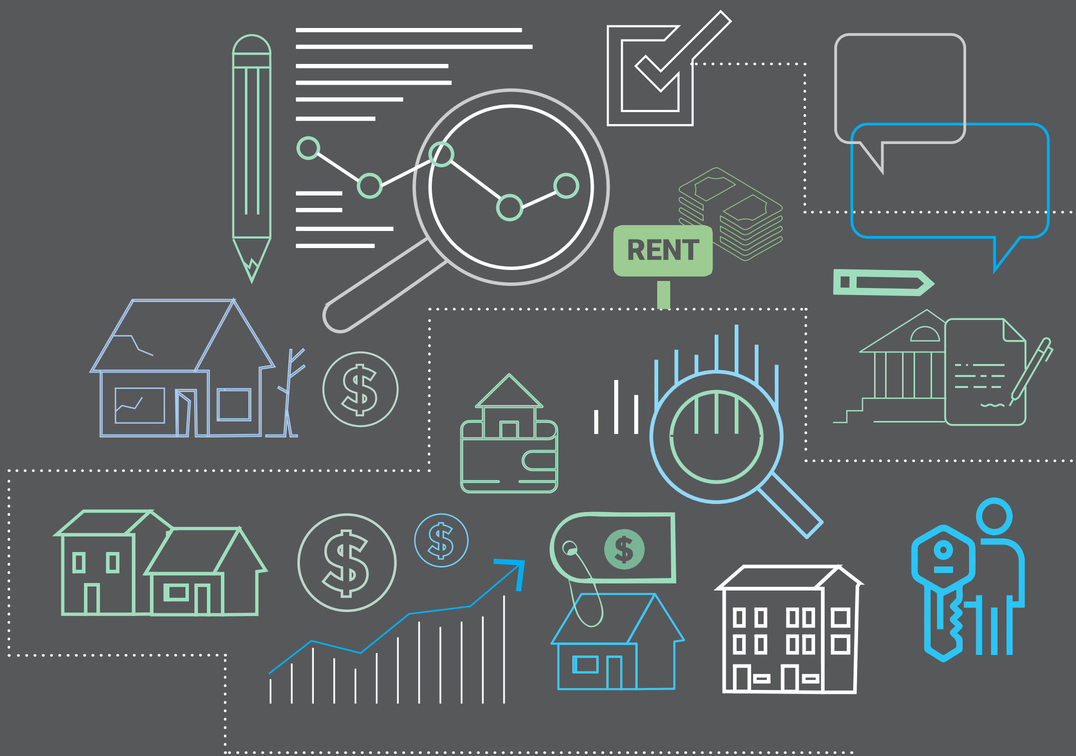

Sullivan County

Comprehensive Housing Strategy

Prepared by czbLLC

September 2022

Acknowledgments

Thanks to the dynamic actions of the Sullivan County Legislature, this Plan was funded in the FY2022 Sullivan County Budget, allowing us to address a major community development need that is facing our community. A special thank you to all the County staff and local partners who helped develop a plan with implementable strategies to meet our housing needs for our residents.

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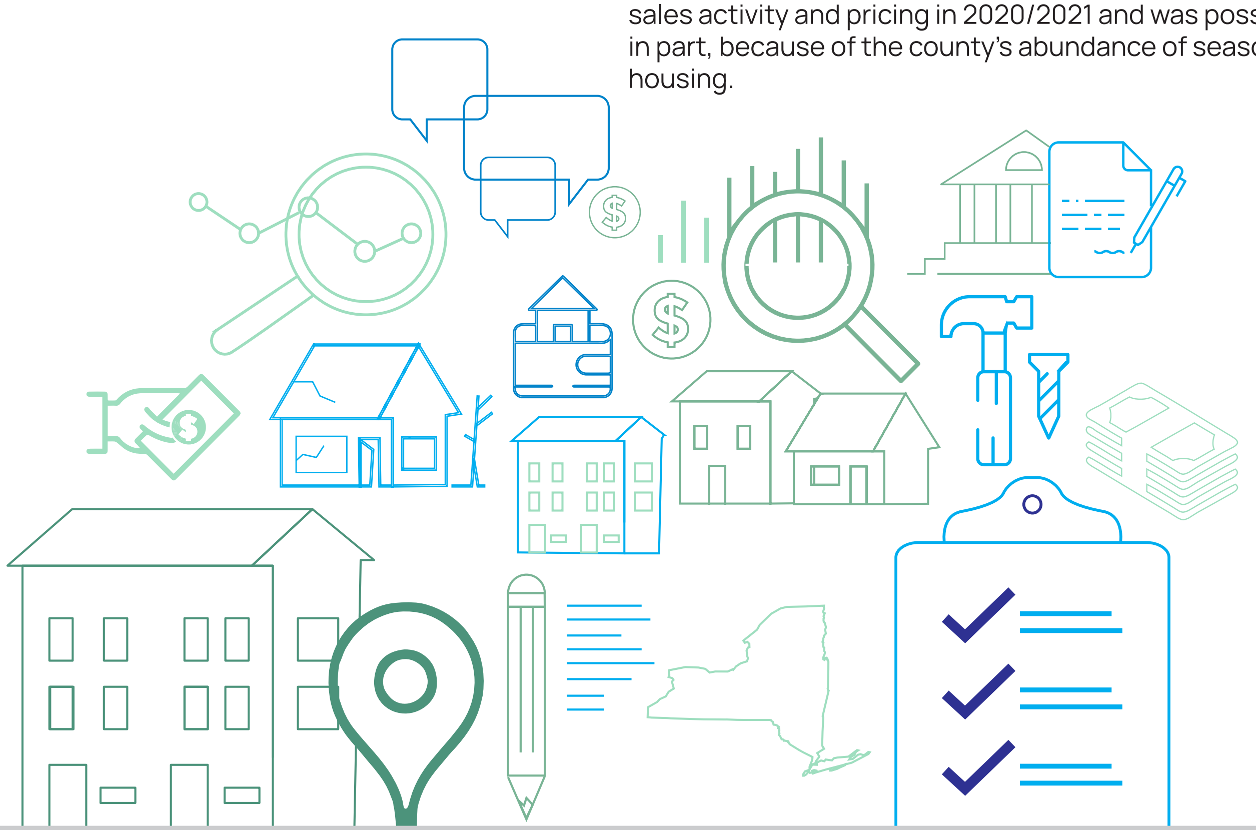
Introduction

For a rural county of 79,000, Sullivan County has a remarkably complicated housing market that defies simple description. Much of this complexity comes from the range of forces that influence the market and have done so for decades—shaping the housing conditions, needs, and opportunities that characterize the county in 2022.

The most obvious influence is the seasonal and recreational role of much of the county's housing due to the presence of the Catskill Mountains. Indeed, there were 50,966 housing units in the county in 2020, but only 28,762 of them—or 56%—were occupied by resident households. That was down from 62% in 2000. With the emergence of Airbnb, VRBO, and other short-term rental platforms, the effect of vacation housing on the market (including on those looking for permanent housing) is unlikely to diminish.

Another influence that has intensified in recent years is Sullivan County's role as a bedroom county for the nation's largest metropolitan economy. Between 2002 and 2019, the number of Sullivan County residents who also worked in Sullivan County remained relatively stable, at around 14,000 to 15,000. But the number of county residents who commuted to jobs beyond the county doubled (from 8,700 to just under 17,000), and now exceeds those who stay in-county.

The full and lasting impact of the COVID-19 pandemic on work and commuting patterns remains to be seen. The same can be said for the impact of "COVID refugees" on the county's housing market—a phenomenon that spiked sales activity and pricing in 2020/2021 and was possible, in part, because of the county's abundance of seasonal housing.



Housing challenges that are familiar and longstanding

While these influences on the county's housing market are significant, attention-grabbing, and—to a large extent—beyond the direct control of Sullivan County or its communities in 2022, it would be a mistake to allow these forces to obscure basic truths about housing in the county that are equally influential, have been issues since well before the pandemic or Airbnb, and are very much shaped by local actions and investment behaviors. These include:

- The generally degraded condition of the county's existing rental housing supply, even at a time of tight inventory and rising rents.
- Increasingly visible levels of disinvestment in single-family, owner-occupied homes—in villages and rural areas alike.
- Core villages that—despite improvements over the past decade—continue to exhibit low standards of maintenance and investment by the public and private sectors, affecting the confidence of property owners and perpetuating cycles of tax base stagnancy and disinvestment.
- Recurrent struggles to maintain or expand infrastructure needed to support private housing investments.
- Home prices and apartment rents that have risen in the past few years, to be sure, but are still much lower than national and regional levels—and much lower than what it actually costs to develop new homes or apartments in 2022.

How to use this study

This Comprehensive Housing Strategy, developed during the spring and summer of 2022 with guidance from the Sullivan County Housing Task Force, represents an effort to broadly understand these regional and localized influences on the housing market and how they shape the housing needs of county households. The result is a strategy that contains a highly focused and achievable—but still ambitious—set of actions that, if implemented together, are likely to have a positive influence at a number of key pressure points in the housing market.

The strategy is designed to put the county and its communities on a purposeful course of action that strengthens the housing market while addressing substantial segments of need. It contains two parts:

PART 1

Housing Market Conditions and Challenges

Part 1 provides a summary of four key takeaways from market analysis and stakeholder interviews that help to define Sullivan County's housing challenges, opportunities, and the factors that are likely to shape policy and investment responses. It includes detail on households in Sullivan County—based on income levels—and how they experience trends related to housing conditions, pricing, and inventories.

PART 2

Strategic Responses to Housing Challenges

Part 2 takes the broad takeaways from Part 1 and identifies particular needs to prioritize for households in particular income ranges. It then outlines three specific housing investment opportunities to pursue that would serve the needs of specific income groups while strengthening the overall market's ability to provide high-quality housing.

Alongside these three opportunities, Part 2 provides principles to apply to housing investments to maximize their impact. It also outlines complementary activities that will preserve past investments in affordable housing, support future housing investments, and build the capacity of the county and municipalities to regulate a healthier housing market.

PART 1 Housing Market Conditions and Challenges

Extensive market analysis for this Comprehensive Housing Strategy, which examined supply and demand dynamics in both the rental and homeownership markets, identified four key findings that help to define the housing needs and challenges that exist in Sullivan County today and have been evolving since before the COVID-19 pandemic. These findings also provide direction on the types of actions that are likely to have a positive impact on housing options and access.

FOUR KEY FINDINGS

1 **Sullivan County is not one housing market—it has at least four overlapping markets**

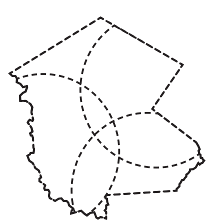
2 **Home prices have risen, but they are still broadly affordable and reflect significant liabilities and challenges**

3 **Rental housing is in short supply—especially rentals in good condition**

4 **New housing of any kind must be subsidized to be affordable to households earning less than $75,000**

PART 1

Housing Market Conditions and Challenges

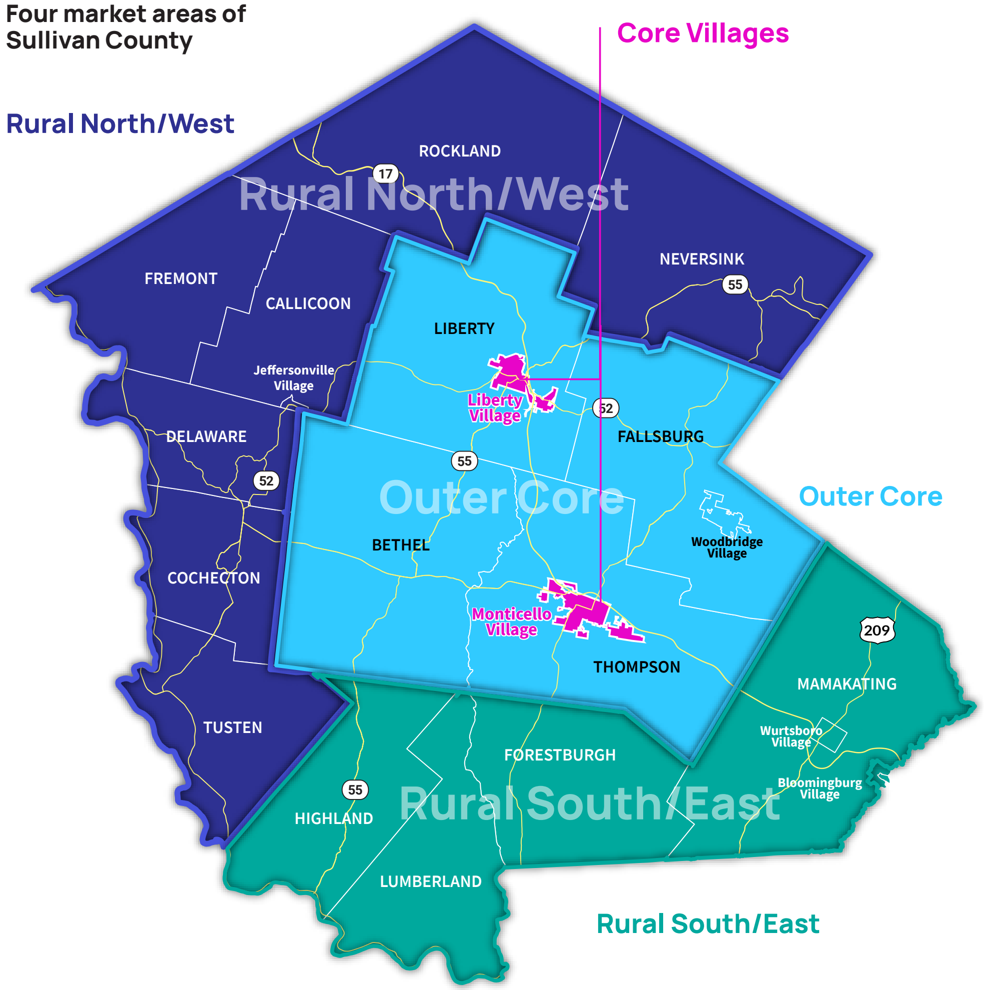


1

KEY FINDING

Sullivan County is not one housing market—it has at least four overlapping markets

Four market areas of Sullivan County



Anyone with experience as a renter or buyer in Sullivan County knows that there is not a single, monolithic housing market. While there are numerous ways to draw meaningful boundaries in the county, analysis for this housing strategy focused on four basic groupings of municipalities in order to better understand critical differences in supply and demand across the county's nearly 1,000 square miles.

