Evolving Tactics:

How the Foreclosure Crisis Affected Nonprofits

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Preface

As a young girl, I would beg my parents to take me to the city. Normally, we would go see a Tiger's game or have a picnic on Belle Isle. If I was lucky, I could go see a performance at one of the theaters or explore a museum. Although really, I never cared what activity we did, I was just happy to be in the city around the buildings and people. I spent many days day fantasizing about transforming the skyscrapers and vacant storefronts into Renaissance themed restaurants, three-story pet stores, digital theme parks, or something really cool. I wanted to turn the city I planned out in my head into a reality. This juvenile passion inspired my desire to study urban planning.

As a senior in High School, I realized that I was a suburban girl who only visited parts of Downtown Detroit. I knew nothing about the neighborhoods or school system or politicians. I did not want to study to be an urban planner without knowing anything about the city I intended to plan. Therefore, I decided to take a gap year between high school and college in order to work at City Year Detroit, an AmeriCorps program. I was finally working in Detroit forty hours a week and meeting residents who actually lived within the city limits. I fell in love the communities and could not get enough. After I left City Year, I continued volunteering in nonprofits all around the city. My university courses focused my attention on the possibility of social change through community organizing. Naturally, I became fascinated in the ways urban planning can intersect with community organizing.

A great city needs to provide safe and quality housing for all its residents of all socio-economic classes. Housing is a noteworthy case study because politicians, urban planners, nonprofit organizations, and residents are all invested in the availability of housing, although for separate reasons. This paper is merely the beginning of a conversation between all my interests, which will follow me into my career ahead.

Introduction

Michigan's economy is struggling. It suffers from high unemployment, high foreclosure rates, and an increasing number of homeless families and individuals. Between 2000 and 2010, Michigan lost 1.5 million jobs, a rate averaging 128,000 jobs per year (Bartik et al. 2006, 10). Even though the state's homeownership rate is higher than the national average, homeownership is declining amongst prevalent race and age inequalities. Homeownership declined for householders under the age of 65 and increased for householders age 75 and over. This trend revealed the difficulty for working families to keep their homes during the economic recession (DTMB 2011). Furthermore, homelessness has been on a continuous rise for the last five years. Between 2006 and 2010, the total number of homeless persons increased from 77,991 to 100,176. More than half (53 percent) of the homeless population consists of adults and children in families with 27 percent of the parents employed (Michigan's Campaign to End Homelessness 2010). Residents of Michigan are losing their jobs and their homes and have limited options to turn to for support.

Residents are struggling to find decent, affordable housing as foreclosures are continuously rising since the housing collapse in 2007 and dilapidated rental housing units are demolished without being replaced. Affordable rental housing provides individuals and families working minimum wage jobs the opportunity to rent subsidized housing. Safe and affordable rental units are in decline. As much as a third of Michigan's affordable rental units contained substandard living conditions (Michigan Nonprofit 2002, 161). Municipalities are demolishing these dilapidated units because they do not meet safety codes; however, city governments lack the funds and political will to replenish the affordable housing stock. The housing that remains is often located in dangerous neighborhoods, forcing families to choose between safety and

health. As evidence of this predicament for low-income families, a quarter of Section 8 voucher recipients are unable to use them because they are unable to find housing (Ebaugh 2011). There is simply not enough housing that the working class poor can afford.

Providing affordable housing is not a new policy agenda for either politicians or nonprofit organizations. Charity organizations created political action around issues of substandard and unsafe housing during the tenement movement of the late ninetieth century; whereas, the federal government gave its first big push for increasing homeownership by creating the Federal Housing Administration in 1934. As suburbanization occurred and the population of inner-cities decline, nonprofit organizations became increasingly involved in providing affordable housing for the low- to moderate-income residents left behind. These early nonprofits sought to prevent the continued neighborhood decline by providing the necessary investment that was not readily available through public or private means.

Insufficient public and private investment in inner-city neighborhoods created conditions where nonprofits began advocating for affordable housing, banks disproportionally targeted these neighborhoods during the subprime mortgage fiasco, and nonprofits continued support for affordable housing in the wake of the housing crisis. Using Detroit as a main case study displays the ways community groups and nonprofits campaigned for and provided affordable housing in the late twentieth century; how the rise of subprime mortgage lending changed the housing market; and how nonprofits have changed, or not changed, their housing methods to respond to the challenges post-2007. Nonprofit and community organizations stepped in to fill the void of financial investment in neighborhoods through protest, lobbying, and construction of new housing units. Later, the lack of financial capital available to inner-city neighborhoods created an opportunity for banks to capitalize on subprime mortgage lending that disproportionately

affected urban communities. In the wake of high foreclosure rates and strict lending practices, some nonprofits adapted their housing strategies, while others remained steadfast. Finally, despite the fact that nonprofits are not perfect, they continue to provide investment to inner city neighborhoods in need of affordable housing.

Part One: Filling the Void

Post World War II, suburbanization took off and changed the skyline of the American metropolitan. A multitude of people who could afford to move abandoned city centers for the comfort of suburban living. Urban neighborhoods saw a dramatic increase in vacancy rates and the high concentration of poverty within neighborhoods. Abandoned houses were boarded up, demolished, or set on fire. After an attempted public housing movement, the federal government decreased funds for public housing commissions and neighborhood organizations. Decades of racial redlining and financial neglect deincentivized for-profit investment into economically declining neighborhoods. City government sought to counter economic decline through large scale Urban Renewal programs located in downtown areas rather than invest in their neighborhoods. Nonprofit and community organizations stepped in to fill the void of financial investment in neighborhoods by protesting against continual demolition of public housing units, lobbying for new legislation and funds to provide more affordable housing, and becoming developers to build new housing units.

Detroit is historically a low density city in terms of population per square mile because it prioritized homeownership over apartments or public housing. As a result, community organizations were essential for advocating on behalf of low-income residents who were in political tension with homeowners because homeowners did not want public housing located near their neighborhoods. As the center of the automobile industry, Detroit cultivated a middle-class capable of affording single-family homes, the merits of homeownership flooded Detroit politics, and tension ensued between homeowners and public housing residents. The greater community stigmatized public housing because, as housing activist Anne Sanders explains, "if you were *any* kind of person, if you had *anything* going on, you could buy a house" in Detroit

(Shaw 2009, 44). In addition, Detroit had significant racial segregation as working-class white homeowners protected their housing values by refusing to sell homes to middle-class African American homebuyers through the use of neighborhood covenants (Boyle 2004, 28). However, the prioritizing of homeownership crossed racial lines. For instance, in the 1940s, the middle class African American residents of Conant Garden protested the construction of the Sojourner Truth public housing complex, occupied by low-income African Americans (Shaw 2009, 43). Detroit was not alone in this bias against public housing in favor of single-family houses.

When the Chicago Housing Commission approved the construction of public housing within Chinatown in 1959, three businesses formed the Chinatown Redevelopment Association (CRA) in order to provide a homeownership alternative for the community. The CRA was successful in developing 28 townhouses that provided high quality housing sensitive to the Chinese traditions. This housing development attracted back former middle-class Chinese residents who had previously relocated to the suburbs from Chinatown. The community considered the development a success because it prevented the construction of public housing, maintained the atmosphere of the immigrant population, and improved neighborhood conditions by attracting middle-class families (Kelley et al. 1988, 20-37). American middle-class communities largely ignored the housing needs of the lower-income families.

Recognizing this sentiment, Detroit Mayor Albert Cobo organized his first political campaign around protecting white homeownership. Elected in 1950, he quickly eliminated the public housing advocates on the Detroit Housing Commission and appointed business elites instead. In the midst of the federal government's public housing campaign, Cobo removed ten of the twelve approved public housing projects from Detroit's agenda (Shaw 2009, 46). Low-income families did not find solace from changing administrations, even after Detroit elected its

first black mayor, Coleman Young, in 1972. While both administrations declared that homelessness and affordable housing obstacles needed to be addressed, no one agreed on how significant of a problem Detroit possessed. Defining who was homeless was a struggle, let alone counting the number of homeless persons. Government and nonprofits could not decide whether to count only those persons living on the street or to include those living in transitional housing, halfway houses, substandard subdivided apartments or doubling up with relatives. Never fully resolved, by 1990, three different homeless counts were given: 1,300 homeless counted by the U.S. Census, 12,000 counted by the Young administration, and 60,000 counted by housing advocates (Shaw 2009, 89). Without consistent and accurate figures, Detroit's government struggled to address the problem properly because they did not understand its severity. Community advocates began organizing to voice the housing needs of the poor and homeless.

Demolition of Housing Units

As the affordable housing stock continued to decline in number, community advocates sought to hold landlords and their city government accountable to their housing needs. Detroit lost housing units through a combination of planned government initiatives and unanticipated abandonment and arson. Along with the 43 people who died, Detroit suffered from $45 million in property damages and 600 people became homeless after the 1967 uprising. While funds became available through the nonprofit New Detroit to provide community groups the ability to rebuild neighborhoods, the lack of collaboration cost Detroit significantly as neighborhood associations constructed only 10.8 percent of the 25,000 units proposed (Shaw 2009, 61). Stepping into action in the fall of 1968, 500 residents, upset about increasing monthly payments alongside declining living conditions, protested against landlords and won negotiations (Shaw

2009, 53). In the 1970s, abandoning homes or collecting insurance money after arson became common practice among public and private properties. By 1975, half of Detroit's 17,000 properties managed by the federal Department of Housing and Urban Development (HUD) were demolished after being deserted and burned (Shaw 2009, 87). These individual demolition projects were only the beginning of a long process of government initiated abandonment of public housing units.

The Young administration essentially ignored and neglected low-income housing concerns placing priority in the economic development of the downtown areas. Faced with an immense population flight to the suburbs, Young believed Detroit no longer needed to maintain the 10,000 public housing units available. On the contrary, HUD officials argued the population flight increased demand for public housing as the city's poverty and unemployment rate increased (Shaw 2009, 142). Disregarding this criticism, Young focused almost solely on job creation and large-scale development, which created tension between his administration and public housing residents. Housing advocates and residents believed the Young Administration deliberately financially neglected the Brewster-Douglass and Parkside-Jefferies public housing sites due to their proximity to the downtown area. The residents suspected the Young administration of wanted to reclaim the property for large-scale development after eventual abandonment and demolition (Shaw 2009, 139). Community groups rallied behind the preservation of Detroit's public housing. Squatting protests were popular tactics, especially in the cold winter months. Homeless leaders and persons squatted in the main office of the Detroit Housing Department and in vacant Brewster apartments targeted for demolition in February 1989 and 1990 (Shaw 2009, 148). These attempts had mixed results as many were unsuccessful.

