Working to Alleviate the Affordable Housing Shortage

A Case Study of The Community Development Trust

By Sean Zielenbach, Ph.D., SZ Consulting LLC

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Executive Summary

CDT-financed properties help address the pervasive affordable housing shortage in neighborhoods throughout the country. By providing and preserving housing that is affordable and well-maintained, the developments create significant benefits for low-income households. The housing cost savings meaningfully increase the households' disposable incomes, providing them with additional resources to spend on other basic necessities. Not surprisingly, less housing cost-burdened renters are able to spend more on food and health care, with corresponding benefits for their health and wellness. The affordability of the properties contributes to consistently low rates of tenant turnover. Such residential stability has positive ramifications for the tenants' emotional well-being, their ability to build and maintain a social network, and their children's short- and longer-term academic performance.

At the same time, the properties contribute to the stabilization and potential revitalization of their surrounding communities, neighborhoods that tend to be disproportionately poor and under-invested. While significant challenges remain in many of these areas, there is a growing sense of optimism about many aspects of their future.

Foreword

The Covid-19 pandemic and ensuing economic recession have left millions of people without jobs. At the end of the third quarter, the national unemployment rate was 8.9%[1]. According to recent research from the Joint Center at Harvard University, 52% of the country's lowest-income workers – and 41% of all American households – have lost employment income since March[2].

The nation's renters have been disproportionately affected by the economic downturn. Nearly half of all renters (49%) have lost some employment income since March, compared with only 36% of homeowners. As a result, fully 46.3% of renters – more than 20.4 million people nationwide – have found themselves housing cost-burdened, in that they are devoting more than 30% of their income to rent and related utilities. In fact, 15% of all renters – and about 20% of the lowest-income renters – fell behind in their rent payments over the summer[3]. By the end of the year, an estimated 12 million renters will be in arrears on their payments, with an average overdue balance of $5,850[4].

The recession has exacerbated the country's already significant affordable housing shortage. Even prior to the recession, the average working renter struggled to afford a one-bedroom apartment priced at the average fair market rent, or FMR. (A HUD-determined figure, the FMR generally reflects the 40th percentile rent within a particular market.)

The Community Development Trust (CDT) has been working to alleviate the affordable housing shortage for the past 22 years. The New York-based community development financial institution (CDFI) and mission-driven real estate investment trust (REIT) helps facilitate the creation, preservation, and rehabilitation of affordable rental properties throughout the country. Since inception, it has provided more than $2.4 billion worth of financing in support of more than 456 separate residential properties in 42 different states, the District of Columbia, and the US Virgin Islands. CDT's efforts have helped create and stabilize more than 51,300 rental units, the vast majority of which are affordable to households making 80% or less of their respective incomes. Not only have the properties created important economic and social benefits for their tenants, but they also have had positive economic effects on their surrounding communities. This report analyzes the wide-ranging impacts of the CDT-financed properties.

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[1] Per the federal Bureau of Labor Statistics.

[2] Joint Center for Housing Studies of Harvard University, "The State of the Nation's Housing 2020," available at https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_The_State_of_the_Nations_Housing_2020_Report_Revised_120720.pdf

[3] Ibid.

[4] Cited in "Apartment Rent Collections 'Came Crashing' in November for Some Landlords," *Atlanta Bisnow* (12/14/20), available at https://www.bisnow.com/atlanta/news/multifamily/lower-income-renters-struggling-to-make-rent-more-than-luxury-residents-107074

Overview of CDT

Founded in late 1998, CDT remains the country's pre-eminent private REIT devoted to affordable housing. It began operations in 1999 and was certified as a CDFI by the federal Treasury Department in 2002.

CDT supports affordable housing in three ways:

- CDT works to preserve the affordability of publicly subsidized properties whose subsidies and use restrictions are expiring. It also works with local housing authorities and other public agencies to convert existing market-rate units into income-restricted apartments. In both cases, CDT accomplishes these objectives by investing equity in the properties. It usually invests in conjunction with a local partner as part of a broader ownership transfer and re-capitalization. CDT's funds typically go to cover necessary renovations and property upgrades, and to fill other gap financing needs. As part of the process, CDT acquires a controlling interest in the property and thus the power to create or extend an affordability covenant, ensuring that many of its units remain affordably priced for low-income households.

