



MEMORANDUM

To: CFGB Board
From: Gus Heard-Hughes, Senior Vice President of Programs
Date: 5/21/26
Re: Affordable Housing Market Study

In January 2025, CFGB developed a report on the affordable housing landscape in our region as a means of understanding the constraints, assets, and opportunities for strategic action by the foundation. Since then, we have met extensively with partners across the local affordable housing landscape, as well as other foundations and organizations across the country doing innovative work in this space. A strategy is beginning to take shape, as described below. At this point, we are still in the process of developing the plan. This memo is to fund a housing market study through Neighborhood Housing Services of Birmingham to inform that plan and the potential initiative described below.

Homeownership as the Foundation of Generational Wealth

For most American families, the home is the single largest financial asset they will ever hold — and the single most powerful engine of intergenerational wealth transfer. Federal Reserve data consistently show that the median homeowner household holds roughly 40 times the net worth of the median renter household. This gap is not a function of income alone; it reflects the structural advantages of ownership: forced savings through mortgage amortization, long-term appreciation, tax benefits, and the ability to leverage home equity for education, business formation, retirement security, and inheritance.

The growing wealth gap in the United States is, in large measure, a homeownership gap. Communities historically excluded from homeownership through redlining, restrictive covenants, and discriminatory lending practices have been excluded from the wealth-building mechanism that defined the American middle class for the past century. Closing that gap requires creating real, durable pathways into homeownership for households that have been priced out — not merely housing them, but enabling them to build assets.

Why This Initiative Is Different

The vast majority of public and philanthropic affordable housing investment in the United States flows to rental development. The Low-Income Housing Tax Credit (LIHTC), HOME Investment Partnerships, NSP, and most state housing trust funds are structured around rental projects. Rental affordability is critical — but it does not, by design, build wealth for the residents it serves. A subsidized renter who pays affordable rent for thirty years exits with no equity, no asset, and no inherited home for the next generation. When the subsidy ends or the property converts, the tenant is displaced.

This initiative takes a different approach. Every dollar that flows through the program funds the creation of an owned home — not a rented unit. Each affordable buyer gains immediate equity in a real asset, builds wealth through amortization and appreciation, and acquires a home they can pass to their children. The initiative does not solve every affordable housing need, but it addresses the one that rental programs by design cannot: the asset-building gap.

The North Star Affordable Housing Initiative – Pilot

To test these concepts, we have been working with Neighborhood Housing Services of Birmingham (NHSB) on a plan to develop housing where three Birmingham neighborhoods intersect: Norwood, Druid Hills, and

Evergreen. With the Coca-Cola Amphitheatre in place and the STAR development in process, this area is poised to see growth. A proactive strategy is needed to preserve housing affordability in these neighborhoods and ensure the redevelopment ensures there is space for a mix of residents. NHSB has acquired fifteen lots in close proximity in this area and is in the process of securing three more. We have been working with them to test a model that would develop ten homes on a selection of these lots: four market-rate homes (\$320,000), four workforce homes (\$230,000, accessible at ≈80-120% of area median income), and two low-to-moderate-income homes (\$190,000, accessible at ≈80% AMI). In this model, the market-rate homes help subsidize the development of workforce and LMI homes. A major challenge for affordable housing development in the region is the gap between the cost of construction and what lower-income buyers can pay. Our model significantly cuts the cost of construction because we have secured an agreement for Dwight Sandlin of Signature Homes to build these 3/2, 1300 square foot homes at between \$150,000 and \$185,000, coming well under the cost for other builders by leveraging Signature's economies of scale and by Signature forgoing any profit. We would work with a coalition of local nonprofits that have homebuyer readiness programs to prepare buyers and work with mortgage partners to line up pre-approvals so we know the homes will be sold quickly. If the model works, we can recycle dollars to scale up and replicate, with the goal of building 20 homes per year on an ongoing basis.

We propose to deploy a Program-Related Investment (PRI) – a low-interest loan at a 2.5% interest rate, currently projected to be for \$2.35 million, though this could be adjusted - to Neighborhood Housing Services of Birmingham (NHSB) to finance the construction and sale of ten new single-family homes. CFGB has done two PRIs from grant dollars: \$300,000 to Woodlawn United for an affordable housing project in Woodlawn and \$200,000 to OPAL for a community nonprofit hub in Titusville. For this next stage, we are proposing a PRI from foundation assets. 54% of community foundations are doing PRIs, and the vast majority are mobilizing investable assets. The rationale is straightforward: a foundation's annual grants budget represents roughly a 5% payout off of the endowment, while the remaining 95% has historically been managed solely for financial return. Deploying a portion of that 95% at below-market rates, with patient terms, in places and sectors where commercial capital is scarce, multiplies a foundation's impact without depleting its corpus. We have discussed the concept with the CFGB Investment Committee and they are supportive of the idea.

Our plan is to further develop this plan over the summer and come back to the pertinent committees and CFGB Board in August with a full proposal. In the meantime, a market study is an important step to inform the project and assess its feasibility. Comps in the neighborhoods paint an incomplete picture of the housing market, particularly given the changes since the amphitheater and STAR development launched. The attached market study proposal from Place Associates details the analysis of housing market conditions, neighborhood asset mapping, and other activities needed to get a fuller view. This proposal is only for \$15,000 – we are in conversation with NHSB and Place Associates to include some additional mentions, and we expect the cost to increase, so the recommendation is for \$25,000.

At its 5/6/26 meeting, the Building Capacity recommended an allocation from CFGB Proactive funds for the \$25,000 housing market study.

Recommendation

We recommend that the CFGB Board approve the 5/6/26 recommendation of the Building Capacity Committee to allocation \$25,000 from CFGB Proactive funds for the \$25,000 housing market study, to be conducted by Place Associates for Neighborhood Housing Services of Birmingham.