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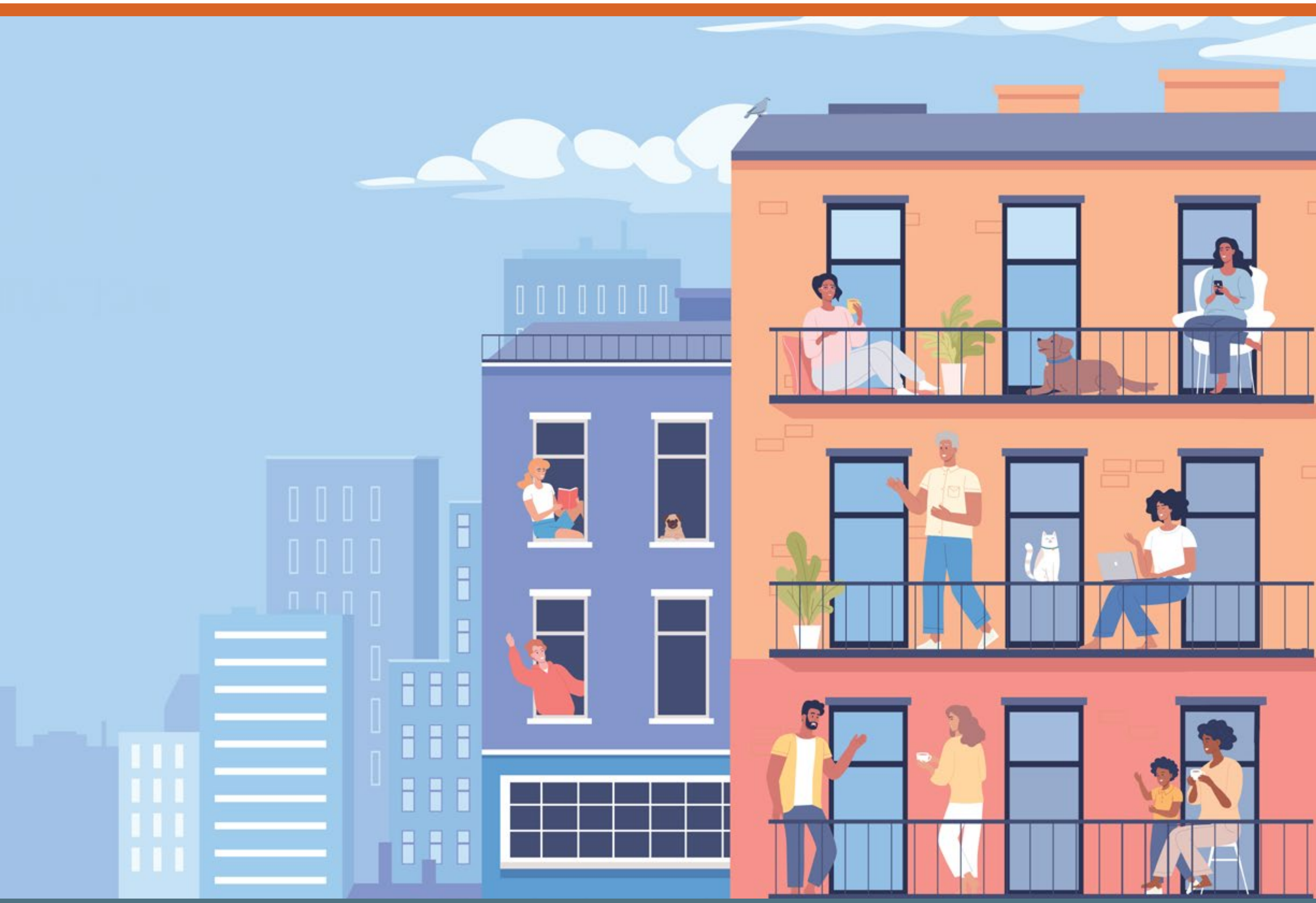

Opening Doors of Opportunity

A Guide for Advancing Housing Equity in the Multifamily Industry

Produced in association with Enterprise

About this Resource

This Guide is for NMHC members and other stakeholders that seek to leverage housing as a primary vehicle for more equitable and just communities. NMHC contracted Enterprise Community Partners to support the creation of this Guide. Enterprise conducted interviews and focus groups with NMHC members and staff, reviewed relevant literature, developed case studies and drafted select content for the Guide. NMHC staff worked closely with Enterprise throughout the development process and edited the final version of the Guide.

Learn more about NMHC's Diversity, Equity and Inclusion commitment at **www.NMHC.org/DEI**.

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About NMHC

Based in Washington, D.C., the National Multifamily Housing Council (NMHC) is a national association representing the interests of the largest and most prominent apartment firms in the United States. The NMHC's members are the principal officers of firms engaged in all aspects of the apartment industry, including ownership, development, management and financing. The NMHC advocates on behalf of rental housing, conducts apartment-related research, encourages the exchange of strategic business information and promotes the desirability of apartment living. Nearly one-third of Americans rent their housing, and almost 15 percent live in apartments (defined here as buildings with five or more units). For more information, contact the NMHC at 202/974-2300, email the NMHC at **info@nmhc.org** or visit the NMHC's website at **www.nmhc.org**.

Enterprise®

About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $64 billion and created 951,000 homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at **www.enterprisecommunity.org**.

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Introduction

Apartments have long provided homes in communities of opportunity for residents of diverse racial, social and economic backgrounds. Apartments serve a critical role in communities nationwide by providing homes to 38.9 million renters from all walks of life, contributing $3.4 trillion annually to the national economy and supporting 17.5 million jobs.[1] The political attention that has been focused on the need for more housing in the wake of the COVID-19 pandemic provides a unique opportunity for multifamily housing providers, residents, policymakers, communities and other stakeholders to explore new ways in which housing can be an even greater catalyst for creating more equitable communities moving forward.

In recent years, the demand for quality housing that is affordable in communities of choice has increased dramatically, but the supply has not kept pace. As a result, there are far too many communities across the country that are not accessible to all. In many places, housing that is attainable to underserved populations has become even more concentrated in neighborhoods which have historically housed Black, Indigenous, and other people of color (BIPOC), thereby exacerbating disinvestment and disproportionately impacting people of color.

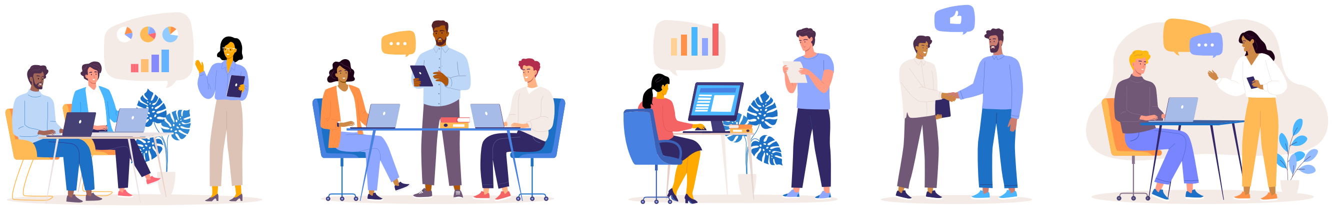
The National Multifamily Housing Council (NMHC) created this Opening Doors of Opportunity Guide as a resource to help highlight ways that multifamily housing can help improve outcomes for underserved populations by supporting the advancement of housing equity in communities across the country. Specifically, this Guide explores opportunities for the apartment industry, policymakers and the general public to strengthen communities, create greater economic resilience for our resident customer base and better align our industry with the growing emphasis on Environmental, Social and Governance (ESG) outcomes in capital markets.

Multifamily housing is not only a good business investment for apartment companies and the industry as a whole, but it also provides benefits to the localities in which they reside and our entire economy.

While this Guide outlines a number of specific tactics for improving outcomes, increasing housing supply is key to this work. Building more housing is both urgent and critical to creating more equitable communities. Further, growing housing supply at all price points will unlock additional opportunities for rental housing owners, developers, investors and operators in our collective effort to improve outcomes. Although many industries have a role in improving outcomes for underserved populations, the apartment industry plays a unique role in providing access to the resources underserved Americans need. Housing influences many health, educational and social outcomes that are foundational to facilitating upward mobility and narrowing racial and economic disparities. The apartment industry not only provides homes but helps build the lives of the residents we serve in the communities where we operate.

Guide Overview

This Guide is not a specific roadmap or one-size-fits-all approach. Instead, it is a collection of resources to help readers understand a range of ideas, options and tools that multifamily owners, developers and operators can use to advance equitable outcomes for renters and strengthen communities. There is a breadth of literature, some of which is mentioned throughout, underpinning this Guide. Readers can use this Guide as a basis of knowledge to learn more about business opportunities that also enhance equitable outcomes.



Resources in this Guide Include the Following:

1. Information on what opportunity and housing equity mean in practice and how that relates to our industry's work.
2. An explanation of key reasons why organizations undertake and succeed in this work, including benefits to businesses, their internal teams and partners, and the residents and communities they serve.
3. Example practices and case studies demonstrating the real-world viability and benefits of considering and applying an opportunity and equity lens.
4. Guidance on what it may take to implement practices and create accountability to sustain changes over time, including a practical conversation guide to tackle sensitive topics.

Some organizations and communities will be able to use existing tools and business practices to expand equitable housing opportunities. Others will pursue policy changes, start new business lines or employ new practices that go beyond their current models. This Guide provides examples intended to help organizations and communities determine what makes sense in each circumstance.

Who Can Use this Guide?

The conditions that inhibit housing equity today were centuries in the making. These conditions cannot be undone by the multifamily housing industry alone, and they cannot be done overnight. Progress will certainly take time, consideration, and public-private partnership. By design, this Guide's intended audience is broad–industry professionals, policymakers and the general public all have discrete roles to play in advancing goals identified herein. Specifically, this Guide is intended for:

- Apartment owners and operators seeking to understand how their housing properties can be a vehicle for better outcomes for residents.
- Apartment developers and designers seeking to understand how they can expand housing supply while taking advantage of incentives to address housing equity gaps in the communities where they develop.
- Apartment finance and investment organizations seeking to understand how they can attract and incentivize investment in a wider variety of neighborhoods.
- Suppliers, service providers and advocates who seek to support expanding housing opportunities in communities of choice and better understand how to support the industry in its journey toward greater housing equity.
- Federal, state and local policymakers seeking to create incentives and investments in expanding housing supply in more communities.
- Local communities seeking to create more rental housing opportunities accessible to more renters, particularly for low- to moderate-income households, in a wider variety of neighborhoods.

How To Use This Guide

This version of the Guide is intended to be used in print from and includes a compressed version of the content for ease of reading. To dive deeper and access the full contents of the Guide, please visit **HousingEquityGuide.NMHC.org** or scan the QR codes provided throughout this document.

[1] (Prepared by Hoyt Advisory Services and Eigen10 Advisors)

Part 1. Foundational Content

Part 1 of this Guide presents key frameworks, terms and approaches the apartment industry, policymakers and the broader community can use to improve resident outcomes and advance housing equity. While each organization will need to determine what makes sense for its own residents, geographic context, business model, etc., this content provides a foundation for approaching these questions.

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What is Housing Equity: Definitions, Frameworks, Applications

What is Housing Equity: Definitions, Frameworks, Applications

Section Overview:

This section provides an overview of key terms and concepts that create a foundation for understanding what we mean when we talk about equity and how it relates to housing and the apartment industry. This includes thinking about housing equity as both an outcome (something we are working toward) and as a process (something we use to think about how we do our work).

Scan this QR code to access the full contents of this section of the Guide.

Opportunity, equity, equality. Equality, equity, opportunity. Equity, opportunity, equality.

These three terms are frequently offered as ways of thinking about and addressing patterns of racial and economic outcomes. How do these terms relate to each other?

When we consider **equity**, we acknowledge the effect of structural and systemic factors on present-day disparate outcomes. To achieve fairness, equity asks the question: Given the impact of historical, and sometimes present, policies and practices, what actions should we take to ensure that all people, regardless of race, have equal chances of achieving desired outcomes? Equity acknowledges distinctions in needs when considering resources relative to achieving desired outcomes.

By contrast, **equality** assumes “the state of being equal, especially in status, rights and opportunities”[2] and then seeks to provide the same resources to all people without regard to any distinctions in their respective needs. Equality, as a practice, assumes a common starting point.

Finally, **opportunity** is meaningful when structural and historical barriers are acknowledged and intentionally addressed such that everyone has comparable awareness, and comparable ability, to access the resources.

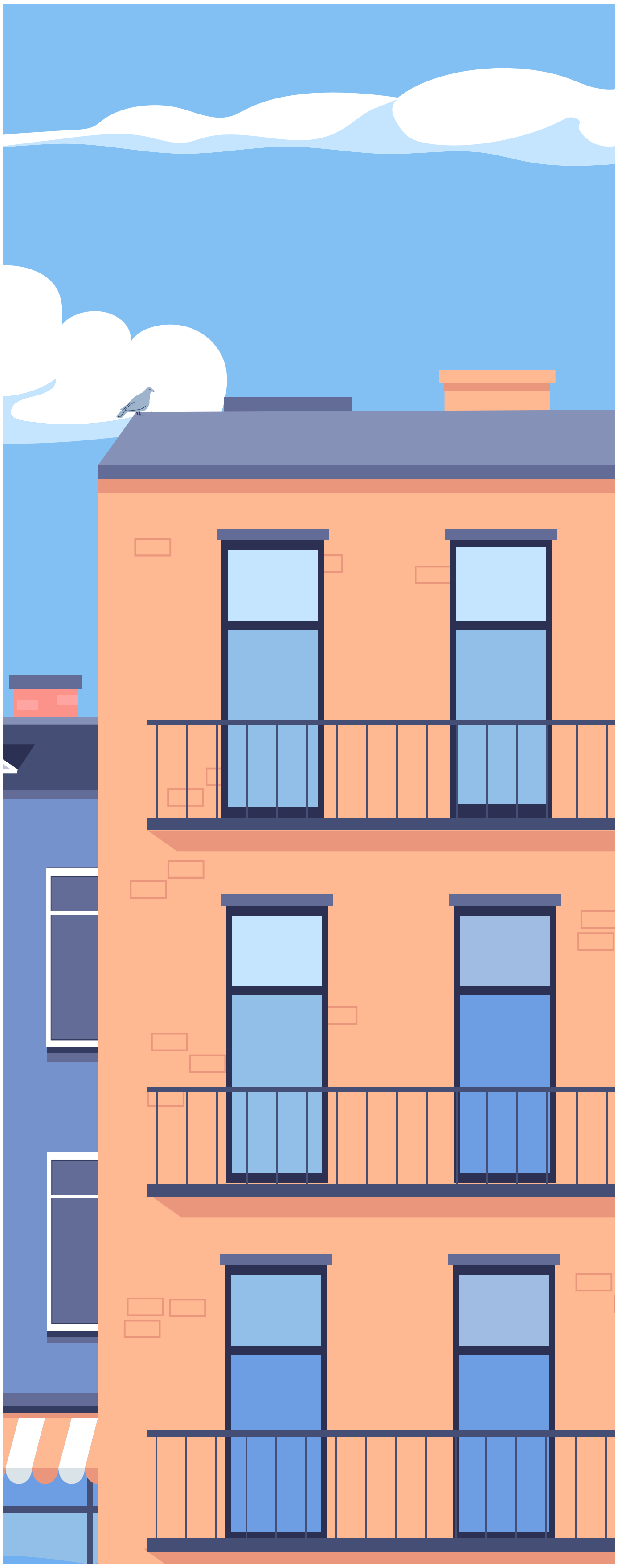
How Do These Terms Relate to the Apartment Industry?

Race and household income have long been among the greatest predictors of life outcomes in American society.[3] Despite this, most industries, including the apartment industry, have been structured to be race blind and to apply the equality approach. Therefore, when apartments are financed, sited, designed, developed, rented or managed, apartment actors often strive to be race neutral in the execution of policies in the hopes of achieving comparable outcomes across racial and economic lines. However, a color-blind approach is not always effective in changing outcomes. The apartment industry, policymakers and communities should consider solutions to align practices, processes and policies related to housing development in a way that can also contribute to the resolution of racial and economic disparities. Within the context of this Guide, this race conscious approach is what we refer to as "housing equity."

Specifically, housing equity can be defined as identifying, acknowledging and engaging in tactics that will help resolve systemic disparities in the housing realm. Housing equity can happen when housing outcomes (e.g., housing affordability, housing quality, housing stability, neighborhood safety, residential segregation, people experiencing homelessness, etc.) cannot be predicted by individual characteristics. Housing equity alone will not necessarily achieve racial and economic equity, but it is an important contributing factor.

Applying the Housing Equity Lens

Understanding the current status of racial and economic disparities in housing is helpful in developing strategies for advancing housing equity. There is an opportunity for actors in the apartment industry, policymakers and communities to focus on outcomes to address the historical and structural challenges BIPOC households face. By targeting actions with an eye toward reducing differences in outcomes, opportunities for greater equity can be created. Finally, though race and income are correlated, data shows that disproportionate negative outcomes occur for Americans of color at all income strata, meaning solutions for housing equity should not simply be tailored towards low-income populations.



Step 1:

Consider Background Resources Regarding Current Outcome Disparities for BIPOC Communities

Historians have written from different perspectives about the impacts of slavery and legally sanctioned racial discrimination on all aspects of American society, especially people of color. There are many recent research papers and other resources arguing that racial inequities in housing in the United States is structural and built into the fabric of policies and practices which can help provide context for considering more equitable housing strategies.

Step 2:

Explore Potential Frameworks That Address Outcomes

The apartment industry has the opportunity to positively influence upward mobility outcomes for BIPOC families. There are three dimensions of upward mobility that affect housing stability—economic success, being valued in a community, and power and autonomy.

Addressing resident outcomes is less about providing programs, and more about considering the ecosystem within which funding, development and operations decisions are made.

This pivot towards housing-based equitable outcomes focuses on the relationship between housing characteristics and upward mobility.

> **Enterprise Community Partners, in partnership with the Urban Institute, has identified five key housing characteristics that affect these three dimensions of mobility from poverty.[4] The five housing characteristics are housing quality, housing affordability, housing stability, housing that helps build assets and wealth, and neighborhood context. Enterprise frames these housing outcomes as the "Housing Bundle" because they are interconnected and must work together for housing to act as a pathway to economic mobility.**

BIPOC-led families are disproportionately negatively impacted in each of the five outcomes of the Housing Bundle–a consequence of the race-based policies and practices mentioned above. These present-day disparities demonstrate how the housing system is currently forcing lower-income, BIPOC residents to make trade-offs between the five housing outcomes at the expense of their own upward mobility. To address racial equity and mobility goals, research suggests that the apartment industry, policymakers and the general public should consider the interconnectedness of these housing characteristics in the design of policies and housing programs. Practitioners frequently focus on one housing characteristic that advances upward mobility but can have mixed or negative effects on others.

Step 3:

Consider Race at all Levels of Income

There is a tendency to talk about the intersection of race, income and housing by focusing on the provision of subsidized housing that is affordable for renters earning up to a certain level of area median income (AMI). While BIPOC families may have disproportionately lower income than white families, racial and housing equity are not solely about providing housing for residents in a particular income range.

> **There is an opportunity for actors in the apartment industry, policymakers and communities to focus on outcomes to address the historical and structural challenges BIPOC households face.**

[2] (Equality, n.1., 2023)
[3] (Chetty, et al., 2016)
[4] (Ramakrishnan, Champion, Gallagher, & Fudge, 2021)

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Why Should the Apartment Industry Work to Advance Housing Equity?

Why Should the Apartment Industry Work to Advance Housing Equity?

