

Category: Special Needs Housing

Subcategory: Housing for Persons With Special Needs

GENERAL

At “nyhomes”—which consists of New York State’s three housing financing agencies—we have made it a priority to encourage our developers to include units for those more difficult to house in their traditional affordable housing projects. At the same time, we have forged strong partnerships with other state agencies that are equally critical to making supportive housing a reality for persons who suffer from mental illness. The Cedar Avenue Apartments in New York City is an excellent example of how collaboration among interdisciplinary state agencies can successfully finance housing that integrates different populations. When complete, the \$37.8 million 106-unit project will be one of the largest integrated affordable housing developments in New York State and will set a precedent for collaboration among state agencies to include supportive housing within mixed-use low-income housing developments.

BACKGROUND

Integrating special need populations into traditional affordable housing provides much-needed supportive housing and also helps address the “NIMBY” issues that often thwart the development of this type of housing. For those who suffer from mental illness and who receive needed supportive services, a further benefit is the improved level of care and self-sufficiency that comes from being able to live independently in a non-institutional setting, often close to their families.

However, promoting special needs housing, especially for those suffering from mental illness, is not the easiest sell. The obstacles to financing and building affordable housing are considerable, so encouraging an additional layer of complexity that comes with supportive services is not always looked on with favor by the development community. But we believe we can finance projects that set aside units for New Yorkers with special needs within traditional housing and, with the necessary on-site supportive services, the two populations can live together successfully.

Before asking developers to consider these set-asides, we had to respond to their concerns that capital resources and service dollars were available at different state agencies that historically have not worked well together. In the past, when supportive housing was proposed, developers faced an often chaotic, difficult and time-consuming process to put together the necessary government resources. We changed these procedures and now work collaboratively with our

fellow state agencies, particularly the New York State Office of Mental Health, so projects we finance that include special needs housing can move forward on parallel tracks.

CEDAR AVENUE APARTMENTS

Cedar Avenue will be a six-story 106-unit apartment housing in the Morris Heights section of the Bronx, a relatively poor neighborhood in the borough. Fifty-five of the apartments will be reserved for individuals recovering from mental illness. The remaining apartments will be reserved for low-income individuals and families. The building will include an on-site support staff provided by Community Access, Inc., a not-for-profit organization dedicated to helping the mentally ill transition into independent living. The staff will help these tenants develop their personal growth. The total development budget is \$37.8 million.

The key to Cedar Avenue was the collaboration between HFA and OMH. OMH has the statutory responsibility for housing persons with mental illness. OMH has traditionally used its resources—principally Medicaid funding and nonprofit bonds—to build housing where 100% of the units are dedicated to the mentally ill. By combining its resources with those of HFA (specifically tax-exempt bonds and 4% as-of-right Federal Low-Income Housing Tax Credits), OMH was able to tap into affordable housing funding streams not normally available for supportive housing projects. In addition to providing housing for this vulnerable population, the collaboration of two state agencies enabled the State to effectively reduce its debt burden by obtaining private equity resources.

THE FINANCING

HFA provided Cedar Avenue with a \$26.9 million mortgage, but crucial to financing the project was OMH's ability to provide \$16.8 million of the debt service associated with the supportive housing units. The borrowers are an entity created by Community Access and Alembic Development Co. LLC, the co-developer, which will own the land, and a second entity created by Community Access and Alembic that will own the building.

Additional subsidies were provided by a second HFA mortgage of \$2.95 million, an annual allocation of \$1.378 million in Federal Low-Income Housing Tax Credits, a \$2.95 million loan from the NYS Division of Housing and Community Renewal Housing Trust Fund, and a \$120,000 grant from the New York State Energy Research and Development Authority.

With the financing arranged, the HFA board approved Cedar Avenue Apartments in January, 2009. The economic turmoil in the credit markets delayed the closing for five months, as the bank providing the letter of credit sought a partner to share the risk. But the project finally closed in May and ground was broken in June.

CONCLUSION

This project is significant not just because of its size, but because it will provide critically needed housing in an economically depressed neighborhood for both low-income tenants and persons recovering from mental illness. It demonstrates how state agencies with different missions can work together and develop a financially viable plan that provides much needed services for their separate client populations.

By working collaboratively with fellow state agencies and a committed nonprofit, HFA used its financial expertise to assemble a complex financing package and bring it to closing in the middle of the one of the worst economic crises in recent times. As a result, the Morris Heights section of the Bronx will have new affordable housing and persons recovering from mental illness will have a new place to live and recuperate.