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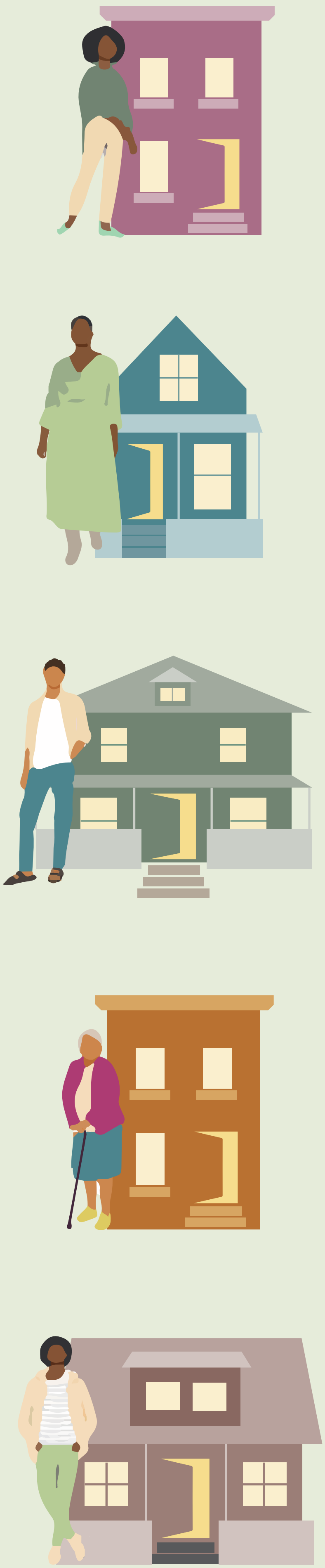

HOME FOR GOOD

Increasing Intergenerational Wealth and Increasing the Supply of Quality Affordable Housing.

CONCEPT PAPER
SPRING 2024

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About UPD:

UPD Consulting ("UPD") is an equity implementation firm. A Black-owned management consulting company based in Baltimore, MD, UPD provides a comprehensive array of services in the furtherance of the equity and economic mobility agendas with a focus on organizational transformation, change management, data use, and continuous improvement. We rely on our deep expertise in leadership, performance management, organizational design, and large-scale implementation to find and apply the right solutions for our clients.

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The idea for the Home for Good model first came from Ellen M. Lee, Senior Advisor to the Mayor of New Orleans. We are forever grateful for her leadership and partnership on this work. We would also like to thank Dasjon Jordan and Sonali Fernando of Broad Community Connections and the many other New Orleans housing justice leaders for their help in framing the possibilities and challenges of the Home for Good model. In addition, this white paper would not be possible without the leadership and guidance of Bob Pipik, Chief Executive Officer at Healthy Neighborhoods, Inc. in Baltimore, as well as the staff and board of his organization. Finally, we would like to thank the many housing experts nationally who took the time to speak with us about the model and share their knowledge generously in support of our efforts.

Disclaimer: While there are many ways to describe people of Latin American heritage, we chose Latine for this paper. The Chicago History Museum research finds Latino/a to be the most widely accepted term among this community, but by changing the ending to "e" the term can be gender neutral and appropriate to Spanish pronunciation.

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The Problem

In the revitalization efforts of many cities, Black and Latine property owners who have inherited the property by will or intestate do not reap the full financial benefit of these efforts. Oftentimes these owners do not live near the property, have established their lives elsewhere, and do not have the finances or time to keep up an additional property. The heirs are motivated or even enticed to sell their family properties to investors on the front end of a positive neighborhood revitalization effort, hoping to get something out of the property quickly. Or the property may have a "tangled title" resulting from the property passing to heirs without a legal will. The property then can sit vacant, a dead asset that cannot be appropriately utilized until the family gets a clear title on the property.

Because of these factors, the real financial beneficiaries of an increase in neighborhood investment are white investors and young white buyers of the homes these investors renovate. Over time, the cultural diversity of these neighborhoods–that which attracted many buyers–disappears as a result of Black and Latine displacement.

Pew Research notes that white households hold 9.2 times the wealth of Black households and 5.1 times the wealth of Latino/a/x households. The Case-Shiller Home Price Index (HPI) has more than doubled nationally since 2012, while household median incomes have risen only 17.4 percent during that time, making the case for helping people keep properties that are increasing in value.[1] The disparity between the HPI and incomes has had an outsized negative impact on Black and Latine residents whose incomes are much lower than those of white residents.

White households hold 9.2 times the wealth of Black households and 5.1 times the wealth of Latine households.

Many public and philanthropic initiatives champion wealth building through homeownership, but few focus on the wealth building prospects of Black and Latine Americans through landlordship. Ownership of investment properties is one of the steadiest asset classes to build wealth in the long term. Yet Black Americans make up only 8.6 percent of the U.S. landlord population and Latine Americans make up only 16.6 percent (compared to 64.5 percent white Americans).

Additionally, the lack of affordable housing in the amenity-rich neighborhoods created through city revitalization efforts, especially neighborhoods proximate to job centers and transit corridors, poses financial burdens for many low-income households, including higher transportation and opportunity costs of longer commutes to jobs, schools, and amenities. What if a city could help its low-income households find affordable rentals while also increasing the wealth of Black and Latine heirs and inherited property owners?

External Investor-Driven Neighborhood Investment

$ External investors target neighborhoods to buy homes from Black and Latine homeowners

$$ Renovate and sell to people outside the neighborhood, more investment increases value of homes

$$$ Homeowners who bought at the beginning of neighborhood investment sell for a profit

$ ***Black and Latine owners make some money, but sell before the neighborhood housing market begins to be competitive.***

1 The Case-Shiller Index is an economic indicator that measures the change in value of U.S. single-family homes on a monthly basis.

Rental Owner Demographics[2]

	Owners of 1-Unit Rental Properties (2018)	Owners of 2-4-Unit Rental Properties (2018)	Owners of All Rental Properties (2018)	United States Population (2018)
Black	7.9%	13.2%	8.6%	12.5%
Latine	9.6%	14.9%	16.6%	18.3%
White	76%	61.7%	64.5%	60.4%
Other	6.5%	10.2%	10.3%	8.8%

Additionally, the lack of affordable housing in amenity rich neighborhoods proximate to job centers and transit corridors poses additional financial burdens for many low-income households, including higher transportation and opportunity costs of longer commutes to jobs, schools, and amenities.