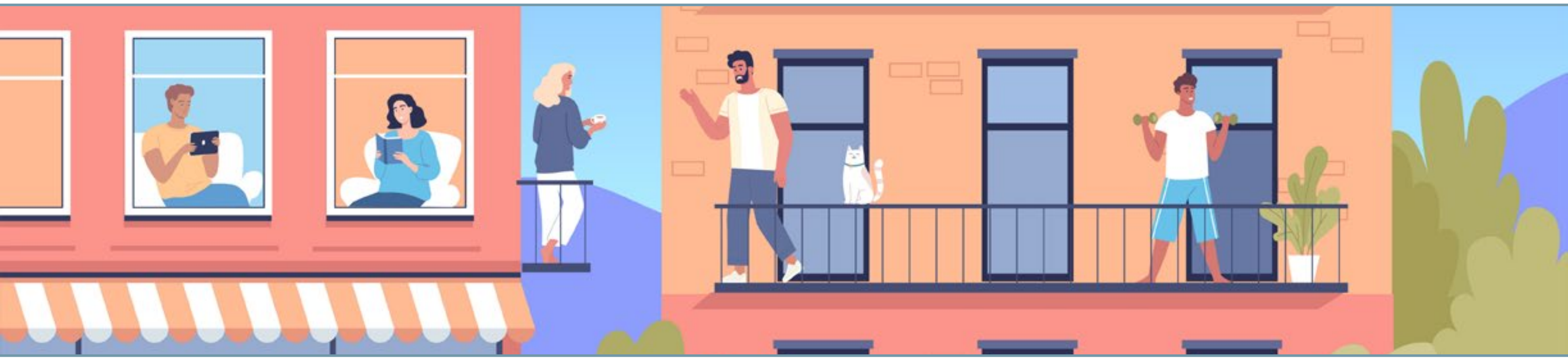
Section Overview:

This section outlines the many reasons that individuals and organizations across the apartment industry should integrate a housing equity lens into their practice, including benefits and considerations for actors in the apartment industry, policymakers and communities as a whole.

Scan this QR code to access the full contents of this section of the Guide.

Organizational Benefits of Advancing Equity

This section explores why an organization should consider the use of data and other tools to advance equity in its work. Clarifying the rationale for engaging in equitable practices is important to securing buy-in across the organization. Individuals tasked with developing and executing changes in approach should have a clear sense of their purpose and desired outcomes. The discussion below offers a broad view of the multiple ways that integrating racial equity perspectives can bring benefits to an organization, the apartment industry, as well as the residents and communities they serve. The potential benefits listed below illustrate how an organization can advance operational priorities and equitable practices simultaneously. Realizing these benefits, however, requires a long-term commitment to this work with organizational-wide effort and continual assessment. This will likely require the upfront investment of time and resources before financial and equity outcomes are achieved.



Operating Costs

Among the most common arguments made against incorporating more equity-focused strategies is cost. While there are likely to be some upfront expenses associated with any change in business practice, there are also costs attributable to not taking action to address inequities. By taking steps to remove barriers to economic mobility and by bolstering the strength and economic resilience of BIPOC residents, over time, the industry could reduce rent delinquency and resident turnover. In addition, multifamily investment in distressed communities can lead to additional investments, thereby increasing property values and more opportunities for financially viable investment down the road. This, in turn, contributes to strong renters and better outcomes for residents, housing providers and the community.

Engagement with Partners

Increasingly, actors in the financial services sector have sought to target investments that promote racial equity. The money pledged between Citigroup, JPMorgan Chase, Bank of America, Fifth Third Bank, and U.S. Bank alone toward this effort is nearly $35 billion, with approximately $16 billion of that total targeting the housing and community development sectors.[5, 6, 7, 8, 9] In addition, more than 200 philanthropic and institutional investors, representing more than $2 trillion in assets, have signed commitments to invest with an intentional focus on racial equity. The apartment industry is uniquely positioned to partner with these and other investors.

Regulatory Compliance

In addition to private sector efforts to advance racial equity, parallel movements are also gaining ground within government entities. For instance, Fannie Mae and Freddie Mac (the GSEs) are now required by the Federal Housing Finance Agency to develop and refine 3-year Equitable Housing Finance Plans that will help narrow racial and ethnic disparities in housing outcomes and encourage investment in formerly redlined neighborhoods that remain underserved by private housing development.[10]

Reputational Advantages

Changing consumer and employee expectations about corporate social responsibility point to a growing demand for businesses to have an explicit and thoughtful approach to advancing equity.[i]

[i] For example, see the following media coverage:

- https://www.businesswire.com/news/home/20191002005697/en/Consumers-Expect-the-Brands-they-Support-to-be-Socially-Responsible
- https://csic.georgetown.edu/magazine/corporate-social-responsibility-matters-ignore-millennials-peril/
- https://www.forbes.com/sites/forbesagencycouncil/2020/07/31/corporate-social-responsibility-consumers-will-remember-companies-that-led-in-2020/

CASE STUDY

How Market Shapers Fannie Mae and Freddie Mac are Advancing Housing Equity

Staff from Fannie Mae and Freddie Mac contributed to this case study.

The GSEs have significant influence on practices and perceptions in the apartment industry. In addition to their broader roles promoting affordability and liquidity in the market, both also have pilot programs and can scale new models that create greater housing equity for renters. Both of these powerful market actors are increasingly focused on models and approaches for advancing housing equity beyond improving affordability. These initiatives may create new opportunities for apartment participants to advance racial and economic equity through their work.

Each GSE has played an important role to date and expanded their existing efforts in a number of ways. For example, over the last two years, Fannie Mae has conducted extensive research into the Black housing experience. This research has been distilled to represent the Black Housing Journey, which views housing obstacles from the Black consumer's perspective during all phases of their housing journey. Fannie Mae is actively pursuing activities to promote equitable housing for both homeowners and renters. For renters, Fannie Mae is focused on three areas of opportunity to help tackle housing equity:

1. Affordable Supply - Create, preserve, and increase access to rentals for low- and moderate-income renters.
2. Renter Empowerment - Reduce systemic barriers in the rental ecosystem.
3. Renter Education - Develop innovative programs and information tools.

Freddie Mac is also building on its track record of advancing equity in the housing market and has made significant new commitments under its Equitable Housing Finance Plan. In 2021, the agency created new leadership roles and dedicated teams focused on advancing equitable housing and serving its mission more broadly in both its Single-Family and Apartment businesses. The Apartment Division is actively working to create and scale impact-focused initiatives, categorizing its Equitable Housing Finance Plan and other mission-focused work under three primary themes:

- Support the creation, preservation and rehabilitation of affordable and workforce housing,
- Increase opportunities for renters; and,
- Increase opportunities for emerging and diverse borrowers and lenders.

While these efforts by both organizations are still nascent, they are nevertheless promising demonstrations of an emerging commitment to advancing housing equity in the broader apartment industry.

CASE STUDY

Jonathan Rose Companies' Communities of Opportunity

Jonathan Rose Companies is a mission-based real estate firm recognized for achieving visionary goals through practical strategies and cost-effective green solutions.[11] *The firm has nationally recognized experience in the investment and development of green mixed-use housing and office projects. Staff from Jonathan Rose contributed to this case study.*

Jonathan Rose Companies is one of the country's leading owners, developers, and operators of green affordable and mixed-income communities.[12] Founded in 1989, the firm's mission is to create a more environmentally thriving, socially just world through the development, preservation, renovation and management of green, affordable and mixed income housing. JRCo strives to achieve positive environmental impact by investing in energy efficiency, decarbonization, and water conservation to reduce the use of natural resources and toxins. Their social impact is achieved by preserving and expanding housing affordability, and connecting residents to health, education, financial, cultural and social services. And they aim to achieve these impacts in a co-creative process with governments, residents, and staff.

Acknowledging that the poor distribution of opportunity, environmental quality and health that we witness in the US, is a fundamental misallocation of justice, Jonathan Rose Companies launched its *Communities of Opportunity* program.[13] The vision for Communities of Opportunity is to empower residents, through the co-creation of programming and interventions, improving health and wellbeing, resulting in better life outcomes, with great housing communities as the platform.

JRCo uses an Asset Based Community Development model that encourages active community participation, empowering residents and achieving community-driven, sustainable solutions. Implementing the vision for Communities of Opportunity requires purposeful outreach and connection with residents and their networks. Each property has its own culture, its own strengths and its own wants and needs. JRCo's ABCD approach encourages partnership and leadership from residents, collaborating to implement positive change and contributing to their neighborhoods, making their properties beacons radiating wellbeing.

Through the strategic development and implementation of the Communities of Opportunity program, JRCo works to restore social and racial equity in their communities through an integrated set of interventions, grouped into 10 Categories of Impact:

**Safety | Community Building and Recreation | Food Security | Healthy Living | Financial Security | Lifelong Learning
Civic Engagement | Green Education | Transportation | Communication, Information and Technology**

Our CORES Certification (Certified Organization for Resident Engagement and Services) recognizes the robust and integrated approach the firm has adopted for the delivery of resident services. JRCo is committed to achieving the highest standards for resident services, has a deep commitment to resident health and wellbeing, and uses data and performance metrics to measure impact and inform the future direction of their Communities of Opportunity programming.

Establishing innovative partnerships has increased resident access to resources for physical, financial, and social wellbeing. Jonathan Rose Companies partners with community based and national organizations to bring health screenings, vaccine clinics, food banks, arts programming, computer skills training, and many other offerings to their properties.

Essential elements of their approach include:

- **Bringing a holistic mindset to development** that extends beyond developing units to investing in the wellbeing and success of residents in terms of physical, mental, and financial wellness.
- **Testing and scaling innovative strategies** for connecting residents to opportunity, with the spirit of trying out ideas and expanding on those that work.
- **Creating Resident Advisory Councils** to bring in resources and programs that are tailored to community priorities and needs.

[5] (Citigroup Inc., 2021)
[6] (U.S. Bank, 2021)
[7] (Fifth Third Bank, 2020)
[8] (Bank of America, 2020)
[9] (JPMorgan Chase, 2022)
[10] (Federal Housing Finance Agency, 2023)
[11, 12, 13] (Jonathan Rose Companies, 2023)

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Decision Making for Housing Equity

Decision Making for Housing Equity

Section Overview:

This section provides guidance, frameworks and tools to help organizations and individuals understand what adopting an equity lens means in practice and where they can begin. This includes collecting data and engaging community residents to better understand the opportunities for organizational change.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

Every day, apartment owners, developers and managers make decisions that shape communities, e.g., where to break ground on a new development, where to invest in new opportunities, and what services to provide to residents. Every apartment organization is different – they have different business models, operate in different markets, and have different organizational values and roles in the industry. There is no one-size-fits-all approach to advancing housing equity. Instead, each organization should decide for itself how best to do so given the model, relationships, values and capacities it has available. Some organizations will find ways to innovate within their current business model. Opportunities for employing these practices will vary widely property by property within the same portfolio depending on the segment of the market the property serves, the location and other factors. For example, an owner/operator might decide to modify existing marketing practices to improve the diversity of their resident base. Other organizations will decide to adopt or invent new practices that go beyond their current model.

Some of the questions an organization can ask itself as it considers the opportunities that work best for their business include:

- How can we as an organization (and as a broader industry) embed an equity lens in how we do business?
- What are the opportunities to advance equity when designing and building properties, managing properties, making investments in apartment communities, or using our platform to advance more equitable local, state, and federal policies?
- What are the policies or other initiatives we can leverage or encourage that will support these efforts?
- What impact might these efforts have on our bottom line? Visit https://housingequityguide.nmhc.org/working-advance-housing-equity to access the *Making the Case: Why Should the Apartment Industry Work to Advance Housing Equity* feature of the Guide for more discussion on this question

There are three core elements individuals and organizations should consider when they are exploring bringing an equity lens to everyday decisions in the apartment context:

1. Community and resident engagement.
2. Data related to resident and community needs.
3. Organizational change.

This section concludes with a self-assessment tool that an organization may use to assess opportunities to adopt more equitable practices to the business decision-making process. The tool is intentionally broad to accommodate various types of organizations and business models. Access the tool at https://housingequityguide.nmhc.org/working-advance-housing-equity.

Community and Resident Engagement

What it is & why it matters

In its broadest sense, community engagement "seeks to better engage the community to achieve long-term and sustainable outcomes, processes, relationships, discourse, decision-making, or implementation."[14] The term "community" can encompass a variety of definitions—it can represent an individual organization's property (and its residents) as well as the surrounding residents and stakeholders that make up the neighborhood where the existing or proposed rental property is located.

Community engagement is often associated with requirements that have to be met when seeking funding or approvals – initially for the development of a new project and on an on-going basis once the property is operational, particularly if issues arise. These requirements are often intended to ensure the people most affected by a new development, decision, or policy are part of the decision-making process.

In practice, community engagement takes many different forms.

- For a developer, community engagement may mean a design charette with community residents or a public meeting with stakeholders.
- For an owner-operator, engagement may mean direct communications with residents and maintaining ongoing relationships with representatives of the community where their property is located such as local schools, businesses, churches, neighborhood organizations, and elected officials.

The vast majority of multifamily housing providers engage on an ongoing basis with their residents and the communities they serve as it is good business practice. The type and appropriateness of community engagement efforts will vary depending on multiple factors, including the population served by a particular property, the location and community norms. Communication and coordination with individual residents regarding payment plans, accommodations for income interruptions, and applying for emergency rental relief became even more frequent during the pandemic and many have continued as the pandemic subsides.

Getting started

Defining the purpose of engagement activities

Part of defining the purpose of community engagement is choosing the level of participation the organization is seeking and how that participation will influence the decision being made. A chart produced by the International Association for Public Participation (IAP2) shows different levels of participation and examples of related community engagement tactics that correspond to each level.[15] Depending on the level of participation, community engagement could range from limited, one-way communication to more sustained two-way dialogue, to sharing decision making power with community members or residents. Not all of these strategies may be applicable and can depend on the circumstances and the goals that the organization is trying to achieve.

Striving for inclusivity

Part of undertaking community engagement also involves identifying who to engage. Consider who will be most affected by the decision that motivated the engagement. In identifying who to engage, it is important to be as specific as possible. The Collective Impact's Table Setting for Equity framework can help organizations think about the relevance of those to include from four dimensions:[i]

1. Issue experience - those directly affected by the issue being addressed.
2. Demographic relevance – those who reflect the intended residents or community being served.
3. Direct engagement – those who work or have worked directly or indirectly with the intended residents or community being served.
4. Geographic relevance – those who live or have lived in the community being served.

Organizations likely already have data that can be used to assess who to engage through resident records or commonly used development data, such as market studies and community housing needs assessments that rely on publicly available data or documents. If the benefits to the community members whose input is desired are small, indirect, or unlikely, consider alternative ways to gain the desired understanding.[16] Alternative tactics can include: using findings from past plans or studies where community engagement was conducted (particularly in communities that are studied frequently); working with professional staff at community-based organization or service providers to learn more indirectly about the needs and assets affecting residents; or assessing the community's willingness to engage directly.

Communicating frequently and transparently promotes greater inclusivity during the community engagement process. Communications encompasses any information shared about the specific decision and about the engagement process itself. It is important to tailor communication to the audience. Consider things like language access; overall ease of understanding, such as writing in plain language and avoiding use of jargon; dissemination medium; and who will deliver the message or information to the audience. Working with groups where information will need to be provided in multiple languages is another important consideration.

Inclusivity also extends to removing barriers for community members and residents to participate in community engagement activities. Asking community members or residents what they need to be part of this effort and aligning the approach and resources to meet those needs is a good first step. No one-size-fits-all approach will work for every group.

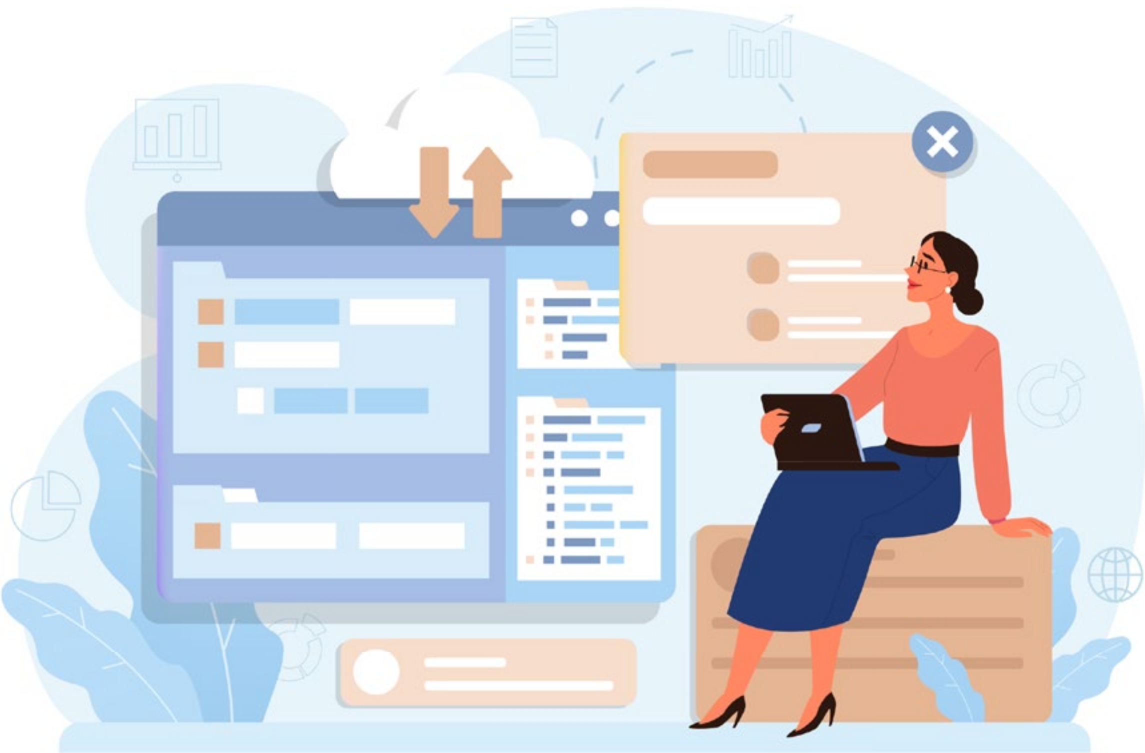
Beyond the physical accessibility of the meeting space, it's important to consider how comfortable participants will be in the meeting space. Is it a place associated with real or perceived exclusion or racism? In contrast, it's also important to understand the use of community-controlled spaces, including being invited to use them for outside purposes. It is helpful to work with residents and community members in advance to build an understanding of the organization and the norms that govern these spaces.

[i] For more information about assessing who is at the table, see The Collective Impact Forum, "Equity – Who is At Our Tables?" Available at **www.collectiveimpactforum.org**.

Using Data to Understand Resident and Community Housing Needs

What it is & why it matters

Apartment housing in the United States is a business predominantly fueled by private market capital. As such, the success of apartment housing is most often measured in dollars – e.g., monthly operating expenses, net operating income, internal return on investment, cost per unit. What is measured – and how it is measured – drive the business decisions.



Similarly, being able to define and measure resident outcomes offers an opportunity to advance housing equity, set organizational goals for resident outcomes, assess and prioritize community needs, and measure progress toward resident and community outcomes over time. This will allow apartment owners and operators to track the impact of the investments made in incorporating housing equity practices into their businesses. Measuring these types of outcomes is more common in housing with public or impact-oriented capital, but the increasing importance of Environmental, Social and Governance (ESG) frameworks points to the need for a broader range of apartment owners, developers, and managers to consider this as well (visit **https://housingequityguide.nmhc.org/apartment-investment-and-financing** to access the full *Example Practices: Apartment Investing and Financing* section of the Guide for more information). Measuring these outcomes is likely more relevant in developments that serve lower income households. Organizations should decide for themselves what type of data collection efforts they seek to engage in and how they will go about it, and if they seek to use the information as a tool to measure the success of their efforts in equitable housing practices.

Quantitative data, especially when it comes to understanding residents and community members' experiences, has its limits as is described in a 2018 Collective Impact Forum blog post.[17] Numbers can obscure more qualitative outcomes, such as quality of life or resident needs. Numbers also suggest a certain objectivity or neutrality about the issue being measured, though there may be subjectivity in their choice and application. There are also important privacy considerations to collecting such data.

Getting started

Strive for transparency

Transparency is "the most basic element necessary for an inclusive process."[18] Transparency in data relates to being open about the decisions to define, analyze and share data as part of the decision-making process. Part of transparency means acknowledging the limits of data. For instance, if proprietary data is used, acknowledging and explaining the limitations on what proprietary data can be shared is important to building credibility. Transparency will be limited by data privacy issues, as well.

Make data meaningful

Each organization needs to decide for itself what data is meaningful to them, then how to collect and analyze it. Making data meaningful means identifying the utility for organization and for residents. It also refers to how to relay the findings from data analysis and for what purposes. The need or desire to collect resident outcome data may be more relevant for developments that receive government incentives or philanthropic funds to target certain underserved populations.

A starting point for data analysis should be understanding the groups most impacted by a decision under consideration, or more broadly, the disparities that exist among the clientele the property is designed to serve or in the community it serves, as well as the outcomes that practices seek to achieve. From a practical perspective, most organizations already use marketing and other data that can be used for this purpose. In other cases, organizations may consider collecting additional data (see below for more on how to avoid undue harm); disaggregate data by demographics such as race and ethnicity, income, household type, and gender; or seek out additional data that provides more information on racial and housing equity, such as the National Equity Atlas.[19]

Note that the goal here is not to use demographic data as the sole basis of decision-making: Rather, it is to use disaggregated data to address any blind spots an organization might have. If an organization recognizes that a policy may have disparate impact on a particular community, it should consider those implications and work to address them.

