Investing in Affordable Housing

The Community Development Trust's Impact: A Case Study.

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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, renters with no or limited housing cost burdens can spend more on food and health care, with corresponding benefits for their health and wellness.

The affordability of CDT-financed 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 has exacerbated an already severe shortage of affordable rental housing for low-income households. With the various stay-at-home orders, school closings, and moves to remote work over the past two years, the need for a stable and sufficiently spacious residential environment has increased. The uncertainty surrounding the pandemic has contributed to a reduced rate of residential mobility, as the vast majority of Americans have opted to remain in their homes to the extent possible and practicable. Perhaps not surprisingly, the third quarter of 2021 saw the lowest national rental vacancy rate since the mid 1980s: only 5.8%.[1]

High rental occupancy rates have pushed rent levels to all-time highs. In the first quarter of 2021, the median asking price for new apartments was $1,715 – a $115 increase from the first quarter of 2020.[2] The nation experienced an 8.1% increase in rental costs from June 2020 to June 2021, and a 10.4% increase from June 2019 to June 2021. The month-over-month jump of 3.0 to 3.2% from May 2021 to June 2021 was at least triple the typical increase for that period, and 44 of the country's 50 largest metropolitan areas saw new highs in their average rent levels.[3]

The availability of low-cost rental housing has been steadily declining. In 2011, 32% of all units rented for $600 or less per month. That number dropped by 3.9 million over the next eight years, so that by 2019, only 22% of the nation's rental stock rented for less than $600 monthly. Harvard's Joint Center for Housing Studies estimates that there is now a shortage of 6.8 million rental units for very low-income households – those earning 50% or less of AMI – and a deficit of 1.5 million units for households making 80% of AMI.[4]

The Community Development Trust (CDT) has been working to alleviate the nation's 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. Through the end of 2021, it had provided more than $2.52 billion worth of financing in support of 477 separate residential properties[5] in 42 different states, the District of Columbia, Puerto Rico, and the US Virgin Islands. CDT's efforts have helped create and stabilize more than 48,000 rental units, the vast majority of which are affordable to households making 80% or less of the respective area median incomes. The properties have created important economic and social benefits both for their tenants and their surrounding communities. This report analyzes the wide-ranging impacts of the CDT-financed properties.

1 Joint Center for Housing Studies of Harvard University, America's Rental Housing 2022, (January 2022); available at https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf.

2 Ibid.

3 Realtor.com June 2021 Rental Report (July 2021).

4 *America's Rental Housing 2022.*

5 Developments owned and operated by the same entity that were part of the same financing transaction are considered to be a single property, even though they may include properties across multiple locations. Thus the "megabundle" of New York City Housing Authority complexes in Manhattan in which CDT has invested qualify as a single "property" in this analysis.

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 invests equity to preserve the affordability of publicly subsidized properties whose subsidies and use restrictions are expiring. It also works with local housing authorities to convert existing market-rate units into income-restricted apartments. CDT 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. 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 of properties exiting their mandated affordability period. It often commits financing for new developments when the projects are still in the conceptual stage. With CDT's committed take-out capital, the sponsor is better positioned to attract pre-development, construction, and other early-stage financing, as well as to apply for various tax credits.

- CDT has 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 buys 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 can make additional loans in support of affordable rental properties.

As of year-end 2021, CDT had $1.907 billion worth of loans and equity investments on its balance sheet. Its portfolio consisted of 270 properties containing an aggregate 26,826 units. The portfolio did not include another 11 properties containing 733 units for which CDT had committed, but not yet closed, nearly $34.9 million worth of permanent debt.

CDT occupies a unique niche in the CDFI industry. It is one of relatively few entities that purchase and securitize affordable multifamily loans from other CDFIs. It is one of relatively few non-bank CDFIs that consistently close long-term, permanent mortgages for affordable housing properties; most CDFIs offer shorter-term, earlier-stage loans whose maturities rarely exceed 10 years. Perhaps most notably, CDT is one of very few entities providing long-term, mission-oriented equity that is not associated with federal or state Low-Income Housing Tax Credits. The two other non-LIHTC equity investors of note are the Housing Partnership Equity Trust and Enterprise Community Investment. The Trust invested only in properties owned or operated by its 14 nonprofit partner organizations, however, and is in the process of unwinding its investments. Enterprise generally invests for a maximum of 7 years, whereas CDT routinely remains in a property for 10-15 years.

