Spring 2002

What Happened to All the Affordable Housing?

Renee Barut
Western Washington University

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What Happened to all the Affordable Housing?

Renee Barut
Senior Project
Spring 2002
HONORS THESIS

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Signature: ____________________________
Date: June 13, 2002
Housing patterns in the United States have changed over time. During the first part of the nation’s development, many inhabitants lived in small, close knit, rural communities. With the boom of the Industrial Revolution, many rural inhabitants flocked to the cities in hope of finding better jobs and opportunities. Cities also grew in large part due to the influx of immigrants from European and later Asian countries in search of a better life in the United States. During the later part of the twentieth century factors such as crime, overcrowding, and technology made it desirable and possible for many to leave the cities and move towards a safer living situation in the form of suburban neighborhoods.

The form and creation of suburban neighborhoods is an interesting phenomenon in the United States. These neighborhoods are preferred in many ways due to their promise of a safe environment, better schools, superior amenities, and as the ideal environment to raise children. In contrast to living in a city, suburban life focuses around single-family homes that are surrounded by parks, schools, and recreational options. Cities are characterized as being densely populated, surrounded by industries and business workers, traffic, and crime. The differences between the two environments make suburbs the preferred environment for many. While the movement of individuals and families over the past few decades’ focuses on the movement from cities to suburbs we have ignored that the movement is not equally spread across all racial and ethnic groups. The stratification of racial groups over housing attainment and housing location has implications concerning the education, income, and job outcomes of each racial group.

Past research has repeatedly confirmed that African Americans are less likely to own a home compared to their European American counterparts, even after considering group differences in resources, family structure, and location (Crowder and South 1999; Flippen 2001: 132; Flippen 2001; Krivo 1998) It has also been shown that African Americans are more likely
to move from suburbs to cities while European Americans are more likely to make the move from the cities to the suburbs (Crowder and South 1997: 529). This reversal of movement is an interesting phenomenon concerning the mobility between racial groups.

While past research has primarily focused on the movement and inequalities of housing between African American and European American groups, this paper differs from past works in several ways. First, this paper examines previous mechanisms by which legislation, real estate, and banking organizations have influenced the creation of homogenous suburban areas. After a short review of historical evidence, the paper’s next goal is to examine the remnants of these past practices as it pertains to concepts questioning why certain ethnic groups live in certain neighborhoods and particular types of housing. Main factors examined will be white flight, racial stratification, and family economics. After thoroughly examining the inequalities present in housing attainment, the paper’s next focus is to examine two organizations whose goals are to alleviate barriers to housing that less affluent families face and how they hope to solve the lack of affordable housing.

Movement from the City to the Suburbs: Mechanisms of Stratification

The mass movement of families into suburban areas has been a stratified practice since its early beginnings. In the early part of the 20th century, many people were living in the crowded conditions of the city center and worked in manufacturing jobs. When the development of suburban areas became prevalent and favorable over living in city apartments, which came to represent poverty and crime, there was a mass migration to outer city limits and suburban living, which came to be symbolic of family stability, tranquility, safety, and prosperity. However, not
all families were able to make the transition from city to suburb in equal numbers due to economic and racial/ethnic barriers practiced by housing agents and government policies.

Early on in the development of suburbs, federal administrators, financial institutions, and housing developers worked hand in hand in the creation of suburbs as restrictive neighborhoods, which included the reduction of affordable housing for black families. The years between the 1950’s and 1960’s witnessed the creation of highways to the suburban areas. This process destroyed large tracts of poor housing in order to make room for the new super highways that bridged the city work center to suburban homes. In effect, the amount of housing available for African American families and potential homebuyers was greatly reduced which forced for these lower income families continue living in cities and into high competition with one another over what little bit of older housing remained, or towards public housing projects (Judd and Swanstrom 2002: 177-179).

Initially the policies that moved African American families from the threat of homelessness and into public housing projects were seen as beneficial. Federal policy members concluded that living in a public home was safer, more comfortable, and beneficial to the well-being of African American families. As such, their old homes were bulldozed, new highways were constructed in their place, and African American families were moved into public housing. It soon became apparent this would aid in the segregation of white families and blacks. White families were able to move to the more affluent and expensive closed off perimeters of the suburban neighborhood far away from the city center. Black families, on the other hand, were left behind in public housing where they were segregated and walled off from the rest of society.

While the initial intent of creating public housing was to serve the needs of families that otherwise would not have anywhere to live, the lack of support from contractors and real estate
developers allowed public housing to become a housing situation that no one wanted due to their marginal profits and undesirable locations. During the period of the suburban housing boom, affluent families wanted to escape the immorality, corruption, and anarchy they believed the cities possessed. They wanted to experience a calmer and more natural way of living through suburban neighborhoods (Judd and Swanstrom: 287). Housing developers were able to pick up on these new ideals and molded the suburban community into the perfect getaway for their wealthy clientele by encouraging racial segregation, the affirmation of social class, family homogeneity, and protection against threats to their livelihood (Judd and Swanstrom 2002: 295).

On this level, suburban housing could be interpreted as a social construct.

By catering to the needs and wants of the middle class family, housing developers were able to sell them a piece of the American dream through their creation of suburban houses and communities. One of the most affluent of these housing entrepreneurs was Jessie Clyde Nichols, whose vision was to sell individuals homes as well as a lifestyle. During the early years of the 1900’s, Nichols created his first suburban community, the Country Club District, located outside of Kansas city, which was targeted at the nations most wealthy and affluent (Judd and Swanstrom 2002: 291). Nichol's Country Club District was one of the most advanced and beautiful suburbs of the time. It boasted of the nation's first suburban shopping mall, had the architectural style of Spain, and provided the newest in home technology such as piped gas and electric service (Judd and Swanstrom 2002: 291).

Another entrepreneur at this early period of suburban growth was William Levitt, whose goal was to build houses and reap profits. Levitt did not want to focus on the creation of a community setting as Nichols had wanted, but he wanted to build homes in which he could produce a profit and secure their return by controlling the market in order to ensure the growth of
his investments. Levitt was in the forefront of mass producing homes. His keys to success included buying up large lots of land and building his homes in a cookie cutter fashion. By breaking down the process of building a home into twenty six different jobs and having a different contractor that specialized in that particular task, he was able to reduce the cost of his homes by as much as seventeen percent. At their peak, his production team was able to produce one house every sixteen minutes (Judd and Swanstrom 2002: 292).

The main ideals motivating these two entrepreneurs and many after them was to create a living area in which they could ensure large profit returns in their investments. They all did so by making their services available to a select population in society. Nichols and Levitt implemented certain restrictions and barriers to ensure that the right people were moving into their select living areas. For instance, it was common for a suburban area to have covenants in their contracts that barred tenants or home owners from selling or even allowing their property to be used by African Americans (Judd and Swanstrom 2002: 292). The language used in Levittown’s standard leases was as follows, “The tenant agrees not to permit the premises to be used or occupied by any person other than members of the Caucasian race. But the employment and maintenance of other than Caucasian domestic servants shall be permitted” (Lambert 1997). Levittown also had prescreening processes for prospective buyers. Levitt wanted to ensure that his white clientele was happy in their communities and recognizing that “most whites prefer not to live in mixed communities”, he had to screen prospective buyers by clothing and appearance (Judd and Swanstrom 2002: 293).

The real estate industry used racial segregation as a mechanism to promote suburban homogeneity as well as ensuring the value of a neighborhood. Between the 1920’ and 1950’s it was written in article 34 of the realtor’s national code that, “A realtor should never be
instrumental in introducing into a neighborhood a character of property or occupancy, member of any race or nationality, or any individual whose presence will clearly be detrimental to property values in the neighborhood” (National Association of Real Estate Boards, *Code of Ethics* (1924), article 34). Here it is explicitly shown that real estate agents were being taught to keep racial/ethnic groups segregated and as individuals, they became ethically bound in their practice to promote neighborhood homogeneity (Judd and Swanstrom 2002: 296).

Even before perspective buyers came to Levittown, they heard about it from their friends and read about these suburban communities in their papers. Many advertisements from the 1950’s promoted neighborhoods by promising prospective buyers; social class segregation, residential status, and racial segregation to their up and rising middle class clientele. For instance, some ads would attempt to draw people out of the city by using phrases such as “get out of the jungle of the city”, which can be interpreted as having class and racial undertones (Judd and Swanstrom 2002: 294).

Historically the creation of suburban areas and neighborhoods has been an unfair and racially discriminating practice. Many would argue that title VIII of the 1968 Civil Rights Act, which brought equal housing to the nation’s forefront, has helped to alleviate the problem of racial preferences in housing practices. Due to this legislation and others that came after, many believe that racially homogenous neighborhoods are not the norm or popularity desired by the public anymore. Is that really true? Are racially mixed neighborhoods now the norm in society and is the housing market becoming more open to all families in America? The next section of the paper examines these questions using U.S. Census data and a review of sociological literature and research to find the answers to these questions and beliefs.
Sociological Literature Review

Home ownership represents many different important ideals in American society. On one level, it is the pinnacle of the American dream for one to own their own home. Home ownership conceptualizes the American dream into one large tangible object in which one demonstrates their household wealth and health of family members. Owning a home is very important to the psychological, physical, and future well being of household members. On another level, owning a home has economic implications through the family's ability to save for the homes down payment as well as the inflation protection and tax benefits it incurs. This section is dedicated to examining the benefits that owning a home has for individual family members, how housing choices influence future outcomes, and the effects race and income have on housing attainment and mobility.

