



Photo Credit: Erin Lynch

# PROGRESS RESIDENTIAL AND THE RACIAL WEALTH GAP

How One Corporate Landlord Has Extracted Over \$60 Million in Wealth from North Minneapolis and Hennepin County

Author: Jordan Ash  
Contributor: Mad Bankson

JUNE 2023

PRIVATE EQUITY  
STAKEHOLDER  
PROJECT



INQUILINXS  
UNIDXS  
POR JUSTICIA

# Key Points

Progress has extracted an estimated total of over \$60 million in wealth that might have otherwise gone to working families and the community in Hennepin County. Progress extracted more than \$40 million of this from families and the community in North Minneapolis.

- Progress Residential currently owns over 300 single family rental homes in Hennepin County, more than 220 of which are in the historically Black neighborhood of North Minneapolis. Most of the homes purchased in Hennepin County by Progress Residential's subsidiary Front Yard Residential were in the starter home range that would have been ideal for first-time homebuyers.<sup>1</sup>
- Properties purchased by Progress and Front Yard Residential have, on average, doubled in value in Hennepin County and more than doubled in value in North Minneapolis,<sup>2</sup> meaning that Progress and Front Yard Residential have extracted an estimated total of \$37.2 million in wealth from Hennepin County, including \$24.9 million in North Minneapolis.<sup>3</sup>
- Instead of homeowners making mortgage payments that build equity and provide stability for themselves and their families, tenants of Progress Residential and Front Yard Residential have been making rent payments. Through collection of monthly rents, Progress and its subsidiary Front Yard Residential have extracted an estimated total of \$23.2 million in wealth in Hennepin County, including \$16.7 million in North Minneapolis.<sup>4</sup>

# Introduction

Housing policy in the United States has historically benefitted white homeowners at the expense of Black communities. Local, state, and federal governments have worked alongside business and real estate interests to undermine Black homeownership and maintain neighborhood segregation.<sup>5</sup>

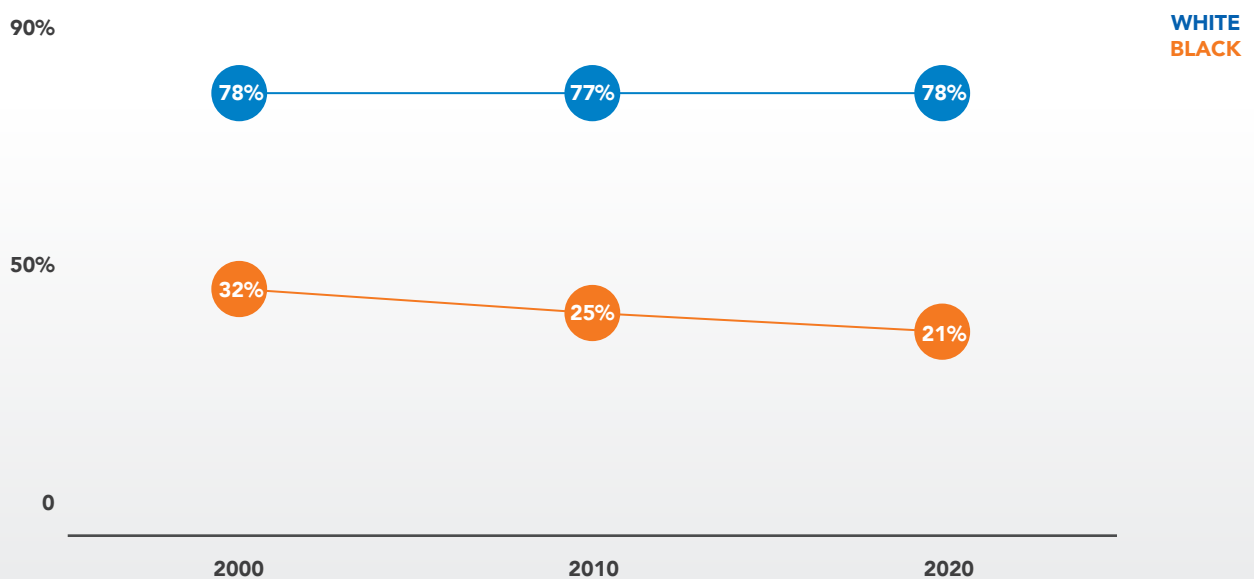
Today, three out of four white households in Minnesota own their homes, compared to just one out of five Black households. Whereas the white homeownership rate has been stable over the last two decades, the Black homeownership rate has decreased to rates lower than those before the Civil Rights Era.<sup>6</sup>

