

# Hierarchical Management Structures and Housing the Poor: An Analysis of Habitat for Humanity in Birmingham, Alabama

**Stefanie Haeffle \***

Mercatus Center at George Mason University

**Virgil Henry Storr**

Mercatus Center at George Mason University

---

## **Abstract**

Hierarchical management structures perform quite differently in the public and private sectors. In the public sector, these structures encounter knowledge problems that impair their ability to learn about the effectiveness of their programs and the need to adjust their efforts. In the private sector, however, because they must attract customers or donors in order to remain in existence, these structures are epistemically well positioned to receive feedback on their operations. This analysis examines the ability of private versus public bureaucracies to provide housing for the poor by examining the hierarchical structure and feedback mechanisms of Habitat for Humanity in comparison to federal efforts. Past government efforts have generally failed to improve housing, resulting in slums and urban blight. Conversely, nonprofit organizations such as Habitat for Humanity, which rely on hierarchical management structures but have access to more robust feedback mechanisms, have proven to be effective at housing the poor. We focus on the Habitat for Humanity International affiliate in Birmingham, Alabama, and show that it has produced lasting improvements in housing conditions.

---

*JEL Codes:* D64, D73, B53

*Keywords:* affordable housing, nonprofits, Habitat for Humanity

## **I. Introduction**

Hierarchical management structures perform quite differently in the public and private sectors. In the public sector, these structures often encounter knowledge problems that impair their ability to learn about the effectiveness of their programs and the need to adjust their efforts. In the private sector, however, because they must attract customers or donors to remain in existence, these structures are

epistemically well positioned to receive feedback on their operations. We analyze the ability of private versus public bureaucracies to reduce housing problems for the poor by examining the hierarchical management structure and feedback mechanisms of Habitat for Humanity in comparison to federal efforts. Specifically, this article examines the challenge of improving housing quality for the poor, the failures of past efforts by the federal government to overcome this challenge, and the efforts of Habitat for Humanity to improve not only the living conditions of its clients, but also their financial stability and well-being.

To improve the living conditions of the poor, we must be able to (a) assess the problem of inadequate housing; (b) understand the interconnection between housing, financial stability, and well-being; (c) develop programs that provide housing while also incentivizing these interconnected factors; and (d) adjust such programs when circumstances change. In other words, any effort to remedy inadequate housing must overcome the knowledge problem and be incentive-compatible to promote sustainable progress. Different bureaucratic structures will be more or less likely to overcome these epistemic and motivational challenges. Even similar hierarchical structures situated within different institutional settings will perform differently because they rely on different feedback mechanisms.

Many cities in the United States and throughout the world have inadequate housing for the poor. While defining and quantifying inadequate housing is difficult,<sup>1</sup> a 2017 study by the US Department of Housing and Urban Development (HUD) noted that over 8.3 million US households had “worst case” housing needs as low-income households not on government housing assistance who spend more than half their income on housing (HUD 2017). The poor are the most affected: two-thirds of the people in inadequate housing earn less than 80 percent of the median income of their area (National Low Income Housing Coalition [NLIHC] 2004).<sup>2</sup>

In America, inadequate housing includes high relative costs, poor physical quality, and overcrowding, as well as the complete lack of

---

<sup>1</sup> 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.

<sup>2</sup> The definition of area median income, according to Freddie Mac, is the “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.”

shelter. According to HUD, over twelve million households, comprised of both renters and homeowners, spend more than 50 percent of their annual incomes on housing.<sup>3</sup> Poor-quality housing may lack utilities, have incomplete or nonexistent bathrooms or kitchens, and have unsafe building structures. Further, the Census Bureau found that severe crowding, when there are more than 1.5 individuals per room (total rooms in the dwelling, not just bedrooms), occurred in 2.9 million housing units in 2000 (the most recent year of data available).<sup>4</sup>

An array of academic literature captures the burdens of unstable and inadequate housing on an individual's health, education, and prosperity. People, particularly children, living in inadequate housing are more likely to have disabilities, mental illnesses, or behavioral issues (Marsh et al. 2000). Children in improper housing conditions experience more viral and bacterial infections, respiratory illnesses, anemia, and stunted growth (Sandel et al. 1999; Harker 2006). Additionally, children lacking proper shelter attain less education and are more likely to be impoverished as adults than are their peers living in better housing conditions (Harker 2006).

In contrast, the benefits associated with maintaining and owning a house are substantial, including better building quality and reduced neighborhood crime rates (Saegert and Winkel 1998). The children of these households are more likely to stay in school, get better grades, and be in better health, and are less likely to have behavioral problems and teen pregnancies (Green and White 1997; Haurin, Parcel, and Haurin 2002).<sup>5</sup> Additionally, homeowners are more likely to be actively involved in politics and community organizations (Rohe, Van Zandt, and McCarthy 2002).

Whether these benefits of homeownership are associated with the home itself or with the homeowner's more secure financial and social position is unclear. For instance, McCabe (2016) argues that residential stability appears to be more correlated with these benefits than homeownership. Consequently, it is uncertain whether the poor currently residing in inadequate housing can simply achieve these

---

<sup>3</sup> HUD defines the burden of excessive housing costs as housing expenditures of 30 percent or more of total income. For these and other statistics on affordable housing, see HUD.gov, Office of Community Planning and Development, "Affordable Housing."

<sup>4</sup> US Census Bureau, Historical Census of Housing Tables: Crowding.

