BACKGROUND

The Real Estate Investment Trust (REIT) was created in 1960 as a means of enabling individual investors to invest in real estate. REITs are basically mutual funds that combine funds from individual investors and then invest those funds in real estate. There are REITs that specialize in mortgage investments and there are REITs that invest solely in real estate equity. Equity REITs have shown the greatest growth in recent years. In 1990 the total market capitalization of equity REITs was approximately $9 billion; by 2000 that figure had grown to $140 billion. Within the equity REIT market, there is additional market segmentation with REITs that specialize in office buildings, retail, hotels, industrial and multifamily residential.

The Community Development Trust (CDT) is the only REIT created solely for the purpose of acquiring assets that benefit community development. CDT’s primary goal is to preserve and increase the stock of affordable housing both through long-term equity ownership and by providing liquidity to lenders originating mortgages. CDT will also provide debt and equity capital to retail, commercial and other projects located in community development areas. CDT is a national company that makes investments throughout the country. Since it provides both equity and debt capital, it is considered a hybrid REIT.

CRA Eligibility

CDT’s charter requires it to purchase only assets that meet the requirements of the Community Reinvestment Act (CRA). Because all of the assets CDT acquires are expected to be CRA eligible, banks may receive CRA credit by investing in CDT.

Bank investors have generally recorded the CDT stock purchase on their books as an equity investment. CDT’s board of directors values the common stock on a quarterly basis by determining the net asset value (NAV) of its investments. The NAV is basically the market value of all CDT’s assets less its liabilities. As a result, the NAV changes from quarter to quarter reflecting changes in the level of interest rates as well as the individual performance of the underlying investments.

CDT Secondary Market Debt Program

CDT purchases multifamily mortgages from both non-profit and for-profit community development lenders. These secondary market purchases generally involve loans that are not readily acceptable to traditional secondary markets. These loans, while creditworthy, may not qualify for sale to others because of their small size (less than $3 million), location (inner city or ru
The development of the commercial mortgage-backed securities (CMBS) market has benefited many real estate markets by increasing liquidity and lowering the cost of capital. Because community development loans are generally under $3,000,000 and may have complex structures including soft second mortgages, they have not been readily packaged as investments. Also, because of the nature of the asset being financed (an affordable housing property), 5–10 year adjustable rate mortgages, popular in the CMBS market, entail too much refinancing and interest rate risk to be used to finance affordable housing.

Community development properties need long-term, fixed-rate mortgages which are often not suitable for sale into the traditional secondary markets. Banks and thrifts are equipped to originate and service these loans but do not have the capital structure to hold these assets in their portfolios. Life insurance companies, pension funds and others that are interested in investing in long-term, fixed-rate loans in community development areas do not have the expertise to underwrite these types of loans. By acting as an intermediary, CDT can use its experience in community development lending to acquire these loans from qualified originators and then securitize these specialized assets for subsequent sale to CRA-motivated and socially-responsible investors. CDT purchases loans as small as $250,000 and aggregates these loans for subsequent syndication to institutional investors. CDT retains a subordinate interest in each loan it acquires, thus providing credit enhancement to increase the market-ability of the senior securities.

**Equity Acquisition Program**

In the equity area, CDT provides tax advantages to owners wishing to sell their subsidized, affordable housing properties. CDT is structured as an umbrella partnership REIT (UPREIT), which provides certain tax deferrals to owners that exchange ownership interests in their property for an interest in CDT. The tax deferral of the UPREIT structure has been used by owners of shopping centers and office buildings, for example, as a means of creating liquidity and diversification in their real estate holdings. This financial engineering is available to owners of affordable housing who want to sell their properties without incurring a taxable transaction.

When CDT acquires properties, its mission requires it to preserve the units as affordable housing. CDT works with non-profit and for-profit partners to restructure the properties to assure affordability. The UPREIT acquisition can be combined with tax-exempt financing and tax credits to provide capital for rehabilitation and to increase the financial viability of the projects while they are maintained as affordable housing.