Avoid undue burdens in ongoing data collection

Avoiding undue burden of data collection on residents and communities is especially important for BIPOC groups that have been overstudied in the past. Households who need to provide personal information to access housing assistance through local, state and federal housing programs have already provided a significant amount of data which takes significant effort. As such, it is important not to duplicate efforts by starting from data already available. Data collection should strike a balance between the information that needs to be collected for regulatory purposes, investors, to build the organization's understanding of its residents, and resident inconvenience and privacy.

Evaluating the Need for Organizational Change

What it is & why it matters

Improving resident and community outcomes for BIPOC and low-income households may require changing certain practices and incorporating new ones.

There is no one-size-fits-all approach or model for evaluating an organization's need, but this section describes some key considerations for undertaking this process.

Getting started

Prioritize organization-wide change, as needed

Each organization is in a different place in evaluating opportunities for using their work to enhance housing equity. Some have already identified and are pursuing various opportunities in this space. Others are just beginning to consider new approaches. A key starting point for evaluating the approach that might work best for an organization is to prioritize and integrate a housing equity lens across teams and departments. In other words, a focus on housing equity will be less effective if it is something that a specific department takes on independent of the work of the rest of the organization. Instead, improving resident outcomes for BIPOC and low-income households served by the organization's business should be something that everyone in the organization understands, connects with, and thinks about how to address within their own work or business unit.

Create safe spaces for open dialogue

Conversations about advancing housing equity and improving resident outcomes can involve topics that may not be comfortable for everyone to discuss in a work setting. Staff and community stakeholder perspectives about the consequences of being open and honest are among the challenges every organization faces in identifying barriers to equity and developing responsive approaches that meet the needs of a given business. Some of these issues might overlap with internal diversity, equity and inclusion efforts, however, evaluating the opportunities to advance housing equity broadly will require a different lens.

Integrate a resident-centered lens into decision-making processes

Organizations seeking to direct more of their work in underserved communities and/or on serving BIPOC or low-income households in an effort to further housing equity should consider prioritizing it as a lens within decision-making processes, both at the organization level and at the business unit or project level.

Expand the organization's opportunity to learn

Identifying the possibilities for advancing housing equity is a long-term outcome and there is a need for continuous evaluation and improvement through learning. The organization should identify opportunities for learning about residents, communities and the organization's potential to advance equity as new processes are introduced and new information is gathered. Many apartment organizations have already engaged in robust diversity, equity and inclusion learnings which can inform and compliment racial equity work. The NMHC DEI Toolkit provides information that may be useful to multifamily organizations at different stages of their DEI journey.[20]

Tying It All Together: Promising Practices for Advancing Housing Equity

This introduction to decision making for housing equity concludes with a *self-assessment tool* to promote reflection as an organization undertakes these topics. Visit **https://housingequityguide.nmhc.org/apartment-investment-and-financing** to complete the self-assessment.

CASE STUDY

Enterprise Community Partners' Equitable Path Forward

In 2020, Enterprise Community Partners (Enterprise) launched Equitable Path Forward (EPF), a five-year, $3.5 billion nationwide initiative to help dismantle the deeply-rooted legacy of racism in housing— from the types of homes that are built, to where they're built, who builds them, and the wealth that is generated from them.[21] The initiative was seeded with $10 million of Enterprise's own capital, in an aim to support BIPOC and other historically marginalized housing providers through three complementary programs.

EPF provides BIPOC-led housing organizations with both entity-level and project-level capital to grow their businesses and pipelines of affordable homes, through the Equitable Path Forward Growth Fund. The $350 million fund will attract an additional $3.1 billion of debt, equity and grants.

EPF builds a pipeline of future leaders across the real estate development sector through the Equitable Path Forward Leadership Program, a $10 million, two-year rotational program in real estate for BIPOC and other historically marginalized future leaders. This program builds upon Enterprise's core competency in managing and growing the award-winning Enterprise Rose Fellowship program.

EPF commits to collaborating across the organization's areas of strength in an unprecedented manner, including by providing comprehensive consulting, networking facilitation, business services and evaluation support to help local development organizations and small businesses expand their capacity. The $15 million Advisory Services component will enable partners to be better prepared to deploy and leverage capital to preserve and create affordable homes.

Two key features amplify the impact of the Equitable Path Forward initiative:

- **To maximize the leverage of EPF Growth Fund capital, Enterprise incorporated a Standby Guaranty Facility** for housing providers to compete for institutional capital on a level playing field. This enables larger, lower-cost and longer-term investments in affordable homes developed and preserved by providers who have historically lacked the balance sheet required to attract this capital in the first place or only at costly terms that dilute the ability to scale their pipeline and build wealth.
- **The leadership program will train participants in the fields of real estate finance, development, asset management and private equity.** Upon completion, participants will receive support for placement with jobs in the real estate development sector. The program is positioned for expansion with other corporate partners to build the bench of BIPOC professionals in the real estate industry.

[14] (Alter, et al., 2017)
[15] (IAP2 International Federation, 2018)
[16] (Gaddy & Scott, 2020)
[17] (Collective Impact Forum, 2018)
[18] (Crowder, et al., 2020)
[19] (PolicyLink, 2023)
[20] (National Multifamily Housing Council, 2023)
[21] (Enterprise Community Partners, 2020)

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A Guide for Advancing Housing Equity in the Multifamily Industry

Getting Started with Implementation

Getting Started with Implementation

Section Overview:

This section discusses the transition from planning for action to acting, including the types of capacities an organization may need to do so. The details of implementation will vary significantly between organizations and what they plan to do, so this section is meant to provide a general set of guidance and considerations.

Scan this QR code to access the full contents of this section of the Guide.

Initiating a Plan

Implementing a housing equity plan should incorporate an understanding of how the organization's current practices might limit equitable outcomes for their residents. This understanding can serve as a starting point for strategic planning by identifying opportunities for individuals and organizations to make commitments that can achieve desired outcomes. To prepare for this process, there are several discrete steps to get started:

- Develop a plan.
- Ensure that there are opportunities for education on the issues and create space to discuss them within the workplace.
- Cultivate operational support.
- Identify other champions throughout the organization.
- Build partnerships and relationships, specifically with residents and communities.

This work requires continuous reflection and adjustment, as needed. As action steps and interventions are identified across workstreams, organizations can develop the capacity to implement strategies, craft policy, and build powerful and sustainable communities that are rooted in racial equity.

Capacity Needs for Future Success

Integrating housing and housing equity goals into an organization's mission and strategy may prove simple or more complex depending on existing capacity across staffing, operations, and leadership. The capacities detailed within the expandable sections below may prove useful in preparing the organization to develop their housing equity plan as well as to implement and evaluate proposed actions.

CASE STUDY

National Equity Fund's Emerging Minority Developer Fund

National Equity Fund (NEF), a leading nonprofit Low-Income Housing Tax Credit (LIHTC) syndicator, lender and equity investor, has invested in affordable housing and community development initiatives – including those focused on serving communities of color – for more than three decades.[22] NEF has strategically allocated its investments for maximum impact, collaborating with developers and investors to create new and preserve existing affordable housing throughout the country. Additionally, NEF and its partners work to support community and economic development through supportive housing developments that provide supportive social and health services to assist the chronically homeless, individuals with disabilities, seniors, Veterans, and other vulnerable populations. Recently, to amplify access to capital for affordable housing developers of color, NEF launched the *Emerging Minority Developer Fund* ***(EMDF)***, a $147 million fund to connect affordable housing developers of color with the resources needed to build affordable housing.[23]

The fund will help developers of color bridge capital gaps that often prevent them from accessing LIHTC financing, with an emphasis on promising developers who have limited LIHTC development experience and/or limited financial capacity. Barriers to accessing LIHTC financing limit the ability of developers of color to grow their businesses, scale their operations, and build their own wealth to fund future affordable housing and community development projects. The fund aims to address systemic barriers facing affordable housing developers of color in accessing LIHTC financing. This is via limited guaranty backstops for undercapitalized developers of color and technical support funding for consultants to assist with successful navigation of the transaction while building the developer's capacity. The guaranty backstop and technical support are vital elements of the fund that effectively mitigate two significant barriers for developers of color.

The EMDF will also bring benefits to lower-income communities. Developers of color often differentiate themselves by leading groups that understand the specific opportunities, challenges, and historical context in the neighborhoods where they are developing. Their ability to recognize development projects that reflect the cultures and preferences of the neighborhood populations and to provide affordable housing options that meet specific local needs and priorities increases the benefit to residents. Furthermore, improving capital access for developers of color can help them bring development projects to low-income communities, which has economic implications such as job creation and upward mobility opportunities.

Key features that supplement NEF's financing commitment and ensure success among participating developers include:

- **Limited guaranty backstops**
- **Technical support**
- **Retention of at least 50% of the developer fee**
    - *This improves the developer's financial strength and capacity to grow their business.*

Over the long-term, EMDF will help participating developers build their capacity and improve their financial strength by reducing barriers to accessing future LIHTC financing. NEF expects to demonstrate that an equity-focused approach to housing investment can benefit firms and inspire more investments in developers of color.

[22] (National Equity Fund, 2023)
[23] (National Equity Fund, n.d.)

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Opening Doors of Opportunity:
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Creating Accountability

Creating Accountability

Section Overview:

This section discusses key considerations and concepts required to sustain implementation of a housing equity initiative. These include issues related to measuring performance and models for creating internal and external accountability for maintaining and increasing impact..

Scan this QR code to access the full contents of this section of the Guide.

Measuring Performance

Organizations should create accountability mechanisms to reinforce the focus and sustain the organizational initiatives in this area and incorporate it in housing equity planning, rather than waiting until implementation. This section outlines some key considerations for measuring performance and creating accountability at both the organization and individual level. Measuring an organization's performance in addressing housing equity is important from both a learning and an accountability perspective. An organization cannot effectively modify its approach to create better outcomes if it does not understand what contributed to its success or shortcomings in reaching its goals. It is also difficult to create individual or organizational accountability. Measuring key outputs, and especially outcomes, in a transparent way is extremely important in ESG reporting and obtaining ESG- or impact-oriented capital.

The frameworks presented in this Guide provide a good basis for undertaking this performance measurement effort. There are three key components of performance measurement to consider – Outputs, Outcomes and Contributing Factors.

How to Apply Performance Measures

Once performance measures have been determined, an organization can focus on how to use those performance measures to create accountability toward improving housing outcomes and equity. As described in the Introduction to this Guide, which can be accessed in full at https://housingequityguide.nmhc.org/, to be effective, accountability should be established at both the organization level and the individual level.

At the organization level, there are a few different forms of accountability to consider:

- **Setting organizational performance targets.** The same types of benchmarking and target-setting processes already used in other business processes can be used to advance housing equity. Estimating the desired outputs and outcomes within a given time frame and then measuring performance against them is a key motivator and helps individuals in the organization to manage their priorities. Targets can be incorporated into the organization's overall definitions of success alongside other common operational and performance metrics. Such targets can be for internal-only use or shared externally as part of public commitments to advancing housing equity.
- **Accountability to residents and communities.** This is the most important form of accountability since it directly relates to the goal of advancing housing equity and is a key contributor to successful community and resident engagement. Creating transparency for stakeholders is an important component of operating equitably. Following up, as needed, with a community will help to build trust and a good long-term relationship with them.
- **Internal Accountability.** Transparency about the organization's housing equity-related results (e.g., relative to targets) also creates a source of internal accountability, both for leaders and for employees across the organization. Understanding the results achieved (and places where the organization fell short of targets) is also an important component of organizational and team learning.
- **Public Accountability.** Reporting outputs and outcomes to investors, partners, the general public, and other actors can be a helpful accountability mechanism. If employees and leaders know that the results will be reported outside the organization, this will increase the focus on achieving the results and sustaining the change. This can also carry direct organizational benefits in terms of reputation, public relations and demonstration of ESG commitments.

Depending on the nature of the efforts being undertaken and the organization's size and culture, individual accountability could take the form of:

- Financial or other incentives for contributing to housing equity-related results.
- Eliminating incentives that work against these results.
- Factoring this lens into employee performance evaluations.
- Providing direct support for personal and professional development related to housing equity.

Part 2. Example Practices to Advance Equity

Part 2 of this Guide illustrates example practices and case studies that the apartment industry, policymakers and the broader community have adopted to improve resident outcomes and advance housing equity. These examples are intended to spark inspiration about what housing equity could look like. They are not an exhaustive list but instead serve as both a menu of options (albeit incomplete) and an illustration of the diversity of approaches that are relevant for the many roles that various stakeholders play across the apartment industry.

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Example Practices: Development, Location and Design

Example Practices: Development, Location and Design

Section Overview:

This section describes a series of practices related to apartment development, including location, design and programming decisions that provide examples of how some organizations are advancing housing equity. Practices described include mixed-income developments, developments with a range of unit sizes, co-locating housing and essential services, affordability preservation and displacement mitigation, and community benefits agreements.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

Successful strategies to advancing racial equity through apartment development enables communities of color to participate in shaping the future of those communities. Whether through site selection, design, programming or other points across the development process, real estate developers can map inequitable access for BIPOC communities, including communities of color, to some of the key determinants of physical and economic wellbeing.[24] Projects that intentionally use an inclusive and culturally relevant development process have benefited from quicker approvals as well as lower holding costs, vacancy rates, resident turnover and unit rollover costs for owners. These projects benefit from an increased sense of shared ownership over public spaces, social accountability for upkeep and safety, and sense of belonging for residents.

An inclusive process enables the resulting building to have the potential to be more reflective of community needs and can yield the following benefits:

- Increase the financial viability and sustainability.
- Build goodwill between the community and developer.
- Reduce antagonism in the development process and streamline decision-making, which saves time and money and increases interest from potential occupants.
- Shift the paradigm of inequity that has determined how investments get made in communities.
- Incorporating current residents and small businesses, which strengthens community cohesion and advances equity.

Mixed-income Developments

What is action?

A mixed-income development is a residential property or a master-planned community with housing that is affordable to residents at different income levels.[25] One common form of mixed-income development is a rental housing development that includes both market-rate units and subsidized affordable units that are reserved for lower-income households. Such properties can include one building or multiple buildings developed on the same site. Creating mixed-income rental housing can be used as a strategy to help boost upward mobility by enabling lower-income households to afford housing in low-poverty, high-opportunity areas.

Successful strategies to advancing racial equity through apartment development enables communities of color to participate in shaping the future of those communities.

Why might this be relevant to an organization's efforts to advance housing equity?

Creating mixed-income housing can positively impact the financial feasibility of developing housing that is affordable.[26] Under certain unit affordability structures, developers are incentivized to use a portion of the financial return on renting market-rate units to offset the reduced rent for affordably priced units.[27] Methods for financing such projects are discussed in NMHC's Housing Affordability toolkit.[28]

Developing mixed-income housing in a low-poverty, high-opportunity area provides lower-income families with an affordable option in neighborhoods with access to resources, such as quality education, jobs, transportation and healthcare services. A study from researchers at Harvard University found that young children in families earning less than 80 percent of AMI that used Housing Choice Vouchers and moved from extremely poor to lower-poverty neighborhoods were much more likely to attend college and earn more as young adults, compared to their counterparts whose families did not have this option.[29] In a neighborhood with a lower median household income that is witnessing significant changes in its racial and economic composition, creating new mixed-income housing developments can be used as an anti-displacement strategy.[30] Developing mixed-income rental apartment housing in such neighborhoods can help keep these neighborhoods affordable for lower-income renters while still creating market-rate rentals for higher-income residents in neighborhoods witnessing higher demand for apartment housing. It can also incentivize business and other community amenities to locate to those areas. Choosing the right mix of incomes and housing types is essential for the success of mixed-income developments as an anti-displacement strategy. This could include ensuring that newly created mixed-income developments include an adequate share of units that align with the neighborhood's unit affordability and size needs.

Keys to success

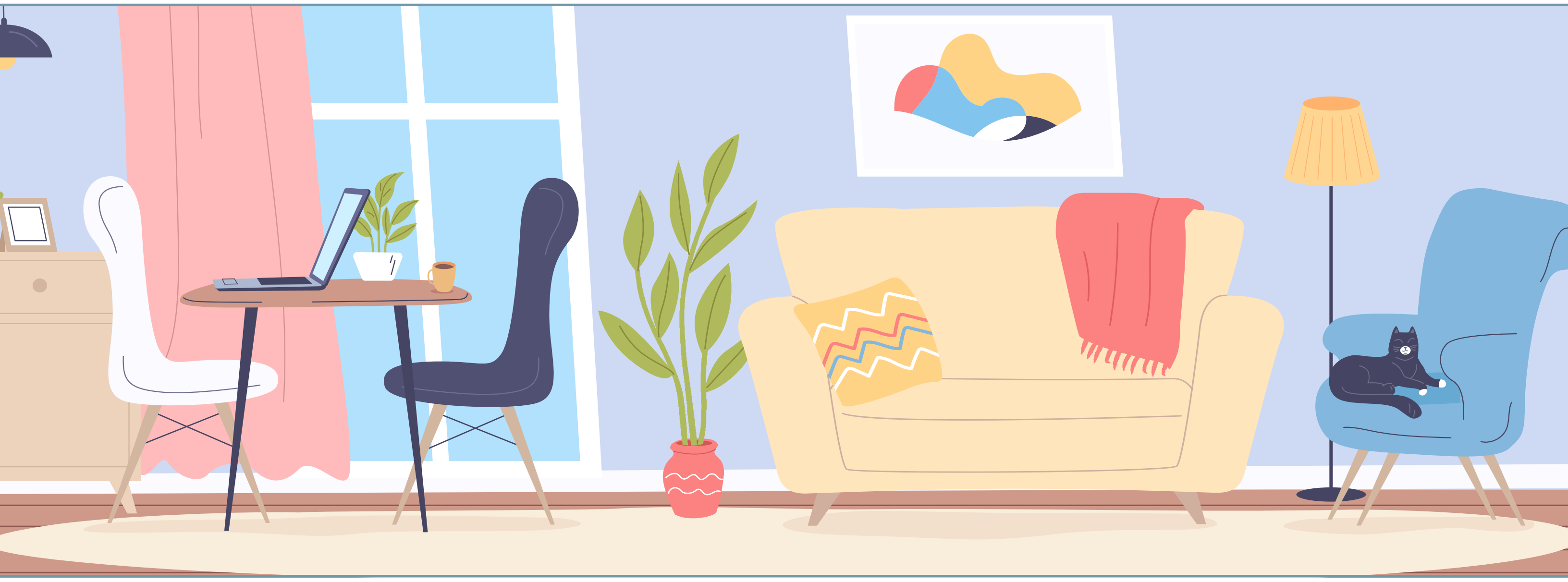
The design of mixed-income housing should encourage and incentivize ensuring that there are no significant distinctions between the quality and design of the affordable and market-rate units.[31] Additionally, designing common spaces that encourage resident engagement is important to facilitate social interaction in mixed-income rental housing developments. Community amenities, such as event and outdoors spaces, which can be used by all property residents is one example. Finally, property management practices can incorporate resident services and programs in mixed income buildings that promote social interaction, such as property-level fitness and health programs.

Financing mixed-income developments can be a challenging undertaking for developers.[32] As discussed in NMHC's Housing Affordability toolkit, creating below-market rental units in a mixed-income rental development can result in development financing gaps based on the number of below-market units included in the development and their rental affordability levels.[33] Generally, financing mixed-income developments requires tapping into multiple debt and equity capital resources with different requirements. A developer may use different sources for the market-rate and affordable housing components of the development, which are likely to have different requirements, risk tolerances and expected returns on investment. Housing subsidy programs that support affordable units such as project-based Section 8 vouchers, Low Income Housing Tax Credits and other state and local subsidies are often awarded competitively, thus taking years to secure. Additionally, accessing conventional financing for mixed-income development may require overcoming the persistent perceptions of risks in loan underwriting for such development. In some cases, such risks can be mitigated by pursuing separate ownership structures within the building with different expectations of risks and return on investment.

Variety of Unit Sizes in Apartment Developments

What is this action?

