



FACE THE
HOUSING
CRISIS

**Policy Discovery
and Insight Guide:**

Social-Purpose Real Estate Investment Trusts

APPLYING SYSTEMS THINKING



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DISCLAIMER

This is one in a series of discovery and educational guides. Information presented in the series and this document is intended to foster shared understanding and highlight the value of evaluating policies through a systems thinking approach. Inclusions or omissions should not be construed as endorsements, recommendations, or rejections of any particular policy or approach. The views and opinions expressed or implied within this document are not intended to express those of Habitat for Humanity Greater Orlando & Osceola County, its board of directors, or any of its delegate reviewers.

Letter from CEO

Dear Reader,

It is my pleasure to introduce this policy guide, part of a series produced as part of Habitat for Humanity Greater Orlando & Osceola County's Cornerstone Housing Initiative. In this guide, we explore the potential of social-purpose real estate investment trusts (REITs) as a powerful tool to help navigate the complex, interrelated challenges of housing affordability. As with the other guides in this series, we employ systems thinking to foster a shared understanding among our diverse stakeholders, recognizing that the housing crisis cannot be solved in silos.

Our initiative is rooted in the belief that establishing common ground is the most fundamental element of systems change. Without a shared and comprehensive understanding of how policies, market forces, and community needs interact, efforts to address the housing crisis will remain fragmented and ineffective. This policy guide is not only an educational tool but also a call to action – to engage with and contribute to this shared dialogue.

As the Cornerstone Housing Initiative expands and accelerates, your investment in reading this guide as part of the work to establish shared understanding will prove invaluable. In the next phase of collaborative community discussions, the ideas explored in this guide and throughout the series will serve as a foundation for scenario planning and community charrettes in 2025. There is much work to be done. Together, we can Face The Housing Crisis.

Sincerely,



Catherine Steck McManus
President & CEO
Habitat for Humanity Greater Orlando & Osceola County



Introduction

This policy guide is part of a broader series aimed at fostering a shared understanding of various housing policies through the lens of systems thinking. Each guide focuses on a different policy approach, exploring how these solutions interact with the broader housing ecosystem. By addressing the interconnected dynamics at play, the series encourages collaborative approaches that integrate stakeholder perspectives, driving long-term sustainable solutions to the housing crisis.

In this guide, we delve into social-purpose real estate investment trusts (REITs), exploring their potential to address the affordable housing crisis in Central Florida. Social-purpose REITs are particularly relevant as they combine private investment with public good, offering a potentially sustainable mechanism to increase the supply of affordable housing.

A REIT is a company that owns, operates, or finances income-producing real estate. These trusts pool investor money to purchase, manage, or finance properties, allowing individuals to invest in real estate without having to buy and manage properties directly. In the United States, REITs are subject to specific regulations, including the requirement that they distribute at least 90% of their taxable income to shareholders as dividends, which makes them attractive for generating passive income. REITs can be publicly traded on major exchanges or privately held.

A REIT is a company that owns, operates, or finances income-producing real estate.

Social-purpose REITs are a subtype of REIT with a dual mandate:

1. Generating financial returns for investors, and
2. Providing social benefits, typically through the preservation or creation of affordable housing.

These REITs often focus on acquiring or developing properties that cater to low- and moderate-income residents, ensuring that rents remain affordable over the long term. Social-purpose REITs may partner with nonprofits, government agencies, or community organizations to ensure that their investments meet community needs. They may also leverage public subsidies or tax credits, such as the Low-Income Housing Tax Credit (LIHTC), to make projects financially viable while keeping rents affordable.

Social-purpose REITs generate money for their investors much like traditional REITs, but with a focus on balancing financial returns with social impact. Rental income

is generated by leasing the properties to tenants. Although rents are kept below market rates to maintain affordability, the income generated from multiple units in a large portfolio can provide a stable revenue stream. For investors, a portion of this rental income is distributed as dividends. Social-purpose REITs often utilize subsidies, grants, or tax incentives to lower operational costs, allowing them to offer affordable rents while still generating enough income to pay dividends to shareholders.

Social-purpose REITs generate money for their investors much like traditional REITs, but with a focus on balancing financial returns with social impact.

While social-purpose REITs prioritize affordability, they still benefit from the appreciation of real estate value over time, especially in gentrifying or improving areas. As the overall value of their property portfolio increases, the equity held by the REIT grows, which can lead to capital gains when properties are sold or refinanced. These gains are either reinvested or distributed to investors. Since social-purpose REITs focus on preserving affordability and often hold properties long-term, they can achieve gradual value appreciation without being subject to the volatility of market-rate developments.

Social-purpose REITs typically benefit from favorable financing terms, such as low-interest loans or public funding, which allow them to purchase properties without incurring high levels of debt. This financial efficiency helps maintain profitability as less revenue is consumed by debt servicing costs. The surplus revenue can then be distributed to investors. By using modest leverage (borrowing against the value of the property), social-purpose REITs can expand their portfolio and increase cash flow while maintaining a stable balance sheet, which ultimately benefits shareholders.

Finally, revenue is generated in the form of funding assistance, which can enable access to properties at below-market prices. These partnerships reduce upfront capital costs and operational expenses, enhancing profitability. In turn, this creates a win-win situation – affordable housing is maintained and investors receive returns generated through cost efficiencies.

Overall, social-purpose REITs generate returns for investors through a combination of rental income, property appreciation, government subsidies, and cost-efficient financing. What sets them apart is their commitment to balancing financial performance with the long-term goal of providing affordable housing, ensuring that investors can achieve returns while supporting a social mission.

The structure of a social-purpose REIT is similar to that of a traditional REIT, but with added layers of accountability to ensure the social mission is met. These REITs are often managed by mission-driven organizations or nonprofit entities that oversee

property acquisition and management with a focus on long-term affordability. They may also have specific governance mechanisms, such as community advisory boards or public reporting requirements, to maintain transparency and ensure that the social goals are met. Additionally, social-purpose REITs often use long-term affordability covenants—legal agreements that ensure rents remain below market rates for decades—protecting affordable housing stock from being converted into market-rate or luxury developments.

By aligning social missions with financial returns, these REITs offer a promising solution that balances the needs of investors, local governments, and community members. Social-purpose REITs are financial vehicles designed to address both the need for affordable housing and the interests of investors seeking financial returns. Their ability to blend private capital with public good makes them a particularly relevant solution for regions facing housing crises, such as Central Florida. These REITs serve as a bridge between the financial world and the social mission of housing equity, ensuring sustainable, long-term benefits for communities.

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Context: Housing and Systems Thinking

To address the affordable housing crisis in Central Florida, policymakers must move beyond surface-level solutions and engage with the problem in its full complexity. Housing markets are not isolated, self-contained systems but are deeply interconnected with social, economic, and political forces. By applying a systems thinking approach, we can begin to see the broader context in which new and long-standing policy solutions alike can be improved to enhance their role as part of a holistic solution.

