Housing Justice for Young People Aging out of Foster Care in New York City

A Roadmap, Developed by System-Impacted Youth, to Create Safe, High-Quality, Integrated Housing in Desirable Neighborhoods for All Youth Exiting Foster Care

The Center For FAIRFUTURES
the children's village
GOOD RIVER PARTNERS
HR&A

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"Young people are suffering to navigate housing after enduring foster care.

Without a home, we can't feel free. We can't feel control. We can't feel secure. We can't feel stable. And we can't elevate in the ways we would like."

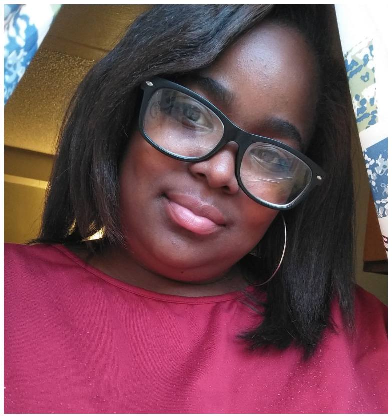
*- **Christine Joseph**, Fair Futures Housing Design Fellow and foster youth leader*

This report was developed by the **Center for Fair Futures Youth Advisory Board**, which includes 17 young adults impacted by the child welfare system in New York City. We are dedicated to advocating for New York City's foster youth, so they have the necessary support they deserve. We engaged six **Fair Futures Housing Design Fellows**, pictured below, whose direct experience and expertise shaped the analysis and recommendations in this report.

Fair Futures Housing Design Fellows

Cheyanne Deopersaud

Grace Tatom



Christine Joseph

Sarah Slater

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T'Coy Adams

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THE ROADMAP TO JUST HOUSING FOR FOSTER YOUTH

Thrust into New York City's impossibly tight housing market, youth in and exiting foster care face extreme housing precarity and too often - homelessness.

National research has found that 31 to 46 percent of transition-aged foster youth had experienced homelessness at least once before they turned 26. In New York City, of the 429 youth who aged out of foster care in 2022, 31% had to stay in a foster or group home because they simply had no other housing options. And while the remaining 69% were afforded housing, their options left them in neighborhoods saddled with the legacy of redlining, where they faced rodents in their apartments and have reported feeling unsafe alone.

This plainly unacceptable foster care to homelessness and housing insecurity pipeline persists despite successive waves of federal, state and local investments in rental subsidies and services for these deserving young people. Dismantling this pipeline is not a function of a lack of public will or funding, but rather a hitherto missed opportunity to create a comprehensive housing solution for NYC's foster youth that builds on local government's strengths while drawing in private capital.

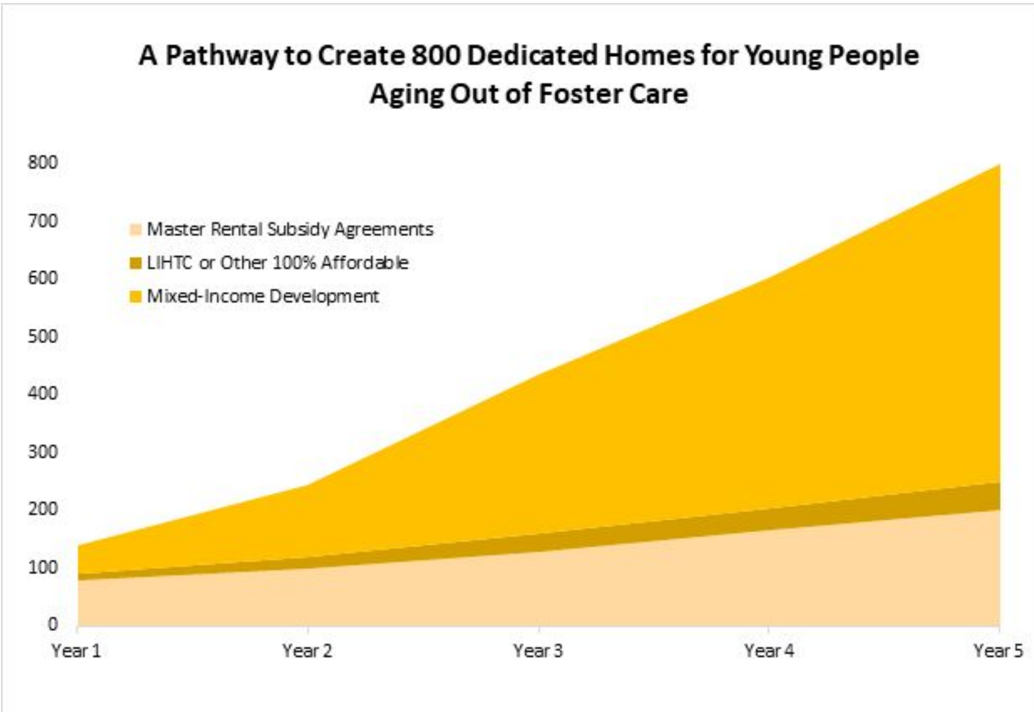
In 2024, The Center for Fair Futures and its Youth Advisory Board, comprised of 17 young people who have been impacted by foster care, set out on an ambitious effort to ensure all foster youth aging out of New York City's foster care system were not only afforded with housing, but the kind of housing that could put them on a path to independence and success.

Buoyed by a 2023 advocacy win that brought more than $30 million in ongoing annual funding to ensure all NYC foster youth ages 14 to 26 have one-on-one coaching to help them navigate education and career opportunities, Fair Futures enlisted three mission driven partners to help create a comprehensive housing solution for all NYC foster youth.

The following report – produced by Fair Futures, The Children's Village, HR&A Advisors and Good River Partners – outlines a five year vision that promises to provide 800 new homes for youth exiting foster care.

The strategy outlined in the pages below is grounded in youth voice. In 2024, the partners created a Fair Futures Housing Design Fellowship, in which six youth leaders who have themselves struggled to find housing after leaving foster care, defined the quality standards that all housing for young people aging out of care should meet.

With that definition of just housing in hand, HR&A Advisors, one of the nation's preeminent real estate development and public policy consulting firms, modeled six housing typologies weighing public rental subsidies against private investments and public sources of capital. **Their research finds that through a mixture of master rental subsidy agreements, mission-driven affordable housing projects, and accelerated construction on new mixed-income projects, there is a viable pathway to set aside - over five years - 800 homes for youth exiting the system.**



Considering the rate at which foster youth housing is currently brought online in New York City, it could take 30 years to create the 800 homes needed, meaning the City will miss entire generations of young people aging out of care who need this assistance now.

To not let that happen, the authors of this report, including young people impacted by the child welfare system, have laid out a clear strategy encompassing policy recommendations, cross-sector collaboration, and the creation of a privately financed Fair Futures Housing Fund. The financial analysis in this report highlights a path to leverage market-rate development, creating mixed-income projects that secure dedicated homes for youth aging out of care. To fund these projects, HR&A modeled three opportunities to blend traditional, market-driven private investment with mission-motivated capital, generating up to 50 dedicated homes per project with modest returns of up to 4% for mission-aligned funders. These projects can be even more cost effective when combined with moderate public subsidy, generating returns of up to 6% and decreasing the philanthropic contribution needed from an average of $257,000 per dedicated home to just $135,000 per home. By matching the public systems change with private financing , New York City can and will prevent its foster youth from joining the ranks of the unhoused and give them the fair future they are demanding and deserve.

This report outlines ten steps the City of New York, the State, housing developers and operators, and philanthropy should take in 2025 to:

- Adopt crucial policy changes to take full advantage of every available tool and federal dollar to address the unmet housing needs of young people aging out of care.
- Better leverage existing housing stock in New York City to meet the needs and desires of young people aging out of foster care, according to the fellows' our quality standards.
- Design a Fair Futures Housing Fund, a new dedicated source of capital that will accelerate the development of housing that adheres to the quality standards developed by the Fair Futures Housing Design Fellows.

Each of these recommendations, and the research to support them, are detailed in the following pages.

If we follow these steps in 2025, we believe we can create 800 dedicated homes for young people aging out of foster care over the next five years. If we do not act with urgency and focus, young people will continue to wait for the housing they need and deserve.

Special thanks to the Conrad N. Hilton Foundation for supporting this effort.

ABOUT THE PARTNERS

The Center for Fair Futures

The Center for Fair Futures is a youth-led advocacy movement and coalition of 100+ organizations and foundations advocating for all young people in New York City's foster care system have access to the long-term, comprehensive supports they need to achieve their potential.

The Center for Fair Futures Youth Advisory Board (YAB)

The YAB is composed of 17 young adults impacted by the child welfare system in New York City. The YAB is dedicated to advocating for New York City's foster youth, so they have the supports they need to thrive. In 2023, the Fair Futures Youth Advisory Board was successful in securing and baselining a $30.7 million annual investment from the City of New York, making NYC the first in the nation to support young people in foster care through age 26 with public funding. Youth, beginning at age 14, have access to a coaching program that provides 1:1 coaching and tutoring to help young people achieve their academic, career development, and independent living/life goals from 9th grade through age 26.

The Children's Village

The Children's Village (CV) is dedicated to the well-being of children, teens, and families. We advocate for, strengthen, and reunite families while fostering community partnerships, creating innovative programs, and connecting individuals to essential resources that promote equity, basic needs, and human rights.

With nearly 175-year history of caring for children and families, CV's mission and impact are carried out through several focused strategies: prevention of child and family separation; temporary care and treatment for youth who cannot remain with family; support for youth development and transition; and our wide array of community investments that includes crisis response and model housing development.

The Children's Village has pioneered several projects that bring to life the quality standards developed by our Housing Design Fellows. In the summer of 2024, the nonprofit opened the doors of the Eliza, a 14-story, deeply affordable housing development in the desirable, racially integrated community of Inwood, Manhattan, available to all, including young people aging out of foster care.

HR&A Advisors

HR&A Advisors is a mission-driven, employee-owned firm that advises public, private, non-profit, and philanthropic clients to help them create vital places, build more equitable and resilient communities, and improve people's lives. Across the country, HR&A works with partners inside and outside of local government to shape, scale, and sustain solutions to homelessness. HR&A's work to end homelessness is a partnership between our Affordable Housing and Inclusive Cities practices.HR&A's Affordable Housing Practice creates funds, plans, policies, programs, and strategies that address local needs and priorities, align community goals with market conditions, and advise clients to build and preserve affordable housing. HR&A's Inclusive Cities practice translates the ideas of communities and their advocates into meaningful systems change within local government. Working with visionary clients from grassroots activists to elected city and county leaders, we leverage our deep understanding of government, knowledge of local and private economic forces, and analytical rigor to promote social and economic justice.

Good River Partners

Good River Partners is a public benefit firm focused on ending the foster care to homelessness pipeline nationally. To accomplish this mission, Good River is working to finance and scale the development and acquisition of high quality housing for youth in and exiting foster care.

CHALLENGES AND OPPORTUNITIES

Our research identified three overarching challenges and four significant opportunities to unlock more quality housing opportunities for young people aging out of foster care.

Challenges:

- New York City's foster youth, disproportionately Black and Brown, find themselves part of a housing system rooted in historical patterns of discrimination and exclusion
- 85% of New york City's affordable housing continues to be built in our city's most segregated and burdened communities of color
- Despite support from federal, state and local government, New York City's foster youth face limited housing options and too often experience homelessness
- Current housing options for foster youth and limited and fail to meet the needs and desires of youth people, according to the Fair Futures Housing Design Fellows

Opportunities:

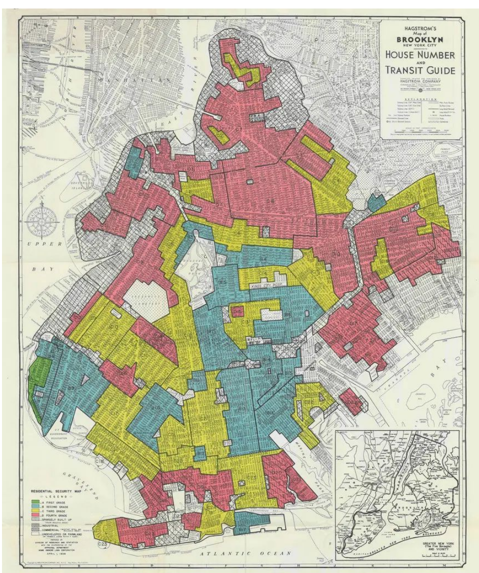
- Engage impacted youth to articulate the quality standards to which all housing offered to young people aging out of foster care should meet
- Meet the need for new quality housing for young people through the deft application of public subsidies and an infusion of private capital

These challenges and opportunities are described in greater detail in the following pages.

