FUNDING & FINANCING STRATEGIES
FOR HEALTH & HOUSING

ChangeLab Solutions

One of the most effective ways for public housing authorities, public health departments, and hospitals to support strong health and housing initiatives is to partner with each other and work together to leverage their combined financial resources.

Understanding how each institution is funded and what resources they can bring to the table is an essential step for practitioners who are beginning to work together. (For more information on the specific roles each institution can play in developing health and housing initiatives, see the introduction to The Health & Housing Starter Kit.)

This Building Block outlines the funding and financing context for each institution's health and housing work and identifies strategies that each institution can use to invest in health and housing work.

Clarifying Terms

- **Funding vs. Financing**

  Housing and community development initiatives are paid for through a combination of *funding*, which is money that is not expected to be repaid, such as grants, and *financing*, which is money that does need to be repaid, such as loans or bonds.[1]

- **Housing Development vs. Community Development**

  Housing development focuses on the creation, management, and rehabilitation of housing, whether publicly owned, publicly subsidized, or market rate. Community development includes housing but encompasses a much wider range of activities aimed broadly at improving residents' quality of life, such as creation of child care centers, schools, grocery stores, small businesses, and transit-oriented development.[2, 3, 4]

- **Community Investment**

  Community investment refers to financial investments intended to achieve social and environmental benefits in situations where conventional finance activity (eg, market rate lending by banks) does not fully meet community needs. Community investment is often described as a practice that works around (or against) the conventional finance system. By targeting places, people, and issues where conventional financial tools are either absent or failing, community investment plays the role of filling gaps (operating where markets aren't working), providing cushions (absorbing risk that others won't bear), and taking "haircuts" (accepting lower returns than market rates).[5]

How Do Institutions Fund Their Health and Housing Initiatives?

Public Health Departments

How Are Public Health Departments Funded?

Public health departments receive both general operational funding and categorical grants through a mix of federal, state, and local dollars. Federal grants that support both general operational and categorical funds are issued by Congress and passed through various federal agencies – such as the Department of Agriculture, the Centers for Disease Control and Prevention, and the Health Resources and Services Administration – to the states, which in turn may pass the funds down to local public health departments. These grants are generally dedicated for specific programmatic purposes (traditionally disease prevention) and are subject to strict limits.[6, 7, 8] State and local funding generally supplements federal funding, particularly for areas not covered by federal categorical funding streams. States often allocate their own set of categorical grants. State and local public health funding varies dramatically based on the structure of a state's public health department. In some states, the state departments play a prominent role at the local level; in others, local departments are primary actors at the city or county level.[9, 10, 11]

Funding Challenges for Public Health Departments

Most public health departments are funded by federal money that is funneled through state contracts and competitive grants. However, the latest data show that federal expenditures for public health are only a tiny percentage (2.4%) of the federal health budget. Most federal dollars go to health care services.[12]

Core federal funding for disease prevention and health promotion programs has declined by around $580 million since 2010, and cuts to federal funds have not been offset by increases to state and local funding.[13] The categorical funding provided by state and federal partners also tends to be largely focused on individual care programs and activities, such as the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), the funds from which cannot be used by public health departments for health and housing or other prevention needs. To meet community demand for existing programs and to implement additional prevention interventions, local governments often have to supplement federal and state funding with their own general fund resources or leave local public health departments to secure outside resources on their own.[14]

Overcoming Public Health Department Funding Challenges

While health departments generally don't have funds explicitly set aside to pay for health and housing initiatives, they can still participate in and support this work. Here are some ways that public health departments can overcome funding challenges:

- Integrate housing strategies across categorical programs – for example, by coupling housing code enforcement programs that address hazards like mold or lead with in-home nursing or asthma programs
- Seek grants from housing and advocacy funders to support their efforts
- In California, integrate housing work into their Whole Person Care pilot programs, which aim to coordinate health, behavioral health, and social services, with the goal of improving health and well-being through more efficient and effective use of resources.[15, 46]

Additionally, public health departments can provide valuable services for partners, such as conducting health impact assessments for proposed developments or partnering with public housing departments to provide on-site health services. Contracting with public health departments both helps grow and sustain their work and provides an opportunity to deepen fruitful partnerships.

Public Housing Authorities

How Are Public Housing Authorities Funded?