Importance of CDT's Activities

Renters tend to be much less stable financially than homeowners. In 2019, the last year for which data are available, the median renter household made $42,479 – only about 52% of the income for the country's median homeowning household and less than 65% of the national median for all households. Fully 61% of renter households earn 80% or less of their respective area median income (AMI) and therefore qualify as low-income according to federal guidelines. The typical renter has relatively little financial cushion. Median renter household wealth was only $6,300 in 2019, which included $1,400 worth of cash – about $300 more than the typical monthly rent. In contrast, the median homeowner had cash savings of $10,100 and $98,500 of non-housing wealth.[6]

The economic shock associated with the pandemic made many renters' financial condition even more precarious. As of March 2021, about 14 million renter households with incomes of less than $50,000 had lost employment-related earnings. Surveys conducted between August 2020 and March 2021 found that about one-third of renter households were struggling to pay their usual household expenses.[7] And with the highest inflation rates in decades, the cost of many of those expenses increased significantly. More recent surveys found that more than half of all renters earning less than $50,000 had to cut back on essential expenses at some point in 2021 to pay their utility bill.[8]

Even though the economic recovery has helped boost average wages, rent increases have continued to outpace the growth in renter earnings. From 2001 through 2018, the rate of increase in median gross rents exceeded the rate of increase in median renter household incomes in 45 states and the District of Columbia. With the rent increases of the past year, the average fair market rent for a 1-bedroom apartment is now $1,061, while the average 2-bedroom rent is $1,295. (Adjusted annually by HUD, the fair market rent, or FMR, typically reflects the 40th percentile rent in the market. HUD calculates the FMR on a metropolitan area and county-wide basis. In certain places, HUD also calculates it on a ZIP Code basis.)[9]

Each year, the National Low-Income Housing Coalition (NLIHC) determines the amount a household needs to earn to afford an apartment priced at the prevailing fair market rent. Its most recent analysis, completed in summer 2021, found that a household needed to earn $24.90 per hour ($51,792 per year) to afford a standard FMR-priced 2-bedroom apartment and $20.40 per hour ($42,432 annually) to afford a typical FMR-priced 1-bedroom apartment. Unfortunately, the average renter makes only $18.78 per hour. In fact, the median wage for 11 of the 20 largest occupations in the country – positions in which 36% of the nation's workers are employed – is less than the NLIHC-calculated housing wage for a 1-bedroom apartment. Among the insufficiently paying occupations are secretaries, office and administrative support workers, building cleaning and pest control workers, cooks and food preparers, motor vehicle operators, home health care aides, nursing assistants, and orderlies.[10]

North Dakota is the only state in the country in which the average renter earns more than the average 2-bedroom housing wage. That anomaly likely results from the strong demand for workers

6 Ibid.
7 Cited in Andrew Aurand et al, "Out of Reach 2021" (Washington: National Low-Income Housing Coalition, 2021); available at https://nlihc.org/sites/default/files/oor/2021/OOR_2021_Mini-Book.pdf.
8 *America's Rental Housing 2022.*
9 Cited in "Out of Reach 2021."
10 Ibid.

to help extract the state's oil and natural gas, and the correspondingly high wages that such individuals can command. At the same time, North Dakota's rents have been rising faster than those of any other state, suggesting that the state's enviously affordable position may be short-lived. On the flip side, the average renter wage is lower than the 1-bedroom housing wage in 26 states and Puerto Rico.[11]

The NLIHC has calculated that the average renter can afford to pay $977 per month for housing, based on the 30% affordability threshold. That amount is $84 and $318 less, respectively, than the respective average FMRs for 1-bedroom and 2-bedroom apartments. Not surprisingly, millions of renters are forced to "over-pay" for a place to live. In 2021, 46% of the country's renters – more than 20 million people – qualified as housing cost-burdened, in that their rent and utility payments comprised more than 30% of their incomes. That proportion represented a six percentage point increase from 2001. Nearly a quarter of all renter households (24%) were severely cost burdened, having to spend more than half their incomes on housing expenses. On average, a cost-burdened renter spends $240 per month more on rent and utilities than it can afford, while a severely cost-burdened renter spends $850 more per month.[12]

