
- Non-Residential Areas
- Insufficient Data

© czbLLC

Housing Market Typology

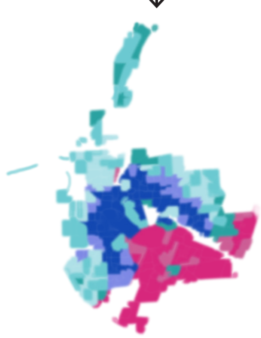
ROCHESTER'S HOUSING MARKET TYPOLOGY

What went into the Point System for Block Groups



Block Group Average Point Score

1.00 — Stronger levels of demand
1.33
1.66
2.00
2.33
2.66 — Weaker levels of demand
3.00



The summary housing market typology for Rochester combines the four components, but any given Block Group is only evaluated on three of them. The three components are determined by the Blocks Group's categorization on Terms of Sale:

	Terms of Sale	Market Strength	Lis Pendens	Property Distress
Conventional	✔	✔	✔	
FHA VA	✔	✔	✔	
Cash	✔	✔		✔

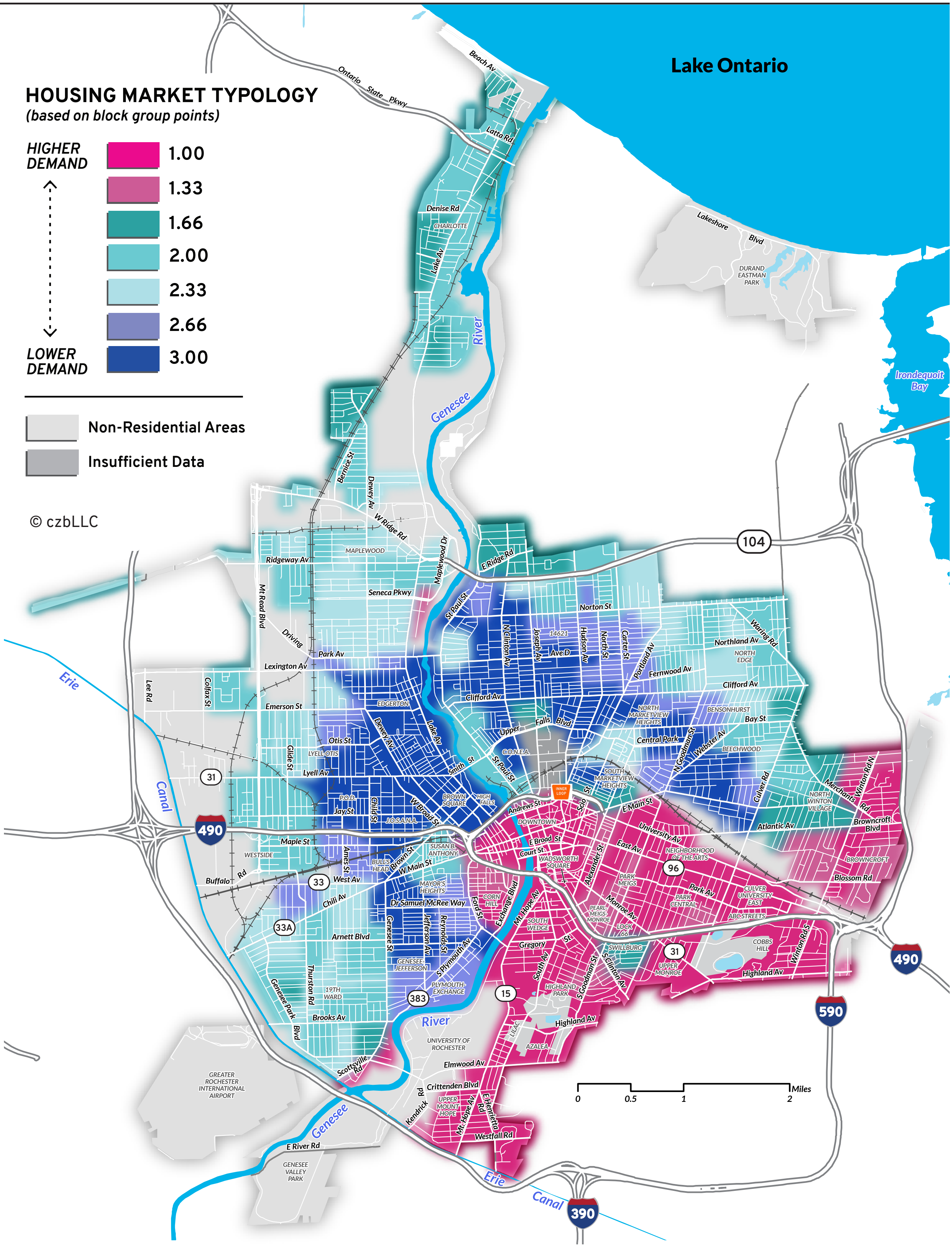
For each component, a Block Group is given a score between 1 and 3. Points are totaled and then divided by 3 to get an average point score for each Block Group. For more detail on point allocation, please see page 80.

A Block Group's average point score (ranging from 1.00 to 3.00) placed it within one of seven categories in the resulting typology.

Lower scores indicate **higher levels of demand** – including housing values and value appreciation that are above the Rochester average and vulnerabilities to distress that are below average

Higher scores indicate **lower levels of demand** – including housing values and value appreciation that are below the Rochester average and above presence of distressed or vulnerable properties.

As the typology map reveals, areas of strongest demand are concentrated to the south and east of downtown and includes downtown itself – an area that has emerged since 2007 as one of the city's more active residential markets. Areas of weakest demand are concentrated west and north of downtown and are adjacent to a layer of moderate demand areas close to the city line.


HOUSING MARKET TYPOLOGY
(based on block group points)
HIGHER DEMAND
1.00
1.33
1.66
2.00
2.33
2.66
3.00
LOWER DEMAND
Non-Residential Areas
Insufficient Data
© czbLLC
Lake Ontario
Irondequoit Bay
Genesee River
Erie Canal
Beach Av
Ontario State Pkwy
Latta Rd
Denise Rd
CHARLOTTE
Lake Av
Lakeshore Blvd
DURAND EASTMAN PARK
Bernice St
Dewey Av
W Ridge Rd
MAPLEWOOD
Maplewood Dr
E Ridge Rd
104
Ridgeway Av
Seneca Pkwy
Mt Read Blvd
Driving Park Av
Lexington Av
Lee Rd
Colfax St
Emerson St
St Paul St
N Clinton Av
Joseph Av
14621
Ave D
Hudson Av
North St
Carter St
Norton St
Portland Av
Fernwood Av
Northland Av
Waring Rd
NORTH EDGE
Clifford Av
BENSONHURST
Bay St
EDGERTON
Otis St
LYELL-OTIS
Glide St
Lyell Av
31
Upper Falls Blvd
C.O.N.E.A.
NORTH MARKETVIEW HEIGHTS
Central Park
N Goodman St
Webster Av
BEECHWOOD
Smith St
SOUTH MARKETVIEW HEIGHTS
INNER LOOP
Culver Rd
Merchants Rd
Winton Rd N
NORTH WINTON VILLAGE
Browncroft Blvd
P.O.D.
Jay St
Child St
JOS.ANA
W Broad St
BROWN SQUARE
HIGH FALLS
Andrews St
DOWNTOWN
Scio St
E Main St
Atlantic Av
490
Maple St
WESTSIDE
Ames St
BULL'S HEAD
Brown St
W Main St
SUSAN B. ANTHONY
E Broad St
Court St
WADSWORTH SQUARE
Alexander St
East Av
University Av
NEIGHBORHOOD OF THE ARTS
96
BROWNCROFT
Blossom Rd
Buffalo Rd
33
West Av
Chili Av
MAYOR'S HEIGHTS
Dr Samuel McRee Way
CORN HILL
Ford St
Exchange Blvd
Mt Hope Av
PARK MEIGS
Monroe Av
PEARL MEIGS MONROE
Park Av
PARK CENTRAL
CULVER UNIVERSITY EAST
ABC STREETS
33A
Arnett Blvd
Genesee St
Jefferson Av
Reynolds St
S Plymouth Av
SOUTH WEDGE
Gregory St
LOCK 66
SWILLBURG
COBBS HILL
Winton Rd S
GENESEE JEFFERSON
PLYMOUTH EXCHANGE
South Av
S Goodman St
S Clinton Av
UPPER MONROE
Highland Av
19TH WARD
Thurston Rd
Genesee Park Blvd
Brooks Av
383
15
HIGHLAND PARK
LILAC
AZALEA
590
UNIVERSITY OF ROCHESTER
Scottsville Rd
GREATER ROCHESTER INTERNATIONAL AIRPORT
Elmwood Av
Crittenden Blvd
Kendrick Rd
UPPER MOUNT HOPE
E Henrietta Rd
Westfall Rd
E River Rd
GENESEE VALLEY PARK
390
0
0.5
1
2
Miles

Market Characteristics and Trends

Population, Households and Housing Characteristics

The Housing Market Typology is based on a combination of data that describe real estate pricing, ownership stability, and levels of maintenance and investment. It does not directly account for the characteristics of the individuals and families who live in the seven market categories.

A look at population and household characteristics by market type show, however, that there is a clear relationship between the strength of demand in the housing market, the financial capacity of households, and historical patterns of uneven access to economic and housing opportunities.

Population Size, Change, and Share

HIGHER DEMAND ← → *LOWER DEMAND*

2016	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Population	45,522	9,147	17,507	29,338	34,288	23,199	45,260	210,291
Share of City Population	21.6%	4.3%	8.3%	14.0%	16.3%	11.0%	21.5%	
% Population Change (2010-2016)	↑ 2.8%	↓ -3.6%	↑ 4.8%	↓ -0.5%	↓ -4.4%	↑ 1.6%	↓ -1.4%	↓ -0.1%
Households	22,085	4,676	8,034	12,560	12,927	7,953	16,455	84,690
Share of City Households	26.1%	5.5%	9.5%	14.8%	15.3%	9.4%	19.4%	
% Household Change (2010-2016)	↓ -1.3%	↓ -6.3%	↑ 0.1%	0.0%	↓ -3.2%	↓ -1.4%	↓ -1.8%	↓ -1.6%

Note: See Appendix for data and source descriptions

Financial, Employment, and Education Characteristics

***Educational attainment** shapes a household's earning potential, its ability to pay for housing, and its range of housing options. In Rochester's weaker markets, concentrations of adults without a high school diploma or GED are high, joblessness is high, and incomes are low. The reverse is true in the stronger markets.*

HIGHER DEMAND ← → *LOWER DEMAND*

2016	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Income								
Median Household Income	**$50,089**	**$44,150**	**$37,495**	**$35,904**	**$35,330**	**$26,534**	**$20,647**	**$31,684**
% Change 2013-2016 (in 2016$)	↑ 9.3%	↓ -6.4%	↓ -3.3%	↓ -3.0%	↓ -2.8%	↑ 1.6%	↓ -2.6%	↓ -0.3%
Income Sources								
% with Wage/Salary Income	76.3%	78.4%	70.5%	69.7%	71.6%	66.3%	57.7%	71.5%
% with SSI Income	6.3%	4.9%	11.5%	9.5%	13.0%	18.3%	21.0%	12.4%
% with Public Assistance Income	5.6%	4.7%	7.4%	8.3%	11.7%	17.8%	20.0%	11.1%
% Receiving SNAP Benefits	17.9%	17.0%	32.7%	27.6%	32.5%	53.7%	59.2%	34.8%
Unemployment Rate	**5.8%**	**6.0%**	**11.0%**	**12.6%**	**14.3%**	**19.2%**	**23.6%**	**13.0%**
Poverty Rate for Individuals	**22.0%**	**25.0%**	**25.2%**	**24.3%**	**24.6%**	**44.8%**	**51.0%**	**32.8%**
Change in rate, 2013-2016	↓ -1.8%	↑ 3.8%	↑ 3.3%	↑ 0.9%	↑ 1.1%	↑ 0.3%	↓ -1.9%	↓ -0.1%
Poverty Rate for Families	**16.4%**	**24.7%**	**17.7%**	**19.7%**	**20.9%**	**43.4%**	**49.6%**	**29.8%**
Change in rate, 2013-2016	↑ 0.7%	↑ 3.0%	↑ 2.0%	↓ -0.4%	↓ -0.4%	↑ 0.5%	↓ -1.2%	↓ -0.1%
% of renters with unaffordable costs (>30% of income)	45.8%	48.8%	65.8%	62.5%	68.0%	71.9%	74.6%	61.6%
Educational Attainment for Adults 25+								
% Less than High School	**8.5%**	**8.7%**	**16.2%**	**17.9%**	**18.8%**	**27.7%**	**34.4%**	**29.8%**
% H.S. Grad/with some college	**43.2%**	**44.5%**	**59.3%**	**65.8%**	**65.9%**	**65.3%**	**59.1%**	**4%**
% Bachelor's Degree or More	**48.3%**	**46.8%**	**24.6%**	**16.3%**	**15.3%**	**7.0%**	**6.6%**	**4%**

Note: See Appendix for data and source descriptions

Maximum Affordable Monthly Housing Payment for Median Household

1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
$1,252	$1,104	$937	$898	$883	$663	$516	$792

Note: Payment is equivalent to 30% of monthly gross income.

Household Size and Type

Rochester's strongest markets have the highest concentrations of 1- and 2-person households. Among families, those in stronger markets are more likely to feature married couples and the potential for multiple incomes contributing to rent or mortgage payments.

HIGHER DEMAND ← → *LOWER DEMAND*

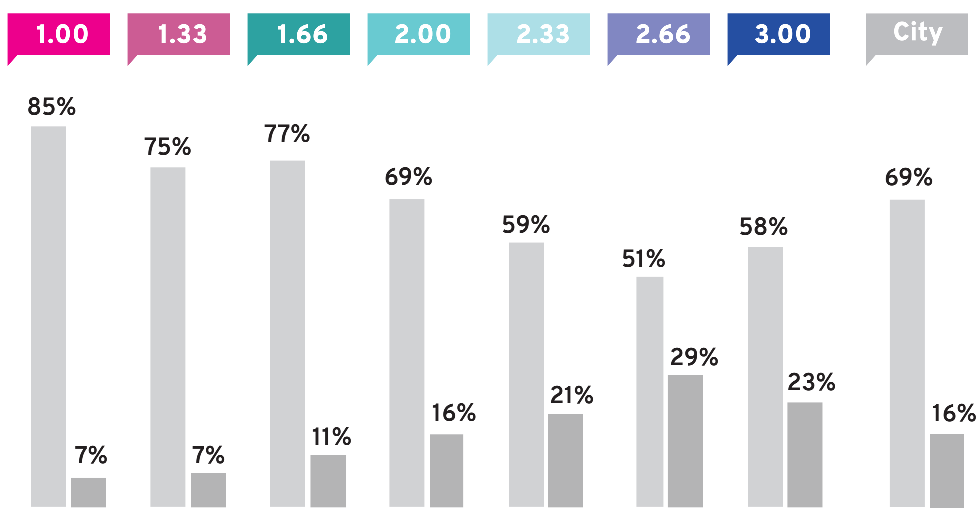
2016	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Household Size								
% 1-Person Household	52.8%	46.5%	42.9%	38.9%	32.8%	28.4%	35.2%	41.0%
% 2-Person Household	32.0%	28.8%	34.0%	29.7%	25.7%	22.9%	22.6%	28.4%
% 3-Person Household	8.7%	11.0%	12.5%	15.6%	17.4%	18.2%	17.0%	14.4%
% 4-Person Household	4.4%	5.4%	5.8%	9.7%	10.7%	17.4%	11.0%	9.0%
% 5+-Person Household	2.1%	2.0%	5.6%	6.1%	10.1%	11.8%	12.4%	7.3%
Share of households that are families	**29.5%**	**34.2%**	**46.1%**	**54.5%**	**60.0%**	**64.8%**	**59.3%**	**49.0%**
% of Families Married Couples	64.4%	51.0%	46.3%	41.3%	45.8%	25.7%	25.8%	40.6%
% of Families Single-Parents	35.6%	49.0%	53.7%	58.7%	54.2%	74.3%	74.2%	59.4%

Note: See Appendix for data and source descriptions

Comparison of Small and Large Households

% Households with

2 or fewer people | 4 or more people



Age and Race/ Ethnicity

Young adults (ages 18-34) comprise over 40% of the population in the two strongest markets, while children under 18 are much more prevalent in the weakest markets. Senior citizens are more evenly distributed.

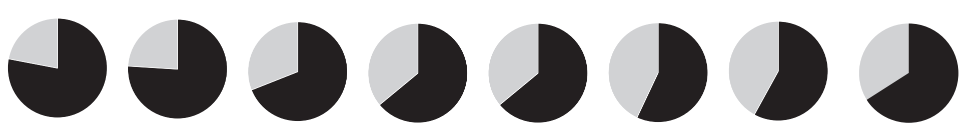
Rochester's history of segregation is starkly apparent in the housing market. Racial and ethnic minorities comprise roughly 30% of the population in the two strongest markets but over 80% in the two weakest markets.

HIGHER DEMAND ←→ *LOWER DEMAND*

2016	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Age								
Under 18	9.9%	14.4%	21.1%	23.8%	26.2%	34.8%	33.3%	23.7%
18-34	45.8%	40.3%	28.2%	25.2%	24.9%	26.0%	25.8%	31.7%
35-64	32.2%	35.5%	40.7%	39.1%	38.9%	31.1%	32.0%	34.6%
65+	12.0%	9.9%	10.0%	11.9%	10.1%	8.1%	8.9%	10.1%
Race/Ethnicity								
% Non-Hispanic White	71%	65%	51%	34%	26%	14%	12%	36.7%
% Non-Hispanic Black	15%	24%	31%	40%	48%	55%	53%	38.6%
% Hispanic	7%	6%	13%	19%	19%	25%	27%	17.6%
% Other	7%	5%	6%	6%	7%	7%	8%	7.1%

Note: See Appendix for data and source descriptions

Working Age Adults (18-64) as % of Population



1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
78%	76%	68%	64%	64%	57%	58%	66%

Property and Ownership Characteristics

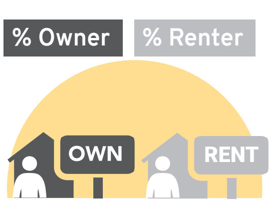
Rochester's middle markets have the highest concentrations of single-family homes and the highest rates of homeownership – a strength to support and build from. The strongest markets have notable concentrations of apartment buildings, mirroring their high levels of 1- and 2-person households.

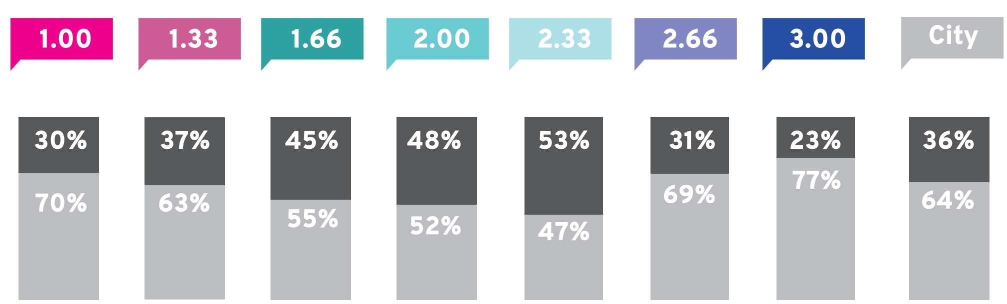
HIGHER DEMAND ← → *LOWER DEMAND*

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Residential Properties	**10,235**	**2,547**	**5,170**	**9,086**	**10,870**	**6,562**	**13,198**	**57,881**
% Single-Family Homes (210)	64.9%	72.5%	80.0%	81.7%	80.2%	71.6%	56.8%	71.0%
% 2- and 3-Family Homes (220 or 230)	22.5%	19.2%	13.2%	13.1%	15.5%	20.9%	24.5%	19.0%
% Apartment Buildings (411)	9.4%	6.4%	1.8%	1.3%	1.5%	1.1%	2.1%	3.2%
% Residential Vacant Land (311)	3.3%	2.0%	5.0%	3.9%	2.8%	6.4%	16.6%	6.8%
Residential Structures Occupied by Owner, 2017	**5,775**	**1,688**	**3,397**	**5,608**	**6,439**	**2,371**	**3,413**	**28,792**
% of Structures Occupied by Owner	68.8%	76.2%	71.9%	65.9%	62.6%	39.7%	33.0%	56.9%
% of Single-Family Homes Occupied by Owner	80.0%	85.9%	79.1%	72.7%	70.6%	47.8%	40.6%	66.0%
% of Two-Family Structures Occupied by Owner	26.5%	27.7%	21.5%	19.8%	18.1%	9.9%	12.9%	*17.8%*
% of Housing Units that are Owner-Occupied, 2016	**30.3%**	**37.3%**	**45.2%**	**47.9%**	**53.3%**	**30.9%**	**22.7%**	**36.4%**
Change in Ownership Rate, 2010-2016	↓ *-0.2%*	↑ *0.4%*	↓ *-1.3%*	↓ *-2.1%*	↓ *-0.5%*	↓ *-4.0%*	↓ *-1.7%*	↓ *-1.3%*

Note: See Appendix for data and source descriptions

Household Tenure





Housing Economics and Activity

Levels of demand are strongly reflected in pricing patterns, valuation, and the net change in housing units over the past decade. Where demand is strong, these indicators are well above city averages, and vice versa.

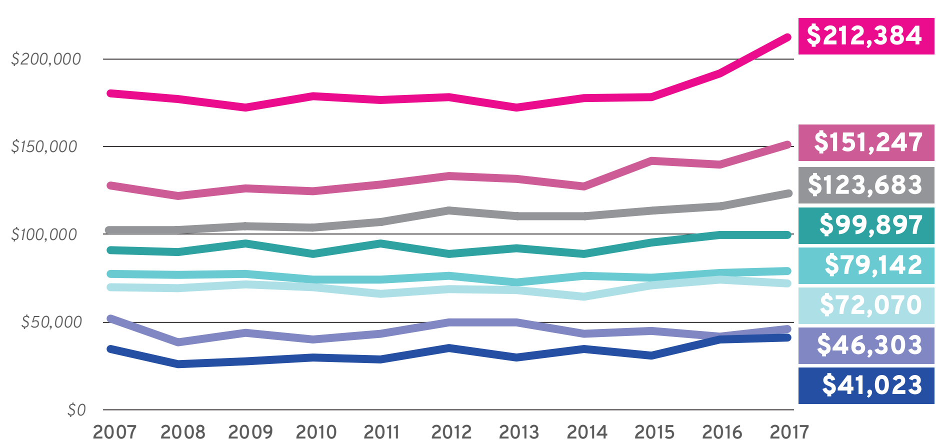
HIGHER DEMAND ←------→ LOWER DEMAND

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Prices Paid by Owner-Occupants (in constant $)								
Avg. Price Paid, 2007-09	$178,450	$125,817	$91,969	$77,353	$70,334	$44,219	$29,875	$103,682
Avg. Price Paid, 2010-13	$178,179	$129,386	$90,899	$74,295	$68,444	$45,014	$30,844	$109,287
Avg. Price Paid, 2014-17	$191,421	$139,750	$96,467	$77,224	$70,573	$44,202	$36,898	$116,736
Change in Avg. Price Paid, 2007-09 to 2014-17	↑ *7.3%*	↑ *11.1%*	↑ *4.9%*	↓ *-0.2%*	↑ *0.3%*	– *0.0%*	↑ *23.5%*	*12.6%*
Average Assessed Value, 2017	**$158,762**	**$121,894**	**$80,300**	**$65,922**	**$61,912**	**$39,168**	**$32,319**	**$74,301**
Change in Avg. Assessed Value, 2008-2017 (in constant $)	↑ *4.4%*	↑ *4.9%*	↓ *-1.8%*	↓ *-9.2%*	↓ *-11.1%*	↓ *-14.3%*	↓ *-10.5%*	*-3.5%*
Median Gross Rent, 2016	**$823**	**$822**	**$808**	**$819**	**$817**	**$823**	**$767**	**$779**
% Change, 2013-2016 (in constant $)	↑ *7.9%*	↑ *10.6%*	↑ *6.8%*	↑ *0.1%*	↓ *-5.5%*	↑ *3.1%*	↓ *-3.3%*	*0.8%*
Price Paid per Unit for Properties with 2-4 units, 2007-17	**$76,417**	**$56,244**	**$38,578**	**$31,454**	**$26,849**	**$18,490**	**$16,218**	**$35,624**
Net Change in Housing Units, 2007-2017	**1,809**	**8**	**-31**	**13**	**-72**	**-242**	**-1,526**	**-41**
New Units Added, 2007-17	1,928	24	64	134	113	143	880	3,286
Units Demolished, 2007-17	-34	-3	-76	-77	-117	-311	-2,168	-2,786
Deconverted Units, 2007-17	-85	-13	-19	-44	-68	-74	-238	-541

Note: See Appendix for data and source descriptions

Average Price Paid on Owner-Occupied Homes, 2007-2017

(in 2017$)



Property Disinvestment and Instability

Markers of disinvestment show high concentrations of problem properties in markets with the lowest demand, while bank foreclosures are more concentrated in areas of moderate demand where mortgage activity mixes with modest incomes.

