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COVID-19 AND COMMUNITY DEVELOPMENT

Considerations for Affordable Housing and Healthcare Partnerships

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The full acute effects of COVID-19 in the United States are becoming increasingly apparent. With no previous immunity, the disease has spread rapidly, and its impact on our healthcare system and economy has been overwhelming. While the health burden of COVID-19 will likely be moderated in the near term by herd immunity, immunizations, and more effective anti-viral treatments, the profound economic consequences will be much longer lived, especially for children, the age group most susceptible to economic downturns.

Healthy affordable housing makes an important contribution to the wellbeing of families and young children, and during the past decade, healthcare-affordable housing partnerships have begun to make significant gains on their behalf. However, this pandemic threatens to undermine both the healthcare organizations involved in these partnerships and their housing partners, which in turn could portend a dramatic rise in negative health outcomes for children. In this paper, we discuss the economic effects of the pandemic, the disruptions it will cause for healthcare organizations and resulting implications for their housing investments, how these disruptions will affect children, and the local opportunities and challenges this sequence of events may generate for affordable housing partnerships. As with other aspects of the pandemic, **early preparation and planning for these challenges and opportunities are likely to yield better outcomes in building healthy communities, especially for the most vulnerable**.

ECONOMIC EFFECTS OF COVID-19

COVID-19 has engendered the largest organized restrictions on economic activity in modern history, and the U.S. is now seeing their full effects. In the first quarter of 2020, the U.S. GDP fell 4.8 percent, its first decrease in six years and significantly more than the 3.5 percent predicted by economists. Retail sales dropped by 8.7 percent in March, the largest decline since the Commerce Department started tracking in 1992, while consumer spending overall declined by 7.5 percent, the sharpest fall since 1959, when records begin.

The April unemployment rate was 14.7 percent, up 10.3 percentage points from March and the largest increase since the beginning of comparable records in 1948. People of color are bearing the brunt, with jobless rates hitting 16.7 percent for Black Americans and 18.9 percent for Latinxs, compared to 14.2 percent for white workers. Of course, official jobless numbers do not capture the effects of reduced hours, cancelled benefits, and lost tips and side jobs. Across all these measures, formal and informal, low-income workers who frequently lack healthcare and paid time off are suffering the greatest.

The longer term adverse economic effects are less certain, but still frightening. A drop of between six percent and eight percent in GDP was seen after the Spanish Flu pandemic of 1918, roughly similar to the effect of World War I on the economy. Current projections suggest that this economic collapse will more likely resemble the Great Depression than the Great Recession of 2008.

Moreover, our legacy of class and race divisions has again placed the overwhelming medical and financial burden on low-income communities and communities of color. The people most at risk from viral infection, mortality, and the economic consequences of the social isolation policies that have been imposed across the country are those who remain exposed through service jobs, crowded living quarters, the need to take public transportation, the lack of paid time off, and pre-existing medical conditions. All of these are more common among persons of color and those in areas of concentrated disadvantage. The early mortality figures show striking racial disparities in the U.S., with Black Americans representing 27 percent of the deaths but only 13 percent of the population and Latinx and Asian Americans also dying at rates higher than white Americans (in areas that are reporting data by race).

THE EFFECTS OF COVID-19 ON HEALTHCARE

The U.S. healthcare industry will look radically different after the pandemic compared to the beginning of 2019. Some early effects are already clear. Non-emergency procedures, visits, and check-ups have been radically curtailed with the result that large numbers of outpatient healthcare workers, including medical assistants, lab technicians, nurses, and nurse practitioners, are being furloughed or laid off, especially in rural and underserved communities. Moreover, radical relaxation of federal and state rules around telephone and digital consults and services are moving many outpatient consultations fully online. These rules will no longer allow physicians to keep such services limited in their jurisdictions and are likely to signal long-term and even permanent changes in health care delivery.

Rural hospitals, federally qualified health centers, and other community health centers that rely on month-to-month or service-oriented grants will likely face permanent casualties, expanding the number of health professional shortage areas in the U.S. Urban hospitals and larger institutions are also proving to be vulnerable, especially if their cash on hand is insufficient to carry them until federal and state relief packages arrive. Down the road, they may seek shelter in additional mergers and consolidations, further restricting choice in many communities.