Housing is an important mechanism by which socioeconomic and racial advantages are reproduced and transmitted from one generation to the next. Previous empirical evidence has shown that racially segregated housing markets have been a main mechanism by which blacks and whites have been isolated from each other, creating stratified housing markets, neighborhoods, and society (Alba and Logan 1996; Judd and Swanstrom 2002: 285-308). The location, conditions, and characteristics of a home have been shown to affect the educational attainment of children, which is a strong indicator of future job possibilities, health, and future outcome overall. The houses that are found in minority neighborhoods, black neighborhoods in particular, have been found to be of a lower quality in comparison to predominately white neighborhoods due to their old age, poor structure and building material quality (Rosenbaum 1996: 418; Conley 2001).
Household crowding, which is the number of people who live in the household relative to how many rooms the house has, is a household characteristic that helps determine a family member's health and educational attainment. In a crowded house there can be as many as 2.5 people per room, which makes the lack of privacy an important factor in considering the health risk linked with overcrowding. Previous research suggests that overcrowding is detrimental to personal growth and well being. Individuals who live in crowded living conditions exhibit higher rates of irritability, weariness, withdrawal, as well as poor mental health and poor physical health (Conley 2001: 265). In respect to children and other students in the household, the lack of privacy makes it difficult for individuals to enjoy a quiet study area away from other family members such as younger siblings playing in the room or a parent watching television. Another factor that contributes to poor health conditions is the prevalence of irregular sleep patterns and the lack of sleep experienced by individuals in overcrowded homes. Consequently, children may attend school irritable and droggy due to their lack of sleep the previous night.

The quality of the home is another factor that contributes to the health of family members. Home quality included features such as when the home was built, the physical condition of the home, and the types of materials used in the homes construction. Characteristics of these poor housing conditions include the presence of insects and animals such as roaches and rats, the presence of asbestos, and the presence of lead paint. Lead paint in particular is more prevalent in poor black neighborhoods, whose children have higher concentrations of lead in their blood (Conley 2001: 266). Black families were also found to be more likely than other racial groups in the New York, New Jersey, and Long Island areas to live in a household that experiences three or more inadequacies such as the presence of insects, poor heating, and poor water quality (Rosenbaum 1996: 410-16) (See graphs I-VI in the appendix).
Home ownership in itself is a factor in considering the educational attainment of children. The quality of a school district and the child's surrounding schools is based on the real estate values and tax base of the community. Single family houses, which are owner occupied, are primarily located in suburban areas, which have a higher market value, and have better educational opportunities for children. There is a positive relationship between home ownership and educational attainment. In comparison to children who come from families that own their own home, children who came from families who rent and/or lived in a crowded household completed over a quarter less schooling, net of income and other socioeconomic characteristics (Conley 2001: 274).

Another aspect of home ownership that influences educational attainment is a family's potential to use the equity in their home towards their children's aspirations to attend higher education. Through a second mortgage, families who own may use home equity to pay for their children's higher educations. Homeownership is also a mechanism families can use to escape inflation in the housing market. Since many home owner families will have a fixed monthly mortgage that goes directly back into the value of their home they will have an advantage over families who have to worry about inflation and the threat of their rent going up every year and quite possibly every month. Therefore, in the long run it is cheaper for a family to own a home than it is for them to rent one. The money saved by owning a home can be used to the family's benefit in manners such as a retirement fund, stock options, family vacations, or money for school (Conley 2001:267).

The implications of data related to housing quality and conditions relevant to family well being and educational attainment prove that there are barriers and obstacles that black and Hispanic families have to deal with on a daily basis, which are not as prevalent for their white
counterparts (Rosenbaum 1996; 419). The past section discussed the effect that home ownership and household crowding has on the educational obtainment of children. This next section will link the inequalities associated with the lack of homeownership to economic and racial stratification.

Past research has proven a positive relationship between ethnic identity and an individual's ability to own a home (Alba and Logan 1996; Flippen 2001). While it has been shown that the quality of the home can be helpful or detrimental to a family 's overall well being, which can then affect the future outcomes of family members, this section bridges the gap between ethnicity and the difficulties associated with home ownership through the avenue of family wealth and income.

Housing wealth is a two-stage process. First, the family must decide to purchase a home and then they must find the resources to buy their home. Since every family understands the benefits and social status that come with owning a home, each family strives for the status of homeowner. However, many families experience difficulties in the acquisition of resources needed to purchase a home. According to a 1999 U.S. Census report, “Who Can Afford Buy a House in 1995”, the highest percentage of families who could not afford a median priced house or modestly house in their current living area were Hispanic families (80.3 percent and 72.6 percent respectively) (See Table I and II). Second were black families with 79.5 percent and 70.9 percent respectively. Families who were most likely to be able to afford a home in their present area were white non-Hispanic families with only 42.4 percent unable to purchase a median priced home and 37.2 percent unable to afford a modestly price home.¹

¹ A median price house has a price below half of the owner occupied houses in the area and above the other half. A modestly priced home is one priced so that 25 percent of all owners occupied houses in the area in which the survey respondent lives are below this value and 75 percent above. (U.S. Census 1999: “Who Can Afford to Buy a House in 1995?”)
Table I
Census report of who can afford a house in 1995
Affordability status to purchase a median priced home
Based on race and Hispanic Origin

<table>
<thead>
<tr>
<th>All Families in Survey</th>
<th>Cannot Afford Median Priced Home in Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Total</td>
<td>72,895</td>
</tr>
<tr>
<td>White</td>
<td>61,068</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>55,068</td>
</tr>
<tr>
<td>Black</td>
<td>9,053</td>
</tr>
<tr>
<td>Other Races</td>
<td>2,774</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>7,078</td>
</tr>
<tr>
<td>Not Hispanic Origin</td>
<td>65,816</td>
</tr>
</tbody>
</table>

Homeownership based on FHA, Fixed Rate, 30 year Financing  
Numbers in the 000’s.  
Table II
Census report of who can afford a house in 1995
Affordability status to purchase a modestly priced home
Based on Race and Hispanic Origin

<table>
<thead>
<tr>
<th>All Families in Survey</th>
<th>Cannot Afford modestly priced home in area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
</tr>
<tr>
<td>Total</td>
<td>72,895</td>
</tr>
<tr>
<td>White</td>
<td>61,068</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
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</tr>
<tr>
<td>Black</td>
<td>9,053</td>
</tr>
<tr>
<td>Other Races</td>
<td>2,774</td>
</tr>
<tr>
<td>Hispanic</td>
<td>7,078</td>
</tr>
<tr>
<td>Not of Hispanic Origin</td>
<td>65,816</td>
</tr>
</tbody>
</table>

Homeownership based on FHA, Fixed Rate, 30 year Financing
Numbers in the 000's.
U.S. Census 1999: "Who Can Afford to Buy a House in 1995?"

In addition to census reports and analysis, there is also past sociological evidence to support these claims. When comparing the wealth accumulation and inheritance of whites, blacks, and Hispanics, there has been a recurring pattern of stratification. Data found in the Health and Retirement Study (HRS) has found a strong role of social-psychological characteristics in structuring racial and ethnic inequalities in assets, which has a major role in determining a family’s ability to purchase a home (Flippen 2001: 126). After taking into consideration family characteristics such as planning horizon, attitudes on bequests, projections of future outcomes, and future expectations, a distinct pattern for each ethnic group in the study emerged.
The HRS database is a useful tool in assessing the homeownership possibilities and realities of ethnic groups. The HRS is unique because it surveys older populations, over sample Hispanics in addition to blacks, and it utilizes interviewing techniques specifically designed to produce high quality wealth and income data (Flippen 2001: 124). HRS data revealed that there was a direct positive relationship between ethnic background, income, and housing obtainment. In this study, 83 percent of white households were homeowners, 59 percent of black households were homeowners, and only 57 percent of Hispanic households were homeowners. In relation to these findings, the actual equity in the home also varied according to ethnic background. For every dollar that a white household has in their home’s equity, black households have fifty five cents and Hispanics have sixty nine cents of equity in their homes (Flippen 2001: 128).

Income, income resources, and education, which varies along racial/ethnic lines, had an effect on a family’s homeownership ability. The median years of schooling varies along racial/ethnic lines, white children average 12.8 years, blacks average 11.4 years, and Hispanics averaged 9.1. When the presence and size of family inheritance was taken into consideration, it revealed that a large portion of white families could expect a substantial sum of money while the other two ethnic groups were likely to receive none. In the overall number of respondents in the HRS, the percentage of whites to receive no inheritance were 64.6 percent, 89.4 percent of Blacks, and 89.8 percent of Hispanics. The percentage of homeowners that did not receive any inheritance based on ethnic identity was 62.8 percent of white population, 86.8 percent of blacks, and 87.4 percent of Hispanics. However, in order to get a better picture of what is occurring we must also take into consideration who is getting inheritances and how much. For the homeowner group, 37.2 percent of whites are receiving inheritances, with the largest group of whites (16.5 percent) receiving between $25,001 - $100,000, compared to only 13.2 percent of Blacks overall.
receiving any inheritance, and 12.6 percent of Hispanics receiving any inheritance (Flippen 130: 2001 See table III).

Table III
Inheritance Among Racial/Ethnic Groups

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th>Homeowners Only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>White</td>
<td>Black</td>
</tr>
<tr>
<td>% None</td>
<td>64.6</td>
<td>89.4</td>
</tr>
<tr>
<td>% Small (&lt;$25,000)</td>
<td>12.4</td>
<td>4.5</td>
</tr>
<tr>
<td>% Medium ($25,001-100,000)</td>
<td>15.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Large (&gt;100,000)</td>
<td>7.4</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Based on Health and Retirement Study Data
(Flippen 2001: 130)

By examining the data extracted by various past research sources, the main argument that seems to hold true for home ownership and racial stratification, is that minority populations are less likely to own a home in comparison to their white counterparts because of economic characteristics. As demonstrated by Flippen’s examinations of HRS data, the odds of black and Hispanic home ownership is 27 and 32 percent lower than their white counterparts even after controlling for life cycle, resources, preferences, and regional characteristics (Flippen 2001: 132). As time goes on in the life cycle of individuals, the effects of minority population’s lower levels of education, poor employment opportunities, and poor health will accumulate and affect the amount of income one has currently to provide for their family while it also limits the amount of wealth they will be able to pass on to the next generations. What has been occurring in American society is a growing gap in income and wealth distribution and the further
stratification of minorities from their white counterparts in the places where they socialize, go to school, and work, which are correlated with where they live, which is also related to their income and tax base.

