

# Invested in Evictions

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CIM GROUP, SOUTHERN TOWERS, AND THE CRISIS OF PUBLICLY-FINANCED DISPLACEMENT

April 2021

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African Communities Together

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# Summary of Findings

- In August 2020, CIM Group (CIM) – a Los Angeles-based private real estate company -- announced its acquisition of Southern Towers, a 2,346-unit apartment building in Alexandria, VA. At \$506 million, the purchase **was one of the largest multifamily housing transactions of 2020** (in the midst of a raging pandemic and economic crisis) and nearly broke the record for an apartment transaction in the National Capitol Region. Alexandria, located near Amazon's massive HQ2 project, is at the epicenter of the National Capitol Region's overheated housing market and looming crisis of affordability and displacement. Added to the company's growing portfolio of multifamily investments in Northern Virginia, the acquisition of Southern Towers transformed CIM into one of the biggest apartment owners and managers in the Washington, DC region with more than 5,500 units.
- CIM's Southern Towers is the largest source of privately-owned affordable housing in Alexandria and one of the biggest providers of workforce housing to the region's service workers, teachers, and healthcare workers. **Nearly two-thirds of Southern Towers residents are Black, and over 60% of residents are foreign born. More than three-quarters of immigrants are from Africa, particularly Sub-Saharan Africa.**
- Since assuming ownership of Southern Towers in August 2020, **CIM has aggressively sought to evict residents, despite the ongoing pandemic, largely putting Black and immigrant families at risk of displacement.** In the first comprehensive analysis of eviction filings in the City of Alexandria which we conducted shows that CIM has brought 541 eviction proceedings against residents of Southern Towers since it acquired the building, more than any other apartment building in Alexandria. CIM leads all property owners in eviction proceedings in the city. Over the course of the pandemic and economic crisis, CIM has obtained over \$441,000 in legal judgements against families unable to pay their rent.
- Although the Center for Disease Control's (CDC) moratorium on evictions has prevented CIM from physically evicting families to date, **the aggressive eviction filings have inspired widespread fear among the residents,** including immigrants who have fled repressive governments or struggle with English as a second language. Some fearful residents simply did not attend the court proceedings leading to "default judgments," others "self-evicted" rather than go to court and fight, and most stood alone without legal representation against CIM's hired lawyers. Upon the expiration of the CDC moratorium, many residents with outstanding evictions cases will likely be displaced.
- Given that CIM is reportedly seeking an annual thirteen percent investment return on the Southern Towers' investment and reportedly plans to substantially renovate the property,

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**residents are deeply concerned that they will be displaced through unsustainable rent increases driven by the impact of the new Amazon headquarters six miles away.**

According to real estate analysts, a typical Amazon HQ2 employee will make nearly three times more than a typical Southern Towers' household and could easily pay more than double the rent of a current family at Southern Towers.

- **CIM's eviction practices at Southern Towers are subsidized and financed by a variety of public entities**, including **Freddie Mac** (a government-owned financial institution that provided an "incredibly favorable" \$346 million low-interest loan to acquire Southern Towers); the **Small Business Administration** (CIM Group received a \$679,000 Paycheck Protection Program loan in May 2020); and indirectly through the support **of \$4 billion in state and local public pension plan investments** with CIM.
- CIM markets itself as a socially responsible investment firm, claiming that it is committed to diversity and "community-focused" investments. But **CIM's thirteen-member leadership team – which is ultimately responsible for the eviction practices impacting the largely Black and immigrant tenants at Southern Towers – is overwhelmingly White.**
- Despite repeated attempts by a group of tenants to meet with CIM to cooperatively discuss the evictions and long-term affordability issues at Southern Towers, **the company has declared that it will only meet "one-on-one" with each individual resident.** In response, tenants at Southern Towers are creating a formal tenant union to continue to press the company for justice, to advocate for changes to local and state laws that better protect tenants, and to ally with the national movement of renters to reform the broken housing system.
- Based on the experiences of families at Southern Towers, this report recommends that 1) CIM should immediately meet and negotiate in good faith with the tenant union at the property and suspend its aggressive eviction campaign; 2) public pension plan investors should carefully consider whether CIM is an appropriate and responsible investment partner, given their harmful housing practices; 3) Virginia state and local elected leaders should pursue more robust renter protection laws, and tools to preserve the rapidly dwindling affordable housing stock; and 4) Congress and federal regulators should investigate Freddie Mac to ensure taxpayers are not subsidizing the eviction and displacement of renters and the loss of the existing affordable housing stock.

