Study methodology

• Reviewed information on Albany demographics and real estate characteristics
• Toured Sheridan Hollow and other parts of the city
• Held two focus groups with local experts and stakeholders
• Conducted phone interviews and corresponded with stakeholders and experts in the city, the state, and elsewhere in the country
• Reviewed research on legacy cities and redevelopment strategies
• Contacted 50+ academic and professional community development colleagues throughout the country
• Made follow-up inquiries on promising strategies
• Evaluated applicability of these strategies to Sheridan Hollow/Albany
Albany shares challenges with other “legacy cities”

- Costs and value are not aligned
  - Market rents are too low to cover operating costs plus a return on the debt and equity capital used to rehab buildings
  - Rehab costs are higher than property values, discouraging investment
- Weak tax base
- Deteriorating infrastructure
- Distressed neighborhoods characterized by vacant, abandoned or seriously deteriorated buildings; empty lots
- Many areas of the city viewed as undesirable places to live
- Weak private housing market
Key questions

• How can a thriving private housing market be created in places like Sheridan Hollow, where the numbers just do not work?

• Are there ways to close the financing gap with public or private resources, or through other types of incentive programs, that can help to jump-start a healthy housing market?

• How can the community’s vision be realized: to create a vibrant, diverse neighborhood with increased affordable homeownership opportunities and new commercial and retail investment?
There is no magic bullet
The importance of multi-sector planning

• Community process for Sheridan Hollow has already produced a broad vision for the neighborhood
  • Vibrant, diverse, mixed-use neighborhood
  • Mixed incomes
  • Affordable housing preserved
  • Increased local ownership

• Must involve all sectors: local and state government, residents, community leaders, businesses, nonprofits, and private for-profit developers

• Establish concrete action steps, with specificity about preservation, demolition, open space; determine most appropriate housing strategies
Sheridan Hollow current conditions - Assets

- Location adjacent to State Capitol buildings
- Some buildings of historic interest
- Initial investment by nonprofits and by private sector (southeastern edge)
- Strong nonprofit organizations and other affordable housing professionals
Sheridan Hollow current conditions - Challenges

• Abandoned, deteriorated and underused buildings, both residential and industrial
• Hillside separating neighborhood from Capitol buildings is scrubby and uninviting
• Environmental issues
• Few opportunities to develop at scale
• Lack of commercial presence
Development environment in Albany

• Tax base is modest
  • 61% of land uses are tax-exempt: state buildings, nonprofit institutions

• Effective tax levels are high
  • Second highest in Capitol Region
  • 12-year tax abatements—frequently offered as developer incentives

• Local stakeholders report that City regulations make construction more expensive inside the city limits than it would be in neighboring communities
  • Complaints of lack of clarity and consistency in inspection processes, which adds to cost and uncertainty for developers

• Stormwater management consent decree adds to development costs
City of Albany & New York State programs

- Rich array of programs already available for both homeowners and multifamily developers/owners
- Many of the exemplary programs that we heard about elsewhere already exist here, in some form
- Ability to access these resources and level of funding are key issues
- Capacity to utilize resources is also a factor
Existing resources: Owner/buyer-occupants

- **AHOD**
  - Homeowner Assistance (major rehab); Senior Rehab
  - Downpayment assistance
  - Energy grants
  - Owner

- **HOME**
  - Land Trust
  - Downpayment assistance
  - Owner

- **ACDA**
  - Historic Homeownership Rehab Tax Credit
  - Homeowner Assistance (major rehab); Senior Rehab
  - Downpayment assistance
  - Buyer

- **SONYMA**
  - Loans, downpayment assistance
  - First Home Club
  - FHLB
Existing resources: For-sale housing developers

- AHOD and HOME funds for nonprofits and municipalities to develop for-sale homes
- FHLB Affordable Housing Program grants for qualifying homeownership development projects (competitive awards)
- Housing Trust Fund can be used for condo development where there is long-term nonprofit stewardship
- SONYMA prequalification in targeted areas
Existing resources: Rental housing developers

