

Housing Crisis

by

Phil Rasmussen

For several decades politicians in cities and counties across this great land of ours content that we have a national housing crisis. This “catch-all” phrase, which literally means a housing shortage, is manufactured by politicians, and does not clarify the housing situation in communities around the nation. The phrase is also used international agencies and governments to draw attention to an [increasing need for affordable housing around the world](#).

While “housing crisis” is one of many mantras voiced by politicians, there is little discussion as to what causes this type of crisis. A [UN-Habitat](#) article states that “adequate housing is a basic human need and part and parcel of the right for an adequate standard of living for all.” The article goes on to describe elements of “adequate housing” but does not mention what causes the lack of such housing.

On the macro level, five major causes leading to a housing crisis have been identified.

1. Increased population growth
2. Increased community homelessness
3. Improper definition of affordable housing
4. Gentrification of a communityCommunity leadership ineptness

Each cause consists of a variety of social, economic, and political elements. For example, the increase of a community’s population is the result of two elements.

- Increased local birth rate
- Increased migration to the community

Although birth rate can be consistent and predictable, the migration of people to a specific community can be based on several factors. [ExtraSpace](#) and others who have studied why people move from one community to another, provide reasons that include:

- Desire for better, larger or downsized living space
- Improved economic opportunities
- Educational advantages
- Cultural and social connections
- Access to amenities and services
- Personal reasons such as change in marital status

Many of these reasons are intertwined. For example, an empty nest couple may want to downsize and move to a planned community that offers amenities and services.

State and local governments, and pseudo-government agencies such as tourism bureaus or economic development groups, often promote their location in order to draw more business, industry, visitors, or retirees to that region. This is usually done under the misconception of increasing the area's tax base or revenue.

The unaddressed and unacknowledged problem with promoting an area as desirable for whatever reason is that it increases the area's population, often times without the financial, economic, and housing resources being available. We can easily see the negative effects when a large population growth takes place, especially in a short time period. Sanctuary cities and states across the nation epitomize the housing crisis faced by these communities. Additionally, those migrating to specific cultural areas often face marginalization, stigmatization, and xenophobia by members of the host community.

Another housing crisis cause is a community's increase of the homeless. There are three basic causes for homelessness.

- The lack of a steady income to rent an apartment or own a home
- The inability to obtain or hold a steady job
- Eviction for any number of reasons including:
 - House or apartment destroyed
 - Domestic disputes
 - Gentrification

The definition of "affordable housing" has several different meanings. This leads to public ambiguity as to what the housing crisis is actually about. Here are four different interpretations of the term:

1. residential units that are made accessible to individuals and families with lower to moderate incomes, ensuring that housing costs remain manageable in relation to their earnings [HousingInfo.org]
2. housing where the occupant is paying 30% or less of the gross income on total housing, including utilities [[US News](http://USNews.com)]
3. housing that is "...reasonably adequate in standard and location for lower or middle income households and does not cost so much that a household is unlikely to be able to meet other basic needs on a sustainable basis [[Internet Archive - WayBackMachine](http://InternetArchive.org)]
4. a type of home with a monthly rent or mortgage cost that is reduced by the government [[Affordable Housing Online](http://AffordableHousingOnline.com)]

As mentioned, a housing crisis is defined as a housing shortage. Many Americans view the term as meaning a housing shortage for low-income households. The fact is that housing shortages can exist for middle- and high-income households as well as specific population groups such as:

- Seniors
- Persons with Disabilities
- Immigrants
- Families
- Veterans
- Homeless

The fourth leading cause of housing crisis is [gentrification](#). In many cases this is an unintended consequence of decisions made by local government and/or for profit and non-profit groups. For example, the League for Women Voters in Charlotte, NC, in the early 1990s, were not happy about the dilapidated housing in Charlotte's First Ward. The League pushed to have the housing destroyed and the area "revitalized," a euphemism for gentrification. As the public housing was torn down, low-income residents were essentially tossed out onto the streets and became a homeless issue that continues today. As gentrification continues to "upgrade" local neighborhoods the consequences include diminishing job opportunities, displacement and erosion of the community, increased socioeconomic and racial segregation, loss of cultural diversity, reduced services, loss of political influence, and increased homelessness and mental issues.