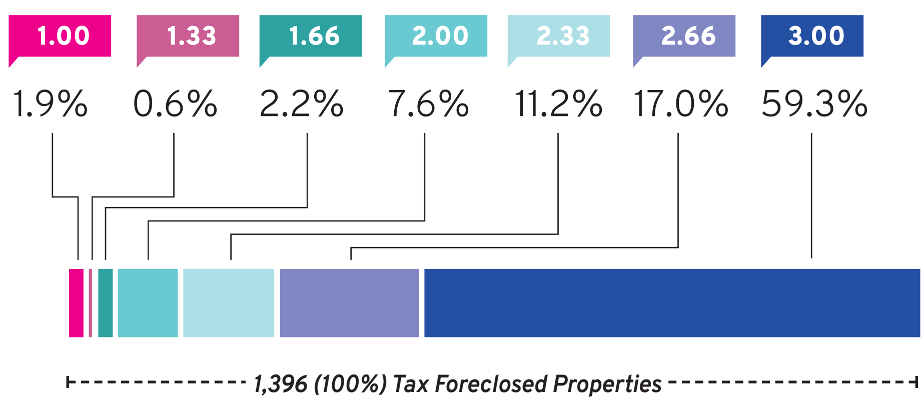
HIGHER DEMAND ← → *LOWER DEMAND*

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Vacant Residential Structures, 2018*	**86**	**41**	**132**	**265**	**389**	**375**	**867**	**2,155**
Rate per 100 properties	0.8	1.6	2.6	2.9	3.6	5.7	6.6	3.7
Properties with Chronic Violations, 2013-17	**81**	**35**	**52**	**117**	**212**	**262**	**958**	**1,717**
Rate per 100 properties	0.8	1.4	1.0	1.3	1.9	3.9	7.1	2.9
Properties with Lis Pendens, 2007-17	**432**	**170**	**478**	**1,070**	**1,805**	**839**	**1,180**	**5,974**
Rate per 100 properties	4.1	6.6	9.1	11.6	16.4	12.6	8.8	10.2
Tax Foreclosure Actions, 2018	**27**	**9**	**31**	**106**	**157**	**237**	**829**	**1,396**
Rate per 100 properties	0.3	0.3	0.6	1.1	1.4	3.6	6.2	2.4

**The City's inventory of 2,155 vacant structures identifies empty residential buildings, not units. Census estimates of vacancy for 2016 showed a unit vacant rate of 12.4% in Rochester, which includes vacant units in occupied buildings. The City's unit vacancy rate is well above the 5% that typically describes a balanced housing market.*

Note: See Appendix for data and source descriptions

Residential Tax Foreclosure Actions in 2018



Residential Tax Base

The City's financial capacity determines how much can be invested in critical assets, services, and infrastructure. For Rochester 2034, stronger levels of demand will equate to a higher probability of implementing community goals.

HIGHER DEMAND ← → LOWER DEMAND

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Total Assessed Value of Residential Structures, 2017	$1,457,139,500	$294,149,800	$395,491,300	$577,364,250	$652,773,000	$244,684,600	$368,352,900	$3,989,955,350
% of City Total	36.5%	7.4%	9.9%	14.5%	16.4%	6.1%	9.2%	
Total Square Feet of Residential Living Area, 2017	17,696,126	4,087,702	7,320,725	12,797,841	16,541,601	9,488,052	17,797,482	*85,729,529*
% of City Total	20.6%	4.8%	8.5%	14.9%	19.3%	11.1%	20.8%	
Assessed Value Per Square Foot	$82.34	$71.96	$54.02	$45.11	$39.46	$25.79	$20.70	*$46.54*
Assessed Value Per 1,650 Square Feet	$135,865	$118,734	$89,139	$74,438	$65,113	$42,551	$34,150	*$76,793*

Note: See Appendix for data and source descriptions

Estimated City and School Property Taxes Paid on Typical Single Family Home

(1,650 sq. ft.)

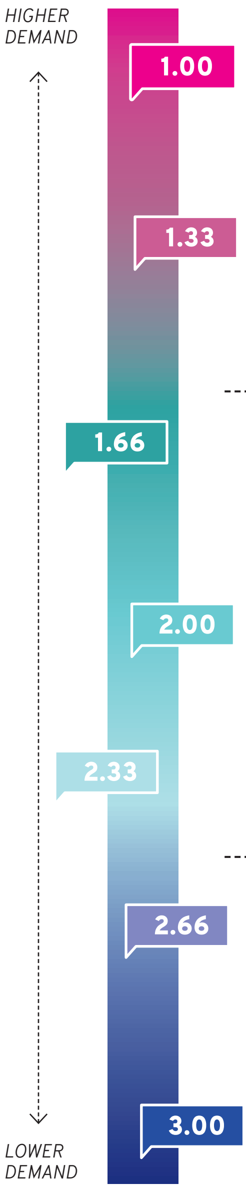
1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
$2,490	$2,176	$1,634	$1,364	$1,194	$780	$626	$1,407

(Homestead Rate; no exemptions applied)

Market Characteristics and Trends

What's Happening Here?

The preceding tables reveal detailed market characteristics across a variety of indicators for Rochester's seven market categories. They contribute, along with historical context, to a general understanding of where city markets have been, how they operate today, and where they might be heading under a status quo scenario.



General Neighborhood Context

Areas with a history of attracting the city's most economically-advantaged households whose resources supported the development of a durable, high-quality housing stock and other amenities that drive relatively high levels of demand today.

Above average incomes and densities support vibrant neighborhood retail.

Homeownership Market

Distinctiveness and quality of stock, as well as location, have boosted average home prices to levels that are two-to-three times citywide averages – levels that likely include some level of discounting for overdue mechanical updates and modernization.

Dual-income families are prevalent in this ownership market and have capacity to drive pricing upwards.

These markets provide homeowners with the best shot at home equity growth in Rochester.

Areas that developed during the first half of the 20th Century to meet demand for homeownership by working-class or middle-class households that were thriving in the city's industrial economy. Over the past half-century, these have been some of the city's most stable residential areas.

Moderate incomes and lower densities support modest levels of neighborhood retail activity.

Concentration of single-family homes is high and homeownership levels are the highest in the city. Homes are generally affordable to working households. Relatively stagnant prices since 2007, however, limit opportunities for home equity growth.

Prices paid by owner occupants are highly sensitive to signs of disinvestment and proximity to declining blocks, and the prevalence of bank foreclosures is the highest in the city. Adjacent suburban neighborhoods with similar stock are the primary competition for the moderate-income families that are the target market for these areas of Rochester.

Areas that have historically served the housing needs of those on the city's economic and cultural margins – including immigrants, minorities, and struggling households – resulting in a housing stock that has long suffered from low demand and minimal private investment.

Low incomes and declining densities provide limited capacity to sustain neighborhood retail and other amenities.

Ownership rates are the lowest in the city and owner-occupied homes are priced well below citywide averages, owing to construction quality, significant levels of deferred maintenance, and poor marketability of location.

Ownership may offer affordable options for some households, but the potential for wealth-building through ownership is low.

Rental Market	**TREND DIRECTION**
Highest concentration of apartment buildings in the city, with stock being substantially upgraded and added to by the downtown housing expansion. Prices paid per unit are strong for Rochester and reflect confidence in long-term asset value. Competition from downtown units may spur overdue updates to older units or repositioning of smaller multi-family properties.	***Ten-year outlook is mostly positive.*** Strong levels of private investment are apt to continue, stimulating stronger levels of demand.
Private rental market is dominated by duplexes and – increasingly – single-family homes. The renting of houses is a reflection of the limited number of mortgage-eligible homebuyers in the price ranges of these markets, growing demand for rental housing, and the presence of 'accidental landlords' who inherit homes from family members.	***Ten-year outlook is highly subject to a block's location.*** Those near to healthier blocks and major amenities have a better than even chance of improvement or stability. Those near to distressed blocks face a high probability of decline.
Private rental market is dominated by distressed investment properties that are purchased with cash and kept in the minimal state of repair needed to maintain a certificate of occupancy. The short-term cash flow value of the property – not long-term asset value – drives owner behavior, with abandonment the inevitable conclusion.	***Ten-year outlook depends on location and duration of decline.*** Areas that are closest to amenity-rich blocks and where vacant land and buildings have been well-managed are most likely to be successfully stabilized and re-positioned.

Regional Context and Demand Analysis

Monroe County's Market in the National Context

The City of Rochester's diverse housing market does not exist in isolation. It is profoundly shaped by housing markets across Monroe County and by the forces that influence decisions made by the county's 300,000 households, including market conditions, housing preferences, and community perceptions.

One way to gauge the regional market's impact on current housing demand in Rochester is by examining the general strength of the Monroe County market. Like many other urban counties in the Great Lakes and Midwest, Monroe County continues to be an affordable market where a household earning the county's median income ($53,568) can easily afford a home priced at the county's median value ($140,200). In fact the ratio of median home value to median income in Monroe County (2.6) describes a soft market – where supply exceeds demand.

Selected Urban Counties	**Population**	***Population Change 2010-2017***	**Median Home Value, 2016**	**Gross Median Rent, 2016**	**Median Household Income, 2016**
San Francisco City/County, CA	884,363	9.8%	$858,800	$1,632	$87,701
Suffolk County, MA (Boston)	797,939	10.5%	$398,000	$1,343	$57,439
Westchester County, NY (Yonkers/NYC)	980,244	3.3%	$507,300	$1,394	$86,226
Multnomah County, OR (Portland)	807,555	9.8%	$297,300	$1,013	$57,499
Travis County, TX (Austin)	1,226,698	19.8%	$253,600	$1,113	$64,422
Albany County, NY (Albany)	309,612	1.8%	$211,100	$931	$60,904
Durham County, NC (Durham)	311,640	16.5%	$186,800	$921	$54,093
Fayette County, KY (Lexington)	321,959	8.8%	$170,800	$793	$50,661
Milwaukee County, WI (Milwaukee)	952,085	0.5%	$150,000	$821	$45,263
Hamilton County, TN (Chattanooga)	361,613	7.5%	$162,900	$772	$49,434
Jefferson County, KY (Louisville)	771,158	4.1%	$154,100	$770	$50,099
Hamilton County, OH (Cincinnati)	813,822	1.4%	$143,700	$725	$50,399
Marion County, IN (Indianapolis)	950,082	5.2%	$120,500	$806	$43,369
Kent County, MI (Grand Rapids)	648,594	7.6%	$144,300	$787	$54,673
Monroe County, NY (Rochester)	747,642	0.4%	$140,200	$843	$53,568
City of Rochester	*208,046*	*-1.2%*	*$77,800*	*$779*	*$31,684*
Summit County, OH (Akron)	541,448	-0.1%	$134,300	$760	$51,562
Erie County, NY (Buffalo)	925,528	0.7%	$134,600	$752	$52,744
Allegheny County, PA (Pittsburgh)	1,223,048	0.0%	$134,400	$800	$54,357
Onondaga County, NY (Syracuse)	465,398	0.0%	$137,000	$797	$55,717
Genesee County, MI (Flint)	407,385	-4.3%	$91,800	$720	$43,246

In any market, this imbalance depresses home prices and increases the likelihood that parts of a market are experiencing moderate-to-significant levels of disinvestment. If Monroe County had a value to income ratio of 3.5, which describes a market with a healthy balance of supply and demand – but where prices remain broadly affordable to working households – the median home value would be roughly $47,000 higher than it is now, or just below $190,000.

The current softness of the Monroe County housing market – coupled with the near absence of population growth – is critical context for housing in Rochester because it means that there is little if any surplus demand in the region to steer towards undervalued city markets.

*Monroe County is **not** experiencing market dynamics similar to metropolitan Boston or Portland. The problems are different, and so are the appropriate policy responses.*

Current Ratio of Home Value to Income	Median Home Value Under Balanced Conditions (Ratio 3.5)	Difference Between Current and Balanced Home Values	General Housing Market Conditions
HIGHER **9.8**	$306,954	$551,847	**Markets overheating; unaffordable to median households**
6.9	$201,037	$196,964	
5.9	$301,791	$205,509	
5.2	$201,247	$96,054	
3.9	$225,477	$28,123	
3.5	$213,164	-$2,064	**Markets generally balanced; affordable to median households**
3.5	$189,326	-$2,526	
3.4	$177,314	-$6,514	
3.3	$158,421	-$8,421	
3.3	$173,019	-$10,119	
3.1	$175,347	-$21,247	
2.9	$176,397	-$32,697	**Markets are soft; affordable due to insufficient demand and disinvestment**
2.8	$151,792	-$31,292	
2.6	$191,356	-$47,056	
2.6	$187,488	-$47,288	
2.5	*$110,894*	*-$33,094*	
2.6	$180,467	-$46,167	
2.6	$184,604	-$50,004	
2.5	$190,250	-$55,850	
LOWER **2.5**	$195,010	-$58,010	
2.1	$151,361	-$59,561	

Source: czb analysis of Census Bureau Population Estimates and American Community Survey 5-year Estimates

Regional Context and Demand Analysis

Recent Migration Trends

The prevailing softness of the region's housing market has been, and continues to be, reinforced by outmigration from Monroe County. Since 2010, the county has experienced a net out-migration of nearly 10,000 residents – driven by a net domestic loss (to other counties in the U.S.) of nearly 30,000. Those losses were partially offset by a net gain of 20,000 international migrants.

Domestic losses are reflected in the most recent migration figures from the IRS, which are determined by year-to-year address changes on tax returns. Between the 2015 and 2016 tax years, Monroe County experienced a net loss of 2,495 federal tax filers. The difference in combined reported income between incoming versus outgoing tax filers represented a net loss of $180 million -- a loss due in part to the fact that the average reported income of outgoing filers was higher than those coming into the county. Based on 30% of income as the standard for describing a household's potential spending on housing costs (such as mortgage payments and rents), the net loss of income between 2015 and 2016 due to outmigration represented a $50 million erosion of potential local spending on housing.

If Monroe County were experiencing positive net migration and had a healthy existing balance of supply and demand, determining how to plan for and capture a share of the in-migration would be an important part of a housing market study for Rochester. That the opposite is true requires a focus on demand that is already present in the region – how it is distributed and how to channel it in ways likely to achieve broad community objectives.

Monroe County Migration, 2010-2017

Domestic Migration	-29,826
International Migration	20,185
Net Migration	**-9,641**

Source: U.S. Census, Population Estimates

Monroe County Inflows and Outflows between 2015 and 2016

INFLOW

9,210 federal tax filers reporting combined income of **$494.7 million** *($53,708 average)*

OUTFLOW

11,705 federal tax filers reporting combined income of **$675.0 million** *($57,668 average)*

-2,495 **fewer** tax filers

-$180M **less** in reported income

-$50M **less** in housing market spending capacity

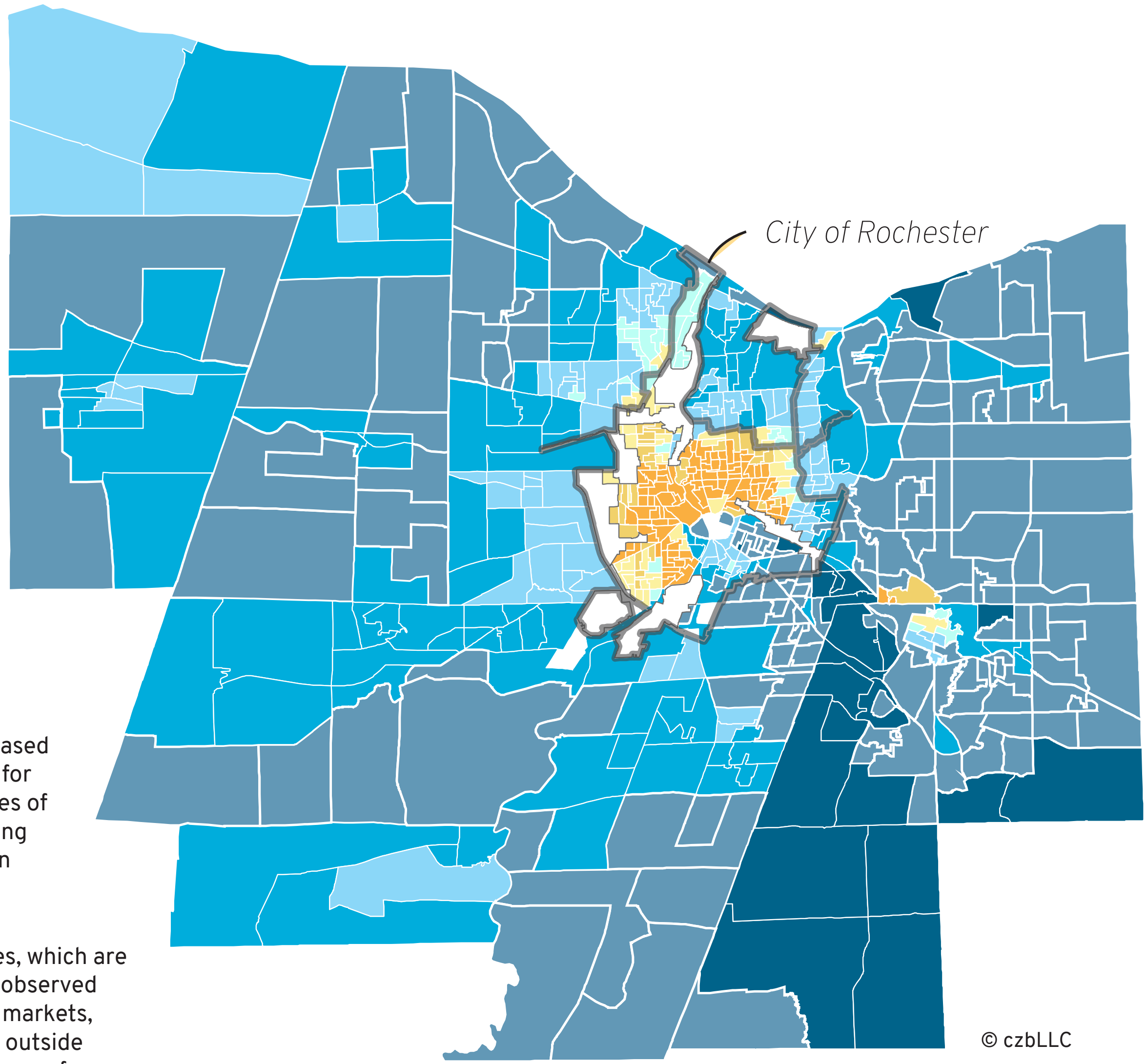
Source: Internal Revenue Service , U.S. Population Migration Data

Regional Context and Demand Analysis

Market Demand within Monroe County

Levels of demand across Monroe County are highly uneven, but nowhere is that unevenness more pronounced than within and around the city itself, and with very few exceptions to any parts of Monroe County share market characteristics similar to Rochester's lowest-demand neighborhoods. To demonstrate, the following county-wide map of average sale prices of single family homes between 2014 and 2017 has ranges that are based on the average sale prices for the seven market categories of the city's typology – allowing price comparisons between county Block Groups and the city's markets.

The two lowest price ranges, which are aligned with pricing levels observed in the city's 3.00 and 2.66 markets, have only one counterpart outside of the city – a part of the Town of Penfield dominated by a mobile home park. Even the city's 2.33 and 2.00 markets have few direct suburban counterparts – namely, parts of the Village of East Rochester, and areas of Greece and Irondequoit that border the city. Otherwise, the bulk of suburban and rural Monroe County have pricing levels that track with the city's higher demand markets, while significant parts of southeastern Monroe County, including small areas of the city itself, have price levels well above the average for Rochester's 1.00 market.



Monroe County average sale prices, 2014-17

$10,666 - $39,999	3.00
$40,000 - $56,999	2.66
$57,000 - $73,999	2.33
$74,000 - $86,999	2.00
$87,000 - $117,999	1.66
$118,000 - $165,999	1.33
$166,000 - $299,999	1.00
$300,000 - $588,582	Well above 1.00

Source: czb analysis of Multiple Listings Service data on single family home sales, 2014-2017.

