

Case Study

Health Center and Supportive Housing Capital Development Partnerships

St. Joseph's Mercy Care
Decatur Street Clinic and
McAuley Park Affordable
Housing in Atlanta, Georgia

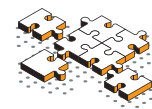
The COVID-19 pandemic has reinforced the value of community health and housing collaborations aimed at improving housing stability and quality of life for vulnerable populations. Increased demands for affordable and supportive housing combined with the need for more effective service coordination are fueling exploration of these health and housing collaborations.

- + How do community partners develop **shared vision and strategy** for successful co-located mixed-use developments?
- + What are the **roles in development** for health centers, and how do they assess capacity and growth opportunities?
- + 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?

Read the case study below to learn more about the key steps and decisions leading health centers and providers have made on their path to building new health and housing collaborations in their communities.



Building Common Vision and Strategy



Evolution of Partnership



Development and Financing



Lessons Learned



Mercy Care Meeting the Community Need for Quality Health Care and Housing

Decatur Street Clinic

THEN AND NOW: EVOLUTION OF A COMMUNITY HEALTH CARE CLINIC

The Decatur Street Clinic (“Clinic”), located at 424 Decatur Street in Atlanta, Georgia, is currently undergoing a massive expansion (the “Project”) in response to the community’s need for quality medical services, affordable housing and essential support services. The Sponsor, St. Joseph’s Mercy Care Services, Inc. (“Mercy Care”) built this health care clinic in 1985 to address the unmet and increasing health care needs of Atlanta’s Sweet Auburn neighborhood. In 2001, the Clinic underwent major renovations to create more space to treat its rising number of patients and modernize the facility. In 2009, Mercy Care utilized New Market Tax Credits (“NMTC”) to help finance another expansion and renovation to modernize the Clinic. Since inception, Mercy Care has had the vision to expand and respond to the growing and changing needs of its patient base.

In 2016, Mercy Care determined the Clinic once again needed more clinic space and wanted to also evaluate how providing for related community needs would positively benefit the community.

Mercy Care identified the three largest challenges:

1. Growing demand for behavioral health services;
2. Limited and outdated space, and;
3. Difficulty connecting patients to other services.

Mercy Care recognized that a larger, more modern facility could assist with reaching two of the three challenges and wanted to also explore the relationship between health and housing in a co-located space as a way to help connect community members and patients to housing, a non-medical service with a direct correlation to health outcomes.



St. Joseph’s/Mercy Care is one of the largest Federally Qualified Health Centers (FQHC) in Atlanta, and the only health center in the city designated as a Health Care for the Homeless provider. It consistently earns the annual *Clinical Quality Improvers* and *Enhancing Access to Care* awards from the Health Resources and Services Administration (HRSA) for the quality and extent of care administered. Mercy Care and affiliates are members of Atlanta’s Continuum of Care network focused on ending homelessness through collaboration.

POPULATION SERVED

The Clinic provides direct health services to some of Atlanta’s most vulnerable residents.

- + 90% below 200% Federal Poverty Guideline
- + 70% homeless
- + 86% ethnic minority
- + 77% are uninsured

