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Involving Public and Nonprofit Hospitals in Supportive Housing

By Richard Cho

Integrating Supportive Housing and the Health Care Sector Series: Part I

Corporation for Supportive Housing

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Dear Readers:

The Corporation for Supportive Housing is pleased to release this first installment in our new *Integrating Supportive Housing and the Health Care Sector Series* entitled "Involving Public and Nonprofit Hospitals in Supportive Housing." This briefing describes the exciting new roles that public and nonprofit hospitals are taking in helping to end and prevent homelessness through supportive housing.

The *Integrating Supportive Housing and the Health Care Sector Series* is part of our larger effort to bridge the ingenuity and innovation of the health care and supportive housing industries. There is no better time for the partnerships that are forming across these sectors. As supportive housing providers face the newest set of challenges—the dearth of affordable and developable properties, competition for properties from for-profit developers, and declining levels of dedicated funding streams for social services—they must look to both the resources and expertise of hospitals and other health care institutions to further and support their work. Meanwhile, with declining patient rolls and underutilized properties and bed space, hospitals and health care institutions can look to supportive housing as the new frontier for delivering comprehensive care to those in most need of help.

We hope that the information in the pages that follow will inspire fruitful partnerships between supportive housing providers and non-profit and public hospitals. The Corporation for Supportive Housing is available to assist in the planning and formation of these cross-industry partnerships, and can provide both technical and financial assistance. Also, look for forthcoming installments in this series that will cover such topics as: service delivery through Federally Qualified Health Centers, Health Care for the Homeless, and other clinics; tapping Medicaid funding in supportive housing; and more.

Sincerely,

Constance Tempel
Managing Director of the Eastern Region

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CREATE PERMANENT

HOUSING WITH SERVICES

TO PREVENT AND END

HOMELESSNESS.

Acknowledgements

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Readers may direct any questions or comments about this publication to Connie Tempel, Managing Director, Eastern Region: connie.tempel@csh.org

The Corporation for Supportive Housing (www.csh.org) helps communities create permanent housing with services to prevent and end homelessness. As the only national intermediary organization dedicated to supportive housing development, CSH provides a national policy and advocacy voice; develops strategies and partnerships to fund and establish supportive housing projects across the country; and builds a national network for supportive housing developers to share information and resources. CSH is a national organization that delivers its core services primarily through six geographic hubs: California, Great Lakes (Illinois, Indiana, Michigan, Ohio), Minnesota, New Jersey, New York, and Southern New England (Connecticut, Rhode Island). CSH also operates targeted initiatives in Kentucky, Maine, Oregon, and Washington, and reaches many other communities that request assistance through its national program support teams.

INTRODUCTION

Over the past two decades, supportive housing has been providing the necessary combination of affordable housing and social services to end and prevent homelessness for thousands of individuals and families. Due to its widespread success, supportive housing is being developed in nearly every state in the country, with many states and localities implementing efficient and streamlined mechanisms for its large-scale finance and production. More and more nonprofit organizations, of diverse expertise and backgrounds, are becoming involved in supportive housing development each year.

Despite tremendous public and nonprofit sector innovation, the development of supportive housing faces newer challenges. Real estate markets continue to be highly competitive, and developable land is becoming scarcer and more expensive. Furthermore, gentrification in urban areas has led to competing land use and interests, and decreasing preference among communities for the nearby siting of supportive housing projects. Communities, growing frustrated with the siting of shelters and treatment programs in their neighborhoods, have failed to recognize supportive housing as distinct from these other institutions in their contributions to neighborhood and urban revitalization.

Fortunately, the involvement of a new partner in supportive housing development is helping to counter this trend towards speculation and "NIMBY"-ism. Nonprofit and public sector hospitals are building upon their missions and experience to become the latest partner in the development and operation of supportive housing. Bringing with them a wealth of expertise in the provision of healthcare and social services, along with their experience in plant and facility management, these established community-based institutions are joining in the effort to end homelessness in America.

About Supportive Housing

Supportive housing is a cost-effective combination of permanent, affordable housing, with services, that helps people live more stable, productive lives.

Supportive housing combines low-income apartments buildings or rent subsidized scattered-site apartments with on-site or wrap-around service supports to assist homeless and disabled tenants achieve stability, maximize independence, and improve health care outcomes.

