



VILLAGE PARCEL MARKET ANALYSIS

Town of Kennebunkport, ME

OCTOBER 2019

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ABOUT CAMOIN 310

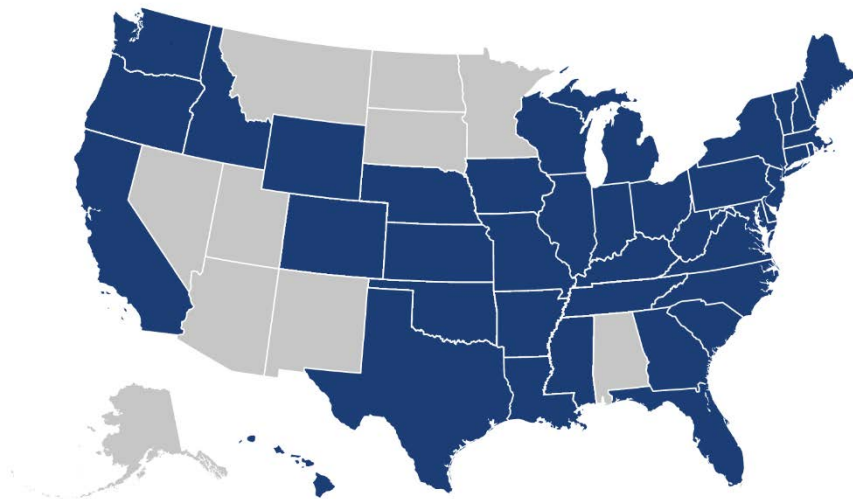
Camoin 310 has provided economic development consulting services to municipalities, economic development agencies, and private enterprises since 1999. Through the services offered, Camoin has had the opportunity to serve EDOs and local and state governments from Maine to California; corporations and organizations that include Lowes Home Improvement, FedEx, Amazon, Volvo (Nova Bus) and the New York Islanders; as well as private developers proposing projects in excess of \$6 billion. Our reputation for detailed, place-specific, and accurate analysis has led to projects in 40 states and garnered attention from national media outlets including Marketplace (NPR), Forbes magazine, The New York Times and The Wall Street Journal. Additionally, our marketing strategies have helped our clients gain both national and local media coverage for their projects in order to build public support and leverage additional funding. We are based in Saratoga Springs, NY, with regional offices in Portland, ME; Boston, MA; Richmond, VA and Brattleboro, VT. To learn more about our experience and projects in all of our service lines, please visit our website at www.camoinassociates.com. You can also find us on Twitter [@camoinassociate](https://twitter.com/camoinassociate) and on **Facebook**.

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EXECUTIVE SUMMARY

The Town of Kennebunkport has undertaken an effort to develop a Master Plan for an 87-acre Town-owned parcel near the village area, known as the "Village Parcel." The purpose of the Master Plan is to provide a roadmap for future development and/or conservation on the Village Parcel that aligns with the values of the community and contributes to the exceptional quality of life in town. To ensure that the proposed development scheme aligns with market realities, Camoin 310 has been engaged to conduct a residential market analysis and financial feasibility analysis for the site.

Total demand for new year-round housing units in Kennebunkport is estimated at between 330 and 542 new units over the next five years (through 2024). This is the total amount of new housing that could be supported in town, whether on the Village Parcel or elsewhere. Of this demand, about 40% will come from those seeking housing priced above \$400,000 (i.e. market-rate housing) and 60% for "affordable" housing (i.e. housing priced below \$400,000 and accessible to households earning between \$50,000 and \$100,000 annually). About half of overall demand will come from senior (55+) households, who will seek both active and assisted living options. Another sizable demand segment will be both market-rate and affordable family homes for the 35-54 age cohort (33% of total demand).

"Affordable" starter and family homes are in limited supply in Kennebunkport, which has resulted in significant pent-up demand among residents of the region who would prefer to live in the town if affordable options were available. Such housing has been identified by the Town as a need to attract young families and provide housing for the town's workforce. We project demand from non-senior households (those aged under 55) at about 125-150 homes at below-market ("affordable") price points in the next five years. This figure takes into account future regional growth in households as well as existing households in the region who would relocate to affordable housing in Kennebunkport if it were available.

In planning for the future of the Village Parcel, the Town aims to satisfy multiple community goals, including but not limited to, (1) siting future Town facilities such as a new Town Hall, (2) preserving open space for active and passive recreation, (3) providing affordable housing options, and (4) reserving portions of the site for long-term future needs that may arise. An ideal outcome would be to achieve these goals while also having a neutral or positive fiscal impact on Town finances. In order to minimize the fiscal impact to the Town, private market-rate residential development is needed to offset the public costs of these objectives. The purpose of the financial feasibility analysis is to determine the extent to which private residential development would be able to offset past and future public expenditures on land acquisition and infrastructure.

A phased approach to developing the site would allow the Town to reserve a portion of the site for long-term needs. The initial phase, extending about one third of the way into the property from North Street, could accommodate about 40 to 50 homes averaging 1,800 SF on quarter-acre to half-acre lots. Market-rate homes would sell for approximately \$540,000 on average. After allowing for necessary infrastructure costs of \$3.8 million, this phase undertaken by a private developer would generate about \$1.5 million in proceeds for the Town that could go towards paying back the Town's initial \$10 million in land acquisition costs, subsidizing affordable housing, or funding other public expenses. Note that additional proceeds could be generated from development of future phases on the remaining two thirds of the parcel. If desired by the community, a portion of housing units could be designated as affordable and would sell at a below-market prices. This would reduce Town proceeds on the initial phase by about \$100,000 per unit.

INTRODUCTION

The Town of Kennebunkport has undertaken an effort to develop a Master Plan for an 87-acre Town-owned parcel near the village area, known as the “Village Parcel.” The purpose of the Master Plan is to provide a roadmap for future development and/or conservation on the Village Parcel that aligns with the values of the community and contributes to the exceptional quality of life in town. Public input gathered through a series of public engagement sessions and other opportunities for community participation suggests that many community members are interested in conserving the land for recreational use, while others are amenable to residential development, especially year-round housing that supports the needs of local residents and workers. The Village Parcel is Commercial development is generally not desired for the Village Parcel.

Having completed a Housing Needs Assessment in 2018, the Town has set a goal to develop housing that is affordable to households earning between 80% and 120% of the median household income for Kennebunkport. The Village Parcel has been identified as a site where some of this housing could be accommodated, together with market-rate housing and/or other uses.

Preliminary design work has been completed for the parcel, which has led to a conceptual scheme that lays out residential lots and conservation areas across the site. To ensure that the development scheme aligns with market demand, Camoin 310 has been engaged to conduct a residential market analysis for the site. The purpose of the market analysis is to quantify the amount and type of residential development that could be absorbed in the local housing market into the future. It considers demand for both market-rate and affordable housing. The results of the market analysis will be used to refine the Master Plan to reflect market realities.

This analysis also evaluates the financial feasibility of developing the Village Parcel, weighing the infrastructure costs needed to support future development against the intensity of development needed to offset those costs and create a competitive return on investment. The financial feasibility analysis determines the minimum number of housing units needed to (1) cover the cost of the infrastructure investment and allow for a competitive return; and (2) allow the Town to achieve some level of affordable housing development.

REGIONAL ECONOMY

A fundamental factor that influences the demand for housing is the health of the regional economy. Healthy, growing economies add jobs, which attract workers and create housing demand. A robust regional economy means a strong pool of potential homebuyers and renters that could absorb new housing supply regionally and locally.

Employment growth in Southern Maine (defined as Cumberland and York counties) has been strong over the past five years, with over 20,000 new jobs added. The five-year job growth rate of 7.5% was just below that of the nation's 8.3%, and considerably stronger than Maine's 4.2% growth.

After a decade of strong economic growth, job growth is projected to slow nationally in the coming years with many economic forecasters predicting some degree of recession. In Southern Maine, growth is expected to slow considerably based on national trends in the region's industries. In particular, a considerably decelerated rate of growth is anticipated for the Manufacturing sector; Professional, Scientific, and Technical Services; Construction; Finance and Insurance; and Accommodation and Food Services. To be sure, these sectors will continue to grow in the region, albeit more slowly. The only sectors in Southern Maine expected to see considerable job losses are Retail Trade and Government.

We expect the slowing economy to have a softening effect on the region's currently very hot housing market, but anticipate steady demand for new product that meets the needs of prospective homebuyers and tenants.