The smallest grouping, in terms of area, includes the **Core Villages** of Monticello and Liberty, which have long been the two largest population centers in the county. Just beyond those two villages, an **Outer Core** was identified that include the newer outskirts of the core villages, resorts, hamlets, and developed areas that depend on access to Route 17 and other transportation arteries.

Beyond the outer core, two primarily rural groupings were identified: one along the **Rural South/East** edges of the county that have a stronger market orientation to Orange County and the rest of the Hudson Valley, and one along the **Rural North/West** edges of the county that are less influenced by Hudson Valley and more dependent on services and economic activity around Liberty and Monticello.

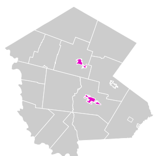
Market Indicators and Characteristics

	Core Villages	Outer Core	Rural South/East	Rural North/West	County wide
Average household income, 2020	$51,952	$84,038	$100,661	$76,465	$81,398
Poverty rate, 2020	23%	12%	9%	13%	13%
% Own / % Rent, 2020	32% / 68%	68% / 32%	82% / 18%	80% / 20%	70% / 30%
2020 share of units in...					
Single-family homes	45%	74%	85%	81%	75%
Small multi-family (2-4 units)	23%	11%	5%	5%	9%
Larger multi-family (5+ units)	28%	5%	1%	3%	6%
Mobile homes	3%	11%	10%	10%	10%
Share of units...					
Chronically vacant	9%	6%	7%	7%	7%
Seasonally vacant	7%	41%	28%	35%	33%
Average sale price, 2020-2022	$118,501	$223,529	$260,249	$236,774	$232,327
Average gross rent, 2020	$964	$902	$1,235	$1,000	$978

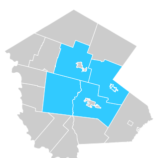
Source: Source: Average sale price for 2020 through March 2022 is based on arms-length single-family sales reported by NYS SalesWeb; all other data are derived from American Community Survey 5-Year Estimates for 2020

PART 1

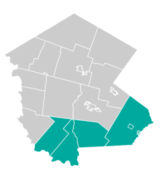
Housing Market Conditions and Challenges



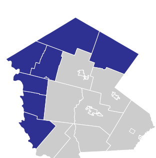
Core Villages



Outer Core



Rural South/East



Rural North/West

How do the four market areas compare to one another and the county as a whole on basic characteristics of supply and demand?

Core Villages

Diverse housing options: Monticello and Liberty have the widest range of housing opportunities in the county, with 45% of all units in single-family homes and 51% in multi-family properties.

Predominately rental households: Although 51% of housing units in the core villages are in multi-family properties, 68% of all units are rented due to more and more single-family homes transitioning from owner-occupied to investor-owned.

Lowest ability to pay for housing: The villages have long had the largest number of housing options for households with very limited capacity to pay for housing. This is reflected in lower incomes and higher poverty rates in the core villages and is reinforced by housing and transportation costs in other markets that are largely prohibitive to low-income households.

Highest levels of chronic vacancy: Nearly 10% of housing units in the core villages are chronically vacant, which generally translates to poor conditions that prevent occupancy and keep the unit from being actively marketed for rent or sale. Poor conditions pervade much of the occupied housing market, as well, based on observations made during the spring of 2022.

Outer Core

Highest concentrations of seasonal housing: 41% of housing units in the outer core are not occupied year-round due to seasonal usage. This reflects the high concentration of resorts and seasonal communities in this market, which enjoy easy access to Route 17 and commercial services around the two core villages.

A balance of housing types: While not necessarily suburban in nature, the outer core has a housing profile similar to that of older suburban communities. There are more rental options than in the county's more rural markets, and the owner/renter split is the reverse of the core villages, with 68% of units occupied by owners and 32% by renters.

Higher capacity to pay for housing than core villages: Compared to households in the adjacent core villages, the average outer core household earns 62% more and is much less likely to fall under the poverty line, all of which influences their capacity to pay for and maintain their housing.

Rural South/East

Lower seasonal vacancies than other rural areas or the outer core: While 28% of housing units in the Rural South/East are seasonally vacant, that figure is noticeably lower than the other two markets beyond the core villages. This may reflect Sullivan County's rise as a bedroom county and the close proximity of the Rural South/East to job centers in Orange County and beyond.

Highest home prices and incomes: The relative nearness of the Rural South/East to Orange County and the rest of the Hudson Valley is a likely influence on home prices, with buyers paying, in part, for convenient location. The average incomes of households are a reflection these higher prices, as well as the higher likelihood that households are drawing incomes from the broader regional economy.

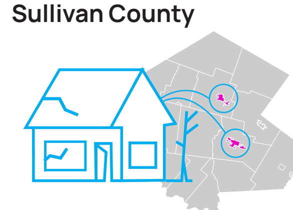
Rural North/West

Average incomes that are just below the county average: While the Rural North/West is quite similar to the Rural South/East, and even the Outer Core, on basic market measurements, one notable difference is with income. Incomes in the Rural North/West are $25,000 lower, on average, than in the Rural South/East. This may reflect a more insular housing market that draws less interest from commuters.

Smaller homes that are more seasonally used: Compared to single-family houses in the Rural South/East, those in the Rural North/West are 10% smaller, on average, and more likely to be seasonally vacant. This points to rural housing that is generally older and more vacation-oriented.

In what ways are these market characteristics and distinctions strategically important or noteworthy?

Distressed housing and concentrated poverty in the core villages are a constraint on those villages, but also a challenge for all of Sullivan County



Housing in poor condition is relatively inexpensive and becomes a housing opportunity, by default, for households with the fewest options. That dynamic has been playing out in the core villages for decades, and to such an extent that households with choices tend to look past the villages as appealing places to live, locking in a vicious cycle that constrains reinvestment in the villages.

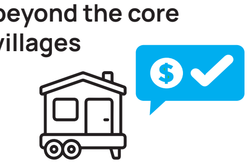
Communities in the rest of the county can be viewed as beneficiaries of this dynamic to some extent. But they are ultimately hurt by supply and demand weaknesses in Liberty and Monticello that rob the county of an opportunity to have vibrant and fiscally strong urban centers.

High shares of seasonal units in the Outer Core and Rural North/West pose growing risks for market stability

High concentrations of housing units that are not occupied year-round and are dedicated to seasonal or recreational uses (including short-term rentals) are not, in and of themselves, problematic. But the age of these seasonal stocks may pose issues if those with the highest levels of deferred maintenance fall out of favor as vacation properties and get absorbed into the year-round housing market as absentee-owned rentals or as entry-level homeownership opportunities. Either path may lead to further disinvestment.

The Rural South/East, which has a smaller share of seasonal properties to begin with, has greater appeal as a commuting base which can help the market absorb and refurbish or replace tired vacation properties.

Mobile homes are a significant source of affordable housing beyond the core villages

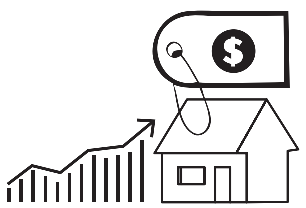


Mobile homes are around 10% of the housing stock in the two rural markets and the Outer Core. In the rural markets, especially, that constitute affordable options in markets otherwise dominated by larger single-family homes.

Mobile homes and their inhabitants are also highly vulnerable to disrepair, weather-related damage, and blight. "Out of sight, out of mind" makes these homes easy to overlook, especially in rural markets with minimal regulatory capacity.

PART 1

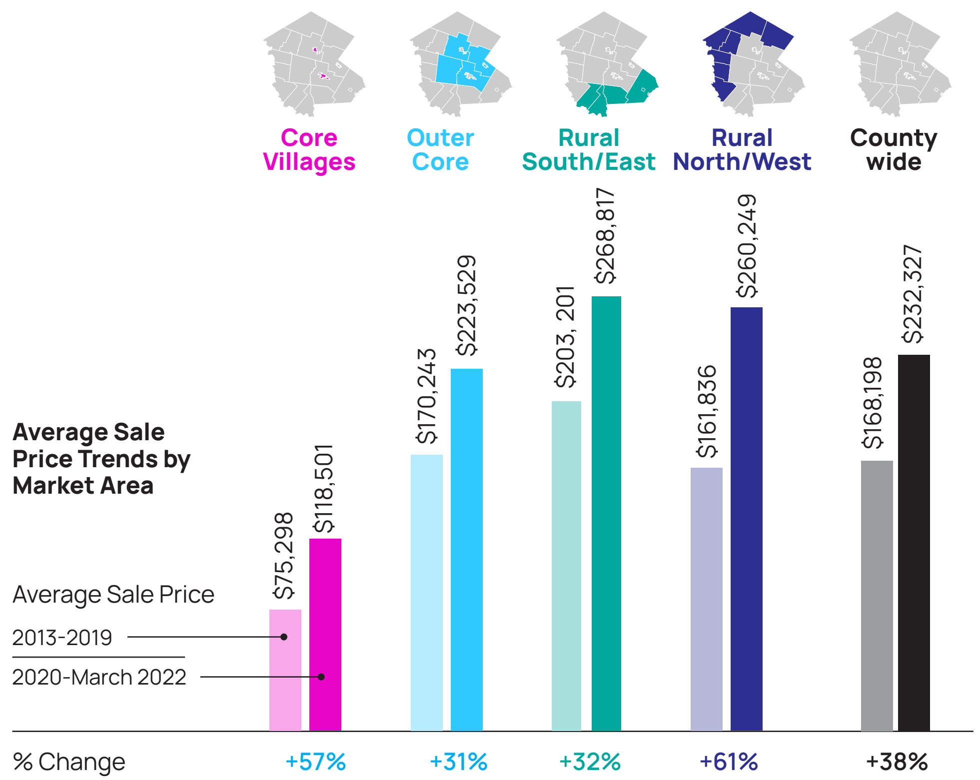
Housing Market Conditions and Challenges



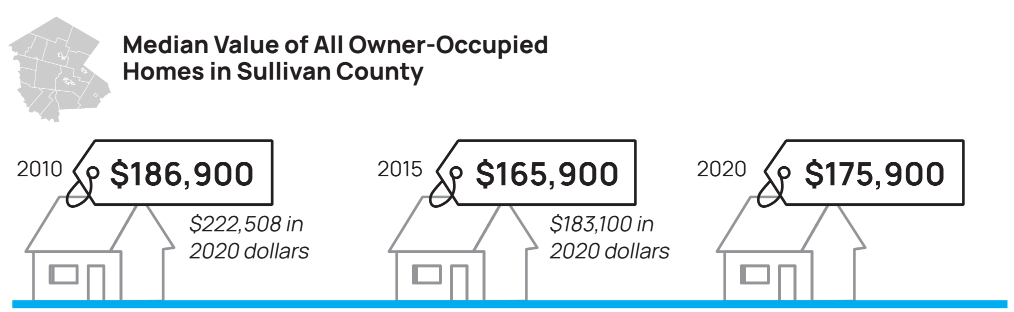
2

KEY FINDING

Home prices have risen, but they are still broadly affordable and reflect significant liabilities and challenges



Source: Average sale prices are based on analysis of arms-length, single family home sales from NYS SalesWeb; median values are based on American Community Survey 5-year estimates