These burdens have often drastic ramifications as households are forced into agonizing trade-offs. Each month, cost-burdened households have an average $360 available to cover non-housing expenses. Severely burdened renters have even less. As a result, severely burdened renters in the bottom income quartile spend 38% less on food and 70% less on health care than their non-burdened peers.[13] With the loss of a job or a reduction in hours, the trade-offs become even more challenging. Fully 23% of renter households earning less than $25,000, and another 15% of those earning between $25,000 and $50,000, were behind on their rent payments during the third quarter of 2021. That does not count the more than 580,000 people who were homeless last year.[14]

Federal housing subsidies help alleviate the financial pressures for some very low-income households. Recipients of Housing Choice (Section 8) vouchers, for instance, are able to reduce their average out-of-pocket rental costs to $355 per month. Such assistance is critical for households whose average income is only $15,000 per year. Unfortunately, the extent of the need far exceeds the amount of assistance available. There are 13.3 million households that are eligible for assistance from HUD but that are not currently receiving it. HUD's 2021 Worst Case Housing assessment found that 7.8 million households earned less than half of AMI, had no housing assistance, and either paid more than half of their income in rent and/or lived in severely inadequate conditions.[15]

Even though new housing starts are at a multi-decade high, the affordability crisis is unlikely to abate for the foreseeable future. Over the next five years, affordability restrictions for more than 312,000 publicly subsidized units are scheduled to expire. Private-sector, profit-motivated entities own the majority of these units.[16] There are also nearly 212,000 public housing units in need of immediate investment, lest their continued deterioration render them uninhabitable. Moreover, there are 17.6 million occupied rental units located in areas with at least a moderate risk

11 Ibid.

12 *America's Rental Housing 2022.*

13 Per the 2020 Consumer Expenditure Survey.

14 *America's Rental Housing 2022.*

15 Ibid.

16 Data from the National Housing Preservation Database (https://preservationdatabase.org/reports/preservation-profiles/); see 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/

of loss from natural hazards, including 4 million properties that presently rent for less than $600. Among that subset are 1.2 million LIHTC units, 700,000 project-based HUD units, and 200,000 USDA multi-family units.[17]

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 are designed for senior citizens, while the remainder house a mix of working-age adults and families. All 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 99% of the properties in the debt portfolio and 56% 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.

Unlike most affordable housing lenders and investors, CDT tends to focus on properties outside of the country's largest markets. Only 38 of the 269 properties in its current portfolio (14%) are in the nation's 11 most populous cities, those with 1 million or more residents. Yet the need for affordable housing in less populated is as great, if not greater, than in the big cities. In the median census tract with a CDT-financed property, 53% of renters qualify as housing cost-burdened and 27% qualify as severely burdened. Both proportions are higher than the national averages.

Most of the CDT-financed properties have one or more features that promote energy or water conservation – features that can help reduce overall operating costs. More than 54% have built-in water-saving features in their plumbing systems, and 52% have low-flow toilets. Nearly 44% have high-efficiency heating, ventilation, and air conditioning (HVAC) systems, 22% have "smart" HVAC temperature controls, and 15% have installed motion sensor lighting.

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

Subsidy	Debt Properties (216)	Equity Properties (48)
LIHTC	213	27
Section 8	4	12
RAD	3	0
Other Rent Restrictions	3	5
No Project-Based Subsidy	1	12

Note that some projects have multiple types of subsidy.

17 National Housing Preservation Database, *America's Rental Housing 2022.*

Study Methodology

In assessing the benefits and impacts of the CDT-financed properties, I rely on two sets of surveys specific to the properties and their tenants. I augment the results from those surveys with third-party, methodologically rigorous analyses conducted on LIHTC or similar affordable housing properties and their tenants. Since more than 90% of the properties in CDT's current portfolio have received financing associated with the federal LIHTC, I use other LIHTC data for both contextual and comparative purposes.

