



ECONOMIC AND MARKET ASSESSMENT: NIAGARA FALLS, NEW YORK



SUBMITTED TO:

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Date: June 15, 2011

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Technical Memorandum #3

Residential Analysis

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Residential Market Analysis

Niagara Falls, New York

Prepared by:

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Date: December 31, 2011

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May 26, 2011

Mr. Christopher Schoepflin
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Dear Mr. Schoepflin:

We are pleased to submit the enclosed technical memorandum, which was prepared by Real Estate Strategies, Inc/RES Advisors. It addresses residential market conditions and market potential in Niagara Falls, New York.

Sincerely,

A handwritten signature in black ink that reads "Hans Detlefsen". The signature is written in a cursive, flowing style.

Hans Detlefsen
Managing Director
HVS Consulting and Valuation Services

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Technical Memorandum #3

Introduction

This technical memorandum provides information on the residential market in the downtown/tourist area delineated by USA Niagara Development Corporation (USAN). The information addresses conditions and market influences in the City of Niagara Falls, a broader housing market area, and the region that have a bearing on the performance of the residential market in USAN's target area.

Information on the existing housing stock, rent and price trends, and current housing conditions in the City of Niagara Falls and Niagara County was obtained from a number of different sources:

- In-person and telephone interviews with area real estate brokers, developers, and property owners/managers;
- The Census Bureau's 2006-2008 American Community Survey (ACS);
- Estimates and projections prepared by ESRI, a national vendor of demographic data;
- Home sales statistics collected by the Buffalo-Niagara Association of Realtors;
- Online sources reporting on properties offered for-sale and sold recently such as the National Association of Realtors, Zillow, and Trulia;
- Apartment guides, web sites for apartment properties, rental listings on Craig's List and other classified ad sources, and lists of affordable (subsidized or tax credit) rental properties targeting seniors and families.

Real Estate Strategies, Inc./RES Advisors (RES) surveyed rental properties and residential neighborhoods within the USAN target area and other areas of Niagara Falls to gain an understanding about the operation of the housing market in the City and to provide additional context for an assessment of the residential development environment. We also visited the two largest apartment buildings in downtown Niagara Falls, The Jefferson and The Giacomo, interviewed representatives and owners, and looked at units. We conducted a detailed inspection of downtown Niagara Falls and the target area and gathered information about amenities in the area to support potential residential redevelopment. We inspected residential properties in suburban communities in Niagara and Erie Counties and multifamily residential development projects in Buffalo.

The following summarizes the results of our analyses and presents recommendations for consideration by USAN.

Housing Supply

Housing Stock Characteristics: Niagara Falls and Niagara County

The population and number of households living in Niagara Falls has been declining for many years. In 1980, the City had 71,384 people and 27,272 households. By 2000, there were about 15,800 fewer people in the City and 3,173 fewer households. Estimates compiled since 2000 indicate ongoing losses. The U.S. Census Bureau's American Community Survey for the period 2007 through 2009 estimated that Niagara Falls had a population of 51,387 in 22,972 households. Estimates by ESRI indicate additional losses of population and households by 2010.

Since a household, by definition, is the people who occupy a single housing unit, declines in the number of households means that far fewer housing units are required. Typical housing market impacts from the loss of households include high levels of vacant housing units, deterioration of the existing housing stock, lower home values and sales prices, and very low levels of new housing construction.

Niagara Falls' housing stock exhibits all of these characteristics. Based on the ACS estimates, the City of Niagara Falls had 27,994 housing units during the three year period 2007 through 2009. Table 1 (following page) presents the ACS data on housing characteristics in the City, areas of Niagara County outside of the City, and Niagara County as a whole.

The following paragraphs summarize salient housing characteristics.

Tenure

Estimates in the ACS are that 56.5 percent of occupied housing units in the City are owner-occupied and 43.5 percent are renter-occupied. Homeownership is much higher in Niagara County as a whole – 70.7 percent overall. In the suburban and rural communities outside of Niagara Falls, more than three-fourths of housing units, 75.7 percent of all residential units, are owner-occupied.

Housing Vacancy

Vacancy rates are high in the City. Over the three year period 2007 through 2009 the vacancy rate averaged 21.9 percent. In contrast, the vacancy rate in other Niagara County jurisdictions was only 7.5 percent, or about one-third the vacancy rate registered in the City.

Vacancies in units intended for sale typically are lower than in apartments or rented houses and this has been the case in Niagara Falls. The ACS reported that about nine percent of owner-occupied units in the City were vacant. Units offered for rent comprised the majority of vacant units, 2,718. Another category, "other vacant units" also was a factor, and the Census Bureau listed 862 residential units in this classification. These vacant units usually are homes that are uninhabitable because of their poor condition. However, during the 2007 through 2009 time frame, it is likely that vacant properties in foreclosure would be classified as other vacant units.

Table 1: Housing Stock Characteristics

	City of Niagara Falls	Other Niagara County Places	Niagara County Total
Total Units	27,994	70,396	98,390
Occupancy Characteristics			
Occupied Units	22,972	65,477	88,449
Vacant Units	5,022	4,919	9,941
Overall Vacancy Rate	21.9%	7.5%	11.2%
Vacancy Status			
For Rent	2,718	951	3,669
Rented, Not Occupied	145	392	537
For Sale Only	1,211	844	2,055
Sold, Not Occupied	49	279	328
Seasonal, Recreational Use	37	691	728
Other Vacant	862	1,762	2,624
Tenure of Occupied Units			
Owner	56.5%	75.7%	70.7%
Renter	43.5%	24.3%	29.3%
Units in Structure			
1, detached	53.2%	70.7%	65.7%
1 attached	1.7%	1.8%	1.8%
2 units	20.3%	8.3%	11.7%
3-9 units	14.6%	8.7%	10.4%
10-19 units	3.1%	1.6%	2.0%
20-49 units	2.2%	1.4%	1.6%
50+ units	3.0%	2.0%	2.3%
Mobile home/other	2.0%	5.5%	4.5%
Year Structure Built			
2000 or later	0.9%	6.0%	4.6%
1990-1999	1.2%	10.5%	10.5%
1980-1989	2.2%	9.8%	9.8%
1970-1979	6.6%	13.3%	13.3%
1960-1969	5.9%	9.7%	9.7%
1950-1959	20.2%	16.4%	16.4%
1949 or earlier	63.1%	34.3%	42.5%
Median Year Built	1942	NA	1954
Estimated Value, Owner Occupied Units			
Under \$50,000	24.7%	8.9%	12.2%
\$50,000-\$99,999	61.9%	33.4%	39.4%
\$100,000-\$149,999	7.8%	29.0%	24.6%
\$150,000-\$199,999	3.1%	14.2%	11.9%
Over \$200,000	2.4%	14.5%	12.0%
Median Value	\$66,200	NA	\$96,900
Monthly Gross Rent			
No Cash Rent	3.9%	4.3%	4.2%
Under \$300	9.3%	7.7%	8.3%
\$300-\$499	26.0%	19.4%	21.9%
\$500-\$749	36.0%	42.8%	40.2%
\$750-\$999	15.3%	17.2%	16.4%
\$1,000 or more	9.5%	8.7%	9.0%
Median Gross Rent	\$576	NA	\$608

Notes: (1) Percentages may not add due to rounding; (2) Values of owner-occupied units reported in 2007 and 2008 are not adjusted for inflation.

Source: U.S. Census Bureau, American Community Survey, 2006-08; Real Estate Strategies, Inc./RES Advisors

Housing Types and Number of Units in Structures

Single family detached homes account for more than half of all City housing units (53.2 percent). Single family attached and duplex units comprise another 22.0 percent of the housing stock. Only 8.3 percent of the City's units are in multifamily buildings with ten units or more, and many of these are subsidized housing properties serving low-income families and especially seniors. Condominiums and townhouses comprise a relatively small share of the housing stock in both the City and Niagara County. This is not unusual in a market where single family home prices are affordable.

Age of Housing

More than 80 percent of the City's housing stock was built prior to 1950 and the ACS reported that only 4.3 percent of the City's housing units have been added since 1980. The age of the housing stock and the need for upgrades and repairs to a large percentage of older units puts Niagara Falls at a major disadvantage in attracting new residents, including young professionals and managers. In contrast, 26.3 percent of housing units in Niagara County and located outside the City have been built since 1980.

Housing Values and Price Trends

ACS respondents estimated that the median value of owner-occupied homes in the City during 2007 through 2009 was \$66,200. Countywide, the reported median value was much higher, \$96,900, and the median value was estimated to be well over \$100,000 in some suburban areas.

Almost one-fourth of owners in the City indicated their homes had a value below \$50,000. Because home values are low in Niagara Falls, and because only 52.4 percent of homeowners reported having a mortgage, ownership costs as a percent of household income are fairly low. Less than 30 percent of households reported spending more than 30 percent of their incomes on housing costs.

Data compiled by the Buffalo-Niagara Association of Realtors, which is presented in Table 2, indicates a similar pattern regarding home sale prices. Based on the data, the average price of homes sold in the City was less than \$60,000 in 2009. By contrast, the average in Lewiston (considered to be a desirable location north of the City with an easy commute to Niagara Falls jobs) was \$152,075. Realtors do not report a median sales price for the City. The median reported for Niagara County was \$90,000 in 2009 and \$97,168 during the first nine months of 2010.

Table 2 – Average Home Price Trends: Niagara County and Niagara Falls

	<u>2009</u>		<u>2008</u>		<u>2007</u>	
	<u>Number Sold</u>	<u>Average Price</u>	<u>Number Sold</u>	<u>Average Price</u>	<u>Number Sold</u>	<u>Average Price</u>
Niagara County						
Single Family	1,541	\$104,625	1,676	\$107,226	1,912	\$101,124
Condo/Townhouse	40	\$97,485	34	\$113,188	46	\$129,526
City of Niagara Falls						
Single Family	335	\$58,171	329	\$55,548	413	\$52,753
Condo/Townhouse	12	\$57,216	7	\$66,269	8	\$75,300

Source: Buffalo-Niagara Association of Realtors; Real Estate Strategies, Inc./RES Advisors

Because home values are low in both the City and the County and new construction activity has been very limited, the housing market was not dramatically affected by the national housing downturn. The notable exception is for the small number of condominiums and townhouses on the market during the time frame from 2007 through 2009, which saw substantial declines in the average sale price.

Rental Stock and Monthly Rents

The ACS reported a median gross rent (including monthly utility payments) of \$576 in the City. Only one in four City renters is paying more than \$750 per month. With this level of low overall rents, it will be difficult to develop new rental units without some type of subsidy or other government assistance. Information on median rents in Niagara County communities outside the City limits is not available in the ACS. However, the percentage of units with rents above \$750 per month is not much higher than in the City. The median gross rent reported by ACS for Niagara County overall was higher than in the City, \$608 per month. This higher rent likely results from a larger percentage of units with rents in the \$500 to \$749 range in areas outside of the City.

Despite generally low rents, a very high percentage of City households are burdened by rent and utility payments because their incomes are so low. The 2007-2009 ACS reported that 56.0 percent of households were spending more than 30 percent of income for rent.

