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INADEQUATE HOUSING AND ADEQUATE SOLUTIONS:
An Analysis of Habitat for Humanity in Birmingham,
Alabama

by Stefanie Haefele-Balch



The opinions expressed in this Graduate Policy Essay are the author's and do not represent official positions of the Mercatus Center or George Mason University.

ABSTRACT

This analysis examines the capability of the nonprofit sector in comparison to government intervention to reduce housing problems for the poor. Past government efforts have generally failed to improve housing, resulting in disastrous unintended consequences. While the government sector has the ability to affect the quantity of available housing, its efforts are fraught with efficiency problems. Conversely, even though nonprofits face some of the same limitations as the government, they have the ability to adapt different learning, feedback, and implementation mechanisms which provides unique and decentralized options for those seeking adequate housing.

A case study approach was conducted on the Birmingham, Alabama Habitat for Humanity (Birmingham Habitat), a nonprofit attempting to alleviate inadequate housing through homeownership. The research findings show that Birmingham Habitat outperforms government housing programs in producing lasting improvements in housing conditions; yet, Birmingham Habitat faces potential burdens and limitations through its ever-increasing participation in government-funded programs. The findings suggest that nonprofit organizations should be aware of, and adjust for, the challenges connected to continued interaction with the public sector. While general grants and government-sponsored volunteer programs may enable organizations to expand their capacity without changing their basic structure, involvement in more-specific government programs will likely do more harm than good.

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**Inadequate Housing and Adequate Solutions:
An analysis of Habitat for Humanity in Birmingham, Alabama**

Mercatus Policy Essay

By

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Table of Contents

1. Introduction.....	3
The Problem of Inadequate Housing	3
2. The Possible Avenues for Improving Housing for the Poor.....	9
The Private Sector.....	9
The Public Sector.....	11
The Nonprofit Sector	17
3. Why the Nonprofit Sector May Be Better Suited to Reduce Inadequate Housing.....	17
4. Research Methodology	21
5. The functions and scope of Habitat for Humanity International, Habitat for Humanity Greater Birmingham, and Birmingham Public Housing.....	24
Habitat for Humanity International.....	24
Habitat for Humanity Greater Birmingham.....	26
Birmingham Public Housing.....	32
6. Habitat for Humanity Greater Birmingham Effectively Alters the Available Housing Choices.....	35
The Capabilities of Habitat for Humanity Greater Birmingham	36
The Limitations of Habitat for Humanity Greater Birmingham.....	49
7. Conclusions and Policy Recommendations.....	55
Conclusions.....	55
Policy Recommendations.....	57
8. Appendices.....	62
Appendix A–Survey Instrument	62
Appendix B–List of Interviewees	63
Appendix C–Impact Questions and Data Introduction.....	64
References.....	65

1. Introduction

Like other countries throughout the world, the United States is plagued by recurring problems of substandard housing conditions for the poor.¹ One advocacy group, the National Low Income Housing Coalition, estimates that roughly 95 million people, or 35 percent of all Americans, live in inadequate housing.² The poor are the most affected: two-thirds of the people living in inadequate housing make less than 80 percent of the median income of their area.³ The inadequate housing in which many impoverished people live is a major social issue in the United States and throughout the world. While the problem is widely recognized, many efforts to increase quality housing, homeownership, and the living standards of the impoverished have done little to improve the situation. This essay will examine the capabilities and limits of various methods available, which aim to improve housing conditions and provide opportunities for homeownership, in an effort to more thoroughly understand the situation and the possible solutions to the problem.

The Problem of Inadequate Housing

The threat to the safety and comfort of those living in inadequate housing is an observable problem that inspires many people into action. Yet defining and quantifying the problem of substandard housing is a difficult task. A house may be considered inadequate by some individuals and not by others; the standards for housing in the United States are not equivalent to those throughout the world.

¹ According to the U.S. Census Bureau, poverty affected 13.2% of the population in 2008.

² National Low Income Housing Coalition, *America's Neighbors: The Affordable Housing Crisis and the People it Affects*, Washington, DC, 2004, 2.

³ National Low Income Housing Coalition, 2004, 7. (The definition of area median income: "Midpoint in the family-income range for a metropolitan statistical area or for the non-metro parts of a state. The figure often is used as a basis to stratify incomes into low, moderate and upper ranges." Freddie Mac, "Glossary of Finance and Economic Terms: Area Median Income," *About Freddie Mac*, http://www.freddiemac.com/finance/smm/a_f.htm.)

In America, inadequate housing generally includes high relative costs, poor physical quality, overcrowding, as well as the complete lack of shelter. While such indicators are ever changing, the Census Bureau and housing advocacy groups have made attempts to define and assess the problem.⁴ First, the burden of excessive housing costs has been defined as housing expenditures of 30 percent or more of total income.⁵ This is the most widespread issue, affecting roughly 30 percent of Americans.⁶ Second, poor housing quality includes the lack of certain utilities, incomplete or nonexistent bathrooms or kitchens, and unsafe building structures. Third, the Census Bureau determined that overcrowding, when there is more than one individual per room, occurred in over 6 million housing units in 2000.⁷ Finally, over 670,000 people were homeless in 2007, many of whom slept on the streets.⁸

The physical and monetary characteristics of improper housing described above help to define the problem. Yet the consequences and overall impact of the problem goes beyond what is easily observed. An array of academic literature captures the burdens of unstable and inadequate housing on one's health, education, and prosperity. People, particularly children, living in inadequate housing are more likely to have a disability, mental illness, or behavioral issues.⁹ Additionally, children in improper housing conditions experience more viral and bacterial

⁴ The characteristics of inadequate housing, while generally accepted, may also reflect the changing standards of living. For example, it used to be commonplace for multiple generations of a family to live together despite crowding. This analysis focuses on current standards.

⁵ National Low Income Housing Coalition, 2004, 9; Joint Center for Housing Studies, *The State of the Nation's Housing 2006*, Harvard University, 2009, 26. (30 percent of American households have moderate housing burdens, 12 percent are severely burdened.)

⁶ Ibid.

⁷ U.S. Census Bureau, *Historical Census of Housing Tables: Crowding*, Washington, DC, 2004, <http://www.census.gov/hhes/www/housing/census/historic/crowding.html>.

⁸ Joint Center for Housing Studies, 2009, 27.

⁹ Alex Marsh, David Gordon, Pauline Heslop, and Christina Pantazis, "Housing Deprivation and Health: A Longitudinal Analysis", *Housing Studies*, vol. 15, no. 3, May 2000.

infections, respiratory illnesses, anemia, and stunted growth.¹⁰ Children lacking proper shelter also attain less education and are more likely to be impoverished as adults than their peers with better home conditions.¹¹

In contrast, the benefits associated with maintaining and owning a house are substantial, including better living conditions through increased building quality and decreased neighborhood crime rates.¹² The children of such households are more likely to stay in school, get better grades, and be of better health.¹³ They are also less likely to have behavioral problems and teen pregnancies.¹⁴ Additionally, homeowners are more likely to be actively involved in politics and community organizations.¹⁵

Whether these benefits of homeownership are associated with the home itself or with the homeowner's stable financial position is unclear. Therefore, it is uncertain whether the poor currently residing in inadequate housing can simply achieve these benefits by owning a home. In fact, low-income homeowners often purchase older homes of lesser quality that are in more volatile neighborhoods.¹⁶ The long-term benefits of homeownership are achievable through consistent job placement, income, and home maintenance. In the absence of these attributes,

¹⁰ Megan Sandel, Joshua Sharfstein, Randy Shaw, Seth Kaplan, Mary Pulaski, and Tracy King, "There is No Place Like Home: How America's Housing Crisis Threatens Our Children," *Housing America*, San Francisco, March 1999; Lisa Harker, "Chance of a Lifetime: The Impacts of Bad Housing on Children's Lives," *Shelter*, London, September 2006.

¹¹ Harker, 2006.

¹² Susan Saegert and Gary Winkel, "Social Capital and the Revitalization of New York City's Distressed Inner-City Housing," *Fannie Mae Foundation: Housing Policy Debate*, vol. 9, issue 1, 1998.

¹³ Richard K. Green and Michelle J. White, "Measuring the Benefits of Homeowning: Effects on Children," *Journal of Urban Economics*, vol. 41, 1997, 441-461; Donald R. Haurin, Toby L. Parcel, and R. Jean Haurin, "Impact of Homeownership on Child Outcomes," *Low-Income Homeownership: Examining the Unexamined Goal*, Nicholas P. Retsinas and Eric S. Belsky eds., Brookings Institution Press: Washington DC, 2002.

¹⁴ *Ibid.*

¹⁵ William Rohe, George McCarthy, and Shannon Van Zandt, "The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research," *Research Institute for Housing America*, Washington, DC, May 2000.

¹⁶ George McCarthy, Shannon Van Zandt, and William Rohe, "The Economic Benefits and Costs of Homeownership: A Critical Assessment of the Research," *Research Institute for Housing America*, Washington, DC, May 2001.

homeowners may not be able to pay their mortgage or work to improve their neighborhood. Thus, homeownership may exacerbate their financial burden.¹⁷ Therefore, the self-perpetuating path dependency of poverty must be overcome in order to achieve the benefits and prosperity of adequate housing and homeownership. It is by this goal that one must judge the current efforts to improve the housing conditions of the poor.

This analysis determines the capability of potential avenues to reduce housing problems, with a particular focus on the nonprofit sector. Specifically, it focuses on the nonprofit organization Habitat for Humanity and its performance in the area of Birmingham, Alabama. The next section reviews the available avenues of change with regard to inadequate housing. The third section explores economic theory as to whether the nonprofit sector may be better suited to address social problems than the public sector. The fourth section discusses the research methodology employed for this analysis. The fifth section describes the function and existence of Habitat for Humanity as well as the state of government housing programs in Birmingham, Alabama. Then the sixth section provides an analysis of the capabilities of the nonprofit, Habitat for Humanity, to improve housing conditions in the Birmingham, Alabama area. The seventh section offers a conclusion and discusses policy implications.

2. The Possible Avenues for Improving Housing for the Poor

Upon recognizing the severe and widespread issue of inadequate housing as well as the consequences of such conditions on inhabitants, there is often a compelling desire to seek and administer change. When seeking to affect and improve living conditions for the poor, like all

¹⁷ Rohe, McCarthy, and Van Zandt, 2000.

social issues, there are three avenues available to bring about change. Those are the market, the government, and the social nonprofit sector.

The Private Sector

The market is capable of allocating scarce resources efficiently and fostering entrepreneurial discovery which leads to social advancement. This is the case because trade is conducted through the use of prices, which include information on the desire, availability, quality, and innovation of goods and services. The profit and loss system embedded in the market rewards successful entrepreneurs and redirects the efforts of those who have failed repeatedly. Hence, society as a whole will improve over time but a scale of earnings and living conditions will emerge among individuals within society.¹⁸ The difference in earnings is essential in a competitive market to promote strong performance and create the incentives for individuals to be accountable and responsible.¹⁹ The earnings of individuals who lack education, skills, and mobility (either by choice or by social, mental, or physical barriers and constraints) will fall on the lower end of the spectrum. Once in poverty, it requires much effort to improve one's situation.²⁰

Furthermore, since market system resources are allocated to their most efficient and valuable uses, there is a natural correlation between price and quality. Lower income housing will tend to be of lesser relative quality, whether in the form of materials, maintenance, location,

¹⁸ The improvement of living conditions over time is essentially connected to economic growth and prosperity which is provided by an open and competitive market. Individuals, nations, and the global community would not witness the current level of innovation and improvement without the market: it is the most important sector for reducing poverty and increasing living standards. Yet, these changes occur over time, where innovation may take a few years or a hundred. Any attempt to drastically and immediately alter the existence of poverty and inadequate housing will incorporate a social movement that works both within and outside of traditional market actions.

¹⁹ Ludwig von Mises, *Human Action: A Treatise on Economics*, Liberty Fund: Indianapolis, 1949 (2007), 287-289.

²⁰ The previously mentioned literature on the negative impact on health, education, and wealth accumulation of the poor and their families highlights this problem.

or aesthetic. While there is an obvious trade-off between lower housing costs and higher quality, the difficulty of improving one's situation can lead to a lower quality of life for a sustained period of time. Those seeking to improve their situation must be able to work hard and be willing to seek help from other individuals within society. Fortunately, in a free society, individuals seeking to help the impoverished can do so through charity and other forms of social entrepreneurship.²¹ Thus, in order to improve the living conditions of the poor, individuals must be willing to work outside of the profit motive and traditional market and instead become social entrepreneurs.²²

That leaves two remaining avenues of change: the government or the nonprofit sector. Both the government and nonprofit sectors lack the price system of the market sector, so they must use proxies for economic calculation in order to determine the value of their services, signal investors, and prove credibility and success.²³ How each sector deals with these problems of economic calculation will affect their ability to achieve their goals.

The Public Sector

The capability of the government to genuinely improve living conditions for the poor can be estimated by the success and evolution of both past and present housing initiatives. Since the 1930s, the federal government has been central to combating the ongoing affordable housing

²¹ Mises, 1949 (2007), 499. (This is evident through the work of numerous charitable organizations and innovations in peer-to-peer lending programs and other movements toward smaller, more personal institutions which can access and help the poor.)

²² Peter J. Boettke and Christopher J. Coyne, "Context Matters: Institutions and Entrepreneurship," *Foundations and Trends in Entrepreneurship*, vol. 5, no. 3, Spring 2009, 135-209.

