

RESEARCH REPORT

Housing as an Asset Class

Opportunities for Systems Change to Enhance Social Equity and Inclusion

Maya Brennan

Pam Blumenthal

Laurie Goodman

Ellen Seidman

Brady Meixell

September 2017



ABOUT THE URBAN INSTITUTE

The nonprofit Urban Institute is dedicated to elevating the debate on social and economic policy. For nearly five decades, Urban scholars have conducted research and offered evidence-based solutions that improve lives and strengthen communities across a rapidly urbanizing world. Their objective research helps expand opportunities for all, reduce hardship among the most vulnerable, and strengthen the effectiveness of the public sector.

Contents

Acknowledgments	iv
Housing as an Asset Class	1
Private Investment Capital in the Housing System	2
Types of Investments in Residential Real Estate	4
Impediments to Investment Activity	5
Current Housing System: The Investment Opportunities and Risks from an Insufficient Affordable Supply	6
Production Deficit	6
Unit Loss	9
Unaffordability	10
Potential Strategies	13
Expand Existing Investment Opportunities for Affordable Housing	14
Grow the Market for Investment in Economic and Racial Inclusion	20
Use Government Conditions to Channel Investments to Equity and Inclusion	23
Ensure the Viability of Deals That Reach Extremely Low-Income Households	25
Creating Systems Change	26
Conclusion	28
Notes	29
References	31
About the Authors	35
Statement of Independence	37

Acknowledgments

This report was funded by the Ford Foundation. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at www.urban.org/support.

We thank several colleagues and readers for their insights as we developed this series of reports. Erika Poethig and Solomon Greene provided important input throughout the process of developing the four reports. Carol Galante, Shekar Narasimhan, and Alanna McCargo provided thoughtful feedback in reviewing the work. John McGinty and Karan Kaul made invaluable contributions to earlier versions of the paper, for which we are grateful. Alyse Oneto provided additional research and editorial support. Any remaining errors are the responsibilities of the authors alone.

Housing as an Asset Class

Our existing housing system has a set of rules, regulations, and incentives that fail to motivate market actors to produce and preserve affordable, inclusive, and sustainable housing and communities in sufficient volume to meet current and future demand. The risks and costs associated with developing or preserving housing, especially housing affordable to low- and moderate-income households, can negatively affect the risk-return calculus and reduce private investors' interest in these deals. Especially for income-restricted housing,¹ complex and lengthy regulatory processes only add to this risk, driving capital to look for other investment opportunities.

The goal of this report is to identify promising reforms and opportunities to deploy more investment capital to create and preserve secure, inclusive, and sustainable housing and communities. The public and philanthropic sectors can play an important role in reshaping the current system to generate more private investment in activities that fill the housing shortage and create inclusive and equitable neighborhoods. In fact, through the Low-Income Housing Tax Credit (LIHTC), the Community Reinvestment Act (CRA), and the work of the Community Development Financial Institutions (CDFI) Fund, the public sector has already proven itself capable of drawing private capital to affordable housing. Similarly, philanthropy has shown the power of guarantees and program-related investments to chart a new course for private capital in affordable housing.

We begin this report with a brief overview of the roles of private investment capital in the housing system. Then, we describe major challenges with the current housing supply, including the supply shortage, unit loss, housing cost burdens, and segregation, and clarify why these issues matter from an investor's perspective. After identifying the challenges with the current system and how those challenges affect private capital allocations, we explore strategies to reform the system and attract more private and philanthropic capital to housing activities that would create equitable and inclusive communities.

BOX 1

HOUSING FOR EQUITY AND INCLUSION

This report is part of a four-part Housing for Equity and Inclusion series that explores our current housing assistance and production system and presents wide-ranging opportunities for systems change with an eye toward inclusion, economic security and mobility, and environmental sustainability. These four reports aim to inform actors in housing policy and philanthropy as they work to identify solutions and approaches to building a 21st-century housing system that is robust, equitable, and secure for all households regardless of race or income.

We define the housing system broadly as the set of public and private investments, regulations, and legal and policy frameworks that shape safety, stability, and affordability in housing and diversity, engagement, and cohesion in neighborhoods, towns, cities, and regions. We view systems change as a fundamental shift in how federal, state, and local actors prioritize and pursue the development of affordable housing and inclusive neighborhoods.

Housing as a Safety Net explores housing instability and the shortage of housing affordable for extremely low-income people and the implications for their long-term economic security. It offers three entry points for reform: strengthening the legal and consumer protection framework for all renters, increasing housing assistance for low-income renters, and transforming the way housing assistance is provided.

Housing as a Platform describes the relationships between housing and neighborhood quality and a range of individual and family outcomes, as well as the ways the system fails to ensure low-income households' long-term wellbeing.

A Building Block for Inclusion appraises the significant costs wrought by postwar suburbanization and a focus on the owner-occupied detached single-family home. It lays out strategies to create greater diversity and access to opportunity in neighborhoods, cities, and regions, leveraging growing demand for compact, walkable, sustainable cities through broader participation and deeper consensus building.

Housing as an Asset Class examines the incentives built into rules, regulations, and programs. It outlines potential reforms that would motivate market action among developers and investors, spurring the production and preservation of affordable housing for low- and middle-income households.

Private Investment Capital in the Housing System

Institutional investors, including banks, insurance companies, philanthropy, universities, pension funds, and even nuclear decommissioning trust funds, grow or manage their financial assets through short- and long-term investments, including investments in residential real estate. At a fundamental level, investors are brought to the table by profit motivations. Capital flows first toward the investment opportunities with the highest return on investment (ROI) and then fills in any other opportunities based on their perceived return. Thus, the factors that shape investment decisions are those that determine profit: market forces and governmental conditions.

Increasingly, foreign investors are entering the US real estate market. In 2015 alone, foreign entities made deals worth \$87.3 billion in American real estate. Multifamily and industrial properties have the highest foreign investor demand. According to the 2016 AFIRE Foreign Investment Survey, four of the top eight markets globally that attract foreign real estate investment are in the United States (New York City is first, Los Angeles third, San Francisco fifth, and Washington, DC, eighth).²

As primary markets and top-tier properties have seen surging demand from foreign and domestic investors alike, the competition is driving new investment activity to other property types and markets. The real estate markets in relatively low-cost cities may even offer better yields compared with the high-competition hot markets.³ This means investors may shift some of their attention away from hot markets such as San Francisco and New York and instead look to Oakland, San Antonio, and Pittsburgh. Within the apartment sector, real estate industry experts see the most promising investment opportunities in moderate-income, affordable (e.g., LIHTC), and age-restricted housing (Kelly et al. 2016). All of this creates an opportunity for attracting capital to serve the housing needs of low- and moderate-income households.

Investors in residential real estate typically look for a return on investment in the mid- to high teens (Williams 2015). When there are uncertainties that could undermine the project's success and profitability, investors will require a higher return on investment, referred to as a risk premium, to attract capital (Kelly 2015). The corollary to this is that, for investments that are less volatile, investors may accept a lower return. Investors also consider the length of time over which the investment is repaid. According to a national survey of real estate industry experts, 33 percent of investors are seeking returns within 3 to 5 years, 31 percent within 5 to 10 years, 10 percent seek returns in 1 to 3 years, while 26 percent operate on a 10-or-more-years' time horizon (Kelly et al. 2016). Over this period, the funds they have invested are relatively illiquid and cannot be used to finance other opportunities. As a result, the longer the term of financing that is required, the higher the interest rate that is charged. This is known as the liquidity premium.

Under the right market conditions, government action can make lower profit margins favorable through tax benefits, regulatory requirements, and other incentives. Additionally, risk premiums can be reduced or even eliminated through government guarantees. In the absence of, or in coordination with, government action, philanthropy can step in. In circumstances where the perceived risk may be greater than actual risk, philanthropy can provide guarantees to reduce the risk premium in the short term and, in the long term, provide evidence that the actual risk was not as high as it had been perceived.⁴ In cases where investors' concerns are proved to be valid, grants may be needed to help support projects that meet a societal need but are not viable investments.

Types of Investments in Residential Real Estate

Investment in any form of residential real estate requires both equity and debt-financed investment. Debt investors lend funds to a project and eventually receive back the principal in addition to interest. Debt investors may invest directly in a project or fund or can purchase mortgage-backed securities. Equity investors, by contrast, receive an ownership stake in return for their funding. Because of the greater risk they take, equity investors demand a higher return than debt investors. Through either equity or debt-financing mechanisms, investments can enter the housing system through three basic avenues: directly in a specific project, in a fund that invests in housing, or through an intermediary that invests in housing.

When the investment is in income-restricted housing, this process is further complicated by various program rules and, often, the need for ongoing operating subsidies. For example, most new affordable housing is supported by the LIHTC program, through which investors provide equity, typically through a syndicator, to support construction in exchange for a stream of tax credits after the project is complete (OCC 2014). Low-Income Housing Tax Credit rules require each project to be its own legal entity, which prevents cross-subsidization between projects. Because of the dominance of LIHTC in affordable housing development, financing on the project level is the most common form of affordable housing investment.⁵

Although LIHTC is the primary source of affordable housing investment opportunities, the CRA⁶ is perhaps the largest motivation for affordable housing investment. The law requires banks to provide credit to meet the needs of their surrounding communities. Affordable housing is the easiest CRA investment to make as real estate is a known entity, it is collateralized, it generates tax benefits such as accelerated depreciation, and there is always a market for it. The main risks that are associated with affordable housing as an investment include construction quality, the compliance of managers with rules, the presence of long-term income restrictions for tenants, and the long-term availability of operating subsidies.⁷ In hot CRA markets, competition can drive up the value of affordable housing investment for entities with CRA obligations, leading to investors taking what might appear to be a slight loss if the return were for the project alone. In those markets, the median housing tax credit price is often above \$1 for \$1 in tax credits. In fact, even when the housing tax credit market was at its nadir during the post-2008 collapse, the San Francisco-Oakland-Fremont metropolitan statistical area had a median housing tax credit price of \$1.06 (CohnReznick 2013). This reliance on CRA investors as the major tax credit investors not only generates geographic incongruities, but it makes the production of low-income housing heavily dependent on banking economics and regulation, which are completely unrelated to housing need.

