

Expanding Affordable Housing to Address Homelessness: Lessons from NYC and LA's Master Leasing Programs

March 11, 2025



HARVARD Kennedy School
Government Performance Lab

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We do this by working closely with state and local governments to develop and test promising practices. We then spread these practices to communities across the country. By investing in public servants, we create long-lasting capacity to sustain change.



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Tuesday, March 11 | 1:00-2:00 p.m. ET

EXPANDING AFFORDABLE HOUSING TO ADDRESS HOMELESSNESS: LESSONS FROM NYC AND LA'S MASTER LEASING PROGRAMS



Patricia Dawson, PhD, LMSW

Assistant Deputy
Commissioner
NYC Human Resources
Administration



Meghan Smith, MPA

Associate Commissioner for
Rehousing Operations
NYC Department of
Homeless Services



Kris Freed, MPA

Chief Executive
Strategist
LA Homeless Services
Authority



Thomas Wong, MSW

Associate Director of Unit
Acquisitions
LA Homeless Services
Authority



Moderator: Carin Clary

Government Performance
Lab Director of
Homelessness & Housing

New York City Master Leasing/ Affordable Housing Services Program Overview

March 2025



Department of
Social Services

Human Resources
Administration
Department of
Homeless Services

New York City Homelessness Context

NYC DHS is responsible for sheltering a constantly changing population the size of a small city

The City of New York is one of only three jurisdictions in the country with a right to shelter. In New York City, State and local laws and court order mandate this right.

- **DHS** is required to immediately provide temporary shelter to all eligible single adult men and women who apply for temporary housing assistance.
 - *Callahan v. Carey* (single men),
 - *Eldredge vs Koch* (single women),
 - *Boston vs New York* (families)

DHS sheltered over 190,000 individuals in the past year.

- Point-in-time shelter census as of March 1st was over 84,000 individuals
- Almost 100 not-for-profit organizations provide shelter in about 500 buildings

NYC Housing Context

NYC has a housing supply and affordability crisis.

Net rental vacancy rate in CY 2023 for all housing accommodations was 1.41%.

- The universe of unstably housed New Yorkers is much larger than the shelter population.
 - Approx. 500K households in NYC have annual income under \$15K/year.
 - More than 70% of these households are severely rent burdened.
 - Additional ~450K households earn less than \$30K.
 - More than 50% of these households are severely rent burdened.
 - Total ~575,000 extremely low-income households paying more than 50% of their income towards rent.

NYC CityFHEPS

City Fighting Homelessness and Eviction Prevention Supplement (**CityFHEPS**) is a significant and unique tool **NYC** has to assist clients move from shelter into permanent housing.

In FY24, NYC placed 13,402 formerly homeless households into housing with CityFHEPS, with over 18,500 households exiting shelter in total.

- Cumulatively, 47,080 households have exited shelter with CityFHEPS vouchers between fiscal years 2019 and 2024.
- With 52,000 active voucher holders, CityFHEPS is the second largest rental housing voucher program in the country, second only to NYCHA (Section 8).

CityFHEPS Overview Cont.

Launched in 2018 and funded by **NYC**, CityFHEPS consolidated multiple city-funded voucher programs into one and is administered by the Department of Social Services (**DSS**).

