In Search of Shelter

The Growing Shortage of Affordable Rental Housing

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Jennifer Daskal

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June 15, 1998

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I. Summary

Despite a growing economy, the shortage of affordable housing for low-income renters was greater in 1995, the latest year for which data are available, than at any point on record. This gap — 4.4 million units — has grown consistently in recent decades; the number of low-cost rental units has fallen while the number of low-income renter families has grown. By 1995, eight of every 10 renters with incomes below the federal poverty line faced housing costs that exceeded 30 percent of their income, the federal housing affordability standard established under the Reagan administration in 1981. About three-fifths of all poor renters — and more than 40 percent of working poor renters — spent more than *half* of their income on rent and utilities in 1995.

The Affordable Housing Shortage

Data from the 1995 American Housing Survey (AHS), which is sponsored by the U.S. Department of Housing and Urban Development and conducted by the U.S. Bureau of the Census, indicate that a substantial shortage of affordable housing has developed in recent decades.

- In 1970, the first year for which comparable data are available, there were 6.5 million low-cost rental units (including both subsidized and unsubsidized units). That was roughly 300,000 greater than the number of low-income renters, which stood at 6.2 million.[1] (Low-income renters are

[1] Data from 1970 do not separate "no cash renters" from other renters, which leads to a slight overstatement of the number of low-income renters that year. "No cash renters" are those who occupy a (continued...)

defined here as those with incomes of $12,000 or less in 1995 dollars, which is roughly equal to the poverty line for a family of three. Low-cost units are those with rent and utility costs totaling less than 30 percent of a $12,000 annual income, or less than $300 a month in 1995 dollars.)

- By 1995 this situation had changed dramatically. While the total number of low-income renters increased almost 70 percent between 1970 and 1995, the number of affordable units actually fell. The number of low-cost rental units edged down to 6.1 million, while the number of low-income renters rose to 10.5 million. The result was a shortage of 4.4 million affordable units, the largest shortage on record. In 1995, there were nearly two low-income renters for every low-cost unit.

The AHS data also show that most renters at or below the federal poverty line spend very large proportions of their incomes on housing:

- Some 82 percent of poor renter households — six million households — spent more than 30 percent of their income on rent and utilities in 1995.[2]

- About 78 percent of working poor renters with children — 1.2 million households — spent more than 30 percent of their income on rent and utilities in 1995.[3]

- Roughly three of every five poor renter households — including more than 600,000 working poor renters — spent more than *50 percent* of their income on housing.

- The typical, or median, poor renter spent 60 percent of his or her income on housing in 1995. The typical or median poor renter that did not live in a subsidized housing unit spent 77 percent of income on housing in 1995.

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[1] (...continued)
housing unit without paying any cash in rent. If these renters were excluded, the surplus of units over renters in 1970 would be greater.

[2] The poverty level varies by household size, whereas the "low-income" level used here to measure the housing affordability gap does not. "Low-income" renters refer to those with annual incomes at or below $12,000, irrespective of household size. Most of this report presents data on housing problems for poor renters. The "low-income" measure is used only to measure the housing affordability gap.

[3] Throughout this paper, a "working household" is defined as a household with earnings from work that are equivalent to or greater than the amount of earnings from year-round, half-time work at the minimum wage, which equaled $4.25 an hour in 1995.

These housing affordability problems are nationwide, affecting poor households in every region of the country and in both urban and rural areas. They are spread among all racial and ethnic groups, and, as noted, affect both working and non-working poor renters.

- The shortage of affordable housing exceeds 700,000 rental units in each of the four Census regions — the Northeast, the Midwest, the South, and the West. The widest affordable housing gap, when measured as the number of low-income renters competing for each low-cost rental unit, is in the West. In that region there are close to *three* low-income renters for each low-cost unit.

- Some 82 percent of poor renter households in central cities spent more than 30 percent of income on housing in 1995. So did 81 percent of poor renters in suburban areas and 81 percent of poor renters in rural areas.

- The problems of high housing cost burdens affect poor white, African-American, and Hispanic households alike; about eight of every 10 poor renters in each racial/ethnic group spent at least 30 percent of income on housing. Similar proportions of both elderly and non-elderly poor renters had housing cost burdens this high.

The Role of Housing Assistance

Although the economy improved between 1991 and 1995, the number of low-income renters increased. At the same time, median rental costs paid by low-income renters rose 21 percent between 1991 and 1995, nine percentage points more than the rate of inflation over these years.

The rising rental costs resulted in fewer low-cost units. In 1991, there were 3.1 million unsubsidized units with costs of $300 a month or less, as measured in 1995 dollars. Four years later, in 1995, this number had fallen to 2.8 million units. The combination of an increase in the number of low-income renters and a decrease in the number of low-cost units led to a widening of the affordable housing gap. Over these years, the affordable housing gap grew by one million.

To offset these trends, the federal government began in the early 1970s to expand significantly the supply of subsidized housing. Nevertheless, the number of new housing subsidies dropped markedly in the early 1980s and has remained at a reduced level since then.