At its core, systems thinking encourages us to recognize the interconnectedness of elements within a system. In the case of housing, this means understanding that shifts in one domain – such as financing structures, public policy, or land use regulations – inevitably create ripple effects across others. Each of these sub-systems influences and is influenced by the others. For example, housing shapes broader economic outcomes, such as consumption patterns, wealth distribution, and regional development. This relationship anchors the belief that housing is the cornerstone of community progress.

The introduction of social-purpose REITs into the affordable housing landscape can thus be seen as one piece of an evolved system, whose success depends on how well it interacts with existing market conditions, governmental incentives, and community needs.

One of the fundamental principles of systems thinking is the concept of feedback loops, which serve to either reinforce or counterbalance changes within the system. When effectively designed, social-purpose REITs can initiate positive feedback loops, creating self-reinforcing cycles that generate long-term affordability. For instance, as these REITs acquire or develop new affordable housing units, they can reduce pressure on existing housing stock, stabilize rental markets, and make additional investments more viable. Yet, systems thinking also cautions us about potential negative feedback loops, such as the risk of gentrification or the erosion of affordability over time, if policies are not structured to protect long-term affordability.

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Equally important in the systems thinking framework is the identification of leverage points – those areas within a system where targeted interventions can have outsized effects. In the case of social-purpose REITs, these leverage points might include policy instruments such as tax incentives, land-use reforms, or subsidies that make affordable housing developments more financially viable for investors while keeping rents low for tenants. By focusing on these high-impact areas, policymakers can amplify the positive outcomes generated by social-purpose REITs and drive substantial, systemic change.

However, it is not enough to simply identify leverage points; the housing market is dynamic, constantly evolving in response to economic shifts, demographic trends, and policy changes. Systems thinking, therefore, emphasizes the importance of adaptability – the ability of policies and institutions to learn from their outcomes and make adjustments over time. In this context, social-purpose REITs must be designed with mechanisms that allow them to adapt to shifting market conditions, ensuring that their mission to provide affordable housing remains sustainable even as broader economic conditions change.

As we evaluate the role of social-purpose REITs in Central Florida, systems thinking offers a framework that not only deepens our understanding of how these special REITs function, but also highlights the complexity of the housing crisis itself. It allows us to see beyond individual policies or isolated projects and encourages a broader view – one that takes into account the interdependencies of financing, regulation, community engagement, and long-term sustainability. This holistic perspective is critical to crafting solutions that not only address the immediate need for affordable housing but also create conditions for long-term stability and equity in the housing market.

The challenge and importance of systems thinking

In applying systems thinking to social-purpose REITs, we can better appreciate how these investment vehicles fit into the broader housing ecosystem and how their success depends on thoughtful design, effective partnerships, and sustained public support. Rather than treating REITs as a silver bullet solution, systems thinking invites us to see them as part of a dynamic, interconnected strategy to address housing affordability – a strategy that must remain flexible, responsive, and adaptive to the changing needs of Central Florida's communities.

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Systems thinking offers a unique lens for understanding complex, interconnected problems like the affordable housing crisis, but it also presents a significant challenge for those accustomed to more traditional, linear approaches to problem-solving. The primary difficulty lies in the fact that most of us, consciously or unconsciously, see the housing system only from the vantage point of our specific roles within it—whether we are homeowners, renters, policymakers, developers, or investors. This “role bias” shapes how we interpret the dynamics at play, often leading us to prioritize the parts of the system that most directly benefit us, without recognizing how other parts of the system may be affected or how our actions might inadvertently exacerbate the problem.

The true difficulty in adopting systems thinking is that it requires stepping outside the very system we are embedded in to see its broader dynamics, interdependencies, and flaws. This kind of self-awareness and detachment can be exceptionally difficult because it forces us to challenge our assumptions and biases about how the system operates and who benefits from it. As Einstein famously observed, “We can’t solve problems with the same tools or thinking that created them.” In the context of housing policy, this means that we cannot address the crisis using the same fragmented, piecemeal approaches that led to it in the first place. Instead, systems thinking demands that we view the housing market as a whole and explore how the various parts—financing, land use, government regulation, community needs—interact, sometimes in ways that are counterproductive.

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Traditional collective action initiatives often struggle to bring about real systems change precisely because the participants involved dig in to preserve the parts of the system that benefit them. This tendency is natural, as stakeholders tend to focus on protecting their vested interests, whether that means securing profits, maintaining control over land use, or preserving certain policy preferences. However, this very instinct to protect the status quo can blind us to how our historical preferences and entrenched policies might actually be contributing to the problem. For instance, exclusionary zoning laws or narrowly focused subsidy programs may serve the immediate interests of one group but ultimately harm the system as a whole by limiting affordable housing supply or creating inequities.

This is where systems thinking becomes crucial—it encourages a more holistic understanding of how each participant’s actions, however well-intentioned, might ripple through the system and create unintended consequences. For housing policy to truly

evolve, stakeholders must be willing to step outside their own interests and examine the housing system from multiple angles. They must be open to the possibility that their past preferences, however successful they may have seemed, might need to change to solve the deeper systemic problems that plague the housing market today. Only by adopting this broader perspective can we cut the Gordian knot of causes and effects that perpetuate housing instability and inequality.

The shift to systems thinking is not easy, but it is essential if we are to move beyond short-term fixes and toward long-term, sustainable solutions that address the root causes of the affordable housing crisis.

Policy Focus: Social-Purpose Real Estate Investment Trusts

The search for innovative solutions that address both the financial and social aspects of affordable housing can benefit from a systems analysis of social-purpose REITs which stand out for their ability to marry private investment with public good. By design, social-purpose REITs are structured to generate returns for investors while focusing on maintaining or creating affordable housing options. This makes them particularly relevant to the ongoing housing struggles in Central Florida, where rapid population growth, rising rents, and stagnant wages have deepened the affordable housing crisis.

A REIT is a company that owns, operates, or finances income-producing real estate. REITs allow anyone—whether individual investors or large institutions—to invest in portfolios of real estate assets through the purchase of shares, much like investing in a mutual fund. The REIT structure provides liquidity, as shares can be bought and sold on public exchanges, and significant tax advantages, as REITs are required to distribute at least 90% of their taxable income to shareholders.

Social-purpose REITs differ from traditional REITs by integrating a social mission into their business models. These REITs explicitly focus on creating, preserving, or managing affordable housing units for low- and moderate-income residents. By using a socially conscious investment approach, social-purpose REITs seek to balance the demands of profitability with the broader goal of community sustainability. Their ability to pool private capital and scale affordable housing developments presents a unique opportunity to address this gap in the housing market. This makes them an appealing option for policymakers looking for sustainable, market-driven solutions.

Barriers to widespread adoption

Despite their potential, social-purpose REITs have not yet gained significant traction as a widely recognized solution to the affordable housing crisis. Several factors contribute to this lack of attention, including the complexity of the model and regulatory hurdles.

