

# High price of housing has some unseen costs

By Chester E. Smolski

Affordability is the major problem in the housing industry today, at least in this part of the country. The Northeast, now the most expensive area in the nation in which to buy a house, is fine for those who are sitting in their appreciating houses, but the region is at a distinct disadvantage when it comes to attracting a pool of talented people to live and work here.

Recent news accounts have recounted stories of college professors refusing job offers here because of their inability to find affordable housing. Middle management personnel are discovering that a house comparable to their living arrangements in the South and Midwest cannot be duplicated here, and, as a result, are refusing job transfers for the same reason.

To illustrate the implications of this housing dilemma, consider Cleveland, a city with a major image problem. Whether it is a losing baseball team, a decline in em-

The question of affordable housing, in reality, has the strongest effect on three segments of the population.

First, it has the strongest effect on those of lowest incomes, in some cases, the homeless, and in other cases, those on lengthy waiting lists for subsidized or public housing. The Providence Housing Authority, for example, is not accepting any applications for Section 8 housing, and the waiting list for families to get into public housing is a minimum of 18 months.

A second population group needing affordable housing is the first-time home buyer who, although working, is unable to raise enough money for a down payment or unable to pay the heavy monthly carrying charges.

In 14 years, the Rhode Island Housing and Mortgage Finance Corporation has helped more than 33,000 Rhode Islanders buy a house and the need is still there.

And a final segment is that group of professionals and middle-management

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ployment or a Cuyahoga River so polluted that it caught fire, this large city has more than its share of difficulties, but it does have inexpensive housing.

Capitalizing on this asset, the city, in a clever national advertisement, illustrated an attractive three-bedroom house in a neighborhood preferred by people relocating to different cities. The house in different cities and its cost were: Atlanta—\$102,250; Chicago—\$115,000; Boston—\$188,725; and New York—\$227,500. The same house in Cleveland costs \$91,750.

The figures are corroborated by the National Association of Realtors, which recorded a median sales price for an existing, single-family house in August in the Northeast at \$134,800, highest in the country and 25 percent higher than the previous year. The West, long-time front-runner in house prices, was \$105,200; the South, at \$79,900, was only 60 percent that of the Northeast, and, lowest of all, was the Midwest at \$66,500.

The problem of the Northeast is further compounded by the lack of affordable rental units, a burden especially heavy for the low- and moderate-income family. Loss of rental units to condominium conversions and redevelopment, together with the loss of incentives to build these units under the Tax Reform Act of 1986, has lowered vacancy rates, to 1 percent in Providence, according to one city official, and increased rents by 300 percent in Boston over the past five years. The vacancy rate for rental units in the country is now 7 percent.

persons who want to relocate here but find the housing too expensive and become discouraged from coming here.

This last group, undoubtedly the smallest and least likely to elicit sympathy from the general public, nevertheless, plays an important role in the local economy: They keep the wheels of business moving and also help generate jobs.

The state has recently jumped its annual advertising budget to \$1.4 million, partly to entice tourists to Rhode Island but also to lure new businesses here. And with inquiries from 21 Japanese firms already, this venture appears to be getting results. But the real crunch could very well come when house prices are considered.

Businesses will be concerned about housing costs, especially for middle management. And in a tight regional labor market, they will wonder if workers recruited from other parts of the country will be able to afford housing in an area that was recently ranked eighth highest in the nation.

Affordable housing, apart from social and humane aspects, has a marked influence on local economy. If we intend to bring new businesses into the state, then we need to consider how and where new workers will be housed.

Economic growth and affordable housing go hand-in-hand: the latter is the bigger problem in the state at the present time, and without resolution will have a significant impact on the former.

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