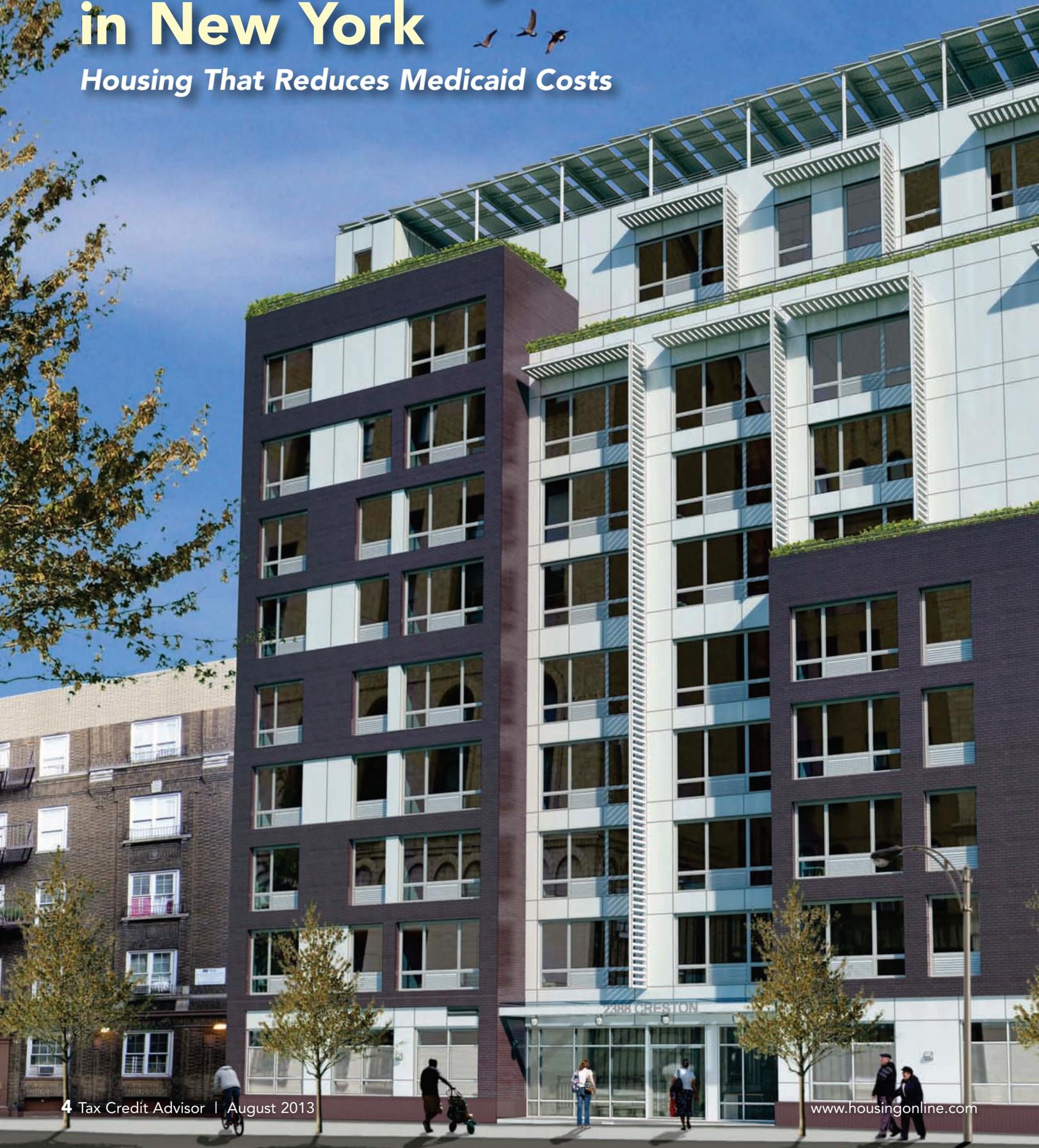


*Rendering of Creston Avenue Residence  
The Bronx, New York*

*Rendering by Fernando Villa, Magnusson  
Architecture and Planning, PC*

# Making History in New York

*Housing That Reduces Medicaid Costs*



Creston Avenue Residence, a new low-income housing tax credit (LIHTC) development under construction in the Fordham section of the Bronx, is writing a new chapter in the history of supportive housing.

The infill development is the first permanent supportive housing project funded under a New York initiative designed to reduce the state's annual expenditures for Medicaid while improving the lives of high-cost and high-need Medicaid recipients. Medicaid is the federal-state program that's pays for health care costs for extremely low-income households. The federal government and state government usually share the costs 50/50. In New York, however, the state and localities, such as New York City, split the state's share.

Creston Avenue Residence, set for completion in September 2014, is being developed by a partnership formed by Volunteers of America-Greater New York (VOA), a nonprofit, and The Housing Collaborative, LLC, a White Plains, N.Y. for-profit developer that partners with nonprofit organizations to produce service-enriched affordable housing.

"It's a great project," says Ted Houghton, Executive Director of the Supportive Housing Network of New York, a nonprofit organization whose 220 members develop service-enriched housing in the state. "It's historically significant because it's the first time that a state has used its Medicaid funds to develop housing for high-cost Medicaid users in an effort to improve their care and reduce their costs. If it works, which we think it will, it will serve as a model for the nation."