Homes in particular are a factor in reproducing this inequality because it is the largest expenditure as well as the largest asset a family will ever have. The process of having enough income to purchase a home is more difficult for some than others, and the asset and equity of the home helps those who can afford a home have a more privileged place in society. Home ownership comes with the social benefits of having the privilege of being able to purchase a home, the stability of one’s family, the stability of one’s neighborhood, as well as the added benefits of tax laws and protection against inflation. Therefore, as we can see, the home obtainment of minority populations such as Black and Hispanics has much to do with their income and wealth.

Since the income and wealth of minority populations differs greatly in comparison to their white counterparts, they are limited to the areas in which they live. Most often, this will create an effect of neighborhood segregation. Recent studies have documented that since minority populations are limited to the kinds of housing they can afford, they are also limited to the places where they can live, which confines minority groups, especially blacks, to poor neighborhoods with high poverty rates, poor schools, higher crime, higher birth rates, and poor job opportunities (Crowder and South, 1999; Krivo 1998; Flippen 2001). Among all other ethnic groups, black families especially in the New York, New Jersey, and Long Island area are also more likely to live in an area near abandoned buildings and homes (Rosenbaum 1996: 410). The prevalence of poverty and neighborhood fragmentation contributes to the lack of political power these communities have since the families in the neighborhood are unable to organize effectively
Research concluded that among black homeowners, two thirds owned a home in central city locations while only one third lived in suburban areas. In contrast, three fourths of white homeowners reside in the suburbs while only one fourth live in a central city location (Alba and Logan 1996: 1324). The movement of ethnic groups shows the prevalence of stratification models functioning in neighborhood creation. Black families who do move tend to only move within central cities, while white families are over three times more likely to be able to move to a suburban area (Crowder and South 1997: 529).

If a Black or Hispanic family is fortunate enough to be able to afford a home, they will be relatively new homeowners in comparison to their surrounding neighbors. Since they are new homeowners who bought their homes later and at a much higher price than a family who has been in the area for decades, they can expect their monthly mortgage payments to be as much as four times higher (Baldassare 1992: 488). As a result, only the most affluent families will be able to move into the neighborhood while everyone else will have to live in more densely populated multifamily complexes.

While family wealth and income are major determinants in a family’s ability to own a home, it is not the only reason that minority populations such as blacks tend to stay in the same locations. Net of increased income white families were still at an advantage over black families. Net of economic similarities and differences, it is still harder for a minority family to move from their present location into a suburban setting. White families are more able to convert their higher income into a neighborhood move while Blacks were unable to make such a move. Past research has concluded that whites are able to achieve homeownership at a lower income than blacks. Neither higher levels of income nor higher levels of education were able to increase black families’ possibilities of moving to another neighborhood. On the other hand white families were
able to benefit from education and economic resources (Alba and Logan 1996: 1317; Crowder 2001: 1389). If a black family cannot depend on increased income and education to help them move to a suburban setting, what can they depend on?

There has been historical evidence that minority groups have been restricted and discriminated against by realty agencies and political policies and this seems to still occur today. One such theory suggest that there is a dual housing market in which the housing market is structured differently for racial groups and produces different outcomes for each as well. In such a dualistic housing market, blacks are being steered towards certain types of housing and therefore certain neighborhoods. Higher proportions of owner occupied housing in suburban areas prevent blacks from even being part of the neighborhood (Stearns and Logan 1986: 39).

If a black family is fortunate enough to have the resources to be eligible to own a house in the suburbs, they face another set of barriers. First, they must deal with discrimination found in the real estate business such as bad treatment and only being shown certain neighborhoods. Second, is the discrimination they face in the lending practices. Blacks and Hispanics have been turned down more often than their white counterparts for home loans, even though they were statistically similar (Rosenbaum 1996: 418). It is no wonder that Blacks have a much harder time escaping undesirable neighborhoods. In addition to racial preferences in lending practices, it should also be noted that African American individuals express a stronger preference for racially integrated neighborhoods while their white counterparts tend to have a stronger preference for neighborhood homogeneity and tend to shy away from black neighborhoods (Farley et al 1994 From Crowder 2001***).
Since each racial/ethnic group's social economic status is linked to their racial/ethnic identities it is hard to separate the two. In the next section of the paper, we will strictly examine the home buying potential each racial/ethnic group has based on economic factors.

Who Needs a House Anyway?

There is a great need for affordable housing in the United States and the percentage of families who are able to afford a home is decreasing every year. Between 1984, 1993, and 1995 the percentage of families who could afford to own a home has dropped significantly (From 60 percent to 58 percent to 56 percent respectively). According to a Census report issued in August 1999, about 56 percent of all American families, which included renters as well as homeowners, could afford to purchase a moderately priced home in their current neighborhood. Of the 56 percent, 95 percent already owned their own home in that area. The main barrier for those who wanted to switch from a renter status to an owner status was their lack of a down payment, excessive debt, or insufficient income. These barriers disqualified 48 percent of renter households who wished to change their renting status (U.S. Census: 1999).

In addition to quantifying characteristics of homeowners and different types of households, this Census Report suggests several ways to alleviate home ownership barriers. Housing costs make up the largest share of expenses for American families, especially low-income families. The report advocates lowering down payment requirements, changing interest rates, and/or permitting subsidies or other forms of cash assistance to individuals and families seeking to purchase a house. A decrease in the mortgage rate by as much as three percent only projected a one percent increase in the number of families who could afford to own a home. While more families would qualify for homeownership if the down payment on a home was less
than five percent, which would result in an estimate of one to three percent more families able to qualify for a mortgage. The increased monthly mortgage this would entail would make it difficult for these families to pay their monthly mortgage bills based on their small and/or fixed incomes.

Of the three proposed strategies, cash assistance or subsidies are the most effective. This strategy can be explained as the family receiving a gift from employers, family members, home sellers, or government agencies to increase the amount of cash available for a down payment, closing costs, debt repayment, or any other additional costs associated with home ownership. The subsidies would have to originate from a source such as private organization, nonprofit or governmental agency because they would have to be in a form such as a gift so that the receiving family will pay minimal to no interest on this form of aid. The amount of the subsidy and its target population can have a great effect on the percentage of people able to own a house (See Table IV Below).

Table IV
The Effect of Government Subsidies Towards Home Ownership and Target Populations
(Represents the increased percentage of families who could own a home with a subsidy or monetary gift)

<table>
<thead>
<tr>
<th>Amount of Subsidy</th>
<th>Overall</th>
<th>African American</th>
<th>Hispanic</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500</td>
<td>2%</td>
<td>2%</td>
<td>NA**</td>
</tr>
<tr>
<td>$5,000</td>
<td>11%</td>
<td>13%</td>
<td>7%</td>
</tr>
<tr>
<td>$7,500</td>
<td>18%</td>
<td>19%</td>
<td>12%</td>
</tr>
<tr>
<td>$10,000</td>
<td>22%</td>
<td>NS*</td>
<td>16%</td>
</tr>
</tbody>
</table>

*This amount would not significantly further increase the number of African American renters who could qualify for a mortgage after the $7,500 amount.
**This amount is too low to have any significant change on the number of potential homeowners.
After recognizing the strong relationship between income, wealth, and home ownership and taking into consideration the impacts that housing inequalities have on neighborhood and personal developments, it was important for me to see what kind of support an income-challenged family could receive from their community in hopes of obtaining a home and improving the lives of their family. I wanted to know the importance communities placed on the well being of its families through the service they provided to families in the attainment of a house. Since I wanted this to be a somewhat realistic venture, I decided to research two well-known local organizations, which are the Whatcom County affiliate of Habitat for Humanity and The Kulshan Community Land Trust.

Local Organizations Created to Alleviate Housing Inequalities:
Habitat for Humanity

The Whatcom County affiliate for Habitat for Humanity is part of the larger Habitat for Humanity International organization, which Millard and Linda Fuller founded in 1976. The international and local affiliates of Habitat for Humanity are a nonprofit, ecumenical Christian housing ministry, which seek to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. The Whatcom affiliate’s mission statement is as follows, “Habitat Works in partnership with God and the people in our community to provide simple, decent housing for God’s people in need by building or renovating homes so that there are affordable homes in which families can live and grow into all God intended” (Habitat for Humanity 2002). Since its establishment here in Whatcom County,
Habitat for Humanity has built twelve houses in the area and is currently working on its 12th and 13th houses located in Ferndale.

The houses are built in cooperation with the family in need, other volunteers, and as much donated materials and funds as possible. Habitat is funded and run through private donations and while it is not a government agency it does create partnerships with all levels of government and government agencies. However, Habitat receives government gifts, aid, and grants, which help in the process of building homes such as land, houses that need rehabilitation, infrastructure for streets, and help with administrative expenses and utilities.

The first step for interested families is to fill out an application in order to become a Habitat for Humanity family. If they are approved they will put in 500 hours of “sweat equity”, which is the number of hours in manual labor the family must invest in the home. In cooperation with community volunteers, the home will be built and then sold to the family at no profit and no interest. The cost of the home is repaid over a fixed amount of time and the payments are then recycled into the organization and are used to build more homes.

