

MEMORANDUM

TO: Doug Greene, City Planner
Department of Planning & Permitting – City of Auburn
60 Court Street
Auburn, Maine 04210

FROM: RKG Associates, Inc.

DATE: October 1, 2015

SUBJECT: New Auburn Village Center SWOT Analysis

RKG Associates Inc. (RKG), on behalf of the City of Auburn, Maine, offers the following SWOT (strengths, weaknesses, opportunities and threats) analysis of the City's proposed repositioning of key riverfront parcels (refer to Map 1 for an aerial view of the general boundaries) in order to realize a more vibrant, pedestrian style village center in New Auburn, with increased economic activity and contributory values.



Map 1 – New Auburn Village Center

This SWOT analysis reflects RKG's review of existing information and prior studies regarding the proposed New Auburn Urban Village Center; a walking tour of the properties and observation of the existing conditions in the analysis area (as well as elsewhere in the City); and, meetings and discussions with representatives of the City. These quantitative and qualitative factors, combined with RKG's experience on similar projects elsewhere, result in the following findings, recommendations (some of which are posed as questions yet to be answered) and suggested action items to assist the City in moving forward on this transformative project (the Plan).

Strengths

- Projects are underway (or pending) elsewhere in the City that are supportive and contributory to the proposed Plan.
- There is an engaged and active City government and community participatory process that have worked to develop a desired vision.
 - **Action** – The consultants understand that the City maintains an e-mail list to keep neighbors and residents aware of pending meetings for the New Auburn Village Center plan. RKG would also suggest maintaining a

dedicated link on the City's website for all things related to New Auburn Village Center as the project progresses.

- Waterfront views and access serve as both quality-of-life amenities for residents as well as current and future developers.
- An informal walk of the area found at least some property owners desiring to be a part of the process for change.
- Some businesses are new to the area and have had a positive impact on the neighborhood economy, while some other businesses are "local institutions".
- The City already has site control of several parcels and/or has begun discussions with the Auburn Housing Authority (AHA) to discuss "market rate" transitioning of properties with waterfront views.
- Existing housing values are relatively low, providing an opportunity for additional acquisition and assemblage. *However, this may also be considered as a weakness.*

Weaknesses

- The City does not have total site control, or a mechanism in place (as of yet) to "direct" site development of all parcels in critical development locations such as the Broad Street/Riverside Drive intersection; the Broad Street/Mill Street/2nd Street intersection; or the Mill Street/Broad Street/Riverside Drive triangle.
- Limited private sector investment activity, particularly in the residential sector, is evident in housing stock conditions and is likely reflected in assessed values.
- The existing built environment reflects a conflict in building uses such as abutting residential and light industrial.
 - **Action** – Consider developing a land bank of alternative sites (perhaps City owned) in order to "swap" out industrial or other non-compatible uses for potential residential or mixed-use development.
- General pedestrian amenities (and a sense of overall safety) are lacking at this time, although the Plan addresses much of this.
- The Plan has been developed with limited real estate and market analytics which would offer a sense of the "practicality" of the proposed development informed by market conditions, supply/demand indicators and changing demographics.
 - **Action** – In light of a detailed market analysis at this time, RKG suggests that the City consider sponsoring a "brain-trust" meeting with local commercial and residential real estate professionals to discuss market trends, pricing, absorption and other supply/demand indicators.
 - **Residential** – Where will "new" residents come from? What might be the mix of owner versus renters? What residential products are or will be in demand: townhomes, garden apartments, mid-rise?
 - **Commercial** – What are typical space requirements (SF) for the types of tenants that are desired? What are affordable rents/leases? What are the residential densities required to support selected retail development?