- Through its mortgage program, CDT provides developers and property owners with long-term, fixed-rate mortgages, both for new construction and as part of a recapitalization process. It often commits such financing when the project is still in the conceptual stage. With CDT's committed take-out capital, the sponsor is better able to attract pre-development, construction, and other early-stage financing, as well as to apply for various tax credits.

- CDT has also served as a secondary market for affordable housing lenders whose notes may not meet the criteria of traditional buyers such as Fannie Mae and Freddie Mac. CDT will buy long-term affordable housing mortgages from other CDFIs, quasi-public housing finance authorities, and conventional banks and other lenders. With the proceeds from the note sales, the originating lenders are better positioned to make additional loans in support of affordable rental properties.

As of year-end 2020, CDT had $1.92 billion worth of loans and equity investments on its balance sheet. Its portfolio consisted of 287 properties containing an aggregate 28,103 units. The portfolio did not include another 14 properties containing 966 units, for which CDT had committed, but not yet closed, more than $51.9 million worth of permanent debt.

Need for CDT Intervention

As noted above, many of the nation's renters struggle to find and keep an affordable apartment. The median renter household in the country earns $42,479 annually.[1] That represents only 64.6% of the national median for all households. In other words, the typical renter qualifies as low-income. (Most federal agencies use 80% of median as the "low-income" threshold.) The median gross rent for the country as a whole – $1,097 per month – represents about 31% of the median renter's monthly income, slightly more than the commonly used 30% benchmark for housing affordability. Put differently, the typical renter is moderately housing cost-burdened.

Not surprisingly, affordable housing proves increasingly elusive for those on the lowest rungs of the income ladder. Among renters making less than $25,000 per year, more than 80% qualify as housing cost-burdened and 62% qualify as severely cost-burdened, forced to devote more than half their income to rent and utility costs. Within the next major income band, comprising those making between $25,000 and $50,000, 58% of renters are at least moderately cost-

[5] Figures are from the 2019 American Community Survey.

burdened.[2]

Each year, the National Low-Income Housing Coalition (NLIHC) determines the amount a household needs to earn in order to afford an apartment priced at the prevailing fair market rent. Its most recent analysis, completed in summer 2020, found that a household needed to earn $19.56 per hour ($40,685 per year) to afford a standard one-bedroom apartment renting for the national FMR. The household would need to earn $23.96 per hour ($49,837 annually) to afford a typical two-bedroom apartment going for the national FMR. Such an apartment likely would be the minimum necessary for a household with children. Unfortunately, the average renter makes only $18.22 per hour, and many of the front-line workers most exposed to Covid-19 make far less. Grocery store cashiers, for instance make, an average, only $11.61 per hour, and building cleaners and home health care workers earn an average $12.94 per hour. In effect, they would have to work about two full-time jobs to be able to afford a modest two-bedroom apartment.[3]

Simply put, there is a substantial gap between the demand for and supply of affordable rental housing among lower-income households. NLIHC has calculated that for every 100 renter households earning 50% or less of the respective area median income (AMI), only 57 affordable units exist. That translates into a national shortage of about 8 million rental units. The gap is even wider for extremely low-income households, those making 30% or less of AMI. NLIHC estimates that only 37 affordable units are available for every 100 of those households.[4]

Several factors have contributed to the supply shortage. Rents have been steadily increasing over the past 15 years. From 2004 to 2019, real (inflation-adjusted) rents for occupied units grew by a cumulative 29%. The growth in rents has significantly exceeded the growth in renters' incomes. From 2001 to 2018, real median renter incomes remained essentially unchanged, while real median rents rose by 13%. In other words, renting the same apartment has become more expensive – in both absolute and relative terms. Compared to 2004, there are now 10.4 million more units whose real rents exceed $1,000 and 2.5 million fewer apartments with real rents of less than $600.[5]

Based on their monthly costs, rental units in both single-family homes and in larger complexes (those with 20 or more units) historically have tended to be the most desirable. Such units currently rent for a median $1,200 per month. Those in smaller multi-family properties tend to be more affordable, renting for a median $975 per month. Unfortunately, the past 15 years have seen the loss of 850,000 of these lower-cost units from the marketplace, the result of the properties either being abandoned or redeveloped into other uses. Owners frequently have determined that modernizing older, low-rent properties for continued use as affordable housing is not worth the cost. As a result, more than 2.1 million low-rent apartments built prior to 1970 have been demolished or converted into other uses in the past 15 years.[6]

