Market Analysis:

St. Elizabeth's Hospital Reuse Plan

Prepared by:

MRB group

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Contents

Introduction

In partnership with Fischer Associates, MRB Group was engaged to undertake a property reuse study for the St. Elizabeth's Medical Campus ("St. E's"), in Utica, New York to identify potential redevelopment opportunities. As part of this study, MRB Group completed the following review of relevant trends in the regional real estate market to determine the demand for retail, office, commercial, residential, industrial, and hospitality uses in the area. MRB Group also reviewed demographic conditions and industry trends to help assess the feasibility of end-uses for the site. This analysis will provide critical insights into the types of development that would be most successful on the St. E's campus and the economic viability of each.

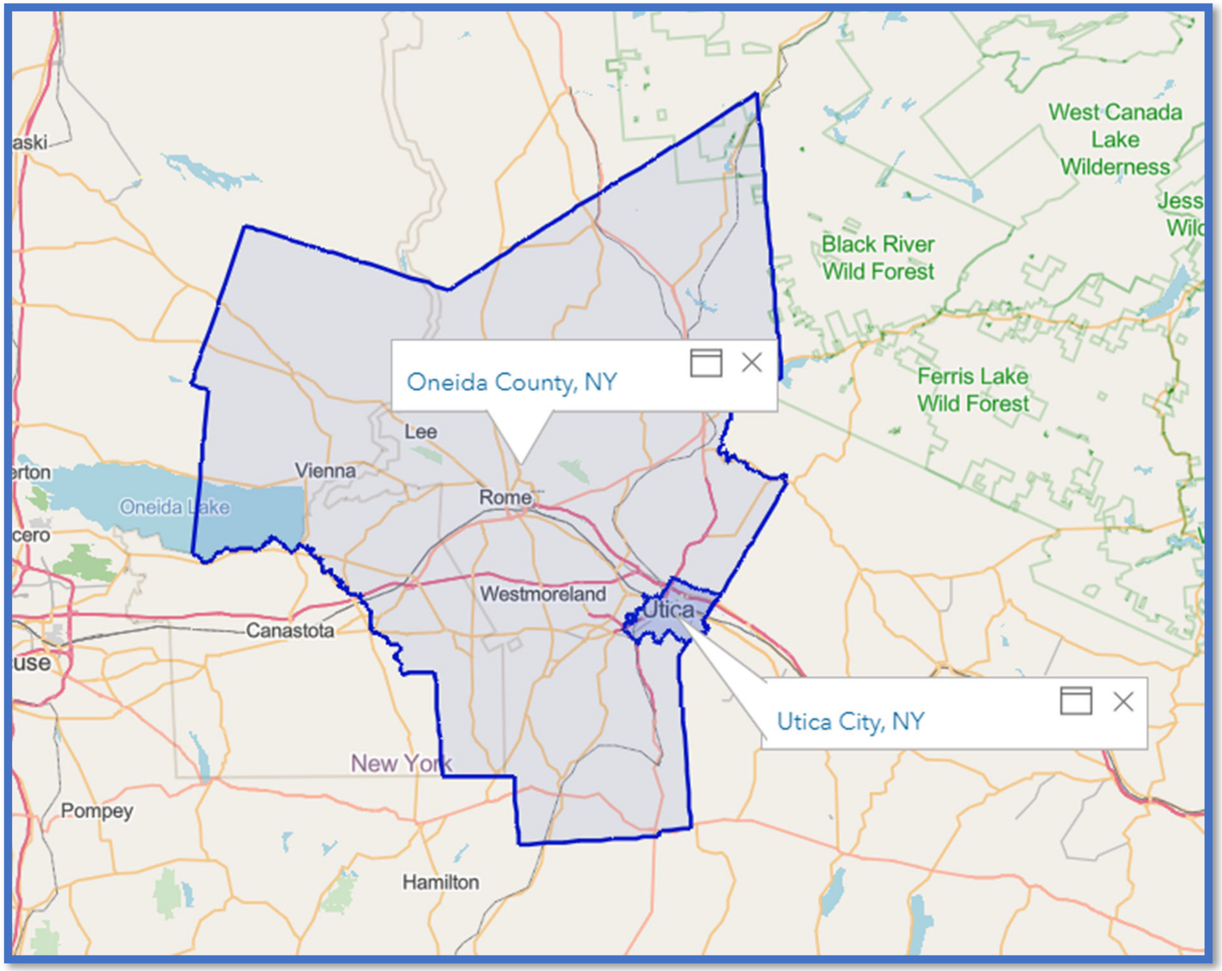
Data Note:

Data included in the following analysis was sourced from the 2010 and 2020 US Decennial Census, US Census American Community Survey 5-year Estimates (2017-2021), Esri, Lightcast (formerly Emsi), and CoStar.

Market Area

The following geographies are used in this analysis:

1) The City of Utica
2) Oneida County



Demographic Overview

The table to the right presents demographic data for the City and County. The population of the City of Utica increased by 2,679 residents from 2010 to the current year, totaling 64,914 residents in 2023. While the City's population has grown roughly 4% from 2010, the County has had a 2% decrease in population, or 4,825 residents over the same time period. Both the City and the County are projected to decline in population in the next 5 years, albeit a modest decline of less than half a percent.

The number of households in Utica increased from 24,903 to 25,942 between 2010 and 2023, an increase of 1,039 or 4%. During the same timeframe, the County saw a 0.9% increase in the number of households, from 93,028 in 2010 to 93,857 in 2023.

From 2023 to 2028, median household income in Utica is expected to increase from $43,317 to $46,821, a change of $3,504 or 7.48%. Similarly, the County's median household income is expected to increase 9.43% during that time from $60,344 to $66,630.

The median home value in Utica is currently $127,520 and is expected to grow to $145,118 over the next five years – a 12.1% increase. The County has a slightly higher median home value of $181,216 but it is expected to grow at a lesser rate through 2028.

The median age of residents in Utica, 36.5, is younger than in the County overall. Utica and the Oneida County are both projected to see an increase in the median age from 2023 to 2028.