Opportunities

- The Plan provides the City with the opportunity to re-position an underutilized (especially in terms of tax contribution) waterfront asset to the City.
- The City's ownership or control of certain parcels, as well as the ability to influence transportation layout and streetscapes (the public realm) allows it to be an active "player" in redevelopment and deal with private development interests on an equal footing.
- The Plan provides a forum for marketing the City as whole.
 - **Action** – Develop marketing and branding strategies in conjunction with area businesses and creative personnel. How to "sell" Auburn (e.g. *the best City outside of Portland*) as an affordable and desirable alternative to Portland for targeted demographics. In RKG's opinion, the residential occupancy for the New Auburn Village Center will largely need to originate from outside the City and perhaps the county (refer to Table 1 that follows).
 - A possible exception may be the retirement (aged 65 and older) population seeking to downsize their housing and remain in (or move to) Auburn due to the environment and level of amenities it provides.

Threats

- Limited market growth (refer to Table 2 that follows). Without an infusion of new households (owners and renters) with disposable incomes, slow absorption of the residential component will hinder development (timing) of retail and service uses.
- Pending or pipeline projects in Lewiston, Portland or its other suburbs that could serve as competitive alternatives that would reduce demand for market rate units in New Auburn Village.
- Price points to make the financing "work" either for residential developers or would-be commercial tenants exceeds the existing market's affordability capacity. In other words, without subsidies or other favorable financing, the costs to build exceed the potential return.

Consider the following hypothetical development of a 24,000 square foot (SF) four story mixed-use building (refer to the Table below), with ground floor commercial and upper residential (15 units @ 1,200/SF each). Assuming construction costs (hard and soft) of \$120 per SF for the ground floor commercial, this represents a \$720,000 investment (excluding the land). The estimated required rents necessary to generate an acceptable rate of return on this investment (at a very conservative 8% capitalization rate) would be around \$12 to \$15 per SF, likely exceeding the local market (at least what existing commercial tenants in the Village Center are now paying).



Similarly, for the apartments on the upper floors, at an estimated construction cost of \$150 per SF, rents of \$1,500 to \$1,800 per month (net of utilities) would be required, which are higher than the current market. Estimated property taxes at the current rate of \$21.25 per \$1,000 are estimated to be \$76,500 (allowing for construction costs to serve as a proxy for assessed value), or approximately \$3 per SF.

With an estimated land cost of \$80,000, total investment is on the order of \$3.5 million and would

require an average net income of nearly \$15 per SF to justify a development of this nature. The higher perceived risk associated with a “new” development in Auburn would likely require higher capitalization rates and higher net income, making such speculative development unlikely.

- **Action** – Convene a developer’s roundtable discussion (a “trial balloon”) to garner their input on construction costs, project financing, price points and their interest in the Plan and how the City can become their partner.

Creating Organizational Capacities

- The City as a real estate development entity.
 - This would include a role in land banking properties in the Village Center as they may become available through tax lien, foreclosure or blight/abandonment status.
 - Working with local businesses and/or properties owners of industrial and other uses incompatible with the development vision, to relocate elsewhere in the City, freeing up space/land for new desired development.
 - Along these lines, explore the opportunities to work with private sector developers that may be able to assist in relocating businesses or acquiring desired parcels in the Village Center in return for development densities or other bonuses.

Supporting Data

Population – The population of New Auburn increased between 2010 and 2015 but is projected to decline over the next five years, except for the population aged 65 and older. The projected population growth in the City is also among those aged 65 and older.

HYPOTHETICAL DEVELOPMENT	
Total Building SF	24,000
Comm Bldg SF	6,000
Construction Cost \$/SF	\$ 120
Comm Bldg Cost	\$ 720,000
Capitalization Rate	8.0%
Required Net Income	\$ 57,600
Per SF	\$ 9.60
Residential Bldg SF	18,000
Construction Cost \$/SF	\$ 150
Res Bldg Cost/Value	\$2,700,000
Units	15
Capitalization Rate	8.0%
Required Net Income	\$ 216,000
Per Unit/Month	\$ 1,200
RE TAXES	\$ 21.25
Taxes per SF	\$ 3.03

Source : RKG Associates, Inc.