Health insurance coverage through employers has also been hit hard by the pandemic. In mid-May, it was estimated that nearly 27 million Americans could lose their health insurance due to job loss, with approximately 12.7 million eligible for Medicaid. In states that expanded Medicaid since 2010, most employer insurance loss will be transitioned to Medicaid; however, in states that did not expand Medicaid, hospitals and providers will see a marked increase in the number of uninsured and non-paying patients. **This decline in private insurance and transition to increased numbers of uninsured and Medicaid patients will reduce the income of healthcare systems significantly, which in turn could have a negative influence on upstream investments, including in affordable housing.**

THE EFFECTS OF THE PANDEMIC ON CHILDREN

The COVID-19 pandemic will have direct and indirect effects on children. While fewer than 20 children have died of COVID-19 as of mid-May, a new inflammatory syndrome related to COVID-19 has recently been identified in children and is causing illness and death. Though children have a lower rate of infection, severe disease, and mortality than adults, their illnesses and losses are being felt.

However, the greater consequences by far for the post-COVID generation of children will come from the intermediate and long-term effects of the pandemic on healthcare and economic resources in their communities. The first healthcare

effects will be on the millions of school children who are currently not receiving their immunizations for other common childhood viral illnesses. Even minor immunization declines in New York, Minneapolis, and California over the past five years have led to outbreaks of diphtheria, measles, and mumps. Those will be seen as small events compared to the coming outbreaks. Meanwhile, children in need of treatment for existing or newly presenting issues—from cancer to progressive conditions like eye issues—will likely experience delays in receiving it, due to hospital capacity and fear of infection. This means that they will be sicker when they finally do receive treatment.

In addition, the child healthcare infrastructure, especially for poor children and those in rural areas, is being decimated. Many primary care practices, community health centers, and rural hospitals experiencing 40 to 60 percent declines in revenue and without cash reserves are likely to close. Child access to healthcare will decline precipitously. Moreover, the federal monies set aside for healthcare facilities have been specifically tied to Medicare sites rather than Medicaid sites that serve children. As a result, more and more children will miss preventive care; early identification of speech/language disorders, anxiety and behavioral problems, and other treatable conditions; and prevention services, early detection of adolescent sexually transmitted diseases, and pregnancy prevention opportunities.

While the resulting health impacts of these developments will be significant, the longest lasting effects of the pandemic on children will be the marked increase in child poverty in the U.S. and its related consequences. Children are already the age group most likely to be poor in the U.S. today, and their numbers will markedly increase. Many more children will move off private insurance and onto Medicaid, further limiting their access to care since many clinicians do not accept Medicaid.

Children will also face many other known consequences of severe poverty in recessionary times, such as an increase in parent substance abuse and mental disorders with resultant increases in infant mortality, birth defects, and child abuse. After the Great Recession of 2008, there were marked increases in child abuse and adverse birth outcomes, especially among the poor. An increase in children's mental disorders was also seen after 2008; since then adolescent and child suicides have steadily increased after years of decline, and rates of hospitalization for anxiety and depression have remained high.

The economic consequences will also include an increase in children facing affordable housing shortages and homelessness. Among renters, single parents with children are the group at greatest risk of eviction nationally, with married couples with children close behind. The marked increase in unemployment and the slow pace of the recovery mean that many more women and their young children will become homeless at the same time that shelters and drop-in centers not only have become sites of coronavirus transmission, but face the loss of state and city funding because of budget shortfalls. Foreclosures are temporarily suspended for many homeowners, especially in counties where wages pay the majority of home ownership expenses, but are expected to rise dramatically after these suspensions are lifted. Young families are more likely to see negative consequences for their housing, since they are more likely to be more wage dependent. Already 1.7 to 1.9 million youth per year report homelessness, and this number is sure to rise.

