Freedom to Build

HOMES FOR THE HOMELESS

By Fergus Hodgson
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The state of Canada’s growing and problematic homeless population compels explanations and responses. Both have come in abundance, yet the chief underlying cause, the restrained supply of private housing, has not been addressed. By avoiding the issue and promoting a combination of expanded government housing projects, subsidized temporary shelters and mortgage programs for those on low-incomes, policymakers are entrenching the sorry fate of the underclass. Many simple and effective reforms could be enacted, but the relevant leaders demonstrate distrust for or a misunderstanding of private solutions, and sadly, the correct policy responses have not been given a reasonable chance.

Homeless individuals, due to their transient lifestyle, are difficult to count, and estimates vary. However, even one homeless person is one too many. The expanding homeless demographic gathered momentum despite the relative upsurge in the economy in the 1990s and early 2000s—evidenced most clearly by greatly increased requests with homeless shelters—and the recent economic slump has only exacerbated the problem.\(^1\)

Given Canada’s relative economic prosperity (comfortably within the top 15 nations in terms of per capita income), homelessness would seem to be unwarranted, and our cold climate makes it especially concerning.\(^2\) Every winter at least one homeless person freezes to death, and by not addressing the suffering associated with homelessness, which ought to jolt us into action, we perpetuate what has become a growing tax burden. A University of California study that followed 15 homeless individuals over an 18-month period found that each consumed an average of $200,000 worth of public services.\(^3\) The burden is likely to be similar, if not greater, in Canadian provinces. A conservative estimate puts the annual direct cost to Canadian taxpayers at $6-billion.\(^4\) Perhaps more important than direct costs, though, is that homelessness amplifies associated problems that impede participation in society and place expenses elsewhere. Without a home, one is more likely to lose a job, suffer from malnutrition and fall into substance abuse. Consequently, increased flow-on costs to unemployment insurance, medical care and policing are inevitable.

One might assume that homeless individuals are simply incapable of maintaining employment and a steady residence. Therefore, long-term support, be it governmental or private, is the only way to help ease their suffering. Certainly, there is a place for direct care of the homeless. However, a majority of the homeless are willing and physically
capable of employment, and approximately half already have day jobs; they simply cannot afford housing. Inn from the Cold, one of Calgary’s leading providers of assistance to the homeless, reports that 44 per cent of those who come to them already have employment, and the City’s annual homeless count found the proportion to be 50 per cent. Contrary to public perception, which is based on the most visible homeless, less than 20 per cent have drug or alcohol abuse problems, and only 20 per cent suffer from any kind of mental illness. Additionally, the presumption of homeless incapacity and necessary long-term dependence struggles to fit with the rapid increase in homelessness over the past few decades. Has a growing proportion of the population suddenly become inept—incapable of maintaining a residence and employment? Something else is going on.

The crux of the problem is a restrained supply of low-cost housing, which leads to higher prices. A minimum wage or low paying job is no longer enough to cover the cost of maintaining a residence, be it permanent or otherwise, in Canada’s major cities. In a 2005 Greater Vancouver homelessness count, well over a third of those surveyed identified the cost of housing or eviction as the main cause for their plight. (By including those who noted lack of income, the other side of the cost equation, the proportion rises to well over three quarters of those surveyed.) At least 1.7-million Canadian households already spend more than 30 per cent of their income on accommodation, and according to a 2006 survey, 49 per cent of Canadians fear poverty with the loss of only one or two pay cheques.

Calgary, one of Canada’s boomtowns in recent years, provides an example of rapidly growing homelessness in spite of low unemployment and notable prosperity. During the past decade, incomes in the city increased by 34 per cent, yet house prices increased by 156 per cent. Now, the Calgary Housing Company, the municipal low-cost housing provider, reports a waiting list of 4,200 individuals.

The correlation between house prices and homelessness in the United States was documented in William Tucker’s 1991 book Zoning, Rent Control and Affordable Housing before the problem became so noticeable in Canada. Not surprisingly, higher homelessness followed higher median house prices in U.S. cities. In fact, median house prices were by far the strongest predictor of homelessness. The two other variables with statistical significance were rent control and the rental vacancy rate. Importantly, expenditure on public housing per capita, the poverty rate and the unemployment rate did not have a statistically significant bearing on homelessness.

Higher house prices would tend to draw more resources into the construction industry. Until the past year, this appears to have happened...
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However, that capital inflow was channeled away from low-cost housing, and it faced a plethora of impediments: onerous building codes and inspections, city green belts and zoning ordinances, approval and consultation delays, and mandatory licensing within the relevant professional or journeymen designations. These restraints promote homogeneous, middle-class neighbourhoods, and they artificially inflate the cost of housing while limiting the consumer’s discretion over quality. If consumers benefited from the higher prices of professional association members, there would be no need to criminalize competition and resort to compulsion.

