

In vigorating a Housing Justice Movement for Communities of Color

By: Kalima Rose, PolicyLink

Federal housing policy can serve as a key mechanism to build more inclusive, healthy, and diverse communities and to strengthen communities of color. Yet the housing challenges that face people of color have not received sustained attention over the past century. As the United States mortgage foreclosure crisis mounts, it has triggered increasingly painful impacts on communities and exacerbated long-standing problems and inequities. Changes in land use, tax policy, federal investment, and financial regulation are urgently needed to create greater housing opportunity for Latino and African American communities.

Facts

The Foreclosure Crisis and Communities of Color

The mortgage foreclosure crisis is having its greatest impact on African American and Latino homeowners and causing significant backsliding in the disparities in homeownership rates.

Nationally, more than seven million borrowers hold subprime loans, with more than 14 percent of them currently in default.¹ Foreclosure activity has increased in 46 states and in 90 of the nation's 100 largest metro areas. While this crisis has been talked about in terms of homeowners, in some states the crisis is beginning to affect as many renters, through evictions.²

- At the start of the crisis (2004), the homeownership rate was 49.1 percent for African Americans and 48.1 percent for Latinos, compared with 76 percent for Whites.
- High-cost subprime loans were issued 2.7 times more often to African American borrowers and 2.3 times more often to Latino borrowers than to White borrowers.
- More than 55 percent of the loans made in 2006 to African American homebuyers and more than 46 percent of loans made to Latinos were high-cost, "subprime" loans.³

For communities with high foreclosure rates, this crisis has caused a drop in cities' revenues, a spike in crime, more homelessness, and an increase in vacant properties, according to a recent survey conducted by the National League of Cities. Nearly one-third of 211 officials surveyed reported a drop in revenues as well as an increase in abandoned and vacant properties and urban blight, with the problems most severe in African American and Latino communities.

While Fair Housing laws prohibit discrimination based on race or ethnic identity, at least four million instances of real estate market discrimination occur every year against Latinos, African Americans, Asian Americans, and American Indians.⁴

Almost 65 percent of African Americans live in segregated neighborhoods, while almost 52 percent of Latinos do, increasing school segregation in underperforming schools.⁵

The Changing Geography of Poverty

Working families now cope with higher housing and transportation costs than ever because of a lack of affordable residential construction near job centers.⁶ Poverty is spreading outwards; 2005 marked the first year that the suburban poor outnumbered the urban poor.⁷

While the concentration of poverty remains a huge problem in American cities, older suburbs, and rural areas, even more extreme forms of marginality exist. Hundreds of unincorporated communities—from California’s Central Valley to the *colonias* along the Mexican border to North Carolina—lack basic physical and service infrastructure: water and sewer systems, police, fire, emergency response, and health care.⁸

The re-urbanization of many regions caused by population influxes and public investments causes “gentrification” of many historic communities of color, replacing long-term residents with higher-income newcomers.

Thirty-three percent of homeless people are African American, and 22 percent are Latino. Fifty-five percent of homeless families living in shelters are African American, while about 22 percent are Latino.⁹

Implications

The housing problems of people of color have emerged repeatedly, though only briefly, on the national agenda over the past century. From 1930 to 1950, fewer than two percent of Federal Home Administration-backed loans were made to people of color households.¹⁰ As the post-WWII economic expansion took hold, Whites migrated to suburbs backed by lucrative home mortgage interest deductions, as Blacks and Latinos largely stayed in urban areas without access to the same financing tools. These trends denied Latinos and Blacks the asset-building opportunities enjoyed by Whites, creating generational wealth disparities.

In the mid-1960s, the federal government responded to the demands of the Civil Rights Movement, which resulted in the creation of the U. S. Department of Housing and Urban Development and the enactment of the Fair Housing Act. These advancements were a reaction not only to the discriminatory practices previously described, but also to post-World War II urban renewal programs, which sought to eliminate blight and slums. These programs instead destroyed many Black communities, relocating some residents to public housing and outright displacing others.¹¹

In the 1970s, newly emergent farm workers’ unions tried to address the poor quality of Latino farm worker housing by negotiating with growers and asking

states to enforce building code standards and to raise the quality of farm worker housing generally. While these pursuits initially resulted in the closure of substandard housing and increased rural homelessness, the efforts eventually led to new farm worker housing programs in many states, from Pennsylvania to California to Washington.