Figure 2

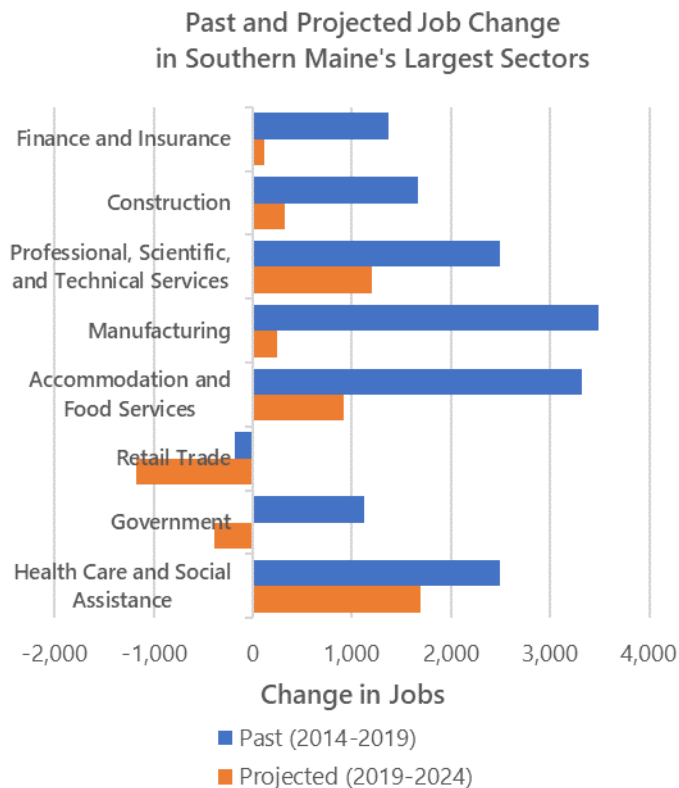
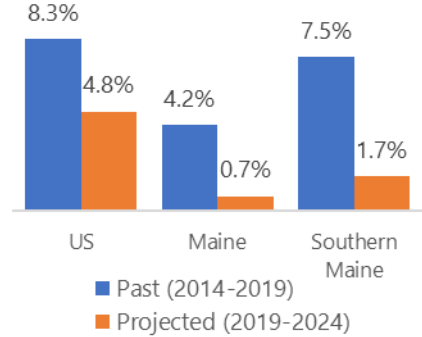


Figure 1

Employment Growth, Past and Projected



Kennebunkport is unique in that housing demand has been increasingly driven by seasonal residents and retirees, rather than local workers. This means that the town's housing market is more immune to regional economic downturns since significant housing demand comes from outside of the region. At the same time, high levels of demand also contribute to very high housing prices which are often unaffordable to the local workforce. Despite these somewhat unusual market dynamics, regional economic growth is still an important factor to consider in any housing market analysis.

It should be noted that this analysis focuses on the future demand for year-round housing, and does not address any seasonal resident housing demand.

RESIDENTIAL MARKET ANALYSIS

The first step in conducting a residential market analysis is to identify the geographic area from which new housing product would be most likely to draw buyers or renters, the Housing Market Area (HMA). For this analysis, we assume that the target market is year-round residents, and not seasonal residents, and therefore, we have drawn the HMA to include the communities that align with Kennebunkport's labor shed, i.e. the area where most Kennebunkport residents work and most Kennebunkport workers live.

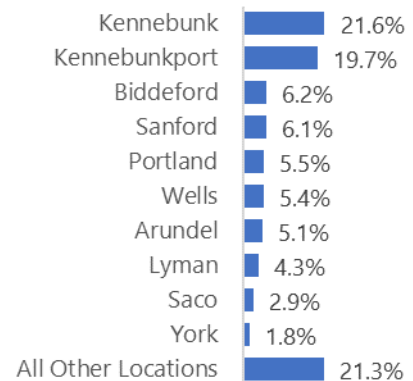
New housing on the Village Parcel would provide those who work in town but reside elsewhere in the region an opportunity to live closer to work. Some who work outside of town may be drawn to the community for other reasons and would still be within reasonable commuting distance to job centers within the HMA. Still others who already live in Kennebunkport may find their housing needs are better met by new housing product offered at the Village Parcel.

The HMA is defined to include 11 cities and towns in the immediate region, as drawn in Figure 6 on the next page. These communities include: Alfred, Arundel, Biddeford, Dayton, Kennebunk, Kennebunkport, Lyman, Old Orchard Beach, Sanford, Saco, and Wells. The HMA is home to over 70% of those employed in Kennebunkport. About half all jobs to which Kennebunkport residents commute are located in this area. Refer to Figure 3 and Figure 4.

As shown in Figure 5, about 47% of Kennebunkport residents who recently moved¹ relocated from within York County and another 12% located from elsewhere in Maine (more than half of those from Cumberland County). The remaining 41% moved from another state, and a statistically insignificant number relocated from abroad. This indicates that a sizable portion of the target market may live outside the region (primarily retirees), and therefore, demand quantified for this analysis is likely understated.

Figure 3

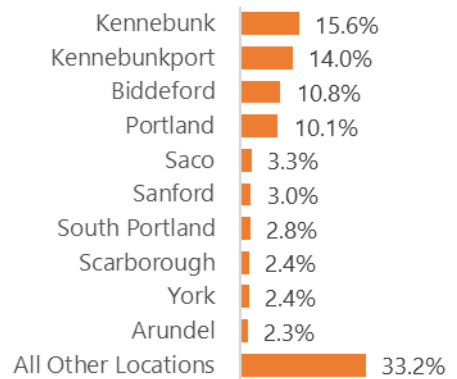
Where Kennebunkport Workers Live, 2015



Source: Census LEHD OnTheMap

Figure 4

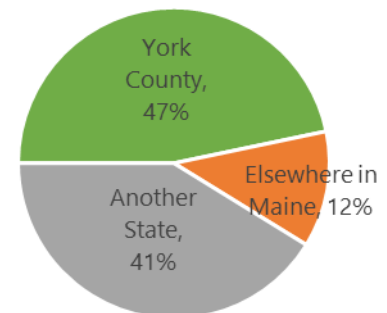
Where Kennebunkport Residents Work, 2015



Source: Census LEHD OnTheMap

Figure 5

Residents Have Moved From



Source: ACS 5-year 2017

¹ Residents who were surveyed from 2012-2017 and had moved in the previous year (American Community Survey)

Kennebunkport's estimated 2019 year-round population of about 3,800 makes up approximately 3.3% of the population of the HMA. The town is the third smallest, after Dayton and Alfred. The largest communities in the HMA include Biddeford (19.6% of the total population), Sanford (18.5%), and Saco (17.3%).²

Since 2010, the HMA has added about 13,400 residents. The communities that contributed the most to this growth were Wells, which added over 1,500 residents, Saco (+1,300), and Kennebunk (+1,000). Kennebunkport grew by 250 residents over this period, growing at a slightly faster rate than the HMA as a whole (0.78% per year versus 0.68%), and much more quickly than Maine, which grew by only 0.24%. This compares to a national average annual growth rate of 0.75%.