²³ Peter Boettke and David Prychitko, "Is an independent nonprofit sector prone to failure? Toward an Austrian School interpretation of nonprofit and voluntary action," *Conversations on Philosophy*, Volume 1: Conceptual Foundations, December 2004.

crisis.²⁴ The efforts began with mass government apartment complexes, then mixed-income housing, and now include subsidies, vouchers, and tax deductions for private housing. Unfortunately, the previous attempts by the government to improve housing conditions for the poor have resulted neither in the expected outcomes nor the alterations and reforms needed to achieve genuine and long-lasting improvements.

The construction of mass government housing brought disastrous results. The concentration of poverty within government projects created an ample breeding ground for crime, drugs, and violence.²⁵ Such efforts have evolved into dilapidated housing units known for poor maintenance, high crime rates, and an overall poor quality of life.²⁶ In response, academics and policy researchers proposed that economically diverse neighborhoods would positively influence the conditions of public housing.²⁷ The Clinton administration initiated the HOPE VI program in 1993, which tore down the most horrendous projects and built mixed-income housing units in their place.²⁸ While aiming to improve the conditions of these neighborhoods, the program actually decreased the amount of affordable housing available to the poor.²⁹ Additionally, observations of mixed-income housing reveal little to no improvement of living conditions of the impoverished.³⁰ The reform toward mixed-income housing perpetuated the

²⁴ Margery Austin Turner and G. Thomas Kingsley, "Federal Programs for Addressing Low-Income Housing Needs," *A Policy Primer*, Urban Institute, December 2008.

²⁵ Claudia J. Coulton and Shanta Pandey, "Geographic Concentration of Poverty and the Risk to Children in Urban Neighborhoods," *American Behavioral Scientist*, vol. 35, 1992, 238–257; Jonathan Crane, "The Epidemic Theory of Ghettos and Neighborhood Effects on Dropping Out and Teenage Childbearing," *American Journal of Sociology*, vol. 96, 1991, 1226–1259.

²⁶ David J. Erickson, *The Housing Policy Revolution: Networks and Neighborhoods*, The Urban Institute: August 2009.

²⁷ Margery Austin Turner and Lynette A. Rawlings, "Promoting Neighborhood Diversity: Benefits, Barriers, and Strategies," *The Urban Institute*, Washington, DC, August 2009.

²⁸ U.S. Department of Housing and Urban Development, "About HOPE VI," *Public & Indian Housing*, <http://www.hud.gov/offices/pih/programs/ph/hope6/about/>.

²⁹ Austin Turner and Kingsley, 2008, 5-6.

³⁰ Alastair Smith, "Mixed-Income Housing Developments: Promise and Reality," *Joint Center of Housing Studies*, Harvard University and Neighborhood Reinvestment Corporation, 2002, 3.

emphasis on mass housing programs by focusing on building instead of addressing the underlying problems which hindered individual tenants from living in better housing.

Jane Jacobs, an urban planning specialist, noticed the downfall of public housing and proposed a hybrid solution called the guaranteed-rent method.³¹ Under this system, the government would encourage private builders to construct housing units by subsidizing loans as well as subsidizing the difference between rent levels and the amount residents are able to pay for housing.³² In other words, the emphasis on building is shifted from purely government funded and managed to the private sector through building grants, loan subsidies, and rental vouchers. Jacobs envisioned a dispersed population of government-subsidized housing across the city, which would eliminate the concentrations of poverty caused by mass housing projects.³³ By incorporating private builders, a more efficient allocation of resources would occur. Additionally, Jacobs hoped that as residents improved their financial positions, subsidies would reduce down to zero, allowing resources to go into more construction.³⁴

Similar to Jacobs's system, studies have shown that while some local policy remains focused on mixed-income housing, national policy is shifting towards more direct, tenant-based assistance.³⁵ By subsidizing the consumers instead of the producers of housing, the government can make housing more affordable without restricting the concentration of building efforts. This is done through the distribution of vouchers, which can be used to make rent and mortgage payments. Vouchers enable people to decide where, and in what type of housing, they want to

³¹ Jane Jacobs, *The Death and Life of Great American Cities*, The Modern Library: New York, NY, 1961 (1993), 417-439.

³² Ibid.

³³ Ibid.

³⁴ Ibid.

³⁵ John Quigley, "A Decent Home: Housing Policy in Perspective," *Wharton Papers on Urban Affairs*, Brookings Institute, Washington, DC, 2000, 53-88.

live, giving them the opportunity and freedom to change their living situation.³⁶ After the failure of project-based housing, the implementation of vouchers appeared to be a more promising program that encouraged individual decision making and decentralized building.

Yet, the restrictions and procedures which accompany many of these efforts have created additional unintended consequences. For instance, the focus on distributing vouchers to the poorest population results in subsidizing housing to individuals and families that are already, “on welfare or only recently off the rolls, forms part of a package of benefits—including food stamps, Medicaid, and the Earned Income Tax Credit—that have no time limits and that, taken together, constitute significant continuing public support for single-parent low-income households.”³⁷ While vouchers were intended to provide transitional opportunities for individuals who seek to get out of inadequate and into stable, quality housing, they actually reinforce dependence on public aid and sustained poverty.³⁸ For example, an individual working a job for minimum wage may decide to stay on housing vouchers rather than begin a second job just to pay rent. It is therefore not surprising that neighborhoods with voucher-aided residents have experienced decreased building quality, increased crime, and an overall reduction in the standard of living.³⁹

Many other initiatives were established over the past few decades to increase homeownership among the poor.⁴⁰ The Community Reinvestment Act, which was first established in 1977, aims at encouraging banks and other savings institutions to provide and

³⁶ Emily C. Schaeffer, “The Housing Voucher Choice Program: More than Just a Lagniappe for New Orleans,” *Mercatus Policy Series*, Comment No. 13, August 2007, 6-7.

³⁷ Howard Husock, “Let’s End Housing Vouchers,” *City Journal*, vol. 10, no. 4, 2000.

³⁸ Howard Husock, “The Housing Reform That Backfired,” *City Journal*, vol. 14, no. 3, 2004.

³⁹ Husock, 2000.

⁴⁰ Erickson, 2009.

expand credit for lower-income borrowers.⁴¹ Interest rate reductions by the Federal Reserve along with various government instituted incentives made home equity a cheap and accessible form of credit.⁴² Additionally, government-sponsored enterprises, such as Freddie Mac and Fannie Mae, were established to expand the credit available for low-income earners seeking mortgages by supplying federal money to banks.⁴³

While recent government programs have helped make housing more affordable for some of the poor, many of the programs leave out the severely poor and hard-to-house families—including multi-family households as well as the uneducated, the unemployed, and the elderly.⁴⁴ Additionally, the effort to make housing easy to obtain and less expensive tend to encourage some people, who are not ready for the responsibility, to become homeowners. Furthermore, attempts to improve living conditions for the poor and to increase homeownership in general lead to distortions in the available market solutions and reinforce government assistance over independent change and improvement. Howard Husock, an expert on housing policy, argues that,

Maybe our housing programs haven't failed because of some minor management problem but because they are flawed at the core. The truth is, devoting government resources to subsidized housing for the poor—whether in the form of public housing or even housing vouchers—is not just unnecessary but also counterproductive. It not only derails what the private market can do on its own, but more significantly, it has profoundly destructive unintended consequences. For housing subsidies undermine the efforts of those poor families who work and sacrifice to advance their lot in life—and who have the right and the need to distinguish themselves, both physically and psychologically, from those who do not share their solid virtues.⁴⁵

⁴¹ Federal Financial Institutions Examination Council, “Background & Purpose,” *Community Reinvestment Act*, <http://www.ffiec.gov/CRA/history.htm>.

⁴² Federal Reserves Board, *Open Market Operations*, <http://www.federalreserve.gov/fomc/fundsrate.htm>. (The Fed funds rate was kept between 1 and 4 percent for much of the past decade.)

⁴³ Rob Alford, “What Are the Origins of Freddie Mac and Fannie Mae?” *Historical News Network*, George Mason University, December 8, 2003.

⁴⁴ Susan J. Popkin, “Academic Perspectives on the Future of Public Housing,” *Testimony before the U.S. House of Representatives, Committee on Financial Services, Subcommittee on Housing and Community Opportunity*, The Urban Institute, July 29, 2009.

⁴⁵ Howard Husock, “We Don’t Need Subsidized Housing,” *City Journal*, vol. 7, no. 1, 1997.

Unfortunately, not only have many of the attempts to increase homeownership for the poor by the government have had devastating results, but they are intrinsically connected to the current financial crisis.⁴⁶ Fannie Mae and Freddie Mac artificially stimulated the creation and implementation of mortgage-backed securities and other derivatives which, at high distributions, clouded the signals and mechanisms in the market.⁴⁷ As homeownership increased, state laws—such as anti-deficiency statutes which favor homeowners after mortgage defaults—made it easier to run away from housing responsibilities.⁴⁸ These initiatives therefore had a major impact in destabilizing the entire housing market.⁴⁹

Yet, as Arnold Kling observed, “When it came to mortgage lending, the political pressure on policy makers all went in one direction—for more subsidies and fewer restrictions.”⁵⁰ In the end, many Americans purchased homes that they could not afford, expanding consumption outside their income boundaries. As housing prices began to decline, these homeowners—faced with financial hardship through increased debt—made the rational decision to default on their mortgages.⁵¹ Furthermore, when needed most, the housing agencies that had stimulated home purchases were rigid in structure and face inflexibility and inefficiency in the midst of crises.⁵²

The past efforts to increase homeownership and to alleviate inadequate housing for the poor by the government have generally failed to improve housing and resulted in disastrous

⁴⁶ Arnold Kling, “Not What They Had in Mind: A History of Policies that Produced the Financial Crisis of 2008,” *Mercatus Special Study*, September 14, 2009, 13-22.

⁴⁷ Kling, 2009, 13-22.

⁴⁸ Stefanie Haeffele-Balch and Todd Zywicki, “Loans are Not Toasters: The Problems with a Consumer Financial Protection Agency,” *Mercatus on Policy*, October 2009.

⁴⁹ Haeffele-Balch and Zywicki, 2009; Lawrence J. White, “A Flawed Regulatory Concept: The Community Reinvestment Act,” *Mercatus on Policy*, July 28, 2009.

⁵⁰ Kling, 2009, 19.

⁵¹ Haeffele-Balch and Zywicki, 2009; Gabriel Okolski and Todd Zywicki, “The Housing Market Crash,” *Mercatus Working Paper*, September 2009.

⁵² Margery Austin Turner, “HUD Disappoints in Housing Crisis,” *The Times Picayune*, New Orleans, June 03, 2006.

consequences, one of which being the financial crisis of 2008 and subsequent recession. Such findings show that while the government sector has the ability to affect the quantity of available housing, its efforts are fraught with efficiency problems. After many attempts at reducing housing problems throughout the world, some policy makers and advocates see an opportunity to rethink, redesign, and reinvest in finding a new solution to ensure quality housing for those in need.⁵³ Yet, this reality highlights the need for a different approach to combat inadequate housing rather than more government intervention.

The Nonprofit Sector

One such solution may be through the third avenue for change: the nonprofit sector. Organizations within the nonprofit sector offer individualized and decentralized options for those in need of support in seeking homeownership. While nonprofits face some of the same limitations as the government, they have the ability to adapt different learning, feedback, and implementation mechanisms as well as differing incentives and potential for success in reducing inadequate housing. The next section will further explore the capability of nonprofit sectors in comparison to the public and private sectors through economic theory.

3. Why the Nonprofit Sector May Be Better Suited to Reduce Inadequate Housing

Much research has accumulated addressing what is required to successfully and sustainably provide affordable housing options for the poor. This research highlights the various arguments for government involvement and the limitation and unintended consequences of past reform as well as opens up the debate to the potential of nonprofit organizations. By

⁵³ United Nations, “Press Conference by Special Rapporteur on Adequate Housing,” October 24, 2008, http://www.un.org/News/briefings/docs/2008/081024_Rolnik.doc.htm.

incorporating economic theory, the lessons from past reform, and requirements for successful affordable housing initiatives, an understanding of what is needed to improve housing problems can be ascertained.

As previously noted, the negative impacts associated with inadequate housing are substantial, resulting in diminished health, mental functioning, educational attainment, and economic status. Yet efforts to improve living conditions that do not foster individual responsibility and independence have been found to be unsustainable in the long-run. Therefore, the success of housing efforts is determined by an ability to improve multiple aspects of life, including housing conditions, the financial burden of housing, job stability, and individual accountability. Economic theory can be used to gain an understanding as to whether public or nonprofit initiatives are better suited at achieving these guidelines. Specifically, theory regarding market and nonmarket processes, institutions, and social coordination can provide an understanding of how public and nonprofit sectors obtain information as well as learn and adapt to changing circumstances.

Nobel Laureate F. A. Hayek saw the limitations of the human mind to grasp the components and mechanisms of society and articulated the problem of dispersed knowledge in the coordination of economic and social activities.⁵⁴ Specifically, organizations and individuals must find a way to overcome “a problem of the utilization of knowledge not given to anyone in its totality.”⁵⁵ Yet, coordination and interaction exists within society. Adam Smith observed that the process of making a simple woolen coat is divided among multiple individuals who do not

⁵⁴ F. A. Hayek, “The Use of Knowledge in Society,” *American Economic Review*, vol. XXXV, no. 4, September 1945, 519-530.