Home ownership is the main way for families in the US to build wealth, providing financial stability through predictable housing expenses and fostering savings

through the growth of home equity that can be left to future generations. **The difference in home ownership rates is one of the main factors contributing to the racial wealth gap.**<sup>7</sup>

One of the current barriers to Black homeownership in Minnesota and elsewhere is the growing concentration of single family homes owned by corporate landlords, that have the capital to outbid individual homebuyers and that can make cash offers. This makes it difficult for working class and middle income families to gain housing security and build wealth through homeownership. The effect is that corporate landlords extract millions of dollars of wealth from families and communities.

**FIGURE 1: MINNESOTA HOME OWNERSHIP RATES**



# Progress Residential Capitalized on the Foreclosure Crisis

The private equity firm Pretium Partners formed Progress Residential in 2012 when the housing market hit bottom due to mass foreclosures. Pretium's founder and CEO Don Mullen is a former Goldman Sachs executive who is famous for leading Goldman to bet against the mortgage market during the Global Financial Crisis of 2007. Mullen subsequently made a fortune as homeowners, particularly homeowners of color, lost their homes in record numbers.<sup>8</sup>

Mullen capitalized even further on this crisis by buying up the tens of thousands of foreclosed homes and renting them to families who had lost their homes or who could no longer qualify for a mortgage due to tightened lending practices.

"We believe tight credit availability is preventing new households from being able to obtain mortgages to purchase their first home," Pretium wrote in a pitch to investors. "Households that have been unable to obtain mortgages have become renters, thus driving high occupancy rates and robust rent growth."<sup>9</sup>

*New York Magazine* said of Mullen in 2012, "A guy whose most famous trade was a successful bet on the full-scale implosion of the housing market is now swooping in to pick up the pieces on the other end."<sup>10</sup> Mullen and Pretium Partners helped form the institutional single-family rental (SFR) industry – directly benefiting from the loss of the American Dream for thousands of homeowners, many of whom were then forced to rent homes.<sup>11</sup>

On top of the damage caused by foreclosures, North Minneapolis was hit by a major tornado in 2011, which further impacted the housing situation in the neighborhood.<sup>12</sup>

In January 2021, Mullen's Pretium Partners and another private equity firm Ares Management purchased the single-family rental company Front Yard Residential, which owned 14,500 homes in the U.S., including hundreds in

**When landlords like Progress buy up large numbers of relatively affordable homes, they create barriers that prevent low and moderate income families and especially, but not exclusively, BIPOC (Black, Indigenous, people of color) communities from accessing the stability of homeownership.**

Minnesota.<sup>13</sup> Front Yard's operations were merged into Progress Residential.

Progress Residential is now the largest Single Family Rental company in the U.S., with over 90,000 rental homes.<sup>14</sup>

When landlords like Progress buy up large numbers of relatively affordable homes, they create barriers that prevent low and moderate income families and especially, but not exclusively, BIPOC (Black, Indigenous, people of color) communities from accessing the stability of homeownership.

# Progress Residential has extracted over \$60 million from families and the community in Hennepin County



Progress currently owns over 300 single family rental homes in Hennepin County, more than 220 of which are in North Minneapolis.

## Progress Residential Has Extracted Wealth Through Appreciated Value

Most of the homes purchased in Hennepin County by Progress Residential's subsidiary Front Yard Residential were in the starter home range that would have been ideal for first-time homebuyers. The average price of homes purchased by Front Yard Residential<sup>15</sup> was:

- \$95,400 in North Minneapolis
- \$119,500 in Hennepin County

Since the acquisition by Front Yard Residential, these properties have doubled in value in Hennepin County and

more than doubled in value in North Minneapolis. The current average value of homes purchased by Front Yard Residential is:<sup>16</sup>

- \$206,600 in North Minneapolis
- \$239,100 in Hennepin County

Through appreciation in home values, Progress and its subsidiary Front Yard Residential have extracted an estimated total of:<sup>17</sup>

- \$24.9 million in North Minneapolis
- \$37.2 million in Hennepin County

This is wealth that otherwise could have been accumulated by working families in the community.