Senior Housing

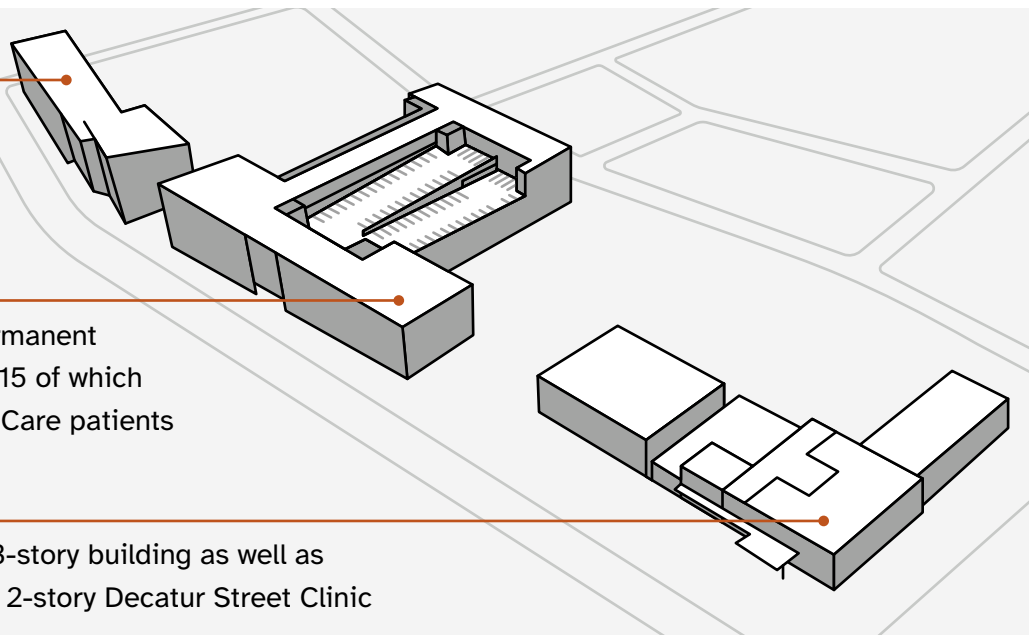
100 units of independent living affordable housing for residents age 62 and above

Family Housing

180 units, 36 of which are permanent supportive housing and 10 to 15 of which are respite housing for Mercy Care patients

Clinic (The Project)

Consists of the addition of a 3-story building as well as the renovation of the existing, 2-story Decatur Street Clinic



With the Decatur Clinic expansion, Mercy Care recognized a growing need for more affordable housing in the community as gentrification continued to drive rents higher. Mercy Care data revealed approximately 70% of patients seen at the Clinic were facing the challenges of homelessness. In addition to the renovation of the 37,000 sq. ft. existing health clinic, the plan included new construction of a 37,000 sq. ft. onsite medical office building, 171-unit affordable housing building for individuals and families (“Family Building”) as well as a 100-unit affordable housing building for seniors. Included in the family buildings are 30 supportive housing units and 10 medical respite care units. Thinking ahead, Mercy Care included additional space in the new building to allow for growth.

Mercy Care

A LONG-STANDING TRADITION OF CARE

Owned and operated by Mercy Care Services, the Clinic is part of a mixed-use development that intersects health care and housing; created from their vision of evaluating health with a holistic lens that included how living situations impact the physical health of individuals and families.

Mercy Care has a prominent presence in Atlanta that dates to Atlanta’s first hospital in 1880. Mercy Care was formed over a century ago after Sisters of Mercy founded Atlanta Hospital, Atlanta’s first hospital that was eventually renamed St. Joseph’s Hospital. When St. Joseph’s hospital decided to move out of downtown Atlanta, the Sisters of Mercy led a group of volunteer physicians and nurses to return downtown regularly to care for Atlanta’s population facing homelessness. Today, Mercy Care operates seven permanent health clinics, four dental clinics and four mobile coaches. It employs more than 200 staff and is a controlled entity of St. Joseph’s Health System, which is a mission health ministry of Trinity Health Corporation, a national Catholic health system.

Mercy Care completed a previous health and housing co-location development; partnering with Mercy Housing Southeast (unrelated) on the Mercy Park mixed-use development to construct the 45,000 square foot Chamblee Clinic (developed by Mercy Care) and 79 affordable senior housing units (developed by Mercy Housing Southeast).