Creating apartment housing that includes a variety of housing types and sizes can help meet a diverse range of housing needs and better ensure that they are accessible to more BIPOC households. For example, a development with a mix of one-, two- and three or more-bedroom rental units will allow households of different sizes, compositions, and incomes to live in the same community, which increases both their access to different amenities as well as their opportunities to interact with a diverse set of residents. This may be particularly meaningful for families with children, who require larger units in neighborhoods with access to quality schools and recreational space, as well as multigenerational households, which are more common in BIPOC households, according to a Pew Research Center report.[34]



Why might this be relevant to an organization's efforts to advance housing equity?

The lack of an adequate supply of rental housing units that can accommodate the needs of households of all sizes in a specific jurisdiction will likely subject renter households who cannot access and/or afford larger rental units to experience overcrowded housing.

When renter households with housing needs that include accessing larger apartments cannot afford such units, these households are likely to be priced out of high-opportunity areas with quality educational and economic opportunities. Research by Brandeis University suggests that affordably priced rental units with three or more bedrooms are disproportionately located in low-opportunity neighborhoods, which makes it difficult for renter households who need larger units to access high-opportunity areas.[35] This challenge extends to both subsidized and market rate rental housing.

Keys to success

The creation of larger sized units that are affordable to modest income households requires scarce housing subsidies which are not readily available in many communities. In addition to the availability of needed subsidies, the choice of location should include ensuring that neighborhood amenities are available that meet the needs of the residents; for example, larger units may be more appealing to families with children when proximate to good schools, daycare centers and recreational opportunities.

Where to Learn More

Estimating the Gap in Affordable and Available Rental Units for Families, Harvard Joint Center for Housing Studies:

https://www.jchs.harvard.edu/sites/default/files/harvard_jchs_family_sized_rental_housing_2019.pdf

Co-location of Housing and Essential Services

What is this action?

Co-location/mixed-use development is the practice of pairing housing with non-housing uses that can benefit the development's residents and the surrounding community.[36] Co-location can take different forms; for example, a developer could create a non-residential space within an apartment housing development or create a partnership with an existing non-housing service provider to ensure residents have ready access to specific services. Considering co-location is impactful in advancing housing equity for developments in disinvested BIPOC communities.

Why might this be relevant to an organization's efforts to advance housing equity?

In disinvested neighborhoods, co-location of commercial and community services creates benefits for apartment residents and the surrounding community. Additionally, in markets where there is scarcity of developable land, co-location can be used as a strategy to increase housing supply by creating housing and non-residential spaces on the same site. Co-location can also help maximize limited public resources.

Keys to success

Engaging with the local community to understand how the commercial space of the development could address service gaps, which would lead to a more optimal use and economic success of the development. Effective community engagement will likely accomplish a shared vision for the development, which may facilitate accessing necessary public subsidies, and expedite the project's approval. Consideration should also be given to creating space for service providers that could support BIPOC residents.

Where to Learn More?

The Benefits of Co-Location for Affordable Housing:

https://www.multihousingnews.com/why-co-location-is-a-winning-model-for-affordable-housing/

Affordability Preservation and Displacement Mitigation

What is this action?

Housing acquisition/rehabilitation can be used as a strategy to mitigate displacement of lower-income residents in communities experiencing significant demographic and economic changes. This is particularly important for preserving the affordability of unsubsidized affordable housing in neighborhoods of opportunity which are more at risk of affordability loss.

Why might this be relevant to an organization's efforts to advance housing equity?

Preserving housing affordability through acquisition and rehabilitation projects can mitigate residential displacement, a process by which households are forced to move from their residences due to rising demand for housing or re-development projects.[37] Displacement disproportionately affects communities with lower median incomes and communities of color, compounding persistent inequities in housing. Preserving housing affordability through acquisition can help residents, particularly BIPOC households, remain in their homes and neighborhood, as well as connected to their social networks, schools and jobs.[38]

Renewed investment in building repairs, updated building systems and kitchen appliances improve property condition and operating efficiency and may provide a healthier indoor environment for residents. Building upgrades that focus on utility efficiency can have a meaningful return on investment and are likely to result in lower utility costs for residents. A report from CBRE found that older apartment properties as well as Class B and C apartment properties have lower resident turnover and vacancy rates than newer and higher-class properties.[39]

Recapitalization is particularly important for the unsubsidized affordable small and medium multifamily (SMMF) housing stock, which represents a significant component of the affordable rental housing stock. Enterprise Community Partners' research on SMMF properties, defined as those with between two and 49 units, found that this housing stock provides 54 percent of the rental housing stock in the U.S. and is home to a majority of households with low-incomes, including 60 percent of all renters who make less than $10,000 per year.[40] Enterprise's research also found that acquisition and preservation of unsubsidized affordable SMMF housing offers a cost-efficient way to preserve housing affordability, costing 30 to 50 percent less than new construction. One 2013 Center for Housing Policy study finds that new construction costs $40,000 to $71,000 more per unit than rehabilitating older units.[41] The preservation of SMMF properties serves as an important housing equity and affordability tool, as for the past 25 years, construction of SMMF has declined relative to historical trends, and older SMMF buildings are not being replaced with similar building types.

Keys to success

Developers pursuing the acquisition and rehabilitation of housing at risk of affordability loss are often able to tap into acquisition funds that can be capitalized with multiple funding sources, such as public funds, philanthropic support, and financing by Community Development Financial Institutions (CDFIs).[42] Housing acquisition funds typically provide developers who are willing to preserve the affordability of acquired housing with access to short-term financing available on an accelerated basis to acquire properties at risk of affordability loss. These acquisition funds may also attract private capital, as financial institutions could invest in acquisition, which may receive credit under the Community Reinvestment Act. To incentivize affordable housing preservation, acquisition funds may offer financing at competitive terms and rates.

Additionally, retrofitting unsubsidized affordably priced apartment housing may be financed by a range of federally backed green loan programs. For example, Fannie Mae's Green Rewards program offers lower pricing, additional loan proceeds and a free property, energy and water audit to finance smarter, greener property improvements.[43] Also, under its Green Preservation Plus program, Fannie Mae offers additional loan proceeds to finance energy and water efficiency improvements for existing apartment affordable housing properties. Freddie Mac's primary Green Advantage incentive programs, which include Green Up and Green Up Plus, offer better lending pricing and more debt capital to properties that can demonstrate a certain reduction in water/sewer and energy consumption.[44]

Where to Learn More

PreservationNEXT, Enterprise Community Partners:

https://preservation-next.enterprisecommunity.org/

Understanding the Small and Medium Apartment Housing Stock, Enterprise Community Partners, the USC Bedrosian Center on Governance, and the USC Sol Price School of Public Policy:

https://www.enterprisecommunity.org/resources/understanding-small-and-medium-multifamily-housing-stock

Community Benefits Agreements

What is this action?

A community benefits agreement (CBA) is a contract between a developer and representatives of a community in which a developer commits to providing a range of community benefits in exchange for receiving the community's support of a proposed development.[45] For example, a residential developer could commit to providing housing-related community benefits, such as creating a specific number of affordable rental units. CBAs can also be used to ensure community engagement in the planning process of a housing development project.

Why might this be relevant to an organization's efforts to advance housing equity?

CBAs can be used to meaningfully engage with community-based groups that represent BIPOC and other community interests to work with developers on incorporating some of these considerations in new housing developments. For example, in a neighborhood that is witnessing market pressures and significant changes in its racial and economic composition, a CBA could incorporate housing affordability requirements that could help keep the area affordable for existing lower- and moderate-incomes renters. Additionally, a CBA could be used to meet some of the community's other development needs, such as infrastructure investments, through new development.

Gaining community support for a proposed development can also help the developer access public subsidies needed to achieve specific housing affordability levels, receive zoning changes from a local government body, or receive necessary local approvals. CBAs also allow for a more transparent, open process that documents community engagements and details agreed upon terms.

Keys to success

The use of a CBA structure differs in different localities. Sometimes such an agreement is with a local organization or organizations that are acknowledged to represent the interests of the community and in other cases, the agreement is with the local government body. Regardless, the state or local government empowered to provide the financial and other incentives need to be engaged. Typically, CBA negotiations do not include community members who will oppose or support the proposed development regardless of the community benefits included in the CBA.

Where to Learn More

Community Protections and Agreements, Georgetown Law:

https://www.georgetownclimate.org/adaptation/toolkits/equitable-adaptation-toolkit/community-protections-and-agreements.html

CASE STUDY

BRP Companies' Urban League Empowerment Center, The Rennie

BRP companies has a long track record of developing workforce and mixed-income housing in neighborhoods with a high share of BIPOC residents, using a business model that is centered on meeting the needs of local residents and institutions.[46] *Many BRP projects combine housing with community and retail space to provide a range of services and opportunities to residents, while also providing energy efficient and environmentally sustainable developments.*

A community-centered model guides their development approach. For example, the Urban League Empowerment Center combines 171 units of mixed-income housing with office and retail space, including the new headquarters of the National Urban League and New York City's first civil rights museum.[47] The project not only returns the National Urban League to the neighborhood where it was first founded, but also ensures the surrounding community will benefit from the development by including local and BIPOC-led organizations in both the development of the project and the eventual lease out of retail and office space.

Collaborating with local partners has become part of an anti-displacement strategy. A building in Harlem called The Rennie combines housing with community development by working with a local church to add community space to the development of over 130 mixed-income condominium units.[48] Also notable in the development of the space was the collaboration between BRP and historic preservationists to ensure the new building honored the former Renaissance Ballroom it replaced, which was a cultural hub of the community during the 1920s but had been abandoned since the 1970s and was already partially demolished.

BRP measures its impact with both traditional and non-traditional metrics. In addition to the number of units and square feet of space developed, the value of commercial and retail business residents, and the return on investment, the organization also tracks the number of permanent jobs created, demographics of beneficiaries of job creation, kW of energy saved, and the value of community facilities created.[49] BRP's commitment to affordability and community partnerships also ensures its developments serve the needs of BIPOC residents with low-incomes now and in the future.

Important ways that BRP Companies addresses inequity through their development projects:

- **Their projects foster economic development** through increased employment and investment opportunities while also meeting community needs for retail and services.
- **By reinvesting in community assets** that are meaningful to the neighborhood, they celebrate its history, rather than erasing it, while also providing amenities that meet the current and future needs of the area.
- **Local collaborators enable projects to achieve multiple benefits and build on the strengths** of anchor institutions in the community.

CASE STUDY

Wa-Di Housing Development, Santo Domingo Pueblo, NM

DEVELOPMENT PARTNERS: Santo Domingo Tribal Housing Authority, Concept Consulting Group, LLC, Sustainable Native Communities Collaborative, and AOS Architects

The Wa-Di Housing Development is a joint effort between public, non-profit, and for-profit partners to develop 41 affordable rental units located on eight acres of the Kewa Reservation in New Mexico.[50] *The New Mexico Mortgage Finance Authority supported the financing of the residential component of the development by allocating more than $11 million in funding for the project through its Low Income Housing Tax Credit program and the state's Housing Trust Fund.*[51] *The Santo Domingo Tribal housing Authority brought together a team of architects, finance consultants and local businesses to collaborate on the project and ensure it met the needs of a community that had long faced struggled with housing affordability, quality and crowding concerns.*[52]

The project team intentionally designed a planning process that meaningfully engaged the Tribal community to develop a project that would meet their needs, respect their culture and design preferences, and last to serve future generations. The project approach began with acknowledging that the development of America's built environment has historically excluded and suppressed Indigenous communities. The development's year-long planning process included several community engagement activities, including community meetings, in-person surveys and community walks that were designed to identify and incorporate the Tribal community's needs and preferences into the site's comprehensive site plan, as well as the design and construction of housing units.

The year-long planning process identified solutions to address prominent racial inequities in housing among Native communities. The project was designed to intentionally avoid using cookie cutter designs and layouts that replicate suburban housing and result in housing developments that do not meet the needs and respect the culture of Tribal communities. Furthermore, the development project was designed to create quality, affordable homes that could last for decades to serve households who live on Tribal land for generations and pass their homes down from one generation to another. The project's scope was broader than providing basic shelter, as it included creating a master plan that focused on ensuring that Indigenous households have access to essential services, including transit, daycares, schools, and elder and community centers.

The Wa-Di development was also designed to boost the economic and physical wellbeing of the Tribal households, many of whom rely on conducting traditional stone grinding at home as a source of income. A health scan that was conducted as part of the project's planning process identified that indoor traditional stone grinding has caused major respiratory issues among Tribal households. Therefore, the development project added a small, outdoor work shed to each housing unit to allow the community members to continue gaining economic benefits from traditional stone grinding, while practicing it in healthy, outdoor environments.

CONTINUED >>

CASE STUDY (continued)

Important ways that the development team operated to reverse inequitable practices include:

- **Throughout the project's development process, the project team intentionally worked on addressing concerns and skepticism** among Tribal community members who had faced significant housing challenges for years, as well as broken promises to create quality housing that meets their needs.
- **The Wa-Di development was explicitly designed to advance racial equity** for a tribal community by providing quality, healthy housing that can boost the community's upward mobility, including economic success and empowerment. This was achieved by creating workspaces for each home that were tailored to the realities of residents' day-to-day lives and enable them to continue traditional work in which they were already skilled.
- **The range of community engagement activities was intentionally organized around fundamental cultural values** and experiences that mattered to the community, including multi-generational participation, artistic expression, and oral history.

> **"People were shocked that we were going to listen to them and adjust the design according to their feedback**.... Adjusting the design as we were listening to them had never been done before."
>
> \- Tomasita Duran, Executive Director, Ohkay Owingeh Housing Authority

For Further Reading

Wa-Di Housing Development: Opening Doors to Cultural Connection, Atkin Olshin Schade:

https://www.aosarchitects.com/case-study/wa-di-housing-development-santo-domingo-tribal-housing-authority

Design with Love: At Home in America Katie Swenson (Oct 2020):

https://www.katieswenson.com/design-with-love

Decolonizing Colonial Structures, Joseph Kunkel (Nov 2020):

https://www.mcad.edu/news/decolonizing-colonial-structures

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[30] (Local Housing Solutions)
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[32] (Carter, Davis, & Hepner, 2020)
[33] (National Multifamily Housing Council, 2019)
[34] (Cohn & Passel, 2018)
[35] (McArdle, Baldiga, & Acevedo-Garcia, 2018)
[36] (Fitzgerald, 2021)
[37] (Urban Displacement Project, n.d.)
[38] (National Community Reinvestment Coalition, 2019)
[39] (CBRE, 2019)
[40] (An, 2017)
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[44] (Freddie Mac, n.d.)
[45] (Equitable Adaptation Legal and Policy Toolkit)
[46] (BRP Companies, n.d.)
[47] (National Urban League, 2023)
[48] (Real Estate Weekly, 2018)
[49] (BRP Companies, n.d.)
[50] (AOS Architects, n.d.)
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NATIONAL MULTIFAMILY HOUSING COUNCIL

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Opening Doors of Opportunity:
A Guide for Advancing Housing Equity in the Multifamily Industry

Property Management and Operation

Property Management and Operation

Section Overview:

This section describes a series of practices related to property management and operations that provide examples of how some organizations are advancing housing equity.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

Property operations create the vehicle for sustaining efforts to advance housing equity in the long-term. Revisiting current practice through a housing equity lens can actually make on-site jobs easier by creating opportunities to adapt to the realities communities face and providing more options that support the success of both residents and staff.

The COVID-19 pandemic showed how crises across the country show up in the daily lives of residents, particularly lower income and BIPOC communities, and proved that adapting property management practices to address the changing dynamic can generate innovation and improve outcomes. Adopting a housing equity lens and some of the strategies described here is a meaningful way to empower staff to deliver on the organization's goals and mission.

Success can be achieved when perspectives from people of different identities are integrated in all aspects of property operations. Many organizations are already having these conversations by allocating resources to engage partners that can provide meaningful input and ideas.

There are many ways a housing equity lens can apply to property management practices, across the range of duties property managers hold – from finding residents and executing leases, to collecting rent, maintaining units, and providing related services. The examples contained here highlight adaptations to some of these functions, but residents and staff will be able to identify what practices are most needed within the specific organizational context.

The following examples present creative solutions that can support better outcomes for residents across the Housing Bundle (Learn more about the Housing Bundle at **https://housingequityguide.nmhc.org/what-housing-equity-definitions-frameworks-applications/#bk_25**)

- Expanding utilization of Housing Choice Vouchers to improve housing quality and affordability outcomes for households with low incomes.
- Revisiting marketing practices to ensure housing is serving as a platform for belonging for all residents.
- Offering multi-year leases to support housing stability.
- Offering opportunities for rent reporting to build credit history and long-term assets.
- Providing services that ensure housing stability and broader access to resources.

Expanding Utilization of Housing Choice Vouchers

What is this action?

The Housing Choice Voucher (HCV) program is the largest federal program providing rental assistance to low-income households, supporting nearly 2.2 million households across the country.[i] Households pay 30 percent of their income towards rent and the local public housing authority (PHA) pays the property owner the remainder of their rent, up to the amount the federal government calculates to be a "Fair Market Rent" (FMR) for the area where the unit is located.[ii]

The efficacy of this program relies on the private sector because it is designed to be a voluntary program rooted in a public-private partnership. Specifically, government provides a subsidy to qualified residents to pay part of the rent for a privately-owned apartment.

However, property owners have faced challenges participating in the program. Common barriers property owners may face include difficulties with inspection processes (duration and delay, requiring the owner to hold the unit uncompensated while waiting for the PHA to inspect the unit, inconsistency of processes, and costs of repairs), lack of PHA support when resident issues arise, compliance burden (extra paperwork and bureaucracy to navigate), and inadequate rents to offset these challenges (particularly in certain markets). While some progress has been made in updating the program and policies that guide it, challenges remain. This action will require an investment of resources and time to achieve benefits through this program and advance housing equity.

Property operations create the vehicle for sustaining efforts to advance housing equity in the long-term.

Why might this be relevant to an organization's efforts to advance housing equity?

Expanding access to stable, quality housing. Accepting HCVs expands access to stable housing for many people who are often excluded from the housing market. Research shows that vouchers are effective in allowing households to find stable, less crowded housing while also reducing their rent-burden – when they can find property owners willing to accept the voucher.[53] By accepting HCVs, property owners can help reduce the housing inequities experienced by BIPOC (who accounted for 69 percent of voucher-holders in 2017), female-headed households (79 percent of voucher-holders in 2017), and people with a disability (23 percent of voucher-holders in 2017), among others.[54]

Reducing residential segregation. The limited supply of housing affordable to low-income households and the limited number of property owners willing to accept HCVs can contribute to concentrations of poverty and residential segregation. HUD-sponsored research on landlords and the role they play in the HCV program from 2019 shows that only about 20 percent of voucher-holders are able to rent in a low-poverty neighborhood.[55] However, the Moving to Opportunity Demonstration showed this is often driven by barriers encountered in the housing search process, rather than preferences of the voucher-holder.[56] More property owner participation in the HCV program, along with more support for prospective residents in the housing search process, can reduce these barriers and offer more housing options across neighborhoods.

Supporting upward mobility. When voucher-holders can use their vouchers to move into stable housing, particularly in a low-poverty neighborhood, the entire household experiences "significant mental and physical health benefits."[57] The impacts are particularly pronounced among children and can be observed in long-term economic success indicators like college attendance rates and future earnings.[58]

[i] It is important to note that, despite its scale, the HCV program only reaches about 1 in 5 eligible households based on available resources. **https://www.enterprisecommunity.org/blog/02/21/utilizing-hcvs-to-address-racial-inequities-in-rental-housing**

[ii] Fair Market Rents are payment standards for each unit type (by number of bedrooms), calculated annually by HUD based on market data for the jurisdiction. Some PHAs, particularly in large metropolitan areas, set multiple payment standards – i.e., Small Area Fair Market Rents (SAFMRs) – to account for variation in the rental market within a jurisdiction. More information is available here: **https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/landlord/fmr**

How can this action yield other positive outcomes for an organization?

Stable rental income. PHAs guarantee a portion of rent will be paid each month, even if a resident's financial circumstances change. The pandemic has shown the impact of this kind of stable income – a survey conducted in February 2021 showed that residents participating in the Housing Choice Voucher program owed less back-rent and property owners reported positive experiences with these residents.[59]

Reduced resident turnover. Research shows that voucher-holders move less frequently than other residents, which can increase their sense of ownership and care for the building and their unit.[60] This can also reduce operating expenses from reduced turnover costs.

