



High-Opportunity Partner Engagement: Creating Low-Income Housing Options Near Good Schools¹

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It is well established that place matters. School quality, employment, health, and life opportunities are shaped by the neighborhoods in which we live. All too often, however, low-income people of color live in neighborhoods that lack the benefits found in areas of opportunity. Despite the potential of initiatives such as the [Housing Choice Voucher \(HCV\) program](#) to open up areas of opportunity to low-income residents, most voucher holders lack real housing choice and remain concentrated in poor and racially segregated neighborhoods. To counter this, resident mobility programs have emerged to enable voucher holders to move to a broader range of neighborhoods, where they can access high-performing schools and other vehicles of economic mobility. Some positive reforms to the HCV program, such as the [Small Area Fair Market Rent rule](#), have also begun to address the historic tendency of government housing programs to replicate segregated patterns, and to gradually improve access to opportunity.

While there is a strong need to continue voucher program reforms, there also is a great need for complementary initiatives to address the insufficient supply of available housing in opportunity neighborhoods where many voucher holders hope to move. “High-opportunity areas” are generally defined as having low rates of poverty and access to high-quality schools, jobs, and other resources and amenities that make a community desirable. More needs to be done to expand neighborhood access and to ensure that when voucher holders seek to move to such areas, they are able to find and access units. But new housing construction in high-opportunity areas is often weighted down by discriminatory zoning delays and litigation costs that deter many affordable housing developers from entering these markets. In an effort to avoid these issues and to create mixed-income properties that give families with HCVs real choices in where they live, several housing acquisition programs focus specifically on areas of opportunity.

This opportunity-based housing acquisition work currently is being pioneered in various forms by an array of mission-driven actors, including affordable housing developers, public

¹ This essay appears in Mark L. Joseph and Amy T. Khare, eds., *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, please visit the [volume website](#) for access to more essays.

housing authorities (PHAs), and private foundations. This essay reviews the housing acquisition approach to providing greater access to opportunity and highlights promising models. We focus in particular on the [National Housing Trust's \(NHT\) innovative High Opportunity Partner Engagement \(HOPE\) initiative](#) (developed with the support of the [JPMorgan Chase Foundation](#) and [The Kresge Foundation](#)), which we hope will become a model for a community of practice among housing developers.

The Importance of Place for Children

There is strong evidence that neighborhoods can affect residents' life outcomes. These neighborhood effects are especially strong for young children. In a compelling study that corroborates the observations made by housing mobility counselors over the years, Raj Chetty, Nathaniel Hendren, and Lawrence Katz found that moving to low-poverty neighborhoods had a strong causal effect on the life outcomes for young children below the age of 13.² In the mid-1990s, the [U.S. Department of Housing and Urban Development \(HUD\)](#) launched the [Moving to Opportunity \(MTO\)](#) experiment. Designed to evaluate whether moving from high-poverty to low-poverty areas could improve life outcomes for low-income families, MTO offered a randomly selected subset of very low-income families in high-poverty neighborhoods vouchers and counseling to help them move to low-poverty areas. Children in the MTO demonstration who moved from high-poverty to low-poverty neighborhoods exhibited higher rates of college attendance and higher earnings as young adults, were more likely to live in better neighborhoods as adults, and were less likely to be single parents than MTO children who were not in the experimental group. The recorded benefits were greater the younger the child's age at the time of a move, and every additional year a child spent in a better neighborhood environment improved long-term outcomes and prospects for upward economic mobility.³

One of the key ways in which neighborhoods affect life outcomes is through schools. Since most children attend school based on where they live, an important benefit of moving to a higher opportunity neighborhood is the ability to attend high-performing schools. In addition, greater student diversity can benefit both these movers and the community at large. Attending a diverse school is positively associated with higher academic achievement in math, science, language, and reading.⁴ These benefits accrue to students in all grade levels but are greatest in the middle and high school years, suggesting that these benefits accumulate over time.

² Raj Chetty, Nathaniel Hendren, Lawrence F. Katz, "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment," *American Economic Review*, 106, no. 4 (2016): 856, <http://dx.doi.org/10.1257/aer.20150572>.

