

America's Housing Crisis Is Spreading To Smaller Cities

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“Have you considered the racket and the lights and the crowds and the traffic, and everything that’s going to happen to those of us who live here?”

It is a familiar sight in America: the public meeting, the angry residents, the housing developer trying to explain himself over the boos.

“Take the money you’ve got and get out of here,” one person shouts. A chant begins: “Oppose! Oppose! Oppose!”

Except this is not San Francisco or L.A. or Boston. It is Boise, Idaho.

And it is a preview of the next chapter in the housing crisis. Rising rents, displacement and, yes, NIMBYism are spreading from America’s biggest cities to those in its middle tier. Last year, according to an Apartment List survey, the fastest-rising rents in the country were in Orlando, Florida; Reno, Nevada; and Sacramento, California. Another survey, by RentCafe, found exactly one city with a population greater than 500,000 — Las Vegas — in the top 25.

Small cities are starting to face the same challenges as larger ones. Renting a two-bedroom apartment in Jacksonville, Florida, requires earning at least \$18.63 per hour — \$10.53 more than the state minimum wage. In Tacoma, Washington (pop. 211,000), a property management company is evicting low-income residents so it can flip their building into luxury units. Boise, where downtown condos are going for \$400,000, was the seventh most unequal city in America in 2016, a jump from 79th place just five years earlier.

And it’s only going to get worse. As the poor get pushed inward from the coasts and as young workers seek out the few affordable places left, they will arrive in America’s smaller cities — which may not be ready to take them.

Rising rents in small and midsize cities are a humanitarian crisis

Boise is, by some measures, the fastest-growing city in America. It added 3 percent to its population last year and is projected to add another 200,000 people, around a third of its current population, by 2025.

This should be good news. The city’s growth is driven by a booming, diversified economy and an influx of skilled, educated young people. But Boise isn’t adding homes fast enough to keep up. According to an analysis from the Department of Housing and Urban Development, there’s a demand for more than 10 times as many homes as the city is building. Without anything new available, incoming residents are scooping up what’s already there, bidding up costs and pricing out current residents.

The impact is devastating. Nearly half of Boise’s renters are living in apartments that eat up over 30 percent of their income. Since 2005, as living costs have exploded, Boise’s median income has fallen and the number of homeless children has more than doubled. Last month, a 5-year-old died when the car her family was sleeping in caught fire in a Walmart parking lot.

And yet, even as the city’s needs have grown, its ability to meet them has diminished.

According to Deanna Watson, the executive director of the Boise City/Ada County Housing Authority, Boise provides rental vouchers to around 2,500 low-income residents. If they

can only afford, say, \$300 per month, and their rent is \$800, the vouchers make up the difference.

With rents booming, though, the assistance isn't keeping up. HUD recalculates the value of the vouchers every year. But some Boise landlords are raising rents *every 60 days*.

"I've been doing this for 21 years and I've never seen anything like it," Watson says. One voucher recipient lives in an old hotel converted into apartments. He uses a motorized wheelchair and needs live-in care. His rent has gone up \$275 in the last 18 months, and he's falling behind. "We've got people spending 80 to 90 percent of their income on rent, even with a rental assistance voucher," Watson says. "And if they get evicted, or leave on their own, there's no place for them to move."

The perverse incentives don't end there. Boise's federal voucher allotment is determined each year by the previous year's spending. With the apartment vacancy rate at 1 percent, and landlords refusing to rent to Boiseans who receive housing assistance (which is legal under Idaho law), it can take months for low-income residents to find anywhere that will take them.

To federal administrators, though, every unused rental voucher looks like unspent funding. Watson says it's nearly impossible for the local housing authority to predict how many of the vouchers will actually get used. If the agency underspends, HUD will cut its budget. If it overspends, the city will have to make up the difference. Boise's 2015 Housing Needs Assessment notes that since 2010, as the need for subsidized housing has increased, the use of rental vouchers has fallen. "When the need goes up," Watson says, "the funding goes down."

The same vulnerabilities are showing up in small cities across the country. In Orlando, where rents rose by almost 8 percent last year, the median rent already takes up 71 percent of the median income. According to Apartment List, Memphis, Tennessee, had the highest per capita eviction rate in the country between 2015 and 2017. Montana has seen a 33 percent rise in homelessness in the last decade. Smaller cities have lower rents, but they also have lower wages, less diverse economies and fewer social services. Everything that makes it easier to get onto the housing ladder in places like Boise also makes it easier to fall off.

American cities are still catching up from the recession

It's tempting to look at the housing crisis in Boise as just a miniature version of what's already happened in the Bay Area and the Pacific Northwest and the Northeastern corridor. But in the last 10 years, the American economy has transformed in ways that are going to make it even harder for smaller cities to respond to growth.

In 2007, the city of Boise was issuing more than twice as many building permits as it is now. Despite having 125,000 more residents, Boise's metro area built fewer homes in 2016 than it did in 2004.

The reason, says Gary Hanes, a retired HUD administrator based in Boise, is that the recession wiped out the city's construction sector. Between 2008 and 2012, Boise home prices fell by 40 percent. With homebuilding stalled, thousands of construction workers took other jobs or left for North Dakota or Alaska. By 2012, once all the low-cost and foreclosed homes had been scooped up and the city needed new housing again, there was no one left to build it.

This isn't just a Boise problem. Construction workers, even in high-paid jobs and booming cities, are in short supply. Plus, thanks to increasing international demand, prices for timber, steel and concrete are going up nationwide. Banks have gotten more risk-averse since the recession, preferring to finance "sure bets" — such as McMansions in the suburbs — over "riskier" projects like urban apartment blocks or affordable housing.