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## Introduction

The pandemic and corresponding economic crisis has laid bare the structural economic and racial inequalities endemic to our economy and society. These disparities are increasingly evident in the spaces and places where we live. Presently, more than ten million households are behind their rent and facing eviction from their homes, and US households now owe an estimated \$57 billion in back rent.<sup>1</sup> According to the Consumer Financial Protection Bureau, one in four renters with incomes under \$25,000 reported that they were behind on their rent, with Black and Brown households twice as likely to be evicted than White households.<sup>2</sup>

The looming displacement of millions of families is the most visible manifestation of a long-term affordable housing crisis in the United States. In 2019, 37.1 million households (or 30% of all households nationwide) were classified as “housing cost burdened”, according to Habitat for Humanity, spending 30% or more of their income on housing. One in seven households — or 17.6 million in total — were “severely cost burdened,” spending half or more of their income on housing. And housing cost burdens were greater for households of color, especially among renters.<sup>3</sup>

Yet for some housing speculators and investors, the affordable rental housing crisis is not a crisis but a business *opportunity* for increased profits. The National Multifamily Housing Council estimates that the total value of U.S. multifamily rental properties (i.e. apartment buildings) was over \$4 trillion in 2018, double the value from ten years ago.<sup>4</sup> Driving the escalating value of multifamily properties as an “asset class” are the 9.8% annual profit returns, the highest average annual returns of any commercial real estate asset class over the last 25 years.<sup>5</sup> And according to the publication Pensions & Investments, there is \$328 billion in “dry powder” capital waiting in the wings for real estate “deployment” by private real estate funds and firms.<sup>6</sup>

As these concentrations of global real estate capital are “deployed” or invested for profit in rental housing in American cities, the threat of large-scale displacement is imminent: as capital flows into properties in “transitional” neighborhoods, renovations and upgrades raise rents and displace longtime residents (typically lower-income workers, people of color and immigrants) from their homes in favor of a whiter, more affluent population that can generate higher profit returns for real estate investors.

This report tracks how this crisis is playing out in real time in one community in the Washington DC metropolitan region, one of the hottest real estate markets in the country and an epicenter of gentrification and displacement.<sup>7</sup> On one side stands CIM Group, a \$28 billion private real estate firm that is aggressively purchasing apartment buildings in the region; and on the other side, a determined group of Black and immigrant tenants fighting to stay in their homes and preserve one of the largest sources of affordable housing in the area.

## “CIM Group Sets Record With \$506 Million Deal”

Founded in 1994 in Southern California, the CIM Group (CIM) is a private firm that invests, owns, and operates \$28 billion in urban real estate and infrastructure assets across the United States. The founders and principal owners of CIM are Richard Ressler, Avi Shemesh and Shaul Kuba, and Mitsui & Co., Ltd., a Japanese financial conglomerate, which owns a 20% interest in the company.<sup>8</sup> CIM typically invests its own funds along with that of institutional partners and co-investors, including the world's largest pension funds, sovereign wealth funds, high net worth individuals, and corporations.

Notably, the real estate firm has secured over \$4 billion in commitments from large pension funds serving public employees, teachers, and firefighters, such as the \$444 billion California Public Employees Retirement System. CIM is not required to publicly disclose all of its investors (a loophole that should be closed), but public records indicate that at least sixteen public pension funds have made investment commitments to the CIM Group (see Table 1).<sup>9</sup>

**Table 1: Pension Fund Investments with CIM**

Pension	Investment (\$ millions)
California Public Employees' Retirement System	1,821
San Francisco Employees Retirement System	1,006
Arizona State Retirement System	600
New York State Common Retirement Fund	425
Alaska Permanent Fund Corporation	250
Michigan Department of Treasury*	165
Regents of the University of California*	123
Public School and Education Employee Retirement Systems of Missouri*	94
Los Angeles City Employees' Retirement System	80
Alameda County Employees' Retirement Association	60
West Virginia Investment Management Board*	56
Florida State Board of Investment	50
New Mexico State Investment Council	50
Sacramento County Employees' Retirement System	35
Montana Board of Investments	25
San Mateo County Employees' Retirement System	25
<b>Total</b>	<b>4,866</b>

CIM primarily focuses its real estate investments on what they call “Qualified Communities,” particularly urban submarkets that “will support outsized rent growth/ capital appreciation.”<sup>10</sup> The company classifies qualified communities as either “underserved or transitioning communities near thriving metropolitan areas” or “flourishing downtown neighborhoods where market values are below their long-term, intrinsic values.”<sup>11</sup>

Presumably Northern Virginia is a “qualified community,” because in August 2020 CIM announced its acquisition of Southern Towers, a 2,346-unit multifamily property comprised

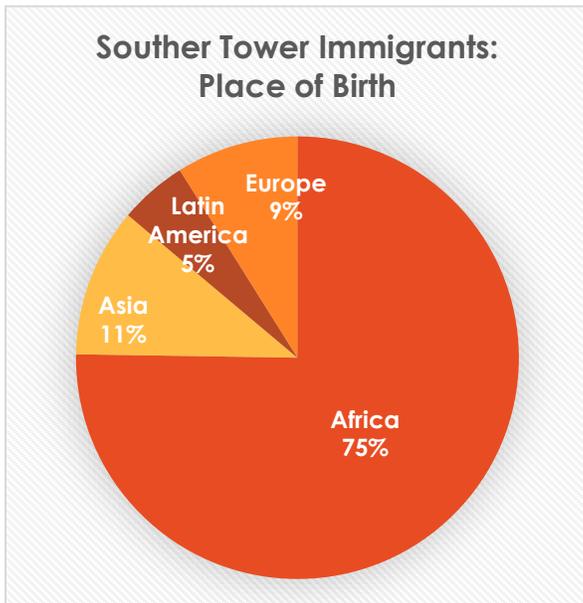
of five high-rise buildings in Alexandria, VA. At \$506 million, the purchase was one of the largest multifamily housing transactions of 2020 (in the midst of a raging pandemic and economic crisis) and nearly broke the record for an apartment transaction in the National