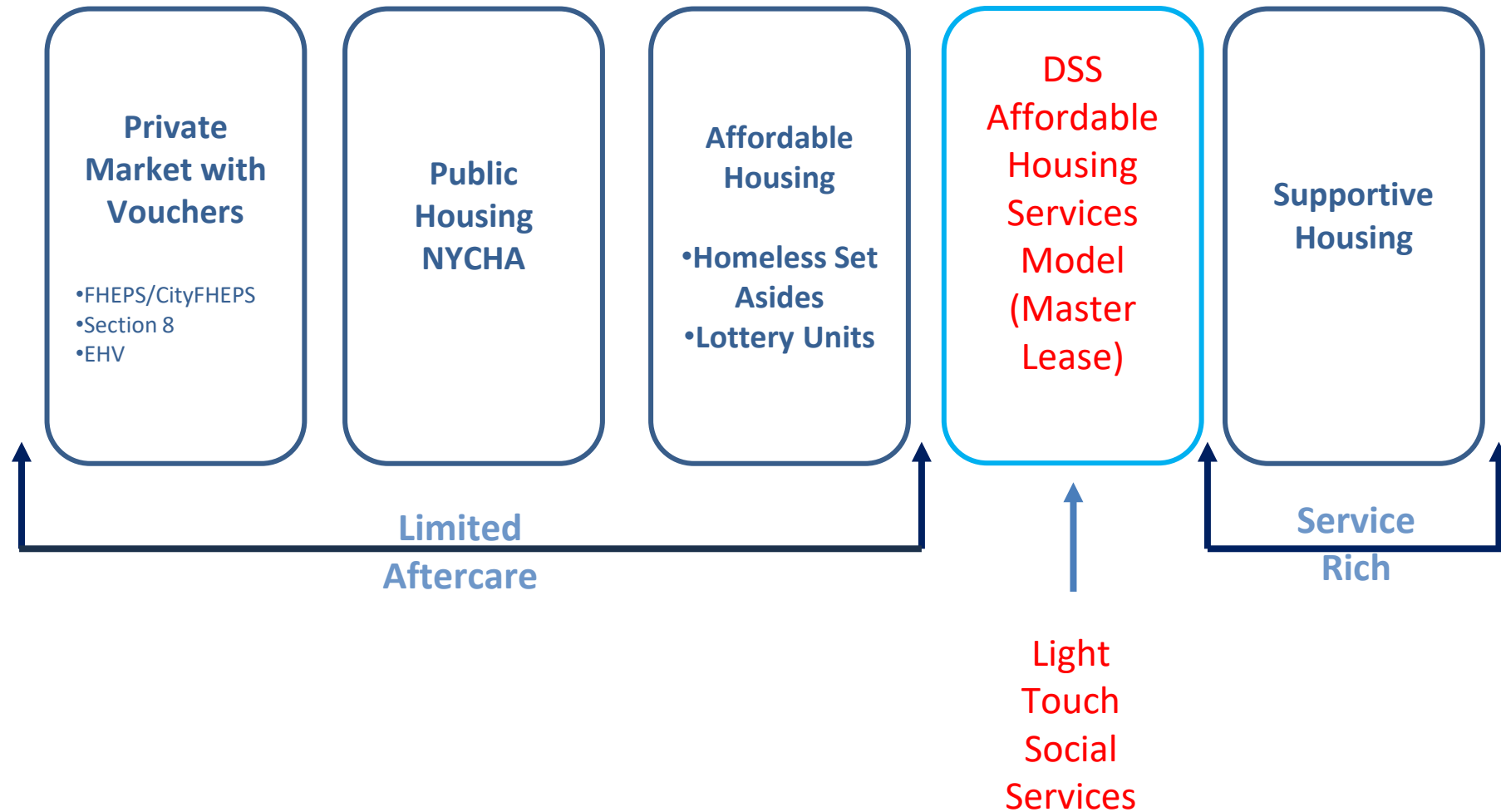
DSS subsidizes the difference between 30% of a tenant's income and the apartment rent, up to 110% of the Fair Market Rent (FMR) level (*same standard used for Section 8*).

- Example:
 - A family of three with total HH income \$20,000/year eligible to rent an apartment for \$2,750 per month.
 - The family would pay \$500 per month out of pocket, with the City paying the remaining \$2,250 directly to the landlord.

Eligibility criteria:

- Households who reside in shelter or are street homeless; and
- Have cash assistance; and
- Have a gross income at or below 200 percent of the federal poverty limit.
- Note: Some work requirements. (Exceptions for households with members who receive federal disability benefits, are 60 years of age or older, or are veterans.)

Spectrum Of Permanent Housing Opportunities for DHS Clients in NYC



NYC DSS Affordable Housing History

Master Leasing started in 2016 as a way to end veterans homelessness. Program initially included 16 contracts that were all tenant-based subsidies. First buildings included SROs or shared apartments.

Program was expanded, rebranded and re-released in 2023 as DSS Affordable Housing Services (AHS).

- Created opportunity for traditional master leasing and new acquisitions.
- NYC has found a way to leverage existing housing voucher resources to expand affordable housing production, taking advantage of new to market buildings and existing housing stock
- Procurement that awards vouchers, social service dollars, and property maintenance and operations into a single contract
- Resources available to create traditional affordable housing are finite (*tax credits, bonds, capital*); this is an additional tool in the toolbox.

