Lutheran Services in America

Health Through Housing
Case Study

Catalytic Capital for Investment-ready Housing with Services—at a National Scale

Stable, affordable housing paired with supportive services is one of the most effective—and most underfunded—interventions available to communities working to improve health, strengthen families and expand opportunity across generations. For the people served by Lutheran Services in America's network of nearly 300 health and human service organizations, housing instability is not a background condition. It is a significant barrier for attaining better health and a meaningful sense of dignity and belonging. When people are stably housed, they maintain employment, access preventive care, sustain relationships and age with independence.

Lutheran Services in America's Health through Housing initiative is a direct response to that reality that mobilizes the resources, relationships and financing tools of the Lutheran ecosystem to expand service-enriched affordable housing where it is needed most.

The case study that follows represents a key model already successfully completed within and alongside the Lutheran ecosystem. A number of Lutheran Services in America members have implemented housing-with-services collaborations with church partners, building upon their deep community relationships, mission alignment and access to land. It shows what's already possible—and what Lutheran Services in America's Health through Housing initiative is designed to take to scale.

How a Congregation's Commitment and a Church Property in the Heart of Santa Barbara Became 61 Units of Affordable Senior Housing

At a Glance

Organization	Grace Lutheran Church / Grace Housing Inc.; California Lutheran Homes Foundation; Front Porch; City of Santa Barbara Housing Authority
Project	Grace Village senior housing, La Cumbre neighborhood, Santa Barbara, CA
Population Served	Extremely low-income older adults (30% of Area Median Income)
Units	58 units of affordable housing and a manager's unit
Nearby Services	Community garden, access to transit, commerce
Open	2018
Timeline	8 years from conception to opening (2010 to 2018)
Total Project Cost	~$19 million
Key Financing	California Lutheran Homes Foundation (CLH) — $250,000+ predevelopment investment and monthly operating support for the congregation during wind-down; Low-Income Housing Tax Credit (LIHTC) equity; Housing Authority of the City of Santa Barbara (HACSB) as developer/LIHTC applicant
Future Phase	40 additional units on adjacent parcel donated to Housing Authority in 2024; pending tenant lease expiration (~2033)
Property	1.04 acres

Right Property, Right Place

Santa Barbara, California, is one of the most beautiful and most expensive communities in the United States. Adjacent to Montecito—home to some of the wealthiest people in the country—it sits on the Pacific coast with an ideal climate, a famous mission—and a profound housing affordability crisis. The gap between those who can afford to live there and those who cannot is vast and growing. According to the California Housing Partnership, 78% of extremely low-income (ELI) households in Santa Barbara County are paying more than half of their income on housing costs compared to 3% of moderate-income households.[1] For extremely low-income older adults—those living at 30% of Area Median Income—stable housing in Santa Barbara is nearly impossible to find.

Grace Lutheran Church had been part of Santa Barbara's La Cumbre neighborhood for decades. Over the years, the congregation had accumulated substantial property in the area, including the church building and site, plus a number of adjacent parcels, most of them parking lots. In 2010, the congregation faced the unfortunate reality that it could not remain solvent. But the church leadership was clear about what they wanted to see happen with their property. Affordable housing in the area had always been a concern of the church and if they had to close, they wanted their land to serve that mission—and it was a prime location to do so.

The property sits on State Street, Santa Barbara's main thoroughfare, directly adjacent to La Cumbre Plaza, a popular open-air shopping center with groceries, restaurants, a Target and diverse retail offerings. Conveniently located on a bus route, the site was ideal for affordable housing development that was surrounded by commerce and services. To explore options, Grace Lutheran formed a separate nonprofit entity called Grace Housing Incorporated, ensuring the vision was carried out and remaining assets would carry out the mission.

> "It happened to be on a bus route, adjacent to markets and grocery shopping, close to schools — all the criteria for affordable housing could be met. It was just ideal."
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> *— Deacon Nancy Ackerman, President & CEO, CLH*

[1] https://calhousingpartnership.org/wp-content/uploads/2024/05/Santa-Barbara_Housing_Report-2.pdf

Assembling the Right Partners

To find a partner aligned with their goal for the property, Grace Housing reached out to Lutheran Services in America member organization California Lutheran Homes Foundation (CLH), an independent nonprofit social ministry providing funding and other assistance for those in need of housing and human services. Familiar with CLH's mission to provide affordable housing and services, Grace Housing reached out to CLH with a clear ask to help them determine how best to turn this property into affordable housing near services.

CLH enthusiastically agreed and began the relationship by providing early-stage, flexible capital any project needs to get off the ground. An initial investment of $250,000 went toward feasibility work: architecture, entitlements, environmental analysis and the full slate of pre-development investigations. Since church funds were scarce as it moved toward closure, CLH also stepped in with operating support—roughly $2,500 a month—to keep the church functioning through the years it took to complete the development process and wind the congregation down responsibly. For additional development expertise, a third partner was engaged: Front Porch, another mission-aligned nonprofit with a development corporation, which provided services at no charge to Grace Housing, allowing them to recover their costs via the Low-Income Housing Tax Credit (LIHTC) program.

By this point, Grace Housing Incorporated, the nonprofit arm formed by the congregation, was the vehicle for the project, and CLH and Front Porch were early funding partners. But the growing team needed a critical co-development partner, and that came in the form of the Housing Authority of Santa Barbara (HACSB), a partner that Deacon Nancy Ackerman, CLH president and CEO, singles out as truly remarkable.

