

The 2020 Journey to Protect & Advance Equitable Homeownership
By Shandra Richardson, Program Manager, The Chicago Community Trust

According to the Urban Institute, Black and Latinx households' housing equity share of net worth is 56.6 percent and 66.5 percent, respectively, which is roughly 15 percent more than whites ([Urban Institute](#)). Given that home equity is a larger, if not the largest, portion of a person of color's wealth-building portfolio in comparison to other ethnic groups, it is safe to say that not only does homeownership matter, it is a critical wealth-building block.

As stakeholders such as housing activists, policymakers, think-tanks, philanthropists, and community development activists collectively work to increase homeownership, we find we are thrust into a world of complexity that begs for us to refine, readjust, and revisit our approaches continually. Issues such as high levels of foreclosure concentrated among homeowners of color and disproportionately low lending in communities of color are the prevailing barriers that keep Black and Latinx homeowners from attaining and sustaining homeownership. The economic impact of the racial and ethnic homeownership gap throughout our country and specifically in Chicago is too dire to ignore. Low levels of homeownership among households of color result in the destabilization of communities.

Reflections from the Investor (also known as the Student)

In 2020, The Chicago Community Trust, under its Protecting & Advancing Equitable Homeownership grant-making program, brought together nine organizations working on housing throughout Chicago and the country around key issues of equitable homeownership. The Trust leveraged its ability to convene this cohort of organizations with local funders and researchers from DePaul University's Institute for Housing Studies and Urban Institute's Housing Finance Policy Center. Then, the Trust joined this table as a student, as the cohort gathered throughout the year to identify key barriers and potential solutions for equitable homeownership. These conversations have become a learning series surfacing not only solutions but more questions that will need to be answered.

The discussions featured national experts such as Alanna McCargo from Urban Institute's Housing Finance Policy Center, who provided the cohort with a rich [Five-Point Framework](#) of solutions aimed to close the homeownership racial and ethnic wealth gap. Likewise, the discussions involved leading housing experts such as Andre Perry, senior fellow at Brookings Institute Julia Gordon, president of the National Community Stabilization Trust, Thurman "Tony" Smith, senior vice president of community development lending and investing at PNC Bank, and so many others. We used the Five-Point paradigm to collectively explore solutions around policy, financing, the legal rights of homeowners, and the role that community ownership models could play in addressing the issues at hand.

In addition, funders at the table brought not only a unique perspective to these conversations but their own professional and personal experiences as well. For example, [Deborah E. Bennett](#), senior program officer at Polk Bros. Foundation, continues to galvanize philanthropic awareness around key policy-oriented issues such as the appraisal system under the foundation's [Strong Communities-Housing pillar](#). Likewise, [Clare Butterfield](#), executive director of the Christopher Family Foundation, provided us with a place-based perspective as her foundation hones its investments in certain geographies of the city. I am

incredibly grateful for the partnership we have with foundations here in Chicago and look forward to continuing to learn from one another and co-invest.

The recommendations put forth by McCargo and other experts who joined us have opened up the aperture for us stakeholders to critically examine what is and what is not working in the Chicago housing market. First and foremost, we recognize the Chicago market comprises several sub-markets. Therefore, the solutions implemented here must be a mix of the right ingredients addressing each unique characteristic. No one Chicago neighborhood is the same, truly. Key factors, such as proximity to the lake and highways, patterns of development, existing housing stock, historical segregation, and impacts of redlining have created unique market realities where we see the rapid displacement of homeowners in one neighborhood due to an influx of development and significant disinvestment and blight in another.

We have also been reminded that we are forging change in a complex interdependent ecosystem. The housing system involves a universe of developers, lenders, community-based organizations, and multiple sub-types. Community development corporations (known as CDCs) are focused on programmatic efforts that advance the community's goals. Lenders are focused on distributing capital within the bounds of regulation. Developers are producing housing stock at a rate not fast enough for growing demand. As we survey the development landscape, we see that the private sector plays a large part, developing about 70 percent of housing in the United States. Municipal policies such as the Affordable Requirements Ordinance require developers to allocate a percentage of residential development for affordability. This type of interdependency among the private sector, financial institutions, and CDCs has summoned the Trust to invite more collaboration into our grant-making approach. We recognize that we need all entities' input and willingness to work through challenges to problem-solve and cement equitable access to not only housing but homeownership.