Although public housing authorities have seen significant cuts in federal funding since the 1990s, federal grants remain their primary source of funding. This funding plays a central role in constructing and maintaining public housing and administering the Housing Choice Voucher Program (commonly referred to as Section 8). Federal housing programs have historically put strict limits on how public housing funding can be spent, often by targeting specific demographic groups, such as housing for the elderly or for people with disabilities. However, some grant programs, such as the Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program and Community Development Block Grant program, provide housing authorities with more flexibility. For example, they can be used to fund the development of subsidized rental housing or to bring homeownership costs down to levels affordable to low-income households. These programs may also allow housing authorities to design initiatives that support health and housing.

Funding Challenges for Public Housing Authorities

Public housing authorities face many challenges in expanding their mission to include healthy housing initiatives. These challenges can be divided into the following broad categories:

- **Limited staffing.** Research by the Council of Large Public Housing Authorities (CLPHA) found that of the 70 largest public housing authorities in the United States, only 5 employ a dedicated health-focused staffer.[16] As such, public housing authorities often rely on partners to develop and administer healthy housing initiatives. Lack of staff also limits public housing authorities' ability to pursue healthy housing grant opportunities.
- **Limited and restricted funding.** Affordable housing is primarily funded through federal grants, with the majority dedicated to rental assistance programs (such as housing choice vouchers), which severely limits how they spend their funds. Further, the federal government has largely stopped funding the construction of new public housing and has curtailed funding for rehabilitation, preservation, and maintenance of existing public housing. Flexible funding sources for health and housing initiatives, such as the Rental Assistance Demonstration program and the HOME Investment Partnerships Program, make up a small portion of funds available to housing authorities.[17] Moreover, they are often subject to a competitive process that favors housing authorities with greater capacity.

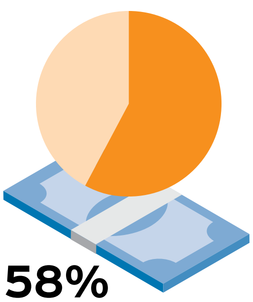
Because public housing authorities serve a diverse set of communities with a wide array of health needs, limited funding often means that public housing authorities are forced to focus their health and housing efforts on singular health problems, even when a more holistic or comprehensive approach could be more effective. Some housing authorities use their limited resources to focus on specific conditions (eg, obesity, diabetes, asthma), while others target specific age groups (eg, programs to support elder health).

Overcoming Public Housing Authority Funding Challenges

Lacking a dedicated funding source for their health and housing initiatives, public housing authorities have had to creatively piece together funding from a variety of sources to pay for health and housing initiatives targeting specific populations (eg, seniors, Medicare/Medicaid enrollees, and people with physical disabilities) and specific health conditions and behaviors (eg, preventive health, medical conditions, substance use disorders, and behavioral health conditions).[18] A recent survey of 178 public housing authorities in the United States by CLPHA found that housing authorities use the funding sources shown below to support their health and housing work.[8]

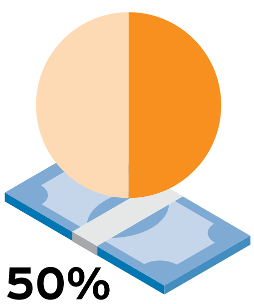
Other sources of funding for health and housing initiatives reported by the 69 largest public housing authorities include community development corporations/organizations (17%), local or federal government grants (6%), and alternative funding models, such as social impact bonds or other non-traditional financing (3%).[16]

In addition to assembling funds from multiple sources to pay for health and housing work directly, some public housing authorities have taken other creative steps to expand their reach. For example, some housing authorities are working to improve community health and expand access to affordable housing by incorporating nonprofit subsidiaries.[16, 19, 20, 21] These subsidiaries allow housing authorities to access new sources of grant funding to develop affordable housing separate from their core work of developing and managing existing public housing.[19, 20, 21] Other housing authorities have used their primary asset – physical space – to improve resident health by bringing in partner organizations to provide services ranging from immunizations to early childhood education.[22]



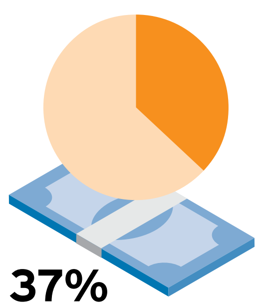
58%

of respondents used their own funds



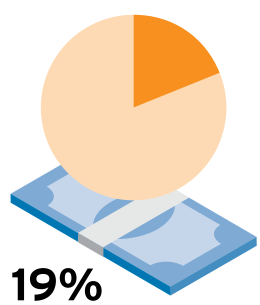
50%

worked with nonprofit partners who provided financial or in-kind contributions



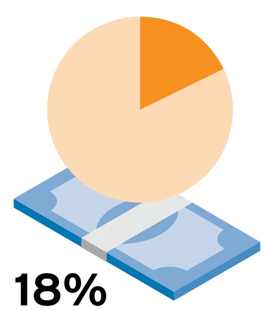
37%

received funding from hospitals and other health care service providers (including providers of social services, particularly elder services)



