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## Housing That Has a Profit and a Social Motive

By NADINE BROZAN

Contrary to what might seem logical, developing luxury projects for affluent buyers is not the only way to make profits in the real estate business.

Martin Dunn, 38, for example, is putting up housing aimed at the bottom rungs of the economic ladder: limited-income working families and people with psychiatric disabilities, many of them homeless. And he is doing so through a profit-making venture.

What he builds is called supportive housing, and he has completed two midrise apartment houses with 130 units and has started or is planning 11 more projects, all of them in Brooklyn or the Bronx.

Supportive housing is aimed at keeping people with disabilities or special needs out of institutions and off the streets by integrating them into buildings with working families as neighbors and offering them a panoply of on-site social services, counseling and supervision. It is a concept embraced by the state and city, which have signed an agreement pledging \$1 billion over the next 10 years to such housing.

Mr. Dunn is a firm believer that such people can thrive when they live among the general population. "It is therapeutic for them and better for neighborhood acceptance,"

he said.

Although Mr. Dunn came from the non-profit world – from 1992 to 1997 he was executive director of the East New York Urban Youth Corps, which is heavily involved in housing – he decided to establish his firm, the Dunn Development Corporation, as a profit-making venture.

"We are for-profit, but we are mission-driven," he said. "We are not looking to do the real estate that makes the most money. We want to do something important that still provides us a reasonable return."

There are a number of organizations that specialize in affordable housing and nonprofit groups that provide supportive housing. But Steve Coe, executive director of Community Access, a housing and advocacy agency for the mentally ill, which has collaborated with Mr. Dunn on several projects, said: "No one else is doing what he is. There are plenty of private developers doing affordable housing, but not many of them want to do



Martin Dunn, above left, has built low-income apartment buildings, including one on Franklin Avenue in the Bronx, above right and top. (Photographs by George M. Gutierrez for The New York Times)

units for people with psychiatric histories. Doing them for, say, the elderly is cleaner and easier, and the money is the same for the developer."

Like his counterparts in nonprofit agencies, Mr. Dunn taps into a variety of public and private financing sources, including federal, state and city programs; equity generated by low-income tax credits; and commercial banks.

With tax credits going to investors, the profits derive mainly

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from developers' fees built into a project's financing structure. "The percentage can range widely depending on the deal," he said. "Normally we get 8 to 10 percent of the cost of the building." The two buildings that are already occupied cost \$9.9 million and \$11 million.

Mr. Dunn establishes partnerships with agencies like Community Access and the Beulah Housing Development Fund Company to provide the on-site social services, including property management; 24-hour security; job and substance-abuse counseling; case management; and educational, recreational and social activities.

The agencies also have a financial stake in the projects. "We intend to give the nonprofit partners the right to buy us out for \$1 after 15 years," Mr. Dunn said. "We think affordable housing should be affordable for the long term, and the nonprofit organizations are not likely to convert the buildings to market rate." In exchange, he said, "we get bonus points in competition for funding for new projects."

The apartments in his buildings that are not set aside for people with disabilities are rented to low-income working families, who can earn no more than 30 to 60 percent of the area's median income, which is currently \$62,800 for a family of four. Rents run from about \$550 a month for a one-bedroom unit to \$720 for two bedrooms.

While working families occupy a major portion of the buildings, Mr. Dunn has aimed the supportive units, which are studio apartments, for the psychiatrically disabled and

homeless. They generally pay 30 percent of whatever income they have as rent, with the rest covered by government subsidies. He intends to broaden his scope to include developmentally disabled adults, people with H.I.V. and homeless veterans returning from Iraq.

The buildings that are occupied – and flourishing – are the 64-unit DeKalb Avenue Apartments at 910 DeKalb Avenue in the Bedford-Stuyvesant area of Brooklyn, which opened in 2004, and the 66-unit Franklin Avenue Apartments at 1363 Franklin Avenue in the Morrisania section of the Bronx, which opened in March. Both were built with financing from the state Division of Housing and Community Renewal, the New York State Housing Trust Fund, the Community Preservation Corporation and the Richman Group, a syndicator of low-income-housing tax credits.

Three more projects are under construction now – two in the Bronx and one in Brooklyn – with four more scheduled to begin in the next six months and another four in the pipeline. Most are designed by Schuman Lichtenstein Claman Efron, an architecture firm based in Manhattan.

They are energy-efficient and notable for architectural details, like cornices and keystones, not usually found on publicly subsidized structures. Interiors are cheery, with ample communal facilities, including a 13,000-square-foot garden at Franklin Avenue with a play area, teak furniture and trellis. Inside is a library with computers and a community room for meetings and

social get-togethers, where the residents gathered for a Thanksgiving dinner last month.

Joe Ward, 54, a messenger battling psychiatric difficulties, who moved there from a shelter on the Bowery in Manhattan, is an enthusiastic resident.

"What I like is that you can't see the bed when you walk in," he said as he showed off his tidy studio recently. "I am not used to having a closet or private bathroom. And I love having kids in the building."