³ *Ibid.*

⁴ Roslyn Arlin Mickelson, "School Integration and K-12 Outcomes: An Updated Quick Synthesis of the Social Science Evidence," Washington DC: National Center on School Diversity (2016), <https://files.eric.ed.gov/fulltext/ED571629.pdf>.

Integrated, diverse schools tend to have more resources, stable student populations, and more experienced and highly qualified teachers than schools that are racially and socioeconomically isolated.⁵ Students who attend diverse schools are more likely to graduate from high school, enter and graduate from college, and possess workplace readiness and interpersonal skills needed for the modern economy. Attending diverse schools as a child can also make individuals more likely to choose to live in a diverse neighborhood as adults.⁶

An Access to Opportunity Crisis

Far too many families lack access to the higher-opportunity communities that provide economic mobility and educational opportunity. Widening economic inequality and a lack of affordable housing, particularly in high-opportunity areas, make it difficult to achieve upward economic mobility. While housing prices have increased, the supply of affordable housing has not. Indeed, there is a shortage of affordable housing for extremely low-income renters (renters whose household incomes are at or below the federal poverty level or 30 percent of the area median income) in every state, and the majority of extremely low income renters are cost burdened⁷ in every state.⁸ In addition, the legacy of racial segregation persists through concentrated poverty and a lack of opportunity in many neighborhoods. Neighborhoods are key in transmitting this disadvantage across generations.⁹

Despite the goals of the HCV program, it has largely failed to meaningfully disrupt residential segregation and the intergenerational transmission of poverty.¹⁰ In particular, the HCV program fails to provide enough families with access to areas with high-quality schools. Analysis of the HCV program shows that, on average, voucher holders live near schools that perform well below the median in their state. Despite the goals of the HCV program, voucher households generally do not live near schools that are higher-performing than households that

⁵ *Ibid.*, 3.

⁶ Jennifer Ayscuse, Erica Frankenberg, and Genevieve Siegel-Hawley, “The Complementary Benefits of Racial and Socioeconomic Diversity in Schools” (2017), <https://school-diversity.org/pdf/DiversityResearchBriefNo10.pdf>.

⁷ I.e., 30 percent or more of the household’s monthly gross income is dedicated to housing.

⁸ Andrew Aurand et al., “The Gap: A Shortage of Affordable Homes,” Washington, DC: National Low-Income Housing Coalition (March 2019), https://www.novoco.com/sites/default/files/atoms/files/2019_gap_shortage_of_affordable_homes_031419.pdf.

⁹ Patrick Sharkey, *Stuck in Place: Urban Neighborhoods and the End of Progress toward Racial Equality*, Chicago: University of Chicago Press (2013), 19.

¹⁰ Stefanie DeLuca and Peter Rosenblatt, “Walking Away From the Wire: Housing Mobility and Neighborhood Opportunity in Baltimore,” *Housing Policy Debate* 27, no. 4 (2017): 520, <https://doi.org/10.1080/10511482.2017.1282884>; Deborah Thrope, “Achieving Housing choice and Mobility in the Voucher Program: Recommendations for the Administration,” *Journal of Affordable Housing* 27, no. 1 (2018): 145, https://www.nhlp.org/wp-content/uploads/2018/05/AH-27-1_11Thrope.pdf; Alicia Mazzara and Brian Knudsen, “Where Families with Children Use Housing Vouchers: A Comparative Look at the 50 Largest Metropolitan Areas,” Washington, DC: Center on Budget and Policy Priorities and Poverty & Race Research Action Council (2019), <https://www.cbpp.org/research/housing/where-families-with-children-use-housing-vouchers>.

receive other forms of housing assistance.¹¹ The shortcomings of the voucher program have serious implications for racial equity, as voucher holders disproportionately are people of color.¹²

Theoretically, HCVs should help low-income families choose housing on the open market. However, a variety of issues prevent the program from realizing its potential to allow families to choose to live in the full range of neighborhoods. While there is a need for more affordable housing generally, the failures of the program in providing access to opportunity are not simply about market conditions. Rather, they fall into three general areas: (1) the features and priorities of the HCV program itself as it is designed by HUD and administered by public housing authorities; (2) a lack of widespread informational and counseling services that help tenants access areas outside those where public housing tends to be concentrated; and (3) a lack of balance in where affordable units, especially with landlords willing to rent to voucher holders, are located.

