Our Homes, Our Communities

How Housing Acquisition Strategies Can Create Affordable Housing, Stabilize Neighborhoods, and Prevent Displacement

PolicyLink

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James A. Crowder Jr.
Chris Schildt
Rick Jacobus

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Executive Summary

The current Covid-19 pandemic has exposed a housing system that has failed low-income people and people of color for generations. Covid-19 response and recovery efforts should be directed to not only address immediate needs, but also fix structural inequities to create a more equitable housing system for all. Community ownership of buildings is one such solution. In communities facing intense gentrification and displacement pressure, direct acquisition of lower rent buildings by community-based organizations or groups of tenants can provide immediate protection to vulnerable tenants and preserve income diversity in the neighborhood. In neighborhoods that are facing sustained disinvestment, preserving existing affordable housing by taking housing off the private market and maintaining it permanently as affordable housing can provide a means of improving physical, economic, and health conditions.

Equitable Acquisition Strategies

Equitable acquisition strategies help cities achieve three important goals:

- **Confront displacement:** If local rental property owners are unable to pay their mortgages, there is a risk that these properties will be acquired by banks and sold to Wall Street investors, rather than to people who are invested in the communities where properties are located. In the face of intense gentrification pressure, targeted acquisition strategies can be a key to maintaining racial diversity and achieving racial equity.

- **Overcome disinvestment:** The threat of eviction allows owners to avoid making even minimal investment in quality and safety. Community ownership can stabilize these buildings, enabling investment in quality maintenance and management without threatening the stability of existing tenants.

- **Create more secure communities:** Gentrification and disinvestment are both symptoms of the same system of speculative ownership. Community ownership provides an antidote to both problems: more predictable housing costs over time potentially create an opportunity to save money, invest in education, or otherwise make choices that contribute to better economic outcomes over the long run.

The coronavirus crisis has created a new urgency for cities to protect their housing stock through equitable acquisition strategies. Millions of tenants struggle to pay rent due to loss of income from the pandemic. Small-property owners who control much of America's lower cost market-rate housing may not be able to weather extended periods of reduced rental income. At the same time, a number of Wall Street firms have already created special acquisition funds to take advantage of financial trouble in this housing stock.

In response to the crisis of widening inequality and rapidly increasing real estate speculation in core urban communities over the past several years, there has been a rise in locally driven community acquisition efforts to lock in affordability and stabilize neighborhoods. Reaching the scale that is needed will require significant investment at the federal level, while successfully targeting these federal resources to meet local needs will depend on local capacity and readiness.

This paper outlines the opportunity and potential strategies for expanding the supply of permanently affordable housing through property acquisitions during the Covid-19 recovery. It describes the reasons why acquisition has always been an important goal of local housing policy and how Covid-19 has made it an even more urgent need. It catalogs promising local strategies that have been piloted by cities and counties across the country, paying particular attention to the successful strategies to center racial equity. Finally, it describes the local capacities and leadership needed both inside government and in community-based organizations to successfully implement an effective acquisition strategy and highlights tools communities can use to expand their capacity to meet this challenge.

Principles for Equitable Acquisition

Not every purchase of a building is an equitable acquisition. To ensure the strategy benefits low-income communities and communities of color, it must accomplish the following goals.

- **Carefully target resources.** Have a clear definition of the community that the strategy is intended to support and protect.
- **Ensure community leadership.** Include community representatives and leaders in key decisions at every stage of the process from policy design to acquisition to long-term management.
- **Prioritize community ownership.** Incorporate resident ownership strategies including limited equity cooperatives, community land trusts, or ownership by community-based nonprofit organizations.
- **Preserve long-term affordability.** Provide a mechanism for ensuring that the acquired housing remains affordable to and occupied by the targeted community for the very long term.

Key Elements of an Acquisition Strategy

Targeted acquisition strategies take vitally important, less expensive housing units out of the speculative real estate market and put them into the hands of the tenants or community-based organizations. Successful strategies require the development of three types of tools: tools to build capacity, policy tools, and funding tools.

Build Local Capacity

While every acquisition strategy requires local capacity, not all places explicitly acknowledge that requirement and make plans to build the necessary capacity. Capacity building takes time: an effective effort might have short-term goals (two to five years) as well as long-term goals (20+ years).

- **Community leadership and engagement:** Once programs are underway and buildings are being acquired, every initiative needs a mechanism for ensuring that community members can set the program's direction.
- **Tenant organizing:** Organized tenants who support and help push for purchases are a key to successful community ownership, but coordinating tenant involvement requires dedicated staffing capacity and specialized skills. Programs that foster direct tenant ownership through limited equity cooperatives or other mechanisms need to build capacity for ongoing training and leadership development for resident owners.
- **Scaling up pilot programs:** Too often, cities will make very small investments that they refer to as "pilots" even though the city has no realistic path to greater scale. A true pilot program has both a stated time frame and explicit evaluation criteria.
- **Start-up and operating support grants:** The best way to ensure that a program has access to enough experienced staff from the start is through multiyear start-up and operating grants.
- **Training and technical assistance:** Sometimes this assistance takes the form of workshops and webinars, but a more effective strategy is to provide ongoing access to mentoring from experienced community developers.
- **Public agency capacity:** Providing funding for acquisitions can be similar to funding new housing development, but it often requires public agencies to move more quickly and be more flexible.

Policy Tools

The public sector can tilt the playing field away from speculative investors and in favor of community-supportive investment through equitable policies.

- **Proactively supporting tenant and community ownership:** Policies such as tenant or community opportunity to purchase give tenants or community groups the first opportunity to purchase residential rental properties before they can be sold on the open market.
- **Stopping speculators from buying up the neighborhood:** Anti-flipping taxes, vacancy taxes, and land-value taxes are examples of policies that local governments can use to level the playing field for tenants and nonprofits to purchase homes by reducing the potential profits of outside speculators.

- **Regulating the market:** Local governments can set clear rules for landlords and track the supply of rental units to manage the rental market for the benefit of tenants through policies such as landlord licensing, rental registries, short-term rental ordinances, and equitable code enforcement.

Finance Tools

There is a key role that only the federal government can play in financing affordable housing at scale. But, at a smaller scale, proactive local agencies can develop financing tools that clearly demonstrate what is possible and help to build local capacity and momentum.

- **Local housing subsidy funds:** Local government acquisition funds offer loans to community-based organizations to finance the purchase of existing housing units.

- **Affordable housing bonds:** Government agencies can issue revenue bonds to finance acquisition of affordable units. The bonds are an enforceable promise that a city will use some of its future tax revenue to repay money that is borrowed today.

- **Local acquisition loan funds:** Loan funds specifically designed to offer quick financing enable the purchase of existing occupied housing.

- **Philanthropic partnerships for property acquisition:** Communities can partner with philanthropic organizations to acquire property, establish acquisition funds, or provide loan guarantees.

- **Tax abatement/exemption programs:** Local government can offer reductions in property taxes to affordable housing developers or market-rate rental property owners who agree to set aside affordable units.

The Future of Equitable Housing

As the Covid-19 pandemic extends into a second year, it has become clear that some communities are impacted disproportionately. Eviction moratoria have provided momentary protections against people losing their homes, but these measures are temporary. Resolving this crisis will require unprecedented leadership and bold action at the federal, state, and local levels. Community acquisition and ownership of rental buildings is a vital strategy that stabilizes neighborhoods against outside speculation and ensures an equitable recovery with stable, healthy, affordable housing for all.

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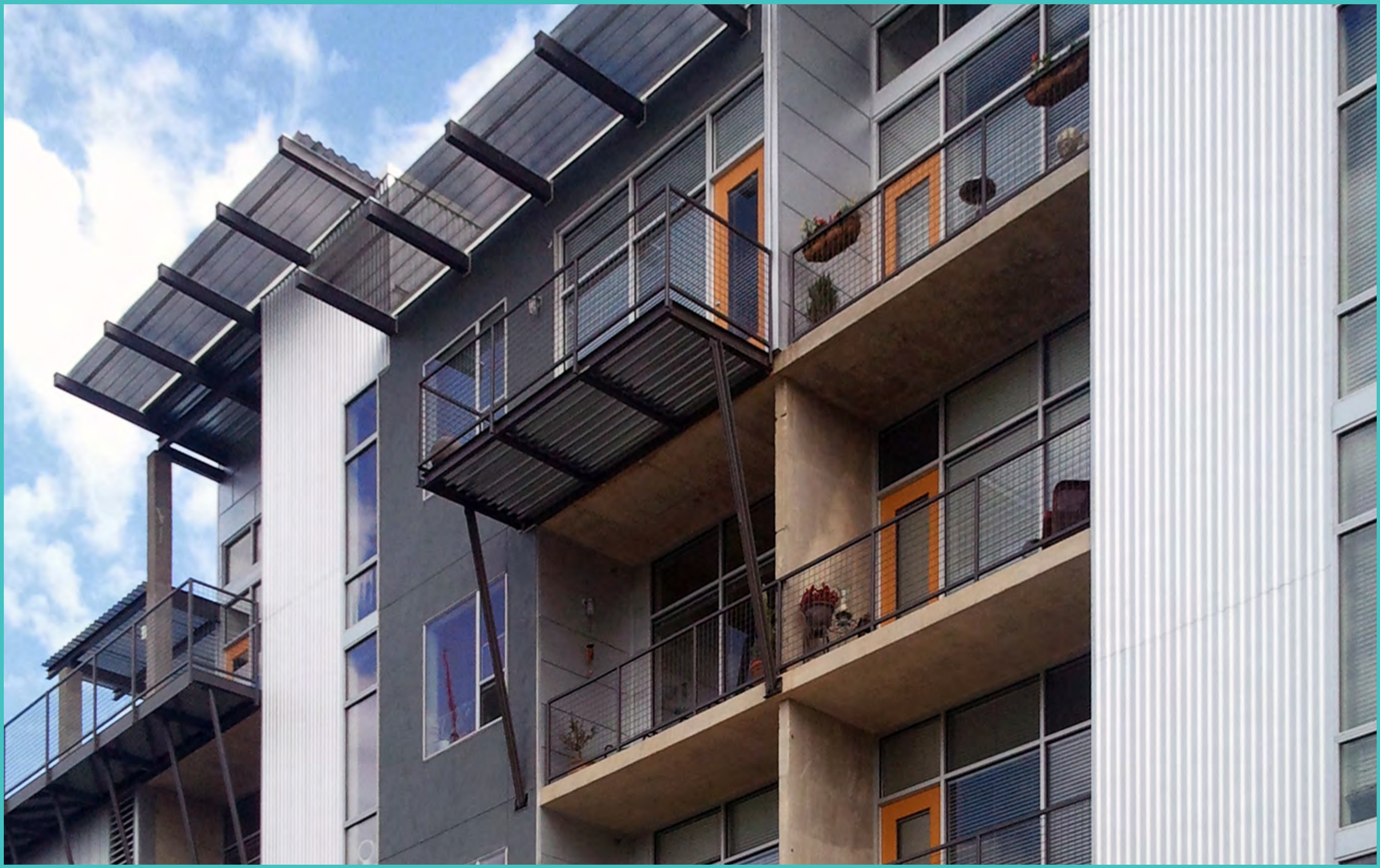
Overview

Below: Renovated multifamily housing in San Antonio, Texas. *(1221 Broadway (San Antonio) by Jonathan Brown is licensed under CC BY 2.0)*



The Covid-19 pandemic exposed a housing system that has failed low-income people and people of color for generations. Local, state, and federal Covid-19 response and recovery efforts should be directed to not only address immediate needs, but also fix structural inequities and create a more equitable housing system for all.

