



## Priority Strategies to Support Housing Development in Ulster County *Executive Summary*

### Ulster County Housing Consortium

Chester Straub, Chairman,  
*U.C. Development Corporation*  
Steven Aaron, *Birchez Associates*  
Elizabeth Alfonso, *Legislator*  
Marshall Beckman, *U.C. Mental Health*  
Michael Berg, *Family*  
Glen Decker, *U.C. Social Services*  
Dennis Doyle, *U.C. Planning*  
Joan Eck, *Ulster Savings Bank*  
Stephen Finkle, *City of Kingston*  
James Gilpatric, *Attorney*  
Daniel Mills, *Kingston Housing Authority*  
Paul Mountan, *RCAL*  
Keven O'Connor, *RUPCO*  
Jane Todd, *SHARP*  
Frederick Wadnola, *Town of Ulster*

**Priority Strategies to Support Housing Development in Ulster County** was prepared as part of the Ulster County's Housing Consortium's mission to promote a cooperative and collaborative environment in which all persons and entities can work together to effectively and efficiently garner and use resources to ensure safe, decent, affordable housing and related support services which meet the diverse housing needs of all Ulster County residents.

### Introduction

This study examines the trends in the county's housing costs, its economy and the relationship between these factors and household income-wage growth as it relates to affordability. This study found that despite signs of a turnaround in the county's economic fortunes, the ability to afford housing in nearly all of the county's communities has not kept pace with its rising costs. In addition, the study found that the gap between income and soaring housing prices has gotten dramatically worse in the last seven to eight years. As a result, many county residents are finding it harder and harder to obtain decent housing without paying an uncomfortably high and increasingly larger percentage of their earnings-income. This is true whether the housing choice involves homeownership or rental.

Since the early 1990's when the county went through a dramatic restructuring with the loss of the IBM facility in the Town of Ulster, the county's economy has experienced a shift from a manufacturing base to one that is more diverse, but less dependent on just one sector or a single major employer. In addition to the changing economic composition, the county's population has been aging, resulting in smaller household size. Although this aging trend is similar to that occurring in the Hudson Valley region, the state, and the nation as a whole, it is particularly dramatic in the county. During the

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1990s, the county experienced a decline of over 20% in its age 20 years to 34 years old population category. This category represents an important component of the next generation of county leaders and work force. They are essential to the county's vitally important human capital resource—perhaps the most important, unique and strategic economic development asset determining the county's economic future.

In addition to these economic and demographic shifts, the impacts of the terrorist attack of September 2001, the presence of the superior travel connections available through Interstate 87 (among others), and the build out of communities to the south, have all combined to change the dynamics of Ulster County's housing market and that of the entire Hudson Valley region in significant ways. This study seeks to focus attention on these rapidly rising housing cost trends that, without a response, will contribute to the erosion of the quality of life in the county. It is intended to elevate the level of public debate surrounding creative opportunities to help begin the long process of addressing these housing affordability issues, within the context of promoting "smart growth" and without eroding the essential fabric of the county's individual communities.

#### **Housing Costs Keep Rising Faster Than Income-Wages...**

Ulster County has a housing affordability problem. The average sales price of a single family home has nearly doubled over the past 6 years to \$190,000 in 2004.<sup>1</sup> Last year, purchasing a median priced single family home required nearly \$64,000 in household

**Table 1: Household Income Needed to Afford[1] Housing (2004)**

County-Wide (by Housing Unit Type)	Single Family	
	Owner Units	Renter Units
Median Price/Median Rent (\$2004)	\$190,000	\$740
Annual Utilities Expense--Excl. Telephone (\$2004)	\$1,980	\$612
Annual Insurance Expense (\$2004)	\$840	---
Annual Real Estate Taxes Expense (\$2004)	\$5,088	---
Annual Mortgage Payments [1] (\$2004)	\$12,672	---
Affordable Payments Needed	\$1,550/Month	\$740/Month
<b>Required Household Income</b>	<b>\$63,995</b>	<b>\$29,986</b>

Notes:

[1] 30 year term with a 5% down payment

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income in order to avoid severe financial stress from the costs of owning a home—where housing costs were more than 30% of household income<sup>2</sup> (Table 1).

