



Chad Schwitters

It's redemptive to use housing to effect community change

A Minnesota Affordable Housing Policy Interview

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Present

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Summary

Urban Homeworks (UHW) Executive Director Chad Schwitters believes that housing is a basic human right. He discusses the philosophy and operating model of Urban Homeworks, a housing nonprofit that operates in north Minneapolis, south Minneapolis and Frogtown in Saint Paul-neighborhoods where, he says, there private/public market failure in housing.

He says housing in the U.S. has been used as a weapon of economic violence against certain people. Notions that come out of faith traditions that some people are more important and valuable than others allows us to treat people deemed less important differently, he says. The result is that some people get access to capital and some don't.

Schwitters notes that we can house the Twins and the Vikings, but we don't care enough to house people on Minneapolis's Northside.

UHW has two prongs on its real estate side: (1) the rental model, aimed at households with zero to 30 percent of area median income-buying duplexes, fourplexes and small multifamily buildings, rehabbing them, holding them and doing the property management;

and (2) single-family home ownership, either rehab or new construction, aimed at households from about 45 percent to 80 percent of area median income.

Schwitters says it's redemptive to use housing to effect change within a community. Housing is one of the levers to build power on the block, he says, noting that UHW thinks of power as the ability to effect positive change. He says UHW is interested in people having access to decent housing who are already in the neighborhood or have some connection there: remainers, returners and *then* relocators.

Biography

Chad Schwitters is executive director of Urban Homeworks, a position he has held since 1999. Urban Homeworks focuses the combined resources of the public, private and faith sectors to transform foreclosed, condemned or boarded-up properties into dignified, quality places to live in neighborhoods in Minneapolis and Saint Paul.

He believes that the long-term, sustainable and meaningful power to effect positive change is in the neighborhood and on the block. Building places to stabilize people so they can exercise their power is what he believes hope looks like.

Schwitters previously worked on rural economic development projects with an organization in Mendenhall, Mississippi. In addition to his work at Urban Homeworks, he sits on boards and committees, including the Northside Achievement Zone, the Metropolitan Consortium of Community Developers, Home Prosperity Fund and the Local Advisory Committee of the Local Initiatives Support Coalition.

He has a degree in business finance and management from Bethel University in Saint Paul. He grew up on a farm in west-central Minnesota and now lives with his family in north Minneapolis.

Background

The Civic Caucus is undertaking a review of the issue of affordable housing in Minnesota. The Caucus interviewed Chad Schwitters of Urban Homeworks to learn about the lack of adequate affordable housing for extremely low-income people and Urban Homeworks' vision, mission and approach to meeting the need for affordable housing.

See all the previous Civic Caucus interviews in the affordable housing series on the [Civic Caucus website](#) .

About Urban Homeworks . Urban Homeworks (UHW), founded in 1995, transforms vacant properties into dignified, healthy homes in neighborhoods in Minneapolis and Saint Paul. It redeems real estate so the community can catalyze change agents and leaders. UHW is located in north Minneapolis.

The organization's mission is to perpetuate the hope of Jesus Christ through innovative community development. The vision of UHW is that of neighbors raising their collective voice to address injustice and overcome the barriers that perpetuate inequity.

Quality housing combined with a supportive landlord and resources from social service partners weave a web of support for households living in Urban Homeworks' dignified housing. Donor support for UHW makes rental units available to families earning as little as \$10 per hour who do not have government subsidies, which are in short supply. Urban Homeworks offers rental and homeownership opportunities for a broad range of income levels.

Urban Homeworks provides quality rental housing that is both affordable and dignified. Partnerships with local social service organizations often add support to assist rental families in gaining greater stability. Renters must be income-qualified.

In neighborhoods where UHW works, renters are traditionally highly mobile, which limits opportunities to grow and connect in a supportive community. While the average stay for other renters in these areas is estimated at 11 months, families in Urban Homeworks rental properties stay an average of three years, resulting in a significant increase in community connectivity.

Urban Homeworks also offers households with low to moderate income the opportunity to own a home. The program utilizes supportive partners to ensure that families are equipped to succeed. Urban Homeworks houses are developed and some kept perpetually affordable through partnerships with the **City of Lakes Community Land Trust**.

Volunteers are essential to the work of UHW, providing physical labor on the job site, sharing connections and resources, and being ambassadors about the organization's work with broad audiences.

