

Growing Together



An Anti-Displacement & Inclusive Growth Policy Agenda for Indianapolis

Phase II of Grounded Solutions Network's ForEveryoneHome Program



**GROUND
SOLUTIONS
NETWORK**

strong communities
from the ground up

Indianapolis and Grounded Solution Network's ForEveryoneHome Initiative

This report summarizes the needs assessment findings and policy recommendations from Phases 1 and 2 of the ForEveryoneHome Initiative — a two-year collaborative effort aimed at helping mixed-market cities get ahead of the curve on growth pressures.

Grounded Solutions Network is leading this effort as part of our commitment to building equitable and inclusive communities that are rich in opportunity for all. We selected Indianapolis to participate in the initiative through a competitive application process that began in January 2019. Other participating cities include Winston-Salem and San Antonio.

Through the ForEveryoneHome initiative, teams of municipal and community leaders from the participating cities are working together to develop anti-displacement and inclusive growth policies tailored for their communities. **The Indianapolis team includes:**

- ▶ **Maggie Goeglein**, Vice President of Family and Community Solutions, Edna Martin Christian Center
- ▶ **Jennifer Green**, Executive Director, Partners in Housing
- ▶ **Joe Hanson**, Chief Financial Officer and Executive Vice President for Strategic Initiatives, Indianapolis Neighborhood Housing Partnership
- ▶ **Jeff Hasser**, Administrator of Real Estate and Development, Indianapolis Department of Metropolitan Development
- ▶ **Stacia Murphy**, Inclusive Growth Fellow, Develop Indy, Indianapolis Chamber of Commerce
- ▶ **Beth Neville**, Community Development Block Grant Manager, Indianapolis Department of Metropolitan Development
- ▶ **Pamela Ross**, Vice President of Opportunity, Equity and Inclusion, Central Indiana Community Foundation
- ▶ **Diane Schussel**, Senior Community Leadership Officer, Central Indiana Community Foundation
- ▶ **Tysha Sellers**, former Executive Director, Edna Martin Christian Center (former team member)



It's not about ideas, it's about making ideas happen.



Members of the Indianapolis, Winston-Salem and San Antonio ForEveryoneHome teams with Grounded Solutions Network staff and consultants.

Our Process

Grounded Solutions Network is providing technical assistance to the ForEveryoneHome team to guide it through a three-phase policy-making process:

- ▶ **Needs Assessment** – Collect and analyze data and past reports, and solicit input from a wide variety of stakeholders to understand the displacement and inclusive growth challenges the city is facing.
- ▶ **Inclusive Growth and Anti-Displacement Policy Agenda** – Produce a set of policy recommendations to address the issues identified in the Needs Assessment.
- ▶ **Implementable Policy** – Take one of the recommended policies from the Policy Agenda and develop it in detail, so that it can be implemented by the city.

This report summarizes our needs assessment findings from Phase 1 and our policy recommendations from Phase 2.

Our Values

As we proceed through this work, these values guide what we do:

- ▶ **Community Engagement** – We want to follow a strong community engagement process to have this work grounded in community experience and community vision.
- ▶ **Racial Equity** – We want to center racial equity, highlighting policies and practices that will help Indianapolis build a thriving and inclusive community.
- ▶ **Peer Learning** – We want the teams in our three cities to learn from each other. We have built mechanisms into our process to help them do that.
- ▶ **Lasting Affordability** – We want to lift-up the value of lasting affordability — the idea that when we create a unit of affordable housing, it is a community asset that should remain affordable for future generations.



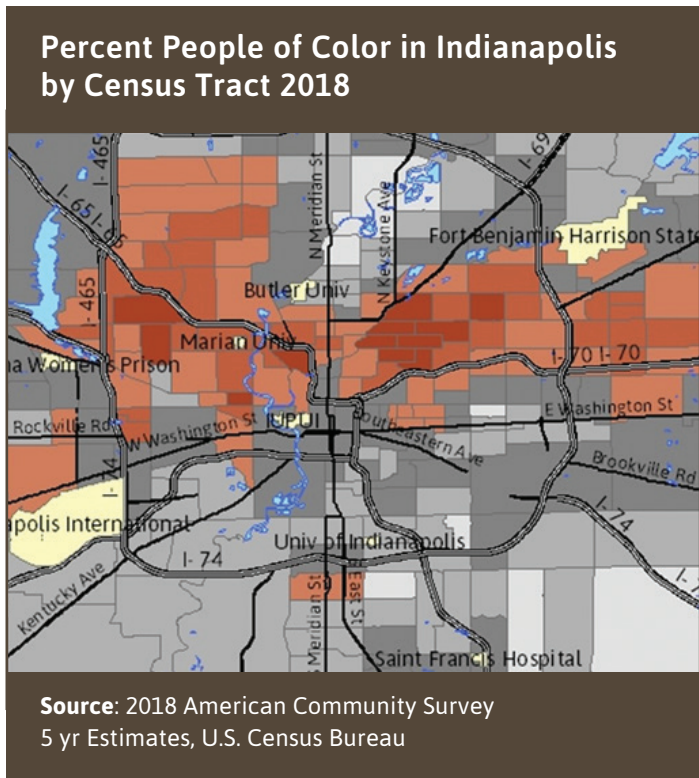
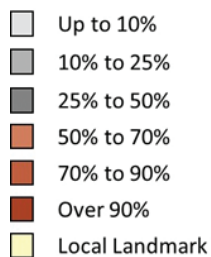
A history of discrimination has left Indianapolis a city divided by race and ethnicity. This divide creates a gap in wealth, income and opportunity that prevents our whole community from moving forward.

A Highway Runs Through It

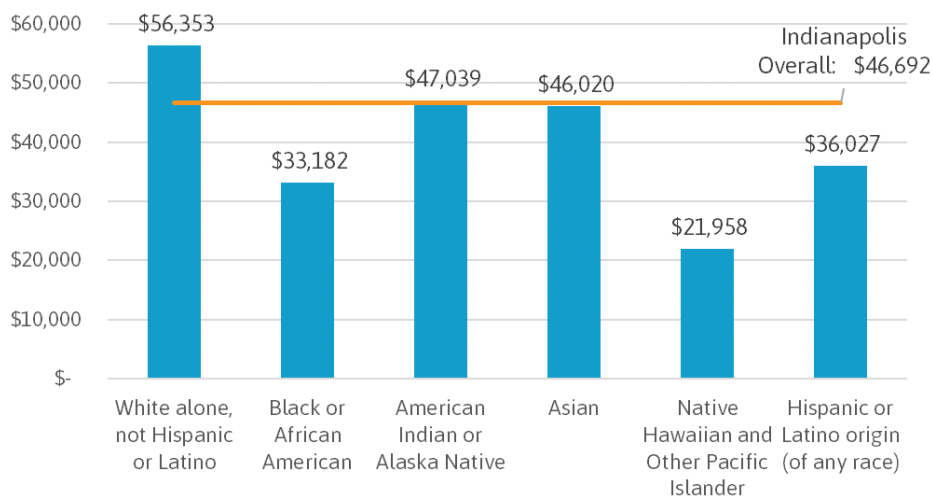
The racial divide in Indianapolis is not hard to see; a highway runs through it. The neighborhoods around and to the north of Interstate 65/70 tend to be predominantly African-American and Hispanic. Those to the south tend to be predominantly white.

This spatial separation matters because place matters — the neighborhoods that we live in shape our experiences, our opportunities and our collective future. For those residing in neighborhoods where diminishing access to essential goods and services limits opportunities, the possibilities of achieving a more prosperous future are reduced compared to those in vibrant neighborhoods.

The racial divide in Indianapolis is reflected in race-based gaps in wealth, income, poverty and opportunity across the city.



Median Household Income by Race and Ethnicity in 2018



Source: U.S. Census Bureau's 2018 American Community Survey 5-year estimates.

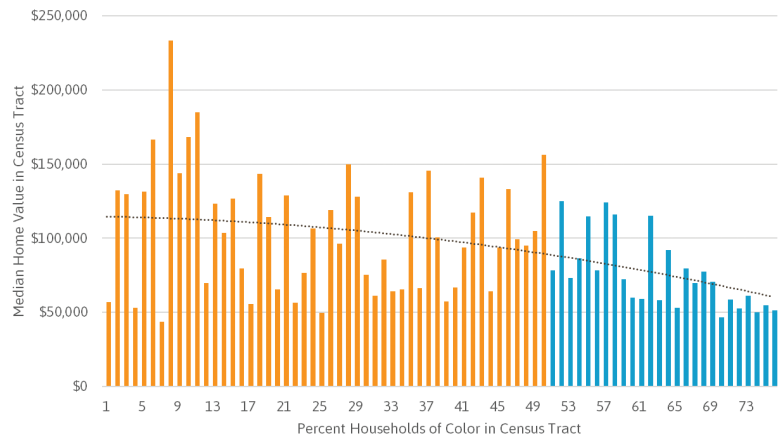
Income

The median household income for non-Hispanic white residents in Indianapolis was \$56,353 in 2018. For Black and Hispanic residents, median income was more than \$20,000 less.

Home Value

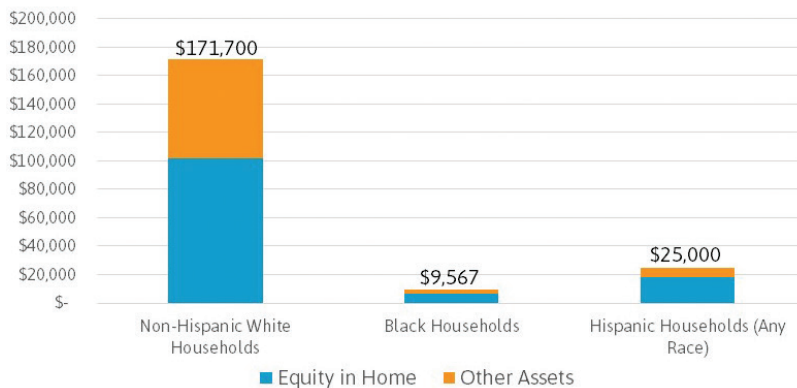
A similar gap appears when we compare median home values in predominantly white neighborhoods with median home values in neighborhoods of color. The dotted trend line on the chart below shows that as percent people of color in a neighborhood increases, the value of homes tends to decrease. This is consistent with a recent study that found a national trend in the devaluation of Black-owned homes. Homes of similar quality in neighborhoods with similar amenities are worth 23% less in majority Black neighborhoods, compared to those with very few or no Black residents.¹ These racialized differences in the value of homes contribute to a significant wealth gap between white and non-white households.

