

May 2017

# Hamlet Business District Plan

## Town of East Hampton, New York



Prepared for:



**Town of East Hampton**

159 Pantigo Road  
East Hampton, New York 11937

Prepared by:



**RKG Associates, Inc.**

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# 1 EXECUTIVE SUMMARY

## A. INTRODUCTION

The Town of East Hampton retained the services of Dodson & Flinker, Inc. to prepare a hamlet plan and retained RKG Associates to conduct a business district analysis and to create an economic strategy that sustains the hamlet commercial districts in the future. The goal of the business district and economic analysis is to provide an understanding of the Town's economic base, existing business context, as well as local and regional dynamics that drive the Town's economy. This will lead to a series of recommendations that the Town and the business community can implement to maintain a thriving tourist economy while serving the needs of the year-round residents and preserving the unique characters of the hamlets.

## B. BUSINESS DISTRICT PLAN CONTENTS

The following chapters contain the main findings of the business study.

- **Chapter 2 - Demographic Trend Analysis** – This section illustrates the Town's demographic trends over the past fifteen years which provide a foundation for the Town's economic development potential. The analysis looks at several parameters including year-round population, seasonal peak population, population age, ethnicity, and education attainment characters, household, and household income.
- **Chapter 3 - Economic Base Analysis** – The analysis analyzes the Town's economic trends over the past ten years. It highlights the industries that have a strong local presence and drive the growth of the Town's employment and tax revenues. The majority of these leading industries are related to the tourism economy and the second home economy.
- **Chapter 4 – Analysis of Selected Industries** - This analysis takes a closer look at the industries that contribute to the unique characteristics of the East Hampton economy. This includes agriculture, fishing, maritime, and hospitality. The analysis assesses the nature, scales, and development trends of these industries, and analyzes their roles in the Town's long-term economic vitality.
- **Chapter 5 Retail Market Analysis** – Chapter 5 consists of a business inventory of the Town's existing commercial districts and an assessment on the extent to which the Town's year-round households are served by the existing retail businesses in the town. The business inventory maps the 6 major commercial clusters in the area and analyzes the business mix of each cluster. The retail analysis compares the existing businesses' sales against the household demand to identify the retail categories in which the year-round households are likely to be under-served by local businesses, and based on the region's retail context and the trend of online retail, analyzes the potential of the Town's retail sector.

- **Chapter 6 - Second Home Economy** - Analysis estimates the scale and nature of the second home economy from several perspectives, including the amount of taxable sales that primarily depend on second home owners and their guests/tenants, the trends of residential development and real estate sales, the property value of second homes and their contribution to the Town's property tax revenues.

## C. SUMMARY OF MAJOR FINDINGS AND IMPLICATIONS

### 1. Demographic Trend Analysis

- East Hampton Exhibiting Slow Growth Patterns  
The East Hampton Study Area represents 1.5% of the total population of Suffolk County. Since 2000, the local population has increased slowly from 19,719 to 21,457 in 2010, for an average annual growth rate of 0.9%. Annual population growth slowed down to 0.6% during the 2010-2015 period, and is projected to further drop to 0.4% through 2020. Limited growth in the past fifteen years may partly explain the shrinkage of businesses that primarily service year-round residents. The only exception is Springs, whose population by 3.3% annually during the 2000-2010 period, mainly due to an influx of immigrant families, particularly Hispanic families.
- Town is Experiencing Loss of Key Household Forming Demographic  
Over the 2000-2015 period, all the hamlets, except for Springs, experienced a decline in population between 25 and 54 years old. As this is the typical households forming age range, such a decline may suggest that some people were driven away by the high housing prices in these communities. This is likely to lead to a shrinkage of businesses activities that primarily serve year-around residents. In comparison, the relative lower housing prices in Springs may have helped attract families, contributing to an increase in average household size and significant growth of population under 19 years old. This provides opportunities for family-oriented businesses and services
- Aging of the Local Population is Driven by New Residents  
During the same period, the population of 55 and above age groups increased significantly in the Town of East Hampton. Communities such as Montauk and Amagansett have shown noticeable signs of aging. This suggest that older and more established second homeowners have started to gray the population. This may have implications on the demand for goods and services that primarily target seniors. It might also translate into increase demand for senior-oriented social services and public amenities.
- High Household Income Levels Drive the Local Demand for Goods and Services  
The 2015 median household income in the East Hampton Study Area was estimated to be \$88,732, slightly below the County level. Nevertheless, the percentage of households in the top income range (>\$150,000) exceeds Suffolk County, indicating a concentration of higher-income households. During the 2000-2015 period, the real median household income (in 2015 Dollar) of the Study Area increased by 19.5%, significantly outperforming the County. This is largely attributed to the median household income growth in Wainscott (103.3%) and Montauk (27.5%), possibly due to an inflow of high-income households and an outflow of low and middle-income households, rather than an improvement across all income levels. The increasing presence of high-income households may have contributed to a heated real estate market in some areas, and supported the expansion of real estate related industries as well as services that cater to high-income individuals and families.

Wainscott is the most affluent hamlet as shown, featured by the highest median household income, the highest percentage of households earning more than \$75,000 per year, and the lowest percentage of households earning less than \$35,000 per year. It is followed by Amagansett and East Hampton Village, both of which have higher median household income, higher percentages of high-income households, and lower percentages of low-income households than the rest of the area. In comparison, Montauk has relatively low median household income, despite the fast growth over the past fifteen years. It also has lower percentage of high-income households and higher percentage of low-income households than other communities in the Study Area.

- East Hampton’s Seasonal Population Capacity is 3.5 Times Year-Round Population Estimates

Table 1-1 shows that estimated seasonal homes, households, camping/lodging facilities in the Town of East Hampton, as well as the maximum capacity of seasonal population that the Town could accommodate. The updated estimate equals 73,578 overnight population, which doesn’t include day-trippers who don’t stay in East Hampton over-night. Given that East Hampton is at the east end of Long Island and the traffic on the major roads getting into and out of East Hampton is usually congested during peak travel time, it is conceivable that the day-trippers represent a smaller portion of the total visitor population during summer peak months. Based on this estimate, the total number of seasonal population that East Hampton could potentially accommodate is about 3.5 times the number of year-round population. This does not adjust for vacancy allowance so is considered a top end estimate.

**Table 1-1  
 Estimated Seasonal Population Accommodation Capacity  
 Town of East Hampton**

<b>Seasonal Homes (2014)</b>	
Num of Seasonal Homes	11,296
Persons per Home	4.5
Num of Seasonal Residents	50,491
<b>Seasonal Guests (2014)</b>	
Num of Year-round Households	9,207
Guests per Household	1.1
Num of Guests	10,329
<b>Camping (2015)</b>	
Num of Campsite Units	358
Persons per Unit	4
Num of Camping Visitors	1,432
<b>Lodging Guests (2015)</b>	
Num of Rooms	2,888
Guests per Room	2 (Hotel) / 4 (B&B)
Room Capacity	11,326
<b>Total Seasonal Population                      Accommodation Capacity</b>	
	<b>73,578</b>

Source: Suffolk County Planning Department, 2016.

It should be noted that this estimate doesn’t imply that there would be 73,578 seasonal residents and visitors during the summer months. Again, an estimate of the actual peak seasonal population will need to consider factors such as hotel/motel occupancy, the living pattern of second home owners, and so on.

## 2. Economic Base Analysis

### East Hampton

- Local Employment is Greater than Reported

The East Hampton Study Area’s private sector had 8,317 persons employed in 1,421 establishments in 2014, representing 1.5% of the total employment and 2.9% of the total number of establishments in Suffolk County (mid-March employment level). After adjusting for seasonal variations, the annual average employment was adjusted to 8,933. Including the

estimated 3,132 self-employed persons in the workforce, RKG estimates that total employment was closer to 12,064 in 2014.

- A Larger Percentage of Local Residents are Self-Employed  
Self-employment represents 26% of the total employment, substantially higher than the percentage at the county level (19%). Since 2005, the number of establishments in East Hampton has been increasing steadily by 0.81% annually through 2009, and by 1.29% annually between 2009 and 2014. The mid-March employment had a minor decline before 2009 (-0.01% annually), but then regained 5.42% annual growth during 2009-2014. By both measures, the overall economy of the Study Area has outperformed Suffolk County over the past decade, particularly during the 2009-2014 period, indicating a strong recovery after the 2009-2010 recession.
- Tourism and Second Home Development Drive the East Hampton Economy  
Retail Trade, Accommodation & Food Services, Construction, Admin/Support, and Professional Services are the top industries in the Study Area. Collectively they represent 68.6% of the total number of establishments and 64.6% of the total mid-March employment of all industries, higher than their weights at the county level. They are also among the top taxable sales generators.
- Retail and Accommodation & Food Services Drive Taxable Sales  
Retail Trade accounts for over 50% of the total taxable sales of all industries, followed by Accommodation & Food Services which accounts for approximately 20% of the total sales. As Retail Trade and Accommodation & Services are primarily driven by tourist activities, and  
  
Accommodation & Food Services and Retail Trade had moderate decline both in employment and establishments during the 2005-2009 period, which may reflect reduced tourism and shopping activities due to the recession. However, after the recession, both industries quickly bounced back and experienced a strong growth. During the 2009-2014 period, Accommodation & Food Services achieved the 3<sup>rd</sup> largest growth in establishments and the 2<sup>nd</sup> largest growth in employment among all industries.
- Construction Industry Growth Has Driven Recent Job Growth  
Since 2005, Construction and Admin/Support have expanded substantially both in employment and the number of establishments. Collectively the two industries represent 74% of the total establishment growth and 40% of the total employment growth of the Study Area over the 2005-2014 period. This indicates that industries associated with building construction and maintenance, particularly for second homes, are one of the main drivers of the Town's economic development.
- East Hampton Lacks Employment in High-skilled Professional Services  
Professional Services represent a portion of the Town's economy, but its percentages in the total employment and establishments of all industries are lower than at the county level. This indicates that this industry doesn't have a competitive advantage in the local economy. As this industry includes architecture and landscape design businesses that serve the construction and maintenance of buildings and landscapes, it may have benefited from the robust growth of the second home economy. However, the decline of working population in the Study Area may limit the potential of this industry.

### **Hamlet of Montauk**

- Montauk Economy is More Tourism Focused than East Hampton  
Compared with the rest of East Hampton, the Montauk economy is dependent on industries supporting the tourism trade, based on its higher percentages of employment and establishments

belong to the Accommodation & Food services and Retail Trade industries. These are also the top two taxable sales generators.

- The Post-Recession Recovery has had Mixed Results  
The economic recession of 2009-2010 led to a minor decline in retail and accommodation employment and establishments, however, over the 2009-2014 period, Accommodation & Food Services experienced significant growth in employment, establishment, and taxable sales. The Retail Sales industry hasn't been able to reverse the decline, but taxable sales have had a noticeable increase. Arts/Entertainment & Recreation also has a noticeable presence in Montauk, and its employment, establishment, and taxable sales also grew substantially over the same period, especially during 2009-2014. Montauk's tourism related manufacturing and transportation businesses also contribute to a larger portion of Montauk's tax base than at the Town level, and the increase in their sales over the 2009-2014 period outpaced that of the Town. This reinforced the role of the tourism economy in driving Montauk's economic development.
- Second Home Market is a Major Economic Driver  
Industries that serve building construction and maintenance, particularly of second homes, also represent a major portion of Montauk's economy, although their share of total employment and establishments are lower than at the Town level. Between 2005 and 2014, these industries had noticeable growth in employment and establishments following the last recession. Nevertheless, Montauk's Real Estate industry experienced a moderate decline during the 2009-2014 period, with decreases in mid-March employment, establishments, and taxable sales. This may indicate that the market environment is not as favorable to the second home industry as it used to be.
- Fishing Industry is One of Montauk's Competitive Economic Advantages  
Montauk's advantage in the fishing industry is attributed to its commercial docks and marinas. The fishing industry accounts for much higher percentages of the total employment, establishments, and taxable sales of all industries in Montauk than at the Town level. The fishing industry maintained a stable growth during the 2005-2014 period, indicating that it is less subject to the fluctuation of the overall economy and that it is likely to continue to support the growth of Montauk's economy.
- Lack of Affordably-priced Housing is a Threat to the Seasonal Economy  
Both at the Town level and in Montauk, the leading industries are largely seasonal in nature. This creates the demand for imported labor during the peak season. The ability to accommodate these temporary workers is a challenge to Montauk business operators, some of which must provide temporary housing for their workforce.
- Self-Employment is a Large Share of Montauk's Economy  
Both the Town and Montauk have a sizable number of sole proprietors or self-employed person. In 2014, self-employment comprised 26.0% of the total employment at the Town level and 32.3% in Montauk, higher than for Suffolk County. Self-employment is most significant in industries related to fishing, tourism, building construction/maintenance, real estate, real estate, and professional services. This suggests that the Town may consider collaborating with the local business organization to help facilitate the development of these businesses.

### 3. Analysis of Selected Industries

#### Agriculture Economic Outlook

<ul style="list-style-type: none"><li>❖ Small farms not producing at levels sufficient to make them economically viable</li><li>❖ East Hampton farming operations make up only 6% of the County's total sales and 5% of total farms in 2007</li></ul>	<ul style="list-style-type: none"><li>❖ Farmland and open space is critically important to East Hampton's tourism and second home industry</li></ul>
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<ul style="list-style-type: none"> <li>❖ Number of County farms grossing more than \$250,000 in sales decreased by 15 between 2007 and 2012</li> </ul>	<ul style="list-style-type: none"> <li>❖ Future prospects for agriculture are limited given the small number and size of farms in East Hampton</li> <li>❖ Town should continue to build upon local agri-tourism efforts, which are good fit for East Hampton to supplement farmers' incomes</li> </ul>
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- Intrinsic Benefits of Agriculture

Agriculture, commercial fishing, maritime, and hospitality play an important role in the Town's economy. The intrinsic value of the agriculture industry comes from the 1,470 acres of farmland, which provide a unique rural landscape that is appreciated by both local residents and visitors. It is of the Town's interest to preserve agriculture land via protected farmland dedication, Community Preservation Fund, Purchase of Development Rights, as well as other zoning, planning, and financing strategies.

- Economic Profile of Agriculture

In 2007, there are 30 productive farms and approximately 40 agricultural operations in the Town, with horticulture, vegetables, and aquaculture reporting the largest recorded sales. Nevertheless, the scale of agriculture production is quite modest, and agricultural operations in the region are faced with several challenges such as high production cost, high fuel cost, a lack of farm labor, property taxes, and climate change, indicating that the direct economy value of agriculture production is minor. However, there might be opportunities for seasonal retail sales and tourism-related activities such farmer's market, "U-Pick", and on-site tour.

### Commercial Fishing Economic Outlook

<ul style="list-style-type: none"> <li>❖ Regulatory environment is making it harder to make a living at commercial fishing</li> <li>❖ Lack of young people going into commercial fishing and high upfront investment makes future prospects uncertain</li> <li>❖ The business model for dock operators is under threat due to regulatory requirements and fluctuating land volumes.</li> <li>❖ The fishing industry is an important part of Montauk history and cultural identity, but the industry needs support to remain viable</li> </ul>	<ul style="list-style-type: none"> <li>❖ The volume and value of Montauk's commercial fish landings over the past decade have been variable. The post-recession recovery was strong up to 2012 but declines have occurred during the past couple years</li> <li>❖ The economic outlook for Montauk's commercial fishing industry is uncertain and additional efforts to process and package local products could add value to the fishing industry</li> </ul>
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- Uneven Economic History of Commercial Fishing

Montauk has the largest commercial fishing port in the State. In 2014, the landing volume was 11.8 million lbs. (43% of the State total); the landing value was \$16.9 million (30% of the State total). The top three fisheries are Fluke/Scup/Black Sea Bass, Butterfish/Mackerel/Squid, and Tilefish. Montauk has a large percentage of small fishing vessels, which may have contributed to the diversity of the fisheries and the large amount of self-employed fishermen. Over the past decade, the landing pounds and value had a moderate decrease during the 2005-2008 period, followed by a major increase to the peak in 2012. The decline in recent years prevails the State, indicating that the commercial fishing industry in the region is faced with challenges. For Montauk, the major challenges include a lack of fisherman, recently established catch and trip limits, and the losing of fishing infrastructure such as docks, which were converted into other uses for financial reasons. Thus, Montauk's commercial fishing industry may maintain its significance in the region, but the potential for expansion is limited.

**Maritime Industry Economic Outlook**

<ul style="list-style-type: none"> <li>❖ Maritime industry is key to East Hampton economy and employs a significant number of sole proprietors</li> <li>❖ The diversity of maritime business operations allows the industry to adapt to changing market needs over time</li> <li>❖ Montauk and Springs have the most extensive number of maritime businesses/facilities and appear to be economically viable</li> </ul>	<ul style="list-style-type: none"> <li>❖ The seasonal nature of this industry will always make it susceptible to poor weather and other competitive maritime communities</li> <li>❖ General economic outlook looks positive but tied to boom and bust cycles related to East Hampton’s tourism trade</li> </ul>
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- Maritime Industry Diversity  
 The Town’s maritime industry is mainly supported by tourism activities such as sport fishing, sailing, sightseeing, and boat charters. Most the marinas in the Town are in Lake Montauk and Three Mile Harbor. In Montauk, there are at least 15 commercial marinas with a total of roughly 1,350 boat slips. Most of the marinas close in winter. There isn’t sufficient information to estimate the total revenues of slip renting, but the rates indicate a seasonal market. Slips are usually rented on a seasonal or monthly basis, with the rates highest in August and July, and lowest in winter months. Transient slips for daily or hourly renting charge 2.5-3 times more in summer than in the winter. Some marinas also provide storage services. Montauk is also a popular location for sport fishing. KRG identified 39 charter boat businesses in Montauk, including 4 businesses that primarily offer sailing and excursion trips, and 35 businesses that mainly provide guided sport fishing trips.

**Hospitality Industry Economic Outlook**

<ul style="list-style-type: none"> <li>❖ Hospitality industry is being undercut by Airbnb and other home reservation services</li> <li>❖ East Hampton’s hotel industry is seasonal in nature and is dominated by small, locally-owned operators</li> <li>❖ Hospitality industry partially dependent on strength of second home market, which tends to rise and fall with the New York City economy</li> </ul>	<ul style="list-style-type: none"> <li>❖ The Town’s hospitality sector is clustered in Montauk, which has become a popular destination in recent years</li> <li>❖ The economic outlook is strong for the Town’s hospitality industry, but challenges from beach erosion, climate change, declining water quality and home reservations could threaten this industry in the future.</li> </ul>
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- Hospitality is Core Industry  
 The Town’s hospitality industry also primarily depends on the tourism economy. Currently, there are 83 hotels, motels, resorts, and bed-and-breakfast (B&Bs) in the Town, providing 2,523 rooms. Most them cluster around tourist destinations such as ports and downtowns. Approximately 42% of the hotels and 52% of the hotel rooms only open during tourist/vacation season, roughly from April/May to October/November. Most of the facilities were built before 1991, which may suggest that the existing facilities and alternative lodging choices such as short-term rental have able to accommodate the market demand.
- Rise of New Hospitality Competition  
 A portion of conventional hotel demand has been absorbed by alternative lodging options such as Airbnb and realtor facilitated vacation home rental. Compared with traditional hotels/motels/resorts, Airbnb provides flexible living arrangements and authentic experiences, and are often more affordable. In July 2016, there are 113 Airbnb units available for rent; the median occupancy rate of all the available units is 58% and the ADR of the booked units is \$832. Airbnb rental shows a similar seasonal feature to that of the traditional hotels, with the median occupancy rates of each month’s available units and the ADR of each month’s booked units peak in the summer months.

- **Regulating Home Rentals**

The Town's Rental Registry Law that was passed in May 2016 places restrictions on the number of guests a short rental could accommodate at one time and the maximum turnover a property could have in one season. It also requires all properties conduct an inspection to meet the building codes and file an application with the Town before being rented out. If fully implemented, the policy may reduce some of the flexibility and price advantages of Airbnb rental or may bring additional costs to the property owners. However, given the current vacancy rates and the abundance of second homes in the Town, the new policy's impact on visitor volume might be limited.

**4. Hamlet Business Districts Market Orientation**

**Downtown Montauk Market Orientation**

<ul style="list-style-type: none"> <li>❖ Primary destination for tourists looking for beach experience</li> <li>❖ Largest concentration of accommodations, restaurant and entertainment establishments</li> <li>❖ Seasonal businesses are challenged to find affordable housing for seasonal workforce</li> </ul>	<ul style="list-style-type: none"> <li>❖ Large and growing second home market</li> <li>❖ Local businesses largely cater to seasonal population but important to year-round population as well</li> </ul>
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**Montauk Docks Market Orientation**

<ul style="list-style-type: none"> <li>❖ Center of East Hampton's fishing and maritime industry</li> <li>❖ Much of Montauk's economic and cultural heritage is in the docks area but it is under threat by changing customers and market dynamics</li> <li>❖ Fishing industry under intense regulatory pressure to compete</li> </ul>	<ul style="list-style-type: none"> <li>❖ Several large parcels are for sale that could change this area's development future</li> <li>❖ Docks area is a tourist destination but could become a larger one in the future</li> </ul>
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**Hamlet of Springs Market Orientation**

<ul style="list-style-type: none"> <li>❖ Only Hamlet in study area not served by Montauk Highway</li> <li>❖ Lack of major road frontage restricts commercial development</li> </ul>	<ul style="list-style-type: none"> <li>❖ Very small business base, primarily maritime and recreation related near small marinas</li> <li>❖ Hamlet's larger population could support additional businesses but not well suited to compete with East Hampton Village or Sag Harbor</li> </ul>
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**Hamlet of Wainscott Market Orientation**

<ul style="list-style-type: none"> <li>❖ Wainscott is uniquely positioned to meet year-round shopping needs of East Hampton residents</li> <li>❖ Greater opportunity to meet year-round commercial needs of year-round East Hampton residents given Wainscott's centralized and accessible location</li> </ul>	<ul style="list-style-type: none"> <li>❖ Biggest single development opportunity is located at the large sand pit located north of the Wainscott business district. This could reshape and expand the town center</li> <li>❖ Business district lacks the pedestrian setting seen in other hamlets</li> </ul>
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**Hamlet of Amagansett Market Orientation**

<ul style="list-style-type: none"> <li>❖ Large undeveloped properties north of Montauk Highway create opportunities for future housing development</li> <li>❖ Amagansett hamlet center offers pleasant pedestrian environment for shopping and</li> </ul>	<ul style="list-style-type: none"> <li>❖ Locals would like to see additional commercial development to fill out the hamlet center</li> <li>❖ The Hamlet is ideally suited to meet the needs of tourists and year-round residents with some expanded offerings.</li> </ul>
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dining but does not offer a complete much for year-round residents	<ul style="list-style-type: none"> <li>❖ Potential for larger retail cluster at this location</li> <li>❖ Seasonal traffic can cut-off access to the hamlet during peak season</li> </ul>
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**East Hampton (East Hampton North, Northwest Harbor) Market Orientation**

<ul style="list-style-type: none"> <li>❖ Business base primarily serves construction activities, specialty trades contractors, auto repair services and the second home industry, particularly along Spring Fireplace Road</li> <li>❖ Unlike other hamlets, local businesses not as focused on tourism, food service and accommodations.</li> </ul>	<ul style="list-style-type: none"> <li>❖ Businesses primarily located along highways and not clustered in a pedestrian focused hamlet center, except for the North Main Street area</li> <li>❖ North Main Street, Springs Fireplace Road and Montauk Highway Corridor cater to a mix of year-round residents and second homeowners</li> </ul>
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**5. Retail Market Analysis**

• Net Surplus in Retail Sales

The retail sector in East Hampton is heavily dependent on the tourism economy and second home economy. Overall, retail businesses in the PTA and STA are capturing greater sales than local households demand; with a total net sales surplus is \$18.4 million in the PTA and \$295.4 million in the STA. In general, retail categories with high volumes of sales surpluses are closely related to the spending of tourists and seasonal residents, such as on food & beverage, clothing & clothing accessories, restaurants and drinking places, as well as the spending associated with home building and maintenance, such as building materials, garden equipment & supply, and furniture & home furnishing.

• Retail Sales Leakage and Supportable Building Square Feet

Despite the total surplus, health & personal care stores, limited-service restaurants, general merchandise stores, auto parts/accessories/tire stores, and shoe stores in the PTA and STA are not capturing all the spending of year-round households. The current unmet demand could potentially support 184,707 SF - 390,800 SF of new retail businesses. However, this doesn't guarantee the viability of new retail development. First, new businesses are likely to be located within the existing commercial districts. Only those that are compatible with the existing business and the physical conditions of the neighborhoods could well blend in. Second, businesses in East Hampton are faced with competition from other retailers in the region as well as internet retailers. The large shopping centers and large-scale downtown commercial districts in the region are mainly located in Riverhead and Southampton. The retail businesses located along Route 27 (Montauk Hwy) are most likely to compete with local businesses for customers, including both the year-round households and the visitors.

• E-commerce Trends

In terms of internet retail, national trends indicate that over the past 10 years, internet retail sales have been growing at 22.5% annually, their percentage in total retail sales has increased from 2.9% to 7.3%. Several of the retail categories in which East Hampton residents are underserved are among the top internet retail categories, such as apparel & accessories, computer & consumer electronics, auto & parts, and heal & personal care. This may limit the prospect of opening new businesses in the Town.

**6. Second Home Economy**

• Second Home Economy Powers Spending and Taxable Sales

The prominent role of the Town's second home economy is evidenced by the large volume of taxable sales that are largely attributed to the demand for second-home-related products and

services. Approximately \$77.1 million in taxable sales are generated by the construction, maintenance, and transaction of second home properties, representing 58% of the total taxable sales of these industries. Approximately \$75.8 million in taxable sales are supported by the spending of second home owners, their tenants, guests, and other tourists, which represent 39% of the total taxable sales of the respective industries.

- Approximately 63% of East Hampton Residential Properties Owned by Second Homeowners - In 2015, East Hampton has 18,181 residential properties, with a total assessed value of \$181.2 million and a total estimated market value of \$30.7 billion. In 2015, these properties generated \$156.1 million in property taxes. Approximately 63% of the residential properties (or 11,498 properties) are second homes, representing 73.9% of the total residential assessed value and 72.3% of the property tax. The average market value of second homes is \$1.97 million, about 1.6 times that of the year-round homes. Wainscott has the highest percentage of second homes (75.9%) and the highest average second home market value (\$2.8 million), followed by Amagansett, 75.6% and \$2.5 million. Montauk has a relatively lower percentage of second homes (65.7%) and a lower average second home market value (\$1.4 million). Springs has the lowest percentage of second homes and the lowest average value, indicating that this community is less affected by the second home industry than other areas in East Hampton. This suggests that vacation home buyers typically prefer properties that are closer to the beach and have better transportation access.
- Residential Sales Have Bounced Back From the Last Recession  
The total value of arm's-length sales dropped by more than 50% during the recession, followed by a strong recovery starting in 2010 and peaking in 2014 at \$1.56 billion. The total sales value stayed relatively stable over the next two years, indicating a static market transaction scale. Over the same period, the annual average value of arm's-length sales remained in the \$1,421,563 - \$1,888,262 range. The average sales value in 2015 and 2016 are similar to 2007 levels. This indicates that the Town had long established as a high-value residential market; the supply has been keeping up with the demand over the past 10 years and is likely to remain so since there is no sign of major growth in demand. Within East Hampton, East Hampton Village has the highest median and average sales values, Wainscott and Amagansett also have relatively high average sales value, Montauk has lower median and average sales values.

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## **2 DEMOGRAPHIC TREND ANALYSIS**

The Town of East Hampton is located in southeastern Suffolk County, New York, at the eastern end of the South Shore of Long Island. It is bordered by the Atlantic Ocean on the south, Block Island Sound to the east, Gardiners Bay, Napeague Bay and Fort Pond Bay to the north, and is approximately 110 miles away from New York City to the west. With about 70 miles of shoreline and 8 waterfront state parks, for many years, the Town has been a popular destination for weekend and summer vacations. Tourists and seasonal residents supported a vibrant tourism economy, and contributed to a heated real estate market particularly for second homes. In recent years, the number of year-long residents has increased, generating demands for resident oriented services and amenities. Meanwhile, the Town is seeking strategies to sustain future economic development, and at the same time to better balance the flourish of tourism activities and the improvement of quality of life for local residents. To identify current economic patterns and potential opportunities, it is important to first understand the demographic characteristics of the existing residents in the area.

### **A. METHODOLOGY**

#### **1. Study Area**

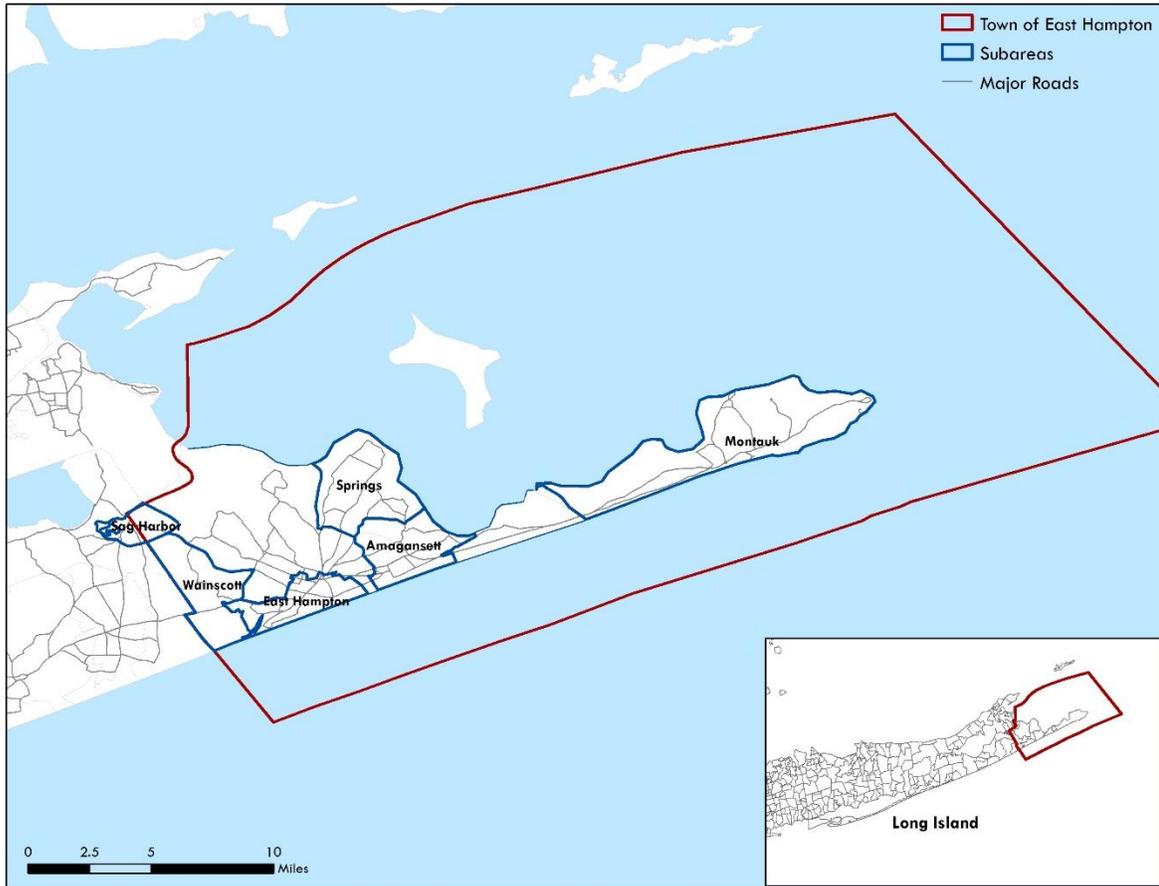
The Study Area for this demographic analysis is the Town of East Hampton, which consists of the hamlets of Amagansett, Montauk, Springs, Wainscott, East Hampton Village, and part of the incorporated village of Sag Harbor (Map 2-1). The hamlets are classified as Census Designated Places (CDP) within the Town of East Hampton and their unique demographic characteristics and trends were identified. When appropriate, hamlet characteristics and trends were compared to Suffolk County. Although some of the hamlets included in this analysis are not included in the Hamlet and Business Plan, RKG chose to include them in the analysis of regional demographic trends as they make up part of the region and influence future growth trends.

#### **2. Data Sources**

Data sources for this analysis include U.S. Census Bureau data for resident characteristics in 2000 and 2010, and ESRI Business Analyst Online data for 2015 estimates and 2020 projections. ESRI Business Analysis is a nationally recognized provider of demographic and economic data for a variety of geographic levels and their estimates and projections are based upon data produced by the U.S. Census Bureau.

In addition, the Suffolk County Planning Department has created an upper-end estimate of the Town's peak seasonal population. The estimate considers four sources of seasonal population based on their accommodations: (1) persons staying in seasonal or second homes, (2) persons staying in the homes of year-round residents as guests, (3) persons staying in designated camping sites, and (4) persons staying in lodging establishments. The estimate is better characterized as the maximum population that these four types of facilities could accommodate, rather than an actual peak population estimate of year-round residents, seasonal residents and visitors. It also doesn't include day-trippers who don't stay over-night in any of these facilities. The data for households and seasonal homes are from U.S. Census American Community Survey.

**Map 2-1**  
**Study Area and Subareas**



Source: U.S. Census Bureau, NY NYS GIS Program Office. RKG Associates, Inc., 2016

## **B. POPULATION CHARACTERISTICS**

### **1. Population Trends**

The Study Area had a year-round population of 22,202 in 2015, which was only 1.5% of Suffolk County population. Since 2000, population of the Study Area has grown slowly from 19,719 in 2000 to 21,457 in 2010 for a growth rate of 0.9% annually (Table 2-1). Population growth slowed down to 0.6% annually during the 2010-2015 period, and is expected to further slow to 0.4% through 2020. At the county level, Suffolk County's population grew by 0.5% annually over the 2000-2010 period and 0.2% annually between 2010 and 2015, indicating a slower growth rate in the region than in the Study Area. Typically, annual population growth rates of 1% or more are considered steady and sustainable.

Within the Study Area, Springs has the largest population and Wainscott has the smallest. During the 2000-2010 study period, Springs's population grew rapidly from 4,950 to 6,592 or 3.3% annually, while East Hampton Village, Montauk, and Sag Harbor Village experienced population declines. East Hampton Village declined the most dropping from 1,321 to 1,083 (-1.8% annually).

During the 2010-2015 period, all the hamlet subareas except Wainscott had positive population growth. Among them, Montauk and Sag Harbor Village grew faster than the other hamlets, both 1.2% annually during 2010-2015 and 0.8% projected during the 2015-2020 period.

**Table 2-1  
Comparative Population Trends, 2000-2020**

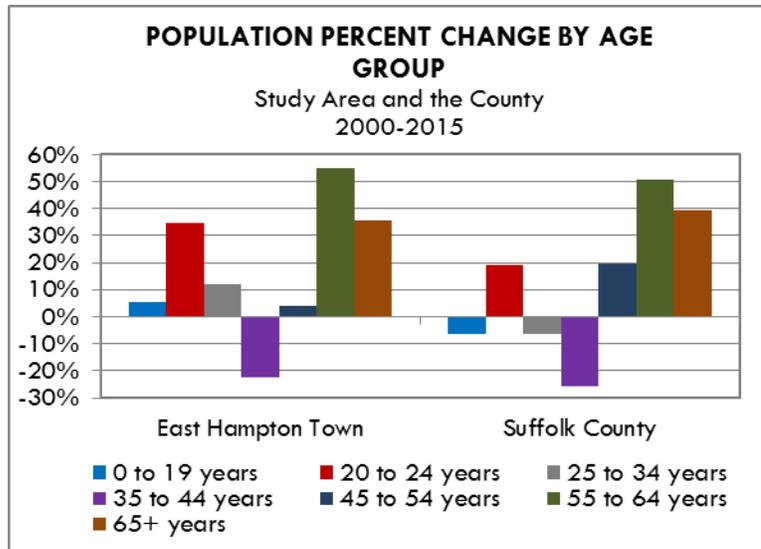
Geography	2000	2010	2015	2020	00 - '10 (%)	10 - '15 (%)	15 - '20 (%)
Amagansett	1,055	1,165	1,175	1,185	110 (10%)	10 (1%)	10 (1%)
East Hampton Village	1,321	1,083	1,115	1,144	-238 (-18%)	32 (3%)	29 (3%)
Montauk	3,851	3,326	3,518	3,651	-525 (-14%)	192 (6%)	133 (4%)
Sag Harbor Village	2,311	2,169	2,299	2,384	-142 (-6%)	130 (6%)	85 (4%)
Springs	4,950	6,592	6,758	6,848	1,642 (33%)	166 (3%)	90 (1%)
Wainscott	640	650	652	656	10 (2%)	2 (0%)	4 (1%)
East Hampton Town	19,719	21,457	22,202	22,702	1,738 (9%)	745 (3%)	500 (2%)
Suffolk County	1,419,369	1,493,350	1,502,592	1,513,028	73,981 (5%)	9,242 (1%)	10,436 (1%)

Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

## 2. Population Age Distribution

The Study Area has a slightly older population than Suffolk County, with a higher concentration of people above the age of 55 (35.1%) and lower concentration of people below the age of 34 (34.7%). During the 2000-2015 period, the Study Area experienced a significant increase in senior population and a decline in workforce population. The population of the 55-64 age group increased the most from 2,174 to 3,366, followed by the population of the 65 and older age group, which increased from 3,265 to 4,435. During the same time, the population ages 35 to 44 dropped from 3,584 to 2,775 (Figure 2-1). This appears to be a prevailing trend within

Figure 2-1

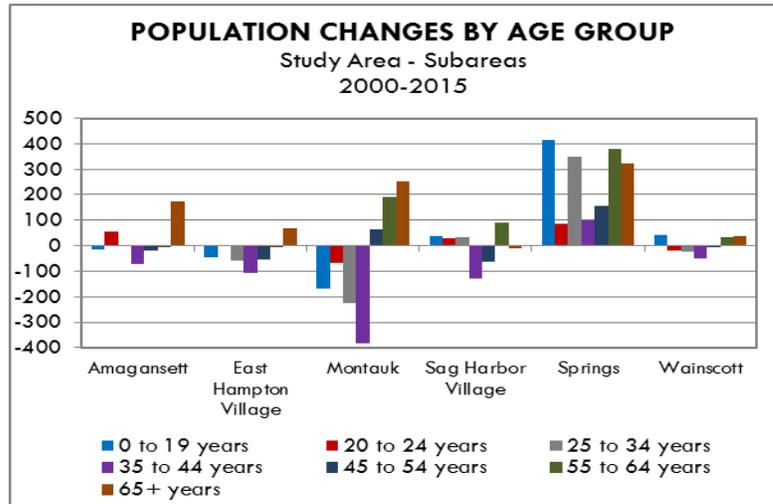


Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

the region that is mirrored at the national level. Generation X, or those persons born roughly between 1964 and 1981 are between the ages of 36 and 53 years old today. Both demographic cohorts making up this population (35 to 44 years and 45 to 54 years) are much smaller in size as compared to the Baby-Boomer Generation. This population cohort is very important to the health of any community as they represent much of the working population the child-bearing households. In addition, they bring a certain civic energy to the community, mostly through their support of local schools and volunteerism for local organizations.

Among the hamlet subareas, Springs has a younger population with a higher percentage of people below 34 years old (43.1%) and a lower percentage of people over 55 years old (27.2%) (Figure 2-2). Amagansett and East Hampton Village have the smallest percentages of people below 34 years old (29.3% and 24.5% respectively) and the largest percentages of people above 55 years old (49.3% and 54.3%). Figure 2-2 shows the population change by age group during the 2000-2015 period. Springs has gains in all age groups; it is also the only hamlet that had noticeable growth in main workforce population (25-34, 35-44, and 45-54 age groups).

Figure 2-2



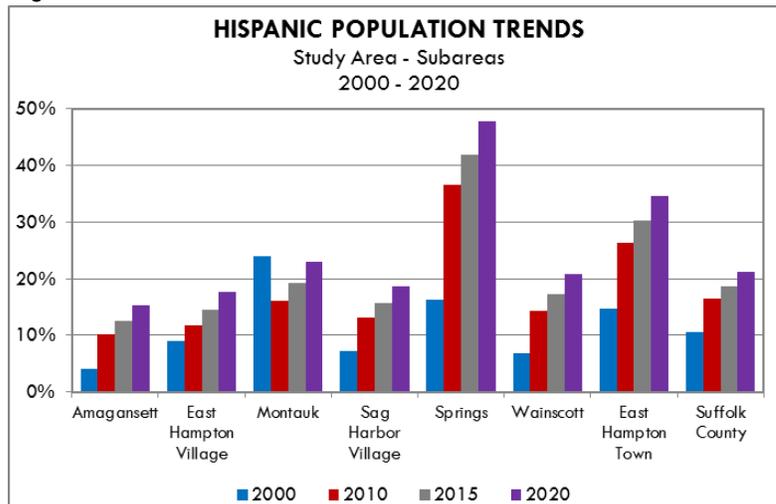
Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

Of particular significance to Springs is the change in the number of people in the 0-19 age group, which consists of school-age children. For years Springs has been the most affordable hamlet, in terms of home prices, and it has become a popular location for households with school-age children. This has put stress on the community and its ability to fund local school costs. In contrast, Montauk experienced the most significant population aging, with sharp decrease in the population below 45 years' old and increase in the population above 54 years old. Amagansett, East Hampton Village, and Sag Harbor Village also had noticeable decline in workforce population and increase in senior population. Given that the 25-34, 35-44, and 45-54 are all households forming age groups, the population decline in these groups may be partly attributed to people moving away from these communities into more affordable housing markets. From the employment perspective, Springs' strong workforce population growth may indicate greater potential of economic growth while the other hamlets especially Montauk appear to face more challenges.

### 3. Population Ethnicity

The dynamic ethnic changes in the East Hampton population has focused on the growth of the Hispanic population over the past 15 years. All other non-white populations account for a small percentage of the overall population. The Study Area has a larger concentration of Hispanic population than Suffolk County, and the difference has expanded since 2000 (Figure 2-3). Since 2000, the Study Area's Hispanic population has increased from 2,914 to 5,660 in 2010 and 6,724 in 2015. As such, their share of the total

Figure 2-3



Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

population increased from 14.8% to 26.4% in 2010 and 30.3% in 2015 (Figure 2-3). Over half of the Hispanic population reside in Springs (2,835, or 42.2%) and Montauk (678, or 10.1%). According to local residents interviewed by RKG Associates, much of this growth is tied to job opportunities that have attracted not only Hispanic workers, but also other ethnic groups from Eastern Europe and Jamaica and the Caribbean Islands. A good share of this immigrant population is attracted to the region during the peak tourism season to work in lower-skilled jobs in the hospitality and restaurant industries.

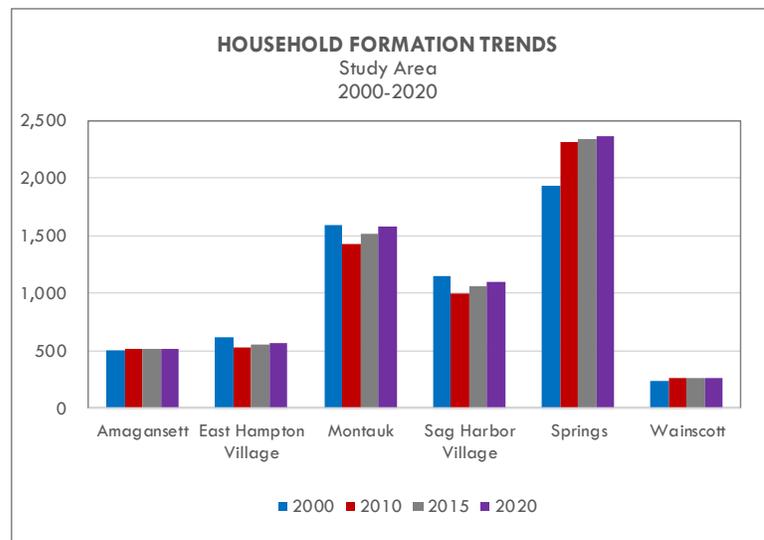
During the 2000-2015 period, all the hamlets, except for Montauk, experienced increases in Hispanic population both in terms of the absolute numbers and the percentages, despite the decline in total population in several communities. Springs experienced the most significant growth, from 804 people (16.2% of total population) in 2000 to 2,835 people (16.2%) in 2015, mainly due to an influx of Hispanic immigrants during the period. This is also the main driver of Spring’s population growth, particularly in the 0-19, 25-34, 35-44, and 45-54 years’ age groups. Montauk’s Hispanic population decreased from 921 to 537 during 2000-2010, followed by a moderate growth to 678 in 2015. The loss of Hispanic population might have contributed to the decrease of population under 45 years old, who may have moved out due to a shrinkage of job opportunities or an increasingly unaffordable housing market. Also, the cost of housing in Montauk has risen and made it more difficult for lower income workers to afford to live there.

