Properties or Homes? Alternatives to traditional market processes

By

Brian Robert Stromberg

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ABSTRACT OF THE THESIS

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By BRIAN ROBERT STROMBERG

Thesis Director:

Dr. Kathe Newman

Over the last few years shortcomings have been revealed in the traditional forms of tenureship in the housing market. Housing finance has become tied to international financial markets, with deregulation creating a direct line between households and global capital flow. The promise of expanded homeownership that came with this expanded access to credit has turned sour. Foreclosure rates have dramatically increased, most significantly in lower-income neighborhoods in the more disinvested cities. Alternative models of homeownership such as limited-equity cooperatives, community land trusts, deed-restricted housing, and mutual housing associations provide another way for residents to relate to their homes. Instead of the relationship being dictated by the market, it can instead be directed by the social needs of communities, neighborhoods, and households. If these models of social housing were implemented on a larger scale, crises like the most recent one could be minimized and perhaps even avoided.

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INTRODUCTION

"[H]ousing in our society is produced, financed, owned, operated, and sold in ways designed to serve the interests of private capital." (Achtenberg 1986)

This description of the relationship between housing and capitalism was written over twenty years ago, yet it remains accurate today. This is as much a testament to the insight of the authors as it is to the remarkable ability of capitalism to integrate something as fundamental as housing into itself. Market processes in the United States have turned housing into more and more of a generic commodity and reduced its ability to function as a social good. This gradual change is a product of the financialization of the American economy, achieved through tax and regulation reforms that began in the 1970s and continued on through the 1990s.

Housing has become integrated into larger financial markets through the growth in private capital investment in the built environment, both in new development and in financial vehicles like mortgage-backed securities and real estate investment trusts. This has led to waves of gentrification and displacement, and has also produced the recent 'subprime crisis.' Despite the consequences they have had for many neighborhoods, traditional market processes appear ubiquitous and entrenched. They are historically favored by government, enjoy a reputation for creating wealth, and benefit from the fact that our national identity is bound up in notions of financial liberalism.

This thesis describes an alternative to these processes. It addresses the differences between the traditional housing market and the set of processes produced by alternative housing. The former involves investors and the majority of homebuyers, and produces housing that is connected to global capital markets. The latter is separated from these global markets and is produced by community-oriented developments like limited-equity cooperatives, community land trusts, deed-restricted housing, and mutual housing associations. These models create a different set of market processes from traditional housing by producing housing in the service of community instead of housing in the service of capital.

While alternative housing has existed in the United States alongside more traditional forms for generations, it remains on the fringe of the housing landscape. The widespread implementation of alternative housing would significantly change the relationship between capitalism and housing by producing housing that is not integrated into the market, but is instead tied to community. Alternative housing has the potential for massive change, though it requires support from larger non-profits and the state.

The current economic crisis provides an opportunity for alternative housing to flourish. The drop in property values would reduce the initial cost of funding alternative housing projects, while a national consensus has developed that things must be done differently. The integration of alternative housing into federal, state, and local housing policies would effectively mitigate the effects of crises like the one we are currently in by not only providing additional support to struggling households but by decoupling housing from speculative markets.

This thesis will describe the traditional housing market and the implications of housing being integrated into global market processes. A brief history of securitization and subprime mortgages will be provided as an example of this integration. Following this will be a description of alternative housing and its relationship to a community-produced set of market processes. This section will include detailed examples of how alternative housing has been manifested and the implications for both producers and residents of alternative housing. After this will be critiques of alternative housing and responses to these critiques. This section will be followed by a discussion of the relationship between alternative housing and a broader notion of what capitalism is and how it can be changed.

A TALE OF TWO HOUSINGS

Traditional Housing

To fully define what alternative housing is there must first be a definition of what it is an alternative to. It is not simply an alternative to particular structures of housing (condominiums, single-family homes, etc.), but is instead an alternative to the set of market processes that housing has become an integral part of. In the terms of this discussion, 'traditional' housing is housing produced by private developers and is connected to larger financial markets through forms of value extraction such as the securitization of mortgages.

In traditional housing, the relationship between residents and their housing is mediated through the market, whether they are renters or homeowners. The consequences of this mediation have grown in the last thirty years as the nature of the market has changed, which has become more liberal as policymakers have taken steps towards creating the ideal 'free market.' It started with tax reforms in the 1970s and continued in the 1980s with an increase of deregulation and neoliberal ideologies. Legislation like the Depository Institutions Deregulation and Monetary Control Act (1980), the Alternative Mortgage Transaction Parity Act (1982), the Secondary Mortgage Market Enhancement Act (1984), the Tax Reform Act (1986), and the Financial Institutions Reform, Recovery, and Enforcement Act (1989), all contributed to this liberalized economic atmosphere (Newman 2008). These were followed in the 1990s by legislation like the Financial Services Modernization Act of 1999, which allowed banks to merge with securities firms and insurance companies for the first time since the Great Depression. This created a situation where the financial entities that were originating loans, securitizing them, and insuring them were linked with each other.

The following discussion of securitization is provided as an illustration of the consequences of the more liberalized traditional housing market. Securitization is one of the most significant of all the processes of housing being incorporated into larger markets. It is a subtle yet complex integration, and provides a powerful example of how traditional housing market processes can work.

Securities are created when lenders sell mortgages to securitization firms[1]. These firms package this debt, and divide that package into 'tranches' based on the riskiness of the loan. Investors buy into pieces of that debt according to the amount of risk they are willing to take. These investors range in structure from hedge funds to pension funds, and in geography from California to Denmark. The change in tax regulations in the 1970s helped spur the creation of securities, which have expanded greatly in the last thirty years. The value of mortgage backed securities (MBS) grew from $126 billion in 1985 to $1.2 trillion in 2001, and then to $2.7 trillion in 2005, with a peak of around $3.5 trillion in 2003 (Gotham 2006, Vallee 2006). Growth in MBS meant that more and more housing was becoming delocalized through this integration into a global market (Gotham 2006, Weber 2002). Securitization took the value of these properties and spread it between investors around the world. These processes have helped transform housing into a more generic commodity, changing it from an immobile, static form of capital into one of the most liquid forms of capital available (Gotham 2006, Weber 2002).

The use of mortgages as raw material (or 'widgets', see Newman 2009) for these complicated financial products began to have a significant effect on how these mortgages were being produced. As the demand for mortgages for securitization increased, the market turned its eye towards the underserved, 'higher-risk' populations in lower-income minority neighborhoods. These communities have

[1] There are various forms of securitizations. The focus here is on home mortgage-backed securities. See Henderson and Scott (1988) and Gotham (2006) for a more complete discussion of securitization and other forms of housing finance used as financial vehicles.

limited access to mainstream lending institutions. This is historically due to the practice of redlining, through more recently it is due to the fact that mainstream lenders tend not to have a presence in lower-income neighborhoods. This absence of access to the mainstream mortgage market led to the proliferation of lenders that specialized in lucrative subprime mortgages (Apgar and Calder 2005). These specialized lenders do not fall within the purview of the Community Reinvestment Act and other forms of lending regulation, and as a result many of the mortgages produced by these lenders were created without any kind of oversight. This lack of regulation increased the likelihood that loans made by these lenders would not be of the same quality as those from traditional lenders, and were much more likely to fail. Subprime, 'alt-a,' and other forms of loans that had significantly less documentation requirements than more traditional mortgage loans became prolific in these communities. This pattern of lending had a racial dimension as well. According to 2004 HMDA data, white borrowers were 50% more likely to receive a loan that fell under the purview of the CRA than black borrowers (Apgar 2007). Where there was once a racist exclusion, analysts have found a damaging inclusion in the concentration of subprime lending in minority neighborhoods (Wyly et al 2007). This statistic underlines the racial segregation that has become increasingly important in analyses of market processes, particularly in studies of lending practices (Apgar et al 2007, Howell 2006, Newman and Wyly 2004, Wyly et al 2004, Wyly et al 2009).