For the past nine years, CDT has been distributing annual surveys to the property managers of each of its equity and debt financed properties. The surveys ask for detailed information about the individual properties, including the number and type of apartments, current occupancy levels, the amount of tenant turnover in the past year, the median contract rent charged for different types of units, the property's environmental features, and any programs and services offered to the tenants. CDT asks the property managers to provide detailed information on tenant income levels, the number and ages of residents, and the proportion of the contract rent for which the tenant is responsible (as opposed to the amount paid by third parties via voucher or other arrangement). In addition to these quantitative data, the survey asks respondents for their perspectives of the neighborhood in which the property is located, including how local conditions have changed from year to year.

CDT distributes the surveys through its contracted loan servicer. The servicer includes a hard copy of the survey as part of the monthly loan payment reminder, and it typically does so for multiple months as a way of encouraging greater responses. (CDT sends the survey directly to managers at its equity properties.) Response rates vary from year to year but generally average 15 to 20 percent. Some properties have submitted surveys almost every year, while some have never responded.

In 2021, CDT received 44 completed surveys, representing 16.7% of its portfolio. Over the past four years, it has received completed surveys from 174 separate properties, including 30 that are no longer in CDT's portfolio. (CDT has sold its equity stake in five properties, and 25 others have paid off or refinanced their CDT mortgage.) Ignoring the surveys from properties no longer in the portfolio, the remaining surveys from the past four years provide insight on nearly 55% of CDT's current portfolio. The responding properties are generally representative of the types of developments CDT has financed and the geographies CDT has targeted. They consequently serve as the basis for a more in-depth analysis of the benefits associated with the organization's affordable housing.

CDT also has conducted surveys of tenants in four of its financed properties. In each case, CDT owns an equity stake in the property (either directly or through a joint venture) and therefore has more influence over the property manager. The managers distribute the surveys to the tenants, and the tenants complete the surveys and return them directly to CDT. Survey response rates have been as high as 30%, in part because those who complete and return them are entered into a drawing for sizable gift cards. The surveys ask the tenants about their current employment status, the amount they are spending now for rent and utilities, how long they have lived at the CDT-financed property, and their reason(s) for moving. The surveys also ask the tenants about what they were spending for housing at their previous residence. Finally, they ask the tenants to rate their current and previous homes and neighborhoods on a variety of factors. The results provide some sense of how the properties have affected at least a segment of the tenant population.

Characteristics of the Tenants in the CDT Properties

CDT-financed properties house a disproportionately low-income tenant population. Based on the 2018-2021 survey responses, 60.2% of all tenant households make 50% or less of the respective AMI, including 28.2% that make less than 30% of AMI. As shown in Table 2, CDT's properties have slightly higher-income tenants than the average LIHTC property. According to HUD, the median household income of a tenant residing in a LIHTC-financed property in 2019 was only $18,200, or 26% of the national median. Half of LIHTC tenants qualify as extremely low-income, making 30% or less of the respective AMI, and another 31% qualify as very low-income (making between 31 and 50% of AMI).[18] Tenant incomes generally are much lower than the 60% of AMI threshold that the LIHTC program targets.

CDT's properties have a much higher proportion of very low and extremely low-income tenants than initially envisioned. The targeted percentage in Table 2 reflects the proportion of units that have been set aside for households within certain income bands.

Table 2: 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 %, All LIHTC Properties *
< 30% of AMI	17.5%	28.1%	50.0%
31-50% of AMI	26.0%	32.1%	30.8%
51-60% of AMI	36.4%	26.2%	9.0%
> 60% of AMI	20.1%	13.7%	7.6%

* Per 2019 HUD data. Percentages do not equal 100% because some properties did not report data on tenant incomes.

CDT's properties serve a range of tenants. Slightly more than half of the residents are working-age adults, about 28% are children or adolescents, and the remaining 22% are senior citizens. More than 30% of adults are working full-time.

CDT historically has not collected data on the race and ethnicity of tenants in its financed properties. To develop a rough estimate of tenant demographics, it has assumed that the racial and ethnic composition of the tenants in individual properties matches the demographic composition of the census tract in which the property is located. With this proxy, more than 60% of the tenants are people of color, though Whites comprise the largest single group of tenants. HUD's 2019 analysis of LIHTC properties throughout the country found that 30.7% of the tenants were Black, 27.7% were White, and 15.5% were Latino. HUD did not have demographic data for about 25% of the LIHTC tenants, however.

