



## Case Study

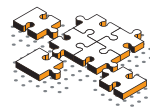
# Health Center and Supportive Housing Capital Development Partnerships

## Denver Health and Housing Partners Lead a National Trend

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.

- + 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 the Denver Housing Authority and Denver Health and Hospital Authority made on their path to building new health and housing co-developments in their community.



### Evolution of Partnership



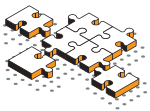
### Building Common Vision and Strategy



### Financing and Development



### Lessons Learned



## Evolution of a Cross-Sector Health and Housing Partnership in Denver

Community service organizations in Denver, Colorado have a long history of advancing collaborative initiatives to address the needs of vulnerable populations in their communities. *The Denver Supportive Housing Social Impact Bond Initiative*<sup>1</sup> announced in 2016 provided *significant positive outcomes*<sup>2</sup> that encouraged a wide range of community partners to explore and expand cross-sector partnerships in health and housing. The Denver Housing Authority and Denver Health and Hospital Authority recognized the value of working collaboratively with community partners to coordinate services for the most vulnerable populations in the City. The synergy between these two agencies is evidenced in one recent co-located housing and health service center and continues to grow with additional initiatives designed to address ongoing needs of the shared population.

*Image courtesy of Denver Housing Authority.*



**Housing Authority of the City and County of Denver (Denver Housing Authority/DHA)** is a state authorized quasi-municipal agency administering a range of federal, state, and local programs to create and maintain affordable housing in the Denver region. DHA operates the federal housing choice voucher rental assistance program and also owns and manages a number of multi-family residential properties leased to low-income residents. DHA has also, through an affiliate entity, assumed the role as developer of privately owned and subsidized affordable and supportive housing. Overall, across its portfolio of programs, DHA provides over 13,000 units of affordable housing for over 26,000 people.

**Denver Health and Hospital Authority (Denver Health)** is a state authorized public-private agency operating a range of health-related programs including the City's safety net hospital and urgent care provider, providing direct public health education and services in community clinics, school clinics, and bringing vital health services into jails. Denver Health provides health services for *nearly 25% of the population to meet their healthcare needs*.<sup>3</sup> An affiliate entity of Denver Health is also the health insurance administrator of Medicaid, Children's Health, and Medicare (Denver Health Medical Plan) serving eligible members include lower income, elderly and populations with disabilities in the region.

## Focus on Three Health and Housing Partnerships

**Vida @ Sloan's Lake** showcases a health and housing collaboration for these two organizations, although their partnership wasn't planned from the start. DHA planned the redevelopment of a former hospital to create 175 1-bedroom apartments serving a mix of low-income elderly and residents with disabling conditions. The first-floor space was designated for community and health services including a resident gym, senior center and community rooms, a health center clinic and dialysis center. DHA supports rent affordability for the 175 housing units utilizing public housing resources and project-based rental assistance. Denver Health joined the collaboration near the end of construction when the initial health center decided it would not utilize the service space. Health services for both residents and the broader community provided at the site include primary, family, and maternal, and behavioral health services. Clinical laboratory and telehealth services also available increasing access for the broader community.

### **The Outpatient Medical Center (OMC)**

brings health services to an underserved community in Denver. The new 293,000 square foot facility doubles the current space in the community for outpatient primary and specialty health services and adds convenient access for pharmacy services at the same location. This site also creates space to expand behavioral and mental health services, oral health, physical therapy, and outpatient surgical procedures. The larger facility also enables Denver Health to consolidate services at the site creating more efficient access for patients and frees up capacity at other locations to expand services.



## Finding the Common Vision and Strategy

These health and housing collaborations advance a community vision to expand housing stability for a range of households (affordable, elderly, recuperative) and access to health services for an underserved community. This common vision incorporates perspectives from different partners and enlists support from champions within the agencies and in the community. In Denver, the partners also prioritized review and coordination of existing protocols to coordinate health services and create efficient referrals into and between the housing.

### **HOUSING PERSPECTIVE**

DHA brings expertise and understanding of the gaps in the affordable housing market and the components necessary to build and sustain quality housing. The [\*2022-2027 Strategic Plan for DHA\*](#)<sup>4</sup> highlights the organization's goals to engage communities in solutions to address the gap in housing affordability, effectively allocate and leverage resources, strengthen sustainable services to promote quality of life and empowerment for residents.