As detailed below, the rental housing stock in and near Downtown Niagara Falls consists of two high rise buildings (each with fewer than 100 units), a few older apartment properties, and single family homes that are offered for rent. Some of the homes have been subdivided; others are rented as a single unit. Elsewhere within the Niagara Falls city limits, rental properties tend to be located near the Niagara County airport in the LaSalle neighborhood and in areas north of downtown that are near Niagara University. The complexes are older and some are quite small by today's standards. Many of the complexes near the airport show signs of deferred maintenance and most of the rental complexes in the City lack the amenities and unit features characteristic of newer rental complexes.

Suburban competition is more extensive, ranging from large, professionally managed complexes in the Buffalo suburbs to smaller properties in Lewiston. Older buildings tend to include heat and water/sewer service in their rents. In Lewiston, most apartment complexes date from the 1970s to early 1980s. Rents for one bedroom units start under \$600. Two bedroom rentals are more common in Lewiston and near Niagara University.

The newest complexes in the north/northeast Buffalo suburbs are located in Williamsville and East Amherst in Erie County. Rents are far higher than in the City of Niagara Falls with one bedroom apartments starting at over \$1,000, with only water and sewer included. Appendix A summarizes the characteristics of a sample of existing rental complexes located outside Downtown Niagara Falls and provides a map showing their locations. It should be noted that representatives of rental properties were unwilling to divulge their current occupancy rates.

Affordable Housing

The inventory of affordable rentals in the City of Niagara Falls includes public housing and privately-owned buildings for families and seniors with project-based federal rent subsidies provided through the Section 8 program. For both public housing and Section 8 properties, tenants pay 30 percent of their adjusted gross income for rent and utilities.

Low-Income Housing Tax Credit (LIHTC) allocations approved by the State of New York have been used to renovate older Section 8 buildings in the City rather than to fund new development

projects. In addition, the Niagara Falls Housing Authority is replacing some of its older, denser public housing for families with newer low-rise units. The Centre Court HOPE VI project is one example. Additional details on the LIHTC program are provided in a later section of this technical memorandum.

No public housing or Section 8 buildings, either for families or seniors, are located within the USA Niagara target downtown/tourist area. Family properties tend to be located well north of downtown. Three senior buildings, Spallino Towers, Niagara Towers, and Yorkshire Apartments, are located in the Pine Avenue area within a short distance of downtown. A summary of affordable properties for families, together with a map showing locations, is provided in Appendix B.

Appendix B includes information for five affordable family properties that have a total of 680 rental units. With the exception of Cornerstone Village, which has only 40 units, the properties have deep subsidies under the Section 8 program or have public housing subsidies.

Appendix C provides information about affordable senior housing. RES identified seven affordable senior buildings located in the City. Together, the senior buildings have a total of 824 units, although some units are occupied by non-elderly disabled persons. Managers reported that the vast majority of residents are single persons, mostly women. Appendix C provides information about these properties and other subsidized senior buildings located in Wheatfield and Lewiston. A map shows the locations of the properties.

The vast majority of tenants in public housing and Section 8 buildings have incomes below 50 percent of area median, or \$22,300 for a one-person household and \$25,500 for a couple. Generally, residents of these deeply subsidized properties tend to have incomes below \$15,000.

Housing In/Near Downtown

The current multifamily rental housing stock in the downtown area targeted by USAN is quite limited. There are two high-rise apartment buildings, The Jefferson with 94 units, and the Giacomo, a converted former office building that contains 24 apartments along with 38 boutique hotel rooms, and one floor of office space.

Buffalo Avenue Heritage District

The Buffalo Avenue Heritage District, which is located south and east of the downtown tourist core, contains a number of significant historic homes, but also a large number of scattered vacant lots that limit its cohesiveness. Excluding Parkway Condominiums, there are fewer than 50 homes in the area, which is bounded by Rainbow Boulevard, John B. Daly Boulevard, Old Main Street, and the Niagara Falls State Park. Although these homes have historic character, some have been converted to non-residential uses (primarily offices and bed-and-breakfast lodging). Others have been neglected and are in need of renovation.

During 2009 an in-depth report on the District, entitled “Buffalo Avenue Heritage District Revitalization Strategy” was completed, which addressed current conditions and presented a comprehensive vision for revitalization and development.¹ As described in the report, key assets of the District are its proximity to Niagara Falls State Park and its walkability.

¹ The August 2009 study was commissioned in 2007 and was prepared by Parsons Brinkerhoff for USA Niagara Development Corporation and the City of Niagara Falls. It describes the District and presents a vision for redevelopment that includes preservation and adaptive reuse along with infrastructure improvements.



Renovated and Unrenovated homes on Buffalo Ave



At the present time, the neighborhood is cut off from access to the riverfront by the Robert Moses Parkway, which was constructed fifty years ago. Current plans to redesign the riverfront area in this portion of downtown would improve resident access to the water and may better control highway-oriented through traffic.

The report indicated that most of the properties in the Buffalo Avenue Heritage District need attention, including not only fresh paint but renovation of windows, porches, roofs and gutters. Homeownership has declined; the report noted that a majority of buildings are occupied by businesses or other non-resident landlords and recommended zoning changes that would encourage revitalization. The recommended zoning changes were adopted by the City in 2009. The revitalization strategy included a list of needed streetscape and infrastructure improvements and offered design guidelines that would improve the area's attractiveness as a historic district and heritage tourism corridor. The report indicated that there are feasibility issues associated with rehabilitation and redevelopment and it offered a menu of potential programs that could be used to help with financial feasibility.

Sources of demand for new housing or businesses that might consider locating in the District were not identified. Planned activity late in 2010 included only the renovation of an existing vacant hotel located along Buffalo Avenue.

Niagara Street and Area to the North

The City's 2009 Comprehensive Plan² stated that renewal opportunities should be encouraged in the area along the north side of Niagara Street. In addition to parcels fronting on Niagara Street, the neighborhood to the north between Fourth and Eighth Streets is a sizable residential area in need of revitalization. Speculators were active in this neighborhood after plans for the Seneca casino were announced. When no immediate development demand emerged, buildings were allowed to deteriorate.

² Comprehensive Plan for the City of Niagara Falls USA, 2009. The vision for Niagara Street on page 56 is as a location for a mix of commercial uses that includes upscale retailers, together with residential development. Activity along Niagara Street is considered to be a key to stabilizing the residential neighborhood to the north and attracting new residential investment to it, among other benefits.

Scattered vacant lots (and in some locations, multiple lots) can be found where homes have been demolished or lost due to fires. In many cases, the vacant lots are located in the interior of blocks. Notable exceptions include vacant, multi-lot parcels at the following locations:

- Northeast corner of Fifth and Niagara Streets
- Northwest corner of Fifth and Ferry Streets
- East side of Fifth Street to the north of the Ferry Street intersection, with no frontage on the corner.
- Niagara Gazette employee parking lot, located on Fourth Street north of Niagara Street
- Northwest and southwest corners of Seventh and Ferry Streets

Niagara Street forms the northern boundary of the target area delineated by USAN and the residential neighborhood to the north is just beyond it. Based on its proximity, however, activity in this area will have an effect on the downtown/tourist area only a few blocks away. The properties are very visible to downtown visitors and, as the photos below indicate, properties on the northern side of Niagara are in very poor and dilapidated condition.



Properties on the North Side of Niagara Street near 7th Street. Building on the Right was For Sale

This neighborhood has a small number of non-residential structures, including a shuttered hospital with an interesting exterior (but reported to contain asbestos) and a furniture business (Cancemi Furniture). Both are located on the 500 block of Sixth Street). Also on this block is Carolyn's House, a 19-unit apartment property operated by the YWCA as a shelter for homeless and abused women and their children with units ranging in size from studios to three bedrooms. In addition to providing housing, Carolyn's House trains women in culinary arts and runs a contract catering business.

The condition of residential structures in the neighborhood varies, including the quality of design and upkeep. A recent windshield survey by the City and an accompanying review of property tax records found a mix of owner-occupied and rental buildings and a high degree of vacancy. Some single family homes have been converted to multiple apartments. The survey found that most blocks had one or more buildings in disrepair but the majority of structures were deemed to be sound. The windshield survey does not provide insight into the interior condition of the structures (e.g., electrical/mechanical systems, energy efficiency, etc.)



Homes North of Niagara Street in Poor Condition

For Sale Housing In/Near Downtown

To better understand home prices in and near Downtown Niagara Falls, RES compiled for-sale listings in zip codes 14301 and 14303 from Realtor.com, the web site of the National Association of Realtors and those appearing on Zillow.com and Trulia.com, two independent web sites that report listings and sales.

Table 3 provides a map key and information about homes that were listed during November 2010; Map 1 shows the location of each property.

Table 3 – Homes Listed For Sale In/Near Downtown Niagara Falls, November 2010

<u>Map #</u>	<u>Address</u>	<u>Zip Code</u>	<u>Bedrooms</u>	<u>Baths</u>	<u>Square Feet</u>	<u>Year Built</u>	<u>List Price</u>	<u>Comments</u>
1	530 10th Street	14301	5	2	2,104	1915	\$24,900	2 units
2	625 4th Street	14301	4	2	1,908	1890	\$34,000	
3	715 8th Street	14301	4	2	1,011	1890	\$37,900	
4	468 5th Street	14301	4	1	1,552	1910	\$39,900	
5	617 Buffalo Ave.	14303	4	2	2,510	1905	\$44,996	
6	544 5th Street	14301	5	3	2,905	1920	\$54,900	3 units
7	556 Memorial Pkwy	14301	4	1.5	2,286	1905	\$69,900	
8	760 4th Street	14301	4	1.5	1,904	1935	\$89,900	
9	1101 Ferry Ave.	14301	NA	NA	5,009	1930	\$89,900	Investment
10	728 Park Pl.	14301	4	1.5	1,972	1915	\$113,900	Renovated
11	574 3rd Street	14301	12	5	3,504	1918	\$168,333	Investment
12	125 6th Street	14303	7	3	3,142	1900	\$169,000	
13	353 Buffalo Ave.	14303	5	3	3,255	1814	\$250,000	
14	722 4th Street	14301	7	8	2,564	1915	\$275,000	Investment

Sources: Realtor.com, Zillow.com, and Trulia.com listings, week of November 8, 2010, RES

Map 1 – Locations of Homes Listed For Sale during November 2010



The Parkway, which is located at 151 Buffalo Avenue, is the only condominium building in the USAN target area. The building was originally constructed as a rental in 1963 and was converted to condominiums in 1982. The complex also includes ground floor office space, primarily for medical professionals, a community room, and off-street surface parking. Many upper floor units have attractive views of Niagara Falls, but the building's appearance is dated. Two-thirds of the apartments have only one bedroom.

Fifteen of Parkway's 163 units, or 9.2 percent of all units, were listed for sale in November 2010. Table 4 presents information on these listings, which range in asking price from a low of \$55,000 to over \$200,000.

