



CITY OF UTICA

Department of Legislation

Committee of:

Economic Development, Municipal Housing, Urban Renewal Agency, DUDA

Recommendations to Committee

Genesee Crossing

Affordable Housing Development

Housing Vision Consultants, Inc.

January 8, 2011

Present by:

Edward Bucciero

Council At Large
Committee Co-Chairman

Project- Genesee Crossing

Housing Visions Consultants, Inc., a 501(c) (3) not-for profit organization, proposes to construct and manage 35 units of low-income housing throughout the City of Utica through the construction of 14 new multifamily residences. Thirteen out of the fourteen buildings are designed as 2-family residential dwellings and one is designed as a 9 unit senior housing apartment building.

Housing visions will acquire 21 properties which consist of 10 buildings and 11 vacant lots, and of which 12 are owned by the City of Utica.

Objective

The project proposes to contribute to the economic improvement and the housing stabilization of city neighborhoods through the demolition of dilapidated buildings and constructing new low-income rental housing on those properties as well as on the vacant lots.

Funding

\$7,700,000	Federal Low Income Housing Tax Credits (LIHTC)
\$2,200,000	NYS HOME/HTF Loan (at 1% interest only- for 30 years)
<u>\$750,000</u>	City of Utica HOME Loan (at 1% interest only- for 30 years)
\$10,650,000	100% total publically funded

\$304,285	Cost per Unit (\$10,650,000 divided by # of units-35)
\$608,570	Cost per 2-Family Building

Observation

Although the proposed Project's goals and intentions of stabilizing city neighborhoods through the demolishing of dilapidated buildings and constructing new low-income rental units are note worthy and admirable, there are several reasons as to why this project should not be advanced and the solutions to the stated objectives must be re-examined.

- 1) Studies have shown that over time, neighborhoods that have maintained their viability and composition are the neighborhoods that consist mainly of single-family owner occupied housing. Homes which are owned by their occupants are more likely to be maintained to a higher standard, since their owners have a vested interest in the property and in their surrounding neighbors. Conversely, these studies also concluded that, over that same time period, neighborhoods that are comprised of a high concentration of multi-family building have not maintained the same vibrancy, and in fact they have evolved into areas of blight, permeated with despair and crime. The reasons for this evolution are many, and this recommendation does not address their collective causes and effects. The same observations have been noted and specifically addressed in the City's Master Plan. The Master plan calls for the transformation of neighborhoods with high density multi-unit investor owned properties, into ones with 70% single-family owner occupied housing stock. Let the evolutionary history of our city's neighborhood teach us NOT to infuse our neighborhoods again with multi-family buildings, because there is a high probability that history will repeat its self. The short term gains that may be initially obtained by projects like

the one proposed will eventually be replaced by the same circumstance that lead these neighborhoods to their current conditions.

- 2) When you examine the Cost/Benefit of this Project, which is funded entirely with public money, some very disturbing facts became evident. This Project is a prime example of a well intended, but misguided attempt of a government program to engineer social changes by throwing billions of taxpayer's dollar at it. Here are smoe facts that should cause the Project to be scrapped, regardless of what meager benefits it may derive.
 - a) As stated in the funding section of this report, this Project intends to spend **\$10,650,000** of public money to build 35 housing units. Simple mathematics reveals that the total cost per unit built would be a staggering **\$304,285** each. That means the total cost of one 2-Family home would be **\$608,570**. This cost basis is incomprehensible and it is an egregious miss use of taxpayer dollars. This fact alone should be sufficient cause to not only scrap this Project but it also should be a cause for the immediate halt to the government "tax credit" shame that is the engine of this debacle.
 - b) The first perpetration of this "tax credit" shame is to take \$7,700,000 of Federal income tax receivables and offer a dollar for dollar tax credit to companies who invest in low-income housing. Since Housing Vision Inc. is a not-for-profit company it can't use the tax credits, so it sells them for a discount to companies who can use them for \$6,006,000. That means \$1.7 million dollars is lost or expended right off the top before a shovel is even put in the ground. This transaction is a very cunning way to create a queasy government bureaucratic program, disguised as a privately funded program. (effect on cost per unit = \$48,571)
 - c) Because this is a queasy government program the contractual implementation and oversight is crammed with the usual generous cost allowances, absurd regulations and requirements and outrageous PROFIT allowances, all of which diminishes the efficient delivery of the intended services. Some examples of this are:

See Attached Development Budget for Reference Below

1. \$180,000 Relocation Fees (Not Just Relocation Compensation but a Government Payday for Tenants- some will receive up to \$15,000)
 2. \$25,000 Over Pricing of Surveys (\$1,000 - normal for average city lot)
 3. \$10,700 Soil Borings
 4. \$187,000 Over Pricing of Architecture /Engineering Fees
 5. \$49,159 General Contractors' Insurance (usually borne by the Builder)
 6. \$85,000 Performance Bond (usually borne by the Builder)
 7. \$201,990 General Requirements
 8. \$100,000 Builders Overhead (billed @ 4%, usually 2%-3%)
 9. \$125,000 Excess Builders Profit (billed @ 10%-Current economy 7.5% or less is normal)
 10. \$300,000 Project Contingency (the usual government cost overrun charges)
 11. \$300,000 Over Pricing of Developers Fee (billed @ 17%; 10% is generous considering there is no developer investment risk)
- \$1,563,849 TOTAL inefficiencies** (effect on cost per unit = \$44,681)

- 3) There is little evidence any of the developed properties will ever be sold to tenants, thereby not adhering to the Master Plan's guidance.

- 4) This Project ties up \$2,200,000 in NYS HOME/HTF Loan Funds for 30 years. These funds would otherwise be available for home buyer's mortgage assistance.
- 5) This Project ties up \$750,000 in City of Utica HOME/HTF Loan Funds for 30 years. These funds would otherwise be available for home buyer's mortgage assistance.
- 6) This Project provides non-consequential property tax benefits. As noted in the Proposed Tax Schedule & Agreement below, the current taxes collected on the subject properties is \$14,747. Under this agreement the taxes paid by Housing Vision would be \$18,944. This amounts only to a \$4,197 increase in tax revenue. Housing Vision's Tax Proposal asks to assume the current taxes paid on (8) privately owned properties and to pay 50% of current assessment on (13) city-owned properties with a 2% annual increase for 20 years. Key factors in this agreement are the words "current taxes" and "current assessment". This agreement would freeze the properties at their current assessment. The new construction improvements will not be assessed until after 20 years.
- 7) In addition to the generous assessment, future taxes increase would be fixed at 2% per year for 20 years. The total taxes due in the 20th would be \$27,598 for a total increase of only \$8,654.

Genesee Crossing (Housing Visions Consultants, Inc.)