This essay focuses primarily on solutions to the third aspect of the problem—the need for additional units in high-opportunity, low-poverty areas to be made available to voucher holders—by describing strategies for increasing the availability of such housing by acquiring existing buildings. We believe that housing policy should address each of these three areas in complementary fashion in order to help the HCV program fulfill its promise, and because the barriers and solutions in these areas interrelate, this section provides broader context on these issues within the HCV program.

Families undergoing a housing search often contend with a lack of information about high-opportunity neighborhoods throughout their regions, racial and ethnic discrimination, and the refusal of landlords to rent to voucher holders (“source-of-income discrimination, which is especially pervasive”).¹³ Moreover, families facing market constraints and tight search periods often may be more concerned with finding any place to live than with focusing on high-opportunity neighborhoods. Payment standards also may be insufficient to cover the rent in low-poverty neighborhoods.

Serious structural problems also prevent families from moving to neighborhoods with high-quality schools and other opportunities. Limited interjurisdictional public housing authority (PHA) cooperation may prevent families from being able to effectively exercise the portability feature of the HCV program. In the face of constraints, PHA staff may spend their limited time and energy simply finding housing for as many families as possible in any neighborhood rather than on a more resource-intensive search for housing in a high-opportunity area. Moreover, the system by which HUD evaluates the performance of PHAs focuses on administrative

¹¹ Ingrid Gould Ellen and Keren Horn, “Housing and Educational Opportunity: Characteristics of Local Schools Near Families with Federal Housing Assistance,” Washington, DC: Poverty & Race Research Action Council (July 2018), <https://prrac.org/housing-and-educational-opportunity-characteristics-of-local-schools-near-families-with-federal-housing-assistance/>.

¹² “Who Lives in Federally Assisted Housing?” (2012), <https://nlihc.org/sites/default/files/HousingSpotlight2-2.pdf>.

¹³ Thrope, “Achieving Housing Choice and Mobility in the Voucher Program,” 151-153.

performance (e.g., voucher utilization rates, rent payment calculations, client income verifications) while placing little emphasis on desegregation and deconcentrating poverty. This creates a disincentive for PHA staff to spend time helping families relocate to opportunity areas and finding landlords who welcome voucher holders.¹⁴

To address the obstacles that stand in the way of moving to better neighborhoods, mobility programs have been established around the country. Mobility programs provide supportive services that help voucher holders overcome challenges to finding housing in low-poverty areas and can help more fully realize the potential of the HCV program. These programs provide housing search assistance to help families fully understand how the HCV program works, assist with security deposits, and connect renters with landlords who will accept vouchers. The services also may include pre-move counseling that provides information on topics such as credit and budgeting and can help make tenants more attractive to landlords. In some instances, program participants may receive post-move counseling to help ease the transition to new areas. Such programs have been successful in areas such as Dallas, Chicago, and Baltimore, where they originally resulted from litigation. For example, in Baltimore, families that participated in a mobility program and successfully moved lived in neighborhoods with dramatically lower poverty rates and higher-performing schools.¹⁵ Mobility programs are beginning to gain attention elsewhere as effective interventions that help families access better life opportunities. The experience of many voucher holders who have participated in such programs attests to the potential of housing mobility to improve lives.

Connecting Families to Opportunity through Housing Acquisition

While the counseling programs described above help to address many of the barriers that residents face in accessing high-opportunity areas, complementary *site-based* strategies that increase the supply of affordable units in a targeted way are also an important component in providing low-income families with access to such neighborhoods. Affordable housing may be especially difficult to find in such areas, in part because of the continuing imbalance in the geographic location of government-subsidized housing¹⁶ as well as barriers such as zoning restrictions on multifamily construction.¹⁷ Site-based strategies that rely on mission-driven

¹⁴ Stefanie DeLuca, Phillip M. E. Garboden, and Peter Rosenblatt, “Segregating Shelter: How Housing Policies Shape the Residential Locations of Low-Income Minority Residents,” *The Annals of the American Academy of Political and Social Science* 647, no. 1 (2013): 287, <https://doi.org/10.1177/0002716213479310>; Thrope, “Achieving Housing Choice and Mobility in the Voucher Program,” 152.

