Risks & Responsibilities in Revitalizing Neighborhoods: Addressing Market Displacement & Resident Relocation at the Project Scale

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Agenda

- Introduction
- Context
- Case Studies
  - Detroit
  - New Orleans
- Questions and Discussion
CONTEXT
National Trends

- Affordable housing in city centers across the country is increasingly scarce due to high demand for market-rate housing.
- In weaker city markets, critical market stabilization efforts may have unintended consequences leading to displacement of low-income residents.
- Mixed income communities are key to community vibrancy, access and opportunity.

Philadelphia            Oakland                Atlanta
Legal and Political Factors

Factors for how new development might affect residents
- Municipal law (renter rights, landlord registration, code enforcement, other)
- Supply of affordable housing (existing and new)
- Existence of complete affordable housing toolkit, including components like inclusionary housing policies and sound tax laws
- State law

These differ from city to city and state to state
Role and Responsibility of CDFIs

- CDFIs are financing and developing housing in distressed neighborhoods, bringing critical capital and development experience deemed too risky for traditional players.

- Requires CDFIs to be nimble and understand the evolving housing needs of communities.
Key Questions

- What are housing needs given the local environment?
- What does success look like in the short, medium, and long-term?
- Who should CDFIs be partnering with to ensure that borrowers, residents, and the community have the support they need?
- How does the CDFI’s strategy fit into broader housing and community development plans?
CASE STUDIES
QUESTIONS AND DISCUSSION
Housing Affordability and Displacement in the City of New Orleans

October 2016
Scope

1. Drivers of Displacement and Changing Demographics and Housing Characteristics

2. Public Policy Response

3. New Tools: CCCLT and the CCFF
OFN 2016

Drivers of Displacement and Changing Demographics + Housing Characteristics
• Hurricane Katrina in 2005

• National re-urbanization or gentrification trend
Hurricane Katrina impacts

- Damaged or destroyed 70% of homes and 50% of all apartments
- The average price of undamaged homes reached an all-time high of $292,679 in Q4 2005 = 26.2% increase over Q1-Q3 2015
- Construction costs up 20% + various insurances up 3x-4x
- Rental prices are up 50% and home prices up 54%
Hurricane Katrina impacts (continued)

• The population decreased by 28%, between 2000 and 2013

• The African American population has declined 34% (112,315 African American residents) from 67% of city’s population 60%

• NOLA poverty rate increased to 28% (a 2% gain) compared to 15% nationally

• Median household income remains unchanged since 2000, at approximately $37,000 when adjusted for inflation

• Homeownership rates remained relatively unchanged at 45%, compared to national average at 60%+
Income Distribution in NOLA 2000 - 2013

Source: U.S. Census Bureau, 2009 – 2013 American Community Survey 5-Year Estimate
Educational Attainment in NOLA 2000-2013

Source: U.S. Census Bureau, 2009 – 2013 American Community Survey 5-Year Estimate
Renter Affordability in NOLA Pre- and Post-Katrina

Source: Greater New Orleans Fair Housing Action Center, 2015. Data Sources: 2009-2013 American Community Survey
Public Policy Response
Responses to Hurricane Katrina and Gentrification

- *HousingNOLA – 10 Year Strategy and Implementation Plan For A More Equitable New Orleans* initiated by the Greater New Orleans Housing Alliance (GNOHA) in 2014
  
  - 33,593 units of housing will be needed by 2025, including 11,000 affordable rental units and 5,600 affordable for-sale units
  
  - GNOHA plan lays out basis for housing need estimate and process to achieve goals
HousingNOLA goals, framework and intended benchmarks

• Preserve existing supply and expand the total supply of affordable rental and homeownership opportunities throughout New Orleans

• Prevent future displacement through development activities and continued study and policy review

• Enforce and promote fair housing policies throughout New Orleans

• Encourage sustainable design and infrastructure for all New Orleanians

• Increase accessibility for all, including residents with special needs
New Public Policies

