

America's Workers Can't Pay the Rent

**Despite the growing economy,
working families face a shortage
of affordable housing.**

BY PETER DREIER

Hector Cuatepotzo, a waiter at the upscale Miramar Hotel in Santa Monica, Calif., and an active member of the Hotel Employees & Restaurant Employees in Los Angeles, lives in a tiny, one-bedroom apartment with his wife, Maria, 6-year-old daughter, Ashley, and infant son, Bryan. All four sleep in the same small room, with Bryan's crib nestled in one corner and Ashley's bed in another.





Cuatepotzo earns about \$20,000 a year in salary and tips (equal to about \$10 an hour, almost twice the minimum wage). But with \$625 a month in rent and another \$80 monthly for gas and electricity, the Cuatepotzos spend more than 40 percent of their income for housing. Cuatepotzo works from 6 a.m. to 2 p.m. and travels 40 miles round-trip to work each day because rents in buildings closer to his job are even higher.

Since Maria took time off from her job in a restaurant to have the baby, they have received several eviction notices for late payment. Cuatepotzo is thinking about getting a second job, but that would mean rarely seeing his children.

Cuatepotzo, who has worked at the Miramar since arriving from Mexico 10 years ago, would like to own his own home someday. "It's my dream," he says. But he can't imagine how he'll ever get there when his family lives paycheck to paycheck.

Housing costs increase faster than pay

Like a growing number of American workers, including union members, Cuatepotzo can't afford to pay the rent. Despite the strong economy and low unemployment rate, working families face a severe shortage of affordable housing. Housing costs, already the biggest item in working families' budgets, are spiraling faster than pay increases, especially for low-wage workers.

In fact, according to a new study, a family living on the minimum wage cannot afford a standard apartment in any major city. The report, prepared by the National Low-Income Housing Coalition, compared the federal minimum wage (\$5.15 per hour) with rents around the nation. In 70 metropolitan areas, minimum-wage workers would have to work more than 100 hours a week to afford local market rents in their

Locked out: Despite working full-time, Hector Cuatepotzo finds the door is closed to his dream of buying a home for his family.

area. Some 59 percent of renters—4.4 million households—spend more than half of their income just to keep a roof over their heads.

The housing shortage is illustrated by the gap between the number of low-income households and the number of rental units affordable to the poor. In

1970, America had a surplus of 300,000 affordable units, compared with a shortage of 4.4 million units in 1995. The Cuatepotzos are eligible for federal housing subsidies, but the wait for help is five or more years.

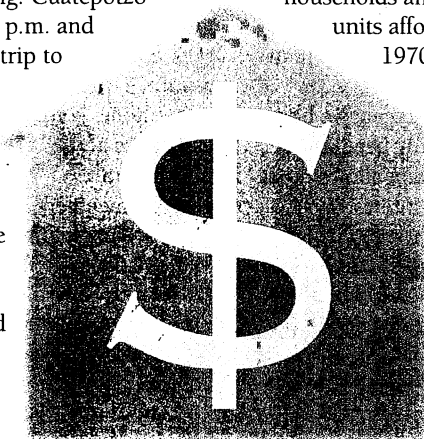
While union families have a higher rate of home ownership—75 percent own their own homes, compared with

the national average of 67 percent—today's younger union workers are having a much tougher time. Although the nation's overall home ownership rate is now at an all-time high, many of those homeowners are older than 55 and purchased their homes when housing was more affordable. According to a 1999 U.S. Census Bureau study, among every age group younger than 55, the home ownership rate actually has declined since the late 1970s.

Working families that pay too much for housing also have less disposable income to spend on other goods and services—a situation that undermines the economic health of local businesses and neighborhoods, and also makes it more likely they'll be without basic necessities, such as food and medicine.

What can unions do to improve access to housing?

Unions historically have been at the forefront of the fight for decent housing. As early as the 1920s, some unions sponsored well-designed housing developments for their members. During the Depression and postwar years, the union movement played a key role in lobbying for federal housing programs to increase low-cost housing for the poor and to provide mortgage insurance to help families purchase their own homes. Since 1981, the AFL-CIO Housing Investment Trust has invested more than \$3 billion in union pension funds in a variety of



housing developments around the country. In 1999, HIT's investments helped create more than 4,500 new units.

But in the past two decades, federal housing assistance has plummeted. The federal budget for low-income housing was slashed from \$54 billion (in today's dollars) in 1980 to about \$20 billion today. Only one-quarter of the nation's 16 million low-income families receive any housing subsidies.