The growth of this higher-risk loan market made apparent two ‘channels’ of lending (Apgar et al 2007). One channel is the mainstream lending market, where a homebuyer receives a regulated mortgage loan from a traditional bank with terms based on his or her credit status. The other channel was created by lenders based in minority neighborhoods that were producing loans that were neither regulated nor based on credit status. These loans were approved with little or no documentation of income or ability to repay. Both of these channels funneled mortgage capital into securities, but the consequences for the borrowers were very different. The collapse of the dangerously structured loans produced by the second channel led to the collapse of thousands of securities. This resulted in the loss of billions of dollars to investors worldwide, while the more local effects on communities range from increased financial hardship for already struggling households to a rise in foreclosures and vacant properties. These consequences can be traced back to the transformation of housing from an immobile social good into a liquid commodity made accessible to global markets by securitization and other investment vehicles.

It should be recognized that the story of securitization and the ensuing collapse of subprime loans is an extreme example of what the traditional housing market can produce. It is important to remember that bad loans have always been a part of housing finance practices, and that the path to homeownership has been successful for many Americans. If more consistent regulation had been applied to the loans being created for securitization, there might not have been such a widespread economic collapse. While this would not have prevented all of the bad loans, it may have prevented the proliferation of bad loans that devastated the economy. However, that regulation did not exist and many households that were already struggling have had to bear the costs incurred. They were enveloped by a system that lacked the capacity to protect those who did not have the education or the financial wherewithal to safely participate in the housing market.

Implications of traditional housing

The implications of traditional housing affect both individual residents and housing in general. The first implication refers to what participating in a traditional housing market can mean for residents. The second refers to the consequences for communities and neighborhoods whose property is integrated into the traditional housing markets, a relationship that leads to a discussion of Lefebvre's 'right to the city.'

The implication for individual households participating in the traditional housing market is the effect of market processes on property value. Any household or investor that decides to treat housing as an investment takes the same risks with the housing market that come with every other market. Households that have fairly stable economic situations and can afford to buy into the market may be able to 'trade up' as the value of their homes grow over time, increasing their equity. However, this gain is not guaranteed. Markets are unpredictable and prone to inflated values and sudden crashes, demonstrated by the recent housing bubble. The risks and benefits of participating in this market will have to be considered by each household, as will their ability to participate without overtaxing their finances.

The broader and more fundamental implication of constructing housing as part of a market economy is the capacity this gives market interests for reshaping housing to suit its needs. Though commodification is practically inevitable in a market economy, it is the type of commodity that housing becomes that is significant. The extraction of value from local properties to global financial networks changes how housing is commodified. It becomes more of a "fungible" property (see Radin 1993), having no meaning to its owners other than as a source of capital. This leads to a discussion on Lefebvre's 'right to the city.'

Property that is integrated into the market, such as traditional housing, is going to perform such functions as are required of it as a part of that market. As each piece of a city is integrated into global markets, so is the entire thing. This is to say, housing in the city will become integrated into capitalist production, become a source of profit, and will be part of the cycle of accumulation. As these individual aspects of urban environments are integrated into this 'growth machine,' entire cities become shaped by the interests of capital. Alternative housing decouples property from the market, allowing cities and communities within them to develop without interference from extralocal capitalist interests. A widespread implementation of these models might begin to alter how people experience cities as their environment shifts from one produced by the market to one produced by the community.

The right to the city has been discussed in other places and in greater depth than it can be here (Purcell 2002, Harvey 2003). Lefebvre's basic theory of the production of cities says that urban spaces are produced by whatever sociocultural ideologies and practices are in dominance, e.g. property that is produced in a capitalist market will be manipulated by that market. Any housing that has been either produced or incorporated by private capital can be destroyed or reshaped to fit the needs of the market. This incorporation includes processes like securitization. They do not directly involve the physical property itself, but the value of that housing is extracted and removed to a global market. The right to the city is the right to resist this destruction and reconstruction, and for local communities to gain the ability to shape their own neighborhoods.

The right to the city is invoked here to emphasize the implication of local housing being integrated into global markets. Extralocal market interests often produce or destroy properties and housing with little regard for what the community that lives in the housing may want or need. This is not true with alternative housing. Alternative housing models are the expression of "the use values of neighborhood and home" over the expression of "the exchange values of real estate as a vehicle for capital accumulation" (Newman 2006). They can be a foundation for a community's right to produce their city by giving them the means to create housing for local residents, and not for global capital.

Alternative Housing

The traditional housing market has produced many crises, the most recent of which has become known as the 'subprime crisis.' The fundamental nature of this crisis, rooted in the financialization and commodification of housing and the extraction of its value, suggests that the mitigation of any future crises depends on changes to the foundations of this system. Instead of constructing housing and its derivative value as commodities on the market, the focus should be on producing housing for its value to residents and communities. This is the fundamental change that alternative housing can provide.

Alternative housing is housing that is not mediated by the market, and does not have its value sublimated into securities or other derivatives. Instead, it is set apart from the market processes that traditional housing is integrated into from the moment it is produced. This disconnection is provided by both resale limitations and rent controls in the structures of different models of alternative housing. Though there is a fair amount of heterogeneity in the manifestations of alternative housing, they have a shared essential nature. The defining characteristic of alternative housing is the different stance it takes towards how housing should be provided to households. Traditional modes of production and consumption are mediated by housing finance and its derivative markets; alternative housing is free of this mediation. The housing is provided directly to those who need it, without any delocalizing financial entanglements.

Alternative housing provides a very different kind of space for communities and households. Where traditional, commodified housing constructs housing as an economic tool, alternative housing constructs housing as home. The social value of housing to its residents often conflicts with economic value in traditional housing markets. Disruptive market processes like disinvestment and market crashes can have hugely negative effects on neighborhoods, communities, and families. Alternative housing provides stability by resisting these processes.

The Four Models

Though the landscape of alternative housing is relatively heterogeneous, there are some general models that can be distinguished. The four major models are deed-restricted housing, limited-equity cooperatives, community land trusts, and mutual housing associations. These four models do not exist independently of each other, however. Often alternative housing developments are a mixture of two or more. For example, many community land trusts lease land to limited-equity cooperatives, or mutual housing associations. This ability to integrate various modes of housing makes alternative housing a good choice for policymakers looking for options in the production of affordable housing.

Each manifestation of alternative housing represents a set of market relationships that oppose traditional market processes. The following section describes the four most common models of alternative housing, with examples and brief histories of how they have been implemented.

Deed-restricted Housing

Deed-restricted housing is any form of housing that has an encumbrance on the deed. This can range from the size and shape of the mailbox to limitations on residency based on race. In the context of this thesis, deed-restricted housing (DRH) is housing with a covenant in the deed that restricts how much a property may be sold for, and can also limit the potential pool of buyers to those who need access to affordable housing. It is often part of inclusionary zoning plans, though restrictions can be placed in a deed by non-profit housing developers as well.

DRH is a very prevalent form of alternative housing, but there is little written about it. The amount of DRH in place in the United States is likely very large but there are no official counts. Since much of the DRH is produced by municipalities through inclusionary housing programs and by community development corporations, there is no single source of data. The only two estimates available are from New Jersey and California. In 1999, the New Jersey Department of Community Affairs claimed 9,670 units of DRH had been created under inclusionary housing, with another 1,663 from other public programs (Davis 2006). These numbers are very dated, and it is likely they have grown with the increase of development across the state. In 2004 in California, two non-profits, the California Coalition for Rural Housing (CCRH) and the Non-Profit Housing Association of Northern California, estimated at least 34,000 units of DRH had been produced in California through "formal mechanisms." However, this estimate did not include however many units had been created by the 400 community redevelopment agencies throughout the state (Davis 2006). Davis (2006) puts the nationwide estimate between 100,000 and 300,000 units.

