

The Gaining Ground Pilot Project

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**Developed and Compiled by Picture the Homeless
in collaboration with:**

Banana Kelly, Community Improvement Association

CATCH Mutual Housing Association

**Cooper Square Community Land Trust and Mutual Housing
Association**

The Gaining Ground Pilot Project

Executive Summary:

The Gaining Ground Pilot Project proposes to utilize a portion of current DHS funding, in addition to city support and resources, to develop and preserve permanently affordable and high-quality housing for individuals and families who are currently homeless or at-risk of homelessness. In so doing, the Project seeks to develop a model through which the city could effectively create and preserve thousands of units of housing affordable to residents of extremely low income, who currently make up over 1/5 of the population of the city,¹ and nearly the entire population of the DHS shelter system.

The proposal, conceived in partnership with experienced affordable housing developers, and drawing on the lived experiences and knowledge of Picture the Homeless members, offers a solution through which the city can move away from the socially and financially unsustainable shelter-system model towards a city-wide solution that is consistent with the progressive vision of de Blasio's 5-Borough, 10-Year Housing Plan. It is our hope that this project can lay the groundwork for the city to effectively create long-term and permanently affordable housing to provide homes for a significant portion of the city's swelling homeless population, and, eventually, to make it possible for individuals and families at risk of homelessness to bypass the shelter system altogether.

The Gaining Ground Pilot Project is based upon tried and proven models which present promising solutions to New York City's existing homelessness crisis. We believe that the city currently has the resources to make such a vision a reality, both through diversion of funding from the currently unsustainable DHS shelter system, and through allocation of existing city resources which present enormous potential to provide low-cost housing for the city's most vulnerable residents.

The pilot project proposes three major policy measures to reach this goal:

First, the project proposes that the city take steps to convert thousands of current cluster-site shelter units back into rent-regulated housing, giving first right of refusal to shelter residents currently occupying formerly regulated units. Taking this action would result in the **preservation of 3,000+ units of predominantly rent-stabilized housing**, as well as **secure permanent housing for upwards of 10,000 current family shelter residents**. We support the Administration's efforts to phase out the cluster site program in three years, and we urge the Mayor to work closely with homeless and formerly homeless people to implement this plan in a manner that prioritizes the permanent housing needs of homeless households while ensuring that units are maintained as below market-rate, rent stabilized housing.

Second, drawing on the assumption that the city should commit all available resources under its control to the purpose of ameliorating and preventing the growing crisis of homelessness, the project outlines a plan for the rehabilitation of thousands of units of housing, by focusing the preservation of city-owned and vacant property and development on city-owned vacant land on the specific purpose of housing homeless and extremely low-income populations.

Finally, the project proposes that the city re-examine existing practices around city-owned and partially vacant properties, particularly struggling buildings in HPD's TIL and ANCP programs, in order to preserve

¹ NYU Furman Center, "State of New York City's Housing and Neighborhoods in 2013," (New York: NYU Furman Center, 2013), 8-9.

existing low-cost housing for tenants within these programs, and to bring vacant units to occupancy as housing for extremely low-income households. Additionally, the proposal offers alternatives discharge options for buildings in HPD's housing quality enforcement programs (including AEP) which would preserve distressed and tax delinquent property as affordable to current and future tenants. The range of properties owned and/or monitored by HPD, many of which currently offer housing to low-income and extremely-low income residents, are a valuable resource for the city's most vulnerable housing populations and should be preserved in a way that stabilizes communities and prevents displacement and homelessness.

By utilizing proven strategies for the development and stewardship of below-market rate housing, the Gaining Ground Pilot Project will create permanently affordable housing opportunities that can help to offset displacement and encourage stable, affordable community development in the long-term. The pilot project utilizes the community land trust (CLT) model, which would steward buildings over time while ensuring affordability for 99 years or longer. This model of land ownership removes housing and land from the speculative real estate market, ensuring the long-term affordability of units residents of extremely low-income, regardless of expiring subsidies or tax abatements. Moreover, the pilot would give residents of buildings within the pilot program the option of forming mutual housing associations (MHAs), a building-management model that is able to achieve deep economies of scale while maintaining deep resident engagement in building governance and operations. We believe that this combination of responsible stewardship, responsiveness to tenant needs and input, and permanent, structural affordability presents a much needed alternative to existing models of low-income housing development.

We recognize that, particularly in the case of partially occupied buildings, the transition to a land trust and/or mutual housing association model must involve the buy-in of all current occupants and shareholders. To this end, the Gaining Ground Pilot Project would include funding for organizers and outreach staff to build relationships with current occupants of city-owned buildings to ensure that they are included in all levels of decision making around the future of their buildings.

Through these three approaches, the Gaining Ground Pilot Project will realize Mayor de Blasio's commitment to diverting shelter-system funding to develop permanently affordable housing for New York's homeless population. In cooperation with the Mayor's Office the project is poised to create thousands of new units for extremely-low income and homeless households, and to preserve many more units currently serving low-income families.

Background:

Picture the Homeless was founded in 1999 by two homeless men, with a mission of organizing homeless and formerly homeless people for civil rights and housing not shelters. Our mission has since expanded to encompass other areas of social justice work but remains grounded in the leadership of homeless New Yorkers. There were three primary catalysts for our founding: one was to end the criminalization of homeless New Yorkers, another was to push back against negative media stereotypes that fuel punitive public policies about homeless people, and the other was to end the practice of spending thousands on shelter per person, per month, even as funding for housing was being cut from all levels of government budgets.

Since our founding, Picture the Homeless has been organizing to divert funding within the shelter system to permanent housing solutions. The shelter system not only wastes taxpayer dollars, but it also puts families - men, women, and children - in unsafe conditions and creates a revolving door of homelessness that is hard to escape. With the housing landscape as it is, it is nearly impossible for homeless people, in and out of shelter, to find truly, permanently affordable housing.