Table 4 – Units Listed For Sale at The Parkway Condominium

<u>Unit Type</u>	<u>Unit Size (SF)</u>	<u>Listing Price</u>	<u>Price per SF</u>
1 BR/1 Ba	764	\$55,000	\$71.99
	764	\$68,900	\$90.18
	974	\$62,000	\$63.66
	985	\$68,900	\$69.95
	985	\$78,000	\$79.19
	1,064	\$78,900	\$74.15
	1,089	\$65,000	\$59.69
	1,089	\$71,500	\$65.66
2 BR/1 Ba	1,273	\$181,900	\$142.89
	1,273	\$195,000	\$153.18
	1,377	\$139,900	\$101.60
	1,377	\$139,900	\$101.60
2 BR/2 Ba	1,397	\$210,000	\$150.32
	1,510	\$169,900	\$112.52
	1,510	\$198,000	\$131.13

Source: Realtor.com; Real Estate Strategies, Inc./RES Advisors

RES has analyzed statistics about residential sales compiled by Trulia.com on the housing market in zip codes 14301 and 14303, along with data presented above on the characteristics of housing in and near the USAN target area. Based on the analysis, our own field inspections, and interviews that we conducted, the following summarizes general observations and issues related to sales housing.

- Given the number of properties in/near downtown (11,908 in the two zip codes in 2000), the number of homes listed for sale with professional real estate agents is relatively small. Trulia reported only 113 units listed for-sale during a recent week, or less than one percent of homes in the two zip codes.
- Consistent with the overall trend in the City and housing market conditions nationwide, the pace of sales is slow in both zip codes.
- Prices reported by Trulia for the time frame from September to November 2010 have declined substantially since the same period in 2009 in both zip 14301 (-22.9%) and 14303 (-44.9%). The median sales prices are lower in both zips than the median five years ago.
- Sales data and observations by RES indicate that many of the structures offered for sale are large. As shown in Table 3 above, half of the listed homes had more than 2,500 square feet of living space. Field observations indicate small lot sizes (with the exception of a few homes on Buffalo Avenue), with street frontages of less than 50 feet.
- The cost of renovating existing single family homes will far exceed their current values, even if renovation is limited to correcting structural problems and remediating health/safety issues. Interviewees reported that the need to correct lead paint problems is a costly barrier to renovation activity.

- With only one condominium building located in/near downtown Niagara Falls, private investors and developers have little information that would generate confidence in building new multifamily for-sale units.
- Realtors reported that property taxes are higher in Niagara Falls than in suburban jurisdictions, a factor that adversely affects home sales.
- With the exception of a portion of the City where children can attend the Niagara-Wheatfield Central School District, schools in Niagara Falls are reported to be an issue for families with children. Great Schools, a non-profit organization that evaluates schools throughout the U.S., has assigned a city ranking of five on a scale of ten to Niagara Falls; Niagara-Wheatfield's ranking is seven of ten and the Grand Island Central School District has a ranking of eight of ten.
- Prospective purchasers have concerns regarding neighborhood safety and the lack of amenities.

Downtown Rentals

The Jefferson, located on the northwest corner of Rainbow Boulevard and Third Street, is the largest rental apartment property in Downtown Niagara Falls. Current ownership acquired the eight-story property late in 2000. The building offers studio, one and two bedroom apartments and some furnished corporate suites. Studios have 415 square feet and rent for \$595 per month. One bedroom units (450-680 square feet) rent for \$595-\$695 per month. Two bedroom apartments have one bath, and range in size from 837 to 1,094 square feet. Monthly rents are \$795-\$1,295. All rents include heat and water. Corporate suites start at \$55 per day. Casino management transferees reportedly use these accommodations until they find more permanent locations. Many units on upper floors have views of the falls.



Management reported an occupancy rate of 94 percent at the end of September 2010. Tenants are casino employees, seniors, and Niagara University graduate students who like the location. Most tenants are singles; 30 percent are couples.

Units at *The Jefferson* are not air conditioned. Tenants must bring their own window units; management charges \$50 each season for installation and removal. Kitchens have electric ranges and most have granite countertops. Kitchen/eating areas have wood floors, and all units have built-in china cabinets. There is a cafe on the building's ground floor. Adjacent off street parking is available. The building has a keyed entry security system and intercom. Some units, occupied by long-time tenants, have not been renovated.

The owners of *The Jefferson* have developed three apartments above stores in the Third Street retail/entertainment area, and are renovating eight additional units in that area. Asking rents will be \$550-\$695, including water and sewer.

The Giacomo is a converted historic office building that opened in September 2008. It offers 24 apartments on the 8th through 17th floors including a two-story penthouse. There is a boutique hotel on the lower floors of the building and one floor of office space. Most of the residential floors have three units, of which two are one bedroom apartments. The highest floors have two-bedroom apartments. Units range in size from 1,066 to 2,742 square feet, so they are quite large by Niagara Falls standards. Features include open floor plans, bistro kitchens with cherry wood cabinetry, stainless steel appliances, breakfast bars or islands, and granite counters. Baths are equipped with whirlpool tubs. The units also offer ceiling fans and stackable washer/dryers. Tenants are given one or two assigned parking spaces in a gated lot.



Rents (\$1,395 to \$2,495) are high for Niagara Falls and also when compared with *The Jefferson*. Water and sewer are included in the rent; tenants pay electric, but the rates are low. Cable and Internet service cost \$70 per month. Tenants can use the hotel fitness center and conference room. There is a lounge on the 19th floor, but it is not accessible via the building's elevator. Managers reported that tenants are a mix of city employers, doctors, empty nesters, and Niagara University faculty/staff, with an average age of 40.

Rents at *The Giacomo* were even higher initially, but were recently lowered because only nine apartments were occupied at the time of our field visit during September 2010. The highest occupancy achieved for the apartments since the building opened was 50 percent. The upper floor units that RES visited had unusual, inefficient layouts and were not being maintained in a condition suitable for showing to a prospective tenant.

The Crick Court Apartments complex is located on the southeast corner of Sixth Street and Ferry Avenue. It has 1, 2, and 3 bedroom units. The complex seems not to be professionally managed and no information was available regarding rents or occupancy at this small complex.

Much of the rental supply near downtown Niagara Falls consists of single family homes or small multi-unit buildings with one to four units. Building conditions and quality vary; as a result, rents range widely. At the low end are one bedroom apartments that rent for as little as \$350 per month, plus utilities. At the top of the range are large furnished homes in good condition, with rents over \$1,200 per month. Typical rent ranges would be \$450 to \$575 for a one bedroom unit and \$525 to \$650 for a two bedroom unit, plus utilities.

Construction Activity: City of Niagara Falls and Niagara County

Relatively few building permits have been issued for new housing construction in the City over the past six years, and no permits at all were issued for 2010. As Table 5 shows, more than 2,400 permits were issued for new units in Niagara County between 2005 and 2010; the City captured less than six percent of this activity. Permits for new residential construction continued to be issued in Niagara County during 2008 and 2009, albeit at reduced levels. By 2010, however, the pace had slowed dramatically, and no permits were issued at all in Lewiston Village and Town, and also in Niagara Falls. Based on the permit data and conversations with Realtors, the Town of Wheatfield is the most active location for new construction. During the six year period, it captured 43.4 percent of all permits issued in the County.

Table 5 – Building Permits Issued, 2005 through 2010

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>6-Year Total</u>
New Privately-Owned Units Permitted							
Niagara County	473	560	571	336	394	90	2,424
City of Niagara Falls	1	0	41	48	51	0	141
Town of Wheatfield	203	305	254	71	162	56	1,051
Lewiston Village and Town	23	47	47	71	32	0	220
Percent of County Total							
City of Niagara Falls	0.2%	0.0%	7.2%	14.3%	12.9%	0.0%	5.8%
Town of Wheatfield	42.9%	54.5%	44.5%	21.1%	41.1%	62.2%	43.4%
Lewiston Village and Town	4.9%	8.4%	8.2%	21.1%	8.1%	0.0%	9.1%

The Census Bureau, which collects and assembles permit data, does not offer any information on the characteristics or locations of the units built, other than to indicate if they were single family or multifamily units. New residential units in Niagara Falls were in multifamily buildings with two units and in buildings with five or more units. Permits issued by Wheatfield were for a mix of single family and multifamily units.

It is important to note that not all permits that are issued actually result in the construction of a new residential unit, especially when economic conditions are not favorable.

Housing Demand

Demand for housing is a function of many factors, including:

- The strength of the regional and local economy -- new business creation, expansion of existing businesses, and job growth;
- Population growth and household formation;
- Consumer perceptions regarding home price trends and housing market liquidity;
- Housing affordability relative to household incomes;
- Characteristics of the housing stock;
- The need to replace dilapidated units, or those which by virtue of their age and condition no longer appeal to prospective buyers or renters;
- The advantages and disadvantages of particular locations within a market area with respect to nearby employment, neighborhood stability and safety, school quality, and proximity to shopping and recreation amenities.

Regional Employment Trends

Data from the New York State Department of Labor, which are presented in Table 6, indicate that total employment in the Buffalo-Niagara Falls metropolitan area (comprised of Erie and Niagara Counties) has declined over the last decade. From 2001 through 2010, the region registered an average annual net loss of over 1,200 non-farm jobs. Losses occurred in seven of the ten years. Looking as far back to 1995, the region's peak year for total employment was in 2000. While the table shows that the Buffalo-Niagara Falls area did not experience the strong job growth seen nationally between 2004 and 2007, it also did not suffer the dramatic losses experienced nationwide from 2008 through 2010.

With respect to private sector jobs, the region's decline was most dramatic in 2009, during the peak of the recession. In this year, alone, 14,600 private sector jobs were lost in the Buffalo-Niagara Falls region. On the positive side, private jobs showed a small uptick in 2010.

Table 6 – Average Annual Non-Farm Employment , Buffalo-Niagara Falls Metropolitan Area and U.S. (In Thousands)

Year	<u>Buffalo-Niagara Falls Metropolitan Area</u>				<u>USA</u>			
	Total Non-Farm Jobs	Percent Change from Previous Year	Private Sector Jobs	Percent Change from Previous Year	Total Non-Farm Jobs	Percent Change from Previous Year	Private Sector Jobs	Percent Change from Previous Year
2010	537.8	-0.1%	442.7	0.0%	129,818	-0.8%	107,337	-0.8%
2009	538.1	-2.5%	442.6	-3.1%	130,807	-4.4%	108,252	-5.3%
2008	552.1	0.8%	456.8	0.7%	136,790	-0.6%	114,281	-1.0%
2007	547.6	0.3%	453.4	0.1%	137,598	1.1%	115,380	1.1%
2006	546.2	-0.1%	452.8	-0.1%	136,086	1.8%	114,113	2.0%
2005	546.9	-0.2%	453.1	0.0%	133,703	1.7%	111,899	1.9%
2004	548.1	0.5%	452.9	0.5%	131,435	1.1%	109,814	1.3%
2003	545.5	-0.4%	450.7	-1.0%	129,999	-0.3%	108,416	-0.4%
2002	547.8	-0.4%	455.1	-0.8%	130,341	-1.1%	108,828	-1.7%
2001	550.0	-1.6%	458.7	-2.1%	131,826	0.0%	110,708	-0.3%
2000	559.1	0.9%	468.4	0.5%	131,785	2.2%	110,995	2.1%
1999	554.3	1.7%	465.9	1.7%	128,993	2.4%	108,686	2.5%
1998	545.3	0.2%	458.0	0.1%	125,930	2.6%	106,021	2.8%
1997	544.1	0.9%	457.4	1.2%	122,776	2.6%	103,113	2.9%
1996	539.1	0.0%	452.1	0.2%	119,708	2.1%	100,169	2.5%
1995	539.1	0.9%	451.4	1.2%	117,298	2.6%	97,685	0.7%

Sources: U.S. Bureau of Labor Statistics, New York State Department of Labor, Real Estate Strategies, Inc./ RES Advisors

Although the service sector -- and tourism in particular -- is now the key job generator, Niagara County's economy used to depend on chemical and metal manufacturing and hydroelectric power generation. Erie County evolved as the metropolitan area's banking and financial services center and it also is the home of the University of Buffalo and western New York's largest concentration of health care providers and medical research operations. Because Erie County's population is much larger, it also offers more shopping concentrations than in Niagara County.