Instead, the nation's most expensive housing subsidy program primarily benefits the wealthy. The federal tax system allows homeowners to deduct mortgage interest and property taxes from their income taxes. Three-quarters of the wealthiest families received tax breaks averaging more than \$8,000 per family in 1998, according to the Joint Committee on Taxation in Congress. In 1998, tax cuts for the wealthy cost Uncle Sam more than \$63 billion in lost revenues—about three times the size of the entire U.S. Department of Housing and Urban Development budget. Poor homeowners don't qualify for mortgage deductions and poor renters are shut out altogether.

Today, unions can continue to play an important role in reshaping the nation's housing policies and improving the housing standards of America's working families.

• **Use collective bargaining as a tool to set up union-sponsored housing trust funds.** In the late 1980s, Boston's HERE Local 26 surveyed its members and found their biggest problem was the city's skyrocketing housing costs.

In its next contract negotiations, the union won a "housing trust fund" to which employers would contribute 7 cents per hour for members' housing needs. When the hotel owners' association claimed the union exceeded its legal authority, Local 26 led a successful campaign to amend the nation's labor laws in 1990 to allow unions and employers to provide housing assistance to workers through collective bargaining agreements.

• **Join with community groups.** Unions can work with local housing groups to sponsor home ownership counseling and tenants' rights workshops for their members

and potential members, educating them about such issues as protections against unfair evictions.

In the Los Angeles area, for example, HERE Local 814 is working closely with the Community Corporation of Santa Monica, a local nonprofit community development group. After surveying union members, the partnership created a referral system for members to get home ownership assistance and a network to educate members about their tenants' rights. When Cuatrecasas received an eviction notice, HERE and CCSM provided legal advice.

Local unions also could help neighborhood-based community development corporations, which specialize in creating affordable housing, to work with union contractors.

• **Utilize and expand local laws.** Several cities—including Los Angeles, Pittsburgh and Boston—have adopted "linked deposit" policies that include issuing a report card on local banks identifying lenders which do and don't invest in city neighborhoods and don't provide mortgages for working families.

Unions can piggy-back on these programs to ensure the banks in which they deposit union funds are making loans to community members.

Some cities, including Boston and San Francisco, exact a "linkage" fee on large commercial developers that is deposited into a housing trust fund to guarantee that the city's commercial prosperity is shared by working-class and low-income families. Unions can join housing groups to push for such municipal housing trust funds to expand the inventory of affordable housing.

• **Take state and federal action.** At the state level, unions can help pass affordable housing bond measures and pinpoint state funds for affordable housing programs. In

California, for example, unions are behind two bond measures on the November 2000 ballot that would produce tens of thousands of apartments and homes in the next few years, making it possible for more families with modest incomes to afford housing.

At the federal level, unions can lobby to expand the Department of Housing and Urban Development budget to provide funding for construction of affordable housing and for more Section 8 housing vouchers. In December, for example, President Clinton proposed adding 60,000 more vouchers—a positive step, but still not sufficient to help the millions of families that need them.

Unions also can push to enact a progressive home ownership tax credit that would target tax breaks to working-class families who need help with down payments and monthly mortgage payments.

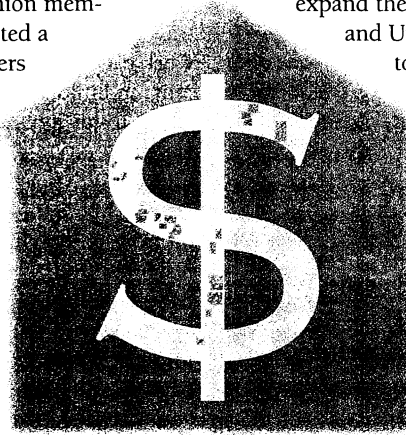
Another strategy is to strengthen the federal Community Reinvestment Act (which outlaws discrimination in mortgage lending) to ensure that banks making loans to corporations that use sweatshops or export good jobs would get lower CRA rankings from federal regulators. The regulators then could reject banks' applications to merge or open overseas branches.

In 1948, President Truman made addressing the postwar housing shortage a key part of his election campaign. He declared that Republicans should update their slogan of "two cars in every garage" to "two families in every garage."

"How can we expect to sell democracy to Europe until we prove that, within the democratic system, we can provide decent homes for our people?" he asked.

Once again, the nation has a serious housing crisis. But we can't expect Truman's type of leadership without well-organized grassroots efforts. Unions have an important stake in rebuilding a political coalition that can fight for decent housing for all Americans. ■

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