**Front Yard Residential's "strategy of extracting profit from their tenants by claiming to provide them with prompt, high-quality maintenance and repair but actually leaving them in uninhabitable homes isn't just shameful, it's deceptive, fraudulent, and violates Minnesota law."**

**Minnesota Attorney General Keith Ellison**

### **Progress Residential Has Extracted Wealth Through Monthly Rent Payments**

Instead of making mortgage payments that build equity and provide stability for themselves and their families, tenants have been making rent payments to Progress Residential and Front Yard Residential.

Through collection of monthly rents, Progress and its subsidiary Front Yard Residential have extracted an estimated total of:<sup>18</sup>

- \$16.7 million in North Minneapolis
- \$23.2 million in Hennepin County

### **Repairs and Maintenance?**

These calculations take into account Progress Residential's claim that it has invested an average of \$20,000 in each of its Minnesota properties.<sup>19</sup> However, there is substantial evidence that Progress Residential and its subsidiary Front Yard Residential have seriously neglected the maintenance of its Minnesota properties.

- In January 2022, the City of Columbia Heights, a suburb of Minneapolis, revoked the rental license of Front Yard Residential and notified tenants that they needed to vacate their homes within 45 days due to the company's failure to resolve maintenance issues at multiple properties. The city stated that the violations "put residents' lives at risk and shall not be tolerated."<sup>20</sup>

- In February 2022, the Minnesota Attorney General filed a lawsuit against Front Yard Residential, alleging that the company "failed to repair and maintain rental homes that lacked heat, had backed up sewers, doors and windows that would not close, mold, even wild animals." The Attorney General stated that Front Yard's "strategy of extracting profit from their tenants by claiming to provide them with prompt, high-quality maintenance and repair but actually leaving them in uninhabitable homes isn't just shameful, it's deceptive, fraudulent, and violates Minnesota law."<sup>21</sup>
- In January 2023, due to tenant organizing, including recurring meetings with the city, the City of Minneapolis required Front Yard Residential to comply with additional regulations in order to maintain its license to operate in the city. In previous years, the city began portfolio-wide inspections of Front Yard Residential properties and found violations about 58% of the time. According to the Star Tribune, the city had to take the company to court nine times for violations that had not been fixed between June 2021 and September 2022. "Property management for these rental properties has not consistently met minimal housing standards," the City of Minneapolis stated.<sup>22</sup>

## Other Forms of Progress Residential's Wealth Extraction

In addition to rent payments, Progress Residential charges tenants high fees.

One Progress Residential Minnesota lease includes:

- A late fee of 10% of the rent if rent is not paid by the fifth of the month. If a resident pays late two or more times, Progress has the right to increase the amount of the late fee
- \$40 fee if Progress posts a notice to pay rent
- \$100 Amendment fee to change the lease, such as by adding a person or pets.
- \$200 eviction administration fee for preparation of documents for an eviction proceeding
- \$75 "trip fee" to have Progress send a maintenance person to the house to make repairs
- \$15/month "Resident Benefits" fee
- \$300 nonrefundable fee per pet, plus \$35/month per pet

In addition, tenants are responsible for many things that traditionally are handled and paid for by landlords, such as: snow and ice removal; maintenance of fencing; mowing and fertilizing the yard; trimming bushes and trees; and power washing the property."



## Progress Residential downplays the financial importance of home ownership.

In 2021, Dana Hamilton, Pretium Partners' former Co-head of Real Estate said, "I laugh, because when people try to distinguish owning a home from renting a home, the reality is most people don't own a home. They rent the home from the bank. So you can rent the home from the bank or you can rent the home from Progress. And from the outside it really looks the same."<sup>23</sup>

Progress Residential staff have touted single family rental housing as a means to offer choice, flexibility, and amenities to working American families who "prefer to rent."<sup>24</sup> However, Progress Residential acknowledges that a larger portion of its tenants would rather own their home. "Most people are renting because they can't own. Why can't they own? They can't own because of accumulated wealth, meaning they don't have the down payment. They can't own because of their credit score," said Hamilton. "And oftentimes they can't own because they've done all the right things to have that good income. They've gotten an education. They've gotten a job. But they had to take on so much debt in order to get that education, that they don't qualify from a debt to income standpoint."<sup>25</sup>