Today, the largest single employer in Niagara County is the U. S. Air Force Reserve Station, with the Seneca Gaming Corporation in second place. In the City of Niagara Falls, the Seneca Nation is the largest employer, followed by the Niagara Falls City School District and Memorial Medical Center. Although the new Seneca casino and hotel have provided a major infusion of new jobs in the City over the last decade, total employment at Seneca operations in Niagara Falls has declined since 2007 due to the recession's impact on tourism and visitor spending. Other Niagara County employers have also contracted over the last two to three years.

Fortunately, the region's unemployment rate during the recession remained below the national average, as seen in Table 7.³ The unemployment rate in the two-county region in 2010 was 8.4 percent, compared with 9.6 percent nationwide. In 2007, prior to the recession, unemployment in the Buffalo-Niagara Falls metropolitan area was only 4.9 percent. Jobless rates in Niagara County tend to be somewhat higher than in Erie County; the unemployment rate in Niagara County in October 2010 was 7.8 percent (not seasonally adjusted).

Table 7 - Average Annual Unemployment Rates, Buffalo-Niagara Falls Metropolitan Area and U.S.

	<u>Buffalo-Niagara Falls Metropolitan Area</u> (percent)	<u>USA</u>
2010	8.4	9.6
2009	8.5	9.3
2008	5.9	5.8
2007	4.9	4.6
2006	5.1	4.6
2005	5.3	5.1
2004	5.8	5.5
2003	5.9	6.0
2002	5.6	5.8
2001	4.9	4.7
2000	4.3	4.0
1999	5.3	4.2
1998	5.4	4.5
1997	5.3	4.9
1996	5.1	5.4
1995	5.4	5.6

Sources: U.S. Bureau of Labor Statistics

Regional, County, and City Demographics

Buffalo-Niagara Falls Metropolitan Area

Estimates for 2010 and forecasts to 2015 for the two-county Buffalo-Niagara Falls metropolitan area were obtained from ESRI. The metropolitan area has an estimated 2010 population of 1,127,524 in 461,055 households. Population and household counts have declined since 2000 at

³ The high percentage of senior citizens in the metropolitan area contributes to a lower-than-average unemployment rate because most seniors are not in the labor force.

an annual rate of less than one half of one percent. The region lost more than 42,500 residents from 2000 to 2010, continuing a pattern of slow decline that goes back to 1990.

The loss of 7,664 households from 2000 to 2010 results in a decrease in demand for housing. At least a portion of this loss is due to the recent recession, which hampered new household formations and caused many young adults to double up or move back to their parents' homes in order to save money. ESRI's forecast for 2015 indicates that the trend will continue.

Niagara County and Niagara Falls Demographics

With an estimated 213,897 residents in 2010, Niagara County accounts for only 19 percent of the metropolitan area's total population and households. It is overshadowed by much-larger Erie County. The City of Niagara Falls is an even smaller fraction of the region with less than five percent of all residents. Given the concentration of jobs in Buffalo and its suburbs, it will be difficult for Niagara Falls to significantly improve its capture of regional housing demand, barring new job creation. Table 8 (following page) provides a summary of demographic characteristics for the City of Niagara Falls, Niagara County outside the City, and the County as a whole.

The data indicate that the City has lost population at a faster rate than Niagara County as a whole. With an estimated 2010 population of only 50,795, the City of Niagara Falls now accounts for less than one in four Niagara County residents. The number of residents and households in both the City and the County are projected to continue to decline through 2015. ESRI has projected that the City will lose an additional 1,537 residents during the period from 2010 to 2015; the County as a whole is projected to lose more than 3,000 people. Thus, roughly half the County's projected population losses will occur within the City of Niagara Falls. Projected population declines in the City and in Niagara County over the next five years contrast with very modest growth expected in the State of New York, and a 3.9 percent increase in households projected for the U.S. overall.

Population losses do not necessarily deter construction of new housing. Household growth can still occur if average household sizes resume their long-term decline as more single persons live alone and family households have fewer children. Prior to the recession, many cities lost population while still successfully building and marketing new rental and for-sale housing units. In some cases, housing was built in or near a city's downtown while, at the same time, housing units were being abandoned in less desirable neighborhoods of the same city.

However, Niagara Falls is losing households as well as people. Although some of the losses are undoubtedly due to recession-related doubling up, the decline in the number of households in the City over the last decade is consistent with the pattern of abandonment and housing demolition that has occurred. The neighborhood east of Daly Boulevard between Niagara Street and Buffalo Avenue is an example of clearance that took place without a specific plan for redevelopment and there has, in fact, been no new development in the area. Vacant houses are also evident north of Niagara Street and elsewhere within the City's limits.

Although statistics indicate that Niagara County overall lost households from 2000 to 2010, all of the losses occurred in the City. ESRI estimates indicate that the portion of the County outside Niagara Falls actually gained nearly 1,000 households from 2000 to 2010, although the forecast to 2015 shows small declines in the suburban and rural portions of Niagara County.

Table 8 – Population and Household Demographics, Niagara Falls, Niagara County, New York State, and the US

	City of Niagara Falls	Other Niagara County Places	Niagara County Total	New York State	USA
Population					
2000 Census	55,593	164,253	219,846	18,976,457	281,421,906
2010 Estimate	50,795	163,102	213,897	19,543,731	311,212,863
2015 Projection	49,258	161,565	210,823	19,736,749	323,209,391
Percent Change 2000-2010	-8.6%	-0.7%	-2.7%	3.0%	10.6%
Percent Change 2010-2015	-3.0%	-0.9%	-1.4%	1.0%	3.9%
Households					
2000 Census	24,099	63,747	87,846	7,056,860	105,480,101
2010 Estimate	22,440	64,735	87,175	7,259,376	116,761,140
2015 Projection	21,878	64,499	86,377	7,332,820	121,359,604
Percent Change 2000-2010	-6.9%	1.5%	-0.8%	2.9%	10.7%
Percent Change 2010-2015	-2.5%	-0.4%	-0.9%	1.0%	3.9%
2010 Average Household Size	2.23	NA	2.40	2.61	2.59
2010 Population by Age - Percent					
Under 15	18.8 %	17.8 %	18.0 %	19.2 %	20.0 %
15 to 24 Years	13.0	13.0	13.0	14.1	13.9
25 to 34 Years	12.3	11.9	12.0	13.2	13.3
35 to 44 Years	11.9	12.4	12.3	13.5	13.4
45 to 54 Years	14.8	16.1	15.8	14.8	14.6
55 to 64 Years	11.8	13.4	13.0	11.8	11.7
65 to 74 Years	7.6	7.9	7.8	6.9	6.8
75+ Years	9.8	7.6	8.1	6.7	6.3
2010 Median Age (years)	40.6	NA	41.3	37.7	37.0
2010 Population by Race - Percent					
White (alone)	71.2 %	93.6 %	88.3 %	64.8 %	71.9 %
African American (alone)	21.9	2.6	7.2	16.4	12.5
Asian (alone)	1.1	0.8	0.9	7.0	4.7
All Other	5.8	3.6	4.1	11.9	10.9
Hispanic Origin	2.8	1.8	2.0	17.1	16.2

Sources: U.S. Bureau of the Census; ESRI; Real Estate Strategies, Inc./RES Advisors

By race, the vast majority of residents in the City and County are white. In contrast to the State of New York and the U.S. as a whole, Niagara County a surprisingly small share of Asians and Hispanics. Immigration has helped to stabilize and even reverse population losses in other older industrial cities during the last decade, but this has not been the case in Niagara County.

Both the City and the County have an above-average share of senior citizens when compared to the U.S. as a whole. In Niagara Falls during 2010, 17.4 percent of residents are age 65 and older. Nationally, the comparable share is 13.1 percent. Seniors are particularly hurt by Niagara Falls' weak housing market. Due to the low home values, senior homeowners who want to sell are likely to have insufficient equity to buy or rent in a retirement community, either in the Buffalo-Niagara Falls metropolitan area or in other parts of the country.

Table 9 provides estimates by ESRI of the income of households in Niagara Falls, Niagara County, and places in the County outside of Niagara Falls during 2010. In the City the median income was only \$36,316. For Niagara County as a whole, the median income was \$49,560 -- 36.4 percent higher. This disparity is an indication of the high concentration of households with incomes below poverty in Niagara Falls, a circumstance that limits the ability of households to afford new or renovated housing. More than one in five Niagara Falls households has income below \$15,000, and only 18.3 percent of households have income of \$75,000 or more. Incomes are much higher in Niagara County's suburban and rural communities. Nearly one third of suburban and rural households have incomes higher than \$75,000, while fewer than 20 percent have incomes below \$25,000.

Table 9 – Household Income Estimates for 2010

<u>Income Range</u>	<u>City of Niagara Falls</u>		<u>Other Niagara County Places</u>		<u>Niagara County Total</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than \$15,000	4,600	20.5%	5,774	8.9%	10,374	11.9%
\$15,000-\$24,999	3,254	14.5%	5,987	9.2%	9,241	10.6%
\$25,000-\$34,999	3,052	13.6%	6,799	10.5%	9,851	11.3%
\$35,000-\$49,999	3,568	15.9%	10,990	17.0%	14,558	16.7%
\$50,000-\$74,999	3,860	17.2%	14,796	22.9%	18,655	21.4%
\$75,000-\$99,999	2,244	10.0%	10,396	16.1%	12,640	14.5%
\$100,000-\$149,999	1,346	6.0%	7,197	11.1%	8,543	9.8%
\$150,000+	516	2.3%	2,797	4.3%	3,313	3.8%
Total Households	22,440		64,735		87,175	
Median Income	\$36,316		\$54,305		\$49,560	
Average Income	\$46,768		\$64,393		\$59,856	

Source: ESRI; Real Estate Strategies, Inc./RES Advisors

Replacement Demand

The analysis of the City's housing stock presented previously shows that 63.1 percent of all units (17,655 units in the 2007-2009 ACS) were built prior to 1950. A common rule of thumb is that one percent of this older housing stock should be replaced every year, or 177 units annually. Building permit data clearly show that the City's older housing stock is not being replaced at levels that are even close to this rate. However, there is no need to replace housing units when losses of households exceed the estimated replacement demand, which is the case in Niagara Falls. From 2000 to 2010, the number of households in the City declined by an average of 166 households annually, or a number very similar to the replacement demand. Therefore, there is very little need to replace obsolete housing units in Niagara Falls.

Employment-Related Housing Demand

When considering demand for downtown housing, the strongest source of potential residents usually comes from the people who are employed there. However, as has been discussed in another technical memorandum, the employment base within a mile of downtown is not especially strong and annual wages are low. An estimated 9,655 people work in and near downtown with the casino, downtown hotels, and Memorial Medical Center generate the majority of jobs in or near downtown.

