Freddie Mac White Paper Details Efforts to Preserve Affordable Housing as Areas of Concentrated Poverty Are Revitalized

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MCLEAN, Va., Dec. 20, 2019 (GLOBE NEWSWIRE) -- A new white paper released today by Freddie Mac (OTCQB: FMCC) details how communities can use mixed-income and social impact housing to stimulate economic growth and diversity while preserving affordable housing. The research examines properties in areas of concentrated poverty (ACPs), which are areas designated by the Federal Housing Finance Agency that are characterized by disinvestment, persistently high poverty levels, low economic opportunity and high housing costs relative to income. These case studies reveal that federal and local investment is successfully preserving and improving affordable housing stock with financing models that can be replicated elsewhere.

"The development and transformation of an area of concentrated poverty can help revitalize the local economy by growing the tax base, leading to increased public investment and increased economic opportunity over time," said Steve Guggenmos, vice president of Multifamily Research and Modeling at Freddie Mac. "As these areas grow and develop, mixed-income and social impact housing are instrumental in encouraging residential economic diversity and preventing the displacement of long-time residents."

Mixed-Income Housing at Walker House in Newark, New Jersey

One case study examined in this white paper is Walker House in Newark, New Jersey. Despite its proximity to New York City, Newark experiences disinvestment and an increased concentration of poverty over a period of decades as residents moved to the suburbs. Although it is now experiencing a rebirth, the majority of downtown Newark remains an ACP. In 2017, 25% of the city's population was living below the poverty line, and the unemployment rate was nearly double the national average.

Today, the city is in the midst of its Living Downtown Redevelopment Plan, which is using residential development to catalyze economic growth. Part of this revitalization plan involves converting former office buildings into mixed-income properties. Walker House is one of those properties. Eighty percent of units will be leased at market rate and 20% will be set aside for households making up to 50% of area median income (AMI). Walker House was made possible through the layering of four different types of federal and state subsidies, as well as cost-effective debt financing from Citibank and Freddie Mac.

Social Impact Housing at Regency Pointe in the Washington D.C. Metro Area

A second case study in the white paper is Regency Pointe, which is located 4 miles outside of Washington, D.C. in Prince George's County. This property is in a census tract where half of the residents make below 60% of AMI and nearly two-thirds of renters are cost burdened. But as rents rise throughout the D.C. area, maintaining naturally occurring affordable housing, like that provided at Regency Pointe, is difficult.

Turner Impact Capital, a socially conscious private equity firm, proved it was up to the challenge. The firm and its investors executed a deliberate strategy to acquire and preserve affordability at Regency Pointe without public subsidy. Turner has successfully applied its social impact financing model to workforce housing properties across the country.

Details for each of the case studies are available in the white paper, titled "Furthering Opportunity in Areas of Concentrated Poverty." 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 seven papers related to Freddie Mac's Duty to Serve Initiative released by the Multifamily line of business in 2019.

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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