There is no doubt that most people want to live in a community that is well managed, has little crime, and provides the amenities and services that they desire. For this to take place, government must exist, and therein lies the crux of the matter. Government is inherently inept as we know.

There are five types of housing providers/managers:

1. Government agencies
2. For-profit companies
3. Non-profit agencies
4. Mom and pop landlords
5. Developers

While the first four providers manage the day-to-day operations of affordable housing, government and developers are in the position to directly address housing crisis. To

better understand government's role in a housing crisis we need to realize that government actually plays two roles.

When government is asked what its role in the community is, the most common response is "[shaping the community's present and future](#)." [GoodParty.org](#) defines seven roles of local government which includes "promoting community growth and development."

The 1989 movie, "Field of Dreams," postulated that "if you build it, they will come." Government agencies, along with economic development groups and tourism bureaus, will say that this concept fulfills its mission to promote community growth and development. They advertise and market their communities as areas of growth, quality living, great education, and many other amenities that people, business and industry seek. For example, in Henderson County, North Carolina the county commissioners courted a company that would bring 34 new jobs to the county, and authorized economic development incentives for the company to move to the county. On paper, this appears to be a good deal, but let's take a closer look.

The average salary for these jobs is close to the medium salary for county residents. Listed as high-tech agricultural jobs, the employees probably have either a 2-year technical school certificate or a college degree.

Most of the employees will likely be married. The average family size in Henderson County is two parents and one child. More than likely both parents will be working, which means that each family will have at least two cars.

The unfettered population and vehicle growth authorized by the government automatically increases the need for additional law enforcement, EMS, education, and health and social care services, which directly increases county expenses and consequently taxes. Such growth, also impacts other areas such as the depletion of natural resources including water forestry, fish and wildlife, along with deterioration of air quality and increased environmental pollutants.

As the population increases, local government officials will insist that a [housing crisis](#) exists. This is just one of many examples of government creating a crisis caused by their inability to foresee or totally ignore the consequences of their actions. The so-called crisis is a consequence of political actions and greed. Several actions can be implemented to mitigate the questionable crisis in most communities.

Lip service is often given to housing crises but little to no funding is provided to resolve the issue. The politicians can address the funding issue if they truly wanted to. More on that later.

For the moment, let's take a look at another aspect of the housing crisis. While politicians are courting business and industry, developers are buying up land to build houses on. There is no doubt that developers want to maximize their profits. They buy land and build houses on the land as cheaply as possible in order to get the greatest return on their investment.

According to [Homellght](#), the average cost of building a 2,100 sq ft home in North Carolina is \$141 per square foot or about \$296,100. Also, based on the average price of land per acre, the total cost would be about \$329,893 or about \$157 per sq. ft.

In a new subdivision in Henderson County, NC, the smallest home, 1416 sq ft, is selling for \$453,120 and is on a lot that is just over 1/2 acre. Based on the developer's selling price, the homes in this subdivision run between \$320 and \$345 per sq. ft. This square footage cost provides a 104 to 120 percent profit increase for the developer. Or in more practical terms a total profit exceeding \$2,400,000 beyond the investment costs.

Given the high profit margin of home building, developers are reluctant to build "affordable" housing. This is especially true when developers use the cheapest construction materials and construction methods. The profit margin is even greater when "best practices" are ignored and replaced with the lowest allowable methods. For example, when a house foundation is constructed, the building codes call for a minimum depth for the foundation and piers. While a deeper depth would provide a more solid foundation, developers usually only go to the minimum depth. In addition, "best practices" indicate that termite shields are placed on top of the foundation walls and piers. However, building codes often allow using treated lumber instead. This is a much a cheaper approach that significantly reduces the life expectancy of the house.