SO MUCH MORE THAN A “TYPICAL” EXPANSION

The Decatur Street Clinic is a staple in Atlanta’s Sweet Auburn neighborhood addressing the community’s designation as a *Federally Designated Medically Underserved Area*¹ and Primary Care Health Shortage Area. The expansion of the existing medical clinic, construction of the new medical office building and inclusion of two new residential buildings addresses the needs of the community that Mercy Care serves. The existing medical building is located adjacent to MARTA’s King Memorial public transit station. The facility now includes four integrated hubs that feature exam rooms to support the comprehensive treatment of medical and behavioral health issues in one visit, as well as dedicated space for dental care, vision care, and educational programs. In this space, Mercy Care also offers case management through dedicated counseling offices to better address social determinants of health. This re-design and expansion address the challenges patients face navigating complex social service systems by bringing service providers on-site in a new resource center that will help address social determinants of health (e.g. workforce development, food access, benefits access, legal assistance). The second and third floors accommodate staff offices, telehealth and other administrative space and includes space for future growth.

The housing component of this development is unique and helps to solve for an affordable housing gap in the neighborhood. The housing buildings are utilizing Low Income Housing Tax Credits (LIHTC) to assist with the financing of the affordable housing units. Mercy Care is partnering with an experienced affordable housing developer and owner, Pennrose Properties to construct two affordable housing buildings to serve low-income seniors and family households (at or below 60% of Area Median Income (AMI)). One of the buildings—McAuley Park—is the north-facing neighbor of the Decatur Clinic and includes 170 units; including 30 supportive housing units for tenants in need of wrap around services. In addition, 10 medical respite care units are set aside for Mercy Care patients experiencing homelessness and requiring higher level of care. Collectively, these 40 units will be reserved for households at or below 30% AMI and will serve some of Atlanta’s most vulnerable. The adjacent 100-unit senior building is home to seniors also at or below 60% AMI. The close proximity to the Clinic helps alleviate transportation barriers to medical care for those living in the new affordable housing buildings.

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.

DECATUR STREET MEDICAL CLINIC EXPANSION

Renovation of Existing 37,000 Sq. Ft. Health Clinic

Four integrated primary care hubs to include exam and consult rooms for primary, behavioral and mental health as well as dedicated space for dental care, vision care and education programs.

New Construction of 37,000 Sq. Ft. Onsite Medical Office Building

Includes lobby, patient resource center, and clinical office space on the ground floor and staff, telehealth and other administrative space on the second and third floors to include space for future growth.

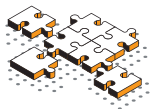


New Construction of 170 Affordable Family Housing Units

Inclusive of 30 supportive housing units and 10 medical respite units. Units will be leased to households at or below 60% AMI, with the supportive housing and respite units leased to households at or below 30% AMI.

New Construction of 100 Affordable Senior Housing Units

Units in this senior building will provide housing to seniors at or below 60% AMI.



Finding the Right Partnerships to Foster Community Benefit

Mercy Care is an active partner with Atlanta Regional Collaborative Health Initiative (ARCHI)² focused on finding collaborative solutions for health care needs across several counties in the region. With 70% of Mercy Care's clientele experiencing homelessness and the continued increase of rents in the neighborhood, it was clear to internal and external leadership that a housing component would strongly benefit the community. It was also clear that the expertise of a housing developer was needed to execute the vision of health and housing co-development. Mercy Care drafted and released a comprehensive request for qualifications (RFQ) seeking a housing development partner and was able to attract Pennrose Properties, an experienced affordable housing developer with a national reputation for creating quality housing. Pennrose has successfully completed over 350 developments with more than

27,000 rental units and oversight of \$5 billion in total development costs. While Pennrose is a national housing development company, they understand the value of local partnership. The majority of their projects are developed through local partnerships with housing authorities, community development corporations and community and neighborhood organizations.

The Decatur Street clinic expansion allows Mercy Care to grow all its programs and to increase its patient base at the existing Clinic by 50% from 6,100 to 9,000, and patient visits served from 26,500 to 57,100 each year. After completion, the size of the clinic will be doubled, adding four new exam rooms (16 total), 12 new behavioral health/counseling rooms (17 total) and five new dental chairs (11 total) and provides for additional space to grow with the needs of the community.

