



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

**Urban Neighborhoods Fund - \$60 million in new funding
to support over 66 mixed use affordable housing projects**

The Urban Neighborhoods Fund will support mixed use affordable housing development in urban communities throughout New York State. Mixed use development, which includes both residential and commercial and community facilities components, is critical to revitalizing neighborhoods and building strong, thriving communities. However, current subsidy programs do not adequately support the commercial component of mixed use affordable housing projects in many communities, relying on the market to support retail development in emerging neighborhoods without the adequate economic foundation. The result is affordable residential development without the ground floor retail and community facilities in neighborhoods that need a commercial corridor to provide jobs, reduce crime, and service residents. Alternatively, mixed use developments cannot proceed until adequate subsidy is available.

Eligible Projects: Promoting Opportunities for Local Businesses and Nonprofit Community Facilities

Projects eligible for funding through the Urban Neighborhoods Fund include affordable residential properties with a retail, commercial, or community facilities component, which advances targeted community priorities, such as supporting the availability of fresh food, local services, educational or cultural institutions. The Fund will provide increased opportunity for locally based businesses and nonprofit community organizations in particular. Leases are frequently given to tenants with the most established credit history, favoring large businesses and chain stores. Oftentimes however, the retail services that community members want, and the community facilities they need such as childcare or senior centers, are not those that can absorb the highest commercial rent. By decreasing the level of debt that a developer must carry on the retail component of a project, the Urban Neighborhoods Fund will make commercial space in these developments much more accessible to local businesses and community-based entrepreneurs. The Fund will be available to all qualified non-profit and for-profit development companies.

Revitalizing Neighborhoods with Retail Services: \$60 Million to Support over 66 Projects

The Urban Neighborhoods Fund will focus on communities in need of economic revitalization. In these neighborhoods, the rental rates required to support new retail construction are around \$20 to \$22 per square foot, while the local market can generally bear \$13 to \$15 per square foot. Often these are the neighborhoods most in need of retail, such as grocery stores and pharmacies. With an average gap of \$7 per square foot between break-even and market rents, a new affordable housing development with the typical 10,000 square feet of commercial space would require approximately \$900,000 of subsidy to make the construction of these retail facilities viable. A \$60 million fund will therefore support up to 66 projects in New York City. This estimate is based on the following assumptions:

<p style="text-align: center;">\$60 Million Urban Neighborhoods Fund</p>	
Sqft per project	10,000
Retail gap per project	\$7/sqft (\$70,000)
Debt service gap with 1.15 ratio	\$60,869
Interest rate on conventional debt	5.5% for 30 years
Subsidy needed per project	\$893,371
Total commercial space supported	223,871 sqft

In upstate cities, the retail gap per project is comparable, with the subsidy needed per project at approximately \$500,000. Given the Fund supports several upstate mixed use projects, the total number of projects supported will be over 66.

To maximize the impact of limited state subsidy, the Fund will require project applicants to leverage federal and/or local resources, such as the New Markets Tax Credit for larger projects. The Fund will be administered by HCR within their Office of Finance and Development, to optimize efficiency and resource leveraging.