- Between fiscal years 1977 and 1981, HUD made commitments to expand rental assistance to an average of 260,000 additional low-income households per year, primarily though an expansion in the number of units in project-based Section 8 housing and in the number of certificates and vouchers.[4]

- From fiscal year 1982 through fiscal year 1997, new HUD housing commitments made through these programs fell to an average of about 70,000 per year. The total number of new housing commitments in this 16-year period was smaller than the number of commitments made in just the five years from 1977 through 1981.[5]

- Another federal housing program, the Low Income Housing Tax Credit (LIHTC), which was enacted in 1986, is operated through the tax code and provides funds for state and local governments and private organizations to produce housing. This program, however, adds only modestly to the supply of housing affordable to poor renters. Most poor families can afford to live in units created with these housing tax credits only if they also receive a rental subsidy from the federal government or their state.

Altogether, the relatively large expansion of federal housing assistance in the 1970s and the more modest expansion in the 1980s and 1990s resulted in an increase between 1977 and 1995 of 2.6 million in the number of households receiving federally funded housing assistance.[6] Although this expansion modestly exceeded the decline in the number of low-cost rental units in the private market through 1995, it failed to compensate for the large increase in the number of low-income renters over this period. The housing affordability gap consequently widened.

Currently, most poor renters remain without housing aid. In 1995, only about one-third of poor renter households received a housing subsidy from the federal, state, or a local government.

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[4] See page 34 for a description of these housing programs.

[5] Congressional Budget Office. *A CBO Study: The Challenges Facing Federal Rental Assistance Programs*, December 1994. Supplemental data for years 1994 - 1997 were provided by the Congressional Budget Office, 1998. Data on the number of units committed through the HOME program, which was created in 1990, were provided by the Office of Affordable Housing at the Department of Housing and Urban Development.

[6] These figures exclude households receiving housing subsidies through the Low-Income Housing Tax Credit.

The limited level of housing assistance means most poor families seeking housing assistance are placed on waiting lists and often wait several years before receiving aid. Families receiving subsidies to rent units on the private market in 1995 and 1996 waited an average of two years to receive these subsidies. Those receiving public housing in 1995 and 1996 waited an average of 10 months.[7] In many areas, waiting lists have grown so much that they have been closed, and new families are not allowed to apply.

Policy Response

The developments highlighted in this analysis — a declining supply of low-cost rental housing in the private market and a growing number of low-income renters — have resulted in the largest housing affordability gap on record. Unless the number of low-income families receiving government housing assistance increases, it is likely that the affordable housing gap will continue to grow.

Several proposals currently before Congress could help reverse this trend by increasing the supply of rental housing assistance; the proposals also would aid state and local efforts to move families from welfare to work and reduce homelessness.

- **Welfare to Work Vouchers**: The Administration's fiscal year 1999 budget proposes that housing vouchers be provided to 50,000 families for whom housing problems impede their ability to make the transition from welfare to work. Families receiving these vouchers would be provided a subsidy to help them meet the cost of rental housing in the private market. Families could use these vouchers to move closer to areas with better employment opportunities or good transportation networks. These vouchers could be particularly useful for families currently residing in areas of high unemployment. These vouchers also could be used to provide rewards and incentives for families to move from welfare to work.

- **Homeless Vouchers**: The Administration's budget also would provide 34,000 vouchers targeted to homeless individuals and families. Those receiving vouchers would move out of temporary shelters into permanent housing. This could help individuals and families attain stability, while

[7] Department of Housing and Urban Development, Office of Policy Development and Research, *A Picture of Subsidized Households, Vol. 11*, December 1996, 16.

also freeing up some space in temporary shelters for other needy individuals and families.

- **Elimination of the "three-month delay"**: To cut costs, Congress has required since 1996 that housing authorities delay for three months the point at which available housing vouchers and certificates that recipients use to rent housing on the private market are issued to families on the waiting list. Generally, vouchers and certificates become available when a family leaves the program, usually due to changed family circumstances. The three-month delay causes these vouchers and certificates to be pulled out of circulation for a quarter of the year, reducing the number of families provided housing assistance. The Administration's budget would eliminate the three-month delay, thereby increasing by as much as 30,000 to 40,000 the number of families provided housing assistance at any point in time.

- **Expansion of the Low-Income Housing Tax Credit (LIHTC)**: Congress also is considering bipartisan legislation to increase the LIHTC by 40 percent. Most units built with LIHTC dollars have rents set to be affordable to households with low-to-moderate incomes. They typically are not affordable to poor renters, the group for which the housing shortage is most severe. States could, however, administer these additional credits in innovative ways, linking units built with credit dollars to tenants provided federal rental subsidies. This would help to lessen the problem that some families provided vouchers or certificates are unable to find available rental housing that meets the local rent criteria. By expanding the supply of housing available to such families, such a linkage could increase the effectiveness of the voucher and certificate program in serving poor households.[8]

At the same time that proposals are being considered that would modestly increase the supply of housing assistance for low-income renters, Congress also is considering legislation that would significantly reduce access for poor families to the housing subsidies currently available. Legislation that both the House and the Senate have approved, and that now must go to conference, would change the way in which subsidies becoming available due to turnover or new funding are used. The House bill could reduce by as much as two-thirds, and the Senate bill by as much as one-third, the

[8] A family provided a certificate or voucher must be given at least 60 days to find an available housing unit in which it can use its voucher. Housing authorities may extend the search period up to a total of 120 days. A number of vouchers and certificates are returned after the 60-120 day search period because the family is unable to locate housing in the allocated search time. Additional LIHTC units could help expand the number of available units that a family could rent with a voucher or certificate.

number of subsidies becoming available through turnover that are made available to poor families. Families at moderate- and middle-income levels could be given priority for the limited supply of housing assistance. Over time, this could result in a significant decrease in the number of poor families — including working poor families — provided housing assistance.