Recently proposed and enacted pro-affordability and anti-displacement public policies:

• Short-term rental regulation enacted (July 2014) and additional legislation proposed (August 2016)

• Density bonus enacted (September 2015)

• City of New Orleans and GNOHA sponsored inclusionary zoning study initiated (February 2016)

• Rental registry proposed (May 2016)
OFN 2016

New Tools: CCCLT and the CCFF
• Crescent City Community Land Trust (CCCLT) launched in 2011
  • City-wide CLT created to develop and steward permanently affordable housing (for-sale and rental) and commercial spaces
  • Explicit interest in developing projects in proximity to employment centers and major transportation nodes/networks
  • Working to make permanent affordability city and state policy as a part of all subsidized and non-subsidized real estate development
OFN 2016

- Crescent City Community Land Trust early projects:
  - 2739 Palmyra
    - four 3-bedroom apartments
    - developed using HTCs, HOME dollars and philanthropy
    - families at or below 60% of AMI with none paying more than 30% of their household income in rent
    - located along streetcar route (easy access transportation)
    - Operational since early 2016
  
- The Pythian
  - 69 apartment units (25 permanently affordable)
  - a federally qualified healthcare clinic
  - 30,000 square feet of commercial/retail space
  - downtown New Orleans (proximity to employment center)
  - ETA = summer 2017
OFN 2016

The Pythian: 1909 and 2015
• Crescent City Futures Fund
  • Partnership between CCCLT, Capital Impact Partners (CIP), the Ford Foundation and the New Orleans Redevelopment Authority
  • $6 million loan fund meant to facilitate the development of permanently affordable residential and commercial spaces in New Orleans
  • CIP is administrator and CCCLT is originator
  • Use of funds: finance predevelopment, acquisition, construction, secured financing and mini-permanent mortgage loans
OFN 2016

Tools and Policies

• Crescent City Futures Fund – target community = Livable Claiborne Corridor
• Crescent City Futures Fund continued
• First Expected Financing: Viet Village

- 100 units of senior housing
- Includes doctors offices and adjacent to a FQHC
- Financed with LIHTC and NMTCs
- 100% permanently affordable
• Crescent City Futures Fund continued
• Second Expected Financing: Bourgogne

• 120 apartment units, 30 permanently affordable (new City density bonus)
• Includes 5,500 square feet of retail
• Conventional financing
Conclusions

• New Orleans is the shiny new city promised post-Katrina, in many ways

• Significant changes in demographics and income characteristics

• City government, business leaders and non-profit community recognizing and adapting to changing environment

• Too early to evaluate impact of new policies and tools developed to address displacement
Detroit Case Study
Detroit Case Study: Overview

Baseline Study to Address Displacement and Relocation tied to Multifamily Redevelopment in Greater Downtown Detroit

Published Spring 2016

Detroit Case Study: Purpose
Scale and Risk of Displacement and Relocation in Detroit’s greater downtown; lessons learned from 711 W. Alexandrine

1. Assess the scale and risk of project-based displacement (redevelopment resulting in displaced residents or households) in Detroit’s Greater Downtown.

2. Develop policies for Capital Impact Partners and the CDFI community in Detroit to adopt to mitigate future project-based displacement.
Detroit Case Study: Geographic Scope

Greater Downtown Detroit

7.2sq mi
31,200 existing housing units
  22,000 (70%) of which are occupied
  86% are renter-occupied
  78% of are in multifamily buildings
68% black, 24% white
45% of renter experience a housing cost burden
45% of households are in poverty
Median household income: $21,513/y
Since the 2008 housing crash, multifamily development in Detroit’s greater downtown has slowly accelerated with the assistance of deep philanthropic investment, government subsidy, and private interest. CDCIs’ efforts to support market stabilization have largely focused on vacant property development and limited new construction with few instances of project-based displacement and relocation. Yet, as the real estate market strengthens, property owners have the opportunity to gain more income from multifamily properties through increased rents, which can affect housing affordability and lead to broader market-based displacement trends. Related to both types of displacement, the supply of naturally affordable – as opposed to price-controlled or subsidized – housing is most likely to decrease as the market strengthens. This section defines the terms in bold, explains their role in this study, and summarizes related recent trends in Detroit’s Greater Downtown.
Detroit Case Study: Trends
Displacement Risk