PROVIDING QUALITY JOBS

In 2023, the Department of Health and Human Service set the federal poverty level at \$30,000 for a family of four. That is equivalent to about \$14.42 per hour for a full-time worker. A living wage must at least be greater than the poverty level.

The federal minimum wage and Georgia's minimum wage is \$7.25 per hour. A full-time worker making the minimum wage of \$7.25 per hour would be well below the poverty line at \$15,080 annually. A household of four would need two people working minimum wage jobs to barely raise above the poverty line.



This Project is creating high quality jobs with 100% of employees earning a Living Wage. For employees with less than a 4-year degree, the average wage is \$21.35/hour, which is 1.6x the Living Wage. In addition to Living Wages, 100% of employees have access to a comprehensive benefits package offering discounted rates for adoption of healthy behaviors, tuition reimbursement program, and discounted high-quality legal representation. Employees are also given the opportunity to be trained in Mental Health First Aid, Youth Mental Health First Aid, Patient Experience and Clinical training (CME).



Development and Financing Nuts and Bolts

While the housing and health developments occupy adjacent sites, the ownership of each use is held separately by the partners. Penrose Properties is operating partner with investors in the housing developments. For the Decatur Clinic expansion, a Mercy Care entity partnered with Truist Community Capital LLC (formerly SunTrust) as the investor in the NMTC. Truist was formed in 2019 as a result of a merger between SunTrust and BB&T and, as a Community Development Entity (CDE), has received more than ten rounds of NMTC allocations.

Financing health and housing developments can be a challenge and require a long lead time to align the concept, feasibility, financing, and actual development phases. All funding resources bring requirements of varying complexities including proposed use, who has access and benefits, and the duration of use. For the housing component, developers must establish capital, operating and service budgets and secure financing to cover those budgets. Capital funding is generally tied to the bricks and mortar of the building as well as the soft costs related to the construction and are needed during the construction of the building. **Operating financing** provides financial security for the ongoing costs associated with the long-term operations of the building. **Service financing** is sought to finance the cost of ongoing social services to tenants and is generally a cost seen in buildings with supportive housing units.



The decisions considerations for ownership include:

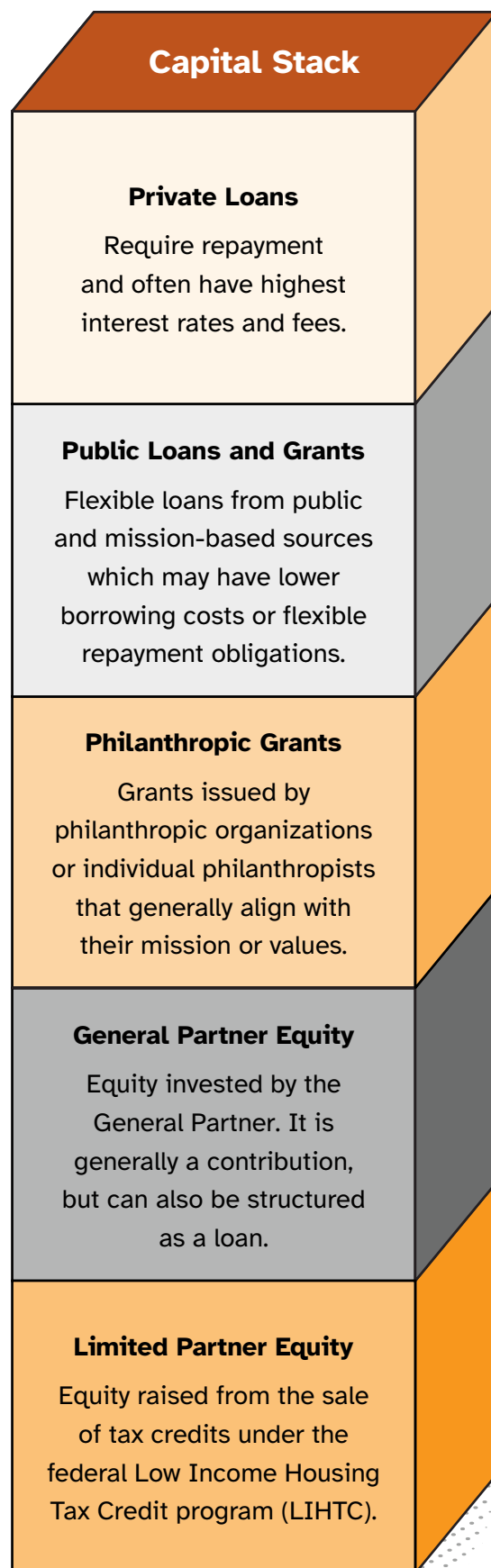
- + **Single Purpose Entity:** This model of ownership isolates the assets (the property) under a separate entity created specifically for ownership of the property. This structure will limit the risk and liabilities of the new development from the organization's other properties, programs, and financial assets. If there is a flood at one property, or the delayed lease-up of a property causes an operating deficit, the organizations' other properties are protected.
- + **Partnership (aka Joint Venture, Limited):** In a partnership model the primary entity responsible for the property development and operations enters into 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 managing or operating entity with the investor 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:** This ownership structure will divide the ownership for the respective uses of the property to different ownership entities/partnerships. Often this type of funding structure is necessitated by funders only able to invest in one of the property uses; program partners wanting to 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 enabling the right to build on the land to another entity for a purpose they support.

