



**Testimony to the New York City Council
Committee on Housing and Buildings
Oversight: FY23 Preliminary Budget
Submitted by the Supportive Housing Network of New York
March 14, 2022**

Hello Chair Sanchez and members of the Housing and Buildings Committee. My name is Rebecca Sauer and I am the Director of Policy and Planning at the Supportive Housing Network of New York. The Network is a membership organization, representing over 200 nonprofits statewide who develop, own and operate supportive housing. Supportive housing is deeply affordable housing with onsite, voluntary social services for people who have experienced homelessness and who have the greatest barriers to obtaining and maintaining housing – those living with a serious mental health diagnoses, people who use substances, youth aging out of foster care, veterans, survivors of domestic violence and others.

We are looking forward to working with the new City Council, the Adams administration, and other elected officials to address the protracted homelessness crisis and ensure that desperately needed supportive housing, both existing and new, have the resources and systems required to thrive.

Invest \$4 Billion in Affordable and Supportive Housing

The Network is a proud member of the United for Housing coalition, a group of more than 80 organizations that came together to make recommendations for the new administration. During the campaign, then-candidate Adams promised to make good on the coalition’s call for an increased investment in housing capital of \$4 billion, ***\$2.5 billion for affordable and supportive housing and \$1.5 billion for public housing***. However, Mayor Adams’s preliminary budget falls far short.

Adams’s budget projects capital commitments of \$1.5 billion in the current fiscal year (FY 2022), \$1.7 billion in FY 2023, \$1.5 billion in FY 2024 and \$1.3 billion in FY 2025. These figures are unchanged from the adopted capital budget released by de Blasio in October.

This capital is desperately needed to increase production of supportive housing and preserve our existing stock.

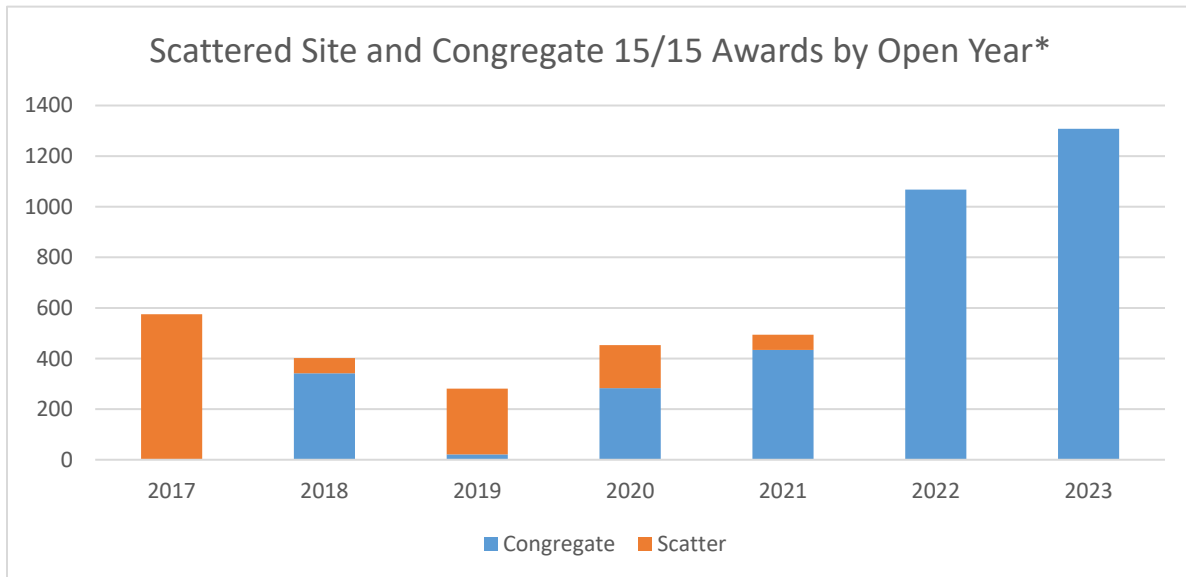
Improve NYC 15/15 Initiative

The City’s current supportive housing initiative, NYC 15/15, is creating 15,000 units of supportive housing in 15 years. Launched in 2017, the commitment is split 50/50 between newly developed single

site residences and scattered site supportive housing (private apartments in which mobile services are delivered).

According to the Network’s internal tracking, 1,055 homes that were developed and financed through the NYC 15/15 program are now open, with about 1,700 more in construction and approximately 1,000 more in the development pipeline going through due diligence and awaiting financing.