The dual mission of generating financial returns and providing affordable housing creates operational complexities that investors and policymakers may be reluctant to embrace. Traditional REITs focus purely on financial performance, making them easier to assess based on well-established metrics. Social-purpose REITs, on the other hand, require a more nuanced understanding of both financial and social outcomes, which can deter investors unfamiliar with such models.

Social-purpose REITs also face skepticism from traditional investors who prioritize short-term financial returns. The focus on affordability and long-term community benefits can result in lower immediate returns compared to REITs investing in luxury or market-rate properties. This presumed outcome, even if inaccurate in the long term, may make it more difficult to attract capital and attention from large investors.

The idea of socially-responsible investing has gained ground in recent years, but the general public and some policymakers remain unfamiliar with how REITs, particularly social-purpose REITs, can address housing affordability. This knowledge gap means that many affordable housing advocates are not yet aware of the potential for REITs to align with social goals.

Finally, the integration of social-purpose REITs into local housing markets often involves navigating complex regulatory environments. In areas where zoning laws are restrictive, or where subsidies for affordable housing are limited, it can be challenging for social-purpose REITs to make significant headway without strong public-private partnerships.

While these factors may explain why social-purpose REITs have not yet reached their full potential, the housing crisis in Central Florida creates an urgent need for alternative solutions. Social-purpose REITs, with their unique structure and mission, could be a game-changing approach if given the attention, resources, and support they deserve.

Applying systems thinking: The importance of establishing shared understanding

When viewed through the lens of systems thinking, social-purpose REITs reveal their potential to address housing affordability in a systemic way. Traditional housing policies often attempt to tackle individual issues – such as rent control, zoning reform,

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or housing subsidies—in isolation. However, these fragmented approaches fail to consider the complex interactions between housing supply, demand, financing, and socio-economic inequality. Social-purpose REITs offer a more integrated solution that recognizes the interconnectedness of financial markets, government policy, and community needs.

By pooling private capital and leveraging public resources, social-purpose REITs can create a positive feedback loop within the housing system. The acquisition and preservation of affordable housing can stabilize neighborhoods, reduce displacement, and provide a foundation for long-term community growth. At the same time, the financial returns generated by these REITs ensure that the model is scalable and sustainable, offering a viable pathway for other regions to follow. This type of intervention targets multiple leverage points in the housing system, creating the conditions for a more equitable and efficient housing market.

However, the successful integration of social-purpose REITs into the broader housing policy landscape requires the engagement of multiple stakeholders, each with their own perspectives, goals, and concerns. From private investors and nonprofit organizations to local governments and community residents, understanding these stakeholders' positions is essential for crafting policies that maximize the impact of social-purpose REITs.

In the next section, we will delve into a stakeholder analysis that explores the diverse perspectives surrounding social-purpose REITs and examines how these viewpoints can inform the design and implementation of this innovative housing solution.

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Stakeholder perspectives

In order to evaluate social-purpose REITs for their potential contribution to Central Florida's affordable housing crisis, it is essential to consider the perspectives of various stakeholders. Each group interacts with the housing system differently and would experience both benefits and concerns if social-purpose REITs are introduced. This section examines these perspectives, addressing the potential benefits they stand to gain and the concerns they may have.



1. Homeowners

Benefits:

- **Investment opportunity:** For homeowners, participating in a social-purpose REIT offers a new investment avenue. They can invest in affordable housing developments while aligning their financial interests with social good, potentially benefiting from dividends as the REIT generates income. There are social-purpose REIT structures that allow local households to make small investments and participate in governance. Community Investment Trusts (CITs) and Neighborhood REITs are examples in which residents can invest minimal amounts, sometimes as low as \$10 per month, in local projects. In some cases, these investments can be gifted or earned in-kind through community service, such as serving on governance boards or advisory panels. This structure provides local households with a financial stake in neighborhood development while ensuring that decisions reflect community needs.

These models promote local ownership, empower residents, and align community interests with long-term social outcomes, balancing housing affordability and financial sustainability. Such frameworks could be valuable in Central Florida under initiatives like the Cornerstone Housing Initiative, integrating systems thinking to support affordable housing.

- **Portfolio diversification:** Social-purpose REITs provide homeowners with the ability to diversify their financial portfolios by investing in real estate without the need to directly manage rental properties. This allows them to gain exposure to real estate markets while reducing risk through professional management.
- **Restoring community:** By investing in a financial vehicle that aims to sustain affordable rents and housing prices, these households help contribute to neighborhood stability which can lead to less displacement, a stronger sense of community, and even increased property values over time due to the overall health of the housing market.

Concerns:

- **Risk of financial loss:** For households considering participation in a social-purpose REIT, the risk of losing even small investments can be a major concern. Many may not have sufficient savings or disposable income to comfortably invest in a social-purpose REIT, especially if the returns are uncertain or take years to materialize. If the REIT underperforms,

households with limited financial safety nets could find themselves in a precarious situation.

- **Complexity:** Homeowners may find the structure of a social-purpose REIT confusing or intimidating, especially if they have little experience with financial markets or real estate investment. The technical nature of REITs, combined with concerns over how affordable housing is defined and maintained, could lead to skepticism about whether this is a sound or trustworthy investment opportunity. Ensuring that potential participants fully understand the risks and benefits is critical, but this may require significant outreach, education, and transparency from the proposal organizers.
- **Long-term commitment vs. immediate needs:** Many homeowners might be hesitant to commit to an investment that does not provide immediate financial returns or liquidity. For households that are already financially constrained, there is often a need for short-term financial stability rather than long-term growth. The commitment to keep funds tied up in a REIT for years, without easy access to their capital, could be a deterrent for homeowners who are already juggling tight budgets.
- **Distrust in the model and organizers:** Historically, low-income communities have been approached with various development schemes or investment proposals that did not deliver on their promises or, worse, exacerbated financial vulnerability. As a result, there may be a strong level of distrust when it comes to new, unfamiliar financial models like social-purpose REITs. Households may worry about being taken advantage of, especially if the social-purpose REIT appears to prioritize the financial gains of outside investors over the social mission of preserving affordability.
- **Balancing social and financial returns:** Homeowners may also be concerned about whether the social-purpose REIT will truly prioritize affordability over profit. While the mission is to deliver social returns (affordable housing) alongside financial returns, participants might worry that as the social-purpose REIT grows, financial pressures from investors could lead to compromises in its social mission, such as rent increases or property sales that displace low-income tenants. This tension between maintaining affordability and ensuring investor returns could create concerns over how well the social-purpose REIT will adhere to its mission in the long term.



2. Renters

Benefits:

- **Increased availability of affordable housing:** Renters, especially low- to moderate-income individuals, stand to benefit significantly from the creation of social-purpose REITs, as these REITs focus on acquiring, developing, and preserving affordable housing. Renters may gain access to more stable, long-term affordable housing options. This added supply of affordable rent can take pressure off the housing system.
- **Improved tenant services:** As social-purpose REITs often collaborate with nonprofit organizations and local governments, renters might enjoy improved tenant services including better maintenance, community engagement, and social services that enhance their quality of life.