II. The Dimensions of the Affordable Housing Problem

Despite the economic growth of recent years, the housing affordability shortage reached a record level in 1995. That year, the gap between the number of low-income renters and the number of rental units affordable to them was wider than at any point since comparable data first began being collected. In 1995, there were 4.4 million more low-income renters than low-cost units.[9] As a result of the affordable housing squeeze, three of five renters with incomes below the federal poverty line spent more than 50 percent of their income on housing in 1995.

This analysis is based on data from the American Housing Survey (AHS) for 1995, the most recent year for which national AHS data are available, and focuses primarily on the housing problems of poor renters. About 60 percent of all poor households were renters in 1995. It is this group that has been impacted most by the decline in the supply of private low-cost rental units as well as by trends in the federally funded housing programs.

Low-income renters are defined for the purpose of this analysis as households with incomes of $12,000 or less in 1995 dollars. This is roughly equal to the poverty line for a family of three, which stood at $12,158 in 1995.[10]

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[9] The way in which the housing affordability gap is calculated has changed slightly since the Center on Budget and Policy Priorities' 1995 publication of *In Short Supply*: *The Growing Housing Affordability Gap.* See Appendix II for a more detailed discussion of the methodology used in this report.

[10] The definition of "low-income" used in this report is different from and lower than the definition of "low-income" the U.S. Department of Housing and Urban Development (HUD) uses in determining (continued...)

Poor renters refer to households with income equal to or less than the federal poverty line. Unlike the definition of "low-income" used in this report, the federal poverty line varies by household size. Most of this report presents data on the housing problems that poor renters face.

Under federal standards adopted in 1981, housing is considered affordable if it consumes no more than 30 percent of household income. Prior to 1981, the housing affordability standard was set at 25 percent of income.[11] In this analysis, "low-cost units" are defined as those with rent and utility costs that would be less than 30 percent of a $12,000 annual income, or less than $300 a month in 1995 dollars; the term encompasses both subsidized units and private market units that are unsubsidized.

The Growing Affordable Housing Gap

Since 1970, a shortage of affordable housing has developed as the number of low-cost rental units has declined while the number of low-income renters has increased.

- In 1970, there were 300,000 *more* low-cost rental units than there were low-income renters. That year, there were 6.5 million low-cost units and 6.2 million low-income renters. (See Figure 1.)

- The surplus of affordable housing became a shortfall during the 1970s, as the number of low-cost units fell while the number of low-income renters rose. This gap grew significantly in the early 1980s, as the nation experienced two recessions and the number of low-income renters

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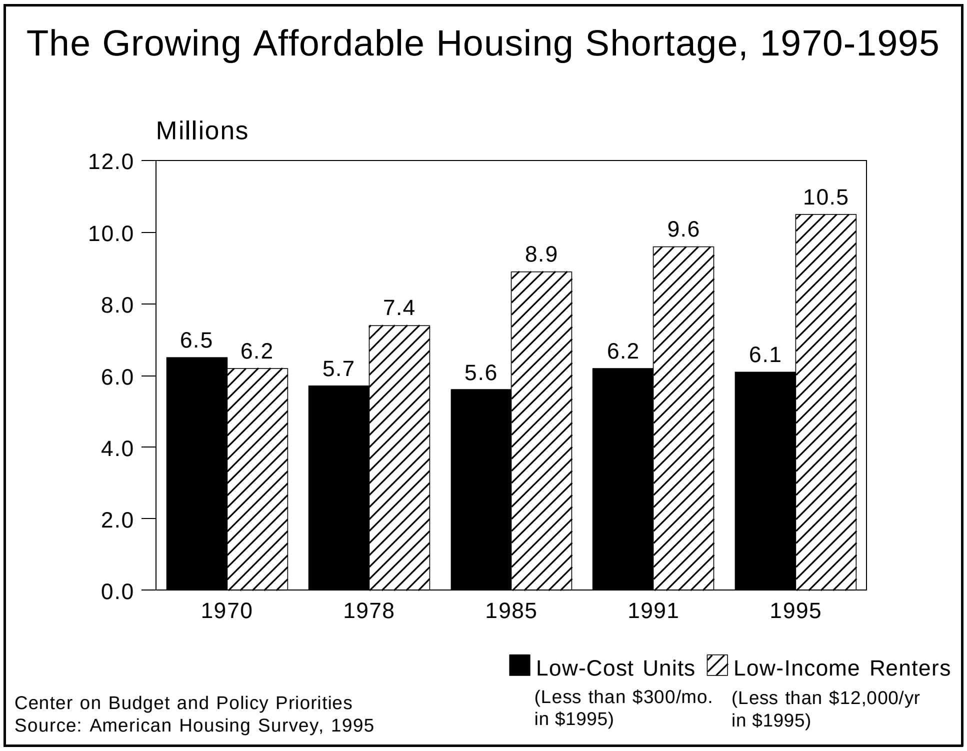
[10] (...continued)
eligibility for its housing programs. HUD programs are currently targeted primarily on "very low-income" households, defined as those with incomes at or below half of the median household income in their area, and, to a lesser extent, on "low-income" households, defined as those with incomes between 51 percent and 80 percent of area median household income. The $12,000 income level used in this report as the definition of "low-income" is slightly above 30 percent of the national median income for a family of three; 30 percent of the national median income for a three-person family was $10,850 in 1995.