Increased demand for units. Accepting HCVs will expand the number of renters with resources to afford rental units in a portfolio, increasing demand. This may become increasingly relevant, given increasing support at the federal level towards expanding the number of Housing Choice Vouchers available.[61]

Keys to success

There are several steps an organization can take to ensure the positive outcomes noted above for itself and for residents, while mitigating potential risks:

- *Clarify the role of the local PHA.* After a resident's application has been approved, the PHA will inspect the unit to ensure it meets Housing Quality Standards. After that inspection is completed and approved, the housing operator and the resident will sign their lease; at the same time, the provider and the PHA sign a housing assistance payments contract that runs for the same term as the lease. From there, the PHA's main role will be providing direct housing assistance payments on behalf of the family and monitoring compliance with the program – this includes inspecting the unit on an annual or biennial basis to ensure housing quality standards are met.[62] The PHA typically does not conduct repairs or maintenance on the unit and does not mediate property owner/resident disputes.
- *Build a relationship with the local PHA.* This will not only improve understanding of the program but will also make it easier to access necessary resources and approvals and more quickly resolve any issues that arise down the line. Some PHAs have designated staff (e.g., property owner liaisons) or processes (e.g., HCV landlord hotlines) for this purpose. PHAs can also provide other resources like training or continuing education programs for participating property managers.[63]
- *Become familiar with Housing Quality Standards.* Uncertainty around inspections, which PHAs are required to conduct annually (or, in some cases, biennially), is a commonly cited property owner concern with the HCV program. Some PHAs are actively working to make the process easier on owners, so keep in mind the process may be different than common understanding suggests. Familiarity with the Housing Quality Standards (HQS) PHA inspectors use will improve understanding of what they are looking for and make it easier for the operator to advocate if there are concerns in question.
- *Ask about available support and incentives.* In some jurisdictions, property owners that participate in the HCV program can access special incentives (e.g., a vacancy and damage loss protection fund, reduced building and planning fees, streamlined inspections or approvals).[64] There may also be community-based organizations willing to provide services or counseling to residents participating in the HCV program.

Where to Learn More

Housing Choice Voucher Program Fact Sheet (HUD):

https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/about/fact_sheet

Property owners: Critical Participants in the Housing Choice Voucher Program (HUD):

https://www.huduser.gov/portal/periodicals/em/winter19/highlight1.html

The Role of Housing Choice Vouchers in Addressing America's Rental Housing Crisis (Housing Matters, The Urban Institute):

https://housingmatters.urban.org/articles/role-housing-choice-vouchers-addressing-americas-rental-housing-crisis

NMHC's Section 8 Housing Choice Program Fact Sheet:

https://www.nmhc.org/advocacy/issue-fact-sheet/section-8-housing-choice-program-fact-sheet/

Examining Marketing Practices to Ensure Alignment with Housing Equity Goals

What is this action?

Marketing and resident selection practices can have a significant impact on who feels welcome to apply to live at a particular property and how the property is perceived in the broader community. Research conducted by the Furman Center in 2011 shows that communities with substantial diversity are viewed as more welcoming.[65]

Historically, real estate marketing and resident selection practices were sometimes used in harmful ways– e.g., the practice of steering households of different races to different neighborhoods to maintain segregation.

While discriminating advertising and resident selection practices are unlawful and much less common today, organizations may want to consider ways to improve their marketing practices to align with housing equity goals – doing more than is legally required to align with housing equity goals.

This starts from a point of reflection: who are the current or typical marketing practices reaching and who are they not reaching? Are there certain demographic groups represented in the broader community that rarely apply to live in the building? Are there groups that apply but are rarely selected for a unit? It may be necessary to develop more robust tracking to have data that adequately answers these questions.

After identifying the potential gaps in current practices, the organization can work with staff and community members to unpack why they exist. Direct engagement (via interviews, focus groups, or surveys) can improve understanding of a wider range of experiences with current marketing materials, outreach methods, and application process. A review of current materials used, including internal policies that guide marketing and resident selection, can also illuminate barriers to address.

With this information in hand, the organization can develop a new strategy to address the gaps and barriers identified, grounded in its housing equity goals. These may take the form of "affirmative marketing plans"[iii] or they may become internal strategy documents that outline targeted approaches to reach groups previous marketing was missing or excluding. When undertaking these efforts, consider using clear, measurable targets to track the impact of these efforts over time and adjust as needed.

Example strategies may include building relationships with community leaders that can help spread the word in their communities, expanding the organization's network of real estate agents, updating the content of marketing materials, changing office hours, hosting events in different geographic locations or at different times of day, or even reconsidering what type of events will be held.

Why might this be relevant to an organization's efforts to advance housing equity?

Reducing residential segregation. BIPOC populations have faced explicit and socially enforced discrimination in the housing search process, which contributes to lasting patterns of residential segregation we observe today.[66] Even though it is now illegal, racial steering practices in real estate marketing have persisted over time, from practices of real estate agents to digital advertising, intentional and unintentional.[67]

This makes it important to tackle concerns about potential discrimination or racial hostility head-on. Marketing materials and practices can do this by making clear the prioritization of experience and well-being of people with different identities, across race, ethnicity, gender, disability status, and beyond.

Expanding housing access. Resident selection processes must also be considered as an extension of prospective residents' experience with building management before they choose to live in a community. While resident screening is designed to identify residents' likelihood of paying rent on time and ensuring the overall viability and success of the community, consider whether there are alternative ways to make this assessment.

[iii] Affirmative marketing is the practice of conducting "both broad and targeted outreach to contact those least likely to apply for available housing units." Some federal funding for housing development requires the development of Affirmative Marketing Plans to demonstrate how these practices will be deployed.

How can this action yield other positive outcomes for an organization?

Community interest and support. Re-examining marketing and resident selection practices can broaden the organization's base of potential residents, while also establishing a positive reputation in the community. This not only can increase demand for units but can also help accelerate community-based approval processes (for permits, etc.).

Reduce regulatory burden. Affirmative marketing designed with housing equity goals in mind helps ensure compliance with the Fair Housing Act, and any applicable local fair housing laws. Having these strategies documented and in-place will make it easier to demonstrate compliance. If the organization is concerned that studying the problem and revealing shortcomings may lead to increased liability or vulnerability to litigation, consult an attorney with expertise in fair housing law.

Resident and employee recruitment and retention. Residents who feel valued in their community are more likely to stay for longer periods of time, reducing resident turnover. This also has a positive impact on staff, who can develop closer relationships with residents and can see the broader value and impact of their work when centered on practices to advance housing equity.

Keys to success

Consider ways to be more inclusive in marketing. The following are ways an organization can approach this:

- *Audit existing marketing materials.* This audit can consider how current marketing tactics are deployed in different neighborhoods/for different properties, who is currently featured in marketing materials, whether the organization is explicit and consistent in its communications about housing equity goals, and whether any dominant narratives or stereotypes are reproduced through these communications.[68] If the organization identifies potential issues, create and implement a plan to address them.
- *Rethink priorities for resident selection.* Evaluate resident criteria: This may mean avoiding local residency preferences, adding preferences for families moving from high-poverty areas, using lotteries (instead of chronological preferences), avoiding in-person application procedures and considering applications holistically. Not all of these will be possible for every organization, but consider evaluating whether the application process can more inclusive.
- *Take lessons from human-centered design.* It is hard to predict how practices will impact a wide variety of people, particularly people with different experiences and identities. Instead of trying to predict, bring more people into the decision-making process to help unearth potential unintended consequences sooner. Importantly, bring people most impacted into these processes – residents, community members, and staff. This can reinforce a positive resident experience, build up resident and staff stewardship of the process, and build stronger community connections.

Implementation spotlight: Spark Living

One of Spark Living's five core values is to "spark equity" – defined as supporting an inclusive culture where all people are heard, seen and feel valued, and where business practices are fair and transparent.[69] They live those values through their marketing practices with meticulous imagery selection to ensure materials reflect their constituency across race, age, learning profile, and beyond. These practices are codified in their brand guidelines, which establish standards like using general neutral language and avoiding common microaggressions (e.g., stopping use of the term "master bedroom" or "master bathroom"). The brand guidelines also start with several pages of grounding in the "why" behind their practices, to support employee engagement.

Where to Learn More

Accessing Opportunity: Affirmative Marketing and Resident Selection in LIHTC and Other Housing Programs (PRRAC):

https://www.prrac.org/pdf/affirmativemarketing.pdf

Creating Cultures and Practices for Racial Equity (Race Forward):

https://www.raceforward.org/system/files/Creating%20Cultures%20and%20Practices%20For%20Racial%20Equity_7.pdf

Using Multi-year Leases with Predictable Rent Increases

What is this action?

Multi-year leases are leases with terms lasting beyond one year. This is a common practice in commercial real estate for retail and office contracts and in residential markets in other countries (e.g., France, where the minimum lease length is three years for leases by individual owners and six years for institutional owners[70], or Germany, where the leases are typically open-ended.[71]

Although multi-year leases are prohibited in Federally assisted housing programs, they can be used in affordable housing that is not subsidized. The benefits and risks of multi-year leases for both resident and owner vary depending on market context. In weaker or depreciating markets, multi-year leases are particularly beneficial for owners who may face longer vacancy periods between residents and may only be able to charge lower rents in the future. In this instance, residents may lose out because they forgo the opportunity to relocate to a comparable unit that may offer lower rent. In rapidly appreciating markets, on the other hand, multi-year leases can offer great benefits for residents who lock-in a lower rent before appreciation occurs, but this creates risk for owners who may lose out on higher rents they could have commanded in subsequent years.

To balance these risks while providing stability for both owners and residents, multi-year leases can embed clauses for predictable rent increases.

Why might this be relevant to an organization's efforts to advance housing equity?

Increase housing stability. Renters can be more vulnerable to housing insecurity because, on average, they have lower incomes and savings, less access to credit, and lower job stability, compared to homeowners.[72] Multi-year leases can extend some of the stability associated with homeownership to renters, by providing more certainty about future payments and extending the length of their residence. This can be particularly helpful for some groups of renters that may face more risks of housing insecurity, including older adults on fixed incomes and households with children.

Supporting upward mobility through community. Feeling a sense of belonging in the community and the ability to form social networks are critical ingredients of upward mobility.[73] Longer-term residence in one place gives people the time to make these connections and alleviates the stress of frequent moves, which can have negative long-term outcomes on well-being, particularly for children.[74]

Expand access to housing in underserved markets. Multi-year leases can provide some assurance to property owners in softer markets, making it more feasible to own/operate apartments in these areas, which may otherwise be underserved by the current market.[75]

How can this action yield other positive outcomes for an organization?

Attracting renters. The 2020 NMHC/Kingsley Associates Renter Preferences Survey showed that approximately one-third of renters would prefer a multi-year lease (particularly between 2 and 5 years).[76] This is a rising trend in the apartment industry, with more renters staying in their units for at least two years in 2018 compared to 2008 according to a 2020 report written by the Joint Center for Housing Studies at Harvard University.[77] In fact, research shows that nearly half of all renters stay in their homes for three years or more.[78]

Minimizing vacancy. Research shows that households who expect to rent for a long time often search in rental markets with low-vacancy rates; long-term leases can help attract these residents to different areas that may have higher vacancy and would benefit from more resident stability. This can be especially important in smaller-scale apartment buildings where there are fewer additional units to offset vacancies.

Protection against potential lost income. The benefit of multi-year leases for property owners is particularly pronounced in "softer" markets where rents are unlikely to increase rapidly from year to year and empty units may stay vacant for longer.[79]

Reduced turnover costs. With fewer units turning over year-to-year, the organization will not need to spend as much time and resources on marketing, resident recruitment, or resident screening.[80]

Keys to success

- As mentioned above, it is important to balance any risks of multi-year leases between property owners and residents so neither bears the entire risk of rising or declining markets. This can be accomplished by setting predictable rent increases or benchmarking any rent changes in the lease to market conditions.[81]
- Transparent lease terms are particularly important with longer-term leases since they will apply for longer. Clarity around terms for early termination (how much notice is required, financial penalties, what constitutes cause for early termination by the property owner, etc.) become even more important in multi-year leases.
- Create processes and/or incentives for regular maintenance during the lease period to ensure units under multi-year leases do not develop a backlog of deferred maintenance that turn into larger, expensive issues to remediate down the line.

Implementation spotlight: Multi-year Leases in Germany

In Germany, leases are typically open-ended rather than set on a yearly basis. Property owners must ensure that the unit remains in good condition and the renter has to notify the property owner of any deficiencies not commensurate with reasonable wear and tear, so the property owner can remedy these deficiencies quickly. Otherwise, the renter can achieve rent reduction or, in severe cases, termination without notice. The property owner, in turn, can pass certain costs and property taxes on to the renter but cannot raise the rent arbitrarily.[82]

Where to Learn More

Offering renters longer leases could improve their financial health and happiness (The Brookings Institution):

https://www.brookings.edu/blog/up-front/2020/02/19/offering-renters-longer-leases-could-improve-their-financial-health-and-happiness/

2020 NMHC Kingsley Apartment Resident Preferences Report:

https://www.NMHC.org

Rent Reporting to Build Credit Histiory

What is this action?

Rent reporting offers an opportunity for residents to use good payment practices to build credit without taking on debt. For many individuals, low or nonexistent credit scores can become a contributing barrier to closing the racial wealth gap – creating barriers to homeownership, job opportunities, and contributing to higher automobile and home or renters insurance premiums and higher costs for other consumer products.[83] Currently, credit reports and credit scores do not recognize on-time rental payments as creditworthy behavior, which creates an incomplete and negatively skewed assessment of the credit risk many renters pose, particularly for low- and very-low income residents living in subsidized housing according to a Prosperity Now blog.[84]

While all manners of nonfinancial business entities are entitled to, and do, report late payment data to nationwide CRAs, relatively few report on-time and other "positive" data. Energy utilities, media companies, and property managers typically report credit transgressions but not "good" credit behavior.[85] One way that consumers can build their credit profile without taking on debt is to have their monthly rent payments reported to the three credit bureaus — Equifax, Experian and TransUnion. Using alternative data, such as rent payment, could improve the accuracy and fairness of credit scoring.

Why might this be relevant to an organization's efforts to advance housing equity?

Rent reporting, whether independently or offered by housing providers, is a unique opportunity to advance racial equity and give renters a competitive advantage for future lending and financial opportunities. Collaborations like this between property managers and residents can improve outcomes for both parties by:

1. encouraging resident engagement in credit building and credit improvements; and
2. leveraging rent reporting as an incentive for on-time payment.

Resident Engagement in Credit Building and Credit Improvements. Rent reporting is a promising strategy for housing providers seeking to increase resident participation and success. Helping residents translate credit improvements from rent reporting into other financial outcomes (e.g., building assets and refinancing expensive debt like cars and student loans) can directly improve a household's financial situation.

Rent Reporting as an Incentive for On-Time Payment. In one study, practitioners who offered residents the opportunity to opt into rent reporting in combination with financial coaching saw substantial improvements in payment behavior, decreasing late payment rates by 26-50 percent by incentivizing on-time payment.[86]

Keys to success

- For any entity contemplating credit reporting for residents, it is fundamental that staff provide clear communication with residents regarding the impacts and benefits of the opportunity. While late or missed payments are known to result in a negative impact on one's credit score, the various reporting structures offered by third-party service providers can also inaccurately represent one's credit history – possibly showing up as additional credit lines or several short-term loans.[87] However, the benefits of tracking good payment habits often outweigh the potential risk, especially for individuals with little to no credit or a low credit score.
- Adopting a rent reporting program does present some challenges depending on administrative capacity or IT infrastructure. Organizations will need to secure staff time, legal fees, software improvements, and education materials to fully stand-up rent reporting programs.

- Third-party intermediaries may be a worthwhile investment for interested parties, helping to work with nationwide CRAs to ensure reliable, standardized reporting of high-quality data. For a fee, these intermediaries can offer training, templates, quality control, and outcome tracking that often proves more challenging for housing providers to implement on the back end. The Credit Bureaus Alliance developed several examples of costs associated with credit reporting to help nationwide housing providers evaluate their options.
- Owners should understand the full legal and risk landscape surrounding rental reporting and choose the approach that best matches their needs. NMHC's 2022 White Paper - "Renter Payment Reporting: Considerations for Rental Housing Operators," is a great resource to help owners explore the issue and evaluate solutions.[88]

Implementation spotlight: Esusu

Founded in 2018 by Wemimo Abbey and Samir Goel, Esusu [esusurent.com] is the leading financial technology platform that leverages data solutions to empower residents and improve property performance. Over 50% of the NMHC Top 50 apartment firms have partnered with Esusu to furnish positive rental payment history to help their residents build a stronger financial profile and access rent relief funds to keep families in their homes. Inspired by their families challenges accessing credit and financial resources as immigrants, the founders built the company with the shared ethos that no matter where you come from, the color of your skin, or your financial identity it should never determine where you end up in life. Esusu has raised over $144 million from leading institutional firms, has grown to over 200 team members, and has partners covering over 4 million rental units representing over $20 Billion in gross lease volume.[89]

Where to Learn More

NMHC White Paper - Renter Payment Reporting: Considerations for Rental Housing Operators:

https://www.nmhc.org/research-insight/analysis-and-guidance/2022/renter-payment-reporting-considerations-for-rental-housing-operators/

Rent Reporting Technical Assistance Center:

https://www.rentreportingcenter.org/

The Power of Rent Reporting Pilot:

https://creditbuildersalliance.org/wp-content/uploads/2019/06/CBA-Power-of-Rent-Reporting-Pilot-White-Paper.pdf

Potential Impacts of Credit Reporting Public Housing Rental Payment Data:

https://www.huduser.gov/portal/sites/default/files/pdf/Potential-Impacts-of-Credit-Reporting.pdf

Credit for Renting: The impact of positive rent reporting on subsidized housing residents:

https://assetfunders.org/resource/credit-renting-impact-positive-rent-reporting-subsidized-housing-residents/

Giving Underserved Consumers Better Access to the Credit System: The Promise of Non-Traditional Data:

https://www.perc.net/wp-content/uploads/2013/09/nontrad.pdf

Give Credit Where Credit is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data:

https://www.brookings.edu/wp-content/uploads/2016/06/20061218_givecredit.pdf

Providing Services to Improve Resident Outcomes

What is this action?

Many housing providers are expanding beyond their traditional roles to improve the financial stability and opportunity for upward mobility for their residents. Providers are integrating a range of additional services, including case management, healthcare, daycare, educational opportunities, job training, and financial education to meet the multiple, and often complex, needs faced by residents. Planning and implementing this work are challenging and may not be practical for all firms, but many organizations committed to improving resident outcomes have managed to iterate, adapt, and experiment with this approach across various program models.

Support services are typically offered to residents on-site and address needs in health, education, employment, and safety. Depending on the community and program type, engagement on the individual level (e.g., case management or coaching), with groups of residents, or through off-site referrals can produce various results. Within the confines of funding availability, housing providers may achieve the most success in program uptake and achieved outcomes by offering services that[90]:

- Provide payment to residents for training and work.
- Integrate property management and resident services.
- Individualize services and supports to match residents' goals.
- Extend the time frame for services and supports.

Housing providers that want to improve resident outcomes should continue to offer stable, affordable housing to communities of color, but even more progress can be achieved when organizations work with others to improve community supports, including access to health care, high-quality and high-paying jobs, safety, transportation, and internet.

Why might this be relevant to an organization's efforts to advance housing equity?

The combination of housing and coordinated service delivery can help individuals and families maintain stable housing and promote accessibility through on-site service delivery. There are numerous services organizations can offer their residents to advance racial equity objectives, but across the board, property owners, residents, and communities at large, stand to benefit from an investment in support services. A 2011 analysis showed that when interviewed on the potential impacts of social, health, and youth services on resident and property outcomes, resident service coordinators, property managers, and national experts agreed that strategic programming can help youth development, resident stability, and community enrichment.[91]

These services also produced positive outcomes for their own organizations and resulted in:

- Improved housing stability of residents, thereby reducing unplanned unit turnover.
- Reduced maintenance costs caused by youth vandalism or adult residents who are not engaged with the property.
- Increased opportunity for property management to engage in operations.
- Reduced conflict between residents and property management.

Keys to success

Any support service opportunity should have clearly defined goals that track achievements and evaluate ongoing performance. The programs should be tailored to residents' self-identified needs and reflect the priorities of those living within that community. Organizations must address key program elements if they are to create a meaningful opportunity to achieve desired outcomes.[92] These include:

- *Goal Setting & Measurement*. Each program will require time, extensive outreach, and marketing to establish interest and legitimacy. Measuring the true impact of resident outcomes requires long time horizons. Initiatives should track interim indicators of client progress alongside long-term goals to standardize data and identify intervention points for course correction or program improvement.
- *Organizational Capacity*. Integrating new offerings into existing operations may require new capacity. In examining how these services will be provided and by who, organizations must determine if they must build internal capacity or engage new nonprofit and private sector partners to serve residents.
- *Consider Community Response*. Implementing a culturally responsive program requires a strong relationship and sense of trust between residents and program administrators. To establish this connection, providers should engage residents as advisors, be strategic in program recruitment and retention, and provide participants with trained coaches and mentors who are representative of a diverse range of experiences and backgrounds.
- *Ongoing Learning and Sharing with the Field*. Making the effort to learn from program participants can elevate program efficiencies and better match services with resident needs. Share successes as well as challenges to inform other practitioners and the broader housing field.