The simplicity of DRH has made it a popular choice for larger-scale affordability projects like inclusionary zoning. Many of the proponents of this type of program point to the 'self-regulation' created by placing resale restrictions in a property's deed (Davis 2006). However, the restrictions in DRH can be difficult to enforce, since the sale of the properties often occurs without any type of oversight or regulation. While more complex models like limited-equity cooperatives and mutual housing associations have affordability built into their administrative structures, DRH has no administrative structure. Since the only parties involved are often the seller, the broker, and the buyer, there is little to keep them from ignoring the restrictive covenant if doing so provides a significant benefit to one or more of the parties (Davis 2006). Third party organizations have been created in some states that do the work of regulating the sale and production of deed-restricted housing, such as the CCRH and New Jersey's Council on Affordable Housing.

Limited-Equity Cooperatives

Cooperatives are made up of housing that is owned by a non-profit corporation, usually composed of one or more multifamily buildings. The residents in these buildings own shares in that corporation, which entitles them to a certain amount of space in the buildings as tenants. The management decisions for a cooperative are made by a board, which is elected by the residents in accordance with the cooperative's bylaws. On top of monthly dues, which cover the expenses of maintaining both the physical and financial aspects of the cooperative, residents are usually expected to contribute some of their time to administrative duties and upkeep of the cooperative's common areas.

Limited-equity cooperatives (LECs) are structurally similar to market-rate cooperatives, though the intentions behind their creation and some of their administrative structures are very different. The biggest difference between market-rate cooperatives and LECs is the regulation of the reselling of shares. Limited-equity cooperatives have limitations written into their bylaws that regulate how much residents can sell their shares for, which can range from zero profit (besides compensation for inflation) to a limited amount of profit calculated through a formula determined by the cooperative. In addition, residents are usually reimbursed for any board-approved improvements they might have made to the property.

Another significant difference between limited-equity and market-rate cooperatives is that LECs are often the product of tenants encountering pressure. This can come from wealth-seeking landlords, rising property values or other consequences of processes like reinvestment and gentrification. Often produced by tenant action, LECs are a distinctly local form of alternative housing. Indeed, being produced by the community is so essential that LECS that lack support from their residents tend to experience difficulty in their early years, if not outright failure (Rohe 1995, Saegert 2005).

Housing cooperatives have been a part of the housing landscape in the United States since the 1800s, though the most common model of cooperatives is the market-rate cooperative. There are about 765,000 housing units provided by market-rate cooperatives in the United States, while there are approximately 425,000 units provided in the form of limited-equity cooperatives (Davis 2006). The highest density of LECs is in New York City, mostly due to the large part this particular model of alternative housing has played in the history of New York's housing landscape.

The disinvestment of capital from New York in the 1960s and 1970s created a landscape littered with vacant properties. The Lower East Side saw properties abandoned by landlords who could no longer afford property taxes, many of which soon became shelters for drug-dealers and their customers. The Clinton neighborhood (aka Hell's Kitchen) experienced the same increase in vacant properties, but residents there soon saw a looming wave of reinvestment threatening to displace the neighborhood's longtime residents. The response of both of these communities was the creation of LECs, produced in cooperation with the city and with local non-profits.

In the Lower East Side, LECs were a tool for reclaiming property that had been abandoned by landlords. The city became the caretaker of these empty properties, a responsibility that quickly became overwhelming. To offload some of these properties, the city developed the Tenant Interim Lease program. This program gave the tenants of these buildings the opportunity to buy the building from the city at a very reduced rate and form a limited-equity cooperative. They were aided in this process by the Urban Homesteading Assistance Board, a non-profit that had its origins in helping squatters renovate their buildings. UHAB provided the training that the newly formed cooperatives would need to successfully manage their cooperatives, and occasionally acted as the temporary owner of the property if the cooperative wasn't quite ready to take ownership.

The LECs created out of the city's response to its sudden increase in stewardship were not the first in the Lower East Side. The four cooperatives found along Grand St. that make up 'Cooperative Village' were started in the first half of the 20th century as limited-equity developments, and many received funding in part from the Amalgamated Clothing Worker's Union and the International Ladies' Garment Union. For decades these buildings provided thousands of units of affordable housing for the immigrant and working-class families that settled in the Lower East Side.

The LECs in New York's Clinton neighborhood were formed in an attempt to prevent the appropriation of vacant properties by developers and keep them in the hands of residents. Clinton experienced the same disinvestment in the 1960s and 1970s as the Lower East Side and has also seen the return of capital, though in a much larger way (Gwertzman 1997, Saegert 2003). The interest of developers has pushed many once-affordable housing units into the market, where their prices skyrocket to reflect the desirability of property so near the center of Manhattan. A study on LECs in the Clinton neighborhood found that LECs are "increasingly unique islands of stable, low-cost housing" (Saegert 2003). These cooperatives provide affordable housing for lower-income residents in the rapidly gentrifying neighborhood.

The Clinton neighborhood has had a long history of community organization, and has a history of resisting development besides the formation of its LECs. The Special Clinton District (SCD) is the direct result of the Clinton Protection Council and other community groups putting pressure on the city to preserve the nature of the neighborhood in the face of impending redevelopment and displacement (Gwertzman 1997). The creation of LECs in the neighborhood is an extension of the community's resistance to unwanted development and their attempts to maintain the area's unique identity. Alternative housing created spaces for the residents of Hell's Kitchen where the value of housing as home could be preserved.

The cooperatives in New York have received a significant amount of support from the city and non-profits like UHAB, and cases from other cities suggest that these LECs have had charmed lives. Without strong initial support and a dedicated group of residents, LECs are at risk for failure (Rohe 1995, Saegert 2005). Poor training of the cooperators in the essential aspects of corporate management, which includes the collection of dues, management of the property, financial maintenance, and other such activities, is one of the biggest reasons LECs fail. As an example, we can look at the Upper Lawrence Cooperative in Denver, CO.

The Upper Lawrence Cooperative was a conversion from public housing under the Reagan administration's Public Housing Homeownership Demonstration

(PHHD) program. The PHHD was developed to test the feasibility of selling public housing units to their tenants[2]. The program received 36 applications for the program from housing programs around the country, and only 17 were chosen. Of these 17, only 4 were sold as multiunit limited-equity cooperatives. The Upper Lawrence Cooperative was originally part of the Curtis Park housing projects, one of the roughest housing projects in the Denver metro area. The residents moving into the new cooperative made from $12,000 to 15,000 dollars a year, and were predominantly black households. The cooperative consisted of 44 townhouse units in 8 buildings, carved out of a 448 unit development that covered 7 blocks (Rohe 1995).

The cooperative officially came into existence in 1987 when the sale of the units to the corporation was completed. From that point on the cooperative encountered nothing but difficulty. The problems began with the renovations that the Denver Housing Authority (DHA) performed before the new residents moved in. Many of the residents reported significant defects in their units, including leaking water that ran down the building walls and into their apartments (Rohe 1995). The cooperative board turned to the DHA to remedy these problems. They received the response that the cooperative was now an independent entity, and as such had to come up with solutions itself. This put a significant strain on the relationship

[2] This program was signed off by the Reagan administration. Though progressive housing models do not seem likely agenda items for such a conservative administration, the idea of transferring ownership and responsibility from the government to the private individual or corporation is in line with a conservative political ideology. Both the Reagan and the Thatcher administrations saw an increase in non-profits providing social services as an appropriate shrinkage of the state (see Wolch 1990).

between the cooperative and the DHA. This conflict continued through to the time when Rohe published his study.