Moreover, most of the new rental housing being developed has been targeted to higher-income populations. In 2018, the median asking monthly rent for new apartments in unsubsidized multi-family properties was $1,670 – an amount affordable to households earning at least $66,800 annually. Only 9% of new, unsubsidized apartments rented for less than $1,050, and only 4% rented for less than $850. The median renter household could afford only 3% of all new, unsubsidized apartments that came into the market.[7]

Historically, CDT focused the majority of its activities on providing long-term debt to new or significantly rehabilitated affordable housing properties. Since inception, it has provided nearly $812 million of such financing, either directly or through the purchase of an existing loan, to 387 properties containing an aggregate 30,482 units. (For a variety of primarily external factors, CDT's lending volume has decreased recently. It closed only $46 million worth of debt in the past three years, supporting 18 properties with 1,300 total units.)

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[6] "The State of the Nation's Housing 2020."

[7] Andrew Aurand et al, "Out of Reach 2020" (Washington: National Low-Income Housing Coalition, 2020); available at https://reports.nlihc.org/sites/default/files/oor/OOR_2020_Mini-Book.pdf

[8] Ibid.

[9] "The State of the Nation's Housing 2020."

[10] Ibid.

[11] Joint Center for Housing Studies of Harvard University, The State of the Nation's Housing 2019," available at https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_State_of_the_Nations_Housing_2019%20%281%29.pdf.

While CDT's lending activity tends to focus primarily on projects that bring more affordable units into the marketplace, its equity investing focuses mainly on preserving affordable units that already exist. Such preventive action is critical, particularly as projects initially financed with equity associated with the federal Low Income Housing Tax Credit reach the end of their 30-year required affordability period. Over the next decade, affordability restrictions are scheduled to expire for more than 387,000 units in more than 6,900 separate LIHTC properties, as well as about 313,000 other units subsidized by other public programs. Mission-oriented nonprofits or their affiliates own a meaningful percentage of these properties, but private-sector entities own the majority of units whose use restrictions are set to expire within the next five years.[8]

Historically, CDT has taken an equity stake of more than $1.36 billion in 69 different affordable housing properties. Equity now represents the bulk of CDT's financing business; from the start of 2018 through the end of 2020, it invested $399.6 million in 18 different properties. Its equity properties tend to be considerably larger than those it finances with debt (an average 192 units v. 74). They also tend to be older and therefore more likely to need repairs and upgrades.

Unlike most affordable housing lenders and investors, CDT tends to focus on properties outside of the country's largest markets. Only 30 of the 287 properties in its current portfolio are located in the nation's 10 most populous cities. Yet the need for affordable housing in these other markets is as great, if not greater, than in the big cities. In the median census tract with a CDT-financed property, nearly 54% of renters qualify as housing cost-burdened and nearly 28% qualify as severely burdened. Both proportions are higher than the national averages, which reflects CDT's ability to target areas of high need.

Characteristics of CDT-Financed Properties

CDT finances a wide range of affordable rental properties, including multifamily apartment buildings, garden-style apartments, and scattered single-family homes. Nearly one-fifth of the properties in the organization's current portfolio house predominantly senior citizens, while the remainder house a mix of working-age adults and families. All of CDT's debt-financed properties, as well as a majority of its equity properties, have received some form of public subsidy to help make the units affordable to low-income residents. Nearly 96% of the properties in the debt portfolio and 53% of those in the equity portfolio have received equity associated with the federal LIHTC. Only 13 properties have no public subsidy at the project level.

Table 1: Number of CDT Portfolio Properties with Different Public Subsidies

Subsidy	Debt Properties (251)	Equity Properties (47)
LIHTC	240	25
Section 8	6	12
RAD	3	0
Other Rent Restrictions	1	4
No Project-Based Subsidy	2	11

Note that some projects have multiple types of subsidy.

Most of the CDT-financed properties provide more than just housing. Based on the 2018-2020 survey responses, a majority of the properties have one or more on-site public computers that tenants can use to check e-mail and print resumes, among other things. Nearly one-third of

[12] "The State of the Nation's Housing 2020"; also, Dan Emmanuel, "LIHTC Preservation and the Need for Rental Assistance," *Shelterforce* (11/18/20), available at https://shelterforce.org/2020/11/18/lihtc-preservation-and-the-need-for-rental-assistance/

the properties have on-site recreational facilities such as playgrounds or basketball courts. And pre-pandemic, about a fourth of the properties featured regular social events or happy hours for the residents. Moreover, 93% of the properties are within 10 minutes of a grocery store, and 83% are within 10 minutes of public transportation.

