4 Radical Real Estate Ideas To Fix Our Broken Housing System

In almost every community in the U.S., it's clear that market-based housing is not affordable for the vast majority of people. Here are some radical alternative models that are–and that policymakers should consider as ways to make our cities and towns livable and equitable.

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At the core of the American housing system of today is the fundamental belief that housing should be a vehicle for private wealth creation. Privately owned housing on the market makes up 96.3% of the total housing stock in the U.S. Homeownership, once one of the surest ways for a family to accumulate wealth, has declined across the country; rates dropped to 63.4% in 2016, their lowest since 1967. Big banks and mortgage companies attach stringent criteria and high interest rates to loans that often lock lower-income people out of buying a home.

So instead, they're forced into the rental market. As wages have stagnated and property costs have continued to rise, an astonishing number of Americans struggle to afford monthly payments. Almost half of all renters spend more than 30% of their income on rent, which is the ratio the federal government deems affordable. One in four renters shell out half their income to hold onto a place to live. Homeowners aren't any better off: Around 41% are struggling to make mortgage payments, and risking foreclosure as a result. Across market-based housing, people of color, gender nonconforming people, and those with a criminal record routinely face barriers to securing housing.

Scattered throughout this mess is the remaining 3.7% of the American housing stock. These homes fall under the category of "social housing" which includes government-owned housing, and nonprofit-financed, community-based models. Investment in the former has fallen precipitously; Chicago's demolition of the Cabrini-Green Homes, completed in 2011, perhaps best encapsulates the nation's move away from public housing and increasing dependence on the market to provide housing for low-income people. Permanently affordable, inclusive housing models like community land trusts (CLTs)–represent a tiny portion of the housing stock, but if it could go mainstream, they could give people the affordable options they need and the market can't provide.

That's the crux of a new report from the Right to the City Alliance, a nonprofit focused on creating equitable urban areas, and its Homes for All Campaign, which advocates for affordable, dignified housing for all. "Communities Over Commodities: People-Driven Alternatives To An Unjust Housing System" details four models of "decommodified housing" (in other words, housing that is a place to live, not an investment vehicle) that have proven, in other countries, to provide stability to families struggling to afford a place to live.

"It's extremely timely because of the sheer scale of the crisis and suffering, and the failure in general of elected officials and policymakers in general to acknowledge the crisis, or to come up with anything other than quick fixes that don't address the root causes of the problem," says Tony Romano, director of organizing and strategic partnerships for the Right to the City Alliance, in a recent webinar.

The four models follow the organizations' Just Housing principles, which both Right to the City and Homes for All believe are necessary for creating truly affordable and dignified housing: community control, affordability, permanence, inclusivity, and health and sustainability. "We see community control as the linchpin upon which all the other principles are made possible," the report notes. Essentially a model that puts the community first is the reverse of market-oriented housing–and that's why organizers are optimistic about its potential to effect real change.

Political will behind these models is scant. The idea of houses as an appreciating asset has become a key part of American economic policy and an important part of many people's financial planning. But the system does not work to house all people: We need something different. "These examples dispel myths that alternative models can never reach scale, that there are no feasible financing mechanisms and that they stagnate the economy," the report reads. Right to the City hopes that its work can translate into policy recommendations for cities and communities struggling with housing affordability.

Limited Equity Cooperatives

In this model, member-residents jointly and democratically own and reside in their building, which they secure through a combination of collective purchasing and a low-interest mortgage, often with the assistance of a nonprofit. Households–which generally have to fall below a certain income level to be eligible–purchase shares in a corporation or nonprofit that owns the limited equity cooperative (LEC), and in addition to paying for that share, they pay monthly fees to cover property taxes and operating costs, which the LEC manages. By purchasing a share, households are given a unit to live in under a lease that protects tenants from unjust eviction and typically lasts 99 years–essentially, for a lifetime. But if a member-resident chooses to leave, they are not permitted to sell the unit for profit; the LEC members collectively determine a cap on resale values to keep units affordable. The resale price cannot exceed the sum of the original cost of the unit plus the cost of any upgrades to the property throughout the time of the first tenancy.

LECs have a long history in the U.S., dating back to when the Amalgamated Clothing Workers Union set up this housing structure and financing mechanism for their workers. Unlike market-based housing, LECs are "not a vehicle for real-estate investment or profit," according to the New York State Division of Housing and Community Renewal. They aim instead to give low-income people–those who are particularly struggling in the current market–an affordable place to live and perhaps most importantly, put down roots for long enough to build a life.

