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# Acknowledgements

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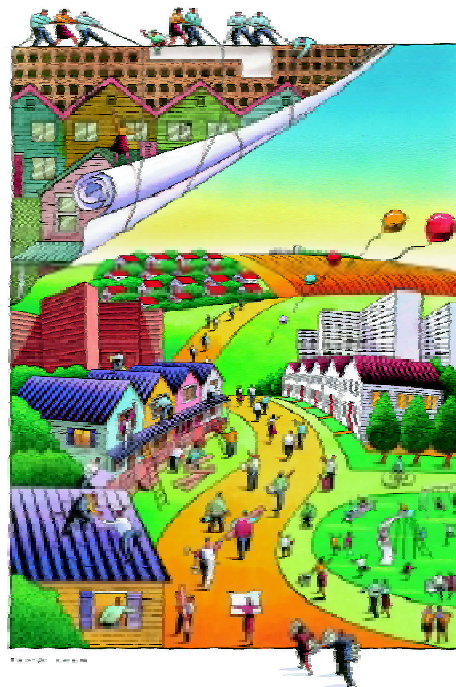
# Executive Summary

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## The Syracuse Neighborhood Initiative

The Syracuse Neighborhood Initiative is a collaborative effort between the City of Syracuse, local and national non-profit organizations, and private sector leaders. This partnership was created in response to an urgent challenge issued by Congressman James Walsh (R-Syracuse) in the summer of 1999 - a challenge to revitalize distressed neighborhoods in Syracuse and reclaim those of the city's 1,031 vacant buildings that are having the greatest blighting impact on these neighborhoods. The Initiative is a city-wide effort, but is focused on revitalizing seven central-city neighborhoods that have suffered a wave of disinvestment and bear much of the burden of the city's abandoned housing stock.

Viable strategies to address the problem of neighborhood decline in Syracuse must reflect an understanding of local housing market dynamics. The Neighborhood Reinvestment Corporation undertook this market study to help identify the challenges and opportunities that distressed neighborhoods face in today's housing market, and to suggest a course of action that makes sense given current housing market conditions. To accomplish these goals, the study utilized an extensive mix of secondary data sources, as well as primary data generated through a series of interviews with



local informants and a survey of over 6,000 households in seven central city neighborhoods that the City of Syracuse has designated as “revitalization areas” for the Neighborhood Initiative.

## Challenges

The housing market in Syracuse continues to decline. From 1997 to 1999, according to the Greater Syracuse Association of Realtors®, the average price of single-family homes in the city dropped by 2.5 percent. This housing market decline is more pronounced in inner-city areas of Syracuse. Most of the city’s abandoned structures are located in these neighborhoods, very few homes there have sold in “arm’s-length” transactions, and our analysis suggests that property values in these neighborhoods may have declined much faster than in the city as a whole.



Economic trends strongly influence housing markets, and conventional wisdom holds that the prolonged regional recession in Central New York, with the resulting outmigration of workers to other parts of the country, is largely responsible for the abandonment of central-city Syracuse. Our analysis suggests that while economic factors are obviously important, *they are not enough to explain the observed trends in neighborhood decline*. Home sale prices in Syracuse - and especially in inner-city neighborhoods - declined even as job growth in Central New York hit 2.4 percent in 1999, faster than the national rate of 2.2 percent. Moreover, inner-city areas in Syracuse have undergone a severe decline even as the housing market in suburban areas of the

county has steadily grown since 1995, with rapid price increases and new development during 1999.

Our housing market study identified four major challenges that must be addressed to reverse the decline of neighborhood housing sub-markets in Syracuse:

### **Challenge: Suburbanization**

Syracuse has undergone a dramatic population shift over the past decades. In 1950, the population of the City of Syracuse was twice the population of the rest of Onondaga County. Since then, the city population has declined and the population of the rest of the county has grown so that today, the reverse is true - the city population is only half the population of the rest of the county. Even during the 1990's, the areas of Onondaga County outside of Syracuse had a stable population, while Syracuse itself lost an estimated 7.3 percent of its population between 1990 and 1998. Only 10 cities nationwide lost population at a faster rate. Syracuse is clearly emerging as the loser in a competition with its own suburbs for residents. Redirecting regional growth back to the central city will be critical to the future of Syracuse.

### **Challenge: Low Homeownership Rates**

In 1990, only 40 percent of Syracuse households owned their homes, compared to 64 percent nationwide at that time (and now 67 percent). In revitalization area neighborhoods, only 27 percent of households owned their homes. Reversing the predominance of buildings owned by absentee landlords and boosting the homeownership rate in revitalization area neighborhoods could have a profound impact. Prior research by Neighborhood Reinvestment and others shows that compared to renters, homeowners are more likely to maintain and improve their homes, beautify their properties, remain in the neighborhood, and contribute to community life. Children of

homeowners are also more likely to succeed in school and have fewer problems with juvenile delinquency, school dropout, and teenage pregnancy.

### **Challenge: Obsolete Housing Stock**

Revitalization areas in Syracuse stand out for their relatively high proportion (49 percent of the total housing stock) of housing structures with more than one unit. Most of these units are two and three-family buildings. Nationwide, people have increasingly chosen to live in single-family homes, and cities like Syracuse have found their multifamily housing stock to be very hard to market. In Syracuse, multifamily properties (that is, properties with more than one unit) are much more likely to be abandoned or tax delinquent than single family homes. Prices of multifamily properties are very low and continue to decline - in one neighborhood, the average price of the 25 multifamily properties that were sold between 1997 and 2000 was just over \$10,000. To deal with the challenge of this extensive obsolete housing stock, a variety of strategies are needed including converting two and three-unit properties to single family homes, rehabilitating these homes for owner occupancy, demolishing dilapidated multifamily properties, and encouraging responsible asset management on the part of landlords.

### **Challenge: Neighborhood Marketing Weaknesses**

To identify neighborhood marketing strengths and weaknesses, Neighborhood Reinvestment compared national survey data about what neighborhood attributes homebuyers most value to local survey data about how current neighborhood residents in revitalization areas feel about those same attributes. From this analysis, three issues emerge as key neighborhood marketing weaknesses: crime, schools, and aesthetics.

*Crime.* When we asked current residents of revitalization areas in Syracuse to name what they most wanted to change about their neighborhood, crime was the most frequently mentioned issue in four of the neighborhoods. Crime rates for

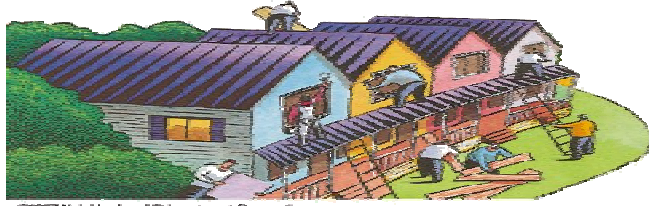
“quality of life” crimes (such as disorderly conduct and minor possession of a controlled substance) are, in fact, significantly higher in revitalization area neighborhoods than they are citywide. In a 1997 survey by the National Association of Realtors (NAR), crime was also one of the most important factors considered by potential homebuyers.

*Schools.* While respondents to our neighborhood survey were generally satisfied with the quality of city schools, school performance data shows that students in the Syracuse school district are much less likely to achieve at grade level than students in neighboring suburban school districts. Anecdotal evidence from interviews with Realtors<sup>®</sup> and other real estate professionals also suggests that school quality is keeping many households with children out of the city. Respondents to the 1997 NAR survey ranked school quality as the single most important factor that determined their choice of neighborhoods. Improving both the quality and the image of schooling in Syracuse is necessary to reverse this marketing weakness.

*Aesthetics.* Next to crime, the “look” of the neighborhood was the most frequently mentioned attribute that respondents to our neighborhood survey most wanted to change about where they lived. Dirt, trash, and an overall ragged look to Syracuse neighborhoods may play a strong role in discouraging potential homebuyers. In the 1995 American Housing Surveys, 18 percent of a nationwide sample of recent homebuyers said that the look of the neighborhood was the most important factor for their decision about where to live.

## Opportunities

Neighborhood Reinvestment also identified several important



opportunities that inner-city neighborhoods in Syracuse can use to their advantage.

### **Opportunity: First-time Homebuyers**

Neighborhood Reinvestment estimates that there are currently 11,394 renter households in Onondaga County that could potentially buy a home - and over 5,000 of these households already live in Syracuse. These households have debt-to-income ratios of less than 9 percent, as well as savings for a 3 percent down payment on a home in their price range. Moreover, in striking contrast to many other metropolitan areas nationwide, our analysis suggests that almost all of these households - including those earning between \$15,000 and \$25,000 a year - could find a home they can afford in the city of Syracuse. Of 186 metropolitan areas nationwide, Syracuse has the 49<sup>th</sup> most affordable housing stock and the 9<sup>th</sup> most affordable housing stock in the northeast. Simply put, affordability is not a significant obstacle to boosting homeownership rates.

Given the tremendous benefits that homeownership brings to families and communities, it is important to act now to help renter households buy homes in Syracuse.

### **Opportunity: Marketing Strengths**

Inner-city neighborhoods in Syracuse do have marketing strengths. Across the board, respondents to our neighborhood survey indicated that they were fairly satisfied with where they lived - and the majority would recommend their neighborhood to others as a good place to live. As the image that outsiders hold of these neighborhoods may not



reflect how current residents actually feel, this positive message about city living should be widely promoted.

In all of the neighborhoods we surveyed, the quality that respondents liked best about their neighborhood was its convenience. All of the revitalization area neighborhoods are close to downtown, and trip to work times for city residents are lower than for residents elsewhere in the county. Convenience is a major marketing strength for these neighborhoods. In the 1995 American Housing Survey, some 23 percent of recent movers said they chose their neighborhood primarily because of its convenience to their job, and another 22 percent chose their neighborhood primarily because of its convenience to friends, family, and leisure activities.

It is also important to recognize that while much of the housing is in poor condition, Syracuse neighborhoods also offer historic housing stock and a pleasing, urban feel that is simply not available in the suburbs. Many respondents to our neighborhood survey mentioned their own home as one of the things they liked best about their neighborhood, and real estate professionals we interviewed reported “great finds, at great prices” in the city. Many households are indeed swayed by quality housing at a good value- some 23 percent of recent movers responding to the American Housing Survey indicated that the house they moved to was the most important reason why they chose their new neighborhood. City homes in Syracuse have the potential to provide this kind of value.

### **Opportunity: Strong Community Life**

The results of our neighborhood survey suggest that inner-city neighborhoods in Syracuse enjoy a strong community life. Respondents mentioned having good neighbors as one of the qualities they liked best about where they lived, most spoke with their neighbors quite frequently, and many were active in their community. However, our respondents generally did not feel that neighbors would work together to solve problems,

suggesting that further community building work is necessary before the strong community life in these neighborhoods can be employed to improve other aspects of the neighborhood.

## A Strategic Model to Guide Reinvestment

To further the work of the Syracuse Neighborhood Initiative, Neighborhood Reinvestment has developed a strategic model to guide reinvestment in collaboration with City officials and representatives from the non-profit and real estate community in Syracuse. The model is a set of



proposed actions and policies that respond to current market challenges and opportunities. As neighborhood stakeholders work together to identify priority investments for the Neighborhood Initiative, our hope is that they will use this strategic model as a framework that can guide their thinking and lead to high-impact plans and projects.

***Use Neighborhood Initiative funds to enhance neighborhood market competitiveness***

When they decide where to live, people choose a neighborhood based on the amenities it provides, on the price they must pay, and on the likelihood that they will be making a sound investment. SNI funding should be used to make neighborhoods attractive along these attributes, and to help market neighborhoods to both retain existing residents and attract new ones. The goal should be to create healthy, mixed-income neighborhoods where all homeowners (including low-income homeowners) can enjoy a decent return on their investment.

Enhancing neighborhood market competitiveness depends on avoiding key pitfalls in the use of SNI funds. First, revitalization areas should not be used simply as a housing

resource of last resort for households without other choices. This policy would only encourage the continued abandonment of inner-city neighborhoods and would deprive low-income households of the opportunity to live in neighborhoods with a high quality of life. Second, real estate development projects should not be chosen merely for their “do-ability.” Design quality, neighborhood impact, and market impact must be considered.

***Promote home ownership and work to reduce the predominance of rental housing, especially in revitalization area neighborhoods***

SNI funding should be used to promote home ownership as a priority for revitalization area neighborhoods. In addition to supporting programs that boost home ownership through education, counseling, and specialized lending products, neighborhoods should also seek opportunities to rehabilitate and sell deteriorated properties for homeownership. At the same time, SNI funding should help to reduce the presence of obsolete multifamily housing structures through targeted demolition, conversion of smaller 2-family homes into single family homes, and rehabilitation of 2- and 3-family homes for owner occupancy.

There will always be a need for good, affordable rental housing. For properties that continue as rental housing, strategies to promote sound asset management practices should be considered, such as landlord education programs and loan funds for improving the quality of rental units.

Use housing demolition strategically, with careful programming of post-demolition uses. Syracuse has an oversupply of housing. Even in 1990, about 9.2 percent of the city’s housing units were vacant. Given the estimated rate of population loss, Syracuse would have needed to demolish 5,220 units of housing - net of new construction - simply to maintain that vacancy rate. Strategic demolition can help to reduce the oversupply of

housing, appropriately tightening the market while eliminating the blighting effect of dilapidated buildings.

However, demolishing a building is a major land use and urban design decision that should not be taken lightly. Demolition projects should be chosen carefully, in full light of the other options available and after carefully planning post-demolition uses to enhance neighborhood quality of life and marketability. It is particularly important to avoid a model of reactive demolition and de-densification as buildings deteriorate to the point of abandonment. Ultimately, successful neighborhood revitalization efforts will be about creating attractive places to live, not just eliminating blight.

### ***Make focused, sustained investments***

All of the real estate professionals we interviewed for this study agreed that it was next to impossible to sell isolated, rehabilitated homes in a sea of urban blight. Housing rehabilitation efforts should be tightly clustered to create a new image for a block or group of blocks and foster a stable market “microclimate” that encourages people to stay and invest. Moreover, these efforts should be complemented by strategic public sector investments and resident-led initiatives corresponding to neighborhood marketing weaknesses such as crime, school quality, and aesthetics. Thinly scattered, patchwork investments will not create the sense of confidence that is needed to turn around distressed neighborhoods in Syracuse.

It is also important to recognize that “silver bullet” solutions are unlikely - investments must be sustained over the long term. Besides economic development efforts and “people-based” human services and job development strategies, a sustained effort to improve neighborhood quality of life and marketability could employ the following kinds of investments:

1. Neighborhood marketing programs
2. Homeownership education and counseling
3. Special lending programs and products for first-time homebuyers
4. Reverse mortgage lending to assist elderly homeowners and educational efforts to combat predatory lending
5. Mini-repair programs to help homeowners maintain their properties
6. Housing rehabilitation lending programs for owner-occupants and landlords
7. Equity assurance programs to stabilize transitional neighborhoods
8. Maintenance reserve programs (effectively, a form of home repair insurance)
9. Community building efforts
10. Grassroots efforts like neighborhood watches and community cleanups
11. Public sector investments in infrastructure

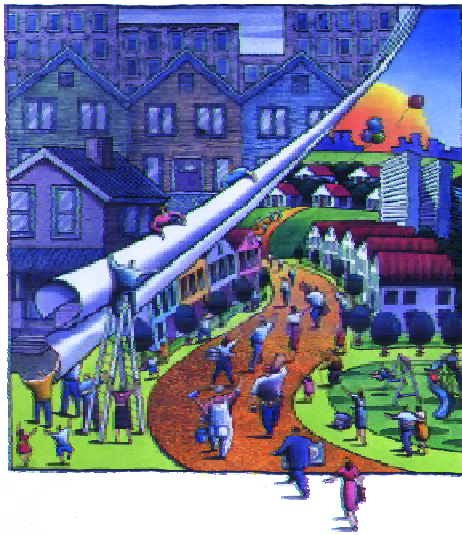
### ***Redirect regional growth back to the urban core***

Stakeholders in Syracuse and Onondaga County need to begin an earnest dialogue over how to reduce sprawling, new suburban development. With a stable regional population, new development means leaving an existing housing unit vacant, all at tremendous cost to the taxpayer in the form of new infrastructure in the suburbs and subsidized revitalization efforts in the city that might not have been necessary. As far as possible, new housing construction should be limited to carefully chosen, strategic projects in downtown Syracuse and other areas where a greater housing component than currently exists is necessary to create strong mixed-use communities.

### ***Use the power of partnerships***

Neighborhood Reinvestment offers the insights from this market study as a resource for neighborhood residents and stakeholders in Syracuse, City and other government officials, and business leaders - particularly in the real estate industry - who wish to make a brighter future for neighborhoods in Syracuse. In the end, the process of reaching this

brighter future depends on a collaborative approach in which community stakeholders, private sector leaders and government partner to meet challenges and explore opportunities together. We hope that these partners will find our study helpful as they develop and implement together the detailed, neighborhood-based revitalization strategies that are critical to the success of the Syracuse Neighborhood Initiative.



## **Overview of the Syracuse Neighborhood Initiative**

The Syracuse Neighborhood Initiative is a collaboration between the City of Syracuse, local and national non-profit community development organizations, and private sector leaders. This partnership was created in response to an urgent challenge issued by Congressman James Walsh (R-Syracuse) in the summer of 1999 – a challenge to revitalize distressed neighborhoods in Syracuse and reclaim those of the city’s 1,031 vacant buildings that are having the greatest blighting impact on these neighborhoods.

The Neighborhood Initiative is focused on seven central-city neighborhoods: Washington Square, the Near Northeast, the Near Eastside, the Near Westside, Skunk City, Southwest, and Brighton. The bulk of the vacant and abandoned buildings in Syracuse are located in these neighborhoods, which have suffered a wave of population loss and disinvestment as the result of a regional economic downturn combined with the outmigration of many households to suburban areas. However, we know these communities not only for the challenges that they face, but for their innate strengths: their fine (albeit neglected) Victorian housing stock, their walkable scale and convenience to downtown, the dedication and tenacity of their residents, and the institutions – churches, banks, schools and stores – that have remained. We also know of the visions that these communities have for a brighter future: visions that they expressed through the City’s community-based planning process, Tomorrow’s Neighborhoods Today, as well as through their involvement with a variety of community based not-for-profit organizations. The work of the Neighborhood Initiative partners is to build on these strengths and visions to create places that are once again desirable and communities where residents – both old and new alike – can enjoy a rich diversity of opportunities.

Neighborhood Reinvestment Corporation undertook this housing market study in support of the Syracuse Neighborhood Initiative. Specifically, the following objectives were set forth for the market study:

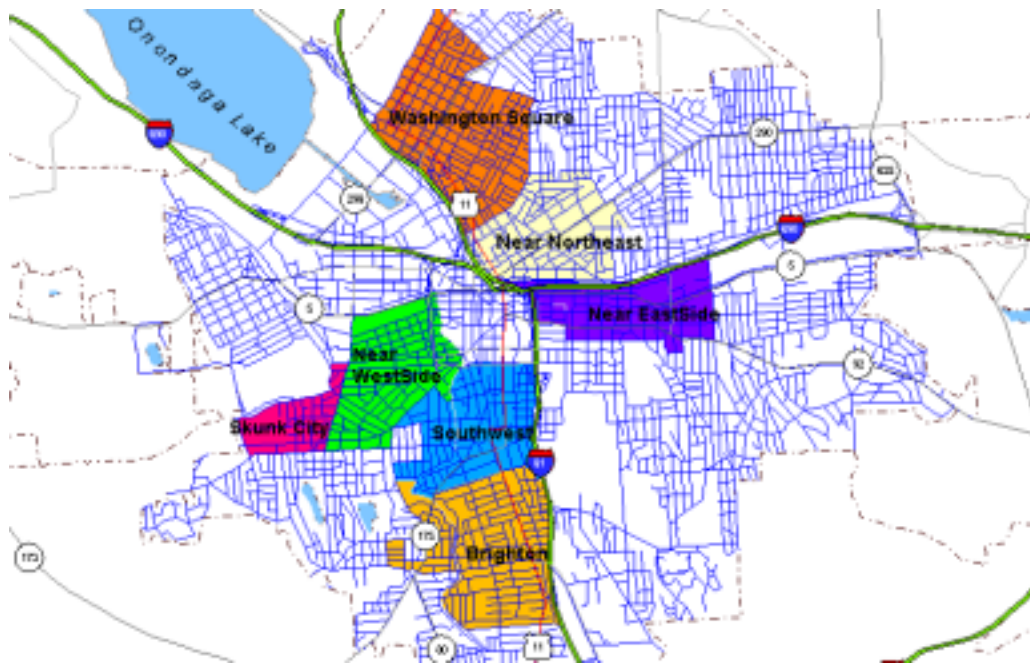
- To ensure the success of the Syracuse Neighborhood Initiative by guiding decision-makers towards actions that can be supported by the market.
- To help decision-makers identify the challenges and opportunities that exist in the Syracuse real estate market.
- To provide an informational resource for the for-profit and non-profit real estate community that promotes investment in Syracuse neighborhoods.

A team of individuals representing the City of Syracuse and Neighborhood Reinvestment Corporation conducted this market analysis. Eileen Flanagan, a consultant hired by the Neighborhood Reinvestment Corporation, and Eric Hangen, a Neighborhood Reinvestment management consultant, served as the study coordinators and co-authors.

Various data sets -- including Realtor Multiple Listing Service data, Home Mortgage Disclosure Act data, data from local and regional planning agencies -- were used to examine investment patterns in Syracuse and draw out major themes and trends.

In addition, Neighborhood Reinvestment gathered primary data through a series of interviews and surveys. Interviews focused on key informants in the community who were knowledgeable about real estate market and neighborhood conditions: nonprofit executives, Realtors<sup>®</sup>, lenders, housing counselors, and resident leaders. Neighborhood Reinvestment also conducted an extensive survey of residents in revitalization area neighborhoods. The resident survey asked respondents to evaluate their satisfaction with neighborhood conditions where they lived, as well as a small number of questions relating to housing and demographics. Roughly 900 randomly selected households in each of the seven neighborhoods (6,171 households in all) were contacted via mail, with telephone follow-up of a random sample of nonrespondents. About 1,000 completed surveys were received and analyzed. A more limited survey, conducted with the cooperation of local nonprofits and Realtors<sup>®</sup>, sought to identify the preferences of prospective homebuyers currently looking for homes in Syracuse and Onondaga County. However, an extremely low response rate forced us to use national data from the National Association of Realtors<sup>®</sup> and the 1995 American Housing Survey (US Census Bureau) to approximate this information.