#### 4. Household Formations and Household Size

Since 2000, the number of households in the Study Area has gradually increased from 8,112 to 8,410 in 2010, and then to 8,697 in 2015. The annual increase rate during the 2000-2010 period (0.4%) was slightly lower than that of Suffolk County (0.6%), and during the 2010-2015 period (0.6%) higher than Suffolk County (0.2%).

Within the Study Area, between 2000 and 2010, Springs had the largest increase in the number of households (383 households, or 2.0% annually), which is in accordance with the population trend over the same period. Household decline occurred in Montauk (172 households), Sag Harbor Village (155 households), and East Hampton Village (86 households). During the 2010-2015 period, all the subareas experienced household growth, but in Montauk, Sag Harbor Village, and East Hampton Village, the growth over this period was too moderate to offset the decline in the previous decade (Figure 2-4).

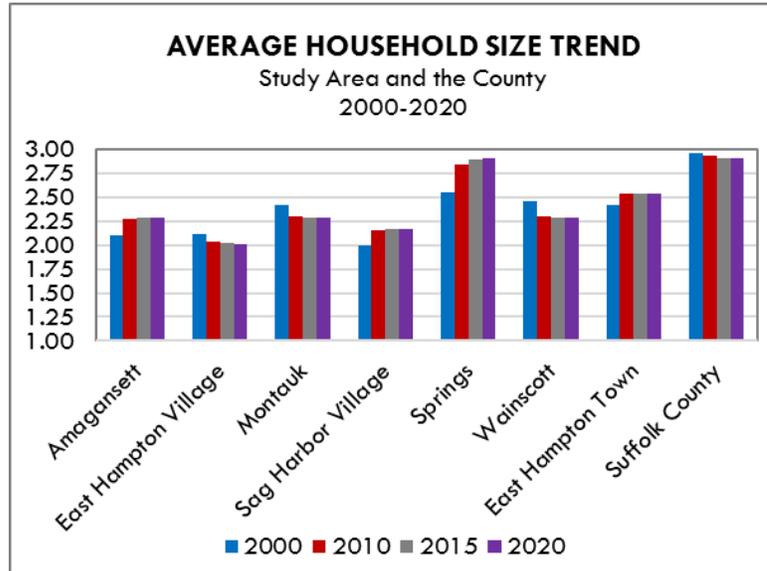
Figure 2-4



Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

Since 2000, the average household size in the Study Area increased slightly from 2.42 to 2.54 in 2010, and then stayed the same through 2015. It has been consistently lower than the average household size of Suffolk County. Given the population age distribution, this may indicate a higher concentration of empty-nesters in the Study Area. In the hamlets, Springs has the largest average household size while East Hampton Village and Sag Harbor Village has the smallest. During the 2000-2010 period, the average household size in Springs increased the most, from 2.55 to 2.84, which is consistent with the increases of population younger than 19 years old and between 35 and 64 years old. This might be attributed to the growth in family households with children, which has created greater demand for schools and for affordably-priced housing. In contrast, the average household sizes of Montauk, Wainscott, and East Hampton Village dropped between 2000 and 2010, indicating an increase in empty-nesters or second homeowners with adult children living outside the household (Figure 2-5).

Figure 2-5

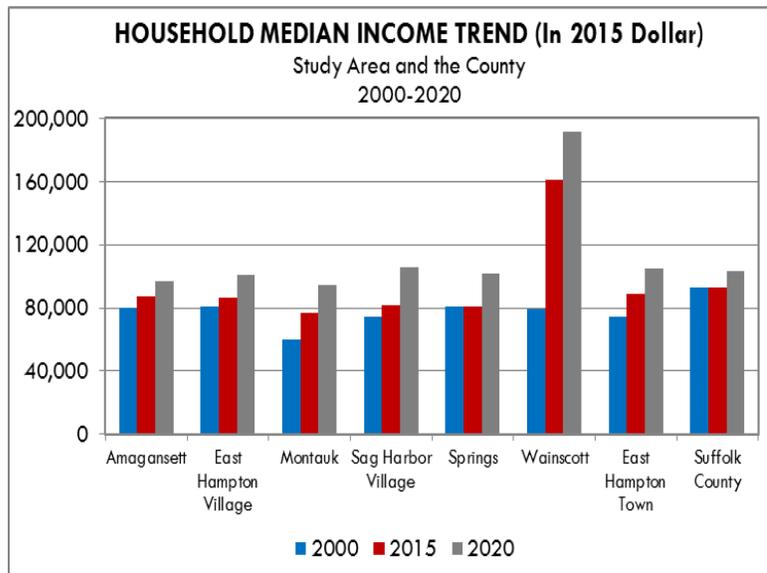


Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

**5. Household Income**

In 2015, the estimated median household income in the Study Area was \$88,732, which was lower than Suffolk County (\$92,736) (Figure 2-6). However, the U.S. median household income in 2015 was \$56,516, which demonstrates the relative affluence of the East Hampton year-round population. One thing to note relative to East Hampton’s median income levels is that many of the people who owned second homes and are seasonal residents are not included in this data. Their household incomes are reported in the place where their primary residence is located and thus this data reflects the incomes on year-round households.

Figure 2-6



Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

Approximately 57% of the households in the Study Area earn more than \$75,000 per year, slightly lower than the percentage of the same income group at the county level (61%). However, nearly one-

third of the households in the Study Area are earning more than \$150,000 per year, indicating a higher concentration of affluent households in the Study Area than in the region in general. Between 2000 and 2015, the real median household income (in 2015 Dollar) of the Study Area increased by 19.5% (1.3% annually), outperformed the County whose real median household income remained unchanged.

Within the East Hampton Study Area, Wainscott has the highest median household income (\$161,170), followed by Amagansett (\$87,428) and East Hampton Village (\$86,799). This is largely due to Wainscott's very small population base of 652 people in 2015. Montauk has the lowest median household income (\$76,795). Wainscott also has the highest percentage of households earning more than \$150,000 (53%), followed by Springs (32%) and Sag Harbor Village (30%). These three communities also have the lowest percentages of households with annual incomes below \$35,000 (9% for Wainscott, and 19% for Springs and Sag Harbor Village). The households in Amagansett, East Hampton Village, and Montauk are more spread across different income ranges, with noticeable portions at both the low-income end and high income end.

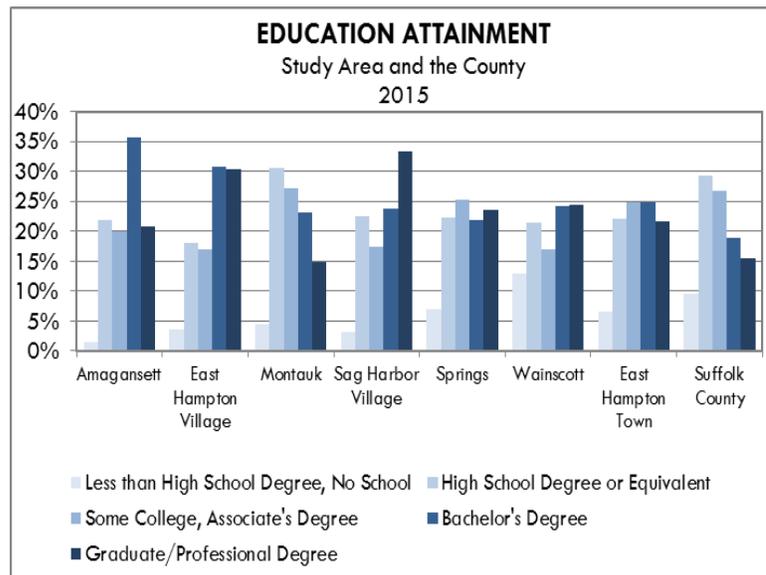
During the 2000-2015 period, the real median household income increased by 103.3% in Wainscott, likely due to an influx of higher-income households and efflux of lower-income households. Montauk also achieved a 27.5% growth in real median household income, which may be related to the loss of low- to middle- income households. Springs's real median household income decreased by 0.4% during 2000-2015, although the number of households in the higher-income ranges had a noticeable growth.

## 6. Education Attainment

The Study Area's current education attainment level is higher than Suffolk County (Figure 2-7). Approximately 29% of the population over the age of 25 years old in East Hampton has a high school diploma or less, compared to 39% for the County. However, approximately 46% of the population over 25 years old has earned a Bachelor's or Graduate/Professional degree, which is higher than that of the County (34%).

Among the hamlets, Montauk and Wainscott have the highest percentages of the population over with at most a high school diploma (35.0% and 34.3% respectively), while East Hampton Village, Sag Harbor Village, Amagansett have the highest percentages of those with a Bachelor's or a Graduate/Professional degree (61.3%, 57.0%, and 56.5% respectively). Typically, there is a strong correlation between education attainment level and household incomes.

Figure 2-7



Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

## 7. Seasonal Population Peak Capacity

The population of East Hampton typically increases substantially during the middle of the year, usually between May and October. This is mainly due to the large percentage of second or seasonal homeowners and tourists. However, there is no reliable estimates of the seasonal population change.

The Suffolk County Planning Department has attempted to estimate the peak capacity seasonal population based on the numbers of year-round households, second homes, and lodging/camping facilities, and assumptions on their maximum capacity to accommodate guests and visitors. The households and seasonal homes data are from U.S. Census 2010-2014 ACS, the lodging/camping facility inventory is from the Department. RKG Associates has updated this estimate with the help of local hotel professionals. The estimate incorporates four sources of seasonal population, including second home/seasonal residents (people who temporarily occupy seasonal housing units in the area), seasonal guests (people who stay as guests with year-round and seasonal households), campers and lodging guests.

Table 2-2 shows that estimated seasonal homes, households, camping/lodging facilities in the Town of East Hampton, as well as the maximum capacity of seasonal population that the Town could accommodate. The updated estimate equals 73,578 overnight population, which doesn't include day-trippers who don't stay in East Hampton over-night. Given that East Hampton is at the east end of Long Island and the traffic on the major roads getting into and out of East Hampton is usually congested during peak travel time, it is conceivable that the day-trippers represent a smaller portion of the total visitor population during summer peak months. Based on this estimate, the total number of seasonal population that East Hampton could potentially accommodate is about 3.5 times the number of year-round population. This does not adjust for vacancy allowance so is considered a top end estimate.

This peak population estimate would exceed the year-round population of all the other towns in Suffolk County, including other popular tourism and seasonal home purchasing destinations such as Shelter Island, Southampton, and Westhampton. Among the hamlets within the Town of East Hampton, Montauk has the greatest capacity, both due to the large number of lodging facilities (particularly hotels/motels) and second homes. It should be noted that this estimate doesn't imply that there would be 73,578 seasonal residents and visitors during the summer months. Again, an estimate of the actual peak seasonal population will need to consider factors such as hotel/motel occupancy, the living pattern of second home owners, and so on.

**Table 2-2**  
**Estimated Seasonal Population Accommodation Capacity**  
**Town of East Hampton**

<b>Seasonal Homes (2014)</b>	
Num of Seasonal Homes	11,296
Persons per Home	4.5
Num of Seasonal Residents	50,491
<b>Seasonal Guests (2014)</b>	
Num of Year-round Households	9,207
Guests per Household	1.1
Num of Guests	10,329
<b>Camping (2015)</b>	
Num of Campsite Units	358
Persons per Unit	4
Num of Camping Visitors	1,432
<b>Lodging Guests (2015)</b>	
Num of Rooms	2,888
Guests per Room	2 (Hotel) / 4 (B&B)
Room Capacity	11,326
<b>Total Seasonal Population</b>	
<b>Accommodation Capacity</b>	<b>73,578</b>

Source: Suffolk County Planning Department, 2016.

### C. IMPLICATIONS

The East Hampton Study Area represents 1.5% of the total population of Suffolk County. Since 2000, the local population has increased slowly from 19,719 to 21,457 in 2010; the annual growth rate was 0.9%. According to ESRI, the annual population growth slowed down to 0.6% during the 2010-2015 period, and is projected to further drop to 0.4% through 2020. Limited population growth in the past fifteen years may partly explain the shrinkage of businesses that primarily service year-round residents. The only exception is Springs, whose population by 3.3% annually during the 2000-2010 period, mainly due to an influx of immigrant families, particularly Hispanic families.

Over the 2000-2015 period, all the hamlets, except for Springs, experienced a decline in population between 25 and 54 years old. As this is the typical households forming age range, such a decline may suggest that some people were driven away by the high housing prices in these communities. This is likely to lead to a shrinkage of businesses activities that primarily serve year-around residents. In comparison, the relative lower housing prices in Springs may have helped attract families, contributing to an increase in average household size and significant growth of population under 19 years old. This provides opportunities for family-oriented businesses and services.

In all the hamlets except for Springs, the declining population between 25 and 54 years old also suggests a decline in workforce population, which may also be partly attributed to a lack of job opportunities in the area. This will add to the challenge of low population growth, indicating limited economic growth potential in the region in general.

During the same period, the population of 55 and above age groups increased significantly in the Town of East Hampton. Communities such as Montauk and Amagansett have shown noticeable signs of aging. This suggest that older and more established second homeowners have started to gray the population. This may have implications on the demand for goods and services that primarily target seniors. It might also translate into increase demand for senior-oriented social services and public amenities.

The 2015 median household income in the East Hampton Study Area was estimated to be \$88,732, slightly below the County level. Nevertheless, the percentage of households in the top income range (>\$150,000) exceeds Suffolk County, indicating a concentration of higher-income households. During the 2000-2015 period, the real median household income (in 2015 Dollar) of the Study Area increased by 19.5%, significantly outperforming the County. This is largely attributed to the median household income growth in Wainscott (103.3%) and Montauk (27.5%), possibly due to an inflow of high-income households and an outflow of low and middle-income households, rather than an improvement across all income levels. The increasing presence of high-income households may have contributed to a heated real estate market in some areas, and supported the expansion of real estate related industries as well as services that cater to high-income individuals and families.

Wainscott is the most affluent hamlet as shown, featured by the highest median household income, the highest percentage of households earning more than \$75,000 per year, and the lowest percentage of households earning less than \$35,000 per year. It is followed by Amagansett and East Hampton Village, both of which have higher median household income, higher percentages of high-income households, and lower percentages of low-income households than the rest of the area. In comparison, Montauk has relatively low median household income, despite the fast growth over the past fifteen years. It also has lower percentage of high-income households and higher percentage of low-income households than other communities in the Study Area.

# 3 ECONOMIC BASE ANALYSIS

## A. METHODOLOGY

### 1. Study Area Boundaries

The Town of East Hampton represents a small, but valuable portion of the Suffolk County economy. To analyze the Town's economic base and recent trends, RKG chose a series of ZIP codes as the Study Area, which allowed detailed analysis. Map 3-1 shows the four ZIP code areas included in the analysis, 11930, 11937, 11954, and 11975, which covers most the Town except for the northwestern corner which is the incorporated part of Sag Harbor Village, which is not part of this analysis.

**Map 3-1**  
**Economic Study Area – Zip Code Boundaries**



Source: U.S. Census Bureau, ESRI, RKG Associates, Inc., 2016

### 2. Data Sources

Data sources for this analysis include County Business Patterns (CBP) from the U.S. Department of Commerce and Nonemployer Statistics from U.S. Census, Quarterly Census of Employment & Wages (QCEW) from U.S. Bureau of Labor Statistics (BLS), and the New York State Taxable Sales and Purchases (TSP) from the New York State Department of Taxation and Finance. CBP is an annual series that provides data on employment and the number of establishments during the week of March 12th, first quarter payroll, and annual payroll, by industry and by county. It also contains establishments by industry, and all-industry employment and payroll data at the ZIP code level. CBP data don't include proprietors, partners of unincorporated businesses, in-home domestic workers (i.e., nannies, housekeepers, chefs, etc.), railroad employees, agricultural production workers, most government employees, and employees on ocean-borne vessels or in foreign countries. Nonemployer Statistics provides annual data on businesses that have no paid employees and are subject to federal income tax. These are commonly referred to as sole proprietors or self-employed persons. The data consist of the number of businesses and total receipts at the county, state, and national levels by industry code. QCEW provides monthly data on employment and wages at the county, state, and national levels by industry. TSP presents quarterly information of taxable sales and purchases subject to county sales tax.

RKG analyzed industry trends in employment and establishments from 2005 to 2014, which is the most current government data. This period was selected because it best represents East Hampton's economic characteristics before the most recession of 2009-2010 and its recovery following the recession, which were illustrated in the trends over the 2005-2009 period and the 2009-2014 period respectively. The

taxable sales trend was analyzed over the 2009-2014 period. All the datasets used for this analysis adopt the North American Industry Classification System (NAICS), which is maintained by the Office of Management and Budget and is updated every five years. This allows for estimation and comparison across different datasets. As 2005 data are based on 2002 NAICS code, 2009 data on 2007 NAICS code, and 2014 data on 2012 NAICS code, in order to validate cross-year comparison, RKG modified 2005 and 2009 data to match 2012 NAICS code. TSP is based on tax year, so in order to keep the timeline consistent across all parameters, this analysis used TSP 2013/2014 Q4 – 2014/2015 Q3 (December 2013 – November 2014) data to approximate the taxable sales of the calendar year 2014, and 2008/2009 Q4 – 2009/2010 Q3 (December 2008 – November 2009) data to approximate the taxable sales of the calendar year 2009.

In several instances, RKG Associates analyzed and reported economic data for the hamlet of Montauk, a Census Designated Place within the Town of East Hampton. This is because the business leadership in Montauk has requested specific analysis about the hamlet’s economy for future economic development and management planning purposes.

## B. EAST HAMPTON ECONOMIC TRENDS

### 1. Establishments Trends (2005-2014)

As shown in Table 3-1, since 2005, the number of establishments in the East Hampton Study Area grew from 1,293 to 1,335 in 2009, with an annual average growth rate of 0.81%. After 2009, the growth accelerated to 1.29% annually to 1,421 establishments in 2014, indicating a healthy recovery after the most recent recession (2009-2010). In both periods, the growth of establishments in the Study Area outpaced the overall growth of the County (-0.02% annually and 0.53% annually for the two periods).

**Table 3-1**  
**Study Area Number of Establishments by Industry Trends**  
**2005-2014**

	2005	2009	2014	% of Total 2014	2005-2009 Change	2009-2014 Change
<b>TOTAL ESTABLISHMENTS</b>	<b>1,293</b>	<b>1,335</b>	<b>1,421</b>	100.0%	<b>42</b>	<b>86</b>
Agriculture, Forestry, Fishing and Hunting	8	13	22	1.0%	5	9
Mining, Quarrying, and Oil and Gas Extraction	2	1	2	0.1%	(1)	1
Utilities	1	1	1	0.1%	0	0
Construction	231	252	280	18.9%	21	28
Manufacturing	24	24	21	1.8%	0	(3)
Wholesale Trade	29	26	25	1.9%	(3)	(1)
Retail Trade	219	214	208	16.0%	(5)	(6)
Transportation and Warehousing	20	17	25	1.3%	(3)	8
Information	34	30	26	2.2%	(4)	(4)
Finance and Insurance	39	43	41	3.2%	4	(2)
Real Estate and Rental and Leasing	73	81	74	6.1%	8	(7)
Professional, Scientific, and Technical Services	136	140	146	10.5%	4	6
Management of Companies and Enterprises	4	6	2	0.4%	2	(4)
Admin/Support, Waste Mgmt Services	124	148	170	11.1%	24	22
Educational Services	15	17	14	1.3%	2	(3)
Health Care and Social Assistance	48	47	58	3.5%	(1)	11
Arts, Entertainment, and Recreation	45	54	53	4.0%	9	(1)
Accommodation and Food Services	154	145	171	10.9%	(9)	26
Other Services (except Public Administration)	86	72	82	5.4%	(14)	10
Industries not classified	1	4	-	0.3%	3	(4)

Source: U.S. Census Bureau, RKG Associates, Inc., 2016

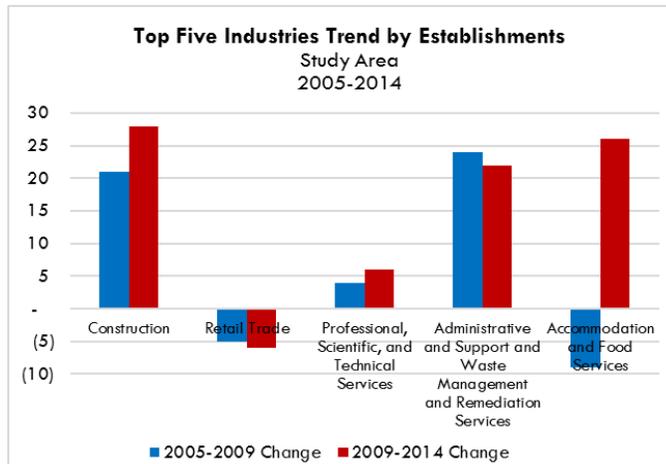
Five industries have maintained the largest numbers of establishments since 2005, including Construction, Retail Trade, Accommodation & Food Services, Administrative/Support/Waste Management & Remediation Services and Professional/Scientific/Technical Services. Except for Professional Services, all the other four industries are closely tied to the building construction/maintenance sector and the tourism sector; collectively they account for 58.3% of the total establishments in all industries in 2014, higher than in 2005 (56.3%) and 2009 (56.9%), and substantially higher than at the Suffolk County level (42.6%), indicating a growing significance of the building construction/maintenance economy, particularly of second homes, and the tourism economy.

More specifically, in 2014, Construction has 280 businesses, representing 20% of the total. The dominant sub-industries within Construction are Specialty Trade Contractors like plumbers, carpenters, etc. (172 establishments) and Construction of Buildings (103 establishments). Admin/Support has 170 establishments, representing 12% of the total. A large portion of them are Administrative and Support Services businesses that engage in building maintenance activities, such as Investigation & Security Services, and Services to Buildings/Dwellings, and tourist services, such as Travel Arrangement and Reservation Services. In addition, there are 69 real estate businesses (5% of the total) which also contribute to the Town’s second home sector.

Relative to businesses that support the tourism economy, Retail Trade has 208 establishments, with its top sub-industries include Clothing & Clothing Accessories Stores (55 establishments), Food & Beverage Stores (48 establishments), and Building Material & Garden Equipment & Supplies Dealers (27 establishments). Accommodation & Food Services has 171 establishments, including 36 in the Accommodation sub-industry and 135 in Food Services & Drinking Places. In addition, Art/Entertainment & Recreation is the 9<sup>th</sup> largest industry and has 53 establishments in 2014, representing 3.7% of the total number of establishments in the Study Area, higher than the percentage at the county level (1.8%).

Figure 3-1 shows the trends of the top five industries over the ten-year period. Construction and Admin/Support have had the largest growth in both periods. The number of Construction establishments increased by 21 (2.3% annually) during 2005-2009 and 28 (2.2% annually) during 2009-2014. The number of Admin/Support establishments grew by 24 (4.8% annually) during 2005-2009 and 22 (3.0% annually) during 2009-2014. Collectively their growth over the 10-year period represented 74.2% of the Study Area’s total establishment increases. They also grew faster than the overall economy before the recession and had a stronger recovery after the recession, indicating that the second home economy is the main driver of the local economy. Professional Services maintained a steady growth through the recession. Given that this industry includes architectural design and landscape design firms that serve the building construction and landscaping activities, it may have benefited from the second home economy.

Figure 3-1



Source: U.S. Census Bureau, RKG Associates, Inc., 2016

The Accommodation & Food Services industry lost 9 establishments from 154 to 145 during the 2005-2009 period, but had a significant growth of 26 businesses in the five years following the start of the recession, with an annual growth rate of 4.0%. The net change in businesses from 2005 was 17, representing 13.3% of all establishment growth in the Town of East Hampton. This indicates a boom of

tourism activities in the Study Area after the recession, which has reinforced the position of tourism in the local economy.

Retail Trade remains the second largest industry in the Town of East Hampton and has lost 11 businesses since 2005, more than any single industry during the study period. Suffolk County experienced a similar trend, but its decline moderated after 2009 unlike the Town. Tourists and seasonal residents contribute to a large portion of the Town's retail trade activities. Given the growth of the second home and tourism industry, a decrease in the number of retail trade establishments may suggest a trend towards a concentration of retail establishment serving the larger seasonal population. Anecdotal evidence obtained through interviews indicates that several retail shops, restaurants and maritime businesses open during peak tourism season (May through October) and the close once the numbers of visitors decline. This has always been a characteristic of East Hampton's business community, but some people believe it is increasing. Another observation has been that some property owners, mostly in East Hampton Village, are leasing retail space at very high lease rates and catering to high-end retailers serving tourists. This generates high rental income in just a few months, which allows the owners to keep the storefronts vacant for the remainder of the year. The employment and retail sales trend analysis later in this section provides some greater insight into this issue.

Health Care & Social Assistance has 58 establishments, representing 4.1% of the total number of establishments in the Study Area. It had a noticeable growth of 11 establishments during the 2009-2014 period, which may be partly attributed to the increase of senior population in the area.

## **2. Employment Trends (2005-2014)**

The mid-March employment of the Study Area experienced a moderate decline during the 2005-2009 period from 6,571 to 6,544 (-0.10% annually), followed by rapid growth of 5.42% annually to 8,317 in 2014. The employment data reported by County Business Patterns is a mid-March employment estimate, which is problematic when measuring employment in communities with wide business fluctuations due to tourism. Later in this section, RKG provides a seasonally-adjusted estimate of employment that accounts for some of this variation and includes an also includes self-employed persons. It is believed that another of persons in East Hampton are self-employed and do have employees, which means they are not captured in the County Business Pattern data.

Since the end of the past recession, East Hampton employment base has had a fairly strong recovery. Like establishment trends, employment growth in the Town outperformed Suffolk County, whose employment growth rates were -0.25% during 2005-2009 and 0.45% during the 2009-2014 period.

As shown in Table 3-2, the top five industries by total employment include Retail Trade, Accommodation & Food Services, Construction, Admin/Support, and Professional Services. Collectively these industries account for 64.6% of the total employment of all industries, and this percentage has been increasing since 2005. This is consistent with the establishment trend which shows an enhanced significance of the second home and tourism sectors. Within Retail Trade, the top sub-industries include Food & Beverage Stores (400 jobs), Clothing & Clothing Accessories Stores (369 jobs), and Building Material & Garden Equipment & Supplies Dealers (229 jobs). Accommodation & Food Services has 939 employees in Accommodation and 321 in Food Services & Drinking Places. The dominant sub-industries within Construction are Specialty Trade Contractors (646 jobs) and Construction of Buildings (267 jobs). The employment of Admin/Support predominantly belongs to Administrative & Support Services (949 jobs). All these sub-industries account for higher percentages in the Study Area's total employment than at the county level. This reaffirmed the role of the second home economy and the tourism economy in the Study Area.

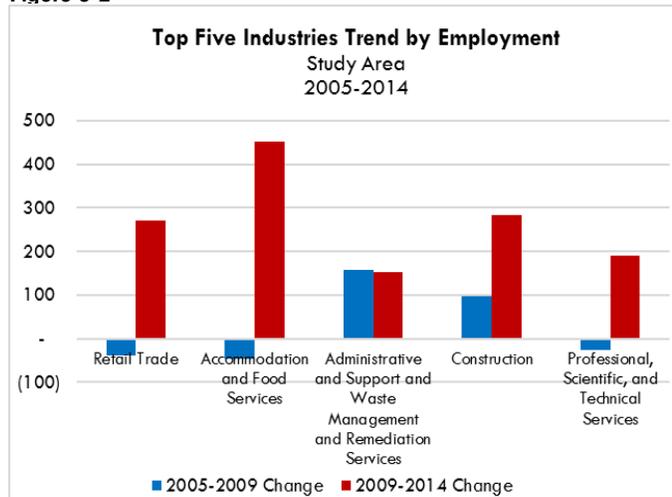
**Table 3-2**  
**Study Area Employment by Industry Trends**  
**2005-2014**

	2005	2009	2014	% of Total 2014	2005-2009 Change	2009-2014 Change
<b>TOTAL EMPLOYMENT</b>	<b>6,571</b>	<b>6,544</b>	<b>8,317</b>	100.0%	<b>(27)</b>	<b>1,773</b>
Agriculture, Forestry, Fishing and Hunting	12	17	34	0.4%	5	17
Mining, Quarrying, and Oil and Gas Extraction	10	4	9	0.1%	(6)	4
Utilities	10	10	14	0.2%	(1)	4
Construction	597	695	979	11.8%	98	283
Manufacturing	304	292	325	3.9%	(12)	34
Wholesale Trade	227	190	199	2.4%	(38)	9
Retail Trade	1,246	1,206	1,477	17.8%	(40)	271
Transportation and Warehousing	170	136	205	2.5%	(35)	69
Information	425	319	320	3.9%	(106)	1
Finance and Insurance	197	211	216	2.6%	14	5
Real Estate and Rental and Leasing	151	158	175	2.1%	7	17
Professional, Scientific, and Technical Services	519	492	681	8.2%	(27)	189
Management of Companies and Enterprises	137	157	72	0.9%	21	(85)
Admin/Support, Waste Mgmt Services	670	828	979	11.8%	157	152
Educational Services	166	144	123	1.5%	(22)	(21)
Health Care and Social Assistance	451	441	655	7.9%	(10)	214
Arts, Entertainment, and Recreation	200	249	345	4.1%	49	96
Accommodation and Food Services	854	807	1,260	15.1%	(47)	453
Other Services (except Public Administration)	224	189	250	3.0%	(36)	61
Industries not classified	1	2	-	0.0%	2	(2)

Source: U.S. Census Bureau, RKG Associates, Inc., 2016

Figure 3-2 shows the changes in employment of these industries over the 2005-2014 period. All of them have had faster growth in employment than in the number of establishments, indicating increased average establishment sizes. The building construction sector gained jobs in both periods: Construction employment grew by 98 (4.1% annually) during 2005-2009 and by 283 (8.1% annually) during 2009-2014. Admin & Support employment grew by 157 and 152 over the two periods, and the annual growth rates were 5.9% and 3.7% respectively. This indicates that the recent economic recession didn't have major adverse impacts on the building construction and maintenance activities in the Study Area.

**Figure 3-2**



Source: U.S. Census Bureau, RKG Associates, Inc., 2016

Unlike the second home sector, both Retail Trade and Accommodation & Food Services had moderate employment declines (-40 and -47 respectively) between 2005 and 2009, underperforming these two industries at the county level, suggesting that the tourism economy suffered from the recession. However, the declines have been offset by a strong recovery during 2009-2014, as the Retail Trade jobs grew by 271 (4.5% annually) and the Accommodation & Food Services jobs grew by 453 (11.2%). Also, closely

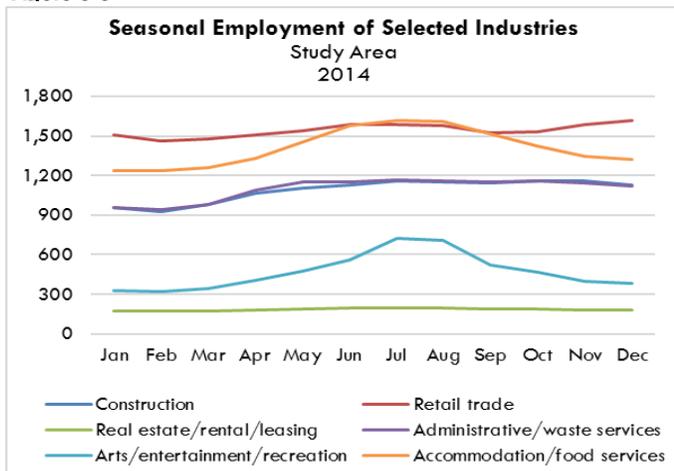
related to the tourism economy is Arts/Entertainment & Recreation, whose employment had a noticeable growth of 144 between 2005 and 2014. In general, these tourism-serving industries are playing a more prominent role in the Study Area's overall economy than they did 10 years ago.

Professional Services had a moderate employment decline from 519 to 492 during the 2005-2009 period. This decrease was offset by the fast growth over the next five years to 681, the annual growth rate was 7.7%, outpaced the growth at the county level (2.9%), indicating a healthy recovery. Consistent with its establishment trend, the Health Care & Social Assistance industry had significant employment growth (204 employees) between 2009 and 2014. In 2014, this industry has 655 employees, presenting 9.7% of the total employment of the Study Area, and is the 6<sup>th</sup> largest industry by employment.

### 3. Adjustments for Seasonal Employment

East Hampton's economy has distinctive seasonal features, mainly due to the prominence of the tourism and the second home economy. During the summer months, a large number of tourists visit the area, bringing additional business to the hotels/motels, restaurants, retail stores and services, and recreational facilities. In addition, many second home owners spend summer in town, creating demand for retail stores, restaurants, as well as building construction, maintenance, and real estate services. Therefore, the mid-March employment data from CBP tends to underestimate employment levels.

Figure 3-3



Source: U.S. BLS, RKG Associates, Inc., 2016

RKG Associates attempted to adjust the Town's employment to reflect its seasonal variations and to get a more accurate estimate of annual employment levels. To measure this adjustment, RKG was able to obtain monthly employment figures for Suffolk County, which is also influenced by seasonal tourism, but has a much broader base of year-round employment than East Hampton. As such, its seasonal fluctuations are perhaps more tempered than the Town's.

As shown in Figure 3-3, Construction employment peaks in late summer through fall; Retail Trade's employment peaks in the summer and in December. The December peak may be more characteristic of the Suffolk County retail base, since many local businesses shut down in late fall. Table 3-1 shows the difference between the annual average employment and the mid-March employment for each industry in 2014. The most notable fluctuations appear to occur in Accommodations and Food Services, Construction, Art/Entertainment/Recreation, and Admin/Support, all of which are related to the tourism and second home economies.

The total annual average employment in the Study Area is 8,933, 7.4% higher than the mid-March employment level. This data and stakeholder interviews indicate that the Town's economy relies heavily on seasonal labor. Therefore, the Town's capacity to attract and house temporary workers, particularly those working in lower wage jobs in hospitality, food service and other tourism-related businesses, will become an important element to the Town economic development potential. It also suggests that a growing reliance on lower paying seasonal employment and the lack of affordably-priced housing is driving out the Town's working-age population.

#### 4. Adjustments for Self-Employment

Neither the mid-March nor the seasonally-adjusted employment numbers consider sole proprietors or self-employed persons. As shown in

Table 3-4, the East Hampton Study Area had 3,141 self-employed persons in the workforce in 2014, per the most current government data available. Adding self-employed to the East Hampton employment figures results in a total employment of 12,073. Self-employment is equal to roughly 26% of total employment, which is higher than at the County level. Industries with large self-employment include second home related industries such as Real Estate, Construction, Admin/Support, and Professional Services, tourism related industries such as Arts/Entertainment & Recreation, and agriculture fishing.

In 2014, sole proprietorships in East Hampton reported annual sales of approximately \$171 million, which includes gross receipts, sales commissions, and income from trades and businesses. Real estate & rental & leasing has the largest receipts from proprietary businesses at \$58.7 million or 34.4%. It also has the third highest receipts per business at \$99,432 per year. Construction has the second largest proprietary receipts at \$24.1 million or 14.1% and the fourth highest receipts per business (\$67,798). Other industries with large receipts include Agriculture/fishing (mainly fishing) (\$21.6 million, or 12.6%), Professional & technical services (\$18.4 million, or 10.8%), Arts/entertainment & recreation (\$10.0 million, or 5.9%), and Administrative & waste services (\$7.7 million, or 4.5%). This reinforces the roles of tourism, building construction and maintenance, and real estate brokerage activities in the Study Area. It also indicates that business supporting services that target self-employed businesses may help strengthen the Town's main economic sectors.

**Table 3-3  
Study Area Employment Seasonal Change by Industry  
2014**

	Number of Employment		
	Mid-March	Annual Avg	Difference
<b>All industries</b>	<b>8,317</b>	<b>8,933</b>	<b>616</b>
Agriculture, forestry, fishing and hunting	34	40	6
Mining, quarrying, oil/gas extraction	9	10	2
Utilities	14	14	(0)
Construction	979	1,088	109
Manufacturing	325	329	4
Wholesale trade	199	201	2
Retail trade	1,477	1,542	65
Transportation and warehousing	205	211	6
Information	320	322	2
Finance and insurance	216	218	2
Real estate and rental and leasing	175	185	10
Professional and technical services	681	683	2
Management of companies and enterprises	72	73	1
Admin/Support/Waste Mgmt/Rmd Services	979	1,098	119
Educational services	123	120	(3)
Health care and social assistance	655	660	5
Arts, entertainment, and recreation	345	470	125
Accommodation and food services	1,260	1,410	150
Other services, except public administration	250	257	7

Source: U.S. BLS, RKG Associates, Inc., 2016

**Table 3-4  
Study Area Proprietary Employment and Business Receipts  
2014**

	Number of Employment				Proprietary Receipts	
	Annual Avg	Self- employed	Total	% by Total	Total	Per Business
<b>All industries</b>	<b>8,933</b>	<b>3,132</b>	<b>12,064</b>	<b>100.0%</b>	<b>\$170,858,632</b>	<b>\$54,560</b>
Agriculture, forestry, fishing and hunting	40	472	512	4.2%	\$21,569,863	\$45,698
Mining, quarrying, oil/gas extraction	10	0	11	0.1%	\$14,074	\$38,000
Utilities	14	1	15	0.1%	\$56,459	\$41,394
Construction	1,088	356	1,444	12.0%	\$24,147,923	\$67,798
Manufacturing	329	15	344	2.9%	\$860,045	\$58,394
Wholesale trade	201	17	218	1.8%	\$1,884,268	\$113,388
Retail trade	1,542	133	1,676	13.9%	\$6,442,989	\$48,296
Transportation and warehousing	211	44	255	2.1%	\$2,092,270	\$47,279
Information	322	88	410	3.4%	\$4,031,863	\$45,692
Finance and insurance	218	39	257	2.1%	\$3,919,524	\$100,425
Real estate and rental and leasing	185	591	776	6.4%	\$58,721,382	\$99,432
Professional and technical services	683	372	1,055	8.7%	\$18,421,575	\$49,585
Management of companies and enterprises	73	-	73	0.6%	\$0	\$0
Admin/Support/Waste Mgmt/Rmd Services	1,098	283	1,381	11.4%	\$7,668,982	\$27,114
Educational services	120	60	180	1.5%	\$908,498	\$15,152
Health care and social assistance	660	107	767	6.4%	\$3,807,752	\$35,560
Arts, entertainment, and recreation	470	374	844	7.0%	\$10,056,966	\$26,908
Accommodation and food services	1,410	64	1,474	12.2%	\$2,916,944	\$45,780
Other services, except public administration	257	116	373	3.1%	\$3,337,255	\$28,788

Source: U.S. Census Bureau, RKG Associates, Inc., 2016

## 5. Taxable Sales Trends (2009-2014)

Another measure of economic activity in New York State is taxable sales related to various business activities. Taxable sales will vary annually but they are closely tied to changes in the number of business establishments and employment. Because taxable sales data is not reported at the local level, RKG Associates prepared an estimate for East Hampton and the hamlet of Montauk based on county averages on a per establishment and employee basis. While it is generally acknowledged that East Hampton business establishments are smaller on average than Suffolk County, RKG used a weighted average considering the difference in employment and establishments.

RKG estimated that taxable sales of all industries in the East Hampton Study Area was \$624.4 million in 2014 (Table 3-5). Three tourism related industries are among the top sales generators, including Retail Trade (\$323.9 million/51.9%), Accommodation & Food Services (\$122.2 million/19.6%), and Arts/Entertainment & Recreation (\$18.9 million/3%). Collectively they contribute to 72.7% of the total sales tax receipts, confirming the important role that tourist activities play in the Town's economy.

Sales generated by building construction, maintenance, and real estate services include Construction (\$16.6 million/2.7%), Admin/Support (\$28.1 million/4.5%), Real Estate (\$8.3 million/1.3%), and the Building Material/ Garden Equipment/Supplies Dealers under the Retail Trade category.

During the 2009-2014 period, the total taxable sales in the Town of East Hampton increased by an estimated \$143.4 million for an average annual growth rate of 6.0%. Industries with the largest sales growth were Retail Trade and Accommodation & Food Services, which is consistent with the significant employment growth of these two industries. Collectively they achieved \$125.3 million in taxable sales growth, accounting for most of the taxable sale growth during the study period.

**Table 3-5  
Study Area Taxable Sales by Industry Trend  
2009 – 2014**

	2009	2014	% of Total 2014	Growth	Annual Growth
<b>All Industries</b>	<b>\$481,014,197</b>	<b>\$624,409,916</b>	<b>100.0%</b>	<b>\$143,395,719</b>	<b>6.0%</b>
Agriculture, Forestry, Fishing and Hunting	\$618,781	\$1,541,079	0.2%	\$922,298	29.8%
Mining, Quarrying, Oil/Gas Extraction	\$238,912	\$733,351	0.1%	\$494,439	41.4%
Utilities	\$32,056,783	\$38,497,632	6.2%	\$6,440,849	4.0%
Construction	\$9,943,003	\$16,592,590	2.7%	\$6,649,587	13.4%
Manufacturing	\$4,230,583	\$7,373,876	1.2%	\$3,143,293	14.9%
Wholesale Trade	\$9,595,186	\$9,126,212	1.5%	(\$468,974)	-1.0%
Retail Trade	\$227,154,438	\$323,895,338	51.9%	\$96,740,901	8.5%
Transportation and Warehousing	\$1,341,461	\$1,518,790	0.2%	\$177,329	2.6%
Information	\$22,255,122	\$26,353,128	4.2%	\$4,098,006	3.7%
Finance and Insurance	\$3,799,131	\$1,142,660	0.2%	(\$2,656,472)	-14.0%
Real Estate and Rental and Leasing	\$7,270,021	\$8,259,771	1.3%	\$989,751	2.7%
Professional/Scientific/Technical Services	\$5,046,683	\$10,949,191	1.8%	\$5,902,508	23.4%
Management of Companies and Enterprises	\$218,149	\$471,873	0.1%	\$253,725	23.3%
Admin/Support/Waste Mgmt/Rem Services	\$19,399,779	\$28,094,484	4.5%	\$8,694,705	9.0%
Educational Services	\$265,640	\$333,871	0.1%	\$68,230	5.1%
Health Care and Social Assistance	\$132,083	\$144,770	0.0%	\$12,687	1.9%
Arts, Entertainment, and Recreation	\$14,790,106	\$18,934,288	3.0%	\$4,144,182	5.6%
Accommodation and Food Services	\$93,709,792	\$122,219,204	19.6%	\$28,509,412	6.1%
Other Services (except Public Admin)	\$3,739,619	\$8,227,808	1.3%	\$4,488,190	24.0%
Industries not classified	\$25,208,925	\$0	0.0%	(\$25,208,925)	-20.0%

Source: U.S. Census Bureau, U.S. BLS, NY State Department of Taxation & Finance, RKG Associates, Inc., 2016

## 6. East Hampton Implications

- Local Employment Greater than Reported** - The East Hampton Study Area's private sector had 8,317 persons employed in 1,421 establishments in 2014, representing 1.5% of the total employment and 2.9% of the total number of establishments in Suffolk County (mid-March employment level). After adjusting for seasonal variations, the annual average employment was adjusted to 8,933. Including the estimated 3,132 self-employed persons in the workforce, RKG estimates that total employment was closer to 12,064 in 2014. Self-employment represents 26% of the total employment, substantially higher than the percentage at the county level (19%). Since 2005, the number of establishments in East Hampton has been increasing steadily by 0.81% annually through 2009, and by 1.29% annually between 2009 and 2014. The mid-March employment had a minor decline before 2009 (-0.01% annually), but then regained 5.42% annual growth during 2009-2014. By both measures, the overall economy of the Study Area has outperformed Suffolk County over the past decade, particularly during the 2009-2014 period, indicating a strong recovery after the 2009-2010 recession.
- Tourism and Second Home Development Drive the East Hampton Economy** - Retail Trade, Accommodation & Food Services, Construction, Admin/Support, and Professional Services are the top industries in the Study Area. Collectively they represent 68.6% of the total number of establishments and 64.6% of the total mid-March employment of all industries, higher than their weights at the county level. They are also among the top taxable sales generators. Retail Trade accounts for over 50% of the total taxable sales of all industries, followed by Accommodation & Food Services which accounts for approximately 20% of the total sales. As

Retail Trade and Accommodation & Services are primarily driven by tourist activities, and Construction and Admin/Support mainly serve the construction and maintenance of buildings, particularly second homes, their strong presence in the Town indicates that the Town's economy largely relies on the health of the tourism and second home economies. Not included in the top five but also directly serve tourism and building activities include Arts/Entertainment/Recreation and Real Estate, both of which present a greater portion of the entire economy in the Study Area than at the county level. This reinforces the prominence role of tourism, building construction, and real estate in the Town's economy.