18 The national LIHTC data reported in this and the following sections can be found at https://www.huduser.gov/portal/Datasets/lihtc/2019-LIHTC-Tenant-Tables.pdf.

Tenant Benefits

Economic Benefits

LIHTC and similar affordable housing properties significantly reduce the housing cost burdens for their tenants. HUD's 2019 analysis found that only 37.6% of LIHTC tenants pay more than 30% of their incomes in rent and merely 9.4% pay more than half of their incomes in rent. Both figures compare favorably to the national universe of renter households earning less than $30,000. Nearly 81% of these households qualify as cost-burdened, with a whopping 57% spending 50% or more of their income for housing.

The one downside to housing a higher-than-anticipated proportion of very low- and extremely low-income households in LIHTC properties is that some of these tenants may still end up cost-burdened. LIHTC rents are set at the amount that is affordable to households at the upper limit of an income band. For example, units set aside for individuals or households earning 50% or less of AMI will have rents that equate to 30% of income for a household making 50% of AMI. While a family earning only 40% of AMI would be eligible to rent the unit, it would still be responsible for paying the contract rent on the unit – which in this example would be more than 30% of the family's income.

Even if they do not fully eliminate tenants' housing cost burdens, the units in CDT's financed properties tend to be substantially more affordable than comparable apartments in the marketplace. As Table 3 illustrates, the monthly contract rents charged for CDT-financed units are, on median, as much as $539 lower than rents for unsubsidized, market-rate units in the respective local markets. The contract rents are also consistently lower than the HUD-determined fair market rents for the respective areas. In both cases, the relative affordability of the CDT-financed units increases with the size of the apartment.

Table 3: Median Monthly Rent Differences – CDT Properties v. Prevailing Market Rents and HUD-Set Fair Market Rents (FMRs)

Unit Type	# of Units	v. Market Rent	v. FMR
Studio	351	+$20.00	-$49.00
1-bedroom	6,831	-$156.50	-$187.00
2-bedroom	5,716	-$214.50	-$221.00
3-bedroom	2,222	-$426.50	-$314.25
4-bedroom	276	-$539.50	-$433.50

Prevailing market rent data came from either a) the property manager as part of the annual survey or b) Zumper.com, which tracks average rents by unit size for most municipalities throughout the country. Zumper averages were taken from November figures in the year the property's most recent survey was completed.

The median figures mask some significant variations, however. In several CDT-financed properties, the median contract rent for certain types of units exceeds the prevailing market rent. (See Table 4.) Those differences may result from several factors. The CDT property may be newer and/or in better shape relative to other rental properties in the market. It may have on-site tenant amenities that do not exist in other apartment complexes in the surrounding area. The differences also may arise from poor or insufficient market comparables. There may not be many other studio apartments in the region, for instance. The responding property manager may not have the best data about local market rents. The Zumper figures also may be based on an overly broad market.

On the flip side, market rents in strong coastal markets tend to dwarf the contract rents charged in CDT-financed properties. The median rent for 3-bedroom apartments in the Casa de Angeles complex is nearly $1,550 lower than the comparable 3-bedroom market rent in Los Angeles. Similarly, the contract rent for a 2-bedroom apartment in the Watershed at Hillsdale property in Portland, OR is more than $1,000 lower than the prevailing market rent for a similarly sized unit.

These differences represent substantial housing cost savings for the tenants in the CDT properties. Consider the economic benefits for a typical household living at Arthur Place in Delaware, OH, about 30 minutes north of Columbus. A 2-bedroom apartment there rents for about $778 per month, $487 less than the market rent for an unsubsidized 2-bedroom apartment in the area and $253 less than the FMR for the area. Virtually all the Arthur Place tenants are senior citizens making less than half of the area median income, or less than $33,550 for a two-person household. By not having to pay for an unsubsidized apartment, the household effectively frees up about 17% of its monthly income for other uses.

