

**YEAR 2
PROGRESS
UPDATE**

AUGUST 2023

*Building Equity
in Small Multifamily
Ownership*



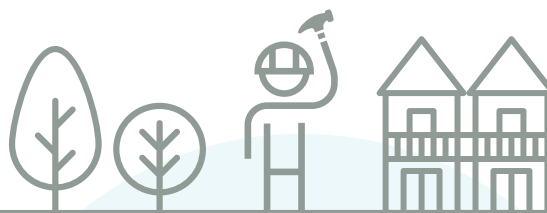
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INTRODUCTION

2022 marked the second full year of the Building Equity in Small Multifamily Ownership initiative, a set of strategies helping Black, Indigenous, and People of Color (BIPOC) households build wealth as owner-occupants of small multifamily (2-4 unit) buildings. The Building Equity initiative is led by a collaborative of partner organizations: the Family Housing Fund, Hope Community, Inc., Build Wealth Minnesota, Inc., Model Cities, the Land Bank-Twin Cities, the Minnesota Home Ownership Center, Comunidades Latinas Unidas en Servicio (CLUES), the Rondo Community Land Trust, and the Greater Minnesota Housing Fund. Together, we aspire to reduce racial disparities in homeownership and wealth by building a system that supports access to small multifamily ownership. While the first year of the Building Equity initiative focused on program development, Year 2 focused on expanding partnerships, assessing new programs, and refining them for greater impact in Year 3. This report shares progress updates through April 2023.

A TWO-PRONGED APPROACH



Address the limited supply and high competition for 2-4 unit buildings.



Ensure homebuyers have access to training and capital to become successful homeowners.





“I just want my house to be here to help people.”

- SHANTE, NEW BUILDING EQUITY HOMEOWNER

“The day that I was going to get my keys for my duplex I was thinking ‘Oh my God, my grandkids are going to be coming to this house one day!’” Shante has always envisioned herself buying a home not only to support her family, but to help the community around her. With help from the Building Equity Down Payment Assistance loan, Shante was able to buy a duplex and create the future she had always seen for herself.

For Shante, buying a small multifamily home was her dream from the very start of her home-buying journey. “It’s an investment, it’s going to create longevity, it’s going to create generational wealth for my family, and I want to start this process now,” she says. With an extra source

of income, the revenue that would come from a duplex would allow Shante to jumpstart the wealth building process. However, she was initially deterred by the higher price tag that came with many duplexes in the Twin Cities.

Since this house would be both an investment and a home to Shante, she wanted to find the perfect fit. She looked for a side-by-side duplex with character. But with such a limited supply of small multifamily homes available for purchase in the current market, Shante struggled to find a home she wanted to invest in that was also within her budget, given the amount she had saved for a down payment.

Throughout her housing search, multiple attempts at finding the right fit did not pan out. That was until her lender referred her to work with Build Wealth Minnesota to see if she could qualify for the Building Equity DPA loan that would help ease the financial burden of purchasing a home. Once Shante found out that she qualified for the loan, her options in duplexes grew exponentially. Suddenly, she could finally purchase the duplex she dreamed of without settling. “I felt like this loan and Build Wealth took a huge burden off of me...Once I found my house, I said, ‘This is it. I’m not looking at any more houses,’” she says.

Even as Shante got closer and closer to getting her keys, the idea that this home was finally hers hadn’t sunk in yet. “I didn’t believe it on the last day when I was signing the paperwork that it would actually go through. When I got the keys, I was so overjoyed. I couldn’t believe it actually happened. I was in shock,” she says. Shante saw this home as a way to jumpstart her family’s wealth; she wanted her grandkids

to come to the duplex she bought and know that their grandma bought this for them. But it means even more than that to Shante, as she plans to also use her home to support the broader community.

Once she starts renting out the other unit in her duplex, Shante intends to prioritize leasing to families with Section 8 Housing Choice Vouchers. Recognizing that many landlords often turn voucher holders away, Shante wants to create environment of acceptance. “It’s such a need for our community. There’s tons and tons of people out there with Section 8 vouchers with nowhere to go,” she says.

Continuing to “think big” about the future, Shante also has ambitions to someday turn this duplex into a group home. With multiple units, Shante has the power and flexibility to utilize her new home in many ways over time; she’s clear about one thing, however: “I just want my house to be here to help people.”