DSS Affordable Housing

One RFP - 2 Models

	Traditional	Acquisition
Ownership	Not-for-Profit leases building from private owner	Non-profit
Rent Payment	Tenant Based CityFHEPS	Project Based CityFHEPS
Contract Term	5 Years (4 year extension)	30+ Years
Referrals	All DHS Clients eligible for CityFHEPS	
Tenancy	Lease or occupancy agreement Tenants pay 30% of income in rent	
Services	DSS HRA Contract for Light touch social services	
Building Maintenance & Operations	DSS/HRA Contract	
Debt Service	N/A	Because contract covers maintenance and operations (M&O), CityFHEPS rents essentially = net operating income (NOI), and can be applied to debt service

Financing Details for Acquisition

The registered contract provides a strong indication that the City will pay CityFHEPS rents for all covered units for 30 years.

- Not a guarantee: subject to appropriation.


Banks will make loans to not-for-profits based on the strength of this contract.

- Contract was structured to facilitate Credit Tenant Lease (CTL) financing or traditional affordable housing financing
 - CTL is different from traditional financing structure in that the lender is basing the terms of the loan on the creditworthiness of the City of New York, providing a stream of payments through the AHS Contract, rather than the underlying value of the property.

The not-for-profit uses the bank financing to acquire the property and make any necessary building improvements.

Sample Contract Budget

100 unit studio building:

- M&O: ~\$6,800/unit
 - Social Services: ~\$5,100/unit
 - Security: ~\$4,000/unit
 - Admin Overhead: ~\$1,400/unit
- 
- Not-for-profit operations
- “Lease” Payment: ~\$25,000/unit → NOI

Notes:

- Numbers will vary with building/unit size
- Can be paired with other sources of funding (i.e., HCR, HPD/HDC, philanthropy)

Example:

- Projected annual budget for upcoming 182-unit acquisition project in Brooklyn is ~\$10.2M (\$5.8M Rent, \$2.1M in Services, \$2.3M M&O)

Social Service Model

Model Vision:

- Affordable housing- not supportive housing.
- Majority of DHS long-term stayers do not need/are not eligible for supportive housing (as determined by Coordinated Assessment Survey)
- Opportunity to serve a universe of clients that are otherwise not well matched to existing housing opportunities.

AHS Staffing:

- Primary Staff Role: Tenant Services Coordinator
 - Staff titles related to independent housing, tenancy rights/responsibilities, information/referrals, community engagement
 - Not case management model
 - BA level staffing with supervision
- 1:25 Tenant Service Coordinator: Households

On-site Services:

- Information/Referral- focus on HH resource development, engagement in community connections
- Coordination with Property Management to support stable tenancy
 - skill development, benefits education and advocacy, employment/education*
- Social/holiday events based on tenant interest/leadership

Focus: Oversight Practices

Frame Provider thinking and operations to fully integrated provider team working in affordable housing with collective understanding of real estate transaction AND service provision.

Provider is responsible for:

- Knowing income streams
- Rent to Owner/Mortgage payment to Lender
- Agreeing to a scope of property management
- Maintaining ongoing communication between property management and social services
- Actively taking allowable rent increases

Traditional Sites:

Negotiating and Managing owner relationship, Managing/Tracking tenant individual rent subsidies.

Acquisition Sites:

Maintaining documents/internal QA for project-based rent subsidy at rent up and renewal.
Understanding link between lender payments/tenant rent collection.

Intensive, On-going Provider Meetings

- Weekly- 3-6 months before TCO/Contract start, 6-9 months after contract starts (*includes all apt showing/move-ins*)
- Include leadership from Development, Finance, Property Management, & Social Services.
- **Property Management:** Rent Up roles and timeline expectations, Rent/subsidy collection, maintaining site
- **Social Services:** Active awareness of provider's overarching obligations
- **Finance:** Rent up impacts, Invoicing/critical direct link to rent/subsidy collection, tenant engagement

Estimated Project Timeline - Acquisition

Proposal Submission to Fully Operational: 9-12 months

- Project touches multiple teams across **DSS**, **HRA**, and **DHS** and requires intense government coordination.

Major steps include:

- Project creation (financing model, zoning analysis, building plans, etc.)
- RFP submission
- RFP selection
- Contract negotiation and registration
- Closing on bank financing (if applicable)
- Acquisition
- Construction (if applicable)
- Lease up
 - Move ins within 2 weeks of apt viewing - all units 4-12 weeks from TCO

Success Stories

In the past 2 years, **DSS** has registered contracts for 6 acquisition projects and counting!

2 projects include financing with ‘traditional’ affordable housing partners and construction (NYC-HPD, NYS HONDA, HDC, etc.)

- JFK Hilton - Hotel Conversion project (192 contract units)
- Fortune Society – SRO with Construction (68 contract units)

4 projects were acquired with the DSS contract alone

- New construction buildings that were built on spec, Nonprofits acquired from developers at TCO.
- Over 230 HH moved between July- Dec 2024.