¹⁵ Stefanie DeLuca and Peter Rosenblatt, “Walking Away From the Wire,” 522.

¹⁶ Gould Ellen and Horn, “Housing and Educational Opportunity.”

¹⁷ Ingrid Gould Ellen, Keren Mertens Horn, and Yiwen Kuai, “Gateway to Opportunity? Disparities in Neighborhood Conditions Among Low-Income Housing Tax Credit Residents,” *Housing Policy Debate* 28, no. 4 (2018): 576, <https://doi.org/10.1080/10511482.2017.1413584>.

housing developers to expand the supply of affordable housing can protect tenants from discrimination based on their source of income—and ease the administrative burden that public housing authorities and mobility programs otherwise face in building relationships with landlords who are willing to accept vouchers.

Increasing recognition of the need to give families the choice to live in high-opportunity areas and to increase the supply of affordable housing in such areas has sparked pioneering efforts to create low-income housing in areas of opportunity. The details of each model differ but the underlying concept is straightforward: The targeted acquisition of existing buildings in neighborhoods with amenities, resources, and good schools will help expand the supply of affordable housing and preserve the long-term affordability of units. Introducing a number of low-income families into these acquired buildings will help create mixed-income, diverse buildings and communities and can help children attain better outcomes over the course of their lives. By creating a pipeline between PHAs and specific properties, this approach can also complement mobility counseling programs in expanding access to opportunity neighborhoods that were previously largely inaccessible for these families.

The emerging housing acquisition models offer several practical advantages over more conventional approaches to providing affordable housing. Acquiring existing housing in areas with high property values often is more financially feasible than developing new housing in such areas, because there is no need for expensive new construction. In comparison to new construction, acquisition can also help reduce the threat of community opposition derailing a project. Traditionally, acquisition has been most financially and logistically advantageous in areas where affordable housing already is concentrated or when used as a means to prevent displacement; this is partly due to the lack of successful models for opportunity-focused acquisition. In a promising turn, however, a number of opportunity acquisition models have taken root and are beginning to thrive.

Emerging Opportunity Acquisition Models: An Overview

Opportunity acquisition strategies have gained interest among an array of entities in both the public and private sectors. Such initiatives are still relatively rare, with ample room for this field to grow, and these early efforts are significant in part because they provide models from which others can learn. In this section we provide an overview of several of these initiatives and then explore more deeply the NHT HOPE model. It is our hope that this initiative will inspire a new community of practice among housing developers, as more of them build on these models and engage in opportunity acquisition.

NHT's High Opportunity Partner Engagement Acquisition Model. The National Housing Trust's HOPE initiative acquires existing market-rate rental housing in areas with high-quality schools and then allocates a portion of these units to low-income choice voucher holders. This strategy aims to show that coordination between housing providers and local housing authorities, with an intentional focus on access to good schools, can lead to permanent increases in educational achievement. HOPE will introduce low-income families into existing properties as turnover occurs. Over time, these all-market-rate properties will become mixed-income buildings as voucher holders move into vacant units. Because vouchers are introduced as natural attrition occurs, no existing market-rate tenants will be displaced in the process. NHT is working with local partners in a number of states and closed on its first transaction in 2017 in Coon Rapids, MN. At the time of writing, NHT has renovated the building and is currently in the process of leasing vacated units to voucher holders.

The Moving to Opportunity Fund. Another variant of this financing model, the [Moving to Opportunity \(MTO\) Fund](#), is a real estate fund focused on improving access to good schools for extremely low-income families with young children living in areas of concentrated poverty, while delivering market-rate returns for investors. MTO seeks to acquire class A multifamily properties in communities with top schools and voluntarily reserve 20 percent of units for voucher holders. The MTO Fund is a for-profit real estate investing operation coupled with an affiliated non-profit that will focus on service delivery. The MTO Fund will target properties in the largest 20 metropolitan areas and hold properties long-term. The MTO Fund also provides a variety of supportive services such as mobility counseling, family counseling, and support for children. Initially, the fund is seeking to partner with foundations to fund a pilot before expanding to attract mainstream investors such as pension funds who are looking for conservative long-term investments. For an in-depth discussion of the MTO Fund rationale, strategy, and implications, please see the essay by Hans Buder in this volume.

