

Chapter 5

Economic and Market Analysis



Chapter 5: Economic and Market Analysis

The physical and environmental conditions of the study area are important components in determining the extent of development in the area. Of equal importance, the local economic and market conditions of the waterfront help to dictate the type of development the area can sustainably support.

This chapter provides a summary analysis of economic and market conditions for the study area from both a local and regional perspective; additional details are provided in Appendix C. The analysis includes an assessment of key population, business and employment characteristics and trends that effect the study area.

Based on the information contained within this chapter, the market potential in the study area can be better defined, justifying future land uses and providing feasible recommendations for potential development.

Current and Projected Demographic and Economic Conditions

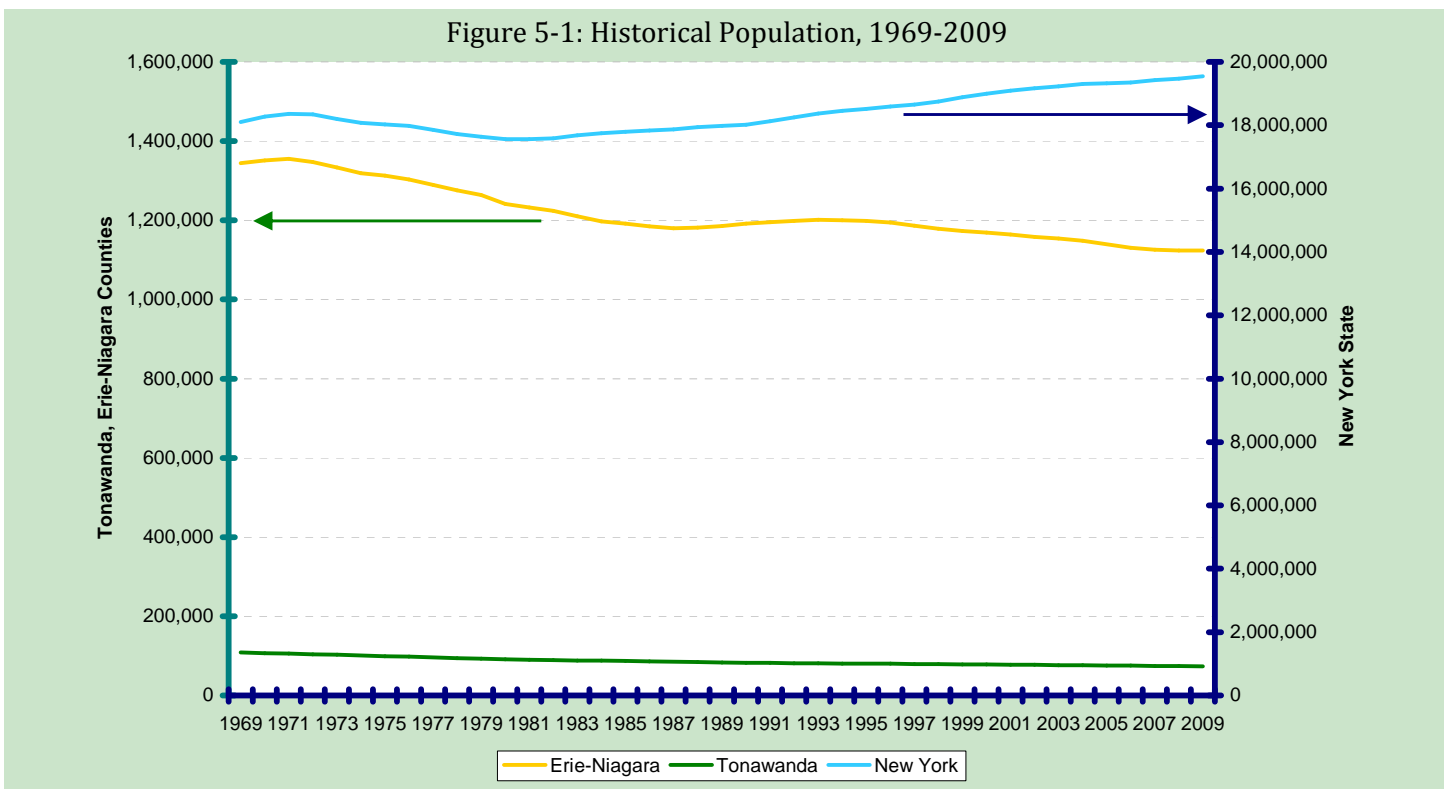
Demographic information provides a valuable description of the community in terms of its historical and current population and the makeup of its residents and workforce. This can be utilized to determine future population and household growth within the study area and can help frame recommendations for different types of development. Table 5-1 shows historical and current population in the study area as well as the projected population and rate of growth between 1990 to 2015.

