



## EXECUTIVE SUMMARY

### HOME REPAIR FUND

#### Ordinance 899-2022

Name of Requesting Entity: Integrated Development

Address of Requesting Entity: 601 Lakeside

Geographic Scope of Project: City Wide

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### AMOUNT REQUESTED \$ 10,000,000

### DESCRIPTION

Preserving aging housing in the city is a major component of the city's 10-year housing plan, critically important to neighborhood quality of life and our city's attractiveness and competitiveness to residents, and an urgent and present need in the city's neighborhoods.

This program would create a network of new grants, deferred loans, and low interest loan funds for home repair to be created and administered by a third party based on guidelines and parameters developed by the City. Low income/disabled/senior residents would have the option of combining grants with deferred loans to assist them in filling gaps with existing programs (HOME/CDBG funded home repairs) to substantially repair their homes. Partner banks/Community Development Finance Institutions (CDFIs) would facilitate the grants and lending and create a loan loss reserve to allow participating banks to extend credit to those traditionally viewed as unbankable. Local CDCs and non-profit partners would provide credit counseling and technical assistance to ensure successful outcomes. The program would also cover small landlords.

Grants for home repair will be directed to complement and close gaps of existing programming. Specifically, providing grant funds for structures owned or occupied by households up to 300% federal poverty guidelines. Grants will help provide a kickstart to a home repair industry in Cleveland.

Loans for home repair will help make resources for home repair more sustainable. ARPA funding allows resources to subsidize home repair loans issued by CDFIs. Creating a home repair lending market for structures owned or occupied by households between 80% AMI and 300% AMI is key to ensuring that this work does not end with ARPA.

### TIMELINE

**September-October 2022**- Issuing one+ RFP/RFQs for home repair grant, loan, and professional service programs.

**December 2022**- Award ARPA investment in partner subrecipients and CDFIs

**End 1Q 2023** – first loans/grants anticipated

It is expected that the loan aspect of this program will be ongoing and the recapture of loan funds will allow the program to continue in perpetuity.

### IMPLEMENTATION

Community Development department staff will administer RFP/RFQs, contract with recipients, and ensure project oversight. A partner(s) will administer ARPA funds.



**GOALS**

Ensure that all residents in Cleveland have access to home repair capital that is affordable, easily available, and results in meaningful improvements to neighborhood housing stock. These investments will in turn attract more private investment in housing rehab and construction, stabilize neighborhoods, attract new residents to the City, and create vibrant and sustainable neighborhoods. Through loans which are successfully repaid, we will increase housing values and create more private sector lending activity.

The goal will be to leverage the City’s \$10M investment with at least \$5,000,000 from banking institutions. The initiative aims for 600 Home Repair grants to Cleveland households (average \$15,000 per project), 200 subsidized home repair loans to Cleveland households (average \$25,000 per project). Loans will be revolving and evergreen.

**RACIAL EQUITY**

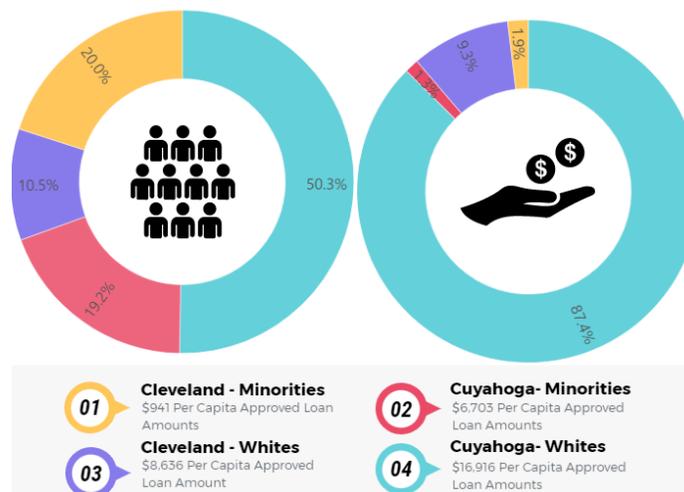
Home repair lending is not meaningfully occurring in many Cleveland neighborhoods. Lack of credit access and low incomes, especially in east side neighborhoods has led to deferred maintenance and tens of thousands of homes in disrepair. This can lead to blight and abandonment requiring demolition. Many neighborhoods in Cleveland have not recovered their median home sale values since the foreclosure crisis. Residents who have been cut out of traditional credit access will have access to a robust set of tools to address their home repair needs to restore vitality to disinvested, majority-minority neighborhoods.

The disinvestment in properties in Cleveland is a direct result of the disinvestment in minority borrowers. Implementing home repair grant and lending programs is an investment in the minority community.

Without maintaining and repairing Cleveland’s housing stock there can be no hope of preserving or growing wealth or providing opportunities to the larger economy through lending.

Between 2018 and 2020, 1.9% of funds borrowed in Cuyahoga County were approved to minorities living in Cleveland. Home repair is a key to maintain not just safe housing but preserving the single largest investment of most households, their home. Continuing the low level of lending perpetuates the loss of wealth in minority community.

**2018-2020 Lending in Cuyahoga County**





### **COMMUNITY IMPACT**

By leveraging this investment with a commitment from lenders for increased home improvement lending in areas with little lending activity, this program will serve scores of Cleveland residents and small landlords to facilitate home repair activity at significant scale. This will also provide work for hundreds of home repair contractors, with opportunities for additional workforce development to grow contractor base. Reduction of the current and future rate of blighted properties in Cleveland.

In order to accomplish 800 properties repaired over four years, Cleveland will need to grow the contractor base that participates in these programs. Currently, in City of Cleveland funded home repair programs there are on average between 4-6 contractors. To be successful, there will need to be a contractor pool of 24 contractors. This would create between 50 and 100 construction jobs. Creating and maintaining an adequate contractor pool will ensure better outcomes and service delivery to Cleveland residents who need home repair.

### **DIFFERENTIATION**

This will be an innovative partnership between the city, non-profits, and lending institutions to create a program of significant scale to address decades of disinvestment and lack of lending in Cleveland neighborhoods. As such, it will stand out as a national model.

### **FINANCIAL LEVERAGE**

By using ARPA to fund a loan-loss reserve pool with multiple lenders in exchange for more robust home improvement lending not only will attract leverage from banks, but it is anticipated to garner philanthropic interest, especially in neighborhoods of opportunity where a number of funders have on-going investments and areas of focus. Potential funders include: Banks (Key, Fifth-Third, Huntington, Third Fed, etc.); Cleveland Foundation, Gund, Rocket Community Fund; Enterprise; LISC, health care institutions.

### **ENVIRONMENTAL SUSTAINABILITY**

Reduction of blight; less need for demolition activity