### City of Syracuse: Revitalization Areas





## Population and the Economy

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### Key Points:

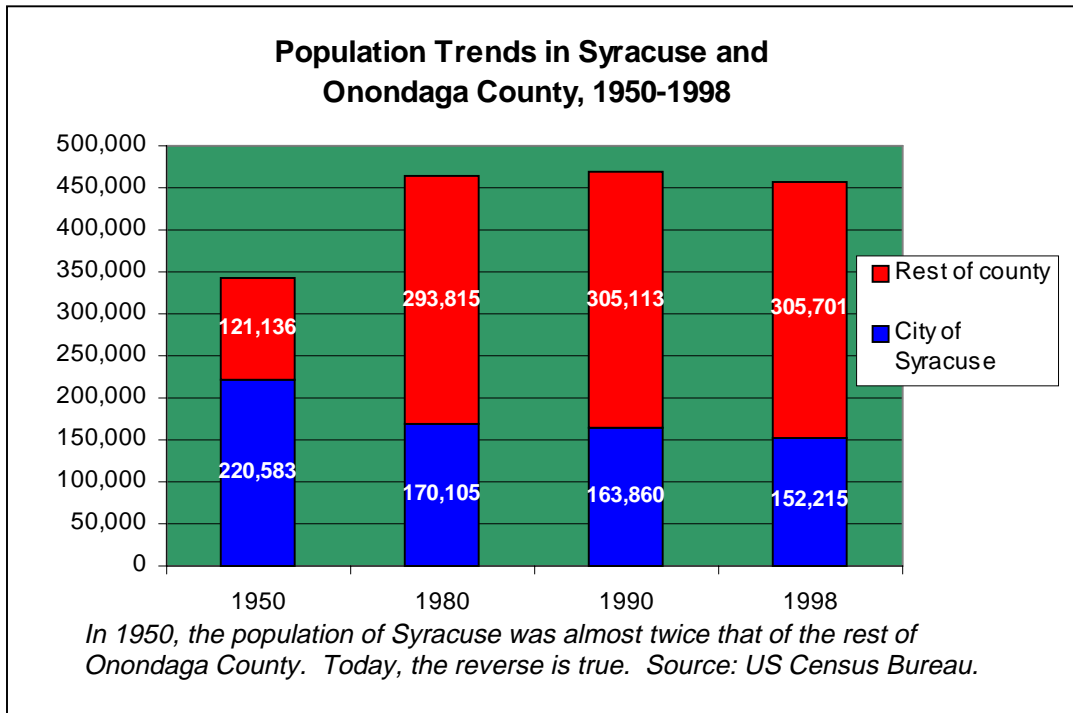
- ✓ **The regional economic trends of the 1990's -- including the outmigration of young, educated workers -- have clearly contributed to depressed housing values. However, these economic trends do not entirely explain why neighborhoods are declining in Syracuse.**
- ✓ **The continuing suburbanization of Onondaga County's population has greatly contributed to the weakening real estate market in the city.**
- ✓ **The city of Syracuse has seen substantial population loss since its peak in 1950. This decline has accelerated in the 1990's.**
- ✓ **Decline is spreading beyond the revitalization neighborhoods. Once-stable city neighborhoods, which saw only small population losses in the 1980's, are beginning to deteriorate more rapidly with larger percentage losses in the 1990's.**
- ✓ **Certain demographic groups - particularly elderly households, minorities, and single-parent families - are emerging as important housing market segments.**
- ✓ **Over the long term, the rate of economic and population growth in the region is expected to be slow, but this growth does provide some hope for the housing market.**

### ***City population loss versus county growth since 1950: increasing suburbanization drives city decline as much as regional outmigration***

For much of the period since World War II, the City of Syracuse and Onondaga County experienced separate fates -- a long decline for the City, even as the County grew. In 1950, the City of Syracuse reached its peak population of 220,583. Since then, the population has steadily declined to an estimated 152,215 in 1998 (US Census Bureau). Over the same time period, the population of Onondaga County increased considerably, reflecting a nationwide trend of suburban growth and decentralization. While in 1950 Onondaga County's population of 341,719 was only slightly larger than the City, by 1990 it had grown to 468,973, so that the City population represented only 35 percent of the county.

The historic trend of county population growth was reversed, however, in the 1990's, concomitant to a regional economic downturn. According to Census Bureau estimates, the county lost 2.3 percent of its population from 1990 to 1998, declining to 457,916. The decline has continued over the past year; recently released Census estimates put the 1999 population at 456,215.

It is critical to note that the recent estimated population decline in Onondaga County is entirely accounted for by net population loss in Syracuse. Syracuse saw its rate of population loss more than double from the rate of the 1980's, from 0.4 percent per year between 1980 and 1990 to an estimated 0.9 percent per year between 1990 and 1998. All in all, Syracuse lost an estimated 7.1 percent of its population between 1990 and 1998 –



only 10 cities nationwide declined at a faster rate than Syracuse during this period.<sup>1</sup> At the same time, the net population of Onondaga county outside the city limits actually increased slightly.

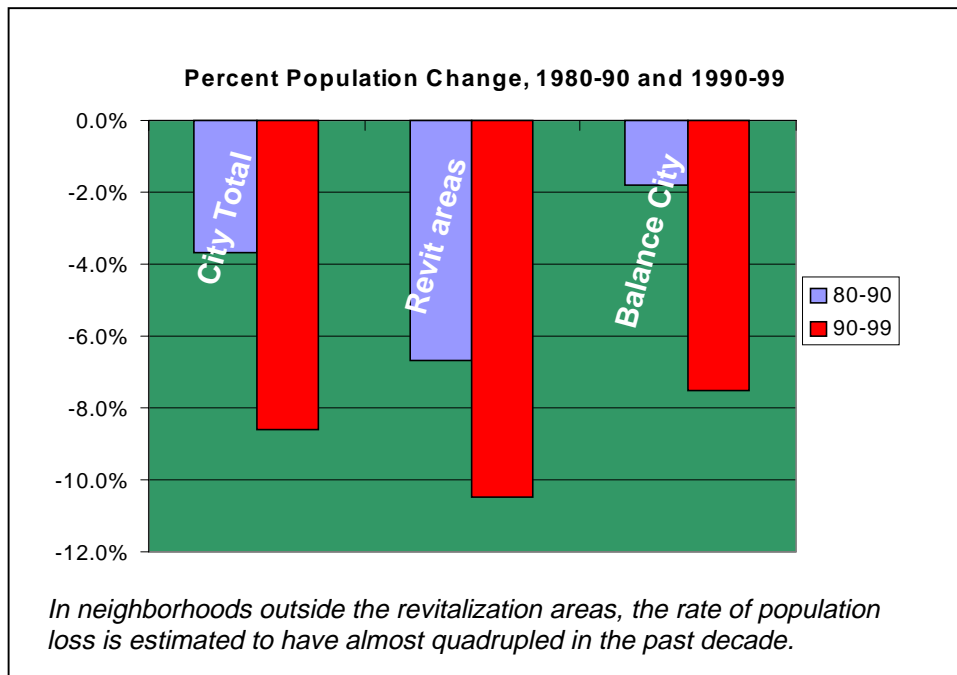
While regional outmigration is certainly a concern, it is equally clear that a growing preference for suburban living has a strong hand in driving city population loss. Interestingly, the fact that the county did lose population in the '90's suggests that it may have reached the limits to a model of sprawling regional growth around a declining central city -- simply put, decline in the city has caught up with growth in the county.

<sup>1</sup> From US Bureau of the Census population estimates for cities with populations of 100,000 or more.

***City and neighborhood trends in the '80's and '90's: the pace of population loss has quickened, especially in transitional areas outside of the revitalization area neighborhoods***

The population loss that Syracuse has experienced in the 1980's and '90s has been spread unevenly across the city, with the seven revitalization neighborhoods bearing much of the burden. According to estimates from Claritas, Inc., the combined population in the revitalization areas declined by 10.48 percent between 1990-99. Claritas estimates that the non-revitalization areas declined by 7.5 percent and the whole city by 8.6 percent during the same period.

However, Claritas estimates that other neighborhoods in the city are experiencing accelerating population losses, suggesting that urban decay is spreading beyond the inner city into transitional areas. City neighborhoods outside the revitalization areas declined by only about 1.8 percent between 1980 and 1990 (US Census Bureau), but from 1990 to 1999, according by estimates from Claritas, Inc., they declined by 7.5 percent. Seven of these transitional neighborhoods have experienced over 12% estimated population loss from 1990 to 1999, most notably Elmwood (-21%), South Campus/Sky Top (-16%), and Westside (-15%).



### ***Trends in demographic composition: smaller, more diverse households***

The population of both Onondaga County and Syracuse continues to become older, more racially diverse, and more apt to live in single parent households. The percent of population 65 years or older in the county rose to 13 percent in 1990 and is expected to reach 16 percent by 2010 (Duncombe 1997). The proportion of families with young children headed by women in the county doubled between 1970 and 1990 (Duncombe 1997). In 1990, 11.6 percent of families in Syracuse were single parents with children under 18 years old. In Syracuse, the population of minority households has also grown - between 1980 and 1990, the African American population grew by 25 percent and the Hispanic population grew by 43 percent. All of these populations - elderly households, single-parent households, and minority households - represent growing market segments who have been traditionally underserved by the conventional mortgage market. Programs and products that meet the unique needs of these market segments (such as homebuyer education and counseling, low down payment and closing cost loan products, and reverse mortgages) will become increasingly important.

Household size has dropped in Onondaga County from 3.25 persons in 1970 to 2.64 persons per unit in 1990, close to the national average of 2.65. In Syracuse, average household size is somewhat smaller, at 2.32 persons per unit. This decline in household size has helped to stabilize the demand for housing as population declines. The number of households in Syracuse declined by only 2.9 percent from 1980 to 1990, even as the population declined by 3.7 percent.

### ***Regional economic trends: powerful, but not enough to explain real estate market decline in the city***

Until quite recently, the Syracuse area economy has been experiencing a prolonged decline. Felt (1997) points out that Onondaga County's share of national employment and income has dropped steadily since 1969. The economy fell on particularly hard times in the 1990's, compounded by layoffs at several area firms. As a result, employment declined during the 1990's. Data from the Syracuse-Onondaga County Planning Authority (SOCPA) show that the number of employed residents in the county declined from 228,500 in 1990 to 224,600 in 1999. Data from DRI/McGraw-Hill show that from the 3<sup>rd</sup> quarter of 1996 through the end of 1998, job growth in Syracuse ranked in the bottom quintile of MSA's nationally.

The makeup of the Onondaga County economy is shifting away from manufacturing as the main source of employment and output. Manufacturing is still important, comprising 35 percent of the total output of the economy in 1994. However, reflecting a nationwide

trend, employment is increasingly concentrated in the services industry, reaching 81 percent of total employment by 1994 (Duncombe 1997).

Income growth in the Syracuse MSA weakened considerably in the 1990's, and per capita income actually declined in 1991 (Duncombe 1997). Data from the DRI/McGraw-Hill Regional Economic Service for the 3<sup>rd</sup> quarter of 1996 through the end of 1998 similarly showed that in Syracuse, growth in per capita income was in the second lowest quintile nationally. Moreover, Duncombe (1997) notes that income growth in the 1990's was dominated by transfer payments and small proprietors' income rather than by wages and salaries in incorporated firms.

The growing minority population in Syracuse has been particularly affected by these economic shifts. Unemployment rates are higher among nonwhites, and nonwhite employees continue to be disproportionately concentrated in service and lower skilled blue-collar jobs. According to Duncombe (1997), these data suggest that "the concern that minorities are concentrated in low paying, dead-end jobs is well justified." Various other studies have reported that black and Hispanic workers are more heavily concentrated in occupations projected to decline or grow more slowly (Duncombe 1997).

From 1990 to 1999, an estimated 41,896 people left Onondaga County to go somewhere else in the US (US Census Bureau). It is likely that regional economic realities, including slow growth in income and the lack of good job opportunities, have contributed to this net outmigration.<sup>2</sup> A group of Syracuse University researchers (Duncombe and Wong 1997) noted that the majority of outmigrants are young adults, aged 20 to 34, who are more highly educated and affluent than the population as a whole -- implying that Onondaga County has been losing a disproportionate share of the prime of its workforce. A recent study by M&T bank showed that across upstate New York, more young adults are planning to leave in the near future -- 41 percent of their survey respondents between the ages of 18 and 30 were planning to relocate to another region, compared to 21 percent of this same age group nationwide.<sup>3</sup>

From a housing market perspective, these trends -- poor economic performance, slow growth in real income, the outmigration of young and highly educated workers to seek better opportunities elsewhere, and an increasing population with little access to decent jobs -- all contribute to declining housing values. However, data from the past several years shows that economic trends alone cannot account for the weakening real estate market in the city.

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<sup>2</sup> See "Why Thousands Left CNY, and How it Hurts," published in the *Syracuse Herald American/Post Standard*, March 12, 2000.

<sup>3</sup> M&T Bank (1999). "Upstate New York Population Study Presentation of Findings." Available on the internet at [www.mandtbank.com](http://www.mandtbank.com)

The Syracuse regional economy has recently shown signs that it is breaking out from its long slump. The four-county Syracuse MSA gained 8,200 jobs in 1999 for a total of 347,900 jobs. The 2.4 percent rate of increase exceeded the national rate of 2.2 percent and was the fastest growth of any year in the 1990's for the MSA. Private sector employment grew even faster, as the number of those jobs increased by 3.2 percent. (Syracuse Post-Standard, March 2, 2000). Data from the US Bureau of Labor Statistics (BLS) show that over the last two years, the labor force in the MSA has increased slightly, from 363,700 in December of 1998 to 364,100 in December of 1999. Unemployment in the MSA has remained low, at 4.3 percent in December 1999 compared to 4.1 percent nationally.

However, the city real estate market has not reflected this regional upswing. As we will see later in this document, real estate values are stagnant citywide and have declined in many neighborhoods even as regional job growth boomed, suggesting that other forces are at play.

### *Future projections: forecasts of moderate growth offer an opportunity*

According to an analysis by DRI/McGraw-Hill, the economic strengths of Syracuse include proximity to Canadian markets, excellent multi-modal transportation networks, and affordable land and housing. Weaknesses include the steady out-migration of population, high tax burdens, and high workers compensation insurance costs. Other analysts (such as Felt, 1997) suggest that high utility costs also greatly affect the profitability of upstate firms.

Using the REMI econometric model to make projections, Felt (1997) predicts that over the short run, real income growth will be twice that of the early 1990's and employment will grow by 1 percent annually, but the long run projections are less encouraging. Growth in real disposable income and employment is expected to be half the growth rate experienced from 1969-1994. She predicts that outmigration of labor will continue through 2010.

### **Projected population, income, and employment in Onondaga County (Felt 1997)**

<b>Year</b>	<b>Real disposable income per capita (1992 dollars)</b>	<b>Population</b>	<b>Total Employment</b>
2000	\$20,179	480,960	313,730
2005	\$21,494	488,620	326,420
2010	\$22,546	495,560	334,490
2035	\$26,475	562,620	355,590

Over the long term, the moderate growth in population does afford some opportunities to repopulate the central city, reclaim older housing stock, and even to expand the city housing stock. However, these opportunities depend on the ability to direct this growth back to the city from the suburbs where it is currently much more likely to occur.

## Housing Type, Tenure and Condition

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### Key Points:

- ✓ Syracuse faces an oversupply of housing that is likely to have grown over the past decade.
- ✓ Revitalization area neighborhoods have a large proportion of rental properties, as well as greater problems with abandonment, code violations, and tax delinquencies. The presence of 2-3 unit rental properties, as well as larger multifamily properties, helps to drive these problems and undermines the value of neighboring single-family properties.
- ✓ Syracuse neighborhoods have very low rates of homeownership, particularly the revitalization areas. Boosting the rate of homeownership would help to stabilize these neighborhoods.
- ✓ Within the revitalization neighborhoods, there are currently at least another 140 structures that are at risk of abandonment in the near future.

### *An oversupply of housing*

In 1990, according to US Census data, Syracuse had 71,502 housing units, but only 65,046 households living in the city. The result was that 6,557 housing units in the city sat vacant, or 9.2 percent of the city's total housing stock. This vacancy rate is fairly high and indicates that the housing market was already soft at the time. It is likely that the oversupply has worsened and that the vacancy rate is higher today. Given the estimates that Syracuse has lost 7.3 percent of its population since 1990, the city would have needed to demolish about 5,220 units of housing to maintain its 1990 vacancy rate.<sup>4</sup> The 2000 Census will help to determine more precisely just how much the housing oversupply has worsened, depending on the number of housing units that have been added to or taken out of the housing stock and on the number of households in the city.

### *Housing type: the challenge of multifamily properties*

As in other older cities in the northeast, the housing stock in Syracuse includes many structures with more than one unit. In the City of Syracuse 70 percent of residential structures are single family homes, 25 percent are two and three family homes, and 5 percent are larger multifamily structures.

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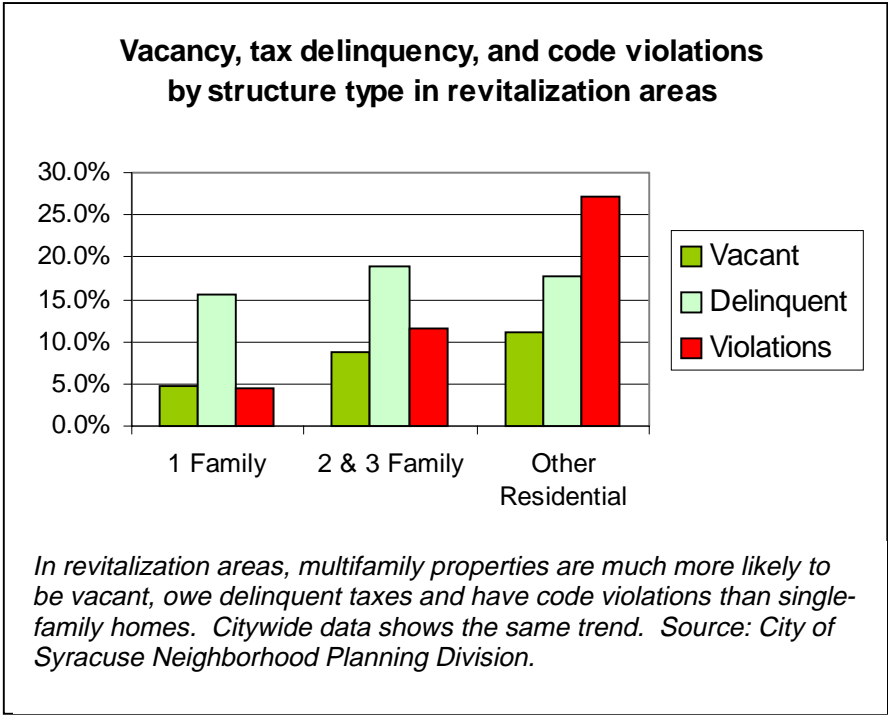
<sup>4</sup> Assuming that household size remained the same. Since household sizes may have decreased somewhat, the city might not have needed to demolish quite as many units to maintain the 9.2% vacancy rate.



Multifamily structures are much more prevalent in revitalization neighborhoods than they are elsewhere in the city, with important consequences. Within the seven revitalization neighborhoods, only 51 percent (5,485) are single family homes, 40 percent (4,281) are two and three family homes, and 9 percent are larger multifamily structures. Individually, these neighborhoods range from a low of 38% single family homes and high of 50% two and three family homes in the Near Westside to a high of 62% single family homes and low of 34% two and three family homes in Brighton. The Near Eastside had the highest percentage of other residential structures (multi unit dwellings with more than three units, boarding houses and apartment buildings) with 20%.

Nationwide, single-family homes have come to be the housing of choice for most households, with the result that cities like Syracuse find their large stock of multifamily housing harder to market. These multifamily properties may play a significant role in the city’s housing market decline, especially in the revitalization areas where they are predominantly located. Today, these structures are generally rental housing owned by absentee investors, and concomitantly are more likely to have problems with code violations, tax delinquency, and abandonment.

Generally speaking, the more housing units in a property, the greater the problems, even when holding the neighborhood constant. In the revitalization areas, 11 percent of larger multifamily structures and 8.7 percent of two and three family homes are vacant, while



only 4.6 percent of single family homes are vacant. Just over 4 percent of single family homes in these areas have one or more code violations, compared to 11.6 percent of two and three family homes and 27.2 percent of larger multifamily structures.<sup>5</sup> About 15 percent of single family structures are delinquent in taxes, but 18.8 percent of two and three family homes and 17.7 percent of larger multifamily structures are tax delinquent. This same phenomenon holds true for the entire city of Syracuse. Larger multifamily structures are twice as likely as single family homes to be tax delinquent, more than four times as likely to be vacant, and almost ten times as likely to have code violations, with 2-3 unit structures falling in between these two extremes.

### ***Housing tenure: low homeownership rates need to be reversed***

In the City of Syracuse in 1990, only about 40 percent of households owned their homes. This rate of homeownership is well below the national average, which was about 64 percent in 1990 and grew to reach 67 percent in the third quarter of 1999. Even more so than the city as a whole, the revitalization areas are dominated by rental housing. In 1990, only 27 percent of all households in these neighborhoods owned their homes. Clearly, one reason for the low rate of homeownership in revitalization areas is the presence of so many 2 to 3 unit properties. However, even given the current mix of housing types, it would be possible for these neighborhoods to achieve an average homeownership rate of somewhere around 60 percent.

National data on the benefits of homeownership suggests that boosting the rate of homeownership could have a profound impact on the revitalization neighborhoods.<sup>6</sup> Increasing homeownership improves the physical conditions of neighborhoods, since homeowners have a direct, personal financial stake in their homes and neighborhoods. Homeowners are 28 percent more likely than renters to repair or improve their homes, and owner-occupied homes are far less likely to have interior, exterior or structural problems than the homes of comparable renters. Homeowners also tend to beautify their properties. Survey data reveal that if an owner and a renter both live in single-family houses with a yard, the owner is 12 percent more likely than the renter to maintain a garden.

Homeownership is also good for the social fabric of the neighborhood. Homeowners provide continuity and stability to neighborhoods. Nationwide, more than a third of low-income renters move each year, while fewer than 8 percent of low-income homeowners do. Homeowners are also more involved in civic affairs. They are 11 percent more

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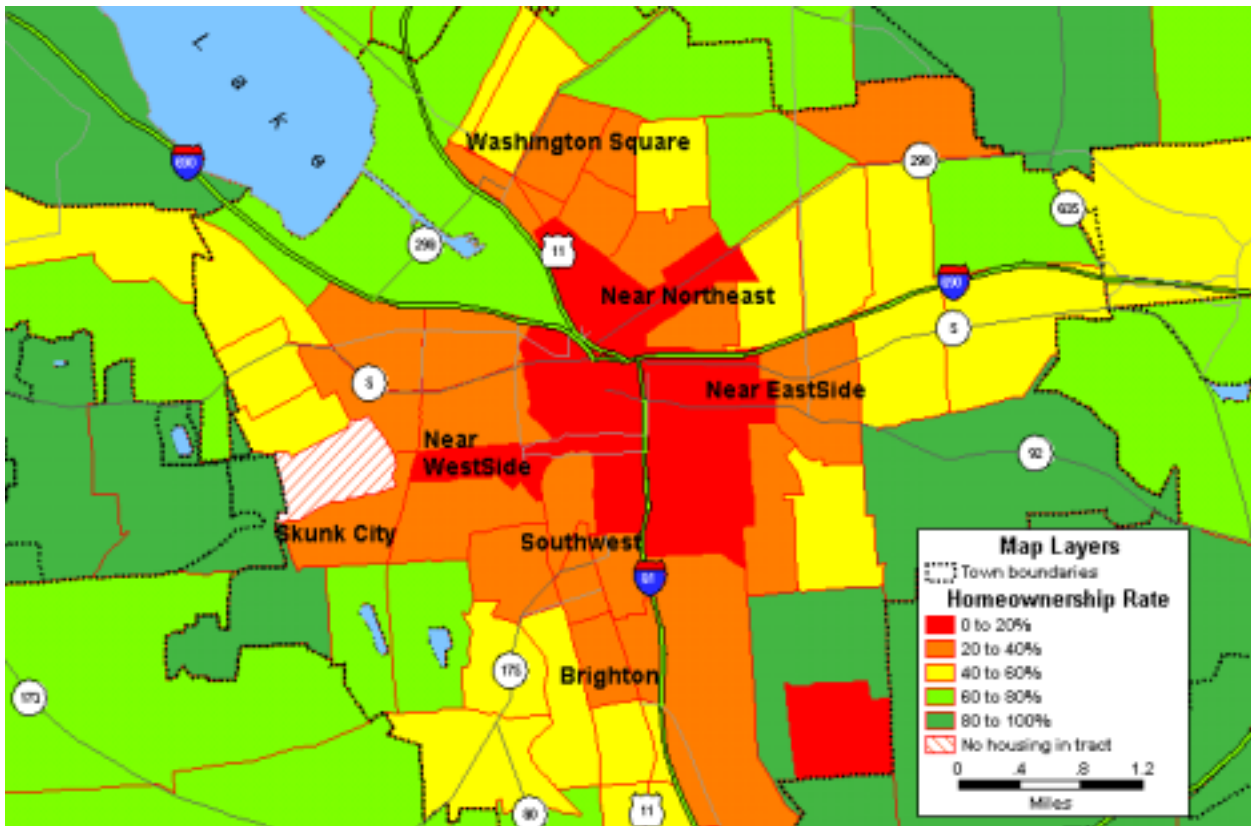
<sup>5</sup> Note, however, that code inspectors regularly inspect larger multifamily properties, whereas single-family homes are inspected only upon request. As a result, the difference in the rate of code violations by building type may not be as large as indicated by this statistic.

