

## Scrap the Building Code; Start from Scratch!

I have received a number of comments on my two articles addressing the housing affordability problem in this city, and the growing shadow inventory of vacant housing units.

<http://www.galvestoneconomicreport.com/Growing-Galvestons-Population.html>

<http://www.galvestoneconomicreport.com/Population.pdf>

### Affordability:

The easiest way to increase the population of this City with new middle-class residents is to make housing more affordable to them as well as those in the lower income groups.

The typical comment that I received about local affordability is that houses cost more to build in Galveston than in League City, because they must be elevated, and built to higher wind resistant specifications than on the Mainland. This is true, but how much of the extra cost is due to these requirements, and how much is due to what is contained in the [700 pages of City Building Code?](#)

Most city building codes have requirements on things like the minimum size of kitchen counter space, the number of closets, the bathroom space per resident, the number of driveways, the number of electrical outlets per foot of wall space, the methods used to apply roofing materials; etc.; things that have nothing to do with building on a barrier island; the kinds of requirements that add costs in all locations!

The move to rid the entire country of unnecessary, costly, and burdensome building codes is not some kind of conservative or libertarian plot to decrease the Nanny State. It is an idea that is

shared by people of most political ideologies, and has even been advocated in many government studies.

*In fact, three federal commissions in the last 30 years have discovered that needless building code provisions have driven up the cost of housing. In 1968 the Kaiser Committee “found that some communities imposed excessive building codes to prevent the construction of low-cost housing, thereby denying local housing opportunities for lower-income groups.” Similarly, in 1982 the President’s Commission on Housing concluded that “unnecessary regulation of land-use and buildings has increased so much over the past two decades that Americans have begun to feel the undesirable consequences: fewer housing choices, limited production, high costs, and lower productivity in residential construction.”*

*The findings of the 1982 study reappeared in the report of another presidential commission in 1991: “Local building codes are often not geared to supporting cost-effective construction of affordable housing. They sometimes generate excessive costs by requiring unnecessarily expensive materials, unnecessary safety features, unnecessary building code requirements, or outmoded construction techniques.”*

*So efficiency must take a back seat to the whims of politicians and of building officials. In this system, even good-faith efforts to maintain or restore property can fall into a bureaucratic quicksand of confusing, senseless, and unfair procedures:*

<http://www.thefreemanonline.org/featured/building-code-blues/>

*In community after community across the country, local governments employ zoning and subdivision ordinances, building codes, and permitting procedures to prevent development of affordable housing.*

*Chief among the urban regulatory barriers are building codes geared to new construction rather than to the rehabilitation of existing buildings.*

<http://www.huduser.org/Publications/pdf/NotInMyBackyard.pdf>

The irony about the use of building codes is the fact that as they become more and more restrictive and price more people out of the housing market, the government eventually discovers an “affordable housing shortage” and **attempts to counteract the effects of its own policies through the use of Public Housing, Section 8 programs, and tax-credit subsidized housing which further distorts the housing market.** Historical studies show that there was much more and better affordable housing available to low-income groups before the implementation of these programs.

Since Galveston begins with a competitive disadvantage in building costs, because it must use higher-cost construction techniques sitting on the edge of the Gulf; **it cannot afford to pile on even more costs through hundreds of other requirements that are often unneeded. It must cut all unnecessary regulations to give it a chance to compete on price with other nearby cities.**

### Re-writing the Code:

The City hired HDR, Inc. to reduce the current 700-page Code to about 300 pages, but this is the wrong approach. **They should begin by deleting the current 700-page Code and starting from scratch.** After the new Code addresses basic safety issues (fire, flood, and wind), the balance of the new Code should be held to a defined limit; possibly 20-50 pages!  
<http://galvestondailynews.com/story/222298>

### Vacant Housing:

Galveston needs to make drastic changes to allow developers to build new housing at the lowest possible price to attract new residents, but the need is even greater for the rehabilitation of the existing housing stock. The 2010 census says that Galveston has **12,425 vacant housing units, an increase of over 6,000 units in the last 10 years!** Some have questioned this count, and others speculate that as many as 10,000 of these vacant housing units

are second homes or vacation rentals which are not vacant housing units “in distress”.