Median Home Value by Percent Households of Color in Census Tract



Source: 2018 American Community Survey
5 yr Estimates, U.S. Census Bureau

Racial Wealth Gap: Median Household Net Worth by Race and Ethnicity in U.S. in 2017



Source: U.S. Census Bureau "Wealth Asset Ownership & Debt of Households Detailed Tables:2017" Accessed April 6, 2020

Wealth

Even if there were no race-based differences in the value of homes in Indianapolis, a racial wealth gap would persist. This is because the homeownership rate between white households and households of color is starkly different. According to 2018 estimates from the U.S. Census Bureau's American Community Survey, two-thirds of white households in Indianapolis are homeowners, while just one-third of households of color own their own homes. Nationally, the median net worth of households who are homeowners is \$269,100, while the median net worth of renter households is just \$3,036. Considering a home is typically a household's most valuable asset, the race-based "ownership gap" in Indianapolis undoubtedly contributes to a significant racial wealth gap in the community as well. The chart below illustrates the racial wealth gap that exists in the U.S. as a whole. Comparable figures for Indianapolis are not available.

The Opportunity Divide

Even more troubling than the current racial divide in wealth and income in Indianapolis is the Opportunity Atlas' assessment of how Indianapolis neighborhoods influence their residents' life chances. In collaboration with researchers at Harvard University and Brown University, the Census Bureau developed the Opportunity Atlas to provide a statistical assessment of children's outcomes in adulthood. The Opportunity Atlas explains its project as follows:

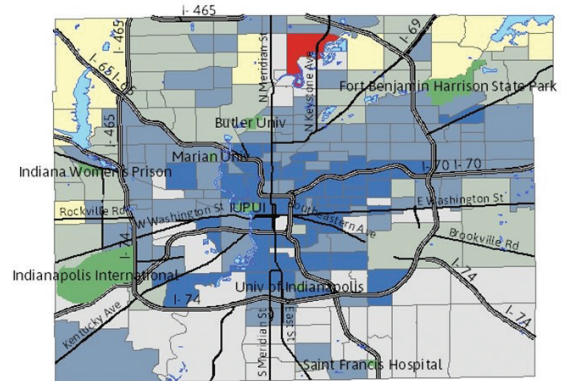
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The Opportunity Atlas is built using anonymized data on 20 million Americans who are in their mid-30s today. We map these individuals back to the census tract (geographic units consisting of about 4,200 people) in which they grew up. Then, for each of the 70,000 tracts in America, we estimate children's average earnings, incarceration rates, and other outcomes by their parental income level, race and gender.

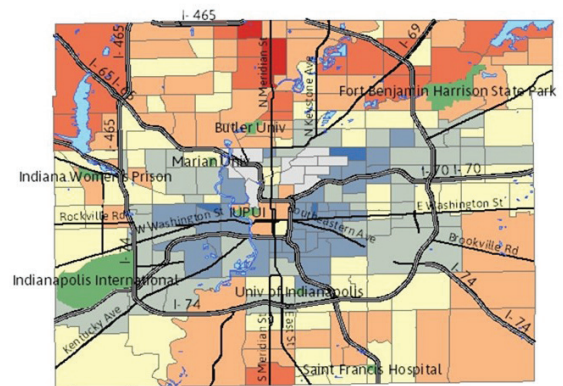
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The Opportunity Atlas' analysis shows stark differences in people's average expected earnings depending on where in Indianapolis they grew up. Almost invariably, Black children's expected earnings lag behind those of white children, even when they grow up in the same neighborhood. In over 70% of the census tracts for which the Census Bureau conducted its analysis, Black children were expected to earn less than \$30,000 in adulthood. By contrast, in over 80% of the census tracts that the Census Bureau analyzed, white children were expected to earn \$30,000 or more in adulthood.

Average Income in Adulthood of Black and White Children by Indianapolis Neighborhood Where They Grew Up



Black Child



White Child



Source: The Opportunity Atlas:
<http://www.opportunityatlas.org>

The racial divides in wealth, income and opportunity in Indianapolis have been around so long, it can be hard to see the mechanisms of exclusion and displacement that set them in place decades ago.

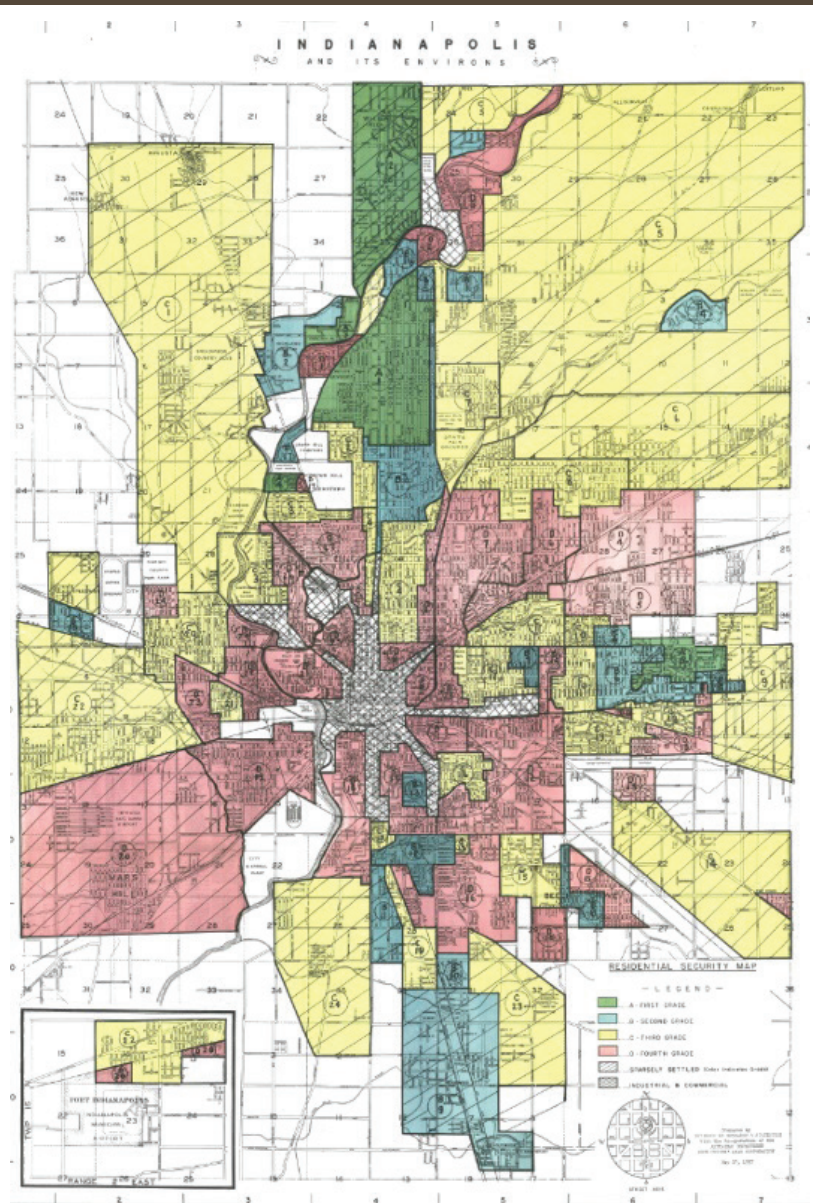
Unfortunately, government action played a significant role in forming or reinforcing these divides. Some early efforts sought to explicitly separate Indianapolis by race.

- ▶ Although the U.S. Supreme Court struck down **race-based zoning ordinances** as unconstitutional in 1917, the Indianapolis City Council nonetheless adopted such an ordinance in 1926. The ordinance sought to prohibit Black residents from moving into predominantly white neighborhoods without their white neighbors' permission, and vice versa. The President of the White Citizens Protective League declared at the time that "passage of this ordinance will stabilize real estate values ... and give the honest citizens and voters renewed faith in city officials." The new ordinance did not survive an immediate legal challenge by the NAACP, but it nonetheless set a tone of hostility toward racial integration throughout the city.
- ▶ Absent a zoning ordinance, white property owners relied heavily on **racially restrictive covenants** in deeds to reserve certain neighborhoods and business properties to "Caucasians." Despite the overt racism included in these covenants, state courts enforced them for many decades, reasoning that the U.S. Constitution only prohibited the government from discriminating based on race and left private citizens free to do so. The U.S. Supreme Court ultimately overruled these state court decisions, finding in 1948 that court

enforcement of these discriminatory agreements constituted state action in violation of the equal protection clause of the U.S. Constitution.

- ▶ Beginning in the 1930s, the federal government followed a **neighborhood composition rule** that mandated that the racial makeup of public housing mirror the makeup of the surrounding neighborhood. This reinforced racial segregation throughout the city. The federal government dropped the neighborhood composition rule in the 1960s.

Lending Security Zone ("Redlining") Map of Indianapolis by the Federal Home Owners Loan Corporation 1937



Other policies and practices effectively cut off non-white residents from the wealth-building opportunities available to their white neighbors or destroyed the wealth that communities of color had built.

- ▶ In the 1930s, federal surveyors rated Indianapolis neighborhoods with significant non-white populations as high-risk, “hazardous” areas for making loans. The government refused to back loans in these “**redlined**” areas, and so banks refused to make loans there. Without access to capital, these neighborhoods languished and declined. These discriminatory government practices continued until the Fair Housing Act of 1968 banned them. Historically redlined areas of Indianapolis remain some of the most disinvested today.
- ▶ The boom years after World War II laid the foundation for wealth accumulation and prosperity for many white families, facilitated in no small part by the **GI Bill**. The GI Bill provided a government-guaranteed housing loan to veterans, enabling millions of families across the country to become homeowners. However, Black veterans generally were not able to take advantage of the GI Bill because banks would not make loans for mortgages in Black neighborhoods. African-Americans were excluded from other neighborhoods — and from the suburbs to which many white families were moving — through restrictive covenants and other forms of discrimination.
- ▶ In the 1940s through 1960s, Indianapolis used federal **urban renewal** and **highway** funds to accomplish a variety of “blight-elimination” projects that almost invariably targeted African-American neighborhoods. These projects yielded mixed results, producing better housing conditions for some, but destroying centers of the Black community in the process. Thousands of Black households lost their homes, businesses, schools and places of worship to urban renewal projects — such as the expansion of the Indiana University–Purdue University Indianapolis campus on the near Westside — and to the construction of major transportation corridors — such as Interstate 65 — through Black neighborhoods.