Regional Context and Demand Analysis

Income Patterns within Monroe County

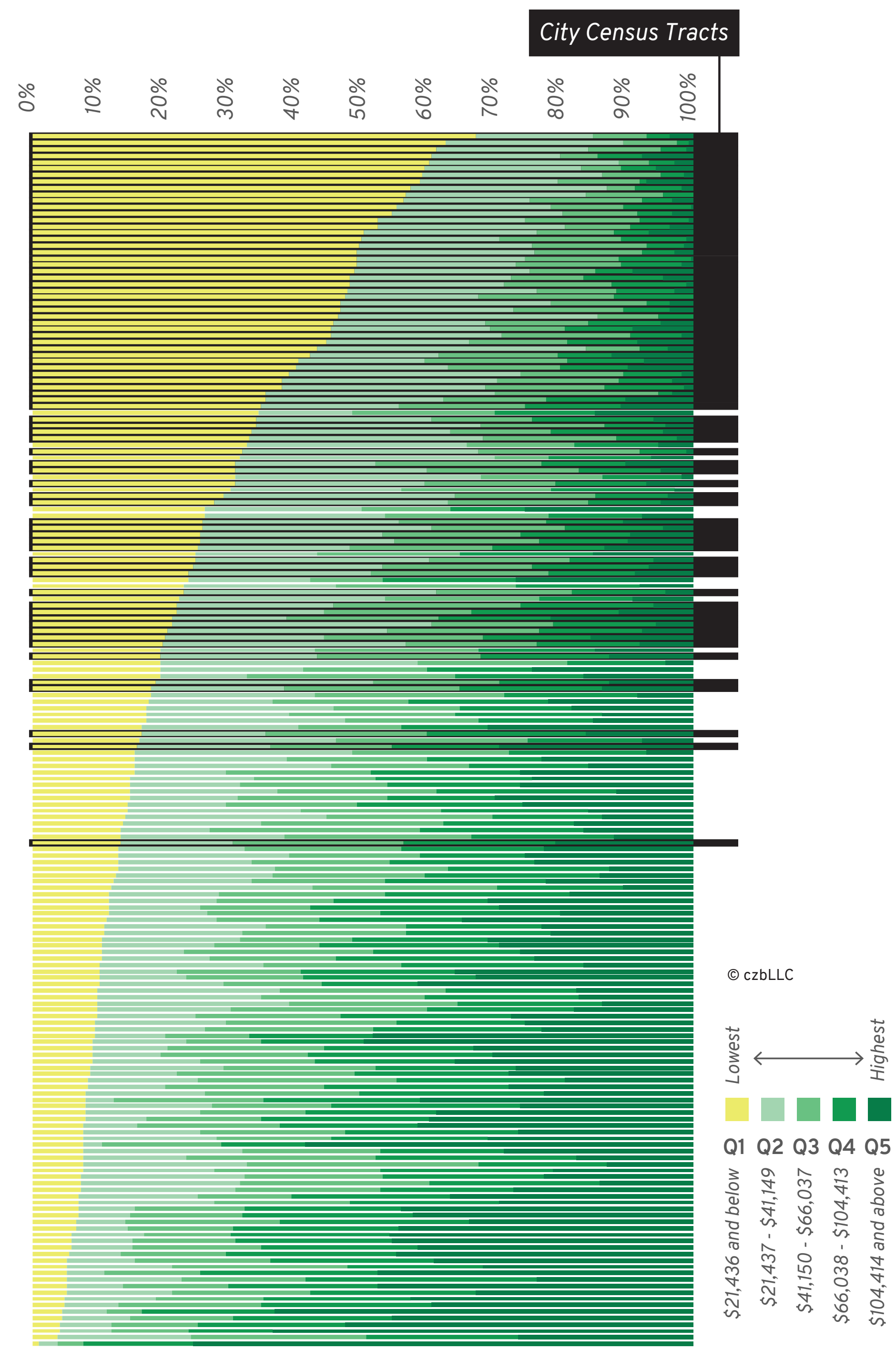
Differences in demand across Monroe County are reflected by a highly uneven distribution of income, which determines a household's capacity to participate in the housing market. An analysis of income that divides the county's households into five income quintiles (where each quintile has an equal number of households) provides a stark demonstration of these income disparities:

The bar chart shows the breakdown of incomes in each of the county's 193 Census Tracts. The larger the share of households in the bottom quintiles (Q1 and Q2), the more economically challenged an area will be. The larger the number in the upper quintiles (Q4 and Q5), the more economically vibrant an area will be. **Out of the 65 Census Tracts where at least 25% of households are in the lowest quintile (Q1), and making less than $21,000 per year, 58 are within the City of Rochester.**

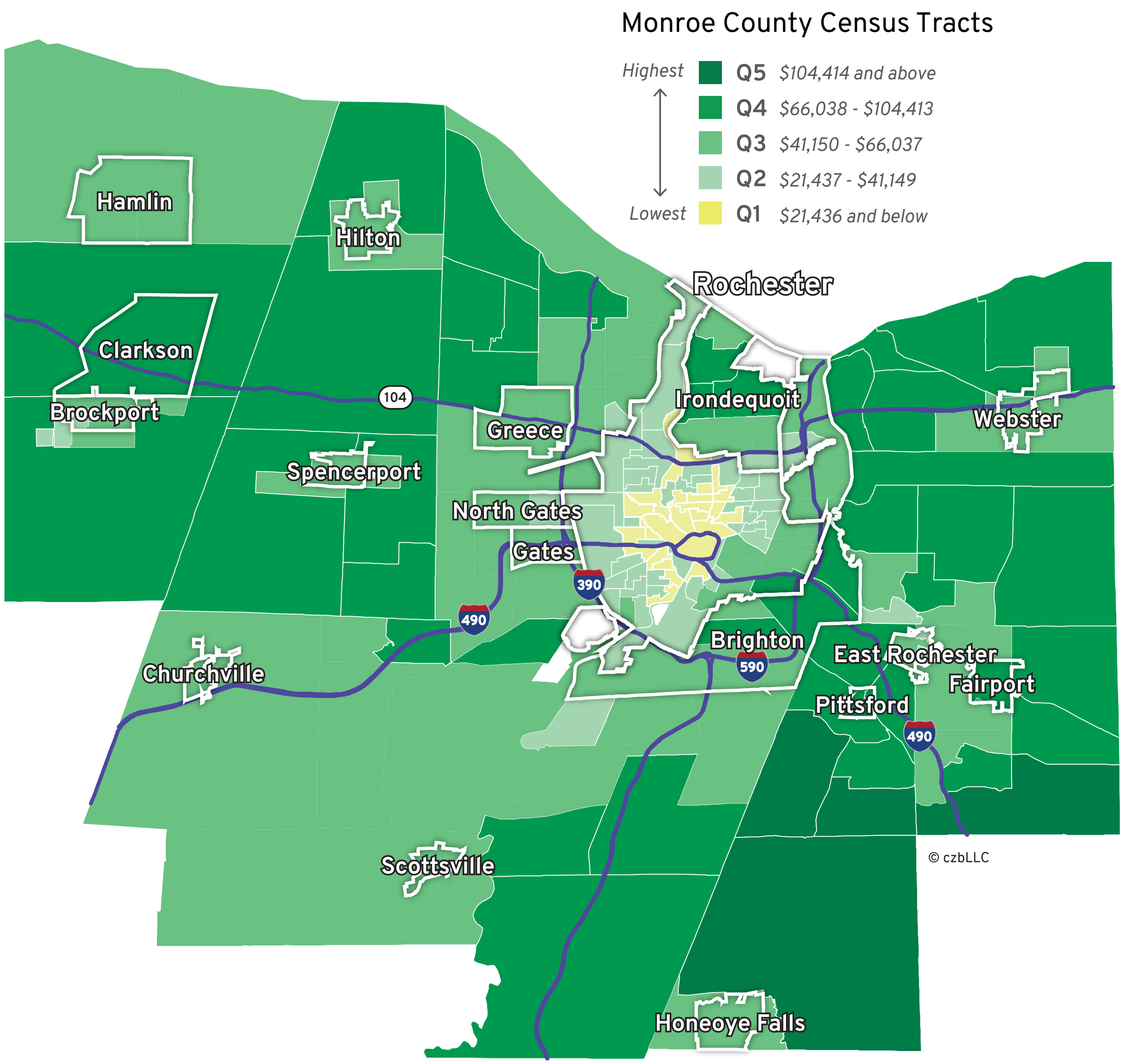
When the Census Tracts are categorized and mapped based on the quintile that contains a tract's median household income, it becomes clear that almost all Census Tracts with median incomes that fall in the two lowest quintiles are within Rochester.

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Income Quintiles, Monroe County Census Tracts



Median Household Income Categorized by County Income Quintiles



Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Regional Context and Demand Analysis

Household Distribution Analysis

One way to understand the impact of uneven regional income on city housing markets is by comparing the actual distribution of households at different income ranges with an equal distribution scenario that gives Rochester the same income profile as Monroe County. The result is a demonstration of housing investment and spending capacity that currently exists within the county and has the potential to be leveraged in addressing housing and neighborhood objectives in Rochester, where 28% of all county households reside.

The adjacent table shows how, under actual income distributions, lower income households comprise a much greater share of households in the city than the county as a whole and areas outside the city. For example, while 33% of city households make under $20,000, the same is true for only 11% of households outside the city and 18% of households countywide. Conversely, households making over $50,000 comprise just 32% of city households but represent 62% of households outside the city and 53% of households countywide.

If all income ranges on this table were evenly distributed based on the city's share of county households – giving the city exactly 28% of county households in each range – the city would have 18,000 more households making over $50,000 than it does currently. Using 30% of income as the standard for describing a household's potential spending on housing costs, it can be estimated that those 18,000 households represent over $700 million in potential annual spending on mortgage payments, rents, and home improvements or maintenance. Those households represent an equal amount of spending capacity on basic goods and services offered by city businesses.

At the same time, this equal distribution scenario shows that the city currently has 13,500 more households making under $20,000 that it would if levels of poverty and economic need were evenly shared by communities across the county. This imbalance of housing need in the region, combined with the imbalance of housing demand has long been shaping levels of investment and disinvestment in the city's housing stock – as well as the city's capacity to invest in vital services and amenities that support a healthy housing market.

Housing Demand

Demand is present when an ability to pay for housing is equaled by a willingness to pay for a given location. A household that chooses a home or apartment in Rochester and is able to afford their housing payment represents demand for housing.

Housing Need

Need is present when insufficient ability to pay for housing on the private market sharply limits a household's options. A household that requires assistance to pay for adequate housing represents a need that is either met by public subsidy or remains an unmet need.

Distribution of Household Income, City and County

Household Income Range

		$0-$19,999	$20,000-$34,999	$35,000-$49,999	$50,000-$74,999	$75,000-$99,999	$100,000-$199,999	$200,000+	TOTAL
	Maximum Affordable Rent	*$0-$500*	*$500-$875*	*$875-$1,250*	*$1,250-$1,875*	*$1,875-$2,500*	*$2,500-$5,000*	*$5,000+*	
	Est. Home Purchasing Power	*$0-$64,000*	*$64,000-$112,000*	*$112,000-$160,000*	*$160,000-$240,000*	*$240,000-$320,000*	*$320,000-$640,000*	*$640,000+*	
Monroe County	**# of Households**	53,090	46,569	40,911	53,591	37,596	56,156	12,376	300,289
	Share	*17.7%*	*15.5%*	*13.6%*	*17.8%*	*12.5%*	*18.7%*	*4.1%*	
County Minus City	**# of Households**	24,450	28,977	28,487	40,616	31,047	49,556	11,342	214,475
	Share	*11.4%*	*13.5%*	*13.3%*	*18.9%*	*14.5%*	*23.1%*	*5.3%*	
City of Rochester	**# of Households**	28,640	17,592	12.424	12,975	6,549	6,600	1,034	85,814
	Share	*33.4%*	*20.5%*	*14.5%*	*15.1%*	*7.6%*	*7.7%*	*1.2%*	
Equal Distribution Scenario *What if county households were evenly distributed?*		15,172	13,308	11,691	15,315	10,744	16,048	3,537	85,814
City Household Change Under Equal Distribution Scenario		-13,468	-4,284	-733	2,340	4,195	9,448	2,503	
Difference in Potential Annual Housing Demand Between Equal and Actual Distribution		$0	-$35,342, 281	-$9,343,294	$43,870,757	$110,115,090	$425,149,976	$150,162,391	$684,612,639

ACTUAL DISTRIBUTION

$0

© czbLLC

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Regional Context and Demand Analysis

Family Distribution Analysis

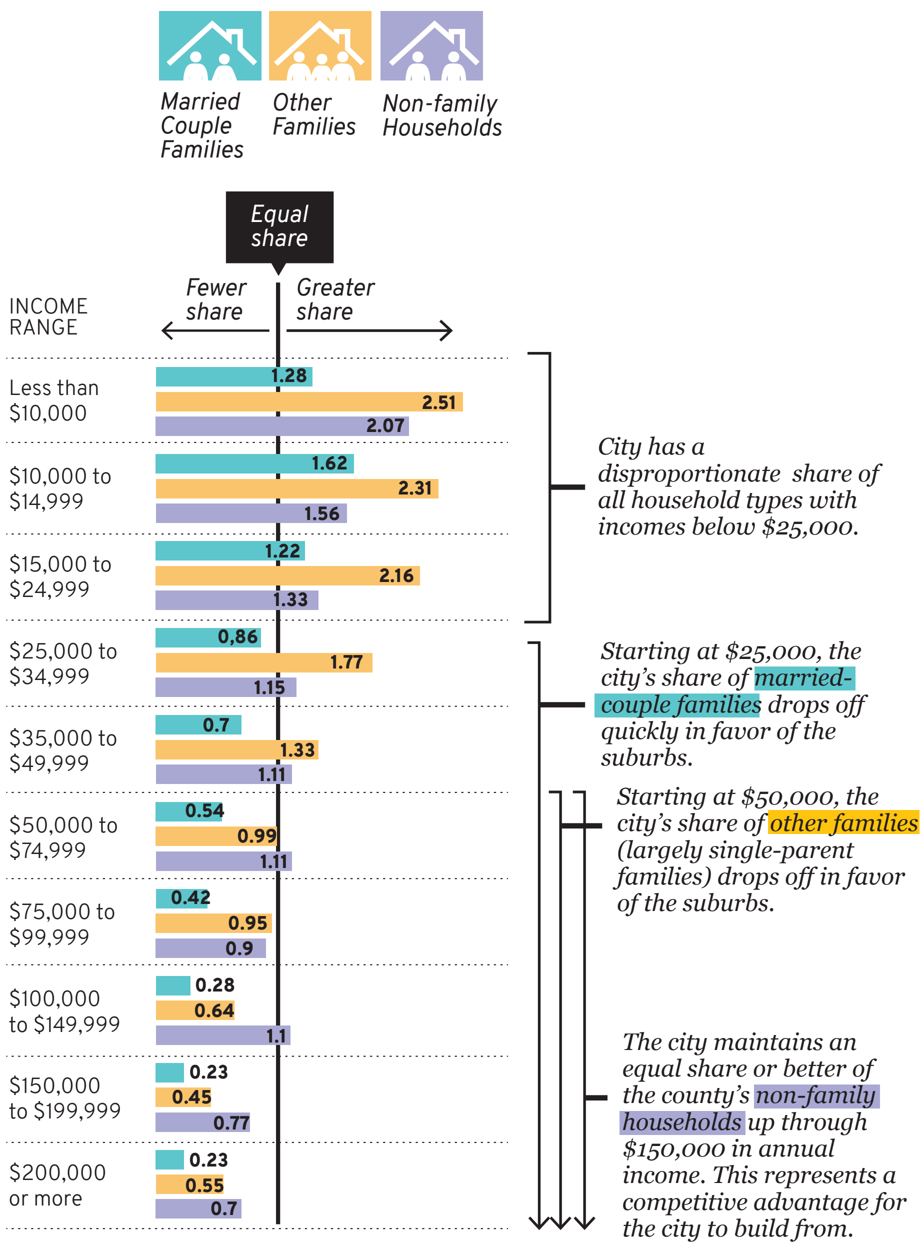
The uneven distribution of households in Monroe County has a clear relationship to household income – but also to household type. The adjacent table shows the distribution of county households by three basic household types and ten income categories. In each cell, a number greater than 1.0 indicates that the city has more than an equal share of county households of that type and income range. A number less than 1.0 indicates that the city has a smaller than equal share.

All three household types are overrepresented in the city at the lowest income ranges before becoming progressively underrepresented as incomes expand. For families with married couples, this shift occurs at $25,000 and results in a considerable city/suburban disparity among such families earning more than $100,000 – with 49,000 choosing to live in a suburb compared to just 3,900 who choose the city. For families not headed by a married couple, the shift occurs closer to $50,000 and is less pronounced.

The city is most competitive in the category of non-family households – primarily individuals living alone, but also non-related roommates. The city maintains a nearly equal share of these households through the middle income ranges before dropping off above $150,000.

These patterns, especially the preferences of families, speak to a range of issues that influence where households with options choose to locate, including perceptions about schools, safety, and the housing stock. These and related issues all have a bearing on the strength of city housing markets, which in turn determines the ability of the market to respond to changes in demand and the ability of the City and its partners to positively influence household decisions.

City Share of County Households by Type and Income



*Equal distribution is 1.

© czbLLC

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

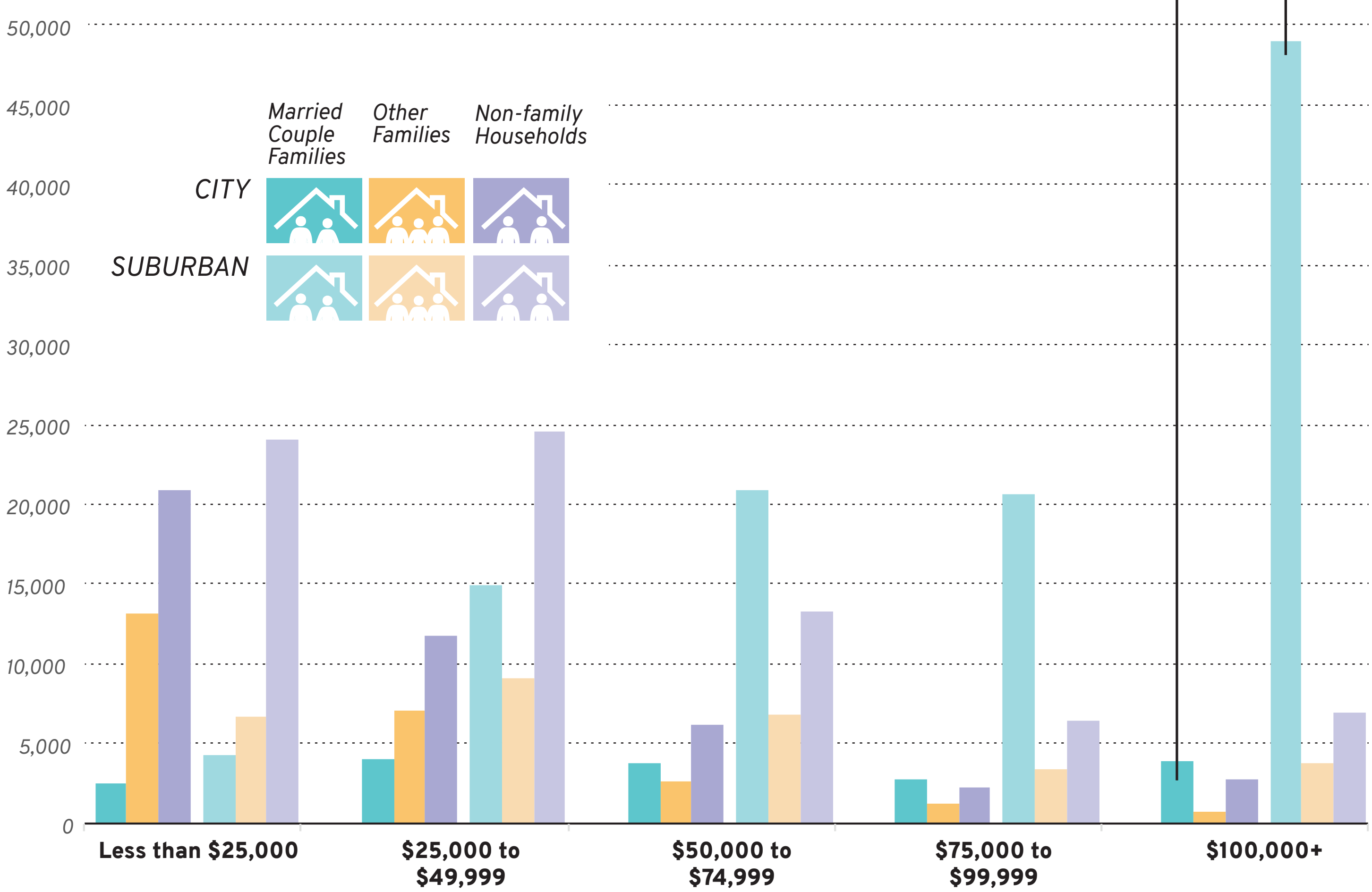
Out of Monroe County's 300,000 households, ***67,000 make***

$100,000+

Out of those, ***49,000*** *are married-couple families living in the* ***suburbs****,*

compared to just ***3,900*** *married-couple families living in the* ***city****.*

City/Suburban Households Types by Income



© czbLLC

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Housing Affordability and Opportunity
General Affordability

Broadly speaking, Rochester and Monroe County are very affordable housing markets. As demonstrated on page 28, households making the median income in the city and county can technically afford a home priced well above the median home values. In fact, Rochester's high degree of affordability acts as a double-edged sword: current price levels make the market highly accessible, but they also lead to unhealthy levels of maintenance and capital improvement by property owners who sense limited opportunities for return on investment. Over time, underinvestment dampens marketability and demand, further reinforcing soft market conditions.

What is generally true about the market, of course, is not true for every household. Indeed there are thousands of households in the City of Rochester for whom housing costs are a significant burden. This is not because housing costs are high or have been escalating to an unusual degree – it is because income levels are low and stagnant. Between 2010 and 2016, for example, median gross rent (contract rent + utilities) in Rochester remained flat when adjusted for inflation, and the median value of owner-occupied homes citywide actually declined by 3.3%. Median household income, meanwhile, fell by 3.8% over the same period, thus eroding the typical household's ability to pay for housing at a faster pace than the overall erosion of housing costs. This is a critical distinction to make because it implies that the problem to solve with regard to housing affordability in Rochester has far more to do with income stagnation and poverty than the supply of housing.

A household's ability to afford housing is a simple function of cost and income. In many cities today, especially in markets where significant education or training is in high demand, such as the San Francisco Bay Area, the Research Triangle in North Carolina, Austin, Denver, and along the Northeast Corridor, housing costs have been escalating at paces far greater than the incomes of most working families. Strong demand from two-income professional households, especially, has reshaped and defined a new geography of reduced affordability for critical segments of the population and workforce – including teachers, nurses, police officers and other providers of vital services. This new geography does not apply to Rochester or to most markets in the Great Lakes and Midwest regions.

There is, however, a strong geographic component to affordability within Rochester. Levels of demand and cost vary from one part of the city to another, which has a significant bearing on where households at different income levels can afford to live. And because costs in Rochester are relatively low, housing opportunities expand considerably as household income rises past $20,000. Households making less than $20,000 struggle to afford housing in Rochester without assistance – as they do in any housing market in the United States.

To demonstrate how income in Rochester shapes the geography of affordability, the following analysis uses three household income levels to show how the inventory of affordable apartments and homes expands as income rises. The income levels for this analysis were chosen for their relevance to the Rochester market: $20,000 (full-time on minimum wage); $32,000 (Rochester's median household income); and $62,000 (Rochester's median income for married-couple families).

Income and Housing Costs, 2010-2016

	2010 *(in 2016$)*	2016	% Change
Median Household Income	$32,952	$31,684	-3.8%
Median Home Value	$80,474	$77,800	-3.3%
Median Gross Rent*	$780	$779	0%

Source: czb analysis of 2010 and 2016 ACS 5-Year Estimates; note that median home values analyzed here are based on Census survey data and are therefore different from sale price averages and assessed value changes analyzed on page 23.

*U.S. Census Bureau calculations of "gross rent" include monthly estimates of contract rent + utilities.

