Guidance for small, market affordable rental properties

Overview

Owners of small properties that rent at affordable levels are not always professional landlords; they often have full-time jobs and own investment properties (and even live in them) as a way of earning extra income.

Without a professional background in property management and building maintenance, they may lack the knowledge and experience to successfully operate rental properties over the long term. To support the owners of these properties and hopefully prevent the loss of existing affordable units due simply to deterioration or financial problems, some cities and counties offer special clinics or workshops on specialized topics. These range from best practices in preventative maintenance and budgeting to marketing units and tenant screening. Cities, towns, and counties can also partner with local non-profits to provide training courses and technical assistance that fosters better property management practices and empowers owners to improve the physical and financial condition of their properties. In neighborhoods with high or rising rents, this guidance can also be helpful for allowing owners of small properties to operate them profitably, helping to defer the sale and replacement of the buildings with newer, luxury units.

This approach may be applicable in all types of local jurisdictions that have “mom and pop” investors who would benefit from property management training.

Approach

The owners of small and older rental properties come from diverse backgrounds and do not necessarily have all of the requisite skills, experience, and resources to own and manage real estate. They may be individuals who may have inherited property, or who have skills in one domain, such as plumbing or carpentry, but not others, such as marketing or tenant screening. While some owners hire professional property managers, many choose to manage the properties on their own, sometimes without a clear sense of the attendant challenges and obligations. Inexperience and lack of resources can result in poor maintenance and physical deterioration of the property, large numbers of vacancies and tenants who fail to pay rent on time, and tax liens and other unmet financial obligations. In struggling housing markets, this can result in
blight and vacancy. In strong housing markets, small owners who are unable to operate their properties profitably may be more inclined to sell them to investors, who may seek to demolish and replace the property with a higher-priced product or substantially reposition the buildings through upgrades, undermining affordability.

Types of assistance

Through guidance and support, cities, towns and counties can take a proactive approach to preserving the availability of quality market affordable units, and help tenants access better quality housing. Programs can be structured to include a number of activities, including:

- **Classroom-based training.** Workshops can cover a range of topics, from best practices in preventative maintenance and nuisance abatement to fair housing requirements and tenant screening. Courses may be structured to cover the full spectrum of topics with which property owners should be familiar, or to go into greater depth on a single issue.
- **One-on-one technical assistance.** More intensive technical assistance can help property owners conduct needs assessments, prepare a budget, and comply with local regulatory requirements.
- **Access to capital.** In some areas, property owners seeking access to capital to improve the physical condition of the property may find that market rents are too low to justify a conventional private bank loan, even if the improvements financed with the loan would be sufficient to fill the property with paying tenants. Local jurisdictions can provide access to low-cost capital or funding for energy retrofits that decrease operating costs and can be used to upgrade systems. (See related policy, [Expanded access to capital for owners of unsubsidized affordable rental properties](#).)

These programs may be developed and hosted directly by the local housing department, or in partnership with nonprofit organizations that specialize in these topics. Roundtable discussions with property owners can be helpful to identify the most relevant topics to cover. In addition, consultation with local staff who interact with property owners can be instructive. For example, feedback from the code enforcement department or office of tax revenue can uncover common deficiencies and challenges.

**Geographic focus**

In addition to thinking about the types of programming to offer, local officials may want to consider whether the program will have a particular geographic focus. In
neighborhoods with weak housing markets, outreach to small owners has the additional potential benefit of supporting neighborhood stabilization without risking the loss of affordability through rent increases. Well-managed and well-maintained buildings may have smaller numbers of vacancies, and can help to improve the overall “curb appeal” of the block. By keeping these properties viable, cities, towns, and counties can help to strengthen the neighborhood fabric. In neighborhoods with modest levels of cost pressure, education, training, and low-cost financial assistance can help property owners operate profitably by continuing to provide non-luxury housing units to low- and moderate-income renters. The availability of this type of assistance may prevent or at least forestall sale of the property to a buyer who will upgrade the property or replace it with luxury rentals or condominiums.

In areas where rents and property values are rising too fast for this strategy to be effective in preserving affordability, cities, towns and counties may wish to shift outreach to focus on educating owners about opportunities to benefit from financial incentives in exchange for agreeing to long-term rent or income restrictions.

**Eligibility**

The target population for these types of programs is generally independent owners or managers of small rental properties, although trainings are generally open to anyone who expresses interest. In some local jurisdictions, property owners may also be required to attend trainings, as part of the process of remedying code violations or other infractions, or as a condition of issuing a certificate of occupancy.

**Other considerations**

- *Ongoing affordability.* Training and technical assistance programs alone are not generally intended to get property owners to agree to convert market affordable units to dedicated affordable units. Rather, the goal is to stabilize and preserve an important segment of the stock that may be at risk of loss without assistance. Without a signed regulatory agreement formally limiting rents or incomes, there is the risk that owners will choose to increase rents to levels that are no longer affordable to lower-income households. Depending on the neighborhood and availability of resources, some cities, towns, and counties provide additional incentives to property owners who do agree to rent or income restrictions. Cities, towns and counties that choose to take this approach should ensure they have the capacity to enforce the terms of the agreement.

**Examples**

- The City of St. Paul, MN offers a Landlord 101 course to educate first-time landlords about property management skills, landlord-tenant relationships and landlord
responsibilities, and provide a refresher for those with more experience. Building owners who are applying for their first fire certificate of occupancy are required to complete the course or a similar approved program within the past two years. See [here](#) for more information on St. Paul’s Landlord 101 course.

- **In Chicago,** the private Community Investment Corporation (CIC) works closely with the city to preserve dedicated and market affordable housing, particularly in lower-income parts of the city that have been targeted for stabilization. As part of its programming, CIC provides a variety of types of training for property managers and owners. Learn more about CIC’s trainings [here](#).

- **New York City’s** Landlord Ambassadors Program helps owners of small- and medium-sized multifamily buildings navigate the process of applying for financing from the city’s Department of Housing Preservation and Development (HPD). Neighborhood-based assistance is provided on a pilot basis by three nonprofit organizations in Northern Manhattan, South/Central Bronx, and Eastern/Central Brooklyn. Services include:
  - Landlord outreach to landlords and education about HPD financing options
  - Technical assistance to help building owners apply for HPD financing, including Assistance accessing local contractors, property managers, attorneys, and title companies

Learn more about the Landlord Ambassadors Program [here](#).

**Related resources**

- **Landlord Training Manual**, City of Santa Cruz Neighborhood Services Team – This manual provides guidance to help landlords keep illegal activity out of their rental properties. While focused on crime reduction, the manual addresses topics that are likely to be of general interest, including chapters on applicant screening, rental agreements, and ongoing management.

- The City University of New York hosts a [Building Operator Training Program](#) for anyone who manages, operates, and/or has “hands-on” access to equipment and systems in small to mid-size multifamily buildings.