In this calendar year, 2022, 1,000 NYC 15/15-funded homes are slated to open, all of them in single site congregate residences. With some setbacks due to Covid and lack of staffing at HPD and other agencies, the development pipeline is ramping up as we expected. After a supportive housing program is announced, there is at least a 2-4 year lag in production as developers acquire sites and financiers get to know and become confident underwriting the program. Once a project receives all its financing, construction typically takes 2 years. Additionally, while NYC 15/15 was ramping up, developers were still busy with our previous supportive housing initiative, NY/NY III, which was still producing units as it phased out. With all this in mind, calendar years 2020 and 2021 showed strong growth in the program.



**Because of the nature of scattered site, there is no guarantee of new 15/15 scattered site awards in 2022 and 2023. As the above chart illustrates, there are congregate projects that are currently in the development pipeline, projected to open in 2022 and 2023.*

Scattered site supportive housing, in theory, has a much shorter lag time because no development and construction are required. NYC 15/15 scattered site started with some initial interest in its first year, but has faltered significantly in the last five years. Only half of the expected scattered site units are open: 1,255 compared to the 2,500 that should have been created if it were going at the expected rate of 500 units per year. This is due to the stagnant contract rates and social service rates far below those available to congregate programs. (For example, for a single adult program social service funding for NYC 15/15 congregate is \$17,500 and for scattered site it is only \$10,000). Nonprofit providers are unwilling to take on new scattered site contracts, while their existing scattered site programs – from

previous supportive housing initiatives – are so underfunded that they are actually losing money. (Our advocacy priorities for increasing existing scattered site rates are included in our preliminary budget testimony to the General Welfare and the Mental Health, Disabilities and Addiction Committees).

In order to ensure that the NYC 15/15 program reaches its crucial unit targets, the City must reallocate the 50/50 split between congregate and scattered site to a 75/25 split, respectively. As you can see from the chart, the program is already producing congregate units at the needed rate of 750 units per year. This must be formalized and included in a plans for HPD capital.

85% of NYC 15/15 units are now targeted to people experiencing chronic homelessness, which follows HUD’s definitionⁱ while the remaining 15% of units are for single young adults and young adult families. The HUD definition excludes thousands of people in need of supportive housing, including those who have been incarcerated. On January 7, 2022, 49% of the population in the New York City Department of Corrections (DOC) system, had a Brad H designationⁱⁱ, meaning they were identified as needing mental health treatment upon release.ⁱⁱⁱ Approximately half of all people released from state prisons to New York City go to a city homeless shelter.^{iv} The City must create new supportive housing units to meet the needs of people leaving jail, prison, or long-term hospital stays, who are currently left out of NYC 15/15 because of the “chronic homeless” definition.

Preserve 300 Supportive Housing Units Each Year

Of the approximately 420 single site supportive housing residences in New York City with almost 27,400 apartments, 160 (38%) were opened before the year 2000 and many of those were only moderate rehabs of much older buildings. Of these, the majority were moderate rehabs of SROs that need capital work, upgrades to meet new sustainability mandates, and building system enhancements to keep people safe from COVID and other infectious diseases. Services and operating funding in these buildings – which have remained stagnant – must also be increased.

Our community needs dedicated HPD capital, services and operating funding to preserve 300 supportive housing units per year. Many of these buildings need significant capital investment to continue to provide safe and healthy living environments for their tenants and to meet the City and State’s ambitious mandates to reduce carbon emissions from buildings. Service and operating budgets must also be increased to modern standards after decades of stagnation. Some of these older buildings have combined service and operating contracts as low as \$2,400 per unit per year, compared to NYC 15/15 which boasts \$17,500 just for services with additional funding rental assistance close to FMR standards.

Preservation of these older single-site residences is critical not just because the City cannot afford to lose a single unit of supportive housing but also because it furthers Fair Housing goals. Many of the older supportive housing residences are converted hotels in whiter, wealthier Manhattan neighborhoods, where new development is costly and rents are high. Existing supportive housing provides racial and economic integration in these neighborhoods that would be extremely difficult to recreate.

