

HOME SWEET DEAL

If you own a home, consider whether you receive any of these forms of federal welfare subsidies. People who don't own homes pay for these homeowner tax deductions each year:

- \$58 billion on mortgage interest.
- \$5.2 billion on profits of home sales by people over age 55
- \$14.6 billion on profits of home sales by people buy replacements
- \$16.1 billion on state/local property taxes federally deducted
- \$2.3 billion on home equity loan interest

From *Take the Rich Off Welfare*, Mark Zepezauer and Arthur Naiman

The government's FHA (Federal Housing Administration) loan guarantee program [is] an example of preference for whites which still has effects in the here-and-now. From 1934-1962, the FHA guaranteed and underwrote over \$120 billion worth of home equity for over 35 million white families. Due to racially-restrictive underwriting policies, this font of public largesse was virtually off limits to families of color, who generally couldn't receive FHA loans for homes in white suburbs. This process entrenched residential segregation which then contributed to educational and employment inequity for persons of color.

The value of that home equity--which is in the process of being handed down to today's white baby-boomers or their children--is now approximately \$10 trillion. \$10 trillion dollars is more than all the outstanding mortgage debt, all the credit card debt, all the savings account assets, all the money in IRA's and 401k retirement plans, all the annual profits for U.S. manufacturers, and our entire merchandise trade deficit combined.

From "Racism and 'Preferential Treatment' by the Numbers", Tim Wise

The Affordable Housing Chase: Need vs. Greed

by Audrey Jackson

Most people who cannot afford to buy or rent housing in Ann Arbor agree that there is a shortage of affordable housing. What can be done to make Ann Arbor a place where even very poor people can live? This is addressed in the city's affordable housing plan. Using information from government records, a five-year plan for housing assistance was developed based on the community's housing needs and the resources available to meet those needs. There is an emphasis on support services to help individuals maintain their occupancy or ownership. To varying degrees, the US Department of Housing and Urban Development (HUD), the City of Ann Arbor, and Washtenaw County provide funds for affordable housing to low-income or homeless groups.

While individuals of median incomes (see Table 1) might find some rental or purchase options, extremely low-income individuals are always at risk of homelessness, since they don't qualify for traditional loans through banks and mortgage lenders.

Table 1: ANN ARBOR, MICHIGAN (includes Washtenaw, Livingston and Lenawee Counties) FY 1999 INCOME-LEVEL DEFINITIONS

	1 person	2 people	3 people	4 people
Median income	\$45,600	\$52,100	\$58,600	\$65,100
Lower income (80%)	\$33,450	\$38,250	\$43,000	\$47,800
Lower income (65%)	\$29,640	\$33,865	\$38,090	\$42,315
Lower income (60%)	\$27,360	\$31,260	\$35,160	\$39,060
Very low income (50%)	\$22,800	\$26,050	\$29,300	\$32,550
Extremely low income (30%)	\$13,650	15,600	\$17,600	\$19,550
National Median	\$33,450	\$38,250	\$43,000	\$47,800

The high demand for housing in Ann Arbor has maintained high prices. From 1990 to 1999, the total number of housing units increased from 44,000 to 46,361 (this and related data from Ann Arbor's Dept. of Community Development). The average rent for a three-bedroom unit in Ann Arbor is \$968. Only 34 homes were sold for less than \$100,000 in 1998, 3% of the total (Ann Arbor Area Board of Realtors). Since 1993, approximately 1,741 units of new market housing units have been built in the city (judging by the number of permits issued). But only 251 low-income occupants in assisted housing have been placed since 1991. Additionally, only 130 first-time home purchases for low-income families have been made through the Washtenaw Homebuyers Club.

In 1998, the average cost of a three-bedroom home was \$226,028. A median-income family of four earning \$65,100 is estimated to be able to afford a home valued at \$161,000. With down payments for new homes averaging 10 to 20 percent of the purchase price, first-time home ownership has been largely unattainable for low-income homebuyers. Both HUD and local commercial lender guidelines suggest that no more than 30% of household income be used for rent or mortgage payments. (See Table 2.)