Most of America's less expensive rental housing is in privately owned apartment buildings.[1] This private "affordable housing" stock has been under threat or disappearing in many parts of the country. In high-cost cities, inexpensive rentals are being converted into more expensive housing, often resulting in eviction and displacement that disproportionately impacts low-income people of color. In other communities, speculative investors are failing to maintain these properties, leading to hazards that threaten the well-being of tenants and the health of neighborhoods. The small "mom-and-pop" landlords who have long been the primary providers of inexpensive rental housing are gradually being replaced by outside investors or Wall Street investment firms, which has a destabilizing effect on neighborhoods.[2] And, in many cases, small landlords of color are being replaced by investment firms primarily benefiting White investors. A recent Federal Reserve of Atlanta analysis found that corporate landlords were 8 percent more likely to initiate eviction proceedings against their tenants than small landlords.[3] Similarly, an article in *The Atlantic* documented the ways that some corporate landlords have imposed excessive fees and penalties on lower income renters.[4]

Community acquisition and ownership of these buildings provides an alternative that can help stabilize neighborhoods. In communities facing intense gentrification and displacement pressure, direct acquisition of lower rent buildings can provide immediate protection to vulnerable tenants and preserve income diversity in the broader neighborhood. In neighborhoods that are facing sustained disinvestment, preservation can provide a means of improving physical, economic, and health conditions and support long-term neighborhood stability by removing homes from the speculative market.

Before the pandemic, a growing tenant rights movement was driving a wider recognition of the need for more community ownership of these assets. As we document below, the past five years have seen a steady increase in the level of local government innovation in service of this goal. But the coronavirus crisis that began in early 2020 has created a new urgency. Tenants across the country have experienced significant reductions in, and in many cases the complete loss of their income, as a result of the public health crisis. City, state, and federal policymakers moved quickly to enact varying degrees of protections designed to prevent evictions of tenants during the crisis. But where tenants have been unable to make the rent, property owners are struggling to pay their mortgages. The smaller property owners who control most of America's lower cost market-rate housing may not be able to weather extended periods of reduced rental income. Local policymakers rightly have been focusing first on the need to support tenants through this crisis, but in city halls across the country worry is growing about what will happen with these buildings once the eviction moratoria are lifted.

In response to the crisis of widening inequality and rapidly increasing real estate speculation in core urban communities over the past several years, there has been a rise in locally driven community acquisition strategies, such as San Francisco's Community Opportunity to Purchase and Minneapolis's Naturally Occurring Affordable Housing Acquisition Fund. Reaching the scale that is needed to address the housing crisis will require significant investment at the federal level. A significant federal investment is not guaranteed, but it may be included in future economic recovery or infrastructure bills. However, the experience of prior federal neighborhood stabilization efforts strongly suggests that success in targeting these federal resources to really meet local needs will depend on local capacity and readiness.[5] So, right now is the perfect time for cities, counties, and states to expand their investment in local capacity to think strategically about acquisitions and act quickly to buy properties in targeted neighborhoods as resources become available.

Why We Need Equitable Acquisition Strategies Now More Than Ever

Nearly every city in America has centrally located lower income neighborhoods that have been slowly gentrifying over the past few decades. While the pressure is often intense, the change takes decades in most places. One thing that slows down this process is the cost and challenge of "flipping" existing apartment buildings. In thousands of neighborhoods across the country, new apartment buildings come on the market with rents well above the city average while, right next door, older buildings are still renting for far less than average. Sometimes these older buildings are renovated with new art, a fancy roof deck, or a new hip name, and they reopen with much higher rents. Every tenant in the area lives with the fear that their building will be next. But this process is slow, in part because it is very expensive and very time consuming. Tenant protection laws, like rent control and just cause eviction protections, make it difficult and risky for owners to remove existing tenants. And even where the law does not provide these basic protections, removing established tenants from a building to market it to a new group is very expensive. The landlord needs the whole building empty at the same time, then they need to invest a lot in renovations and hope that the rent that they receive once they are done is not just higher, but *so much* higher that it makes up for the cost of renovation and all of the rent that they lost during the time they were emptying out the building. When rents rise enough in an area, this payoff for landlords becomes irresistible and evictions of lower income tenants (legal and illegal) are the result. But even in areas that are seeing active displacement, this risk and expense of flipping is a key factor protecting tenants and providing some stability to the community. Wherever low-rent units are still operating in gentrifying neighborhoods, there are property owners who have decided that flipping their buildings is not worth the risk or the trouble.

But notice how dramatically the logic for property owners changes if we imagine that large numbers of tenants are evicted (or voluntarily move to avoid evictions) because of the Covid-19 crisis. If the vacancy rate rises for whatever reason, if it becomes harder to find new low-income tenants able to pay the rent, if existing tenants are months and months behind in their rent, then the risks and trouble of flipping a building become less daunting. And now imagine that the mom-and-pop landlord has either lost the building through foreclosure or decided to sell to avoid foreclosure and the new owner is a Wall Street hedge fund. How much will the risk and trouble of flipping slow an institutionally financed global investment firm? A number of Wall Street firms have already created special acquisition funds in order to take advantage of financial trouble in this housing stock.[6] Lower rent buildings in neighborhoods with "high-end rent potential" (i.e., gentrifying areas) will likely be high-priority opportunities for these funds. There is no reason to expect these investors to pause for even a moment to consider the social implications of evicting the remaining tenants and repositioning these properties as "upmarket." To protect the tenants and the stability of these communities, government leaders and advocates must intervene now to preserve these buildings before they end up in a global investment portfolio.

Acquisition Strategies Confront Displacement, Overcome Disinvestments, and Grow Secure Communities

Over the past 50 years, as public investment in affordable housing has declined, a sophisticated private-market affordable housing development industry has emerged in the United States, backed by private capital. With some exceptions, this capacity has been focused on the task of building new housing rather than renovating and preserving existing housing, the result of which has been a loss of affordable housing as existing units are demolished or lose affordability restrictions.[7] This decades-long experiment in market-based solutions for affordable housing demonstrates systemic failure; transferring homes and land into community ownership is a much more direct and sustainable strategy to ensure the long-term viability of our affordable housing stock. Focusing on the acquisition of existing housing can both expand our stock of affordable homes at scale and meet other critical community needs.

Confronting Displacement

In high-cost cities on both coasts and increasingly in centrally located neighborhoods in middle-market cities everywhere, a significant stock of housing that is relatively lower cost today could be converted to higher rent housing. Neighborhoods that have experienced racialized disinvestment are now experiencing a surge of interest from people with high incomes, creating an economic pressure that has been gradually squeezing long-established lower income communities, generally communities of color, out of these areas.

The economic impacts of the coronavirus crisis could have very long-term impacts on the financing and ownership of this multifamily rental housing stock that is affordable to working-class people without subsidies. If local rental property owners are unable to pay their mortgages, the risk is that these properties will be acquired by banks and sold to Wall Street investors. A number of Wall Street investment firms have created funds specifically aimed at acquiring "distressed properties" in the wake of the Covid-19 pandemic.[8] At the same time, the combined possibilities of falling prices and federal recovery funding could create a rare opportunity to purchase existing lower cost housing and preserve it forever as affordable housing.

While new construction of affordable housing can help ensure some income diversity in a gentrifying neighborhood, it is difficult to ensure that the new tenants reflect the demographics of the existing neighborhood and have roots in the community. Most of the time this is not a problem. Adding lower cost housing anywhere in a high-cost housing market benefits all lower income tenants, and we frequently see very long waiting lists of eligible tenants for available units. But in the context of a neighborhood experiencing rapid displacement, housing policy is called on to serve a second goal beyond providing housing that is less expensive. Community advocates often want the housing to help preserve an established community. And if that is the goal, city policymakers need to target households who are established members of the community that is at risk. Buying existing buildings where those families live is often the most effective way to target limited affordable housing funding to the families most at risk of displacement. In the face of intense gentrification pressure, targeted acquisition strategies can be key to maintaining racial diversity and achieving racial equity.

Overcoming Disinvestment

Most low-income communities are not gentrifying and instead are struggling with disinvestment. Real estate speculators often prey on communities by buying properties with inexpensive rental units and then extracting profits through unreasonable fees or inadequate maintenance or both.

In *Evicted*, Matthew Desmond documents how owners of Milwaukee's least expensive housing used evictions to exploit the city's lowest income tenants.[9] The threat of eviction allows owners to avoid making even minimal investment in quality and safety. Landlords can draw tenants in with low rents and then impose significant late payment penalties and other fees that they enforce with the threat of eviction.

Disinvestment and poor maintenance can create a downward spiral that drags whole neighborhoods to the bottom. When one owner allows a property to fall into disrepair, it creates a disincentive for nearby owners to invest in their buildings. Public code enforcement efforts can sometimes address the worst health and safety violations but can also result in displacement of vulnerable tenants.

Community ownership, on the other hand, can stabilize these buildings, enabling investment in quality maintenance and management without threatening the stability of existing tenants. Targeted investment in one building can strengthen and stabilize a block, and a broader program of acquisition can help stabilize a whole neighborhood.

Growing Secure Communities

While they may seem like opposites, gentrification and disinvestment are both symptoms of the same system of speculative ownership. Community ownership provides an antidote to both problems. Acquiring less expensive housing in targeted communities provides a means of building community wealth and stability. Community ownership of housing, whether families owning their own homes individually or collectively through nonprofit organizations or housing cooperatives, can put residents in a situation where they have more predictable housing costs over time, potentially creating an opportunity for them to save, invest in education, or otherwise make choices that contribute to better economic outcomes over the long run. This opportunity for stability and security is critical for the long-term health of individuals (particularly children) and for our communities as a whole.[10]

These kinds of "preservation" projects have happened in special circumstances in most cities. However, we have not yet, for the most part, built the infrastructure and capacity necessary or secured the funding needed to systematically invest in neighborhood preservation and stability at the scale that is needed.

Project RoomKey/HomeKey

In response to the coronavirus pandemic, California launched an ambitious effort to rapidly expand temporary housing for homeless Californians, primarily by repurposing hotels and motels. Project Roomkey set an initial goal of securing up to 15,000 rooms for this purpose, and the program has moved more than 22,000 homeless individuals most vulnerable to Covid-19 off the street, out of shelters, and into isolation.[11] Initially these facilities were secured through short-term leases. The state used Federal Emergency Management Agency (FEMA) funding to provide cost reimbursement to local cities and counties to pay for leasing these rooms and provided wraparound supports including meals, security, and custodial services as well as behavioral health and health-care services.

A follow up effort, Project Homekey, provides resources for the permanent acquisition of these temporary facilities and other properties.[12] California allocated $550 million in federal Covid relief funding plus $250 million in state general-fund revenue to capitalize a grant pool. City and county governments apply to the state to use the funds to purchase hotels and motels and other available properties for use as permanent housing for formerly homeless residents.