Household #1

Income	$20,000 ***Household examples:*** *One person working 40 hours per week at minimum wage (2016 rate); roommates or a married couple pooling together part-time minimum wage incomes*
Maximum affordable monthly gross rent	$500
Number of households in Rochester	1,500 (approximately)
Renting RENT	*Access to affordable rental units without assistance is limited to between 10% and 20% of the rental stock in the city's seven market types, with a total accessible inventory of just under 7,000 units*
Owning OWN	*Affordable and sustainable homeownership is not generally a realistic option for households at this income unless the household has sufficient levels of savings and income stability to pay cash or qualify for an assisted mortgage. Inexpensive homes will often have significant levels of deferred maintenance that will stress this household's ability to pay for needed repairs and utility bills.*

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

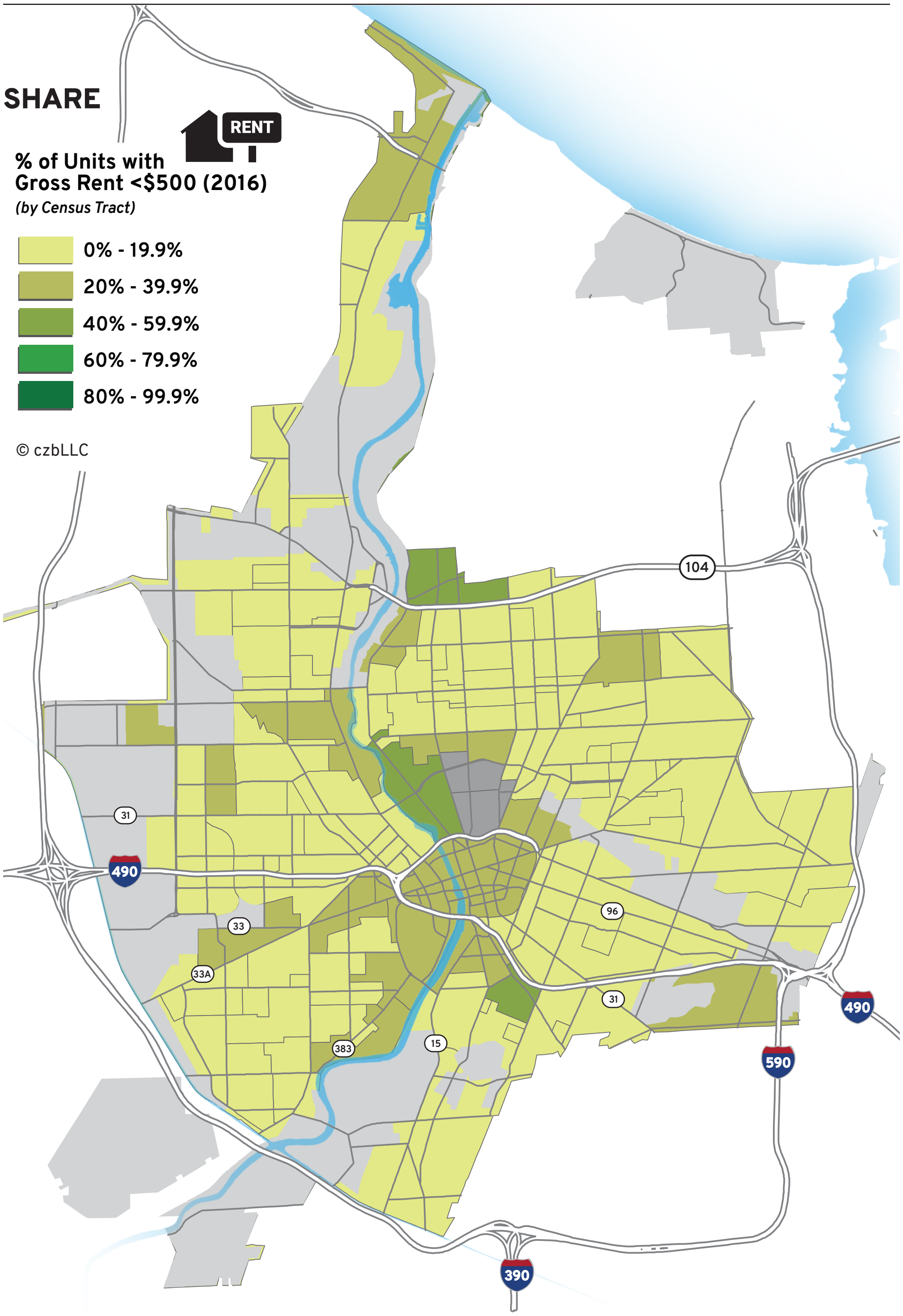
Affordable Housing Stock, 2016

HIGHER DEMAND ← → *LOWER DEMAND*

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Estimated units with gross rent under $500	1,359	364	870	791	612	690	2,047	6,733
% of units with gross rent under $500	10%	12%	20%	12%	10%	13%	16%	13%

*According to Census survey data, Rochester households paid cash rent for 50,730 rental units across the seven market categories in 2016. Of those units, **13% were affordable to this household** – e.g. have gross rents (contract rent + utilities) costing no more than$500 per month (or 30% of their gross income).*

Geography of affordable rental opportunities for this household



Source: czb analysis of American Community Survey (ACS) 5-Year Estimates

Household #2

Income	$32,000 ***Household examples:*** *Roommates or a couple working 1.5 full-time equivalent jobs at minimum wage (2016 rate); one person earning $15 per hour full-time; one person earning salary as an early-career teacher or health care assistant*
Maximum affordable monthly gross rent	$800
Maximum affordable home purchase price	$100,000
Number of households in Rochester	1,000 (approximately)
Renting RENT	*This household has access to roughly half of the city's rental stock, with modest variation based on the city's seven market types. Nearly 27,000 units rent for under $800, a number that has been rising in some Census Tracts and declining in others.*
Owning OWN	*Affordable ownership opportunities for this household varies considerably by location and market type. In markets with the highest demand in the city, between one-fifth and one-third of the owner-occupied stock is valued at $100,000 or less – a proportion that climbs to 70% or more in the city's remaining markets.*

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Affordable Housing Stock, 2016

HIGHER DEMAND ← → LOWER DEMAND

RENT	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Estimated units with gross rent under $800	6,756	1,783	2,372	3,118	2,916	2,514	7,305	26,764
% of units with gross rent under $800	51%	61%	54%	49%	50%	46%	58%	53%

53% of Rochester's rental units are affordable to this household *– e.g. have gross rents (contract rent + utilities) costing no more than $800 per month (or 30% of their gross income).*

OWN	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Estimated owner-occupied homes valued under $100,000	1,359	591	2,466	4,947	6,054	2,234	3,331	20,982
% of owner-occupied homes valued under $100,000	20%	34%	68%	82%	88%	91%	89%	67%

67% of homes in Rochester are considered affordable to this household *(valued under $100,000). This varies considerably, however, by market and reflects wide variations in housing values across the city. Gross rents, on the other hand, occupy a narrower range and show more consistency across markets.*

Geography of affordable rental opportunities for this household

SHARE

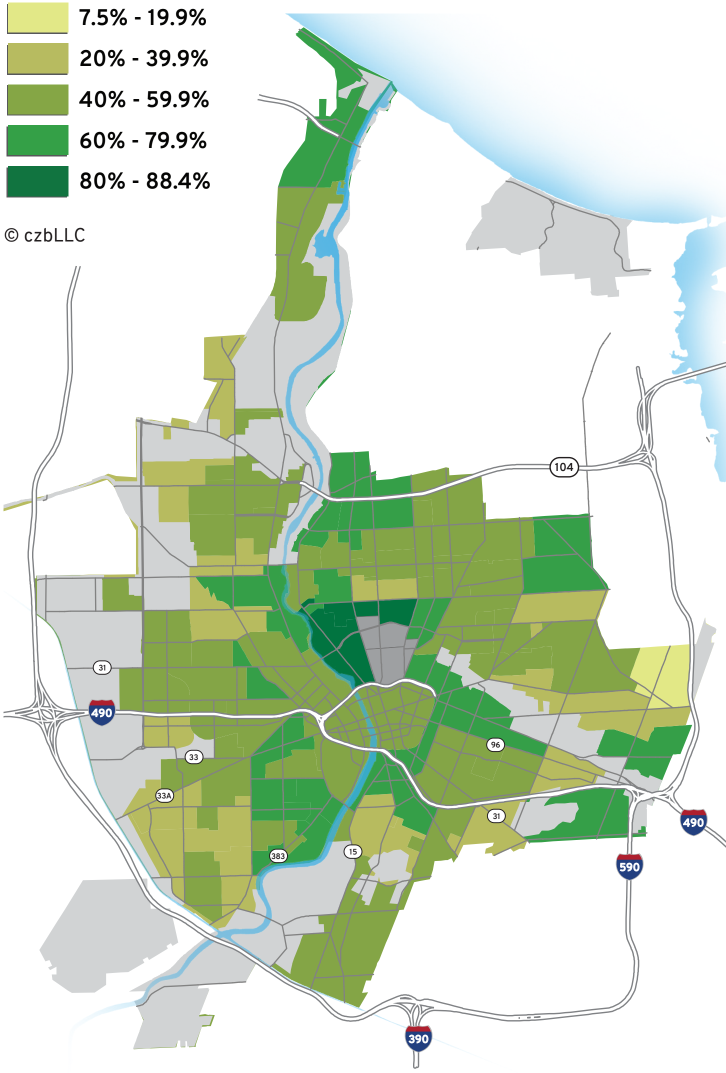
RENT

% of Units with Gross Rent <$800 (2016)

(by Census Tract)

- 7.5% - 19.9%
- 20% - 39.9%
- 40% - 59.9%
- 60% - 79.9%
- 80% - 88.4%

© czbLLC



Geography of affordable ownership opportunities for this household

SHARE

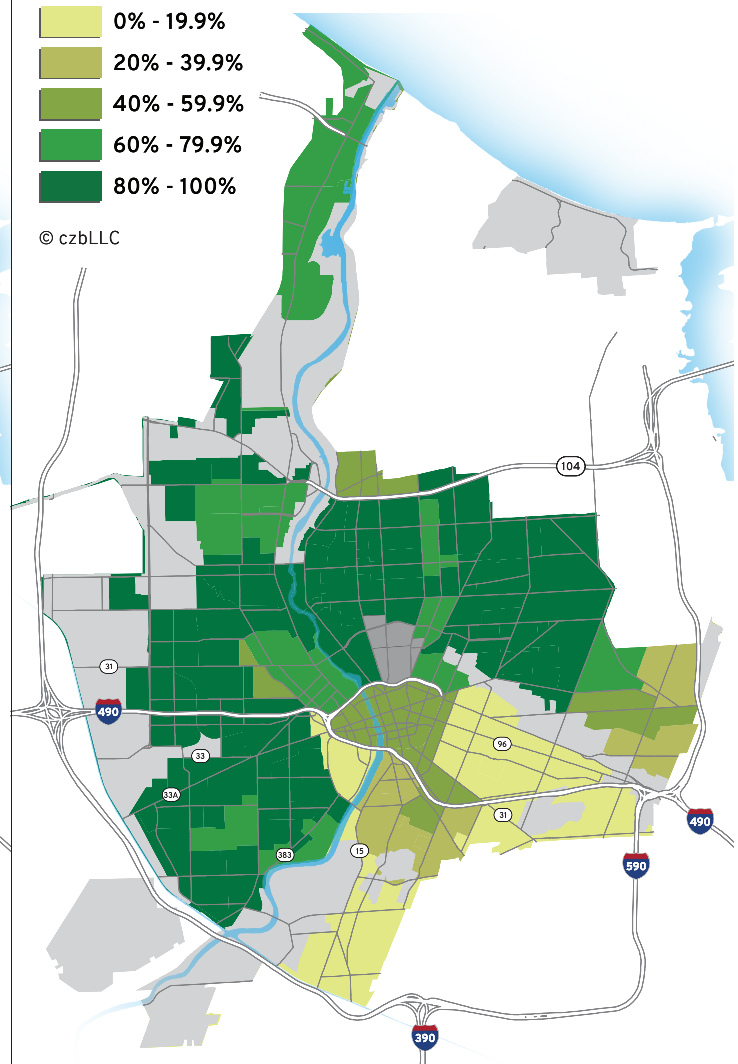
OWN

% of Units Valued <$100,000 (2016)

(by Census Tract)

- 0% - 19.9%
- 20% - 39.9%
- 40% - 59.9%
- 60% - 79.9%
- 80% - 100%

© czbLLC



Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Household #3

Income	$62,000 (Rochester's median household income for married-couple families) ***Household examples:*** *Two early-career teachers; one mid-career firefighter; one registered nurse Maximum affordable monthly rent: $1,500*
Maximum affordable monthly gross rent	$1,500
Maximum affordable home purchase price	$200,000
Number of households in Rochester	1,000 (approximately)
Renting RENT	*This household has access to well over 90% of the rental housing stock in Rochester, including apartments in the highest demand markets.*
Owning OWN	*Affordable ownership opportunities for this household also cover the vast majority of the city's housing, including nearly 80% of housing in the highest demand market and 90% or more in the others.*

Affordable Housing Stock, 2016

HIGHER DEMAND ← → *LOWER DEMAND*

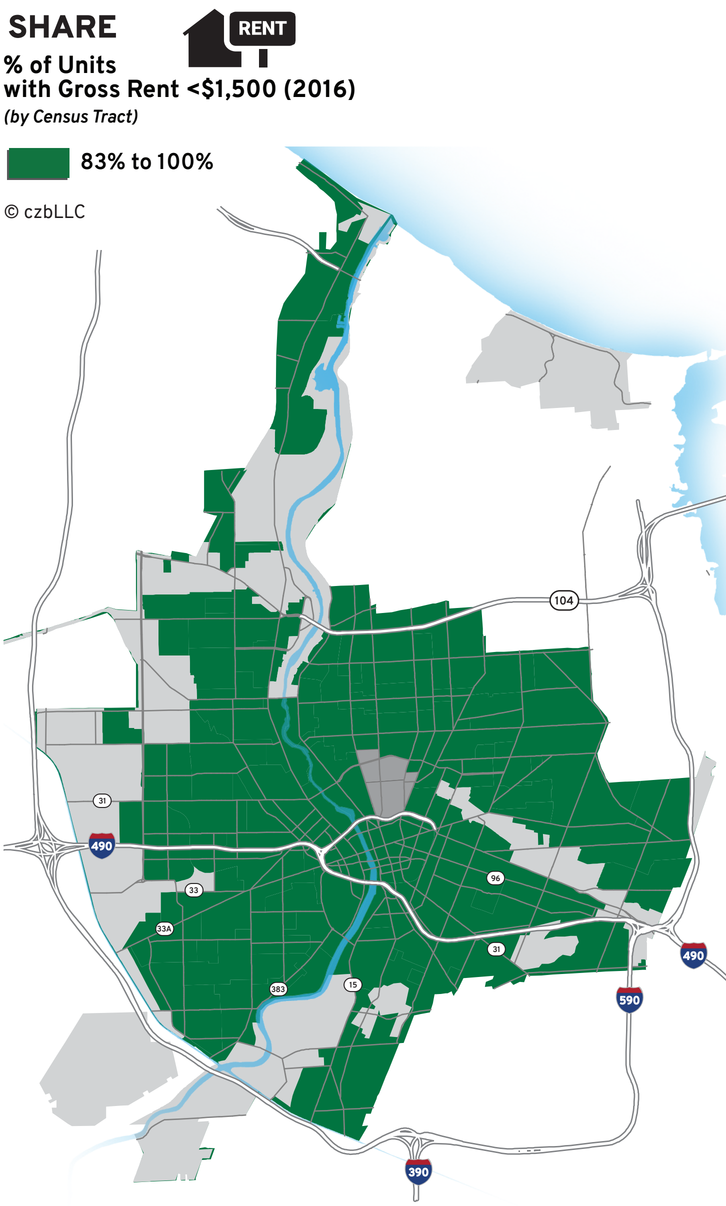
RENT	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Estimated units with gross rent under $1,500	12,514	2,725	4,303	6,332	5,733	5,317	12,411	49,335
% of units with gross rent under $1,500	95%	93%	99%	99%	97%	98%	99%	97%

97% of Rochester's rental units are affordable to this household *– e.g. have gross rents (contract rent + utilities) costing no more than $1,500 per month (or 30% of their gross income).*

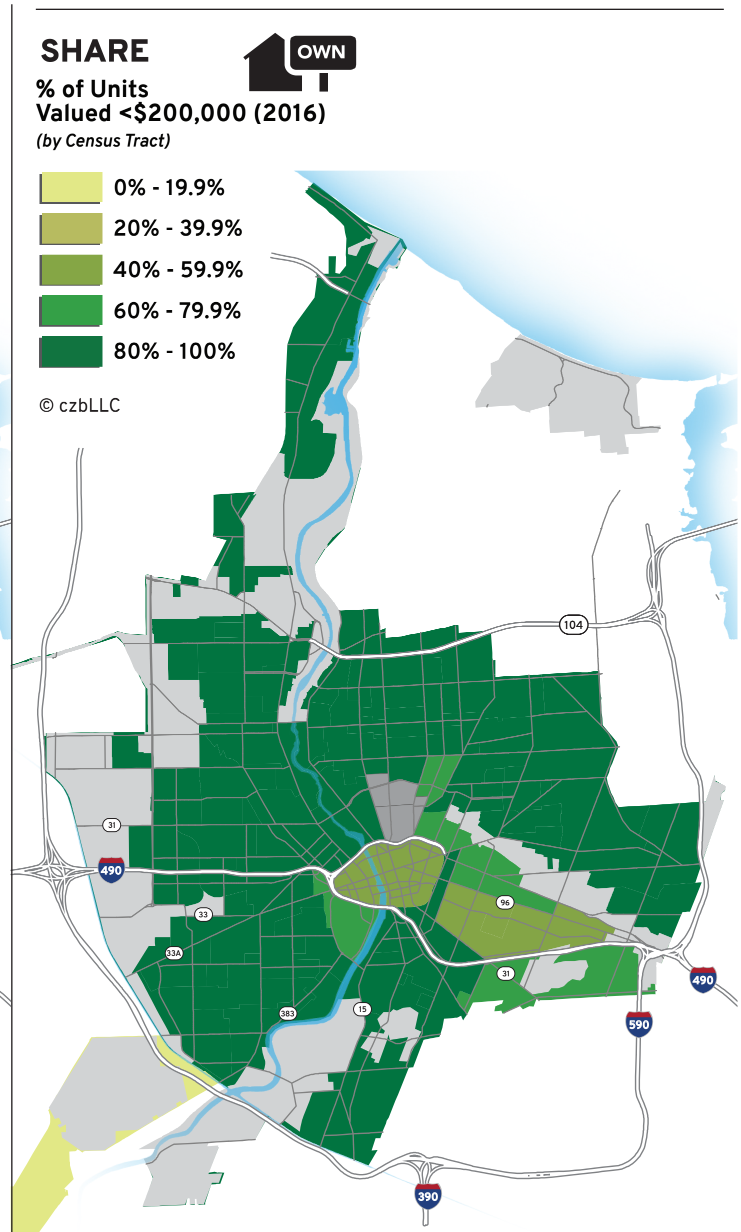
OWN	1.00	1.33	1.66	2.00	2.33	2.66	3.00	City
Estimated owner-occupied homes valued under $200,000	5,135	1,573	3,465	5,810	6,621	2,336	3,485	28,425
% of owner-occupied homes valued under $200,000	77%	90%	95%	97%	96%	95%	93%	91%

91% of homes in Rochester are considered affordable to this household *(valued under $200,000). This share is above 90% in all but the city's highest-demand market, where 23% of homes are valued above $200,000.*

Geography of affordable rental opportunities for this household



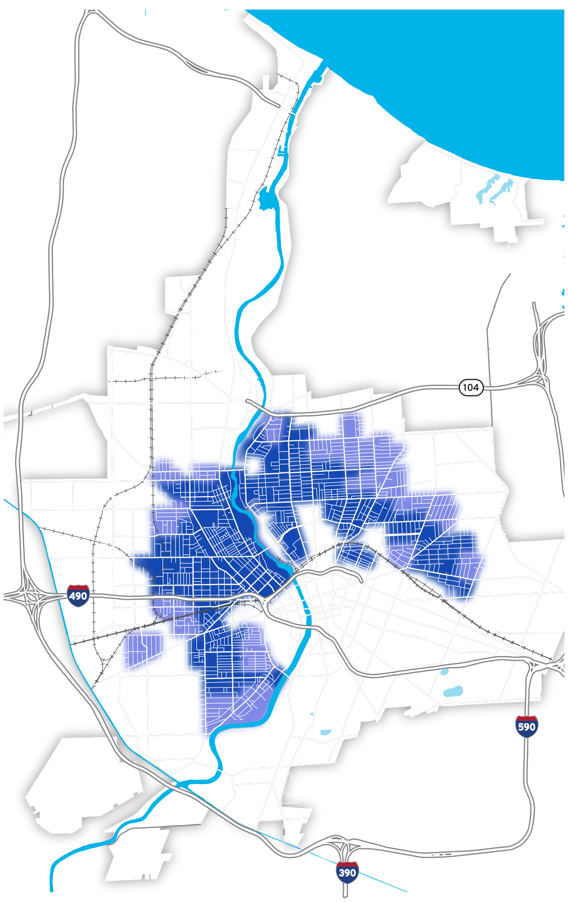
Geography of affordable ownership opportunities for this household



Housing Affordability and Opportunity
Housing Mobility

2.66 **3.00**

51% of all eviction filings in 2017 were in these two markets



In addition to influencing the breadth of housing opportunities that a household has within Rochester – what they can afford and where – income also has a notable influence on the nature of housing mobility, including frequency of moves and the circumstances behind them.

Recent research, most notably summarized in Matthew Desmond's Pulitzer Prize-winning book, *Evicted*, has been shedding light on the volatility of rental markets for households with low incomes and limited savings, as well as the broader implications for neighborhood health and stability. Analysis of eviction filings in Rochester in 2017 fall in line with a central observation from other cities – that the areas where eviction filings are most common are the neighborhoods with the most limited household financial capacity and the highest levels of disinvestment and distress. Indeed, **the two markets with the lowest levels of demand in Rochester's market typology (2.66 and 3.00) accounted for 51% of all eviction filings in 2017, as well as eviction filing rates that were three-to-four times higher than in the city's strongest markets.**

Frequent moves by renters are not uncommon in Rochester. In all city markets, well over half of all renters have moved into their current residence since 2010 – rates that are far higher than those for homeowners across the city. However, data on length of residence reveal that, for both renters and owners, levels of housing mobility are generally higher in markets with stronger demand. In other words, the stronger the market, the greater the likelihood that a household moved recently.

Markets with low levels of demand, then, have both high levels of crisis-driven mobility on the surface (due to evictions), but also the highest levels of residents – especially homeowners – who might be described as "stuck" in markets where depressed home values (offering little in the form of wealth building) and low income levels limit upward housing mobility.

Eviction Filings and Length of Residence by Market Types

HIGHER DEMAND ← → *LOWER DEMAND*

Length of Residence		1.00	1.33	1.66	2.00	2.33	2.66	3.00
	Eviction Filings, 2017	**1,135**	**269**	**476**	**1,063**	**1,468**	**1,338**	**3,224**
	Eviction Filings per 100 Housing Units	**4.0**	**5.0**	**5.5**	**7.9**	**10.1**	**14.7**	**16.7**
Moved in since 2010	Owner-Occupied Units	23%	27%	20%	17%	13%	15%	12%
	Renter Units	74%	73%	61%	63%	64%	66%	63%
Moved in 2000 to 2009	Owner-Occupied Units	34%	34%	37%	35%	38%	34%	29%
	Renter Units	20%	20%	27%	28%	30%	27%	29%
Moved in before 2000	Owner-Occupied Units	43%	40%	43%	48%	48%	52%	59%
	Renter Units	5%	7%	11%	8%	6%	7%	8%

Source: Eviction filing data from Rochester City Court, Landlord Tenant Cases; length of residence data from U.S. Census Bureau ACS 2016 5-Year Estimates.

© czbLLC

Housing Affordability and Opportunity

Downtown: An Emerging Model for Mixed-Income Housing

Ensuring that housing opportunities at a range of income levels are realized and expanded – especially in Rochester's higher-demand markets – is a key strategic focus in Part II of this document. But progress is already being made on that front in an important way. Housing in the downtown core – a component of broader efforts to cultivate a more vibrant, mixed-use city center – has represented perhaps the single biggest change in Rochester's housing stock over the past decade and has emerged as a local model for economic diversity.

The development of market-rate housing, in particular, has the downtown area trending in the direction of becoming a much more mixed-income residential environment with a balance of market-rate and income-qualified housing. According to U.S. Census Bureau estimates for Census Tract 94 (which encompasses areas within the Inner Loop), a 10% rise in the total number of households between 2010 and 2016 was accompanied by a decline in the poverty rate from 58% to 43% and a climb in median household income. Although poverty remains far above the city average, the trend represents movement in a healthy direction and an expansion of the household financial base needed to support desired services, retail, and other amenities.

In addition to the significant income and poverty trends since 2010, Census estimates also show change in the age make-up of downtown residents. Young adults (ages 20-34) grew from 34% to 43% of the population, which was mirrored by a drop in the share of residents between the ages of 35 and 64. The population share of both older adults and children grew slightly.

Downtown Household Characteristics	2010	2016
Households	1,894	2,101
Median Household Income	$12,802	$17,487
Poverty Rate (individuals)	58.3%	42.5%
Median Age	37.5	30.6
Under 20	*13.1%*	*14.2%*
Age 20-34	*33.6%*	*42.6%*
Age 35-64	*44.8%*	*32.7%*
Age 65+	*8.5%*	*10.4%*
1-person households	79.7%	74.5%
1- and 2-person households	98.7%	96.5%
Family Households	12.7%	15.5%
Occupied units that are rentals	97.8%	97.1%

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Data on household size shows that downtown continues to have a high concentration of small households with 75% containing just a single individual and over 95% having two or fewer people. Nonetheless, there was a slight rise in the share of family households to 16% of all households, reflecting modest growth in household diversity.

