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## After Four Years, New York/New York III Pact Has Produced Less Housing Than Planned

### SUMMARY

IN NOVEMBER 2005 then-Governor George Pataki and Mayor Michael Bloomberg signed the New York/New York III agreement to provide capital and operating funds to build, renovate, acquire and run 9,000 supportive housing units that provide both apartments and services for the formerly homeless. To be completed over a 10-year period stretching from 2006 through 2016, the plan aims to produce 2,750 scatter-site apartments (where units are acquired in a variety of buildings and service providers bring assistance to the tenants) and 6,250 congregate apartments (housing and services are provided in the same building). More than half the units are for adults with mental illness, with the remainder used to house and assist adult substance abusers, adults with HIV/AIDS, families, and young adults with mental illness or aging out of foster care.

Four years into the plan, the state and city had a goal of completing a total of 3,950 scatter-site and congregate supportive housing apartments. A review by IBO finds that New York/New York III has generated about 1,200 units less than expected after four years. Among our specific findings about the plan's progress:

- The state and city were only about 250 units shy of their goal for scatter-site units after four years, with 2,461 units occupied or ready to be tenanted as of June 2009.
- Only about one-fifth of the 1,200 congregate units expected after four years are tenanted, though slightly more have also completed construction.
- The state and city have met their four-year targets for scatter-site projects for substance abusers and youth. They have not met their scatter-site project targets for any other populations or for congregate units for any of the groups intended to be served.

While the number of congregate units completed is lagging the state and city's four-year goals, IBO found that as of June 2009, 660 more apartments were in construction and plans had been presented and financing is being sought by prospective developers for an additional 2,470 congregate units. Even if all these projects were approved and built within the three years it typically takes, by the end of state fiscal year 2011–2012 the number of congregate units would be 325 short of the goal of 3,768 by that point.

The economic downturn presents both opportunities and challenges for meeting the supportive housing development goals. With real estate development in the city slowed, land prices and construction costs have begun to decrease, meaning resources can go further. But the state and city are both facing large budget shortfalls, the tax credits used to help fund these projects have lost value, and credit markets remain very tight.

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## INTRODUCTION

In an effort to curb homelessness among people who have disabilities, New York City and New York State have entered into three agreements, known as the New York/New York agreements, since 1990 to develop supportive housing. Supportive housing programs link tenants to social services and are seen by many as a humane and effective response to homelessness. Under these agreements, thousands of supportive housing units have been created that, in many cases, helped tenants move on to more independent living situations. At a time when the homeless population is increasing, supportive housing is an important tool in assisting homeless families and adults.

Tenants of supportive housing hold leases and pay 30 percent of their income toward rent and utilities. Tenants receive help that may include mental health services, case management, employment assistance, or substance abuse treatment. In some cases supportive housing is developed in one building where services are delivered in that building and is known as “congregate housing.” In other cases the arrangement is known as “scatter-site,” in which service providers acquire apartments in several buildings and bring assistance programs to the tenants.

New York/New York III (NY/NY III), the third agreement and the subject of this report, recently reached its fourth anniversary. This agreement is scheduled to create 9,000 new units of supportive housing in 10 years and serve several populations not previously served in the past. As of the end of June 2009, 30 percent of the 9,000 units were operational, including most scatter-site units that were planned for early in the agreement. But the city and state have fallen short of their stated goals for development of congregate units. Furthermore, the current economic downturn could slow the momentum and delay housing development, especially since the remaining units are primarily congregate and will need capital funding in addition to ongoing operating funding.

## A BRIEF HISTORY

The first New York/New York agreement (NY/NY I) signed in 1990 led to the creation of over 3,500 units of supportive housing. A second agreement, NY/NY II, was signed in 1999 and led to the creation of an additional 1,500 units. Both of the first two New York/New York pacts took longer to complete than originally anticipated and were for fewer units than the current agreement (see IBO’s *Can Another NY/NY Deal Deliver Housing for the Mentally Ill Homeless and Savings for the City?*).

An analysis of outcomes for a prior NY/NY agreement found that

individuals living in the housing that resulted experienced reduced shelter stays, fewer and shorter hospital stays, and reductions in the length of jail stays. The researchers concluded that 95 percent of the funds invested in supportive housing are recouped through savings from the reduction in the use of expensive emergency services.<sup>1</sup> In addition, other research has shown that NY/NY supportive housing has reduced homelessness.<sup>2</sup>

The NY/NY III agreement is larger than the first two agreements combined. On November 3, 2005, then-Governor George Pataki and Mayor Michael Bloomberg, along with 10 New York State and New York City officials, signed the NY/NY III agreement in which the city and state agreed to provide capital and operating funds for 9,000 supportive housing units to be constructed, renovated, or acquired from 2006 through 2016. The agreement lays out plans to create a total of 2,750 units in scatter-site programs, where providers acquire apartments in several buildings and bring services to the clients, and 6,250 units in congregate developments, where supportive housing is developed in one building and services are available in that building. Because scatter-site units can be brought into use more quickly than congregate units, the timeline for the development of NY/NY III housing assumed that 100 percent of the planned scatter-site units would be in use by the end of state fiscal year 2008–2009.