Renters, likewise, are also finding it difficult to find decent housing that does not claim a disproportionately large share amount of their

household income. In 2004, renter households needed an income of roughly \$30,000 to afford the estimated median market rent of \$740 in the county without being overly burdened with housing costs. A recent survey of rental units by the Ulster County Planning Board showed that vacancy rates for rental housing are very low, wait lists for subsidized units are long (and in most cases increasing), and rents for non-subsidized rental units are increasing at a rate that is faster than the overall rate of inflation.<sup>3</sup>

<sup>1</sup> Through October of 2004.

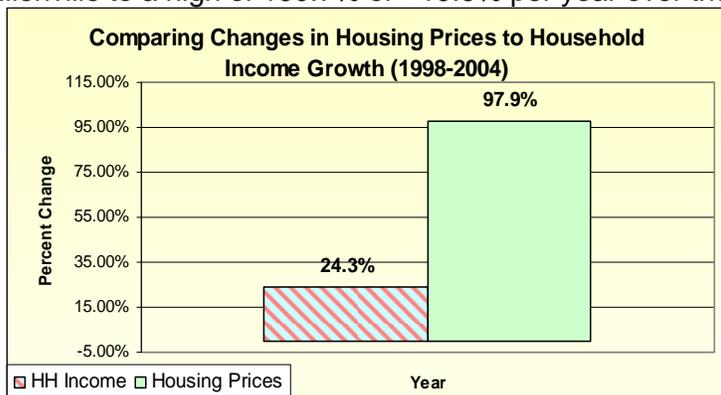
<sup>2</sup> Per the guidelines of the U.S. Department of Housing and Urban Development (HUD).

<sup>3</sup> Ulster County Rental Housing Survey, 2004 (January 2005). This statement holds true for all bedroom categories except studio apartments.

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Over the past eight years, the median sales price of single family homes in the county has risen sharply—increasing by 97.9% over the last 6 years or at the annual rate of 12.1% per year. Within the county, housing price increases for single family homes over the 1998-2004 period ranged from a low of 65.4% or +8.7% per year in the Village of Ellenville to a high of 190.7% or +19.5% per year over the same time frame in



Shandaken. In fact, the Village of Ellenville was the only municipality in the county to experience a less than double-digit rate of increase on an annual basis. A total of 13 municipalities (of 19 with a significant number of housing transactions) experienced more than a doubling in housing prices over the

period. At the same time, the household income of regional residents increased by only 24.3% over the period—roughly  $\frac{1}{4}$  of the single family home price increase.

Market rents in the county show a similar, but somewhat less dramatic escalating pattern. Data from the annual rental housing survey conducted by the Ulster County Planning Board show that advertised rents for rental units in the county have risen faster than the general rate of inflation for all bedroom sizes (studio through 3 bedroom units) over the 1997-2004 time frame.<sup>4</sup> Although the growth in median household income growth in the county has approximated the growth in advertised rents over the 1998-2004 period, it should be noted that many renter households and many of the county's younger families occupy the lowest rungs of the household income ladder and are having difficulty affording rental units today. Further, it is not surprising that rents have risen somewhat less dramatically over a time of historically low mortgage interest rates—a period of time that may well prove to be the golden age for homeownership in modern times.

### **The County's Annual Housing Wage for Both Owners and Renters is on the Rise.**

The annual housing wage is the amount a household would have to earn working 40 hours per week for a year in order to afford a median priced home or an average rent for an apartment in the county. The results of this study show that being able to afford housing in the county has become a major issue for households with surprisingly high levels of household income. This is true, whether looking at households that either own their homes (see Table 2) or rent their housing (see Table 3). Further, these tables also show that housing cost stress is now occurring at household income levels that are well into and above those traditionally thought of as middle class. In fact, housing cost stress is now enveloping households with annual incomes that today range from the \$40,000-\$50,000 per year level, up to the \$50,000-\$60,000 household income level per year and

<sup>4</sup> See Ulster County Rental Housing Survey 2004, page 10.

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even higher.