Despite what Progress Residential staff state, there are significant differences between owning and renting. In addition to the opportunity to build wealth, owning a home provides financial stability that many Minneapolis renters desperately need. Almost half of all renter households in Minneapolis are cost burdened (paying more than 30% of their income on rent),<sup>26</sup> and the burden is especially great for BIPOC and the lowest income households. The city's lowest income renters have seen almost no income growth since 2006, while rents have increased 44% during this time.<sup>27</sup>

# Tenants Fight Back



Photo Credit: Uche Iroegbu

Progress Residential tenants in North Minneapolis have been organizing with Inquilinx Unidxs Por Justicia/ United Renters for Justice for safe and dignified housing after going years without necessary repairs for issues related to lead paint, black mold, pest infestations, flooding, and electrical hazards. North Minneapolis, a multicultural and predominantly Black community, has suffered decades of often intentional neglect by the city, including redlining, racial covenants, and industrial pollution. A North Minneapolis zip code once had the highest rate of asthma hospitalizations in the state because of a metal shredder that was allowed to operate in the area.<sup>28</sup> Progress' mistreatment of tenants, especially home maintenance neglect, is part of a long legacy of racist disinvestment and extractivism in the neighborhood.

and paying their rent to the court via an escrow account rather than to Progress. While tenants are experiencing clear successes in light of their collective efforts, they continue organizing toward a broader systemic vision where they have a permanent say in their housing and their neighborhoods.

Many tenants have won monetary compensation, repairs, and opportunities to move into different Progress Residential homes through actions such as protests at local Progress Residential offices, engaging with investors,



# Recommendations

Progress Residential should:

- Adopt Just Cause Eviction Protections for all of its tenants;
- Limit future rent increases to no more than 3% per year;
- Eliminate excess charges and fees including the mandatory use of Conservice for utility billing;
- Meet or exceed local habitability standards for every property;
- Pay all costs of relocation, including refunding security deposits and fees, in cases where uninhabitable conditions push tenants to relocate;
- Hire property management staff that reflect the community and are qualified, respectful, available, and responsive to tenants' needs;
- Negotiate a grievance procedure with tenants to address issues of health and safety in a timely manner and without retaliation;
- Recognize tenant associations and tenant unions, including meeting with them on a regular basis and engaging in good faith negotiations;
- Provide right of first purchase to tenants when selling a home or portfolio;
- Provide reparations to every tenant harmed by prior mismanagement; and
- Abide by the City of Minneapolis rental license conditions passed in January 2023.

# Methodology

We reviewed 310 properties in Hennepin County that are owned by Progress Residential. Of these properties, 224 are in North Minneapolis in the 55411, 55412, 55430 zip codes.

- **Ownership Determination:** We analyzed Hennepin County parcel data in order to locate properties registered to Front Yard Residential subsidiaries – FYR SFR Borrower LLC, HOME SFR Borrower IV LLC, and RESI REO Sub LLC, as listed in Front Yard's 10K.<sup>29</sup>
- **Purchase Price:** Purchase prices were obtained from Hennepin County parcel data.
- **Current Home Values:** Current home values for more than 95% of the properties in this report are from Zillow.com, accessed in May 2023. Values for properties not listed on Zillow.com are from Redfin, Trulia, or the Hennepin County Assessor.
- **Appreciated Values:** Appreciated Values were calculated as the difference between current home values and purchase price.
- **Rent Paid:** Rent paid by tenants is based on the monthly rent listed for each individual property on Zillow.com. For properties for which no rent is listed, we used the average rent for the other properties owned by Progress/Front Yard for that particular year, based on listings on Zillow.com.

We calculated rent for each property for each year since 2014 that Progress/Front Yard owned that property. For instance, if Progress/Front Yard purchased a property in 2018, we calculated the rent beginning in 2019.

We reduced the total rent paid by: 1) the amount paid by Progress/Front Yard for property taxes; 2) the amount reportedly paid by Progress/ Front Yard for property maintenance; 3) currently vacant properties that are not collecting rent; 4) the average rental vacancy rate for Minneapolis; and

5) the amount of rental assistance received by Progress/Front Yard.

