

**I**N A MAY 2004 SURVEY sponsored by the National Association of Realtors, respondents said the three greatest problems in their communities were a lack of affordable health care options, job layoffs and unemployment, and a lack of affordable housing.<sup>1</sup> Recognizing that these concerns and the federal policies that address them are inextricably linked, Mercy Housing collaborates with CHA and seven Catholic health care systems to address federal, state, and local policy.

Founded by the Sisters of Mercy of Omaha in 1981, and sponsored today by 13 religious congregations, Mercy Housing, headquartered in Denver, is a national not-for-profit organization that finances, develops, and manages affordable housing for families, senior citizens, and people with special needs. Mercy Housing's model incorporates resident programs that often include health services delivered on-site through partnership with local organizations. In 1998, Mercy Housing developed a partnership with seven Catholic health systems: Ascension Health, St. Louis; Bon Secours Health System, Marriottsville, MD; Catholic Health East, Newtown Square, PA; Catholic Health Initiatives (CHI), Denver; Catholic Healthcare Partners (CHP), Cincinnati; Catholic Healthcare West, San Francisco; and St. Joseph Health System, Orange, CA. This partnership has leveraged housing development activities in 19 states, including more than 11,000 units—either completed or in development phase—valued at nearly \$1 billion.

As one of the nation's largest not-for-profit developers, Mercy Housing takes a leadership role in influencing the formulation of federal housing policy. We regularly coordinate policy priorities with CHA and with our health care partners and their member facilities. Working together, we develop advocacy plans intended to increase the ability of low-income households to gain access to safe, high-quality affordable housing.

#### **AFFORDABLE HOUSING AND HEALTH**

The reciprocal relationship among housing, health care, education, employment opportunities, and other factors that affect the health of communities is well documented. For example, a

# Health, Housing, and Public Policy

*Despite Federal Budget*

*Cuts, Catholic*

*Organizations Can Still*

*Help Provide Housing to*

*Those Who Need It*

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**When housing is affordable, families have more income available for other needs.**

June 1999 editorial in the *American Journal of Public Health* called on the environmental and public health communities to “confront the reality that substandard housing in distressed communities is the leading environmental threat to U.S. children.”<sup>2</sup>

Lack of access to safe, high-quality, affordable housing affects health in three primary ways.

**In the Home** Older homes that have not been maintained have risk factors, such as chronic exposure to lead dust and the resulting impact of lead poisoning on children’s behavior and learning abilities. Although the number of American children with elevated lead levels in their blood declined by 90 percent between 1975 and 1999, in the latter year an estimated 4.4 percent of all children between the ages of one and five continued to have elevated levels.<sup>3</sup>

**In the Neighborhood** The ability of a household to gain access to such resources as health clinics, hospitals, grocery stores, and parks clearly has an impact on physical and mental health. In 2002, the U.S. Centers for Disease Control and Prevention formed an interdisciplinary team of researchers and practitioners and asked it to document the ways in which community design

affects physical activity, mental health, and the ability of people with disabilities to participate in community activities. Low-income communities—often those with high concentrations of poor-quality housing—have been found to be more adversely affected by poor land-use decisions and to lack the resources that allow for a healthy lifestyle.<sup>4</sup>

**Cost** When housing is affordable, families have more income available for health care and other needs. A national survey of very low- to moderate-income families (earning approximately \$10,000 to \$42,000 per year) found that wage growth tends to lag behind the increasing cost of housing in rural, suburban, and urban communities, resulting in a continuously increasing proportion of households reporting that they spend more than 50 percent of their income on housing. Between 1997 and 2001, this number increased 60 percent, from 3 million to 4.8 million.<sup>5</sup> In many cases, the economic stress created by the cost of housing makes it impossible for families to pay for adequate levels of nutrition and health care.

What role does current federal housing policy play in this situation?

### TRENDS IN FEDERAL HOUSING POLICY

Historically, the development of below-market housing has been funded primarily by the federal government. Both the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA) play lead roles in distributing such funds to state and local government and private organizations; much of the nation’s affordable housing is provided through public housing authorities. Unfortunately, federal funding is decreasing annually, a fact that puts increasing pressure on states and localities to develop their own sources

## SUMMARY

With federal funding of affordable housing declining, health care and housing organizations must work together to advocate sound policy and reasonable funding in this realm. Federal agencies like the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture traditionally have been the primary source of low income housing funds. But key housing programs like HUD’s Section 8 have lost a significant amount of funding.