Months of occupation protests and preservation lobbying were not enough to save the Brewster-Douglass apartments from demolition. The Young administration continued to claim there were too many vacancies within the public housing projects, with no candidates willing to move in, and was thus not viable for the city to continue funding. In an attempt to save the vacant Brewster apartments from demolition, Short End of the Stick, a community group that advocated for affordable housing, provided the city with a list of 500 income eligible people willing to move into the public housing (Shaw 2009, 148). The city rejected the majority of the candidates claiming grounds of ineligibility and pushed forward in demolition. After the defeat, Grace Byers from Short End of the Stick declared, "If the city was serious about solving the problem of homelessness, they wouldn't allow the tearing down of houses" (Shaw 2009, 146). There were community groups; however, that were able to conserve public housing.

The community campaign to preserve housing at the Parkside-Jefferies public housing site was successful because it adapted its strategy, rallied many different community groups to work together, and benefited from alterations in the federal policy on public housing. The city targeted Brewster-Douglass apartments for demolition first, later calling attention to the 700 housing units it planned to demolish at the Parkside-Jefferies apartments in 1990. Community leaders learned from the mistakes and successes of the Brewster preservation campaign and adapted their protests accordingly.

Most notably, Parkside tenants appealed to a larger community of support, reaching out to homeowners in the neighboring areas. In spite of previous tension between public housing tenants and single-family homeowners, housing advocates brought together Parkside tenants and the Warren/Conner Neighborhood Development Corporation in a common struggle to stabilize and improve their neighborhood (Shaw 2009, 137). Earlier, in 1978, Chicago also exhibited a

new coalition between homeowners and low-income renters. In the declining Cabrini-Green neighborhood, the exodus of residents disturbed William Moorehead, a local resident, because of the residents leaving would be willing to stay in the neighborhood but needing better quality housing. He founded a nonprofit to provide the community with 84 new apartments available for low-income and middle-income families. While all of the apartments were lease agreements, local homeowners and public housing tenants from the immediate neighborhood supported the development unanimously (Kelley et al. 1988, 70-76). Uniting homeowners and low-income renters in a common struggle for affordable housing and neighborhood development is difficult, but when done right, in the case of Cabrini-Green and Parkside-Jefferies, produces an effective political coalition.

Finally, the Parkside-Jefferies public housing site benefitted from a new federal policy that required local governments to replace one new public housing unit for every public housing unit that is demolish. Housing advocates grabbed hold of this new policy modification and fought the Young administration in its planned demolition of Parkside. Paralyzed by the prospect of federal litigation, the Young administration withdrew its Parkside development plan (Shaw 2009, 159). While protests, squatting, and coalitions kept homelessness and public housing preservation in the public eye, nonprofits also sought to address housing issues through appealing to the city council for new progressive housing legislation.

Demand for Creative Housing Legislation

Detroit vacancy rates soared as abandonment and foreclosures hit Detroit. As Detroit automobile plants continued to leave the state during the 1970s, layoffs and unemployment damaged Detroit's economy. Moderate-income families struggled to pay mortgages and often

fell into foreclosure, losing their homes (Shaw 2009, 69). Bank repossessed homes were not the only vacancies; the city gained enough houses through tax foreclosure to house 50,000 people (Shaw 2009, 86). Speculators and landlords continued to collect insurance money through arson. Residents experienced high vacancy rates in every housing type. In a seven year span, vacancies in rental housing increased by 47 percent, while vacancies in single-family homes increased by 66 percent (Shaw 2009, 86). Citing this data, the Young administration believed there was enough vacant housing in Detroit to demolish the vacant public housing units. Young overlooked the reality that there was no efficient way to move low-income families into these abandoned homes.

Through radical housing takeovers by the Association of Community Organizations for Reform Now (ACORN) and responsive city council members, community organizations and city politicians crafted two city ordinances to help low-income families move into vacant housing. ACORN began organizing in Detroit in 1978 on behalf of the welfare of low-income communities. During the summer and fall of 1982, ACORN organized fifty families willing to invade vacant homes as squatter sites. Following these invasions, Council President Erma Henderson studied homestead legislation in Philadelphia and proposed a similar proposition called the Nuisance Abatement Ordinance (NAO) in 1983 (Shaw 2009, 105). The NAO allowed low-income families to acquire abandoned homes from private absentee owners around the city. Within an agreed upon time frame, the prospective homeowner would be responsible for all renovations required by the city for the home to be approved by safety regulations. The city would be responsible for obtaining the property from the private owner. Once the prospective homeowner finished the renovations, the city would hand over the deed to the house for a low price. Following the adoption of this legislation, the city council also approved a "Repair-To-

Own" (RTO) program, following the same procedure, except the prospective homeowner would acquire a city-owned property instead of a private one (Turner 2004). Filled with good intentions, these two legislations sadly fell short of their promise.

Opposition by the Young administration coupled with a complicated department organizational structure, the NAO and RTO failed to produce the promised results for low-income families seeking homeownership. When Young failed to implement the NAO program, housing organizations sought legal recourse and won several lawsuits. Despite these legal victories and the 10,000 applicants waiting for NAO properties, only 110 people received property deeds (Shaw 2009, 105). Furthermore, when the city did work with prospective homeowners, the process involved many different departments of city government that often were unable to accomplish what they promised efficiently. The Building Safety and Engineering Department needed to approve the houses for the program, while another department provided the before and after inspections, while yet another department approved applicants, and final separate department acquired the deed from the original owner (Phillips 2011). Often times, a family received approval, proceeded with renovations, received approval at the final inspection, but never received their property deed.

In the case of Ancleto Alfaro, for three years, he invested $37,000 into his NAO property and was told by city inspectors that he had honored his contract, but never received a deed. At the end of his renovations, the West Bloomfield Corporation, the homeowner, paid their back-taxes and evicted Alfaro from the house. Alfaro fought to keep his house, but lost in court when he tried to demand the land deed the city had promised (Turner 2004). City council suspended the NAO and RTO programs late in the 2000s; however, council meeting minutes state that, in 2012, city council will investigate the possibility of reopening the program in combination with

the county auction (Detroit City Council Agenda Notes 2011, 12). While community advocates did not achieve their goals of legalizing the takeover of vacant homes, their legislation battles over the equal distribution of federal grants were successful.

As pleads for more investment in neighborhoods fell on the deaf ears of the economic development orientated Young administration, neighborhood advocates lobbied city council for equal distribution of federal grants. In 1974, Congress passed the Housing and Community Development Act, which guaranteed funds for Community Development Block Grants (CDBG) that would provide programs for job training, infrastructure improvements, neighborhood investments, and downtown economic development (Warren 1978). The Young administration believed only the city was capable of providing housing and development programs; therefore, the majority of CDBG funds stayed within the city budget (Shaw 2009, 109). The Save Our Spirit (SOS) coalition, a multicultural neighborhood organization advocating for improved living conditions for residents, challenged this belief and petitioned city council to provide more CDBG funds to neighborhood nonprofits. SOS targeted city council because they established the city's annual budget and they were more responsible to low-income residents than the mayor. In 1975, City Council approved the Neighborhood Opportunity Fund (NOF) requiring the budget to allocate to community organizations at least ten percent of CDBG funds (Shaw 2009, 111-114). These funds provided the resources needed for the growth of the community development movement.

The Rise of CDCs

Community Development Corporations (CDC) multiplied in the second half of the twentieth century. In 1966, the Special Impact Amendment to the Economic Opportunity Act

established the first generation of CDCs that focused primarily on job creation (Stoecker 1997, 2). From the initial 100 CDCs counted in 1966, CDCs dramatically increase to over 2,000 organizations by 1995 (Bratt 1997, 2). By 2008, CDCs reached 4,600 nationwide (Bratt 2008, 4). CDCs are nonprofit organizations with 301(c) 3 tax status that seek "grassroots-led planning and economic revitalization of constituent neighborhoods in partnership with for-profit developers, government grantors, foundations, and community leaders" (Shaw 2009, 109). The CDC movement began as nonprofits wanted to be "a catalyst for change in their neighborhoods" by providing for the housing need created by demolished and destroyed housing units, funding cuts by the local and federal government for housing, and lack of investment from for-profit developers (Kelly et al. 1988, 12-17). Urban neighborhoods, plagued by years of neglect from racial redlining and concentrated poverty, lacked the financial capital to improve the housing stock. In Detroit, between 1986 and 1989, not a single housing construction project targeted low-income and working class families, even though studies showed that there were half as many low-income housing units as there were families in need of them (Shaw 2009, 87). Construction did, however, increase in the 1980s for gated communities or condominiums located inside of Detroit for upper-income families. Nonprofits stepped in to provide the necessary low-income housing that residents desperately needed.

CDCs began building or renovating houses or apartment buildings and offering low-income families quality housing for affordable mortgages or monthly rental rates. In Detroit, the movement began as early as 1966 when the Michigan Housing Coalition (MHC) formed, providing an umbrella organization to cultivate and encourage the growth of the CDCs that proceeded in the decades after (Shaw 2009, 61). Marvel Unlimited was the first black-led nonprofit housing corporation, who acquired twenty-one apartment buildings, after the 1968 rent

protests, in order to provide quality rental units with fixed rent prices (Shaw 2009, 53). MHC and Marvel Unlimited were Detroit's earliest housing focused CDCs, but the CDC movement had big plans for many cities across the country.

CDCs nationwide started development strategies targeting blight with renovations, in hope of creating a ripple effect that would spill over into the neighboring properties. In Chicago, the Hispanic Housing Development Corporation sought to "turn the psychology of the marketplace around—by rejuvenating the very worst building" (Kelly et al. 1988, 99). The Hispanic Housing Development Corporation transformed an abandoned apartment building that was a burden on the community into the Palmer Square Apartments. After the completion of the renovations and once tenants moved in, property values in the immediate area increased faster than adjacent areas without rehabilitation. Managers of store fronts on the same street began making improvements to their buildings as well. The Loyola University executed a study on the neighborhood and concluded that the Palmer Square Apartments development caused no decline in property values, rather "might indeed have had a positive impact on surrounding property values" (Kelly et al. 1988, 112). The significance of this study is not that development and renovations can increase property values, but that development and renovations of subsidized housing can increase property values.

