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NOTES

WON'T YOU (PAY TO) BE MY NEIGHBOR—*HOW BUSINESSES
COULD BENEFIT FROM INVESTING IN COMMUNITY LAND TRUSTS*

Cameron Wolfson



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NOTES

WON'T YOU (PAY TO) BE MY NEIGHBOR—*HOW BUSINESSES COULD BENEFIT FROM INVESTING IN COMMUNITY LAND TRUSTS*

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INTRODUCTION

Humans must have a stable housing environment. Without it, health, finances, and happiness deteriorate. It becomes a struggle to provide for one's self and his or her family, and nearly impossible to become a productive member of society. Unfortunately, many Americans fall victim every year to the affordable housing¹ shortage and do not have steady shelter for their families.²

The affordable housing shortage has become a growing phenomenon in the United States. The National Low-Income Housing Coalition (NLIHC) reported that of the 11.4 million extremely low-income households (ELI),³ there are only 7.5 million homes or apartment units available with rent low enough for them to reasonably afford.⁴ Therefore, the United States has an

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of the Journal of Law and Commerce.

¹ *HUD User Glossary*, U.S. DEP'T OF HOUSING AND URB. DEV., https://archives.huduser.gov/portal/glossary/glossary_m.html (last visited Mar. 10, 2020) (stating that "Affordable housing" is defined as housing for which the occupant is/are paying no more than 30% of his or her income for gross housing costs, including utilities).

² See *The Gap: A Shortage of Affordable Homes*, NAT'L LOW INCOME HOUSING COALITION (Mar. 2017), https://nlihc.org/sites/default/files/Gap-Report_2017.pdf.

³ *Id.* at 2 (stating that the NLIHC defines extremely low-income households as those with income at or below the poverty guideline, or 30% of the area median income, whichever is higher.).

⁴ *Id.* at 3.

affordable housing deficit of 3.9 million households, forcing more than one-third of the total ELI households to look towards alternative means of providing shelter. This occurs not just on the West Coast or the East Coast, rather, in nearly every major metropolitan area in the United States faces an affordable housing shortage.⁵ Florida, California, Nevada, New Jersey, and Texas rank among the United States' lowest percentage of affordable units available per 100 ELI renter households.⁶ If this problem persists, our country is faced with an overwhelming number of homeless families, which can lead to job loss, hunger, social isolation, drug abuse, and other negative consequences.⁷ There are societal implications as well, such as the economic dissipation of communities, towns, and in some instances, entire cities.⁸ Studies suggest that unaffordable housing stunts employment growth, which impedes the economic growth of communities.⁹

This Note argues that businesses should invest in sustainable affordable housing initiatives to build stronger communities. A stronger community leads to a stronger customer base with greater purchasing power. Rather than investing in expensive advertisements, travel, or technology, companies that focus on improving the livelihood of their community could find it to be lucrative.¹⁰ In Part I of this Note, I will examine the impact of the affordable housing shortage on families, communities, and businesses. Part II will focus on the strategies used to combat the affordable housing crisis. Specifically, this part will take an in-depth look at community land trusts (CLT) and their

⁵ *Id.* at 8.

⁶ *Id.*

⁷ See Eddie Lorin, *How You Can Help Fix America's Affordable Housing Crisis (And Earn Returns in the Process)*, FORBES (Apr. 16, 2018, 9:00 AM), <https://www.forbes.com/sites/forbesrealestatecouncil/2018/04/16/how-you-can-help-fix-americas-affordable-housing-crisis-and-earn-returns-in-the-process/#fa527f03228e>.

⁸ See *Impact of Affordable Housing on Families and Communities: A Review of the Evidence Base*, ENTER. CMTY. PARTNERS, INC. (2014), <https://homeforallsmc.org/wp-content/uploads/2017/05/Impact-of-Affordable-Housing-on-Families-and-Communities.pdf>. See generally Scott Beyer, *Why Has Detroit Continued to Decline?*, FORBES (July 31, 2018), <https://www.forbes.com/sites/scottbeyer/2018/07/31/why-has-detroit-continued-to-decline/#7ba4b0db3fbc> (alluding to Detroit's poor land-use character of their deteriorating housing stock as one of several reasons it has continued to decline economically).