## FINANCING SUPPORTIVE HOUSING

The type of financing needed to develop a supportive housing project depends on whether the unit will be scatter-site or in a congregate development. Scatter-site projects require only operating financing, as service providers locate apartments in the community and assist tenants with the leasing process. Congregate projects require both capital financing for the construction or rehabilitation of the building, as well as operating financing.

**Operating Funds.** All supportive housing, regardless of whether it is scatter-site or congregate, requires operating funding. The private organizations that run the supportive housing receive their funding through operating contracts with government agencies. This funding covers ongoing costs associated with running the building, such as maintenance, and funds the case workers and staff that provide social and health services to the tenants. A provider may secure operating funding from several agencies. For example, a project may have funding from different agencies to cover services for a variety of populations (e.g. services for individuals living with HIV/AIDS are funded by the city’s Human Resources Administration or the state Department of Health’s AIDS Institute and those for persons with a serious and persistent mental illness are funded through the state Office of Mental Health).

In many instances, the agency that is funding the operating support for a specific population is not the same as the agency that is issuing the requests for proposals and awarding the contracts. Thus, there are instances where the state is funding the operations of a project, but a city agency is awarding the contracts.

For a congregate development, the agency awarding the contract or funding the operating support may or may not be the same agency that is funding construction.

In this report, IBO presents data on operating status based on the contracting agency. When discussing operating support, IBO reports the number of supportive housing units that are open—have tenants or ready to be tenanted—as well as the number that have been awarded operating contracts.<sup>3</sup> Generally, operating contracts are awarded several months before a scatter-site program opens. For congregate units, the award of a contract often occurs at a very early stage in the development timeline, sometimes even before construction begins. Funding is not released until a project is ready for occupancy.

**Capital Financing.** When a provider is creating a congregate project, they require capital financing to support the acquisition, construction, or rehabilitation of a building. Capital support for congregate supportive housing units comes from a variety of financing sources, including tax-exempt bond financing, low-income housing tax credits, no-interest or low-interest mortgages from various agencies, and federal HOME funds that can provide grants and direct loans, among other forms of assistance.<sup>4</sup> Publicly supported financing from city, state, and federal sources varies by project, but is roughly \$250,000 to \$290,000 per unit. This includes both private equity leveraged by low-income housing tax credits and direct sources, such as mortgages through the city’s Supportive Housing Loan Program.<sup>5</sup> In order to close on capital financing, funders may require that the project have already secured ongoing operating financing as well. As a result, operating awards for congregate units are made well in advance of the unit being ready to serve tenants.

Many of the congregate units developed under this agreement will be part of larger developments. Supportive housing developers often set aside 40 percent of the units for low-income members of the community. The developer must secure capital financing to cover the costs of both the supportive housing and the community units. In other cases, units for NY/NY III populations will be located in buildings that provide a range of services to a variety of populations that are eligible for different funding streams. As a result, calculating the development costs and subsidies for each unit is a challenge as projects are often

### WHEN IS A CONGREGATE SUPPORTIVE HOUSING UNIT COMPLETE?

One of the challenges in tracking the development of congregate supportive housing units is that agencies on the capital side have a different definition for completion than agencies on the operating side. Agencies that provide capital funding consider a project complete when the Department of Buildings has issued a certificate of occupancy. Agencies that provide operating funding do not consider a project complete until the unit is open, which means that it is ready for tenants to move in. Generally projects open very shortly after obtaining a certificate of occupancy, but it may take some time for a project to be ready for tenants after construction is complete. As a result, the number of units that have finished construction and are considered complete by capital funding agencies is slightly higher than the number reported open by agencies that provide services funding. We report on construction completions separate from the number of open congregate units.

financed through a patchwork of sources. IBO has done its best to isolate the NY/NY III subsidies from the others, but some misclassification may remain.

An additional consideration when examining the development of congregate supportive housing in New York is the city’s requirement that projects obtain Community Board approval in order to receive city assistance.<sup>6</sup> Other types of affordable housing are not required to obtain Community Board approval. Though there is no evidence to quantify the effect that the Community Board approval requirement has on the development of a project, some observers argue that it can delay or prevent projects from going forward.<sup>7</sup> Community Board support for NY/NY III housing will be essential in helping the city meet its goals under the agreement.

