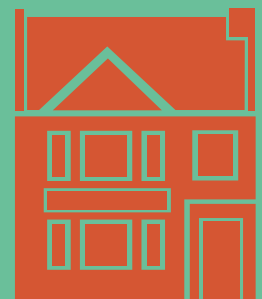
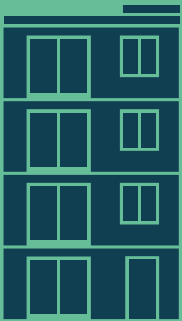




# STRUCTURAL CHANGE

3C Initiative Promotes Housing Affordability and Racial Equity in Five U.S. Cities



By Amanda Abrams

IN 2021, the *Los Angeles Times* reported that some of the city's newest million-dollar neighborhoods were in South LA. Many residents of the historically Black community were shocked.

Not Kristin Johnson. The South LA native and her husband have been trying to buy a home in the area for a while now, but haven't been able to afford one. They both work, and have spent several years improving their credit and growing their savings. But housing prices keep moving out of reach.

Back in 1965, Johnson's grandparents bought a house in the Crenshaw area of South LA, largely on one salary. The house cost \$16,500. Today, it's worth almost \$1 million.

Johnson's mother spent her teenage years in that house. She watched the last remaining white families flee and the neighborhood's Black residents lose retail stores, manufacturing jobs, and essential services. Now white people are coming back, and investment is too; a Metro rail line going through the neighborhood opened this fall, and the new SoFi Stadium, home to the LA Rams, is 10 minutes away. Those changes will likely drive housing prices even higher.

"A lot of folks who aren't Black or brown are moving in and scooping up houses," says Johnson. "But even with first-time homebuyer programs, I'm still not able to afford a home in the area where I was born and raised."

Cities around the country are facing severe housing challenges, and communities of color are especially hard hit. Many have been struggling for years, but the pandemic exacerbated the situation, leading to surging home prices and rising rents, particularly in big cities. Those increases have slowed somewhat since mid-

2022, but they haven't stopped, and residents are fighting simply to maintain their footholds, let alone buy homes and grow their wealth.

There's a giant gap in U.S. homeownership rates—almost 75 percent of white households own their homes, compared to 45 percent of Black households and 48 percent of Hispanic households—and it's a big source of the nation's racial wealth disparity. But affordable single-family homes that could begin to address that problem aren't being produced at anything close to the scale needed.

Efforts to preserve and expand affordable housing while building community wealth have faced challenges ranging from restrictive local development policies to construction slow-downs caused by staffing and supply chain issues. The Center for Community Investment's Connecting Capital and Community initiative (3C), established in partnership with JPMorgan Chase, seeks to address these challenges using a fundamentally different approach.

Launched in 2021, the project currently includes teams in five major U.S. cities: Chicago, Los Angeles, Miami, Seattle, and Washington, DC. Each team is creating localized, customized strategies to increase its city's stock of affordable rental or for-sale housing, while also building wealth for Black and Latino communities. The teams, which include residents as full partners, are bringing together stakeholders across nonprofit, public, and private sectors; designing innovative projects that can influence capital flows, policies, and practices; and testing new ways to tackle the housing supply and homeownership crisis that can inform efforts in other cities.

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## A National Problem with Local Solutions

The 3C initiative emerged as a way to examine barriers within the housing system that have limited both access to housing and the supply of housing, and to identify tools and strategies for overcoming those barriers that can help support and advance Black and Latino communities.

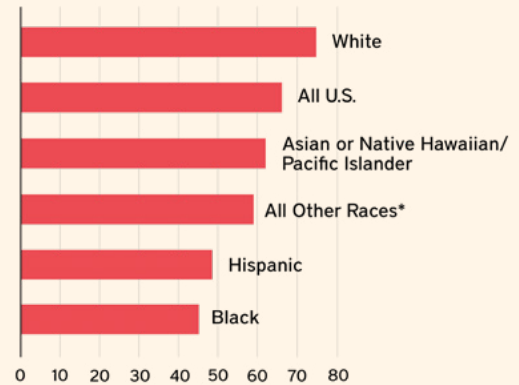
“We know that communities need a variety of housing types,” says Omar Carrillo Tinajero, director of partnerships and initiatives at the Center for Community Investment (CCI). “If we’re supporting thriving communities, and if in particular we care about communities that have been underinvested and disinvested, we need to ensure that we’re using a variety of tools.”

