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OBSERVATIONS ON SOCIAL AND PSYCHOLOGICAL DETERRENENTS TO THE PRODUCTION OF LOW-COST HOUSING IN THE UNITED STATES

by

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The problems of "Housing" are dynamic and my title "Observations" hopefully leaves room to maneuver when this paper is presented some five months after it was written. The points I have focused on have been selected for their potentially long-term influence and may therefore remain current.

While I will limit myself to the "Housing" problem in the United States, I feel there is a world-universality to the characteristics of such problems.

We are here to direct ourselves to only one aspect of a much larger problem. The larger problem is urbanization and growth in a limited environment -- that is, "How can there be an equitable distribution of goods and services among the world's populations?"

Each country is faced with fighting for all they can get. At this point one should consider the current conflicts over social delivery systems within and between the government controlled and private market economic systems of the world.

By most standards the U.S. is a young country still trying to forge a single nation from a system which did not start out that way. The U.S. is a confederation of separate states in which there never has been full equality. There is, however, the freedom to shop around and live in the best State from each individual's point of view.

It is this very freedom that is to a degree the heart of the problem in this country. We have come to expect all states to be literally equal in all aspects of the so-called "good life". This same expectation exists now between nearly all countries in the world. The sheer numbers of new countries coming into existence almost totally precludes many of them from achieving their goals, now or in the future.

At one time this same problem could be seen among the European city-states. Through wars of attrition, viable associations were created which met the needs of the times to provide social and economic security for the most people.

The idea of social freedom and the return to nationalistic identities must somehow be attached to economic feasibility and the levels of responsibility associated with such a choice. U.S. and world frustrations are the result of such disassociative thinking and a blind attitude of not wanting to be bothered with the details. All these situations of state-to-state and nation-to-nation competition are the same now as they were a thousand years ago. The reasons are identical and the arguments the same; only the scale of the conflicts and needs have been enlarged.

In growth-oriented societies no one caters to the low end of the economic productivity ladder -- it simply is not identified as a good investment with a "blue-chip" rate of return.

There are some major social and psychological deterrents which underline the resistance to production of "Low Cost Housing" in this country and the world.

THE LANGUAGE OF THE DISCUSSION

In any discussion of "Housing" in the U.S. one should define the term lest it be confused with the home-building industry. Drawing upon a brief definition of "Housing" presented in the Preface to the proceedings of the first housing symposium in October 1970, it would be well to reiterate that "Low Cost Housing" is synonymous with "Lower Cost Housing" and "Housing for Lower Income Families". Stated more specifically, "Housing" is for the poor and the lower side of the middle-income group. It is best typified by the term "Public Housing Project".

In almost every area of public concern there is an advocacy group which in its frustration to achieve its own ends will resort to almost any tactic. The most recognizable of these tactics is the language of crisis, conflict and vengeful apocalypse of an angered God. It is unfortunate in some cases that the sun comes up and nothing happened. California did not sink into the Pacific Ocean!

"Housing" should be related with honest need, not with associated social evils.

The problem of language is not only how it is used, but what it means. The idea of a decent house or "housing" unit being the right of every citizen of the U.S. or the world is in itself a very confusing thought. Decent by whose standards? Even an "adequate housing unit" would be hard to define, but it could be better described.

"Adequate" could be related to the purpose of a house which is to provide shelter from the vagaries of weather, climate, protection from dangers and the local social requirements for privacy.

All these are relevant to some rather closely confined geographic and social constraints. It is detrimental to achieving a basic level of housing among the countries of the world without a ready cross-reference to describe national or intra-national requirements for local "Housing" adequacy.

SOCIAL VALUE CONFLICTS

The historic U. S. and possibly world social attitude towards a house or housing is that it is a goal to be achieved, a reward, in fact, for productivity or business accomplishment.

Basic attitudes and conditions have not changed to allow for a more optimistic interpretation to influence the development of "Housing" in the United States.

Again in a growth economy, the social pressure is to contribute, that is, to work. The larger group goal is upward social mobility and economic achievement. As the numbers of people unable or unwilling to achieve goes up, the gap between haves and have-nots widens.

This situation is active in all developing nations around the world and varies as to who can achieve and what is the measure of achievement. At what price is one individual allowed to gain social benefits over and above his contemporaries? Should everyone have the right to fail or should a prescribed measure of success in housing be guaranteed, no matter what else may be different?

The idea of the detached single family house on a private lot has its greatest expression in America and is in a close race with the automobile as the major force compelling our economic system.

A house is a strongly held social goal and as such is strongly promoted by all our communications media. General success and social status are measured by the house one is able to acquire and maintain. This is not new -- what is new are the numbers of people now living in private homes. These are not necessities, but goals achieved. The provision of housing as an item of public service -- particularly well-designed high amenity residential space -- goes against the grain of the social delivery system wherein such a house is considered a reward for achievement in one's line of work.

"A decent house for all Americans" is a good political slogan, but not a goal which all Americans are willing to provide to the least productive segments of our society.

