

## **From Service Provider to Developer: How Healthcare Organizations Can Create Affordable Housing for Their Client Base**

**By:** Justin Marshall\*

\*Project Manager, Diamond and Associates, LLC

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### **Abstract**

Providers of health services have an important role to play in creating supportive housing, where an affordable place to live is paired with appropriate services for a targeted population. Housing is an issue of health equity, and the need for supportive housing in the United States is great. Wesley Family Services demonstrated how a behavioral health nonprofit can succeed as a first-time affordable housing developer when it built the Pioneer Apartments in New Kensington, Pennsylvania. Health service providers should consider whether they can further meet the needs of their client base by creating new supportive housing.

### **Introduction**

Healthcare providers and affordable housing developers alike are increasingly repeating the maxim that “housing is healthcare.” In the health field, housing is widely recognized as one of the crucial social determinants of health. Affordable housing is straightforwardly an issue of health equity, as being without it is often detrimental to one’s mental and physical health. In the community development field, it is understood that special needs populations are best served by permanent supportive housing, in which an affordable home is paired with individualized health services. Meeting the housing needs of those with intellectual disabilities will require organizations that have traditionally worked in the services space to begin operating at the intersection of health and housing. This article discusses how service providers can make the leap to developing affordable housing for special populations.

### *Demystifying Affordable Housing*

At first glance, the affordable housing field can appear intimidating, laden as it is with acronyms and jargon. But first-time developers need not go it alone. There are architects, builders, attorneys, and property management firms that specialize in affordable housing, not to mention consultants (such as the author’s organization) that can assist newer developers in navigating the process. The primary means of funding new affordable housing in the United States is the Low Income Housing Tax Credit (LIHTC) program, which is administered at the state (and in the cases of New York and Chicago, city) level. The tax credits are allocated to developers through a

competitive application process, according to each state's Qualified Allocation Plan (QAP). Developers then partner with an investor who contributes equity to fund the project in exchange for the investor being able to use the LIHTCs to reduce its tax liability. After construction is complete, the housing units must be rented to households below certain income levels, and rents are capped at an affordable level according to a formula based on the median income in the region. These restrictions remain in place for at least 30 years, with some states requiring an even longer affordability period.

The LIHTC program offers some advantages to service-oriented organizations. Each state is required to reserve at least 10% of its tax credits to nonprofits, and some states choose to award nonprofits a higher percentage. States also have broad discretion to set their own policy priorities through their QAPs. For example, Pennsylvania has begun to make larger LIHTC awards available to supportive housing developments, where units and appropriate services are made available for a targeted population. The need for supportive housing is widespread; the Corporation for Supportive Housing estimates a gap of 1,125,000 units nationwide, with 26% of that figure made up of individuals needing support for intellectual and developmental disabilities.<sup>1</sup> With the increasing focus on supportive housing nationwide, mission-driven service providers are well suited to developing affordable housing with the needs of their client base front and center. These organizations might find themselves in an unfamiliar role at first, but their efforts can lead to a tremendous impact on those most in need of supportive housing.

### *Mission Alignment and Community Need*

Based in Western Pennsylvania, Wesley Family Services provides quality behavioral healthcare and therapeutic support services that support the needs of children, adults, and families throughout their lifespan. The organization serves more than 20,000 individuals each year. But in 2015, Wesley Family Services took on a new challenge: developing affordable housing. The organization had decided to relocate its offices to New Kensington, PA, and took this opportunity to create a transformational mixed-use development, the Pioneer Apartments. Built on a municipal parking lot, the Pioneer Apartments would co-locate offices for Wesley Family Services staff with 36 affordable dwelling units, as well as a clinic serving residents and the community's health needs. Wesley Family Services was already working with individuals who were homeless or were living in unsafe or substandard housing and knew that many of them would jump at the opportunity to live in a brand new, low-rent apartment with integrated services. Guided by its mission to "empower children, adults, and families by providing transformational care," Wesley Family Services chose to embark on this ambitious development.

"We have seen first hand how families are empowered by having a safe and welcoming living situation, with appropriate supports and a thriving community," says CEO Douglas W. Muetzel. "It is the combination of mission alignment and community need that led to this significant initiative."

The highly competitive nature of the LIHTC program means that even the most well-qualified applications can take several years to be awarded. The Pioneer Apartments won a commitment of tax credits following its second application on the strength of the services being proposed and the track record of Wesley Family Services as the provider. The development began construction in 2019 and was completed in 2020. While other new affordable housing developments struggled to lease units at the height of the COVID-19 pandemic, the Pioneer Apartments filled all 36 units within three months, highlighting the intense need this development met.



The Pioneer Apartments in New Kensington, PA  
Credit: Wesley Family Services

With the Pioneer Apartments now operational, Wesley Family Services has fully integrated its “Quality Whole Person Care” philosophy into the services offered to residents. Staff provide one-on-one support and regularly perform social determinants of health assessments for interested residents to identify and address unmet needs. After many residents reported experiencing food insecurity, Wesley Family Services partnered with the Westmoreland County Food Bank to establish a food pantry in the apartment building itself. Annual vaccination clinics are offered through the local Community Health Center. As Mr. Muetzel explains, “There is also the added convenience of having the commercial side of the building attached to the apartments. Residents can literally walk next door to access the full array of Wesley Family Services programs.” At any given time, about 20 residents are consistently making use of these services.

Beyond direct health services, Wesley Family Services has stayed attuned to residents' more general needs. They have organized potlucks and community resource events to build connections among residents, and there is an active tenant council that meets monthly to gather feedback. With its mix of 1-, 2-, and 3-bedroom units, the Pioneer Apartments have attracted families with children, and so activities like crafting and story time are offered, as well as a play space and computers in the building's community room. Wesley Family Services views the fostering of the community as not merely an amenity to be offered but as improving residents' mental health by reducing feelings of isolation. The Pioneer Apartments demonstrate how successful the supportive housing model is when implemented by an organization with deep expertise in health services.

### *Supportive Housing at Scale*

Truly addressing the need for supportive housing across the United States will require increased collaboration between the services and development communities. Not every health services organization has the financial capacity to embark on its own development project, but one should consider whether creating affordable housing for its client base would align with its mission. Reflecting back on the Pioneer Apartments development, Mr. Muetzel stresses the value of engaging expert consultation to evaluate the resources needed to complete such a project and to aid in decision-making along the way. Ultimately, providers of health services have the clearest picture of the circumstances of the distinct populations they work with, and in creating housing for those groups, they are often better equipped than systematic developers to plan for and meet residents' specific needs. Recognizing that housing and health are intertwined, these organizations have a key role to play in creating supportive housing that addresses both needs together.

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<sup>i</sup> "Supportive Housing Need," Corporation for Supportive Housing, [https://www.csh.org/wp-content/uploads/2019/05/TOTAL\\_web.pdf](https://www.csh.org/wp-content/uploads/2019/05/TOTAL_web.pdf)