SPECIAL REPORT

What Every Business Can Do about Housing

by Peter Dreier, David C. Schwartz, and Ann Greiner

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What Every Business Can Do about Housing

Labor shortages, relocation costs, and high-priced real estate – suddenly housing is on the business agenda.

by Peter Dreier, David C. Schwartz, and Ann Greiner

The shortage of affordable housing in the United States has begun to affect American businesses. In such hard-hit areas as Boston – where home prices and rents have risen more than 20% annually for several years – the labor shortage is now severe. Some of the old work force has pulled up stakes and disappeared. Many wage earners from other cities who would like to take the available jobs find the financial barriers to relocation insurmountable. The irony is that boom areas are usually the areas hardest hit – the regions with the healthiest economies and the largest number of available jobs.

Wages in such places already exceed the national average – by 12% in Boston, 26% in San Francisco, 32% in New York – but labor shortages continue. In addition, managerial personnel often refuse transfers from low-cost areas like Denver and Houston to expensive East or West Coast cities where the best housing deal they can get is half the space at twice the price.

Some companies have responded by leaving the thriving, overpriced regions. Others are trying to ignore the problem. But ironically, the managers who tell themselves that housing is each employee's private responsibility often work for companies that are offering hidden housing subsidies in the form of distorted wages, white-collar moving benefits, or the exorbitant cost of relocating the company.

> In the 1940s, workers spent 14% of their income on housing. Today they often spend 50%.

Meanwhile, the federal government – which for half a century stimulated the private housing industry with incentives and subsidies – has cut its housing-assistance budget by 75% since 1980. Construction of subsidized units has fallen from about 300,000 a year in the 1970s to less than 15,000 in 1988. Within the next 15 years, moreover, close to 2 million privately owned, low-income apartments built with federal aid could lose their subsidized status and convert to market-rate apartments or condominiums. As the federal government withdraws from the housing arena, employers increasingly carry the burden.

Of course, American businesses need not stand by helplessly and watch the housing shortage rob them of their profits or their work force. There are plenty of constructive alternatives to flight or inaction. So many U.S. corporations already have housing-assistance programs that they constitute a growth industry in themselves. In addition, many states and communities are attacking the problem at its roots by increasing the supply of affordable housing through housing partnerships or subsidy programs. Finally, Congress is also considering several federal housing initiatives that U.S. businesses can help shape through their congressional representatives and trade associations.

A convulsion in U.S. housing

Nationwide in the 1980s, at least two million young American families have been priced out of the first-home market. In 1949, the average 30-year-old home buyer had to devote 14% of the monthly paycheck

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to mortgage payments. By 1985, the figure had risen to 44%. The so-called affordability ratio (median home price/average annual wage) had risen to 4.2 nationwide and was much higher in a few areas (see insert, "Affording the American Dream"). In 1986 alone, housing prices climbed 20.6%, according to the National Association of Realtors, while personal income rose only 4%.

Increases in down-payment requirements and roller-coaster interest rates have further reduced the rate of home ownership. In the early 1980s, required down payments ran about 10%. The standard today is 20%. Meanwhile, exorbitant rents prevent potential buyers from saving the tens of thousands of dollars they need for that first home purchase. Fluctuating interest rates aggravate the problem, since for every percentage point rise in national mortgage rates, 450,000 people get priced out of the home-buying market.

As for rentals, almost every state in the union has experienced a shortage of low- and moderate-income apartments since 1981. Real rents – adjusted for inflation – are now at a two-decade peak; they have increased nearly 15% since 1981, and the average rent-to-income ratio rose from 20% in 1970 to 29% in 1983 and continues to climb.

The Boston area is possibly the most dramatic example of how a surging economy can boost housing prices to the point where they begin to dampen economic growth. In 1987, the Boston area's $177,200 median single-family housing price was the country's third highest, after Honolulu and New York. Rents fared no better. Real rents – now averaging more than $800 for a two-bedroom apartment – increased 25.4% from 1981 to 1986. The percentage of Boston renters paying more than half their income for housing doubled during the 1980s.

As home prices and rents have risen, so have wages and benefits. A Boston Redevelopment Authority study shows that to attract workers, 75% of area employers recently interviewed had raised wages or benefits beyond inflation adjustments. In 1987, average wages exceeded the national average by 12%. The Boston Hotel and Restaurant Workers Union recently demanded that wages be tied to the costs of housing rather than to rises in the Consumer Price Index.