<sup>5</sup> Additionally, having access to better educational options can lead to better educational outcomes (Greene 2001).

benefits by owning a home. In fact, low-income homeowners often purchase older homes of lesser quality that are in relatively more volatile neighborhoods (McCarthy, Van Zandt, and Rohe 2001). In the absence of consistent employment, income, and home maintenance, homeownership may exacerbate their financial burden rather than get them on the path to financial security (Rohe, Van Zandt, and McCarthy 2002).

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 by public and private bureaucracies to improve housing conditions for the poor.

A substantial amount of literature discusses the performance of housing initiatives, cataloging and analyzing the failures of federal programs to address the problem (for instance, see Crane 1991; Dreier and Atlas 1996; Erickson 2009; Oakley and Burchfield 2009; Chaskin and Joseph 2011; Drew 2013) and cautioning against new government programs (Blair 1981; Varady et al. 2005; Oakley and Burchfield 2009; Sinha and Kasdan 2013; Talen and Koschinsky 2014).<sup>6</sup> Other studies have noted the ability and limits of nonprofit organizations to provide alternative housing options for the poor.<sup>7</sup> This strand of literature often makes appeals for partnerships between nonprofits and government (Schwartz et al. 1996; McDermott 2004; Koschinsky 1998; Bratt 2009; Thomas 2015). While these studies have emphasized the scale and scope of the housing issues facing the poor and have examined current affordable housing initiatives, there has been relatively little research on the actual capabilities of government, nonprofits, or public-private partnerships that provide sustainable housing options.<sup>8</sup> This article attempts to fill this gap.

This article, thus, proceeds as follows. Section 2 briefly discusses the likelihood that differently situated bureaucracies will be able to access different feedback mechanisms, and so will be more or less effective at solving certain challenges, including housing the poor.

---

<sup>6</sup> Other government efforts to alleviate poverty have also been found ineffective. For instance, see Clark and Lee (2006) for an assessment of government transfers and Hall (2014) for state-level aid in Appalachia.

<sup>7</sup> See Schwartz et al. (1996) for a thorough overview of the literature on the challenges of nonprofits to provide housing.

<sup>8</sup> See Thompson (2014) for an example of research highlighting a successful local nonprofit housing organization.

Section 3 briefly describes the housing needs in Birmingham, Alabama, and the key government bureaucracy in Birmingham charged with housing the poor as well as the research methodology employed for this analysis. Utilizing interviews with various stakeholders, we explore the practices, effectiveness, and limitations of Habitat for Humanity Greater Birmingham (Habitat Birmingham) in improving housing conditions. Section 4 reviews the structure and effectiveness of Habitat and its Birmingham affiliate, and section 5 analyzes the capabilities of Habitat to improve housing conditions in Birmingham. Section 6 offers concluding remarks.

## **II. Differently Situated Bureaucracies: A Brief Discussion**

Max Weber ([1922] 1978) defined a bureaucracy as a hierarchical system of governance where trained specialists with technical expertise perform certain roles within the organization and are controlled by rules. Bureaucracies, Weber explains, are an efficient system for organizing complex activities. Although Weber (p. 957) did not believe that the “character of bureaucracy” changes “whether its authority is called ‘private’ or ‘public,’” Mises ([1944] 2007) contrasted private enterprises driven by the quest for profits with bureaucratic management insulated from the profit motive that drives competitive capitalist enterprises. According to Mises, bureaucratic management is inherently inefficient.

Neither the public nor the nonprofit sectors, which operate through bureaucratic management as Mises articulated it, can utilize the effective structure and feedback mechanisms of the market—the price system and the signals of profit and loss—that allow market actors to overcome knowledge and incentive problems. The private sector outperforms public and nonprofit bureaucracies because “markets offer far tighter feedback mechanisms (regarding the extended order) than do politics. Agents in market environments are equipped with prices as *ex ante* signals to guide their conjectures and profits as *ex post* selection mechanisms to separate that wheat from the chaff” (Martin 2010, p. 219). As Skarbek (2012) argues, commercial enterprises enjoy a privileged epistemic position compared to public and nonprofit bureaucracies. Yet, as Boettke and Coyne (2009) point out, there are proxy mechanisms available to nonprofits that guide actions and signal social approval (see also Boettke and Prychitko 2004; Chamlee-Wright 2004; Chamlee-Wright and Myers 2008). Unlike public bureaucracies, nonprofit enterprises have access to close substitutes for the knowledge-generating

institutions that commercial enterprises rely on (see Storr, Haeffele-Balch, and Grube 2015).

The success of nonprofit initiatives depends on the level of coordination of dispersed knowledge and resource allocation that proxy mechanisms achieve. For example, constraints on funding, in addition to open competition, can provide an incentive toward more accountable behavior. Funding obtained through donations is determined and sustained by the organization's reputation as well as its expected and actual performance (Boettke and Prychitko 2004; Chamlee-Wright 2004). Many nonprofit organizations are also able to access and make use of the dispersed and inarticulate knowledge necessary for providing socially beneficial goods and services (Lavoie 2001; Chamlee-Wright 2004, 2010; Chamlee-Wright and Myers 2008; Martin 2010; Storr, Haeffele-Balch, and Grube 2015).