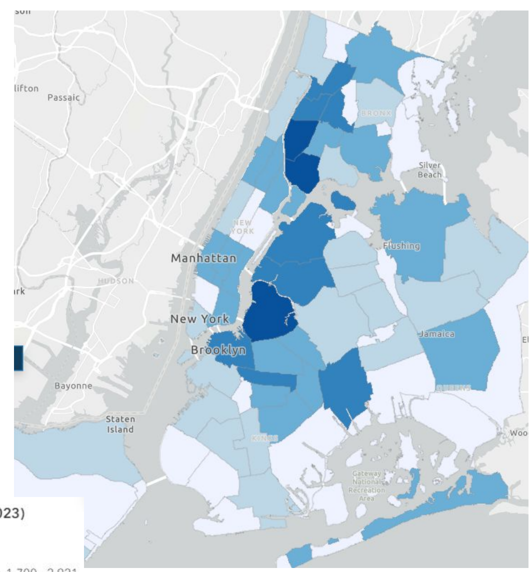
CHALLENGE #1: NEW YORK CITY'S FOSTER YOUTH, DISPROPORTIONATELY BLACK AND BROWN, FIND THEMSELVES PART OF A HOUSING SYSTEM ROOTED IN HISTORICAL PATTERNS OF DISCRIMINATION AND EXCLUSION

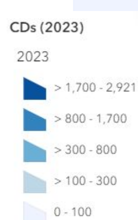
The housing challenges present in New York City today are inextricably linked to race and place. As just one example, under the policy of redlining, the federal government deemed "D" areas as places where property values were most likely to go down and the areas were marked in red — a sign that these neighborhoods were not worthy of inclusion in homeownership and lending programs. Not coincidentally, in New York City, most of the "D" areas were neighborhoods where Black residents lived.

The legacy of this federal policy, enacted nearly 100 years ago, persists today. Overburdened and under-invested neighborhoods are asked to be the site of the most new housing production: in 2023, Bronx community districts 1, 4, 5, and 7, Brooklyn districts 1, 2, 5, and 8, and Queens districts 1 and 2 experienced as much new housing as the city's other 49 community districts. Of the 10 districts with the most new housing production, 6 were rated as C or D on the original redlining maps.



The 1938 Home Owners' Loan Corporation map of Brooklyn.
Credit: National Archives and Records Administration, Mapping Inequality. (Source)





Map from the NYC Department of City Planning, released in 2024, that shows the neighborhoods with the most new housing construction. (Source)

While Black people comprise only 23% of New York City population, Black children account for over 50% of youth in foster care, according to analysis conducted by the New York Civil Liberties Union. As young people aging out of foster care navigate housing in New York City, they are stepping into a housing system in which people of color and low-income residents have been told, through decades of policy choices, that only certain neighborhoods are available to them. Many of the young people engaged in producing this report shared that they felt subtle and explicit discrimination and exclusion when they tried to find their first adult home.

CHALLENGE#2: DESPITE SUPPORT FROM FEDERAL, STATE, AND LOCAL GOVERNMENT, NEW YORK CITY'S FOSTER YOUTH FACE LIMITED HOUSING OPTIONS AND TOO OFTEN EXPERIENCE HOMELESSNESS

Since the *D.B. v. Richter* settlement in 2011, New York City has been barred from discharging any young person aging out of foster care to homelessness, including to a homeless shelter. Because of this rule, very few young people who age out of care become homeless within the first few months after they leave care. According to the most recent data in the Local Law 145 report from the Administration for Children's Services (ACS), of the 429 young people who aged out of foster case in CY 2022, nine (2%) entered a single adult or family shelter within 180 days and nine (2%) entered shelters for families with children. This only includes shelters operated by the Department of Homeless Services within the five boroughs of NYC. ACS does not track data beyond 180 days after discharge from foster care.

However, in the years following foster care, many more young people will experience homelessness and housing insecurity. The most recent official City study on housing and homelessness outcomes for youth aging out of foster care, published in 2017 and still cited often, followed a cohort of 19,963 young adults, from ages 18 through 21, who exited foster care or homeless services (including Runaway and Homeless Youth services) between 2008 and 2013. Among this cohort, 37% interacted with homeless services or jail within two years of exit.

Young people aging out of foster care are at profound risk of homelessness and housing insecurity because, currently, their housing options are few and often relegated to historically redlined neighborhoods. The *D.B. v. Richter* settlement has shown a bright light onto a housing shortage that impacts hundreds of young people every year: **nearly a third of young people who are old enough to age out of foster care cannot leave care because there is simply no housing option to release them to.** According to the Administration for Children's Services Local Law 145 report, in CY 2022, among the 429 young people 18 and over who aged out of foster care:

- 32% were able to find housing through housing assistance (e.g., public housing, college housing, vouchers, or supportive housing)
- 37% were able to live with family or relatives
- 31% need to remain in foster care (foster family placement or congregate living) beyond age 21 because there was no housing option for them

The housing shortage impacting young people aging out of care is due, in part, to market dynamics in New York City, where there are simply too few affordable homes to meet New Yorkers' needs. Housing burden is common in New York City, with 52% of all households devoting more than 30% of their gross income to housing costs. *Severe* housing burden is also common in New York City: 29% of all households devote *more than 50%* of their income to housing costs, with New Yorkers of Color experiencing the highest rates of severe housing burden.

The housing shortage impacting young people is also due to a very limited supply of affordable homes. A report published by the Department of Housing Preservation and Development in 2024 found that the City's rental vacancy rate was 1.4% in 2023, leaving foster youth with excruciatingly limited housing options. The vacancy rate is even lower for those that are most affordable. The result is that there is near impossible competition for the affordable homes that do exist. For example, when the Eliza – The Children's Village's beautiful new 100% affordable housing development in Inwood – opened in 2024, over 70,000 renters applied for 174 apartments in the building.

CHALLENGE #3: CURRENT HOUSING OPTIONS FOR FOSTER YOUTH ARE LIMITED - A YOUTH PERSPECTIVE

Foster youth leaving the system who find housing with public support often choose between three suboptimal options: a public apartment in a New York City Housing Authority (NYCHA) development, renting from a private landlord using a voucher, or living in a supportive housing development. According to our Housing Design Fellows, who have had direct experience in each of these options, all have faced significant challenges finding quality housing in a location where they want to live.

Our Housing Design Fellows report that young people often jump at the first opportunity to get out of shelter or an uncomfortable living situation, and that it is "the luck of the draw" whether NYCHA or a voucher program, such as Section 8, calls a young person first with an apartment offer. Below are testimonials from our Design Fellows on their experiences with NYCHA and Section 8.

Christine Joseph
Housing Design Fellow

The NYCHA Experience, from Housing Design Fellow Christine Joseph's Perspective

"I was in shelter with a baby when I got off the NYCHA waiting list. I jumped at the first opportunity to get out. But now, I live with my three children plus me jammed into just one room. I haven't been able to leave or get a bigger place.

Honestly, the only blessing I got from public housing is my children. The upkeep is terrible. There are still maintenance request tickets open from previous tenants, from people who lived in my apartment over five years ago. There are creepy crawlers, because the exterminator doesn't come. There was a major flood that I had to clean up myself. I have to spend my own money to address the issues in my building.

I am happy to have a roof over my head, but every day I say to myself I am just renting, this isn't forever, and someday I will have a home. NYCHA is nothing more than a stepping stone – it makes me want to fulfill my goal of working as hard as I can so I can move out."

T'Coy Adams
Housing Design Fellow

The Section 8 Experience, from Housing Design Fellow T'Coy Adams' Perspective

"For me and for other young people, you get a Section 8 voucher and then you do not get enough support to figure out how to use it. It's like you fall off a cliff, alone. Trying to find housing added a whole new level of stress to my life.

Lots of young folks do not have a case worker who has a sense of urgency to find you an apartment where you can use your voucher. We're on a timeline, so people are at risk of losing their voucher – you could be plunged into homelessness and miss an opportunity to use a resource that was intended to provide support.

Voucher discrimination is supposed to be illegal, but it is still a thing. Young people with vouchers get denied by landlords because they don't have credit or they need to show a certain level of income, for example.

There are just so many barriers to using your voucher. The reality is you might get a voucher, but you won't be able to use it. We need to make this so much more accessible."

In addition to NYCHA and voucher assistance, some young people qualify for supportive housing. These affordable homes are often owned and operated by private landlords in partnership with a nonprofit service provider to offer counseling and support; in some instances, the nonprofit is both the building owner/operator and the service provider. Young people must meet specific criteria to access this housing including income limits and a documented experience in foster care or with homelessness. Our Housing Design Fellows also report that permanent supportive housing has many requirements that can make it difficult for young people to qualify. Those who do qualify report significant frustrations with quality and location, according to new research from Housing Design Fellow Cheyanne Deopersaud. The following is excerpted from Deopersaud's op-ed in The Imprint, *Foster Youth Deserve Better Than Unsafe, Scary Housing*.

The Supportive Housing Experience, from Housing Design Fellow Cheyanne Deopersaud's Perspective

Cheyanne Deopersaud
Housing Design Fellow

"When I was 19, New York City's foster care system found me a spot in what it calls supportive housing. I was so excited to finally have my own space after being shuffled around in the system since I was 15. But my hopes for a happy, new, independent life would soon be dashed.

As I approached the new apartment building that would be my home, my heart sank. Trash littered the area. It was a complete mess. It looked like a place everyone else had given up on, yet I was expected to feel "lucky" to have it instead of facing homelessness.

When I came home every night, after being a full-time student and working two jobs to sustain myself, as many young people who age out of the child welfare system do, I would find men loitering in front, smoking and drinking. The floors smelled like urine every day. I even experienced neighbors defecating in bags that they left in the hallways. There were always flies and mice. I could see mice in my apartment, and hear them eating through the Sheetrock and cabinets to get to my food and snacks at night. I couldn't bring myself to cook in the kitchen. I thought to myself, 'I am never bringing anyone here, I am so ashamed.'

Through her work at Next100, Deopersaud, in 2024, surveyed 62 youth who had or are currently living in supportive housing. Her stark and troubling findings represent the shared reality of young people living in supportive housing: 46% dealt with rodents, 58% had roaches or other insects, 37% had power outages and 35% reported safety hazards like mold or broken fire escapes.

OPPORTUNITY #1: INTEGRATING YOUTH VOICE AND POWER THROUGH THE HOUSING DESIGN FELLOWSHIP

In the fall of 2024, the Youth Advisory Board and HR&A Advisors conducted a Fair Futures Housing Design Fellowship, in which six youth leaders with foster care experience, defined the quality standards that all housing for young people aging out of care should meet. These standards are the imperative component of the solution young people need: the solution is not to simply create more housing for young people aging out of care. **Rather, this housing must actually meet the needs of young people and be up to the standards they have now flatly stated they deserve.**

The Housing Design Fellows based their standards for quality housing in the theory of housing justice, which means that everyone has affordable housing that promotes health, well-being, and upward mobility by confronting the harms and disparities caused by structural racism and other forms of oppression.

The Housing Design Fellows created the following definition, along with the detailed checklist of standards included in the appendix to this report, drawing from their own experience living in dozens of different settings during their childhoods and early adult years and based on their own research into promising real-world models. The intention of this checklist is that any philanthropy funding a project for this population, any policymaker reviewing or approving a project for this population, or any developer working to serve this population will be able to easily assess whether the project meets the standards that young people aging out of care have set for housing that will meet their needs and goals.

Our Standards for Just, Quality Housing

Every young person aging out of foster care in New York City **deserves just, quality housing** that provides the ***sanctuary, dignity, safety, and community*** they need to feel **at peace** and lay a foundation for a **successful transition to adulthood and independence.**

We define this in three ways:

- A **desirable location**,
- **Thoughtful design**, and
- A **space that includes programs, services, and amenities** that support young people's success, safety, and self-determination.

Quality housing also must include measures to hold building managers **accountable to residents for the maintenance and upkeep of the building**, so quality housing can endure over time.

OPPORTUNITY #2: MEETING THIS DEFINITION OF JUST, QUALITY HOUSING WILL REQUIRE DEFT APPLICATION OF PUBLIC SUBSIDIES AND AN INFUSION OF PRIVATE CAPITAL

Beginning on page 25 of this report, we present a detailed financial analysis showing that there is a viable pathway to creating 600 new homes by blending public and private capital and existing rental and service subsidies to meet the needs and desires of young people – a significant portion of the 800 homes needed to address unmet needs among this population.

HR&A analyzed three possible construction typologies to create housing that meets the needs and goals of young people aging out of foster care: acquisition rehab, adaptive reuse, and new construction. For each of these typologies, HR&A conducted research on available subsidies at the city and state level and spoke with developers and other experts to better understand market opportunities and limitations. HR&A then developed a series of proformas to test the financial feasibility of these typologies and to estimate the financing gap needed to make projects feasible. In both New York City and across New York State, HR&A finds that new construction presents the greatest opportunity to create housing that meets the needs of young people aging out of foster care at scale. In New York State, acquisition rehab also offers significant opportunities due to the limited existing multifamily housing stock in the counties outside New York City.

Low-interest debt products are critical for project feasibility, especially during an era of heightened interest rates. New York City's Department of Housing Preservation and Development offers many subordinate loan products that can help support projects that will meet the needs of young people aging out of foster care. Low-interest debt products are less common outside of New York City, though Westchester County recently created a Housing Flex Fund to do just this. Rent supplements are also critical to ensure deep affordability, given the limited supply of vouchers for youth. The ESSHI program in New York State and the 15/15 in New York City act like project-based vouchers and pay the difference between 30% of the tenant's income and the total rent. These tools are flexible and can be used in both new construction and adaptive reuse projects, whether they are 100% affordable or mixed-income.