The Community Reinvestment Act (CRA), passed in 1977, was meant to address the discriminatory lending practices of financial institutions. It requires banks to offer credit throughout their entire market area and prohibits them from targeting only wealthier neighborhoods for their services, a practice known as redlining that had negative effects on people of color communities. The purpose of the CRA is to provide credit, including home ownership opportunities, to underserved populations.

The federal incentives for home loans and ownership property tax breaks constitute the most significant publicly supported housing program in the country—dwarfing programs that serve lower-income Americans. In 2006, the interest deductions taken by homeowners on their federal taxes constituted a \$65.1 billion program, in addition to \$24.5 billion for property tax deduction of homeownership support. Almost three-quarters of this benefit went to families earning more than \$100,000 annually.¹² While significant gains in Black and Latino homeownership advanced under the Community Reinvestment Act regulation and earnest first-time homeownership programs that worked to address the disparities, the introduction and growth of subprime loans of the past decade severely eroded progress.

Displacement and Lack of Affordable Housing

Two other key trends have had significant impacts on housing opportunity for African American and Latino communities. One trend took root in the redevelopment practices of the 1950s and 1960s; it continues apace in urban communities across the country and is known as gentrification. The term generally refers to a rise in property values in a neighborhood, usually as a result of public investment, that can displace the historic community.

San Francisco's Mission district saw the displacement of its Latino community during the dot.com boom that drove up housing costs, while repeated waves of public housing redevelopment and other urban renewal since the 1960s have diminished the African American population of the city by more than half. Atlanta saw the loss of historic African American communities during public housing redevelopments. Portland lost its Black commercial district during a hospital urban renewal project that cleared twice as much land as was ever redeveloped for the project, and recent investment in light rail lines through the community has driven up land values. Major public works projects continue to fuel this trend—new stadiums, transit oriented development, industrial district conversions to new retail and housing uses—creating cost pressures and displacements that are the basis of much community organizing and resistance.

The second trend is the land use policies that prevent the development of affordable housing options in opportunity-rich communities—the places with good schools, job growth, etc. These land use rules typically are enacted to prevent multifamily housing development and often require minimum housing sizes that are very large and expensive, or large lot sizes. These rules effectively lock out

lower-income Latinos and African Americans. States such as California and Massachusetts have passed laws requiring every municipality to create a share of the state's affordable housing, and these laws have resulted in significant land use and zoning changes. Further, more than 200 cities and towns have adopted inclusionary zoning, which requires every new development to produce as much as one-fifth of its new homes as affordable.

Housing Policies to Support Low-Income Residents

The final major public policy trend that has had a huge impact on African American and Latino communities has been the ever-shifting federal approach to support the lowest-income residents. The program of public housing development for low-income residents was codified in 1949 and grew up during decades of legal segregation, creating public housing developments that reinforced segregated housing patterns. The federal government's direct investment in public housing spanned the gamut from well-designed garden apartments integrated with schools and services to high-rise islands isolated from vibrant neighborhood commercial districts and services.

These uneven results caused Congress to change course in the 1970s by establishing Community Development Block Grants that allowed states and cities to determine their own housing approaches; in 1986, they implemented Low Income Housing Tax Credits (LIHTC) to recruit private developers to construct and manage affordable rental apartments. While public housing played a larger role in housing African American residents, Latinos have been more directly served by the Section 8 rental housing voucher program and the LIHTC rental housing program. The erosion of resources dedicated to these programs to serve these populations, even as housing costs have risen across the country, has increased housing cost burdens on people earning below-average incomes. A significant change underway in the American Housing Act (which allows landlords to opt out of government contracts providing affordable housing) is projected by 2013 to affect 1.5 million apartments housing between three and five million people who earn \$12,500 to \$22,500 a year.¹³ These changes will have harsh consequences for Black and Latino communities.