3C is part of a \$400 million, five-year philanthropic commitment by JPMorgan Chase to support Black, Latino, and Hispanic households. CCI and JPMorgan Chase crafted the program based on insights from their place-based development work, and it is designed to support a holistic examination of investments, not one-time projects. “We want to advance systems change, which is critical for inclusive growth in communities,” says Mercedeh Mortazavi, vice president for global philanthropy at JPMorgan Chase. “Our investments will help test new innovations, bring people together to think collaboratively, and aim to be successfully scaled across the country.”

In each city, a lead organization spent significant time in 2021 gathering stakeholders from the nonprofit, municipal, philanthropic, and corporate sectors, as well as from community groups representing local residents, to form a core team.

Together, team members settled on shared priorities and began scrutinizing their local environments to identify gaps and potential

### U.S. HOMEOWNERSHIP RATES BY RACE AND ETHNICITY



\* Includes people who reported American Indian or Alaska Native regardless of whether they reported any other race, as well as all combinations of two or more races.

Decades of discriminatory housing and lending policies have led to dramatic differences in homeownership rates by race and ethnicity in the United States. Source: U.S. Census (2022).

solutions. They looked for land use patterns that might support small-scale development—high numbers of vacant lots, for example, or historical housing styles that support both homeowners and renters—as well as for potentially useful tools and resources, then crafted plans around those findings. Some teams are aiming to increase the housing stock available to low-income families for purchase; others are trying to fight gentrification-related displacement by building affordable rental homes.

Despite addressing different issues, the five groups have found common ground. This is true both in practice, as they prioritize partnering with developers of color and collaborating with local residents, and on a strategic level, as they research innovative lending, land use, and ownership models that could help transform housing and wealth-building opportunities in their communities.

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## A Framework for Action

Although 3C is new, the process the teams are using to focus their efforts is time tested. Fundamental concepts like aligning priorities and partnering with a project’s end users—in this case, community members—are part of the capital absorption framework, a tool developed by Robin Hacke, CCI’s executive director, and Marian Urquilla, the organization’s cofounder.

Using the capital absorption framework, many communities have addressed local economic and social challenges like affordable housing by developing shared goals, encouraging a stream of developments rather than focusing on single projects, and improving the enabling environment of pertinent policies and processes that can smooth and speed up that preservation and development pipeline.

“Ultimately, it’s about trying to reorganize, redesign, and reshape how a community imagines its future and lays down track to get there,” says Urquilla. “It’s very hard work—but it will pay dividends down the line.”

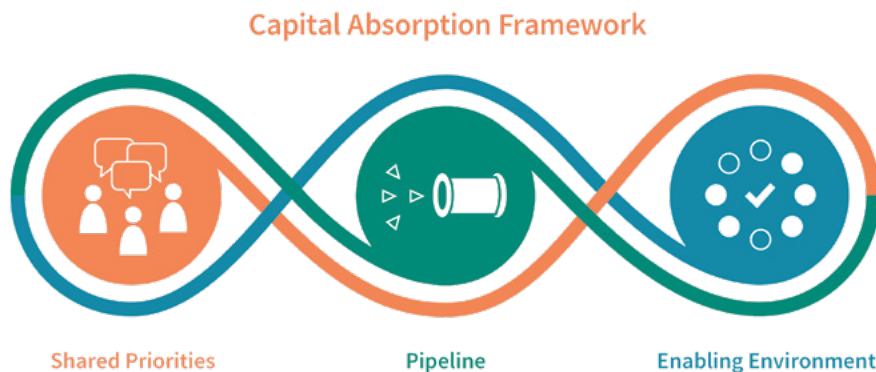
Dana Jackson has seen this approach bear real fruit. Jackson, a consultant from Louisville, Kentucky, who has over 25 years of experience in grassroots organizing and policy making, is 3C’s lead faculty. She coaches the Miami and Chicago teams and leads workshops where all five teams work through exercises focused on their specific environments and the needs of all stakeholders.