A number of City agencies – DOHMH, the Human Resources Administration (HRA), the Department of Homeless Services (DHS), the Continuum of Care and two divisions at HPD – have been participating in the Supportive Housing Preservation Project, an effort to identify and holistically address both the physical and pressing fiscal issues plaguing older supportive housing residences. This integrated

approach—which focuses on both the brick and mortar challenges as well as the underfunded operating and service contracts—is critical to keeping this ‘first wave’ of supportive housing viable and must be continued. Now we just need dedicated capital resources, as well as service and operating funding, to create a steady preservation pipeline.

As the City puts significant resources into preserving affordable and supportive housing, it must also be vigilant to protect nonprofit owners’ rights through the Right of First Refusal (ROFR) for the 171,000 NYC apartments developed with the Low Income Housing Tax Credit (LIHTC) program.^v LIHTC is a Federal program created in 1986 that allows nonprofits and other developers to create and maintain affordable housing in exchange for Federal tax credits, which they can sell to investors. It is the primary tool the City has to develop new affordable housing. Regrettably, across the country, unscrupulous investors have been trying to distort the program and deny nonprofits their ROFR at the end of the compliance period. These disputes are often occurring in gentrifying neighborhoods in which investors hope to eventually reap financial rewards by presumably selling the buildings at a profit or increasing rents.^{vi} This nationwide trend is an existential threat to affordable and supportive housing. ***The City must support Federal legislation and work with the State to enact consistent local policies protecting the Right of First Refusal to ensure long-term affordability.*** The 2021 HPD Qualified Allocation Plan (QAP), the document required by LIHTC allocating agencies to outline the local requirements and priorities for the program, was a step in the right direction, including points for projects that abided by clear guidelines for how the nonprofit is able to exercise its ROFR. The City must build on this first step to ensure that nonprofit ownership of LIHTC-financed affordable and supportive housing remains sacrosanct.

City Agency Staffing and Efficiencies

The Network is very concerned about critical lack of staff capacity at HPD. Since the pandemic started, HPD has been severely understaffed. According to analysis from the New York Housing Conference, overall, the agency’s staffing is 5% lower than it was before the pandemic and is 12% below the current budgeted headcount. The greatest staffing shortfall however is in the Office of Development, which handles development of new construction and preservation of affordable housing, where staffing is down 12% compared to January 2020, before the pandemic began, and is 24% below their budgeted headcount.

In order to get from conception to a point where people experiencing homelessness can move in, a supportive housing project touches many different departments at HPD. It starts with the Office of Special Needs housing, where the project is assigned a project manager. It will also need to go to the Division of Building and Land Development Services (BLDS) where it is reviewed for architectural, engineering, environmental, cost valuation, and construction support. The proposal might also be reviewed by the Division of Planning and Predevelopment which develops and manages HPD's housing production pipeline from project proposal phases through the land use review and entitlement process. There will be underwriting review. The marketing team will need to assist in getting the units ready to lease up, using the new Housing Connect 2.0 system. In order for the project to close on its financing, an HPD attorney must be assigned. The Division of Tenant Resources (DTR) is needed to assist with the rental assistance component of the NYC 15/15 contract, as well as qualify tenants prior to move-in. Staffing shortages at any one of these offices will slow projects down, and developers are telling us there are currently shortages at most of these offices.

We have heard about supportive housing projects that are being delayed for months because there are no attorneys to assign to their projects, or no BLDS reviewer. Ultimately this translates to months longer where hundreds of people are staying in shelters or on the streets and subways. While systemic change is needed, ***one quick solution to the understaffing problem is contracting out attorneys for deal closings.*** This is a common practice with state housing finance agencies and could also provide some relief for shortages in other departments.

While the Preliminary Budget identifies that HPD will reduce its headcount by 28 positions in FY 23, to meet the Program to Eliminate the Gap (PEG), the City needs to ensure that development operations are not further impacted. Quite the opposite; ***the City needs to invest in sufficient staffing resources to push the pipeline forward, while also exploring efficiencies that cut down the development timeline and review process.*** One such area is exploring ways to cut down on the agency review of tenant income documents, which could save time and reduce the burden on tenants.

In our testimony to the General Welfare committee, we also discuss the staffing shortages at HRA, which is leading to an increase in supportive housing vacancies, as referrals lag. Housing and homelessness are one intertwined issue, and it is important to look at the whole continuum of how people move from homelessness into housing.