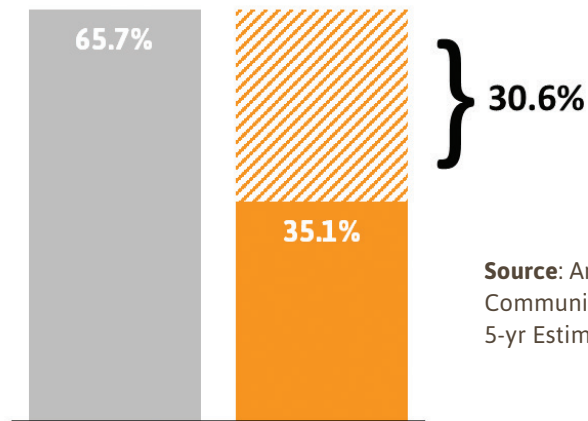
These and other institutional and individual factors sowed the seeds of the racial equity gaps in our community today. The **economic transformation** that Indianapolis experienced starting in the 1980s exacerbated these differences. The city has lost much of its manufacturing job base in the last four decades, shifting increasingly to a service-sector economy and the associated lower-wage jobs. This has eroded a pathway to the middle class that earlier generations of Indianapolis residents had followed. Accordingly, the structural and systemic racism that people of color in Indianapolis have faced, combined with the profound economic transformations that have gripped the region, have led to the stark differences in opportunities and outcomes experienced by people of different races in our city.



With sound policy and effective action, Indianapolis' past does not have to define its future. We can close the racial equity gaps that divide the community. The city is already working toward that goal, and by advancing anti-displacement and inclusive growth policies, we will do even more. The smaller those gaps become, the greater the racial equity dividend we will all enjoy. Together, we rise.

Potential Racial Equity Dividend: 43,369 More Homeowners in Indianapolis

The **gap in rate of homeownership** between white households and households of color.

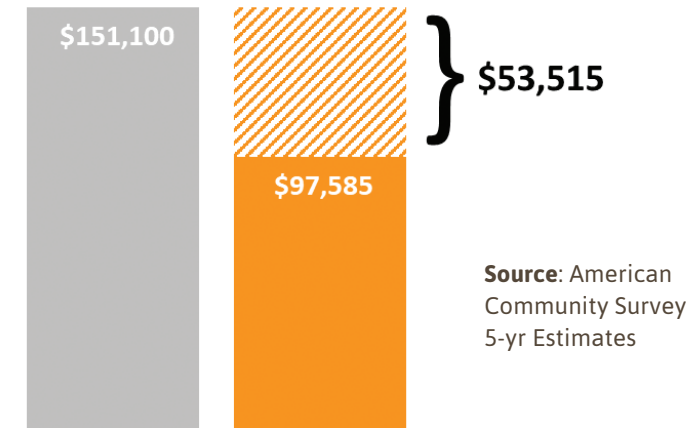


If white households and households of color owned homes at the same rate, **an additional 43,369 Households of Color** would own their own homes.

The analysis in this section is modeled on the analysis conducted by the Greater Buffalo Racial Equity Roundtable in its 2018 Racial Equity Dividend Report, available at: <https://racialequitybuffalo.org/files/documents/report/theequitydividendfinaljune2018.pdf>

Potential Racial Equity Dividend: **\$3.015 Billion More Wealth in Our Community**

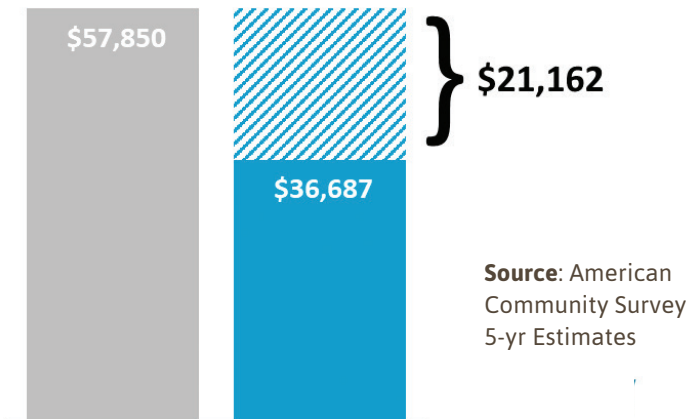
The **median home value gap** between predominantly white neighborhoods and neighborhoods of color.



If homes in neighborhoods of color were worth as much as the median home value in predominantly white neighborhoods, **Indianapolis homeowners would have an additional \$3.015 billion of wealth.**

Potential Racial Equity Dividend: **\$2.867 Billion More Money to Spend Locally Every Year**

The **median HOUSEHOLD Income gap** between predominantly white neighborhoods and neighborhoods of color.



If households in neighborhoods of color earned as much as the median household income in predominantly white neighborhoods, **residents would have an additional \$2.867 billion to spend in Indianapolis.**

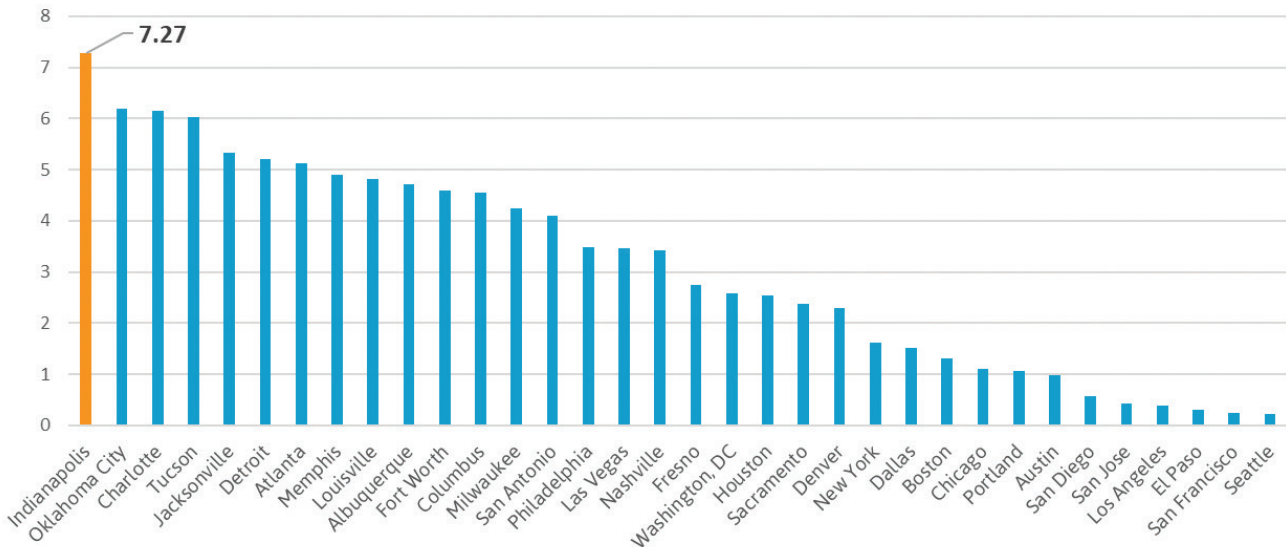
Indianapolis' eviction rate is extremely high. The city has the highest eviction rate in the country among cities with a population over 500,000. Eviction rates in neighborhoods of color are even higher than for the city as a whole. We can bring the eviction rate down by:

- ▶ Making the city's new Rental Assistance Program permanent.
- ▶ Developing a model Eviction Prevention Plan for Indianapolis landlords.
- ▶ Developing a "Landlord Academy" to train landlords in best practices.
- ▶ Providing support for tenant organizing.
- ▶ Establishing a specialized "Housing Court."

Nature and Scope of the Problem

Eviction is a destabilizing event in people's lives. It causes kids to miss school and adults to miss work. Families lose their possessions, their homes and their neighborhoods. With an eviction on their record, households find it even harder to secure a decent home in a decent neighborhood. Eviction negatively impacts people's mental and physical health and leads many into periods of homelessness. As researcher Matthew Desmond observes, "Eviction isn't just a condition of poverty; it's a cause of poverty."

Eviction Rate in 2016 Among US Cities with Population Over 500,000



Source: 2016 Eviction Lab Data, 2016 5-yr American Community Survey Estimates.

According to Eviction Lab, Indianapolis had an eviction rate of 7.27 in 2016 — the most recent year for which data is available. That means that more than seven out of every 100 renting households were evicted in 2016. This is the highest eviction rate in the country among cities with a population over 500,000.

Unpacking the reasons for this high eviction rate is challenging. Undoubtedly, high housing cost burdens play a significant role. By far, the leading cause of eviction is missed rental payments. When housing costs stretch people’s budgets thin, any economic disruption — a health emergency, a car repair, a missed shift at work — can leave households unable to make ends meet. If they miss a rental payment, eviction can soon follow.

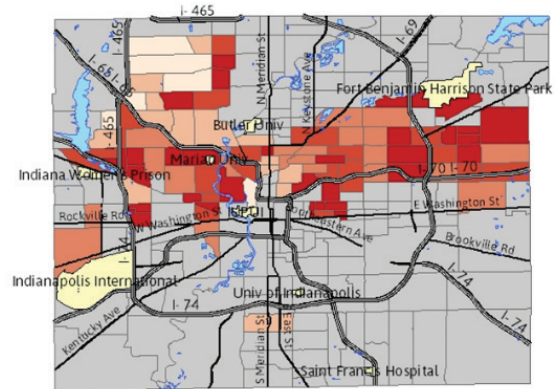
Even before the COVID-19 pandemic, **nearly half of all renters in Indianapolis were paying too much of their income in rent.** Households are termed “housing cost-burdened” when they pay 30% or more of their income in rent. In 2018, 48.9% of Indianapolis renters were housing cost-burdened. Indeed, one in every four renting households were severely housing cost-burdened, paying more than half of their household income in rent.

In neighborhoods predominantly made up of Black and brown residents, incomes tend to be lower and housing cost-burdens tend to be higher, as compared to predominantly white neighborhoods. Not surprisingly, eviction rates also tend to be higher in those neighborhoods.

