

Anti-Displacement Code of Conduct: How Banks, Private Equity and Wall Street Can Stop Contributing to Displacement



Preamble

The Problem of Displacement. Large parts of California have faced intense gentrification pressures over the last few years, leading to untold evictions of tenants and small businesses, and foreclosures on long-term homeowners and seniors. This has destabilized families, disrupted local institutions, weakened the fabric of neighborhoods, contributed to homelessness, and re-segregated communities.

The Role of Financing in the Displacement Crisis. The displacement crisis has been primarily fueled by speculator greed and displacement financing by banks, private equity, and Wall Street firms. Policy makers struggle to stem displacement, increase the stock of affordable housing, and hold bad actors accountable. Banks and other capital providers can act as co-conspirators with speculators and serial evictor landlords who purchase properties with the goal of evicting tenants, homeowners, and small businesses. Tax incentives for investing in low-income neighborhoods (like the federal "Opportunity Zones" program) also result in displacement. The mass-produced homelessness that results from such financing imposes huge costs on families, communities, and municipalities.

Anti-Displacement Best Practices. This Anti-Displacement Code of Conduct provides a roadmap for the responsible infusion of capital into low-income neighborhoods and creates an expectation and commitments for financing actors to mitigate the impact of displacement occurring in communities. It also outlines policies and practices to be avoided. Loans and investments in low-income neighborhoods have the potential to fund stable tenancies, create paths to homeownership, ensure secure employment opportunities, and enable small businesses to grow. All of this contributes to communities where individuals and families can build wealth and thrive.

Best Practices

Finance stable tenancies and communities, not displacement from multifamily buildings. Banks and private capital should not finance displacement mortgages to building owners whose business model and financing are reliant on eviction of existing residents and businesses.

- *Know Your Borrower.* Do not finance serial evictors.
- *Require Borrower Compliance with Tenant Protections.* Ensure landlord borrowers commit to complying with state and local tenant protections.

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- *Assume Existing Rents.* Underwrite to current rents and local rent control laws.
- *Withhold Consent for Unreasonable Termination of Tenancies.* Require assignment of rents and lender consent before the landlord borrower can impair rents by taking rentals off the market.
- *Check in With Tenants.* Seek input from tenants and advocacy groups regarding harassment, illegal evictions, unreasonable rent increases, and habitability concerns on the property.
- *Enforce Borrower Obligations.* Take strong and swift action against serial evictors and other displacing entities to correct issues when landlord borrowers displace residents and businesses in violation of loan documents and this Anti-Displacement Code of Conduct.
- *No CRA for Displacement.* Refrain from seeking Community Reinvestment Act credit for loans and investments that lead to displacement.

Create Good Jobs. Financing and investments of economic development initiatives must incorporate job training and local workforce development components that create living wage jobs and career pathways that benefit low- and moderate-income people, people of color, and their neighborhoods.

Reinvest to develop healthy communities, not gentrify them. Banks and private capital should reinvest in gentrifying neighborhoods only through an anti-displacement lens, targeting loans and investments to local residents and businesses so they can remain in their communities, build wealth, and thrive.

- *Promote Homeownership.* Lend and invest in local homeowners who can build wealth and remain a part of the community.
 - Banks and private capital should not finance investor purchases of single-family homes which crowd out first-time homebuyers or result in displacement of existing tenants.
 - Offer flexible mortgage loan products for first-time homebuyers, borrowers of color, and low- and moderate-income residents to purchase and maintain their homes.
 - Support education, credit repair, and down payment assistance programs.
- *Invest in Affordable Rental Housing.* Preserve and create affordable rental housing that keeps families housed.
 - Develop low-rate loan products to help nonprofit developers, community land trusts and other organizations to purchase mobile home parks and multi-family buildings at risk of flipping or with expiring affordability contracts, single family REOs, and other housing units that can provide affordable housing options.
 - Make significant investments so affordable housing groups can acquire, develop and rehabilitate properties, including through non-traditional models, such as cooperatives.
 - Donate or offer Bank Real Estate Owned properties at a discount to nonprofits or local governments so that units can be maintained as affordable housing.

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- Develop and offer low-rate loan products that will enable small, private, local multi-family landlords and/or landlords accepting Section 8 vouchers to fix and maintain their properties, where they have committed not to displace tenants or to raise rents.
- *Finance Small Businesses.* Help small businesses remain in the community to serve their customers and neighborhoods.
 - Offer micro enterprise loans and loan products under \$100,000 for small businesses, and offer financing to help them purchase property so they can remain in the community and build assets.
 - Provide philanthropic support so small businesses can negotiate leases to avoid eviction.
 - Provide financing for non-traditional business models, such as worker cooperatives.
 - Provide funding for technical assistance, case management, and other support to businesses at risk of displacement.
- *Engage in Anti-Displacement Philanthropy.* Support an anti-displacement infrastructure to provide assistance to community residents, business, and institutions.
 - Provide philanthropic support for groups fighting displacement, such as legal services, tenant advocates, affordable and fair housing initiatives, and policy organizations.
- *Support Local Government Efforts.* Finance local government efforts to fight displacement, create affordable housing, support local small businesses, and respond to homelessness.

Sign on to Anti-Displacement Code of Conduct. A central component of our efforts has been to change bank lending and investment practices. To that end, a number of CRC members and allies worked to develop this Anti Displacement Code of Conduct, which lays out our view as to what banks and other lenders should do to stop financing displacement, and how they should focus reinvestment activity thru an anti-displacement lens. To date, over 90 groups have signed on.