Figure 6

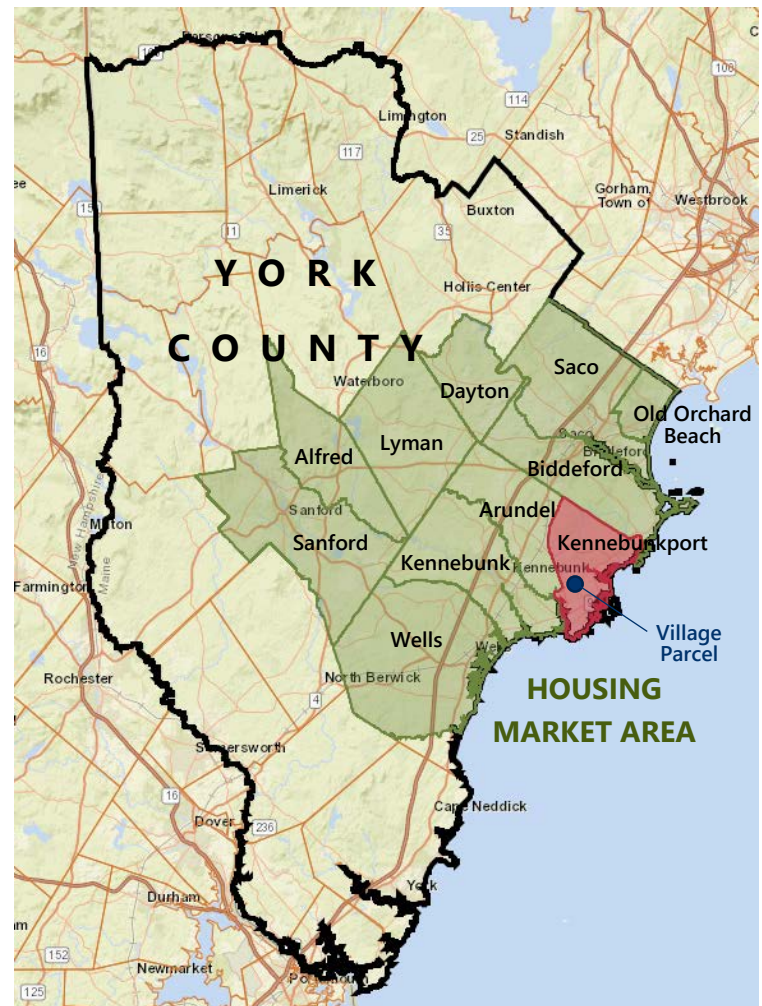
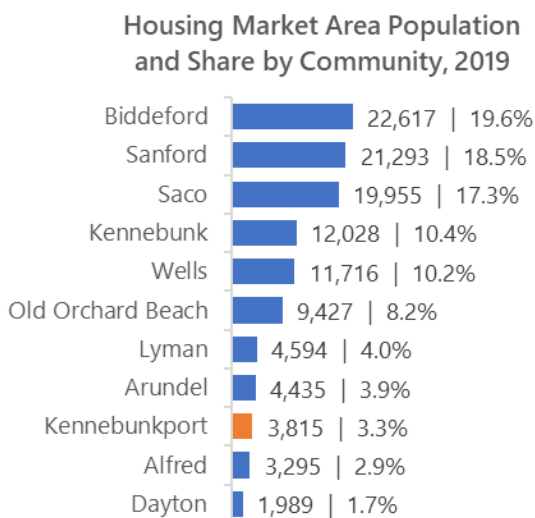
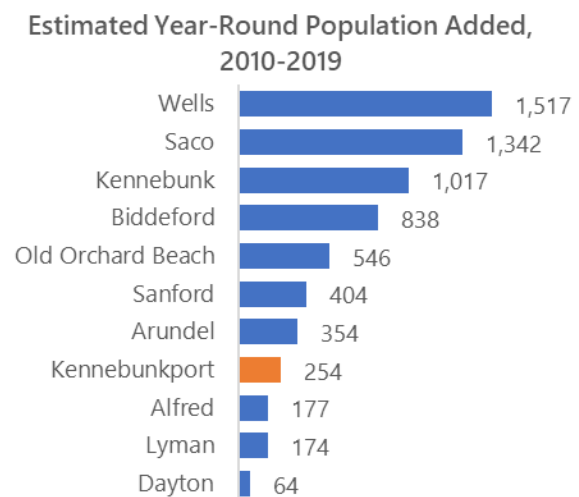


Figure 7



Source: Esri

Figure 8



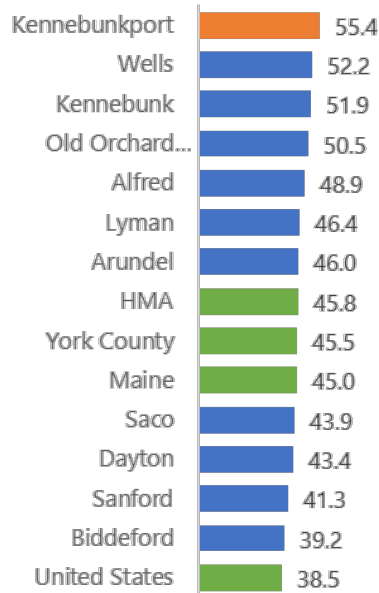
Source: Camoin 310, Esri, State of Maine

² Esri

Demographics

Figure 10

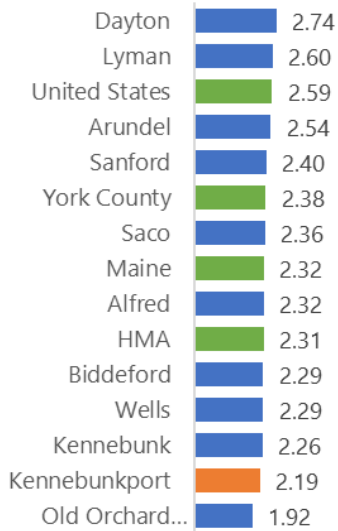
Median Age, 2019



Source: Esri

Figure 9

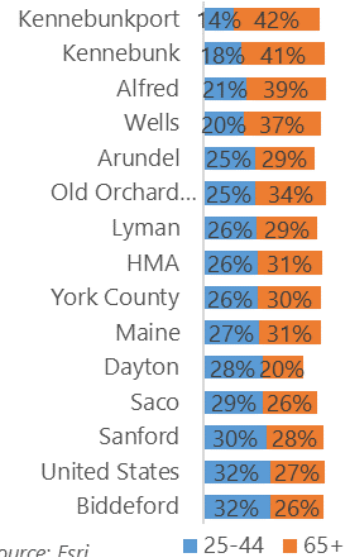
Average Household Size, 2019



Source: Esri

Figure 11

Share of Family-Age (25-44) vs Senior (65+) Households, 2019



Source: Esri

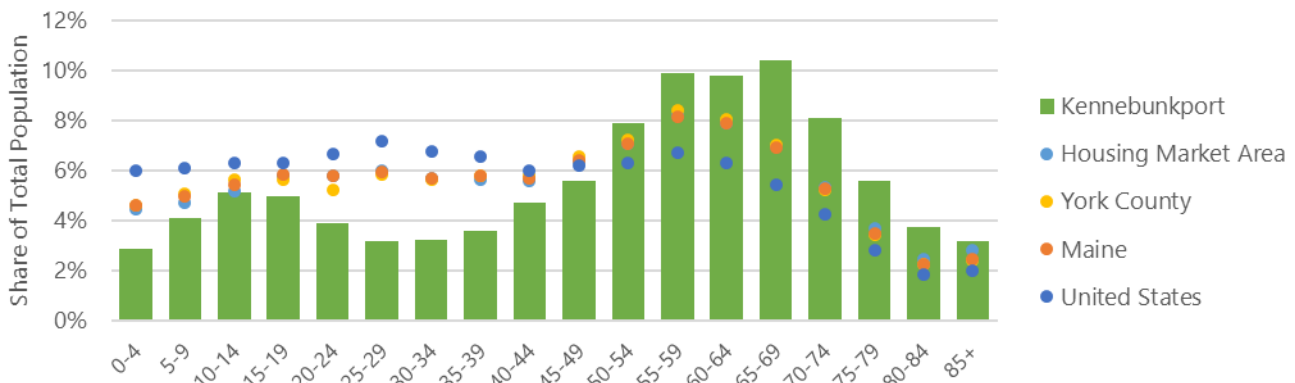
■ 25-44 ■ 65+

Kennebunkport's popularity as a destination for second-home owners and seasonal residents has constrained the year-round housing stock and driven up housing costs. This has resulted in the town becoming a demographic outlier within the region, becoming wealthier and older over time. At 55.4 years, the town's median age is the highest of all communities in the HMA. The town is nearly 10 years older, on average, than the state and region, and nearly 17 years older than the nation. It follows that the average household size in town is 2.19, the second lowest of all HMA communities, since older households are less likely to have children.

As shown in Figure 11, only 14% of Kennebunkport's households are family-age (householders between 25 and 44 years old), compared to 42% of households that are senior households (over age 65). Nationally, the split is almost even, 32% family-age compared to 27% seniors. Kennebunkport has the largest age imbalance of any community in the HMA. The lack of both young adult residents and younger children, and the disproportionately large share of senior residents, is clear in Figure 12, below.