- **Property Taxes.** We subtracted a total of \$4.5 million in property taxes paid for Progress's properties in North Minneapolis and \$5.9 million in property taxes paid for all of Progress' Hennepin County properties. This calculation was based on annual figure of \$2,567 in property taxes paid for each property, which is 1.33% of the current average assessed value of \$193,054, for each year that Progress/Front Yard owned that property since 2014.
- **Repairs and Maintenance.** We subtracted a total of \$4.5 million for North Minneapolis properties and \$6.2 million for Hennepin County properties, which is based on Progress Residential's claim that they have invested \$20,000 into each property owned in Minnesota.<sup>30</sup>
- **Vacant Properties.** Through door knocking, the community organization Inquilinx Unidxs Por Justicia/ United Renters for Justice has identified 80 Progress Residential properties that are currently vacant. It is unclear how long these properties have been vacant. To be conservative, we did not include any rent payments for these properties for 2022 in our calculations, although we did still subtract the estimated property tax payments for these properties for 2022.
- **Vacancy Rate:** We have taken into account the average rental vacancy rate for each year covered and have reduced the rent collected by that amount.<sup>31</sup>
- **Rental Assistance:** Progress Residential lists \$1.9 million in rental assistance for its properties in Minnesota. This is an average of \$2,950 per property. We have reduced the total rent paid by this amount for each property.<sup>32</sup>

# References

- 1 Purchase prices were obtained from Hennepin County parcel data. The median starter home price in Minnesota in 2019 was \$138,700. <https://www.businessinsider.com/typical-starter-home-cost-every-state-2019-5#minnesota-23>
- 2 Current home values for more than 95% of the properties in this report are from [Zillow.com](#), accessed in May 2023. Values for properties not listed on [Zillow.com](#) are from Redfin, Trulia, or the Hennepin County Assessor.
- 3 Appreciated Values were calculated as the difference between current home values and purchase price.
- 4 Monthly rent amounts are from [Zillow.com](#), accessed in May 2023. For more information, see Methodology on page 10.
- 5 Richard Rothstein, *The Color of Law* (New York, NY: Liveright Publishing Corporation, 2017).
- 6 “Forecasting State and National Trends in Household Formation and Homeownership,” The Urban Institute, <https://www.urban.org/policy-centers/housing-finance-policy-center/projects/forecasting-state-and-national-trends-household-formation-and-homeownership/minnesota> “Systemic racism haunts homeownership rates in Minnesota,” Federal Reserve Bank of Minneapolis, February 25, 2021 <https://www.minneapolisfed.org/article/2021/systemic-racism-haunts-homeownership-rates-in-minnesota>
- 7 “Racial Differences in Economic Security: Housing,” U.S. Department of the Treasury, November 4, 2022, <https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-housing>
- 8 Kevin Roose, “Goldman Executive Who Made Millions on Housing Bust Now Wants to Make Millions on Housing Un-Bust.” New York, July 20, 2012, <https://nymag.com/intelligencer/2012/07/goldman-mortgage-chief-gets-it-both-ways.html>
- 9 Ryan Dezember, “A Onetime Housing Skeptic Plans \$1 Billion Bet on Homes,” The Wall Street Journal, October 5, 2016, <https://www.wsj.com/articles/a-onetime-housing-skeptic-plans-1-billion-bet-on-homes-1475619217>
- 10 Roose, “Goldman Executive Who Made Millions on Housing Bust Now Wants to Make Millions on Housing Un-Bust.”
- 11 Richard Warnica, “Why a Canadian Crown Corporation Is Banking on the Downfall of the American Dream,” Toronto Star, February 20, 2021, <https://www.thestar.com/business/2021/02/20/why-a-canadian-crown-corporation-is-banking-on-the-downfall-of-the-american-dream.html>
- 12 Andrew Hazzard, “A decade on, painful scars and hard-earned resilience mark a tornado’s path through north Minneapolis,” Sahan Journal, May 17, 2021, <https://sahanjournal.com/climate-environment/northside-tornado-recovery/>
- 13 Gail Kolinowski, “Pretium Ares Close \$2.5B Acquisition of Front Yard Residential.” Multifamily Real Estate News, January 13, 2021, <https://www.multihousingnews.com/pretium-ares-close-2-5b-acquisition-of-front-yard-residential/>
- 14 Progress Residential, “Careers at Progress Residential,” <https://jobs.rentprogress.com/>, accessed April 3, 2023. Invitation Homes, which had been considered the largest owner, reported that it owned 83,148 homes in their most recent quarterly report. Invitation Homes, Form 10-Q, September 30, 2022, <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001687229/37aee611-0d64-4f99-b73b-b4b980590f48.pdf>, p 48.
- 15 From Hennepin County parcel data. For more information, see Methodology on page 10
- 16 Current home values for more than 95% of the properties in this report are from [Zillow.com](#), accessed in May 2023. Values for properties not listed on [Zillow.com](#) are from Redfin, Trulia, or the Hennepin County Assessor.
- 17 Appreciated Values were calculated as the difference between current home values and purchase price.

