

## **Promesa Affordable Single-Room Housing Initiative**

### **Introduction**

PROMESA is a Bronx-based Community Development Corporation whose mission is to enable New York City residents, particularly minority and poor, to become self-sufficient citizens who contribute to the quality of life of their neighborhoods. Promesa works to accomplish this by assuming a leadership role in addressing the underserved in the areas of housing, health, education, employment, economic and community development.

### **Background in Housing Development, Ownership and Management**

Promesa recognizes that quality, affordable housing is a vital part of the fabric that holds diverse communities together. In this regard, Promesa's management contributes to stabilizing low-income families and building a stronger community through the development, owning and managing renovated Promesa and city-owned properties. Promesa combines the goals of providing safe, affordable, quality, self-sustaining housing for low and moderate income residents, with social service programs that seek to strengthen residents through tenant organizing and advocacy, youth and family support services, and neighborhood improvement activities.

Since 1990 Promesa has worked closely with the New York City Department of Housing Preservation & Development in creating a substantial amount of affordable and stable rental housing units for low and moderate-income New Yorkers. In 2000, thanks to the assistance of Bronx Community Board #5 and 30 new homeowners, who live near our central offices, Promesa won a \$3.9 million new construction development grant from New York State's Homeless Housing Assistance Program. This grant will support the development of affordable rentals for residents with HIV/AIDS. What's interesting about the support of the homeowners? In other efforts, homeowners have been viewed the key opponent in development activities for low-income projects and the siting of social services facilities. Promesa has created a strong model of neighborhood leadership that gets neighbors to work together. Indeed, Promesa through recognition of its corporate citizenship has helped to stabilize the Mount Hope Community and its unique blend of multi and single-family housing stock. It has given a voice to the neighborhood through the development of neighborhood community councils and homeowners associations. Promesa has acted to help bring services and support to all its neighbors. Promesa's corporate citizenship has helped bridge the gap between renters and owners. As a result many renters are now coming to Promesa to inquire about ownership opportunities and possibilities

### **Building Community Ownership Through Homeownership**

Far too many low and moderate-income neighborhoods in urban settings are without a viable homeownership options. Promesa would like to work closely with local community boards and other not-for-profit community-based housing groups in filling

this void. The result would be a continued stabilization of the neighborhood and the development of a constituency of community advocates with interests in the area other than that of not for profit organizations. Recently, Promesa applied to HUD to become a 203(k) approved agency to provide such services. Promesa made the application because it felt that it could help foster an environment of home ownership in an urban setting.

Although Promesa does not have direct experience in homeownership in a traditional sense, it has participated in the transfer of city owned buildings that it has renovated and managed to tenant owned cooperatives. Further Promesa is familiar with many of the issues affecting single and small multi unit housing by virtue of its managing its own housing stock, which has included over time a number of brownstones in the area. Because of its banking relationships with several of the City's banking institutions Promesa can help to link families to those lending structures and vehicles most appropriate towards the needs and means of the family. As the corporate neighbor Promesa would help to facilitate the solutions to the problems of homeownership ranging from garbage collection to electrical wiring. These linkages would be an active component of Promesa's homeownership transition for low and moderate-income households. Promesa would transitioned families/individuals in rental situations into homeownership by providing hands-on counseling itself as well as through linkages with established homeownership counseling agencies.

Promesa also has other reasons. Promesa, as a \$31 million dollar agency, employs over 400 people. Most of these people live in the area of the main campus. By given them an opportunity to qualify for and buy a home in the area Promesa would have created yet another venue in which to attract and retain quality people for the delivery of its own services.

Promesa would market the homes in accordance with a standard marketing procedure. Outreach to potential buyers will be through advertisements in local and citywide newspapers, radio announcements and presentations to local organizations. Promesa has a strong philosophy about neighborhood stability via community ownership. As mentioned earlier, Promesa actively organizes residents to provide the leadership of their community.

### **Promesa Affordable SRO Housing Initiative**

Through discussions with HUD's regional office in New York, it came to Promesa's attention that a significant number of buildings located primarily in Harlem and Brooklyn under the 203(k) program were actually being used as single resident occupancy ("SROs") structures. Promesa was also told that that under the guidelines established by the 203(k) program, these buildings should have never qualified and could never be actually operated under the 203(k) program. Finally Promesa was informed that the SROs had residents that could never qualify as homeowners and further had a significant number of social and health issues that needed to be addressed. Potential substance abuse and mental health were mentioned as significant concerns for this population

In understanding the dynamics of this population, Promesa is aware of the reluctance and/or inability of people residing in SROs to relocate or seek out opportunities to improve their current living condition. Further, the residents in SROs have been overlooked by a number of housing development organizations, governmental agencies and financial institutions. Promesa has been working with this population since the founding of its agency, and has become successful as an advocate and service provider. Promesa's opinion that it needs to advocate on behalf of this particular population today.

Promesa would like to explore the use of HUD's existing SRO stock under the 203(k) program to address the needs of this existing population and perhaps better utilize the potential capacity. Specifically, Promesa proposes to take the housing stock that fits in the SRO category and create geographically congruent "villages" of these types of units. These villages would then have a number of community-based organizations and development corporations organized into a formal joint venture, which would provide renovations and property management and mental and physical health services along with any other social service or training vehicle. This formal joint venture would provide the basis for stabilization and protection of resident population in the SROs.