Concerns:

- **Distrust in the REITs model:** Renters may worry that despite the affordability mission, participating social-purpose REITs might still raise rents over time to meet financial goals, particularly if there is inadequate public or nonprofit oversight.
- **Uncertainty of long-term affordability:** While social-purpose REITs aim to preserve affordability, renters may be concerned that market forces or changes in ownership could result in future rent increases, jeopardizing long-term affordability.



3. Neighbors (nearby homeowners):

Benefits:

- **Neighborhood stabilization:** Homeowners may welcome social-purpose REITs for their potential to stabilize neighborhoods by increasing the supply of affordable housing and reducing displacement pressures. These REITs can help maintain the character and affordability of their communities, preventing gentrification.
- **Enhanced property values:** By supporting community-oriented housing developments, social-purpose REITs can contribute to the overall health of the housing market, which may have a positive, stabilizing effect on local property values.

Concerns:

- **Fear of increased density:** Some homeowners may be concerned that the introduction of social-purpose REITs could bring increased housing density, changing the character of their neighborhoods or leading to infrastructure strains (e.g., on schools or roads).
- **Negative perceptions of affordable housing:** Homeowners may hold preconceived notions about affordable housing and worry that the REIT will lead to undesirable changes in their neighborhood, such as higher crime rates or reduced property values, even though these fears are often unfounded.

4. Local government

**Benefits:**

- **Partnerships for affordable housing:** Social-purpose REITs provide local governments with a powerful partner in addressing the affordable housing crisis. These REITs can bring private capital to supplement public efforts, creating more affordable units without over-reliance on public funds.
- **Increased housing supply:** Local governments benefit from social-purpose REITs' ability to increase the supply of affordable housing, helping them meet housing goals and mitigate the negative social impacts of homelessness or housing insecurity.

Concerns:

- **Regulatory and zoning challenges:** Local governments may need to adapt zoning laws or land use regulations to accommodate social-purpose REIT developments. This process can be slow and contentious, creating concerns about feasibility and the political will to support such changes.
- **Public accountability:** Governments might worry about how closely social-purpose REITs align with their housing affordability goals, fearing that private investors' financial interests may conflict with the long-term public good, especially if there is insufficient oversight.



5. Community organizations (nonprofit social service providers)

Benefits:

- **Increased housing stability for vulnerable populations:** Nonprofit social service providers are likely to see social-purpose REITs as a valuable tool for increasing housing stability for vulnerable populations. The availability of affordable housing through social-purpose REITs can help reduce housing insecurity and the need for emergency interventions.
- **Collaboration opportunities:** Social-purpose REITs often collaborate with community organizations to provide wraparound services – such as employment assistance, financial counseling, or health services – creating synergies that can amplify the impact of affordable housing.

Concerns:

- **Dilution of social mission:** Some community organizations may fear that social-purpose REITs, as profit-driven entities, could dilute the social mission of affordable housing. They might worry that financial interests will take precedence over genuine community needs.
- **Potential for displacement:** If social-purpose REITs are not carefully managed and do not prioritize long-term affordability, community organizations may be concerned that their target populations could face displacement over time, particularly in gentrifying areas.



6. Real estate and construction industries:

Benefits:

- **Increased demand for construction projects:** The development and preservation of affordable housing through social-purpose REITs can create new opportunities for the real estate and construction industries. Builders and developers may find new projects and contracts associated with social-purpose REIT-funded developments.
- **Stable revenue from long-term developments:** Social-purpose REITs often focus on long-term projects that offer stable, predictable revenue streams, making them attractive to construction companies and developers looking for consistent work and partnerships.

Concerns:

- **Profitability constraints:** Some industry stakeholders may be concerned that the social-purpose element of these REITs could limit profitability compared to market-rate projects, potentially leading to lower margins and fewer high-profit opportunities.
- **Regulatory and bureaucratic delays:** Real estate developers may worry about the additional layers of oversight, regulation, or collaboration with government agencies and nonprofit partners required in social-purpose REIT projects, potentially delaying construction timelines or adding complexity to the process.

7. Financial institutions








**Benefits:**

- **New investment opportunities:** Financial institutions benefit from social-purpose REITs by gaining access to socially responsible investment opportunities that align with their clients' values. Social-purpose REITs can attract impact investors or those seeking to diversify their portfolios with socially-conscious assets.
- **CRA eligibility:** Financial institutions may also find that investments in social-purpose REITs qualify for Community Reinvestment Act (CRA) credit, allowing them to meet regulatory requirements while supporting affordable housing initiatives.

Concerns:

- **Risk management:** Financial institutions may have concerns about the potential risks associated with social-purpose REITs, particularly if the projects do not generate expected returns. They might be wary of the long-term viability of affordable housing investments, which tend to have lower profitability.
- **Lower liquidity:** Since social-purpose REITs are often mission-driven and focused on long-term projects, they may offer less liquidity than other REITs, which could be a concern for financial institutions prioritizing quick returns or high liquidity for their portfolios.

Stakeholder Perspectives on Adaptive Reuse

Stakeholder	Benefits	Concerns
 Homeowners	Investment (wealth building) opportunity, portfolio diversification, restoring community	Financial risk, complexity, long-term vs. short-term tradeoffs, distrust, balancing social returns
 Renters	Increased housing availability, improved tenant services	Distrust in REITs model, long-term uncertainty
 Neighbors (nearby homeowners)	Neighborhood stabilization, enhanced property values	Fear of increased density, stigma of affordable housing
 Local government	New partnerships, increased housing supply	Regulatory and zoning challenges, public accountability
 Community organizations	Increased stability for vulnerable populations, collaboration opportunities	Dilution of social mission, potential displacement
 Real estate and construction industries	Increased demand, stable revenue long term	Profitability constraints, regulatory and bureaucratic delays
 Financial institutions	New investment opportunities, CRA eligibility	Risk management, lower liquidity

Existing Social-Purpose REITs

As of this writing, there are no well-known Florida-based social-purpose REITs specifically focused on affordable housing. However, national social-purpose REITs such as the Housing Partnership Equity Trust and the Community Development Trust are active across the United States, working with nonprofit partners to acquire and preserve affordable housing.

The Housing Partnership Equity Trust and the Community Development Trust were both born out of a need to address the growing affordable housing crisis in the United States during the late 1990s and early 2000s. Both entities work by acquiring properties and ensuring they remain affordable for low- to moderate-income households through long-term ownership and investment strategies.

The common conditions and catalysts for their emergence included a significant loss of affordable housing units, rising rents, stagnant wages, and a shift in private market investment toward higher-end properties, all of which deepened the housing affordability gap. There is considerable merit in a closer look at these two initiatives given the conditions that mirror Central Florida's current housing conditions. These REITs could potentially serve as models or collaborators for similar initiatives in Florida.