Consequently, nonprofit initiatives may be better suited to deal with the issue of inadequate housing, especially if their hierarchical management structures give them access to feedback mechanisms that are designed to better solve these challenges. Indeed, it is likely that nonprofit initiatives will be more responsive and adaptable than public bureaucracies. In the next sections, we examine the success of government housing programs and Habitat for Humanity in Birmingham, Alabama, highlighting their organizational structure, characteristics, and feedback mechanisms.

### **III. Studying Inadequate Housing in Birmingham, Alabama**

According to the US Census Bureau, Birmingham, Alabama, has a significantly higher percentage of people living below the poverty level than the nation as a whole (31 percent in 2010–2014, compared to 13.5 percent for the nation).<sup>9</sup> Additionally, Birmingham has a wide variety of government housing projects and homeownership programs. The Housing Authority Birmingham District assists over 5,000 families through Section 8 vouchers and maintains seventeen different developments within the greater Birmingham area.<sup>10</sup> The city's housing authority holds open enrollment for the Section 8 Housing Choice Vouchers Program roughly once a year and then

---

<sup>9</sup> For general statistics on Birmingham, Alabama, see US Census Bureau, QuickFacts, Birmingham City, Alabama. For the national poverty rate, see Proctor, Semega, and Kollar (2016). Jefferson County, which includes Birmingham, has a poverty rate of 19.1 percent: see US Census Bureau, QuickFacts, Jefferson County, Alabama.

<sup>10</sup> For more information, see the Housing Authority Birmingham District website.

works on fulfilling housing needs for those who make the waiting list (Gray 2009; MacDonald 2009).

The plight of government housing in Birmingham has paralleled that of the rest of America. Mass housing projects have been constructed, have deteriorated, and have been torn down to build newer and nicer apartments and housing communities for both mixed-income and low-income populations.<sup>11</sup> However, without supporting the development of stable, responsible lifestyles complete with a desire to maintain and improve one's home and life, such efforts by government are unlikely to sustainably improve the lives of the poor.

The nonprofit Habitat Birmingham attempts to address this challenge by providing homeownership opportunities to individuals and families living in inadequate housing through a process called "partnership building" (explained in more detail in section 3). By examining the actual practices and limitations of Habitat Birmingham to improve housing conditions, this analysis aims to determine its capability to learn about the effectiveness of its efforts, respond to feedback, and succeed at its goals. 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. 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.

During two separate trips to Birmingham in December 2009 and February 2010, four employees and fifteen Habitat homeowners were interviewed. The interviews have been restricted to this timeframe for two reasons. First, it captures the activities and capabilities of Habitat Birmingham during a time of the organization's growth, having expanded its jurisdiction to the greater Birmingham area, and its recognition as a top-performing affiliate of Habitat for Humanity International. Second, it is before Habitat Birmingham undertook additional activities to acquire, repair, and resell foreclosed homes after the financial and housing crisis of 2008 as part of the Department of Housing and Urban Development's Neighborhood

---

<sup>11</sup> For examples of the literature on the shift to and capabilities of mixed-income housing, see Blair (1981), Smith (2002), and Varady et al. (2005). For examples of research on residents' reactions to moving from traditional public housing to voucher systems and HOPE VI communities, see Retsinas (1981) and Skobba, Scott, and Young (2015).

Stabilization Program. While the overall success of this program is still unknown, it expanded the range of activities the organization pursued and may have altered its capability to provide sustainable improvement to the lives of the poor. In order to assess Habitat Birmingham's capability to achieve its core mission, this analysis focuses on the period before this change.

The survey consisted of open-ended questions that encouraged interviewees to talk at length about their experiences with and opinions of Habitat Birmingham as well as their housing, financial stability, and well-being. Additionally, homeowners were asked direct questions about their and their children's health and ambitions 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 Birmingham Habitat had on their well-being.

The information gleaned from interviews was augmented with newspaper articles and published academic works. The use of both qualitative and quantitative methods enables a more dynamic comparison of both the observable and more personal aspects of Habitat Birmingham's capacity to provide adequate housing to the poor. To protect the integrity of interviewees, who are quoted and referenced in the following sections, most have been given aliases (designated with the symbol \*). Exceptions include employees of Habitat Birmingham and any homeowners interviewed by local media (we used these media interviews to supplement the qualitative analysis).

#### **IV. The Mission and Scope of Habitat for Humanity Greater Birmingham**

Habitat for Humanity International (Habitat) is a nonprofit organization with over 1,500 affiliates in cities and counties across the United States as well as affiliates abroad. It provides the opportunity to own affordable, modest homes to low-income individuals living in inadequate shelters.<sup>12</sup> The organization was founded by Millard and Linda Fuller in 1976. Through "partnership building," the Fullers aimed to spread Christian principles, in particular the beliefs that every individual deserves a decent home, that love and action are the best form of ministry, and that discussion and common ground are possible through working side-by-side with people of different faiths and ideologies (Fuller 1994; Baggett 2000; Hays 2002; Youngs 2007).

---

<sup>12</sup> For more information, see "About Habitat for Humanity" at [Habitat.org](http://Habitat.org).