WHY PUBLIC AND NONPROFIT HOSPITALS SYSTEMS ARE BECOMING INVOLVED IN SUPPORTIVE HOUSING

The role of public and nonprofit hospitals and hospital systems in supportive housing is not an obvious one at first glance. Traditionally, the role of nonprofit and public hospitals has been to provide primary healthcare and additional health services to the public, often to select "catchment" areas or neighborhoods. The extent of these institutions' role in housing was limited to either providing a) short-term inpatient beds for medical or treatment services, or b) residences for nurses or other hospital staff. Why then are more and more nonprofit and public hospitals becoming involved in not only creating, but also providing and managing supportive housing?

Conversations with hospital officials reveal several reasons for their growing role in supportive housing:

- **Complementary missions and services**
  As mission-driven institutions, public and nonprofit hospitals are committed to providing comprehensive services for the well-being and health of all people requesting care. Most public and nonprofit hospitals consider the provision of charity care as central to their missions, despite the associated financial risks of providing services at no cost. Accordingly, many public and nonprofit hospitals extend healthcare services to homeless persons and others without any form of medical coverage, as well as low-income people with disabilities and/or chronic health challenges such as mental illness, HIV/AIDS, and substance use issues. Some even primarily focus on serving a patient base whose healthcare is covered mainly through public benefits such as Medicaid or Medicare. Because their patient bases share so many similarities with tenants of supportive housing, public and nonprofit hospitals are likely to view a role in supportive housing as a natural extension of their mission to serve those most in need.

  Moreover, many public and nonprofit hospitals provide—alongside primary and emergency medical care—a range of clinical and treatment services around mental health or substance abuse tailored to the unique needs of their patients and communities. This diversity of services and overall comprehensive approach to healthcare allows public and nonprofit hospitals to view supportive housing as part and parcel of their continuum of services a natural extension of their activities and services.

- **Expansion of patient base and care services**
  In addition to its conformance with their institutional missions, supportive housing also offers a source of consistent clientele to public hospitals. Recent studies reveal that public and nonprofit hospitals have been struggling in recent years with declining patient rolls and decreasing revenues as fewer in-patient services are being provided. As a result, many public and nonprofit hospitals have been forced to merge or consolidate with other hospitals, or close operations (see insert below).

Public and Nonprofit Hospitals in Crisis?

Public and nonprofit hospital systems' entrée into supportive housing may be all the more timely given the current fiscal climate facing these institutions. The financial difficulties faced by nonprofit and public hospitals since the late 1990s have been well documented. The federal Balanced Budget Act of 1997, the rise of managed care, and the rising costs of medical technologies and treatments have all contributed to continuing operating losses for many public and nonprofit hospitals across the country, expressed by most industry trend projections in terms of operating margins (the difference between total operating revenues and total operating expenses). The low and declining operating margins of many public and nonprofit hospitals have led to consolidations and mergers, for-profit conversions, in some cases to closure. The State of New York, for example, lost 20,000 nonprofit hospital beds across the state in the last fifteen years.

With the declining demand for in-patient services and increasing competition from for-profit hospitals, public and nonprofit hospitals are scrambling to increase their patient bases and revenues. Meanwhile, with outdated and oversized physical plants and under-utilized beds, many are now facing hard decisions regarding whether to close, downsize, or pursue new avenues to make more efficient use of space.

Given these trends, public and nonprofit hospitals are now looking to supportive housing as an opportunity to expand their patient base as well as their services to the community. By developing supportive housing or establishing linkages to supportive housing projects, public and nonprofit hospitals can reach additional patients to whom primary and ancillary health services need to be provided. Moreover, supportive housing tenants are often recently homeless persons who are not likely to have had regular healthcare coverage prior to their tenancy, but who are Medicaid-eligible. As such, supportive housing tenants would be a set of new patients and a new source of ongoing and reliable revenues to the hospital. In a sense, by aiding in or participating in the development of supportive housing, public and nonprofit hospitals can help to convert an increasing proportion of their patient base from charity care to insured care cases.

- **Creation of discharge opportunities for high need homeless patients**
  The creation of supportive housing also offers hospital systems a means to appropriately discharge their growing number of high cost patients with serious health challenges including those who are homeless. The current shortage of affordable housing forces many nonprofit and public hospital systems to make the difficult choice between discharging homeless patients back to shelters or the street, and thus compromising their health conditions, or keeping them hospitalized longer than medically appropriate or financial feasible. Expanding the inventory of supportive housing enhances the ability of hospital systems to make more appropriate discharges without compromising care. In a sense, supportive housing extends a hospital system's continuum of care for the most indigent and needy clients. By directly operating or establishing formal linkages to supportive housing, hospitals can maintain dedicated outplacement opportunities available to those high cost patients that use up limited hospital resources and bed space.