“When I got the keys, I was overjoyed.”

PROGRAM PARTICIPANTS

THROUGH APRIL 2023



74

participants purchased homes, becoming owner-occupants of duplexes or triplexes



34

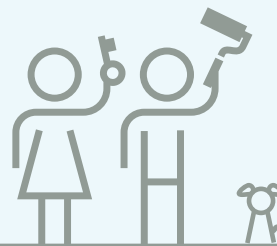
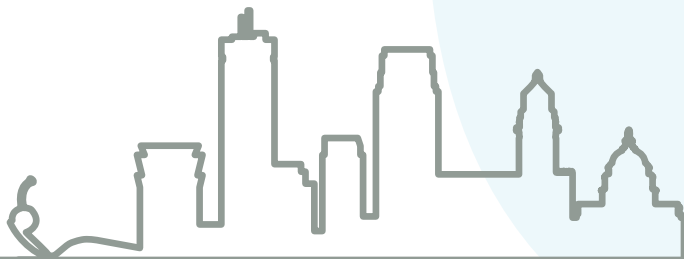
purchased in Minneapolis

32

purchased in Saint Paul

8

purchased in surrounding suburbs



88%

identified as BIPOC

73%

earned low incomes
at or less than 60% AMI



378

prospective homebuyers received training



PROGRAM DEVELOPMENTS

IN YEAR 2

Late in 2020, the Building Equity initiative received a three-year, \$4 million grant from the national JPMorgan Chase Advancing Cities Challenge to pilot capital interventions in Minneapolis, with a particular focus on the seven City-designated cultural districts. In 2021, the Bush Foundation generously matched this grant with another \$4 million investment to expand the initiative's reach to serve Saint Paul and the broader Twin Cities region. These two grants have allowed the initiative to establish a large collaborative of partners and offer several new resources for prospective homebuyers of 2-4 unit buildings. We are pleased to share brief updates on the various components of the initiative.

ADDRESSING SUPPLY CHALLENGES

To increase the availability and quality of small multifamily buildings for owner-occupants, the Building Equity Collaborative has established a construction loan pool for the acquisition, development, or rehab of 2-4 unit homes. The **Land Bank-Twin Cities** operates the loan pool, prioritizing loans to emerging BIPOC developers to help them grow their businesses and further expand wealth-building opportunities. Since the creation of the loan pool, rising construction costs and extreme market volatility have presented significant challenges to new development. In Year 2 of the initiative, one loan was made to **Build Wealth Minnesota** to rehab a duplex on the north side of Minneapolis.

The Collaborative formed a new partnership with the **Rondo Community Land Trust** to help identify real estate for purchase, rehab, or development and help connect prospective homebuyers of 2-4 unit properties to Building Equity resources.

In Year 2, coordination between Collaborative members resulted in an acquisition that will transfer small multifamily properties from non-profit investor-ownership to owner-occupancy. The Land Bank, Rondo CLT, and **Hope Community** worked together to acquire a small portfolio, four duplexes in Saint Paul that were managed by the Twin Cities Housing Development Corporate (TCHDC). The portfolio included a loan originated by Family Housing Fund in 1991, and as the loan neared maturity, Family Housing Fund worked with TCHDC to pursue a disposition strategy for these properties focused on affordable homeownership. The Land Bank acquired the small portfolio and subsequently transferred it to Rondo CLT to manage rehab and facilitate sales to community owner-occupants. Rondo CLT will keep the properties permanently affordable to homebuyers who earn incomes below 80% of the Area Median Income (AMI).

EXPANDING TRAINING OPTIONS

To ensure that prospective homebuyers are prepared for the unique experiences and challenges of being both a homeowner and a landlord of a 2-4 unit building, the Building Equity Collaborative offers multiple options for owner-occupant training.

In Year 2, the Collaborative formed a new partnership with **Comunidades Latinas Unidas en Servicio (CLUES)**, broadening the owner-occupant landlord training options in the Building Equity initiative. Focused on serving Twin Cities Latinx and Spanish-speaking communities, CLUES offers programming to support aspiring homeowners and current owner-occupant landlords.