⁵⁵ *Ibid*, 520.

know one another.⁵⁶ Additionally, Mises observed that the market, through prices, contains the information needed to effectively allocate resources through production and consumption.⁵⁷ By using prices as a medium of exchange, individuals can access the knowledge which is dispersed among all members of society.⁵⁸ Thus, the market tends to solve Hayek's knowledge problem. Additionally, the ability to make profits, and losses, is what drives entrepreneurial discovery, innovation, and all economic activity in general.⁵⁹

Neither the public nor the nonprofit sectors can utilize the effective feedback mechanisms of the market—the price system and profit and loss. Yet, as Boettke and Coyne point out, there are proxy mechanisms available to guide actions and signal social approval.⁶⁰ The difference between both sectors is the level of coordination of dispersed knowledge and resource allocation proxy mechanisms achieve. Thus, the mechanisms that most closely resemble those of the market will have the most potential to meet the guidelines for effective long-term improvements in the housing conditions of the poor.

The work of Mises, Weber, and Tullock form an understanding of the abilities and limitations of government through its bureaucratic structure. The government operates as a centralized decision-making institution. Since it lacks prices to coordinate the desires and needs of individuals, it uses protocols and procedures to assess problems and choose solutions.⁶¹ The rigid bureaucratic structure of the government forces decisions to be made and implemented

⁵⁶ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Edwin Cannan ed./trans., Library of Economics and Liberty, 1776 (1904), 21-40.

⁵⁷ Mises, 1949 (2007).

⁵⁸ Hayek, 1945.

⁵⁹ Israel M. Kirzner, *Competition and Entrepreneurship*, University of Chicago Press: Chicago, IL, 1973.

⁶⁰ Boettke and Coyne, 2009.

⁶¹ Max Weber, "Bureaucracy" and "Bureaucracy and Political Leadership," *Economy and Society: An Outline of Interpretive Sociology*, University of California Press: Berkeley, CA, 1978, 956-1003 and 1393 – 1416; Ludwig von Mises, *Bureaucracy*, Bettina Bien Greaves ed., Liberty Fund: Indianapolis, IN, 1944 (2007).

from the top down.⁶² Yet the bureaucratic structure also restricts the ability to adapt to unforeseen circumstances.⁶³ This lack of flexibility results from a limited access and understanding of social knowledge. Thus, the centralized government structure results in the execution of rigid and inflexible policy, by even the well-intended policy makers.⁶⁴

Despite these negative aspects, government can implement nationwide programs and take advantage of large budgets through widespread forced taxation. Yet policy should not just be implemented for its own sake but, instead, should foster competition as well as encourage innovation and change. Skarbek and Leeson, in *What Can Aid Do?*, argue that the capability of government intervention is confined to increasing “a given output by devoting more resources to its production.”⁶⁵ Economic progress, on the other hand, is outside of the realm of government action because central planners are incapable of learning how to allocate resources efficiently.⁶⁶ Therefore, despite success in increasing the number of housing units available to the poor, government efforts cannot determine which locations or techniques will produce the best results. Even when public initiatives are based off of decentralized structures, there is a lack of knowledge and adaptability which is needed for continued success.

Similarly, Nobel Laureate Ronald Coase, in his seminal work on the Federal Communications Commission, warns of the misallocation of resources that can come from poorly designed policy.⁶⁷ Through a critique on publicly owned and distributed radio spectrum,

⁶² Gordon Tullock, “Bureaucracy,” *The Selected Works of Gordon Tullock: Volume 6*, Liberty Fund: Indianapolis, IN, 1965 (2005), 168-175.

⁶³ Russell Sobel and Peter Leeson, “The Use of Knowledge in Natural-Disaster Relief Management,” *The Independent Review*, vol. XI, no. 4, Spring 2007, 519-532.

⁶⁴ Mises, 1944 (2007).

⁶⁵ David B. Skarbek and Peter T. Leeson, “What Can Aid Do?” *Cato Journal*, vol. 29, no. 3, Fall 2009, 391-397(392).

⁶⁶ Ibid.

⁶⁷ R. H. Coase, “The Federal Communications Commission,” *Journal of Law and Economics*, vol. 2, October 1959, 1-40.

Coase argues that decentralized rights to radio spectrum would improve the allocation, service, and efficiency even though it is widely believed to be a public good.⁶⁸

When regulation and welfare programs offer disappointing, if not disastrous, results, policy makers often attempt to fix the problem with more reform and regulation rather than less.⁶⁹ Specifically, Ikeda states that, “public choosers [tend] to extend interventionist policy to address coordination failures that are in fact merely the inevitable result of prior intervention.”⁷⁰ The inability of policymakers to overcome the knowledge problem results in expanding regulation and legislation until a point of crisis.⁷¹ At the time of crisis, an evaluation of the effectiveness intervention may occur and hopefully actual reform may take place. The current inadequate housing situation may have reached such a regulatory crisis and may open the possibilities for alternative avenues for change, such as the nonprofit sector.

Nonprofit organizations face the same knowledge problems the government does as well as additional limitations to funding and growth. However, these barriers, in addition to open competition, can provide an incentive toward more accountable behavior. For instance, funding obtained through donations is determined and sustained by the reputation as well as the expected and actual performance of the organization.⁷² Additionally, the decentralized structure of nonprofit organizations, while adding to the limited short-term scale of programs, provides valuable ways to access and use the local knowledge of volunteers, employees, and beneficiaries.

⁶⁸ Ibid.

⁶⁹ Sanford Ikeda, *Dynamics of the Mixed Economy*, Foundations of the Market Economy Series, Routledge: New York, NY, 1997; Ludwig von Mises, *A Critique of Interventionism* (Kritik des Interventionismus), trans. by Hans F. Sennholz, Arlington House: New Rochelle, 1929 (1977).

⁷⁰ Ikeda, 1997, 217.

⁷¹ Ikeda, 1997.

⁷² Boettke and Prychitko, 2004; Emily Chamlee-Wright, “Comment,” *Conversations on Philosophy*, Volume 1: Conceptual Foundations, December 2004.

For example, Habitat for Humanity uses volunteers of various skill sets to build homes. As a result, amateurs and experts work together and share the knowledge of homebuilding.

These mechanisms reveal that the nonprofit sector performance falls in between the coordination of the market and the lack of coordination of the government.⁷³ Along these lines, Adam Martin describes the characteristics of organizational feedback mechanisms as a scale, with sole proprietorship as the tightest, bureaus as the loosest, and private charity somewhere in between.⁷⁴ While each sector faces the same problems of accessing and utilizing dispersed knowledge, tighter feedback mechanisms provide certain sectors and organizations the tools needed to lessen and even overcome the problem. Nonprofits, while lacking the economic calculation necessary to be equivalent to the market, do have autonomous organizational structures and competitive and free entry.⁷⁵ Therefore, this suggests that flexible and decentralized nonprofit organizations have a better opportunity for overcoming the knowledge problem than centralized and rigid government agencies.

Furthermore, there is evidence of the success of nonprofit and decentralized efforts to form communities and encourage prosperity. Chamlee-Wright, in her research on the cultural economy of New Orleans post Hurricane Katrina, reveals the flexibility and strength of individual social efforts on community redevelopment and stabilization.⁷⁶ Chamlee-Wright describes how individual social entrepreneurs can be alert to opportunities unseen by government because they are interested in opportunities to impact social conditions, such as the problem of

⁷³ Adam Martin, "Emergent Politics and the Power of Ideas," *The Use of Knowledge in Comparative Economics*, Dissertation Chapter 3, 2009.

⁷⁴ Ibid, 64.

⁷⁵ Ibid, 65.

⁷⁶ Emily Chamlee-Wright, *The Cultural and Political Economy of Recovery: Social Learning in a Post-Disaster Environment*, Routledge (Routledge Advances in Heterodox Economics): New York, NY, 2010.

inadequate housing.⁷⁷ Nonprofit organizations can act and adjust quickly, without having to follow political motives and strict procedures.⁷⁸ Chamlee-Wright and Storr further argue that social entrepreneurs, while working in collaboration with commercial businesses and entrepreneurs are essential to the organization, advocacy, and action of returning and rebuilding after a disaster.⁷⁹ In fact, successful social efforts are often impeded by and must go around government rigidities.⁸⁰

Moreover, Storr and Haeffele-Balch propose that successful post-disaster recovery is necessarily a decentralized process, by exploring the achievements of neighborhood associations to relocate and revive their communities and Habitat for Humanity to actually rebuild homes in New Orleans post Hurricane Katrina.⁸¹ Such decentralized efforts, led by nonprofit organizations working with individuals and businesses, responded, organized, and acted faster than government counterparts. If nonprofits can access local knowledge and achieve results under the chaotic circumstances post-disaster, they may be even more capable to affect communities and achieve social change in more stable situations.

In summary, nonprofit organizations appear to have better feedback mechanisms than the government. Their decentralized structure enables these organizations to innovate and establish standards and processes which support hard work, responsibility, and social and economic advancement that centralized welfare programs cannot replicate. The following sections will discuss the activities, scope, and performance of nonprofit programs in contrast to government initiatives, specifically Habitat for Humanity efforts and housing programs in Birmingham,

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Emily Chamlee-Wright and Virgil Henry Storr, "The Role of Social Entrepreneurship in Post-Katrina Community Recovery." *International Journal of Innovation and Regional Development*, vol. 2, no. 1/2, 2009, 149-164.

⁸⁰ Ibid.

⁸¹ Virgil Henry Storr and Stefanie Haeffele-Balch, "Can decentralized bottom-up post-disaster recovery be effective?" *Mercatus Working Paper*, April 2010.

Alabama. Yet first, a description and explanation of the methodology used in this analysis, that of comparative institutional analysis and qualitative research, is in order.

4. Research Methodology

By examining the actual practices, limitations, and relationships of Habitat for Humanity Greater Birmingham to improve housing conditions, this analysis aims to determine the capability of nonprofit organizations to effectively engage in social change when their government counterparts have struggled to achieve. Specifically, the analysis aims to determine the capacity of Birmingham Habitat to provide adequate and durable housing to the poor. Therefore, it is not just important to observe *what* the Birmingham Habitat is doing but *how* it is affecting individuals and communities. In order to gain insights about the inner workings of the organization and its effect on the individuals involved, interviews were conducted with both employees and homeowners within the Habitat program. By speaking directly to the individuals involved, an understanding of the state of inadequate housing, the available options for assistance, and the details of unique situations can be discerned.

Over the course of two separate trips to Birmingham, Alabama, four Habitat employees and fifteen Habitat homeowners were interviewed. The first visit, in December 2009, began with a purposive sampling of employees and homeowners (with the scheduling assistance of the Habitat employee in charge of family development) and resulted in all of the employee and two-thirds of the homeowner interviews. The second visit, in February of 2010, consisted of five more conversations with homeowners. In order to obtain the most information possible, each interview was recorded and all homeowner interviews were conducted by a two-person team. The survey instruments used for employees and for homeowners consisted of open-ended

questions which encouraged interviewers to talk at length about their experiences and opinions of their lives, housing, and Habitat for Humanity. Follow-up questions were used to gain further information and to guide the interview. Additionally, homeowners were asked direct questions about their and their children's health and level of motivation since moving into their own home. In response, the yes or no answers were used to formulate an overall view of homeowners and the impact Habitat had on their lives. The survey instruments used during the interviews can be found in Appendix A.

There are numerous benefits to employing qualitative interviews to gain insights on the impact of actions on individuals within society. While actions and outcomes can be easily observed, their impact on individuals and society can only be seen by immersion into society itself. Detailed opinions and information that are not included within data sets can be obtained by talking to the people who are imbedded within the phenomenon we want to understand.⁸² As Weiss argues in favor of the use of interviews, "We can learn what people perceived and how they interpreted their perceptions. We can learn how events affected their thoughts and feelings, their work, and their selves. We can learn about all experiences, from joy through grief, that together constitute the human condition."⁸³ Only by talking to the people involved in the phenomena being observed can we learn this. In other words, "interviewing rescues events that would otherwise be lost."⁸⁴ Specifically, qualitative interview data can be used to understand the options, motivations, and expectations of social entrepreneurs and people seeking affordable housing through government assistance or nonprofits.

⁸² Chamlee-Wright, 2010, 23-36.

⁸³ Robert S. Weiss, *Learning from Strangers: The Art and Method of Qualitative Interview Studies*, Free Press: New York, NY, 1994, 1.

⁸⁴ *Ibid*, 2.

Qualitative interviewing is characterized by an open conversation where the participant gives detailed information. This time consuming and loosely formatted method often uses a smaller sample size and relies on quotations rather than statistical summaries.⁸⁵ The use of interview teams, recording devices, and note-taking is essential to absorbing the variety and depth of conversations. Furthermore, by incorporating open-ended questions and fixed questions, both qualitative and quantitative data on the experiences, expectations, and motivations of individuals and organizations can be gathered.

The information gleaned from interviews was augmented from newspaper articles as well as published academic works. A tradition of employing a bundle of multiple methods in order to thoroughly understand the various aspects of organizations, institutions, and phenomena has been developed and cultivated by Nobel Laureate Elinor Ostrom, Boettke, Chamlee-Wright, and other scholars of social science.⁸⁶ The use of both qualitative and quantitative methods will enable a dynamic comparison of both the observable and more personal aspects of Birmingham Habitat's capacity to provide adequate housing to the poor.

