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The Last Line of Defense
Every imaginable critique has been leveled against CDCs. They resist resident control. They are driven by funders rather than by community interests. They disrupt communities rather than build them. But what happens when the CDC finds itself in the position of being the last bulwark against the destruction of community and the elimination of community-controlled housing?

By Randy Stoecker

The Cedar-Riverside neighborhood, on the west bank of the Mississippi River in the city of Minneapolis, is unique. In the 1960s a developer started buying up the community's detached single-family homes and duplexes, temporarily converting them to rentals. His plan was to tear them down and build massive high-rise housing. But the young, radical residents who moved into those rental units, along with the remaining homeowners, organized and halted the project. After the residents' successful intervention, the City of Minneapolis and the embattled developer entered into a legal agreement that gave the neighborhood control over 250 dilapidated housing units.

Prior to this agreement, community residents had organized the West Bank Community Development Corporation to develop housing in the neighborhood. The CDC was resident controlled, but there was always fear that it would succumb to pressures from funders, speculators and the government. The slightest movement in that direction triggered residents to threaten sanctions and even dissolution of the organization. The CDC implemented a housing redevelopment process based on a 15-year low-income housing tax credit plan and a lease-hold co-op structure. Five resident-elected boards exerted substantial control over the housing's design, maintenance and rent levels and held a philosophical commitment to community control of housing and opposition to using housing for profit.

By the mid-1990s the compliance period for the tax credits was ending, investors were pushing to sell the properties and maintenance needs far exceeded available funds. Many long-time residents, who had so vigorously opposed housing speculation and were heavily involved in the co-ops, had moved on. They were replaced by two groups – one that valued the housing only for its cheap rents and one that favored individual rather than community control of housing. The co-op boards, influenced by the new residents, limited rent increases, thereby ignoring long-term maintenance needs, threatening the habitability and financial solvency of the housing and even the future of the CDC itself.

Community Control
To understand the potential tragedy threatening Cedar-Riverside you must first understand the fundamental contradiction in how we view housing. From a community perspective, housing is for the use and sustenance of the community. From an investor's perspective, housing exists for the purpose of exchange for profit. Through a process of commodification – transforming something from a community good to a marketable commodity – housing becomes just another

good to be exchanged in a market. The shift from seeing housing as a community good to an investment good has serious implications, as speculators can force housing prices to rise and spur movement of residents out of a neighborhood, disrupting the social bonds of that community.

Cedar-Riverside's strategy resisted commodification by placing housing in the hands of the community rather than the market. But that didn't mean the housing was immune to such pressures. It still had to be maintained and managed, and the collective mortgages still had to be paid. And the residents had to be willing to see the housing as a community good – contributing either labor or increased rent to maintain it.

When the financial pressures finally caught up with the CDC's community housing model, some residents who had been involved in stopping the original 1960s high-rise plan were elected to the CDC board and hired as staff, including a new executive director. When they began to look at the tremendous costs to save the housing from the ravages of deferred maintenance and damagingly low rents, the new CDC board and staff knew that astronomical rent increases would force many residents to leave. They needed another way.

Their solution was to combine the five existing co-ops into a new umbrella structure, find new investors and secure tax-exempt mortgage financing at much lower rates than the original loans. The co-ops would retain their independent legal standing but have to collaborate on budgeting and other issues. And, in response to residents' increasing demands for homeownership opportunities, as many as 32 housing units would be transferred from co-op to individual homeownership status.

After some 50 meetings over two years, in September of 1999 the CDC, the co-op boards, the City of Minneapolis and the quasi-public Minneapolis Community Development Agency (MCDA) – who were involved as funders – executed the required financial documents. After addressing the objections from city officials and staff, and concerns of funders, what evolved was a difficult to understand, complex plan. The two years it took to finalize the plan meant that maintenance had been deferred even longer, operating costs were higher than anticipated and the $2 million generated by the refinancing was less than expected. It became clear that more money was needed. The new co-op management projected that an 8 percent rent increase was needed, but some co-op board members refused to agree to anything over 3 percent.

The new co-op structure and rent increases were a hard sell against the commodification culture that was growing in Cedar-Riverside. New co-op residents, lacking knowledge of the neighborhood's history and co-op philosophy, did not see themselves as collective owners. Instead, they saw housing ownership as external to themselves, and were more interested in cheap rents rather than community control. The leasehold co-op model, which gives residents decision-making control but not equity, eliminates the market-induced value of maintenance (if you fix the roof you can sell the house for more later). For leasehold co-op members who see themselves only as renters, the market-based decision is to ignore the roof, pay lower rent and move out when the leaking begins.

In 2000, residents, who were already displeased about the consolidation of the co-ops, grew even angrier when they learned that rents could go up substantially. (Though at $501 for a twobedroom unit, they would still be affordable to households at 40 percent of the area median income.) Their resentment disrupted the joint co-op board and some of the original co-ops refused to produce a budget. Vitriolic letters to the local Seward Profile newspaper charged that the CDC "deceptively attempted to combine all five co-ops into one giant co-op" to reduce "member representation in decision making and budget control." After two years of tense and expensive court negotiations (which ate up a sizable chunk of the funds gained through the refinancing), a settlement was reached that preserved the rent increases and created a review process for future rent levels.

Balancing Acts

In the beginning, the co-op refinancing plan came with a renewed commitment to creating affordable homeownership opportunities in the neighborhood. A new program called "Transition Homes" attempted to balance the residents' desire for homeownership with the neighborhood's historic commitment to preventing the speculation and absentee ownership that are part of the commodification process.