Lessons Learned

DSS first-generation Master Leases started in 2016 and are coming to the end of their contract lifecycle.

Challenges in planning for what's next:

- Sunsetting projects
- Continuation under new budget model
- Tenant protection
- Provider financial stability



LAHSA

Master Leasing in Los Angeles

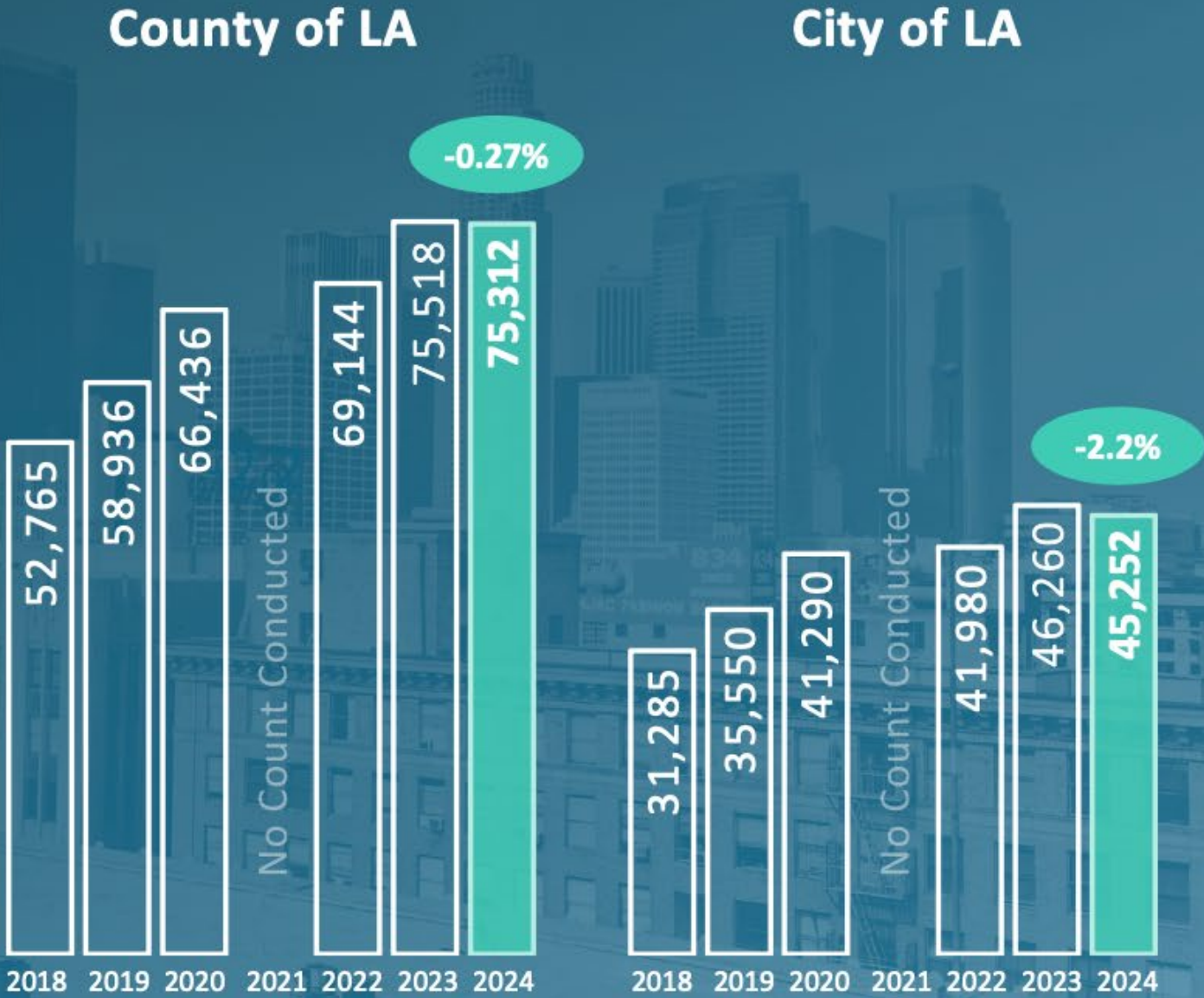
A Unit Acquisition Strategy

Kris Freed, Chief Executive Strategist

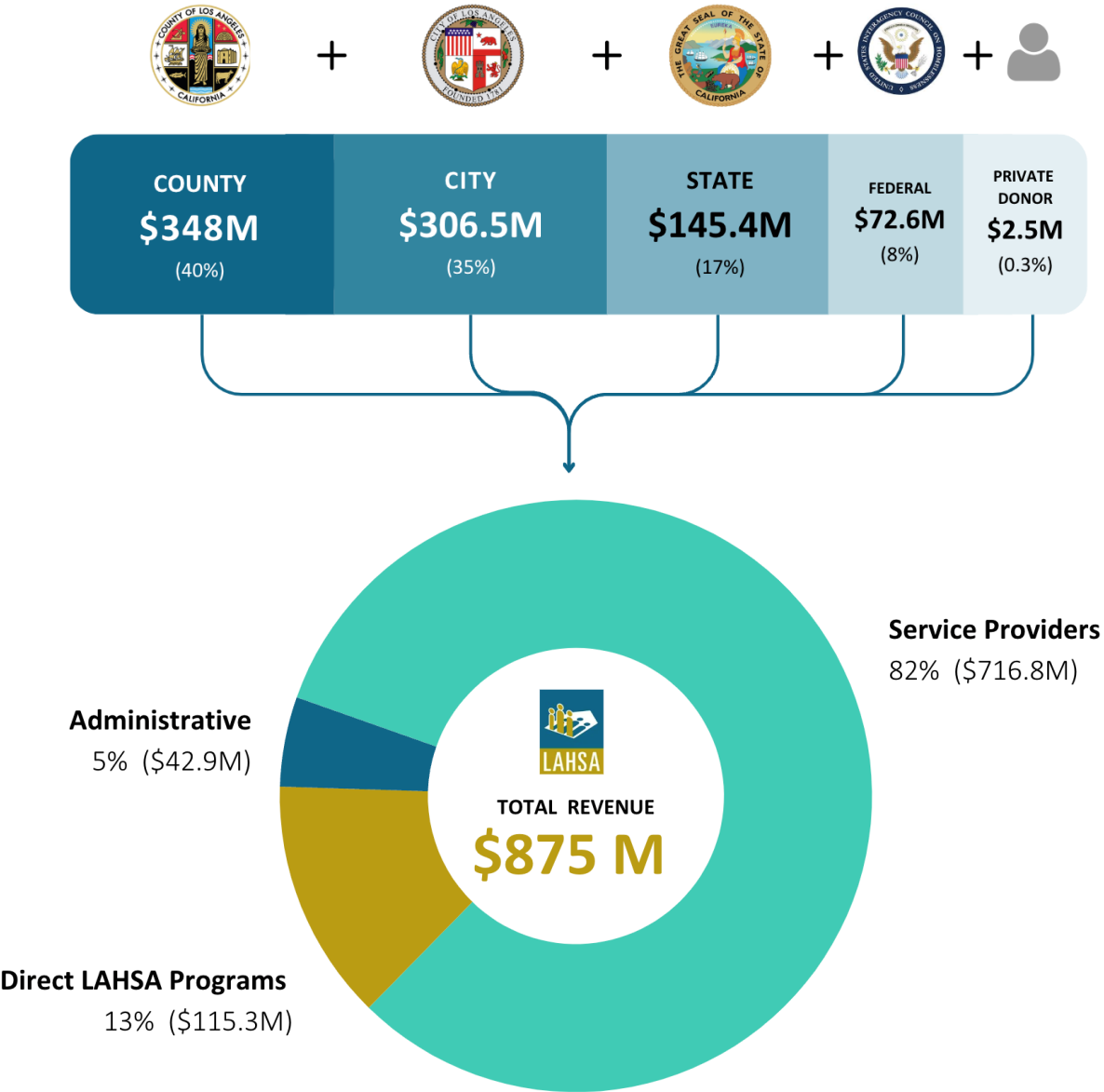
Thomas Wong, Associate Director of Unit Acquisitions

March 2025

This year, LA region's point-in-time estimate declined slightly – down **0.27% in LA County** and down **2.2% in the City of LA.**



Note: The 2023 Homeless Count was conducted on January 23 – 25, 2024.



Barriers to Permanent Housing



LA is one of the least affordable housing markets with one of the highest rates of homelessness

The system rehouses approximately 20,000 annually and still not enough

High screening criteria prevents rental market participation

A competitive rental market creates in-system competition

Federal and local resources go underutilized

Master Leasing What is it?