Table 4: Proportion of CDT-Financed Properties with Above-Market Rents

Unit Type	% of Properties
Studio	57.1%
1-bedroom	19.8%
2-bedroom	11.3%
3-bedroom	7.4%
4-bedroom	6.9%

For a majority of tenants, the relative savings are even greater. Only 48% of tenant households in the CDT-financed properties are responsible for paying the full contract rent. Nearly 39% pay less than half the contracted amount because they benefit from a Housing Choice (Section 8) voucher or other public subsidy. Voucher holders pay only 30% of their incomes toward rent, with the local housing authority making up the difference between the tenant's portion and the contract rent amount. For these tenants, some of whom make less than $10,000 annually, effective monthly rents are often less than $200.

Table 5: Median Tenant Rent Responsibility at Surveyed Properties (As Proportion of Contract Rent

Amount of Contract Rent Paid	Proportion of Tenants
100%	48.3%
76-99%	7.1%
51-75%	6.0%
26-50%	25.5%
< 25%	13.1%

These economic benefits address the primary concern for tenants in LIHTC and other subsidized properties. In her interviews with LIHTC tenants throughout California, Berkeley Professor Carolina Reid found that an apartment's affordability and quality, more so than any concerns about the safety of the surrounding neighborhood, were the primary factors behind the tenants' decision to move into a LIHTC property.

Prior to moving into their LIHTC apartments, 40% of the surveyed residents either worried about paying for food or skipped meals due to their housing cost burden. [19]

CDT has surveyed tenants in four of its equity properties, and the results have been similar to Reid's findings. The survey asked why they moved into the property. The most frequent response was the need for lower or more stable monthly housing costs, and the second most frequent answer was the need to be on one's own. (Of course, that independence often is feasible only if an affordable living situation can be identified.) Surveyed tenants routinely rank their current apartment as more affordable than their previous situation; tenants at Garden Court in Denver, for instance, are saving a median $185 per month relative to what they were paying beforehand.

Health & Education Benefits

With the benefit of lower monthly rent payments, low-income households can allocate more to food and health care. 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. [20]

Housing cost burdens increase individuals' odds of hypertension, arthritis, non-adherence to cost-related health care and prescriptions, and generally poor health. Increasing the cost burden by 1% reduces the likelihood of good or better health by 9.3%, and a 10% increase in a tenant's cost burden increases the likelihood of deferring a medical procedure by 26%.[21] 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%.) [22]

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 reliance on public programs later in life.[23]

Lower rent burdens also contribute to greater academic achievement. A 2020 study analyzed the performance of students in New York City

19 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.

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 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.

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

public schools whose families received housing vouchers. Relative to their pre-voucher performance, the students performed .05 standard deviations better on language arts and math tests in the year after receiving the voucher. The gains were especially significant for Latino, Asian, and White students.[24]

Housing Quality

Of course, affordability is only one component of a beneficial living situation. The quality of the home matters. Here, too, the CDT properties have received positive reviews. Surveyed tenants typically rank the quality of their current apartment at least 7 or 8 on a 10-point scale, with similarly high marks for their satisfaction with the unit and the property. Both the quality and satisfaction ratings consistently exceed those of their former residence. Again, these findings echo those of Reid's analysis of California LIHTC tenants. Almost 90% of the tenants she surveyed reported that their housing improved when they moved into the LIHTC property. Many noted that the units were safer, larger, and of better quality than what was available in the broader market.[25]

Table 6: Proportion of Respondent Properties with Tenant Amenities

Amenity	Proportion
Computer access / computer lab	43.8%
Social events / happy hours	42.4%
Health services / clinic	30.6%
Child care / after-school programming	29.2%
Recreational facility / programming	21.5%
Transportation	18.8%
Financial counseling	18.8%
Adult education	16.0%
Employment / job training assistance	10.4%
Assisted living services	6.3%
No additional amenities / services	20.1%

Many CDT-financed properties have various amenities that further enhance the tenants' living experience. Nearly 44% have one or more on-site public computers that tenants can use for e-mail or educational purposes. Pre-pandemic, 42% of the properties offered regular social events or happy hours for the residents. Nearly one-third of the properties have on-site health and/or wellness services. Moreover, 92% of the properties are within 10 minutes of a grocery store, and 85% are within 10 minutes of public transportation.