<sup>6</sup> See Michael Collins, [The Many Benefits of Home Ownership](#). Neighborhood Reinvestment Corporation. Data cited in this portion of the market study are referenced in that manuscript.

likely to know who represents them in Congress, 9 percent more likely to know who their school-board representative is, and 15 percent more likely to vote, even after controlling

## Homeownership rate by census tract, 1990

Source: 1990 US Census



*Homeownership rates are extremely low throughout the inner-city areas of Syracuse. In many revitalization area census tracts, fewer than 20 percent of households owned their home in 1990, compared to 64 percent of households nationwide.*

for socio-economic factors. In our resident survey in Syracuse, we found that homeowners were 47 percent more likely to participate in neighborhood groups and associations.<sup>7</sup> Perhaps most importantly, homeownership creates positive environments for raising families. Children of homeowners are 25 percent more likely to graduate from high school than similar children of renters and 116 percent more likely to go to college.

<sup>7</sup> This result does not control for socio-economic factors. Statistical significance was not evaluated.

They are also less likely to have issues with juvenile delinquency, school dropout, and teenage pregnancy.

Given these important benefits, it's clear that strengthening and expanding existing programs to promote homeownership in Syracuse should be a focal point of the revitalization strategy.

***Housing conditions: poor housing conditions in revitalization neighborhoods are both a symptom and a cause of disinvestment***

On a walk through any revitalization area neighborhood in Syracuse, one will see signs of people fixing up their houses. At the same time, however, one will notice many buildings that appear to be poorly maintained. To get a better feel for housing conditions in Syracuse, the research team compiled city data on buildings with code violations. Code violations are not a perfect indicator for housing conditions,<sup>8</sup> but the data we gathered do strongly suggest that housing conditions are a serious issue in revitalization area neighborhoods.

**Code violations by neighborhood, as of January 2000**

<b>Neighborhood</b>	<b># of Residential Properties</b>	<b>Properties with 1 or more code violations</b>	<b>Properties with 2 or more code violations</b>
Near Westside	1351	12.2%	9.1%
Southwest	719	12.1%	8.3%
Near Northeast	1409	11.1%	8.0%
Near Eastside	454	11.0%	7.0%
Skunk City	611	10.6%	7.5%
Brighton	3011	8.1%	5.7%
Washington Sq	3139	6.8%	4.6%
<b>All revit. areas</b>	<b>10694</b>	<b>9.2%</b>	<b>6.5%</b>
<b>Citywide</b>	<b>35142</b>	<b>5.3%</b>	<b>3.4%</b>

*Properties in revitalization areas are much more likely to have problems with code violations than properties elsewhere in the city. Source: City of Syracuse Neighborhood Planning Division.*

<sup>8</sup> First, code enforcement depends in part on neighborhood residents and enforcement officers working together to identify buildings that are in violation; thus, buildings in neighborhoods where residents are active and this relationship is strong are more likely to be reported for violations. Second, some poorly maintained buildings may nevertheless be in compliance with local codes if their maintenance problems are primarily cosmetic. Both of these factors tend to make the data on code violations understate the extent of poor housing conditions, particularly in distressed neighborhoods.

The presence of so many buildings with multiple code violations is a clear sign of disinvestment in the revitalization neighborhoods. However, it is important to recognize that buildings in poor condition are not only a symptom of a weak market; they are also a cause. They send a signal to nearby property owners that it isn't smart to invest in their homes. Their blighting influence makes it nearly impossible for neighbors who do maintain their homes to recoup the full value of their investment. Furthermore, they tell criminals that no one cares about what happens in the neighborhood. Well-designed programs to improve housing conditions may not address the fundamental market issues that led the conditions to deteriorate in the first place, but they are also more than a "band-aid."

### ***Tax delinquency: a symptom of disinvestment tied to cost recovery issues for the City***

Of all the residential structures in the revitalization areas, 17 percent (1,820) are delinquent in real estate taxes, compared to 8.2 percent of residential structures citywide. The Near Westside experienced the most problems with tax delinquency, where one quarter of the residential structures are delinquent. Washington Square was healthiest neighborhood with an 8 percent delinquency rate.

While tax delinquencies may happen when the owner experiences a sudden shortfall in income, in a depressed market they often signal that property values have fallen far enough that the owner is no longer willing to pay taxes to hold on to the asset. When this happens, the city is forced to seize the buildings through tax foreclosure and auction the properties. A benefit of the auction system is that it raises revenue to cover the lost tax dollars. Unfortunately, however, the existing auction structure tends to attract investors rather than owner occupants. As a study by the Maxwell School at Syracuse University suggested, some modifications to the structure might make it easier for owner occupants to participate.<sup>9</sup> The City might also consider seizing tax delinquent properties and selling them to nonprofits for \$1 for rehabilitation and resale or affordable rental, something many other cities around New York State and around the country have successfully done.

### ***Abandonment: many buildings abandoned, possibly with more to come***

Widespread property abandonment is one of the most salient characteristics of the Syracuse housing market. The lion's share of these properties are located in the revitalization neighborhoods. In the revitalization neighborhoods, 6.8 percent of residential structures are vacant, compared to 2.9 percent of residential structures

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<sup>9</sup> See Patrick Frank, et. al. (1999) "From Abandonment to Hope: Turning Vacant Properties into Home Ownership Opportunities." Student manuscript, Maxwell School of Public Affairs at Syracuse University.

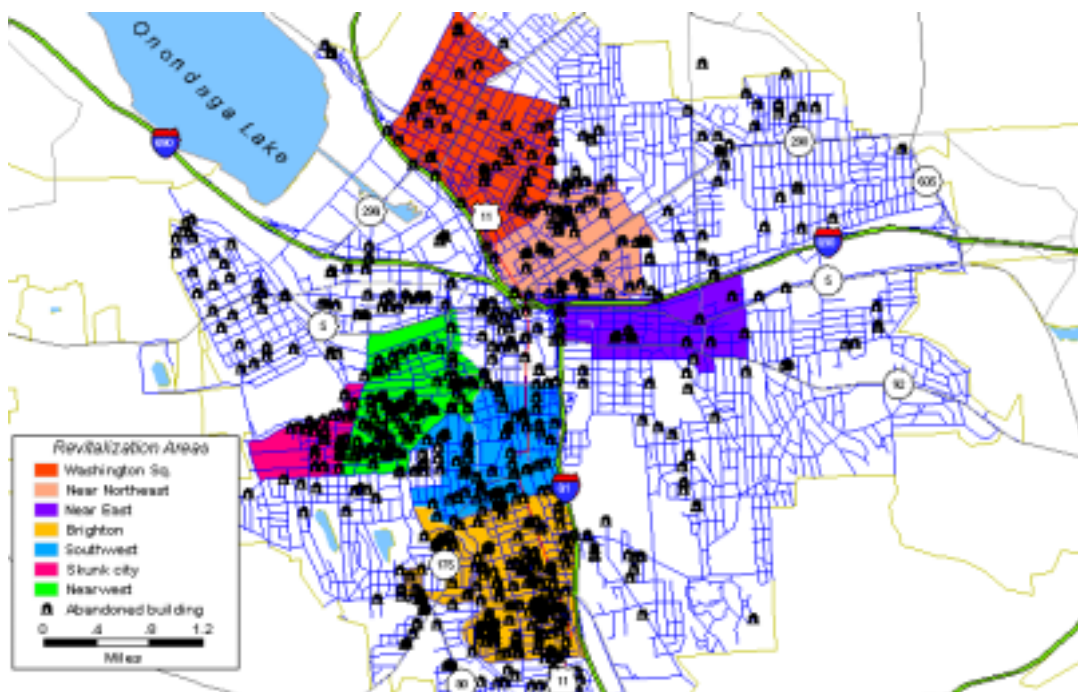
citywide. The vacancy rate ranges from a high of 11% in the Near Westside to a low of 3% in Washington Square.

Abandonment is usually the end state of a long downward spiral that begins with declining market values. As a property loses value, owners look to limit their risk and avoid making further investments in the property. Along the road to abandonment, properties often experience deferred maintenance, possibly conversion to rental use and investor ownership, and eventually tax and/or mortgage delinquency. Thus, code violations, high levels of investor ownership, and delinquencies can be seen as “early warning” indicators of future property abandonment.

The research team sought to estimate the number of buildings at risk for abandonment in the near future by identifying residential structures that were one or more quarters delinquent in taxes and had one or more code violation. Within the revitalization areas, 1.4% of the residential housing structures are at risk for abandonment in the near future. The Southwest, Near Westside and Near Eastside have the highest incidence of housing stock at risk; about 2.5% of the stock in each of these neighborhoods may be abandoned. This method of indicating risk does rely heavily on the assumption of an evenly administered code enforcement system.

## Abandoned properties in Syracuse, September 1999

Source: City of Syracuse data



*Much of the abandoned housing in Syracuse is concentrated in revitalization areas.*

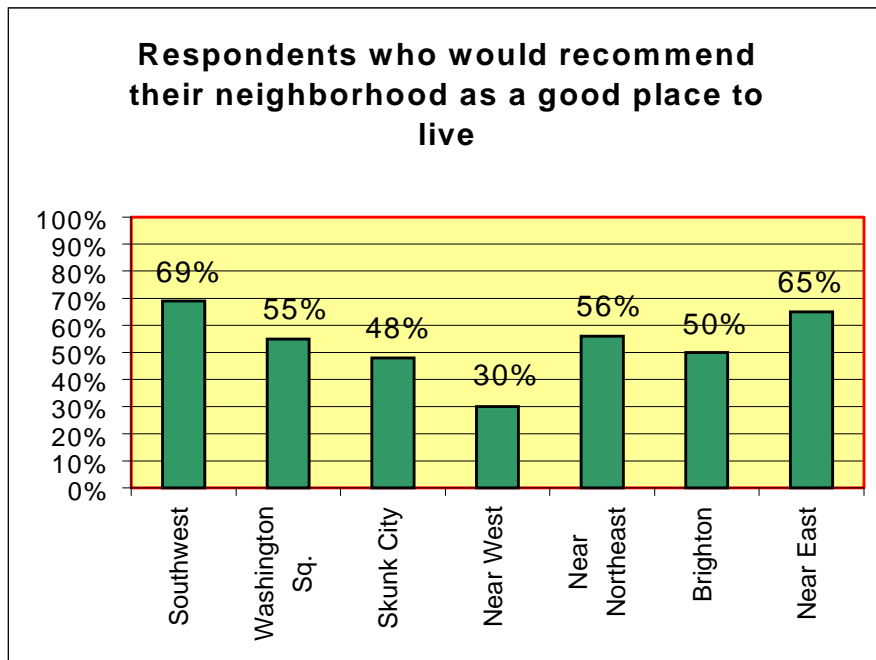
## Nighborhood Perceptions, Strengths and Weaknesses

### Key Points:

- ✓ In most revitalization area neighborhoods, the majority of residents are generally satisfied with neighborhood conditions and would recommend their neighborhood to others as a good place to live. The Near Westside is a significant exception to this trend.
- ✓ Revitalization area residents are most likely to value their neighborhoods for their convenience, sense of community, and tranquility.
- ✓ Crime and drugs, aesthetic conditions, and housing conditions are the most important issues to revitalization area residents.
- ✓ When comparing conditions in revitalization area neighborhoods to national data on homebuyer preferences, crime, aesthetic considerations, and schools emerge as marketing weaknesses, while convenience and transportation emerge as marketing strengths.
- ✓ Most revitalization area neighborhoods have a strong community life, but this social capital appears to be underutilized to solve neighborhood problems.

### *Neighborhood resident satisfaction*

The results of our neighborhood resident survey show that in most revitalization area neighborhoods, the majority of residents are fairly satisfied with their neighborhoods. This result is surprising given the weak real estate market and the perceptions voiced in



our informant interviews. In all but two of the neighborhoods - Skunk City and the Near Westside - the majority of residents would recommend their neighborhood to others as a good place to live.

Our survey also asked residents to evaluate their neighborhood along seven key attributes: the condition of homes, cleanliness, feelings of safety, friendliness of neighbors, quality of schools, quality of public services, and access to transportation. Residents were asked to rate each attribute according to a five-point scale; a summarized table of the results is on the following page. The average ratings are quite consistent from neighborhood to neighborhood: housing conditions, school quality, friendliness, public services, and access to transportation all received positive evaluations (an average score of less than three). Access to transportation, friendliness, and schools received the most positive evaluations on average, while housing conditions and public services received only mildly positive evaluations (housing conditions received a negative evaluation in the Near Westside). Cleanliness and safety received negative evaluations (an average score of more than three) in all of the neighborhoods except the Southwest.

The resident survey asked respondents to evaluate whether these same seven attributes had changed over the past year. Our respondents felt that most had stayed the same. However, respondents in most neighborhoods indicated that the same two attributes that were rated negatively - cleanliness and safety - had deteriorated. Housing conditions were also perceived as deteriorating in most neighborhoods. An exception was Southwest, where the respondents felt there had been mild improvement in all areas.

The neighborhood resident survey also included two open-response questions, which asked respondents to identify what they liked most about their neighborhood and what they would most like to change. The study team grouped these responses into broad categories for analysis. Far and away, the most frequently mentioned attribute in all of the neighborhoods that residents liked was the convenience of where they lived - closeness to jobs, shopping, and transportation were all responses that we included in this category. After convenience, responses relating to the sense of community and the people in the community were the most frequent, followed by comments about neighborhood tranquility.<sup>10</sup>

In four of the seven neighborhoods, crime was the most frequently mentioned issue that residents would most like to change about where they lived. Most responses in this category related to the problem of drug sales and use, but other responses focused more on overall crime or on the need for more or better police services. The Near East, Near Northeast, Brighton, and Southwest neighborhoods all had public safety as their most frequently cited issue. Problems with aesthetics and cleanliness were the next most

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<sup>10</sup> Responses do not add to 100 percent since respondents were asked to identify up to two attributes that they liked and two attributes that they wanted to change.



frequently cited category - and were the most frequently cited in the remaining three neighborhoods (Near Westside, Skunk City and Washington Square). Complaints about housing conditions ran a close second or third in all of the neighborhoods.

Comparing across neighborhoods, the Near Westside clearly emerges as the most distressed neighborhood by the residents' own evaluation. Only 30 percent of residents would recommend their neighborhood to others as a good place to live. Particularly telling is the fact that when asked to identify what they liked most about their neighborhood, fully 12 percent of the respondents wrote that they did not like anything about their neighborhood. In contrast, neighboring Southwest generally received the most positive evaluations.

### Measures of Neighborhood Satisfaction in Revitalization Areas

<b>Mean ratings of neighborhood conditions</b> <i>1= very good, 3=neither good nor bad, 5=very bad</i>							
<i>Neighborhood</i>	<i>Condition of homes</i>	<i>Cleanliness</i>	<i>Safety</i>	<i>Neighbor Friendliness</i>	<i>Schools</i>	<i>Public Services</i>	<i>Access to Transportation</i>
Brighton	2.7	3.1	3.2	2.3	2.5	2.7	2.0
Near East	2.7	3.3	3.0	2.5	2.5	2.4	1.9
Near Northeast	2.7	3.0	3.1	2.5	2.5	2.6	1.9
Near West	3.3	3.7	3.4	2.5	2.6	2.8	2.0
Skunk City	2.9	3.2	3.0	2.5	2.7	2.7	1.8
Southwest	2.5	2.9	2.7	2.2	2.5	2.4	1.8
Washington Sq.	2.7	3.2	3.0	2.5	2.3	2.3	1.9

<b>Percent rating neighborhood condition as "good" or "very good"</b>							
<i>Neighborhood</i>	<i>Condition of homes</i>	<i>Cleanliness</i>	<i>Safety</i>	<i>Neighbor Friendliness</i>	<i>Schools</i>	<i>Public Services</i>	<i>Access to Transportation</i>
Brighton	50.3%	34.2%	30.4%	64.1%	59.7%	49.0%	81.8%
Near East	52.7%	31.4%	40.7%	52.2%	49.5%	61.8%	80.3%
Near Northeast	51.7%	35.4%	33.5%	59.4%	52.7%	55.5%	82.9%
Near West	26.9%	18.3%	20.0%	51.7%	47.8%	44.0%	84.9%

Skunk City	41.2%	32.6%	35.5%	54.4%	49.2%	52.9%	84.7%
Southwest	53.4%	35.6%	52.6%	65.5%	54.5%	64.6%	88.9%
Washington Sq.	55.4%	31.1%	37.3%	52.6%	59.6%	65.8%	87.5%

**Percent rating neighborhood condition as "bad" or "very bad"**

<i>Neighborhood</i>	<i>Condition of homes</i>	<i>Cleanliness</i>	<i>Safety</i>	<i>Neighbor Friendliness</i>	<i>Schools</i>	<i>Public Services</i>	<i>Access to Transportation</i>
Brighton	20.4%	57.7%	39.8%	7.6%	10.8%	19.7%	4.1%
Near East	24.1%	10.6%	33.6%	10.7%	4.4%	11.8%	19.7%
Near Northeast	23.1%	34.7%	39.0%	12.2%	11.7%	15.8%	4.8%
Near West	42.9%	64.2%	50.5%	13.5%	13.3%	22.9%	15.2%
Skunk City	28.0%	39.9%	34.1%	14.7%	19.6%	21.8%	5.1%
Southwest	18.1%	30.5%	25.9%	6.0%	13.6%	12.9%	3.3%
Washington Sq.	23.3%	42.2%	29.4%	15.6%	6.4%	11.9%	1.4%

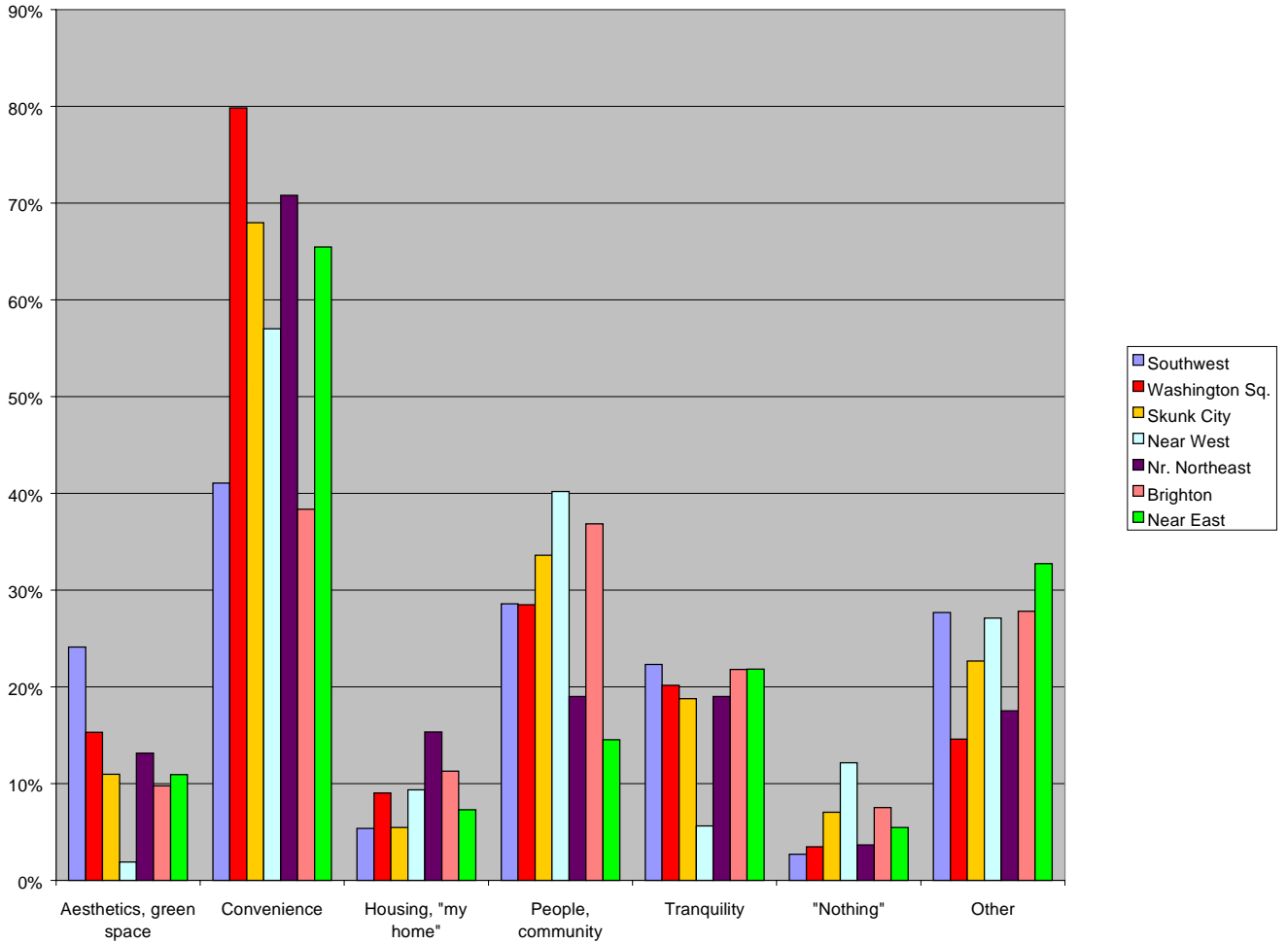
**Mean rating of change in neighborhood condition over the past year**

*1=much worse, 3=the same, 5=much better*

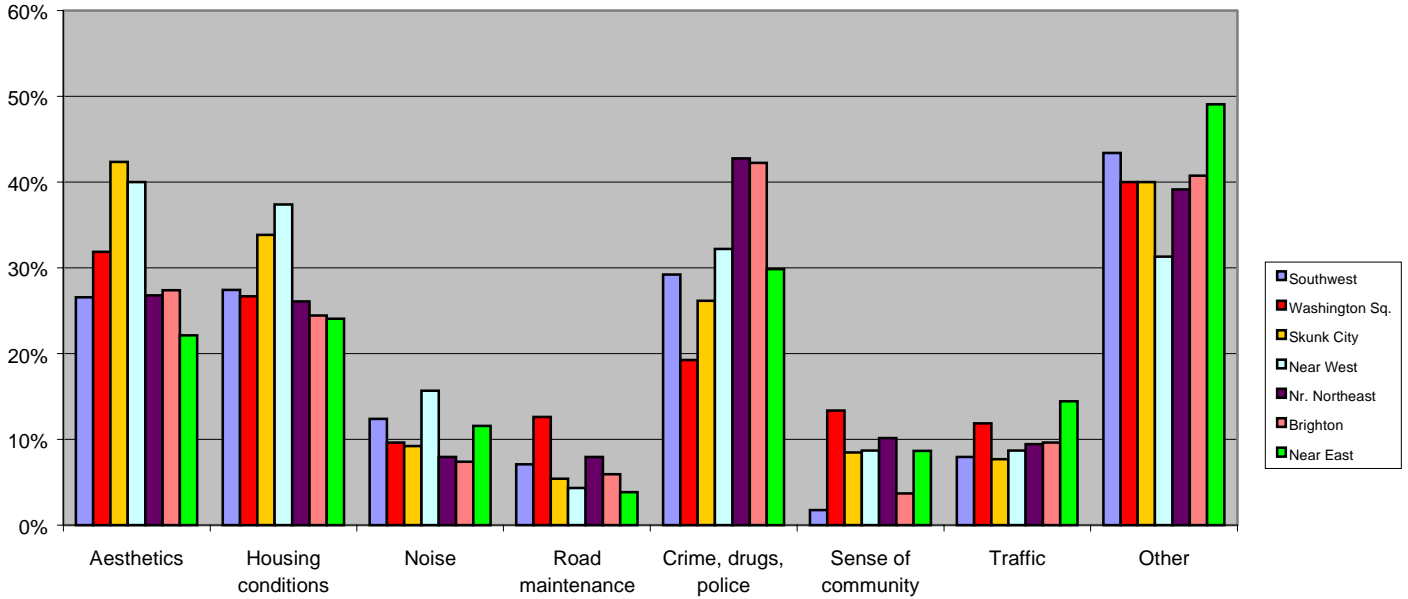
	<i>Condition of homes</i>	<i>Cleanliness</i>	<i>Safety</i>	<i>Neighbor Friendliness</i>	<i>Schools</i>	<i>Public Services</i>	<i>Access to Transportation</i>
Brighton	2.6	2.5	2.5	3	3	2.9	3
Near Northeast	2.7	2.5	2.5	3	3	3	3.1
Near West	2.4	2.3	2.6	3	3	3	3.1
Skunk City	2.2	2.2	2.4	2.8	2.9	2.9	3.1
Washington Sq.	2.6	2.5	2.4	2.9	3	3	3.1
Southwest	3.3	3	3.1	3.3	3.1	3.2	3.3
Near East	3	2.9	2.7	3.2	3.1	3.1	3.1

**Attributes mentioned as one of the best aspects of the neighborhood**

(Percentages indicate frequency with which the attribute was mentioned)



**Aspects of the neighborhood that respondents would most like to change**  
*(Percentages indicate frequency with which the theme was mentioned)*



***Marketing strengths and weaknesses***

Key informant interviews were one way in which the study team sought to identify the strengths and weaknesses of city neighborhoods from the standpoint of marketing to prospective homebuyers. We asked stakeholders (including resident leaders, real estate professionals and nonprofit executives) to comment on the reasons why people were and were not buying in the city. Our interviewees cited several reasons why people decide to buy in the city. The first was the availability of affordable housing, especially for people buying homes under \$40,000. Secondly, people seemed to be “urban inclined” to begin with – they bought in the city due to convenient access to services, work, parks, the ability to walk places, and the urban “feel”. Many interviewees also felt Syracuse has some great “finds” -- including interesting historic housing stock, parks, and specialty stores. Asking for the reasons people were not buying in the city really got people talking. By far, the most frequently cited reasons were crime, schools, and aesthetic conditions.