The timeline for developing congregate supportive housing programs is much longer than scatter-site programs. In addition to securing financing, the development of congregate housing requires that the developer identify a site for construction or rehabilitation, obtain Community Board approval (if funded by the city’s Department of Housing Preservation and Development), undergo design development, and complete the Uniform Land Use Review Procedure (for public sites), all before construction begins. It generally takes several years for a project to move from concept to completion.

### POPULATIONS SERVED BY NY/NY III

The agreement and subsequent requests for proposals spelled out how many units will be created for nine specific populations; in

<b>Number of Units Planned for NY/NY III by Population</b>			
	<b>Congregate</b>	<b>Scatter-Site</b>	<b>Total</b>
<b>Serious Mental Illness</b>	<b>3,700</b>	<b>1,250</b>	<b>4,950</b>
Chronically homeless single adults who suffer from a serious and persistent mental illness or are diagnosed as mentally ill and chemically addicted (MICA)	3,200	750	3,950
Single adults who are presently living in New York State-operated psychiatric centers or state-operated transitional residences and who could live independently in the community if provided with supportive housing and who would be at risk of street or sheltered homelessness if discharged without supportive housing	500	500	1,000
<b>Substance Abuse</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>
Chronically homeless single adults or single adults who have been homeless for at least six months of the last year who have a substance abuse disorder that is a primary barrier to independent living*	250	500	750
Homeless single adults who have completed a course of treatment for a substance abuse disorder and are at risk of street homelessness or sheltered homelessness and who need transitional supportive housing (that may include half-way houses) to sustain sobriety and achieve independent living*	250	500	750
<b>Families</b>	<b>1,150</b>	<b>n/a</b>	<b>1,150</b>
Chronically homeless families, or families at serious risk of becoming chronically homeless, in which the head of household suffers from a serious and persistent mental illness or a MICA disorder	400	n/a	400
Chronically homeless families, or families at serious risk of becoming chronically homeless, in which the head of household suffers from a substance abuse disorder, a disabling medical condition, or HIV/AIDS*	750	n/a	750
<b>HIV/AIDSs</b>	<b>600</b>	<b>400</b>	<b>1,000</b>
Chronically homeless single adults who are persons living with HIV/AIDS (who are clients of HASA or who are clients with symptomatic HIV who are receiving cash assistance from the city) and who suffer from a co-occurring serious and persistent mental illness, a substance abuse disorder, or a MICA disorder*	600	400	1,000
<b>Youth</b>	<b>300</b>	<b>100</b>	<b>400</b>
Young adults, ages 18-24, who have a serious mental illness being treated in state licensed residential treatment facilities, state psychiatric facilities, or leaving or having recently left foster care and who could live independently in the community if provided with supportive housing and who would be at risk of street or sheltered homelessness if discharged without supportive housing	200	n/a	200
Young adults (aged 25 and younger) leaving or having recently left foster care or who had been in foster care for more than a year after their 16 <sup>th</sup> birthday and who are at risk of street homelessness or sheltered homelessness	100	100	200
<b>TOTAL</b>	<b>6,250</b>	<b>2,750</b>	<b>9,000</b>
SOURCES: IBO; New York/New York III Agreement, and Department of Health and Mental Hygiene.			
NOTE: *Up to 100 units in each of these categories may be targeted to young adults (aged 25 years or younger).			

broad terms, it provides housing for individual adults who have a serious mental illness, HIV/AIDS, or a substance abuse disorder (see table above). There are also separate units for youth with serious mental illness or who age out of foster care, as well as for families where the head-of-household has a serious mental illness, HIV/AIDS, or a substance abuse disorder. Prior agreements provided supportive housing solely for homeless single adults with a serious mental illness.

The inclusion of these populations reflects the movement towards a service delivery model known as Housing First that has gained support in recent years. This model is based on the assumption that housing has a stabilizing effect that can facilitate treatment for substance abuse and other underlying issues. Under the Housing First model, sobriety is not viewed as a condition for housing. Units developed under the Housing

First model have been instrumental in moving some chronically homeless individuals from the streets into housing.<sup>8</sup>

All of the units in the agreement target those who are either homeless or at-risk of homelessness. Depending on the population served, annual operating funds range from just under \$15,000 for a single-person unit to \$25,000 for a family unit.

The majority of units are reserved for the chronically homeless. To be classified as chronically homeless, an individual with a disability must have spent 365 days of the last two years in a shelter or living on the street.<sup>9</sup> For families, the family must have lived in a homeless shelter for at least 365 days out of the last two years. The days homeless need not be consecutive.