Demographic Fundamentals

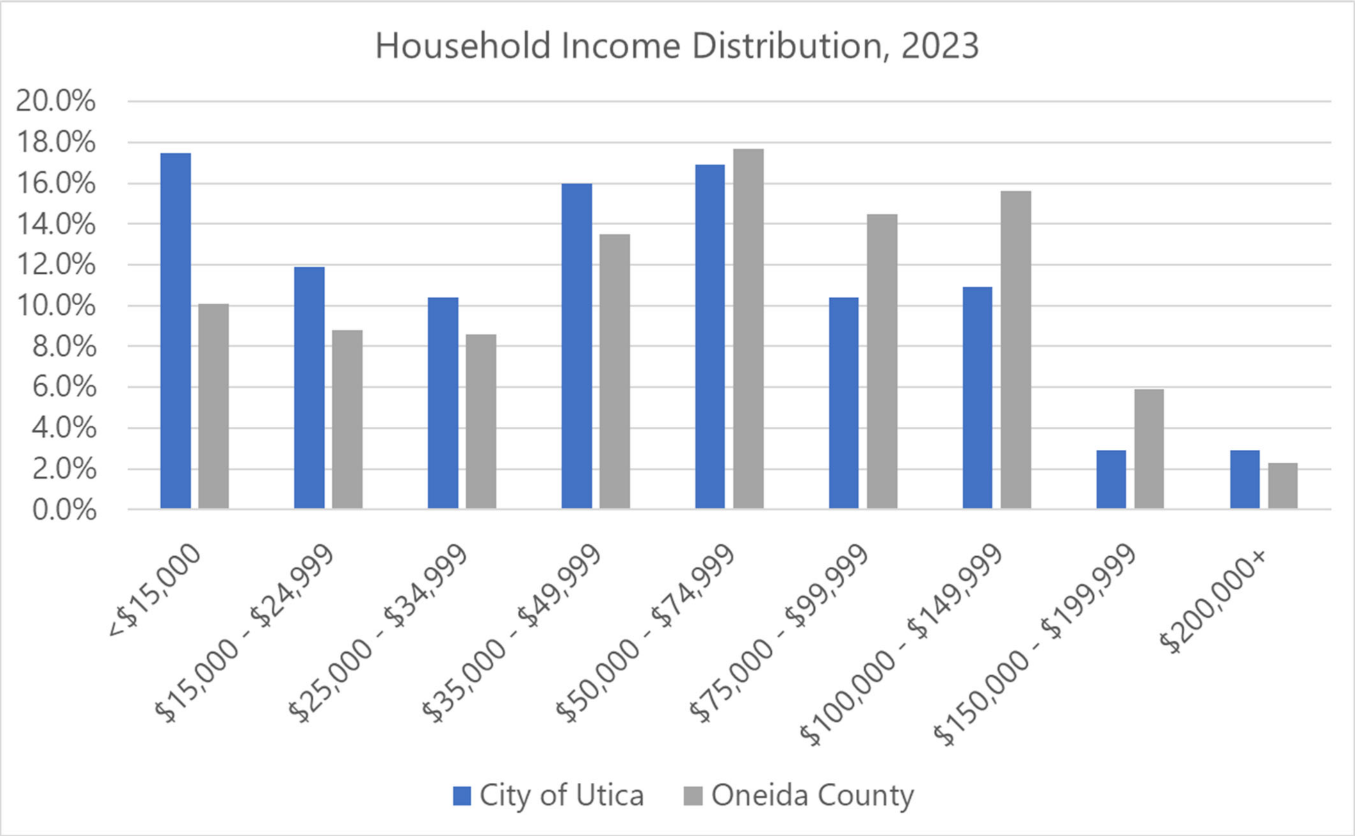
Population				
	2010	2023	Change	% Change
City of Utica	62,235	64,914	2,679	4.13%
Oneida County	234,878	230,053	-4,825	-2.10%
Projected Population				
	2023	2028	Change	% Change
City of Utica	64,914	64,465	-1,240	-0.28%
Oneida County	230,053	226,890	-12,900	-0.21%
Households				
	2010	2023	Change	% Change
City of Utica	24,903	25,942	1,039	4.01%
Oneida County	93,028	93,857	829	0.88%
Median Household Income				
	2023	2028	Change	% Change
City of Utica	$43,317	$46,821	$3,504	7.48%
Oneida County	$60,344	$66,630	$6,286	9.43%
Median Home Value				
	2023	2028	Change	% Change
City of Utica	$127,520	$145,118	$17,598	12.13%
Oneida County	$181,216	$195,314	$14,098	7.22%
Median Age				
	2023	2028	Change	% Change
City of Utica	36.5	37.4	0.9	2.41%
Oneida County	42.4	43.0	0.6	1.40%

Source: Esri; MRB Group

Income Distribution

This chart compares the distribution of household incomes in the City and County. The chart displays different income ranges on the horizontal axis and the vertical axis shows the percentage of households falling within those income ranges.

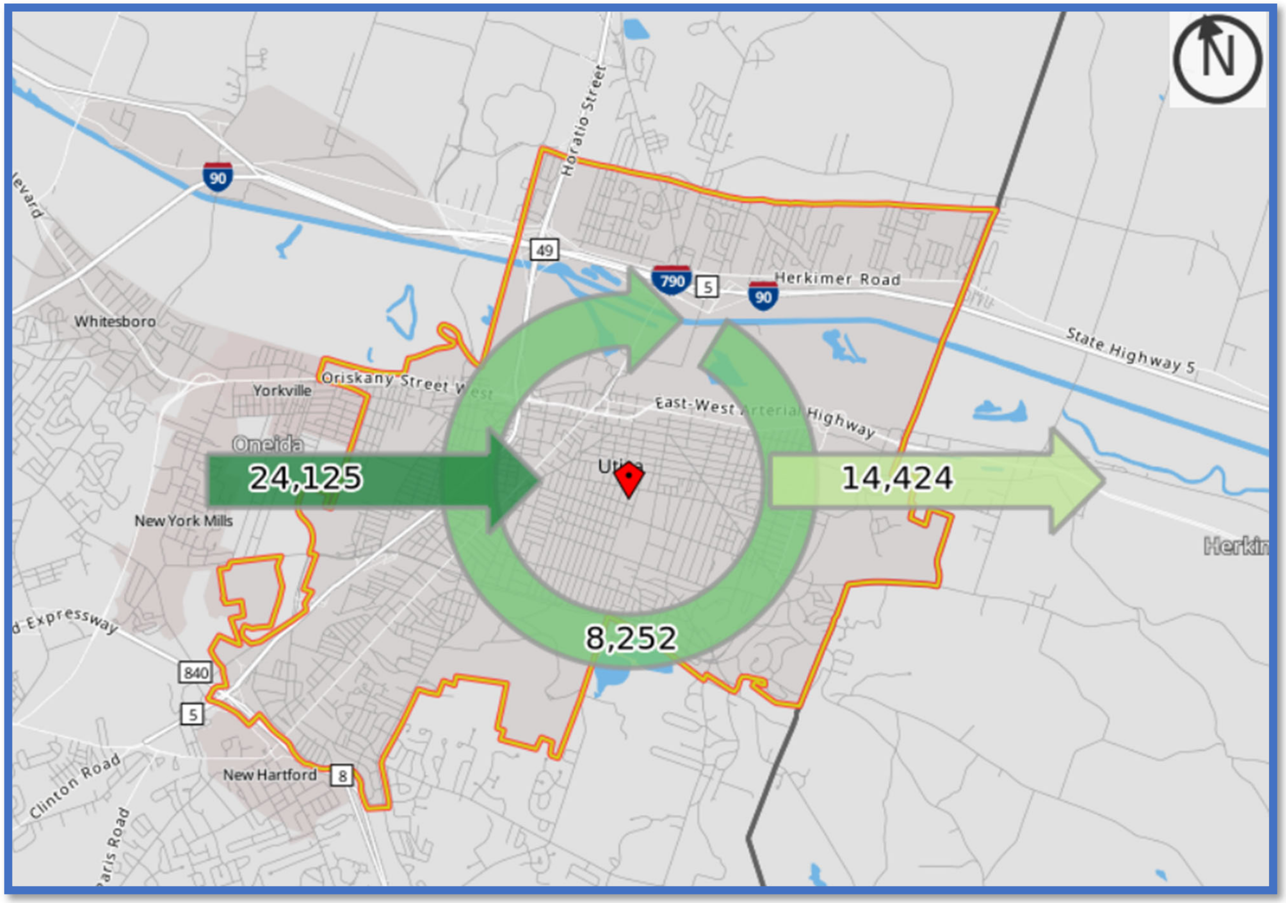
Compared to the County, household incomes of City residents typically skew lower, with 55.8% of City residents earning less than $50,000 annually compared to 41% of County residents. Approximately 16.7% of City residents earn more than $100,000 annually compared to 23.8% of County residents.



