How to Use This Strategy

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A message from czb

Buffalo is one of America’s great cities – and one of its most challenged. Important neighborhood and housing issues have gone unaddressed or poorly addressed for decades, creating an environment today where a resurgence of civic pride, development activity, and vitality in parts of Buffalo are juxtaposed with large concentrations of distress and neglect. It will take patience, focus, and collaboration to confront these challenges.

It will also require a clear understanding of the housing problems Buffalo is trying to solve, how those problems differ among markets within the city, and how those differences should influence the actions of the city and others who intervene on behalf of healthier and more inclusive neighborhoods. The analysis in this document provides a factual basis for making such distinctions and a framework for decision-making in a context where resources are dwarfed by the problems that need solving and where all public investments must be thoughtful and strategic to have a measurably meaningful impact.

As a decision-making tool, this document is not a prescriptive, inflexible to-do list designed to be followed without modification. Instead, it has been developed with the assumption that real estate markets, demand, pricing, risk tolerance by the private sector, and public sector fiscal capacity will all be constantly shifting, and so too should intervention actions so long as they hew to a set of tested principles suited for generally soft markets.

Having analyzed and developed strategies for all types of housing markets around the United States – from some of the tightest and most expensive markets, to those most beset by vacancy and abandonment – we feel it is critical for the Buffalo community to understand that the city’s housing market bears few if any similarities to the Bay Area, Seattle, Portland, Boston, or even Chicago. Rather, Buffalo’s housing market challenges are analogous to those facing Cleveland, Erie, Rochester, Milwaukee, and Detroit. The problems to solve in the latter group are very different from the former – and housing policy must take that into account.
This document consists of an introduction and four parts, all designed to create a fact-based foundation for thinking and making decisions about a range of housing and neighborhood-related issues.

Introduction: What does “housing opportunity” mean in Buffalo, and what elements are needed to realistically achieve it? Opportunity, affordability, and market conditions are defined.

Part 1: Buffalo’s Housing Market Today — This primer distills a complex housing market down to three fundamental findings that clarify the city’s challenges: (1) the recovery is real but highly confined — Buffalo’s market is generally still soft and suffering from decades of deferred maintenance; (2) low-incomes are the root cause of affordability problems — not housing costs, which remain among the lowest in the country; and (3) Buffalo’s history of inequality is a significant source of instability in its housing market and threatens a durable recovery.

Part 2: Neighborhood-level Housing Conditions and Trends — Five sub-market types describe the range of market demand and neighborhood conditions within Buffalo today. This part provides an overview of these five types, explores the implications that conditions in each type have on decision-making in an environment with limited resources, and presents ways of gauging the positive or negative impacts of current housing interventions. Dividing Buffalo into five types of submarkets helps in the work of deciding what to do where. In some parts of the city, more affordability will be necessary. In other parts of Buffalo, more private sector risk-taking is needed. In still others, a more patient strategy of preparing the area for development potential many years (if not decades) in the future is needed.

Part 3: Principles to Guide Strategy and Decision-Making — On what basis should decisions be made when it comes to resource allocation and policy development? This part presents five principles to guide action in Buffalo’s complex housing market, as well as outcomes to pursue in each of the city’s five market types.

Part 4: A Housing and Neighborhood Toolkit for Buffalo — Numerous tools are currently being used to intervene in Buffalo’s housing market. But why? As the city considers which tools to maintain, which to adjust, and which to invent, Part 4 provides guidance on how to think about interventions and how to align them with the city’s market conditions, principles and strategies.
Introduction

Based on recent trends, it is clear that Buffalo’s housing market has begun to stabilize, after decades of population loss at a scale experienced by few other cities.

This progress is constrained, however, by the fact that very few neighborhoods exhibit signs of strong market demand – with competition stimulating private investment at a level that expands the supply and improves the quality of housing. And in those few areas, recent housing developments have almost always required public subsidies to overcome high development costs and the market’s limited willingness to pay rents that would completely cover costs.

However fragile, growing demand in the most sought-after neighborhoods is translating into rising prices and rents after years of stagnation. These increases make access to housing in those neighborhoods difficult for many households – limiting their access to vibrant and revitalized areas and their sense of inclusion in Buffalo’s newfound prosperity. At a time of escalating economic and residential segregation across the country, many communities are grappling with the same problem.

What Buffalo seeks is a full, healthy housing ladder — in other words, a market that gives households at all income levels mobility and options.

More rungs on the housing ladder mean that more households find a good fit – the right size unit at the right price in the right neighborhood.
Achieving a healthy and sustainable housing ladder requires coordinated action on **two fronts:**

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**1. The first is having housing options that are sufficient to compete for and retain households that can choose to live anywhere in the region.**

For years, such households were choosing Amherst, Lancaster, Hamburg, and other communities by a wide margin over Buffalo’s neighborhoods — and, to a large degree, they still are. But as their numbers rebound in the city, income generated by their property taxes strengthens the city’s fiscal capacity to invest in parks, streets, schools, and to catch up on deferred maintenance. Importantly, these households have the discretionary income needed to drive growth in the city’s commercial districts and to refurbish and update the city’s private housing stock. Without middle income households able and willing to make continual reinvestments in their homes, Buffalo cannot succeed as a city.

**2. The second is realizing community values around inclusion, social equity, and opportunity.** It materializes not from stifling or preventing the first front, but from channeling the value it creates into resources and tools that facilitate inclusion. Without being inclusive, Buffalo will be unable to come together as a community.

Making progress on both fronts requires a decision-making framework that is guided by an understanding of market conditions and supported by a conversation about what the community wants to accomplish, what it will cost, and what it is willing to invest to make it happen.
Housing — rental or owner-occupied — that does not cost a household more than 30% of its gross monthly income is considered affordable. For example, an apartment costing $900 per month in rent and utilities is affordable to a renter with an income of no less than $36,000 per year. Similarly, a $900 monthly mortgage payment (that includes principle, interest, and taxes) is affordable to a buyer with an income of no less than $36,000 per year.

Each increment above 30% decreases a household’s capacity to pay for non-housing essentials; faced with a choice of food or clothing or transportation versus rent, households begin to juggle, rent payments become late, and a buyer’s default probability rises.

So when a household’s rent exceeds 30% of its gross monthly income, that household is considered housing cost burdened. While households at any income range can be housing cost burdened, public policies that assist households with securing affordable housing typically focus on those with incomes at or below the median income for a given region. At lower incomes, cost burden is felt more acutely.
The second is that the housing that is affordable is affordable for specific reasons that have to do with the local market and the local economy and how the two fit together.

Location demand, property conditions, expectations of price stability and future gains, and demographic factors — who and what is where — sets price. Sometimes, a property may be in good condition but the land on which the housing sits is not very desirable, so demand to own it and possibly redevelop it is low, as is the resulting price. Low demand generally equates with low cost or high affordability. Other times, a property was built inexpensively and the debt load is nominal, enabling low rents. Sometimes the property is in substandard condition, and as such, demand is very low, so prices are low.

The local economy is also a major factor that shapes affordability. For example, it is not hard to find an affordable home in a struggling place like Saginaw, Michigan, where a single wage earner making $9 an hour can afford to buy a home at median value. And it is easier for employees to participate in any housing market without government subsidy when employers pay a “housing wage” — the hourly wage a family must earn to afford a modest two-bedroom apartment in the private market.
PART 1

Buffalo’s Housing Market Today

The narrative surrounding Buffalo’s housing market in 2017 is marked by extremes that can be difficult to reconcile.

On the one hand, there is the bullishness about price appreciation, new development, and an influx of motivated buyers and renters, all of which are occurring at levels not seen in years. On the other hand, there are thousands of deteriorating or empty houses and apartments and tens of thousands of households that struggle to improve their homes or pay the rent.

That both storylines are plainly visible to city residents and are occurring parallel to one another — and often in close proximity — can contribute to confusion and suspicion around housing development and policy, especially in the wake of decades of inequity. To some extent, this has provoked competing explanations about what has been happening, why, and how to move towards a housing market less divided by these disparities.