- Federal and state Low Income Housing Tax Credits (LIHTC)
- Federal and state historic credits
- Housing Trust Fund
- HOME
- Community Investment Fund
- Housing Development Fund (construction financing)
- Project-based Section 8
Summary of innovative programs

• Identified 21 programs that have been effective in facilitating rehab of dilapidated or abandoned buildings in neighborhoods like Sheridan Hollow across the country

• Major categories include:
  • Homeownership
  • Rental housing
  • Tax incentive programs
  • Dedicated funding streams for land banks
  • Code enforcement strategies
  • Vacant land re-utilization strategies
Criteria for selecting 7 top strategies

• Build on resources/programs already available
• Expand/support capacity of existing institutions and stakeholders
• Straightforward to implement
• Able to bridge a large financing gap
• Do not depend on a pool of deep pocket institutions or private partners
• Do not assume a rapid market turnaround
• Provide broad incentives for all sectors (private and nonprofit)
1) Loans + subsidies for owners

How it works

• First mortgage loans (on favorable terms) often paired with rehab subsidies
  • Includes loan-to-value ratio relief

• Buyers also get grants (or forgivable loans) to cover rehab costs

• Targets both rehab of existing homes and owner-occupants committed to the neighborhood

Making it work here

• Most pieces already exist
  • SONYMA loans
  • JP Morgan settlement program
    • Not (yet) available here

• AHOD-funded programs through ACDA and AHP/Land Trust

• Current programs could be bundled (loans with grants) and made more accessible through one-stop availability
1) Examples

- **Detroit Neighborhood Initiative**: loans up to 150% of loan to value for properties purchased through Land Bank, at low interest rates

- **Connecticut Housing Development Fund Landlord Entrepreneur Initiative**: (for owner-occupied multifamily homes) loans, downpayment assistance and $20,000/unit (up to $40,000/bldg.); rehab grants to qualified first-time buyers

- **Richmond (VA) Urban Pioneer Incentive Program**: matching loans for purchase/renovation of homes for owner-occupancy up to a maximum of $35,000. If the owner lives in the house for 7 years, full loan amount is forgiven
2) Scattered site LIHTC rehab

How it works

• Developer bundles multiple buildings for rehab

• Finances with LIHTC (plus soft loan funds), and operates as a single rental property

• Best way to finance affordable rental development at scale

• Larger-scale LIHTC can help catalyze private investment in the neighborhood

Making it work here

• Land Bank will make it easier to acquire properties at sufficient scale to support LIHTC

• Existing neigh. developers will need technical support

• Engage with the state to encourage greater commitment of these resources to Albany

• Can be paired with federal and state historic credits, where applicable
2) Examples

- **Housing Visions in NY State**: has already used LIHTC successfully in Sheridan Hollow (but for new construction rather than rehab); also working in Syracuse and Utica.

- **RUPCO in Newburgh, NY**: acquiring scattered site properties from local land bank and packaging them into a 9% LIHTC deal, plus other sources.
3) Small-scale subsidized rental rehab

How it works

• Smaller-scale projects exist alongside larger LIHTC developments

• Public funds subsidize rehab of rental units, which are then reserved for lower-income households

• Market eventually improves, reducing or eliminating the need for public subsidy

Making it work here

• Land Trust and other nonprofits and for-profits engaged in this work

• Many sources of state funds could be applied: HOME, Affordable Housing Trust
  • Facilitate access by working with state funders

• City funds also available

• One-stop shopping could facilitate access
3) Example

- **Community Asset Preservation Corp:**
  the nonprofit CDC connected with New Jersey Community Capital. Subsidy of about $15,000/unit
4) Tax credits to build nonprofit capacity

How it works

• Tax credits awarded to CDCs, who use them to solicit charitable contributions

• Donors to CDCs get a tax credit in addition to charitable contribution deduction

• Additional operating funds help CDCs to expand capacity, thereby better accessing state resources and implementing existing programs