Baltimore Regional Project-Based Voucher Program. Project-based vouchers are an important key in a new effort to connect low-income families to opportunity in the Baltimore region. [The Baltimore Metropolitan Council](#) is working with [Baltimore Regional Housing Partnership \(BRHP\)](#) and PHAs in the Baltimore region to pilot a new regional PBV program. This initiative was partly modeled on the [Regional Housing Initiative](#) developed in the Chicago area (For more on the Chicago RHI, see the essay by Robin Snyderman in this volume). [The Baltimore Regional Project-Based Voucher Program](#) uses project-based vouchers pooled from PHAs throughout the Baltimore region. Affordable housing developers can apply for subsidies to create housing in areas of opportunity (through existing homes, rehabilitation, or new construction) in five participating jurisdictions. The program uses criteria developed by BRHP to designate high-opportunity census tracts as locations for developments, with a focus on access to high-quality public schools, jobs, and neighborhood safety. At least two-thirds of vouchers awarded through the Regional PBV program must be in high-opportunity areas. Tenants are

selected from a waiting list from a housing mobility program administered by BRHP and must receive mobility counseling before and after their move.

Housing Authority-led Affordable Opportunity Housing Acquisition. In the Seattle area, the [King County Housing Authority \(KCHA\)](#) is an example of a public housing authority that has embraced housing acquisition as a mobility strategy. Over the last 20 years, KCHA has acquired or developed thousands of housing units. Targeted acquisitions generally are older multifamily developments where KCHA limits rent growth and introduces project-based HCVs for 15 to 20 percent of the units. KCHA collaborated with partners in 2010 to rank census tracts across five opportunity categories: education, economic health, housing, transportation and mobility, and health and environment. KCHA’s site-based affordability strategy focuses on increasing the supply of subsidized housing options in opportunity areas; the majority of units are located in high or very-high opportunity areas. Of these units, 28 percent house extremely low-income voucher holders. Acquisitions generally are financed through private debt, with [Low-Income Housing Tax Credits \(LIHTC\)](#) utilized where significant rehabilitation or new construction is required.¹⁸

Each of the models described above focuses on expanding the supply of affordable housing in high-opportunity areas and connecting tenants to such housing, indicating how this can work with different actors, financing structures, and geographies. We now turn to a deeper look at one of these models—NHT’s HOPE program—to describe the specific opportunities and challenges it has encountered and the lessons it may present for opportunity acquisition as a whole.

The HOPE Model: A Deeper Look

In 2017, NHT launched HOPE to provide affordable housing options near high-performing schools.¹⁹ Although NHT acknowledges that access to high-quality education is not the only measure of opportunity, the intent of the HOPE model is to test a financing mechanism for acquiring properties in those areas, which traditionally are difficult for low-income renters to access. Partnering with local organizations in communities across the country, NHT is identifying, bidding on, and acquiring market-rate, multifamily rental properties in communities that meet the education criteria. Working with public housing authorities to introduce HCVs in 20 percent of the apartments, NHT and its partners are making this high-opportunity housing affordable to low-income residents.

¹⁸ Stephen Norman and Sarah Oppenheimer, “Expanding the Toolbox: Promising Approaches for Increasing Geographic Choice,” working paper, Cambridge, MA: Joint Center for Housing Studies of Harvard University (2017), <https://www.jchs.harvard.edu/research-areas/working-papers/shared-future-expanding-toolbox-promising-approaches-increasing>.

¹⁹ The HOPE initiative is supported by The Kresge Foundation and the JPMorgan Chase Foundation.

Apartments eligible for HOPE acquisition require minimum rehab (about \$5,000 to \$10,000 per unit) and are in a high-quality school district, meaning one in which the primary elementary school (a) has as rank of seven or above (meaning “good” or “excellent”) in the [GreatSchools](#)²⁰ index; (b) outperforms its peers in at least two of the following three subject areas: math, reading, and science (as reported by GreatSchools); and (c) appears in the top quartile of the relevant state’s ranking of all elementary schools. In addition, NHT and its partners prioritize properties with family-sized units, helping to ensure that low-income children gain access to the high-quality education available. While HOPE promotes NHT’s mission of providing low-income individuals and families the opportunity to live in quality neighborhoods with access to opportunities, it also is a successful housing finance model with a required internal rate of return of only 8.5 percent. Properties that will work for the HOPE model are not just those that provide access to good schools, they are properties on which it is economically feasible to meet the market-rate acquisition price based on allowable voucher rents.