Capitol Region. Alexandria, located near Amazon's massive HQ2 project, is at the epicenter of the National Capitol Region's overheated housing market and looming crisis of affordability and displacement. Added to the company's growing portfolio of multifamily investments in Northern Virginia (including the 1,180-unit Mason at Van Dorn purchased in 2018, and the 939-unit Skyline Towers purchased in 2019), the acquisition of Southern Towers transformed CIM into one of the biggest apartment owners and managers in the Washington, DC region, with more than 5,500 units.<sup>12</sup>

## The Story of Southern Towers

Built in the 1960s in a largely undeveloped area of Northern Virginia, Southern Towers is now a vibrant community of over 4,400 residents. Spread over 40 acres, the apartment complex comprises an entire Census tract, and the transit stop in the complex is one of the highest-used in the City of Alexandria.<sup>13</sup>

One of the defining characteristics of Southern Towers is its long history as a home for immigrants and people of color. According to the Census, over three-quarters of Southern Towers residents are people of color, and 66% of residents are Black. Over 60% of the



population is foreign born (more than double the rate for Alexandria), with over three-quarters of immigrants hailing from Africa, particularly Sub-Saharan Africa.<sup>14</sup> The Sub-Saharan population is so large that the area of the city is known as "little Ethiopia," and Anthony Bourdain famously toured nearby Ethiopian restaurants and markets.<sup>15</sup> But Southern Towers is also home to families from Somalia, Sudan, Morocco, Tunisia and Central America, to name a few.

In an area characterized by rapid growth and displacement (soon to be turbo charged by the construction of Amazon's second headquarters), Southern Towers also stands out as a haven of affordable housing for the region's service workers, teachers, and healthcare workers.<sup>16</sup> According to the City of Alexandria, there has been an 88% decline in

affordable housing units since 2000, and only 8% of the total rental units in the city qualify as affordable.<sup>17</sup> Yet approximately 96% of the housing units at Southern Towers are classified as affordable, with an average rent \$1,467.<sup>18</sup> Although the median income of a typical family at Southern Towers is approximately \$60,273, far below the city median of \$100,939, the affordable rent is within the budget of many families. It is one reason that turnover is low at Southern Towers: according to the Census, 74% of families have lived at the location for 5 years or longer, and over 15% have lived at Southern Towers for 20 years or longer.<sup>19</sup>

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Will Southern Towers remain an affordable housing option for the region's immigrants and low-income workforce? Recent actions by CIM Group suggest that the company has other intentions.

## CIM's Eviction Practices in Alexandria

The pandemic and mass unemployment hit the tenants of Southern Towers particularly hard, with many unable to pay their rent while racking up a variety of late fees and charges by management. In response, residents organized hundreds of their fellow tenants, joining together in a series of rallies and protests asking management to meet and discuss the issues at Southern Towers. Because the prior ownership (Snell Properties and Caruthers Properties, the partnership that developed the complex in 1960)<sup>20</sup> was unresponsive, tenants at Southern Towers welcomed the sale of the property to CIM in the summer of 2020, particularly since CIM's website emphasized its commitment to social responsibility and "community focused" investing.

Residents' most urgent request of CIM was to stop filing evictions in court, and to work with tenants on a comprehensive response to the economic dislocation. Early in the pandemic, the Mayor of the City of Alexandria wrote property owners in the city requesting that they "do not file

"[M]any tenants facing the threat of eviction never make it to court, leaving their homes when their landlord provides notice or when they receive the court filing. As such, suspending these early stages of the eviction process is particularly important minimizing displacement."<sup>1</sup>