Mirroring the trend towards a more diverse and mixed-income housing stock, rents in the downtown area have been trending upward while maintaining a high proportion of rents that are at or below the city median. Between 2010 and 2016, Census estimates show that the share of units renting for under $800 fell from 80% to 60% of the stock. Apartments renting for over $1,250 (affordable to households making at least $50,000) grew from 1 out to 20 units to 1 in 10.

While market-rate housing has grown significantly downtown over the past decade and influenced median rent levels, **these market-rate units represent an addition to the housing stock and not a replacement for income-qualified housing, which remains a large and growing segment of the downtown stock.** As of 2018, there are 1,257 housing units in properties that are receiving tax exemptions for providing affordable housing to income-qualified residents, and 184 housing choice vouchers (also known as Section 8) are in use downtown. Additionally, six recent market-rate downtown housing developments have used housing subsidies to set aside 82 income-qualified units – or 20% of the combined units in those developments.

Downtown Housing Cost Characteristics	2010	2016
Median Rent	$569 *(in 2016$)*	$731
Units renting for less than $500	46.3%	29.1%
Units renting between $500 and $800	33.6%	30.4%
Units renting between $800 and $1,250	15.5%	30.3%
Units renting above $1,250	4.6%	10.2%
Renting households spending more than 30% of income on rent	58.3%	53.6%

Source: czb analysis of American Community Survey (ACS) 5-Year Estimates.

Downtown housing opportunities for income-qualified renters

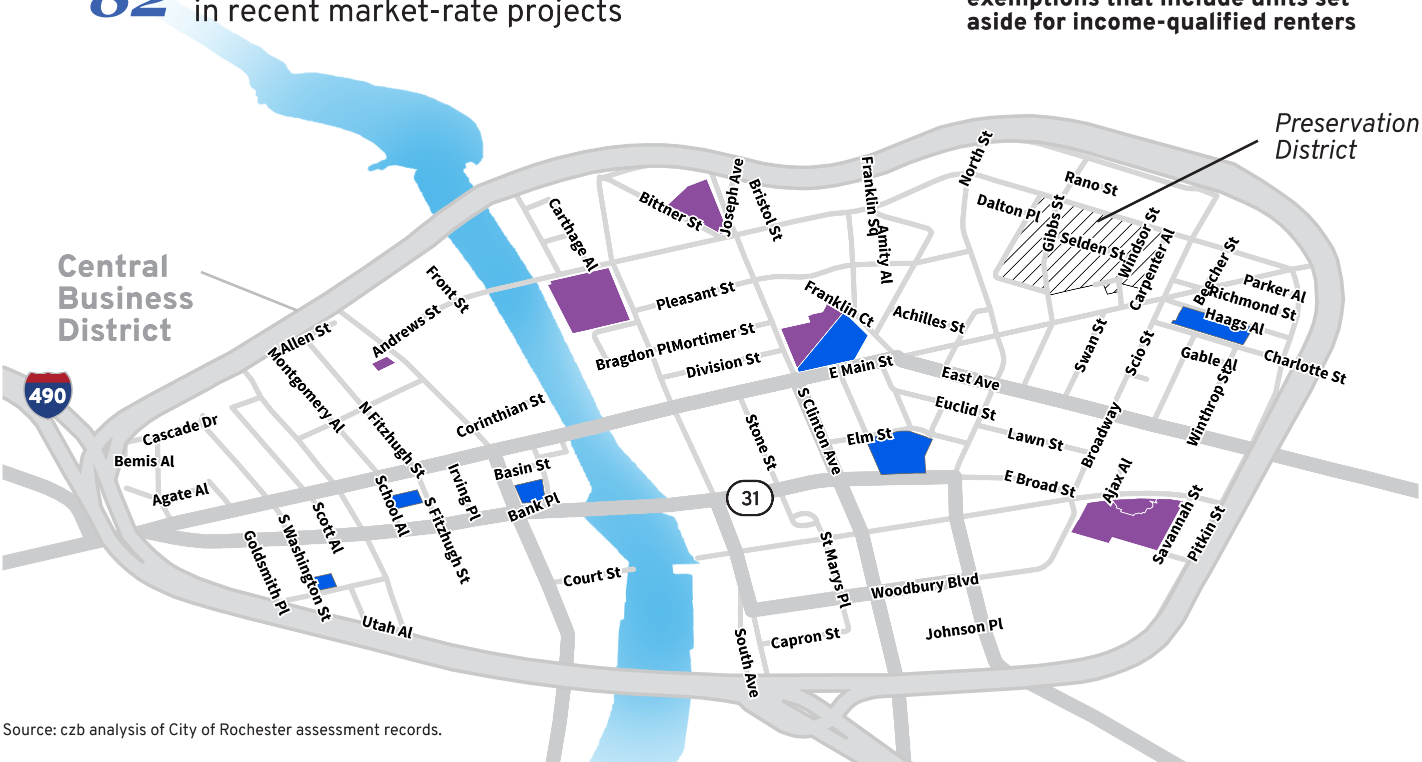
184 Number of Housing Choice Vouchers in use downtown, 2018

1,257 Number of units in properties with affordable housing tax exemption status, 2018

82 Number of income-qualified units set aside in recent market-rate projects

Properties receiving affordable housing tax exemptions

Properties receiving market-rate tax exemptions that include units set aside for income-qualified renters



Source: czb analysis of City of Rochester assessment records.

PART II
Strategic Direction for Rochester's Market

The portrait of Rochester's housing market provided in Section I describes a city where conditions vary considerably – often within the course of a few blocks. This matters greatly from a housing and neighborhood policy standpoint because the challenges to address – and, therefore, the tools and resources to deploy – will differ based on how strong or weak the market is today.

Regardless of current market conditions, though, every neighborhood in Rochester aspires to become or remain a healthy housing market where reinvestment by homeowners and landlords alike is strong, quality of housing is high, and residents are confident about the future of their neighborhood and their ability to manage change. **And, indeed, every part of Rochester can be revitalized and become healthy. The cost to get there, however, is heavily influenced by market factors.**

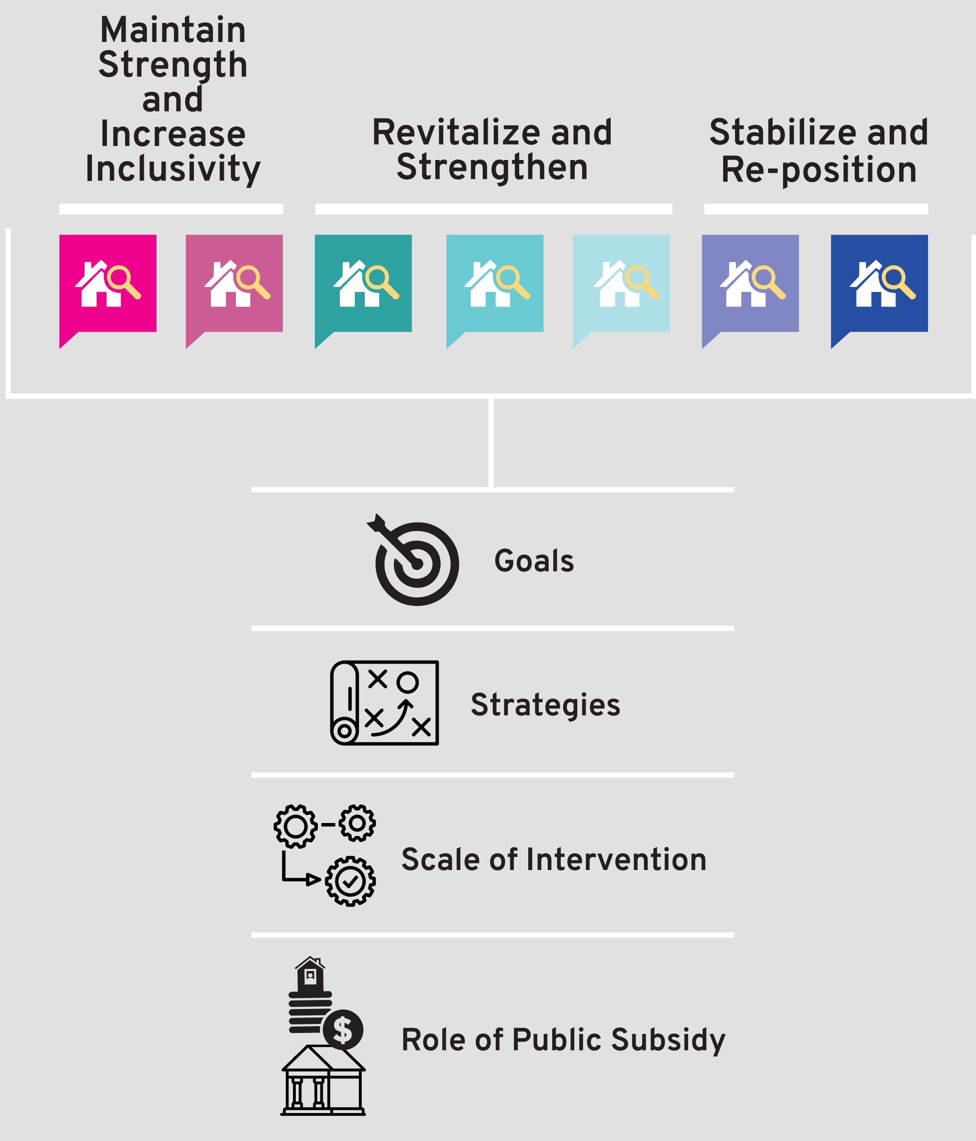
In areas where demand is stronger, the private sector – including homeowners, landlords, and developers – can be expected to be primary contributors to the achievement of improved housing conditions and community objectives. Most of the investment that has resulted in their current levels of strength are the result of private – not public – investments in housing.

In areas where demand is weaker, private sector confidence or capacity to play a primary role is far more limited. Not only is the "lift" much greater in these areas (in terms of deferred maintenance and other market dysfunctions to overcome) – the public share of that lift would have to be higher.

Given the challenges to revitalization faced by areas that lack strong levels of demand today – and that exist within a regional market that isn't growing – it is helpful to think in terms of incremental steps – the objectives to embrace and strategies to employ to move markets step by step in a stronger direction. Or, in the case of already strong markets, how to take steps towards continued strength and greater inclusiveness.

The following pages outline a conceptual framework that identifies objectives and strategies that are responsive to current market conditions and the incremental approach to market improvement. This is organized by categorizing the seven market types from Part I into four broad strategic objectives: (1) **Stabilization** in areas where levels of demand are currently low and levels of disinvestment are high; (2) a combination of **stabilization and revitalization** in the crucial 2.33 market areas, where there is potential to cultivate confidence and reinforce stronger adjacent blocks; (3) **revitalization** and achievement of **durable market health** where demand is currently moderate; and (4) a focus on **maintaining health** and **becoming inclusive** where demand is highest.

Objectives for Incremental Market Improvements by Type



Overarching Objective for Incremental Market Improvement:

Maintain Strength and Increase Inclusivity

Share of City's Population

23.9%

1.00	1.33

Goals

- Leverage diverse private investment to diversify housing choices and serve community goals
- Celebrate and promote existing market strength
- Test and grow new markets and housing types
- Compete for larger share of regional housing demand
- Increase economic diversity
- Grow the City's tax base

Strategies

- Encourage and support new mixed use, mixed income development and housing types for diverse households through City RFPs, zoning, approval processes, etc.
- Raise gap financing to help pay for moderate and low income units in mixed income housing new construction; require set asides as condition of public support
- Use Land Bank and partners to do targeted acquisition-rehab-sale activity for moderate and low-income first time homebuyers
- Celebrate and grow housing markets/products with strong demand and limited-no competition in the region (downtown, walkable urban neighborhoods, preservation districts, locations near the river or Olmsted park system)
- Support neighborhood leaders and developers in their efforts to promote established neighborhood identities and "brands"
- Target code enforcement to ensure random distressed properties don't drag value
- Selectively demo the most blighted structures on strategically located sites
- Support community building events and programming (block parties, potlucks, clean sweep, neighborhood watch, rec programming, play days, community walks and bike rides)
- Beautify the public realm near clear public assets
- Focus right-of-way investments and amenities on key corridors and residential streets to continue market confidence and reinvestment

Scale of Intervention

Individual properties and blocks

Role of public subsidy

Private resources are the driving force behind reinvestment in these markets, though a strong public role remains. Markets are typically too soft to produce new market-rate and mixed income housing without some degree of public collaboration, especially if inclusionary policies to produce affordable units are desired.

Overarching Objective for Incremental Market Improvement:

Revitalize and Strengthen

Share of City's Population

38.6%

1.66	2.00	2.33

Goals

- Leverage high homeownership rates into rising reinvestment rates and community wealth building
- Help homeowners create value, build equity, and grow community
- Build, support, and grow neighborhood confidence, identity, leadership, and self-management
- Increase economic diversity
- Grow the City's tax base

Strategies

- Focused middle neighborhoods strategy (city investment + partnerships and external funds)
- Use Land Bank and partners to do targeted acquisition-rehab-sale activity for homeownership and conditional rental (higher quality + affordability)
- First time homebuyer grants and incentives; expand employer assisted housing programs; incentives for moderate and higher income households to purchase homes
- Foreclosure prevention, financial assistance to help people stay in their homes (especially in 2.33)
- Focused home improvement assistance to homeowners
- Curb appeal competitions and mini-grants, value-creating rehab grants and lending (architectural and design details, second baths, kitchens)
- Test and grow new markets and housing types
- Establish and strengthen alliances among neighbors to maintain high property standards
- Proactive code enforcement to support neighborhood standards and goals
- Strategically demolish distressed properties at most visible locations
- Invest in community gathering places; foster connections to neighborhood anchors (schools, parks, business districts, community centers)
- Support community building events and programming (block parties, potlucks, clean sweep, neighborhood watch, rec programming, play days, community walks and bike rides)
- Beautify the public realm near clear public assets
- Focus right-of-way investments and amenities on key corridors to foster resident confidence and reinvestment

Scale of Intervention

Blocks and multiples of blocks

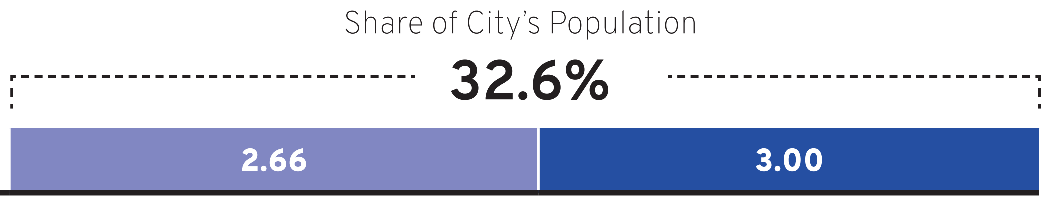
Role of public subsidy

For 2.33 Markets: Heavy reliance on public resources to begin coaxing greater levels of investment and reinvestment by private owners. Prioritize work on stable blocks near critical assets.

For 2.00 and 1.66 Markets: Private resources can play a stronger role in reinvestment and value creation if confidence can be further cultivated and sustained. Focus public resources towards highly visible confidence-building interventions.

Overarching Objective for Incremental Market Improvement:

Stabilize and Re-position



Goals

- Re-position vacant and abandoned property as an asset for future leverage
- Reduce poor quality housing
- Address housing affordability through broader means than housing development alone
- Connect residents and families with community programs and services
- Promote community building
- Stabilize property values

Strategies

- Reduce excess housing supply by aggressively demolishing blighted structures
- Acquire and hold vacant land for future, neighborhood-serving redevelopment
- Support near to mid-term re-use of vacant lots as gardens, green spaces, pocket parks, etc.
- When development opportunities arise, prioritize options that help existing residents generate income or meet needs (employment, renewable energy, medical, etc.)
- If new housing investment is proposed, focus efforts near critical assets, areas of significant recent investment, or middle market edges; work to include a mix of incomes and housing types
- Convey unique properties to appropriate partners for re-use or redevelopment
- Continue proactive code enforcement to ensure that existing housing stock meets baseline health and safety standards; use County Department of Human Services relationship to drive compliance
- Identify and cultivate responsible landlords; test and identify successful business development incentives that help to provide higher quality housing in the private rental market at affordable rents
- Aggressively market and cross promote existing services and programs that connect low-income households with jobs, education, child care, financial counseling, health care, community centers, and other services or community programing in addition to housing services (including energy efficiency, healthy housing, emergency repair, lead program, landlord-tenant, etc.).
- Host community building events and programming (block parties, potlucks, clean sweep, neighborhood watch, rec programming, play days, community walks and bike rides)
- Beautify the public realm to connect residents to key assets (schools, community centers, parks)
- Focus right-of-way investments on key corridors and areas of recent investment; continue safety related maintenance along residential streets

Scale of Intervention

Multiples of blocks

Role of public subsidy

Heavy reliance on public resources to perform stabilization work due to high perceived risk by private sector. Limited public resources should be concentrated around critical assets.

Noteworthy Examples of Market-Responsive Strategies

As the strategy framework in this section implies, there are challenges to address and opportunities to realize across Rochester's market spectrum. The following section (Part III) explores existing housing market interventions in Rochester and how they relate to this three-part strategy framework.

As interventions are expanded, adjusted, or established in coming years, there are numerous established efforts in other cities that Rochester can learn from and potentially emulate.

Maintain Strength and Increase Inclusivity

Seattle

Affordable Housing Levy

What is it?

Dedicated funding to build and preserve affordable housing for low and moderate-income households in a high cost city

On five occasions since 1981, Seattle residents have voted to approve a special property tax levy to support affordable housing. Each levy has spanned a specific time period and each one has been tied to a set of goals and a detailed resource allocation plan.

In 2016, voters approved a sixth housing levy – one that will raise $290 million over seven years from local taxpayers, costing the median Seattle homeowner $122 per year. This local stream of funding will be used to support the following activities:

- Rental unit production and preservation
- Homelessness prevention
- Homeownership promotion
- Foreclosure prevention
- Acquisition and preservation of existing affordable stock
- Administration of programs and enforcement of eligibility guidelines

Revitalize and Strengthen

Richmond

Neighborhoods in Bloom

What is it?

Program using home ownership, infrastructure investments, and code enforcement to strengthen moderate-demand neighborhoods

Since 1999, Richmond (VA) has invested federal, state, and local resources into targeted areas with the aim of achieving the critical mass of public investment needed to generate self-sustaining private-market activity. It has focused on areas that exhibit high potential for revitalization due to the presence of block clubs, a healthy base of homeowners, and other indicators of resident-driven investment.

Tools focused in the City's target areas have included:

- Buying and rehabbing vacant houses for home ownership
- Building houses on vacant lots for home ownership
- Providing homebuyer education classes, counseling potential buyers, and providing down payment assistance
- Assisting owner occupants with house repairs and renovations
- Targeted infrastructure upgrades

Stabilize and Re-position

Baltimore

Vacants to Value

What is it?

Effort to align the management and disposition of vacant and abandoned property with local market context

Vacants to Value is an initiative to strategically manage and utilize vacant properties in ways that support neighborhood objectives while accounting for market context and potential. Strategies specifically designed for areas of lower housing demand include:

- Facilitating investment in emerging markets, where high-vacancy blocks are close to areas of strength
- Demolishing and maintaining severely distressed blocks while promoting creative non-housing uses
- Supporting large-scale redevelopment in distressed areas
- Concentrating 'Green, Healthy, and Sustainable' home improvement resources in support of weatherization and lead-free housing

Cultivating Value to Invest in Rochester

The table below builds from the Residential Tax Base data presented on page 25, which shows the current distribution of Rochester's nearly $4 billion in assessed residential property value – including average value per square foot in each of the city's seven market categories.

The purpose of the diagram is twofold:

1. To show how incremental improvements in market strength – cultivated patiently over a period of years – builds the city's capacity to invest in things that will make it more livable and marketable
2. To demonstrate how the level of public investment needed to sustainably improve a market diminishes as private sector confidence grows and becomes a bigger and more reliable part of housing and neighborhood investment.

		Estimated years of strategic intervention needed to improve a small area from its current market category to the next strongest category	Total gain in market value needed to match average assessed value (per sq. ft.) of next strongest market category	*Gain in annual property taxes to city and schools based on current homestead rate (18.864)*
Maintain Strength and Increase Inclusivity	1.00			
	1.33 to 1.00	5	$42,440,935	$800,606
Revitalize and Strengthen	1.66 to 1.33	10	$131,305,858	$2,476,954
	2.00 to 1.66	10	$114,020,111	$2,150,875
	2.33 to 2.00	10	$93,487,956	$1,763,557
Stabilize	2.66 to 2.33	10	$129,737,693	$2,447,372
	3.00 to 2.66	5	$90,621,162	$1,709,478
			$601,613,713	*$11,348,841*

Stronger markets take time to nurture

Even incremental progress is a long-term proposition, especially in a soft regional market like Rochester's. Sustainable improvement requires a committment of resources to appropriate strategies over a period of years. Moving on too soon without solifying private sector confidence can easily surrender any gains.

Higher Demand = Growth in Value = Resources to Leverage for Public Benefit

These two columns of numbers use current assessment data and tax rates to demonstrate how incremental market improvements represent significant value gains that translate to a city that fiscally stronger and more capable of investing in its people.

What does $11 million in city revenue represent?

- *One year of parks/recreation spending*
- *Funding for 100 police officers*
- *Demolition of 400 blighted properties*
- *Subsidy for 100 or more income-qualified housing units in mixed-income developments*
- *Acquisition, rehab, and sale of 200 or more homes to first-time owners in moderate-demand neighborhoods*

The most common mistakes to make with neighborhood stabilization or revitalization are the underestimation how much time and investment will be needed to transform market attitudes and establish private sector confidence. Whether the City and its partners are working in a 2.66 market or a 1.66 market, there should be realistic expectations set from the beginning about the nature of work to be done, the duration of work, and the most effective roles for all involved.

Average valuation gain needed **per typical house (1,650 sq. ft.)** to move a block to next market category	Average valuation gain needed **per block (of 40 houses)** to move to next market category	Average valuation gain needed **per group of blocks (of 160 houses)** to move to next market category	Role of public agencies in strengthening markets
$17,131.27			**Selective Assistance** *Property-level interventions in the $10,000s*
$29,594.70	$1,183,788.03		**Strategic Partner** *Block-level interventions in the $100,000s*
$14,700.38	$588,015.38		
$9,325.28	$373,011.36		
$22,561.76		$3,609,882,28	**Lead Partner** *Multi block-level interventions in the $1,000,000s*
$8,401.46		$1,344,234.35	

Recommended scale of intervention: Property

This valuation gain per property is a useful way of estimating the typical level of public investment needed to address problems at the worst house on an otherwise healthy block in a high-demand market. This investment to resolve issues at a single property promotes continued private sector confidence and reinvestment in the neighborhood.

Recommended scale of intervention: Block

This range of valuation gains per block in moderate-demand areas is a useful way of estimating the combination of public attention to infrastructure, problem properties, and leadership development that would be needed to trigger and sustain greater levels of reinvestment by neighborhood property owners.

Recommended scale of intervention: Multiples of Blocks

This range of valuation gains over multiple blocks in low-demand areas is a useful way of estimating public investments in stabilization activities needed to reposition these markets, including maintenance of vacant lots, removal of blighted properties, code enforcement, and infrastructure upgrades around critical assets.

The role of public agencies in strengthening markets diminishes as markets become stronger and private property owners emerge as the dominant sources of investment captial. In high-demand areas, the public role becomes more focused on leveraging the value generated by the market to achieve public goals, such as inclusive housing.