Accommodation & Food Services and Retail Trade had moderate decline both in employment and establishments during the 2005-2009 period, which may reflect reduced tourism and shopping activities due to the recession. However, after the recession, both industries quickly bounced back and experienced a strong growth. During the 2009-2014 period, Accommodation & Food Services achieved the 3<sup>rd</sup> largest growth in establishments and the 2<sup>nd</sup> largest growth in employment among all industries. Retail Trade continued to lose establishments, but the employment growth exceeded any other industry, suggesting a concentration of businesses into fewer larger establishments. Over the same period, Accommodation & Food Services and Retail Trade were also the top two industries that had the largest growth in taxable sales, indicating that the tourism economy is not only the main driver of the economy recovery after the recession, but also a main contributor to the growth of tax base. The Arts/Entertainment/Recreation industry has a much smaller scale, but it maintained a steady growth during both the 2005-2009 and 2009-2014 periods, which reinforced the tourism economy.

- Construction Industry Growth Has Driven Recent Job Growth - Since 2005, Construction and Admin/Support have expanded substantially both in employment and the number of establishments. Collectively the two industries represent 74% of the total establishment growth and 40% of the total employment growth of the Study Area over the 2005-2014 period. During the recession (2009-2010), both industries maintained a stable growth and helped the Town avoid an overall economic decline. After the recession, both industries continued fast growth in employment and establishment, and are among the industries that had the largest growth in taxable sales during the 2009-2014 period. This indicates that industries associated with building construction and maintenance, particularly for second homes, are one of the main drivers of the Town's economic development; they also appear to have avoided adverse impacts from the recent recession. Nevertheless, the Real Estate hasn't experienced a similar level of growth during the same period. Particularly, during the 2009-2014 period, the industry lost 7 establishments, and the sales growth and employment growth were minor when compared with the overall economy. This may indicate a challenging market environment which may limit the potential of the second home industry in the long run.
- East Hampton Lacks Employment in High-skilled Professional Services - Professional Services represent a portion of the Town's economy, but its percentages in the total employment and establishments of all industries are lower than at the county level. This indicates that this industry doesn't have a competitive advantage in the local economy. As this industry includes architecture and landscape design businesses that serve the construction and maintenance of buildings and landscapes, it may have benefited from the robust growth of the second home economy. However, the decline of working population in the Study Area may limit the potential of this industry.

## C. MONTAUK ECONOMIC TRENDS

### 1. Establishments and Employment Trends (2005-2014)

The Hamlet of Montauk has 1,195 persons employed in 320 establishments according to County Business Patterns data (Table 3-6). This accounts for 14% of employment and 21% of establishments in the Town of East Hampton. During the 2005-2009 period, the total number of establishments slightly increased by 0.2% annually and employment declined by -2.2% annually, showing the initial impacts of the Great Recession. The recovery of the economy following 2009 outperformed the Town of East Hampton, with 4.1% annual increase in the number of establishment and 5.2% annual increase in employment.

**Table 3-6**  
**Montauk Number of Establishments and Employment by Industry Trends**  
**2005-2014**

	2005	2009	2014	% of Total 2014	2005-2009 Change	2009-2014 Change
<b>TOTAL ESTABLISHMENTS</b>	<b>264</b>	<b>266</b>	<b>320</b>	<b>100.0%</b>	<b>2</b>	<b>54</b>
Agriculture, Forestry, Fishing and Hunting	6	11	19	5.9%	5	8
Construction	34	42	52	16.3%	8	10
Manufacturing	2	2	3	0.9%	0	1
Wholesale Trade	4	2	3	0.9%	(2)	1
Retail Trade	46	41	41	12.8%	(5)	0
Transportation and Warehousing	11	7	14	4.4%	(4)	7
Information	5	6	6	1.9%	1	0
Finance and Insurance	7	6	6	1.9%	(1)	0
Real Estate and Rental and Leasing	16	21	17	5.3%	5	(4)
Professional, Scientific, and Technical Services	18	15	19	5.9%	(3)	4
Admin/Support, Waste Mgmt Services	17	16	23	7.2%	(1)	7
Educational Services	2	2	-	0.0%	0	(2)
Health Care and Social Assistance	3	3	5	1.6%	0	2
Arts, Entertainment, and Recreation	10	11	14	4.4%	1	3
Accommodation and Food Services	70	69	83	25.9%	(1)	14
Other Services (except Public Administration)	13	12	15	4.7%	(1)	3
<b>TOTAL EMPLOYMENT</b>	<b>1,040</b>	<b>948</b>	<b>1,195</b>	<b>100.0%</b>	<b>(92)</b>	<b>247</b>
Agriculture, Forestry, Fishing and Hunting	7	11	19	1.6%	4	8
Construction	69	88	117	9.8%	19	28
Manufacturing	20	19	30	2.5%	(1)	11
Wholesale Trade	25	11	15	1.3%	(14)	4
Retail Trade	207	176	187	15.7%	(30)	11
Transportation and Warehousing	74	43	74	6.2%	(31)	31
Information	49	49	48	4.0%	(1)	(1)
Finance and Insurance	28	22	20	1.7%	(6)	(2)
Real Estate and Rental and Leasing	26	31	26	2.2%	5	(5)
Professional, Scientific, and Technical Services	54	40	57	4.8%	(14)	17
Admin/Support, Waste Mgmt Services	73	68	85	7.1%	(4)	17
Educational Services	17	13	-	0.0%	(5)	(13)
Health Care and Social Assistance	22	21	36	3.0%	(1)	15
Arts, Entertainment, and Recreation	35	39	59	4.9%	4	20
Accommodation and Food Services	306	293	393	32.9%	(14)	100
Other Services (except Public Administration)	27	24	29	2.5%	(3)	5

Source: U.S. Census Bureau, RKG Associates, Inc., 2016

Accommodation & Food Services, Construction, Retail Trade, and Admin/Support are the top four industries in Montauk both in terms of employment and the number of establishments. Collectively they represent 62.2% of the total number of establishments and 65.5% of the total employment in all industries. Compared with the Town of East Hampton, Montauk has a more prominent tourism sector: the percentages of the Accommodation & Food Services employment and establishment in Montauk's total economy are more than double the percentages at the Town level. Approximately 25% of these businesses are accommodation facilities, with 140 employees; 48% are restaurant and drinking places, with 253 employees. The Arts/Entertainment & Recreation industry also represents a greater portion of Montauk's economy than at the Town level. Also, supported by tourist activities is the Retail Trade industry, which accounts for 12.8% of the total establishments and 15.7% of the employment in Montauk.

Since 2005, the tourism related industries have shown different trends. Accommodation & Food Services experienced a moderate decline during the 2005-2009 period but then grew substantially over the next five years. Arts/Entertainment & Recreation avoided decline during the recession and gained moderate growth afterwards. The Manufacturing industry also had a noticeable growth between 2009 and 2014, which was largely attributed to the recent development of beverage and food manufacturing that primarily serves the tourists. On the other hand, like the rest of the Town, Montauk saw a noticeable decline in Retail Trade during the recession, but after the recession, Montauk didn't keep up with the Town in term of recovery and the retail jobs and establishments in 2014 were still below the 2005 levels. This may indicate that Montauk has lost some of its retail presence to other nearby communities.

Montauk's second home sector, although less significant when compared with the Town plays an important role in local economy. This mainly includes Construction, Admin/Support, Real Estate, and Building Material & Garden Equipment Stores under the Retail Trade category. Over the 10-year period between 2005 and 2014, Construction experienced the greatest establishment growth and the second greatest employment growth, which enhanced the prominence of second home construction in the local economy. During the 2005-2009 period, Construction and Real Estate were the main driver of Montauk's economy.

Compared with the rest of the Town, Montauk has an advantage in Agriculture/Fishing, especially in the Fishing sub-industry, which represents 5.9% of the total number of businesses in Montauk, higher than at the Town level (1.4%). It also achieved employment and establishment growth in both periods.

**2. Adjustments for Seasonal and Self-employment**

Like the Town of East Hampton, RKG Associates adjusted the mid-March data to reflect seasonal fluctuations and self-employment. Businesses in the tourism and building construction/maintenance sectors in Montauk have peak activities during the summer to early fall, therefore the mid-March employment statistics are likely to underestimate the employment levels of relevant industries. As shown in Table 3-7, the employment seasonal character is most

**Table 3-7  
Montauk Employment Seasonal Change by Industry  
2014**

	Number of Employment		
	Mid-March	Annual Avg	Difference
<b>All industries</b>	<b>1,195</b>	<b>1,312</b>	<b>117</b>
Agriculture, Forestry, Fishing and Hunting	19	22	3
Construction	117	130	14
Manufacturing	30	31	2
Wholesale Trade	15	16	0
Retail Trade	187	195	8
Transportation and Warehousing	74	75	1
Information	48	47	(1)
Finance and Insurance	20	20	0
Real Estate and Rental and Leasing	26	28	2
Professional/Scientific/Technical Services	57	57	0
Admin/Support/Waste Mgmt/Rmd Services	85	95	10
Health Care and Social Assistance	36	36	0
Arts, Entertainment, and Recreation	59	81	23
Accommodation and Food Services	393	446	53
Other Services (except Public Administration)	29	30	1

Source: U.S. BLS, RKG Associates, Inc., 2016

significant in Accommodation & Food Services, Arts/ Entertainment & Recreation, Construction, Admin/Support, and Retail Trade. The seasonal adjustments increase the annual average employment by 117 job or roughly a 10% increase.

Table 3-8 shows the impact of adjusting for self-employment, especially for resource-based industries, tourism and second home related industries. The agriculture, forestry, fishing and hunting industry has more than 50% of self-employed workforce, primarily in the maritime and fishing industries. Charter captains, excursion boat operators and marine service providers dominate this workforce. They generated over \$14.6 million receipts in 2014, representing 43% of the total proprietary receipts of all industries. After adjusting for seasonal and self-employment, the agriculture, forestry, fishing and hunting industry has a total of 337 persons, accounting for 17.4% of the total employment of Montauk, substantially higher than at the Town level (4.2%). In Montauk, it is likely that most these workers are employed in the fishing industry.

Real Estate has the second largest self-employment, total proprietor receipts and receipts per business. Construction has the third largest self-employed and total proprietary receipts, and the fourth largest per business receipts. Other industries with sizable self-employment include Arts/ Entertainment/ Recreation, Accommodation/Food Services, Admin/Support, and Professional Services.

**Table 3-8  
Montauk Proprietary Employment and Business Receipts  
2014**

	Number of Employment				Proprietary Receipts	
	Annual Avg	Self-employed	Total	% by Total	Total	Per Business
<b>All industries</b>	<b>1,312</b>	<b>625</b>	<b>1,936</b>	<b>100.0%</b>	<b>\$34,091,577</b>	<b>\$54,572</b>
Agriculture, Forestry, Fishing and Hunting	22	315	337	17.4%	\$14,650,653	\$46,549
Construction	130	40	170	8.8%	\$2,744,452	\$68,763
Manufacturing	31	2	33	1.7%	\$122,789	\$62,879
Wholesale Trade	16	2	17	0.9%	\$159,599	\$106,061
Retail Trade	195	17	212	11.0%	\$800,875	\$47,175
Transportation and Warehousing	75	15	90	4.7%	\$758,364	\$50,212
Information	47	11	58	3.0%	\$509,646	\$46,858
Finance and Insurance	20	2	23	1.2%	\$227,558	\$94,754
Real Estate and Rental and Leasing	28	94	122	6.3%	\$9,378,803	\$99,480
Professional/Scientific/Technical Services	57	31	88	4.6%	\$1,540,962	\$49,585
Admin/Support/Waste Mgmt/Rmd Services	95	24	120	6.2%	\$662,578	\$27,298
Health Care and Social Assistance	36	8	44	2.3%	\$242,600	\$31,645
Arts, Entertainment, and Recreation	81	32	113	5.8%	\$958,755	\$30,185
Accommodation and Food Services	446	23	469	24.2%	\$1,099,731	\$47,768
Other Services (except Public Administration)	30	9	39	2.0%	\$234,211	\$25,550

Source: U.S. Census Bureau, RKG Associates, Inc., 2016

### 3. Taxable Sales Trends (2009-2014)

Businesses in Montauk generated approximately \$122.9 million in taxable sales, representing 19.7% of the estimated East Hampton total in 2014 (Table 3-9). The top taxable sales generators are Accommodation & Food Services and Retail Trade, each of which contributed to over 40% of the total taxable sales in Montauk. Within Accommodation & Food Services, \$29.2 million come from Accommodation businesses and \$20.6 million come from Food Services & Drinking Places.

Within Retail Trade, General Merchandise Stores had the largest sales (\$11.2 million), followed by Clothing/Clothing Accessories Stores (\$9.4 million), Building Material/Garden Equipment/Supplies Dealers (\$7.1 million), and Food & Beverage Stores (\$5.5 million).

**Table 3-9**  
**Montauk Taxable Sales by Industry Trend**  
**2009 – 2014**

	2009	2014	% of Total 2014	Growth	Annual Growth	2014 Sales as % of Town
<b>All Industries</b>	<b>\$82,112,096</b>	<b>\$122,994,894</b>	<b>100.0%</b>	<b>\$40,882,799</b>	<b>10.0%</b>	<b>19.7%</b>
Agriculture, Forestry, Fishing and Hunting	\$380,796	\$555,800	0.5%	\$175,003	9.2%	36.1%
Construction	\$1,440,807	\$2,194,928	1.8%	\$754,121	10.5%	13.2%
Manufacturing	\$326,068	\$2,023,824	1.6%	\$1,697,756	104.1%	27.4%
Wholesale Trade	\$455,328	\$434,580	0.4%	(\$20,748)	-0.9%	4.8%
Retail Trade	\$33,707,782	\$49,456,310	40.2%	\$15,748,528	9.3%	15.3%
Transportation and Warehousing	\$377,682	\$633,657	0.5%	\$255,975	13.6%	41.7%
Information	\$5,013,594	\$7,466,240	6.1%	\$2,452,647	9.8%	28.3%
Finance and Insurance	\$403,954	\$139,604	0.1%	(\$264,350)	-13.1%	12.2%
Real Estate and Rental and Leasing	\$2,572,814	\$1,564,487	1.3%	(\$1,008,327)	-7.8%	18.9%
Professional/Scientific/Technical Services	\$451,386	\$1,052,201	0.9%	\$600,814	26.6%	9.6%
Admin/Support/Waste Mgmt/Rem Services	\$1,910,563	\$2,925,856	2.4%	\$1,015,293	10.6%	10.4%
Educational Services	\$21,688	\$0	0.0%	(\$21,688)	-20.0%	0.0%
Health Care and Social Assistance	\$6,812	\$9,002	0.0%	\$2,189	6.4%	6.2%
Arts, Entertainment, and Recreation	\$2,821,379	\$4,143,173	3.4%	\$1,321,794	9.4%	21.9%
Accommodation and Food Services	\$31,975,585	\$49,806,549	40.5%	\$17,830,964	11.2%	40.8%
Other Services (except Public Admin)	\$245,857	\$588,684	0.5%	\$342,828	27.9%	7.2%

Source: U.S. Census Bureau, U.S. BLS, NY State Department of Taxation & Finance, RKG Associates, Inc., 2016

Four industries that are mainly driven by tourists and vacationers are making greater contributions to Montauk's total sales than at the Town level. This includes Transportation & Warehousing, Accommodation & Food Services, Manufacturing, and Arts/Entertainment & Recreation. At the 3-digit NAICS code level, Water Transportation businesses in Montauk account for 77% of the total sales of all Water Transportation businesses in the Town, Transit/ Ground Passenger Transportation accounts for 65%, Scenic/Sightseeing Transportation accounts for 68%; Accommodation accounts for 51%, Food Services & Drinking Places accounts for 32%, and Amusement/Gambling/Recreation accounts for 23%. Over the past five years, Accommodation & Food Services and Retail Trade had the largest growth in taxable sales. Arts/Entertainment & Recreation and Manufacturing also had noticeable sales growth. A significant amount of manufacturing sales growth came from beverage manufacturing. This indicates that tourism is the primary contributor to local economic development and tax base expansion.

Montauk's second home construction businesses also have sizeable sales, and their growth matches the pace of the growth of the total sales. However, Real Estate experienced a sales decrease, which is consistent with the decline in employment and establishment. This may indicate that the second home industry is losing its prominence in Montauk's economy.

Montauk represents 36.1% of the total sales of the Agriculture/Fishing industry of the Town. Within this industry, fishing businesses in Montauk account for 65% of the Town's total fishing sales, which is attributed to the commercial fishing port in Montauk.

#### 4. Montauk Economic Implications

- Montauk Economy More Tourism Focused than East Hampton - Compared with the rest of East Hampton, the Montauk economy is dependent on industries supporting the tourism trade, based

- on it higher percentages of employment and establishments belong to the Accommodation & Food services and Retail Trade industries. These are also the top two taxable sales generators.
- Post-Recession Recovery has had Mixed Results - The economic recession of 2009-2010 led to a minor decline in retail and accommodation employment and establishments, however, over the 2009-2014 period, Accommodation & Food Services experienced significant growth in employment, establishment, and taxable sales. The Retail Sales industry hasn't been able to reverse the decline, but taxable sales have had a noticeable increase. Arts/Entertainment & Recreation also has a noticeable presence in Montauk, and its employment, establishment, and taxable sales also grew substantially over the same period, especially during 2009-2014. Montauk's tourism related manufacturing and transportation businesses also contribute to a larger portion of Montauk's tax base than at the Town level, and the increase in their sales over the 2009-2014 period outpaced that of the Town. This reinforced the role of the tourism economy in driving Montauk's economic development.
  - Second Home Market is a Major Economic Driver - Industries that serve building construction and maintenance, particularly of second homes, also represent a major portion of Montauk's economy, although their share of total employment and establishments are lower than at the Town level. Between 2005 and 2014, these industries had noticeable growth in employment and establishments following the last recession. Nevertheless, Montauk's Real Estate industry experienced a moderate decline during the 2009-2014 period, with decreases in mid-March employment, establishments, and taxable sales. This may indicate that the market environment is not as favorable to the second home industry as it used to be.
  - Fishing Industry is One of Montauk's Competitive Economic Advantages - Montauk's advantage in the fishing industry is attributed to its commercial docks and marinas. The fishing industry accounts for much higher percentages of the total employment, establishments, and taxable sales of all industries in Montauk than at the Town level. The fishing industry maintained a stable growth during the 2005-2014 period, indicating that it is less subject to the fluctuation of the overall economy and that it is likely to continue to support the growth of Montauk's economy.
  - Lack of Affordably-priced Housing is a Threat to the Seasonal Economy - Both at the Town level and in Montauk, the leading industries are largely seasonal in nature. This creates the demand for imported labor during the peak season. The ability to accommodate these temporary workers is a challenge to Montauk business operators, some of which must provide temporary housing for their workforce.
  - Self-Employment is a Large Share of Montauk's Economy - Both the Town and Montauk have a sizable number of sole proprietors or self-employed person. In 2014, self-employment comprised 26.0% of the total employment at the Town level and 32.3% in Montauk, higher than for Suffolk County. Self-employment is most significant in industries related to fishing, tourism, building construction/maintenance, real estate, real estate, and professional services. This suggests that the Town may consider collaborating with the local business organization to help facilitate the development of these businesses.

**D. WORKFORCE CHARACTERISTICS**

**1. Labor Force Participation Rate**

Labor force participation reflects the percentage of the population age 16 years or older who are in the labor force and are either employed or unemployed but looking for a job. This analysis used U.S. Census' American Community Survey (ACS) 5-Year 2015 estimates for the Town of East Hampton, which is the most recent available data. The estimates are based on samples from five years of data collection, and are the only identifiable source that provides sufficient information on labor force participation at the town level.

Table 3-10 shows that approximately 63% of the population of the Town of East Hampton 16 years of age or older is in the labor force, slightly lower than the average of Suffolk County (65%). A higher percentage of males are participation in the workforce than females (68% versus 58%), however, the difference is smaller in East Hampton than at the county level. This may indicate that a greater percentage of woman in East Hampton must work to contribute to household expenses, or perhaps a greater percentage of East Hampton jobs are accessible to woman. The lower male labor force participation rate could may reflect the fact that large numbers of men working in the construction industry in-commute each morning but live outside the community. Lower labor male participation rates are common in rural and tourist locations due to a perceived mismatch between the types of jobs available (e.g., hotel and restaurant jobs) and the skill sets of male workers and their desire to take those jobs.

**Table 3-10  
Labor Force Participation Estimates  
2015**

	Total Pop	Total Pop 16 Years +		In Labor Force	
		Count	% of Total Pop	Count	% of 16 Years +
<b>Town of East Hampton</b>					
Male	11,009	9,539	86.6%	6,444	67.6%
Female	10,835	9,178	84.7%	5,293	57.7%
Total	21,844	18,717	85.7%	11,737	62.7%
<b>Suffolk County</b>					
Male	739,210	587,141	79.4%	417,662	71.1%
Female	762,163	617,312	81.0%	368,494	59.7%
Total	1,501,373	1,204,453	80.2%	786,156	65.3%

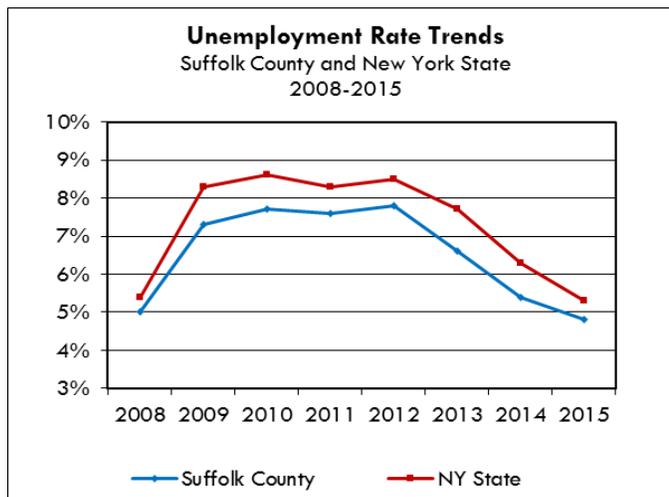
Source: U.S. Census, ACS 5-Year Estimate, 2017

**2. Unemployment Trends**

In addition to the labor force participation, RKG Associates also obtained unemployment data from New York State Local Area Unemployment Statistics to analyze local employment trends. Since local data is only available for municipalities with a population of at least 25,000 and East Hampton's population is less than 25,000, RKG used Suffolk County's unemployment data to reflect the regional trend. Given the similarity between East Hampton's economy and that of the County's, this is the best available representation of East Hampton's unemployment situation.

The annual average unemployment rate in Suffolk County has remain below the State level since 2008 (Figure 3-4).

**Figure 3-4**



Source: NY State Local Area Unemployment Statistics. RKG Associates, Inc..

During the national recession in 2009-2010, the County's unemployment rate rose from 5.0% to 7.3% in 2009 and 7.7% in 2010, but still less significantly than at the State level, indicating that the County had a more resilient economic base than the State. The unemployment rate then remained largely unchanged over the next two years before gradually dropped to 4.8% in 2015, lower than the pre-recession level, indicating a stable recovery. As shown in the employment trend analysis in the earlier section of this Chapter, East Hampton's employment declined less than the County's during the recession and had a much stronger recovery afterwards. Therefore, it is possible that the unemployment rate of East Hampton was less disturbed by the recession, and improved at a faster pace as the economy bounces back.

### 3. Regional Commuting Patterns

To understand the regional commuting patterns in the Town of East Hampton, RKG Associates analyzed commuting data for East Hampton residents in the labor force and persons employed in jobs within the town (including East Hampton Village).

In general terms, East Hampton is a net-exporter of workers as more people out-commute to work than in-commute. Approximately 4,556 people live and work in East Hampton, 4,806 people in-commute to work in town, and 5,232 East Hampton residents out-commute to other towns and cities for work (Map 3-2). This results in the net exporting of 436 workers daily.

The employees in-commuting to East Hampton primarily come from Southampton, Brookhaven, Southold, Manhattan, and Riverhead (Table 3-7). Those people leaving the Town for employment are primarily heading to Southampton, Manhattan, Brookhaven, Islip, and Riverhead (Table 3-8). In both cases, four of the top five places are in Suffolk County; the farthest destinations include Brookhaven and Islip, which are approximately 50 miles and 60 miles away from East Hampton respectively.

**Map 3-2**  
**Town of East Hampton Commuting Patterns**  
**2014**



Source: OnTheMap, LEHD, RKG Associates, Inc., 2017

Approximately 685 East Hampton residents work in Manhattan while 224 Manhattan residents work in East Hampton. This exceeds many places that are closer to East Hampton, which reinforces the economic relationship between Manhattan and East Hampton, which is strongly reflected in the Town real estate ownership patterns. It is also likely that some second homeowners in East Hampton find it convenient to shuttle back and forth between the two locations and their jobs allow them to work remotely.

**Table 3-11  
Commuting Patterns – East Hampton Employees  
2015**

	<b>Count</b>	<b>Share</b>
East Hampton town (Suffolk, NY)	4,556	48.7%
Southampton town (Suffolk, NY)	1,620	17.3%
Brookhaven town (Suffolk, NY)	727	7.8%
Southold town (Suffolk, NY)	245	2.6%
Manhattan borough (New York, NY)	224	2.4%
Riverhead town (Suffolk, NY)	210	2.2%
Shelter Island town (Suffolk, NY)	178	1.9%
Islip town (Suffolk, NY)	136	1.5%
Brooklyn borough (Kings, NY)	129	1.4%
Queens borough (Queens, NY)	97	1.0%
All Other Locations	1,240	13.2%
<b>Total</b>	<b>9,362</b>	<b>100.0%</b>

Source: U.S. Census, OnTheMap Application and LEHD  
Origin-Destination Employment Statistics, 2017

**Table 3-12  
Commuting Patterns – East Hampton Residents  
2015**

	<b>Count</b>	<b>Share</b>
East Hampton town (Suffolk, NY)	4,556	46.5%
Southampton town (Suffolk, NY)	1,316	13.4%
Manhattan borough (New York, NY)	685	7.0%
Brookhaven town (Suffolk, NY)	353	3.6%
Islip town (Suffolk, NY)	315	3.2%
Riverhead town (Suffolk, NY)	206	2.1%
Queens borough (Queens, NY)	173	1.8%
Hempstead town (Nassau, NY)	162	1.7%
Brooklyn borough (Kings, NY)	151	1.5%
Huntington town (Suffolk, NY)	137	1.4%
All Other Locations	1,734	17.7%
<b>Total</b>	<b>9,788</b>	<b>100.0%</b>

Source: U.S. Census, OnTheMap Application and LEHD  
Origin-Destination Employment Statistics, 2017

# 4 ANALYSIS OF KEY INDUSTRIES

The following section provides an assessment of several industries critical to the economy and culture of East Hampton. These industries were identified by the Town and the analysis is important to understanding the current status of these industries and their importance to East Hampton's economic future. The industries examined include: (1) agriculture, (2) commercial fishing and maritime businesses, and (3) hospitality and short-term rental properties. Local retail and industries related to the second home economy were also analyzed but are presented in Sections 5 and 6 of this report.

## A. AGRICULTURE

Agriculture provides several tangible and intangible benefits to the Town of East Hampton. The first is the unique rural landscape that has become a cherished aspect of the Town enjoyed by residents and visitors alike. This is mainly attributed to the farmland and woodland areas. The second is the production and sales of locally-grown products created and sold by local businesses. RKG Associates obtained farmland data from Suffolk County's 2015 Agriculture & Farmland Protection Plan<sup>1</sup> and agricultural production data from the United States Department of Agriculture (USDA) Agriculture Census. The Agriculture Census is conducted every five years; the most recent data is available for 2012 and is only available at the county level. However, the 2007 data contain some farm operation statistics at the ZIP code level. RKG Associates estimated the Town's agriculture production sales in 2007 based on Suffolk County's average farm sales by size of farm. RKG then assessed agriculture industry trends in the region based on the County's farm production trend over the 2007-2012 period, as well as information from a 2013 survey conducted by Suffolk County Department of Economic Development & Planning on 143 agriculture producers/ operators in the county.

**Table 4-1  
Town of East Hampton Farmland  
Inventory**

2015	Acres	% of Suffolk County
Active Farmland	1,290	3.5%
Protected	919	
Not Protected	371	
Fallow Farmland	164	17.1%
Protected	52	
Not Protected	112	
Not Active/Abandoned Fields/ Successional Woodlands	17	2.1%
Protected	14	
Not Protected	3	
<b>Total Farmland</b>	<b>1,470</b>	<b>3.8%</b>
<b>Total Protected Farmland</b>	<b>984</b>	<b>5.1%</b>

Source: Suffolk County Department of Economic Development & Planning, RKG Associates, Inc., 2016

The Town of East Hampton has 1,470 acres of farmland, which comprises 3.1% of the total land in the Town. This inventory includes 1,290 acres of active farmland, 164 acres of fallow farmland, and 17 acres of non-active/abandoned farmland and successional woodlands (Table 4-1). Approximately 66.9% of the total farmland (984 acres) are protected farmland, including 919 acres of active farmland, 52 acres of fallow farmland, and 14 acres of non-active farmland and successional woodlands. Most the farmland are in Amagansett, Wainscott, and East Hampton Village (including East Hampton North and Northwest Harbor).

<sup>1</sup> Suffolk County Agriculture & Farmland Protection Plan – 2015, [http://www.suffolkcountyny.gov/Portals/0/planning/OpenSpaceFarmland/Farmland/AFPP\\_FINAL\\_TXTMAPS\\_ADA\\_121820\\_15r.pdf](http://www.suffolkcountyny.gov/Portals/0/planning/OpenSpaceFarmland/Farmland/AFPP_FINAL_TXTMAPS_ADA_121820_15r.pdf)

The Town of East Hampton has adopted several tools to protect farmland and other undeveloped lands, including the Community Preservation Fund that is financed by a 2% tax on real estate sales. Other tools include the purchase of development rights; conservation easements and agriculture overlay zoning districts. Such policies are excepted to help maintain the rural scenery of the area.

In terms of farm production, Suffolk County leads New York State in the market value of crops produced and is the top region in the State for the sales of nursery, greenhouse, floriculture, and sod products. Most the farmland in Suffolk County is located in the Towns of Brookhaven, Riverhead, Southampton, and Southold. In comparison, agriculture production in the Town of East Hampton comprises a small share of the County production. USDA's 2007 Agriculture Census provides information on productive farm operations at the ZIP code and county levels. Table 4-2 shows the number of productive farms in the Town of East Hampton. In 2007 there are 30 farms with production and sales. The majority (24 farms/80%) of them are smaller than 50 acres. More than half of the farms (16 farms) have annual sales lower than \$50,000, 17% (5 farms) have annual sales between \$50,000 and \$250,000, and 30% (9 farms) have annual sales higher than \$250,000.

**Table 4-2**  
**Number of Farm Operations**  
**2007 - 2012**

	Amagansett	Montauk	Wainscott	Other	Town Total (2007)	County 2007	County 2012
<b>Num of Farms by Sizes</b>	<b>6</b>	<b>1</b>	<b>10</b>	<b>13</b>	<b>30</b>	<b>585</b>	<b>604</b>
1.0 - 49.9 acres	3	0	9	12	24	434	425
50 - 999 acres	3	1	1	1	6	151	179
<b>Num of Farms by Sales</b>	<b>6</b>	<b>1</b>	<b>10</b>	<b>13</b>	<b>30</b>	<b>585</b>	<b>604</b>
< \$50,000	2	1	7	6	16	316	337
\$50,000 - \$249,999	2	0	2	1	5	135	148
\$250,000 or More	2	0	1	6	9	134	119
<b>Num of Farms by Tenure</b>	<b>6</b>	<b>1</b>	<b>10</b>	<b>13</b>	<b>30</b>	<b>585</b>	<b>604</b>
Full owner	2	1	8	11	22	423	406
Part owner	0	0	2	1	3	103	109
Tenants	4	0	0	1	5	59	89

Source: USDA, RKG Associates, Inc., 2016

Note: Other include Springs, East Hampton Village, East Hampton North, and Northwest Harbor.

Town of East Hampton data from USDA 2007 Agriculture Census, County data from USDA 2012 Agriculture Census.

In terms of tenure, 73% of the farms (22 farms) are operated by the owners of the land, 10% (3 farms) are operated by people who own part of the land and rent part of the land from others, 17% (or 5 farms) are operated by people who don't own the land. Based on the average sales/farm of all the farms in Suffolk County in the same year, the total sales of the farms in the Town of East Hampton is estimated as \$15.7 million (Table 4-3). This is

**Table 4-3**  
**Sales of Farm Operations**  
**2007**

	Num of Farms		Sales	
	Town Total	Suffolk County	County Avg Sales/Farm	Town Total Sales
<b>Sales Range</b>	<b>30</b>	<b>585</b>	n/a	<b>\$15,719,264</b>
< \$50,000	16	316	\$12,820	\$205,114
\$50,000-\$249,999	5	135	\$130,385	\$651,926
\$250,000 or More	9	134	\$1,651,358	\$14,862,224

Source: USDA, RKG Associates, Inc., 2016

substantially higher than the agriculture sales estimation based on County Business Patterns' employment and establishments data. The main reason is that the County Business Patterns statistics typically doesn't include businesses in crop production and animal production/aquaculture, which happen to represent

most the agriculture employment. Therefore, the estimate based on CBP data is likely to have understated the scale of agriculture production in the Town of East Hampton.

According to the 2007 Agriculture Census, the major agriculture operations are not limited to farms, but also include ranchers, growers, and producers of agriculture products. Horticulture, vegetables, and aquaculture have the largest number of operations with sales over \$50,000 (Table 4-4). Most the operations are in the hamlets of Amagansett, Wainscott, and East Hampton Village (including East Hampton North and Northwest Harbor).

The 2012 Agriculture Census only provides information at the county level, but it reflects a short-term trend in the County's agriculture operations (Table 4-2). During the 2007-2012 period, Suffolk County's total number of farms increased from 585 to 604; there were a greater number of larger farms over 50 acres and fewer smaller farms below 50 acres. In terms of sales, the number of farms with annual sales lower than \$50,000 and \$50,000-\$249,999 increased by 21 and 13, while the number of farms with annual sales higher than \$250,000 decreased by 15. The total sales of all farms decreased by \$3.1

million to \$239.8 million. This indicates that in general, farms in Suffolk County were earning less than they did in 2007. This may be partly due to the recession during 2009-2010. This is confirmed by the County's 2013 agriculture survey study, where 26% of the 143 survey respondents hadn't reached their pre-recession gross sales levels in 2008. This survey also identified the top challenges that the region's agriculture operations are faced with, including high production costs, high fuel costs, availability of farm labor, property taxes, and extreme weather events/climate change. Thus, many the farmers responding to the survey were not optimistic about the future of their farm operations. The farms in East Hampton are likely to have similar challenges, which suggests their production and sales growth are limited unless changes occur in how farmers operate and what they sell.

Unless there are changes that stabilize the economics of local farming operations, the industry's primary contribution to the Town will be the preservation of the natural landscape. However, given the importance of East Hampton's natural landscape (i.e., beach, farmland, open space, woodlands, etc.) to its tourism and second home economy, that should not be undervalued. The 2007 Agriculture Census identified 6 farms in the Town with retail sales, meaning sales directly to a consumer at farmers' market, farm stands, or pick-your-own operations. According to the 103 farmers surveyed in 2013, 64% of Suffolk County farmers engage in agri-tourism of some kind, which helps to drive tourism visits and spending. Typical agri-tourism activities include "U-Pick", on-site tours, freshly baked goods, produce, tasting rooms, hayrides, animal displays, corn mazes, and other seasonal activities. Many of these seasonal activities happen in the spring and fall, which help extend the peak seasons for tourism.

**Table 4-4  
Number of Agricultural Operations by Product Type  
2007**

Types of Products	Operation Tyle	Num of Operations
Grain (corn, oats)	With sales (> \$50,000)	1
	Other	5
Fruit & Tree Nuts	With sales	1
Berries	With sales	3
Horticulture	With sales (> \$50,000)	7
	Other	6
Vegetables	With sales (> \$50,000)	5
	Other	1
Aquaculture	With sales (> \$50,000)	2
Poultry (chickens)	With sales	2
	Without sales	1
Equine	With sales	2
	Other	4
Other Special Animal	With sales	1
Sheep	Other	1

Source: USDA, RKG Associates, Inc., 2016

Note: "Operations" refers to farms, ranches, growers, and producers.  
"Other" meaning sales data not available, including with no sales.

### Economic Outlook

<ul style="list-style-type: none"><li>• Small farms not producing at levels sufficient to make them economically viable</li><li>• East Hampton farming operations make up only 6% of the County's total sales and 5% of total farms in 2007</li><li>• Number of County farms grossing more than \$250,000 in sales decreased by 15 between 2007 and 2012</li></ul>	<ul style="list-style-type: none"><li>• Farmland and open space is critically important to East Hampton's tourism and second home industry</li><li>• Future prospects for agriculture are limited given the small number and size of farms in East Hampton</li><li>• Town should continue to build upon local agri-tourism efforts, which are good fit for East Hampton to supplement farmers' incomes</li></ul>
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## B. COMMERCIAL FISHING

Montauk harbor is the largest commercial fishing port in the New York State with a very diverse fishery. Montauk's fishing industry has a long tradition that goes back to the late 1800s when the Long Island Railroad provided the necessary infrastructure for the transportation of seafood from docks to fish markets in New York. As Montauk developed into a tourist destination in the early 1990s, the railroad also brought recreational fishermen to the area from the city aboard the 'Fishermen's Special', depositing them right at the dock where they could board sport-fishing charters as well as party boats. The Town's 2005 Comprehensive Plan acknowledges the importance of the commercial and recreational fishing industries and includes a commitment to supporting and retaining this traditional industry.<sup>2</sup>

### 1. Data Sources

Commercial fishing data for Montauk was obtained from the National Marine Fisheries Services (NMFA), a federal agency responsible for the stewardship of national marine resources. NMFA maintains landings data of the county's major fishing communities. Commercial fishing data for Suffolk County and New York State came from the Atlantic Coastal Cooperative Statistics Program (ACCSP), a cooperative state-federal program that collects and manages statistics on Atlantic Coast marine fisheries.

### 2. Commercial Fishing Operations and Landing Trends

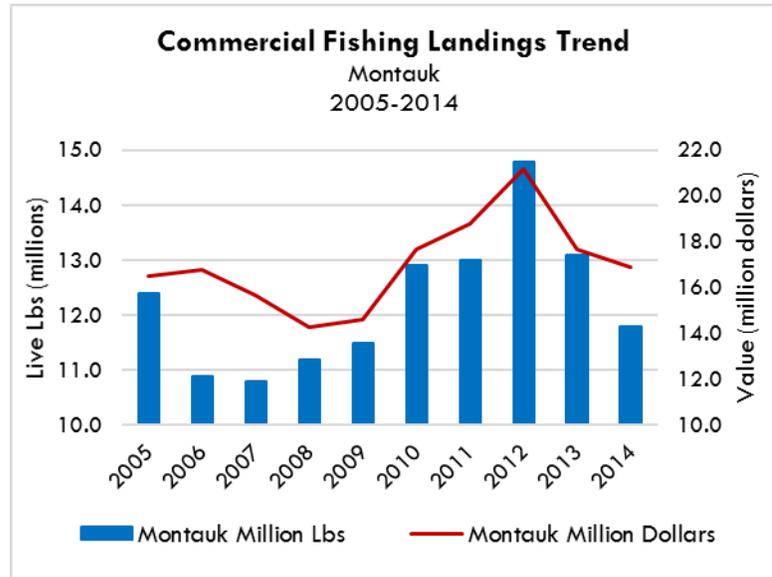
Base on the County Business Pattern's establishment data at the ZIP code level, in 2014, Montauk has 19 commercial fishing operations, 49% of the total number in Suffolk County. The number has been increasing steadily since 2005 (6 operations), with the recent peak occurring in 2013 (21 operations). According to RKG Associates' estimates of employment and taxable sales (Chapter 3 Economic Base Analysis), as of 2014, the fishing industry had an estimated total employment (including seasonal- and self-employment) of 337, approximately 45% of the Suffolk County total. The estimated taxable sales is \$555,800, or approximately 46% of the total for Suffolk County.

There are 135 fishing vessels in Montauk, 31 fewer than its peak in 2000. Of them, 102 (76%) are smaller than 50 feet, 25 (19%) between 50 and 70 feet, and 8 (6%) larger than 70 feet. Smaller boats tend to catch a broader range of species while larger vessels usually travel farther off shore and are typically more specialized. The high percentage of smaller vessels has contributed to the diversity of Montauk's fishery. The high percentage of small vessels may also explain the large amount of self-employment in Montauk's fishing industry. Fishermen need docks with off-loading facilities and other commercial services to sell their catch. According to NOAA's Northeast U.S. Marine Fisheries Community Profile from 2007, Montauk used to have five docks for packing out fish, but only two remained by 2005. The dock operated by Inlet Seafood Company (a corporation owned by six Montauk fishermen) is the largest fish-packing facility in the State with unloading and other services.

<sup>2</sup> Town of East Hampton Comprehensive Plan, May 6<sup>th</sup>, 2005, <http://ehamptonny.gov/DocumentCenter/Home/View/1319>

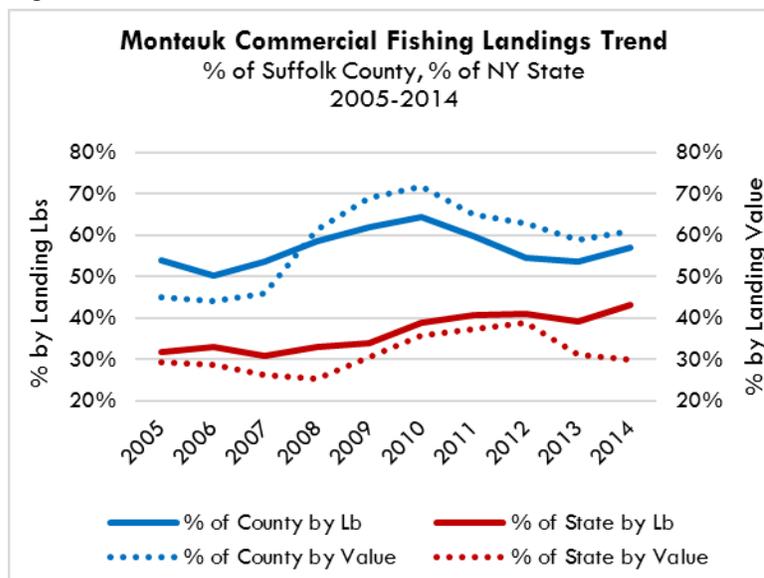
Figure 4-1 shows the commercial fishing landings trends over the past decade. In 2014, Montauk's commercial fish landing equalled 11.8 million pounds, representing 57% of the total landing pounds in Suffolk County that year and 43% of New York State's total. The landing value was \$16.9 million dollars, 61% of the County's and 30% of the State's. During the past decade, Montauk's commercial fish landings value experienced a significant growth. In 2005, the industry experienced a 26.1% increase over 2004 levels to \$16.5 million. The industry had several down years during the 2006-2009 period and then started to recovery following the recession to achieve peak sales in 2012 at \$21.2 million, for a 48.3% increase from the bottom year in 2008. This suggests that the recession had only a temporary impact on Montauk's commercial fishing industry and it has since recovered and is doing much better. However, both the landing pounds and value experienced declines in 2013 and 2014, bringing the landing pounds below the 10-year average. This trend of decline mirrors both the County and the State, which have both experienced declines in landing pounds. This indicates that the region's fishing industry, in general, is faced with challenges. NOAA's 2007 Community Profile report indicates that Montauk is the only port in New York that still holding on to a commercial fishing industry.

Figure 4-1



Source: NMFS, RKG Associates, Inc., 2016

Figure 4-2



Source: ACCSP, NMFS, RKG Associates, Inc., 2016

Note: Montauk data from NMFS (National Marine Fisheries Services). Suffolk County and New York State data from ACCSP (Atlantic Coastal Cooperative Statistics). Data only include non-confidential information from Dealer Reports.

Over the 2005-2014 period, Montauk's commercial fish landings remained 50% to 65% of the Suffolk County's total pounds, with the peak occurring in 2010. Likewise, Montauk has ranged from 31% to 43% of the New York State total landings with the peak occurring in 2014 (Figure 4-2).

The percentages by landing value ranged from 44% to 72% of the County's total value, with the peak in 2010, and 25% to 39% of the State's total value, with the peak in 2012. In general, Montauk's fish

landings have tracked closely with higher landing values as compared to the County. However, compared to the state, higher landing volumes have not produced higher land values, as a percentage of state fish landings. This is likely attributed to the difference in harvest species. In 2014, the top three fish species with the largest harvest values in Montauk were Fluke/Scup/Black Sea Bass (\$4,092,884), Butterfish/Mackerel/Squid (\$3,672,978), and Tilefish (\$3,631,142), which collectively represented 76% of the total landing values. According to NMFS 2007 report, these three species groups were also among the top harvest values during the 1997-2006 period.