In the following section, interviews will be quoted and referenced in order to highlight the capabilities and limitations of Birmingham Habitat. In order to protect the integrity of interviewees, they have been given aliases whenever possible and will be designated by the symbol, +. Exceptions include employees of Birmingham Habitat and any homeowners who have been interviewed by local media, which has supplemented the qualitative analysis. A list of interviewees and the specific trip they were interviewed during can be found in Appendix B.

⁸⁵ Ibid, 3-8.

⁸⁶ Chamlee-Wright, 2010; Paul Dragos Aligica and Peter J. Boettke, *Challenging Institutional Analysis and Development: The Bloomington School*, Routledge: London, 2009; Elinor Ostrom, *Understanding Institutional Diversity*, Princeton University Press: Princeton, NJ, 2005.

5. The Functions and Scope of Habitat for Humanity International, Habitat for Humanity Greater Birmingham, and Birmingham Public Housing

Habitat for Humanity International

Habitat for Humanity (Habitat) is a promising example of a nonprofit organization that is working toward alleviating inadequate housing. As an international nonprofit organization with over 1700 affiliates in cities and counties across the United States, Habitat provides the opportunity of owning affordable, modest homes to low-income individuals living in inadequate shelters.⁸⁷ Furthermore, Habitat has received vast recognition and support, resulting in continued growth and measurable success. In fact, Habitat was ranked as the number one private home builder, and 11th overall, in *Builder* magazine's 2008 Builder 100 listing.⁸⁸

The organization was founded by Millard and Linda Fuller in 1976. The Fullers had left their home and business in Alabama to live and work on Koinonia Farm, a Christian community in Georgia where Millard worked with families to build their homes.⁸⁹ While at Koinona, the Fullers developed a faith-based model of building involving partnerships between homeowners, sponsors, and volunteers as well as providing a mortgage that covers the cost of building materials and accumulates no interest. The Fullers see this model of "partnership building" as a way of spreading Christian principles, in particular the beliefs that every individual deserves a

⁸⁷ Habitat for Humanity, *Learn about Habitat for Humanity*, <http://www.habitat.org/how/default.aspx>.

⁸⁸ Allison Rice, "Habitat, Shea Homes Occupy Top Private Builder Spots in 2008," *Builder*, May 7, 2009; "2008 Builder 100," *Builder*, <http://www.builderonline.com/builder100/2008.aspx?currrank=asc&prevrank=&company=&closings=&closingschange=&revenue=&revenuechange=®ion=&type=&next=&whattheybuild=>.

⁸⁹ Howard Husock, "It's Time to Take Habitat for Humanity Seriously," *City Journal*, vol. 5, no. 3, 1995; Bettie B. Youngs, *The House That Love Built: The Story of Linda & Millard Fuller, Founders of Habitat for Humanity and the Fuller Center for Housing*, Hampton Roads Publishing Company: Newburyport, MA, 2007.

decent home, that love and action are the best form of ministry and that discussion and common ground is possible through working side-by-side with people of different faiths and ideologies.⁹⁰

Habitat facilitates homeownership for those who are willing to work and able to pay. In order to effectively reduce the number of impoverished people living in adequate housing, Habitat has structured a program that requires potential homeowners to prove their ability and desire for homeownership. These standards include that potential homeowners: (a) make between the 25 percent to 50 percent of the area's median income; (b) take classes on homeownership, home repair, and personal finances; (c) complete "sweat equity" hours by working on other homes or at the Habitat offices; and (d) make monthly payments on their at-cost, no-interest mortgages.⁹¹ Habitat also uses a decentralized organizational structure. Although the centralized headquarters track national and international progress and organize advocacy programs, broad fundraising, and media outreach, the houses are built and prospective residents are screened by independent city and county affiliates and their local partners.⁹² Through its programs and structure, the organization aims to foster independence and prosperity by supporting, teaching, and encouraging homeowners to literally build their own futures.

Habitat determines the desire of potential homeowners and reduces the risk of resource misallocation through a thorough application, training, prerequisite work, and building process. By requiring that potential homeowners (who can enlist the help and support of their friends and family) volunteer a significant number of hours with Habitat to provide "sweat equity" and that they attend homeownership classes, Habitat actively works to ensure that only those individuals

⁹⁰ Millard Fuller, *The Theology of the Hammer*, Smyth & Helwys Publishing: Macon, GA, 1994; Jerome Baggett, *Habitat for Humanity: Building Private Homes, Building Public Religion*, Temple University Press: Philadelphia, PA, 2000.

⁹¹ Husock, 1995; Baggett, 2000.

⁹² Ibid.

who are committed to homeownership qualify for its houses.⁹³ This is evident by the low levels of foreclosure and repossession of property within the program. Habitat reports consistent nationwide foreclosure rate of roughly 2 percent.⁹⁴ Additionally, because Habitat works through local affiliates and partners with local organizations—such as other nonprofits, churches, and businesses—it is able to tap into local knowledge as they screen potential homeowners.

While the ability for Habitat to dramatically reduce the number of people living in inadequate housing is limited in scope and scale, other nonprofit organizations do provide similar programs.⁹⁵ The competition and coordination among organizations may be able to make a substantial impact on the housing conditions of individuals of all ranges of poverty and needs.

Habitat for Humanity Greater Birmingham

The narrowed location of Birmingham, Alabama provides a rich environment for conducting an analysis of this sort. The surrounding metropolitan area has a percentage of people below the poverty level roughly equivalent to the nation (13.5 percent in 2005–2007), while the city has a percentage of over twice that of the nation (27 percent in 2005–2007).⁹⁶ Additionally, Birmingham has a wide variety of government housing projects and homeownership programs

⁹³ Nicole Gelinas, “The Big Easy Rebuilds, Bottom Up,” *City Journal*, vol. 18, no. 2, 2008.

⁹⁴ Jolanda Morgan (Media Relations Manager, Habitat for Humanity International), “Questions regarding HFH data,” E-mail to the author, August 7, 2009.

⁹⁵ For a list of other nonprofit organizations dealing with housing issues, see:
http://www.cnhed.org/shared/custompage/custompage.jsp?_event=view&_id=445505_U127242__149593.

⁹⁶ U.S. Census Bureau, *Fact sheet: Birmingham city, Alabama*,
http://factfinder.census.gov/servlet/ACSSAFFacts?_event=Search&geo_id=&_geoContext=&_street=&_county=Birmingham&_cityTown=Birmingham&_state=04000US01&_zip=&_lang=en&_sse=on&pctxt=fph&pgsl=010; U.S. Census Bureau, *Selected population profile in the United States: Birmingham-Hoover, AL Metropolitan Statistical Area*, http://factfinder.census.gov/servlet/IPTable?_bm=y&-context=ip&-reg=ACS_2007_3YR_G00_S0201:001;ACS_2007_3YR_G00_S0201PR:001;ACS_2007_3YR_G00_S0201T:001;ACS_2007_3YR_G00_S0201TPR:001&-qr_name=ACS_2007_3YR_G00_S0201&-qr_name=ACS_2007_3YR_G00_S0201PR&-qr_name=ACS_2007_3YR_G00_S0201T&-qr_name=ACS_2007_3YR_G00_S0201TPR&-ds_name=ACS_2007_3YR_G00_&-tree_id=3307&-geo_id=31000US13820&-search_results=01000US&-format=&-_lang=en.

which reflects the existence of inadequate housing and the need for appropriate and sustainable housing solutions.

The local Habitat affiliate, Habitat for Humanity Greater Birmingham (Birmingham Habitat), was established in 1987 and serves the population of metropolitan Birmingham as well as the surrounding area of Jefferson, Shelby, and Walker counties. It has built over 350 homes, at a current rate of 40–45 homes per year, and is ranked sixth out of all national Habitat affiliates for its performance and size.⁹⁷ Birmingham Habitat accomplishes this success by not only following the structure and functions set forth by Habitat for Humanity International but by taking advantage of its employees' marketing skills as well as unique expansion opportunities. Such activities include: family development, home building, special building events, home repair, a discount home improvement center, and the acquisition and repair of foreclosed houses.

Family development includes the selection of applicants, the implementation of development workshops, and with the oversight of mortgage payments. The affiliate follows the guidelines requirements set forth by Habitat as well as additional requirements for potential homeowners, such as a minimum credit score of 550, established responsibility when there is no credit history, an examination of debt and equity to determine ability to pay, and before acquiring a house a down payment of \$1,000 must be paid.⁹⁸ After applicants are accepted into the program, they must attend developmental workshops about managing personal finances, fixing minor home repairs, managing and conserving utilities, and other topics which help provide the tools needed to become homeowners. In addition, a minimum of 300 sweat-equity hours must be completed by individuals and their family and friends before construction on their

⁹⁷ Habitat for Humanity Greater Birmingham, *About Us*, <http://www.habitatbirmingham.org/aboutus/index.php>. [Hereafter: Birmingham Habitat, *About Us*]

⁹⁸ Sabrina Balch (Development Coordination, Habitat for Humanity Greater Birmingham), *Various e-mails to the author*, November 2009 – April 2010.

home can begin. The family development office works to coordinate and keep track of these hours, which can be completed by volunteering at the Birmingham Habitat office, the discount home improvement center, or at builds. Once applicants have been approved, participated in training courses, and completed their sweat-equity hours, they work with employees and volunteers to build their house. Then after applicants obtain their house, the family development office collects mortgage payments and provides support for homeowners.⁹⁹

Home building is the major activity of the Birmingham Habitat, resulting in 45 new homes in 2009. Houses are built on individual lots as well as in over nine small concentrated neighborhoods and communities. The land is either purchased by the affiliate, donated by individuals and corporations, or appropriated by the local government. The communities developed by Birmingham Habitat range in size, from clusters of ten or more simultaneously constructed homes to large neighborhoods which are developed over time. For example, Wylam Oaks, a community northwest of Birmingham, is comprised of land purchased from U.S. Steel and will be the site of 38–64 homes, 20 of which are completed and occupied.¹⁰⁰ Edgewater Oaks, another community which is located west of Birmingham, was once the site of Edgewater Junior High School and was donated to Birmingham Habitat after a tornado devastated the area in April 1998. The first house was completed in April 2002, four years after the tornado, and included a safe room for protection against future storms.¹⁰¹ Now the area is home to 66 Habitat families.¹⁰²

⁹⁹ Once homeowners pay off their mortgage, they fully own their house and are free to sell it on the open market. Prior to complete ownership, on the other hand, Birmingham Habitat tends to buy back the house for continued use in the program.

¹⁰⁰ Ibid.

¹⁰¹ “Alabama Power Service Organization Helps Engineers Complete Habitat for Humanity Home,” *PR Newswire: Financial News*, April 12, 2002.

¹⁰² Balch, 2009-2010.

Special building events encompass a large portion of home construction at Birmingham Habitat and are a way to increase advocacy and to obtain support. These events highlight specific donors and volunteers through Birmingham Habitat's interaction with local organizations and the media. Such programs include: Blitz Builds, Women Build, Advent Builds, Building on Faith, and Home for the Holidays. Blitz building is simultaneous multiple home construction at a single location in a set amount of time. For instance, Birmingham Habitat participates in the annual Home Builders Blitz, a national program where home building companies team up with Habitat. Birmingham Habitat works in partnership with local builders to construct ten homes on one street in one week. A Women Build, as the name implies, is a home construction completed by women—by female site contractors and employees as well as female volunteer groups. Birmingham Habitat completed a Women Build in the Wylam Oaks community in July 2009 which facilitated a single mother and her three children to obtain their own home. Advent Builds, which are coordinated with the holiday season, and Building on Faith programs are builds which feature sponsors and volunteers from local congregations and other religious organizations, such as Thrivent Financial for Lutherans.¹⁰³ Finally, the annual Home for the Holidays house is constructed in ten days around the winter holiday season with the partnership of local media and businesses.¹⁰⁴ The construction of homes through special building events not only provide homes for those in the program but advertises the activities and successes of Birmingham Habitat as well as the local individuals businesses that donate materials, sponsor builds, and volunteer their labor.

¹⁰³ Greg Garrison, "Lenten offerings that include roofs," *Birmingham News: Local News*, February 28, 2010; "New home will be beginning of new life for Birmingham family," *The Birmingham Times: Local News*, May 4, 2009.

¹⁰⁴ Habitat for Humanity Greater Birmingham, *Programs: Home for the Holidays*, <http://www.habitatbirmingham.org/programs/index.php>.

In addition to the construction of homes for individuals and families seeking to get out of inadequate housing and into homeownership, Birmingham Habitat works to repair homes in Jefferson and Walker counties through their Brush with Kindness Home Repair program. In the past, they have partnered with the local government in Jefferson County, to receive grants of up to \$5000 per home and assistance taking applications. Currently, Birmingham Habitat offers a simple online application process, accepts sponsorships and donations, and provides the labor for repair.¹⁰⁵ The primary improvements made are roof repair and painting. The program began in March of 2006 and has since benefited over 160 families.¹⁰⁶

Birmingham Habitat also operates the Birmingham ReStore, one of many Habitat discount home improvement centers in the United States and Canada. The resale outlet aims to provide affordable building supplies to the community and to encourage conservation and the reuse of materials.¹⁰⁷ Inventory is either donated by individuals and businesses or is residual materials from Habitat builds. The profits are allocated to increase building and support the administrative portion of the organization.