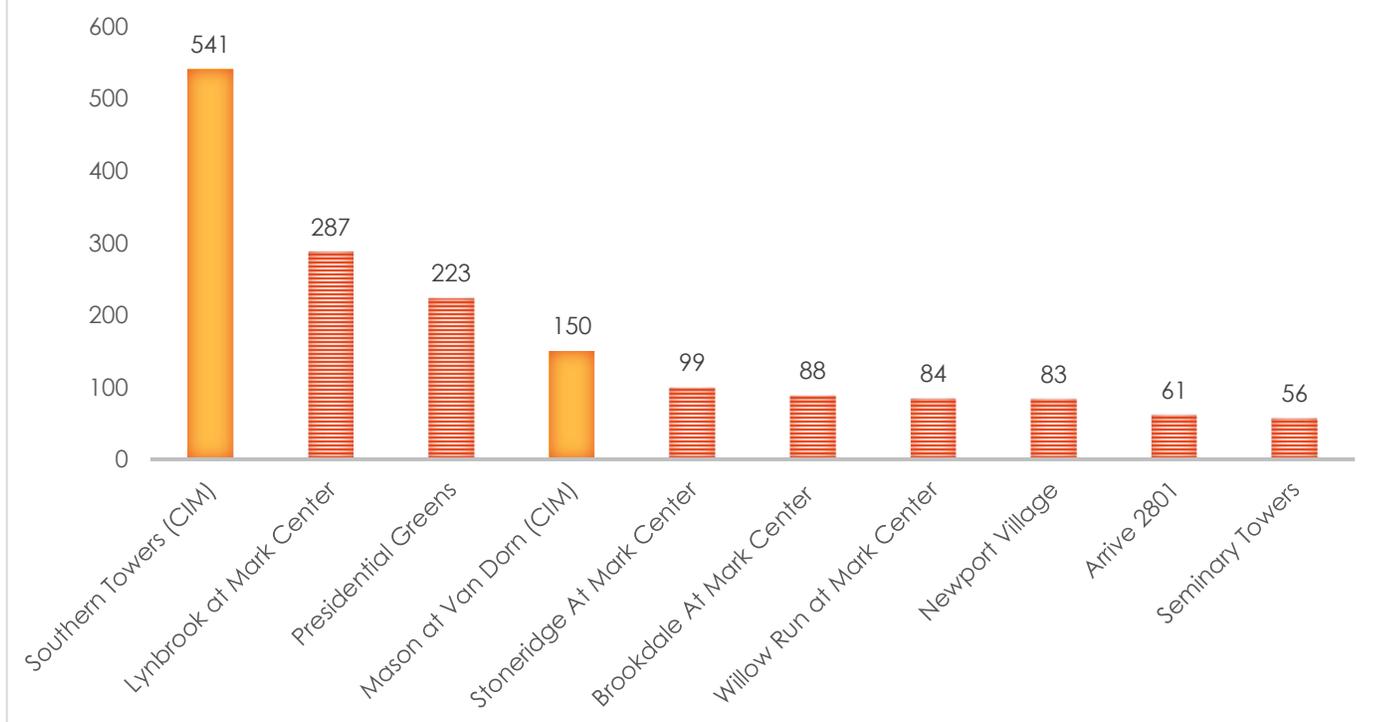
**Princeton University Eviction Lab**

eviction proceedings against any resident."<sup>21</sup> Research by Princeton's University's Eviction Lab underscored the risks of this practice, finding that "[e]viction filings can prevent a tenant from securing new housing and damage credit, even if the court ultimately rules in the tenant's favor or dismisses the case. Additionally, states that allow eviction filings to occur during the pandemic could experience mass evictions of tenants and an overtaxed court system as soon as emergency orders are lifted." In addition, Eviction Lab pointed out that eviction filings have the effect of encouraging "voluntary" displacement: "many tenants facing the threat of eviction never make it to court, leaving their homes when their landlord provides notice or when they receive the court filing. As such, suspending these early stages of the eviction process is particularly important minimizing displacement."<sup>22</sup>

Despite recommendations from housing experts, protests by tenants, and the plea of the Mayor of Alexandria, CIM refused to stop pursuing eviction actions in court against the struggling residents of Southern Towers. In fact, in the first comprehensive analysis of eviction filings in the City of Alexandria, the data show that CIM has been the biggest driver of eviction court proceedings (see Appendix for methodology). We analyzed all eviction filings in the Alexandria District Court from August 19, 2020 (the date CIM closed on its acquisition of Southern Towers) through February 2021.<sup>23</sup> The data show the following:

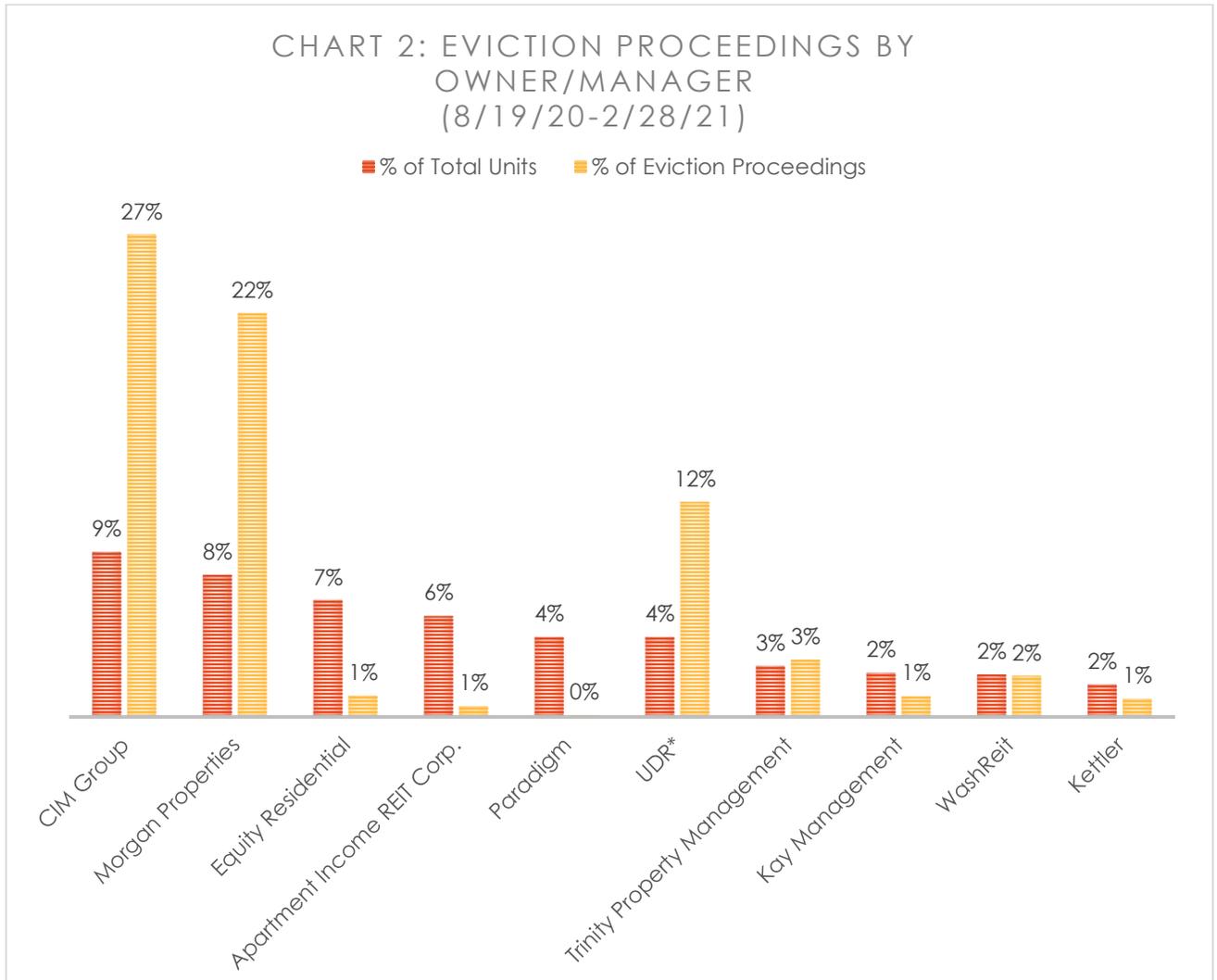
- Since August 19, 2020, CIM has participated in 541 eviction legal proceedings against residents at Southern Towers, **more than any other apartment building in Alexandria**. Although Southern Towers only represents 6% of the total apartment units in the city, it is responsible for 21% of the total eviction proceedings.
- At the Mason at Van Dorn, a 1,180-apartment complex in the city acquired by CIM in 2017 and renovated in 2019,<sup>24</sup> CIM is responsible for 150 eviction proceedings, or 6% of all eviction proceedings in the city since August 19, 2020. In comparison, Mason at Van Dorn represents 3% of the total apartment units.

CHART 1: EVICTION PROCEEDINGS BY PROPERTY  
(8/19/20 - 2/28/21)



- Combined, CIM properties represented 27% of all eviction proceedings in the city, despite representing only 9% of the total rental units in Alexandria. Through its aggressive eviction litigation strategy, CIM has obtained over \$441,000 in legal judgements against families unable to pay their rent.
- In an analysis of the top ten owners and managers of multifamily properties in Alexandria, CIM leads all companies in eviction proceedings, trailed by Morgan Properties and UDR.<sup>25</sup> The top ten owners/managers control 48% of the rental units in the city but are responsible for 71% of the eviction proceedings (since August 19, 2020). Just three companies – CIM, Morgan Properties, and UDR – represent 61% of

eviction proceedings.



Although the Center for Disease Control's moratorium on evictions has temporarily staved off the physical removal of families at the property, the prospect of going into a courthouse in the middle of a pandemic to contest CIM's legal filings was (and remains) terrifying for immigrant residents, many of whom fled repressive governments or struggle with English as a second language. More than half of residents at Southern Towers speak a language other than English. Some fearful residents simply did not attend the court proceedings, others "self-evicted" rather than go to court and fight, and others stood alone without legal representation against CIM's hired lawyers. Some tenants have been forced to go to court five or six times to seek a delay in the proceedings. Despite the moratorium and the hardships that eviction proceedings impose on tenants displaced by the COVID pandemic and economic shutdown, CIM continues to regularly file evictions against tenants at Southern Towers and Mason at Van Dorn. When the state and federal moratorium on evictions expires, hundreds of residents at CIM properties potentially could

be displaced as a result of the company's eviction practices, adding to the many residents who've simply left in the face of the company's strong arm eviction practices.

## Amazon, Southern Towers and Displacement

The aggressive eviction practices by CIM, and the likely displacement of many residents at Southern Towers, certainly suggests that the company is not committed to maintaining the property as a center of affordable housing for immigrants and low-wage workers.

Although CIM has been tight-lipped about its long-term plans for Southern Towers, there are a number of clues to how the company may transform the property. The company is reportedly seeking a “13 percent annual returns with an expected investment period of six years” for the property.<sup>26</sup> According to CIM's website, Southern Towers is classified as an “opportunistic” investment, which the company describes as “acquiring, developing and improving properties for successful operation and eventual sale.”<sup>27</sup>

One very significant catalyst that could boost the potential profits at Southern Towers is the construction of Amazon's second headquarters (HQ2), which is expected to generate \$14 billion in economic activity and more than 50,000 jobs in the region.<sup>28</sup> As CIM noted in its press release announcing the purchase of Southern Towers, the “property is six miles from Amazon's HQ2.”<sup>29</sup>

CBRE, the broker on the sale of Southern Towers to CIM, told the Washington Business Journal that “CIM hopes to tap into the momentum of Amazon.com Inc.'s second headquarters and improvements” to the area planned by the city. According to the report, “potential improvements could include modernizing some of the existing buildings on the 40.5-acre property, developed in the 1960s. The last major renovations, to The Graham at Southern Towers building, were completed in 2016. The other buildings have not been renovated to the level of the Graham, offering the potential **to boost rents through upgrades.**”<sup>30</sup> [emphasis added].