An examination of market and socioeconomic data for this Housing Opportunity Strategy has revealed three overarching findings that help clarify key patterns and trends in the city while giving definition to problems that need to be recognized by housing and neighborhood policy.
The recovery is real but limited to a handful of neighborhoods.

Unaffordability is driven by low income levels – not high housing costs.

Historical inequities undermine the potential for sustainable progress.

Three essential findings about the housing market:
A legitimate turnaround has been occurring in the city’s housing market in recent years, with a recovery in demand having a clear impact on housing investment by homeowners and landlords in certain parts of the city. But those parts are more limited than conventional wisdom might assume.

In reality, only a small portion of the city’s neighborhoods have made noteworthy and durable gains in recent years. And in areas where demand is genuinely strong, a variety of incentives and subsidies remain crucial to the feasibility of market-rate housing development. Consider:

- Among 50 neighborhood-level markets analyzed for this Housing Opportunity Strategy, only 13 are truly competitive — where demand is stimulating healthy levels of investment and reinvestment.

- Of 70,500 residential properties assessed through a citywide field survey for signs of investment and disinvestment, only 23% were deemed to be in excellent or good condition — having no visible signs of deferred maintenance. Among these properties, nearly half were concentrated in the sub-markets where demand is strongest.
Exterior Condition
Field Survey of Residential Structures

To gauge the current physical condition of each residential structure, a field survey was conducted in late 2016. Scorers rated each property on the following 1 to 5 scale:

1. **EXCELLENT**
   Top of the market

2. **GOOD**
   Only modest levels of investment needed

3. **AVERAGE**
   Solid, but tired and in need of upgrades

4. **MODERATE DISTRESS**
   Trending downward

5. **SEVERE DISTRESS**
   Numerous signs of prolonged disinvestment

Gray: Land not occupied by residential structures
• The mean price for single family MLS* sales in the city between 2014 and 2016 was $114,900 — only two-thirds of the $175,500 average for the remainder of Erie County. This indicates that the focus of housing investment and development remains in the suburbs. Between 2010 and 2016, the city accounted for just 9% of all housing starts — well below its 28% share of the county population.

• In 29 of the 50 sub-markets analyzed, the mean price for MLS sales between 2014 and 2016 was below $90,000 — and in 18 of these, mean prices were under $50,000. In only 11 sub-markets did the average exceed $150,000.

• A two-bedroom rental unit developed without any form of subsidy is estimated to require rent of at least $1,500 per month to be financially viable — but less than 3% of Buffalo renters currently pay that much. As a result, the vast majority of market-rate rental developments since 2010 have relied on one or a combination of subsidies to lower expenses and achieve rents that the market will bear. These have included tools such as the 485-a property tax exemption, state and federal historic tax credits, ECIDA adaptive reuse incentives, the Better Buffalo Fund, brownfield tax credits, and others. An analysis of 2,343 market-rate multi-family units completed or under construction since 2010 shows that at least 2,208 (or 94%) received some form of subsidy. And with few incentives for new construction, recent development has focused on the conversion of existing—largely historic—structures.

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* The Multiple Listing Service represents a subset of all residential sales, and often excludes sales at the low end of the market that are made without engaging a Realtor. Between 2010 and 2015, less than half of the 21,000 residential sales in the city were made using the MLS.
Mean MLS Sales Price: 2014-2016

- $300,000 - $467,000
- $150,000 - $299,999
- $90,000 - $149,999
- $50,000 - $89,999
- $24,000 - $49,999

Source: czb analysis of sales data from Buffalo Niagara Association of REALTORS (BNAR); price intervals based on a natural break distribution.
Unaffordability is driven by low income levels – not high housing costs.

In many cities that are both growing and constrained by geography, genuinely high housing costs are a threat to both low- and moderate-income households. In such cities, high cost is the primary problem for housing policy to address.

This is not the case in Buffalo, which remains one of the nation’s least expensive cities to rent or own a home.

- The median value of all owner-occupied single family homes in the city was $68,800 in 2015 — making the typical Buffalo home affordable to a household with an annual income of $23,000.

- With a median gross rent (contract rent plus utilities) of $699 in 2015, the average city apartment is affordable to a household making $28,000.

As a result, it is often less expensive to make a mortgage payment on a typical house than it is to rent a typical apartment on the private market.

- With a median home value to median household income ratio of just 2.1 (compared to a national average of 3.4, and ratios above 7.0 in Boston, New York, and San Francisco) Buffalo is more affordable than most of its upstate and Great Lakes peers and has a ratio closer to those found in Flint, Michigan or Youngstown, Ohio.

Rather than high housing costs, unaffordability in Buffalo is driven by low incomes. For the 37,000 households in the city that live on less than $20,000 per year, low incomes make it difficult to access and maintain quality housing in healthy neighborhoods.

For 42,000 city residents, or 16.5% of the population, disabilities add another dimension to the search for housing opportunities - especially for the 17,700 disabled individuals between the ages of 18 and 64 who are not in the labor force and account for a significant share of households at the lower end of the income ladder. For them, affordability and accessibility are linked challenges to overcome in a city with one of the country’s oldest housing stocks.
## Renting and Purchasing Capacity of Buffalo Households: 2015

<table>
<thead>
<tr>
<th>INCOME</th>
<th>HOUSEHOLDS</th>
<th>MAXIMUM AFFORDABLE RENT RANGE</th>
<th>HOME PURCHASING POWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000+</td>
<td>10%</td>
<td></td>
<td>$2,500+</td>
</tr>
<tr>
<td>$75,000 - $99,999</td>
<td>8%</td>
<td>$1,875 - $2,500</td>
<td>$240,000 - $320,000</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>15%</td>
<td>$1,250 - $1,875</td>
<td>$160,000 - $240,000</td>
</tr>
<tr>
<td>$35,000 - $49,999</td>
<td>14%</td>
<td>$875 - $1,250</td>
<td>$112,000 - $160,000</td>
</tr>
<tr>
<td>$20,000 - $34,999</td>
<td>19%</td>
<td>$500 - $875</td>
<td>$64,000 - $112,000</td>
</tr>
<tr>
<td>$0 - $19,999</td>
<td>34%</td>
<td>$0 - $500</td>
<td>$0 - $64,000</td>
</tr>
</tbody>
</table>

Source: czb analysis of data from U.S. Census Bureau
This divide is reflected in housing and residential patterns in the city, which themselves are a reflection of an earlier prosperity that was defined by great wealth and high levels of segregation and exclusion. This was exacerbated during the postwar years when suburbanization of the white middle class both mirrored and reinforced earlier divisions.

There is recognition, though, that for a new prosperity to fully emerge and be sustainable, these patterns of exclusion cannot continue. Erie County’s dissimilarity index score of 64.9 — a measurement of residential segregation where 60 is considered extreme — is one of the highest in the country and is echoed within the city limits. These residential patterns extend to economic patterns, as expressed by an unemployment rate among African-Americans in Buffalo that has been double the rate for whites since 2006, regardless of the broader economic climate.
Economic dislocation has profoundly affected all of Buffalo; the Great Recession imposed added hardship on the city. But the spatial impact on African Americans has been especially harsh. Job loss in the black community has been negatively compounded in ways far more detrimental than in the white community. From 2009 to 2011, roughly one in five African American households dealt with unemployment. When this reality occurs in a residentially segregated city such as Buffalo, whole streets are disproportionately impacted.

Unemployment rate: 2015

- 2.1% - 4.7%
- 4.8% - 8.7%
- 8.8% - 13%
- 13.1% - 17.8%
- 17.9% - 30.6%

Unemployment by race: 2006-2015

Source: czb analysis of data from U.S. Census Bureau.
Neighborhood-level Housing Conditions and Trends

One of the biggest challenges to the development of effective housing strategies and policies in Buffalo is the sheer range in neighborhood and market conditions.