In addition to these tools, there is a need for patient capital to fill gaps and catalyze projects that may otherwise take years just to secure the necessary public financing sources. Traditional investors may expect to profit from their investment within five years, but to provide long-term affordable housing, these projects will not generate as much revenue as a market-rate project. As a result, investments in these projects must be willing to receive repayment over at least a 10 year time horizon. These investments will not generate the same profit as market-rate projects either, with projected returns up to 6%, depending on the project type. These financial realities require a source of capital that is mission-oriented and flexible.

To spur private developers to develop housing that serve young people aging out of care and draw in other forms of private investment, we see an important opportunity to create a dedicated fund of patient capital that could smooth and accelerate development. Currently, there is no funding source designated for the development of housing for young people aging out of care. We are asking our public, private, and philanthropic partners to help us capitalize a Fair Futures Housing Fund, which will meet the needs of the young people we serve. We plan to partner with a mission-aligned fund manager to bring expertise and implement the fund**.** This one dedicated funding source will make it easier for developers to smooth and accelerate their development process and secure other tax credits and funding streams. The fund will allow us to get to scale faster by deploying additional capital toward housing in desirable neighborhoods that meet young people's quality standards and by engaging development partners across the city, including exploring ways to embed new homes for young people aging out of care into market-rate developments.

In addition to accelerating the production of new housing through the Fair Futures Housing Fund, we also believe that existing housing stock can be better used to address young people's unmet housing needs. We are excited about master rental subsidy agreements (MRSA), which help young people aging out of foster care find apartments that accept their vouchers and offering them ongoing support. This approach, which has been used with great success in Los Angeles, allows a nonprofit organization to enter into agreements with property owners across the city to "bank" apartments by paying the property owner a fee. The nonprofit is then able to offer those "banked" apartments to voucher-holders, including young people aging out of care. When a voucher-holder selects an apartment, they enter a lease with the property owner just as though they were renting any other home.

This approach has also been shown in other cities to support both the immediate housing needs of young people aging out of care and to finance future new dedicated homes. In Atlanta, the nonprofit Open Doors builds relationships with property owners and service providers to connect residents to housing with ongoing support. They rely on public funding and donations to fund their operations including staff costs and incentive payments to landlords and property managers. In San Diego, the San Diego Housing Commission, a public agency, does similar work through the Landlord Engagement and Assistance Program (LEAP), recruiting a bench of property owners who are willing to reserve their homes for households transitioning out or at risk of homelessness. In both these examples, the programs rely on existing property owners to participate, and the need for available homes is greater than the number of participating property owners.

In New York City, the MRSA model is possible because of two recent and important decisions from the City of New York. The first is categorizing young people aging out of foster care as “at risk of homelessness,” which allows them to qualify for CityFHEPS vouchers without them needing to experience further housing instability to qualify. The second is the Administration for Children’s Services contracting with the nonprofit Anthos|Home to build a bank of apartments citywide ready to rent to young people aging out of care, a program that shows early promise. So far, this program is helping young people secure housing in just a few months; by comparison, some youth report that, on their own, it can take years to find an apartment that will accept a voucher.

We are asking our City and philanthropic partners to continue funding this important model and to build upon it in two critical ways:

1. Ensure that all apartments included in this program meet the quality standards developed by our Housing Design Fellows described in detail in the appendix to this report, and
2. Expand the scope of the model such that the master rental subsidy agreements can be relied upon by property owners and developers as a guaranteed revenue source that can be leveraged for additional public or private financing.

MRSAs also present an opportunity to use the model to help developers unlock new sources of financing. Currently, as the program is operated by Anthos in NYC, the nonprofit typically enters into an agreement with an existing property owner to reserve a small number of homes in any given property. With greater resources, a nonprofit provider could create an agreement with a developer to reserve a greater portion of the homes in a given building once built, or to allow a mission driven developer to acquire existing housing stock with clear foster youth set asides. The developer could use the agreement with the nonprofit as proof of guaranteed future revenue, increasing the project’s credibility to financing partners such as banks or investors. The City’s Department of Social Services is DSS is using CityFHEPS to finance new developments using a master lease; we recommend leveraging this opportunity and exploring additional ways to use MRSAs to meet the housing needs of young people aging out of care in New York City.

This approach should thoughtfully preserve the young people’s autonomy. Developers should not pursue new developments where the majority of homes are reserved for youth exiting care. This will limit the financial benefit of such a rental subsidy agreement, but it is critical that young people’s self-determination is uplifted at all points.

Right now, when young people approach aging out of foster care, they are offered some housing navigation support from the City-contracted child welfare organization that provides them with case management services. However, systemic barriers and resource limitations makes it challenging for these agencies to effectively support young people transitioning out of foster care and into secure housing. Housing specialists, as part of the Fair Futures model, are tasked with helping young people apply for housing, follow up on applications, and assist with securing long-term options like Section 8 vouchers or affordable housing. However, housing specialists often face significant obstacles in carrying out these duties effectively:

1. *Retention Challenges*: Due to a lack of resources and poor outcomes, agencies struggle to retain qualified housing specialists. High turnover leads to inconsistent support for young people who are already navigating complex housing systems.
2. *Prolonged Housing Application Process:* The application process for voucher-supported or public housing can take years. This lengthy wait time is compounded by limited affordable housing options and bureaucratic delays, leaving young people in limbo or relying on temporary, unstable housing arrangements.

As a result, despite the intent of the Fair Futures program, these structural and resource-related issues make it difficult for housing specialists to provide the consistent and effective support that young people need to secure stable housing. This gap in service contributes to the overall instability that many youth face as they transition out of foster care.

According to some of the young people engaged in the creation of this report, there are real costs to this uneven housing navigation support: young people are often enrolled in time limited CityFHEPS vouchers, and if they are not connected with a housing navigator who has real urgency to find them a qualifying apartment, they may have a voucher which they are never able to use. That means, there are resources currently available to support housing for young people aging out of care that are simply going unused.

To solve this problem, we recommend creating a centralized hub to offer continuous support and remove barriers to housing for young people aging out of care. This new hub should offer intensive housing navigation support to young people served by all the child welfare organizations with which the City contracts for foster care services. The hub can provide all young people with access to a consistent, high-level housing navigation assistance and ongoing support and training for housing navigation specialists embedded within each child welfare organization. Since the federal department of Housing and Urban Development (HUD) requires service provision as part of the Foster Youth to Independence (FYI) vouchers, this centralized hub could support New York City in drawing down more of these federal vouchers to support the housing needs of young people after they leave care.

Critically, vouchers, including Federal vouchers such as Section 8 Housing Choice Vouchers (HCVs) and locally funded vouchers such as CityFHEPS, can be used to rent apartments anywhere in New York State. This new hub will supplement existing housing navigation services by streamlining the process of connecting young people to housing options outside of New York City that may meet their needs.

Additionally, we recommend that the City and State draw down every possible federal dollar that could support housing for young people aging out of foster care, support federal legislation that would remove unnecessary barriers to housing, and create partnerships with neighboring states so interested young people can use their vouchers to take advantage of quality, affordable housing options outside of New York. Specifically, we recommend:

- **The City makes vouchers transferable and portable to nearby states.** To help young people access available, quality, affordable homes in nearby states such as New Jersey, the City should make it possible to use CityFHEPs and other vouchers outside of New York State. The City could pursue reciprocal agreements with these nearby states to unlock more housing options for young people leaving care.
- **The City automatically seeks permanent vouchers for all young people aging out of foster care.** Right now, the City is primarily relying on CityFHEPS vouchers to help young people aging out of care connect to private housing options. The City should, as a matter of policy, convert young people's CityFHEPS vouchers into permanent Housing Choice Vouchers.
- **The City should expand access to Housing Choice vouchers for young people aging out of care.** Housing Choice vouchers can help young people access housing opportunities in higher income neighborhoods because these vouchers allow for Exception Payment Standards, while CityFHEPS does not. The City's Administration for Children's Services has already secured 150 Housing Choice vouchers; we encourage the City to devote more of these vouchers to young people aging out of care.
- **The City increases its drawdown of federal Foster Youth to Independence (FYI) vouchers,** which can provide an additional source of federal funding to support the Master Services Rental Agreement model. The Department of Housing and Urban Development allows housing authorities like NYCHA to apply for vouchers dedicated to young people aging out of care. As recently as 2021, NYCHA has not received a competitive FYI award, limiting the resources available to youth aging out of care. Although NYCHA can still access FYI vouchers on a case-by-case basis outside of the competitive allocation process, for other large housing authorities such as Los Angeles, Chicago, Philadelphia, Seattle, and Austin annual FYI allocations are a key resource to secure housing stability for young people aging out of care.

The City holds young people's rent at low and predictable rates in the first five years after they age out of foster care. Many of the young people engaged in creating this report shared that they were surprised and frustrated when their monthly rent increased sharply after they were able to secure a job. The City should explore policies that would make it possible for young people aging out of care to pay a low and predictable rent for their first five years so they can build some momentum in their career and some savings for their future.

The state continues to increase the reimbursement rate for Supervised Setting Programs including Supervised Independent Living Programs to maximize federal matching dollars. The Fostering Connections to Success and Increasing Adoptions Act (2008) enabled states to receive federal Title IV-E reimbursement for SSPs, short-term transitional housing for youth preparing to exit foster care. In New York State, SSPs can include community-sites such as apartments, college-owned housing such as dorms, and supervised independent living programs (SILPs) run by nonprofit organizations. Reimbursement rates are set annually by the New York State Office of Children and Family Services (OCFS) and have increased historically year over year. OCFS should continue to increase reimbursement rates to ensure maximum Federal dollars to support youth aging out of care.

The City and State look at supportive housing projects that are currently in the development pipeline, and modify the supportive housing requirements for these developments to align with the quality standards developed by the Fair Futures Housing Design Fellows. The City and State should also prioritize supportive housing projects that will deliver quality home for young people.

Additionally, the City and State should not assume – in policy or practice decisions – that all young people exiting foster care require supportive housing. While some young people may require the intensive supportive housing model, the research conducted for this project suggests that most young people want and need a less service-rich option: quality housing in a desirable neighborhood. Many young people aging out of care want an opportunity to live in fully integrated buildings, alongside people of all ages and incomes, rather than in buildings entirely occupied by people who require intensive services and support. Many of the young people engaged in this project shared that, if supportive housing were the only option, it would feel like they were being labeled as needing special support and being required to live only among other system-impacted populations. Many young people do no need to be clients of another intensive supportive system after leaving foster care. Instead, they are yearning for independence and self-determination.

TEN RECOMMENDATIONS AT A GLANCE

Action	Actors
Seed a Fair Futures Housing Fund to accelerate the development of roughly 600 new homes that adhere to the quality standards developed by our Housing Design Fellows.	*Philanthropy* *impact investment community*
Scale and expand the use of master rental subsidy agreements, to connect at least 200 young people aging out of foster care with quality apartments, and so master rental subsidy agreements can be relied upon by property owners and developers as a guaranteed revenue source that can be leveraged for additional public or private financing.	*Administration for Children's Services* *Philanthropy*
Do not assume – in policy or practice decisions – that all young people exiting foster care require supportive housing. While some young people may require the intensive supportive housing model, the research conducted for this project suggests that most young people want and need a less service-rich option: quality housing in a desirable neighborhood.	*New York City* *New York State* *Philanthropy*
Increase the City's drawdown of federal Foster Youth to Independence (FYI) vouchers. As recently as 2021, NYCHA has not received a competitive FYI award, limiting the resources available to youth aging out of care. NYCHA should increase their use of FYI vouchers from a case-by-case basis to every voucher possible.	*New York City Housing Authority*
Create a centralized hub to offer continuous support and remove barriers to housing for young people aging out of care. The hub will ensure that all young people have access to a consistent, high-level of housing navigation assistance and provide ongoing support and training for housing navigation specialists embedded within each child welfare organization.	*Administration for Children's Services*

Action	Actors
Make city vouchers transferable and portable to nearby states to help young people access available, quality, affordable homes in nearby states.	*City of New York*
Automatically seek permanent vouchers for all young people aging out of foster care. The City should, as a matter of policy, convert young people's CityFHEPS vouchers and FYI vouchers into permanent Housing Choice Vouchers.	*Administration for Children's Services* *City Council*
Hold young people's rent at low and predictable rates in the first five years after they age out of foster care. Many of the young people engaged in creating this report shared that they were surprised and frustrated when their monthly rent increased sharply after they were able to secure a job. The City should make it possible for young people aging out of care to pay a low and predictable rent for their first five years so they can build momentum in their career and savings for their future.	*City Council*
Continue to increase New York State's reimbursement rate for supervised setting programs (SSPs) to maximize federal matching dollars. SSPs are transitional homes for youth aging out of care, including individual apartments, college housing, or a 'supervised independent living program' (SILP) which are run by nonprofits. SSP reimbursement rates are currently around $4,800 per month in New York and are set annually by the New York State Office of Children and Family Services. The State should continue to increase reimbursement rates to ensure maximum Federal dollars to support youth aging out of care.	*New York State*
Advocate for federal legislation that will eliminate unnecessary barriers to housing for young people aging out of foster care, such as tying a young person's eligibility for services to the income of their often-estranged parents or legal guardians, unlocking access to support for more young people aging out of care.	*New York City* *New York State*