[11] This housing affordability standard refers to the proportion of income that households in several major subsidized housing programs are required to contribute toward rent. In 1969, the housing affordability standard was set at 25 percent of income. The standard was raised to 30 percent for some subsidized units in the late 1970s. In 1981, the standard was raised to 30 percent for all relevant housing programs, as part of that year's federal budget reductions. This change required greater rental payments from many occupants of subsidized housing, thereby lessening the federal subsidy per household. Under some subsidy programs, families can choose to pay more than 30 percent of their income in rent to live in housing that costs more than the approved rental limit.

Figure 1



increased markedly. By 1985, the number of low-cost units had fallen to 5.6 million, while the number of low-income renters increased to 8.9 million, resulting in an affordable housing shortage of 3.3 million units.

- Between 1985 and 1991, both the number of low-cost units and the number of low-income renters increased. In 1991, there were 6.2 million low-cost units and 9.6 million low-income renters, resulting in an affordability gap of 3.4 million.[12]

- Although the economy emerged from recession in the early 1990s, the housing affordability gap widened between 1991 and 1995. The housing

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[12] Prior to 1989, the nature of the AHS questions on housing costs tended to overstate utility costs for all renters and overstate rental costs for some renters living in subsidized housing. If the improved questionnaire had been used in surveys before 1989, the number of low-cost rental units identified in the AHS would have been several hundred thousand higher. If a consistent measure had been used in 1985 and in 1991, the number of low-cost units probably would not have increased, and the affordable housing gap would be seen to have widened during this period. To gauge the effect of these changes in methodology, the data for 1989 include answers to both the old and the new question on housing costs. The new questions identified nearly 700,000 more low-cost units in 1989 than were identified using the old questionnaires.

affordability gap grew by one million over this period, as the number of low-cost units fell slightly while the number of low-income renters rose. In 1995, there were 6.1 million low-cost units but 10.5 million low-income renters. The affordable housing shortage reached 4.4 million units, the widest gap on record.[13]

The Housing Cost Burdens of Poor Renters

The affordable housing squeeze has led to a significant increase in housing costs for many poor renters. Between 1974 and 1995, the median rent and utility costs for poor renter households not living in subsidized housing rose from $386 a month to $466 a month after adjusting for inflation, an increase of 21 percent. (Both figures are measured in 1995 dollars.)

The rising housing costs have forced most poor renters to spend large proportions of their incomes on housing. The AHS data show that:

- Some 82 percent of poor renters — six million households — spent at least 30 percent of their income on rent and utilities in 1995. The vast majority of poor renters paid more than the federal affordability standard.

- Some 59 percent of poor renter households — or 4.4 million households — spent more than half of their income on housing in 1995.

- Poor renters that do not receive government housing assistance face the highest housing cost burdens. In 1995, some 95 percent of unassisted poor renters spent at least 30 percent of income on housing. Some 76 percent — more than three of every four — spent at least half their income on housing.

The extent of severe housing cost burdens declines dramatically as income rises. As just noted, 59 percent of poor renter households paid more than half of their income in rent in 1995. By contrast, only about one-quarter of renters with incomes between 100 percent and 150 percent of the poverty line, one-ninth of renters with incomes between 150 percent and 200 percent of the poverty line, and one-fiftieth of renters with incomes at or above 200 percent of the poverty line paid more than 50 percent of their income for rent in 1995. (See Figure 2.)

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[13] These data somewhat understate the housing affordability problem faced by poor renters. See Appendix II for an explanation of why the housing gap measure used in this report does not fully capture the affordable housing shortage.