### 3. Challenges Facing Commercial Fishing Industry

NOAA's 2007 report<sup>3</sup> identified the major changes facing the fishing industry in Montauk. Number one, there are no new fishermen getting into commercial fishing; even those who have done well are not encouraging their children to get into the industry. Much of the fishing infrastructure is also disappearing mainly for financial reasons. The docks make money by charging \$10-\$12 per box (2005 data in 2007 prices) and by selling fuel. Catch limits and trip limits reduce the number of boxes to be shipped, and have made it very difficult for the docks to stay in business; docks often can make much more by turning into restaurants. New York State has many of its docks closed or changed hands in recent years, some of the rest are barely surviving financially.

#### Economic Outlook

<ul style="list-style-type: none"><li>• Regulatory environment is making it harder to make a living at commercial fishing</li><li>• Lack of young people going into commercial fishing and high upfront investment makes future prospects uncertain</li><li>• The business model for dock operators is under threat due to regulatory requirements and fluctuating land volumes.</li><li>• The fishing industry is an important part of Montauk history and cultural identity, but the industry needs support to remain viable</li></ul>	<ul style="list-style-type: none"><li>• The volume and value of Montauk's commercial fish landings over the past decade have been variable. The post-recession recovery was strong up to 2012 but declines have occurred during the past couple years</li><li>• The economic outlook for Montauk's commercial fishing industry is uncertain and additional efforts to process and package local products could add value to the fishing industry</li></ul>
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### C. MARITIME INDUSTRY

In addition to commercial fishing, Montauk's maritime industry also consists of activities located at marina; primarily boat slip rentals, recreational fishing, chartered services, excursion boats and similar operations. RKG Associates identified 15 commercial marinas located in Montauk with a total of approximately 1,350 boat slips, all of which are located by Lake Montauk (Map 4-1) The number of boat slips range between 16 to 232. Most of the marinas also provide transient slips on a daily or hourly basis. Slips rates are typically based on a number of factors including slip size, location within the marina, and season. The rates for a full season (usually May-October) can range between \$125-\$200 per foot, or \$30-\$95 per foot per month. The highest slip rates occur in August when demand reaches its peak, followed by July.

Transient slips rented on a daily basis typically charge \$4-\$5 per foot per day during the peak season, \$2-\$3 per foot per day in spring and fall, and \$1.5-\$2 per foot per day during the winter months. Electric and other utilities are usually charged separately for both seasonal and transient slips; either a fixed rate or based on a meter reading. Most marinas offer electric, drinking water, fuel (gas or diesel), ice, showers, and laundry services. Some marinas also provide fish cleaning, boat repair, boat storage, cable TV, motel, and other amenities. At least six local marinas provide boat storage services, whose rates are typically based on boat size, season, and indoor/outdoor locations. For example, one of the

<sup>3</sup> NOAA Fishing Community Profile – Montauk, NY, <http://www.nefsc.noaa.gov/read/socialsci/pdf/NY/montauk-ny.pdf>

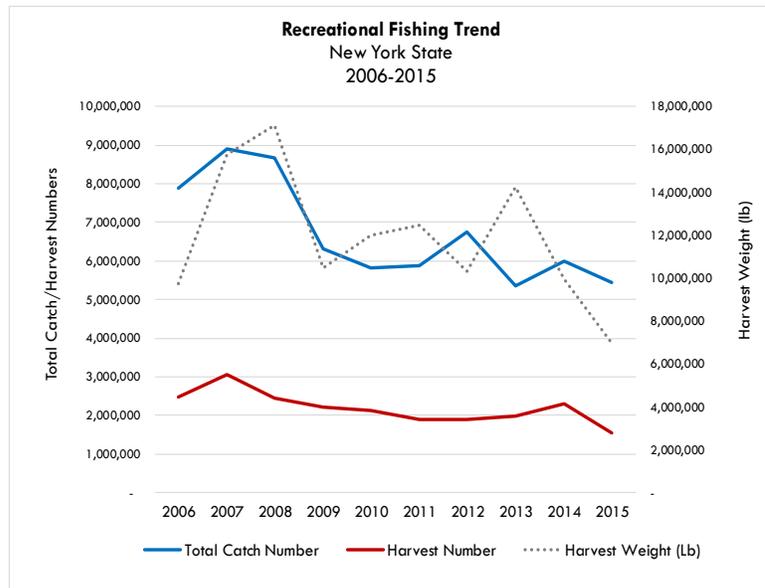
marinas has 170 boat storage spaces in a fenced yard; the rates are \$170-210 per foot for year-round storage, \$150-195 per foot for seasonal storage, \$48-\$60 per foot for winter storage, and \$0.6-\$1 per foot per day for the summer. In addition to the marinas, Montauk also has a designated public boat launch site in Fort Pond which contains 20 trailers (Map 3-1).

According to a study conducted by NOAA in 2006<sup>4</sup>, at least 14 marinas in Montauk were used by the sport fishing industry. Other facilities supporting the recreational fishing industry included 6 bait and tackle shops and 19 fishing guide and charter businesses. RKG Associates identified 39 charter boat businesses located in Montauk. Four of them offer guided/unguided sailing and excursion trips, with a total of 7 boats; the other 35 businesses primarily provide guided sport fishing trips, with a total of 37 boats. A few businesses offer both types of activities. Guided sailing excursions typically charge \$60-\$90 per adult and \$40-\$60 per child for a 2- or 3-hour trip. Excursion trips typically take 2 hours and charge \$25-\$40 per person depending on the time of day. Map 3-2 shows three sites identified by the State as wildlife viewing sites, including Seal Haul-out Sites, Montauk Point Whale Watch, and Montauk Point State Park.

Most of the sport fishing and charter businesses have one boat and are run by the captains. Montauk Boatmen's and Captain's Association has a membership of over 100 captains of charter and party boats and is one of the only organized, politically active charter boat associations in New York. Prices of fishing trips mainly depend on trip duration, fishing location, and the number of passengers in the party. More than half of the boats are small fishing boats which could accommodate 6 passengers. The typical prices are \$625-\$675 for a half-day inshore trip, \$1050-\$1200 for a full-day inshore trip, \$1,400-\$1,500 for a full-day offshore trip, \$1,900-\$2,400 for an extended-day offshore trip, \$3,500 - \$5,000 for an overnight canyon trip. Larger boats that could take more passengers typically charge a base price for up to 6 passengers, and extra \$75-\$120 per additional passenger depending on the type of trip.

According to NOAA's 2007 report. Between 2001- 2005, there were 122 charter and party vessels making 18,345 total trips registered in logbook data by charter and party vessels in Montauk carrying a total of 185,164 anglers and passengers. However, according to Atlantic Coastal Cooperative Statistics Program (ACCSP), the region has been experiencing a decline in recreational fishing in general over the past decade (Figure 4-3), with steady decreases in the numbers of fish caught and harvested in the last decade.

Figure 4-3



Source: ACCSP, RKG Associates, Inc., 2016

<sup>4</sup> Community Profile of Town, ST. Prepared under the auspices of the National Marine Fisheries Service, Northeast Fisheries Science Center.

Map 4-1



Sources: New York State Department of Environment Conservation, Marina.com, Google Maps, RKG Associates, Inc., 2016

where coastal erosion is a problem, which would restrict access to many of the spots favored by surf casters.

**Economic Outlook**

<ul style="list-style-type: none"> <li>Maritime industry is key to East Hampton economy and employs a significant number of sole proprietors</li> <li>The diversity of maritime business operations allows the industry to adapt to changing market needs over time</li> <li>Montauk and Springs have the most extensive number of maritime businesses/facilities and appear to be economically viable</li> </ul>	<ul style="list-style-type: none"> <li>The seasonal nature of this industry will always make it susceptible to poor weather and other competitive maritime communities</li> <li>General economic outlook looks positive but tied to boom and bust cycles related to East Hampton's tourism trade</li> </ul>
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**D. HOSPITALITY AND RENTAL PROPERTIES**

**1. Town of East Hampton Hotel Inventory**

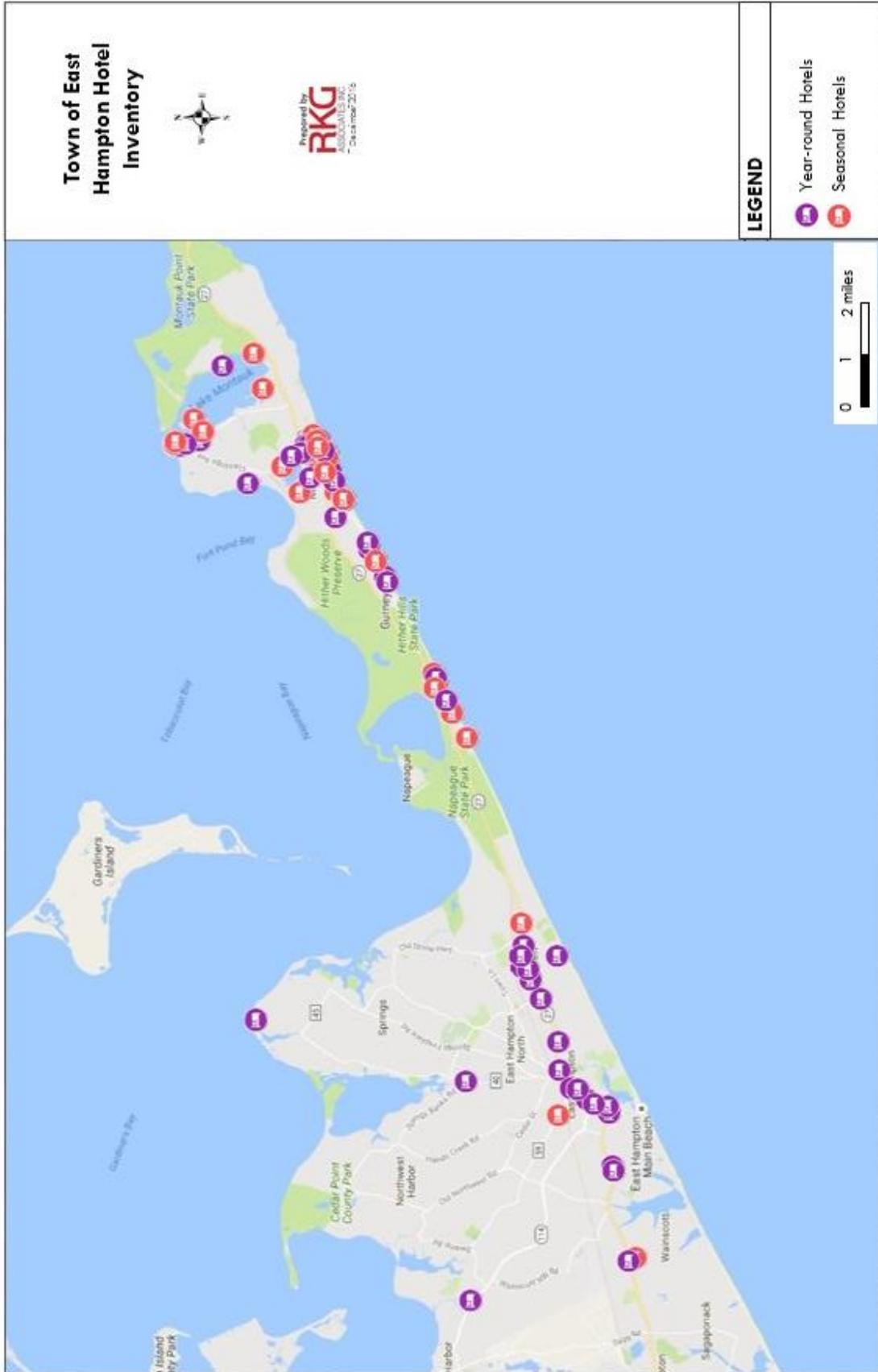
The Accommodation industry is one of the largest industries in East Hampton in terms of the number of establishments and employment and it's primary to the Town's tourism industry. RKG obtained hotel inventory data from Suffolk County Planning Department, which was reviewed and revised by a local hotel/resort operator for this report. As shown in Map 4-2, there are an estimated 83 hotels, motels, resorts and bed-and-breakfasts (B&Bs) in the Town of East Hampton, providing a total of 2,523 rooms (Table 4-5). Most the hotels are either located near the shorefront, along main transportation corridors or clustered around marinas and other recreational facilities. Approximately 58% of the hotels and 48% of the hotel rooms are open year-round and the

**Table 4-5  
Hotel Inventory by Hamlet and Seasonality  
2016**

	Year Round		Seasonal		Total		Percentage	
	# of Hotels	# of Rooms	# of Hotels	# of Rooms	# of Hotels	# of Rooms	# of Hotels	# of Rooms
Amagansett	5	108	0	0	5	108	6.0%	4.3%
Napeague	2	119	5	251	7	370	8.4%	14.7%
Montauk	25	740	28	1,047	53	1,787	63.9%	70.8%
Springs	1	4	0	0	1	4	1.2%	0.2%
Wainscott	1	18	1	20	2	38	2.4%	1.5%
EH Village	14	212	1	4	15	216	18.1%	8.6%
<b>Total #</b>	<b>48</b>	<b>1,201</b>	<b>35</b>	<b>1,322</b>	<b>83</b>	<b>2,523</b>	100.0%	100.0%
<b>Percentage</b>	57.8%	47.6%	42.2%	52.4%	100.0%	100.0%		

Source: Suffolk County Planning Department, RKG Associates, Inc., 2016

Map 4-2



Source: Suffolk County, Google Maps, RKG Associates, Inc., 2016

remainder are seasonal, which means they typically operate April through October. Many of the seasonal hotels cluster near the beaches and tourist destinations in Montauk and Napeague, indicating that the hotels in the area are largely dependent on seasonal travelers and tourists.

**1. Year-round v. Seasonal Hotels**

The Hamlet of Montauk has 25 year-round hotels and 28 seasonal hotels, representing approximately 64% of East Hampton’s hotels and over 71% of the hotel rooms. Major hotel clusters include Downtown Montauk, the northwest corner of Lake Montauk, Old Montauk Hwy, and the roads surrounding Fort Pond. Compared with the Town in general, Montauk has a higher percentage of seasonal hotels, indicating a higher reliance on tourists and a greater seasonal fluctuation in hotel service levels and employment. In terms of hotel sizes and types, Montauk has a mix of large hotels and small motels and B&Bs.

The Town’s largest hotels are mainly in Montauk, including the year-round hotels including Gurney’s Inn Resort and Royal Atlantic Beach Resort, as well as the seasonal hotels including Montauk Yacht Club Resort, Atlantic Terrace, and Surf Club. Napeague has the third largest number of hotels (7 hotels) and the second largest number of hotel rooms (370 rooms). All the hotels are located along Montauk Highway facing the Atlantic Ocean, and many them are luxury seasonal resorts. Like Montauk, Napeague has a higher percentage of seasonal hotels, and the average hotel size (53 rooms) is substantially larger than that of the Town average of 31 rooms. This may indicate that luxury hotels primarily catering to tourists can attract greater numbers of guests during the peak season, but struggle to maintain occupancy during the off-season. In comparison, the other areas of the Town have much fewer seasonal hotels and smaller average hotel sizes. The majority of the hotels are located along Montauk Highway, particularly in the downtowns of East Hampton Village and Amagansett. These hotels are more likely to be motels and B&Bs.

**2. Age of Hotel Stock**

Approximately 61% of the hotels in the Town were built before 1960, presenting 58% of the total number of hotel rooms (Table 4-6). While the smaller, older motel/hotel properties are part of East Hampton’s charm, it points to the fact that these properties will need continued investment to keep them financially viable in the future. Several older motel properties in Montauk in recent years have been taken off the market and converted into seasonal employee housing.

The second decade that has the largest new hotel development is 1981-1990, during which 10 hotels were built, providing 425 hotel rooms. After 2000, no new hotels have been built except for a 4-room B&B. According to Suffolk County Planning Department, 8 of the 83 hotels been expanded with 6 located in Montauk and 2 in Napeague. Three of the 8 hotels are year-round and 5 are seasonal, indicating a growth in hotel supply that caters to year-round travelers. Over the past 15 years, the existing hotels and other alternative lodging choices such as short-term rentals were able to accommodate the market demand.

**Table 4-6  
 Hotel Inventory by Year Built**

	New Construction				Expansion
	Number		Percentage		Num of Hotels
	Hotels	Rooms	Hotels	Rooms	
Before 1962	50	1,460	60.2%	57.9%	1
1962-1972	8	354	9.6%	14.0%	0
1971-1980	8	247	9.6%	9.8%	3
1981-1990	10	425	12.0%	16.8%	4
1991-2000	6	33	7.2%	1.3%	0
After 2000	1	4	1.2%	0.2%	0
<b>Total</b>	<b>83</b>	<b>2,523</b>	<b>100.0%</b>	<b>100.0%</b>	<b>8</b>

Source: Suffolk County Planning Department, RKG Associates, Inc., 2016

Over the years, a few hotels/motels have been converted to residential use, which might still be used primarily for vacation stays. One example is the Atlantic Buffs Club, which was a 56-room year-round

hotel built in the early 1980s but now is a co-op. The 500-SF one-bedroom unit sell for \$330,000-\$360,000. Some sold units are listed on Airbnb and HomeAway for \$150 - \$300 per night.

### 3. Motel Conversions

In recent years, there has been a trend of converting older hotels and motels to housing, either sold as market rate condos for vacation stays, or used as temporary housing for seasonal workers, mostly hospitality and restaurant workers. RKG has identified 8 hotels/motels, all in Montauk, that have been converted to housing (Table 4-7). The Atlantic Bluffs Club, once a 56-room year-round hotel, now is a market rate co-op. A 500-SF one-bedroom unit sells for \$330,000 to \$360,000. Some sold units are listed on Airbnb and HomeAway for \$150 to \$300 per night. The other hotels/motels likely have been converted to seasonal workforce housing. However, according to an article published in the East Hampton Star (May 2016), some of the motels converted into workforce housing have resold to investors and have been taken out of use for seasonal worker housing. Some of them are now being advertised on Airbnb<sup>5</sup> as nightly accommodations.

### 4. Competitive Hotel Sample

To understand the performance characteristics of East Hampton hotels, RKG Associates obtained hotel data from Smith Travel Research (STR), a leading provider of hotel operating data. The STR hotel trend data used for this analysis is based on a sample of 19 hotels containing 1,295 hotel rooms (Table 4-8). STR obtains information from hotels that voluntarily participate in their data reporting program and provide their monthly operating data. These hotels tend to include professional managed chain hotel, but not in all hotel markets. However, cottage- and bungalow-style resorts, and small locally-owned hotels/motels are often not captured in the STR data because they choose not to participate in the program. Unfortunately, that is the case in East Hampton, which is predominantly served by smaller,

**Table 4-7  
Hotels/Motels Converted to**

Name	Address	No. of Rooms	Year Opened
Ann Breyer's Sound Haven Cotta	560 West Lake Dr.	10	1956
Lido Motel	5 S. Emery St. & S.Euclid	20	1950
Neptune Motel	83 S. Euclid Av. & Edison	12	unknown
Seawind Motel	261 West Lake Dr.	16	1968
Avalon Lakefront Motel	136 Second House Rd.	10	1965
Port Royal Hotel	Navy Rd.	52	1968
Atlantic Bluffs Club	707 Old Montauk Hwy.	56	1982
Total	n/a	176	n/a

Source: RKG Associates, Inc., 2016

**Table 4-8  
Hotels Represented in STR Trend Data**

Name of Hotels	Type	Class	Num of Rooms
<b>Montauk</b>			
Montauk Yacht Club & Inn	Seasonal	Luxury	107
Born Free Suites By The Sea	Year-round	Luxury	24
The Surf Club @ Montauk	Seasonal	Luxury	92
Montauk Blue Hotel	Seasonal	Luxury	82
Sun N Sound Water Front Resort	Seasonal	Luxury	35
A Wave Inn	Seasonal	Luxury	27
Beachcomber Resort	Seasonal	Luxury	88
Montauk Soundview Motel	Seasonal	Upscale	31
<b>Montauk Subtotal: 8 hotels</b>			<b>486</b>
<b>Napeague</b>			
Ocean Colony Beach & Tennis Club	Seasonal	Luxury	69
The Hermitage @ Napeague	Seasonal	Luxury	56
Windward Shores	Year-round	Luxury	45
Sea Crest On The Ocean	Year-round	Luxury	62
<b>Napeague Subtotal: 4 hotels</b>			<b>232</b>
<b>EH Village</b>			
East Hampton House Resort	Year-round	Luxury	52
<b>EH Village Subtotal: 1 hotel</b>			<b>52</b>
<b>Others - Outside of East Hampton</b>			
Hyatt Place Long Island East End	Year-round	Upscale	100
Holiday Inn Express & Suites Long Island East End	Year-round	Upper Midscale	89
Hilton Garden Inn Riverhead	Year-round	Upscale	114
Hotel Indigo Long Island East End	Year-round	Upscale	100
Sound View Inn	Seasonal	Upper Midscale	55
Baron's Cove	Seasonal	Luxury	67
<b>Others Subtotal: 6 hotels</b>			<b>525</b>
<b>Total: 19 hotels</b>			<b>1,295</b>

Source: Smith Travel Research, RKG Associates, 2016.

<sup>5</sup> <http://easthamptonstar.com/Government/2016505/Motel-Sales-Mean-Worker-Housing-Crunch>

independently-owned hotel/motel properties. In addition, STR has confidentiality agreements with hospitality operators to not disclose the operating data for any one property or group of properties owned by a single ownership group. This is also a limiting factor in East Hampton as a few larger groups own multiple hotels.

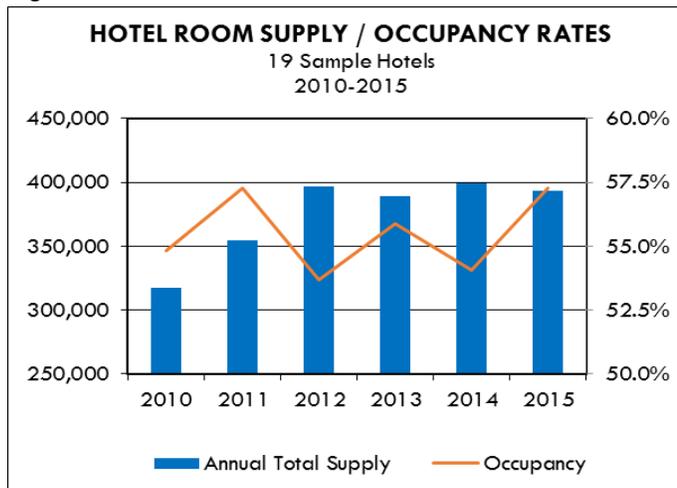
As such, approximately 13 out of the 83 hotels (16%), or 770 out of the 2,523 hotel rooms (31%) are represented in the STR data presented in Table 4-8. Of the 53 hotels in Montauk, 8 hotels (15%) and 486 hotel rooms (27%) are represented in the STR data. This includes one 24-room year-round hotel and seven seasonal hotels, whose open period ranges roughly from March to November. Four of the 7 hotels (57%) in Napeague, or 232 hotel rooms (63%) are represented in the STR data, including 2 year-round hotels and 2 seasonal hotels which close during the winter months. Also, included in the STR data is a 52-room year-round hotel in East Hampton Village. Given STR's limited coverage of the East Hampton hotel market, some caution must be exercised

In terms of hotel type, all the hotels in the Town that are represented in the STR data are luxury and upper scale hotels. This may indicate that the high-end resorts and hotels in the Town are typically operated by professional operators who are more concerned about the overall hotel market trends, whereas over two-thirds of the hotel rooms in the Town are operated by individual owners of small hospitality properties. In general, the hotels included in the STR data offer a reasonable glimpse into the operational characteristics of East Hampton's larger hospitality properties, which may be different than the other smaller hotels, motels, and B&Bs.

To accommodate STR's data confidentiality requirements, RKG had to expand the size of the hotel market study area to include 6 hotels (525 hotel rooms) located west of East Hampton in Riverhead, Greenport and Sag Harbor, which represent 32% of the total number of hotels and 41% of the total hotel rooms in the STR trend data. Two of them are ocean-front tourist-oriented hotels that resemble the hotels in East Hampton. The other four are chain brand hotels located in Riverhead which may also cater to business travelers.

The study area sample included 19 hotels in 2015, reporting a total of 393,710 annual room nights (Figure 4-4). The number of annual room nights is calculated by multiplying the total number of available hotel rooms by the number of days in each month that rooms are available for rent. In a year-round hotel market, 1,295 hotel rooms would translate into 472,675 annual room nights (1,295 x 365 days). Given the seasonal nature of the sample hotels, annual rooms nights (393,710) only equal 83% of that total. Total annual room nights increased by 37,492 in 2011 due to a new 100-room hotel built in Riverhead and by 42,214 in 2012 due to hotel room expansions of six hotels. The room supply of the sample hotels has remained stable since 2012.

Figure 4-4



Source: Smith Travel Research, RKG Associates, 2016.

Eleven of the 19 hotels are seasonal, which means they typically open in March or April and reach full operation in late May, resulting in a significant increase in the monthly room night supply. The supply remains high through October and then starts to drop as seasonal hotels close their businesses for the

winter. This confirms that the hospitality industry is largely supported by summer vacation travel, which is consistent with the seasonal fluctuation of tourism-related employment.

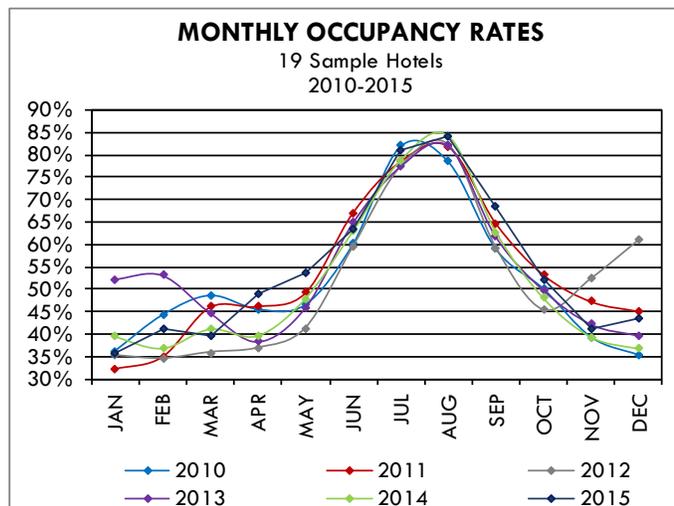
During 2010-2015, the annual average occupancy of the sample hotels peaked at 57.3% in 2011 and 2015 (Figure 4-4). Its growth in 2011 reflected the recovery as the economy and tourism rebounded from the recession. After a moderate drop in 2012 due to an increase in supply, the annual occupancy remained stable in the 54.1%-55.9% range over the next two years before rising to another peak in 2015, indicating a stable demand. It is important to note that hotel investors typically wait for average annual occupancy levels to exceed 65% before adding new rooms to the hotel inventory. Those standard thresholds are hard to achieve in East Hampton’s seasonal hotel market, which structurally operates at a lower occupancy level by virtue of the fact that many properties close in November and reopen in the spring. Over the decades, this has kept national hotel chains out of the market and has created opportunities for home grown operators.

### 5. Monthly Occupancy Trends

The monthly occupancy trends show a two-season market primarily driven by summer vacation stays and extending into the fall season (Figure 4-5). August typically has the highest occupancy rate (84.1%) while January had the lowest (35.7%). Between December and April, occupancy rate typically drops below 50%. It then starts to rise gradually and reach 75%-85% in July and August before dropping substantially over the next few months to around 35% in January. Considering that the hotel room nights supply almost doubles during the summer months, the actual number of hotel room nights during the summer might be more than four times the number in the winter. The high occupancy in the winter of 2012-2013 was mainly due to a change in the hotel supply.

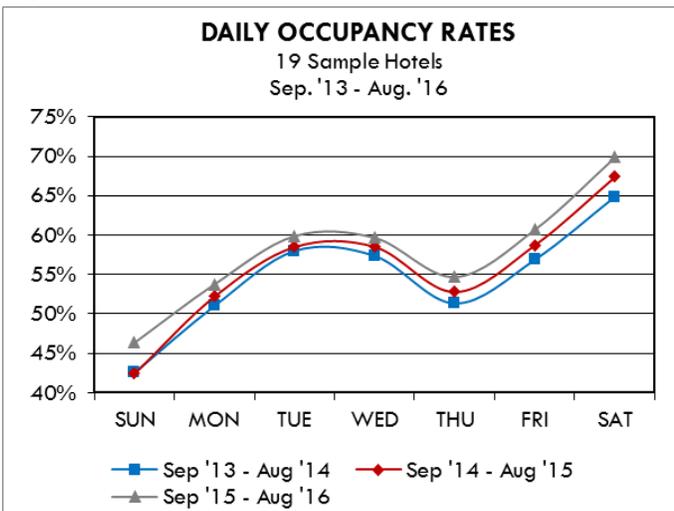
The daily occupancy trend also shows a vacation travel oriented hotel market (Figure 4-6). Occupancy peaks on Friday and Saturday as visitor arrive in town and drops on Sunday when they depart. Saturday’s occupancy rates range between 65% and 70%, substantially higher than that of the other days. Sunday has the lowest occupancy rate, which is around 45%. Tourism travel typically spikes at the end of the week when people are starting their vacation or weekend travel. Business-related travels typically peak in the middle of the week. The relatively high Tuesday and Wednesday occupancy rates may be attributed to the four hotels in Riverhead that are also included in the sample.

Figure 4-5



Source: Smith Travel Research, RKG Associates, 2016.

Figure 4-6



Source: Smith Travel Research, RKG Associates, 2016.

## 6. Average Daily Room Rate Trends

Since 2010, the annual average daily room rates (ADR) of the sample hotels experienced a moderate decrease in 2011, followed by a continued growth through 2015. The 2015 annual ADR is \$57.21 higher than in 2010, indicating a growing demand especially in 2015 when the occupancy rate also peaked. The ADR remained stable during the first eight months of 2016 (Table 4-9).

**Table 4-9**  
**Average Room Rate Trends, By Month**  
**East Hampton Hotel Sample**  
**(2010-Aug. 2016)**

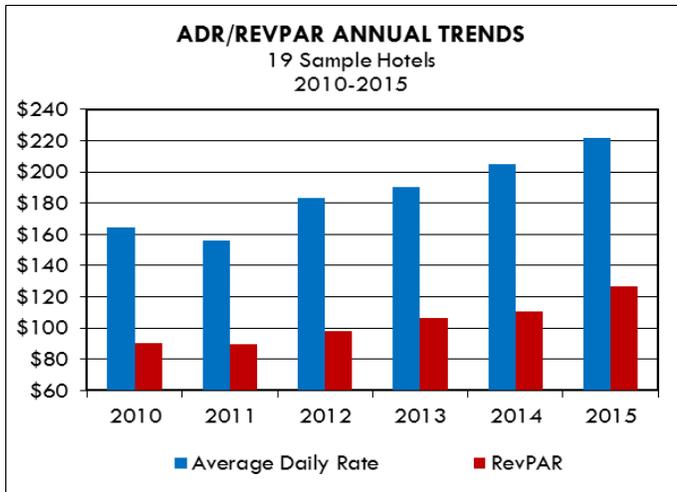
	2010	2011	2012	2013	2014	2015	2016
<b>ADR</b>							
January	\$110.99	\$110.26	\$103.55	\$113.34	\$107.78	\$111.60	\$113.72
February	\$112.45	\$112.64	\$102.76	\$111.71	\$112.95	\$115.40	\$124.38
March	\$116.07	\$112.92	\$106.02	\$117.26	\$114.38	\$117.21	\$123.63
April	\$111.86	\$113.52	\$108.65	\$120.12	\$122.70	\$125.48	\$136.97
May	\$132.31	\$133.38	\$150.81	\$159.54	\$171.04	\$172.78	\$187.81
June	\$155.95	\$152.48	\$188.51	\$195.28	\$206.77	\$227.94	\$219.43
July	\$220.49	\$203.79	\$253.33	\$267.78	\$292.44	\$323.68	\$307.95
August	\$247.85	\$225.37	\$292.39	\$311.20	\$336.74	\$358.73	\$326.99
September	\$168.84	\$165.60	\$186.62	\$185.84	\$195.63	\$238.03	-
October	\$130.89	\$124.86	\$134.73	\$145.02	\$156.29	\$174.20	-
November	\$114.78	\$112.69	\$125.19	\$114.76	\$125.56	\$133.06	-
December	\$105.28	\$102.64	\$119.13	\$105.87	\$112.05	\$118.50	-
Annual Average	\$164.44	\$156.25	\$183.06	\$189.90	\$204.74	\$221.65	-

Source: Smith Travel Research and RKG Associates, 2016

## 7. Revenue Per Available Room (RevPAR)

While ADR is a reasonable indicator of hotel health, it only reflects the average daily rate charged for occupied rooms without accounting for how changes in rates impact occupancy levels. Generally, the higher the ADR the lower the occupancy as people search for more affordable room rates. In contrast to ADR, RevPAR measures the average revenues per available room night throughout the entire year and can better reflect the efficiency of hotel rooms during low occupancy periods (Table 4-7). Hotels with high room rates may experience higher vacancy rates, resulting in lower RevPAR while more aggressively priced competitors with higher occupancy rates will achieve a higher RevPAR and greater operating efficiency.

**Figure 4-7**



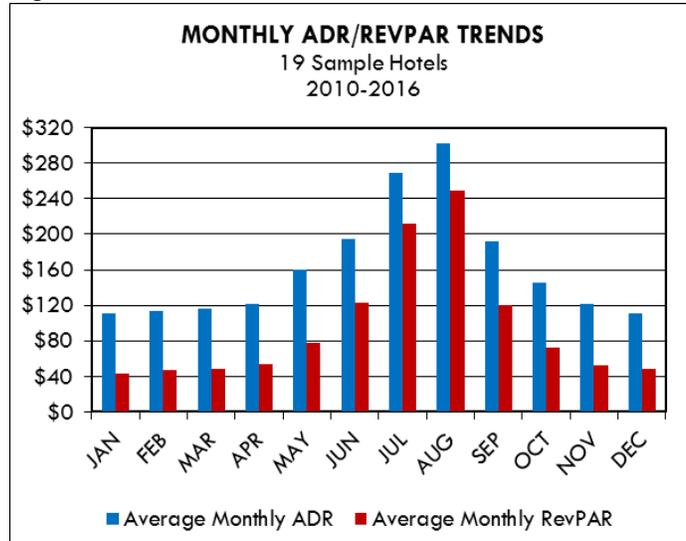
Source: Smith Travel Research and RKG Associates, 2016.

Over the past 6 years, the RevPAR of the sample hotels ranged between \$89.49 and \$126.96 (Figure 4-7). Following a slight decrease in 2011, the RevPAR maintained moderate increases through 2014, indicating a sustained healthy market. In 2015, the RevPAR increased by \$16.27, which is significant considering that the ADR increased by \$16.91 in the same year. The RevPAR in 2015 is \$36.78 higher than that in 2010, which is achieved despite a growth of \$57.21 in ADR over the same period. Usually, a rise in daily room rates tend to drag down occupancy and adversely affect RevPAR. Achieving growth in both RevPAR and daily room rate indicates a strong market demand.

### 8. Monthly and Daily ADR and RevPAR

The monthly ADR and RevPAR trends confirmed the seasonal characters of the sample hotels in the market study area. Both the ADR and RevPAR peak in August and July, followed by June and September. The ADR and RevPAR dropped to the lowest points in January and December. Over the past 6 years, both the August ADR (\$302.23) and the July ADR (\$269.09) have been substantially higher than the annual averages, and the August RevPAR (\$248.57) and July RevPAR (\$212.36) have been approximately 5 times the level during the winter (Figure 4-8).

Figure 4-8



Source: Smith Travel Research, RKG Associates, 2016.

Note: September, October, November, and December data are based on 2010-2015 average because 2016 data are not available.

### 9. Alternative Lodging Options

In recent years, alternative lodging options such as Airbnb, VRBO, and other short-term reservation websites have become increasingly popular, particularly in tourist communities like East Hampton. The ability for consumers to reserve accommodations outside the traditional hotel reservation system is rapidly changing the hospitality industry. So much so that the State of New York, Suffolk County, and the Town of East Hampton have issued several permitting, registration, and taxation policies to regulate such short-term home rental activities. To understand these alternative lodging activities, RKG Associates obtained Montauk Airbnb listing data from AIRDNA, a company that gathers and analyzes Airbnb data via web scrabbling. RKG also analyzed the potential impacts of the regulations on these activities.

Based on AIRDNA data, there were 113 active Airbnb units in Montauk in the month of July 2016. Whether a unit is active depends on several factors including: (1) if it had a confirmed booking in the month, (2) if the host has updated the calendar recently, (3) if the host is actively responded to inquiries, and so on. An inactive listing suggests that the owner had previously registered the property on Airbnb, but may not intend to rent it to a guest during the current month. During the 12-month-period from August 2015 to July 2016, the number of active units during each month ranged between 209 and 236. As shown in Table 4-9, 72% of the units are private houses, which is the predominate residential type in the area; 12% are apartments, and the rest are other types of living accommodations such as yachts.

Complaints from year-round residents related to excessive noise, parking conflicts, and public disturbances caused by overcrowded homes during the summer months have been tied to the improper rental of neighborhood homes.

It is commonly believed that Airbnb or other rental units are often occupied by more guests than the unit can accommodate and thus are viewed as a possible contributor to these problems. In July 2016, Airbnb units distributed in the following manner:

- 23% of the active listings were for private rooms,
- 5% were studios,
- 16% were 1-room units,
- 15% were 2-room units,
- 19% are 3-room spaces, and
- 21% are 4-room spaces.

It is often the case that more than one guest is allowed per room, and some units allow for more than 9 guests. It is difficult to estimate the actual numbers of guests these units accommodated. The unit counts shown in Table 4-10 indicate that the most popular rental is for a 1-room unit, followed by a 3- and 4- room unit. These numbers are based on monthly occupancy data, which reports the number of days that a property had a reservation divided by the total number of days it was available for rent in the month. The median occupancy rates over the 12-month period (22%) are based on the monthly occupancy rates (when active) of all the units of the same type over the 12 months from August 2015 to July 2016. Due to the monthly fluctuation of the number of active listing, the 12 -month median occupancy rates cannot be used to measure monthly or annual occupied unit nights. Still, it suggests that a main portion of the occupied unit nights were for units that could accommodate 2-6 guests. Most hotels would not be able to feasibly operate at such low annual occupancy rates.

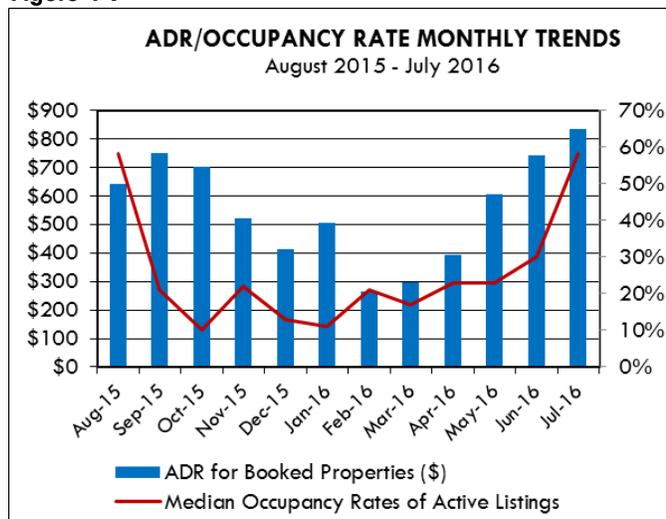
**Table 4-10**  
**Active Listings by Unit Type**  
**July 2016**

	House	Apartment	Other	Total	Median Occupancy Rates	ADR	Median Revenue
Private Room	22	-	4	26	15%	\$285	\$3,755
Studio	1	3	2	6	24%	\$331	\$5,300
1-room	2	8	8	18	34%	\$413	\$7,613
2-room	12	2	3	17	33%	\$665	\$11,050
3-room	20	1	1	22	30%	\$880	\$12,390
4+-room	24	-	-	24	16%	\$1,493	\$13,586
Total	81	14	18	113	22%	\$832	n/a

Source: AIRDNA, RKG Associates, 2016.

During the study period, the occupancy rates and Average Daily Rate (ADR) of the active listings vary significantly, indicating a seasonal Airbnb market that mirrors the local hotel/motel market (Figure 4-9). The monthly median occupancy rates peaked in August 2015 and July 2016 (both 58%), followed by June 2016 (30%). The monthly median occupancy rates dropped to the bottom in October 2015 and January 2016 (just above 10%). The median occupancy rate over the 12-month-period was 22%. The ADR peaked in July 2016 (\$832), followed by September 2015 (\$750), June 2016 (\$742), and October 2015 (\$703).

**Figure 4-9**



Source: AIRDNA, RKG Associates, 2016.

The higher occupancy rates and ADR during the June-September months reflect the demand generated by summer vacationers and tourists. Give that the hotels, motels, and B&Bs in the area typically would increase their ADR during the summer, Airbnb provides an alternative with the extra attractions of flexible check-in/check-out arrangements, the allowable number of guests and the home-style living experiences. They also tend to be more affordable than the 1-br/2-br/ 3-br suites and cottages in the commercial resorts in the summer. A resort suite that could accommodate two guests would charge \$338-\$352 (studio) or \$389-\$457 (1-bedroom suite) per night on weekdays and \$474-\$492 (studio) or \$527-\$661 (1-bedroom suite) per night on weekends. A 2-bedroom suite for 4 guests would charge \$626 per night on weekdays and \$866 per night on weekends (Table 4-11). Rates are based on double occupancy, meaning two guests per room. In this case, Airbnb’s rates are substantially lower for the same number of guests. If a guest chooses to have more people in a standard resort suite by paying \$15 per person beyond the double occupancy limits, Airbnb prices could still be competitive if the group has 6 or more people.

**Table 4-10  
Airbnb & Resort ADR Comparison**

Active Airbnb Units (July 2016)		Example Resort (June 23rd - Sept 4th)		
Max Occupancy	ADR	Unite Type	Midweek ADR	Weekend ADR
1-2 Guests	\$350	Studio	\$338 - \$352	\$474 - \$492
3-4 Guests	\$450	1-br Suite	\$389 - \$457	\$527 - \$661
5-6 Guests	\$725	2-br Suite	\$626	\$866
7-8 Guests	\$750	3-br Suite	\$784	\$1,066
9+ Guests	\$1,200	Rates for double occupancy. \$15 per extra person.		

Source: AIRDNA, RKG Associates, 2016.

## 10. Regulatory Response to Home Rentals

Due to the potential negative impacts of high volume rentals in residential neighborhoods, many local and state governments across the country have started to adopt regulatory measures to curb short-term home reservations. Some regulations restrict the number of people that a unit can accommodate. At the state level, New York State’s Multiple Dwelling Law prohibits rentals of less than 30 days in a dwelling unit where three or more families live independently unless the permanent resident is present during the rental periods. This means that out-of-town homeowner cannot rent his or her home to more than three families simultaneously for shorter than a 30-day period.

Similarly, the Town East Hampton’s Rental Registry Law that took effect in May 2016 limits single-family home rentals to no more than four unrelated persons residing on the premises at any one time. An owner-occupied home can have up to four unrelated tenants, but the building inspector typically takes “two rooms” as the limit. A bedroom occupied by one person must have a minimum of 70 square feet and a bedroom occupied by two persons must have a minimum of 100 square feet, for each additional bedroom occupancy, there must be an additional minimum of 50 square feet. In addition, no more than four motor vehicles, including the owner’s, may park overnight at any rental property. It is conceivable that this policy, when fully implemented, is likely to limit the businesses of Airbnb units that offer more than two rooms or could accommodate large numbers of guests. The Rental Registry Law also requires that a property cannot be rented for less than a two-week period more than twice in a six-month period. This requirement aims to reduce turnover, and may potentially redirect some short-term stays to hotels, motels, B&Bs and resorts, but its impact on the total number of peak season visitors is not likely to be significant. Local homeowners wishing to rent their homes throughout the year have complained that the restriction on short-term rentals limits their ability to offset the high mortgage payments they pay due to East Hampton’s high home values.

The Town’s new policy also has potential financial impacts. It requires property owners who rent out their properties to submit a \$100 application fee with the Building Department and to obtain a Rental Registry Number and a Certificate of Occupancy. The Rental Registry Number should be included in all rental advertisements. The application includes a Self-Inspection Checklist to ensure that the property has the basic safety features. For many Airbnb properties, the inspection requirement means that the owners must modify or renovate their properties to stay in compliance with the registry requirements.