So what we have is the previously defined "Housing" -- not very good and not really meant to be very good. The degree to which some "Housing" may be good can usually be traced to the specific efforts of some one or two dedicated people in a position to influence the project.

"Housing" is multi-family relatively high density apartment type living quarters. Low and medium income housing is for the racially or economically disadvantaged. In either "Housing" or apartments the concentration of large numbers of persons is becoming objectionable. There is a widely held theory that these people do not pay their way as regards community services and that they put a drain on the local school system. Neither is necessarily true!

Nonetheless, to overcome local objections, builders and managers exclude children and try to serve the expectations of only high income tenants. As a business venture the goal is to get the project approved, built and paying return on investment. It is a money-making business, not a social welfare program.

Lest I be accused falsely, let me say that I am not opposed to the goal of a decent house for every American or everyone everywhere. What I'm attempting to do is to suggest why we aren't achieving the goal here and elsewhere and to recommend we redirect our program emphasis.

There are those who would focus on racial discrimination as a social deterrent to housing and I admit that they are correct. It is not unique to this country and is a diversionary tactic in any case. Economic stratification is easier to define and affects everyone regardless of race, creed, color or national origin. To a great degree, only the racial antagonist, black or white, insists on continually interjecting this intangible into an otherwise solvable problem.

"Housing" is not a "black only" racial problem. It is a problem of economically disadvantaged groups, no matter how they got that way.

BUSINESS AND ECONOMIC DETERRENTS

The goal of a "decent" house for every American is not so socially motivated as it is economically motivated.

Think what six million new homes are worth to the national economy at (let's say) \$22,000 average cost per sale unit at 8% for 30 years. For each individual unit the tab amounts to roughly \$58,000 or a whopping \$348 billion nationally.

Since very few units actually are for sale at that price, this is a very minimum estimate. The catch in all this is that the assumption of worth rests on the word "sale". Any of these units that go into "Housing", public or subsidized, become units of cost which relate to loss rather than profit.

Current economic restraints, in which rents may be raised 5% per annum and credits are all to the landlords, puts renters whose earnings are more restricted at a decided disadvantage to achieve equity in their choice of rental housing.

"Housing" advocates have an interesting thesis which runs something like this: "Large corporations make more profits than they are entitled to and should, therefore, give a tax exempt amount (best determined by the advocate) to a non-profit housing corporation who will then build "Housing" in direct competition with the private market housing development corporation who must make a profit or go out of business since they have no other source of income.

Right now all "Housing" is potentially government owned, which presents an interesting situation. An increasing number of people are faced with living in government housing, yet the federal government now wants out of the landlord position at a time when private market builders refuse to enter the low income market which they know exists.

Compared to sheer numbers of people involved and the relative degrees of inadequacy which exist, housing problems in other countries of the world are far more compelling than those in the U.S. Few countries of the world, however, have such high expectations for individual housing quality. Ironically though, we rarely achieve as much quality designed "Housing" as do other countries. We are forever making the grand tour of European housing projects and new towns which we somehow equate to design differences rather than the real differences of political and economic systems.

Most of our recent attempts at solutions through building systems seem to focus on the wrong areas. For all the support being given to the Operation Breakthrough experiment, large scale housing has yet to be a reality as regards numbers of families housed. Breakthrough is now more significant for forced minority employment than housing produced.

Repeated research indicates that construction costs are not the high item in the home building cycle, but rather the money costs are the real problem. No comparable efforts to that of "Breakthrough" have been aimed at the money problem. As a matter of fact, no small part of "Breakthrough" problems have

been centered around escalating money costs -- not just the standard business inflation. The social-psychological attitude toward "Breakthrough" from financial interests has been that of just one more building project.

Building trades employment is now more sought after for a small percentage of the minority population than low-income housing for a growing economically-deprived segment of the total national population. Ill-housed groups are going to remain ill-housed, because a minority contractor will not build unprofitable buildings any more than his non-minority counterpart. He will go for the high profit business also, although of necessity he may cut his teeth on low-income housing because he will be able to cut corners where few people will be looking.

The plea for low-skill jobs and the effort to industrialize the home building industry are basically in direct conflict. On one hand, we demand labor intensive programs and on the other we demand increased industrialization. The current need for jobs is the result of the success of our industrial revolution. We have spent the last 100-150 years devising ways to eliminate manual labor. We constantly describe the construction industry as the last bastion of craft industry. To now saddle the effort to industrialize the housing industry with labor intensive requirements is one of the surest ways to doom its greatest single potential for success. Until this mutually exclusive dichotomy is resolved, relatively few low-income housing units can be expected.

Any number of instances can be cited where local banks have created mortgage loan risk pools, but then evaluated loans on a normal basis and few loans, if any therefore, are made. Such experiences readily become ammunition amongst the financial community to suggest such assistance is not really needed. The standard reporting of economic measures of productivity in the construction field lists commercial, industrial, institutional and housing starts and dollar value of starts in each area. Percentage increases are looked to as measures of success.