In 1997 the CDC met with nearly a dozen residents twice a month over nine months, together crafting a plan that would provide for individual homeownership, but with important controls to prevent speculation. Among those controls were that houses and duplexes had to be owner-occupied and that the CDC would have a right-of-first-refusal, at a controlled price, when the owner wished to sell.

Why such stringent controls? Homeownership is usually promoted as a way to stabilize communities. But in hot, urban markets like Minneapolis, homeownership can have the opposite effect. While homeowners moving to these areas are looking for stable, attractive and safe neighborhoods where they can feel comfortable long term, they are, at the same time, driven to increase property values. To do so, homeowners can become vigilant to the point of racism and other bigotry to keep out perceived threats to property values – behaviors that prevent true neighboring. Others buy simply to sell high quickly, disrupting community ties and inflating housing prices in the process. Policies preventing speculation will deter those who are only concerned with the economic value of the housing and will preserve long-term affordability.

Some residents, having moved to Cedar-Riverside when they were young and single, were now parents and interested in securing their financial futures. Low interest rates and a volatile stock market eliminated savings and stocks as desirable options for wealth enhancement. Massive housing inflation of the period made housing the best investment for growing personal wealth. One resident remarked in a Pulse of the Twin Cities article, "I just want my little hedge against inflation. You know, the American dream." Allowing residents to purchase housing at well below market rates, at an income level that had previously shut them out of home buying, and selling at a far higher price, was literally seen as a path out of poverty for some. Doing so, however, would remove those units from the affordable housing market and increase the risk of housing commodification.

The CDC approved the Transition Homes plan in March of 2001 and then the MCDA became involved. By this time, the neighborhood conflict had generated complaints at City Hall, however, and final approval of the program stalled. The complaints reflected the exchange-value culture that had developed among residents, some of whom were demanding that the neighborhood housing be sold cheaply without restrictions on their ability to rent or sell the housing for a profit.

More turmoil arose in the fall of 2001, when city elections replaced the CDC's long-time supportive city council member, Joan Campbell, with Paul Zerby, who commented in his council member newsletter that the Transition Homes restrictions were "so draconian as to make ownership nearly illusory." Zerby pledged to hold up the process until his concerns were resolved. It was only after the CDC enlisted a confrontational but respected lawyer that the plan was finally approved in August of 2002. The ultimate resolution between potential buyers, the city and the CDC watered down the anti-speculation measures by replacing deed restrictions with a second mortgage, due only if the property became absentee-owned. The last Transition Homes unit was finally sold in 2005.

The Last Voice

The West Bank Community Development Corporation remained the last bastion committed to collective control of housing as a strategy to prevent its transformation into just another commodity. They were up against city hall, a corporate capitalist culture and even their own residents' demands for commodified, rather than community-controlled, housing. The criticisms directed at the CDC came from every political direction, opposing any rent increase however necessary, on the one hand, and any controls to protect housing from speculative investment, on the other. Indeed, there were some residents who simultaneously held both positions! The CDC was in the odd position of being the sole, organized source of resistance to commodified housing, trying to hold itself accountable to its historic mission of providing affordable, community-controlled housing.

The case of Cedar-Riverside shows how difficult it is to produce housing that balances the contradictory goals of individual control and long-term affordability. As long as we live in a society where housing is seen as a commodity rather than a home, attempts to provide affordable and community-controlled housing will face opposition from elected officials, government bureaucrats and individuals caught up in a capitalist culture of buy cheap and sell high. Every time a member of the upper-middle class sells their home for more, the buyer below them has to sell their home for more, and so forth, until more people at the bottom are priced out of housing altogether. And yet, this reality seems to hold no weight in housing policy.

As long as we see housing as a commodity, people will be forced to choose between paying more to own their own housing or letting government or absentee landlords control affordable housing. The alternative is collective housing ownership, which can preserve affordability and a democratic form of control. Can we make this cultural leap in the context of George W. Bush's "ownership society," where ownership means corporate and individual rather than community? Cedar-Riverside's West Bank CDC continues searching for new ways to try.

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The Idea of Commodification

Where does our understanding of commodification come from? Long ago, Karl Marx distinguished “use values” – those things we create for our own use in a community setting – and “exchange values” – those things we make for exchange in a market of strangers. For those who’ve never experienced use-value communities, they may sound utopian, but they are very much based on real experience.

Like many Americans, I grew up in a community where no one ever hired a plumber, carpenter, roofer or lawn-mowing company. There was enough talent in the neighborhood that everyone just traded their skills (producing use values) to help each other. It built community, kept costs down and maintained people’s skills. It’s what built the powerful industrial unions a century ago, as workers not only worked together, but lived together in the same neighborhood producing community-bonding use values off-work that sustained the risk-taking required to build those unions.

Commodification occurs when people only use their skills to earn a wage or salary rather than to help their neighbors. And it becomes a vicious cycle. The more people work for a wage (creating exchange values) the less time they have available to help their neighbors, forcing everyone to buy services from strangers rather than trade services with friends, and weakening our communities.

It’s easy to blame capitalism for this, but capitalism is as much a consequence as a cause. The less we can rely on neighbors, the more we require a market and the more we think of everything, including housing, as having only a monetary value rather than a social value.

- R.S.

Resources

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Defending Community: The Struggle
for Alternative Redevelopment in Cedar-Riverside, by Randy Stoecker. Temple University Press, 1994.