Over its 40 square miles, the city contains blocks where homes and condos are valued at $500,000 or more, blocks that are dominated by vacant lots and abandoned houses, and everything between these extremes. With such variability, how does the city make sense of neighborhood conditions in a way that brings clarity to current and emerging problems while pointing to appropriate interventions?

A variety of socioeconomic and housing market indicators were combined and analyzed at the census tract level with the goal of identifying distinct sub-markets — which could then be used to describe groups of neighborhoods with similar characteristics.

This analysis revealed five distinct market types. The socioeconomic and physical conditions in each are summarized on subsequent pages, but the fundamental forces that shape housing investments and transactions in each market can be described as follows:

- **Highest Demand:** The number of households that want to live in this market exceeds the affordable supply. A sustained level of strong demand is providing a stimulus for new investment. Confidence in the value of real estate is high.

- **Higher Demand:** The number of households that want to live in this market is generally in balance with supply, but property conditions and location have a significant influence on pricing and affordability.

- **Moderate Demand:** The number of households that want to live in this market is generally in balance with supply, but housing quality, neighborhood conditions, and low incomes place a ceiling on demand that dampens investment by current property owners. Proximity to stronger markets will mean rising levels of demand for some of these neighborhoods, but many are vulnerable to further disinvestment.

- **Lower Demand:** Fewer households want to live in this market than the current supply accommodates, resulting in low prices, low levels of reinvestment, and high concentrations of low-income households with few other choices.

- **Lowest Demand:** A prolonged surplus of supply over demand – and the resulting decades of deferred maintenance and disinvestment – has left half of all residential parcels without structures. In many respects, the housing market has collapsed and is unresponsive to stimulation or correction.
Note: This demand-based market typology is a z-score composite of property conditions, improvement permits, code violations, concentrations of residential vacant lots, the average price of recent sales, the proportion of recently sold homes sold to owner-occupants, median gross rent, median renter income, median home value, median owner income, and population change.
Key Sub-Market Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Change since 1980</th>
<th>Share of total population</th>
<th>Share of white population</th>
<th>Share of black population</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHEST DEMAND</strong></td>
<td>57,943</td>
<td>-11%</td>
<td>23%</td>
<td>35%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>HIGHER DEMAND</strong></td>
<td>36,418</td>
<td>-19%</td>
<td>14%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td><strong>MODERATE DEMAND</strong></td>
<td>106,370</td>
<td>-20%</td>
<td>41%</td>
<td>39%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>LOWER DEMAND</strong></td>
<td>47,188</td>
<td>-44%</td>
<td>18%</td>
<td>6%</td>
<td>39%</td>
</tr>
<tr>
<td><strong>LOWEST DEMAND</strong></td>
<td>9,678</td>
<td>-62%</td>
<td>4%</td>
<td>1%</td>
<td>7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Average Sale Price, 2014-16</th>
<th>Median Sale Price, 2014-16</th>
<th>Sales to owner occupants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HIGHEST DEMAND</strong></td>
<td>$244,600</td>
<td>$195,000</td>
<td>73%</td>
</tr>
<tr>
<td><strong>HIGHER DEMAND</strong></td>
<td>$120,800</td>
<td>$96,300</td>
<td>63%</td>
</tr>
<tr>
<td><strong>MODERATE DEMAND</strong></td>
<td>$62,800</td>
<td>$50,000</td>
<td>42%</td>
</tr>
<tr>
<td><strong>LOWER DEMAND</strong></td>
<td>$31,600</td>
<td>$26,500</td>
<td>22%</td>
</tr>
<tr>
<td><strong>LOWEST DEMAND</strong></td>
<td>$25,200</td>
<td>$22,000</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: czb analysis of data from U.S. Census Bureau and BNAR
Disparity in housing conditions is one of the most visible expressions of Buffalo’s historical income, class, and racial divides. In areas with low demand, fewer than 10% of homes show high levels of maintenance and reinvestment by owners, while almost half show visible signs of disinvestment and distress.
Despite having the most affordable rents in the city (33% below the national median of $928 per month), the Lower and Lowest Demand sub-markets have the greatest concentrations of cost-burdened renters, who typically pay well above 30% of their incomes on housing due to extremely low incomes.

Source: czb analysis of data from City of Buffalo and U.S. Census Bureau
<table>
<thead>
<tr>
<th>Demand Level</th>
<th>Occupied owner units</th>
<th>Median home value</th>
<th>Median owner income</th>
<th>Value to income ratio</th>
<th>Maximum affordable price for median owner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Demand</td>
<td>11,192</td>
<td>$209,500</td>
<td>$90,700</td>
<td>2.3</td>
<td>$272,000</td>
</tr>
<tr>
<td>Higher Demand</td>
<td>6,887</td>
<td>$99,600</td>
<td>$59,300</td>
<td>1.7</td>
<td>$178,000</td>
</tr>
<tr>
<td>Moderate Demand</td>
<td>17,988</td>
<td>$61,700</td>
<td>$43,400</td>
<td>1.4</td>
<td>$130,000</td>
</tr>
<tr>
<td>Lower Demand</td>
<td>8,276</td>
<td>$40,100</td>
<td>$33,900</td>
<td>1.2</td>
<td>$102,000</td>
</tr>
<tr>
<td>Lowest Demand</td>
<td>1,537</td>
<td>$29,200</td>
<td>$24,400</td>
<td>1.2</td>
<td>$73,000</td>
</tr>
</tbody>
</table>

A value to income ratio of 3.5 is indicative of a strong, stable, and accessible housing market where the price of a typical home is affordable to the market’s typical household. Even the strongest sub-market has a ratio well below this level for current homeowners – indicative of a **recovery that is still underway but has yet to spread** to softer markets. In each sub-market, the **median house is worth substantially less than the median homeowner’s purchasing power**.

Low home values are a reflection of many factors, including low demand for the location and low expectations for price stability or gains. This results in disinvestment and poor housing quality – which further dampens value. Improving upon any of these factors will increase costs. It is simply not possible to improve quality without boosting demand and cost – unless interventions take place that **cover the difference** between higher quality and a household’s ability to pay for it.

Source: czb analysis of data from City of Buffalo and U.S. Census Bureau.
What’s happening in these sub-markets?

**HIGHEST DEMAND**

Neighborhoods in this sub-market are mostly adjacent to assets closely identified with Buffalo’s recent resurgence, such as Elmwood Avenue, Hertel Avenue, Delaware Park, and the waterfront.

They have a durable housing stock originally built for middle- and upper-class families. Some of this housing received little investment in the late 20th Century and is now being eyed for fixer-upper opportunities, but the majority of homes are in excellent or good condition.

**HIGHER DEMAND**

These neighborhoods are all adjacent to the Highest Demand sub-markets and benefit from that proximity. They include much of the upper West Side, University Heights (west of Main), and parts of South Buffalo.

Property conditions are mixed and can vary from block-to-block. A third of homes are in excellent or good condition, but most are in average condition. This, along with homes being generally smaller in size, is reflected in average sale prices that are 50% lower than in the Highest Demand sub-markets.
Neighborhoods in this sub-market are located throughout the city and contain 40% of the population. Though each has a distinct history, all began as bastions for working-class families employed in the industrial economy.

The erosion of that economy has taken its toll on these areas, with many becoming progressively poorer and older. Homeowners remain, but rentals are on the rise. Average levels of maintenance predominate, but one-in-four properties show signs of prolonged disinvestment.

Whether parts of this sub-market improve or decline over the next decade depends to a large extent on proximity to stronger sub-markets, the inherent character and durability of the housing stocks, and if distress spreads or can be contained.

Lowest Demand

This sub-market covers a relatively small area of the East Side. The population has declined 62% since 1980, 49% of its residential parcels are vacant lots, and the incomes of both renters and homeowners are extremely low. Significant assets remain, but the average sale price is just $25,000.
Disinvestment: Costs and Opportunities

If one of the ultimate aspirations of any community is to achieve sustainability in its neighborhoods — each one having well-maintained properties, minimal blight, and expressions of confidence that continuously encourage reinvestment by landlords and homeowners — what would it take, based on current conditions, to achieve such a goal in Buffalo?