Source: Esri BAO

Commuting

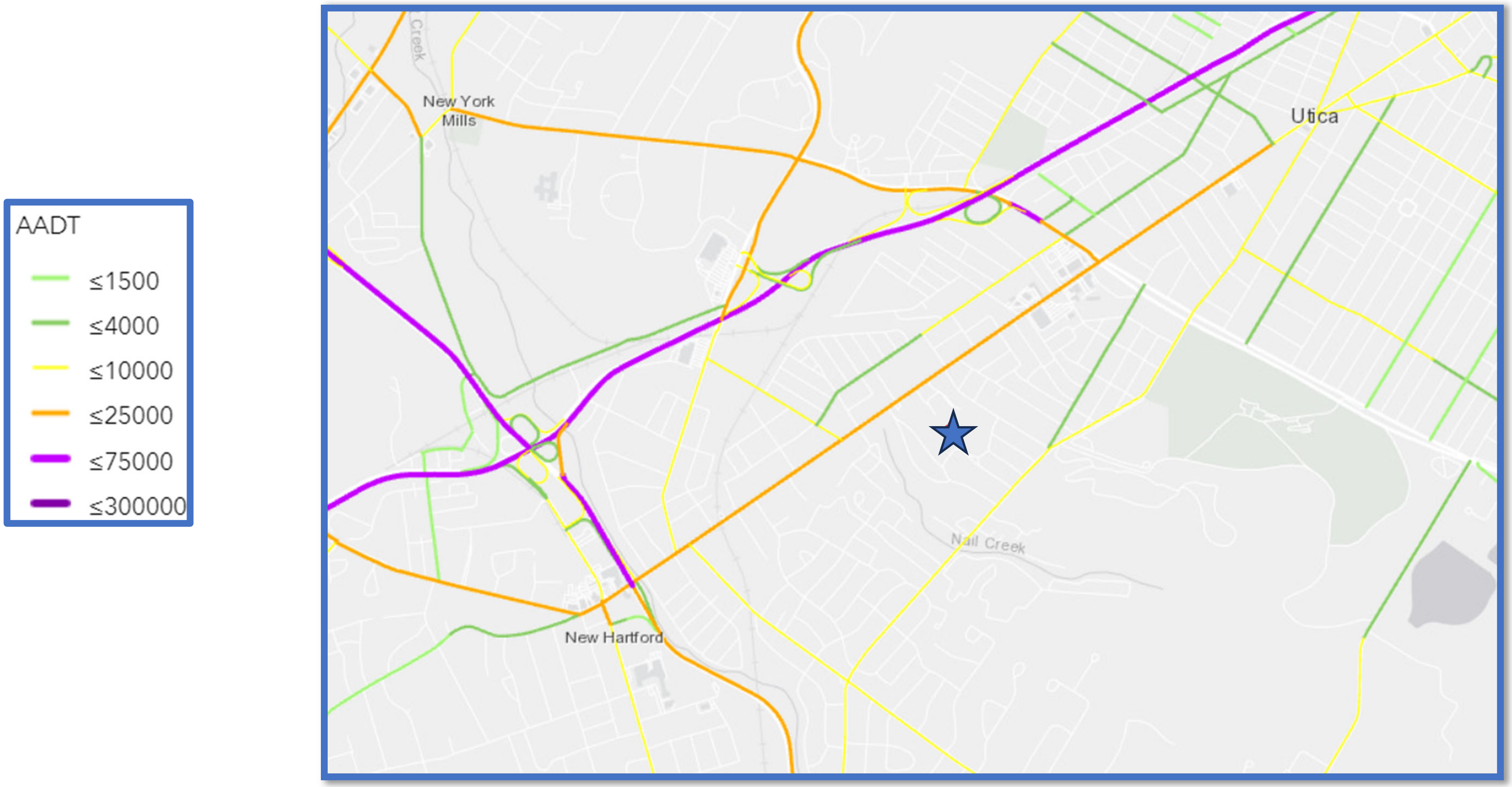
The map below shows the inflow and outflow of residents and workers in the City of Utica on a typical day. According CES OnTheMap, the City has 24,125 non-residents commuting into the City for work, 14,424 City residents commuting elsewhere for work, and 8,252 City residents staying within the City for work on a typical day. The City, therefore, has a net in-commuting population meaning more people are coming into the City for work than City residents leaving to work elsewhere.



Source: CES OnTheMap

Daily Traffic Volume

The NYS DOT Traffic Data map displays the average daily traffic volumes in City of Utica and the St. E's medical campus is denoted by a blue star. The hospital is located on Genesee Street which has an Annual Average Daily Traffic (AADT) of up to 11,957[1].



[1] AADT is the total volume of vehicle traffic of a highway or road for a year divided by 365 days.

Industry Analysis

The table to the right shows the industry composition of Utica and Oneida County in 2023. The industries are categorized based on their NAICS (North American Industry Classification System) codes and ranked according to the number of jobs in the City. For each industry, the table lists the number of jobs and the percentage of the total jobs in each region represented by that industry.

The largest industry in Utica, by job count, is the Health Care and Social Assistance sector, which accounts for nearly a third (30.5%) of the total jobs in the City. The second-largest industry in Utica is Government (21.1%), followed by Retail Trade (9.3%) and Manufacturing (8.1%). Together, these four sectors comprise ~69% of all jobs in the City.

Industry Composition - City of Utica & Oneida County, 2023

		City of Utica		Oneida County	
NAICS	Description	2023 Jobs	2023 % of Total Jobs	2023 Jobs	2023 % of Total Jobs
62	Health Care and Social Assistance	11,721	30.5%	20,387	18.9%
90	Government	8,120	21.1%	25,105	23.2%
44	Retail Trade	3,564	9.3%	11,368	10.5%
31	Manufacturing	3,121	8.1%	10,451	9.7%
72	Accommodation and Food Services	2,475	6.4%	7,537	7.0%
61	Educational Services	1,533	4.0%	3,611	3.3%
81	Other Services (except Public Administration)	1,336	3.5%	3,747	3.5%
52	Finance and Insurance	1,125	2.9%	5,881	5.4%
54	Professional, Scientific, and Technical Services	1,088	2.8%	4,072	3.8%
23	Construction	1,046	2.7%	3,030	2.8%
42	Wholesale Trade	892	2.3%	2,269	2.1%
56	Administrative and Support and Waste Management and Remediation Services	884	2.3%	3,111	2.9%
48	Transportation and Warehousing	427	1.1%	3,373	3.1%
71	Arts, Entertainment, and Recreation	424	1.1%	1,420	1.3%
51	Information	278	0.7%	759	0.7%
53	Real Estate and Rental and Leasing	205	0.5%	643	0.6%
55	Management of Companies and Enterprises	122	0.3%	433	0.4%
99	Unclassified Industry	89	0.2%	286	0.3%
11	Agriculture, Forestry, Fishing and Hunting	21	0.1%	601	0.6%
	Total	38,480	100%	108,082	100%

Source: Lightcast

Historical Industry Trends

The table below shows the historical changes to industry, by job counts, over the last ten years for the City and County. Accommodation and Food Services and Health Care and Social Assistance added the most jobs over the last ten years, adding 246 and 237 jobs respectively. In total, the City has lost approximately 6% of its jobs since 2013.

Historical Industry Composition - City of Utica & Oneida County, 2013 - 2023

		City of Utica				Oneida County			
NAICS	Description	2013 Jobs	2023 Jobs	2013 - 2023 Change	2013 - 2023 % Change	2013 Jobs	2023 Jobs	2013 - 2023 Change	2013 - 2023 % Change
62	Health Care and Social Assistance	11,484	11,721	237	2%	20,638	20,387	(251)	(1%)
90	Government	8,663	8,120	(543)	(6%)	26,810	25,105	(1,705)	(6%)
44	Retail Trade	3,665	3,564	(101)	(3%)	12,051	11,368	(683)	(6%)
31	Manufacturing	3,194	3,121	(73)	(2%)	8,273	10,451	2,179	26%
72	Accommodation and Food Services	2,229	2,475	246	11%	7,287	7,537	250	3%
61	Educational Services	2,423	1,533	(890)	(37%)	3,385	3,611	226	7%
81	Other Services (except Public Administration)	1,288	1,336	48	4%	3,852	3,747	(104)	(3%)
52	Finance and Insurance	964	1,125	161	17%	6,202	5,881	(322)	(5%)
54	Professional, Scientific, and Technical Services	1,242	1,088	(154)	(12%)	4,151	4,072	(78)	(2%)
23	Construction	1,042	1,046	3	0%	3,193	3,030	(163)	(5%)
42	Wholesale Trade	936	892	(44)	(5%)	2,603	2,269	(333)	(13%)
56	Administrative and Support and Waste Management and Remediation Services	1,989	884	(1,105)	(56%)	3,618	3,111	(506)	(14%)
48	Transportation and Warehousing	394	427	33	8%	3,730	3,373	(357)	(10%)
71	Arts, Entertainment, and Recreation	205	424	219	107%	1,700	1,420	(279)	(16%)
51	Information	931	278	(653)	(70%)	1,483	759	(725)	(49%)
53	Real Estate and Rental and Leasing	217	205	(12)	(6%)	798	643	(154)	(19%)
55	Management of Companies and Enterprises	124	122	(3)	(2%)	582	433	(150)	(26%)
99	Unclassified Industry	0	89	89	-	72	286	214	299%
11	Agriculture, Forestry, Fishing and Hunting	22	21	(1)	(4%)	574	601	27	5%
		41,013	38,480	(2,544)	(6%)	111,000	108,082	(2,918)	(3%)

Source: Lightcast

Housing Market Analysis

The following market analysis presents Esri housing and CoStar real estate market data for the City and County.