### Direct Investors in Southern Towers and Mason at Van Dorn

CIM has not disclosed the co-investors in its Northern Virginia apartments, but news reports and financial filings have identified two key investors:

- South Korea's second largest institutional investor, the **Korean Teachers' Credit Union**, has reportedly invested \$50 million in Southern Towers.
- The **Arizona State Retirement System** is a significant equity investor in Mason at Van Dorn via CIM (as of 2018).

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Indeed, CIM and its investors paid \$506 million to acquire Southern Towers, but CIM has reportedly lined up an additional \$194 million from investors to renovate “the complex’s distressed facilities through additional capital injections.”<sup>31</sup>

Upgrading Southern Towers and tapping into the new influx of affluent renters generated by Amazon’s HQ2 would certainly be a strategy to reach CIM’s reported goal of 13 percent annual returns: according to CBRE, “at an average of \$150,000 in annual compensation, an Amazon HQ2 employee could spend more than \$3,750 a month in rent at 30% of their average salary. This well exceeds the \$1,833 monthly effective rent in the Northern Virginia market and is also higher than the \$2,419 effective rent in Washington, D.C.”<sup>32</sup> According to this analysis, Amazon HQ2 employee would be making nearly three times more than a typical Southern Towers’ household and could easily pay more than double the rent of a current family at Southern Towers.

Local housing advocates have sounded the alarm about the dual threat to housing affordability posed by Amazon’s HQ2 and the purchase of affordable multifamily properties by outside investors like CIM. The Northern Virginia Affordable Housing Alliance recently warned:

As our region grows, our older, multifamily rental communities continue to be at risk. Recently, news by the City of Alexandria that as much as 88% of their market-affordable housing stock had been lost since 2000 due to demolition or redevelopment (18,218 to 2,236 units) drew gasps and widespread media attention. Revitalization of aging corridors are not the only threat. Market pressures from ‘value-add’ investors who purchase class B and C rental apartments to take advantage of close-in locations and walkable neighborhoods are on the rise. First, some level of renovation is undertaken; then rents are increased and displacement begins.<sup>33</sup>

## What is CIM’s “Community-Focused” Real Estate Investing?

For Southern Tower residents concerned about displacement through eviction and potential rent increases, taking CIM’s prolific social responsibility statements at face value might assuage their concerns. CIM says it is “a community-focused” real estate firm that seeks to “create value in real assets benefiting the communities in which we invest.”<sup>34</sup> Claiming that it “positively impacts communities through corporate social responsibility initiatives,” the founders of CIM urge that “we should always speak up against injustice in our day-to-day interactions.” After the Black Lives Matter protests in

the summer of 2020, the company was quick to put out a statement that “we stand with the protests and protestors against racial injustice.”<sup>35</sup>

However, a recent report by the commercial real estate publication Bisnow analyzing diversity at leading real estate developers like CIM suggests that the company’s commitment to social responsibility is little more than surface marketing. According to the report:

**Leadership at CIM Group**

 Chris Allman Principal, Capital Markets	 John Bruno Principal, Investments	 Jeff Columbus Principal, Development
 Jennifer Gandin Principal, Investments	 Ryan Harter Principal, Development	 Nick Morosoff Principal, Counsel
 Jason Schreiber Principal, Investments	 David Thompson Principal and Chief Financial Officer	 Terry Wachsner Principal, Real Estate
 Elaine Wong Principal, Marketing and Communications	 Shaul Kuba Co-Founder and Principal	 Richard Ressler Co-Founder and Principal
 Avi Shemesh Co-Founder and Principal		

“Companies like Trammell Crow, Hines, Tishman Speyer, **CIM Group**, Related Cos., Alliance Residential and Greystar are privately held, and they aren’t subject to the same level of scrutiny as their publicly traded peers. But these firms are hugely impactful on American life, and they are still run by a higher proportion of White men than other sectors of the commercial real estate industry.<sup>36</sup>” [emphasis added]

In its reporting, Bisnow noted that “CIM Group, which describes itself as ‘a community-focused real estate and infrastructure owner, operator, lender, and developer,’ has one person of color in its 13-person leadership team.”

This overwhelmingly White leadership team is the same group ultimately responsible for the eviction practices at Southern Towers that are disproportionately impacting African immigrants and low-income workers.