Table 2: AFFORDABLE HOUSING EXPENSE LEVELS BY FAMILY SIZE COMPUTED AS 30% OF MONTHLY INCOME

	1 person	2 people	3 people	4 people
Median income	\$1,140	\$1,303	\$1,465	\$1,628
Lower income (80%)	\$836	\$956	\$1,075	\$1,195
Very low income (50%)	\$570	\$651	\$733	\$814
Extremely low income (30%)	\$341	\$390	\$440	\$489

Prepared by: Larry Friedman, Community Development Department, 1/27/99

The city's Community Development Department has data showing inadequate housing for seniors, low-income families, homeless and mentally-ill people. The city's responses to this significant need for affordable housing have been delayed by the differing priorities of a Republican mayor and a majority Democratic city council. Council Democrats believe the city should provide funding for human services, including housing, because of declining state and federal dollars. Council Republicans don't agree that housing is a city service and argue that the city should not be in the business of funding affordable housing. Yet most acknowledged city services—the administration of garbage collection, storm relief, water and sewage, snow removal, road and sidewalk maintenance, etc.—in effect lower the cost of *maintaining a home, for those who are already able to afford housing*. Home renters get these housing-related services without paying property taxes, and even in the case of home owners, if they had to find and pay for these services individually, it would arguably be much more expensive than the relevant portion of their property taxes. Why should it be the city's responsibility to lower the cost of housing for wealthier citizens and not for poorer citizens?

Council Democrats have increased the funding to housing support services that individuals need to maintain independent living, but this has not allowed a significant increase in construction of affordable housing for low-income residents. Council Republicans believe that "affordable" does not mean what is affordable to low-income residents, but means whatever the market will bear, that is, whatever *someone* willing to buy can afford. By this trivial standard, Bill Gates' new mansion counts as "affordable housing". If a person is capable of paying millions for a home, this does not mean that everyone else can or should. This narrow view of "affordable" has allowed construction of pricey, upscale developments in numbers far exceeding those housing units constructed for lower income residents

When federal or state housing funds are allocated to the city, there is intense debate on which local nonprofits are "deserving" of the money, and whether funding of human services prevents the city from providing basic road, utility, and police services. Non-profit housing developers such as Avalon and Washtenaw Affordable Housing Corporation have attempted to increase units

of affordable housing for very-low-income residents. The city offers them limited funding, but building-material cost, limited land availability, and neighborhood resistance have prevented them from increasing units by any substantial margin. Expenses to construct or rehab even nonprofit affordable housing remains high because of the costs of increased demands for housing units and the expense of city inspections of housing units.

At best, nonprofit housing development merely provides affordable

rental housing, not home ownership and all the perks that go with it. Construction of housing for low-income residents is dependent on available state or federal housing grants, which are won or lost competitively. Ann Arbor's reputation as a wealthy community has often prevented the city from receiving federal housing funds to assist low income groups.

Nevertheless, nonprofit housing is the best existing means to sustain low-income residents in the city. Cooperatives, while affordable in the long-term, require extraordinary membership fees and credit-history criteria often unattainable by low-income applicants. Even when cooperative members rise to higher income levels, they often continue to reside in units that would be affordable to low-income groups, by paying slight increases in rent to adjust for their income. So-called subsidized housing units for seniors, handicapped, and family groups usually have 3- to 4-year waiting lists. There is minimal turnover of these affordable units, also, because the additional income required for home ownership is prohibitive for most current residents of assisted housing.

Homeless populations in Ann Arbor have limited options for shelter, including the Shelter Association sites, Ozone House (for teens [see pp. 8-9—eds.]), and Prospect Place (for families). A growing homeless population in the city means that even non-profit developers such as Avalon Housing find there is competition for the assisted units they build. Support services, meant to help occupants remain in assisted housing, are inadequate and difficult to evaluate.