As the first HOPE property, NHT and [CommonBond Communities](#) (an affordable housing developer based on Minneapolis) successfully acquired Pine Point Apartments, a 68-unit market rate property in Coon Rapids, MN with access to excellent elementary schools. This \$6.8 million project includes a \$1 million renovation with a focus on unit and common-area enhancements. Pine Point Apartments are accessible to public transportation, retail and other neighborhood amenities through a bus stop at the property’s entrance that provides service to downtown St. Paul and Minneapolis.

Hoover Elementary, a high-performing school rated eight by GreatSchools at the time of acquisition, is the elementary school that serves Pine Point Apartments. Children from the property have two choices for middle school. Northdale Middle School is a high-performing middle school, scoring seven on the Great Schools Index. Northdale’s test scores are well above the state average, and its black/African-American, Hispanic/Latinx, and Asian students significantly outperform their peers statewide.²¹ The property management team at Pine Point strongly encourages middle school-aged residents to attend Northdale. Students may also elect to go to Coon Rapids Middle School. Although not as high-performing as Northdale, the school does have a number of high-performing programs. At the time of acquisition, Coon Rapids Middle School science and math programs perform in the Northdale range (indeed, a higher percentage of students at Coon Rapids Middle School pass Algebra I than at Northdale) and

²⁰ GreatSchools provides a snapshot of school quality. Although components included within a school’s rating may vary according to the availability of data, the index score is based on five ratings of the school: test scores, student or academic progress, college readiness, equity rating, and advanced courses. GreatSchools ratings follow a 1-10 scale, with 10 the highest and 1 the lowest. For more information, please visit “About Us,” GreatSchools, accessed May 21, 2019, <https://www.greatschools.org/gk/about/>.

²¹ Editor’s note: All references in this essay to black/African-American, white, or Asian populations refer to non-Hispanic/Latinx individuals unless otherwise noted.

black/African-American and Hispanic/Latinx students significantly outperform their peers across the state in reading, math, and science.

As discussed later in this essay, competing with market-rate developers is the most significant challenge in this work. While NHT has engaged partners across the country to identify prospective properties, Pine Point was the first property that met HOPE's criteria for providing access to good schools, was financially feasible for introducing vouchers, and—most importantly—on which NHT was not outbid by another developer. Eighteen months after acquiring the property, 14 apartments are currently occupied by families with HCVs, meaning that a full 20 percent of the total units in the market-rate, high-opportunity property are occupied by low-income families. In 2018, NHT hired Dr. Ann Owens, an Associate Professor of Sociology and Management at the University of Southern California, to conduct a preliminary study of Pine Point and its role in helping low-income families access opportunity. In May 2018, Dr. Owens visited Pine Point to meet with five of the six families with HCVs that had moved into the property at that time. Of the five families interviewed for this study, four are headed by single mothers with children living in the home. One householder is retired, one was not employed, and the other three held at least part-time, low-wage jobs in retail, customer service, or food service. Most of these residents have faced numerous challenges throughout their lives, including family poverty and instability in childhood, exposure to personal and neighborhood violence, limited educational opportunities, homelessness, relationship instability, deployment to war, emigration from war-torn home countries, and health problems.

Although it is too early to tell how or if the children in these families are benefitting from the local high-performing schools in which they are now enrolled, residents evaluated their experience at Pine Point and in the Coon Rapids neighborhood positively. Many, however, were still learning about the community as they had been living in the area for fewer than seven months at the time of Dr. Owen's interviews.

NHT's success acquiring Pine Point and making it available to families with HCVs, and the success of any developer wanting to provide opportunity to low-income families through a similar approach, depends on having a strong local partner. In the case of Pine Point, CommonBond provided invaluable knowledge of the local real estate market that NHT, as a national organization, does not have. In addition to identifying properties that fit HOPE's high-opportunity and financing requirements, a savvy local partner can also help negotiate a purchase prior to a property being placed on the market, which increases the rate of success. NHT's experience is that bidding on eligible properties on the open market generally is unsuccessful for this model, as potential market-rate buyers, many of whom may plan to perform modest rehab and increase rents, can offer higher purchase prices. Pine Point was identified and purchased through CommonBond's local and professional relationships, sparing both NHT and its partner the challenges of competing with market-rate bidders.