⁹ See Ritashree Chakrabarti & Junfu Zhang, *Unaffordable Housing and Local Employment Growth*, NEW ENG. PUB. POLICY CTR., <https://www.bostonfed.org/-/media/Documents/Workingpapers/PDF/neppcwp103.pdf> (last visited Feb. 21, 2019).

¹⁰ John Boitnott, *6 Useless Things Businesses Spend Too Much Money On*, AM. EXPRESS (June 14, 2017), <https://www.americanexpress.com/en-us/business/trends-and-insights/articles/6-useless-things-businesses-spend-much-money/>.

part in supporting sustainable affordable housing in areas that desperately need it. Lastly, Part III will discuss how businesses could use CLTs to improve their bottom line. There is great potential for businesses to improve customer relations through social responsibility and earn high profits from laying a groundwork of healthy, financially stable customers.

I. THE IMPACT OF THE AFFORDABLE HOUSING SHORTAGE

A. *The Need for Affordable Housing*

The impact of the affordable housing shortage can be discerned in nearly every major city in the United States.¹¹ Take Pittsburgh for example, where the median household income (MHI) in 2014 was approximately \$40,000 per year.¹² It was estimated at that time that 22,769 (17.2%) households in Pittsburgh were deemed to earn “extremely low-income,” meaning they were earning 30% or less of the MHI—about \$12,000 per year.¹³ However, Pittsburgh only had 34 units of affordable housing available for every 100 extremely low-income households.¹⁴ Therefore, about 15,000 people making \$12,000 or less had no affordable housing options. According to the NLIHC, there are areas of our country in poorer condition.¹⁵ Many fear that the worse is yet to come.¹⁶ As average rental rates of homes are drastically increasing, the number of affordable housing options are decreasing.¹⁷ For the six-year period from 2010 to 2016, apartments available for “very-low”¹⁸ income families dropped by more than 60%.¹⁹ These studies illuminate the issue that

¹¹ NATIONAL LOW INCOME HOUSING COALITION, *supra* note 2, at 8.

¹² Mullin & Lonergan Assoc. Inc. et al., *Housing Needs Assessment* 16 (May 2016), http://apps.pittsburghpa.gov/dcp/Pittsburgh_Housing_Needs_Assessment.pdf.

¹³ *Id.* at 13, 16.

¹⁴ *Id.* at 6.

¹⁵ See NATIONAL LOW INCOME HOUSING COALITION, *supra* note 2, at 8.

¹⁶ See ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 3.

¹⁷ *Id.*

¹⁸ *Id.* at 14 (explaining that the study defines “very low” as households making less than 50% of the area median income.).

¹⁹ Tracy Jan, *America's Affordable-Housing Stock Dropped by 60 Percent from 2010 to 2016*, THE WASH. POST (Oct. 23, 2017), https://www.washingtonpost.com/news/wonk/wp/2017/10/23/americas-affordable-housing-stock-dropped-by-60-percent-from-2010-to-2016/?noredirect=on&utm_term=.b882f6dfdbdc.

the affordable housing problem in the United States is nothing short of a crisis.

B. The Impact of the Affordable Housing Shortage on Families

The impact of the affordable housing shortage on American families is devastating.²⁰ Housing instability can plague other aspects of life including education, health, and economic security.²¹ Lack of affordable housing causes families to constantly move, either from eviction for not being able to afford a house or apartment, or from trying to find cheaper housing options. This type of frequent moving for a family is known to reduce a child's educational achievement.²² It can indirectly have a negative impact on teachers and classmates.²³ According to a study of Chicago schools, teachers who have a student body that is constantly changing have a harder time grasping the effect of their lesson plans and teaching strategies on students.²⁴ The curriculum at a school where the student body is inconsistent is a year behind a school with a more stable student body.²⁵

Housing insecurity can also affect one's health.²⁶ In many instances, the impact on adults and children can be very serious. There is a strong link between how often a child moves and signs of lifetime depression.²⁷ Some consequences of living in a housing unit above a family's income level are the economic trade-offs the family must make to pay rent.²⁸ Many times the family must cut health care costs, such as medicine and doctor visits.²⁹

²⁰ See Ellie Anzilotti, *America's Affordable Housing Crisis Is Driving Its Homelessness Crisis*, FAST COMPANY (Dec. 7, 2017), <https://www.fastcompany.com/40504605/americas-affordable-housing-crisis-is-driving-its-homelessness-crisis>.