Through advocacy efforts, health care and housing organi-

zations can urge legislators to retain or restore these vital programs. They also can support the preservation of affordable housing units in order to counterbalance the trend of these homes being “lost to the market.”

Also, health care and housing agencies can partner to enhance housing services. Vulnerable populations—such as the elderly, individuals at risk for homelessness, those with disabilities, and the mentally ill—can benefit greatly from the supportive services that health care organizations can offer.

of funding in attempting to fill housing gaps.

Historically, several HUD and USDA programs have provided funding either, directly, to the lowest-income renters as vouchers or, indirectly, to private-sector apartment owners as subsidies for development, interest-rate reductions on debt, and contracts guaranteeing that the government will pay the owner the difference between a renter's ability to pay and the actual cost of leasing the unit. These programs, including HUD's Section 8 program, have been the foundation of housing affordability for households earning 30 percent or less of area median income. These households are often people with disabilities, senior citizens, or single parent families. Over the past two decades, Congress has eliminated or severely reduced funding to both HUD and USDA, so that programs focused on increasing the nation's stock of affordable housing are now virtually nonexistent.

Begun in 1986, the Low Income Housing Tax Credit (LIHTC) program has since become the primary source of new housing development. The LIHTC generally serves households earning 30 percent to 60 percent of area median income, or working households with low to moderate incomes. Housing providers seeking to serve very low-income populations through the LIHTC often piece together multiple additional sources of funding from federal, state, and local government as well as private and philanthropic sources.

Today, housing advocates focus on maintaining and increasing funding that will allow for the preservation and rehabilitation of housing created through HUD, USDA, and LIHTC models so that these vital resources are not lost. We at Mercy Housing work to improve these programs so that new housing can continue to be developed, primarily through using the LIHTC.

### THREE KEY POINTS

Those who serve the Catholic health ministry should be aware of three key points in the health care/housing nexus.

**The Section 8 Program** For more than 30 years, the Section 8 program has provided rental assistance directly to property owners or through housing vouchers to renters, guaranteeing that households will pay only 30 percent of their gross income on rent. HUD, through the local housing authority or other administering agency, pays property owners the difference between the rent the household can afford to pay and a rent agreed upon with HUD (usually guided by fair-market rents, which are updated annually).

The 2005 HUD budget reflects the damaging cuts to domestic spending that will affect low-income families by reducing the resources available through programs that meet basic needs. After undergoing an 0.8 percent across-the-board cut, the 2005 HUD spending bill approved by Congress will leave the Section 8 program with funding equivalent to the 2004 budget year and, at the same time, cut almost all other HUD programs, including housing for the elderly, disabled, and homeless. The Section 8 program accounts for about \$20 billion of HUD's \$36 billion annual budget, making it by far the largest program funded by the department.

Although Section 8 funding has been retained, Congress has approved a damaging provision that changes the way those funds are distributed. This change will likely result in reductions of funding to housing authorities, depletion of reserves, and ultimately the freezing of Section 8 programs and the reduction of assistance to families and seniors in need. A similar change, implemented by the Bush administration in April 2004, was rescinded after it inspired public protests, including a joint letter from CHA and Mercy Housing. An example of these policies' impact can be seen in Milwaukee, where the housing authority has ceased issuing new Section 8 vouchers to households on the waiting list.

**Health Care** Households whose portion of their rent increases, as a result of the new allocation policies, will have less disposable income for their health care and other basic needs. People who are displaced or unable to obtain a voucher due to the freezing of voucher programs will face instability and, potentially, the necessity of finding housing that is less safe or less desirable than the housing they have now.

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Housing providers who work through project-based (rather than tenant-based) Section 8 contracts will find it more difficult to estimate their HUD funding, which will, in turn, make it more difficult for them to provide clients with supportive services, including health care-focused programming. Affected residents are likely to find it more difficult to get proper care for chronic illness, which will exacerbate the illness.

**Action** Housing advocates will continue to work for the elimination of language in spending bills that reduces voucher availability and causes inconsistency in property owners' ability to project the reasonable annual rent increases that are necessary for the maintenance of high-quality management and services for residents. Health care providers can help by contacting their congressional representatives and insisting on reasonable funding for Section 8 and other HUD programs. Updates on Section 8 are regularly available through the National Low Income Housing Coalition ([www.nlihc.org](http://www.nlihc.org)). Mercy Housing also provides updates and detailed information for interested organizations.