Finally, like all new construction, the development of affordable and supportive housing requires extensive review, permitting, and inspection processes from the Department of Buildings (DOB) and FDNY. The Department of Transportation (DOT), Parks Department, and Department of Environmental Protection (DEP) are often also involved. Connections with private utilities such as Con Edison or National Grid are required before tenants can move in. Developers are left to navigate each of these agencies on their own, met with no recognition that their buildings are fulfilling a crucial need for the City. Delays stemming from these agencies are frequent, meaning that people are staying longer than necessary in shelters and on the streets. ***The City should create an Ombudsperson at City Hall to conduct interagency coordination, fast-tracking all necessary approvals for affordable and supportive housing.***

Public Sites

While the need for supportive and affordable housing necessitates significantly increased capital investment, the City must also make sure that capital is being used efficiently. Public sites are a resource with tremendous untapped potential, especially in communities in which land prices are expensive. Decreasing the purchase price substantially lowers the total development cost and, by extension, the capital investment required from the City. Because of the siloed approach to housing and homelessness policy in New York City, only HPD, DHS, and Health and Hospitals (H+H) have examined their portfolios and allocated land to the cause of developing affordable and supportive housing.^{vii} Meanwhile, agencies such as the Fire Department of New York (FDNY), the Administration for Children's Services (ACS), and the Department of Citywide Administrative Services (DCAS) all have potential sites that merit consideration for supportive housing development. A 2019 study by a group Urban Design Forum Forefront Fellows identified 48 sites prime for supportive housing development under the jurisdiction of those three agencies alone.^{viii} ***The City should be required to survey its entire portfolio of land to assist in the efficient and equitable creation of supportive housing.***

Conclusion

The City has long struggled to effectively meet the needs of people experiencing homelessness, and although we have seen a decrease in homelessness over the last few years, the most recent annual Point-in-Time count estimates more than 65,000 people in our shelter system, with nearly 2,400 people living on the streets and subways of New York City.^{ix} Too many of our neighbors are without safe, stable, homes.

We agree with Mayor Eric Adams that the city needs to focus on increasing efficiency, but are concerned that “efficiency” is often a euphemism for staff and budget cuts. In the case of the city agencies that are working to end homelessness, the city should instead intentionally and immediately *increase* resources in order to achieve the ultimate efficiency: getting people out of shelters, off the street and into permanent housing.

ⁱ “Here’s What You Need to Know About HUD’s New Chronic Homelessness Definition.” National Alliance to End Homelessness website, 16 December 2015, <https://endhomelessness.org/heres-what-you-need-to-know-about-huds-new-chronic-homelessness-definition/>

ⁱⁱ “People in Jail in New York City: Daily Snapshots.” Vera Institute of Justice website. <https://greaterjusticenyc.vera.org/nycjail/>. Accessed 7 January 2022.

ⁱⁱⁱ Saulny, Susan. “City Agrees to Help Care for Mentally Ill Inmates After Release.” The New York Times, 9 January 2003, <https://www.nytimes.com/2003/01/09/nyregion/city-agrees-to-help-care-for-mentally-ill-inmates-after-release.html?smid=url-share>

^{iv} Gross, Courtney. “The New York Prison-to-Shelter Pipeline.” NY1, 27 February 2018, <https://www.ny1.com/nyc/all-boroughs/politics/2018/02/27/ny1-investigation-more-inmates-released-upstate-prisons-going-into-nyc-shelter-system>

^v Low-Income Housing Tax Credit Data. *CoreData.nyc. NYU Furman Center website.* <https://furmancenter.org/coredata/directory/entry/low-income-housing-tax-credit>. Accessed 10 March 2021.

^{vi} Healy, Beth and Willmsen, Christine. “Investors Mine for Profits in Affordable Housing, Leaving Thousands of Tenants at Risk.” WBUR, 21 April 2021, <https://www.wbur.org/news/2021/04/29/investors-low-income-housing-boston-south-end>.

^{vii} While H+H has allocated land to supportive housing development, it is still in the process of doing a full analysis of its portfolio and has potential for increased supportive housing development opportunities.

^{viii} Amin, A, Kaikai, J, McIntyre, A, Nguyen, C, Sauer, R. (2020) “Supportive Housing in New York City.” Urban Design Forum. <https://urbandesignforum.org/proposals/supportive-housing-in-new-york-city/>

^{ix} HUD 2021 Continuum of Care Homeless Assistance Programs Homeless Populations and Subpopulations, NY-600 New York City CoC, 26 January 2021, https://files.hudexchange.info/reports/published/CoC_PopSub_CoC_NY-600-2021_NY_2021.pdf.

