Case Study

# Health Center and Supportive Housing Capital Development Partnerships

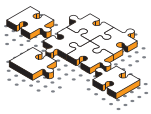
## Blackburn Center, Portland, Oregon

- How do health and housing partners develop the **shared vision and strategy** for successful co-located developments?
- What are the **appropriate roles** in development for health centers?
- Which resources are available to **build and sustain** new health and housing co-developments?
- What are the **key decisions** health centers evaluate as they pursue health and housing co-development?

Learn more about the key steps and decisions Central City Concern and their community partners made on their path to building new health and housing collaborations in their community.

The COVID-19 pandemic has reinforced the value of community health and housing collaborations aimed at improving housing stability and quality of life for vulnerable populations. Exploration of these health and housing partnerships is fueled by increased demands for affordable and supportive housing combined with the need for more effective service coordination. Partnerships that expand the community's housing and service infrastructure—the physical space—also provide opportunities for health centers to enhance care coordination and participate in efforts to address housing as a significant driver for health outcomes.

**Common Vision & Strategy**



**Evolution of Partnership**

**Development & Financing**

**Community Benefits**

# Blackburn Center
# Portland, Oregon

## Project Overview and Background

The Blackburn Center in Portland Oregon opened in 2018 in response to the community's documented need for affordable housing with wrap around support services. Owned and operated by Central City Concern (CCC), an experienced housing provider and federally qualified health care for the homeless grantee, the Blackburn Center is a mixed-use development that includes both housing and health services. In addition to the Blackburn Center, CCC owns and operates over 2,000 units of housing and delivers a wide range of health, behavioral health, and workforce development services from several locations in Portland.

*Image courtesy of Central City Concern.*

## Property Facts

**The Blackburn Center is a new construction development consisting of nearly 40,000 sq. ft. of commercial space allocated for primary and acute medical services, pharmacy, and community services; creating a significant increase to CCC's existing clinic space in the area. Mental health and behavioral health services are core components in the Blackburn Center available to residents and the broader community in response to identified demand and gaps in service delivery system. Case management and life skill supports are also available to tenants.**

The Blackburn Center also created 124 units of supportive housing on the upper floors, reaching households with extremely low incomes and with experiences of homelessness. A priority population living and receiving services in the supportive housing units are those seeking recovery from substance use; again, enabling CCC to expand existing quality services to meet this need. The Blackburn Center also includes fifty-one (51) transitional respite beds responding to the need for patients requiring short-term health and nursing supports but lacking an adequate home where they can heal. This recuperative care need was a priority for the health care organizations that partnered with CCC in the Blackburn Development.

## Finding the Common Vision and Strategy

CCC's unique position and expertise as both a health provider and a housing provider enabled them to assume lead roles for both the housing and health service components of the Blackburn Center. The organization's housing origins in the late 1970s started as part of the City/County partnership to end homelessness and recognition of the prevalence of disabling addiction among the population facing homelessness in Portland. In the early 2000s, the organization received Federally Qualified Health Center (FQHC) for the homeless status based on expanding their services to address the complex medical needs of their clients and identified gaps in the existing community service delivery system.

### BUILDING AVENUES FOR CONVERSATION

CCC health and housing expertise was valuable in discussions over the next decade as local, state, and federal agencies explored new strategies and funding sources to address the high cost of care and gaps in the health services for uninsured and vulnerable populations. As early as 2007, a recuperative care 15-bed pilot program operated by CCC was initiated (and then expanded to 35-beds) to provide medical support services for 30-90 days for individuals leaving hospital care. The outcomes from the pilot demonstrated significant cost savings as public and private entities including new Community Care, Accountable Care and Managed Care Organizations were tracking data to meet collective goals to improve health outcomes, reduce hospitalizations and cost of care. Based on the pilot results, health systems, government, and non-profit partners recognized the importance of stable housing for health outcomes of vulnerable populations, committed to expanding the recuperative care program and worked towards the Blackburn Center vision.

With the passage of the Patient Protection and Affordable Care Act in 2010, states and local health providers created collaborative entities designed to coordinate, strengthen, and fund health care delivery systems to improve health outcomes and control costs. Accountable Care Organizations, Community Care Organizations and Management Care Organizations are all collaboration structures adopted at the state and local level to advance improved models of care, and with special attention to Medicaid covered populations. Strategies investigated and deployed included integrated comprehensive health services, value-based payment (moving away from fee for service), performance metrics and data sharing analysis, accountability at all levels, cost savings and incentives.