- **Re-use of surplus properties (asset management standpoint)**
  With the downsizing and consolidation of public and nonprofit hospitals, many hospitals also have closed numerous hospital facilities, resulting in a growing inventory of surplus, unused properties. These properties include hospital buildings and facilities as well as residential buildings and dormitories and vacant land. From an asset management standpoint, the closure of these facilities may have been once necessary and sound fiscal policy. However, as time progresses, these dormant buildings and properties represent a growing liability, costing public and nonprofit hospitals thousands of dollars in carrying costs.

  Many public and nonprofit hospitals around the country are now working to re-deploy or dispose of these surplus properties. In these considerations, supportive housing development is being looked to as a potential alternative to demolition or disposal. Supportive housing development is seen as a viable use of surplus hospital properties, especially for those properties that are already fitted or can be easily converted for residential uses. Such properties also tend to be located within or near hospital campuses, thus ideally situated for supportive housing tenants who may need access to nearby healthcare and services. Moreover, supportive housing development on hospital properties may help bolster the hospital's standing and relations within their neighborhoods by both reducing the number of vacant properties that

may be seen as an eyesore, as well as creating a needed resource for members of the community.

- **Additional revenues from development**
  For hospital systems evaluating potential new uses of surplus property, supportive housing presents an additional incentive in the form of revenues that can be generated through its development. There are two revenue generating possibilities. First, hospitals undertaking development directly are able to benefit from Developer's Fees, which are included as a standard cost item in supportive housing development. In some localities, nonprofit developers of supportive housing are able to draw down up to $5,000 to $10,000 per housing unit. Second, hospitals may be able to generate revenues by reusing or disposing of surplus properties for supportive housing development. If the hospital simply wishes to sell the property to another nonprofit, the hospital can generate revenues from sale proceeds. Or if the hospital wishes to retain ownership, it may either sell the project to a nonprofit subsidiary housing corporation (if the hospital is serving as the developer), thus making gains from the sale, or lease its properties on a long-term basis to a supportive housing provider, and generate revenues through rent. In any of these scenarios, public funders of supportive housing will usually allow for the sale or leasing of properties at their appraised value.

Supportive Housing is Cost Effective

Studies in various communities have shown that when formerly homeless people or people who are at risk of homelessness move into supportive housing, they experience:

- 58% reduction in ER visits
- 85% reduction in emergency detox services
- 50% decrease in incarceration rate
- 50% increase in earned income
- 40% rise in rate of employment when employment services are provided
- More than 80% stay housed for at least one year

One study of a New York City-based supportive housing initiative found that, by reducing the use of emergency public services, supportive housing saved over $16,000—just $1,000 shy of the cost of a running one supportive housing unit. Supportive housing basically pays for itself!

- **Financially sustainable area of activity**
  Beyond its potential for financial gains, supportive housing also represents a financially sustainable area of activity—a critical consideration to many public

and nonprofit hospital systems. Supportive housing is usually financed using low-interest or debt-free capital, and subsidized through direct operating contracts and social services funding. Some supportive housing, particularly those that include low-income housing tax credit equity financing, also have capitalized operating reserve accounts that supplement rental and contract income in the event of operating deficits. Whatever the financing scheme, supportive housing is typically underwritten to operate with positive cash flow for periods of fifteen to twenty years. Thus, while not a profitable endeavor, supportive housing represents a financially sustainable means of providing comprehensive care to homeless and chronically ill individuals and families and, in contrast with many other service delivery areas, presents little financial risk to hospitals.

In addition to these direct benefits is the more deeply underlying reason justifying public and nonprofit hospitals' involvement in supportive housing: the important role that these institutions can play in preventing and ending homelessness. As the main providers of charity health care for homeless individuals and families, public and nonprofit hospitals encounter and confront homelessness on a daily basis, and also are beginning to recognize their role in perpetuating it. Homeless patients represent some of the most challenging discharge planning cases, and hospital staff will confirm that too many are unfortunately released from hospitals back to the streets or to shelter. For many homeless individuals, a long-term inpatient stay in a public or nonprofit hospital bed may be just one stop along a regular cycle of institutionalization. At the same time, through involvement in supportive housing, these same hospitals could prevent and end homelessness for these patients either through referrals to their own supportive housing, or to supportive housing projects to which they are connected through services or referral linkages. Involvement in the supportive housing industry therefore allows public and nonprofit hospitals to participate and join in the broader effort to end homelessness in America.