Implementation spotlight: PCY HousED Initiative

Recognizing their residents need more after school learning support, Eden Housing incorporated educational enrichment into their suite of resident services offerings, but until they found the right partners and funders, they had limited staff capacity and funding to truly create pathways out of poverty. Through conversation with the Partnership for Children and Youth (PCY), they were able to access funds from the S.H. Cowell Foundation to train and hire coaches to administer the afterschool programming, create curriculums for the programs, and conduct outreach to local schools. These Eden staff members were also able to help parents understand elements of their children's educational experience such as how to interpret testing scores, the importance of attendance, individualized education programs for children with special needs, and facilitating contact with school staff. Importantly, Eden provides each site in their portfolio with flexibility to shape the program to their specific needs and capacities – each development determines how much it can budget for these services and what programs their residents most need. This kind of innovative partnership not only allows the firm to respond to resident needs more directly, increasing resident satisfaction and reducing likelihood of turnover, but also can help it attract different types of funders and expand staff capacity.[94]

Where to Learn More

How Affordable Housing Providers Can Boost Residents' Economic Mobility:

https://www.urban.org/sites/default/files/publication/99081/how_affordable_housing_providers_can_boost_residents_economic_mobility_2.pdf

Developing the "Support" in Supportive Housing: A Guide to Providing Services in Housing:

https://www.csh.org/wp-content/uploads/2011/12/Tool_DevelopingSupport_Guide.pdf

Housing and Financial Capabilities: Integrating and Enhancing Services for Residents:

https://communitycapital.unc.edu/research/housing-financial-capabilities-report-executive-summary/

CASE STUDY

Camden Property Trust's Rent Repayment Program

Camden Property Trust (Camden) is a publicly traded company structured as a Real Estate Investment Trust (REIT). Camden is involved in the ownership, management, development, redevelopment, acquisition and construction of apartment communities. Camden has headquarters in Houston, Texas and owns and operates over 165 properties in 25 cities across the US. Camden staff contributed to this case study.

In late 2020, right around the holiday season in the midst of the COVID-19 pandemic, **a VP at Camden sent an email about a long-term resident who usually worked two jobs and, due to COVID, had been out of work for a period of time and was unable to pay their rent or catch up with past due obligations. They had called family and sought to live with their elderly parents, but none of the options worked out. The VP emailed Ric Campo, Camden's CEO, who said "it seems this is something we should figure out how to help with. What could we do?"**

During COVID, leaders at Camden asked themselves, "how could we create a program for residents to stay in their homes, have an affordable repayment plan, in a way that make sense within our legal and financial structures?" First, Camden provided $10 million to residents in need without requiring repayment, before the government funds were distributed. But beyond that, Camden had residents struggling and trying to pay back a debt over 6 months plus pay current rent. The question was raised – "can we take that long-term debt and make it more manageable?"

To support people during a time of financial need, Camden started offering microloans. The renter applies directly to Esusu, a savings and credit building platform that Camden partners with. Renters show their reason for financial distress and Esusu covers 1-3 months' rent, paid directly to Camden. They offer a three-month grace period, so residents can get back on their feet before they need to start paying back the loan. Camden shared this option with all residents who had a delinquent balance and if they were approved, the payments started the following month. There are no fees or interest because Esusu covers that through philanthropic funding, which enables them to provide funds immediately to residents who meet their criteria. Because the rent comes directly to Camden, it makes the process more seamless and guaranteed, and Camden can quickly clear up that resident's account.

This led Camden to adopt a rent reporting program as well, to help residents build credit. Many of Camden's residents have jobs but do not have credit – often because they have moved from another country where credit scores are not commonly used. Camden community managers would frequently provide residents with letters confirming that they pay rent on time, since they don't have credit to be able to buy a car. Esusu reports on-time rental payments to credit companies to build credit scores. Residents pay $5/month to get their rent reported. Esusu also only does positive reporting, gives 30-day leeway to any missed payments and contacts people if they are behind to suggest they opt out of the program before they see a reduction in their credit score. Camden has found that this program makes their communities even more attractive to prospective residents.

Key Lessons from Camden's Rent Repayment program:

- **Internally, it made a difference that leadership set the tone** of reaching out to lend a hand – it rippled out and became a mindset of "How do we help the residents? How do we find solutions?"
- **In seeking out partners, relationships and shared values matter.** Camden works hard to find companies that have the same goals and has supported not only their residents in this process, but also emerging Black-owned businesses.
- **Doing the right thing actually has the highest returns;** Camden employees asked themselves, "what do we want to be known for?" Being guided by this question, rather than guided by a goal of increased returns, led to decisions that increased resident stability and decreased turnover, reduced delinquency, and increased employees' sense of fulfillment and loyalty to Camden.
- **"It's about looking outside the box, and doing that with compassion"** describes Camden VP, Linda Willey. Camden's ultimate goal was to keep residents in their homes if they could. Because of this, they were able to find partners and solutions that would enable them to meet their financial requirements while also staying committed to helping residents.

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[90] (Gallagher, Burnstein, & Oliver, 2018)
[91] (Dunn, 2011)
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[93] (Viveiros, 2016)
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Opening Doors of Opportunity:
A Guide for Advancing Housing Equity in the Multifamily Industry

Apartment Investment and Financing

Apartment Investment and Financing

Section Overview:

This section describes a series of practices and examples in apartment investment and financing of how some organizations are advancing housing equity. Practices described include engaging investors about housing equity, and addressing developer capacity, balance sheet and location risks.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

The apartment industry views itself as being responsive to investor expectations – about returns; about risk; and increasingly about creating better social outcomes. But the ongoing shifts toward an Environmental, Social and Governance (ESG) lens in the perceptions, expectations and practices of our capital sources invite us to both encourage this shift and provide responsive investment strategies that enable better outcomes for residents and communities.

While there has been growing interest and awareness of ESG goals in recent years, a common expectation is that we should be able to deliver on these goals while continuing to deliver competitive financial returns. There are ways that we can and already are doing so in many cases, including by investing in housing with green building features that:

- is affordable to a range of income levels;
- provides resident services; and/or
- is located in areas that have historically lacked access to capital.

In many cases, investment portfolios can deliver some combination of these outcomes without compromising on risk and returns, and may even have a positive impact on the financial performance of a property or portfolio.

We as an industry must also create alternative investment options that seek a different balance between returns, risk and resident and community outcomes. There are existing investment models that utilize public or philanthropic capital, which carry different expectations related to risk and return. However, these capital sources may be limited in supply, have limited roles for private capital, and come with their own requirements that make them unworkable for many applications. While this model will continue to play an important role, we must think beyond it to invent new models and partnerships that address housing equity. For example, some investors may be willing to accept a higher risk profile in order to direct capital to developers, operators or communities who have historically faced challenges in accessing capital. Others may be willing to commit to lower return expectations if it means the portfolio is delivering more substantial social outcomes. Creating these alternative investment models will enable us to invest in developers, communities or developments that we might otherwise have been unable to reach, respond to the growing demand among our investors for ESG-aligned options and ultimately ensure the continued success and growth of our industry.

By contrast, creating a new fund or investing an organization's own capital allows more space for reassessing tradeoffs between risk, returns and potentially creating more equitable outcomes.

The following practices include a few examples of how organizations have advanced housing equity through apartment investment and financing.

Incorporating an ESG Lens with Specific Emphasis on Social Outcomes

What is this action?

When discussing or reporting on housing investments, take the opportunity to go beyond financial risk and returns and emphasize the positive role that apartments can play in creating better individual and community outcomes. The inclusion of this lens will help the organization and the broader industry respond to the growing interest in ESG investment. It also provides an entry point for talking about housing and racial equity in spaces where it is too often lacking.

A deep understanding of ESG frameworks and the ability to have these conversations will be increasingly important for securing capital for our industry over time.[95] Interest in ESG housing investments is likely to continue to rise, in part from increased public awareness of climate change threats and social injustices that are rooted in systemic racial discrimination.

This includes an emphasis on measurement, as impact-oriented investors will require evidence that the organization and/or portfolio is delivering on ESG goals. Although there are many different approaches to ESG outcome measurement, environmental criteria include the potential property's contributions to climate change threats, such as its carbon footprint and projected energy usage. Social criteria include the property's impact on community outcomes, such as the amount of affordable and stable housing provided, proximity to essential services like jobs and transit, or accessibility of supportive services that can boost upward mobility. Finally, governance criteria may examine how the organization runs its business, which could include the diversity of the board members and shareholder returns policies.

Why might this be relevant to an organization's efforts to advance housing equity?

Keeping the dialogue about ESG related efforts in the space of financial calculus is comfortable. Making change will require us to move outside this comfort zone. We have an opportunity to change that in our interactions to improve overall awareness of housing equity as an issue and the role that we and others in the investment community play to advance it.

Increasing awareness of the needs and opportunities to improve equity and normalizing discussing equity in these forums is itself a way to make progress in our industry and the broader investor community. These efforts may even lead to building new kinds of relationships and starting new conversations that may not have seemed possible previously.

Working with ESG or impact-oriented capital will also create an incentive to stretch toward housing equity goals and create accountability for achieving these goals. This includes supporting developers and/or apartment housing portfolios that advance both equitable environmental and social outcomes for communities.

This investment strategy can support greater housing stability, especially in lower-income communities, as well as advance equitable environmental outcomes for communities at higher risk of extreme weather events and reduce residents' costs of energy consumption. According to the Joint Center for Housing Studies' recent America's Rental Housing 2022, 40 percent (17.6 million units) of the nation's occupied rental stock and 44 percent (33.9 million units) of the owner-occupied stock is located in areas that are expected to have at least moderate expected annual losses from disasters.[96] This is particularly important for lower-income BIPOC communities, who have suffered for years from systemic underinvestment in quality and stable housing and continue to disproportionately experience the threats of natural disasters.

Implementation spotlight: Avanath Capital Management + Amplify ESG Framework

Avanath has created a thoughtful approach to ESG in its +Amplify framework, which it created not only to report on ESG outcomes, but also to provide a framework for integrating an ESG lens into its day-to-day operations, decision-making and due diligence for new investments. Avanath's framework includes environmental outcomes related to reducing energy and water usage to limit climate impacts; social outcomes that include delivering services and support to residents such as those focused on improving health and wellness; and governance outcomes that recognize the need for significant staff development to effectively deliver on the organization's ESG goals and mission. The inaugural ESG report for the +Amplify program reported on their ability to identify and record a 30 percent reduction in energy consumption and a 13 percent reduction in water consumption and identified additional ESG-related objectives for Avanath to embark upon. Learn more about Avanath's +Amplify framework at https://www.avanath.com/esg/.

Addressing Developer Capacity or Balance Sheet Risk

What is this action?

To access the capital needed for apartment development, developers must meet requirements set by investors demonstrating their ability to successfully develop and operate a rental property, as well as to pay their debt obligations and provide a desirable return on their equity investment. Developers who cannot meet these requirements can be an impediment to smaller, BIPOC-led organizations who struggle with access to capital. These developers may bring familiarity with the communities that will help advance housing equity and result in successful developments.

Identifying alternative requirements or metrics for developers to demonstrate their capacity, connecting developers with more established partners who can help to mitigate this risk (for example by providing guarantees), providing or connecting developers to additional capacity building or other support resources to help them overcome these barriers, or designing funds that specifically seek to accommodate these risks are some approaches that can be used to support BIPOC developers.[97, 98, 99]

Increasing the number of BIPOC developers has the potential to impact perceptions about capacity and improve awareness of the other benefits these developers may bring.

Why might this be relevant to an organization's efforts to advance housing equity?

Small-scale BIPOC developers are often unable to meet capacity standards set by investors which can limit their visibility in the development community. This does not mean that investors and lenders are explicitly considering race in decision-making processes, but lack of capital is a limiting factor for BIPOC developer success.

Some apartment housing stakeholders have launched programs designed to build the capacity of small-scale BIPOC developers, provide them with seed capital or otherwise mitigate their capacity risks.

Keys to success

Finding new ways to help smaller BIPOC developers build their capacity includes building up their balance sheets, liquidity and net worth for long term success in the apartment housing space.

Implementation spotlight: Blue Vista

Blue Vista, a Chicago-based real estate investment firm, launched a flagship equity fund dedicated to providing emerging apartment housing developers, including BIPOC and female real estate entrepreneurs, with access to equity, capital and support. The fund is designed to be used as seed capital to finance pre-development activities and meet debt capital down payment requirements. Blue Vista has also created a mentorship and peer networking program component intended to build the participating developers' technical capacity to successfully navigate and close on larger-scale apartment housing development deals. Learn more about Blue Vista at: https://bluevistallc.com/.

Addressing Local Market and Location Risk

What is this action?

Investors considering providing capital to a new or existing property study the property's location and local real estate market to assess their impact and associated risks on the projected net operating income and returns on investment. In many cases, risks to housing investments captured during this process, while legitimate, are equally a result of historic underinvestment and structural disparities in public and private financing. Overcoming these historic barriers is an important element to bringing new development opportunity to these communities, including many lower-income and/or BIPOC communities.[i]

Organizations that are investing their own capital or are starting a new fund may be in a better position to think creatively about the tradeoffs between this kind of location risk and broader housing equity goals. It may be more difficult for those who have already committed to a particular risk/return investment profile to accommodate this kind of risk effectively.

Place-based impact investing deploys capital into specific areas or communities, especially those that have seen sustained periods of systemic disinvestment, to create positive economic and social outcomes. Such investments make capital available to apartment developers and operators who would otherwise face barriers to accessing capital due to location risk. Although the risks can be high, this strategy has the potential to both create positive resident and community outcomes and produce substantial returns for investors, since these investments can spur additional investing value appreciation over time.

In communities where related public sector revitalization efforts exist, there may be opportunities to align private investments with public sector and community goals to advance housing and racial equity. The public sector can also bring tools to address negative consequences of rapid increases in investment like displacement of residents with lower incomes through incentives or strategies for preserving long-term affordability in the area that enable residents to remain in the neighborhood and benefit from the investment.

Why might this be relevant to an organization's efforts to advance housing equity?

Bringing private capital to communities that have historically lacked access can be a challenging but impactful way to advance housing equity. Investments, when they are made in concert with local goals, have the potential to benefit not only the residents who will ultimately call the property home, but also nearby homeowners, businesses and others in the community who will gain from positive spillover effects of investment.

Keys to success

Addressing barriers to financing created by perceived location risk requires participation from local stakeholders, including local community-based housing developers, who may be in a good position to identify community housing needs, including lower-income and majority-BIPOC communities. Ensuring goals are aligned with those of the community is useful to help achieve local buy-in.

The potential for investment in these communities to result in displacement pressure for lower-income residents may also be a concern. When evaluating investments in these areas, consider whether there is any public sector or other targeted strategy to preserve affordability in the neighborhood. If there is, incentives or programs that help the organization contribute positively may exist. If there is not, consider whether there are independent actions within the organization's business model to do so.

[i] Note that this section refers specifically to addressing legitimate property or market risks and not to unsupported biases against particular communities. Care must always be taken to avoid allowing perceptions or assumptions related to neighborhood desirability, safety, demographics or other characteristics that are not supported by market data and best practices in risk assessment to influence investment decisions. Unsupported perceptions can have a disparate impact on investments in majority-BIPOC and lower-income neighborhoods, even when they are not intentional or conscious.

CASE STUDY

SoLa Impact's Black Impact Fund

SoLa Impact is a family of social impact real estate funds focused on high-quality, affordable housing, catalyzing economic development, and providing access to educational opportunities in under-resourced communities. SoLa staff contributed to this case study.

In 2020, SoLa Impact launched its $1 billion Black Impact Fund to create shared prosperity and racial equity, through a commitment to invest entirely in Black and brown communities in major urban markets across the U.S.[100] Building on its experience investing in Los Angeles' Black and brown communities, Black Impact Fund delivers near-term and long-term dividends for both the investors and communities served. The fund started financing investments across major cities in California with a plan to expand its investments across the West Coast and eventually other parts across the U.S.

The emphasis of the fund is on identifying undervalued assets in communities of color that have stable populations and high potential for both financial and meaningful social impact. Of the $1 billion designated for the Black Impact Fund, half is allocated through an Opportunity Zone (OZ) Fund, with the other half to be disbursed through a non-Opportunity Zone Fund. More than 80 percent of the OZ fund will be invested in apartment housing, including affordable and workforce housing, and the $500 million non-Opportunity Zone Fund will invest in similar apartment housing development projects in areas of need that are not within designated Opportunity Zones.

"The side-by-side non-OZ structure allows the Black Impact Fund to access undervalued real estate assets and broaden its reach and its impact." According to CEO Martin Muoto, "While Opportunity Zone legislation has the potential to significantly benefit these communities, the areas designated as OZs have been somewhat inconsistent. As a result, we are seeing incredible deals literally 'across the street' from our Opportunity Zone properties that our OZ Fund could not invest in."

SoLa Impact's efforts catalyze further economic and community development in underserved Black and brown neighborhoods.[101] By providing more stable and affordable housing options, these investments and activities will put local residents in positions to seek better educational, employment, and entrepreneurship opportunities. And by committing a portion of the proceeds from the fund back into the community, SoLa Impact intends to show that it can provide both financial and social benefits simultaneously.

Key features that supplement Black Impact Fund's investments include:

- More than 80 percent of the fund's OZ investments will be apartment housing.
- Structured to ensure that Black and brown communities benefit from the fund's investments, SoLa Impact will direct 13 percent of all asset appreciation and fees earned from the Black Impact Fund toward The Black Impact Community Fund, a non-profit social impact fund designed to leverage the Black Impact Fund's size, operating efficiency, and purchasing power to increase economic opportunities for Black and brown families.
- This includes creating accessible ownership opportunities, such as townhomes and condominiums that would be purchased by local residents at cost, to ensure that wealth is created and retained in the communities of color receiving those investments.
- The Black Impact Community Fund will utilize surplus and underutilized land, partnering with faith-based organizations, local governments, and other non-profit partners to identify these underutilized assets for affordable housing and community development projects.
- Finally, the fund will offer scholarships to local youth to pursue educational opportunities, further advancing their potential for long-term success.

> "Our local partners gain the benefit of our experience in investing in Black and brown communities; our rigorous operating procedures and financial reporting; our national, volume-based purchasing platform; and importantly, our programs to deliver real and sustainable social impact. **These levers materially drive down the costs of development and construction, which results in higher-quality, lower-cost housing for the community and better returns for the investors and developers.**"[102]
>
> \- Martin Muoto, CEO, SoLa Impact[103]

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State and Local Policy

State and Local Policy

Section Overview:

This section discusses state and local policy areas that have the potential to advance housing equity in many communities. This information is intended to equip industry stakeholders (housing providers and developers) with knowledge they can use to participate in related policy discussions and advocate for policies that advance equitable resident outcomes.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

State and local policies play an important role in shaping ways to advance equity and what resources may be available to support efforts by private players. Industry stakeholders have opportunities to use their voices to advocate for policies that work in concert with organizational efforts to promote better resident and community outcomes in disinvested communities.

This section of the Guide provides stakeholders with the tools and information about actions that state and local governments can take to enhance opportunities for housing equity. It describes four different areas of state and local policies with particular influence over housing outcomes:

- Equitable land-use and zoning regulations.
- Provision of rental assistance for use in privately-owned properties.
- Anti-displacement and community stability measures.
- Eviction mitigation and housing stability.

These are just some of the policy mechanisms available for improving equity that have direct relevance to the apartment industry. There are other policy areas on which housing providers can engage with state and local policymakers that also affect housing outcomes, such as improving health care access, increasing employment options, and addressing educational quality that are beyond the scope of this Guide but have positive impacts for providers and their residents through improved resident housing stability. Policy efforts to address housing affordability concerns generally have a large bearing on housing equity, but are not included here as they have already been covered significantly, including in NMHC's Housing Affordability Toolkit.[104]

Understanding and taking action on these policy topics is not only beneficial to the residents and communities served by the apartment industry; it can also help housing providers and developers with their operations through expanded development opportunities, cost savings measures, more resident stability and affordability, and reputational advantage as described in the *Making the Case* section of this Guide available in full at https://housingequityguide.nmhc.org/working-advance-housing-equity. Making the case for why such measures are beneficial to communities looking to advance racial equity may also help counter anti-development arguments at the local level.

