**Note Taker: Micayla LeLugas**

**Date: 6/4/2020**

**Session Name: Housing and Community Development: SF Development/Homeownership Breakout**

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| **1. Ideas Shared**  Very brief bullets on key ideas discussed. | Focus on local history of systemic disenfranchisement of black residents, and how to address this since programs/affordable homes can’t be only available to black prospective homeowners. Many affordable homes are being bought by white homeowners, so difficulty addressing root issue.  Increase in interest and investment in homeownership since COVID.  Credit and loan approval restrictions tightening, disproportionately affecting black prospective buyers, even though there credit, employment, and savings have not changed.  Exploring creative capital and how to reduce construction costs to reduce home price, possibilities in rehab to address this. |
| **2. Discussion**  Level of detail of the discussion to be captured will be based on the needs of the planning team for the session. | Sean White- Develop Detroit: Renewed attention on systemic racism. How to outcries for justice affect housing work. More difficult to process this impact together. How do we continue to bring awareness to the systems of oppression that has an impact in Detroit. Detroit’s history- decades of redlining and retreats to the suburbs that contributed The Black Bottom neighborhood being raised in the past to make room for commerce and interstate near the downtown area. Black people were not allowed to purchase homes until the 1940s or 50s, and had deceptive contracts. Thinking of implications on wealth transfer through generations. Lack of access to capital- many banks were not making loans to black Detroiters and that morphed into predatory loans that contributed to the Great Recession. Illegal property tax foreclosures- illegal because most homeowners were not aware they were exempt from paying property taxes.  Develop Detroit entered into North End neighborhood. Lead a homeownership and rehab project with two main goals- create homeownership opportunities, and create cohesive community relationships.  Confronting real inequities that need specific and tailored solutions. Resources they have used is NMTC’s. More accessible mortgage standards (credit standards), especially how credit tightening is disproportionately affecting black prospective homeowners. Also exploring help with medical debt and DPA.  John O’Callaghan (ANDP)- subsidy for homeownership through First Look, the price of acquisition was going up, and absence of NMTC’s, it was hard to make it work. Shifting to single family rental. Bottom feeder investors who were involved in housing were starting to retreat, so ANDP was able to purchase homes that had tenants with vouchers. Have found local gov investment with 3% capital. Trying to own the stock and get away from equity investors to later on converting to homeownership. Need to address history of structural racism in housing. Public knowledge that home value for black Americans lower than white counterparts, and how to address that. Tried to do PPP loans, but have been distracted. Going to continue with single family rental, and work to address subsidy games in homeownership. Have protected their balance sheet, but can’t invest all assets and need to still explore low cost capital.  Eden Spencer (GM)- have long history of serving African American community members, city population is 20% black and homeowner population is 70%. We need to do work and change is necessary currently. Focus on wealth building and connecting with community groups and social justice groups more so than they have so far.  Danielle Rosen (NJ Community Capital)- Not seeing much of a change in market for homeownership yet, not seeing investors back away in NJ, in fact seeing increase in interest. Compete on the front end for properties, but on the back end need to ensure that they’re meeting a double bottom line. What type of data are people collecting? What are the systems in place that needs to be adapted or changed?  Rose Mabwa (TCB)- partnering with hospitals to address health gaps. Also trying to address food desert as well. Survey of residents said there wasn’t a grocery store or health center in the neighborhood. Will build Health Hub.  Sean- built units in the North End, building costs ended up being higher than anticipated. There was no interest from black prospective homebuyers. All homes were purchases by white, 25-40 year old middle class/upper middle class individuals. Rehabs have been more accessible. Need creative info on lowering construction costs. Have grant to do façade improvements for neighborhood members. Will start in the next couple months.  Martina Orange- Difficulty tapping affordability market. Still having conversation with lenders in the Detroit market.  John O’Callaghan- Have worked with a smaller, minority contractor to build smaller homes (2 to 3 bds) that have been able to build at a lower construction price, mainly in neighborhoods that are at risk of gentrification. Built on smaller lots that were also less expensive.  Looking for rehabs that are newer and don’t have to rehab too much.  Dani Rosen- Have had the opposite approach and have build multiple SF and sold it as one so buyer can also get rent from other unit. Looking into modular construction to bring down construction.  Eden Spencer- Similar in construction costs- under NMTC have built some smaller homes. Bids on 2 bedroom was about 220k to build and selling for similar amount. Retooled 3 bedroom house, and made 4 bedroom floorplan instead and kept price point, which has been appealing for larger families. Demand for smaller home was slower than usual, did sell where they priced it though. Have seen younger buyers. Materials have gone up 17% since their last bid in November.  Martina Orange- Buyers are now being required to put 20% down, borrowers don’t have that, and buyers that would normally be mortgage ready, now can’t purchase. These are buyers that are considered middle class, so how is this affecting lower income buyers.  Eden- seen from buyers higher requirement for reserves. Most houses have DPA, lender recently said that they can’t do DPA because it adds risk.  John O’Callaghan- have always seen this and wanting more scrutiny of lenders. Most severe underwriting he has seen.  Chris Linder (Penquis)- Community Bank/Credit Union primary lenders not changing standards. Larger lenders are steering clients away from affordable products, DPA, and telling clients that Maine Housing has closed down products, which aren’t true. Also a CDFI and seeing higher interest. Not changing their credit standards. Try to mirror market as much as possible and so within 2-3 years clients with refinance out.  Sean White- have trouble finding acquisition predevelopment capital  John- have fund through philanthropy. Approached lenders when CDFI was closed during Great Recession and raised funds through CRA motivated financial institutions. Have seen impact investors, and are invested in SF and are able to raise money at 3% and blend with some equity. Now have about $10 million in rotating capital. Works well in CRA market. |
| **3. Next Steps and Follow-up Tasks**   * Identify next steps * Follow-up tasks:   + Members   + HPN staff |  |
| **4. Future Peer Exchange Topics**   * Future session ideas * Further peer exchange (webinars, MemberExchange, etc.) | Directing homeownership efforts to black prospective homeowners  Creative solutions to reducing construction costs  Purchasing MF properties with few units to keep affordable and transition units to ownership.  How to advocate for clients that are being steered away from affordable products and that can’t access DPA. |