

Charlotte neighborhood the latest to fight back against corporate owners turning homes into rentals - The Washington Post

Business

Corporate landlords are gobbling up U.S. suburbs. These homeowners are fighting back.

Using authority that lets them punish homeowners who fail to cut the grass, one predominantly Black neighborhood in North Carolina slows the pace of investor purchases

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In the Potters Glen neighborhood of Charlotte, residents have seen a rise in corporate-owned homes going for rent. (Travis Dove for The Washington Post)

CHARLOTTE — Her 3-bedroom 2-bath house with vinyl siding had never attracted so many admirers. Every week, the mail brought more postcard offers: *Sell now! Will buy as is!* Everyone in the neighborhood was getting them.

To Valerie Hamilton, then president of the Potters Glen Homeowners Association, it didn't sit right. Already, more than 20 homeowners in her Charlotte neighborhood had sold out to investors and their houses had been quickly converted to rentals.

"We were being bombarded," Hamilton said.

Like hundreds of communities across the United States, Hamilton's neighborhood had become the target of large companies amassing empires of suburban homes for rent. Since the Great Recession, when millions of Americans lost their homes to foreclosure, these companies have been expanding their portfolios of tens of thousands of single-family houses, a disproportionate number of them located in majority-Black neighborhoods like Potters Glen.

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The rise of investor purchases has spawned complaints that the companies, flush with Wall Street money, are pricing out first-time home buyers and renting to tenants who have not been properly screened. In Potters Glen, one house owned by Invitation Homes, a \$24 billion company created by a Wall Street firm, drew several reports of illegal drugs and gunfire, according to police reports and neighbors.

Facing the influx, Hamilton started asking: "Can't we stop them?"

The answer, it turns out, appears to be yes.

Investors own more homes in communities of color

Investor homes follow racial lines in Mecklenburg County, N.C., which includes Charlotte.

A greater share of single-family homes are owned by investors in majority-minority areas than majority-White areas.

MAJORITY-WHITE AREAS
MAJORITY-MINORITY AREAS
**Share of single-family
homes owned by investors**

0%

5%

10%

15%

Huntersville

Potters Glen

85

MECKLENBURG
COUNTY

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Avalon
Reserve at
Back Creek

77
485
485

Charlotte Charlotte

Mint Hill

77
77

Matthews

Pineville

Pineville

485
485

Note: Census block groups with fewer than 25 single-family homes are excluded. UNC-Charlotte Urban Institute defined investors as entities that own at least 100 properties in Mecklenburg County.

Sources: UNC-Charlotte Urban Institute analysis, U.S. Census Bureau

Using the same legal authority that allows homeowners associations to punish people who fail to cut their grass, the Potters Glen board erected a hurdle for investors: a new rule required any new home buyer to wait two years before renting it out.

Since the board adopted the rule in 2019, property records show the pace of investor purchases has dropped by more than half.

"We didn't want to become a renter's paradise," said Hamilton, a retired executive assistant from Ohio. "We want people who are going to plant flowers and trees because it's their home."

As neighborhoods in several states have moved to adopt similar rules, advocates for rental home companies argue that the restrictions make housing less affordable. They say rental exclusions also can be discriminatory, echoing a past when real estate restrictions were used to keep out racial minorities, and have asked state legislatures in Florida, Georgia and Tennessee, as well as North Carolina, to protect them from such restrictions.

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"Preventing single-family rental home companies — of any size — from purchasing homes in a community does nothing but reduce the availability of affordably priced rental housing," said David Howard, executive director of the National Rental Home Council.

Invitation Homes, one of several big firms that own houses in Potters Glen, called the rental restrictions "prejudicial, discriminatory, uninformed, and misaligned with the concept of fair housing." The company said it was "disheartened by the trend of HOAs [homeowners associations] determining that renters are not welcome in their neighborhoods."

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Of the house in Potters Glen where neighbors had reported gunfire, Invitation Homes said it had used a reputable third-party screening company to vet the adult tenants — and that it eventually asked them to leave.