In 2010, the study area had an estimated population of 1,161 people which represents a decline of almost 12 percent since 2000. In comparison, the Town of Tonawanda and the Erie-Niagara County MSA (Metropolitan Statistical Area) also declined in total population between 2000 and 2010, although at approximately half the rate of the waterfront area.

Historically, the Town of Tonawanda and the Erie-Niagara Counties have been declining in population since the early 1970's while the State has been increasing since the early 1980's as shown in Figure 5-1. Population projections between 2015 and 2030 indicate that the waterfront area, Town and Counties will continue to decline in population through 2015 and then recover through 2020. Household populations mirror these trends and are expected to follow a pattern similar to the overall population changes in the future.

Table 5-1: Regional Population, 1990-2015

	Study Area	Tonawanda	Erie-Niagara Counties	New York State
1990 Census	1,329	82,464	1,189,288	17,990,405
2000 Census	1,318	78,155	1,170,111	18,976,457
2010 Estimate	1,161	73,567	1,117,169	19,562,561
2015 Projection	1,084	69,494	1,085,144	19,697,478
Growth 1990-2000	-0.83%	-5.23%	-1.61%	5.48%
Growth 2000-2010	-11.91%	-5.87%	-4.52%	3.09%
Growth 2010-2015	-6.63%	-5.54%	-2.87%	0.69%



Source: Table 5-1 & Figure 5-1, FXM Associates

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Median household income in the study area (\$27,716) is approximately 64 percent of the median income in the Town of Tonawanda and 60 percent of the Erie-Niagara Counties overall, \$43,489 and \$47,272, respectively. Slightly more than a quarter of the households in the study area have incomes below the Federal poverty level (between \$14,000 and \$18,000 annually for a median size household of 2.48 people), compared to 11 percent in the Town and 10 percent in the Erie-Niagara Counties.

The majority of the housing units in the study area (77 percent) are renter-occupied with over 60 percent of the residents living in buildings with 3 to 19 dwelling units. Approximately 11 percent of the households reside in single-family detached dwellings. For those few that are owner-occupied, the median house value is 85 percent of the same type of housing found in the Town of Tonawanda. From a regional perspective, the median value of homes (\$140,079) is greater than the value in the Erie-Niagara County MSA (\$117,339).

According to available real estate market data for 2013, the average selling price for residential homes in Tonawanda was approximately \$110,000. This is in line with average sales from 2012 (\$110,800) and 2010 (\$111,400) and higher than 2011 (\$106,500),

It should be noted that these figures represent an area that contains very few households - in 2010 the study area only contained 1.5 percent (492) of the total households in the Town (32,295). The majority of the land uses in the study area are classified as vacant, industrial or commercial uses.

Other demographic indicators in the study area include:

- The median age (31.5 years) is lower than both the Town (40.6) and Erie-Niagara Counties (40).
- 63 percent of the residents have a high school education or higher, as compared to approximately 80 percent in the Town and 88 percent in Erie-Niagara Counties.
- Over 40 percent of the workforce (16 years or older) in the study area is considered “blue collar” as compared to 37.5 percent considered “white collar.”

The Town and Counties have an opposite distribution with over 55 percent “white collar” and around 25 percent “blue collar.”

- Unemployment is slightly higher in the study area (7.4 percent) as compared to the Town and Counties (4.8 and 4.1 respectively).

Regional and Local Market Conditions and Trends

There are an estimated 217 business establishments within the study area with over 8,500 employees and nearly \$767 million in annual business sales. Table 5-2 summarizes the number of establishments, employees, and sales by major industry group for the study area, The Town of Tonawanda, and Erie-Niagara Counties. In

Table 5-2: Summary of Employment by Category, 2010

Erie-Niagara Counties

SIC Code	Business Description	Total Establishment	Total Employees	Sales (Millions)	Sales per Employee
TOT	All Industries	40,034	672,657	74,281.9	\$110,431
MAN	All Manufacturing (SIC 20-39)	2,102	71,467	5,607.8	\$78,467
RET	All Retailing (SIC 52-59)	8,507	113,070	12,689.3	\$112,225
SERV	All Services (SIC 70-89)	17,982	290,225	27,169.0	\$93,614
ADM	Public Administration (SIC 90-97)	1,483	36,223	0	\$0