BENEFITS TO THE SUPPORTIVE HOUSING INDUSTRY

The participation of public and nonprofit hospitals in supportive housing development benefits not only the hospitals themselves (and the patients and clients they serve), but also the supportive housing industry as a whole. Public and nonprofit hospitals, by virtue of their institutional position and structure, are able to overcome many of the challenges facing nonprofit developers of supportive housing today. As developers, as service providers, or even as community partners, public and nonprofit hospitals can strengthen efforts to develop and operate supportive housing, bringing with them their credibility and experience as community-serving institutions:

- **Sponsors with sophisticated fiscal management systems**
  Many public and nonprofit hospitals enjoy the competitive advantages of being large institutions with the financial wherewithal to undertake supportive housing development. Whereas many nonprofit developers tend to be smaller organizations that have little in the way of working capital, nonprofit and public hospital systems are likely to have significant assets that could be used as equity, working capital, collateral, or loan guarantees. The size of these hospitals allow for economies of scale, in which the marginal cost and financial risk of undertaking new ventures such as supportive housing development is reduced. These economies of scale may extend further into the asset management demands of supportive housing. As managers of large and frequently diverse types of facilities, public and nonprofit hospitals are able to build upon their existing experience and capacity to manage supportive housing assets. In addition, some may have the prerequisite management infrastructure to set-up property management functions. The scale and sophistication of hospital systems' fiscal and management infrastructure is particularly appealing to public agencies who fund supportive housing, for whom such infrastructure would provide assurance regarding the hospital's capacity to undertake supportive housing development.

- **Owners of suitable development sites**
  Surplus properties owned by public and nonprofit hospital systems are often ideal for the siting and development of supportive housing, providing the optimal combination of proximity to services and neighborhood integration needed by tenants of supportive housing. Many surplus buildings well-suited for reuse as supportive housing, including former residences for hospital staff

or even long-term care facilities that could be easily converted to housing. These buildings may be already zoned for residential uses, and are unlikely to contain any environmental concerns. With the decreasing availability of developable properties in many localities, public and nonprofit hospital systems may prove to be an invaluable source of development sites for supportive housing. Government agencies that provide the funds to develop supportive housing will find these properties particularly appealing as they allow for the more proactive location of supportive housing near health care opportunities, and typically allow for shorter development timeframes

- **Community standing and relations**
  Public and nonprofit hospital systems strengthen supportive housing development further by improving public and community perception and relations. Whereas some supportive housing developers may be viewed as outsiders by members of local neighborhoods and communities, public and nonprofit hospital systems enjoy strong ties and relations with their local neighborhoods and communities. As community-based and community-serving institutions, public hospitals are responsive and accountable to local needs, and are therefore able to convince neighborhood residents that supportive housing is indeed an asset and resource to the community, not a liability. By partnering with or becoming supportive housing developers themselves, public and nonprofit hospitals may be able to more effectively integrate and build community support for new supportive housing projects.

- **Providers of quality health services**
  In addition to taking a direct role as developers, public and nonprofit hospital systems contribute valuable assistance to the supportive housing industry by extending their quality health and medical services to tenants of supportive housing. Moreover, the scale and sophistication of hospitals systems' fiscal infrastructure allows them to incorporate innovative Medicaid-reimbursed services in supportive housing that smaller nonprofit providers are not able to provide. (A more detailed discussion of Medicaid-reimburseable services in supportive housing will be provided in upcoming parts of this series.) Along with primary and emergency care, public and nonprofit hospitals often provide clinic-based services such as dental care, outpatient substance abuse or mental health services, and counseling. Some public hospital systems even operate Assertive Community Treatment teams—mobile service teams that wrap services around clients in a variety of residential settings. By partnering or establishing linkages with these hospital systems, supportive housing pro-

viders can extend the scope of services available to their tenants at reduced additional costs.