Housing Partnership Equity Trust (HPET)

HPET was founded in 2013 as a mission-driven REIT, developed by 12 nonprofit affordable housing developers under the Housing Partnership Network. Since its founding, HPET has preserved over 3,000 units of affordable housing nationwide. The key catalyst for HPET's creation was the rapid loss of naturally occurring affordable housing, as rising real estate prices and competition from private equity firms made it increasingly difficult for nonprofits to acquire and preserve affordable housing stock. HPET's goal was to pool capital and use it to acquire, manage, and preserve affordable multifamily properties, ensuring long-term affordability. The focus was on creating a private market mechanism that could compete with private investors and commercial developers by bringing institutional investment into the affordable housing space.

Community Development Trust (CDT)

CDT, founded in 1999, emerged from similar conditions. Its creation was spurred by the growing need for long-term equity and debt capital to support affordable housing

projects. CDT, since its founding, has invested nearly \$2 billion in affordable housing, preserving over 47,000 units.

Like HPET, CDT focuses on preserving and creating affordable housing by investing in properties that house low- and moderate-income residents. CDT takes a hybrid approach, combining both equity investments and long-term mortgages to finance affordable housing across the country. This model arose in response to the lack of private sector financing options for affordable housing developments, especially during a time when market-rate and luxury developments were prioritized.

Shared catalysts and conditions

Both HPET and CDT were developed as solutions to counteract the same major market forces: the prioritization of high-end housing development due to rising land and construction costs, the shortage of capital for affordable housing preservation, and the competitive disadvantage faced by nonprofits in acquiring properties. These entities were established to provide long-term, mission-driven investment capital to affordable housing projects, ensuring that rents remain affordable for low- and moderate-income households. They both operate nationally, with CDT focused more on direct lending alongside equity investments and HPET specializing in equity acquisition for preservation purposes.

Unintentional systems change

Neither HPET nor CDT were originally founded with the explicit goal of systems change. Their primary objectives were more focused on pragmatic, mission-driven real estate investment, specifically to preserve and create affordable housing by leveraging private capital in a way that directly competes with market forces. Their formation was largely a response to immediate challenges in the housing market, such as the erosion of naturally occurring affordable housing, the lack of long-term financing options for affordable housing, and the need to level the playing field for nonprofit housing providers in the face of private equity and commercial lending.

Yet, systems change did occur as a byproduct of their operations. By introducing private capital into the affordable housing sector and structuring it in a way that prioritizes long-term affordability, both HPET and CDT helped shift market dynamics. Their presence created a new class of investment vehicles that balance financial returns with social goals, thereby influencing how other developers and investors approach affordable housing. This has contributed to a broader recognition of social-impact

investing as a legitimate financial strategy, indirectly reshaping how both public and private capital view their role in affordable housing.

HPET and CDT have demonstrated that nonprofits and mission-driven organizations can compete with private investors in acquiring and preserving affordable housing. This competition introduced new leverage points within the housing system, particularly around acquisition financing, where HPET and CDT could be more nimble than traditional public housing authorities. Their success inspired other organizations to explore similar models, creating new pathways for private-public partnerships and altering the competitive landscape in affordable housing acquisition.

Both entities placed a significant emphasis on long-term affordability, particularly through mechanisms such as affordability covenants and partnerships with nonprofit housing developers. In doing so, they unintentionally contributed to systemic shifts in how affordability is maintained over time, moving away from short-term affordability measures (e.g., vouchers) or temporary subsidies toward long-lasting solutions that stabilize communities. This shift has begun to influence broader policy discussions about sustainable affordable housing development.

While HPET and CDT were not deliberately focused on systems change, their operations have had an impact on the broader housing system. By leveraging private capital with a long-term social mission, they've introduced new models for financing, preserving, and developing affordable housing that could lead to more sustainable and systemic improvements in how affordable housing is approached in the United States. Their shared focus on addressing these market failures through innovative financing tools reflects a broader trend in social-purpose REITs, which seek to leverage private capital for public good in the housing sector.

The success of initiatives like HPET and CDT highlights the potential for social-purpose REITs to address affordable housing challenges, but Florida has yet to develop its own version of these impactful models. While national REITs are making strides in affordable housing preservation across the country, the unique needs and conditions in Central Florida call for a more localized approach. The housing market here faces similar pressures to those that led to the creation of HPET and CDT, including rising land prices, a shortage of naturally occurring affordable housing, and increasing demand for market-rate developments.

The success of initiatives like HPET and CDT highlights the potential for social-purpose REITs to address affordable housing challenges

Key Reforms and Policy Changes

To create a more supportive environment for the understanding, attractiveness, and implementation of social-purpose REITs in Central Florida, several key reforms and policy changes are necessary. These interventions would target regulatory adjustments, incentives, education, and collaboration across sectors to make these special REITs more feasible and attractive to both investors and communities.

Tax incentives and subsidies

The public sector can play a key role in providing first-loss capital, loan guarantees, or equity investments that de-risk social-purpose REIT investments. Support from governments or philanthropic foundations can encourage more institutional investors to commit capital to these funds. Social-purpose REITs can be explicitly included in public subsidy programs, such as grants for affordable housing or subsidies from federal or state housing agencies. Ensuring they are eligible for existing housing programs can make these vehicles more financially attractive.

Florida could introduce or expand tax incentives that encourage investment in social-purpose REITs, similar to the Low-Income Housing Tax Credit (LIHTC) program. Such tax credits could be granted to social-purpose REITs that prioritize affordable housing projects, ensuring that investors receive financial rewards for their social impact. Florida could also implement financing support programs, such as low-interest loans or grants for social-improvement REITs, helping them compete with traditional developers in securing properties.

Such incentives could draw from the legacy structures and learnings from decades of economic development incentives, such as those that gave rise to Medical City (Orange County) and NeoCity (Osceola County) through Florida's now expired High-Impact Performance Incentive (HIPI) and Qualified Target Industry (QTI) tax refund. Local governments could offer corresponding property tax abatements or reductions to social-purpose REITs that acquire or preserve affordable housing, making these projects more financially viable. Reducing ongoing costs like property taxes would help maintain affordability over the long term.

Zoning and land use reform

Local governments that enforce and expand inclusionary zoning laws (which require a percentage of new developments to include affordable housing units) create an environment in which social-purpose REITs become a critical vehicle for fulfilling these requirements. Prioritizing surplus public land or underutilized spaces for affordable housing developments managed by social-purpose REITs can open access to key locations for creating or preserving affordable units.

Proactive systems analysis tools, such as scenario planning and community charrettes, serve to expose potential challenges typically associated with lengthy approval processes. Lengthy approval processes are often a complaint of developers and investors who find administrative requirements a disincentive for innovation.

Enhanced oversight and accountability mechanisms

To build trust and transparency in social-purpose REITs, establishing robust accountability frameworks is essential to ensure that they meet both their affordability and social mission goals. These frameworks should focus on regular and transparent reporting that allows investors, tenants, and the broader community to evaluate whether these designated REITs are fulfilling their commitments to affordable housing and social impact.

