

NCSHA 2008 Annual Awards

New York City Housing Development Corporation (HDC)

PARTNERING WITH COMMON GROUND: THE PITT STREET AND 160 SCHERMERHORN STREET DEVELOPMENTS

Low-Income Affordable Marketplace Program (LAMP)

Submitted for “Combating Homelessness”

Innovation: HDC has worked with New York City and New York State officials to create preferences in all our low-income developments to provide housing for formerly homeless individuals. In certain circumstances, such as described below, HDC has gone to the next level by providing financing for developments where half of the units are built to serve a homeless population with appropriate services. The use of state and city loan funds here allows for the payoff of the entire bond debt at conversion, greatly reducing ongoing operating costs and enabling the developer to maintain these facilities for the designated homeless population with greater ease.

Generally, HDC’s LAMP program creates low-income housing reserved for families earning up to 60% of the Area Median Income (AMI), currently \$32,280 for an individual and up to \$46,080 for a family of four. Apartments created through the LAMP program are able to be rented out at affordable rents because of the low-cost financing offered through HDC. Through the LAMP program, HDC issues tax-exempt bonds and couples the permanent mortgage made through the bond proceeds with a 1% second mortgage loan made directly from its corporate reserves. Furthermore, the tax-exempt bond financing qualifies the project for as-of-right 4% Federal Low Income Housing Tax Credits, which is an essential component of the project’s financing.

Partnering: With these two projects HDC partnered with Common Ground, a pioneering not-for-profit based in New York that has been a leader in the development of supportive housing and other research-based practices that end homelessness. Common Ground has created a network of well designed, affordable apartments — linked to the services people need to maintain their housing, restore their health, and regain their economic independence — that has enabled more than 4,000 individuals to overcome homelessness.

Apart from the participation of various government agencies (see “Significant Government Support”), JP Morgan Chase enhanced the bonds with direct pay letters of credit.

The Developments: 133-139 Pitt Street is a 12-story building under construction on the Lower East Side of Manhattan at East Houston Street. It is a multi-family housing facility consisting of 263 units that costs approximately \$60 million to build. HDC issued \$31 million in bonds in December 2006. Tax credit proceeds of \$23 million, combined with grants and other loans of approximately \$32 million will cover the costs of developing the project and prepaying its bond loan (the remainder of costs relate to the developer's fee). Common Ground purchased the vacated Milliken Clubhouse facility from The Boys' Club of New York in December 2004 for \$10.3 million. The development also includes community space, a computer lab, a fitness room and a laundry room. 158 units are for formerly homeless residents, with fifty-four of these units to be occupied by young adults aging out of foster care, sixty-nine of these units for adults with a history of mental illness, and thirty-five of these units for those who have AIDS. All of the residential units are to be occupied by households whose gross income will not exceed sixty percent of the area median income (AMI) for New York City.

160 Schermerhorn Street consists of the new construction of an eleven-story elevator building in Brooklyn that costs approximately \$59 million to build. HDC issued \$30 million in bonds in December 2005. Tax credit proceeds of \$28 million, combined with grants and other loans of approximately \$27 million will cover the costs of developing the project and prepaying its bond loan (the remainder of costs relate to the developer's fee). Common Ground and The Actors Fund joined together to develop the 217-unit residence. The building will have 101 units for single adults with low incomes, 84 units for homeless persons who have had a history of mental illness or substance abuse and referred by New York City's Department of Homeless Services, and 32 units will be utilized for people living with AIDS. All of the units are studios. In addition to the rental units, support services for the tenants will be located on the first two floors, and include program offices, a multipurpose room, meeting rooms, an exercise room, a computer room, and an exterior community terrace. The units will provide permanent housing and all tenants will have leases. The project is located near the northern border of Downtown Brooklyn and Boerum Hill in Brooklyn.

Significant Government Support: Each of the projects have received grants and/or 1% loans from NYC's Department of Housing Preservation and Development, the NYS Homeless Housing and Assistance Program and the Federal Home Loan Bank of New York as well as additional state and local funds. The addition of HDC's financing, as well as the tax credit equity from the bond financing, makes each project feasible. It allows for the creation of much-needed supportive housing which would not be able to support long-term HDC debt. The various grants and 1% loans when coupled with the tax credit equity allows the developer to pay off the entire bond debt at conversion.

Responding to a Pressing Need: Both New York City and New York State recognize the importance of addressing homelessness and have made numerous resources available to address this problem, including grants and low-interest loans. The combination of bonds and the as-of-right credits with significant subsidy loans creates the

opportunity to build these projects. The availability of continuing subsidies from Federal, state and local resources allows for these building to operate and to serve the disadvantaged population.

Effectiveness and Efficiency: By engaging a known and successful developer like Common Ground, that has consistently proven it can raise the resources, develop important sites, coordinate with local residents and officials to address neighborhood concerns and provide the services necessary to have successful homeless housing, HDC believes that it can effectively finance the development of this kind of housing. Historically, these developments have not been funded with bonds. But here we have used the model from our LAMP program and expanded it to cover homeless housing. The cost of building this housing is consistent with HDC's other affordable developments but has the advantage of being built with the expected needs and demands of supportive housing services included. With service delivery on the sites, neighborhood concerns and most importantly the welfare of the tenants can be best addressed.

As all of the bonds will be prepaid upon conversion HDC will be able to recycle the tax exempt bonds for new projects under recently passed authority in the Housing Stimulus Bill. Recycling will greatly improve the efficiency of transactions where most if not all of the bond proceeds are paid down with equity, grants and other proceeds at completion.

Results: Both of these projects are still in construction but we have demonstrated that this is an effective model to provide construction financing for developments that can not support permanent debt but that have significant governmental support and are aimed to address a compelling need such as combating homelessness. By working with dedicated developers/service-providers, HDC believes that it can play a part in addressing the needs of NYC's homeless population in a financially prudent and successful manner.