Habitat facilitates homeownership for those who are willing to work and are able to pay. To effectively reduce the number of impoverished people living in inadequate housing, there is a structured program that requires potential homeowners to prove their ability and desire for homeownership. These standards include that potential homeowners must (1) make between 25 to 50 percent of the area's median income; (2) meet credit score or creditworthiness requirements (relative to the general area); (3) take classes on homeownership, home repair, and personal finances; (4) complete sweat-equity hours by working on other homes or in Habitat offices; and (5) make monthly payments on their at-cost, no-interest mortgages (Husock 1995; Baggett 2000).<sup>13</sup>

Habitat uses a decentralized organizational structure. Although the centralized headquarters tracks national and international progress and organizes advocacy programs, fundraising, and media outreach, the houses are built and prospective residents are selected by independent local affiliates and their local partners (Husock 1995; Baggett 2000). Through this structure, the organization aims to foster independence and prosperity by teaching and encouraging homeowners to build their own futures.<sup>14</sup>

Habitat determines the eligibility of potential homeowners and reduces the risk of resource misallocation using a thorough process from application to training, prerequisite work, and building. 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 attend homeownership classes, Habitat actively works to ensure that only those individuals who are committed qualify for its houses (Gelinis 2008). Indeed, studies on the impact of financial education have confirmed that such programs can improve the financial behavior of low- and moderate-income adults (see, for instance, Schug, Niederjohn, and Wood 2006). This improvement is evident in the low levels of foreclosure and repossession of property within the

---

<sup>13</sup> The income requirement varies slightly by affiliate; the Birmingham Habitat requirements are discussed below.

<sup>14</sup> Once a homeowner pays off the mortgage, he or she fully owns their house and is free to sell it on the open market. Prior to complete ownership, if the homeowner needs to move, Habitat tends to buy back the house for continued use in the program.

program. Habitat reports a consistent nationwide foreclosure rate of roughly 2 percent (Wotapka 2011).<sup>15</sup>

The local Habitat affiliate, Habitat Birmingham, was established in 1987 and serves the population of metropolitan Birmingham as well as the surrounding area of Jefferson, Shelby, and Walker counties.<sup>16</sup> Habitat Birmingham's eligibility requirements differ slightly from the standard discussed above. Specifically, eligible applicants must have (1) an income that is 25–80 percent of the Jefferson County median income, (2) be able to make a down payment of at least \$2,000, and (3) fulfill at least ten hours of workshops and 300 hours of sweat equity (Habitat for Humanity Greater Birmingham [HFHGB] 2016a). As of 2016, Habitat Birmingham had helped over 675 families by providing zero-interest mortgages on new and rehabilitated homes at a rate of at least forty-five homes per year, and it was ranked in the top ten of all 1,500 Habitat affiliates in the United States for its performance and size (HFHGB 2016b).<sup>17</sup>

Home building is the major activity of Habitat Birmingham.<sup>18</sup> Houses are built on individual lots as well as in small concentrated neighborhoods and communities. The land is either purchased by the affiliate, donated by individuals and corporations, or appropriated by local government. The communities developed by Habitat Birmingham range in size, from clusters of ten or more simultaneously constructed homes to large neighborhoods developed over time. For example, the Wylam Oaks community northwest of Birmingham is comprised of land donated by US Steel in 2007 and consists of thirty-seven Habitat homes, which were completed during

---

<sup>15</sup> While 2 percent is higher than the national foreclosure rate in normal times, it is especially stable during the financial crisis, when average foreclosure rates increased substantially (see Pradhan 2018). According to a HUD (2008) study, Habitat's rate is lower than the foreclosure rates of HUD and Federal Housing Authority-insured mortgages as well as mortgages supplemented with HUD funding.

<sup>16</sup> For more information, see the Habitat Birmingham website.

<sup>17</sup> These data are similar to those in the 2013 annual report, which is the last annual report that was made publicly available at the time of writing this paper (HFHGB 2013).

<sup>18</sup> Additional activities include family development (such as applicant selection, development workshops, sweat-equity tracking, and payment collection); home building; special building events (such as Blitz Builds); home repair (the Brush with Kindness Home Repair program); and a discount home improvement center (the ReStore).

a Blitz Build in 2010 (Jordan 2010).<sup>19</sup> Edgewater Oaks, a community of sixty-six Habitat houses located west of Birmingham, was once the site of Edgewater Junior High School and was donated to Habitat Birmingham after a tornado devastated the area in April 1998.

While the problems facing public housing initiatives are substantial, nonprofit organizations like Habitat may have the flexibility, accountability mechanisms, and access to local knowledge to improve the condition of housing for the poor. Habitat Birmingham is an example of how a nonprofit's organization structure and, specifically, its feedback mechanisms can succeed where government efforts have not.

### **V. Habitat for Humanity Greater Birmingham Effectively Alters the Available Housing Choices**

Homeowners expressed that owning a home through Habitat Birmingham had increased their quality of life. In fact, nine out of fifteen homeowners interviewed reported an improvement in their health or wellness, and fourteen of fifteen felt their quality of life had improved.<sup>20</sup> Of the thirteen homeowners with children, eight saw an improvement in their children's health and wellness, seven said their kids play more at home, and eleven felt their children were now in a safer environment. Further, while only four parents saw an improvement in grades, eleven felt their children's future had been altered by their becoming a homeowner.

The capacity of Habitat Birmingham to provide adequate housing to the poor of Birmingham, Alabama, is grounded in its specific structure, organizational characteristics, and feedback mechanisms, which include an extensive application process. That process includes home visits to determine housing needs; a financial review to determine ability to pay; time for applicants to improve their credit without having to restart the process; workshops on responsible behavior; determining the desire for homeownership through sweat-equity hours; an individualized building process; a continued relationship with homeowners through mortgage payments, annual events, and volunteering; flexible contracts and payments through a continued dialogue about the homeowner's situation; and the

---

<sup>19</sup> A Blitz Build is when ten or more homes are simultaneously built on the same street in a short time.