"Housing" in this reporting means single family homes and high rent apartments. Public housing is not included. Current first-of-the-year estimates for St. Louis County, one of the fastest growing in the nation, are for 11,400 new living units to be built in 1972, up 7% from 1971. The average value of the 1971 units was \$32,000 each.

At the same time the County recently lost an allocation for 330 units of proposed federally-assisted housing originally authorized in 1969 and never utilized.

The Home Builders Association in St. Louis County indicates that if they are enabled, by a change in the zoning ordinances, to increase the minimum lot density from 7,500 sq ft to 1,800 sq ft per unit they can get houses down to an average of \$22,000 with an estimated absolute minimum of \$18,000 at \$140 per month which equates to 8 1/2% interest over 30 years.

Open-housing and new building code issues were soundly defeated in the November 1971 Referendum in St. Louis County and this fact does not bode well for significantly major changes in residential density.

The net effect is that defacto economic segregation exists in this case and low to moderate income housing is not being built. The question arises as to whether this is a civil rights problem under our free enterprise form of government. Whether all economic groups must be accommodated in all geographic areas by government decree questions the existence of a free enterprise system.

CONFLICTS IN GOVERNMENTAL ADMINISTRATION

Except for the negative policies of FHA during the post World War II period which helped create suburbia by default, there has been no consistent positive national or state policy toward the provision of low-income housing in the U. S. Even the FHA mortgage loan program allowed the home building industry to act as a free-market economic enterprise.

Current national policy has tied HUD/FHA money to social goals in direct conflict with the autonomous free-market economy in which the home-building industry still operates. No realistic means has been established to allow a builder to get economic credit for meeting below-market needs for low-income housing

units. He still must do it and make a business profit or go bankrupt.

Mounting pressure for reduced welfare spending will rob the only current economic means of getting low-income people into new housing -- the rent supplement programs. National social bias against even these programs is indicated by the limit of 20% eligibility. Only 20 of every 100 units built are eligible and therefore open to low-income tenants.

Recent experience in St. Louis development projects and in the City's housing program reveal the conflicts and frustrations of providing development policy and financing.

A recent project approval for "236 Housing" next to the infamous Pruitt-Igoe project was for 166 units at \$200-\$400 per month rentals on three and four bedroom units. Rent supplement will get these down to \$150-\$180 per month for only 33 units -- neither of these rental levels meets the need of low-income tenants -- and who else is willing to live there? Default on these wrongly marketed units is almost guaranteed to put them into governmental housing status at a loss!

For the growing group of economically disadvantaged who are above the poverty line, yet still unable to buy a house, a new program was heralded into being in March 1971, titled "Housing Opportunity Allowance Program" (HOAP). The federal government, which allocated \$85 million for the program, hoped this action would quiet the growing resentment being voiced by families who were not included in federal subsidy programs for housing because of higher incomes.

Its purpose was to knock off \$20 a month from a mortgage payment, over a five year period, for families with incomes up to 50 percent over limitations now placed on the Federal Housing Administration (FHA) Section 235 home ownership plan. As of the end of September 1971 only 3,163 of a national total of 61,200 loans available had been made.

Local lending institutions were required to have sufficient borrowings from local federal home loan banks so that interest on advances would equal HOAP interest credits.

The problem here is that the program does not reflect the economic situation in which it is to operate, as many associations have no FHL bank borrowings and are not interested in getting any. Many do not believe the program is proper outside HUD-FHA or the Veteran's Administration. Again, a social conflict operating in financial constraint of "Housing".

This same feeling is reflected through the reluctant acceptance nationally of savings and loan associations for FHA or VA mortgages. Many association officers refuse to deal in these loans, and the association has only 12 percent of its total mortgage loan portfolio composed of these federally-subsidized or guaranteed loans.

One questions whether hit or miss governmental programs that do not mesh with the operations of the business packaging of housing developments are anything but mounting frustrations to an expectant public.

Under our current form of national government only the threat of withdrawal of funds has any real effect on local acceptance of national programs aimed at providing nationwide levels of quality. We are in the insane position locally of not solving problems so that we can remain eligible for federal funds to help us solve our problems. No one seems interested or capable of addressing himself to this situation without circling the field and coming out where he started.

This country was not built by government decree and it cannot be rebuilt by government decree, unless we change our economic system. The government has made its point -- there is a need for low and moderate income housing and it is recognized by the private market investors and developers. The problem now is how to get government out of the way and let the free market work.

Current interest in revenue sharing will reinforce regional parochial attitudes rather than singular national policy, and utter chaos is due if the then financed regional variations are not an acceptable outcome.

Currently, the outcomes of local referendums which do not reflect national policy are either being taken to court on grounds of constitutional rights violated, or placed on the ballot by self-appointed bureaucracies until the constituents are worn into submission. We are at war with ourselves, and if we don't stop we will lose.

In the meantime failure programs are being shifted from the local level to the metropolitan level. This should give us a five to ten year justification for not being able to solve our urban problems.

As far as low and moderate income housing is concerned, we are more likely to export a packaged house than to make it competitively available for occupancy in our own country. Maybe we'll even begin to import "Volkshausens"!