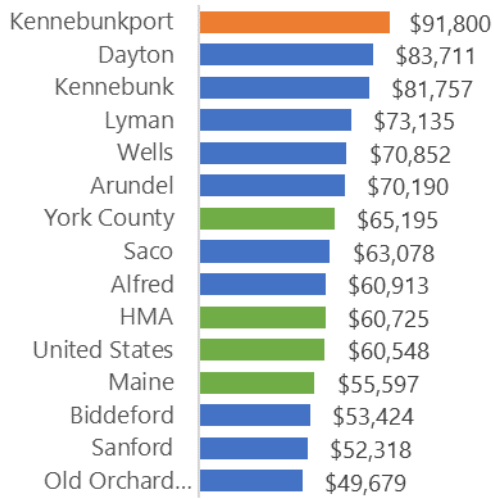
Figure 12

Age Distribution, 2019



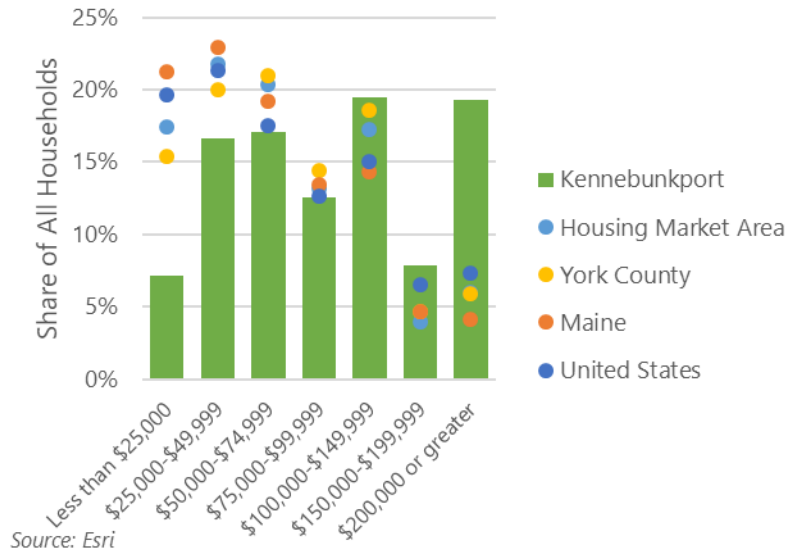
Source: Esri

Figure 13

Median Household Income, 2019

Source: Esri

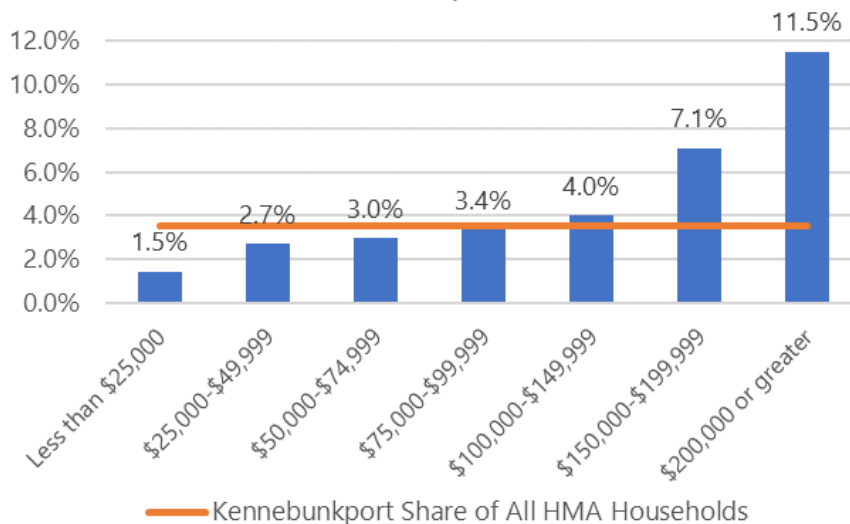
Figure 14

Income Distribution, 2019

Source: Esri

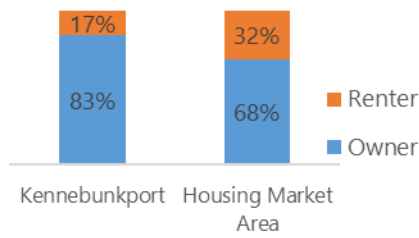
As estimated by Esri, 2019 median household income in town is \$91,800, the highest in the HMA. For the HMA as a whole, the median is \$60,725, more than \$30,000 lower. As shown in Figure 14, Kennebunkport has a disproportionately high share of households with incomes over \$200,000 and a very low share of lower-income households compared to the region, state, and nation. While the town accounts for only 3.5% of all households in the HMA, it is home to 11.5% of \$200,000+ households, and just 1.5% of households earning less than \$25,000 annually. Refer to Figure 15, below.

Figure 15

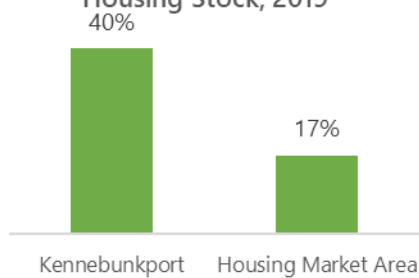
Kennebunkport Share of HMA Households by Income, 2019

Source: Esri

Figure 16

**Year-Round Housing Stock,
Owner vs Renter Units, 2019**

Source: Esri, ACS

**Seasonal Housing Share of
Housing Stock, 2019**

Source: Esri, ACS

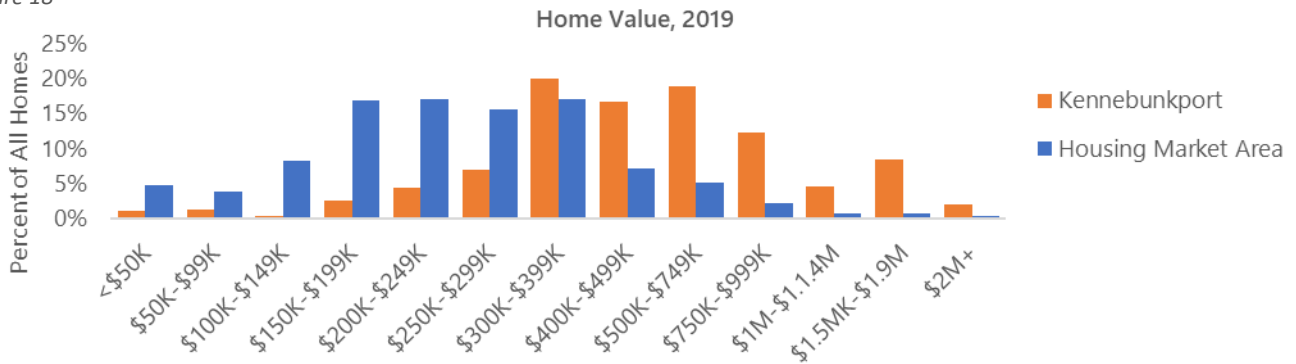
Housing Stock

Kennebunkport's housing stock is skewed toward homeownership rather than rentals, with 83% of year-round housing being owner-occupied, compared to 68% in the HMA as a whole. The town also has a very high share of seasonal homes, representing 40% of all inventory, more than double the seasonal share in the HMA of only 17%.

Home values in Kennebunkport are much higher than in the HMA overall. The median home value of \$477,000 is nearly double that of the HMA (\$247,000). Over 90% of the town's homes are valued at more than the HMA median, nearly half are worth more than \$500,000, and 15% are valued at over \$1 million. Only 9% of HMA homes are valued at more than \$500,000, and under 2% would sell for more than \$1,000,000. The distribution of home values in Kennebunkport compared to the HMA is shown in Figure 17.

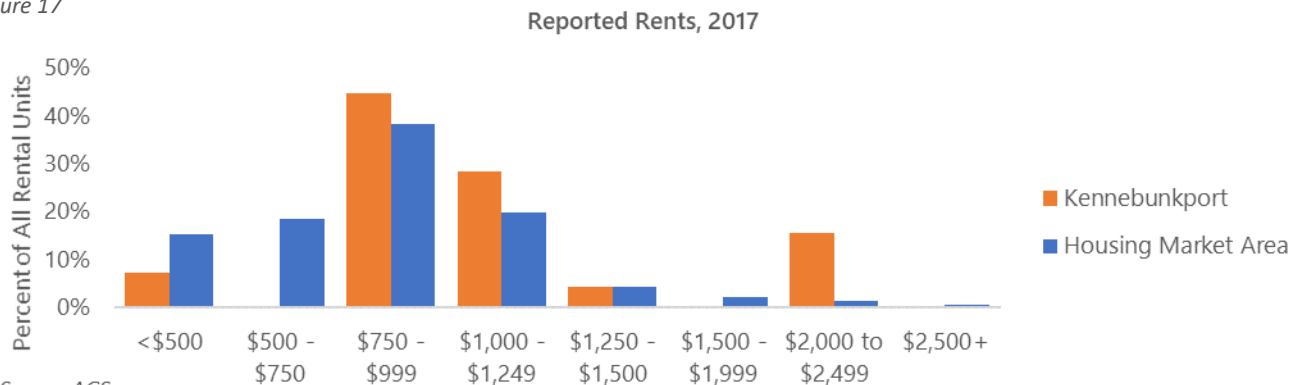
Year-round rentals in town are in very limited to supply, though rates are more in line with the HMA overall. The median rent reported for Kennebunkport rental units is \$1,015, compared to \$853 in the region. Comparative rent distribution is shown in Figure 18.