When housing programs for low- and moderate-income families are insufficient while programs that target upper-income households capture a rising share of federal subsidy, and as costs rise in the metropolitan core areas, lower-income residents get pushed farther into suburbs and communities where costs are lower. This has created a substantial mismatch between where low-income and minority families live and where metropolitan opportunities are greatest—not only undermining the life chances of those groups, but also threatening the social fabric of the nation as a whole.

Policy Solutions

Land use changes should focus on housing opportunity:

- Require affordable housing in every new residential development and surrounding all new transit oriented development inclusionary zoning.
- Invest federal transportation dollars where zoning supports such housing development.

- Grant tax benefits to developers who exceed their obligation to provide affordable housing.
- Enrich grants and tax credits to states that require planning, zoning changes, and meeting goals for affordable housing production.

Tax policy and federal investments can focus on housing opportunity:

- Implement an “Earned Housing Tax Credit” modeled after the Earned Income Tax Credit, creating a refundable credit to lower-income households that is indexed to housing costs in each region. This could provide housing subsidies on the consumer side to help people have greater housing options in communities of opportunities, while reducing housing segregation and spatial mismatch from jobs. This credit could be used for rental or ownership opportunities.
- Reduce the federal tax benefits for second homes and expensive homes and invest the savings in community development programs that develop more affordable housing in job-rich communities.

Regulatory changes and federal investments can turn around mortgage foreclosure crises:

- Extend bankruptcy authority to judges to renegotiate mortgages to help victims of subprime loans whose mortgages now exceed home values.
- Invest in states and localities to purchase foreclosed properties and turn them into affordable ownership and rental opportunities to stabilize communities with high foreclosure and abandonment rates and invigorate a growth sector in housing affordability at the neighborhood level.

Notes

¹ Foreclosure filings reached 649,917 properties in the first quarter of 2008, a 112 percent increase over 2007's first quarter. During this quarter, one in every 194 U. S. households received a foreclosure filing—a default notice, auction sale notice, or bank repossession, according to RealtyTrac.com.

² A recent National Low Income Housing Coalition study found that one-third of single-family foreclosed homes were occupied by renters, and that 40 percent of recent foreclosures were on multifamily properties occupied by renters.

³ "Foreclosure Exposure: A study of racial and income disparities in home mortgage lending in 172 cities," ACORN, September 2005.

⁴ National Fair Housing Association, "Race, Religion, and Reconciliation in a Comparative Dialog," Powerpoint Presentation, July 2008.

⁵ Ibid.

⁶ Barbara J. Lipman, *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families* (Washington, DC: Center for Housing Policy, 2006), available at www.nhc.org/pdf/pub_heavy_load_10_06.pdf.

⁷ Alan Berube and Elizabeth Kneebone, *Two Steps Back: City and Suburban Poverty Trends, 1999–2005* (Washington, DC: The Brookings Institution, 2006).

⁸ Angela Glover Blackwell and Sarah Treuhhaft, *Regional Equity and the Quest for Full Inclusion* (Oakland, CA: Policylink, 2008).

⁹ 3rd Homeless Assessment Report to Congress, HUD, 2008, available at <http://www.hudhre.info/documents/3rdHomelessAssessmentReport.pdf>

¹⁰ Beth J. Leif and Susan Goering, "The Implementation of the Federal Mandate for Fair Housing," in *Divided Neighborhoods: Changing Patterns of Racial Segregation*, ed. Gary A. Tobin (Thousand Oaks, CA: Sage Publications, 1987), 227, 229, cited in Marc Seitles, "The Perpetuation of Residential Racial Segregation in America: Historical Discrimination, Modern Forms of Exclusion, and Inclusionary Remedies," *Journal of Land Use & Environmental Law* 14(1) (1998), available at www.law.fsu.edu/Journals/landuse/Vol141/seit.htm.

¹¹ Peter Dreier, *Forty Years After the Kerner Commission Report: Housing and Community Development in the United States* (Los Angeles: Occidental College, 2007), pp. 2–3.

¹² Ibid., based on Congressional Joint Committee on Taxation figures.

¹³ Michael Bodaken, Executive Director of the National Housing Trust, quoted in "Low-Income Housing: Another Crisis Looming?," by Madison Gray, *Time*, September 19, 2008.