Likewise, investment pressures call for a robust set of preservation strategies. We have ample housing stock in Chicago to get creative about preserving housing affordability that encourages homeownership in communities of color. Chicago is full of two-to-four flats in many neighborhoods that, if preserved, could be used to maintain a stronghold of affordability. In fact, there is over 40 percent of this type of housing stock according to thought leaders such as Enterprise Community Partners.¹

In some of these communities, there is an overall lack of investment in commercial corridors and the community at large. ([Urban Institute](#)) Alongside this reality, we see that the value of homes in communities of color have either stagnated or decreased further as compared to increasing values in majority-white neighborhoods. As such, we began to talk about the role of institutional investors in the housing market and during the pandemic. With DePaul's support, we have found that in some neighborhood contexts, investors focus on rehabbing the current housing supply, in other contexts, investors facilitate turnover, which results in the loss of affordability and drastic neighborhood change.

And last but not least, we were reminded that structural problems precede and impact outcomes for individual homeowners. The appraisal system alone predicates several issues around housing finance, homeownership sustainability, and the ability to build wealth. Across all majority-Black neighborhoods,

¹ <https://www.enterprisecommunity.org/blog/preventing-displacement-wake-covid-19-crisis>

owner-occupied homes are undervalued by \$48,000 per home, on average, amounting to \$156 billion (about \$480 per person in the U.S.) in cumulative losses. Aside from the appraisal system, there are also challenges with the ability to benefit from homeownership financially enough to accumulate wealth. Findings from [Urban Institute](#) indicate that lower home values and higher mortgage debt particularly impact Black and Latinx homeowners.

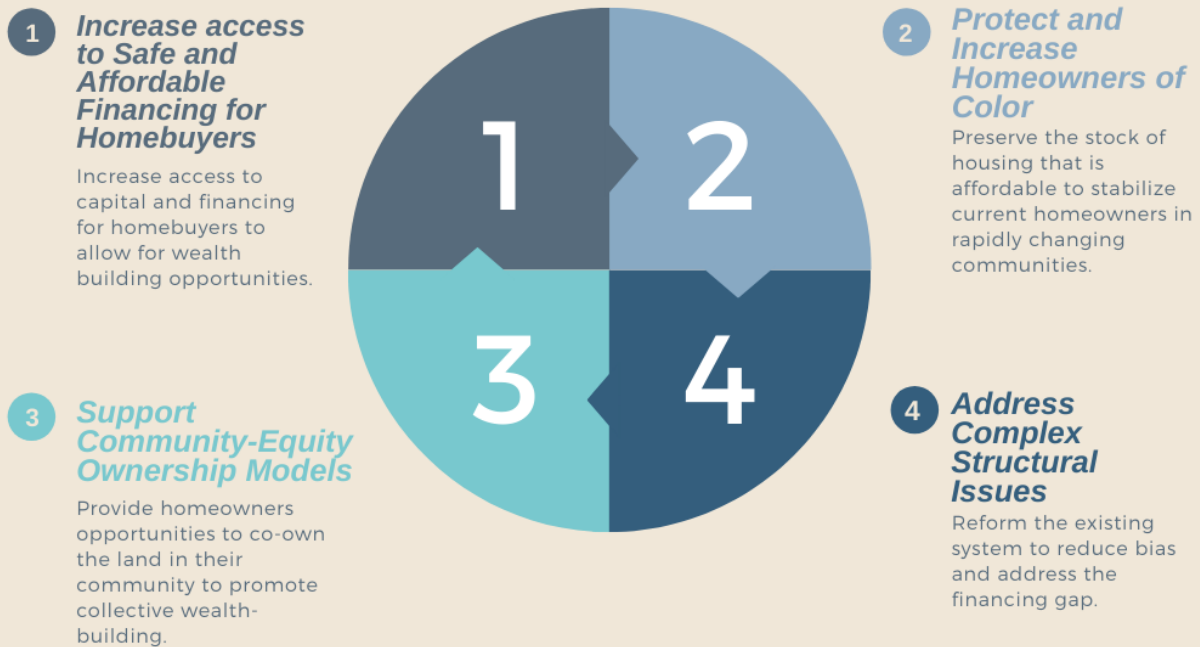
In response to these learnings, the Growing Household Wealth team has begun to strategically partner with the Catalyzing Neighborhood Investment and Advocating for Policy Change teams to think about the intersection between policy, real estate development, and homeownership. We do this with serious intention because it is clear that the sustainability and upside of homeownership are inextricably tied to the consistent flow of capital into communities, evolving political landscape, and access individuals have to wealth-building opportunities.

Learn more about the data, research, and insights that informed the cohort in [Chicago Housing Overview: Preserving Affordability and Expanding Accessibility](#), co-authored by Urban Institute and Institute for Housing Studies at DePaul University.