We began with two basic beliefs: that there are enough vacant buildings and land to house every homeless person in New York City, and that there is the funding to do so, **both within the budget for the Department of Homeless Services and city funding more broadly**. To this end, we have conducted Participatory Action Research projects, including targeted counts of Manhattan² and New York City vacant housing stock³ and a critical analysis of Bloomberg's housing subsidy programs⁴, have engaged in legislative campaigns around vacant property counts, and educated hundreds of homeless New Yorkers and their allies about the need to preserve and develop housing for the lowest income New Yorkers. And we have identified solutions through engaging with progressive housing developers who have successfully created housing for the very same types of households that are currently homeless, or that are likely to become homeless. We have also looked to some of the past housing programs in New York City that have resulted in the development of new units of housing, such as sweat equity and the Special Initiatives Program, which have since been phased out.

Our aim is to reduce homelessness in New York City, but also to create solutions targeting two of the root causes of homelessness: unfettered real estate speculation and exorbitant housing costs. This pilot program would be a means of utilizing taxpayer dollars more wisely, creating permanently affordable housing for homeless individuals and families while offsetting the loss of currently affordable units, many of which are rapidly exiting the city's available pool of low-cost housing.⁵ In addition, this plan would complement the Mayor's Five-Borough, Ten Year Housing Plan, which seeks to create or preserve 200,000 units of affordable housing. Here we provide a proven solution for the preservation and creation of housing - focusing on the deepest affordability levels - for people who are traditionally excluded from the housing market.

² Picture the Homeless, "Homeless People Count Vacant Property in Manhattan." New York, 2007.

³ Picture the Homeless, "Banking on Vacancy: Homelessness and Real Estate Speculation." New York, 2012.

⁴ Picture the Homeless, "TIME'S UP: Homeless New Yorkers Demand Alternatives to Bloomberg's Failed Five-Year Plan." New York, 2009.

⁵ Regional Plan Association, "East Harlem Affordable Housing Under Threat: Strategies for Preserving Rent Regulated Units." (New York: August, 2012.)

Understanding the Need:

The rate of homelessness in New York City has reached an unacceptably high level, due in large part to skyrocketing housing costs and real estate speculation. *As of January, 2015, over 60,000 New Yorkers were sleeping in homeless shelters every night, a 13% percent increase from the previous year. Of these residents, over 25,000 were children.*⁶ Additionally, there are thousands of households in domestic violence shelters and faith based beds, 3,357 street homeless⁷ (although this is an undercount) and thousands more estimated to be doubled and tripled up in overcrowded apartments, one of the primary causes of entry into the shelter system, city-wide.

Contrary to widely-held beliefs about the homeless population, the New York City shelter population includes a number of working adults and families - including union members in low wage occupations such as home health aides. Currently, about 1/3 of all families in the shelter system include at least one working adult, while at least 16% of all single adults have jobs.⁸ The experiences of these families directly belie the idea that the working poor can “make it” in New York City’s housing market, and remind us that homelessness is not a “chronic” personal affliction, but rather a condition of a chronically unaffordable housing market.

Additionally, a number of shelter households--many of whom are elderly, disabled, or otherwise unable to enter the labor force--are reliant on fixed incomes from public assistance. As of 2012, senior citizens accounted for 1% of the shelter population, a statistic that remained relatively stable for over a decade.⁹ Individuals with disability status also make up a significant portion of the shelter population, however, only a subset of this population is eligible for supportive housing. Because these populations are not expected to see a significant increase in income, the need for long-term and affordable options for these subgroups is all the more pressing.

These individuals and families are indicative of a city in which massive disparities exist between gross income and an exceptionally high cost of living. According to the New York University Furman Center, as of 2012 over 20% of people in New York City had an income between \$0-\$20,000, the highest percentage of any other income bracket.¹⁰ With 1/5 of the city’s population falling on the lowest end of the city’s income spectrum, the data suggests that thousands more are at risk of homelessness, highlighting the urgent need for housing affordable to those at the very lowest income levels.

Understanding the Causes:

Scarcity of Housing Available to Low-Income Tenants

While the reasons for the drastic increase in homelessness city-wide vary, there is a clear link between high rates of homelessness and the city’s affordable housing crisis. According to a 2012 report from the city’s Independent Budget Office, **eviction is increasingly the leading cause of homelessness**, with over 37% and 36% of those found eligible for family shelter citing eviction as a cause in 2011 and 2012,

⁶ Coalition for the Homeless, “State of the Homeless 2015.” (New York, March 19, 2015), 2.

⁷ New York City Department of Homeless Services, HOPE Survey, 2014.

⁸ Mireya Navarro. “In New York, Having a Job, or 2, Doesn’t Mean Having a Home.” (New York: New York Times), September 17, 2013.

⁹ Frances Pierre, Commissioner of Adult Services at DHS. City Council Hearing, “Senior Population Living in DHS Shelters.” February 28, 2012.

¹⁰ NYU Furman Center, “State of New York City’s Housing and Neighborhoods in 2013,” (New York: NYU Furman Center, 2013), 8-9.

respectively.¹¹ While data is not widely available on the reasons for these evictions, the inability of individuals and families entering the shelter system to find new, permanent housing suggests that these evictions--and homelessness at large--is a direct outcome of the city's diminishing supply of affordable housing.

The lack of available housing for those in the lowest income brackets is clearly evident in the initial findings of the city's 2014 Housing and Vacancy Survey. While the survey reveals a promising increase in housing stock overall, and a concurrent decrease in the city's vacancy rate, it is clear that this housing is not being produced for tenants at very-low or extremely-low incomes, the residents most likely to rely on the shelter system. In just three years, the stock of housing renting for between \$500-900 per month **decreased by more than 100,000 units**. This decrease has created a situation in which apartments at the lowest rent levels are in great scarcity, with a vacancy rate of 1.8% for apartments under \$800/month and of 3.73% for apartments between \$800-999. With rates of vacancy so low, it is no great surprise that tenants evicted from their existing housing are struggling to find permanent housing at an affordable rate.¹² Meanwhile, the stock of units available at rents of \$2,500 or higher (notably, the threshold rent for deregulation) **increased by 60,000 units, an increase of 36.5%**. Not unsurprisingly these units experience a significantly higher rate of vacancy than those at lower rental--over 7%.¹³

This shift is a direct outcome of two major trends in New York City's rental market: the extensive deregulation of rent-controlled and rent-stabilized units, and the expiration of the city's existing affordable housing programs. Over the past three decades, New York City has seen a net loss of approximately 231,000 rent regulated units due to landlords opting out of affordable housing programs faster than they opted in.¹⁴ In Mitchell Lama alone, New York City has lost 31,700 units of affordable housing.¹⁵ The depths of affordability provided by these programs are not being compensated for in new developments, and although the Rent Guidelines Board last year voted on the lowest increase in rent stabilized rents in history, this first step will likely not be enough to stem the loss of thousands of currently affordable units from rent-regulation and subsidy.