²¹ See ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 2.

²² See Maya Brennan, *The Impacts of Affordable Housing on Education: A Research Summary*, CTR. FOR HOUSING POL'Y 1 (May 2011), https://nchh.org/resource-library/cfhp_insights_impacts-of-affordable-housing-on-education.pdf.

²³ *Id.* at 2.

²⁴ *Id.*

²⁵ *Id.*

²⁶ See Diana Becker Cutts et al., *US Housing and the Health of Very Young Children*, 101 AM. J. PUB. HEALTH 1508, 1508 (2011), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3134514/pdf/1508.pdf>.

²⁷ ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 6.

²⁸ See *id.*

²⁹ *Id.*

Housing instability has been linked to increasing emergency department visits and non-pregnancy related hospitalization.³⁰ With the help of additional subsidized housing, these health issues have improved drastically.³¹ Children who are able to live in affordable housing are 28% less likely to be declared underweight and 19% less likely to be food insecure.³² Affordable housing means more food on tables and healthier lifestyles for indigent families.

While it may seem obvious that lack of affordable housing has a lasting impact on a family's economic security, many are not aware to what extent. When families cannot find affordable housing options, they must allocate a large percentage of their income to pay for market rate housing options.³³ This has a great impact on the time families have outside of work and the money they can afford to spend on other areas of their life, such as education, health, and leisure.³⁴ According to the U.S. Department of Housing and Urban Development (HUD), a minimum wage employee must work 104 hours per week, or about 15 hours per day every day,³⁵ to afford a market-rate two-bedroom apartment.³⁶ On the other hand, ELI families living in affordable homes have double the discretionary income of those who must pay regular market rate.³⁷ This not only has a significant impact on a family's overall quality of life, but can also stimulate local economy, decrease unemployment, and grow local businesses.

³⁰ Margot B. Kushel et al., *Housing Instability and Food Insecurity as Barriers to Health Care Among Low-Income Americans*, 21 J. GEN. INTERNAL MED. 74 (2006), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1484604/pdf/jgi_278.pdf.

³¹ See ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 7.

³² *Id.*

³³ See Barbara Lipman, *Something's Gotta Give: Working Families and the Cost of Housing*, 5 CTR. FOR HOUSING POL'Y 11 (2005), <https://www.issuelab.org/resources/671/671.pdf>.

³⁴ See *id.* at 26.

³⁵ ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 4 (defining "Minimum-wage employee" as a worker who earns \$7.25 per hour.).

³⁶ *Id.*

³⁷ *Id.*

C. The Impact of the Affordable Housing Shortage on Businesses

Availability of affordable housing directly effects local economic development.³⁸ The more affordable housing units available, the more low-income families can spend on the local economy, which increases revenue for local governments.³⁹ The positive effects are both short-term and long-term.⁴⁰ In order to build and rent the affordable housing units, the local construction and real estate industries benefit immediately.⁴¹ Once the homes are rented, the long-term spending power of the resident has lasting effects on local businesses.⁴² Research shows that the positive economic impact of creating affordable rental units is the same as creating market rate units.⁴³ It is estimated that by adding 5,000 affordable housing units can result in about \$128 million in consumer spending.⁴⁴ In New York City, an investment into a cluster of affordable housing developments increased local purchasing power by one-third, which revitalized the retail industry of one neighborhood.⁴⁵

Affordable housing allows local businesses to retain employees, which allows them to save money from job training and improve regional competitiveness.⁴⁶ A case study about Gulf Coast businesses after Hurricane Katrina was performed to show the impact of affordable housing on regional competitiveness.⁴⁷ Industries such as shipbuilding and fishing were not able to attract employees because the communities could not build affordable housing units for prospective employees to live in.⁴⁸ When businesses do not have a sufficient pool of employees to hire, they are forced to cut back on production, and thus lose profit, or shut down entirely. The quantity and

³⁸ See Keith Wardrip et al., *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development*, CTR. FOR HOUSING POL'Y (2011), <https://providencehousing.org/wp-content/uploads/2014/03/Housing-and-Economic-Development-Report-2011.pdf>.

³⁹ *Id.* at 1.