Unique to many other affiliates, Birmingham Habitat is also involved in a government program to purchase, renovate, and find owners for foreclosed houses called the Neighborhood Stabilization Program (NSP). The NSP is a program implemented through the Department Housing and Urban Development and supported by the Housing and Economic Recovery Act of 2008 as well as the American Recovery and Reinvestment Act of 2009 with “\$2 billion invested in mitigating the impact of foreclosures through the purchase and rehabilitation of foreclosed, vacant properties in order to create more affordable housing and renew neighborhoods

¹⁰⁵ Balch, 2009-2010.

¹⁰⁶ Birmingham Habitat, *About Us*.

¹⁰⁷ Habitat for Humanity Greater Birmingham, *ReStore*, <http://www.habitatbirmingham.org/restore/index.php>.

devastated by the economic crisis.”¹⁰⁸ Birmingham Habitat received \$7 million from the Alabama Department of Economic and Community Affairs and the Alabama Association of Habitat Affiliates, which will be used to purchase all of the houses, roughly 70, by September 2010 and to rehabilitate and resell them within four years; as of April 2010, 36 houses had been acquired and were in various stages of completion.¹⁰⁹ The application guidelines are less strenuous than the traditional Habitat structure, requiring that participants may make up to 80 percent of the median income and have at least a credit score of 500.¹¹⁰

Such activities have been possible through the organizational and managerial efforts of Birmingham Habitat’s current president and CEO, Charles Moore, who took charge in 2001. Under Moore’s leadership, the affiliate has grown substantially. For instance, Birmingham Habitat merged with Walker County in 2008 and Shelby County in 2006 to increase its scale and also brought on new employees and projects to increase its scope.¹¹¹ Additionally, the rate of building has grown from 20 to 45 homes since just 2005.¹¹²

Despite substantial growth however, Birmingham Habitat still lacks the funds and capability to meet the demands of those seeking homes through their organization, roughly 3,200 applicants a year, as well as those living in inadequate housing and unaware or uncertain of the organization.¹¹³ One way in which Birmingham Habitat has expanded its funding base is to apply for and receive block grants from local and federal governments. In 2009, around five major

¹⁰⁸ U.S. Department of Housing and Urban Development, *Neighborhood Stabilization Program Grants*, <http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/>; U.S. Department of Housing and Urban Development, “Neighborhood Stabilization Program,” *HUD Recovery*, <http://portal.hud.gov/portal/page/portal/HUD/recovery/about>.

¹⁰⁹ Balch, 2009-2010.

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² Ibid.

¹¹³ Birmingham Habitat, *About Us*.

grants accounted for 33.78 percent of total income.¹¹⁴ Whether the influx of government funding through block grants will hamper or aid the expansion and success of Birmingham Habitat is unclear. Still, by building long-term partnerships with corporate and religious sponsors, cultivating open relationships and discussions with local government officials, and maximizing fundraising and retail opportunities, Birmingham Habitat has established itself as a powerful force in the fight against inadequate housing.

Birmingham Public Housing

Birmingham, Alabama has also been subject to various government housing initiatives. Currently, there are over 6,000 public housing units and administers over 3000 Section 8 vouchers.¹¹⁵ In fact, there are fourteen different housing communities, ranging from 100 to 550 units, within the greater Birmingham area.¹¹⁶ Through the efforts of the Birmingham Housing Authority and the support of the Department of Housing and Urban Affairs, many individuals have found shelter in the public housing system through conventional public housing as well as Section 8 voucher and homeownership programs.

The city's housing authority holds open enrollment for the Section 8 Housing Choice Vouchers Program roughly once a year and then works on fulfilling housing needs for those who make the waiting list. In June 2009 the Birmingham Housing Authority held its second open enrollment in five years and while roughly 8,000 applications were received, only 2,500 were

¹¹⁴ Habitat for Humanity Greater Birmingham, "Financial Snapshot," *Help Build It! Annual Report: Year End June 2009*, 2009.

¹¹⁵ Housing Authority Birmingham District, *Public Housing and Section 8*, <http://www.habd.org/index.htm>.

¹¹⁶ Housing Authority Birmingham District, *Public housing sites: housing communities*, 2008, http://www.habd.org/HABD%20Sites_rev09232008.pdf.

accepted into the program.¹¹⁷ In order to qualify for conventional public housing or Section 8 housing assistance, applicants (and their co-inhabiting families) must: meet family requirements and provide legal documents as support; have a head of household that is at least 19 years old, 18 if legally married; not exceed the gross family income limits set by HUD; be capable of living independently if single; be clear of criminal charges dealing with drugs, alcohol, or violence toward people and property; and provide evidence of a history of financial responsibility, provide previous landlord references, and provide evidence to being responsible, peaceful residents.¹¹⁸ Furthermore, Section 8 participants seeking to participate in the homeownership program also must: be in the voucher program for at least one year, be in compliance with their current lease, be a first-time home buyer, be working full-time for at least one year, make at least \$14,500 in annual income, enroll in pre- and post-purchase homeownership counseling and be deemed ready for homeownership, and make a down payment.¹¹⁹

In addition to Section 8 homeownership, the Birmingham Housing Authority also offers the Lease-Purchase Homeownership Program. Requirements for this program include: being a first-time home buyer; making at least \$15,000 in annual income, yet less than 80 percent of the area's median income; participating in the Homeownership Education Program; and making a down payment.¹²⁰ By leasing to purchase property, the housing authority acts as a landlord until full ownership is bestowed on the individual.

¹¹⁷ Jeremy Gray, "Birmingham Housing Authority to take applications for Section 8 housing waiting list," *The Birmingham News*, June 4, 2009; John A. MacDonald, "Thousands line up in Birmingham for Section 8 housing applications," *The Birmingham News*, June 9, 2009.

¹¹⁸ Housing Authority Birmingham District, "How families are selected to participate," *Public Housing*, <http://www.habd.org/Housing%20Management.htm>.

¹¹⁹ Housing Authority Birmingham District, "Family Qualifications," *Section 8 Homeownership Opportunities*, <http://www.habd.org/Section8homeB.htm>; Housing Authority Birmingham District, *Section 8 Homeownership Application*, <http://www.habd.org/Section8home.htm>.

¹²⁰ Housing Authority Birmingham District, "Eligibility Requirements," *Homeownership Opportunities*, <http://www.habd.org/Social%20Services2.htm>.

Such rigid structure hinders public housing from being the temporary transitional housing option it is set out to be by requiring that individuals apply and comply with restrictions up to a year before receiving assistance. Add to that the requirement of obtaining Section 8 assistance prior to participating in the homeownership program and it can take years for individuals to own their own home. The compliance costs associated with government assistance highlight the burden of reducing the number of individuals affected by inadequate housing. The inability of government to plan and implement long-lasting housing reform further reduces the chance of public initiatives being viable housing solutions.

The plight of government housing in Birmingham has paralleled the rest of America, mass housing projects have been constructed, deteriorated, and torn down in order to build newer and nicer apartments and housing communities for both mixed-income and low-income populations. Additionally, vouchers for both rental and mortgage payments have become a major activity, complete with a substantial backlog of applications, for the Birmingham Housing Authority.

The tumultuous economic evolution of Birmingham, from a booming industrial city to a banking hub, has left some areas in complete disrepair while others flourish. For example, the area of Ensley often resembles a ghost town complete with run-down houses, unlit streets, and high crime rates. Yet, policy makers are trying to revive these areas and their public housing by constructing new buildings where the failing ones once stood. Tuxedo Terrace is one such place, complete with well-lit streets and sidewalks, this collection of townhouses is supposed to ignite growth and help bring businesses, such as a new car dealership and industrial park to the area.

While the outcome of Ensley and Tuxedo Terrace is still unknown, the public housing community has yet to bring restoration and revival to the surrounding location.¹²¹

Despite effort after effort to aid those in inadequate housing, government assistance seems to do little to improve the conditions of housing. Without supporting the development of a stable, responsible lifestyle complete with a desire to maintain and improve one's home and life, such efforts by government have little chance to succeed. As the literature on economic development has argued, real change will, and necessarily must, come from decentralized individuals and organizations, from the bottom up.

This analysis not only seeks to explore the ability of nonprofits to provide better housing options to the poor than public housing counterparts but whether nonprofits can improve the conditions of the impoverished in a way that achieves the benefits of traditional homeownership. The following sections are devoted to the empirical analysis of the capability of the Habitat for Humanity Greater Birmingham to effectively improve the housing conditions for the poor while encouraging independence and responsible behavior.

Habitat for Humanity Greater Birmingham Effectively Alters the Available Housing Choices

“To families in seemingly impossible situations, Habitat for Humanity becomes a friend and partner. And, by their own labor and with God's grace, they become owners of a decent home.”

—Linda Fuller, Co-founder of Habitat for Humanity International¹²²

¹²¹ Jeremy Gray, “New housing designed to breathe life into Birmingham's Ensley neighborhood,” *The Birmingham News*, March 21, 2010.

The Capabilities of Habitat for Humanity Greater Birmingham

In the previous sections, a theoretical framework and a background of existing procedures and outcomes of both Habitat for Humanity and government housing was set forth. The problems facing public housing initiatives are substantial. Decentralized nonprofit organizations, on the other hand, appear to have the flexibility, accountability mechanisms, and access to local knowledge to improve the condition of housing for poor.

Such outcomes can be easily observed through conducting qualitative research of the Birmingham Habitat. By interviewing individuals who had gone through program, I found that most homeowners expressed that owning a home through Birmingham Habitat had increased their as well as the quality of life of their children. In fact, 9 out of 15 homeowners saw an improvement in their health or wellness and 14 of 15 felt their quality of life had improved.¹²³ Of the 13 homeowners with children, 8 saw an improvement in their children's health and wellness, 7 said their kids play more at home, and 11 felt their child was in a safer environment. Further, while only 4 parents saw in an improvement in grades, 11 felt their children's future had been altered by their becoming a homeowner. (More empirical data from the interviews can be found in Appendix C.)

Therefore, it is not surprising that Birmingham Habitat outperforms government housing programs in producing lasting improvements in housing conditions. The capacity of Birmingham Habitat to provide adequate and long-lasting housing to the poor of Birmingham, Alabama is grounded in its achievements and characteristics, which include:

¹²² Habitat for Humanity, *Linda Fuller: co-founder of Habitat for Humanity International*, <http://www.habitat.org/how/linda.aspx>.

¹²³ Homeowners who did not see an improvement in their health and wellbeing, or that of their children, saw their lives to be roughly the same as before—not better, but not worse either.

1. An extensive application process, including home visits to determine the housing needs and financial review to determine ability to pay.
2. If an applicant does not meet the financial requirements, they are given six months to improve without having to restart the process.
3. Teaching responsible behavior through workshops and a supportive relationship.
4. Determining desire for homeownership through sweat equity hours.
5. The time it takes to complete the application and obtainment process is primarily determined by the homeowner and is often short in length, ranging from three months to a year.
6. An individualized building process.
7. Local partners and volunteers work side-by-side the homeowners, forging lasting relationships and altering the expectations of society and cooperation.
8. A continued relationship with homeowners through mortgage payments, annual events, and volunteering.
9. Flexibility of contracts and payments through a continued dialogue and understanding of the homeowner's situation.
10. The creation of close-knit, safe, and socially active communities of homeowners.

Following the structure of Habitat for Humanity International, Birmingham Habitat has set up an extensive application process. Applicants must provide information on their ability to pay, need for housing, and willingness to work with the organization. Birmingham Habitat employees visit the applicants' current residence to determine the need for better housing, which is based on high relative cost, poor quality, or overcrowding. For many Birmingham Habitat employees, participating in home visits solidifies the substantial changes individuals seek by going through the program and obtaining homeownership. Patricia Burch,¹²⁴ the Director of Operations at Birmingham Habitat, finds that, "it's good to go on home visits because it makes you realize why you're doing what you do." One particular home visit stood out in her mind:

I did a home visit into a condemned house that someone was still living in and you know, walked out going, "Wow, unbelievable." Like, you could stand inside and see outside. And, like, we walked out going okay, we never should have

¹²⁴ All Birmingham Habitat employees were interviewed in December 2009. Appendix B provides a detailed list of all interviewees, the date of the trip during which they were interviewed, their status as either employee or homeowner, and whether or not they were given an alias.

walked in that house because that house is not safe, there is no way that house is safe to live in.

Additionally, part of the process for potential homeowners includes working with the Family Development and Financial Coordinator, Jerwanda Smith, to determine their financial status and learn how to maintain and improve credit, budgeting techniques, and financial independence. Smith describes her job as being similar to that of a social worker: “I get to interact with the families from beginning to end, from the point of interest until they actually acquire the home and become homeowners. We interact on levels, I guess, as far as self-sufficiency, counseling, [and] support.”

Smith finds that the biggest challenge, after actually applying, is the requirement of a credit score of 550 or higher. If applicants do not meet all the financial requirements for homeownership, they may be given six months to improve their position without having to restart the entire application process. While this is often a setback, many applicants have improved their financial position and have gone on to obtain a home through the program. For example, 4 out of the 15 homeowners interviewed indicated that they did not initially qualify and had to improve their credit score before continuing on with the program and obtain a house. Current homeowner Vicky Poole⁺¹²⁵ first applied for Birmingham Habitat but found out she wasn't financially ready. So she,

. . . went and said “okay, I have to get my stuff in order” because I didn't have it in order. I'm being honest, I didn't have it in order. You know, I had bills, and the reason why they were like they were, was, actually, I just didn't pay them. I mean, it's honest, I mean, it's the truth. And I can tell everybody, you know, you need to pay your bills, because you don't know what you may want to do in the future and it may come back to haunt you.

