

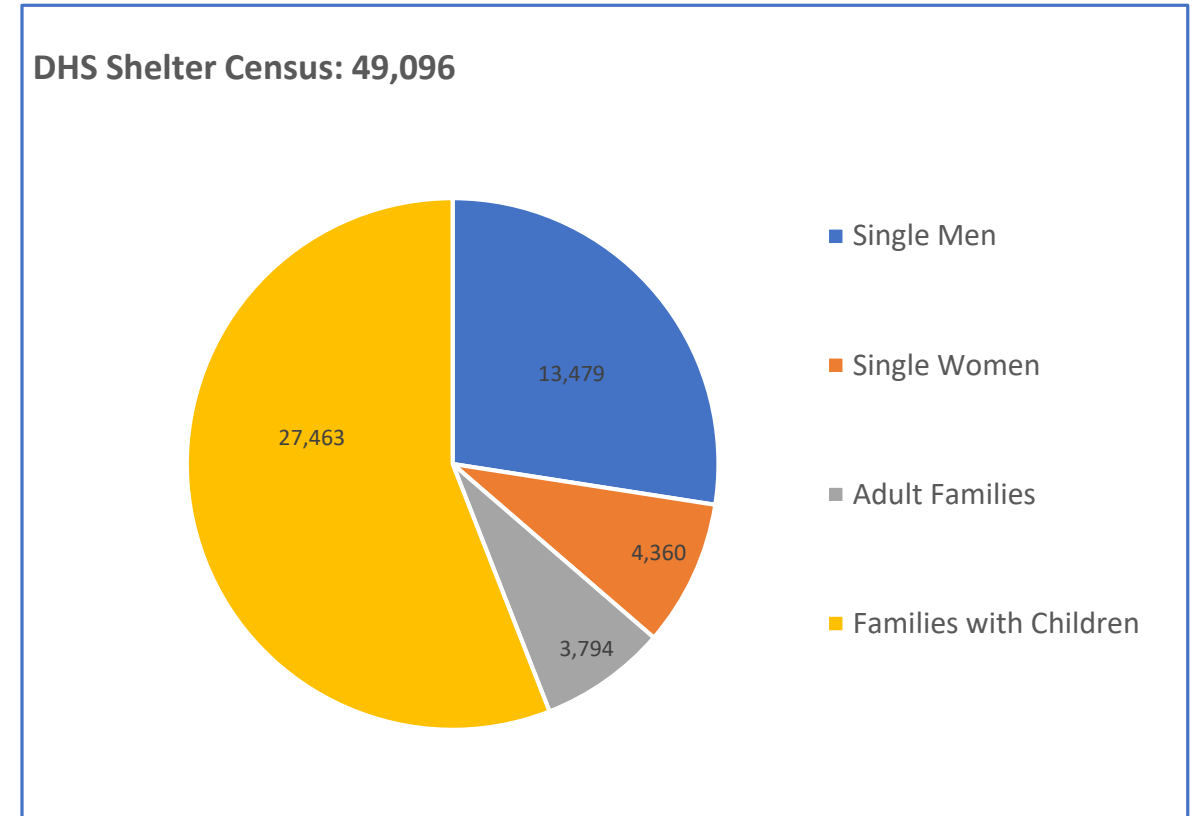
NYC Department of Homeless Services Hotels for Shelter and Housing