Figure 18



Source: Esri

Figure 17



Source: ACS

Development Pipeline

According to Census building permits data, in the five years between 2014 and 2018, the HMA added about 2,400 new housing units. Kennebunkport accounted for 118 units, about 5% of the total added, and about 24 housing units per year. Wells had the most development activity, with 658 units added over this period (28%), followed by Saco with 491 (21%). Overall, 17% of new units constructed in the HMA were in multifamily structures (i.e. at least 2 units in the structure). None of these multifamily units were located in Kennebunkport.

Sales Trends

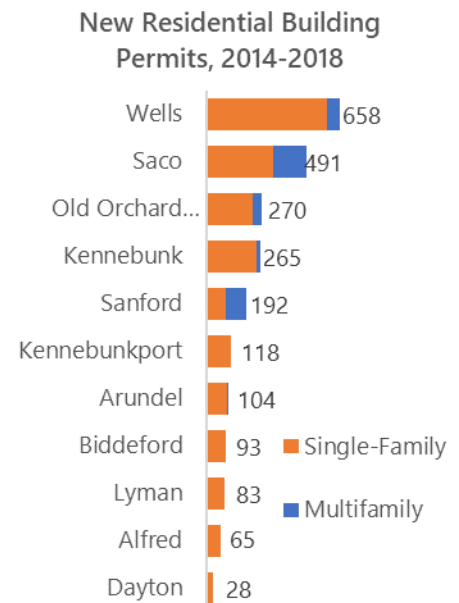
The housing market in the region has remained strong, though key indicators suggest the beginning of a plateau. According to Redfin, the inventory of homes on the market in York County has fallen over the last several years, pointing to tightening supply amid growing demand. In the last year, inventory has been up slightly, but still considerably below where it was in the years following the recession. The median days-on-market has also continued to fall, albeit at a decelerating rate, meaning that inventory is moving quickly but suggesting that the market is headed toward equilibrium.

The price for homes actually on the market in Kennebunkport is even higher than the median value for all homes overall. According to MaineHousing, the median price of homes sold in Kennebunkport in 2018 was \$675,000, which is over 40% higher than the median value for all homes in town (\$477,000). This speaks to the high overall demand for homes in Kennebunkport, as well as the low availability of homes at more modest price points.

The median home selling price in Kennebunkport was over \$300,000 more than in neighboring Kennebunk, the second priciest location in the HMA, and \$400,000 more than in York County overall.

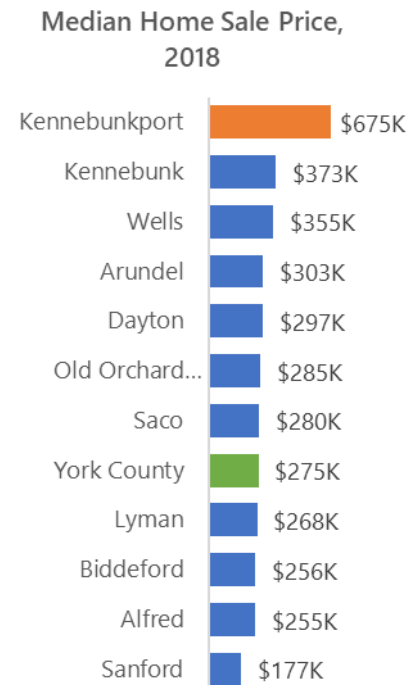
As one of the most desirable locations to live within the region, Kennebunkport is generally somewhat insulated from changes in the market, and demand is likely to be robust into the future, especially for moderately priced homes.

Figure 19



Source: SOCDs Building Permits Database

Figure 20



Source: MaineHousing

Factors Impacting Housing Demand

The location of the Village Parcel within Kennebunkport affords it several advantages that make it very desirable for residential development relative to other locations in the region.

The North Street entrance to the parcel is located just 0.5 miles from Dock Square, offering access to dining, shopping, and recreation amenities within walking and biking distance. This is a strong differentiator in the region, where new housing development is often only accessible by car. Even with this close proximity to amenities, the parcel still offers a degree of privacy with its wooded surroundings. In this sense, the parcel offers “the best of both worlds.”

The location is also less than 15 minutes from the Maine Turnpike (I-95), 20 minutes from employment centers in Biddeford and Saco, and 35 minutes from downtown Portland. The site offers a reasonable commuting distance to jobs, while providing prime access to recreational assets along the Southern Maine coast.

School District

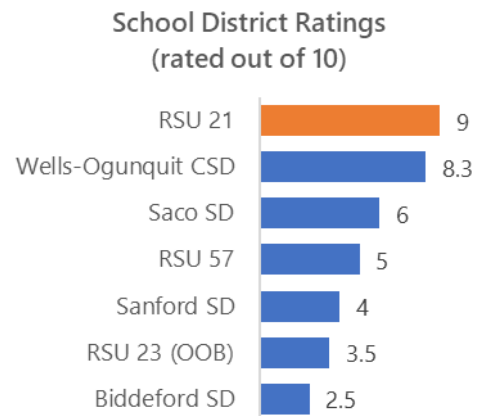
For potential residents with school-age children, the town is served by highly regarded Regional School District 21 (RSU 21). According to GreatSchools, the average rating for schools in the district is 9 out of 10, the highest of any school district in the HMA. The national ranking factors in test scores, student progress, college readiness, equity, and availability of advanced courses.³ Moreover, the Village Parcel is located within a mile of Kennebunkport Consolidated School, the town’s elementary school, offering convenient access to families and children. Location within a high-performing school district has a strong impact on home values and demand for homes within a community.

Property Taxes

Property taxes are a key concern for prospective homebuyers in a community. Kennebunkport offers the lowest full value tax rate of all municipalities in the HMA.⁴ Based on 2016 full value tax rates posted by the State of Maine, Kennebunkport’s rate is half the 11-municipality average, at 7.46 per \$1,000 of full value. See Figure 22.

The Town is able to maintain a low tax rate due to the high assessed value of properties located within its borders. Comparing tax bills for median value homes in each municipality, Kennebunkport’s

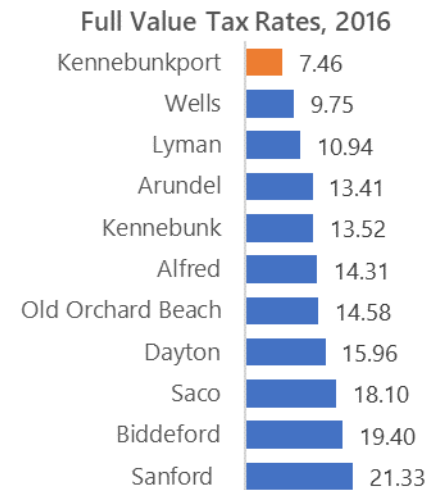
Figure 21



Note: RSU 21 serves Kennebunkport, Kennebunk, and Arundel. RSU 57 serves Alfred, Lyman, and four other municipalities. RSU 23 serves Old Orchard Beach. Ratings not available for Dayton Public Schools.

Source: GreatSchools

Figure 22



Source: State of Maine

³ GreatSchools. <https://www.greatschools.org/gk/ratings/>

⁴ Tax rates are equal to \$1.00 of tax for each \$1,000 of assessment. The full value rate is derived from the grand levy of a municipality divided by the equalized net grand list, which adjusts for different valuation schedules and allows for comparison between municipalities. The State of Maine publishes full value rates on a time lag, with 2016 rates currently the most recent available.

median annual tax bill is \$3,562, based on a median home value of \$477,000, which places it closer to the middle of the pack compared to its peers. Median tax bills range from \$2,602 in Lyman to \$4,563 in Saco.

A more moderately priced home in Kennebunkport, would have a considerably lower tax bill. For example, a Kennebunkport home with a value equivalent to the HMA median of \$247,000 would owe just \$1,846 in property taxes annually. The town's affordable tax rate is another factor that raises the desirability of the community among prospective homebuyers.

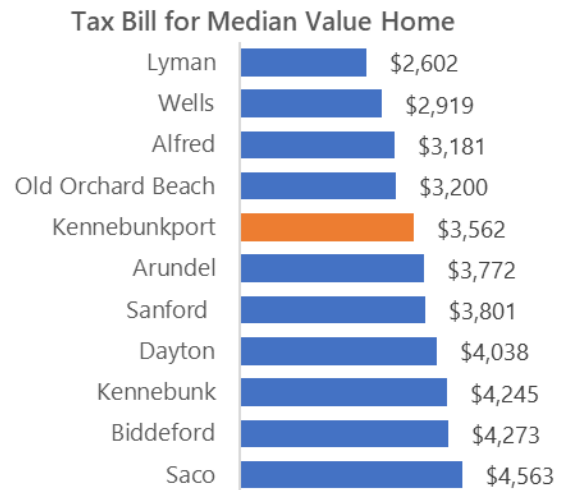
Future Housing Demand

The rate of growth in number of households in the HMA is expected to slow slightly in the coming years as population growth decelerates. Population growth is projected to slow nationally, regionally, and locally over the next five years, driven by declining birth rates and an aging population. Despite the slight deceleration, it is anticipated that the HMA and town will continue to see population gains into the foreseeable future.