Impediments to Investment Activity

Investment decisions typically reflect the market and the existing housing system, rather than leading it. As described in the companion paper *Housing as a Building Block for Inclusion*, planning, zoning, and local regulations are central contributors to the current affordable housing crisis and ongoing patterns of residential exclusion (Pendall 2017). Barriers to the construction and financing of housing include zoning, building requirements, parking space requirements, and local opposition to both income-restricted and high-density housing. Each of these factors increases the time frame and uncertainty in the development and preservation of affordable housing. In turn, this serves to increase the costs of financing these projects.

Regulatory factors account for a large percentage of overall development costs (Quigley and Rosenthal 2005). Although these vary by state and locality, a study of San Diego County found that regulation accounted for an estimated 40 percent of the cost of housing across all units, owner-occupied and rental. Within the county itself, this figure varied widely based on locality, ranging from 22 percent to 44 percent (Reaser et al. 2014). Bringing these costs down even modestly would improve the ROI for residential real estate investment. To the extent that low-poverty or majority-white communities have greater community opposition or exclusionary zoning, investors will perceive a higher risk and lower ROI in housing deals that would make these places accessible to lower-income and minority households. Regulatory reform could change the calculus for investors.

For housing developments serving a very low-income population, the uncertainty surrounding operating subsidies can reduce investors' interest or lead to higher risk premiums. A development serving a very low-income population cannot pay for its ongoing maintenance needs and operational staff with rent revenues alone. Although the LIHTC can bring rents within the reach of households at 50 to 60 percent of the area median income (AMI), operating subsidies, such as project-based vouchers, are an essential component of an affordable housing deal that would serve households with income below that threshold. Ongoing federal rental assistance is appropriated annually rather than for the life of a project. This creates inherent risks for any development seeking to serve a lower-income population, and as a result leads to higher risk premiums on developments striving to keep rents low.

To get past these concerns, we need to better understand how investors are likely to perceive the current housing system and assess what opportunities this creates for systems change. Adding to the market forces that have brought investors to low-cost markets and housing types, the philanthropic and public sectors could provide information, risk mitigation, or incentives that improve the market rationale for investments in equitable and inclusive housing.

Current Housing System: The Investment Opportunities and Risks from an Insufficient Affordable Supply

Our current housing system has insufficient housing to meet the needs of the growing population, and the loss of existing rental housing has exacerbated the supply shortage. All of this has made housing unaffordable to an increasing segment of the population. In 2015, around 26 percent of renters and 10 percent of owners paid more than 50 percent of their income for housing. Since 2001, the share of renters with severe cost burdens rose among nearly all household income categories, with the sole exception of those earning more than \$75,000 per year (JCHS 2017). And housing that is available and affordable often is located in neighborhoods that are economically or racially segregated and lack critical resources, like good schools, access to jobs and recreational areas. This combination of facts may direct investors toward housing in general because of unmet demand, while real and perceived risks may cause them to shy away from investments in affordable housing for the lowest income groups or any form of housing that would change segregation patterns.

Production Deficit

To understand the market for housing preservation and production, we begin with the basics of supply and demand. Does the housing system produce enough housing to meet current demand? With a total of 134 million units and 117 million owner and renter households (tables 1 and 2), current stock exceeds households. But where units are located and whether they are in fact available (e.g., are in livable condition, are not vacation homes) may not match where people want to live or can live. A surplus of housing in Detroit doesn't meet the needs of households in San Francisco. A single-family home in the suburbs far from jobs or a one-bedroom apartment in a high-crime area may be a poor match for a household's needs and preferences. The lack of existing stock in an appropriate location and of an appropriate size and type can delay people from transitioning to headship as they remain in their parents' homes or double or triple up, creating latent demand.

TABLE 1

Current Housing Supply*Units in thousands*

	1 unit	2–4 units	5+ units	Mobile and other	Total
Total units	90,110	11,017	24,264	8,570	133,962
Stock (%)	67	8	18	6	100

Source: US Census Bureau, 2014 American Community Survey 1-Year Estimates.

TABLE 2

Current Housing Demand*Tenure by income level, in thousands*

Tenure	1 Unit			2–4 Units			5+ Units			Total
	<=60% AMI	60–120% AMI	120% AMI +	<=60% AMI	60–120% AMI	120% AMI +	<=60% AMI	60–120% AMI	120% AMI +	
Owner	8,932	26,226	30,148	356	663	553	529	850	1,024	74,081
Renter	5,174	6,961	2,978	3,643	3,089	1,078	8,448	6,677	3,136	43,174

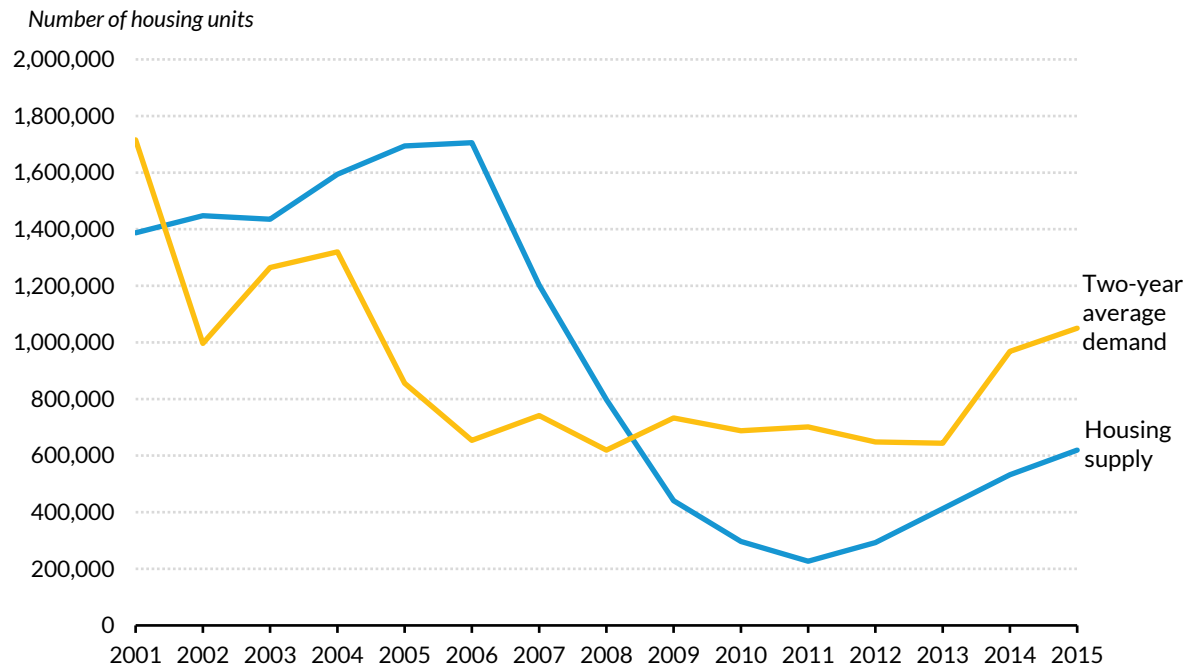
Source: 2014 1-year American Community Survey data. Demand does not include vacant homes.

Note: AMI = area median income.

Supply outstripped demand leading up to the financial crisis, with the difference peaking at just over 1 million units for 2006 (figure 1). In 2008, housing supply began to slow, and the market began to work off the excess inventory. Since 2009, annual demand has surpassed new supply. For 2015, this differential was a substantial 430,000 units. And these numbers reflect conservative estimates of units lost.⁸

FIGURE 1

Supply and Demand for Housing, 2001–15



Source: Urban Institute analysis of 2000–14 American Community Survey data.

Although single-family construction is increasing from postcrisis lows, it is still at lower levels than at any time since 1968. Multifamily starts are at the highest levels they have been since the passage of the 1986 Tax Act, which made real estate investment much less attractive than it had been. Housing completions constituted only 968,000 units in 2015. From 1968 to 2008, they exceeded 1 million units each year. The addition of 69,000 manufactured units brings new supply to 1.037 million, but that is still an insufficient number given projected demand resulting from new household formation, even before considering the loss of units. As construction increases, we will begin to fill the gap, but this gap is expected to continue to grow for several years, especially because net household formation is likely to grow as younger millennials move into the housing market and older adults live longer and more independently.

The population is expected to increase by 38 million over the next 15 years.⁹ Converting that growth into future headship and homeownership shows a growing demand for housing—and a strong likelihood that some housing deals will be attractive to investors. Goodman, Pendall, and Zhu (2015) conservatively estimate that the United States will have 10.6 million net new households by 2020, and an additional 9 million will form in the 2020s. Demand for rental housing is expected to outpace demand

for homeownership. We can expect 3.4 million new homeowners by 2020 and an additional 2.8 million homeowners in the 2020s. To meet the net increase of renter households of 7.2 million by 2020 and an additional 6.2 million by 2030, we will need to produce over 700,000 rental housing units every year by 2020 and nearly 600,000 through the 2020s. For comparison, during the 2010s, only half a million units of rental housing a year were constructed on average (Goodman, Pendall, and Zhu 2015). If supply continues to be unable to meet demand, rents will continue to increase. Although rising rents present serious affordability challenges, the constrained supply should also make investment in rental housing of a variety of types and affordability levels more attractive.

It is important to recognize that rental housing is not synonymous with high-rise buildings. In total, 35 percent of rentals (14.9 million units) are provided by single-family homes (Magder and Goodman 2015). Single-family rentals offer families larger homes, often in preferable locations, though often at higher rents than multifamily units. They provide a means to meet the rental demand while offering renter households access to housing options and neighborhoods that may not be offered through multifamily stock. Accordingly, identifying policies that would support responsible management of “multi-site multifamily” (Magder and Goodman 2015) could increase investors’ interest in this sizable product type.

Unit Loss

The current and projected supply gap is exacerbated by the loss of existing units, particularly affordable units. Rental housing preservation presents an important solution—and potentially an attractive one to investors—because it is cheaper to maintain and renovate existing units than to build new units (MacArthur Foundation 2007; Brennan et al. 2013). When neighborhoods experience new investment and improvements to neighborhood quality that drive up rents, preserving affordable units allows families to stay in the neighborhoods where they have built ties and to benefit from the improvements.

Affordable stock consists of “naturally occurring affordable housing” and subsidized or assisted housing, which is typically federally funded, but can involve state or local funds. Naturally occurring affordable housing is the larger component, comprising an estimated 5.6 million units (CoStar 2016),¹⁰ and is at risk of loss to both obsolescence and, in strong markets, conversion (e.g., to condominiums) and upscaling. Preservation of subsidized housing, which is susceptible to converting to market rate housing when the rent restrictions imposed in exchange for the subsidy expire, is critical. More than 1 million units of federally subsidized housing, including units subsidized through the LIHTC, project-based Section 8, and a variety of smaller programs, have affordability periods that expire between 2017

and 2026. For units receiving project-based rental assistance from HUD, preservation is especially important to retain and leverage the existing federal subsidy. More than 380,000 units have project-based Section 8 assistance that will expire by 2026 (JCHS 2017).