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TOT	All Industries	2,662	43,457	4,309.0	\$99,155
MAN	All Manufacturing (SIC 20-39)	146	10,875	813.4	\$74,795
RET	All Retailing (SIC 52-59)	624	8,851	928.2	\$104,870
SERV	All Services (SIC 70-89)	1,174	14,292	1,400	\$97,957
ADM	Public Administration (SIC 90-97)	77	1,667	0	\$0

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TOT	All Industries	217	8,574	766.9	\$89,445
MAN	All Manufacturing (SIC 20-39)	39	5,957	410.7	\$68,944
RET	All Retailing (SIC 52-59)	25	249	42.1	\$169,076
SERV	All Services (SIC 70-89)	50	342	30	\$88,012
ADM	Public Administration (SIC 90-97)	6	131	0	\$0

Source: Table 5-2, FXM Associates

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general, the study area contains about 10 percent of total jobs and 6 percent of business sales in the Town of Tonawanda.

An estimated 39 manufacturers within the study area comprise over a quarter of the overall manufacturing establishments in the Town of Tonawanda. These businesses account for 55 percent of the manufacturing jobs and 51 percent of the total manufacturing sales in the Town.

The retail sector is the industry group that is least represented in the study area relative to all business types, accounting for less than three percent of Town retail jobs and business sales.

Table 5-3: Key Study Area Sales by Category, 2010

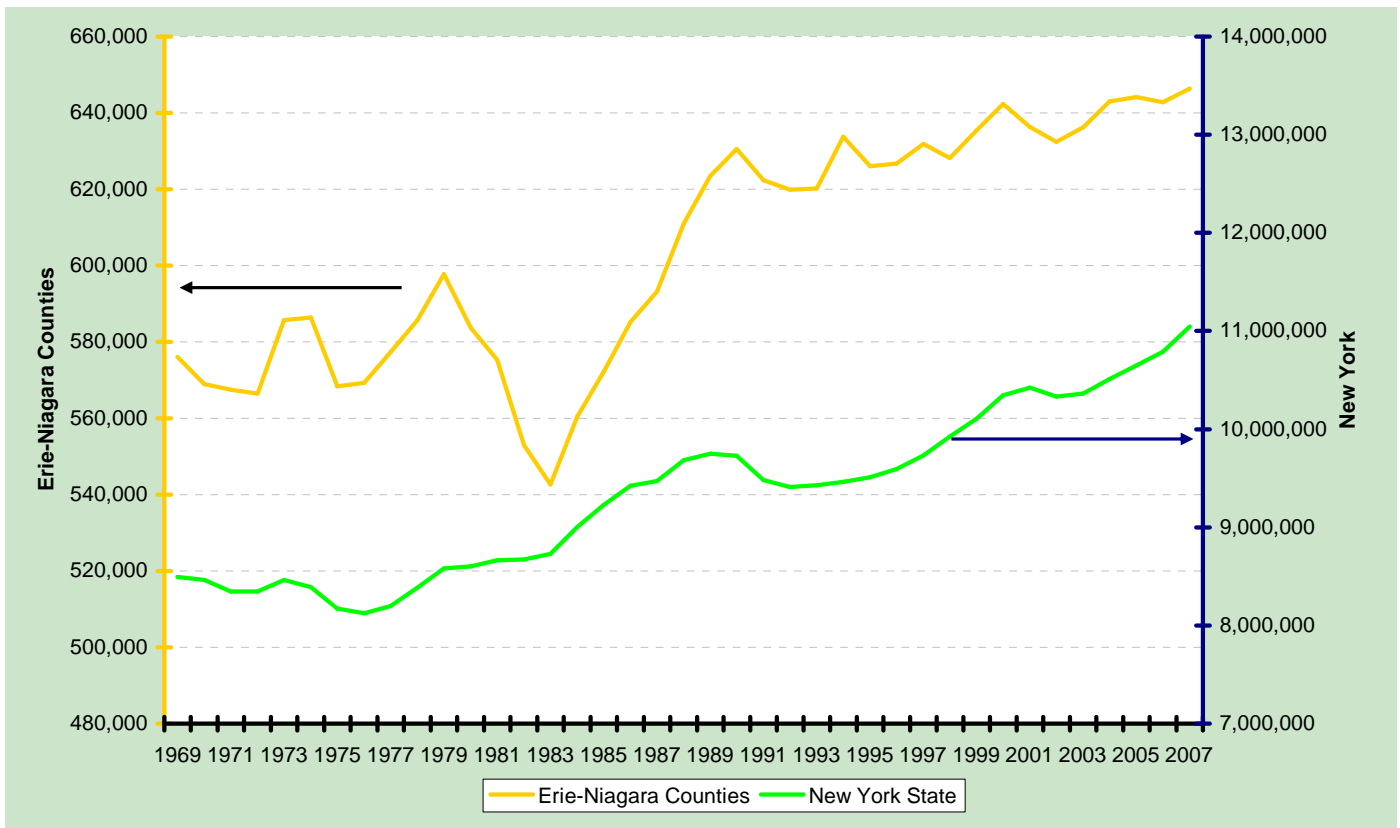
Business Description	Establishments	Sales (Millions)	% Total Sales (Study Area)	% Sales (Tonawanda)	% Sales (Erie-Niagara County)
Transportation Equipment	5	160.5	20.9%	1.3%	2.3%
Wholesale Trade-Durable Goods	19	137.7	12.9%	2.3%	14.3%
Rubber/Misc. Plastic Products	3	99.2	12.3%	1.5%	1.4%
Chemicals/Allied Products	3	94.3	18.0%	0.7%	1.7%
Wholesale Trade-Non Durable Goods	14	36.8	4.5%	0.6%	7.8%
Motor Freight, Transportation & Warehouse	17	34.3	2.3%	0.7%	2.2%
Construction-Special Trade Contractors	16	28.1	1.8%	2.0%	8.0%
Transportation Services	10	19.9	4.8%	0.4%	2.2%
Industry & Commercial Machinery	11	17.7	3.7%	1.3%	4.0%
Building Materials, Garden Supply	3	15.0	2.6%	0.7%	3.8%
Stone, Clay, Glass and Concrete Products	4	13.9	1.7%	0.1%	0.6%
Electric, Gas and Sanitary Services	2	13.0	1.1%	0.2%	1.3%

