



The City of Albany is New York's capital city, but it's much more than that. Looking beyond business and beyond state government — at its heart, it's a city of many rich residential neighborhoods — and supporting downtown Albany's livability brings exciting vibrancy. Albany's surrounding tri-city area, known as the Capital Region is at the crossroads of two of the Northeast's busiest interstate highways and along the historic Hudson River. The City of Albany's downtown possesses the Region's strongest assets for catalyzing economic and community growth, making its revitalization which is currently being realized, a distinctively important opportunity.

The Spark

The City of Albany began the Downtown Residential Development Initiative in 2002 with the purpose of increasing mixed-use development and adding residential units in its downtown. This was a strategic recommendation of the City of Albany's economic development strategy — Capitalize Albany — first released in 1996. The strategy identified downtown diversification as a critical element of the City's overall economic health and revitalization.

More than a decade later, with the realization of the City's economic development strategies' implementation and national demographic and market trends that favor downtowns as great places to live and work, downtown Albany's momentum has never been greater. However, at the turn of the 21st century, despite downtown Albany's clear assets like being a major employment center, having river frontage and historic architecture, and despite ongoing efforts by the State of New York, City of Albany, the City's economic development organization Capitalize Albany Corporation and other entities to encourage downtown reinvestment — serious obstacles steered the general public and potential investors away from downtown Albany.

With an entirely new roadmap beginning in 1996, the City's economic development efforts first targeted major projects, infrastructure projects and major new construction projects throughout the City. Then a focus began on attracting mixed-use development to complement the commercial office market. The Downtown Residential Initiative followed in 2002, a three stage approach. Additional downtown residents would enable the City to attract the next level of commercial and retail investment.

Understanding The Market

The Initiative's first step was work towards understanding the market for residential units downtown and how it would support overall economic growth. In 2002, the City of Albany, Capitalize Albany Corporation and the Downtown Albany Business Improvement District retained Blount Hunter Associates to complete a downtown marketing and leasing strategy aimed at driving additional commercial retail in downtown Albany. As a part of that effort, Zimmerman Volk Associates completed a feasibility analysis of downtown housing and determined that added residents would be needed to drive additional commercial uses in downtown (this analysis was revisited and updated in 2011 and 2014). It also identified specific buildings in downtown Albany that were strong candidates for mixed-use redevelopment including upper floor residential conversions. The study is a part of guiding downtown investment today, supporting a downtown that is attractive to market segments including millennials and empty nesters, the market segments we see today actively looking for urban living — where they can live and work, while enjoying third-place amenities they can walk to. As reported in the 2014 update of this analysis, downtown's residential market can handle 100 -200 new residential units annually.

Maximizing Potential

The second stage of the Initiative involved analyzing existing conditions and the potential re-use of targeted properties. The Zimmerman Volk study identified that while there is a demand for downtown residential units, there exist many barriers to development. To assist with relieving identified barriers and catalyze initial



downtown residential development, in August of 2004 Capitalize Albany Corporation and the Community Preservation Corporation (CPC) committed \$75,000 towards the development of a Residential Development Technical Assistance Grant Program. The Program provided grant funding toward pre-development architectural and engineering services for the purpose of increasing residential development projects. This funding supported projects in 10 buildings, identifying actual candidates for redevelopment projects.

Driving Development

The Downtown Residential Initiative's third stage involved the beginning of renovation, but still, support for the rehabilitation projects identified and prioritized as part of the Technical Assistance Grant Program was needed. Resource development was successful with support from Governor Cuomo and New York State's Main Street Grant program, Capitalize Albany Corporation lending as part of its Real Estate Loan Program, City of Albany Industrial Development Agency assistance and support from other local partners. In the early stages of the Initiative, the cost of redevelopment was not entirely covered by income projections, as the market was being built. Capitalize Albany applied to the NY Main Street Program for two successful grant awards in 2004 and 2009. The Corporation partnered with the Downtown Albany BID to submit an application for an additional anchor project.

Capitalize Albany Corporation, CPC — and as momentum progressed, other traditional lenders directed attractive and targeted financing to assist projects that were developed from the Technical Assistance Grant Program. Since the initial stages of the Residential Initiative, ongoing resources have been established and the project partners now have strong collaborative relationships with a number of commercial banks that participate in a majority portion of the needed funding.

The Transformation

Today's results are just the beginning of the next chapter of an incredible downtown revitalization story, it's clear the Downtown Residential Initiative has now taken on a momentum of its own, indicating that the market is taking hold. As evidence, the Technical Assistance Program is no longer active. Property owners or developers are taking on the risk of analysis with their own funds, no longer requiring grants to test the feasibility and as much subsidy is not required for renovation. Traditional commercial lenders are finding downtown residential deals more palatable. Unprecedented momentum is there, but it's important to note the market is still proving itself while economic development partners continue to play an active role in offering project assistance, marketing and promotion for downtown living. The Zimmerman Volk report indicated that the market could support between 100 - 200 new units per year for 10 years, and downtown is on track to meet the demands of the study's growth trajectory.

2002 - 2018

As of 2018 more than \$80 million has been invested into downtown Albany residential. The number of new downtown apartment units completed and the hundreds currently under construction and in the pipeline combined total more than 800 units. As of late 2017 in downtown, the office vacancy rate was 17.5%. Compared to the lowest rate in most recent years of 19.8%, it signals an ongoing shift and momentum that's supported by the Downtown Albany Residential Initiative and downtown's current economic development strategy — Impact Downtown Albany — which was established in 2014. Within the past five years, downtown's office vacancy rate has dropped 7.4% as more than half-a-million sq. ft. of obsolete office space has been converted to fuel investment in downtown mixed-use residential. Apartment renters' occupancy rates are stable at an unparalleled 97%, while investment continues to produce 100 – 200 new apartment units each year. The Downtown Residential Initiative has yielded exciting results and right now an incredible tipping point is unfolding for New York's Capital City.