Advocates have voiced concerns that the definition of chronically homeless could prevent the resources from being used as efficiently as possible. The concern is that the strict definition of chronically homeless could prevent some units from being fully utilized. Some have argued that while there should be a preference for placing those individuals most in need first, it may make sense to create opportunities when there are prolonged vacancies in a unit for it to be used by homeless families and individuals, who, but for the length of their homelessness, would qualify for the units.

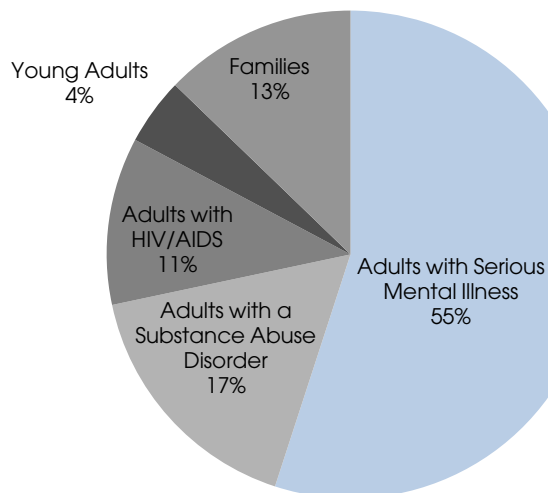
The state and city have been responsive to the concern that the eligibility criteria for certain populations are too restrictive to keep the housing fully utilized. In April 2009, eligibility criteria for one population was relaxed; the criteria for homeless single adults for whom a substance abuse disorder is the primary barrier to housing was modified from one of chronic homelessness to a shorter duration of homelessness—six months in the past year. According to the city’s Department of Health and Mental Hygiene (DOHMH), for other populations where the chronic homelessness criteria still applies, the number of approved applicants exceeds the availability of units so that relaxing the criteria would have little effect for those populations.

Units that are not set aside for the chronically homeless are reserved for those at risk of homelessness upon leaving an institution, completing treatment, or exiting foster care. A request for proposal issued by DOHMH defines at risk of homelessness as: “having no subsequent residence identified and lacking the resources and support networks needed to obtain access to housing.”<sup>10</sup>

## STATUS OF CONTRACTS TO OPEN UNITS AND PROVIDE SERVICES

To date, most of the open NY/NY III units are scatter-site units. The city and state are near their goal for the number of

### Planned NY/NY III Units by Population



SOURCES: IBO; New York/New York III Supportive Housing Agreement

scatter-site units and have done so almost on schedule. As of June 2009, 2,461 scatter-site units were occupied or ready to be tenanted—90 percent of the total planned by the end of state fiscal year 2008–2009. Another 237 units (9 percent) had been awarded contracts to support operations, although they were not yet serving clients. (Note: all goals are as laid out in the NY/NY III agreement proposed development schedule, which set goals by state fiscal years that run from April 1 through March 30. All units open and contracted are as of June 30, 2009.)

There has been less progress on the congregate units than on the scatter-site units. At the end of June 2009, 258 congregate units were ready or serving tenants, a little over one-fifth of the units planned for state fiscal year 2008–2009. Another 2,582 congregate units had been awarded operating contracts, meaning that they will begin serving tenants once the units are completed and tenants have moved in. This could take years, however, since construction has not begun on the majority of these congregate units. In fact, the city’s Preliminary Budget for 2011 includes \$1.9 million in savings due to delays in the opening of congregate units.

**For People with Serious Mental Illness.** Fifty-five percent of NY/NY III units are intended for single adults with serious mental illness who are chronically homeless or currently living in a state psychiatric facility and are at risk of homelessness. Overall, 4,950 units (3,700 congregate and 1,250 scatter site) are set aside for such individuals. The plan calls for the bulk of these congregate units to be completed between 2011 and 2016.

The state Office of Mental Health is responsible for funding all of the units for this population and shares contracting responsibilities with the city’s Department of Health and Mental

### Operating Contract Progress: Units for Adults with a Serious Mental Illness

Numbers as of June 2009 by Contracting Responsibility

	Congregate	Scatter-Site	Total
<b>Total Goal</b>	<b>3,700</b>	<b>1,250</b>	<b>4,950</b>
<b>Goal for 2008-2009</b>	<b>255</b>	<b>1,250</b>	<b>1,505</b>
<b>Open</b>	<b>65</b>	<b>970</b>	<b>1,035</b>
City	20	0	20
State	45	970	1,015
<b>Contract Awarded</b>	<b>1,586</b>	<b>30</b>	<b>1,616</b>
City	743	0	743
State	843	30	873

SOURCES: IBO; Department of Health and Mental Hygiene, Office of Mental Health.