Another technique the study team used to identify neighborhood marketing strengths was to compare residents’ evaluation of the revitalization area neighborhoods to national data on homebuyer preferences. Data from the 1995 American Housing Survey (US Census

Bureau) and from the National Association of Realtors® 1997 Public Policy Survey both help to explain what factors most drive homebuyers' choice of neighborhoods, using different approaches.<sup>11</sup> The first of the two tables below shows the top-ranked attributes that respondents to the NAR survey considered when choosing a community in which to live. The second table lists the most frequently cited reasons that recent movers gave to the American Housing Survey when asked why they chose their present neighborhood.

### Home Buyers' Ranking of Community Attributes

*(Attributes ranked 1 to 10, 10 = most important)*

Attribute	Average Rank
Having a good school system in the area	9.15
Having a low juvenile crime rate in the community	8.44
Having good public water and sewage systems	8.29
Having safe air and water quality	8.14
Having a good transportation system	7.90

*Good schools and low crime are the most important attributes that homebuyers look for in a community, according to the NAR 1997 Public Policy Survey (national sample of respondents).*

### Main Reason for Choosing Present Neighborhood

*(Among recent movers nationwide)*

Reason	Percent of movers
House was most important consideration	23%
Convenient to job	23%
"Look"/design of neighborhood	18%
Convenient to friends or relatives	17%
Good schools	9%
Convenient to leisure activities	5%
Convenient to public transportation	3%
Other public services	2%

*Recent movers nationwide frequently cited the house itself, convenience, and the "look" of the neighborhood as the main reason they chose their new neighborhood. Source: 1995 American Housing Survey.*

Since the attributes identified by these surveys are important to homebuyer choice, they represent key issues from a marketing perspective. Any of these neighborhood attributes that receive a positive evaluation from current residents can be considered a marketing

<sup>11</sup> See Calabria, Mark A. "Quality of Life and the Home Buying Process." Unpublished manuscript from the National Association of Realtors.

strength of the neighborhood. Similarly, any neighborhood attributes that receive a negative evaluation from current residents can be considered a marketing weakness of the neighborhood. In the sections that follow, we outline some of the key marketing strengths and weaknesses that emerge from this analysis.

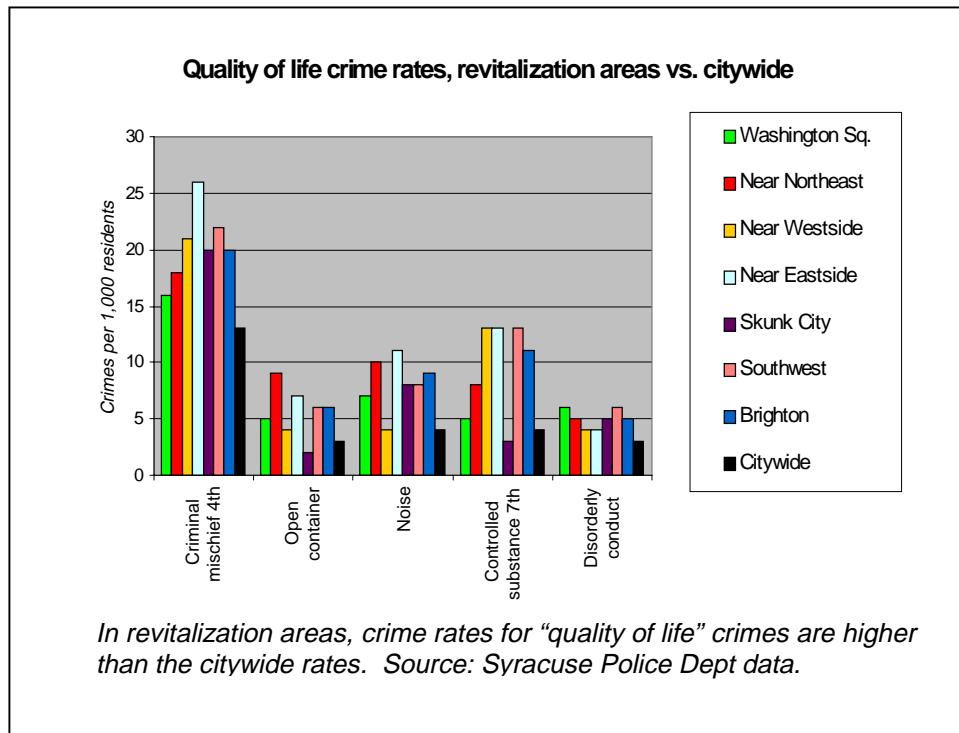
### ***Aesthetics: the importance of curb appeal***

Our interviewees frequently mentioned that the city looks dirty and is strewn with trash. They felt that dirt and debris were particularly bothersome along major transportation corridors, but noted that many individual businesses and homes also had poorly maintained yards. Public places such as parks were also mentioned as in poor condition and dirty. The interviewees often mentioned poor code enforcement and deteriorated housing stock as part of the problem. Our resident survey shows that residents are similarly concerned about how their neighborhoods look. Only 18 to 36 percent of residents in revitalization area neighborhoods evaluated the cleanliness of their neighborhood as “good” or “very good,” and from 22 to 42 percent of respondents cited aesthetic concerns as the aspect of their neighborhood they would most like to change. Given the fact that 18 percent of recent movers in the American Housing Survey chose their neighborhood based on “look” and design, increasing the curb appeal of Syracuse neighborhoods could have a significant impact on the real estate market.

### ***Crime: high crime rates must be addressed***

Crime and drugs were cited by all of our interviewees as an issue, especially in relation to the revitalization area neighborhoods. No one was entirely sure if the incidence of crime was going up or not, but the perception was that city neighborhoods are dangerous. Revitalization area neighborhoods are perceived as being more troubled by crime than other neighborhoods, and the data largely bear this out. Police department data shows that crime rates for “quality of life” crimes are significantly higher in the revitalization areas than citywide. While these crimes - such as criminal mischief, criminal possession of a controlled substance, and disorderly conduct - are not violent, they are often highly visible and thus contribute greatly to the perception that a neighborhood is unsafe. Data from our resident survey show considerable concern among respondents about safety and crime. Across the revitalization area neighborhoods, from 26 to 50 percent of respondents rated the feelings of safety in their neighborhood as “bad” or “very bad,” and crime was the most frequently cited issue that residents would most like to change in four of the neighborhoods. Given the very heavy emphasis that respondents to the NAR survey placed on crime, the unsafe image of the revitalization area neighborhoods may provide a powerful explanation for their declining property values.

Negative perceptions about safety may be closely linked to the dirty, decayed appearance of many revitalization area neighborhoods. Increasingly, criminologists are concluding that physical disorder in a neighborhood may foster a perception among criminals that no one cares about what happens there, effectively inviting criminals to operate there.<sup>12</sup> Echoing the theories of these criminologists, our interviewees noted that the problem of abandoned housing was an important contributor to neighborhood crime.



**Schools: a paramount concern**

Our interviewees cited low school quality as the paramount concern that scares away potential homebuyers and drives out existing residents. Real estate professionals were particularly clear that buyers talked about the poor reputation of city schools. Individually, some real estate professionals had kids in the city schools with positive experiences. There was some sense of hope around the future direction of the school system, due to a new superintendent. Nevertheless, people felt that the problems were simply overwhelming, possibly beyond the reach of any attempt to fix them.

Interestingly, respondents to our neighborhood resident survey did not, in general, share the negative perceptions of the school system that our interviewees expressed. Across the

<sup>12</sup> See Kelling, George, Catherine Coles and James Q. Wilson (1998). Fixing Broken Windows: Restoring order and reducing crime in our communities. Free Press.

revitalization area neighborhoods, from 48 to 60 percent of respondents rated schools as “good” or “very good,” and only 4 to 20 percent rated them as “bad” or “very bad.” Averaging all responses, schools received a positive evaluation in every neighborhood.

Notwithstanding the perceptions of current residents, data from the New York State Board of Education on student test scores show that schools in Syracuse perform below the average for New York State and well below the level of neighboring school districts. The dropout rate in the Syracuse school district is also substantially higher.

**Percent of students meeting or exceeding grade-level standards in English and Math**

	City of Syracuse	Fayetteville /Manlius	Liverpool	Solvay	NYS Average
Grade 4 English	31%	74%	64%	58%	48%
Grade 4 Math	49%	91%	83%	76%	67%
Grade 8 English	31%	79%	54%	53%	48%
Grade 8 Math	19%	81%	40%	45%	38%
Dropout rate	4.5%	0.6%	2.1%	0.4%	3.5%

*Students in the Syracuse City School District are much less likely to meet the standards for their grade than students in neighboring school districts, and are more likely to drop out. Source: NYS Dept of Education.*

Both the NAR survey and the American Housing Survey support the idea that schools are a major determinant of neighborhood choice. Despite the perceptions of current residents, school quality may play an important role in the decline of the Syracuse real estate market. Certainly, it will be difficult to convince families with children to move back to the city until the school performance data improves.

***Convenience and transportation: you can’t beat urban living***

Convenience and transportation appear to be the main marketing strengths of revitalization area neighborhoods. These qualities were both highly valued by respondents to the NAR and American Housing Surveys, and highly rated by current neighborhood residents. Furthermore, census data on trip to work times suggest that Syracuse enjoys a competitive advantage in this regard, compared to the rest of the county. In 1990, 67 percent of city residents had a commute of less than 20 minutes, compared to 51 percent of county residents outside the city limits. However, it’s important to remember if commerce and retail activity in the city continues to decline, city neighborhoods will not be as convenient as they once were. Continuing to promote



economic development activity in Syracuse in downtown and at the neighborhood level is important to maintaining this competitive advantage.

***Affordability: a good place to live is more important than a cheap place to live***

Our interviewees noted that affordability was a factor that led many people to live in revitalization areas, but in and of itself, affordability is not a marketing strength of these neighborhoods. First, neither the NAR survey nor the American Housing Survey shows that affordability drives household choice of neighborhoods. Second, when asked to name the qualities that they most liked about where they lived, fewer than five percent of respondents to our resident satisfaction survey mentioned the affordability of their neighborhood. Simply put, neither potential homebuyers nor current residents are attracted to neighborhoods merely because they are affordable. Affordability can be used to market revitalization area neighborhoods, but the message should be about value - how the neighborhoods deliver the qualities that homebuyers are looking for at a reasonable price.

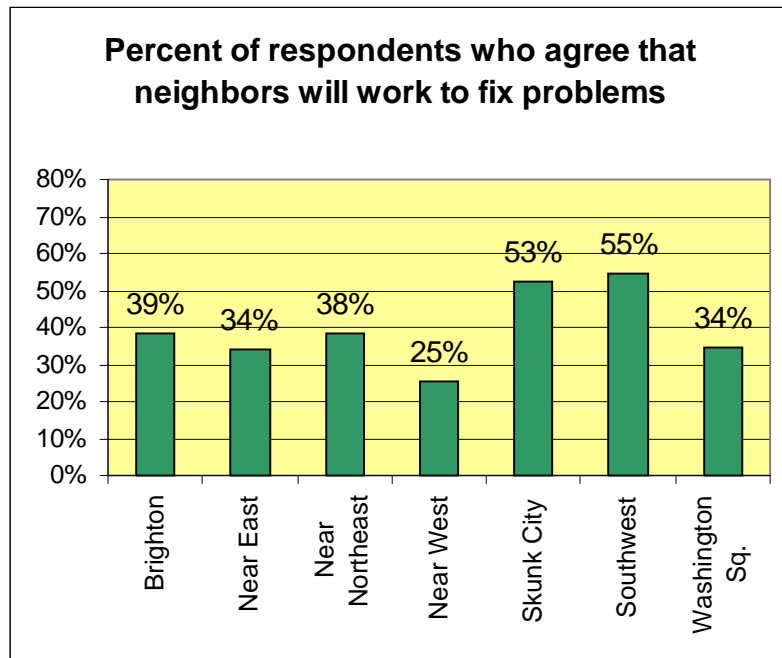
***Market perceptions of the housing stock: for many, a quality home is a strong enticement to a neighborhood***

Many of the real estate professionals said the housing stock in the city was not what new buyers are looking for today. The older housing stock doesn't have amenities like energy efficiencies, large family rooms, closet space, etc. On the other hand, other observers (including new urbanist architect Andres Duany) have noted the wonderful qualities of the historic housing that is available in Syracuse, and sharply contrasted this stock to what they regard as the flimsy construction and banal design of new homes.

The American Housing Survey data show that the individual house was the most important consideration for many homebuyers, and our neighborhood survey data show that in revitalization neighborhoods, between 5 and 15 percent of respondents mentioned their own home or the quality of the housing stock as the aspect of their neighborhood that they most liked. Quality housing stock may thus represent a potential market strength of revitalization area neighborhoods. However, fully exploiting this potential strength would require substantial, concentrated investments to improve housing conditions and provide the modern amenities that buyers demand whenever possible.

**Measures of community life in revitalization neighborhoods: the capacity to generate market strength**

By several measures, revitalization area neighborhoods appear to have a strong community life. In our survey, between 52 and 66 percent of respondents evaluated the friendliness of their neighbors as “good” or “very good,” and 15 to 40 percent of our respondents mentioned the good people living nearby as one of the qualities they liked best about where they lived. The survey results also indicate that most revitalization area residents talk to their neighbors once a week or more often, and a significant percentage are involved in neighborhood groups or associations. Finally, voter registration rates among our respondents are higher in most revitalization area neighborhoods than the state averages for the 1996 and 1998 federal elections. Between 76 and 90 percent of our survey respondents were registered to vote, compared to 70 percent of the voting age population in New York State in 1998 (75 percent in 1996 at the last presidential election).<sup>13</sup>



While having a strong community life does not appear to be a high priority for potential homebuyers, it may nevertheless help to create the qualities that homebuyers do prioritize - low crime, good schools, and a well-maintained neighborhood among them. A strong community life should help residents to work together to deal with important

<sup>13</sup> Statistics from the Federal Election Commission at [www.fec.gov](http://www.fec.gov)

neighborhood issues. It is thus rather surprising that despite their positive evaluations of most aspects of community life, our survey respondents generally did not believe that residents would work together to try to fix neighborhood problems. One factor to take into consideration is that people who respond to a neighborhood issues survey may tend to be more active in the community than those who do not respond, so our results may be somewhat skewed. Whether or not community life is as strong as it appears to be for our survey results, however, it is clear that these community connections are not being fully utilized to work on important neighborhood issues. The work that Tomorrow's Neighborhoods Today and the many neighborhood associations in the city are doing to bring community stakeholders together is clearly filling an important need.

## The Single-Family Housing Market

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### Key points:

- ✓ Growth in home prices in Onondaga County and the Greater Syracuse area between 1997 and 1999 has lagged well behind national trends.
- ✓ While areas outside the city of Syracuse have enjoyed modest increases in home prices, home prices have decreased within the city limits.
- ✓ The single-family market in inner-city neighborhoods has been hardest hit, with very few Realtor<sup>®</sup>-brokered transactions and very low property values that continue to decline rapidly. Decay in the inner areas appears to be creeping towards the periphery of the city.
- ✓ New housing construction is continuing outside the city even as the city real estate market declines.
- ✓ Negative perceptions and attitudes about the livability of the city may be contributing to market decline.

### *Market perceptions: great houses, at great prices - but the image of the city keeps buyers away*

Through our informant interviews, we asked Realtors<sup>®</sup>, lenders, nonprofit developers, and other stakeholders about the health of the real estate market. Across the board, our interviewees noted that the housing market was very slow; city housing was perceived to be particularly hard to move. Single family home prices have decreased dramatically in the past few years and it is unclear if the slide has bottomed out yet. This was especially true of the “near-neighborhoods” surrounding the downtown. All the real estate professionals related stories of single family homes that stayed listed on the market for many months and had their price reduced by the tens of thousands before they eventually sold. Nonprofit developers are also experiencing difficulty in selling new and rehabbed homes. There was some sense that auctions are being used increasingly in the city as a way to sell homes, suggesting that sellers may be willing to settle for substantially lower prices in order to sell their property quickly.

Our interviewees felt that residents were keenly aware that their home values have been decreasing, and that they were concerned about being “stuck” with over-value loans. One nonprofit director pointed out that in fact, it was a common occurrence to see sellers writing checks at closing to cover remaining mortgage balances. Several interviewees expressed concern that this “stuck” feeling may lead to a flood of houses being placed on the market if property values do begin to pick up, as homeowners take their opportunity to get out. There was a sense that in the meantime, many who can’t sell start renting, often without adequate tenant screening mechanisms.

Some interviewees mentioned the poor condition of housing in the city and unrealistic price expectations as one factor contributing to the slow market. On the other hand, most of our informants noted a widespread perception that it was a poor investment to buy anywhere in the city. This negative perception is evidenced by anecdotal stories about “great houses, at great prices” that weren’t even being looked at by buyers. Some interviewees felt that members of the real estate community were reinforcing this perception, while others felt that it was more driven by homebuyers themselves.

Many interviewees expressed a concern that decay from the near neighborhoods is “creeping” outward. They noted that formerly stable markets such as Strathmore (west of Brighton) and the near Valley (south of Brighton) are losing health. According to many interviewees, concerns over schools, crime and neighborhood quality are leading middle-class homeowners to leave the city for suburban homes.

### ***Single-family housing in Onondaga County and Greater Syracuse: suburban home prices increasing replace happy homeowners***

The market outside the city has just recently seen significant growth, after nearly 10 years of stagnation. This upswing has occurred over the last 12-18 months and includes re-sales as well as new construction. Fayetteville and Camillus seem particularly strong for new builds.

According to the National Association of Realtors<sup>®</sup> (NAR), housing prices in the Syracuse area have risen slightly in recent months. Single-family homes in the greater Syracuse area (which includes Onondaga and Madison Counties) had an average sales price of \$84,200 for the third quarter of 1999, reflecting a 0.7% increase from the third quarter of 1998. Nevertheless, this growth lags well behind national growth in home prices. Nationally, home prices increased 4.1% between these periods.

In Onondaga County, average home sales price increased 6% from 1997 to 1999, compared to 12% nationally. The volume of sales in the county increased by 28% during this period.

#### **Home Sales in Onondaga County, 1997-1999**

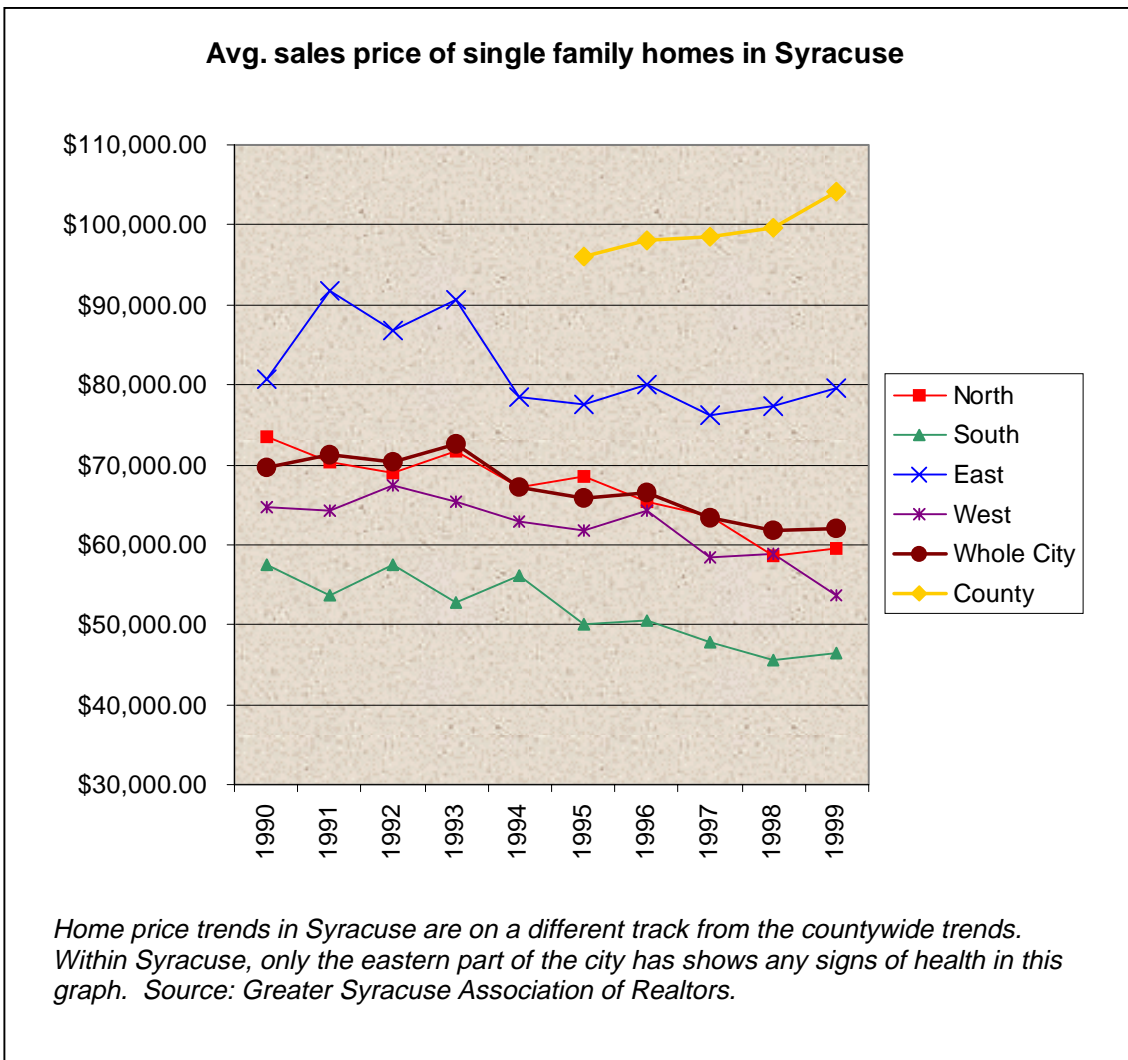
	<b>1997</b>	<b>1998</b>	<b>1999</b>
Number of Sales	3,824	4,403	4,879
Total Sales Volume	\$376,315,000	\$438,842,000	\$508,426,000
Average Sales Price	\$98,409	\$99,669	\$104,207

*The average sales prices of Onondaga County homes has risen steadily over the past three years. Source: Greater Syracuse Association of Realtors<sup>®</sup>.*

Homes are selling quickly in the suburbs, implying that the existing sales stock of housing in the suburbs does not meet the demand. In the third quarter of 1999, homes in the Syracuse MSA spent an average of only 59.3 days on the market, a 10 percent decrease from the third quarter of 1998. Developers are responding to the strengthening suburban market by building new homes outside the city. In the Syracuse MSA, 514 permits to build new single-family homes were issued in the third quarter of 1999, reflecting a 22 percent increase over the third quarter of 1998.