Equitable Land Use and Zoning

What it is

Policies that determine what housing can be built where and under what conditions. Such policies are often put in place by local jurisdictions to meet certain community objectives, such as to preserve open space or limit housing density in a particular neighborhood. They can be used both to further racial equity or to inhibit it, depending on what housing can be built in which locations, at what cost, and with what requirements placed on it to encourage/discourage development of housing suitable to meet a range of different preferences and incomes. To be equitable, such policies at a minimum should not limit options for development of a range of housing types and land uses, while also ensuring that access to what is built is equitable to all members of the community.

What it includes

- Exclusionary zoning: prohibitions on certain housing types (e.g., single-family only zoning). Can also include restrictions such as minimum lot size, setbacks, parking minimums, and other requirements that prevent the development of more affordable and accessible housing options.
- Voluntary inclusionary zoning: requirements or incentives offered to developers to offset the high cost of building in order to build housing affordable to a range of incomes and household types.
- By-right permitting: allowing certain housing types to be permitted without special approvals or onerous regulatory hurdles.
- Land-use restrictions: delineation of certain building use types (e.g., residential-only zoning, conservation restrictions) or preferences (e.g., housing and commercial uses near transit).

> To be equitable, land use and zoning policies, at a minimum, should not limit options for development of a range of housing types and land uses, while also ensuring that access to what is built is equitable to all members of the community.

Connection to housing and racial equity

Land-use and zoning policies are a major factor in not just shaping what kinds of housing units are developed, but also the price points for those units and the types of residents they will attract. In general, where there are more restrictions on housing types and land uses, more burdensome approval processes, and/or more requirements attached to any housing developed, the per-unit costs of building will be higher. For example, in neighborhoods that are zoned exclusively for single-family housing or that require minimum set-asides for parking, developers must price those homes higher than those that can build to a higher density, to recoup their land and construction costs. Developments that require special permitting, rather than being allowed by right, can also incur additional costs and uncertainties in the approval process that necessitate charging a higher price for the resulting unit.

Higher prices for housing in turn limit access to certain neighborhoods for BIPOC-led households, who tend to have lower incomes and face barriers to qualifying for and affording such housing. Restrictions on housing that can be rented, a lack of transit options and low proximity to walkable amenities also disadvantage BIPOC-led households seeking to live in these places.

In contrast, equitable zoning and land-use policies can allow more flexibility for developers to build a range of housing types and maximize the value of the land. This results from reduced restrictions on what can be built and from simplifying the permitting process through by-right development policies. Combined with inclusionary zoning policies, this can allow for greater access among diverse income ranges and household types by requiring or incentivizing developers to include a wider range of unit types and price points within in their buildings. This provides more opportunities for lower-income and BIPOC households to rent or purchase housing and access amenities in these communities.

Examples

- Minneapolis (MN), Grand Rapids (MI) and Oregon have up-zoned city/state-wide, allowing for smaller increases in density in places previously zoned exclusively for single-family.[105, 106, 107]
- California's SB9 also allows for gentle density increases from one to two-unit dwellings on certain parcels.
- Other cities including Seattle and Los Angeles have done more targeted up-zoning, for example, by allowing accessory dwelling units (ADUs) or higher density development around transit stations.[108, 109]
- There are nearly 900 jurisdictions in the U.S. that have some form of inclusionary zoning.[110]

Housing Outcomes Supported

- Housing Affordability
- Neighborhood Context
- Housing that Builds Wealth

What Stakeholders Can Do

- Support candidates for local offices that seek to reduce expensive zoning and land-use restrictions and encourage a wider range of housing type and price points.
- Support state and local regulatory reforms that will reduce zoning restrictions and incentivize private housing development that is affordable at a wide range of income levels. Participate in stakeholder discussions and help design effective programs.
- Make the case to community members for why/how by-right apartment zoning can be beneficial, as a counter to arguments against liberalized zoning as changing 'neighborhood character'.
- Refer local policymakers to NMHC's Housing Affordability Toolkit.[111]

Provision of Rental Assistance for Use in Privately-owned Properties

What it is

Policies that determine how much rental assistance to allocate, and how much, to renters with low-incomes to rent in the private market, through programs such as portable housing vouchers, project-based affordability, emergency rent supplement programs, and rapid rehousing for people experiencing or at risk of homelessness. While most rental assistance is funded and administered at the federal level, local jurisdictions and public housing authorities (PHAs) have some discretion to set their own policies over who is eligible to receive assistance, how such supports can be used, which housing units' recipients can occupy and the processes for securing rental contracts. In some instances, they can also develop incentives to encourage private property owners to accept rental subsidies and increase the supply of housing available to recipients, especially in neighborhoods with more amenities and access to opportunity. Finally, state and local governments can develop their own programs to assist even more renters with low incomes with finding and affording privately-owned housing.

What it includes

- Limited PHA discretion to create policies governing access and use of rental assistance, including who is eligible to receive assistance, which units can be rented, and the amount of time subsidy recipients have to secure rental contracts.
- Programs that help recipients search for and identify available and eligible units to rent.
- State and locally funded rental assistance programs, including emergency housing programs that help renters facing short-term rent and housing challenges.
- Public programs to encourage private property owners to accept housing subsidies by offering incentives or reducing administrative barriers to participation.

Connection to housing and racial equity

Due to enduring disparities in income by race and ethnicity, BIPOC-led renter households are more likely to face challenges in affording suitable rental housing in high-amenity neighborhoods, relative to non-BIPOC households. As such, they are also more likely to need and receive rental assistance allocated through various state and local entities, including PHAs. Where restrictions and supply are tighter, it can be difficult for renters with low-incomes to access and reap the benefits of that assistance, while programs with more flexible policies and incentives for private property owner participation are more likely to produce equitable outcomes for BIPOC renters with low-incomes.

A few key areas of concern have particular implications for BIPOC renters seeking to use rental subsidies. One is the Federal regulations that PHAs implement on how they can assist with finding and securing rental housing. There are Federal restrictions on who is eligible to access available assistance methods for criminal screening, non-citizen status and other household screening factors. Meanwhile, there is insufficient federal funding of all Federal housing assistance programs, which means only one in four households with low incomes receive such assistance. State and local programs may offer some additional funding to serve more renters, but not enough to close the gap between rental assistance demand and supply.

Receipt of assistance is also no guarantee of successful use of subsidies. Limits on the amount of support available to help recipients search for available units can make it more challenging for them to identify private property owners that will accept subsidies. This is especially true in tight real estate markets.

Private property owners in many jurisdictions can make decisions regarding participation in subsidized housing programs that can promote housing equity. While some owner/managers avoid these programs because of excessive administrative burdens traditionally associated with programs like HUD's Section 8 Housing Choice Voucher Program, some find the benefits of reliable payments to be a worthwhile tradeoff. Additionally, improved coordination between PHAs and property owners can help lower regulatory costs and friction, increase education about the benefits of accepting subsidies, and develop incentive programs to encourage more property owners to participate.

Examples

- The Marin County (CA) Landlord Partnership Program offers expanded security deposits, damage protection, vacancy loss coverage, and case management and education services for property owners who accept housing vouchers.[112]
- The City of Orlando and Orange County (FL) collaborated on the Central Florida Supportive Housing Program to mitigate risks and expenses for property owners serving veterans who experience chronic homelessness.[113]
- The Philadelphia (PA) Housing Authority provides monetary bonuses to property owners who successfully rent a new unit to a housing voucher recipient.[114]
- Washington DC's Landlord Partnership Fund supports property owners who relax certain screening criteria to rent units to people experiencing homelessness, including coverage of costs associated with property damage and unpaid rent.[115]

Housing Outcomes Supported

- Housing Affordability
- Housing that Builds Wealth
- Housing Stability
- Housing Quality

What Stakeholders Can Do

- Work with PHAs to identify and reduce barriers, increasing access to timely inspections and/or develop incentives for greater subsidy acceptance by property owners.
- Support regulatory reforms that make it easier for households with lower incomes to access and use rental assistance, such as: expanded eligibility criteria for receipt of subsidies, allowing recipients sufficient time to secure housing, and providing search assistance with every voucher.
- Where PHA policies are conducive, commit to accepting rental assistance as payment at properties that the organization develops/manages/invests in – and share information with other apartment housing providers about the benefits of participation in subsidy programs.
- Talk to property owners who accept subsidies to learn more about the program and dispel common misperceptions.

Anti-displacement and Community Stability Measures

What it is

Anti-displacement policies can help existing residents of neighborhoods in transition afford to live in their communities as they change. Equitable policies can help residents remain in their neighborhoods during and after such changes by increasing the supply of housing that is affordable and available to long-term residents, investing in community anchors and supportive services, and facilitating private development that meets the needs of the community.

What it includes

- Public programs that support the production and preservation of affordable (subsidized and unsubsidized) housing options in neighborhoods with rising housing costs.
- Policies that remove barriers and/or offer incentives to development in communities in transition, both to stabilize those at risk of decline and to absorb increased demand.
- Support for greater community engagement to identify needs and opportunities for targeted public and private investment.

Connection to housing and racial equity

Both forms of neighborhood displacement – whether due to increased demand for housing in a neighborhood pricing out existing residents, or from a lack of investment leading to the downturn of the neighborhood – disproportionately impact BIPOC communities. Places with high shares of lower-income BIPOC residents but proximate to employment, cultural, or recreational amenities may attract new residents with higher socio-economic status. If the existing housing stock is not able to satisfy this increase in demand, prices will rise and place affordability pressures on lower-income existing residents. In the former, long-term disinvestment of BIPOC communities can lead to a lack of economic activity, increases in crime, reduced access to services and deterioration of the housing stock. Both situations widen disparities in housing quality and access among BIPOC households.

To counter these effects, equitable policies can help BIPOC residents remain in their community during neighborhood transitions if they choose. Where demand is increasing, public measures to add and preserve existing affordable housing and cultural amenities can allow residents to weather rising prices. Such measures can be tied to private developments through subsidized no-net-loss provisions, which require any affordable units removed from transitioning neighborhoods to make way for new construction to be replaced, preferably within the same neighborhood. When paired with policies that give preference to existing residents for newly built units, these efforts can mitigate displacement while still allowing for additional development to meet rising demand.

At the same time, changes to local zoning and land-use restrictions that reduce barriers to construction can allow development of new housing and amenities to keep pace with the increase in residents. Where investment is lacking, public incentives to encourage private investment can help bring opportunity to neighborhoods; these can include some of the same land-use policies described above – e.g., removal of exclusionary zoning provisions, reduced setbacks and parking minimums, density bonuses for affordable developments – though applied to specific neighborhoods with rising demand and displacement risks. Such efforts are most effective when the existing community has a voice in determining types of development that will best meet their needs.

Examples

- The Illinois legislature passed HB805/SB 330, which provides property tax relief to renovated or newly constructed rental properties through reduced assessed values to owners who agree to a minimum share of units to remain affordable for 10 years.[116]
- As part of its 2001 comprehensive plan, the city of Portland Oregon passed a Central City No Net Loss ordinance to ensure the preservation or replacement of all housing units in the central city district that are affordable to households earning under 60 percent of the area median income.[117]

Housing Outcomes Supported

- Housing Affordability
- Neighborhood Context
- Housing Stability
- Housing Quality

What Stakeholders Can Do

- Support land-use and construction policies that reduce barriers to construction and facilitate building housing that is affordable in high-demand neighborhoods.
- Advocate for more funding of and/or incentives for subsidized housing programs (e.g., LIHTC, project-based rental vouchers) in high-demand neighborhoods.
- Promote neighborhood efforts that work with communities at risk of decline to meet the needs of residents for increased investment and access to opportunity.
- Support property tax relief for the preservation of affordable properties in transitioning neighborhoods.

Eviction Mitigation and Housing Stability

What it is

Eviction mitigation programs and policies that promote pre-eviction mitigation measures and provide support for renters at risk of losing their homes. The eviction process is not desirable for either the housing provider or the residents. Rather than preventing evictions entirely, these efforts seek to address the root cause of eviction and resolve it before eviction proceedings become necessary. These actions can improve housing stability for renters, which in turn contributes to better outcomes for them and their children. They can also reduce the number of people at risk of or experiencing homelessness, reducing the burden on public and private services to assist these households. Finally, they can help property owners avoid costly eviction proceedings, increase rental receipts, and reduce vacancies and turnover rates.

What it includes

- Financial assistance and case management support for renters at risk of losing their home.
- Incentives for property owners to offer flexible payment plans to renters who fall behind on their rent payments.
- Public programs that offer and encourage property owners to use pre-eviction mediation and other alternative resolution options, such as assisting residents to identify other local emergency programs.

Connection to housing and racial equity

Evictions disproportionately impact residents in communities with high shares of BIPOC-led households, who are more likely to receive an eviction notice and be removed from their residence relative to those in communities with more white-led households. Renters can also suffer long-lasting consequences from having an eviction filing against them on their credit history, by making it more challenging for them to secure suitable housing for years following.

To reduce these disparities for BIPOC-led households, policymakers should look for ways to head off evictions before they happen. These can include emergency funding to help renters avoid gaps in rent payments, case management and provision of other supportive services to help renters get back on track, mediation and diversion programs that allow renters and property owners to resolve disputes before an eviction is necessary, and public education campaigns to inform renters and property owners of available supports and alternatives. Policymakers can also offer incentives for property owners to avoid evictions by participating in pre-eviction resolution programs, offering flexible payment plans to renters who fall behind on their rent, and incentives for housing providers to keep residents housed while they apply for emergency rental assistance and work to pay back rent arrears.

Examples:

- Massachusetts' Residential Assistance for Families in Transition (RAFT) Program – provides access to up to $10,000 in emergency funding to help families with lower-incomes pay for housing and/or utilities.
- Kalamazoo (MI) County Eviction Diversion Program – provides and encourages property owners to use mediation and negotiation services to resolve disputes with renters prior to an eviction filing.
- Denver's Temporary Rental and Utility Assistance (TRUA) program – provides financial assistance grants to households facing unexpected financial crises to help mitigate displacement and provide time for locating alternative housing for longer-term stability. The funds can also assist with utility payments for those residents who have received disconnect notices and are delinquent.

What Stakeholders can do:

- Advocate for greater emergency assistance options for residents to avoid rental arrears and the need for an eviction filing.
- Agree to participate in mediation or other eviction diversion programs with renters.
- Work with local policymakers to develop incentives for property owners who seek alternatives to evictions.

Housing Outcomes Supported:

- Housing Affordability
- Housing Stability

95 22 (ESG and Real Estate: The Top 10 Things Investors Need to Know, 2022)
96 (America's Rental Housing 2022, 2022)
97 (Towns, 2020)
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107 (Oregon Public Broadcasting, 2019)
108 (City of Seattle, n.d.)
109 (City of Los Angeles, n.d.)
110 (Thaden, 2017)
111 (National Multifamily Housing Council, 2019)
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113 (Homeless Services Network of Central Florida, n.d.)
114 (Philadelphia Housing Authority, n.d.)
115 (Government of the District of Columbia, n.d.)
116 (Illinois General Assembly, 2021)
117 (City of Portland Oregon, 2001)

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Opening Doors of Opportunity:
A Guide for Advancing Housing Equity in the Multifamily Industry

Federal Policy: Advancing Housing Affordability, Opportunity, Stability, and Racial Equity through Federal Policy

Federal Policy: Advancing Housing Affordability, Opportunity, Stability, and Racial Equity through Federal Policy

Section Overview:

This section discusses federal policy areas that relate to housing equity. This is intended to help NMHC members understand how NMHC's efforts at the federal policy level align with housing equity goals and the need to shape a better enabling environment for our industry to work toward more equitable outcomes.

Scan this QR code to access the full contents of this section of the Guide.

Introduction

There remains a large and influential role for the federal government to play in supporting the broader housing ecosystem and leveraging resources to drive better economic opportunity and outcomes in communities across the nation.

Federal housing policy has for too long exacerbated our nation's housing challenges—from disincentivizing housing production to fostering a patchwork of overly complex, costly, duplicative and often counter-productive regulations.

For decades, the apartment industry has advocated on a wide range of issues that impact housing affordability, supply, stability, quality and ultimately housing equity. This Guide identifies opportunities for federal policymakers to address our nation's housing challenges and, thereby, make meaningful progress in addressing the housing affordability, opportunity, stability and racial equity challenges that have plagued this country for decades. In addition to sustained and adequate funding for existing housing programs, the Guide recommends a number of reforms that will go a long way to removing barriers to housing production, operations and rehabilitation that today impede housing stability and economic mobility.

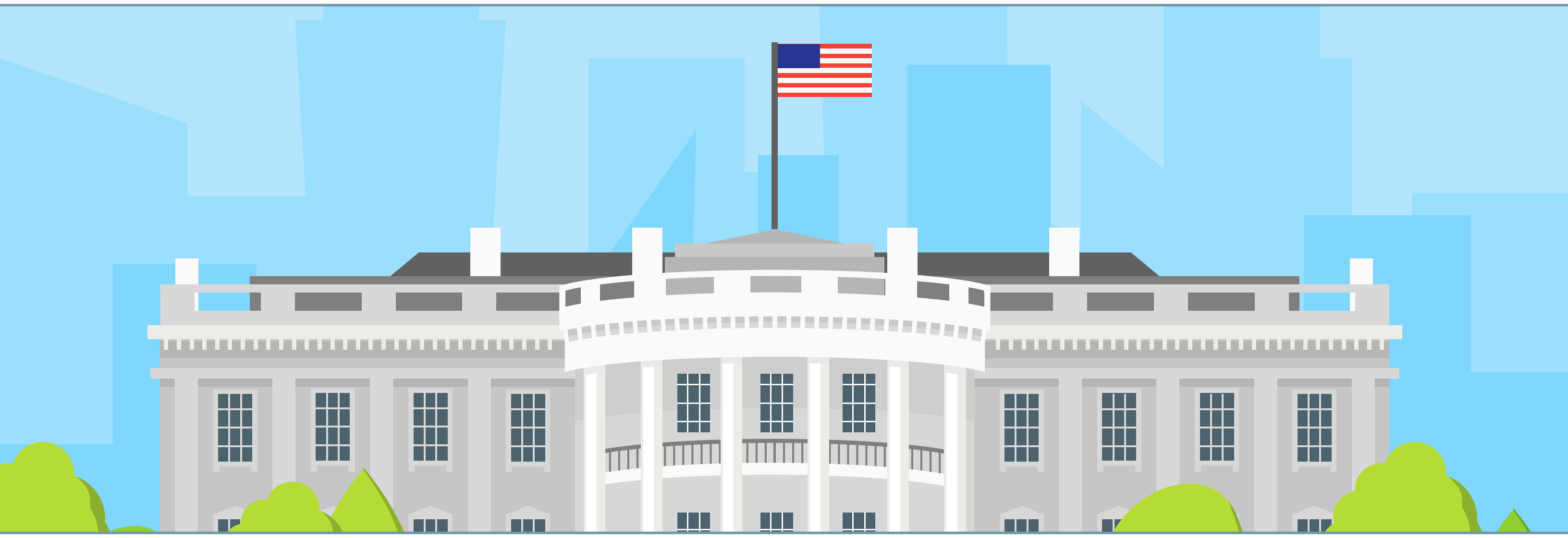
Policies that facilitate increasing housing supply, including affordable housing, can help drive much-needed private investment into multifamily housing and, in turn, into our communities. These investments also make good business sense to investors, developers, owners and operators of apartment housing who are working to meet surging demand for apartments. It will also support longtime industry initiatives to break down barriers to build in communities of all types.

The lessons learned from the COVID-19 pandemic provide an opportunity for housing stakeholders and policymakers to take a fresh look at our existing housing policies at the federal level to ensure that we are doing all we can to increase the supply and stability of our housing stock for all populations, but most importantly for low- and middle-income populations.

This section of the Guide identifies areas of federal policy with influence over housing affordability, opportunity, stability and racial equity. The following information is extensive but should not be considered conclusive. The federal policy landscape is fluid with new programmatic opportunities emerging regularly. Below are a number of key federal policy recommendations that work towards advancing housing equity. Stakeholders interested in leveraging federal public policy to advance housing equity or remain apprised of issues impacting the apartment industry should regularly check nmhc.org for relevant policy and political developments.