Hamilton scoffed at the idea that the new rules discriminate against renters, arguing that the board has the right to encourage homeowners to live in the community.

“Don’t get me wrong — there are some very good renters in this neighborhood,” she said. “But people who own their homes usually take more pride in their property, and we wanted to make sure we keep a place for them.”

Corporate landlords take stakes in U.S. suburbia

As investors have targeted the American suburbs, [faraway companies have begun to take over entire blocks](#). Last year, investors bought nearly 1 in 7 homes sold in the nation’s top metropolitan areas — the most in two decades of record-keeping, according to a Washington Post analysis of data from realty company Redfin.

In Charlotte and elsewhere, according to The Post’s analysis, investors have purchased a disproportionate number of homes in neighborhoods where a majority of residents are Black. Last year, 30 percent of home sales in majority Black neighborhoods across the nation were to investors, compared with 12 percent in other Zip codes, The Post’s analysis shows.

In Charlotte and surrounding Mecklenburg County, landlords backed by Wall Street own roughly 11,500 houses — more than 4 percent of single family homes, according to an analysis last year by the University of North Carolina at Charlotte Urban Institute. Most of the houses are in the starter home price range, “likely putting the most pressure on the lower end of the market,” said the institute’s Ely Portillo.

Most of those purchases were made by one of six major out-of-state companies: Progress Residential, American Homes 4 Rent and Invitation Homes each owned more than 2,000 homes, according to the Urban Institute analysis, while Tricon, Amherst Residential and FirstKey each had more than 1,000 homes.

Faced with this surge of corporate landlords, many homeowners associations have begun to fight back.

At the Reserve at Back Creek, a subdivision of 39 houses near UNC-Charlotte, neighbors last year adopted a rule requiring an owner to live in a house for a year before renting it out. No more than 18 percent of the houses can be approved for rental at any time.

“Our main concern was with the faceless investment groups who were buying the homes more than just the renters,” said Justin Kerner, 41, a former association board member. “If we’re sending a notice about garbage on the lawn to a company in Las Vegas, it’s going to end up on the desk of someone who doesn’t care what the neighborhood looks like.”

At Avalon at Mallard Creek, a community of 110 townhouses not far from Potters Glen, a shooting last year that damaged several properties prompted the neighborhood to impose a one-year waiting period on rentals and cap them at 40 percent of units. They also required leases to be approved by the homeowners association board, which can reject a rental agreement based on investigative background reports.

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"Six homes had bullet holes," said Keri Miller, the homeowners association treasurer. The shooting, which involved outsiders targeting a tenant in a rental, Miller said, made her not only fearful but angry that the association had to pay for the repairs.

"Our gate was broken. We had all this traffic coming in and there was this shootout," Miller recalled. "At this point I said, 'This has to stop.'"

Since the new rules took effect, some investors have sold their properties, Miller said. The homeowners association has organized monthly neighborhood cleanups and property values have risen, she said.

"It's working," she said.

Worried neighbors come to a consensus

Restricting rentals is not always easy. Charlotte attorney Mike Hunter said homeowners associations come to him about once a week asking for advice. Some, like Potters Glen, are worried about long-term corporate leases, while others want to curtail short-term rentals offered by companies like Airbnb and VRBO.

In North Carolina, Hunter said, at least 67 percent of homeowners in a community typically must approve new rules, and reaching that threshold can be a challenge.

"There can often be a lot of apathy in neighborhoods. A lot of people don't even bother to return the ballots," he said. "But if the rental properties are causing a lot of problems, it's much more likely that residents will rally and approve restrictions."

The going initially was slow in Potters Glen. The homeowners association board seemed desperate for members when Hamilton moved from Ohio in 2015. A year later, she was board president.

She was, in a way, a natural pick. Formerly the executive assistant to the city manager of Middletown, Ohio, Hamilton knew her way around meetings, boards and votes.