Table 2: Proportion of Respondent Properties with Tenant Amenities

Amenity	Proportion
Computer access / computer lab	53.4%
Recreational facility / programming	31.6%
Social events / happy hours	24.8%
Health services / clinic	21.8%
Adult education	20.3%
Transportation	16.5%
Financial counseling	16.5%
Employment / job training assistance	11.3%
Child care / after-school programming	10.5%
No additional amenities / services	20.3%

Tenant Characteristics and Benefits

To obtain data on the socio-economic characteristics of the residents in its financed properties, CDT asks each property manager to complete an annual survey. The survey requests information on the current tenants, the rent they pay, and other features of the property. In 2020, CDT received 60 completed surveys, representing 20% of its outstanding portfolio. Over the past three years (2018-2020), it has received surveys from 133 different properties, or 44.6% of its outstanding portfolio. During that period, managers from nearly 60% of CDT's equity properties and nearly 42% of its debt properties have submitted survey responses. Since the three years' worth of surveys reflect such a large cross-section of the entire portfolio, this report focuses primarily on the aggregate findings.

As noted above, the overwhelming majority of properties in CDT's portfolio have received equity associated with the LIHTC program. According to HUD, the median household income of a tenant residing in a LIHTC-financed property in 2017 was only $17,943, or 29% of the national median. The plurality (43%) of LIHTC tenants qualify as extremely low-income, making 30% or less of the respective AMI, and another 34% qualify as very low-income (making between 31 and 50% of AMI).[9] Tenant incomes generally are much lower than the 60% of AMI threshold that the LIHTC program targets.

Not surprisingly, CDT-financed properties also house a disproportionately poor tenant population. Based on the 2018-2020 survey responses, 55.3% of all tenant households make 50% or less of the respective AMI, and about a third make less than 30% of AMI. CDT's equity properties house a notably higher proportion of these extremely low-income households than its debt properties (40.6% v. 27.6%). As shown in Table 3 below, CDT's properties have slightly higher-income tenants than the average LIHTC property. At the same time, CDT's properties have a much higher proportion of very low and extremely low-income tenants than initially envisioned. The targeted percentage in Table 3 reflects the proportion of units that have been set aside for households within certain income bands, with their contract rents priced at 30% of the monthly income for a household at the upper end of the respective median income level.

Because the vast majority of CDT properties are formally designated as affordable housing, their rents tend to be significantly lower than prevailing rents elsewhere in their markets. As Table 4 illustrates, the rents charged for CDT-financed units are, on median, between $101 and $205 lower per month than rents for unsubsidized, market-rate units in the respective local markets. Note that the differences tend to be much greater for the units in debt-financed properties than those in which CDT has made equity investments. Part of that difference likely results from the higher proportion

[13] HUD Office of Policy Development & Research, "Understanding Whom the LIHTC Serves: Data on Tenants in LIHTC Units as of December 31, 2017," (Dec. 2019), available at https://www.huduser.gov/portal/sites/default/files/pdf/LIHTC-TenantReport-2017.pdf

of unsubsidized (market-rate) properties within CDT's equity portfolio.

The median figures mask some significant variations, however. For about 10% of CDT's properties, the units' contract rents are actual higher than the prevailing market rents. Those differences likely reflect the relative newness of the CDT properties and/or the presence of various on-site tenant amenities in generally very poor communities where the weakness of the local real estate market and the poorer quality of the available unsubsidized units depresses the rents they can command. On the other end of the spectrum, median monthly rents in several of CDT's properties are more than $1,000 cheaper than the prevailing local market rents. These properties tend to be located in very high-cost markets in coastal areas. For example, the contract rent for a 3-bedroom apartment at Petaluma Avenue Homes in Petaluma, CA[10] is about $1,735 lower than the going rate for unsubsidized 3-bedroom apartments in the city.

One way of helping to standardize the rent differences across markets is by comparing the rents in the CDT properties to the HUD-determined fair market rent. As noted earlier, HUD sets the FMR each year at about the 40th percentile of all rents in an area. FMRs are higher for larger units and generally reflect the relative strength or weakness of the surrounding real estate market. In many cases, the Department sets the FMR for an entire county or metropolitan area. In areas with significant disparities among micro-markets, HUD determines FMRs on a ZIP Code basis. As shown in Table 5, CDT's units usually rent for less than the prevailing FMR, with the disparities increasing with the size of the unit in question.