The other major difficulty encountered was a lack of proper training for the residents who were supposed to take charge of the cooperative. A year after the cooperative was started, the president of the board complained that she was "totally unprepared for the task of managing a co-op" (Rohe 1995). The cooperative lacked a bank account, had $12,000 of share payments in arrears, and the grounds were not being maintained. The people in charge of collecting the share payments did not even know how much they were supposed to be collecting every month. In addition, the board had conflicts with both itself and the cooperative residents, the cooperative went through 3 management companies in 4 years, and reached vacancy rates of above 25% (Rohe 1995). Most of these problems can be traced back to the beginnings of the cooperative, which saw a lack of management training and poor preparation of the cooperative for the new residents by the sponsoring agency.

However, despite this rocky start, the cooperative remains in operation today. A follow-up study on this particular cooperative would be very useful in gauging its ability to rebound from such a tumultuous beginning. At the end of his discussion on this particular cooperative, Rohe notes (without providing any details) that the most recent management company was taking positive steps. The intervening 15 years are guaranteed to have brought significant changes.

Community Land Trusts

Community land trusts (CLTs) are non-profit corporations that own parcels of land, either contiguously or scattered throughout an area. This land is leased to the owners of properties located on the parcels. The leases signed by the property owners include covenants similar to those in the deeds for deed-restricted housing. This covenant limits how much the property may be resold for if and when the owner decides to move, and also limits the sale of the property to a pool of qualified buyers. Other restrictions may be included as well, such as a requirement that the owner of the property make it their primary residence and other regulations on who may inhabit the property other than the owner. The board that governs the land trust's activities usually follows a tripartite structure. One third of the board members are made up of people who own property on the trust's land, one third are from residents in the surrounding community, and the final third is made up of community leaders such as local politicians and business owners.

Community land trusts, much like limited-equity cooperatives, tend to be created by communities or local government in response to rising property values and other pressures threatening to displace residents. This, to a large part, is where the similarities end. While LECs are often composed of one multifamily building, CLTs tend to be much larger. CLTs can be composed of several contiguous parcels of land, or can be spread out across a region. They also tend to be in smaller cities, such as Burlington, VT or Bellingham, WA, though the number of land trusts in larger metropolitan areas such as Chicago[3] or Washington, D.C.[4] is growing (Davis 2006).

As of 2006 there were 162 non-profits with real estate holdings operating as CLTs in the United States (Davis 2006). Since the first CLT was founded in Georgia in 1968, the rate of their creation has increased from 4 in the 1970s to 40 between 2000 and 2006 (Sungu-Eryilmaz and Greenstein 2007). Counts of total housing units provided by CLTs are limited to estimations, but the number is placed at somewhere between 5,000 and 9,000 (Davis 2006). While they are spread throughout the country, the highest concentration is in the Northeast corner of the United States, mostly between Vermont and Connecticut (Greenstein and Sungu-Erylimaz 2005). Their wide distribution speaks to the CLTs' effectiveness at providing affordable housing for communities. While they all have similar structures, they all have different histories. Two of the more disparate histories can be seen in the Cooper Square Community Land Trust and the Champlain Housing Trust.

The Cooper Square Community Land Trust (CSCLT) in the Lower East Side of New York provides affordable housing in an area that has experienced a great deal of development, a trend that shows little sign of slowing. The CSCLT gives the community an opportunity to retain some control over the area's housing stock, something difficult to come by in a neighborhood receiving significant attention from developers.

[3] See http://tinyurl.com/moq3m9 (Chicago Community Land Trust)
[4] See http://www.cfenterprises.org/ (City-First Enterprises Land Trust Initiative)

The CSCLT was formed by the Cooper Square Committee (CSC), a community group whose history in the area goes back to the resistance against a project led by Robert Moses that would have destroyed 11 blocks to create union-sponsored cooperatives. The CSC resisted this on the grounds that the cooperative units would be unaffordable for the neighborhood's poor immigrant residents. They successfully convinced the city to adopt a plan that provided affordable housing without any demolition (Angotti 2007). In 1991, the CSC founded both the Cooper Square Mutual Housing Association and the Cooper Square Community Land Trust, with the association leasing land owned by the CLT. The MHA provides 302 residential units in 19 buildings, as well as 23 commercial units (CSMHA 2009). The rents on these units are considerably below the market rate. Studios range from $250 to $340 per month, and the highest rent, which is for a three-bedroom unit, only reaches $578 per month (CSHMA 2009). This affordability is remarkable considering the growing value of the surrounding neighborhood. An informal review of current apartment listings on craigslist.org in the same area shows studios ranging from $1,250 to $2,500 per month, and three-bedrooms ranging from $3,000 to $4,000 per month[5]. A more formal review lists the appreciation of housing prices in the Lower East Side as over 200% between 1996 and 2006, and over 400% between 1974 and 2006. (Furman Center 2009). In addition, the area has a significantly low income per household, with over 50% earning in the bottom two quintiles of citywide incomes (less than $38,536, see Furman Center 2009).

[5] See http://tinyurl.com/n8fjpw for the listings source.

This affordability provided by the CSMHA and the CSCLT is part of the market processes that alternative housing produces. The story of the CSCLT reveals a history intertwined with community organization against development that has ranged from Robert Moses's redevelopment plans to the private capital moving in along the Bowery and throughout the Lower East Side. A recent rezoning initiated by the community and supported by the CSCLT board will preserve some aspects of the character of the East Village and the Lower East Side, but does little to prevent housing from being integrated into and potentially destroyed by cycles of accumulation and redevelopment. This can be achieved through alternative housing models like the CSCLT and the mutual housing association that it leases to.

Another good example of the potential of CLTs is the Champlain Housing Trust. Born in 1984 as the Burlington Community Land Trust, the Champlain Housing Trust (CHT) is the largest community land trust in the country with over 2000 units. It is also one of the most famous and well documented, and has been referred to as "the standard against which other land trusts are measured" (Angotti 2007). It is structured according to the classic tripartite board organization, with representatives from the leaseholders, the community, and from those representing "the broader public interest" (Davis 2006).

The development of the Burlington Community Land Trust was particularly charmed. The government that oversaw its development was very progressive and strongly supported it (Davis 1994). Burlington's real estate market was experiencing growing amounts of market interest. Students from the nearby

University of Vermont were seeking housing in the city that they were not provided on campus, and the region's growing economy was bringing more and more new residents every year (Davis 1994). Massive displacement and gentrification were inevitable without a clear plan to keep the lower-income residents of Burlington in their homes.

Bernie Sanders, an openly Socialist mayor, won office in 1981 by only ten votes. He faced a city council composed of Republicans and Democrats, none of whom were initially willing to support his progressive agenda. After months of politicking, he nurtured the political support that allowed his plans for an alternative type of affordable housing to be pushed through. Sanders' housing plan centered on three major goals: the protection of residents who were vulnerable to displacement by a rapid valuation of property in Burlington, the production of quality affordable housing, and the preservation of newly built and existing affordable housing (Davis 1994).

While the political forces outside of Sanders' party resisted the idea of publicly owned housing, shifting the responsibility for the development of the much-needed affordable housing to a non-profit proved to be more 'palatable' (Davis 1994). The result was the Burlington County Land Trust, which merged with the Lake Champlain Housing Development Corporation in 2006. The CLT model was praised at the time of its inception by the Affordable Housing Taskforce of the city's Community and Economic Development Office (CEDO) for providing the means to "'decommodify' land and housing, assuring long-term accessibility and affordability for persons of modest means" (CEDO 1984, quoted in Davis 1994).

The Champlain Housing Trust clearly displays the capacity for diversity of the CLT model. It provides both rental and owner-occupied housing, brownfields redevelopment, six separate LECs, and provides over 70,000 square feet of commercial space to community-oriented non-profits like day care and homeless assistance (Davis 2006). The CLT has also come into possession of units produced by inclusionary zoning through an agreement with the state, which gives the CHT (along with other local non-profit housing corporations) the option to purchase any units created through zoning regulations. The CHT also provides affordable home repair loans to local residents, including those who do not live on trust-owned land or in trust-owned property. This variety of services is central in the successful fulfillment of its mission of "creating and preserving perpetually affordable housing and vital communities" (CHT 2009).