Hygiene. As of June 2009, the Office of Mental Health reports that 1,015 of the units it is responsible for contracting are open (45 congregate and 970 scatter site) and 873 (843 congregate and 30 scatter-site) have been awarded contracts. DOHMH has awarded contracts for 763 congregate units, 20 of which are open. In total, 1,035 units are open; the goal was to have 1,505 units open, 255 congregate and 1,250 scatter-site, by the end of the state's 2008–2009 fiscal year. The agreement calls for more than 500 additional congregate units to open in 2009–2010. With just 65 congregate units open, 25 percent of the goal for March 30, 2009, the pace of development would need to be accelerated to achieve the target by 2016.

**For Substance Abusers.** Fifteen hundred units are designated for single adults who have a substance abuse disorder. Half of these units are for individuals who have completed a course of treatment and are at risk of homelessness, and the other half are for single adults who have been homeless for at least six months of the last year and for whom a substance abuse disorder is the primary barrier to housing. Originally these units were reserved for the chronically homeless, but in April 2009 the eligibility criteria were modified in order increase the pool of eligible individuals.

### Operating Contract Progress: Units for Adults with a Substance Abuse Disorder

Numbers as of June 2009 by Contracting Responsibility

	Congregate	Scatter-Site	Total
<b>Total Goal</b>	<b>500</b>	<b>1,000</b>	<b>1,500</b>
<b>Goal for 2008-2009</b>	<b>200</b>	<b>1,000</b>	<b>1,200</b>
<b>Open</b>	<b>0</b>	<b>1,183</b>	<b>1,183</b>
City	0	858	858
State	0	325	325
<b>Contract Awarded</b>	<b>277</b>	<b>-</b>	<b>277</b>
City	227	-	227
State	50	-	50

SOURCES: IBO; Department of Health and Mental Hygiene; New York State Office of Alcoholism and Substance Abuse Services.

DOHMH and the state Office of Alcoholism and Substance Abuse Services (OASAS) are responsible for funding and contracting these units. The goal for the end of state fiscal year 2008–2009 was to have 1,200 units open, 200 congregate and 1,000 scatter-site. As of June 2009, DOHMH has awarded contracts for 1,085 units, 227 congregate and 858 scatter-site. All of these scatter-site units are open. OASAS has another 325 scatter-site units open, and a 50-unit congregate program with contracts awarded.

In total 1,183 scatter-site units for individuals with substance abuse disorders are open, well above the goal of 1,000 scatter-site units by 2016. While the total number of units is on track to meet the plan, the mix of congregate and scatter-site units has shifted. With no congregate units open as of June 2009, the development of congregate units for individuals with substance abuse disorders is behind schedule.

**For Families.** The plan calls for 1,150 congregate units for families (there are no scatter-site units planned for families). Of the 1,150 units, 400 are for families in which the head of household has a serious mental illness or is mentally ill and chemically addicted. DOHMH is responsible for issuing the contract to run these units, and the state is responsible for funding it. In addition, 750 units are for families in which the head of the family has a substance abuse disorder, disabling medical condition, or HIV/AIDS. DOHMH and New York State are responsible for contracting for these units, and DOHMH is responsible for funding.

NY/NY III called for 275 units to be open by the end of state fiscal year 2008–2009. As of June 2009, DOHMH has opened 153 units, 56 percent of the 2008–2009 target, and has awarded contracts for another 305 units. In contrast, the state has not

### Operating Contract Progress: Units for Families

Numbers as of June 2009 by Contracting Responsibility

	Congregate	Total
<b>Total Goal</b>	<b>1,150</b>	<b>1,150</b>
<b>Goal for 2008-2009</b>	<b>275</b>	<b>275</b>
<b>Open</b>	<b>153</b>	<b>153</b>
City	153	153
State	0	0
<b>Contract Awarded</b>	<b>305</b>	<b>305</b>
City	305	305
State	0	0

SOURCES: IBO; Department of Health and Mental Hygiene; Office of Mental Health.

## Operating Contract: Units for Adults living with HIV/AIDS

Numbers as of June 2009 by Contracting Responsibility

	Congregate	Scatter-Site	Total
<b>Total Goal</b>	<b>600</b>	<b>400</b>	<b>1,000</b>
<b>Goal for 2008-2009</b>	<b>350</b>	<b>400</b>	<b>750</b>
<b>Open</b>	<b>0</b>	<b>193</b>	<b>193</b>
City	0	143	143
State	-	50	50
<b>Contract Awarded</b>	<b>278</b>	<b>207</b>	<b>485</b>
City	278	207	485
State	-	-	-

SOURCES: IBO; Human Resources Administration.

awarded contracts for any of the 375 congregate units for which it is responsible.