But the availability of jobs has still not attracted enough workers to the Boston area. Historically, workers have always moved to jobs. During the 1970s oil boom, thousands of families moved to Texas from New England and the Midwest. Today, however, people simply cannot afford to move to Boston, and local businesses are not creating the kinds of jobs that pay enough to offset Boston's housing price tags. Even Boston's prestigious teaching hospitals can't attract enough residents, interns, and nurses. Human resource managers who deal with relocation believe that housing prices make them lose anywhere from 20% to 30% of potential employees to areas of the country where costs are lower.

> In New England, the housing shortage has become a labor shortage – 80% of businesses are short of workers.

The problem has spread to neighboring states as well. Housing prices are already skyrocketing in New Hampshire and Rhode Island, and two 1987 surveys of businesses in New England show that 80% could not find and hire enough qualified workers.

Another hard-hit area is California. San Francisco first confronted the realities of its housing crisis in the early eighties. The median price of a single-family home in the Bay Area has risen steadily ever since. By 1987, it reached $171,400, which only 15% of the region's households could afford. Between 1981 and 1986, real rents rose by more than 25%. Wages in the Bay Area increased faster than inflation (the $26,031 average wage in 1987 is 26% higher than the national average) but not as fast as housing prices, which are double the national figure. The situation in the Los Angeles, Anaheim, and San Diego areas is similar.

The metropolitan New York area perhaps best illustrates how soaring housing costs can drive entire organizations to pull up stakes and relocate. From 1982 to 1987, housing prices doubled while wages rose only 27%. The affordability ratio grew to 6.7. Businesses could not afford to expand and transfer employees to New York. Some companies and corporate divisions decided they could not afford to stay.

The Grumman Corporation, one of Long Island's largest employers, recently opened large engineering centers in Florida and Texas, taking nearly 1,500 jobs from greater New York in the process. Previously, Grumman had to offer housing premiums that sometimes amounted to 20% of salary packages, but a home selling for more than $200,000 on Long Island could be bought in Florida for about $125,000. The Grumman engineer in charge of the new Florida facility observed, "The engineers we interviewed here simply said, 'No, we won't go to Long Island.'"

Grumman announced its decision in 1987. That same year, several other large companies announced plans to leave the New York area, citing housing prices as a major reason for moving.

- Mobil Oil announced plans to relocate its national headquarters from New York City to Fairfax, Virginia, taking along 1,500 jobs.
- International Paper announced a move of 400 to 600 jobs from Manhattan to Memphis.
- J.C. Penney will take 1,200 corporate headquarters jobs to Dallas.
- Lillian Vernon, a mail-order company, will move 600 jobs from Westchester County to Virginia.

During the 1970s, suburban Fairfield County, Connecticut, particularly the city of Stamford, became a mecca for relocated corporate headquarters. But with the office boom

Affording the American Dream

(1987 figures)

Metropolitan Statistical Area	*Median Single-Family Home Price (000)*	*Average Annual Wage**	*Affordability Ratio (Price/Wage)*	*Income Needed to Afford†*
Boston	$177.2	$23,148	7.7	$59,449
Anaheim	166.9	22,231	7.5	55,994
Hartford	157.4	23,299	6.8	52,807
New York	183.5	27,300	6.7	61,563
Providence	121.4	18,283	6.6	40,729
San Francisco	171.4	26,031	6.6	57,504
San Diego	128.8	20,490	6.3	43,212
Los Angeles	139.5	23,888	5.8	46,801
West Palm Beach	102.6	19,924	5.1	34,422
Washington, D.C.	114.2	24,475	4.7	38,313
Albuquerque	82.6	18,808	4.4	27,712
Albany	86.4	20,286	4.3	28,987
Orlando	76.2	18,480	4.1	25,565
Las Vegas	77.0	18,935	4.1	25,833
Phoenix	80.9	20,067	4.0	27,141
Miami	81.1	20,292	4.0	27,209
Baltimore	81.1	20,425	4.0	27,209
Denver	88.9	22,527	3.9	29,825
Nashville	75.5	19,149	3.9	25,330
Memphis	75.0	19,284	3.9	25,162
Chicago	90.8	23,520	3.9	30,463
San Antonio	70.2	18,304	3.8	23,552
Dallas	89.2	23,357	3.8	29,926
Salt Lake City	69.4	18,618	3.7	23,283
Philadelphia	81.5	21,967	3.7	27,343
El Paso	59.2	16,154	3.7	19,861
Birmingham	71.6	19,659	3.6	24,021
Tampa	63.8	17,559	3.6	21,404
Minneapolis	80.5	22,203	3.6	27,007
Baton Rouge	67.8	19,010	3.6	22,746
Jacksonville	65.1	18,690	3.5	21,841
St. Louis	74.3	21,660	3.4	24,927
Milwaukee	70.5	20,808	3.4	23,652
Columbus	68.7	20,287	3.4	23,048
Kansas City	69.8	20,723	3.4	23,417
Rochester	72.5	22,725	3.2	24,323
Oklahoma City	62.3	19,638	3.2	20,901
Portland	64.2	20,275	3.2	21,539
Omaha	59.0	18,668	3.2	19,794
Cincinnati	66.1	20,948	3.2	22,176
Tulsa	65.7	20,848	3.2	22,042
Cleveland	68.1	21,887	3.1	22,847
Indianapolis	62.5	20,778	3.0	20,968
Buffalo	56.7	19,488	2.9	19,022
Des Moines	55.6	19,345	2.9	18,653
Houston	65.9	23,773	2.8	22,109
Louisville	51.7	19,166	2.7	17,345
Toledo	56.3	21,218	2.7	18,888
Detroit	65.6	25,625	2.6	22,008
United States	**85.6**	**20,615**	**4.2**	**28,718**