¹²⁵ Vicky Poole⁺ was interviewed during December 2009. Birmingham Habitat homeowners were given aliases whenever it was possible to do so which is designated with the symbol, ⁺. For a detailed list of all interviewees, the date of the trip during which they were interviewed, their status as either employee or homeowner, and whether or not they were given an alias, see Appendix B.

She found motivation through a workshop at her church, “we had a finance seminar and that is what really, really got me on the track.” Vicky Poole⁺ then applied for the program again and used six months to finish getting her finances together. Similarly, Derrick Cole was determined to get his own house, which motivated him to turn his credit around quickly. “My credit was jacked, I didn’t qualify,” Cole recalls, “So I got it straightened out within a certain amount of time.”

Once Birmingham Habitat applicants are approved, they are required to attend 15 hours of development workshops, which cover a variety of topics from budgeting and home repair to managing utilities. Many of the homeowners interviewed found these workshops useful in teaching skills and solidifying their confidence in becoming a good homeowner. For instance, Vicky Poole⁺ discussed how useful tips helped prepare her for maintaining and home: “You can go ahead and try and do what you learn.” And now she “get[s] excited when I have to change the air conditioner filter.” Similarly, Katiana Jones⁺, recalled that,

We had a budgeting class that taught us about setting up an emergency fund and that has really helped a lot ‘cause I put like so much in an emergency and then I started an IRA , you know, for retirement. It’s a lot that I learned about money I didn’t know before, you know, it was green and you spend it. And now I see the value of, you know money and investing. This home has been a great investment. It’s changed my mind on a lot of spending.

Further, in an interview for the Birmingham Habitat *Newsletter*, Kenthia McCleod realized the importance of keeping her car insurance and other bills up to date, “Habitat has changed my life, and has taught me how to be more responsible. I was already a responsible mother, grandmother and teacher, but now I am more responsible about things that affect me financially.”¹²⁶

¹²⁶ Habitat for Humanity Greater Birmingham, “Homeowner spotlight: Kenthia McCleod,” *Newsletter*, January 2010.

Birmingham Habitat encourages further self-sufficiency and determines a desire for homeownership through the requirement of sweat-equity hours. Applicants must complete 300 hours of volunteer work, either working at construction sites, the ReStore, or at the office before getting their own home. They can also enlist friends and family for help and set their own pace. Jerwanda Smith described the process as a way to determine which applicants wanted a better life and to learn how to be self-sufficient; those who did not really need or want a home were systematically eliminated during the extensive process. Yet, for those willing and able, the process is well worth it. For instance, Birmingham Habitat homeowner Angela Terry⁺ remarked on how easy the process was given what she received in return:

I mean, just think about it, you just have to do like 300 hours, sweat, and you're owning a home. This is a lifetime thing. You know, you get to own this home for the rest of your life. The 300 hours were nothing to me. And then you know, you get your family and friends get to come in and help you with your hours, it's real easy.

Not only do sweat-equity hours determine desire for homeownership, they also taught homeowners additional skills and built confidence in their ability to maintain a home. For Donna Hunter⁺, who had just been released from the hospital and was on oxygen, the ability to complete the required sweat-equity hours was a further sign that she was ready to own a home. Her religious faith also helped her through, “[God] gave me strength to walk up those stairs and work, do my community hours. . . . God fixed it where I was able to do almost my hours by myself.” Furthermore, the experience of helping to build their own home solidified their ties with family and friends as well as strengthened their commitment to the house. Alysha Brown⁺ drew on her family for support: “It was real smooth. Team work from the family, pulling together for the cause.” After she had finished her requirements, she was encouraged to do more: “After I

finished my hours I said I would continue to volunteer, you know, because it's worth the cause. I've had a chance to do that a couple times but not like I'd want to."

Unlike the application process for public housing, which can include extensive paperwork and a long waiting period, the Birmingham Habitat application process is primarily determined by the pace of the applicant and not the bureaucratic system. Almost every homeowner interviewed commented on the speed of the process to obtain their house once they were approved. The swift process is possible because workshops are offered regularly and sweat-equity hours can be fulfilled in the evenings and on the weekends in addition to during the weekday, allowing applicants to work on their requirements whenever it is most convenient for them. The advantage of the flexibility in the pace of the program becomes clear through the experiences of various homeowners. Donna Hunter⁺ completed the process within three months, despite serious health problems. Natalie Thompson⁺ applied in June, qualified in December, and was in her house the following April. A considerable feat given that she is a single, working mom who still finds time to lead her daughter's Girl Scout troop, hold the treasurer position at the school's Parent Teacher Association, and be an active member at her church. Additionally, Derrick Cole was living in his house only 11 months after starting the process, which included the time he needed to improve his credit before his application was approved. Cole describes the process simply: "All you got to do is qualify. Qualify, be willing to work, believe in God, handle your business, and you got a house."

In similar fashion to the individualized application and attainment process, Birmingham Habitat offers an individualized building process which allows homeowners to choose unique aspects of their home. Homeowners have the opportunity to pick their desired lot out of a set of available locations, choose from a handful of floor plans, and provide input into their flooring

and countertops. Further, homeowners that obtain houses built during a Blitz Build may receive unique touches and details from their building sponsor. For example, Carissa Johnson's⁺ builder installed wooden blinds and ceiling fans, while Katiana Jones⁺ was surprised by her builder inclusion of high ceilings, an archway, tile floor, and a garbage disposal. She surmised that, "it's kinda like my builder was in my head."

By building new homes for applicants, Birmingham Habitat provides a unique environment for building skills, confidence, and relationship with other members of the community. By working side-by-side with volunteers, sponsors, and Habitat employees, homeowners are given the opportunity to witness the generosity and growth of others. Vicky Poole⁺ reminisced over the lasting relationship she formed with her sponsor, U.S. Steel: "I had one of the best sponsors, I couldn't ask for nobody better than who I had. And right now, we still talk once a week." She then exclaimed, "And that's what I love about Habitat, I tell everybody all the time, you helped me get a relationship with another group of people. Not only did I form a relationship and love for y'all but I've already got one with these people." Rachelle Adams⁺ witnessed her son bond with a particularly supportive and encouraging construction manager at Birmingham Habitat. Additionally, since obtaining their home, Rachelle Adams's⁺ son is more mature, is attending church, and is continuing to volunteer with Birmingham Habitat. Arthur Mayfield also continues to work with Birmingham Habitat by mowing the grass at the office and by clearing lots for construction.

The relationships and interactions which affect homeowners are not one-sided—volunteers and sponsors are impacted as well. Birmingham Habitat's Director of Development, Beth Jerome, described the broad impact of watching someone become a homeowner:

There's nothing like seeing a homeowner the day they're getting their keys to their home or seeing some of the conditions they've been living in prior to this opportunity. And you know that you're your making not only an impact on this person, your making it on their children and their children's children. You are changing a whole line . . . there's longevity to providing a home.

Furthermore, the employees themselves are motivated by their interactions with homeowners, which include conversations over mortgage payments and celebrating the ends of builds and holidays. In fact, once the construction of each home is completed, there is a dedication where homeowners receive their keys and everyone involved can celebrate the achievement. Patricia Burch finds that home dedications remind her of why she chose to work for Birmingham

Habitat:

I think I've yet to be at a dedication where I haven't teared up and I think that's a big part of it. I think that seeing people and working on site with people that you know are working for what they get. . . . It's kind of an aim of the program that the light bulb go off and say "if I work hard, look what I can do." So that sense of accomplishment is what you see a lot of the time.

Further, Jerwanda Smith declared that her favorite aspect of her job was "Generally, just helping the families altogether . . . just being able to help."

The relationships and communication fostered by the structure of Birmingham Habitat offers opportunity to tailor contracts and mortgage payments based on individual situations.

Patricia Burch noted that the organization could offer increased flexibility during the recession as long as homeowners were upfront:

One of the big things about Habitat is that even after you are in your mortgage, because we realize that you are taking risk and you are trying to help people that are on the cusp . . . communication is a huge thing and so we have had phone calls where people say, "Look, I lost my job. This is my plan to get back on track." And if they communicate with us, we are willing to work them.

This flexibility has led to few foreclosures and delinquent debts during the past few years, despite the 2008 financial crisis and subsequent recession. In fact, Birmingham Habitat incurred one foreclosure in 2007, three in 2008, and one in 2009.¹²⁷

Another beneficial aspect, and consequence, of Birmingham Habitat's structure is the rapid development of strong communities which share the experience of obtaining homeownership through the program. In other words, the concentration of streets and neighborhoods of Birmingham Habitat homeowners forges a community that shares a common identity—they have all worked to improve their financial and personal situations and have obtained a home through the Birmingham Habitat program. Neighborhoods built around traditional homeownership appear to grow into connected communities over time as neighbors meet and interact. On the other hand, neighborhoods built by Birmingham Habitat witness immediate connections and relationships from the start.¹²⁸

As a resident of the Wylam Oaks community (which will ultimately hold 38–64 homes), Alysha Brown⁺ has met most of her neighbors by volunteering on the construction of their houses or attending their home dedications. She describes the subdivision as, “peaceful, everyone, it’s like a neighborhood family.” Fellow resident, Vicky Poole⁺, noted how their shared experience created a more personal community: “I love my neighbors; I love the people in my cul-de-sac. . . . It has brought us together. . . . We all did the same thing.” She also wants to further solidify their place in the surrounding community, “We got to get ourselves together so

¹²⁷ Balch, 2009-2010.

¹²⁸ This observation correlates with the strengthened ties of neighborhoods in New Orleans, LA. After Hurricane Katrina, neighborhoods that rebound quickly had organizations and institutions that drew upon the shared experience of disaster to facilitate recovery. As a result, residents of the Broadmoor neighborhood now observe that their community is more connected than ever before. (Storr and Haeffele-Balch, 2010)

we can go on up to the neighborhood association and let them know we are here. We got to get up, we got to get involved because this is our home now.”

Additionally, being a part of a Blitz Build, where ten or more houses are built simultaneously on the same street, spurs quick relationships with neighbors. Katiana Jones,⁺ whose home is part of the North Brownlee Street Blitz Build, describes that,

We’re the only ones on this street, you know. We all know each other, we get along and we talk about block parties next year. All of us have had some kind of party down here so we all invite each other. But this is more of a family instead of neighbors, you know, it feels like family.

As a part of a different Blitz Build, in Avondale, Arthur Mayfield described the unity of the ten original Birmingham Habitat homeowners on his street: “We all got to know each other from basically the workshops and, you know, got meet each other when we doing our paperwork. So we was pretty much, all ten homeowners, we pretty much went to everything together so everybody knows each other.” Mayfield also remarked on the attitude of the surrounding community toward the Blitz Build, “Everybody was so pleased and happy that the homes were getting built over here. . . . They gave us a real big welcome when we, you know, moved in.” Derrick Cole, of the same neighborhood, said, “I would feel much easier going to knocking on one of my neighbor’s doors, saying, ‘Hey, how you doing? Can I borrow a cup of sugar?’ or whatever. You know what I’m saying? Then I would if I had moved into another neighborhood because they went through the same thing.” Further, an article from *The Birmingham News*, about Arthur Mayfield and Derrick Cole and their Habitat community, described the neighborhood as follows:

In all, the homes house two single dads, nine single moms and 21 children. All are first-time homeowners living in affordable, well-built homes near a small pocket of older, mostly well-preserved homes. . . . [The neighbors] invite the new residents to the monthly neighborhood meeting and cookout held at nearby New

Bethel Baptist Church, just down the block. If Mayfield has night shift at his factory job, a neighbor escorts his three teenage daughters to the meeting.¹²⁹

In other words, the ties associated with a strong community are substantial and many homeowners commented on the safety of their block and the sense that neighbors are looking out for each other. This connection can further encourage long-term residency as well as stability and accountability.

The above characteristics highlight the flexibility and individualized nature of Birmingham Habitat's structure, which enables homeowners to improve their housing situation by creating a place of their own. The homeowners interviewed expressed that they: live in a better-quality house and in a safer environment; make long-term plans for their home; feel a sense of gratefulness for Habitat for Humanity; and want to share their experience with others.

In contrast to their Birmingham Habitat home, many of the homeowners interviewed described the high crime rates and unfriendly atmosphere of their previous residence. Specifically, they remembered keeping to themselves and staying indoors because of the threat of gun shots, break-ins, and other criminal activity. Natalie Thompson⁺ did not like the crime of her old neighborhood for she had "got broken [into] maybe three times" and it is "kinda scary to come home and your house is broken in." In addition, Steven Connor⁺ and his wife witnessed the slow deterioration of their previous neighborhood and wanted "something where we can have some peace in our old age."