These projects represent a fairly unprecedented effort to acquire and preserve housing, both in terms of the amount of funding committed and the speed of implementation.[13] The coronavirus crisis created a set of conditions that are unique, but point to conditions that may be necessary for the success of any acquisition strategy at scale. First, the crisis brought public attention to the ways that housing insecurity threatens everyone’s health. This attention generated public will and support for action, making it clear that there was so much more that local and state governments could have been doing all along to respond appropriately to homelessness. At the same time, the dramatic impact of the crisis on the travel and tourism industry created a new set of “distressed” properties that were suddenly available for purchase. While it is too soon to draw conclusions about the effectiveness of implementation of these programs, they clearly show both how challenging it is for multiple layers of government to closely coordinate on an effort as complex as building acquisitions and that such coordination is ultimately possible when we all agree that housing stability is an urgent priority. Already local governments such as Los Angeles are learning from this experience and beginning to structure local programs to build on it.

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What Is an Equitable Acquisition Strategy?

Below: An equitable acquisition strategy can help to stabilize distressed properties like this through rehabilitation funds as a part of the acquisition process.

An acquisition strategy is any program or policy that seeks to support the public or nonprofit purchase of existing housing to preserve it as affordable housing. Buying and preserving existing housing can be an effective way to expand the stock of income-restricted affordable housing units. But an "equitable acquisition strategy" centers impacted communities as the decision makers to define the needs and solutions and directs limited acquisition resources to a particular community or neighborhood to preserve not just affordable housing but also broader community stability. Most often this kind of strategy is used as a means of confronting gentrification and displacement or long-term disinvestment.

This paper focuses on the preservation of existing privately owned and occupied housing—sometimes called "naturally occurring affordable housing" or NOAH. Many communities are also pursuing critical acquisition strategies focused on commercial space for community-serving retail, community facilities, or job-creating small businesses. Some programs focus on acquisition of vacant land, and vacant publicly owned land in particular, to build new affordable housing. Other programs focus on preserving existing publicly subsidized affordable housing with income restrictions that are scheduled to expire. All of these overlapping community strategies share many of the characteristics of the acquisition strategies we discuss in this paper. Some of the financing and policy tools we discuss below are relevant to those other preservation programs as well and most of the community capacity building would be directly helpful with those other strategies. But each of these other programs may also require specialized tools and resources that are not included in this paper. See the Appendix for additional resources for these types of strategies.

Principles for Equitable Acquisition

To further racial equity goals, an acquisition strategy must adhere to these principles:

- **Carefully target resources.** Rather than acquiring indiscriminately, a targeted strategy must have a clear definition of the community that the strategy is intended to support and protect. The strategy can be targeted to support a particular racial or ethnic group, families, seniors, a geographic neighborhood, or in any other way that communities define themselves. Regardless of whether the strategy explicitly centers race, it can further racial equity as long as the targeting is defined carefully.

- **Ensure community leadership.** An equitable strategy must include community representatives and leaders in key decisions at every stage of the process, from policy design to acquisition to long-term management.

- **Prioritize community ownership.** All equitable acquisition strategies seek to remove housing from the profit-driven market and place it under the control of stable community-based nonprofits with direct accountability to tenants and other community stakeholders. Many programs also focus on tenant ownership strategies, including limited equity cooperatives or community land trusts, which give building residents direct control and the ability to build wealth through ownership.

- **Preserve long-term affordability.** Once buildings are acquired, the strategy must provide a mechanism for ensuring that the acquired housing remains affordable to and occupied by the targeted community for the very long term.

Case Study: **San Francisco's Comprehensive Approach**

San Francisco's Mission District has been ground zero in the fight against gentrification and displacement. The neighborhood's low-income Latinx community has been systematically displaced over the past two decades. After years of fighting for stronger tenant protections, increased funding for affordable housing, and other public policies, neighborhood leaders began to focus on buying existing buildings as a way to stabilize tenants in place. One neighborhood-based nonprofit, Mission Economic Development Association (MEDA), has taken on this challenge and gradually accumulated a portfolio of 34 buildings with four to 25 units in each building. MEDA's success with this modest strategy has been the culmination of a very broad-based effort involving dozens of affordable housing and tenant advocacy organizations, significant changes to city policy including Community Opportunity to Purchase legislation, the development of a new citywide "Small Sites" subsidy program specifically for these small buildings, and the creation of an independent acquisition loan fund.[14] All of these pieces together make it possible for MEDA and allied community-housing organizations working in other gentrifying neighborhoods to implement a highly targeted program that is successfully protecting hundreds of neighborhood families.

This comprehensive program grew out of years of tenant organizing work. In 2008, the Council of Community Housing Organizations (CHCO) began organizing San Francisco anti-displacement activists frustrated with the city's inability to slow the rate of evictions, and developed a strategic focus on acquiring buildings as a tool for stabilizing tenants in place. The following year, the Board of Supervisors (San Francisco's legislative body) set aside funding for a new preservation program, but it took until 2014 for the city to formally launch a "small sites program" aimed at helping community-based nonprofits to buy smaller (five to 25 units) occupied apartment buildings.

Initially the program was set up as a very small pilot effort, but as the first purchases happened, the public began to see the potential and the nonprofit partners began to build capacity to pursue more properties. Advocates were able to push the city to later expand the program, but organizations like MEDA that were using the program found it very difficult to acquire buildings even with city funding. Nonprofits were routinely outbid by private investors who were able to move much more quickly to buy any buildings that came on the market.

A 2014 citywide tenant convention identified "right to purchase" legislation as a top priority. CHCO led a coalition that included nonprofit developers, community groups, tenant groups, as well as other social justice allies and labor to push for new legislation. That effort became a four-year campaign! And finally, in 2019, San Francisco adopted the Community Opportunity to Purchase Act (COPA) which was modeled on DC's Tenant Opportunity to Purchase Act (TOPA) but focused more on acquisition by nonprofit organizations than direct tenant acquisition. COPA requires owners of apartment buildings to notify a list of community nonprofits (many of the same organizations that use the Small Sites program funding) before listing their buildings for sale on the open market. Under COPA, the nonprofits have the first opportunity to bid on properties as well as the chance to match any higher offer later. Thanks to this right-to-purchase legislation, MEDA and the other community-housing providers receive notice of available buildings and have a chance to evaluate them for purchase before they are on the open market.

Another key challenge for building acquisitions, especially given the urgency of preventing potential evictions or intervening when a property is at risk of being flipped on the speculation market, has been the time that it takes for nonprofits to purchase buildings with the city's funding. Property owners have to be unusually patient while the nonprofits navigate the city's funding requisition process. To help speed the process up, the city created the Housing Accelerator Fund (HAF) as a complementary bridge-loan tool for housing preservation projects.[15] The accelerator is a loan fund specifically for the acquisition of properties to be used for affordable housing development. HAF finances both small sites acquisitions as well as the acquisition of land for larger affordable housing projects. For small sites, the HAF can make a quick decision to fund the full cost of acquiring and rehabbing a building, with a two- to three-year term for the city to then provide the "take out" long-term funding to the nonprofit to pay back the loan. This allows community developers like MEDA to buy buildings even before the city has made the funding allocation, and it allows the HAF money to revolve and be used for multiple project acquisitions over time.

To date the Small Sites acquisition/preservation program has preserved nearly 400 residential units and several commercial/retail units in more than 40 buildings.

One key factor limiting the growth of the program has been limited staff capacity at the participating nonprofit organizations. In addition to all of the work related to negotiating purchasing and planning for renovations, the nonprofit sponsors must invest considerable time in tenant outreach and organizing to ensure that residents understand what it means for their building to be acquired by a nonprofit owner with city-subsidized affordability standards. While the Small Sites program provides permanent affordability, tenants must give up protections under the city's rent control ordinance. Some of the participating nonprofits have lacked the staffing capacity to carry out the complex property acquisition and rehab processes and/or to effectively manage tenant relationships through the transition to long-term property management. Recognizing that success in the housing preservation work would rely heavily on growing the staffing capacity of nonprofits, advocates pushed the city to develop a capacity-building grant program to fund small sites developers, which includes funds for tenant outreach and anticipates new partnerships with community organizations that focus on tenant outreach in underserved communities of color.

San Francisco's experience shows that a successful acquisition strategy requires a number of disparate parts working closely together. No one organization and no one piece of public policy can address the problem alone. Instead, housing advocates in San Francisco have built a multifaceted ecosystem of support for acquisition, and this combination of elements has made successful acquisition at a reasonable scale possible.

For more about San Francisco's strategy and in-depth profiles of other acquisition efforts in the San Francisco Bay area, see Preserving Affordability, Preventing Displacement—Acquisition-Rehabilitation of Unsubsidized Affordable Housing in the Bay Area (2020).

Below: The famous "Pigeon Palace" in the Mission district of San Francisco, California, was acquired by the San Francisco Community Land Trust in 2015 with support from Mission Economic Development Association. *(Chris Carlsson)*

Key Elements of Any Acquisition Strategy

A number of tools are used by local governments and community-based organizations to acquire existing less-expensive housing. These tools (cataloged below) can be used in isolation to preserve affordable housing, but, to be effective, any acquisition strategy must incorporate these three elements:

- **Local capacity:** These transactions only happen when the local community has sufficient human and organizational capacity to identify appropriate properties, arrange the financing, negotiate the sale, manage any renovations, and ultimately own and manage the buildings for long-term community benefit. This capacity may be based within local community-based nonprofits or local government agencies or a combination of both, but nothing happens without it. Communities must invest to ensure that this capacity exists within the affected communities.

- **Public policy:** Local government can tilt the playing field in favor of equity through public policy actions designed to facilitate acquisition of vulnerable housing.

- **Funding:** Policy actions alone generally do not get the job done. Policy must be combined with favorable and flexible financing resources if key properties are to be purchased by community-based organizations.

Challenges Facing Equitable Acquisition Strategies

Advocates for acquisition policies need to understand the complex set of reasons that most local affordable housing programs have not prioritized preservation of existing buildings in the past.

Preservation Can Be Surprisingly Expensive

As the cost of new construction has risen, acquiring and preserving existing housing has come to be seen as a lower cost strategy for securing affordable housing units. Purchasing older, lower cost housing and locking in income restrictions is generally less expensive than building entirely new affordable housing projects. One study found that acquisition-rehabilitation projects cost 25 to 45 percent less than new construction over the life cycle of a building.[16]

However, preservation projects can be shockingly expensive as well. Older buildings frequently require expensive renovations and, in particular, the older housing that is most "affordable" in the market often suffers from decades of deferred maintenance. All of these costs can be much greater if the building has been designated for historic preservation. While it may be possible to buy these buildings without immediately renovating, experienced community developers have learned the hard way that it is critical to fully renovate acquisitions when they are first purchased. When buying a building, private financing and public subsidy must be arranged and, if an expensive renovation is needed, it is critical to be able to identify the funds to do that up front. Upgrading building systems at the outset is also critical to managing the ongoing cost of building maintenance, which is key to keeping rents affordable over the long term. Acquisition and renovation also present very important opportunities to address energy efficiency in many older buildings, which impacts both the climate and household incomes. Sometimes community groups buy older buildings without the resources necessary to address deferred maintenance. This can lead to them managing substandard housing, losing money each year, and eventually selling the properties.