Mutual Housing Associations

Mutual housing associations (MHAs) are non-profit corporations that provide affordable rental housing. The association is made up of residents, each of whom has a vote in the association's decisions. The rents paid to the association are used for property upkeep and to grow the association's stock of housing by both buying existing housing and producing new housing. MHAs are decidedly growthoriented corporations, and use the capital they collect from tenants to expand the amount of affordable housing they offer.

Unlike the previous three models, MHAs focus on rental housing instead of ownership. However, this has no effect on their capacity for providing the different market processes that are the hallmark of alternative housing. As the extraction of value from property in the form of rent is one of the most pervasive forms of accumulation, it is equally important to produce alternative processes in the rental market.

The Mutual Housing Association of Southwestern Connecticut (MHASWC) was started in 1990 with funding from the Neighborhood Reinvestment Corporation, known more widely as NeighborWorks. The prompt for its creation was similar to that of other alternative housing projects. In the case of the MHASWC, the Stamford area was seeing an influx of corporate headquarters starting in the 1970s, which brought a subsequent rise in cost of living and property values (Defilippis 2004). The Stamford-Norwalk area remains listed at the top of the highest costs of living nationwide (NLIHC 2008).

The MHASWC's first two developments were in the West Side of Stamford, an area marked by disinvestment and low-income households. The NRC set about gathering support for the project in the community after awarding the Stamford Neighborhood Housing Services money to develop a MHA. The association was incorporated in 1990, and the first development was Parkside Gables, which opened in 1991. The Association opened up its second development, Trinity Park, in 1996.

As of 2009, the Association manages 250 units and has over $40 million of new development in progress (MHASWC 2009).

While the initial impetus for the creation of the MHASWC came from an external organization (the NRC), the services that the Housing Association has provided all focus on issues facing the neighborhood. The MHASWC has provided various services to the West Side community since its incorporation. This has ranged from a neighborhood watch to support for the renovation of parks and playgrounds. The MHASWC has also provided a platform for the West Side community to draw attention to needs in the neighborhood and to voice the community's opinion on redevelopment plans.

As pro-growth entities, MHAs are different from the other forms of alternative housing. While land trusts have similar goals for expansion, MHAs get the necessary capital from their tenants. The relationship between the housing association and its tenants superficially resembles the relationship between traditional landlords and their tenants, with two important exceptions. The MHA is not motivated by profit or accumulation (in the capitalist sense), but is instead using this capital to shift more housing into alternative market processes. The rents collected fund the non-profit's expenses and daily costs, but also fund the association's growth agenda. The second difference is the tenants have a large say in what the housing association does with its capital. An MHA's mission is to produce affordable housing, a goal supported by its tenants. It acquires more and more housing, adding to the stock of alternative housing.

One of the most comprehensive reviews of alternative housing, *Shared Equity Homeownership* (Davis 2006), only includes the three models discussed previously. defining them all as 'shared-equity.' This term is limited in its inclusion to models that involve ownership of the units (Davis 2006). However, Davis recognizes that models like mutual housing associations have "a balance of benefits very similar to those provided by LECs, CLTs, and deed-restricted homes" (Davis 2006, p. 4). The exclusion of mutual housing associations is most likely a response to the loud cries for increased homeownership. Limiting the discussion to ownership-based models gives advocates of alternative housing a direct analogue to traditional homeownership, which is important when arguing for the development of alternative housing. Despite this rhetorical benefit, limiting the discussion to ownership ignores a large part of what alternative housing can be. MHAs are an important part of the alternative housing landscape and deserve to be included in any discussion of the same.

Implications of alternative housing

The alternative market processes that these models produce have broad implications for housing. They provide the structure for a foundational shift of what housing can be for residents and their communities. This includes not just changes in how housing relates to the market, but also how residents relate to their housing. The three implications discussed below are the shift from global to local processes, the affordability of alternative housing, and the stewardship that alternative housing developments can provide.

One of the most significant implications of alternative housing, and the first one discussed here, is the shift of market processes from a global to a local scale. The integration of housing into a global market is what transforms it into a more fungible commodity. Shifting it back towards local processes makes it more of a social good as opposed to a financial instrument. Local control allows for decisions that benefit the community, instead of an investor that has only a fungible stake in what happens with the housing. This shift to the local is achieved in two distinct ways. The first is the different sources of finance that provide capital for alternative housing. The second is the change in production from private capital to communities and non-profits.

The first element of this shift comes from how buying into alternative housing is financed. Traditional housing is funded by private developers using private capital, while alternative housing projects receive most of their financing from public institutions such as HUD or non-profits such as the National Cooperative Bank. These larger, institution-scale loans help fund capital-heavy projects like renovating a cooperative's buildings or a land trust's first purchase of land. The majority of limited-equity cooperatives in the United States received Below Market Interest Rate (BMIR) loans from the Department of Housing and Urban Development under sections 221(d)(3) and 236 of the National Housing Act (Davis 2006). Affordable loans also help keep the monthly costs to shareholders manageable, since a portion of their monthly dues goes towards any financial obligations the cooperative may have entered into.

The financing for individual residents in alternative housing entails a similar shift towards local processes. Alternative housing is largely financed by the developments themselves, which provide residents with capital from their dedicated funds. For example, the Champlain Housing Trust has an entire program dedicated to providing first-time homebuyers with affordable, low-cost loans. Many cooperatives also provide loans to potential residents who cannot afford the initial payment. These alternative channels of finance, for both the housing developments and the residents, distinguish alternative housing from traditional housing market processes.

Alternative housing also produces a shift from global to local processes through the way that it is produced. While traditional housing is typically produced by private developers using globally sourced finance capital, alternative housing is produced by the community, often as a solution to pressures created by private development such as gentrification. The Burlington Community Land Trust in Vermont was originally created to provide affordable housing to households that were becoming priced out of a burgeoning real estate market. The Mutual Housing Association of Southwestern Connecticut was created in response to a similar pressure in Stamford. In the Clinton neighborhood in Manhattan, limited-equity cooperatives were created out of the community's desire to claim property before private capital could move in after disinvestment. Together with the disconnection of alternative housing's financing from traditional markets, local production minimizes housing's integration into global markets. Alternative housing is produced out of local interest, using local or public funds, and is for the most part controlled by its residents. This is in marked contrast with traditional housing, which is often created out of private interests with private capital, and is integrated into a global process of accumulation through rent and mortgage payments to extralocal investors or financial institutions.

Alternative housing also has significant implications for the affordability of alternative housing units for producers and for the individual residents. This includes the relationship between residents and the equity in their homes.

The affordability of alternative housing to producers comes from the efficiency of subsidies provided to alternative housing developments. The heaviest costs of creating an LEC or a MHA are in the formative stages. They come in the form of rehabilitation costs, initial land purchases, and other types of capital-heavy but necessary expenditures. Instead of subsidizing the ability of tenants to pay mortgages or rent, these capital subsidies are retained in the buildings themselves for the entire lifetime of the development. This long-term retention should be particularly attractive for state agencies and non-profits that may be concerned with reduced operating budgets. Instead of reimbursing landlords that have received Section 8 vouchers every month, the state can provide a one-time subsidy for physical improvements and land. Non-profits that invest in alternative housing will also see their limited resources stretched further. Since it is the cost of the unit that is subsidized, residents leaving alternative housing developments do not take this subsidy with them when they go. This is unlike other affordable housing programs, where the resale limitations expire after a certain number of years.

