



# The Great Housing Reset: Pioneering Systemic Change to Save Our Communities

## Residential Stability Creates Stable Communities

In order to truly address our housing crisis, we must recognize the fundamental importance of residential stability in creating strong communities. Just like food and water, shelter is a basic human need that allows us to establish a permanent place to grow and thrive. Throughout history, stable homes have been the foundation of societies, fostering a sense of belonging and connection. Today, we must draw from this historical wisdom to tackle the modern challenges that our communities face. It is clear that increased homeownership and residential stability are key to creating stable communities.

Many of the urgent issues plaguing our neighborhoods, such as crime, violence, food insecurity, and poor health, can be alleviated through greater homeownership. When a community has an imbalance of rental properties and homeownership opportunities, residents tend to be more transient and not establish roots. Without ownership or control over their living spaces, people are less likely to invest in their homes or feel a deep connection to their community. As a result, residential instability leads to community instability, allowing issues like crime and food insecurity to accelerate. The undeniable truth is that our zip code determines our health outcomes, and disparities in rental-to-homeownership rates within communities only exacerbate these disparities. We must prioritize residential stability to foster truly stable communities.

## How We Got Here

To understand how we arrived at this crisis, we must examine the poor housing practices that have exacerbated community instabilities since the 2008 housing crisis. State and local governments have disproportionately funded rental

development projects, with the majority of public funding going toward “affordable housing” in the form of rentals. Biased lending practices in the banking sector have further disadvantaged BIPOC and other minority communities. Meanwhile, rising real estate values have made it increasingly difficult for low- to moderate-income families to find dignified and stable housing that isn’t rental.

In 2022, the homeownership rate for Black residents in Pittsburgh was 10 percentage points lower than the national average, with just 33% of Black Pittsburghers owning their own homes. White residents are doing a little better than their national average, with 74.5% owning their residence. Unfortunately, this disparity is not unique to Pittsburgh. Our current housing crisis is the result of systemic and institutional failures that have persisted for decades due to a lack of understanding, creativity, and responsiveness from our leaders and policymakers. We continue to perpetuate a system that offers rental options and zero-equity opportunities to our most underinvested populations.

According to the recent Homeowner Equity Insights Report from CoreLogic, the average homeowner in Pennsylvania gained approximately \$22,000 in equity in Q3 of 2022. As the housing market evolves, equity becomes even more critical for homeowners, providing stability in their financial portfolios. Earning over \$20,000 passively in a year simply by owning a home is just the beginning of a ripple effect that leads to healthier neighborhoods, sustainable community growth, and, most importantly, an equity trajectory for marginalized populations, including Black, minority, disabled, veteran, and other underserved communities that are currently unsupported by our existing system.

## An Example of Rental vs. Homeownership

If Ms. Jones has \$1,000 to spend on housing per month, she can choose to either rent or buy a home. The chart below shows how the same monthly budget of \$1,000 would impact her finances and equity with rental versus homeownership over time.



### If Ms. Jones Spends \$1,000/month on RENTING

	Today	in 5 years	in 10 years	in 15 years	in 20 years
Her Monthly Payment	\$1,000	\$1,126	\$1,305	\$1,513	\$1,754
Cumulative Rent Paid	\$0	\$63,710	\$137,567	\$223,187	\$322,445
Her Equity Established	\$0	\$0	\$0	\$0	\$0

### If Ms. Jones Spends \$1,000/month on HOMEOWNERSHIP

	Today	in 5 years	in 10 years	in 15 years	in 20 years
Her Monthly Payment	\$950	\$963	\$981	\$1,002	\$1,026
Cumulative Mortgage Paid	\$0	\$57,389	\$115,793	\$175,373	\$236,317
Her Equity Established	\$0	\$34,204	\$78,889	\$137,352	\$213,964

### After 30 Years...

- Renting would cost Ms. Jones \$207,705 more than homeownership in total
- Homeownership would create \$446,744 in equity for Ms. Jones
- Monthly rental payments immediately exceed mortgage payments, eclipsing 2x in year 27

Figures based on a 30-year, fixed mortgage at a rate of 7%, annual tax increase of 2%, and annual insurance increase of 3%. Rental rates based on 3% annual increase. Equity calculated at a starting market value of \$100,000 with annual increase of 5%.

## How We Fix It

To fix the crisis at hand, we must redefine the term “affordable housing.” Traditionally, it referred to housing units priced within the financial means of low- to moderate-income individuals and families. However, almost all “affordable housing” units being developed today are rentals. By disproportionately favoring rental units, we deny the community the opportunity to stabilize. It is crucial that our government and systems be held accountable for providing stable housing options at ALL levels, including both rental and permanent housing. Furthermore, we need transparency in our housing options so that communities can better understand the investments made within their boundaries and the impact on housing stock. Residents must ask questions to ensure that housing options are protected across all levels.

We propose distinguishing between “affordable rental” and “affordable homeownership” to accurately describe the different types of housing options. “Affordable rental” should denote rental units, while “affordable homeownership” should represent options that contribute to stable communities through for-sale homes. We can no longer accept large-scale rental developments that perpetuate a subsidized system of renters without providing the necessary balance for the fundamental stability communities need to experience sustainable growth and long-term prosperity. It is imperative that we demand government and philanthropic investment

options that create and support more stable residents and communities. Politicians, banks, and developers must clearly label their affordable rental and homeownership options so that communities can fully comprehend the stability these developments bring to their neighborhoods. By establishing these definitions, we ensure that we are all speaking a common language.

To continue our journey towards a solution, we must also focus on the opportunities we provide residents – opportunities for education, equity, and freedom.

Education is essential in providing renters with the knowledge that they can become homeowners. For many, the rental world is all they have known throughout their lives. We must show them that there are other possibilities. Our federal systems continue to subsidize rent without offering opportunities for renters to “level up” and achieve homeownership. This perpetuates a cycle where we consistently subsidize the same renters year after year, rather than helping them transition from subsidy to owning their own homes. We must provide education and support to open pathways to sustainable homeownership.

Equity is another crucial opportunity we must provide. In the context of homeownership, this means enabling individuals to own land and build equity. Property and land ownership remain a significant part of the American dream. However, for many, homeownership is more of a dream than a reality. The more equity we can build for families, the better we can sustain future generations of families and communities.

Lastly, we must prioritize the opportunity for freedom. Homeownership empowers citizens to escape the oversight of landlords, removing restrictions and allowing residents to express their true selves within their homes. Many renters express simple desires, such as the freedom to paint their walls without seeking permission. These seemingly small freedoms are true testaments to the concept of personal freedom.

**LEVEL (levelcommunities.org)** is an organization dedicated to supporting affordable homeownership as a means to stabilize our communities. We educate potential homeowners, acquire vacant properties (or build new ones), refurbish them to code, and connect homeowners to properties, offering a pathway to homeownership for those who thought renting was their only option.