Housing Tenure

The table below shows the housing tenure statistics for Utica and Oneida County in 2023. The table indicates the percentage of housing units that are owner-occupied, renter-occupied, and vacant.

There are some notable differences between Utica and Oneida County regarding housing tenure. The proportion of owner-occupied housing units in the City (43.3%) is considerably less than that of the County (60.5%) meaning that Utica relies more on rental housing. The estimated vacancy rates are similar among both geographies.

Important Note: the Esri definition of "Vacant Units" comes from the U.S. Census Bureau and is a much wider definition[2] of "vacant" than the common use of the term to mean "units actively being marketed for rent/sale and unoccupied". Therefore, the vacancy rates shown below are not comparable to the Costar-reported vacancy rates.

Housing Tenure, 2023

	City of Utica	Oneida County
Owner-Occupied	43.3%	60.5%
Renter-Occupied	45.0%	28.3%
Vacant Units, Rate	11.7%	11.2%
Total Housing Units	28,515	104,847

Source: Esri

[2] See: https://www.census.gov/housing/hvs/definitions.pdf

Housing Units

The table to the right shows the distribution of housing units by structure type in the City and County. Most housing units in both regions are single-family detached homes, with the County having a higher percentage at 63% compared to the City's 43%. The regions differ in their distribution of other types of housing units, with the City having a higher percentage of duplexes and multi-unit buildings.

Housing Units by Structure

	City of Utica	Oneida County
Total	28,515	104,847
1, detached	43%	63%
1, attached	3%	2%
2	26%	12%
3 or 4	10%	6%
5 to 9	6%	4%
10 to 19	3%	2%
20 to 49	2%	2%
50 or more	7%	4%
Mobile home	0%	5%
Boat, RV, van, etc	0%	0%

Source: Esri BAO

This table shows the percentage of housing units in the City and the County by the year they were built. More than half (53.4%) of the City's housing stock was built prior to 1939. The newest housing units in both areas, built in 2010 or later, represent a very small percentage of the total housing units.

Housing Units by Year Structure Built, 2023

	City of Utica	Oneida County
Built 2020 or later	0.0%	0.0%
Built 2010 to 2019	1.1%	2.5%
Built 2000 to 2009	1.2%	4.4%
Built 1990 to 1999	2.4%	6.9%
Built 1980 to 1989	3.6%	8.4%
Built 1970 to 1979	6.0%	9.5%
Built 1960 to 1969	10.2%	11.4%
Built 1950 to 1959	14.3%	16.4%
Built 1940 to 1949	7.8%	6.7%
Built 1939 or earlier	53.4%	33.8%

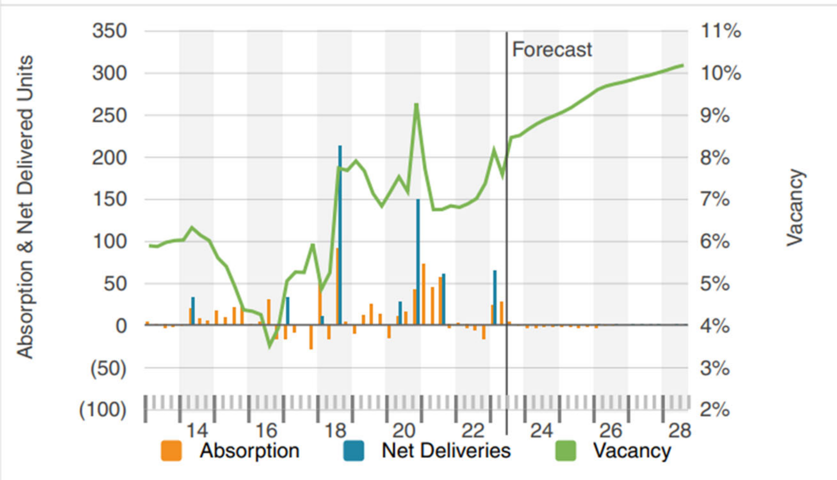
Source: Esri BAO

Multi-Family Housing Real Estate Market

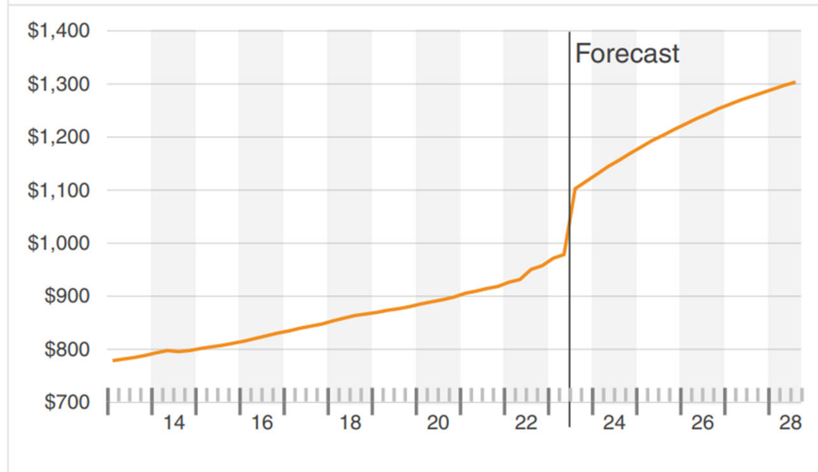
INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
4,714 +1.4%	0 -100.0%	34 +75.8%	7.5% +0.6%	$977 +4.0%	$105K -9.1%	9.1% +0.9%
Prior Period 4,650	Prior Period 64	Prior Period 19	Prior Period 6.9%	Prior Period $939	Prior Period $116K	Prior Period 8.2%

There are 4,714 multi-family housing units in the City of Utica included in the CoStar database, currently renting for an average of $977 per month. The County's multi-family market shows somewhat elevated vacancy rates, by historical standards, largely driven by significant deliveries from 2018 that created unused housing stock. However, it appears that some of those vacancies may be due to the presence of older, potentially obsolete units. This is because there have been several deliveries over the last ten years that were largely absorbed within the same year of delivery and market rents have persistently increased each year over the previous decade.