The impact of this loss on homelessness rates is evident in the length of time households are forced to spend in the shelter system. According to a 2015 report by Coalition for the Homeless, the average shelter stay for homeless households in 2014 was eighteen months. There is a severe shortage of affordable housing available to currently homeless households, and there are few if any resources available for homeless people in overcrowded housing or those on the street to find truly affordable permanent housing. Unless housing is built for people at the lowest incomes, New York City will not be able to truly meet the housing needs of the homeless population.

¹¹ NYC Independent Budget Office. The Rising Number of Homeless Families in NYC, 2002–2012: A Look at Why Families Were Granted Shelter, the Housing They Had Lived in & Where They Came From. November 2014. Online: <http://www.ibo.nyc.ny.us/iboreports/2014dhs.pdf>

¹² Elyzabeth Gaumer and Sheree West (HPD.) "Selected Initial Findings of the 2014 New York City Housing and Vacancy Survey." February 9, 2015. Online: <http://www1.nyc.gov/assets/hpd/downloads/pdf/2014-HVS-initial-Findings.pdf>, pages 18, 25.

¹³ Gaumer and West (2015), 18, 25.

¹⁴ NYU Furman Center, "Fact Brief: Profile of Rent-Stabilized Units and Tenants in New York City." (New York: NYU Furman Center, June 2014), 4.

¹⁵ Jan Ransom, "Landlord eyes plan to remove East Harlem apartment complex out of decades-old affordable housing program." (New York: NY Daily News, December 4, 2014.) Retrieved April 21, 2015. Online: <http://www.nydailynews.com/new-york/uptown/east-harlem-state-guaranteed-low-cost-housing-attack-article-1.2033887>

Lack of New Affordable Units:

While Mayor de Blasio's Housing Plan is notably the most ambitious municipal plan in the country to provide affordable housing, much of the housing that is being built is largely not reflective of the need in the city. At a City Council hearing on the Mayor's Housing Plan on November 17th, 2014, HPD Commissioner Vicki Been confirmed that the city had closed on only 27 units for people making below 30% of the area median income (below \$25,000 for a family of four), where many current shelter residents fall. During that same period, the city closed on 1,235 units for people making 121-165% of the area median income.

All too often, homeless people do not have the financial resources to be eligible for the housing that is currently being built under the Mayor's plan. Unattainable income requirements and long waiting lists greet many homeless people applying for affordable housing through the city's Housing Connect portal, while they are easily taken advantage of through mainstream housing-search websites on the internet.

Solutions: Moving Beyond Existing Models

At present, three primary approaches exist to provide housing for New York City's homeless population.

The first is the city's massive shelter system, which provides temporary shelter at a cost of nearly one billion dollars per year. This system is financially unsustainable, and provides little in the way of long-term stability for homeless families at a great cost to the fabric of the city at large.

The second approach is the implementation of temporary rental subsidy programs, including Mayor de Blasio's new initiative, the LINC Rental Assistance Program. While the goals of these programs are laudable in providing homeless residents alternatives to the shelter system, the majority of programs are temporary in nature, with a maximum lease duration of five years. As such, these programs do not provide long-term solutions to the housing needs of the homeless population. In recent weeks we have seen the creation of the CITYFEPS program, a rental subsidy that seems to have no time limit. However, rental subsidies that depend upon collaboration between multiple levels of government have historically been subject to sudden disruption (as with the previous administration's Housing Stability Plus and Advantage programs), leaving homeless families in difficult positions and, ultimately, back in the shelter system.

A third approach is the provision of permanently affordable units, at present a solution provided primarily through supportive housing models. While these models are an important and necessary component of housing policy, their focus on specific high-need populations excludes a large portion of New York's homeless population from eligibility. Moreover, due to the high costs of providing on-site services, these facilities tend to cost more, on average, than other types of permanent housing.

In his Five-Borough, Ten-Year Housing Plan, Mayor de Blasio committed to exploring opportunities to divert DHS funding into permanent affordable housing projects, however, to date no proposals have emerged to address this goal. The Gaining Ground Pilot Project offers a significant first step in following-through on the city's commitment.¹⁶

The solutions that follow explore possibilities for attaining the goals set out by the de Blasio plan. In particular, the plan seeks to divert DHS shelter funding and other city resources in order to develop units

¹⁶ City of New York, "Housing New York: A Five-Borough Ten Year Plan." (New York, May 2014), Page 11.

of permanent housing for homeless populations and extremely-low income households at risk of homelessness, whose needs are not addressed by the supportive housing model, and are only partially accounted for in the de Blasio housing plan. These units would be leased directly to residents, and include protections to ensure that are permanently available to homeless individuals and families.

Our solutions propose four key policy approaches to expand affordable long-term housing options for homeless residents:

- ***Convert cluster-site units into permanently affordable, rent-regulated housing, with right of first refusal given to current cluster-site shelter residents.***
- ***Take steps to address immediate code violations and poor conditions in DHS contracted cluster-site buildings, as part of their reverting back to permanent rent-regulated housing.***
- ***Develop city-owned and vacant property as housing available to residents of extremely low income.***
- ***Rehabilitate partially-vacant city-owned property; establish a “homeless inclusion” requirement for vacant units.***
- ***Utilize the Community Land Trust model, with on-site Mutual Housing Associations, to support sustainable low-cost and high quality housing for households earning extremely low incomes.***

1. Convert Cluster-Site Housing into Permanently Affordable Units

Controversial since its inception, the cluster-site shelter program is seen by shelter- and non-shelter residents alike as a lose-lose situation for tenants. **The program provides an average payments of \$2,451 per household, per month (though payments can go as high as \$3,600 dollars/month) to house homeless residents in privately owned buildings: two to three times the typical market rates in the same neighborhood.**¹⁷ These units are routinely cited for serious code violations, placing vulnerable tenants in inadequate housing conditions.¹⁸ A recent Department of Investigation inquiry into cluster-site conditions found cluster-site housing to be the **“worst-maintained, most poorly monitored, and provide the least adequate social services to families.”** As part of their investigation, DOI officials reported over 200 violations in just five buildings.¹⁹

Another area of concern is that the program has taken thousands of rent stabilized units off the market and converted them to shelter apartments, displacing existing residents and undermining the preservation of affordable units. In our research for the Gaining Ground Pilot Project, we looked closely at a set of 19 cluster-site shelters in the Bronx. Our preliminary findings demonstrated that all twenty buildings were potentially subject rent stabilization, amounting to nearly 800 rent stabilized units. We believe that this is a replicable finding--that is, that these buildings are representative of more widespread use of rent-stabilized units to provide emergency shelter for DHS households through the cluster-site program.