19%

received funding from private-sector partners (eg, Medicaid managed care)



18%

received foundation funding

Public Housing Authorities Health & Housing Funding Strategies

Data Source: Council of Large Public Housing Authorities

Finally, some housing authorities have achieved important health gains and found more flexibility to expand their health and housing work by leveraging HUD's Moving to Work program, which is exempt from many public housing and voucher rules. Additionally, this program allows housing authorities to combine federal operating, capital, and Housing Choice Voucher funds and to use them interchangeably.[23] With this increased financial flexibility, a Moving to Work–designated housing authority could begin investing in a variety of health and housing strategies – for example, using funds from a block grant to replace decaying and unhealthy public housing with new mixed-income communities; increasing the percentage of project-based vouchers given out, in order to bring more affordable housing to tight housing markets; or improving housing access for special needs populations through the use of provider-based vouchers paired with supportive services.[24, 25, 26]

Hospitals

Unlike public health departments and housing authorities, which are government agencies, hospitals, including nonprofit hospitals, are private businesses. They have a different set of resources, incentives, and constraints. This guide primarily focuses on nonprofit hospitals, as they are obligated to invest and engage in activities that benefit their communities in exchange for their tax-exempt status, in addition to providing direct health care services.[27, 28]

What Role Can Hospitals Play in Health and Housing Initiatives?

As part of their mandate to provide community benefit and in an effort to adapt to changing financial incentives, some hospitals and health systems have begun experimenting with a broad range of community development strategies to advance health and wellness. Some are supporting data collection and analysis, coordinating community health needs assessments,[47, 48] lending real estate expertise, providing land, or leveraging their reputation and relationships to advance projects.[5] Hospitals have also invested in community development programs such as housing rehabilitation, services for people reentering the community from prison, youth employment programs, and financial services. (For more information on how one hospital supported a broad portfolio of community development activities, see the Bon Secours Hospital Case Study in The Health & Housing Starter Kit.)

In the last few years, hospitals and health systems have increasingly been seen as important investors in healthy housing efforts. Initiatives vary widely, depending on their goals. Hospitals have located health clinics in public housing,[29] built and operated supportive housing,[30] and designed programs that provide in-home care and treatment.[31] However, the majority of hospital involvement in housing initiatives has focused on financing housing development, particularly affordable and workforce housing. In that capacity, hospitals generally play one of three roles:

1. **Primary developer.** Although it is somewhat rare, hospitals may assume the role of lead housing developer, which involves securing sites, obtaining capital, and directing the planning, construction, and management of the housing.[32]
2. **Housing investor.** As large institutions, hospitals may use portions of their endowment, investment funds, or capital budget to help finance housing developments that are led by other organizations, such as nonprofit and mission-oriented for-profit real estate developers, community development corporations, and other neighborhood-based organizations.[5] Importantly, hospitals may be able to subsidize affordable or workforce housing development by providing gap financing at rates below what private investors are seeking.

3. **Other institutional support.** Hospitals can provide non-capital support to support private developers as they finance housing development. Examples of this type of support include letting developers use the hospital's name in their projects; signing a master lease for employee housing; or leasing space for other hospital functions, such as back office services. These and other kinds of support from a hospital, which is often serving its community as an anchor institution, can help developers secure financing to build their project.[29]

How Do Hospitals Fund Health and Housing Initiatives?

When hospitals focus on housing production and preservation, their funding often takes the form of debt or equity financing (eg, loaning funds to or purchasing an ownership stake in housing development projects), purchasing low-income housing tax credits, or providing credit guarantees for affordable housing developments. Investments to support housing development may go directly into specific projects or may be funneled through for-profit or nonprofit intermediaries, such as community development financial institutions.[33, 34] How investments are repaid depends on the goals of the initiative and the hospital's resources. Some may only seek to recoup their initial investment; others may seek a small return; and still others may seek market-rate investment returns.