Though not mentioned as a major cause, the local population also impacts housing issues. Zoning changes has a significant impact on housing availability. In many communities, resident in single family zoning districts, vehemently oppose rezoning to multi-family and/or business/industrial, and for good reason, property values usually decrease in areas that are rezoned.

Coinciding with zoning are the applications put before government for group homes, rehabilitation centers, other social services, and local economic support services such as mini-marts. Nobody seems to want any of thee services but acknowledge that they are needed, "but not in my neighborhood."

In addition to the above causes, other reasons also exist that can cause housing shortages:

1. Lack of available land to build on

2. Excessive interest rates on home loans
3. Insufficient number of skilled tradesmen overall or in particular trades
4. Insufficient building materials
5. Increasing labor and material costs
6. Lack of local funding
7. Environmental or natural disasters and climate change
8. Man-made disasters
9. Social engineering

Is the Housing Crisis Fixable?

The housing crisis, i.e., shortage, can be resolved. Fixing it, however, requires a multi-faceted approach requiring the cooperation of government, developers, and the community, all working together. However, that is one big requirement!

With regard to government, a community's housing shortage can best be resolved at the local government level. To resolve this issue, local politicians/officials must first identify what is causing the housing shortage. That is, is the shortage primarily caused by population growth, homelessness, or a fairly equal portion of both?

If the cause is population growth, then the cause for that growth must be addressed. For example, if the community is regularly advertising the area as a great place for industry and a major portion of the growth is due to industry influx, then the government needs to stop advertising in the industrial sector. Similarly for other areas.

On the other hand, if the shortage is caused by homelessness, the cause also needs to be identified. One cause may be business or industry layoffs. In such cases, business and industry needs to work with local government to retrain and/or relocated the laid off workers. If the cause is gentrification, the government needs to use a portion of the gentrification funding to find, build, or refurbish housing for those who are kicked out of their homes.

Developers are quick to take advantage of housing shortages. If local land is available, they will buy it up, otherwise they may buy up vacant buildings. Regardless of how they obtain property, they will eventually have to put together a development plan and submit it to local government. The local government needs to have three things in place before passing on the developer's plans.

1. The local government must have a system in place to analyze the "[return on investment](#)" should the developer's plan is approved and moves forward.
2. Require the developer to focus on design, quality, long-lasting construction methods, and efficient use of building materials. The developer should be

focused on creating housing that does not contain extraneous design elements that serve little to no practical use other than esthetics. For example, extremely high-pitched roofs are not needed except in areas that receive large amounts of snow. Such high-pitched roofs require extra material and increased homeowner expenses, not to mention an increased safety issue when being built.

3. Require the developer to deposit a percentage of development cost into a special affordable housing fund or actually develop affordable housing within the county.

The community must accept the fact that they are also responsible for fellow residents. This means that special housing needs must be accepted by the community. For example, group homes, and treatment centers are needed and should be allowed to be built within any community as long as the architecture of such facilities align with the community's architecture. The rejection of building permits for such housing must be based on actual social research finding and not on property owners' conjectures.

One final aspect for resolving housing shortages should be the incorporation of technology. Technologies, such as [light-reflecting paint](#) and [low-cost structural retrofit](#) techniques can go a long way toward making homes safer and greener. As we embrace innovative construction technologies, let us not forget that housing is more than bricks and mortar. Solving the housing shortage also requires innovations in policy, finance, urban planning and beyond.

More than four out of five Americans (82%) agree that housing affordability is a problem in their city or county.

[NAHB](#) survey

Affordable Housing Defined

- An umbrella term encompassing a variety of government-subsidized programs for low-income families, seniors, and people with disabilities.
- Housing where the occupant pays 30% or less of the gross income on total housing costs, including utilities, insurance, etc.
- Housing assistance for low-income individuals, including housing vouchers or housing designated for residents below a certain income.
- A type of housing with a monthly rent or mortgage that is reduced by the government.