Camoin 310 estimates a net increase of about 1,750 year-round households in the HMA over the next five years (by 2024).⁵ Increases are expected to be driven primarily by senior households. The number of households with heads over the age of 65 is anticipated to increase by 2,180 over the next 5 years, growth of nearly 15%. A secondary group driving increases will be the 25-44 cohort, which will add about 515 households and show a much more modest 4% growth. On net, households in the 45-64 range will decline as the baby boomer generation continues to age out of this range and is replaced by a smaller generational cohort. It should be noted that the vast majority of *net new* households in the 65+ cohort (9 in 10) are expected to be the result of retirees relocating to the HMA from elsewhere, rather than the aging of the existing population into the senior cohort. A sizable share of these retirees may already have a seasonal home in the region that they may plan to move into year-round.

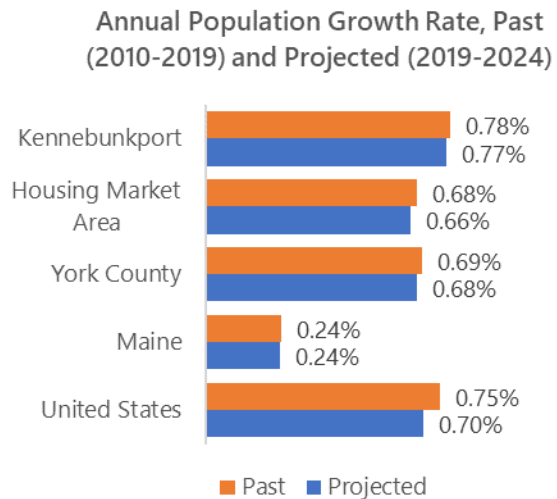
Figure 25 on the next page shows the projected net change in households in the HMA by age and income over the next five years.

Figure 23



Source: State of Maine, Esri, Camoin 310

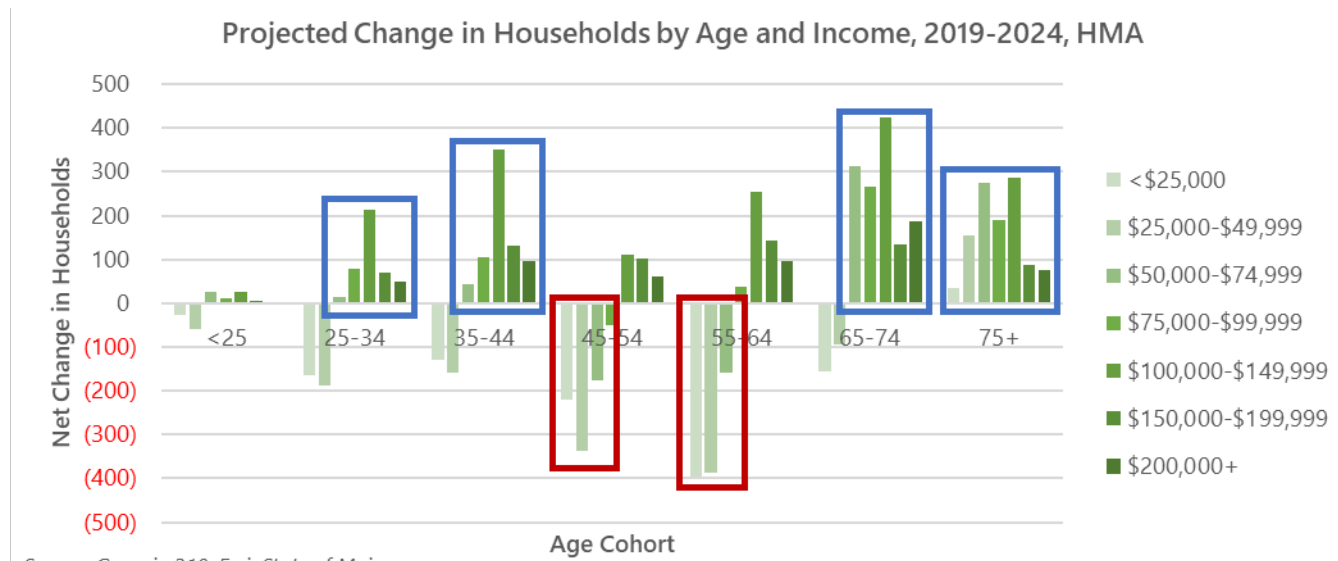
Figure 24



Source: Camoin 310, Esri, State of Maine

⁵ Forecasted by averaging projections from Esri and the State of Maine State Economist.

Figure 25



Camoin 310 projected demand for new year-round housing units in Kennebunkport based on projected regional growth in households by income and age over the next five years. Kennebunkport's market capture will depend on the price points at which housing is offered. New market-rate housing currently being produced in Kennebunkport is generally priced at \$400,000 and above, and is typically accessible only to households making at least \$100,000 annually. The town is expected to be able to capture between 5% and 10% of all HMA housing demand at the \$400,000+ price point. Kennebunkport currently accounts for about 3.5% of all HMA housing stock, and due to the high desirability of the town for residential development, we expect it to be able to capture considerably more than its current share of future housing demand if such market-rate housing was provided in the market.

We anticipate that the town would be able to capture an even greater share of demand for housing priced below \$400,000, which is below market-rate in Kennebunkport. For households earning between \$50,000 and \$100,000 annually, affordably priced homes range from \$175,000 to \$360,000. If deed-restricted affordable housing was offered at these price points, conservatively we would expect the town could easily capture 10%-20% of future regional demand. In addition, there is significant pent-up demand from households currently living elsewhere in the region who are priced out of town and wish to take advantage of the community's many amenities and high quality of life.

Overall, we conservatively estimate demand for new year-round housing units in Kennebunkport by 2024 at between 330 and 542 units. Of this demand, about 40% will come from those seeking housing priced above \$400,000 (i.e. market-rate housing) and 60% for "affordable" housing (i.e. housing accessible to households earning between \$50,000 and \$100,000 annually). About half of overall demand will come from senior (55+) households, who will seek both active and assisted living options.⁶ Another sizable demand segment will be family homes for the 35-54 age cohort (33% of total demand).

"Affordable" starter and family homes are in limited supply in Kennebunkport, which has resulted in significant pent-up demand among residents of the region who would prefer to live in the town if affordable options were available. Such housing has been identified by the Town as a need to attract young families and provide housing for the town's workforce. We project demand from non-senior households (those aged under 55) at about 125-150 homes

⁶ Demand in the senior segment was adjusted downward to account for retirees moving to the region full-time and converting their formerly seasonal homes into year-round residences, and thus not requiring new homes to accommodate this demand.

at below-market ("affordable") price points in the next five years. This figure takes into account *future* regional growth in households as well as *existing* households in the region who would relocate to affordable housing in Kennebunkport if it were available.

Given the dominance of homeownership versus renting in Maine, we expect that the vast majority of housing demand will be for ownership options. However, rental housing has been growing in popularity in Southern Maine, with many new rental development projects in nearby Biddeford, Saco, and the Greater Portland area. We estimate that up to 25% of overall demand could be satisfied with rental housing, especially given the extremely limited availability of year-round rental units in Kennebunkport. Rental housing is particularly appealing for under 35 and 55+ demographics, and seniors make up a high share of future housing demand. Figure 26 shows a range for future year-round housing demand for each demographic cohorts based on age and income.