Just as important as a strong relationship with a local development partner is a candid, trust-based relationship with the local PHA. For this critical role, NHT again relies on a local development partner who either has an existing relationship or is well-positioned to foster one. In the case of Pine Point, CommonBond's relationship with the local PHA has been critical to securing residents with vouchers. In fact, it was the PHA's initial support of the proposed project that encouraged NHT and CommonBond to pursue the project. When Pine Point was acquired, it was fully occupied by market rate-renters. Even as natural attrition occurred and units became available to families with vouchers, it took several months before these families moved in. NHT also recognized that some of the delay in renting to low-income families was the result of transitioning to a new management company. When the property was acquired, a new management company took over and, as can be expected with any change in management, it took some time to become familiar with the newly acquired property and establish new operating systems. Once that transition period was over, families with vouchers were quickly able to move into the property and NHT has delivered early on its goal of making 20 percent of the apartments affordable to low-income renters.

In addition to these lessons learned through the Pine Point acquisition, there are risks associated with the HOPE model, primarily on the property identification and financing levels. These risks include difficulty identifying housing projects that meet NHT's high-opportunity criteria, properties with sale and rehabilitation prices too high for the financing model to be feasible, and inability to secure sufficient equity to generate the requisite number of affordable units. While NHT is minimizing the first and second risks by working with strong local partners who know the local real estate market, the potential lack of low-cost equity needed to successfully compete for these high-opportunity properties remains the greatest challenge. NHT has taken steps to address the challenge by securing \$6 million from The Kresge Foundation for low-cost equity, enabling NHT—either as owner/developer, co-developer and/or investor—to quickly bid on properties. NHT is in the process of securing more commitments of debt that can be invested as equity or subordinate debt into HOPE projects. Additionally, NHT has a \$20 million line of credit from UBS, with a favorable interest rate, that can be used as low-cost debt to acquire properties. Finally, NHT is a member of Housing Partnership Equity Trust, a REIT that provides low-cost equity to its members to acquire and preserve affordable housing. NHT has successfully used this REIT financing in the past and hopes to continue to do so.

The possibility that rents approved for HCV properties may not be comparable to market rents is another risk in many places. NHT is reducing this risk by identifying properties in areas where the approved voucher rents equal market rents, including areas that have moved to higher [Small Area Fair Market Rents \(SAFMRs\)](#). Recently implemented by HUD in 24 metropolitan areas characterized by high voucher concentration and vacancy rates (with the opportunity for other areas to adopt them voluntarily), SAFMRs recognize that the higher rents of some neighborhoods result in higher payment standards for vouchers in higher-cost areas, and thus

increase the number of homes economically feasible for acquisition through the HOPE model.²² PHAs also have the ability to increase their payment standards in higher-cost opportunity areas, in order to help facilitate moves to those areas.

Conclusion

As affordable housing and opportunity become increasingly out of reach for low-income residents, and as racial and economic segregation persist, new strategies are needed to create mixed-income communities that expand access to the amenities, resources, and schools that can lead to upward mobility. The National Housing Trust's HOPE initiative, along with several other models, has the potential to improve racial and economic equity in society by creating pathways to opportunity for many low-income households. The focus that HOPE places on access to good schools has potential to create a lasting positive impact for children who move to new neighborhoods. Going forward, housing acquisition programs can build on lessons from the current set of initiatives and should also carefully consider issues such as financing, leasing policies, affirmative marketing strategies, and the services provided to families who choose to move. If executed well, housing acquisition programs that create low-income housing options in quality neighborhoods can be a powerful tool to create access to opportunity.

Implications for Action

Implications for Policy.

- As policymakers grapple with growing concern over high housing costs and structural inequality, housing acquisition models offer one potential way to improve equity and inclusion for low-income families, especially families of color. Policymakers should consider increasing support for these models in order to expand choice and opportunities for low-income families of color. Assembling financing to acquire unrestricted properties on the market is a significant challenge. Policymakers therefore should work to expand the subsidies available, while taking steps to ensure that both current and future funding streams adequately support affordable housing in high opportunity areas. Such support to organizations and PHAs seeking to acquire property could help make acquisition more financially feasible.

