

KOSCIUSKO COUNTY LEADERSHIP ACADEMY

SPECIAL PROJECT

IS THERE A HOUSING SHORTAGE
IN KOSCIUSKO COUNTY, INDIANA

Presented By:

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1982

- I. Purpose Statement: To establish a means in which to restore a healthy, affordable housing market in Kosciusko County.

- II. Introduction - This paper will give a general outline of housing trends both locally and in the United States as a whole. These factors affect all of us at one time or another. The solution we offer could be a step to help put our economic condition today, back on track for Kosciusko County to build for a solid future.

- III. Kosciusko County Credentials "midwest prosperity"

- IV. Kosciusko County Housing Statistics

- V. Past History - Home Ownership
 - A. Reasons for home ownership
 - B. Factors affecting ownership rates

- VI. How is this a problem to Kosciusko County
 - A. "The Great American Dream"
 - B. Factors affecting ownership rates
 - C. Different types of housing
 1. Condominiums
 2. Manufactured housing - mobile homes
 - D. New zoning regulations
 - E. New financing arrangements

- VII. Solution - The Committee Unit

- VIII. Conclusion

HOUSING IN KOSCIUSKO COUNTY - PAST, PRESENT AND FUTURE

Kosciusko County is situated in the north central part of Indiana, it contains over 300 square miles of land, approximately 97 lakes, and has a population of 59,555.¹ Kosciusko County is highly developed agriculturally and industrially. With respect to the latter, it is the home of the world's largest manufacturer of orthopedic equipment and one of the State's largest printing companies. Educationally it supports 12 elementary schools, 3 junior high schools, 3 high schools and a vocational college. It is also the home of 4 parochial schools, a Liberal Arts College, 2 seminaries and a School of Professional Photography. Kosciusko Community Hospital is of highest standard, as is the newly built Judicial Building, and the municipal airport is expanding to eventually handle some jet and commercial traffic. All of these facts paint a picture of 'midwest prosperity' - but what is the housing situation? Are adequate, affordable housing units available?

Is there a housing shortage in Kosciusko County today? The year to date report from the Kosciusko County Realtors reveals the availability of housing on the market as follows:

Total listings - 150, out of which 37 were listings from last year and 113 were new listings for 1982. From the total amount of housing available through realtors only 26 units were sold or a rate of 17.34% of sales from listings.

1. 1980 Census-Warsaw Housing Authority.

Statistically there is not a shortage of available housing in this county; however, the housing market in Kosciusko County is unaffordable to meet the needs of the citizens.

A survey of the county would show that in addition to those houses offered by realtors, there exists numerous speculative houses which were built and are owned by builders and contractors that they are unable to sell. Also, a review of the building permits issued by the Kosciusko County Plan Commission would indicate that there were very few new housing starts for the year 1981 and 1982.

The reason for this is obvious. Interest rates have gone from 7-1/2% in 1972 to the present rate of 18.5% for fixed rates in 1982 with 2 points added on for closing or a rate of 17-1/2% with a roll over or variable rate mortgage.

The same story goes for construction costs. The medium price for a new single family dwelling sold in 1965 was \$20,000.00 and the medium price for a new single family dwelling now exceeds \$80,000.00.

In the past, one of the distinctive characteristics of American society has been widespread home ownership. Almost half of the families in the United States owned their own homes in 1890, when home ownership had an economic base. The nation then was predominantly rural and the household was a productive economic unit. In this context, the home was a work place as well as a residence. As urbanization increased; however, this

economic tie was broken and the rate of home ownership declined slightly.

Although the prosperity of the 1920's temporarily reversed this gradual shift toward rental occupied units, the depression of the 1930's caused home ownership to fall to an all time low of 43.6% in 1940. During the next 20 years the dramatic improvement in the American standard of living generated a renaissance of home ownership. From 1940 to 1960 the home ownership rate rose from 43.6% to 61.9%. In 1975 46.9 million homes or 64.6% of all residential units were owner occupied.

Despite the 14.1 million increase between 1960 and 1975 in the number of home owners, the home ownership rate advanced less than 3 percentage points in that period. The sharp increase during the 60's in the youngest and oldest household age groups was a significant factor in slowing the rate of increase.