Discussion

1. Causes of shortage of affordable housing.

It's important to recognize the root of the challenge and not just "whack at the branches." Urban Homeworks (UHW) Executive Director Chad Schwitters said he recognizes that as a white, able-bodied, heterosexual, married, Christian male, he has

nearly every single attribute of the oppressor over last 500 years in our society. "If I don't work from that premise, I'm glossing over the underlying disease and just messing around with the symptoms," he said. "I can try to recover from those historic and current effects both personally and politically."

Housing in the U.S. has been one of the country's weapons of choice when it comes to economic violence against certain people . "It's really redemptive to use housing to effect change within a community," Schwitters said. "We must challenge the constraints that hold us back."

"Constraints are rooted in notions that are addressed by faith traditions-the lie that some people are more important and valuable than others," he said. "When some people are less valuable than others, we can treat them differently. They don't "deserve" as much."

He mentioned the sectarian scale of danger, which progresses through 11 steps. It starts with "There is a difference between us," moves through "I'm right, but you're wrong," and ends with "You are demonic." We then demonize each other socially, economically and religiously, he said.

The result is, Schwitters said, that some people get access to capital and some don't. "We have a history of stolen land, followed up with broken land treaties; and a history of chattel slavery, met with indentured servitude and Jim Crow segregation. "The foreclosure crisis and racialized covenants are only the recent iterations of our practice of exclusion," he said. The time-value of money and compounded interest mean that groups who've been denied access to capital can't ever catch up. "UHW wants to get more people recognizing what's behind wealth disparities and working for meaningful change within the system so all have enough," he said.

Housing is a basic human right. Schwitters said for a lot of people, the housing market simply doesn't work. "We need to house them," he said. "We can house the Vikings and the Twins, but we can't seem to figure out how to house people on the Northside. There's plenty to go around. Society reflects what we value, and we've said we value our sports teams enough to house them, but for those groups without affordable housing, we just don't care."

He said UHW is bringing together those who have enough with people who don't. "It's just as easy to demonize the affluent," he said. "We're trying to bridge the gap by bringing people together across affluence and scarcity so all may have enough, and if the old stories in the Bible hold true, more than enough."

The single largest subsidy in the U.S. is the mortgage interest deduction. Schwitters said the next largest is probably low-income housing tax credits. But he said those credits

don't typically work for the building type with which UHW is working. "It doesn't really work for the people and the smaller housing stock in communities like North Minneapolis," he said.

He said the tax credits do bring some value, noting that some NAZ participants have gotten housing in new buildings going up that have used tax credits. But, he said, the tax credits mostly benefit the people who invest in the credits. "They're designed to benefit people and companies with extra capital who have a tax problem," he said.

2. Urban Homeworks' mission and operating model.

UHW started in 1995 in south Minneapolis at 31st Street and Columbus Avenue.

Schwitters said a youth pastor from Colonial Church in Edina, Paul Bertelson, was visiting his grandparents' church in that south Minneapolis neighborhood. He saw a house that was boarded up and learned that drugs were being trafficked there. He contacted the mortgage company, which said if he paid the closing costs, he could have the house. That became the first UHW house, Schwitters said.

Schwitters joined UHW in 1999 and said his 20 years there has been "a learning, adapting, reiterating experience, both personally and organizationally."

The mission of UHW is to perpetuate the hope of Jesus Christ through innovative community development. Schwitters made that statement and said UHW looks at its work through the lens of how the old stories in all the major religions can help inform, instruct and elicit analyses to help make sense of the environment and learn/adapt.

UHW is a very people-centric, place-based organization. "We're trying to build some power on the block, using housing as one of the levers to build that power," Schwitters said. "We think of power as the ability to effect positive change."

Schwitters said he grew up on a farm in west-central Minnesota, which heavily influenced his understanding of what a community can be.

UHW operates in neighborhoods in north Minneapolis, south Minneapolis and Frogtown in Saint Paul. Schwitters said the business model that seems most problematic in those neighborhoods is when investors buy up single-family houses, duplexes and fourplexes, do the minimal repairs, charge high rents and sometimes use Section 8 housing vouchers. "They starve the property of repairs and severely underestimate the cost on human life and dignity," he said.

"The economics don't work as well on duplexes and fourplexes as they do on bigger buildings," he said. "So very few nonprofits and others are tackling these small buildings because it's hard to cash-flow it. What we can't do is buy these properties and rent them out in really substandard condition. We can't do it because it's antithetical to our mission."