Renovating buildings with tenants living in them or relocating tenants temporarily while work is in progress can also add dramatically to the cost. In neighborhoods that are experiencing active gentrification, buying these buildings often requires paying a significant premium to effectively outbid speculative investors who anticipate displacing the current tenants and flipping the building (see Displacement Premium sidebar). In many cases the total cost of buying and renovating an older apartment building can be comparable to the cost of new construction.

However, it is also important to consider the social cost of not acting to preserve these buildings. When existing less-expensive buildings are converted into higher cost housing, low-income tenants are often displaced and many end up homeless. In addition to the social, health, and moral costs, preserving affordable homes is often much less expensive than adding to the homeless population.

Displacement Premium

When a community developer buys an existing lower cost apartment building in a neighborhood where residents are experiencing displacement, one somewhat disturbing but inevitable piece of the high cost is what is sometimes called the "displacement premium." In general, apartment buildings sell for a price that is strictly based on the rent that tenants in that building are likely to pay. Higher rents mean a higher sales price. In most neighborhoods, buildings with relatively low rents sell for relatively low prices. But in gentrifying neighborhoods, these buildings sell for a premium. They sell for significantly more than their current rents would suggest. Often, they sell for so much more that the current rents could not possibly cover the mortgage payments. This happens because the potential buyers look at the change that is happening in the neighborhood and they assume that they will be able to displace the current tenants and replace them with higher income tenants paying a higher rent. For community-based developers, paying more than the current rents can support means bringing in more public subsidy to pay this displacement premium. It is one thing to bring in public subsidy to pay for renovations or to bring down market rents to a more affordable level, but it is uniquely frustrating to have to reward private property owners in this way. However, it is important to see that the level of this premium is a function of public policy. If cities have strong rent control and just cause eviction protections, this premium may be lower because investors recognize that illegally displacing tenants will be time consuming and risky. Public policies that protect tenants from eviction bring down the cost of targeted acquisitions by reducing the displacement premiums in the market. But even cities with strong protections may still see this premium if investors are confident that they can nonetheless get away with displacement. To try to address this, organizers and advocates in places such as New York City have negotiated agreements with lenders to not approve displacement loans, and instead peg their appraisal of the property value to the existing rents.[17]

Federal and State Subsidy Programs Have Limitations

Even when a building can be bought and fully renovated for less than the cost of newly constructed units, cities often prefer new construction. One reason for this is that the figure that matters the most to a city is often not the total cost but the city's share of that cost. State and federal housing programs will generally cover most of the costs for new construction of affordable housing, but for acquisitions cities are often on their own.

In San Francisco, for example, in 2019 the city estimated that each newly constructed affordable housing unit cost $693,000 to build.[18] However, because most of this money comes from outside subsidy sources, the city's share of the subsidy needed is "only" $275,000 per affordable unit. In the city's acquisition program, a typical total cost including acquisition and renovation is less ($497,000), but the city generally invests $339,000 because of the difficulty in accessing outside resources for these projects.

It is not that state and federal affordable housing programs cannot be used for acquisitions, it is just that they are much harder to use. There are two particular challenges: timing and income eligibility.

Timing: The most generous state and federal housing subsidy programs are all managed competitively. This means that housing developers must put together complex applications and submit them before a deadline to compete for an award of funding. Because there are generally more projects than money, even "good" projects cannot count on winning these competitions, and it is not uncommon for strong new construction projects to submit several years in a row before winning the subsidy that they need to move forward. For a new construction project, if you can raise enough money to buy or option land, you can wait your turn for funding. But for an acquisition project, most of the money must be spent right away to buy the building. It is generally not possible to tie up an occupied building for years while you wait for uncertain outside subsidy funds.

Income Eligibility: The most important affordable housing subsidy programs, such as the Low Income Housing Tax Credit (LIHTC) program, will only finance buildings that are essentially 100 percent affordable housing. If every tenant in an existing building earns less than the program's income limits (and can provide all the required documentation), then you can use a program to subsidize the purchase. But what happens if some of the tenants in the building you want to buy earn a little more than this limit? A property owner might move those tenants and replace them with eligible tenants, but that would be causing displacement. Even when the tenants seem to be mostly low income, it can be very challenging to collect the necessary income documentation from every tenant prior to purchasing an occupied building. Without this documentation, it is impossible to know whether the building will be eligible for the subsidy necessary to make the deal work. These uncertainties can be managed, but they make it even more challenging to leverage an outside subsidy to purchase occupied buildings.

The solution to this challenge is not to shy away from community acquisition strategies, but rather to call on state and federal governments to improve existing programs and funding streams to direct more funds toward equitable acquisition strategies. This includes increasing funding to programs such as the federal Housing Trust Fund and potentially creating new funding sources that are better designed for community ownership and acquisition strategies. Additionally, there have been calls to explore the creation of a new federal entity—such as a Social Housing Development Authority—that could facilitate community acquisition of properties.[19]

A Note on Income Eligibility for Low Income Housing Tax Credits

Prior to 2018, all the residents in the building needed to earn less than 60 percent of the area median income (AMI) in order to qualify for Low Income Housing Tax Credits. In 2018, Congress added an option for buildings where the tenants all earned less than 80 percent of AMI but the average income for the building was less than 60 percent of AMI. This makes acquisition projects somewhat easier because it allows a few slightly higher income tenants as long as other tenants have incomes that are much lower.

Acquisition, Preservation, and Racial Equity

For communities facing displacement, new construction cannot effectively preserve an existing community, even when it consists of 100 percent affordable housing. New affordable housing can make a big difference in stabilizing the income mix in a neighborhood: research suggests that newly built affordable housing can significantly reduce gentrification pressure.[20] But new construction may be too little and too late for many of the families who are trying to remain in their community. New affordable housing takes a long time to build and, because of this long timeframe, the majority of tenants will generally be new to the neighborhood.[21] Even when new units are leased with some form of neighborhood preference or "right-to-return" policy in place, only a small share of units are likely to be allocated to long-term residents of the community.

By contrast, when a targeted acquisition program supports tenants or a nonprofit to purchase occupied buildings in a gentrifying neighborhood, it prevents the displacement of the tenants who remain in the building. Community or tenant ownership of the building provides tenants with immediate protection found in few other anti-displacement strategies.

Like production, preservation creates permanently affordable units. However, instead of expanding supply, preservation projects protect against displacement and lock in affordability. If preservation strategies are used in a way that targets critical resources to specific communities that are most at risk, it has the potential to have an impact that could not be achieved through production alone.

Pivoting to Acquisition in Minneapolis

Minneapolis has been experimenting with acquisition strategies for several years. The city has developed an innovative partnership with the Local Initiatives Support Corporation (LISC) that blends city money with outside funding to acquire apartment buildings to preserve affordable housing units. The program was designed to leverage the capacity of community nonprofits, including the Twin Cities Land Bank, which had been formed during the foreclosure crisis. The city and LISC recognized the need for more community-based partners including with organizations led by communities of color and invested in supporting emerging local developers—both nonprofits and small for-profit developers. When the coronavirus pandemic hit, the city recognized that there may soon be an opportunity to expand the impact of their acquisition program. They secured flexible funding that would enable them to quickly redirect housing funding that had been intended for new construction to expand funding for acquisition of "naturally occurring affordable housing." Working through an Intergovernmental Stabilization Group (ISG), Minneapolis was able to coordinate both the preservation of subsidized affordable units and the acquisition of key market properties critical to ongoing affordability.

Lessons from the Single-Family Foreclosure Crisis

At the turn of the century, homeownership seemed within reach for more Americans than ever before. Rapidly rising home values and dramatically greater access to credit presented many Americans with the opportunity to purchase a home. However, the promise of homeownership was largely an illusion. Financial institutions, incentivized by fees received for mortgage securitization, aggressively marketed risky subprime mortgages to poor communities, particularly communities of color. Borrowers were often outright deceived about loan terms and eligibility requirements.[22] When home values began to freefall in 2006, millions of Americans found themselves unable to pay off the costly mortgages pushed on them by pernicious financial institutions. Widespread subprime mortgage defaults led to a catastrophic recession and an unprecedented foreclosure crisis. And the housing crash fell hardest on communities of color and African American communities in particular. The foreclosure crisis cut Black wealth in half.[23]

The US foreclosure crisis, marked by abnormally high foreclosure rates, lasted about a decade, far longer than the Great Recession. According to CoreLogic, over 7.7 million foreclosures were completed in the US from 2007 to 2016.[24] At the peak of the crisis in 2010, 24 percent of mortgages were underwater, meaning that nearly one in four borrowers owed more than their home was worth.[25]

On average, foreclosed properties sell for 27 percent less than comparable properties.[26] Speculators can take advantage of these low prices to buy and hold foreclosed properties as assets, resulting in high vacancy rates in some neighborhoods. "Distressed" neighborhoods with several foreclosures and vacancies may suffer from more crime than comparable neighborhoods with fewer foreclosures. Additionally, studies found that a foreclosure causes the property values of neighboring homes to fall by around 1 percent.[27] The Center for Responsible Lending estimates that this "contagion effect" led to $502 billion in lost property values in 2009 alone.[28] Depressed property values diminish local government property tax revenues, which undermines the government's fiscal stability and harms the overall quality of life for the entire community.

In response to the foreclosure crisis, the federal government authorized three major programs to bring down foreclosure rates. From 2008 to 2018, Congress allocated $853 million to NeighborWorks America through the National Foreclosure Mitigation Counseling (NFMC) program. NFMC was highly successful, allowing grantees to offer housing counseling to 2.14 million homeowners at risk of foreclosure. According to an Urban Institute study, owners who received counseling were nearly two times more likely to cure a troubled loan and avoid foreclosure than owners who did not.[29] The other two programs were components of the 2009 Making Home Affordable (MHA) program, which was a piece of the $700 billion Troubled Asset Relief Program (TARP) intended to address the financial crisis. The Home Affordable Foreclosure Alternatives (HAFA) program provided a streamlined process and a $10,000 check to owners seeking to sell their homes via short sale or deed in lieu to avoid foreclosure. Before the program expired in 2016, over 440,000 HAFA transactions were completed, giving homeowners more than $4.4 billion in financial assistance. The Home Affordable Modification Program (HAMP) incentivized mortgage servicers to offer homeowners facing foreclosure loan modifications that would reduce their monthly payments. HAMP was criticized for being a voluntary program that does not require servicers to lower the principal owed on the mortgages.[30] Approximately 28 percent of owners who received loan modifications defaulted again, indicating that the terms offered by servicers were not particularly favorable to homeowners. The program did help 1.5 million homeowners avoid foreclosure, but this number was far below the Obama Administration projection of 4 million homeowners.