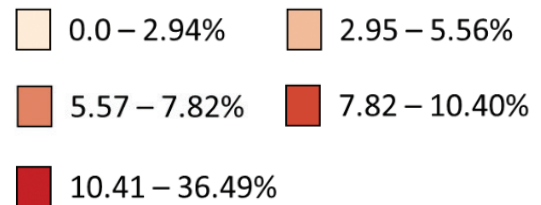
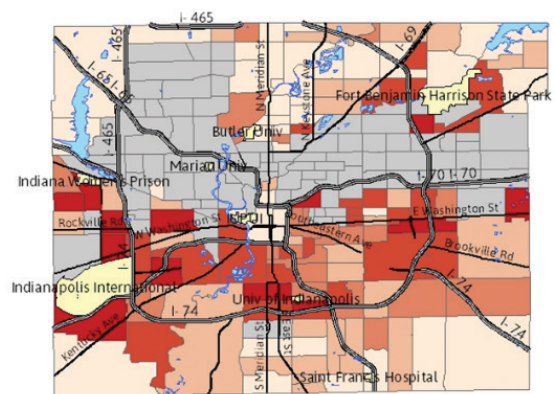


2016 Eviction Rate by Census Tract in Indianapolis

Neighborhoods with a Majority Households of Color

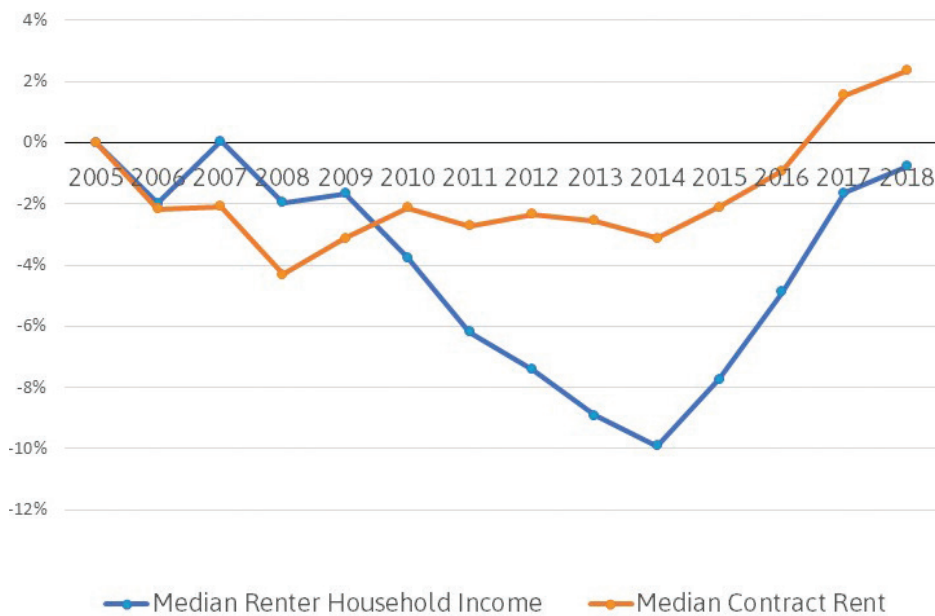


Neighborhoods with a Majority White Households



Source: The Opportunity Atlas:
<http://www.opportunityatlas.org>

Relative Change in Rent and Income Since 2005



Source: 2005 & 2006 American Community Survey 1-yr Estimates; 2007 & 2008 American Community Survey 3-yr estimates; 2009-2018 American Community Survey 5-yr estimates. All figures adjusted for inflation to 2018 dollars.

A significant factor in households' strained budgets is the fact that rents are up in Indianapolis while incomes are down. As the graph below shows, rents fell after 2005 and stayed below 2005 levels for the next decade. Only in 2017 did Indianapolis' median rent increase above 2005 levels. As of 2018, median rent in the city was \$693, which is a 2.4% increase over 2005 levels (adjusted for inflation).

At the same time that rents are up, income is down. On the chart above, we see a precipitous decline in renter income between 2009 and 2014. Renter income has improved in the years since, but as of 2018, it was still 0.8% below where it was in 2005. With rents up and incomes down, housing has become less affordable for many Indianapolis residents.

The state's landlord-friendly legal climate also likely contributes to Indianapolis' high eviction rate. Among the laws that favor landlords:

- ▶ **Strict and speedy eviction process.** Landlords in Indiana can evict tenants for any violation of the lease, including a failure to pay rent on time. If the rent is not paid by the grace period, the landlord may provide a 10-day notice to pay in full, and then proceed with the eviction if payment is not received.
- ▶ **No limit on the amount of security deposits.** Landlords are free to set security deposits at any level they deem reasonable, which can leave already cash-strapped renters with even fewer resources to weather economic crises. When a tenant vacates, the landlord has 45 days to return the security deposit, making it difficult for tenants to find the resources to pay a security deposit on their next rental unit.

- ▶ **No limit on late fees.** Indiana does not specify how much a landlord may charge tenants in late fees for failing to pay rent on time. High late fees can make it difficult for tenants who fall behind on rent to ever catch up.
- ▶ **No tenant self-help protections.** In other states, tenants living in housing that needs repair have the right to withhold rent until the repairs are made or make the repairs themselves and deduct the costs from the next month's rent. Indiana does not provide these self-help protections to tenants. Consequently, tenants who exercise these self-help options have found themselves legally evicted for failure to pay rent.

Current Policies and Practices

Despite the above challenges, a variety of actors in Indianapolis are already working to address the city's high eviction rate. Many of these efforts focus on outreach and education. Examples include:

- ▶ The Center for Working Families provides financial coaching to tenants to help them better prepare for financial crises and opportunities.
- ▶ The Indianapolis Housing Authority and the Indiana Housing and Community Development Authority help families find affordable housing.
- ▶ The Fair Housing Center provides education about discriminatory practices.
- ▶ Community centers, such as the John Boner Neighborhood Center, provide wrap-around services to support families.
- ▶ Similarly, the privately-owned Carriage House East provides case management and support services for their tenants.
- ▶ The Marion County Prosecutor's office offers the "SafeRental" program that educates landlords about crime prevention at their properties and how to maintain habitable and code-compliant homes.
- ▶ The Indiana Apartment Association provides training and support for its membership, which is comprised predominantly of owners and managers of larger multifamily housing projects in Indianapolis and elsewhere in Indiana.
- ▶ The newly formed Tenants Rights Union has been working to organize local renters since January, 2020, under the leadership of Derris "Dee" Ross and with support from the Ross Foundation.

Other forms of assistance are directed specifically toward tenants at risk of or facing eviction. These differ according to where tenants are in the eviction process.

- ▶ **Pre-enforcement stage.** When eviction is looming, but before an eviction action has been filed, a variety of organizations provide assistance through housing counseling, emergency financial assistance and alternative dispute resolution. Typically, the financial assistance available is limited (about

\$100 per household or less) and requires a showing that the household will have the means to meet its rent obligations in the future. Absent that showing, households are offered assistance in finding other housing they can afford. Alternative dispute resolution is available only when both the tenant and the landlord are amenable to resolving their dispute in this manner.

- ▶ **Enforcement stage.** When an eviction is pending, tenants may receive legal assistance from legal aid organizations in Indianapolis, such as Indiana Legal Services or Neighborhood Christian Legal Services. However, the capacity of these organizations to represent tenants in court is limited to a few hundred clients per year. These organizations advise many other tenants who aren't able to be represented directly in court. Research shows that legal representation is one of the most important factors in whether an eviction case ends in a judgment of eviction.
- ▶ **Post-eviction stage.** Legal aid organizations and some community centers provide tenants who have been evicted with help locating housing they can afford. Some community organizations help with relocation costs.

In the wake of the COVID-19 pandemic, a variety of measures have been implemented to protect tenants from eviction. Gov. Eric Holcomb issued an executive order on March 19, 2020, prohibiting eviction proceedings during the public health emergency. That executive order expired August 14, 2020. In July 2020, the City of Indianapolis launched a rental assistance program with funding from the federal government and the Lilly Endowment. That program paid up to three months' rent for renters whose income was reduced due to COVID-19 restrictions. Landlords who accepted payment under this program also agreed to not evict tenants or raise their rents for an additional 45 days. The city distributed more than \$33,000 under this program to help 15,499 tenant households in 2020. It hopes to achieve a similar level of assistance in 2021.

In September 2020, the federal Centers for Disease Control and Prevention (CDC) announced a nationwide moratorium on evictions due to nonpayment of rent through December 2020. The order was issued as a public health measure to combat the spread of COVID-19. To qualify, tenants must deliver a notice to their landlord stating that they do not make more than



\$99,000 a year — or twice that if filing a joint tax return — and that they have no other option if evicted other than homelessness or living with more people in close proximity. The CDC order provides no financial support for either tenants or landlords, however. Accordingly, if tenants are unable to meet their rent obligations by the end of December, they will face eviction again.

In addition to the above programs, Indianapolis recently adopted an ordinance that addresses some of the challenges tenants face in the state’s landlord-friendly legal climate. Specifically, the January 2020 ordinance:

- ▶ Requires landlords to provide tenants with a notice of tenant rights and responsibilities when they sign a lease.
- ▶ Creates an information hotline to give tenants information and advice about their rights.
- ▶ Funds a legal assistance project to provide free legal counsel to renters who take their landlords to court over living condition violations.
- ▶ Penalizes landlords who retaliate against tenants for exercising their rights to a health department inspection, to call the information hotline or to seek legal assistance.

Most of the provisions of the new ordinance took effect in June 2020.

Proposed Policy Responses

To help lower Indianapolis’ high eviction rate, we recommend the following policy responses:

- ▶ **Make the city’s new Rental Assistance Program permanent.** It is clear that the resources available in Indianapolis to prevent evictions before the onset of the COVID-19 pandemic were inadequate. After all, they left Indianapolis with the highest big city eviction rate in the country. A permanent Rental Assistance Program could provide more financial help for tenants than had previously been available. Eligibility requirements and a permanent funding source will have to be identified to make the program viable.

- ▶ **Develop a model “Eviction Prevention Plan” for Indianapolis landlords.** An eviction prevention plan defines the steps a landlord will take to make eviction an option of last resort. It might identify and address:

- Options for conflict resolution and mediation services.
- Repayment plans for tenants behind on rent.
- Available case management and support services.
- Tenant education steps to remind tenants of lease obligations related to noise, visitors, property maintenance, etc.
- Steps for referrals for tenants who wish to move from their unit.
- Available resources for tenant financial assistance.

A model plan could be developed in a cooperative effort between the city, local landlords, property managers, tenants and tenant advocates. Having such a plan readily available could make its adoption more likely among private landlords. The city could also make such plans required for all properties receiving city subsidy dollars.

- ▶ **Establish a “Landlord Academy” to train landlords in best practices.** There appears to be a gap in support for and education of landlords in Indianapolis. Owners and managers of larger multifamily housing projects are well-served by the Indiana Apartment Association. However, landlords who own smaller (1-4 unit) and mid-sized (5-50 unit) properties do not have a lot of support, and yet most renters occupy units in such buildings. A Landlord Academy could be specifically targeted to the owners and operators of these small- and mid-sized properties. Building on the prosecutor’s office’s “SafeRental” program, the landlord academy could:

- Train landlords on best practices regarding maintenance, dispute resolution, financial management, non-discrimination requirements, weatherization techniques, ways to deal with criminal behavior, etc.