SELECTED POPULATION	Census	Estimated	Change		% of Total Pop		Projected	# Δ	% Δ
	2010	2015	#	%	2010	2015			
New Auburn, ME 1/									
Total Population	2,030	2,110	80	3.9%			2,099	(11)	-0.5%
20 to 34 Years	474	487	13	2.7%	23.4%	23.1%	464	(23)	-4.7%
35 to 54 Years	561	583	22	3.9%	27.6%	27.6%	566	(17)	-2.9%
65 and Older	282	299	17	6.0%	13.9%	14.2%	328	29	9.7%
Median Age	35.5	36.1	0.6	1.7%			36.7	0.6	1.7%
Auburn, ME									
Total Population	23,055	23,058	3	0.0%			23,236	178	0.8%
20 to 34 Years	4,406	4,483	77	1.7%	19.1%	19.4%	4,460	(23)	-0.5%
35 to 54 Years	6,521	6,245	(276)	-4.2%	28.3%	27.1%	6,084	(161)	-2.6%
65 and Older	3,515	3,684	169	4.8%	15.2%	16.0%	3,983	299	8.1%
Median Age	39.9	40.7	0.8	2.0%			41.0	0.4	0.9%
Androscoggin County, ME									
Total Population	107,702	107,383	(319)	-0.3%			109,521	2,138	2.0%
20 to 34 Years	19,926	19,997	71	0.4%	18.5%	18.6%	20,347	350	1.8%
35 to 54 Years	31,470	29,626	(1,844)	-5.9%	29.2%	27.6%	28,761	(865)	-2.9%
65 and Older	15,184	16,424	1,240	8.2%	14.1%	15.3%	18,505	2,081	12.7%
Median Age	39.8	40.6	0.8	2.0%			41.1	0.5	1.2%

Source : U S Census, Alteryx and RKG Associates, Inc. (2015)
1/ Approximately census tract 105

Table 1 – Selected Population Characteristics

Housing – Housing growth in New Auburn is concentrated among renter households, likewise for the City and the county. The relatively lower median household incomes in New Auburn and the City also suggest a limited affordability for newer owner housing (at least for this demographic).

SELECTED HOUSING	Census	Estimated	Change		% of Households		Projected	# Δ	% Δ
	2010	2015	#	%	2010	2015			
New Auburn, ME 1/									
Occupied Units	940	980	40	4.3%			978	(2)	-0.2%
Owner Households (% of Occ)	294	271	(23)	-7.8%	31.3%	27.7%	266	(5)	-1.8%
Renter Households (% of Occ)	646	709	63	9.8%	68.7%	72.3%	712	3	0.4%
Vacant Units	84	90	6	7.1%			94	4	4.4%
Median Household Income	\$29,903	\$34,241	\$4,338	14.5%			\$38,606	\$4,365	12.7%
Auburn, ME									
Occupied Units	9,974	9,988	14	0.1%			10,107	119	1.2%
Owner Households (% of Occ)	5,715	5,495	(220)	-3.8%	57.3%	55.0%	5,580	85	1.5%
Renter Households (% of Occ)	4,259	4,493	234	5.5%	42.7%	45.0%	4,527	34	0.8%
Vacant Units	1,042	1,063	21	2.0%			1,100	37	3.5%
Median Household Income	\$37,964	\$41,662	\$3,698	9.7%			\$50,272	\$8,610	20.7%
Androscoggin County, ME									
Occupied Units	44,315	44,127	(188)	-0.4%			45,170	1,043	2.4%
Owner Households (% of Occ)	28,544	27,617	(927)	-3.2%	64.4%	62.6%	28,448	831	3.0%
Renter Households (% of Occ)	15,771	16,510	739	4.7%	35.6%	37.4%	16,722	212	1.3%
Average HH Size	4,775	4,911	136	2.8%			5,121	210	4.3%
Median Household Income	\$40,531	\$44,898	\$4,367	10.8%			\$53,316	\$8,418	18.7%

Source : U S Census, Alteryx and RKG Associates, Inc. (2015)
1/ Approximately census tract 105

Table 2 – Selected Housing Characteristics