#### **The reoccurring themes throughout the plan emphasize:**

1. Using data to understand need, inform decisions, and track effectiveness, and;
2. Seek innovative opportunities to address needs through community partnerships.

### **HEALTH PERSPECTIVE**

In its multiple roles as service provider and health plan administrator, Denver Health brings perspective on how population health needs are impacted by social determinants of health. The organization recognizes the limits of providing healthcare solely within the clinic or hospital setting, and advocates leverage and align multiple systems for improved health outcomes.

Data analysis such as emergency and other health care costs for uninsured patients, rates of hospital readmittance for vulnerable and housing insecure populations, and bed shortages for acute care are all factors that informed their decisions to invest in collaborative strategies that address root causes and gaps in the existing systems. The organization enlisted internal leadership support by demonstrating to both clinical and financial teams the benefits of stabilized housing for their patients.

**“Cost to house someone for one year with rental subsidies is less than the cost for additional days in the hospital.”**

#### **VIDA @ SLOAN’S LAKE**

The rehabilitation of the abandoned hospital campus is a critical component of a larger redevelopment plan for Denver’s west side. The community development plans prioritized re-establishing critical primary medical care services in this underserved neighborhood, while expanding affordable housing capacity for the city as a whole. DHA continues their sponsorship and participation with partners and residents in the community planning efforts as part of West Denver Community and Leadership Committees. The co-location of housing and services at the location aligned with Denver Health’s own planning efforts to expand their service capacity at neighborhood clinics. Discussions between the partners identified the common clients and set the stage for important referral and housing navigation collaboration.

The partners continue to collaborate to design the housing and health service mix at other locations to be both efficient and meet the needs of residents and community. Significant for the community is to include housing for persons with immediate or chronic illnesses and who are unsafe to be discharged to self-care or back onto the streets. The Denver partners value the benefit of this type of recuperative care housing units based on prior positive outcomes at another health and housing partnership at *Renaissance Legacy Lofts and Stout Street Clinic*<sup>5</sup> with the Colorado Coalition for the Homeless.

#### **OUTPATIENT SERVICE CENTER**

While the Outpatient Service Center does not include housing specifically, the service program components developed at the site grew out of data results and broader community planning to address existing barriers to health access for individuals and households facing housing instability.





## Financing and Development Nuts and Bolts

### KEY ROLES IN THE HEALTH AND HOUSING PARTNERSHIP

All capital development projects whether for single purpose or mixed-use require clear assignment of roles and responsibilities.

#### The typical roles in a co-located 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

From a health provider’s perspective, it is important to identify a partner that brings housing development and property operations expertise—whether it is a for-profit or non-profit or public housing authority. Compliance with housing regulatory standards and property management like rent collection and tenancy support services are very different than the expertise of health providers in operations of clinics or even hospitals. In all co-located developments that include affordable housing, the public housing authority is a key partner based on their ability to bring the rental subsidies to assure affordability for lower income tenants and viability for the operations.

DHA brings expertise in development, financing, and management of units of affordable housing. With this background the agency was able to step into several key roles – owner, developer, property manager for Vida @ Sloan’s Lake. In addition, DHA has staff engage with residents to coordinate and provide connections to wide range of services in the community to advance resident empowerment, economic opportunity, and general quality of life. Service coordination is also prioritized as Denver Health and DHA agreed to incorporate health service coordination and housing navigation respectively into their staffing and operations to address identified barriers experienced by their shared clientele.

A Memorandum of Understanding (MOU) between partners is important to clearly delineate roles and responsibilities. A single entity like DHA, with broad expertise may fill one or more roles, but will still need to clearly outline responsibilities and accountability within each role. Key steps are missed when roles are muddled, or assignment of tasks are not explicit. MOUs with external partners and even between internal departments is an opportunity to define goals, outcomes, roles responsibilities, communications, and processes.

### FUNDING SOURCES FOR CO-LOCATED DEVELOPMENT

Financing co-located health and housing developments is always complex and requires a long lead time to align the concept with financing and actual development. Implementing these three health and housing developments required significant staff capacity at each of the organizations to execute the financing and development.

#### **There are three types of budgets necessary for the development of affordable and supportive housing:**

- 1. Capital Budget:** The “bricks and mortar”.
- 2. Operating Budget:** Daily operations sustained for the intended life of the building.
- 3. Services Budget:** Costs necessary to bring in and deliver wide range of services.