<sup>20</sup> Homeowners who did not see an improvement in their health and well-being, or that of their children, saw their lives to be roughly the same as before—not better, but not worse, either.

creation of close-knit, safe, and socially active communities of homeowners. The time it takes to complete the application and obtainment process is primarily determined by the homeowner, ranging from three months to a year. Local partners and volunteers work side-by-side with the homeowners, forging lasting relationships and altering the expectations and attitudes of all parties.

Following the structure of Habitat for Humanity International, Habitat Birmingham 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. Habitat Birmingham employees visit the applicants' current residences to determine the need for better housing, which is based on high relative cost, poor building quality, or overcrowding. For many Habitat Birmingham employees, home visits underscore the need for adequate housing and solidify their commitment to the mission. Patricia Burch, who was the director of operations and is now the executive director at Habitat Birmingham, expressed that "it's good to go on home visits because it makes you realize why you're doing what you do."

Jerwanda Smith, who was the family development and financial coordinator when these interviews were conducted, noted that the biggest challenge, after actually applying, is the requirement of a sustaining a credit score of 550 or higher. If applicants do not meet all the financial requirements for homeownership, they are given six months to improve their position without having to restart the entire process. While a low credit score is often a setback, many applicants have improved their financial positions and have gone on to obtain a home through the program. For example, four out of the fifteen homeowners interviewed indicated that they did not initially qualify and had to improve their credit scores before continuing on with the program and obtaining their houses. Homeowner Vicky Poole\*, who did not initially have the required credit score, found motivation through a workshop at her church: "we had a finance seminar and that is what really, really got me on the track." 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."

Once Habitat Birmingham applicants are approved, they are required to attend ten 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 and transformative. For instance, Poole discussed how useful tips helped prepare her for maintaining her home, and now she “get[s] excited when I have to change the air conditioner filter.” Similarly, in an interview for the Habitat Birmingham *Newsletter* (HFHGB 2010), Kenthia McCleod noted 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.”

Habitat Birmingham encourages self-sufficiency and determines a desire for homeownership through the requirement of sweat-equity hours. Applicants must complete 300 hours of volunteer work, by working either at construction sites, the ReStore, or the office before getting their own home. They can also enlist friends and family for help. Smith described the process as a way to determine which applicants wanted to achieve a better life and learn to be self-sufficient; those who do not really want to go through the extensive process to get their own home likely do not make it all the way through. Yet, for those willing and able, the process is worthwhile. For instance, 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 demonstrate a desire for homeownership, they also teach homeowners additional skills and build their confidence in being able 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 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 [all of] my hours by myself.”

Furthermore, the experience of helping to build their own home solidified their ties with family and friends. 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: “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 Habitat Birmingham 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, allowing applicants to work on their requirements whenever it is most convenient for them. 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, Cole was living in his house only eleven 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."

Habitat Birmingham also offers an individualized building process that 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 on their flooring and countertops options. Further, homeowners that obtain houses built during special event builds 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's inclusion of high ceilings, an archway, a tile floor, and a garbage disposal.

By building new homes for applicants, Habitat Birmingham provides a unique environment for building skills, confidence, and relationships with other members of the community. Poole reminisced over the lasting relationship she formed with her sponsor, US 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." Rachelle Adams\* witnessed her son bond with a particularly

supportive and encouraging construction manager at Habitat Birmingham, and now her son is more mature, attending church, and continuing to volunteer with Habitat Birmingham. Arthur Mayfield also continues to work with Habitat Birmingham by mowing the grass at the office and clearing lots for construction.

The relationships and interactions that affect homeowners are not one-sided—employees, volunteers, and sponsors benefit as well. Habitat Birmingham's former 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, you're making it on their children and their children's children. You are changing a whole line . . . there's longevity to providing a home." Burch similarly noted that home dedications remind her of why she chose to work for Habitat Birmingham:

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.

The relationships and communication fostered by Habitat Birmingham's structure enables the organization to tailor contracts and mortgage payments based on individual situations. Burch noted that the organization offers increased flexibility during difficult times as long as homeowners are upfront about their circumstances:

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.

Another beneficial aspect, and consequence, of Habitat Birmingham's structure is the rapid development of strong communities that share the experience of obtaining homeownership

through the program.<sup>21</sup> The concentration of streets and neighborhoods of Habitat Birmingham 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 Habitat Birmingham. Neighborhoods built around traditional homeownership appear to grow into connected communities over time as neighbors meet and interact. Neighborhoods built by Habitat Birmingham witness immediate connections and relationships.<sup>22</sup>

As a resident of the Wylam Oaks community, 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 “like a neighborhood family.” Fellow resident 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 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, a special event where ten or more houses are built simultaneously on the same street, spurs quick relationships with neighbors. Jones, whose home is part of the North Brownlee Street Blitz Build, said, “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, Mayfield described the unity of the ten Habitat Birmingham homeowners on his street: “We all got to know each other from basically the workshops and, you know, got to meet each other when we doing our paperwork. So, we was pretty much, all ten homeowners, we

---

<sup>21</sup> For an analysis of the rise of Habitat subdivisions, and the potential issues that may come with increased populations of low-income homeowners, see Smith (2013).