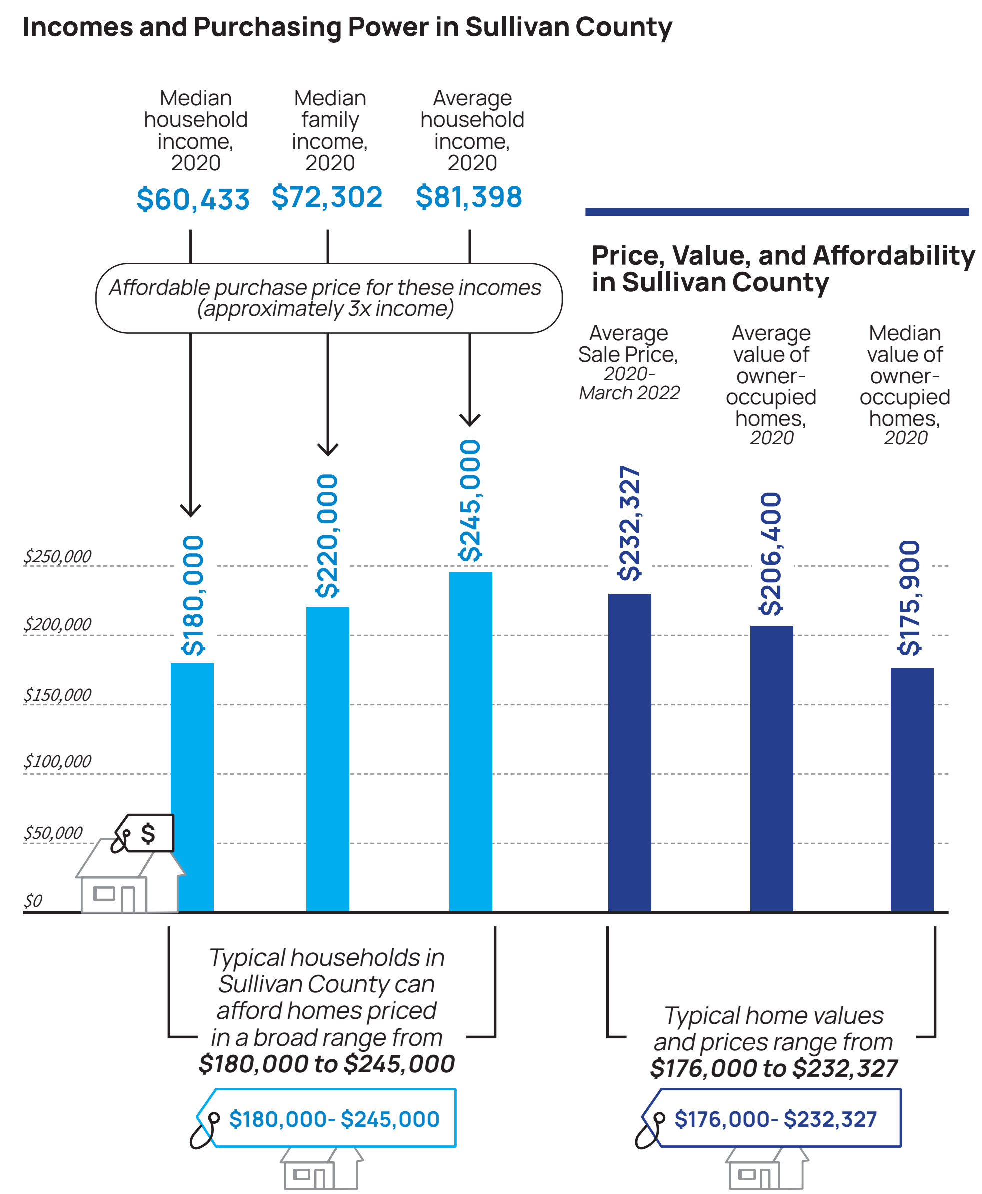


The COVID-19 pandemic had a big impact on home prices

Home values on the eve of the pandemic, though, had not yet recovered from the Great Recession

There is no question that home prices have risen in Sullivan County since the COVID-19 pandemic began in early 2020. County-wide, the average price of a single-family house during the period between 2020 and March 2022 was 38% higher than the average price during 2013 through 2019. The rise was even more dramatic in the Core Villages and Rural North/West, where prices were lowest to begin with.

The pandemic price spike came, however, on the heels of a period of decline and slow recovery for the county's housing market in the wake of the Great Recession. In fact, the median value of all owner-occupied homes in 2020 was 20% lower than it would have been if the 2010 value had simply risen with inflation. To some extent, the pandemic price escalation was part of a delayed "catch up" in home prices.



Source: Income figures, as well as average and median home value figures, are derived from American Community Survey 5-year estimates for 2020; average sale price is drawn from NYS SalesWeb

Impact of local tax burdens on the affordability of purchasing a home

High property taxes in Sullivan County as a percentage of home value, especially in most villages, is an important part of the context of homeownership. This is not because taxes have any influence on what a household can afford as a monthly mortgage payment, which is determined solely by income and fully accounts for taxes as part of PITI (principal, interest, taxes, and insurance). If a household can afford a $1,200 mortgage payment, it can afford the PITI components of that payment, including taxes.

If the "T" component of PITI is high, however, it means that the buyer will be getting "less house for their money" compared to communities where taxes are lower and where more of their payment can go toward the house itself. Purchase prices must therefore be right-sized to account for high taxes.

Prices have risen, but they are still broadly affordable to the typical households and families in Sullivan County

The 38% rise in average sale prices since the start of 2020, compared to average prices in the preceding years, has certainly influenced what the typical household in Sullivan County can expect to pay for a house. But an analysis of prevailing household incomes alongside home prices and values reveals that the typical home buyer in Sullivan County can afford to purchase the typical house.

Of course, there are many households that struggle to find affordable homeownership options in Sullivan County today who have been hindered by recent price increases. But the mark of an overall market that is truly unaffordable is one where households earning the average or median income cannot afford typical home prices, and that is not currently the case in Sullivan County.

Given the differences in home prices across the four market areas, where a buyer looks for a house influences their purchasing power. In the Core Villages, the typical home price is now affordable to households earning at least $40,000. In the Rural South/East, that figure is closer to $90,000.

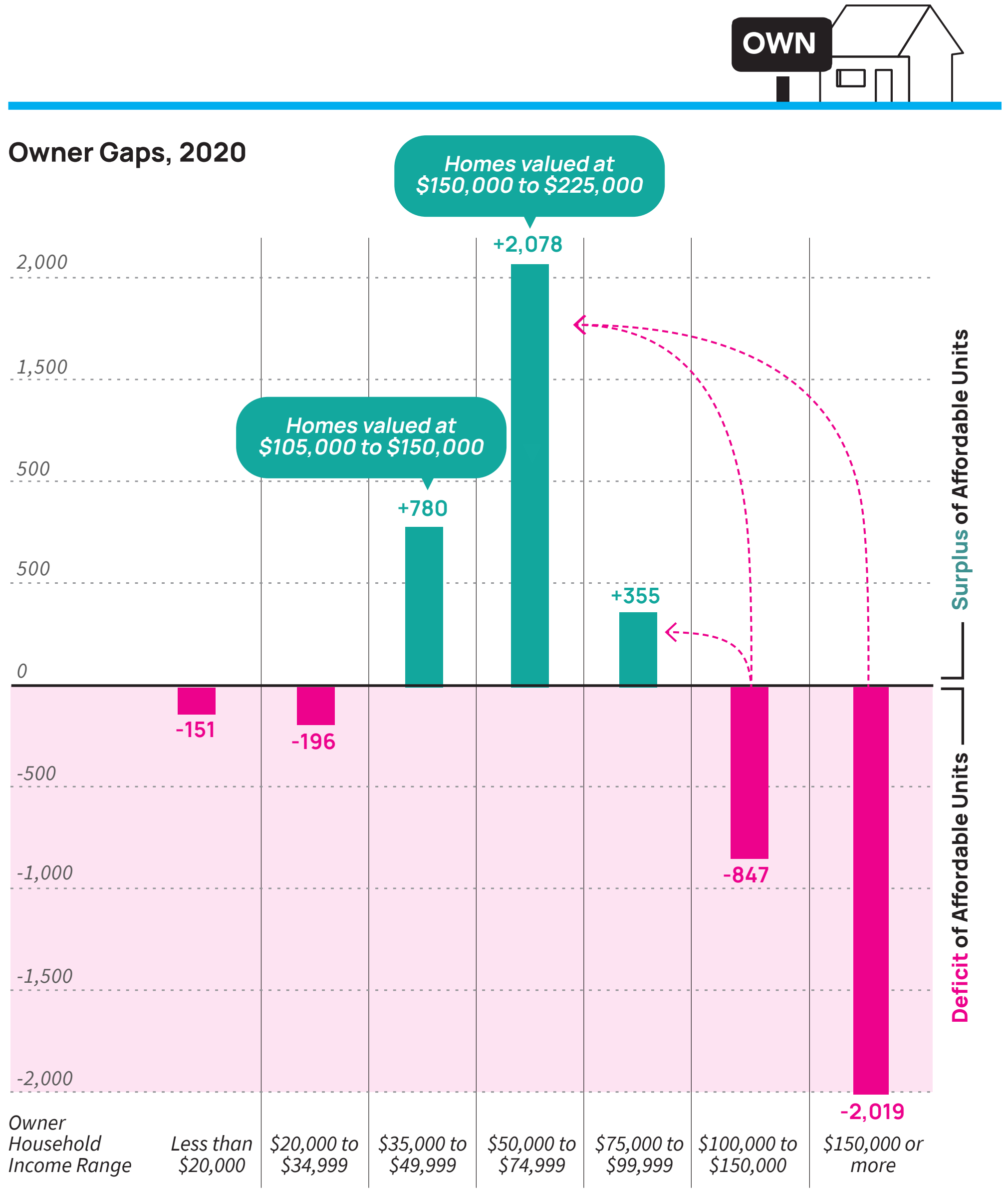
PART 1

Housing Market Conditions and Challenges

2

KEY FINDING

Home prices have risen, but they are still broadly affordable and reflect significant liabilities and challenges



Source: American Community Survey 5-Year Estimates

An owner gap analysis suggests that a shortage of homes priced above $300,000 given the number of households that can afford those prices.

A gap analysis for home ownership compares the number of home-owning households at various income ranges with the existing number of owner-occupied units that are affordable to those households (having values roughly 3x a household's income).

In Sullivan County, this type of analysis suggests that the largest "deficits" in the homeowner market are actually in the highest income ranges. This means that the number of homeowners who earn more than $100,000 is far greater than the number of homes that exist in their price range (at $300,000 or more).

The practical impact of this deficit is that higher earning households in Sullivan County tend to find their housing at lower price ranges where there are "surpluses" of units. In other words, **they compete with more moderate-income households** over the same homes. This puts pressure on prospective buyers with more modest incomes while leaving many higher income households dissatisfied with their options.

Potential vulnerabilities for the Sullivan homeownership market going forward

The prevailing affordability of Sullivan County to prospective home buyers who earn typical Sullivan County incomes—even in the face of pandemic-era price increases and tight inventories— is a sign that the market is much softer than it appears at first glance. Indeed, indicators from the early spring of 2022 (days on market and sales-to-list ratios), before mortgage rates began a rapid increase, suggested that Sullivan County had already reverted to being a buyer's market.

All of this points to basic and longstanding liabilities and challenges that have influenced the Sullivan County home buying market for some time and will continue to influence the market. These include:

Large inventory of homes that need significant work

An examination of homes listed for sale at any given time reveals significant levels of deferred maintenance that the market has been incorporating into home prices. While some pandemic buyers may have had a greater tendency to overlook these issues, most buyers do not.

Low job densities

Unlike markets where significant concentrations of jobs are reliable drivers of demand for year-round homeownership, this is not the case for Sullivan County. And the limited number of major employers contributes to small tax bases that overburden residential taxpayers.

Location liabilities

Remoteness is a selling point for seasonal home buyers and for year-round residents who seek it out, but it can be a liability for many prospective home buyers and strictly limit the pool of buyers for certain properties in certain locations.

Few schools with above-average ratings

According to GreatSchools.org, only Pine Bush High School (serving the far southeastern corner of the county) has an above-average performance rating. This has an influence on some families that have options and seek out highly rated school districts.

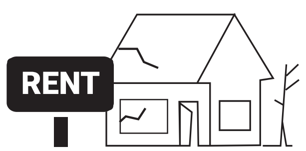
Villages have limited marketability

Currently, the core villages do not serve as strong, amenity-rich selling points that bolster the county's home buyer market. They have the qualities to move in that direction, however.

Some of these liabilities are simply part and parcel of being a rural county in the Catskill Mountains. Some of them can be addresses if prioritized. All of them, though, should be considered context for understanding the county's housing market and its challenges.

