

The Housing Crisis in America

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The Problem

This article addresses the homelessness issue in the United States. All data presented is from the USA.

Homelessness is a result of multiple issues – policy failures, socio-economic factors and lack of adequate housing supply against demand. Without enough housing not everyone has a place to live. There is limited data on exactly the number of homeless people in America. As of January 2020, 580,000 Americans went homeless in the United States. Around 35 percent (about 200,000) are found sleeping unsheltered on our streets in places not intended for human habitation, such as sidewalks, parks, cars, or abandoned buildings. Meanwhile, over 350,000 sheltered homeless people are found in emergency shelters and transitional housing programs.

Causes of Homelessness and Housing Crisis

Socio-economic factors causing homelessness, involves people facing desperate situations and extreme hardship. They have to make choices from very few available options, such as substance abuse disorders, untreated mental illness, job losses or lack of affordable safe housing. We need improved policies to address the underlying causes of the problem and serve some of the most vulnerable members of society.

According to the Urban Institute, there is not enough affordable housing in the United States. According to their study, for every 100 low income households, there are “only 23 adequate, affordable, and available” rental units. That means, two parents, both working minimum-wage jobs, might wait years to find a safe, affordable place to live with their two children. Pandemic related supply chain issues and construction delays have contributed to the lack of supply of new homes which has also put upward pricing pressure on existing homes and apartment complexes. In addition, sudden increase in the flow of private investor money into buying new and existing homes and then flipping it for a quick profit has further worsened the housing crisis. It has pushed the home prices out of bounds for many first time home buyers and also renters.

California leads in homelessness followed by New York and Florida. About 25% of the nation’s homeless live in California.

Rental Housing

The National Low Income Housing Coalition documents the significant gap between renters’ wages and the cost of rental housing across the United States.

According to the guidelines published by the US Department of Housing and Urban Development (HUD), no more than 30% of a person’s income should go towards covering his/her housing cost, which is the accepted standard of affordability. The remaining 70% is required to meet all other essential needs of the family, such as, food, clothing, education of children, health care, utilities, transportation, etc.

The Fair Market Rent (FMR) is an estimate of what a family can expect to pay for a modestly priced rental home in a given area, which is calculated by HUD. The Housing Wage, is an estimate of the hourly wage a full-time worker must earn to afford a modest rental home at HUD’s Fair Market Rent (FMR) without spending more than 30% of his or her income on housing costs. For example, in a given

area the going rent for a one bedroom apartment is \$700. A couple trying to rent that apartment makes \$2000 a month. According to FMR calculation, their rent payment should not exceed \$600, however the prevailing rent is \$700. According to this example, the couple does not earn Housing Wage.

A full-time worker needs to earn an hourly wage of \$25.82 on average to afford a modest, two-bedroom rental home in the United States. This Housing Wage for a two-bedroom home is \$18.57 higher than the federal minimum wage of \$7.25, and \$7.60 higher than the national median average hourly wage of \$19.68 earned by renters. According to National Low Income Housing Coalition, in 11 states and the District of Columbia, the two-bedroom Housing Wage is more than \$34.00 per hour.

Renters with the lowest incomes face the greatest challenge in finding affordable housing. The average minimum wage worker must work nearly 97 hours per week to afford a two-bedroom rental home or 79 hours per week to afford a one-bedroom rental home at the average Fair Market Rent. In no state can a person working full-time at the federal minimum wage afford a two-bedroom apartment at the FMR. Out of a total of 3,141 counties in the United States, in only 145 counties can a full-time worker earning the minimum wage afford a one-bedroom rental home at the FMR. In most areas of the country, a family of four with poverty-level income earns no more than \$26,200 and can afford monthly rent of no more than \$655. The national average Fair Market Rent for a one-bedroom home is \$1,017 per month and \$1,246 for a two-bedroom home, far from affordable for a family in poverty.

Minimum wage workers are not the only workers who struggle to pay the rent. The two-bedroom housing wage of \$25.82 is more than what 60% of all wage and salary workers earn. The median hourly wage of \$19.68 is just barely sufficient to afford a one-bedroom apartment, and nearly half of all workers earn less than that.

The recent COVID-19 public health crisis has heightened the need for housing as part of healthcare. Governments at all levels have told residents to stay home. Not everyone, unfortunately, is stably housed in a safe and adequate environment, and government action to help secure that environment was of utmost importance from a public-health standpoint. In the first six months of 2020, the economic situation for low-wage workers has significantly worsened: in June of 2020, the Department of Labor reported that over 34 million people were receiving or had applied for unemployment insurance. More than half of all low-income households experienced job or income loss because of the pandemic. Many low-wage workers could not afford their housing before the crisis, and they needed even more help after the pandemic hit.

According to a 2020 report from GAO, every \$100 increase in median rent is associated with a 9 percent increase in the estimated homelessness rate. The national median asking rent jumped to \$2002 in May 2022 from \$1738 a year ago.