CAPITAL BUDGET

Private, public and philanthropic funding sources are the most common in a project’s “capital stack”. Capital funding is generally competitive and awarded through an application process or competitive funding round. Since each source comes with its own set of funding requirements, a capital stack layers different types of financing to allow for different rent and income restrictions, populations served and other project characteristics. Legal documents, such as Regulatory Agreements, define these requirements, and are recorded on the property for a specified number of years.

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 Decatur Street Health Clinic Expansion highlights key resources and relationships unique and necessary to carry out a development integrating housing and health. Since the earlier Decatur Street Health Clinic utilized the New Market Tax Credit Program on the previous expansion, Mercy Care turned to this known source again, and was able to utilize a new allocation of NMTC.

The Clinic was funded with a mix of public, private and philanthropic funding, as well as New Market Tax Credits while the family housing was funded with a mix of private and public funds and Low Income Housing Tax Credits. This capital stack of funding sources allowed for a wide range of flexibility. Each component of this project have separate ownership structures created as single purpose entities established for the sole purpose of owning one property. Each partnership is responsible for either the health or housing component. An added element in the ownership structure, which is not uncommon, is that a Mercy affiliate (Mercy Services Downtown, Inc) owns the land and air rights at the site of the Project and the health partnership will lease the right to build and operate on the land through a ground lease. Mercy Services Downtown, Inc, entered into a triple net Master Lease with Mercy Care, which means all operating costs are passed on to Mercy Care, such as utilities, taxes and insurance.



Health: NMTC Health Clinic Renovation and Expansion

Use: Primary health, behavioral health, mental health, vision center, dental care, full scale pharmacy, office space, patient resource center, telehealth offices

| Sources | | Uses | |
|--------------------------------|---------------------|--|---------------------|
| Permanent Debt | \$9,611,047 | Acquisition | \$1,249,846 |
| St. Joseph's Health Investment | \$2,978,449 | Hard Construction Contract/ Site Work | \$15,145,740 |
| NMTC Equity (Net) | \$5,960,800 | Furniture and Equipment | \$1,683,263 |
| Developer Contributions | \$1,526,965 | Soft Costs and Sponsor Contingency | \$3,546,616 |
| Developer Cash | \$2,889,704 | Reserves and Closing Costs | \$1,341,500 |
| Total Health Financing | \$22,966,965 | Total Housing Financing | \$22,966,965 |