**Single-family housing in the city of Syracuse: not improving, even with the economic upturn**

The relatively rosy outlook for the suburban housing market is in stark contrast to the troubled city housing market. The average sale price of single-family homes in the city



has undergone a long, steady decline since 1991, when homes sold for an average of \$71,167. By 1999, the average sale price had declined to \$61,974, equivalent to an annual rate of depreciation of about 1.6 percent.

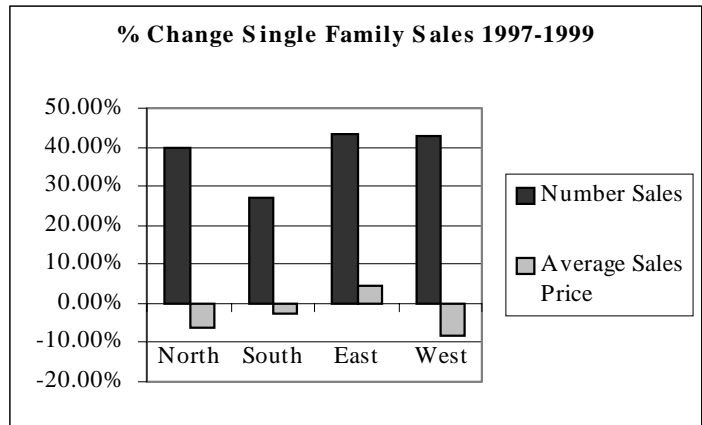
Unlike the suburban areas, the city’s real estate market has not improved with the recent economic upturn. While average sales prices increased from 1997 to 1999 in the county, they decreased by 2.5 percent in the City of Syracuse. The good news is that prices were more or less unchanged between 1998 and 1999. At the same time, the volume of sales spiked upwards. This increase in the number of sales during a period of stagnant values suggests that sellers were taking advantage of the stability in prices to cut their losses and get out of the market, while buyers may have hoped that the market had bottomed out.

**Home Sales in Syracuse, 1997-1999**

City of Syracuse	1997	1998	1999
Number of Sales	604	688	841
Average Sales Price	\$63,401	\$61,773	\$61,974

Greater Syracuse Board of Realtors

Of the four quadrants of the city, the East side has far and away the healthiest housing market, with the highest average sale prices in the city, although these prices are still well below the county average. The East side also saw a 4 percent increase in housing prices between 1997 and 1999 that closely tracks the county trend. North and West sides of the City have seen a substantial decrease in home prices from 1997 and 1999, of 8 percent



*The number of home sales in the city of Syracuse has spiked upwards in the past three years even as prices have stagnated. Source: Greater Syracuse Association of Realtors®*

and 6 percent respectively. The South quadrant of the city managed a slight gain in home prices, but values remain well below the city average in that area.

Based on the asking price of homes currently up for sale, we may expect average sales prices to remain stagnant or decline in the near future. In November 1999, there were 801 active listings for single family homes with a median asking price of \$54,900. They had been on the market for an average of 110 days, significantly longer than the average for homes sold in the MSA.

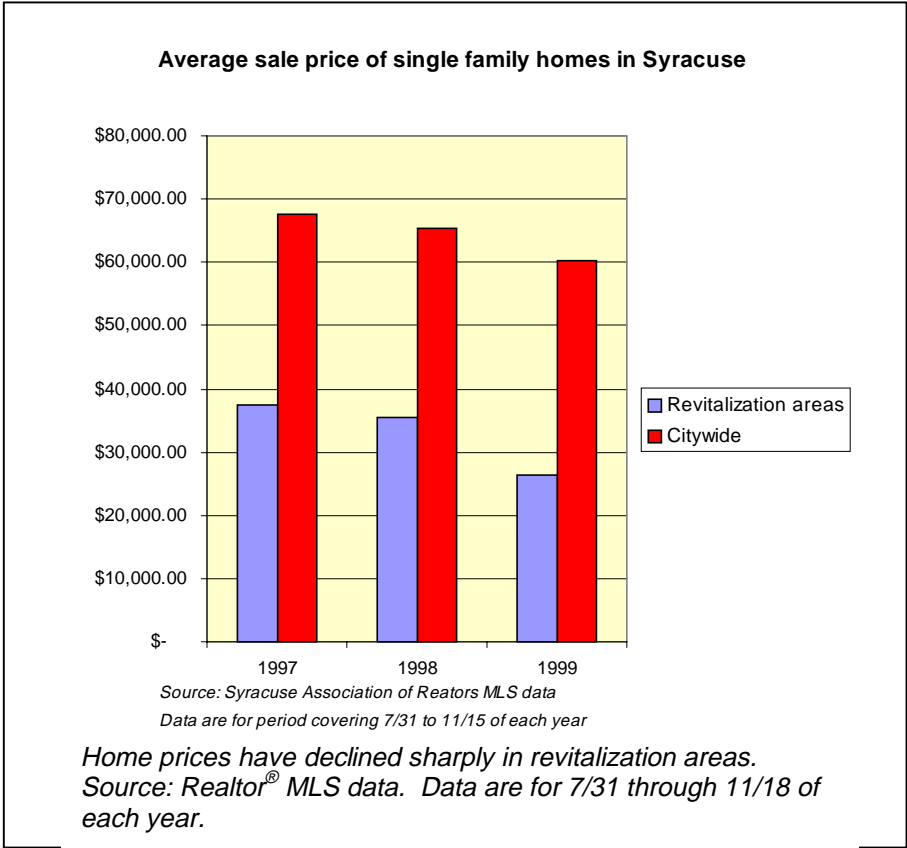
***Neighborhood home price trends: hard to measure, but revitalization areas are clearly in decline.***

An analysis of Multiple Listing Service (MLS) data from the Greater Syracuse Association of Realtors<sup>®</sup> shows that average home prices in inner-city neighborhoods in Syracuse are much lower than in the city as a whole, and have declined much more rapidly. Detailed MLS data was only available for a few months of 1997, which forced us to examine sales from a four-month period - July 31 through November 18 - to be able to accurately track home price trends from 1997 to 1999. The average price of homes that sold during this period in revitalization areas decreased from \$37,422 in 1997 to \$26,339 in 1999, reflecting an astounding 30 percent depreciation in value. Note that this analysis may overstate that decline somewhat. Looking at the same data, the average sale price in Syracuse decreased by 11 percent, while with complete data for 1997 to 1999 we know that the actual decrease was only 2.5 percent.

We also used data from the Syracuse Assessor's office to try to determine home price trends in the revitalization neighborhoods. According to this data, average home prices have declined by 4.6 percent from 1997 to 1999- a substantial decrease, but much less than what the MLS data shows. Both the MLS and the Assessor's data we used have limitations, so it's hard to say which numbers are correct. Either way, we can safely conclude that home prices are declining in revitalization area neighborhoods.

Reductions in the length of time that homes are on the market, as well as reductions in the spread between the list price and the sale price of homes, sometimes serve as an early indicator that the housing market will rebound. Unfortunately, according to Realtor<sup>®</sup> MLS data, houses were on the market for an increasing length of time in both the revitalization areas and in the city as a whole, indicating weakening market conditions. While the average spread between the list price and the sale price decreased, this reduction may simply mean that home sellers are adjusting their expectations downwards to meet the market.





**Sales of single family dwellings in Syracuse Revitalization Areas (fall season only for each year)**

Year	1997	1998	1999	Percent Change, 1997-1999	Pct. change citywide, same period
Number of sales	26	32	45	73%	43%
Average Sale Price	\$37,422	\$35,481	\$26,339	-30%	-11%
Avg. spread, sale v. list price	-\$6,601	-\$3,575	-\$4,437	-33%	-28%
Avg. days on market	99	174	159	60%	32%

By many measures, MLS data shows a weak housing market. Source: Syracuse Association of Realtors. Note that the data only covers sales between 7/31 and 11/18 for each year.

Unfortunately, there are not enough sales in individual inner-city neighborhoods to be able to analyze home price trends neighborhood by neighborhood. Over the entire 28-month period covered by the MLS data, average home sale prices were highest in Washington Square and the Near Northeast. Neighborhoods in the south and west sectors of the city - the Near West Side, Brighton, and Southwest - had the lowest average sales prices, in the low to mid \$20,000 range.

### Single-family sales in revitalization areas, 7/31/97 - 11/18/99

Neighborhood	No. of sales	Average price	Avg. spread, sale v. list price	Avg. days on market
Brighton	58	\$25,243	-\$4,387	139
Near East	1	\$45,000	-\$4,900	24
Near West	13	\$22,933	-\$4,075	171
Near Northeast	41	\$39,600	-\$5,112	156
Skunk City	19	\$34,989	-\$4,911	159
Southwest	7	\$24,757	-\$3,314	169
Washington Square	89	\$39,590	-\$3,851	150
All revitalization areas	228	\$34,177	-\$4,303	150

*Of the revitalization area neighborhoods, Washington Square and Near Northeast appear to have had the strongest single-family markets recently. Source: Realtor<sup>®</sup> MLS data.*

### *Spatial patterns in arm's-length sales: remarkably low levels of activity*

By mapping where sales have occurred, we can gain some additional insights into investment patterns in the city.

### Arm's-length transaction rates in revitalization neighborhoods, 1999

Neighborhood	Arms-length single family home sales, 1999	Single family homes in neighborhood	Percent of total housing stock sold annually
Brighton	18	1877	0.9%
Near East Side	3	136	2.2%
Near West Side	3	514	0.6%
Near Northeast	9	582	1.5%
Skunk City	4	343	1.2%
Southwest	3	396	0.8%
Washington Square	34	1637	2.1%

*Very few homes are being sold arm's-length in the revitalization area neighborhoods. In an active market, the percentages in the right hand column would be much higher. Source: City of Syracuse Assessor's office data.*

MLS data shows that Realtor<sup>®</sup>-brokered activity has been slow. Between July 31, 1997 and November 18, 1999, there was a fair amount of activity in the single-family market in Washington Square, Brighton, and the Near Northeast. On the other hand, there were only 21 Realtor<sup>®</sup>-brokered single-family sales over the entire 28-month period in the Near West, Near East, and Southwest areas combined. The lack of Realtor<sup>®</sup>-brokered activity in these neighborhoods raises several concerns. Clearly, it suggests that homeowners may, in fact, be “stuck” in their home, unable to sell it and perhaps not even trying anymore. These results also suggest the need for efforts to involve Realtors<sup>®</sup> in neighborhood marketing efforts. Given the very low value of real estate in the revitalization areas, which makes for very low commissions for Realtors<sup>®</sup>, it might make sense to offer added financial incentives to Realtors<sup>®</sup> who market homes in revitalization areas.

### ***Typical homebuyer profiles: a diverse group of moderate-income households***

In our informant interviews, we asked our interviewees to profile the typical households buying homes in the city. The most common profile was a first time home buyer with an income between \$20,000-35,000, already living in the city, buying a home in the \$40,000-60,000 range. Other common descriptions included two income households; single female-headed households; and young couples, singles, or older couples (all households with no school-aged children).

Informants noted that people buying in the city were a racially diverse group. They spoke particularly of a growing Asian community in the northern section of the city and of new immigrants in general. One or two people mentioned buyers having credit blemishes and therefore limited choice and needing “special products” or programs to assist in buying homes. One real estate professional felt young singles and couples were “skipping the rental phase” and moving from parents’ homes into homeownership.

Many of the people interviewed answered this question in terms of owner-occupant buyers, but as the conversation continued it was clear that many city sales were to investor-owners with no intention of occupying the property. Two interviewees stated concerns over the quality of the investors. They had fear that investors didn’t know how to be landlords and/or they were in it to “soak up what was left” of the homes without reinvesting anything.

## The Multi-Family Housing Market

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### Key Points:

- ✓ **Low and declining sale prices indicate a very depressed market for multifamily housing.**
- ✓ **As with the single-family market, sale prices of multifamily housing are lower in revitalization areas than in the city as a whole.**
- ✓ **Our informants did note that many high-quality rental properties have been quite successful.**

### *A bleak future for multifamily housing?*

In interviews conducted for this study, members of the real estate community expressed concerns about the viability of multifamily housing for the near future. Investor buying and selling seemed to center around the fact that just a few years ago the 2 to 4 unit housing market was strong, with many investors buying and renting to Syracuse University students and others. Now, many homes are deteriorated and investors are no longer making money in the rental market. Multiunit homes can stay on the market for one and two years.

On the other hand, many of our interviewees also felt that success was possible in the rental market. They felt that with a high quality rental property, it is easy to attract good tenants and collect strong rents. This trend seemed particularly notable in the downtown area, where rental developments such as Armory Square have been highly successful, but our informants also noted some successful, nonprofit-owned rental housing on the East side.

### *Sales price trends: rock bottom prices and a continuing decline*

As with single family structures, we used both Assessor's office data and MLS data to estimate sales price trends for multifamily properties. While the data are not in perfect agreement, it is clear that the average sale price of multifamily buildings has been declining. According to the Assessor's Office data, the average sale price of 2-3 unit buildings citywide went from in \$63,860 in 1997 to \$60,534 in 1999, a decline of 5.2 percent. MLS data was available for 2 to 4 unit buildings only for the past 28 months. According to this data, the average sale price of 2-4 unit buildings citywide went from \$50,250 in the fall of 1997 to \$42,292 in the fall of 1999, a decline of 12 percent. This decrease was slightly greater than the 11% decline registered in single-family home sale prices over the same period.

The MLS data show that 2-4 unit properties generally sat on the market for long periods of time and had large differences between what the seller originally wanted and what the buyer eventually paid. Moreover, multifamily buildings sold for substantially less money than single family homes, which had an average sale price of \$60,176 in the fall of 1999. This disparity is partly driven by the fact that multifamily buildings tend to be located in revitalization areas and other disinvested neighborhoods, not just by the relative obsolescence of the 2-4 unit housing typology.

**Sales of 2-4 unit buildings in Syracuse (all neighborhoods, data between 7/31 and 12/31 of each year only)**

Year	1997	1998	1999	% Change, 97-99
Number of sales	54	100	92	70%
Average Sale Price	\$50,250	\$46,659	\$42,292	-12%
Avg. spread, sale v. list price	-\$10,505	-\$14,851	-\$8,122	-23%
Avg. days on market	137	174	171	25%

*Citywide, 2-4 unit buildings sell for less money and stay on the market longer than they did in 1997. Source: Syracuse Association of Realtors. Data covers sales between 7/31 and 12/31 only for each year.*

Interestingly, the sale prices of 2-4 unit buildings decrease as the number of units in the building increases, according to the MLS data. This trend may reflect the difficulties of operating and maintaining rental housing in a soft market, as well as the desire of owner-occupants to limit their maintenance and management concerns.

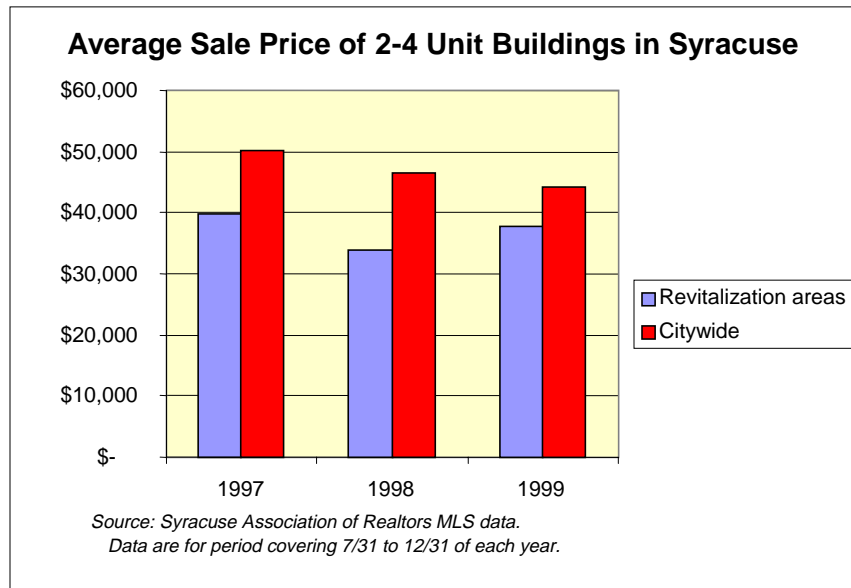
**Sales of 2-4 unit buildings in Syracuse (all neighborhoods), 7/31/97 - 1/15/00**

Units in Buildings	2	3	4
Average sale price	\$44,781.51	\$42,955.22	\$36,793.00
Number of sales	359	60	25

Source: Syracuse Association of Realtors.

***Neighborhood trends: a troubled housing typology sells for even less in revitalization areas***

As with the single-family market, multifamily properties sell for less when they are located in a revitalization area. In the fall of 1999, according to MLS data, multifamily properties sold for an average of \$37,777 in revitalization areas compared to \$42,292 citywide.



MLS data also show that average sale prices have declined by five percent from the fall of 1997 to the fall of 1999, when they sold for an average of \$37,777. However, this decline is less than the 12 percent decline that multifamily properties have undergone citywide in the same period. Average sale prices actually increased somewhat from the fall of 1998 to the fall of 1999. Part of the recent stabilization of this housing stock may be the result of intensive investment by nonprofits. Several city nonprofits, including Syracuse Model Neighborhoods Corporation and Housing Visions among others, have undertaken substantial projects to acquire and rehabilitate this housing in revitalization areas.

**Sales of 2-4 unit buildings in Syracuse revitalization areas**

Year	1997	1998	1999	% Change, fall 97- fall 99
Number of sales	21	33	33	57%
Average Sale Price	\$39,929	\$33,860	\$37,777	-5%
Avg. spread, sale v. list price	-\$11,724	-\$25,878	-\$9,366	-20%
Avg. days on market	136	198	211	56%

*Not many 2-4 unit buildings were sold in the revit areas. Those that did went for very low prices and stayed on the market for a long time. Source: Syracuse Association of Realtors. Data covers sales between 7/31 and 12/31 only for each year.*

When we look at sales in individual revitalization area neighborhoods over the entire 28 - month period covered by MLS data, some neighborhoods show marked levels of disinvestment. The Near West Side had an average sale price of only \$10,850, and only 25 Realtor-brokered transactions despite a large number of multifamily homes in the area. As with the single-family market, Washington Square and the Near Northeast again had the most active and healthiest multifamily market.

**Sales of 2-4 unit buildings in revitalization areas, 7/31/97 - 1/15/00**

Neighborhood	No. of sales	Average price	Avg. spread, sale v. list price	Avg. days on market
Brighton	28	\$22,985	-\$30,480	331
Near East	3	\$53,000	-\$29,133	415
Near West	25	\$10,850	-\$7,128	99
Near Northeast	32	\$42,391	-\$8,825	161
Skunk City	15	\$24,633	-\$8,773	163
Southwest	7	\$45,614	-\$8,900	173
Washington Square	63	\$41,117	-\$8,262	153
All revitalization areas	173	\$33,003	-\$12,230	182

*In all of the revitalization areas, 2-4 unit buildings sell at bargain-basement prices, but prices in the Near Westside evidence a shocking degree of disinvestment. Source: Realtor® MLS data.*

## Mortgage Market

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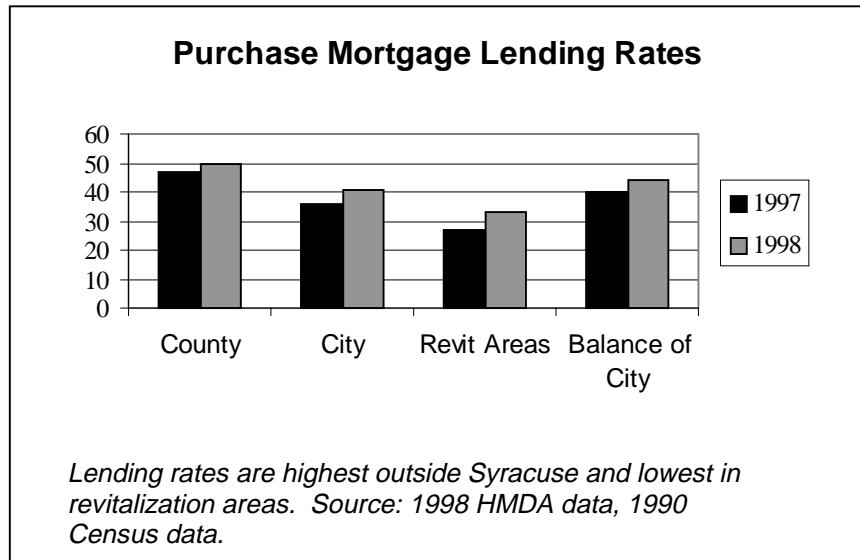
### Key Points:

- ✓ Inner city areas of Syracuse see much lower levels of lending activity and much higher denial and frustration rates for loan applications than do other areas of Onondaga County. The few loans that are originated in these areas are much more likely to be subprime loans than in other areas of the County.
- ✓ Nevertheless, purchase mortgage lending has been increasing in the revitalization neighborhoods, as it has throughout the rest of the City of Syracuse and Onondaga County.
- ✓ The volume of subprime lending has increased as well, particularly for refinance loans, but the data suggest that subprime lending is not a significant force driving market decline in Syracuse.
- ✓ Frustration rates among loan applicants have increased throughout all areas, although revitalization areas have seen the highest rate of increase.
- ✓ Poor credit history is the leading reason why potential borrowers are denied a loan.
- ✓ Foreclosure rates have increased significantly in Onondaga County over the past several years.

### *Lending patterns: a weak inner-city real estate market is reflected in minimal lending activity*

As a part of this study, Neighborhood Reinvestment calculated census tract lending rates to determine geographic patterns in mortgage lending in Onondaga County. For any given area, the purchase mortgage lending rate is simply the number of loans originated per 1,000 owner-occupied households. Home Mortgage Disclosure Act (HMDA) data from 1998 show marked variation in purchase mortgage lending rates from census tract to census tract. In general, however, the trend is clear: lending rates are lowest in inner-city areas, higher elsewhere in the city, and highest in suburban areas of the county. Similarly, the 1998 HMDA data also show much lower lending rates for home improvement loans in inner-city areas.

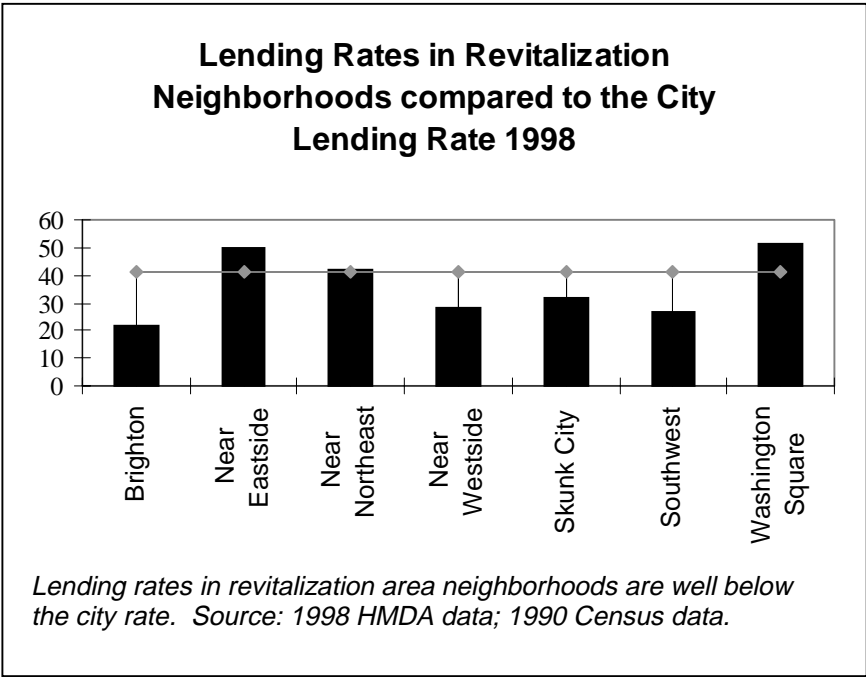




Almost across the board, revitalization area neighborhoods experienced lower purchase mortgage lending rates for HMDA-reported loans than the rest of the city. As a whole, the revitalization areas had a lending rate of 33 loans per 1,000 owner-occupied units in 1998, compared to 41 per 1,000 citywide and 50 per 1,000 in Onondaga County. It is notable, however, that Washington Square had a higher lending rate than the city average, reflecting that area's relatively vigorous real estate market. The Near Eastside also had a high lending rate, but achieved this rate with just 20 loan originations due to the small number (398) of owner-occupied housing units.