In 2008, Congress established the Neighborhood Stabilization Program (NSP), a decentralized HUD initiative designed to mitigate the negative impact of foreclosures on surrounding property values and neighborhood conditions. Through three rounds of NSP funding from 2008 to 2010, HUD allocated $6.9 billion to certain state and local governments, with localities hit the hardest by foreclosures and defaults receiving the most funding. The funds could be used for the acquisition and rehabilitation of abandoned or foreclosed homes, financing mechanisms, such as down payment assistance, demolition and redevelopment, and land banking. Acquisition and rehabilitation activities accounted for approximately half of NSP spending, but there was substantial variation in how NSP grantees utilized the funding.

NSP had mixed results. A comprehensive evaluation suggests that NSP helped localities address the speculation issue.[31] Of the properties acquired by local governments with NSP funds, 77 percent were investor-owned, and roughly 60 percent of them became owner-occupied after NSP intervention. Research shows that NSP succeeded as a stimulus program, providing jobs for workers involved in property rehabilitation and allowing local governments and nonprofits to build capacity. The organizations supported by NSP funds helped millions of families stay in their homes or find affordable housing during the crisis. However, NSP failed to achieve its primary goal of arresting the spillover effects associated with foreclosures. A 2011 evaluation found that NSP interventions had no significant impact on nearby property values or neighborhood crime rates. A 2014 study found NSP interventions were associated with a slight deterioration in neighborhood social conditions, such as community investment.[32] An "average" census tract receiving NSP dollars rehabilitated 7 out of 58 financially distressed properties with an investment of just $1.2 million. The rehabilitated properties may not have been clustered closely enough to counteract the aggregate effect of several foreclosures on nearby property values. The study argues that organizations receiving NSP funding did not adequately engage community members before intervening. Learning from these lessons, new federal programs should be designed to direct investments to building local capacity for community and tenant acquisition and ownership of buildings.

4.0

Making Acquisitions Work: Capacity, Policy, and Finance Tools

Below: Chinatown residents and displaced residents in Boston, Massachusetts, rallied to call for row house protections. The Chinatown Community Land Trust later purchased this row house and converted it from short-term rental use into three compact affordable condos on a 99-year ground lease. *(Chinese Progressive Association)*

Building Local Capacity

Successful targeted acquisition strategies require taking critical less-expensive housing units out of the speculative real estate market and putting them into the hands of the community. But a community itself cannot buy and own real estate—that requires an effective community-serving organization. A local property acquisition strategy can only be as effective as the organization (or group of organizations) implementing it. No single strategy or type of organization is right in every place. Different communities have different conditions that require different approaches. But every community needs at least one organization that can lead the process and learn what works. And while these organizations can be structured quite differently, the day-to-day work of managing an acquisition strategy tends to look quite similar regardless of which type of organization is doing it.

Building a Local Coalition

Often the place to start building local capacity is by convening a coalition of stakeholders who support the goal of building a targeted acquisition strategy. This coalition can play a formal role in the implementation of a public agency–led strategy or it can informally convene key organizations to ensure that different entities are moving in the same direction. Because an effective acquisition strategy requires careful targeting, a broad-based and inclusive coalition provides an important way to get buy-in on the right way to target the community or communities that are most impacted. A coalition of community groups and advocates plays a critical role in building support for policies and funding for acquisition and community ownership, including tenant organizing, data research and analysis, messaging and communications, engaging with policymakers, and developing the policies and strategies. A coalition can serve as an ongoing clearinghouse for information that could be critical to refining the strategy over time as well.

Potential stakeholders include:

- Anti-displacement advocates
- Neighborhood residents and tenant leaders
- Community-based housing counseling agencies
- Legal advocates and legal aid staff
- City housing department staff
- City human services department or continuum of care staff
- County housing department staff
- Nonprofit housing developers
- Community service agencies
- Community development bankers and lenders

Case Study:
Oakland Community Land Trust

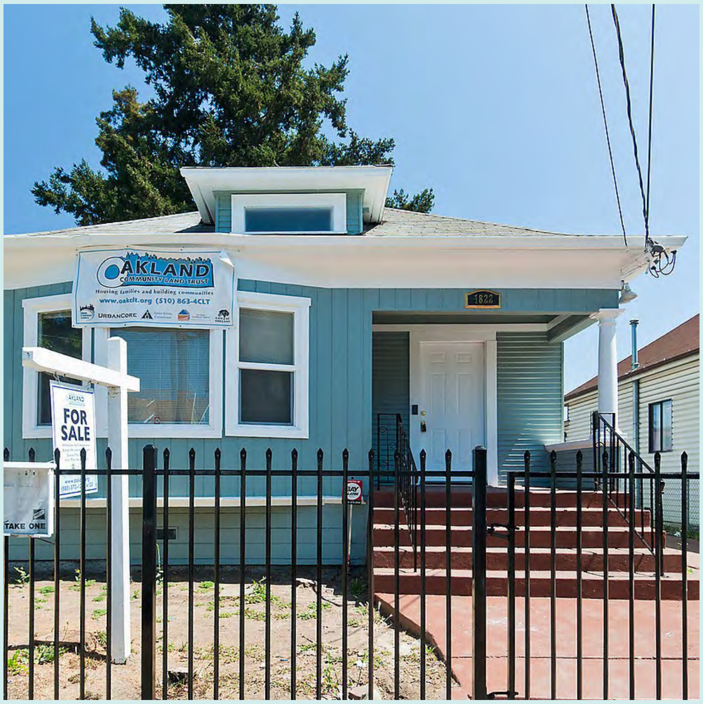
The history and growth of the Oakland Community Land Trust illustrates the benefits and challenges of building local capacity to do equitable acquisition work.

Single-family home foreclosures began to rise dramatically in Oakland, California, in 2007 and exploded in 2008, particularly in historically African American neighborhoods in East and West Oakland. Throughout 2008 and 2009, community organizers and resident leaders at ACORN Oakland organized a series of "Foreclosure Reality Tours" to give elected officials a clearer view of the impact that vacant foreclosed homes were having on already struggling neighborhoods. ACORN's community-based leaders studied possible strategies for responding to the vacancies, and they had the foresight to recognize that while these homes may be empty now, over the longer term the bigger threat was that the Bay Area's strong housing market would eventually return and these vacant homes would be flipped to higher income residents in a way that fueled further gentrification. ACORN leaders, in partnership with the Urban Strategies Council, decided to lift up the idea of creating a community land trust that could acquire foreclosed homes in the hardest-hit neighborhoods and sell them back to community members as permanently affordable homeownership opportunities. In January 2009, the Oakland Community Land Trust was incorporated as a 501(c)(3) nonprofit corporation.

The launch of the new organization coincided with the sudden availability of new financial resources necessary to acquire and renovate foreclosed homes in Oakland. The City of Oakland received $8.25 million in Neighborhood Stabilization Program (NSP) funding from the federal government. Oakland didn't have the staff inside city government necessary to buy and renovate homes and none of the city's existing nonprofit housing partners had that expertise either. The city issued a request for proposals (RFP) looking for an organization that could lead the program. The Land Trust organizers proposed to use the NSP money to buy and renovate 200 foreclosed homes. But because the organization was brand new it was difficult to convince the city to invest. City staff worried that a new organization would not be able to mobilize quickly enough to respond to the crisis within the time allotted for the program. In the end, the Oakland City Council selected the Land Trust as a recipient of NSP funds for single-family acquisition-rehabilitation, but rather than picking a single organization as their RFP had suggested, they spread the limited funding between several nonprofits. Oakland invested $4.6 million of the more than $10 million that it ultimately received in NSP funding through the new Land Trust.

The Land Trust faced significant challenges in getting off the ground in those early years. Perhaps the biggest obstacle was the aggressive competition for foreclosed homes from Wall Street-backed private investment funds. The Land Trust was an unfamiliar organization using a new and very complex public funding source requiring weeks of review and approvals, and they were competing with investors with cash in hand ready to buy properties in a matter of days. To make matters worse, federal guidelines for the NSP funding dictated that nonprofits like the Land Trust could only bid up to 99 percent of the appraised value of a foreclosed property. In practice, in markets with burgeoning investor activity, this meant that nonprofit buyers were at a severe disadvantage and were routinely outbid by cash buyers. This situation was exacerbated by federal programs that actively facilitated the disposition of distressed properties to Wall Street firms and a failure to hold banks accountable for the flood of foreclosures in neighborhoods like East and West Oakland.

Below: This home in Oakland, California, was purchased by the Oakland Community Land Trust. *(Stealing Beauty Photography)*



In the end, of the more than 4,000 homes that were foreclosed upon in East and West Oakland in 2007 and 2008, the Oakland Community Land Trust was only able to purchase 17, despite doing due diligence on nearly 200 potential acquisitions. A 2017 report found that 61 percent of the homes that the Land Trust had targeted but been unable to purchase remained investor owned and that the typical home had tripled in value within 10 years.[33]

In the years since the foreclosure crisis, the Oakland Community Land Trust has grown and become an effective partner for many other acquisition projects. The organization currently has a total of 42 properties, including a mix of single-family homes, multiunit housing cooperatives, mixed-use properties with community-serving commercial space, and a scattered-site urban farm. The Land Trust is a key partner in Bay Area 4 All's Oakland Preservation Initiative, which is bringing together tenant leaders and national financial resources to acquire occupied buildings in Oakland. In 2016, Oakland voters approved a new infrastructure bond including $100 million to fund anti-displacement–focused housing preservation efforts. In 2019, the city council set aside $12 million specifically for acquisition of properties with less than 25 units by community land trusts or limited equity housing cooperatives. The Land Trust is currently using these funds to buy small buildings in partnership with tenants.

Building capacity takes sustained investment over time, something that can be difficult to do in the midst of crisis. But it also requires political will and a commitment to racial equity to be willing to redesign existing programs and funding sources at all levels of government to prioritize preservation and community ownership. Community-based land trusts have a real value-add and can be supported to do the work at scale. To do so requires doing things differently rather than shoehorning this work into existing programs.

Key Roles in Implementation

A number of key roles have to be performed for a targeted acquisition strategy to move forward.

Tenant Outreach/Organizing

- Identify properties where tenants are facing displacement
- Communicate with tenants about needs and conditions
- Collect information about rents and tenant incomes
- Involve tenants in key decisions
- Ensure that tenants understand their rights and responsibilities in a purchase
- Keep tenants informed about progress
- Provide management and leadership training to tenants

Property Evaluation

- Search for available properties
- Tour buildings
- Estimate rehabilitation costs
- Develop acquisition budgets

Development

- Secure acquisition financing
- Coordinate purchases
- Select and oversee contractors for renovations
- Update leases (adjust rents if necessary)
- Secure long-term loans
- Secure permanent housing subsidies

Property Stewardship

- Collect rents
- Market vacant units
- Select tenants for vacancies (screen for income eligibility)
- Provide regular building maintenance
- Provide required reporting to public agency funders
- Coordinate and plan for long-term capital improvements

Strategic Planning

- Manage community engagement and partnerships to identify and prioritize community needs
- Develop criteria for acquisitions to target the highest-need communities
- Monitor market conditions and displacement risk data
- Educate the public and other stakeholders about the strategy
- Coordinate coalition(s) to ensure accountability
- Track and communicate results

These capabilities can be built within one organization or even spread between several organizations, but careful attention to capacity building is critical to the success of any acquisition strategy.