The Loyola University study was one of several research papers interested in the connection between CDC development strategies and rising property values. Nonprofit organizations typically are more concerned about delivering services to their cliental than hiring researches to effectively track their net effect through data. Acknowledging this low-budget trend, Marvin Smith and Christy Chung Hevener published "The Impact of Housing Rehabilitation on Local Neighborhoods" as an example of how nonprofits with ten or less staff

can determine quantitative results. In Camden, New Jersey, St. Joseph's Carpenter Society (SJCS) renovated and sold 162 homes between 1990 and 2000 (Smith and Hevener 2011, 61). The study observed trends of three neighborhoods: neighborhood with SJCS renovated houses, referred to as the target area, the adjacent neighborhood, and peripheral areas farthest from the target area. After the renovation of SJCS houses, all three areas saw an increase in vacancies, decrease of residents, and a stable but low level of education and income (72). While SJCS was not able to cease the economic decline of their target area, there were positive effects from their renovations.

Smith and Hevener developed a formula to determine the target areas actual change in variable compared to a predicted change in variable using the rate of change from the adjacent and periphery areas by analyzing four variables: vacancy, unemployment, poverty, and income (63). The study concluded that "having SJCS homes in areas raise the median sales price and may suggest a positive spillover effect in the neighborhood" (75). For instance, while the vacancy rate increased in all three areas, the rate of change was lower for SJCS's target area, 11.6 percent, than the adjacent and peripheral areas and lower than the hypothetical values, 18.9 percent and 12.4 percent, as well. This is significant as vacancies occur at an increasing speed. The slowing of vacancy rates is beneficial to the community because it decreases the effect of the compounding and exponential problem. Not only did SJCS provide quality renovated homes for affordable prices to the community, they offered homeownership and budgeting classes for the whole community and required the families buying a SJCS home to attend. Providing educational services, alongside physical shelter needs, is a growing trend for CDCs and government programs.

The Housing-Plus Agenda identified a need to provide more holistic support for low-income and homeless families and individuals. A Housing-Plus program provides "permanent affordable housing that incorporates various levels of services provided by trained professional for whom service delivery, not property management, is the primary responsibility." Types of services include "financial and credit counseling, basic skill development, job training, social service programs for all ages, homeownership counseling and down payment assistance" (Bratt 2008, 3). A nationwide census revealed that half of the 4,600 CDCs provide these services to their cliental (Bratt 2008, 4). CDCs realized that placing families in homes is only part of the challenge; having families remain in those homes by paying their rent or mortgages is the other challenge. "You can't succeed when working with low-income families without offering at least some level of services," says Kate Monter Durban, assistant director of the Cleveland Housing Network, "they have too many needs; our goal is to provide a basic safety net" (Bratt 2008, 3). A Housing-Plus strategy did not require CDCs to provide every possible service need, but demanded a comprehensive referral system for programs not offered.

Critics of the Housing-Plus model stated that within the program, the participant becomes aware of "deficiencies in themselves, their neighbors, and their community" creating a desire to leave as soon as possible. This creates an exodus of community leaders negatively affecting the neighborhood (Bratt 2008, 3). The alternative is to not provide services, leaving the participant ever dependent upon the CDC or government for shelter support and with little choice in what neighborhood to reside in. However, some CDCs addressed the fear of a community exodus by providing leadership courses and empowering Housing-Plus participants to take pride in their community by inspiring and supporting their neighbors in the services as well.

The federal government implemented a Housing-Plus strategy in public housing because of the success CDCs experienced with their programs. CDCs began Housing-Plus services as early as the 1970s. When federal public high-rise housing witnessed high rates of crime and vacancies, the government adopted Housing-Plus policies in the mid-1990s. HUD programs such as its Family Self-Sufficiency (FSS) program, Resident Opportunities and Self Sufficiency (ROSS) program, and Homeownership for People Everywhere (HOPE VI) program employed Housing-Plus services. Studies on these government programs provide a quantitative analysis on their effectiveness, which is beneficial because CDCs are financially unable to provide data for similar studies of their programs. A study conducted on the FSS program stated that residents' median income increased from $6, 936 in 1996 to $11,960 in 2000; within four years, they benefitted from a 72 percent increase (Bratt 2008, 5). Housing stability, family income, employment, and family assets increased, as dependence on Temporary Assistance for Needy Families (TANF) decreased, for participants involved in the ROSS program. Common Bond Communities estimate that the return on investment for Housing-Plus services is over 150 percent in terms of social value. This includes helping to keep senior citizens out of overly priced nursing homes and middle-aged families from being evicted (Bratt 2008, 6). With these studies, it can be assumed that Housing-Plus services provided by CDCs produce the same amount of success.

The HOPE VI program met with mixed success, as city governments failed to deliver the promised developments. In order to decrease concentrated poverty, HOPE VI provided government funds to renovate public housing sites that attracted class-integrated communities (Shaw 2009, 173). These communities benefited from quality housing and the positioning of social services in close proximity, a similar system of providing housing along with services

nearby (Shaw 2009, 163). Detroit received the largest HOPE VI grant in the country totaling $88 million, for three sites, which was more than double the median amount of $41 million (Shaw 2009, 175). Unfortunately, the city was unable to capitalize on the housing opportunity. Herman Gardens, one of the three public housing sites, was demolished in 1996; however, the promised HOPE VI development never materialized because the city government mismanaged the project (Shaw 2009, 164). This was a common national trend for the HOPE VI program as only 15 of the projected 165 nationwide programs were built by 2002 (Shaw 2009, 174). However, of the programs completed, residents reported an increase in their economic wellbeing as a result of the services provided and the mixed-income environment (Bratt 2008, 7). The ambiguity of the participants' success was whether the increased wellbeing was a result of the Housing-Plus model or social capital benefits from wealthier neighbors. Interested in mixed-income communities, nonprofits also experimented with quality housing that attracted a socioeconomic diverse population.

Urban planners, especially those embracing the concept of New Urbanism, and CDCs recommend mixed-income communities as a way to create more diverse metropolitan areas. In 1978, the Chicago-Orleans Housing Corporation built the Atrium Village apartments, 307 high-quality rental units for low-income families and middle-class families (Kelly et al. 1988, 56). The objective of Atrium Village was to provide an option for residents, who could afford to move out of public housing, a viable and safe living situation within the neighborhood. The apartments were a huge success for retaining community leaders and attracting middle-class families. The apartment manager stated, "Over ninety percent of our non-subsidized tenants come in as referrals from other tenants… They don't know who is subsidized, and they don't care" (Kelly et al. 1988, 60). Realizing that low-income families benefit from both Housing-Plus

services and daily interactions with middle-class families, CDCs looked to the for-profit cohousing development movement for strategies to bring the two concepts together.

While there were many affordability issues, the cohousing movement provided CDCs a holistic strategy for alleviating the effects of poverty. The cohousing movement brought together people who agreed to live within a small, tight community and participate continuously with shared ownership of the housing. Residents benefited from each other by contributing their skills and resources in shared responsibilities, such as providing car rides or child care, running afterschool programs, tutoring, or planting community gardens (Garciano 2011, 2). These shared responsibilities provided the services needed by low-income residents in Housing-Plus programs, but from their neighbors, rather than hired professionals. In addition, the larger community expected the low-income participant to provide a service as well, which increased the participant's self-esteem by becoming a productive member of the community.

Unfortunately, most cohousing developments were not diverse in terms of socioeconomic class, race, and education (Garciano 2011, 3). For-profit developers built cohousing neighborhoods and rarely provided subsidized housing units. Furthermore, in communities that provided affordable housing, low-income residents had little time to invest in the larger community because of multiple jobs, single-parent households, and the lack of basic needs. Ironically, an effective affordable cohousing community can help to address these challenges that low-income families face that prevent them community participation (Garciano 2011, 6). CDCs needed to discover how to effectively capture the benefits of cohousing into a development that attracts the middle-class and subsidizes housing for low-income families.

The Monroe-Leamington Manor and Petaluma Avenue Homes are two examples where CDCs embraced the idea of cohousing developments. In Chicago 1983, The Monroe-

Leamington Manor provided renovated apartments that shared ownership between the residents. Rather than pay rent monthly, the residents paid "monthly occupancy charges" that repaid the loan for the buildings renovations and the operating and administration expenses (Kelly et al. 1988, 85). In addition, residents had to help renovate each other's apartments as part of their sweat equity. Because they had a personal stake in the outcome of the building, residents became very close with their neighbors and very dedicated to the apartment. Some residents even slept in unfinished units to prevent vandalism during the night (Kelly et al. 1988, 95).

Construction finished for the Petaluma Avenue Homes, located in Sebastopol, California, in the fall of 2008 (Garciano 2011, 174). Because the development received federal low-income tax credit, residents were chosen from a lottery. This decreased the possibility that all chosen residents would want to be involved in the larger community; therefore, the development planners hired a part-time community process consultant to help organize involvement. Within the first year of move-in, child care cooperatives were started, cultural events were planned, and free dinners were provided by a local soup kitchen (Garciano 2011, 182). Residents acknowledged that the "unique features of cohousing [were] very valuable;" however, on-going resident participation was a constant challenge (Garciano 2011, 184). While incentives for participation needed improvement, cohousing provided CDCs a creative way to offer services and quality mixed-income housing.

Nonprofits and CDCs provided low-income families with access to shelter at a time when there were insufficient public and private investments in urban communities. Federal policy slowly began incentivizing homeownership programs and eliminating support for public rental housing (Dymski 2010, 369). After the creation of the Federal Housing Administration in 1934, the United States saw a huge increase in homeownership until 1965 when it remained stable for

twenty-five years (Jacobus 2010). During this time, nonprofits and CDCs remained focused on providing for the housing needs of inner city neighborhoods. Detroit community groups advocated against the demolition of public housing apartments because, even though they were in miserable shape, community groups wanted to see the city invest in renovation of apartments and provide homeless families and individuals with the public housing available. Detroit nonprofits lobbied city council for new legislation that would direct federal block grants to nonprofits addressing the housing crisis. In addition, occupation protests by community advocates forced city council to adopt a homestead legislation to address the growing vacancy rates and high homelessness rate. Finally, CDCs experimented with building their own developments for low-income residents, providing Housing-Plus programs, developing mixed-income communities, and combining of all three. In the 1990s, homeownership began dramatically increasing. Low-income communities became flooded with private funds for mortgages and home improvements, an unheard of new experience. By 2000, Detroit had twenty percent more African American homeowners than renters, a rate equal to that of white homeownership (Shaw 2009, 44). A change in lending practices of banks contributed to this rise in minority homeownership; however, this predatory lending had devastating consequences for the housing market by 2007.