If your organization wishes to endorse these anti-displacement principles, just click here:

<https://forms.gle/S1S5oE5PrddddHK79>

For more information, please contact:

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Endorsements

(re)solution lab
A-1 Community Housing Services
Able Works
Access Plus Capital
Anti-Eviction Mapping Project
Asian Pacific Islander Small Business Program
Bend the Arc Jewish Action
CAARMA
California Capital FDC
California Coalition for Rural Housing
California Housing Partnership
California Reinvestment Coalition
California Resources and Training
California Rural Legal Assistance, Inc.
CAMEO
Capital Impact Partners
CCEDA
Central Valley Realist Board
Centro Legal de la Raza
CHOC
Chrysalis Consulting Group
CJJC
Community Bank of the Bay
Community Legal Services in East Palo Alto
Consumer Action
Consumers for Auto Reliability and Safety
Council of Community Housing Organizations (CCHO)
Courage Campaign
East Bay Community Law Center
East Bay Housing Organizations
Fair Housing Advocates of Northern California
Fair Housing Council of Riverside County, Inc.
Fair Housing Council of the San Fernando Valley
Fair Rents for Redwood City
Faith In Action Bay Area
Figure 8 Investment Strategies
Financial Justice Coalition
First 5 Alameda County
Greenlining Institute
Haven Services, Inc.
Housing and Economic Rights Advocates
Housing for All Burlingame
Housing Rights Committee of SF
Inland Fair Housing and Mediation Board
Insight Center for Community Economic Development
Koreatown Youth + Community Center
Law Foundation of Silicon Valley
Lawyers' Committee for Civil Rights of the San Francisco Bay
Leadership for Urban Renewal Network (LURN)
Leeds University Business School
Legal Aid Foundation of Los Angeles
Legal Services of Northern California
Little Tokyo Service Center
Main Street Alliance
Main Street Launch
Michigan Community Reinvestment Coalition
Mission Economic Development Agency (MEDA)
Mission Neighborhood Centers, Inc.
Mountain View Tenants Coalition
Multicultural Real Estate Alliance
NeighborWorks Sacramento Region
NHSIE
Nor-Cal FDC
Northern California Community Loan Fund
NPHS
Oakland Community Land Trust
Oakland Warehouse Coalition
One San Mateo
Operation HOPE
Opportunity Fund

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Pacifica Housing 4 All
PolicyLink
Project Sentinel
Public Advocates
Public Counsel
Public Interest Law Project
Public Law Center
Renaissance Entrepreneurship Center
Richmond Community-owned Development
Enterprise
RNHS
Rural Community Assistance Corporation
Sacred Heart Community Service
San Francisco Berniecrats
San Francisco Community Land Trust
San Francisco Tenants Union
SF Public Bank Coalition
Silicon Valley Community Foundation
St Columba Church
Strategic Actions for a Just Economy
(SAJE)
Tenants Together
Tenderloin Housing Clinic, Inc.
Thai Community Development Center
The Fair Housing Council of San Diego
The National Housing Law Project
The New Oakland Inc.
The Unity Council
Ventura County Community Development
Corp
Vermont Slauson Economic Development
Corporation
Western Center on Law & Poverty
Working Solutions
Youth Finance Institute of America
Youth United for Community Action

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What does it mean for Financial Institutions to sign on to the Anti-Displacement Code of Conduct?

Financial institutions that sign on to the Code of Conduct (Code) make a good faith commitment to comply with the Code’s Best Practices.

By signing on to the Code, financial intuitions commit to make changes in their practices prospectively, and are not expected to account for prior activity. These prospective changes include reviewing, adopting or improving due diligence policies and procedures geared towards avoiding the origination of displacement loans to problematic borrowers with risk factors that suggest they will move to evict and displace existing residents.

Such changes, for example, would likely include researching and reviewing the past records and histories of prospective borrowers, as well as making good faith efforts to meet with tenant groups and/or local government staff before loan origination, periodically after loan origination, and at the time of any loan renewals.

Relocations of residential and commercial tenants that are designed to preserve affordability, and relocations that are required to rehabilitate properties where LMI residents or small businesses are relocated in accordance with law AND provided a right to return to the premises, do not necessarily run counter to Code of Conduct principles.

Additional prospective changes to financial institution practice would include making amendments and enhancements to loan agreements that are designed to prevent displacement, such as explicitly requiring borrower compliance with state and local tenant protections and having the bank retain consent rights to the impairment of rents.

Oversight of these anti-displacement financing measures may require a financial institution to follow through with consequences if a borrower violates these policies, such as by calling in the loan, non-renewal of the loan, offering a cure period, or assessing a fine.

Finally, the Code of Conduct calls on financial institutions to reinvest in low income communities and communities of color through an anti-displacement lens. The expectation is that banks will strive to align their reinvestment activities with the principles outlined in the Code, enhanced by continuing conversations with community groups, and consistent with their existing business models.

Signing on to the Code additionally means that financial institutions agree both to share data on implementation of and compliance with the Code, and to meet with CRC and its members to discuss compliance with the Code at least once annually.

Community groups recognize that in taking these steps, financial institutions are making an extra commitment of time and resources to better serve their communities. Community groups hope and believe that the public and the bank’s customers will appreciate that Code of Conduct signatories are playing their part in addressing one of the biggest challenges facing California communities – how to slow the financing of displacement of low income neighborhoods and neighborhoods of color.

Bank Representative Date

CRC Representative Date

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