Although the limitations are real, RES considers workforce housing to be the most promising possibility for jump-starting new housing demand in downtown Niagara Falls. Our recommendation is that USAN and the City of Niagara Falls pursue development of mixed-income rental housing with market-rate and affordable apartments designed primarily to serve younger households with one or more persons employed in downtown Niagara Falls. Most of the rental apartments should have one and two bedrooms. Details about a recommended first phase development program are provided in a later section of this technical memorandum.

Places of Residence, Seneca Gaming Corporation Employees

The Seneca Gaming Corporation shared data on the zip codes of residence of the 2,400+ employees who work in the casino in the City of Niagara Falls. The information is summarized in Table 10. The numbers include persons working in the casino, hotel, and the headquarters office building on Third Street. Zip codes located wholly or partially within the City of Niagara Falls account for more than 42 percent of all workers, but there is no way to know how many employees actually reside within the City limits.

Niagara County residents account for 61.8 percent of all workers, but the zip code analysis suggests that relatively few workers come from the eastern portion of the County. This may be a result of employees’ concern about ease of travel. An examination of the road system indicates that east-west access from more rural and remote towns in eastern Niagara County is difficult.

Another 34.3 percent of workers live in Erie County, with a significant 12.2 percent commuting from zip codes present in the City of Buffalo. The interstate highway system accommodates this type of commuting, but congestion during the height of the tourist season and weather-related delays during the winter months suggest that long commutes can be burdensome for workers and problematic for the employer.

Table 10 – Zip Codes of Residence, Seneca Gaming Corporation Employees

<u>Zip Code of Residence</u>	<u>Number of Employee</u>	<u>Percent of Total</u>
<u>Niagara County</u>		
Niagara Falls	1,041	42.8%
N. Tonawanda	152	6.2%
Lewiston	115	4.7%
Lockport	54	2.2%
Other Niagara County	<u>141</u>	<u>5.8%</u>
Subtotal, Niagara County	1,503	61.8%
<u>Erie County</u>		
Buffalo	297	12.2%
Tonawanda	102	4.2%
Grand Island	85	3.5%
Cheektowaga	53	2.2%
Other Erie County	<u>297</u>	<u>12.2%</u>
Subtotal, Erie County	834	34.3%
Other NY State	39	1.6%
Other states	7	0.3%
Canada	50	2.1%
Total, All Employees	2,433	100.0%

Source: Seneca Gaming Corporation; Real Estate Strategies, Inc/RES Advisors

Very few employees commute from Canada. Travel delays at U.S. Customs due to heightened security screenings may account for this. Also, the current parity between the dollar and the loonie has eliminated the economic advantages that Canadians used to enjoy by working in the U.S. and getting paid in U.S. dollars. Although housing prices are significantly lower on the U.S. side than in Canada, RES does not anticipate that there is much potential for drawing Canadian citizens to live on the U.S. side of the border. Interviews with real estate brokers indicate that there is some Canadian interest in buying in Niagara Falls, New York, but as investors (absentee landlords) rather than as a primary residence. Some Canadians also look for vacation properties in New York State, but these tend to be in more rural locations.

Earnings of Downtown Workers

To learn more about the potential for developing workforce housing downtown, RES obtained information from Seneca Gaming Corporation regarding average wages for their employees. The average base wage for all employees (including the casino, hotel, and offices) is \$12.70 per hour. This figure does not include tips, which are earned by a high percentage of the casino and restaurant employees. For example, the average hourly wage for dealers is only \$5.50, but they earn an average of \$13 per hour in tips. For servers, the comparable figures are \$5.25 and \$6, respectively, and for slot machine attendants, \$8.50 and \$12.

Translating these figures into annual household incomes and comparing them with eligibility for government housing finance programs is problematic. Looking only at the average base wage of \$12.70, and assuming a standard work year of 2,080 hours, the average worker earns \$26,416. Based on these data, it is likely that some employees at the casino complex would qualify for affordable housing with Low-Income Housing Tax Credits if they were their family's sole wage earner. The experience of many family-oriented LIHTC buildings is that the typical tenant is a single parent with one or two children. A household with two full time workers earning the average wage would be unlikely to qualify.

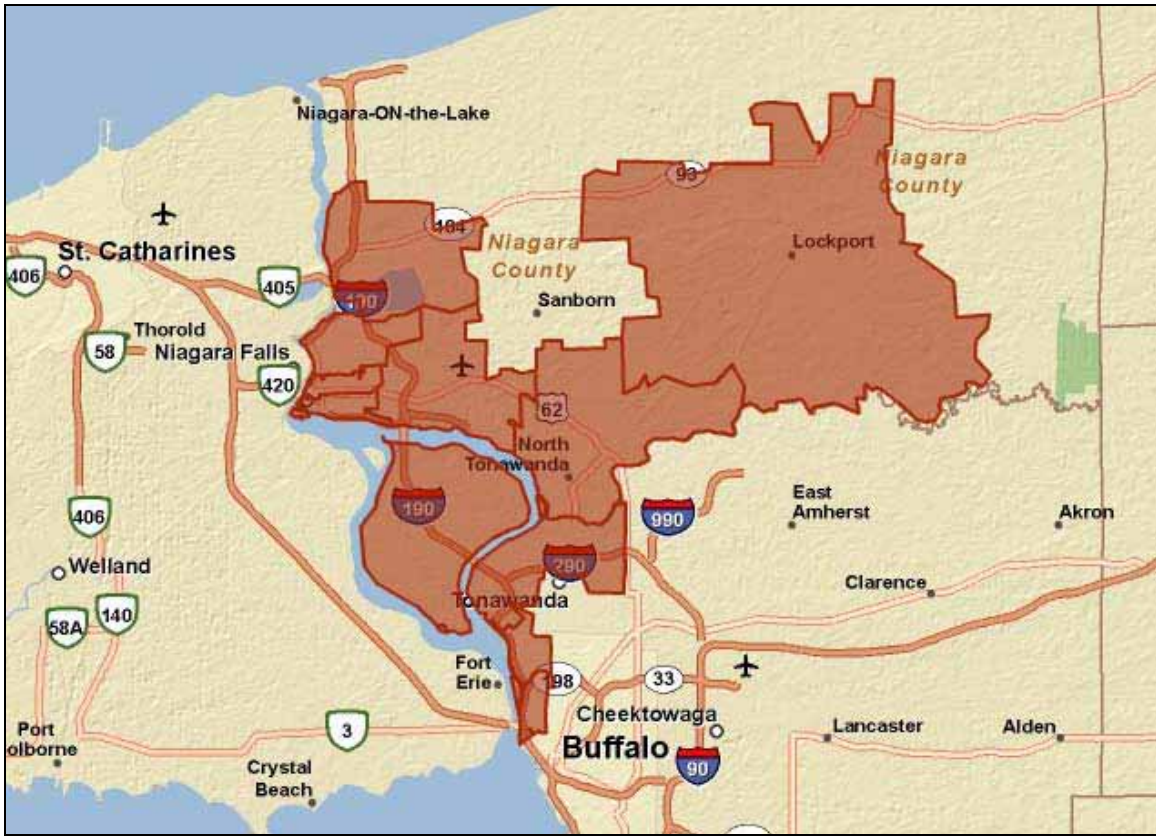
Demand from Workers at the Medical Center

RES was not able to obtain similarly-detailed data for employees of Memorial Medical Center. Based on our experience in other cities, it is likely that low-and moderate-income hospital workers who would be eligible for assisted housing are living within a closer commuting distance of their place of employment than casino workers. Wage and salary survey data for the Western New York Region indicate that the average annual entry-level wage for healthcare support occupations is \$19,980 while the mean annual wage is reported to be \$27,080. Interviews indicated that attending physicians and other high-salary medical professionals are likely to live in upscale suburbs, such as Lewiston or Grand Island, that are within an easy commute of the Medical Center.

Primary Market Area for Workforce Housing

RES has defined a primary market area (PMA) for workforce housing intended for general occupancy that is based on the current place of residence of employees at the Seneca casino. The PMA, which is shown in Map 2, includes all zip codes where 50 or more of Seneca Gaming's current employees reside. The PMA includes all of the City of Niagara Falls, a portion of the City of Buffalo proximate to I-190, and suburban areas.

Map 2 – Primary Market Area for Workforce Housing



This is not to say that residents of other zip codes would not be part of the market for workforce housing; these zip codes merely represent the densest concentrations of potential residents. In addition to Seneca Gaming, employees at other businesses and government agencies located in or near downtown Niagara Falls would be part of the potential demand for workforce housing.

PMA Demographics

Demographics for the PMA are summarized in Table 11 on the following page. The PMA has an estimated population of nearly 278,000 in 115,292 households. The PMA's population accounts for 25 percent of all households in metropolitan Buffalo-Niagara Falls.

As is the case in both the City of Niagara Falls and Niagara County, ESRI estimates that the total number of residents and households in the delineated workforce housing PMA has been declining, a trend that is expected to continue to 2015. However, the rate of decline is slower in the PMA than in the City of Niagara Falls, alone. The population of the PMA is slightly younger than the City and there is a higher percentage of Hispanics, although still less than the national average.

Table 11 – Selected Demographic Characteristics, Workforce Housing PMA

<u>Population</u>	
2000 Census	289,923
2010 Estimate	277,917
2015 Projection	272,186
Percent Change 2000-2010	-4.1%
Percent Change 2010-2015	-2.1%
<u>Households</u>	
2000 Census	117,941
2010 Estimate	115,292
2015 Projection	113,504
Percent Change 2000-2010	-2.2%
Percent Change 2010-2015	-1.6%
<u>2010 Average Household Size</u>	2.36
<u>2010 Population by Age - Percent</u>	
Under 15	18.4 %
15 to 24 Years	13.4
25 to 34 Years	12.5
35 to 44 Years	12.2
45 to 54 Years	15.4
55 to 64 Years	12.6
65 to 74 Years	7.4
75+ Years	8.1
<u>2010 Median Age (years)</u>	39.9
<u>2010 Population by Race - Percent</u>	
White (alone)	83.4 %
African American (alone)	9.0
Asian (alone)	1.4
All Other	6.1
Hispanic Origin	5.5
<u>2010 Employed Population Age 16+ by Occupation</u>	
White Collar	59.0 %
Services	19.2
Blue Collar	21.8

Sources: ESRI; Real Estate Strategies, Inc./RES Advisors

Working-Age Households by Age and Income

Table 12 summarizes the household income characteristics of the PMA's 86,770 working-age households (under age 65). For new market-rate rental housing or condominiums, analyses by RES indicate that the target market is households earning between \$35,000 and \$75,000. For workforce housing (with limits on maximum household income), the target market is households earning \$20,000 to \$35,000, depending on household size.

