



## Connecting Housing and Health Care through Community Development

By Kevin Boes, Local Initiatives Support Corporation

**W**hen we look at the many needs of low-income communities across the country it's easy to get stuck in silos—housing or schools, economic development or social services, safer streets or healthier residents. It's more difficult to find ways to address those myriad interrelated needs together.

The silos are certainly apparent when it comes to health care and affordable housing. Though there are programs dedicated to building and operating both health care facilities and affordable homes, they do not generally connect to each other, even though we have long known that poor housing and poor health are related. What if we could find a way to truly integrate the two?

That question was the genesis of the Healthy Futures Fund (HFF), a new investment vehicle developed by the

Local Initiatives Support Corporation (LISC) in partnership with Morgan Stanley and the Kresge Foundation. HFF is bringing together grant, loan and equity capital to build affordable housing and community health centers as well as fund services that link them in places where one of the two already exist.

The three founding partners have seeded the new fund with \$100 million in initial capital. That funding will support development of 500 housing units with integrated health services and eight Federally Qualified Health Centers (FQHCs) that will serve an estimated 75,000 people. The fund is designed to spur collaboration between health care providers and housing developers who do not often work together, even when they operate in the same low-income neighborhoods and serve the same people. In short, it encourages those of us active



in community development to look at our work through a health lens. And it helps health providers recognize the benefits of community development partnerships that address the social determinants of health for their patients.

### **How We Got Here**

The Healthy Futures Fund is part of a broader LISC approach to community development designed to change the trajectory of disadvantaged neighborhoods. Called Building Sustainable Communities, it focuses on funding, technical assistance and management support for neighborhood-based efforts to raise standards of living for low-income families. The initiative includes work on everything from early childhood education and community safety to new jobs, growing businesses and stronger family incomes.

The goal is lasting change for long-suffering neighborhoods. In practice, that means making sure children can stroll safely down their own streets and graduate from strong schools. It means helping families access quality affordable housing with reasonable rents that leave them with more disposable income. And it means making sure they can spend that money in vibrant retail corridors that give them access to the goods and services they need. We're working to ensure that parents have access to a range of health care, child care, financial counseling and employment services to help them stabilize their family's outlook and build assets for the future. The focus is quality of life.

The Healthy Futures Fund reflects those goals. But moving it from a hopeful idea to a practical investment tool meant it had to be flexible enough to respond to specific, often varied, local conditions, while still operating within the confines of the chief funding tools available—the New Markets Tax Credit (NMTC) and the Low Income Housing Tax Credit (LIHTC). The way in which those pieces come together, with grant capital and other low-cost loans helping connect them, is what makes the fund work.

As background, LIHTC is the most successful production tool available for affordable housing development. According to the National Association of Home Builders, through the recession LIHTC helped support 50 percent of all multi-family construction, representing an increasingly important resource as the private market contracted. All told, LIHTC has funded more than 2 million homes, serving as an important backstop given the number of federally assisted housing units the market loses each year. It also creates tens of thousands of jobs every year in communities that desperately need them.

In 2000, NMTC followed on the success of LIHTC, focusing on economic development in low-income neighborhoods. It has supported retail developments, charter

schools, manufacturing facilities, retooled industrial sites, small business expansion and more. Over the last decade the credit has helped finance more than 3,000 businesses and 500,000 jobs, almost all in places with high rates of poverty and unemployment.

For many years, LISC has been utilizing both LIHTC and NMTC to support the recovery of low-income neighborhoods, with more than \$9 billion invested in LIHTC through our National Equity Fund affiliate and nearly \$800 million in NMTC investment authority being managed by our New Markets Support Company.

More recently, we have increasingly used our NMTC allocation to help fund new and expanding community health centers in the places where we do business. We view these investments as a way to both spur economic development and extend primary care to vastly underserved communities. Toward that end, we have worked closely with community-based groups, hospitals, existing providers and real estate developers to help get new centers off the ground and reinforce other investments in these neighborhoods.

The health landscape shifted in 2012 with the passage of the Affordable Care Act (ACA). It made Federally Qualified Health Centers (FQHCs) the centerpiece of efforts to reach uninsured and underinsured low-income residents. FQHCs themselves are not new, having been around for some 40 years. They are community health centers funded in part with federal grant dollars administered by the Health Resources and Services Administration (HRSA), which is part of the Department of Health and Human Services. There are currently 1,200 FQHCs nationwide, serving some 18 million people. As the ACA is fully implemented, that number is expected to more than double in the next few years. Though the law earmarked \$11.9 billion to help fund FQHC expansion, providers also need private funding to build new facilities and grow existing ones to meet the expanding need.

For LISC, that realization presented both an opportunity and a challenge, raising questions about how to help FQHCs grow their capacity, while doing it in ways that align with our Building Sustainable Communities strategy. Could we specifically connect health care and housing to help residents of our most challenged neighborhoods live better?

### Financing Tools

On the face of it, housing and health care seem to be a natural fit for each other, particularly as part of broad, long-term plans to help low-income residents raise their standards of living. This kind of cross-sector thinking is increasingly taking root – the federal government, for instance, has taken a more holistic view of revitalization in recent years, moving toward comprehensive initiatives

like Choice Neighborhoods and Promise Neighborhoods that focus resources on the intersecting needs of low-income areas.