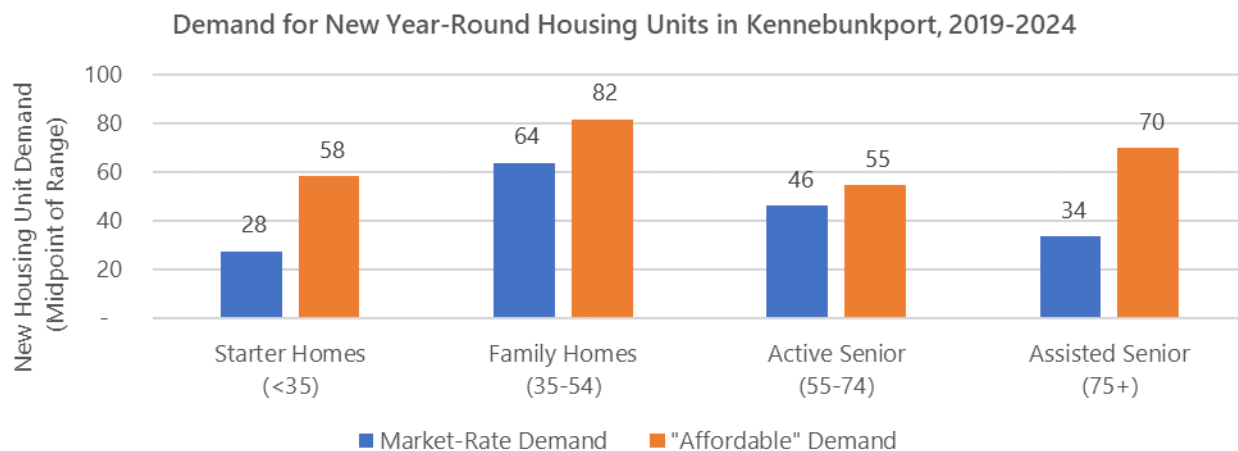
Figure 26

Demand for New Year-Round Housing Units in Kennebunkport, 2019-2024

| Income Range | Maximum Home Price | Maximum Rent | New Housing Demand Range (Units) | | | | Total |
|---------------------|--------------------|--------------|----------------------------------|----------------------|-----------------------|-----------------------|------------------|
| | | | Starter Homes (<35) | Family Homes (35-54) | Active Senior (55-74) | Assisted Senior (75+) | |
| \$50,000-\$74,999 | \$ 270,000 | \$ 1,600 | 34 - 37 | 50 - 54 | 12 - 24 | 27 - 55 | 126-168 |
| \$75,000-\$99,999 | \$ 360,000 | \$ 2,200 | 19 - 26 | 26 - 31 | 24 - 48 | 19 - 38 | 90-144 |
| \$100,000-\$149,999 | \$ 535,000 | \$ 3,300 | 12 - 24 | 23 - 46 | 17 - 34 | 14 - 29 | 66 - 133 |
| \$150,000-\$199,999 | \$ 715,000 | \$ 4,400 | 4 - 8 | 12 - 23 | 7 - 14 | 4 - 9 | 27 - 54 |
| \$200,000+ | \$ - | \$ - | 2 - 5 | 8 - 16 | 7 - 14 | 4 - 8 | 21 - 42 |
| Total | | | 72-100 | 122-169 | 67 - 135 | 69 - 138 | 330 - 542 |

Future demand for new year-round housing in Kennebunkport is summarized in Figure 27, using the midpoint of the ranges provided in the previous figure. It should be noted that these estimates are for the level of future regional demand that *could* be met in Kennebunkport (on the Village Parcel or elsewhere), and not necessarily what *must* be built to satisfy need. While there is robust demand for housing in town, some or all of future demand could be satisfied in other communities throughout the HMA.

Figure 27



It should also be noted that the Town currently caps residential building permits at 40 market-rate housing units and 4 affordable-rate housing units per year. Therefore, while 330 to 542 units could likely be absorbed in Kennebunkport over the next five years based on demand, a maximum of 220 units could be supplied based on the current cap. Of the 40 market-rate units allowed per year under the growth cap, 50% can be located outside the Town's "Growth Area," which includes the Village Parcel site. Any unused permits for areas outside the Growth Area can be used within the Growth Area at the end of the year. Additionally, the number of market-rate permits issued to a single developer is initially capped at 7 per year. The developer can then be issued additional permits if there are unused permits available at the end of the year. This cap would apply to any development on the Village Parcel, and would effectively limit onsite residential development to no more than 20 market-rate units and 4 affordable units per year.

FINANCIAL FEASIBILITY ANALYSIS

In planning for the future of the Village Parcel, the Town aims to satisfy multiple community goals, including but not limited to, (1) siting future Town facilities such as a new Town Hall, (2) preserving open space for active and passive recreation, (3) providing affordable housing options, and (4) reserving portions of the site for long-term future needs that may arise. An ideal outcome would be to achieve these goals while also having a neutral or positive fiscal impact on Town finances. In order to minimize the fiscal impact to the Town, private market-rate residential development is needed to offset the public costs of these objectives. The purpose of the financial feasibility analysis is to determine the extent to which private residential development would be able to offset past and future public expenditures on land acquisition and infrastructure.

Due to the desire of the community to limit growth to a manageable rate and to preserve portions of the site for future use, the Village Parcel would most likely be developed under a phased approach. The first phase would ideally allow for enough private residential development to offset prior land acquisition expenditures and future infrastructure costs needed to serve potential Town facilities located on the North Street end of the site as well as the residential development itself.

Given the physical constraints of the site, the first phase of development would likely need to extend about one third of the way into the site from the North Street end in order to access development pads of an acceptable size. Figure 29 on the next page shows Phase 1 in red, labeled as Areas A, B, and C. Costs for extending road and all necessary utilities infrastructure to this point, approximately 2,300 linear feet from North Street, are estimated at \$2.2 million. The cost of providing secondary roads to access home lots is another \$1.6 million, for a total of \$3.8 million in infrastructure costs.⁷ This would provide access to about 22 acres of land in the interior of the site for residential development. Of this acreage, about 13 acres are developable and could accommodate approximately 40 to 50 homes on lots between 10,000 and 20,000 SF (quarter-acre to half-acre lots). Homes would be relatively small in size, averaging about 1,800 SF, and sell for about \$540,000 (market-rate).

To determine the maximum amount a private developer would be willing to spend on land and infrastructure, we estimated the investment return that could be achieved given current market conditions. The average gross margin for a housing developer is about 20% of revenues.⁸ The gross margin accounts for the developer's overhead costs and profit. This is assumed to be the minimum return a developer would expect in order to undertake the project. We estimate that finished market-rate homes will sell for about \$300 per SF of home area, based on recent comparable sales in the vicinity of the Village Parcel. This means that the developer would expect a margin of \$60 per SF. After subtracting the developer margin and construction costs (estimated at \$175 per SF),⁹ this leaves a maximum of \$65 per SF to be spent on site costs. See Figure 28.

Figure 28

| Maximum Site Costs per Square Foot of Development | |
|---|--------|
| Home Sale Price per SF | \$ 300 |
| Typical Developer Margin | 20% |
| Developer Margin per SF | \$ 60 |
| Construction Cost per SF | \$ 175 |
| Max Site Costs per SF | \$ 65 |

