



# TRULY AFFORDABLE HOUSING

Tom Bender \* North Coast Citizen \* 29 November 2007

Land and housing costs are soaring out of sight everywhere. Our community's recent buildable land inventory showed that more than 70% of the families in our community couldn't afford to purchase a home here today. We hear similar reports from all over.

The good news is that we can radically reduce housing costs – by more than 80% in twenty years. Yes, I said 80%. People's eyes glaze over when I say that, and assume I'm crazy. True, but we can still do it. I mentioned this in an earlier column, but want to talk a little more about it.

The important thing about seeing how we can reduce costs so much is that in the process we see how corporate profiteering has jacked up prices of everything in our economy. And we can see how easy it is to change, and how much better off we can be.

We've been subtly brainwashed by advertising to accept what is today's "standard practices", but which in reality is huge, unnecessary, and often hidden profiteering. Health care that costs twice what it should. Highway "Trust Funds" to pay for ongoing highway maintenance that locks us again into paying twice as much. Higher education that costs 10 times what it could. Housing that costs five times as much as it should.

The brainwashing has made us lazy and sloppy. Do you have any idea how much we all pay for our car loans or home mortgages by the time they're paid off? Most people don't. They just ask how big the payments are.

Say you have a 6.5%, \$100,000, 30 year mortgage. You pay back the \$100,000 you borrowed for the house. And you pay *another* \$128,000 just for interest payments. *More than the cost of the house itself.* If you add in car loans and credit card interest, most people pay 20% of their income just for financing charges. Yep, the bank gets all your pay one day a week, not you, if you don't pay attention.

How do we get out of that debt hole, and how do we set up home ownership structures that don't drain us? To get off of the corporate greed playing field, we have to develop new institutional structures, just as they did. But ones which serve *us* and serve *community*. Here's a way we see it working for housing, and cutting housing costs by 80% in the process.

We think of housing costs meaning the purchase price of a home. But we pay roughly the same amount additionally for financing costs, and also for energy operating costs. A new “ownership” model, using Community Land Trusts, is expanding all over the country. CLTs hold the land under homes in trust in perpetuity, and work out various lease arrangements with residents. (Land prices that are the main element in housing cost inflation.) Trust ownership allows a very similar bundle of “ownership” rights to members that lease the homes on 99-year renewable leases. Lifetime security of tenure, control of the property, ability to pass on to children, involvement in community and decisions.

Considering just inflation – the 3% yearly increase we’ve had since the 1950s – everything doubles in price every 20 years. So a trust-owned home whose price doesn’t inflate is 50% cheaper than market prices in 20 years. And where a CLT owns the *homes*, mortgages can be eliminated – forever – in 25 years.

We can also now build near-zero-net-energy homes. Using super-insulation, passive solar and solar-electric panels, this can bring energy operating costs down by 75%, while virtually eliminating use of fossil fuels.

So avoiding inflation cuts the “list-price” of housing in half in 20 years for CLT-owned homes. Eliminating financing wipes out that 1/3 of housing costs. Reducing energy use by 75% reduces overall costs another 25%. And reducing transaction costs can eliminate another 20% of “list-price” (for an overall reduction of more than 80%). And there are more ways to reduce overall housing-related costs even further!

For more information, go to [www.tombender.org](http://www.tombender.org), click on the “New on Website” section, then “Finance-Free Housing”, “Free Housing”, “Zero-Energy Homes”, or “NeahCasa”.

It’s funny how we sometimes look at things different ways. If property values are skyrocketing, and we sell our house to an unknown person from somewhere else, we go to the bank happy, and think “we’ve earned it”. But if we are buying, or selling to someone we know in our own community, often the children of friends, we suddenly realize that all that money has to come from somewhere, and selling at those prices is really stealing from our children and grandchildren. The house itself isn’t costing any more – it’s already built.

We can do better. Much better.