The Proposed Intervention

The proposed "Home for Good" (HFG) pilot program addresses numerous aspects of the family economic security equation, including ownership and asset retention, anti-displacement, landlordship and affordable rental housing, and Black and Latine business growth and development with its associated job creation.

Home for Good addresses multiple challenges to Black and Latine wealth accumulation by using the creation and management of affordable rental housing as a means to an end. This "means" is not merely transactional but addresses the affordable housing need in gentrifying Black and Latine neighborhoods while maintaining its cultural and racial integrity/authenticity.

The second critical component of this pilot initiative involves alleviating the administrative burdens faced by landlords. This is achieved by actively seeking and engaging Black and Latine entrepreneurs to establish or expand their property management businesses as contractors for this purpose, consequently enhancing employment opportunities for Black and Latine residents.

External Investor-Driven Neighborhood Investment *vs* Home for Good Intervention

$ External investors target neighborhoods to buy homes from Black and Latine homeowners

$$ Renovate and sell to people outside the neighborhood, more investment increases value of homes

$$$ Homeowners who bought at the beginning of neighborhood investment sell for a profit

$ *Home for Good Program helps property owners rent their homes*

$$ *More investment increases value of homes*

$$$ *Black and Latine property owners accumulate more wealth*

2 Small Multifamily Units. Urban Institute Housing Finance Policy Center, May 2020

Home for Good

Recruit

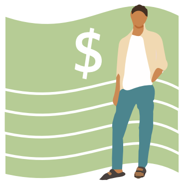
The program identifies neighborhoods and recruits owners of eligible properties to participate in the Home for Good program.

Rehab + Renovate

The program renovates homes for the owners using the Home for Good grant.

Rent + Retain

Owners retain ownership of the rehabilitated property while using a program-sponsored property management firm to rent the property at an affordable rate during the program term.



Recoup

Owners realize the appreciation of their home value, as well as rental income, and decide whether to keep or sell the property at the end of the program term.

Working with community partners, the non-profit administrator of the program ("HFG Administrator"), in collaboration with a steering committee, will identify properties in the predominantly Black and Latine-owned neighborhoods that are likely targets for investor purchases, particularly recently inherited properties. The program will then evaluate the repair requirements and rental income potential of each identified property. Owners of properties fitting program requirements will be offered a slot in a city-funded program that preserves the home as an affordable rental unit for a defined period of time. The Home for Good program will execute several intervention steps:

1. Invest city-provided funds into property rehabilitation to make it an attractive rental property, with the rehab work contracted through Black and Latine-owned or -led home improvement entities.
2. Contract directly with local Black or Latine-owned or -led property management company(ies) to lease, manage, and maintain the rental properties in the program.
3. Through the management company, collect monthly rents and administer all necessary monthly payments from rent proceeds on behalf of the owner, including water fees, taxes, insurance, and any loan payments structured through the Home for Good program (if applicable).
4. After retaining a percentage of the rent for the management company's services and maintenance expenses, transfer any remaining rental income to the owner.

Participants in the program will be obligated to keep their properties available for affordable rental for a designated period (for example, 10 years). The affordable rental calculation will be determined by a local steering committee within each city and must take into account some level of profitability for the property owner in order for the program to attract participants. Dropping from the program, or selling the property during the obligated period, will trigger repayment of the initial grant with interest and penalties.

In addition to the publicly-provided home improvement grant, Home for Good will also establish and administer a low-interest loan fund for participating property owners. This fund can be used by owners to conduct upgrades to the homes beyond the initial health and safety, energy efficiency, and improvement upgrades covered by the city's grant. Owners may choose to add upgrades in this way because extra project work can be cost-effectively combined with the city-funded upgrades, the property management entity will manage the work, and the interest rates on the home improvement loans will be favorable to the borrowers. From the program's perspective, more improvement activity (e.g., life-safety and quality rental standards, additional upgrades at the property owner's discretion) in the targeted neighborhoods will help increase the value of the participating properties, as well as the values in the entire neighborhood. Many studies show that home improvement activity in neighborhoods feeds on itself.

Modeled on Baltimore's Healthy Neighborhoods, Inc. model, the loan fund will be set up as a revolving loan pool with capital provided from participating residential mortgage lenders. Home for Good will manage the marketing, application, underwriting, and customer service associated with the loans. Participating banks will serve as the loan review committee for the fund. Loan payments will come out of rental proceeds and be disbursed back to the loan fund directly by the property management entity prior to sending monthly payments to owners. Following the term of the Home for Good program, participating property owners could potentially access the loan fund to address wear and tear on the property due to rental activity. And participating banks will be eligible for CRA credits in proportion to their participation in the loan pool.

Program Benefits

The Home for Good model is designed to temporarily intervene in the gentrification process in targeted neighborhoods, and the program has several other significant short- and long-term benefits, as described below.

Benefits of Home for Good

Property Owners:	Business and Job Expansion:	Participating Lenders:	Localities:
No-cost property rehabilitation Access to low-interest loan pool for additional home improvements Worry-free property management and maintenance Monthly rental income Wealth creation as property values increase	Establishment of or contracting with property management entities with a guarantee of scores of units of housing under management Scores of separate home improvement projects for local contractors	Arm's length mortgages that provide full CRA credits in association with the low-interest loan pool Risk mitigation for repayment with the management entity pulling monthly loan payments out of rental income Potential banking relationships with new market of customers	Preservation or creation of affordable rentals in gentrifying neighborhoods Large-scale neighborhood improvement in culturally-rich areas with limited racial and ethnic displacement Controlled and leveraged use of local funds for capital improvements

Program Structure

The objective of the Home for Good model is fairly straightforward, but before detailing the implementation process, it is worth highlighting the **four foundational tenets** of our approach.

1. **Leverage the real estate market.**
While the effects of gentrification are often selectively destructive to marginalized communities, the solution to neighborhood revitalization has to include increasing the value of neighborhood properties. Rather than trying to thwart or slow down improvement that will push housing prices up, Home for Good capitalizes on those upward market forces but channels them in a way to ensure that neighborhoods remain culturally diverse, displacement is minimized and that existing property owners continue to benefit from the neighborhood's increased values for years to come.

2. **Provide the start-up competencies to ensure early success.**
Even when there is a solid plan and adequate resources are in place, governments often struggle with establishing new initiatives. Not only are start-up skills different from ongoing program administration skills, but government agencies are not usually designed to be able to rapidly respond and adapt to unforeseen issues that undoubtedly arise when implementing anything new. Home for Good recognizes that the implementation and change management that this new initiative will demand during its start-up phase is a specialty skill set, and it requires a level of attention unlikely to be available from within local government agencies in the concentration necessary for success. As such, Home for Good should utilize a coordinator and start-up facilitator for the first year and a half of the program.