Residential Stability

Individuals living in affordable, quality housing are likely to remain there, particularly when market rents are rising. Each year, the National Apartment Association (NAA) surveys about 3,500 apartment complexes. Most have at least 50 rental units. In 2020, the overall average tenant turnover rate in the surveyed properties was 46.9% - one of the lowest rates in the survey's history, and one well below the historic average. Much of this, of course, can be attributed to the pandemic and

24 Amy Ellen Schwartz et al, "Do Housing Vouchers Improve Academic Performance? Evidence from New York City," *Journal of Policy Analysis & Management* vol. 39, #1 (Winter 2020), pp. 131-158

25 Reid, "Rethinking 'Opportunity' …"

various "stay at home" recommendations. The reported national mobility rate (i.e. changing apartments) of 17.8% was the lowest since the Census Bureau began collecting that information in 1988.[26] Subsidized units consistently have much lower tenant turnover rates than market-rate units. Survey respondents reported an average turnover rate of only 19.4% in 2020, down seven percentage points from 2019.

Turnover at the CDT-financed properties has been even lower than the national average for subsidized properties. CDT-financed properties averaged a 15.3% tenant turnover rate in 2020 and averaged 19.9% from 2017-2020. Indicative of the desirability of the CDT properties, overall occupancy rates have exceeded 96%. There are more than 1.5 households on the waiting list for every CDT-financed unit.

Moreover, there is comparatively little forced turnover (i.e. tenant eviction) at CDT-financed properties. Only 14.5% of tenants who have left CDT-financed properties in the past three years have been evicted; the others have left because they have purchased a home, moved to another apartment, or passed away. Put differently, the properties average a 2.4% overall annual tenant eviction rate.

That eviction rate is generally consistent with observed rates nationally. The most recent national data, compiled by the Eviction Lab at Princeton University, found that from 2000-2016, there was roughly 1 eviction filing for every 17 renter households (about 5.9%) and one actual ultimate eviction for 1 of every 40 renter households (about 2.5%). With the various eviction moratoria and renter support programs during the pandemic, eviction filings fell to about 49% of normal. (They subsequently bounced up once the Supreme Court struck down the Centers on Disease Control's eviction moratorium last summer.)[27]

In general, 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.[28] Eviction rates in subsidized properties in metropolitan Atlanta were 2.8 percentage points lower in 2016 than rates for unsubsidized properties.[29] The difference is not surprising, given that many affordable housing tenants receive rent subsidies that reduce or eliminate their cost burden. Evictions typically result from either persistent nonpayment of rent or conduct that violates the property's behavioral standards. The limited eviction activity at CDT's properties suggests that property managers have succeeded in screening out problematic tenants and that most tenants are stable enough financially to meet their rental obligations. The most recent (summer 2021) tenant surveys give credence to the latter supposition, as fewer than a third of respondents had struggled to pay their rent due to Covid.

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.[30] 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

26 See NAA's 2021 Survey of Operating Income and Expenses in Rental Apartment Communities (https://www.naahq.org/news-publications/national-apartment-association-2021-survey-operating-income-expenses-rental), which is based on respondents' 2020 financial statements.

27 See https://evictionlab.org/updates/research/eviction-filing-trends-after-cdc-moratorium/

28 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.

29 Austin Harrison, Dan Immergluck, Jeff Ernsthausen, & Stephanie Earl, „Housing Stability, Evictions, and Subsidized Rental Properties: Evidence from Metro Atlanta, Georgia," *Housing Policy Debate* vol. 31, #3-5 (May-Sep 2021), pp. 411-424

30 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.

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.[31] 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. [32]

Characteristics of CDT Properties' Neighborhoods

For the most part, CDT's properties are located in economically distressed areas. The median census tract containing a CDT property has a 23.5% poverty rate and a median household income of $41,875, only 52% of the national median. The typical renter household in these tracts qualifies as very low-income, with a median income of only $31,961 (40% of the national median). The tracts' pre-pandemic median unemployment rate was 6.2%, compared to then then-national rate of 3.6%.