These differences represent substantial housing cost

Table 3: Proportion of CDT Tenants within Different Income Bands, Compared to Properties' Targeted Income Composition and National LIHTC Average Incomes

Tenant Income Level	Targeted %, CDT Properties	Actual %, CDT Properties *	Actual %, CDT Debt Properties *	Actual %, CDT Equity Properties *	Actual %, All LIHTC Properties **
< 30% of AMI	16.5%	33.1%	27.6%	40.6%	43.0%
31-50% of AMI	25.2%	32.2%	37.3%	25.3%	34.1%
51-60% of AMI	37.5%	27.7%	30.5%	23.9%	12.3%
> 60% of AMI	20.8%	14.9%	14.3%	15.6%	9.2%

* Percentages do not equal 100% because some respondents reported tenant incomes for only the currently occupied units in the property, while others based their numbers on the total number of units in the property.

** Per 2017 HUD data.

Table 4: Median Monthly Rent Differences – CDT Properties v. Prevailing Market Rents

Unit Size	All Properties	Debt Properties	Equity Properties
Studio	-$101.00	-$149.40	-$15.00
1-bedroom	-$156.00	-$225.00	-$29.00
2-bedroom	-$147.50	-$264.00	-$26.75
3-bedroom	-$205.00	-$240.00	-$113.00
4-bedroom	-$203.00	-$282.50	-$79.00

[14] Petaluma is located in Sonoma County, north of San Francisco.

savings for the tenants in the CDT properties. Consider the economic benefits for a typical 3-person household living at the Reserve at Mills Creek complex in Scottdale, GA, a suburb of Atlanta. A 2-bedroom apartment there rents for $625 per month, $275 less than the market rent for an unsubsidized 2-bedroom apartment in the area and $315 less than the FMR for the area. For a household making $44,700 per year (about 60% of the area median), the annual housing cost savings effectively increase its disposable income by up to 8.5%.

While the contract rents at the CDT properties tend to be lower than both the prevailing local market rent and the FMR, they are not necessarily affordable to each tenant household. Section 8 subsidized units require tenants to pay only 30% of their incomes toward rent, but LIHTC properties set rents based on specific income levels. For example, a unit reserved for a household earning 60% or less of AMI would have a rent that was affordable to a household making that amount. (The contract rent might be $1,000, for instance, which would be affordable to a household making $40,000 annually.[11]) Were a household making 45% of AMI to

Table 5: Median Monthly Rent Differences – CDT Properties v. FMR

Unit Size	All Properties	Debt Properties	Equity Properties
Studio	-$34.00	-$38.50	$10.00
1-bedroom	-$149	-$208.00	-$30.50
2-bedroom	-$217.50	-$253.50	-$71.00
3-bedroom	-$407.00	-$439.00	-$215.50
4-bedroom	-$750.00	-$778.00	-$229.00

Table 6: Median Tenant Rent Responsibility at Surveyed Properties (As Proportion of Contract Rent)

Amount of Contract Rent Paid	Tenants in All Properties	Tenants in Debt Properties	Tenants in Equity Properties
100%	53.5%	46.5%	60.9%
76-99%	7.5%	1.0%	13.4%
51-75%	8.5%	2.5%	14.1%
26-50%	24.4%	27.9%	20.7%
< 25%	11.8%	16.5%	7.5%

Note: proportions do not add up to 100% because some respondents based their totals on the number of units in the property instead of the number of currently occupied units.

occupy the unit, it would still be charged the $1,000 contract rent. That household would be forced to devote more than 30% of its income to rent and utilities and consequently would qualify as housing cost-burdened.

The majority of renters in the CDT properties do not personally pay the full amount of the contract rent, however. As illustrated in Table 6 below, less than 54% of tenant households pay the full contract rent amount. The proportion is higher in the equity properties, simply because many of those units are unsubsidized. Nearly 37% of all tenant households pay less than half of the contract rent.

In most cases, the difference comes in the form of either a project-based or tenant-based Section 8 subsidy, with the local housing authority makes up the difference between the tenant's portion and the contract rent amount. Almost 22% of all tenants in CDT-financed properties receive a Section 8 voucher, and hundreds of others receive subsidies from other public sources.