3. **Leverage significant resources localities currently have at their disposal.**
Many localities have struggled for years to comprehensively contend with the challenges of neighborhood revitalization. There has been no shortage of good ideas, but resources to meaningfully fund those good ideas have been in short supply. One such source of potential funds is the American Rescue Plan Act of 2021 ("ARPA"), the COVID-19 economic stimulus package that granted $70 billion in emergency funds to municipal and county governments. Governments have only two and a half years left to spend their allocated funds, and many places are struggling to put those funds to use, in many cases because of the very same start-up issues described above. Although ARPA only requires localities to obligate their allocations by the end of 2024, there is pressure in Washington by some to claw back unspent ARPA funds in the next fiscal budget, so many officials are pushing to get their ARPA funds obligated much sooner. Home for Good's rehab fund grant pool is an allowable use of ARPA funds, and it is an easy, uncomplicated way for localities to provide this critical component of the model.

4. **Establish and sustain program administration capacity outside of government.**
While some localities that implement the Home for Good model may choose to bring day-to-day administration inside a particular government agency, the model is designed to make it easy and flexible to have a quasi-governmental entity or a non-profit organization to take on the administrative responsibilities of the program once the start-up phase is completed. Housing the program in an organization with a narrower purpose has some inherent benefits, and being an arms-length removed from the risks associated with administrative turnover or annual budget cycles also helps insulate the program from unnecessary disruption.

Participation Requirements for Potential Localities

There are countless neighborhoods around the country that are experiencing the gentrification phenomenon the Home for Good model seeks to disrupt. But because there are several key conditions and commitments that must be in place for the model to be successful, the following minimum requirements are being proposed:

- **Historic geographic significance.** The neighborhood must have a history of Black and Latine homeownership and still maintain a majority Black and Latine homeownership status.
- **Likely target of outside investors.** Housing prices in and adjacent to the neighborhood must be increasing at a rate that outpaces increases in neighborhood median income growth.
- **Critical mass.** There must be enough properties likely to be eligible for the model within the designated neighborhoods to make the program viable. A locality can designate multiple neighborhoods to reach this threshold.
- **Local grant fund commitment.** The locality must agree to provide the minimum capital grant amount to fund a target number of participating units to be negotiated by the program steering committee and the funder(s). This amount will be determined for each potential site based on housing conditions (renovation needs) and local building costs. As such, the minimum amount will vary from location to location (If a $45,000 per unit grant is determined to be necessary for the model to be successful, and the locality wishes to fund 100 properties, then the locality must agree to a $4.5 million grant fund. Under this scenario, localities may not need to fund all 100 properties at once, but could spread out over several budget cycles.)
- **Local sustainability commitment.** If selected, the program will cover the cost of a local program administrator ("HFG Administrator") for the first year of the program. The HFG Administrator will be responsible for connecting potential participants to the program, identifying and managing vendors, managing the day-to-day operations of the program, and overseeing the property management contract(s) and quality of service.

Neighborhood Site Selection Criteria and Related Data

Selection of Home for Good areas (e.g., neighborhoods or census tracts) for Home for Good will depend on the participating city. However, there are some criteria that will be standard across all cities. These criteria support proactive identification of neighborhood change. Key selection criteria include:

Metric	Rationale and Potential Data Source(s)
Population of Black and Brown[3] homeowners who are over 65 and living alone	Given the intention of supporting generational ownership maintenance and generational wealth building, areas with a high volume of such homeowners will show areas that have a high volume of currently eligible and potentially eligible properties. Potential Data Source: U.S. Census

3 While the Home for Good program will not be limited to Black and Latine homeowners, it is intended to support maintaining ownership among populations that have historically been disenfranchised by the housing system.

Metric	Rationale and Potential Data Source(s)
Increase in assessed values of properties	Change in assessed values is an indicator of areas that might be subject to gentrification and pricing out existing owners who do not have the means to afford higher taxes. Home for Good will support these owners by ensuring that the grant-funded repairs return the property to the housing market in a way that also supports maintaining their ownership. Potential Data Source: State or Municipal Department of Assessment and Taxation
Decrease in minority population	To prevent forced outmigration, understanding change in minority population will show where Black and Brown owners are losing their homes or voluntarily leaving potentially due to rising costs. Potential Data Source: Census ACS data and Home Mortgage Disclosure Act (HMDA) data
Low availability of affordable rental units	The program is intended to increase or at least maintain the supply of affordable rental units. Looking for areas with low availability increases supply potentially in a variety of neighborhoods. Potential Data Source: National Low Income Housing Coalition
Upward change or no change in housing market typologies	Focusing on areas that demonstrate a mix of vacant and occupied housing and potential for city investment (e.g., Baltimore's C and D typologies) shows where there might be a critical mass of eligible properties. Areas with low-income/susceptible to displacement, ongoing displacement, at risk of gentrification, and early/ongoing gentrification will allow the program to serve as a proactive and preventative measure and ensure a significant mass of eligible properties. Potential Data Source: Locality's housing agency or planning agency; Urban Displacement Project's early warning systems (e.g., displacement typologies and maps)
Foreclosure rates	The program has the potential to support property owners at-risk of losing their homes due to lack of ability to cover the mortgage because the property's required repairs currently render the property unfit for occupancy. Potential Data Source: National Mortgage Database

Metric	Rationale and Potential Data Source(s)
Changes in active permits (for renovation, rehabilitation, and demolition)	Tracking the change in permits is a way to understand where there is current and potential volume of available housing, as well as areas where there is currently investment in housing. Potential Data Source: Locality's Department of Housing and Community Development and Department of Safety and Permits
Estimated number of tangled titles/ heirs properties	Properties with tangled titles become difficult for tenants-in-common to effectively manage and best utilize the property. Identifying areas with a significant number of such properties increases opportunities to put these properties back to effective use and can increase clarity for the owners. Potential Data Source(s): Local/state equivalent of the Office of Property Assessment (OPA) records, Real estate transfers (Department of Records), Digitized recorded deeds (via PhilaDox via Philadelphia Department of Records), Deceased suppressions service (via Social Security Adminstrations' Death Master File) per Pew Trusts' estimation of tangled titles in Philadelphia

In addition to quantitative indicators, a successful Home for Good program will include neighborhoods that demonstrate commitment to supporting current residents, their families, and future residents. This will be evidenced by:

Commitment to Residents	Example Evidence of Commitments
Buy-in from local community organizations	Community associations or anchor institutions that are familiar with the residents, their needs, and a desire to prevent displacement.
Demonstration of community investment	Advocacy about issues that will positively impact residents (e.g., engagement with local officials, formal and informal communication channels within the community).
Access to essential goods and services that support individual and family wellbeing.	These desired characteristics may vary by city and are not requirements given factors (e.g., food deserts, transit policies and funding, etc.) that are out of Home for Good's control. However, Home for Good neighborhoods will ideally allow tenants to be within close proximity to amenities such as: • Public transportation • Quality and affordable childcare • Access to employment opportunities with livable wages • Healthy food retailers • Quality education opportunities

Characteristics and Recruitment of Potential Property Owner Participants

The primary audiences for property owners in the Home for Good program are individuals or families who inherited property and are either: interested in retaining the home but do not intend to occupy it, or are considering selling the home to an investor due to the property's need for repairs.