For example, social-purpose REITs can be required to regularly report on rental prices and tenant income levels to demonstrate affordability. Affordability metrics can be aligned with local housing policies and regularly audited by a third-party body to provide impartial oversight. Ensuring tenant rights is crucial to the social missions of these projects. Accountability frameworks can include clear guidelines on tenant protections, covering issues like rent stabilization, eviction practices, and property maintenance standards. Regular reporting not only promotes tenant well-being but also builds trust among renters, reinforcing the REITs' social purpose.

To align with sustainability goals and minimize operational costs, social-purpose REITs can also be held accountable for implementing energy-efficient building practices. Regular audits and reporting on energy use, emissions, and compliance with environmental standards (such as LEED certification) can serve to ensure that these housing developments contribute positively to environmental goals, ultimately improving both tenant living conditions and investor returns through cost savings on utilities.

Creating momentum

Many investors are unaware of the dual benefits that social-purpose REITs offer – social returns in the form of affordable housing and financial returns through long-term dividends. Given the complexity of REIT structures, both potential investors and the public would benefit from educational resources or seminars on how REITs function and their benefits to local communities. Such measures would improve engagement. By raising awareness about the mechanics and social impact of REITs, more stakeholders may become involved.

Both potential investors and the public would benefit from educational resources or seminars on how REITs function and their benefits to local communities.

Pilot programs in Central Florida could test the efficacy of social-purpose REITs in creating or preserving affordable housing and demonstrate their scalability. Tracking the outcomes of these pilot programs and creating case studies would be crucial for illustrating how this special class of REIT works, as well as revealing its benefits. Establishing metrics for success – such as the number of units created, affordability rates, and tenant outcomes – would help inform future policy. If successful, these models could be expanded statewide.

However, for social-purpose REITs to truly disrupt the housing market in Central Florida, they must be designed and implemented with a systems thinking approach. Systems thinking helps us to understand recurring failures and provides a framework for designing interventions that don't just patch problems but address the root causes. By recognizing the interrelated nature of the housing system, social-purpose REITs can serve as powerful tools to break the cycles of short-term fixes, fragmented policy responses, and unchecked market forces that often increase costs and drive out affordability.

The next section will explore how this class of REITs can serve as interventions to address common patterns of failure in the housing system – also known as system archetypes – such as Fixes that Fail, Limits to Growth, and Tragedy of the Commons. Understanding these archetypes will provide a foundation for seeing how social-purpose REITs can shift the dynamics of the housing system toward long-term, sustainable solutions.

Systems Analysis of Policy Interventions and Opportunities

In systems thinking, patterns of system failure – known as system archetypes – offer a valuable framework for understanding the recurring dynamics that undermine long-term success in complex systems like the housing market. These archetypes represent the underlying structures that drive undesirable outcomes, such as persistent housing shortages or the inability to maintain affordability. Social-purpose REITs offer a unique set of tools for addressing these system failures, enabling more sustainable solutions to housing challenges.

This section explores nine key system archetypes and demonstrates how social-purpose REITs can help address each, drawing on case studies from across the United States where relevant and identifying the leverage points that enable sustainable change.



SYSTEM FAILURE PATTERN #1

Fixes that Fail

The system archetype Fixes that Fail occurs when a short-term solution temporarily solves a problem but creates unintended consequences, leading to even worse long-term outcomes. Many traditional affordable housing solutions, such as rent control or temporary subsidies, provide immediate relief but fail to address underlying supply issues. Over time, these temporary fixes exacerbate housing shortages and inflate costs as developers shy away from constructing new housing.

Case study

The Community Development Trust (CDT) offers an insightful example of how social-purpose REITs can address the Fixes that Fail system archetype. CDT approaches this issue from a long-term, supply-side perspective by acquiring, preserving, and developing affordable housing units with an emphasis on sustainability. By securing financing for long-term ownership and management of affordable housing, CDT ensures that these properties remain affordable for decades. This stands in contrast to temporary fixes that often fail to provide stability or scalability. For

example, CDT focuses on acquiring Class-B properties – traditionally affordable, middle-income rental units – and keeping them affordable, rather than allowing them to be repositioned as higher-rent properties, which is a common outcome in markets driven by short-term profit motives.

CDT’s focus on long-term affordability covenants and collaborative partnerships with nonprofit housing developers ensures that these properties continue serving low- and moderate-income households over time. This strategic investment model prevents the unintended consequences often seen with short-term fixes, such as reduced housing availability or increasing rents due to shrinking affordable supply. By addressing the root problem – supply shortages – CDT avoids the trap of “Fixes that Fail,” offering a sustainable solution to the affordable housing crisis that maintains stability and affordability in the long run.



SYSTEM FAILURE PATTERN #2

Shifting the Burden

A system demonstrates the Shifting the Burden archetype when a problem is addressed by applying a symptomatic solution, which diverts attention away from addressing the underlying root cause. In many cities, the affordable housing crisis is addressed through temporary subsidies or emergency shelters, which relieve symptoms without addressing systemic issues like housing supply or affordability. The Shifting the Burden pattern is illustrated by the corresponding dependency on stop-gap measures while the fundamental crisis deepens.

Case study

Returning to the example of the Housing Partnership Equity Trust (HPET), we can examine a prime example of how social-purpose REITs can address the Shifting the Burden system archetype, where symptomatic solutions, like temporary subsidies or emergency shelters, divert attention away from addressing the deeper, systemic issues that fuel the affordable housing crisis.

HPET’s approach goes beyond these short-term fixes by addressing the structural causes of housing unaffordability – namely, the erosion of naturally occurring affordable housing and the competitive disadvantage nonprofits face when acquiring housing. By pooling capital and acquiring properties that would otherwise fall into the hands of market-rate developers, HPET preserves affordable housing for low- and moderate-income families in the long term. Instead of relying on ongoing public subsidies to keep housing affordable, HPET ensures that rents remain below market rates through mission-driven property management and long-term affordability covenants.

This approach directly addresses the root cause of the affordable housing crisis: insufficient supply of affordable units. By purchasing and preserving housing, HPET removes properties from speculative real estate cycles, effectively stabilizing neighborhoods and preventing displacement. This differs from symptomatic solutions that provide only temporary relief as HPET offers a sustainable model that ensures affordability remains intact over decades, shifting the focus from immediate crisis management to long-term systemic change.



SYSTEM FAILURE PATTERN #3

Relative Control

The system archetype called Relative Control occurs when a critical stakeholder or group within a system feels like it has control, but external forces actually have a greater influence. This often leads to a detrimental false sense of security or stability. In many regions, local governments try to exert control over housing affordability through policies like zoning restrictions, but market forces (e.g., housing demand, investor behavior) often overpower these regulations, leaving municipalities struggling to maintain affordable housing.

Case study

The Nico Echo Park project in Los Angeles offers a compelling example of how the Relative Control archetype can manifest in housing systems and how a social-impact REIT can address it. In many urban settings, local governments believe they can control housing affordability through policies like zoning restrictions, rent control, or affordable housing mandates. However, the external forces of market demand, speculative investment, and broader economic trends often overpower these localized efforts. This leaves municipalities unable to deliver long-term affordability, despite their efforts to regulate housing supply.