A major obstacle to finding land for new affordable housing is the growth of the University of Michigan campus. This has several prohibitive effects on housing: UM's tax-exempt status deprives the city of revenues which could be used to increase funding for affordable housing (over \$14 million of land exempted between 1992 and 1997 alone); and it allows the students, not other homeless or low-income residents, to become the major occupants of available multi-unit apartments. Consequently, at least 2/3 of UM students live in non-University housing. UM does not offer a PILOT (cash Payment In Lieu Of Taxes) to the city to compensate for the loss of revenues which could go to affordable housing.



The mission of a newly formed city-government committee on affordable housing is to "expand and preserve the City of Ann Arbor's affordable housing supply." This group has the task of bringing together the views and interests of potential developers and advocates who are motivated by opposing values: greed versus need. Market housing developers are motivated by profit from the sale of very expensive homes to people with above-median household incomes. Nonprofit developers, however, are motivated by a decreasing housing supply for the most needy residents. The tension between the two perspectives is ongoing, and so far it appears the for-profit housing developers are winning. In 1996 housing activists waged a short-lived campaign to convert the publically-owned downtown Armory to low-income units. But developed Ed Shafran was allowed to purchase the building, and now it is slated for conversion to high-priced condominiums. Shafran also bought the Ann Arbor Theatre to build additional expensive downtown condo units. All attempts to build additional downtown units for homeless and low-income users have failed.

Developers argue that the sites they complete will bring needed tax revenues to the city, and that affordable-housing developers, dealing with less expensive rental units, cannot match this. Perhaps, but this sidesteps the real debate, which is about whether affordable housing is one of the reasons tax revenues are needed. Developments cannot be justified on the grounds that they may increase revenues for housing needs, if developers continually block attempts to spend these revenues this way. There must be more of a middle ground. Unless it is found, in the context of massive federal housing subsidies to the wealthiest residents, the city becomes a willing partner in discriminating against the ethnic, racial, and economic diversity it so frequently brags about.

Efforts to build a new homeless shelter amount to another apparently losing battle on the affordable housing front. The Shelter Association has several existing buildings which are inadequate to serve a growing homeless population. After a comprehensive task force formed by Washtenaw County reviewed the major issues facing homeless populations, a joint city/county committee of elected officials was formed to pursue funding for a new homeless shelter.

The county has yet to begin construction of a shelter due to resistance from neighborhood, environmental, and business interest groups. Many lingering questions stem from neighborhoods' concerns about insufficient support services and supervision at the proposed shelter sites. There has been limited discussion of scattering sites for families and single homeless adults and perhaps raising a city millage tax for human services to identify funding for low-income housing.

Efforts to increase the base of so-called affordable housing for very-low-income to moderate-income individuals remain a focus for city government. Low-income groups are the least likely to find affordable housing without assistance. The affordable housing chase in Ann Arbor is also about who gets to stay here. The wealthy will always be able to afford high housing costs in the city. But if diversity includes ethnic, racial, and economic differences, it is essential to protect the presence of nonwealthy groups in Ann Arbor, rather than have the city be "cleansed" of them.

Sustained need suffocated by sustained greed does not make a diverse community. If affordable, diverse residency is a goal you support, then you can join any of the following groups or attend their meetings and give input: (City): Housing Policy Board; Housing Commission; Human Rights Commission; Fair Housing of Washtenaw County; Community Development; Washtenaw Homebuyers Club, HERO; and Washtenaw Affordable Housing Corp; or contact Info Services for City/County at 994-2700. Send your concerns on affordable housing and the need for a PILOT to UM President Lee Bollinger (leebol@umich.edu); City departments; www.ci.ann-arbor.mi.us.



Homeowners: howzabout giving some of the government handouts back to those who pay but can't indulge? A millage increase for treating affordable housing as a human service.