The quest for affordable housing routinely ranks among the chief concerns for low-income households. Over the past few years, CDT has surveyed tenants in three of its equity properties. Its most recent survey, in summer 2020,

[15] An "affordable" unit is one for which the tenant pays 30% of his/her monthly income in rent.

generated 52 responses from residents at Garden Court in Denver. When asked why they moved into the property, respondents at each CDT property most frequently cited the need for lower or more stable monthly housing costs. The second most frequently mentioned reason was the need to be on one's own; such independence usually became possible, however, only with a more affordable living situation. Relative to their rent and utility costs at their prior residence, Garden Court tenants are saving a median $185 per month.

These findings reinforce the results of Berkeley Professor Carolina Reid's research on LIHTC tenants in California.[12] The affordability and quality of the apartment, even more so than any concerns about the safety of the surrounding neighborhood, were the primary factors behind the tenants' decision to move into the LIHTC properties. Almost 90% of the tenants she surveyed reported that their housing improved as a result of the move – an unsurprising finding given that many individuals previously had been homeless or were forced to move involuntarily. Moreover, two-thirds of the tenants had positive things to say about living in the LIHTC properties. Many noted that the units were safe, larger, and of better quality than what was available in the broader market.

Reducing tenants' housing cost burden frees up funds for other uses. Harvard researchers found that, among tenants with incomes between $15,000 and $30,000, moderately burdened households had about $1,150 per month left over for non-housing expenses. In contrast, severely burdened households had less than $600 left over. Put differently, unburdened renter households in that income range – those spending 30% or less of their incomes on rent each month – spend 19% more than moderately cost-burdened households and 52% more than severely burdened households on non-housing-related expenditures.[13]

With the money saved from rent, low-income households can allocate more to food and health care. Moderately burdened renters in the lowest income quartile who have children under 18 spend 17% less on food and 57% less on health care than unburdened households in that income band. Severely cost-burdened renters are even more disadvantaged, spending 37% less on food and 93% less on health care than their unburdened peers.[14] Prior to moving into their LIHTC apartments, 40% of the aforementioned California residents surveyed either worried about paying for food or skipped meals due to their housing cost burden.[15]

Not surprisingly, this additional spending on other critical needs translates into better health outcomes. A Boston-based study found that children living in subsidized housing are 19% more likely to be food secure, 28% less likely to be seriously underweight, and 35% more likely to be classified as "well" on a comprehensive indicator of child health.[16] Multiple studies have found that people living in unaffordable homes have greater odds of hypertension, arthritis, non-adherence to cost-related health care and prescriptions, and generally poor health.[17] Enterprise Community Partners found that 45% of severely burdened renters have not followed a treatment plan provided by a health care professional and 31% delayed a routine check-up because they could not afford it. (The comparable proportions for all renters were 34% and 23%.)[18]

Families in affordable living situations tend to spend more on activities that enhance their children's education. Johns Hopkins University researchers found that low-income households that pay only 30% of their incomes in rent spend $75 more per year on child enrichment activities than do similar households that are severely housing cost-burdened. Such enrichment enhances children's cognitive and social-emotional development and leads to greater success in school, less incarceration, higher employment, and less

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[16] See Carolina K. Reid, "Rethinking 'Opportunity' in the Siting of Affordable Housing in California: Resident Perspectives on the Low-Income Housing Tax Credit" *Housing Policy Debate* vol. 29, #4 (July 2019), pp. 645-669.

[17] The State of the Nation's Housing 2020.

[18] Ibid.

[19] Reid, "Rethinking 'Opportunity' …".

[20] Children's Health Watch & Medical-Legal Partnership / Boston, "Rx for Hunger: Affordable Housing" (Dec. 2009); available at https://childrenshealthwatch.org/wp-content/uploads/rxforhunger_report_dec09-1.pdf

[21] See, for example, Craig Evan Pollack, Beth Ann Griffin, & Julia Lynch, "Housing Affordability and Health among Homeowners and Renters," *American Journal of Preventive Medicine* vol. 39, #6 (Dec. 2010), pp. 515-521, and Rachel Meltzer & Alex Schwartz, "Housing Affordability and Health: Evidence from New York City," *Housing Policy Debate* vol. 26, #1 (Jan. 2016), pp. 80-104.

