

Project Summary Sheet – February 2006

Project Name: **Housing Visions**
Type: **Straight – Lease**
Code: **1101-06-01**
Closing Date:

Total Project Amount	Approximately \$7.5 million
Estimated current annual tax revenue if no IDA exemptions	\$24,050 annually
Requested PILOT	The greater of: \$12,000 fixed annual PILOT or 10% of annual rental income to be determined on an annual basis per legal affidavit to the Cortland County IDA by Housing Visions
Number of Years for PILOT	15 years requested, based on period of tax credit allocations Note: This is a deviation from the IDA's Uniform Tax Exemption Policy
Administrative Fee	It is proposed that the estimated \$50,000 Project Administrative Fee be paid in full by the applicant and be designated for a south side improvement project in conjunction with the intended public benefit of the project.

Project rationale and status:

Housing Visions Unlimited has made an application to the Cortland County IDA for benefits associated with a proposed affordable housing development project on South Main Street in the City of Cortland. These benefits include: a PILOT request that deviates from the agency's standard PILOT schedule, waiver of state and local sales tax on materials during the construction period, and an exemption on the mortgage recording tax.

Housing Visions is a community-based nonprofit organization that has an impressive record revitalizing entire neighborhoods through affordable housing. The agency was organized in the late 1980s and has since received \$72.8 million in funding to restore 152 buildings for 431 families, of which 126 projects have already been completed in Syracuse, Utica, Auburn and Binghamton. Housing Visions expects to invest approximately \$7.5 million in its new Cortland project, "Cortland Crown Homes." Housing Visions has been working on this project with the City of Cortland, Thoma Development and the Cortland County BDC-IDA. There is great community support for the project.

Housing Visions' approach includes nine key principles:

1. Comprehensive approach to neighborhoods

Before Housing Visions begins, it performs a "Neighborhood Assessment" to determine the character and condition of the neighborhood, nearby resources and employment opportunities.

2. Neighborhood involvement

It is vital that the neighborhood itself be involved in both the planning and the on-going implementation. This includes interaction from neighbors, existing neighborhood organizations, religious organizations, and local businesses.

3. Mixture of rental and home ownership

Housing Visions evaluates the neighborhood to determine what mix of rental properties and home ownership will best serve the revitalization efforts.

4. Resident participation

Housing Visions helps residents form resident organizations and provides leadership training to each organization. Housing Visions' goal is to encourage residents to become an active part of the community. Because it refurbishes homes in clusters, the neighborhood becomes involved as revitalization begins, taking pride in progress creating a self-sustaining process.

5. Resident selection criteria

Although it is required by federal and state funding sources to screen applicants to ensure compliance with various income limits, Housing Visions believes that community revitalization is dependent upon involved, sincere residents. Prior to acceptance, an applicant must pass through a stringent screening process. Housing Visions believes this process results in involved, active residents who take pride in their community.

6. Critical mass

Anecdotal solutions yield anecdotal results. Therefore, in order to achieve long lasting benefits, rehabilitating a sufficient number of buildings in proximity to each other, or in "critical mass", is essential. This block-by-block approach promotes community pride and ownership.

7. Use of existing buildings to the extent possible

Housing Visions recognizes the value of the past in paving the way for the future. Many existing buildings have very distinctive features but are in disrepair. Once restored, these buildings retain the integrity of the neighborhood while providing affordable housing.

Many completed projects include buildings that have been designated as historic.

8. Quality construction

Housing Visions evaluates every targeted neighborhood to determine whether rehabilitation of existing buildings or new construction is appropriate. It makes every effort to retain the design and architectural integrity of the neighborhood and avoid both a "cookie cutter" approach.

9. Emphasis on private capital

Revitalizing and preserving neighborhoods for the long haul requires extensive amounts of capital. Housing Visions partners with federal, state, and local governments as well as private organizations to tap into a variety of funding sources. The majority of funding (70%) comes from private sources in the form of equity using the federal Low Income Housing Tax Credit (LIHC), which provides significant levering of the supplemental long-term funding from other programs.

The PILOT which is being proposed for this project was the result of discussions between the local municipality and the IDA to establish a schedule that would be mutually agreeable to both the developer and the local taxing authorities.

The proposal for a 15-year PILOT is tied to the length of the tax credits for the project. PILOT payments would be based on:

- The greater of either a flat annual PILOT payment of \$12,000
- Or 10% percentage of the annual rents on the properties

It should be noted that this benefit to the developer is actually less than a standard IDA PILOT. The standard schedule is as follows:

Payment-In-Lieu-Of-Tax Schedule	
Project Year	% of Normal Taxes Payable
1	0
2	0
3	0
4	25
5	25
6	50
7	50
8	50
9	75
10	75
11	100

The foregoing standard schedule provides for an approximately 65% reduction in real property taxes over a ten year period.

It is estimated that total taxes being paid on the existing properties are approximately \$24,050 annually, so the proposed base PILOT fee of \$12,000 annually is approximately 50% of the annual taxes. It is anticipated that 10% of the first year rental income will actually exceed the \$12,000 flat fee threshold, and as annual rental income rises, annual payments will be well above the \$12,000 threshold.

This PILOT proposal will help keep rents within the required range for affordable housing, and at the same time, still allow for reasonable annual payments to the local taxing authorities.

In deliberating this request, the IDA had instructed counsel to advise on whether this is an IDA eligible project. After reviewing the project, and discussing this with a number of attorneys for other IDA's, counsel reported that there is precedent for this kind of project. A number of other IDA's have undertaken these projects, and general municipal law provides for IDA benefits for projects with broadly interpreted public benefit. The project complies with rationale established by the Office of the State Comptroller that "the project will promote employment opportunities and prevent economic deterioration." Because this project relates to community plans, supports the mission of the Empire Zone, is at the heart of Cortland's most distressed Census tract, and is an important gateway suffering from significant blight, the project will clearly convey public benefit.