Affordability Problems by Area Median Income

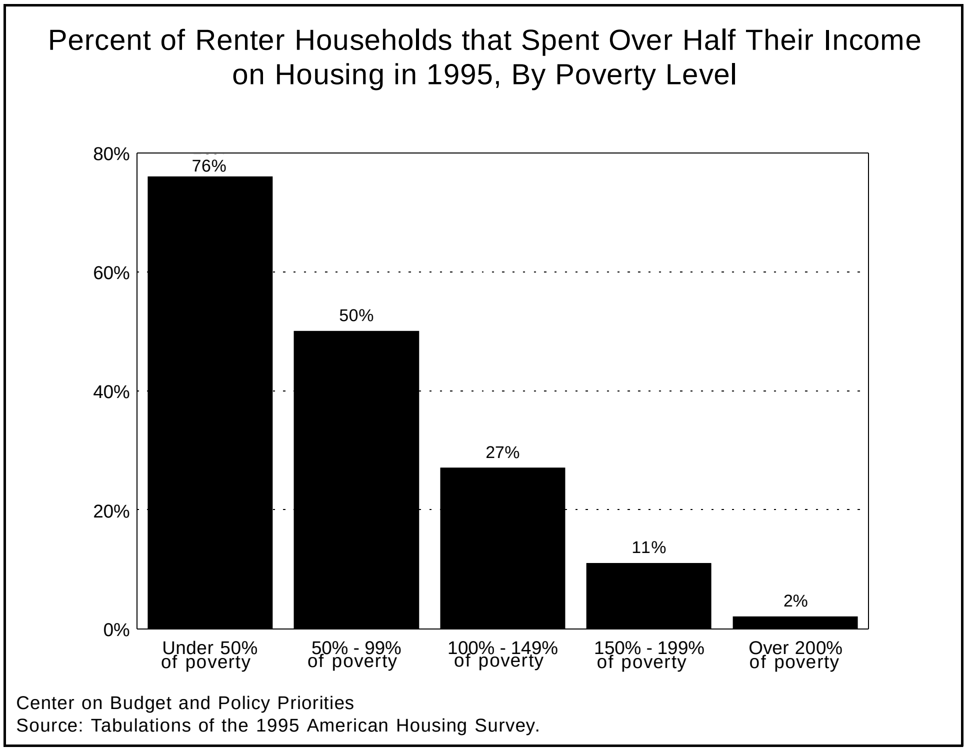
National data on housing cost and affordability problems tend to mask local variations. To capture these local variations, eligibility for federal housing programs is based on household income in relation to the *area* median income. Households with incomes at or below 80 percent of the median income for their area are eligible for housing assistance; HUD classifies these households as "low-income." A majority of federal housing assistance is targeted to households with incomes at or below 50 percent of the area median; HUD classifies these households as "very low-income." Legislation that has passed both the House of Representatives and the Senate would establish a new category of households with incomes at or below 30 percent of the area median income; these households would be classified as "extremely low-income."

These terms can create misperceptions. Households that HUD classifies as "very low-income" and "low-income" actually are near-poor and moderate-income households, respectively. In general, those HUD classifies as "very low-income" have incomes up to approximately 150 percent of the poverty line for a family of three; those HUD classifies as "low-income" have incomes up to approximately two-and-a-half times the poverty line for a family of three.

	0 to 30% of AMI	**31 to 50% of AMI**	**51 to 80% of AMI**
Income range based on national average median income, family of three, 1995	$0 to $10,850	$10,851 to $18,090	$18,091 to $28,940
Percent of renter households in this income category paying more than 50% of income for housing	54%	21%	3%

Housing problems are most heavily concentrated among families with incomes at or below 30 percent of the area median income. About 4.7 million renter households with incomes at or below 30 percent of the area median paid more than 50 percent of their income for housing in 1995. Roughly 1.2 million renter households with incomes between 31 percent and 50 percent of the area median income paid more than half of their income for housing. Only 230,000 renter households with incomes between 51 percent and 80 percent of the area median paid more than half their income for housing in 1995.

Figure 2



Geographic and Demographic Analysis

As indicated in Table 1, the affordable housing crisis is national in scope, affecting every region of the country and both urban and rural areas. Poor white, African-American, and Hispanic households all face high housing cost burdens, as do both poor elderly and non-elderly households. Moreover, working poor families are nearly as likely as non-working poor families to experience housing affordability problems.

- **Housing Problems by Region:** There are serious shortages of affordable housing in each of the four Census regions — the Northeast, the Midwest, the South, and the West. In each area, the number of low-income renters exceeds the number of low-cost rental units by at least 700,000, although the extent of the shortfall varies by region.

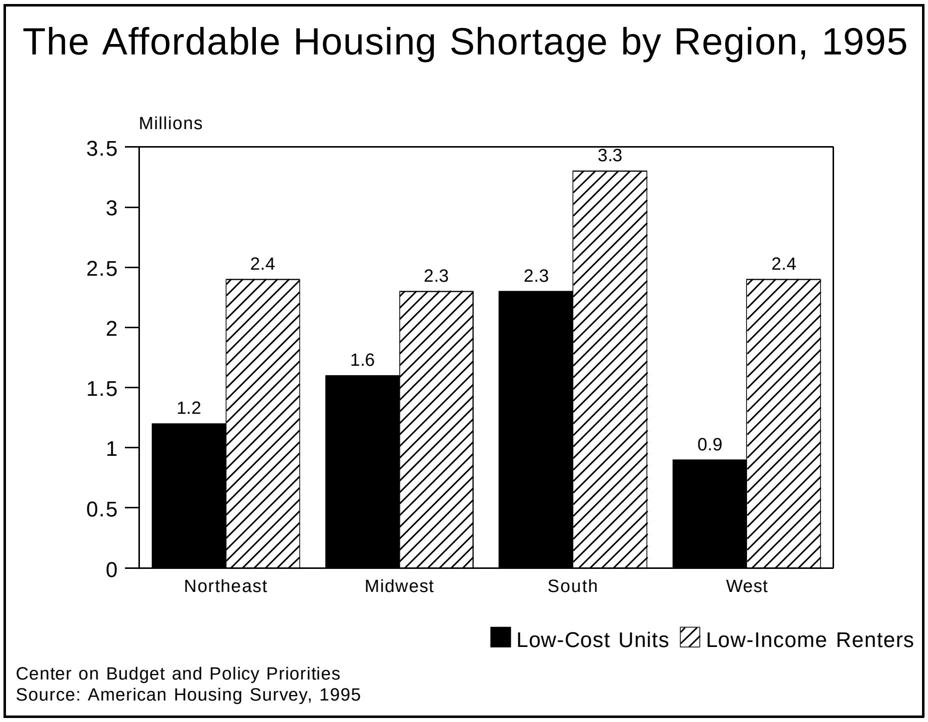
  The largest absolute shortfall — of 1.5 million units — was in the West and stems from a combination of high housing costs in the private market and a relatively small supply of government housing assistance in the West. (See Figure 3.) About one-fourth of poor renters in the West receive