PART 1

Housing Market Conditions and Challenges

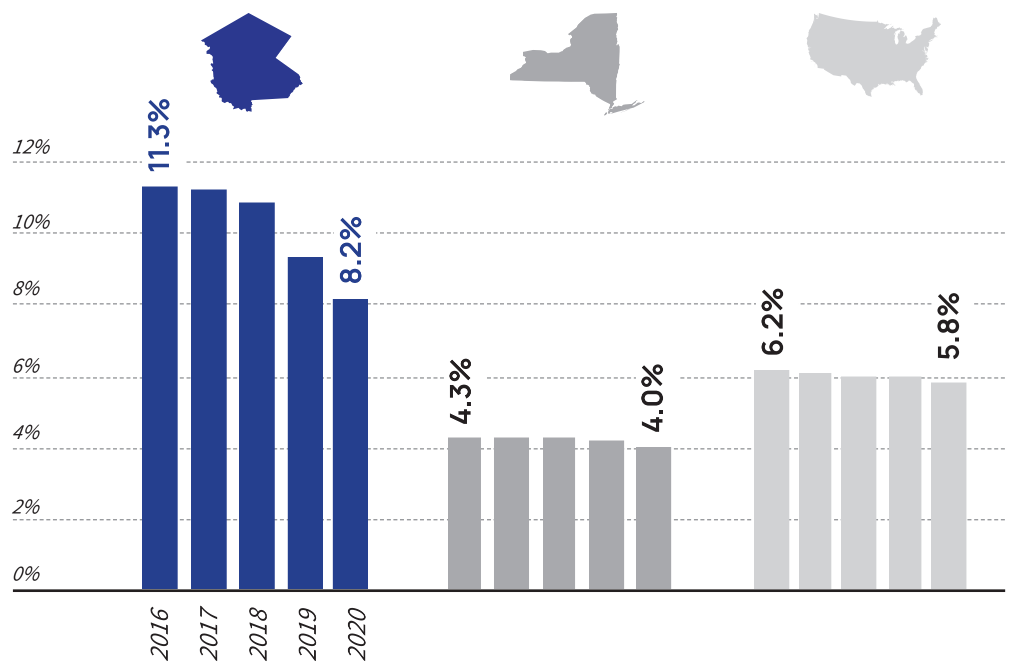


3

KEY FINDING

Rental housing is in short supply—especially rentals in good condition

Rental Vacancy Rates



Source: American Community Survey 5-Year Estimates

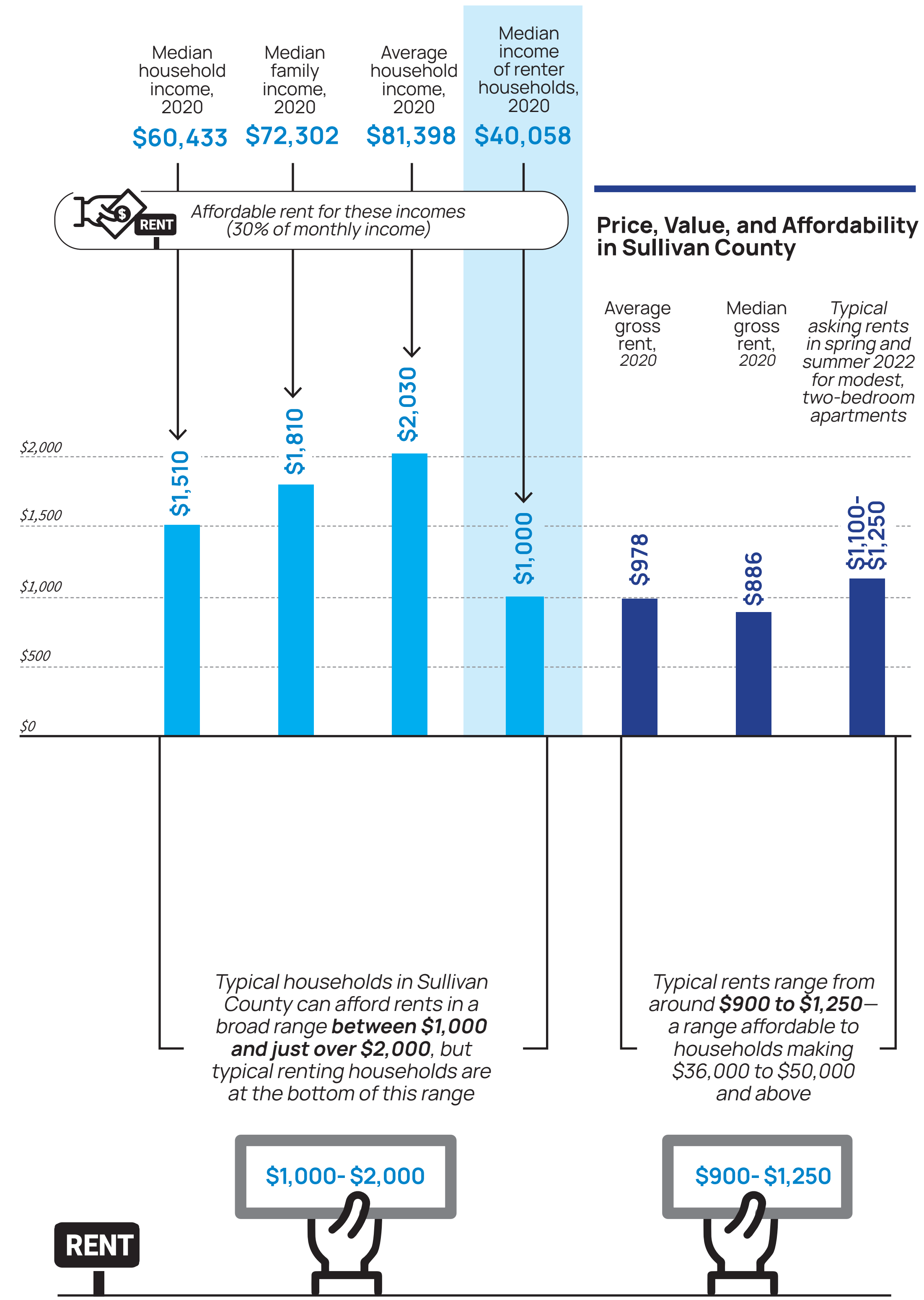
Rental vacancies had been dropping steadily even before the pandemic, but were higher than national and state averages

The inventory of apartments available for year-round occupancy had been shrinking in Sullivan County before the pandemic started and a rental moratorium froze a large part of the rental market. Vacancy fell from 11.3% in 2016 to 8.2% in 2020. And even though these rates were higher than national and state averages, the gap between the county and state rates closed from 7 percentage points in 2016 to 4.2 points by 2020.

For many renters or prospective renters, though, the market has felt tighter than the vacancy rates would suggest. The condition of available rentals plays a significant role in this perception. A windshield survey during April 2022, as well as conversations with local housing stakeholders, suggests that much of the county's rental stock—especially in the villages—is in poor condition and suffers from deeply deferred maintenance. Consequently, the shortage of rentals experienced by households is a **shortage of rentals that are available, in good condition, and conveniently located**. Good rentals in good locations are hard to find and are not inexpensive.

Incomes and Purchasing Power in Sullivan County

Price, Value, and Affordability in Sullivan County



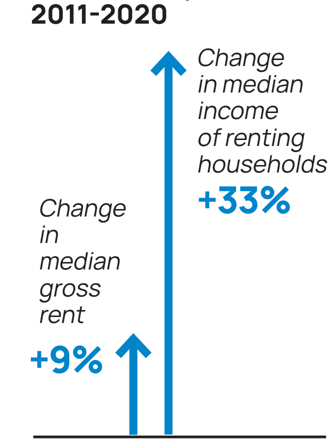
Source: American Community Survey 5-Year Estimates for all statistics except typical asking rents in 2022, which were gathered from local rental websites

Rents have increased but are still broadly affordable to households earning median or average incomes

A household is considered cost-burdened when it spends more than 30% of its monthly income on housing costs. By this definition, households in Sullivan County that earn median or average incomes can afford to spend between $1,000 and $2,030 per month on rent. At the low end of this the typical renting household, which earns just over $40,000 and can afford $1,000 per month.

Actual rents in Sullivan County have been within the $900 to $1,250 range in recent years, which means that the county's typical apartment is affordable to the typical household. Analysis also suggests that, over the past decade, income growth for renters has generally surpassed growth in rents by a wide margin.

Change in rent and income of renting households, 2011-2020



Source: Analysis of American Community Survey 5-Year Estimates

PART 1

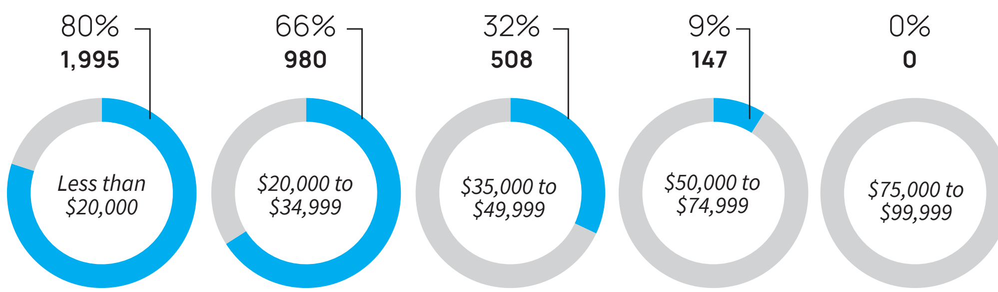
Housing Market Conditions and Challenges

KEY FINDING

3

Rental housing is in short supply—especially rentals in good condition

Cost-Burdened Renters by Income, 2020



Source: American Community Survey 5-Year Estimates

5,553 Renter households who earn less than $50,000

1,732 Households living in subsidized housing — *Level of current housing assistance*

3,483 Cost-burdened renters who earn less than $50,000 — *Renters with unmet housing cost needs*

Source: American Community Survey 2020 5-Year Estimates; HUD Picture of Subsidized Households for 2021

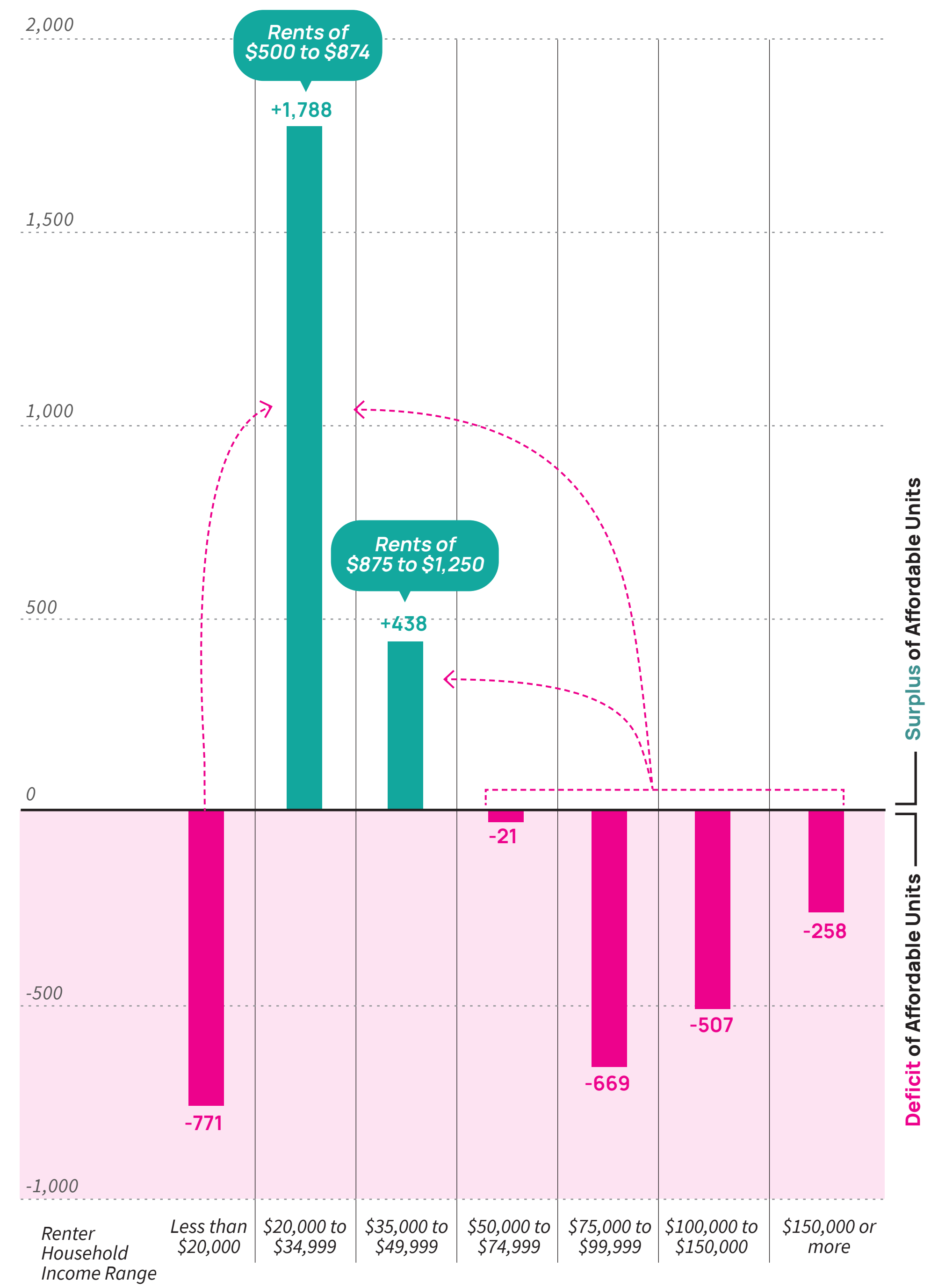
As in all housing markets today, renters who make less than $35,000 struggle the most to pay the rent.