**Table 2: Affordable Home Purchase Price by Selected 2004 Incomes**

<i>Ulster County</i>	A	B	C	D
<i>% of Median HH Income</i>	50%	80%	100%	120%
<i>Annual HH Income</i>	\$24,606	\$39,370	\$49,213	\$59,055
<i>Affordable Home Price (2004)</i>	\$71,431	\$116,100	\$146,112	\$176,265
<i>Estimated Median Prices of Home Sales (2004)</i>	\$190,000	\$190,000	\$190,000	\$190,000
<i>Affordable Housing Price Gap</i>	(\$118,569)	(\$73,900)	(\$43,888)	(\$13,735)
<i>Number of Arms Length Home Sales Priced Below the Affordable Level (2004)</i>	143	312	487	758
<i>Percent of Total</i>	8.3%	18.1%	28.2%	43.9%
<i>Number of Arms Length Home Sales Priced Above the Affordable Level (2004)</i>	1,584	1,415	1,240	969
<i>Percent of Total</i>	91.7%	81.9%	71.8%	56.1%

**Table 3: Affordable Rent Levels by Selected 2004 Incomes**

<i>Ulster County</i>	A	B	C	D
<i>% of Median HH Income</i>	50%	80%	100%	120%
<i>Annual HH Income</i>	\$24,606	\$39,370	\$49,213	\$59,055
<i>Estimated 2003 Median Rent</i>	\$740	\$740	\$740	\$740
<i>Estimate of Year-Round Rental Units Below</i>	7,128 32.0%	17,023 76.5%	20,431 91.8%	21,843 98.1%

Finally, the data shows that county-wide, and individually in most communities, there is now a majority of residents that could not afford to buy their home with today's income at today's prices. In short, **many of the county's households are seeing the American Dream of homeownership fade away. For others, a growing number of county residents can no longer afford to rent a decent unit!**

The other striking conclusion from the study is that housing costs are challenging the essential fabric of the county's economy to support substantial components of its workforce. There is now a segment of workers in the county that are employed in jobs that in prior times supported a middle class lifestyle on one income in the county, but now no longer pay well enough to do so. Tables 4 and 5 below set forth data from the Ulster County job base concerning the average salaries for jobs in several of the county's major economic sectors and their ability to support either homeownership or renting. These data show that housing costs, once a major concern of those on fixed incomes, has now become a major issue for households that even have 2 wage earners. The numbers document difficult times for the life-long residents in our communities who are struggling to live out their retirement years in the place where they have always lived, as well as many public and private sector employees that are likewise finding it increasingly difficult to find affordable housing options in the very communities where they work.

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**Table 4: Percent of County Job Sectors Paying a Wage Needed to Afford a Median Priced Home [1]**

Community	Median Price in 2004 [2] (\$)	Combined Hourly HH Wage to Afford (\$ Per Hour)	Combined Annual HH Wage to Afford [3] (\$ Per Hour)	Number of Sectors (#)	Percent of The Total (%)	Earnings Multiple
<b>Ulster County</b>	<b>\$190,000</b>	<b>\$30.77</b>	<b>\$64,002</b>	<b>2</b>	<b>2.8%</b>	<b>2.3</b>
<b>Selected Municipalities:</b>						
City of Kingston	\$155,000	\$24.23	\$50,398	3	4.2%	1.8
Saugerties	\$169,450	\$27.00	\$56,160	2	2.8%	2.1
Ulster	\$159,950	\$26.00	\$54,080	2	2.8%	2.0
Woodstock	\$290,500	\$47.00	\$97,760	0	0.0%	3.6

**Memo:**

Total Job Sectors (3-Digit NAICS Level) 72

**Notes:**

[1] QCEW wage data includes the average wage for the first 3 quarters of calendar year 2004

[2] Median Price through October of 2004

[3] Annual Average Wage is calculated by multiplying the Hourly Housing Wage by 2,080 hours

**Table 5: Percent of County Job Sectors Paying the HUD Housing Wage or Greater, 2000-03**

Renter Unit by Bedroom Type	2001	2002	2003
<b>2 Bedroom Units:</b>			
Annual "Housing Wage" Income	\$30,160	\$30,805	\$30,930
Number of Job Sectors	24	28	32
Percent of the Total	34.3%	38.9%	44.4%
<b>Memo:</b>			
Total Job Sectors (3-Digit NAICS Level)	70	72	72

**Note:**

NA means Not Available

**Sources:**

National Low Income Housing Coalition [Housing Wage]

New York State Department of Labor [QCEW Data for Job Sectors]

### **Housing is a Key Ingredient of "Livable Communities..."**

Offering housing options that are affordable to a range of household incomes is an important component for achieving "livable or healthy communities." Factors that support this contention are many. A healthy housing mix provides for an increase in local commercial-retail vitality as reduced housing costs burdens allow for more disposable income. A full range of housing options stabilizes demographic shifts providing: (1) a more stable foundation of regular customers-patrons for a community's businesses who feel connected and deeply committed to the quality of life and services that are offered in the community, and (2) a more stable and predictable base of population (for municipal services) and students (for schools). The first assists in building a more predictable business environment in a community, and that latter helps to provide a demand climate of stability-predictability for the provision of essential municipal and educational services in a community.