The scale of disinvestment and deferred maintenance revealed by the survey of exterior conditions — including 2,000 properties showing severe blight, 14,500 with moderate signs of distress, and 37,500 signaling neither distress nor obvious recent investments — can be used as a basis for estimating the work needed to create healthy housing conditions in each sub-market.

Addressing the 2,000 severely blighted properties by demolition — which while necessary in some cases is not appropriate in all — would cost upwards of $78 million based on a conservative estimate to demolish structures and then clean and green the lots. The total varies significantly by sub-market, ranging from just $2.8 million in Moderate Demand markets to $35 million in Low Demand markets.

This raises an important question from a strategy perspective. In the absence of $78 million to carry out such a blight removal effort, where should the city focus limited demolition resources?

A key consideration should be impact on the block in question, and the level of drag on reinvestment created by a blighted property. In other words, to what degree are property owners on the same block or adjacent blocks withholding investment in painting, roof repairs, landscaping, or kitchen upgrades because of the presence of blighted properties?

Each sub-market has some level of withheld housing investment capacity — which can be estimated by looking at the gap between the 30 percent of

<table>
<thead>
<tr>
<th>Sub-market</th>
<th>Estimated cost to remove all severely blighted housing</th>
<th>Estimated cost to make all housing marketable</th>
<th>Annual untapped housing investment capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGHEST DEMAND</td>
<td>$3,500,000</td>
<td>$36,000,000</td>
<td>$172,700,000</td>
</tr>
<tr>
<td>HIGHER DEMAND</td>
<td>$2,800,000</td>
<td>$53,300,000</td>
<td>$100,900,000</td>
</tr>
<tr>
<td>MODERATE DEMAND</td>
<td>$21,400,000</td>
<td>$298,500,000</td>
<td>$166,500,000</td>
</tr>
<tr>
<td>LOWER DEMAND</td>
<td>$35,000,000</td>
<td>$176,300,000</td>
<td>$34,000,000</td>
</tr>
<tr>
<td>LOWEST DEMAND</td>
<td>$15,500,000</td>
<td>$43,600,000</td>
<td>$3,200,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$78,200,000</td>
<td>$607,700,000</td>
<td>$477,300,000</td>
</tr>
</tbody>
</table>

Untapped housing investment capacity in the strongest sub-markets is enough to address deferred maintenance in those markets in a single year - and still have $184 million left over.
household income that households can afford to spend on housing each year and what they actually spend.

In Buffalo, where housing costs are relatively low but deferred maintenance is widespread, resources sitting on the sidelines are significant — upwards of $477 million annually. These resources could be put towards housing — and largely would be if the market were stronger and owners were more confident about upgrading their assets — but are not, going instead to any number of other expenses.

With citywide housing investment needs of over $600 million, and nearly $500 million in private household investment capacity currently being saved or spent in other ways each year, the implications for housing and neighborhood policy in Buffalo are clear: How can the city and its partners direct limited public resources — such as the $15 million in CDBG and HOME funding received in 2017, or annual capital spending on street and park improvements — in ways that unleash private investment and realize progress towards the goal of expanded access to healthy neighborhoods?

The essential weak market problem in Buffalo is no longer a function of inadequate resources, but inadequately leveraged confidence sufficient to mobilize property owners to reinvest money they already have.
Existing Interventions

How are existing interventions in housing quality and affordability deployed across the five sub-market types, and how are they leveraging reinvestment by property owners to improve neighborhood conditions?

There are a few ways to determine whether existing programs are generating outcomes beyond the mere production or improvement of housing. One way is to look at a tool the city has used, such as housing rehabilitation loans, and examine proximate investment activity. By looking at permits issued on affected blocks, an overall lack of impact becomes clear:

• Over one-third of CDBG rehab loans and nearly half of all rehab dollars went to homes on blocks where little or no additional investment was made on property improvements (i.e., the CDBG loans accounted for 75% or more of the value of all improvement permits on those blocks).

• Just 25% of CDBG rehab loans and only 16% of rehab dollars went to homes on blocks where these loans accounted for under 25% of the value of improvement permits (i.e., where a significant level of additional investment was occurring beyond the CDBG investments).

Since 2005, these affordable housing preservation and development programs have concentrated more than 40% of all activity in the Lower or Lowest Demand markets.

Housing Rehabs
1,606 CDBG loans issued

Single-family Development
119 units developed with HOME assistance

Multi-family Development
351 units developed with HOME assistance
Such a finding for the greater impact of rehab loans may not be surprising, given the location of 43% of those loans in Low and Lowest Demand sub-markets. In such cases, rehab loans can be expected to have a wider impact on neighborhood health only if they are targeted to blocks — of which there are many in Low Demand neighborhoods — that are relatively stable and have strength to build from.

Another way to gauge impact is the relative concentration of affordable housing units by sub-market — recognizing that incomes are lower and poverty rates substantially higher in Lower and Lowest Demand markets. To concentrate new affordable housing in already high-poverty neighborhoods risks exacerbating the city’s excess supply problem and reinforcing socio-economic conditions that make it difficult for poor families to achieve income mobility.

For example, over 90% of recent HOME-funded projects have been concentrated in Moderate and Lower Demand sub-markets. By comparison, Housing Choice Vouchers have enabled households to access a wider range of neighborhoods, with 20% of vouchers currently used in Highest and Higher Demand sub-markets.

Making decisions about limited resources requires strategic intention — to concentrate demand-oriented investments such as rehab loans, to deconcentrate supply-oriented investments such as affordable housing, and to avoid investment opportunities that are unlikely to make a sub-market stronger and a neighborhood healthier.

For decades, program rules drafted in Washington and Albany, coupled with a worst-first or squeaky wheel approach to dealing with blight, have too often served as substitutes for strategic intention. Yet something will have to change if sustainable progress in the city’s various sub-markets is to be achieved.

### While other affordable housing programs have focused significant activity in the Highest and Higher Demand markets

<table>
<thead>
<tr>
<th>Housing Choice Vouchers</th>
<th>Low Income Housing Tax Credits</th>
<th>Demolitions</th>
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<tbody>
<tr>
<td>8,443 vouchers currently in use</td>
<td>3,679 units since 1988</td>
<td>4,191 structures since 2006</td>
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<th>Highest Demand</th>
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### And demolitions have been concentrated in markets with the most blight and least demand

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Given current neighborhood conditions, the scale and cost of work to overcome significant deferred maintenance in the housing stock, and the resource and capacity limitations faced by a city that still relies heavily on outside resources to address neighborhood and housing concerns — how should Buffalo approach strategy development and decision-making? On what basis should it make decisions about how to allocate resources, where, and to what end?

Based on steering committee discussions about housing priorities, stakeholder interviews, and existing market and neighborhood conditions, the following five principles are recommended as filters for making both long-term and short-term decisions about strategy, program design, and resource allocation.
1 **FOCUSED**

Spreading scarce resources across a wide geography severely limits impact. Focusing resources inside a small number of well-defined areas achieves several aims:

1. it differentiates blocks where investment is occurring, thus enabling the market to take note of cues about positive future change,
2. it communicates boundaries which the market interprets as a signal of predictability, and
3. it concentrates resources for heightened impact.

**DO**

Concentrate resources, energy, and attention in ways that will cultivate demand and build confidence.

Work on a surgical, block-by-block basis.

**DO NOT**

Attempt to distribute resources evenly – it might feel fair in the short-term but will do little to influence desired outcomes.

2 **ASSET-BASED**

Targeting investments around assets generates returns at a higher rate – and at a faster pace – than around liabilities. It also forces critical consideration of opportunity costs: in a community rich with assets (parks, schools, churches, historic landmarks, transit routes), which ones offer the most return from focused investment?

**DO**

Select areas of focused investment that contain or are adjacent to significant community assets.

Use implementation to cultivate the strengths of a neighborhood and build the capacity of partnering organizations.

