# Interrupting Inequality: Crisis and Opportunity in Low-Income Housing Policy

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*Inequality in the United States is deeply rooted in issues of property ownership, wealth, race and class. Lower-income and minority households in the United States are constantly challenged in their struggle for decent stable housing by unaffordability and insecurity, exacerbated by the twin foreclosure and financial crises and its aftermath. Community land trusts seem to offer an alternative that can interrupt the cycle of crisis for both households and communities.*

## Inequality, property and the struggle for homes

For decades, the odds of finding a decent affordable place to live have declined for those in the bottom quartile of the income distribution, and especially for African Americans. The long history of race in the United States has braided together legacies of exclusion from property, wealth and control over homes and communities (Coates 2014; Saegert, Fields and Libman 2011). The foreclosure and financial crises worsened the situation. The growth of racial diversity in the US has not lessened the significance of race in promulgating inequality but merely added new groups like Latinos to those who suffer disproportionately from economic challenges and crises, particularly those related to real estate. But crises and challenges also open up a space for debate and action about a better way to provide housing, own property and promote a more equal and just society.

## Low-income housing policy: rhetoric and results

For the last three decades, direct state provision of housing has lost favor as public policy as a whole has focused on market provision of goods, individual rather than government responsibility, and (with a measure of obsession) homeownership. Rental subsidies have been blamed for reducing homeownership and therefore equity accumulation among minority and low-income households, thus promulgating intergenerational inequality in the accumulation of wealth. Critiques of public and subsidized housing emphasize the erosion of social, cultural, and economic capital—and attendant limits on social mobility—that occur when low-income people are segregated from higher-income groups and concentrated in high-poverty neighborhoods (Wilson 1987). The idea that the concentration of poverty is at the root of the nation's poverty dilemma, and the accompanying conviction that the dispersal of public-housing residents and other members of the concentrated poor to neighborhoods of greater opportunity represents a necessary response, has underpinned thinking about low-income housing policy for the last 25 years (Imbroscio 2008). This argument, along with many other efforts to stigmatize public housing (and real problems related to underfunding and poor management of local housing-authority properties), marks public housing for extinction (Goetz 2013). Mainstream policy analysts and administrators argue that voucher-based rental subsidies and homeownership should take the place of public housing. The promise is that households who submit to the discipline of the market can gain a footing on a ladder of social mobility.

Evidence so far shows little or no benefit to low-income households of the new approach. Cost burden, loss of housing, and lack of access to alternatives have only gotten worse as the stock of subsidized housing decreases and previously affordable housing is gentrified. Residents who moved from stigmatized and cash-starved public housing projects did find better housing and neighborhood conditions, but not improvements in economic conditions, employment, and education. A 2012 study reported that relocated Chicago public-housing residents faced greater employment and income problems after moving and showed signs of deteriorating well-being (Chaskin, Khare and Joseph 2011). Social capital outcomes are at best mixed and sometimes even more socially exclusionary than public housing.

Market-rate rental housing cannot fill the gap left by the shrinking supply of public and subsidized housing. In 2014, more than half of renters were cost-burdened. Doubling-up of households and settling for poorly located, inadequate housing are hard to avoid.[1]

## Low- and moderate-income homeownership

The "Great Recession" left households in the lower part of the income distribution—especially households of color—with less income, less wealth, and fewer options in the increasingly expensive rental market. Underwriters put a disproportionate number of low-income, minority and female-headed households into risky subprime mortgage loans. Further, lower-income homeowners are more subject to the regular triggers of mortgage default such as illness, unemployment, and family dissolution. Again, reality has not measured up to the rhetoric of the benefits of homeownership. Benefits for many low- income homeowners have been compromised by limited choice of homes and neighborhoods, unsustainable debt, and little, no, or negative equity accumulation. About half return to renting within five years (Herbert and Belsky 2008).

However, for those low-income homeowners who manage to succeed, the home becomes the single largest contributor to their wealth. Successful low-income homeownership has been associated with greater educational achievement for children, pride and satisfaction with the home, sense of control and freedom as well as a sense of full citizenship and social status. Positive social engagement with neighbors and local institutions does increase with homeownership. Just as communities suffer from failed homeownership by increased public expenses, diminished tax bases, increased crime and threats to public health and morale, they benefit on these dimensions from a range of alternatives for stable, affordable ownership and rental housing options.