Making it work here

• Could help build capacity of local nonprofits capable of developing and executing community revitalization plans

• Would require state legislation

• Process for certifying eligible nonprofits
4) Example

• **Massachusetts Community Investment Tax Credit**: Private investors provide funds to CDCs in exchange for state tax credits; CDCs can be awarded up to $150,000 in state CITCs per year for three years that it will use to attract up to $300,000 in private investment each year. The tax credits are equal to 50% of the donation made by corporate or individual taxpayer.
5) Designated funding stream for land bank

How it works

• Tax or fee revenues are dedicated to fund land bank activities
  • Keeps land bank appropriations independent of budget allocations

Making it work here

• Cannot rely on the most common source – property taxes on once-vacant properties
  • City is already revenue-starved
  • Property tax relief already standard to encourage new development

• Dedicated funding stream would need to come from another source (potentially County?)

• Might require legislation
5) Example

- **Cuyahoga County, Ohio**: takes advantage of Ohio’s Delinquent Tax and Assessment Collection provision; can opt to fund land banks with 5% of delinquent property tax receipts

- **Atlanta Land Bank Authority**: raises 2/3 of its budget through regular city and county appropriations, and the remainder through a provision which captures 75% of property taxes for 5 years
6) Legal actions against vacant/abandoned properties

How it works

- Streamlined process for declaring a property to be dilapidated or abandoned
- Municipality can then take corrective action
  - Charging owner extra fees beyond property taxes
  - Transfer to Land Bank, another nonprofit or a private owner for rehab or demolition

Making it work here

- Combines legal framework with aggressive implementation plan
- New York State Real Property Law Section 19-A could provide legal basis
  - Assess applicability of implementation process for Albany
6) Examples

- **New Jersey, Abandoned Properties Rehabilitation Act**: attempts to balance municipal needs and property rights of owners; property can be taken if it meets several criteria, even if owner is paying property taxes; new owner/rehab entity designated

- **Baltimore Vacant Property Receivership Program**: uses the police power to assure that nuisance and public safety aspects of property are remediated by new owner if original owner cannot
7) Large land assembly tax credit

How it works

• Tax credit targets distressed areas and rewards owners for assembling significant number of properties for redevelopment

• Tax credit offsets the cost of financing acquisition and holding properties until they can be redeveloped
  • Tax credits offset both acquisition and carrying costs

Making it work here

• Would require state legislation
7) Example

- Missouri Land Assemblage Tax Credit Program: helps developers put together a critical mass of properties (totaling about 50 acres) in distressed areas. State tax credits are provided to the redeveloper based on 50% of the acquisition costs and 100% of the interest costs incurred for a period of five years after the acquisition of an eligible parcel. Maintenance costs may also be included as acquisition costs.
Broader recommendations for the revitalization of Sheridan Hollow

- Complete neighborhood action plan through ongoing community-based planning process – Sheridan Hollow Brownfield project
- Engage full range of stakeholders (neighborhood, city and state) in dialogue about how to amass resources to implement plan
- Develop a “one-stop shopping” guide so that all relevant information about existing financial and technical resources is clear and easily accessible to existing owners and buyers of single and multifamily housing
Broader recommendations, cont’d.

• Address broader land use and environmental issues
  • Remediate environmental problems
  • Develop hillside to connect neighborhood to state office buildings

• Work with city on high-impact strategies
  • Aggressive action against abandoned or dilapidated properties
  • Clarify issues and correct policies/practices that drive up development costs without improving quality or public safety
In short...and to conclude:

• Carefully assess the many potential solutions

• The selected approaches should evolve from the comprehensive neighborhood planning process and from collaboration with city and state public stakeholders.

• Path will likely involve a mix of homeownership and rental initiatives.

• For both, there should be an emphasis on programs aimed at strengthening the private housing market.

• Hopefully, the new affordable nonprofit-owned housing in the area will help to jump-start this type of investment, while also safeguarding existing residents from unwanted displacement over the long-term.