**DO NOT**

Fixate on broad and seemingly intractable problems, which are more likely to result in paralysis and hopelessness than tangible progress.
A city that remains deeply disconnected along historical racial, ethnic, income, and disability divides, and where a large portion of its residents do not have access to healthy and sustainable neighborhoods, is unlikely to prosper. Such a city will be too internally torn and fiscally incapacitated to invest in its assets and remain competitive.

Do

Leverage public resources to stimulate mixed-income housing production in sub-markets with stronger demand.

Coordinate a diverse team of partners to bring broad skillsets to every effort.

Do not

Support an affordable housing project that does not have strong mixed-income and handicap accessible components.

Support projects that further concentrate poverty in sub-markets with weaker demand.

It may sometimes seem as if markets change overnight, but this is rarely the case. It takes time for resources to be marshalled, for the investments of dozens or hundreds of homeowners to be collectively transformative, and for resident leadership capacity to be cultivated. This is especially true in a sub-market that has been stagnant or weak for decades.

Do

Commit to long-term investment and sustained attention in targeted areas to boost property owner confidence and reinvestment.

Shift focus until demand (not just cosmetics) in a targeted area has been transformed.

Do not

Support projects that further concentrate poverty in sub-markets with weaker demand.
Overwhelming reliance on external resources to invest in housing and neighborhood improvement surrenders a healthy sense of local ownership and accountability for outcomes. It also surrenders local autonomy over outcomes and strategy – contorting local conditions to fit the requirements of state and federal programs that are often poorly calibrated in the city’s needs.

**DO**

Allocate local financial resources to achieve priorities faster and on the community’s own terms.

Use local resources to better compete for, and shape the utilization of, external resources.

**DO NOT**

Rely upon state or federal funds that force actions that are not well-aligned with local priorities and market conditions.

Expect progress to occur quickly, if at all, through a reliance on state and federal resources.
Tying Market Conditions and Principles to Strategy

Buffalo does not have a history of tailoring housing policies and programs to achieve specific outcomes in diverse market conditions. This must change, especially at a time when some markets are becoming stronger, the gaps between healthy and unhealthy neighborhoods are growing, and the resources traditionally used to address housing needs are declining.

But what outcomes are being sought — and how do existing market conditions and resource limitations shape what is realistically achievable at the neighborhood and block levels?

The challenge for the city and its stakeholders is to ensure that appropriate strategies are being pursued in each sub-market, and to choose how to direct resources at levels sufficient to achieve measurable results in terms of outcomes — not simply outputs.

Housing and neighborhood policy in soft housing markets must also ensure that demand-side interventions are geographically concentrated while supply-side interventions are more evenly distributed.

Concentrating demand-side interventions that are intended to boost market strength and stimulate investment by property owners — such as home rehab loans and improvements to public infrastructure — is a key to building confidence and transforming investment attitudes. Visible investments made in close proximity over an extended period have the potential to start and sustain a virtuous cycle of reinvestment — a cycle that is unlikely to materialize when investments are spread-out.

Distributing supply-side interventions that are intended to meet the needs of households with limited resources — such as income-restricted housing units — is essential for preventing or reversing concentrations of poverty that limit the upward mobility of low-income families and hamper the recovery of softer neighborhood housing markets. When such interventions are carefully blended within stronger markets — and supplemented by concentrated demand-side interventions — a full and healthy housing ladder becomes both possible and sustainable.

The prevailing practice for many years has been the reverse, resulting in affordable housing developments that are too often concentrated and sited in struggling neighborhoods, and in demand-side activities that are too often scattered and have limited transformative impact.
Healthy blocks remain healthy; number of blocks with distressed properties shrinks

Affordable options expand

Proactive code enforcement and compliance assistance

Infrastructure investment near community assets

Number of blocks with distressed properties shrinks; blocks adjacent to key assets and stronger markets become healthier

Homeownership rates rise

Proactive code enforcement and compliance assistance

Owner and rental rehab assistance

Infrastructure investment near community assets

Blocks around key assets stabilize or improve; vacant lots are stabilized and well-managed

Concentration of low-income households declines

Stabilize blocks directly adjacent to stronger sub-markets

Carefully target demolition and rehabilitation

Clean and green areas of highest distress and with highest existing concentrations of vacant lots

Clean and green areas adjacent to key assets

Fund quality of life enhancements identified by residents

Prioritize mixed-income infill development

PHYSICAL

SOCIAL

HIGHEST DEMAND

HIGHER DEMAND

MODERATE DEMAND

LOWER DEMAND

LOWEST DEMAND

Realistic outcomes to target

General strategies to achieve key outcomes
Even with a set of principles and general strategies as guideposts for intervening in various sub-markets, choosing and working with the right tools requires careful thought.

Whether the city is sorting through its existing toolkit to gauge what's still useful, what needs adjusting, and what needs to be discarded; or developing new tools to fill gaps, it must approach each case with a thorough understanding of "why?"

The key first step in any intervention is to have a clear reason for doing so. Why demolish a building? Why provide a rental subsidy to a low-income household? Why require a developer to do something they otherwise might not?

The "why" question — almost never asked, much less fully answered — is the basis for this Housing Opportunity Strategy. The act of investing public resources — local, state, or federal — whether in the form of cash, opportunity cost, or future value, must be substantiated by a well-reasoned and plausibly attainable aim.
To justify an intervention, several threshold criteria must be met:

1. There is a baseline condition that the community agrees must be addressed, as well as consensus around why it’s more worthy than other needs competing for the same resources and attention.

2. There is a trending probability that strongly suggests matters will not be corrected on their own, as well as a consensus that this trend should be addressed.

3. While there are no guarantees, the proposed intervention must make objective sense, and there should be consensus that the risk of failure is worth taking.

4. Both in terms of actual expense and opportunity cost, the intervention is deemed affordable; and there is a consensus that it is worth doing, knowing all that can be reasonably known.

There are two highly interconnected baseline conditions:

One is a **general softness in the overall market** that places Buffalo among the weakest in the country, resulting in a vicious cycle of disinvestment that in turn impacts the city’s capacity to be self-sufficient and fiscally stable. This is a problem of inadequate demand, and while a few neighborhoods have begun to experience renewed demand, overall the city remains quite weak, leaving it vulnerable to another downturn.

The other is the **problem of poverty**, which is significant in its persistence and overall magnitude, and which is also geographically hyper-concentrated. The housing cost burdens faced by poor households exist despite low housing costs in many neighborhoods, signifying that the affordable housing dilemma is more a problem of poverty and low incomes than expensive real estate and high housing costs.

As a result, many households remain unable to procure decent and affordable housing either in the city’s stronger neighborhoods or the suburbs. This becomes relevant since affordable housing and community development interventions have historically been shaped to either respond to the needs of low-income households by creating affordability where they are, or to the distress of low-income areas in terms of neighborhood conditions.
In short, interventions in Buffalo have to always be tied to strengthening the city’s fiscal situation at one level, while strengthening the neighborhood where the intervention is aimed at the other. Few interventions will likely accomplish both. Indeed, putting the principles and general strategies into practice will require hard choices, inventiveness, and flexibility for several reasons:

**Hard choices**
Significant needs coupled with limited resources is the defining reality. Difficult decisions are required, and scarce dollars have to provide a multiplier effect.

**Persistence**
The scale of the challenge necessitates a long-term commitment. Not every intervention will yield the same payback and some tools will require more patience than others.

**Risk tolerance**
Trial and error will be critical to any potential success. Some interventions will fail in the short run, but can still offer valuable lessons. Buffalo must be willing to try and fail in order to find a way forward.

**Improvisation**
There is no successful playbook for what Buffalo faces other than what it creates. Cities sharing Buffalo’s core dilemma of concentrated poverty, decades of disinvestment, and an unequal rebound are being forced to invent.

**Diversity**
Different neighborhoods — as well as different blocks in the same neighborhood and different properties on the same block — will benefit from different tools. Neighborhoods can be harmed by treating them all the same.