In his study of the Cooper Square Community Land Trust, Angotti demonstrated the efficiency of subsidies given to the CSCLT as compared to the subsidies provided to two other public homeownership programs in New York City (Angotti 2007). These were the New York City Housing Partnership program and the New Partnership Homes program. In an examination of the per unit cost of the development of both units in the CLT and in the housing programs, Angotti found that the long-term costs were significantly lower for CLT-produced units. Assuming the CLT units remained affordable for 50 years and the city's units remained affordable for 10 years, Angotti calculated the CLT units would cost $1,900 in subsides annually, while the city units would cost $3-5,000 annually. These numbers clearly show that the long-term benefit that is built into alternative housing models makes more economic sense than the more common short-term programs. In addition, the public program units only had three years of guaranteed affordability. In a neighborhood such as the Lower East Side, which has experienced rapid valuation in the last ten years, these units are almost guaranteed to go market-rate immediately when the limitations expire.

The second aspect of the affordability of alternative housing is the affordability for its residents. The affordability of alternative housing for residents is provided through resale and rental limitations that are included in the structure of the non-profit producers. These limitations create a potential for perpetual affordability. This is one of the strongest and most commonly made arguments for the production of alternative housing. Many state-sponsored affordable housing programs include expiration dates for the affordability, which results in lost capital through subsidies that leave with the first resident to sell out, as well as the loss of affordable units. This is unlikely to happen with alternative housing, as the restrictions that produce this affordability have no expiration.

The qualification of this perpetual affordability as 'potential' is necessary because some alternative housing developments have voted to remove these limitations. The democratic control that many limited-equity cooperatives incorporate into their structures means that the resale limitations can be removed if the elected board decides it is the best decision for the cooperative. This can be a strong temptation for residents in lucrative real estate markets like New York City. As mentioned before, the four cooperatives that make up the 'Cooperative Village' in the Lower East Side were founded by worker's unions as limited-equity, but over time, the boards of each one have chosen to go market-rate and reap a financial windfall.

This is a phenomenon that is mostly limited to LECs, however, and is a uncommon occurrence. LECs are particularly susceptible to 'selling out' compared to the other models. Only the cooperative's board would have to be convinced, and the financial incentives to go market-rate are very strong for residents in areas that have climbing property values. CLTs answer to a much broader swath of the community than just the residents on trust-owned land, and do not stand to profit as shareholders in LECs might. The very nature of a MHA is to produce more and more affordable housing. To suddenly change their priorities would mean the revocation of their non-profit status, and would require the vote of a large percentage of the MHA population to approve such a measure.

The relationship between alternative housing residents and the equity in their homes is also very different than in traditional housing. Traditional housing, as mentioned before, has the potential to return large increases in wealth. This is coupled with the potential for vast losses. Alternative housing does not have the potential for either. The owners of a housing unit in a LEC or a CLT will not realize vast profits from their property, but they will also not be caught up in a market crash. The financialization of housing compounds the consequences of falls in property values as residents often borrow against the equity of their home. The limited equity nature of alternative housing protects households against this.

Though alternative housing does not have the same capacity for growing household wealth as traditional housing, it can help develop wealth in other ways. Housing is one of the biggest expenses in a household budget. Reductions in the cost of housing means there is more money available for growing a household’s savings. This is particularly true for renters in MHAs, who do not hold equity in their housing like residents of other forms of alternative housing. This dearth of equity growth can be partially offset by reduced rental costs and the use of any saved money to increase wealth through savings or investments.

The third implication of alternative housing is that it provides stewardship. As the state reduces its capacity for providing social services, communities have become more reliant on the services provided by non-profit community groups. These non-profits are collectively known in this process as the 'shadow state' (Wolch 1990, Lake 2002). As a product of community action, alternative housing offers support to neighborhoods that is produced by the growth of community rather than the reduction of the state. Housing policies and programs that support increases in homeownership tend to take a 'hands-off' approach once a household has a mortgage and has moved into the new home. The responsibility for these new homeowners is either taken up by the household or is passed on to the 'shadow state' of non-profits and community groups (Davis 2008).

The economic crisis promises to exacerbate the problems of such a system. Not only are foreclosures anticipated to increase in the next couple years, but shrinkage in the market means a loss of funding for non-profits that serve the communities that will be the hardest hit. There will be little support for households that experience a financial crisis like medical bills or other unpredictable costs. Some LECs, CLTs, and MHAs provide a built-in support network that can give support to struggling households. If a household in a cooperative is unable to make full payments for a short period of time, there is more lenience towards them than with a traditional landlord. CLTs also provide support for homeowners living on land owned by the corporation in the form of a fund that is provided to cover any unexpected costs or lapses in mortgage or rental payments.

The stewardship of alternative housing extends beyond financial support. The Cooper Square MHA provides not just housing to its tenants, but also offers education and support on eviction protection, tenant organization, and assistance with entitlements like Section 8. The Champlain Housing Trust provides low-cost loans to homebuyers. The MHA of Southwestern Connecticut provides services like childcare, and has also provided a platform for the community to voice its concerns with development plans and other issues that directly impacts residents. These alternative housing developments have extended themselves beyond the provision of affordable housing, creating new spaces of community support.

CRITIQUES OF ALTERNATIVE HOUSING

Critiques of alternative housing models are sparse in the housing literature. There have been studies that look at what goes wrong with particular developments (Rohe 1995; Saegert and Benitez 2005), but finding a critical perspective on the basic notion of alternative housing is difficult. This may be due to the generally progressive nature of most housing scholarship, but it may also be the recognition that any model that provides potentially sustainable affordability is welcome. It could also be due to the fact that these models of housing do not attract much attention because of their rarity. If the decommodification these models produce were more widespread, or they were being introduced as part of a housing policy, then there might be more discussions on what they can and cannot do for households.

Despite this dearth of critique, there are at least four clear criticisms that can be made. First, the ‘intentional community’ created by many alternative housing projects may not be palatable to some potential residents. Second, the amount of community organization and capital required to give most models of alternative housing the foundation they need to succeed is fairly high. Third is the resistance from interests that might find the alternative housing’s limitations on the market’s access to housing objectionable. The fourth critique is the fact that alternative housing models do not provide an opportunity to grow equity through homeownership.

The first critique is a complaint against the required community participation that most alternative housing models include as part of a resident’s membership. Cooperative housing often incorporates a mandate of shared responsibility for various aspects of the development’s upkeep, such as landscaping or other types of common-area maintenance. Shareholders in cooperatives and residents in land trusts are expected to be active in the daily operation of a cooperative, sometimes beyond the requirements set forth in the cooperative's bylaws. This enforced participation, or 'intentional community,' is one of the basic principles of organizations that are involved in their creation and perpetuation. This may be undesirable to some households, especially those who do not feel it necessary to engage in relationships with their neighbors to be happy in their homes, and would resent the intrusion of required interaction. This resistance to community would more specifically affect cooperatives and land trusts. If there is any resident resistance to entering into this sort of arrangement, then the success of the housing development will be impaired.

However, there is an expectation that the tenants who become involved in these models will know what is expected of them. The process would seem self-selective. Cases like the Upper Lawrence Cooperative show that cooperatives without engaged residents suffer greatly because of it. Requirements for cooperative residents need to be laid out to potential shareholders before they buy in. If a limited-equity cooperative is to be successful and responsible, then any questions regarding their unique nature should be settled up front. The responsibilities of a cooperator are very different from a typical homeowner, and those responsibilities are likely to weed out any potential residents who may be uncomfortable with participating in a limited-equity housing development.

The second critique has to do with the fact that cooperatives require an exceptional amount of effort to start, and the training of the cooperators is often substandard and incomplete (Rohe 1995; Defilippis 2004; Saegert and Benitez 2005). One of the biggest problems with limited-equity cooperatives is that the tenants that are participating in the creation of a cooperative lack the skills necessary to maintain neither the property itself nor the corporation. Rohe (1995) concludes that the ability of his case study cooperatives to succeed 'depend[ed] largely on the sponsoring housing authority's ability to design and implement a conversion program' (p.475). Without thorough and effective training, the cooperative stands little chance of succeeding.