The capital financing of affordable and supportive housing often follows a familiar path of funding resources that include private, public, and philanthropic sources.

**For larger developments of 50+ housing units the ‘layered financing’ will typically include:**

- + **Loan:** From a private financial institution with requirements for repayment.
- + **Flexible Loan:** From public and mission-based sources; may have lower interest rate or reduced repayment obligations.
- + **Philanthropic and/or Government Grants:** Must be applied for specific use.
- + **Tax Credit Equity:** Funding from investors under the federal Low Income Housing Tax Credit Program (LIHTC) or New Markets Tax Credit Program (NMTC).

All these funding sources will mandate eligibility and use restrictions which often dictate establishing services and occupancy for specific income levels and sub-populations, for a set period of time. The health and housing partners must understand how these requirements from funding sources intersect and impact the proposed development, population to be served and duration of ongoing operations.

In mixed-use developments with both service and residential components funding resources may be invested to cover costs of the respective use (residential/services). The federal LIHTC Program provides financing residential development and NMTC, another federal tax incentivized program specifically dedicates investments for projects that advance economic development in “distressed communities.” These tax credit programs were utilized in the Denver co-developments to leverage private investments to complete these mission driven activities.

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 real estate and are utilized as an alternative to direct grants or loans. The investor receives a financial benefit (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. Private corporations invest funding to build the housing in exchange for the reduction in their federal tax liability. The New Markets Tax (NMTC) Credit Program incentivizes investment in developments that **promote economic development** and growth in underserved communities. These two programs are key resources that finance most developments that include either/ both health and housing uses.



## UNDERSTANDING OWNERSHIP STRUCTURE AND WHY IT'S IMPORTANT

The owner of the real estate development has ultimate responsibility for the physical condition and operations for the life of the property. How ownership of a property is structured is influenced by a variety of factors including expertise and organizational capacity and risk, representation in the community, and financial benefits and liabilities. DHA is the primary entity in ownership for Vida @ Sloan's Lake. The service providers operating in the commercial service space are tenants leasing space from DHA ownership. The actual ownership of the properties is held in partnership with an affiliate of DHA and the financial investment partners. DHA holds a ground lease on the property to assure long-term use as affordable housing. Extensive legal consultation is necessary to determine the most secure and financially feasible ownership structure.

Similarly for the Outpatient Medical Building, Denver Health is the primary owner of the property in partnership with investment partners.

### Forms of Ownership:

- + **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.

## FINANCING SNAPSHOTS

## Vida @ Sloan's Lake, Denver CO

Health:	
<b>Use:</b> Primary health, dialysis, recreation, and senior services	
<b>Ownership:</b> DHA affiliate is a QALICB Owner <sup>1,2</sup>	
Leveraged Loan <sup>3</sup>	\$7.8M
NMTC Equity	\$3.7M
DHA Equity	\$0.4M
<b>Total Health Financing</b>	<b>\$11.9M</b>

Housing:	
<b>Use:</b> 175 units for seniors and disabilities	
<b>Ownership:</b> DHA affiliate is Owner for housing	
Private Loan	\$7.0M
LIHTC Equity	\$29.0M
Government Loans	\$4.9M
Other (Program Funds/Deferred Developer Fee)	\$10.6M
<b>Total Housing Financing</b>	<b>\$51.5M</b>

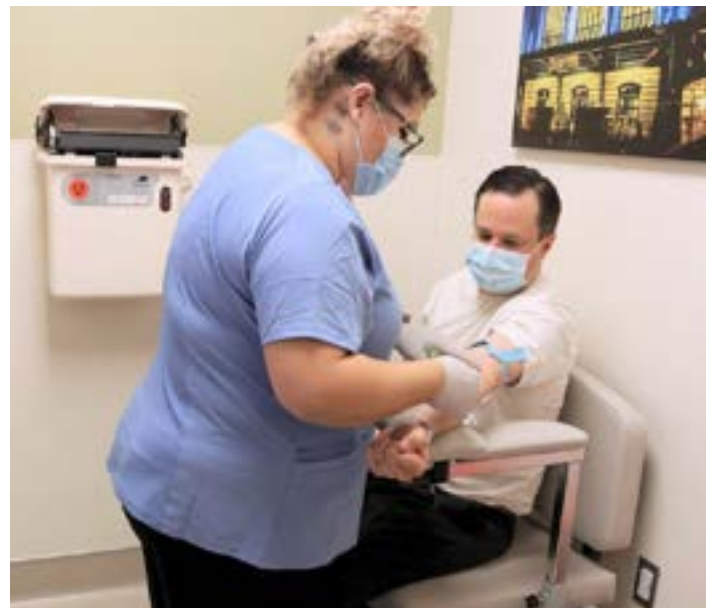
**1** Qualified Active Low Income Community Business is the partnership structure for NMTC developments.