**Clarity**
It’s critical to know where the end zone is, and that the goalposts aren’t going to be moved. All housing investments must be based on outcomes that are objective, measurable, and meaningful.

These are some of the reasons why no single tool or policy will solve the city’s biggest challenges. Until Buffalo is financially stronger, resources will be insufficient to avoid controversial and painful trade-offs, however sensible or justifiable. And even when the city is back on solid financial ground, other aspirations such as infrastructure, environmental sustainability, and education will be competing against housing for status and funding.
Aligning Interventions with Market Conditions, Principles, and Strategic Objectives

Numerous interventions already exist in the housing market — including efforts to boost the affordable housing supply, enforce building codes, improve infrastructure, manage public housing, or finance home improvements. Numerous departments and agencies inside and outside of City Hall are involved. As the city and its partners consider the “why?” behind existing programs and the role that each might have in a toolkit aligned with the market conditions, principles, outcomes, and broad strategies outlined in this Housing Opportunity Strategy, the following matrix represents a way to organize and apply existing and new interventions on a sub-market basis.

### HIGHEST DEMAND

#### EXISTING INTERVENTIONS

- **Code Enforcement**
  Target small number of distressed properties to maintain standards and encourage untapped housing investment capacity

- **Low Income Housing Tax Credits**
  Only if 80% of units are available at or below median neighborhood rents

- **HOME Multi-family**
  Only if 80% of units are available at or below median neighborhood rents

#### NEW OR EXPANDED INTERVENTIONS

- **Inclusionary Zoning**
  Use to promote mixed-income development; must be financed by cost offsets or subsidies

- **Inclusive Housing Tax Exemption**
  Develop a version of NYC’s 421-a to provide a property tax incentive for mixed-income development

- **Community Land Trust**
  Seize opportunities, however rare, to control scarce land and lock in long-term affordability

- **Project-Based Vouchers**
  Attach housing vouchers to new or rehabilitated units to preserve affordability
EXISTING INTERVENTIONS

**Code Enforcement**
Target distressed properties to maintain standards and encourage untapped investment capacity.

**CDBG Rehab Loans**
Target well-maintained properties on relatively stable blocks.

**Low Income Housing Tax Credits**
Only if 60% of units are available at or below median neighborhood rents.

**HOME Multi-family**
Only if 60% of units are available at or below median neighborhood rents.

**HOME Single-family**
Use for scattered site infill.

NEW OR EXPANDED INTERVENTIONS

**Inclusionary Zoning**
Use to promote mixed-income development; must be financed by cost offsets or subsidies.

**Inclusive Housing Tax Exemption**
Develop a version of NYC’s 421-a to provide a property tax incentive for mixed-income development.

**Community Land Trust**
Seize opportunities to control scarce land and lock in long-term affordability.

**Project-Based Vouchers**
Attach housing vouchers to new or rehabilitated units to preserve affordability.

**Micro Mortgages**
Help low-income renters reduce housing cost burdens through targeted homeownership assistance.

MODERATE DEMAND

EXISTING INTERVENTIONS

**Code Enforcement**
Provide robust compliance assistance.

**CDBG Rehab Loans**
Target well-maintained properties on relatively stable blocks.

**Low Income Housing Tax Credits**
Only if 100% of units are available at or above median neighborhood rents.

**HOME Multi-family**
Only if 100% of units are available at or above median neighborhood rents.

**HOME Single-family**
Use for scattered site infill.

**In rem foreclosure**
Provide rehab loans and micro mortgages to owner occupants.

**Demolition**
Targeted demolition of blighted and unsalvageable homes.

NEW OR EXPANDED INTERVENTIONS

**Community Land Trust**
Use as long-term hedge against loss of affordability.

**Micro Mortgages**
Help low-income renters reduce housing cost burdens through targeted homeownership assistance.

**Rental Inspections**
Use routine inspections to improve rental standards, identify lead hazards, and encourage energy efficiency improvements.
EXISTING INTERVENTIONS

Code Enforcement
Provide robust compliance assistance

CDBG Rehab Loans
Target well-maintained properties on relatively stable blocks within a quarter-mile radius of key assets

Low Income Housing Tax Credits
Only if 100% of units are available at or above median neighborhood rents

HOME Multi-family
Only if 100% of units are available at or above median neighborhood rents

In rem foreclosure
Identify key vacant parcels to land bank for future redevelopment

Demolition
Follow-up with clean and green activities and alternative land uses

Vacant Land Management
Focus on both active and passive management of vacant land

NEW OR EXPANDED INTERVENTIONS

Micro Mortgages
Help low-income renters reduce housing cost burdens through targeted homeownership assistance

Rental Inspections
Use routine inspections to improve rental standards, identify lead hazards, and encourage energy efficiency improvements

Rental Inspections
Use routine inspections to improve rental standards, identify lead hazards, and encourage energy efficiency improvements

Low Income Housing Tax Credits
Only if 100% of units are available at or above median neighborhood rents

HOME Multi-family
Only if 100% of units are available at or above median neighborhood rents

In rem foreclosure
Identify key vacant parcels to land bank for future redevelopment

Demolition
Follow-up with clean and green activities and alternative land uses

LOWEST DEMAND

EXISTING INTERVENTIONS

Code Enforcement
Deploy aggressive code enforcement near key assets; pair with rental inspections to set housing quality standards for rental market

In rem foreclosure
Identify key vacant parcels to land bank for future redevelopment

Demolition
Follow-up with clean and green activities and alternative land uses

NEW OR EXPANDED INTERVENTIONS

Rental Inspections
Use routine inspections to improve rental standards, identify lead hazards, and encourage energy efficiency improvements

Neighborhood Improvement Fund
Provide allocation to be spent at community’s discretion on quality of life enhancements
General Guidance on Select Tools

- Inclusionary Zoning
- Inclusive Housing Property Tax Exemption
- Community Land Trust
- Micro Mortgage Program
- Rental Inspections
### Inclusionary Zoning

<table>
<thead>
<tr>
<th>WHAT</th>
<th>Leverage market-rate development activity to augment the city’s supply of affordable housing units while also creating inclusive, mixed-income environments.</th>
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</thead>
<tbody>
<tr>
<td>WHY</td>
<td>Buffalo is extremely segregated by race and class, which the market types identified in this Housing Opportunity Strategy reflect. The areas where new market-rate housing is most likely to happen are noticeably wealthier and whiter than those where demand is weaker and where affordable housing developments have historically been concentrated. Yet even if developer costs are fully offset, inclusionary zoning would make no more than a minor dent in Buffalo’s affordable housing need, owing to the still anemic rate of market-rate activity on which IZ must rely for its impact. Inclusionary zoning’s greatest impacts have been in growing suburbs with robust real estate markets, and which have previously used zoning practices as a way to exclude residents based on race and class. While Buffalo has never practiced exclusionary zoning, creating mixed-income environments in the city’s healthiest neighborhoods is an important outcome to work towards, and IZ can and should be one of many tools deployed in that effort.</td>
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<tr>
<td>HOW</td>
<td>In almost every community that utilizes IZ, there is recognition that the creation of a public good – an affordable housing unit – must be paid for through cost offsets or outright cash subsidies. Not doing so risks reducing market-rate activity to a level that would yield few if any inclusionary units as a by-product. Given development costs in Buffalo, the break-even monthly revenue needed for a modest two-bedroom apartment to be financially viable is $1,500 (2017 market conditions). Only 2.3% of units in the city currently rent at that level or above; indeed nearly all “market-rate activity” today would not occur without subsidy to reduce the rent. There are simply too many alternatives in the metro region at that price point. The fragility of the Buffalo market means that any IZ policy must fully offset a developer’s reduced revenue stream to achieve the policy’s goal. Care must be taken to establish effective administrative and monitoring procedures to ensure that inclusive housing units are rented or owned by income-eligible households.</td>
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Inclusive Housing Property Tax Exemption

WHAT
A geographically targeted property tax exemption to encourage mixed-income development.