Part Two: A Change in Lending

The 1990s and subsequent early 2000s saw an increase in homeownership through an expanded practice of issuing subprime loans, which created a dramatic increase in housing value at an unsustainable rate. The federal government and minority community advocates noticed the aggressive and destabilizing practices of the real estate market, especially in low-income communities. Regardless, neither politicians nor the private market took any action to develop tactics to prevent the inevitable housing crash. In the aftermath of the collapse, in the midst of one of America's greatest recession, specialists sought after the causes and consequences of years of reckless lending. As mentioned in the previous chapter, nonprofit organizations and Community Development Corporations (CDCs) provided affordable housing options in inner-city neighborhoods because they recognized that many in inner-city neighborhoods did not meet the criteria for private investment through traditional banks loans. Similarly, in the early 1990s, banks realized this credit starvation in urban neighborhoods created an opportunity to exploit perspective homeowners. As a result of early practices of neighborhood redlining and the succeeding racial segregation, minority inner-city neighborhoods became targets for banks to make a profit on through practices of predatory lending.

Homeownership, symbolized as the American Dream, as a political agenda began in 1930s and continues to influence policy today. In 1934, Congress created the Federal Housing Administration (FHA) in order to expand the possibility of homeownership to middle-class Americans. Prior to the FHA, and in the context of the Great Depression, the amount of capital in a bank limited the loans a bank could issue (Rugh et al. 2010, 631). In addition, these loans often lasted only five years, requiring the full payment at the end of this short time period. The FHA expanded the resources available for potential homeowners by promising banks security

against defaulted loans, thus removing risk from the bank. Congress created Fannie Mae to purchase and repackage loans guaranteed by FHA (Liebowitz 2008). Fannie Mae and Freddie Mac, government sponsored enterprises (GSE), founded in 1938 and 1970 respectively, created a secondary market for mortgages. Rather than collect interest over time from borrowers, mortgaged-backed securities offered banks access to quick profits by means of offering mortgages, splitting them apart by transaction, and selling each transaction to third-party investors. This transformed lending practices because it greatly increased the resources available to borrowers. Instead of being dependent upon the amount of money available, the new financial system depended upon the amount of potential borrowers and third-party investors willing to purchase mortgages from banks (Rugh et al. 2010, 631). This system required a high percentage of mortgages to come to maturity while the losses from a few defaults would be shared between investors. Maintaining such a system that continuously increased profits for investors required additional borrowers.

Additional borrowers were found in a low-income, credit starved population willing to accept subprime loans. Mortgage underwriting standards began to deteriorate as banks issued subprime loans to low-income, high-risk borrowers. These loans required customers, due to their low-income status, to consent to higher fees, penalties, and even higher interest rates (Dymski 2010, 369). Many banks decreased the deposit requirement for a home mortgage or offered low initial interest rates that rapidly increased after the first year in order to attract borrowers (Jacobus et al. 2010, 327). Because of the hidden costs associated with homeownership, within the last three decades, subprime loans foreclosed at a rate tenfold of prime loans (Liebowitz 2008). In “Development as Social Inclusion: Reflections on the US Subprime Crisis,” Gary Dymski notes that “many prospective homeowners found themselves in a situation in which only

highly risky loans would permit them to acquire a home" (369). To worsen matters, lenders profited from the high interest rates of subprime loans; therefore, subprime loans spread through the housing market as a preferable business strategy. Even customers with decent credit scores received subprime mortgages as their only option (Dymski 2010, 369). As evidence of this phenomenon, prior to the housing collapse, the average credit score within the subprime market increased, as candidate who should have received prime loans were only offered subprime (Rugh et al. 2010, 634). As mortgages increased—subprime and prime—the demand for housing increased, drastically inflating housing prices. As housing values soared, speculation began to take hold of the market as well.

In a market of dramatically increasing prices, homeownership appeared to be a great investment, appealing to speculators using fraud tactics, leading to the inevitable housing crash. Speculators began to purchase multiple homes for no down payment and interest-only mortgages, in hopes of selling the house a few years later for a capital gain, assuming housing prices would continuously increase (Rugh et al. 2010, 633). As spectators entered the market, they provided more loans for the banks to profit from while continuing to drive up housing demand and price. For lenders, "unsustainable terms and conditions for a subset of borrowers became normal business practice" as well as fraud and misrepresentation (Dymski 2010, 369). A study of the subprime mortgage market in 2006 found that fifty percent of mortgages claiming first-time ownership were fraudulent and two-thirds of dwellings sold on owner-occupied terms were never inhabited (Rugh et al. 2010, 633-634). These practices "produced 27 million high-risk, unsafe loans—half of all the mortgages in the United States (Lambro 2011, 9). When the housing bubble finally burst, millions of subprime mortgages went into default leaving investors with millions in worthless assets (Lambro 2011, 10). Unfortunately, subprime borrowers were

not the only ones affected by the burst. In “Anatomy of a Train Wreck,” Stan J Liebowitz states, “Subprime loans did not perform any worse than prime loans.” Homeowners who bought prime loans for houses that were artificially overpriced because of the housing demand suffered as their housing values crashed, leaving them under water and forcing them into foreclosure as well. Subprime mortgages were available long before banks started using them as a desirable practice; but, it was not until after the passage of the Community Investment Act when banks started using them at a high frequency.

One way that additional subprime loans entered the market was through the passage of the Community Reinvestment Act of 1977 (CRA). Decades of redlining left urban neighborhoods segregated and financially stripped. The Fair Housing Act of 1968 criminalized redlining; however, it was not until the CRA that the federal government held banks accountable for providing credit needs to inner-city areas. To decrease the practice of ignoring urban neighborhoods while supporting suburbs, banks were required to ensure lending practices to the entirety of their geographical area (Liebowitz 2008). With the hope of increasing affordable housing for minority populations, the government offered subsidies to banks that provided loans to the borrowers “whose incomes were 80 percent or less the median income” (Dymski 2010, 371). By 2007, HUD reserved fifty-five percent of Fannie Mae mortgages for low-income borrowers (Lambro 2011, 9). Banks, seeking compensation for providing mortgages to high-risk borrowers and needing to ensure the survival of its investment, offered only subprime or alt-A loans to these areas. For instance, Countrywide Financial decided to capitalize on current trends by dramatically reducing mortgage standards and increasing subprime loans, capturing twenty percent of America’s mortgage market and becoming the forerunner in mortgage lending. Fannie Mae acknowledged this practice as preferable (Liebowitz 2008). Critics of the CRA

pointed to this interest in expanding homeownership to low-income borrowers as the primary reason for the financial housing crisis.

Once the federal government approved of the increase use of subprime loans in minority communities, banks began using subprime out of context of the CRA. Peter J Wallison, a critic of the CRA and a Republican commissioner on the Financial Crisis Inquiry Commission, blamed the CRA, “the government’s chief housing and mortgage agencies, Democrats in Congress, and the Clinton Administration” for lowering mortgage underwriting standards to benefit minorities who “bought homes they couldn’t afford” (Lambro 2011, 9). Wallison argued that the federal government had an overt role in creating the financial collapse by involving itself in the free market of housing. Wallison was correct that the CRA encouraged investment in urban neighborhoods; however, the increase was negligible in comparison to the unregulated lending activity that increased in these neighborhoods (Rugh et al. 2010, 634). If banks used subprime loans only in the context of CRA regulated neighborhoods, subprime loans would not have spiraled out of control as they did. Therefore, the other nine commissioners stood in favor of a more complicated scenario of interwoven events between both government and free market (Lambro 2011, 9).

Exploitation from the free market played a role in the rising housing prices. A small percentage of subprime loans, held accountable to standards and evaluation, are beneficial to a lending market (Leland 2010). Therefore, if the CRA was the only distributer of subprime loans, the market would have survived unfathomed. Unfortunately, banks seeking to exploit a profit began processing subprime loans at an exponential rate. Once the government encouraged subprime loans, these loans spread from the cities to the suburbs. Banks realized subprime loans offered a higher return on investment, due to the high interest rates and fees, and began

aggressively offering subprime loans. Middle-class families refinanced their homes or bought larger homes outside the scope of what they could afford with the new generous lending practices of subprime loans. As housing prices continued to rise, speculators started buying houses, with little money down, in hopes to resell it a year or two later for a profit. As a result, a large majority of subprime loans were not related to CRA neighborhoods. In fact, banks unregulated by the CRA contributed to 94 percent of the subprime loans and "less than two percent of loans that originated with unregulated independent mortgage brokers were CRA credit-eligible" (Crowell 2011; Rugh et al. 2010, 634). The majority of loans that contributed to the rise in housing prices and subsequent housing crash would not have been approved under CRA standards.

In the middle of the housing bubble, the federal government did little to prevent the foreseeable crash. Economists and government specialists foresaw the housing bubble burst. Alan Greenspan reported that the federal government closely monitored the growth of subprime mortgages in the lending system and realized it was an unstable mortgage market. The government took small actions in order to slow the subprime lending market. For example, in 1999, acutely aware of the artificial rise in housing prices, the government issued lending standards for banks participating in the increase of subprime mortgages. On the other hand, Greenspan did not support a legislative ban against subprime loans, or any specific loan category, regardless of whether the loan was "unfair" or "abusive." Greenspan did not believe that the government should interfere with market forces; however, he failed to acknowledge that by encouraging subprime lending in the first place, the government had already intervened. By not redirecting banks back to the original intent of subprime lending for low-income buyers, the federal government failed to set boundaries on the mortgage market it encouraged. In addition,

there was no political will to address the rise in subprime lending as Congress feared being politically attacked by homeownership advocates (Puzzanghera 2010). Action by the federal government through free market regulations was not favorable, and in all likelihood, not capable of preventing the housing crisis.

Subprime lending can be an effective way to help low-income, first-time home buyers acquire a mortgage. Even as foreclosures topped two million in 2011, Fannie Mae implemented a new program called Affordable Advantage, which offered 30-year fixed mortgages with little or no down payments (Leland 2011). Fannie Mae and state housing departments worked together to provide these new subprime loans. Participants in Affordable Advantage must attend homeownership counseling, live in the home, and reside within the initial four trial states. Fannie Mae officials said that the program is expected to stay small and will work with families to try to avoid foreclosures until all other options have been tried. Six months after implementing Affordable Advantage in Wisconsin, zero of the 500 mortgages offered had delinquent notices (Leland 2011). Since the housing market crash, banks tightened their lending practices and required high down payments, restricting the availability of mortgages to many Americans. Affordable Advantage provided a mortgage for low-income, first-time homebuyers in a way that the CRA originally intended to accomplish. The difference is that the federal and state governments placed comprehensive limitations to avoid exploitation of the program.