In the case of Nico Echo Park, the project sought to tackle this problem by enabling the community itself to become an investor in local real estate. By creating a neighborhood-focused REIT that allowed local residents to invest directly in properties in their own community, Nico Echo Park shifted the locus of control back to the people most affected by gentrification and rising housing costs. This model addressed the gap in control by empowering residents with an actual financial stake in their neighborhood's development, rather than leaving control solely in the hands of market forces or distant investors.

Local governments had previously relied on zoning laws and other regulatory tools to try to maintain affordability in neighborhoods like Echo Park, but the relentless

pressure of rising real estate values and outside investment had made these efforts increasingly ineffective. Nico Echo Park's social-impact REIT model countered this dynamic by pooling capital from community members, thus aligning the economic interests of residents with the development process. This innovative approach enabled more effective long-term affordability measures because the investment mechanism was driven by local priorities and community engagement, not by external market forces.

The key leverage point for Nico Echo Park was creating shared economic power – residents were no longer passive recipients of housing policy or regulation but active participants with a financial stake in the housing market. This model helped stabilize the community and protect it from the unchecked market forces that had previously overwhelmed local regulatory efforts.

By acknowledging that the local government's regulatory tools were insufficient on their own, Nico Echo Park offered a solution that tackled both the symptoms and the underlying causes of housing instability, showing how social-purpose REITs can provide true control to the communities they serve. This rebalancing of control between local governments, communities, and market forces demonstrates how social-purpose REITs can mitigate the detrimental effects of the Relative Control archetype in housing systems.



SYSTEM FAILURE PATTERN #4

Out of Control

When a system becomes chaotic or unmanageable due to a lack of coordination or control, the Out of Control archetype often results with the instability created by too many competing interests or decentralized decision-making. In the affordable housing sector, disjointed efforts between government agencies, nonprofits, and private developers often lead to inefficiencies, duplicated efforts, and insufficient coordination, which prevent meaningful progress.

In many cities, efforts to improve housing conditions and create affordability are fragmented, with government agencies, nonprofits, and private developers often working in silos. This lack of coordination results in duplicated efforts, conflicting goals, and inefficiencies, which ultimately slow progress and prevent meaningful systemic change.

Case study

The Boston Ujima Project is an excellent example of a systems change initiative that addresses the Out of Control archetype by streamlining and coordinating the efforts of multiple stakeholders in the affordable housing sector.

The Boston Ujima Project takes a community-centered approach to addressing challenges that arise from complicated systems. It operates as a democratically governed investment fund through which local residents, workers, and community organizations collaborate with investors to direct capital into projects that serve the community's interests. By focusing on shared governance and creating a structure where decision-making is centralized and coordinated among diverse stakeholders, the project prevents the chaotic, uncoordinated action typical of the Out of Control archetype.

Through its investment in affordable housing and other community infrastructure projects, Ujima has demonstrated that bringing all relevant parties to the table under a common mission not only streamlines processes, but also ensures that the projects being developed are directly aligned with the community's needs. This model reduces competition between developers and nonprofits for scarce resources, while also improving coordination between public and private actors. The result is a more stable, managed approach to development that aligns disparate efforts around common goals, ensuring the long-term success of affordable housing initiatives in Boston.

By fostering collaborative decision-making and creating transparent channels of accountability, Ujima addresses the inefficiencies and instability that can emerge in uncoordinated housing markets. This shows how systems change can bring order to chaotic and fragmented efforts, allowing stakeholders to focus on shared outcomes and leverage their collective resources more effectively.



SYSTEM FAILURE PATTERN #5

Limits to Growth

A system is subject to the Limits to Growth pattern of failure when it experiences growth but eventually encounters constraints that limit further expansion, leading to stagnation or decline. Specific to housing, the initial success of policies designed to boost housing supply often slows when they hit barriers such as land availability, financing constraints, or regulatory challenges, which prevent further expansion of affordable units.

Case study

An example of systems change in housing that sought to address the Limits to Growth archetype is the East Bay Asian Local Development Corporation (EBALDC) in Oakland, California. EBALDC focuses on preserving and expanding affordable housing through strategic partnerships, especially in areas where traditional development has been constrained by rising land costs and limited availability of financing for affordable units.

The organization implemented a holistic approach known as the Healthy Neighborhoods Strategy, which integrates housing, economic development, and health outcomes. In this model, EBALDC worked with community stakeholders and government entities to pool resources, access public subsidies, and align policies with long-term affordability goals. By using community land trusts (a similar approach to social-purpose REITs) and government-owned land, EBALDC was able to bypass some of the typical land availability issues, thereby overcoming one of the critical constraints in the Limits to Growth archetype.

This strategic use of land resources, coupled with collaboration across sectors, helped EBALDC expand its housing projects even when traditional developers were hindered by rising costs and regulatory challenges. Their success in maintaining growth beyond typical limits demonstrates how addressing the underlying system constraints – such as land and financing access – can enable sustained expansion of affordable housing.



SYSTEM FAILURE PATTERN #6

Success to the Successful

The dynamic driving the Success to the Successful archetype can be seen when successful players in a system receive more resources, enabling them to become even more successful, while those who are less successful are starved of resources, leading to greater inequality. In housing markets, luxury developments often attract disproportionate investment because they offer higher immediate returns, which further drives up property values and worsens the affordability crisis. Affordable housing developments, however, often struggle to attract the necessary capital, deepening the divide between market-rate housing and affordable housing.

Case study

Again, the Community Development Trust (CDT) provides a compelling case study, specifically in how it targets the Success to the Successful system archetype in the

housing market. CDT, as a social-purpose REIT, flips this dynamic by focusing on affordable housing preservation and development. CDT strategically channels capital into underfunded markets, ensuring that affordable housing units are not only created by also preserved. For example, CDT often targets Class-B and Class-C multifamily properties, which are typically affordable for moderate-income renters but are increasingly at risk of being repositioned as luxury housing by other investors. By purchasing and managing these properties with long-term affordability commitments, CDT prevents their conversion into higher-end developments and ensures they remain accessible to low- and moderate-income households.

In this way, CDT counteracts the flow of resources that traditionally favors luxury developments, providing a financially sustainable alternative that attracts capital specifically for affordable housing. Moreover, CDT's model creates a positive feedback loop: by proving that affordable housing can deliver both social and financial returns, it encourages more investors to support these types of projects, gradually shifting more capital into underserved markets. This approach effectively breaks the Success to the Successful cycle, directing resources where they are most needed and fostering greater equity in housing availability.

By securing financing and leveraging partnerships with nonprofit housing developers, CDT not only stabilizes affordable housing but also demonstrates that investing in these projects is viable and profitable, thereby attracting more capital into the sector. This is a clear example of how a social-purpose REIT can address systemic inequalities in the housing market and ensure that affordable housing receives the investment it needs to thrive.



SYSTEM FAILURE PATTERN #7

Escalation

The Escalation system archetype occurs when competing actors engage in a cycle of increasing effort or resources to outdo each other, resulting in mutually destructive outcomes. Specifically, Escalation occurs in the housing market when developers, landlords, and speculators continuously increase prices or rents to match one another, driving up housing costs and making homes increasingly unaffordable for average residents.