- Master leasing is a contractual agreement between LAHSA and a Property Owner that allows LAHSA to become the legal landlord and sublease to its program participants.
- Innovative tool designed to help homeless systems acquire many units of housing for people with high barriers and in need.
- An actual strategy that bridges public and private partnerships towards the common goal of ending homelessness.
- Proven concept around since 1990s, as a way to quickly address the needs of large numbers of people experiencing homelessness.

Master Leasing Why?

- In-system competition for housing units creates bidding wars amongst service providers.
- Background, credit and employment checks and source of income discrimination creates high barriers to housing.
- Conventional method of housing search occurs one unit at a time.
- Unpredictable housing availability makes it impossible to plan budgets and ensure funding utilization.



What Makes LAHSA's Master Leasing Approach Different?

- Unit Acquisition Strategy
- Accelerates housing placement for homeless people
- Obliterates conventional rental housing barriers by landlords
- **Negotiates competitive rents below rent reasonableness standards**
- Puts the centralized support structure in place to ensure that participants can thrive in their units
 - LAHSA Coordinators
 - Onsite Supportive Services
 - Trauma informed property management
 - 24/7 Security
 - Multiple rent payment options for participants

The Master Leasing Strategy

Essential Components

Components of LAHSA's Master Leasing Strategy

Government Backed

- Absorbs liabilities that agencies traditionally have had to take on
- Government fully backs financially leases and liabilities

Efficient Use of Resources

- Supports system throughput by eliminating landlord biases
- Increase regional housing options i.e., Shared Housing, Scattered and Single Site

Centralized Model

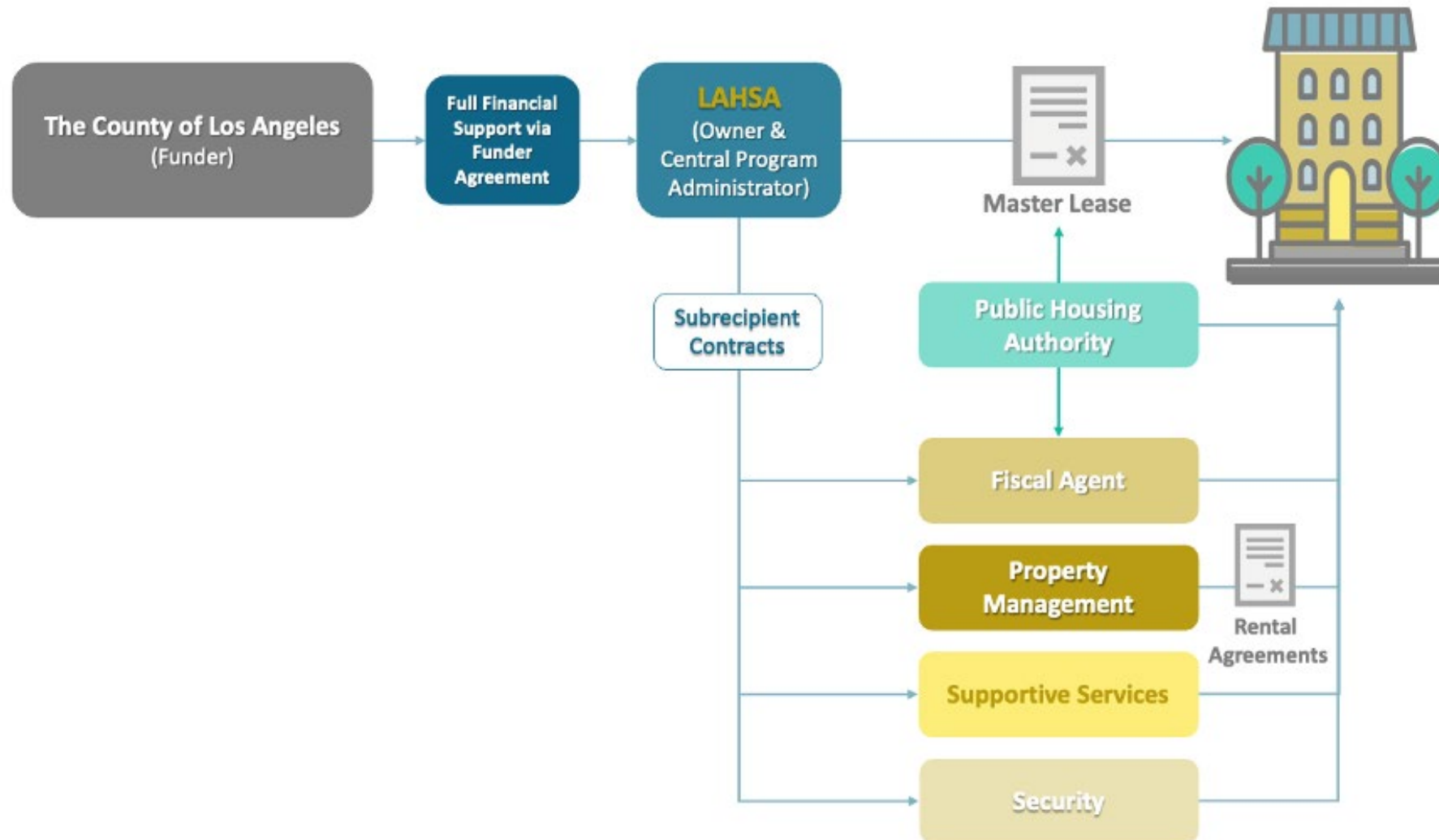
- Addresses in-system competition
- Clear and consistent segregation of duties ensures standardized and equitable provision of services
- Supports outcome measurement