*Wages for 1987 are 1986 wages adjusted using the Bureau of Labor Statistics Employment Cost Index. Chicago and Denver 1987 wages are adjusted 1985 wages.

†Assumptions: the household is spending 30% of its income on a 30-year mortgage for 90% of the value of the home (10% down payment) at a 9.39% interest rate (average for June 1987) and 1% property tax on sale value of the home.

Sources: National Association of Realtors; U.S. Department of Labor, Bureau of Labor Statistics.

came soaring housing prices, and now there's a corporate exodus. A recent survey of 300 corporations in the area found that one-third were considering partial or total moves, and several have already announced their relocation plans.

The cost of moving plant and equipment for just one of these companies can add up to tens of millions of dollars, but for businesses facing steadily rising wages and an inadequate employment pool the expense can seem a necessary investment. Even so, relocating the company may provide only temporary respite, especially since economic success and rising housing costs seem locked together in an inevitable spiral. Housing problems have a way of pursuing companies to distant corners of the country.

We see three avenues for business action in the housing sphere. In descending order of cost to the company, these are: First, organizations can help their employees find and afford housing on the open market. They can even construct housing. Second, businesses can join with local governments to build affordable housing, often in communitywide partnerships with nonprofit developers. Third, through trade associations or directly, companies can lobby Congress for affordable-housing legislation to help business and state governments deal with the problem at the local level.

Helping individual employees

Thousands of U.S. corporations spend billions of dollars on housing-assistance programs each year in addition to what they spend on higher salaries. Housing assistance falls into three broad categories: relocation assistance (typically limited to mid- and upper-level managers), plans that enhance housing affordability for all employees, and programs that actually augment the supply of affordable housing.

Relocation programs. A 1986 Merrill Lynch survey estimated that some 1,300 companies pay about $17.5 billion each year to relocate some 450,000 new and transferred management-level employees. Various studies show a wide range of subsidies. The most common include:

- Compensating employees for the difference in mortgage interest rates between their old homes and new.
- Buying the employee's old home outright or making arrangements to have it purchased by a bank or another company.
- Making down-payment loans to new home purchasers. (Loans in excess of equity are usually interest bearing and recorded as liens against the property.)
- Providing direct down-payment assistance in exchange for a share of the employee's property value appreciation.
- Offering mortgage buy-downs by giving the mortgage lender "points" or ongoing differential payments. (A few companies make mortgage loans themselves at discount rates.)
- Reimbursing employees for the cost of carrying two homes during the move, for the expense of selling the former home, and in some cases for any loss on the property sold.

These programs are enormously helpful to those entitled to them, but none of them adds affordable housing to the market or underwrites the cost of housing for nonmanagement staff. The employer must offer such perks to compete for managerial talent, but they do very little to help solve the housing crisis or to address the broader labor shortage.

Affordability programs. Managers reluctant to assume the cost of housing-subsidy plans for their work forces can take heart from the fact that many forms of housing assistance, such as arranging volume mortgage discounts through the company's bank, may actually cost the company nothing. So-called cafeteria-style benefit plans, if legislatively expanded to include the possibility of swapping standard benefits like medical coverage for housing aid, could also help the company avoid extra cost. Cafeteria plans are especially attractive since about one-third of workers receive duplicate medical benefits through a spouse and could opt for housing benefits instead.