Figure 1: Rent Stabilized Units in Current Cluster-Site Properties

Address	Contracted Service Provider	Number of Residential Units	Rent Stabilized Units	Cluster Site Units (as of 2011)
1233 WHITE PLAINS RD	Acacia Network	32	30	21
1315 LAFAYETTE AVE	Acacia Network	39	36	28
1466 GRAND CONCOURSE	Aguila, Inc	58	57	29
437 MORRIS PARK AVE	Aguila, Inc	68	68 (J-51 abatement)	6
690-692 E 182 STREET	Aguila, Inc	49	51 ²⁰	37
708-710 EAST 243 STREET	Aguila, Inc	50	50 (J-51 abatement)	47
740 EAST 243 STREET	Aguila, Inc	72	72	45
2325 PROSPECT AVENUE	Acacia Network	22	21	Data Unavailable

¹⁷ NYC Department of Investigation, “Probe of Department of Homeless Services’ Shelters for Families with Children Finds Serious Deficiencies.” (New York, March 2015), 17.

¹⁸ ICPH. “UNCENSORED: Cluster-site Housing in New York City, An ICPH Policy Brief.”

<http://www.icphusa.org/index.asp?page=20&uncensored=10&story=77&pg=166#sthash.hMOr5URO.dpuf>

¹⁹ NYC DOI (March, 2015), 2.

²⁰ It is unclear from existing property and tax data why this property has more registered rent stabilized units than residential units.

1208-1212 WESTCHESTER AVE	Acacia Network	103	100	Data Unavailable
3034 HOLLAND AVENUE	Acacia Network	13	13	12
3046 HOLLAND AVENUE	Acacia Network	13	13	11
3042 HOLLAND AVENUE	Acacia Network	13	13	12
220 E 197 STREET	Aguila, Inc	65	66	35
737 EAST 187 STREET	Acacia Network	31	31	23
751 EAST 187 STREET	Acacia Network	30	28	22
976 TINTON AVENUE	Aguila, Inc	35	35	25
3001 BRIGGS AVENUE	Housing Bridge	26	24	25
941 INTERVALE AVENUE	Acacia Network	44	49 ²¹	44
911 SIMPSON STREET	Acacia Network	35	36 ²²	12

Source: NYC OASIS, Department of Finance Assessment Roll, FOIL data retrieved by Legal Aid Society.

In this sense, the cluster site housing program actually serves to exacerbate the conditions that lead to homelessness, eliminating affordable units and, in so doing, making low-income households vulnerable to the very circumstances which lead to the city's high rates of homelessness. Although the Department of Homeless Services and Mayor de Blasio have stated that they are committed to phasing out the cluster site program, the number of cluster units actually increased in 2014 -- from 2,918 to 3,143. Though the evidence of code violations and poor conditions are widespread, the solution is not more inspections or more oversight. Instead, the city should pursue the more effective solution of converting these units back into permanent housing while giving homeless families a right of first refusal. If families currently residing in cluster-site shelters choose not to continue to rent in these buildings, they would still be eligible for other units of permanent housing through the pilot program. The vacancy they leave could be offered to homeless seniors and disabled individuals, who could benefit from the DRIE and SCRIE rental subsidy programs in rent regulated units.

As of January, 2016, the DeBlasio administration has announced its intention to phase out the use of cluster-site apartments for shelters, and to return these units to the housing market over the course of three years. For homeless people and advocates this is welcome news, and a signal of an agency-level shift towards addressing the egregious conditions of existing shelters and investment in permanent housing solutions to homelessness. Unfortunately, at this point in time, little information has been made available to the public regarding the mechanics of the phase-out program, including the anticipated housing outcomes for currently cluster-site shelter residents. Picture the Homeless members and advocates believe that the Gaining Ground Pilot Project could help to facilitate the difficult long-term transition away from the cluster-site shelter program. Moreover, we believe that including homeless people in the development and implementation of these phase-out programs is essential to ensuring that

²¹ See footnote 21.

²² See footnote 21.

agency actions occur in an expedient manner and one which leads to permanent housing solutions for homeless families.

Alternatives to the Cluster-Site Model:

Prior to the Mayor's announcement of intentions to end the cluster-site program, Picture the Homeless and non-profit developers have spent many months developing a range of possible pathways to end the cluster-site program. We hope to work with the administration closely to implement these ideas, and to develop effective mechanisms which would return cluster-site apartments to rent-stabilization and provide viable permanent housing solutions for existing residents.

Since early 2014, Picture the Homeless and Banana Kelly have been reaching out to residents (both rent paying tenants and shelter residents) of cluster site buildings, public officials, and local community leaders to begin a community-driven process that would see the conversion of cluster sites back into permanent housing. From the outset, residents of cluster site shelters questioned why the money spent on their shelter stays was not being better spent by giving them leases to permanent housing.

One of the first initiatives that Picture the Homeless is proposing is the conversion of cluster-site shelter units back into permanent housing. These buildings, the vast majority of which are rent stabilized, would provide the city with a substantial supply of affordable housing, which could be used to house homeless and extremely-low income residents for the long term. The city should streamline the process of converting these buildings back into rent stabilization and different ownership, which will ultimately ensure the responsible conversion of these buildings into permanent housing, and the financial management necessary for permanent affordability.