To qualify a family must demonstrate severe housing needs (See appendix for application guidelines). These needs are the lack of indoor plumbing, poor heating, a leaky roof, substandard housing, unsafe or unsanitary conditions, or the rent of current housing conditions is too high for the family to meet. The family must have lived in Whatcom for at least one year as well as demonstrate financial need for services. Income requirements are that the family must have a steady income of no less than 25 percent and no more than 50 percent of the median income of the community. Once the application is submitted, Habitat for Humanity staff verifies employment, income sources for the family, obtains recommendations from past and present landlords, does a credit check, and asks for at least two personal references. The whole initial
application process takes about two to three months. Once approved the family moves on to the next stage towards building their own home.

After being approved and selected from Habitat’s file of qualified families, Habitat asks that families participate in programs learning about household budgeting, home repair, and maintenance. In cooperation with Habitat, the family is required to invest in their own labor towards the construction of their home. This is known as “sweat equity”, and for families in the Whatcom area that amount is 500 hours of work performed on the house from family members. In addition to labor, the family must also put down 500 dollars for a down payment, which is required before closing. One hundred of those dollars is paid up front before any construction begins on the home’s site (Habitat for Humanity 2002).

After the family has been approved, pays for the down payment, and meets the sweat equity requirements, Habitat sells the family the home at cost and interest free. The cost of the home is determined using the value of the material and labor used to build the house and is not manipulated in any way in which Habitat for Humanity makes a profit from the creation of the home. A legal mortgage of twenty years and promissory note are drawn outlining the conditions and obligations between the family and Whatcom Habitat for Humanity. In addition to mortgage payments, the family must also pay for insurance and taxes.

Kulshan Community Land Trust

The Kulshan Community Land Trust is another local organization created to alleviate the barriers poor families face toward home ownership. While the creation and development of community land trust have existed in the United States since the 1960’s, the Kulshan Community Land Trust in Bellingham was not established until 1999. The success of CLT’s depend on the
The acceptability of the organization in the community and other community organizations such as banks, support from local investors interested in taking part of the organization, and the support of the local government through grants and other resources such as land allocations.

CLTs are similar to the goals of Habitat For Humanity in the sense that both organizations want to create affordable houses and housing for families who are not financially able to. They also provide assistance to these families through money managing and home repair and maintenance classes. However, they vary in one very important way, which is that Habitat is there to help a family in hopes that one day the house they helped them build will become the possession of the family. On the other hand, CLTs are there to help families and communities grow and strengthen so that affordable housing will be there forever for the family it was initially built for or for another family a few years down the road facing the same financial barriers. The main focus of a Community Land Trust is to create perpetually affordable homes for people.

The purposes of Kulshan Community Land Trust

- Provide opportunities for low- and moderate- income people to secure housing that is decent and affordable and the residents on a long-term basis.
- To preserve the quality and affordability of housing for future low- and moderate- income residents of the community.
- To protect the natural environment and to promote the ecologically sound use of land and resources and the long-term health and safety of the community.
- To provide economic, social, and educational support to residents of the community.
- To combat community deterioration in economically disadvantaged neighborhoods by promoting the development, rehabilitation, and maintenance of decent housing in these neighborhoods; by promoting economic opportunities for low- and moderate- income residents of these neighborhoods; by making land available for projects and activities that improve the quality of life in these neighborhoods; and by assisting residents of these neighborhoods in improving the safety and well-being of their community (Kulshan Community Land Trust 2002)
The eligibility requirements of the Kulshan CLT are very similar to the requirements of Habitat for Humanity (See appendix for eligibility requirement documents and applications). Since CLT’s are different from the traditional home buying, process perspective applicants must first an informational meeting and determine their willingness and eligibility to be in the program before they even fill out and application. Prospective people who want to enter the CLT’s home buyer program must have lived at least a year in the county and be able to prove they have a means of income that enables them to make a living as well as payments on the house. Other criteria require that the applicant has been employed for at least a year, has no debts beyond 38% percent of their income, has a good credit rating, and does not have any assets totaling over $10,000 dollars in value, which includes belongings such as savings, boats, land, art, ect., but do not include cars or household possessions such as electronics, etc. In order to target populations who are in the greatest need, applicants must earn less than 80% of the median income in the county for their household size (See appendix for applications and application guidelines). Since the main barrier to CLT applicants is too much debt, which also plagues these applicants in the traditional housing market, they are still committed to working through these problems with the applicant through debt reduction and budget planning classes in hopes of moving these applicants towards eligibility. CLT’s also require that applicants attend a homebuyer education class intended to inform as well as build confidence in their homeowner community.

By holding the title to the land, Community Land Trusts are able to sell the homes on the land to families in need at an affordable non-interest cost. In this partnership, the homebuyers purchase and own the home on the land, while the Community Land Trust leases the land to the homeowner. If and when the current homeowner decides to sell the house, they must sell it to the Community Land Trust Organization they are in partnership with so that the home is available to
Another low income family. CLTs not only want to create perpetually affordable housing, but they also want to create strong neighborhoods in which community members are involved with one another in creating a strong and connected community identity. One such example is the Burlington Community Land Trust in Burlington Vermont, which has 486 units in the city. This is one of the nation’s strongest and largest land trust and they provide single family homes, as well as community homes, and community centers and by providing an area for people to collectively come together to work and live they have built a strong local community back by families and individuals involved in giving back to their community.

Since the Kulshan Community Land Trust is a newly formed organization, they are still in the process of creating their first home. However, I was able to find information on the activity of Community Land Trusts in the United States as a whole. Of the fifty states, thirty have at least one Community Land Trust (CLT) in operation in 2000. From the ninety six total operating CLT’s, they have produced 5,357 housing units.

Community Land Trust models have been largely successful on a national level and their impacts have been deep. Many people who did not think they could ever afford a home are now able to afford a decent home and they are building strong communities in the process. One such example took place in the town of Durham, North Carolina, which is close to Duke University. Before the community land trust was established in this community, it consisted of run down houses that were inadequate for people to live in. People still lived in these buildings because that was all they could afford and some of the houses were well known by the neighbors as an old drug house. A local CLT was established and they took the land and rebuilt the houses so they were desirable and affordable to low income families (Cohen and Chasnoff 1998). One woman in particular has had her life affected by the CLT. As a single mother working two jobs
to support her three children, Linda Lewis-Giles never imagined she would be able to afford a house. At one point, she was so frustrated with her situation that she thought that she should give up and let the government take care of her, but she replied to a newspaper ad one day that was looking for low income families interested in owning their own homes. She went to the Durham CLT’s office and that day she was shown a house that was available and that day she felt like she had found her house. Since then, she and her three children have lived in their house and have created a community with the other CLT families in the area. They feel like they have something invested in the area, which goes beyond property lines, they have a community.

One of the community women explains that this is their neighborhood and that they all take care of each other, if one person’s washer breaks down another neighbor will let them use theirs, or if one neighbor is out of town and has to leave her ninety year old mother at home, the mother is taken care of by the community members. The land trust is truly there to address community concerns since it is run by and led by the community. As Durham CLT member Alisa Johnson likes to put it, “This is ours [our house], but it also the communities…our decedents won’t be in it themselves they will inherit the connection to the community” (Cohen and Chasnoff 1998). As for Linda Lewis-Giles and her family, she has taken the message of the CLT to heart and has decided to be a leader for the Durham CLT by becoming a board member and make others aware of the benefits of becoming a part of a CLT.

“I finally found somebody who cared enough to say you deserve this. Just because you don’t have a lot of money doesn’t mean that you don’t deserve the same opportunities. It just touched my heart so and here was a group of people who don’t know me and I wanted to give back so I joined the board.” Linda Lewis- Giles (Cohen and Chasnoff 1998).
Conclusion

There is a need for more affordable housing. Every year the percentage of families who can afford a house keeps decreasing while the prices of housing overall increases. What will happen to all the men, women, and children who grow up and experience illness and poor quality educations because of where they live? Don’t all people deserve the right to live in a home that does not contain lead paint or is located next to a “liquor house”? Don’t working families have enough to worry about without the added worries of having their rent raised and having the threat of being homeless? What about the elderly who live on fixed incomes? What will they do when the cost of their prescriptions goes up as well as their rent? Do we really want to live in a society where the elderly are also becoming homeless? While it is true that there are organizations such as Habitat for Humanity and Community Land Trust all over the country they are not enough to bridge the gap between those who need affordable and adequate housing and the number of houses and homes available for them.

What is seen, as a right in our country is increasingly becoming a privilege. It boggles my mind, to say the least, that something as adequate housing, which is a basic need for everyone, has become a commodity stripped from the safety, comfort, and security it originally stood for. While researching for this paper, by visiting with each organization, and working side by side with future Habitat for Humanity home owners, I was able to understand the importance of a house that goes beyond viewing a house as a good investment. I was able to really appreciate the symbolic meaning of a home and realize that a person’s health, well being, and security is tied up in one’s neighborhood and housing situation. I think that Burlington Mayor Peter Clarelle presents a sense of home ownership that I have come to appreciate while working on this project.

"Housing is not something that should be traded like stock, or gold, or pork bellies. It should be treated differently. So, it is a very conscious state of public
policy that we have attempted to de-commodify the housing stock. So, rather than
government doing all the thinking, people who own their own home, many for the
first time, are true stakeholders and have some control over their destiny.”