There are three kinds of affordability programs:

1. Mortgage-guarantee and insurance plans. In such plans, a company either acts as the mortgage insurer or subsidizes a mortgage insurer to guarantee lower rates. If the company guarantees mortgages directly, the cost can be figured simply. The default rate can be expected to run at 1/2% to 1%, so for 500 loans the company can anticipate between 2 1/2 and 5 defaults. On loans averaging, say, $100,000, the estimated risk to the company is $250,000 to $500,000 on a loan volume of $500 million. Since the mortgage-guarantee program includes corporate acquisition of an equity interest in homes on which employees default, the risk is minimal. Still, only companies that have considerable assets will want to undertake this kind of direct guarantee program.

> **U.S. companies spend billions on housing each year in addition to higher wages.**

Alternatively, companies can buy private mortgage insurance for employees, perhaps even get a volume discount. Assuming insurance costs 1% of the average $100,000 loan, the cost again would come to $500,000 to insure 500 employees. A cafeteria benefit plan could offer this $1,000 benefit in lieu of other benefits at no additional cost to the company.

The University of Pennsylvania offers free 100% mortgage insurance on any loan made by a Philadelphia lender to a permanent university staff member for a home in targeted neighborhoods around the campus. Because the guarantee program lowers, and in some cases eliminates, down-payment requirements, it increases dramatically the number of people able to buy homes. Moreover, the program has helped revitalize several urban neighborhoods, while the university has surrounded itself with a community of its own faculty and staff. And the program has been default-free for a decade.

Finally, by negotiating volume discounts on mortgage insurance for employees, companies can save them money at little or no expense to the corporation.

2. Group mortgage origination and buy-down programs. In origination programs, companies negotiate volume discounts on mortgage interest rates with lending institutions. The resulting 1% to 3% savings opens the door to home ownership for many previously unqualified buyers. Companies with large work forces can make such arrangements without spending a dime, but smaller businesses may choose to give direct interest-rate subsidies to their lowest income workers. Colgate-Palmolive does both. The company has negotiated lower interest rates through group mortgage programs for all its employees; it also buys down interest rates in special cases.

3. Down-payment loans and grants. Companies can also offer down-payment loans or grants to workers, often by holding a second mortgage on the employee's home with a deferred payback of, say, five years. The company's lien on the property greatly lowers its risk, while the deferred payback gives young employees, particularly those whose earning power will grow over the five-year period, an opportunity to buy a house.

Each of these programs can do much to make home ownership more affordable and much to help a company deal with the housing and labor shortages it faces. The primary drawback, aside from expense, is that none of them addresses the fundamental problem – increasing the housing supply.

Construction programs. No one wants to reinvent the nineteenth-century company towns that U.S. industries built to attract and keep workers for their new enterprises. Typically this housing was overcrowded and regimented, and no one has ever mourned its passing. Some businesses, however, may decide to intervene more directly in the housing crisis and somehow stimulate or

Recommended Readings

A New National Housing Policy: Recommendations of Organizations and Individuals Concerned About Affordable Housing in America.
Senate Committee on Banking, Housing, and Urban Affairs; House Committee on Banking, Finance, and Urban Affairs. Order from:
Subcommittee on Housing and Community Development
2129 Rayburn House Office Building
Washington, D.C. 20515
(1097 pages, no charge)

A New Housing Policy for America: Recapturing the American Dream, David Schwartz, Dan Hoffman, and Rich Ferlauto.
Order from: National Center for Policy Alternatives
2000 Florida Avenue N.W.
Washington, D.C. 20009
(285 pages, $19.95 plus $2 handling)

Nonfederal Housing Programs,
Michael Stegman and J. David Holden.
Order from: Urban Land Institute
1090 Vermont Avenue N.W.
Washington, D.C. 20005
(240 pages, $36 plus $2.50 handling)

A Decent Place to Live: The Report of the National Housing Task Force.
Order from: National Housing Task Force
1625 Eye Street N.W., Suite 1015
Washington, D.C. 20006
(67 pages, no charge)

take part in construction programs. John Cullinane, founder of Cullinet Software, Inc. in suburban Boston, has recommended that high-tech businesses build "walk to work" apartments near workplaces, or include apartments in new office complexes. Since few companies can undertake such construction on their own, most choose instead to enter into some form of partnership with local government and other businesses affected by the housing shortage.