Current business models do not support preservation over new construction. For example, in strong markets, developers interested in preserving affordable housing face stiff competition for buildings from those seeking to substitute market-rate or upscale housing. These private developers often have greater and quicker access to capital with which to purchase buildings as they come on the market. Developers seeking to use the LIHTC for preservation are hampered by their more limited capital availability and rules that exclude land from eligible acquisition costs, effectively limiting funds to maintain lower-rent opportunities in high-value locations. In addition, nonprofit housing developers and intermediaries earn fees from development, giving them greater incentives to build new housing rather than rehabilitate existing buildings. To earn the fees that allow developers to cover their operating costs, preservation-focused developers must seek properties in need of substantial rehab rather than simply acquiring an existing property with little to no rehab needs. Yet, research using a convenience sample of properties throughout the United States found that approximately half of the properties could remain affordable and well maintained without additional infusion of subsidy for a full 50-year period with existing cash flow or the proceeds from a refinance (Brennan et al. 2013). Technical LIHTC rules, such as the limitation on its use for any building that underwent either construction or a substantial rehabilitation in the prior 10 years, also disadvantage preservation. The lack of revenue strategy for simple acquisition deals and financial necessity of chasing the next developer fee opportunity mean that affordable preservation properties may go through expensive recapitalization processes more frequently than needed, which leads to fewer affordable housing units per dollar spent.

Unaffordability

The current lack of supply has contributed to the affordability crisis. In 2015, 21.0 million renter households in the United States were housing cost burdened, meaning they pay more than 30 percent of their income on rent (JCHS 2017). More than 11 million renter households are spending more than 50 percent of their income on rent. Homeowners, although insulated from escalating rents, are also experiencing affordability pressures, with 17.8 million cost burdened and 7.6 million severely cost burdened (paying more than 50 percent of their income on rent) (JCHS 2017). Although the number of families and individuals that are housing burdened is high or rising across the income spectrum, households at the bottom of the income spectrum have routinely struggled to afford housing (Steffen et

al. 2015; Nelson et al. 2003). On average, blacks and Hispanics experience housing cost burden more acutely. In 2015, 25 percent of black households, 22 percent of Hispanic households, and 19 percent of Asian and other minority households were severely cost burdened, compared with just 13 percent of white households (JCHS 2017).

Although the preservation of existing affordable rentals and the production of new housing supply overall should both alleviate pressures that drive up rents, extremely low-income households cannot afford rents that would allow a building owner to pay down any construction or acquisition costs, keep a property in good repair, and support basic operating expenses. For investors, this means that housing that reaches lower income tiers is only a viable investment if there are government subsidies to bring effective rents up or if the properties are permitted to deteriorate in quality. Though most people get their housing through filtering,¹¹ US communities have enacted housing quality standards that declare properties uninhabitable before filtering would allow them to reach the poorest part of the population. But, as described in the examples in *Evicted: Poverty and Profit in the American City*, a subset of real estate investors continues to earn cash flow from low-quality housing in areas with lax or complaint-driven code enforcement (Desmond 2016).

Rather than accept poor-quality conditions or high cost burdens for low-income households, the US housing system has relied on government intervention to bring down rents for a subset of the housing stock for decades. HUD's Section 236 multifamily housing program (designed to provide affordable rental housing for moderate-income families by subsidizing debt service costs, a substantial benefit when interest rates are high) boosted multifamily production from 1968 to 1974, yielding more than 544,000 units of housing. An earlier program known as Section 221(d)3 operated from 1961 to 1968, producing around 184,000 units. By 2012, approximately 132,000 units funded by Sections 221(d)3 and 236 remained (Schwartz 2015). The Economic Recovery Tax Act of 1981 similarly created incentives for private developers to produce affordable multifamily housing through accelerated depreciation and passive loss rules, but these were eliminated by the Tax Reform Act of 1986, which created the Low Income Housing Tax Credit.¹² Tax-exempt bonds for multifamily rental development have also spurred construction of mixed-income housing, through requirements for a portion of any eligible development to be affordable for households below either 50 or 60 percent of the AMI. All of these are shallow subsidy programs, bringing rents below market level, but not affordable enough for those with extremely low income. Households that need a deeper subsidy to bring market rents down to an affordable level need assistance in the form of vouchers, project-based rental assistance, or an apartment in a public housing complex. To the extent that government rental assistance is reliable, affordable housing can attract capital.

Income and Racial Segregation

Within the next 25 years, families of color will make up a majority of the population, but most continue to fall behind whites in building wealth. In 1963, the average wealth of white families was \$117,000 higher than the average wealth of nonwhite families, measuring in constant 2013 US dollars. By 2013, the average wealth of white families was over \$500,000 higher than the average wealth of black families (\$95,000) and of Hispanic families (\$112,000).¹³

The housing finance system has played a central role in the construction of the racial wealth gap, as recounted by Ta-Nehisi Coates,¹⁴ Kenneth Jackson (1985), and many others. Thanks to the financial innovations of the Great Depression, white baby boomers' parents received access to long-term self-amortizing home loans. Over time, property ownership provided access to better public schools, equity against which they could borrow to send their kids to college, a hedge against rent increases that allowed them to save and invest, and sometimes collateral for starting businesses. Yet racially restrictive covenants and other discriminatory lending and real estate practices routinely cut off access to homeownership or neighborhood choices for black, Asian, Hispanic, and Jewish households. This discrimination has cumulative effects that are not limited to the housing domain (Blank 2005). The effects of discrimination in one realm (e.g., the workplace or education system) can carry over and add to the effects of discrimination in another. The cumulative effects can also transfer generationally, as prior generations' exclusion from homeownership reduces opportunities for intergenerational wealth transfer. The resulting cumulative disadvantage continues to play a role in the racial wealth gap even today.

The housing finance system of the 20th century not only blocked blacks' and Hispanics' access to homeownership, but it cemented long-lasting color lines in cities and metropolitan areas. The creation of the Federal Housing Administration (FHA) loan insurance program in 1934 made homeownership affordable to the middle class and fueled suburbanization through a preference for newly built dwellings. But it was legal and common practice for the FHA to limit lending in communities of color, benefiting whites in exclusionary neighborhoods while minorities and the communities that welcomed them were left behind. The Fair Housing Act of 1968 made this practice illegal, but discrimination persisted nevertheless (Yinger 1991; Zhao, Ondrich, and Yinger 2006). And although overt discrimination may have fallen over time (Turner 2013), neighborhoods created during a period of legal discrimination are still so readily identifiable as predominantly black that whites who prefer not to live with black neighbors still choose other communities. Because of current and historic discrimination against communities of color, even whites who prefer a diverse neighborhood might decide to purchase a home in a less diverse area based on patterns of lesser property value appreciation, leading to even

further reduced demand for the property (Harris 1999). The long-term impacts of discrimination and intentional segregation thereby continue to operate at the level of individual households who select and avoid certain areas based on their individual calculus.

Reforms to housing finance in the 1980s and 1990s aimed to increase black and Hispanic homeownership. Although they succeeded at first, the deregulation of finance and the invention of exploitative mortgage products ended up stripping at least as much wealth from minority homeowners as it allowed them to access. Many blacks and Hispanics who would recently have been able to own homes with stable or rising values have become renters in markets where their housing costs have been climbing much faster than their incomes. Much of the housing stock that these missing owners would have occupied has been acquired for rental and eventual resale by investors, small and large.

The Affirmatively Furthering Fair Housing rule from HUD and the Supreme Court ruling on disparate impacts could both affect investors' calculus. The changes could lead to increased scrutiny of housing developments that reinforce neighborhood divisions by race or other protected class—and costly penalties for noncompliance. But the Affirmatively Furthering Fair Housing rule is under attack, the Supreme Court ruling was narrowly written, and other market risks still remain. Just as a buyer may be concerned about slower home appreciation in a low-income or majority-black community, an investor may have concerns about the potential for lower rents and higher vacancies for housing in such areas. Compared with developments in more exclusionary places, capital may require a risk premium or guarantees for deals in more diverse and inclusive settings until they see proof that the returns are strong.

Potential Strategies

We now turn to solutions and ways in which our housing system could be reformed to redirect the flow of capital to better meet the needs of our growing and increasingly diverse population. The strategies outlined throughout the rest of the report are categorized by the underlying opportunity for motivating private market actors (box 2). Some of the ideas set forth have been implemented and need expanding, and other interventions remain more nascent.

As we consider efforts to deploy private capital to meet the growing housing demand in inclusive, equitable, and sustainable ways, we need to be mindful of aligning strategies to market conditions. Incentives that may work in strong markets may not be successful in weak markets. Opportunities to repurpose existing structures to create a more sustainable community differ within housing markets

and will lead to different risk-return calculations. And throughout, investment will be more attractive and successful if coupled with actions to remove underlying barriers that increase the costs and risks associated with developing and preserving housing in inclusive and equitable communities.

The strategies we've identified in this initial phase of the project are a result of extensive literature review and conversations with internal Urban Institute experts and outside stakeholders.

BOX 2

Categorization of Strategies

- Expand existing investment opportunities for affordable housing
- Grow the market for investment in economic and racial inclusion
- Use government conditions to channel investments to equity and inclusion
- Ensure the viability of deals that reach extremely low-income households

Expand Existing Investment Opportunities for Affordable Housing

Investors are already active in the affordable housing space. Low-Income Housing Tax Credit deals have a proven investor market. There are also newer vehicles, such as below-market debt funds, private equity intermediaries, and affordable housing real estate investment trusts (REITs), that attract investors to preserve the affordability of the naturally occurring affordable housing stock (Williams 2015). Identifying opportunities for increased investment in low-income homeownership opportunities, such as manufactured housing and shared equity, could reopen the door to affordable ownership. Expanding these and other investment opportunities, including enterprise-level funding, could channel additional capital into the creation and preservation of affordable housing.

INCREASING THE CAPITAL FLOW TO AFFORDABLE RENTAL HOUSING

Affordable rental housing and moderate-income apartments are attractive to investors, yet there is still insufficient capital flow to meet the nation's need for rental preservation and new construction. The strategies described below typically involve expanding the tools that are already proven to work. With an expansion of viable investment options, capital will come.