⁴⁰ *Id.* at 2.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.* at 5.

⁴⁵ ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 12.

⁴⁶ Wardrip et al., *supra* note 38, at 10.

⁴⁷ *Id.* at 11.

⁴⁸ *Id.*

quality of employees is also impacted by affordable housing.⁴⁹ The annual performance reviews of employees who retain their jobs, on average, are rated higher the longer they are employed.⁵⁰ The lower quality of employee, the less customers a business attracts, therefore a negative impact in a business's profit.

II. APPROACHES TO COMBATING THE AFFORDABLE HOUSING SHORTAGE

A. Public Versus Private View of Approaching Affordable Housing

Generally, there are two different schools of thought on approaching the affordable housing crisis. The first is government intervention, here, the government either purchases property and makes rent affordable or they incentivize landlords to offer affordable housing by means of tax incentives or subsidization programs. The U.S. government has created rental housing subsidy programs to assist low-income families in retaining an affordable house or apartment. The three largest government programs are Public Housing, Project-Based Section 8 Housing, and Section 8 Housing Choice Vouchers.⁵¹ These programs are government funded and deal with publicly or privately owned rental units to reduce the rent so low-income families can afford them.⁵² A 2015 study showed that approximately 4.6 million households receive assistance through HUD programs in the United States.⁵³ While these programs work for some families that live in poverty, it is by no means a perfect system. Approximately 75% of low-income families are denied these benefits or on a waiting list to receive them.⁵⁴ The reality is that there is not enough funding for these programs, and this issue is growing

⁴⁹ *See id.*

⁵⁰ *Id.*

⁵¹ *2018 HUD Affordable Housing Guide*, U.S. DEP'T OF HOUSING AND URBAN DEV. 2 (last updated Dec. 11, 2017), <https://www.hud.gov/sites/dfiles/State/documents/2018-Affordable-Housing-Guide.pdf>.

⁵² *See id.*

⁵³ *National and State Housing Fact Sheets & Data*, CTR. ON BUDGET & POL'Y PRIORITIES (last updated Dec. 10, 2019), <https://www.cbpp.org/research/housing/national-and-state-housing-fact-sheets-data>.

⁵⁴ *See* Chad Stone, *Housing Matters*, U.S. NEWS (Oct. 24, 2014), <https://www.usnews.com/opinion/economic-intelligence/2014/10/24/what-works-and-what-doesnt-in-low-income-housing>.

exponentially.⁵⁵ The 2019 government funding budget proposes the largest cut to affordable housing since the U.S. Housing Act was created in 1937.⁵⁶

Critics of government programs generally prefer to have the invisible hand of the market guide landlords to create affordable houses. The claim is that public housing provided by the government actually costs citizens more than private housing due to the loss of property-tax revenue and the cost of supporting these programs with taxes.⁵⁷ Rather than provide public housing, the aim should be to deregulate the market to allow landlords to provide housing at the price the market can bear.⁵⁸ If there is no demand for expensive apartment units, landlords will be forced to lower rent.⁵⁹ Once rent is lowered, competition to rent their units will force landlords to provide favorable housing conditions.⁶⁰ Like governmental interference however, this is not a perfect solution. Landlords have been known to exploit their tenants, even when there are rent-stabilized policies in place.⁶¹ New York City—infamous for the tension between landlords and tenants—has had issues with landlords finding loopholes around the rent-stabilized restrictions by hiking up rents on apartments when they come up for lease-renewal.⁶² In addition, landlords have been known to discriminate against low-income tenants for their race and income.⁶³ According to HUD, black homebuyers who reply to advertisements about available homes are 17% less likely to be shown those homes than their white counterparts.⁶⁴ The 1968 Fair Housing Act has been created by the government to halt these efforts by ill-intentioned

⁵⁵ See Sharon Parrott et al., *Trump Budget Deeply Cuts Health, Housing, Other Assistance for Low- and Moderate-Income Families*, CTR. ON BUDGET & POL'Y PRIORITIES 3 (Feb. 14, 2018), <https://www.cbpp.org/sites/default/files/atoms/files/2-14-18bud.pdf>.

⁵⁶ *Id.*

⁵⁷ Howard Husock, *We Don't Need Subsidized Housing*, CITY J. (1997), <https://www.city-journal.org/html/we-don't-need-subsidized-housing-11954.html>.