The fact that households who earn median or average wages for Sullivan County can afford typical rents does not, of course, mean that rental affordability is a non-issue. For households who earn well under the county's median or average income, being cost-burdened is a very common experience.

For example, fully 80% of all renting households who earned less than $20,000 in 2020 were considered cost-burdened and paid more than 30% of their monthly incomes on rent. The same was true of 66% of households who earned $20,000 to $35,000. For renters who earn more than $50,000, only a fraction are cost-burdened.

Renters who earn less than $35,000 will be hard pressed to find affordable apartments in good condition (in Sullivan County, or anywhere) unless they receive some form of assistance. And this is increasingly true for those in the $35,000 to $50,000 income range. But the number of subsidized housing opportunities in Sullivan County (1,732 in 2021 according to HUD) is much smaller than the actual number of renting households making $50,000 or less (5,553). That results in a substantial number of cost-burdened renter with unmet housing needs.

Renter Gaps, 2020



Source: czb analysis of construction costs in the Catskills and Mid-Hudson Region during summer 2022; includes costs of actual projects as reported by R.S. Means

There too few rentals at the lowest and highest ends of the cost spectrum, putting significant pressure on the middle of the market

A gap analysis for renters compares the number of renting households at various income ranges with the existing number of rental units that are affordable to those households (costing them no more than 30% of monthly income).

This analysis for Sullivan County suggests that are significant shortages of units for households that earn less than $20,000 per year (and are priced at $500 or less per month), as well as units for households earning more than $75,000 per year (and are priced at $1,875 per month or more). Meanwhile, there are surpluses of units priced for those earning $20,000 to $50,000.

The result of this imbalance is that many lower-income households are "renting up" into units that cost more than they can afford, with a resulting rent burden, while higher-income households are "renting down" into a unit that costs well below 30% and are probably dissatisfied with their options. Those who actually earn $20,000 to $50,000 feel pressure from below and above.

PART 1

Housing Market Conditions and Challenges

Historically, new homes and apartments have been available primarily to households that earn above average incomes and have the capacity to pay a premium for something new. In Sullivan County today, this is certainly the case if no public incentives or subsidies are used to lower costs for buyers or renters.

Analysis using 2022 construction and land prices found, for example, that the developer of modest 2 bedroom apartments at average densities would have to charge rents of $2,500 to break even. For a developer who completely rehabs a small rental building, break even rents are a bit less, at around $1,950 to $2,400. What this means is that for any new rental units to be rented for less than these levels (which are affordable to households earning $78,000 or more), some form of subsidy is required to lower the development costs.

For the developer of new single-family homes at an economy level of quality, break even pricing is generally affordable to households that earn at least $95,000. Row house developments can produce slightly more affordable units, but subsidies or incentives are necessary to reach households under $85,000.

4

KEY FINDING

New housing of any kind must be subsidized to be affordable to households earning less than $75,000

RENT

Rental

What does the rent need to be for a project to be feasible?

New construction of average density (24-36 units per acre), 2 bedrooms / 1.5 baths

Major rehab or adaptive reuse of an existing building with six or fewer units

Cost Components

- Bank Debt
- Equity Financing
- Acquisition Cost
- Construction Cost
- Developer's Cost
- Property Management Cost

$2,500/mo

$1,950 - $2,400 /mo

$78,000-$100,000+

These monthly rent ranges are technically affordable to households earning $78,000 to $100,000+ per year using 30% of income to determine affordability. Around 40% of households in Sullivan County currently earn $75,000 or more.

While these rents are substantially more than current rents in Sullivan County, they are in line with typical rents in the broader Hudson Valley region. Given the dearth of high quality rentals for year-round occupancy in Sullivan County, there is likely a willingness among higher earning households to pay these rents.

OWN

Homeownership

What would a house have to cost for a developer to undertake a new subdivision?

1,800 square foot new home of economy construction

2,200 square foot new home of economy construction

Cost Components

- Land Acquisition
- Site Preparation
- Shared Infrastructure and Amenities
- Construction Cost
- Developer Profit

$338,000 - $353,000

$374,000 - $429,000

$95,000-$145,000

Mortgage rates and prevailing construction costs mean that buyers for new economy starter homes need annual incomes between $95,000 and $145,000. This range constitutes approximately 15% of Sullivan County households.

As these projections already reflect market conditions with respect to labor and economy-level materials, a strategy to reduce costs further may include developing smaller homes. To get the final price down to $250,000 (a price affordable to a household earning $75,000 annually) the final product would likely need to be a semi-attached home or row-house no larger than 1,400 square feet.

How do people experience Sullivan County's housing market?

A household's ability to pay for housing is the main determinant of how it experiences the housing market and the four key findings outlined here in Part 1. Income determines the range of options a household has and, more often than not, the quality of its options. From the standpoint of a housing strategy, it is also the primary way to understand levels of need.

Below is an encapsulation of how seven income groups experience the market.

Household Income	$0 to $19,999	$20,000 to $34,999	$35,000 to $49,999	$50,000 to $74,999	$75,000 to $99,999	$100,000 to $150,000	$150,000+
Share of county's households	**16%**	**15%**	**13%**	**17%**	**13%**	**15%**	**13%**
Own/Rent Split	**46% / 54%**	**65% / 35%**	**57% / 43%**	**67% / 33%**	**78% / 22%**	**86% / 14%**	**93% / 7%**
Share that are cost-burdened	***85%***	***65%***	***38%***	***21%***	***<5%***	***<5%***	***<5%***
Capacity to pay for monthly housing costs	**$500 or less**	**$500 to $875**	**$875 to $1,250**	**$1,250 to $1,875**	**$1,875 to $2,500**	**$2,500 to $3,750**	**$3,750+**
	• Ability to pay for housing is severely constrained, which limits the range of options • Finding high quality housing without some form of financial assistance is nearly impossible (in Sullivan County or anywhere) • The county's core villages and surrounding towns offer the most options, given their larger rental inventories and access to services and jobs • Many renters will pay more than they can afford for poor quality • Home owners will tend to be retired, living with a disability, or have experienced an economic setback; will struggle with maintenance, taxes, and energy costs unless assisted	• Options have been narrowing and ability to pay for good, well-located housing has rapidly diminished in recent years • Buying a house today, even an extreme fixer-upper, is not a realistic option; many of these homeowners are long-time owners • Both renters and buyers tend to in or around the core villages, where homes are smaller and rentals are plentiful • Many renters will pay more than they can afford for poor quality	• Most have no trouble paying for their housing (especially above $40,000 in income), but they are probably making compromises that limit their satisfaction • Buying a home today is still an option, but requires a degree of upward mobility (income likely to grow) and a willingness to buy a house that may have a number of liabilities that dissuade other buyers • Renters include younger households who may aspire to homeownership but currently lack the savings for a down payment or would rather continue to rent than buy a fixer upper • Renters compete with other renters in lower and higher income brackets over the same units	• Buyers at the top of this income range can afford the typical house in Sullivan County, even with the pandemic price spike; buyers at the bottom of this range will have more limited purchasing options, most of which require significant work • Renters can afford to pay for most of the available rental options in the county but will not be impressed by quality, especially if they have renting experience in other markets • Those who are cost-burdened are likely choosing to stretch themselves financially; renters may opt to pay more for privacy, especially in single-family rental properties; owners may be at the top of their price range to pay for better conditions or location	• Buyers can afford to purchase most of the single-family homes that land on the market; if they buy a house that needs work, which will tend to be the case, they have capacity to make improvements over time • Buying a new house is generally not an option given the prices that new homes command and the costs of new development • Homeowners may have capacity to improve their home but not the willingness if standards in their area are low or they fear outstripping the value of their home • Renters have capacity to pay for new apartments, but few exist or are available • Both buyers and renters gravitate to outer core areas for options and convenience	• Buyers can afford to purchase the vast majority of single-family homes that land on the market and have capacity to make improvements to the homes rapidly; buyers near the top of this range can generally afford new construction • Homeowners will have the capacity to improve their homes and maintain the property at a high level; but they may not be willing to do so if standards in their area are low and they sense a low return on investment • Renters have chosen not to own for convenience, lifestyle, or transience of residency; they can afford the best rentals when those rentals are available • Some owners may prefer to rent but do not like their options	• Buyers can afford nearly anything on the market and can pay to make rapid improvements or customizations if they do not like what they see • Buyers can afford new houses, including new custom-built homes • Capacity to make home improvements and pay for maintenance at a high level exists, but willingness to use that capacity will depend on the strength of the surrounding market • Very few are renters, but some homeowners may prefer to rent if the right options in the right locations were available • The Rural South / East will tend to have the most options and sense of investment security for resident buyers in this range

HOUSING NEED

Households in these ranges generally need assistance to pay for and maintain adequate housing; their constrained options define housing needs in Sullivan County

HOUSING DEMAND

Households in these ranges are able to pay for adequate (if not preferred) housing; the choices they make for certain housing products in certain locations define housing demand in Sullivan County

PART 1

Housing Market Conditions and Challenges

How do people experience Sullivan County's housing market?

The online survey for the Sullivan County Comprehensive Housing Strategy was open during July 2022 at the project's website (SullivanHousingStudy.org). During that time, 378 completed surveys were submitted.

Of those responses, 92% were completed by year-round residents, 2% were completed by part-time residents, and 6% were completed by non-residents (most of whom indicated that they are employed in Sullivan County or are former residents).

This summary calls attention to key findings from the survey and is followed by responses to survey questions.

To supplement quantitative analysis of the housing market with perceptions from the general public, an online survey was conducted during July 2022. During that time, 378 completed surveys were submitted. Of those responses, 92% were completed by year-round residents, 2% were completed by part-time residents, and 6% were completed by non-residents (most of whom indicated that they were employed in Sullivan County or were former residents).

This summary identifies themes that emerged from the survey about priority housing issues and preferred actions to address those issues. Detailed responses to individual survey questions are provided in the Appendix.

A large share of survey respondents are cost-burdened by their housing but do not currently receive assistance, which mirrors findings from other analysis

Fully 55% of survey respondents reported spending 30% or more of their monthly incomes on housing costs, which meets the definition of being cost-burdened. But only 10% of respondents said they receive some form of assistance to meet their housing needs. In other words, for every 5 persons who could technically use some assistance, only 1 is actually receiving it.

This ratio is not dissimilar to the finding that there are 7,431 cost-burdened households in Sullivan County (owners and renters) who make less than $50,000, but only 1,732 households living in subsidized housing units.

Utility costs, property taxes, and blight ranked highest when survey takers were asked (from a list) which housing issues impact them personally

From a list of eight issues that emerged in stakeholder conversations, survey respondents were asked to rank each one on a scale of 1 to 5 according to how much they are personally impacted by the issue. Across all respondents, three issues ranked highest:

1. High heating/energy costs, or high transportation costs
2. Property tax burden is too high
3. The presence of blighted or vacant properties

These three highest-ranked responses also represent the three issues that had the closest levels of agreement between renters and homeowners who took the survey. A look at responses for owners and renters separately reveals some clear differences, though. For owners, "single-family homes need a lot of repairs and updates" ranked highly. For renters, "existing rental units are in poor condition" ranked highly, as did "there aren't enough newly built housing opportunities."

It is also notable that renters were much more likely to give most of the issues a high impact rating, suggesting that renters feel the impact or presence of a variety of housing issues more acutely than the typical homeowner—including property tax burdens that might not impact renters directly but may seem to keep homeownership out of their reach.

Utility costs and property taxes ranked highly when survey takers were asked to rate the same list of issues for their perceived impact on the overall community, but the poor condition of existing rental units also ranked highly

When respondents were asked to shift their thinking from the personal impacts of certain housing issues to the community-level impacts of those same issues, there were broad similarities in terms of which ones ranked highly. The top three issues included:

1. High heating/energy costs, or high transportation costs
2. Existing rental units are in poor condition
3. Property tax burden is too high

The presence of rental unit conditions on this list of top issues is an indication that many homeowners do not feel personally affected by the condition of the county's rental housing but do sense that it has a negative impact on the wider community. Among renters, another issue that ranked high for community impact (but not among owners) was "monthly rent or mortgage payments are a struggle."