Specific strategies that hospitals have employed for investing in community development and housing activities include the following:

- **Providing direct grant funding for policy development or health programming.** For example, the University of Illinois Hospital & Health Sciences System, through its Better Health Through Housing initiative, contributes $1,000 per patient per month to Chicago's Center for Housing & Health, which helps to place the program's patients in temporary housing until permanent apartments can be arranged.[35]
- **Investing in "pay for success" arrangements.**[36, 37, 38] For example, The John Hopkins Medicaid Managed Care Organization teamed up with the Green and Healthy Homes Initiative (GHHI) to repair or retrofit homes in Baltimore, MD, in order to reduce episodes of asthma among residents – especially children – as part of an asthma prevention pay for success intervention.[49]
- **Investing a portion of the hospital's reserve fund** – money set aside for maintenance, repairs, or unexpected business expenses – for community investments.[39]
- **Providing loans** to local nonprofits or businesses such as affordable housing developers. These could be secured loans (in which the borrower pledges some asset as collateral for the loan) or unsecured. Such loans allow hospitals to target investments for specific projects and neighborhoods and can provide financing and cost savings for the borrowers. This approach also allows the institution to make investments in communities where there are no active investors.[40]
- **Allocating a portion of their investment portfolio** to financial intermediaries, such as community development financial institutions (CDFIs) and other investment managers offering place-based investment strategies. This type of investment allows the hospital and intermediary to benefit from the partnership and share the investment risk and helps the hospital leverage funds from other organizations. Borrowers also benefit from this arrangement, as they can access capital from a CDFI at a lower rate or with fewer fees than from a commercial lender.[40]

- **Providing loan guarantees** for local nonprofits or businesses, in which the hospital promises to pay the lender if the borrower defaults on their loan. These types of guarantees can cover all or a portion of the borrower's debt. Loan guarantees can induce lenders to lower interest rates and help bring other more risk-averse investors into a deal.[40]
- **Moving cash into local banks and credit unions** that prioritize low-income communities by opening accounts, such as certificates of deposit, increasing those institutions' ability to make loans and improving local access to capital for homeownership and small businesses.[40]
- **Purchasing stock in community development banks** or other types of alternative economic enterprises, providing those institutions with the capital resources necessary to provide services in low-income communities.[40]
- **Contributing a certain percentage of funds** directly to community grants that align with priorities identified in local community health needs assessments.[40]
- **Addressing community health needs** through local economic development strategies.[41]
- **Using underutilized real estate** to support and subsidize the creation of affordable housing.[42]
- **Providing funding for complementary community benefits,** such as training and hiring individuals with high barriers to workforce entry, or inclusive, local contracting and procurement strategies.[41]

Funding Challenges for Hospitals

Though some may have access to significant and flexible resources, hospitals still face a number of challenges in pursuing health and housing initiatives:

- **Unclear connection to mission.** Investing in housing development in particular may feel far outside a hospital's typical mission or scope of work. Hospitals need to develop an internal understanding of why they are participating in housing initiatives and adopt an organizational strategy for how they are approaching housing development, whether it be investing in specific communities and neighborhoods or investing in programs designed to address broader population health goals.
- **No single, dedicated funding source.** Few hospitals have a funding source dedicated to health and housing initiatives, and hospitals fund community benefits in many different ways. Some hospitals may allocate operational funds to community investments and community benefit contributions. Others might donate a small percentage of their investment revenues to health and housing initiatives as community benefits. Still others may actively use their investment portfolio to invest in health and housing initiatives, with the dual goals of reaping a return and helping meet a community need.[29] Advocates for health and housing work by hospitals will need to adjust their approach accordingly, tailoring their appeals to the particulars of a hospital's funding arrangements.
- **Lack of experience.** The vast majority of hospitals are new to housing development. They may lack staff or institutional experience with housing generally and with affordable housing specifically, which brings additional complexity to development and financing.[5] They may not yet have relationships with local organizations they could partner with to achieve their goals.

Overcoming Hospital Funding Challenges

Hospitals and practitioners working in hospital settings have adopted a number of strategies to overcome the challenges they face in working on health and housing initiatives. Key strategies include the following:

- **Assess institutional readiness.** Partners seeking to encourage their local hospital to work on health and housing initiatives should begin by conducting a basic assessment of how willing and able their institution is to invest in health and housing initiatives and identifying the steps needed to implement an investment approach to improving community health and well-being.[43] See "Where to Start?" on the following page for ideas about how to begin this assessment.