Many communities have organized local housing coalitions that would greatly benefit from participation by local health care leadership. Mercy Housing has galvanized the support of local hospital leadership in a number of communities, including Waco, TX. These relationships can be particularly helpful when congressional representatives sit on appropriations committees for HUD and the U.S. Department of Veterans Affairs. Even the modest act of contacting such representatives to urge support for housing programs is an important step in coordinating efforts. Elected officials, often surprised to learn about the broader impact of their legislation, are interested in receiving input on decisions that will affect affordable housing.

### PRESERVING AFFORDABLE HOUSING

A study completed by the National Housing Trust concluded that the number of affordable housing units available through HUD funding programs decreased by 300,000 between 1995 and 2003.<sup>6</sup> Before 1995, there were 1.7 million affordable, HUD-assisted housing units. The 300,000 units have been lost to the market permanently. The HUD programs in place when these housing units were created have been almost entirely eliminated, which means that units can be preserved but new ones cannot be created.

Meanwhile, in rural areas, the loss of affordable rental housing financed through the USDA's

Section 515 program is escalating annually. According to the Housing Assistance Council, in 2002 and 2003 there were two rural housing units lost for each affordable unit that was created. In 2004, three units were lost for every one created.<sup>7</sup>

Preservation of urban, suburban, and rural housing has quickly become a high priority for housing developers, owners, and advocates. The cost of preserving housing is far less than the cost of creating new housing. Moreover, communities are often more supportive of efforts to keep and improve the affordable housing they view as an asset than they are of proposals to create new affordable housing.

Advocates of affordable housing should also work to preserve such efforts as HUD's Lead-Based Paint Hazard Control Grant program, which provides grants to state and local governments to eliminate lead-based paint hazards in privately owned, low-income housing. Federal funding for the program, which helps ensure that housing properties are not just available but also rehabilitated—that is, safe and healthy environments for their inhabitants—was cut to \$168 million in the 2005 budget (from \$174 in the 2004 budget).

As with cuts in Section 8 funding, cuts in funding for rehabilitation efforts will likely result in the displacement of low-income families. Many such families will become more transient; because their housing costs will increase, they will have less money for basic needs. Other families may be forced to remain in unrehabilitated, unsafe housing. As noted earlier, a clear link exists between housing conditions and chronic illnesses including asthma and lead poisoning. The health of those who live in unsafe housing often suffers.

In partnership with CHP, Mercy Housing has purchased 150 units of currently affordable rental housing in Cincinnati that will need rehabilitation to be preserved. Federal lead abatement funding is being used to repair these properties, some of which will be converted for affordable, first-time home-ownership, thereby creating an affordable community for families of low- and moderate-income levels. Similar projects are possible through creative partnership.

Health care organizations can participate in such efforts by teaming with affordable housing developers to campaign for federal, state, and local sources of funding to preserve affordable housing. Helpful websites for tracking preservation on the state and local levels include the National Housing Trust ([www.nhtinc.org](http://www.nhtinc.org)) and the Housing Assistance Council ([www.rural-home.org](http://www.rural-home.org)).

## HOUSING FOR SENIOR CITIZENS

On the surface, today's generation of senior citizens is much better off than its predecessors in terms of both physical and financial well-being. Advances in medical technology and an emphasis on preventive medicine have enhanced and lengthened many seniors' lives. Approximately 80 percent of those aged 65 or older are homeowners and possess the necessary resources with which to choose from an array of housing options for the elderly, such as in-home care, assisted living, or age-restricted communities. However, dramatic disparities in wealth among seniors limit the options that many are able to pursue. In 1995, renter households headed by a person 65 or older—one-fifth of the senior population—had, for example, median net assets of only \$6,460, compared with \$141,300 for those owning homes.<sup>8</sup> Moreover, many seniors—including many homeowners—have difficulty paying for the housing they have now. Some seven million senior households have been identified as paying more than 30 percent (in many cases, more than 50 percent) of their income on housing costs.<sup>9</sup> At present, only 1.2 million rent-assisted housing units, most of them HUD-subsidized, are available to this segment of the population.<sup>10</sup>

As the first members of the baby-boom generation reach age 65, growth in the number of seniors is expected to surge. By 2030, the senior population is expected to double to approximately 70 million, which will represent 20 percent of the U.S. population.<sup>11</sup> This generation is projected to be even better off than the one preceding it, but the discrepancies in income and wealth are expected to be no narrower.