PART III
Housing Market Interventions

The City of Rochester and partner agencies have a long history of programming and investments designed to influence the housing market in some way – from zoning and building codes that promote public safety and protect property values, to programs that serve the shelter needs of individual households. Currently, there are numerous policies and initiatives in effect that have explicit housing-related goals, run by various departments and agencies, and relying on a combination of city, state, federal, and private resources.

Periodically – and especially during the development of updated comprehensive plans and housing strategies – it is wise to reassess which housing-related tools are being used, as well as where, why, and to what end. This part of the Citywide Housing Market Study examines a selection of significant housing market interventions through the lens of Rochester's market typology to gauge how these tools have been used or distributed across the city's markets and how those patterns correspond with the challenges present in those markets.

Housing Market Interventions

Homeowner Promotion, Preservation, and Affordability

Together, the four largest programs in Rochester that promote and assist homeownership provide access to cost assistance and to new or renovated properties. They include the following:

Homeownership Programs by Number of Properties or Households Served, 2007-2017

HIGHER DEMAND ←--------→ *LOWER DEMAND*

Program	Agency	Description	1.00	1.33	1.66	2.00	2.33	2.66	3.00	TOTAL
HOME Rochester	Greater Rochester Housing Partnership	Vacant single-family homes are renovated and sold to income-eligible first-time buyers.	5	3	33	87	194	86	34	442
Neighborhood Builders	Greater Rochester Housing Partnership	New homes built on vacant city lots for eligible buyers with incomes at 80% AMI or below.	0	0	9	1	1	4	0	15
Employer Assisted Housing Initiative (EAHI)	City of Rochester Bureau of Business and Housing Development	Down payment and closing cost assistance of up to $9,000, with City funds matched by participating employers and lenders. No income limits, and buyer must qualify for conventional mortgage. Geography may be limited by employer.	308	45	96	135	134	10	9	737
Home Purchase Assistance Program (HPAP)	City of Rochester Bureau of Business and Housing Development	Down payment and closing cost assistance for first-time homebuyers of single-family or two-family homes. Maximum grant of $3,000. Household income must be 120% AMI or below.	38	29	105	202	237	27	18	656
			351	77	243	425	566	127	61	**1,850**

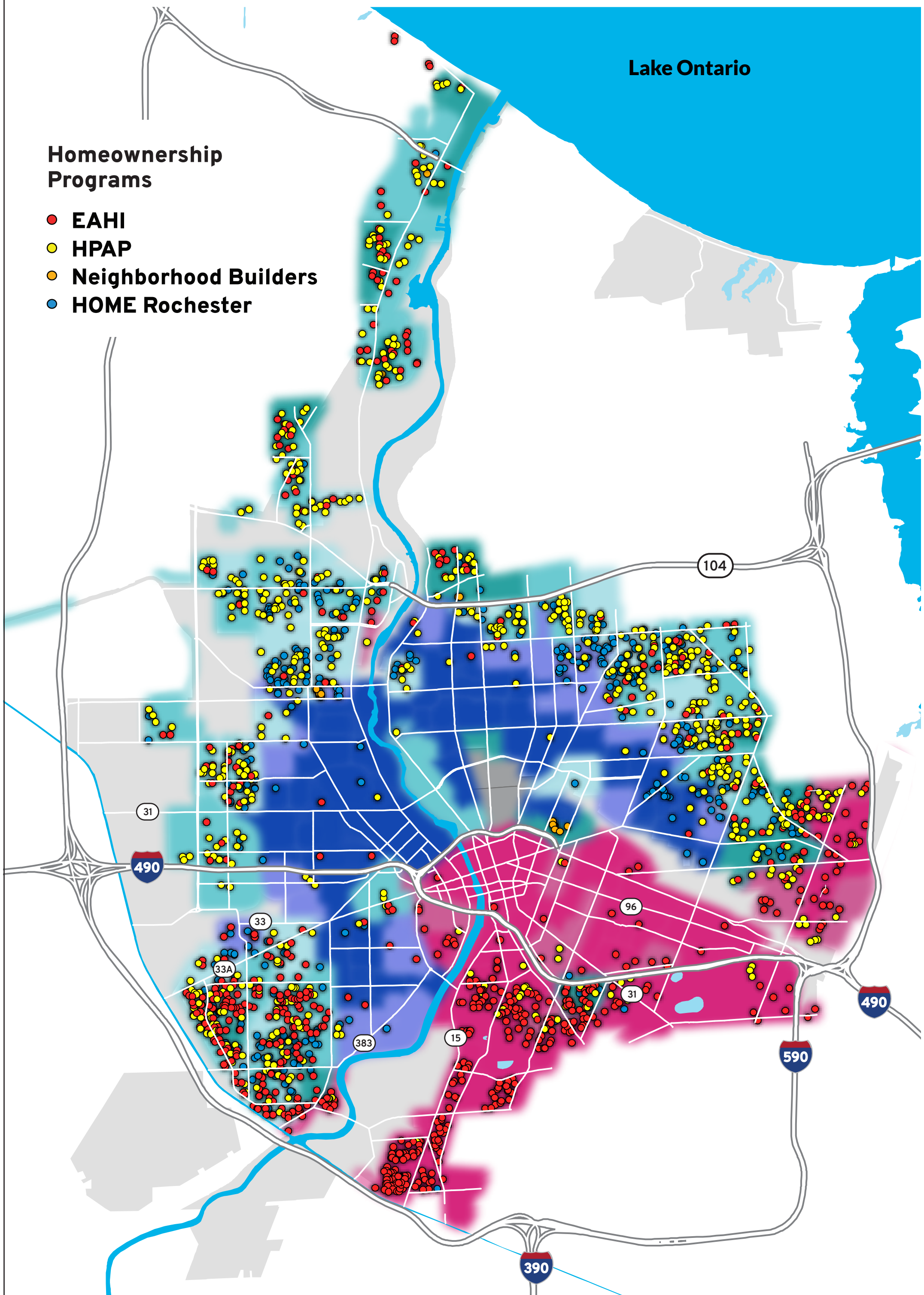
Source: czb analysis of City of Rochester and Greater Rochester Housing Partnership databases.

© czbLLC

These four programs, combined, assisted homeownership in 1,850 cases between 2007 and 2017, or an average of 168 cases per year. Just over half of all cases were concentrated in the 2.33 and 2.00 market areas – which have the highest homeownership levels in the city as well as moderate prices that are accessible to income-restricted buyers in the HOME Rochester and HPAP programs. The EAHI program had a significant (41%) concentration of participants in 1.00 market areas, reflecting both the absence of income restrictions and geographic targeting by participating employers.

Although homeownership rates are estimated to have dropped slightly in all but the 1.33 market area between 2010 and 2016 (see Part I), the concentration of program cases in middle-range markets represent the realization of an opportunity to both provide households with access to affordable housing in mostly stable neighborhoods while reinforcing the stability of key blocks with owner-occupants.

Homeownership Program Intervention Locations, 2007-2017



Source: czb analysis of City of Rochester and Greater Rochester Housing Partnership databases.

In addition to assisting households in becoming homeowners, two tax exemption programs in Rochester are explicitly designed to promote reinvestment by aiding residential property owners who make capital improvements. The "Capital Improvements to Residential Property" program temporarily exempts owners of single-family homes and duplexes from paying property taxes on the increased value of eligible capital improvements, while the "Historic Improvement Exemption" does the same for owners of properties in city preservation districts who make approved improvements to their home exteriors.

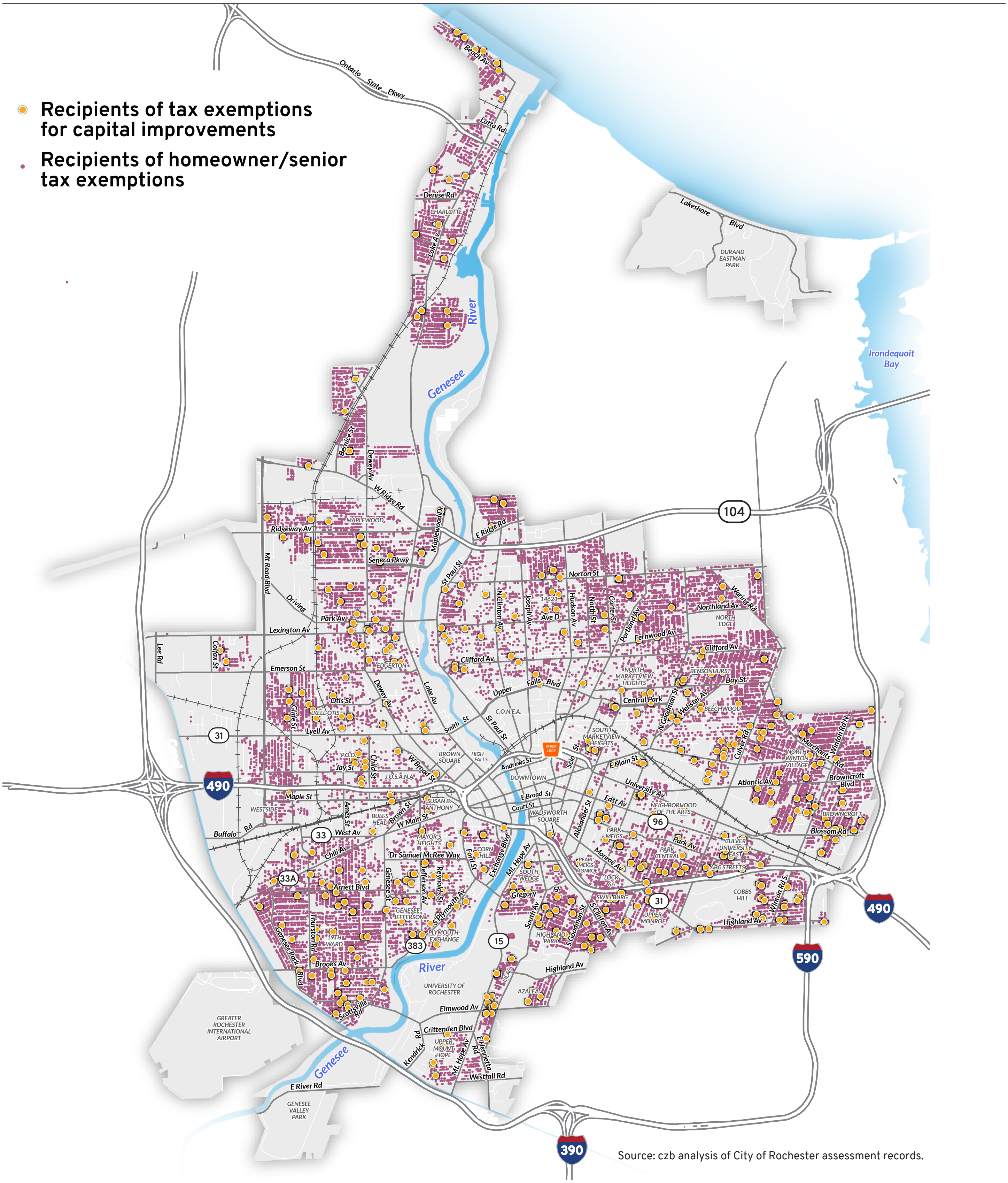
Currently, just under 500 properties are receiving one of these exemptions – only 19 of which are related to the historic property exemption. These properties are distributed across the city, although close to half are located in the three strongest markets. Limited awareness of these programs could be playing a role in their limited use. Targeted promotion in neighborhoods where the City and its partners are making other revitalization investments may be beneficial.

Additional tax exemption programs are aimed at relieving homeowner tax burdens, particularly for seniors. The Basic STAR exemption (which is now in the form of a credit for homes purchased since 2015) applies to homeowning households making less than $500,000 and exempts the first $21,000 of assessed value from city and school taxes. As of 2018, homeowners age 65 and over whose households earn $86,300 or less are eligible for Enhanced STAR and have the first $44,760 of assessed value exempted. For the typical home in Rochester's 2.66 and 3.00 market areas, where average assessed values are $45,000 or below, Enhanced STAR removes the city and school tax burden entirely.

Tax Exemptions in Support of Home Reinvestment and Homeownership

	1.00	1.33	1.66	2.00	2.33	2.66	3.00	TOTAL
Properties Receiving Tax Exemptions for Capital Improvements	151	32	43	51	70	45	93	485
	31.1%	*6.6%*	*8.9%*	*10.5%*	*14.4%*	*9.3%*	*19.2%*	
Properties Receiving Tax Exemptions for Homeowner or Senior Relief	4,698	1,313	2,642	4,477	5,029	1,799	2,489	22,447
	20.9%	*5.8%*	*11.8%*	*19.9%*	*22.4%*	*8.0%*	*11.1%*	

Current Distribution of Tax Exemptions in Support of Home Reinvestment and Homeownership



Source: czb analysis of City of Rochester assessment records.

Housing Market Interventions

Affordable Housing Development and Preservation

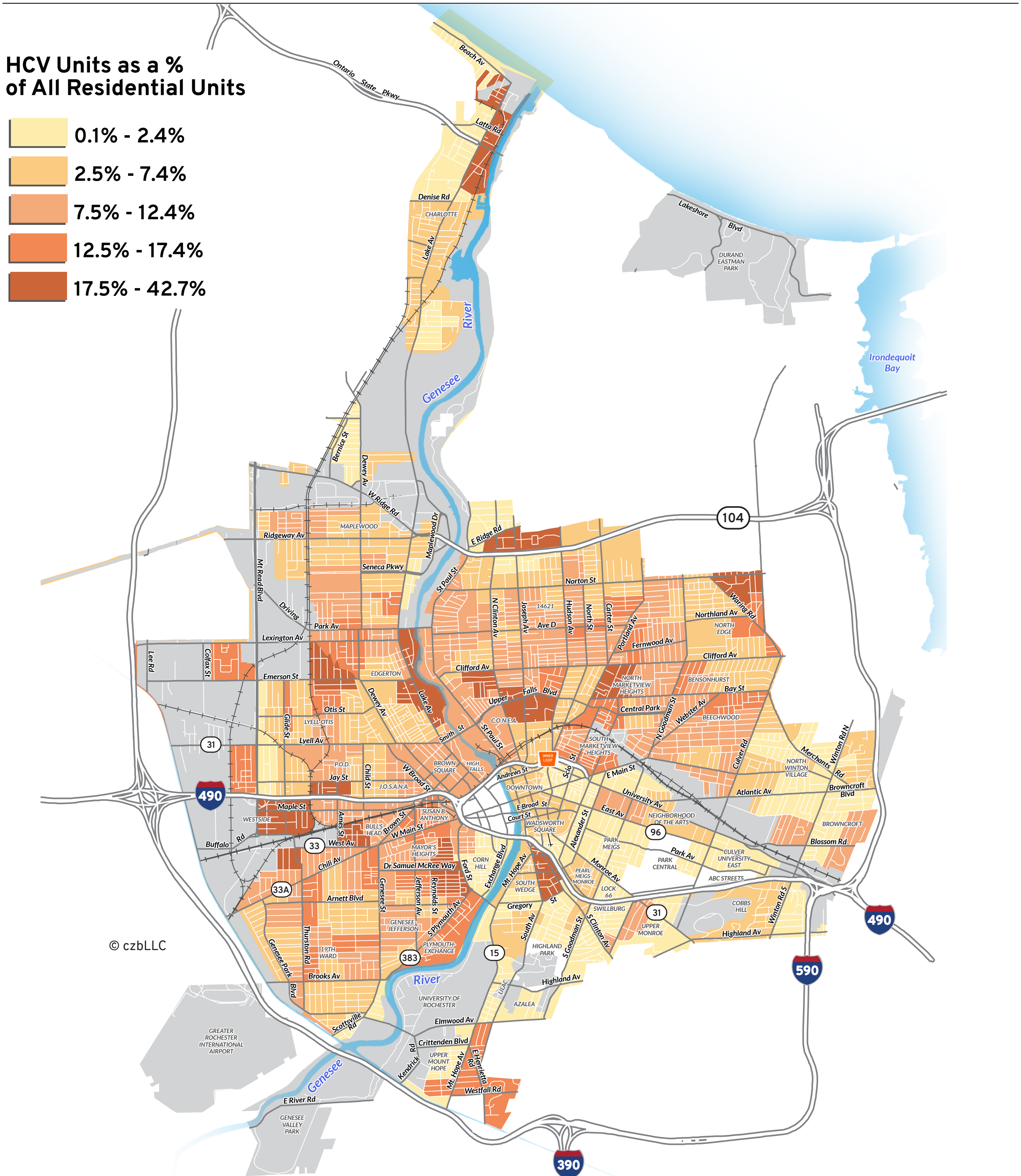
Several programs in Rochester provide income-qualified households with access to housing units they can afford – ranging from the direct provision of apartments to payment assistance for renters. Overall, it is estimated that between 13,000 and 15,000 separate households (or 15% to 18% of all households) are currently receiving some form of housing cost assistance. The largest single provider of income-qualified housing services in the City of Rochester is the Rochester Housing Authority (RHA), which owns and manages approximately 2,300 units of public housing in the City of Rochester, distributed across over 300 sites. The sites range from apartment complexes with hundreds of units to scattered small properties. Today, 40% of these units are concentrated in the two market areas with the lowest levels of market demand (3.00 and 2.66), while 10% are located in the two highest demand areas (1.00 and 1.33) – a reflection and reinforcement of decisions made in the mid 20th Century to locate public housing primarily in areas of high economic need and limited market value. Nonetheless, RHA's high assessment scores for property conditions indicate that it is a sound property owner and manager providing well-maintained units where it operates. The RHA also runs the region's Housing Choice Voucher (HCV) program (formerly known as Section 8)and other voucher programs, which currently assist over 7,700 Rochester households with monthly rent costs. Similar to the distribution of public housing units, approximately 40% of vouchers are currently used in the two market areas with the lowest levels of demand, although a majority are used, combined, in the city's stronger and moderate-demand markets.

	NO TYPE	1.00	1.33	1.66	2.00	2.33	2.66	3.00	TOTAL
Housing Choice Vouchers, 2018	**259**	**961**	**206**	**861**	**1,042**	**1,161**	**1,214**	**2,069**	**7,773**
	3.3%	*12.4%*	*2.7%*	*11.1%*	*13.4%*	*14.9%*	*15.6%*	*26.6%*	
Rochester Housing Authority (RHA) Units, 2018	**303**	**183**	**41**	**477**	**191**	**184**	**376**	**555**	**2,310**
	13.1%	*7.9%*	*1.8%*	*20.6%*	*21.3%*	*8.3%*	*16.3%*	*24.0%*	
Units in Properties Receiving Tax Exemptions for Providing Income-Qualified Housing, 2018		**2,923**	**368**	**1,209**	**1,422**	**376**	**342**	**2,048**	**8,688**
		33.6%	*4.2%*	*13.9%*	*16.4%*	*4.3%*	*3.9%*	*23.6%*	

Source: czb analysis of Rochester Housing Authority and City of Rochester databases.

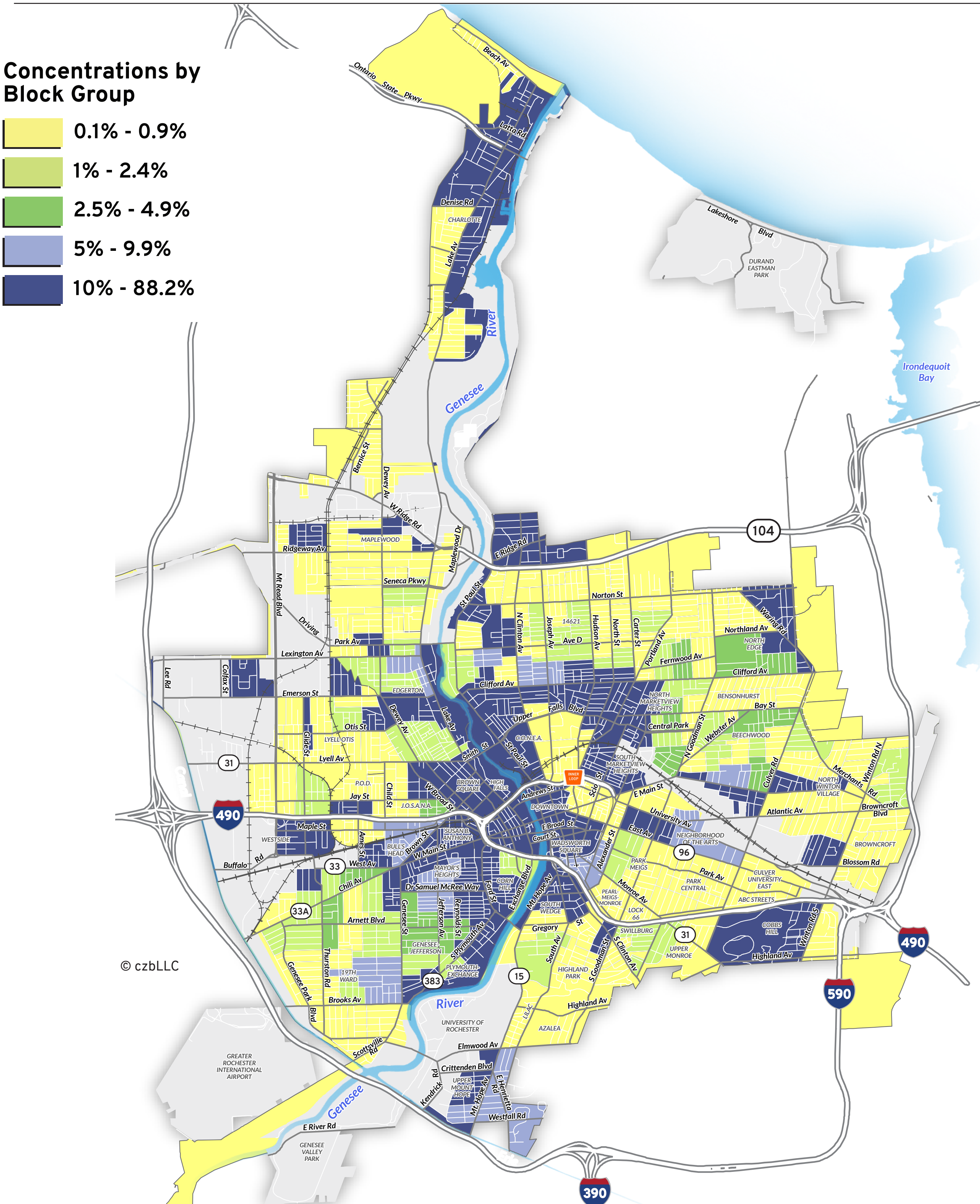
Between the RHA's public housing units and its voucher programs, just over 10,000 households are assisted each month by RHA within Rochester. A wide range of other entities operate properties that were developed with assistance from Low Income Housing Tax Credits (LIHTC) and other tools designed to offset development costs and provide lower rents to eligible households (based on income and, sometimes, age qualifications), and which receive property tax exemptions to further limit operating costs. Currently, just under 8,700 units in Rochester are located in buildings that are receiving tax exemptions for providing affordable housing, with some of those units being further subsidized by housing vouchers. Notably, almost 70% of these units are located in the four highest-demand market types, indicating that they are an important contributor to mixed-income residential environments in the city.