<sup>22</sup> This observation correlates with the strengthened ties of neighborhoods in New Orleans after Hurricane Katrina (Chamlee-Wright and Storr 2009). Neighborhoods that rebounded 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 2012).

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.” 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.” An article from the *Birmingham News* about their community further described the neighborhood:

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 meetings and cookouts held at nearby New Bethel Baptist Church, just down the block. If Mayfield has a night shift at his factory job, a neighbor escorts his three teenage daughters to the meeting. (Hansen 2008)

These organizational characteristics highlight the flexibility and individualized nature of Habitat Birmingham’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 a safer environment, make long-term plans for their home, feel a sense of gratefulness for Habitat, and want to share their experience with others.

In contrast to their Habitat Birmingham homes, many of the homeowners interviewed described the high crime rates and unfriendly atmosphere of their previous residences. Specifically, they remembered keeping to themselves and staying indoors because of the threat of gunshots, break-ins, and other criminal activity. Thompson noted the crime of her old neighborhood, where her house was broken into three times. In addition, Steven Connor\* and his wife had witnessed the slow deterioration of their previous neighborhood and wanted “something where we can have some peace in our old age.”

Further, many of the homeowners interviewed commented on differences between the process of Habitat Birmingham and that of public housing. Before participating in the program at Habitat Birmingham, 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 said 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.” Marquetta Whitman\* said “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.”

Almost all the homeowners interviewed were proud of their homes and satisfied with their new neighborhoods. 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.” The satisfaction from obtaining a place of one’s own, for themselves and their family, was present in every interview, and 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. Janet Anderson\* sought homeownership in order to gain “some sense of stability, attachment to a community, and just a home for my grandbaby.” Mayfield wanted a home for his daughters, saying, “I really needed somewhere for these kids.” Similarly, 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.”

The structure of Habitat Birmingham makes homeownership more affordable while maintaining and even further developing individual responsibility and accountability. However, Habitat Birmingham still faces shortcomings and limitations that it and other organizations must overcome. The employees at Habitat Birmingham readily admit that the organization currently helps only a small portion of the people in need of adequate housing and seeking homeownership. As Jerome remarked, “The need is huge; we’re a drop in the bucket.” 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.<sup>23</sup> The competition and coordination among such

---

<sup>23</sup> For a list of other nonprofit organizations dealing with housing issues, see the Coalition for Nonprofit Housing & Economic Development website.

organizations may substantially impact the housing conditions of individuals of all ranges of poverty and needs. For instance, Habitat Birmingham refers individuals that do not qualify to partners in the United Way and other local organizations, tapping into local knowledge and networks to increase the scope of nonprofit efforts for the poor.

#### IV. Conclusions

Citizens and policymakers alike recognize the need to provide affordable housing and encourage financial stability for the poor. Yet, adequately addressing this challenge requires overcoming knowledge and incentive problems. If these efforts are to succeed, they must be able to (a) identify when inadequate housing is a problem that is unlikely to be solved without intervention, (b) design and implement targeted solutions to combat the problem, and (c) recognize when their efforts have failed and adapt accordingly. A successful solution to inadequate housing must foster a lifestyle change in addition to improved housing conditions.

Habitat for Humanity International and their Birmingham affiliate have an organizational structure and characteristics that increase accountability and foster independence while helping to improve living conditions and reduce the cost of housing. Habitat utilizes the dispersed local knowledge of homeowners and volunteers; determines the desire, eligibility, and ability of individuals to obtain homeownership; and understands and works with homeowners' individual circumstances and needs.

This article suggests that housing efforts that fail to address the underlying problems of poverty will only mask symptoms rather than provide sustainable solutions and that sustainable solutions are more likely to be comprised of many decentralized, flexible, and innovative efforts rather than a centralized, stagnant, one-size-fits-all approach. There is, unfortunately, no panacea for inadequate housing, but there are decentralized efforts to encourage homeownership, personal responsibility, and personal flourishing.

#### References

- Baggett, Jerome. 2000. *Habitat for Humanity: Building Private Homes, Building Public Religion*. Philadelphia: Temple University Press.
- Blair, John P. 1981. "Improving Local Strategies for Housing the Urban Poor." *Housing and Society*, 8(1): 18–27.
- Boettke, Peter J., and Christopher J. Coyne. 2009. "Context Matters: Institutions and Entrepreneurship." *Foundations and Trends in Entrepreneurship*, 5(3): 135–209.