IDEA: EXPAND THE LIHTC PROGRAM

Senator Cantwell has put forth a proposal (most recently S. 548)¹⁵ that calls for a 50 percent increase in the number of tax credits allocated each year, which would finance the creation or preservation of an additional 400,000 units of affordable housing over the next decade (Stegman and Shea 2017). This proposal was included in the Bipartisan Policy Center’s Housing Task Force report (BPC 2013) and would be a known tool that unlocks additional affordable housing investments for both development and preservation nationwide. This may be the simplest approach, but would need to be complemented with additional ideas to close the supply gap documented earlier in this report.

IDEA: USE TAX POLICY TO BOOST MULTIFAMILY PRODUCTION AND PRESERVATION

The United States significantly increased supply at several times in the past few decades when responding to a critical need for greater housing production, using such tools as accelerated depreciation and passive loss shelters for multifamily production in general and the FHA 236 program to increase the production of affordable housing. Although the programs resulted in high tax expenditures, they were effective at meeting their goal and could be helpful to create the needed “surge” in production with an attractive ROI.

The need for rental preservation cannot be overemphasized. New affordable housing production cannot close the supply gap if existing units keep being lost. Tax policy changes that support production should be carefully crafted to also channel investment activity into efforts that preserve the affordability and physical viability of both the subsidized and unsubsidized housing stock.

IDEA: CREATE ENTERPRISE-LEVEL FUNDING FOR NONPROFIT AFFORDABLE HOUSING DEVELOPERS

Nonprofit housing developers have proven themselves to be sophisticated businesses, capable of withstanding difficult development climates, maintaining compliance with multiple layered funding sources, and effectively managing large portfolios of properties. Unlike a developer of market-rate housing, developers of LIHTC housing access capital on a project by project basis. Opening up access to capital for non-profits and other affordable housing developers at the portfolio or enterprise level would allow them to grow reserves that would make them more competitive with their market-rate peers. Enterprise-level funds could level the playing field for preserving affordable housing, acquiring land rights for affordable housing in high-opportunity places, and reducing predevelopment delays and expenses (Murphy and Falk 2012). Such funds could also allow entities to deploy their own resources more strategically between properties and apply their experience to evidence-based innovations.

The Housing Partnership Network has proposed policy changes that would make enterprise level funding feasible, such as allowing nonprofit developers to access debt for a portfolio of properties and aggregate cash flows across properties to pay debt service.¹⁶ This approach, while creating a new investment opportunity, will help bring costs down, enabling additional affordable housing deals to become viable.

Another mechanism for increasing enterprise-level funding of affordable housing developers is to create an instrument for investing in a nonprofit that combines the best aspects of equity and debt investments. In the past, banks have provided such financing to CDFIs through Equity Equivalent Investments (EQ2s). According to a summary about EQ2s, they attracted more than \$70 million in investment capital between 1996 and 2002 (Lipson 2002), but have gone out of favor as bank capital regulations have changed. Recently, a new EQ2, the CDFI Community Investment Fund, launched to provide capital to CDFIs for financing small businesses.¹⁷ This effort and prior uses of EQ2 can provide a template for similar opportunities for affordable housing.

IDEA: MAKE 4 PERCENT LIHTC DEALS WORK

Tax credits for the 9 percent program are allocated to each state based on its population. State allocation limits do not apply to the 4 percent program. These credits are allocated noncompetitively to development efforts that are financed with tax-exempt bonds. Enhancing states' ability to support use of these credits could provide additional financing sources. For example, hybrid transactions could be permitted to finance large transactions. Such deals work by splitting the property into separate financing components, one of which qualifies for 9 percent credits and the other portion for 4 percent credits. Then, some of the higher-cost elements of the project can be shifted to the 9 percent portion of the transaction because the value of the credit is greater, allowing the 4 percent portion to be financially feasible and the financing to produce more units (Nigam 2016).

IDEA: ENCOURAGE EB-5 FOR AFFORDABLE HOUSING AND INCLUSIVE COMMUNITIES

Foreign investors' interest in US real estate could be channeled to improve housing affordability and inclusion through the EB-5 program. EB-5 is a special visa program through which foreign investors can get a green card by putting at least \$500,000 into developments or businesses that create US jobs.¹⁸ Although the program was recently renewed, concerns about transparency, fraud, and immigration security have led to legislation to eliminate the EB-5 program (H.R. 1502 and S. 232).¹⁹ If EB-5 visas remain, it provides an additional means for attracting capital to housing affordability and inclusion. Because investors are often recruited by a regional EB-5 investment center, additional affordable

housing investments could emerge by developing or working with a regional center to focus on such opportunities.

INCREASING THE CAPITAL FLOW TO SPECIFIC HOUSING PRODUCTS

When a boost in the overall housing supply fails to meet the need for a diversity of housing types, specialized tools can help shift attention even within the affordable housing investment space to meet these specific gaps. Although traditional housing types, such as garden apartments and high-rise rentals, are likely to meet the needs of smaller households, larger families and multigenerational households may still be left with few options. Likewise, a large gap between rental and ownership units can leave behind households seeking greater control of their tenure or the opportunity to grow assets. The strategies below offer ideas for expanding investment opportunities in these sorts of specific housing products.

IDEA: ADD INVESTOR-READY TOOLS FOR THE PRESERVATION OF AT-RISK PROPERTY TYPES

One-fifth of the rental housing stock is in smaller, multifamily apartment buildings between 5 and 49 units, many of which are unsubsidized and at risk of loss because of disinvestment or conversion. Because of age and a lack of amenities, these properties offer rents that are substantially lower than new market-rate developments. In some markets, the rents may be similar to apartments operating under federal subsidy programs. Real estate investors know these as Class C properties. The lack of supply has kept their vacancy rates low and rents rising on an annual basis,²⁰ but the age of these units also puts them at risk of loss because of capital needs. Preserving these properties presents a viable investment opportunity and an important source of affordable housing. Below-market debt funds, private equity vehicles, and REITs have emerged as investor-ready models through which market-rate investors fund the preservation of the unsubsidized stock (Williams 2015). These tools could grow with subsidy funds for credit enhancement.

But unresolved challenges have prevented solutions from effectively taking hold for small unsubsidized apartment buildings. The secondary mortgage market is not active for small multifamily loans, in part because of issues of loan size and underwriting standards. Perhaps a more pressing challenge, however, is that individual owners of such properties may operate strictly on a cash flow basis and be uninterested in either taking on debt to make repairs or selling the property (Apgar and Narasimhan, 2007).

One idea for overcoming these challenges, proposed by Shekar Narasimhan, is the small Real Estate Investment Trust (S-REIT), a tool for aggregating ownership of older, smaller multifamily properties that

have low or modest rents (Recap Real Estate Advisors 2014, 25). It could be exempt from recording taxes, Securities and Exchange Commission and state registration costs, and provide for tax-exempt bond issuing capability and the ability to obtain equity and debt financing at the corporate level. This would allow the S-REIT to match assets and liabilities without the costs of single asset financing. Benefits would include reducing operating expenses, avoiding single asset financing costs, and encouraging owners to transfer properties. A lack of interest on the federal level is a risk. Pilots on the local level, perhaps modeled after an Essential Function Bond approach, would be the best path forward (Apgar and Narasimhan 2007).

IDEA: MAKE MULTIFAMILY TOOLS AVAILABLE TO SINGLE-FAMILY OPERATORS

Often single-family rental operators focused on affordable housing cannot translate multifamily tools to scattered-site single-family properties. Even where it is possible to get financing for such projects, the rules often lack the flexibility and clarity to enable it to be used effectively. For example, a leading affordable housing nonprofit in Baltimore attempted to purchase 450 scattered-site single-family units, but could not complete the deal because it could not access tools available to multifamily operators. Specifically, HUD's 223(f) program would have provided 35 years of financing for 83 to 85 percent of acquisition costs plus transaction costs, but the Baltimore project could not take advantage of this program because its portfolio did not have five contiguous properties (Magder and Goodman 2015). Affordable housing developers have a difficult time taking advantage of critical sources of public support for single-family rentals, including HUD's 223(f) multifamily loans, low-interest loans from banks that get credit under the Community Reinvestment Act (CRA loans), and the LIHTC.

Institutional owners of scattered-site rentals have attracted financing from banks and secured capital at lower costs, tapping into capital markets to securitize bundles of homes as bonds and even going public as real estate investment trusts in certain cases. By and large, however, this financing has been unavailable to operators focusing on the affordable stock. These players have neither enough equity capital to provide corporate guarantees nor the banking relationships that encourage large banks to extend credit to preferred partners. The banks that provide these financing lines prefer \$200 million lines, which large institutional single-family rental investors need, rather than the sub-\$30 million lines affordable housing investors typically need.

This calculus could be changed through several approaches, including

- clarifying CRA eligibility of investments in single-family rental portfolios,

- modifying HUD 223(f) multifamily loan program rules to eliminate the requirement for multi-site deals to have five contiguous properties,
- allowing the LIHTC's use for properties placed in service or substantially renovated less than 10 years ago, and
- allowing single-family rental operators to use existing programs to purchase completed portfolios of stable property as well as those in need of rehab, and then maintain them in perpetuity as affordable (Magder and Goodman 2015).

IDEA: REGULATORY CHANGE TO TREAT MANUFACTURED HOUSING AS REAL ESTATE RATHER THAN PERSONAL PROPERTY.

Eight percent of the US population lives in manufactured housing, and in certain states, such as Alabama and South Carolina, the number rises to 15 and 20 percent respectively (Burkhart 2010). Although manufactured housing often faces zoning and other challenges, it can be an affordable path to homeownership for a large segment of our housing system. The design of our current housing system has heavily discouraged Fannie Mae and Freddie Mac from investing in the sector.²¹ But the recently issued duty to serve rules provide strong incentives for Fannie and Freddie to develop and deploy financing for both individual manufactured homes and manufactured home parks.²²

The classification of manufactured housing as personal property has financing and tax implications that make these homes more expensive to finance and lowers the resale value. This limits the ability of people living in manufactured housing to build equity and fully enjoy the benefits of homeownership. States have statutes on the books to allow conversion of manufactured housing to real estate, and in 2012, the Uniform Manufactured Housing Act (UMHA) was adopted by the Uniform Law Commission to facilitate this conversion (NCLC 2014). As part of their federally mandated duty to serve, Fannie and Freddie have drafted plans for exploring chattel loans over a three-year period, primarily through market research.²³

IDEA: CREATE CONSUMER-FRIENDLY FHA LEASE-PURCHASE PRODUCT

A potential path to homeownership for households with limited wealth and less-than-pristine credit can be through lease-purchase arrangements. Although some lease-purchase programs have been successful in enabling families to make this transition²⁴ far more have failed, either because of the poor economics (e.g., too high an initial house price) or predatory terms. Recently, former FHA commissioner Carol Galante and colleagues have proposed an FHA-backed Lease Equitably and Purchase (LEAP)

mortgage, which would be assumable, fixed rate and high loan-to-value, and available to nonprofits and potentially private investors as part of a lease-purchase program (Galante, Reid, and Sanchez-Moyano, 2017). By using existing FHA structures, including both oversight and the assumability of mortgages, the LEAP program could create a standardized lease-purchase product that would both lower the cost of bringing capital into this sector and protect consumers.