**For Adults with HIV/AIDS.** One thousand units—600 congregate and 400 scatter-site—are set aside for single adults living with HIV/AIDS who have a co-occurring serious and persistent mental illness, a substance disorder, or both. Through a partnership agreement with the state Department of Health/AIDS Institute, the city’s Human Resources Administration HIV/AIDS Services Administration (HASA) has assumed the responsibility for contracting and making referrals for these units. The state and city share responsibility for funding operations.

The plan called for all 400 scatter-site units and 350 congregate units to be open by the end of state fiscal year 2008–2009. To date, contracts have been awarded for all 400 scatter-site units and 193 units are already open, including 50 scatter-site units contracted by New York State prior to HASA’s assumption of contracting responsibilities. The balance of these scatter-site units is expected to be leased and available in the coming months.

In addition, contracts for 278 congregate units have been awarded, but as of June 2009 none are open. Units with contracts awarded are currently projected to be tenanted or ready for occupancy within the next three years. Overall there has been more progress on the scatter-site than on the congregate projects.

**For Youth.** Four hundred units, including 300 congregate and 100 scatter-site, are set aside for youth aged 18 to 24. Two hundred congregate units are for youth with a serious mental illness who are at risk of

homelessness; the state is responsible for funding and contracting these units. As of June 2009, no units for youth with serious mental illness were open, though 20 congregate units were scheduled to be open by the end of state fiscal year 2008–2009. The state Office of Mental Health reports that 77 congregate units have been awarded operating contracts.

The remaining 200 units are for youth who are aging out of foster care or have recently left foster care and are split evenly between congregate and scatter-site units. DOHMH and the state Office of Children and Family Services share responsibility for funding the units for foster-care youth, and DOHMH is responsible for contracting all of these units. Awards have been made for 214 units (99 congregate and 115 scatter-site) for youth aging out of foster care, of which 155 are currently open (40 congregate and 115 scatter-site), nearly three-quarters of the 220 units (120 congregate and 100 scatter-site) expected to be open by the end of state fiscal year 2008–2009.

## CONSTRUCTION PROGRESS

Measuring progress on NY/NY III in terms of units constructed rather than contracts awarded provides a different count but leads to similar conclusions: fewer congregate units are currently complete than were originally planned. Twelve hundred congregate units—19 percent of all congregate units expected under the NY/NY III agreement—were planned to be constructed and open by the end of state fiscal year 2008–2009. The city and state report that as of June 2009 construction of 313 congregate units is complete, with an additional 660 units currently under construction. With a typical project taking about 18 months to complete, by January 2011 construction should be completed for most of these additional units, bringing the total number of completed congregate units to roughly 900 units, still short of the goal for the state 2008–2009 fiscal year. (Note: These figures on the number of units *completed* differ somewhat from the data on the number of units *open* and serving tenants shown in the preceding section.)<sup>11</sup>

Data on construction may overstate progress on the NY/NY III agreement because some units may be counted twice when multiple agencies are funding the work. The agencies involved in NY/NY III capital development are now developing a tracking system for assigning “credit” for projects jointly funded

## Operating Contract: Units for Young Adults

Numbers as of June 2009 by Contracting Responsibility

	Congregate	Scatter-Site	Total
<b>Total Goal</b>	<b>300</b>	<b>100</b>	<b>400</b>
<b>Goal for 2008-2009</b>	<b>120</b>	<b>100</b>	<b>220</b>
<b>Open</b>	<b>40</b>	<b>115</b>	<b>155</b>
City	40	115	155
State	0	-	0
<b>Contract Awarded</b>	<b>136</b>	<b>-</b>	<b>136</b>
City	59	-	59
State	77	-	77

SOURCES: IBO; Department of Health and Mental Hygiene; Office of Mental Health; Office of Children & Family Services.

by multiple agencies. This should ensure that NY/NY III units are not double-counted towards the goal of creating 6,250 congregate units. At the time of this report, however, such a system has not yet been put in place. Although IBO has eliminated double counting wherever possible, the figures reported in this section may overstate progress, especially in projects that have not begun construction and financing has not been finalized.

**City and State Progress Towards 2008–2009 Goals.** The New York City Department of Housing Preservation and Development is responsible for 3,125 units, which represents half of all planned congregate units and the city’s entire share of capital funding for NY/NY III. According to the department, 134 city funded and 105 jointly city and state funded congregate units have been completed. So even if the city is credited with all of the units that are funded jointly, the city has still fallen short of its goal to develop 650 congregate units by March 30, 2009.

New York State has also fallen short of its end of fiscal year 2008–2009 goal for developing congregate units. Three state agencies are involved in providing capital funding for these units: the Office of Mental Health, the Office of Temporary Disability Assistance, and the Division of Housing and Community Renewal. Together these state agencies committed to developing 550 units of congregate housing by 2008–2009. But even if we

assume that the 105 jointly funded units are all credited to the state, New York State has completed 179 units, one-third of its March 30, 2009 goal.