Figure 18. Table- Risk of Displacement

<table>
<thead>
<tr>
<th>Naturally affordable rental to...</th>
<th>Risk of Displacement</th>
<th>Happening in Detroit?</th>
</tr>
</thead>
<tbody>
<tr>
<td>...subsidized affordable</td>
<td>Moderate</td>
<td>Some</td>
</tr>
<tr>
<td>...market average or above</td>
<td>High</td>
<td>Yes</td>
</tr>
<tr>
<td>...condominium</td>
<td>High</td>
<td>Little evidence</td>
</tr>
<tr>
<td>Subsidized affordable rental to...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>...refinanced/renewed contract w/subsidies</td>
<td>Low</td>
<td>Yes</td>
</tr>
<tr>
<td>...market rate rental</td>
<td>High</td>
<td>Some</td>
</tr>
<tr>
<td>...condominium</td>
<td>High</td>
<td>No</td>
</tr>
</tbody>
</table>
45% of rental households in the GDT are housing burdened.
Black renters 1.4x more likely to be housing burdened than white renters.
Detroit Case Study: Trends
High Housing Burden is a factor, particularly for those earning “workforce” and lower incomes

<table>
<thead>
<tr>
<th>Profession</th>
<th>Income range or Mean wage</th>
<th>Affordable monthly rent</th>
<th>Income Bracket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detroit Fire Fighter</td>
<td>$32,000-$54,300</td>
<td>$815-$1,360</td>
<td>Workforce</td>
</tr>
<tr>
<td>Detroit Police Officer</td>
<td>$32,000-$52,000</td>
<td>$800-$1,300</td>
<td>Workforce</td>
</tr>
<tr>
<td>DPS Teacher (Elem)</td>
<td>$36,000-$43,000</td>
<td>$900-$1,075</td>
<td>Workforce</td>
</tr>
<tr>
<td>Retail Supervisors</td>
<td>$41,050</td>
<td>$1,026</td>
<td>Low-income</td>
</tr>
<tr>
<td>Medical Technicians</td>
<td>$38,940</td>
<td>$974</td>
<td>Low-income</td>
</tr>
<tr>
<td>Janitors and Cleaners</td>
<td>$26,570</td>
<td>$664</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Retail Salesperson</td>
<td>$25,160</td>
<td>$629</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Gaming Dealers</td>
<td>$23,730</td>
<td>$593</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Restaurant Cook</td>
<td>$22,580</td>
<td>$564</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Home Health Aid</td>
<td>$21,630</td>
<td>$540</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Social Security (2015 Average Benefit)</td>
<td>$21,360</td>
<td>$534</td>
<td>Very low-income</td>
</tr>
<tr>
<td>Restaurant Wait Staff</td>
<td>$20,440</td>
<td>$511</td>
<td>Very low-income</td>
</tr>
<tr>
<td>MI Minimum wage position ($8.50/h)</td>
<td>$17,000</td>
<td>$425</td>
<td>Very low-income</td>
</tr>
</tbody>
</table>

Average non-subsidized studio rent in Midtown, 2014: $598
$720 for a 1br, $958 for a 2br
Detroit Case Study: Findings

- Housing market is tightening
- Poor management of “naturally affordable” properties can leave residents ill-equipped to find new housing
- Properties may look good on the outside but have severe infrastructure damage that isn’t clear from municipal data sources (questions re: data-based inventory)
- Social/housing service providers may be stretched, but are necessary for the process
- Evaluating residents’ experience is imperative
- Successful management of resident relocation requires collaboration, including: an Initiator, a Manager, a Service Provider, and a Verifier / Evaluator
Detroit Case Study: Recommendations for CDFIs investing in specific projects