IDEA: DEVELOP FINANCING MECHANISMS AND GUARANTEES FOR NONTRADITIONAL TENURES

Shared equity, community land trusts, co-ops, and other tenures that lie between rental and fee-simple homeownership create opportunities for potential buyers and investors, but market uncertainties channel capital elsewhere or add costs. Philanthropy could help bridge the gap through piloting enterprise-level investment opportunities in land trusts and other organizations that operate as stewards for nontraditional homeownership models that can both increase access to homeownership and maintain its affordability over time. Additionally, the public or philanthropic sectors could help investors become more comfortable with these ownership structures by providing a financial backstop until the market develops sufficient experience and confidence to finance the transactions.

Grow the Market for Investment in Economic and Racial Inclusion

Government action created and reinforced segregated communities, and the current housing system does little to undo that. As a result, the market for inclusive housing and communities is unproven. To open the flow of capital to mixed-income and racially diverse communities, investors will need proof that the product will yield sufficient returns. Currently, investors are caught in a clash between federal actions that could advance fair housing, an unclear future for federal fair housing enforcement, evidence of continued racial tensions, and uncertainty about whether generational preferences for diversity are truly changing.²⁵ The public and philanthropic sectors will need to carefully consider these investment impediments and identify strategies that grow investors' confidence in affordable housing in mixed-income settings, racially diverse places, or high-opportunity areas.

IDEA: CREATE A GUARANTEE TO PROTECT AGAINST MARKET-RATE VACANCIES IN MIXED-INCOME PROPERTIES

In some markets, mixed-income developments find it difficult to attract investors because of concerns about vacancies in the market-rate units. It is unclear whether this concern is legitimate and, if so, whether investors have identified an appropriate risk premium to account for it. Foundations could step

in as a guarantor for these deals and demonstrate the actual vacancy loss risk for mixed-income properties. If the risk proves to be smaller than investors initially perceived, the guarantee could lead to an increased investment in affordable housing in inclusive communities over time.

IDEA: CONNECT THE DISTRIBUTION OF INFRASTRUCTURE FUNDING TO AFFORDABLE DEVELOPMENT IN HIGH-OPPORTUNITY NEIGHBORHOODS

Local politics often increase the risks of affordable housing development in high-opportunity neighborhoods, limiting choices and opportunities for low-income households and households of color. Even when land-use decisions remain under local control, states can structure the distribution of infrastructure funding to provide incentives for inclusive affordable housing, transit-oriented development, or other priority areas.²⁶ If used to improve infrastructure near the development, these funds can also improve a deal's ROI by reducing the developer's spending on infrastructure improvements or improving the marketability of the property.

IDEA: GIVE PREFERENCE TO LIHTC PROJECTS IN HIGH-OPPORTUNITY AREAS

Often, LIHTC projects are undertaken in communities with low land prices, and as a result, many affordable units are created in areas devoid of resources and opportunities (Khadduri 2013). To some extent, the problem arises from the statutory bonus for building in "Qualified Census Tracts," which are low income or high poverty. Nevertheless, the federal government could revise the program to impose more stringent requirements on or clearer guidance to states (Hollar and Usowski, forthcoming).

Reforms could give preference to projects in areas that meet certain criteria related to employment, transportation, or other services. From a regulatory perspective, the program could prohibit states from allocating credits to projects that further concentrate poverty. This goal can be compatible with supporting investment in low-income areas when the locations have clearly defined and promising neighborhood revitalization plans, as opposed to simply providing incentives for the use of LIHTC in any qualified census tracts (Khadduri 2013). Furthermore, the federal government could encourage states to alter how they implement the program, giving more points to applicants that choose to develop in low-poverty areas or include wraparound services and community spaces that benefit individuals, regardless of where the project is located.

IDEA: ASSIST DEVELOPERS IN STRUCTURING DEALS FOR TRANSIT ORIENTED DEVELOPMENT FUNDS

Creating and preserving a variety of affordable, well-located housing options near transit helps connect people to jobs, resources, and economic opportunities. But acquisition financing for equitable transit-

oriented development (TOD) projects will often need lower interest rates and longer terms to accommodate the lengthy transit development process and the diminished revenue potential of affordable housing. TOD funds blend public, private, and philanthropic capital to allow borrowers to acquire land and properties along current and future transit corridors and can be an effective means for preventing displacement of low-income residents and aiding the establishment of inclusive communities.²⁷ Building on work in the San Francisco Bay Area, Denver and Enterprise Community Partners created a TOD fund in 2010 as the city expanded its transit corridors. Atlanta and the Twin Cities have followed suit (Hersey and Spotts 2015). Federal transit funds could generate significantly greater interest in such projects by requiring that localities grant as-of-right zoning for high-density housing with an affordable component in proximity to transit.

Philanthropic investments in capable developers that undertake affordable and mixed-use projects can help these entities navigate the complex and comprehensive financing solutions needed to structure TOD projects. The John D. and Catherine T. MacArthur Foundation, for example, has recognized the need to invest on an organizational rather than project-by-project basis (Pollack and Prater 2013).

IDEA: INCREASE THE TRANSPARENCY OF INVESTORS' CALCULUS TO IDENTIFY OPPORTUNITIES TO SPUR GREATER INVESTMENT

At a convening of developers, researchers, policymakers, and advocacy groups to discuss housing supply in the Washington, DC, region, participants struggled to understand how to attract investors. Without a more widespread understanding of large-scale investors' decisionmaking process about where to invest by region, jurisdiction, housing type, and income level, policymakers have limited capacity to increase local investment, and developers cannot position their deals for maximum investor interest. This lack of clarity could particularly hamper investments in products that may be pushing ahead of the known market, such as inclusive communities. Papers and forums that demystify the investment process can allow investor-ready deals to find a source of capital and allow policymakers and financial innovators to develop new mechanisms for attracting investors.

IDEA: CREATE TOOLS TO REDUCE RISKS WHEN TRANSFERRING PROJECT-BASED RENTAL ASSISTANCE

HUD has provided transfer authority that enables project-based rental assistance (PBRA) to be transferred from one owner's building to another's. This would allow Owner A of a building that is now obsolete to transfer the PBRA to ready and available units in Owner B's project. A transfer would preserve the PBRA, which would otherwise be lost with Owner A's demolition. But the transfer process

could delay Owner A's plans, imposing costs and uncertainty that would funnel capital out of the new deal. A fund could be created with program-related investments to protect Owner A and thereby facilitate the preservation of the PBRA. Improving the capacity to transfer PBRA between properties is most important in an improved or improving neighborhood, where otherwise market forces would lead to displacement.

Use Government Conditions to Channel Investments to Equity and Inclusion

Government regulations can tip the scales for or against an investment. When regulations drive up costs and reduce returns, capital will flow elsewhere. But regulators can also use their oversight authority or public transparency to encourage investment in specific types of products. A reduction in local regulatory barriers and an expansion of regulatory incentives could boost investments in housing for equity and inclusion.

IDEA: EXPAND THE REACH OF THE CRA

Although CRA is a strong incentive for banks, the statute and regulations have not kept up with massive changes in the sector, including the dominance of banks with national reach and the reduced importance of banks in financing of residential real estate. Since at least 2007, experts have identified modifications to CRA that could provide incentives for lending activity by a broader group of investors and toward the needs of racially and economically concentrated neighborhoods rather than simply low- and moderate-income communities (Rosengren and Yellen 2009). Expanding CRA to additional types of financial institutions could tip the scales for investment in affordable housing. Revisiting the types of investments that qualify for CRA credit with a focus on race and ethnicity could further provide incentives for entities with CRA obligations to consider the investment potential in developments that would create more equitable and inclusive communities.

IDEA: REPLICATE CRA-TYPE REQUIREMENTS FOR OTHER INSTITUTIONAL INVESTORS

The core concept of CRA—that entities that receive and hold funds from a community should use a portion of those funds to benefit that same community—could be applied not only to more types of financial institutions, but to other types of institutional investors, such as insurance companies and pension funds. In California, insurers are required to report their community development investments through a process known as the “data call.”²⁸ This transparency allows advocacy to increase investments that yield both an attractive return and social benefits to the community. This approach, which the state regularly pairs with a tax incentive, may have potential to be both strengthened and

expanded to other states and other institutional investors. Massachusetts has similarly imposed CRA-like obligations on insurance companies and credit unions. Expansion of CRA to institutions other than banks would increase the pool of investors with incentives to finance affordable housing and related community development. Expansion to other entities could also reduce some of unintended or inequitable effects of CRA's application solely to banks, such as CRA "hot spots" and the overly strong link between banking economics and regulations and LIHTC production.

IDEA: CLARIFY NONPROFIT HOSPITALS' CAPACITY TO INVEST IN AFFORDABLE HOUSING AS PART OF THEIR COMMUNITY BENEFIT REQUIREMENTS

Nonprofit hospitals must provide "community benefits" as part of the justification for their federal tax exemption. New Internal Revenue Service guidelines feature a broader interpretation of the "community benefits" and "community building" nonprofit hospitals are required to do, taking more of an upstream view on health. The new guidance could spur more hospital participation in developing affordable housing through donated professional time, grants, and investments. Furthermore, under the Affordable Care Act (ACA), hospitals must review health conditions in their communities and adopt strategies to address concerns through a process known as a community health needs assessment. Although the future of ACA is uncertain, the IRS guidelines and growing awareness of housing-health connections suggest continued prospects for providing incentives for hospitals' investment in housing. Clarifying the current rules and how they are to be implemented—and broadening the range of community health improvements that satisfy nonprofit hospitals' requirements—would encourage more innovation and opportunities for hospitals to invest in affordable housing and other actions to build healthy and inclusive communities (Rosenbaum 2016). Already, a group of hospitals in Portland, Oregon, has used community benefits funds to support affordable housing.²⁹

IDEA: USE BUILDING CODES TO PROMOTE LOWER COST CONSTRUCTION

Reducing total development costs can improve a deal's return on investment. Technological advances have created less expensive construction materials. Additionally, use of modular construction is becoming more familiar and extending beyond low-income units. Although progress is being made, such knowledge is not flowing quickly. Furthermore, building codes are slow to adapt to the new technologies, creating a barrier to greater use (Jakabovics et al. 2014). This drives up costs and reduces supply across geography and housing affordability levels, but may especially limit the financial feasibility of affordable housing.