These poverty-associated effects on children will be not only profound, but long lasting. The rate of child abuse and neglect remained high for five years after the 2008 recession. The rate of increased disability among children and youth paralleled the trend in overall poverty which took a decade to return to 2008 levels. Suicide among youth continues to increase. Well after the coronavirus pandemic subsides, healthcare systems will be seeing more and more sick children, who will be more often in foster care, have more complex behavior problems, and cost more to care for. They will be taking care of these children in the face of lower insurance rates and a significant decrease in the social service safety net. Their expenses will rise as their revenue decreases, which in turn will affect the resources they have available for longer-term solutions, like housing.

THE SITUATION IN COLUMBUS, OHIO

Columbus, Ohio, provides a useful case study for thinking about what the coronavirus pandemic means for healthcare-housing partnerships focused on community development and child health. On the one hand, it represents a best case scenario pre-COVID; on the other, it demonstrates the concerns post-COVID. In the past 10 years, Healthy Homes, a collaborative, public-private partnership among Nationwide Children's Hospital (NCH); a faith-based Community Development Corporation, Church and Community Development for All People (CD4AP); the United Way; and the Mayor's Office, among others, produced roughly $80M in affordable housing development (completed or in contract) on Columbus's South Side. These efforts have been described extensively elsewhere, but the successful alignment of child health outcomes, affordable housing development, and political gains was such that the Mayor's Office and United Way requested that the partnership's efforts be expanded to another Columbus neighborhood beginning in 2020. When the pandemic hit, significant steps to build a new housing pipeline in the Linden neighborhood were already underway.

The pandemic has presented the Healthy Homes partners with significant challenges. First, the United Way and CD4AP have had to pivot to address the urgent food needs of local children and families, which have drawn the attention of leadership and staff as well as resources. More than 50,000 Columbus City School children are no longer receiving breakfast and lunch at school every day, and many of their parents have been furloughed or released from work. The United Way is diverting large portions of its resources into feeding the hungry, and CD4AP, a small not-for-profit, is now running the largest food distribution center in Ohio with special COVID-19 drive-through precautions.

The City of Columbus is equally affected. With city tax revenue off by 20 to 30 percent for March alone, discussions about budget cuts for the remainder of the year are already occurring in various city departments. Although the City has as yet announced no plans to claw back resources from affordable housing investments, the future is uncertain. Finally, NCH, although well-endowed, is already discussing specific austerity measures for

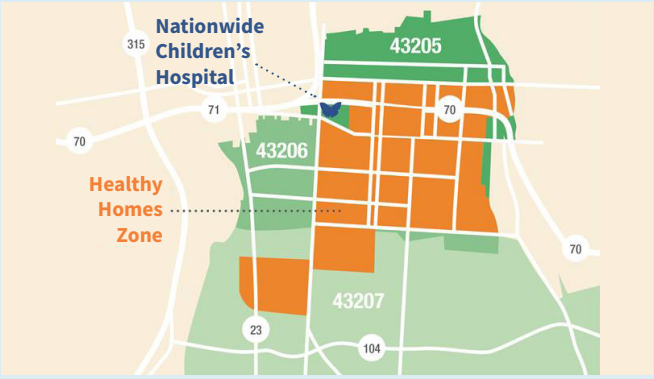

Image Credit: Nationwide Children's Hospital

the remainder of the calendar year, including a hold on new hires unrelated to pandemic staffing and the delay of some construction plans. Each partner remains committed to the partnership's long term goals, but while we are still in the crisis stage of the pandemic, all are finding it difficult to maintain momentum, let alone free up new resources for affordable housing work.

When the attention of Healthy Homes leadership returns to housing, conditions will be changing in the local housing market. Columbus previously had rapidly increasing rents and home sales along with low vacancy rates, but the post-COVID landscape will be different. March home sales were off 25 percent from a year ago, and in the first part of April, there were 576 single-family home sales in Franklin County, a 50 percent decrease from the 1,162 houses sold during the same time period a year earlier. To date, Columbus has not seen the increased supplies, drops in construction costs, increased availability of labor, and number of foreclosures that characterized the 2008 recession. However, these indicators have likely been forestalled by policies put in place to respond to the immediate crisis, including shelter-in-place regulations and Ohio's 90-day pause in foreclosure. Should foreclosures, tax delinquencies, and abandonments rise again, as expected, the cost of property acquisition for the partnership will be reduced. In addition, the low cost of short-term financing in Columbus will mean lower construction financing costs. All these factors would enable Healthy Homes to do more for affordable housing, even in the face of a negative economic climate for its individual partners. •