At the State and County level, taxation policies may lead to a rise in Airbnb rates, which may potentially diminish its current price advantage over hotels. New York State requires that if a housing unit in the Town is rented to guests for short-term stays (shorter than 90 consecutive days) on a regular basis, the unit is subject to 4% state hotel & motel sales tax and 0.375% Metropolitan Commuter Transportation District (MCTD) Tax. Certain types of Bungalow rentals are exempt from state and local taxes. Suffolk County's Occupancy Tax (often referred to as "Bed Tax") applies to facilities that provide short-term rental (less than 30 days) including not only traditional hotels, motels, and B&Bs, but also residences, cabins, cottages, campgrounds, etc. The rate is 3%. However, such taxation policies are not well implemented. However, the County Comptroller's Office noted that although this tax has been effective since early 1990, it was most often collected from chain hotels and established B&Bs.

During the summer of 2015, the Office launched an effort to collect the tax on houses and bedrooms rented out for less than 30 days, notably those marketed through websites. In certain jurisdictions, Airbnb has reached agreements with the local taxing authorities to directly collect and remit occupancy taxes (hotel taxes) on behalf of the guests or homeowners. In East Hampton, the hosts and guests are solely responsible and liable for the collection and remittance of the taxes. It is challenging for the administrative agencies to track this type of short-term rental operations and to collect taxes. Still, given the increased scrutiny on Airbnb and other reservation services in recent year, it is possible that Airbnb may reach an agreement with the corresponding authorities to collect taxes on behalf of jurisdictions.

Aside from Airbnb, there are many residential properties that are leased for short-term vacation stays through the extensive network of local real estate brokers. Another type of lodging is provided by condo units or residential co-ops. For example, Montauk Manor is a 140-unit luxury condo-resort built in 1927. All the units are individually owned. Owners pay a monthly maintenance fee which is based on the size of the unit. For example, the monthly maintenance fee for an 866 SF two-bedroom, 2-bath units is \$2,200. Owners can choose to participate in the rental program, whereby the rental manager will manage the property as a hotel, and take 38% of the revenues. Currently, there are 15 units listed for sale. The asking prices for studios are around \$180,000, for one-bedroom units \$250,000-\$320,000, and for two-bedroom units \$270,000-\$430,000. It is open year-round and revenues primarily come from the peak months (July to mid-September). However, during the off-season, the revenues are typically less than the monthly maintenance fee. Like Montauk Manor, there are a few co-ops along the beach which are also owned individually with the option to participate in a rental program where a rental manager operates the property as takes 25% of the revenues as operation cost. Different from Montauk Manor, the co-ops typically only have hotel operation during the peak season.

### Economic Outlook

<ul style="list-style-type: none"><li>• Hospitality industry is being undercut by Airbnb and other home reservation services</li><li>• East Hampton's hotel industry is seasonal in nature and is dominated by small, locally-owned operators</li><li>• Hospitality industry partially dependent on strength of second home market, which tends to rise and fall with the New York City economy</li></ul>	<ul style="list-style-type: none"><li>• The Town's hospitality sector is clustered in Montauk, which has become a popular destination in recent years</li><li>• The economic outlook is strong for the Town's hospitality industry, but challenges from beach erosion, climate change, declining water quality and home reservations could threaten this industry in the future.</li></ul>
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## E. IMPLICATIONS

- Intrinsic Benefits of Agriculture - Agriculture, commercial fishing, maritime, and hospitality play an important role in the Town's economy. The intrinsic value of the agriculture industry comes from the 1,470 acres of farmland, which provide a unique rural landscape that is appreciated by both local residents and visitors. It is of the Town's interest to preserve agriculture land via

protected farmland dedication, Community Preservation Fund, Purchase of Development Rights, as well as other zoning, planning, and financing strategies.

- Economic Profile of Agriculture - In 2007, there are 30 productive farms and approximately 40 agricultural operations in the Town, with horticulture, vegetables, and aquaculture reporting the largest recorded sales. Nevertheless, the scale of agriculture production is quite moderate, and agricultural operations in the region are faced with several challenges such as high production cost, high fuel cost, a lack of farm labor, property taxes, and climate change, indicating that the direct economy value of agriculture production is minor. However, there might be opportunities for seasonal retail sales and tourism-related activities such as farmer's market, "U-Pick", and on-site tour.
- Uneven Economic History of Commercial Fishing - Montauk has the largest commercial fishing port in the State. In 2014, the landing volume was 11.8 million lbs. (43% of the State total); the landing value was \$16.9 million (30% of the State total). The top three fisheries are Fluke/Scup/Black Sea Bass, Butterfish/Mackerel/Squid, and Tilefish. Montauk has a large percentage of small fishing vessels, which may have contributed to the diversity of the fisheries and the large amount of self-employed fishermen. Over the past decade, the landing pounds and value had a moderate decrease during the 2005-2008 period, followed by a major increase to the peak in 2012. The decline in recent years prevails the State, indicating that the commercial fishing industry in the region is faced with challenges. For Montauk, the major challenges include a lack of fisherman, recently established catch and trip limits, and the losing of fishing infrastructure such as docks, which were converted into other uses for financial reasons. Thus, Montauk's commercial fishing industry may maintain its significance in the region, but the potential for expansion is limited.
- Maritime Industry Diversity - The Town's maritime industry is mainly supported by tourism activities such as sport fishing, sailing, sightseeing, and boat charters. Most the marinas in the Town are located in Lake Montauk and Three Mile Harbor. In Montauk, there are at least 15 commercial marinas with a total of roughly 1,350 boat slips. Most of the marinas close in winter. There isn't sufficient information to estimate the total revenues of slip renting, but the rates indicate a seasonal market. Slips are usually rented on a seasonal or monthly basis, with the rates highest in August and July, and lowest in winter months. Transient slips for daily or hourly renting charge 2.5-3 times more in summer than in the winter. Some marinas also provide storage services. Montauk is also a popular location for sport fishing. KRG identified 39 charter boat businesses in Montauk, including 4 businesses that primarily offer sailing and excursion trips, and 35 businesses that mainly provide guided sport fishing trips.
- Hospitality is Core Industry - The Town's hospitality industry also primarily depends on the tourism economy. Currently, there are 83 hotels, motels, resorts, and bed-and-breakfast (B&Bs) in the Town, providing 2,523 rooms. The majority of them cluster around tourist destinations such as ports and downtowns. Approximately 42% of the hotels and 52% of the hotel rooms only open during tourist/vacation season, roughly from April/May to October/November. Most of the facilities were built before 1991, which may suggest that the existing facilities and alternative lodging choices such as short-term rental have able to accommodate the market demand.
- Rise of New Hospitality Competition - A portion of conventional hotel demand has been absorbed by alternative lodging options such as Airbnb and realtor facilitated vacation home rental. Compared with traditional hotels/motels/resorts, Airbnb provides flexible living arrangements and authentic experiences, and are often more affordable. In July 2016, there are 113 Airbnb units available for rent; the median occupancy rate of all the available units is 58% and the ADR of the booked units is \$832. Airbnb rental shows a similar seasonal feature

- to that of the traditional hotels, with the median occupancy rates of each month's available units and the ADR of each month's booked units peak in the summer months.
- Regulating Home Rentals - The Town's Rental Registry Law that was passed in May 2016 places restrictions on the number of guests a short rental could accommodate at one time and the maximum turnover a property could have in one season. It also requires all properties conduct an inspection to meet the building codes and file an application with the Town before being rented out. If fully implemented, the policy may reduce some of the flexibility and price advantages of Airbnb rental or may bring additional costs to the property owners. However, given the current vacancy rates and the abundance of second homes in the Town, the new policy's impact on visitor volume might be limited.

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# 5 HAMLET BUSINESS DISTRICTS AND RETAIL MARKET ANALYSIS

## A. EAST HAMPTON HAMLET BUSINESS DISTRICTS ANALYSIS

### 1. Business Districts Inventory Methodology and Data Sources

In order to understand the commercial environment within the Town of East Hampton and its hamlets, RKG Associates and Fine Arts & Sciences (FA&S) evaluated the primary business districts within the hamlets and analyzed the existing business inventory. The commercial district business inventory was prepared by RKG and FA&S using the Town Fire Marshal's Office comprehensive data records of commercial properties, the best available listing of businesses within the Town. Using these Town records, the Consulting Team generated a GIS database linking the geographic location of existing commercial properties to the tax map number, street location, business name, type of business, property acreage and building square footage. The GIS database linked the Fire Marshal's data base with the Town Assessors records to maximize completeness. Between April 20 and 22, 2016 the database was field verified, corrected and enhanced.

Each business type was classified in accordance with the North American Industry Classification System (NAICS) to the three-digit level. The NAICS is the standard used by Federal agencies in classifying business activities for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. economy. Table 5-1 provides examples of types of businesses specific to East Hampton Town and their NAICS categories, to help explain the classification system. For example, in East Hampton, NAICS Code 713-Amusement, Gambling & Recreation corresponds to marinas, tennis clubs, golf courses, fitness and exercise studios and sports centers and not gambling facilities.

### 2. Limitations of Business Inventory

While the Town Fire Marshal's records are the most comprehensive available, the records were found to be incomplete, even when augmented with the Town Assessors records. Business establishments without buildings, such as boatyards, lumber yards, and supply yards were under reported to a large extent as Fire Marshal requirements largely pertain to buildings. For businesses listed on Town records, data was not uniformly complete, at times lacking lot size and building size. Some isolated business establishments are not included in the inventory. Efforts to complete the records were made through the field work to the extent practicable. However, not all the limitations were overcome and the computations of the number of businesses, the business acreages and building square footages are lower than what actually exists. For several of the businesses, particularly outdoor recreation, building material and supplies, nurseries and contracting services, the building square footage does not truly represent the size of the business. For example, tennis courts, golf courses, storage yard businesses often occupy the entire acreage of these sites. Additional businesses underrepresented or not included in this inventory are: fishing industry and piers, agricultural industry and lands, public and quasi-public facilities (churches, public schools, libraries, firehouses, riding stables) beaches, parkland and open space. A subset of existing utilities and communication facilities are included but only those within business centers. Finally, the Town does not maintain records for home occupations and as a result these business uses were not captured in the inventory. Thus, while this is not considered a 100% inventory of all businesses within the

Town, it is a good inventory of businesses within the major hamlet business districts, which is the focus of this study.

### **3. Results of Hamlet Business Inventory**

The majority of the existing commercial activities in the Town of East Hampton are located either along major transportation corridors or coastal areas. Transportation corridors include Montauk Highway, Long Island Rail, and secondary roads such as North Main Street, Springs Fireplace Road and Second House Road. Montauk Highway passes through the business areas in Wainscott, East Hampton, Amagansett and Montauk. Each of these areas contain a variety of traditional downtown businesses such as food stores, banks, restaurants, bars, pharmacies and professional offices, creating vibrant community centers that serve a mix of year-round residents, second homeowners and seasonal tourists. Accommodation facilities that cater to tourists are located predominantly in the downtown Montauk and Harbor areas. Springs Fireplace Road, Long Island Rail Road (Stephen Hands Path and Rte. 114 vicinities), Second House /Industrial Roads (Montauk), and Bunker Hill Road within Amagansett have a collection of building contractor businesses. The main businesses surrounding Lake Montauk and Three Mile Harbor are marinas, lodging and dining. Non-marine recreational facilities such as golf courses and tennis clubs are scattered across the Town, including both inland and coastal locations.

#### **a. Town of East Hampton**

Table 5-1 shows the 37 major business categories identified in the Town of East Hampton (unincorporated area only). In total, the Consulting Team documented 719 businesses representing 2.5 million square feet of building space within the primary hamlet business districts. While it is acknowledged that this does not include all businesses in East Hampton, it is believed to be the best available inventory within the hamlet business districts.

Motel and resort accommodations have the largest number of businesses (91 businesses/13%) and the largest building square footage (900,260 SF/36%). Amusement/recreation businesses occupy the largest land area, comprising 495 acres or 45% of the total. The large acreage footprint reflects the larger tracks of land required for activities such as tennis and golf clubs, fitness centers, and summer camps, as well as the large number of businesses dedicated to recreation. Food services and drinking places, predominantly restaurants, cafes, and bars, comprise the second largest number of establishments (88 businesses) and building square footage (247,000 SF). More than 60% of the accommodations and food establishments are located within Montauk, but there are a sizeable number of these types of uses in every hamlet.

Specialty trade contractors comprised predominantly of building trade businesses represents the third highest number of establishments and the fourth highest building square footage and land area. Every hamlet contains specialty contractor shops with the largest number located on Springs Fireplace Road.

The Town in general has low commercial vacancy rates (less than 5%, Spring of 2016 survey). The field survey identified 28 vacant commercial properties, accounting for 78.9 acres of land and 43,339 building square footage.

The following sections analyze the business mix and commercial patterns in each of the five hamlet business districts: (1) Montauk hamlet (including downtown, the harbor and Second House/Industrial Road areas), (2) Springs hamlet, (3) Wainscott hamlet, (4) East Hampton hamlet (North Main Street, portions of Montauk Highway, Rte. 114, Stephen Hands Path, and southern end of Springs Fireplace Road), and (5) Amagansett hamlet (including Napeague).

#### **b. Hamlet of Montauk**

Located on the easternmost tip of Long Island, Montauk is surrounded by water on the north, east and south sides. Montauk Highway and Long Island Railroad, extending the length of Long Island,

reach their eastern termini in Montauk, at Montauk Point and Edgemere Street respectively. Major secondary roads include Edgemere St., Flamingo Ave, Second House Rd. and West Lake Drive. Commercial activities have developed along these transportation corridors and coastal areas including Montauk Harbor (Map 5-1)

Downtown Montauk is the only ocean front business district within the Town of East Hampton. The business district extends from South Eton Street on the west, Fort Pond on the north and Surfside Place on the east. The center is improved with a traffic circle and plaza area with Montauk Highway extending through the middle. Downtown Montauk is the largest commercial center in East Hampton outside of the incorporated Villages and offers a variety of businesses serving year-round residents, second homeowners and tourists. Montauk Harbor district, also referred to as the Dock area, is located along the northern portion of Lake Montauk along Flamingo Ave. West Lake and East Lake Drives. It hosts not only the majority of the support facilities for the Town's commercial fishing industry, but it is also a tourist destination with a number of restaurants, shops, motels, and recreational fishing facilities. In addition to these two districts, the Fort Pond area along Second House, Shore and Industrial roads contains a number of businesses.

The business field survey identified 308 businesses in 31 different industry categories in the hamlet of Montauk (Table 5-2), comprising 43% of East Hampton unincorporated areas

**Table 5-1  
Commercial Districts Business Inventory – Town of East Hampton  
Total**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>11----</b>	<b>Agriculture, Forestry, Fishing and Hunting</b>				
114	Fishing, Hunting & Trapping	1	0.1%	n/a	n/a
<b>21----</b>	<b>Mining, Quarrying, Oil/Gas Extraction</b>				
212	Mining	1	0.1%	n/a	n/a
<b>22----</b>	<b>Utilities</b>				
221	Utilities	1	0.1%	n/a	n/a
<b>23----</b>	<b>Construction</b>				
238	Specialty Trade Contractors	87	12.1%	165,309	6.6%
<b>31----</b>	<b>Manufacturing</b>				
311	Food Manufacturing	1	0.1%	13,793	0.6%
327	Nonmetallic Mineral Product Manufacture	2	0.3%	n/a	n/a
<b>42----</b>	<b>Wholesale Trade</b>				
424	Merchant Wholesalers, Nondurable Goods	2	0.3%	4,402	0.2%
<b>44----</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	15	2.1%	43,568	1.7%
444	Building Materials & Garden Equipment	31	4.3%	145,857	5.8%
445	Food & Beverage Stores	70	9.7%	178,597	7.1%
446	Health & Personal Care Shops	2	0.3%	4,735	0.2%
447	Gasoline Stations	8	1.1%	3,535	0.1%
448	Clothing & Clothing Accessories	9	1.3%	24,985	1.0%
451	Sporting Goods, Hobby, & Musical Inst.	9	1.3%	32,453	1.3%
452	General Merchandise	1	0.1%	2,000	0.1%
453	Miscellaneous Store Retailers	61	8.5%	80,872	3.2%
<b>48----</b>	<b>Transportation and Warehousing</b>				
483	Water Transportation	3	0.4%	n/a	n/a
485	Transit & Ground Passenger Transportation	4	0.6%	11,316	0.5%
493	Warehousing & Storage	10	1.4%	99,073	4.0%
<b>51----</b>	<b>Information</b>				
517	Telecommunications	5	0.7%	3,100	0.1%
<b>52----</b>	<b>Finance and Insurance</b>				
522	Credit Intermediation & Related Activities	5	0.7%	22,725	0.9%
523	Securities, Commodities, Contracts, etc.	2	0.3%	14,033	0.6%
524	Insurance Carriers & Related Activities	4	0.6%	9,598	0.4%
<b>53----</b>	<b>Real Estate and Rental and Leasing</b>				
531	Real Estate	10	1.4%	17,904	0.7%
532	Rental & Leasing	5	0.7%	18,264	0.7%
<b>54----</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	49	6.8%	92,197	3.7%
<b>56----</b>	<b>Admin/Support, Waste Mgmt Services</b>				
562	Waste Management & Remediation	4	0.6%	2,803	0.1%
<b>61----</b>	<b>Educational Services</b>				
611	Educational Services	2	0.3%	3,691	0.1%
<b>62----</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	31	4.3%	77,833	3.1%
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	5	0.7%	9,668	0.4%
713	Amusement, Gambling & Recreation	57	7.9%	185,554	7.4%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	91	12.7%	900,260	35.9%
722	Food Services & Drinking Places	88	12.2%	247,793	9.9%
<b>81----</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	23	3.2%	48,062	1.9%
812	Personal & Laundry Services	15	2.1%	23,007	0.9%
813	Religious, Grantmaking, Civic, Professional	4	0.6%	17,228	0.7%
814	Private Households Service	1	0.1%	n/a	n/a
	<b>TOTAL</b>	<b>719</b>	<b>100.0%</b>	<b>2,504,215</b>	<b>100.0%</b>
	Vacant Commercial Property	28	n/a	43,339	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2017

business base and 48% of total commercial building square footage. Businesses that mainly serve tourists and second homeowners have the most significant presence, accounting for approximately 60% of the total number of businesses, 60% of the total land area, and 80% of the total building square footage. The accommodation industry has the highest number of businesses (74 businesses, or 23.9% of total), and occupies the largest land area (75.3 acres, or 35.9%) and building floor area (669,095 SF, or 56.1% of total). It is followed by Food Services & Drinking Places, which represents 17.2% of the total number of businesses (53 establishments) and 12.9% of total building square footage. Food & Beverage Stores (31 businesses or 10.0% of total) represents the third highest building square footage (66,412 SF, or 5.6% of total). There are 21 Amusement/Recreation businesses occupying the fourth largest land area (16.8 acres, or 8.0% of total) and the fourth largest building square footage (34,963 SF, or 3.7% of total). Most of these businesses are located in Downtown Montauk and Montauk Harbor with a small amount of accommodation facilities and restaurants located along Navy Road and Second House Road.

Businesses supported by the second home industry including the residential building construction, maintenance and real estate sectors also have a sizable presence in Montauk. Specialty Trade Contractors (19 businesses/6.1% of total) occupy 53.4 acres of land (25.5% of the total), only second to accommodation facilities. Clustered along the Second House Road/ Industrial Road area, there are a wide variety of contractor shops for building trades; landscaping, swimming pools installation and maintenance, irrigation, and other home improvement specialties. Two major building and materials supply yards in the area provide further support and convenience for the second home industry. Also supporting the second home industry are 7 real estate businesses, 5 building materials & garden equipment stores (inclusive of the 2 on

**Table 5-2  
Commercial Districts Business Inventory – Montauk Total  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>11----</b>	<b>Agriculture, Forestry, Fishing and Hunting</b>				
114	Fishing, Hunting & Trapping	1	0.3%	n/a	n/a
<b>22----</b>	<b>Utilities</b>				
221	Utilities	1	0.3%	n/a	n/a
<b>23----</b>	<b>Construction</b>				
238	Specialty Trade Contractors	19	6.1%	18,123	1.5%
<b>42----</b>	<b>Wholesale Trade</b>				
424	Merchant Wholesalers, Nondurable Goods	2	0.6%	4,402	0.4%
<b>44----</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	3	1.0%	7,356	0.6%
444	Building Materials & Garden Equipment	5	1.6%	23,107	1.9%
445	Food & Beverage Stores	31	10.0%	66,412	5.6%
446	Health & Personal Care Shops	1	0.3%	4,735	0.4%
447	Gasoline Stations	2	0.6%	2,535	0.2%
448	Clothing & Clothing Accessories	7	2.3%	24,485	2.1%
451	Sporting Goods, Hobby, & Musical Inst.	6	1.9%	21,004	1.8%
452	General Merchandise	1	0.3%	2,000	0.2%
453	Miscellaneous Store Retailers	35	11.3%	42,219	3.5%
<b>48----</b>	<b>Transportation and Warehousing</b>				
483	Water Transportation	3	1.0%	n/a	n/a
485	Transit & Ground Passenger Transportation	3	1.0%	11,316	0.9%
493	Warehousing & Storage	3	1.0%	14,051	1.2%
<b>51----</b>	<b>Information</b>				
517	Telecommunications	2	0.6%	n/a	n/a
<b>52----</b>	<b>Finance and Insurance</b>				
522	Credit Intermediation & Related Activities	3	1.0%	15,152	1.3%
523	Securities, Commodities, Contracts, etc.	1	0.3%	1,097	0.1%
524	Insurance Carriers & Related Activities	1	0.3%	1,305	0.1%
<b>53----</b>	<b>Real Estate and Rental and Leasing</b>				
531	Real Estate	8	2.6%	13,488	1.1%
<b>54----</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	8	2.6%	33,156	2.8%
<b>56----</b>	<b>Admin/Support, Waste Mgmt Services</b>				
562	Waste Management & Remediation	2	0.6%	1,097	0.1%
<b>62----</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	4	1.3%	5,395	0.5%
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	1	0.3%	n/a	n/a
713	Amusement, Gambling & Recreation	21	6.8%	43,963	3.7%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	74	23.9%	669,095	56.1%
722	Food Services & Drinking Places	53	17.2%	154,260	12.9%
<b>81----</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	3	1.0%	6,369	0.5%
812	Personal & Laundry Services	3	1.0%	4,049	0.3%
813	Religious, Grantmaking, Civic, Professional	2	0.6%	3,391	0.3%
	<b>TOTAL</b>	<b>309</b>	<b>100.0%</b>	<b>1,193,562</b>	<b>100.0%</b>
	Vacant Commercial Property	11	n/a	3,923	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc.,

Industrial Road), and 3 furniture & home furnishing stores, most of which are located in Downtown Montauk.

• **Downtown Montauk Business District**

Downtown Montauk contains a variety of commercial businesses (Table 5-3), including those found in a traditional downtown such as supermarkets, banks, delis, restaurants, pharmacies, bars, gas stations, and laundromats, as well as seasonal resorts and motels. Downtown accounts for 26% of East Hampton’s hamlet businesses and 30% of commercial building square footage. The ocean beaches, easy highway access, diverse business mix, and compact street layout together create an attractive, walkable community that appeals to seasonal visitors and tourists, second homeowners and year-round residents.

The business field survey identified 188 businesses in 26 industry categories. The largest number of businesses (42 businesses/22.3% of total) covering the largest amount of acreage (37.94 acres/67% of total) is Accommodation, closely tied to the seasonal economy. The largest accommodation facilities include Surf Club, Royal Atlantic, Beachcomber Motel (just outside the central business area along Old Montauk Highway) Montauk Blue Hotel, Atlantic Bluffs, and Atlantic Terrace, each of which occupies over 20,000 square feet of building floor area and have ocean frontage or access.

**Table 5-3  
Commercial Districts Business Inventory - Downtown Montauk  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>42----</b>	<b>Wholesale Trade</b>				
424	Merchant Wholesalers, Nondurable Goods	2	1.1%	4,402	0.6%
<b>44----</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	2	1.1%	7,356	1.0%
444	Building Materials & Garden Equipment	3	1.6%	4,661	0.6%
445	Food & Beverage Stores	24	12.8%	54,546	7.4%
446	Health & Personal Care Shops	1	0.5%	4,735	0.6%
447	Gasoline Stations	2	1.1%	2,535	0.3%
448	Clothing & Clothing Accessories	7	3.7%	24,485	3.3%
451	Sporting Goods, Hobby, & Musical Inst.	6	3.2%	21,004	2.8%
452	General Merchandise	1	0.5%	2,000	0.3%
453	Miscellaneous Store Retailers	27	14.4%	32,219	4.4%
<b>48----</b>	<b>Transportation and Warehousing</b>				
485	Transit & Ground Passenger Transportation	1	0.5%	7,405	1.0%
<b>51----</b>	<b>Information</b>				
517	Telecommunications	1	0.5%	n/a	n/a
<b>52----</b>	<b>Finance and Insurance</b>				
522	Credit Intermediation & Related Activities	3	1.6%	15,162	2.1%
523	Securities, Commodities, Contracts, etc.	1	0.5%	1,097	0.1%
524	Insurance Carriers & Related Activities	1	0.5%	1,305	0.2%
<b>53----</b>	<b>Real Estate and Rental and Leasing</b>				
531	Real Estate	7	3.7%	13,488	1.8%
<b>54----</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	7	3.7%	20,613	2.8%
<b>56----</b>	<b>Admin/Support, Waste Mgmt Services</b>				
562	Waste Management & Remediation	1	0.5%	1,097	0.1%
<b>61----</b>	<b>Educational Services</b>				
<b>62----</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	4	2.1%	5,395	0.7%
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	1	0.5%	n/a	n/a
713	Amusement, Gambling & Recreation	8	4.3%	10,182	1.4%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	42	22.3%	410,497	55.6%
722	Food Services & Drinking Places	31	16.5%	88,360	12.0%
<b>81----</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	1	0.5%	n/a	n/a
812	Personal & Laundry Services	3	1.6%	4,049	0.5%
813	Religious, Grantmaking, Civic, Professional	1	0.5%	1,843	0.2%
	<b>TOTAL</b>	<b>188</b>	<b>100.0%</b>	<b>738,436</b>	<b>100.0%</b>
	Vacant Commercial Property	5	n/a	2,703	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

Food Services & Drinking Places (31 businesses/16.5% of total) is the second largest business type. Some of the largest restaurants remain open year round including Shagwong Tavern, Harvest on Fort Pond and Wok N Roll (recently closed) John’s Pancake House, Pizza Village, John’s Drive-in, but many of the restaurants close for all or part of the winter.

The third largest business category, Miscellaneous Store Retailers (27 businesses/14.4% of total) are generally comprised of novelty, gift, souvenir and other seasonal shops. The Clothing & Clothing Accessories category (7 businesses/ 3.7% of total) is also geared to the tourist trade, selling beach clothes, sandals, t-shirts and novelty items.

Food & Beverage Stores (24 businesses/12.8%), comprise the fourth largest number of businesses with the third largest amount of building square footage and acreage. Whereas many of the Miscellaneous Store Retailers are comprised of small boutique type shops, the Food and Beverage category includes several large year-round establishments such as the IGA, 7-Eleven and Montauk Beer and Soda.

The three largest businesses-resort motels, bars and restaurants and specialty shops are largely dependent on the tourists and summer residents. But there is also a variety of businesses, common to traditional downtowns, which remain open year round. Downtown Montauk has the widest variety of businesses of all the hamlets in East Hampton running the gamut from banks, offices (real estate, medical, finance, insurance, other professional), gas stations, laundromats, exercise studios, pharmacies, stationary stores, and florists. Whereas the majority of the motels are located in the southerly section, closest to the ocean, the year-round businesses are largely concentrated in the center of the business area. There are also a few motels in the northern section of the hamlet. Some of these non-ocean fronting motels, in need repair, have been purchased by large restaurant and resort establishments for seasonal employee housing.

**Market Orientation**

<ul style="list-style-type: none"><li>• Primary destination for tourists looking for beach experience</li><li>• Largest concentration of accommodations, restaurant and entertainment establishments</li><li>• Seasonal businesses are challenged to find affordable housing for seasonal workforce</li></ul>	<ul style="list-style-type: none"><li>• Large and growing second home market</li><li>• Local businesses largely cater to seasonal population but important to year-round population as well</li></ul>
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• **Montauk Harbor Business District**

The businesses in the Montauk Harbor area are generally located along the northern sections of Flamingo Ave, West Lake Drive, East Lake Drive, as well as on Star Island. The Harbor area contains about 25% of Montauk’s total business and commercial square footage. Table 5-4 shows that of the 76 commercial businesses identified in this area, the top three largest categories are Accommodation (25 businesses/ 32.9% of total), Food Services & Drinking Places (18 businesses/23.7% of total), and Amusement, & Recreation (12 businesses/15.8% of total), all of which depend heavily on East Hampton’s seasonal tourist trade. Collectively they occupy 51.8 acres of land and 278,410 SF of building area, representing over 90% of all the businesses, a substantially higher seasonal occupancy than Downtown Montauk.

**Table 5-4  
Commercial Districts Business Inventory – Montauk Harbor  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>11----</b>	<b>Agriculture, Forestry, Fishing and Hunting</b>				
114	Fishing, Hunting & Trapping	1	1.3%	n/a	n/a
<b>44----</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	1	1.3%	n/a	n/a
445	Food & Beverage Stores	7	9.2%	11,866	4.0%
453	Miscellaneous Store Retailers	8	10.5%	10,000	3.3%
<b>48----</b>	<b>Transportation and Warehousing</b>				
483	Water Transportation	3	3.9%	n/a	n/a
<b>51----</b>	<b>Information</b>				
517	Telecommunications	1	1.3%	n/a	n/a
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
713	Amusement, Gambling & Recreation	12	15.8%	26,917	9.0%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	25	32.9%	195,767	65.2%
722	Food Services & Drinking Places	18	23.7%	55,726	18.6%
	<b>TOTAL</b>	<b>76</b>	<b>100.0%</b>	<b>300,276</b>	<b>100.0%</b>
	Vacant Commercial Property	5	n/a	n/a	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

Major accommodation facilities include Montauk Yacht Club, Snug Harbor, Kenny’s Tipperary Inn, and Sun N’ Sound Motel each of which occupies over 10,000 SF of building floor area. Some of the non-waterfront motels, originally built to accommodate inexpensive fishing excursion visitors, are in need of repair and are occupied by year round and seasonal employees.

The largest restaurant, Gosman’s is part of an overall development complex containing seasonal retail shops and additional restaurants with a portion of the property containing commercial fishing docking and support facilities. Additional restaurants are located on and between properties containing boatyards and marinas including Swallow East, Salivar’s, Dave’s Grill, the Dock, West Lake Fish House and Montauk Yacht Club.

The third largest business type, Amusement and Recreation, includes marinas and boatyards. These businesses do not rely solely on buildings for their operation, but are also dependent on docks, bulkheads, and open storage space. Waterfront restaurants share many of these properties, using winter boat storage land for summer restaurant parking. Thus the prominence of the recreational marina and boating industry is underrepresented by these statistics. Montauk Marine Basin is the largest building in the Amusement and Recreation category. The remaining businesses are mainly seasonal shops selling novelty, gift, souvenir, food and beverage, and other tourist related goods.

Whereas the ocean beaches make Downtown Montauk a unique tourist destination, the picturesque working harbor, fishing village setting is the main tourist draw to the Harbor Area. Montauk’s substantial commercial fishing fleet is docked at municipal and private facilities close to the harbor inlet and is surrounded by restaurants, motels and tourist shops. Despite the size and importance of the commercial fishing industry, there are few shore side support facilities and many of the ones that do exist are part of properties dominated by recreational marinas, boatyards, and restaurants. As waterfront real estate commands premium dollars, there is intense pressure to convert commercial fisheries to higher value recreational and tourist uses. The threat of displacement is particularly

intense now that Gosman’s and other properties providing support facilities are on the market for sale. Thus, the Business Inventory, reporting few landside facilities devoted to commercial fishing does not capture the presence and economic value of the commercial fishing industry, nor the threat to the very industry that has provided the main tourist attraction to the area.

**Market Orientation**

<ul style="list-style-type: none"> <li>Center of East Hampton’s fishing and maritime industry</li> <li>Much of Montauk’s economic and cultural heritage is located in the docks area but it is under threat by changing customers and market dynamics</li> <li>Fishing industry under intense regulatory pressure to compete</li> </ul>	<ul style="list-style-type: none"> <li>Several large parcels are for sale that could change this area’s development future</li> <li>Docks area is a tourist destination but could become are larger one in the future</li> </ul>
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c. Hamlet of Springs

As the only hamlet with no frontage on Montauk Highway or the Atlantic Ocean, two important drivers for East Hampton economy, Springs has a very small business base and lacks a well-defined commercial district. Springs accounts for only 6% of East Hampton’s business base and commercial square footage, the smallest compared to all the hamlets. Whereas most of the economic activity is focused around the hamlet’s waterfront, Spring’s historic center is clustered around community and institutional uses including Ashawagh Hall, Springs School, Springs Library, and a Presbyterian Church. The few, small businesses in the historic center primarily serve the year round community and include small Food and Beverage Stores, Repair & Maintenance Shops, Professional Offices and Specialty Contractor Businesses.

The largest areas of commercial businesses are interspersed between residential neighborhoods along the east side of Three Mile Harbor. Mostly seasonal, this waterfront area contains marinas, boatyards, restaurants, Blue Bay Girl Scout Camp and a few accommodation facilities. The Harbor also supports the commercial fishing industry with docks, launching ramps and other support facilities but are not captured in this business inventory (Map 5-2).

Table 5-5 shows the prominence of the boating and marine recreation economy in Springs. Of the 48 businesses identified in the survey, 14 (or 29.2%) are recreational businesses. Many of these businesses occupy large land areas, such as in the case of Camp Blue Bay, Harbor Marina, Gardiner’s Marina, East Hampton Marina, and Three Mile Harbor Boat Yard. Other businesses that are closely tied to recreational activities include food services & drinking places (12.5%) and food & beverage stores (8.3%), the majority of which are located in and adjacent to the waterfront facilities

**Table 5-5  
Commercial Districts Business Inventory – Springs  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>23---</b>	<b>Construction</b>				
238	Specialty Trade Contractors	6	12.5%	10,983	7.4%
<b>44---</b>	<b>Retail Trade</b>				
445	Food & Beverage Stores	4	8.3%	6,505	4.4%
453	Miscellaneous Store Retailers	2	4.2%	7,892	5.4%
<b>48---</b>	<b>Transportation and Warehousing</b>				
493	Warehousing & Storage	3	6.3%	11,978	8.1%
<b>54---</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	3	6.3%	2,500	1.7%
<b>61---</b>	<b>Educational Services</b>				
611	Educational Services	1	2.1%	1,590	1.1%
<b>71---</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	2	4.2%	5,813	3.9%
713	Amusement, Gambling & Recreation	14	29.2%	64,492	43.7%
<b>72---</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	3	6.3%	5,770	3.9%
722	Food Services & Drinking Places	6	12.5%	11,412	7.7%
<b>81---</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	4	8.3%	18,498	12.5%
	<b>TOTAL</b>	<b>48</b>	<b>100.0%</b>	<b>147,433</b>	<b>100.0%</b>
	Vacant Commercial Property	2	n/a	n/a	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

and west side of Springs. Collectively they represent 12.2% of the building square footage of all commercial establishments.

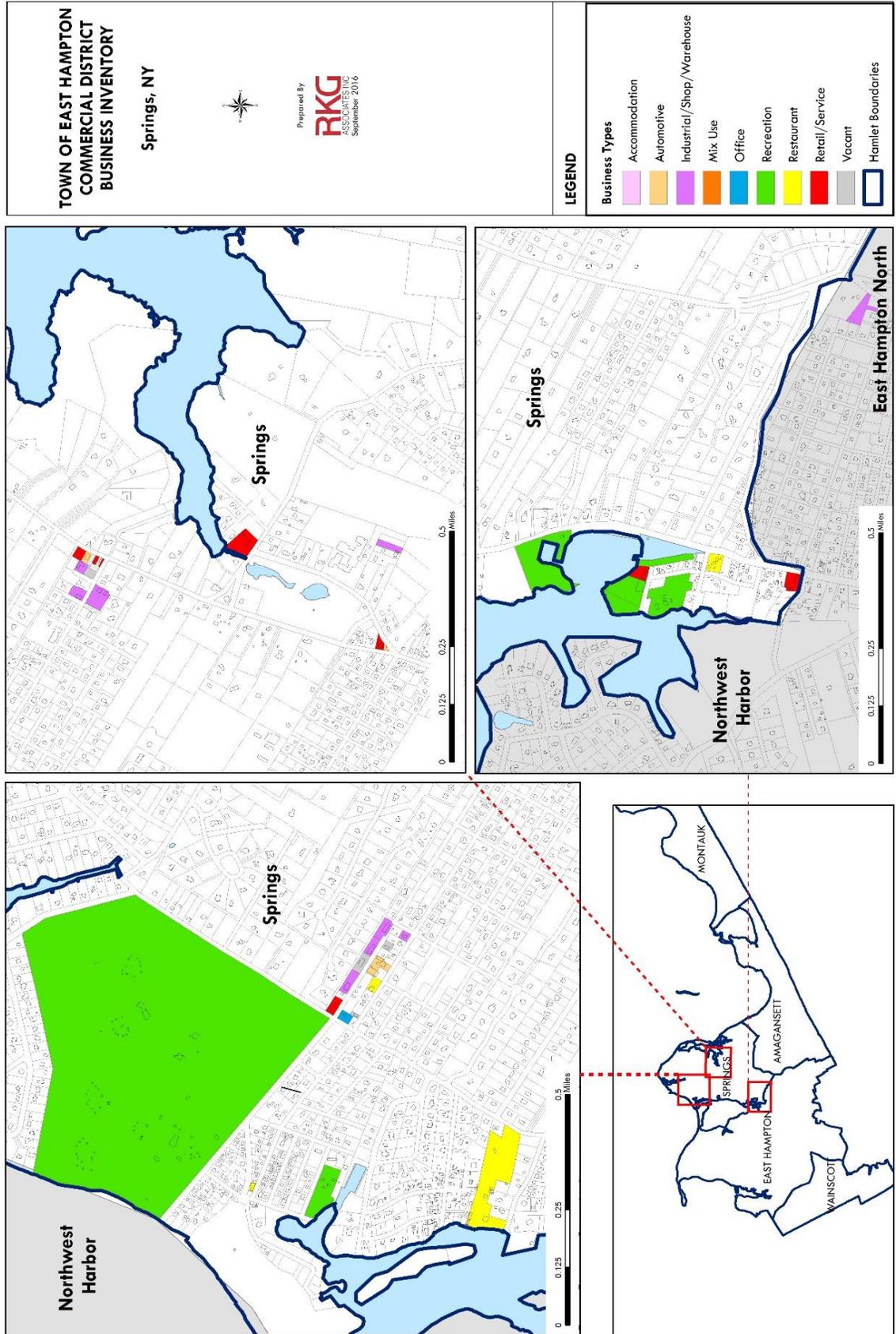
The Head of Three Mile Harbor supports a somewhat unique mixture of development with year round food services and stores, private marinas, dense year round residential development, municipal dock space, launching ramp and preserved land, all within a short walking distance of each other. Redevelopment of this area into a low key Maritime Walking District has been suggested.

Specialty Trade Contractor shops comprise the second highest number of business establishments in Springs (12.5% of total) while Repair & Maintenance businesses, primarily automotive service related, have the second highest building square footage (12.5% of the total). Repair & Maintenance businesses, Specialty Trade contractors, and Warehousing & Storage facilities have a dominant presence in the eastern end of Fort Pond Blvd business node.

The Specialty Trade Contractor business is many times larger than the number of buildings and sites dedicated to the use inventoried in Springs and throughout the Town. A significant number of locally based building trade contractors operate out of their homes. The number of licensed contractors with a Springs address (103 estimated by Town Officials) exceeds, by a factor of 17, the number of Specialty Trade Contractor business establishments in Springs (6). While some operations are small, sole proprietor businesses, the scattering of home based contractor businesses threatens the peaceful quality of life in residential neighborhoods with commercial activities, truck and vehicle parking. This conflict is particularly pronounced in Springs due to the relatively high number of contractor licenses, the residential development density and the small lot size which restricts land area available to buffer incompatible adjacent uses.

#### **Market Orientation**

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>• Only Hamlet in study area not served by Montauk Highway</li><li>• Lack of major road frontage restricts commercial development</li></ul> | <ul style="list-style-type: none"><li>• Very small business base, primarily maritime and recreation related near small marinas</li><li>• Hamlet's larger population could support additional businesses but not well suited to compete with East Hampton Village or Sag Harbor</li></ul> |
|--|--|



Data source: Town of East Hampton, Fine Arts & Sciences, LLC, RKG Associates, Inc. 2016

d. Hamlet of Wainscott

Wainscott is the western gateway to East Hampton Town and the commercial area extends along the north side of Montauk Highway from Westgate Road to Wainscott Stone Road. Excluding the former sand pit, the business district is relatively small, comprising only 8% of the total number of businesses and 7% of the business building square footage Town wide.

Wainscott contains a typical mixture of downtown businesses including small Food & Beverage Stores, Personal & Laundry Services, Food Services & Drinking Places, and a gas station that serve year-round residents and second homeowners (Map 5-3). But the largest grouping of businesses supports the second home industry with professional services, home furnishing stores, building and garden materials shops, specialty trade contractors, repair and maintenance services and storage facilities. Together, these six business categories comprise almost 50% of the total number of uses. Table 5-6 shows the prominence of Professional, Scientific & Technical Services which also supports the second home industry with architects, landscape designers, decorators, builders and lawyers. The variety of home furnishings and building materials shops, the second and fourth highest number of business uses, include hardware, plumbing and heating supplies, tile and masonry, paint, antique lumber, glass, rugs, beds, window treatment and furniture. A Home Goods Store, one of the largest buildings, recently moved into the hamlet with other large businesses including East Hampton Plumbing & Heating, Home Sweet Home, Sleepy's, Crystal Clear Windows, and Davis Landscaping. In addition to supporting the second home industry, these businesses provide year round employment and serve a year-round customer base.

Food & Beverage Stores and Food Services & Drinking Places represent 17.5% of the total number of businesses and 16.5% of the total building square footage, smaller than the percentages in Town's other commercial areas which are more reliant on the to the tourist industry. Major businesses in these two categories include the Speedway minimart, the Seafood Shoppe and Salina. There are two motels in the hamlet, but Wainscott does not contain boutique type retail stores. In addition, compared with tourist-oriented commercial centers, Wainscott has a greater number of healthcare services businesses.