For this program, inheritors include both those who received the property through a will or trust and those who received it as heirs property intestate. Ideally, these property owners will be:

Characteristic	Rationale
Individual heirs or groups of heirs (i.e., children or dependents of the initial property owner) who designate a single point of contact for the program	A single point of contact will support more streamlined decision-making and communication between the owner, HFG Administrator, and property management firm.
Owners of free and clear property that is currently unoccupied or vacant to increase the supply of affordable housing	Properties without mortgages, tax liens, outstanding water bills, etc. will help to keep the rents affordable as there are fewer costs incurred by the owner and decrease the amount of time required to get the property onto the rental market.
Able to commit to the multi-year term of the program	Completing the full term of the program increases the amount of time that a quality affordable unit is available to the participating city's residents while supporting longer term income for the property owner and management firm. Home for Good property owners who fail to adhere to the model's requirements for the duration of the program will be required to repay a portion of the grant.
Not dependent on the rental income of the property as a sole source of income	The program's main focus is to maintain property ownership. While passive income is a secondary goal, large profits are not guaranteed due to various factors and should not be relied upon as a major source of income.

Characteristic	Rationale
Own no more than one property before entering the Home for Good program (e.g., primary residence only; rental property only; or not a homeowner)	Presumably owners who already have two or more properties are currently advantaged in their journeys of wealth-building through property ownership. Home for Good is intended to provide support to those who are not yet experiencing such advantages.
Understand both the benefits and risks of property ownership	As with any investment, there are advantages and potential risks. There will be ongoing maintenance and unforeseen challenges that arise where the property owner needs to be financially equipped to handle such instances. Potentially a small portion of the initial grant could be set aside for an ongoing maintenance fund for each individual property and replenished with the property's rental income when needed.

Potential Recruitment Opportunities

As the program grows in the participating city, so will the set of opportunities to recruit property owners to participate. Possible entry points include the ideas listed below. The project Steering Committee will ultimately help decide the appropriate recruitment methods specific to the city's context:

Neighborhood Organizations and Religious Institutions: Local organizations serve as the backbone of this work and often have their finger on the pulse of exactly who their neighbors/congregants are, which houses in the neighborhood are vacant, why they are vacant, and similar, helpful information. These entities include neighborhood organizations/associations, religious institutions (i.e., churches), community development organizations, and other community-oriented institutions. A pilot would include funding to compensate key organizations for their efforts.

Probate Lawyers (particularly those focused on heirs property): Lawyers directly involved in the day-to-day work of heirs property legal matters will know which families might be appropriate and interested candidates for this program. Because Home for Good provides benefits to clients unsure of how best to retain and utilize their property, the program can act as an incentive to move quickly through the probate process.

City Agencies and Social Service Providers Catering to Seniors: Agencies and organizations that provide social services to seniors may also have access to data on elderly participants and their families that may wish to connect with the program to make future estate plans which could involve utilizing this program. Additionally an aging-in-place component to the model could be considered. Under this portion of the model, elderly participants could enjoy improvements to their property up front with a commitment for the inheritors to participate in the affordable rental component upon the owner's death.

City/Neighborhood Level Advertising/Public Relations: Given the scope of the implementation, it may be wise to utilize professional public relations and advertising services to develop a formal campaign that could include press coverage, social media, and other forms of advertisement.

Individual Property Mailers: If the city is able to directly identify individual, potential heirs/ inherited properties, it may be worth the investment to send information about the program to that house via mail. This method would work best on properties that are newly vacated and in which someone is likely still collecting mail/handling affairs for the house (as opposed to a long-term vacant property).

Local Black/Latine Organizations: While organizations like the local chapter of the NAACP, Urban League, and LULAC may not specifically work on heirs property matters, these types of organizations are likely to have an interest in innovative approaches to Black/Latine wealth building and housing. They can be a helpful promoter of a word-of-mouth campaign.

Property Management Firm

The Home for Good program will also be a wealth-building tool for property management companies. The model will target local Black or Latine-owned firms that will be responsible for the operations and overall management of the properties. The firms will benefit from an increase in business that will allow them to hire more staff, upgrade resources, and develop more experience, in turn, supporting local workforce development efforts. As a result of the approach, property owners do not have to bear the administrative burden of landlordship. As a participant in the program, local firms will have the opportunity to reduce costs by adding multiple units to its portfolio while optimizing staffing and operations, which will increase revenue.

The Home for Good program will also be a wealth-building tool for property management companies.

Another benefit of the program is the pipeline development of quality property management firms. Property managers are faced with many challenges, including time management, administrative work, and maintenance. New and small property management firms deal with these hardships in addition to staffing, capacity, and learning challenges. This, in turn, can impact the tenant experience and the quality of the property. Home for Good aims to lessen these challenges and encourages the development of more quality property management companies. This will be accomplished through use of mentorship where a smaller firm is connected to a larger, more experienced and more resourced firm. The smaller firm gets the experience needed to build its internal knowledge and capacity along with financial benefit.

Through use of technology, partnerships, and experience, Home for Good will equip firms with the tools needed to increase the quality of their services.

Ideal characteristics of property management companies include:

- Majority Black or Latine-owned.
- Locally-owned and -operated.
- Experience with accepting housing choice voucher holders.
- Equity-centered in its approach to tenant selection.
- Appropriately licensed.
- Knowledge of and ability to facilitate startup processes (e.g., local rental registration and licensing, clearing of outstanding liens, etc.) on behalf of owners.