OPPORTUNITIES AND CHALLENGES FOR HEALTHCARE/AFFORDABLE HOUSING PARTNERSHIPS

Placing the depth and breadth of the current economic downturn alongside the existing affordable housing shortage in the U.S. underscores **the urgency of affordable housing production and preservation for anyone who cares about the health and wellbeing of families and children in our country.** In Columbus, an estimated 54,000 units will be needed in the next ten years to 'catch up' with the demand that already existed prior to COVID-19. City officials estimate that number will become far higher during the coming economic crisis, as unemployment and reduced incomes limit how much more families can afford to pay for rents or mortgages.

So, what can healthcare institutions and their partners do to advance affordable housing during and after the pandemic? From the institutional perspective, a growing number of healthcare institutions have come to understand the clear link between affordable housing and their mission to improve health and community wellness, particularly for young children and families. NCH is one of six hospitals and health systems participating in Accelerating Investments for Healthy Communities, an initiative of the Center for Community Investment (CCI), which is helping participants deepen their investment in affordable housing, and advance policies and practices that foster equitable housing solution. CCI's research has demonstrated the political, economic, and reputational benefits that accrue to these institutions from advancing affordable housing—from reduced employee turnover and improved satisfaction to increased competitiveness for contracts and better relationships with their communities and elected officials—along with the diverse motivations that spur their investments. **Healthcare-affordable housing partnerships are clearly a win-win for these anchor institutions and their communities, and their importance will only increase as economic distress grows in many areas.**

Pulling against this trend, however, will be the increased uncertainty about how healthcare will transform post-virus and the competing spending and investment needs and opportunities that healthcare organizations will face, as we have just seen in Columbus. Healthcare systems and hospitals seeking to maximize their readiness for the new environment may need to invest in restructuring their business models to focus more on telehealth and digital/online services and forms of care. Large numbers of healthcare staff will need to be re-trained or assigned to different tasks to meet the demands of this new approach. Some hospitals and health insurance plans, especially those that are financially strong, will likely take the opportunity to acquire healthcare facilities that have inadequate reserves or are struggling to recover from pandemic-associated losses. Large scale consolidation may divert resources from affordable housing and other social determinants toward efforts to achieve greater regional scale and penetration—although regulators may impose community benefits on mergers to maintain some of that focus on community health. Finally, large hospitals may feel compelled to re-allocate charitable dollars back to caring for the uninsured in places where states have not expanded Medicaid, unless other unlikely solutions are found.

While the urgency and importance of affordable housing grows, and the competition for health institution attention intensifies, a third factor is also at play: The downturn will create opportunities to take advantage of market disruptions to acquire, rehab, and preserve affordable housing at prices lower than would otherwise be possible. These opportunities may start inside the health institutions: As hospital services move online, reducing the need for some patients and employees to use hospital facilities, health systems may find themselves with buildings and parking lots they don't need. These assets can be deployed in ways that serve the community. For example, a health system might donate a building for conversion to affordable housing, or provide a long-term, low-cost lease to community organizations for offices, neighborhood business incubators, commercial kitchens, or other community-serving uses.

As noted above, we can expect the downturn to create a wave of foreclosures and evictions, as well as landlords in distress selling multi-family buildings, falling land prices, and families who might have considered homeownership needing to rent, putting additional pressure on the rental markets. Younger tenants may move back in with parents or roommates as job losses mount, homelessness may increase, and real estate prices may fall as demand diminishes. Mission-oriented buyers like hospitals or non-profit developers who have access to cash or credit are likely to have the chance to acquire

properties in what was previously a very tight market, keeping them out of the hands of speculators who in the Great Recession swooped in to acquire homes in many areas. Moreover, this will stand them in good stead when federal housing recovery funds are released going forward.