The character of the business district is also greatly influenced by the largely vacant, reclaimed sand pit located north of businesses along Montauk Highway. Containing over 60 acres, the site contains a ready mix concrete business and a fairly large masonry display and sales yard, with other

**Table 5-6  
Commercial Districts Business Inventory – Wainscott  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>23---</b>	<b>Construction</b>				
238	Specialty Trade Contractors	2	3.5%	5,393	3.2%
<b>31---</b>	<b>Manufacturing</b>				
327	Nonmetallic Mineral Product Manufacture	1	1.8%	n/a	n/a
<b>44---</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	8	14.0%	27,365	16.5%
444	Building Materials & Garden Equipment	6	10.5%	23,542	14.2%
445	Food & Beverage Stores	7	12.3%	14,884	9.0%
447	Gasoline Stations	1	1.8%	n/a	n/a
451	Sporting Goods, Hobby, & Musical Inst.	1	1.8%	3,500	2.1%
453	Miscellaneous Store Retailers	2	3.5%	1,823	1.1%
<b>48---</b>	<b>Transportation and Warehousing</b>				
493	Warehousing & Storage	1	1.8%	29,892	18.0%
<b>53---</b>	<b>Real Estate and Rental and Leasing</b>				
532	Rental & Leasing	1	1.8%	n/a	n/a
<b>54---</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	10	17.5%	14,472	8.7%
<b>62---</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	6	10.5%	11,243	6.8%
<b>71---</b>	<b>Arts, Entertainment, and Recreation</b>				
713	Amusement, Gambling & Recreation	2	3.5%	4,998	3.0%
<b>72---</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	2	3.5%	6,523	3.9%
722	Food Services & Drinking Places	3	5.3%	12,589	7.6%
<b>81---</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	1	1.8%	4,316	2.6%
<b>812</b>	<b>Personal &amp; Laundry Services</b>	<b>3</b>	<b>5.3%</b>	<b>5,501</b>	<b>3.3%</b>
	<b>TOTAL</b>	<b>57</b>	<b>100.0%</b>	<b>166,041</b>	<b>100.0%</b>
	Vacant Commercial Property	0	n/a	n/a	n/a

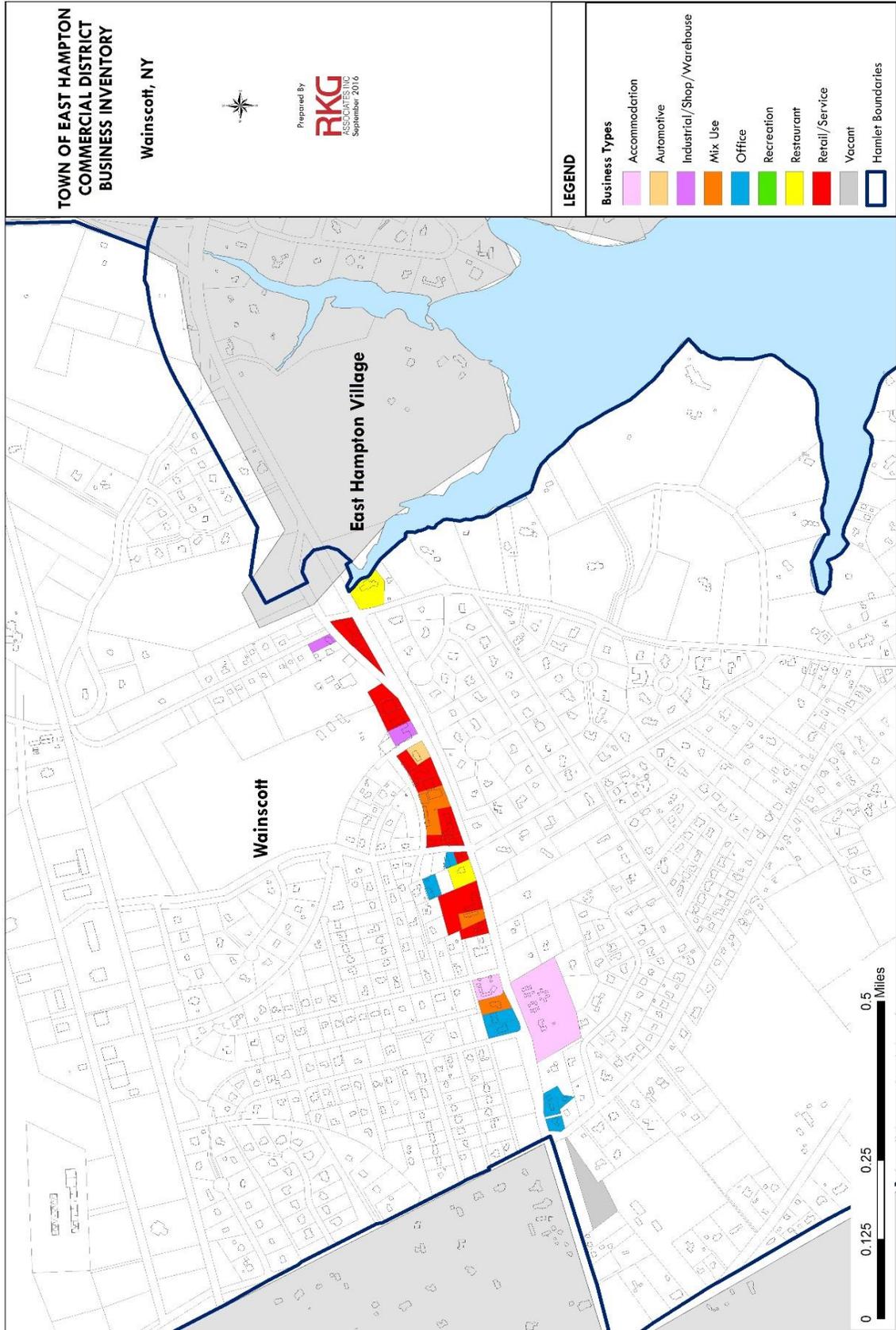
Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

structures and vehicles scattered across the site. This property represents a significant opportunity for the redevelopment of Wainscott into a walkable hamlet center with a cohesive identity.

### **Market Orientation**

- Wainscott is uniquely positioned to meet year-round shopping needs of East Hampton residents
- Greater opportunity to meet year-round commercial needs of year-round East Hampton residents given Wainscott's centralized and accessible location
- Biggest single development opportunity is located at the large sand pit located north of the Wainscott business district. This could reshape and expand the town center
- Business district lacks the pedestrian setting seen in other hamlets

Map 5-3



e. East Hampton (East Hampton North, Northwest Harbor)

While the Village of East Hampton is the prime retailing location in the Town, the focus of this study and business inventory is the unincorporated portion of the Town of East Hampton due to the independent and distinct municipal jurisdictions. However, due to its large influence on the business market, a brief description of East Hampton Village business base is included at the end of this section.

Within the unincorporated Hamlet of East Hampton, there are primarily three business areas: Springs Fireplace Road, North Main Street and Montauk Highway Corridor. Small additional, isolated business nodes are found at the Springs Fireplace Rd. and Abrahams Path intersection, and two locations along the railroad tracks at Buckskill Road and Rte. 114-Sag Harbor Turnpike. The sites near the railroad tracks are largely occupied with building contractor, storage and landscaping facilities (Map 5-4).

As depicted in Table 5-7, 180 businesses in 27 business categories operate in the East Hampton hamlet area combined. The hamlet accounts for 25% of total businesses and 21% of total building square footage in the Town. The highest number of Specialty Trade Contractors in the Town (48 businesses, 55% of total) are located within the hamlet, with the highest concentration on Springs Fireplace Road. Building construction and real estate related businesses account for close to 40% of the total number of businesses and 40% of total building square footage. Food & Beverage Stores have the second highest number of businesses (17 businesses, or 9.4% of total) and the third highest building square footage (58,028 SF, or 11.0% of total). Restaurants and drinking places account for 5.6% of the total businesses.

**Table 5-7  
Commercial Districts Business Inventory – East Hampton North, Northwest Harbor  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>21----</b>	<b>Mining, Quarrying, Oil/Gas Extraction</b>				
212	Mining	1	0.6%	n/a	n/a
<b>23----</b>	<b>Construction</b>				
238	Specialty Trade Contractors	48	26.7%	110,240	21.0%
<b>31----</b>	<b>Manufacturing</b>				
311	Food Manufacturing	1	0.6%	13,793	2.6%
327	Nonmetallic Mineral Product Manufacture	1	0.6%	n/a	n/a
<b>44----</b>	<b>Retail Trade</b>				
444	Building Materials & Garden Equipment	15	8.3%	65,538	12.5%
445	Food & Beverage Stores	17	9.4%	58,028	11.0%
446	Health & Personal Care Shops	1	0.6%	n/a	n/a
447	Gasoline Stations	3	1.7%	n/a	n/a
451	Sporting Goods, Hobby, & Musical Inst.	1	0.6%	5,440	1.0%
453	Miscellaneous Store Retailers	3	1.7%	4,689	0.9%
<b>48----</b>	<b>Transportation and Warehousing</b>				
493	Warehousing & Storage	3	1.7%	43,152	8.2%
<b>51----</b>	<b>Information</b>				
517	Telecommunications	3	1.7%	3,100	0.6%
<b>52----</b>	<b>Finance and Insurance</b>				
522	Credit Intermediation & Related Activities	2	1.1%	7,573	1.4%
523	Securities, Commodities, Contracts, etc.	1	0.6%	12,936	2.5%
524	Insurance Carriers & Related Activities	3	1.7%	8,293	1.6%
<b>53----</b>	<b>Real Estate and Rental and Leasing</b>				
532	Rental & Leasing	4	2.2%	18,264	3.5%
<b>54----</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	17	9.4%	30,092	5.7%
<b>56----</b>	<b>Admin/Support, Waste Mgmt Services</b>				
562	Waste Management & Remediation	1	0.6%	n/a	n/a
<b>62----</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	16	8.9%	43,127	8.2%
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	1	0.6%	n/a	n/a
713	Amusement, Gambling & Recreation	9	5.0%	25,122	4.8%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	3	1.7%	27,857	5.3%
722	Food Services & Drinking Places	10	5.6%	26,630	5.1%
<b>81----</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	12	6.7%	12,513	2.4%
812	Personal & Laundry Services	2	1.1%	3,920	0.7%
813	Religious, Grantmaking, Civic, Professional	1	0.6%	4,990	0.9%
814	Private Households Service	1	0.6%	n/a	n/a
	<b>TOTAL</b>	<b>180</b>	<b>100.0%</b>	<b>525,297</b>	<b>100.0%</b>
	Vacant Commercial Property	8	n/a	29,940	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

The Springs Fireplace Road area, with an active sand mine, cement plant and the reclaimed Town Landfill, now Recycling Center, has the most industrial character of any one location in Town. Building and supply yards, automotive repair shops, waste management, heavy equipment rentals as well as building trade contractors have gravitated to this area. With few exceptions, such as the sand mine, most of the properties are small sized. Collectively, these businesses are fueled by the building and landscaping construction, design, and maintenance second home industry.

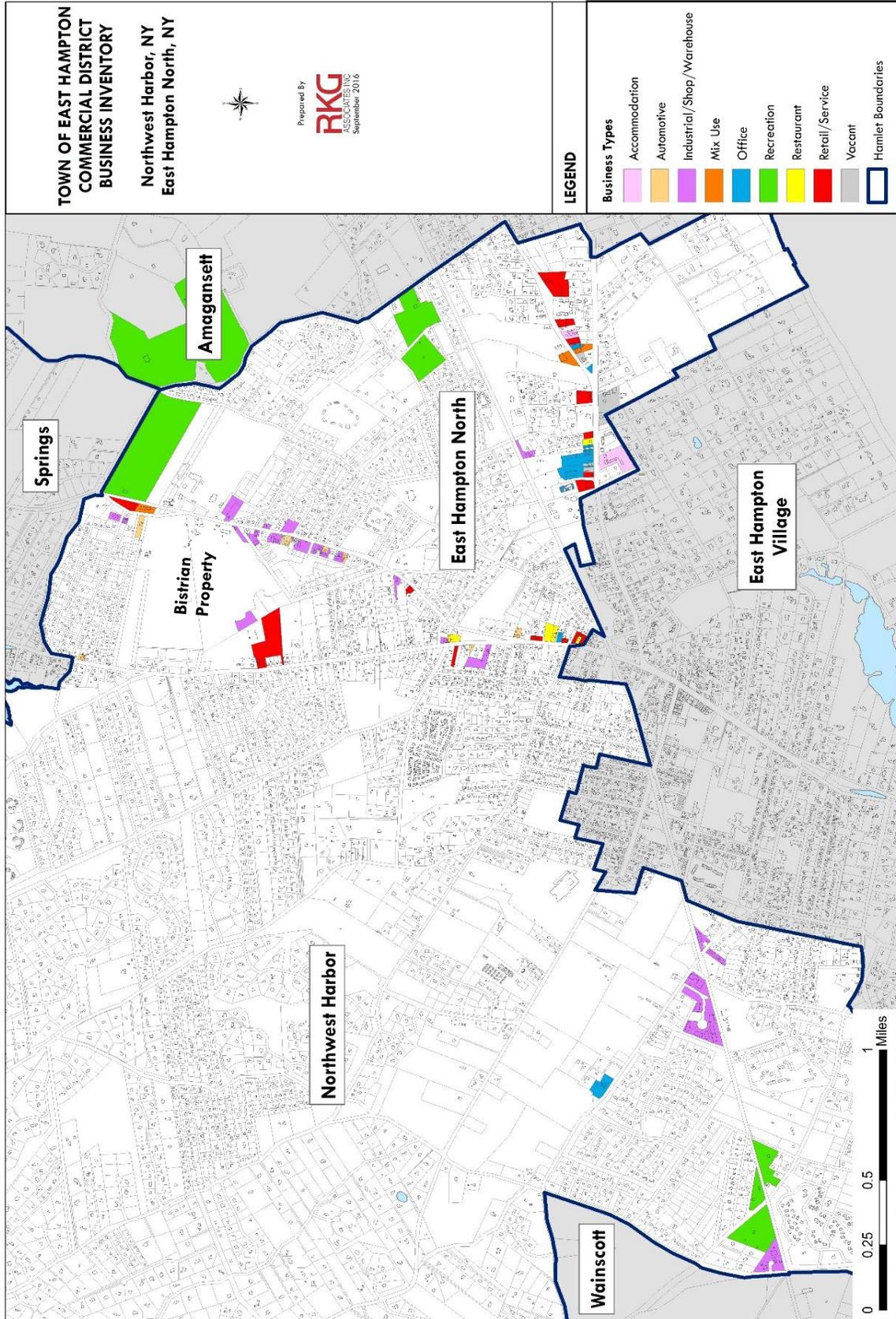
The North Main Street business area extends into the incorporated Village, and serves the year round population with food stores, including one of the few grocery stores in Town, a bank, dry cleaners, gas stations and other small shops. Several large seasonal and year round restaurants, and a summertime Farmer's Market add to the vibrancy of the area for both second home owners and year round residents. Just to the north, the small business node at the Springs Fireplace Road/Abrahams Path intersection provides convenient shopping and facilities for small grocery, beverage, hardware and low key restaurants. This small cluster of businesses serves Springs and East Hampton residents seeking to reduce travel time and avoid traffic congestion in the Village of East Hampton and larger retail centers.

The Montauk Highway Corridor portion of the East Hampton Hamlet, extending between Town Hall and the boundary of Amagansett, contains a large diversity of professional offices and services. The largest professional office park and medical park buildings in the entire town, approximately 20,000 square feet each, are located Pantigo Place, just east of Town Hall. To better serve East Hampton residents, Southampton Hospital is coordinating with the Town to develop a satellite emergency facility also on Pantigo Place. In addition to this cluster, the Corridor includes offices for insurance, investment, physical therapy, law, land planning and other professionals. Supporting these businesses, the Corridor provides a fair number of delis, bagel shops, takeout lunch businesses and a few restaurants. There are 2 motels along the Corridor but the businesses are generally not highly dependent on the tourist economy. The area has a year round presence, with the medical facilities professional offices, restaurants, food and beverage stores also heavily supported by the second home owners and summer visitors.

### **Market Orientation**

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| <ul style="list-style-type: none"><li>• Business base primarily serves construction activities, specialty trades contractors, auto repair services and the second home industry, particularly along Spring Fireplace Road</li><li>• Unlike other hamlets, local businesses not as focused on tourism, food service and accommodations.</li></ul> | <ul style="list-style-type: none"><li>• Businesses primarily located along highways and not clustered in a pedestrian focused hamlet center, except for the North Main Street area</li><li>• North Main Street, Springs Fireplace Road and Montauk Highway Corridor cater to a mix of year-round residents and second homeowners</li></ul> |
|--|--|

Map 5-4



f. Hamlet of Amagansett

Amagansett is the geographic center among the hamlets, extending between East Hampton and Montauk. Montauk Highway traverses the entire length of the hamlet and the Atlantic Ocean comprises the southern boundary. Amagansett has four distinct sub-areas, each with a different mix of businesses: the Historic Center (Windmill La. to Miankoma La.); the Western Highway Corridor (East Hampton hamlet boundary to Windmill La.); the Eastern Highway Corridor (Amagansett train station through Bunker Hill Rd); and Napeague (eastern end of Amagansett along Montauk Highway and the Atlantic Ocean) (Map 5-5).

As depicted in Table 5-8, there are 126 businesses in the hamlet (total of sub-areas), accounting for 471,882 SF of commercial space or roughly 18% of East Hampton’s business base. Businesses supporting the second home industry represent a sizable portion of the commercial activities. This includes specialty building construction and design contractors, building materials and supply stores, garden centers and landscaping companies and maintenance services. They are scattered throughout the three sub-areas and collectively, they account for over 20% of the total number of businesses and about 15% of the total building square footage. Specialty trade contractors, building materials and supply yards are generally clustered in the Eastern Corridor; garden centers and landscaping companies are dominant in the Western Corridor; and real estate offices and home furnishings shops are in the Historic Center. Food services & drinking places, the second single largest number of establishments in Amagansett (16 establishments/12.7% of total) are concentrated in the Historic Center. There are also a number of seasonal restaurants in Napeague with larger indoor and outdoor dining areas compared to the restaurants in the Historic Center. Miscellaneous Store Retailers, mainly small specialty and seasonal shops such as equestrian clothing and gear, records, pet supplies, jewelry, beach and summer clothing comprising the highest number of businesses are mostly located within the Historic Center.

The Historic Center is a compact walkable district with small town qualities. With a mixture of specialty shops, exercise studios, bars and restaurants, small food and beverage shops, real estate offices and a hardware store, the center is a destination for tourists, year round and seasonal residents. Walkability with good pedestrian circulation is a key asset.

**Table 5-8  
Commercial Districts Business Inventory – Amagansett & Napeague  
2016**

NAICS Code	Business Type	Establishments		Bldg Sq. Ft.	
		Num	%	SF	%
<b>23----</b>	<b>Construction</b>				
238	Specialty Trade Contractors	12	9.5%	20,570	4.4%
<b>44----</b>	<b>Retail Trade</b>				
442	Furniture & Home Furnishings Stores	4	3.2%	8,847	1.9%
444	Building Materials & Garden Equipment	5	4.0%	33,670	7.1%
445	Food & Beverage Stores	11	8.7%	32,768	6.9%
447	Gasoline Stations	2	1.6%	1,000	0.2%
448	Clothing & Clothing Accessories	2	1.6%	500	0.1%
451	Sporting Goods, Hobby, & Musical Inst.	1	0.8%	2,509	0.5%
453	Miscellaneous Store Retailers	19	15.1%	24,249	5.1%
<b>48----</b>	<b>Transportation and Warehousing</b>				
485	Transit & Ground Passenger Transportation	1	0.8%	n/a	n/a
<b>53----</b>	<b>Real Estate and Rental and Leasing</b>				
531	Real Estate	3	2.4%	4,416	0.9%
<b>54----</b>	<b>Professional, Scientific, Technical Services</b>				
541	Professional, Scientific & Technical Services	11	8.7%	11,977	2.5%
<b>56----</b>	<b>Admin/Support, Waste Mgmt Services</b>				
562	Waste Management & Remediation	1	0.8%	1,706	0.4%
<b>61----</b>	<b>Educational Services</b>				
611	Educational Services	1	0.8%	2,101	0.4%
<b>62----</b>	<b>Health Care and Social Assistance</b>				
621	Ambulatory Health Care Services	5	4.0%	18,068	3.8%
<b>71----</b>	<b>Arts, Entertainment, and Recreation</b>				
712	Museums, Historical Sites & Similar Uses	1	0.8%	3,855	0.8%
713	Amusement, Gambling & Recreation	11	8.7%	46,979	10.0%
<b>72----</b>	<b>Accommodation and Food Services</b>				
721	Accommodation	9	7.1%	191,015	40.5%
722	Food Services & Drinking Places	16	12.7%	42,902	9.1%
<b>81----</b>	<b>Other Services (except Public Admin)</b>				
811	Repair & Maintenance	3	2.4%	6,366	1.3%
812	Personal & Laundry Services	7	5.6%	9,537	2.0%
813	Religious, Grantmaking, Civic, Professional	1	0.8%	8,847	1.9%
	<b>TOTAL</b>	<b>126</b>	<b>100.0%</b>	<b>471,882</b>	<b>100.0%</b>
	Vacant Commercial Property	6	n/a	10,696	n/a

Source: Town of East Hampton, Fine Arts & Sciences, LLC., RKG Associates, Inc., 2016

The Western Corridor, stretching along the south side of the highway, contains a low density mixture of garden centers and landscaping businesses, delis, take-out food stores, restaurants, a bike and surf shop and a gas station. The Bayberry Nursery and Whitmore's Gardens are two of the largest establishments. In contrast to the historic center, the Western Corridor is not configured as a compact walkable destination.

The Eastern Corridor contains many businesses and uses found in a typical downtown including one of the few grocery stores in Town, medical and professional offices, a gas station, personal service shops, the Amagansett Post Office, a laundromat, and additional food and beverage shops. The Amagansett railroad station is also in this sub-area, although its contiguity to the main concentration of retail business uses is interrupted by a materials supply yard and a challenging street intersection. The Bunker Hill Rd area at the eastern end of the business node has over 10,000 SF of building space housing Specialty Trade Contractor businesses.

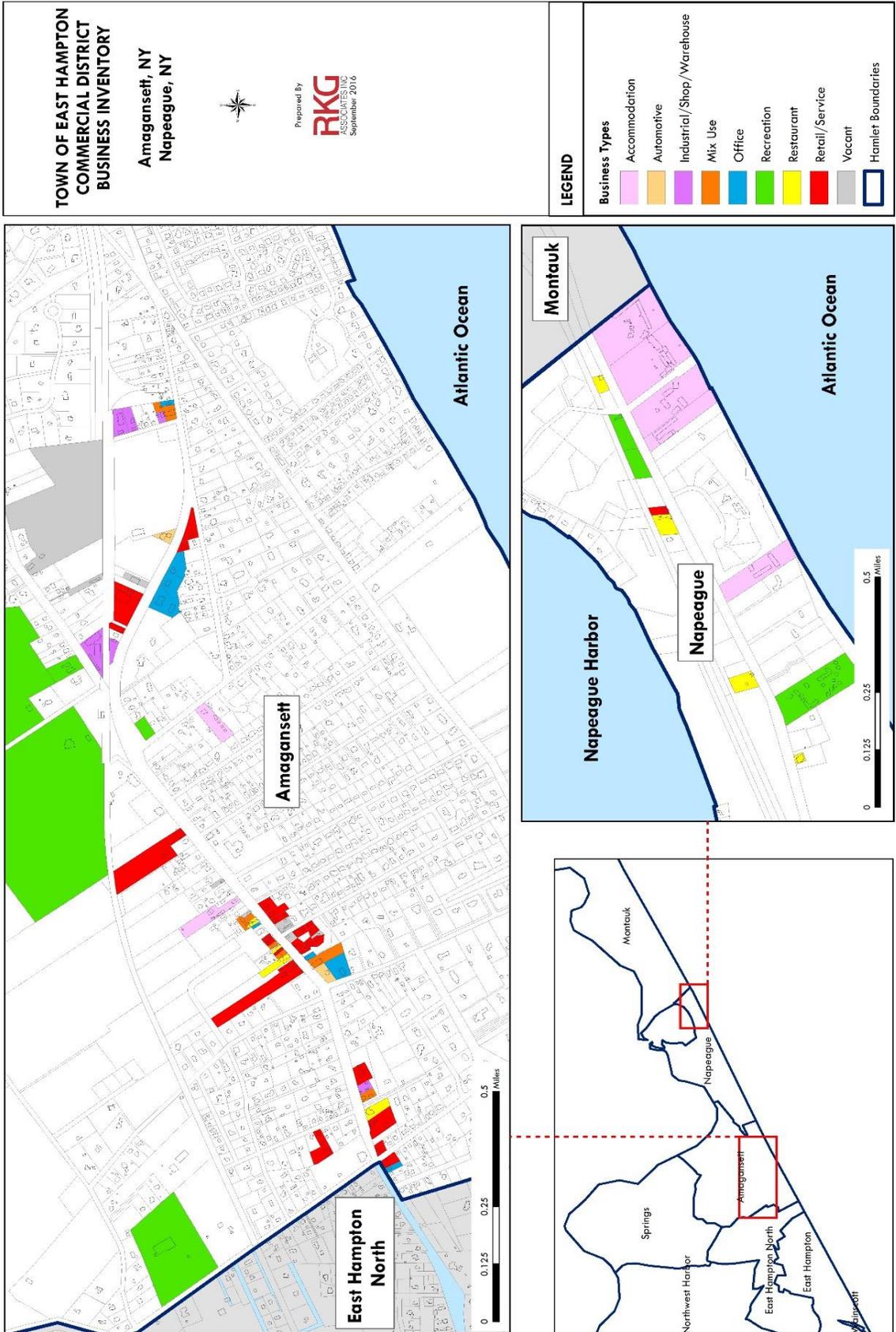
Napeague, the thin strip of land between the Atlantic Ocean and Napeague Harbor, is comprised exclusively of seasonal motels, restaurants and recreation facilities surrounded by large tracts of public parkland. Accommodation facilities comprise over 40% of the building square footage in Amagansett, of which 95% are located in Napeague. The restaurants serve the motel occupants but are also a large draw for year round residents, second home owners and other visitors to East Hampton.

In contrast to the marine businesses surrounding the harbors in Montauk and Springs, the private recreational businesses in Amagansett include golf courses, tennis clubs, exercise studios and other types of inland sports facilities. However, with over seven miles of ocean beaches and a larger area in bay frontage, the public beaches and waterfront are a major draw to Amagansett for year-round, second home owners and tourists.

#### **Market Orientation**

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|---|--|
| <ul style="list-style-type: none"><li>• Large undeveloped properties north of Montauk Highway create opportunities for future housing development</li><li>• Amagansett hamlet center offers pleasant pedestrian environment for shopping and dining but does not offer a complete much for year-round residents</li></ul> | <ul style="list-style-type: none"><li>• Locals would like to see additional commercial development to fill out the hamlet center</li><li>• The Hamlet is ideally suited to meet the needs of tourists and year-round residents with some expanded offerings.</li><li>• Potential for larger retail cluster at this location</li><li>• Seasonal traffic can cut-off access to the hamlet during peak season</li></ul> |
|---|--|

Map 5-5



Date source: Town of East Hampton, Fine Arts & Sciences, LLC, RKG Associates, Inc. 2016

#### **h. Hamlet of East Hampton Village**

One of the largest concentrations of retail shopping activity in East Hampton is located in East Hampton Village. As stated at the beginning of this section, an inventory of East Hampton Village businesses was not included because the village leadership did not wish to participate in this study. However, one cannot ignore the significance of this area given the number of retailers and the amount space currently available. East Hampton Village is perhaps the most dynamic business district in East Hampton by virtue of the high quality space and the high rents achieved at this location. The district is home to a concentration of high-end retail operators, typically national and international design brand clothiers, who operate seasonal shops or “pop up shop.” Pop up shops are a growing trend in certain market, and commonly occur in either low cost/high vacancy or very expensive markets like East Hampton. They are typically short-term storefronts, which in East Hampton occur during the summer tourist season. At the conclusion of the season, these storefronts close and the building remains vacant for the remainder of the year. In addition to boutique pop-up type shops within East Hampton Village, there are multiple real estate offices, the only movie theater in Town, one of the only grocery stores serving the entire town.

A common complaint heard during this planning process has been that many of these seasonal boutiques and pop up shops have effectively displaced locally-owned shops due to increased rent rates charged for ground floor space. A quick review of current retail space listings using LoopNet.com, a real estate listing site, shows that retail space is being advertised for lease at between \$60/SF and \$110/SF for ground floor retail space in the village. One listing for a 900 SF space is asking \$60,000 per year or \$66.67/SF. Typically, a retailer’s rent would equal 5% of total annual sales, which in this case would equal \$1.2 million. For a store occupying 900 SF, average annual sales would have to equal \$1,333/SF, which is far in excess of normal retail sales averages. Considering the fact that local retail rents are being charged on an annual lease basis, but local sales are only occurring between April and October, it’s doubtful that these are profitable retail operations in a conventional sense. However, it is more likely that some of the shops in East Hampton Village are serving a dual purpose. Number one, these shops are catering to the shopping needs of their affluent customer base, who live in NYC or other cosmopolitan locations. Secondly, they are marketing their brand and getting valuable exposure to wealthy visitors to East Hampton as well as celebrities visiting the area. As long as East Hampton remains a popular destination for wealthy visitors, this trend is likely to continue. However, it appears contained in East Hampton Village and other than Amagansett, none of the other hamlets appear well positioned to attract this type of high profile retailer. Montauk’s location at the far eastern end of East Hampton would make it slightly less attractive for higher-end shops. However, changes in ground floor lease rates and seasonal tenant mix should be monitored closely. The current high asking price for the Gossman Site in Montauk, makes any future commercial destination at that property a likely candidate for high-value tenants.

## **B. RETAIL MARKET ANALYSIS**

### **1. Shopping Center Typology**

The term “retail” generally refers to operations involved in the sale of goods, merchandise, or services from a fixed location, such as a shopping center or freestanding store. Retail can generally be classified into two major categories by building configuration: general retail, which is typically single tenant freestanding general purpose commercial buildings with parking; and, shopping centers.

The definition of a shopping center is standard. As formulated by the former Community Builders Council of the Urban Land Institute (ULI) in the 1950s and reaffirmed over time, a shopping center is a group of commercial establishments planned, developed, owned, and managed as a unit related in location, size,

and type of shops to the trade area it serves. It provides on-site parking relating to the types and sizes of its stores.

As the shopping center evolved, five basic types emerged, each distinctive in its own function: (1) the convenience, (2) the neighborhood, (3) the community, (4) the regional, and (5) the super-regional. In all cases, a shopping center's type and function are determined by its major tenant or tenants and the size of its trade area; they are never based solely on the area of the site or the square footage of the structures. The power center is a variation of the community shopping center, and the factory outlet center is a variation on the regional or super regional shopping center without the department store anchors and often positioned as off-price merchandise.

The ULI defines the types of shopping centers that comprise the majority of retail development in the United States. For purposes of understanding terms and characterizations used in this report, the types of retail centers are summarized:

- **Convenience Center** – Provides for the sale of personal services and convenience goods similar to those in a neighborhood center. It contains a minimum of three stores, with a gross leasable area (GLA) of up to 30,000 SF. Instead of being anchored by a supermarket, a convenience center is usually anchored by some other type of personal/convenience services such as a minimarket.
- **Neighborhood Shopping Center** – This type of retail center provides for the sale of convenience goods (foods, drugs, and sundries) and personal services (e.g. laundry and dry cleaning, hair-styling, shoe repair and tailoring) for the day-to-day needs of the residents in the immediate area. It is built around a supermarket as the principal tenant and typically contains a gross leasable area of about 60,000 SF. In practice, neighborhood centers can range from 30,000 to 150,000 SF.
- **Community Shopping Center** – In addition to the convenience goods and personal services offered by the neighborhood center, a community center provides a wider range of soft lines (wearing apparel) and hard lines (hardware and appliances). The community center makes merchandise available in a greater variety of sizes, styles, colors, and prices. Many centers are built around a junior department store, variety store, super drugstore, or discount department store as the major tenant, in addition to a supermarket.

Although a community center does not have a full-line department store, it may have a strong specialty store or stores. Its typical size is about 150,000 SF of gross leasable area, but in practice, it may range from 100,000 to 350,000 or more SF. Centers that fit the general profile of a community center but contain more than 250,000 SF are classified as super community centers. As a result, the community center is the most difficult to estimate for size and pulling power.

- **Power Center** – A power center is a type of super community center that contains at least four category-specific, off-price anchors of 20,000 or more SF. These anchors typically emphasize hard goods such as consumer electronics, sporting goods, office supplies, home furnishings, home improvement goods, bulk foods, health and beauty aids, and personal computer hardware/software.
- **Regional Shopping Center** – This type of center provides general merchandise, apparel, furniture, and home furnishings in depth and variety, as well as a range of services and recreational facilities. It is built around two or more full-line department stores of generally not less than 50,000 SF. Its typical size is about 500,000 SF of gross leasable area, but in practice it may range from 250,000 SF to more than 800,000 SF. The regional center provides services typical of a business district yet not as extensive as those of the super-regional center.

- **Super-Regional Shopping Center** – A super regional center offers an extensive variety in general merchandise, apparel, furniture and home furnishings, as well as a variety of services and recreational facilities. It is built around three or more full-line department stores generally of not less than 75,000 SF each. The typical size of a super-regional center is about 1 million SF of GLA. In practice the size can range from about 500,000 to more than 1.5 million SF. Super regional centers have been typified by enclosed malls for over the past thirty years, but have transitioned to outdoor “town centers” over the past decade or so.
- **Factory Outlet Center** – A factory outlet center is a collection of manufacturer branded stores selling brand-name goods at a discount. The GLA typically ranges from 50,000 to 400,000 SF, and the center can occupy 10 acres to 50 acres of land. They are most often located in rural areas or tourist locations. If rural, the market can be drawn from a radius as large as 200 miles, although a 25- to 75-mile market area is more common.
- **Mixed-Use Town Center/Lifestyle Center** - A mixed-use town or lifestyle center is a walkable and integrated open-air, multiuse development that is organized around a clearly identifiable and energized public realm where citizens can gather and strengthen their community bonds. It is anchored by retail, dining, and leisure uses, as well as by vertical or horizontal residential uses. At least one other type of development is included in a town center, such as office, hospitality, civic and cultural uses. A local example of this type of mixed-use development is present at the Dulles Town Center located off Route 28 in Sterling, Virginia.<sup>1</sup>
- **General Retail** - General Retail typically includes free standing, urban ground floor, car dealers, banks, service stations, restaurants, and merchants otherwise not located in an identifiable shopping center.

## 2. Methodology

### a. Retail Trade Areas

In order to analyze how local and regional retail businesses are serving the Town’s year-round households, RKG Associates identified the Primary Trade Area (PTA) and Secondary Trade Area (STA). Given the unusual geographic location of East Hampton, its limited transportation network, and surrounded by water on three sides, ESRI’s Rural Driving Time Radius<sup>2</sup> was used to depict the pattern of typical drive times. As shown in Map 5-6, the PTA for this analysis consists of the area within a 15-minute drive-time from 1 Main St., East Hampton, which is approximately the Town’s geographic center. It includes the majority of the Town of East Hampton except for the east end (Montauk), a major portion of Sag Harbor, and a small portion of South Hampton (mainly Sagaponack and Bridgehampton). The STA consists of the area within 15-30 minutes’ drive from 1 Main St. It includes the majority of Montauk, Shelter Island, and a portion of Southampton (Watermill, Noyack, Bridgehampton). RKG also analyzed the regional retail context, which considers the area within 60 minutes’ drive from the Town center. The area within 30-60 mins’ drive contains a number of shopping centers which are complementary to the dominant retail types in the PTA and STA. This generally includes the west portion of Southampton, Southold, part of Riverhead, and a small portion of Brookhaven.

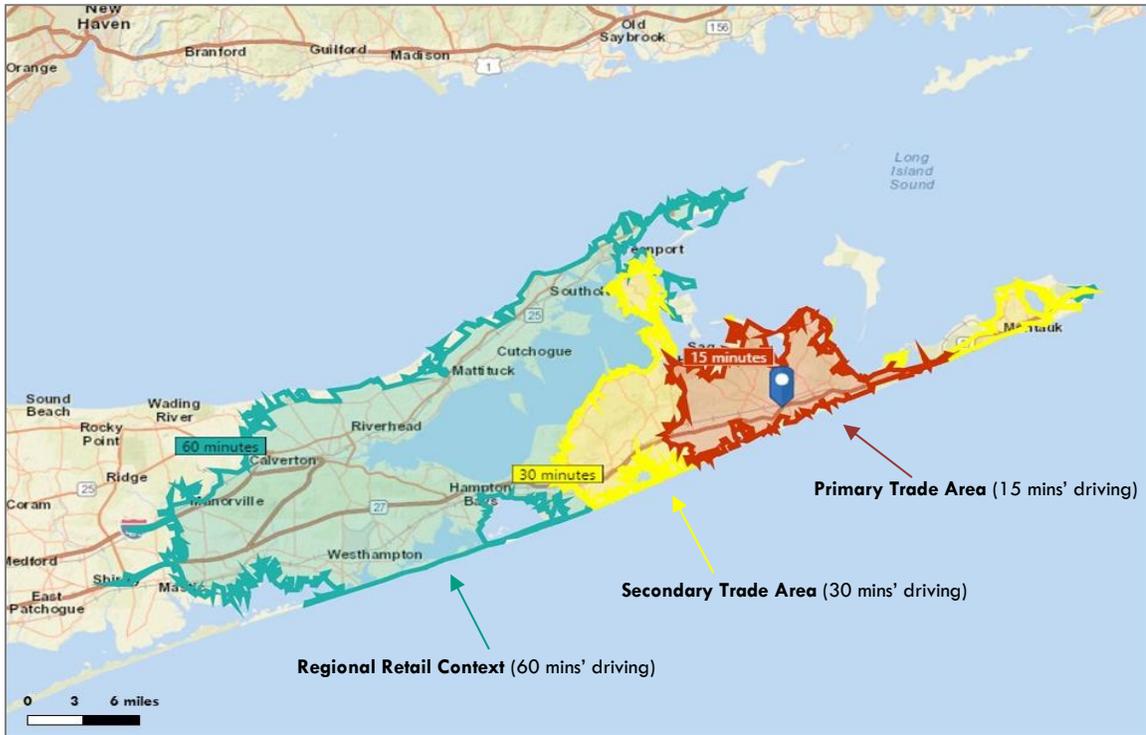
<sup>1</sup> Ten Principles for Developing Successful Town Centers. Washington, D.C.: ULI—the Urban Institute, 2007.

<sup>2</sup> Rural Driving Time models the movement of cars and other similar small automobiles, such as pickup trucks, and finds solutions that optimize travel time. Travel obeys one-way roads, avoids illegal turns, and follows other rules that are specific to cars, but does not discourage travel on unpaved roads.

b. Data Sources

The retail trade area market demand/supply data came from ESRI, a nationally recognized provider of demographic and market information. ESRI demand data is based on its estimates of population, household, and income as of 2016 in the designated trade areas. Businesses are classified by their primary economic activity using the North American Industry Classification System (NAICS), covering 27 industry groups in the Retail Trade sector and four industry groups in the Food Services & Drinking Establishments subsector.

**Map 5-6  
Retail Trade Area**



Source: ESRI, RKG Associates, Inc., 2017

As part of the future supply analysis, RKG Associates calculated the average sales per square foot by store type based on the Urban Land Institute's (ULI) Dollars and Cents of Shopping Centers publication, which provides sales per square foot averages for various retail store types throughout different regions of the U.S. In order to more accurately represent the local market, RKG adjusted the national ULI data based on the differences in gross sales per store in the STA (which is derived from the supply data from ESRI), as compared to the national average. This data was then applied to the estimated sales capture value to determine supportable additional retail square footage in local market. RKG also obtained information on the region's major downtown commercial districts and large shopping centers from Suffolk County Planning Department's 2016 Shopping Centers & Downtowns Inventory.

**3. Trade Area Supply and Regional Competition**

The estimated retail sales volume in PTA is estimated at \$557.9 million in 2016. The largest retail categories include Food & Beverage Stores (\$166.8 million/30% of total sales), Food Services & Drinking Places (\$73.7 million/13%), and Clothing & Clothing Accessories Stores (\$70.5 million/13%). The estimated retail sales value in STA is \$785.2 million, with the top sales categories consisting of

Motor Vehicle & Parts Dealers (\$220.7 million/28%), Food & Beverage Stores (\$126.9 million/16%), and Food Services & Drinking Places (\$77 million/10%). The area within a 30 to 60 minutes driving distance includes the City of Riverhead, NY and South Hampton, which are located approximately 30 miles west and south of East Hampton. This larger market area had a retail sales base of more than \$3 billion in 2016. The largest retail sales categories are Motor Vehicle & Parts Dealers (\$566 million/19%), Food & Beverage Stores (\$521.6 million/17%), and General Merchandise Stores (\$407.9 million/14%).

According to a recent downtown retail and shopping center inventory completed by the Suffolk County Planning Department<sup>3</sup>, retail activity in the study area primarily cluster in 25 downtown business districts and 828 shopping centers within a 60-minute drive-time of East Hampton's geographic center (Table 5-9). Map 5-7 shows the major downtown districts with at least 10 acres/50 stores and shopping centers with at least 100,000 square feet/15 stores. Southampton downtown district is the largest, with 264 retail stores in a 45-acre area, the total square footage is 540,000 SF. The second largest downtown district is in Riverhead, which has 28 acres and 164 stores (334,000 square feet). Four downtown commercial districts have land sizes between 15 and 20 acres, the numbers of stores between 100 and 150, and the total commercial square footages between 200,000 and 300,000, including Greenport Downtown (in Southold), East Hampton Downtown (in East Hampton), Sag Harbor Downtown, and Westhampton Beach Downtown (both in Southampton).

**Table 5-9  
Downtown Commercial Districts and Shopping Centers in the Region  
2016**

	Num of Downtown Districts (by # of stores)					Sub-total
	0-49	50-99	100-149	150+		
East Hampton Town	3	1	1	-	5	
Riverhead (part*)	2	-	-	1	3	
Shelter Island	1	-	-	-	1	
Southampton	4	2	2	1	9	
Southold	3	-	1	-	4	
Brookhaven (part*)	2	1	-	-	3	
<b>TOTAL</b>	<b>15</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>25</b>	

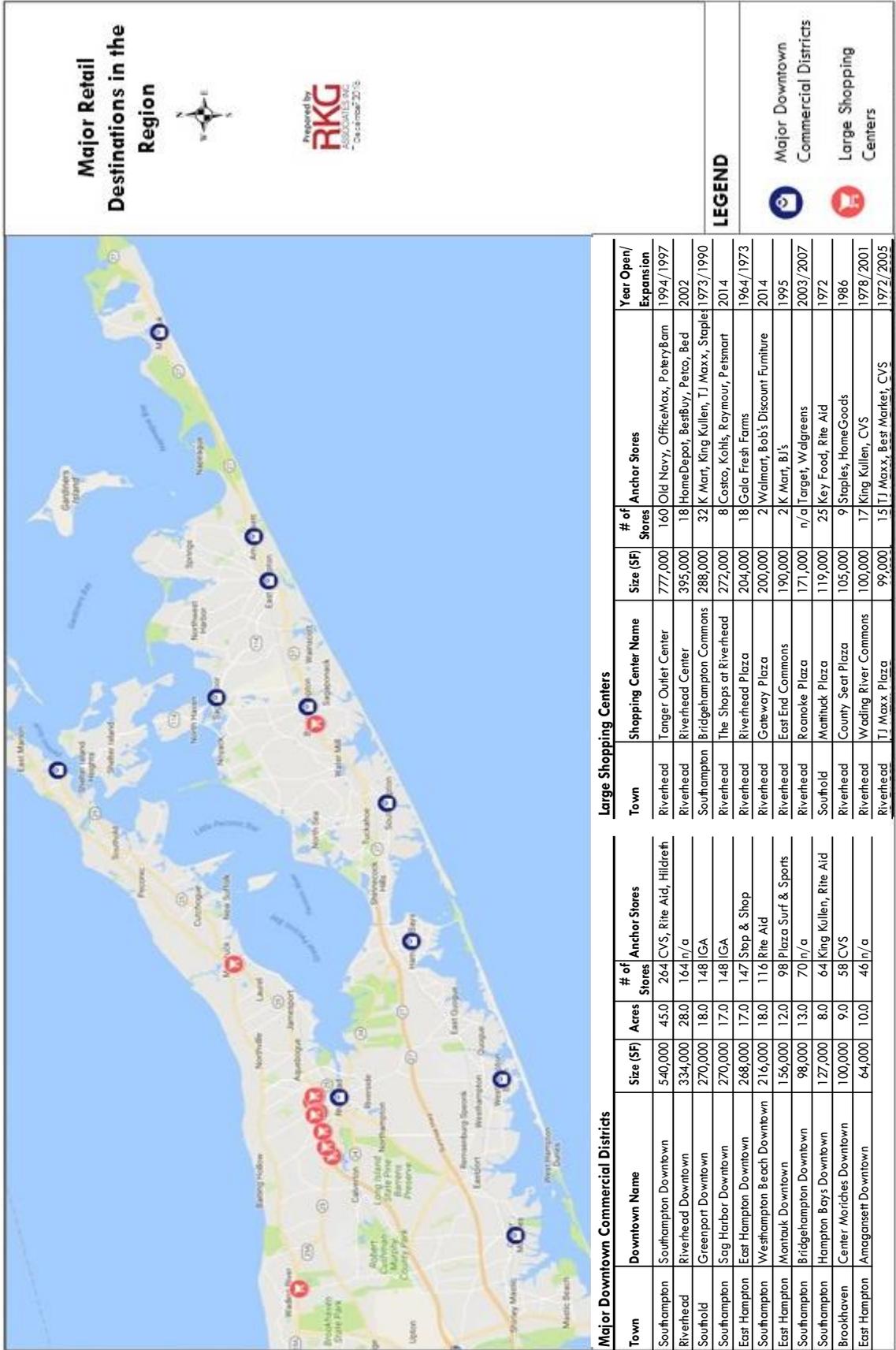
	Num of Shopping Centers (by square feet)							Sub-total
	<10,000	10,000 - 99,999	100,000 - 149,000	150,000 - 249,999	250,000 - 499,000	500,000 - 750,000	750,000+	
East Hampton Town	4	6	-	-	-	-	-	10
Riverhead (part*)	5	13	3	5	2	-	1	29
Shelter Island	2	1	-	-	-	-	-	3
Southampton	5	16	-	-	1	-	-	22
Southold	-	7	1	-	-	-	-	8
Brookhaven (part*)	3	7	-	-	-	-	-	10
<b>TOTAL</b>	<b>19</b>	<b>50</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>82</b>

Source: Suffolk County Planning Department Downtown and Shopping Center Inventory, 2015 and RKG Associates, Inc., 2017

Note: \* only included the parts within 60 mins' drive from the Town of East Hampton's geographic center.