Though many of these buildings need substantial rehabilitation, the city would save money in the long term, since rehabilitating these developments as rent stabilized units would be considerably less expensive than the long-term cost of providing contracts for shelters (see Figures 3 & 4). Because of the well-documented public health and safety concerns in these buildings, we encourage the city to utilize existing pathways to acquire these buildings in the public interest and transfer their ownership to responsible non-profit stewards, or to put the buildings under the receivership of a responsible non-profit administrator to encourage their expedient compliance with the city's building code requirements.

Because these buildings are rent stabilized, tenants under a new lease would pay the last rent paid by the legal tenant and any vacancy bonus increases. In only a small sample of buildings, we can see how many rent stabilized units are offline due to the cluster site shelter program--in just four buildings, over 115 rent stabilized units have been removed from the supply of affordable housing stock in order to be utilized as shelter units [see Figure 2]. These units could be leased to the shelter residents currently residing in them for a significantly lower cost to DHS, by reverting to rent-stabilization and offering these households permanent rental subsidies at the last legal rent [see Figures 3 and 4.]

Figure 2: Sample of Four Bronx Cluster Site Shelters

Address	Units (total)	Residential Units	Shelter Units	Rental Units	Commerical Units	Vacant Units
1466 Grand Concourse	59	58	38	20	0	3
911 Simpson Street	35	35	12	23	0	N/A

941 Intervale Avenue	49	45	40	5	1	N/A
3001 Briggs Avenue	26	26	25	N/A	0	0 (2014)
Total	195	164	115	48	1	3

Source: OASIS, in-person documentation, FOIL requests via Andrew Rice, 2011.

The buildings above are owned either directly or indirectly by the Podolsky family, who have amassed millions by purchasing buildings and turning them into cluster site shelters. At the rate of \$2,451 per month, per unit (the average for cluster site unit costs), 1466 Grand Concourse costs the city \$93,138 per month for all 38 shelter units. On the other hand, at a standard operating cost of \$600/month per month (without debt service), **it would cost just \$34,800 to maintain the entire building for one month, and \$22,800 for all 38 shelter apartments for just one month [see Figure 3.]**

By these calculations the city could save hundreds of thousands each month if it were to convert just four cluster site buildings back into permanent housing. **Over the course of a year, these four buildings would result in a total savings of over \$2.5 million dollars** which could be reinvested in providing more sustainable, long-term housing solutions for the city's homeless population.

Figure 3: Potential Savings Resulting from Cluster-Site Conversion

Address	Total units	Shelter units	Estimated cost of all shelter unit operation (\$2,451/month) ²³	Estimated standard operating cost for all shelter units at \$600/month after conversion	Estimated savings at \$600/month operating cost, after conversion
1466 Grand Concourse	58	38	\$93,138	\$22,800	\$70,338/month
911 Simpson Street	35	12	\$29,412	\$7,200	\$22,212/month
941 Intervale Avenue	45	40	\$98,040	\$24,000	\$74,040/month
3001 Briggs Avenue	26	25	\$61,275	\$15,000	\$46,275/month
Total	164	115	\$281,865	69,000	\$212,865/month
Yearly Total Savings					\$2,554,380/year

While ideally, these properties could be transferred to non-profit management companies who could offer rents affordable to current occupants, the proposal recognizes that for legal and administrative reasons, this ideal situation may not be possible.

²³ This figure is based on the average payments to cluster-site shelters, based on a 2015 Department of Investigation report: http://www.nyc.gov/html/doi/downloads/pdf/2015/mar15/pr08dhs_31215.pdf

In the case that the properties remain under their current private ownership, however, the recently implemented CITYFEPS program offers an opportunity for the city to subsidize the rental costs of each unit, which would still represent major financial savings for the city. At present, it is not possible to know the last legal rent paid for each rent-stabilized apartment currently occupied as part of the cluster-site shelter program. In many cases, however, the market rents reveal an average neighborhood rental cost of under \$1,000 dollars per unit/month. Assuming an average rental cost of \$1,200 (which we believe is likely higher than the last legal rent in most units) per household, however, the city would still save over \$100,000 each month in just four buildings by reverting to the last paid rent stabilized rent for each unit [see Figure 4]. **Over the course of the year, this would represent a total savings of over \$1.5 million dollars in just four cluster-site buildings.**

Figure 4: Potential Savings Resulting from Cluster-Site Conversion+ CITYFEPS Rental Subsidy:

Address	Total units	Shelter units	Estimated cost of all shelter unit operation (\$2,451/month) ²⁴	Estimated rental subsidy costs for rental units at rent stabilized rate of \$1,200/month	Estimated savings/month after reverting to rent stabilization
1466 Grand Concourse	58	38	\$93,138	\$45,600	\$47,538/month
911 Simpson Street	35	12	\$29,412	\$14,400	\$15,012/month
941 Intervale Avenue	45	40	\$98,040	\$48,000	\$50,040/month
3001 Briggs Avenue	26	25	\$61,275	\$30,000	\$31,275/month
Total:	164	115	\$281,865	\$138,000	\$143,865/month
Yearly Total					\$1,726,380/year

Pathways to Code Enforcement and/or Property Transfer:

An obvious concern around the cluster-site system is its reliance on landlords with a record of negligence and harassment. As the recent Department of Investigation report indicates, owners of several cluster-site shelters are directly responsible for allowing residents to live in hazardous and uninhabitable conditions, requiring immediate city intervention.

Due to the fact that cluster-site shelters are privately owned buildings, the city has limited options in terms of transferring ownership to responsible, affordable housing providers. Below are four existing possibilities for the legal transfer of properties or immediate intervention in building conditions, although other options may exist:

²⁴ This figure is based on the average payments to cluster-site shelters, based on a 2015 Department of Investigation report: http://www.nyc.gov/html/doi/downloads/pdf/2015/mar15/pr08dhs_31215.pdf

Lien Sale/Third Party Transfer

Lien Sale and Third Party Transfer are two additional channels through which the city might gradually transition distressed cluster-site properties to responsible ownership. In order to ensure that cluster-site units remain available as low-cost housing for homeless residents, this pathway would require coordination between a variety of agencies and local actors, including Department of Finance and the Mayor's Office, as well as Picture the Homeless, community stakeholders, and non-profit developers with a track record of providing housing for homeless and/or extremely low income populations. While this is more financially feasible than eminent domain, it may require that the property be in some form of debt (not necessarily the case in many cluster-site properties).