A large part of the explanation for these very low lending rates in inner-city areas is that fewer households from these areas are applying for loans. Several factors explain this phenomenon. Most importantly, the soft real estate market in this area, with very few houses being sold, generates few occasions for anyone to apply for a home purchase loan.<sup>14</sup> Second, many households looking to buy or fix up a home in the area may be discouraged about applying for a loan, either because they do not understand the process or because they feel that their income or credit history is inadequate.

<sup>14</sup> The lending rate for home improvement loans is low in these areas for the same reason. The soft market also reduces people's interest in applying for a home improvement loan, since they may worry about recouping their investment upon selling the home. Also, much of the housing in revitalization areas is owned by absentee investors, and these investors are less likely to apply for home improvement financing than homeowners.



Another part of the explanation for low lending rates in inner-city areas is that loan applicants from these areas are less likely to have their loans approved. Many inner-city census tracts in Syracuse have mortgage loan denial rates in excess of 30 percent. As a whole, neighborhoods in revitalization areas had a denial rate of 21 percent, compared to 15 percent in other areas of the city and 13 percent in Onondaga County.

**1998 Owner-occupied purchase mortgage, 1-4 family homes**

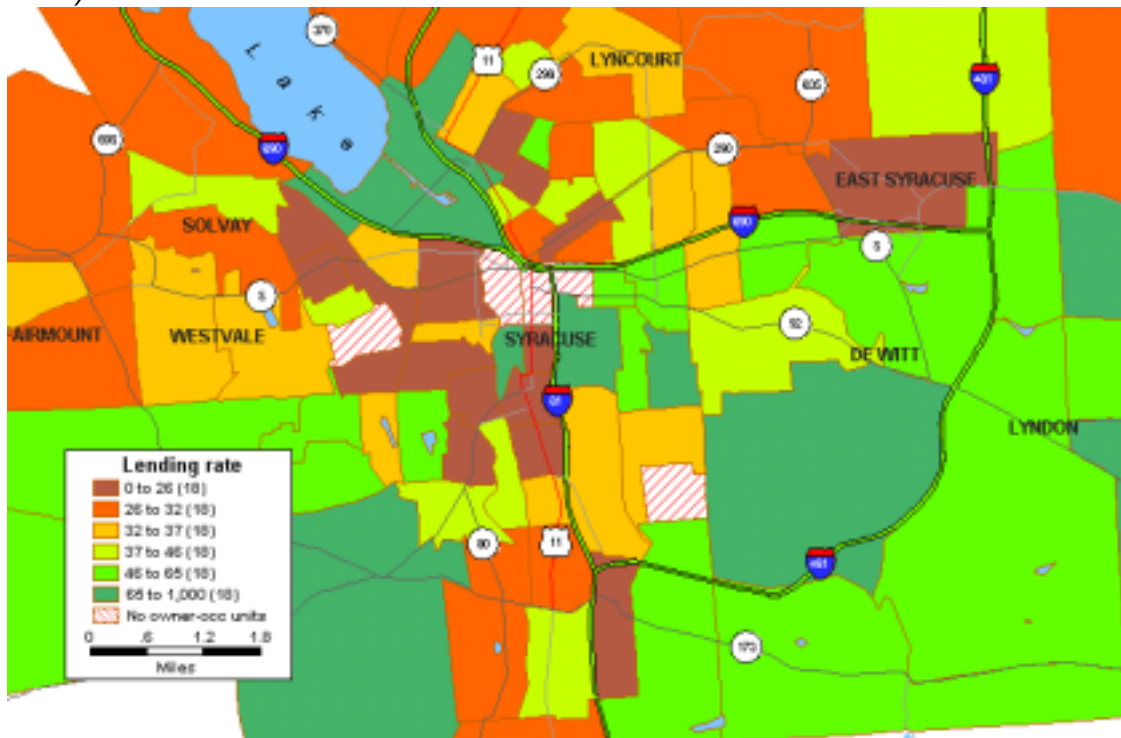
	<b>Originated</b>	<b>Denied</b>	<b>Frustrated</b>	<b>Total Applications</b>
Onondaga County	5647 (75%)	1005 (13%)	905 (12%)	7557
City of Syracuse	1092 (69%)	265 (17%)	221 (14%)	1578
Revitalization Areas	262 (56%)	98 (21%)	107 (23%)	467
Balance of City	830 (75%)	167 (15%)	114 (10%)	1111

HMDA ffiec.gov

Other households do not have their loans denied, but never have their loan originated. These “frustrated borrowers” either withdrew their applications, left them incomplete, or were approved for a loan but decided not to accept it. Frustration rates are also higher in revitalization neighborhoods than in the rest of the city and county, helping to contribute to the lower lending rate in those areas.

### Purchase mortgage lending rate by census tract, 1998

(Purchase mortgage originations to owner occupants per 1,000 owner-occupied units) Source: 1998 HMDA data

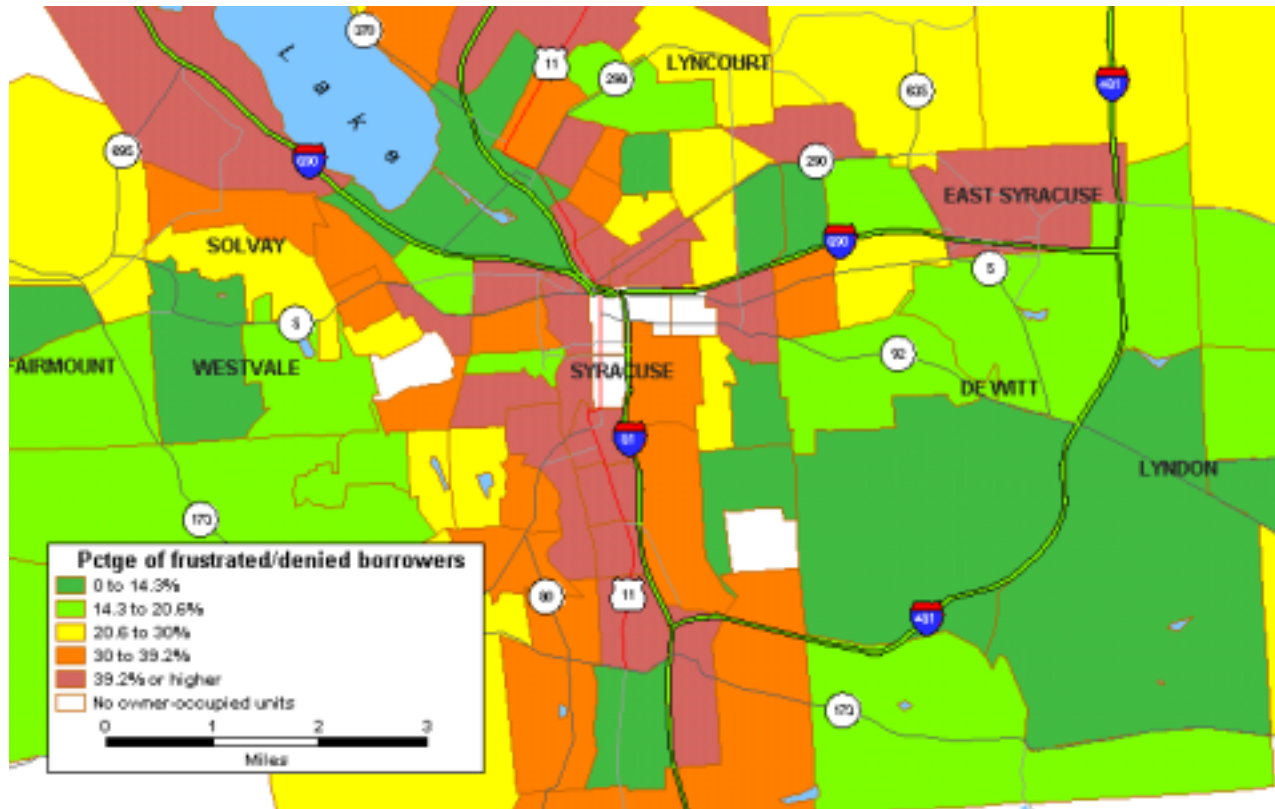


*On average, lending rates are significantly lower in revitalization areas than elsewhere in the county. However, there is substantial variation by census tract. Some inner-city tracts show high lending rates - they tend to have very few owner-occupied units, so that a small number of loans made results in a high lending rate.*

## Percent of purchase mortgage applicants frustrated or denied, 1998

(Purchase mortgage loans for owner occupancy only)

Source: 1998 HMDA data



*Inner-city borrowers seeking a mortgage to buy a home are more likely to be denied or frustrated in their efforts than borrowers elsewhere. Along with very low levels of market activity, these high rates of denial and frustration contribute to the low lending rate in revitalization areas.*

### ***Recent market trends: lending activity is on the rise***

Between 1997 and 1998, HMDA-reported purchase mortgage lending in Onondaga County, the City of Syracuse and in the revitalization neighborhoods has been increasing. The percentage of increase has been larger in the City and in the Revitalization neighborhoods than in the County as a whole.

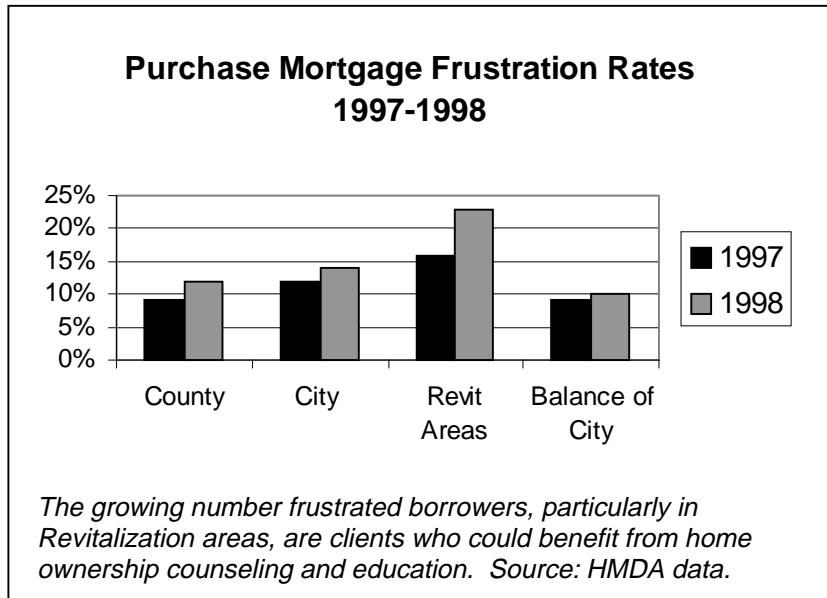
**Owner-occupied purchase mortgage, 1-4 family homes**

	<b>1997 Loans Originated</b>	<b>1998 Loans Originated</b>	<b>% increase in Lending</b>
Onondaga County	5,257	5,647	7%
City of Syracuse	960	1,092	14%
Revitalization Areas	218	262	20%

HMDA ffiec.gov

While the lending rate within the revitalization area is lower than the city and county, it has increased substantially, jumping from 27 loans per 1,000 owner-occupied units in 1997 to 33 loans in 1998. This rate was still 8 loans per 1,000 owner-occupied housing units less than the city’s 1998 rate of 41 loans.

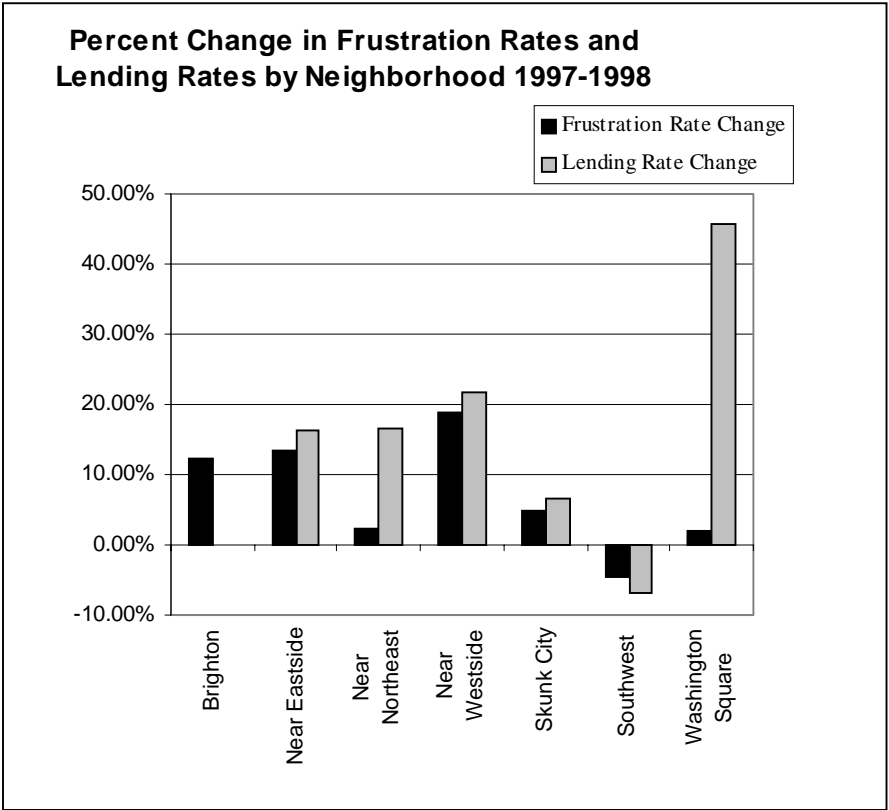
While the lending rate within all areas has been rising, so have the frustration rates. The frustration rates in all three areas increased from 1997 to 1998, yet the largest increase of



7% was seen in the revitalization neighborhoods. This increase may reflect an increasingly competitive mortgage market where borrowers make last-minute choices among lenders, but it also may reflect an increasingly complex and confusing mortgage market that borrowers are having a hard time understanding.

Looking at the change in lending rate and the change in frustration rate by neighborhood between 1997 and 1998 yields some interesting trends. Over all, lending rates and frustration rates rose. Yet by neighborhood the trend was not so clear. Most notably, the

Near Northeast and Washington Square saw increases in lending rate with very small increases in frustration rate. Brighton saw a large increase in frustration rate with no



increase in lending rate. The Southwest actually saw a decrease in both the frustration rate and lending rate. There were less purchase mortgage applications submitted from this neighborhood.

Between 1997 and 1998 there was a surge of refinance mortgage lending. This impacted the County and City greater than the revitalization neighborhoods, although there was increased lending in all three areas. The County experienced a 185% increase in refinance originations, the city a 107% increase and the revitalization neighborhoods a 47% increase. The trend in Syracuse parallels a national increase in refinancing that has been driven by low interest rates; with the recent increase in interest rates we may expect the number to level off.

***Foreclosures: an upwards spike reflects both local and national trends***

An important trend affecting the Onondaga County housing market is the rising number of foreclosures over the past decade. From 1990 to 1998, the number of foreclosures has

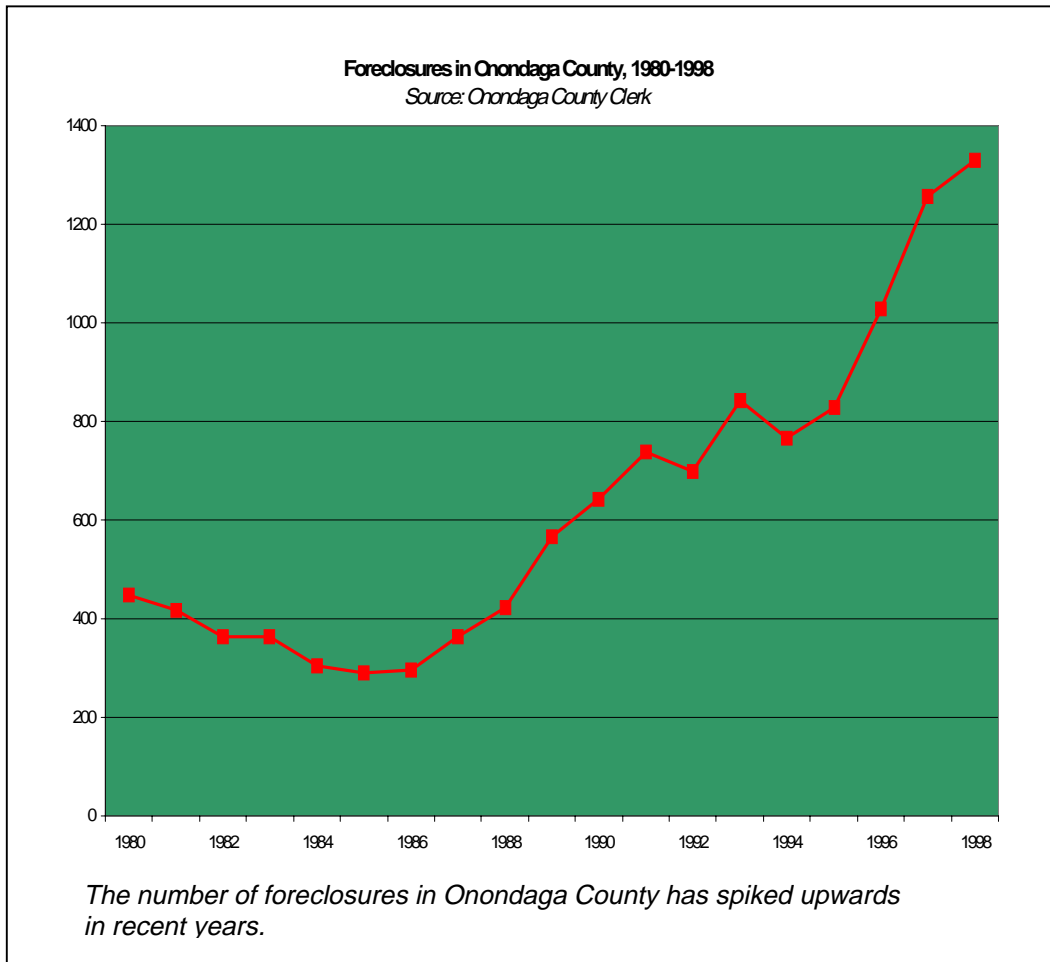
more than doubled, reaching 1,329 in 1998 from 641 in 1990. Of particular concern is that the number of foreclosures has spiked dramatically upwards in recent years.

Several factors may contribute to this upwards spike in foreclosures. A likely explanation is that the increase in foreclosures is reflecting the weakening housing market in the city, as homeowners make an economically rational decision to stop paying their mortgage once the market value of their home falls below the outstanding principal on their loan. Unfortunately, since the county clerk foreclosure data is not available electronically, we were unable to map where these foreclosures have occurred. However, it is reasonable to expect that a substantial number of these foreclosures happened in inner-city areas of Syracuse.

Another explanation for the increase in the number of foreclosures is that households are increasingly running into problems managing their debts. Nationally, consumer debt has risen substantially in recent years, with a corresponding increase in the number of foreclosures, despite the rapid pace of economic growth.<sup>15</sup> The situation in Syracuse may be related to this national trend. Finally, some foreclosures may be related to problems with predatory subprime lending, a topic we discuss below.

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<sup>15</sup> Consumer bankruptcies, for example, broke the one million mark in 1996, and rose by more than 20 percent per year from 1994 to 1997. See Elizabeth Warren, "The Bankruptcy Crisis," *Indiana Law Journal*, Vol. 73 No. 4, Fall 1998. The National Consumer Law Center notes that in 1997, more than 500,000 families lost their homes to foreclosure nationwide (Margot Saunders, pers. comm.).



***Subprime lending: both resource and risk for homeowners, but probably not a leading factor behind housing market decline***

Nationally, considerable attention has been drawn to the subprime lending market, which turned into a booming national business with an estimated loan volume of \$120 billion in 1997.<sup>16</sup> Subprime lenders generally charge higher fees and interest rates than conventional loans, and make their loans available to people who often would not qualify for conventional financing. On the one hand, subprime lending may help community development efforts by increasing access to capital, particularly for people with low incomes or credit ratings. On the other hand, many community development practitioners worry that minority, elderly, and low-income households may end up with high-priced subprime loans even when they would qualify for more favorable terms of

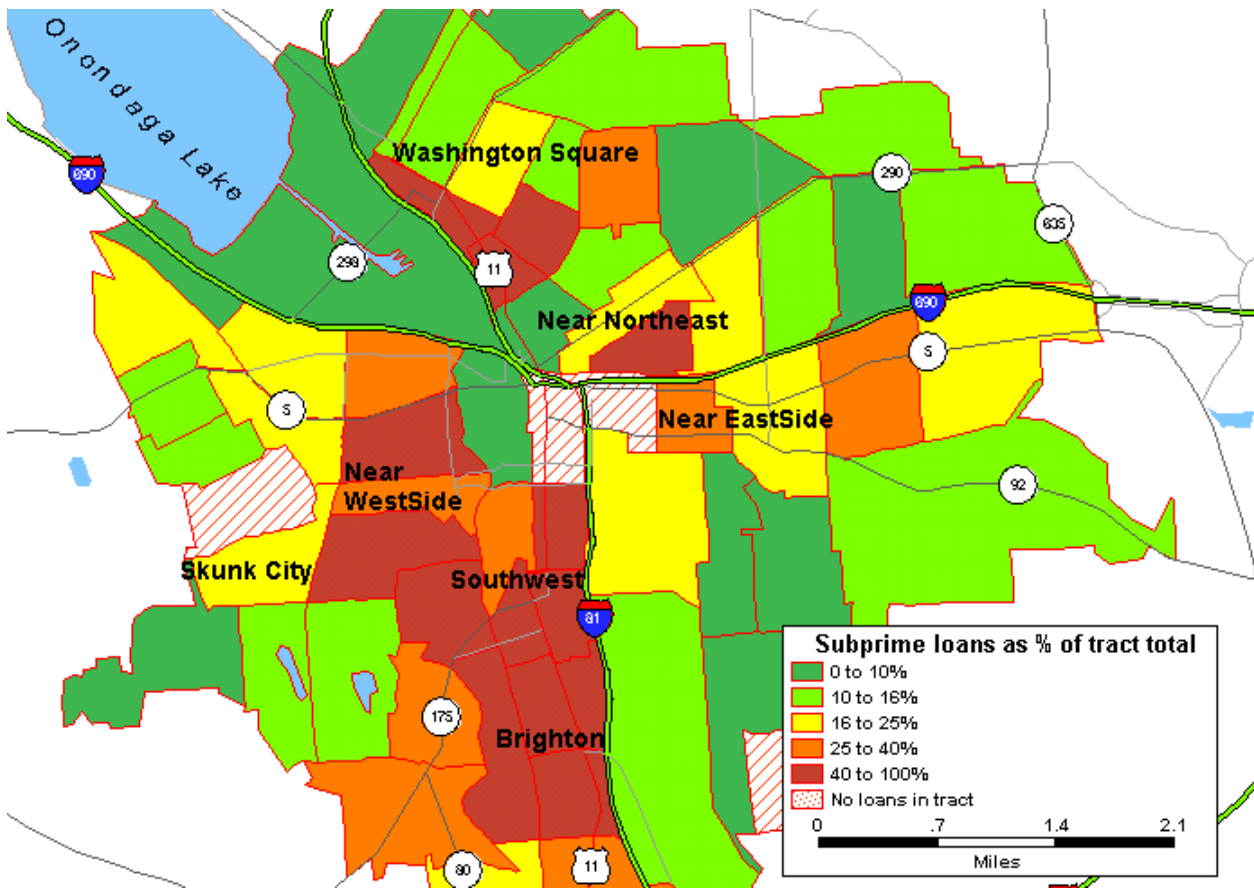
<sup>16</sup> See John R. Wilke. "Justice, FTC Probe Lenders, Allege Abuses." *The Wall Street Journal*, January 30, 1998, p. A3.



financing. Of particular concern are “predatory” subprime lenders that use deceptive tactics to originate very high-fee, high-cost loans and foreclose on homes when the borrowers cannot keep up, effectively stealing the equity that borrowers have built up in their homes. In our informant interviews, housing counselors noted that subprime lending was a useful resource for many of their clients, but also told stories of other clients who were saddled with very high-cost, predatory loans that they could not pay back.