CHALLENGES AND RISKS

The benefits of public/nonprofit hospital participation in supportive housing are not without some risks and challenges. Beyond the usual set of risks associated with undertaking affordable or supportive housing development and property management are those unique to hospital systems, whose scale, financial position, and revenue base all merit special considerations:

- **Opportunity costs of property reuse**
  For hospital systems concerned with declining net assets, the reuse of surplus property for supportive housing may incur opportunity costs. For example, surplus properties may be attractive to for-profit developers who can afford higher acquisition prices than nonprofit developers or public housing finance agencies. Such properties may yield high returns to hospital systems. Alternatively, the use of surplus hospital property for supportive housing may present an opportunity cost in the form of hospital space, particularly for hospital systems that are looking to redistribute or consolidate operations. Decisions regarding surplus hospital properties should always be considered carefully, and hospital systems should balance mission-related goals with fiscal and administrative needs. Nevertheless, it should be remembered that supportive housing also generates revenues, both through sales revenue and in ongoing rental and fee income.
- **Challenges of assuming the role of landlord and property manager**
  Although accustomed and experienced with asset management, as well as with managing large-scale institutional facilities, public and nonprofit hospitals may be inexperienced with the roles and duties of a landlord and property manager of permanent supportive housing. Indeed, in addition to the basic plant management and financial responsibilities, the role of landlord in a supportive housing context involves managing tenants who may be residents for long terms, and who may be protected under federal, state and local housing laws. Housing laws frequently extend substantial protections to lease-holding tenants, hence imposing certain obligations and restrictions on landlords. For example, in some states, landlords are unable to evict tenants without filing and winning suit against tenants in court. Moreover, supportive housing bears particular challenges, since it often provides housing to people without long or recent histories of tenancy in housing or those who require significant

supports and accommodations to remain in housing. The role of supportive housing property manager also differs from other kinds of property management in that it involves interfacing with social service personnel and various public systems. Public and nonprofit hospitals systems should be aware of and seek further education about these unique challenges. Fortunately, over the years, the industry of supportive housing providers has developed expertise around supportive housing's unique property management aspects and challenges, and numerous industry resources have been developed to assist and educate new managers of supportive housing projects. Public and nonprofit hospital systems should look to benefit from these resources.

- **Long-term nature of investment or participation**
  Yet another risk to hospital systems is the long-term nature of supportive housing. Most capital funding for supportive housing is structured as below-market or debt-free 30-year mortgages, which carry 30-year use restrictions. These use restrictions are intended to prevent developers from converting buildings to market-rate housing or other non-supportive or affordable housing uses. Developers of supportive housing are thus "locked into" their commitment to provide supportive housing for a term of 30 years or else must forfeit the forgiveness of debt service on capital financing. Hospital systems looking to supportive housing as a reuse of property should be aware of these use restrictions and make their redeployment plans accordingly.

CASE STUDY:
SAINT VINCENT CATHOLIC MEDICAL CENTERS OF NEW YORK

The following case study presents the experience of one nonprofit hospital system in successfully taking on an active role in the creation of permanent supportive housing. In it, the hospital system weighs the benefits and risks of undertaking a role as a developer and operator of supportive housing, and ultimately decides the potential benefits of this new role outweigh any potential risks and challenges. The case study provides a roadmap for how public or nonprofit hospital systems can weigh the pros and cons of undertaking a role in supportive housing, as well as concrete examples of how to go about the development and operation of supportive housing.

Saint Vincent Catholic Medical Centers (SVCMC) is a large nonprofit hospital system operating eight hospitals and health care institutions across the five boroughs of New York City and Westchester County. Formed in 2000 through a merger between Saint Vincent Hospital and Medical Center of New York (Manhattan and Westchester County), Sisters of Charity Healthcare (Staten Island), and Catholic Medical Center of Brooklyn and Queens, this $1.5 billion hospital system began undertaking an effort to improve its asset and facilities management functions, as well as a reprogramming of identified underutilized or surplus properties. In doing so, SVCMC identified several vacant or underutilized properties that presented potential opportunities for either redevelopment or resale.

In early 2001, two of these surplus properties, including two adjacent vacant buildings near the Mary Immaculate Hospital campus in Jamaica (Queens) and a vacant lot near St. Mary's Hospital in the Bedford-Stuyvesant section of Brooklyn, came to the attention of SVCMC's Division of Behavioral Health Services' Residential Services Director Marianne DiTommaso. As the staff person responsible for much of SVCMC's previous residential development, Ms. DiTommaso was already experienced with the development of residential programs for persons with mental illness and/or substance abuse issues, was aware that funding was available for the creation of additional housing opportunities for clients of SVCMC's Behavioral Health Services Division. Also aware that the hospital administration was interested in rapidly making best use of its surplus property inventory, Ms. DiTommaso began exploring the feasibility of developing permanent supportive housing on one or both of the identified sites.