In addition, a full range of housing options configured properly in an appropriately scaled, community-friendly manner also has been shown in to: (1) reduce vehicle trips, (2) encourage biking and walking, and (3) provide "critical population mass" that is

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needed to support commercial businesses and services that are part of vibrant, livable communities. A full range of housing options also allows for diversity in a community, and the inherent strength that a broad range of opinion adds to community dialogue on important issues and for shaping the community's future. It also encourages citizens to take more active roles in the many issues of importance to communities (e.g. safety, education, etc.). Finally, a full range of housing options allows for life long residents to continue to live through their retirement years, and young families to begin their lives, in the same community that their parents did.

#### **What Is Needed...**

Currently, additions to the housing inventory in the county are primarily comprised of expensive, "high end" homes as increasing land costs, uncertainties in the development review process, finance, as well as local opposition to alternative density/moderately priced housing, have reduced developer profit margins and severely curtailed the willingness to construct moderately priced homes. Many nonprofit organizations and developers express concern about municipal zoning practices that discourage moderately priced, workforce housing, resulting in single family units on larger, multi-acre lots and/or housing incentives restricted solely to seniors. The effects of these policies has effectively priced out working, middle class and upper-middle class families from the regional housing market for both ownership and rental units. The county needs to find a balance between its economic development and housing policies that promotes good jobs and decent wages along with the creation of housing that its workforce can afford in order to have livable/sustainable communities. This is especially important for the young families that are vital to the county's economic future.

#### **Recommendations**

The research, interviews, SWOT (strength weaknesses opportunities and threats) analysis, as well as the public meeting-comment solicitation process resulted in a total of 5 multi-faceted recommendations to augment the current housing toolkit available within the county. They are as follows:

##### **Strategy Recommendation 1:**

***Undertake a "Full Court Press" Public Information-Education Campaign to Raise Public Official and Citizen Awareness About the Importance of Housing Choice to the County's Economy and Livable Communities.***

This strategy is considered to be "job #1" in the county because of the current low level of public understanding when it comes to housing policy throughout the county. This strategy is considered to be a critical enabling step that is targeted towards laying a fertile public policy groundwork that would allow for the implementation of "best practices" approaches to expand housing choice.

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This strategy is comprised of following four elements that are designed to elevate the level of public discussion on housing issues:

- (1) Design and implement a coordinated public information-education campaign under the umbrella of the Ulster County Housing Consortium (Priority: Short-Intermediate Term),
- (2) Utilize County Planning Board staff to conduct municipal outreach in support of “best practices” approaches to housing development (Priority: Short-Intermediate Term),
- (3) Utilize Business Leaders of the Ulster County Housing Consortium to establish A Workforce Housing Advocacy Group to Speak to Business About the Need for Adequate Workforce Housing (Priority: Short-Intermediate Term), and
- (4) Complete an analysis of the “net fiscal benefit” of having housing choice across the housing price spectrum (Priority: Long Term).

#### **Strategy Recommendation 2:**

##### ***Implement a Countywide “Housing-Friendly” Zoning Policy***

The study found that all of the county’s communities had some zoning issues associated with “best practices” for promoting housing choice. This study recommends the following:

- (1) Complete an examination of all comprehensive plans for the county’s municipalities to Identify and Recommend Positive Changes to All Zoning and Subdivision Regulations that represent obstacles to housing development (Priority: Short-Intermediate Term),
- (2) Develop model approaches for county municipalities to adopt “best practices” tools to facilitate housing development in the county (Priority: Short-Intermediate Term), and
- (3) Design and appropriately resource a monitoring system to track federal and state legislation of importance to housing-infrastructure issues, and to keep up-to-date on “best practices” advancements in smart growth-housing strategies with a goal to understand and influence where needed those that reflect positively on the housing environment within the county (Priority: Short-Intermediate Term).

#### **Strategy Recommendation 3:**

##### ***Conduct a Feasibility Analysis of the Efficacy of Establishing a Community Housing Trust to Preserving Housing Affordability in the County***

This approach represents one strategic option that could be employed to control the appreciation of land and housing prices. This recommendation includes a full feasibility assessment of the efficacy of establishing a Community (perhaps in this case a multi-

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community) Housing Trust (CHT). The CHT approach has been successfully employed in many states and communities throughout the northeast. This recommendation includes a full assessment of available existing “best practices models” to assess the feasibility and applicability of establishing a CHT in a municipality, multiple municipalities, and/or for the entire county (Priority: Long Term).