Table 1: Poor Renters with Housing Affordability Problems, 1995
(numbers in thousands)

	All Poor Renters						**Poor Unsubsidized Renters**			
	Paid more than 30% of income for housing		**Paid more than 50% of income for housing**		**Received Housing Assistance***		**Paid more than 30% of income for housing**		**Paid more than 50% of income for housing**	
Region:	**number of poor renters**	**percent of poor renters**	**number of poor renters**	**percent of poor renters**	**number of poor renters**	**percent of poor renters**	**number of poor unsub-sidized renters**	**percent of poor unsub-sidized renters**	**number of poor unsub-sidized renters**	**percent of poor unsub-sidized renters**
Northeast	1,323	82%	1,033	64%	814	44%	844	98%	743	87%
Midwest	1,283	79%	911	56%	754	40%	904	95%	716	75%
South	1,937	79%	1,319	54%	1,014	34%	1,424	93%	1,068	70%
West	1,512	87%	1,128	65%	504	26%	1,213	96%	986	78%
Central City/Suburban/Rural:										
Central city	3,195	82%	2,376	61%	1,718	39%	2,245	96%	1,824	78%
Suburban	1,355	81%	1,085	67%	589	32%	1,044	97%	916	85%
Rural	1,505	81%	930	48%	788	33%	1,105	91%	773	64%
Race/Ethnicity:										
White	2,805	83%	2,078	62%	1,159	32%	2,164	96%	1,772	78%
African-American	1,752	78%	1,214	54%	1,198	49%	1,054	95%	842	76%
Hispanic	1,179	82%	854	59%	475	32%	923	94%	679	69%
Household Composition:										
Elderly	1,277	80%	883	56%	759	40%	844	95%	677	76%
With children	3,152	78%	2,119	53%	1,787	40%	2,240	94%	1,631	68%
Working Families with Children:										
Any work	1,814	81%	1,116	50%	753	31%	1,416	91%	920	59%
At least half-time, year-round at min. wage	1,243	78%	649	42%	427	25%	1,032	89%	569	49%
Poverty Level:										
Under 50% of FPL	2,295	86%	2,032	76%	1,407	40%	1,493	100%	1,445	97%
50-99% of FPL	3,760	79%	2,358	50%	1,675	33%	3,002	99%	2,135	66%
100-149% of FPL	2,983	69%	1,166	27%	973	21%	2,628	76%	1,081	32%
150-199% of FPL	1,816	53%	374	11%	449	12%	1,716	55%	367	12%
Over 200% of FPL	2,745	17%	267	2%	725	4%	2,694	17%	265	2%

* Data on the number and percent of poor renters receiving housing assistance includes those renters who pay no cash for rent. Data on housing cost burdens, however, is restricted to renters who pay some cash for rent.

Figure 3



government housing assistance, compared with 34 percent in the South, 40 percent in the Midwest, and 44 percent in the Northeast.[14]

- **Housing Problems in Central Cities, Suburbs, and Rural Areas:** Poor renters living in central cities, suburban areas, and rural areas all face housing affordability problems, with roughly eight of every 10 poor renters in each type of area spending at least 30 percent of income for housing in 1995.[15] Large proportions of poor renters in each area also spent more than half their income on housing, although poor renters in rural areas were somewhat less likely to have housing cost burdens this high.

  Poor households in suburban and rural areas are more likely to own their homes than poor households in central cities. Even so, a majority of poor

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[14] When much of the subsidized housing stock was built the population of the West was much smaller than it is today. As a result, relatively few housing resources were allocated to the West.

[15] In this report, suburban areas are defined as urbanized areas outside of central cities. Urbanized areas as defined by the Census Bureau are cities and surrounding areas with a population over 50,000. Rural areas in this report include all non-urbanized areas.

Poor Homeowners Also Face Housing Affordability Problems

In 1995, about two-fifths of all poor households were homeowners. Like poor renters, a majority of poor homeowners face affordability problems.

- About three of four poor homeowners — 73 percent, or 3.6 million households — spent at least 30 percent of income on housing in 1995.

- More than half of all poor homeowners spent the majority of their income on housing.

These high housing cost burdens occurred despite the fact that three-fifths of all poor homeowners had paid off their mortgages, a relatively high proportion that reflects the fact that a majority of poor homeowners are elderly or near-elderly and have owned their homes for a long period. More than half of the poor homeowners *without* a mortgage paid more than one-third of their income for housing in 1995 — and about one-third paid more than half of their income for housing. This reflects the high costs these households incur for expenses such as utilities, maintenance, property taxes, and insurance.