CCC is an active partner with regional health system providers, insurers and funders focused on improving service coordination, adapting payment structures, and recognize the value of partnerships between different health providers, payors and systems. An additional benefit from these collaborations brought new voices to the table including 'community benefit' leaders within the hospitals, who were instrumental in subsequent planning for the Blackburn Center. CCC and the other partners understood that negotiating among the partners to create shared goals necessitated understanding each partner's individual motivations and desired outcomes. Priority needs identified included:

**Priority needs/goals identified included:**

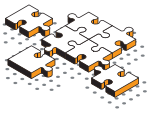
+ **Recuperative Care:** Hospital and health Insurance providers' need for supported housing units for patient discharge to improve patient outcomes, avoid re-admissions, and reduce other costs that may not be covered.
+ **Range of Housing Types:** Recognition of the need for an increased number and range of housing types to support individuals at different points of recovery and stability.
+ **Enhanced Payment Structure:** Identify new and expanded funding sources recognizing both the comprehensive range of services and how services are delivered for vulnerable populations.
+ **Redirecting Health Expenditures:** A key component in the effort to reduce 'health care costs' requires the system partners to redirect resources towards reducing the barriers to access to effective treatment.

**Hospital Community Benefits:**

Not-for-profit hospital and health systems, to maintain their federal tax status are required to invest and contribute a portion of their financial surplus for 'community benefits.' For decades 'charity care' for individuals with no means to pay for health services was often the benefit provided to meet this obligation. The *Patient Protection and Affordable Care Act (ACA)*[1] expanded the obligation for not-for-profit hospitals to explore and collaborate with community partners to direct community benefit resources to support identified needs. The ACA focus on community needs and benefits, as well as the changing role of managed care Medicaid organizations and Medicare plans have influenced hospitals to revisit the scope of their connections to housing and SDOH. The *Hilltop Institute report provides links to each state Community Benefit Law*[2].

1 *https://nchh.org/resource-library/HCF_CBACA overview.pdf*

2 *https://www.hilltopinstitute.org/our-work/hospital-community-benefit/hospital-community-benefit-state-law-profiles/*



# Evolution of a Successful Partnership

Key outcomes from the pilot recuperative care housing program resonated for the health system partners prompting these early partners to engage in planning for expanded health and housing co-located development. Designing the components of the new development became an opportunity to engage partners to understand the breadth and volume of housing and health service needs and to align around the common strategy of a mixed-use development to include three types of housing (recuperative, supportive and recovery) alongside a range of health services. **Key metrics that were examined to inform the Blackburn Center program included:**

1. Numbers and service needs among the population experiencing homelessness and addiction;
2. Length of stay in shelters, hospitals, and on the streets;
3. Costs for shelter and crisis care services; and
4. Protocols for referrals from continuum of care and health systems into and between the housing units.

## GENERATING COMMITMENT OF RESOURCES

Simultaneously the partners identified resources and investment opportunities to finance the development plan that was forming. Community conversations and events to share results proved to be opportunities to recruit champions from corporate, legislative, government agencies, and provider ranks to launch a campaign that challenged all sectors to commit and match investments. Instrumental to the success of the campaign were the health system leaders willing to take risks to invest to meet shared goals and outcomes. Acknowledging the health system financial structure, the investments were designed to be paid in over several years enabling higher investment levels than if the payments were made in just one fiscal year. **Final investment totals from the health system investors reached over $21 million.**

## LEVERAGING EXPERTISE

In the Blackburn Center, CCC's expertise enabled them to assume multiple roles as developer, sponsor, owner, property management and service provider in the development, and identified partners with complementary expertise to fulfill other roles.

**The typical roles in a co-located mixed-use development include:**

+ **Sponsor:** Project Lead bringing vision, community and political support
+ **Owner:** Responsible for long-term oversight and asset management
+ **Developer:** Oversees the financing and construction of the development
+ **Property Manager:** Performs day-to-day operations and maintenance
+ **Service Provider(s):** Coordinates and provides the support services to meet resident and community needs

A single entity like CCC, with broad program expertise and related 'arms' of the organization, may fill one or more roles, but needed to be careful to outline clear responsibilities and accountability within each role. Key steps are missed when roles are muddled, or assignment of tasks are not explicit. Memorandums of Understanding (MOUs) with external partners and even between internal departments is an opportunity to define goals, outcomes, roles, responsibilities, communications, and processes.

A key element of successful partnership building includes connecting and incorporating valuable input from community residents and people with lived experience both past and future residents and clients at the development.

**A relevant component of community input and understanding requires communities to:**

+ Recognize and design initiatives that address disparities in race, income and ethnicity among residents and patients represented in systems of care
+ Overcome barriers to how individuals' access services
+ Incorporate cultural humility in design plans

CCC has a long history of community participation in the design of both their programs and facilities. CCC includes health center patients and housing residents on their governing and advisory boards (Health Services Advisory Council and Housing Service Council) and creates opportunities to hire people from the communities.

