Freddie Mac White Paper Examines Residential Economic Diversity in High Opportunity Areas

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Investments in California, Maryland and Minnesota Boost Economic Diversity Where Quality of Life and Rents are High

MCLEAN, Va., Dec. 13, 2019 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) today released a white paper with three case studies examining markets identified as high opportunity areas by state governments, and how these markets foster opportunity for residents by providing access to education, jobs, health care, and transportation. Freddie Mac's research analyzes properties in San Francisco, Baltimore and Minnesota's Twin Cities markets, and explores replicable financing approaches used by these properties that can be leveraged in other markets to create and preserve affordable housing across the country.

"States have a significant degree of discretion in how they allocate Low-Income Housing Tax Credits (LIHTC) based on their Qualified Allocation Plans (QAPs)," said Steve Guggenmos, vice president of Multifamily Research and Modeling at Freddie Mac. "Through these QAPs, states define areas they view as high opportunity. Our research examines the different ways in which three distinct markets foster opportunity for residents in high opportunity areas, where creating or preserving affordable housing can be especially challenging."

2698 California Street Apartments in San Francisco
In San Francisco, the job growth has far outpaced the creation of new housing with 8.5 new jobs created for every new housing unit. The dwindling supply of available housing and inability to create new housing fast enough makes preserving the current supply of affordable housing even more important. The 2698 California Street Apartments complex is located in the state-designated high opportunity area of Pacific Heights, which provides residents with access to high educational and economic opportunities where affordable housing is in short supply. By leveraging a 4% LIHTC, a local subsidy, and debt from Bank of America and Freddie Mac, the property was able to undergo a Rental Assistance Demonstration (RAD) conversion. The RAD conversion of the entire San Francisco public housing portfolio is a model that can be replicated in other cities as they embark on their own large-scale RAD conversions.

Red Run Station in the Baltimore Area
Red Run Station is in the growing Baltimore submarket of Owings Mills/Pikesville, which has been designated by the state of Maryland as a high opportunity area. The area boasts a well-diversified local economy, strong access to health care and higher than national average wages. The area also boasts higher median incomes, but despite that, has a higher percentage of poverty and cost-burdened renters. This property is set to provide critical affordable housing to low-income borrowers as well as people with disabilities. Like the San Francisco property, Red Run Station benefits from LIHTCs, multiple subsidies, abatements and subordinate debt options. The property highlights the importance of federal, state and local housing subsidies working together in the construction and preservation of affordable units.

Legends of Champlin in the Twin Cities Metro Area
Legends of Champlin is located in Champlin, Minnesota, a state-designated high opportunity area outside of Minneapolis. The Twin Cities metro area is the home of 18 Fortune 500 company headquarters, contributing to its strong economy and growing population. The consistently strong job market has driven up demand for housing, causing over half of the renters in the area to feel cost-burdened. The age-restricted property provides affordable housing focused on the fastest growing demographic in the area: the 55+ age cohort. Legends of Champlin remains affordable by relying on LIHTCs, local government support and a Freddie Mac tax-exempt loan.

Additional details for each of the case studies are available in the white paper, titled "Affordable Housing in High Opportunity Areas Defined in State LIHTC QAPs." The research is part of Freddie Mac's three-year Duty to Serve plan to increase rental and homeownership opportunities in historically underserved markets throughout the nation. This is one of several papers released in 2019 related to Freddie Mac's Duty to Serve initiative released by the Multifamily line of business.

Freddie Mac Multifamily is the nation's multifamily housing finance leader. Historically, more than 90% of the eligible rental units we fund are affordable to families with low-to-moderate incomes earning up to 120% of area median income.

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