Housing: Family and Supportive Housing

Use: Affordable and Supportive Housing

| Sources | | Uses | |
|--|---------------------|--|---------------------|
| St. Joseph's Affiliates Health Investment | \$8,400,000 | Acquisition | \$1,700,000 |
| LIHTC Equity | \$30,000,000 | Hard Construction Contract/ Site Work | \$37,000,000 |
| Soft Loans and Grants | \$12,100,000 | Soft Costs and Contingency | \$10,000,000 |
| | | Reserves and Fees | \$1,800,000 |
| Total Health Financing | \$50,500,000 | Total Housing Financing | \$50,500,000 |

FUNDING OPERATIONS

Operating funding is vital for health clinics as well as low-income housing developments. Like the Capital Budget discussion, each component—housing and health—at the sites maintains its own operating budget including income and expenditures. To be able to offer rent levels affordable for extremely low and very low income levels, rental assistance subsidies are needed to bridge the gap between fair market rents and the amount an extremely low and very low income household pays for rent.

For the Clinic, the primary source of operating revenue is grant funding (mostly from Health Resource and Services Administration—HRSA), contributions and operating support from St. Joseph’s Health System and Mercy Care Foundation along with patient volume-driven revenues.

Service costs at both the health and housing components of the Decatur Health Clinic are paid for by a combination of reimbursements from Medicaid and other insurance providers, annual grants from state, local and philanthropic partners, and HRSA resources available to Mercy Care as an FQHC and healthcare for the homeless health center.



Lessons Learned from Mercy Care’s Decatur Street Clinic and McAuley Park Housing

- ☑ **Build Your Team:** Seek experienced professionals to assist with the complexities of the development and include leadership from a wide range of health system, government and housing leaders to advisory, planning and governing boards.
- ☑ **Keep It Real:** Understand and build organizational capacity to assume realistic responsibilities, while leveraging partners to align and assign gaps in expertise.
- ☑ **Have Patience:** The timeline for health and housing infrastructure development is long and requires vision, collaboration and perseverance from a range of community partners.
- ☑ **Be Adaptable:** While every development starts with a plan, the team must be flexible and able to adapt and troubleshoot when challenges arise.

Community Health Centers bring three vital elements to successful health and housing facility partnerships: Connections in the Community, Health Service Program Knowledge, and Organizational Expertise.

According to the U.S. Department of Housing and Urban Development (HUD) metrics for income, the Area Median Income (AMI) for Atlanta in 2022 was \$96,400 for a family of four. Units set aside for one person household with incomes at 50% of AMI would try to reach households earning at or below \$20,250, and one person households at 30% of AMI would have incomes no greater than \$20,250. HUD defines affordable when tenants pay no more than 30% are gross income for housing costs. For a single person household with 30% AMI and \$20,250 income—rents would have to be no greater than \$506 per month. A key point of comparison is the standard Social Security Disability Income (SSDI) income in 2022 was \$841 month. Using the same 30% affordability calculation, a person earning SSDI only could 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.

Acknowledgments

Thank you to the development partners bringing the Decatur Street Clinic and McAuley Park housing to fruition:



MERCY CARE

Hope in Healing—Mercy Care

LEARN MORE AT [MERCYATLANTA.ORG](https://mercyatlanta.org).



CSH, the Corporation for Supportive Housing, is the national leader in supportive housing, focusing it on person-centered growth, recovery, and success that contributes to the health and wellbeing of the entire community. Our greatest asset is our team. From our Board of Directors to staff, we work every day to build healthier people and communities. Through our consulting, training, policy, and lending, we advance innovation and help create quality supportive housing. Our hub offices drive initiatives in 48 states and more than 300 communities, where CSH investments create thousands of homes and generate billions of dollars in economic activity.

FOR MORE INFORMATION, VISIT [CSH.ORG](https://csh.org).

Endnotes

- 1 <https://bhw.hrsa.gov/workforce-shortage-areas/shortage-designation/>
- 2 <https://archicollaborative.org/>

This publication is supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) as part of an award totaling \$137,500 with 0 percentage financed with non-governmental sources. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement by, HRSA, HHS, or the U.S. Government. For more information, please visit [HRSA.gov](https://hrsa.gov).