Absorption, Net Deliveries & Vacancy



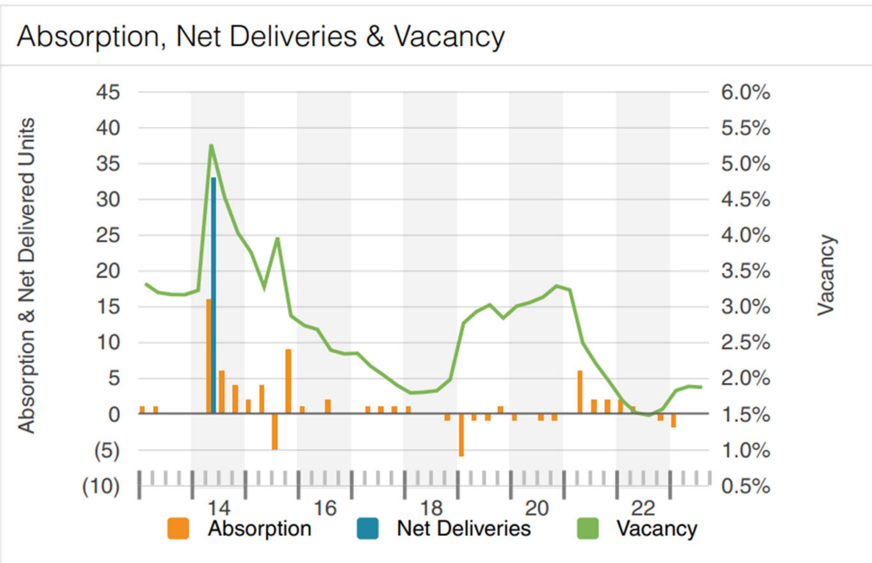
Market Asking Rent Per Unit

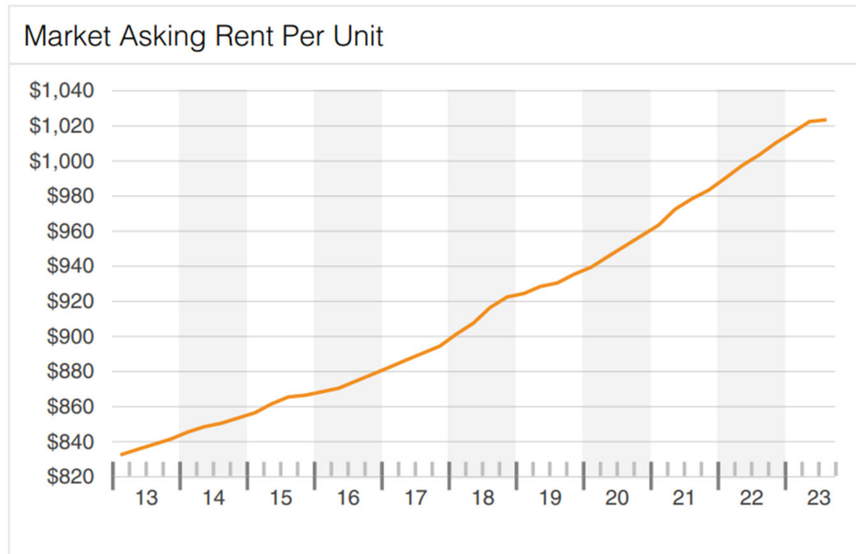


Multi-Family Submarket – Senior Housing

INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
781 +0%	0 -	(3) -149.9%	1.9% +0.4%	$1,023 +2.3%	$88.6K -8.2%	9.4% +1.0%
Prior Period 781	Prior Period 0	Prior Period 6	Prior Period 1.5%	Prior Period $1,000	Prior Period $96.6K	Prior Period 8.4%

In the CoStar database, there are 781 age-restricted multi-family housing units in the City of Utica, averaging a monthly rent of $1,023 per month. Senior housing units in the City of Utica are at near 10-year lows, currently estimated at 1.9%. There has been one delivery over the last ten years that added 33 units to the senior housing market at 100 Hobart Street in the Cornhill neighborhood. Rent prices have increased every year over the last ten years. Persistently low vacancy rates accompanied by steady rent growth suggest there may be unmet demand for additional senior multi-family housing in the City of Utica.

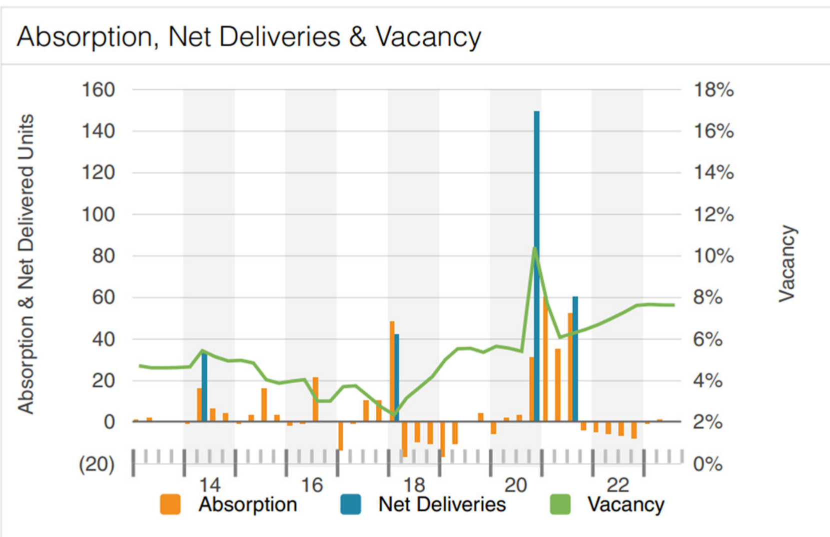


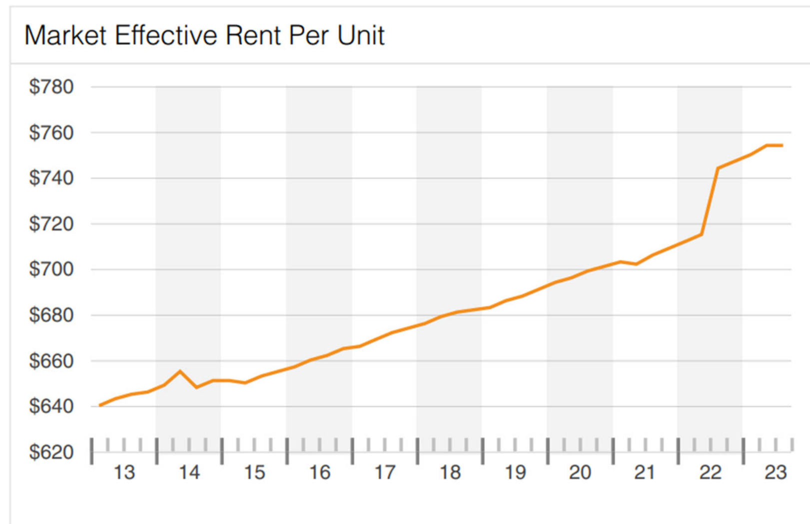


Multi-Family Submarket – Affordable Units

INVENTORY UNITS	UNDER CONSTRUCTION UNITS	12 MO ABSORPTION UNITS	VACANCY RATE	MARKET RENT/UNIT	MARKET SALE PRICE/UNIT	MARKET CAP RATE
2,256 +0%	0 -	(12) -247.0%	7.6% +0.5%	$759 +3.5%	$93K -9.3%	9.3% +1.1%
Prior Period 2,256	Prior Period 0	Prior Period 8	Prior Period 7.1%	Prior Period $734	Prior Period $103K	Prior Period 8.2%

In the CoStar database, there are 2,256 rent-subsidized housing units in the City of Utica, averaging a monthly rent of $759. Vacancy rates for affordable housing units have historically been below 6% but are currently estimated at 7.6% largely due to two significant deliveries that created more housing units that were not fully used. As noted in the previous section, a portion of those vacancies appear to be due to the presence of obsolete units. Indeed, there have been four deliveries over the last ten years that were quickly absorbed within a year of delivery, indicating sustained demand for affordable housing units. Rent growth has been nominal year-over-year and monthly rent is currently estimated at $759.