The financial housing crisis negatively affected a higher proportion of racial minorities. Jacob S Rugh and Douglas S Massey (2010) went as far as calling subprime lending the "latest in a long time of illegal practices that have been foisted on minorities in the United States," comparing the practice to neighborhood racial covenants and FHA regulations for redlining (646). In their article "Racial Segregation and the American Foreclosure Crisis," Rugh and

Massey explain racial segregation as a key component to the targeted, discriminatory nature of subprime lending towards minority communities.

As whites fled urban neighborhoods, their capital and businesses followed. Urban communities became credit starved, while predatory businesses—such as pawn shops, payday lenders, and check cashing services with high fees—opened shop in these areas (Rugh et al. 2010, 630). When Congress passed the Home Mortgage Disclosure Act in 1991, rejection rates by race became public information exposing reports of minorities denied for loans at a greater frequency than whites (Liebowitz 2008). Media sources created hype around these rejections rates, which were not accurate portrayals of the mortgage market because they did not account for the inequality of wealth distribution between classes within the United States. Banks felt pressured into providing more mortgages to minority customers to avoid bad publicity. When expanding mortgages to minority populations, banks offered subprime loans, even when the minority customer should have been approved for a prime loan (Rugh et al. 2010, 631). Accustomed to unfair lending services, when offered subprime mortgages, minority borrowers agreed them because they did not know about the superior mortgages offered to their counterparts elsewhere.

Minority neighborhoods became easy targets for predatory lenders. Subprime loans rose from two percent to eighteen percent in minority neighborhoods from 1993 to 2000 (Rugh et al. 2010, 633). Rugh and Massey analyzed subprime mortgages offered between races. They controlled for background factors, such as credit ratings, down payment ratios, personal characteristics, and residential locations, in order to compare low-risk minority borrowers to low-risk white borrowers and high-risk to high-risk. Even after controlling for risk, they found that 46 percent of white borrowers received subprime loans, 63 percent of Hispanic borrowers

received subprime loans, and 74 percent of African Americans borrowers received subprime loans (632-633). Therefore, white prospective homeowners were the only racial population with a higher probability of receiving a prime loan; whereas, African Americans were "three times more likely to receive a subprime loan than a prime loan" (633). Historically, subprime loans faced foreclosure at greater rate than prime loans and the disproportionate volume of subprime loans sold to minority customers increased the economic gap between minorities and non-minorities (Dymski 2010). Furthermore, segregation of minority community concentrated the foreclosure crisis to urban neighborhoods, devastating neighborhoods previously in decline from urban abandonment.

The 2007 housing collapse provides a case study on how government initiatives, free market institutions, and people's individual choices are complex and entwined. Government legislation to provide new housing opportunities to low-income populations unexpectedly resulted in a dramatic increase in subprime loans for suburban neighborhoods and speculator purchases. Since the government provided no new legislation to direct or limit the rise in subprime lending, and because in general subprime mortgages end in foreclosures more often than not, when the housing bubble burst, foreclosures devastated American neighborhoods. Minority communities, already suffering from economic decline and abandonment, were disproportionately affected. Through Affordable Advantage, the federal government tried to fix its previous mistakes of the Community Reinvestment Act. This program analyzed the benefits and failures of subprime lending and created a new program to expand homeownership. Likewise, nonprofits witnessing the extreme increase of foreclosures in their communities needed to analyze their programs and decide a course of action in the aftermath of 2007.

Part Three: Staying Effective

During the 1990s and early 2000s, urban communities experienced a wealth of investment from private banks and Community Development Corporations (CDCs). Once the housing bubble burst, foreclosures ran through communities like quick fire, devastating everything in their path. The 2007 foreclosure crisis affected everyone from inner-cities to suburbs, working class to CEOs, banks to nonprofit organizations, and all races and nationalities. The foreclosure crisis created a housing crisis the scale of which the United States has not experienced in recent times.

Because of changing trends and market practices, many nonprofit organizations and government agencies needed to adapt and find new methods to provide housing to their low-income constituencies. Lending practices became stricter. Nonprofits no longer received loans for new construction; instead, many formed new practices focused around home foreclosure auctions, education, and housing models with less personal risk. There are exceptions, such as Habitat for Humanity, who continues to provide newly constructed homes each year. Nonprofit organizations that did not change their practices provided subsidized rental units. These organizations experienced an increase in demand, and thus increased need for funding, but did not require change in order to stay effective. In general, nonprofits providing affordable homeownership programs needed to change their strategies to adapt to the new housing market while those providing subsidized rental units did not have to change their strategies.

Homeownership fell in the United States because owning a house became a burden. At the peak of homeownership, during the housing bubble, only 31.6 percent of Americans rented. By May 2011, renters increased to 33.6 percent without ceasing (Galindo 2011). Because subprime lending produced an estimated 43 percent increase in African American

homeownership in the 1990s, African American homeowners were hit the hardest, experiencing a 13.9 percent decrease in homeownership between 2009 and 2010 (DTMB 2011; Rugh et al. 2010, 632). Since race, poverty, and homeownership are all interconnected, minorities experience a lower homeownership rate, at 45 percent for African Americans and 47 percent for Latinos, than whites at 74.7 percent (Crowell 2011). Therefore, access to homeownership remains “one crucial part of overcoming wealth inequality” in the United States (Jacobus et al. 2010). Unfortunately, obtaining a house and/or a mortgage for everyone, from “high-risk” borrowers to nonprofits with good credit, has become more difficult since the housing crash.

Obtaining a mortgage in today’s economy is difficult because lending practices have tightened. The rate of foreclosures dropped housing prices dramatically, which allows prospective homebuyers to find a house for a reduced price. Home prices are low; however, layoffs and an overall economic downturn have decreased people’s savings accounts as well. Young adults are the most hesitant to invest in mortgages as homeownership seems recently risky (Galindo 2011). In addition, banks are requiring higher credit ratings than in the past and larger down payments. Even if a family has “strong credit and six years on the job, which shows stability … [without] $25,000 to put down” the family will not be approved (Mendoza 2011). Cash-only sold homes present the same challenge for low-income buyers because they simply do not have the savings for a low cost house that requires all of the money up front.

In Detroit, houses are selling for record low prices, but this does not necessarily make them affordable to low-income buyers. In the Boston-Edison neighborhood, a historic African American district where many Motown celebrities built their mansions, housing sales vary dramatically in price. A 6 bedroom house on West Chicago Boulevard is on the market for $445,000 while down the street a similar one in size wants only $40,000 (Trulia.com 2011). Just

a block or two North or South of the Boston-Edison neighborhood, homes sell for between $5,000 and $30,000. These homes, typically in need of some essential renovations, such as heating and plumbing, are outside the range of affordability because they are cash only. Without a lending institution willing to break the house payment into manageable monthly payments, low-income families find it impossible to find housing.

Obtaining Bank Foreclosed Homes

Post 2007, nonprofits continue to provide homeownership pathways for low-income families. Previously, CDCs provided families with newly constructed homes at affordable monthly payments. They were able to accomplish this by acquiring construction loans, charging a monthly fee to the family which in turn would be used to pay off the bank loan. After the housing bubble burst, CDCs suddenly were unable to obtain construction or renovation loans, which halted most new construction done by nonprofits. In Detroit, U-SNAP-BAC began as a grassroots community organizing group that offered help to residents for minor home improvements (Smith 2012). In 1999, U-SNAP-BAC expanded to provide new constructed homes to low-income families. Between 2003 and 2007, a hundred homes were built, financed half by a private mortgage and half covered with funds from the city block grants totaling $120,000 for each house. Houses were sold on a five year lean to prevent residents from immediately reselling their house for a higher price to ensure that the homes would stay affordable in the community (Smith 2012). Because U-SNAP-BAC approved applicants based on their financial ability to afford the house and required budgeting and foreclosure classes, combined with the fact that they could not refinance the house with the approval of U-SNAP-BAC, families were more capable of avoiding foreclosures.

Regardless of how successful the new construction homes were, U-SNAP-BAC has not built a single home since 2007 because construction loans and mortgages are close to impossible to obtain (Smith 2012). U-SNAP-BAC and other nonprofits found themselves incapable of providing newly constructed houses because banks rejected nonprofits requests for construction loans. This is significant because while private investment was always lacking in inner-city neighborhoods, nonprofits usually were able to obtain loans. In the aftermath of the foreclosure crisis, private financing was no longer an option for most nonprofits, striping CDCs of their main source of funding for development projects.

In order to remain effective, nonprofits needed to expand outside of the traditional new construction builds to continue providing low-income homeownership. Central Detroit Christian Community Development Corporation (CDC-CDC) provided newly constructed affordable homes during the late 1990s and early 2000s (Johanon 2011). Once foreclosures overwhelmed banks, they needed to dispose of the lowest value homes that were costing them the highest in liability and had the lowest return on investment. Banks offered to donate these houses to nonprofits willing to take them. CDC-CDC, optimistic about renovating the homes and reselling them at affordable prices, graciously agreed, receiving 40 free houses from several different banks. Unfortunately, CDC-CDC had not properly predicted the changes in lending practices. While in good credit, CDC-CDC was not able to obtain a single renovation loan for the houses. Suddenly burdened by the same liability issues and tax payments that the banks encountered, CDC-CDC begun giving away the houses, some in rough condition, for free to families. In the aftermath of generous lending, nonprofits, such as CDC-CDC, needed to find new methods to cope with the more stringent lending practices in order to continue to provide affordable housing.

As the number of foreclosures in Detroit continued to increase, banks began donating foreclosed houses that were in good condition. As of October 2011, CDC-CDC accepted an additional 15 houses and obtained a list from the bank of what, if any, renovations were needed prior to move-in (Johanon 2011). CDC-CDC sold these houses to low-income families for $5,000 but only requiring the family to pay $300 per month. If the bank recommended costly renovations prior to move-in, CDC-CDC reduced the price of the home accordingly, requiring families to pay for the renovations themselves. Often, the homes CDC-CDC acquired from the bank were not vacant. "Either the families or sometimes their landlords screwed up," explained Lisa Johanon, director of CDC-CDC, by reselling the home back to the family living in the house, CDC-CDC "avoids displacing the family and allows them to acquire homeownership at a lower monthly payment than they were paying prior to foreclosure." The revenue obtained through these housing sales allowed CDC-CDC to invest in additional home buys and renovations.