Respondents were more likely to indicate that an issue had a community impact than a personal impact, which may have implications for strategy implementation

On every issue, both renters and homeowners were more likely to indicate that an issue had a high impact on the overall community than to indicate that an issue had a high personal impact—a difference that was clearest among responses from homeowners. For example, of the eight issues listed only two received "high personal impact" ratings from more than 50% of homeowners. But all eight issues received "high community impact" ratings from more than 70% of homeowners.

Given that strategies to address housing issues will require broad community support—especially those that require expenditure of local resources—the widespread perception of housing issues as having significant community impacts (even among people who do not feel the impact directly) is critical.

A broad majority of respondents agreed that significant local actions are needed to address high-impact housing issues

Two-thirds of survey respondents agreed with the following statement about issues they ranked highly for community impact: "They are problems/issues that will require significant help from local governments and non-profits to solve." Another 25% indicated that "some help" from local governments and non-profits would be needed. Only 8% agreed that high-impact housing issues are solely the domain of the private market to solve.

Rehab of existing housing units and demolition of blighted units rank highly as wise expenditures of local housing resources

Survey takers were presented with a hypothetical $1 million allocated by the county to spend on housing programs or activities. They were then asked to choose no more than three activities from a list of eight to put the $1 million towards. The most commonly chosen activities, among both owners and renters, included the following:

1. Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers
2. Demolish abandoned and blighted housing to limit its impact on the community
3. Help to rehab existing rental units to improve their condition while maintaining current rent levels
4. Build emergency housing for individuals and families that are experiencing homelessness or are threatened with homelessness

PART 2 Strategic Responses to Housing Challenges

The main housing challenges that face Sullivan County, and are described in Part 1, are not new. They may have been exacerbated or accelerated by the market tightening of the late 2010s and the COVID-19 pandemic, but they have been long in the making and reflect economic and demographic trends over many decades.

Addressing these challenges and moving the market in a direction that makes it more likely to meet a range of housing needs will, similarly, take time. And it will take a series of well-coordinated efforts that reinforce one another and serve specific goals.

Part 2 provides a blueprint for a set of housing activities—each tied to specific needs and opportunities—that will give the County and its partners a starting point for coordinated action that will also build the community's capacity and experience to undertake a wider range of housing-based investments going forward.

1

Prioritize needs and opportunities across the income spectrum

- Households making **under $20,000**
- Households making **$20,000 to $35,000**
- Households making **$35,000 to $50,000**
- Households making **$50,000 or more**

2

Pursue three specific opportunities to move forward in an incremental but substantial way

- **Partnerships with landlords** to improve **240 existing rental units** and preserve the affordability of **80 of those units** for households making $20,000 or less
- **40 units of new rental housing** priced for households making $20,000 to $35,000
- **40 units of new market-rate rental housing** priced for households making $35,000 to $50,000

Complementary activities

- Extend the life of soon-to-expire Low Income Housing Tax Credit (LIHTC) properties
- Create and use a list of landlords and investors with troubled histories
- Boost code enforcement capacity and compliance assistance resources
- Update land use regulations and capital improvement plans to support housing investments

PART 2

Strategic Responses to Housing Challenges

1

KEY FINDING

Prioritize needs and opportunities across the income spectrum

As is demonstrated in Part 1, households at different income levels represent distinctly different levels of need. This influences how households in each range experience the market and their range of choices.

And examination of needs and opportunities, especially for those that struggle the most to find and pay for adequate housing, suggests that **households below the $50,000 threshold are priorities for need-based strategies, especially those that focus on challenges in the rental marketplace**. Activities aimed at households at around $50,000 or above have the potential to assist households in lower income ranges by helping to relieve pressures caused by competition over the same units, but are primarily justifiable from an economic development standpoint (helping households with options "choose" Sullivan County).

The following is a summary of the needs of households at different income ranges—with a focus on those earning $50,000 or less—and the types of new or expanded interventions that would serve those needs.

HOW MANY? **4,557** (or 16%)

Households making **under $20,000**

What are their needs?

These households have the least ability to pay for housing and, therefore, the greatest levels of need and the fewest options. While they are generally eligible for housing assistance, there are more households in need of assistance than there are resources to assist them.

A household in this range looking for housing today will be in the rental market, which is where their needs must be met. Sustainable homeownership is not a realistic goal to pursue.

What actions would serve this group?

Naturally-occurring affordable housing maintained by the private market has been the dominant source of housing for the county's lowest income range. Slow production throughout the housing market has stunted the process by which older units filter downward over time to serve different income groups, which has resulted in both a limited and degraded supply of this housing.

Interventions that expand housing opportunities elsewhere along the income spectrum, combined with efforts to improve the condition and affordability of existing units that become available, would begin to bolster the supply of affordable rentals.

Identifying priorities

Households in this group—and renters especially—are the most vulnerable in the county and, without assistance, are likely to overpay for poor housing options. They have, and will continue to have, the highest levels of housing need and should be viewed as a priority from a public health and welfare standpoint.

4,182 (or 15%)

Households making **$20,000 to $35,000**

What are their needs?

These households can afford rents of no more than $875, which is now below the county's median rent. This means that affordable options are dwindling for these households—especially families who search for rentals with multiple bedrooms.

Though these households have incomes that are generally insufficient to pay for good housing, many earn too much to qualify for assistance. Expensive utility and transportation costs are also a key pressure point for these households.

A household in this range looking for housing today will be in the rental market. Many long-time homeowners in this range will have needs related to the costs of home maintenance.

What actions would serve this group?

New rental developments financed with Low-Income Housing Tax Credits (LIHTC) are a good fit for this income range and have already been used to create over 1,200 units of affordable housing. New housing developed for households above this range can also serve to free up somewhat older units that could then be rehabbed.

For the many in this range who own homes, rental downsizing opportunities for seniors would fill a need, as would resources to assist owners with code compliance.

Identifying priorities

Households in this range are increasingly vulnerable to being unable to find adequate and affordable housing, and many of them are vital to service and food processing industries. Their levels of need are rising and should be viewed as priorities from the standpoint of social welfare and economic competitiveness.

3,718 (or 13%)

Households making **$35,000 to $50,000**

What are their needs?

With incomes that can affordably pay for rents of $875 to $1,250, these households used to be able to afford most rental options in the county. Very low inventories of available units have changed this, forcing them to pay more without necessarily getting better quality. At the same time, the homebuying market is now largely closed to this group with the exception of homes in need of substantial work.

A household in this range looking housing today will generally be in the rental market, unless they seek a low-price homebuying opportunity.

What actions would serve this group?

These households have incomes that fall short of covering what it actually costs to build new rental units, so subsidies that cover financial gaps for new housing development, such as LIHTCs, would serve this group.

New housing for households at higher income ranges would also serve these households by freeing up older units.

Besides new rental housing, any effort to improve the general condition of existing rental opportunities would benefit this group, as would assistance with home improvements for those who own outdated homes.

Identifying priorities

This lower end of this income range (closest to $35,000) are vital to the county's economy but have housing needs that are increasingly going unmet. These levels of need should be viewed as priorities from an economic competitiveness standpoint.

15,696 (or 56%)

Households making **$50,000 or more**

What are their needs?

Households making more than $50,000 do not represent "need" because they are generally able to afford housing—even if they are not always happy with their options in Sullivan County. But they may represent a workforce and economic development imperative for the county if unappealing housing options make it hard to attract and retain these households.

What actions would serve this group?

For buyers, efforts to improve derelict homes and offer them to first-time buyers who commit to being owner-occupants would provide access to good move-in ready ownership opportunities

As renters, these households can generally afford what it costs to build new rental housing, so the market should be able to serve them. But a lack of activity suggests that some coaxing—through tax incentives and other tools—may be necessary to attract developers.

Identifying priorities

There is no direct housing need to prioritize for these households, though expanding their range of options may relieve housing pressures lower on the income spectrum. If these households, or certain segments of these households, were to be deemed housing priorities, it would be from an economic competitiveness standpoint.

PART 2

Strategic Responses to Housing Challenges

2 Pursue three specific opportunities to move forward in an incremental but substantial way

Housing needs in Sullivan County—concentrated among those households that earn less than $50,000—are not small. Just one way of quantifying these needs is to look at the total number of households that are cost-burdened by their housing: 8,845 households in 2020 spent more than 30% of their income on monthly housing costs, a group that constituted 31% of all households in the county. Among renters, this figure stood at 41%.

Given the scale of need in Sullivan County, as well as the limited resources and capacity to address housing needs, what form should a housing strategy take? ***What would constitute realistic and meaningful steps that help to focus limited resources onto prioritized housing needs?***

This Comprehensive Housing Strategy recommends a focus on rental housing needs—the portion of the market where inventory shortages and poor conditions have an acute impact on some of the county's most vulnerable residents while hindering the ability of many households to move into or within the market— Including, for example, senior homeowners who struggle to find rental options for downsizing.

Additionally, **the pursuit of three interconnected opportunities is recommended to expand both the total number of rental units available in Sullivan County as well as the quality of existing units**. These opportunities—aimed at the identified needs of households in the under $20,000, $20,000 to $35,000, and $35,000 to $50,000 income ranges—represent incremental progress that will build the community's capacity to creatively implement housing strategies going forward.

Households making **under $20,000**	Households making **$20,000 to $35,000**	Households making **$35,000 to $50,000**
Partnerships with landlords to improve **240 existing rental units** and preserve the affordability of **80 of those units** for households making $20,000 or less	**40 units of new rental housing** priced for households making $20,000 to $35,000	**40 units of new market-rate rental housing** priced for households making $35,000 to $50,000
240 improved rental units	**80** new rental units, which open up opportunities for rehab of existing units	

"Get the Basics Right" in Sullivan County as a core principle.

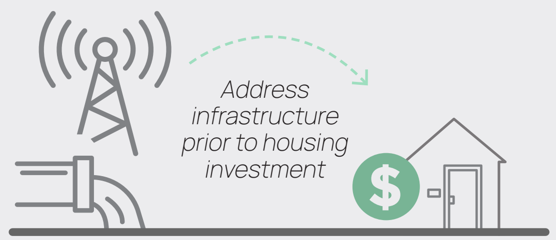
These three opportunities run the risk of being undermined, or of having their impact blunted, **unless they are joined by a commitment to "get the basics right" on related aspects of community investment** that will help to facilitate these opportunities, improve confidence in the county, grow the tax base, and stimulate reinvestment by owners and landlords alike. The same goes for any housing activity in Sullivan County that involves some form of public support or inducement.

What does it mean to "get the basics right" and apply it as a precondition to housing investments?

Quality of place

A proposed housing investment should visibly improve market standards in its proposed location through quality of design and construction; it should enhance pride of place.

The housing investment should be complemented by some other form of community investment that improves public space around the investment (the street, sidewalks, trees, or an adjacent park, for example).



Infrastructure

Critical infrastructure—such as water supply and distribution—should be determined sufficient in both capacity and condition to serve the new housing investment. If deemed insufficient, resources should be allocated to address infrastructure shortcomings before the housing investment occurs.

Achieve mixed-income results

A proposed housing investment should not further entrench poverty in a location where poverty rates are already higher than the county average. It should achieve—either within the development itself, or in the surrounding neighborhood—a mixture of incomes to support healthier socioeconomic conditions and the fiscal strength of the host community.

Cluster investments for high impact

One-off investments are unlikely to have a lasting impact on Sullivan County's housing market or the quality of housing options in a given community. To have lasting impact, housing interventions of different types should be clustered close together—along with quality of place investments—to elevate housing conditions and the likelihood of additional investment.

PART 2

Strategic Responses to Housing Challenges

2

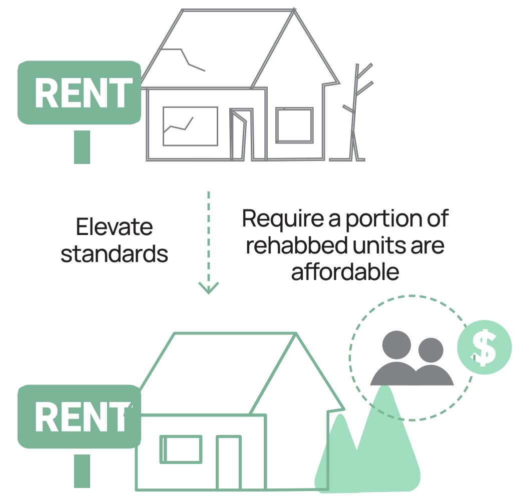
Pursue three specific opportunities to move forward in an incremental but substantial way

WHAT

Partnerships with landlords
to improve
240 existing rental units
and preserve the affordability of
80 of those units
for households making
$20,000 or less

Use public resources to incentivize investments by local landlords into **240 existing rental units**; require that **a third of these rehabs (or 80 units) be kept affordable to households that make $20,000 or less**

WHY



While the development of new rental units will play a role in relieving specific pressure points in the rental market and helping to raise standards, the county's existing rental stock will be the most important source of opportunities to address housing needs into the future. For this reason, a locally-supported effort to partner with good landlords on rehabs of existing rental units (naturally occurring affordable housing) is a critical capacity for Sullivan County to develop.