In those sessions, says Jackson, each group might be asked to outline its city’s housing system and all the steps involved in developing a home and getting homebuyers or tenants in place. That leads to questions like, “Where does it get bunged up or hung up, and how might we, with a set of partners, make some shifts in that system?” relates Jackson. “I’ve seen teams get really clear on what the system pinches are, and then craft a strategy to address that.”

She agrees with Urquilla that it’s not an easy process. But it’s important groundwork for accomplishing the 3C initiative’s objective: to develop city-specific housing approaches that demonstrate a way to build affordable housing more easily and equitably—and that can inform efforts elsewhere.

The five cities and their team members all began in different places. Some cities are home to high-capacity nonprofit organizations and existing infrastructure that supports their work, while others have sometimes struggled to connect with resources. Some team members had worked together before and were able to hit the ground running, while others needed time to learn about each other and the best ways to get things done.

The groups have taken different approaches to developing the projects they hope will strengthen affordability and equity in their cities. Here’s a look at the work underway in three of the 3C cities: Chicago, Miami, and Los Angeles.



The Center for Community Investment’s Capital Absorption Framework has helped communities address local economic and social challenges including housing affordability. Credit: CCI.



Left: Two-flat housing in Humboldt Park, one of two focus areas for the 3C initiative in Chicago. Right: Community mural in Humboldt Park. Credits (left to right): stevegeer via iStock/Getty Images Plus, City of Chicago.

## Chicago: Lowering the Homeownership Threshold

Early in the 3C process, the Chicago team’s members knew they wanted to focus on expanding homeownership. The city’s homeownership rates for Black and Hispanic families, 35 percent and 43 percent, respectively, are below the national averages (see Figure 1).

They also knew they wanted to work with two-flats and four-flats, iconic Chicago housing styles developed in the early 1900s to accommodate immigrants and Black migrants from the South. These traditionally affordable housing options, which comprise a quarter of the city’s current housing stock, have dwindled as people converted them to single-family homes or replaced them with new developments.

The question facing the Chicago team was, what neighborhoods should they focus on as they developed their initial demonstration project? “We wanted to be thoughtful and strategic about where we could make an impact,” says Lynnette McRae, director of the 3C initiative at the Chicago Community Trust, which is the program’s lead organization. The team wanted to pick areas whose residents were already working toward homeownership, and places that had an existing fabric of two-flats and four-flats as well as vacant lots where more could be built.

Eventually, the team decided to focus on Garfield Park and Humboldt Park, both majority Black and Latino communities. Garfield Park is already part of a couple of major redevelopment efforts—one led by the city, another by a coalition of nonprofits—that 3C’s work could leverage and amplify.

The group ran into a roadblock fairly quickly. Efforts to expand homeownership usually target families earning at least 80 percent of area median income (AMI). But Garfield Park and Humboldt Park are low-income communities where most households earn significantly below that.

“Doing an affordable housing project at 100 percent of AMI—that might check a lot of people’s boxes, but we know the vast majority of our residents earn under 60 percent of AMI,” says Mike Tomas, executive director of the Garfield Park Community Council. He and Humboldt Park representatives, as members of the 3C team, pushed for options that could serve more residents.

That point created some tension—“healthy tension,” Tomas calls it—but in the end, the question of how to serve lower-income residents interested in pursuing homeownership has become the central mission of the Chicago team’s work.