- Boettke, Peter J., and David Prychitko. 2004. "Is an Independent Nonprofit Sector Prone to Failure? Toward an Austrian School Interpretation of Nonprofit and Voluntary Action." *Conversations on Philosophy*, 1: 1–40.
- Bratt, Rachel G. 2009. "Challenges for Nonprofit Housing Organizations Created by the Private Housing Market." *Journal of Urban Affairs*, 31(1): 67–96.
- Chamlee-Wright, Emily. 2010. *The Cultural and Political Economy of Recovery: Social Learning in a Post-Disaster Environment*. New York: Routledge.
- Chamlee-Wright, Emily. 2004. "Comment." *Conversations on Philosophy*, 1: 45–51.
- Chamlee-Wright, Emily, and Justus Myers. 2008. "Discovery and Social Learning in Non-Priced Environments: An Austrian View of Social Network Theory." *Review of Austrian Economics*, 21(2/3): 151–66.
- Chamlee-Wright, Emily, and Virgil Henry Storr. 2009. "The Role of Social Entrepreneurship in Post-Katrina Community Recovery." *International Journal of Innovation and Regional Development*, 2(1/2): 149–64.
- Chaskin, Robert J., and Mark L. Joseph. 2011. "Social Interaction in Mixed-Income Developments: Relational Expectations and Emerging Reality." *Journal of Urban Affairs*, 33(2): 209–37.
- Clark, J. R., and Dwight R. Lee. 2006. "The Politics of Poverty and the Poverty of Politics." *Journal of Private Enterprise*, 22(1): 84–106.
- Crane, Jonathan. 1991. "The Epidemic Theory of Ghettos and Neighborhood Effects on Dropping Out and Teenage Childbearing." *American Journal of Sociology*, 96(5): 1226–59.
- Dreier, Peter, and John Atlas. 1996. "US Housing Policy at the Crossroads: Rebuilding the Housing Constituency." *Journal of Urban Affairs*, 18(4): 341–70.
- Drew, Rachel Bogardus. 2013. "Constructing Homeownership Policy: Social Constructions and the Design of Low-Income Homeownership Policy Objective." *Housing Studies*, 28(4): 616–31.
- Erickson, David J. 2009. *The Housing Policy Revolution: Networks and Neighborhoods*. Washington, DC: Urban Institute.
- Fuller, Millard. 1994. *The Theology of the Hammer*. Macon, GA: Smyth and Helwys.
- Gelinas, Nicole. 2008. "The Big Easy Rebuilds, Bottom Up." *City Journal*, 18(2).
- Gray, Jeremy. 2009. "Birmingham Housing Authority to Take Application for Section 8 Housing Waiting List." *Birmingham News*, June 4.
- Green, Richard K., and Michelle J. White. 1997. "Measuring the Benefits of Homeowning: Effects on Children." *Journal of Urban Economics*, 41(3): 441–61.
- Greene, Jay P. 2001. "Do Students Learn More Where Parents Have More Educational Choices?" *Journal of Private Enterprise*, 16(2): 40–47.
- Habitat for Humanity Greater Birmingham. 2010. "Homeowner Spotlight: Kenthia McCleod." *Habitat for Humanity Greater Birmingham Newsletter*. Birmingham, AL: Habitat for Humanity Greater Birmingham.
- Habitat for Humanity Greater Birmingham. 2013. *Annual Report: Year End June 2013*. Birmingham, AL: Habitat for Humanity Greater Birmingham.
- Habitat for Humanity Greater Birmingham. 2016a. *Habitat Facts: Live. Give. Serve. Higher Value*. Birmingham, AL: Habitat for Humanity Greater Birmingham.
- Habitat for Humanity Greater Birmingham. 2016b. *Homeownership Manual: Homeownership Program*. Birmingham, AL: Habitat for Humanity Greater Birmingham.
- Hall, Abigail R. 2014. "Mountains of Disappointment: The Failure of State-Led Development Aid in Appalachia." *Journal of Private Enterprise*, 29(2): 83–100.

- Hansen, Jeff. 2008. "Thanks to Habitat, Many More Have Homes for the Holidays: A Close-Knit Community Rises in East Avondale." *Birmingham News*, November 27.
- Harker, Lisa. 2006. *Chance of a Lifetime: The Impacts of Bad Housing on Children's Lives*. London: Shelter.
- Haurin, Donald R., Toby L. Parcel, and R. Jean Haurin. 2002. "Impact of Homeownership on Child Outcomes." In *Low-Income Homeownership: Examining the Unexamined Goal*, ed. Nicholas P. Retsinas and Eric S. Belsky, 427–46. Washington, DC: Brookings Institution Press and Harvard University Joint Center for Housing Studies.
- Hays, R. A. 2002. "Habitat for Humanity: Building Social Capital through Faith-Based Service." *Journal of Urban Affairs*, 24(3): 247–69.
- Husock, Howard. 1995. "It's Time to Take Habitat for Humanity Seriously." *City Journal*, 5(3).
- Jordan, Phillip. 2010. *Turning It Around in Birmingham*. Americus, GA: Habitat for Humanity International.
- Koschinsky, Julia. 1998. "Challenging the Third Sector Housing Approach: The Impact of Federal Policies (1980–1996)." *Journal of Urban Affairs*, 20(2): 117–35.
- Lavoie, Don C. 2001. "The Market as a Procedure for Discovery and Conveyance of Inarticulate Knowledge." *Comparative Economic Studies*, 28(Spring): 1–19.
- MacDonald, John A. 2009. "Thousands Line Up in Birmingham for Section 8 Housing Applications." *Birmingham News*, June 9.
- Marsh, Alex, David Gordon, Pauline Heslop, and Christina Pantazis. 2000. "Housing Deprivation and Health: A Longitudinal Analysis." *Housing Studies*, 15(3): 411–28.
- Martin, Adam. 2010. "Emergent Politics and the Power of Ideas." *Studies in Emergent Order*, 3: 212–45.
- McCabe, Brian J. 2016. *No Place Like Home: Wealth, Community and the Politics of Homeownership*. Oxford: Oxford University Press.
- McCarthy, George, Shannon Van Zandt, and William Rohe. 2001. *The Economic Benefits and Costs of Homeownership: A Critical Assessment of the Research*. Washington, DC: Research Institute for Housing America.
- McDermott, Mark. 2004. "National Intermediaries and Local Community Development Corporation Networks: A View from Cleveland." *Journal of Urban Affairs*, 26(2): 171–76.
- Mises, Ludwig. (1944) 2007. *Bureaucracy*. Indianapolis: Liberty Fund.
- National Low Income Housing Coalition. 2004. *America's Neighbors: The Affordable Housing Crisis and the People It Affects*. Washington, DC: National Low Income Housing Coalition.
- Oakley, Deirdre, and Keri Burchfield. 2009. "Out of the Projects, Still in the Hood: The Spatial Constraints on Public-Housing Residents' Relocation in Chicago." *Journal of Urban Affairs*, 31(5): 589–614.
- Pradhan, Archana. 2018. "The Foreclosure Rate Is Now Back to Pre-Crisis Levels." *CoreLogic*, July 25.
- Proctor, Bernadette D., Jessica L. Semega, and Melissa A. Kollar. 2016. *Income and Poverty in the United States: 2015*. US Census Bureau, report no. P60-256, September 13.
- Retsinas, Joan. 1981. "Section 8: Mobility." *Housing and Society*, 8(1): 28–36.