There are many reasons why people wish to own their own home. The high rate of home ownership represents a response to many social, historical, demographic, and economic forces, some of which are uniquely "American". Many immigrants came from countries where land ownership was denied to all but a select few. These individuals arrived in this country with a strong desire to hold title to land and home.

Home ownership has been treated preferentially in many of our laws, from the Constitution and common law, to the foreclosure and exemption from execution statutes

which protect property owners.

On the economic side, rising incomes and favorable distribution of income have made home ownership possible for a broad segment of the population. The development of long term or mortgage credit also has been a contributing factor. The fact that interest paid on mortgage loans is tax deductible has provided an incentive to home ownership.

The meaning of home ownership has changed over the years. Although the home has kept its traditional values of security, shelter, pride of ownership, independence, and privacy, a new set of attitudes toward owning a home has become evident.

A survey conducted by the United States League of Savings Associations several years ago found that the dominant motives for home ownership were noneconomic.

In looking over the survey of every 100 reasons given, about 62 were noneconomic and related to the family's social and personal needs. Among these reasons were the desire to provide a better environment for their children, privacy, freedom to improve the property, and the need for more space. I might also mention several heads of families simply responded that their wives wanted to own a home.

The other reasons given for home ownership could be classed as economic. When asked why they wanted their own home, 22% of the respondents said buying enables one to build an equity in real estate. Ten percent replied that when you rent you have nothing to show for it but receipts from your landlord. Six percent of the respondents stated that buying a home is cheaper than renting.

One area which is certainly important in tracing the history of home ownership are those factors affecting ownership rates. The marked arrest in the advance of the home ownership rate since 1960 can be traced to a number of causes. The population age distribution favored apartments as an increasing number of households were headed by young and older people. Rocketing construction and land costs priced many families out of the market. Also, the adverse impact of tight money on the availability of mortgage funds was a strong force in holding down the extension of home ownership.

According to data from several survey's nationwide, home ownership is related directly to the age of the head of the household. In spite of the survey there is additional evidence that shows this may not hold true.

Home ownership also varies directly with income, but a good percentage of people at the lower end of the income scale own their own homes. A high proportion of these homeowners in the low and medium income ranges are retirees.

In translating the above data to our community, we find that it has the following ramifications. The economic conditions that prevail may make owning a home a perpetually unfulfilled American Dream. As a practical matter, young people starting up a residence in this County are simply unable to save enough money for the substantial down payments that are now demanded and even if they were able to, they cannot afford the monthly payments because incomes just have not increased to keep pace with the

interest rates and construction costs.

New residents who are considering relocating to this community because of job opportunities and other reasons are unable to do so because of the tremendous financial burden associated with being unable to sell their old homes and having to purchase a new one which entails a big increase in their monthly payments. This is because the market on all housing is presently depressed throughout the country and the tremendous difference in the monthly payments caused by higher interest rates.

This also affects people wanting to change houses due to a change in lifestyle, i.e., going from a bigger house to a smaller house, which results in their losing all of the equity they have accumulated in their old homes as it is quickly absorbed due to the inflationary rate.

The problem also manifests itself in the fact that buyers are unable to find the type of housing they prefer in a location they desire.

Inasmuch as a large percentage of the homes in Kosciusko County and a large percentage of the economy is supported by the large number of lakes in this County wherein there has been a tremendous market for secondary or seasonal housing.

When discussing any type of a housing shortage, there is the obvious alternative to purchasing which is, of course, renting. In Kosciusko County is this an adequate and affordable alternative. According to the Director of the Warsaw Housing Authority and the Rental Assistance Program,

the vacancy rate from the 1980 Census shows 7.5%. This pertains to one and two-bedroom units as there is a critical shortage of good affordable three and four-bedroom apartments. As to the vacancy rate of 7.5%, the Director states that the figure may be statistically correct; however, it is somewhat misrepresentative because only about 20% of these units which are included in the vacancy rate would meet HUD Section 8 Housing Standards. The majority of the available rental units would be classified as "Dumps" and the units that do meet the Housing Standards in most cases are priced out of the market for most persons wanting to rent them. In the last several years, it has become common practice for builders of modern two-bedroom apartment units to set their rental rates at \$400.00 per month plus utilities in order for them to make their monthly installment payments. The only individuals who are able to pay these amounts are persons who would be renting temporarily in lieu of purchasing such as transferred company executives.