This year, the team is moving into a deeper engagement phase, says Ashlee Cunningham, initiative director at CCI, who advises the Chicago

FIGURE 1  
AFFORDABILITY AND EQUITY IN 3C CITIES

	Population (2020 est.)	Population growth, 2010–2020	Median sale price for single-family home, January 2023	Homeownership rates (white   Black   Hispanic)	Percentage of renter households that are cost burdened*
<b>National</b>	331.5 million	7%	\$383,000	75%   45%   48%	40%
<b>Chicago</b>	2.7 million	2%	\$261,000	54%   35%   43%	48%
<b>Los Angeles</b>	3.9 million	3%	\$1,050,000	43%   27%   29%	59%
<b>Miami</b>	442,000	11%	\$570,000	43%   22%   31%	67%
<b>Seattle</b>	737,000	21%	\$850,000	51%   26%   27%	41%
<b>Washington, DC</b>	690,000	15%	\$849,000	53%   37%   32%	47%

Note: All figures are rounded.

\*Cost-burdened households pay more than 30 percent of their income for rent and utilities. These figures include severely cost-burdened households, which pay more than 50 percent of their income for these expenses.

Sources: Population and population growth: U.S. Census; median sale prices: Redfin; homeownership rates: Institute for Housing Studies at DePaul University, Prosperity Now, Urban Institute, U.S. Census; cost-burdened households: U.S. Census, Prosperity Now. Additional information was provided by the participating cities.

team. “Now it’s time for them to build the pipeline of buyers, start thinking about housing typologies, and look more strategically at what the funding opportunities and needs are.”

The team is hoping to develop a set of solutions that expands homeownership at both 60–80 percent of AMI and 80–120 percent— but successfully reaching that lower range will require solving three key problems. Can the program better identify and prepare potential homeowners through housing counseling? Can creating a flexible lending pool help provide lower-income families with mortgages? And can the team work with developers and the city to acquire land and build more affordable units, so the inventory is there when buyers are ready?

They’re difficult questions, but the team is up for the challenge, says Donna Clarke, chief operating officer of Neighborhood Housing Services of Chicago, a team member that provides financial assistance, education, and support to help middle-class and working-class families purchase and maintain homes: “It pushes us to find solutions and be innovative.”

When the work of 3C is done, says Cunningham, “we’ll be able to say that this team has created a culture of homeownership, promoted equal access to capital, and expanded an affordable housing inventory. And through those three things, they will create a model for other communities.”

Chicago city staff work with Garfield Park residents to map future housing sites. Credit: Garfield Park Community Council.





During a south Florida housing tour in 2022, HUD Secretary Marcia Fudge declared Miami the epicenter of the nation's affordability crisis. The city tends to favor large private developers. Credits (left to right): U.S. Department of Housing and Urban Development via Flickr, Nicolas McComber via iStock/Getty Images.

## Miami: Betting Big on Small-Scale Development

Last summer, HUD Secretary Marcia Fudge declared Miami “the epicenter of the housing crisis in this country.” That’s not only the result of typical pressures like low supply and gentrification. Financial and regulatory aspects of Florida’s housing environment tend to favor large private developers, and therefore Miami doesn’t have a well-rounded ecosystem that includes small or nonprofit housing developers or experienced CDFIs.

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In 2018, the organization Miami Homes for All brought together local stakeholders to consider those needs, launching the Greater

Miami Housing Alliance to further address them. That coalition worked productively for two years, coming up with a set of policy recommendations for city and state leaders. So when 3C launched in 2021, the Miami team, which includes many participants from the earlier effort, had a head start.

Now, however, the team needed to find projects that could illustrate the benefits of the policy changes its members had recommended. “So much had already been done by the Greater Miami Housing Alliance. But we need to be able to build out that approach” to demonstrate what those recommendations could look like in practice, says Lisa Martinez, who leads the Miami team.

The group determined that it wanted to focus on anti-displacement strategies in predominantly Black communities through housing preservation and the construction of small-scale developments. Its members canvassed current housing-related projects throughout the region, eventually choosing to invest in five that illustrate key needs and offer the promise of important learnings.