Case study

A relevant case study that addresses the Escalation system archetype, where competing developers and landlords continuously raise prices, comes from The Preservation of Affordable Housing, Inc. (POAH). POAH, a nonprofit real estate developer,

operates as a social-purpose REIT and focuses on preserving affordable housing in areas where gentrification and market pressures lead to escalating rents and home prices.

In cities like Chicago, where rapid development has resulted in increased competition among developers and rising property values, POAH has employed a strategy of acquiring properties in gentrifying neighborhoods to prevent them from being converted into luxury apartments. One of their most notable projects is Woodlawn Park, a mixed-income housing community which was at risk of losing its affordability due to neighborhood revitalization efforts. POAH acquired and redeveloped the property, ensuring it remained affordable to low- and moderate-income residents while also improving their quality of living.

By committing to long-term affordability covenants and utilizing tools like Low-Income Housing Tax Credits (LIHTC), POAH prevents the cycle of price escalation that typically accompanies market-driven development. Instead of contributing to the escalating competition to increase rents or property values, POAH's mission-driven approach stabilizes communities by keeping housing affordable over the long term. This creates a more balanced housing market, where properties are shielded from speculative price increases that would otherwise make them unaffordable to average residents.

POAH's model highlights how a social-purpose REIT can intervene in housing markets to prevent escalation. Through strategic acquisitions, public-private partnerships, and long-term affordability goals, they manage to block the destructive cycle of increasing rents and home prices, preserving affordability for the long term. This approach offers a sustainable solution to maintaining affordability in competitive housing markets.



SYSTEM FAILURE PATTERN #8

Tragedy of the Commons

Individuals acting in their own self-interest deplete shared resources, leading to negative outcomes for the collective, are engulfed in the Tragedy of the Commons system archetype. In cities facing housing shortages, developers often prioritize luxury developments that maximize their short-term profits. This depletes the available land for affordable housing, exacerbating the housing crisis and creating a Tragedy of the Commons scenario.

Case study

A compelling example of how a social-purpose REIT addresses the Tragedy of the Commons system archetype is found in the work of Resident Owned Communities USA (ROC USA). ROC USA is a nonprofit social-purpose REIT that focuses on preserving affordable manufactured home communities by transitioning them to resident ownership. Manufactured home communities are often prime targets for developers seeking to repurpose land for higher-profit developments, leading to the depletion of affordable housing stock.

ROC USA steps in by enabling residents to collectively purchase the land under their homes, giving them control over their housing future and preventing outside developers from converting the land for luxury developments or other high-cost uses. By organizing residents into cooperative ownership models, ROC USA helps them secure affordable, long-term housing while ensuring that the land remains dedicated to affordable housing rather than being consumed by speculative development.

For instance, in the Briarwood Cooperative in Montana, ROC USA helped residents purchase their manufactured home park, shielding it from the risk of being sold to developers who would have raised rents or redeveloped the land. This cooperative ownership model not only preserves affordability but also empowers residents to manage their community, ensuring that their collective interests are protected over the long term.

Through its interventions, ROC USA directly counters the Tragedy of the Commons archetype by aligning individual interests with the collective good. By converting land ownership from private, profit-driven entities to resident-owned cooperatives, ROC USA preserves land for affordable housing and prevents it from being consumed by short-term market interests. This balance between individual self-interest and community welfare is a best practice for maintaining affordability and ensuring equitable use of limited land resources.



SYSTEM FAILURE PATTERN #9

Accidental Adversaries

A particularly vexing dynamic occurs when well-meaning actors unintentionally undermine each other's efforts, leading to conflict and inefficiency. This is called the Accidental Adversaries system archetype. In the context of affordable housing and community development, nonprofits, government agencies, and private developers often have misaligned objectives – nonprofits may prioritize long-term affordability, while private developers focus on profitability, and government bodies may struggle

to balance regulatory frameworks and public needs. This misalignment can lead to inefficiencies, conflicts, and missed opportunities for collaboration.

Case study

The Northeast Investment Cooperative (NEIC) in Minneapolis serves as an innovative model for resolving the Accidental Adversaries system archetype. NEIC addresses this challenge by creating a cooperative ownership model that unites residents, small businesses, and community stakeholders around a shared mission to revitalize and preserve the character of their neighborhood. The cooperative enables community members to pool their resources to invest in and develop commercial and residential properties. This structure aligns the goals of various stakeholders – nonprofits, private investors, and government agencies – by providing them with a shared platform for decision-making.

For example, in 2012, NEIC purchased and revitalized two neglected buildings in Northeast Minneapolis. These properties were transformed into community-focused spaces, including affordable retail spaces for local businesses and housing. By involving local residents in the ownership and decision-making processes, NEIC ensures that development efforts align with the community's long-term interests, preventing the conflicts that often arise when competing actors pursue separate goals. This cooperative structure fosters collaboration over competition, reducing inefficiencies and ensuring that resources are directed toward sustainable, community-oriented solutions.

Through this model, NEIC resolves the Accidental Adversaries dynamic by aligning stakeholders' efforts through cooperative governance and shared ownership, creating a sustainable framework for development that benefits the entire community. This collaborative approach highlights how pooling resources and aligning goals can mitigate conflict and inefficiency in affordable housing and community development.

Conclusion

This policy guide has shown that social-purpose REITs, when implemented with a systems thinking framework, have the potential to address the deep-rooted, systemic failures in the housing market. By examining how these REITs can disrupt persistent patterns of failure – such as Fixes that Fail, Shifting the Burden, and Relative Control – we see that social-purpose REITs are more than just a financial tool; they are a meaningful intervention capable of producing long-term, sustainable change. The examples of the Housing Partnership Equity Trust (HPET), Community Development Trust (CDT), and other initiatives across the country demonstrate how these REITs can provide both financial returns and serve the social mission of increasing affordable housing.

Call to collective action

As Central Florida continues to face the affordable housing crisis, the integration of social-purpose REITs offers a unique opportunity to harness private capital for public good. This approach is a foundational element of Habitat for Humanity Greater Orlando & Osceola County's Cornerstone Housing Initiative, particularly its focus on systems thinking. Social-purpose REITs can serve as a cornerstone of a larger strategy to stabilize housing markets, reduce displacement, and ensure long-term affordability in a rapidly growing region.

We encourage readers to use this policy guide, along with others in the series, as a foundation for community engagement events, including facilitated scenario planning and community charrettes. These events will bring together policymakers, developers, nonprofit organizations, and community members to collaboratively explore and test potential solutions to the housing crisis. By engaging in open dialogue and leveraging the insights gained from these policy guides, stakeholders can co-create actionable strategies that reflect the needs of Central Florida's diverse communities.

Together, through systems thinking and collaborative action, we can build a more equitable, sustainable, and resilient housing future for all.

**Thank you to Cornerstone Housing Initiative Delegates
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