Also, it has become commonplace for landlords with three and four-bedroom units who have discovered that they cannot rent them for \$400.00 plus a month to convert the units into two two-bedroom units which has contributed to the loss of the available apartments in excess of two bedrooms.

Again the economy plays a big part in these figures as with the critical job situation presently in Kosciusko County, Indiana, many families are living on a single income instead of the double income standard that they enjoyed a few years ago. The only relief for the low income family is the government housing plans which adjust the rental fees to the low income budget.

In trying to analyze any solution to this problem it is necessary to consider other types of housing.

The condominium type of living has been developed under the Uniform Horizontal Property Act where each of the unit owners own what is designated as their living unit and in addition thereto the owner owns a percent of the designated common area. The basic theory behind the condominium type of housing is that all of the owners pool their resources in order to reduce the cost of the recreational areas and amenities. The condominium type of project has somewhat limited use in this county and is restricted to the higher priced areas such as on the larger lakes throughout the county. At least in this county, the condominium type of housing developments have not helped fill the need for affordable housing.

New forms of housing are needed in order to meet the growing needs for affordable housing and to satisfy the issue of accessibility, i.e., to have a satisfactory house located in a desirable location.

In order to satisfy this need and at the same time to hold down the price of a new home, homes are being built smaller and with fewer rooms which are made to look bigger.

This generally has taken the form of manufactured housing. Manufactured housing is a generic term describing housing produced in a factory rather than constructed at the building site. There are two major types of manufactured housing.

The first type is built to State adopted building codes that are generally modeled on national or regional model codes such as the Uniform Building Code. Included in this first type are precut or shell homes, components, panelized homes, modular or sectional homes and so forth.

The second type of manufactured housing is built to a single national standard, embodied in the federal mobile home construction and safety standards administered by the US Department of Housing and Urban Development which is known as the HUD Code. This is often referred to as "mobile homes." Mobile homes are a result of an evolution from the travel trailers of the 1930's and 1940's but the designation is inaccurate. Most of the industry now refers to this type of housing as "mobile-manufactured housing."

Mobile-manufactured housing as the name implies, consists of two or more three-dimensional components (with 3 walls and a roof) joined together at the sides which must be connected to appropriate services and facilities.

The basic difference between mobile-manufactured housing and manufactured housing is that mobile-manufactured housing is transported on a wheeled chassis which also serves as an integral structural element and manufactured housing must be transported by some means such as a flatbed truck.

For the past several years, manufactured housing has accounted for about 1/4 of the new single family dwelling market. Two of the main limitations on manufactured housing are (1) accessibility and (2) financing.

Accessibility involves two dimensions, the first being the public sectors treatment of this form of housing

and the second dimension of accessibility is the private sector organization-such as financing and product distribution.

The public sectors treatment is manifested by local zoning practices devised in the "trailer court" era which continue to be the norm. In general such zoning excludes manufactured housing from residential zones and limits it to "mobile home zones" or in lesser zones (commercial, industrial, and the like).

When manufactured housing has been permitted to exist in residential settings, there is important evidence today that the result is stable neighborhoods and appreciating value. A survey by one of the leading insurance companies has laid to rest the myth that manufactured homes inherently depreciate in value. While the degree of appreciation differs from state to state and by the size of the home, the bottom line conclusion of the report is that manufactured homes do appreciate in value. The most important revelation of the study is that home values are a function of the same sorts of factors that establish the value of any residential real estate: location, upkeep and maintenance, original quality of the home, and market area demand.

Several Court rulings, most notably a 1981 decision by the Supreme Court of Michigan - have struck down zoning restrictions on mobile homes. Zoning barriers also are beginning to fall in the wake of rapid design improvements in mobile homes. California led the way in 1981 by passing a law prohibiting local jurisdictions from excluding manufactured homes as long as designs conformed to prevailing

housing styles in an area and Indiana has enacted a similar statute.

The private sector treatment of mobile homes over the years has been that manufactured housing has used a system of distribution and land tenure arrangements which differ substantially from that of housing built to a state code. This system has contributed to the public sectors neglect of and the private sectors caution about this housing form.