- **Build partnerships.** Identify existing and potential local health and housing partners – including community-based nonprofits, housing authorities, and health departments – and establish formal partnerships. These may build on existing relationships developed through community benefits programs and work with other population health organizations. An important step in fostering these relationships is identifying a staff person to serve as a connector and align the health system's community health and investment priorities.[44] (For more information, see Engaging Partner Organizations in The Health & Housing Starter Kit.)

- **Find and empower champions.** Successful health and housing initiatives are led by staff who champion investing in those initiatives and push their institutions to incorporate health and housing as part of their mission and business model. Hospitals can support these champions by placing them in positions that engage with partner organizations and the community.[41]

- **Determine how much to invest.** Hospitals invest in health and housing initiatives for two reasons: a strong business case or advancement of the organization's mission. Starting with small-scale pilot investments can help build the business case and develop institutional expertise and comfort with housing investment. When there isn't a strong business case for investing in health and housing initiatives, hospitals may wish to frame their community investments not as costs to the organization but as investments in achieving their organization's mission and goals. After choosing a level of mission subsidy that is appropriate for their organization, hospitals can begin determining how to most effectively use such funds to achieve their goals.[45]

- **Take the open path.** There is no single solution for overcoming funding challenges. Every hospital sits within distinct community and investment contexts that will dictate how practitioners can pursue health and housing initiatives. Practitioners should pursue the paths that are mostly clearly available to their institution, whether it is using community benefit dollars differently or actively managing their financial portfolio to include investments in local and affordable housing development.

Where to Start?

Questions to Guide Your Search for Funding

As described, most public health departments, housing authorities, and hospitals share a common challenge in funding health and housing initiatives: they lack dedicated funding streams. Institutions seeking to launch such initiatives will need to craft a financial strategy and develop institutional flexibility. Here are some questions any partner should ask to guide their search for funding when pursuing health and housing work:

1. **What existing funding streams can you access, and how can they be leveraged?**

   While relatively few funding sources are dedicated to health and housing initiatives, many are dedicated to health or housing individually. All three types of institutions can access capital that could be valuable for your initiative. What funding sources are available? What can they be used for? Are there funding sources available that provide flexibility in how they can be used? How can they be combined with or used to access other sources?

2. **What partners can help you develop your health and housing initiative?**

   Think through your initiative's goals and map out what type of partners will help you achieve those goals. What potential funds can partners bring to the table? How can you best leverage your own organization's funds in combination with your partners'? Remember that partners are not limited to organizations dedicated to health and housing. For more information on how to establish partnerships, see Engaging Partner Organizations in The Health & Housing Starter Kit.

3. **What will make the initiative sustainable?**

   All health and housing initiatives require balancing the short-term needs of launching the initiative with its long-term sustainability. Planning for long-term sustainability will require you to consider funding sources that can extend beyond a start-up phase. If you're using grant funds to begin an initiative, will your institution need to budget for its continuation? How can you evaluate and demonstrate the value of the initiative to potential funders, whether internal or external?

Endnotes

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5. Hacke R, Deane K. *Improving Community Health by Strengthening Community Investment Roles for Hospitals and Health Systems*. 2017. www.centerforcommunityinvestment.org.

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10. Many public health departments provide additional services, such as immunizations and other clinical services, on a reimbursement basis, fronting the costs for the services and subsequently pursuing insurance claims. Such reimbursements often go unpaid, tie up public health department staff with administrative duties, and tie up public health department funds that could be used for other initiatives.

11. National Association of County & City Health Officials. Billing for Clinical Services: Health Department Strategies for Overcoming Barriers. www.naccho.org/programs/community-health/other/billing-for-clinical-services. 2014.

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14. Oregon Coalition of Local Health Officials. Local Health Department Funding. oregonclho.org/local-health-departments/funding. 2015. Accessed November 1, 2018.

15. Whole Person Care (WPC) is a pilot program meant to help local agencies coordinate the provision of health, behavioral health, and social services to integrate care for people who are frequent users of these services and continue to have poor health outcomes.

16. Interview with Steve Lucas and Nicole Barrett, Council of Large Public Housing Authorities, conducted by Gregory Miao on January 25, 2018.

17. Novogradac & Company. Key Programs of the U.S. Department of Housing and Urban Development. www.novoco.com/atom/158901. 2017. Accessed November 1, 2018.