<sup>3</sup> Suffolk County Downtown and Shopping Center Inventory (2015).  
<http://www.suffolkcountyny.gov/Portals/0/planning/Research/2016/RetailS1.pdf>

Map 5-7



The most common anchor stores in these districts are chain pharmacies, smaller grocery stores, and full-service supermarkets such as CVS, Rite Aid, IGA, and King Kullen. Downtown districts that are located along Route 27 are more likely to be competing with the businesses in East Hampton for tourist shoppers.

The majority of the larger shopping centers in the region are located in Riverhead, particularly along Old County Road (Route 58) within 4 miles between its intersections with Route 495 (Long Island Expressway) and Route 25. Resident focus groups conducted for this study indicate that many people in East Hampton do their major household shopping in Riverhead, which can take more than one hour to reach during the summer months. They are easily accessible via Route 27 (Montauk Highway) (Map 5-7). The largest shopping center is the Tanger Outlet Center, which is located adjacent to the Route 495/Route 25 intersection. Open in 1994 and expanded in 1997, Tanger Outline Center has 777,000 square feet, 160 stores; and the anchor stores include Old Navy, OfficeMax, Pottery Barn, and Off 5<sup>th</sup>.

Other shopping centers in Riverhead with more than 200,000 square feet include Riverhead Center (built in 2002; anchored by Home Depot, Best Buy, Petco, and Bed, Bath & Beyond), The Shops at Riverhead (built in 2014; anchored by Costco, Kohls, Raymour, Petsmart), Riverhead Plaza (built in 1964 and expanded in 1973; anchored by Gala Fresh Farms), and Gateway Plaza (built in 2014; anchored by Walmart, Bob's Discount Furniture). Since 1990, major new shopping center development and expansion in the region had mainly concentrated in Riverhead, enhancing its role as the region's shopping destination. The largest shopping center within 30-min' drive from East Hampton is Bridgehampton Commons in Southampton. Built in 2002 along Route 27 and approximately 0.8 mile from downtown Bridgehampton, the shopping center has 395,000 square feet, 18 stores, and is anchored by K Mart, King Kullen, TJ Maxx, and Staples. Southampton also has a larger number of smaller shopping centers, anchored by stores such as Macy's, Petco, Wild by Nature, Dollar Tree, and Stop & Shop. These shopping centers are also primarily located along Route 27, and as such they compete directly for East Hampton's consumer spending, both year-round and seasonal demand.

#### **4. Retail Market Potential and Sales Leakage**

Measuring a market's retail potential involves an analysis of retail supply and household demand characteristics. Retail supply consists of all store types within a given market that cater to the needs of existing households, employees, visitors and people passing through the area. In order to determine the retail sales potential for a given area or customized geography, RKG Associates conducted a retail sales leakage analysis. Retail sales leakage refers to a situation where a local market does not have sufficient stores; either by number or types of establishments, to meet the spending needs of local households. When local household demand (expressed as annual dollars spent for different merchandise categories) exceeds the amount of retail sales captured by local establishments, it is assumed that a portion of local household demand has "leaked" outside the local market to other shopping locations. Sales leakage is common in smaller local areas where the number of businesses and shopping opportunities are limited. In such cases, people tend to drive to larger shopping destinations to purchase the goods and services they desire. To a great extent, sales leakage occurs in most every community as many people shop where they work or they make retail purchases on-line. Therefore, sales leakage cannot be reduced to zero and will always occur. However, as the number of local stores expands, it is possible to recapture a percentage of sales leakage.

In contrast, an area has a "sales surplus" when captured sales (supply) exceed local household demand. This usually indicates that the trade area has a market cluster or concentration of businesses, which attracts consumers from the trade areas as it becomes known for a specific niche or for having a wide variety of shops to choose from. As a result, they draw customers from a larger geographic region than if the stores attempted to locate independently. Another reason, which is more relevant to East Hampton, is the sales captured by local establishments include those purchases made by seasonal residents, tourists and other visitors, which number in the tens of thousands. Since they are not year-round resident, their demand for retail goods is not counted in the local demand, but their purchases are captured on the

supply side of the equation. In East Hampton’s case, added spending of seasonal residents and visitors is large enough to support additional stores and products.

Table 5-10 shows that both the PTA and the STA are currently capturing more than local households demand; the total net surplus is \$18.4 million in the PTA and \$295.4 million in the STA. Three retail categories have high surpluses in both the PTA and STA, including Food & Beverage Stores, Clothing & Clothing Accessories Stores, and Food Services & Drinking Places. Other retail categories with high surpluses include Building Materials/Garden Equipment & Supply Stores in the PTA, and Motor Vehicles & Parts Dealers and Furniture & Home Furnishings Stores in the STA.

Typically, most people won’t drive more 30 minutes for grocery stores and restaurants, but RKG has learned the many local people are willing to drive that distance as part of weekend shopping trips. This is largely due to the increased variety and lower prices found outside the community.

In addition to that spending, the surpluses are most likely reflecting the spending of seasonal residents who typically live here for 2-3 months every year during the summer time and tourists who spend their weekends or vacations in town. The region’s major shopping centers are mainly located outside the STA, meaning that the clothing stores in the trade areas are unlikely to capture much of the spending of the households in the communities west of East Hampton. Therefore, the sales surplus of clothing stores also reflects the spending of seasonal residents and visitors. The surplus of building, gardening, and home furnishing related businesses is largely supported by the second home and vacation home industry, as out-of-town property owners maintain their properties on a regular basis, or renovate/redecorate their properties for their summer as well as

**Table 5-10**  
**Trade Areas Retail Stores (Leakage)/Surplus by Retail Category**

	(Leakage)/Surplus	
	PTA	STA
<b>Total</b>	<b>\$18,372,138</b>	<b>\$295,398,079</b>
Motor Vehicle & Parts Dealers	(\$81,374,246)	\$123,600,961
Automobile Dealers	(\$82,787,095)	\$122,848,974
Other Motor Vehicle Dealers	\$5,180,526	\$2,959,704
Auto Parts, Accessories & Tire Stores	(\$3,767,677)	(\$2,207,717)
Furniture & Home Furnishings Stores	\$767,248	\$43,394,574
Furniture Stores	\$3,579,008	\$29,293,713
Home Furnishings Stores	(\$2,811,760)	\$14,100,861
Electronics & Appliance Stores	(\$24,956,467)	\$4,686,962
Bldg Materials, Garden Equip. & Supply Stores	\$20,047,420	\$12,744,168
Bldg Material & Supplies Dealers	\$6,680,640	\$5,060,671
Lawn & Garden Equip & Supply Stores	\$13,366,780	\$7,683,497
Food & Beverage Stores	\$73,350,167	\$42,664,330
Grocery Stores	\$57,163,692	\$21,537,616
Specialty Food Stores	\$5,659,899	\$11,615,038
Beer, Wine & Liquor Stores	\$10,526,576	\$9,511,676
Health & Personal Care Stores	(\$12,274,347)	(\$14,105,734)
Gasoline Stations	\$4,403,171	\$9,222,426
Clothing & Clothing Accessories Stores	\$34,004,453	\$27,907,656
Clothing Stores	\$31,368,009	\$30,605,737
Shoe Stores	(\$1,397,954)	(\$2,341,619)
Jewelry, Luggage & Leather Goods Stores	\$4,034,398	(\$356,462)
Sporting Goods, Hobby, Book & Music Stores	\$14,387,356	\$1,212,146
Sporting Goods/Hobby/Musical Instr Stores	\$12,226,030	\$854,154
Book, Periodical & Music Stores	\$2,161,326	\$357,991
General Merchandise Stores	(\$41,176,696)	(\$6,279,414)
Department Stores Excluding Leased Depts.	(\$25,325,003)	\$8,224,158
Other General Merchandise Stores	(\$15,851,693)	(\$14,503,571)
Miscellaneous Store Retailers	\$8,388,805	\$21,175,074
Florists	\$662,600	\$606,630
Office Supplies, Stationery & Gift Stores	(\$552,143)	\$1,517,743
Used Merchandise Stores	\$4,088,946	\$4,152,675
Other Miscellaneous Store Retailers	\$4,189,402	\$14,898,026
Nonstore Retailers	\$399,203	(\$1,074,951)
Electronic Shopping & Mail-Order Houses	(\$2,157,922)	(\$2,864,611)
Vending Machine Operators	(\$282,610)	(\$254,203)
Direct Selling Establishments	\$2,839,735	\$2,043,863
Food Services & Drinking Places	\$22,406,071	\$30,249,881
Full-Service Restaurants	\$27,305,417	\$33,461,457
Limited-Service Eating Places	(\$7,088,030)	(\$4,178,171)
Special Food Services	\$388,315	\$106,223
Drinking Places - Alcoholic Beverages	\$1,800,369	\$860,371

Source: ESRI, RKG Associates, Inc., 2017

rentals. In some of these categories, the surpluses may be large enough to support new stores without seriously diluting the revenues of existing businesses, or to expand existing stores. However, if a business heavily relies on seasonal customers, it may be able to achieve financial balance by opening only during the summer months and leaving an empty storefront in other time of year, which is not preferred by the year-round residents.

Despite the overall surplus, both the PTA and STA have retail leakages in some categories. In some cases, the leakages in the PTA are relatively small when compared with the surpluses in the STA, suggesting that the businesses in the STA are likely capturing the leakages in PTA, leaving limited potential for additional new businesses. This includes automobile dealers, home furnishing stores, office supplies/stationary stores. Retail categories that are leaking sales in both trade areas, or those surpluses in the STA are not sufficient to capture PTA's leakages usually have greater market potential. This includes health & personal care stores, limited-service eating places, general merchandise stores, auto parts/accessories/ tire stores, shoe stores, electronics & appliances stores, and department stores. However, evidence of retail sales leakage does not necessarily support the addition of new space in a given market. Consumers shop outside their local market for a number of different reasons. Often times they desire to shop at larger retail centers where they can find a greater variety of merchandise or more competitive pricing than what can be obtained locally. This may apply to the case of shoe stores and electronic & appliance stores. In other instances, it is more convenient for them to shop outside their local market because they commute to work and can access other shopping centers more conveniently.

From the supply perspective, most communities don't desire certain types of stores, such as gas stations or automotive dealers, despite an unmet demand for those goods and services. In general, site access, visibility and traffic volumes are other very important considerations for retail locations. In East Hampton, new retail stores are more likely to be located in the Town's existing commercial districts, therefore the types of new retail have to be compatible with the surroundings.

For the retail categories with potential for new stores or expansion of existing stores, Table 5-11 shows the requisite conditions when considering the location of the stores. In general, auto parts/accessories & tire stores typically gravitate to commercial corridors but East Hampton's zoning has discouraged that development pattern. Very small, Electronics & appliance stores, health & personal care stores, shoe stores and other general merchandise stores could successfully blend in the retail clusters in the hamlet centers. Limited-serve eating places could be adjacent to other retail stores and business operations, or recreational facilities.

**Table 5-11  
 Market Supportable Retail Opportunities  
 Combined PTA and STA**

Business Type	Requisite Conditions
Auto Parts, Accessories & Tire Stores	Convenience
Electronics & Appliance Stores	Convenience, access, visibility
Health & Personal Care Stores	Convenience, access, visibility
Shoe Stores	Convenience, access, visibility
Department Stores Excluding Leased Depts.	Convenience
Other General Merchandise Stores	Convenience
Limited-Service Eating Places	Suitable visibility, access, environment. National chains

Source: RKG Associates, Inc., 2017

Table 5-12 shows the supportable retail square footage in the trade areas in conservative, moderate, and aggressive scenarios. It is estimated that the PTA could support between 107,257 SF and 237,532 SF of new retail, restaurants, and services and the STA could support an additional 77,450 SF and 153,268 SF. In total, the combined local market could support between 184,707 SF and 390,800 SF. This excluded the retail categories where the sales leakage in one trade area was likely being captured by the businesses in the adjacent trade area and where the businesses are not compatible with the Town's existing retail environment. These square foot totals are what could be supported if additional retail operations were allowed in East Hampton in the appropriate merchandise categories. These retail sales are effectively leaving the town today and being spent in other locations.

**Table 5-12  
Supportable Retail Square Footage in the PTA & STA  
2016**

	Adjusted Sales/\$F	ADDITIONAL SUPPORTABLESF											
		PTA (0-15 mins drive)			STA (15-30 mins drive)			Combined Local Market (0-30 mins drive)					
		Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive	Conservative	Moderate	Aggressive			
<b>Total</b>		107,257	172,394	237,532	77,450	115,359	153,268	184,707	287,754	390,800			
Motor Vehicle & Parts Dealers		3,998	7,996	11,994	2,343	4,685	7,028	6,341	12,681	19,022			
Auto Parts, Accessories & Tire Stores	\$236	3,998	7,996	11,994	2,343	4,685	7,028	6,341	12,681	19,022			
Furniture & Home Furnishings Stores		0	0	0	0	0	0	0	0	0			
Furniture Stores	\$255	0	0	0	0	0	0	0	0	0			
Home Furnishings Stores	\$240	0	0	0	0	0	0	0	0	0			
Electronics & Appliance Stores	\$223	11,182	22,364	33,546	0	0	0	11,182	22,364	33,546			
Bldg Materials, Garden Equip. & Supply Stores		0	0	0	0	0	0	0	0	0			
Bldg Material & Supplies Dealers	\$310	0	0	0	0	0	0	0	0	0			
Lawn & Garden Equip & Supply Stores	\$224	0	0	0	0	0	0	0	0	0			
Food & Beverage Stores		0	0	0	0	0	0	0	0	0			
Grocery Stores	\$727	0	0	0	0	0	0	0	0	0			
Specialty Food Stores	\$429	0	0	0	0	0	0	0	0	0			
Beer, Wine & Liquor Stores	\$1,021	0	0	0	0	0	0	0	0	0			
Health & Personal Care Stores	\$280	30,667	35,048	39,428	35,242	40,277	45,311	65,909	75,324	84,740			
Clothing & Clothing Accessories Stores		764	1,529	2,293	3,201	6,401	9,602	3,965	7,930	11,895			
Clothing Stores	\$193	0	0	0	0	0	0	0	0	0			
Shoe Stores	\$183	764	1,529	2,293	3,201	6,401	9,602	3,965	7,930	11,895			
Jewelry, Luggage & Leather Goods Stores	\$845	0	0	0	0	0	0	0	0	0			
Sporting Goods, Hobby, Book & Music Stores		0	0	0	0	0	0	0	0	0			
Sporting Goods/Hobby/Musical Instr Stores	\$134	0	0	0	0	0	0	0	0	0			
Book, Periodical & Music Stores	\$254	0	0	0	0	0	0	0	0	0			
General Merchandise Stores		42,174	84,347	126,521	25,776	51,552	77,327	67,949	135,899	203,848			
Department Stores Excluding Leased Depts.	\$181	14,002	28,004	42,006	0	0	0	14,002	28,004	42,006			
Other General Merchandise Stores	\$56	28,172	56,343	84,515	25,776	51,552	77,327	53,947	107,895	161,842			
Miscellaneous Store Retailers		0	0	0	0	0	0	0	0	0			
Florists	\$321	0	0	0	0	0	0	0	0	0			
Office Supplies, Stationery & Gift Stores	\$127	0	0	0	0	0	0	0	0	0			
Used Merchandise Stores	\$141	0	0	0	0	0	0	0	0	0			
Other Miscellaneous Store Retailers	\$171	0	0	0	0	0	0	0	0	0			
Food Services & Drinking Places		18,472	21,111	23,750	10,889	12,445	14,000	29,361	33,556	37,750			
Full-Service Restaurants	\$455	0	0	0	0	0	0	0	0	0			
Limited-Service Eating Places	\$269	18,472	21,111	23,750	10,889	12,445	14,000	29,361	33,556	37,750			
Special Food Services	\$178	0	0	0	0	0	0	0	0	0			
Drinking Places - Alcoholic Beverages	\$585	0	0	0	0	0	0	0	0	0			

Source: ESRI, RKG Associates, Inc., 2017

In some instances, there is not enough unmet consumer demand to support a new store location, but enough sales to support and expanded merchandise line in an existing store.

## 5. E-commerce Trends

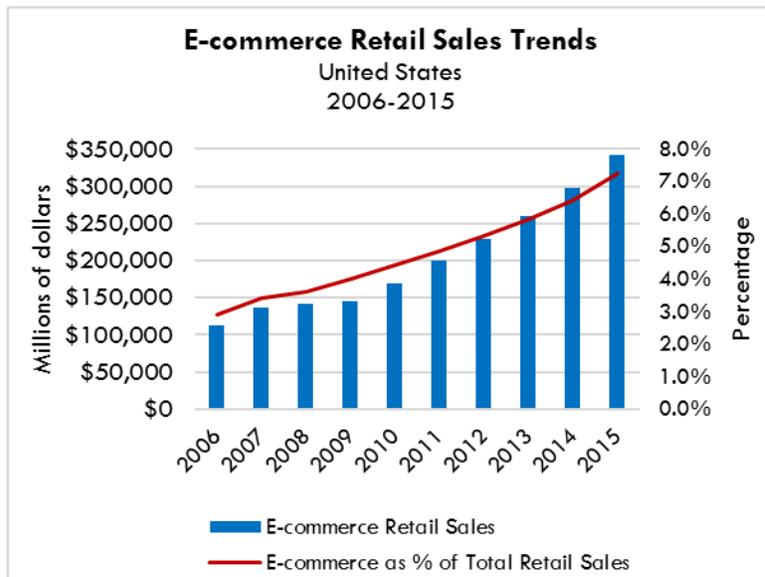
Over the past two decades, e-commerce has been expanding rapidly and increasingly competing with traditional “brick & mortar” retail stores for customers. In order to better understand the market environment that the retail businesses in East Hampton operate, RKG Associates analyzed the national trends of online retailing. It should be noted that due to the Town’s relative geographic isolation at the eastern end of Long Island and the large number of affluent seasonal residents, the online shopping patterns of the average online customers may be quite different, but the general trends still apply.

Figure 5-1 shows that over the 10-year period from 2006, annual e-commerce sales has grown steadily from \$112.9 billion to \$341.5 billion in 2015; the annual growth rate is 22.5%. The percentage of e-commerce sales as a percentage of total retail sales has increased from 2.9% to 7.3%. During the first three quarters of 2016, \$291.7 billion in e-commerce retail sales were recorded, representing 8.1% of total retail sales.

During the most recent recession, while the annual total retail sales dropped by \$313.7 billion from 2008 to 2009, e-commerce retail sales maintained an annual growth of \$3.2 billion, mainly due to the strong recovery in the last quarter of 2009 following a moderate decline over the first three quarters of the year.

This indicates that e-commerce not only is representing a greater portion of retail spending, but also tends to be more resilient than traditional retail stores during periods of economic stress. Forrester, an international business analysis and advisory firm projects that the online sales in the U.S. will continue to grow aggressively over the next five years and reach \$530.6 billion by 2020.

**Figure 5-1**  
**U.S. E-commerce Retail Sales Trends**  
**2006-2015**



Source: U.S. Census, RKG Associates, Inc., 2017

Table 5-13 shows the top nine e-retail categories in the U.S. In 2015, these top categories collectively represented 80% of the total e-retail sales. Apparel & accessories were the leading e-retail category with \$63.8 billion sales, representing 18.7% of the total e-commerce sales. It is followed by computer & consumer electronics, which has \$57.7 billion sales, or 16.9% of the total.

Several retail categories that are showing a market gap in the East Hampton trade areas are included on the list, including apparel & accessories, computer & consumer electronics, auto & parts, and health & personal care. This may indicate that the market potential for traditional stores are limited by the online retailers.

From the consumers' perspective, the advantages of online shopping over in-store shopping typically include: (1) convenience, (2) competitive pricing and more discounts, (3) greater variety of merchandise, (4) fewer expenses such as transportation costs and sales taxes, (5) easier price comparison, and (6) customer and professional product reviews. This in part explains the growth trends of different types of e-retailers. Over the past five years, the sales of web only e-retailers such as Amazon and eBay have been consistently higher than the web sales traditional "brick & mortar" retail chains such as Walmart and Target, and the gap has been widening. Retailers such as Amazon not only sell a variety of products, but they also function as a platform for other e-retailers, which have amplified its advantage in providing information and the variety of choices.

According to BloomReach Inc., approximately 70% of online shoppers start product searches on retail sites in 2016, higher than in 2015 (65%) while only 30% start product search on search engines such as Google and Yahoo. Approximately 55% of online shoppers start product search on Amazon, significantly higher than in 2014 (44%). This has partly contributed to the fast sales growth of Amazon. According to Statista, since 2012, roughly one fourth of total e-commerce sales revenue has been generated during the year-end holiday season. Over the past 3 years, Cyber Monday has been the highest e-commerce spending days, followed by Black Friday and Thanksgiving Day<sup>4</sup>.

Despite the benefits of online shopping, traditional retail stores continue to attract customers with qualities such as face-to-face personalized services, authentic shopping experience, the opportunity of "try on" easily. Stores may also function as a venue for social interactions. In East Hampton, the tourist economy created opportunities for certain types of retail businesses to provide goods and services that appeal to tourists such as selling products from local farms and breweries in food stores and restaurants.

### C. IMPLICATIONS

- **Net Surplus in Retail Sales** - The retail sector in East Hampton is heavily dependent on the tourism economy and second home economy. Overall, retail businesses in the PTA and STA are capturing greater sales than local households demand; with a total net sales surplus is \$18.4 million in the PTA and \$295.4 million in the STA. In general, retail categories with high volumes of sales surpluses are closely related to the spending of tourists and seasonal residents, such as on food & beverage, clothing & clothing accessories, restaurants and drinking places, as well as the

**Table 5-13  
Top E-retail Categories in the U.S.  
2015**

	Billion dollars	% of Total
Apparel & accessories	63.8	18.7%
Computer & consumer electronics	57.6	16.9%
Auto & parts	36.1	10.6%
Books/music/video	28.6	8.4%
Furniture & home furnishings	26.7	7.9%
Health & personal care	24.4	7.2%
Toys & hobby	14.6	4.3%
Office equipment & supplies	9.1	2.7%
Food & beverage	8.3	2.4%

Source: Statista, RKG Associates, Inc., 2017

<sup>4</sup> <https://www.statista.com/statistics/191176/us-holiday-season-e-commerce-spending-by-online-shopping-day/>

spending associated with home building and maintenance, such as building materials, garden equipment & supply, and furniture & home furnishing.

- East Hampton Business Districts - The majority of the retail and other businesses in East Hampton are concentrated in the Town's commercial districts, which are located either along major transportation corridors such as Montauk Highway, Long Island Rail, Springs Fireplace Road and Second House Road, or adjacent to the tourist destinations such as Montauk and the harbors/marinas.

There are roughly three types of commercial districts based on their locations and business mixes. Downtown commercial districts in Wainscott, East Hampton North, and Amagansett have a combination of traditional main street businesses such as banks, apparel stores, restaurants, bars, pharmacies, and professional services offices and businesses that primarily serve visitors such as hotels. Montauk Highway creates easy access to these downtowns for both local residents and tourists. The second type is tourism-driven commercial districts located around harbors, marinas and other recreational facilities. Businesses in these districts are mainly for marine or other recreation, lodging, dining, and shopping. The third type of commercial district contain businesses that mainly serve building construction, maintenance, and landscaping. They are located along Springs Fireplace Road, Long Island Rail (Springs and Northwest Harbor), Second House Road (Montauk), and Montauk Highway (west Amagansett). This concentration of businesses created a series of retail clusters with distinctive characters in East Hampton. These clusters help attract more customers than individual businesses could by providing a variety of shopping options. Furthermore, the surpluses in certain retail categories in a cluster might be large enough to support new businesses without seriously affecting the profitability of existing businesses. On the other hand, businesses that heavily rely on seasonal customers might be able to maintain financial balance by opening only during the summer months. As a result, more businesses of the same type may mean more empty storefronts during the offseason, which is not preferred by the year-round residents.

- Retail Sales Leakage - Despite the total surplus, health & personal care stores, limited-service restaurants, general merchandise stores, auto parts/accessories/tire stores, and shoe stores in the PTA and STA are not capturing all the spending of year-round households. The current unmet demand could potentially support 184,707 SF - 390,800 SF of new retail businesses. However, this doesn't guarantee the viability of new retail development. First, new businesses are likely to be located within the existing commercial districts. Only those that are compatible with the existing business and the physical conditions of the neighborhoods could well blend in. Second, businesses in East Hampton are faced with competition from other retailers in the region as well as internet retailers. The large shopping centers and large-scale downtown commercial districts in the region are mainly located in Riverhead and Southampton. The retail businesses located along Route 27 (Montauk Hwy) are most likely to compete with local businesses for customers, including both the year-round households and the visitors.
- E-commerce Trends - In terms of internet retail, national trends indicate that over the past 10 years, internet retail sales have been growing at 22.5% annually, their percentage in total retail sales has increased from 2.9% to 7.3%. Several of the retail categories in which East Hampton residents are underserved are actually among the top internet retail categories, such as apparel & accessories, computer & consumer electronics, auto & parts, and heal & personal care. This may limit the prospect of opening new businesses in the Town.

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# 6 ANALYSIS OF SECOND HOME ECONOMY

## A. INTRODUCTION

The economic impacts of the second home sector have three main sources: the design, construction, maintenance, and transactions of second home properties, the living and spending behaviors of second home owners and other short-term tenants, as well as the property taxes generated by these properties. To evaluate the nature and scale of the impacts, RKG estimated the percentage of the Town's economy that is likely to be supported by non-year-round households, analyzed the trends of housing construction and sales, and estimated the assessed value and property tax contribution of second homes.

## B. MEASURING THE SECOND HOME ECONOMY

As shown in sections 3 and 4 of this report, industries that are directly related to the second home economy represent a significant portion of East Hampton's economy activity in terms of employment, the number of establishments, and taxable sales. To assess the contributions that the second home economy makes, RKG Associates has estimated the employment, establishments, and taxable sales associated with these activities.

### 1. What is the Second Home Economy?

The "second home economy" is a term that recognizes the unique characteristics of the East Hampton economy. According to RKG's research, seasonal and second homes account for over 60% of East Hampton's residential assessed value, as well as the real estate taxes derived from that tax base. In addition, this non-resident population brings its spending power to East Hampton and drives demand for a variety of different products and services. While the federal government does not recognize or track data related to this concept of a "second home economy," RKG Associates has attempted to isolate and measure various elements of the local economy that can be traced back to the purchasing power and spending patterns of this population.

### 2. The Concept of "Excess Share"

The concept of "local share" is mainly used to analyze the relative strengths and weaknesses of an area's economy (e.g., a city or hamlet), as a subarea of a larger region (e.g., a county or state). Most government economic data are tracked and reported at a county or metropolitan level and localized data must be extrapolated from these larger areas. In East Hampton's case, local estimates must be derived from Suffolk County data, relative to employment and establishment levels, tax sales revenues and similar data. Some federal data sources do report data below the county level but it is not as common and nor is the data very detailed.

To estimate the excess local share, it is necessary to use proportional techniques comparing industry percentages at the local level to industry percentages at the county or state level. It assumes that local economy mirrors many characteristics of the county or state economy its being compared against. And when they differ, that can indicate that the local economy is enjoying a competitive advantage or disadvantage, depending on the data relationship.

For example, let's assume the Town of East Hampton has 500 jobs employing specialty trade contractors (e.g., plumbers, carpenters, electricians, etc.) and those jobs account for 5% of local employment (10,000 jobs). At the same time, the State of New York has 150,000 jobs employing specialty trade contractors that make up 2% of the state's total employment (9.3 million jobs). If the East Hampton economy functioned similar to the state of New York, one might expect that 2% of local employment would be employed by specialty trade contractors or 200 jobs. However, the number employed in this industry exceeds the local share by 300 jobs. As such, we can assume that the East Hampton economy enjoys a competitive advantage over the rest of New York State and the 300 additional jobs in this industry are assumed to be meeting excess external demand. In other words, there are unique demand characteristics in East Hampton that are creating a higher level of demand for specialty trade contractors that is above the average statewide. Based on what we know about East Hampton we can conclude that these additional 300 jobs are needed to meet external demand that is more than what the local community demands. In the example, it's likely that the seasonal and second home economy is the primary source of this excess demand, which makes the East Hampton economy unique. There could be other reasons for these differences, but RKG has used this technique to isolate industries that appear to be exhibiting unusual employment and taxable sales characteristics. While the second home economy is likely to be contributing to these differences, RKG cannot say the exact percentage it is responsible for.

### 3. Estimating the "Excess Local Share"

RKG estimated the local share of each industry's employment in the Town of East Hampton using New York State as the comparing region. The employment is the sum of the annual average private sector employment and the self-employment. The annual employment data was from the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment & Wages (QCEW); the self-employment data was from the U.S. Census' Nonemployer Statistics. The estimate was based on the 2014 data for NAICS industry categorization to enable comparison with the numbers of employment, establishment, and taxable sales in Chapter 3.

RKG further estimated the local share of establishments that correspond to the excess local shares of employment. It was based on the average establishment size of each industry in East Hampton. RKG then estimated the amount of taxable sales generated by local employment shares and establishment shares, using the same assumptions for the estimation of the Town's total taxable sales in Chapter 3. The result is the local share of taxable sales which are likely to be attributed to the above average demand for goods and services provided by local businesses.

### 4. Measuring the Size of the Second Home Economy

Table 6-1 shows the estimated excess local share of taxable sales for each industry and its percentage of total taxable sales in East Hampton. Based on RKG's estimates, perhaps as much as 32% of local taxable sales can be attributed to the excess local demand. In East Hampton, that equated to roughly \$200.2 million in taxable sales in 2014.

**Table 6-1  
East Hampton Taxable Sales Local Shares by Industry  
2014**

NAICS Code		Sales' Local Shares	Total Taxable Sales	Local Share
	<b>Total</b>	<b>\$200,234,467</b>	<b>\$624,409,916</b>	<b>32%</b>
11----	Agriculture, Forestry, Fishing & Hunting	\$1,371,372	\$1,541,079	89%
21----	Mining/Quarrying/Oil/Gas Extraction	\$338,018	\$733,351	46%
22----	Utilities	-	\$38,497,632	-
23----	Construction	\$9,298,716	\$16,592,590	56%
31----	Manufacturing	\$849,536	\$7,373,876	12%
42----	Wholesale Trade	-	\$9,126,212	-
44----	Retail Trade	\$106,725,489	\$323,895,338	33%
48----	Transportation & Warehousing	\$6,978	\$1,518,790	-
51----	Information	\$3,177,780	\$26,353,128	12%
52----	Finance and Insurance	-	\$1,142,660	-
53----	Real Estate/Rental/Leasing	\$1,030,841	\$8,259,771	12%
54----	Professional, Sci, Tech Services	-	\$10,949,191	-
55----	Management of Companies/Enterprises	-	\$471,873	-
56----	Admin/Support & Waste Mng	\$12,209,088	\$28,094,484	43%
61----	Educational Services	-	\$333,871	-
62----	Health Care and Social Assistance	-	\$144,770	-
71----	Arts/Entertainment/Recreation	\$12,790,710	\$18,934,288	68%
72----	Accommodation and Food Services	\$52,435,938	\$122,219,204	43%
81----	Other Services (except Public Admin)	-	\$8,227,808	-

Source: U.S. Census, U.S. BLS, NY State Dept. of Taxation & Finance, RKG

Admittedly, not all the excess local sales in these industries can be attributed to the second home economy. Table 6-2 shows the subindustries that are most directly related to the second home economy. The first group of subindustries involve the construction, landscaping/garden supplies, maintenance, and transaction of real estate properties. Approximately \$77.1 million, or 58% of the total taxable sales are generated by second homes. This accounts for 39% of the total local shares of all industries (\$200.2 million) (Table 6-1).

The second group of subindustries reflects the spending of second homeowners and tourists on items other than their properties when they are in town. This includes retail shopping, sightseeing and entertainment activities, and food & beverage purchases. Approximately \$76.2 million, or 39% of the taxable sales are attributed to local spending. This accounts for 38% of the total local shares of all industries (\$200.2 million) It should be noted that a portion of the sales are generated from tourists who do not own or rent a second home property in East Hampton, such as day-trippers, vacationers who stay in hotels, or the guests of year-round residents. No information is available to separate their spending from that of the second home owners and tenants. Nevertheless, a major part of the \$153.3 million local shares is derived from the second home economy.

**Table 6-2**  
**Taxable Sales Local Shares of Selected Sub-industries**  
**2014**

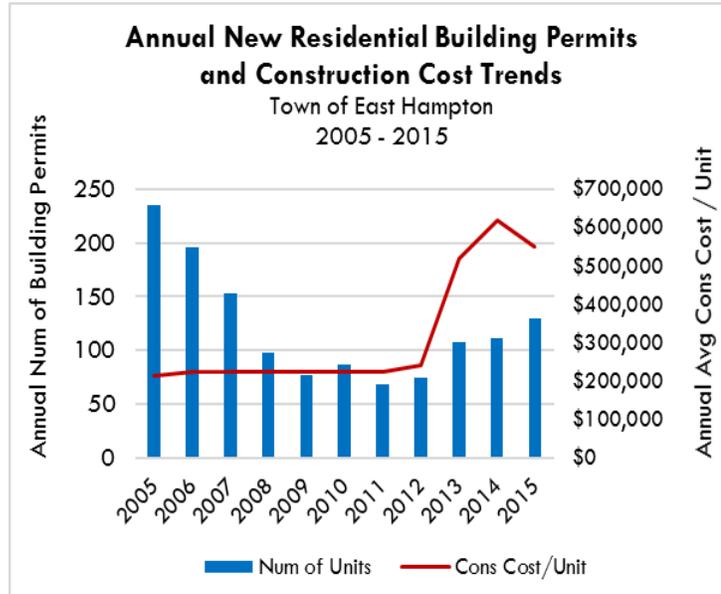
NAICS Code		Sales' Local Shares	Total Taxable Sales	Local Share
<b>Home Construction &amp; Maintenance</b>				
23----	Construction			
236	Construction of Buildings	\$1,298,712	\$2,162,644	60%
238	Specialty Trade Contractors	\$7,673,348	\$13,801,002	56%
44----	Retail Trade			
442	Furniture and Home Furnishings Stores	\$9,978,093	\$20,005,949	50%
444	Bldg Material/Garden Equip. Dealers	\$45,020,290	\$68,241,985	66%
53----	Real Estate/Rental/Leasing			
531	Real Estate	\$1,007,263	\$2,661,241	38%
56----	Admin/Support & Waste Mng			
561	Administrative and Support Services	\$12,120,240	\$25,688,069	47%
	<b>Subtotal</b>	<b>\$77,097,946</b>	<b>\$132,560,890</b>	<b>58%</b>
<b>Other Second Home/Tourism Related Spending</b>				
44----	Retail Trade			
445	Food and Beverage Stores	\$10,050,144	\$37,552,943	27%
448	Clothing & Accessories Stores	\$41,093,285	\$75,676,735	54%
48----	Transportation and Warehousing			
487	Scenic and Sightseeing Transportation	\$6,162	\$20,975	29%
71----	Arts/Entertainment/Recreation			
711	Performing Arts, Spectator Sports, etc.	\$203,129	\$513,329	40%
712	Museums, Historical Sites, etc.	\$175,341	\$780,872	22%
713	Amusement/Gambling/Recreation	\$12,412,239	\$17,640,087	70%
72----	Accommodation and Food Services			
722	Food Services and Drinking Places	\$12,238,962	\$65,129,272	19%
	<b>Subtotal</b>	<b>\$76,179,263</b>	<b>\$197,314,213</b>	<b>39%</b>
	<b>TOTAL</b>	<b>\$153,277,210</b>	<b>\$329,875,103</b>	<b>46%</b>

Source: U.S. Census, U.S. BLS, NY State Dept. of Taxation & Finance, RKG

### C. BUILDING PERMIT TRENDS

A major driver of the second home economy is new residential development. As such, RKG Associates obtained building permit data for the 2005-2015 study period (Figure 6-1). The data represent building permits issued each year for the construction of residential units. The data is from the U.S. Census Bureau, which collects information from local permit-issuing jurisdictions. When original data is not reported by a jurisdiction, the Census makes estimates based on the annual trend of the county where the jurisdiction is located. The 2014 and 2015 data are original as reported by the Town of East Hampton while the data for the other years are Census estimates extrapolated from County data. It shows that the number of new residential building permits was in decline after 2005 and reached bottom just after the recession in 2011. As the economy has recovered in recent years, the number of building permits has increased to roughly 130 in 2015, but still far below the pre-recession level of just under 250 units in 2005. This may indicate that the “high-water mark” for residential construction in East Hampton may not be attainable, which reflects the structural changes in the mortgage lending industry and the slower growth economy that has followed the recession. East Hampton’s limited number of building lots and its resistance to new development has also contributed to this slow down.

Figure 6-1



Source: U.S. Census Bureau, RKG Associates, Inc., 2017

Notes: 2005-2013 data are Census’s estimates based on the trend of other areas within the same Census region because the original data are not available. The Village of East Hampton is not included.

In terms of the construction cost trends, after years of stagnation, the average construction cost per unit has increased significantly since 2012, going from under \$300,000 to over \$550,000 in 2015. It is important to note that the value of residential building permits is estimated by the builder at the time of application submission. They are not always accurate and do not reflect the market value of the home once construction is complete. The important take-away is that the number of permits and the value of construction have partially rebounded since the recession, but the Town appears to be on a much different growth projection going forward.

### D. REAL ESTATE SALES TREND

A substitute for new housing construction is the sale of existing homes in East Hampton. The sale of second homes has historically driven a large segment of East Hampton’s residential sales activity and will likely comprise a large share in the future. To understand recent residential sales activity, RKG Associates obtained residential sales data for each hamlet over the 2007-2016 period from The Real Estate Report Inc., a local data source that collects and reports sales information on a variety of home and condo transfers, including estate broker sales, for sales by owner, private sales, corporate and commercial sales, as well as large development and condo sales. The data include both arm’s-length sales and

foreclosure sales. Arm's-length sales refer to transactions in which there is a willing buyer and willing seller. Both parties are assumed to have no relationship to each other, therefore both parties are assumed to be acting in their own self-interest and are not subject to any pressure or duress from the other party. Arm's-length sales should accurately reflect the real fair market value and they are the primary focus of this analysis. A foreclosure sale is when a mortgagee (the lender) seeks to repossess the property because the mortgagor (the borrower) has stopped making mortgage payments. In such cases, foreclosure conveys all interest in real property from the mortgagor to the mortgagee through a legal proceeding. Foreclosure sales are likely to be triggered by factors such as a sharp loss in property value or the loss of household income or other financial hardship to the borrower.

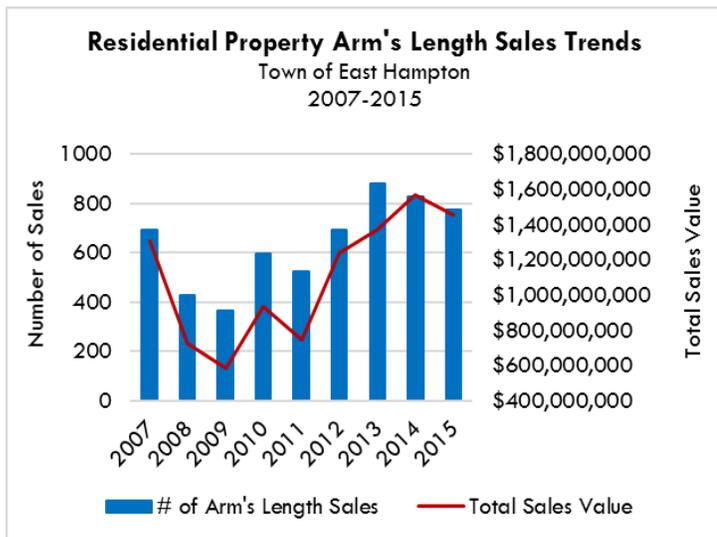
RKG Associates also obtained median sales data from Town & Country Real Estate's Home Sales Report (2010-2015). It should be noted that this report used a different data source from the Real Estate Report Inc.'s, so the numbers of sales have a minor discrepancy.

## 1. Residential Property Arm's-length Sales Trend

### a. Sales Activity Trends

During the 2007-2015 study period, the annual number of residential, arm's-length sales in the Town of East Hampton ranged between 367 and 880, with the peak occurring in 2013 and the low occurring in 2009 (Figure 6-2). This indicates the real estate market suffered from the previous recession which resulted in a 53% decline in sales from 2007 levels. However, residential sales volume quickly bounced back as buyers entering the market in search of lower-priced properties. Given the slow-down in residential construction during this period, buyers have sought to purchase existing homes.

Figure 6-2



Sources: The Real Estate Report Inc., KRG Associates, Inc., 2017  
Note: Data retrieved on 12/13/2016.

Following a period of rising sales and prices during the 2011-2013 period, the market has started to cool down and the number of sales dropped to 775 in 2015. This trend appears to have continued during the first three-quarters of 2016 as sales dropped to 546 sales, down from the same period in 2015 and 2014. This is consistent with the conclusions of a recent vacation home trend analysis conducted by Trulia, an online residential real estate listing site. Based on the listing and search records of for-sale properties, Trulia identified the East Hampton market as one of the most popular and most expensive places for vacation homes in 2013. However, in recent years, the market for vacation homes has shifted as people seek buying opportunities in less expensive and lower profile second home markets<sup>1</sup>.

Within the Town of East Hampton, Montauk had 128 arm's-length sales (or 17% of the Town's total) in 2015, Amagansett had 90 sales (or 12% of the total), Wainscott had 24 sales (or 3% of the

<sup>1</sup> Trulia, "Where the Nation Vacations: The Hottest Markets for Second Homes", <https://www.trulia.com/blog/trends/vacation-nation/>

total), East Hampton Village had 65 sales (or 5% of the total). The local share of residential sales has largely remained the same over the past 10 years.

**b. Residential Turnover Rate**

Residential turnover rate, defined as the percentage of the total units in a housing market that change hands annually, is another market indicator that reflects how active or hot a real estate market is in comparison to normal turnover. RKG has found through past market research, that a 4% annual turnover rate is typical in a healthy residential market. A significantly higher turnover rate could indicate a hot market or the presence of investor buyers. In 2015, the Town East Hampton had 18,181 residential properties (excluding the portion of Sag Harbor Village) and a sales turnover rate of 4%. Different areas in the Town had similar turnover rates such as: Montauk 4%, Amagansett 5%, and Wainscott 3%.

**c. Days on Market**

Days on market is an indicator of how long residential properties stay on the market before they are sold. Hot markets will see quick sales with multiple buyers competing for the same properties and sometimes paying over asking price. Average days on market can be less than a week. In slower markets, properties can sit for months or years without a serious purchase offer. According to Douglas Elliman, a local residential brokerage firm, the average days on market of all residential sales in The Hamptons was 162-days in 2015, slightly shorter than in 2014 (175 days), but significantly longer than in 2006 (135 days), indicating that the market was less active compared with the pre-recession level. The firm defines the Hamptons as: East Hampton, Southampton, Westhampton, Hampton Bays, Bridgehampton, Sag Harbor, and Shelter Island. The number of home sales in the Town of East Hampton represented roughly 1/3 of the total of the Hamptons in 2015. Similar to East Hampton, the other towns in the Hamptons are popular coastal vacation destinations that attract vacation homebuyers. Thus, the days on market trend at the Hamptons level is a good indicator of the Hampton's market.

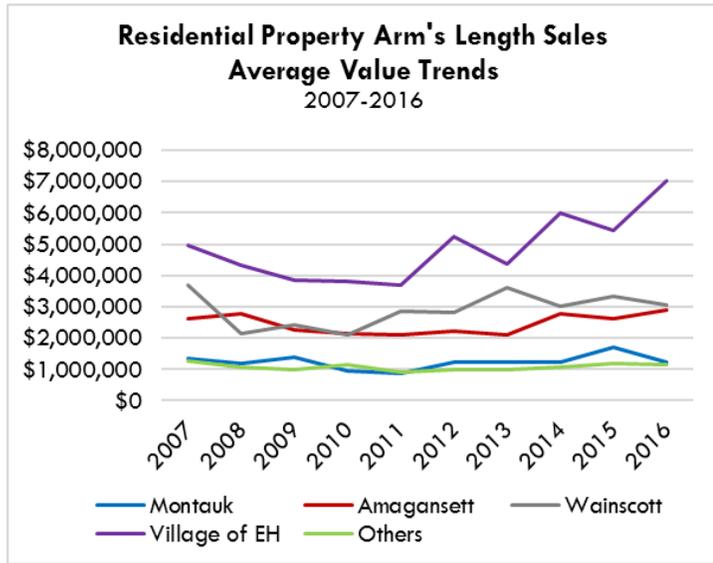
**d. Sales Volume Trends**

In 2015, the total value of the arm's-length sales in the Town of East Hampton was \$1.45 billion (Figure 6-2). The average sale value was \$1.9 million. Since 2007, the total value of residential sales declined from \$1.3 billion to \$724.3 million in 2008 and then hit bottom at \$584.6 million in 2009, a 55% decline in two years. After an increase in 2010, the average residential sales value continued to increase and reached \$1.56 billion in 2014, exceeding the pre-recession level. Total sales value had a minor decline in 2015, but rose again during the first three quarters of 2016, indicating a growing market.