As the *Hands and Homes* video exemplified, the people who need adequate housing the
most are not being serviced by the traditional market. However, with the help of organizations
like Habitat for Humanity and Community Land Trust they are able to receive a hand up not a
hand out towards bettering the lives of their families. Unlike other people who are able to
purchase a house in the traditional housing market, people that are targeted by these
organizations are just trying to find a way to provide a safe, stable, and permanent place to raise
their family. Isn’t that something that we all deserve? So, now I ask myself and others around
me, what will I do in my life to make sure that we all have safe homes and neighborhoods?
Bibliography


Appendix
Graph I

Proportion

Racial/ethnic group

- White
- Black
- Hispanic
- Asian

*Proportion of family households in units with 3 or more inadequacies, NY-NJ-LI metropolitan area, 1991

Graph II

Proportion

Racial/ethnic group

- White
- Black
- Hispanic
- Asian

*within 300 feet

*Proportion of family households nearby* abandoned buildings, NY-NJ-LI metropolitan area, 1991
Graph III

- Proportion of family households who own their homes, NY-NJ-LI metropolitan area, 1991

Graph IV

- Proportion of family households in units with 3 or more inadequacies, New York City, 1991
Graph V

Proportion

Racial/ethnic group

- White
- Black
- Puerto Rican
- Dominican
- C/S American
- Other Hispanic
- Chinese
- Other Asian

* on same block

* Proportion of family households nearby* boarded-up buildings, New York City, 1991

Graph VI

Proportion

Racial/ethnic group

- White
- Black
- Puerto Rican
- Dominican
- C/S American
- Other Hispanic
- Chinese
- Other Asian

* Proportion of family households who own their home, New York City, 1991

(Graphs from Rosenbaum 1996: 410-416)
Dear Applicant,

Habitat for Humanity is a Christian house building ministry financed through private donations and the utilization of volunteer labor. Our purpose is to build homes with families and sell the houses at no profit and no interest to families who could not otherwise afford a home.

Please read the following items to see if you have an interest in our ministry and to see if you meet our general guidelines.

- To qualify, you must have housing needs. For example: no indoor plumbing, poor heating, leaks in the roof, substandard housing, unsafe or unsanitary conditions, or the rent is too high for your income.
- You need to have lived in our service area for about one year.
- You need to have a steady income of no less than 25 percent and no more than 50 percent of the median income for your community (if you have questions about this, call us).
- With your permission, we will verify employment and other income, verify checking and savings account balances, get a statement from your current and previous landlords, have a credit check done, and ask you for credit references. We will also need the names of at least two people who know you and whom we can contact to provide statements about you.
- If you are approved for a Habitat home, we ask that you be willing to join in programs to learn and practice budgeting, home repair, and maintenance.
- If approved for a Habitat home, we ask that you be willing to work 500 hours of sweat equity, 300 of those hours must be completed by immediate family.
- If approved for a Habitat home, $500 will be needed for a down payment. If your family is selected, you will have some time to save this money before closing. One hundred dollars of this amount is required prior to construction beginning on your home.
- After you have been selected and approved for a Habitat home and have met the sweat equity and down payment requirements, Habitat will sell you a house at cost. A legal mortgage and promissory note will be drawn up, which spells out conditions and obligations between you and Habitat. House payments made to Habitat are interest free under a 20-year mortgage. In addition to the house payment, taxes and insurance must be paid by you.
As the house payments will be used by Habitat to build homes with and for other people like you, payments must be made timely each month. Habitat is non-government subsidized.

Our guidelines and requirements do not fit everyone who needs a home. Ours is not a “handout” program; but rather a “hand up” partnership. Families are selected from applications on file. Each time a lot becomes available, we select a family who is the most qualified. There are no houses in inventory, no waiting lists, and no preferential rights for any applicant.

Applicants who meet the general Habitat guidelines will be kept on file until the next lot becomes available. Applicants who do not qualify under the Habitat guidelines will be notified, but may re-apply should their circumstances change.

If you are interested in Habitat and if you believe you qualify for a home according to the guidelines, we encourage you to complete and return the enclosed application. The application process takes between two and three months.

All information is considered confidential and is to be used only for family selection. Habitat is the sole judge of who is the most need and qualified applicant.

Sincerely,

Terry Mattson
Executive Director
What is the **HomeBuyer Driven Program**?

The **HomeBuyer Driven Program** assists households of modest means to purchase existing homes by using the community land trust approach. This program lowers the cost of housing by separating ownership of the house from ownership of the land on which the house sits.

Kulshan CLT helps applicants qualify for a mortgage and other downpayment assistance, and then brings an additional $30,000 or more at closing to cover the gap between the cost of a starter home and the price the household can afford in mortgage plus downpayment. The downpayment assistance offered by Kulshan CLT closes the gap between high housing prices and lower family earnings.

At closing (when the sale is finalized), the homeowner gains title to the improvements (the house) and enters into a 99-year, renewable, inheritable ground lease agreement with KCLT. Kulshan CLT retains title to the land to ensure that the home remains affordable to low- and moderate-income households forever. When or if the homeowner ever chooses to sell, s/he/they will recapture the downpayment and a fair share of equity while keeping the resale price affordable for the next buyer without additional subsidy.

This approach to affordable homeownership creates perpetually affordable homes in spite of escalating real estate market prices. Whatcom's mix of affordable housing programs has been enhanced by the addition of the CLT approach to the good work already being done by the Housing Authorities, Whatcom Self Help Homes, Habitat for Humanity, the Opportunity Council and others.

**How does Kulshan CLT keep the homes permanently affordable?**

- At time of purchase, the homebuyer gains title to the home and all improvements on the land.
- Kulshan CLT gains title to the land.
- The homebuyer then enters into a 99-year renewable ground lease with Kulshan CLT.
- If or when the homeowner chooses to sell the home, Kulshan CLT has first option to buy.
- The ground lease contains a resale formula that provides a fair return to the homeowner/seller.
- The home resells at an affordable price to the next homebuyer without additional subsidy.
- The CLT ground lease/resale model creates a stock of affordable homes for the long term.
- The KCLT homebuyers help create a growing inventory of affordable homeownership options.

For more information call 360-671-5600 or go to [www.kclt.org](http://www.kclt.org).
HOMEBUYER DRIVEN PROGRAM
APPLICATION INFORMATION PACKET

2001

Kulshan CLT
a community land trust

INTRODUCTION TO KULSHAN CLT AND THE HOMEBUYER DRIVEN PROGRAM
CHECKLIST FOR POTENTIAL KULSHAN CLT HOMEOWNERS
ELIGIBILITY REQUIREMENTS

APPENDICIES
A. Fee Schedule
B. Homeowner and KCLT Responsibilities
C. Site Selection Criteria

APPLICATION INSTRUCTIONS
Kulshan Community Land Trust (KCLT) is a democratically structured, membership based, community land trust, working to create healthy communities through permanently affordable homeownership. A community land trust is a nonprofit corporation that owns land and holds it “in trust” forever for the benefit of the community. CLTs are elegantly designed to balance the interests of individuals and the interests of the community at large. Individuals want security, equity and a lasting legacy for the heirs. The community at large benefits from the stability brought about by owner occupied homes.

Kulshan CLT was incorporated in 1999 by a group of individuals concerned about the impacts of escalating housing prices in Whatcom County. Over the last decade the average housing price in Bellingham has risen by 90 percent, from $82,000 in 1989 to $157,233 in 1999. Many residents of Whatcom County live with a tremendous housing burden. Even two-earner households are often unable to purchase or rent a home at an affordable price.

Kulshan CLT is one of over one hundred CLTs in the nation today. The purpose of a CLT is to acquire land and remove it from the speculative, for-profit market. Kulshan CLT combines the best features of private and community ownership. Kulshan CLT homeowners have some essential benefits of conventional homeownership: lifetime security, a reasonable rate of return on their investment, and a legacy for their descendants. At the same time Kulshan CLT makes access to housing available to those of modest means. CLTs enable a community to exercise more effective and representative control over its long-term development and prevent absentee ownership. No seller benefits from speculative gains and unearned increases in market value and moderate-income buyers are not priced out of the market and denied decent housing by such increases.

The HomeBuyer Driven Program (HBDP) lowers the cost of housing by separating ownership of the house from ownership of the land on which the house sits. In this way, it combines community ownership of land with private ownership of homes. When a home is bought through the HBDP, the homebuyer takes title to the house and all the improvements on the land, while Kulshan CLT retains title to the land. Residents then lease the land from Kulshan CLT for ninety-nine years, with an option to renew for another ninety-nine years. To insure long-term affordability, Kulshan CLT restricts the resale price of the home. The home and leasehold rights, when transferred, must be transferred to a person/family earning at or below 80% of the area median income. Kulshan CLT homeowners are free to resell their homes whenever they want to but the price at which they can sell their home is limited. The resale price is determined by a mathematical formula in the lease with an increase over the period of time that the seller owned the house. Residents gain some equity, but do not price the home out of reach of other wage-earning residents.

This packet defines the process prospective homeowners must follow to apply for and purchase a home through Kulshan CLT’s HomeBuyer Driven Program. The process requires more commitment as the applicant gets closer to the final steps of purchasing a house. The road to home ownership is generally long, challenging, and risky. Reaching that goal under the land trust model is no exception. There are no guarantees until you have signed the final closing documents and moved in to your home. Kulshan CLT advises all prospective homeowners to read this document carefully and to meet with our staff to discuss your situation and your homeownership options.
CHECKLIST FOR POTENTIAL KULSHAN CLT HOMEOWNERS

The application process is outlined below. Please call Erika at (360) 671-5600 if you have any questions.

☐ Attend an introductory community land trust orientation.
KCLT staff will explain the land trust concept, the purpose and mission of KCLT and the resale formula.

☐ Determine your eligibility and willingness for commitment.
You are eligible if you meet the six criteria listed on page 3. Kulshan CLT advises you to read through the entire qualification, commitment and mortgage application process to determine your willingness to complete all steps, including participating in meetings and paying all fees. (See Appendix A for a schedule of fees.)