Addressing Our Nation's Housing Challenges Is Essential to Promoting Economic Opportunity

The connection between economic opportunity and housing is well documented. Having a roof over one's head and where it is located is the single most essential element impacting equity. Having access to decent housing impacts health, education, employment and a person's ability to build individual wealth. Addressing our nation's housing challenges, in general, and more specifically this nation's housing affordability crisis, is crucial to promoting economic opportunity in our country. This is also an area where the federal government has significant potential in improving equity with an understanding that housing is the path to better opportunity in neighborhoods, with access to better schools, services, jobs and transportation.



Today's housing supply is insufficient to meet our nation's housing needs; and while we need housing at all price points, the most pressing is the need for housing available to low- and middle-income households. For decades, America has witnessed the escalating challenge created by demographic shifts, public policy decisions and economic factors culminating in the inability of families to rent, buy or maintain stable, affordable and safe homes.

Those at the lowest end of the income spectrum are especially vulnerable to these problems—more than one quarter of renter households (27.9 percent) earns less than $24,000 annually[118]. For these households an affordable unit means one with a monthly rent of under $600. However, the number of low-cost units renting for less than $600 per month fell by 3.9 million between 2011 and 2019, reducing their share of the rental stock to just 22 percent[119]. Housing for this population is also the hardest segment to build for without subsidy, given the costs associated with development. For many families, the shortage of rental housing that is affordable creates significant hurdles that make it even more difficult to pay for basic necessities like food and transportation. Ultimately, this also negatively impacts their future financial success.

However, housing affordability challenges are not unique to lower-income households. The total share of cost-burdened apartment households (those paying more than 30 percent of their income on housing) increased steadily from 42.4 percent in 1985 to 57.6 percent in 2021, while 31.0 percent paid more than half of their income on housing in 2021.[120] Consider that the median asking rent for an apartment constructed in the first quarter of 2022 was $1,832. For a renter to afford one of those units at the 30 percent of income standard, they would need to earn at least $73,280 annually.[121]

It is critical to remember that addressing housing equity and economic opportunity goes well beyond just taking action to improve housing affordability and increasing the supply of rental housing. It is only when these efforts are undertaken in concert with other work to improve all aspects of a household's stability (housing stability, economic mobility, access to broadband, quality education, sufficient transportation and employment opportunities) that we can make significant progress. The following federal policy measures have the potential to positively impact this work.

Federal Programs that Improve Housing Affordability, Opportunity, Stability and Racial Equity

Sustaining funding for federal housing subsidies, affordability programs and reform of overly burdensome programs & regulations

Housing costs continue to grow, demand for rental housing continues to escalate, but incomes for many low-income families remain stagnant. Given these realities, demand for subsidized affordable housing has increased dramatically over the years and specifically during the COVID-19 pandemic. And while increases in the rental housing stock and addressing affordability are key long-term solutions, our nation needs critical investments in housing assistance to deliver immediate relief to American families.

However, for many years, federal funding for the primary programs serving low-income households has been virtually flat or declining. This has translated into waiting lists for support that can last years, pushes too many Americans into substandard housing that only exacerbates housing and racial inequities, and harms the economic potential of individuals and their overall communities.

Having a roof over one's head and where it is located is the single most essential element impacting equity.

For decades, the apartment industry has advocated for increased funding for critical programs that focus on housing affordability, such as the Section 8 Housing Choice Voucher Programs, Project Based Rental Assistance (PBRA), Rental Assistance Demonstration (RAD), Homelessness Programs, HOME and Community Development Block Grants (CDGB), the Housing Trust Fund, FHA Apartment Programs, Rural Housing Programs and others.

Programs like Section 8 and PBRA allow low-income families to rent market rate housing, taking advantage of the broad offering of privately owned and operated properties. Programs like HOME, CDBG, FHA Apartment and Rural Housing programs allow developers to address financing shortfalls often associated with affordable housing properties and stimulate meaningful development and preservation activity as a result. Homelessness Assistance Programs provide funding to serve individuals and families across the United States who are affected by homelessness; and Section 811 and 202 programs provide assistance for elderly and persons with disabilities.

In order to address housing affordability challenges for all Americans, significant and sustained increases in funding for these programs is essential. Congress, through recent economic stimulus and recovery packages, has done much to preserve and increase funding for many of these critically important subsidy programs. Sustained increases in funding for these critical programs will enable us to tackle homelessness, greatly reduce protracted Section 8 waiting lists and provide families and individuals with the kind of services and resources that can truly make a difference and hopefully effect meaningful changes in the stability and economic security of low- and middle-income families, especially BIPOC households.

Each of these programs must be freshly examined even as funds are disbursed to identify reforms that will ensure more efficient and effective ways to administer these programs and lead to better outcomes for the families and individuals they seek to serve.

Countless research pieces underscore the lasting impact of a community on a person's economic and health outcomes and the indisputable benefits of living in areas that have lower poverty rates and access to good schools, reliable and affordable transportation networks and employment opportunities. Research by Raj Chetty, et al., estimated that the household incomes of children of Housing Choice Voucher holders who moved to high-opportunity communities at birth will increase by $214,000.[122] However, too often, BIPOC families who wish to use a voucher to attain better housing in a neighborhood of their choice, whether in the community where they currently reside or in one they deem to be higher-opportunity, face difficulty and programmatic barriers. There are multiple areas of needed reform, investment or expansion in existing federal programs.

Section 8 Housing Choice Voucher Program

The Section 8 Housing Choice Voucher program has long served as America's primary method for aiding 2.1 million low-income households with rental assistance. This program helps millions of Americans find homes in communities near good schools, jobs and transportation services, but reforms are needed to expand private industry participation. Funded by HUD and administered by local public housing authorities (PHAs), the program provides subsidized rents for qualifying low-income families in private rental housing, including apartments.

The program's potential success is limited by too many inefficient and duplicative requirements, which discourage private housing providers from accepting vouchers. The program has also been plagued with a flawed and volatile funding system that has undermined private-sector confidence in the program. A U.S. Department of Housing and Urban Development (HUD)-funded study found that 68 percent of rental property owners in the study's dataset who do not accept Section 8 voucher holders had, in fact, accepted them previously.[123]

The program remains hamstrung despite previous Congressional and Administrative attempts at reform, and federal policymakers must again renew efforts to adopt common-sense reforms that could help control costs, improve the program for both residents and property owners, and increase private housing participation. These reforms must include:

- **Establishing** a reliable funding system for administrators and property owners.
- **Providing** financial incentives/participation bonuses to property owners in low-poverty areas.
- **Streamlining** the property inspection process, especially for those units in buildings financed/inspected under other federal housing programs, such as LIHTC.
- **Helping** renters with security deposit assistance.
- **Funding** local PHA investment in on-staff property owner liaisons. According to Poverty & Race Research Action Council (PRRAC), support for property owners like this can often lead to greater participation.[124]
- **Simplifying** rent and income calculations.
- **Extending** the contract term for project-based vouchers from 15 to 20 years.

Lawmakers must also reinforce the voluntary nature of the program. Congress explicitly made participation voluntary because of the regulatory burdens inherent in the program. However, state and local governments are enacting laws that make it illegal for a private owner to refuse to rent to a Section 8 voucher holder. Recent examples include "source of income discrimination" provisions passed by a number of cities. While often well intentioned, such mandates are self-defeating because they greatly diminish private-market investment and reduce the supply of affordable housing.

Rental Assistance Demonstration (RAD) Program

The apartment industry has long supported RAD, which was established in 2011 as an affordable housing preservation strategy for public housing authorities (PHAs). The RAD program has done much to preserve and renovate existing housing affordability stock, but it needs additional funding.

RAD allows PHAs to convert public housing properties at risk of obsolescence or underfunding into project-based vouchers or rental assistance contracts under the Section 8 program by allowing them to leverage private capital to address capital needs. This enables housing authorities to work with private sector developers and managers to preserve their affordable housing stock. The HUD Section 202 and 811 programs are also able to participate in this type of conversion.

RAD is designed to reverse the trend of lost affordable units by accessing private capital to make up for related funding shortfalls. Congress should increase funding for this innovative program to prevent further public housing units from falling into obsolescence and protect the long-term housing stability of those who rely on this housing. Investments in RAD will leverage public-private partnerships to better protect the housing stability of the renters, of all backgrounds and improve outcomes across the board.

FHA Apartment Programs

FHA Apartment programs are an important source of capital supporting apartment construction and redevelopment.
FHA Apartment is best known for offering a source of construction debt to developers in addition to those offered by bank and other private construction capital sources. It also serves borrowers with long-term investment goals as the only capital provider to offer 35-40-year loan terms. FHA lending is essential to borrowers in secondary markets, borrowers with smaller balance sheets, new development entities, affordable housing developers and non-profit firms, all of which are often overlooked or underserved by private capital providers. It is important that FHA continues to be a credible and reliable source of construction and mortgage debt. FHA not only insures mortgages, but it also builds capacity in the market, providing developers with an effective source of construction and long-term mortgage capital. Federal policymakers should increase funding FHA's Apartment Programs.

Community Reinvestment Act (CRA)

The Community Reinvestment Act was established in 1977 and provides guidelines for depositories activities in serving low- and moderate-income neighborhoods through providing loans, investment, deposits and other banking services. CRA has the potential to have a meaningful impact in improving housing equity and opportunity. But to achieve this goal, the regulatory framework needs modernization. Today's banking system does not look anything like it did in 1977 or intermittent years where CRA was changed. Banking regulators have proposed a framework to modernize the approach to CRA. This important step to maintain CRAs focus on serving lower- and middle-income communities must:

- Include greater incentives for banks to provide loans for apartment apartments that include middle-income housing.
- Update the methodology for determining assessment areas (AA) which today neither reflects the current nor the future state of banking.
- Update the guidelines regarding depository investment in the Low-Income Housing Tax Credit (LIHTC) program, in which banks invest heavily to meet CRA requirements.

Lastly, as policymakers look to reform the CRA, the three main banking regulators, the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation should work in concert to finalize a new framework that is harmonized among the regulators, a reality that does not exist today given the separate approaches each has undertaken to date.

Additional housing affordability, stability and other initiatives to expand housing access and improve equity:

Land-Use Policy: Contribute Underutilized Land and Buildings

The Federal government should prioritize affordable housing when disposing of public land.

Housing Stability Initiatives

Federal, state and local policymakers should work together to explore reforms of various housing policies that promote housing stability, including rental assistance programs and eviction mitigation. Evictions are an unfavorable outcome for all parties involved, but recent federal actions to regulate evictions and limit related data from being included in consumer screening reports reveal a misunderstanding of the true nature of the problem. They also ignore the myriad state and local policies that govern the eviction process.

Fair Housing Rules

The apartment industry is committed to equal housing opportunity for all without regard to race, religion, color, sex, national origin, handicap or familial status. However, more guidance and clarity are needed from HUD on specific fair housing program areas, such as the applicability of disparate impact liability, accessibility and resident screening. The uncertainty surrounding these policies calls into question valid business practices used to ensure safe and decent housing for residents.

Leveling the playing field for renters on access to credit: encourage adoption of alternative credit models

Apartment owners and operators have long called for policymakers and the consumer reporting industry, together, to better enable renters the ability to build a financial profile that allows them to attain the many associated benefits. Historically, credit reporting agencies have not captured a complete picture of the financial performance of renters.

Utilizing tax policy to support housing equity goals

Retain & expand pro-development tax policies that incentivize investment in rental housing at all price points. Congress should consider enacting the following tax proposals that would have a significant impact on addressing housing affordability:

Meeting housing demand and improving equity via housing finance reform

Federal policymakers must recognize that any discussion of housing finance reform is inherently a discussion of housing affordability. Getting housing finance reform right is a critical component to addressing housing affordability for all income levels. Any housing finance reform effort must recognize apartment housing's unique characteristics; Fannie Mae and Freddie Mac's (the GSEs) apartment businesses are important providers of debt capital for the apartment industry.

Supporting equitable and resilient communities by reauthorizing and reforming of the National Flood Insurance Program

BIPOC communities are often the most impacted by devastating flooding events. Within these communities, low-income residents of affordable housing or smaller rental properties can be disproportionately impacted as the current structure of federal flood resiliency and mitigation efforts is directed elsewhere. As the NAACP has noted, significant work must be done at the federal level to ensure more equitable disaster recovery and resiliency efforts are deployed across the country.[125] Below are areas where support of federal policymakers is needed in improving flood preparedness, insurance and mitigation efforts in flood prone areas, which have the potential to significantly improve housing affordability, opportunity, stability and racial equity.

Bridging the digital divide

Millions of Americans have had to face the reality of home schooling and teleworking daily as remote learning and working become more commonplace. The reality of this new hyper-connected environment has laid bare challenges many families still face in gaining access to the internet at home.

In urban or suburban low-income and workforce housing communities where broadband service often does exist, adoption can be hindered by affordability and the quality and reliability of that service. In all too many cases, low and middle-income renters are faced with the choice of using limited funds, even with subsidies, to pay for broadband service that is slow, unreliable, and unable to support modern demands such as e-learning, remote work or video streaming.

[118] (NMHC tabulations of 2021 American Community Survey microdata.
[119] Harvard Joint Center for Housing Studies, "America's Rental Housing" (2022), available at https://www.jchs.harvard.edu/sites/default/files/reports/files/harvard_JCHS_Americas_Rental_Housing_2022.pdf.
[120] (NMHC tabulations of 1985 American Housing Survey microdata, U.S. Census Bureau; 2021 American Housing Survey, U.S. Census Bureau.)
[121] (NMHC calculation based on U.S. Census Bureau)
[122] (Chetty, et al., 2019)
[123] (U.S. Department of Housing and Urban Development, 2018)
[124] (Poverty & Race Research Action Council, 2020)
[125] (NAACP)

Connecting the Dots…Leveraging Federal Policy and Resources to Address Local Barriers to Development

It will require close collaboration between policymakers and housing stakeholders at all levels—state, local and federal— to work together to make meaningful progress on addressing housing affordability, opportunity, stability and racial equity, creating greater opportunities for low- and moderate-income Americans and increasing our housing supply.

An area of increasing federal review is the impact of state and local regulation that can encumber or hinder the development of housing. Local regulations, even those that are well intended, are often antiquated, onerous and cumbersome. In addition, they often increase development costs across the board and, in some cases, prevent development altogether. And while these are barriers that exist at the state and local level, there is much that federal policymakers can do to incentivize the removal of costly policies that serve to deter and prevent building and preserving much needed housing and providing economic opportunities to low- and middle-income populations.

The need for action at the federal level is clear. In a speech before the Urban Institute in November 2015, Jason Furman, former chairman of The White House Council of Economic Advisers, said that the U.S. could build a lot more apartments but noted "apartment housing units are the form of housing supply that is most often the target of regulation."

A study by NMHC and the National Association of Home Builders (NAHB) based on responses from a variety of apartment developers throughout the country found that on average, regulation imposed by all levels of government accounts for an average of 40.6 percent of apartment development costs.[126]

There are some common barriers to housing development at the state and local level that are often responsible for increasing per unit costs or, in some cases, make affordable housing development and preservation impossible, worsening the housing inequities we face across the nation. They can range from opposition from local residents (otherwise known as NIMBYism) to discriminatory or antiquated zoning laws, to onerous and extended entitlement requirements, to high impact and linkage fees, and even outdated parking requirements. These are also the types of housing policies that federal resources and policy can aim to address, some of which are also addressed in the State and Local Policy section of this Guide available in full at https://housingequityguide.nmhc.org/state-and-local-policy.

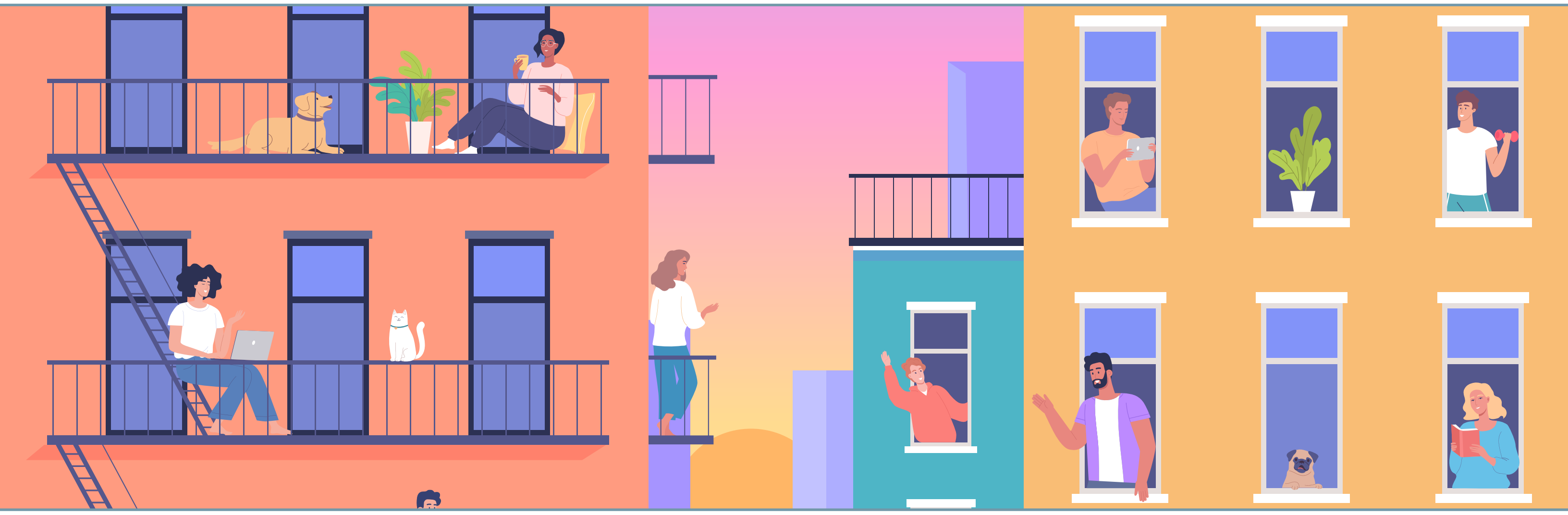
Again, while the barriers to housing production and preservation listed above are primarily within the purview of local governments, federal policymakers can play a role by creating incentives for local leaders to reduce barriers and adopt policies that encourage private sector investment in housing. For example, priority or greater access to federal housing, transportation and health funding can be provided to states and localities who remove barriers to housing production, streamline their entitlement processes and make building affordable housing a priority in their communities.

In recent years, the Obama, Trump and Biden Administrations have all worked to adopt this type of posture in both encouraging better state and local housing planning and support while dedicating federal resources to aid in those efforts. Congress, too, has seen significant bipartisan work done in advocating for the same, with the introduction of legislation such as the Housing is Infrastructure Act, the Yes in My Backyard Act, the Housing Supply and Affordability Act and the Build More Housing Near Transit Act. These proposals represent the kinds of strategies needed to remove barriers to construction of affordable housing and rental housing.

Without sustained action at the federal level, the combination of local housing affordability mandates, regulations, and NIMBYism can lead to a complex, duplicative and costly regulatory landscape that can drive up the costs of apartment housing development and exacerbate our nation's housing affordability, opportunity, stability and racial equity challenges.

Conclusion

These recommendations are intended to provide a roadmap for federal policymakers to improve economic inclusion, economic mobility and opportunity in communities across the country. Changing demographics and the growing demand for rental housing indicate that policymakers and industry stakeholders must affect the changes that are needed to meet the diverse needs of renters.



The goal of this work is not just to improve individual economic opportunity, but to improve and expand our economy. This will allow our communities to seize lost economic opportunity, develop safe, quality housing in communities that desperately need improved housing stock and provide our nation's renters with housing stability and the prospect of long-term economic mobility and prosperity.

Having a roof over one's head and where that roof is located are the most essential elements impacting equity.

Housing impacts health, education, employment and a person's ability to build individual wealth. Addressing our nation's housing challenges, in general, and more specifically this nation's housing affordability crisis is crucial to addressing economic inequities in our country. It is only when efforts are undertaken to address affordability while also working towards increasing housing supply at all price points, reducing housing instability, expanding housing assistance and removing antiquated and discriminatory zoning and land-use policies from use can housing be the path to greater opportunity that we need it to be.

As with the state and local policy section of this Guide, there are other federal policy areas that impact housing and racial equity. These range from improving transportation networks, ensuring our communities are safe and secure, providing improved access to high-quality health care, ensuring food security and improving access to a quality education.

Bringing together policymakers, housing advocates and industry professionals alike will best ensure we can increase housing supply and advance housing equity for all.

[126] (Emrath & Walter, 2022)

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