Housing Voucher Units



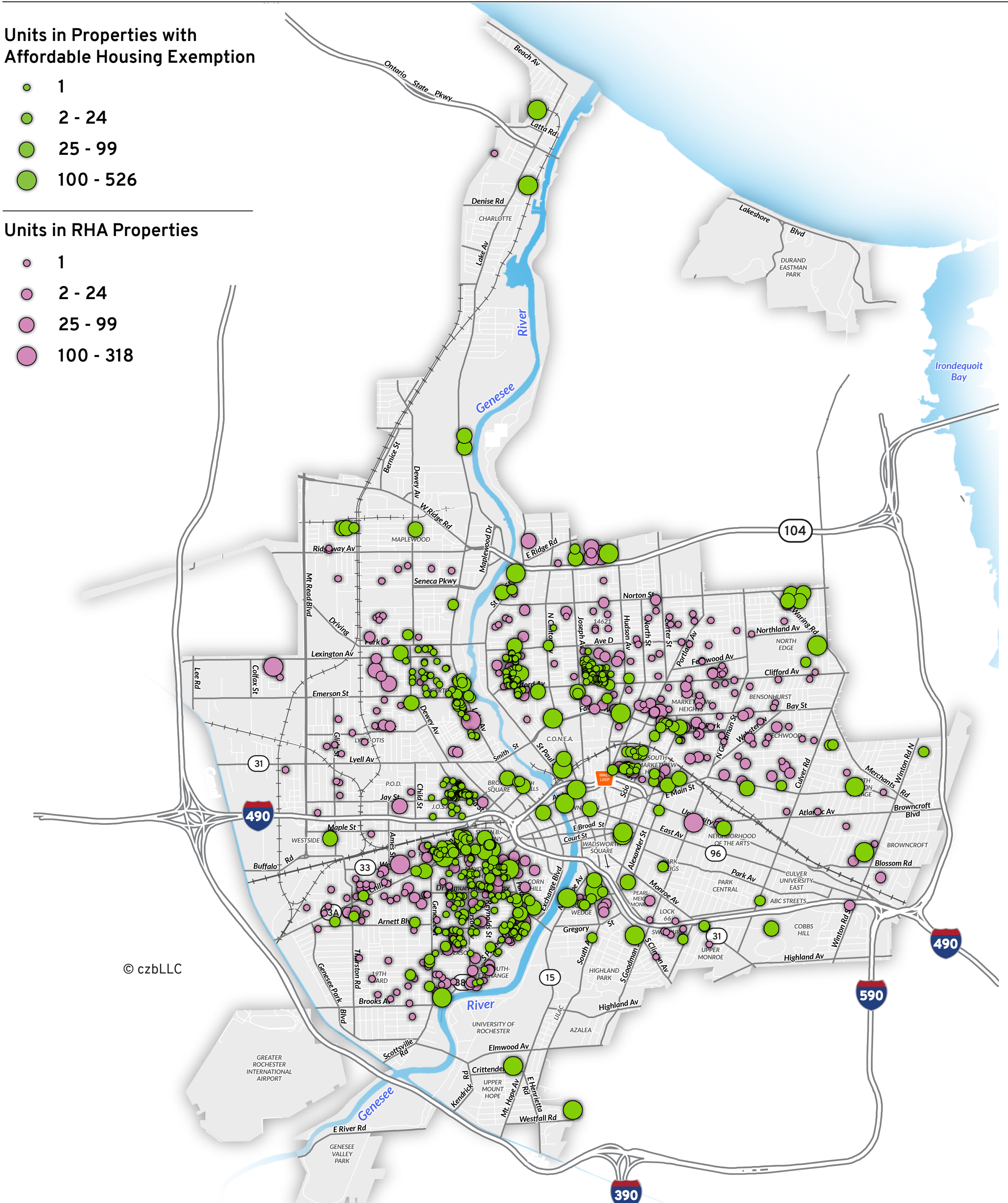
Source: czb analysis of Rochester Housing Authority and City of Rochester databases.

Income-Qualified Units (RHA and Non-RHA) as a Share of All Housing Units



Source: czb analysis of Rochester Housing Authority and City of Rochester databases.

Distribution of Income-Qualified Units (RHA and Non-RHA)



Source: czb analysis of City of Rochester assessment records.

Housing Market Interventions

Downtown and Market-Rate Housing Development

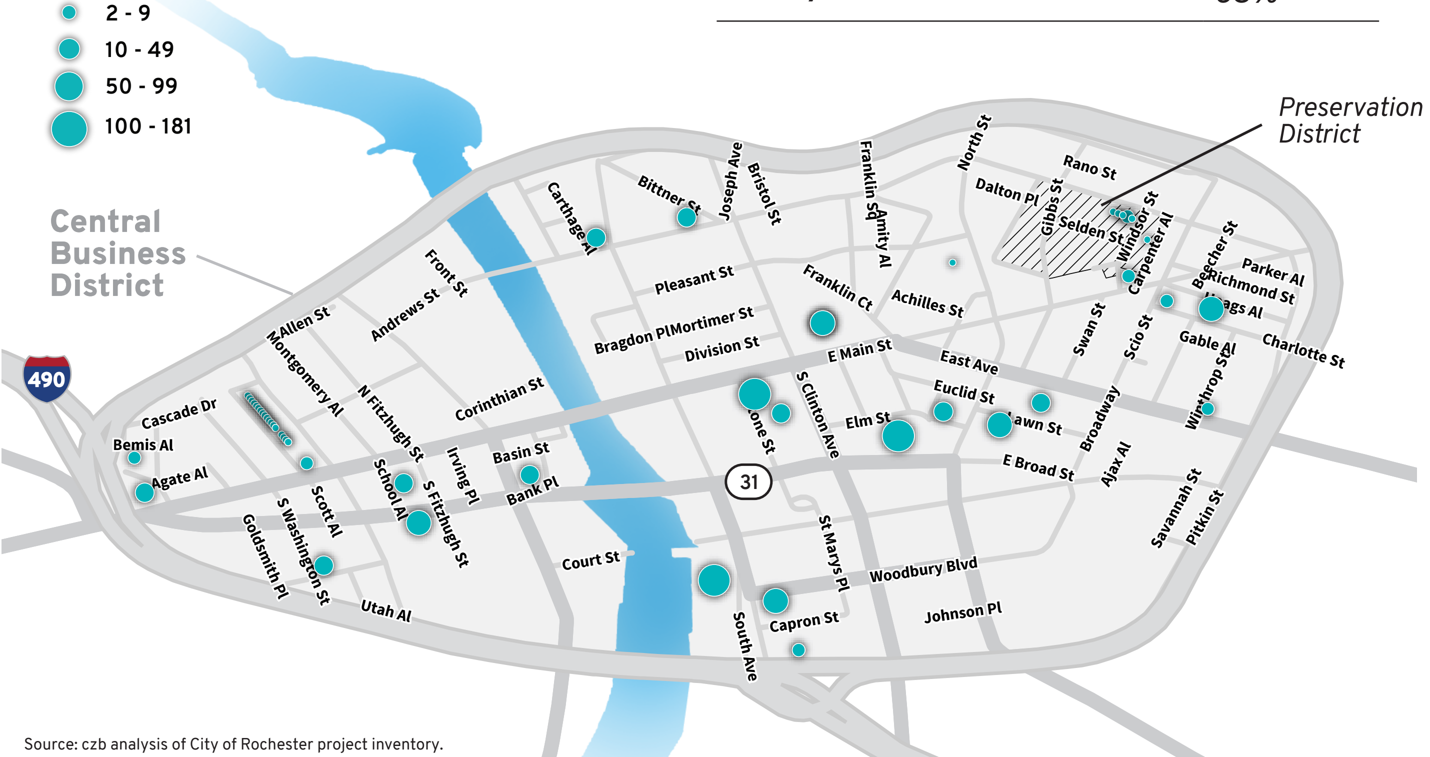
The expansion of housing in the downtown core – a component of broader efforts to cultivate a more vibrant, mixed-use city center – has represented perhaps the single biggest change in Rochester's housing stock over the past decade. Nearly 1,200 new residential units were developed within the area bounded by the Inner Loop between 2007 and 2017, accounting for almost 36% of all new units developed in the city. Among new apartment buildings and mixed-use developments in the city during that time, downtown accounted for 65% – or $286.9 million – of total investment activity.

This surge in downtown residential development reflects a range of economic and demographic forces that produced similar activity in downtowns throughout the country – including a general resurgence of interest in city living and rising demand for modern rental housing among younger and older households. Much of it, however, would not have been possible in the Rochester market without concerted public sector efforts to stimulate both new construction and adaptive reuse of underutilized buildings.

New residential units, 2007-2017	**1,171**
% of city total	*36%*
Value of building permits for apartment and mixed-use projects, 2007-2017 *(class 411, 481, 482)*	**$286.9M**
% of city total	*65%*

New Residential Units Permitted, 2007-2017

# of Units Added
- 1
- 2 - 9
- 10 - 49
- 50 - 99
- 100 - 181



Source: czb analysis of City of Rochester project inventory.

A combination of policies and programs at the local, state, and federal levels have helped to offset project costs and reduce risk in a market where "break-even" rent – the minimum rent that would have to be charged, in the absence of any subsidy, to make a project financially feasible to developers and their investors – is estimated to be approximately $1,500*. According to U.S. Census Bureau estimates, fewer than 3% of all apartment units in Rochester rented for that much or more in 2016 – a reflection of the city's and region's generally soft housing market and the presence of highly affordable ownership options for households in a position to spend $1,500 or more per month on housing (any household making more than $60,000).

*See Appendix, page 85, for a description of how a break even rent of $1,500 was calculated.

Among these programs, the following have been especially vital for market-rate housing production as well as mixed-income projects that provide both market-rate and income-restricted units:

Local property tax exemptions: A total of **1,345 downtown units** are currently in projects receiving some form of property tax exemption designed to stimulate market-rate housing or mixed-use development, including:

Core Housing Owner Incentive (CHOICE): A 10-year graduated tax exemption program (accomplished through a payment in lieu of taxes, or PILOT) to stimulate owner-occupied market-rate housing.

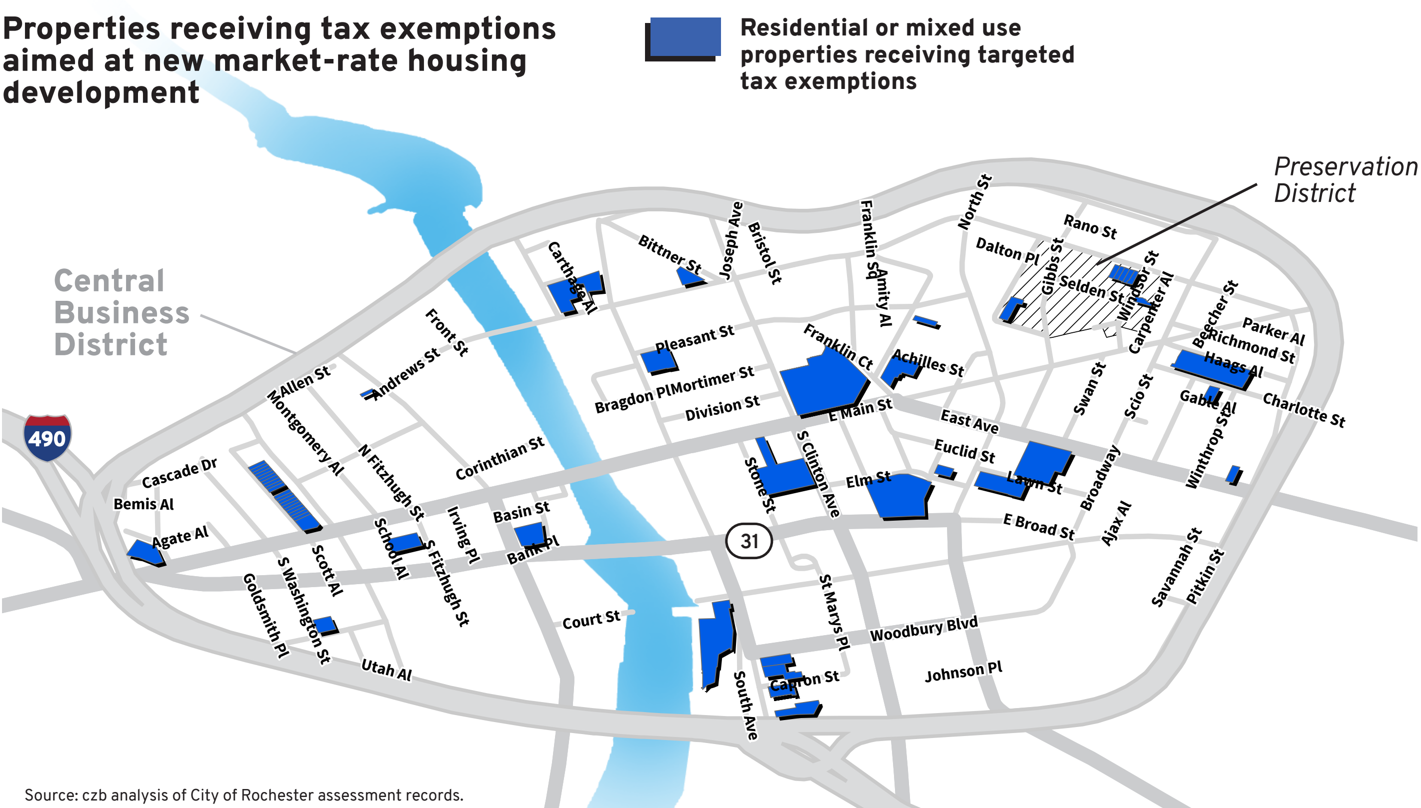
Individual PILOT agreements: A practice of executing project-specific PILOTs for rental housing developments, including mixed-use projects.

Conversion Urban Exemption for Center City Living (CUE): A program that encourages residential or mixed-use conversion of underutilized commercial properties via a graduated 12-year tax exemption on the increased post-development value of a property.

Federal and state historic preservation tax credits: Between 2007 and 2017, 26 projects in Rochester successfully utilized federal and state income tax credits to renovate properties listed on the national and state historic registers. Nine of those projects were in downtown, most of which had a housing component.

Restore New York and New York Main Street: These two programs have been a conduit of state resources to aid development and redevelopment projects in Rochester over the past decade and have often been paired with other subsidies to improve project feasibility.

Properties receiving tax exemptions aimed at new market-rate housing development



Source: czb analysis of City of Rochester assessment records.

The 1,345 downtown housing units in properties with some form of tax exemption targeted at market-rate housing production represent 58% of all such units in Rochester in 2018. At the same time, Rochester's highest demand market area (1.00), which includes the downtown core, accounts for 98% of such units.

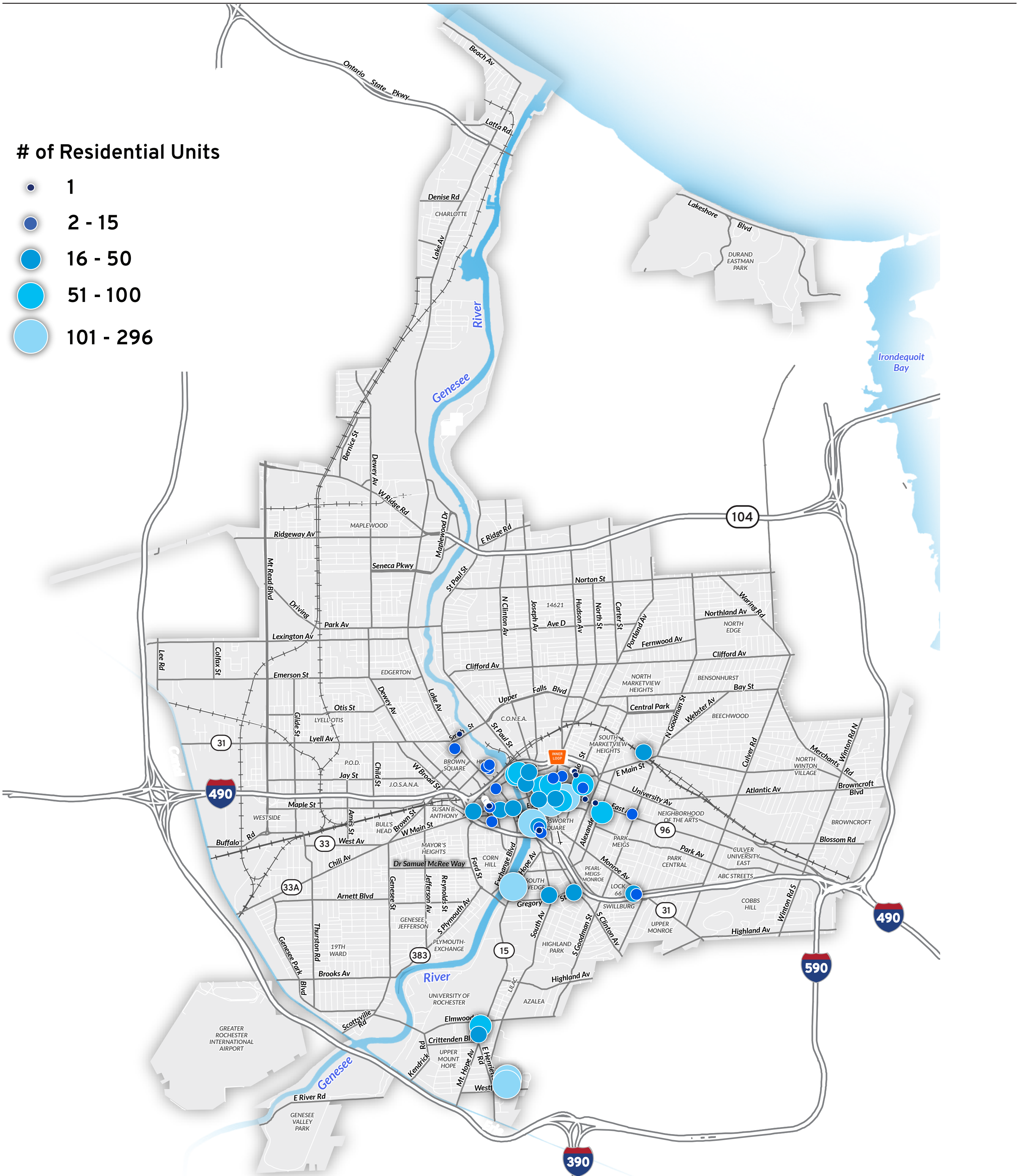
The concentration of activity in the highest demand market area is due to a combination of factors, including an explicit focus of some programs on the downtown geography (such as CHOICE) and the presence of formerly commercial properties that lend themselves to residential conversation and adaptive reuse. However, this also demonstrates that neighborhood market conditions and trends matter to the willingness of developers and investors to undertake a project – even when risk is lessened by tax incentives.

Properties Receiving Market-Rate and Mixed-Income Tax Exemptions, 2018

1.00	1.33	1.66	2.00	2.33	2.66	3.00	TOTAL
2,274	2	0	0	0	29	23	2,328
97.7%	*0.1%*	*0.0%*	*0.0%*	*0.0%*	*1.2%*	*1.0%*	

Source: czb analysis of City of Rochester assessment records.

Distribution of Properties Receiving Tax Exemptions for New Market-Rate Housing



Source: czb analysis of City of Rochester assessment records.

Housing Market Interventions

Focused Investment Strategy

One of the major initiatives stemming from Rochester's 2007 market study was the Focused Investment Strategy (FIS), based on Richmond's Neighborhoods in Bloom program highlighted on page 55. In 2008, four FIS areas – Marketview Heights, Beechwood, Dewey Driving Park, and Jefferson – were selected. Between then and 2016, the city concentrated 20% of its annual Community Development Block Grant (CDBG) allocations to these areas and matched them with local funds, for a total investment of $17.1 million. Investments in demolition, code enforcement, property rehabilitation, beautification, and leadership development were made to bolster quality of life and marketability, and thereby stimulate demand and reinvestment in the housing stock.

The 2016 evaluation of the FIS program concluded that signals of market improvement were detectable but that much work remains to achieve sustainable market revitalization. It identified a series of challenges to the pacing of progress, including observations that too many areas may have been selected (stretching both funding and staff capacity to a point where focus became diluted), and that the FIS markets generally required a greater focus on stabilization to eventually set the stage for revitalization – which would take more years of sustained resources and attention.

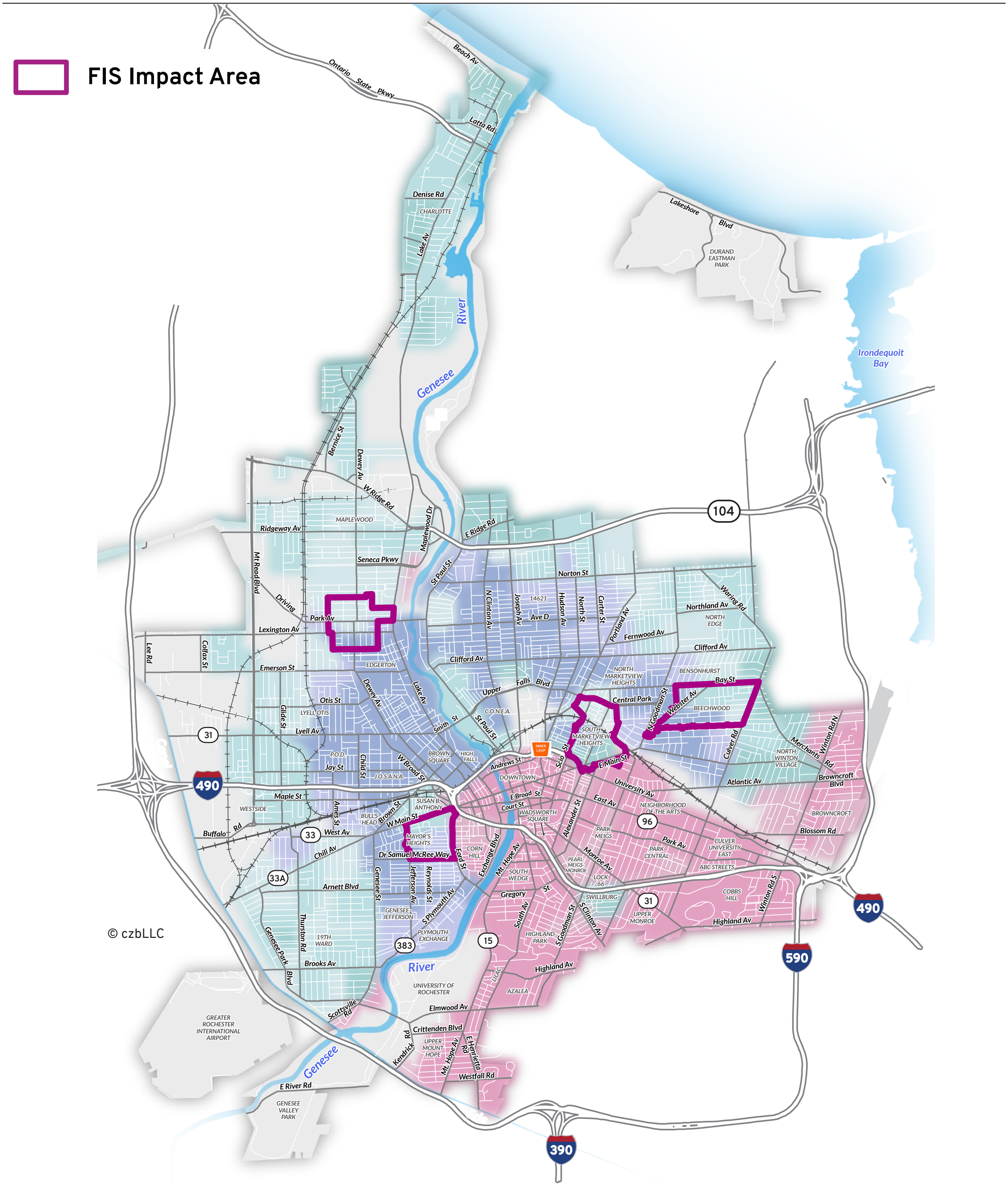
These observations are reinforced by a comparison of the FIS area boundaries and Rochester's 2018 Housing Market Typology. Of the 15 Block Groups that fall within the FIS boundaries (all or part), nearly half were categorized among the two market types with the lowest levels demand (2.66 and 3.00). For those Block Groups, the realistic near-term objective is stabilization, which requires a different set of expectations and tools than the revitalization work that is ready to take place in markets with more moderate levels of demand (2.33 through 1.66).

The compilation of lessons learned in the FIS evaluation, combined with the Block Group-level market conditions detailed in this study, provide direction for future focused work within Rochester – especially where the ambition is to revitalize middle or transitional markets. The scarcity of resources and the general softness of the city's housing market continues to requires a focused approach to the city's interventions – and the wide diversity of market types requires a very careful matching of locations with appropriate tools and expectations.