Community Land Trusts

If LECs manage buildings, who controls the land upon which they build? In places like Oakland, where exorbitant land costs have hampered affordable housing (developers feel pressured to charge enough to tenants to recuperate the costs of land), land management is a crucial part of the affordable housing picture that's often left out.

Community land trusts can work in tandem with long-term affordable housing structures like LECs to keep both land and units affordable. CLTs, using a combination of public and private funds, buy up parcels of land–either vacant lots or existing properties–and place them into community ownership through a nonprofit. Anyone who develops property on the land owned by the CLT has to adhere to cost guidelines set by the community, pegged to the median incomes of people within the CLT–not to market rates. If, say, a developer wants to build an apartment building on the CLT, they have to set the cost of units by taking one-third of the local median wage, multiplying it by the standard 25-year mortgage rate, and adding a deposit rate of 10%. If the owner of a unit wishes to sell, they must follow the same formula. A similar formula, set by the CLT, applies to individual homes and businesses.

CLTs are able to regulate costs in this way because they own the land and, as such, determine its value. And because CLTs are motivated by providing community benefit, not creating profits, they keep the value of land steady, rather than subjecting it to market speculation and raising its price. CLT members also follow a democratic process in determining what gets built on the land.

New York City, one of the flashpoints of the American housing affordability crisis, last year moved to establish its first CLT on parcels of land across the city, with the support of a coalition of nonprofits and stakeholders, who helped finance the initial land purchase. While this is a win for the city, it's frustrating in light of the fact that Mayor Bill de Blasio has, in his four-year tenure, sold 202 parcels of land to developers for $1 to spur housing creation, but just one of those developments is permanently affordable. Those parcels could instead have been fed into a land trust, and it's a mark of the lack of political will for the model–despite its benefits–that they were not.

Tenement Syndicates

While the U.S. has a handful of LECs and CLTs, the Tenement Syndicate model originated in Germany, and is confined to Europe. This model defines itself as a "solidarity network" and its key feature is a dual ownership model, in which member buildings are managed by two entities: the tenants organized by individual housing projects, and an overall syndicate, which provides organizational support and supervision, and is comprised of members of each house project as well as legal support and counsel, often provided by associated nonprofits. Tenants decide issues like setting the cost of rent and what building renovations are necessary, and the syndicate manages loans for projects, and advises the individual buildings within the network on operational matters.

Unlike LECs or CLTs, which may be eligible for public funding to get started, each new building that comes into a syndicate structure is paid for via a conventional mortgage loan that requires a down payment of around 20%. The building residents collectively finance the down payment and often tap resources like alternative lenders to do so. And a particularly compelling feature of this model is that tenants of existing buildings in the syndicate pay a small amount each month into a "solidarity fund," which then goes toward bringing new projects into the syndicate. The idea behind tenement syndicates is that no one is in this alone–and that the larger syndicate structure exists to support buildings in which people reside according to this ethos.

Mutual Aid Housing Cooperatives

Like tenement syndicates, mutual aid housing cooperatives (MHACs) are a foreign concept in the U.S., but quite popular in several countries in Latin America, where they were first established in the 1960s. What sets it apart from the previous three models is that the residents of a MAHC work together to both maintain and build their own housing.

A group of families band together and decide to form a MAHC. They then seek out land on which to build, which they secure either via a grant or a purchase. If the latter, the families go in on a collective loan with which to purchase the land, which minimizes risk. The whole family participates in the building and management process–MAHCs make a special point give women and people with disabilities responsibility–and the work contribution saves an estimated 15% to 20% of labor costs. Federación Uruguaya de Cooperativas de Vivienda por Ayuda Mutua (FUCVAM), based in Uruguay, is the largest and oldest federation of MAHCs in the world, and to date, it comprises more than 500 housing developments for 25,000 families; its success has spurred the expansion of the model to 17 countries. Not only does the collective organizing and building structure create a community support system for individual families, it also equips young people in the MAHC with construction and organizing skills.

A New Way Forward

As housing becomes less and less affordable, rates of homelessness have spiked in the country, and numerous previous studies have shown that it's much less expensive to house people decently than it is to manage their needs–from shelter to health–without a stable home.

If we're going to try to truly tackle the affordability crisis in the U.S., the report contends, we can't just continue to work within the current system. While the report's authors acknowledge that establishing community-based systems is radical, what choice, exactly, do we have?

"The current U.S. housing system, rooted in the commodification of land and housing and speculation, is not our only option," Romano says. "There are alternatives, and these alternatives do work and are guided by a vision of housing as a human right and undergirded by principles including community control."

About the author

Eillie Anzilotti is an assistant editor for Fast Company's Ideas section, covering sustainability, social good, and alternative economies. Previously, she wrote for CityLab.