Table 12 – PMA Working-Age Households by Income and Age of Householder

Number of Households	Age Cohort					Total Working Age Households
	< 25	25-34	35-44	45-54	55-64	
Income Band						
<\$15,000	1,847	2,396	1,798	2,250	2,680	10,971
\$15,000 - \$24,999	1,079	2,026	1,759	1,488	1,689	8,041
\$25,000 - \$34,999	540	2,256	2,011	1,976	1,874	8,657
\$35,000 - \$49,999	700	3,078	3,305	3,248	3,122	13,453
\$50,000 - \$74,999	509	4,169	4,855	6,200	4,552	20,285
\$75,000 - \$99,999	340	1,778	3,142	4,875	3,411	13,546
\$100,000 - \$149,999	236	658	1,487	3,920	2,554	8,855
\$150,000+	198	343	495	1,022	904	2,962
Total Households	5,449	16,704	18,852	24,979	20,786	86,770
Median Household Income	\$22,390	\$41,805	\$51,764	\$61,440	\$53,906	
Average Household Income	\$39,032	\$49,225	\$59,426	\$70,834	\$64,628	

Percent of Households	Age Cohort					Percent, Working Age Households
	< 25	25-34	35-44	45-54	55-64	
<\$15,000	33.9%	14.3%	9.5%	9.0%	12.9%	12.6%
\$15,000 - \$24,999	19.8%	12.1%	9.3%	6.0%	8.1%	9.3%
\$25,000 - \$34,999	9.9%	13.5%	10.7%	7.9%	9.0%	10.0%
\$35,000 - \$49,999	12.8%	18.4%	17.5%	13.0%	15.0%	15.5%
\$50,000 - \$74,999	9.3%	25.0%	25.8%	24.8%	21.9%	23.4%
\$75,000 - \$99,999	6.2%	10.6%	16.7%	19.5%	16.4%	15.6%
\$100,000 - \$149,999	4.3%	3.9%	7.9%	15.7%	12.3%	10.2%
\$150,000+	3.6%	2.0%	2.6%	4.2%	4.3%	3.4%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Data Notes: (1) Percentages may not add due to rounding. (2) Income reported for July 1, 2010 represents annual income for the preceding year, expressed in current (2009) dollars, adjusted for inflation.

Source: ESRI; Real Estate Strategies, Inc./RES Advisors

The estimates in Table 12 indicate the likelihood of good demand for workforce housing based on the large percentages of young households – those headed by householders under 25 with incomes in the range from \$25,000 to \$50,000. In absolute numbers, an estimated 1,240 households had 2010 incomes estimated to be in this range; 1,079 additional young households with incomes ranging from \$15,000 to \$24,999 might qualify for affordable units in a rental property targeted to downtown workers.

Senior Housing Demand

For age-restricted housing to serve senior citizens, the Primary Market Area would be much smaller than for workforce housing. Although senior buildings in the City of Niagara Falls are well occupied and most have waiting lists, interviews indicate that it will be difficult to attract older adults (and especially older suburbanites) to residential properties in downtown Niagara Falls because of the lack of nearby amenities and services and concerns about crime and safety.

Table 13 provides estimates of the number of households with persons age 55 and older who were living in the City of Niagara Falls during 2010.

Table 13 – City of Niagara Falls 2010 Households Age 55 and Older by Householder Age and Income

Number of Households	Age Cohort			Total Senior Households
	55-64	65-74	75+	
Income Band				
<\$15,000	783	524	950	2,257
\$15,000 - \$24,999	452	488	753	1,693
\$25,000 - \$34,999	488	475	604	1,567
\$35,000 - \$49,999	586	367	492	1,445
\$50,000 - \$74,999	673	341	336	1,350
\$75,000 - \$99,999	383	158	187	728
\$100,000 - \$149,999	282	152	106	540
\$150,000+	<u>112</u>	<u>41</u>	<u>94</u>	<u>247</u>
Total Households	3,759	2,546	3,522	9,827
Median Household Income	\$38,069	\$29,613	\$25,685	
Average Household Income	\$50,452	\$41,384	\$36,700	

Percent of Households	Age Cohort			Percent Totals
	55-64	65-74	75+	
<\$15,000	20.8%	20.6%	20.6%	23.0%
\$15,000 - \$24,999	12.0%	19.2%	19.2%	17.2%
\$25,000 - \$34,999	13.0%	18.7%	18.7%	15.9%
\$35,000 - \$49,999	15.6%	14.4%	14.4%	14.7%
\$50,000 - \$74,999	17.9%	13.4%	13.4%	13.7%
\$75,000 - \$99,999	10.2%	6.2%	6.2%	7.4%
\$100,000 - \$149,999	7.5%	6.0%	6.0%	5.5%
\$150,000+	<u>2.9%</u>	<u>1.5%</u>	<u>2.6%</u>	<u>2.5%</u>
	100.0%	100.0%	100.0%	100.0%

Data Notes: (1) Percentages may not add due to rounding. (2) Income reported for July 1, 2010 represents annual income for the preceding year, expressed in current (2009) dollars, adjusted for inflation.

Source: ESRI; Real Estate Strategies, Inc./RES Advisors

In 2010, the City had an estimated 3,950 senior households age 55 and older with incomes under \$25,000 per year. Households in this income range would be the target for any new age-restricted buildings constructed using the LIHTC program. However, 2,257 of these households had 2010 incomes below \$15,000, meaning that additional subsidies would be needed to offer affordable rents to these households. The City already has 824 affordable units in senior buildings, most of which house residents age 62 and older. (Public housing and Section 202/Section 8 senior buildings limit eligibility to age 62). With this current level of affordable senior units, there already is the equivalent of one senior housing unit in the City for every five households. In other words, there now are affordable senior housing units in Niagara Falls for 20 percent of senior households age 55 and older. Even though some buildings also house non-elderly disabled persons and vacancy rates at senior buildings are low, the fact that the city has enough affordable senior housing to house one in five elderly households raises concerns about the depth of market for additional housing units to serve seniors.

Therefore, senior housing units that might be developed within the USAN target area would need to attract households from outside of Niagara Falls. Downtown improvements that provide a safe, secure living environment with services and shopping available nearby will be needed to enhance the market prospects for senior housing in the target area. Senior housing might be included in a

later phase of residential development after perceptions of the area have improved and additional services are available.

Student Housing Demand

At the present time, there are no colleges or universities with campuses in downtown Niagara Falls. Interviews indicate that some tenants at The Jefferson are graduate students at Niagara University, but undergraduates typically will find housing options located closer to campus.

Niagara County Community College (NCCC) will be relocating its hospitality-related programs (including its culinary, pastry, wine and beverage, event planning, casino, and tourism-related curricula) from suburban Sanborn to a portion of the former Rainbow Mall on Third Street and Old Falls. These programs currently enroll 330 students, and enrollment may increase by the summer of 2012, when the new facilities are expected to open. At the present time, approximately 10 to 15 percent of students live on campus at NCCC, while others commute from as far away as 25 miles.

After the programs are relocated, it is likely that some students will be interested in living near the new campus. Assuming that the same 10 to 15 percent of students might be interested in student housing, the number would be too small to support development of a student apartment building. However, any students attending classes downtown would add to the demand for rental units in existing properties such as units in the Third Street entertainment district and in any newly constructed rental properties. Students generally are not eligible to live in affordable family housing.

Long term prospects for increasing student housing demand are positive. NCCC's new downtown space is being designed to accommodate up to 1,000 students. Although these students may still not generate sufficient demand for a students-only apartment complex (student apartment buildings tend to have a minimum of 300 beds), NCCC's growing downtown presence will definitely help to re-invigorate demand for rental housing near the new campus.

Housing Programs: Eligibility

Low-Income Housing Tax Credit (LIHTC) Program for Affordable Rental Housing

Most new and substantially-rehabilitated affordable rental housing being built today uses LIHTCs. LIHTC units must be leased to households with incomes below 60 percent of the area median income (AMI), adjusted for household size. LIHTC properties are different from Section 8 or public housing buildings, in that residents pay fixed rents rather than 30 percent of adjusted gross income. Incomes of prospective residents must be deemed sufficient to pay the monthly rent and utility costs, and minimum income levels can be required for tenants occupying LIHTC units. In contrast, public housing and properties with project based Section 8 subsidies have additional subsidies from the federal government and can serve households with extremely low – or no income. Absent these or additional subsidies from other sources, rents at LIHTC properties are too high for households with extremely low incomes.

There are two types of Low-Income Housing Tax Credits – nine percent and four percent credits. The nine percent credits are allocated to states based on population and then are allocated to specific development projects by state housing finance agencies based on a competitive process. The credits are sold to businesses and institutions that can use them to offset income on their federal tax returns. Competition usually is intense for 9 percent LIHTCs. Four percent credits are also allocated by state housing agencies, typically for projects financed with mortgage revenue bonds or with other subsidies to produce rents that are affordable.

Although the federal LIHTC program has been in effect for more than 20 years, it has not been widely used in Niagara County or the City of Niagara Falls other than to provide a source of additional funds for use in renovating or substantially rehabilitating older project-based Section 8 or Section 236 rental properties and to replace public housing units under the HOPE VI program. There are a number of likely reasons for this:

- Because construction costs in Niagara Falls are high and rents are low, additional so-called “gap” financing is required in addition to LIHTCs. Sources of additional financing are limited and are hard to obtain for development projects in markets that are marginal, such as Niagara Falls.
- The recession reduced interest by businesses and institutions – most notably, the appetite of Fannie Mae -- for the large share of LIHTCs it had been purchasing. The result has been difficulty in finding investors to purchase LIHTCs and a decline in the amount of equity provided for each dollar of available tax credits. This problem is compounded in Niagara Falls, where unfavorable population and household growth trends make it more risky to invest in additional affordable housing.
- Probably most important over time is the fact that the maximum LIHTC rents, which are presented in Table 14, are higher than the market rate rents charged at Niagara County's numerous older apartment properties. LIHTC rent maximums are set based on metro-wide incomes, assuming that households pay no more than 30 percent of income on rent and utilities. Moreover, rents at the 60 percent AMI maximum are high in comparison with the Niagara Falls 2010 median income of \$36,316

**Table 14 – Maximum 2010 LIHTC Household Incomes and Rents
Buffalo-Niagara Falls Metropolitan Area**

<u>Household Size</u>	<u>Maximum Household Income</u>	
	<u>50% AMI</u>	<u>60% AMI</u>
1 Person	\$22,300	\$26,760
2 Person	\$25,500	\$30,600
3 Person	\$28,700	\$34,440
4 Person	\$31,850	\$38,220
5 Person	\$34,400	\$41,280
6 Person	\$36,950	\$44,340

<u>Unit Size</u>	<u>Maximum Monthly Gross Rent</u>	
	<u>50% AMI</u>	<u>60% AMI</u>
Studio	\$557.50	\$669.00
1 Bedroom	\$597.50	\$717.00
2 Bedroom	\$717.50	\$861.00
3 Bedroom	\$828.13	\$993.75
4 Bedroom	\$923.75	\$1,108.50

Note: Gross rents include all utilities. Rents are adjusted downward to account for tenant-paid utilities.

Source: NY State Division of Housing and Community Renewal

Homeownership Programs

Strategies used to address revitalization in downtown areas and neighborhoods typically commence with rental housing until such time as perceptions about the area change and households become more comfortable making an investment in a home. This is the situation in downtown Niagara Falls; therefore, RES recommends that initial phases of residential development focus on rental housing.

However, encouraging homeownership appropriately is a long-established goal for the City of Niagara Falls. The “Buffalo Avenue Heritage District Revitalization Strategy” contained a number of initiatives aimed at assisting homeowners with the rehabilitation of structures in the District; initiatives that will help to preserve and improve existing homes should be used to prevent further decline while revitalization initiatives take hold and the housing market strengthens.