The 10-story development will contain ground-floor administrative and program management offices, common areas, and 21 studio, 13 one-bedroom, and 32 two-bedroom apartments. These 66 apartments will include 21 units for chronically homeless single adults with mental illness, 24 units for veterans with disabilities, 20 apartments for low-income households earning 50% to 60% of the area median income, and one manager's apartment. VOA will manage the property and coordinate services.

### Pioneer Capital Source

A key part of the funding for the \$24.1 million project is a \$2.625 million loan capitalized by a grant received from the new state Medicaid Redesign Team Housing Capital Program. Creston Avenue Residence

was one of multiple projects picked for capital cost assistance under a \$25 million request for proposals issued in July 2012 by New York State Homes and Community Renewal, the state housing finance agency.



Photo by Matt Scheer

Robert Sanborn

"This piece of finance saved the project for us," says Robert Sanborn of The Housing Collaborative, LLC. "There was a gap that we needed to fill. The project couldn't sustain a lot of hard debt."

The \$2.625 million loan is to help finance the development cost for the 21 units for mentally ill homeless adults. Rent subsidies and on-site supportive services for these residents will be funded by an award of "NY/NY III" dollars received by VOA from the state Office of Mental Health (OMH). NY/NY III, announced in November 2005, is an effort by the state and New York City to fund 9,000 new units of supportive housing in New York City over the next 10 years. The city and state are providing different kinds of funds to facilitate these projects.

OMH and the city's Department of Homeless Services, which oversees the city's homeless shelters, will refer potential residents for the 21 units.

Paul Kress of Volunteers of America-Greater New York doesn't anticipate any problem leasing the 24 units for veterans with disabilities. The U.S. Department of Veterans Affairs (VA) supported the project, and VOA has been working with the VA Hospital in the Bronx. Some of the disabled residents moving into the development may have tenant-based "VASH" vouchers, which provide federal rent subsidies.

Kress said VOA may also arrange for some services for residents of the 20 general occupancy LIHTC units after ascertaining their needs.

### Gubernatorial Initiative

Gov. Andrew Cuomo established the Medicaid Redesign Team (MRT) in January 2011 to bring together stakeholders and experts to figure out how to reform the state's Medicaid program and reduce costs. Since then, the state through the MRT initiative has been trying different ways to accomplish this. One experiment has been to provide state funds – or Medicaid "savings" – to develop supportive housing units serving high-need or high-cost Medicaid recipients, such as chronically

Creston, continued on page 6

Creston, continued from page 5

homeless persons with mental illness. The premise is that the combination of permanent affordable housing and supportive services can stabilize the lives of these individuals and improve their health and quality of life, while reducing New York's Medicaid expenditures for these persons from what it would otherwise pay for extended hospital stays, frequent emergency room visits, or institutions.

In August 2012, Cuomo committed \$75 million to fund additional supportive housing units for high-need and high-cost Medicaid recipients.

Kress estimated that New York will save about \$1 million per year in Medicaid expenditures for the 21 adults with mental illness living at Creston Avenue Residence.

The Supportive Housing Network of New York (SHNNY) pressed for the MRT initiative to provide funding for development of supportive housing. Executive Director Ted Houghton said Medicaid expenditures account for about 40% of New York State's annual budget, or \$54 billion last year. Roughly 20% of all its Medicaid users are high-cost recipients accounting for

70% of the tab.

Houghton said a 2001 research found that when 5,000 mentally ill homeless individuals in New York City were placed in supportive housing it cost about \$16,000 less annually in public funds per unit. Each NY/NY grant from the city or state, he said, provides about \$15,000 per year per supportive housing unit to pay for services and operating costs.

### Funding Sources

The funding package for Creston Avenue Residence was complex and included other pieces besides the MRT grant.

The New York State Housing Finance Agency issued \$11.4 million in tax-exempt bonds to provide construction and permanent financing. Once construction is complete, the amount of outstanding bonds will be reduced to \$2.7 million, which will fund a permanent mortgage.

Another \$12.1 million is tax credit equity provided by Red Stone Equity Partners, which syndicated the 4% federal housing tax credits – priced at \$1.05 per dollar of tax credit – and the state housing tax credits – priced at 65 cents per credit dollar. Executive Richard Roberts said Red Stone Equity Partners was attracted to the project because of its two sponsors. "We were extremely excited about the project design, and in particular the intention of the project sponsors to serve the special needs population," he said. "In addition, being very active here in New York, we understand the pressing need for permanent housing for formerly homeless individuals."



Richard Roberts

Other sources include a no-interest loan funded by a grant from the state's Homeless Housing Assistance Program, a loan capitalized by Federal Home Loan Bank Affordable Housing program dollars, a state subsidy bridge loan, a state energy grant, and a deferred developer's fee.

The project qualified for the energy grant by virtue of the building's design meeting the Energy Star guidelines, which should reduce energy usage by about 20% compared to a conventional building. Creston Avenue Residence will have a variety of green features, including a green roof on the ninth floor setback and a photovoltaic system that will generate power for common areas. **TCA**

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