Currently manufactured housing reaches its market through a network of dealers quite similar to the one serving the automobile industry.

The best known form of land tenure for manufactured housing has been the mobile home park. The owner of the unit pays a monthly lot rental fee to the park owner who may provide a variety of services in addition to basic utilities.

The single most important emerging trend in manufactured housing and the one of greatest interest to real estate professionals is the change in this traditional distribution and land tenure system.

As manufactured homes are taking a steadily increasing share of the new home market, the visual distinction between "real" and "manufactured" homes is vanishing.

In addition there is a growing number of manufactured housing developments in which the land and the home is purchased as a unit. These developments may be in the form of a subdivision or a horizontal property regime such as a condominium.

Manufacturers are joint-venturing with developers on various types of developments providing the unit, and assuming an equity position in the development.

Changes are also evident in existing parks, which are experiencing tenants' rights pressures.

As a result of these changes in distribution and tenure, manufactured housing will be perceived as - and in fact will be - "real" housing. As such its cost advantages, especially in the new home market, will make it a compelling choice, particularly attractive to that segment of the market which has been shut out of home ownership because of the spiraling costs of site built, single family housing.

The traditional financing arrangements for manufactured housing has recently changed drastically.

The improved image of mobile homes has led many lenders to treat them as real estate rather than finance them through installment loans as they would a car purchase. In some instances, a multi-section home placed on permanent foundation may even qualify for a 30-year mortgage insured by the Federal Housing Administration.

The Veterans Administration as well as private lenders such as Citicorp and Bank of America also offer mobile home loans with terms of 20 years or more and interest rates only slightly higher than what is being charged for mortgages on conventional homes.

Also, the manufacturers have risen to the need and are catching the eye of consumers by now manufacturing attractive multi-section models placed on permanent foundations and featuring pitched roofs, wood siding and lavish interiors. They are offering their models somewhat like purchasing an automobile with kitchen gadgetry, microwaves, triple sinks and fold-away appliance racks and extras such as built-in

computers, saunas, steam baths and hot tubs.

As a result of these moves, most experts predict that now manufactured housing will be placed in conventional subdivisions rather than in isolated rural areas or mobile home parks. Major manufacturers are seeking partnership with local builders who will prepare the land, arrange financing and get the approvals needed for subdivisions and they can reduce the average price of a single family home by more than 20%.

At arriving at any solution to the shortage of available affordable housing in satisfactory or desirable locations we can make many, many suggestions for different types of housing, different types of real estate developments, new zoning regulations and new concepts in financing but without some way to tie all of these factors together as a unit we will continue to perpetuate our present dilemma and be faced with the same problems we are currently experiencing in the housing market today.

The brunt of the problem lies in the hands of the real estate sales persons, the local plan commissions, the financial institutions and the Chamber of Commerce.

It is commonly thought that if we could reduce unemployment in the economy and get people back to work all of our problems could be solved. Interestingly enough if unemployment rose to 25%, there would still be 75% of the working population that would have the purchasing power and be able to buy. This is certainly a large segment of the population to tap for the housing market.

We are recommending that in Kosciusko County, Indiana, a committee be formed the purpose of which would be to educate each other as to new concepts that are developing in the housing market.

The committee should consist of (1) the Director of the Area Plan Commission; (2) a representative of all of the financial institutions in the County; (3) three members of the Board of Realtors; (4) the President of the Warsaw Plan Commission; (5) a representative from the Chamber of Commerce; and (6) a representative of one of the top seven manufacturers of manufactured housing in the United States, being the Commodore Corporation of Syracuse, Indiana.

We feel that a committee such as this could take a positive approach to the present housing situation in the County and develop new ideas in the housing market, the result of which would be to make available to the residents of this County attractive, desirable housing at an affordable and realistic cost. This can only happen if the leadership of this community takes positive action to create new and exciting concepts relative to re-establishing the fulfillment of the American Dream which is ownership of the single family dwelling.

The winner in all of this will be the home buyer, who will reap the savings from factory construction without having to settle as they once did for uninspiring designs and the local community, who will experience an upsurge in the economy by growth in new home starts and new real estate developments.