Greater dissemination of new techniques is needed to get them more widely adopted in the field. Public adoption may require educational campaigns and aspirational marketing of state-of-the-art

building codes to traditionally high-cost or exclusive communities. Advocacy may be needed to create pressure at the state and local level to update building codes to allow low-cost construction methods to be more widely adopted.

Ensure the Viability of Deals That Reach Extremely Low-Income Households

Affordable housing developments that serve households with extremely low income or the need for intense services can become viable investments only with certainty that the operating subsidy or supportive services dollars will continue through the life of the project. Yet, operating support and service coordinators are usually funded annually. Project-based vouchers can give investors greater confidence that the operating subsidy will last. But even that can be challenging when federal budget battles heat up. The strategies below look for ways to increase investors' confidence in the viability of serving vulnerable or extremely low-income households.

IDEA: CREATE A GUARANTEE TO PROTECT AGAINST ANNUAL FUNDING SHORTFALLS

If the impediment to investment is the risk of the federal government short-funding operating subsidies or cutting funds for supportive services, the public or philanthropic sectors can create a safety valve or guarantee to mitigate that risk. For LIHTC-funded service-enriched housing, the state housing finance agency could write language into the qualified allocation plan that converts the units back from service-enriched housing for a special population into a regular LIHTC unit if service funding is unavailable. This approach has been modeled by the Michigan State Housing Finance Agency as a means of increasing investor confidence in permanent supportive housing (MSHDA 2010). A similar process exists for HOPE VI deals, providing a backstop if HUD does not fund the annual contributions contract for a development's public housing units. Philanthropy could similarly mitigate the risk of a shortfall in federal appropriations for ongoing rent subsidies or supportive service funds through a guarantee.

IDEA: USE CROSS-SUBSIDIZATION AND INCOME AVERAGING TO SERVE LOWER-INCOME HOUSEHOLDS

Both the shortage of project-based subsidy funds and the risks associated with annual operating subsidy allocations limit the ability of LIHTC units to serve households with income less than 50 percent of the area median income. In some markets, this gap could be filled by allowing cross-subsidization. Doing so would require creating a LIHTC rent-restricted category for extremely low-income households (less than 30 percent of the AMI), available for properties in markets where the high-income units could carry the bulk of the operating costs of the development (NLIHC 2013).

Accompanying this change with a 50 percent basis boost for properties that include units in the new lowest income category would improve feasibility. Similarly, the statutory categories could be modified to allow higher income residents, as long as the average income level of LIHTC tenants did not exceed 60 percent of the AMI. Cross-subsidization strategies may be more feasible when development costs are moderate but market rents are high. Before adopting such an approach, modeling would be needed to identify markets and property conditions that could produce sufficient income to make cross-subsidization work.

IDEA: CREATE A PROJECT-BASED RENTERS' TAX CREDIT THAT REACHES EXTREMELY LOW INCOME LEVELS

A new project-based tax credit could provide transferrable tax benefits to cover the gap between market rents and the rents affordable for extremely low-income households. This would bypass uncertainties in the appropriations process that currently add risks for projects relying on project-based rental assistance. A proposal by the Center on Budget and Policy Priorities (CBPP) would create a tax credit to provide incentives for renting to households with income that is either less than the federal poverty level or less than 30 percent of the AMI. The credit would be phased in, capped at a tax expenditure of approximately \$6 billion, and allocated among states for distribution (Fischer, Sard, and Mazzara 2017).

Creating Systems Change

Expanding investment activity in affordable housing and channeling it to support equity and inclusion will require a focused advocacy effort and a broad collaboration between the public, private, nonprofit, and philanthropic sectors. Systems change that improves investor incentives faces two large hurdles: (1) skepticism about political gridlock and the potential for large-scale policy change and (2) a lack of awareness of the positive role investors can play in achieving social equity and inclusion goals (which leads to conflicts between parties that could be productive partners). These challenges, however, can be overcome. Prior successful efforts at systems change, including the initial passage of LIHTC and CRA, as well as the LGBTQ marriage equality movement, may offer transferrable lessons that other bold efforts can apply in overcoming the impediments of political will and divisiveness.

Some of the strategies outlined in this report are more easily implemented, or at least piloted, than others. Concepts related to expanding existing investment opportunities tend to be the most practical and implementation ready. For example, expanding the LIHTC has bipartisan proponents and the

support of a wide array of stakeholders, and duty-to-serve rules are already setting processes in place to expand government-sponsored enterprise involvement in loans for manufactured housing. Philanthropy can also use program-related investments to pilot a new approach. Once the efforts have generated evidence of its viability, other investors will follow suit. In its simplest form, philanthropy identifies a risk the market will not take and then structures the transaction or creates a new instrument to bring capital to the market. For example, the MacArthur Foundation invested in the development of an affordable housing REIT by reducing lenders' exposure to risk from regulatory changes, geographic concentration, and other factors, giving the REIT time to establish a track record and make traditional investors comfortable so they are willing to invest.

Strategies for increasing investments that advance economic and racial inclusion are crucial for creating a new housing system that acknowledges and attempts to correct the nation's patterns of segregation and exclusion. Although addressing these patterns effectively is more challenging, philanthropy has many tools at its disposal that could lead to long-term change related to these and other strategies, including grants, convening power, advocacy, and investments. The challenge is to identify the correct tool for effecting the desired change. Changing the narrative about affordable housing and inclusive communities would be an essential step in the path toward bipartisan support for policy change. This effort would involve extensive national-level work to develop and test messages that resonate with different political value systems. It would also require community-level work to ensure that these messages—and messages grown from the grassroots—become visible campaigns that mobilize communities to action.

Part of this work will also involve relationship building and community empowerment. Low-income and majority-minority communities have often experienced new investment activity as early signals of gentrification. Thus, investors may be viewed not as a potential partner for bringing needed capital to a community but as an adversary likely to strip communities of social capital and political power—ultimately displacing long-standing residents. Yet, neither communities nor investors, working alone or in opposition, are likely to generate equity and inclusion. Statutes, like CRA and California's data call, that make both communities and regulators aware of the extent potential investors are serving the communities in which they operate, can provide substantial leverage for communities to attract additional capital toward inclusion. Philanthropy can assist by supporting the call for investment statutes and guidance, prioritizing community-empowerment activities, and creating opportunities for dialogue and partnership between investors and community members. In combination, these efforts can create new highly effective channels through which profit-driven investors fund projects that advance social equity and inclusion. At the national, state, local, and community levels, philanthropy can

help bring to the table people with the right combination of experience, knowledge, and networks to effect change.

Conclusion

Investors will put capital where returns are viable, and there is no shortage of ideas for ensuring the profitability of investments in affordable and inclusive housing. For each political reality, opportunities exist to make headway toward incremental or transformational changes that channel investment activity to create a housing system for the 21st century and dismantle the inequality created by the last century's housing system. Simply expanding the LIHTC would be a major contributor, but that alone is not powerful enough to deploy sufficient capital to the types of housing and communities needed in the future. New approaches and a greater investment in loan guarantees and other mechanisms that provide investors with proof of concept will be required. So will support for policies such as CRA and entities such as CDFIs and community development corporations that can leverage private investment for equitable development. This report has presented an array of ideas as a starting point for exploration and expansion. The next step is to engage new coalitions and partnerships to vet these ideas further, identify the most powerful tools for deploying more investment capital in activities that create a more equitable, inclusive sustainable housing system, and—perhaps most importantly—develop the strategies that will allow bold systems changes to go from concept to reality.

Notes

1. Housing can be affordable to households with low- or moderate-incomes either because the market provides such housing naturally, such as in older properties or areas with less demand, or because the housing development is income-restricted as a matter of policy. This report focuses on investment in the development of income-restricted housing and the preservation of both types of affordable housing.
2. See Hui-Yong Yu, “US Real Estate to Draw More Foreigners in 2016, Survey Says,” *Bloomberg*, January 4, 2016, [https://beta.theglobeandmail.com/report-on-business/industry-news/property-report/us-real-estate-to-draw-more-foreigners-in-2016-survey-says/article27999867/?ref=http://www.theglobeandmail.com&andCFER\(2016\)](https://beta.theglobeandmail.com/report-on-business/industry-news/property-report/us-real-estate-to-draw-more-foreigners-in-2016-survey-says/article27999867/?ref=http://www.theglobeandmail.com&andCFER(2016)).
3. Mitch Roschelle, “Job Growth and Secondary Cities Are Driving Real Estate Opportunities,” *Asset and Wealth Management* (blog), PricewaterhouseCoopers, October 13, 2015, <http://usblogs.pwc.com/assetmanagement/job-growth-and-secondary-cities-are-driving-real-estate-opportunities/>.
4. Ellen Seidman, interviewed by Maya Brannan, October 11, 2016.
5. Ibid.
6. “Community Reinvestment Act,” Board of Governors of the Federal Reserve System, last updated February 11, 2014, http://www.federalreserve.gov/communitydev/cra_about.htm.
7. Ellen Seidman, interviewed by Maya Brannan, October 11, 2016.
8. Laurie Goodman and Rolf Pendall, “Housing Supply Falls Short of Demand by 430,000 Units,” *Urban Wire* (blog), Urban Institute, June 20, 2016, <http://www.urban.org/urban-wire/housing-supply-falls-short-demand-430000-units>.
9. “Projections of the Population and Components of Change for the United States: 2015 to 2060 (NP2014-T1),” US Census Bureau, accessed August 4, 2017.
10. Keat Foong, “NOAH’s Arc: A New Option for Affordable Housing?” *Commercial Property Executive*, August 13, 2015, <https://www.cpexecutive.com/post/noahs-arc-new-options-for-affordable-housing/>.
11. Housing starts average 2.2 percent of housing stock. See Mayer and Somerville (2000).
12. A less-well-known subsidy resulted from the over \$120 million federal bailout of savings and loan institutions that had invested significantly in multifamily construction in the 1980s (DiPasquale and Cummings 1990).
13. Signe-Mary McKernan, Caroline Ratcliffe, C. Eugene Steuerle, Emma Kalish, and Caleb Quakenbush, “Nine Charts about Wealth Inequality in America,” Urban Institute, accessed August 4, 2017, <http://apps.urban.org/features/wealth-inequality-charts/>.
14. Ta-Nehisi Coates, “The Case for Reparations,” *Atlantic*, June 2014, <http://www.theatlantic.com/magazine/archive/2014/06/the-case-for-reparations/361631/>.
15. Affordable Housing Credit Improvement Act of 2017, S. 548, 115th Cong. (2017).
16. Nancy Rase and Paul Weech, “Growing a Stronger Nonprofit Housing Sector,” Shelterforce, July 17, 2013, https://shelterforce.org/2013/07/17/growing_a_stronger_nonprofit_housing_sector/.
17. Woodforest National Bank, “Woodforest National Bank Announces the Creation of CDFI Community Investment Fund,” news release, March 31, 2017, <http://ofn.org/articles/woodforest-national-bank-announces-creation-cdfi-community-investment-fund-llc>.