THE PATH FORWARD: CREATE QUALITY HOMES FOR ALL YOUNG PEOPLE AGING OUT OF FOSTER CARE

To address the unmet housing needs of young people aging out of foster care, we estimate the need to create or identify **at least 800 quality homes** that meet the quality standards developed by our Housing Design Fellows. We determined the number 800 because:

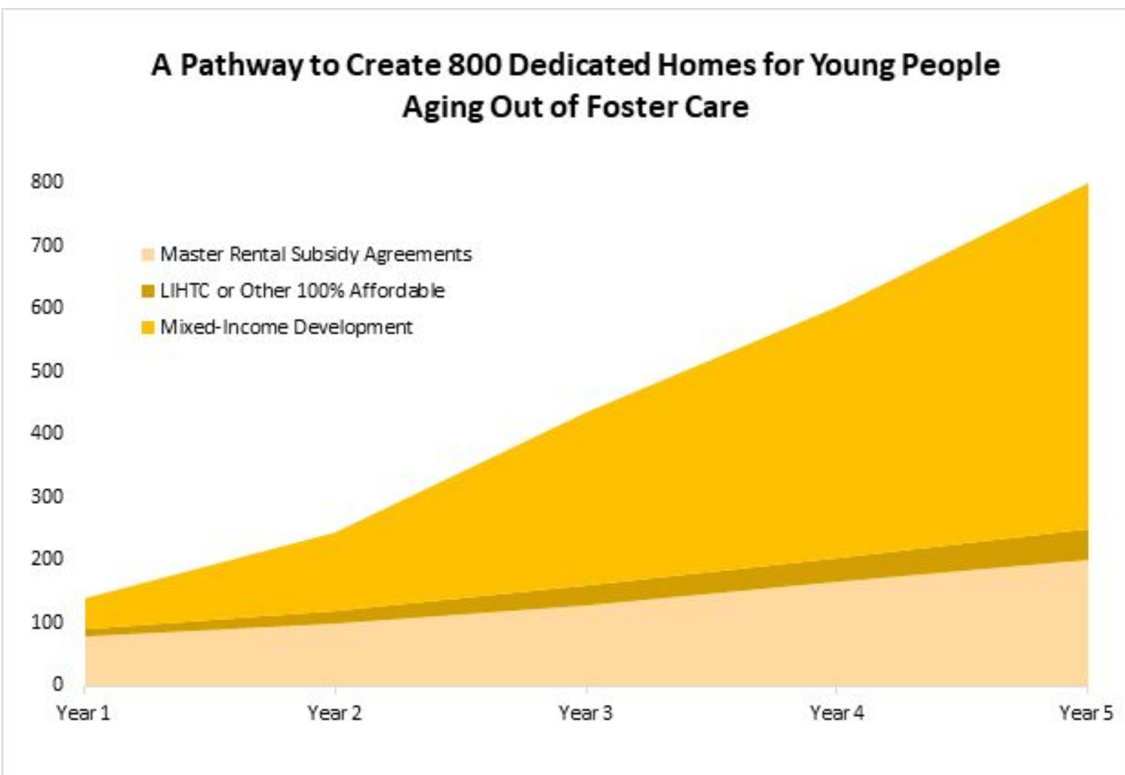
- There are approximately 160 young people over the age of 21 who have not been able to age out of foster care in New York City simply because there is no housing option to release them to, and
- We believe young people should have reliable access to a quality housing option for at least five years after aging out of foster care, enough time to lay a foundation for adulthood.

We envision the housing recommendations in this report will serve 160 new young people per year, with each person being served for five years, thus needing at least 800 dedicated homes for this population. The Fair Futures Youth Advisory Board engaged HR&A Advisors to review existing development projects, market conditions, subsidies, and vouchers and determine a feasible pathway to creating 800 new homes for young people aging out of foster care. HR&A's research suggests that:

- There is a critical role for mission-driven developers who want to leverage public subsidy such as the Low-Income Housing Tax Credit (LIHTC) program to create affordable projects that will include some homes dedicated to the needs of young people aging out of care. There is a limit to how many of these projects are likely possible each year, as they tend to require very inexpensive land, often conveyed from the City, to be financially feasible (see page 58). This report estimates it will be possible for approximately 50 deed-restricted affordable properties through the City's Housing Connect lottery over the coming five years.
- In addition to deeply-subsidized projects, there is a real opportunity to pursue mixed-income development that will serve households across the income spectrum including young people aging out of care. Mixed-income projects can accelerate and scale the production of new housing dedicated to the needs of young people aging out of care by leveraging private financing and relying less heavily on public subsidy. After testing a wide spectrum of project types,

- HR&A finds the greatest opportunity for mixed-income new construction projects in New York City and surrounding counties and the opportunity for mixed-income adaptive reuse outside of New York City. With intentional action, it may be possible to create approximately 600 new homes for young people through this approach in the coming five years.
- Construction projects are lengthy and risky endeavors, so while new projects are under development, we recommend scaling master rental subsidy programs currently operating in New York City to connect more voucher-holding young people leaving foster care with a bank of existing apartments ready and willing to rent to this population. To date, Anthos Home operates a program that has served 115 young people who have recently aged out of foster care. The organization is to help at least another 200+ in the coming year, and could take on more if vouchers could be secured. This approach will allow flexibility on top of the fixed units that could be created through new construction, adaptive reuse, and redevelopment.

The graphic below illustrates how these three approaches can collectively create a path to achieve-800 dedicated homes for young people aging out of care.



The Fair Futures Housing Fund may invest in LIHTC or other affordable projects as opportunities emerge. However, these projects are considered a separate category because it is feasible to create these projects even without the patient capital proposed as part of the Fund. The mixed-income projects described below are not feasible without investment from a new source of capital.

This pathway assumes that at least 10 young people are able to secure just, quality housing annually through the Housing Connect lottery and that the number of homes under master rental subsidy agreements grows from 80 to 200 and that, with the remaining homes achieved through new mixed-income developments supported by the proposed Fair Futures Housing Fund.

The Fair Futures Housing Fund may invest in LIHTC or other affordable projects as opportunities emerge. However, these projects are considered a separate category because it is feasible to create these projects even without the patient capital proposed as part of the Fund. The mixed-income projects described are not feasible without investment from a new source of capital. The pace of development will depend on market conditions, financing terms, and developer participation. To provide helpful detail and analysis to support our proposed path to creating 800 dedicated homes for young people aging out of foster care, the following pages detail HR&A's financial analysis, and comprehensive proformas are included in the appendix.

To provide helpful detail and analysis to support our proposed path to creating 800 dedicated homes for young people aging out of foster care, the following pages include:

ACCELERATING THE PRODUCTION OF NEW HOMES: HOUSING FEASIBILITY ANALYSIS

In New York City, advocates and providers are already collaborating to increase the number of new, quality homes accessible to young people aging out of care. Notably, these projects include the Harlem Dowling-West Side Center that includes the offices of Harlem Dowling and The Children’s Village in addition to 60 affordable apartments and the recently completed Eliza, a LIHTC development in Inwood, Manhattan that offers 174 deeply affordable homes in addition to community space, a pre-school, and the new Inwood branch of the New York Public Library (NYPL). Assuming dedicated partners like The Children’s Village continue to leverage available local, state, and federal subsidies, HR&A estimates that approximately 10 young people will be able to access these deeply subsidized homes through the Housing connect Lottery or other set-asides. However, this still leaves hundreds of young people without a clear path to just, quality housing after exiting care. To accelerate the pace of production, HR&A analyzed opportunities to leverage market-rate development to create affordable homes in mixed-income communities.

Case Study

THE ELIZA

The Eliza is a newly constructed, 100% affordable apartment building in the Inwood neighborhood of Manhattan. The project combines 174 deeply affordable homes, a newly built branch of The New York Public Library (NYPL), and extensive community and educational space. Located at 4790 Broadway, residents of The Eliza and surrounding community can access a universal Pre-Kindergarten facility funded by the New York City Department of Education (DOE), nonprofit office space, and the Activities, Culture, and Training Center (ACTS) all within the same building. At the Eliza, 15% of the homes are reserved for those transitioning out of homelessness.

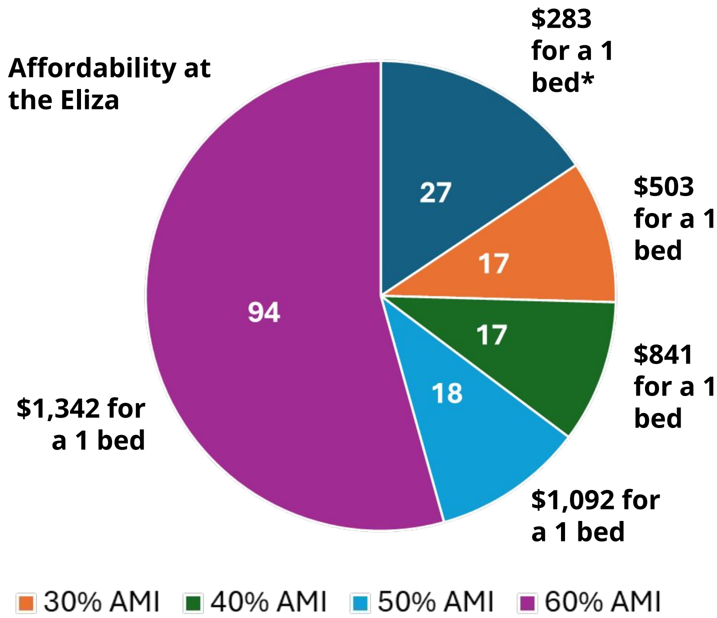
This project is the result of a **public-private partnership** between City agencies, including the New York City Department of Housing Preservation and Development (HPD) and the New York City Housing Development Corporation (HDC), and a development and funding team that includes the Community League of the Heights (CLOTH), Children's Village, the Robin Hood Foundation, Ranger Properties, Alembic Community Development, and Housing Workshop.

The Eliza took nearly seven years to complete between construction and the process to secure financing and approvals. Land for the project was donated by the City of New York, while a complex assemblage of philanthropy and federal, local, and state subsidy came together to bring the project to fruition.

Case Study

Project Funding:

- Two (2) HCD loans
- Three (3) HPD loans
- Low-income housing tax credits
- Deferred developer fee
- Robin Hood Foundation Grant
- New York Public Library Grant

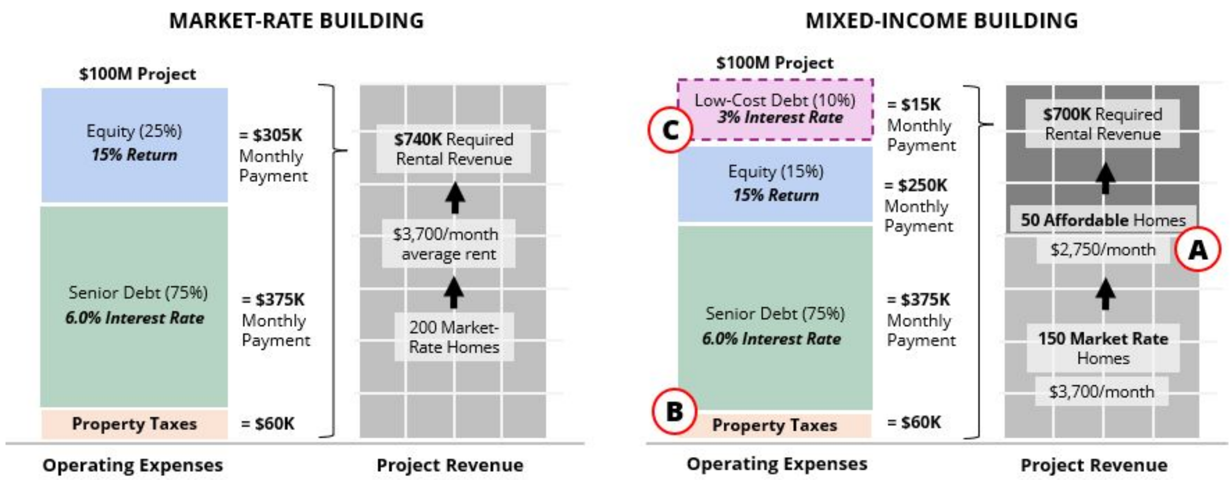


**Homes for those transitioning out of homelessness.*

Note: Rents as reported when the housing lottery for the Eliza opened.

The Eliza, like many affordable and even market-rate new construction projects in New York City was expensive to build and took more than seven years in total including years to secure financing and development approvals (see case study on the following page). In the next section we discuss important policy levers to reduce the barriers that these affordable projects face. However, we also recognize that waiting for more 100% affordable development alone will not provide the housing that young people need and deserve, in large part because of the enormous subsidy needed while public resources are limited. The cost to build mixed-income projects is similar to affordable development, but less public subsidy is required because the market rents provide an internal subsidy. This can reduce the development timeline and allow more flexibility in setting rents and design standards that meet the needs of young people.

The figure below illustrates how market-rents combined with vouchers and tax abatements can produce new affordable homes in mixed-income projects without direct subsidy.



A: Vouchers whether project-based or tenant-based provide deep affordability for tenants while minimizing decreases in project revenue.

C: Must-pay subordinate debt from the public sector or impact investors further reduces costs by replacing high-cost equity.