⁵⁸ *See id.*

⁵⁹ *See id.*

⁶⁰ *See id.*

⁶¹ See Cezary Podkul, *New York Landlords Exploit Loophole to Hike Rents Despite Freeze*, PROPUBLICA (Apr. 25, 2017), <https://www.propublica.org/article/new-york-landlords-exploit-loophole-to-hike-rents-despite-freeze>.

⁶² *Id.*

⁶³ See *Housing Discrimination Against Racial and Ethnic Minorities*, U.S. DEP'T OF HOUSING & URB. DEV. (2012), https://www.huduser.gov/portal/Publications/pdf/HUD-514_HDS2012_execsumm.pdf.

⁶⁴ *Id.* at 7.

landlords, but a truly privatized market would rid these laws.⁶⁵ Therefore, we cannot trust the market to completely correct itself when there have been known instances of landlords taking advantage of tenants for reasons other than pecuniary gain. Other approaches to solving the affordable housing shortage have come into existence recently, some of which show promise to alleviate this issue.

B. The Community Land Trust

1. Community Land Trust Defined

In many ways, a CLT is the perfect balance between government intervention and privatization of the market. CLTs are controlled by community-based organizations and turn dilapidated or vacant houses into habitable homes for low-income tenants.⁶⁶ While the community owns the land, the tenants generally sign ground leases for 99 years.⁶⁷ This ensures stable and affordable housing for multiple generations.⁶⁸ Unlike Section-8 housing or housing vouchers, the tenants have equity in the home which allows them to sell it for a certain rate capped by the CLT.⁶⁹ This provides low-income families the potential of upward social mobility. Therefore, while CLTs begin with the community intervening in the market by acquiring dilapidated or vacant property, it ends with the families selling the homes on the private market at the rate their lease permits.⁷⁰

⁶⁵ *Id.* at 9.

⁶⁶ See COMMUNITY LAND TRUSTS (CLTs), COMMUNITY-WEALTH.ORG, <https://community-wealth.org/strategies/panel/clts/index.html> (last visited Mar. 1, 2019).

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ Michela Zonta, *Community Land Trusts: A Promising Tool for Expanding and Protecting Affordable Housing*, CTR. FOR AM. PROGRESS 7 (June 20, 2016, 9:03 AM), <https://www.americanprogress.org/issues/economy/reports/2016/06/20/139515/community-land-trusts/>.

⁷⁰ The ground lease generally provides restrictions to ensure the homes are still being sold to low-income families, but to a certain extent. This can be enforced through lease provisions which require the new home-purchaser to be making a certain percentage of the MHI. Therefore, it is still on the private market for the families to sell their homes, but the CLT does have the ability to restrict the sale to ensure the purpose of the property is furthering the cause to alleviate affordable housing shortages.

2. *Advantages of Community Land Trusts*

As discussed above, the main advantage to having a CLT is to create wealth through ownership in home equity and long-time stability of affordable housing.⁷¹ In addition, families who occupy a CLT property do not have high mortgage payments because the homes are leased at below market prices.⁷² This ensures protection from foreclosures on the property.⁷³ Properties run by a CLT are 90% less likely to be foreclosed on than conventional home mortgages.⁷⁴ CLTs are not restricted to residential property either, it can be used for commercial property as well.⁷⁵ This allows local businesses to operate at an affordable rate, ensuring lasting tenancies and stimulating local economy. Another benefit of CLTs is that the inherent structure of the 99-year lease prevents the rapid resale of affordable homes.⁷⁶ Rapid resale causes housing prices to sky rocket and prevents low-income families from renting homes in the area in a very short period of time.⁷⁷ This is common in neighborhoods that gain popularity quickly, leading to the gentrification of entire communities. Lastly, CLTs are run by a board of community advisors.⁷⁸ Therefore, CLTs have the experience and information necessary to control community assets and make better decisions regarding the residents than a government agency.⁷⁹ Not only do these benefits have the potential to improve the current living conditions of low-income families, but they can change their fortune for generations to come.

3. *Disadvantages of CLTs*

There are two distinct disadvantages of using CLTs to promote affordable sustainable housing for low-income tenants. First, it prevents homeowners from reaping the full benefits of reselling their home once their

⁷¹ See COMMUNITY-WEALTH.ORG, *supra* note 66.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ See *id.* (discussing market factors causing prices to rise).