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19. For example, the Randolph County Housing Authority in West Virginia incorporated a community housing development organization in 1995 to meet the demand for rental housing units in the region. At the time, HUD funding for new public housing was not available. However, the HOME program provided states with funds that were available only to community housing development organizations. The Randolph County Housing Authority founded a community development corporation in 2006 to expand its ability to meet its affordable housing needs. Similarly, the Denver Housing Authority has incorporated 37 different nonprofit subsidiaries to own, rehabilitate, and operate low-income housing through tax credit partnerships; manage business activities; develop, maintain, and operate mixed-use planned community developments; and own, develop, and operate a solar community garden facility.

20. Randolph County Housing Authority. About Us. rchawv.org/home/history.html. Accessed November 1, 2018.

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22. Institute for the Future of Aging Services. *Affordable Senior Housing Communities and Health-Related Services Meeting Resident Needs.* 2009.

23. U.S. Department of Housing and Urban Development (HUD). Moving to Work (MTW). www.hud.gov/mtw. 2017.

24. It should be noted, however, that flexible spending programs are still subject to a number of restrictions, and while many public housing authorities have seen success with the programs, others have encountered challenges in taking advantage of them. For example, HUD has only awarded Moving to Work status to 39

housing authorities, and Moving to Work designees must still "assist substantially the same total number of eligible low-income families as would have been served had the funding amounts not been combined." Further, while flexible spending programs such as HUD's Hope VI have generally been reported to be successful, some housing authorities have been criticized for not sufficiently planning for the relocation of original residents, resulting in only a small number of original residents returning to the revitalized HOPE VI sites, and some project sites have struggled with the basics of timely redevelopment planning and implementation.

25. U.S. Department of Housing and Urban Development (HUD). Moving to Work Expansion. www.hud.gov/program_offices/public_indian_housing/programs/ph/mtw/expansion. 2016.

26. Popkin SJ, Katz B, Cunningham MK, Brown KD, Gustafson J, Turner MA. A Decade of HOPE VI : Research Findings and Policy Challenges. *Urban Inst*. 2004:1-72.

27. In 1956, the IRS standard for tax exemption required hospitals to provide charity care to the extent of their financial ability. "Community benefit" was first articulated by the IRS in 1969. While this concept originally encompassed charity care (eg, financial support to people without insurance), hospitals have increasingly been required to expand to promoting community health through efforts such as provider education programs (eg, nurse training programs), health research, and "community-building activities," which include investments in housing, parks, transportation, and other upgrades to the built environment.

28. Lunder E, Liu EC. *Tax-Exempt Section 501(c)(3) Hospitals: Community Benefit Standard and Schedule H*. 2008.

29. Interview with Katie Grace Deane, Center for Community Investment, conducted by Gregory Miao, January 29, 2018.

30. Bamberger J, Bluestein R, Latimer-Nelligan K, et al. *Innovative Models in Health and Housing*. 2017.

31. Klein S. "Hospital at Home" Programs Improve Outcomes, Lower Costs But Face Resistance from Providers and Payers. *Qual Matters*. 2011. www.commonwealthfund.org/publications/newsletters/quality-matters/2011/august-september-2011/in-focus.

32. American Hospital Association. *Housing and the Role of Hospitals*. Chicago; 2017.

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34. Hacke et al. *Community Investment: Focusing on the System*. Center for Community Investment. 2018. centerforcommunityinvestment.org/sites/default/files/2018-03/CIFocusingOnTheSystem.pdf.

35. Butcher, L. "Why Hospitals Are Housing the Homeless: Housing programs help health systems improve their communities' health outcomes. *Hospitals & Health Networks Magazine*. 2017. www.hhnmag.com/articles/7818-why-hospitals-are-housing-the-homeless.

36. Pay for Success is a service contract through which governments purchase preventive social services from non-governmental service providers. Instead of up-front capitalization, service providers use an operating loan, acquired from third-party investors, which buffers governments from financial risk. In the event of success, the government pays out the contract and interest to investors; in the event of failure, the government pays out nothing. Measures of success are predetermined by the government and service provider and evaluated by an independent organization after the project is completed. In the housing context, there are 5 PFS contracts currently in use to provide Permanent Supportive Housing through a HUD program providing permanent housing and supportive services to individuals and families experiencing homelessness to ensure housing stabilization.

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38. Rumi, S. *Pay for Success & Affordable Housing*. Pay for Success Lab at the University of Virginia. 2017. www.nhpfoundation.org/documents/PayForSuccess_StefanoRumi.pdf

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