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Eight communities meet to find and foot housing

By Chester E. Smolski

When resources are provided to local cities and towns to address housing problems, the results can be both innovative and productive. This was aptly demonstrated at a recent workshop on affordable housing.

The 150 attendees who went to Newport, one of the eight cities and towns that received grants to study the problem, were there to share recommendations on how to best address the Providence metropolitan area's lack of affordable housing.

When this housing study was announced nearly a year ago, only one-fourth of the state's cities and towns applied, and of these, eight were funded. Even though the number of applicants was shockingly low given that affordable housing is a problem throughout the state, the eight communities produced an impressive list of possible strategies to ease this ubiquitous problem.

The problem of affordable housing is very real, as each of the communities involved in the study showed. The average household income in Westerly would be adequate to buy a \$75,000 house, but that \$75,000 would buy only a building lot. In Newport, where the median income is \$28,000, only 7 percent of the residents are able to buy the typical \$135,000 house. In Lincoln, where close to one in every five residents will be 65 or older by 1990, there is a serious shortage of housing available for this segment of the population. And in Bristol, where the average price for a house is \$143,000, three out of four households cannot afford to buy housing. The problem there will only get worse. Currently, one acre of buildable land sells for \$128,000.

More startling figures

The other four communities also had some startling housing stories to tell. In East Providence, only 2 percent of the land is available for housing construction. In Cranston, the rate of house construction is close to overwhelming: Current annual building permits have averaged 315 over the past several years where it once was 85 annually. In South Kingstown, a community with less than one-third the population of Cranston, building permits have exceeded 400 annually over the past several years. And in Warwick, where house prices only last year reached \$100,000, the rental market is at crisis levels with a vacancy rate of less than 3 percent and two-bedroom rental units averaging \$711 monthly.

The demand for housing continues unabated in the nation and in the state, primarily for two reasons: demographics and household formation. The baby boomers, now aged 24 to 42, are at the house-buying stage and are helping to create the inordinate demand for housing. New household formation takes place with divorce, with two residences necessary rather than one, with marriage and young and elderly also setting up their own units. Household formation rather than population growth frequently explains housing demand. For example, between 1970 and 1980, in Rhode Island the population declined by 0.3 percent, yet the number of housing units increased by 17.3 percent, or a total of 54,954 units.

Rising house prices have put the Providence metropolitan area in the national spotlight, with the highest percentage increase of house prices for seven straight quarters to the current median price of \$127,500. With houses out of reach, renters have had to stay in their units, and this has tightened the rental market. Recent federal legislation has removed many tax incentives for multifamily rental units and has discouraged such construction, further exacerbating the rental problem. This rental dilemma manifested itself in Warwick with a less than 3 percent vacancy rate, and in Bristol and Cranston, where a two-bedroom unit commanded a rental of \$550 to \$650 a month in 1987.

Eight strategies

This meeting of the eight grant communities

allowed each to share its recommendations to alleviate the housing crunch. Each presented one major strategy to discuss. These strategies may not be appropriate for all communities, but they need to be examined and put together with other possible solutions to address a housing problem that is likely to be with us well into the 1990s.

In South Kingstown a change in zoning to allow more houses in a development (inclusive zoning) would give a developer a bonus of more housing units if some were built specifically for low- and moderate-income households. Though it's now a new idea, density bonuses have proven to be an effective way to reduce housing costs to help first-time home buyers.

East Providence recommended that a person be available to handle all housing inquiries and problems, conduct an inventory of housing needs and availability and be a general housing resource person for the community. Such an ombudsman or coordinator would help the city focus on the problem and aid all residents with their housing needs.

Lincoln came up with "independence housing" as an answer to providing smaller houses on smaller lots for the elderly, many of whom want to rid themselves of houses and properties too large to maintain. These larger units are exactly what young families need, and various types of innovative financing would be used to get these two groups together. Unfortunately, nearby residents objected to a proposed higher-density housing development of 30 units and the development was stopped.

'Senior-junior flip'

In Westerly there was the same concern of house-rich elderly and first-time family home buyers who were in need of larger houses. The recommendation to help resolve this problem was something called a "senior-junior flip." Through the use of second mortgages and delayed payments it was suggested that prices could be reduced for the young families if the elderly were willing to delay payments for their homes.

Public opposition to almost any type of development was cited by officials from Cranston, and this has been their biggest problem, even though the community has been criticized for building too much too fast.

House prices in Warwick have not appreciated to the same levels as in many other communities, with an average of \$101,000 in 1987, and with the condominium market slowing down, some prices have declined. This has shifted attention to condominiums as possible housing for low- and moderate-income potential buyers because condos can be purchased at lower prices than newly built units.

A recommendation from Bristol was the establishment of a non-profit housing corporation to acquire, rehabilitate and manage rental properties and to help first-time home buyers by using limited equity cooperatives, mutual housing associations and leasing land through land banking.

Newport has some of the most severe housing problems in the state: 21 percent of the more than 14,000 housing units are subsidized; the poverty level is the third highest in the state; the housing affordability gap is the second highest in the state; and a sizable non-resident, second home buyer demand creates a further requirement for housing. The recommendations to address the problem were many, and ranged from building more rental units to helping first-time home buyers with financial aid.

The \$25,000 grants that the eight communities received to do these studies were spent largely to hire consultants who did the leg work in gathering data, examining the character of the communities and making recommendations. The final reports for each of the cities and towns will go before local councils for adoption and possible implementation.

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