- Help landlords develop eviction prevention plans.
- Introduce landlords to funding opportunities for property rehabilitation.
- Increase landlords' comfort level with the Housing Choice Voucher program, and with certain hard-to-house populations, such as formerly incarcerated individuals.

If necessary, the city could improve participation in the landlord academy by making participation a prerequisite for applying for city rehabilitation loans or similar funds. Landlords that do participate could receive a “good neighbor” designation that they could include in their rental listings.

- ▶ **Provide support for tenant organizing.** It is difficult to ensure that tenants' concerns and voices are heard on a consistent basis without an active effort to organize and engage tenants across the city. The COVID-19 crisis has spurred some community action in this area, with support from institutions like the Central Indiana Community Foundation. Nonetheless, more needs to be done, both on a larger scale and for a more sustained period, in order to institutionalize processes and systems that effectively reach and engage tenants. The city and its funding partners should find the resources to support a tenant organizing effort that can help surface both systemic problems and acute issues that require immediate action.
- ▶ **Establish a Specialized Housing Court.** A housing court would bring all housing-related matters within the jurisdiction of a single court. This includes eviction, foreclosure and code enforcement actions. The benefits of a housing court include:
 - **Expertise, fairness and efficiency.** Housing court judges develop expertise in the many federal, state and local laws that touch on housing, allowing them to reach resolution of matters more quickly and fairly.
 - **Mediation specialists.** Housing courts typically support specialized staff who mediate cases, saving the time and expense of litigation.

- **Emergency responsiveness.** Housing courts can respond quickly to emergencies and building, fire and sanitary code violations.
- **Broad reach.** Judges in housing court are less siloed, giving them jurisdiction over issues that often intersect (e.g., code enforcement and eviction), allowing for fairer, more comprehensive resolutions.
- **User friendliness.** As a court that regularly hears cases involving self-represented parties, it can develop processes and self-help forms that make it more friendly and accessible.

There is precedent for specialized courts in Indianapolis, and a housing court could be modeled on past efforts such as drug courts or mental health courts. Housing courts have been established with great success in other cities and states, including Cleveland, Ohio; Minneapolis, Minnesota; New York City and across much of Massachusetts.

Case Study: Cleveland Housing Court

Cleveland operates one of the oldest housing courts in the country. It was established in 1980 in response to a grassroots push to improve the judicial handling of housing-related cases.² It is an example of a “problem-solving” court, in which the goal is not to punish people for failure, but rather to find a resolution that benefits the property owner, the tenant and the community as a whole, to the extent the circumstances allow.

What the housing court does. The Cleveland Housing Court has jurisdiction over all housing-related matters in Cleveland. These include landlord-tenant actions, code violation prosecutions, nuisance abatement actions and mortgage foreclosure actions. The court hears thousands of criminal and civil matters every year. All of these matters are handled by a single judge and the judge's staff, including several magistrates.

The court also maintains a staff of housing specialists. These are not attorneys, and therefore cannot give legal advice, but they can be invaluable guides to the housing support system. These specialists staff a housing clinic

where landlords and tenants can obtain information about their housing rights and responsibilities and receive referrals to court-run mediation services. The clinic also provides standardized forms for many common motions and case-related matters, making it easier for self-represented parties to navigate the system. Staff also help residents resolve landlord-tenant disputes involving illegal lockouts, utility shutoffs and other housing conditions requiring immediate attention. In code-enforcement and criminal matters, the housing specialists help defendants access community-based financial assistance or home-repair services.

How the housing court is organized. As of 2012, the Cleveland Housing Court had one judge, nine housing specialists, six magistrates, two staff attorneys, two judicial clerks and 12 bailiffs.

What the housing court has accomplished. The housing court has proved to be very adaptable to the many housing challenges that Cleveland has faced. For example, a housing court judge noticed a high number of indigent and elderly defendants in code violation cases. He developed a special docket for these cases aimed at helping the owners make the necessary repairs. Defendants in these cases prepare a plan that specifies what repairs need to be made, what financing will be used to complete them, and a schedule for making the repairs. When the defendants complete the plan, the cases are dismissed. If defendants fail to make the repairs, the cases return to the court for further action.

The housing court has also developed a practice of applying the “unclean hands” judicial doctrine to obtain greater compliance from landlords with health and safety citations. Applying this doctrine, the court refuses to allow landlords to pursue eviction actions if they have unresolved citations for poor housing conditions in any of their properties. This helps to bring more properties into compliance, even where the cited properties are different from the properties for which the landlord seeks an eviction.

The housing court is also credited with helping Cleveland navigate the foreclosure crisis of 2008 more successfully. Its broad jurisdictional reach allowed the court to address the crisis more holistically, and to respond to challenges as they arose. For example, a wave of speculative investment and poor filing practices by financial institutions made it difficult to

determine who owned particular properties in the city, many of which sat vacant and abandoned. Even when owners could be identified, they often ignored code enforcement citations. The housing court created a corporation docket to address this issue. As Cleveland’s housing court judge explains:

“When an entity, having been properly served, fails to appear in a criminal matter, the case is referred to this special docket, and a series of notices are issued to its official address, as well as to corporate officers. If the entity again fails to appear, further notices are sent. The case then proceeds to hearings at which the entity must show cause why it should not be held in contempt of court for ignoring the order to appear. If the entity still fails to appear and is found in contempt, the court can impose substantial daily sanctions, typically \$1,000 per day.”

The court reports that as of March 2012, it had levied more than \$108 million in sanctions for contempt of court. While collecting those fines remains a challenge, the threat of those sanctions has increased the proportion of corporate defendants who appear in court and respond to code citations.

Keys to the housing court’s success:

- ▶ The housing court’s broad jurisdictional reach is the most important factor in its success. Its ability to bring together and oversee the resolution of the many intersecting issues in housing cases allows it to deal with the issues more holistically. It also allows the court to identify patterns that emerge across cases and devise strategies to respond to them.
- ▶ Another key to the court’s success is its problem-solving focus. This is a characteristic of many specialized courts, such as drug courts and mental-health courts.³ Typically in these courts, there is a close collaboration between a judge and a community service team to develop a case plan and closely monitor a defendant’s compliance, imposing proper sanctions when necessary. Thus, it is not just the court alone, but its team of housing specialists and other support staff that make the housing court a success.



Some of Indianapolis' regulated and unregulated affordable housing units are at risk of loss. These units face two threats. Some may become unaffordable due to rising rents. Others are at risk of loss due to disinvestment. Both threats could leave the city with significantly fewer affordable housing units in coming years. We can address these challenges by establishing a housing preservation network to identify at-risk properties and develop strategies for their preservation.

Nature and Scope of the Problem

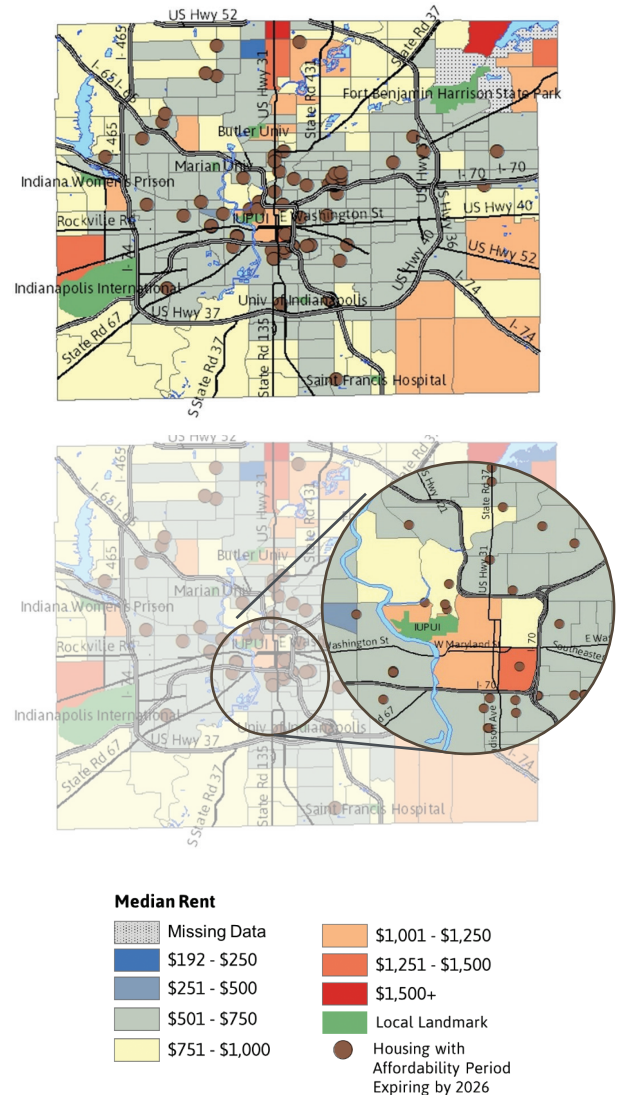
For regulated affordable housing units, the risk of higher rents comes with the end of mandated affordability periods. Most affordable housing created with federal subsidy dollars must remain affordable for a fixed period. That period is typically between 10 and 30 years, depending on the program that funded the housing. When the affordability period ends, property owners are free to increase rents to market rates. Of the approximately 7,500 regulated affordable housing units in Indianapolis, 992 units will reach the end of their mandated affordability periods by the end of 2026.

Not every regulated property that reaches the end of its affordability period sees an increase in rents. Often, due to the condition of the property, its location and local market conditions, owners are not able to charge higher rents. Research shows that rents are more likely to be increased at the end of affordability periods when the units are owned by a for-profit owner, and when they are located in an area in which market rents are above the "affordable" rents set by regulation. Nonprofit and public-sector owners tend to maintain property as affordable after affordability periods expire, even where there is an opportunity to charge higher rents.

That is not to say that properties owned by nonprofit and public sector entities are free from the risk of conversion to market rate. Sometimes even these owners must raise the rent (or sell the property to a for-profit entity, which then raises the rent). This typically happens when the "affordable" rents they charge produce less revenue than they need to maintain or finance the rehabilitation of a property. Sometimes the sale of a property to a for-profit entity is needed to fund mission-driven work elsewhere.