- Rohe, William, Shannon Van Zandt, and George McCarthy. 2002. "The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research." In *Low-Income Homeownership: Examining the Unexamined Goal*, ed. N. P. Retsinas and E. S. Belsky, 57–86. Cambridge, MA: Joint Center for Housing Studies.
- Saegert, Susan, and Gary Winkel. 1998. "Social Capital and the Revitalization of New York City's Distressed Inner-City Housing." *Housing Policy Debate*, 9(1): 17–60.
- Sandel, Megan, Joshua Sharfstein, Randy Shaw, Seth Kaplan, Mary Pulaski, and Tracy King. 1999. *There Is No Place Like Home: How America's Housing Crisis Threatens Our Children*. San Francisco: Housing America.
- Schug, Mark C., M. Scott Niederjohn, and William C. Wood. 2006. "Your Credit Counts Challenge: A Model Program for Financial Education for Low and Moderate Income Adults." *Journal of Private Enterprise*, 22(2): 196–208.
- Schwartz, Alex, Rachel G. Bratt, Avis C. Vidal, and Langley C. Keyes. 1996. "Nonprofit Housing Organizations and Institutional Support: The Management Challenge." *Journal of Urban Affairs*, 18(4): 389–407.
- Sinha, Anita, and Alexa Kasdan. 2013. "Inserting Community Perspective Research into Public Housing Policy Discourse: The Right to the City Alliance's 'We Call These Projects Home.'" *Cities*, 35 (December): 327–34.
- Skarbek, Emily C. 2012. "Experts and Entrepreneurs." In *Experts and Epistemic Monopolies*, eds. Roger Koppl, Steven Horwitz, and Laurent Dobuzinkis, 99–110. Vol. 17, *Advances in Austrian Economics*. Bingley, UK: Emerald Insight.
- Skobba, Kimberly, Kristi-Warren Scott, and Shaquita Young. 2015. "'This Is What I Call Home': Reflections of Public Housing Residents Awaiting Relocation." *Housing and Society*, 42(1): 69–84.
- Smith, Alastair. 2002. *Mixed-Income Housing Developments: Promise and Reality*. Cambridge, MA: Harvard University Joint Center of Housing Studies and Neighborhood Reinvestment Corporation.
- Smith, Christa A. 2013. "The Rise of Habitat for Humanity Subdivisions." *Focus on Geography*, 56(3): 95–104.
- Storr, Virgil Henry, and Stefanie Haeffele-Balch. 2012. "Post-Disaster Community Recovery in Heterogeneous, Loosely-Connected Communities." *Review of Social Economy*, 70(3): 295–314.
- Storr, Virgil Henry, Stefanie Haeffele-Balch, and Laura E. Grube. 2015. *Community Revival in the Wake of Disaster: Lessons in Local Entrepreneurship*. New York: Palgrave Macmillan.
- Talen, Emily, and Julia Koschinsky. 2014. "The Neighborhood Quality of Subsidized Housing." *Journal of the American Planning Association*, 80(1): 37–82.
- Thomas, Talya D. 2015. "Fighting for the American Dream: Perceptions of Homeowners on Accessibility of Homeownership Programs." *Housing and Society*, 42(2): 114–25.
- Thompson, Char. 2014. "Solving Housing Challenges: Examples from a Rural Non-Profit Housing Agency." *Housing and Society*, 41(2): 337–42.
- US Department of Housing and Urban Development. 2008. *Rates of Foreclosure in Home and ADDI Programs*. Washington, DC: US Department of Housing and Urban Development.

- US Department of Housing and Urban Development. 2017. *Worst Case Housing Needs: 2017 Report to Congress*. Washington, DC: US Department of Housing and Urban Development.
- Varady, David P., Jeffrey A. Raffel, Stephanie Sweeney, and Latina Denson. 2005. "Attracting Middle-Income Families in the HOPE VI Public Housing Revitalization Program." *Journal of Urban Affairs*, 27(2): 149–64.
- Weber, Max. (1922) 1978. *Economy and Society*. 2 vols. Oakland, CA: University of California Press.
- Wotapka, Dawn. 2011. "For Habitat, Foreclosure Small Issue." *Wall Street Journal*, March 25, 2011.
- Youngs, Bettie B. 2007. *The House That Love Built: The Story of Linda and Millard Fuller, Founders of Habitat for Humanity and the Fuller Center for Housing*. Newburyport, MA: Hampton Roads.