

Projects Fall by the Wayside

By Lisa Prevost

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THE Rell administration's abrupt decision to rescind \$35 million in capital financing for projects to house the homeless has jeopardized at least half a dozen developments that had passed their preconstruction hurdles and were ready to go.

Because the agencies that applied for the state grants had to submit thorough development plans, most have considerable time and money invested in projects that may now have to be canceled.

One project that is nearly complete, a four-story beige-vinyl-sided apartment building on Fair Street in Norwalk, will instead be leased as market-rate housing. A commercial developer, Building and Land Technology, has invested more than \$11 million in the 57-unit project, intending to sell it at cost to a developer of nonprofit affordable housing, New Neighborhoods Inc. of Stamford. The nonprofit needed the state grant to acquire the property.

"It's obviously a shame, because the product is ready to be delivered to create affordable housing," said Carl Kuehner III, Building and Land's president and chief executive.

The anticipated funds were part of the state's Next Steps program, which supports the development of permanent housing for the chronically homeless. The program was to provide both subsidized apartments and social services like mental health care or substance abuse counseling.

Next Steps projects receive capital financing through 501(c)(3) bonds, as well as state rental assistance and funds for social services.

Last spring, the state issued a request for proposals for what was to be the third round of Next Steps financing, which had been approved in the previous budgetary cycle. At least six projects were selected, but in December, before the applicants were officially notified, the state Office of Policy and Management halted the awards.

The decision was solely for budgetary reasons, according to Jeffrey Beckham, a spokesman for the Office of Policy and Management. He pointed out that the state had gained about 650 units of supportive housing under Gov. [M. Jodi Rell](#), and said cutting the program was just "one of many extremely difficult choices" that would have to be made to address a projected budget deficit of \$6 billion over the next two years.

"Given the rather grim position we find ourselves in," Mr. Beckham said, "we simply could not in good conscience commit to what would have been an expansion of this program."

Yet advocates of such housing question how much money the state is really saving in the short term. Because most of the new projects wouldn't have been up and running before 2010, there would have been no cost at all to the state this year, said John Dunne, a senior program manager for the southern [New England](#) office of the Corporation for Supportive Housing, which provides technical assistance to supportive-housing developers. His

agency estimates that the full fiscal impact from this round of financing (\$5 million to \$6 million annually) wouldn't be felt until 2012.

Mr. Dunne and others point to research showing that housing of this kind is cost-effective over the long term. A [University of Pennsylvania](#) study of homeless and mentally ill people in [New York City](#) found that providing them with service-enriched housing cost little more than leaving them on the street, because of the corresponding savings from reduced hospital and psychiatric center visits, shelter use and incarceration.

"You're not just plunking people into an apartment and saying, 'Good luck,' " said Heather Gates, president and chief executive of Community Health Resources in Windsor. "You're providing them with the support they need."

Ms. Gates's agency, which provides mental health care, had applied for Next Steps financing for what was to be its first housing development project. Approximately \$130,000 has been invested in the plan for a 20-unit apartment building on an empty lot next to a Burger King in Manchester. Ten of the one-bedroom units were to be for homeless adults with mental illness; another 10 were designated for people living below the poverty level.

The agency was seeking about \$4.3 million in capital financing, and \$340,000 a year in rental assistance and service costs. While there was never any guarantee the project would get the money, Ms. Gates said, she had been encouraged by other developers' success in previous cycles, and had received positive indications about her prospects. Now she is scrambling to find financing elsewhere before the option on the building lot expires.

"When the state pulls back on it, it kind of leaves you high and dry," she said. "We did it because the money was there, and we thought the state was going to live up to their commitment to fund these developments."

For the Norwalk development, New Neighborhoods had applied for \$6.9 million in capital funds, which it had planned to combine with \$4.9 million in bank financing and other sources to acquire the finished Fair Street property from Building and Land Technology. The plan called for 20 supportive-housing units and 37 units offered at reduced rents.

The project was started by another nonprofit agency, but when that deal faltered, Building and Land took over to see it through.

Ross Burkhardt, New Neighborhoods' president and chief executive, said he had heard his group was "in pretty good shape" to receive financing before the program was halted. Although his agency has \$60,000 tied up in the project, Mr. Burkhardt said that at this point, Building and Land would be "foolhardy" not to finish the project on its own.

Mr. Dunne fears the state's actions will make it harder for him to persuade nonprofit agencies to take on supportive housing projects in the future. "It's one thing to say, 'There's no money,' " he said. "It's another thing to say, 'There is money; here's a request for proposals,' and then say, 'There's no money.' "