The success of CHT models throughout the northeastern U.S. and other parts of the country make this approach a logical candidate for augmenting the county’s current housing tool kit to support the development and preservation of affordably priced housing. The establishment and operation of a CHT for either a part of the county or the county as a whole represents a significant undertaking. The study recommends that a full operational and financial feasibility analysis of the CHT approach and its applicability-acceptance among existing stakeholder groups involved in the housing affordability issue in the county be undertaken before pursuing this concept further.

#### **Strategy Recommendation 4:**

#### ***Develop Creative Approaches to Reward the County’s Communities for Efficient Use and Expansion of Existing Regional Infrastructure To Support Higher Density Housing Development***

This approach is viewed as being an important part of developing the public infrastructure needed to support the type of higher density housing development that supports affordably-priced housing. Tools that are recommended to be investigated as part of this strategy include: (a) tax increment financing districts, (b) priority treatment for state infrastructure grants for projects in high density development areas, (c) increased state financial support for school costs associated with more efficient development, (d) creative use of county-owned vacant land, and (e) rehabilitation of sub-standard housing. The principal elements of this approach include:

- (1) Create a list of public sector and private sector financial incentives to encourage local communities to develop the public infrastructure services needed to support high density commercial and housing development (Priority: Short-Intermediate Term),
- (2) Complete a county-wide inventory-assessment of sub-standard housing and assess what is needed to bring those units up to the standards needed to be eligible for public subsidy programs (Priority: Short-Intermediate Term), and
- (3) Complete a county-wide approach for addressing special needs populations (Priority: Short-Intermediate Term).

## **Strategy Recommendation 5**

### ***Develop and Integrate a Comprehensive Set of County-Municipal Housing Targets Consistent with the Economic Development and “Smart Growth” Needs of the County and Individual Municipalities***

So-called “Fair Share” approaches to expanding housing choice in states, regions and individual communities have been employed in various forms throughout the country over the past 3 decades. At this point, this study does not recommend adopting a mandatory or even voluntary fair-share approach for the county. Instead, it is recommended that the Ulster County Housing Consortium sponsor a process, in conjunction with the Ulster County Planning Board, the Ulster County Economic Development Corporation, and local governments for developing a comprehensive set of regional and municipal level long-term housing targets. This strategy has the following elements:

- (1) Undertake and complete a “Housing Targets” effort aimed at elevating the level of public understanding about housing and economic development (Priority: Short-Intermediate Term)
- (2) Integrate the completed set of “Housing Targets” into county and municipal comprehensive plans (Priority: Short-Intermediate Term)

### ***How You Can Help...***

The above recommendations will require a coordinated effort by all citizens and constituencies involved in housing choice, smart growth, and economic development. There are roles for all. The following is a list of what different individual and groups can do to help in this effort:

1. As citizens, volunteer your time and contribute resources to support one or more of the efforts of the Ulster County Housing Consortium or its member organizations.
2. Municipal and county officials can work with municipal and county staff and the residents of the county to assure that planning and zoning regulations facilitate the availability of a wide range of housing options.

The first step is to make sure that there are no unnecessary regulatory barriers to the construction of appropriate density housing and/or to the rehabilitation of housing that working families can afford.

The second step is to work cooperatively to create zoning and regulatory approaches that encourages a wide range of housing options in their communities.

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3. Employers can work creatively with the county and local communities to improve workforce recruitment and retention by structuring compensation and benefit packages so that their work force can support their families and afford adequate housing in the county.
4. Builders-developers can work cooperatively with federal, state, and county agencies-departments and regional nonprofits to develop creative approaches to developing and constructing attractive, moderately priced housing.
5. Elected officials in the county can do their part by supporting greater investment in federal and state programs that expand the range of viable housing for working families, through financial incentives and the removal of state regulatory and other obstacles to moderately priced housing.
6. Citizens of the county also can help by supporting public investment in housing dollars by the federal, state, and local governments to support higher density, moderate-priced work force housing projects in their community—even if they are “next door” to their homes and neighborhoods.
7. Concerned citizens also can work to rehabilitate and convert old structures into moderately priced, workforce housing, and by working to help educate the public—including municipal officials—as to the community benefits of a wide range of housing options in their community.

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