If CIM truly wanted to apply to its corporate responsibility principles to the residents of Southern Towers in this time of crisis, they simply could look across the Potomac River to the four apartment buildings they own in Washington, DC (all located in highly gentrified neighborhoods like Adams

Morgan and NoMa). Under Washington DC law, tenants in CIM properties have far more rights and protections than residents of CIM properties in Virginia. There is nothing stopping CIM from adopting these tenant best practices for Southern Tower residents:

**Table 2: DC vs VA COVID-19 Tenant Protections<sup>37</sup>**

Category	Washington DC	Virginia
Eviction filings	Landlords are prohibited from filing an eviction complaint in court. <sup>38</sup>	Landlords can and do file eviction complaints in court.
Late Fees	Housing providers are prohibited from charging late fees during the pandemic.	Housing providers can charge late fees unless a tenant enters a payment plan.
Credit Bureau reporting	Landlord is not allowed to report delinquency in paying rent to credit bureaus.	Landlords can report late payments to credit bureaus unless tenant enters payment plan.
Rent increases	Rent increases are prohibited during the pandemic emergency.	No limit on rent increases.
Payment plans on late rent	Rent repayment plan must be a minimum of one year.	Rent repayment plan no longer than 6 months.

Adopting DC's eviction best practices would be enormously beneficial to the community of Southern Tower residents, but it wouldn't address the long-term threat to rental affordability. Curiously, for a company that owns over 30 residential properties around the country, CIM Group's 41-page report on its Environmental, Social and Governance record makes only one passing mention of "affordable housing" (compared to 26 times for the company's stewardship of water resources) and makes no commitments in this area.<sup>39</sup> CIM has made no public comments committing to keep Southern Towers affordable to the community, although it is required to maintain 105 affordable units under commitments made to the city by the prior owner.<sup>40</sup>

Indeed, unlike tenants across the Potomac in DC, there are a very few local policy tools available in Northern Virginia to preserve important sources of affordable housing like Southern Towers. In contrast to DC, there are no rent control or stabilization laws in Virginia, "just cause" eviction protections, legal recognition of tenant unions, or "right-of-first-refusal" or "tenant opportunity to purchase" laws which give certain tenants a mandatory opportunity to acquire a property before it is sold and potentially lost from the affordable housing stock.

While state and local policymakers can and should continue to call on CIM to do the right thing by Southern Towers tenants, the evidence strongly suggests that only strong tenant legal protections, not weak statements of corporate social responsibility, will prevent large-scale displacement in Alexandria.

## Are Taxpayers Financing Displacement?

When CIM purchased Southern Towers for \$506 million, the company had an unlikely lender willing to finance the transaction: the taxpayers of the United States. Freddie Mac – a government-sponsored financial institution formed to promote affordable housing – provided a 10-year \$346 million low-interest (2.2%) loan to CIM, loan terms that an executive from CIM called “incredibly favorable.”<sup>41</sup>

In 2008, Freddie Mac received over \$70 billion in taxpayer bailout funds after a series of reckless housing investments, requiring the federal government to put the company into conservatorship.<sup>42</sup> As a result of the bailout, the federal government owns 80% of the equity of Freddie Mac.<sup>43</sup> Freddie Mac states that its mission is to “support sustainable homeownership and affordable rental housing,”<sup>44</sup> and that they “finance apartment buildings so more families are able to find quality rental housing they can afford.”<sup>45</sup> This important mission is the primary reason taxpayer funds were used to save Freddie Mac from bankruptcy.

Apart from providing a taxpayer subsidized interest rate to CIM, Freddie Mac is also financing up to 60% of the purchase price of Southern Towers, a high amount of financial leverage. As Forbes Magazine explains, one of the most “powerful advantages in real estate investing is financial leverage. Leverage is generated by using borrowed capital as your funding source when you invest. This allows you to buy a much larger asset and increase the potential return on your investment than you could if you had to pay 100% of the purchase price upfront. As real estate experts like to say, leverage enables you to make money on other people’s money.”<sup>46</sup> In this case the “other people” providing the money are the taxpayers of the United States.

Yet when Freddie Mac provided the “incredibly favorable” loan to CIM to purchase Southern Towers, Freddie Mac imposed virtually no provisions protecting tenants from

### The Federal Reserve Bailout

One reason Freddie Mac was able to offer a low-interest rate to CIM was the dramatic intervention of the Federal Reserve in the financial markets. In March 2020 the Federal Reserve announced that it would buy an unlimited amount of bonds (called Commercial Mortgage-Backed Securities) issued by Freddie Mac and other government-sponsored agencies. The promise by the Federal Reserve helped, in the words of one analyst, to “grease the wheels of the credit markets” and lower interest rates for borrowers like CIM.

To date the Federal Reserve has purchased over \$9 billion in agency-backed mortgage-backed bonds, and Freddie Mac has told investors that if the Fed stopped the support “it could negatively affect our financial position and results of operations.”

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eviction and displacement. Under the terms of the loan, CIM is only required to provide 30-days' notice of any eviction (unless CIM is unable to pay its loan, then stricter requirements apply).<sup>47</sup> Although the CARES Act passed by Congress did require that Freddie Mac prohibit borrowers like CIM from initiating any eviction proceedings or charging late fees and penalties against tenants (more expansive requirements than the CDC moratoriums), those provisions expired July 24, 2020, and were not renewed in the latest stimulus bill.<sup>48</sup> In addition, there are no restrictions from Freddie Mac prohibiting CIM from raising rents and making Southern Towers unaffordable to the workers and immigrants that call Southern Towers their home. In the absence of affordability requirements or anti-eviction protections, it is unclear how the financing of CIM's acquisition of Southern Towers advances Freddie Mac's stated mission.