**Looking Ahead.** Current fiscal conditions make achieving the remaining development milestones difficult. In June 2009, the city and state reported that 660 units of congregate supportive housing were under construction and 2,470 units were in pre-development—meaning plans are undergoing review by the agencies involved and a developer is seeking to secure financing for a proposed project. Generally, it takes 18 months to 24 months for a project to complete this phase. As projects may take three years from pre-development to completion, in state fiscal year 2011–2012 the city and state could have 3,443 units complete. With a goal of having 3,768 congregate units complete by the end of state fiscal year 2011–2012, the city and state would be only slightly behind schedule if they completed all of the units in the pipeline within three years.

In the face of the current economic downturn, the state and city are both confronting large budget gaps that may jeopardize their ability to meet the stated goals on-time. The city’s housing department uses its capital budget to subsidize the NY/NY III units, so cuts to its supportive housing capital programs could affect the schedule for completing units. Compared to the 2009 Adopted Capital Commitment Plan, planned capital commitments through 2013 (including city and non-city funds) for special needs housing, which includes supportive housing, are down 5 percent. While a cut of this magnitude may not put the city’s overall goal of producing 3,125 units at risk, it could slow the construction of these units.

Affecting both city and state plans are the decline in the value of Low Income Housing Tax Credits and tight credit markets. Supportive housing construction often relies on the federal tax credit program and tax credits have lost value recently. Furthermore, overall underwriting standards have become tighter, construction capital has become more difficult to secure, and interest rates on construction loans are increasing. At a time when many are calling on the city and state to speed up the development of supportive housing, the resources necessary to do so are either stagnant or dwindling.

Still, there are a few bright spots. Now that real estate development in the city has slowed, land prices and construction costs have begun to

<b>Status of Capital Development of New York/New York III Supportive Housing Units</b>					
<i>Numbers as of June 30, 2009</i>					
<b>Responsible Agency</b>	<b>Complete</b>	<b>In Construction</b>	<b>In Pre-Development</b>	<b>Total</b>	
Office of Temporary and Disability Assistance	8	0	18	26	
Office of Mental Health	0	28	945	973	
Division of Housing and Community Renewal	66	28	199	293	
<i>State-Only Subtotal*</i>	<i>74</i>	<i>55</i>	<i>1,162</i>	<i>1,291</i>	
City-Only (Housing Preservation and Development)	134	357	1,186	1,677	
Jointly funded by Housing Preservation and Development and Office of Temporary and Disability Assistance	105	248	122	475	
<b>TOTAL</b>	<b>313</b>	<b>660</b>	<b>2,470</b>	<b>3,443</b>	

SOURCES: IBO; Department of Housing Preservation and Development; Office of Temporary and Disability Assistance; Office of Mental Health; Division of Housing and Community Renewal.

NOTE: \*The 55 units in construction for Office of Mental Health and Division of Housing and Community Renewal are jointly funded by the two agencies; IBO assumed that each agency funded half the units. Numbers may not add due to rounding.



decrease so that existing resources can go further. In addition, the federal stimulus package includes grants to cover funding gaps resulting from the decreased values of low-income housing tax credits. The city and state have both received funding to fill these gaps through the federal Tax Credit Assistance Program. While these funds are only a temporary fix, they may help projects that would have stalled move forward.

## ASSESSING PROGRESS AND NEEDS

As of June 2009, 2,719 NY/NY III supportive housing units are open. Looking solely at the number of units open, the progress falls short of the goal of 3,950 units by March 30, 2009. The city and state have met their targets for scatter-site projects for individuals with substance abuse disorders and youth. They have not met planned targets for scatter-site projects for other populations or for congregate units for any population.

With nearly all of the scatter-site units complete, the greatest challenge ahead will be funding the construction and operation of congregate units. Construction has been completed for 5 percent of the congregate units, which is short of the goal of having 19 percent of the congregate units (1,200 units) completed by March 2009. Another 11 percent are under construction. Combined with units in pre-development, 55 percent of the congregate units to be constructed or rehabilitated in the entire 10-year agreement are at some stage of capital development. Both the city and state will need to continue to fund the capital development of units and provide operating funds if they are to build momentum, which may be challenging in the face of their fiscal difficulties.

As units move from the construction stage to occupancy, the selection process for tenants will help determine whether the program is meeting the needs of the homeless population. The fact that the city and state have been open to modifying the eligibility criteria of one population suggests that they can be flexible and responsive to the needs of populations that have not previously been served by prior NY/NY agreements.