- Ability to electronically collect rent from tenants and manage timely payment of utilities, taxes, and fees on behalf of the property owner.
- Familiarity with property management technology to efficiently administer tenant screening, maintenance requests/work orders, and communications by automating and streamlining them.
- Experience with local notice, enforcement and eviction policies
- Familiarity with local and federal rent-relief programs and funds

An additional requirement will be that the property management firm and its vendors pay all employees and subcontractors a living wage (single person, no children) or higher based on the Massachusetts Institute of Technology Living Wage Calculator for their city.

Example Living Wages for Sample Cities

Metropolitan Statistical Area	Single, no Children
Atlanta - Sandy Springs - Alpharetta, GA	$25.83
Baltimore - Columbia - Towson, MD	$24.01
Houston - The Woodlands - Sugar Land, TX	$20.83
New Orleans - Metairie, LA	$20.27
Philadelphia - Camden - Wilmington, PA	$24.12

The program will take into account the feasibility needs of property management firms. Property managers are expected to provide quality service for affordable housing in neighborhoods where profit margins will vary. To address this reality, the model will account for the firm's financial needs based on locale. These needs might include, and are not limited to, minimum monthly contracts required by the firm to achieve profitability and preferences for management of cluster versus scattered site properties.

Potential Grant Structure and Grantee Requirements

To ensure that all homes included in Home for Good provide tenants with a quality residence, Home for Good funds will be applied to projects that ensure that the home meets the Housing Quality Standards set by HUD and Rehabilitation Standards defined by the National Housing Trust and the state's Department of Housing and Community Development (DHCD) or equivalent entity, at a minimum. Grant funds will first cover the following standards to ensure the property meets federal and local standards. If the property already meets these standards, funds may be used for additional property renovations upon inspection and approval.

Categories covered in these lists of standards include:

- Living room (e.g., hazard-free flooring, lead free paint)
- Kitchen (e.g., working outlet, permanent sink)
- Bathroom (e.g., functional toilet, hot and cold water)
- Other rooms used for living and halls (e.g., lead-free, window present and secure)
- Secondary rooms not used for living (e.g., secure windows, electrical hazard-free)
- Building exterior (e.g., porch, railing)
- Heating and plumbing (e.g., heating system, water supply connection)
- General health safety (e.g., free from infestation, smoke detectors)
- Structural integrity (e.g., building envelope, foundation, roof, windows, doors)
- Electrical (e.g., proper wiring, covered plates on outlets)
- Lead paint (e.g., meets federal and local requirements)
- Any additional local requirements

If the property owner has Home for Good grant funds remaining after addressing all needed health and safety upgrades, the owner may use the funds for energy efficiency upgrades. Remaining funds following energy efficiency upgrades may be used for additional renovations upon inspection.

Estimated Home Renovation Grant Amount

The Home for Good home renovation grant is meant to cover essential health and safety updates to the homes participating in the program. It is not intended to cover a complete renovation of the home, nor extensive and expensive health and safety repairs such as reconstruction of the home's foundation or mitigating a substantial mold issue requiring a full rehabilitation. (Homes that could not meet health and safety standards within the confines of the grant would be excluded from consideration in this program.) An additional consideration in setting the grant amount is the price point the property owner participant is willing to accept in grant funds in order to keep the house an affordable rental unit for the duration of the program.

Grant funds will first cover standards to ensure the property meets federal and local standards.

The Home for Good home renovation grant amount will ultimately be determined specific to each locality in collaboration with the steering committee and the entity(ies) providing the grant funds (i.e. city government, foundation). It is believed that targeting approximately $45,000 for the grant is a reasonable starting point for discussions. This number, of course, may be adjusted up or down depending on locality. The $45,000 figure is based on a number of sources described below and gives good guidance on the typical costs of home health and safety repairs. Note that most city-level estimates are forgivable loan programs, not grants.

- Homeguide estimated in December 2023 the costs to remodel a home at $20,000 - $100,000 on average. Specifically, the top price of a low-end remodel (stock cabinetry, lower-cost appliances, etc.) is approximately $40,000.

- Maryland Housing Rehabilitation Program - Single Family provides affordable loans of up to $50,000 to address critical health and safety issues and bring properties into an agreement with applicable building codes and standards.
- The City of New Orleans Owner-Occupied Rehab Program provides loans of up to $35,000.
- Invest Atlanta administers two separate loan programs at $30,000 and $60,000 respectively to improve the health and safety of homes in Atlanta.
- The Maryland Homeowner Assistance Fund WholeHome Grant exists to "help Maryland homeowners who have critical repair in their primary residence that they are unable to address because of the financial impact of COVID-19" and for which they would be "involuntarily displaced" should the repairs not be completed. The grant is set at $10,000. This is included simply as an example of a repair grant, however $10,000 would not make for a sufficient grant amount to entice participation and long-term commitment in the Home for Good program.

While the Home for Good grant will not cover all repairs needed to maintain the home in perpetuity or for the duration of ownership, the grant can be paired with other tools (e.g., home improvement loan, loan from the revolving pool) of the owner's choosing to make additional repairs.

Should Home for Good Include a Housing Choice Voucher Requirement?

According to several housing experts, the model might benefit from a requirement for the property owners to agree to participate in the Housing Choice Voucher (HCV) program. Increasing the stock of HCV-approved housing is a great benefit to any city. As an example, in Washington, DC, three quarters of housing vouchers (Washington Post/Planetizen) went unused in 2022 due to tight housing markets and bureaucratic delays, though DC has one of the lowest landlord denial rates in the country at 15 percent (Urban Institute).

Because most municipalities struggle to find enough landlords to accept the HCV, requiring that Home for Good accept the voucher of qualified tenants increases the stock of available rental units. Note that this does not mean the property owner *only* accept HCV holders, just that they would not turn away potential tenants simply because they hold a voucher. Because Home for Good targets neighborhoods in the beginning or middle stages of gentrification, these renters are likely to end up in housing that is close to quality amenities such as full-service grocery stores, improving schools, and good transit options.

In addition to the benefits to the city and its low income residents, participation in the HCV program benefits the landlord. HCV holders tend to be longer-term renters, and because of the government-guaranteed rental supplement, they make more reliable payments to the landlord.

The HCV program is a work in progress and is not without its issues. Below are common barriers to accepting HCV recipients that will need to be addressed in the Home for Good model should a city require landlords to accept HCVs.

- **Mandatory Inspections Take Too Long.** If a landlord rents to a non-HCV tenant, they can usually have the tenant in the apartment and payment received almost immediately. Landlords cite that the mandatory inspection can take too long to complete, leaving them without rental income in the process. A potential solution, with the cooperation of the Housing Authority, could be for Home for Good properties to pre-emptively inspected as the rehabilitations are completed in anticipation that at least some of the properties may house tenants using HCVs.