The 2010 Census count on second homes and vacation rentals is not yet available, but the 2006-2008 ACS listed only 3,767 units in this category, so my guess is that, at most, 4,000-5,000 are now in this category, which would leave **at least 7,425 vacant housing units in distress**. We also don't know how many second homes and vacation rentals have owners that would really like to sell, but won't list at current prices. Those units would more correctly not be counted as second homes or vacation rentals if they are in that category by default.

### Houston:

Houston is often used as the benchmark against which all other major cities are measured due to its lack of zoning and growth management policies. As a result, it **has very affordable housing, and is one of the fastest growing cities in the country**. But even Houston's building codes are driving out developers:

*In 1981, one Houston home builder testified to a federal committee that a “1,166 square-foot house built in the city will cost a buyer **\$3,300—or 5.5 percent**—more than a similar house built in the county.” But in Houston, such arguments **have fallen on political ears deaf to marketplace realities**. One 1992 report cited a complaint by the Greater Houston Builders Association that **“90 percent of single-family homes in the Houston area are built outside city limits” because of the city’s “building code and its permitting process.” As regulatory costs mount, builders flee, restricting the housing supply even further and causing housing prices to rise even faster.***

*This tale about the Leaths illustrates **the monstrous regulation that cities can impose on property owners through building codes, mandates for safety (and sometimes even for comfort) in new or existing construction**. In other words, dangers flow from the political management of risk. **When issuing and enforcing safety regulations, governments find it all too easy to seize***

*more power over private property than is needed to ensure public safety; too easy to exploit this power for political purposes irrelevant to public safety; and much too easy to exercise this power in ways that actually undermine public safety.*

The problem comes from conflicting incentives. Private owners, like the Leaths, benefit financially from improving their property. For the Leaths, that meant restoring the apartments to attract renters. On the other hand, *public officials don't own what they control and lose nothing from unnecessarily increasing the cost of maintaining or developing property.*

*Excessive regulation weakens the incentives to improve property.* In recent years, the city of Houston has been toughening standards for renovating “dangerous” buildings. The result? *“Rehabilitation by owners [of such buildings] has been cut from 1,099 units in 1992 to 184 in 1994,”* according to the Citizens’ Housing Coalition of Houston.

In fact, the financially weakest consumers of housing—minorities, the elderly, the handicapped—are the chief victims of municipal crusades to toughen codes. *Overzealous laws for building safety only hinder the welfare of those least capable of absorbing the added costs of stiffer regulation. Poorer is not healthier.*

As the economist Thomas Sowell notes in *The Vision of the Anointed* (1995), the *“pursuit of safety in disregard of cost means a degree of sacrifice of economic prosperity—and economic prosperity is one of the key factors in longevity.”*

*It's risky to leave building safety in the hands of government officials. Since they don't suffer the direct costs of their decisions, property controlled by them tends to be abused and wasted.*

A better approach to building safety would eliminate the political overhead. That means a greater role for private risk management, in which the “regulator” has an incentive to

*promote the most safety at the lowest cost to the property owner.*

*The first lesson of building safety is that individuals have a natural inclination to improve their property, a tendency government policies frequently undermine.*

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### Conclusion:

There will always be a demand for new housing construction in the City, but **the primary need is for the rehabilitation of thousands of vacant housing units** and many occupied housing units that must be improved to be desirable in the marketplace which cannot be accomplished without a revolutionary change to simplify the building code.

Some will argue that no amount of rehabilitation will make many of these units desirable when most consumers are looking for modern housing. If this is true, then large-scale demolition must be undertaken which may be politically impossible.

How shall we decide?

By far the preferred method is to let the market make the choice. A way must be found to educate and encourage owners of unproductive real estate to rehabilitate and re-price rentals where necessary, or to sell to owners who will. Otherwise the City will continue to sit with thousands of unproductive units that are not attracting new residents, draining the owners bank accounts, and contributing to urban blight.