☐ Submit application to Kulshan CLT.
Complete and submit a Homeowner Application with a membership fee (if you are not already a member) and an application fee (see Appendix A for the schedule of fees). Applications are reviewed on a first-come, first-served basis.

☐ Attend a Homebuyer Education Class.
Kulshan CLT offers a 6-hour homebuyer education class. This class will give you the basic tools to move through the homebuying process with knowledge and comfort.

☐ Receive and acknowledge receipt of a Letter of Intent from Kulshan CLT.
This letter is a statement of understanding and a declaration of Kulshan CLT’s commitment to work with you. This letter also includes a statement of the subsidy amount that you are eligible for through Kulshan CLT’s HomeBuyer Driven Program. You will pay a commitment fee when you return your letter of receipt. Once your acknowledgment of receipt is received you will be placed on the list of approved buyers.

☐ Meet with a loan officer to be pre-qualified for a mortgage.
At this point, there are specific banks that have approved the Kulshan CLT model. Although it may be tempting to work with other lenders, it might mean you would have to do this step twice. We are always willing to work with new lenders, but it may take them some time to approve the program.

☐ Shop for a home.
We recommend that you use a Realtor, preferably a buyer’s agent, because they are the experts at finding houses. At this point, because you will know your budget, you will be able to look for within your price range. As a buyer, you generally pay no realtor fees, unless you are purchasing a home “for sale by owner”. (See Appendix C for the Site Selection Criteria.)

☐ Review the Ground Lease with a lawyer.
You will need to meet with a lawyer to ensure you completely understand the Ground Lease, particularly the resale formula. It is a legally binding agreement. We want to make sure you are protected.

☐ Make an offer on a house, negotiate the purchase and sale agreement, complete a home inspection, formalize your loan and proceed to closing.
Complete the necessary paper work and file the necessary fees to purchase a home with KCLT’s assistance.

☐ CONGRATULATIONS!
ELIGIBILITY REQUIREMENTS

You are eligible if you meet the following six criteria:

1. **Minimum residency**: You must have lived in Whatcom County for at least one year. You must also be able to demonstrate the ability to make a living in the County.

2. **Income**: You must earn enough to pay the monthly mortgage, taxes, utility costs and insurance. However your household income may not exceed 80% of the median income for Whatcom County for your household size. In 2001 the maximum gross income by family size is shown in the table below. These figures are gross income, before taxes are withheld. Proof of income is required as part of the application to Kulshan CLT.

<table>
<thead>
<tr>
<th>Number of people in household</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<td>$28,100</td>
<td>$32,150</td>
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<td>$40,150</td>
<td>$43,350</td>
<td>$46,600</td>
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</table>

3. **Credit Rating**: You must have a good credit rating showing no significant delinquencies in the past year and no bankruptcy in the past three years. A credit report is required as part of your application to Kulshan CLT. You must supply your own credit report. (See the next page for instructions).

4. **Debt**: At the time you apply for a mortgage, your total monthly debt payments 8% of your income. Debt includes any long-term obligations (a repayment period of more than 6 months), such as automobile payments, child support and student loans, plus the minimum monthly payment for all credit card debts. Kulshan CLT will determine this percentage during your application review. If your debt load is too great to qualify, Kulshan CLT staff refer you to organizations that may be able to assist you to establish a plan for debt reduction. If it appears that it is possible for you to reduce your debt to within the necessary range, you will be allowed to remain on the waiting list for a home as long as you follow through with your debt reduction plan.

5. **Employment and ability for homeownership**: You must have proof of steady employment or income for at least one year. Sources of income include all wages, overtime and tips; interest and dividends; social security, annuities, pensions; unemployment, disability and severance compensation; alimony and child support; and most forms of public assistance. Self-employed individuals must demonstrate proof of earnings with tax returns for the past two fiscal years.

6. **Assets**: If you have net assets exceeding $10,000 in value, they must be used toward housing. Assets include savings, land, mobile homes, recreational vehicles, boats, art collections or similar items. Not included in the calculation of asset value are household possessions, cars, tools, Individual Retirement Accounts (IRA's) or pensions.
Appendix A

FEE SCHEDULE FOR PROSPECTIVE HOMEOWNERS

KCLT Annual Membership: $10 per household per year.
  Dues must be paid at the time of application if not before.
  Non-refundable.
  Supports KCLT's operations.

Application fee: $50 per household.
  Due with application to KCLT.
  Non-refundable.
  Supports staff time to process your application.

Commitment fee: $100
  Due when you acknowledge the Letter of Intent from KCLT.
  Refundable only if you do not qualify for a mortgage.
  Supports project costs, and establishes committed relationship.

Earnest Money Payment: $1000 (more or less)
  Total due when making an offer to buy a home.
  Refundable if you do not qualify for a mortgage or when you exercise an option to withdraw from purchase and sale agreement provided you act in a timely manner.
  This is part of the purchase and sale contract, which is negotiable.
  This payment will be credited toward the downpayment.

Mortgage Application Fees:
  To be determined by the mortgage bank.
  Will depend on the size of the mortgage.

Closing costs: A total of about $1500 (will depend on the sales price of your home).
  These fees may be included in the total mortgage loan or can be paid in cash at closing.
  These costs include: half of escrow fees, title insurance, first year's property insurance, appraisal, home inspection and recording fees.

Ground Lease Fee: $35/month once you move into your home
  Due on a monthly basis
  Helps to defray the cost of administering the program.

Also, be aware of the following major costs usually associated with moving into your own home:
  Refrigerator
  Washer/Dryer
  Stove
  Dishwasher
  (unless included in the purchase and sale agreement)
  Landscaping
  Furniture
  Utility deposits and connection charges
Appendix B
HOMEOWNER AND KCLT RESPONSIBILITY CHART

**Before Occupancy**

<table>
<thead>
<tr>
<th>Homeowners:</th>
<th>KCLT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Review of eligibility criteria</td>
<td>• Process application &amp; monitor status of each applicant's</td>
</tr>
<tr>
<td>• Submit application to KCLT</td>
<td>• Prepare the Letter of Intent</td>
</tr>
<tr>
<td>• Acknowledge receipt of <em>Letter of Intent</em></td>
<td>• Secure financing for gap funding.</td>
</tr>
<tr>
<td>• Pay applicable fees</td>
<td>• Assist homebuyer through closing</td>
</tr>
</tbody>
</table>

**After Occupancy**

<table>
<thead>
<tr>
<th>Homeowners:</th>
<th>KCLT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pay individual mortgage, taxes, insurance, lease fee and utilities</td>
<td>• Monitor compliance with ground lease.</td>
</tr>
<tr>
<td>• Maintain home and land within leasehold lot.</td>
<td>• Offer homeowner education and home improvement assistance.</td>
</tr>
<tr>
<td>• Abide by stipulations of leasehold agreement.</td>
<td>• Assist with resale transactions.</td>
</tr>
</tbody>
</table>
Appendix C
SITE SELECTION CRITERIA

Acceptable homes must meet the following criteria:

1. Homes must be ready for occupancy with all systems in good condition and with no needs for substantial repair or rehabilitation likely during the first five years of ownership based on a thorough inspection by a qualified, independent inspector from a list of KCLT-approved home inspection services.

2. Homes must be single-family detached homes. Condominiums and cooperative units will not be eligible.

3. Homes must have at least two bedrooms.

4. Homes may not be located in 100-year flood zones or environmental hazard areas such as steep or unstable slope areas.

5. Homes must be located in reasonable proximity to the homebuyer household’s schools, jobs and services. KCLT encourages but does not require that homes be located in urban growth areas (UGAs) as delineated in the comprehensive plans of Whatcom County and its towns and cities. Homes must be located within Whatcom County.

6. Modular and manufactured homes will be acceptable only upon meeting strict construction standards and will be decided on a case by case basis.

7. KCLT reserves the right to approve or not approve any home for which KCLT financial assistance will be required.

8. If the home is purchased in the City of Bellingham the purchase price may not exceed $137,631.

9. Homes, bought in the city of Bellingham, must be either owner-occupied or vacant.
KULSHAN CLT HOMEBUYER DRIVEN PROGRAM APPLICATION

Please print neatly or type and respond to all of the questions. You may want to keep a copy of this application for your own records. Please send original application and one complete copy to Kulshan CLT along with a check for $50, verification of income and a credit report (see page 6 for more information). If you have questions or need help completing this form, contact Erika at (360) 671-5600.

Applicant Name(s) ____________________________________________ / ____________________________________________

This should be your legal name(s) and how you want it to read on the title to your home and other legal documents.

Address ______________________________________________________ Apt. # __________________________________________

City __________________________ State __________________________ Zip __________________________

Phone (home) __________________________ (work) __________________________

Email __________________________________________ best time and method to reach you __________________________

How did you find out about Kulshan CLT? __________________________________________

INCOME AND FAMILY SIZE

Please list all household members, including both those with and without income. Use another sheet of paper if you need additional space. Be sure to list all sources of income that your family may have, including wages, tips, social security, interest, dividends, alimony, and/or child support. Attach a copy of Federal Tax Returns from the past two years. If you receive alimony or child support please attach a copy of the divorce decree or evidence of award amount.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date of Birth</th>
<th>Source of income</th>
<th>Annual total from each source (before taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Total annual income before taxes: __________________________________________

* If self-employed, indicate so; list name of business and gross income. Be sure to include Schedule C with your Tax Return copies.

If you indicated a fixed income source, does the household member on the fixed income have the ability to earn additional income? ______ Please explain: __________________________________________
EMPLOYER INFORMATION – please fill-in sections 7 and 8 (sign) of part 1 of the income verification form (last page of this packet) and return it with the application.