Community housing partnerships

When the federal government essentially withdrew from the housing field in the early 1980s, state and local efforts began to emerge to deal with the problem. In many cities and states, businesses have joined with more traditional housing advocates (from home builders and realtors to religious and community organizations) to help fill the gap left by the federal government's retreat. The resulting programs include mortgage write-downs for first-time buyers, mortgage subsidies for private apartment construction, rent subsidies for low-income tenants, and state-sponsored public housing projects.

To make these programs work, states and localities have been obliged to find new sources of revenue. Among other solutions, they issue special housing bonds, assess "linkage fees" on commercial developments, and simply allocate bigger slices of state budgets for construction and renovation programs. But even if every city and state stretched itself to its fiscal limit to raise housing funds, the combined total would not fill the vacuum left by the federal government's retreat.

In some cities, business has played a more direct role and become involved in public-private-community partnerships that actually build and renovate affordable housing. In San Francisco, for example, companies have worked with the nonprofit Bridge Housing Corporation to create a development fund that in only five years produced 3,043 units of housing valued at more than $238 million. About 40% of the units became available at below-market rates. Top executives from such companies as Chevron, Levi Strauss, and Wells Fargo sit on its board.

The Boston Housing Partnership (BHP) is another outstanding example. The 25-member BHP board is composed of three groups in roughly equal numbers: the CEOs of leading banks and other businesses, local and state government officials, and the directors of neighborhood-based nonprofit community development corporations. The board is chaired by William Edgerly, chairman of the State Street Bank.

The BHP's first project combined public and private resources – technical assistance, corporate and foundation philanthropy, loans from the Massachusetts Housing Finance Agency at tax-exempt rates, grants from city government, private financing from Boston's four largest banks – to rehabilitate 700 apartments in 60 buildings throughout the city, which were then owned and managed by neighborhood-based, nonprofit development corpora-

> In Boston, bankers and CEOs have championed the cause of affordable housing.

tions. The BHP's second project of 900 apartments used the same web of financing, with one addition. The 1986 federal tax act eliminated most of the tax shelter benefits for indi-

Public-Private Housing Partnerships

These organizations can advise and assist businesses and local governments with the establishment of community housing partnerships:

The Enterprise Foundation
505 American City Building
Columbia, Maryland 21044
Contact: Edward L. Quinn
(301) 964-1230

Local Initiatives Support Corporation (LISC)
666 Third Avenue
New York, New York 10017
Contact: Paul Grogan
(212) 949-8560

Neighborhood Reinvestment Corporation
1325 G Street N.W.
Washington, D.C. 20005
Contact: Bonnie Nance Frazier
(202) 376-2400

vidual investors in affordable housing, but Congress substituted a tax credit for corporations that invest in low-income apartments. This provision of the tax code allowed 12 of Boston's largest corporations to profitably invest $16 million in the project.

No one pretends that these 1,600 apartment rehabs are more than a first step toward alleviating Boston's housing shortage, but they have given BHP's nonprofit developers the know-how to undertake complex projects. Some are already building affordable condominiums, cooperatives, and townhouses for working families.

Private, corporate-sponsored foundations have played a significant part in the success of public-private-community partnerships. In 1979, the Ford Foundation created the Local Initiatives Support Corporation (LISC) to help bring the right players and ingredients together to build affordable housing. Indeed, LISC and other foundations – the Enterprise Foundation (founded by developer James Rouse), and the congressionally chartered Neighborhood Reinvestment Corporation, to name two – have worked in more than 100 cities to get such partnerships off the ground. Large-scale efforts of the Boston and San Francisco types have now been launched in Chicago, Baltimore, New York, Long Island, and Cleveland, among other places.

The role of the federal government

American business seems to have shouldered much of the housing burden. But the sums even large corporations can devote to housing are nearing their limits, and the only tools available to local governments are zoning, regulation, and a modest power to tax. It is hard to see how the U.S. housing crisis can stop getting worse and start getting better without new federal involvement. Massachusetts, with the country's most ambitious housing programs, spent $1 billion on housing from 1983 to 1988 but built only about half the number of units that HUD built in the state during a comparable period in the 1970s. To be realistic, only Washington has the fiscal power to protect existing affordable housing, expand the supply, and create the tax advantages that will encourage community housing partnerships.

In fact, the Senate housing subcommittee has already begun the process. Its leaders, Chairman Alan Cranston and ranking minority member Alphonse D'Amato – a liberal Democrat and a conservative Republican – are collecting proposals for a comprehensive housing policy for the rest of this century and, more pertinently, for an omnibus housing bill for the new president's signature. The first hearings will be held this fall, and dozens of interest groups are sure to compete for the attention of those drafting the legislation. Whether the outcome serves the needs of business will depend to some extent on whether and how business takes part in the debate.