Housing & Homelessness Solutions in USA

There are various solutions being pursued in the USA. Some of them are:

- Community Land Trusts (CLT)
- Housing Co-ops.
- Co-Living communities.
- Government subsidy and financing of affordable housing communities
- Changes in zoning laws

Here we present some basic information on these various options with some examples.

Community Land Trust (CLT)

The community land trust (CLT) is a model of affordable housing and community development that has slowly spread throughout the United States, Canada, Europe, and the United Kingdom over the past 50 years.

A community land trust (CLT) is a nonprofit corporation which owns land and/or the housing on behalf of a place-based community. A place-based community is based on some common ground that unites people together. The common grounds could be based on work or some kind of common interest. There needs to be a balance between individual needs versus the needs of the community and it is important to ensure that there is some harmony between these two.

The general purpose of a CLT is to support a variety of social needs such as affordability of local housing, preventing the displacement of vulnerable residents, and promoting economic and racial inclusion. There are many different models of CLT across the world in the ways they operate, own and operate property, and the governance mechanism of the CLT itself. It is dependent on the country, people living on the trust property and how they all came together in the first place.

Examples of a Community Land Trust

1. [Champlain Housing Trust](#) in Vermont (formerly Burlington Community Land Trust)

The largest community land trust in America, with approximately 565 ownership units and over 2,200 rental units. The land trust offers shared equity programs to potential home buyers, as well as ongoing support to residents through homeowner education, financial counseling, and loan programs for rehab and energy efficiency improvements.

2. *School of Living*

The School of Living (SOL) is located in Julian, Pennsylvania. Started in 1934, the School of Living is an educational organization that explores challenges of living, holds land in trust for present and future generations, promotes personal empowerment, and supports the development of just and sustainable communities.

Historically the School of Living has played a pivotal role in movements supporting: organic agriculture, consumer rights, cooperatives and worker-owned businesses, tax abolition, genomics, appropriate technology, neighborhood and community rights and control. Today SOL is actively engaged in: community land trust, intentional community support, permaculture, ecological use of resources, alternative education, consensus decision making, non-exploitive banking, and social justice.

Housing Cooperatives

A housing cooperative is usually a cooperative but could also be incorporated as a corporation. It is a body through which people can collectively own real estate consisting of one or more residential buildings. A housing co-op can be an apartment complex, a neighborhood of single-family homes, mobile home parks or student housing. Regardless of location, cooperative housing residents enjoy affordability, financial stability and collective ownership.

A housing cooperative is formed when people join with each other on a mutually agreeable basis to own or control the housing or the community facilities. The members share the operating expenses

of the cooperative as a whole. Housing cooperatives are a distinctly different form of home ownership than the single family home ownership, condominiums, or renting.

A housing cooperative is formed by pooling the members' resources to enhance their buying power while lowering the cost per member in all the services associated with the home ownership. The corporation is formed through a membership-based structure where each member is a shareholder with the right to buy one housing unit. The existing members of the housing cooperatives can screen and select who may live in the cooperative or in their communities. Sometimes this could be challenging for the member who might need to move out of the community.

Housing cooperatives fall into two general tenure categories:

- Non-ownership (referred to as non-equity or continuing): In non-equity cooperatives, occupancy rights are sometimes granted subject to an occupancy agreement, which is similar to a lease.
- Ownership (referred to as equity or strata): In equity cooperatives, occupancy rights are sometimes granted by way of the purchase agreements and legal instruments registered on the title.

The corporation's articles of incorporation and bylaws as well as occupancy agreement specifies the cooperative's rules.

Cooperative housing provides more than 1.5 million families, students, and seniors in the country with financially stable housing.

Examples of Housing Cooperatives

- Co-op City in The Bronx, New York, is home to more than 15,000 families in 35 buildings, making it the largest housing cooperative in the world. Co-op City is a cooperative housing development located in the northeast section of the borough of the Bronx in New York City. It is bounded by Interstate 95 to the southwest, west, and north and the Hutchinson River Parkway to the east and southeast, and is partially in the Baychester and Eastchester neighborhoods with an area of 321 acres.
- More than 20 universities offer student housing co-ops near campus, reducing yearly room and board expenses by 50%.

Co-Living Cooperative

The basic idea behind Co-Living is the need to connect with each other. It is not always easy to find the connection regardless of whether one lives in a city, the suburbs, or rural areas. Our societal structure is not very conducive to establishing close, long-term relationships with those living around us. We often are too focused on our personal issues, such as financial, relationship, or job related which distracts us from our more basic, elemental needs — love, sharing, caring, and providing mutual support through the good times and the bad. The Co-Living concept supports the aforementioned characteristics in a community format. Co-Living is grounded in the notion that we are in this together and that we are all better off together. We are here to help each other!

Example of a Co-Living Cooperative

Delaware Valley Co-Living Cooperative

Delaware Valley Co-Living Cooperative is committed to providing the means for creating and cultivating community in the Delaware Valley, which includes Southeast Pennsylvania, Southern New Jersey, Northern Delaware and Northeastern Maryland. Delaware Valley Co-

Living Cooperative offers the opportunity to reach out to others who are on a similar quest to network and collaborate with each other. It provides the tools one needs and the platform to facilitate intentional communities. Delaware Valley Co-Living Cooperative is a legal non-profit organization dedicated to promoting co-living and other cooperative ventures.