In addition to the lack of know-how, there is a huge obstacle in the form of start-up capital. All four forms of alternative housing have front-loaded funding needs, where large amounts of capital are required at the inception of the development. The funding is most often required for rehabbing the cooperative, trust, or association's buildings, and usually comes from the state and other external organizations. Without this support, cooperatives in particular stand little chance of getting off the ground. Land trusts require capital to buy land, as do housing associations. Deed-restricted housing is funded by the private developers that participate in inclusionary zoning programs, whose initial capital costs are often offset by tax breaks or other forms of incentives.

This is a significant obstacle for most forms of alternative housing. A nationwide deployment of these models would require two things: an administrative structure to support the creation of cooperatives, and a huge amount of initial subsidy on the part of the sponsoring organization. This is true whether the sponsoring organization is the state or an NGO. In either case, the sponsor would have to be capable of providing sufficient financing to renovate potentially cooperated buildings, purchase parcels of land for a land trust, or provide the funding for a mutual housing association to buy land and build its initial housing.

In response to this critique of the cost of the initial subsidies for alternative housing, the point must be made that affordable housing can only be made affordable through either artificially increasing residents' ability to pay, or the artificial reduction of its cost to residents, whether they are renters or buyers. The efficient use of subsidies is tantamount to both the government agencies that provide them and the taxpayers that provide the capital. Given this, it is important to consider that the essential nature of alternative housing makes for the most efficient use of these subsidies. Most state-sponsored affordable housing programs have affordability terms that expire after a certain period of time, which means the subsidy is eventually lost to whichever tenant happens to be there when the limitations lapse. If a property that is worth $1,500 is subsidized by $1,000, with the tenant paying the remaining amount, then as long as each tenant thereafter pays $500, the subsidy is effective. When resale limitations expire, however, the first tenant to sell at a higher price is taking the subsidy with them. If they sell the unit for $2,000, then not only are they making a $1,500 profit, but $1,000 of that profit comes from the initial subsidy.

Resale limitations on alternative housing have no expiration. They last as long as the non-profit corporation keeps them as part of its administrative structure, which in most cases means decades. When the resident leaves the property, the subsidy remains in the cooperative, land trust, or MHA to benefit the next resident.

In addition, market-based subsidies like tax incentives and vouchers are perpetual and prone to growing. The subsidization of rents by Section 8 programs in cities like New York is severely affected by booming real estate markets. The Department of Housing and Urban Development (HUD) was forced to create the Mark Up to Market (MU2M) program to maintain their stock of affordable housing, which is disappearing as Mitchell-Lama contracts expire and Section 8 housing becomes too unprofitable for landlords to continue. Incentives like 421a tax abatements essentially function as bribes that are only effective if developers cannot find more profitable ventures.

Subsidies that are designed to keep up with housing markets in places like Manhattan will eventually encounter difficulties. Section 8 does not create perpetually affordable housing, but "simply reifies the market processes that have failed to deliver affordable housing services and undermines the possibility of using public intervention to carve out an alternative to market failure" (Defilippis 2008). The state risks overextending itself trying to keep up with the market instead of focusing its sponsorship on housing models that will retain the subsidies in perpetuity. On top of this, it does nothing to discourage the production and reproduction of housing as a commodity. Any fundamental change in housing requires a shift away from commodification, something that alternative housing provides.

The third critique has to do with the economic consequences of alternative housing. Despite the enthusiasm in academia for alternative housing's ability to resist the integration of property and place into accumulation, it might also be the thing that dooms its implementation by local governments. The development of a real estate market is one of the ways in which smaller cities can connect themselves to the global flows of capital, and affordable housing is often included in city development plans as a voluntary contribution by the developer. A municipality might resist producing housing that would be inherently incapable of increasing in value when they can provide that same housing as a by-product of private development. In return for bringing in capital, developers receive height bonuses or density bonuses, allowing them to build higher and wider. Programs like tax abatement, tax credits, and density bonuses are designed to bring in private development money, and the creation of affordable housing depends on the willingness of developers to enter into contracts with the state. If local government relies too greatly on alternative housing that is not created through inclusionary zoning, then it stands to lose the business of developers who build based on the provision of those benefits.

While it is true that some local municipalities depend on the influx of extra-local capital to maintain their economies, the deregulation of finance by the state at every scale has made it easy to move capital into and out of localities. This favors local markets that can make themselves attractive to investors and developers, and brings in money from all corners of the globe. However, easing the flow of capital is meant to lessen limitations on its movement, and there is little to prevent that capital from leaving a local area. Even the more static investment of real estate has been loosened by shifts in regulation (Weber 2002). To claim that introducing decommodified housing is going to undermine local real estate markets misses the fact that the general climate of capital regulation is already undermining the stability of these local markets. While many local officials may be concerned with economic development, the need for a stable community is just as important. Alternative housing can provide this stability.

Additionally, alternative housing developments like LECs and CLTs tend to increase the property values in the surrounding areas. The improvements that LECs and land trusts can make to neglected neighborhoods often starts attracting higher-income residents. This is something of a double-edged sword, however. While the stability they can bring to neighborhoods is lauded as a benefit, it can also produce incentives for residents to sell out. LECs often find themselves in the difficult position of being limited-equity in a neighborhood experiencing rapid valuation, and a conversion to market-rate would give a large windfall to the residents. This is not the result that is being argued for here, but it demands acknowledgement. Alternative housing models are meant to provide affordable housing that lasts for a long time, not improve neighborhoods until residents can profit by selling out.

The fourth critique is perhaps the strongest criticism that can be levied against the widespread implementation of alternative housing. It is the fact that alternative housing's resale limitations put a cap on a household's ability to increase their wealth. While the mechanisms that limit the take-away equity of the homeowners are what make perpetual affordability possible, this future affordability comes at the cost of a potentially large return on a homeowner's investment in her property. Though limited-equity housing is often touted as a solution to providing affordable housing to low-income households, it is important to know what costs these models might bring to these households. To understand why this cost may not be worth it to many minority households, one first has to get a sense of what is at stake for minorities.

Social inequality has grown over the last few decades. Many would argue that this was the result of the neoliberal ideologies that have dominated the government since the inauguration of Reagan in 1988 (Shapiro 2004; Oliver 2007). Continuing the trend, the second Bush administration strongly favored the wealthy in its fiscal programs, hoping to stimulate the economy through tax breaks. Bush's 2003 stimulus package gave 39% of the savings to the wealthiest 1%, tax cuts that many Republican politicians still favor (Shapiro 2004). These market-oriented, economically liberal principles have done nothing but increase inequality, despite the rise in homeownership.

The Hidden Cost of Being African American (Shapiro 2004) and *Black Wealth/White Wealth* (Oliver 1995) give two of the more complete pictures of racial inequality, wherein it is claimed that homeownership is 'by far the single most important way families accumulate wealth' (Shapiro 2004, p. 3). The emphasis here is on the accumulation of a family's wealth, which implies the retention of the wealth within a family. The most direct means to maintaining wealth within a family is through inheritance. Intergenerational wealth distribution tends to be overlooked when considering the ability of households to provide for their family. The more equity a family holds, the more wealth can be passed on to the children. Inheritance is not necessarily limited to wealth passed down through a will, but also the ability to assist children with education and other types of larger expenses. However, if a household starts off with less, there is certainly less to pass down to their children.

As of 1999, black families in the United States held ten cents for every dollar of white mean net worth (Shapiro 2004). This disparity is echoed in nearly every measure of wealth considered. In addition, comparisons between the middle classes of three races (white, black, and Hispanic) show that whites enjoy a huge advantage over the others, no matter what aspect of wealth or financial health is being measured (Shapiro 2004). To remedy these inequalities, Shapiro makes the argument that homeownership provides the best solution to this incredible display of inequality. He points out that homeownership is a significant opportunity for wealth development and retention, which is something that limited-equity homeownership could be perceived as having a negative effect on. However, most alternative forms of ownership often include a clause that grants the owner the right to transfer their property to their heirs (Davis 2006). This does ease the cost of limitations on equity, however alternative housing by definition does not allow the increase of property value that market-based housing can provide.