Additionally, the **Minnesota Home Ownership Center** created a Spanish-language version of the online owner-occupant training that was launched as a Building Equity resource in Year 1. This training offers supplemental information on purchasing a home with multiple units and is designed for households who have already completed traditional homeownership education.

Hope Community continued conducting owner-occupant training in their “Community Ownership” cohort model. The cohort spans six weeks and covers a number of topics, ranging from credit building to affordability options such as the Community Land Trust model, to business planning from the perspective of a rental owner. Several graduates of Hope Community’s cohort purchased small multifamily homes. **Model Cities** continued partnering with Hope to recruit potential homebuyers in Saint Paul and provided additional homeownership advising and education services to prospective buyers.

DEPLOYING FINANCIAL SUPPORT TO HOMEBUYERS

The Building Equity Collaborative is piloting several financial resources to expand access to the small multifamily market for BIPOC homebuyers. These include:

- *The Building Equity Down Payment Assistance Loan Program*: Administered by **Build Wealth Minnesota**, the Building Equity Down Payment Assistance (DPA) loan program provides up to \$40,000 to qualifying homebuyers and is forgivable over five years of living in the property. DPA recipients interviewed by Wilder Research for the initiative’s evaluation reported that they would not have been able to buy a multi-unit building without down payment assistance and believed that the down payment assistance helped them secure a mortgage.
- An investment in Build Wealth Minnesota’s *9000 Equities mortgage product*: The Building Equity Collaborative provided capital as early-stage equity to launch a new mortgage fund (named 9000 Equities) created by Build Wealth Minnesota, which supports small multifamily buyers in addition to buyers of single-family homes. 9000 Equities began originating mortgages in 2022 and is available on a limited basis while Build Wealth Minnesota continues to grow the product.
- A *post-purchase matched savings program*: Administered by **Prepare + Prosper**, this pilot program helps new homeowners replenish their savings after purchasing a 2-4 unit home, ensuring they have access to resources for financial emergencies or home repair needs. The matched savings program is

designed to last three years, and homeowners who make monthly payments of \$100 will have saved a total of \$7,200: \$3,600 of their own funds and \$3,600 from the match pool. The Building Equity Collaborative expanded this program in 2022 to serve a total of 30 homeowners. Participant feedback has been positive; however, many participants report not being able to save in the program because they need to make home repairs.

- *A post-purchase repair loan:* Administered by **Center for Energy and Environment (CEE)**, this program provides a 0% interest loan up to \$10,000 to support new homeowners in preserving the livability and rentability of 2-4 unit properties. This program began making loans in 2022. Uptake of the resource has been slow so far, and the Building Equity Collaborative is exploring opportunities to refine the program and increase utilization in Year 3.

OUR APPROACH TO MORTGAGE INNOVATION AND THE “VALUING HOMES IN BLACK COMMUNITIES” PROJECT

In Year 2 of the Building Equity initiative, Family Housing Fund began a deeper exploration into additional, innovative approaches to mortgage financing that would support homeownership for African American households specifically. We set out with a concept for a new mortgage product that would include a built-in savings component to support access to liquidity for new homeowners, which garnered attention and support from the Ashoka/Brookings “Valuing Homes in Black Communities” Challenge in 2022.

As we dug deeper and engaged aspiring Black homeowners, community partners, and homeownership service providers around the concept, the scope of this work broadened to examine additional systemic gaps in support for African American homebuyers and homeowners. This outgrowth of the Building Equity initiative is now developing into a rich body of work in 2023, and we look forward to sharing more in the months to come.

THANK YOU

We would like to thank our core partners in the Building Equity initiative, who are instrumental in developing and implementing this strategy: Hope Community, Build Wealth Minnesota, Model Cities, CLUES, Rondo Community Land Trust, the Land Bank – Twin Cities, the Minnesota Home Ownership Center, and the Greater Minnesota Housing Fund.

We also want to thank the initiative's referral partners: African Career Education and Resources Inc. (ACER), City of Lakes Community Land Trust, Lutheran Social Service of Minnesota, Mni Sota Fund, Neighborhood Development Alliance (NeDA), New American Development Center, NeighborWorks Home Partners, PRG, and Urban League Twin Cities.

Additionally, thank you to Prepare + Prosper, Center for Energy and Environment, MSR Design, Wilder Research, and the many private, nonprofit, and public sector stakeholders who have informed and participated in this project.

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