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Housing Department Increases Capital Funds To Create Housing for the Homeless

In recent years the city's homeless population has grown to an unprecedented size, straining the shelter system. While the Mayor recently announced a plan to build 90 new shelters to provide temporary housing for the city's homeless (presumably to be reflected in the forthcoming executive budget due in April), the preliminary capital budget includes funding for two initiatives to move households out of shelter through the creation of hundreds of units of permanent affordable housing over the next several years.

The preliminary capital budget includes an additional \$69 million for the Department of Housing Preservation and Development (HPD) to create affordable housing reserved specifically for households transitioning from the city's homeless shelters into permanent housing. This program, Our Space, provides an additional subsidy to affordable housing developers who set aside a share of apartments for households in the city's shelter system. The additional commitment in the preliminary plan brings the total program funding to over \$114 million for 2017 and 2018 (years refer to fiscal years).

In addition to expanding Our Space, the city earmarked \$45 million in capital funds already budgeted for supportive housing and added \$3 million in new expense funding to finance a supportive housing development on the Upper West Side. This project will set aside 60 percent of its 125 units for homeless individuals with disabilities.

Capital Budget Boost for Our Space Initiative. HPD introduced Our Space in 2016 to encourage developers to reserve units within new construction affordable housing developments for households in the shelter system, particularly those receiving public assistance. The Our Space program is a supplementary subsidy available in

combination with three existing HPD affordable housing loan programs: the Extremely Low and Low Income Affordability program, the Mixed Income Program, and the Neighborhood Construction Program. Each of these existing programs provides low-interest financing for the development of housing units for varying affordability levels. Developers receiving Our Space funding must set aside from 10 percent to 30 percent of the project's units for homeless households with incomes at or below 30 percent of area median income (AMI), or around \$19,050 for an individual and \$24,500 for a family of three. The program provides up to an additional \$140,000 in project financing per Our Space apartment.

Homeless households with little or no earned income often receive public assistance either through the federal Temporary Assistance for Needy Families program or the city and state Safety Net Assistance program, both of which provide a "shelter allowance" for housing costs. The monthly shelter allowance is currently set at \$215 for an individual and \$400 for a family of three. These rates are well below current rents, even in low-income neighborhoods in the city, and thus are seen as a contributing factor to homelessness. In an effort to address the disparity between the shelter allowance and the actual cost of housing in New York City, housing units in the Our Space program are required to rent for an amount equal to the monthly shelter allowance (with some small adjustments made for bedroom size) for households receiving public assistance. (A proposal by Assemblyman Andrew Hevesi, which has been backed by a \$30 million allocation in the Assembly's just-released budget plan, would substantially increase the shelter allowance for the homeless or households at-risk for homelessness.)

For households not receiving public assistance, rents for



Our Space units are set at 30 percent of the maximum income limit, which is 30 percent of AMI, matching HPD's definition of affordable to a household with extremely low income. By underwriting the rents at the shelter allowance level, Our Space encourages developers to serve formerly homeless households that have little to no income beyond public assistance, a population that is generally seen as the most difficult to permanently house. Our Space tenants are referred by the Department of Homeless Services to developers working with HPD.

In 2016, the first year of the program, HPD committed \$30 million in Our Space funding to help finance the construction of seven developments in the Bronx, Brooklyn, and Manhattan. When completed, the developments will have a total of 1,076 units, with 264 units reserved for extremely low-income households. HPD's capital plan includes \$33 million in 2017 and \$81 million in 2018 for the Our Space program. If the average commitment per Our Space unit is similar to that of projects financed in 2016, an estimated 290 Our Space units could be financed in 2017, and an additional 710 Our Space units financed in 2018—assuming all funds are committed in the year in which they are currently planned and not moved into future years.

Converting a Boarding House into Supportive Housing.

The preliminary budget also includes funding in both HPD's capital and expense budgets for a project known as The Brandon, which will provide new supportive housing to homeless individuals who are leaving the city's shelter system. Supportive housing is generally intended for tenants who have some form of mental or physical illness, substance use disorder, history of homelessness, or any combination of these barriers to housing. In addition, the supportive housing model provides tenants with a range of social services.

Located on the Upper West Side, The Brandon previously operated as a 125-room boarding house for women, owned by the nonprofit organization Volunteers of America. When the nonprofit expressed an interest in selling the building, the city stepped in with a plan to convert it into supportive housing in a location that is often seen as prohibitively expensive for the development of new affordable housing.

In the preliminary budget, \$45 million in capital funds were shifted from a general budget line for the creation of supportive housing and earmarked specifically to provide acquisition financing for the purchase of The Brandon. The building will be transferred to the West Side Federation for Senior and Supportive Housing, which will create a housing development fund corporation to be the legal owner of the building. Individuals with disabilities exiting the shelter system will occupy 60 percent of the units in The Brandon, referred by the Department of Homeless Services. The remaining 40 percent of the units will be supportive housing for low-income individuals who earn up to 60 percent of AMI, or \$38,100.

In addition to capital funding, \$3 million was added in HPD's expense budget to cover legal, design, and other soft costs for the project. The additional \$3 million comes from funds paid to HPD in 2015 by The Collegiate School, a private Upper West Side boys' school. The school, in seeking a special permit modification for the construction of a new school building, paid \$50 million to HPD in lieu of the school being required to build 55 affordable housing units. Use of the \$50 million was restricted to furthering affordable housing within Manhattan Community Board 7, where The Brandon is located. The rest of the affordable housing fund from the Collegiate School remains uncommitted.

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