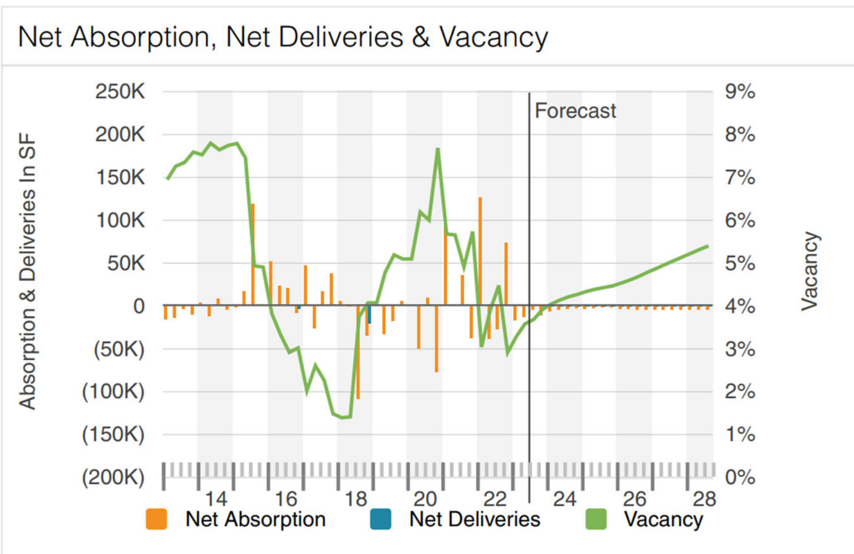


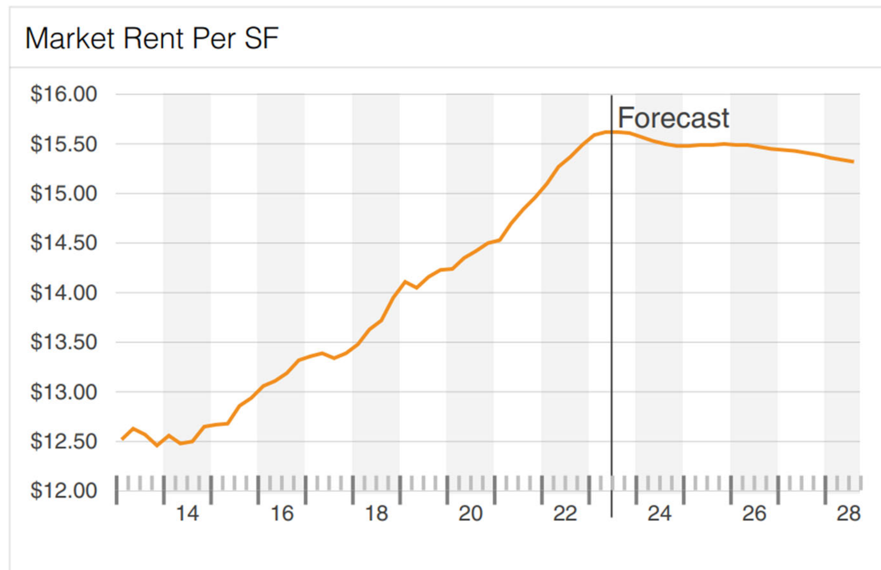


Office Real Estate Market

INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE	MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
4.7M +0%	0 -	33.4K -35.3%	3.4% -0.8%	$15.60 +2.0%	$119 -5.4%	10.7% +0.7%
Prior Period 4.7M	Prior Period 0	Prior Period 51.7K	Prior Period 4.2%	Prior Period $15.31	Prior Period $126	Prior Period 10.0%

In the CoStar database, the County's office real estate consists of 4.7 million square feet of space across 285 buildings. The office market has had fluctuating vacancies over the last ten years, ranging between 1.5% and 7.9%, currently estimated at 3.4%. Rent growth has also been volatile but prices have increased year-over-year from 2014, albeit from a low base. There have been no significant positive net deliveries in the last ten years.

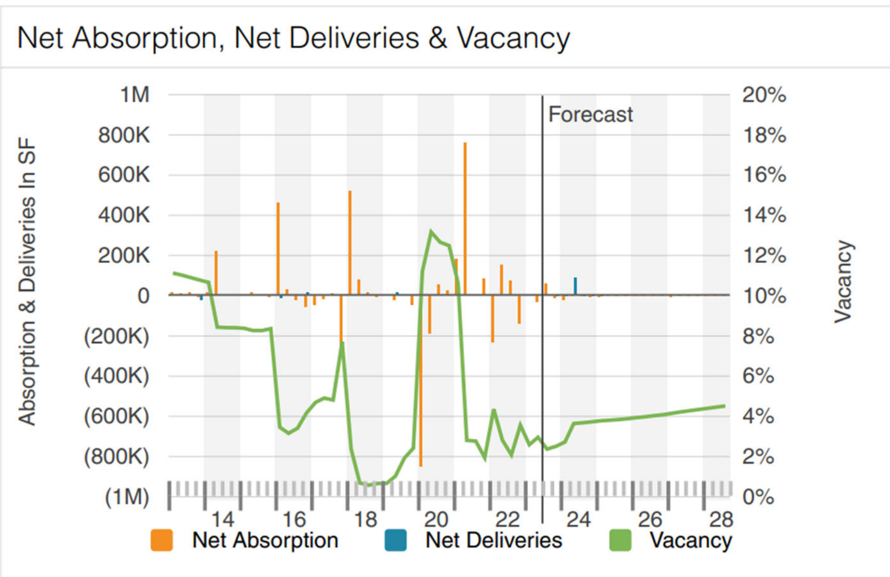


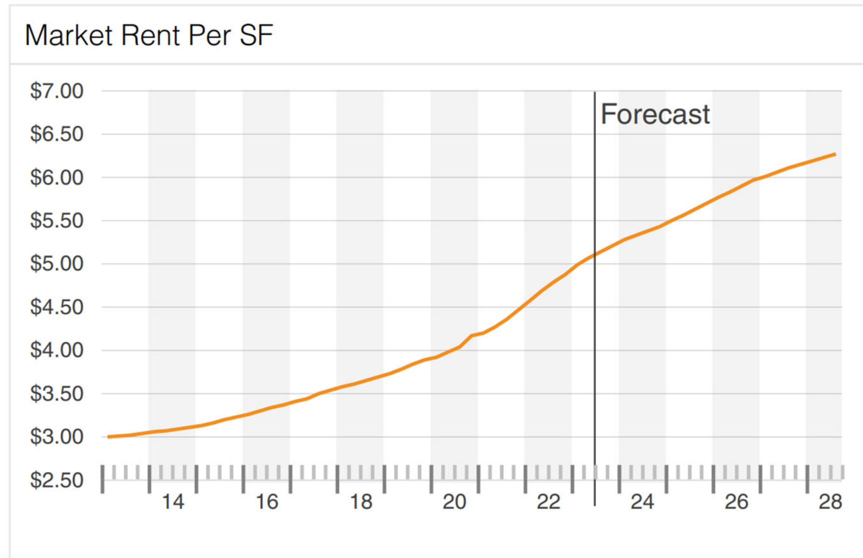


Industrial Real Estate Market

INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE	MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
9.7M +0%	90K -	(53.9K) -267.8%	2.0% -0.4%	$5.08 +7.5%	$109 -0.6%	8.1% +0.7%
Prior Period 9.7M	Prior Period 0	Prior Period 32.1K	Prior Period 2.4%	Prior Period $4.73	Prior Period $110	Prior Period 7.4%

The City of Utica's industrial real estate market has been somewhat volatile over the last ten years with vacancy rates ranging from 0.5% to 13%, currently estimated at a near 10-year low of 2.0%. Vacancy rates are projected to increase slightly to approximately 4.5% through 2028. There have been no deliveries since 2013. Rent growth has persistently increased each year over the last ten years, a trend that is expected to continue.