⁷⁷ Mullin & Lonergan Assoc. Inc. et al., *supra* note 12, at 6.

⁷⁸ COMMUNITY-WEALTH.ORG, *supra* note 66.

⁷⁹ See *id.*

leasing period has expired.⁸⁰ This could have a large impact if during the tenancy, the market value of the property dramatically increases. The covenant on selling the land at full price means families must take below market value for sale of the land. While this does prevent homeowners from maximizing on their investment, it furthers the purpose of the CLT and allows other low-income families to own the home. Without this mechanism, the CLTs may only be able to control the distribution of these properties for one lease term. Second, CLTs have issues securing funding.⁸¹ This has a direct impact on the amount of homes CLTs can offer to low-income residents. The estimated number of housing units supplied by CLTs as of 2018 was between 10,000 and 15,000.⁸² Compared to HUD's assistance programs which supply about 4.6 million homes with rent assistance, CLTs impact far fewer people.⁸³ However, if other sources of financing can be allocated to CLTs, they could impact many more Americans and potentially change the landscape of affordable housing.

III. THE BUSINESS ADVANTAGE OF INVESTING IN COMMUNITY LAND TRUSTS

A. Corporate Social Responsibility

By focusing on improving affordable housing, a business's return could be three-fold. First, the business garners positive attention by providing social responsibility to the community, which in turn brings in more customers and larger profits. Studies show that customers who associate companies with positive social impact prefer to purchase from those companies, in contrast to companies who do not.⁸⁴ About 53% of respondents even admitted they would pay a 10% premium for the products offered by

⁸⁰ Mallory Hasbrook, *Community Land Trusts and the Effort to Implement Affordable Housing*, WELBORN SULLIVAN MECK & TOOLEY, P.C. BLOG (Dec. 13, 2017), <https://www.wsmtlaw.com/blog/community-land-trusts-and-the-effort-to-implement-affordable-housing.html>.

⁸¹ Kirby White, *The CLT Technical Manual*, NAT'L COMMUNITY LAND TRUST NETWORK, ch. 2, 1 (2011), <http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf>.

⁸² COMMUNITY-WEALTH.ORG, *supra* note 66.

⁸³ CTR. ON BUDGET & POL'Y PRIORITIES, *supra* note 53.

⁸⁴ See Richard Levick, *Corporate Social Responsibility*, FORBES (Jan. 11, 2012), <https://www.forbes.com/sites/richardlevick/2012/01/11/corporate-social-responsibility-for-profit/#8a9346946f1b>.

companies who participate in social responsibility initiatives.⁸⁵ Additionally, a Harvard Business School study confirmed that socially responsible companies are rated more favorably from securities analysts.⁸⁶ This directly impacts a company's overall stock value.⁸⁷ Therefore, companies who invest in CLTs could offset some of their investment by increasing prices and valuation of their stock value.

B. Purchasing Power

Second, community purchasing power would increase. There is a direct negative correlation between affordable housing and employment growth.⁸⁸ For metropolitan cities, the effect is even larger.⁸⁹ The more people unemployed, the less money spent on local businesses. However, the inverse is also true.⁹⁰ For every 100 low income affordable housing options available, there is an estimated \$7.9 million increase in local income and \$2.4 million each subsequent year.⁹¹ For some communities, this can turn around their entire economy.

C. Employee Retention

Third, employee retention increases. Employment retention is shown to have a direct effect on employer's profit margins.⁹² A high employee turnover rate means more time training new employees, which leads to loss in productivity and profits. An employee replacement cost can surpass 150% of their annual salary from separation pay, replacement costs and reduced productivity.⁹³ Additionally, retention improves work environment,

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ *See id.*

⁸⁸ Chakrabarti & Zhang, *supra* note 9, at 27.

⁸⁹ *See id.*

⁹⁰ *See* ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 12.

⁹¹ *Id.*

⁹² Sherrie Scott, *Why Are Employee Retention Strategies Important?*, CHRON (June 30, 2018), <https://smallbusiness.chron.com/employee-retention-strategies-important-1241.html>.

