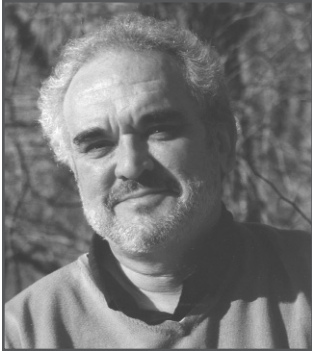


The Way It Looks to Me...

The Middle Class Housing Squeeze and Why We Should Care about It



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Because the Wisconsin Partnership turned 20 years old in 2005, I've been thinking lately about how our world today is different from the world of 20 years ago. You'll be hearing a lot from us over the next year about five big changes in the environment in which nonprofit housing organizations work.

One of those big changes is that housing is increasingly unaffordable not only for lower-income people but for a growing part of the middle class. That's a relatively new phenomenon, at least in the memory of people who grew up since the New Deal and WW II.

Government policy since the 1930s, cutting across party lines and ideological differences, has been predominantly

aimed at making housing affordable to more and more people. But today, the cost of housing is putting a squeeze on more and more people. The mortgage market has become an increasingly risky business for home buyers as they try to pay for homes they can't really afford. Foreclosures are at record levels. Although housing prices have begun to moderate, they are staying flat or declining from years of steady and dramatic increases.

Why is housing getting more and more expensive for the middle class? The basic reasons are that homes have gotten bigger every year and that the cost of turning "raw" land into buildable lots has been increasing even faster than the cost of building homes. Consumers say that builders are putting only bigger and more expensive homes on the market. Builders say that they're just producing what the market demands and passing on the cost of restrictive government regulations that increase both land development and housing costs. Whatever the real answer, the cost of houses keeps going up, and fewer regular people with regular jobs can buy them without resorting to financial Russian roulette.

The problem isn't just that homes cost too much to build and buy. Homes use too much energy to build and live in. The cost of traveling between our homes and other places— jobs, shopping, schools and recreation— is going up. People live farther from their jobs and commute longer, partly so they can find homes at lower cost. But solving the housing affordability problem that way costs them and the rest of us money in other ways. Taxes go up because we have to pay for roads and other infrastructure to reach new subdivisions. And besides being expensive, urban sprawl separates us more and more from one another, and reinforces exclusionary zoning. As home owners become more concerned about property values— not just as a way of building equity but as a way of making a riskier mortgage work— they become even more fearful that lower-cost housing will make their own

homes worth less.

Those concerns make great raw material for housing researchers and editorial writers. But why should we care? What does it have to do with our mission of providing more affordable housing and more housing choices for lower-income people, who had severe housing problems long before the middle class started feeling the squeeze?

The political reality is that the government— at all levels— cares more about housing affordability when it affects more people. The recent housing problems of middle-income families simply attract more political attention than the much longer-standing housing problems of people with less money. The middle class housing squeeze helps people understand that unaffordable housing isn't just something that happens to "them"— it can happen to "us."

But those of us who focus on housing for lower-income people should think about responding to the affordability problems of the middle class for other reasons as well. Some solutions to housing affordability for the middle class may also be part of the solution for lower-income people. If changes in zoning and other land-use controls reduce development costs, that will make all housing less expensive. We will still need subsidies to reach people whose incomes are too low to pay for housing at the lowest production cost we can achieve. But subsidy funds will go farther, reach more people and have more positive impact if the actual cost of housing is lower. Housing affordability problems for the middle class may also make people— housing consumers, developers, builders, lenders and government officials— more receptive to mixed-income housing that includes people with the fewest housing choices.

Nonprofit housing developers should be looking for opportunities to produce that kind of mixed-income housing. We should be advocating for and using planning principles that reduce development costs. We should be working in joint ventures with smart for-profit developers who understand the growing market for less expensive homes. If they share the cost and risk of mixed-income development, our social mission will have a bigger impact. Finally, we should be working to raise public awareness— and the awareness of employers concerned about the cost of "workforce housing"— about why housing is too expensive and how, working together, we can change that.

The housing affordability problems of the middle class are our concern because the solutions help us and the people we serve, and because in the larger view, we're all in this together. That's what the "community" in "community development" means.

That's the way it looks to me.