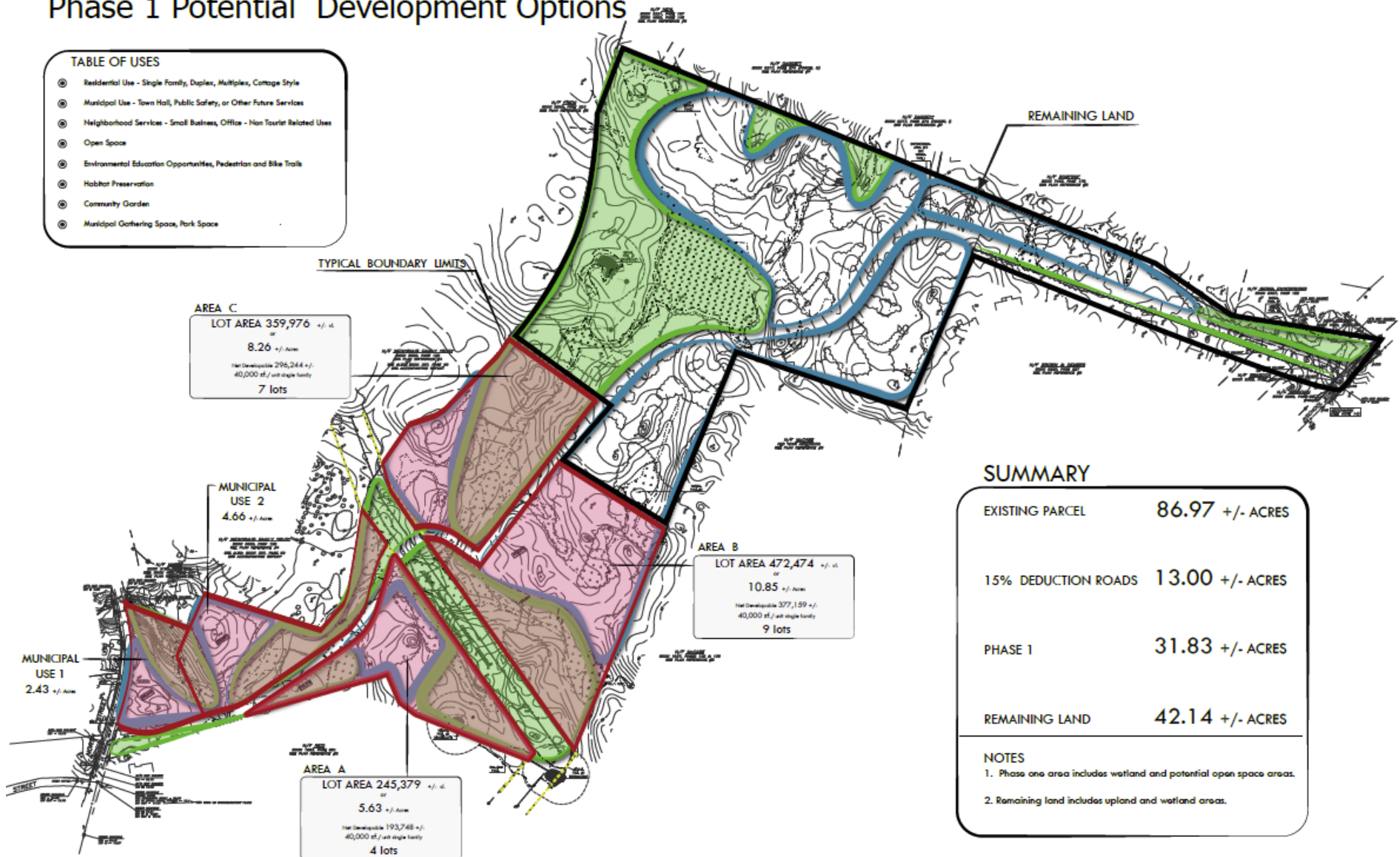
⁷ Mitchell and Associates

⁸ National Association of Home Builders. *The Cost of Doing Business Study 2019*. <http://nahbnow.com/2019/04/how-does-your-business-measure-up-2/>

⁹ Square Foot Costs with RSMeans Data

Figure 29

Phase 1 Potential Development Options



Assuming 45 lots and an average home size of 1,800 SF, total building square footage amounts to 81,000 SF. Multiplying 81,000 SF by \$65/SF yields a total of about \$5.2 million that a developer would be willing to spend on site costs. Deducting \$3.8 million in infrastructure costs leaves about \$1.5 million left over in Town proceeds. In other words, approximately \$1.5 million is the amount the Town would be able to recoup from the Phase 1 developer. This could go towards paying back the Town's initial \$10 million in land acquisition costs, subsidizing affordable housing, or funding other public expenses.

This development scenario assumes a higher level of density than currently allowed. Under current zoning, 20 single-family homes would be allowed on approximately one-acre lots. A developer would seek to maximize home size, likely building homes of about 3,000 SF. This amounts to total home square footage of about 60,000 SF and therefore a maximum of \$3.9 million that a developer would be willing to spend on site costs. Infrastructure costs would be \$3.2 million, about \$600,000 less than under the higher-density scenario, as fewer secondary roads would be needed to serve home lots. These leaves about \$700,000 in net proceeds for the Town (compared to \$1.5 million under the higher-density scenario).

See Figure 30 for a comparison of these scenarios. Note that these calculations consider only the first phase; additional proceeds could be generated from development of future phases on the remaining two thirds of the parcel.

The Village Parcel offers an opportunity for the Town to make progress on its housing affordability goal. Homes affordable to households earnings 80%-120% of the Town's median household income should be priced at about \$200 per SF. An 1,800-SF home would be priced at \$360,000. Construction costs are conservatively assumed to be \$150 per SF, to ensure that "affordable" homes are relatively comparable in appearance and quality to market-rate homes. With the maximum allotment for site costs fixed at \$65 per SF, the affordable homes have a negative developer margin. See Figure 31 for a comparison of the developer margin for market-rate versus affordable homes.

Figure 30

| Town Proceeds from Phase 1 | | |
|--------------------------------------|----------------|----------------|
| | Higher Density | Current Zoning |
| Lots | 45 | 20 |
| Average Home Size (SF) | 1,800 | 3,000 |
| Total Building SF | 81,000 | 60,000 |
| Max Site Costs per SF | \$ 65 | \$ 65 |
| Max Site Costs | \$ 5,265,000 | \$ 3,900,000 |
| Infrastructure Cost, Main Road | \$ (2,200,000) | \$ (2,200,000) |
| Infrastructure Cost, Secondary Roads | \$ (1,600,000) | \$ (1,000,000) |
| Town Proceeds | \$ 1,465,000 | \$ 700,000 |

Source: Camoin 310, Mitchell & Associates

Figure 31

| Developer Margin - Market-Rate vs Affordable | | |
|--|-------------|------------|
| | Market-Rate | Affordable |
| Sale Price per SF | \$ 300 | \$ 200 |
| Construction Cost per SF | \$ 175 | \$ 150 |
| Site Costs per SF | \$ 65 | \$ 65 |
| Margin per SF | \$ 60 | \$ (15) |
| Margin % | 20% | -8% |

As a result, requiring an affordable component would come at a cost of approximately \$100,000 per affordable-rate unit. In other words, each unit of affordable housing included would result in a reduction in Town proceeds of \$100,000. For example, if 2 of the 45 units (about 5%) were required to be affordable, total Town proceeds on this phase would be reduced from \$1.47 million to \$1.24 million. Refer to Figure 32 on the following page.

Figure 32

| Town Proceeds with Affordable Housing Component | | | | | |
|---|---------------------|------------------|-------------------|-------------------|-------------------|
| | 100% Market-Rate | 5% Affordable | 10% Affordable | 15% Affordable | 20% Affordable |
| Total Units | 45 | 45 | 45 | 45 | 45 |
| Affordable Units | 0 | 2 | 4 | 7 | 9 |
| Market-Rate Units | 45 | 43 | 41 | 38 | 36 |
| Town Proceeds from Developer | \$ 1,465,000 | \$ 1,242,250 | \$ 1,019,500 | \$ 796,750 | \$ 574,000 |

ATTACHMENT A: DATA SOURCES

PROPRIETARY DATA SOURCES

ECONOMIC MODELING SPECIALISTS INTERNATIONAL (EMSI)

To analyze the industrial makeup of a study area, industry data organized by the North American Industrial Classification System (NAICS) is assessed. Camoin 310 subscribes to Economic Modeling Specialists Intl. (EMSI), a proprietary data provider that aggregates economic data from approximately 90 sources. EMSI industry data, in our experience, is more complete than most or perhaps all local data sources (for more information on EMSI, please see www.economicmodeling.com). This is because local data sources typically miss significant employment counts by industry because data on sole proprietorships and contractual employment (i.e. 1099 contractor positions) is not included and because certain employment counts are suppressed from BLS/BEA figures for confidentiality reasons when too few establishments exist within a single NAICS code.

ESRI BUSINESS ANALYST ONLINE (BAO)

ESRI is the leading provider of location-driven market insights. It combines demographic, lifestyle, and spending data with map-based analytics to provide market intelligence for strategic decision-making. ESRI uses proprietary statistical models and data from the U.S. Census Bureau, the U.S. Postal Service, and various other sources to present current conditions and project future trends. Esri data are used by developers to maximize their portfolio, retailers to understand growth opportunities, and by economic developers to attract business that fit their community. For more information, visit www.esri.com.

PUBLIC DATA SOURCES

AMERICAN COMMUNITY SURVEY (ACS), U.S. CENSUS

The American Community Survey (ACS) is an ongoing statistical survey by the U.S. Census Bureau that gathers demographic and socioeconomic information on age, sex, race, family and relationships, income and benefits, health insurance, education, veteran status, disabilities, commute patterns, and other topics. The survey is mandatory to fill out, but the survey is only sent to a small sample of the population on a rotating basis. The survey is crucial to major planning decisions, like vital services and infrastructure investments, made by municipalities and cities. The questions on the ACS are different than those asked on the decennial census and provide ongoing demographic updates of the nation down to the block group level. For more information on the ACS, visit <http://www.census.gov/programs-surveys/acs/>

ONTHEMAP, U.S. CENSUS

OnTheMap is a tool developed through the U.S. Census Longitudinal Employer-Household Dynamics (LEHD) program that helps to visualize Local Employment Dynamics (LED) data about where workers are employed and where they live. There are also visual mapping capabilities for data on age, earnings, industry distributions, race, ethnicity, educational attainment, and sex. The OnTheMap tool can be found here, along with links to documentation: <http://onthemap.ces.census.gov/>.



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