⁹³ Justin Harlem, *Why Employers Are Turning to Employer-Assisted Housing Programs*, U. OF PA. (Mar. 16, 2018), <https://www.fels.upenn.edu/recap/posts/1570>.

employee engagement, and employee morale.⁹⁴ The longer a business can retain their employees, the more money they will make. CLTs would prevent employees from being forced from their homes. The employees would be able to keep their houses and their job, thus making more money for their employers.

D. From Theory to Practice

Large corporations, such as JPMorgan Chase & Co. (JPMorgan), already understand the impact that improving communities can have on their business.⁹⁵ In 2018, JPMorgan announced a plan to invest \$500 million into struggling cities across the United States.⁹⁶ By partnering with community organizations, the bank focuses on investing in low-income neighborhoods to lead the turnaround of a cities entire economy.⁹⁷ JPMorgan estimates that a \$500 million investment could yield \$1 billion in capital from other banks and nonprofits.⁹⁸ The world renowned institutional bank is transparent with their intentions of this investment.⁹⁹ In addition to the philanthropic benefit, the investment is meant to create a grassroots campaign which produces economically stable customers, who will turn to JPMorgan to handle their savings and investments.¹⁰⁰

Employers around the country are beginning to invest in employer assisted housing (EAH) initiatives.¹⁰¹ EAHs are similar to CLTs, they are programs that allow employers to assist their employees in purchasing affordable housing options.¹⁰² Employers such as Under Armour, T. Rowe Price, and Johns Hopkins University all participate in EAH programs.¹⁰³

⁹⁴ Scott, *supra* note 92.

⁹⁵ See Matthew Heimer, *JPMorgan Chase Will Commit \$500 Million to Reviving U.S. Cities*, FORTUNE (Sept. 12, 2018), http://fortune.com/2018/09/12/jpmorgan-chase-cities-500-million/?xid=socialflow_twitter_FORTUNE.

⁹⁶ *Id.*

⁹⁷ *See id.*

⁹⁸ *Id.*

⁹⁹ *See id.*

¹⁰⁰ *See id.*

¹⁰¹ *When Employers Help with Housing, Winners Emerge*, HOW HOUSING MATTERS (Feb. 24, 2015), <https://howhousingmatters.org/articles/employers-help-housing-winners-emerge/>.

¹⁰² *Equitable Development Toolkit: Employer Assisted Housing*, POLICYLINK (Oct. 2007), <http://www.policylink.org/resources-tools/employer-assisted-housing>.

¹⁰³ HOW HOUSING MATTERS, *supra* note 101.

They have been able to contribute thousands of dollars to employees who need housing assistance.¹⁰⁴ The model of investing in CLTs across the country will have an identical effect, if not better, because the communities will allocate the funds as they see fit. As we discussed earlier, because the CLTs have the benefit of being run by community leaders, their expertise in the direction of the community will be second to none. If other businesses contribute to this initiative by investing in CLTs across the country, both communities and businesses alike can benefit.

CONCLUSION

Availability of affordable housing is at a crossroads. With a proposal for the largest cut to affordable housing funding in the history of the United States, resources for funding must be provided by the private sector.¹⁰⁵ However, a strict privatization of the housing market has historically proved to be futile.¹⁰⁶ Therefore, it is necessary to tackle this old issue with a new approach. An answer can be found in private businesses investing in community oriented affordable housing efforts, such as CLTs. This investment has the potential to improve business profits in a multitude of ways. It can improve a business's relationship with a community, fostering good will and creating new customers.¹⁰⁷ The purchasing power of those customers will also improve, leading to more income and larger profit margins.¹⁰⁸ Lastly, it will improve employee retention, lowering costs and improving a business's environment.¹⁰⁹ Thus, by investing in community-based affordable housing initiatives, businesses can turn struggling communities into thriving economies, while simultaneously increasing profit margins.

¹⁰⁴ *Id.*

¹⁰⁵ Parrott et al., *supra* note 55.

¹⁰⁶ See Podkul, *supra* note 61; see also U.S. DEP'T OF HOUSING AND URB. DEV., *supra* note 63.

¹⁰⁷ See Levick, *supra* note 84.

¹⁰⁸ See ENTER. CMTY. PARTNERS, INC., *supra* note 8, at 12.

¹⁰⁹ See Scott, *supra* note 92.