

Strengthening Communities through Long-Term Community Stewardship

Responding to overlapping crises by resourcing the community development network of states, cities, and the mission-driven non-profit housing and community development sector.

THE OPPORTUNITY

Communities across the country are facing dire economic challenges resulting from the COVID-19 pandemic and numerous natural disasters. Despite being a year into COVID, the worst economic impacts have to date been temporarily held at bay by eviction moratoria. The looming eviction crisis compounded by consistent job insecurity have left families – disproportionately low-income, Black, Brown and Indigenous – in desperate need for short term security and a path to long term wealth generation. It is essential for economic recovery funds to strengthen neighborhoods by supporting the people that comprise them. This means preventing foreclosure of single-family homes, small-scale multi-family units, apartments and neighborhood commercial properties by providing funding opportunities to **retain and increase individual and collective ownership of individual property and businesses among community organizations and residents.**

The recession of 2008 saw communities lose a substantial amount of affordable housing to private equity funds who had the resources to buy, hold housing and then sell high when the market recovered. The [Neighborhood Stabilization Program \(NSP\)](#) enacted in the [Housing and Economic Recovery Act \(HERA\) of 2008](#), while good intentioned, was not able to retain wealth in the most vulnerable communities. Yet it provides us with a solid blueprint of activities and funding pathways moving forward from our current crises that will be critical to **preserving and growing wealth in low-income communities and communities of color.**

ADVANCING LONG-TERM COMMUNITY STEWARDSHIP

Advancing Long-Term Community Stewardship proposes setting aside at least \$5 billion in FY2022 to assist tenants and maintain local control of assets by supporting small landlords and minority owned business owners in targeted neighborhoods. A mix of formula and competitive grant funding could flow to communities in three ways:

- i. A portion of the funds (40 percent) could **fund smaller, community-based organizations**, and preference those led by people of color with a minority designation. These organizations could directly receive project based public dollars, but also technical assistance and credit enhancement focused on unlocking debt capital from private sources. This funding could flow directly to community organizations or through intermediaries that could alleviate some of the compliance burdens.
- ii. A portion of the funds (30 percent) could flow by formula to **tribal governments, states, and localities.**
- iii. A portion of the funds (30 percent) could also flow by competition to **non-profits with established real estate experience** and balance sheets to acquire property, raise debt capital independently and offer technical support. Eligibility in this category would need further refinement, but includes community development financial institutions, community-led land banks and community land trusts.

Once awarded to an organization, eligible uses of the funds could include:

1. **Retain and improve existing affordable rental housing** by providing funds to both renters and property owners to pay off forbearance and outstanding rent. These funds could prioritize owner occupied rental properties. Once back rent has been satisfied, additional eligible uses could include:
 - Voluntary payments to secure and extend affordability or obtain a right of first refusal,
 - Addressing health and safety-related habitability issues like mold remediation, removal of lead and hazardous gas appliance, and
 - Utility cost savings like water and energy upgrade retrofits.
2. **Facilitate asset transfers without bank ownership** through transition to a nonprofit or shared equity ownership model that will hold the asset with permanent affordability while keeping the tenant(s) in place. This would apply to both single family and multi-family structures.
3. **Enable community-based organizations to acquire property** in order to improve tenant health, energy efficiency and climate-resilience of homes, and to build out commercial sites to their full potential in alignment with community vision and needs. Funds could be used to acquire land for community-driven housing and commercial development. Property owners could sign an affordability covenant and agree not to evict commercial or residential tenants without just cause.
4. **Provide resources for organizational assistance** to strengthen and add capacity to smaller nonprofits and small landlords that prioritize racial equity in program design and promote affordability and community ownership.

In addition to these suggestions, we can continue to build upon the NSP baseline by including additional criteria such as racial equity screenings, ensuring municipalities implement accountability measures and community investment plans, funding current viable approaches and utilizing existing community-based organization infrastructure.

SUMMARY

Advancing Long-Term Community Stewardship acts as a bulwark against foreclosure, social and environmental vulnerability and opportunistic asset transfers by:

- Activating community organizations to continue serving as critical frontline infrastructure as the health and economic crisis transitions into real estate impacts.
- Protecting renters and small owners from back rent debt (reducing net assets), loss of home and asset, eviction (destabilizing households, increasing costs) and damaged credit (increasing cost and reducing capital access in the future).
- Providing pathways for potential homebuyers of modest means to buy into individual and collective shared ownership structures; support Black, Brown and Indigenous serving and led community organizations; and support business owners to build equity through shared property ownership.
- Increase climate resilience and healthy housing through water and energy upgrades, healthier building materials and addressing legacy environmental justice issues related to housing. Delivering climate resilience through shared equity and long-term community stewardship provides a model to reducing vulnerability while ensuring long term housing stability.
- Preserving community assets in the hands of homeowners and small landlords. This keeps assets growing in the hands of community members and keeps decision making local.