The characteristics of poor homeowners differ in many respects from those of poor renters. As noted, poor homeowners are more likely to be elderly or near-elderly than poor renters. In 1995, some 57 percent of poor homeowner households were headed by someone 55 years or older, compared with 25 percent of poor renters. Poor homeowners also are much more likely than poor renters to live in rural areas, where housing costs tend to be lower and, in some cases, where less rental housing is available. Some 40 percent of poor homeowners lived in rural areas, compared with 14 percent of poor renters in 1995. Fewer than 24 percent of poor homeowners lived in central cities as compared with 51 percent of poor renters.

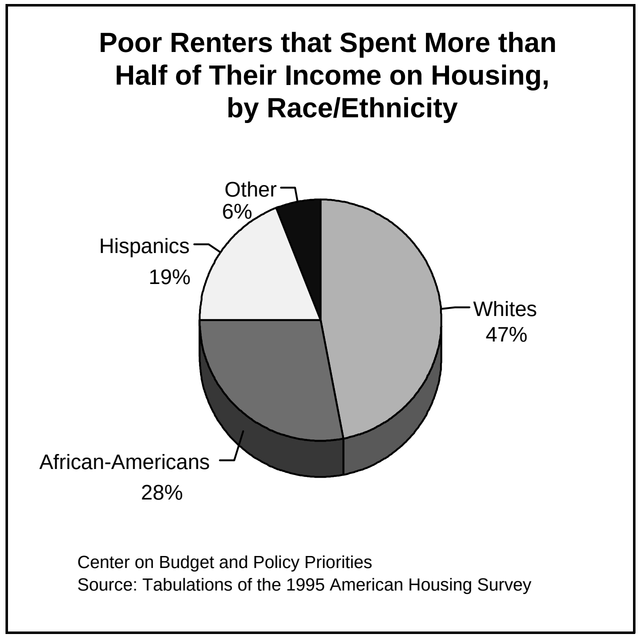
Poor homeowners also are more likely to be white. Some 72 percent of poor homeowners were white in 1995, compared with 46 percent of poor renter households. In addition, 45 percent of poor homeowners are headed by a married couple, while 20 percent of poor renter household heads are married.

homeowners spend more on housing than is considered affordable. (See the box above.)

- **Housing Problems by Metro Area:** In all large metropolitan areas included in the Census's housing surveys in recent years, the majority of poor renters spend more than is considered affordable on housing. In 41 of these 45 areas, over half of poor renters spend more than 50 percent of their income on housing, and the number of low-cost units is far lower than the number of low-income renters needing affordable housing. Data on the housing conditions of low-income renters in 45 of the nation's largest metro areas are included in Appendix I.

- **Housing Problems by Race/Ethnicity:** The problems of high housing cost burdens are faced by poor white, African-American, and Hispanic households alike. (White and African-American households refer here to non-Hispanic households.) About three of every four unsubsidized poor renter households paid more than 50 percent of their income in rent in 1995, irrespective of race or ethnicity. African-American renters were more likely than whites or Hispanics to receive housing assistance, but more than half of all poor African-American renters — including both subsidized and unsubsidized renters — still paid at least 50 percent of their income in rent in 1995.[16]

Figure 4



  Because whites are the single largest racial/ethnic group of poor renters, whites make up the largest number of households facing affordability problems. Nevertheless, because African-American and Hispanic households are more likely than white households to be poor, a larger share of African-American and Hispanic than of white households face housing affordability problems. Of the 4.4 million poor renters that spent at least half of their income on housing in 1995, some 47 percent were white, 28 percent were African-American, 19 percent were Hispanic, and six percent were another race.

- **Housing Problems of the Elderly and Families with Children:** More than half of all poor renter households are non-elderly families with children, about one-fifth are elderly households, and another fourth are non-elderly households without children. All of these groups face high housing cost burdens. The proportion of poor renter households in which

[16] These categories are based on the race/ethnicity of the head of the household. One reason why African-Americans are more likely to receive housing assistance than other racial/ethnic groups is that project-based housing assistance tends to be concentrated in areas with large African-American populations.

the head or spouse is an elderly individual is relatively small, however, since more than 60 percent of the elderly poor own their homes.[17] In comparison, fewer than one-third of poor families with children own their homes.

[17] For federal housing programs, an "elderly family" is defined as a family whose head, spouse, or sole member is aged 62 or older.

III. Housing Quality Problems Among Poor Renters

Although housing *quality* problems are less widespread than housing *affordability* problems, high housing costs lead many poor renters to live in poor quality housing. For purposes of this report, poor quality or inadequate housing refers to housing that is physically deficient, overcrowded, or contains multiple families living in the same unit.

Trends over the past 10 years indicate improvements in the physical quality of the housing that poor renters occupy. Approximately 14 percent of poor renter households lived in housing with moderate or severe physical problems in 1995. Ten years earlier, in 1985, about 22 percent of poor renter households lived in physically deficient housing.