Displacement Alert Project

The Association for Neighborhood and Housing Development started the Displacement Alert Project (DAP) in 2016 to bring together data, visualizations, and organizing to help preserve New York City's stock of affordable housing.[34] DAP compiles "fragmented information from various public records and databases and makes it more easily accessible for advocates by displaying it in one place with intuitive, color-coded metrics." Tenant organizers and city officials have used the data to identify buildings where displacement risk is high, to direct outreach efforts, and to note overall trends. During the Covid-19 pandemic, DAP data has been used to track how foreclosures and other aspects of the housing market have been impacted by the crisis.

The Types of Organizations Needed

An acquisition program can be housed within a public agency or a community-based nonprofit organization. Several very different types of nonprofits have successfully built capacity to lead acquisition programs.

- **Publicly Controlled Development Corporations:** Nonprofit entities created and generally controlled by the local government to coordinate development or redevelopment including for affordable housing. Example: Restore Neighborhoods LA was created by the City of Los Angeles to acquire vacant foreclosed properties.[35]

- **Community Development Corporations (CDCs):** Nonprofit affordable housing developers with strong ties to communities. Example: Chicanos Por La Causa led a 13-member consortium of Latinx-serving nonprofits that used federal funding to acquire and resell over 1,000 single-family homes and 1,500 units of multifamily housing in Arizona, Nevada, and New Mexico.[36]

- **Neighborhood-Based Development Corporations:** Small or start-up organizations that buy and own housing in one neighborhood. Example: PUSH Buffalo's housing arm, Buffalo Neighborhood Stabilization Company (BNSC), is a nonprofit housing corporation dedicated to creating affordable housing units on the Massachusetts Avenue Corridor of Buffalo's West Side.[37]

- **Community Development Financial Institutions (CDFIs):** Community-based lending organizations (generally nonprofit) with a mission to support the development of historically disinvested communities. Example: The Community Investment Corporation, a Chicago-based CDFI, directly acquires distressed properties to preserve affordable housing.[38]

- **Housing Authorities:** Public agencies created to own and manage federally funded public housing units and voucher programs. Example: In addition to its role managing traditional public housing, the King County, Washington, Housing Authority has acquired a portfolio of more than 2,000 units of "naturally occurring affordable housing" that they own and operate as below-market-rate rental housing.[39]

- **Community Land Trusts:** Community-based nonprofit organizations that hold ownership of land to preserve permanent affordability of housing. Example: The Oakland Community Land Trust was created in 2009 to manage the City of Oakland's effort to acquire, renovate, and resell vacant foreclosed homes.[40]

- **Land Banks:** Public or nonprofit entities that temporarily hold title to vacant or underutilized real estate for future redevelopment, including as affordable housing. Example: The Land Bank Twin Cities operates in the seven-county metropolitan region of Minneapolis and St. Paul with a mission to secure "strategic real estate opportunities to benefit people with low to moderate incomes, prioritizing people of color and populations facing barriers."[41]

- **Limited Equity Housing Cooperatives:** Created to buy and finance the building when tenants purchase their own buildings (either alone or with active support from a sponsoring nonprofit). Rather than owning their individual units, each resident owns one share in the cooperative corporation.

Chicago's Community Investment Corporation: A CDFI for Acquisition and Rehabilitation

In Chicago, the Community Investment Corporation (CIC) is a community development financial institution established in 1974 by a consortium of banks working with the City of Chicago to finance rehabilitation of existing inexpensive rental housing. CIC's affiliate, Community Initiatives Inc. (CII), directly acquires distressed properties to preserve affordable housing. By holding the properties or selling the properties to trusted community developers, CIC gives new owners the opportunity to rehabilitate the buildings and provide better management.

CII works closely with the City of Chicago to implement public policies targeting property acquisition. For example, the city's Troubled Buildings Initiative (TBI) targets multifamily rental properties that have been failing to pay property taxes and mortgages and pose a risk of abandonment. The city devised a legal process to take possession of these properties before they become blighted. CII buys these properties and provides stable temporary property management before reselling them to private or nonprofit owners. Similarly, they implement the state's Distressed Condominium Act, which allows for "deconverting" condominium buildings that are no longer economically viable. CII accepts transfers of government-owned properties and liens. CII also acquires and rehabilitates vacant one- to four-unit properties. The rehabilitated units are rented out, sold to homebuyers, or bought by developers. To date, CII has acquired 750 properties comprising 5,352 units.

King County Public Housing Authority's Acquisition Program

While most housing authorities focus on owning and managing housing units that were built with HUD public housing programs, the King County Housing Authority (KCHA) in Washington has also developed a robust acquisition program. The KCHA purchases existing, sometimes distressed, apartment buildings and complexes and operates them as low- to moderate-income rentals. These properties are financed with low-income housing tax credits or tax-exempt bonds, and are managed by private companies under contract with KCHA. Residents contact property management offices to apply (rather than going through the housing authority waiting list) and pay flat rents that are not based on their incomes the way traditional public housing units would be. KCHA has acquired a portfolio of more than 2,000 units of this type of housing. More recently, they have been targeting existing inexpensive rental properties that are located along the region's major transit corridors—areas that are likely to experience rapid price increases.

Local Capacity Assessment

One way to evaluate the need for capacity building is to complete a capacity assessment. This process involves explicitly identifying all of the public and nonprofit agencies in the area that *might* be able to play a role in the acquisition strategy and then documenting each agency's existing staffing and relationships related to each of the roles above. It is also important to consider how the stock of available buildings locally might relate to the specific capacities needed. For example, the organizations that are best equipped to manage renovation or property management of a 100-unit building might be different from those best for a 10-unit building.

Often the capacity to buy, own, and manage real estate is quite separate from the capacity to work in coalition with community stakeholders and tie an acquisition strategy closely to existing anti-displacement efforts. The organizations that own large portfolios of real estate do not always have strong ties to communities where displacement is underway. Similarly, the organizations that may be most clearly focused on combating displacement often have no experience with the technicalities of buying and owning real estate, or managing apartment buildings. Building a targeted acquisition strategy that furthers racial equity requires both of these capacities. Some communities are fortunate enough to have one experienced community-based developer who is strong in both ways, but in most places additional capacity has to be built.

It is also important to note that concerns about capacity have frequently been used as an excuse for not putting resources in Black and Brown communities. Public agencies understandably focused on making acquisitions happen quickly have sometimes limited funding to organizations with proven track records in this area. But if that capacity is inequitably distributed currently, then limiting new investment to only organizations with established capacity can reproduce the inequity. The alternative is not to ignore capacity or overlook challenges but, instead, to invest in growth. If an acquisition strategy is going to provide for long-term community stabilization, it is often necessary to invest in building or expanding community-based capacity. A detailed capacity assessment should provide a road map for long-term investment rather than a pretext for avoiding investment. Often a clear-eyed understanding of current capacities can identify potential partnerships between established affordable housing developers and trusted community organizations that are stronger than any one organization would be alone.

Creating a New Organization

One challenging question that every community struggles with when launching a new acquisition strategy is whether it makes more sense to create a new organization to manage acquisitions or to ask an existing nonprofit organization (or public agency) to expand to undertake the program. There are advantages and challenges to both approaches. Building a new organization should not be undertaken lightly.

When building a new organization, it is critical to actively partner with existing organizations with experience and expertise in real estate. This is important both because there are difficult technical choices where experience can make a big difference and also because both lenders and public agencies are reluctant to invest significant resources into inexperienced organizations. However, if the goal is capacity building, it is essential that the new organization have meaningful responsibilities and a real opportunity to succeed or fail on its own.

Building a Network/Ecosystem

Often there is no one local organization that can single-handedly manage all of the elements of an acquisition strategy. A number of communities have responded not by building up one organization, but by building a coalition or network made up of multiple local organizations with complementary strengths. This strategy may be more work, but the result could be more resilient.

Two Los Angeles Models for Scaling Acquisition and Community Ownership: Restore Neighborhoods LA and the LA Acq/Rehab Working Group

At the height of the foreclosure crisis in 2009, the Los Angeles Housing Department (LAHD) received $32.8 million in Neighborhood Stabilization Program (NSP) funding from the federal government. The next year they received an additional $100 million. But, the housing department lacked the capacity to put these funds to work to buy foreclosed properties and stabilize neighborhoods. With help from Enterprise Community Partners, LAHD established a new community-based development organization, Restore Neighborhoods LA (RNLA) in 2009. RNLA contracted with LAHD to conduct bulk purchasing of foreclosed properties using these NSP funds.

RNLA purchases foreclosed or abandoned properties in the City of Los Angeles at a discount from lenders and loan services for resale to qualified owners. RNLA then restores or builds new residential buildings on these properties with eco-friendly and sustainable materials. Its mission is to improve the neighborhoods and create new affordable homeownership opportunities for low- to moderate-income households. RNLA has facilitated investment of more than $140 million into Los Angeles neighborhoods and has improved or created more than 800 residential units, according to its website.

A more community-driven approach to building capacity for acquisition is emerging in LA with a partnership between community land trusts (CLTs) and community development corporations (CDCs). T.R.U.S.T. South LA, a neighborhood-focused CLT, chose to partner with Abode Communities, a large regional affordable housing developer, to build Rolland Curtis Gardens. The project, which opened in 2019, prevented displacement of 48 low-income families and created 140 units of permanently affordable replacement housing. Building on this model, the LA Acq/Rehab Working Group has brought together the Los Angeles Community Land Trust Coalition with more established, mission-aligned CDCs and other partners including Enterprise Community Partners and the Legal Aid Foundation of LA. The working group is focused on acquisition of occupied properties with the potential for tenant ownership. The group has raised $1 million in philanthropic funding to invest in CLT capacity building.

In 2020, Los Angeles County established a pilot program to help CLTs acquire tax-defaulted properties from the county and provided $14 million for CLTs to acquire other four- to 20-unit properties in areas most at risk of displacement throughout the county. The working group secured a $500,000 recoverable grant pool from SPARCC (The Strong, Prosperous, And Resilient Communities Challenge), which allows participating CLTs to place deposits and to invest up to $25,000 in researching potential acquisitions to be repaid only if a project moves forward.

Making Capacity Building Explicit

While every acquisitions strategy requires local capacity, not everyone explicitly acknowledges that requirement and makes plans to build the necessary capacity. Capacity building takes time and an effective effort might have short-term goals (two to five years) as well as long-term goals (20+ years).

Community Leadership and Engagement

It is important to recognize that setting policy and program direction in a way that reflects the input of impacted communities is a key capacity that many cities lack. Often capacity building for acquisition begins with coalition-building work on the part of housing and tenant advocates and evolves over time into some kind of ongoing partnership with local government agencies. Once programs are underway and buildings are being acquired, every initiative needs a mechanism for ensuring that community members can set the program's direction. This can take the form of an ongoing coordination table, advisory committee or working group, or it can be structured into partnerships with community-based nonprofit organizations.