- **HCV Processes are Confusing**. Some landlords, particularly landlords that only own a few rental properties, can find the process of becoming and maintaining status as a HCV landlord confusing and cumbersome to learn. In the Home for Good program, this barrier can be mitigated by utilizing a common property management firm (or set of firms) across all Home for Good properties and providing free training and support to the property management firm on HCV rules and processes.
- **Voucher Doesn't Cover the Market Rental Rate**. Landlords in many municipalities complain that the voucher's fair market value does not keep up with the actual market rate of rentals in a given neighborhood, particularly in amenity-rich neighborhoods. This disqualifies otherwise interested landlords from participating in the program. Scholars argue that this discrepancy occurs for several reasons including the timeliness of the U.S. Census data and tabulation at the federal level which is used to set fair market value. An additional reason these rental rates might not align is because of the broadness of the data, which often looks at regions, not specific neighborhoods, and biases toward lower rates.

Rental Rate Model

The primary purpose of Home for Good is to support maintenance of property ownership and availability of quality affordable housing. Owner expenses, owner benefits, and monthly rent are key components of ensuring that the owner's financial health related to the property remains intact while keeping rents as affordable as possible.

Monthly Owner Expenses

- **Remaining Principal** *(if applicable)*
- **Remaining Interest** *(if applicable)*
- **Property Taxes**
- **Homeowners Insurance**
- **Utilities**
- **Property Management Fee**
- **Maintenance Fund**
- **Repayment of Non-Home for Good Rehabilitation Loans** *(if utilizing additional loan)*

The program model assumes that the owner will not have any outstanding mortgage payments, so the principal and interest will be $0 in the rental rate model charted out below. Utilities will include at least water, gas, electric, and preferably internet. Property management fees will vary by location but are currently typically between eight percent and twelve percent of the monthly rent.

The model is intended to ensure that the property owner at minimum breaks even monthly. In addition to maintaining ownership of the property, monthly benefits to owner include:

Monthly Owner Benefits

Rental Income +
Home for Good Grant Benefit*

**Total Home for Good Grant Amount ÷ Program Term in Months ÷ 12*

While many use the one percent rule—meaning a property can be rented out for one percent of the purchase price—to determine if a property is a strong investment, Home for Good participants will likely see rents that are less than one percent of the property's assessed value (assuming purchase price is $0) given that the owner has fewer monthly costs than would an owner with a mortgage. The rental rate will be set at a percentage of Area Median Income (AMI):

Monthly Rent

Area Median Income x Percentage of AMI x 30% of Tenant's Income ÷ 12

Home for Good will be structured to focus on tenants whose incomes *likely* fall between 60 percent and 120 percent AMI. The rent is intended to cover the primary expenses related to ensuring that the tenant has a quality and affordable home in which to live.

To ensure that the model maintains the financial standing of the owner, the model uses the general rule that the property should cash flow at least $100 per month. Rental income will cover all expenses such as taxes, insurance, property management, and any debt the owner takes out on the property and will leave the owner with at least $100 per month to use at their discretion (e.g., increase property's maintenance fund, use as supplemental income, contribute to additional upgrades in the property). Additionally, the program acknowledges that, while a capitalization rate of five percent to ten percent is considered ideal, participating properties that focus on renting to tenants below 120 percent AMI will likely see lower capitalization rates, especially as the market value of the property increases.

Capitalization Rate

Net Operating Income* ÷ Market Value

**Annual Rent - Annual Expenses*

Owners who have less capitalization need to focus on maintaining reserves have a greater pool of tenants with limited incomes to whom they could rent. Owners whose reserves and circumstances do not require them to adhere to the $100 rule ideal capitalization rate, and are solely focused on maintaining ownership and building equity in the house, would be able to rent to tenants whose household incomes below the 60 percent AMI threshold.

Presented below are three example scenarios for the City of Baltimore that differ in property management fee and level of AMI for participating tenants. The scenarios assume owners do not have a mortgage on the property and did not take out any additional loans to renovate the home.

	Scenario A	Scenario B	Scenario C
Property's assessed value	$200,000.00	$200,000.00	$200,000.00
Total Monthly Income to Owner	**$1,190.24**	**$1,597.85**	**$2,005.47**
Base Rental Income from Tenant	$815.24	$1,222.85	$1,630.47
Max. percentage of AMI for participating tenants	**60.00%**	**90.00%**	**120.00%**
Area median income	$54,349.00	$54,349.00	$54,349.00
Percentage of income spent on housing	30.00%	30.00%	30.00%
Home for Good Grant Monthly Benefit	$375.00	$375.00	$375.00
Total Home for Good award	$45,000.00	$45,000.00	$45,000.00
Home for Good program term (years)	10	10	10
Total Monthly Cost to Owner	**$933.19**	**$973.95**	**$1,014.71**
Base Monthly Operations Costs to Owner	$851.67	$851.67	$851.67
Mortgage (principal and interest)	$-	$-	$-
Property taxes	$374.67	$374.67	$374.67
Insurance	$110.00	$110.00	$110.00
Utilities	$200.00	$200.00	$200.00
Maintenance fund	$167.00	$167.00	$167.00
Home for Good loan repayment (or additional renovation costs)	$-	$-	$-
— Loan amount	$-	$-	$-
— Loan term (months)	120	120	120
Additional Monthly Expenses per Unit	$81.52	$122.29	$163.05
Property management fee	$81.52	$122.29	$163.05
— Base rent	$815.24	$1,222.85	$1,630.47
— Per unit management fee	10.00%	10.00%	10.00%
Total Monthly Net	**$257.04**	**$623.90**	**$990.76**
Total monthly income	$1,190.24	$1,597.85	$2,005.47
Total monthly expenses	$933.19	$973.95	$1,014.71
Net operating income (annual)	$3,084.54	$7,486.81	$11,889.08
Capitalization rate	**1.54%**	**3.74%**	**5.94%**

Home Renovation Firm Selection & Oversight

In order to ensure faster renovation of the homes to get the property into rental use as quickly as possible, our model suggests that the HFG Administrator direct the renovation work. To this end, the HFG Administrator would:

- Identify and select qualified vendors for home renovations through a process appropriate to the HFG Administrator's policies and best practices.
- Walk through is performed prior to contract execution with selected firm and property owner.
- Approve the cost for the renovation of each property.
- Pay directly for the property renovation (HFG Administrator pays renovation firm).
- Walk through of the finished product is performed prior to final payment with the property owner and selected renovation firm. If the Home for Good program decides to make mandatory participation in the housing choice voucher program, those inspectors will come at this time as well to ensure a more seamless leasing process.
- Ensure vendor pays living wages.