## Los Angeles: Diversifying Housing Types

In Los Angeles, the 3C team is working in South LA, where it will prioritize new construction for homeownership, as well as preservation of existing affordable rental units.

But LA has some built-in limitations—namely, the high cost of land. Building new affordable single-family homes on individual lots is simply not feasible there, and group members spent months investigating ways to lower prices. Could they take advantage of SB9, California’s new law allowing homeowners to quadruple density on their properties? Could shared-ownership models help buyers build wealth?

In the end, they settled on something seemingly more conventional: condos. “Which might not sound that innovative, but it is for South LA. No condos exist there,” says Alejandro Gonzalez, program manager for LA’s 3C initiative.

Condos can be purchased with conventional mortgages, and the community is full of under-built parking lots and low-rise strip malls that could be repurposed for higher-density housing.

But even factoring in land use incentives and down payment assistance to get first-time buyers into the units, local costs are so high that the LA team couldn’t find a way to make mortgages available to residents earning less than 80 percent of AMI, which was a goal of many team members.

“Our biggest challenge has been the desire of many of our community-based partners to serve folks under 80 percent—which we all want to do,” says Tom de Simone, executive director of Genesis LA, a large CDFI that leads the team. The group repeatedly discussed the issue, with some members pointing out that even LA residents who earn 100 percent of AMI struggle to afford homes, and that offering condos at that price point would allow some Black professionals to remain in the South LA neighborhood who would otherwise be priced out.

South LA has seen many changes in recent years, including the 2020 construction of SoFi Stadium. Credit: Mark Holtzman Photography.



Marsha Mitchell was one of the team members involved in these discussions. Mitchell, director of communications at Community Coalition, an organization working to transform the social and economic conditions of the neighborhood, says she understands the financial realities in the city that ultimately helped shape the group's approach—and notes that she appreciated the back and forth. “Just the fact that we had those discussions, it's really important.”

De Simone says the debate influenced him as well. “It was an eye opener. Maybe we can't get 100 percent of the units under 80 [percent AMI], but we need to try for some,” he says. He thinks small savings coming from reduced parking, density bonuses, or modular construction could lower prices just enough to make units more affordable. And he muses that if local elected officials see the feasibility of investing in condos to expand the supply of affordable homes, they might eventually commit public funding that could further lower the cost for renters and homebuyers.

The team is also focused on preserving multifamily rentals, but that work won't start until later this year, when a new state funding source becomes available. For now, the group has its hands full acquiring property suitable for condo construction and finalizing the first project's design—steps that will be informed, as all the decisions to date have been, by dialogue and consensus building.

That focus on community and consensus building is a defining characteristic of the 3C initiative, and it will continue to guide the discussions and decisions of all five teams.



LA Metro's Expo/Crenshaw station is the origin point for a new rail line through South LA. Housing advocates are concerned that the transit improvement could drive home prices higher. Credit: Laser1987 via iStock Editorial/Getty Images Plus.

“A lot of times, the community is an afterthought,” says Mitchell. “That's one thing that makes this project different.”

In all five cities, 3C program leaders are determined to address the country's affordable housing crisis in a new way. While they recognize the shared systemic challenges facing communities of color across the country, they view every city as a unique environment whose neighborhoods, history, policy environment, and culture all play important roles in the creation of new housing models—and whose policy makers, practitioners, and residents are best positioned to craft strategies and solutions that will work in their communities. □

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## ABOUT THE CENTER FOR COMMUNITY INVESTMENT

The Center for Community Investment (CCI) at the Lincoln Institute of Land Policy helps communities create equitable, effective investment systems that can achieve their visions so all residents flourish. CCI equips community leaders with the capital absorption, adaptive leadership, and racial equity skills to transform their investment systems. To learn more, visit [centerforcommunityinvestment.org](https://centerforcommunityinvestment.org).