Such a partnership would serve to elevate standards in the market and make the county's rental stock more appealing. It would also put the county in a position to require an important "give" in return for investing in private improvements—a guarantee that a portion of the units rehabbed will remain affordable to households making $20,000 or less for a period of time after rehab.

Importantly, investing in higher standards for existing rentals would also be an investment in preserving and strengthening the county's tax base by halting the drag that declining rental properties exert on neighborhoods.

HOW

A partnership with local landlords to rehab rental units will require two resources: (1) a pool of matching funds to invest in the rehabs and (2) the management capacity to oversee the rehab program, including project scoping, quality assurance, and ensuring that the required share of units remain affordable.

Pool of Matching Funds

The aim of such a program is not to pay for gut rehabs of existing rental units but to assist landlords with substantial upgrades that increase the appeal and marketability of time-worn units. For example, a program could be structured to provide up to $25,000 per unit as a dollar-for-dollar match to investments made by the landlord, with a scope of work agreed to by both parties. Properties would have to be duplexes or larger (no single-family rentals), and improvements would have to be made to all units.

The landlord would oversee the performance of work, be reimbursed upon completion and inspection, and would be contractually obligated to maintain one-third of the units at rent levels of no higher than $500 for a period of at least seven years. All other units would be priced at market rates.

Management Capacity

Oversight of this program could be by county government or through a contract with a not-for-profit entity. Developing partnerships with landlords, scopes of work, inspections, and oversight of income-restricted units would be critical project management tasks.

A pace of roughly 50 rehabbed units per year would achieve the goal of 240 units within five years and require $1.25 million per year in flexible capital to match landlords' investments. This capital could be sourced from the county general fund and/or a re-appropriation of a portion of the county's room occupancy tax in recognition of the housing needs of hospitality sector workers.

STRATEGIC CONSIDERATIONS

Partnerships should be limited to landlords in good standing – with clean track records on tax payments, code compliance, and other characteristics that would describe a reputable and serious landlord.

Where possible, these partnerships should be arranged in a manner that creates clusters of improved housing units alongside other investments in public space and infrastructure.

In cases involving partnerships with small properties where only two units are being rehabbed and the "one-third" rule is impractical, an alternative would be the preservation of a single unit for households in the $20,000 to $35,000 income range in order to maintain the financial viability of the property.

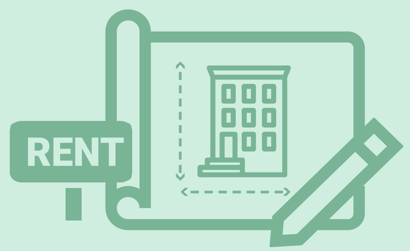
PART 2

Strategic Responses to Housing Challenges

2

Pursue three specific opportunities to move forward in an incremental but substantial way

WHAT

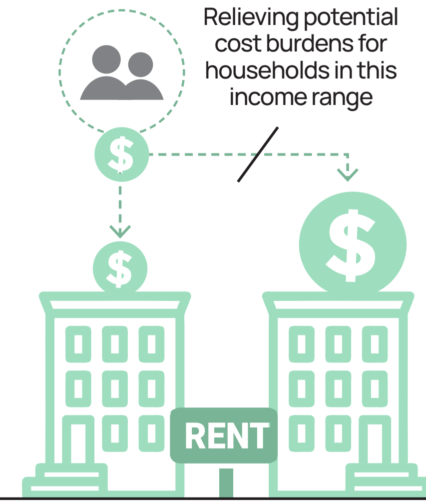


40 units of new rental housing priced for households making $20,000 to $35,000

Harness public resources to create an incentive for the private sector to develop **40 units of rental housing for households in the $20,000 to $35,000 range**. Continue to operate it as deed-restricted rental housing for households with incomes between 40-60% AMI.

WHY

Affordability for these households



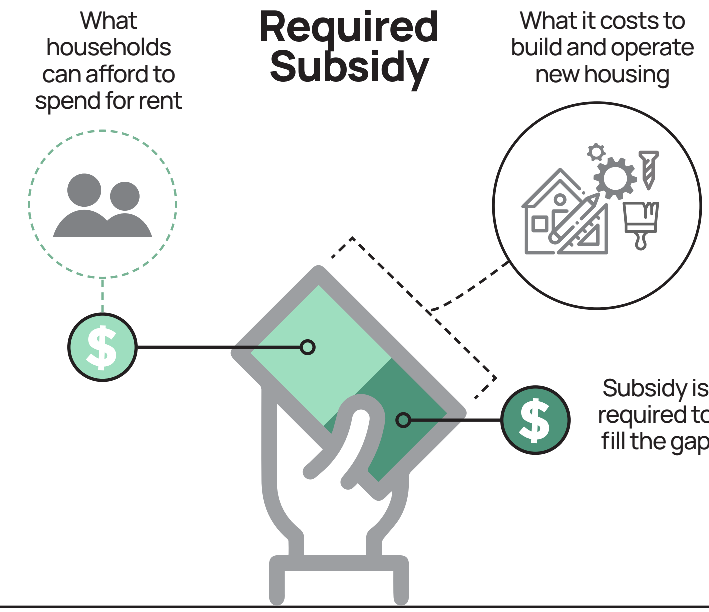
Rentals that are affordably priced for this income range—with rents between $500 and $875—constituted a significant share of the rental market in the late 2010s but are becoming more scarce, especially as many landlords adjust their pricing upwards in the wake of the pandemic eviction moratorium. When they can be found, the condition of these units is often poor.

The inventory shrinkage in this segment of the rental market is straining these households who make $20,000 to $35,000, many of which contribute to important segments of the county's labor force.

The development of 40 new units for this income range will serve multiple functions: relieving the potential for cost burdens on 40 households, preventing those households from having to shop for housing above or below their price range (saving those ranges from added pressure) and freeing up 40 units of existing housing for rehab and/or re-occupancy.

HOW

Required Subsidy



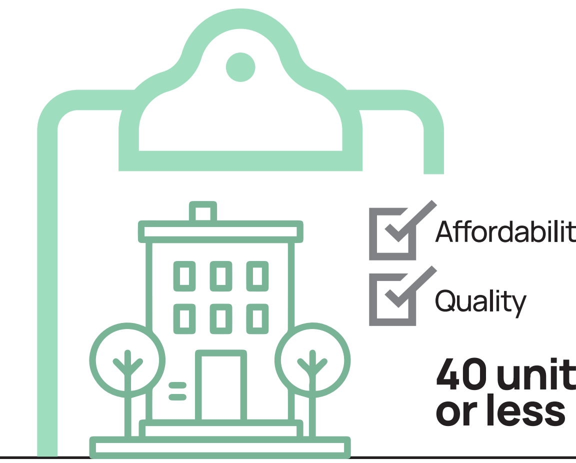
New rental development costs in 2022, as well as ongoing operations of a completed project, require break-even rents of at least $2,500 in Sullivan County. This critical piece of market math is summarized in Part 1.

Consequently, this opportunity will require development subsidy on two fronts: (1) to reduce the construction costs covered by the project developer, and thus the long-term debt obligations of the project, and (2) as operating subsidy to address the gap between maximum affordable rents and proper operations.

The most likely source of financing for a project such as this will be the federal Low Income Housing Tax Credit (LIHTC) program. LIHTC housing is rental housing developed by the private sector and subsequently conveyed to an operator that is obligated to operate them as affordable units to a defined target market for a defined period of time. The program is best understood as a device to trade tax credits (to corporations looking for a reduction in their tax liability over a span of time) for up-front cash (from those same corporations), where the received cash is distributed to developers of affordable housing. The cash that the developer receives up front pays for a significant portion of the construction expense, thereby reducing the amount of debt the project has to carry, which ultimately reduces the rent the owner/operator must charge to break even.

STRATEGIC CONSIDERATIONS

Project Size



Tax credits are only available if projects are developed in areas with a certain degree of poverty. The county should be cautious and not sponsor projects that are excessively large and where many potentially struggling households are housed in one location or neighborhood. It is recommended that while economies of development and management scale would be lost, **smaller projects-generally 40 units or less-are more beneficial in the long run** if there are the twin goals of affordability AND higher quality of life for residents and neighbors.

In addition to discouraging the county from embracing large LIHTC or other subsidized projects, this Comprehensive Housing Strategy strongly encourages the county to stipulate to any developer/owner that official county support for a LIHTC project would be conditioned on an appropriate property/asset management plan.

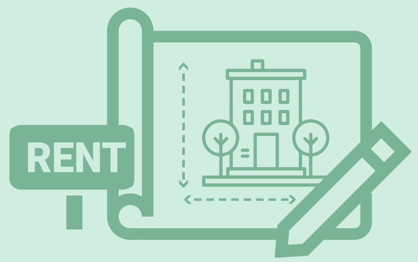
PART 2

Strategic Responses to Housing Challenges

2

Pursue three specific opportunities to move forward in an incremental but substantial way

WHAT



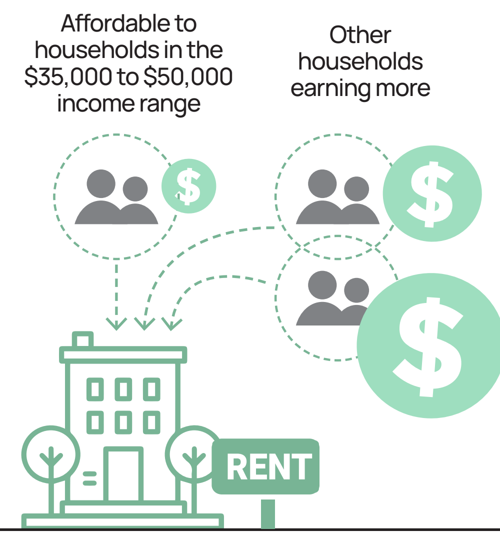
40 units of new market-rate rental housing priced for households making $35,000 to $50,000

Harness public resources to create an incentive for the private sector to develop **40 units of new market-rate rental housing for households in the $35,000 to $50,000 range**.

Continue to operate it as deed-restricted rental housing for households with incomes between 60-80% AMI.

WHY

Market Pressures



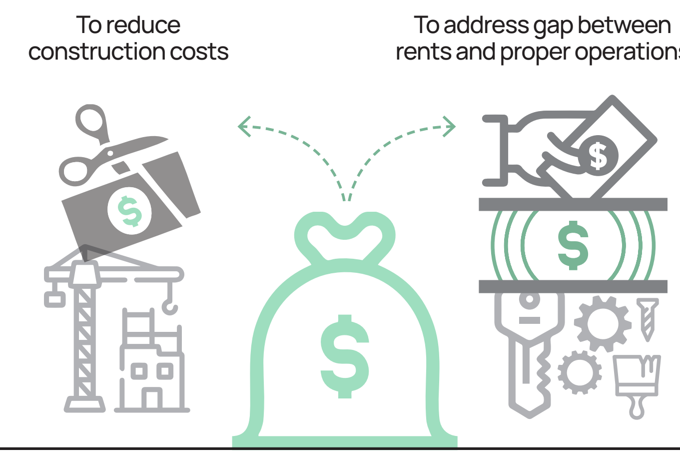
Existing rentals that are affordably priced for this income range—with rents between $875 and $1,250—draw substantial competition from households with incomes above $50,000 due to the shortage of pricier rentals in Sullivan County. This puts heavy pressure on households in the $35,000 to $50,000 income range, many of whom are pushed into competition for housing with households who earn less.

The competitiveness of rentals in the $875-$1,250 range has not translated, however, to higher quality. Conditions are problematic and contribute to the limited appeal of Sullivan County's rental stock for households who have options.

The development of 40 new units for this income range will aid in relieving these pressures and setting higher standards for rental quality.