### Percent of purchase mortgage originations that were subprime, 1998

(Purchase mortgage loans for owner occupancy only)  
 Source: 1998 HMDA data



*Inner-city borrowers are more likely to end up with a subprime loan than borrowers elsewhere in the city. However, HMDA reported subprime lending still plays a relatively small role in the inner-city housing market, as we discuss in the text.*

Data on subprime lending is not directly available, but Neighborhood Reinvestment was able to analyze trends in subprime lending in Onondaga County by utilizing a list of lending institutions specializing in subprime lending developed by researchers at HUD<sup>17</sup> and merging this list with HMDA data for 1996 through 1998. This analysis shows that the number of subprime loans to refinance mortgages has almost doubled over this time period, causing the total number of subprime originations to increase. At the same time, however, the number of subprime home purchase and home improvement loans has declined. Moreover, the overall increase in subprime lending in the county did not keep up with very fast-paced growth in conventional lending, with the result that the market share of subprime lenders has declined in the county from 1996 to 1998.

#### HMDA-reported subprime loans originated in Onondaga County, 1996-98

	1996	1997	1998
Subprime purchase loans	508	513	348
Conventional purchase loans	4968	5271	5663
Percent of purchase loans that were subprime	10.2%	9.7%	6.1%
Subprime home improvement loans	484	449	274
Conventional home improvement loans	2225	2124	2249
Percent of home improvement loans that were subprime	21.8%	21.1%	12.2%
Subprime refinance loans	517	612	957
Conventional refinance loans	2546	2206	6275
Percent of refinance loans that were subprime	20.3%	27.7%	15.3%

*The market share of subprime lenders in Onondaga County has decreased across the board. Source: HMDA data; Scheessele (1999).*

The data suggest that subprime lending is an issue of diminishing importance for the county. However, it is important to recognize some limitations on the data. First of all, the analysis does not recognize the possibility that some loans made by conventional lenders may in fact be subprime loans. Most conventional lenders use a subsidiary to make their subprime loans, which would show up in the analysis, but there are certain lenders for whom this may not be the case. Secondly, some subprime lenders may underreport their HMDA activity. Both of these limitations suggest that the actual number of subprime loans that are originated may be higher than the analysis indicates.

<sup>17</sup> Scheessele, Randall (September 1999). "1998 HMDA Highlights." US Department of Housing and Urban Development Office of Policy Development and Research. Note that Scheessele's research does not necessarily reflect the views of the Department of Housing and Urban Development.

Outside of the limitations to the analysis, there are other factors that may explain the apparent drop in subprime lending. Nationally, subprime lending has lost market share in recent years, in part because subprime rates tended to stay high even as conventional interest rates dropped considerably. Locally, while housing counselors have noted cases of predatory lending, the soft real estate market has not created much equity for predatory lenders to target. As prices continue to decline, we might expect that aspect of subprime lending to decrease somewhat.

Is subprime lending driving the decline of inner-city areas in Syracuse? Probably not. The overall volume of subprime loans in the inner city seems too small to be a major factor. Also, subprime lending is spread throughout the County - in fact, many inner city areas have low lending rates for subprime loans, while some suburban areas have high lending rates for subprime loans. The data do show that when an inner-city household does get a loan, the chances that it is a subprime loan are higher than in other areas of the county. This fact suggests that poor credit and other barriers to accessing capital are part of the reason why lending rates are so low in the inner city, a theme that we discussed earlier.

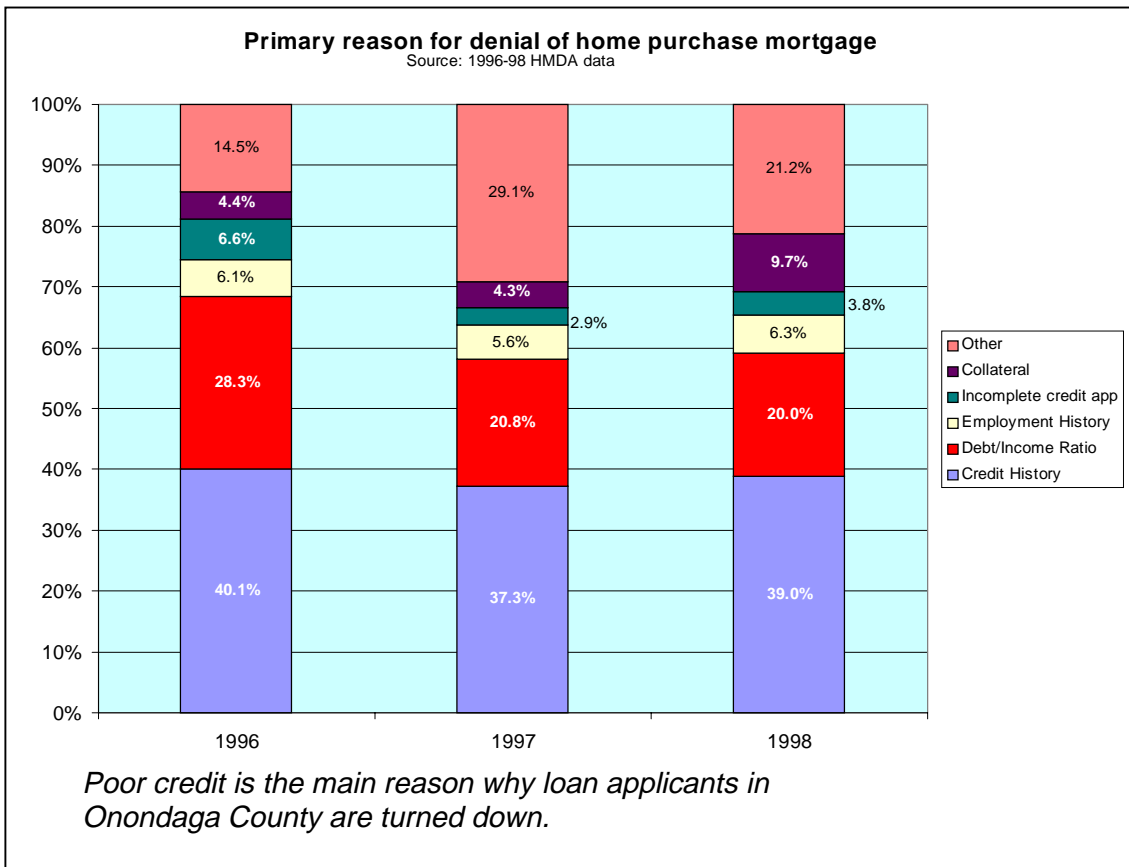
Further study of subprime lending issues in Onondaga County should include an analysis of recent foreclosures, with an effort to identify whether the owner being foreclosed upon had received a subprime loan. This study requires a fairly time-intensive effort to review non-computerized files at the County Clerk's office and contact the former homeowners for follow-up.

### ***The need for homebuyer counseling and education***

In 1998, 205 households applied for a mortgage to buy a house in a revitalization area in Syracuse but did not get one. In the same year, another 281 households applied for a mortgage to buy a house elsewhere in the city but also did not get one. These mortgage applications that were not originated, both denied and frustrated, could be considered an untapped market: they are homebuyers that have an interest in obtaining a purchase mortgage within the city. The challenge is to determine why they were either denied or frustrated and determine if these barriers could be overcome.

The HMDA data do not provide information about what factors contribute to borrower frustration rates. Possibilities include cash short falls, poor credit, or debt/income problems that cause borrowers to withdraw their application or leave it incomplete, unfamiliarity with the mortgage process, or borrowers losing interest in the house they were about to buy.

In many instances, HMDA does provide data on the reasons why banks denied a loan. Upon analyzing the available data, borrowers' past inability to manage their debt emerges as a powerful concern. Poor credit history was the primary reason for 39 percent of the 444 home purchase mortgage denials in 1998 for which this data was reported. In the same year, excessive debt to income ratios accounted for another 20 percent of home purchase mortgage denials. No other reason for denial occurred with anywhere near the same frequency as these two problems.



Both anecdotal information from our informant interviews and credit data from PCI Services further support the conclusion that poor credit among borrowers is a major obstacle to encouraging a higher rate of homeownership in Syracuse. According to PCI Services estimates, about 40 percent of all households in Onondaga County have credit scores that characterize them as “high-” or “very high-” risk borrowers. The proportion

of high-risk borrowers is highest among lower-income renter households - 64 percent of renter households earning less than \$25,000 a year are considered high- or very high-risk borrowers. One of our interviewees noted the extreme difficulty of finding creditworthy homebuyers among this population, requiring extensive and costly outreach. In his experience, a housing fair attracting 500 would-be homebuyers only yields a handful of qualified applicants.

It is critical to note that problems with poor credit are not limited to lower-income renters. Among renter households earning \$50,000 per year or more, an estimated 4,029 households - 46 percent of the total - are considered by PCI to be high- or very high-risk borrowers. Even 36 percent of all current homeowners in Onondaga County are high risk borrowers according to PCI; these homeowners may be unable to improve their homes or move to a different home as a result. These facts suggest that helping people to deal with credit problems could provide the market with an increased demand for homeownership across many income levels.

High mortgage denial and frustration rates, widespread problems with credit, and growing numbers of foreclosures all suggest the importance of counseling and education programs for homebuyers and consumers. Additional resources invested in these programs will benefit not only the homebuyers themselves, but also the lenders, Realtors<sup>®</sup> and other real estate professionals who do business with them. Some thought might also be given to credit enhancement programs that protect lenders offering credit to higher-risk borrowers. However, these programs will only drain public resources with no neighborhood-level benefits if the borrowers do not ultimately succeed.

## Mortgage Products

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### Key Points:

- ✓ **There appears to be a healthy mix of conventional mortgage products on the market.**
- ✓ **Specialized products do exist, offered both in conjunction with nonprofit organizations and by lenders directly. Most focus on assisting low- to moderate-income homebuyers by addressing down payment, closing costs and underwriting issues.**
- ✓ **Programs at Chase Manhattan, M&T Bank, and Syracuse University are offering incentives for people of various income levels to live in city neighborhoods.**

According to the 1998 HMDA reporting data, a total of 336 institutions were taking mortgage applications in Onondaga County. Of these institutions, 155 had a local branch or office and 181 did not have a local presence. The total number of lenders serving the county represented an increase from 280 institutions in 1997, of which 127 had a local presence.

Most area lenders, especially those covered by the Community Reinvestment Act, have specialized products with parameters adjusted to meet the common barriers that low-to moderate-income homebuyers face. Some tools include: low down payment and closing cost requirements, or special loan/grant combinations to provide cash for down payment and closing costs; ability to accept less than perfect credit histories with written explanations; ability to construct alternative credit histories; and first-time home buyer counseling or education programs. Many lenders work with existing nonprofit organizations, especially Home Headquarters, in providing these services. Home Headquarters also assists buyers in accessing down payment and closing cost loans and grants. These products tend to be available to homebuyers with household income at or below 80% of the area median income. They are not targeted to particular neighborhoods.

Several programs offer particularly innovative tools that provide an incentive for people to buy homes in city neighborhoods. One such program is the Syracuse University Guaranteed Mortgage Program. This program is available to University staff and faculty who buy a house in the neighborhoods immediately south and east of the main campus. The mortgage guarantee provides lenders with the confidence to originate loans in situations with little or no downpayment. To qualify, borrowers must buy a 1 or 2 family home for their principal residence, be full or regular part-time faculty or staff, and meet the lender's underwriting guidelines. Chase Manhattan Bank, M & T Bank, HSBC and

SBU Mortgage Corporation participate in this program. As of February 22, 2000 the program has supported 70 mortgages, with 3 additional mortgages pending closing.

Chase Manhattan has a closing cost grant program for first-time homebuyers that provides for up to \$3,500 in closing cost concessions paid for by Chase at closing with no obligation on the buyer. Again, buyers must purchase a 1 or 2 family home. Buyers whose income is below 80 percent of the area median may receive this assistance if they buy anywhere in the Syracuse metropolitan area. Usually, these buyers also receive an interest rate reduction on their mortgage. Buyers with incomes between 80 and 100 percent of the area median are eligible for a reduced amount of assistance - \$2,000 - if they buy anywhere in the Syracuse metropolitan area.

Notably, the Chase program provides a full \$3,500 in closing cost assistance to households at any income level if they purchase a home in a low to moderate income census tract (a census tract where more than half of the households are low or moderate income as defined by HUD). This aspect of the program helps to market inner city neighborhoods to middle-income families. However, Chase officials report that to date, most of the households assisted under this program have been below 80 percent of median income, suggesting that cash incentives may need to be combined with other neighborhood improvements and marketing efforts to be able to attract middle-income families. The Chase program has been offered since April 1998 and has helped over 50 homebuyers.

M&T Bank offers reduced interest rates for homebuyers in low to moderate income census tracts in Syracuse, regardless of the buyer's income. Currently, buyers in these areas may obtain a mortgage loan at 6.75 percent, compared to their current market rate of 8.55 percent. So far, M&T has originated 30 of these mortgages. M&T also offers a number of other products, such as a reduced-rate home improvement loan program and a First Home Club savings program that offers closing cost and down-payment grant assistance, but these programs are limited to low- and moderate-income homebuyers.

The State of New York Mortgage Agency (SONYMA) has a low interest loan product that is targeted to low- to moderate-income borrowers, but it will make an exception on income levels if it is used to buy a home in a federally designated slum and blight area. The program provides qualified low- and moderate-income first-time homebuyers with low down-payment mortgage financing on one- to four-family dwellings at fixed interest rates which are below prevailing conventional rates. Within designated target areas, SONYMA provides the following incentives: The first-time homebuyer requirement is eliminated; Household income and home purchase price limits are higher; Two-family homes that are newly constructed or are less than 5 years old are eligible. According to the SONYMA Web site, SONYMA products are offered through several local lenders,

including Chase Manhattan Bank, Fleet Mortgage, Countrywide Home Loans, HSBC, Key Bank, M & T Mortgage and Norwest Mortgage.

Fannie Mae also offers products to participating lenders that help families to buy and rehabilitate city homes. The Fannie Mae HomeStyle Community Mortgage provides up to 95 percent financing for the purchase and improvement of a home, with the financing based on the after-rehabilitation value of the home. Borrowers may use up to 30 percent of the financing they receive to make home improvements or repairs. Low- and moderate-income borrowers are eligible for this product, but so are households of any income that buy in central city areas.



## Homeownership Demand and Affordability

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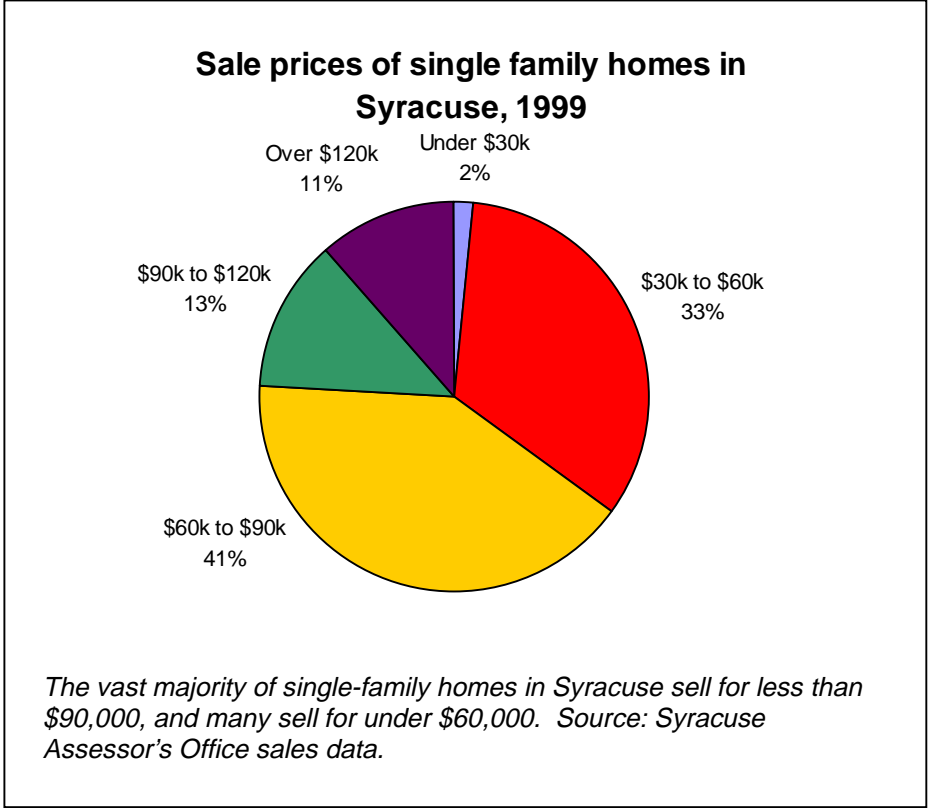
### Key Points:

- ✓ **Low home prices throughout the city make homeownership affordable to many households, but not necessarily a good investment.**
- ✓ **There are over 11,000 potential first-time homebuyers in Onondaga County; over 5,000 of these households already live in the City of Syracuse.**
- ✓ **The cost of purchasing and rehabilitating a home in revitalization areas often exceeds the post-rehabilitation market value of the home.**

### *One of the most affordable markets in the county*

The Syracuse MSA has one of the most affordable housing markets in the country, according to the National Association of Home Builders (NAHB). The NAHB's Housing Opportunity Index measures the share of homes in a market that are affordable to a median-income family. In the 3<sup>rd</sup> quarter of 1999, 75.1 percent of the homes for sale in the Syracuse MSA were within reach of a family earning the area median income. By comparison, a family earning the national median income could only afford to buy 63.4 percent of the homes for sale nationally in the same time period. Syracuse ranked 49<sup>th</sup> out of 186 metropolitan areas nationwide for the affordability of its housing stock, and had the 9<sup>th</sup> most affordable housing stock in the Northeast region. In fact, DRI/McGraw-Hill noted that affordable housing is one of the main economic strengths of the Syracuse area.

Data on home sales from the Syracuse Assessor's office shows that some of the most affordable housing in the area is right in the city. Most homes sell for under \$90,000, and a sizeable minority (35 percent) are available for under \$60,000. As we have already seen in the discussion of the single-family and multifamily markets, prices in revitalization area neighborhoods are even lower. While the NAHB found that the median home sales price in the MSA was \$85,000 for the 3<sup>rd</sup> quarter of 1999, prices are much lower in the revitalization areas. Clearly, the revitalization area neighborhoods could represent a resource for first-time homebuyers and other households in the region who are looking for an affordable home.



***First-time homebuyers: potential for a symbiotic relationship with city neighborhoods***

A sizable market of potential first-time homebuyers does, in fact, exist in Onondaga County and the city of Syracuse. According to our analysis, there are an estimated 11,394 potential first-time homebuyers in Onondaga County; 5,848 of these households live in the city of Syracuse. These potential first-time households are non-elderly renter households who have debt payments amounting to less than 9 percent of their annual income, sufficient cash for a 3 percent down payment, and adequate income to make mortgage payments on a home (assuming an 8 percent interest rate over a 30 year term and a 0.30 front-end ratio).<sup>18</sup> The following table shows the incomes of these potential first-time homebuyers and the price range of the homes they could afford to buy.

<sup>18</sup> Data on renter households by income level is from 1990 US Census, adjusted for inflation and 1990-98 local population trends; data on savings and debt status by income level is national data from 1995 Survey

**Potential First-time Homebuyers in Onondaga County**

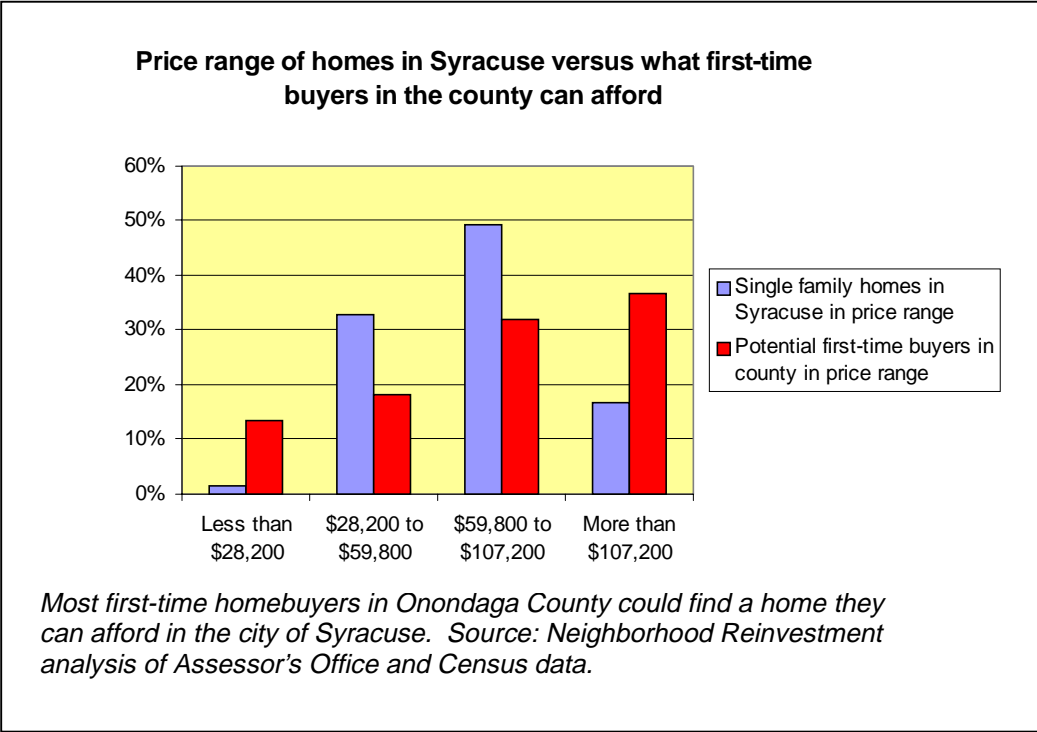
Est. Income Range (1999)	Potential buyers (% of total)	Price Range of House	Midpoint of price range	Percent of single family homes sold in Syracuse in 1999 that were in this price range
Less than \$12,428	1,512 (13.3%)	Under \$28,200	\$14,100	1.4%
\$12,429 to \$24,855	2,066 (18.1%)	\$28,200 - \$59,800	\$44,000	32.7%
\$24,856 to \$43,498	3,626 (31.8%)	\$59,800-107,200	\$83,500	49.3%
\$43,499 to \$62,140	2,460 (21.6%)	\$107,200-\$154,600	\$130,900	11.6%
\$62,141 or more	1,731 (15.2%)	Over \$154,600	Over \$154,600	5.1%
<b>TOTAL</b>	<b>11,394 (100%)</b>			

*There are more than 11,000 potential first-time homebuyers in Onondaga County. Most could find an affordable home in Syracuse. Source: Neighborhood Reinvestment analysis.*

The actual number of potential first-time homebuyers may be larger than what we have estimated. First, this estimate does not include households that could receive gifts from relatives for a down payment, or households that could form through marriage whose combined income and assets would qualify to buy a home. Second, with special down-payment programs allowing a \$1,000 down payment, an additional 1,775 households (845 of them in the city) would be able to buy a home. Third, with long term counseling to reduce debt, an additional 4,220 households (2,044 of them in the city) who have between 9 and 30 percent debt might also qualify to buy a home. Finally, some low-income families who currently receive housing assistance through the Section 8 program may be able to buy a home in the near future through a new program that allows Section 8 vouchers to be used to support homeownership. This program can be piggybacked with the existing HUD Family Self-Sufficiency (FSS) program, which helps public and assisted housing residents to save for a down payment. The existence of credit problems might reduce the number of potential homebuyers somewhat, but most households with sufficient cash on hand for a down payment and a debt to income ratio of less than 9 percent will have a good credit rating.