Over time, revitalization efforts in the neighborhood north of Niagara Street and the Buffalo Avenue corridor should include opportunities for homeownership. The State of New York offers five programs that assist first time buyers. Each program has a unique target. One program is oriented to veterans and another assists buyers wanting to renovate an existing home. A third program focuses on new energy-efficient homes. The State also has a traditional low interest mortgage program, but this type of program has been less attractive in recent years due to record-low interest rates in the private market.

One program that may be useful in future for-sale projects is the Mortgage Credit Certificate (MCC) program. This program allows borrowers with conventional mortgages to convert 20 percent of annual mortgage interest into a tax credit against federal income tax liability, while still allowing borrowers to deduct the remaining 80 percent of the interest as an itemized tax deduction. The program can be used with FHA-insured or other fixed rate mortgages, but not with low-interest mortgages provided by the State of New York. Borrowers must meet income qualifications and reside in target census tracts; targeted tracts in Niagara Falls include downtown, the Buffalo Avenue Heritage corridor, and the neighborhood north of Niagara Street. In these tracts, the borrower does not have to be a first time buyer. Applications are filed with participating lenders.

Experience with Downtown Housing in Other Upstate New York Cities

In downtown Buffalo multiple developers have successfully undertaken loft rental projects. Over 400 new units have been created in projects as small as four units and as large as 60. Building types include upper floors of small-scale commercial buildings as well as former warehouses, schools, department stores, office buildings, and hotels. An estimated 3,300 people live in Buffalo’s downtown. Loft development in Buffalo has added to the vitality of the downtown and supported the market for retail space and restaurants. Occupancy in loft rentals is high and rents are higher than seen in Niagara Falls. Residents work at downtown offices, institutions, and in the arts district.

Syracuse has over 900 market-rate downtown housing units. Approximately 55 percent of these units are in older high rise rental buildings on the east side of downtown (close to the medical center), but much of the balance has been created through conversion of commercial properties during the last decade. Three conversion projects are currently under construction, with completion anticipated in late 2011 or 2012. Downtown living options are actively marketed with a web site, brochure, and annual walking tour of downtown housing options.

As in Buffalo, most downtown housing in Syracuse is rental. However, a new mixed-use building, Jefferson Clinton Commons) with 18 condominiums over two floors of office space, broke ground in 2008 and completed construction in June 2009. Despite the recession, all but one condominium has been sold. Asking prices ranged from \$279,900 to \$444,900. The units are spacious, with 1,286 to 1,945 square feet. They feature open floor plans, high end Viking appliances, in-unit washers and dryers, whirlpool tubs, balconies, fireplaces, and secure

underground parking. Because of the project's location in an Empire Zone, the buyers enjoy seven-year property tax abatements. Virtually all of the office space is occupied. Management indicated that the project generated considerable traffic from new employees who were taking jobs at the nearby medical center or at the University of Syracuse, but buyers represent a range of ages and employment situations.

CONCLUSIONS AND RECOMMENDATIONS

Advantages and Disadvantages of a Downtown Niagara Falls Location

Households that would consider a location in or near downtown Niagara Falls will look at its positive attributes, which include the following:

- Proximity to jobs with Seneca Gaming Corporation, Memorial Hospital, other private sector employers, and government agencies.
- Reduced commuting costs and time to a job downtown, including the ability to avoid the frustration of dealing with seasonal congestion or weather-related delays.
- Affordable rents and home prices, especially when compared with Erie County's more desirable urban neighborhoods and suburbs.
- Access to Niagara Falls' scenic waterfront and the State Park, which should be especially appealing to young adults who enjoy outdoor recreation.

Downtown also has drawbacks as a residential location, but many of these can be overcome with concerted long-term, targeted efforts on the part of the private and public sectors to make downtown Niagara Falls a more attractive place to live.

- At the present time, downtown lacks amenities that would draw residents. It needs local-serving retail stores, restaurants, banks, health clubs, physicians' offices, and other commercial businesses to meet everyday needs. Young households may be willing to drive to Pine Avenue for groceries or pharmacies; senior citizens may not have this flexibility.
- The area suffers from image problems -- real and perceived criminal activity and a lack of pedestrians during the late fall and winter months (and also during late evening hours at all times of the year).
- The large number of vacant lots suggests that the City is not attracting new development.
- Low home values and rents deter investment in renovation or new construction. Significant subsidies will be needed for projects to "pencil out."
- Real estate tax rates are higher in the City than in the suburbs, and multifamily rentals are not eligible for lower homestead tax rates available to owners of single-family homes and duplexes.
- Public schools are seen as a problem by households with children. The downtown lacks private school alternatives.

Of late, public sector development incentives have focused on commercial projects, not housing. USAN and the City of Niagara Falls have tools available to encourage renovation of existing housing and construction of new units. In the short run, fiscal constraints may limit the City's ability to award tax abatements or rehabilitation grants. Even so, they should be considered as a way to jump-start residential activity.

Unlike downtown Buffalo or Syracuse, downtown Niagara Falls does not have a substantial number of older/historic buildings suitable for conversion to loft rental apartments. In other areas that lack housing inventory and need revitalization, loft conversions have strengthened demand that has eventually supported new construction. Unfortunately, Niagara Falls demolished most of the stock of older office, industrial, and warehouse buildings in the downtown decades ago under urban renewal programs; a stock of older downtown buildings suitable for conversion is not available for this type of activity. Nevertheless, the public sector can take steps to encourage the renovation and adaptive re-use of older structures that are still standing.

Action Strategies

Adaptive Re-Use

Although there are few older downtown buildings that would be suitable for conversion to housing, possible opportunities include:

- The former Niagara Hotel, although its re-use as a hotel may make more sense than renovating it for apartments. RES was unable to inspect the building.
- The upper floors of the Power City building on the southwest corner of Third and Old Falls Streets. The exterior of this building appears to be in good condition and this is an important location near the Casino, the new NCCC campus, and the State Park. A ground floor retail user should be recruited for the first floor space.

Renovation of Existing Housing

The neighborhood north of Niagara Street should be a high priority for rehabilitation and selected demolition/reconstruction. However, the approach must be strategic. RES recommends starting on the north side of Niagara Street between Fourth and Eighth Streets, and also moving north from Niagara Street along Fourth Street. A scattershot approach will not create a critical mass of sound housing and will not improve conditions in a way that will encourage more private investment. Some homes will be too deteriorated to justify renovation and will have to be taken down. Infill development to replace these structures must be in a consistent architectural style to blend with older homes that are renovated.

There are added benefits to starting at Niagara and Fourth Streets. First, improvements that are made will be very visible because of the volume of traffic along Niagara Street and the access to the casino parking garage from that street. Second, a focus on Niagara Street improvements should benefit revitalization projects that have been completed and are underway along nearby Third Street.

The neighborhood needs an "identity" that City residents will remember and associate with renovation efforts. None of the interview respondents had a name for the area, other than "north of Niagara Street."

The costs associated with renovations of residential structures will be high, and there is likely to be intense competition for funding. The City is already committed to housing rehabilitation programs in three other target neighborhoods (LaSalle, DeVeaux, and Echota) where deterioration is not as widespread, and where the housing stock is newer. As a result, per-unit costs in these three areas are not as high as is anticipated in the neighborhood north of Niagara Street.

Housing improvements in the area north of Niagara Street are likely to benefit revitalization activity downtown because of the neighborhood's proximity to the tourist area and its visibility. The non-profit Center City Neighborhood Development Corporation (CCNDC) covers a portion of the neighborhood north of Niagara Street between Fourth and Eighth Streets, but its total territory is larger and it has not undertaken much work in this neighborhood.

The City's housing rehabilitation resource constraints are apparent in its 2011 Action Plan for Community Development Block Grant (CDBG) and HOME funds. The City expects to renovate only 15 rental units and 65 homeownership units. These totals include the planned activities of non-profits such as CCNDC and Neighborhood Housing Services. Without careful targeting, there is likely to be little impact from this type of limited program. RES recommends action by USAN and City officials to investigate ways to leverage available resources and access other funding programs that may be available. For example, local funds (from the City, USAN, or other sources) might be used as the local match for a State of New York or federal program, or used to capitalize a rehabilitation loan fund administered by one or more banks. RES recommends discussions with foundations to inquire about funding priorities.

New Workforce Housing

New workforce rental units would be an attractive addition to the Niagara Falls housing market and might help to jump-start other private investments. This type of development would add additional 24/7, year-round population to help support local stores, services, and eateries. Constructing new workforce housing in downtown Niagara Falls will require use of LIHTCs, as well as additional subsidies for so-called "gap" financing because rents are too low for residential projects to be financially feasible. Further, a pioneering workforce housing development in Niagara Falls will need to be very competitive for funding, especially in today's more constrained environment for residential development.

RES recommends that the majority of housing units be targeted to be affordable to households with incomes less than 60 percent of AMI. If at all possible, additional subsidies should be made available so that rents could be affordable to households with incomes at 40 to 50 percent of AMI, which is more in line with entry-level salaries of employees working downtown. A component (20 to 25 percent of the units) should have market rents so they can be offered to prospective tenants without regard to income. Quality mixed-income workforce housing developments have performed very well in inner city neighborhoods of other northeastern and midwestern cities. These properties are constructed and maintained well and have the modern features and amenities seen in newer market-rate complexes. Thus, for example, units should have fully equipped kitchens, baths with vanities, in-unit washer/dryer, high speed Internet and cable, window treatments, carpet, and patio/balcony. Site amenities should include a community room, business center, recreational facilities such as a fitness center, and secure off-street parking. Project design must incorporate features addressing security concerns about living downtown; units should have security features and alarms. Given the high cost of utilities in Niagara Falls, buildings and appliances must be energy-efficient.

Based on our review of the existing rental market and utility allowances for Niagara Falls, a new one bedroom unit offered at the maximum gross rent at the 60 percent of AMI level, which is \$717 per month, is too expensive in this market. The same holds true for a two bedroom unit at the 60 percent level, for which the maximum gross rent is \$861 per month. As indicated, it will be necessary to find additional subsidies to produce a financially feasible project. Land write-downs and an allocation of casino-related funding might help to fill the gap. Another source would be funds provided through the Federal Home Loan Bank of New York, which can provide up to \$20,000 per unit for rental properties when at least 20 percent of the units are targeted to households earning less than 50 percent of AMI. Funding sources used in other communities have included CDBG and HOME funding, money from a variety of state housing programs and trust funds, and New Markets Tax Credits when projects include non-residential components. Use of Section 8 Project Based subsidies is not recommended; the new residential development must be positioned in the market as a workforce housing development with market-rate units.

Appropriate locations would include the blocks fronting on the north side of Niagara Street between Fourth and Eighth Streets (which would require demolition), and other vacant or underutilized lots in the downtown core. RES recommends including the Seneca Gaming

Corporation as an active participant in any workforce housing construction because its employees will be the most important source of demand in the short run.

An initial workforce housing development must be large enough to have a real and visible impact in downtown Niagara Falls. While the precise number of new units will depend, in part, on the physical attributes of the site, a first phase of at least 100 units is recommended to create a new neighborhood. Table 15 presents recommendations for a project of 100 units, including recommendations addressing unit mix and rents expressed in 2010 dollars. Assuming that households pay about 35 percent of income for rent and utilities, a household would need to have income of almost \$23,000 to afford the one bedroom rents shown. The maximum income at 60 percent of AMI would be \$39,750 for a unit with three bedrooms.