Please list (all) applicant’s current employers’ contact information.

<table>
<thead>
<tr>
<th>APPLICANT</th>
<th>CURRENT EMPLOYER AND JOB TITLE</th>
<th>EMPLOYER’S ADDRESS &amp; SUPERVISOR’S NAME</th>
<th>EMPLOYER’S PHONE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

OTHER FINANCIAL INFORMATION
Have you been pre-qualified for a mortgage? _____________ Amount? _____________

Name of the bank and Contact name ____________________________
(Please attach a copy of your pre-qualification letter)

List all household debt. This includes any payments with more than a 9-month repayment period, such as automobile loans, student loans, child support, personal debts, and credit cards. For Visa or MasterCard credit cards, the “monthly amount” must be at least 5% of the total balance due. For other credit cards enter $20.

<table>
<thead>
<tr>
<th>All Applicant’s Debt</th>
<th>Balance due:</th>
<th>Monthly Amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt owed to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

List each asset and its value (estimate).

<table>
<thead>
<tr>
<th>Savings and CD’s:</th>
<th>Stocks and bonds:</th>
<th>Automobiles:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other motor vehicles:</td>
<td>Real Estate:</td>
<td>Antiques:</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Art: $</td>
<td>Jewelry: $</td>
<td>Other: $</td>
</tr>
<tr>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>
How much money do you have in savings?

Do you have stocks, bonds, or other investments? _______ Worth how much? __________________

Do you have any additional money available to you for a down payment/closing costs (gift or loan from family or friends, etc.)? _______ How much? ____________________________________________

DEMONSTRATION OF NEED

The following questions help us to better evaluate your need, connection to Whatcom County and interest in the community land trust model. Please answer as best you can, but do not spend too much time on any Give reasonable estimates when records of information are not readily available. Do not leave answers blank. If questions are not applicable to your situation, write “N/A” in the answer space.

Please list the years you have been a resident of Whatcom County:

Please describe your current living situation below:

How long have you lived at your current home? ________________________________

How would you describe its condition? ________________________________

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Please list:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What percentage of your average monthly income is paid for rent? _____%

Are you currently receiving any housing subsidy? (Section 8 or other?) __________

Do you expect any changes in your household size within the next year? Yes______ No ____

Explanation_________________________________________________________________________________

Does anyone in your household have special housing needs?* Yes______ No ____

Explanation______________________________________________________________________________________

When would you like to move? ________________________________________________

If you currently have a lease, when is it up?_______________________________________

Preferred housing location(s). Please rate by placing 1, 2 and 3 by your top three choices

_____ Bellingham  _____ Blaine  _____ Everson  _____ Ferndale  _____ Other____________

_____ Lynden  _____ Nooksack  _____ Sumas  _____ Unincorporated Whatcom County

* Special needs such as the elderly, mentally or physically disabled persons, persons recovering from physical abuse or alcohol or drug abuse, or person with HIV/AIDS.
GENERAL INFORMATION

Do dependents* in your household reside with you full-time? _____ Less than full-time? _____
Please explain:

Do you support (with time or money) any dependents residing outside your household? _____
Please explain (& include details of your custodial agreement, if applicable):

If you engage in volunteer service to your community, do you actively participate on average:
Between 5 and 19 hrs/year _____ Between 20 and 39 hrs/year _____ Over 40 hrs/year _____

Have you attended a Kulshan CLT orientation session? _____ Date ____________________
Have you attended a homebuyer education class? _____ Date _______________________
Agency that conducted the class: ________________________________________________
Have you gone through any credit counseling? (explain) __________________________
Have you owned a home within the last three years? (explain) ____________________
Have you ever had a bankruptcy? YES NO If yes, when was it cleared up? _______________

The purposes of Kulshan Community Land Trust are:

a. To provide opportunities for low- and moderate-income people to secure housing that is decent and affordable and that is controlled by the residents on a long-term basis.

b. To preserve the quality and affordability of housing for future low- and moderate-income residents of the community.

c. To combat community deterioration in economically disadvantaged neighborhoods by promoting the development, rehabilitation and maintenance of decent housing in these neighborhoods; by promoting economic opportunities for low- and moderate-income residents of these neighborhoods; by making land available for projects and activities that improve the quality of life in these neighborhoods; and by assisting residents of these neighborhoods in improving the safety and well-being of their community.

d. To protect the natural environment and to promote the ecologically sound use of land and natural resources and the long-term health and safety of the community.

e. To provide economic, social, and educational support to residents of the community.

* Dependents are those who meet the IRS definition of a dependent. Generally speaking, they are your relatives who you support, or members of your household who live with you year-round.
Please demonstrate your own prior commitment to the purposes stated on the previous page, if any. [State such things as board membership, or volunteer involvement in Kulshan CLT, or involvement with other activities or organizations focusing on related issues.]

Please also briefly explain below, your understanding of the relationship between the KCLT and yourself, a potential KCLT homeowner/lease holder.

Is there any additional information that you would like us to know about you or your household? (Please use the space below or the back of this page for additional information that did not fit on the application.)
SIGNATURE PAGE AND CHECKLIST

I (we) affirm that all of the information given above is correct and made for the purpose of obtaining funding through Kulshan CLT’s HomeBuyer Driven Program. I authorize Kulshan CLT to communicate with any person, firm, or corporation necessary to obtain financing for a home, including credit reports, and to obtain any information that Kulshan CLT may need concerning the statements made in this application. I authorize the release of this information to City, State and Federal funding agencies in order to determine my eligibility for funds. I agree that the application shall remain the property of Kulshan CLT whether or not the grant is approved.

Signature(s) of Applicant(s): _______________________________ Date ________________
Social Security # ________________________________________
Date ________________
Social Security # ________________________________________

Information about how to obtain a credit report:

It is important to request a credit report very early in the process as it takes time to receive it from the agency. To request a credit report, call one of the numbers below. There is typically a fee associated, ranging from $8 to $10. You may add a 100-word statement to your credit report that explains any negative information. An unexpected medical emergency or loss of employment are examples of what can cause a damaged credit profile.

<table>
<thead>
<tr>
<th>Credit Bureau</th>
<th>Phone Number</th>
<th>Address</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experian</td>
<td>888/397-3742</td>
<td>PO Box 2104 Allen, TX 75013</td>
<td><a href="http://www.experian.com">www.experian.com</a></td>
</tr>
<tr>
<td>Equifax</td>
<td>800/685-1111</td>
<td>PO Box 105873 Atlanta, GA 30348</td>
<td><a href="http://www.equifax.com">www.equifax.com</a></td>
</tr>
<tr>
<td>Trans Union</td>
<td>800/916-8800</td>
<td>PO Box 1000 Chester, PA 19022</td>
<td><a href="http://www.transunion.com">www.transunion.com</a></td>
</tr>
</tbody>
</table>

Do you have everything?

☐ Original Application
☐ One copy of your application and copies of all supporting documents (It’s also a good idea to keep a copy for your records)
☐ Income verification - Federal Tax Returns from the past two years, and divorce decree if appropriate.
☐ Credit Report
☐ Check or Money order for $50
☐ Membership fee of $10 (If you’re not currently a member)

Please send all of the above items to Kulshan CLT,
215 West Holly Street, Suite H-22,
Bellingham, WA 98225.

Thank you.

All persons will be treated fairly and equally without regard to race, color, religion, sex, familial status, handicap, age or national origin in compliance with the Fair Housing Act.

For office use only: RCV _______________________________ Date ________________
**Request for Verification of Employment**

Privacy Act Notice: This information is to be used by the agency collecting it or by assignees in determining whether you qualify as a prospective mortgagee under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not provide it, your application for approval as a prospective mortgagee or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (If VA); by 12 USC, Section 1461 et. seq. (If HUD/FHA); by 42 USC, Section 1432b (If HUD/CPD); and Title 42, USC, 1471 et. seq., or 7 USC, 1921 et. seq. (If USD/FmHA).

Instructions: Lender - Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1. Employers - Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2. The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

### Part I -- Request
1. To (Name and address of employer)
2. Fruitan Community Land Trust
   215 W. Holly Street, Suite H-22
   Bellingham, Washington 98225
3. Signature of Lender
4. Title
5. Date
6. Lender's Number (Optional)

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

7. Name and Address of Applicant (Include employee or badge number)
8. Signature of Applicant

### Part II -- Verification of Present Employment
9. Applicant's Date of Employment
10. Present Position
11. Probability of Continued Employment

#### 12A. Current Gross

<table>
<thead>
<tr>
<th>Type</th>
<th>Year To Date</th>
<th>Past Year 19 Annual</th>
<th>Past Year 19 Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td>Thru 19</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overtime</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Commissions</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bonus</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

#### 12B. Gross Earnings

<table>
<thead>
<tr>
<th>Type</th>
<th>Year To Date</th>
<th>Past Year 19 Annual</th>
<th>Past Year 19 Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td>Thru 19</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overtime</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Commissions</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bonus</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

13. For Military Personnel Only

<table>
<thead>
<tr>
<th>Type</th>
<th>Year To Date</th>
<th>Past Year 19 Annual</th>
<th>Past Year 19 Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay Grade</td>
<td>Thru 19</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overtime</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bonus</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

14. If Overtime or Bonus is Applicable, Is its Continuance Likely?

<table>
<thead>
<tr>
<th>Type</th>
<th>Year To Date</th>
<th>Past Year 19 Annual</th>
<th>Past Year 19 Hourly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td>Thru 19</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Overtime</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Bonus</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

15. If paid hourly - average hours per week

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase

19. Amount of last pay increase

20. Remarks (If employee was off work for any length of time, please indicate time period and reason)

### Part III -- Verification of Previous Employment

<table>
<thead>
<tr>
<th>21. Date Hired</th>
<th>22. Date Terminated</th>
<th>23. Salary/Wage at Termination (Year) (Month) (Week) Base</th>
<th>Overtime</th>
<th>Commissions</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

24. Reason for Leaving

25. Position Held

### Part IV -- Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance of officials purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer
27. Title (Please print or type)
28. Date
29. Print or type name signed in item 26
30. Phone No.
What Happened to all the Affordable Housing?
By: Renee Barut

A Senior Project
Presented to representatives of Western Washington University's Sociology Department, the University's Honors Program, and Western students in partial fulfillment of the requirements for a Bachelors in Arts with Honors.