> "The Housing Authority of the City of Santa Barbara is a phenomenal organization. They figured out the LIHTC funding and how to make it work for a city entity. They let nothing stand in their way to provide housing."
>
> *— Deacon Nancy Ackerman, President & CEO, CLH*

The Housing Authority's involvement was notable in more ways than one. The public/nonprofit partnership at the center of this project—a city housing authority working hand-in-hand with a faith-based funder, a mission-driven co-developer and a closing congregation—is not the typical model. It is, as Ackerman put it, "what's really unusual and valuable" about how Grace Village came to be. It is also strong proof of the potential of these partnerships.

Securing LIHTC equity was key. LIHTC is a competitive state allocation scored against detailed criteria. Knowing how to engineer a project to score well, and whether it can score well at all, is a specialized skill. In this case, the financial feasibility of the project depended upon transfer of the church parcel to the Housing Authority. With transfer of the parcel and income from assets transferred to CLH, the non-profit Grace Housing, in collaboration with CLH, is able to disburse funds to other nonprofits and toward future affordable development.

Navigating the Gauntlet (or Not)

In addition to its proximity to retail, transit and services, the location of Grace Lutheran Church happened to be ideal for affordable housing in a way that many congregation properties are not. Affordable housing projects in church-adjacent residential neighborhoods often can face opposition from neighbors who don't want affordable housing near their homes. Grace Village didn't have that fight.

The property sat in a commercial setting, adjacent to a major shopping center, not a residential neighborhood. With no oppositional community meetings to navigate and the Housing Authority's deep experience with local government and its credibility with the city, the regulatory process was handled smoothly.

What They Built

Grace Village opened in 2018. It originally was designed as 60 units, but with the room and space to preserve the community garden, the final build was 58 units and a manager's unit. Eight years later, visiting the property, Ackerman was struck by how well it has had held up. "It looks as good as the day it was built," she said. "It's a lovely, lovely property."

Many units have a small patio—a private outdoor space where a resident can open a door, breathe fresh air and put out a chair. The building has a large community room where residents gather for activities and social programs managed by an on-site resident manager. Fully occupied since opening, it sits on one of the most desirable streets in one of California's most expensive cities—and every resident is a extremely low-income older adult who could not otherwise afford to be there.

Ackerman describes visiting residents at the project: people who, for the first time in their lives, had a place they knew was theirs—that couldn't be lost when rent suddenly spiked beyond reach. People who, for the first time, had enough space to invite a grandchild to visit, to sit with friends at a table, to have someone for an overnight stay.

A community garden that Grace Housing had maintained on the property continues to operate, producing food for the area and keeping alive the congregation's commitment to the neighborhood even after the church itself has closed. Grace Housing still exists as a small foundation, still receives a share of rental income from CLH's remaining adjacent properties, and still makes grants in the Santa Barbara community.

What Comes Next

The relationship between CLH and the Santa Barbara Housing Authority, built through the original Grace Village project, has continued. In 2024, CLH donated a second adjacent parcel to the City of Santa Barbara Housing Authority that is currently occupied by a fitness center whose tenant holds a lease through approximately 2033. The Housing Authority has already secured all entitlements and clearances for approximately 40 additional units of affordable housing on that site.

When the lease expires, construction will proceed. When it does, Grace Village will grow to roughly 100+ units of extremely low-income housing—all of it made possible by a congregation that said: when we close, we want our land to serve people who need it.

Health through Housing

Grace Village is primarily a housing project with a built-in resident services budget—not an integrated service model in the way that some affordable housing projects are. But Ackerman is clear about the health dimensions of what stable, affordable housing does for the people who live there.

Peace of mind, she said, is the first health benefit. The chronic stress of housing instability, of not knowing whether you can stay, of watching rents outpace what you can pay, takes a measurable toll on physical and mental health. Removing that stress is itself a health intervention.

The second is access to the essentials for healthy living. Because affordable housing is most often built in locations with transit and services nearby—as Grace Village was—residents gain access to medical care, groceries and community resources they couldn't reliably reach before. Location and accessibility are health infrastructure.

And the third is dignity. Having a patio, a community room, a space that is yours—where a grandchild can visit and you can share a meal—are the conditions under which people age well.

Key Learnings

When asked if there was anything she wanted others to know about building partnerships to make these affordable housing projects happen, Deacon Nancy Ackerman didn't hesitate. "It's one of the biggest hassles you could take on," she said. "But it's so worth it. It's so worth it. To see people's lives changed so dramatically—it's worth the hassle."

Here is Ackerman's advice to others considering similar Health through Housing projects.

Expect two to three years—at minimum—from initial concept to a shovel in the ground.
Being financially prepared to weather that timeline is essential. Most organizations operate close to the bone. You need a lending partner who will work with you.

Get a good consultant.
Most faith-based organizations don't have in-house affordable housing expertise. A skilled project manager and a consultant who knows the field can be the difference between a project that moves and one that stalls.

Be careful about who you choose as a development partner.
Some nonprofit developers operate in a cookie-cutter way. Vet your partners for mission alignment, flexibility and genuine commitment to the outcome you're after.

Hire an architect who knows affordable housing.
Experience matters.

Think carefully about forming a nonprofit.
If your congregation forms its own nonprofit to manage the housing work, think carefully about how it will manage governance and accountability; the complexity of a congregation to nonprofit transition can persist for years.

Location matters enormously.
The best church properties for affordable housing are those already adjacent to transit, retail and services—which dramatically reduces both community resistance and resident isolation.

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