**CDFI Investment Priorities:** The following recommendations are intended to address issues at the project level, and provide steps that individual CDFIs or community partners can take. CDFIs should continue to prioritize the creation of new multifamily residential units in Greater Downtown with a focus on new construction and rehabilitation of unoccupied structures. However, rehabilitating unsafe buildings with low occupancy rates should be considered on a case-by-case basis.

- **Extended notice**
- **Housing services, including pre-move search services and post-move check-ups**
- **Financial assistance for relocation**
- **Rental waivers**
- **Utility and credit aid/counseling**
- **Prioritized rental/right-of-return**
Detroit Case Study: Additional Recommendations

Community and Citywide recommendations

*Greater Downtown Multifamily Coalition:* A number of interviewee recommendations lend themselves to a coordinated community effort with a number of responsibilities.

- Ongoing multifamily data collection and area survey
- Third-party verification, coordinate relocation needs
- Community partner support
- Flexible capital
- Tenant association and neighborhood organization support
- Property management
- Housing preservation strategy
- Rental gap aid for relocated residents

Political Advocacy

*Beyond the direct action of loan covenants and the collective actions of the proposed Greater Downtown Multifamily Partnership,* certain public policy changes would help to slow and mitigate displacement. The following are some examples from other cities and suggestions from our interviewees:

- **Increased legal protection for renters** | e.g. condominium transitions
- **Inclusionary housing or zoning policies**
- **Rent control**
- **Development/PILOT fees**
- **Community benefits agreements**
Detroit Case Study: CIP Response
Stay Midtown

www.staymidtown.org

- **Led by:** Capital Impact Partners (CIP) and Midtown Detroit, Inc. (MDI), a community development corporation active in Detroit’s cultural center – Midtown

- **Goal:** To retain middle-income households & quality housing options for current residents during this period of high demand and limited supply in Midtown.

- **Program description:** Subsidy program to address a near-term 2-4 years supply gap for moderate-income (50-80%AMI) households at risk of displacement in Midtown, Detroit
Detroit Case Study: CIP Response – Stay Midtown

Midtown

Population, 2014: 13,746
Area: 2.09 sq mi, 1,339 acres
Occupied housing units, 2014: 8,055
Median Household Income, 2014: $34,777
DFC 10-year Land Use: District Center

Demographics

Population

Race and Ethnicity 2014

Income

Household Income Mix

Gini Coefficient 2014

Jobs & Employment

Employed residents 2014

Jobs in Area

Inclusive Growth Scenario

Estimated maximum build cost: $1.24 Billion
Vacant developable acres: 212

Combination potential:

4,088 units desirable
14,235 units undesirable

Annual household income mix with 40% middle-income standard, 2014

Total occupied households in maximum-build scenario:

24 housing units per acre

How many $25,000-$75,000/yr units are needed to achieve a goal of 40-60% households in the middle-income bracket at maximum build

Poverty Rate, 2014

National poverty rate is 12% poverty rate is <10 is a better goal

If poverty is reduced to below 10%, how many households must emerge from poverty at maximum build?
Detroit Case Study: CIP Response
Stay Midtown

Geographic Focus:
- Midtown, Detroit (map and demographics on prior page)

Two Strategies
- Strategy I: Financing Transition Assistance of Multifamily Housing Rehabs
- Strategy II: Housing Costs Burden due to 10% or more Rental Rate Increases
Target Outcomes

- Resident retention strategy will serve 100-500 households with subsidies to stay in place or have access to quality housing in the greater downtown.
- Execute financing policies for development sites in Detroit with residents in place.
- Learn about this income range population and ways to serve neighborhoods in active states of transition and revitalization.