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of Consumer Finance. Affordability analysis also assumes \$400 annual homeowners' insurance costs and property tax equal to a 33.5138 mileage rate applied to the sales price (market value) of the property.



***Stumbling blocks on the road to increasing homeownership***

With many potential first-time homebuyers and many affordable homes on the market, the real estate community has a tremendous opportunity to increase homeownership in the city and particularly in revitalization areas. However, several major stumbling blocks are in the way. First, many of the more affordable homes in the city need repairs. Data presented earlier on housing conditions show that this need is greatest in revitalization areas. Interviews with nonprofit development organizations confirm that the cost to acquire and rehabilitate a home usually exceeds the after-rehabilitation market value of the home, thus requiring a significant level of subsidy. Second, if homes decline in value, new homeowners will be trapped with a depreciating asset. Several of the professionals and community leaders that we interviewed expressed concerns about low-income homebuyers being trapped by a combination of declining neighborhood conditions, diminishing property values, and onerous subsidy recapture clauses. Third, it is also important to keep in mind that many potential homebuyers will not be able to buy a home if they don't have access to appropriate homebuyer counseling and education, as well as to mortgage lending products that meet their needs. The analysis of HMDA data that we presented earlier underscores this concern. These three issues emerge as major challenges that the Syracuse Neighborhood Initiative will need to confront.

## Recommendations

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### *A strategic model to guide reinvestment*

In this chapter, we propose and explain a strategic model to guide and promote reinvestment in Syracuse neighborhoods, particularly the revitalization areas. Neighborhood Reinvestment developed the model in collaboration with City officials and representatives from the non-profit and real estate community in Syracuse. As neighborhood stakeholders work together to identify priority investments for the Syracuse Neighborhood Initiative, our hope is that they will use this strategic model as a resource and framework that can guide their thinking and lead to high-impact plans and projects. The model is a set of proposed actions and policies that respond to current challenges and opportunities in the housing market. We set out the model in broad strokes in the table below, then discuss in detail each of the recommendations and how they relate to the key issues discussed earlier in this document.

<b>Recommended SNI strategy</b>	<b>Avoid</b>
Use public subsidies to enhance neighborhood market competitiveness. Make strategic investments responding to key challenges and opportunities, including neighborhood marketing weaknesses - schools, crime, cleanliness/aesthetics.	Avoid focusing exclusively on the “do-ability” of a project without consideration of design quality, neighborhood impact, and market impact. Avoid uncoordinated “patchwork” investments.
Market neighborhoods to attract and retain economically diverse residents.	Avoid using revitalization areas as a resource of last resort for people without housing choices.
Put the primary emphasis on increasing homeownership and making it a good investment. Put secondary emphasis on promoting sound rental asset management. Deal with obsolete multifamily typologies through conversion, demolition, and rehab for ownership.	Avoid promoting the continued predominance of rental housing.
Use strategic demolition and careful programming of post-demolition uses, including infill construction, to create attractive places to live.	Avoid a model of reactive demolition and de-densification as buildings deteriorate to the point of abandonment.

<b>Recommended SNI strategy</b>	<b>Avoid</b>
Limit new residential construction to strategic, market-building projects; build regional partnerships to redirect investment back to the urban core.	Avoid wide-scale construction of new residential units.
Make focused, sustained investments.	Avoid making thinly scattered investments or seeking “silver bullet” solutions.
Community stakeholders, private sector and city government partners to meet challenges and explore opportunities.	Avoid over-reliance on an “ombudsman” model in which community stakeholders do not share in decision making and the City is expected to handle all the problems.

***Seek to enhance neighborhood market competitiveness***

The housing “submarket” in inner-city neighborhoods in Syracuse is very depressed compared to the county-wide housing market. Sale prices for homes in revitalization areas are much lower and are declining faster, lending rates are lower, abandoned homes are more prevalent, and housing conditions are worse. These differences should be seen as a reflection of market trends - consumers see other neighborhoods, especially areas outside the city, as more desirable places to live, with the result that these neighborhoods are outcompeting inner-city areas. Efforts to improve Syracuse neighborhoods should take fundamental market principles into account:

- When they decide where to live, people choose a neighborhood based on the amenities it provides, on the price they must pay, and on the likelihood that they will be making a sound investment. The condition of a neighborhood reflects the choices that people have made in the past and are making now about where to live and invest.
- Neighborhoods compete for public resources, private investment, and political influence, but most of all they compete for households that have a choice about where to live. Programs and projects funded by the Neighborhood Initiative should strive to make neighborhoods more competitive -- especially in attracting and/or retaining households with choices about where to live.
- A neighborhood that is healthy enough to attract positive investment choices by current residents, homebuyers, financial institutions and others has a market where property values appreciate in a way that supports such economic choices. Programs and projects funded by the Neighborhood Initiative should seek to foster an environment where it makes economic sense to invest time, money and energy.

Enhancing neighborhood market competitiveness depends on avoiding key pitfalls in the use of SNI funds. First, revitalization areas should not be used only as a housing resource

of last resort for households without other choices. This policy is tempting due to the low cost of these neighborhoods and the difficulty of attracting people with choices to these neighborhoods. However, a policy with an emphasis on housing people cheaply, as opposed to creating attractive places for a diversity of people, would serve to further reduce neighborhood marketability.

While it is obviously important to provide decent, affordable housing for those in need, affordable housing strategies should not be confused with neighborhood revitalization strategies. Affordable housing strategies are mostly concerned with helping people to obtain low-cost housing. These strategies are most appropriate in “hot” markets where the cost of housing is rising rapidly and low-income households are at risk of being displaced. With the 9<sup>th</sup> most affordable housing stock in the northeast - and prices continuing to decline - Syracuse is not likely to witness this kind of displacement in the near future. In Syracuse, greater attention needs to be given instead to creating attractive places to live.

Second, real estate development projects should not be chosen merely for their “doability.” Design quality, neighborhood impact, and market impact must be the foremost considerations. As we discuss later on, there is no need to produce more housing for Syracuse - supply in the city already greatly exceeds the demand for city homes. New projects should instead work to establish a new image for the neighborhood, and to provide the stability and amenities that people seek when deciding where to live. Particular emphasis should be given to projects and programs that address key marketing weaknesses we identified in our study - crime, school quality, and aesthetics.

While revitalization areas have the greatest need to improve their competitive position, some attention should also be given to neighborhoods in Syracuse that are undergoing transition. Anecdotal evidence from our informant interviews supports the idea that while many neighborhoods in the city are quite stable, other neighborhoods are losing population and facing declining property values. Small area population estimates for Syracuse neighborhoods from Claritas, Inc. further support this idea. The good news is that targeted investments in these neighborhoods can capitalize on their remaining marketing strengths and may also bolster the opportunities for success in adjacent revitalization area neighborhoods.

### ***Market neighborhoods to attract and retain residents***

Marketing efforts that seek to attract and retain residents - particularly homebuyers - could go a long way to stabilize Syracuse neighborhoods. Our analysis shows that in Onondaga County, there are over 11,000 potential first-time homebuyers; over 5,000 of these households already live in Syracuse. Homes in city neighborhoods can be marketed to these households along with special financing that meets the needs of first-time

homebuyers. Among both first-time homebuyers and other homebuyers, marketing messages and products should be tailored to meet the needs and interests of key segments such as immigrant groups, public employees, young professionals, elderly households, and others. A marketing plan that identifies the preferences of these groups and explores how to attract their interest in city living would be a tremendously useful resource for the Neighborhood Initiative.

Initial marketing efforts might focus primarily on current residents and low- to moderate-income first-time homebuyers, encouraging them to stay and/or purchase a home in a revitalization area. As we discussed earlier, however, affordability does not appear to be a powerful marketing message in and of itself for any audience in Syracuse. To the extent affordability is used as a marketing tool, the message should be about value - getting a great house with great amenities at a great price. Care should be taken not to stigmatize the marketed neighborhood as a place where only people without other options would live. As neighborhood conditions and image improve and as neighborhoods can market from a position of greater strength, the marketing focus should be broadened to a wider socio-economic spectrum.

Current residents and Realtors<sup>®</sup> are particularly critical to neighborhood marketing efforts. Efforts to increase residents' pride in their neighborhood - such as Neighborhood Identity and/or banner-making campaigns - would nicely complement other rehabilitation and improvement efforts. Efforts to improve neighborhood image among Realtors<sup>®</sup> and involve them in neighborhood marketing efforts could be particularly effective. One issue is that Realtors<sup>®</sup> make very small commissions on sales in revitalization areas due to the extremely depressed property values, and may incur high costs in selling these properties. It may be worth considering funding a pilot program to ensure that a Realtor<sup>®</sup> makes at least a minimum dollar level of commission on any sale in revitalization neighborhoods in Syracuse.

### ***Promote home ownership and work to reduce the predominance of rental housing, especially in revitalization area neighborhoods***

Revitalization areas in Syracuse have extremely low levels of homeownership - 27 percent in 1990, compared to 64 percent nationwide. Reversing the predominance of buildings owned by absentee landlords and boosting the homeownership rate in revitalization areas could have a profound impact. The benefits of homeownership are well documented. Homeownership provides stability to families, creates committed neighborhood stakeholders, and can help families to build a solid financial asset. Clearly, SNI funding should be used to promote home ownership as a priority for revitalization area neighborhoods. In addition to supporting programs that boost home ownership



through education, counseling, and specialized lending products, neighborhoods should also seek opportunities to rehabilitate and sell deteriorated properties for homeownership.

The low price of housing in Syracuse provides a tremendous opportunity for families to own a home. Our analysis indicates that if they have low debt and a small amount saved for a down payment, even renters earning \$15,000 to \$25,000 a year can find an affordable home to buy in Syracuse. However, while many households may be ready to buy, our analysis of HMDA data indicates that others are hindered by poor credit histories, a lack of knowledge about the home buying process, or other barriers. Homebuyer education and credit counseling programs will be critical to help these families capitalize on the opportunity for homeownership.

Another critical challenge to boosting homeownership rates is to help homebuyers avoid getting stuck in homes with declining values. In general, we should seek to create stable, mixed-income neighborhoods rather than isolate low-income buyers in under-invested areas where their equity will be at risk. Housing organizations need to be particularly careful to put low-income households into a winning situation. Neighborhood revitalization efforts should provide low-income households with adequate counseling, avoid trapping them with extensive subsidy recapture provisions, and above all, leverage the investment of these households with other improvements (infrastructure, services, etc.) and marketing efforts to stabilize the neighborhoods where they buy.

Equity assurance programs are another tool that can complement the Neighborhood Initiative's homeownership effort and boost investor confidence. These programs insure homebuyers against any loss of equity that would occur should the homebuyers eventually resell their home at a loss. It is important to recognize, however, that given current market conditions, the backers of such a program would be at tremendous financial risk in the absence of a substantial and sustained effort to improve neighborhood market competitiveness. Enough funds must be raised to both cover possible claims and to invest strategically in improving the targeted markets.

At the same time that it boosts homeownership, SNI funding should help to reduce the blighting influence of obsolete multifamily housing structures. The market for these kinds of buildings is extremely weak, and these buildings are much more likely to be vacant or tax delinquent than single family homes. In short, these properties are a stumbling block to revitalization, and will continue to drag property values down. Successful strategies will have to address the issue head-on. Strategic options include targeted demolishing dilapidated multifamily structures, converting smaller 2-family homes into single family homes, rehabilitating 2- and 3-family homes for owner occupancy, and even converting properties to nonresidential uses in areas where they could form part of a commercial district.

In dealing with multifamily structures, the City should consider adopting a more proactive approach than it currently employs. Code violations, tax delinquency and mortgage delinquency should be seen as “early warning” indicators of potential abandonment. There are a substantial number of properties in Syracuse that seem at risk to become abandoned in the near future, and still other buildings with moderate levels of risk that may or may not be inching closer to abandonment. Rather than taking a “wait and see” approach, revitalization efforts should work to identify and focus on these high-risk properties for acquisition and possible rehabilitation, conversion or even demolition. In this regard, for example, the city of Savannah, Georgia, actually got landlords to donate properties at risk of abandonment to its Affordable Housing Auction, offering the landlords significant tax benefits in return. New York City has adopted a comprehensive initiative, “Pathways to Responsible Ownership,” that identifies at-risk buildings, provides technical assistance in finance and management to property owners, supports the rehabilitation of at-risk properties through a variety of loan programs, and intervenes aggressively when owners refuse to accept help.

Careful consideration also needs to be given to amending policies that may prevent at-risk buildings from working their way back to solvency. For instance, the City might consider offering relief from delinquent property taxes for owners in revitalization areas who make substantial improvements to their property. Moreover, the City should carefully consider the role the tax auction process may play in encouraging absentee investor ownership of tax-foreclosed properties, as discussed in the recent Maxwell School report entitled “From Abandonment to Hope.”<sup>19</sup> The City should investigate alternatives similar to the HUD “Good Neighbor” program, in which HUD will sell FHA-foreclosed properties for \$1 to local governments so that they can rehabilitate them. The City could follow suit by offering its tax-foreclosed properties for \$1 to nonprofit organizations to rehabilitate them for homeownership.

Currently, legal concerns about constitutionality have thwarted the consideration of a \$1 sales program in Syracuse, but the City should reexamine this alternative in light of the success that other cities - including Cleveland and New York City - have had with this kind of program. In New York City, for instance, the award-winning<sup>20</sup> Neighborhood Entrepreneurs Program sells vacant city-owned buildings for \$1 to small entrepreneurs, who agree to renovate the buildings and put them back into service. The City usually offers other capital subsidies to further support the rehabilitation work. If the City of Syracuse is concerned about the constitutionality of such a sale, it could consider requiring the buyer to take on a soft second mortgage with the City in the amount of the

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<sup>19</sup> See Patrick Frank, et. al. (1999) “From Abandonment to Hope: Turning Vacant Properties into Home Ownership Opportunities.” Student manuscript, Maxwell School of Public Affairs at Syracuse University.

<sup>20</sup> The NEP program won a Best Practices award from HUD as well as the prestigious Innovations in American Government Award jointly sponsored by the Ford Foundation and the Kennedy School of Government at Harvard University.

appraised value of the property, thus ensuring that the transaction is not a gift and maintaining the property as an asset on the books. A nonprofit CDC or other developer could buy the property with the mortgage, rehabilitate it, and then either sell it to a homebuyer who would assume the City mortgage or operate the property as rental housing. The City could then forgive the mortgage over a 10-year period. The City might also want to examine the experience of Savannah, Georgia, with the Affordable Housing Auction process it used during the 1990's. This program gave families the chance to bid on vacant properties, with the assistance of a non-profit CDC that prequalified families for financing and assisted in the management of repairs to the homes. In 1994 alone, Savannah turned 50 vacant properties into owner-occupied homes using the Affordable Housing Auction.

While the housing tenure imbalance in revitalization neighborhoods is a critical issue, there will always be a need for good, affordable rental housing. For properties that continue as rental housing, strategies to promote sound asset management practices should be implemented, such as landlord education programs and loan funds for improving the quality of rental units. Code enforcement can also help to keep rental properties from becoming a blighting influence on the neighborhood. However, neighborhoods should avoid relying entirely on a code enforcement strategy. Efforts to strengthen the housing market may have a greater effect by rewarding landlords who invest in their properties with an appreciating asset.

### ***Use housing demolition strategically, with careful programming of post-demolition uses***

Syracuse has an oversupply of housing. Even in 1990, about 9.2 percent of the city's housing units were vacant. Given the estimated rate of population loss, Syracuse would have needed to demolish 5,220 units of housing - net of new construction - simply to maintain that vacancy rate. Strategic demolition can help to reduce the oversupply of housing, appropriately tightening the market while eliminating the blighting effect of dilapidated buildings.

However, demolishing a building is a major land use and urban design decision that should not be taken lightly. Demolition projects should be chosen carefully, in full light of the other options available and after carefully planning post-demolition uses to enhance neighborhood quality of life and marketability. Options include providing new green space, selling lots to adjacent owners, developing parking, or building infill housing at lower densities, but these options should be chosen to fit the immediate neighborhood. It is particularly important to avoid a model of reactive demolition and de-densification as buildings deteriorate to the point of abandonment. Ultimately, successful neighborhood revitalization efforts will be about creating attractive places to live, not just eliminating blight.

By demolishing dilapidated multifamily dwellings, the city can reduce its oversupply of housing with relatively less disruption to the urban fabric than it would incur by demolishing a similar number of single-family units. These buildings can even be replaced with single-family dwellings as appropriate, creating a continuous streetscape while still reducing density. A particular effort should be made to deal with problematic larger multifamily buildings (more than 4 units), as these properties have higher vacancy rates and greater problems with tax delinquency than any other residential building type.

### ***Make focused, sustained investments (“think small in a big way”)***

All of the real estate professionals we interviewed for this study agreed that it was next to impossible to sell isolated, rehabilitated homes in a sea of urban blight. Thinly scattered, patchwork investments may fail to create the sense of confidence that is needed to turn around distressed neighborhoods in Syracuse. At the same time, however, Syracuse offers affordable, historic housing stock in traditional urban neighborhoods that could offer a high quality of life. Over the long run, city neighborhoods may be able to outcompete suburban areas, given rising interest rates that put a premium on affordability and a renewed interest nationwide (particularly among young professionals and empty nesters) in urban living. The design and form of city neighborhoods does not need to be changed much for these neighborhoods to be successful. Large-scale “silver bullet” solutions are both unlikely and unnecessary.

Small-scale efforts to rehabilitate housing and spruce up neighborhood streetscapes can be successful, as long as they proceed in a focused way. Housing rehabilitation efforts should be tightly clustered to create a new image for a block or group of blocks and foster a stable market “microclimate” that encourages people to stay and invest. Moreover, these efforts should be complemented by strategic public sector investments and resident-led initiatives corresponding to neighborhood marketing weaknesses such as crime, school quality, and aesthetics. It is also critical to sustain these small-scale investments over the long term. Besides economic development efforts and “people-based” human services and job development strategies, a sustained effort to improve neighborhood quality of life and marketability could employ the following kinds of investments:

1. Neighborhood marketing programs
2. Homeownership education and counseling
3. Special lending programs and products for first-time homebuyers
4. Reverse mortgage lending to assist elderly homeowners and educational efforts to combat predatory lending
5. Mini-repair programs to help homeowners maintain their properties
6. Housing rehabilitation lending programs for owner-occupants and landlords
7. Equity assurance programs to stabilize transitional neighborhoods

8. Maintenance reserve programs (effectively, a form of home repair insurance)
9. Community building efforts
10. Grassroots efforts like neighborhood watches and community cleanups
11. Public sector investments in infrastructure

For a detailed discussion of these and other community development tools that can be used in soft markets like Syracuse, see the upcoming Neighborhood Reinvestment Corporation publication, “Rebuilding Upstate New York: What Works.” This publication will be posted on the Neighborhood Reinvestment web site at: [www.nw.org](http://www.nw.org).

A critical part of making focused, sustained investments is having a plan that coordinates investments over the long term so that they have the maximum impact. If they haven’t already, neighborhood leaders - particularly in revitalization areas - should work to develop detailed neighborhood plans that program investments and lay out the strategies stakeholders will use to improve the neighborhood quality of life. These plans could address not only housing issues, but also other issues that are important to residents and stakeholders such as economic development, land use and design, and even human services. Plans should consider not only the problems in the neighborhood, but also the things that are working well. Even the worst-off neighborhoods in Syracuse have strengths and assets that can be employed to multiply the impact of revitalization efforts.

### ***Redirect regional growth back to the urban core***

Neighborhood housing submarkets reflect regional patterns of investment. In Syracuse, a particularly telling fact is that city, which had twice the population of the rest of Onondaga County in 1950, now has only half the population of the rest of the county. During the 1990’s, the population of Syracuse declined sharply while the population in the rest of the county actually rose slightly. The bottom line is that were it not for suburbanization, vacant buildings in Syracuse could have been filled by households who instead bought homes in the suburbs, all at tremendous expense to taxpayers. According to the leading national literature on urban sprawl, the costs of unnecessary suburban development include new capital and operating costs in the suburbs for schools, local roads, and infrastructure; transportation infrastructure and travel time costs; higher housing costs; loss of open space, farmland, and natural habitat; and substantial social costs.<sup>21</sup> Most relevant to this study, one of the important social costs of sprawl may be the cost of inner-city deterioration that would not have occurred if growth were better managed. In fact, a study of residential abandonment in cities nationwide found that the most statistically significant causal relationship to central city abandonment was the

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<sup>21</sup> See Axelrad, Tina (1998) “Measuring & Coping with the Costs of Sprawl: A Summary of the National Literature on Costs of Sprawl.” Denver, CO: Clarion Associates.

amount of housing built outside the central city yet inside the city's metropolitan area.<sup>22</sup> All in all, the national literature indicates that significant savings are possible under planned growth models that redirect investment back to the urban core - estimates of local infrastructure and operating cost savings alone run between 9 and 37 percent.<sup>23</sup>

With a stable regional population, new development means leaving an existing housing unit vacant. As far as possible, new housing construction in the city should be limited to carefully chosen, strategic projects in areas where a greater housing component than currently exists is necessary to create strong mixed-use communities. One such example is downtown Syracuse, where the development of housing could help to stabilize the area and promote round-the-clock activity.

Moreover, stakeholders in Syracuse and Onondaga County need to begin an earnest dialogue over how to reduce sprawling, new suburban development. A full discussion of regional approaches to planning is beyond the scope of this report. However, a substantial literature exists that explores promising approaches to managed growth used across the country.<sup>24</sup> Certainly, the dialogue should include an exploration of how to deepen regional collaboration, pursue cost-effective consolidation of government services, and strengthen the role of entities that can promote regional planning, such as the Syracuse-Onondaga County Planning Agency.

### *Use the power of partnerships*

Having worked with over 200 community-based development organizations serving over 1,000 communities nationwide, Neighborhood Reinvestment is convinced of the importance of strong partnerships to be able to revitalize cities and improve housing markets. These partnerships are led by neighborhood residents and fully supported by both government and the private sector; community-based organizations, in turn, serve as both a place to build the partnership and as an arm to implement many of the strategies that the partners develop. In that each partner both has important responsibilities and receives important benefits, this approach should be distinguished from "ombudsman" approaches to community development in which residents are only expected to express their concerns, while the government is expected to resolve them. Similarly, both the public and private sector partners must be willing to support resident-led initiatives with substantial investments. In return, these partners are rewarded with a stronger tax base and a better investment environment. The Neighborhood Initiative offers a tremendous

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<sup>22</sup> See George Sternlieb and Robert W. Burchell (1977). *Residential Abandonment: The Tenement Landlord Revisited*.

<sup>23</sup> See Axelrad (1998).

<sup>24</sup> See Anthony Downs (1995). *New Visions for Metropolitan America*. Washington, DC: Brookings Institution Press. Also see Myron Orfield (1997). *Metropolitica: A Regional Agenda for Community and Stability*. Washington, DC: Brookings Institution Press.

opportunity to strengthen these partnerships in Syracuse as plans for each phase of the Initiative are developed.

Neighborhood Reinvestment offers the insights from this market study as a resource for all of the many neighborhood residents and stakeholders in Syracuse, City and other government officials, and business leaders - particularly in the real estate industry - who wish to make a brighter future for neighborhoods in Syracuse. In the end, the process of reaching this brighter future depends on a collaborative approach in which community stakeholders, private sector leaders and government work together to meet challenges and explore opportunities. We hope that these partners will find our study helpful as they develop and implement the detailed, neighborhood-based revitalization strategies that are critical to the success of the Syracuse Neighborhood Initiative.