HOW

Development Subsidy

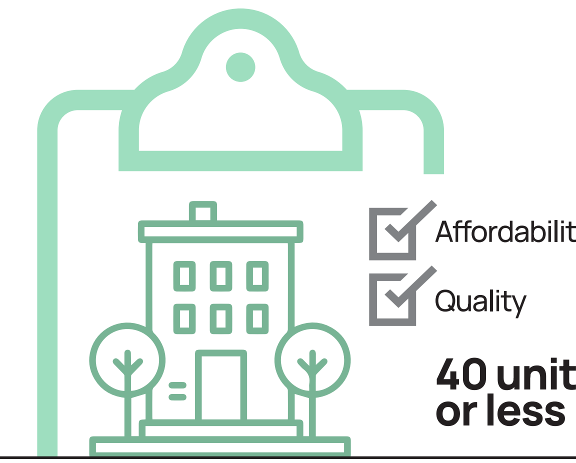


The same forces that make the market highly unlikely to build new housing on its own for households in the $20,000 to $35,000 income range are also at work on this income range, though to a lesser extent. Because households in this range have a higher ability to pay (though not high enough to afford brand new rental housing without help) the level of required subsidy is lower.

The federal Low Income Housing Tax Credit (LIHTC) program is a potential source of subsidy for this opportunity. There are other financing programs offered through the New York State Department of Housing and Community Renewal, such as those for small buildings and mixed-use developments, that may also be suitable. While this opportunity calls for new housing units, this does not necessarily require new construction and could be realized through adaptive reuse of currently non-residential structures.

STRATEGIC CONSIDERATIONS

Project Size



This opportunity for households in the 60% to 80% AMI range has a lower risk of concentrating poverty than the opportunity in the 40% to 60% range. Nevertheless, keeping the project on the smaller side (40 units or less) is advised. And county support for a LIHTC project should be conditioned on an appropriate property/asset management plan.

Complementary Activities

Pursuing the three opportunities identified in this strategy, and striving to "get the basics right" to make the most of any new housing investment, will put Sullivan County on a path to progress. To further maximize the positive impact of those actions, certain complementary activities should be pursued to facilitate these gains and ensure that progress is not nullified by backsliding in other areas. These activities include, first and foremost, the following:

Extend the life of existing LIHTC properties

To date, developments with nearly 1,200 rental units have been developed in Sullivan County with Low Income Housing Tax Credits (LIHTC). The typical property is a 60-70 unit development that is affordable to county households earning 60% of AMI (roughly $40,000). The typical project is also nearly 20 years old and set to expire in a little more than ten years. Three LIHTC projects in particular—School Street in Livingston Manor, Great Pines in Hurleyville, and the Main Street Houses in South Fallsburg (186 units in total)— are all set to expire by 2025.

Upon expiration, the property's owner is free to convert it to market-rate housing, sell it outright, or do anything local codes permit. However, successful conversion is not always a guarantee. If maintenance has lagged, for example, the property's ability to compete in the broader market may be hampered, causing the property to underperform and enter a long-term cycle of disinvestment. This would be a poor outcome for the property owner (reduced profitability) and the county (reduced value).

To maintain these as affordable units and also to limit the risk of disinvestment that is prevalent in soft markets, the county can play a proactive role by helping the owner with gap financing to both refinance and rehab the property. In some communities, the Industrial Development Agency has played this role in recognition of the importance of affordable housing to the workforces of critical economic sectors.

Update land use regulations and capital improvement plans to support housing investments

Land use regulations and capital improvement plans that align with this strategy and support housing investments are critical to "get the basics right." Reviewing existing regulations, especially those that have not been updated in a while, is a function for local governments to play with assistance from the county.

Zoning

New multi-family developments will play a role in addressing housing needs in Sullivan County. While not appropriate for all locations, there are many sensible sites in the county—areas near job centers and transportation corridors, and near existing water and sewer service—that should be zoned to accept multi-family developments.

Efforts to update zoning codes to help facilitate new multi-family development is one of the more important actions that municipalities can take to address housing needs—especially in places that have identified affordable housing as a critical issue in their comprehensive plans. While there are concerns about the potential for unlawful multi-family projects based on experiences in Orange County, the best way to prevent this is through clear, well-enforced ordinances.

Capital Improvement Plans

Public efforts to incentivize or assist private housing investments will be for naught if these investments occur alongside underinvestment in critical infrastructure. Every municipality should have an updated Capital Improvement Plan (CIP) that lays out infrastructure priorities. Those priorities should include infrastructure in areas where housing investment and reinvestment is a goal.

Create long-term emergency housing solutions

Emergency housing to support households and individuals with the highest levels of need is one of the day-to-day functions of the Sullivan County Department of Social Services (DSS). In recent years, this has often meant the procurement of rooms in hotels or motels, which can be an expensive and unpredictable way to find housing for the 50 household units that, on average, need this form of assistance at any given time.

Having a long-term solution dedicated to providing emergency housing, alongside other wraparound services, would be a more efficient use of the county's financial and administrative resources while better serving these individuals and families. The availability of resources through HOME and the American Rescue Plan Act to convert older hotels into permanent housing is a critical opportunity to create such a solution.

Generate a pipeline of rehabbed and affordable homeownership options

The most affordable homeownership options in Sullivan County tend to come with a big caveat: the properties are relatively inexpensive because they have long been neglected and require significant and costly upgrades.

Extending the life of these properties while providing accessible homeownership options for first-time buyers are two important goals to achieve in Sullivan County. One way to approach this opportunity that has been taken by other counties in New York is to have the new Sullivan County Land Bank take possession of selected tax foreclosed properties, oversee their rehabilitation, and then sell the rehabbed properties to qualified buyers. Providing the properties to the land bank at a nominal price (outside the property auction) and creating a pool of working capital that would be replenished upon sale, are keys to making such an approach feasible.

Once proven, this or a similar model could be expanded to target a broader range of acquisitions beyond tax foreclosures.

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Timeline and Action Plan for Sullivan County Housing Opportunities

The three opportunities outlined in this strategy represent a combination of public and private investments to pursue over the coming three to five years. When completed, the outputs would include 80 new rental units and 240 improved units of existing housing.

A crucial outcome from implementation of these opportunities, going forward, would be the creation of greater capacity within Sullivan County to invest in housing priorities and successfully implement public-private partnerships to address housing needs at a range of income levels.

	Three Housing Investment Opportunities to Meet Prioritized Housing Needs			Complementary Activities			
	Partnerships with landlords to improve **240 existing rental units** and preserve the affordability of **80 of those units** for households making $20,000 or less	**40 units of new rental housing** priced for households making $20,000 to $35,000	**40 units of new market-rate rental housing** priced for households making $35,000 to $50,000	**Extend the life of existing LIHTC properties**	**Update land use regulations and capital improvement plans to support housing investments**	**Create long-term emergency housing solutions**	**Generate a pipeline of rehabbed and affordable homeownership options**
Timeframe	2023-2027	By end of 2025	By end of 2025	First round of extensions by end of 2025	By end of 2026	By end of 2025	First rehabs complete by end of 2024
Who	County-driven partnership with private landlords and villages/towns	Private affordable housing developer with county sponsorship	Private affordable housing developer with county sponsorship	LIHTC property owners and Sullivan County or IDA	County-driven effort in partnership with local governments	County-driven effort in partnership with private developer	Potentially driven by Sullivan County Land Bank with support from Sullivan County
Potential Resources	Up to $6 million in public capital to match $6 million invested by private landlords	Low Income Housing Tax Credit (LIHTC) program	LIHTC or other New York State affordable housing programs	Gap financing capital to support refinancing and rehab	Utilize existing administrative and planning capacity, supplemented by consultants as needed	HOME and American Rescue Plan Act resources to support hotel/motel conversion to permanent housing	Transfer of tax foreclosed homes at below-market cost; working capital of $250,000 per house fully or partially recouped upon sale

Appendix

Additional Complementary Activities

The Sullivan County Comprehensive Housing Strategy does not cover every possible housing-related program or investment that could be made in the county to meet apparent housing needs. This is on purpose. Such a list—devoid of any connection to available resources or political will—does not constitute a strategy so much as an un-implementable wish list.

The purpose of the opportunities and complementary activities described in Part 2 is to expand the implementation capacity of Sullivan County and its communities through a focus on a small but important set of actions that, when complete, will put the county in a much stronger position to pursue other efforts. Based on the findings of this document and feedback provided by the public during July 2022 through an online survey, the following is an outline of efforts that might be pursued when capacity and coordination have been expanded:

- Expansion of demolition efforts to remove vacant and obsolete structures that have negative impacts on surrounding properties
- Boost code enforcement capacity and compliance assistance resources through partnerships between the county and local governments; coordinate efforts to regulate short-term rentals in places where regulation is a local priority
- Program specifically geared toward assisting homeowners with hoarding disorders find new housing and prepare properties for the market
- Financial partnerships with homeowners to assist with major upgrades, including weatherization and transitioning away from fuel oil
- Renter education program to improve understanding of tenant rights and responsibilities, and personal financial planning for those with homeownership aspirations

Detailed Survey Responses

Where do you live in Sullivan County?
(year-round or part-time)

	Answer	Percent
1.	Village of Liberty	8.68%
2.	Village of Monticello	6.72%
3.	Bethel, town	6.72%
4.	Callicoon, town	6.16%
5.	Cochecton, town	1.96%
6.	Delaware, town	6.72%
7.	Fallsburg, town	14.29%
8.	Forestburgh, town	1.40%
9.	Fremont, town	1.96%
10.	Highland, town	4.48%
11.	Liberty, town (outside Liberty village)	16.53%
12.	Lumberland, town	1.68%
13.	Mamakating, town	3.64%
14.	Neversink, town	2.52%
15.	Rockland, town	2.24%
16.	Thompson, town (outside Monticello village)	10.08%
17.	Tusten, town	4.20%

Do you own or rent your housing in Sullivan County?

	Answer	Percent
1.	Own	59.38%
2.	Rent	40.62%

How old are you?

	Answer	Percent
1.	Under 18	0.00%
2.	18-24	1.96%
3.	25-34	12.89%
4.	35-44	24.09%
5.	45-54	18.49%
6.	55-64	23.53%
7.	Above 64	19.05%

What percentage of monthly income, before taxes, does your household spend on housing in Sullivan County (as rent or mortgage payment).

	Answer	Percent
1.	30% or less	45.10%
2.	31% to 50%	39.50%
3.	51% or more	15.41%

Have you received any help in the past 12 months with making your monthly housing payment (from family, a church, DSS, or a non-profit)? And/or do you live in housing that is subsidized through a housing voucher, a local housing authority, or some other program?

1.	Yes	10.39%
2.	No	89.61%

Please rate the housing issues listed here by their impact on you, personally. Give five stars to an issue that has a significant impact on you, and one star to an issue that has little if any impact on you.
Note: Higher scores indicate higher impact rankings

	Question	Score
1.	Monthly rent or mortgage payments are a struggle	2.916
2.	There aren't enough newly built housing opportunities	3.176
3.	Existing rental units are in poor condition	3.305
4.	Single-family homes need a lot of repairs and updates	3.697
5.	Property tax burden is too high	3.905
6.	Lack of age-appropriate housing for seniors to downsize into	2.950
7.	High heating/energy costs, or high transportation costs	4.305
8.	The presence of blighted or vacant properties	3.829

Please rate the same housing issues by how much you think they impact your community in Sullivan County. Give five stars to an issue that has a significant impact on your community, and one star to an issue that has little if any impact.
Note: Higher scores indicate higher impact rankings

	Question	Score
1.	Monthly rent or mortgage payments are a struggle	4.283
2.	There aren't enough newly built housing opportunities	4.255
3.	Existing rental units are in poor condition	4.465
4.	Single-family homes need a lot of repairs and updates	4.401
5.	Property tax burden is too high	4.462
6.	Lack of age-appropriate housing for seniors to downsize into	4.050
7.	High heating/energy costs, or high transportation costs	4.669
8.	The presence of blighted or vacant properties	4.353

For the housing issues that you think have a significant impact on your community, do you think...

	Answer	Percent
1.	They are problems/issues primarily for the private market to solve	8.12%
2.	They are problems/issues that will require some help from local governments and non-profits to solve	25.21%
3.	They are problems/issues that will require significant help from local governments and non-profits to solve	66.67%

Imagine that Sullivan County has set aside $1 million to support activities that will help to improve the quality of housing in the county or access to good housing. From the list below, please select no more than three activities that you think would be the very best ways to use these resources.

	Answer	Percent
1.	Subsidize the development of new apartments that would be income-restricted to households making less than $35,000	10.52%
2.	Subsidize the development of new apartments that would be rented without income restrictions (market-rate)	10.33%
3.	Build emergency housing for individuals and families that are experiencing homelessness or are threatened with homelessness	13.32%
4.	Subsidize the development of new housing geared towards seniors	10.33%
5.	Help to rehab dilapidated houses to make them appealing and affordable for first-time buyers	17.76%
6.	Subsidize the development of new homes for first-time homebuyers	8.49%
7.	Help to rehab existing rental units to improve their condition while maintaining current rent levels	13.22%
8.	Demolish abandoned and blighted housing to limit its impact on the community	14.48%
9.	None of these – it is not the county's job to intervene in the housing market	1.54%

Sullivan County
Comprehensive Housing Strategy

September 2022

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Prepared by czbLLC