Adding insult to injury, as CIM was busy filing eviction cases in court against struggling tenants in Northern Virginia, the company received a \$679,000 Paycheck Protection Program loan from the Small Business Administration on May 15, 2020.<sup>49</sup> The goal of the Paycheck Protection Program is to provide a direct incentive for small businesses to keep their workers on payroll, but CIM Group is a \$28 billion institution with over 1,000 employees.

## Southern Towers Tenants: Fighting for the Right to Remain

In April 2020, as the pandemic raged and the economy collapsed, residents at Southern Towers responded to the flood of eviction notices, unsanitary conditions in the building, and threatening letters from management by organizing hundreds of their fellow tenants to fight back. Tenants have held more than two dozen protests and rallies at Southern Towers, the Alexandria courthouse where evictions are filed, and the headquarters of CIM and Freddie Mac.

Seeking broader legal protections against eviction and funding for tenant assistance from the state legislature, Southern Tower tenants held several traditional Ethiopian coffee ceremonies at the homes of key senators, inviting the legislators to respectfully discuss common solutions to the eviction crisis over coffee.<sup>50</sup> As a result of these conversations, lobbying and testifying at the legislature, and the advocacy of justice organizations throughout the state, Virginia enacted better tenant protection laws and additional funding for tenant rental assistance. One major provision required landlords like CIM to apply for rental assistance on behalf of residents before evicting a resident.

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While state senators were willing to meet with tenants at Southern Towers, CIM has steadfastly refused to discuss issues at the property with tenant leaders, despite repeated pleas from residents. In December 2020, as frightened residents worried about the expiration of the CDC moratorium on evictions, the tenants wrote CIM asking for a (virtual) meeting to discuss the problems at the Southern Towers. The company

### **CIM Offers Rent Relief for Some Retail Tenants...**

CIM appears to be far more flexible with its retail tenants than residential tenants. According to financial filings, the company has offered nearly \$5 million in rent abatements (i.e. free rent) to its retail tenants impacted by the pandemic, and over \$6 million in rent deferrals.

responded that it would only meet “one-on-one” with each resident to provide a “confidential and individualized response.”<sup>51</sup> Again, in February 2021, tenants wrote CIM to urge the company to meet and discuss collective responses to the pandemic crisis, including inviting local non-profits to assist the immigrant community to navigate the variety of private and public tenant assistance programs. CIM never responded to the letter, underscoring the hollowness of CIM’s so-called “community-focused” investment approach.

Undeterred, tenants at Southern Towers are launching a tenant union to continue to press CIM to address the eviction and housing affordability crisis at Southern Towers, to advocate for changes to local and state laws to better protect tenants, and to ally with the national movement of renters to reform the broken housing system.

## Recommendations

Based on the experience of the families at Southern Towers struggling to stay in their homes due to the eviction practices of CIM Group, and the long-term threat to affordable housing sparked by the rapid development in the area (including Amazon’s HQ2), this report recommends:

1. CIM should immediately agree to meet with the Southern Towers tenant union, and discuss key demands, including rent forgiveness, suspension of eviction filings and adverse credit bureau reporting, the waiving of late fees and miscellaneous charges, a moratorium on rent increases, and sustainable payment plans.
2. Investors, including the \$4 billion in public pension funds that have backed CIM Group, should carefully evaluate CIM’s claims of corporate social responsibility versus the company’s record of eviction and displacement in Alexandria, the company’s long-term threat to affordable housing in the region, and the poor corporate governance practices related to diversity. Institutional investors should demand stronger

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guarantees of non-displacement and continued affordability in exchange for continued financing.

3. Virginia state and local elected officials should significantly improve protections for tenants and strengthen tools for policy makers, including stronger eviction laws, rent control or stabilization policies, legal recognition of tenant unions, and “right-of-first-refusal” or “tenant opportunity to purchase” laws, which gives tenants a mandatory opportunity to acquire a property before it is sold. Without these protections, tenants and local governments will have little power to stop the conversion of privately-owned affordable housing by speculative real estate investors like CIM Group. Local elected officials should require deeper and larger commitments to affordability in exchange for future development approvals, including approvals for redevelopment on the current Southern Towers land parcel.
4. Congress and federal regulators should investigate the lending practices of Freddie Mac (and other government-sponsored enterprises) to ensure taxpayers are not subsidizing speculative real estate investors that are seeking to evict and displace renters and gentrify existing stock of affordable housing. Freddie Mac should explain how financing transactions like the acquisition of Southern Towers is consistent with its mission to promote affordable housing.

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## Appendix: Eviction Methodology

Eviction filings (called “unlawful detainers”) were obtained from the website of the Alexandria General District Court covering hearing dates from August 19, 2020 to February 28, 2021. The name of the apartment was identified by matching plaintiff names to records with the City of Alexandria Office of Real Estate Assessments, and/or the name of the apartment was listed in the court docket. Owners of apartment buildings were identified by matching records from the City of Alexandria Office of Real Estate Assessments to publicly available information including news reports and company websites. For purposes of the analysis, an eviction proceeding means a court date listed in the court docket occurring from August 19, 2020 to February 28, 2021. For defendants that have multiple court dates, each court date is counted as an eviction proceeding.

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## Endnotes

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