In order to guarantee some logistical flexibility and diversification of risk, Promesa proposes converting these villages into formal corporations consisting of 15 –20 buildings such that the joint venture organization can use the inherent value of the properties to provide the basis for recapitalization and renovation. Recognizing that on average these structures are half occupied, critical mass is needed if repairs and renovations are to be made in a timely manner. Although it is our understanding that very few tenants have accepted the offer to relocate permanently, chances are good that they would relocate temporarily if they knew that they would come back to their place of living after renovation.

Although Promesa has not had an opportunity to evaluate the buildings, it is Promesa's expectation that some percentage of the individual units can be renovated and marketed at or close to market rates. The use of grants, tax exempt financing and investment tax credits can offset the cost of renovation of the buildings and units. The combination of the above subsidizations along with mixed rental income approach should create viability for the village. This assumes that HUD is not able to provide the resources needed to perform the renovations that apparently were not done with the original monies coming from 203(k) lenders.

Clearly the current value of many of these properties will not be close to the actual investment made under the 203(k) program. Further future cash flows based on existing population will most likely not support the initial value plus the probable cost of the renovations needed for much of the stock. Further to place constraints on investors regarding the need to protect existing residents will lower prospective value even more so. Chances are good then that bidding out the properties will not result in the recoupment of much, if anything at all, of the initial investment guaranteed by HUD.

While the financial investment made by the banks and guaranteed by HUD may never be recouped perhaps some minor partial compensation can be accomplished over time through future cash flows as a result of service and rental income. Another approach may be to charge a flexible “transaction fee” as part of the right to manage the buildings after transfer. These approaches could be acceptable to both organizations involved in the community development and delivery of service to the population as well as to the investors.

Given the nature and potential size of the SRO housing stock, it is clear that arrangements need to be worked out in individual situations to address the circumstances of that particular village.

In this manner, the residents of the SROs are not packed off in the night because the gentrification of all of a sudden acceptable real estate must go on. Nor are they victims of benign neglect, or are called an obstacle to the stabilization and strengthening of the community.

Further HUD has comfort in that the joint venture is not made up of a single organization that may have good intentions and resources but can veer off the path but rather a formal conglomeration of organizations that participate in the decisions of the operations. Further, by giving residents representation on the governance body, one is assured of a buy in by the residents themselves. HUD has had some positive experiences with this at the Diego Beekman Houses in the Bronx.

Promesa recognizes the importance of building strong working coalitions. Promesa has worked largely with other community-based organizations from all over New York State in its mission to develop affordable housing and provide quality social services. Promesa continues to expand and develop great working relationships outside of the Bronx. One coalition, formed with the Upper Manhattan Mental Services, Inc. and Phase Piggy Back, Inc., addresses quality behavioral health care in Manhattan’s Harlem, Inwood and Washington Heights neighborhoods. Further Promesa participates in the Association of Neighborhood and Housing Development and sees ample opportunity to develop a coalition of organizations with resources and expertise to make these villages work. Promesa would utilize and participate under this coalition approach in the acquisition, development and management of SRO housing units as well as provide much needed social, mental health and medical services. Further through its relationships in the Business community it would look to add as part of the partnerships those elements that help to strengthen a neighborhood

### **Promesa’s Ability to Serve the SRO Population**

Promesa’s array of social and community service include Children’s Health Education and Outreach, Community Development, Daycare, HIV/AIDS, Housing, Long Term Care, Primary Health Care, Substance Abuse, Vocational/Educational, Women and Youth Services. The NYS Department of Health’s AIDS Institute, NYC Department of

Child Health Initiative, NYS Department of Health & Human Services, NYC Agency for Child Development, NYC Department of Youth & Community Development, NYS Department of Health, NYS Office of Alcohol and Substance Abuse Services, NYC Department of Housing Preservation & Development, US Department of Health and Human Services, provide partial funding of these services. The bulk of Promesa's funding comes from third party revenue and for reimbursement of services provided to its clientele.

### **Promesa's Vision**

Promesa provides a continuum of services, geared toward improving the quality of life of individuals and communities we serve. The continuum, comprised of a spectrum of services that is seamless in delivery, is offered to Promesa's clients to the fullest extent necessary, irrespective of their point of entry into the system. Quality, cost, need, accessibility and ease of delivery are parameters that shape all services provided. These parameters are constantly evaluated, using defined and measurable outcomes, to ensure that the quality of life and the level of satisfaction continue to improve with the individuals and communities serviced by Promesa.

### **Promesa's Values**

Promesa believes that all values should have outcomes that are beneficial to consumers utilizing its services. The clientele must be provided the benefit of appropriate practice and comprehensive treatment planning, in order to assure the achievements of their maximum potential. Thus, all Promesa's services and communication between the clients and the organization must be delivered in a dignified, honest, timely, ethical and easy to understand manner. The clients must be able to access easily the full level of services, regardless of race, color, creed, religion, national origin, culture, language, gender, sexual orientation, age, disability or impairment.