²² HUD requires the use of SAFMRs in 24 metropolitan areas that met all five of the following selection criteria: (1) at least 2,500 HCVs under lease in the metropolitan FMR area; (2) at least 20 percent of the standard-quality rental stock within the metropolitan FMR area is located in ZIP Codes where the SAFMR is more than 110 percent of the metropolitan area FMR; (3) at least 25 percent of families with HCVs live in concentrated low-income areas; (4) the percentage of renters with vouchers living in concentrated low-income areas, relative to the percentage of all renters within these areas over the entire metropolitan area, exceeds 155 percent; and (5) the vacancy rate for the metropolitan area is greater than 4 percent. Other areas may adopt SAFMRs or exception payment standards voluntarily.

- Policymakers also should consider a broader set of policy initiatives to complement opportunity acquisition, such as measures to improve the effectiveness of the Housing Choice Voucher program in furthering housing choice, laws banning discrimination based on source of income, and increased funding for housing mobility programs that provide comprehensive counseling and other supportive services that help voucher holders successfully move to high opportunity neighborhoods. The recently passed [Housing Mobility Demonstration Act](#), which provides \$25 million in funding for PHAs seeking to establish mobility programs, is a promising step in expanding mobility.
- Finding a home with a housing voucher is challenging. Affirmative marketing programs that provide for increased outreach to voucher holders with children to make them aware of options in acquired properties could streamline the frustrating search process for these families even more. Interaction with housing and other social service agencies was critical in facilitating these families' moves to Pine Point, so maintaining and strengthening these connections will be important in helping future tenants make opportunity moves.

Implications for Research and Evaluation.

- The housing acquisition models discussed here offer additional opportunities to assess the effects of moving to new neighborhoods on the long-term educational, economic, and health outcomes for low-income residents, particularly for children. The HOPE and MTO Fund models provide an opportunity to explore the role of high-performing schools in inclusionary programs.
- Evaluation of these models' financial feasibility and sustainability will be important for attempts to replicate acquisition efforts.

Implications for Development and Investment.

- These emergent housing acquisition models have potential to alter the way that private developers and investors approach the creation of mixed-income developments. If the models are financially sustainable, they have potential to encourage innovation and greater investment into opportunity areas, thereby helping to deconcentrate poverty, redress racial segregation, and create more mixed-income communities. Developers, investors, and PHAs should go beyond "business as usual" to explore new financing models.

Implications for Residents and Community Members.

- Low-income families who choose to move with a voucher to housing in a high-opportunity neighborhood may benefit from increased educational and other

opportunities, and may experience improved mental and physical health.

Neighborhoods and schools also will benefit from increased diversity, especially if efforts are made to cultivate a welcoming, inclusive environment.

- As preliminary interviews with new Pine Point residents indicated, additional supports, including holistic case management, social activities, and neighborhood and school orientations could further benefit families as they transition into Pine Point and the surrounding neighborhood.

About the Volume

This essay is published as part of a volume titled, *What Works to Promote Inclusive, Equitable Mixed-Income Communities*, edited by Dr. Mark L. Joseph and Dr. Amy T. Khare, with developmental editing support provided by Leila Fiester. Production is led by the National Initiative on Mixed-Income Communities (NIMC) at the Jack, Joseph, and Morton Mandel School of Applied Social Sciences at Case Western Reserve University, with lead funding provided by The Kresge Foundation. The volume aims to equip a broad audience of policymakers, funders, practitioners, community activists, and researchers with the latest thinking and tools needed to achieve more inclusive and equitable mixed-income communities. This is the fifth volume in the Federal Reserve Bank of San Francisco's What Works series, which has sought to analyze a variety of key themes in urban development.

The views expressed in the essays reflect the authors' perspectives and do not necessarily represent the views of The Kresge Foundation, the Federal Reserve Bank of San Francisco or of the Federal Reserve System.

Readers can view this essay, the [framing paper](#) for the volume, and all currently posted essays on NIMC's [website](#) where new pieces are being uploaded every month. Essays will be compiled and released in a final print volume, with an anticipated release in 2020.

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