**2** DHA holds a 99-year ground lease on the property to assure ongoing use for housing.

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

## Denver Health and Hospital Outpatient Medical Center

Health:	
<b>Use:</b> Primary health, pharmacy, outpatient specialty clinic, café	
<b>Ownership:</b> Denver Health affiliate is a QALICB Owner <sup>4</sup>	
Leveraged Loan <sup>5</sup>	\$17.2M
NMTC Equity	\$8.0M
Sponsor Equity <sup>6</sup>	\$92.4M
FF & E/IT <sup>**</sup>	\$48.1M
Other Use Funding	\$0.5M
<b>Total Health Financing</b>	<b>\$166.2M</b>



**4** Qualified Active Low Income Community Business is the partnership structure for NMTC developments

**5** DHA holds a 99-year ground lease on the property to assure ongoing use for housing.

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

**\*\*** Campaign, DHHA Board Designated Funds



## FUNDING OPERATIONS AND SERVICES AT THE DHA/DENVER HEALTH CO-DEVELOPMENT LOCATIONS

Similar to the Capital Budget discussions each component use of the mixed-use health and housing partnership development 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 (30% of income) and the rents on the apartments. DHA brings rental or operating assistance for all housing units in their properties. Often health partners will provide support for operating costs for recuperative care units to transition individuals from hospital care to housing in the community. The service providers as tenants in each of the buildings are responsible for paying rent and for the operating costs to deliver the services.



## Lessons Learned from Denver's Health and Housing Partnerships

- ☑ **Development Timeline:** Development takes time. The timeline for each of these developments realistically was 3-5 years from concept to financing to construction and then operations. Recognizing both time and staff commitment is essential.
- ☑ **Organizational Capacity:** Know your organizational capacity. Select the areas of growth for the organization that builds on existing expertise, while addressing gaps in the broader community. Work with partners, identify complementary roles.
- ☑ **Memorandum of Agreement:** Document decisions and agreements between all partners to clarify roles and obligations, and also to track progress. Both Denver Health and DHA had leadership changes during this time period, and the documentation of the agreements was important to assure continued commitment.
- ☑ **Address Process Inefficiencies:** Maximize partnerships to go beyond the bricks and mortar of new facilities. Look to cross-sector partnerships to adapt processes that create broader systemic change. For example, Denver Health has developed an electronic referral program to connect patients to much needed specialty care services. The electronic referral program is able to identify and address multiple challenges faced by vulnerable populations—inadequate insurance, limited transportation between health service sites, and electronic communications of records for providers to stay current of patient's health progress.

Co-located health and housing developments go a long way to expanding a community's infrastructure. Yes, they can be complex, however when approached with community partners that bring industry expertise, knowledge of the community they serve, and incentive to invest to collectively expand opportunity for the community.



## Read More About Our Denver Health and Housing Partners

Thank you to the Denver Housing Authority and Denver Health and Hospital Authority for the hard work to envision, create and sustain the health and housing partnerships to serve the most vulnerable people in their community.

**Learn more about these partners:**



**Denver Housing Authority**

**DENVERHOUSING.ORG**



**Denver Health and Hospital Authority**

**DENVERHEALTH.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.**

### Endnotes

- 1 <https://www.csh.org/resources/frequent-users-system-engagement-fuse-case-study-denver-supportive-housing-social-impact-bond-initiative>
- 2 <https://pfs.urban.org/pfs-project-fact-sheets/content/denver-social-impact-bond-program>
- 3 <https://www.denverhealth.org/about-denver-health>
- 4 <https://acrobat.adobe.com/link/track?uri=urn%3Aaaid%3Aascds%3AUS%3Aee25a1e1-f145-3f75-b972-63a5c097cb21>
- 5 <https://www.coloradocoalition.org/sites/default/files/2021-02/Legacy%20Lofts%20Groundbreaking%20One%20Pager.pdf>

*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.*