- 18 Monthly rent amounts are from [Zillow.com](https://www.zillow.com), accessed in May 2023. For more information, see Methodology on page 10.
- 19 <https://rentprogressimpact.com/minnesota/>, accessed May 22, 2023
- 20 City of Columbia Heights City Council Agenda & Minutes, "Agenda Packet – City Council Meeting, January 10, 2022" pp. 150 – 155, <https://meetings.municode.com/PublishPage/index?cid=COLUMBHTMN&ppid=be4a8e87-41cb-4972-b3e6-eea514f3f8e2&p=1>
- 21 Mark Albert, "Pattern of complaints against one of largest home renters in U.S.," KOCO News5, November 20, 2018, <https://www.koco.com/article/progress-residential-complaints-home-renters-investigation/25020724>; The Office of Attorney General Keith Ellison, "Attorney General Ellison Sues HavenBrook Homes, One of the Largest Landlords in Minnesota, for Failing to Repair Rental Homes, Violating Law," February 10, 2022, [https://www.ag.state.mn.us/Office/Communications/2022/02/10\\_HavenBrookHomes.asp](https://www.ag.state.mn.us/Office/Communications/2022/02/10_HavenBrookHomes.asp).
- 22 Susan Du, "Minneapolis imposes lengthy conditions on troubled corporate landlord," Star Tribune, January 12, 2023, <https://www.startribune.com/minneapolis-imposes-lengthy-conditions-on-troubled-corporate-landlord/600242948/>. City of Minneapolis Department of Regulatory Services, "In the Matter of the Rental Properties in Minneapolis, MN owned by FYR SFR Borrower LLC: Rental License Conditions and Stipulated Agreement," December 1, 2022, <https://www.documentcloud.org/documents/23571449-fyrsfrconditionssettlementagreement>
- 23 Matt Slepín, "Chaz Mueller, CEO of Progress Residential, and Dana Hamilton, Head of Real Estate at Pretium," June 7, 2021, in Leading Voices in Real Estate, produced by Isadore Nieves, podcast, 21:05 to 21:32, <https://www.podchaser.com/podcasts/leading-voices-in-real-estate-420611/episodes/chaz-mueller-ceo-of-progress-r-103155836>
- 24 Chris Furmeister, "As housing prices rise, renting creates more choices, Progress Residential CEO says," Atlanta Business Chronicle, July 1, 2022, <https://www.bizjournals.com/atlanta/news/2022/07/01/adolfo-villagomez-progress-residential.html>
- 25 Matt Slepín, "Chaz Mueller, CEO of Progress Residential, and Dana Hamilton, Head of Real Estate at Pretium," June 7, 2021, in Leading Voices in Real Estate, produced by Isadore Nieves, podcast.
- 26 "Minneapolis, cost-burdened households by type," MN Compass, <https://www.mncompass.org/profiles/city/minneapolis/cost-burdened-households>
- 27 City of Minneapolis "Rent Stabilization Staff Analysis, April 2023, <https://lims.minneapolismn.gov/Download/RCAV2/30945/Rent-Stabilization-Staff-Analysis-Report.pdf>
- 28 Ava Kian, "The Northern Metals shredder is gone, but environmental dangers remain," MinnPost, July 1, 2022, <https://www.minnpost.com/race-health-equity/2022/07/the-northern-metals-shredder-is-gone-but-environmental-dangers-remain/>
- 29 <https://www.virtuance.com/blog/minneapolis-property-tax/>, accessed May 22, 2023
- 30 <https://rentprogressimpact.com/minnesota/>, accessed May 22, 2023
- 31 Minneapolis Data Source, Rental Housing Vacancy Dashboard, <https://www.minneapolismn.gov/government/government-data/datasource/rental-housing-vacancy-dashboard/>
- 32 <https://rentprogressimpact.com/minnesota/>, accessed May 26, 2023

PRIVATE EQUITY  
STAKEHOLDER  
PROJECT



INQUILINXS  
UNIDXS  
POR JUSTICIA

[pestakeholder.org](http://pestakeholder.org)  
[inquilinxsunidxs.org](http://inquilinxsunidxs.org)