B: A tax abatement that removes some or all property tax burden decreases costs, would allow the project to charge lower rents.

Typical market rate projects are financed with a combination of debt and equity. The rents in a building must be high enough to cover both debt and equity payments as well as ongoing expenses such as property taxes. This illustrative example describes a hypothetical project in South Brooklyn that cost $100 million to build. Market rents in the neighborhood are sufficient to cover these costs, but if the project included affordable homes, The rents would be lower and there would not be enough revenue to pay for these costs. A deeply affordable project like the Eliza will need a large amount of subsidy to make up the difference. However, if the project includes a smaller percentage of affordable homes (in this case 75 of 200 total), The project can be feasible with less investment. Specifically, HR&A focused on three important interventions:

- **Voucher Rents (A):** The 75 affordable homes in this project are funded through vouchers. This means that Young people will pay only 30% of their income and the rest Will be covered by a public agency. The maximum rents are lower than market rents, but higher then what most young people could afford on their own. This protects affordability while limiting negative revenue impacts. These vouchers can be project-based such as the ESSHI or NYC 15/15 programs or tenant based such as CityFHEPS secured through a master rental subsidy agreement as described previously.

- **Tax Abatements (B):** Many jurisdictions have programs that allow projects to pay no or reduced property taxes in exchange for offering affordable rents including the recently introduced 485-x program in NYC. However, this hypothetical example does not assume a tax abatement because the program in NYC adds additional requirements that change the project economics further. The appendix includes more detailed proformas that explore the impact of this program on project feasibility.

- **Low-Cost Capital (C):** Finally, the project can reduce costs by replacing some amount of equity financing with mission-oriented capital. Mission motivated investors can contribute funding as either equity or a loan, but importantly they often accept lower returns than market investors. In this example, adding low-cost subordinate debt decreases monthly project costs by an additional $20,000.

HR&A applied this mixed-income financing approach to three project typologies across New York City and State and found opportunities for patient, mission-motivated investments. With no direct capital subsidy, HR&A modeled returns of 1-4% for both debt and equity investments with the ability to create up to 50 homes for young people per project. Decreasing the number of dedicated homes per project can increase the possible returns, although the cost per home is similar. In these examples, the mission-oriented investment is also sized based on a 25% share of the project cash flow. Adjusting this share can also unlock higher returns either for the mission investor or for the developer, depending on economic conditions.

Typology	Dedicated Homes for Young People	Investment per Dedicated Home	Return on Investment
NYC New Construction	50 (of 200 total homes)	Debt: $147,000	3.5% interest rate
		Equity: $147,000	4% leveraged IRR
NYS New Construction	45 (of 175 total homes)	Debt: $347,000	2.0% interest rate
		Equity: $347,000	1.5% leveraged IRR
NYS Adaptive Reuse	18 (of 75 total homes)	Debt: $357,000	2.0% interest rate
		Equity: $312,000	1.1% leveraged IRR

Under the right circumstances, layering this mission-motivated capital with public sector funding can also stretch the impact even further. Public subsidy programs such as Mix and Match in NYC or the Middle Income Housing Program (MIHP) in New York State provide another source of low-cost funding to projects that set-aside additional affordable homes. With these additional affordability requirements, projects will generate less revenue, making equity investments more challenging, but a dedicated fund could still provide debt investments, in many cases for a lower cost per home and higher returns because of the public sector support. Taking the three development typologies described above and adding a tax abatement plus direct capital subsidy, we find returns of 3-4% are possible for half the total investment or less.

More detail on these calculations is available in the appendix, but it is clear that with a new, dedicated funding source for these projects, it is possible to leverage market-rate and mixed-income development to create the housing that young people deserve, and with the support of the public sector, these dollars can stretch even further. Achieving around 600 newly constructed or rehabilitated homes over the next five years will require at least three new projects per year. Currently, projects take many years because they require braiding together multiple public and private funding streams, each with their own requirements. To increase efficiency for new development projects, we are asking our public, private, and philanthropic partners to help us capitalize a dedicated fund, one dedicated funding source that will allow developers to smooth and accelerate their development process. This fund will allow us to get to scale faster by deploying the capital toward housing that meets our quality standards, including finding ways to embed new homes for young people aging out of care into market-rate developments as described above. The following pages provide additional findings from HR&A's analysis of market conditions and development feasibility in NYC and NYS.

CONSTRUCTION TYPOLOGIES

HR&A analyzed three possible construction typologies to create housing that meets the needs and goals of young people aging out of foster care: acquisition rehab, adaptive reuse, and new construction. For each of these typologies, HR&A conducted research on available subsidies at the city and state level and spoke with developers and other experts to better understand market opportunities and limitations. HR&A then developed a series of proformas to test the financial feasibility of these typologies and to estimate the financing gap needed to make projects feasible.

In both New York City and across New York State, HR&A finds that new construction presents the greatest opportunity to create housing that meets the needs of young people aging out of foster care at scale. In New York State, acquisition rehab also offers significant opportunities due to the limited existing multifamily housing stock in the counties outside New York City. Achieving the goal of 800 homes for young people aging out of care will require a combination of these approaches including possibly project types not included here as the market shifts and changes.

New Construction

New construction affordable projects, most commonly funded through the LIHTC program, are being constructed in both New York City and New York State. Affordable projects that receive public subsidy can face limitations on whether homes are allowed to be set aside for youth transitioning out of care. Most of the homes produced through public subsidy in New York City, for example, must be rented through the Housing Connect lottery system. Still, young people benefit from more dedicated affordable housing in New York City and beyond. For example, at a Home for Harlem Dowling, located at 127th and Adam Clayton Powell in Central Harlem and co-developed by The Children's Village, 12 young people transitioned out of care secured permanently affordable housing.

HR&A finds that market rents in New York City and in many areas of Westchester County are high enough to support some types of mixed-income projects when layered with patient private investment such as the proposed Fair Futures Housing Fund, and in some cases, a small amount of public subsidy.

To further identify opportunities for cost-saving innovation, HR&A explored volumetric modular construction for both affordable and mixed-income new construction projects. Under this approach, the majority of the building is constructed off-site in a factory and then assembled at the project site. This type of construction is becoming more common in New York City and faces limited regulatory hurdles. However, due to the high cost of labor and materials the cost savings from volumetric modular building are limited in this market. New York City-based developer FullStack Modular finds that this approach can reduce construction time by approximately 20% to 50% by limiting weather-related delays and other onsite hurdles which while significant, provides limited savings in a market such as New York where materials and labor are costly.

Adaptive Reuse

In NYC, HR&A heard from developers that rental residential adaptive reuse projects are uncommon except for office conversions in Midtown and Lower Manhattan. These projects take existing or vacant office buildings and renovate the insides to turn them into rental apartments or condos. There have been 65 of these projects proposed or completed in the past year, all at premium rents. Supporting these office conversations has been a priority of the current NYC mayoral administration, including through the launch of the Office Conversion Accelerator and the new 467m tax abatement that reduces property taxes for conversion projects that reserve 25% of homes in the final project as affordable. Because of the cost of these projects, especially for projects where the developers need to buy the office building first before completing the renovations, the homes created must charge top-market rents. Further, due to zoning restrictions and the architectural challenge of the renovations, HR&A developer interviews revealed that there are few buildings outside of Midtown or Lower Manhattan that are feasible for this type of conversion. As a result, HR&A did not include NYC adaptive reuse projects in the detailed typologies for possible investment. There may be future conversion projects in NYC that are able to take advantage of the tax abatement or other sources to meet the needs of young people exiting care, however this approach is not prioritized in this report.

Outside of New York City, there are more opportunities for adaptive reuse because the pace of development has been slower. There are more existing structures such as office spaces, old medical facilities, or dormitories that present opportunity for conversion. Although residential rents outside of NYC are not as high as in Midtown and Lower Manhattan, HR&A spoke with developers in Westchester County that have seen a number of proposals over the past few years including office, dormitory, and nursing home conversions. Land costs can be cheaper outside of NYC, making it possible to sustain these projects without the top of market rents needed to cover costs seen in all adaptive reuse projects within New York City to date.

The projects in Westchester County may also be smaller scale than projects in NYC which lowers the total cost. Currently in Peekskill, New York the Children's Village has proposed an adaptive reuse of a historic landmark with just 22 homes, half of which will be reserved for young people aging out of care, showing that even small-scale projects can contribute towards the overall goal of more housing options for young people. As a result, HR&A has prioritized adaptive reuse projects in Westchester County as one of the typologies analyzed in greater detail below.

Acquisition Rehab

In most markets, buying existing buildings and completing renovations is more cost effective than building new apartments. However, there are unique limitations to this approach both in New York City and the rest of the state. In NYC, the strong rental market can create fierce competition for market-rate acquisitions meaning that, although cheaper, the price of the housing may be too high to support affordable rents. Outside of NYC, there has been limited multifamily residential construction, so there are fewer buildings overall that may be available for sale. Given these trends and constraints, acquisition rehab projects should not be excluded from consideration if a particular opportunity presents itself, but HR&A has not focused on this typology for more detailed analysis.

PRIORITY POLICY TOOLS

Discounted or donated land greatly impacts project feasibility, particularly in New York City. Given this, the public sector has a critical role to play in securing opportunity-rich project locations. For example, the Eliza was feasible in part because the land on which it was constructed was City-owned, which made it possible to hold land costs at $2.

Reduced or eliminated parking minimums also play a major role in feasibility. Structured parking can cost upwards of $30,000 per space, greatly increasing project costs. This is a more challenging issue in locations outside of New York City, like Westchester County, where parking minimums can be high. In New York City, the recently passed City of Yes legislation proposes removing some parking requirements from new construction residential projects in the city. Other localities interested in partnering with mission-driven developers should consider eliminating parking minimums to bring down costs for projects that pledge to create and preserve homes for young people aging out of foster care.

Tax abatements and payment in lieu of tax (PILOT) programs can reduce operational costs in the long-term. New York State has created a new tax abatement program to incentivize affordable housing called 485x, and many towns in Westchester and Central NY offer PILOTs on a case-by-case basis. Layering these tools into deals can make projects more feasible by reducing yearly project costs. When project costs are lower, property owners can charge lower rents because they do not need as much revenue to pay their expenses.

PRIORITY FINANCING STRATEGIES

Low-interest debt products are critical for project feasibility, especially in today's high-interest rate environment. New York City's Department of Housing Preservation and Development offers many subordinate loan products that can help support projects that will meet the needs of young people aging out of foster care. Low-interest debt products are less common outside of New York City, though Westchester County recently created a Housing Flex Fund to do just this. These sources are fiercely competitive, and not every project will receive the amount of support requested, or in some cases, needed.

Rent supplements are also critical to ensure deep affordability, given the limited supply of vouchers for youth. The ESSHI program in New York State and the 15/15 in New York City act like project-based vouchers and pay the difference between 30% of the tenant's income and the total rent. These tools are flexible and can be used in both new construction and adaptive reuse projects, whether they are 100% affordable or mixed-income. However, in their current form, these sources are limited. The 15/15 program will sunset in 2030 and ESSHI is only available for a select number of projects each year. Continued funding for these or other rent supplement programs is critical to ensure deep, long-term affordability for young people.

In addition to these tools, there is a need for patient capital to fill gaps and catalyze projects that may otherwise take years just to secure the necessary public financing sources. Traditional investors may expect to profit from their investment within five years, but to provide long-term affordable housing, these projects will not generate as much revenue as a market-rate project. As a result, investments in these projects must be willing to receive repayment over at least a 10 year time horizon. These investments will not generate the same profit as market-rate projects either, with projected returns of 1-4%, depending on the project type and investment structure. These financial realities require a source of capital that is mission-oriented and flexible.

The recommended proformas included in this report reflect mixed-income new construction, ground up (New York City and New York State) and adaptive reuse (New York State only) projects. Raising capital is challenging, and although these typologies leverage the efficiencies of mixed-income projects with limited subsidy, it will still take time to get projects like these off the ground. For that reason, this new production modeled here can be seen as a way to augment work already underway by master rental subsidy programs like Anthos Home and mission-oriented developers like The Children's Village, who are working to create 100% affordable projects. It will take a combination of all of these project types to reach the goal of 800 dedicated homes for young people aging out of foster care.

CONCLUSION: A SOLVABLE PROBLEM

With urgent and focused attention, New York City can end the foster care to homelessness pipeline and provide the quality housing young people need and deserve. Through a mixture of master rental subsidy agreements, mission-driven 100% affordable housing projects, and accelerated construction on new mixed-income projects, there is a viable pathway to creating 800 dedicated homes for young people aging out of foster care in the next five years. If philanthropy and mission-driven investors are willing to seed a Fair Futures Housing Fund, which can provide patient capital to close financing gaps while still delivering 2% - 10% returns, we will have a real opportunity to accelerate housing production and manage this fund's equity toward the quality standards that our Housing Design Fellows have articulated.

This is a solvable problem, a discrete piece of the very complicated and layered affordable housing landscape in New York City, but one on which it is possible to make progress in the relative short term. However, if we do not act with urgency and focus, young people will be waiting for generations for the housing they need and deserve. Hundreds of young people, every year, who through no fault of their own have ended up in the child welfare system, will be thrust into housing insecurity and at risk of homelessness. After enduring foster care, these young people deserve a brighter future. Quality, affordable housing in good locations can help them build it.