[22] See https://www.enterprisecommunity.org/blog/health-survey-renters.

reliance on public programs later in life.[19]

Affordable housing also contributes to greater residential stability. Families that receive housing assistance are less likely to be evicted and more likely to remain in their homes from year to year than those in unsubsidized units.[20] The National Apartment Association surveys about 3,500 apartment complexes each year. Most have at least 50 rental units, and the majority of the properties are garden-style developments as opposed to mid- or high-rises. NAA's most recent (2019) survey reported data from 2018. Overall, 51% of the rental units turned over – i.e. changed tenants – during the year. The proportion was far lower (29%) for subsidized units.[21]

Turnover at the CDT-financed properties has been even lower than the national average for subsidized properties. The 133 reporting properties experienced annual tenant turnover of 21.3% in the past three years, nearly 8 percentage points lower than the NAA-reported national average. Turnover rates were lower at CDT's debt-financed properties (17.8% than at its equity properties (26.1%). Relatively few high-turnover properties are skewing the overall figures. The median CDT-financed property has experienced annual tenant turnover of only 16.9%, a rate substantially below the national average for subsidized properties. Indicative of the properties' desirability, their overall vacancy rate is less than 5% and their aggregate waiting lists contain more than 13,800 households – a median 33 households per property.

There are clear benefits of residential stability, particularly for children. It contributes to positive performance in school, whereas frequent moves during childhood have long-term negative effects on children's social, educational, and emotional outcomes.[22] Kathleen Ziol-Guest, a researcher at the RAND Corporation, found that the majority of low-income children moved at least once during early childhood, and more than half moved at least three times by the time they turned 15. Any move during childhood is associated with a nearly half-year loss in educational attainment, and any move in middle childhood (ages 6-10) is associated with lower earnings, fewer work hours, and less educational attainment later in life.[23] Other research has found that poor children who experience multiple moves during early childhood are more likely to have attention problems, internalizing and externalizing behavioral issues, and sibling conflicts than their peers who are more residentially stable.[24]

Neighborhood Characteristics and Benefits

For the most part, CDT's properties are located in economically distressed areas. The median census tract containing a CDT property has a 24.2% poverty rate and median household income of $40,413, only 59% of the national median. The typical renter household qualifies as very low-income, with a median income of only $30,429 (44% of the national median).[25] Of course, substantial variation exists within these markets. While the majority of

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[23] Sandra J. Newman & C. Scott Holupka, "Housing Affordability and Investments in Children," *Journal of Housing Economics* vol. 24 (2014), pp. 89-100.

[24] Yumiko Aratani, Sarah Lazzeroni, Jeanne Brooks-Gunn, & Diana Hernandez, "Housing Subsidies and Early Childhood Development: A Comprehensive Review of Policies and Demonstration Projects," *Housing Policy Debate* vol. 29, #2 (Mar. 2019), pp. 319-342.

[25] 2019 NAA Survey of Operating Income and Expenses in Rental Apartment Communities, available at https://www.naahq.org/news-publications/units/september-2019/article/2019-naa-survey-operating-income-expenses-rental.

[26] See, for example, Rebekah Levine Coley & Melissa Kull, "Is Moving During Childhood Harmful?" MacArthur Foundation Policy Research Brief (July 2016); available at https://www.macfound.org/media/files/HHM_Brief_-_Is_Moving_During_Childhood_Harmful_2.pdf.

[27] Kathleen Ziol-Guest, "Long-Run Impact of Residential Moves in Childhood on Adult Achievement," paper presented at the Society of Prevention Research conference (May 2014).

[28] Aratani et al.

[29] All data are from the American Community Survey's 5-year (2014-2018) estimates.

CDT-financed properties are located in distressed areas, the organization has also financed properties in more affluent communities as a way of ensuring affordability for lower-income residents. Fifteen of CDT's portfolio properties are located in census tracts whose median household incomes exceed $90,000, and 11 are in tracts with poverty rates of less than 5%. (Note that these are pre-pandemic figures.)