Table 15 – Unit Mix and Rents, 100-Unit Workforce Housing Development (2010 Dollars)

<u>Unit Type</u>		<u>Recommended Net Rents <60% AMI</u>	<u>Utility Allowance</u>	<u>Gross Rents <60% of AMI</u>	<u>Minimum Income Needed</u>	<u>Maximum Income at 60% of AMI</u>
1 Bedroom/1 Bath	Flat	\$535	\$135	\$670	\$22,971	\$28,710
2 Bedroom/2 Bath	Flat	\$625	\$168	\$793	\$27,189	\$34,440
2 Bedroom/1.5 Bath	Townhouse	\$625	\$168	\$793	\$27,189	\$34,440
3 Bedroom/1.5 Bath	Townhouse	\$720	\$205	\$925	\$31,714	\$39,750

<u>Unit Type</u>		<u>Rents for Market-Rate Units</u>
1 Bedroom/1 Bath	Flat	\$650-700
2 Bedroom/2 Bath	Flat	\$775-800
2 Bedroom/1.5 Bath	Townhouse	\$850-900
3 Bedroom/1.5 Bath	Townhouse	\$950-1,025

Notes: (1) Net rents include only trash collection. (2) Utility allowances are amounts effective 1/1/2010 and assume gas heat and hot water and electric ranges. (3) Minimum income assumes households spend 35 percent of income for gross rent. (4) Maximum income assumes an average of 1.5 persons per bedroom.

Source: Real Estate Strategies, Inc./RES Advisors

Senior Housing

RES does not recommend development of new senior housing in downtown Niagara Falls in the short term. As discussed earlier, Niagara Falls and nearby suburbs already have a substantial inventory of affordable senior housing, virtually all of it with deep project-based Section 8 or public housing subsidies. The existing inventory of senior units already penetrates a high percentage of City households over age 55 earning less than \$25,000.

A majority of seniors are homeowners, and current market conditions will make it difficult to sell existing homes at reasonable prices. Most important, seniors who are concerned about crime and who want to be close to shopping and services will not find the downtown to be a desirable location. Once there are more amenities in the area, it may be possible to change this perception.

APPENDICES

Appendix A

Market Rate Rental Apartments Outside Downtown Niagara Falls and in Nearby Suburbs

Name/Address of Property	Number of Units	Age	Unit Type	Unit Sizes (SF)	Monthly Rents	Utilities Included	Occupancy (%)	Comments
Riverpointe Townhomes 4812 University Court Niagara Falls (716) 284-2367	106	1962	2 BR TH	880	\$625	Water, cable	92%	Furnished; oriented to Niagara U. students; some corporate rentals.
Historical Square 920 Mohawk St. Lewiston (716) 754-8151	106	1971	2/1 2/2 3/2 TH	950 1,134 1,296	\$730 \$900 \$985	Gas, water and sewer	Would not disclose	Clubhouse, pool, patio/ balcony. Some garages.
Ridgeview at Lewiston 920 Mohawk St. Lewiston (716) 754-8151	164	Not known	1/1 2/1 2/1.5	728 960 1,100	\$570 \$710 \$860	Water and sewer	Would not disclose	Clubhouse, pool, patio/ balcony. Some garages.
North Bridge Court 67th St. & Buffalo Ave. Niagara Falls	48	25-30 years	1/1 2/1	625 725	\$550 \$600	Heat, hot & cold water, sewer	Would not disclose	River views. No recreation amenities. Extra storage.
Silver Lake 8235 Buffalo Ave. Niagara Falls (716) 283-2800	60	25-30 years	1/1 2/1	440-695 740	\$500 \$625	Heat & hot water	97%	Recently renovated. Extra storage units. No recreation facilities.
Forestview Senior Village 3959 Forest Parkway Wheatfield 716-693-8439	92	<10 years	1/1 2/2	807 1,107	\$1,050 \$1,195	Heat, water, sewer, cable, phone	Would not divulge	Patio or balcony, comm. room, billiards, fitness center, game rm, theater
Renaissance Place 10 Arielle Court Williamsville (Erie Co./suburban Buffalo) (716) 689-7983	156	1998	1/1 1/1 w/gar. 2/2 2/2 w/gar. 3/2 3/2 w/gar.	783-832 832 1,003-1,187 1,042-1,188 1,344 1,284	\$1,085-\$1,133 \$1,278 \$1,273-\$1,430 \$1,457-\$1,578 \$1,613 \$1,745	Cable, internet, water & sewer	100%	2-story. Clubhouse, pool, playground, exercise, in-unit washer & dryer.
Autumn Creek 5 Autumn Creek Lane East Amherst (Erie Co./suburban Buffalo) (716) 689-3300 (877) 688-3395 (585) 454-3915	228	NA	1/1 2/1.5 2/2	900-950 1,090-1,190 1,240-1,290	\$1,047-\$1,087 \$1,185-\$1,207 \$1,285-\$1,323	Cable, internet, water & sewer	NA	2-story. Clubhouse, pool, playground, exercise, in-unit washer & dryer. Separate garages & storage available (\$). Private entrances, some units w/fireplaces.
Country Club Manor 25 Northwood Williamsville (Erie Co./suburban Buffalo) (716) 632-0541	220	NA	1/1 1/1 2/1 2/2	650 720 890 950	\$800+ \$840+ \$925+ \$975+	Water	Would not disclose	2-story. Clubhouse, pool, fitness center, community room. In-unit washer & dryer. Ceiling fans. Stor- age areas. Garages available. Fireplaces on 2nd floor.

Source: Interviews by Real Estate Strategies, Inc./RES Advisors, Fall 2010



Location of Selected Market-Rate Rentals

Appendix B Affordable Family Rental Complexes in Niagara Falls and Nearby Suburbs								
Name/Address of Property	Number of Units	Subsidy Type	Year Built	Unit Type	Monthly Rents	Utilities Included	Occupancy (%) & Wait List	Comments
Monteagle Ridge Estates 4600 Hyde Park Blvd. Niagara Falls 716-285-2454	150	Sec. 8	unknown	1 BR/1 2 BR/1 2 BR/1.5 TH 3 BR/1.5 TH 4 BR/1.5 TH	30% of income	None	100% 6 mos - 1 yr. wait list	Playground. All electric. Near Niagara U.
Cornerstone Village 2990 9th St. Niagara Falls 716-284-9993	40	LIHTC, Trust Fund	2008	1 BR/1 2 BR/1.5 3 BR/1.5 4 BR/1.5 5 BR	\$390 \$442 \$494 \$546 \$610	None	Wait list for all unit types	Townhouse style; residents have a yard and front porch. 198 Sec. 236 units were demolished prior to construction (Unity Park II). Max. incomes at 60% of AMI.
Apple Walk 1 Apple Walk Niagara Falls 716-284-9993 (same management as Cornerstone Village; different ownership)	204	Sec. 236, LIHTC, Sec. 8 (30 units)	1972	Studio 1 BR/1 2 BR/1 2 BR/1.5 TH 3 BR/1.5 TH 4 BR/1.5 TH	\$287-\$349 \$360-\$448 \$453-\$556 \$546-\$669 \$562-\$694 \$626-\$774	All	Wait list for all unit types; not full	Flats and townhouses. Low end of rent range is "basic" rent. Top end is "market" rent. Sec. 236 property renovated w/LIHTC. Former Unity Park I. Max. incomes at 60% of AMI.
Colt Block 2119 Main St. Niagara Falls 716-282-8614	71	LIHTC Sec. 8	2004 mod rehab 5 bldgs; scattered sites	Studio 1 BR/1 2 BR/1	30% of income	Heat and water	100% 2-3 yr. wait	Rehab. Center City Neighborhood Dev't. Corp. project.
Center Court 1700 Centre Ave. Niagara Falls 716-285-4440	215 rental	HOPE VI 4% LIHTC	Being redeveloped	1 BR/1 2 BR/1 3 BR/1.5 4 BR/2 Duplex style	\$422 \$502 \$576 \$639	N/A	N/A Project is being redeveloped	Redevelopment of 134-unit 1943 public housing. 246 rental units planned; 115 in 1st phase.
Total	680							

Source: Interviews by Real Estate Strategies, Inc/RES Advisors., Fall 2010.

Location of Affordable Family Rentals



**Appendix C
Affordable Senior Rental Apartments in Niagara Falls and Nearby Suburbs**

Name/Address of Property	Number of Units	Subsidy Type	Year Built	Unit Type	Monthly Rents	Occupancy (%) & Wait List
<u>Inside Niagara Falls City Limits</u>						
Spallino Towers* 720 10th Street Niagara Falls 716-285-5505	196 High rise	Public housing	1970	Efficiency 1 BR/1	30% of Income	Long wait list
Wrobel Towers 800 Niagara Avenue Niagara Falls 716-284-9129	247 High rise	Public housing	1974	1 BR/1	30% of Income	Long wait list
Niagara Towers 901 Cedar Avenue Niagara Falls 716-284-4488	200 High rise	Section 8 Age 62+ LIHTC	1979	1 BR/1	30% of Income	95%; approx. 20 people
Presti Apartments Ferry Avenue Niagara Falls 716-285-7778	39 Low rise	Housing Trust Fund	1989	1 BR/1	\$284-\$339	A few units being renovated; short wait list
Estella Apartments 942 Niagara Avenue Niagara Falls 716-284-1467	20	Sec. 8	Ren. In 1981	1 BR/1 2 BR/2		95% 2 on wait list
Yorkshire Apartments 636 9th St. Niagara Falls 716-284-2367	42	Sec. 8	1950s	1 BR/1 2 BR/1 3 BR/1	30% of income	100% "couple of names"
Morello Apartments 402 95th St. Niagara Falls 716-236-0498	80	Sec. 8 LIHTC	1999	1 BR/1 2 BR/1	30% of income	100% 100 names
Subtotal, Inside City Limits	824					

*Also serves non-elderly disabled households.

Source: Interviews by Real Estate Strategies, Inc/RES Advisors., Fall 2010.

Name/Address of Property	Number of Units	Subsidy Type	Year Built	Unit Type	Monthly Rents	Occupancy (%) & Wait List
Outside City Limits						
Sawyer Gardens 2132 Sawyer Dr. Niagara Falls (Wheatfield) 716-298-3529	58 Low rise	Sec.8 202	NA	1 BR/1	30% of Income	NA
Wheatfield Towers 6849 Plaza Dr. Niagara Falls (outside City) 716-731-4600	100 High rise	Sec. 8	1980	1 BR/1	30% of income	100% 1 year
Summit View 7210 Williams Rd. Niagara Falls (outside City) 716-283-8439	77 Low rise	Sec. 8 LIHTC	2006	1 BR/1 2 BR/1	30% of Income	100% 1 year to 1.5 years
Lewiston Villa 930 Upper Mountain Rd. Lewiston 716-298-4966	24 Low rise	Sec.8/ 202	NA	1 BR/1	30% of Income	NA
Subtotal, Outside City	259					
Total Units	1,083					

Source: Interviews by Real Estate Strategies, Inc/RES Advisors., Fall 2010.

Location of Affordable Senior Apartments