Nonetheless, some of the most powerful community development funding tools at our disposal are focused on particular aspects of redevelopment and in very specific ways. LIHTC and NMTC together attract more than \$10 billion each year to development efforts in distressed neighborhoods. But using them together is not always obvious.

Both credits work to help lift up impoverished areas, but from a technical perspective they are very different tools. NMTC regulations include specific restrictions on rental housing investments, and investors cannot claim LIHTC for commercial investments, though many LIHTC properties include ground-floor businesses, funded separately. In effect, the credits can be used side by side, but not integrated.

Regulatory restrictions are not the only hurdle. Each credit has different characteristics that impact both how they function and are managed. For instance, LIHTC generates equity for projects; NMTC contributions typically go into transactions as loans. The credits have different terms—with LIHTC compliance running fifteen years and the NMTC for seven. Both are generally part of complicated, multi-layered financing packages, but the structures of those transactions are vastly different.

For these reasons, the Healthy Futures Fund will utilize LIHTC and NMTC in separate transactions – NMTC for health centers and LIHTC for new affordable housing developments. Grant dollars are the glue that helps connect them, supporting everything from transportation to health centers, to on-site wellness visits, to nutrition and exercise programs.

The fund is also pre-packaging NMTC capital with low-cost loans for FQHC expansion projects. In most cases, when FQHC operators secure an NMTC allocation for their projects they've only won half the battle. They must still separately find a willing bank or CDFI partner to provide the loan capital needed for construction and permanent financing. The Healthy Futures Fund eliminates that step with a streamlined financing product that includes this loan capital along with the NMTC equity. This model reduces transaction costs, speeds up the development process, and enables the FQHC to focus on its core business instead of spending its time climbing the learning curve of NMTC financing.

### The Partners

LISC has long-standing relationships with Morgan Stanley and the Kresge Foundation, each of which has its own significant portfolio of housing and health care grants, loans and investments. Their support fueled the

fund's launch. Morgan Stanley committed \$87 million, with \$50 million directed to affordable housing investments through LIHTC and \$37 million for community health centers through loan capital and NMTC equity. Kresge contributed \$7.5 million in loan and grant dollars, which along with LISC's grant and loan capital ensures that the fund can support services as well as development projects.

Other partners have more recently joined the effort, including Capital Link, which is sharing its expertise in developing successful health center projects. National Development Council, NCB Capital Impact, Primary Care Development Corporation, Mercy Loan Fund, Opportunity Finance Network and the Corporation for Supportive Housing have also signed on, contributing portions of their NMTC allocations and other resources to support this work. We are continuing conversations with other organizations about expanding our NMTC allocation amounts and raising loan capital and housing equity to help extend our reach.

LISC's New Markets Support Company is managing the overall fund and taking the lead on health center investments. Our National Equity Fund is managing the housing piece, working with affordable housing developers that have an interest in integrating health care into their projects. We are developing our pipeline now and beginning to move forward with individual deals.

## **Project Investments**

The fund's first projects are in the midst of their respective due diligence work. Our first two LIHTC projects, comprising \$20 million in investments, are expected to close in the next few months, and will link new affordable housing developments with existing primary care resources in their surrounding neighborhoods. Our first FQHC deals will close in the second half of this year, with construction pushing into 2014.

Though no fund projects are up and running yet, our existing work offers a sense of what some of these developments might look like. One clear example is the Heritage Park Elder Community Center in North Minneapolis, a new 47,020-square-foot facility for seniors developed by the Minneapolis Public Housing Authority (MPHA). LISC helped finance the Center with \$15 million of our NMTC allocation, capital from U.S. Bank, and support from LISC Twin Cities, our local program in Minneapolis and St. Paul. Heritage Park Elder Center includes an FQHC, an adult daycare program, office and program space for social service providers, a fitness center, a therapeutic pool and large multipurpose gathering spaces to engage seniors in a variety of social and recreational activities.

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The Center is located next to a recently developed 102-unit MPHA senior housing development called Heritage Commons and adjacent to a proposed new Memory Care, Assisted Living, and Continuum of Care Facility, which contains 48 assisted living units and provides services for those seniors experiencing memory loss. Just completed in 2012, the Center initially expects to serve 400 elderly public housing residents, from both Heritage Commons and other public housing sites in the North Minneapolis area. Hundreds of other seniors living in the community can also take advantage of the Center's offerings. An estimated 90 percent of the Center participants are low-income

The Heritage Park project is a key example of the kind of projects the Healthy Futures Fund will support. It expands available health care to low-income residents, ensuring they can receive care near to where they live. It connects residents of existing affordable housing to services they would not otherwise have. It creates jobs—in this case 27 full-time positions, along with 144 construction jobs—and it reinforces economic development efforts in the community. Most importantly, it improves quality of life for local seniors, as well as for their families who might not otherwise be able to provide them with adequate care.

## **Going Forward**

The Healthy Futures Fund is an important part of a larger conversation at LISC about the link between community health and community development, including new staff, pilot programs and policy work. We expect our work in this arena to grow as we continue to expand the fund's investment capital and partners.

But we also know this kind of work takes time. The Healthy Futures Fund is just getting started, and it will take several years for communities to feel its impact. Nonetheless, we see it as an important part of the national movement to help low-income residents and their communities become healthier. **CI**