Number of Census Block Groups within FIS Areas

1.00	1.33	1.66	2.00	2.33	2.66	3.00
0	1	1	1	5	2	5

Focused Investment Strategy Areas



PART IV
Recommendations

As the City of Rochester proceeds with work on developing – and then implementing – the Rochester 2034 comprehensive plan, city officials will be confronted by a steady stream of choices to make regarding the shaping and reshaping of housing strategies and programs. Part II of this document provides broad direction on how to approach this work in different market environments and constitutes **the core recommendation of this study: that the city use a market-based framework to inform its decision-making on housing and neighborhood policy.**

The four recommendations that conclude this study are broader than those in Part II and are intended to provide direction on how the City can approach the challenge of capturing demand in a soft regional market, how to ensure that *Rochester 2034* is responsive to the multiple factors that influence housing markets, and how to begin the process of prioritizing projects that respond to multiple goals and conditions.

1. Focus on helping the market respond to current and future housing demand.

Successfully competing for a healthy share of regional housing demand will require, in part, an adequate supply of housing stock that suits what the region's households in 2018 and beyond want and are able and willing to pay for. What is sought is likely to be diverse and shaped by the contours of evolving lifestyles, technologies, cultural trends, and demographics. In a broadly healthy housing market, property owners and developers are constantly responding to changes in demand – putting capital at risk into new or renovated stock that they and their investors believe will be met with sufficient interest from buyers or renters. In such markets, city governments can focus on particular gaps not being met by the private sector – due to higher than acceptable risk, or insufficient return on investment – and tailor strategies to compensate if doing so achieves a clear community objective.

In the City of Rochester, decades of soft market conditions limited the degree to which property owners and developers were active in responding to new forms of demand. The private sector concentrated largely on suburban markets where returns were higher and more predictable. This resulted in an increasingly outdated city housing stock, a trend that has been somewhat reversed in recent years by new market-rate development and adaptive reuse of obsolete buildings in a few locations. These efforts, though limited in terms of geographic reach, have been critical to the competitiveness of the city's housing market – but they have been made possible (financially feasible to developers and their investors) by incentives and subsidies.

Continuing to put the private market in a position to create a competitive housing stock – and giving property owners and developers the support and flexibility to respond to demand in ways that make good financial sense while also realizing public goals and objectives – should be a focus for the city going forward.

Broadly speaking, this means embracing growth in property values as a key part of a making a soft market more capable of reinvesting in itself and responding to demand. Investments in infrastructure and amenities that stimulate demand play an important role (on the demand side), as do continued efforts to reduce the supply of blighted and obsolete structures through demolition and re-positioning of vacant land (on the supply side). Besides making the market more functional and responsive to demand, this will boost efforts to leverage homeownership as a wealth-building opportunity for residents.

At a finer level, this means providing the incentives necessary to help the market achieve such goals as mixed-income residential development in downtown and elsewhere in the city.

2. Relate housing market objectives to every facet of Rochester 2034, and vice versa.

Putting the market in a position to provide a competitive housing stock requires acknowledgment that a wide range of issues have relevance to housing markets and are critical factors to market health. Investments in parks, streets, and a variety of city services all have an influence on the choices that households make and the levels of demand that exist for the market to respond to. Likewise, when households make choices that bolster demand and investment in Rochester, they strengthen the tax base and build the city's financial capacity to invest in services and amenities that matter to current or prospective residents – including the city's ability to make investments that matter to economically distressed households.

Traditional comprehensive plans typically fail to make useful connections between critical issues or to provide strategic guidance that shapes and aligns day-to-day decision-making. Instead, they tend to treat issues as isolated silos and list aspirations and goals without acknowledging resource limitations or identifying a clear and manageable set of priorities. Due to New York State's relatively flexible guidance on the form and content of comprehensive plans, ***Rochester 2034*** **has an opportunity to be a different plan with the recovery of market strength and financial capacity at its core.**

3. Use "Fair Share" as a guiding principle in shaping housing market interventions.

On paper, Monroe County and its 15% poverty rate appears normal – in fact, it is slightly better than the national average. But as this study and many others reveal, the distribution of poverty and economic need within Monroe County – and within the city itself – is highly uneven (more so than in most metropolitan areas) and has a profound impact on housing market behaviors in addition to the health and economic prospects of those living in highly concentrated poverty.

Putting policies in place to move in a healthier direction should, therefore, be viewed as a key part of strengthening the housing market and building the city's financial capacity to implement Rochester 2034 or any plan. To that end, a "Fair Share" principle should be applied regularly in shaping policy and investment decisions by the City and its partners. In line with the market-specific guidance provided in Part II, a Fair Share approach to economic need can be generally applied in the following ways:

- Make the city's stronger markets more inclusive and economically diverse by promoting mixed-income development. If a project or policy is helpful in this regard, it should be treated as a priority. If not, it should be avoided.
- Stabilize the city's softer markets, in part, by refraining from further concentrating already high levels of poverty. If a project or policy is helpful in this regard, it should be treated as a priority. If not, it should be avoided.
- Prioritize the strengthening of middle markets as a critical part of retaining and expanding the City's share of regional households making between $50,000 and $100,000.
- Work with developers and neighboring communities to prioritize mixed-income housing and promote economic diversity in suburban Monroe County.

4. Prioritize projects and initiatives that deliver on multiple aims.

The market-based strategy framework in Part II provides direction on how to address conditions found in different types of markets. In doing so, it implies that the City of Rochester will be intervening simultaneously in markets of all types, gearing specific tools and resources to the specific problems of those markets.

This is easier said than done, of course. Needs far outstrip resources, requiring prioritization within and across city markets to avoid spreading resources too thin to make a sustainable difference. But prioritizing on too narrow a basis – such as elevating fiscal benefit above all other criteria – risks undermining long-term community support for efforts that require patience and commitment to have a chance at succeeding.

Along these lines, it may be useful for the city to consider – as part of Rochester 2034's development or implementation – a process for evaluating projects and initiatives across a range of criteria that speak to diverse market objectives. Establish four or five criteria and use them as a lens for understanding the costs and benefits of any decision. Any project that meets only one or two criteria is an unlikely priority, or needs to be re-conceived. Those that meet multiple criteria would make the most sense to elevate and support. For example:

- Is this project good for the tax base?
- Is this project good for economically disadvantaged households?
- Does this project have a good multiplier effect (jobs)?
- Is this project good for market confidence?
- Does this project aid in the de-concentration of poverty?

APPENDIX

Data Sources, Methods, and Notes

Page 11

Geographic unit of analysis: All Block Groups with a minimum of five residential property transactions, recorded by the MLS, were included in the Typology analysis. Due to the unique circumstances of housing in the downtown core, the four Block Groups in that area were combined and included in the analysis as a single unit.

Page 12

czb received data on 21,672 sales in Rochester between 2007 and 2017 (709 condominium sales, 5,606 multifamily sales, and 15,357 single-family sales, based on the MLS property type designation). These sales were matched with the City's parcel file; only those sales of single-family (Class = 210) or two-family (Class = 220) properties were included in this analysis, although the 220 classification included a number of 2-to-4 unit multi-family properties. This restriction left 19,917 sales between 2007 and 2017, or 92% of all residential sales. These sales were then mapped to Census Block Groups.

czb then looked at how sales split between these types of financing (labeled "Terms of Sale" in the MLS) within each block group, calculating what percentages of them used 1) cash, 2) FHA or VA financing, or 3) conventional financing. The team used Z-scores to determine how Census Block Groups' portion of each type compared to the average for all Block Groups citywide (to highlight, for example, which block groups had above- or well-above average percentages of cash sales). Block Groups were classified based on which type of financing most exceeded citywide averages (or which Z score was greatest).

Maximum Z Score for Terms of Sale	# of Block Groups	% of Block Groups
1 – Cash	97	44%
2 – FHA/VA	70	32%
3 – Conventional	53	24%
Total	220	

Page 13

Reviewing only sales of single-family (Class = 210) or two-family (Class = 220) properties, the czb used the MLS database and property assessment records to note what portion of a Block group's **Sales** went **to owner-occupants** between 2007 and 2017, the average sale price of those homes (also between 2007 and 2017), and the **percentage change in assessed value** of residential properties from 2000 to 2017. Each of these indicators were converted to Z Scores (to highlight a Block Group's deviation from the average for all Block Groups). The three Z Scores were then averaged and Block Groups were clustered according to the table below. An average Z score of less than -.50 indicates, for example, that a Block Group's market strength is at least one-half standard deviation below the average market strength for all Block Groups.

Market Strength	Average Z Score
1 - Below Average	Less than -0.50
2 - Average	-0.50 to 0.50
3 - Above Average	0.50 or More

Page 14

The City provided czb with data on 8,102 Lis Pendens actions filed against residential properties between 2007 and 2017. These filings affected 5,989 residential properties. czb divided each Census Block Group's number of residential properties with Lis Pendens by its number of residential properties to get a Lis Pendens rate. This indicator was converted to a Z Score and Block Groups were clustered according to the table below. An average Z score of less than -.50 indicates, for example, that a Block Group's Lis Pendens rate is at least one-half standard deviation below the average Lis Pendens rate for all Block Groups.

Lis Pendens Rate	Average Z Score
1 - Below Average	Less than -0.50
2 - Average	-0.50 to 0.50
3 - Above Average	0.50 or More

Page 15

The code violations in this analysis included those selected by czb, in collaboration with the City, that reflected serious housing distress (unsanitary conditions or hazards) as well as serious exterior deterioration. In all, 37 specific code violation types were used for an analysis that focused on the presence and duration of the selected violations. Between 2007 and 2017, a total of 17,653 residential properties received notice of at least one of these violations. Out of this group of properties, 1,729 had violations in three or more calendar years, indicating chronic issues with code compliance. These properties were mapped by Block Group to determine a rate for chronic code violations.

The City also provided czb with data on 1,817 residential demolitions conducted between 2007 and 2017. These residential demolitions were mapped to Census Block Groups. czb divided each Census Block Group's number of residential demolitions by its number of residential properties to get a demolition rate.

czb used the same technique (mapping data to the Census block group and looking at the resulting counts relative to all residential properties in each Block Group) with properties in tax foreclosure (based on the 2018 tax foreclosure action list) and those receiving vacate orders since 1998.

The czb team calculated Z Scores based on Census Block Groups' 1) chronic code violation rate, 2) residential demolition rate, 3) tax foreclosure rate, and 4) vacate order rate. These four Z Scores were averaged, and block groups were classified according to the table below. An average Z score of less than -.50 indicates, for example, that a Block Group's "problem score" is at least one-half standard deviation below the average problem score for all Block Groups.

Distress	Average Z Score
1 - Below Average	Less than -0.50
2 - Average	-0.50 to 0.50
3 - Above Average	0.50 or More

Page 16

Terms of Sale		Market Strength		Lis Pendens ("Conventional" and "FHA/VA" Areas Only)		Property Distress ("Cash" Areas Only)	
Category	Points	Category	Points	Category	Points	Category	Points
1 - Conventional	1	1 - Above Average	1	1 - Below Average	1	1 - Below Average	1
2 - FHA/VA	2	2 - Average	2	2 - Average	2	2 - Average	2
3 - Cash	3	3 - Below Average	3	3 - Above Average	3	1 - Below Average	3

As noted on page 16, each Block Group was evaluated on three of the four typology components to determine a final typology score. On each component, a Block Group was given a score between 1 and 3 based on the classifications listed in the above table. Points were then totaled and divided by 3 to get an average point score for each Block Group.

Block Groups classified as "conventional" or "FHA/VA" areas received points for their terms of sale, market strength, and Lis Pendens classifications; Block Groups classified as "cash" areas received points for their terms of sale, market strength, and property distress classifications. A Block Group's average point score (ranging from 1 to 3) placed it within the final typology – with lower point scores indicating higher levels of demand and higher point scores indicating lower levels of demand. Altogether, the seven market categories of the final typology reflect 48 possible point combinations across the four typology components and their respective classifications.

Page 18-21

Indicator	Description
Population (2016)	Population estimate from 2016 American Community Survey (ACS), 5-year estimates
Share of City Population	Determined from Population (2016)
% Population Change (2010-2016)	Calculated from 2016 ACS 5-year estimates and 2010 Census
Households (2016)	Household estimate from 2016 American Community Survey (ACS), 5-year estimates
Share of City Households	Determined from Households (2016)
% Household Change (2010-2016)	Calculated from 2016 ACS 5-year estimates and 2010 Census
Median Household Income (2016)	2016 ACS, 5-year estimates
% Change 2013-2016 (in 2016$)	2013 and 2016 ACS 5-year estimates, with inflation adjustment to 2016 dollars
Income Sources	
% with Wage/Salary Income (2016)	2016 ACS, 5-year estimates
% with SSI Income (2016)	2016 ACS, 5-year estimates
% with Public Assistance Income (2016)	2016 ACS, 5-year estimates
% Receiving SNAP Benefits (2016)	2016 ACS, 5-year estimates
Unemployment Rate (2016)	2016 ACS, 5-year estimates
Poverty Rate for Individuals (2016)	2016 ACS, 5-year estimates
Change in rate, 2013-2016	2013 and 2016 ACS 5-year estimates
Poverty Rate for Families (2016)	2016 ACS, 5-year estimates
Change in rate, 2013-2016	2013 and 2016 ACS 5-year estimates
% of renters with unaffordable costs (>30% of income)	2016 ACS 5-year estimates
Educational Attainment for Adults 25+	2016 ACS, 5-year estimates
% Less than High School (2016)	2016 ACS, 5-year estimates
% H.S. Grad/with some college (2016)	2016 ACS, 5-year estimates
% Bachelor's Degree or More (2016)	2016 ACS, 5-year estimates
Household Size	
% 1-Person Household (2016)	2016 ACS, 5-year estimates
% 2-Person Household (2016)	2016 ACS, 5-year estimates
% 3-Person Household (2016)	2016 ACS, 5-year estimates
% 4-Person Household (2016)	2016 ACS, 5-year estimates
% 5+-Person Household (2016)	2016 ACS, 5-year estimates

Share of households that are families	2016 ACS, 5-year estimates
% of Families Married Couples (2016)	2016 ACS, 5-year estimates
% of Families Single-Parents (2016)	2016 ACS, 5-year estimates
Age	
Under 18	2016 ACS, 5-year estimates
18-34	2016 ACS, 5-year estimates
35-64	2016 ACS, 5-year estimates
65+	2016 ACS, 5-year estimates
Race/Ethnicity	
% Non-Hispanic White (2016)	2016 ACS, 5-year estimates
% Non-Hispanic Black (2016)	2016 ACS, 5-year estimates
% Hispanic (2016)	2016 ACS, 5-year estimates
% Other (2016)	2016 ACS, 5-year estimates

Page 21-25

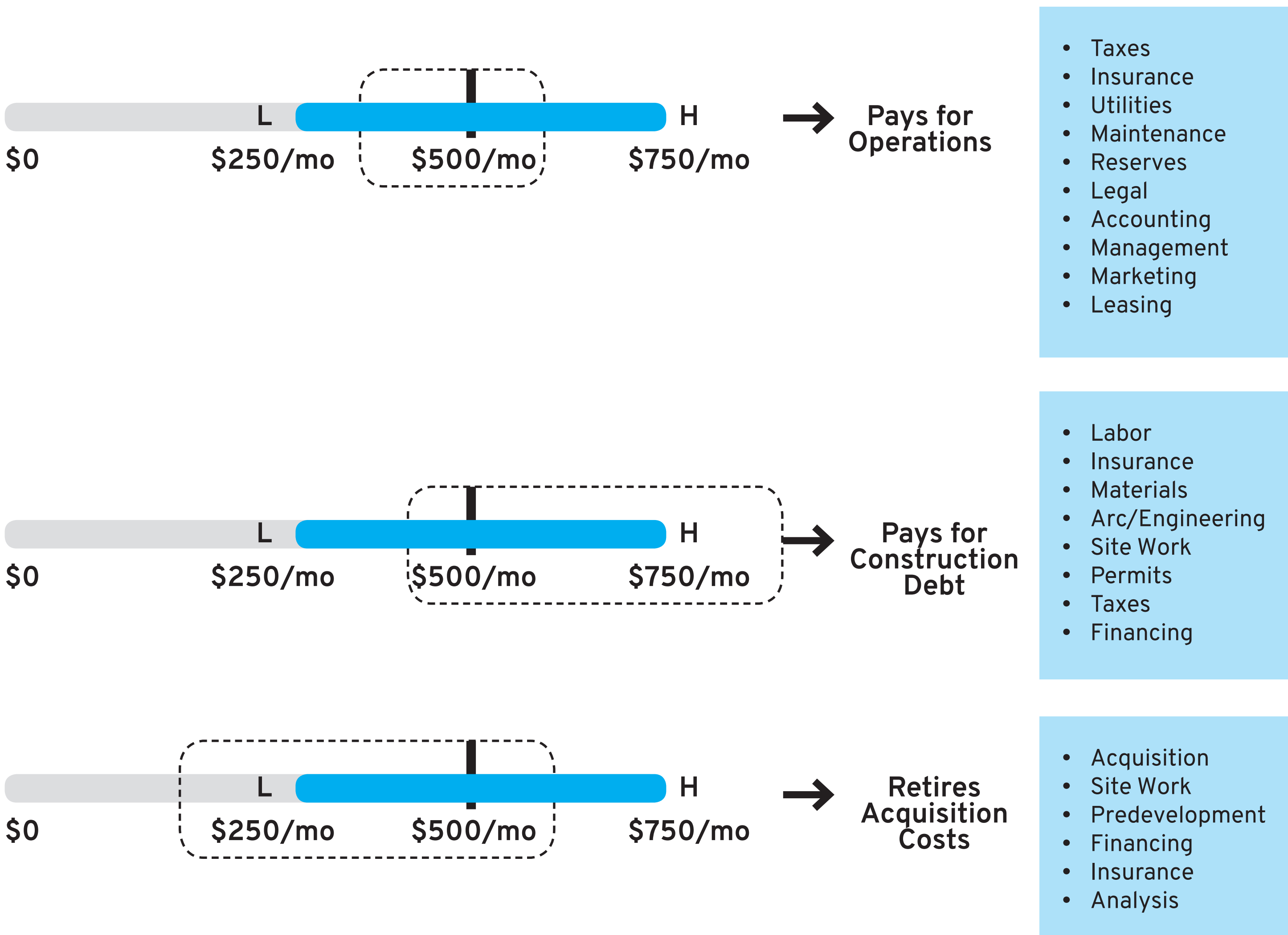
Indicator	Description
Residential Properties	Residential Properties in our analysis fall into the following property class categories: 210, 220, 230, 280, 311, 312, 411, 483, 484, 485. In this table, "Residential Properties" includes only those property classes shown below (210, 220, 230, 441 and 311)
% Single-family Homes (210)	% of "Residential Properties" (as defined here) with a property class of 210
% 2- and 3-family Homes (220 or 230)	% of "Residential Properties" (as defined here) with a property class of 220 or 230
% Apartment Buildings (411)	% of "Residential Properties" (as defined here) with a property class of 411
% Residential Vacant Land (311)	% of "Residential Properties" (as defined here) with a property class of 311
Properties Occupied by Owner, 2017	Residential Properties of Property Class 210 and 220 for which the owner address matches the property address
% of Properties Occupied by Owner (210 and 220)	% of Residential Properties of Property Class 210 and 220 that are owner-occupied
% of single-family properties (210) occupied by owner	% of Residential Properties of Property Class 210 that are owner-occupied
% of two-family properties (220) occupied by owner	% of Residential Properties of Property Class 220 that are owner-occupied
% of Households that are Owner-Occupants, 2016	Homeownership Rate from the U.S. Census Bureau's Amercian Community Survey (ACS, 5-year estimates)
Change in Ownership Rate, 2010-2016	Change in Homeownership Rate between the 2010 Census and the 2016 ACS (5-year estimates)
Prices Paid by Owner-Occupants	
Ave. Price Paid, 2007-09	The average sale price of small residential properties between 2007 and 2009 (in 2017 dollars)
Ave. Price Paid, 2010-13	The average sale price of small residential properties between 2010 and 2013 (in 2017 dollars)
Ave. Price Paid, 2014-17	The average sale price of small residential properties between 2014 and 2017 (in 2017 dollars)
Change in Ave. Price Paid, 2010-13 to 2014-17	Change in the average sale price from 2010-2013 to 2014-2017
Average Assessed Value, 2017	Average assessed value of 210 and 220 properties in 2017
Change Average Assessed Value, 2008-17	Change in the average assessed value (using 2017 dollars)
Median Gross Rent, 2016	Median Gross Rent, ACS (5-year estimates)
% Change, 2013-2016	Change in the median gross rent (from the 2013 to 2016 ACS), using 2016 dollars
Price Paid Per Unit for Properties with 2-4 units, 2007-17	Multiple Listing Service (MLS)
Net Change in Housing Units, 2007-2017	
New Units Added, 2007-17	From city inventory of new housing units
Units Demolished, 2007-17	From city inventory of demolitions
Deconverted Units, 2007-17	From city inventory of deconversions (reduction in units at a property)

Vacant Properties, 2018	Current city inventory of vacant properties
Rate per 100 properties	Current city inventory of vacant properties divided by the # of Residential Parcels * 100
Properties with Chronic Violations, 2013-17	See note for page 11
Rate per 100 properties	See note for page 11
Properties with Lis Pendens, 2007-17	See note for page 10
Rate per 100 properties	See note for page 10
Tax Foreclosure Actions, 2018	See note for page 11
Rate per 100 properties	See note for page 11
Total Assessed Value of Residential Structures, 2017	Determined from City parcel and tax records (GIS Jan 2017 Res Structures Summary)
% of City Total	Determined from City parcel and tax records (GIS Jan 2017 Res Structures Summary)
Total Square Feet of Residential Living Area, 2017	Determined from City parcel and tax records (GIS Jan 2017 Res Structures Summary)
% of City Total	Determined from City parcel and tax records (GIS Jan 2017 Res Structures Summary)
Assessed Value Per Square Foot	Determined from City parcel and tax records (GIS Jan 2017 Res Structures Summary)
Assessed Value Per 1,650 Square Feet (average home)	Determined by multiplying Assessed Value Per Square Foot by average Rochester home size

Page 69 – Reference to a break-even rent level of $1,500 is based on analysis of the following real estate development components for the Rochester market:

Range of Costs Leading to Final Rent Charged to Occupants of New or Refurbished Housing in Rochester, NY

(Either as Rent by Tenants or Mortgage Payments by Owner Occupants)
Assumes 800-825 SF 2 Bedroom Apartment in Marketable, Code Compliant Condition
(New or Rehabilitated)



Notes:

Operation costs are projected based on: prevailing insurance rates; assumptions that debt coverage ratios need to be at least 1.1; local taxes, utilities and other common space expenses; capital replacement reserves sufficient to meet lender's collateral requirements; and levels of maintenance needed to ensure a salable property once stabilized. Operations expenses range from 65 to 70% LTV.

Construction costs are assumed to be development and construction, and range from $50/sq.ft. for modest refurbishment of an existing residential complex to over $200/sq.ft. for adaptive reuse of an historic structure. Costs of permanent debt are assumed to range from 0%-7% amortized over a range of possible periods from 10-30 years; costs of acquiring equity are assumed to be priced to risk and opportunity costs which in 3Q are assumed to be between 7-15% on a payback schedule ranging from 5-15 years. Source: RS Means Co.

Acquisition costs include the expense of bidding, acquiring, holding, insurance, and preparing land or existing structures for rehabilitation. Costs include expense of pre-development, construction financing, design work, and any required site preparations.

Source: czb review of available land and random sampling of available multifamily buildings for rehabilitation on the market

Rochester 2018

CITYWIDE HOUSING MARKET STUDY

SEPTEMBER 2018