18. Laura Kusisto, "Miami Taps EB-5 Visa Program to Help Fund Affordable Housing," *Wall Street Journal*, August 6, 2015, <https://www.wsj.com/articles/miami-taps-eb-5-visa-program-to-help-fund-affordable-housing-1438892939>.
19. San Francisco Chronicle Editorial Board, "Congress Must Reform the EB-5 Cash-for-Visas Program," *San Francisco Chronicle*, May 9, 2017, <http://www.sfchronicle.com/opinion/editorials/article/Congress-must-reform-the-EB-5-cash-for-visas-11133955.php>.
20. Archana Pyati, "New CoStar Data Reveal a Vast National Inventory of Naturally Occurring Affordable Housing—and an Untapped Opportunity," *Urban Land*, October 24, 2016, <https://urbanland.uli.org/economy-markets-trends/new-costar-data-reveal-vast-national-inventory-naturally-occurring-affordable-housing-untapped-opportunity/>.
21. Doug Ryan, "Time to End the Monopoly Over Manufactured Housing," *American Banker*, February 23, 2017, <http://www.americanbanker.com/bankthink/time-to-end-the-monopoly-over-manufactured-housing-1079504-1.html>.
22. Enterprise Duty to Serve Underserved Markets, 81 Fed. Reg., 96242 (December 29, 2016).
23. "GSEs Have Eyes on Chattel Loans," *Scotsman Guide*, May 17, 2017, <http://www.scotsmanguide.com/News/2017/05/GSEs-have-eyes-on-chattel-loans/>.
24. See Sarah Edelman, Michela Zonta, and Julia Gordon, "Lease Purchase Failed Before—Can It Work Now?" Center for American Progress, April 29, 2015, <https://www.americanprogress.org/issues/economy/reports/2015/04/29/112014/lease-purchase-failed-before-can-it-work-now/> regarding the Cleveland Housing Network program.
25. See Brennan and Galvez (2017) for more on this topic.
26. Massachusetts, through its Chapter 40B, is one of the few states that have gone further and reduced local control over land use related to affordable housing, or provided limited overrides. By adding more inclusive developments to the pipeline, such overrides can also affect investor interest.
27. "Denver Regional Transit-Oriented Development (TOD) Fund," Enterprise Community Partners, accessed August 7, 2017, <http://www.enterprisecommunity.org/financing-and-development/community-loan-fund/denver-regional-tod-fund>.
28. "California Organized Investment Network—COIN," California Department of Justice, accessed August 7, 2017, <http://www.insurance.ca.gov/0250-insurers/0700-coin/Index.cfm>.
29. Elizabeth Hayes, "6 Portland Health Organizations Pledge \$21.5M for 3 Low-Income Housing Projects," *Portland Business Journal*, September 23, 2016, <http://www.bizjournals.com/portland/blog/health-care-inc/2016/09/6-portland-health-organizations-pledge-21-5m-for-3.html?j=>.

References

- Acs, Gregory, and Paul Johnson. 2015. "Housing Transfer and Tax Programs Decrease Inequality." Washington, DC: Urban Institute.
- Apgar, William, and Shekar Narasimhan. 2007. *Enhancing Access to Capital for Smaller Unsubsidized Multifamily Rental Properties*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- BPC (Bipartisan Policy Center). 2013. *Housing America's Future: New Directions for National Policy*. Washington, DC: BPC.
- Blank, Rebecca M. 2005. "Tracing the Economic Impact of Cumulative Discrimination." *American Economic Review* 95 (2): 99–103.
- Bolton, Megan, Elina Bravve, and Sheila Crowley. 2014. *Aligning Federal Low-Income Housing Programs with Housing Need*. Washington, DC: National Low Income Housing Coalition.
- Brennan, Maya, Amy Deora, Anker Heegaard, Albert Lee, Jeffrey Lubell, and Charlie Wilkins. 2013. "Comparing the Costs of New Construction and Acquisition-Rehab in Affordable Multifamily Rental Housing: Applying a New Methodology for Estimating Lifecycle Costs." Washington, DC: Center for Housing Policy.
- Brennan, Maya, and Martha Galvez. 2017. *Housing as a Platform: Strengthening the Foundation for Well-Being*. Washington, DC: Urban Institute.
- Burkhart, Ann M. 2010. "Bringing Manufactured Housing into the Real Estate Finance System." *Pepperdine Law Review* 37 (2): 427–57.
- CFER (Center for Real Estate). 2016. "2016 AFIRE Foreign Investment Survey." Madison: University of Wisconsin–Madison, Graaskamp Center for Real Estate.
- CohnReznick. 2013. *The Community Reinvestment Act and Its Effect on Housing Tax Credit Pricing*. Boston: CohnReznick.
- Collins, J. Michael. 2013. *Developing Effective Subsidy Mechanisms for Low-Income Homeownership*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- CoStar. 2016. "Naturally Occurring Affordable Housing." Presentation at National Association of Affordable Housing Lenders and Urban Land Institute Symposium, Washington, DC, October 11, 2016.
- Desmond, Matthew. 2016. *Evicted: Poverty and Profit in the American City*. New York: Crown Publishing Group.
- DiPasquale, Denise, and Jean L. Cummings. 1990. *Accessing Capital Markets for Affordable Rental Housing: A Report to the Low- and Moderate-Income Housing Finance Task Force*. Cambridge, MA: Joint Center for Housing Studies of Harvard University.
- Dolbeare, Cushing N. 2001. "Housing Affordability: Challenge and Context." *Cityscape* 5 (2): 111–30.
- Fischer, Will, Barbara Sard, and Alicia Mazzara. 2017. "Renters' Credit Would Help Low-Wage Workers, Seniors, and People with Disabilities Afford Housing." Washington, DC: Center on Budget and Policy Priorities.
- Galante, Carol, Carolina Reid, and Rocio Sanchez-Moyano. 2017. "Expanding Access to Homeownership through Lease-Purchase." Berkeley: University of California, Berkeley, Turner Center for Housing Innovation.
- Glaeser, Edward L., Joseph Gyourko, and Raven Saks. 2005. "Why Is Manhattan So Expensive? Regulation and the Rise in House Prices." *Journal of Law and Economics* 48 (2): 331–70.
- Goodman, Laurie, Rolf Pendall, and Jun Zhu. 2015. *Headship and Homeownership: What Does the Future Hold?* Washington, DC: Urban Institute.

- Harris, David R. 1999. "Property Values Drop when Blacks Move In, Because...": Racial and Socioeconomic Determinants of Neighborhood Desirability." *American Sociological Review* 64 (3): 461–79.
- Hersey, John K., and Michael A. Spotts. 2015. *Promoting Opportunity through Equitable Transit-Oriented Development (eTOD): Barriers to Success and Best Practices for Implementation*. Columbia, MD: Enterprise Community Partners.
- Hollar, Michael, and Kurt Usowski. Forthcoming. "Low-Income Housing Tax Credit Qualified Census Tracts." *Cityscape* 19 (3).
- Jackson, Kenneth T. 1985. *Crabgrass Frontier: The Suburbanization of the United States*. New York: Oxford University Press.
- Jakobovics, Andrew, Lynn M. Ross, Molly Simpson, and Michael Spotts. 2014. *Bending the Cost Curve: Solutions to Expand the Supply of Affordable Rentals*. Washington, DC: Urban Land Institute.
- JCHS (Joint Center for Housing Studies of Harvard University). 2017. *The State of the Nation's Housing 2017*. Cambridge, MA: JCHS.
- Kelly, Hugh F. 2015. "Emerging Trends in Real Estate®: United States and Canada 2016." Washington, DC: PricewaterhouseCoopers and the Urban Land Institute.
- Kelly, Hugh F., Alan C. Billingsley, Andrew Warren, and Anita Kramer. 2016. "Emerging Trends in Real Estate®: United States and Canada 2017." Washington, DC: PricewaterhouseCoopers and the Urban Land Institute.
- Khadduri, Jill. 2013. *Creating Balance in the Locations of LIHTC Developments: The Role of Qualified Allocation Plans*. Washington, DC: Poverty and Race Research Action Council.
- Lazio, Rick. 2015. "Stable Housing, Stable Families: Thinking beyond Homeownership." In *What It's Worth: Strengthening the Financial Future of Families, Communities, and the Nation*, edited by Laura Choi, David Erickson, Kate Griffin, Andrea Levere, and Ellen Seidman, 113–26. San Francisco: Federal Reserve Bank of San Francisco; Washington, DC: Corporation for Enterprise Development.
- Levin, Ezra, Jeremie Greer, and Ida Rademacher. 2014. *From Upside Down to Right-Side Up*. Washington, DC: Corporation for Enterprise Development.
- Lipson, Beth. 2002. "Equity Equivalent Investments." *Community Investments* 14 (1): 10–13.
- MacArthur Foundation. 2007. "Window of Opportunity: Preserving Affordable Rental Housing." Chicago: MacArthur Foundation.
- Magder, Dan, and Laurie Goodman. 2015. "Single-Family Rentals: A New Approach to Affordable Housing." Washington, DC: Urban Institute.
- Mayer, Christopher J., and C. Tsurriel Somerville. 2000. "Residential Construction: Using the Urban Growth Model to Estimate Housing Supply." *Journal of Urban Economics* 48 (1): 85–109.
- MSHDA (Michigan State Housing Development Authority). 2010. "MSHDA 2011 Qualified Allocation Plan: Preamble." Lansing: MSHDA.
- Murphy, Lillian, and Janet Falk. 2012. "Getting to Scale: The Need for a New Model in Housing and Community Development." In *Investing in What Works for America's Communities: Essays on People, Place, and Purpose*, edited by Nancy O. Andrews, David J. Erickson, Ian J. Galloway, and Ellen S. Seidman, 237–45. San Francisco: Federal Reserve Bank of San Francisco and Low Income Investment Fund.
- NCLC (National Consumer Law Center). 2014. "Tilting Homes as Real Property: Manufactured Housing Resource Guide." Boston: NCLC.
- Nelson, Kathryn P., David A. Vandenbroucke, Jeffrey M. Lubell, Mark D. Shroder, and Arthur J. Rieger. 2003. "Trends in Worst Case Needs for Housing, 1978–1999." Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research.