APPENDIX: SYSTEM-IMPACTED YOUNG PEOPLE'S STANDARDS FOR QUALITY HOUSING

The Fair Futures Housing Design Fellows developed the following definition of just, quality housing, which articulates the standards that should be met by every housing option offered to young people aging out of care.

Every young person aging out of foster care in New York City deserves just, quality housing that provides the **sanctuary, dignity, safety, and community** they need to feel **at peace** and lay a foundation for a **successful transition to adulthood and independence.**

We define this in three ways: A **desirable location**, **thoughtful design**, and a **space that includes programs, services, and amenities** that support young people's success, safety, and self-determination.

Quality housing also must include measures to hold building managers **accountable to residents for the maintenance and upkeep of the building,** so quality housing can endure over time**.**

A desirable location that

Is accessible and connected

- **Provides transit accessibility to essential services:** Examples include well-connected public transportation options.
- **Ensures easy access to essential stores:** Clothing, toiletries, and other necessities should be within a short walking distance.

Fosters health and wellness

- **Offers a variety of healthy food options:** Including restaurants, cafes, and supermarkets.
- **Maintains street greenery and recreational spaces:** Parks, walking trails, and green areas for physical activity and relaxation.
- **Welcomes families with proximity to childcare options:** Including children's parks, daycares, and afterschool programs

Provides safety and security

- **Is safe from violence:** Residents should feel secure in their homes and communities, free from the threat of violence.
- **Offers ample street lighting:** Well-lit streets and public areas enhance safety and deter criminal activity.

Is in a community that embraces diversity

- **Embraces cultural and demographic diversity:** Representation of various cultures and ages.
- **Offers walking distance to cultural and entertainment:** Accessible for all age demographics.

Supports professional development and opportunity

- **Provides proximity to education and career services:** Nearby schools, colleges, and vocational training centers.
- **Facilitates access to free work/study spaces with internet:** Libraries, community centers, and co-working space

A well-designed building that

Promotes safety

- ❏ **Layered security:** Secured locks on entrances, units, and bedrooms, complemented by a functional intercom system.
- ❏ **Child-safe windows:** Windows that open only from the inside and have guards for children.
- ❏ **Visitor management:** A designated waiting area to prevent loitering in residential units.
- ❏ **Ventilation:** Ensures proper airflow, especially in bathrooms.
- ❏ **Secure common areas:** Features like fob access, cameras, and active security staff.
- ❏ **Secured mailroom**: A mail room that's located away from public access.

Is designed to make residents feel valued

- ❏ **Durable materials:** High-quality flooring, countertops, and fixtures.
- ❏ **Attention to detail:** Finishes that reflect care and craftsmanship

Promotes ease of movement

- ❏ **Elevator access:** Reliable and functioning elevators.
- ❏ **Inclusive mobility:** ADA requirements such as ramps, leveled floors, grab bars in bathrooms, and inclusive wayfinding.

Builds community through thoughtful common areas

- ❏ **Common areas:** Spaces designed to foster community interaction.
- ❏ **Study/work environments:** Areas that support a productive work or study atmosphere.
- ❏ **Play areas:** Secure play spaces for children.

Is welcoming to residents and visitors

- ❏ **Natural light:** Units and common areas with ample natural lighting.
- ❏ **Vibrant décor:** Bright and colorful interior design.
- ❏ **Inviting atmosphere:** Warm and welcoming communal spaces.

Supports individual comfort

- ❏ **Climate control:** Working thermostats and temperature settings.
- ❏ **Spacious layouts:** Generous floor plans with storage, that allow different ways of living and with multiple outlets.

Activated spaces that

Include reliable property management

- ❏ **Transparent and accountable system for maintenance requests:** So residents are able to request and track timely and dependable upkeep of the building and units.
- ❏ **Frequent pest control:** Implements strong and regular pest control measures.
- ❏ **Consistent hot water:** Guarantees reliable access to hot water.
- ❏ **Well-kept trash areas:** Maintains clean and organized waste disposal areas.
- ❏ **Well operated building:** Low number of building violations.

Offer immediate assistance

- ❏ **Emergency contact:** Provides an after-hours emergency number.
- ❏ **Help buttons:** Available in common areas and units.

Include thoughtful amenities

- ❏ **Laundry facilities:** Includes on-site laundry options.
- ❏ **Gym access:** Offers a fitness center.
- ❏ **Storage space:** Provides additional storage options.

Provide programs for community growth

- ❏ **Community pantry:** Offers a shared pantry or other nutritious food support for residents.
- ❏ **Inclusive events:** Organizes activities for all ages, such as cooking and dance classes.
- ❏ **Cultural sensitivity:** Includes fairly-compensated staff members who have lived experience with aging out of foster care to provide support and guidance to young resident

Appendix: Viable Development Scenarios

As described in the body of the report, HR&A analyzed three development typologies with two different financing approaches for each. The first scenario assumes no direct public subsidy and the second scenario assumes some public subsidy. Due to the requirements and, often, added costs of public funding, the assumptions used in each scenario are distinct. The following sections provide detailed assumptions, sources, uses, and cash flow for each typology across both scenarios.

Scenario 1 (No Direct Public Subsidy): Proforma Models and Assumptions

Financing Assumptions		
These assumptions are the same for projects in NYC and in NYS.		
Construction Interest Rate	8.00%	Sourced from interviews with multifamily rental developers active in NYS
Perm Interest Rate	5.75%	The current rate environment is volatile; this assumption is drawn from comparable projects but may not be achievable
Amortization	30	Standard market financing assumption drawn from comparable projects
Max LTV	65%	Standard market financing assumption drawn from comparable projects
DSCR Constraint	1.20	Standard market financing assumption drawn from comparable projects
Cap Rate	5.00%	Standard market financing assumption drawn from comparable projects

Operating Assumptions		
Operatin g Expenses	$10	Per square foot per month; this is a standard assumption derived from other developer proformas
Taxes	In New York State, proformas assume a full PILOT for the 10 year hold period. In New York City, taxes are calculated based on 45% of the stabilized value at a 1.25% rate.	
Reserves	$300	Per unit per month; this is a standard assumption, slightly more conservative to account for youth just, quality maintenance standards

Timing Assumptions		
These assumptions are the same for projects in NYC and in NYS.		
Construction Duration	36 Mo.	Three year construction timeline is reasonable (and exclusive of predevelopment) and may even be conservative for adaptive reuse
Rent Period	6 Mo.	A six month lease up timeline is aggressive but reasonable given the market
Stabilization	42 Mo.	Sum of the above
Exit	120 Mo.	A 10 year hold is assumed as baseline. Different exit assumptions will affect feasibility and return metrics.

Exit Assumptions		
For simplicity, a sale is assumed as the exit strategy for all projects. Although mission-aligned owners may hold the asset long term, this will likely require reinvestment, outside the scope of this analysis.		
Cap Rate	5.50%	A standard estimate above the assumed valuation cap rate of 5.0%
Sale Costs	3.00%	Standard estimate

Development Costs		
NYC New Construction		
Land	$25,000,000	Estimate based on two recent transactions in Brooklyn as reported by NY YIMBY. Discounted land will improve project economics.
Site & Infrastructure	$2,000,000	Extrapolated from costs at the Eliza, assumes any land in NYC will have some amount of remediation if not demolition required.
Hard Costs	$400	High end of the range from developer interviews ($350-$400 PSF for concrete including prevailing wage).
Parking	$0	Assumes parking minimums waived following pending City of YES zoning reforms.
Soft Costs	15%	Standard assumption, escalated for the NYC market

NYS New Construction		
Land	$10,00 0,000	Based on an average PSF cost of $280 and average parcel size of 37,000 SF from White Plains projects in predevelopment.
Site & Infrastructur e	$1,000 ,000	Reduced site costs assuming less need for demolition or substantial remediation in the suburbs
Hard Costs	$365	Based on developer proformas -- costs are substantially similar in Westchester County to NYC.
Parking	$15,00 0	Standard parking cost assumption per ground space, derived from developer proformas in Westchester County. Structured parking will increase costs to approximately $30,000.
Soft Costs	15%	Standard assumption

NYS Adaptive Reuse		
Land	$8,000, 000	Based on an average PSF cost of $280. Assumes a smaller parcel size and lower density project based on comparable projects in predevelopment.
Site & Infrastructur e	$1,000 ,000	Reduced site costs assuming less need for demolition or substantial remediation in the suburbs.
Hard Costs	$275	Based on developer proformas for projects in the pipeline in Westchester County currently.
Parking	$0	Assumed that parking either already exists or is waived given the smaller project size.
Soft Costs	15%	Standard assumption

NYC New Construction

This new construction project models a scaled master rental subsidy agreement program as described in the body of the report to create 50 dedicated homes for young people in South Brooklyn. Rather than setting affordable rents based on area-median income as required by many subsidy programs, this hypothetical project creates affordable homes through an agreement that sets aside 50 homes for CityFHEPS voucher-holders including young people. This minimizes negative revenue implications while maximizing affordability. Market rents are based on current listings for new projects in South Brooklyn as of 2024.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	**Rent/Home**	**Total Rent/Mo**
CityFHEPS Voucher	0 BR	20	$2,624	$52,480
CityFHEPS Voucher	1 BR	20	$2,696	$53,920
CityFHEPS Voucher	2 BR	10	$3,027	$30,270
Market	0 BR	50	$2,925	$146,250
Market	1 BR	60	$3,438	$206,250
Market	2 BR	40	$4,200	$168,000
Other Income			$75	$15,000
Total		**200**		**$672,170**

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$74,010,640	74%
Sponsor Equity	$18,481,934	19%
TAY Funding	$7,373,415	7%
Total	**$99,865,990**	**100%**

Uses	Total	Percentage
Land	$25,000,000	25%
Site & Infrastructure	$2,000,000	2%
Hard Costs	$50,830,000	51%
Soft Costs	$11,674,500	12%
Construction Interest	$10,361,490	10%
Total	**$99,865,990**	**100%**

The project is funded with a combination of senior debt, developer equity that will require market returns, and “TAY Funding” from the proposed dedicated fund described earlier in the report. This investment is projected to generate returns of 3.5-4%.

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($49,955,330)	($24,955,330)	($24,955,330)	$0	$0
Total Revenue	$0	$0	$0	$6,628,847	$8,624,479
Total Operating Expenses	$0	$0	$0	($1,559,350)	($2,218,449)
Net Operating Income	$0	$0	$0	$5,069,497	$6,406,030
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($49,955,330)**	**($24,955,330)**	**($24,955,330)**	**$5,069,497**	**$6,406,030**
Total Unlevered Cash Flow	($49,955,330)	($24,955,330)	($24,955,330)	$5,069,497	$6,406,030
Construction Financing	$24,099,981	$24,955,330	$24,955,330	($74,010,640)	$0
Senior Debt	$0	$0	$0	$70,987,298	($5,182,872)
TAY Funding	$7,373,415	$0	$0	($286,597)	($286,597)
Total Levered Cash Flow	**($18,481,934)**	**$0**	**($0)**	**$1,759,558**	**$936,561**

Yearly Cash Flow Continued

Year 6	Year 7	Year 8	Year 9	Year 10	Total
$0	$0	$0	$0	$0	($99,865,990)
$8,883,214	$9,149,710	$9,424,201	$9,706,927	$9,998,135	$62,415,513
($2,285,003)	($2,353,553)	($2,424,159)	($2,496,884)	($2,571,791)	($15,909,189)
$6,598,211	$6,796,157	$7,000,042	$7,210,043	$7,426,344	$46,506,324
$0	$0	$0	$0	$130,973,710	$130,973,710
$6,598,211	**$6,796,157**	**$7,000,042**	**$7,210,043**	**$138,400,055**	**$77,614,045**
$6,598,211	$6,796,157	$7,000,042	$7,210,043	$138,400,055	$77,614,045
$0	$0	$0	$0	$0	$0
($5,182,872)	($5,182,872)	($5,182,872)	($5,182,872)	($70,192,184)	($25,119,246)
($286,597)	($286,597)	($286,597)	($286,597)	($8,475,075)	($2,821,241)
$1,128,742	**$1,326,688**	**$1,530,573**	**$1,740,574**	**$59,732,795**	**$49,673,557**

New York State New Construction

This new construction project is based on the same financing strategy as the NYC example in the city of White Plains, NY instead of South Brooklyn. Market rents are based on current listings for new apartments in White Plains as of 2024. Instead of CityFHEPS vouchers, the affordable homes are subsidized through the Empire State Supportive Housing Initiative, a type of project-based voucher that functions similarly to a master rental subsidy agreement.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	**Rent/Home**	**Total Rent/Mo**
ESSHI	0 BR	15	$1,359	$20,381
ESSHI	1 BR	20	$1,456	$29,125
ESSHI	2 BR	10	$1,748	$17,475
Market	0 BR	25	$2,475	$61,875
Market	1 BR	55	$3,338	$183,563
Market	2 BR	50	$4,133	$206,625
Other Income			$75	$13,125
Total		**175**		**$532,169**

The project is funded with a combination of senior debt, developer equity, and “TAY Funding” from the proposed dedicated fund described earlier in the report. This investment is projected to generate returns of 2-1.5%, less than in NYC due to lower market rents.