Several housing programs can be used to develop affordable senior housing, but the primary vehicle for creating very low-income senior housing is the HUD Section 202 program. Section 202 awards are highly competitive and encourage the incorporation of numerous supportive services, often including on-site physical and mental health programs. The program gives low-income seniors an opportunity to live independently and age in place, guaranteeing (like the Section 8 program) that they will pay no more than 30 percent of their income on rent. Unfortunately, this year the Section 202 program faces a 5 percent reduction in funding, from \$775 million to less than \$747 million.

Partnerships between health care and housing providers offer numerous models of programs that serve low-income seniors able to live independently with intensive supportive services.

**By 2030, 20 percent of the U.S. population is expected to be over 65.**

Through these programs, low-income seniors gain access to supportive services for such day-to-day needs as meals, health care, and socialization, sometimes in adult day centers. These models share a common purpose of consolidating resources and services in one location to help seniors, even those who are extremely frail, maintain a high quality of life. Examples of such programs include Presentation Senior Community, a Mercy Housing property that serves frail elderly in San Francisco. Presentation Senior, in collaboration with a local organization called North and South of Market Adult Day Health, offers an adult day care program on the property. Properties such as Presentation Senior relieve pressure on health care systems because they reduce the need for assisted- and skilled-nursing services. Reform is needed at both the state and federal level to stimulate and sustain the creation of similar programs.

Toward this end, health care providers can partner with housing organizations to advocate additional funding for independent living senior housing and can assist in documenting the success of programs that allow seniors to live independently as they age, ultimately reducing the public cost of providing health care to seniors. Health care providers can share models with housing organizations, with an eye toward developing more advanced systems for integrating housing with services for seniors. The website of the American Association of Homes and Services for the Aging ([www.aahsa.org](http://www.aahsa.org)) offers ideas and advocacy-related information concerning such partnerships.

### SUPPORTIVE HOUSING

"Supportive housing" is a term used to designate housing that incorporates intensive supportive services, often aimed at serving people who are formerly homeless or at risk of becoming homeless, often including those with chronic mental illnesses, permanent disabilities, a history of substance abuse, or other problems. The Stewart B.

McKinney Homeless Assistance Act, approved by Congress in 1987, was intended to integrate housing, health care, case management, and other services to benefit homeless people. Like other programs, the McKinney Act-engendered Homeless Assistance Grants program will be cut this year, to about \$1.25 billion annually.

The quantitative data on the impact of supportive housing that includes health services is limited. However, a study published by the Corporation for Supportive Housing in 1999 is suggestive.<sup>12</sup> The report compares two groups of people. One group was composed by formerly homeless people with chronic mental illnesses who had been placed in supportive housing; the control group was made up of similar people who had *not* been placed in such housing. The eight-year study indicated, among other things, that the people in supportive housing consumed an annual average of \$17,277 in services, whereas those in the control group consumed an annual average of \$49,451. The difference in costs was attributed to reduced stays (and length of stay) in temporary shelters, hospitals, and jails for those in supportive housing.

Mercy Housing and other organizations can cite numerous examples in which supportive housing has had a significant impact on people who require a high level of services in order to live independently. With the support of CHI, Mercy Housing recently opened a 46-unit rental property in Durango, CO. That small city lacked

a resource that could help people with chronic mental illnesses to live independently. Today, through a partnership with the regional mental health center, the Mercy Housing/CHI property offers housing to households that include members with chronic mental illness. Residents are served by an on-site case manager.

### WORK CAN STILL BE DONE

Despite a grim budgetary outlook for affordable housing and related supportive services, important work can still be done by health care providers and systems. Local hospitals and the systems to which they belong can partner with Mercy Housing and other national, regional, and local housing providers to:

- Assess housing needs in their communities
- Identify ways in which their resources can strengthen the delivery of service-enriched housing and advocate sound policies and adequate levels of funding.

Respected health care organizations possess strong political influence in their communities. Because they do, they often can leverage their strength to cultivate the public and private resources needed to make the creation or preservation of affordable housing possible. ■

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JOURNAL OF THE CATHOLIC HEALTH ASSOCIATION OF THE UNITED STATES

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