For many years, one of the most persistent complaints about affordable housing is that it negatively affects the condition of the surrounding neighborhood. The "Not in My Backyard" sentiment stems from a fear that the presence of housing occupied by predominantly low-income individuals, many / most of whom are people of color, will contribute to increased crime and reduced property values. Such a fear, manifested in President Trump's oft-stated pledge to "protect" the suburbs from low-income housing, persists despite considerable research demonstrating the neutral to positive spillover effects of affordable housing on surrounding neighborhoods.[26]

Although CDT has not yet been able to track sales price or crime data in the areas surrounding its properties, the survey responses do not paint a picture of disinvestment or decay. On the contrary, conditions generally appear to be improving in the communities where CDT's properties are located. Of the 133 separate respondents in the past three years, 52 (39%) noted new nearby residential or commercial development within the previous 12 months. Nearly 87% believed that public safety in the community either had improved or stayed the same in the past year, compared with only 13% who felt that it had worsened. Perhaps most notably, those who believed crime had gotten worse tended to cite external factors as the major causes. For instance, the property manager at Seasons Park, a 421-unit property in the Minneapolis suburb of Richfield, MN, attributed the increase in local property and vehicle crimes to the civil unrest related to Covid and the killing of George Floyd. Public safety at Seasons Park itself had improved to a point where management had been able to reduce security patrols dramatically from 2017 to 2020. Other respondents attributed local increases in domestic violence, thefts, and vandalism largely to Covid and the combination of reduced employment opportunities and more enforced self-quarantining.

Table 7: Average Respondent Ratings of Conditions in Surrounding Neighborhoods

Ratings Based on 10-Point Scale, 10 Being the Highest

Characteristic	Rating	Characteristic	Rating
Housing Quality	6.27	Availability of Goods & Services	7.51
Housing Affordability	5.91	Availability of Public Transportation	7.24
Public Safety	6.25	Quality of Physical Infrastructure	6.94
Recreational Opportunities	6.04	Accessibility of Jobs	7.04
School Quality	6.81	Investor Confidence	7.68

Respondents remain generally optimistic about conditions in the neighborhoods surrounding the CDT properties. While there may be some bias skewing their perceptions – property managers may be less forthright about the problems affecting the neighborhoods – the respondents consistently rate a wide variety of neighborhood characteristics better than average. Table 7 provides the mean rating of each characteristic on a 10-point scale, with 10 being the best and 1 being the worst. Any rating above 5 qualifies as above average.

Moreover, conditions in the neighborhoods have remained largely stable over time. This is the eighth year of CDT's annual survey. During that period, managers from 38 separate properties have submitted two or more surveys that included a ranking of neighborhood conditions. In 2020, the average aggregate respondent rating of local conditions was 7.3. Over time, the average aggregate neighborhood ranking has been 7.4.

[30] See Keri-Nicole Dillman, Keren Mertens Horn, & Ann Verilli, "The What, Where, and When of Housing Policy's Neighborhood Effects," *Housing Policy Debate* vol. 27, #2 (Mar. 2017), pp. 282-305 for a summary of the research.

It is unclear to what extent the development, renovation, and/or preservation of the CDT-financed projects has contributed to the stabilization and improvement of the surrounding areas. Only a few survey respondents specifically addressed the communities' perception of the CDT properties. Not surprisingly, they cited improvements in property management as having positive effects on external perceptions. The manager of the Seasons Park property in Richfield, MN, for instance, noted that positive views of the complex among both residents and the public have been increasing due to better on-site management and visible capital improvements. The Strong Future Homes property in Ypsilanti, MI had a reputation as a rough, low-income property; with reductions in violent crimes and gang violence, it has become a more peaceful place to live.

One of the properties' more tangible contributions to neighborhood health has been through tax revenues. The developments generate a median $34,438 in annual property tax revenue - $533 per unit – for their respective cities or counties, monies that help sustain key education, public safety, and other services. In many cases, the affordable housing has transformed a community liability into a productive asset. Nearly half of the properties that responded to CDT's 2019 survey are located on the site of a previously vacant lot or abandoned building, property that likely was costing more in public health and public safety problems than it was generating in tax revenue. The remediation of abandoned buildings and vacant lots reduces gun violence by 39% and 4.6%, respectively, according to a Philadelphia-based study. Each building improvement generates an average $5 annual return per taxpayer, while the development of each vacant lot generates a $26 per person economic return.[27]

[31] Charles C. Branas et al, "Urban Blight Remediation as a Cost-Beneficial Solution to Firearm Violence," *American Journal of Public Health* vol. 106 (Dec. 2016), pp. 2158-2164.

the community development trust
1350 Broadway, Suite 700 New York, NY 10018-7707 tel: (212) 271-5080 fax: (212) 271-5079 www.cdt.biz