From 2007 to 2016 (first three quarters), the average sales value of arm's-length sales ranged between \$1.4 million (in 2011) and \$1.9 million (in 2014). The average sales value had noticeable increases in 2012 (by \$360,465), which was a result of the recovery, and in 2014 (by \$328,559), which was likely to due to the strong demand over 2012-2013. The average sales value in 2015 and in the first three-quarters of 2016 are like the 2007 level. This indicates that the Town had long established as a high-value residential market; over the past 10 years, the supply has kept up with the demand.

Within the Town, the average sales value in East Hampton Village has consistently been substantially higher than that of other areas (Figure 6-3). It was \$5.4 million in 2015, followed by Wainscott (\$3.3 million) and Amagansett (\$2.6 million). East Hampton Village, Amagansett and Wainscott have long been known for their luxury estates which have attracted high net-worth buyers and celebrities to purchase vacation homes or investment properties. Compared with other hamlets, they are more conveniently accessible either by car via Route 27 from New York City or by private jet or helicopter via East Hampton Airport, which may have added to their appeal. East Hampton Village, Wainscott

Figure 6-3



Sources: The Real Estate Report Inc., KRG Associates, Inc., 2017  
Note: 2016 number is for sales in Q1-Q3. Data retrieved on 12/13/2016.

and Amagansett's ocean-front location also give them an extra advantage over other hamlets. The large fluctuations of the average sales value after 2011 are likely to be attributed to a small number of sales at very high prices. The high value in Amagansett is mainly due to the ocean scenery and beaches. Montauk's average sales value in 2015 was \$1.7 million, consistently lower than in the western portion of the Town. Others include communities on the north side of Montauk Highway, i.e. Springs, East Hampton North, and Northwest Harbor. Properties in these communities have lower average sales price, mainly due to their locations and the nature of the neighborhoods as a smaller percentage of the residential properties are vacation homes.

The average sales value is likely to be skewed by a few very high-priced or low-priced sales, so Table 6-2 shows the median sales prices and the number of sales by price range. Approximately 39% of home sales in the Town of East Hampton in 2015 was in the \$500,000-\$999,000 range, followed by 28% in the \$1,000,000-\$1,990,000 range and 13% in the \$2,000,000 - \$3,490,000 range. The data source didn't separate the sales in Wainscott, Spring and East Hampton North/Northwest Harbor, therefore, the "Others" have a combination of sales at both ends of the price range, which reflects both the higher-priced sales in Wainscott and the lower-priced sales in the areas north of Montauk Highway. For other hamlets, the data confirmed that Montauk has higher percentages of sales in the

Table 6-2  
Home Sales by Price Range and Median Price  
2015

	# of Home Sales	Total Home Sales Volumn	Median Home Sales Price	# of Sales by Price Range							
				< \$500 K	\$500K - \$999K	\$1M - \$1.99M	\$2M - \$3.49M	\$3.5M - \$4.99M	\$5M - \$9.99M	\$10M - \$19.99M	\$20M +
Montauk	101	\$196,938,486	\$995,000	4	48	31	13	-	3	1	1
Amagansett	88	\$219,911,542	\$1,986,250	5	9	31	28	7	6	2	-
EH Village	64	\$358,718,143	\$3,550,000	-	6	12	14	7	18	5	2
Others	430	\$567,848,566	\$885,000	50	205	120	36	14	2	2	1
<b>TOTAL</b>	<b>683</b>	<b>\$1,343,416,737</b>	<b>n/a</b>	<b>59</b>	<b>268</b>	<b>194</b>	<b>91</b>	<b>28</b>	<b>29</b>	<b>10</b>	<b>4</b>

Source: Town & Country Real Estate, KRG Associates, Inc., 2017  
Note: the total number of sales is different from in previous analysis because the data sources are different.

lower price ranges; Amagansett had higher percentages of sales in the higher price ranges; East Hampton Village had the highest percentages of sales in the top price ranges (\$5,000,000+).

Figure 6-4 shows that over the past five years, the median home sales price of East Hampton Village has been consistently well above the other hamlet areas, approximately 1.2-1.8 times the median sales price of Amagansett and 2.5-3.9 times the median sales price of Montauk. Between 2010 and 2015, East Hampton also had the largest increase in median home sales price (by \$650,000, or 4% annually), while the increase was \$393,750 in Amagansett (or 5% annually), \$247,500 in Montauk (or 7% annually), and \$130,000 in the other area (or 3% annually), indicating a healthy market with strong demand and attractive investment potential.

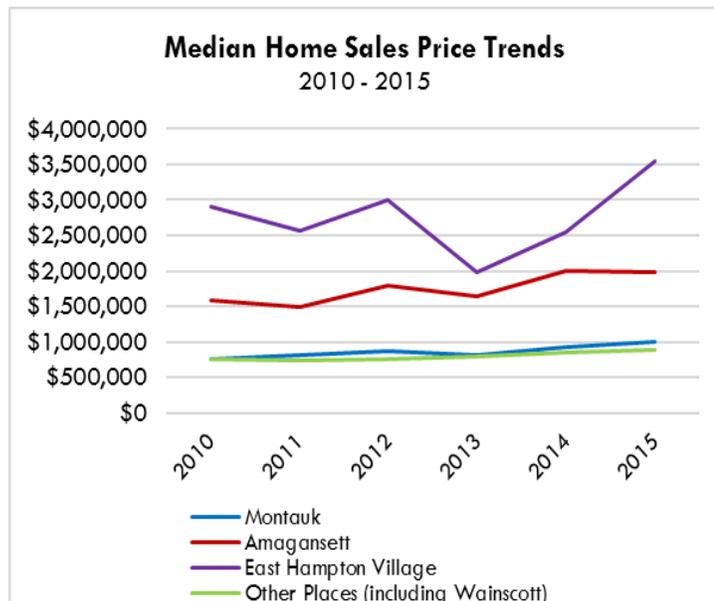
## E. REAL ESTATE ASSESSED VALUE AND TAX REVENUE CONTRIBUTION

### 1. Identifying Second Home Real Estate

To estimate the size of the residential tax base that is owned by seasonal or second homeowners, RKG Associates conducted an analysis of the Town's property tax records. Using the Town's 2015 Property Tax Assessment data and the current Residential Assessment Ratio (RAR) issued by New York State, RKG was able to identify those residential properties most likely owned by people who are not year-round residents of East Hampton, hereafter called "Second Homeowners".

From this analysis, the consultants were able to calculate the percentage of second homes out of total residential tax base in terms of assessed value, market value, as well as contribution to the Town's property tax revenues. RKG also referred to housing data from the U.S. Census 2015 ACS 5-Year Estimate to support the findings.

Figure 6-4



Source: Town & Country Real Estate, KRG Associates, Inc., 2017

The 2015 Property Tax Assessment data include information about a property's use type (e.g., residential, shop, storage building, etc.), physical address, 2015 assessed value and property taxes, as well as property owner's name, the owner's physical address and tax bill mailing address. For this analysis, residential properties included one- to three-family houses, rural residences, residential recreational use, estate, seasonal residence, mobile and multiple mobile home, and multiple residences. Residential vacant land, apartments (including condo and co-op), hotel and motel, mobile home parks, camp/cottage/bungalow, and inn/lodge are excluded. Tax exempt residential properties are also excluded.

Since the assessed value only reflects a small percentage of a property's true market value, the Town uses a Residential Assessment Ratio to calculate the "Equalized Value" (commonly called as "Market Value"). The *Equalized Value equals the Assessed Value / RAR*. Residential Assessment Ratios are issued

by the State of New York's Real Property Taxation Services and is updated every year based on the real estate sales for that year. The current RAR for the Town of East Hampton is only 0.59%. It should be noted that the Town has not completed a revaluation of its real estate in many years. Revaluations typically bring assessed property values up to current market values, which then results in a reduction of the tax rate to raise roughly the same amount of revenue through real estate taxes as before the revaluation. The Town's elected officials have chosen not to update real estate values, so East Hampton's property assessments must be adjusted using the assessment ratio to estimate current market values.

U.S. Census 2015 ACS 5-Year Estimate estimates the number of total housing units and housing units that are "for seasonal, recreational, or occasional use" by census tract. Housing units in the latter category mainly include units that are vacant at the time of survey, but are held for weekends or occasional use throughout the year. It also includes units that are occupied temporarily by persons with their primary residence elsewhere, and units that are intended for occupancy only during certain seasons of the year, as is typical of seasonal resort areas like East Hampton.

Based on the following assumptions, RKG categorized residential properties as: (1) Primary Home, (2) Second Home, or (3) Tax Exempt. A second home property was identified by the location of the owner's mailing address if it was different than the local home address. While some second homeowners in East Hampton that may get their real estate tax bill sent to an East Hampton address, the clear majority do not.

Those properties identified as Second Home properties were further categorized by their location. Those locations included: (1) Other Parts of Long Island outside of East Hampton, (2) Other Parts of New York State excluding Long Island, (3) Other U.S. States, and (4) International locations. Other assumptions were made in conducting this analysis and included.

- If either the Owner Address or the Mailing Address, or both, is international, then RKG identified the property owner as "International".
- If both addresses, or only the Mailing Address when the Owner Address is unidentifiable, are within the Town of East Hampton (zip codes 11930, 11937, 11954, 11975), then the property was considered a "Year-round Home".
- For the remaining properties, if the Owner Address, or the Mailing Address when the Owner Address is unknown, is in a U.S. state other than New York State, then the property is considered "Other U.S. States".
- For the remaining properties, if the Owner Address, or the Mailing Address when the Owner Address is unidentifiable, is in New York State but not within Long Island (Suffolk County and Nassau County), then the property is considered "New York State excluding Long Island".
- For the remaining properties, if the Owner Address, or the Mailing Address when the Owner Address is unidentifiable, is in Long Island but outside the Town of East Hampton, then the property is considered "Other Parts of Long Island".
- The remaining properties have East Hampton Owner Address but out-of-town Mailing Address. They are likely to be second homes and were categorized as "Other Parts of Long Island", "New York State excluding Long Island", and "other U.S. State" based on the Mailing Addresses.

## **2. Second Home Property Tax Base**

The Town of East Hampton has 18,181 residential properties. The total assessed value was \$181.2 million in 2015 and the total market value based on the currently RAR (0.59% for the Town and 3% for East Hampton Village) is estimated at \$30.7 billion (Table 6-3). In 2015, these properties generated \$156 million in property tax revenue. A property's tax in a given year is the sum of several different taxes including the general town tax, highway tax, and school district tax; each of which is calculated by multiplying the property's taxable value by the various tax rates. A property's taxable value is based on its assessed value (with certain exemptions) rather than its market value. Since the Town has

not completed a revaluation of real estate to reflect true market value, the appreciation or depreciation of a property's market value doesn't have a direct impact on its property tax. The tax rates in a given year are based on the Town's budget, revenue from all sources other than the property tax, and the total taxable assessed value of all the properties in the Town. An increase in Town budget or a decrease in the revenues from other sources is likely to push up property tax rates.

**Table 6-3 - East Hampton Residential Tax Base Ownership Pattern (2015)**

	Properties		Total Assessed Value		Market Value		Total Tax	
	Number	%	\$	%	Total	Per property	\$	%
Second Home	11,498	63.2%	\$133,905,372	73.9%	\$22,695,825,763	\$1,973,893	\$112,885,909	72.3%
Other Parts of Long Island	2,232	12.3%	\$18,616,996	10.3%	\$3,155,423,051	\$1,413,720	\$16,844,962	10.8%
NY State excluding Long Island	7,029	38.7%	\$87,311,812	48.2%	\$14,798,612,203	\$2,105,365	\$72,877,581	46.7%
Other U.S. States	2,133	11.7%	\$26,290,354	14.5%	\$4,455,992,203	\$2,089,073	\$21,820,893	14.0%
International	104	0.6%	\$1,686,210	0.9%	\$285,798,305	\$2,748,061	\$1,342,472	0.9%
Year-round Home	6,610	36.4%	\$46,784,912	25.8%	\$7,929,646,102	\$1,199,644	\$43,159,413	27.7%
Uncategorized	3	0.0%	\$9,700	0.0%	\$1,644,068	\$548,023	\$8,728	0.0%
Tax Exempt	70	0.4%	\$539,025	0.3%	\$91,360,169	\$1,305,145	\$0	0.0%
<b>TOTAL</b>	<b>18,181</b>	<b>100.0%</b>	<b>\$181,239,009</b>	<b>100.0%</b>	<b>\$30,718,476,102</b>	<b>\$1,689,592</b>	<b>\$156,054,050</b>	<b>100.0%</b>

Source: Town of East Hampton, East Hampton Village, NY State Dept. of Taxation and Finance, KRG Associates, Inc., 2017

Approximately 63% or 11,454 residential properties in the East Hampton study area are second homes. This is close to the numbers from the U.S Census 2015 ACS 5-Year Estimate, which identifies 11,296 units as “for seasonal, recreational, or occasional use”, comprising 53% of the total number of housing units. Second homes represent 73.9% of the total residential assessed value and 72.3% of the property tax revenues. The average market value of second homes is estimated at \$1.97 million, or about 1.6 times that of the average market value year-round homes (\$1.2 million). The largest percentage (38.7%) of the second home properties are owned by people located in New York State but outside of Long Island. Based on anecdotal information, many second home owners have their primary residence in New York City or the greater New York City Metropolitan Area. Properties owned by international owners have the highest average market value at \$2.7 million or 2.3 times the average market value of year-round homes.

The Hamlet of Wainscott has the highest percentage of second homes (75.9%, or 653 properties) and the highest average market value (\$2.7 million) in East Hampton (Table 6-4). The difference between the average second home value and year-round home value is also the greatest at 1.6 times. These properties represent approximately \$1.8 billion in residential market value, which equals 83.5% of the hamlet's total residential property tax base. Properties in Amagansett account for the second highest percentage of second homes (75.6% or 1,277 properties) and the second highest average market value at \$2.5 million. These properties represent \$3.1 billion in market value and contribute to 80.7% of total residential property tax revenues. In Montauk, second homes account for 65.7% or 2,133 properties and are valued at \$3 billion in market value and account for 71.7% of the total residential property tax revenues. The average value of \$1.4 million is significantly lower than those of Wainscott and Amagansett, suggesting that Montauk second homeowners are purchasing a different residential product and land values are lower. The Hamlet of Springs has the lowest percentage of second homes (54.3%), but the greatest number of second home properties. In terms of value, the average second home market value in Springs is just over \$1 million dollars and thus much lower than in the other three hamlets. This is primarily due to Spring's lack of Atlantic Ocean frontage, which is much greater than frontage on Gardiners or Napeague Bay frontage.

### **3. Distribution of Second Home Properties**

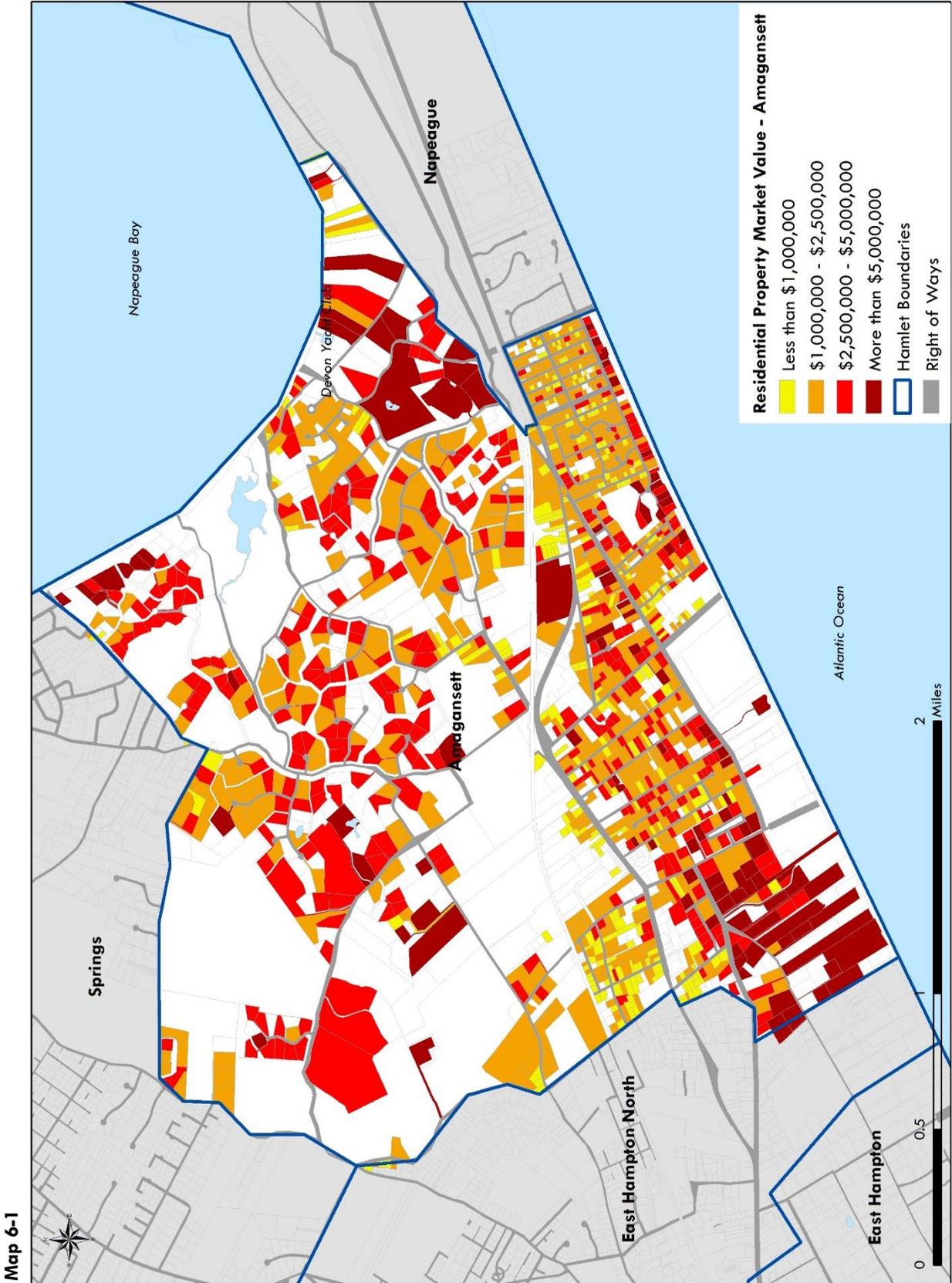
In general, the highest value second or seasonal homes are located along the south edge of the Town, gravitating toward the ocean and bay frontage areas, which are considered the most exclusive and desirable locations. In Amagansett (Map 6-1), most the properties south of Further Lane and west of Indian Wells Highway have high values, mainly due to their proximity to the ocean and the Atlantic Double Dunes Preserve, as well as the relatively large land areas. The properties along Marine Boulevard generally have smaller parcels but benefit from the easy access to Amagansett Beach. A few properties with large land areas near Napeague Bay also have high values.

Montauk has fewer properties of high values (Map 6-2). The area south of Montauk Highway and east of the East Lake Drive/Montauk Highway intersection is largely vegetated open space with a small number of properties. These properties have high values due to the beach access, the privacy, and the large land areas. A dozen high-value properties cluster at the west end of Montauk, facing the ocean and in adjacent to the Hither Hills State Park. Other high-value properties are located along Lake Montauk and Fort Pond Bay. Springs only has a handful of high-value properties (Map 6-3). Except for a few with large land areas, most the high-value properties are facing the harbor or bay and benefiting from beach access. In Wainscott (Map 6-4), the high-value properties gather on the south side of Montauk Highway, particularly along Georgica Pond and Atlantic Ocean. Similarly, Napeague and East Hampton Village also has the majority of the high-value properties along the Atlantic Ocean or facing Gardiners Bay (Map 6-5). In Northwest Harbor, the cluster of high-value properties at the north part of the hamlet benefit from their proximity to the Cedar Point County Park and Sag Harbor Bay, as well as the privacy of being away from the other residential neighborhoods. Other high-value properties in the hamlet are likely to attribute their value to the relatively large land areas or easy access to the Town's commercial center.

**Table 6-4: Residential Property Ownership Pattern by Hamlet 2015**

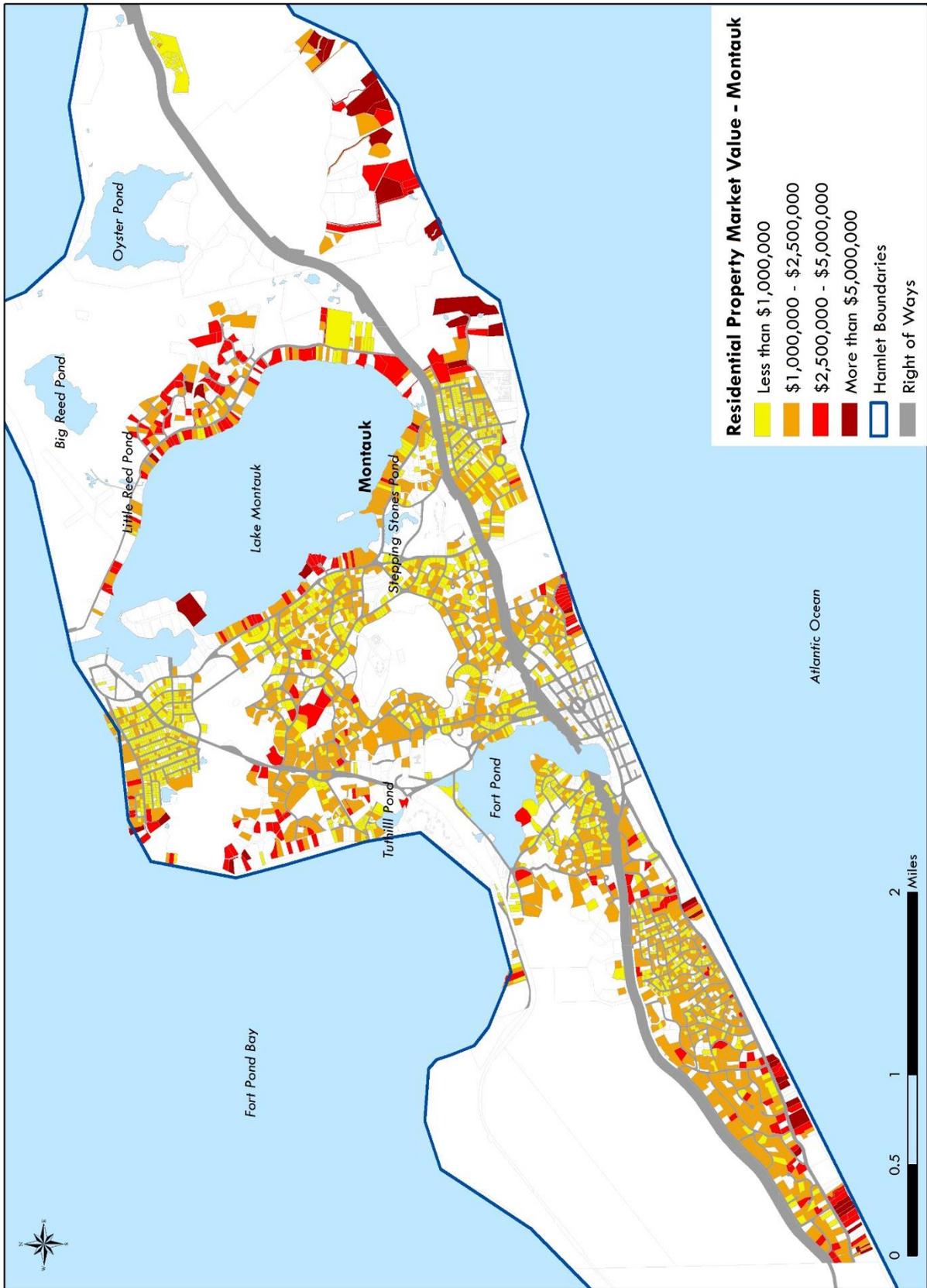
	Properties		Total Assessed Value		Market Value		Total Tax	
	Number	%	\$	%	Total	Per Property	\$	%
<b>Amagansett</b>								
Second Home	1,277	75.6%	\$18,583,744	80.1%	\$3,149,787,119	\$2,466,552	\$13,128,347	80.7%
Other Parts of Long Island	152	9.0%	\$2,070,747	8.9%	\$350,974,068	\$2,309,040	\$1,462,745	9.0%
NY State excluding Long Island	819	48.5%	\$12,030,670	51.8%	\$2,039,096,610	\$2,489,739	\$8,507,204	52.3%
Other U.S. States	292	17.3%	\$4,174,712	18.0%	\$707,578,305	\$2,423,213	\$2,940,991	18.1%
International	14	0.8%	\$307,615	1.3%	\$52,138,136	\$3,724,153	\$217,407	1.3%
Year-round Home	411	24.3%	\$4,567,883	19.7%	\$774,217,458	\$1,883,741	\$3,143,165	19.3%
Uncategorized	-	0.0%	\$0	0.0%	\$0	n/a	\$0	0.0%
Tax Exempt	1	0.1%	\$54,500	0.2%	\$9,237,288	\$9,237,288	\$0	0.0%
<b>SUBTOTAL</b>	<b>1,689</b>	<b>100.0%</b>	<b>\$23,206,127</b>	<b>100.0%</b>	<b>\$3,933,241,864</b>	<b>\$2,328,740</b>	<b>\$16,271,512</b>	<b>100.0%</b>
<b>Montauk</b>								
Second Home	2,133	65.7%	\$17,855,643	70.7%	\$3,026,380,169	\$1,418,837	\$17,304,951	71.7%
Other Parts of Long Island	626	19.3%	\$4,927,575	19.5%	\$835,182,203	\$1,334,157	\$4,774,835	19.8%
NY State excluding Long Island	1,027	31.6%	\$8,895,665	35.2%	\$1,507,739,831	\$1,468,101	\$8,634,106	35.8%
Other U.S. States	466	14.3%	\$3,884,958	15.4%	\$658,467,458	\$1,413,020	\$3,752,637	15.6%
International	14	0.4%	\$147,445	0.6%	\$24,990,678	\$1,785,048	\$143,373	0.6%
Year-round Home	1,108	34.1%	\$7,358,428	29.1%	\$1,247,191,186	\$1,125,624	\$6,815,173	28.3%
Uncategorized	-	0.0%	\$0	0.0%	\$0	n/a	\$0	0.0%
Tax Exempt	7	0.2%	\$32,400	0.1%	\$5,491,525	\$784,504	\$0	0.0%
<b>SUBTOTAL</b>	<b>3,248</b>	<b>100.0%</b>	<b>\$25,246,471</b>	<b>100.0%</b>	<b>\$4,279,062,881</b>	<b>\$1,317,445</b>	<b>\$24,120,124</b>	<b>100.0%</b>
<b>Wainscott</b>								
Second Home	653	75.9%	\$10,642,799	83.3%	\$1,803,864,237	\$2,762,426	\$5,642,741	83.5%
Other Parts of Long Island	102	11.9%	\$1,279,910	10.0%	\$216,933,898	\$2,126,803	\$673,225	10.0%
NY State excluding Long Island	467	54.3%	\$7,863,369	61.5%	\$1,332,774,407	\$2,853,907	\$4,176,448	61.8%
Other U.S. States	79	9.2%	\$1,364,520	10.7%	\$231,274,576	\$2,927,526	\$720,380	10.7%
International	5	0.6%	\$135,000	1.1%	\$22,881,356	\$4,576,271	\$72,688	1.1%
Year-round Home	206	24.0%	\$2,125,291	16.6%	\$360,218,814	\$1,748,635	\$1,113,477	16.5%
Uncategorized	-	0.0%	\$0	0.0%	\$0	n/a	\$0	0.0%
Tax Exempt	1	0.1%	\$9,550	0.1%	\$1,618,644	\$1,618,644	\$0	0.0%
<b>SUBTOTAL</b>	<b>860</b>	<b>100.0%</b>	<b>\$12,777,640</b>	<b>100.0%</b>	<b>\$2,165,701,695</b>	<b>\$2,518,258</b>	<b>\$6,756,218</b>	<b>100.0%</b>
<b>Springs</b>								
Second Home	2,152	50.6%	\$12,917,784	54.3%	\$2,189,454,915	\$1,017,405	\$17,784,998	56.0%
Other Parts of Long Island	396	9.3%	\$2,151,023	9.0%	\$364,580,169	\$920,657	\$2,953,842	9.3%
NY State excluding Long Island	1,354	31.8%	\$8,384,690	35.3%	\$1,421,133,898	\$1,049,582	\$11,556,198	36.4%
Other U.S. States	386	9.1%	\$2,257,016	9.5%	\$382,545,085	\$991,049	\$3,102,134	9.8%
International	16	0.4%	\$125,055	0.5%	\$21,195,763	\$1,324,735	\$172,824	0.5%
Year-round Home	2,076	48.8%	\$10,733,280	45.1%	\$1,819,200,000	\$876,301	\$13,982,040	44.0%
Uncategorized	-	0.0%	\$0	0.0%	\$0	n/a	\$0	0.0%
Tax Exempt	26	0.6%	\$131,280	0.6%	\$22,250,847	\$855,802	\$0	0.0%
<b>SUBTOTAL</b>	<b>4,254</b>	<b>100.0%</b>	<b>\$23,782,344</b>	<b>100.0%</b>	<b>\$4,030,905,763</b>	<b>\$947,557</b>	<b>\$31,767,037</b>	<b>100.0%</b>
<b>Other</b>								
Second Home	5,283	65.0%	\$73,905,402	76.8%	\$12,526,339,322	\$2,371,066	\$59,024,872	76.5%
Other Parts of Long Island	956	11.8%	\$8,187,741	8.5%	\$1,387,752,712	\$1,451,624	\$6,980,315	9.0%
NY State excluding Long Island	3,362	41.4%	\$50,137,418	52.1%	\$8,497,867,458	\$2,527,623	\$40,003,626	51.9%
Other U.S. States	910	11.2%	\$14,609,148	15.2%	\$2,476,126,780	\$2,721,018	\$11,304,751	14.7%
International	55	0.7%	\$971,095	1.0%	\$164,592,373	\$2,992,589	\$736,180	1.0%
Year-round Home	2,809	34.6%	\$22,000,030	22.9%	\$3,728,818,644	\$1,327,454	\$18,105,558	23.5%
Uncategorized	3	0.0%	\$9,700	0.0%	\$1,644,068	\$548,023	\$8,728	0.0%
Tax Exempt	35	0.4%	\$311,295	0.3%	\$52,761,864	\$1,507,482	\$0	0.0%
<b>SUBTOTAL</b>	<b>8,130</b>	<b>100.0%</b>	<b>\$96,226,427</b>	<b>100.0%</b>	<b>\$16,309,563,898</b>	<b>\$2,006,096</b>	<b>\$77,139,158</b>	<b>100.0%</b>

Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, KRG Associates, Inc., 2017



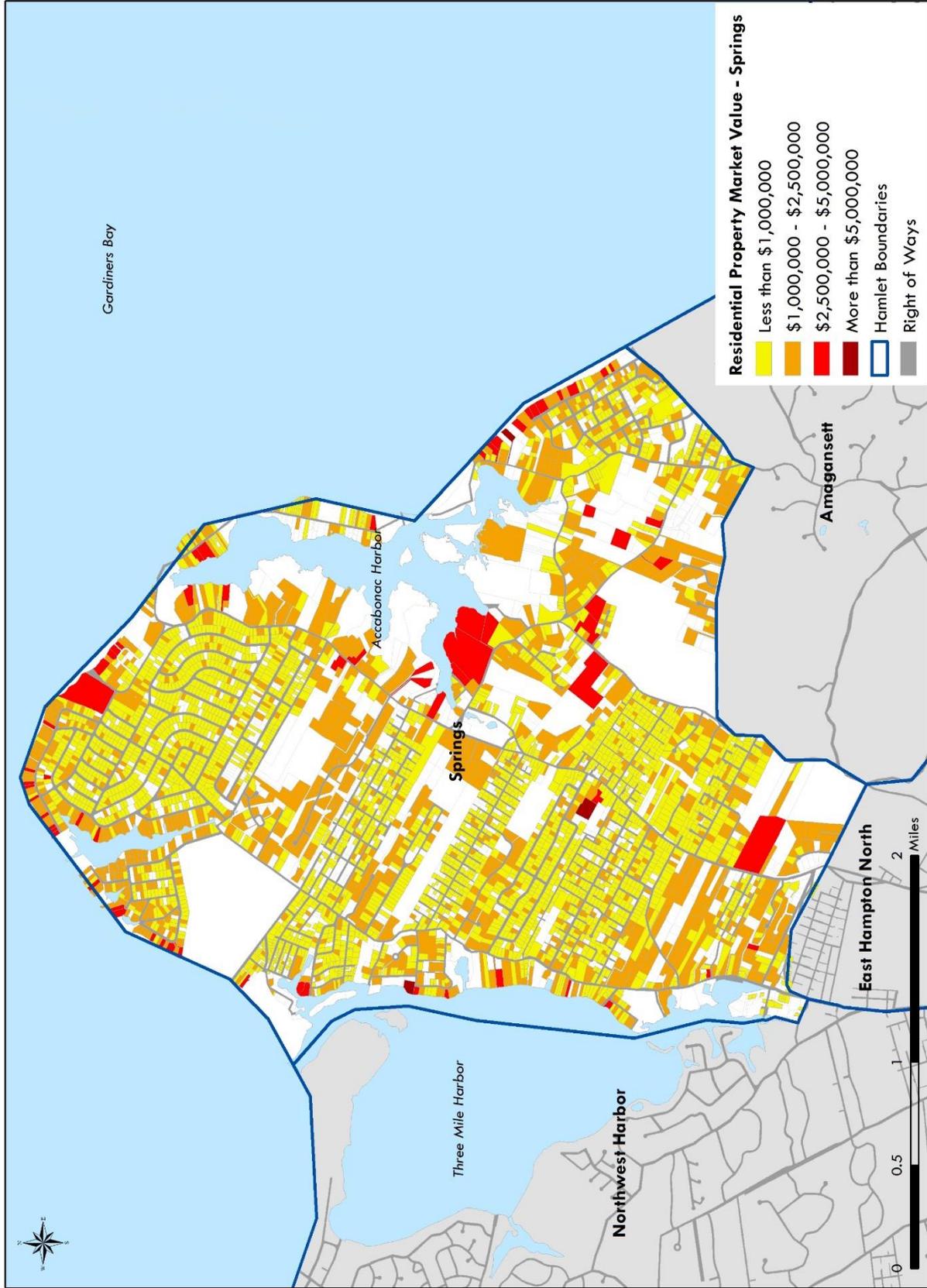
Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, KRG Associates, Inc., 2017

Map 6-2



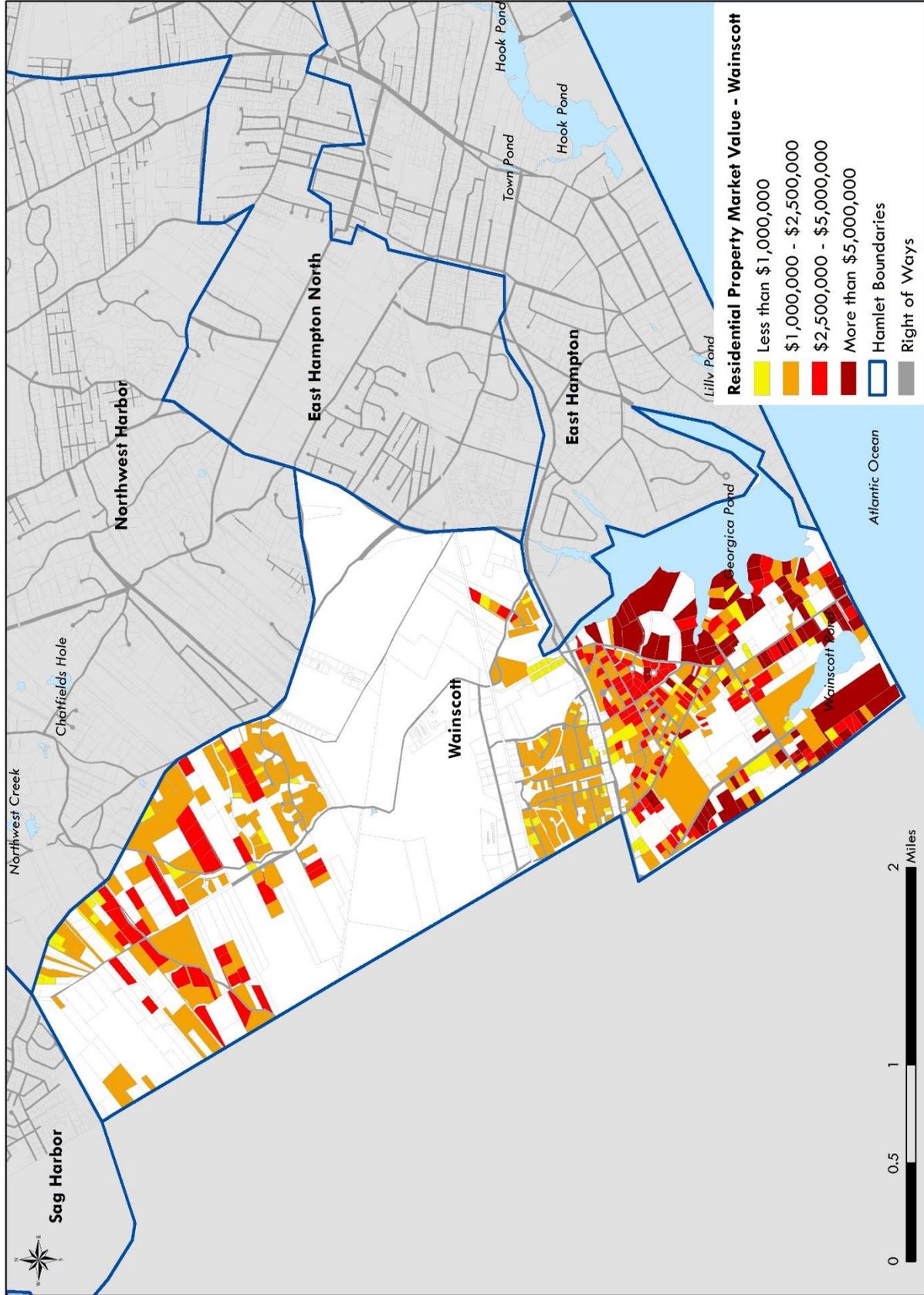
Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, and KRG Associates, Inc., 2017

Map 6-3



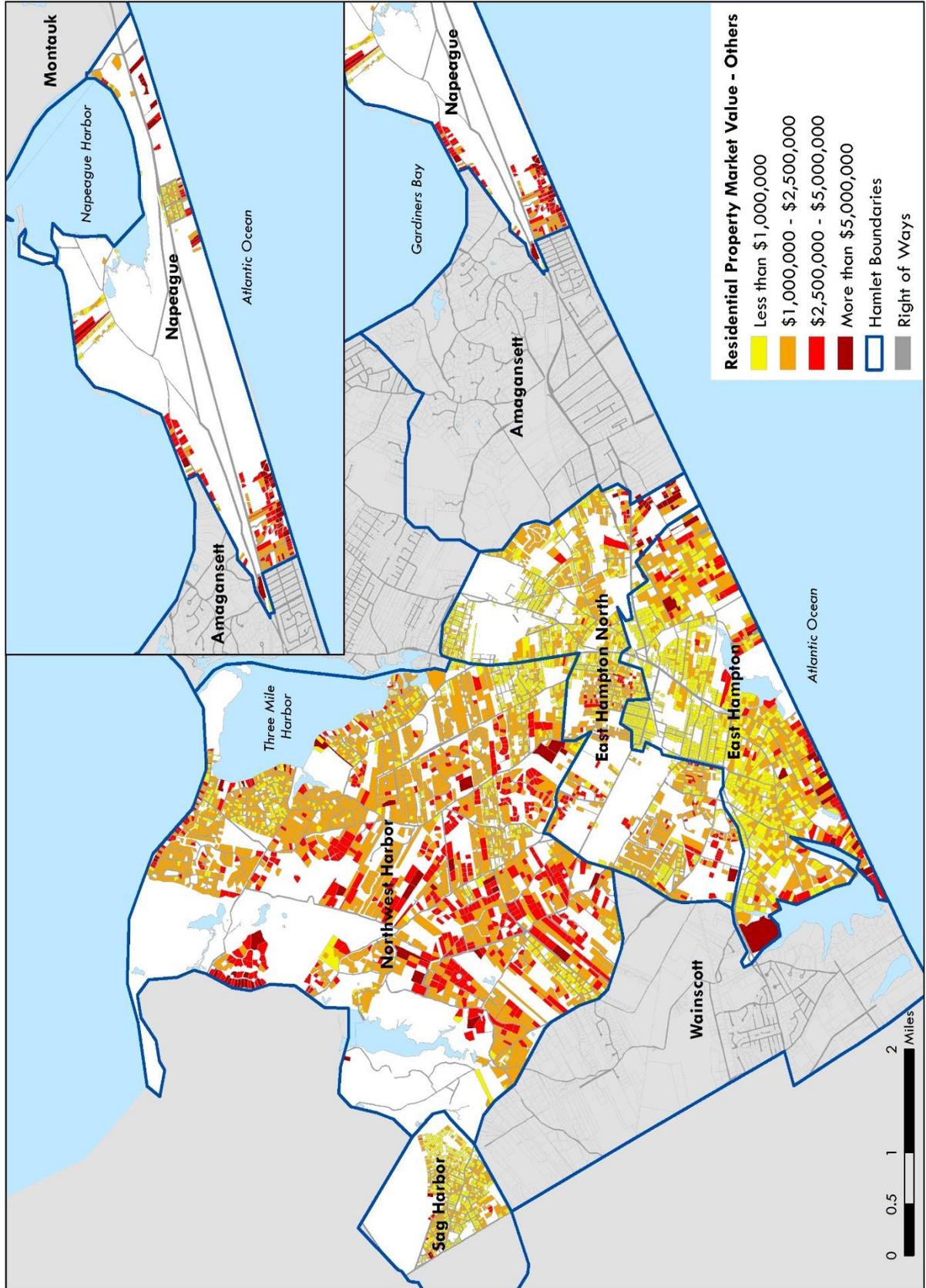
Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, KRG Associates, Inc., 2017

Map 6-4



Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, KRG Associates, Inc., 2017

Map 6-5



Source: Town of East Hampton, East Hampton Village, NY State Department of Taxation and Finance, KRG Associates, Inc., 2017

## F. IMPLICATIONS

- Second Home Economy Powers Spending and Taxable Sales  
The prominent role of the Town's second home economy is evidenced by the large volume of taxable sales that are largely attributed to the demand for second-home-related products and services. Approximately \$77.1 million in taxable sales are generated by the construction, maintenance, and transaction of second home properties, representing 58% of the total taxable sales of these industries. Approximately \$75.8 million in taxable sales are supported by the spending of second home owners, their tenants, guests, and other tourists, which represent 39% of the total taxable sales of the respective industries.
- Approximately 63% of East Hampton Residential Properties Owned by Second Homeowners -  
In 2015, East Hampton has 18,181 residential properties, with a total assessed value of \$181.2 million and a total estimated market value of \$30.7 billion. In 2015, these properties generated \$156.1 million in property taxes. Approximately 63% of the residential properties (or 11,498 properties) are second homes, representing 73.9% of the total residential assessed value and 72.3% of the property tax. The average market value of second homes is \$1.97 million, about 1.6 times that of the year-round homes. Wainscott has the highest percentage of second homes (75.9%) and the highest average second home market value (\$2.8 million), followed by Amagansett, 75.6% and \$2.5 million. Montauk has a relatively lower percentage of second homes (65.7%) and a lower average second home market value (\$1.4 million). Springs has the lowest percentage of second homes and the lowest average value, indicating that this community is less affected by the second home industry than other areas in East Hampton. This suggests that vacation home buyers typically prefer properties that are closer to the beach and have better transportation access.
- Residential Sales Have Bounced Back from the Last Recession  
The total value of arm's-length sales dropped by more than 50% during the recession, followed by a strong recovery starting in 2010 and peaking in 2014 at \$1.56 billion. The total sales value stayed relatively stable over the next two years, indicating a static market transaction scale. Over the same period, the annual average value of arm's-length sales remained in the \$1,421,563 - \$1,888,262 range. The average sales value in 2015 and 2016 are like the 2007 level. This indicates that the Town had long established as a high-value residential market; the supply has been keeping up with the demand over the past 10 years and is likely to remain so since there is no sign of major growth in demand. Within East Hampton, East Hampton Village has the highest median and average sales values, Wainscott and Amagansett also have relatively high average sales value, Montauk has lower median and average sales values.