## Toward more viable communities and households: shared-equity housing

Community-based organizations' and local governments' searches for alternative housing policies has led to growing support for shared-equity homeownership (SEH) and community land trusts (CLTs). SEH involves shared investment in housing between the homebuyer and a sponsoring organization and limitations on the profit that homeowners can make at sale to guarantee permanent affordability. A national study of SEH programs found that 90% of shared-equity homeowners remained in their homes five years after they bought them. They realized reasonable returns on investment, and were able to resell when desired. The homes stayed affordable to households with the same income levels (Temkin, Theodos and Price 2010). A stable, permanently affordable housing stock reduces vulnerability to disruption through speculation, gentrification and market crises for both households and communities. All forms of SEH require some initial public subsidy, but unlike prior low-income housing subsidies, the housing stays affordable across generations of residents and residents stand to accumulate a modest amount of capital at time of sale.

[1] See: www.jchs.harvard.edu/sites/jchs.harvard.edu/files/sonhr14-color-full.pdf.

**Community land trusts: sustainable homes and communities for all**

Community land trusts look especially good after the foreclosure crisis, during which they suffered a minuscule number of foreclosures.[2] CLTs are community-controlled nonprofit organizations that separate land ownership and housing ownership. CLTs own land and lease it to owners of housing. CLTs enforce strong equity restrictions on the resale of housing and, as owners of the land, can play a back-up management role or be a financial guarantor for housing on their land.

The homeless and precariously housed have turned to CLTs as a better alternative than subsidies to shelter providers.[3] Tenants faced with skyrocketing rents and displacement have formed community land trusts.[4] Some CLTs seek to restore homeownership[5] to low-income and minority populations who lost their land through natural disasters and public and private development projects. Nonetheless, policy obstacles exist. For example, the Federal Housing Administration refuses to back loans to CLT homes.[6]

CLTs treat land as a democratically controlled community asset. When land becomes a speculative commodity, it is delinked from people's needs for housing and other land uses. During the long run-up to the 2008 crisis, land values rose 650%. Data show clearly that the crisis was the result of a speculative bubble in *land values* rather than in housing values.[7] Reminiscent of the community control movement of the 1960s and '70s that led to the creation of large stocks of limited-equity cooperatives in New York and Washington, DC, CLTs marry the mission of providing a housing stock that is permanently affordable to low- and moderate-income households with a hybrid form of collective and individual ownership and control.[8] CLT homeowners own their buildings but the land is treated as a common heritage owned by a nonprofit corporation and is made available through 99-year, renewable ground leases. The governing board of the corporation is selected to represent CLT leaseholders, non-lease-holding residents of the CLT service area, and representatives of the public interest. The board acts as a steward of CLT resources, including but not limited to housing, and is entrusted with ensuring long-term affordability and stability for present and future generations, and with expanding the CLT. CLTs often provide land to social housing and service providers, nonprofit organizations, and commercial businesses, depending on the needs of members and the surrounding community. Thus, CLTs provide more than permanently affordable housing and security of tenure; they invite and support broad community participation in the pursuit of these and other individual and social goals. And they take land, the habitat of humans that we cannot make ourselves, out of the speculative market.

The crisis in low-income housing policy is embodied in the severe shortage of affordable rental stock and in the struggling, wealth-sapped households and neighborhoods that were predictable casualties of the irresponsible lending practices of the 1990s and early 2000s. Along with continued activism in the arena of finance policy, experimentation with shared-equity models represents the "opportunity" on the other side of that crisis. Organizations like the New York City Community Land Initiative[9] and the Dudley Street CLT are sharing knowledge, advocating locally for favorable policy, and providing technical assistance to groups of people committed to permanently affordable

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2 See: www.lincolninst.edu/pubs/1936_Stable-Home-Ownership-in-a-Turbulent-Economy.

3 See: https://www.youtube.com/watch?v=WtAUe5-b4Oc&feature=youtu.be.

4 For example, TRUST (Tenemos que Reclamar y Unidos Salvar la Tierra – We Must Reclaim and Save the Earth Together) South Los Angeles: http://trustsouthla.org.

5 Such as Proud Ground: www.proudground.org/about.

6 See: www.bostonglobe.com/opinion/2014/11/13/time-consider-middle-ground-housing/6bxGXAk2UfCbZMXuFFUkmO/story.html.

7 See: www.bloombergview.com/articles/2014-11-11/housing-bust-wasnt-about-the-house.

8 See: www.lincolninst.edu/pubs/1272_Community-Land-Trusts-and-Low-Income-Multifamily-Rental-Housing.

9 Website: http://nyccli.org.

housing. These efforts merit government support and increased attention from urban and housing justice advocates.

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## Further reading


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