7-A Litigation

The 7-A process presents an additional opportunity to rehabilitate and correct existing conditions in need of repair in cluster-site units. By putting the building under the control of a temporary administrator, the city could ensure immediate inspections, repairs, and correction of outstanding violations, at expense to the current property owner. Though not necessarily a condition of the program, 7-A properties could result in deed transfer of properties to an appointed non-profit administrator.

Alternative Enforcement Program:

A final existing mechanism available to the city is the enrollment of cluster-site buildings with outstanding violations and repairs needs into the Alternative Enforcement Program. This program would allow the city to immediately correct conditions in need of repair, at expense to the current landlord. Unlike the 7-A program, however, there is no clear pathway within AEP to allow for transitioning of building ownership to responsible stewards.

Eminent Domain

A final possible approach to property transfer is the use of the city's powers of eminent domain. While we recognize that this approach is both politically and legally challenging, we do believe that there is a case to be made that the long-term public benefit gains of initiating an eminent domain process could be worth the cost in the long term. Since the conditions of the buildings in question are clearly substandard, and the goal of their rehabilitation has an immediate public benefit, there is a case to be made that this could be the most direct way to transfer buildings away from negligent ownership. The drawback of this approach, however, is the substantial cost required to ensure just compensation of the property owners, estimated at \$1.5-3 million dollars per property, depending on number of units and location.

Recommendations:

- **As a policy directive, DHS should no longer contract with service providers or make direct or indirect deals with landlords that result in the placement of shelter units in rent-regulated buildings.**
- **Involve homeless residents of cluster-site shelters, as well as advocates from Picture the Homeless, in agency level**
- **Convert existing cluster-site shelter units in rent-regulated buildings back to rent-regulated apartments, offering current shelter residents occupying those units the right of first refusal for the apartments, at the last registered legal rent of the units prior to their use by DHS.**
- **Divert resources away from cluster-site contracts, to finance repairs in current cluster-site buildings and to subsidize rental costs for residents transitioning to permanent housing.**

- **Take necessary steps to bring building conditions up to code, including steps to transfer properties into responsible ownership by non-profit affordable housing developers whenever possible.**

2. Develop Existing City-Owned Property as Housing for Extremely Low Income and Homeless Households:

One major obstacle in the provision of housing for homeless populations is the reluctance of many for-profit developers to create units at the level of affordability required to meet the needs of New York's lowest-income populations. As a result, even the progressive inclusionary units proposed by the de Blasio administration fail to meet the needs of the demographics most at-risk of homelessness due to rising housing costs. In light of this reality, it is incumbent on the city to direct all of its existing resources--not only existing shelter funding, but also an extensive portfolio of city-owned property and vacant land--to the development of housing for individuals and families at extremely low income.

In a 2012 report, "Banking on Vacancy: Homelessness and Real Estate Speculation," Picture the Homeless and the Hunter College Center for Community Planning and Development documented the results of a citywide census of vacant property. Through Participatory Action Research, Picture the Homeless members counted 3,551 vacant buildings and 2,489 vacant lots in just 20 community districts citywide. Using a calculation of 350 square feet per person, Picture the Homeless members calculated that the existing vacant buildings and land in just 20 community districts could be **converted into housing for 199,981 people**. Within this survey, Picture the Homeless members found that 14,000 vacant units were likely rent stabilized (apartments in buildings of six or more units built between February 1, 1947 and January 1, 1974). **Using the same calculation, these units could provide housing for over 34,000 people--roughly half of the current shelter population--under rent regulated leases.**²⁵

A finding of particular significance was that roughly 10% of all vacant land and property surveyed, including roughly 28,000 vacant residential units as of 2011, were under control of a city agency. This suggests that **existing residential units in city-owned property offer the potential to house over half of the existing shelter population, and the entire population of families currently in the shelter system.**²⁶

As of today, the city continues to hold title to a wide range of properties and land which present a major, currently untapped resource in addressing the city's affordable housing needs. Mechanisms exist for the transfer of these properties to non-profit developers, and we ask that these existing routes be utilized to transfer city-owned residential properties and vacant land to the Gaining Ground Pilot Project.

To this end, we request that the city partner with Picture the Homeless and non-profit housing developers to identify city-owned properties that could be converted into rent-regulated housing for low-income New Yorkers. In particular, senior citizens and disabled persons, many of whom are reliant on fixed incomes, could benefit enormously from rent-regulated housing through eligibility for the SCRIE and DRIE rental subsidy programs. By converting these units into housing affordable to extremely low-income tenants, including homeless individuals and families, the city can help to provide stable, long-term housing solutions, rather than relying on short-term voucher and rental subsidy programs.

²⁵ Picture the Homeless, "Banking on Vacancy: Homelessness and Real Estate Speculation." (New York, January 2012.)

²⁶ Shelter population estimates are based on reporting by Coalition for the Homeless, "Facts About Homelessness." Retrieved: April 21, 2015. Online: <http://www.coalitionforthehomeless.org/the-catastrophe-of-homelessness/facts-about-homelessness/>

Because city-owned properties represent one of the few available sources of low-cost land in an increasingly expensive city, it is crucial that these properties be held for redevelopment as income-targeted housing, rather than sold or granted to market-rate developers. Where city-owned properties have already been set aside for development (as in the case of HPD's recent New Infill Homeownership Program [NIHOP] and New Construction Program [NCP]), these RFPs should include a baseline homeless inclusion requirement of 20-30% of all new units, in addition to other affordability requirements mandated by the existing terms of these housing development programs.

There is a strong precedent to do this. The Special Initiatives Program (SIP; 1986-1993) was a program that developed vacant city-owned property where either HPD or NYCHA supervised private contractors during construction, then conveyed ownership of all newly constructed or rehabilitated buildings to non-profit organizations. Originally, 100% of these units were for homeless people; eventually, the program was modified with 60% set aside for homeless residents, 20% reserved for low-income, and an additional 20% set aside for moderate-income households. The formerly homeless population was also eligible for Section 8 vouchers, which contributed to both maintenance costs as well as added social services in the buildings.

