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Various alternatives to high-interest crunch on new home building

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The recent announcement by two major savings and loan mortgage lenders in California of higher home mortgage rates portends a problem already evident in the country — the inability of an increasing number of Americans to buy their own homes.

Savings and loans are the principal suppliers of home mortgage money, and the 10 3/4 percent rate announced by these two majors is the beginning of a tight money policy and a new round of higher mortgage rates that is also felt here. Their additional requirement of one and one-half points charged at the closing and the 20 percent down payment are some of the initial charges on new homes in California that now average more than \$65,000.

With the average price of a new home in Rhode Island currently at \$56,000 and mortgage rates at 10 percent, buyers here will also face severe constraints on home ownership.

Not only will houses be more expensive to buy but there will be fewer new houses available. The United States Commerce Department estimates that only 1.65 million housing units will be built in 1979, down from the two million units built in 1977 and this year also. This reduced housing production, combined with the high demand resulting from the post-war babies now in the house buying stage, will serve to drive house prices to even higher levels.

Not a very encouraging picture for young people wanting to buy their first single family homes, but there are other alternatives available including: buying older existing houses; building smaller houses on smaller lots and in clusters; using condominium ownership; and making greater use of attached houses.

Another source of housing, once associated with ghost towns and deserted farms but now more an urban phenomenon, is that of abandoned houses. With changing neighborhoods and city population decline, more and more cities are faced with empty houses, deserted by owners who are losing money and who cannot find

buyers. It is estimated that property owners in this country simply walk away and abandon 70,000 housing units each year, most of which are in our cities, e.g., Baltimore has an annual abandonment rate of 2,500 housing units.

The problem also exists in Providence. According to the director of the city's Department of Building Inspection, there are approximately 430 vacant houses in Providence. Difficult to distinguish between vacant and abandoned houses because of the time element involved and the legal questions of ownership and liability, nevertheless, many of these houses are, or soon will be, available for sale at nominal prices.

It has been primarily through the efforts of the three-year old, privately

Abandoning houses not only is irrational, but frequently irreverent to the fine styling that survived the test of time

based Stop Wasting Abandoned Property (SWAP) that more than 120 such houses throughout the city have been brought back to productive use. The Department of Building Inspection now works closely with SWAP to bring such houses to their attention for possible sale and rehabilitation. SWAP has been far more effective than their city sponsored Urban Homestead Board counterpart whose efforts, according to its chairman, have been a failure.

Yet even with the help of a SWAP, Providence is losing more houses than it is gaining. From 1960 to 1970 Providence lost 4,893 of its 73,027 housing units, primarily as a result of road construction and urban renewal. Since 1970, through the end of fiscal 1978, 5,450 housing units

in 2,931 structures were demolished while just over 4,900 new units were added, for a net loss of more than 500 housing units in the past eight years. A considerable portion of this housing loss was through abandonment and subsequent demolition. Last year Providence spent between \$50,000 and \$60,000 to carry out this demolition.

It is difficult to rationalize the loss of good and substantial housing that has been allowed to reach this state of deterioration and which provides no taxes to the city. In perhaps no other country in the world do people walk away from an investment of thousands of dollars as they do in this nation. By contrast, a shortage of housing in London allows squatters to take over housing that stays vacant just a short time. In fact, in that city it is not uncommon for people going on holiday to find squatters living in their homes on their return.

Not only is the process of abandonment irrational and uneconomic but it is also irreverent to houses that have stood the test of time and maintain a character that cannot be duplicated in the modern house of today. For these reasons every effort must be made to rehabilitate such houses for future occupancy and, more importantly, prevent such a process from taking place.

Certainly, higher prices outside the city will cause more consumers to look for housing in urban centers where bargains are still to be found. To encourage this movement back to the city and to help residents in need of housing, the city must continue to work closely with those private organizations such as SWAP to bring abandoned houses to a usable condition and organizations working to maintain houses and neighborhoods such as the Elmwood Neighborhood Housing Services.

Finally, through the better and more effective use of its own Housing Improvement Program of Community Development, Providence must work to prevent further abandonment of a resource that is the principal user of land in the city but, more importantly, is home for city residents.

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