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$57,979,817	67%
Equity	$13,523,742	16%
Tay Funding	$15,629,352	18%
Total	**$87,132,912**	**100%**

Uses	Total	Percentage
Land	$10,000,000	11%
Site & Infrastructure	$1,000,000	1%
Hard Costs	$56,771,188	65%
Parking	$2,625,000	3%
Soft Costs	$10,165,678	12%
Construction Interest	$6,571,046	8%
Total	**$87,132,912**	**100%**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($35,710,971)	($25,710,971)	($25,710,971)	$0	$0
Total Revenue	$0	$0	$0	$5,248,174	$6,828,151
Total Operating Expenses	$0	$0	$0	($1,390,933)	($1,809,677)
Net Operating Income	$0	$0	$0	$3,857,241	$5,018,474
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($35,710,971)**	**($25,710,971)**	**($25,710,971)**	**$3,857,241**	**$5,018,474**
Total Unlevered Cash Flow	($35,710,971)	($25,710,971)	($25,710,971)	$3,857,241	$5,018,474
Construction Financing	$6,557,876	$25,710,971	$25,710,971	($57,979,817)	$0
Senior Debt	$0	$0	$0	$55,611,336	($4,060,254)
TAY Funding	$15,629,352	$0	$0	($331,900)	($331,900)
Total Levered Cash Flow	**($13,523,742)**	**($0)**	**$0**	**$1,156,860**	**$626,320**

Yearly Cash Flow Continued					
Year 6	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
$0	$0	$0	$0	$0	($87,132,912)
$7,032,996	$7,243,985	$7,461,305	$7,685,144	$7,915,698	$49,415,454
($1,863,968)	($1,919,887)	($1,977,483)	($2,036,808)	($2,097,912)	($13,096,669)
$5,169,028	$5,324,099	$5,483,822	$5,648,336	$5,817,786	$36,318,785
$0	$0	$0	$0	$102,604,594	$102,604,594
$5,169,028	**$5,324,099**	**$5,483,822**	**$5,648,336**	**$108,422,381**	**$51,790,468**
$5,169,028	$5,324,099	$5,483,822	$5,648,336	$108,422,381	$51,790,468
$0	$0	$0	$0	$0	$0
($4,060,254)	($4,060,254)	($4,060,254)	($4,060,254)	($54,988,444)	($19,678,377)
($331,900)	($331,900)	($331,900)	($331,900)	($16,926,888)	($3,288,935)
$776,874	**$931,945**	**$1,091,668**	**$1,256,183**	**$36,507,048**	**$28,823,156**

New York State Adaptive Reuse

This model assumes the adaptive reuse of an existing structure into a moderate density residential building in White Plains, NY. Like the new construction example, the affordable rents are subsidized through the ESSHI program while market rents are based on comparable properties in White Plains.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	**Rent/Home**	**Total Rent/Mo**
ESSHI	0 BR	5	$1,359	$6,794
ESSHI	1 BR	8	$1,456	$11,650
ESSHI	2 BR	5	$1,748	$8,738
Market	0 BR	15	$2,338	$35,063
Market	1 BR	22	$3,188	$70,125
Market	2 BR	20	$4,038	$80,750
Other Income			$75	$5,625
Total		**75**		**$218,744**

Due to the unique project economics for this adaptive reuse example, different amounts of TAY investment were modeled as debt investments and as equity investments. In this first example, the TAY funding is modeled as a low cost debt investment with a 2% return.

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$23,572,459	67%
Equity	$5,007,338	14%
Tay Funding – Debt	$6,418,744	18%
Total	**$34,998,541**	**100%**

Uses	Total	Percentage
Land	$8,000,000	23%
Site & Infrastructure	$1,000,000	$1,000,000
Hard Costs	$18,105,313	52%
Soft Costs	$4,065,797	12%
Construction Interest	$6,571,046	$3,827,432
Total	**$34,998,541**	**100%**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($16,999,514)	($8,999,514)	($8,999,514)	$0	$0
Total Revenue	$0	$0	$0	$2,157,220	$2,806,657
Total Operating Expenses	$0	$0	$0	($589,008)	($766,331)
Net Operating Income	$0	$0	$0	$1,568,212	$2,040,327
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($16,999,514)**	**($8,999,514)**	**($8,999,514)**	**$1,568,212**	**$2,040,327**
Total Unlevered Cash Flow	($16,999,514)	($8,999,514)	($8,999,514)	$1,568,212	$2,040,327
Construction Financing	$5,573,432	$8,999,514	$8,999,514	($23,572,459)	$0
Senior Debt	$0	$0	$0	$22,609,522	($1,650,750)
TAY Funding	$6,418,744	$0	$0	($136,306)	($136,306)
Total Levered Cash Flow	**($5,007,338)**	**($0)**	**$0**	**$468,969**	**$253,271**

Yearly Cash Flow Continued					
Year 6	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
$0	$0	$0	$0	$0	($34,998,541)
$2,890,857	$2,977,583	$3,066,910	$3,158,918	$3,253,685	$20,311,831
($789,321)	($813,000)	($837,390)	($862,512)	($888,387)	($5,545,950)
$2,101,536	$2,164,582	$2,229,520	$2,296,406	$2,365,298	$14,765,881
$0	$0	$0	$0	$41,715,251	$41,715,251
$2,101,536	**$2,164,582**	**$2,229,520**	**$2,296,406**	**$44,080,548**	**$21,482,590**
$2,101,536	$2,164,582	$2,229,520	$2,296,406	$44,080,548	$21,482,590
$0	$0	$0	$0	$0	$0
($1,650,750)	($1,650,750)	($1,650,750)	($1,650,750)	($22,356,277)	($8,000,504)
($136,306)	($136,306)	($136,306)	($136,306)	($6,951,623)	($1,350,717)
$314,480	**$377,526**	**$442,464**	**$509,350**	**$14,772,649**	**$12,131,370**

For the equity investment, the TAY funding is projected at a 1.5% return. These low returns make this typology a good candidate for additional public investment as the next section demonstrates. Without additional public subsidy, the returns for this project are lower than what many mission investors may be willing to accept.

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$23,572,459	67%
Equity	$5,809,681	17%
TAY Funding – Equity	$5,616,401	16%
Total	**$34,998,541**	**100%**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($16,999,514)	($8,999,514)	($8,999,514)	$0	$0
Total Revenue	$0	$0	$0	$2,157,220	$2,806,657
Total Operating Expenses	$0	$0	$0	($589,008)	($766,331)
Net Operating Income	$0	$0	$0	$1,568,212	$2,040,327
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($16,999,514)**	**($8,999,514)**	**($8,999,514)**	**$1,568,212**	**$2,040,327**
Total Unlevered Cash Flow	($16,999,514)	($8,999,514)	($8,999,514)	$1,568,212	$2,040,327
Construction Financing	$5,573,432	$8,999,514	$8,999,514	($23,572,459)	$0
Senior Debt	$0	$0	$0	$22,609,522	($1,650,750)
TAY Funding	$5,616,401	$0	$0	($90,446)	($90,446)
Total Levered Cash Flow	**($5,809,681)**	**($0)**	**$0**	**$514,829**	**$299,131**

Yearly Cash Flow Continued					
Year 6	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
$0	$0	$0	$0	$0	($34,998,541)
$2,890,857	$2,977,583	$3,066,910	$3,158,918	$3,253,685	$20,311,831
($789,321)	($813,000)	($837,390)	($862,512)	($888,387)	($5,545,950)
$2,101,536	$2,164,582	$2,229,520	$2,296,406	$2,365,298	$14,765,881
$0	$0	$0	$0	$41,715,251	$41,715,251
$2,101,536	**$2,164,582**	**$2,229,520**	**$2,296,406**	**$44,080,548**	**$21,482,590**
$2,101,536	$2,164,582	$2,229,520	$2,296,406	$44,080,548	$21,482,590
$0	$0	$0	$0	$0	$0
($1,650,750)	($1,650,750)	($1,650,750)	($1,650,750)	($22,356,277)	($8,000,504)
($90,446)	($90,446)	($90,446)	($90,446)	($5,699,310)	($625,584)
$360,341	**$423,387**	**$488,324**	**$555,210**	**$16,024,962**	**$12,856,503**

Scenario 2 (Direct Public Subsidy): Proforma Models and Assumptions

To test the impact of public investment on project feasibility and possible returns, HR&A added public funds to each of the three models described above. These models relied on the same assumptions except with regard to permanent debt. Because public funds generally require additional affordable homes, the following models assume that the permanent loan is sized at a more advantageous 80% LTV or 1.15 DSCR, in line with a HUD or Agency mortgage. The combination of increased senior debt and modest public subsidy, increased returns and in many cases dramatically decreased the predicted investment required per dedicated unit.

NYC New Construction – Additional Public Subsidy

In this example, HR&A changed the affordability mix to qualify the hypothetical project for the 485x tax abatement and the Mix and Match subordinate loan program in New York City. This model includes $100,000 per home in subordinate public funds which increase the possible return from 3.5% in the earlier example to 4%. The uses for this project are the same as the model without the public funds. Any discrepancy is due to fluctuations in the construction interest calculation as a result of the changing sources.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	Rent/Home	**Total Rent/Mo**
CityFHEPS Voucher	0 BR	15	$2,624	$39,360
CityFHEPS Voucher	1 BR	15	$2,696	$40,440
CityFHEPS Voucher	2 BR	20	$3,027	$60,540
60% AMI	0 BR	15	$1,631	$24,458
60% AMI	1 BR	15	$1,748	$26,213
60% AMI	2 BR	20	$2,097	$41,940
100% AMI	0 BR	35	$2,718	$95,113
100% AMI	1 BR	40	$2,913	$116,500
100% AMI	2 BR	25	$3,495	$87,375
Other			$75	$15,000
Total		**200**		**$546,938**

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$60,051,679	59%
Sponsor Equity	$13,645,549	13%
TAY Funding	$8,500,000	8%
Mix and Match (HPD)	$20,000,000	20%
Total	**$102,197,228**	**100%**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($50,732,409)	($25,732,409)	($25,732,409)	$0	$0
Total Revenue	$0	$0	$0	$5,238,240	$6,749,059
Total Operating Expenses	$0	$0	$0	($1,227,542)	($1,597,097)
Net Operating Income	$0	$0	$0	$4,010,698	$5,151,962
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($50,732,409)**	**($25,732,409)**	**($25,732,409)**	**$4,010,698**	**$5,151,962**
Total Unlevered Cash Flow	$0	$0	$0	$0	$0
Construction Financing	$6,884,040	$7,021,721	$7,162,156	$7,305,399	$7,451,507
Senior Debt	($1,645,010)	($1,694,360)	($1,745,191)	($1,797,547)	($1,851,473)
Mix and Match (HPD)	$5,239,031	$5,327,361	$5,416,965	$5,507,852	$5,600,034
TAY Funding	$0	$0	$0	$0	$98,764,229
Total Levered Cash Flow	**$5,239,031**	**$5,327,361**	**$5,416,965**	**$5,507,852**	**$104,364,262**

Yearly Cash Flow Continued					
Year 6	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
$0	$0	$0	$0	$0	($102,197,228)
$6,884,040	$7,021,721	$7,162,156	$7,305,399	$7,451,507	$47,812,122
($1,645,010)	($1,694,360)	($1,745,191)	($1,797,547)	($1,851,473)	($11,558,220)
$5,239,031	$5,327,361	$5,416,965	$5,507,852	$5,600,034	$36,253,902
$0	$0	$0	$0	$98,764,229	$98,764,229
$5,239,031	**$5,327,361**	**$5,416,965**	**$5,507,852**	**$104,364,262**	**$32,820,903**
$5,239,031	$5,327,361	$5,416,965	$5,507,852	$104,364,262	$32,820,903
$0	$0	$0	$0	$0	$0
($4,205,344)	($4,205,344)	($4,205,344)	($4,205,344)	($56,953,412)	($20,381,568)
($235,545)	($242,709)	($250,091)	($257,698)	($265,536)	$17,670,976
($340,000)	($340,000)	($340,000)	($340,000)	($340,000)	
$458,142	**$539,309**	**$621,530**	**$704,811**	**$46,805,314**	**$35,210,311**