## Development and Financing Nuts and Bolts

Financing co-located health and housing developments are always complex and require a long lead time to align the concept, feasibility, financing, and actual development phases. For the Blackburn Center the planning started following close examination of pilot results in 2015 and came to fruition with a building opening in 2018. **The development of affordable and supportive housing requires consideration of three types of budgets:**

1. **Capital Budget:** building the "bricks & mortar"
2. **Operating Budget:** daily operations sustained for the intended life of the building
3. **Services Budget:** costs to bring in and deliver wide range of services

### CAPITAL BUDGET

The capital financing of affordable and supportive housing often follows a familiar path of funding resources that include private, public, and philanthropic sources. For developments seeking to a larger number of households, the 'layered financing" will typically include:

+ Loans from a private financial institution with requirements for repayment
+ Flexible loans from public and mission-based sources which may have lower borrowing costs or flexible repayment obligations
+ Philanthropic and/or government grants are competitive and must meet specific uses
+ Equity raised from the sale of tax credits under the federal Low Income Housing Tax Credit Program (LIHTC) or the New Markets Tax Credit Program (NMTC)

In mixed-use developments with both service and residential components, the development team can attract a broader range of funding that may be designated for one of the additional uses. A deeper look at the capital budget for the Blackburn Center highlights key resources and relationships unique to carry out a co-located mixed use development. CCC's experience as a housing and health service provider was instrumental in receiving competitive awards from a range of public and private resources.

The Blackburn Center was able to access both the Low-Income Housing Tax Credit (LIHTC) and the federal New Market Tax Credit Program (NMTC)—another federal tax incentivized program that specifically dedicates investments for developments that advance economic development in "distressed communities.

The federal tax code has historically utilized a system of tax incentives (or disincentives) to drive public policy. Common examples include taxing products such as tobacco to discourage use or tax rebates on purchases of energy saving equipment to improve the environment. Tax incentives in the form of tax deductions or tax credits are frequently used to drive investments to build infrastructure, including housing, and are often utilized as an alternative to direct grants or loans. The investors receive a financial benefit on their investment (reduced tax liability) when they invest in transactions that provide a tax credit or deduction.

The Low-Income Housing Tax Credit (LIHTC) program was added to the federal tax code in 1986 and provides a dollar-for-dollar reduction in federal tax liability for eligible investments in **rental housing** that meet specific criteria to serve low- and moderate-income households. The New Markets Tax (NMTC) Credit Program incentivizes investment in developments that **promote economic development** and growth in underserved communities. These two funding sources are key elements of most developments that include either/both health and housing uses.

## The Blackburn Center, Portland, Oregon

| **Health: NMTC Condominium Financing** | |
|---|---|
| **Use:** Primary health, BH, MH, Pharmacy, 51 respite units | |
| **Ownership:** CCC affiliate is the QALICB[1,2] owner in the health component | |
| Permanent Debt | $6.30M |
| Health System Investment[3] | $11.00M |
| Other Grants | $0.25M |
| NMTC Equity[3] | $9.1M |
| Developer Cash | $0.50M |
| **Total Health Financing** | **$27.15M** |

| **Housing: LIHTC Condominium Financing** | |
|---|---|
| **Use:** 124 SH/SUD; Rent 90 rent subsidies | |
| **Ownership:** CCC is general partner in joint venture LIHTC partnership | |
| County/State/Foundation Funding | $ 5.0M |
| Health System Investment | $10.6M |
| LIHTC 4% Equity | $8.0M |
| Federal Solar Tax Credit | $0.6M |
| Deferred Developer Fee | $0.8M |
| **Total Housing Financing** | **$25.0M** |

1 Qualified Active Low Income Community Business is the partnership structure for NMTC developments.

2 CCC holds a ground lease on the property to assure ongoing use.

3 Leveraged loan is a structure that connects the NMTC funding to the development.

* ***Coalition of Health Organizations:*** *Adventist Health Portland, Care Oregon, Kaiser Permanente Northwest, Legacy Health, Oregon Health & Science University, Providence Health & Services Oregon.*

## UNDERSTANDING OWNERSHIP STRUCTURES AND WHY IT'S IMPORTANT

The owner of the real estate development has ultimate responsibility for the physical condition and operations of the property for the life of the property. How ownership of a property is structured is influenced by a variety of factors including expertise and representation in the community, organizational capacity, financial benefits, liabilities and risks. The type of financing invested in the property will have some influence on how the ownership is set up. Extensive legal consultation is necessary to determine the most secure and financially feasible ownership structure.

The ownership structure of the Blackburn Center highlights key considerations for health centers in co-located developments. The Blackburn Center uses a condominium ownership structure despite the multiple uses co-located within a single building. There are two separate partnership entities that independently own and are responsible for the respective health and housing components of the Blackburn Center. An affiliate entity of CCC is represented in each partnership as a general or controlling member, along with the respective tax credit investors as limited partners. This condominium ownership is a common structure in mixed-use properties.

