

**Category: Special Needs Housing****Subcategory: Combating Homelessness****GENERAL**

“nyhomes,” the umbrella name for New York State’s three housing financing agencies, has made a concerted effort in the last two years to champion the cause of ending homelessness in the state. By doing so, the New York State Housing Finance Agency (“HFA”) has made the financing of supportive housing a priority—a priority that did not exist before 2007. That is why we were thrilled to partner with a not-for-profit organization, the Fortune Society, to help finance the proposed Fortune Academy, located in West Harlem in New York City. The Fortune Academy will be dedicated to permanently housing formerly incarcerated persons who are homeless. At the same time, the Fortune Academy furthers HFA’s goal of building environmentally sustainable new developments because the project intends to achieve or exceed “gold” LEED standards.

**BACKGROUND**

Permanent housing is one of the most difficult challenges confronting men and women with prison records. They are barred from living in public housing. If they stay covertly with family members in public housing, their relatives can be evicted. And private landlords are reluctant to sign leases with them because they often have poor credit records, broken job histories and a history of drug abuse. This makes it very difficult for former convicts to break into the private housing market. In addition, many former convicts need special services that are offered at scattered locations around the New York City.

It is because of these obstacles that we partnered with the Fortune Society. The Fortune Society’s mission is to integrate formerly incarcerated individuals back into society. In 1998, the Fortune Society purchased a Gothic-designed former crack house known as “the Castle” and an adjacent parcel of land in upper Manhattan. It turned the building into a residence for the formerly incarcerated. It then proposed that the vacant land—a former parking lot that was once an outdoor illicit drug market—be turned into an apartment house for formerly incarcerated individuals who are homeless. This new apartment house, to be called the Fortune Academy, will be located next door to the Castle. It will create additional permanent housing for former convicts now living in shelters and offer services tailored to their needs in the same building.

Not surprisingly, the neighborhood was resistant to the idea of former convicts moving into the area. So the Fortune Society created a community advisory board composed of local officials,

tenant leaders, community board leaders and local residents. Advisory board members told the Fortune Society that they wanted more affordable housing for the neighborhood as gentrification moved deeper into Harlem – and not housing for homeless persons.

### **THE DEVELOPMENT**

The Fortune Society, with the help of its co-developer, the Jonathan Rose Companies, proposed a 114-unit apartment building with a total development cost of \$42.3 million. In addition to providing the necessary support for individuals who are formally incarcerated, the new building will be environmentally progressive. The building was designed to meet or exceed “gold” standards of LEED environmental compliance, including aluminum solar shades above the windows, a rooftop terrace for recreation and the use of non-toxic materials throughout the structure. Supportive services offered on site will include drug counseling, job training, and health and wellness counseling. To meet the neighborhood’s needs and satisfy its mission, the Fortune Society proposed that 63 units be set aside for homeless former convicts and that the rest of the units be reserved for low- and moderate-income tenants.

### **THE FINANCING**

HFA helped oversee the complex job of assembling the many subsidies needed to finance the Fortune Academy. Every funding source had its own requirements and it was HFA’s job to make sure that the requirements of each supporter were met as the project came together.

In addition to a \$21.7 million mortgage, HFA provided a second mortgage of \$4 million and an annual allocation of \$1.6 million in Federal low-income housing tax credits. New York City chipped in with an \$8.3 million supportive housing loan. The state provided a \$5.5 million homeless assistance loan. The Manhattan borough president gave a capital loan of \$1 million, the New York City Council made a \$2 million loan, the Mayor offered a \$250,000 grant and the Federal Home Loan Bank’s Affordable Housing Program made a loan of \$1.5 million.

Just as the financing was being finalized in the fall of 2008, the financial markets collapsed, raising doubt as to whether the deal would hold. Fortunately, the site—which the Fortune Society purchased for \$1.2 million in 1998—had recently been appraised at \$9 million. Under HFA’s guidance, the Fortune Society was able to leverage enough of this equity to create several large reserve funds that helped calm the nerves of the bankers and investors who were financing the deal.

The HFA board approved the project in November, 2008. It closed a month later when HFA issued \$24.9 million in bonds and the groundbreaking took place on February 19, 2009. The project is scheduled to open in the spring of 2010—ahead of schedule.

**CONCLUSION**

The success of the Fortune Academy demonstrates that perseverance, funding innovation and community outreach are crucial to financing housing for a population that is historically difficult to house. In this case, the Fortune Society worked diligently and cooperatively with the local community to design a project that both met its needs (housing for former convicts) as well as the community's needs (new affordable housing).

It then came to HFA, which had the expertise to pull together government and private funding streams so that the complicated financings could be completed in a timely manner—even during a time of extreme economic turmoil. With HFA's help, the Fortune Academy will provide permanent, safe and affordable housing for both local residents and a special needs population (homeless formerly incarcerated) in need of housing. This is truly a case of mission accomplished.