Finally, the financial landscape remains unclear. While short-term interest rates on capital for construction financing and other investments are at all-time lows, long-term rates are unstable in the face of so much uncertainty about the depth and length of the economic downturn. Prior pandemics have been associated with increased caution among investors anxious about risk when returning to the market. In previous economic declines, the tax credit market has frozen and then declined as fewer investors have income to shelter. Rates on municipal bonds and other low-risk government securities may rise as more governments need to borrow to finance deficits. Finally, the availability of impact investment, which trades financial return for social and environmental returns, may decline as foundations and other mission-driven investors try to rebuild endowments that have been hurt by market losses.

WHAT CAN BE DONE

While the current situation holds much uncertainty, some things are known. In the aftermath of COVID-19, the health of children will suffer and the need for affordable housing will increase. Stable housing makes a meaningful difference in children's health. **Healthcare-housing partnerships and affordable housing investments by hospitals and healthcare organizations can continue to play a critical role in community stability and children's health.**

In light of these uncertainties and certainties, here are some steps that healthcare, housing, and community stakeholders who are concerned about the effects of housing on health can take:

1. **Stop the bleeding.** The best way to deal with homelessness, foreclosures, and evictions is to prevent them from happening in the first place. Providing emergency assistance so people, especially families with children, can stay in their homes will pay enormous dividends in better health and educational outcomes over time. Avoiding the costs and health risks of temporary shelter is another strategic benefit to keeping people in their homes. As well as using their own charitable resources to contribute to such efforts, hospitals and health systems can use their influence to advocate for public sector efforts to place moratoriums on evictions, protect tenants, and provide other measures to keep communities intact.
2. **Prepare for recovery.** Important as it is to respond to the immediate crisis, it is also critical for hospitals and their partners to keep longer term needs in mind as they plan for the future. One strategic move is to keep some funds available for the opportunities that will arise to acquire particularly strategic or attractively priced properties. If this is a long road, as expected, we will need to execute on key housing pipeline projects even in the face of economic challenges. If health and housing partners can access ready cash or credit, on their own or by collaborating with public and philanthropic partners to create "quick strike funds," they will be able to move quickly to purchase available properties, which will help avoid the major wealth transfers from young and minority households to real estate speculators that happened in the U.S. after 2008. Hospitals and their partners should also advocate for public funding for affordable housing trust funds, land banks, and other measures, such as reducing limitations on accessory dwelling units, that position their communities to meet the need for housing and maintain long-term affordability. Finally, past experience suggests that federal recovery funds will

become available once the immediate crisis ends and the need for relief slows. Hospitals with housing deals and projects ready for investment will be able to take advantage of those funds.

3. **Be creative.** As hospitals reconfigure their real estate holdings in light of shorter hospital stays, more telemedicine, and more staff working from home, some land and buildings may no longer be needed. Working with state and local authorities, investors, mission-oriented developers, and nonprofit organizations, hospitals may be able to repurpose excess property in ways that serve children and families. Hospitals have engaged in land swaps, donations, and long-term leasing arrangements to reposition their assets in ways that meet institutional needs while providing significant benefit to the community, including housing.

4. **Continue to gather data.** Understanding the impact of affordable housing on health is more important than ever. In particular, we have just scratched the surface on the health effects of stable homes on children. As the pandemic sweeps through homeless shelters and crowded, rent-burdened, low-income communities, it is clear that we need more careful studies of how affordable housing makes us all safer.

CONCLUSION

Over the last decade, hospitals and health systems have increasingly come to understand how important housing is to health, especially for children and most importantly for low-income children. They have also come to understand how critical it is that they support efforts to increase affordable housing in their communities. The COVID-19 crisis makes those efforts that much more necessary, even as its economic aftereffects may make them more challenging. Nevertheless, it is essential that we find ways to persevere with our healthcare-housing partnerships—and even to increase them.

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The **Center for Community Investment at the Lincoln Institute of Land Polic**y works to ensure that all communities—especially those that have suffered from structural racism and policies that have left them economically and socially isolated—can unlock the capital they need to thrive. For more information, visit centerforcommunityinvestment.org.