



## Gambling with Homes, or Investing in Communities

How speculation drives evictions and poor housing quality, and how affordable housing protects neighborhoods of color

## LISC Leadership Forum

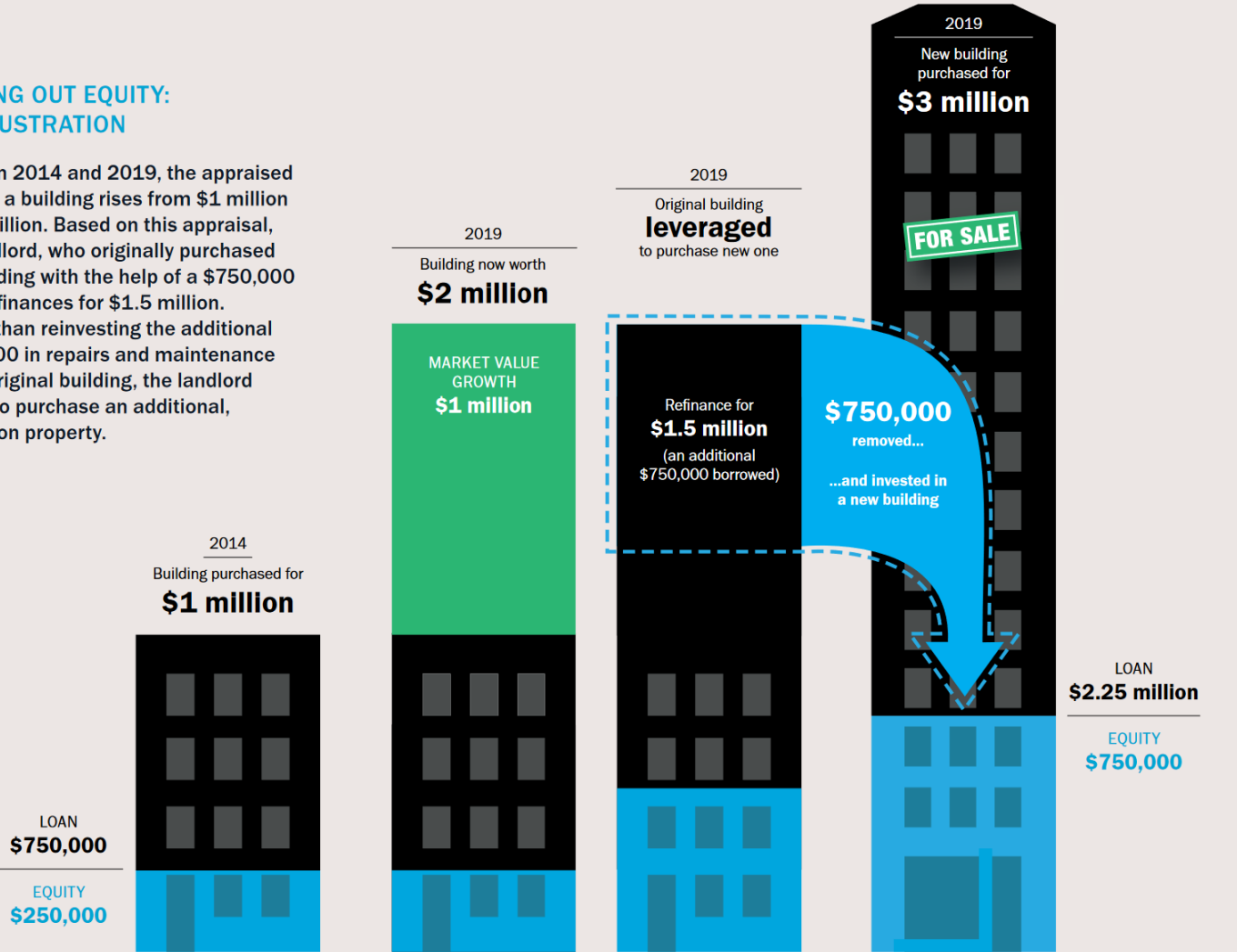
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# Debt is a major way that speculators realize gains

## PULLING OUT EQUITY: AN ILLUSTRATION

Between 2014 and 2019, the appraised value of a building rises from \$1 million to \$2 million. Based on this appraisal, the landlord, who originally purchased the building with the help of a \$750,000 loan, refinances for \$1.5 million. Rather than reinvesting the additional \$750,000 in repairs and maintenance to the original building, the landlord uses it to purchase an additional, \$3 million property.



# What are the consequences of speculation for tenants and communities?

## Housing quality

Properties that re-sold for the highest additional amount or which took on the most added debt **have up to 2.7x more housing violations** than those that did not.

## Evictions

Building owners who took on more debt or bought at higher prices **evicted their tenants at 1.5x the rates of similar properties in comparable neighborhoods**

# The “Dawnay, Day” portfolio



# What is the positive impact of affordable housing investments?

## Housing quality

When looking across all housing units in NYC – including luxury apartment buildings, and newly-constructed apartments – there are about **1/2-2/3 fewer violations in subsidized apartments than in unsubsidized apartments**

## Breaking cycles of speculation

They were **also less likely to be acquired at higher values or to take on higher debt levels** than properties in similar neighborhoods.

# Recommendations

***State legislatures and local governments should bolster tenant protections and address their arrears.***

***Government at the federal, state, and local level should support large-scale acquisition funds, to bring distressed rental housing into community and nonprofit ownership and to promote its permanent affordability.***

***Local government should expand enforcement actions in properties that are perennially in poor maintenance condition, and explore ownership transfer from predatory landlords into community and nonprofit ownership.***

***State governments should use taxation to discourage speculative sales.***

***State and federal agencies should use a range of regulatory tools and oversight mechanisms to ensure that mortgage lending to rental housing benefits tenants, particularly in properties with lower-income residents.***

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