Up until that point, most of the "housing" developed and/or operated by SVCMC were state-licensed residential treatment facilities, including supervised Community Residences for single adults with serious mental illness, intensive supportive apart-

ment treatment programs, and Community Residences for people with co-occurring mental illness and substance abuse disorders. In addition, SVCMC had experience providing smaller-scale permanent housing with supports through the State Office of Mental Health's Supported Housing program. However, these projects were smaller residences and had no on-site supports, with services provided off-site or through mobile teams. Moreover, none of these projects involved the reuse of hospital properties, but were instead developed and operated on newly purchased properties.

Despite its positive experience developing residential programs with OMH funding, Ms. DiTommaso decided to approach the New York City Department of Housing Preservation and Development (HPD) for capital funding under its Supportive Housing Loan Program. Not only would HPD Supportive Housing financing allow SVCMC to exercise greater flexibility in the scaling and design of its projects, including adaptive reuse of surplus properties, but it would also leverage additional capital in the form of equity through the Low-Income Housing Tax Credit program. Using HPD as the primary source of capital financing and leveraging private equity through low-income housing tax credits, SVCMC would be able to develop supportive housing projects with adequate replacement and operating reserves to ensure project sustainability, and make capital gains from the sale of its properties to wholly-owned nonprofit subsidiaries, known as Housing Development Fund Corporations.

HPD referred Ms. DiTommaso to the Corporation for Supportive Housing (CSH) for technical assistance in March 2001. CSH staff visited the two proposed project sites and reviewed Ms. DiTommaso's proposed concepts. CSH then assisted SVCMC with developing a supportive housing model and financing concept. CSH also retained two architects on the hospital's behalf to perform architectural feasibility studies, zoning analyses, and schematic designs.

With these preliminary analyses complete, Brian Fitzsimmons, Executive Director of SVCMC's Behavioral Health Services, arranged for Ms. DiTommaso to present the supportive housing proposals to the hospital's senior administration in April 2001. Based upon these architectural studies, the vacant buildings on the campus of Mary Immaculate Hospital could be converted to a single 100-unit mixed-tenancy supportive housing project for homeless and de-institutionalized people and low-income individuals from the local community. The Brooklyn site would allow for the creation of a 78-unit supportive housing project also with a mixed tenancy of homeless or de-institutionalized people living with mental illness and low-income individuals from the local community. The units designated for low-income individuals from the community was, in part, intended to provide a resource to the community, and would assist SVCMC with obtaining formal approval from the Community Planning Board, in ac-

cordance with HPD's requirements.

Hospital administration officials considered several factors: First, how feasible was the development of supportive housing on the two surplus properties in question? What would the major obstacles and challenges be and how might they affect the hospital's standing within the community? Second, aside from consistency with its mission, what additional (fiscal) benefits might be realized from undertaking supportive housing development and operation? Lastly, how did these gains compare with pursuing other uses of its surplus property (including sale to a for-profit entity)?

In response to these concerns, Ms. DiTommaso presented on the benefits to the hospital system of redeveloping the surplus properties into supportive housing. First, she noted the consistencies of this proposal with the hospital's overall mission: "These single-site supportive housing programs will provide much needed housing and supportive services to individuals with mental illness. These programs are clearly reflective of our mission to provide comprehensive, quality services, and to promote the health, wellbeing and dignity, to those most in need." Supportive housing was a natural extension of the hospital's mission, she argued, representing the next frontier of community health and mental health care.

Second, the financing for the supportive housing projects would be financially sound investments. The projects would be self-sustaining, covering expenses and reserves through public rental subsidies, public social services contracts and Medicaid reimbursements. (All of the tenants would be newly registered patients and would be Medicaid-enrolled, thus eligible to receive Medicaid-reimbursable services.) The projects could also result in capital gains from the standard sale of the properties to not-for-profit holding companies—Housing Development Fund Corporations—at an amount equivalent to their appraised values.

The risks of undertaking the project were few, but noteworthy. First, by undertaking the proposed supportive housing projects, the hospital would be foregoing any possible opportunities to sell the properties to for-profit developers or entities who might offer a higher acquisition price than could public funders (i.e. above the appraised value). Second, ability to generate sufficient revenues to cover operating expenses at the buildings would be contingent upon successfully being awarded city, state and federal public contracts and subsidies through various competitive processes. Mitigating these risks, however, were the involvement of the City Department of Housing Preservation and Development, which served both as a capital funder and as a provider of technical assistance. HPD would assist SVCMC with obtaining the various forms of operating and social services funding necessary to cover ex-

penses. Moreover, the Corporation for Supportive Housing would assist SVCMC by providing both as-needed technical assistance, as well as low-interest bridge financing to cover predevelopment costs during the riskier stages of development.