For regulated properties in disinvested neighborhoods, the risk of loss comes from low rents rather than high rents. Where prevailing rents are particularly low, it can be

Subsidized Housing with Expiring Affordability Restrictions and Median Rents by Census Tract in 2018



Source: U.S. Census Bureau's 2018 5-year American Community Survey and the National Housing Preservation Database

difficult for property owners to maintain their properties, or finance significant rehab efforts. Absent some intervention, conditions in these properties worsen each year, and the properties are ultimately closed and abandoned.

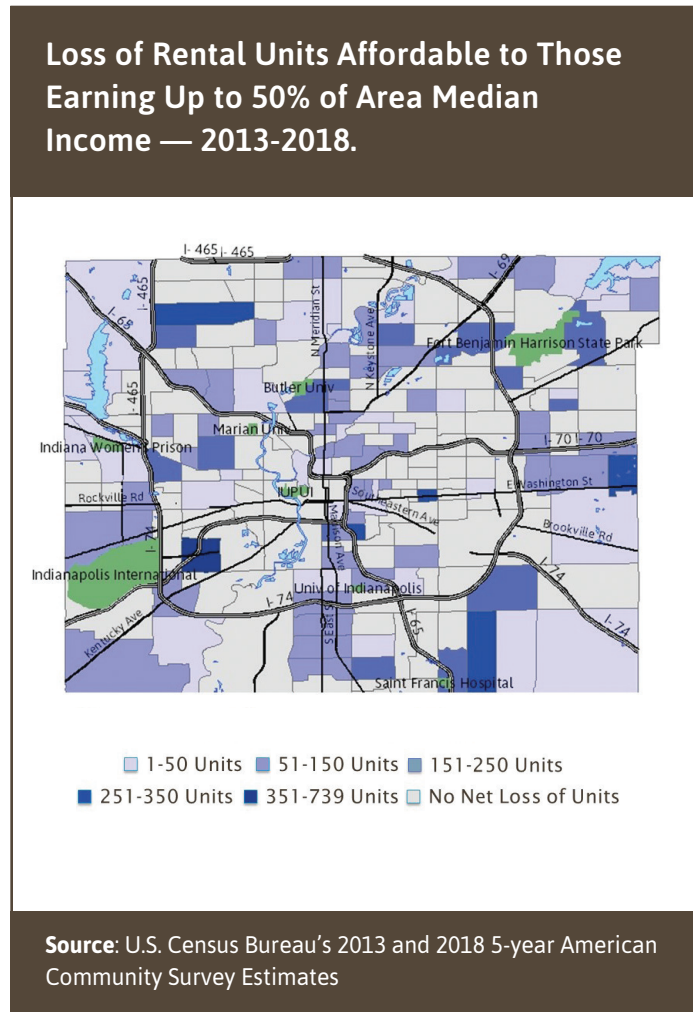
The map on the previous page shows the location of all the subsidized housing units in Indianapolis that have affordability restrictions that are due to expire by the end of 2025. The map also shows the median rent charged in each Indianapolis census tract in 2018, providing a sense of the strength of prevailing market conditions in the area.

Much of the Indianapolis rental market maintains median rents in the \$501 - \$750 range, and this is where many of the subsidized housing units are located. Whether owners of these units can and will seek higher rents when their affordability restrictions expire is difficult to say without further investigation. In part, it depends on the targeted income level for each unit.

For example, in 2018, HUD estimated that a four-person household earning 50% of area median income in the Indianapolis metro area would be able to afford rents up to \$965. Accordingly, market pressures are likely dictating rents for these landlords more so than government-mandated affordability restrictions.

For units with more deeply targeted subsidies, however, expiring affordability restrictions could present significant opportunities to increase rents. A four person household earning 30% of area median income in 2018, for example, could afford just \$579 per month in rent. When restrictions expire for landlords serving this market, they may significantly increase rents, displacing current low-income tenants.

Subsidized units in and around downtown Indianapolis are particularly at risk. As the map below shows, many of these units are located in or on the edge of relatively high rent areas. It is very likely that these affordable units will be lost when their affordability restrictions expire in the coming years and landlords increase rents, unless someone intervenes to preserve their affordability.



For currently affordable rental properties that are not subject to affordability requirements — what are often called naturally occurring affordable housing or “NOAH” units — the risk of loss comes from similar dynamics. Where units are in improving market areas, owners may raise rents above what current or similarly situated tenants can afford. For units located in lower-priced market areas, revenues may not be sufficient to maintain the habitability of the property over the long term.

The map to the left shows recent trends in the loss of affordable rental units. Specifically, it shows census tracts that lost units that were affordable to households

earning up to 50% of area median income (AMI) between 2013 and 2018. In total, the 103 census tracts depicted above lost approximately 9,900 affordable units over the five-year period.

Current Policies/Practice

The City of Indianapolis’ principle tools for preserving existing subsidized housing are the Community Development Block Grant program and the HOME Investment Partnership Program. For both programs, the city typically relies on housing developers to identify projects in need of preservation and submit

appropriate acquisition and/or rehab proposals. A portion of these resources are allocated through the Lift Indy program, which concentrates investments in selected neighborhoods for a sustained period. The balance of funds is available for projects in other areas of the city and is allocated on a competitive basis.

The city does not expressly prioritize the preservation of existing housing in the allocation of CDBG and HOME funds. Rather, it evaluates all applications equally, whether they are for new construction, acquisition and rehab of existing but unsubsidized housing, or the preservation of subsidized housing with expiring affordability restrictions. This practice allows the city to balance competing priorities and allocate its limited resources in a way that best advances the city's goals given the investment opportunities in a particular year.

Another major source of funding for the preservation of subsidized housing is the Low Income Housing Tax Credit (LIHTC) program. The City government sometimes makes these projects more viable by providing grants or loans to support them. However, whether any particular project receives an allocation of Low-Income Housing Tax Credits is outside the city's control. That decision is made by the Indiana Housing and Community Development Authority (IHCDA) in administration of its LIHTC Qualified Allocation Plan.

IHCDA recently took steps to encourage the preservation of tax-credit projects. Under federal regulations, projects funded by the LIHTC program must remain affordable for 30 years. However, after 15 years, developers can ask to be released from the program's affordability restrictions by following the "Qualified Contract" process. IHCDA recently adopted regulations that require future recipients of tax credit allocations to waive their right to initiate the Qualified Contract process. Accordingly, going forward, we can expect most apartment buildings funded through the LIHTC program to remain affordable for the full 30-year affordability period. However, any buildings funded before Indiana adopted the new regulation retain their right to seek release from the program's affordability restrictions after 15 years. This includes nearly all existing LIHTC buildings that have not reached the end of their mandated affordability periods.

Proposed Policy Responses

- ▶ Establish a **Housing Preservation Network** to advocate and provide technical assistance for the preservation of Indianapolis' subsidized and unsubsidized affordable rental housing. Partners in the network might include the City of Indianapolis, the Indianapolis Housing Authority, the Indiana Housing and Community Development Authority, the U.S. Department of Housing and Urban Development, foundations, financial institutions, tenant advocates, and representatives of the local development community. The compact would be charged with:
 - Establishing and maintaining a database of subsidized properties, their owners, affordability periods, terms of affordability and other relevant details.
 - Establishing a similar database for unsubsidized but affordable properties in the city.
 - Determining which properties (whether subsidized or unsubsidized) are most at risk of loss and developing strategies to preserve them, such as helping local affordable housing operators to acquire and rehabilitate at-risk properties in order to maintain them as affordable housing.
 - Conducting a collaborative effort to engage tenants, owners, community organizations, government officials and financial institutions in affordable housing preservation efforts, including the convening of a regular Housing Preservation Summit for all stakeholders.
 - Exploring the establishment of a sustainable Preservation Loan Fund with financial products specifically designed to support preservation.
 - Providing training and technical assistance to support affordable housing preservation efforts.

Similar efforts have been established in other cities and states around the country. Some of the most prominent efforts include the Cook County Preservation Compact, Denver's Affordable Housing Preservation Network, and The Ohio Preservation Compact.



Case Study: The Cook County Preservation Compact

The Cook County Preservation Compact is an excellent example of how a preservation compact can function. With funding from the Chicago-based MacArthur Foundation, the Preservation Compact was established in 2007 to address the dwindling supply of affordable rental housing in the Chicago area. At the time, the principal threat was a housing market boom that saw increased rents and a spate of condo conversions that removed many rental units from the market. Soon after the Preservation Compact was established, however, the housing bubble burst. The principal challenges the Preservation Compact then faced were the deterioration of housing and its impact on supply.

What the Preservation Compact Does

The Preservation Compact develops and promotes strategies to preserve and improve affordable rental housing across Cook County, Illinois, including both subsidized and unsubsidized properties. These strategies focus on the following key areas:

- ▶ Data collection on at-risk properties in partnership with DePaul University's Real Estate Center.
- ▶ Interagency collaboration; the network's Interagency Council includes HUD officials, the City of Chicago, Cook County and the Illinois Housing Authority.
- ▶ Operating cost reduction focused on property taxes and utility costs — two aspects of rental housing that make it difficult to keep operating costs low.

How the Preservation Compact is Organized. The Preservation Compact was originally housed at the Urban Land Institute. It was later transferred to the Community Investment Corporation, a Chicago-area community development financial institution (CDFI) with a particular focus on lending for the acquisition, rehabilitation and preservation of affordable rental housing.

The Preservation Compact has four staff people, selected for their experience and expertise in housing preservation. It hosts a leadership committee composed of leaders and staff from a variety of organizations, including financial institutions, local housing officials (city and housing authority), foundations, advocacy organizations, nonprofits and universities. The

Preservation Compact also has five working groups, which focus on:

- ▶ Water and energy efficiency
- ▶ Property taxes
- ▶ Government-subsidized properties
- ▶ Unsubsidized one- to four-unit properties
- ▶ Streamlining government processes

What the Preservation Compact Has Achieved.

In its first decade, the Preservation Compact was able to significantly impact the Cook County housing market. Among its achievements:

- ▶ 6,200 affordable units were preserved.
- ▶ 26,900 units were retrofitted with energy-saving features.
- ▶ The Preservation Compact was instrumental in lowering assessment levels for multifamily rental properties, resulting in a 15% property tax reduction.

Keys to the Preservation Compact's Success

- ▶ Long-term funding from the MacArthur Foundation has been critical to the success of the Preservation Compact, allowing it to hire and maintain staff with the expertise and capacity needed to achieve its mission.
- ▶ The MacArthur Foundation also provided funding to non-governmental organizations to participate in the network, either as grants or program-related investments, helping to sustain their involvement in the Preservation Compact's work.
- ▶ Another key has been the perceived neutrality of the Preservation Compact's "backbone" organization — the Urban Land Institute initially, and the Community Investment Corporation currently. This has allowed it to function as an effective intermediary between the many stakeholders invested in the Preservation Compact's mission.