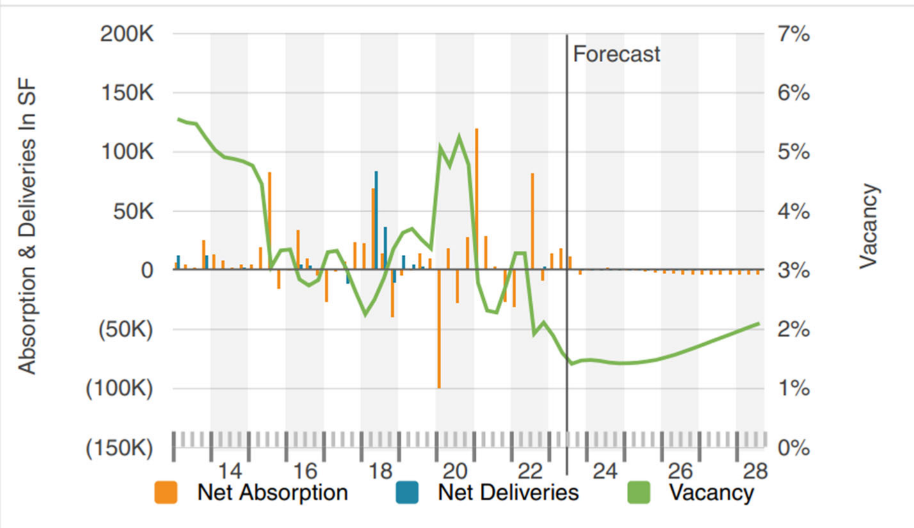


Retail Real Estate Market

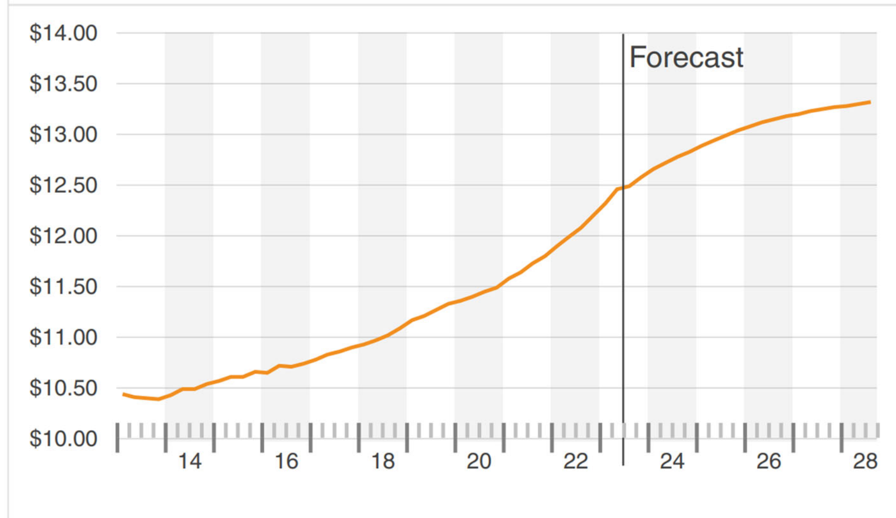
INVENTORY SF	UNDER CONSTRUCTION SF	12 MO NET ABSORPTION SF	VACANCY RATE	MARKET RENT/SF	MARKET SALE PRICE/SF	MARKET CAP RATE
5.9M +0%	0 -100.0%	76.7K +510.9%	1.3% -1.3%	$12.45 +3.5%	$103 +4.0%	7.8% +0%
Prior Period 5.9M	Prior Period 2K	Prior Period (18.7K)	Prior Period 2.6%	Prior Period $12.03	Prior Period $99	Prior Period 7.8%

CoStar reports overall retail vacancy rates at 1.3%, a ten-year low, with 5.9 million square feet in inventory captured in the CoStar data. Retail vacancies are projected to be at or below 2% through 2028. The few retail deliveries over the last ten years have been mostly leased upon delivery or leased shortly thereafter. Modest rent growth has occurred year-over-year since 2014 but market rents remain low.

Net Absorption, Net Deliveries & Vacancy



Market Rent Per SF



Hospitality Real Estate Market

CoStar's hospitality data captures information from an area's "flagged" hotels, which are those hotels owned or branded by a national chain. The data does not capture data from small, unbranded properties such as boutique hotels and short-term rental listings.

Below are key performance indicators from the CoStar data of the hospitality market in the City of Utica.

INVENTORY ROOMS	UNDER CONSTRUCTION ROOMS	12 MO OCC RATE	12 MO ADR	12 MO REVPAR	MARKET SALE PRICE/ROOM	MARKET CAP RATE
754 +0%	0 -	56.9% +1.6%	$140 +9.4%	$80 +11.1%	$69.5K +10.5%	9.3% +0.1%
Prior Period 754	Prior Period 0	Prior Period 56.1%	Prior Period $128	Prior Period $72	Prior Period $62.9K	Prior Period 9.2%

The City's fundamental hospitality real estate market indicators have improved in recent years. According to CoStar, there are 754 hotel rooms in the City of Utica. The 12-month occupancy rate increased 1.6% from the prior period to 56.9%, higher than the 10-year average of 52.5%. The 12-month Average Daily Rate (ADR) is currently estimated at $140, which is 9.4% higher than the prior 12-month period and higher than the 10-year average of $116.7. This means that hotels have been able to increase the occupancy rate while also charging more per room per night compared to the 10-year average. The 12-month Revenue Per Available Room (RevPAR) is $80, greater than the 10-year average of $61.5.

For comparison purposes, the hospitality market's key performance indicators in Onieda County are shown below.

INVENTORY ROOMS	UNDER CONSTRUCTION ROOMS	12 MO OCC RATE	12 MO ADR	12 MO REVPAR	MARKET SALE PRICE/ROOM	MARKET CAP RATE
3,320 +0%	0 -	55.4% +0.9%	$138 +8.3%	$77 +9.3%	$69.7K +8.2%	9.6% +0.2%
Prior Period 3,320	Prior Period 0	Prior Period 54.9%	Prior Period $128	Prior Period $70	Prior Period $64.4K	Prior Period 9.4%

According to CoStar, there are 3,320 rooms in the County. Like the City, Oneida County's hospitality market is experiencing positive growth in the key performance indicators of occupancy rates, pricing, and revenue.

Summary of Other Reports

Market Analysis Mohawk Valley Health System Campuses (2019) by Fairweather Consulting

Seniors, empty nesters looking to downsize and mid-career professionals seeking to establish families drive an annual demand for 330 to 500 multifamily units in Oneida County. New tech workers at the Marcy Nanocenter and the downtown hospital also drive housing demand. Current housing products do not align with housing preferences. In recent years, several high-end apartment developments have seen strong demand and achieved premium price points.

The national disruption of the retail market means it cannot serve as a driver for redevelopment, though retail and hospitality will likely play a role in mixed-use development of campuses. Review of past and current projects suggest there may be a total of 20,000 to 25,000 square feet dedicated to various retail uses for which the campuses can compete.

National and regional overhang of vacant offices, increased tech innovation, and low office-employment growth make office redevelopment unlikely for the MVHS campus. Institutional partnerships with higher education institutions or health care organizations could occupy significant space on repurposed campuses. Interviews with realtors revealed it would be “virtually impossible” to build new office space with rents of less than $15 per square foot.

Utica Housing Study (2022) by czbLLC

Population growth in the City of Utica is outpacing the growth rate of most other Upstate New York communities. Population growth with a decline in the number of households is explained by the average household size expanding significantly, largely due to refugee resettlements in Utica. There is a high level of “need” (defined by czb as households requiring housing, but being financially shut out) but a low level of “demand” (defined by czb as households with sufficient resources to acquire suitable housing in the City).

The City has “…among the least expensive housing in the region, and suburban settlement patterns…” Therefore, while the City’s strongest market segments are limited in scale, significant housing demand exists within the County but outside the City: “the city’s overall share of Oneida County households […] above $75,000 [in household income] are underrepresented […] Overall, Utica has 3,369 fewer households earning $50,000 or more than it would if it had its [proportional] share of housing demand in Oneida County.”

[Reviewer’s note: the income band of $75,000 and above would be the most appropriate to consider for the St. E’s site. The vast majority of the “missing” 3,369 households mentioned above fall into the $75,000+ income band, as czb notes. According to czb, these households can afford rents ranging from $1,875 up to more than $3,750 per month and purchase prices from $225,000 to more than $450,000 per unit.]

Area residents, on the other hand, are used to paying much less than 30% of household income for housing. Median gross rent in the highest-rated neighborhoods is $757 and average sale price is $175,375: "…there are also many households that spend well below their capacity to pay […] As a result, they may be able but not "willing" to pay $2,000 per month for a new housing product … when so much on the market costs far less."

To have a financially feasible development, new rental construction would require rents of at least $2,100 for a typical unit and new single-family construction would require a purchase price of $375,000, both of which exceed market rents/prices by a significant margin. Therefore subsidies are essential to make new development work.

The czb hospital's redevelopment concept includes multifamily and neighborhood commercial components and a single-family component. The concept more specifically consists of:

- 24 rental units (market-rate) at about $1,500/month rent.
- Neighborhood scale commercial uses mixed-use structures.
- 40 single-family homes prices in the mid-$300,000s.
- Targets for this development would be young families earning $125,000+ annually, young professionals earning $55,000, and single earners with kids earning $35,000.

[Reviewer's note: Our experience indicates that the presumed rent price of $1,500/month and sales price of $300,000 would not be sufficient for a developer to recoup his/her investment. Likewise, "single earners with kids earning $35,000" would be significantly cost-burdened at this rent price (more than 50% of income going to rent.) As such, it does not appear that this concept would be feasible without a very high subsidy, the source of which is unclear.]

<u>Medical Facility Assessment Utica Area Facilities (2019) by CHA Consulting</u>

A majority of the St. E's site falls under the Planned Development District – Extraordinary (PD-E) Zoning, with a small portion (0.6 acres roughly) falling under Neighborhood Commercial (C-N) Zoning[3]. The site does not contain archeological sensitive areas, freshwater wetlands, national regulated waterbodies, nor rare or endangered plants. There are no major electrical issues on the campus. Domestic water service pipes show heavy corrosion and are in poor condition.

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[3] Note, however, that the zoning classification has changed since this 2019 report by CHA. The current zoning of the St. E's site is *Neighborhood Mixed-Use (NMU).* The NMU District Permits a variety of residential, lodging, and commercial uses. If necessary, the City of Utica Zoning Code also permits Planned Development Districts for unique sites such as the St. E's campus. Generally speaking, the NMU District appears to permit the type of uses contemplated for the reuse of the site.