In response to this critique, there are two points that must be made. The first is that alternative housing models are geared towards households that cannot participate in the general housing market to begin with. It might be a family living in public housing that gets a loan from the land trust or the cooperative to pay the initial membership fee, or it might be a family renting a single-family home that does not have the capital to put a down payment on a house of their own, but wants to have more control over their home. It may also include middle-class workers such as nurses and firefighters that cannot afford to live in the communities they work in.

Households that can participate in the real estate market will probably not see any benefit in participating in alternative housing, since they will likely satisfy their homeownership needs through the real estate market.

The second response to this critique is a question: is it really a good idea to promote the use of housing as a tool for wealth creation? The argument that housing should be used to produce wealth and reduce inequality is a watered-down version of the justification of subprime lending as beneficial for households. The spread of subprime lending in minority communities had suddenly produced a means for lower-income households to increase their wealth, a development lauded for bringing the 'panacea' of homeownership to neglected communities[6]. This is clearly not what happened, and it verges on irresponsibility to suggest that we should turn to the markets again to provide the solution.

Shapiro criticizes the economic policies of the second Bush administration, but does not suggest any shift away from a market-based housing policy. Writing in 2004, Shapiro had at best a limited knowledge of the coming housing crisis and the recession that would follow it. To employ a timeworn phrase, he was looking for a larger slice of the pie, as opposed to reimagining the pie itself. Indeed, households that agree with Shapiro's analysis might not see the benefit in participating in a land trust, a limited-equity cooperative, or any other alternative vision for the financial pie. These models of homeownership simply do not provide the opportunities for wealth creation that Shapiro and others argue are necessary, though they do

[6] The benefits of homeownership are debatable. See Rohe 2000 and McCarthy 2001.

provide a chance to stabilize neighborhoods that have histories of disinvestment and inequality for future generations. Whether this social benefit outweighs the economic cost is up to the individual making the choice between traditional market housing and alternative housing.

ALTERNATIVE HOUSING AND CONCEPTUALIZATIONS OF CAPITALISM

It is difficult, if not impossible, to discuss the idea of alternative housing without considering its relationship to the economic system we live in. Capitalism certainly appears to wield a universal, hegemonic power, particularly when considering how normalized the commodification of property has become. For generations, private property has been a cornerstone of the market economy, and an important part of the American national identity.

This tendency to fall into a 'capitalocentric' view of how things are and what changes are possible oversimplifies economic activity, reducing the landscape of economic interactions to a binary of either capitalist activity or not. This view of capitalism gives it a monolithic and invincible quality, provoking images of a global system stretching across continents and tightening its grasp with every transaction on the market. The combined authorship of J.K. Gibson-Graham have developed an alternative vision of this economic landscape, exposing what they see as the danger of constructing the economy as essentially capitalist and requiring capitalist, market-based solutions (Gibson-Graham 1996; Gibson-Graham 2005; Gibson-Graham 2006).

Attempts to alleviate urban inequality have often resulted in solutions that reproduce these inequalities, an issue most prominently displayed in the process of gentrification (Lees et al 2008, Smith 1996). Plans to reinvest in financially neglected neighborhoods (essentially a reintegration into the 'growth machine') often end up displacing the residents whose need was considered the motivation for providing that reinvestment. The classic example is that of building parks in a rundown neighborhood. This increases property values, and soon the residents of that neighborhood cannot afford to live there. Gibson-Graham suggest that there are development practices that would provide alternatives to an integration into a growth machine, practices that can be thought of as a 'landscape of economic difference' (Gibson-Graham 2006). This thesis argues that part of this landscape is constructed by the variety of housing models discussed previously. Alternative housing models, which provide a practical solution based in the idea that the most effective affordable housing is provided outside of the private market, represent one of many attempts to create ways of living that do not depend on the cycles of profit and investment. This shift from traditional market processes to alternative market processes exemplifies the notion of diverse economies.

The alternative housing that represents this shift has been criticized as not providing a significant alternative to the globalized systems of capitalism. Defilippis (2004) presents case studies of cooperative ownership of housing, money, and production in *Unmaking Goliath.* In his discussion on housing, he suggests that social housing models do not produce a meaningful alternative to capitalist hegemony:

"[T]he meanings of the housing, property, and ownership in the collectives are still largely the dominant, hegemonic constructions [and] the ability to create a set of meanings at odds with the hegemonic ones is not yet realized" (p.110). At the same time, the hegemony of capitalism and private property is supplemented by a claim that capitalism "is clearly not a unitary identity, but instead is a social process with a variety of manifestations and forms of accumulation. [Extralocal companies exemplify] the reality of capital's diversity, and problems that diversity poses for local autonomy" (p. 148). This extralocality is typical of traditional housing processes.

The discussion in *Goliath* centers on the autonomy of local communities. However, if we read the term 'autonomy' as 'enfranchisement' throughout the book, Defilippis' discussion of the ability of communities to control their space is in many ways a discussion of the same themes that are in discussed in Lefebvre's right to the city. The autonomy of local communities that is limited by the global and diverse nature of capitalism in *Goliath* is the autonomy of producing spaces that are meaningful to, and productive for, those that live in them. To relate this to the idea of the diverse economy, Gibson-Graham agree that the diversity of capitalism is real, but would go on to say that diversity is what allows us to resist it in singular spaces and singular actions.

Instead of lamenting the fact that capitalism is irresistibly prevalent, they advocate a "shift of stance" towards the situation, one that focuses on supporting and developing the non-capitalist practices that are already engaged in across the world. This shift in stance from a binary landscape to a landscape of diversity resolves the issue of whether alternative housing is alternative enough. Each instance of alternative housing is one less instance of outright capitalism, and the gradual spread of these individual instances becomes the foundation for a more complete transformation. Diversity may be the source of capital's power to infiltrate space, but it is also the means to resisting that infiltration. Alternative housing contributes significantly to that diversity.

CONCLUSION

Housing is a complex issue, integrated into the deepest foundations of America's national identity and its financial markets. As an essential aspect of the American Dream, homeownership has been packaged and sold by politicians, pundits, academics, and the real estate industry for decades. Thomas Jefferson himself saw homeownership as the means to a democratic society, where each parcel of land represented both a citizen's individual domain and their stake in the fate of the nation. The financialization of our economy integrates housing even more deeply into our national fabric as an essential facet of economic production. In the face of this cultural and economic momentum, it seems difficult indeed to push for any model of change that seeks to reduce the access markets have to our housing.

However, change is exactly what seems necessary. Financial deregulation, enhanced liquidity, and the hyper-commodification that has resulted from these two conditions remain in place, along with the potential for another market crisis like the subprime fiasco. This thesis recognizes the unlikelihood that alternative housing will ever replace traditional housing as the most common form, but there is an immediate need to provide housing that has some sort of resistance to market activity. Low- and middle-income households that do not have the means to participate safely in the real estate market at large, or have found themselves displaced by rising property values in their neighborhoods, could take advantage of alternative housing models that will keep them in place and keep communities intact. One of the aims of this paper is to demonstrate that alternative models of housing can be successful, given the proper support.

The moment in history that we find ourselves in presents an incredible opportunity. Not only are property and housing values at their lowest point in years, increasing their affordability for non-profits and state-based programs looking to expand, but there is also a national awareness that something must be done. The case studies presented here suggest the possibility of using alternative forms of housing as a means to protect vulnerable households from the fluctuating market by limiting the market's access to housing. Existing alongside, yet distinctly separate from, the traditional housing market, alternative housing produces housing for community, and not for capital. Traditional housing markets have the potential to damage or destroy many of the social functions and values that housing has for residents and communities. Coupled with more effective regulation of finance capital, and housing finance in particular, alternative housing can provide the stability that vulnerable, low-income neighborhoods might have trouble sustaining, especially in turbulent economic times.

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