Come join us in this presentation discussing the lack of affordable housing as it relates to racial/ethnic stratification and its social consequences on society. Also come to learn about local organizations created to alleviate these problems such as Habitat For Humanity and the Kulshan Community Land Trust.

Thursday June 6
12:00 PM
Bond Hall 227

For More Information Please contact the University Honors Program at 650-3034
What Happened To All the Affordable Housing?

Renee Barut
Senior Project Presentation
June 6, 2002

Presentation Objectives

♦ Examination of how housing markets have been a major mechanism for racial/ethnic stratification.
♦ Discuss the decrease of affordable housing over time.
♦ Learn about two community organizations established to create affordable housing.
  • Habitat For Humanity
  • Kulshan Community Land Trust

How home ownership is stratified over racial/ethnic lines.

♦ Creation of Suburbs
♦ Lending and Real Estate Practices
♦ Housing Quality
♦ Unequal Economic, Labor, and Education Attainment/Reproduction.

Creation of Suburbs

♦ Suburban living as a sign of family stability, safety, tranquility, and prosperity.
♦ Increased Mobility/Creation of highways.
  • Created a division between work and home for modest and affluent white workers.
  • Decreased the amount of affordable housing for blacks.
    • Had to compete with one another remaining affordable housing.
    • Sent to public housing.
    • Initially thought of as beneficial
Tools Used by Housing Developers

* The role of advertising
* Suburban area covenants
  - Levittown's standard lease
    - The tenant agrees not to permit the premises to be used or occupied by any person other than members of the Caucasian race. But, the employment and maintenance of other than Caucasian domestic servants shall be permitted.
* Real Estate and Lending Agency Practices
  - Realtor's National Code article 34 (1924)
    - A Realtor should never be instrumental in introducing into a neighborhood a character of property or occupancy, member of any race or nationality, or any individual whose presence will clearly be detrimental to property values in the neighborhood.

Affects of Suburban Neighborhoods

* Created suburbs as a sanctuary away from city centers.
* Encouraged racial segregation
* Affirmation of higher social class
* Homogeneous family types
* Created as private and independent living areas

Will stratification in housing continue?

* Civil Rights Act of 1968
  - Title VIII
    - Congress outlawed racial discrimination in housing.
      - Barred discrimination in rental and sales.
      - Outlawed discrimination in the provision of information about cost and availability, advertising, purchasing, construction and repair, and real estate services and practices.

But, really.

Does this change anything?

Who Owns a House Today?

* Home Ownership Based on Race/Ethnicity
  - White household 83%
  - Black household 59%
  - Hispanic household 57%
Who Can Afford a House?

- Percentage of families who are able to purchase a home has decreased every year.
  - 1984 60%
  - 1993 58%
  - 1995 56%

WHO can afford to purchase a house?

<table>
<thead>
<tr>
<th>Affordability Status to Purchase a Median Priced Home</th>
<th>All Families in Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number</td>
<td>72,895</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>37,181</td>
</tr>
<tr>
<td>Percent</td>
<td>51.0</td>
</tr>
<tr>
<td>White</td>
<td>61,068</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>28,158</td>
</tr>
<tr>
<td>Percent</td>
<td>46.1</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>55,068</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>23,375</td>
</tr>
<tr>
<td>Percent</td>
<td>42.4</td>
</tr>
<tr>
<td>Black</td>
<td>9,053</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>7,701</td>
</tr>
<tr>
<td>Percent</td>
<td>79.5</td>
</tr>
<tr>
<td>Other Races</td>
<td>2,774</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>1,610</td>
</tr>
<tr>
<td>Percent</td>
<td>65.3</td>
</tr>
<tr>
<td>Hispanic Origin</td>
<td>7,078</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>5,682</td>
</tr>
<tr>
<td>Percent</td>
<td>80.3</td>
</tr>
<tr>
<td>Not Hispanic Origin</td>
<td>65,816</td>
</tr>
<tr>
<td>Cannot Afford Median Priced Home in Area</td>
<td>31,498</td>
</tr>
<tr>
<td>Percent</td>
<td>47.9</td>
</tr>
</tbody>
</table>

Housing Affordability

<table>
<thead>
<tr>
<th>Affordability Status to Purchase a Modestly Priced Home</th>
<th>All Families in Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number</td>
<td>72,895</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>30,703</td>
</tr>
<tr>
<td>Percent</td>
<td>42.1</td>
</tr>
<tr>
<td>White</td>
<td>61,068</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>22,723</td>
</tr>
<tr>
<td>Percent</td>
<td>37.2</td>
</tr>
<tr>
<td>Non-Hispanic White</td>
<td>55,068</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>18,349</td>
</tr>
<tr>
<td>Percent</td>
<td>33.3</td>
</tr>
<tr>
<td>Black</td>
<td>9,053</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>6,419</td>
</tr>
<tr>
<td>Percent</td>
<td>72.9</td>
</tr>
<tr>
<td>Other Races</td>
<td>2,774</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>1,561</td>
</tr>
<tr>
<td>Percent</td>
<td>56.3</td>
</tr>
<tr>
<td>Hispanic</td>
<td>7,078</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>5,287</td>
</tr>
<tr>
<td>Percent</td>
<td>74.7</td>
</tr>
<tr>
<td>Not Hispanic Origin</td>
<td>65,816</td>
</tr>
<tr>
<td>Cannot afford modestly priced home in area</td>
<td>25,562</td>
</tr>
<tr>
<td>Percent</td>
<td>38.8</td>
</tr>
</tbody>
</table>

Present Household Conditions

- Household crowding
- Quality of the home and building materials
  - Presence of lead paint is more prevalent in older homes occupied by African American families
  - African American homes in the New York, New Jersey, and Long Island areas experience
    - At least three home inadequacies
    - Living close to inverted oil buildings
- Quality of schools are determined by neighborhood tax base.
  - Achievement in median years of completed schooling:
    - White 12.8 years
    - Black 11.4 years
    - Hispanic 9.8 years
The main barriers for families who wanted to switch from a renter status to a homeowner status included:
- Lack of a sufficient down payment
- Excessive Debt
- Insufficient Income
- These barriers disqualified 48 percent of families who wished to be homeowners.

What Can Be Done?

- Three different mechanisms have been suggested by the U.S. Census Report.
  - Decrease the amount of the required down payment
  - Change interest rates
  - Permit subsidies or other forms of monetary gifts/assistance.

Subsidies and Monetary Gifts

The most effective and reasonable proposal

- Decrease the amount of the required down payment
- Change interest rates
- Permit subsidies or other forms of monetary gifts/assistance.

Whatcom County Population by Ethnicity

- Hispanic: 5,471 (4%)
- Non-Hispanic: 145,676 (96%)
- Total: 151,147

These Spending Greater Than 30% of Annual Income on Rent

- $12,000 annual income

Whatcom County Population by Race

- White: 145,511 (94%)
- Native American: 4,419 (3%)
- Asian: 4,211 (3%)
- African American: 936 (1%)
- Total: 151,147
Habitat For Humanity


♦ Whatcom County Affiliate
  - Established in 1987
  - Currently Working on its 13th house

♦ Mission Statement:
  - Habitat Works in partnership with God and the people in our community to provide simple, decent housing for God's people in need by building or renovating homes so that there are affordable homes in which families can live and grow into all God intended.

How Habitat Works

♦ Builds houses in cooperation with the future home owner and community volunteers to provide adequate houses for families.
  - Targets families with severe housing needs
    - Unsafe, unsanitary conditions.
    - Rent of current housing is too high for the family to meet.
    - Income of the family must be between 25-50% of the community's median income.
  - Contributions of the family
    - Put in 500 hours of sweat equity
    - $500 down payment
    - Purchases the home from habitat at cost and interest free
    - Average mortgage of 20 years

Kulshan Community Land Trust

♦ Established in Bellingham in 1999.
  - Currently in the process of obtaining its first house.
  - Part of a larger Community Land Trust (CLT) movement, which has been in the U.S. since the 1960's.

Community Land Trust Goals

♦ Applicant criteria
  - Earn less than 80% of the county's median income for their family size.
  - Have less than $10,000 in family assets
  - No family debt beyond 38% of their annual income

♦ Create healthy communities through perpetually affordable housing.
  - Acquire land and hold it in trust towards present and future community use.
  - Remove land from the traditional for profit marketplace in hope of creating strong communities.
Benefits of a Community Land Trust

- Establishes a base of homes that will be affordable forever to those of modest means.
  - Moderate means families/individuals are not priced out of the housing market.
- Community orientated and democratically run.
- Offers lifetime security.
- Community has control over the long-time control of the land and its buildings.

"Housing is not something that should be traded like stock, or gold, or pork bellies. It should be treated differently. So, it is a very conscious state of public policy that we have attempted to de-commodify the housing stock. So, rather than government doing all the thinking, people who own their own home, many for the first time, are true stake holders and have some control over their destiny."

Peter Clavelle
Mayor of Burlington, VT