NYS New Construction – Additional Public Subsidy

This model includes $100,000 per home in subordinate loan funds from the Homes and Community Renewal New Construction Program and $57,000 per home in funds from the Mixed Income Housing Program. These additional funds increase the possible return from 2% in the earlier example to 6% for the TAY investment. Notably, this higher return is also possible at a much lower cost. The TAY investment per dedicated home is $89,000 as compared to $347,000 without public subsidy. The uses for this project are the same as the model without the public funds. Any discrepancy is due to fluctuations in the construction interest calculation as a result of the changing sources. These sources are competitive, and it is not guaranteed that a project would be able to secure the maximum award described here, but this example highlights the important role for public subsidy dollars.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	**Rent/Home**	**Total Rent/Mo**
ESSHI	0 BR	15	$1,359	$20,381
ESSHI	1 BR	15	$1,456	$21,844
ESSHI	2 BR	15	$1,748	$26,213
120% AMI	0 BR	20	$3,261	$65,220
120% AMI	1 BR	15	$3,495	$52,425
120% AMI	2 BR	15	$4,194	$62,910
60% AMI	0 BR	30	$1,631	$48,915
60% AMI	1 BR	25	$1,748	$43,688
60% AMI	2 BR	25	$2,097	$52,425
Other			$75	$13,125
Total		**175**		**$407,145**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($33,588,122)	($23,588,122)	($23,588,122)	$0	$0
Total Revenue	$0	$0	$0	$3,957,017	$5,123,296
Total Operating Expenses	$0	$0	$0	($1,296,316)	($1,686,575)
Net Operating Income	$0	$0	$0	$2,660,701	$3,436,721
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($33,588,122)**	**($23,588,122)**	**($23,588,122)**	**$2,660,701**	**$3,436,721**
Total Unlevered Cash Flow	($33,588,122)	($23,588,122)	($23,588,122)	$2,660,701	$3,436,721
Construction Financing	$0	$16,895,389	$23,588,122	($40,483,511)	$0
Senior Debt	$0	$0	$0	$38,829,756	($2,835,009)
MIHP and HCR NCP	$27,362,184	($138,506)	($139,200)	($139,898)	($140,599)
TAY Funding	$3,760,000	($240,000)	($240,000)	($240,000)	($240,000)
Total Levered Cash Flow	**($2,465,938)**	**($7,071,239)**	**($379,200)**	**$627,048**	**$221,112**

Yearly Cash Flow Continued					
Year 6	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Total**
$0	$0	$0	$0	$0	($80,764,366)
$5,251,378	$5,382,662	$5,517,229	$5,655,160	$5,796,539	$36,683,281
($1,737,172)	($1,789,287)	($1,842,966)	($1,898,255)	($1,955,203)	($12,205,774)
$3,514,206	$3,593,375	$3,674,263	$3,756,905	$3,841,336	$24,477,507
$0	$0	$0	$0	$67,747,201	$67,747,201
$3,514,206	**$3,593,375**	**$3,674,263**	**$3,756,905**	**$71,588,538**	**$11,460,342**
$3,514,206	$3,593,375	$3,674,263	$3,756,905	$71,588,538	$11,460,342
$0	$0	$0	$0	$0	$0
($2,835,009)	($2,835,009)	($2,835,009)	($2,835,009)	($38,394,832)	($13,740,123)
($141,304)	($142,012)	($142,723)	($143,439)	($144,158)	$26,090,346
($240,000)	($240,000)	($240,000)	($240,000)	($4,240,000)	($2,400,000)
$297,893	**$376,354**	**$456,530**	**$538,457**	**$28,809,548**	**$21,410,565**

NYS Adaptive Reuse – Additional Public Subsidy

This model includes $103,000 per home in subordinate loan funds from the Homes and Community Renewal New Construction Program and $53,000 per home in funds from the Mixed Income Housing Program. These additional funds increase the possible return from 2% in the earlier example to 6% for the TAY investment. Notably, this higher return is also possible at a lower cost. The TAY investment per dedicated home is $150,000 as compared to $357,000 without public subsidy. The uses for this project are the same as the model without the public funds. Any discrepancy is due to fluctuations in the construction interest calculation as a result of the changing sources. These sources are competitive, and it is not guaranteed that a project would be able to secure the maximum award described here, but this example highlights the important role for public subsidy dollars in a variety of project types.

Rental Income				
Rent Type	**Bedrooms**	**Homes**	**Rent/Home**	**Total Rent/Mo**
ESSHI	0 BR	6	$1,359	$13,588
ESSHI	1 BR	7	$1,456	$14,563
ESSHI	2 BR	5	$1,748	$8,738
120% AMI	0 BR	5	$3,261	$16,305
120% AMI	1 BR	10	$3,495	$34,950
120% AMI	2 BR	5	$4,194	$20,970
60% AMI	0 BR	10	$1,631	$8,153
60% AMI	1 BR	15	$1,748	$17,475
60% AMI	2 BR	12	$2,097	$31,455
Other			$75	$5,625
Total		**75**		**$171,820**

Sources & Uses		
Sources	**Total**	**Percentage**
Permanent Loan	$16,877,770	49%
Equity	$2,871,880	8%
TAY	$2,700,000	8%
MIHP	$4,000,000	12%
HCR NCP	$7,700,000	23%
Total	**$34,671,299**	**~~100%~~**

Yearly Cash Flow					
Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Construction Costs	($18,049,883)	($8,049,883)	($8,049,883)	$0	$0
Total Revenue	$0	$0	$0	$1,677,637	$2,172,098
Total Operating Expenses	$0	$0	$0	($566,538)	($737,096)
Net Operating Income	$0	$0	$0	$1,111,099	$1,435,003
Exit Proceeds	$0	$0	$0	$0	$0
Total Unlevered Cash Flow	**($18,049,883)**	**($8,049,883)**	**($8,049,883)**	**$1,111,099**	**$1,435,003**
Total Unlevered Cash Flow	($18,049,883)	($8,049,883)	($8,049,883)	$1,111,099	$1,435,003
Construction Financing	$11,641,366	($58,928)	($59,223)	($59,520)	($59,818)
Senior Debt	$778,003	$8,049,883	$8,049,883	($16,877,770)	$0
MIHP and HCR NCP	$0	$0	$0	$16,188,312	($1,181,929)
TAY Funding	$2,538,000	($162,000)	($162,000)	($162,000)	($162,000)
Total Levered Cash Flow	**($3,092,514)**	**($220,928)**	**($221,223)**	**$200,120**	**$31,255**

Yearly Cash Flow Continued

Year 6	Year 7	Year 8	Year 9	Year 10	Total
$0	$0	$0	$0	$0	($34,149,650)
$2,226,401	$2,282,061	$2,339,112	$2,397,590	$2,457,530	$15,552,429
($759,209)	($781,985)	($805,444)	($829,608)	($854,496)	($5,334,375)
$1,467,192	$1,500,076	$1,533,668	$1,567,982	$1,603,034	$10,218,054
$0	$0	$0	$0	$28,271,689	$28,271,689
$1,467,192	**$1,500,076**	**$1,533,668**	**$1,567,982**	**$29,874,723**	**$4,340,092**
$1,467,192	$1,500,076	$1,533,668	$1,567,982	$29,874,723	$4,340,092
($60,118)	($60,420)	($60,722)	($61,027)	($61,332)	$11,100,256
$0	$0	$0	$0	$0	$0
($1,181,929)	($1,181,929)	($1,181,929)	($1,181,929)	($16,006,990)	($5,728,323)
($162,000)	($162,000)	($162,000)	($162,000)	($3,033,880)	($1,791,880)
$63,145	**$95,727**	**$129,017**	**$163,027**	**$10,772,521**	**$7,920,146**

Glossary

Key Housing Terminology

Area Median Income (AMI): HUD publishes annual AMI levels for regions, adjusted for family size. The HUD-provided AMI is used to determine applicants' eligibility for both federally and locally funded housing programs where participation is dependent on income levels.

Master-Leasing Programs: Master-leasing is a housing strategy where a local government agency or third-party organization lease homes from a property owner. Households then sublease the homes from the public agency or other third-party. This allows the local government or organization to directly subsidize housing costs by potentially offering lower rents to their tenants than they are paying the property owners. This program structure can also reduce barriers to housing such as credit checks or discrimination against justice involvement.

Master-Leasing Subsidy Agreement: Closely related to the master-leasing model, some jurisdictions have developed a master-leasing subsidy agreement with property owners where tenants are referred to participating property owners who receive a monetary incentive for their participation. Tenants lease the property directly from the property owner, possibility with ongoing support from the local government or other referral agency. Often these agreements last multiple years to ensure homes are available in the long term.

Direct Tenant Subsidies

CityFHEPS Voucher: A locally funded voucher program, CityFHEPS is designed to support households at risk of homelessness. To be eligible, in addition to a referral from a qualifying agency, households must earn below 200% of the Federal poverty level ($30,120 for a single person). CityFHEPS follows the same standard as Section 8 vouchers in terms of inspection and maximum annual assistance limits.

Foster Youth to Independence (FYI) Voucher/Family Unification Program (FUP): FYI and FUP provide rental assistance to youth aging out of foster care through the Section 8 vouchers. The vouchers may be renewed for up to three years or until youth reach age 26. FYI vouchers are administered collaboratively between local housing authorities and public child welfare agencies.

Housing Choice Voucher (HCV or "Section 8"): Federally funded voucher program administered by the NYC Housing Authority (NYCHA). With this voucher, households pay only 30% of their income towards rent and the public agency pays the remainder. To be eligible, households must meet certain income criteria and be citizens or legal residents of the United States. Section 8 vouchers can only be used for apartments that pass quality and safety inspections. Households can use their vouchers indefinitely as long as they continue to meet the income limit and as long as the apartment rent does not exceed the maximum amount determined annually by the public agency.

Preventative Housing Subsidy: The New York State Office of Children and Family Services (OCFS) provides $725 in housing assistance to youth exiting foster care who face barriers to housing. The housing assistance can be accessed annually for three years as a rent supplement or as a lump sum to cover moving costs, security deposits, or other up front housing expenses.

Property-Level Subsidies

467m Tax Abatement: This program offers a property tax discount to office conversion projects that agree to reserve 25% of homes as affordable. The length and amount of the discount depends on the location and the year that the project finishes construction.

485x Tax Abatement: This program offers a property tax discount to projects that agree to reserve at least a portion of the homes as affordable. For new construction rental projects with at least 100 homes, at least 25% of the homes must be affordable. The length of the abatement and the level of affordability required depends on the location and size of the project.

Low Income Housing Tax Credit Program (LIHTC): The largest source of subsidy for affordable housing in the United States, LIHTC can be used by private developers to build new affordable housing or to rehabilitate properties in need of repair. LIHTC rents are set by HUD based on an annual metric called "Area Median Income" and are not adjusted based on tenant incomes.

Supportive Housing: This term is often used to describe affordable housing that is paired with supportive services such as case management, career counseling, or behavioral health services. Supportive housing is often reserved for those experiencing or at risk of homelessness.

- **Supervised Setting Programs:** Short-term transitional programs for youth preparing to exit foster care. The Fostering Connections to Success and Increasing Adoptions Act (2008) enabled states to received federal Title IV-E reimbursement for these transitional programs which include community-sites such as apartments, college-owned housing such as dorms, and supervised independent living programs (SILPs). Reimbursement rates are set annually by the New York State Office of Children and Family Services (OCFS).
- **Public Housing:** Operated by public housing authorities (e.g. the NYC Housing Authority or NYCHA), housing costs are subsidized through annual Federal funding. Residents pay no more than 30% of their income in rent. Many housing authorities also own other types of affordable housing, subsidized by programs that are not public housing. These other properties may calculate affordable rents differently.
- **NY/NY 3:** A subsidy program that offers capital, service and operating financing for affordable developments that leverage LIHTC or other financing from New York State or City.
- **Project-Based Voucher (PBV):** A federal subsidy administered by the NYC Housing Authority. Residents of a PBV home pay only 30% of their income on rent, and the public agency pays the rest. Unlike a Section 8 Housing Choice Voucher, the assistance is linked to the home not to the tenant. If the tenant moves, they will lose access to assistance. However, the new tenant will be able to receive assistance. Maximum rents are determined by the public agency.
- **NYC 15/15:** A subsidy program that offers funding for services and ongoing rental subsidy for scattered site and congregate supportive housing in New York State. For scattered site, rental subsidy is based on fair-market rent and household size. Assistance contracts are 15 years with the opportunity to renew. Can be combined with capital subsidy for new construction projects. When used as a rent supplement, assistance is limited based on fair market payment standards. Like a project-based voucher, the assistance is linked to the property not to the household.
- **Empire State Supportive Housing Initiative (ESSHI):** Offers rent and supportive services subsidies for scattered site and congregate care settings in New York City and in New York State. Available for new development, adaptive reuse, and preservation projects. When used as a rent supplement, residents pay only 30% of their income towards rent and the program will cover the rest. Assistance is limited to $25,000 per household per year. Like a project-based voucher, the assistance is linked to the property not to the household.

Glossary of Key Terms Used in this Report

- **NYC Housing Preservation and Development Mix and Match Program:** Mixed-income housing capital subsidy. HPD's Mix and Match program can be used as senior or subordinate debt with the loan amount capped based on the affordability level of each home. Priority is given to projects that leverage other sources to request the least amount of subsidy. At least 40% of affordable homes must be reserved for extremely low-income households inclusive of 15% set aside for those transitioning out of homelessness. If this requirement is met through 15/15, the total number of homes must be at least 30.
- **New York City Housing Development Corporation Mix and Match Program:** HDC's Mix and Match financing is a tax-exempt senior loan and a subordinate loan of up to $15 million. Projects must be new construction and include at least 100 homes.
- **New York State Housing and Community Renewal New Construction Program (NCP):** The NYS HCR New Construction Program provides loans to projects that advance the State's housing priorities. Preference for 10% of homes at 30% AMI, affordable homes not to exceed 60% AMI unless LIHTC. Maximum of 30% homes above 60% AMI.
- **New York State Middle Income Housing Program (MIHP):** This program provides additional low cost loans to NCP projects that include homes affordable between 90% AMI and 130% AMI. This loan source can only fund those homes within that qualifying affordability threshold. If there are other homes at other affordability levels, the funding amount will be reduced.