Source: FXM Associates

Table 5-3 shows a more detailed breakdown of establishments and business sales for key sectors within the study area and compares the total study area employment to the share of category employment for the Town of Tonawanda as a whole. Five (5) establishments in transportation equipment are the leading generators of business sales in the study area with 21% of all sales; however it accounts for only 1% of town-wide sales in that industry. Wholesale trade businesses capture 18% of study area sales, but only 2% of town-wide wholesale trade services.

Historical employment trends between 1969 and 2009 in the Erie-Niagara Counties and New York have been up and down with a significant decrease between 1979 and 1983. Since that point in time, employment has generally increased in both areas with some smaller dips between. This general growth trend looks to continue into the near term.

Table 5-4: Historical Employment Trends, 1969 to 2009



Source: FXM Associates

Potential Absorption of Residential and Commercial Uses

The Town of Tonawanda and other communities in the Buffalo metropolitan area have mounted effective transformation of former industrial waterfronts through aggressive site remediation and a major emphasis on public realm improvements. Communities have targeted government brownfield funds, state and regional resources for Niagara River waterfront public improvements, and infrastructure that supports existing companies and accommodate emerging business sub-sectors.

The Niagara River and its adjoining waterways will continue to provide a draw for development, with waterfront access and views being prominent, distinctive features, evident in recently developed or proposed projects. In addition, parks, scenic overlooks, recreational facilities, water-dependent activities, landside waterfront access points interfacing with the Niagara River Greenway/Bikeway, and with other public realm amenities have attracted new private investment.

The *Western New York Regional Economic Development Strategic Plan* identifies eight key industry sectors with significant business and real estate development potential, including Advanced Manufacturing; Energy, Health/Life Sciences; and Tourism/Hospitality. Regional growth employment projections in Health/Life Sciences sectors are relevant in Buffalo, but not reflective of trends in Tonawanda. Moreover, any spin-off development in pharmaceutical businesses locating in Tonawanda are likely to choose one of the relatively new office parks in Tonawanda, each with 50+ acres and directly competitive with the study area.

Office & Industrial/Commercial Market

Commercial real estate professionals report steady commercial demand in the Buffalo area over the past few years, primarily for replacement space, and foresee no major change or signs of significant growth over the next three to five years. The Town of Tonawanda has been described as a secondary market within a secondary market, with Amherst being the nearest competitive



Before (top) and after (bottom) photos of 5335 River Road show how brownfields can successfully be remediated and made shovel ready. The back of the solar panels at Riverview Solar Tech Park are visible in the bottom photo on the right.

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location that captures most of any new demand for commercial space. The Tonawanda and study area market potential is constrained by prospective tenant's ability to see beyond existing conditions, and accept it as a better deal than paying premium prices to locate elsewhere.