What's Next?

As we surveyed the pertinent challenges that existing and prospective homeowners of color face, we began to note these challenges typically involve access to capital, a lack of affordable housing stock that sometimes results in the displacement of residents or perpetuates gentrification, a lack of flexible homeownership models that allow for homeowners to share the asset in a community wealth building manner, and distinct policy-oriented challenges such as heightened property taxes and depreciating appraised values. Examining these issues within the cohort has also unveiled four distinct categories in which grant dollars, advocacy, and resources can come together to craft solutions. As such, this year's grant-making strategy has called for organizations to address one of four key areas in their work: Financing, Ownership Models, Policy, and Affordable Housing.

Key objectives of the Trust' Homeownership Investment Strategy.



The purpose of this focus is ensure funding will be meaningful not only for the individual organization's programmatic work but impactful in the context of the entire sector. As such, we are setting a wider table for more organizations to come together to build out, reaffirm, and reposition solutions towards the end goal of increasing access to homeownership, restoring the value of homes in communities of color and sustaining equity for those homeowners.

We recognize these efforts are being implemented in the midst of a unique political landscape. There has been tremendous movement towards equitable housing on state and federal fronts, much to the credit of Chicago housing activists who have fought for decades for these changes to come into play. This city *has and has had* some of the world's sharpest community activists at the frontlines of this movement. Their catalytic work undoubtedly has contributed to the recent wins we have seen at the federal and state level of housing policy, informing how housing stakeholders across the country continue to advocate for equitable homeownership. Recently, [Governor Pritzker signed](#) an Illinois state-chartered CRA, which means state-regulated financial institutions not covered by federal regulations will now have oversight. This change will improve access to credit for communities of color in cities and rural areas. On the campaign trail, President Biden proposed a \$640 billion housing plan intended to address access, discrimination, and consumer protection related to homeownership. The plan included a proposed Homeowners Bill of Rights and first-time homebuyer tax credit of up to \$15,000. This proposed tax credits is reflected in H.R. 2863- First-Time Homebuyer Act of 2021, introduced in April. While these are

just a few pieces that could chip away at widespread inequities caused by decades of discriminatory practices and policies, according to my colleague Aimee Ramirez, manager of policy and advocacy, the Trust is encouraged by the recognition across sectors and levels of government that reform is needed and looks forward to advocating for greater equity in the homeownership process.

And yet, we still have our work cut out for us. COVID-19 and the existing racial and ethnic homeownership gap have compounded to widen the wealth divide. Home values are reaching a new peak comprising the highest share of real estate value (65.6 percent) since the mid-1990s. Homeowners and renters in Black and Latinx communities experience a greater risk of not sustaining homeownership as they continue to experience further hardship through the loss of home values, job loss, and the inability to pay rising property taxes. ([Harvard Joint Center for Housing Studies](#)). In fact, research conducted by Urban Institute and DePaul University's Institute for Housing Studies has identified that the rate of forbearances on loans is at an all-time high in Chicago.

These challenges require us to be adaptive, responsive, and intelligent about where we leverage our influence. While the Trust has access to amazing talent and intellect, I end on this classic (timeless) quote from William Shakespeare. "A fool thinks himself to be wise, but a wise man knows himself to be a fool." Which is to say, we still have much to learn if we are to wisely infuse the right type of investment, be it time, money or resources, into this body of work.

- We do not know where this economic crisis will land the future of equitable and affordable housing.
- We do not have a clear mechanism to collectively understand the types of homeowners in communities of color and the specific characteristics they share.
- While efforts are underway, we have yet to unveil a full spectrum of financial instruments and solutions that will be relevant in both the present and future as the economy evolves alongside the needs of homeowners of color.

And while these gaps may seem bleak, for me, they spark hope. What we have learned about the foreclosure crises of 2018 has provided us with a solid framework to reference so that we may mitigate the challenges we can foresee now. As we partner over this next year to put our very best into this work, I am hopeful that we will see a breakthrough. Working together in an intricately complex system requires ingenuity at least and invention at best.

Shandra Richardson is a program manager at The Chicago Community Trust. In this role, Richardson manages change-making activities that include the Trust's asset-building initiatives and grant making under the Trust's Growing Household Wealth strategy. Within this strategy, Richardson drives long-term impact by supporting entrepreneurs of color and homeownership. Most recently, she re-shaped the Trust's housing strategy to more pointedly provide funding and collaborative support for efforts that close the Black and Latinx homeownership gap.