Strength Based Approach

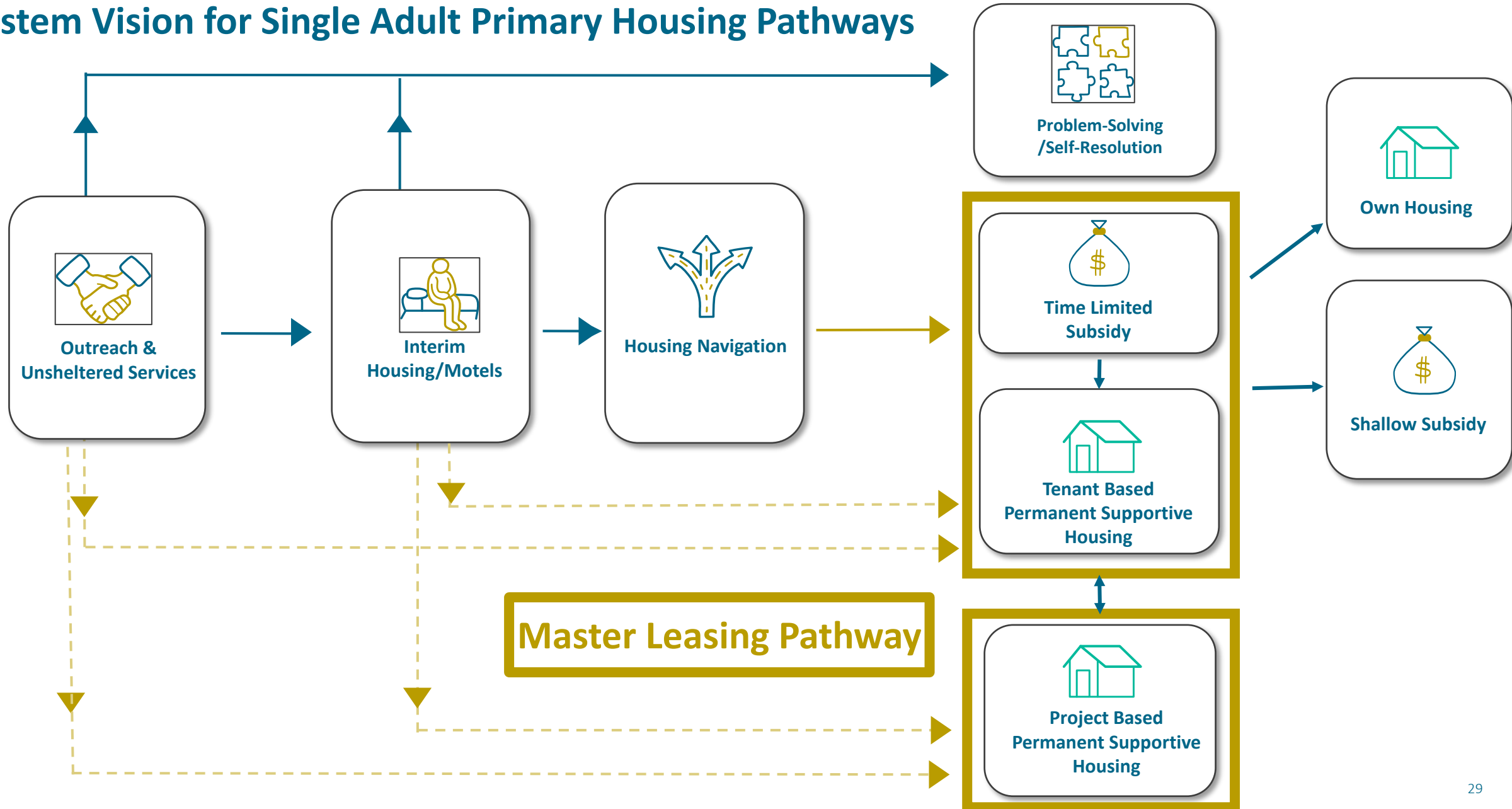
- Stakeholders are only responsible for doing what they do best
- Not one entity needs to be an expert of all domains