- Nigam, Aseem. 2016. "How to Make 4% LIHTC Deal Work: Case Study from Fairfax County." PowerPoint presentation. Fairfax, VA: Fairfax County Department of Housing and Community Development, Real Estate Finance and Grants Management Division.
- NLIHC (National Low-Income Housing Coalition). 2013. "National Housing Trust Fund Frequently Asked Questions." Washington, DC: NLIHC.
- . 2015. "The Low-Income Housing Tax Credit Program (LIHTC)." Washington, DC: NLHC.
- OCC (Office of the Comptroller of the Currency). 2014. "Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks." Washington, DC: OCC.
- OMB (Office of Management and Budget). 2015. *Fiscal Year 2015 Analytical Perspectives, Budget of the US Government*. Washington, DC: OMB.
- Pollack, Melinda, and Brian Prater. 2013. *Filling the Financing Gap for Equitable Transit-Oriented Development: Lessons from Atlanta, Denver, the San Francisco Bay Area, and the Twin Cities*. Washington, DC: Enterprise Community Partners.
- Prante, Gerald. "The History of the Mortgage Interest Deduction." Washington, DC: Tax Foundation. <http://taxfoundation.org/blog/history-mortgage-interest-deduction>.
- Quigley, John M. 2008. "Housing Policy in the United States." In *New Palgrave Dictionary of Economics*, 2nd ed., edited by Steven N. Durlauf and Lawrence E. Blume. New York: Palgrave Macmillan.
- Quigley, John M., and Larry A. Rosenthal. 2005. "The Effects of Land-Use Regulation on the Price of Housing: What Do We Know? What Can We Learn?" *Cityscape* 8 (1): 69–137.
- Reaser, Lynn, Peggy Crane, Dieter Mauerman, Mark Undesser, and Nic Herbig. 2014. *Opening San Diego's Door to Lower Housing Costs*. San Diego: Point Loma Nazarene University, Fermanian Business and Economic Institute.
- Recap Real Estate Advisors. 2014. *Unsubsidized Affordable Housing: Report to the Urban Institute*. Boston: Recap Real Estate Advisors.
- Reed, Jenny. 2013. "DC's First Right Purchase Program Helps to Preserve Affordable Housing and Is One of DC's Key Antidisplacement Tools." Washington, DC: DC Fiscal Policy Institute.
- Rosenbaum, Sara. 2016. "Hospitals as Community Hubs: Integrating Community Benefit Spending, Community Health Needs Assessment, and Community Health Improvement." Washington, DC: Brookings Institution.
- Rosengren, Eric, and Janet Yellen. 2009. "Foreword." In *Revisiting the CRA: Perspectives on the Future of the Community Reinvestment Act*, edited by Prabal Chakrabarti, David Erickson, Ren S. Essene, Ian Galloway, and John Olson, 1. Boston and San Francisco: Federal Reserve Bank.
- Sard, Barbara, and Will Fischer. 2013. *Renters' Tax Credit Would Promote Equity and Advance Balanced Housing Policy*. Washington, DC: Center on Budget and Policy Priorities.
- Schwartz, Alex F. 2015. *Housing Policy in the United States*, 3rd ed. New York: Routledge.
- Steffen, Barry L., George R. Carter, Marge Martin, Danilo Pelletiere, David A. Vandenbroucke, and Yunn-Gann David Yao. 2015. *Worst Case Housing Needs: 2015 Report to Congress*. Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research.
- Stegman, Michael, Walter Davis, and Roberto Quercia. 2003. "Tax Policy as Housing Policy: The EITC's Potential to Make Housing More Affordable for Working Families." Washington, DC: Brookings Institution.
- Stegman, Michael, and Dennis Shea. 2017. "Forging an Enduring Bipartisan Consensus on Affordable Rental Housing." Washington, DC: Bipartisan Policy Center.
- Toder, Eric, Margery Austin Turner, Katherine Lim, and Liza Getsinger. 2010. *Reforming the Mortgage Interest Deduction*. Washington, DC: Urban Institute.

- Turner, Margery Austin. 2013. "Housing Discrimination against Racial and Ethnic Minorities 2012: Executive Summary." Washington, DC: Urban Institute.
- Williams, Stockton. 2015. *Preserving Multifamily Workforce and Affordable Housing: New Approaches for Investing in a Vital National Asset*. Washington, DC: Urban Land Institute.
- Yinger, John. 1991. *Housing Discrimination Study: Incidence of Discrimination and Variation in Discriminatory Behavior*. US Department of Housing and Urban Development, Office of Policy Development and Research.
- Zhao, Bo, Jan Ondrich, and John Yinger. 2006. "Why Do Real Estate Brokers Continue to Discriminate? Evidence from the 2000 Housing Discrimination Study." *Journal of Urban Economics* 59 (3): 394–419.

About the Authors

Maya Brennan engages in research, analysis, and stakeholder engagement as part of the Policy Advisory Group (PAG) at the Urban Institute. Her research interests include community-based partnerships, vulnerable populations, community change, and the connection between housing and well-being. She manages PAG's How Housing Matters projects, which provide rigorous research and practical information on the connection between housing, neighborhoods, and individual outcomes. She previously worked at the Urban Land Institute Terwilliger Center for Housing, the National Housing Conference, and Baltimore Neighborhoods Inc. She holds a BA in liberal arts from St. John's College in Santa Fe, New Mexico, and an MS in urban policy analysis and management from the New School, where she received the Jacob Kaplan Award.

Pam Blumenthal was a senior research associate with the urban policy initiatives group and the Metropolitan Housing and Communities Policy Center at the Urban Institute. Her expertise is in affordable housing, land-use regulation, and economic resilience, with an emphasis on qualitative research. She also worked with other researchers to translate their work into actionable policy for urban policymakers.

Laurie Goodman is codirector of the Housing Finance Policy Center at the Urban Institute. The center is dedicated to providing policymakers with data-driven analyses of housing finance policy issues that they can depend on for relevance, accuracy, and independence. Before joining Urban in 2013, Goodman spent 30 years as an analyst and research department manager at several Wall Street firms. From 2008 to 2013, she was a senior managing director at Amherst Securities Group LP, where her strategy effort became known for its analysis of housing policy issues. From 1993 to 2008, Goodman was head of global fixed income research and manager of US securitized products research at UBS and predecessor firms, which were ranked number one by *Institutional Investor* for 11 straight years. Before that, she was a senior fixed income analyst, a mortgage portfolio manager, and a senior economist at the Federal Reserve Bank of New York. She was inducted into the Fixed Income Analysts Hall of Fame in 2009. Goodman is on the board of directors of MFA Financial, is an adviser to Amherst Capital Management, and is a member of the Bipartisan Policy Center's Housing Commission, the Federal Reserve Bank of New York's Financial Advisory Roundtable, and the New York State Mortgage Relief Incentive Fund Advisory Committee. She has published more than 200 journal articles and has coauthored and coedited five books. Goodman has a BA in mathematics from the University of Pennsylvania and an MA and PhD in economics from Stanford University.

Ellen Seidman is a nonresident fellow in the Housing Finance Policy Center. She chairs the boards of Coastal Enterprises Inc. and Aeris Insight and sits on the board of City First Bank of DC and on the National Community Advisory Council of Bank of America. She cofounded and sat on the board of the Center for Financial Services Innovation and was the 2013–14 New York University Stern–Citi Leadership and Ethics Distinguished Fellow. From 2012 to 2016, Seidman served on the inaugural Consumer Advisory Board of the Consumer Financial Protection Bureau. From 2012 to 2014, she was a visiting scholar at the Federal Reserve Bank of San Francisco, where she edited *Investing in What Works for America's Communities*, *What Counts: Harnessing Data for America's Communities*, and *What It's Worth: Strengthening the Financial Future of Families, Communities, and the Nation*. From 2002 to 2010, Seidman held various positions at ShoreBank Corporation, and from 1997 to 2001, she directed the Office of Thrift Supervision. She also sat on the board of directors of the Federal Deposit Insurance Corporation and chaired the board of directors for NeighborWorks America. Seidman was senior counsel to the Democratic staff of the House Financial Services Committee, was special assistant to the president for economic policy, and held senior positions at Fannie Mae and the US departments of Transportation and the Treasury. Seidman received an AB from Radcliffe College, an MBA from the George Washington University, and a JD from Georgetown University.

Brady Meixell is a research assistant in the Metropolitan Housing and Communities Policy Center. His research interests include urban development, housing policy, economic and social inclusion, and alleviating poverty. His current work focuses on promoting inclusive growth at the city level, developing strategies to support affordable housing, food bank operations, US Department of Housing and Urban Development program evaluation, local application of the UN Sustainable Development Goals, and place-based two-generation wraparound services.

STATEMENT OF INDEPENDENCE

The Urban Institute strives to meet the highest standards of integrity and quality in its research and analyses and in the evidence-based policy recommendations offered by its researchers and experts. We believe that operating consistent with the values of independence, rigor, and transparency is essential to maintaining those standards. As an organization, the Urban Institute does not take positions on issues, but it does empower and support its experts in sharing their own evidence-based views and policy recommendations that have been shaped by scholarship. Funders do not determine our research findings or the insights and recommendations of our experts. Urban scholars and experts are expected to be objective and follow the evidence wherever it may lead.



2100 M Street NW
Washington, DC 20037

www.urban.org