Renovation Firm Requirements

The Home for Good program should require its renovation firms to follow a set of specific standards that benefit the program and the residents of the city.

- **Consistent Pricing**. Contracting firm provides pricing information for specific renovation components (e.g., roof repair by square foot, cabinet replacement by kitchen size, etc.) of the work which they will abide by across all home renovation projects within the program. If exceptions need to be made for unusual cases, they will disclose that information to both the property owner and the HFG Administrator and seek permission to move forward.
- **Initial Walk-Through Inspection.** Contracting firm will do a walk-through of the home before estimating the price. The HFG Administrator will have a staff member present during this walk-through.
- **Capacity to Ensure Compliance and Demonstrate Knowledge of City Requirements.** Contracting firm will ensure that all renovation work is properly permitted with the participating city and will apply for tax credits on behalf of owners to ensure that taxes remain affordable as assessed property value of the rehabbed home increases.
- **All Staff Paid Living Wage or Higher.** See Living Wage information provided in the Property Management Firm requirements section.

In addition, the city may wish to further stipulate that property management firm vendors must pay certain occupations at the median rate (or above) for the metropolitan statistical area based on the Bureau of Labor Statistics Occupational Wage Estimates. An example selection of occupational categories and median hourly wages are in the following chart.

Example Occupational Wage Categories and Median Estimates

Occupational Category	Atlanta	Baltimore	Houston	New Orleans	Philadelphia
Carpenters	$23.73	$26.63	$22.51	$22.87	$27.32
Cement Masons & Concrete Finishers	$22.59	$22.66	$21.67	$21.72	$26.17
Drywall & Ceiling Tile Installers	$23.25	$21.47	$21.22	$18.44	$26.17
Electricians	$26.22	$29.45	$28.54	$27.83	$34.72
First-Line Supervisors of Construction Trades	$36.15	$36.05	$33.53	$33.17	$39.07
Painters, Construction and Maintenance	$19.61	$21.94	$19.04	$20.05	$22.95
Plumbers, Pipefitters, and Steamfitters	$28.44	$28.12	$28.75	$28.86	$30.55
Mean Hourly Wage - Above Categories	$25.71	$26.62	$25.04	$24.07	$29.56
Delta Between Mean & Living Wages	-$0.12	$2.61	$4.21	$4.44	$5.44

Services for Participating Property Owners

While data on small independent landlords is relatively limited, existing research demonstrates the need for support for such landlords in service of maintaining and increasing the supply of quality affordable housing.[4] Home for Good will establish partnerships with local government and business entities to grant Home for Good property owners access to services that enhance their ability to operate as well-equipped landlords. Specific service providers will be dependent on the Home for Good location.

Services offered regardless of Home for Good location may include:

- Regular (e.g., quarterly) convenings of the participating property owners facilitated by the nonprofit organization that is running the local Home for Good program. Convenings may include presentations or workshops from local government agencies on quality standards and maintenance practices, community organizations, or renters/tenant associations and opportunities for identifying shared challenges and crowdsourcing solutions. Participation would be voluntary.

4 Small Independent Landlords: At the Intersection of Affordable Housing and Business Ownership Strategies (Asset Funders Network)

- Access to resources/templates through sites such as LawDepot or the locality's housing agency(ies).
- Tax planning/preparation workshops or services so that families know how to accurately report.
- Connection to title clearing services (See *Mitigating Tangled Titles for Heirs Property Owners* below).

Location-specific services may include:

- Free listing on the locality's affordable housing rental housing portal (e.g., Housing Authority of Baltimore City allows Housing Choice Voucher Program landlords to list on affordablehousing.com).
- Referral to a local bank for accounts associated with the property income and expenses.
- Access to city government resources and services to support their property management and knowledge about how to maintain affordability (e.g., Philadelphia's Landlord Gateway).
- Connection to existing local or state incentives (e.g., Baltimore City has specific leasing incentives for landlords, Atlanta offers leasing incentive fees and referral fees to HCV owners, Los Angeles pays landlords one month's rent for renting to homeless voucher holders, and state income tax in Virginia incentives landlords in census tracts with low poverty rates).

Mitigating Tangled Titles for Heirs Property Owners

Heirs property typically refers to property where the landowner dies intestate (without a valid will) and that property is passed on to the surviving family members equally. The multiple heirs are referred to as tenants-in-common. And if legal actions are not taken, the property can continue passing down through more generations, resulting in many tenants-in-common of the property, sometimes as high as 50 or more people who don't always know each other (or even know that they are owners).

These types of titles are often referred to as "tangled titles," meaning there is no clear title to the property until the owners go through a probate process. Heirs of tangled title property must still maintain and pay taxes on the property, but they cannot easily sell the property, access home loans, and participate in other beneficial programs. In addition, a property without clear title can remain vacant for long periods of time, making it a dead asset to the heirs and at risk of blight to the city. In some cases, heirs may stop paying property taxes. The Pew Charitable Trust report How Tangled Titles Affect Philadelphia estimated that 32 percent of city heirs properties were tax delinquent. Still another hazard of tangled title occurs when one or more of the tenants in common force a sale of the property. This situation typically generates far less value to the heirs than if they had sold it in a competitive market process. This second example is becoming less frequent as Uniform Partition of Heirs Property Act laws are being passed in states across the United States.

Heirs interested in the Home for Good program most likely have properties with tangled titles and will need support in obtaining a clear title before participating in the program. The Home for Good program will work in partnership with existing free or inexpensive legal aid to centers at the local, state, and national levels to help families obtain clear title including identifying grant dollars to support the additional workload of these cases. Realizing that these services are typically for lower income families and/or may have limited capacity to serve the number of families entering the program, the city could also allow a portion of the capital renovation grant be put toward legal support for the families (no income restrictions). If this second option is sought, families with tangled titles would be accepted provisionally into the program (no renovations started) until a clear title is obtained.

Implementation Approach

Summary of Tasks, Timelines and Deliverables

The proposed project plan encompasses a kick-off process and five additional delivery phases of the Scope of Services. The start-up process is anticipated to take approximately 15-18 months and will be led by a start-up facilitator.

Phase 1

A series of project kick-off meetings with the project leads from the selected locality.