Snapshot of Critical Stakeholders

**Based on Contractual Relationships*



System Vision for Single Adult Primary Housing Pathways



Move In Ready Units

- Fully Furnished Units
- Same day Leasing, Intake and Move-In
- Onsite Supportive Services
- 24/7 Security and Monitoring
- Onsite Property Manager
- Common Area Cleanings



Housing Stabilization and Continuation Pathways

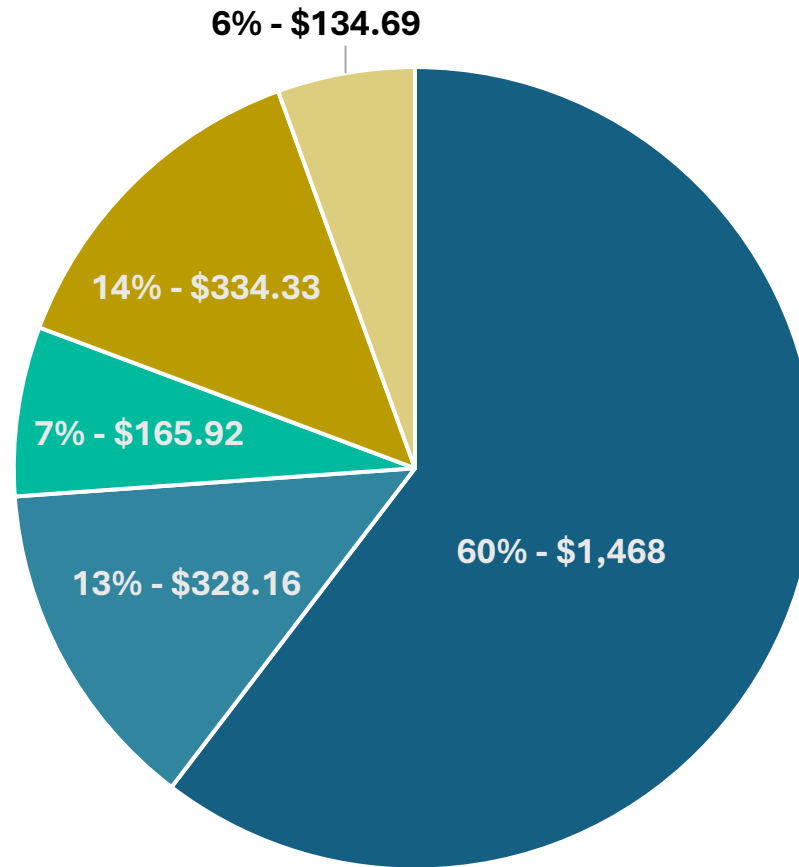
- Master Leasing facilitates a *Transition-In-Place* model of Housing Stabilization.
- Participants may immediately move into housing under rapid rehousing and be 'transferred' to a *higher or lower level* of care based upon eligibility and need.

Housing Stabilization = Asset Sustainability

4 Continuation Pathways

1. Connect people to *vouchers* for which they are *already approved*.
2. Connect people to *vouchers* for which they are *eligible but not already connected*.
3. Connect people to *shallow subsidy*.
4. Become *self-payers*.

Average Cost (\$2,430.86)/Unit/Month Expense Allocation



■ ML Rent ■ Repairs, Maintenance and Property Management ■ Utilities ■ Security ■ Furnishing



Community Wins

- Does not duplicate the work of housing programs
- Eliminates equity barriers such as criminal background checks and credit checks
- Federal balances in the Continuum of Care will be reduced
- HCV utilization rates will improve with shortened housing navigation time
- Expedites housing placement across the entire homeless response system
- Expanding shared housing efforts across the Continuum of Care
- Rent revenue can support building or expanding flexible subsidies (e.g. shallow subsidies) for households and/or bringing on more units



Master Leasing To Date

Executed - 772 units

Pipeline – 2,015 units