WHY
The 485-a property tax exemption, enabled by the state legislature and adopted by the City of Buffalo, has been an important tool for many of the mixed-use conversion projects completed by for-profit developers over the past decade.

Creating a similar tax exemption program for developers who undertake inclusive, mixed-income development would help stimulate higher levels of inclusive development and could serve as a cost offsetting component of an inclusionary zoning program.

HOW
The New York State Legislature recently revived the 421-a tax exemption program in New York City and renamed it “Affordable New York.” Among numerous components, the program includes a property tax exemption for developers who incorporate units for low- and moderate-income households in market-rate developments located in certain neighborhoods.

A Buffalo version of “Affordable New York” would have to be enabled by Albany. It could provide property tax exemptions for the construction of inclusive housing developments in Highest and Higher Demand sub-markets. Though 485-a currently provides exemptions for mixed-use conversions, a Buffalo version could be structured to benefit adaptive reuse projects, which would have the option of foregoing 485-a to receive a more lucrative incentive for inclusive housing (in exchange for the income-restricted units).
Community Land Trust

WHAT
Create a hedge against long-term loss of affordability through a land trust that acquires, holds, and develops parcels in areas where markets are currently recovering or likely to recover. This provides a ready supply of lots for mixed-income projects and protects the cost of housing from escalating land prices.

WHY
Ensuring inclusiveness in high demand neighborhoods – or that are adjacent to high demand markets and are likely to become so themselves – becomes more and more costly as demand grows. Publicly-owned vacant land in these places represents an opportunity to leverage assets for ensuring affordable rental or homeownership opportunities well into the future.

There are currently 13,900 vacant residential parcels in Buffalo. The city owns just over half of these, or about 7,200. But few of these lots are in high demand neighborhoods, where the advantages a CLT can offer in lowering development costs typically reside. Most of these lots are the result of prior housing demolitions, and are in areas facing both low demand and extremely low values, where a CLT would provide few benefits.

The key will be to identify areas where vacant parcels can be used to help underwrite affordable housing opportunities, as well as a sustainable organizational structure to support these efforts, so CLT benefits in promoting long-term affordability can be realized.

HOW
Create or designate a citywide land trust that would receive publicly-owned vacant parcels for the purposes of:

1) Holding and maintaining those parcels in the near-term

2) Seeking out for-profit and non-profit partners to develop affordable rental and homeownership opportunities

3) Entering into long-term land leases with the owners of completed properties to preserve affordability

Target parcels from Highest, Higher, and Moderate Demand markets – in that order. These are areas where demand is likely to stimulate new investment in housing and where inclusion needs to be carefully planned.
**Micro Mortgage Program**

**WHAT** Transition low-income renters to affordable homeownership as a way to reduce housing cost burdens, while also stabilizing still-viable blocks in targeted areas.

**WHY** The city’s median home is affordable to a household making as little as $23,000, while an income of at least $28,000 is needed to afford the city’s median gross rent. Many of the 21,000 households earning between $20,000 and $35,000 per year (60% of whom rent) could reduce their housing cost burden by transitioning from renting to some form of homeownership. Because there is no profit in originating mortgages under $50,000 – especially if buyers have credit problems and inadequate savings – and because the properties in Buffalo in this price range often constitute weak collateral (owing to deferred maintenance, high energy costs, excess supply, and neighborhood condition), buying opportunities are scarce for many renters who would benefit from lower monthly housing costs.

In 2016, just over 300 single family homes in the city sold for between $15,000 and $100,000 — mostly in the Moderate and Lower Demand sub-markets. Almost 60% of these were sold to investors, who often have cash on hand to complete such transactions without involving a bank. Areas where these transactions are concentrated have experienced declining homeownership rates since 2000, which bodes poorly for long-term property maintenance and neighborhood stability.

**HOW** Provide an incentive that encourages banks to write mortgages on properties purchased for less than $100,000, along with an incentive to non-profits capable of bringing qualified buyers to banks.

Assist would-be buyers with credit repair and homeowner training. Provide credit enhancing second mortgages that can convert to grants. Connect qualified prospective buyers to renovated housing in targeted locations.

Target homes under $100,000 in good, average, or moderately distressed condition (based on field survey) in Higher, Moderate, and Lower Demand sub-markets. Capitalize high-capacity non-profits or other organizations with a proven track record to acquire, write construction specs, and manage moderate rehabilitation of good quality but compromised single family homes on vulnerable but recoverable blocks.
Rental Inspections

WHAT  Improve and monitor the condition of Buffalo’s existing rental stock through an inspection program that builds upon the city’s current rental registry.

WHY  Most of Buffalo’s affordable rental units are in the hands of private landlords, many of whom are conscientious about maintaining safe and healthy rental environments. But other landlords operate toxic properties and their units contribute to neighborhood instability and persistent distress. Too many are milking what they can from degraded properties with little concern about the expenses currently borne by the public through their negligence, or the expenses that will be incurred by the public when their properties finally succumb to decades of disinvestment.

HOW  Couple the existing rental registration program with an additional requirement that rental properties undergo a standard health and safety inspection at regular intervals. Inspection and enforcement costs would be borne by landlords through an inspection fee.

To recognize and reward good landlords, institute a performance-based system that tracks code violations, nuisance complaints, tax compliance, and other variables. For landlords with good track records, reduce the frequency of inspections and offer a discounted inspection fee.
NEXT STEPS: Market-appropriate interventions

Resources are scarce and the barriers to a full and healthy housing ladder can seem overwhelming. Where do you begin? What tangible steps will lead to a healthier, more confident neighborhood? How do you know when it’s time to shift resources in a new direction to fortify your gains?

For instructional purposes, four target areas were chosen to demonstrate the concept of principled, market-appropriate interventions under a wide range of neighborhood conditions. This exercise helps show the type of neighborhood-level planning and prioritization that will be needed to activate this Housing Opportunity Strategy.
Demonstration Areas

Baseline → Outcomes to achieve

Metrics

Higher Demand
Moderate Demand
Lower and Lowest Demand
Lower and Moderate Demand
On Buffalo’s upper West Side, market conditions are strong on blocks adjacent to Richmond Avenue but get softer on blocks farther west. Reinvestment is making its way westward, but many blocks still have a high proportion of homes where decades of deferred maintenance are easily detectable. Significant public and private investments at the Richardson-Olmsted Complex, Buffalo State College, and along the Grant Street corridor represent opportunities to build momentum and channel it to meet housing needs.

**Block-level Field Survey Average**
- Good (2.5)
- Average (2.5-3.49)

**Potential Target Area Parcels**
- Vacant Lots
- Vacant Land (Commercial)
- Vacant Land (Residential)

**Distressed Properties**
- Field Survey = 4
- Field Survey = 5

**Measures to Track**

<table>
<thead>
<tr>
<th>Measures to Track</th>
<th>Baseline</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in moderate or severe distress</td>
<td>25%</td>
<td>10%</td>
</tr>
<tr>
<td>Blocks with at least two distressed properties</td>
<td>80%</td>
<td>25%</td>
</tr>
<tr>
<td>Properties in good or excellent condition</td>
<td>17%</td>
<td>40%</td>
</tr>
<tr>
<td>Owner-occupied single family homes</td>
<td>70%</td>
<td>80%</td>
</tr>
</tbody>
</table>
What could a principled and strategic intervention look like here?

- Select an area of focus that includes or is adjacent to key assets. Areas where stronger markets transition to softer markets are ideal as they represent opportunities to protect areas with momentum while spreading confidence to areas where private investment is needed to improve housing conditions.
- Within the area of focus, patiently deploy tools such as the following:
  - Deposit city-owned vacant lots into a community land trust to ensure long-term affordability of future development — combine with scattered site infill of new affordable units
  - Pursue aggressive code enforcement and compliance assistance
- Extend home rehab loans to property owners on stable blocks that currently demonstrate active investment in their home
- Acquire and demolish unsalvageable properties — especially on blocks that are otherwise stable
- Negotiate the transfer of selected foreclosed properties (especially high visibility properties, or those on stable blocks) to carefully vetted owners or developers whose plans align with neighborhood goals
- Invest in corridor beautification along Grant Street to fortify recent investments on the corridor
Moderate Market Demand

**Context**
Hamlin Park is a stable but vulnerable neighborhood with a solid housing stock, anchor institutions, and close proximity to stronger markets west of Main Street. Few blocks, however, are untouched by distressed housing and many are at a tipping point. Arresting decline and encouraging reinvestment will be a key to preserving the neighborhood’s well-built and affordable housing stock.

