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TINY SOLUTIONS FOR LARGE PROBLEMS

The tiny-house movement may be a countercultural trend, but it’s more than just a fad. Tiny homes are popular because they offer entrepreneurial solutions to serious social problems.

In urban neighborhoods where housing is hard to find—or too expensive—a tiny house can be a solution. Social entrepreneurs are making plans across the country. In Boise, a nonprofit called Idaho Tiny Houses plans to help families in need to build their own 200-square-foot homes. Their business model calls for selling tiny homes at market value, then using the profits to pay for the cost of building for homeless families. And in Sonoma, California, the founder of Four Lights Tiny House Company is planning a tiny home co-op, where residents will own separate tiny houses but share amenities. The goal is to create an example of “responsible, affordable, and desirable” tiny housing.

Likewise, tiny, ecohomes can work on lots where there is no city water or sewer and no electricity. Because of their small footprints, tiny homes can be powered with a relatively inexpensive solar array. They often also use wood or propane stoves for heating and cooking and fans or passive cooling techniques instead of air conditioning. Water can come from cistern tanks or a well. And the use of gray water, rain barrels, and composting toilets decreases water use.

These features make tiny homes appealing for both environmental and economic reasons. With a moderate initial investment, the monthly cost of utilities for a tiny house is $0. Tiny homes are also cheaper to build than the average American home. Most cost between $20,000 and $50,000. But some creative do-it-yourself aficionados have built homes for as little as $2,000.
Unlike traditional houses, you can take your tiny house with you. Most tiny homes are built on 8’ x 20’ trailers; legally, they’re RVs, not houses. But that means tiny houses can be an alternative to renting for cost-conscious young people who move often to chase economic opportunity. With a tiny house, there’s no landlord, no shared walls, and no rent check to write each month. Most importantly, there’s no debt.

**Local land-use and building codes are often the most difficult obstacles to building tiny.**

**BIG TROUBLE IN LITTLE HOUSING**

But local ordinances and the nation’s tax code stand in the way. Building a tiny house is often illegal. Finding a place to park one is fraught with difficulty. And federal housing and tax policy favor large homes and mortgages.

Local land-use and building codes are often the most difficult obstacles to building tiny. According to the American Planning Association, “the power of communities to regulate the use, height, coverage and setback of buildings and the density of residential development is firmly established by law.”

Municipalities also regulate minimum lot sizes and minimum dwelling sizes. And entrenched interests mean that change is not easy. In San Francisco, where housing is notoriously scarce and expensive, developers tried to build 150-square-foot efficiency apartments but met opposition from the city council. Spur, Texas, might be the only place in the United States to allow detached homes smaller than 500 square feet—the city council passed a resolution permitting them just last year.

Some cities even ban detached backyard cottages or “granny apartments.” In Raleigh, North Carolina, such backyard dwellings have been illegal for decades. When the city considered lifting the ban in 2013, opponents claimed that allowing backyard cottages would be an invitation to create “slumlord kingdoms.” The NIMBY crowd also complained that adding potential rental property to a neighborhood could drive down home values.

Because of the prevalence of this kind of ban, many owners of tiny homes choose to build their homes on mobile foundations. The Tumbleweed Tiny House Company sells plans for homes designed to be built on trailers less than eight feet wide. But parking can still be a hassle. Some mobile home and RV parks allow tiny home parking, but many owners of tiny homes park on land owned by friends or relatives.

Not only do local ordinances make living small difficult; federal policies push would-be homeowners in the other direction. The mortgage-interest deduction doesn’t apply to houses built on trailers, even when they are the owner’s primary residence. Even if it did, the amount of the deduction would be less than a single filer’s standard deduction. In that way, the government not so subtly incentivizes the purchase of larger, more expensive homes.

Moreover, the 1933 Home Owners Loan Corporation (part of the New Deal) and the 1934 National Housing Act created funding preferences for larger homes. These standards were reinforced by the 1935 Federal Housing Administration (FHA) building codes and the 1938 FHA underwriting manual. The FHA implied that it would “conditionally commit” to underwriting mortgages for the new, larger houses. (At new, larger prices, of course!)

If allowed to flourish, the tiny-house movement could be a boon to society by offering less debt, more mobility, and more creative solutions to housing problems. But for those entrepreneurial solutions to really take off, government must get out of the way.

**Jenna Robinson** is director of outreach at the Pope Center for Higher Education Policy.