"I'm a meticulous person. I believe in order," she said.

Walking out her front door one February afternoon, she shook her head at lawn equipment littering the yard of a nearby home, a corporate rental.

"It irritates me every time I set foot outside," she said "There's so much clutter. So ... *unkempt*."

The idea for rental restrictions rose during an all-day board meeting in 2018. Gathered at a local Holiday Inn, Hamilton asked board members how to improve the neighborhood. They considered, among other things, whether to prohibit chain-link fences, whether sex offenders and other felons should be allowed in, and whether residents should be permitted to keep pit bulls and Rottweilers, breeds previously forbidden.

But the main topic was renters. The 280 houses of Potters Glen, most of them built in the early 2000s, are conveniently located between Uptown Charlotte and the UNC-Charlotte campus. Investors were flocking to their neighborhood.

"I'd never heard of these companies who wanted to buy in all of a sudden," said Andrea Turner, a board member who worked with Hamilton to pass the rules. "We looked them up and realized they weren't from Charlotte. We wondered: What do they want with us?"

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So along with the ideas about the Rottweilers and felons, the board had a lawyer draft the rental restrictions and put them up for a vote. They were not immediately popular.

"People didn't like the idea at first. Some were worried that they wouldn't be able to rent their properties," Hamilton said. "But we assured them that the rental restrictions would not apply to the owners at the time."

After three community meetings, Hamilton and Turner won the neighborhood over, and more than three-fourths of the community voted for the rental restrictions.

"People realized we couldn't just become a community of renters," Hamilton said.

"These are our homes. We had too much to lose."

The trouble with some rental homes persisted, however. In the spring of 2020, multiple police visits to the Invitation Homes property prompted Hamilton to write a letter to company CEO Dallas Tanner demanding more intensive screening.

"Would you want to live next door to lawless people?" she wrote. "I must express my disappointment. ... This home has been a problem where the [police department] has been called out on several occasions."

Invitation Homes did not renew the renters' lease, but it didn't immediately kick them out. In a statement, the company said that the incident in May 2020 "involved minors" and that the company notified the adult tenant that the lease would not be renewed when it expired a few months later.

Before the lease expired, however, police visited the block twice more, once after a drive-by shooting at the house in August, according to police reports. After that incident, the company said it asked the tenants to leave.

"When the shooting occurred in August, we asked the resident to vacate the home, which they did," the company said.

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The rental restrictions have slowed the pace of investor purchases in Potters Glen, however. In each of the three years before the rental limits, investment groups purchased about 12 homes in the subdivision. Since then, the pace has slowed to about four per year, according to property records.

Companies affiliated with some of the nation's big rental firms have continued to purchase homes at Potters Glen, according to property records. Invitation Homes bought one in September 2020, about a year after the rental limits went into effect.

The company said that the "neighborhood restriction was not noted in our system."

Amherst, bought one, too. In a statement, the company said it aims to work collaboratively with homeowners associations and that "it does not appear this waiting period was communicated [to us] in documentation related to purchase of this home."

'Investors will not be considered'

Hamilton, meanwhile, recently learned that spurning investors can come with a cost. After completing her term as board president, she put her home up for sale. She and her husband had moved to Charlotte to help her daughter raise their grandchildren.

Now it was time now to go back to Ohio, where she has family.

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Adamant that she would not sell to rental companies, Hamilton added a line to the real estate listing for her home: "Per seller, investors will not be considered!"

Investors tried anyway, deluging her real estate agent with calls. The Hamiltons received seven bids offering all-cash payment, according to her agent, Andre Dockery. But they took the one that came with a personal letter.

"Thank you for the opportunity to make an offer on your beautiful home," began the letter from a teacher working at a local school who had two kids, ages 9 and 3. The 9-year-old had already claimed rights to a purple bedroom.

The teacher's offer was \$13,000 less than the investors' highest offer. But, Hamilton said, "She touched my heart."