Proposed Tax Schedule & Agreement

Tax ID #	Property Address	Assessed Value	Per					Currently		Proposed	
			Thousand	City	School	County	Sld Wst	Library	Collected		
1	318.65-2-35	100-104 Hobart	\$6,700	6.70	\$134	\$169	\$61	\$158	\$4	\$0	\$263.50
2	318.65-2-37	106 Hobart	\$200	0.20	\$4	\$5	\$2	\$158	\$0	\$0	\$84.50
3	318.65-2-22	1422 Kemble	\$36,400	36.40	\$730	\$919	\$329	\$158	\$24	\$2,161	\$2,161
4	318.65-2-23	1424 Kemble	\$2,500	2.50	\$50	\$63	\$23	\$158	\$2	\$0	\$148
5	318.64-2-1	27 Noyes	\$33,000	33.00	\$662	\$833	\$298	\$158	\$22	\$0	\$987
6	318.66-2-30	34 Noyes	\$31,200	31.20	\$626	\$788	\$282	\$158	\$21	\$0	\$937
7	318.64-2-50	1405-1407 Francis	\$43,000	43.00	\$862	\$1,086	\$389	\$158	\$29	\$0	\$1,262
8	318.56-3-43	715-717 Noyes	\$1,100	1.10	\$22	\$28	\$10	\$0	\$1	\$61	\$61
9	318.56-3-42	719-721 Noyes	\$25,000	25.00	\$501	\$631	\$226	\$158	\$17	\$1,533	\$1,533
10	318.56-3-41	723-725 Noyes	\$47,000	47.00	\$943	\$1,187	\$425	\$158	\$31	\$2,744	\$2,744
11	318.56-3-40	727-729 Noyes	\$50,000	50.00	\$1,003	\$1,263	\$452	\$158	\$34	\$2,909	\$2,909
12	318.56-3-39	731 Noyes	\$3,000	3.00	\$60	\$76	\$27	\$0	\$2	\$165	\$165
	318.55-2-23	1408 Sunset	\$2,850	2.85	\$57	\$72	\$26	\$0	\$2	\$157	\$157
13	318.56-3-38	1401 Sunset	\$52,000	52.00	\$1,043	\$1,313	\$470	\$237	\$35	\$3,098	\$3,098
14	318.56-3-37	1405 Sunset	\$32,000	32.00	\$642	\$808	\$289	\$158	\$21	\$1,919	\$1,919
15	318.73-3-56	1419 Elm	\$1,600	1.60	\$32	\$40	\$14	\$0	\$1	\$0	\$44
16	318.73-3-55	1421 Elm	\$1,200	1.20	\$24	\$30	\$11	\$0	\$1	\$0	\$33
17	318.72-2-6	1504 Oneida	\$5,200	5.20	\$104	\$131	\$47	\$0	\$3	\$0	\$143
18	318.73-3-78	125 Gold	\$3,700	3.70	\$74	\$93	\$33	\$0	\$2	\$0	\$102
19	318.73-3-77	127 Gold	\$400	0.40	\$8	\$10	\$4	\$0	\$0	\$0	\$11
20	318.81-2-31	1529 West	\$2,500	2.50	\$50	\$63	\$23	\$0	\$2	\$0	\$69
21	318.81-2-32	1527 West	\$4,100	4.10	\$82	\$104	\$37	\$0	\$3	\$0	\$113
			TOTAL		\$7,715	\$9,712	\$3,476	\$1,975	\$258	\$14,747	\$18,944
City Owned			2%	Tax Rate Per \$1,000	20.058068	25.250	9.037643		0.67		

Proposed Tax Schedule & Agreement: Housing Visions proposes to assume the current taxes paid on (8) privately owned properties and pay 50% of current assessment on (13) city-owned properties with a 2% annual increase for 20 Years.

Current Year	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
\$18,944	\$19,323	\$19,709	\$20,103	\$20,505	\$20,915	\$21,333	\$21,760	\$22,195	\$22,639	\$23,092	\$23,554
Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20				
\$24,025	\$24,506	\$24,996	\$25,496	\$26,006	\$26,526	\$27,057	\$27,598				

Conclusions

In conclusion, although the proposed Project does offer some opportunities for initial neighborhood stabilization, it does not conform to the long term goals of the Master Plan, which is to stabilize and revitalize city neighborhoods through a planned effort of 70% owner occupied homes.

Although the well intended Project developer has proven itself to be an excellent developer and property manager, the inefficient nature of this government program whose oversight facilitates generous cost allowances, absurd regulations and requirements and outrageously PROFIT allowances, make this an egregious miss use of public funds. With our national deficit in the trillions and our state deficit in the billions ineffective and inefficient government programs such as this one need to be scrapped. We can no longer afford these kinds of wasteful programs.

This Project ties up precious local and state HOME Loan dollars for 30 years, money that could be use for cost efficient projects that would produce substantially more benefits and be better suited to achieving the City's immediate and long term planning goals.

Due to the proposed non-consequential property tax benefits derived from this project, the remaining taxpayers of our City will continue to foot the majority of costs for city services provide to this project's properties, such as fire, police and public works. Current and future tax agreements need to be tempered by the fact that taxpayers can no longer absorb the cost of these types of incentives unless the return on their tax dollars is meaningful and measurable.

Therefore it is my recommendation to the members of the Economic Development, Municipal Housing, Urban Renewal Agency, DUDA Committee and all members of the Common Council that any legislation regarding the proposed project not be supported.