Many housing units in Indianapolis are in poor condition and in need of repair. These include both owner-occupied and renter-occupied units. There are also a number of vacant and abandoned properties that are in disrepair and may become uninhabitable if not maintained. As a consequence of these conditions, some residents may be displaced, and some affordable units may be lost due to abandonment and demolition. We recommend that the city:

- ▶ **Conduct a citywide housing condition assessment to document the level of need across the city.**
- ▶ **Implement a performance-based rental property inspection program.**

Scope of the Problem

It is difficult to quantify the scope of housing condition issues in Indianapolis. While enforcement data is available for cited conditions, we lack data on units for which no inspection has been completed, which is most housing units in the city.

The Census Bureau tracks one aspect of housing conditions: whether units lack complete plumbing or kitchen facilities. As of 2017, the Census Bureau estimated that 935 owner-occupied units and 2,575 renter-occupied units lacked complete plumbing or kitchen facilities. These figures do not account for the many other significant housing condition concerns that residents often face, including leaking roofs, broken windows, non-functioning or non-existent heating and cooling systems, mold and any number of structural problems. At best, the census figures may be an indication that housing condition issues are more prevalent in rental properties than in owner-occupied properties.

It is clear that this is an area of significant concern for residents. We heard repeatedly in our public outreach about the poor condition of housing. People often noted that many of the “affordable” units in the city are priced low precisely because they are in such poor shape. A legal aid attorney related a story about a tenant who sued her landlord over the condition of her housing. Upon seeing photos, the judge asked the tenant, “Why do you live in conditions like this? Why don’t you move somewhere else?” The tenant answered, “I’m poor. This is how poor people live.”

This story points to a hard reality for many low-income residents: they have few choices. Poverty alone limits choices, but it gets even harder when low incomes are

combined with other circumstances — such as past evictions, a history of incarceration or homelessness, irregular incomes, etc. Fewer landlords are willing to accept tenants with these backgrounds, leading many tenants to accept units that are in poor condition — because if they did not do so, they would have nowhere to live.

Homeowners also face challenges in maintaining their units. This is particularly so for the elderly and others on a fixed income. We also heard concerns from people who had inherited their family home but did not have the means to maintain it. This is a phenomenon that commonly impacts households of color, contributing to their significant wealth gap as compared to white households.

Poor housing conditions are a displacement concern for two reasons. First, they may directly displace people as conditions deteriorate and units become uninhabitable. Second, they may lead to an overall loss of housing, as deferred maintenance makes rehabbing units uneconomical, leading to their ultimate abandonment.

Current Policies and Practices

Authority over code violations in Indianapolis is split between two agencies. The Marion County Public Health Department (MCPHD) handles code enforcement for occupied structures, while the Department of Business and Neighborhood Services (BNS) handles permits, licensing and inspection for buildings under construction and for vacant and abandoned properties.

With regard to unsafe conditions in occupied housing, MCPHD largely operates a complaint-driven system. For urgent matters — such as no water, gas or electrical service, raw sewage or other severe unsanitary

conditions inside the structure, gas leaks or no heat in the winter — MCPHD will require repairs to be made within 24 hours. For other violations — such as electrical, plumbing, appliances, roofing, doors and windows, etc. — MCPHD will give owners 24 hours to 30 days to correct the violation, depending on the severity of the problem.

One concern that community members raised frequently was MCPHD’s practice of closing a case if a tenant moves out before repairs are made. This created an incentive for landlords to find a reason to evict a complaining tenant if the landlords wanted to avoid making the needed repairs. Given Indiana’s landlord-friendly legal framework, eviction was a relatively easy thing to do. The city’s anti-retaliation ordinance was intended to prevent this practice, but it is too early to know if it will have its intended effect.

For vacant and abandoned properties, BNS also operates on a complaint-driven system. A 2016 report by the Center for Community Progress estimated that there were between 10,000 and 18,000 vacant properties in the city.⁵ It is unclear how many of those properties contain structures. After receiving a complaint related to a vacant structure, BNS inspectors assess the property. If they find a violation of the state’s unsafe building law, they may issue orders requiring the repair or demolition of the structure. Orders specify the nature of the work that must be completed to achieve compliance. They also specify the timeframe in which the property owner must make repairs. A hearing is held to assess the cited person’s compliance with the order and allow the person to offer a defense. Based on the evidence, the hearing officer may dismiss the citation, modify it, or, in the case of willful noncompliance, impose a fine of up to \$5,000.

Financial assistance for housing repairs is available from several sources. Indianapolis Neighborhood Housing Partnership (INHP) and Greater Indy Habitat for Humanity both offer home repair loans to income-eligible homeowners. Similarly, Community Action of Greater Indianapolis offers weatherization services to eligible clients, which can address many common health and safety concerns. Several community development corporations in the city also provide home repairs. The discussion above related to city funding for housing rehabilitation is also relevant here.

Policy Recommendations

- ▶ **Conduct a citywide housing condition assessment.** It is difficult to know the full scope of the housing condition issues facing Indianapolis. Gathering systematic and detailed information about housing conditions can help the city craft a more strategic response.

Cities such as Detroit and Cleveland have conducted similar surveys with great success. Efforts such as these typically involve a small team of trained staff who walk through neighborhoods collecting information about what they observe on each residential parcel. Data include whether there is a structure on the property, whether it appears to be occupied, and the condition of features such as the roof, windows, porch, gutters, sidewalks, etc. This data is uploaded to a central depository and can help the city determine its substantive and geographic spending priorities. Indeed, if such a survey were completed in advance of a Lift Indy neighborhood designation, it could heavily inform the city’s investment decisions there. A survey repeated several years after the Lift Indy intervention could provide one measure of the impact of that program.

- ▶ **Seek a change in state law to allow the city to establish a performance-based landlord licensing program.** A limitation of a housing condition assessment is that it records only what is observable from the street/sidewalk. Housing conditions inside buildings are not observed. To address these issues, we recommend that Indianapolis seek a change in state law to allow a performance-based landlord licensing program.

Indianapolis currently maintains a landlord registry. This system requires landlords to register themselves with the city and identify which properties they offer for rent. This system is useful when the city needs to identify a property owner for enforcement purposes. However, by itself, it does not improve housing quality in rental properties.

A more robust system would combine the registry with an inspection system, so that landlords could not rent apartments until they have been brought into compliance with important health and safety requirements. Minor code violations would not prevent the rental of a unit, but significant issues with electrical, plumbing and heating systems, fire suppression, ingress and egress pathways, etc., would be grounds for denial

of a permit until they have been addressed. The benefit of such a system is that it enables the city to move from a reactive and complaint-driven approach to code enforcement to one that proactively improves the quality of the entire rental stock.

Unfortunately, Indiana law significantly limits municipal authority to enact a licensing system. Specifically, it prohibits municipalities from conditioning permission to rent properties on the outcome of an inspection ([HYPERLINK "https://codes.findlaw.com/in/title-36-local-government/in-code-sect-36-1-20-3-5.html"](https://codes.findlaw.com/in/title-36-local-government/in-code-sect-36-1-20-3-5.html) IC 36-1-20-3.5). The one exception is when a property changes hands. At that point, the city could require an inspection. However, it may not require periodic inspections thereafter. Nor may municipalities charge landlords for the cost of the inspection, making the institution of such a program a costly option for municipal budgets.

We recommend that the city seek a change in the state law to allow for a more robust licensing program. However, we acknowledge that securing such a change may be an uphill fight. State Rep. Chris Campbell introduced a bill in 2019 to require a pre-rental inspection for all rental properties across the state. The bill died in the legislature without a hearing.

A performance-based licensing system might provide a “middle ground” that wins support from more legislators. As the Center for Community Progress explains:

“

A performance-based licensing system tracks the performance of rental properties and landlords, in terms of such matters as code violations, nuisance complaints and police calls, and adjusts the licensing requirements based on the property’s performance. The majority of responsible landlords who maintain their properties well and carefully screen their tenant benefit with fewer inspections and lower fees, while the municipality can target its limited resources to the smaller number of problem landlords who are creating a disproportionate share of the problems.

This kind of system might win the support of the apartment lobby as it rewards the majority of landlords who are ‘good actors,’ while making the ‘bad actors’ bear the brunt of the cost of the system. On the whole, it should improve and standardize management practices across the industry, leveling the playing field for all.

”



- Recommendations above related to the establishment of a Housing Preservation Network would also help improve the condition of housing in Indianapolis.

Fast-changing neighborhoods in Indianapolis can be home to significant displacement pressures. Indianapolis is very much a mixed-market city. Some neighborhoods are experiencing significant and fast-paced changes in terms of both the price and rents of homes, and in terms of the demographic makeup of the neighborhood. Other neighborhoods remain fairly stable or are seeing price and rent declines. Swift neighborhood change can lead to the displacement of longtime residents and can prevent similarly situated residents elsewhere in the city from moving into the neighborhood. To address this challenge, we recommend:

- ▶ **Requiring displacement impact assessments for all significant public projects and private projects that receive public subsidy dollars above a specific threshold.**
- ▶ **Requiring lasting terms of affordability for a portion of units in any housing project that receives city subsidies in areas where displacement pressures are growing.**
- ▶ **Providing support for the establishment of a community land trust to help maintain mixed-income communities throughout the city.**

Scope of the Problem

Economic and cultural displacement often go hand-in-hand. Economic displacement occurs when changes in housing costs make a neighborhood unaffordable for those who previously could afford to live there, typically leading to an influx of more affluent, white residents. Cultural displacement occurs through changes in the racial and

ethnic makeup of a neighborhood, and through changes in the shops, services and institutions that serve and operate in a neighborhood. These changes can signal longtime residents and prospective new residents of a similar background that they no longer belong in the neighborhood. Combined, these forces can push low-income communities of color out of neighborhoods at a time when conditions, amenities and property values there are improving.

To identify where cultural and economic displacement pressures may be occurring in Indianapolis, we followed a methodology adopted by the National Association for Latino Community Asset Builders (NALCAB). Specifically, we analyzed four indicators of neighborhood change: ① median rent or home prices, ② neighborhood median income, ③ the proportion of neighborhood residents who are white, and (4) the proportion of neighborhood residents with a college degree. For each of these indicators, we compared the percentage change that occurred in the census tract between 2013 and 2018 to the percentage change that occurred across Indianapolis as a whole. Wherever change in the census tract outpaced change in the city as a whole on a particular dimension, we gave the census tract a score of 1 for that indicator. We then added up each census tract’s scores for the four indicators. Tracts with a total score of 3 or 4 are undergoing significant change and may be sites where economic and cultural displacement are underway.