On the other hand, almost all the homeowners interviewed were proud of their homes and satisfied with their neighborhood. As Cynthia Smith⁺ explained, "I like the neighbors, I like the neighborhood, and I love the house. It's small but it's just enough for me." Further, the

¹²⁹ Jeff Hansen, "Thanks to Habitat, many more have homes for the holidays: A close-knit community rises in East Avondale," *The Birmingham News*, November 27, 2008.

satisfaction from obtaining a place of one's own, for themselves and their family, was present in every interview. Janet Anderson⁺ sought homeownership in order to gain "some sense of stability, attachment to a community, and just a home for my grand baby." Arthur Mayfield wanted a home for his daughters, saying, "I really needed somewhere for these kids." Similarly, Derrick Cole stated,

I have two kids now, you know, they need a place, they need a place to play, they need a place that they can feel safe, a place that they can call home. When I'm dead and gone, this will still be their house. You know what I'm saying? And I just want to take care of my kids and make sure that they have somewhere they can always call home."

As mentioned earlier, Birmingham Habitat determines if individuals need their program for assistance if they meet one of three possible criteria: poor quality, overcrowding, or relatively high rental costs. The homeowners who had faced high rental costs had just as strong of a desire to own their own home and provide for their children than those homeowners who came from crowded or poor-quality housing. For example, Carissa Johnson⁺ had owned a home before but had an unfavorable experience and went back to renting. Having gained experience and knowledge since that first house, Johnson sought the Birmingham Habitat program in order to, "give my daughter a house. I had a house, I bought a house when I was 21. Just wanted to experience being a homeowner again and to give her a yard to play in." Also, Katiana Jones⁺ finds that homeownership has changed her for the better: "I feel more mature and I feel more like a mother."

Furthermore, Birmingham Habitat homeowners expressed a deep gratitude for Habitat for Humanity, seeing the program as the "only" or "best" option for obtaining a house. For instance, Janet Anderson⁺ does not think "there's a better program out there than this one." Arthur Mayfield commented on the accessible lending structure of Birmingham Habitat, "that no-

interest . . . that does make a world of difference.” Homeowner Marquetta Whitman⁺ found that the Birmingham Habitat process brought her family closer together:

Another thing, my family, they helped me out. . . . My family and I, we are not as close as we should, but it, it brought us together ‘cause I just called and say “hey, I need you guys to help me do these sweat hours, I am going to get a house.” And everybody came and said “okay.” . . . My family now understand, you know, the power of God, how God works things out. And what we all need to do to get what we need to be or if you’re trying to do something or accomplish something know that you got somebody to call on.

Moreover, a majority of the homeowners interviewed expressed a desire to live in their house for the long term and to make further improvements and additions. For example, Derrick Cole is looking to add a den, a driveway, and a shed. Donna Hunter⁺ dreams of a garden and a fence. Natalie Thompson⁺, on the other hand, would like to one day build a dining room off the back of her house. While Alysha Brown⁺ looks forward to adding a shed, Katiana Jones⁺ wants to build a deck.

In combination with long-term aspirations for the homes and a sense of gratitude toward Birmingham Habitat, many homeowners actively spread the word about the organization and express a desire to volunteer. For example, Vicky Poole⁺ talks about Birmingham Habitat every chance she gets by mentioning the program to strangers, friends, and people at her church. She also speaks publically about the program and how she improved her finances, both at church functions and at developmental workshops for Birmingham Habitat.

Indeed, the word about Birmingham Habitat’s success has spread quickly; 9 out of 15 homeowners interviewed heard about the program from family members or friends who had obtained a Habitat home. Earnestine Smiley, the Grants Administrator at Birmingham Habitat, similarly observed this trend: “We’ve had several sisters that come through the program, one

sister get it like this month and then the next sister, mothers and daughters, cousins, best friends, so Habitat is actually growing wonderfully.”

Alternatively, many of the homeowners interviewed commented on differences between the process of Birmingham Habitat and that of public housing. Prior to participating in the program at Birmingham Habitat, Derrick Cole had tried to purchase a home through a government program but found the process tedious and the locations unsavory in terms of crime rates, convenience, and aesthetic appeal. Specifically, Cole found that “the city’s process was very, very confusing, took a lot of time, and Habitat wasn’t like that at all” and that, “everywhere that I went with the city, the neighborhoods were just, like, super crappy.” Further, Marquetta Whitman⁺ thinks, “this program is good for people who is on, like, something like Section 8 or something like that. It helps them get a start and want more out of life.”

The Limitations of Habitat for Humanity Greater Birmingham

The structure of Birmingham Habitat makes homeownership more affordable while still maintaining, and even further developing, individual responsibility, and accountability. Yet, Birmingham Habitat still faces shortcoming and limitations that it or other organizations must attempt to overcome. Such complications include:

1. Not addressing the poorest individuals in the population.
2. Not addressing those individuals who do not seek homeownership.
3. Limited sources and amounts of funding, available only through donations, corporate partnerships, and government aid.
4. The use of government grants and volunteers which can distort the mechanisms and operations of the organization.
5. The participation in government programs, such as the Neighborhood Stability Program, which may alter the function and distort the capabilities of the organization.

While Birmingham Habitat has proven its ability to provide adequate housing to individuals seeking responsibility and lasting homeownership within the Birmingham, Alabama area, it is not guaranteed to substantially improve the housing conditions of the poor. The creation and development of other nonprofit organizations will continue to expand and enrich the programs and opportunities available to the poor. Such organizations may (and many already do) find ways to aid the poorest of the poor as well as those individuals who do not desire, or are not ready for, homeownership. Some examples of existing nonprofits are Victory Housing and Sarah's Circle, in the DC metropolitan area, which aid in individualized rental housing and assisted living for seniors. The Salvation Army and the American Red Cross provide shelter, food, and supplies to the poor. Additionally, alternative lending sources (such as Prosper and Lending Club) coordinate loans for a wide range of borrowers with lenders seeking a more personal, and often a higher yield, transaction. Borrowers of various income levels and credit-worthiness are able to create profiles describing their need for funds to repay debt, purchase a car, or start a business; lenders can individually select who to conduct business with and can maintain communication with the borrower throughout the transaction.

The employees at Birmingham Habitat also readily admit that the organization currently helps a small portion of people in need of adequate housing and seeking homeownership. As Beth Jerome remarked, "the need is huge; we're a drop in the bucket." Yet, by referring individuals that do not qualify to partners in the United Way and other local organizations, Birmingham Habitat taps into the local knowledge and networks to increase the scope of nonprofit efforts for the poor. For instance, Jerwanda Smith often interacts with organizations, such as the Jefferson County Committee for Economic Opportunity which provides childcare and debt relief, in order to refer individuals in need of other assistance and to become aware of

potential Habitat applicants. Smith noted that, “we get a lot of our homeowners and applicants through them because they deal with so many areas of social service. So the partnership with them is really, really great.”

Moreover, Jerwanda Smith recognized that there are individuals who would pass the criteria for Birmingham Habitat yet cannot seem to take the next step, “a lot of people are afraid of change and so you got some who would actually qualify and are afraid to actually apply.” In response to this challenge, Beth Jerome developed multiple outreach strategies—ranging from traditional media, videos for YouTube, targeted outreach to the Hispanic population, and to “speak to as many groups as possible”—to inform and encourage a wider population of those in need.

While Earnestine Smiley was optimistic that, “there is no limit; the sky’s the limit,” other Birmingham Habitat employees noted that growth is limited to the available sponsors, donations, grants, and volunteers. Beth Jerome expected continued growth through the expansion of activities, such as the ReStore and the Neighborhood Stabilization Program: “We’ve really created a full continuum of serves which is very good. I think we will continue to grow in all of those areas . . . I see us being a snowball, keeping accumulating partnerships through the years.” In addition, Jerome spoke of the need for long term sponsors and a continued relationship with local and federal government. Specifically, “getting very involved with the local government has been important for us. You know, for us, being able to help the cities and counties utilize some of their federal funding effectively. I think that’s something not all affiliates are doing yet.” Further, “The HUD here [in Birmingham] definitely sees us a way to tap in to, to you know, to expand. . . . We help them compliment what they’re doing . . . we do it well.”

In fact, Birmingham Habitat has benefited from their partnerships with local and federal government. Through block grants, which provide general funds for their core activities, the organization has been able to increase the number homes built each year and therefore the number of families benefited. In fact, general grants attributed to roughly a third of funding in 2009.¹³⁰ Birmingham Habitat also takes advantage of AmeriCorps VISTA, a one-year domestic volunteer service program which places individuals at nonprofits and local governments with the mission of fighting poverty.¹³¹ In 2009, Birmingham Habitat received five AmeriCorps volunteers: four construction managers and one office employee.¹³² The government-sponsored volunteer program, which covers salary and housing costs as well as the opportunity for student loan repayment, has allowed the Birmingham Habitat to expand its employee base without substantially increasing its labor expenses.¹³³

Yet, with an ever-increasing emphasis on government collaboration and funds, Birmingham Habitat faces another challenge of navigating and coordination with bureaucratic involvement. While general grants and government-sponsored volunteers have allowed the organization to expand its building capacity and reach more potential homeowners, the inclusion of more-specific programs may alter their procedures and dampen the flexible and localized characteristics which define its success. For example, the more funds Birmingham Habitat receives from the government, the less time they may have to spend cultivating relationships with donors and therefore reducing the accountability to maintain performance.

¹³⁰ Balch, 2009-2010.

¹³¹ AmeriCorps, "AmeriCorps VISTA," *Corporation for National and Community Service*, http://www.americorps.gov/for_individuals/choose/vista.asp.

¹³² Balch, 2009-2010.

¹³³ AmeriCorps, "AmeriCorps VISTA," *Corporation for National and Community Service*, http://www.americorps.gov/for_individuals/choose/vista.asp.

Participating in government-sponsored programs, such as the Neighborhood Stabilization Program (NSP), alters the organization's activities and their structure. NSP includes its own requirements and financial criteria for homeownership, which varies from those of Birmingham Habitat. Specifically, the program is designed for individuals and families that make up to 80 percent of the area's median income and minimum credit score of 500, compared to Birmingham Habitat's requirements of 25 to 50 percent of the area's median income and credit score of at least 550.¹³⁴ The inclusion of NSP expands the range of the population which can qualify for Habitat assistance, which may push Birmingham Habitat beyond its current capabilities. As Boettke and Coyne emphasize, nonprofit organizations must find and implement sufficient proxy mechanisms for allocating resources and determining success.¹³⁵ By including government programs and their subsequent procedures, Birmingham Habitat is altering the structure that has made the organization successful.

Furthermore, NSP participation is accompanied with strict deadlines. Birmingham Habitat's funding agreement states that 70 foreclosed homes must be acquired and in various stages of rehabilitation and resale by September of 2010.¹³⁶ While 22 homes had been acquired by the end of 2009 and a total of 36 were obtained by April 2010, 34 more remain to be purchased with only six months left before the deadline.¹³⁷ Moreover, foreclosures should not just be purchased for the sake of meeting the deadline but should be researched and determined worthy for resale. This includes taking the location and the surrounding homes and community into account. There are also additional requirements for the rest of the three-year commitment.

¹³⁴ Balch, 2009-2010.

¹³⁵ Boettke and Coyne, 2009.

¹³⁶ Balch, 2009-2010.

¹³⁷ Ibid.

Birmingham Habitat aims to participate in NSP while maintaining, if not expanding, their current home building and family development activities. Still, the procedures and strict timelines for purchasing and reselling previous foreclosures may also put added pressure on the organization. Such pressures may lead Birmingham Habitat to shift resources from its main activities to NSP in order to stay on schedule and continue to receive funds through the program.

Still, Patricia Burch felt like the Birmingham Habitat had taken precautions to make sure NSP remains successful, while noting the possible constraints of government involvement:

NSP is a little bit of a learning curve, 'cause we've, it's different for us because we are using subcontractors instead of doing the work ourselves with volunteers. But because of the pace of the program we thought to really be successful that was what we need to do to be successful and not take away from our regular program. We have seen that some organizations have kinda dropped what they were doing and are now just doing this. And you know, the vision here is to look at it and say this is in addition to what we do and how can we make it work to assist more families, 70 more families than we would have been able to help before. So that when the program's over, because there is a sunset on the program, it ends in five years, you are not sitting there and have ruined all the relationships you've had before because you are just doing this. . . . You don't want it to cannibalize your regular program.

Moreover, Beth Jerome was positive about the role of government funding and NSP to help more individuals in need: "We've been able to develop partnerships with the cities and counties that we serve so we're able to tap into some of the federal funding, through HUD, so that's allowed us to become as successful as we are." Jerome also emphasized that Birmingham Habitat aimed at, "being good stewards of the funds that are used, you know, be it from the county, from HUD, from federal funds, from individuals, from companies."

While employees are excited for the opportunity for growth and the additional funding, they should be aware of the possibility of impending consequences and hindrances. In other words, Birmingham Habitat and Habitat for Humanity International should evaluate the need and

use of government grants and whether they are aiding or hindering the functions and missions of the organization. The participation in government projects must also be evaluated to determine their need, use, and performance. While expanding the functions and responsibilities of the organization may be honorable, the ways in which it is achieved may result in more harm than good.

Conclusions and Policy Recommendations

Conclusions

In review, both the public and nonprofit sectors lack the coordinating mechanism of the market.¹³⁸ While the government tries to improve social welfare through planning and intervention, it is unable to collect, interpret, and use the information contained in prices.¹³⁹ Where the public sector lacks knowledge, it creates bureaucratic structures and procedures to ensure the implementation of initiatives which only adds to its inflexibility.¹⁴⁰ Located somewhere in the middle of the institutional spectrum are nonprofit organizations who have proxy mechanisms which better coordinate information than government and signal success.¹⁴¹ Successful nonprofits are able to do this by accessing local knowledge, creating a reputation of responsible and sustained performance, and relying on the continued flow of donations and volunteers.¹⁴²

Overall, government housing programs—whether housing projects, rent and mortgage vouchers, or subsidies for credit expansions for the poor—have created more distortions and

¹³⁸ Hayek, 1945; Boettke and Prychitko, 2004.