Unable to receive renovation loans, CDC-CDC looked for partnerships with other charities that would provide the necessary funds for home improvements. CDC-CDC and Ward Evangelical Presbyterian Church, located in the nearby suburb of Northville, began a partnership to renovate houses. For decades prior, Ward Church engaged its congregation in many missions throughout Detroit; however, Reverend Paul Clough, the Pastor of the Community, wanted to focus its endeavors to a smaller community to inspire a larger direct impact (Clough 2011). Clough recognized he needed a community partner and stated "you can't go in and pretend you know best or how people should live" because people will reject a charity's services no matter how noble they are in intent. Knowing such a community partner was necessary, Clough

announced his partnership with CDC-CDC in order to more effectively provide affordable housing to, and create greater buy in from, local residents.

Working together, CDC-CDC acquired the homes through bank donations or tax foreclosure auctions, while Ward Church provided $20,000 for each house to cover renovations and provided the skilled volunteers to do the work. By May 2012, Ward Church and CDC-CDC successfully completed four houses since starting in 2008. CDC-CDC and Ward Church required the homeowners to attend budgeting and homeownership maintenance classes and pay $300 a month for five years prior to receiving their property deed. Ward Church's long term goal is to increase housing renovations to ten a year, with a short term goal of three renovations in 2012. In order to accomplish this, Clough is proposing the necessary budget needed to the church's senior pastor (Clough 20110). Meanwhile, Johanon continues to look for other charity groups for partnerships so that she can continue providing financing for low-income prospective homeowners (Johanon 2011).

CDCs and nonprofits are not the only ones experimenting with creative ways to finance homes and their renovations. Home Source Partners, Inc., located in Colorado Springs, provides homeowners with financing for up to two years on a newly renovated house. The founder, Karen McClaflin, buys properties from short sales and foreclosures at reduced prices. After renovating the house completely, McClaflin resells the house for roughly $175,000; however, in today's mortgage market, few prospective buyers can receive a mortgage for the house (Mendoza 2011). In order to sell the houses, this for-profit organization offers a two year land contract. A land contract establishes a mortgage history for the buyer, helping them to qualify for a permanent mortgage after the land contract expires. Three months after Home Source Partners began, McClaflin sold six houses, three were under contract to be sold, and four were being renovated

(Mendoza 2011). The recent lending standards require creative financing to provide families with the ability to acquire a house. Companies willing to take the extra step to provide this service can make a lot of money in the for-profit world. Nonprofits can use creative financing to provide low-income families with the opportunity of becoming homeowners. Home Source Partners, a small for-profit company, represents the overarching struggle for families of different socioeconomic classes to acquire mortgages in the aftermath of subprime lending. In order address this need and provide support for families in foreclosure, the federal government directed funds to local governments to experiment with programs that would keep homeownership affordable.

Nonprofits distributed federal funds provided by the Neighborhood Stabilization Program (NSP) in a variety of ways. NSP funds are distributed to different municipalities and then the local government allocates the funds to different nonprofits around the city. A majority of the funds used in Round One of NSP were given to residents facing foreclosure, in attempt to get them caught up on their payments, in theory giving residents a second chance. The problem with this strategy is that it did not address the need for affordable housing among the homeless or correct situations where homeowners were living in houses above their financial capacity.

Following a different path, George Romagnoli, Pasco County community development manager, used NSP funds to renovate abandoned or bank-owned houses and sell them at affordable prices in Pasco County, Florida. Concentrating the money on the worst houses on the market, Romagnoli identified 220 houses that qualified for help, as of March 2010 (Wiatrowski 2010). He reasoned that it was best to invest public funds in these damaged homes because they "wouldn't qualify for private bank loans" (Wiatrowski 2010). By concentrating on the most damaged homes, Romagnoli's efforts are felt two fold. First, he repairs homes making them

suitable for living at an affordable cost. But more importantly, he is not repairing the near market value homes. This allows these homes to be purchased by individuals who do not necessarily need the aid for renovations. In essence, he creates neighborhoods where individuals would want to live and effectively helps provide affordable housing, even after he has sold all the repaired homes in an area. Similarly, CDC-CDC received approval for renovating six historic homes in the Boston-Edison district with NSP Round Two funds. CDC-CDC acquired these homes from the Wayne Country Tax Foreclosure Auction, renovated them with the public funds, and sold them at a reduced price to the same effect- increasing affordable housing beyond the CDC-CDC's initial renovation investment.

Taking Advantage of Tax Foreclosure Loopholes

Tax Foreclosure Auctions are a popular method for nonprofits and for-profit investors to use in purchasing valuable houses inexpensively. Each local government has different arrangements for their foreclosure auctions. Detroit houses in tax foreclosure are auctioned off in the Wayne County Tax Foreclosure Auction. By using the legal process of auctions, low-income families can buy back their houses, at a low price, with all their back taxes forgiven.

In order to understand how tax foreclosure auctions can help, it must first be understood how the auctions themselves work. There are two rounds for the Wayne County Tax Foreclosure Auction. During the first round, participants bid on houses starting at $500, and moving higher on $100 intervals. Participants who purchase homes in the first round are required to pay the entirety of the back taxes on the property within 60 days. Houses that do not sell during the first round move on to the second round. Bidding for the second round is identical to the first; however, the participants who purchase houses during this round are forgiven of all the back

taxes on the bought house. Houses that do not sell during this round become city-owned (Holmann 2011). Therefore, the second round of the Wayne Country Tax Foreclosure Auction allows prospective homeowners to purchase a house for as low as $500. This deal is available to nonprofits and individual buyers equally.

While some nonprofits acquired houses in tax foreclosure for renovation, another strategy devised is to help families whose houses are up for auction place bids on their own homes. United Community Housing Coalition (UCHC) is a nonprofit that provides legal services to low-income families. Their four main services are landlord/tenant eviction counseling, housing placement work, mortgage foreclosure counseling, and tax foreclosure counseling (Phillips 2011). UCHC aims to educate residents on their rights and the system in order to avoid eviction; for instance, the tax foreclosure counseling sought to use the law to address delinquency problems with the city to avoid occupied homes being sold at auction. Education on legal rights of homeowners and proper negotiation between homeowners and the city government allows more families at-risk of foreclosure to avoid eviction. When this legal process failed because negotiations with the city proved to be too slow to avoid occupied houses from entering the auction, UCHC adapted their strategy.

Understanding the rules of the second round of Wayne County's Tax Foreclosure Auction, UCHC prepared homeowners in tax foreclosure to buy back their homes for an inexpensive price with all their taxes forgiven. In 2009, Ted Phillips, director of UCHC, noticed that 440 occupied homes were sold at auction during the first round. Disturbed by the number of families at-risk for possible eviction, UCHC bid on 14 houses, on behalf of the families living in them, during the second round, successfully buying back 12, one for $4,000 the rest for $500 each (Phillips 2011). The families paid UCHC for the cost of the bids and returned to their

homes with their previous taxes forgiven. Energized by the success, Phillips decided to expand the program the next year. In 2010, UCHC helped 192 homeowners buy back their houses during the second round at auction. Still, 2,000 occupied houses were not sold and returned to city ownership. Not wanting the liability involved, the city sold 250 of these occupied houses back to the families, months after the second round of bids closed, for the initial price of $500. Of the 250 houses, UCHC counseled 50 of the homeowners. In 2011, UCHC had 8,000 clients for all four programs, but a remarkable 1,500 for the Tax Foreclosure Action alone. UCHC marketed its services to families by sending notices to every household that received a notice for tax foreclosure. The agency helps any client who walks through the door and can even set up saving accounts for people who have a hard time saving the initial $500 (Phillips 2011).

Unlike CDC-CDC, UCHC does not provide affordable housing for low-income families. Instead, the nonprofit provides legal services that empower families to regain ownership of their houses. In this way, UCHC strategy resembles the community groups that empowered low-income residents to protest against public housing demolition and fight for creative legislation. However, the tactics have changed as the housing problems have changed. While UCHC has achieved significant success in preventing evictions through the auction regulations, some criticize this process as being unfair and criminal in nature.

Opponents believe that people using the auction's loopholes to buy back homes should be criminalized. Critics of the auction argue that the way the process works allows residents to habitually escape paying their taxes by repurchasing their home for $500 every four to five years (MacDonald 2011). The practice is unfair to the residents who honor the law and pay their taxes annually. In addition, it is not just individual homeowners who fall behind on their taxes that are buying their houses back. Slumlords in Detroit, who own 20 to 60 houses each, are neglecting to

pay their taxes, in order to make a larger profit, and buying back their homes from the auction on a regular basis (MacDonald 2011). By using the same method UCHC developed to keep low-income families in their homes, slumlords use it to exploit a greater profit by avoiding paying taxes. Because avoiding paying taxes is illegal, slumlords have found a legal way to accomplish an illegal act. Therefore, the Michigan legislature is researching a way to criminalize residents and slumlords who try to repurchase houses in tax foreclosure, without infringing on nonprofits who want to renovate the homes or repurchase them for families. While Phillips agrees that slumlords are exploiting the system and should be stopped, he does not believe that the proposed legislation will accomplish its objectives.

The proposed legislation will fail to meet its objectives because it will prohibit low-income residents facing tax foreclosure from buying back their homes when they should not be in tax foreclosure in the first place. Michigan law requires that every municipality have a property tax exemption determined by their government. Detroit has a progressive poverty exemption: property owners living at or below the poverty level have a 100% tax exemption, while those within the low-income bracket have a 50% tax exemption (Phillips 2011). Therefore, many of the low-income families facing tax foreclosure should not have been taxed in the first place. They either did not know about the exemption, filled out the paperwork incorrectly, or being an annual application, forgot to reapply. Tax foreclosure occurs after about four years of delinquent payments and Michigan law allows residents to correct mistakes with property taxes from only two years previously. Therefore, by the time a resident receives notice of being in tax foreclosure, they can legally do nothing to resolve the four years of missing payments and interest fees.

Inaccurate residency records and outdated housing assessments are two additional ways that require low-income families to pay higher taxes than they should. Many families struggle because they have not registered as their house as their primary residency and are receiving taxes that are 30 percent higher than they should be (Phillips 2011). In addition, the city government does not reassess houses often; therefore, families often pay taxes for a house assessed at $110,000 that they bought for $10,000. Because of these problems within the legal system, Phillips believes that residents should be able to repurchase their homes in auction (Phillips 2011). Many Detroit residents are losing their homes to tax foreclosure when eviction could have been avoided through proper application of the low-income tax exemption law, an accurate residency record on file, and current assessment of the house applied. Once evicted, previous homeowners become homeless and many enter emergency shelter or permanent housing programs. This is a problem because they are taking resources away from other cliental when the former homeowner should not have become homeless. Therefore, UCHC's biggest contribution to affordable housing is preventing foreclosures from becoming much worse. While the auction provides an outlet that homeowners can use to try to avoid eviction once it's too late, education is the best way to prevent foreclosures from occurring.

