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Financial Innovations Lab®

# Models for Financing Affordable and LGBTQ+-Affirming Elder Housing at Scale

## Brief Overview

### About the Milken Institute

The Milken Institute is a nonprofit, nonpartisan think tank focused on accelerating measurable progress on the path to a meaningful life. With a focus on financial, physical, mental, and environmental health, we bring together the best ideas and innovative resourcing to develop blueprints for tackling some of our most critical global issues through the lens of what's pressing now and what's coming next.

### About Milken Institute Finance

Milken Institute Finance drives research and program development to increase access to capital, savings, and investments, particularly for underserved individuals, businesses, and communities. Our thought leadership, research, and insights influence private sector practices and public sector policies that improve equitable access, efficiency, and reliability of financial markets and institutions.

### About Financial Innovations Labs

Financial Innovations Labs® bring together researchers, policymakers, and business, financial, and professional practitioners to create market-based solutions to business and public policy challenges. Using real and simulated case studies, participants consider and design alternative capital structures and then apply appropriate financial technologies to them.

### Acknowledgements

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## The Problem

Amid the growing demand for housing in the US, there is also a need for diverse care options as many older adults prefer to stay in their homes while others will transition to communities that offer a continuum of care, from independent to assisted living services. Unfortunately, many of these options are costly and out of reach for low and middle-income Americans. In response, in 2024, the Milken Institute released a Financial Innovations Labs® report, *Innovative Financing and Care Models to Scale Affordable Housing Solutions for Middle-Income Older Adults*, which outlined four market-based recommendations on advancing the affordable housing market for middle-income seniors. Through this work, it became apparent that the lack of housing and care options is more severe for marginalized communities such as the LGBTQ+ older adult (LOA) community, where economic disparities and social isolation further intensify the challenges of aging.

To address LOA housing disparities and financing gaps, the Milken Institute partnered with SAGE to conduct a Financial Innovations Lab® (“Lab”) market landscape. From September 2024 to February 2025, the Milken Institute conducted 40 interviews with key stakeholders and subject-matter experts across sectors, including academia, financial services, government, health care, sustainability, nonprofit, and philanthropy. *Models for Financing LGBTQ+ Affordable Elder Housing at Scale* summarizes key findings and research from the market landscape including current funding challenges, stakeholder insights, and a menu of recommendations to sustainably finance and advance the market of housing that prioritize both affordability and inclusivity for LOAs.

## Overview of Solutions

This abbreviated summary of recommendations presents five market-tested solutions as identified from the Lab discussions and research. Read the full report to learn more.

### ***Solution 1: Issue social bonds to fund LOA-affirming and affordable housing, programs, and/or services.***

To apply this model to LOA housing and services, interviewees suggested the following recommendations:

- Identify one or two states that could pilot a social bond for housing that include supportive services. This could also include Housing Authorities or other municipalities, depending on the current debt burden for any specific entity and its ability to repay based on current or future revenue streams (examples: state of Washington, Illinois or Connecticut)
- Adopt an impact framework with transparent, measurable key performance indicators (e.g., housing retention rates, healthcare cost savings, social isolation improvements)
- Leverage social bond proceeds for both housing construction and service integration
- Expand investor base by marketing to social impact/ESG-focused investors and financial institutions
- Encourage financial institutions and corporates to issue social bonds for elder housing which include services for LOA communities by demonstrating data-backed community health outcomes

## ***Solution 2: Design an impact investment fund to create LOA-affirming and affordable living environments.***

An impact investing fund for LOA housing could:

- De-risk investments by structuring a first-loss reserve backed by philanthropic capital
- Expands investor participation from institutional investors, CSR funds, and ESG-focused firms
- Tie investment returns to impact metrics such as housing stability rates, healthcare cost savings, lower rates of social isolation
- Implement structured revenue-sharing where investors receive a portion of rental income over time, aligning incentives with long-term affordability and resident well-being

## ***Solution 3: Use a pay-for-performance model to fund LOA-affirming programming, workforce training, and inclusive design improvements.***

A pay-for-performance investment into LOA-affirming services could:

- Secure long-term capital to fund services, programs, and training
- Form partnerships among operators and LOA service providers with healthcare providers, insurance companies, and philanthropic organizations serving as the outcome payors
- Track key health and housing stability metrics to provide information demonstrating the cost-effectiveness of LOA affordable housing
- Build the case for further public-private partnerships and investment in inclusive elder care models

## ***Solution 4: Create an LOA elder housing prize to reward best-in-class developments and increase market visibility.***

An LOA housing prize could:

- Encourage replication of effective models, demonstrate the importance of LOA-affirming housing within the broader affordable housing landscape, and attract more investment into certified high-quality developments
- Reward prize winners with incentives such as an appropriate prize purse, enhanced reputation, flexible financing terms, access to new markets, increased market value and industry recognition
- Engage an independent and diverse panel of judges with the opportunity to include a high-profile celebrity to bring various perspectives, expert insights, and build awareness
- Establish an industry standard for excellence for LOA affordable housing design and service delivery

## ***Solution 5: Establish financial sector partnerships to incentivize LOA-affirming service integration.***

To establish financial sector partnerships for LOA housing:

- Identify mission-aligned financial institutions to create preferential loan terms for LOA housing projects
- Engage private equity firms already invested in PACE to structure a percentage allocation to LOA housing and care initiatives
- Partner with LGBTQ+ corporate affinity groups or corporate social responsibility initiatives on resident wellness and community engagement programs

## **Conclusion**

Addressing the financial barriers to LOA affordable housing requires new, multi-sector solutions that move beyond existing funding options. By leveraging social bonds, impact investment funds, pay-for-performance models, prize incentives, and financial sector partnerships, housing providers can access new streams of capital that are both sustainable and effective. The models ensure that LOAs receive culturally competent services, stable housing, and long-term affordability. They also align financial incentives with measurable social outcomes, making LOA affordable housing more attractive for a wider pool of investors. This approach will strengthen the future elder housing ecosystem, meet the needs of LOAs, and foster healthier communities.