Several groups are already at work. One of the most influential is the privately funded National Housing Task Force chaired by James Rouse – the developer who built Quincy Market in Boston, Harbour Place in Baltimore, and the entire town of Columbia, Maryland – and David O. Maxwell, who heads the Federal National Mortgage Association (Fannie Mae). The task force recommends stepped-up federal spending that would flow to state and local governments in two forms: a program of entitlements to cities and states based on need and a program of matching funds based on the willingness of local governments, businesses, and nonprofit organizations to furnish land, seed money, and financing. One

Employee Home-Ownership Plans

Publicly owned companies are allowed to borrow money to purchase their own stock for contribution to employee stock ownership plans (ESOPs) and then deduct both principal and interest payments on the loan. In addition, banks can deduct 50% of the interest they receive on these loans. The Employee Retirement Income Security Act of 1974 (ERISA) does not, however, permit such plans to give one employee benefits that they do not give another, which probably rules out using these funds for mortgages.

Legislation enabling companies to set up mortgage funds on the same terms could produce strikingly low interest rates, since half of what the bank received would be tax free. This law would also permit non-cash-rich businesses to undertake EHOPs without affecting their other sources of capital. EHOPs would seem to benefit everyone – banks because they can capture volume mortgage business at low cost, companies because they can address their housing shortages on a tax-advantaged basis without draining other assets, employees because they can get lower mortgage interest rates.

piece of proposed legislation, the Community Housing Partnership Act, calls for the federal government to match local dollars three for one in communities that create programs like the Boston Housing Partnership.

The National Housing Task Force and its proposals are just one example of a renewed national attention to housing. Other groups too are issuing reports and recommended policy and legislation (see the list, "Public-Private Housing Partnerships"). In our opinion, there are four areas in which Congress could take initiatives to reduce the housing shortage: taxes, mortgages, preservation, and construction.

Taxes. First, it is time the government acknowledged employer housing programs as tax-advantaged personnel benefits. Second, the existing tax incentives for corporations that invest in low- and moderate-income housing ought to be extended and expanded. Third, the tax code could permit employees to make one-time, tax-free withdrawals from their deferred benefit funds for down payments on first and primary residences. (A tax recapture on these funds at the time of house sale or retirement could eventually make this proposal revenue neutral.) Fourth, we suggest that the tax law be rewritten to enable companies to create employee home-ownership plans (EHOPs). See the insert on the model of present employee stock-ownership plans (ESOPs).

Mortgages. Congress has the power to change HUD policies regarding down payments, mortgage insurance, and the permissible size of federal home loans to make it easier for young families to buy houses. Enactment of EHOP-enabling legislation would also help underwrite affordable mortgage rates for a large number of employees.

Preservation. Uncle Sam could do much to protect and preserve the 3.3 million low-income housing units it subsidizes currently. Of these, 2 million are privately owned and in danger of falling into bankruptcy or converting to market-rate rents unless their subsidies are renewed. Another 1.3 million units are publicly owned, and many have deteriorated alarmingly. These too can be saved if the administration will agree to renovate rather than sell them. Most public housing is well-managed and cost-effective, but lack of funding has led to $21 billion in deferred maintenance.

Construction. Finally, the government should resume its recently abandoned role as a catalyst for affordable housing production by distributing federal funds to state and local governments, as recommended by the Rouse/Maxwell task force. The Reagan administration has cut the federal housing budget by nearly 75%, from $33 billion to less than $8 billion. This reduction places our federal housing investment well below that of any other industrialized nation on a per capita basis–a major reason for the recent epidemic of homelessness. The U.S. Conference of Mayors reports that the number of homeless has grown by almost 25% each year since 1983, and virtually every state has applied for HUD funds to deal with the problem. The homeless are not merely vagrants, as popular mythology would have it. Increasingly, homelessness affects working people at the lower end of the wage scale, men and women with spouses and small children. The Conference of Mayors survey found that 22% of homeless adults have jobs, and this percentage is growing–not because the homeless are seeking employment in greater numbers, but because more and more low-income working people are being rendered homeless.

The housing shortage continues to drive up wages, drain the work force of every region it afflicts, and force businesses to pour capital into ballooning recruitment and relocation budgets. If we fail to do more than we are doing now, the gap between demand and affordable supply could grow to nearly 8 million units by the end of the century. That translates into 18 million Americans with no place to live.

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