The report, Inclusive Processes to Advance Racial Equity in Housing Recovery: A Guide for Cities during the Covid-19 Pandemic, outlines a continuum of strategies that public agencies use to build authentic community partnerships ranging from outreach and engagement to give traditionally excluded communities a seat at the table up through "co-creation" of programs initiated by and involving ongoing leadership by community-based organizations.[42]

Tenant Organizing

Acquisition of occupied buildings has an immediate impact on the lives of the building's residents. Because there is so much at stake for building tenants, every acquisition effort involves some degree of tenant organizing. Many equitable acquisitions programs prioritize tenant-initiated purchases where existing tenants approach a nonprofit sponsor to buy their building. Having organized tenants supporting and helping to push for a purchase can make a big difference. But, coordinating tenant involvement and leadership and keeping tenants in the loop and engaged in decision-making as a purchase is negotiated and through a transition to community ownership requires dedicated staffing capacity and specialized skills. Many community-based housing developers do not have tenant organizers on staff. In many cases, building a new acquisitions program requires new public investment in tenant organizing.

Many programs seek to take tenant organizing further and foster direct tenant ownership of buildings through limited equity cooperatives or other mechanisms. In addition to supporting tenants through the purchase, these programs generally need to build capacity for ongoing training and leadership development for resident ownership.

Sky Without Limits Cooperative

In May 2020, when tenants of five buildings in Minneapolis were able to buy their buildings from one of the state's most notorious landlords, it was the culmination of a long organizing campaign. It was 2014 when tenants in the properties first reached out to organizers at Inquilinxs Unidxs por Justicia (IX) for help addressing problems related to lack of maintenance, security, and pest infestation. IX and tenant leaders worked with residents in five separate buildings owned by the same landlord to demand action. They filed code enforcement complaints with the city and succeeded in having the owner's rental license revoked. For a time, the buildings were turned over to a court-appointed administrator. Ultimately the tenants organized a successful rent strike. The tenants leading the process, under the threat of eviction, filed a class-action lawsuit that the owner ultimately settled for $18.5 million. After a court found the owner guilty of perjury, he agreed to sell the building to the tenants. Tenants worked with Land Bank Twin Cities to pull together the financing to purchase the buildings. Over the coming years, the Land Bank expects to turn over ownership to the Sky Without Limits Cooperative formed by the tenants.

Scaling Up Pilot Programs

Capacity building for real estate development necessarily requires moving somewhat slowly. To gain experience and expertise, an organization simply has to work on real projects and make real mistakes. Over time, key staff and managers will learn what works and what sounds good but is simply impractical. One of the best ways to build experience is through smaller pilot programs. A public agency can make funding for a limited pilot acquisition program available to community-based organizations and then give the grantees time to learn through doing before scaling up the program.

Note, however, that there is a big difference between a pilot program that makes a limited investment in anticipation of a larger scale effort and a permanently limited investment. Too often, cities will make very small investments that they refer to as "pilots" even though there is no realistic path to a greater scale. When these pilots go smoothly, the follow-up funding never comes and instead of building gradually to greater capacity, the nonprofit is left permanently underresourced. Eventually the organization's limited capacity may be cited as a reason for not expanding funding to the program. A true pilot program has both a stated time frame and explicit evaluation criteria.

Start-Up and Operating Support Grants

Affordable housing developers often pay for the staffing necessary to manage projects by charging fees upon successfully completing a project. For established organizations working with stable funding sources, this can be an appropriate way to pay for staffing. But for start-up programs working for what could be several years before the first completed project, it means the program will likely be understaffed or staffed by inexperienced people with other jobs to do. Building capacity explicitly means making the acquisitions program someone's full time job. The best way to ensure that a program has access to enough experienced staff from the start is through multiyear start-up and operating grants. Public agencies, often through a competitive process, can commit funding to pay an acquisition partner to hire appropriate staff and expand their capacity to begin exploring potential properties immediately.

Training and Technical Assistance

Another common capacity-building strategy is training and technical assistance. Government, nonprofit intermediaries, or philanthropic organizations often provide support to community-based nonprofits to learn the real estate development skills necessary to undertake targeted acquisitions strategies. Sometimes this takes the form of workshops and webinars, but a more effective strategy is to provide ongoing access to mentoring from experienced community developers. Another strategy is loaning of staff from more experienced organizations who can help to both execute projects and train staff in the host organizations.

Building Public Agency Capacity

While formal capacity-building efforts often focus on the needs of community organizations, it is critical that local governments expand and support their own capacity to successfully support acquisition efforts. Providing funding for acquisitions can be similar to funding new housing development, but it often requires public agencies to move quickly and be flexible. Government agencies should plan for expanding staffing and providing key staff with training before launching acquisition programs. Additionally, agencies will need staff capacity to engage with and support community advocates to successfully create and implement these strategies.

Policy Tools

The public sector can tilt the playing field away from speculative investors and in favor of community-supportive investment by proactively supporting tenant and community ownership, stopping speculators from buying up the neighborhood, and smartly regulating the market.

Proactively Support Tenant and Community Ownership

Local ordinances can give tenants or community groups the first opportunity to purchase residential rental properties before they can be sold on the open market.

Tenant Opportunity to Purchase (TOPA) and Community Opportunity to Purchase (COPA)
These policies provide tenants living in rental buildings with advance notice that the landlord is planning to sell their building and an opportunity for them to collectively purchase the building. TOPA and COPA can be used to preserve affordable rental housing stock, empower tenants, and stabilize low-income households. These policies generally create a process by which rental buildings can be sold, requiring landlords to provide a notice to their tenants when they intend to sell and a timeframe for the tenants to respond, make an offer, and secure financing. By providing renters with the opportunity to negotiate over the purchase of their buildings, TOPA and COPA policies level the playing field in highly speculative markets.

To be effective, TOPA/COPA policies must include tenant organizing, training, and technical assistance resources as well as legal support for tenants through the process of buying a building. With TOPA, tenants negotiate directly in the sale of their building or can choose to assign that right to another entity, while with COPA, that ability is given to a list of qualified nonprofits. Cities can ensure that the program results in permanently affordable housing by requiring a deed restriction or community land trust to protect affordability. Additional information and tools are available at https://allincities.org/toolkit/tenant-community-opportunity-to-purchase.

Washington, DC—Tenant Opportunity to Purchase

Washington, DC's Tenant Opportunity to Purchase Act (TOPA) gives tenants in a building up for sale the first right to purchase. The District encourages tenants to exercise their rights to reduce displacement, increase neighborhood stability, and incentivize homeownership.[43]

The ordinance allows tenants in multifamily buildings to form a tenant association and enter negotiations to buy the building from their landlord. The landlord is not required to sell to tenants, but the tenants have the first opportunity to make an offer and also the option to match the terms of any contract between their landlord and a third party. Tenants who successfully purchase their building must convert the units into cooperatives or condominiums. Tenants who are unable to purchase their building outright can assign their rights to other groups in exchange for better building conditions, limited rent increases, or other benefits including money.

The DC Department of Housing and Community Development supports low- and moderate-income (50 to 120 percent of the area median income) tenants in exercising their TOPA rights by offering financial support for down payments; earnest money deposits; purchase; and legal, architectural, or engineering costs. Funding for acquisition and rehabilitation is available from DC's Housing Production Trust Fund. The department can also provide legal and technical assistance during the negotiation or acquisition process. The Fiscal Policy Institute reports that TOPA acquisitions directly financed by the District preserved nearly 1,400 housing units from 2002 to 2012, and other estimates suggest that DC TOPA acquisitions have preserved over 3,500 units since 2002.[44]

Stop Speculators from Buying Up the Neighborhood

Government can level the playing field for tenants and nonprofits to purchase homes by reducing the profits of outside speculators.

Anti-Flipping Tax

Most communities charge a tax every time a piece of real estate is sold, but usually this tax is very small. An anti-flipping tax would set the tax rate at a much higher level if the property was purchased very recently. The goal is to discourage short-term speculation in neighborhoods and encourage longer term owners who will buy and hold properties.

Vacancy Tax

In some high-cost areas, outside investors purchase homes as investments with little or no intention to actually live in them. Using scarce housing as a speculative investment in this way contributes to housing shortages and higher housing costs for everyone.[45] Some cities impose additional property tax on properties that are not being occupied. The goal of these policies is to make this kind of behavior so much more expensive that investors choose to put their resources elsewhere, freeing up housing for people to actually live in.

British Columbia Speculation and Vacancy Tax

The Canadian province of British Columbia imposes a tax on vacant residential property and they charge a significantly higher rate if the owner of the vacant property is not a Canadian citizen or is someone who earns most of their income outside of Canada.[46] The tax is intended to discourage foreign investors from owning housing units and holding them empty while they speculate on future increases in value. The owners of every housing unit in designated parts of the province must file an annual declaration. Overall, 99 percent of owners are exempt from the tax because their units are occupied as someone's principal residence. For vacant units, Canadian citizens and permanent residents pay a tax of 0.5 percent of property value. Foreign investors and citizens who earn the majority of their annual income outside of Canada pay a tax of 2 percent of the property's value annually if the unit is kept vacant. Proceeds from the tax are invested into affordable housing programs throughout the province.

In addition to this provincial law, the City of Vancouver also imposes its own Empty Homes Tax, which imposes an additional 1.25 percent tax on empty homes in Vancouver.[47]

Land Value Tax

Property taxes are one of the most significant sources of funding for local governments. In most American communities, a property tax assessor evaluates the "fair market value" for each property and then applies a tax rate to that value to determine how much property tax each property owner must pay. Assessors generally evaluate how much buildings are worth independently from the value of the land under the buildings, but then tax both at the same rate. Some communities, on the other hand, tax land and buildings at different rates. This small technical change can have big impacts on how real estate investors behave. Increasing the tax on land discourages speculation, especially in disinvested neighborhoods, by making it more expensive to buy property and hold it in hopes of future price increases.

Regulate the Market

Local governments can set clear rules for landlords and track the supply of rental units in order to manage the rental market for the benefit of tenants.

Landlord Licensing Policies
Landlord licensing policies require property owners to obtain a license to operate rental housing within a jurisdiction. While the requirements are generally easy for owners to comply with, having a licensing system provides a tool for enforcement against irresponsible landlords.

Rental Registration Policies
Many cities do not have clear data on their existing stock of rental housing. A rental registry can not only provide the data necessary to track existing privately owned affordable rental housing, but can also help to target acquisition efforts and inform tenants about the availability of acquisition programs.

Short-Term Rental Ordinances
In response to displacement pressures caused by the dramatic rise in AirBnB and similar types of short-term rental platforms over the last decade, many cities have passed ordinances to set rules on short-term rentals.[48] These rules can help reduce conversions of existing rental housing to short-term rentals and dampen speculative pressure on the sale of existing apartment buildings by ensuring that any buyer will be planning to use the building for apartment rentals.

Code Enforcement Programs
Code enforcement holds property owners accountable for quality maintenance of existing rental housing. At their best, these programs can offer tenants a strong tool to force their landlords to undertake necessary repairs. When tied to effective tenant organizing, code enforcement can be a tool that encourages irresponsible landlords to sell buildings to community organizations or tenants. However, public agency code enforcement efforts have to be implemented with care to avoid contributing to displacement or providing a pretext for displacement. See the sidebar on page 31 for an example of tenants in Minneapolis using code enforcement as a part of a multiyear campaign to remove their landlord and purchase their own building.