An Emphasis on Education

As part of the Housing-Plus model, discussed previously, nonprofits have placed a large emphasis on education and life skill classes as a means for improving economic status of low-income families. CDC-CDC, U-SNAP-BAC, and Habitat for Humanity are three nonprofits that provide affordable homeownership, with the requirement of taking budgeting and foreclosure education courses in order to receive a house. Similarly, Affordable Advantage, the new Fannie

Mae lending program, requires homeownership and foreclosure classes. UCHC has foreclosure education and counseling available as one of its four main programs. Even nonprofits focused on affordable rental housing, discussed later on, emphasis education courses that address budgeting, home repair, foreclosures, and saving accounts. Housing-Plus programs have caught on in the nonprofit community and for good reason. A study from Ohio State University found that homeowners who received pre- and post-purchase homeownership counseling reduced default rates by 50 percent (OIH Advisory)! Through education, low-income families can empower themselves to better plan for their housing needs. By attending classes, not only can these individuals afford housing for themselves, but they can pass the information along to friends and neighbors. And almost as importantly, they can pass the information on to their children, in effect killing a repeating cycle of fiscal immaturity and ignorance.

Keeping Homeownership Affordable

One of the downfalls of affordable homeownership programs is that it is only affordable to the first family. Once the family is able to pay the mortgage and resell the house, assuming housing prices have increased, the next low-income family has a harder time buying the house. Apartment rentals provide municipalities with long-term affordable housing that remains affordable for generations of residents; however, there is no wealth accumulation involved in subsidized rental programs. Community land trusts and cooperative housing are ways nonprofits are experimenting with ways to provide low-income families a path to homeownership and wealth accumulation while keeping the house affordable for the next generation.

A community land trust is a relatively new strategy for affordable homeownership that is increasing in numbers throughout the country. Community land trust preserve homeownership

affordability by allowing participants to increase their wealth as they continue to pay their monthly mortgage payments, but require strict limitations for selling the homes (Jacobus et al. 2010). In order to decrease the risk of speculators or wealthier families from moving in, participants must agree to live in the houses and relinquish a majority of the proceeds from selling the house calculated from an affordability formula. This formula for reselling the house guarantees that the house stays affordable to the next homebuyer while providing a disincentive for families to buy a house that have little need for the program (Jacobus et al. 2010). In this way, land trust communities correct the speculative nature of the subprime fiasco in a self-correcting manner rather than implementing government requirements that are prone to fraud.

Land trusts are less at risk for foreclosures and generate a stable low price for homeownership. Studies show that foreclosure rate within land trust communities was less than one-sixth the national average (Jacobus et al. 2010). Land trust housing provides a majority of the low-income families with the budgeting skills and wealth accumulation to later move into the general housing market, opening the housing for a new low-income family. Depending on the turnover rate and size of initial subsidy, a one-time government investment of $5 billion could ensure between 600,000 and 1.5 million families access to homeownership over a thirty-year period (Jacobus et al. 2010). In the United States, 200 community land trust exist in forty-two states accounting for over five thousand shared equity homes. These community land trusts prove that homeownership can remain affordable over a generational time frame.

Another way to keep homeownership affordable over multiple resells is through housing cooperatives. With allocated NSP Round Three funds, CDC-CDC proposed a multi-family project to purchase 40 houses, renovate them, and sell them as part of a housing cooperative (Johanon 2011). In order to obtain a house, a family pays a thousand dollar buy in to a property.

After that point, the family must pay $450 a month for rent and $68 a month for maintenance. The collected rent goes into a joint savings account for all of the houses, while the maintenance fee pays for collective insurance on every property, as well as neighborhood services. As the houses age, the joint savings account pays for all home repairs on the houses. Each family has collective ownership on the whole neighborhood, increasing the neighborhood pride and morale, and decreasing vandalism. Johanon explains, "It is all the benefits of homeownership with none of the responsibilities." Further planning on the cooperative houses will begin after NSP funds are allocated in the spring of 2012 (Johanon 2011).

Cooperative housing and community land trusts provide low-income families with an introduction into homeownership where they can acquire the skills for becoming responsible property owners. Because these programs maintain low monthly payments, low-income families can afford the stable living environment, establish a history of mortgage payments (and therefore, a good credit history, as well), and begin a savings account for a future down payment. In a way, these programs provide financial literacy education through life experience and prepare the participant with the knowledge needed to invest in a house in the main housing market, where they can begin accumulating a greater amount of wealth through their house.

Continuing New Construction

Unlike other nonprofits, Habitat for Humanity continues to build new construction affordable homes for low-income families. In 1987, the Detroit Chapter of Habitat for Humanity began building new houses; Habitat built 221 homes scattered all around the city during a twenty year period. In an attempt to concentrate their efforts, in 2007, Habitat chose the Morningside Community to build 100 new homes. One reason why Habitat chose Morningside was because

U-SNAP-BAC had already invested a lot into the community. By the end of 2011, families were living in 79 newly constructed homes. Habitat for Humanity was unaffected by the aftermath of the housing crisis because renovating old houses would cost more for the families long-term, financing for homes comes from a majority of private donors, and pre-screening and education courses prepare families against foreclosure.

Habitat for Humanity chose to continue building new construction, rather than renovate houses in foreclosure or acquire them at the auction, because their energy efficient homes save families more money. Habitat has perfected the skill of building a 92 percent energy efficient four bedroom house (Franey 2011). Because the house is so energy efficient, families save on utility bills, only paying roughly $1,200 annually. The families receive a twenty to twenty-five year mortgage that ranges from $500 to $600 per month (Franey 2011). Old houses are not properly insulated or built to preserve energy and renovating a house to become energy efficient can be costly. Therefore, by building new homes, Habitat saves low-income families money on construction costs and utility bills, keeping not only the mortgage affordable but also the cost of living.

Not dependent upon construction loans from banks, Habitat for Humanity funds its construction through sponsorships, in-kind donations, and government funds. It costs Habitat $130,000 to build a four bedroom house (Franey 2011). Each house has a sponsor, usually a corporation, which donates $80,000 and 148 volunteers to help build the house. These volunteers construct the framing and interior work. These sponsorships can be broken into partial funding with fewer volunteers for smaller companies. The rest of the house is financed through in-kind donations for materials or government funding from affordable housing subsidies (Franey 2011). By financing homes through this method, Habitat avoided any challenges faced by other

nonprofits seeking loans from banks that have implemented tougher lending procedures. CDC-CDC began this method of private donations through Ward Church to finance renovations after the foreclosure crisis, whereas Habitat for Humanity has always engaged in this method of creative, private financing.

Finally, the Habitat program is an intense year-long experience that prepares low-income families for the responsibilities of homeownership. Prior to being accepted into the program, families must be approved (Franey 2011). Habitat continues to work with the families it deems ineligible in order to put them on the path for being approved. Habitat requires that a prospective homeowner must be employed full time and receiving at least ten dollars an hour. This ensures that as long as the homeowner remains employed, the mortgage will remain an affordable 30 percent of the family's income. Once accepted into the program, families must complete sweat equity hours: 400 hours for married families and 250 hours for single parent households. By physically working on their house and their neighbors' houses, the participant becomes invested in the community and educated on basic construction skills. In addition to sweat equity, the family must attend financial literacy classes, small maintenance repair classes, and community monthly meetings (Franey 2011). These education tactics are similar to the Housing-Plus and financial literacy classes that many nonprofits have implemented.

Providing low-income families with affordable housing is only half the battle; the second, and arguably more difficult, half is keeping the families housed. The nonprofits can only provide the house and education; they have little control over if the family continues to pay their monthly payments. Most nonprofits are choosing education as a supplementary way of preventing families of losing their homes. By the time the family receives the keys to their

Habitat home, they have compiled a wealth of knowledge that will hopefully help them avoid foreclosure.

Foreclosures can happen, especially in hard economic times and with high unemployment rates throughout the city. "There are a lot fewer foreclosures in Habitat houses than in the main market," says Tara Franey, Director of Fund Development for Habitat for Humanity of Detroit. When foreclosures happen, Habitat obtains ownership of the house, until another family is ready to move in (Franey 2011). The new family has all the same requirements and sweat equity is accomplished through working on neighbors' homes. This guarantees that the second homeowner has obtained the same amount of pre-housing counseling as the original owner. Because of the three unique characteristics of Habitat for Humanity houses, Habitat has not needed to change any of its methods for providing affordable housing. Nonprofits focused on providing affordable rental housing have also remained steadfast in their strategies.

Rental Housing Demand Increases

Because the income requirement for affordable homeownership programs is unattainable for very low-income or no-income residents, subsidized rental housing is essential and must be maintained and expanded. Permanent housing provides long-term rental housing for low-income families and individuals. Many nonprofits develop, manage, and run programs for permanent housing locations. Since 2007, Neighborhood Service Organization (NSO), Southwest Solutions, and Coalition On Temporary Shelter (COTS)—all Detroit nonprofits with permanent housing programs—have found a decrease in funds for development and programming, an increase in public funds for foreclosure prevention, and a greater demand for safe and quality affordable housing.

NSO, Southwest Solutions, and COTS run very similar permanent housing programs. In order to enter the programs, a participant must prove that they are homeless and hold a specific disability that makes them eligible for the program. For instance, Southwest Counseling Solutions specializes with individuals struggling with a mental disability; whereas, COTS works with homeless families and individuals; and NSO deals almost exclusively with individuals that have a history with mental illness, drug abuse, developmental disability, domestic abuse, or are HIV positive. Each program assigns case managers to each resident and requires the residents participate in life skills and financial education classes. These programs experienced similar challenges in the wake of the 2007 financial crisis.

Subsequent to the economic recession, housing programs faced a decrease in private donations. Currently providing 150 permanent housing units, NSO is renovating the Bell apartment building to provide an additional 155 rental units, doubling their case load (Bosau 2011). The Bell Building project began five years ago because it took three years to get most of the funding, which was still not fully funded as of November 2011. Funding has been a complex web of historic tax credits, brown field tax credits, foundation money, grant money, and an assortment of funding from local to federal dollars. But the recession has hit services hard as NSO had to cut back services and cut hours at its Tumaini Center, a homeless services center. Exhausted by the years of fundraising, Michelle Bosau, NSO's Vice President of Fund Development and Public Relations, exclaims, "Don't try to raise fifty million dollars while the economy is tanking!" The Bell Building, and other large apartment building projects, is of such a great magnitude that they cannot receive funds through bank financing; therefore, the tougher lending practices had little effect on NSO's original plan. Instead, it was the decrease in private donations by foundations, business, and individuals because of the struggling economy that

delayed the financing of the Bell Building. Southwest Solutions and COTS also reported a decrease in private funds since 2007.