**Forms of Ownership in Co-located Developments:**

+ **Single Purpose Entity:** The single purpose entity model of ownership holds the property under a separate entity created specifically for ownership of the property. This structure will limit the risk and liabilities of the new development from the organization's other properties, programs, and financial assets, e.g., if there is a flood at one property, or the lease up of a property causes an operating deficit, the organization's other properties are protected.

+ **Partnership (aka Joint Venture, Limited):** In a partnership ownership model the primary entity responsible for the property development and operations enters a legal partnership with other entities that bring expertise and/or financing investments. This is a common structure utilized in the LIHTC program to link the organization responsible for the property operations with the investor(s) who will receive the financial and tax benefits over the term of the partnership.

+ **Tenant, Sublease:** Often mixed-use properties will have a single owner (often an experienced housing developer) that will lease space to one or more organizations to provide services.

+ **Condominium Ownership:** Ownership for each type of use (housing/services) will be held by a different owner or partnership. Often this type of ownership structure is necessitated because certain funding sources can only be invested in specific uses. In addition, by separating ownership responsibilities program partners can limit their obligations and risks to those areas of the development for which they have expertise and responsibility.

+ **Ground Lease:** A ground lease ownership structure enables an existing landowner to maintain long-term control of the use of the land they own, while giving the right to build on the land to another entity for a purpose they support.

*Image courtesy of Central City Concern.*

## FUNDING OPERATIONS AND SERVICES AT THE BLACKBURN CENTER

Similar to the Capital Budget discussions each component—housing and health—at the Blackburn Center maintains its own operating budget including income and expenditures. Essential for quality operations for the housing is the need for rental assistance subsidies for tenants at extremely low-income levels. Rental assistance will pay the difference between what tenants can pay (targeted at 30% of income) and the fair market rents on the apartments. **The Blackburn Center was able to secure several types of rental assistance tied to the different housing uses:**

+ **Transitional Supportive Recovery Housing:** Rent and staffing operating supports come from the County's Behavioral Health agency.
+ **Affordable Supportive Housing:** Rents are affordable to tenants with lower income. No rent subsidies are attached to these units. Some tenants have tenant-based rent subsidies available.
+ **Recuperative Care:** Contracts with hospitals and Medicaid Managed Care organizations pay a per bed/per day rate for referrals from their patients to the 51 recovery beds. The initial period of stay is 30 days with options for extension.

Service costs at both the health and housing components of the Blackburn Center are paid for by a combination of reimbursements from Medicaid and other insurance providers, annual grants from state, local and philanthropic partners, and Health Resources Services Administration Section 330 grant funding resources available to CCC as an FQHC and healthcare for the homeless health center.

According to the U.S. Department of Housing and Urban Development (HUD) metrics for income, the Area Median Income (AMI) for the regional area of Portland, OR in 2022—was $106,500 for a family of four. Units set aside for one person households with incomes at 50% of AMI would try to reach households earning at or below $37,300, and households at 30% of AMI would have incomes no greater than $22,400. HUD defines affordable when tenants pay no more than 30% of gross income for housing costs. For a single person household with 30% AMI and $22,400 income—rents would have to be no greater than $560 per month. A key point of comparison is the standard Social Security Disability Income (SSDI) income in 2022 was $841 per month. Using the same 30% affordability calculation, a person earning SSDI could only afford rents at approximately $250 per month. Clearly many of the population facing homelessness with limited incomes could not afford even the lowest rent levels.

# Lessons Learned from Central City Concern's Blackburn Center

**Community Health Centers bring three vital elements to successful health and housing co-developments:** *Connections in the Community*, *Health Service Program Knowledge*, and *Organizational Expertise*.

- ☑ **Foster cross-sector leadership and planning** by bringing a range of health system, government and housing leaders to advisory, planning and governing boards.
- ☑ The recuperative care pilot started small and **built relationships with over time with community partners**.
- ☑ **Understand and build organizational capacity** to assume realistic responsibilities, while leveraging partners to align and assign gaps in expertise.
- ☑ The timeline for health and housing infrastructure development is long and **requires vision, collaboration and perseverance** from a range of community partners.
- ☑ The power of the collaboration encouraged a **re-examination of processes and resources to overcome barriers**, i.e., respite care, systems for referrals of vulnerable and high need population, and Medicaid to cover short and long-term housing support services.
- ☑ Partnerships need to identify and nurture mutually beneficial outcomes. **Track outcomes and share benefits** of the health and housing co-development to secure sustainable funding and identify opportunities for the next community partnership.

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CENTRAL CITY CONCERN
HOMES HEALTH JOBS

Thank you to Central City Concern and their community partners for the hard work to envision, create and sustain the Blackburn Center to serve the most vulnerable people in their community. Learn more about *Central City Concern* and their health and housing work.

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CSH

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