Project Kick-off Session

Prior to launching into the phased work, and upon completion of due diligence research on the local landscape, the start-up facilitator will hold a series of project kick-off meetings with the project leads from the selected locality. The purpose of the first kick-off meeting is to align on the target work areas and processes for the implementation plan, to collaborate on the proposed design of the engagement, and to identify any gaps or inconsistencies between the proposed project plan and the realities of local circumstances. In subsequent sessions, the start-up facilitator will begin the process of identifying the function of a Steering Committee along with potential participants. The start-up facilitator will begin recruiting and informal conversations with potential participants during the Kick-off phase.

Steering Committee Responsibilities and Selection

A city's Home for Good Steering Committee is the primary steward for the successful implementation and sustainability of the Home for Good program and is critical to its success. The single most important characteristic of a successful steering committee is that it is composed of people who are willing to consistently put in the work from start to end of the program's implementation. To this end, the participating city should resist the inclination to stack the steering committee with broad representation from key constituencies (to elicit wider community buy-in). Rather, keep the Committee to a manageable membership size of approximately seven to eleven members who are most likely to engage deeply with the work.

The Home for Good Administrator will organize and convene a Steering Committee. A stipend for the Steering Committee members' efforts should be considered. Listed below are the responsibilities of the Committee, characteristics of a successful Committee member, and potential organizations represented by the Committee.

Steering Committee Responsibilities

- Set city-level goals and expectations for the unique implementation of Home for Good within that city's context.
- Provide guidance on the implementation plan to ensure Home for Good is successfully launched.
- Connect the project team with resources (information, data, relationships) when possible.
- Support and guide efforts to manage the implementation of the city-level pilot through a robust performance management process which uses short cycle data and information to make program improvements.
- Attend and actively participate in most steering committee meetings. Members should expect meetings to be approximately once a month during heavy design

periods at the beginning of the project and bi-monthly or quarterly as the Home for Good program moves into implementation.

Successful Committee Member Characteristics

- Has expertise in one of Home for Good's critical core areas: neighborhood change, property inheritance, Black and Brown landlordship, low income rental housing, rental property management, aging property rehabilitation.
- Available to attend most steering committee meetings.
- Empowered to make decisions or has direct-line access to those empowered to make decisions within their organization as it pertains to the needs of the Home for Good program.
- Has the gravitas and relationship skills to help Home for Good make necessary connections within the community.
- Is ready to roll up their sleeves and dig into the work.
- Values the importance of performance management processes as part of the implementation process.

Potential Committee Member Representatives

- Non-profit organization owning the Home for Good Program.
- City's housing authority and/or housing agency.
- Neighborhoods' community development corporations (or similar organizations) participating in the program.
- Established property management company willing to serve in a mentoring role.
- Local home construction organization.
- Local foundation(s) providing capital or other support to Home for Good.
- Property law expert.
- Mayor's Office (or other public sector champion).
- Other experts from the neighborhoods, landlord community, local universities, government agencies, and private sector as appropriate to fill in necessary knowledge gaps on the committee.

Phase 2

Data collection, interviews, design sessions, draft of model design.

Draft Model Design

In addition to the core structure of the model mapped out in this concept paper, there are many aspects to localizing the design that need to involve local community participants. This phase of the project will include neighborhood level market and housing condition analyses, refinement of average building cost and minimum and maximum subsidy estimates, and an assessment of the capacity of existing neighborhood groups. With these data in hand, the start-up facilitator will conduct interviews and focus groups with local stakeholders and national experts to gather design elements for consideration. And then the start-up facilitator will facilitate iterative design sprint sessions with the Steering Committee to tailor the model design to the selected neighborhoods. The design process will include "pressure testing" design alternatives with lenders, lawyers, city administrators, and others who might help identify potential problems. Once the draft model design is complete, the start-up facilitator will draft detailed Standard Operating Procedures ("SOPs") that reflect the design and the interaction among the participating organizations.

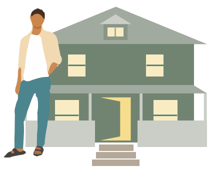
Phase 3

Identifying project partners, contract negotiations, outreach to first group of owners.

Model Design Finalization

To finalize the model design, the start-up facilitator will identify potential home renovation firms and a property management company option, and it will manage the selection process for those project partners in collaboration with the Steering Committee and the locality. This phase will also include working with lenders and local foundations to establish the mechanism for a supplemental low-interest loan pool for additional owner-initiated rehab activity. MOAs, MOUs, and other contractual agreements will be negotiated during this phase.

In addition to finalizing the model design, the start-up facilitator will also identify, reach out to, and ready the first group of owners for participation in the program once the "doors are open" for business.



Phase 4

UPD will organize and manage the onboarding process and operational mechanics for all partners.

Bridge to Implementation

To ready the project partners for the live launch of the program, the start-up facilitator will manage a focused onboarding process for all operating partners, but special attention will be provided to the property management company. As part of this process, the start-up facilitator will provide an intensive organizational review and provide on-site technical assistance to ensure the entity has the proper financial controls, operational systems, and communications channels in place to handle the expected workflow from the Home for Good program.

In addition to the operational mechanics of the program partners, the start-up facilitator will also coordinate with the locality and all other partners the marketing content and any online application content to appear on the websites of program partners. This will include program guides, FAQs, and publicly facing outcome reporting templates.

In addition, the start-up facilitator will develop a 12-month performance management plan, including implementation metrics, report formats, and the identification of required participants, to drive the fidelity of the program's implementation.

Phase 5

Implement performance management to improve and evolve program.

Implementation Support

For the first six to nine months of operation, the start-up facilitator will facilitate monthly performance management sessions with program partners. The process will be used to ensure standard operating procedures (SOPs) and other ad hoc operating commitments are being followed; to test, validate, and change, if necessary, the operating assumptions made in the design of the model; and to collaboratively problem solve for any issues that threaten to jeopardize program goals and objectives. This performance management process will be data centric, relying on short-cycle program data to inform decision making. But the success of the performance management session is most reliant upon the active participation of the session attendees.

Beyond the systematic tracking and discussion of performance, the performance management process is also designed to be deliberate capacity building of the local partners. The the start-up facilitator will facilitate the performance management sessions, including pulling and analyzing the data, briefing leaders in advance of sessions, documenting the commitments made in each session, debriefing after each session, and providing technical assistance to all participants in between sessions. Over the course of the engagement, the start-up facilitator will transition more and more of those functions over to the locality's lead and their team, as that capacity to lead performance management expands.