UHW is filling a small need, he said. "We're going to the philanthropic community and using grants to help others get capital. We have an affordability gap and a value gap." Schwitters said UHW is working in neighborhoods where there is a past and present private/public market failure. "There's a capital gap and a market gap," he said.

UHW went from 38 projects to eight in the last few years. Schwitters said that's because funding from the public sector to cover the value gap and affordability gap has shriveled up to very little. "We can't fund the value gap," he said.

He said that if, for example, UHW develops a single-family house on a vacant lot, the total development costs are around \$320,000 to \$340,000. But the house might appraise for only \$260,000. "There's no way we can do that without help," he said. An interviewer commented that the reason the house's appraisal value is so low is that Minneapolis's Northside neighborhood has very depressed values.

Schwitters said UHW is not interested in just getting the housing stock fixed up. "We're interested in people having access to the housing stock on the back end who are already in the neighborhood or have some connection there," he said. "We think about it through the lens of 'remainers, returners and *then* relocators.' We're focused on people who are already here, have connections here, and have not been able to rent or own for whatever reasons, including historical ones."

UHW has two prongs on its real estate side. (1) Schwitters said one prong is the rental model-buying duplexes, fourplexes and small multifamily buildings, rehabbing them, holding them and doing the property management. Those housing units are aimed at households with zero to 30 percent of area median income. He said UHW has partnerships with St. Stephen's, Simpson Housing, the Northside Achievement Zone and others to help bring resources to the households. "For right now," he said, "we hold onto those properties in perpetuity."

But Schwitters said he'd like to get its rental properties out of the organization's hands into some kind of community ownership model, whether a cooperative or otherwise. The point, he said, is that UHW has a lot of equity tied up in the five LLCs that hold its buildings. He'd like to see that equity benefitting residents, if the organization could transition ownership of the buildings from UHW to the residents. He said UHW could remain involved in the management of the properties.

(2) Schwitters said UHW's second real-estate prong is single-family home ownership, whether it's rehab or new construction. That covers households from about 45 percent to 80 percent of area median income.

He said the model of someone buying a duplex and living in half of it while renting out the other half could be a part of an overall solution, but has some challenges. One challenge is that the average household income in the Jordan and Hawthorne neighborhoods in North Minneapolis is about \$23,000. He said the average household income for Northside Achievement Zone (NAZ) participants is \$19,000. Household incomes that low make renting--much less owning--a challenge, he said.

3. Possible solutions to the affordable housing shortage.

What about using Minneapolis Mayor Jacob Frey's \$40 million in affordable housing money to expand people's purchasing power by increasing housing voucher funding? An interviewer asked that question and Schwitters replied that with a \$1.2 billion shortfall in affordable housing investment in the Twin Cities area, \$40 million is a nice start. "But why can we fully fund stadiums and not subsidies for housing?" he asked.

If people of faith would start to give away 10 percent of their annual income-instead of the current three percent-we could triple HUD's budget. Schwitters said the core challenge is to take seriously the needs of people who are most vulnerable through a historical context. "We must embrace people where they are, not where we think they should be," he said. "We have a chance to do it differently. Let's give people the chance to make decisions for themselves."

Lawndale Community Church in Chicago acquired duplex, triplex and fourplex properties, rehabbed them, using some sweat equity, and worked with families to help them qualify eventually for a mortgage. An interviewer said he learned about the program when he did a case study of Chicago's Lawndale neighborhood 25 years ago.

The interviewer said when a household interested in ownership of a building was paying rent, a portion of it was held in escrow to help them accumulate money for a down payment. The church worked with people to improve their credit ratings so they could qualify for a mortgage.

He said in qualifying for a mortgage for a triplex, for example, the potential owner would live in one unit on the first floor and rent from the other two units would count as part of the potential owner's earnings. This was a way of putting people into housing who might not have afforded it otherwise, the interviewer said.

"I'm not sure if they were able to sustain this model," the interviewer said. "I was looking at the front end of it 25 years ago."

Schwitters said UHW works with residents of its housing and some are able to move out and buy a single-family house, but most not a duplex. But he said there's a lot more chatter in the last year or so about moving people into ownership of duplexes and fourplexes than he's heard over the last 20 years. "I think there's some energy to try to test this," he said.

The Civic Caucus should explore a new paradigm. Schwitters said the Civic Caucus should look at the ways in which affordable housing funding is not aimed at and structured to benefit the people who need it most.