The poverty among renters in these areas is a major factor behind the above-average rates of renter housing cost burdens. More than 54% of renters in these census tracts are at least moderately cost burdened, and 27% are severely cost burdened. The demand for housing has resulted in lower overall residential vacancy rates (median 9.3%) than the national average (12.1%), though many of the occupied units likely are not in the best physical condition.[33]

Of course, substantial variation exists within these markets. While most CDT-financed properties are located in distressed areas, the organization also has financed properties in more affluent communities to ensure at least some lower-income residents can continue to afford to live there. Seventeen of CDT's current portfolio properties (5.7%) are located in census tracts whose median household incomes exceed $90,000, and 51 are in tracts with poverty rates of less than 10%. (Note that these are pre-pandemic figures.) CDT has financed properties in upper/middle-income sections of Austin, TX; Casper, WY; Portland, OR; Plymouth, MA; and Gloucester County, NJ (outside of Philadelphia), among other locations.

Because of CDT's national footprint and its predilection for financing properties outside of the country's largest metropolitan areas, the neighborhoods in which its properties are located tend to be more racially and ethnically diverse than those typically perceived to be associated with affordable housing. Only 36% of the surrounding census tracts contain a majority of people of color; Whites comprise the majority of residents in nearly two-thirds of the neighborhoods. Overall, the median proportion of Whites in these areas is seven percentage points higher than the proportion of Latinos and nearly 18 percentage points higher than the proportion of Blacks.

31 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).

32 Aratani et al.

33 All data in this and the previous paragraph are from the American Community Survey's 5-year (2015-2019) estimates.

Properties' Impacts on Their Neighborhoods

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 persists despite considerable research demonstrating the neutral to positive spillover effects of affordable housing on surrounding neighborhoods.[34]

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 143 separate properties represented among survey respondents, 56 (39%) have experienced new nearby residential or commercial development within the previous 12 months. Nearly three times as many responding property managers contend that public safety has improved in the areas surrounding their properties than those who have observed worsening conditions. And among those who feel conditions have deteriorated, none has identified the CDT financed property's presence as a contributing factor.

The property managers' perceptions of conditions in the neighborhoods surrounding the properties have remained consistently positive. The surveys ask the managers to rate a variety of local conditions, ranging from housing affordability and public safety to the quality of the physical infrastructure and the accessibility of jobs, on a 10-point scale. The average overall neighborhood rating has been 6.92, and the average rating for each individual neighborhood component has exceeded 5.8. Property managers are most encouraged by the properties' location relative to key consumer goods and services, followed

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	6.51	Availability of Goods & Services	7.69
Housing Affordability	5.83	Availability of Public Transportation	7.21
Public Safety	6.23	Quality of Physical Infrastructure	6.91
Recreational Opportunities	6.61	Accessibility of Jobs	7.48
School Quality	6.90	Investor Confidence	7.63

34 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 good summary of the research. Recent analyses of LIHTC price effects in Chicago and Los Angeles have found positive price effects in both low- and middle-income neighborhoods (forthcoming).

closely by their perception of investors' confidence in the neighborhoods.

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. For example, Lori Sharp, a property manager for S.L. Nusbaum Realty, contends that the opening of the 90-unit, mixed-income Brenner Crossing II family property in Salisbury, NC has "certainly improved the landscape / appearance of the neighborhood. The West End neighborhood has a long-standing bad reputation for crime and run-down housing, and Brenner Crossing has helped make improvements to the overall public perception of the area."

It is relatively common for residents of communities where LIHTC and other affordable housing properties are scheduled for development to be wary of the properties. In my own recent interviews of LIHTC developers in Southern California, both for-profit and nonprofit developers spoke of the need to reach out to the community during the pre-development process to assuage local concerns and build political support for the property. Such local unease characterized development of the 76-unit Homestead Senior Residences property outside of Wichita, KS. The property manager explained that area residents initially "fought against the apartment community." Yet there have not been any complaints about Homestead since it opened, in part because of the quality of the property's management and its ability to keep the property "looking nice." While relatively few of the properties may be having demonstrably positive and catalytic effects on their communities with respect to sparking new investment, there is little evidence that the complexes are negatively affecting their neighborhoods or dissuading prospective investors.

One of the properties' more tangible contributions to neighborhood health has been through tax revenues. The developments generate a median $27,866 in annual property tax revenue - $473 per unit – for their respective cities or counties, monies that help sustain local schools and critical public 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.[35]

35 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.

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