Financing of affordable housing communities

Millions of renters with extremely low incomes, including low-wage workers, cannot afford their housing. Yet, only one in four households who qualify for housing assistance receives it. It is necessary to expand rental assistance and protect those facing housing insecurity.

Congress must fully fund key federal housing programs that serve the nation's lowest income renters. These programs include the national Housing Trust Fund, Housing Choice Vouchers, public housing, project-based rental assistance, and other rental housing programs. A fully-refundable renters' tax credit for housing cost-burdened renters would also help those who are struggling to afford their rent.

A sustained commitment to federal programs that improve housing affordability for the lowest-income renters will provide profound benefits to millions of people and their families, as well as to local communities. The federal government should provide housing subsidies for all people left out of the housing market.

Subsidies come in different forms. Some, like vouchers or rental assistance, help pay the rent, leaving tenants enough income to pay for other needs and making the property operate sustainably. Others, like tax credits, HOME funds, Community Development Block Grants, and housing trust funds help pay the costs of construction, development, or major repairs. No one subsidy can solve the affordable housing problem. Rather, a combination of programs including federal tax credits, state housing trust funds, local zoning decisions, and public land contributions can help the construction of affordable housing. To close the gap for affordable housing, especially for the lowest-income households, there almost always has to be assistance for both development and rental income.

The HOME Investment Partnerships Program (HOME) is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

HOME funds are awarded annually as formula grants to participating jurisdictions. The program's flexibility allows state and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits.

Example: *Government Subsidized Affordable Housing Communities*

Community Housing Partners

Founded in 1975, Community Housing Partners (CHP) provides quality-built, responsibly managed, service-enriched homes for low-income individuals and families across the Southeast and Mid-Atlantic. CHP works to create homes and communities that are healthy, sustainable, and affordable. Its vision is healthy, sustainable communities for everyone. Community Housing Partners is committed to being a strong and effective partner to communities and individuals confronting social, environmental, and economic injustices. CHP seeks to create an

environment with a shared understanding of systemic injustices, to raise awareness of implicit and explicit bias, and to develop an organizational framework for advancing equity and inclusion. CHP now has more than 350 employees across a six-state footprint and is continuing to grow. In 2018, they provided 11,143 residents with stable rental housing, 3,457 individuals with resident services, and 169 clients with homeownership education and counseling. CHP also invested more than \$48 million in homes that meet green standards; built, preserved, or weatherized 2,743 homes, and provided energy efficiency training to 759 individuals. From its roots as a volunteer organization serving housing needs in Appalachia, CHP has grown into a multi-state organization nationally recognized for its capabilities and commitment to innovation and continuous improvement.

Changes in Zoning Laws

Many citizens and communities fight the development of housing and homeless shelters in their community. Homelessness is a symptom of our failed policies, collective choices, and the lack of political will.

LA County allocates 76% of residential land to single family housing, whereas San Francisco Bay area allocates 85% of residential land for the same which makes construction of affordable multifamily homes extremely difficult.

Local jurisdictions across the country should pass laws to allow for more apartments and affordable housing production. California and Oregon has recently passed zoning laws to allow multi-family housing. Other states may need to follow the examples of California and Oregon. However, there are many states where any effort to change zoning laws is facing tremendous public opposition. Connecticut is one of the examples. Changes to land use, regulations, and in what and how we build will all help to close the gap, but we won't get where we need to be without the proper regulatory actions.

Prout's Approach to Housing Solution

Prout's objective is to provide housing to every human being as a basic necessity of life. To address housing need, Prout suggests the use of Community Land Trusts (CLT), Housing Co-Ops, and Co-Living communities. These options have been described previously with examples.

A housing board in each region will set standards for single-family dwellings in basic terms of size and facilities. The board will ensure that the architectural plan is appropriate for climate and culture, that suitable and safe construction materials are available and used, and that the technology used is appropriate and as ecologically friendly as possible. Design, style and decoration would be left to personal taste.

The cost of monthly payments to rent or to finance the construction or renovation of a house to meet these standards will be included when calculating the just minimum wage for that region. Any person or family without a home, or living in substandard housing, would be entitled to rent with the option to buy such a dwelling, through long-term low-interest loans from cooperative banks. Home-owners would also be allowed to rent a room or two to students or temporary residents.

Owner participation in planning, arranging the loan and, if possible, construction, is recognized as a key factor in successful low-cost community housing programs. The housing board would also set

minimum housing standards for individuals, large families and those who wish to live collectively. People who desire it could work harder to buy bigger and better housing, but minimum-quality housing would be guaranteed to all.

Bank loans for cooperative housing and community land trust are one of the major sources for funding. Under Prout system the banks will be run as a cooperative credit unions which will have favorable financing terms for low income housing. It is expected that under those terms, the FMR will remain below 30% and make housing affordable for low income families. The ideal cooperative banking system will be one whose goal will be to remain financially viable while serving the needs of the community.

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