Table 1. St. Elizabeth Hospital Campus Facilities Condition Matrix

	Exterior Walls	Roofs	Exterior Walls	Curtain Walls	Exterior Doors	Interiors	Structure
Main Hospital	GC/NP	NR/NRe	GC	NA	GC	EC	EC
CAT Scan Building	NRe	NR	GC	NA	GC	GC	EC
Chapel	GC	NR	FC	NA	NA	GC	EC
Parking Garage	FC	NA	NA	NA	NA	NA	NRe
Design Center	EC	NR	GC	NA	GC	EC	EC
Boiler Plant	EC	NA	EC	NA	EX	EC	EC
Co-Gen Building	FC	NA	FC	NA	FC	FC	GC
Maintenance Building	GC	NA	EC	NA	GC	GC	EC

Conditions Key:
FC – Fair Condition
EC – Excellent Condition
GC – Good Condition
N – New
NA – Not Applicable
NP – Needs Pointing
NR – Needs Replacement
NRe – Needs Restoration

Findings

MRB Group's initial findings are summarized below, as confirmed via interviews with regional developers.

Residential Uses

Utica's real estate market has many older, obsolete housing units, the presence of which masks a tightening and growing marketplace for residential for-sale and for-rent units. Consider:

- The population and number of households has increased in Utica over the last thirteen years (2010-2023 est.), despite a decrease of both metrics for Oneida County over the same period.
- Median home value in the City is expected to increase by 12% over the next five years.
- With the City's current housing stock, it appears that some obsolete units will come off the market while others will be renovated and still others will be added to the supply.
- The anticipated opening of the new downtown hospital, together with an already-increasing interest by developers in the downtown, we see these trends increasing in the years to come (i.e. rising home values, increasing investment, increasing population in the City, etc.)

The best target markets for these trends are:

- Households earning more than $75,000 annually, currently existing within the County, that desire more city-like amenities and are prepared to buy/rent under the right conditions,
- In-commuters beyond the County from households earning more than $75,000 who want the same,
- Age-restricted and workforce housing in good condition, which is in very short supply.

Based on recent trends and as confirmed by czb and our developer interviews, the City is far below the saturation point for quality units that meet the above targets. We believe that at least 2,000 units could be supported in the City by such demand, provided the pricing and amenities are scaled properly. The market would support both rentals and owner-occupied units (condos) and the current mix of bedroom counts appears to be around 75% one-bedrooms and 25% two-bedrooms. Rentals will need to be priced at around $2.00 per square foot and owner-occupied units at ~$350,000+ per home.

In addition to these targets, there is almost unlimited market demand for affordable rentals (czb estimates over 6,000 units needed for just existing cost-burdened households).

The Utica housing market is in flux right now, on the upswing after decades of decline. In just the last year, more than 800 units of housing have been added or will shortly be added to the inventory in the City. The MVHS' new hospital is set to open in November 2023 which has helped jump start demand in the target markets described above. Some of the new inventory is commanding premium prices (rentals at $2.00/sf+), unprecedented and unexpected for Utica. These are all signals of an improving residential market where demand appears to have reached market-clearing levels (i.e. rents/purchase prices sufficient to cover the cost of new construction).

This recent success also shows the importance of subsidies. To our knowledge, all of the new units added to inventory had at least one, and often multiple, forms of subsidy to achieve viability. In the short-to-medium term, we anticipate that the need for development subsidies will continue until the City's housing market is fully rehabilitated from its decades-long slump.

Non-Residential Uses

The market demand for non-residential uses is somewhat more mixed and nuanced. The findings below only cover uses appropriate for the St. Elizabeth site.

- <u>Office</u>: It has been more than ten years since any substantial new office space has been delivered and pricing remains quite modest. Other than a small amount of medical office space, perhaps related to the new MVHS campus, we do not believe this presents an opportunity for the site.
- <u>Light Industrial</u>: A small scale industrial use could work at the site, as long as it is complementary to the balance of the development on site. This would likely be limited to craft food and beverage manufacturing, artisanal clothing production or similar uses.
- <u>Retail</u>: While the retail market is currently experiencing low vacancy rates, pricing remains very low and would not likely support new development of anything large-scale. Instead, the opportunity here would be based on local demand from the site itself (once redeveloped) and demand from the relatively high-income surrounding neighborhoods[4]. The most appropriate location would be facing Genesee Street, with small-format retail space on the ground floor and parking in the rear. We believe a fully redeveloped site could include 5,000-15,000 square feet of retail with a focus on local demand, such as food and beverage establishments.
- <u>Hospitality</u>: This location is not ideal for hospitality use and the market is not particularly strong for lodging.

Institutional uses are not subject to market forces to the degree the other uses described above. However, given that the site was originally built for institutional use, and that the existing school of nursing is likely to remain on site, an institutional use would be appropriate on site. The most

[4] The czb report rates the surrounding neighborhood as the top tier in the City in terms of a wide range of factors, including income.

common institutional use mentioned by stakeholders was an educational one (School of Nursing, BOCES, vocational training, etc.), but a facility like a nursing home might also fit in the existing structures[5].

[5] Note, however, that we did not conduct an assisted living/nursing home demand analysis.

Market Implications for the St. Elizabeth's Reuse Plan

The market analysis has an unambiguous finding: the reuse of the St. Elizabeth Hospital site must be anchored by housing as the main component and driver, with other complementary uses mixed in.

The reuse plan should contemplate the following:

- Critical to success is that the reuse plan have a "campus" feel with a mix of residential unit types along with some complementary non-residential uses.
- At a minimum, 200 units of housing is necessary and supportable in the market to achieve the density needed for a successful redevelopment.
- Those units should mostly be geared towards market-rate rentals, but should also include some amount of workforce housing. We recommend 50 units of workforce housing as that number aligns with the maximum unit count allowed for a particularly useful HCR funding program targeting households at 80% of area median income[6] (which is based on County data and is well above average household income in the City).
- A majority of units should be one-bedroom, with the balance being mostly or exclusively two-bedroom units. A limited number of three-bedroom units could be added.
- Most of the units would be located in an adaptive reuse of the main hospital building, done in a historically-sensitive manner in order to preserve the right of a developer to attain state and federal historic rehabilitation tax credits.
- We recommend multi-story, new-build construction fronting Genesee Street. On the upper floors would be upscale housing (rentals or condos). On the ground floor would be a limited amount of retail space with sufficient tuck-under parking to accommodate the upper-floor units, and appropriate design features to mask this use from view from Genesee Street.
- Commercial spaces fronting Genesee Street should be small-format food and beverage tenants, with other retail services relying on demand from the neighborhood. At least one unit should be large enough (or be capable of being combined with another space to be large enough) to accommodate a craft food-and-beverage producer.
- Depending on site constraints (internal roadways, parking), owner-occupied, three-bedroom townhouses could be built in the interior of the site, with appropriate greenspace.

[6] "Workforce Housing" is not a defined by regulation but is used commonly to focus on the typical worker in a geography. For example, a four-person household in the Utica market at 80%-100% AMI would earn between $68,150, 100% and $85,200.

Any such development will require a large public subsidy to be achievable. In addition to state and federal historic rehabilitation tax credits, we anticipate that the required subsidy would be around $10 million, given the need to do demolition and site prep work.[7] Among other needs, we believe the physical plant will have to be decommissioned, abated, and demolished (and, potentially, the parking garage pending further study.)

This subsidy could come in the form of state assistance, particularly through a RestoreNY special projects grant, ESD funding for the commercial portions, and HCR funding for the workforce housing. In terms of local subsidy, we anticipate the need for a substantial and long-term IDA PILOT agreement, City assistance for any infrastructure needs, and funding from MVHS itself related to the decommissioning, abatement and demolition of portions of the site.

Finally, we recommend that a "maximum development scenario" PUD and GEIS be completed for the site to be shovel-ready for a future developer. This will allow maximum flexibility for that future developer to adapt to changing market conditions.

[7] A financial analysis will be done in a later stage of this project to validate this figure.