Although there were flaws in this program, the Gaining Ground Pilot Project intends to build on the successful elements in SIP, while modifying it to include models of land and property development--including community land trusts and multi-building housing models--that utilize internal cross-subsidies and economies of scale to keep rents low and land out of the speculative market. These models would include a mandatory minimum of units set-aside for residents of extremely low income (below 30% AMI), with a homeless preference. Developers with a proven track record of providing low-cost and well-maintained housing present ideal candidates for the redevelopment and marketing of these units.

Recommendations:

- **Reserve current and future city-owned vacant land and buildings for inclusion in not-for-profit developments that provide housing for extremely low-income and homeless populations, beyond the existing, service-oriented models of homeless housing.**
- **Designate 20-30% of units for "homeless inclusion" in all existing and upcoming RFPs for the development of city-owned property.**
- **Work with nonprofit affordable housing partners to support the development of housing projects, outside of the traditional homeless housing models, which offer a significant portion of units to current homeless populations, as well as extremely-low income renters at risk of homelessness.**
- **Identify all city-owned properties with residential units eligible for rent regulation, which could provide additional affordability protections to low-income renters, seniors, and the disabled.**
- **Conduct a survey of all privately owned rent stabilized units to identify all currently vacant regulated units which might present immediate opportunities to house low-income renters. Initiate programs to bring these apartments into occupancy, giving priority to currently homeless residents or renters at risk of homelessness.**

3. Rehabilitate and Fill Vacancies in City-Owned, Partially Vacant Property

A third untapped resource that could provide housing for thousands of homeless and low-income New Yorkers is the existence of hundreds of vacancies in Tenant Interim Lease (TIL) and Affordable Neighborhood Cooperative Programs (ANCP) buildings throughout the city. At present, there are over 160 existing TIL and ANCP properties citywide, accounting for approximately 2,500 residential units, including **over nearly 900 vacant residential units and 45 vacant commercial units.**²⁷ It is HPD's policy to leave these vacancies to ease relocation during anticipated renovations; however, because of the slow pace of rehabilitation, this policy can result in TIL/ANCP buildings throughout the city suffering from vacant units for many years, sometimes decades. As a result, many TIL/ANCP buildings throughout the city are struggling with a lack of revenue from rental income, resulting in insufficient funding for repairs and maintenance.

An additional area of concern is the city's current system for managing and transferring distressed and tax delinquent property. At present, a major portion of buildings entering HPD's housing quality enforcement programs (particularly small buildings in the Alternative Enforcement Program or AEP) struggle to successfully comply with program requirements.²⁸ Under AEP, the primary destination for properties that remain active in the program is third-party transfer, but may soon result in inclusion in annual tax-lien sales.²⁹ While financially, this is a pragmatic transaction for the city, the sale or transfer of these buildings to market developers--particularly in the case of small, unregulated buildings--can represent a significant loss for the city over time as affordable housing units leave the market. Moreover, this process has the effect of penalizing tenants who, after suffering through conditions of neglect and disrepair, are then put at risk of displacement from their unregulated homes.

With these concerns in mind, the rehabilitation and leasing of partially-vacant city-owned and city-monitored units has the potential to resolve two outstanding needs: addressing the financial deficits and resulting lack of repairs facing current tenants in city-owned properties, and making available hundreds of units of housing affordable to extremely low-income New Yorkers. Again, because these properties are city-owned or city-monitored, they present a valuable resource in providing low-cost housing options for the city's most vulnerable tenants. We request that the city of New York utilize these units to house homeless and extremely low-income tenants, rather than allow them to be redeveloped as market-rate rental or cooperative units.

As part of the New York City Community Land Initiative-- an initiative of organizers, community organizations, city planners, activists and academics - Picture the Homeless and our allies are actively developing a plan for a community land trust in East Harlem/El Barrio, which would acquire and develop city-owned, partially vacant properties to ensure their long term sustainability, affordability, and maintenance. The project primarily focuses on buildings in the TIL and ANCP programs, as well as low income, limited equity cooperatives (HDFCs). Throughout the process, residents of many city-owned and HDFC buildings have expressed concerns over the long-term sustainability of their current affordable housing, and have demonstrated interest in exploring models that could protect the affordability of existing low-cost housing stock over time.

²⁷ City of New York HPD, "Tenant Interim Lease/Affordable Neighborhood Cooperative Program: Program and Policy Changes." (New York, 2015,) 3.

²⁸ City of New York HPD, "AEP 7 Year Report: Rounds 1-6, 2007-2014." (New York, 2014), 12.

²⁹ Ibid, 4.

While these organizing efforts are currently focused on the East Harlem/El Barrio neighborhood, the community land trust offers a model that is replicable city-wide, and which could potentially help to support the long-term affordability of thousands of affordable housing units throughout the city. The Gaining Ground Pilot Project would provide the necessary funding for nonprofit developers to acquire and rehabilitate partially vacant city-owned buildings, and facilitate the transfer of these properties to community land trusts and large-scale cooperatives. This model would not only remove the threat of rising housing costs to city-owned properties, but would also support tenants by providing regular maintenance and accountable stewardship, resident-inclusive governance models, and succession rights and affordability protections. Vacancies in the developments would be redeveloped for immediate occupancy, with a portion of units set aside for tenants of extremely low income, with a homeless inclusion requirement.

Recommendations:

- **Examine existing policies around the discharge of distressed properties in HPD's housing quality enforcement programs, to assure that these interventions have the outcome of preserving units as affordable to current and future occupants.**
- **Hire outreach staff to begin meeting with tenants in city-owned and partially vacant buildings, conduct needs assessments and inspections in order to define a scope of work required to make the buildings financially, socially, and structurally sustainable.**
- **Explore the possibility of combining TIL buildings into a city-wide or borough-wide Mutual Housing Association or Multi-Building Cooperative model, with a homeless-inclusion preference in all vacancies.**
- **Divert shelter funding in support of the development of permanently affordable housing through Community Land Trust and Mutual Housing Association models.**

The Gaining Ground Pilot: How it Works

Fundamentally, the Gaining Ground model operates under the assumption that providing long-term affordable housing options for homeless populations presents a considerably more cost effective and sustainable solution than the city's current shelter operations. As demonstrated above, by discontinuing contracts at just a handful of cluster-site shelters, and converting these shelters into long-term housing, the city can save millions of dollars a year, which could be reinvested in long-term and well-maintained permanent housing options for homeless and extremely low-income households.