Currently, Tonawanda's commercial demand is mainly from price-sensitive builders/tenants looking for 3-4 acre "shovel ready" sites, inexpensive built space, or warehouse/distribution space. In addition, perceptions about brownfield property redevelopment also could impede the study area revitalization plans.

Commercial realtors indicate that many businesses view cleaned-up sites skeptically, and developers usually find site remediation costs don't warrant return on investment. However, the recently built industrial park on Route 5 in Buffalo attracted a large, single tenant, and the project was cited as a successful example of how cleaning-up brownfields can be an incentive for private investment. In addition, cleanup of 5335 River Road and the adjacent development of the Riverview Solar Technology Park are viewed as other, more local examples of remediation efforts that have spurred successful development. Active cleanup and positive marketing of future sites as "shovel ready," whether larger parks or smaller sites, should be the primary directive of the Town.

The Niagara River along the Tonawanda waterfront reportedly has a very swift current, narrow width between the shoreline and Grand Island, and heavy vessel traffic, which makes water navigation for water-dependent commercial development difficult. Local developers have indicated that construction of an inlet or breakwall would be needed to overcome this, which would require costly dredging and Army Corps permitting. Three marinas and two marine service businesses exist in the study area, although expansion is limited due to the reasons mentioned above.

One water-dependent commercial uses that could be explored further would be excursion/charter tours and services, especially with the development intent of the former Wickwire/Riverworld site. This site was previously designed for berthing and stevedoring large

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commercial vessels, so this site is one of the few that could easily accommodate waterborne passenger services, promoting waterfront access and water-oriented activities.

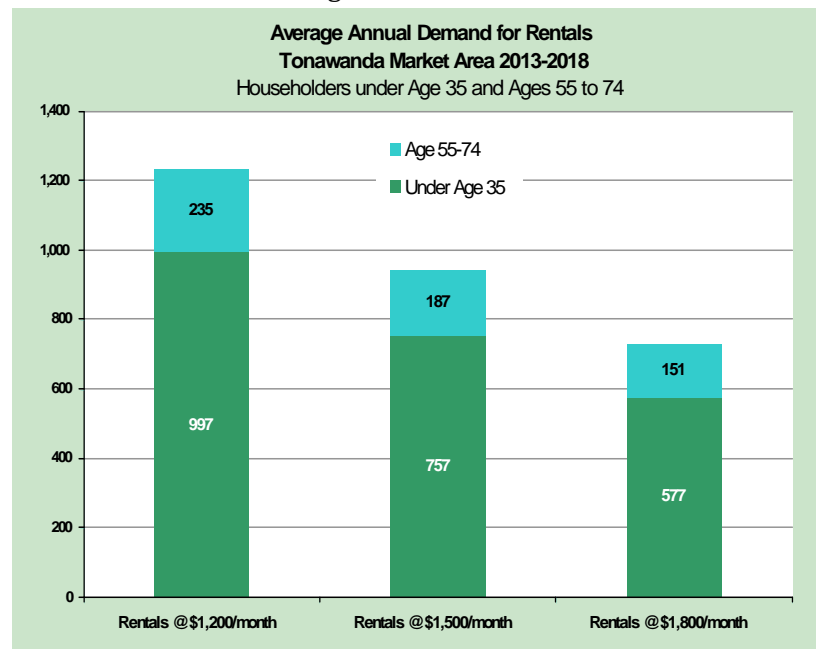
Residential Market

The study area has large manufacturing facilities in the southern and middle sections that limit opportunities for feasible residential development. Residential developers and real estate brokers noted that the missing product is housing for older couples and singles, many whom are downsizing and some who are still employed. Residential and mixed-use development on the Buffalo waterfront has targeted this demand, and also attracted Canadian investors, who could be interested in the Tonawanda waterfront with its easy access from Lake Erie.

Residential demand in Tonawanda also is mostly for senior housing, and recently built patio homes with many high-quality upgrades sold for \$200-\$300,000 in a neighborhood with home prices in the \$90,000 range. The residential component of the analysis indicates that average annual rental demand within a 20-minute drive time from the study area ranges from 2,400 units per year at \$900 per month to 260 units for \$2,700 per month.

The study area can capture a proportion of the total rental housing demand with the combination of public realm and infrastructure improvements, especially with residential specific or mixed use developments. Under conditions of significant site improvements that make the waterfront attractive for residential development, 50 to 80 units per year renting at \$1,200 to \$1,800 per month could be absorbed on an average annual basis through 2018. Single family development is much less likely to be developed in the study area according to local developers and realtors.

Table 5-5: Average Annual Demand for Rentals



Source: FXM Associates