¹³⁹ Hayek, 1945; Mises, 1949 (2007); Sobel and Leeson, 2007.

¹⁴⁰ Weber, 1978; Tullock, 2005.

¹⁴¹ Martin, 2009.

¹⁴² Boettke and Coyne, 2009.

welfare losses within society than improvements.¹⁴³ For example, Birmingham Habitat homeowner Derrick Cole found that the homeownership options through the government were located in inconvenient neighborhoods with high crime rates, and so he waited until finding the Habitat program before buying a home for his family. Furthermore, by lessening the cost and accountability of homeownership, these programs have reduced the incentives for individuals to maintain their housing, improve their living situation, and gain independence. Marquette Whitman⁺ believed that living in government housing, such as Section 8, was not optimal but rather a stagnate, or temporary, situation. To quote Whitman⁺ again: “This program is good for people who is on, like, something like Section 8 or something like that. It helps them get a start and want more out of life.”¹⁴⁴

Thus, it is no surprise that the quality of government housing communities deteriorates over time. Specifically, public housing in Birmingham, Alabama has evolved from mass projects to renewed housing communities and vouchers, yet substantial improvement on the living conditions has not occurred. In fact, public housing and vouchers tend to decrease the incentives for responsible, accountable behavior and perpetuate the need for assistance.¹⁴⁵

Habitat for Humanity and their Birmingham affiliate, on the other hand, add components to their structure that increase accountability and foster independence while still helping to improve living conditions and reduce the cost of housing. Habitat is effective because it utilizes the dispersed local knowledge of homeowners and volunteers, it determines desire and ability of individuals to obtain homeownership, and it understands and works with the individual situations and needs of homeowners. In other words, Habitat works because it is a decentralized

¹⁴³ Coulton and Pandey, 1992; Crane, 1991; Erickson, 2009; Husock, 2000; Smith, 2002.

¹⁴⁴ Marquette Whitman⁺ was first quoted on this topic on page 47.

¹⁴⁵ Husock, 2000; Smith, 2002.

organization that affects change from the bottom up. Meanwhile, government programs falter because they function from top-down commands, intricate procedures, and aggregated data collection.

Habitat for Humanity is limited by available funding, the scope and scale of action, and the acceptance of government programs. Still, supporting decentralized solutions will provide better outcomes than public initiatives and will support and encourage other nonprofit organizations that focus on various levels and needs of inadequate housing. This analysis reveals that nonprofit organizations do a better job at adapting to unforeseen circumstances, are more diverse than centralized reform, and are better suited for working within, instead of distorting, the market system. In other words, nonprofit social change efforts are more effective than government programs at identifying how to address problems, where funding is needed most, and at adapting to changing circumstances.

Policy Recommendations

Policy makers need to recognize the limitations and weaknesses of government initiatives and encourage decentralized solutions to inadequate housing. The most efficient and appropriate government response would be to maintain strong property rights and open entry for both businesses and nonprofits, which will foster a stable, effective political environment for profit and nonprofit organizations to operate within. Yet, since there is political pressure to assist the impoverished, it is unlikely that government involvement will cease.

Therefore, lessons can be learned from these research findings about which types of policy will provide better results than current housing programs. First, the government should not pursue taking over or replicating the functions of nonprofit organizations, but rather should

leave room for, or even encourage nonprofits and their independent existence and activities. While Birmingham Habitat is a model example of how to provide adequate housing, the government will not be able to replicate its results. The top-down command of the public sector cannot effectively obtain and utilize the local knowledge which enables Birmingham Habitat to succeed. For example, Birmingham Habitat has developed a structure of local affiliates who partner with businesses and organizations within the community. The decentralized nature of the organization as well as its dependence on voluntary support encourages innovation and continuous improvement.¹⁴⁶ Otherwise, donors, sponsors, and volunteers will find other, more efficient, ways to spend their time and money. The government, on the other hand, does not face the pressure to innovate and adapt, further reducing its ability to successfully replicate a necessarily decentralized structure.¹⁴⁷ Additionally, the existence of the public sector in the initiative to improve housing conditions may crowd out more viable and decentralized organizations.

Second, policy makers should seek to encourage nonprofit initiatives through simple and straightforward policy, such as block grants, land appropriation, and volunteer support. While nonprofits must evaluate and determine whether accepting government funding is effective, straightforward policy may help these organizations maintain, and even increase, funding and activity. For instance, Birmingham Habitat has been able to foster and maintain growth through general block grants. Moreover, specific federal programs and procedural grants, such as the Neighborhood Stabilization Program, may restrict the mission and capability of decentralized organizations by focusing funding on specific activities.

¹⁴⁶ Boettke and Coyne, 2009; Chamlee-Wright, 2004.

¹⁴⁷ Sobel and Leeson, 2007; Chamlee-Wright, 2010; Chamlee-Wright and Storr, 2009; Storr and Haeffele-Balch, 2010.

In order to leave as much decision making to the organizations as possible, grants should not be accompanied by extensive procedural mandates. Land appropriation may be a viable solution for the public sector since it reveals support for housing reform yet distributes publicly-held land to efficient and decentralized organizations. Additionally, government-sponsored volunteer programs, such as AmeriCorps, provides needed labor while keeping the functions and activities of organizations independent of government command.

In summary, a successful solution to inadequate housing must foster a lifestyle change in addition to improved housing conditions. Nonprofit initiatives encourage personal accountability and financial independence while government programs breed continued dependence. The efforts of Habitat for Humanity Greater Birmingham effectively change the path of individuals and families living in substandard housing from poverty to prosperity.

Appendix A – Survey Instrument

Survey Questions for Habitat for Humanity Homeowners

1. I want to get a sense of how your Habitat home compares to the other places you've lived.

Did you grow up in this community?

- If they say yes: Would you tell me what it was like when you were growing up?
- If no: Would you tell me what it was like growing up there?
- Make sure to get information on: the size of their family; the size of their home; how close they were to their neighbors; the safety of the neighborhood; etc.

2. Would you tell me about the community that you lived in before you moved into this home?

Would you tell me about the house that you lived in before you moved into this home?

- What did you enjoy most about your old home and neighborhood? What did you dislike?
- Make sure to get information on: the size of their family; the size of their home; how close they were to their neighbors; the safety of the neighborhood; etc.

3. How did you hear about Habitat for Humanity? What made you decide to apply? What were the main factors you had to take into account before starting the application and candidate process?

4. Would you please tell me about the process of applying and qualifying for a Habitat home? What did they make you do? Any stories about your experience?

5. How would you describe your opinion of Habitat for Humanity during and after the process of obtaining your house? Any stories?

6. Would you tell me about this home? How would you describe the neighborhood and your relationship with your neighbors?

- What do you enjoy most about your home and neighborhood? What do you dislike?
- Make sure to get information on: how close they are to their neighbors; the safety of the neighborhood; etc.

7. In what ways, if any, has your life changed since becoming a Habitat for Humanity homeowner? Your children's lives? What is the biggest difference between living here and where you lived before?

- Make sure to get information on: changes in jobs, education, friends; feeling of safety; life goals and ambitions; etc.

- Additional questions on impacts:
 1. Do you have children living in the home? Yes or No (If no, please skip to Q. 2)
 - a. Have your child(ren)'s overall wellness/health improved since moving into your home? Y or N
 - b. Have you seen a reduction in absences from school /daycare since moving into your home? Y or N
 - c. Have you seen a change to their grades since moving into the neighborhood? Y or N
 - i. If yes, have their grades improved? Y or N
 - d. Have you seen any changes in your child(ren)'s friends since moving into your new home? Y or N
 - e. Do the kids play at your home more than they did before you moved into your new home? Y or N
 - f. Have any of your children graduated high school since moving into your new home? Y or N
 - i. Prior to moving into your new home, did you expect that they would graduate? Y or N
 - ii. Have any of your children continued on to college after graduating high school? Y or N
 - g. Do you feel that you are raising your children in a safer environment that before moving into your home? Y or N
 - h. Do you believe that your child(ren)'s future has been changed by your becoming a homeowner through the Habitat program? Y or N
 2. Have you had any changes at work since moving in to your new home (new job, responsibilities, etc.)? Y or N
 - a. If yes, do you feel that becoming a partner with Habitat played any roles in your success? Y or N
 3. Have you seen any improvement to your health/wellness since moving into your new home? Y or N
 4. Do you feel that your quality of life has improved since moving into your home? Y or N

8. Are you involved with any other nonprofit organizations; what do they do?

9. Thank you for your time, is there anything that I should have asked that I didn't? Is there anything else that you want to tell me?

Survey Questions for Habitat for Humanity Employees

1. Tell me about Habitat for Humanity. What does the Birmingham Habitat do?
2. When did you first hear about Habitat? How about when you first become involved with the organization? Why did you become involved?
3. Tell me about your job at Habitat?
 - What do you enjoy the most about your job? What are the challenges?
4. What's the biggest difference between the homes that Habitat provides and the homes your residents are moving from?
5. If you had to pick one story that exemplifies what Habitat is all about, what would it be?
6. Please tell me about the process of applying for and qualifying for a Habitat home.
 - What's the biggest challenge that potential homeowners face? What's the biggest complaint about the process?
7. In your opinion, how is Habitat doing at alleviating inadequate housing? Habitat is constantly growing, what do you think are the limits to its growth? What competition and partners does Habitat face?
8. What are, in your opinion, the biggest challenges facing people seeking to escape inadequate housing?
9. Thank you for your time, is there anything that I should have asked that I didn't? Is there anything else that you want to tell me?

Appendix B – List of Interviewees

	Interviewee	Title	Interview Trip	Page Number(s)
1	Patricia Burch	Employee – Director of Operations	December 2009	35, 41, 51
2	Beth Jerome	Employee – Director of Development	December 2009	40, 48, 49, 52
3	Jerwanda Smith	Employee – Family Development/ Finance Coordinator	December 2009	36, 38, 41, 48, 49
4	Earnestine Smiley	Employee – Grants Administrator	December 2009	46, 49
5	Vicky Poole ⁺	Homeowner	December 2009	36, 37, 40, 42, 46
6	Steven Connor ⁺	Homeowner	December 2009	44
7	Donna Hunter ⁺	Homeowner	December 2009	38, 39, 46
8	Natalie Thompson ⁺	Homeowner	December 2009	39, 44, 46
9	Alysha Brown ⁺	Homeowner	December 2009	39, 42, 46
10	Cynthia Smith ⁺	Homeowner	December 2009	44
11	Janet Anderson ⁺	Homeowner	December 2009	45
12	Carissa Johnson ⁺	Homeowner	December 2009	40, 45
13	Katiana Jones ⁺	Homeowner	December 2009	37, 40, 43, 45, 46
14	Derrick Cole	Homeowner	December 2009	37, 39, 43, 45, 46, 47, 53
15	Angela Terry ⁺	Homeowner	February 2010	38
16	Arthur Mayfield	Homeowner	February 2010	40, 43, 45
17	Marquetta Whitman ⁺	Homeowner	February 2010	46, 47, 54
18	Latisha Long ⁺	Homeowner	February 2010	
19	Rachelle Adams ⁺	Homeowner	February 2010	40
An alias has been given to interviewees with this symbol (⁺) following their name				

Appendix C – Impact questions and Data

Impact Questions for Birmingham Habitat for Humanity		Aggregated Data on Questions				
Questions		Total	Yes	No	% Yes	% No
1	Do you have children living in the home?	15	13	2	86.67%	13.33%
a	Have your children's overall wellness/ health improved since moving into your home?	13	8	5	61.54%	38.46%
b	Have you seen a reduction in absences from school/ daycare since moving into your home?	13	3	10	23.08%	76.92%
c	Have you seen a change to their grades since moving into the neighborhood?	13	4	9	30.77%	69.23%
i	<i>If yes, have their grades improved?</i>	4	4	0	100.00%	0.00%
d	Have you seen any changes in your children's friends since moving into your new home?	13	3	10	23.08%	76.92%
e	Do the kids play at your home more than they did before you moved into your new home?	13	7	6	53.85%	46.15%
f	Have any of your children graduated high school since moving into your new home?	13	2	11	15.38%	84.62%
i	<i>Prior to moving into your new home, did you expect that they would graduate?</i>	2	2	0	100.00%	0.00%
ii	<i>Have any of your children continued on to college after graduating high school?</i>	2	1	1	50.00%	50.00%
g	Do you feel that you are raising your children in a safer environment than before movin into your home?	13	11	2	84.62%	15.38%
h	Do you believe that your children's future has been changed by your becoming a homeowner through the Habitat program?	13	11	2	84.62%	15.38%
2	Have you had any changes at work since moving in to your new home (new job, responsibilities, etc.?)	15	3	12	20.00%	80.00%
a	If yes, do you feel that becoming a partner with Habitat played any roles in your success?	3	1	2	33.33%	66.67%
3	Have you seen any improvement to your health/wellness since moving into your new home?	15	9	6	60.00%	40.00%
4	Do you feel that your quality of life has improved since moving into your home?	15	14	1	93.33%	6.67%

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