The Gaining Ground Pilot Project will prioritize the development of housing available to residents of extremely low incomes, including residents reliant on public assistance, or on low-wage or part time/seasonal work. **As such, the model offers deep subsidies in rental costs, with the goal of creating units affordable to families and individuals earning under \$10,000/year.** The ability to offer subsidies at this level is largely dependent on the model's use of economies of scale--by including some moderate- and middle-income units, commercial rental income, and other forms of subsidy into the Gaining Ground model, the pilot can offer greater numbers of units at deeper levels of subsidy. The Pilot Project's ability to offer extremely low-cost units also relies on the shifting of DHS and city resources to the development of permanently affordable housing, as outlined in the de Blasio Five-Borough, Ten-Year Housing Plan.

The Gaining Ground Pilot Project model draws on several financial assumptions. First, the model assumes a **standard operating cost of \$600 per unit**. This figure is drawn from the experiences of long-time affordable housing developers, and provides a basis from which to create initial financial models for both cluster site and vacant buildings, featured below. These models also assume that all current occupants, both DHS clients and non-DHS tenants, continue to reside in the buildings in question (whether cluster-site buildings or partially-vacant TIL buildings) and rental costs in these models are targeted accordingly. Rental costs would be based on annual income recertification and subject to rent-regulation requirements in addition to the terms of a ground lease (as dictated by the CLT)

The Community Land Trust+Mutual Housing Association Model:

As mentioned above, the success of the Gaining Ground Pilot Project is largely dependent on its ability to capitalize on economies of scale; that is, to create housing developments which allow for internal cross-subsidies that make heavily subsidized rents possible. To this end, the Pilot Project is based on a development model that combines the long-term affordability protections of a Community Land Trust (CLT) with the flexible housing options and financing models made possible under a Mutual Housing Association (MHA) housing model or similar multi-building cooperative model. The CLT allows for land to be removed from the speculative market, protecting units from market-rate resale and keeping them in the pool of affordable, income-targeted housing over time. The MHA model complements the protections that a CLT affords, with a responsible and financially sustainable closed-system approach.

This model has been tried and tested in New York and cities across the country--one particularly compelling success story is the Cooper Square CLT/MHA in lower Manhattan, which was made by possible through the direct transfer of city-owned properties to land trust ownership.

The CLT/MHA model offers four primary benefits to both tenants and non-profit developers, outlined below.

Resident-Responsive Stewardship:

One of the most important principles of the land trust model is the notion of stewardship, or long term care of the land trust and its residents. This stewardship can take many forms, but necessitates direct involvement by the land trust's organizers and administrators in building maintenance, communication with residents, responding to resident concerns as they arise, and offering systems of support to tenants as needed. In this sense, the land trust model directly responds to the conditions of negligence and disrepair in existing cluster-site shelters, as well as the needs of current TIL and ANCP residents, whose buildings consistently struggle from a lack of resources and support, leading to deterioration over time.

Financial Feasibility through Economies of Scale:

In order to provide units of housing at the deep levels of subsidy required to meet the needs of homeless and low-income renters, some level of cross-subsidization is necessary. The Mutual Housing Model allows for this internal cross-subsidization of units, which pools the income from higher-rent units and commercial tenants in order to lower housing costs for low-income renters and/or shareholders. In so doing, the CLT/MHA benefits from an economy of scale, which allow for the development to offer units at well below market rate, without undercutting buildings' ability to meet basic operational expenses.

Flexibility for Changing Households:

One of the leading challenges facing rapidly developing communities is a loss of stability as family needs change over time. Growing families may be required to leave their neighborhood in search of affordable housing with enough space to accommodate children, moving farther from family support networks and dispersing community ties. Similarly, elders who are no longer able to walk-up multiple flights of stairs might also be forced to leave the community where they have lived for decades in search of an accessible apartment. The Mutual Housing Association model addresses these needs, creating internal wait-lists to allow residents to apply for affordable housing within their community when it becomes available. As such, the model further bolsters neighborhood stability, retaining long-term residents and making it possible for families to maintain ties to their community over generations.

Accountable Governance

Resident participation in decision-making and control is a fundamental principle built into both the community land trust and MHA models. In cases of partially-vacant buildings with existing tenant associations, both models can incorporate and build upon existing tenants association structures, allowing resident input both in their own buildings, as part of the MHA, and in the land trust as a whole. This model presents an alternative to the typical landlord-tenant relationship, establishing accountable governance structures which are directly responsive to the concerns of residents, and which enable residents to have influence over decisions made within the MHA and CLT.

Requested Forms of City Support:

Instrumental in the success of the model is the diversion of DHS funding to support the rehabilitation of cluster-site, TIL/ANCP buildings, distressed buildings and vacant city-owned properties. In many cases, existing properties are in need of substantial repairs, and some may be eligible for rehabilitation through HPD's building code enforcement programs. Additionally, these models rely on the assumption that the buildings would be tax exempt in exchange for the high proportion of deeply subsidized affordable units that the buildings provide.

To this end, the Gaining Ground Pilot Project requests the following from the Mayor's Office:

- **That the Mayor's office follow through on its stated commitment to divert DHS funding into permanent housing solutions for homeless individuals and families by developing permanent housing options for extremely-low income and homeless households.**
- **That the Mayor's office publically announce the development of a pilot project in conjunction with Picture the Homeless which seeks to divert DHS resources to the provision of permanently affordable housing for homeless and extremely low-income households.**
- **That the Mayor's office work with Picture the Homeless and allies to develop a task force that regularly meets with affordable housing developers, city agencies, homeless households, Picture the Homeless organizers, legal services providers, and allies to oversee the implementation of the Gaining Ground Pilot Project.**
- **That the Mayor's office pledge additional city resources, including city-owned vacant land and buildings, technical assistance, and targeted support and financing in support of the Gaining Ground Pilot Project.**
- **That the buildings included in the Gaining Ground Pilot Project be exempt from property taxes in exchange for providing housing for extremely low-income households.**