It is difficult to assess the need for supportive housing in the city, but many argue that it outstrips the supply. Moreover, there is reason to expect increased demand for supportive housing. This September, a state judge ruled that New York State would need

to find apartments for over 4,300 mentally ill adults who have been living in privately run adult homes in the city.<sup>12</sup> The units produced under NY/NY III can help meet this growing demand.

*This report prepared by Kerry Spitzer*

## ENDNOTES

<sup>1</sup>Dennis P. Culhane, Stephen Mettraux, and Trevor Hadley. "Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing" *Departmental Papers (SPP)* (2002).

Available at: [http://works.bepress.com/dennis\\_culhane/4](http://works.bepress.com/dennis_culhane/4)

<sup>2</sup>Frank R. Lipton et al. "Tenure in Supportive Housing for Homeless Persons with Severe Mental Illness." *Psychiatric Services* 51:479-486, 2000. Stephen Mettraux, Steven C. Marcus, and Dennis P. Culhane. "The New York – New York Housing Initiative and Use of Public Shelters by Persons with Severe Mental Illness." *Psychiatric Services* 54:67-71, 2003.

<sup>3</sup>Note that the New York State Office of Mental Health does not award operating contracts until a project is built and the program is ready to admit tenants. In order to avoid understating OMH's progress in this report relative to other agencies, IBO reports the number of units that OMH says are at the stage where other agencies would have awarded contracts. We have used the term "award" for these units to allow the reader to make easier comparisons, though technically awards have not been made. In total, 950 OMH units were classified as having a contract awarded in this paper.

<sup>4</sup>Through the HOME program the U.S. Department of Housing and Urban Development provides block grants to states and localities. These grants may be used to fund affordable housing through grants, direct loans, other forms of credit enhancement, or rental assistance or security deposits.

<sup>5</sup>In most cases, loans through the city's supportive housing loan program are effectively subsidies for the full amount of the mortgage. The Department of Housing Preservation and Development Web site indicates that the "loans have a 30 year term and neither principal nor interest are repaid if the sponsor complies with the terms of a regulatory agreement requiring that the property be used for housing for low income homeless disabled tenants for 30 years." Therefore, IBO included the full mortgage amount for such units when calculating the average subsidy per unit.

<sup>6</sup>See the Department of Housing Preservation and Development's [Supportive Housing Loan Program Term Sheet](http://www.nyc.gov/html/hpd/downloads/pdf/shlp.pdf) available at: <http://www.nyc.gov/html/hpd/downloads/pdf/shlp.pdf>.

<sup>7</sup>Furman Center for Real Estate & Urban Policy. "The Impact of Supportive Housing on Surrounding Neighborhoods: Evidence from New York City." November 2008.

Available at: [http://www.furmancenter.org/files/FurmanCenterPolicyBriefonSupportiveHousing\\_LowRes.pdf](http://www.furmancenter.org/files/FurmanCenterPolicyBriefonSupportiveHousing_LowRes.pdf)

<sup>8</sup>Sam Tsemberis and Ronda F. Eisenberg. "Pathways to Housing: Supported Housing for Street-Dwelling Homeless Individuals with Psychiatric Disabilities." *Psychiatric Services* 51: 487-493, 2000.

<sup>9</sup>Individuals are not considered homeless while living in institutions (e.g. prison or a nursing home), though generally, if they would have qualified as chronically homeless before entering the institution, they may be eligible upon exiting the institution. If an individual is homeless prior to living in an institution, the definition of chronic homelessness extends the time period during which the homelessness may occur by the duration of the institutionalization, up to a maximum of three years. Therefore, up to three years in an institutional setting would not count against an applicant. For example, if a disabled individual were in prison for two years and prior to his/her incarceration had been homeless for one year, the individual would be eligible for NY/NY III housing, based on being homeless one of the last two years outside of an institution.

<sup>10</sup>The City of New York Department of Health and Mental Hygiene. *Request for Proposals: New York/New York III Scattered-Site Supportive Housing Programs for at Risk Young Adults Leaving Foster Care and Homeless Individuals with Substance Abuse Disorders Fiscal Year 2007–2008*. New York City: February 16, 2007.

<sup>11</sup>Sources for the capital figures include: New York City Department of Housing Preservation and Development, New York State's Office of Temporary Disability Assistance, Office of Mental Health, and Division of Housing and Community Renewal. Sources for operating contracts figures include: New York City's Department of Health and Mental Hygiene and Human Resources Administration and New York State's Office of Mental Health, Office of Alcoholism and Substance Abuse and Office of Children and Family Services.

<sup>12</sup>James Barron. "State Discriminated Against Mentally Ill, Judge Rules." *The New York Times*, September 8, 2009.

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