Florida Continuums of Care
May 14, 2021



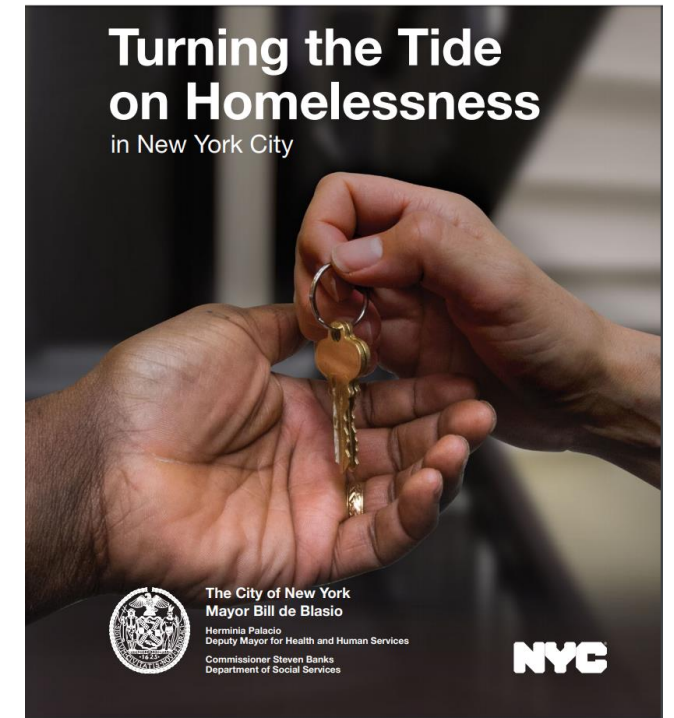
New York City: Basic Facts

- Right to Shelter: NYC is legally obligated to provide shelter to those in need.
 - Extensive emergency shelter network, ~50,000 clients/night
 - 95%+ New Yorkers experiencing homelessness are sheltered
 - More than \$2B/year in shelter spending



Turning the Tide

- In February 2017, the Mayor announced “[Turning the Tide on Homelessness in New York City](#)”
- The plan has four core pillars:
 - Preventing homelessness whenever we can;
 - Addressing street homelessness;
 - Rehousing families and individuals so they can move out of shelter or avoid homelessness altogether; and
 - Transforming the haphazard approach to providing shelter by:
 - shrinking the Department of Homeless Services’ footprint by 45 percent.
 - ending the use of 360 “cluster” shelter and commercial hotel locations.
 - opening a smaller number of 90 borough-based shelters in all five boroughs.



DHS Hotel Use

1. Short term emergency capacity
 - Census surge
 - COVID
2. Conversion to long-term shelter use
 - Rent contract
 - Debt service contract
3. Conversion to permanent housing

Rent Contracts

- Nonprofit provider leases the hotel from owner for use as shelter, and DHS reimburses rent payments through the contract; typically **9-year** max contract term.
- Building is no longer operating as a commercial hotel
 - Rent is based off of residential comps, not nightly hotel rate
 - Rehabbed as needed to meet shelter needs
- Financing Structure:
 - Third party landlord owns the property
 - LL pays base real estate taxes, Contract pays any increases
 - LL responsible for building insurance & capital repairs, Contract pays maintenance & utility costs, as well as social services, security, etc.
 - LL incentive is in the form of rent collection, with limited expenses
 - Contracts can be renewed after 9-year term

Debt Service Contracts

- Contract pays monthly debt service to cover the permanent financing necessary to acquire the hotel; typically **30-year** contract
- Requires nonprofit HDFC ownership with long-term use restrictions for shelter or housing.
- Financing Structure:
 - Debt service payments go directly to the permanent lender for 30 years
 - No DSCR, no mortgage insurance, competitive interest rates (below 4.00%)
 - Projects eligible for real estate tax exemption
 - Incentive is in the form of a Developer Fee
- DHS is developing tools to support early acquisition/predevelopment costs.

Master Lease Contracts

- Social service contract that creates permanent housing for households exiting the shelter system. Nonprofit leases/acquires building from private owner, enters into an occupancy agreement with tenants.

- Acquisition model:

- NFP has 30-year contract with HRA that covers:
 - CityFHEPS level rents
 - Building maintenance and operation
 - Light-touch social services

CityFHEPS Rents:

HH Size	1	2	3-4	5-6
Rent	\$1,265	\$1,323	\$1,580	\$2,040

- Not-for-Profit (or JV) purchases building. Because contract covers M&O, CityFHEPS rents essentially = NOI, and can be used to cover debt service

Master Lease Example

- 100 unit studio building:

- M&O: ~\$6,800/unit
- Social Services: ~\$4,700/unit
- Security: ~\$4,000/unit
- Admin Overhead: ~\$1,400/unit



Not-for-profit operations

- “Lease” Payment: ~\$13,600/unit → NOI

- Notes:

- Numbers will vary with building/unit size
- Some fungibility between categories, subject to DSS approval

Hotel to Housing: Status, Issues, and Opportunities

- One site well underway, several more in early feasibility assessment
 - Also momentum to use this model for SRO conversion
- Challenges:
 - Price
 - Union buyout costs
 - Zoning/building classifications
- Opportunities (beyond the obvious!):
 - Reach neighborhoods that have limited affordable housing
 - Between standard affordable housing/supportive housing on service continuum

Funding Sources

- New York City spends significant City resources on shelter and permanent housing for those exiting shelter.
 - Function of Right to Shelter
- Federal sources can be used for shelter/housing:
 - TANF: FWC shelter
 - ESG: shelter operations, rental assistance (very limited)
 - Section 8
 - American Rescue Plan Act vouchers are tenant-based only
 - HOME: rent subsidies, acquisition, rehab
 - CDBG: rehab, maybe acquisition?