Following the foreclosure crisis, Southwest Solutions and COTS received additional federal funds for foreclosure prevention, yet all three nonprofits struggle with balancing funds between housing and supportive services. Through the Homeless Prevention Rapid Rehousing Program (HPRP), Southwest Solution received funds to support families struggling with bank, tax, and utility foreclosure. Applicants received a one-time payment to get caught up with their payments and must attend budgeting and foreclosure education classes. The additional funds, which ended December 2011, provided Southwest Solutions the ability to assess 542 applicants and refer 318 residents to different agencies for assistance (Ebaugh 2011). COTS received $6.2 million from the NSP Round One grant to provide assistance to residents behind in their rental and utility payments (Johnson 2011). This program was limited to renters and participants were required to attend financial literacy classes. In addition, COTS also received a multi-year grant from the Michigan State Housing Development Authority (MSHDA) to assist resident of Detroit, Hamtramck, and Highland Park pay mortgage, rental, and utility arrearages. Because of these federal grants, Sharyn Johnson, an employee at COTS, states that "we have not seen a lot of foreclosures, and those we have, we direct them to our Emergency Shelter or Transitional Programs" (Johnson 2011). While these programs help avoid displacement and evictions, federal funds for developing more housing or supportive services have not increased, even though demand has.

Affordable housing is in high demand as Detroit's homeless rate continues to be high. Bosau estimates that 16,000 people are on the streets each night. That does not count the number of people who have to live with family or friends in crowded quarters. There is little affordable

housing that is structurally safe or located in safe neighborhoods (Ebaugh 2011). Many families who receive Section 8 housing vouchers do not find housing in time to use them because there is not enough low-income housing stock. There are many low-income tax credit communities spread throughout Detroit, such as the Alberta W. King Village Apartments (Bryant 2011). Core City Neighborhood, Inc. is the developer who built the Village Apartments using MSHDA guidelines to apply for the state tax credits. These communities provide apartments for families living within certain low-income brackets; however, there are not nearly enough of them. Village Apts holds a two to three year wait list for its low-income single room apartments, an average wait for most of Detroit's low-income tax communities. The demand for affordable rental housing needs to be address, either by nonprofits modifying their strategy to find more ways to develop or lobby for housing or by government funds providing the financial support to build the housing.

Responding to the need for additional rental housing, some nonprofits have stepped in to provide improved living arrangements. Acknowledging the rising rental rate, CDC-CDC bought three apartment buildings, with a total of 21 units. "I never thought I'd be a landlord," says Johanon, "but quality rental apartments were a necessity that the community lacked." As a landlord, CDC-CDC addresses residents concerns immediately, especially health and safety concerns such as pest problems (Johanon 2011). Likewise, U-SNAP-BAC owns an apartment building in Morningside. The original intent was to provide a rental option that would allow U-SNAP-BAC to work with the occupants into a homeownership path, which would free up the rental space for another future homeowner. The economic recession abruptly changed this objective as the rental housing proved to be an essential resource for the community (Smith, 2012). Both CDC-CDC and U-SNAP-BAC provide their rental apartment residents with access

to all the services provided by their organization. These two nonprofits not only adapted their strategy of how to effectively provide affordable housing after the foreclosure crisis but what type of housing to provide, acknowledging a need for homeownership development as a complement with rental apartments.

Nonprofits, community groups, and CDCs have advocated for affordable housing for low-income residents in several different ways, both simultaneously and throughout the decades. While methods and strategies change as the political and economic situations change, these groups consistently provide investment into inner-city neighborhoods that is not provided sufficiently by the private or public avenues. When private investment from banks withdrew from risky lending practices after the foreclosure crisis, CDCs that depended upon construction loans needed to find new ways to provide and support affordable housing. While the foreclosure crisis has affected all nonprofits, it has not affected all nonprofits the same way. Many nonprofits supporting subsidized rental apartments operate in the same manner they did prior to 2007. As America, and Detroit, moves forward, hopefully out of its economic recession, nonprofits will continue to evolve with the times. The one question that reminds is whether nonprofits and CDCs are effective ways in dealing with affordable housing or are actually aggravating the problem.

Part Four: Moving Forward

As nonprofits have evolved, some community advocates are not impressed with the results. In his article "The CDCs Model of Urban Redevelopment: A Critique and an Alternative," Randy Stoecker attacks modern CDCs for betraying their original roots of community organizing. He believes that the American CDC model is incapable of providing large quantities of affordable housing units or creating positive change in neighborhoods, fails to empower residents with housing management, and lacks true community involvement in development of such neighborhoods. However, CDCs are not the problem, but a complementary solution along with community organizing to effectively advocate on behalf of low-income communities. Instead of attacking CDCs, American cities need a call-to-action for the community organizing groups from the 1970s to 1990s that have drifted into silence and immobility.

With adequate funding, CDCs have the capacity to provide affordable housing and slow economic decline in urban neighborhoods. On average, Stoecker (1997) reports that, CDCs develop less low-income housing units than for-profit developers, 21 units compared to 25 (2). These statistics come from early CDCs in the 1970s and do not account for modern CDCs; whereas a study of National Affairs' Housing & Development reported that small CDCs are overtaking large developers because they require less operating costs and are more efficient (Bratt 1997, 2; Kelley et al. 1998, 11). CDCs abroad display the potential for nonprofit development. In Sweden, CDCs construct 55 percent of the housing market, while the Netherland's CDCs produce 35 percent (Stoecker 1997, 16). Considering the larger investment from the federal government of each country into their public welfare system, the United States

could potentially increase the amount of affordable housing in the country by allocating more public funds to CDCs for development.

Stoecker (1997) criticizes the lack of evidence that CDCs provide tangible positive effects on urban communities because they lack the capability of hiring quantitative analysts and rely solely on input/output measures (3, 51). This is a faulty argument because it assumes that researches can effectively and with certainty measure how a single factor, such as additional quality housing, can impact something as complex as neighborhood decline (Bratt 1997, 2). Furthermore, a lack of evidence does not imply a lack of impact on the neighborhood. However, recently researchers have embarked on the difficult task of finding evidence for quantitative results for nonprofit renovations on neighborhoods. Smith and Hevener (2011) reported that while St. Joseph's Carpenter Society (SJCS) was unable to reverse the effects of neighborhood decline, they did sufficiently slow the process through home renovations (75). Since abandonment happens quickly, the mere ability to slowly decline benefits the neighborhood significantly. Furthermore, SJCS only built 167 housing units during a ten-year period. If the federal government had provided sufficient funds to double, triple, or quadruple their efforts, the renovations would have had a greater impact, perhaps even reversing the effects of economic decline.

CDCs manage their development properties differently from each other and low-income tax communities, in accordance to their comfort level with having a complex relationship with the residents. Only a third of CDCs outsource their housing developments to property managers (Stoecker 1997, 9). These CDCs seek to avoid a complex relationship between empowering residents to become financially stable and enforcing them to pay their monthly payments on time and follow property rules. Neighborhood Service Organization determined they would hire a

management company for their new Bell Building, in order to allow case workers to remain friendly advocates for the residents by outsourcing the role of the strict landlord to others (Bosau 2011). On the other hand, CDC-CDC maintains control over their apartment buildings. "It is hard to maintain boundaries," admits Johanon, "when I need to evict a girl today, who is not paying her rent and using drugs, yet I'm invited to her mother's wedding in two months' time" (Johanon 2011). Even so, an eviction from a CDC property does not undermine the organization's mission for resident empowerment. The personal relationships formed between caseworkers and residents allow residents to continue receiving help after their eviction or receive referrals to other organizations for help. In addition, an eviction of a disruptive tenant, unwilling to comply with program rules or work towards advancing their situation, may be better for the whole apartment complex, furthering the CDC's efforts in obtaining their goals to provide safe and quality housing that fosters an environment of growth to the community (Bratt 1997, 4). The ability of a CDC to manage their development properties effectively lies within their comfort level for the complex relationship between case worker and resident; however, the management of a development does not necessarily affect the CDCs ability to empower their residents.

The political activism of the 1960s era has faded in all areas of the political arena, including housing advocacy. Stoecker's (1997) main concern is the lack of community organizing and neighborhood involvement for CDC developments. He claims that today, "there is housing and development—but little squatting" observing a trend of top-down CDC development rather than neighborhood mobilization (11). Similar to the theory on how African Americans traded their civil rights activism for legislative power, housing advocates traded their

squatter campaigns and city hall occupations for CDCs developing affordable housing (Shaw 2009, 64). This needs to change!

While CDCs have always been focused on community issues, they were never intended to mobilize their residents. As CDCs increased in numbers during the twentieth century, they did so alongside community organizations, such as ACORN or Short End of the Stick. Protests capture the attention of politicians, businesses, and nonprofits when no other method has worked in expressing a community concern (Stoecker 2003, 52). Community groups mobilize residents for protest and these demonstrations hold politicians and CDCs, who often receive large quantities of public money, accountable for providing affordable housing. Furthermore, organizing residents for protest and lobbying develops leadership, problem solving, creative thinking, and self-esteem (Stoecker 1997, 13). Protest, alongside educational Housing-Plus services, will further empower resident to become active members of their communities and engaged citizens.

Nonprofits and community groups have come a long way since the 1960s. With the lack of private and public investment in urban communities, nonprofits and community groups advocated for affordable housing through protests, lobbying, and developments. Both groups had a mix of successes and failures; their efforts laid the ground work for future nonprofits' and community groups' tactics and strategies. Once the federal government mandated private investment in inner-cities with the Community Reinvestment Act, and subsequently private banks began offering predatory loans for minority neighborhoods, urban communities became flooded with private investment for the first time. When the housing bubble burst and foreclosures devastated neighborhoods, nonprofits evolved their housing strategies to best address affordable housing, even surrounded the economic recession that accompanied the

housing bubble burst. CDCs continued providing affordable housing units, while community organizations became silent and inactive.

Society is constantly changing, and in order to remain effective, nonprofits and community groups need to constantly revise their methods and working together for housing advocacy. In order to help communities break free from the grasp of concentrated poverty and economic decline, communities need a multidimensional strategy, a combination of nonprofits, community groups, politicians, and private investors willing to work together and evolve as necessary to provide affordable housing, not just to one specific economic group, but to all.

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