The table below shows the citywide benchmarks used to judge neighborhood change, including the 2013, 2018 and percentage change values for the city as a whole.

Indianapolis Neighborhood Change Benchmarks					
	Housing Cost		Median Household Income	Number of College Graduates	Non-Hispanic White Population
	Median Home Values	Median Contract Rent			
2013	\$118,000	\$627	\$42,334	161,404	539,219
2018	\$129,200	\$693	\$46,692	188,718	528,704
% Change	9.5%	10.5%	10.3%	16.9%	-2.0% (0.0%)

Source: U.S. Census 2013 & 2018 American Community Survey 5-year estimates; figures not adjusted for inflation.

Notably, the non-Hispanic white population declined slightly (by 2%) between 2013 and 2018. For purposes of our neighborhood change analysis, census tracts received a score of 1 on this indicator only if the size of the non-Hispanic white population increased (was greater than 0.0%) between 2013 and 2018.

The map to the right shows the census tracts that are changing faster than the city as a whole on at least three of our four neighborhood change indicators. Much of the change is occurring in and around downtown, and in a few neighborhoods on the outer edges of the city. These are areas where displacement pressures may be particularly strong.

Low-income households are particularly sensitive to displacement pressures. As rents and home values go up, they can be quickly priced out of a neighborhood. Moreover, changes in the institutions and businesses that serve a neighborhood can leave low-income households without access to the goods, services and support networks on which they depend.

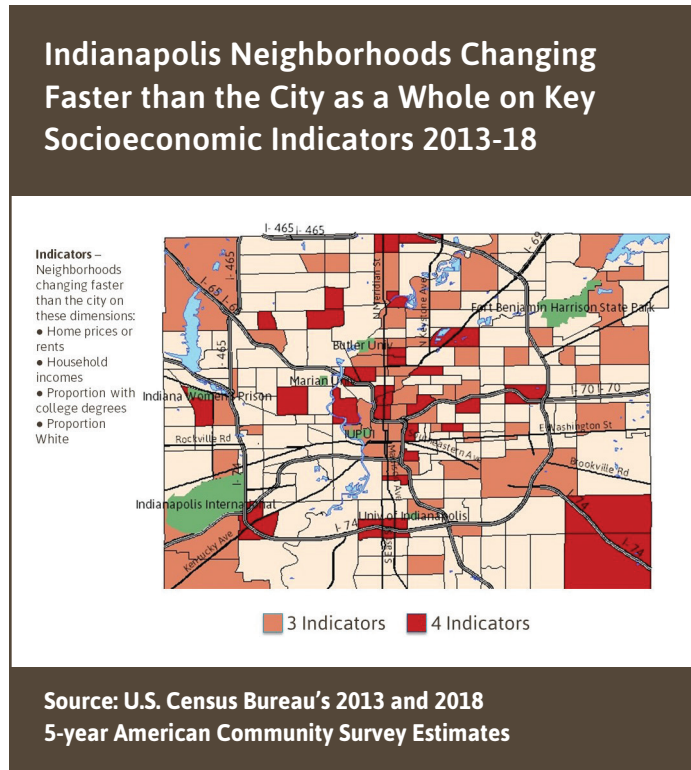
Current Policies and Practices.

The most prominent anti-displacement effort in Indianapolis is the Indianapolis Neighborhood Housing Partnership's (INHP) \$15 million equitable transit-oriented development fund. The goal of the fund is to preserve or create 1,000 housing units within one-half mile of transit stops to give low- and moderate-income households access to both affordable housing and job opportunities. The initiative was spurred, in part, by the recognition that most of the subsidized housing units along the first phase of the city's new bus rapid transit line — the "Red Line" — are set to expire by 2026. Implementation of INHP's initiative will keep these high-opportunity housing sites affordable and accessible to a diverse population.

Indianapolis also has a voluntary inclusionary housing program that is intended to create or retain affordable

units when new housing is built using public subsidies. Specifically, it requires developers to build affordable rental units within multifamily development projects that are supported through tax increment financing and tax abatement incentives. Although the policy has had a number of success stories, challenges have arisen. For instance, there is currently no maximum income for residents of the affordable units. Additionally, the city does not yet know what level of monitoring and oversight is appropriate and reasonable once the economic incentive has been approved. The city is

currently working with Grounded Solutions Network to strengthen and better calibrate its incentive system.



Policy Recommendations

- ▶ Require displacement impact assessments for all significant public projects and private projects that receive public subsidy dollars above a specific threshold. Major development projects can be significant drivers of displacement — both directly (as when a building is demolished and its business and residential tenants are forced to move) and indirectly (as when the projects lead to increased rents and to changes in the demographics and cultural identity of a neighborhood). A displacement impact assessment can provide an early warning to city leaders and neighborhood residents that mitigation strategies may be required for a particular project, or for the cumulative impact of several projects in a particular area. Such strategies might include relocation assistance for those being displaced, homeowner and tenant counseling for those feeling pressure to move, and the provision or preservation of a certain

number of units of affordable housing to ensure that the neighborhood remains accessible to low- and moderate-income households.

- ▶ Require lasting terms of affordability for a portion of units in any housing project that receives city subsidies in areas where displacement pressures are growing. When the city provides significant financial support for a housing project, it is in a position to require developers to make a certain portion of the units affordable to buyers or renters at affordable prices. It can also dictate the length of time that the units must remain affordable. Experience has shown that as markets strengthen, affordable units tend to be lost to the market when their mandated periods of affordability end. It is almost always more cost-effective to maintain the affordability of existing units than to acquire or build new affordable units to replace them.

Accordingly, in areas where displacement pressures are growing, it is particularly important that the city demand lasting terms of affordability for housing projects for which it provides subsidy dollars. At a minimum, affordability terms should be set at 30 years, which is in line with the requirements of the federal Low-Income Housing Tax Credit program. However, the city should also consider longer terms. Denver, for example, requires 50-year terms of affordability. Other cities require that units remain affordable for the life of the building. These requirements help ensure that cities' one-time investment in affordable housing continues to pay dividends for decades to come.

- ▶ Provide support for the establishment of a community land trust to help maintain mixed-income communities in fast-changing neighborhoods. A community land trust (CLT) is a nonprofit, community-based organization that acquires, owns and stewards land permanently for the common good. CLTs are best known for providing affordable homeownership opportunities to families in perpetuity. However, CLTs can use their land for any number of purposes, including to provide affordable single and multifamily rental opportunities, mixed-income and mixed-use developments, community-oriented commercial spaces, community gardens and much more. As such, they are extremely valuable and flexible tools to moderate and resist displacement pressures.

At least two separate efforts are underway in Indianapolis to establish a community land trust. There is much that the city can do to support these efforts. Indeed, experience has shown that strong

municipal support for CLTs — both at startup and throughout operations — is critical to their long-term success. Some helpful roles the city might play:

- Help the community develop a shared vision. Different ideas of the role a CLT might play in the community are circulating among community leaders in Indianapolis currently. At the same time, there is a fair amount of concern and uncertainty among residents as to what a CLT is or how it would operate. To address these issues, the city could host a series of community conversations about community land trusts, in the hope of arriving at a shared community vision of how one or more CLTs would fit in the city's housing landscape.
- Actively participate in the planning process. One of the most valuable things a municipality can do in bringing a CLT to fruition is to participate in the planning process. In many cities, both elected officials and municipal staff have participated as key members of the planning team, contributing their knowledge of local conditions, government programs and funding sources to the overall dialogue.
- Provide funding and in-kind support for startup efforts. Before launching a CLT, advocates often need assistance from consultants and other experts to develop a business plan, incorporate a nonprofit, etc. It can also be helpful to have paid staff dedicated to moving the vision for a CLT forward. After launching, paid staff is essential, as is a physical space in which to conduct operations. It can take more than a year for a new CLT to develop homeownership units, and even longer before it reaches sufficient scale to sustain its operations. In short, launching and sustaining a CLT takes money. Indianapolis can help a prospective CLT meet this need by providing grants and other funding. Sometimes municipalities provide in-kind support as well — lending staff or office space to support operations during the startup phase.
- Ensure a project pipeline. Particularly in the first few years of operations, it is important for CLTs to secure and complete a regular flow of homeownership projects. Indianapolis can help a CLT achieve this goal by prioritizing funding and land sales for projects that provide lasting affordability — whether in rental or homeownership.⁷



References

- ¹ See Andre M. Perry, Jonathan Rothwell, and David Harshbarger, “The devaluation of assets in black neighborhoods: The case of residential property,” (Washington: Brookings Institution, 2018), available at: https://www.brookings.edu/wp-content/uploads/2018/11/2018.11_Brookings-Metro_Devaluation-Assets-Black-Neighborhoods_final.pdf
- ² See Robert Jaquay, “Cleveland Housing Court” in Shelterforce, May 1, 2005, available at: <https://shelterforce.org/2005/05/01/clevelands-housing-court/>.
- ³ For a discussion of the role and value of problem-solving courts, please see the website of the National Center for State Courts at <https://www.ncsc.org/topics/alternative-dockets/problem-solving-courts/home>
- ⁴ See Abt Associates. (2012). What happens to Low Income Housing Tax Credit Properties at Year 15 and Beyond? U.S. Department of Housing and Urban Development, available at: https://www.huduser.gov/portal/publications/hsgfin/lihtc_report2012.html
- ⁵ See Kim Graziani and Matthew Kreiss. (2016). Vacancy and Abandonment in the City of Indianapolis. Center for Community Progress. Available at: https://www.communityprogress.net/filebin/FinalIndianapols_Report_5_26_16_website.pdf
- ⁶ See Alan Mallach. (2015). Drafting Rental Regulation Ordinances in Illinois Municipalities: A Short Guide for Local Officials. Center for Community Progress. Available at: https://mayorscaucus.org/wp-content/uploads/2015/10/rental-license-ordinance-guide_FINAL-FOR-WEBSITE.pdf
- ⁷ For a fuller discussion of municipal support for Community Land Trusts, see John Emmeus Davis and Rick Jacobus. (2008). The City-CLT Partnership: Municipal Support for Community Land Trusts. Lincoln Institute of Land Policy. Available at: <https://www.lincolninst.edu/publications/policy-focus-reports/city-clt-partnership>