**Block-level Field Survey Average**
- Good (2.5)
- Average (2.5-3.49)

**Investment Opportunity Area Parcels**
- Vacant Lots
  - Vacant Land (Commercial)
  - Vacant Land (Industrial)
  - Vacant Land (Residential)

**Distressed Properties**
- Field Survey = 4
- Field Survey = 5

**Measures to Track**

<table>
<thead>
<tr>
<th></th>
<th>Focus Area 1</th>
<th></th>
<th>Focus Area 2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baseline</td>
<td>Outcome</td>
<td>Baseline</td>
<td>Outcome</td>
</tr>
<tr>
<td>Properties in moderate or severe distress</td>
<td>19%</td>
<td>10%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Blocks with at least two distressed properties</td>
<td>70%</td>
<td>25%</td>
<td>100%</td>
<td>25%</td>
</tr>
<tr>
<td>Properties in good or excellent condition</td>
<td>35%</td>
<td>40%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Owner-occupied single family homes</td>
<td>60%</td>
<td>75%</td>
<td>84%</td>
<td>85%</td>
</tr>
</tbody>
</table>
What could a principled and strategic intervention look like here?

- Select areas of focus that include or are adjacent to key assets. Place a particular emphasis on preventing further decline on blocks that are mostly stable but are threatened by several distressed properties.

- Within the areas of focus, patiently deploy tools such as the following:
  - Pursue aggressive code enforcement and compliance assistance
  - Extend home rehab loans to property owners on stable blocks that currently demonstrate active investment in their home
  - Expand homeownership opportunities for low- and moderate-income buyers
  - Encourage and assist utilization of historic preservation tax credits by homeowners and landlords
  - Acquire and demolish unsalvageable properties — especially on blocks that are otherwise stable
  - Negotiate the transfer of selected foreclosed properties (especially high visibility properties, or those on stable blocks) to carefully vetted owners or developers whose plans align with neighborhood goals
  - Invest in corridor beautification along Jefferson Avenue
DEMONSTRATION AREA C

Lower and Lowest Market Demand

**Context**
When stable blocks anchored by citywide assets are surrounded by distressed blocks and corridors, focused intervention becomes critical to protecting those assets and leveraging the investments of dedicated property owners. On the East Side, a combination of focused work dedicated to stimulating demand must be coupled the long-term management of vacant and soon-to-be-empty land.

What could a principled and strategic intervention look like here?

- Select areas of focus that include or are adjacent to key assets. Place a particular emphasis on preventing further decline on blocks that are mostly stable but are threatened by several distressed properties.
- Within focus areas, patiently deploy tools such as the following:
  - Pursue aggressive code enforcement and compliance assistance
  - Extend home rehab loans to property owners on stable blocks that currently demonstrate active investment in their home
  - Expand homeownership opportunities for low- and moderate-income buyers
  - Acquire and demolish unsalvageable properties — especially on blocks that are otherwise stable
  - Implement vacant land management plan with neighborhood stakeholders

---

**Focus Area 1**

**Measures to Track**

<table>
<thead>
<tr>
<th>Measures to Track</th>
<th>Baseline</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in moderate or severe distress</td>
<td>40%</td>
<td>25%</td>
</tr>
<tr>
<td>Blocks with at least two distressed properties</td>
<td>100%</td>
<td>50%</td>
</tr>
<tr>
<td>Properties in good or excellent condition</td>
<td>&lt;1%</td>
<td>40%</td>
</tr>
<tr>
<td>Owner-occupied single family homes</td>
<td>66%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Residential vacant lots: 55 (with vacant land management plan) 175

---

**Focus Area 2**

**Measures to Track**

<table>
<thead>
<tr>
<th>Measures to Track</th>
<th>Baseline</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in moderate or severe distress</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>Blocks with at least two distressed properties</td>
<td>80%</td>
<td>25%</td>
</tr>
<tr>
<td>Properties in good or excellent condition</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Owner-occupied single family homes</td>
<td>66%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Residential vacant lots: 86 (with vacant land management plan) 115
**Buffalo Neighborhoods Investment Opportunity (West Side)**

**Block-level Field Survey Average**

- **Good (<2.5)**
- **Average (2.5-3.49)**
- **Distressed (>3.5)**

**Distressed Properties**

- Field Survey = 4
- Field Survey = 5
- Residential Vacant Lot

**Area Assets**

- **Residential Vacant Lot**

**Key Corridors**

- Canisius College
- ECMC
- Northland Corridor
- MLK Park
- Northland Ave
- E Ferry
- E Delavan
- Genesee St
- Bailey Ave
- Bailey Ave
- MLK Park
- Fillmore Ave
- Fillmore Ave
- Wohlrs Ave
- William L. Gaiter Pkwy
- William L. Gaiter Pkwy
- Griffith Ave
- Griffith Ave
- Genesee St
- Genesee St
- Buffalo Neighborhoods
- Investment Opportunity (West Side)

**Focus Areas**

- Focus Area 1
- Focus Area 2
DEMONSTRATION AREA D

Moderate and Lower Market Demand

Context
The Fruit Belt is at the juncture of Moderate and Lower sub-markets, but is adjacent to the growing Buffalo Niagara Medical Campus — making it a place where the market can be expected to strengthen over the coming decade. The challenge is to continue improving the physical condition of a neighborhood that has numerous vacant lots and distressed properties while ensuring inclusivity.

### Measures to Track

<table>
<thead>
<tr>
<th>Baseline</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties in moderate or severe distress</td>
<td>19%</td>
</tr>
<tr>
<td>Blocks with at least two distressed properties</td>
<td>45%</td>
</tr>
<tr>
<td>Properties in good or excellent condition</td>
<td>31%</td>
</tr>
<tr>
<td>Owner-occupied single family homes</td>
<td>69%</td>
</tr>
<tr>
<td>Residential vacant lots</td>
<td>192</td>
</tr>
</tbody>
</table>

### Block-level Field Survey Average

- **Good** (<2.5)
- **Average** (2.5-3.49)
- **Distressed** (>3.5)

### Potential Target Area Parcels

- **Vacant Lots**
  - **Vacant Land** (Commercial)
  - **Vacant Land** (Residential)

- **Distressed Properties**
  - Field Survey = 4
  - Field Survey = 5
What could a principled and strategic intervention look like here?

• Select an area of focus that includes or is adjacent to key assets. Areas where stronger markets transition to softer markets are ideal as they represent opportunities to protect areas with momentum while spreading confidence to areas where private investment is needed to improve housing conditions.

• Within the area of focus, patiently deploy tools such as the following:
  • Deposit city-owned vacant lots into a community land trust to ensure long-term affordability of future development; develop lots as demand and funding allow while implementing vacant land management plan with neighborhood stakeholders
  • combine with scattered site infill of new affordable units
  • Require new subsidized development to follow a mixed-income model
  • Pursue aggressive code enforcement and compliance assistance
  • Extend home rehab loans to property owners on stable blocks that currently demonstrate active investment in their home

<table>
<thead>
<tr>
<th>Block-level Field Survey Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>🟠 Good (&lt;2.5)</td>
</tr>
<tr>
<td>🟢 Average (2.5-3.49)</td>
</tr>
<tr>
<td>🟡 Distressed (&gt;3.5)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parcels Owner Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupant</td>
</tr>
<tr>
<td>Investor-owned</td>
</tr>
<tr>
<td>Large Multifamily and Mixed Use</td>
</tr>
</tbody>
</table>
Buffalo Housing Opportunity Strategy

2017

Prepared by czb LLC