**Conclusion**

CDT was created to fill two gaps in the community development financial markets: secondary market financing for small loans and equity capital for housing preservation. To date there are no other REITs dedicated to community development finance. As CDT’s success grows others can be expected to utilize the REIT structure as a means of increasing the flow of capital to the community development field.
REGULATORY OVERVIEW

INVESTMENT TYPE: COMMUNITY DEVELOPMENT REAL ESTATE INVESTMENT TRUSTS

Definition: A real estate investment trust (REIT) combines the capital of many investors to acquire or provide financing for real estate. A REIT also permits real estate investors to obtain the benefits of a diversified portfolio. A community development REIT (CD REIT) acquires debt and equity in projects that satisfy the definition of community development in the CRA regulation. CD REITs are carried as investments on the investing institution’s balance sheet in accordance with Generally Accepted Accounting Principles (GAAP).

CRA Applicability:

a. Community development, as defined in the CRA regulation, should be the investment’s primary purpose.

b. The investment should address the needs of the institution’s assessment area(s) or a broader or regional area (not nationwide) that includes the institution’s assessment area(s).

c. The institution would receive credit for its investment only, not as a pro-rata share of the total.

2002 SCHEDULE OF CRA ROUNDTABLES

The Federal Reserve Bank of San Francisco sponsors quarterly roundtable meetings throughout the 12th District to assist officers of financial institutions in identifying local opportunities for improved CRA performance. If you would like to be included on a specific mailing list or update your mailing information, please contact Bruce Ito at (415) 974-2422 or contact us via e-mail at sf.communityaffairs@sf.frb.org.

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>COMMUNITY AFFAIRS CONTACT</th>
<th>DATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boise, ID</td>
<td>Craig Nolte at (206) 343-3761</td>
<td>March 14, June 13, Sept. 12, Dec. 12</td>
</tr>
<tr>
<td>Las Vegas, NV</td>
<td>John Olson at (415) 974-2989</td>
<td>March 12, June 11, Sept. 10, Dec. 10</td>
</tr>
<tr>
<td>Northern California</td>
<td>John Olson at (415) 974-2989</td>
<td>Feb. 12, May 14, Aug. 13, Nov. 12</td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>Adria Graham Scott at (213) 683-2785</td>
<td>March 21, June 20, Sept. 19, Dec. 12</td>
</tr>
<tr>
<td>Portland, OR</td>
<td>Craig Nolte at (206) 343-3761</td>
<td>Jan. 8, April 9, July 9, Oct. 8</td>
</tr>
<tr>
<td>Salt Lake City, UT</td>
<td>John Olson at (415) 974-2989</td>
<td>April 18, July 18, Oct. 17</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>Craig Nolte at (206) 343-3761</td>
<td>Feb. 7, May 9, Aug. 8, Nov. 7</td>
</tr>
</tbody>
</table>
Welcome to the Valve Developer Community. Whether you’re building a “Triple-A” commercial project or a mod for Half-Life® 2, you’ll want to sign up as a Valve developer today. It’s free to join, and open to anyone working with the Source Engine and the Source SDK. Sign up to become part of the community! Source and the Source SDK are Valve Technology. The engine under the hood of Half-Life 2 can make your game a success. Community development seeks to empower individuals and groups of people by providing them with the skills they need to affect change in their own communities. These skills are often created through the formation of large social groups working for a common agenda. Community developers must understand both how to work with individuals and how to affect communities’ positions within the context of larger social institutions.

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1 Definitions
2 The history of community development
2.1 In the global North

The Community Development Society (CDS) is requesting proposals for presentations and posters from researchers, practitioners, and others involved in community work for the Community Development Society 2020 Annual International Conference, July 12-15, 2020 in Fargo, North Dakota, USA. The conference will explore how community developers, organizers, and leaders pursue local resilience in light of global challenges, and how local actions contribute to global...