The more invasive deed mandates, such as lot size requirements and single-family restrictions (against shared dwellings), are perhaps the most perverse. Such rules stop poorer families from combining their purchasing power and sharing a home, and they insure the homes fit the desired profile of the town planners, not the profile of those who need them most. Consequently, they tend to increase the supply and lower the price of homes suitable for middle- and upper-class people while restraining the supply of housing at the bottom of the spectrum.

Aside from price distortions, the manifestations of these impediments range from bizarre to inconsiderate. An Inn from the Cold director in Alberta tells of people coming to the agency after inspectors expelled them from their home over mould on the walls. Apparently, that these people would be on the street was less important than compliance with inspections—not that anyone in the area, least of all the residents, had laid a complaint. A recent incident in Tampa, Florida, also provides insight into how homeless people suffer when freedom of property is diminished. The local Catholic charity proposed using one of its church’s 12-acre lots to provide individual assistance and makeshift shed-like and tent accommodation to those in desperate need. Despite a commitment to do background checks, a 24-hour police presence and fencing of the area, the county rejected the plan over fears of increased crime. Given the six-month waiting list for homeless accommodation in the area, one wonders where the individuals will go or how the lack of the private shelter would lower crime, but the will of the majority reigned on that occasion. (This is reminiscent of the ongoing court case against a church group in Calgary for giving away goods and services to homeless people in a park without a permit.)

The effects of building regulations, however, are felt most strongly over the long term, particularly in cities experiencing steady growth and an influx of migrants. (A recent survey in Toronto found one-third of the homeless there to be immigrants.) These barriers have limited effect on existing homes and businesses, so the less desirable outcomes accumulate over the decades. The lack of new, consumer-driven housing is not easily visible, even if the symptom, homelessness, is.
Is there a positive alternative to point to? Indeed there is. Houston, Texas, is a city without formal zoning codes (although over the last decade or two it has caught up with other cities by way of general land-use regulations). In his book *The Economics of Zoning Laws*, William Fischel points out that Houston has lower housing costs and more plentiful housing for lower income people than comparable cities. In fact, the Southern, less wealthy region of the United States, which tends toward lower house prices and fewer instances of rent control, does not have as severe a homelessness problem as the Western and Northeastern states.

In Canada, the response appears to be toward an ever-growing myriad of government sponsored programs—from the Canada Mortgage and Housing Corporation (CMHC) and the federal Homelessness Partnering Strategy to the array of provincial “home programs” which aid mortgages and purport to educate low-income individuals. The CMHC just keeps on growing, and it projects its 2009 assets to be more than a third of a trillion dollars—up almost 180 per cent from 2006. The money set aside for the CMHC is never enough, though, and the waiting list for subsidized homes remains years long.

The education programs are also counterproductive, since they fail to address the problem, and they promote expanded debt as a solution. Even if we assume that they achieve their goal of helping poor families gain and budget for mortgages, those families are just bidding up prices against other poor families for a still-limited supply of homes. Now they are in debt when they perhaps cannot afford to be that way. (Bear in mind, this approach of subsidized loans was a primary contributing factor to the past year’s sub-prime mortgage crisis in the United States.)

Even Calgary’s self-described “bold and innovative” 10-year plan to end homelessness, however well intentioned and collaborative, misses the point and perpetuates government dependence. With this plan, the Calgary Homeless Foundation put forward a 2018 deadline, but not one of its five strategies attacks the root causes. Their report does acknowledge that the rapid growth of homelessness in the city since 1990 coincided with rising housing costs, but there is no discussion about how the cost of housing could be turned around in a sustainable manner. The foundation also purports to involve the private sector and maximize the role of markets, but it still requires $60,000 from the taxpayer for every housing unit it sponsors, and it advocates nothing to ease the restrictions on independent housing providers.

At the heart of the responses in Canada, there appears to be a fear of private solutions—that individuals and housing providers, if left alone, would cause wrack and ruin and exacerbate the problem. Correspondingly, the responsibility must then rest with the government to resolve the social ill of homelessness. This faith-in-government
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approach is failing, as the relevant programs continue to expand. It entails bureaucratic misdirection of resources and a lack of accountability, which would not occur with direct charity—not to mention the ever-more-burdensome system of taxation and redistribution. Most importantly, though, it does not address the cause, and therefore it is not a genuine solution.

The current focus on government housing assistance and short-term treatment for homeless is a bit like placing an ambulance at the bottom of a cliff. Doing so does not address why so many people are falling off the cliff, and preventing them from falling in the first place would avert the damage received on the way down. Rather than address the symptom, homelessness, let us focus on the cause, a lack of housing, and do away with the numerous, cumbersome, shortsighted and destructive impediments to housing access. There is little choice. As James Rogers, a Christian author and economist, put it, “... to ban low-cost housing does not and cannot ban the people who need and use low-cost housing—they are still with us...”24
SOURCES


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