The higher costs of materials, financing and labor, combined with the years-long lag in homebuilding, have made construction unbearably expensive. Fred Cornforth, the CEO of the CDI/Idaho Development and Housing Organization, builds affordable housing in 17 states. He tells me that his last project in Boise cost around \$155,000 per apartment — cheaper than Seattle, where he also develops properties, but not by as much as you'd think.

This, Cornforth says, is the fundamental challenge of the housing crisis in Boise and everywhere else: The only way make prices fall is to overbuild. You need vacancy rates of 8 percent or more before rents start to come down. But the backlog is so great, and the costs of building are so high, that it's impossible even to meet the current demand. Every year, he says, as the backlog grows, the costs go up and the challenge of meeting the need gets worse.

Red states make solving the housing crisis harder

Then there are all the challenges of being located in a red state. Not that California and Massachusetts are exactly exemplars of equitable growth, but nearly all of Boise's problems are exacerbated by neglect or outright sabotage from state lawmakers.

The city is barred, for example, from forcing developers to reserve a percentage of their units for affordable housing. The state's Housing Trust Fund, which was created in 1992 and could help alleviate some of the pressure on the vouchers, has never seen a dime of state funding. Plus, Idaho law prevents Boise from taxing itself to provide better city services. Even carpool lanes are forbidden by state law.

"We've got a campaign for governor going on right now and there hasn't been a minute of airtime about how to grow," says Jerry Brady, a former politician and the founder of Compassionate Boise, a nongovernmental organization that advocates for equitable growth. "It's all freedom, abortion and who can cut spending the most. There's never a moment's conversation about traffic or how to prevent us from becoming the next California."

This makes no financial sense, of course. The Boise area generates 47 percent of Idaho's gross domestic product. State funding to build more homes, expand public transit or prepare the city's water and sewer systems for more residents would, in the long run, save money and attract more growth.

And yet, here we are. Many of the cities now experiencing galloping rises in living costs are in rural, Republican-dominated states — places where increasing funding to low-income renters and investing in public housing are politically impossible. At the federal level, too, help is decidedly not on the way. Last year's Republican tax plan removed a subsidy for affordable housing developers. Just last week, HUD Secretary Ben Carson announced that his department was shrinking federal housing subsidies.

That has implications far beyond Boise. In a survey of 156 mayors earlier this year, 72 percent reported that affordable housing was becoming a problem. Even in small towns, housing costs were the No. 2 concern that mayors reported hearing from their constituents. It's a nationwide problem — 87 percent of the country's 250 biggest cities reported rent rises last year — but one that cities are still expected to solve by themselves.

Neighbors are fighting growth

Ultimately, the housing crisis is not about housing. It is about the inability of American cities to grow.

"It's hard to acknowledge change," says Mike Kazmierski, the president of the Economic Development Authority of Western Nevada. He's been watching Reno, another medium-size

boomtown, play out the same debates as Boise for over six years now. “If you say your city is going to grow, that means you need another fire station, more schools, more staff. Cities don’t have the budgets for that, and asking for it means raising taxes. The pushback is, ‘We don’t want to pay for that growth. Let them pay for it when they get here.’”

This is where Boise starts to look depressingly familiar. In the last few years, as the city’s growth has become more visible, NIMBY groups have taken over the political conversation. Of the 21 speakers at a town hall meeting last month, only two said they welcomed more growth. Signs reading “OVERCROWDING IS NOT SUSTAINABLE” are showing up in front yards. Some local residents, taking a page from the San Francisco playbook, are trying to get their neighborhood classified as a “conservation district” to block new buildings from going in.

Some of the complaints have merit — it’s hard not to be sympathetic to residents asking for sidewalks on their streets or more frequent bus service — but many are simply pleas for the growth itself to stop. A comment on the Facebook page for Vanishing Boise, one of the local anti-development groups, is emblematic of the argument: “Why are they coming in the first place?????”

As in other cities, this dynamic reveals a fundamental weakness in the American political system: Opposition to growth comes from homeowners and voters, entrenched interests who already have the ear of local politicians. Supporters of growth, the beneficiaries of all the new development, haven’t even moved here yet.

This means, says Zoe Olsen, the executive director of the Intermountain Fair Housing Council, that local opposition is often focused on preventing growth rather than managing it. “Everyone wants to preserve the farmland around us,” she says. “But these neighborhood groups are fighting for things like, ‘Let’s have one home per acre.’ The only way we’re going to preserve our parks and our beautiful pastoral feeling is by building upwards.”

But there is no political constituency for this argument. Boise’s homeownership rate is 68 percent — 25 points higher than San Francisco’s. Despite a Boise State University study showing that the city will lose twice as much of its farmland if it continues to expand through sprawl rather than density, most local advocacy groups are making the same argument San Francisco homeowners have made for decades: *If we don’t build it, they won’t come.*

It’s the same in other midsize, housing-crunched cities: Thanks to the highways and homeowners already there, it’s almost impossible to form the critical mass to make hard decisions about how to grow. Cedar Rapids, Iowa, spent years debating whether to build a single low-income housing complex. Franklin, Tennessee, changed its zoning to allow less density after a developer put 20 houses on a 24-acre plot. In Boise, residents resisted a city plan to base the F-35 fighter jet nearby — along with the high-paying, secure military jobs that accompany it — because they didn’t want the noise.

But there are shoots of hope, too. Hanes, the retired HUD administrator, points out that Boise is building dedicated housing for its chronically homeless population. Of the 1,000 housing units under construction downtown, more than 250 are reserved for low-income residents. Hanes started a group, Love Your Neighbor, that shows up at City Council meetings and argues for more growth.

And Hanes, who lived in San Francisco during its early boom years, sees one significant difference between the new housing crisis in smaller cities and the decades-old one in bigger metropolises.

“Here,” he says, “we can still solve it.”