By the end of the meeting, the hospital administration voted in favor of pursuing supportive housing development on both sites. Beyond the financial soundness and gains that might result, supportive housing appeared to be a logical extension of the nonprofit hospital system's mission and purpose: to delivery quality health care to those most in need. The fact that this could be done in a cost-effective and financially sustainable way was all the more attractive, as overall hospital expenses had been steadily outpacing revenues. As the administration of SVCMC concluded, supportive housing indeed represents the next frontier of community health care.

Immaculata Hall

At the time of this writing, the projects are continuing to advance through HPD's supportive housing development process. The first project, Immaculata Hall, on the Mary Immaculate Hospital campus broke ground on September 25, 2003, and began operations in February 2005. A ribbon-cutting ceremony and dedication was held on April 15, 2005 attended by Mayor Michael Bloomberg and HPD Commissioner Shaun Donovan. The project provides self-contained studio apartments to 75 people living with mental illness referred from shelters, hospitals, and other institutional settings, as well as 25 low-income working individuals from the Jamaica community. Capital financing is being provided by the City Department of Housing Preservation and Development, the New York State Homeless Housing and Assistance Program (HHAP), and Low Income Housing Tax Credit equity, syndicated by the Richman Group. Operating and social services funding is being provided through a contract with the New York City Department of Health and Mental Hygiene's (DOHMH) High Service Needs Housing program, and through a HUD McKinney-Vento Homeless Assistance Shelter Plus Care contract.

The Brooklyn project, St. Mary's House, near the campus of St. Mary's Hospital in Bedford-Stuyvesant experienced some minor delays as SVCMC and Community Board worked together to develop a unit allocation appropriate to the community's

Groundbreaking of St. Mary's Supportive Housing

needs. Community Board members felt that additional units for people living with AIDS were needed to meet the needs of the neighborhood, which had been experiencing some of the highest incidences of HIV/AIDS in New York City. The project is now being constructed as a 78-unit supportive housing project serving people living with mental illness, low-income single adults, and people living with AIDS. A groundbreaking ceremony was held on September 20, 2004. Construction is underway and is scheduled for completion in December 2005. Capital for this project is being provided by HPD, HHAP, and tax credits, also syndicated by the Richman Group. Operating and social services funding is being provided through DOHMH High Service Needs Housing program, HUD McKinney-Vento Shelter Plus Care contract, and through the City's Human Resource Administration's HIV/AIDS Services Administration.

It's been harder and harder to find sites to locate supportive housing. And that's why I'm excited about our partnership with Saint Vincent Catholic Medical Centers and with other institutions that are thinking creatively about where we can site and locate supportive housing.
— Shaun Donovan, Commissioner of New York City Department of Housing Preservation and Development

CONCLUSION: WAYS THAT PUBLIC AND NONPROFIT HOSPITALS CAN PARTICIPATE IN SUPPORTIVE HOUSING

The above case study of Saint Vincent Catholic Medical Centers illustrates a particular example of how a nonprofit hospital system undertook a direct role in developing and operating supportive housing. SVCMC's success in developing the two supportive housing projects bespeaks the quality of the team of architects and development consultants it assembled to develop the project, as well as the assistance of the Department of Housing Preservation and Development, the Corporation for Supportive Housing, and the Richman Group. Indeed, the development and operation of supportive housing is never a solo act, but necessarily involves the collaboration of multiple partners, each playing a different and critical role.

The do-it-all approach undertaken by SVCMC as developer, manager, and service provider of its projects is but one approach to developing and supportive housing. Public and nonprofit hospital systems seeking to contribute to the creation and expansion of supportive housing can contribute in a number of roles and in various combinations. These potential roles include:

- **Developer/owner/property manager**
  Perhaps the most direct role a hospital can play in supportive housing is the role of developer, owner and manager, wherein the hospital system obtains a site, assembles and manages a development team, and obtains the financing to develop and operate a new supportive housing project. This role is ideal for hospital systems that have experience with community-based residential real estate development, and who have staff with relevant expertise. (Alternatively, hospital systems pursuing development for the first time could partner with another more experienced developer and serve as a co-developer of a project.) Moreover, as community-serving institutions, public and nonprofit hospitals enjoy the strong standing and solid reputation within communities that can mitigate concerns and opposition not uncommonly faced in supportive housing development. For the hospital system's themselves, this role of developer and owner has both its benefits—including the prospect of a financially sustainable activity area and the potential revenues to be gained in the form of developer's fees and capital gains—as well as its risks—such as increased liability and the challenges of property and asset management.
- **Primary service provider**
  Yet another role to be played by a hospital or hospital system is that of a provider of services in a supportive housing setting. If the hospital is not playing the

role of developer, its role would likely involve a formal partnership with a non-profit developer, the terms of which would be outlined in a Memorandum of Understanding listing the respective responsibilities of each partner. As primary service providers, hospital systems would be responsible for obtaining and managing social services contracts, and for providing case management, mental health, substance abuse treatment, and other services at the supportive housing site. Hospital systems that have experience providing such housing-based supports, and whose service expertise capacity ranges beyond that of primary health care provision are well equipped to function in this role. With this role, however, come the attendant challenges of client-tailored, multi-faceted service delivery and service contract management.

- **Ancillary service provider through linkages**
  Public and nonprofit hospital systems seeking a less direct, but equally important role in supportive housing can provide services to tenants of supportive housing through formalized or even informal linkages with supportive housing providers. In addition to providing primary health care at the hospital itself, many public and nonprofit hospital systems offer clinical services in community-based health centers, including psychiatric care, mental health counseling, substance abuse treatment and supports, healthcare coordination, and nutrition counseling. Moreover, because these community health center services are Medicaid-reimbursable, these clinic-based services may actually provide a useful alternative to contract-based services provided to tenants of supportive housing. This is particularly true for community health centers designated as Federally Qualified Health Centers (FQHC) or as Health Care for the Homeless (HCH) sites. (A more in-depth discussion of FQHC and community health center roles in supportive housing will be provided in Part II of this series.) In this way, the provision of services by public and nonprofit hospital systems through service linkages may facilitate a more efficient and cost-effective service delivery model in supportive housing.
- **Source of developable land and property**
  One of the most important resources provided by public and nonprofit hospital systems to the supportive housing industry may be in the form of real estate. With the consolidation or reorganization of operations, public and nonprofit hospital systems may find themselves seeking to reprogram or dispose of numerous surplus properties, many of which may be ideally suited for supportive housing development. These properties are frequently located in residential neighborhoods, easily accessible by (public) transportation, and within close proximity to shopping opportunities and other community amenities, not to mention to hospi-

tals and health care facilities. Also, because such properties are owned by public or nonprofit entities, they may be available at lower costs than other privately owned real estate. At the same time, disposal of public or nonprofit hospital land or buildings to nonprofit developers of supportive housing may yield revenues to the hospital systems either through direct sale or long-term net leasing. Moreover, the siting of supportive housing on or near hospital grounds may benefit a hospital further by providing it with a new, dedicated source of patients.

It should be noted that the roles listed above are not mutually exclusive. A hospital system may undertake any combination of these roles in supportive housing. For example, a hospital system with surplus properties may decide to sell properties to a nonprofit developer and then serve as primary service provider to the project as it is developed. In doing so, a hospital system would be a) ridding itself of excess property, b) achieving capital gains from the sale, and c) providing services and health care to a needy population through reliable contract revenues. Alternatively, a hospital system could serve as a developer and owner of supportive housing, as well as extend services to its and others' supportive housing projects through its community health centers.

> "Nonprofit and public hospitals can be a valuable and versatile participant in supportive housing. As providers of health and behavioral care to the disabled and the homeless, they are well prepared to provide on-site services. In some cases, they may be prepared to develop and operate supportive housing for the disabled or to make available surplus hospital property to other nonprofits for this purpose. Many, like Saint Vincent Catholic Medical Centers, own properties that are perfectly located for redevelopment as supportive housing. The New York City Department of Housing Preservation and Development would certainly encourage other nonprofit and public hospitals to consider the example of St Vincent Catholic Medical Center."
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> — Timothy O'Hanlon,
> Assistant Commissioner,
> New York City Department of
> Housing Preservation and Development
> Division of Special Needs Housing

The particular configuration of a hospital system's roles and functions in supportive housing should ultimately take into consideration both the system's capacity (i.e. expertise and expansion potential) as well as asset management needs (i.e. availability of surplus property and financial position). The complexity of such considerations, however, only underscores the enormous potential inherent in public and nonprofit hospital systems as partners in supportive housing. The supportive housing industry as a whole is well advised to explore all of the various ways that public and nonprofit hospitals can contribute to the development, operation and enhancement of supportive housing.