Finance Tools

Local governments cannot fully make up for the lack of federal leadership in housing. A key role can only be played by the federal government in financing affordable housing at scale. But, at a smaller scale, proactive local agencies can develop financing tools that clearly demonstrate what is possible and help to build local capacity and momentum. When new federal resources for acquisition become available, communities that piloted their own financing programs will find it easier to hit the ground running with new federal resources.

Local Housing Subsidy Funds

Local government acquisition funds offer loans to community-based organizations to finance the purchase of existing housing units.

How It Works

The simplest way for local governments to make it possible for affordable housing developers to purchase existing less-expensive rental properties is to offer subsidies (favorable loans or grants) for that purpose. The government agency sets aside some portion of their existing affordable housing funds and issues clear rules for the kind of acquisition projects they want to fund. If the government can make quick decisions on a rolling basis it may be possible for nonprofit developers to make purchases happen quickly. Sometimes this subsidy is invested in a project as a grant, other times as a loan that does not require repayment or is only repaid if the project has enough cash flow available.

Key Considerations

- Can the request for proposals or other program documentation provide guidelines that are detailed enough that developers can understand which buildings would be most likely to be funded?
- If the goal of the program is to target certain neighborhoods or communities, the guidelines can prioritize nonprofit agencies with experience and trusting relationships in those communities.
- If the guidelines are open ended or unclear, property sellers may be less willing to wait while a nonprofit applies for public money because the owners will not have confidence that the loan request will be approved.
- It can be difficult to decide how much the maximum loan amount should be. If the maximum is set too low, it may not be enough to make projects work. If it is set too high, it could result in sellers simply receiving higher prices for their buildings.
- To have a meaningful impact in stabilizing communities, it is helpful to operate an acquisition funding program over many years to allow partners to understand how and when to use it.

San Mateo County's Affordable Rental Acquisition and Preservation Program

In 2016, the San Mateo County, California, board of supervisors authorized setting aside $10 million of the county's recently approved affordable housing bond proceeds for a new Affordable Rental Acquisition and Preservation Program (ARAPP).[49] "The goal of ARAPP is to acquire and preserve the affordability of existing multifamily buildings within the county that are rented at below-market rates and not currently subject to rent restrictions." The county's Department of Housing released a Notice of Funding Availability (NOFA) for the program that is a special sub-fund within the county's Affordable Housing Fund. The NOFA offered loans of up to $250,000 per unit to nonprofit and mission-driven for-profit organizations with experience providing affordable housing in the county. The loans were structured as "residual receipts" loans, meaning that developers paid interest to the county only up to 50 percent of net income in a given year. This structure allowed the county to share in the risk, making it easier for nonprofit developers to undertake these projects.

The county described the goals of the program:

- Provide fast-moving, flexible acquisition funding to nonprofit and mission-driven for-profit developers and owners to acquire and preserve existing, "naturally occurring," affordable, multifamily housing.
- Apply rent restrictions to preserve these properties as affordable housing for low- and moderate-income households for a minimum of 30 years.
- Improve the quality and condition of the affordable housing by addressing deferred maintenance and obsolete systems.
- Protect existing tenants from displacement and potential homelessness.
- Rent vacant units to new low-income households.

Eligible projects must include at least 20 rental units that are unsubsidized and either vacant or rented at rates that would be affordable to tenants earning 100 percent or less of the area median income. Project sponsors were required to commit to filling future vacancies with homeless and extremely low-income tenants until 5 percent of the property was formerly homeless and 10 percent was extremely low-income tenants.

The county set clear goals for targeting this small pool of resources, including the following:

1. Preserve rental housing known to be at imminent risk of rent increases likely to result in the eviction of existing tenants.
2. Preserve rental housing that currently serves clients of county services, children, elderly, or disabled tenants.
3. Target units as they become vacant to households referred by the county.

The initial investment in the ARAPP fund supported the preservation of 358 affordable housing units.

Affordable Housing Bonds

Government agencies can issue revenue bonds to finance acquisition of affordable housing units.

How It Works

When they need to finance lasting infrastructure like schools or bridges, local governments routinely issue general obligation bonds. The bonds are an enforceable promise that a city will use some of its future tax revenue to repay money that is borrowed today. Some communities use this approach to borrow money to pay for affordable housing. Instead of agreeing to simply spend some of this year's tax revenue on affordable housing, the community agrees to spend some money every year for 20 or 30 years to pay back money that it borrows today. The community then spends the money on preserving housing now and pays it off over time. In California and some other states, this requires approval of voters who are often reluctant to tax themselves, even for things that they support like affordable housing. But, when these measures are approved by voters, affordable housing bonds can raise enough money to fund more ambitious acquisition programs.

Key Considerations

- Some bonds are funded without any increase in taxes (the government agency simply pledges some of its existing tax revenue), while others are coupled with special-purpose tax increases (i.e., the increased tax revenue is pledged to repay the bonds).
- Eligible uses of bond proceeds need to be spelled out clearly before the bonds are approved. This can create challenges for acquisition programs because it is hard to anticipate the variety of potential acquisitions projects.

Santa Clara County Affordable Housing Bonds

In 2016, voters in Santa Clara County approved Measure A, a $950 million general obligation bond to acquire or improve sites for affordable housing for vulnerable populations.[50] The goal of the program is to help construct 4,800 units of affordable housing and assist about 235 families to secure loans for the purchase of their first homes. As of December 31, 2020, the program had committed $462 million for 40 housing projects totaling 2,368 units of affordable housing in both acquisition and new construction.

Local Acquisition Loan Funds

Loan acquisition funds can be specifically designed to offer quick financing to enable purchase of existing occupied housing.

How It Works

In higher cost markets, it is not uncommon for apartment buildings to sell quickly. Community agencies seeking to purchase buildings to preserve affordability have to act very quickly to compete with speculative investors. But, to make the purchase possible, they often rely on commitments of public affordable housing subsidy funds. Local government agencies often take months to make these commitments, creating a timing challenge that stands in the way of acquisition strategies. To address this, some cities have set up special-purpose loan funds that can make quick investment decisions.

Key Considerations

- How much risk can the fund take?
- If the fund is expected to be repaid with a future investment of local affordable housing funding, what happens if that funding is not available later?
- The agency administering the fund must have enough capacity to make quick and appropriate decisions that reflect the broader community goals.

San Francisco Housing Accelerator Fund

Recognizing the importance of moving quickly in acquisition of real estate for affordable housing, the City of San Francisco created a public-private partnership to operate an acquisition financing fund, the San Francisco Housing Accelerator Fund.[51]

The Housing Accelerator Fund is able to quickly approve financing for the acquisition of existing housing or sites that would be appropriate for development of new housing. They lend private capital, including some capital invested by tech firms. The fund can finance 100 percent of the cost of acquiring and renovating a property, eliminating the need for developers to assemble multiple layers of financing before they close on the purchase of a property. The loans are generally short term, requiring repayment within four years.

Between 2017 and 2020, the Accelerator Fund financed 21 separate acquisition projects sponsored by four different community-based nonprofit developers. In each case, the financed projects were ultimately refinanced with funding from the San Francisco Mayor's Office of Housing and Community Development, and this close coordination with the city is essential to the fund's strategy and mission. The community-based nonprofit borrowers use the accelerator fund loans to purchase properties quickly and then complete the more lengthy process of securing public affordable housing subsidies from the city, state, and/or federal programs. They use the eventual public financing to repay the accelerator fund. In evaluating projects, the Accelerator Fund has to anticipate whether the project will be successful in securing a permanent subsidy, because without it, repayment of the fund's loan may not be possible.

Philanthropic Partnerships for Property Acquisition

Communities partner with philanthropic organizations to acquire property, establish acquisition funds, or provide loan guarantees.

How It Works

Complying with all of the many rules associated with government money can make acquisition of existing buildings with government funds challenging. Some programs address this challenge by bringing in private foundations or local employers (or both) to fund acquisition. Acquisition can be an appealing strategy for philanthropy because the results are more immediate.

Key Considerations

- It can be difficult to find donors who are able to invest at the scale that is necessary to make a difference in housing.
- Even with generous private donors, many programs must also take advantage of government money to run a higher impact program.

Community Investment Guarantee Pool

Community organizations that are attempting to purchase existing apartment buildings often find it difficult to obtain bank loans, even when the buildings that they are buying are generating enough income to repay those loans. In many cases, a loan guarantee from a foundation can make a big difference. The foundation promises the lender that if the community organization does not repay the loan, the foundation will. This provides a low-cost way for philanthropic organizations to support acquisition programs, but the process of structuring these arrangements can be challenging for community developers and foundations. The Community Investment Guarantee Pool (CIGP) is a collaboration between 10 philanthropic organizations to streamline the process of securing guarantees for community development projects.[52] One of CIGP's first guarantees was made to Genesis LA to support acquisition of naturally occurring affordable housing.

Tax Abatement/Exemption Programs

A local government can offer reductions in property taxes to affordable housing developers or market-rate rental property owners who agree to set aside affordable units.

How It Works

Local property taxes represent one of the most significant annual costs for apartment building owners. Many states exempt affordable housing developments from property taxes. Some cities also offer tax abatement programs that provide exemptions or reductions in property taxes for properties that include affordable housing units. While this is not strictly speaking a finance source, this exemption can be critical to the ability of a nonprofit to acquire an existing apartment building. The exemption reduces the annual expenses of the building, allowing the community organization to borrow more and therefore pay more for the building. If they are bidding against private investors who will pay full taxes, this can provide a significant advantage to the community developer.

Key Consideration

- If a community provides tax exemption to too many properties, it can impact the city budget and reduce public services.

5.0

Conclusion: The Future of Equitable Housing

Below: Residents celebrate the acquisition of five apartment buildings for the Sky Without Limits Cooperative in Minneapolis, Minnesota. *(Inquilinxs Unidxs por Justicia)*

As the Covid-19 pandemic extends into a second year, it has become clear that some communities are impacted disproportionately. Renters collectively owe over $50 billion in rent debt, while homeowners have seen their home values increase nearly 10 percent—an average of $25,000 per home—in the past year alone.[53] Eviction moratoria have provided momentary protections against people losing their homes, but these measures are temporary. Resolving this crisis will require unprecedented leadership and bold action at the federal, state, and local levels. Community acquisition and ownership of rental buildings is a vital strategy that stabilizes neighborhoods against outside speculation and ensures an equitable recovery with stable, healthy, affordable housing for all.

6.0 Appendix: Additional Resources

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Author Biographies

James A. Crowder Jr. is a Senior Associate at PolicyLink. He researches and develops policy and community engagement strategies to create more equitable economic outcomes for low-income families and communities of color.

Chris Schildt is a Senior Associate at PolicyLink. She leads national engagements to advance housing justice and anti-displacement strategies with community partners.

Rick Jacobus, Principal of Street Level Advisors, is a consultant who works with communities across the country to develop anti-displacement and affordable housing strategies.

PolicyLink

Lifting Up What Works®

Headquarters
1438 Webster Street
Suite 303
Oakland, CA 94612
t (510) 663-2333
f (510) 663-9684

Communications
75 Broad Street
Suite 701
New York, NY 10004
t (212) 629-9570

Washington, DC
1301 K Street NW
Suite 300W-414
Washington, DC 20005

www.policylink.org
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