At the same time, the number of poor renter households living in overcrowded housing or units with multiple families living together appears to have edged up over the last 10 years. Ten percent of poor renter households lived in overcrowded housing in 1995, up slightly from 1985. Similarly, six percent of poor renter households reported living in "doubled-up" housing in 1995 — with two or more families living in the same rental unit — compared with four percent in 1985.[18] These increases, however, are not statistically significant.

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[18] Data on families living in "doubled-up" housing include units in which two or more families with at least two persons in each family are living in the same unit. "Doubled-up" families may or may not also live in overcrowded housing, i.e. with more than one person per room, excluding bathrooms.

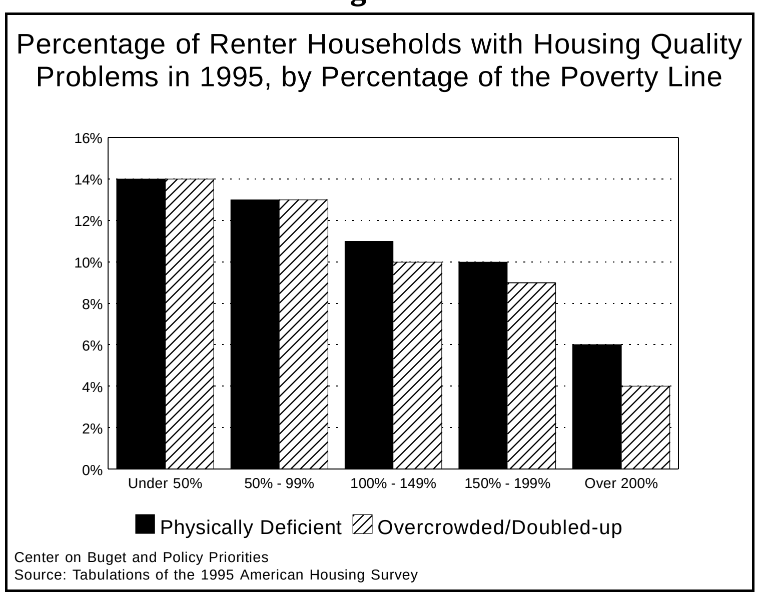
- In 1995, about 1.2 million poor renters (14 percent of all such renters) lived in housing with moderate or severe physical problems as defined by HUD — housing with deficiencies such as no working toilets on several occasions in recent months, signs of rats or mice, holes in the ceiling or walls, or rooms without working electrical outlets.

- Some 870,000 poor renter households lived in overcrowded conditions in 1995, as defined by HUD, with more than one person per room excluding bathrooms. About 500,000 poor renter families lived in "doubled-up" housing, with two or more families in the same unit. More than 1.1 million poor renter households — 13 percent of such households — lived in either overcrowded or "doubled-up" housing.

- Many poor households living in inadequate housing also spend a large proportion of income for the housing they occupy. Over half of poor renter households living in physically deficient, overcrowded, or "doubled-up" housing also spent more than 50 percent of income on housing in 1995.[19]

As with affordability problems, housing quality problems decrease significantly as income rises. (See Figure 5.) Only three percent of non-poor renters lived in overcrowded housing in 1995, compared with 10 percent of poor renters. Similarly, only three percent of non-poor renters faced both quality and affordability problems, while close to one in five poor renters did.

Figure 5



In addition, housing quality problems also are faced by the two-fifths of poor households that are homeowners. Approximately 12 percent of poor homeowners lived in physically deficient housing in 1995. Eight percent lived in either overcrowded or doubled-up housing in 1995.

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[19] This analysis of renters with housing quality problems includes renters who paid no cash in rent. The analysis of renters who experience *either* a quality or an affordability problem, however, is restricted to those who pay some cash for rent.

Geographical and Demographic Analysis

As reflected in Table 2, there are notable differences in the extent of housing quality problems faced by renters in different regions and among different demographic groups.

- **Housing Quality Problems by Region:** Poor renters are most likely to live in housing with physical deficiencies in the Northeast and South; about one of every six poor renters in these regions lived in physically deficient housing in 1995. Problems of overcrowding are most common in the West, where about one-fourth of all poor renters lived in overcrowded or doubled-up housing in 1995. Poor renters in the West also are most likely to have multiple housing problems — to pay more than 30 percent of their income on housing *and* to live in physically deficient, overcrowded, or doubled-up housing.

- **Housing Quality Problems in Central Cities, Suburban, and Rural Areas:** Problems of physical deficiencies are somewhat more prevalent in central cities and rural areas than in suburbs. Poor renter households in suburbs are just as likely as poor renters in central cities, however, to live in overcrowded or doubled-up housing.

- **Housing Quality Problems by Race/Ethnicity:** African-Americans and Hispanics are much more likely than whites to live in inadequate housing. A large proportion of poor Hispanic renter households — 33 percent — lived in overcrowded or doubled-up housing, compared with 13 percent of all poor renter households. In addition, about one of every three poor Hispanic renters experienced *both* affordability problems (paying at least 30 percent of income for housing) and quality problems (living in physically deficient, overcrowded, or doubled-up housing). About one in five poor African-American renters faced both affordability and quality problems. Only about one in 10 poor white renters faced both affordability and quality problems.

- **Housing Quality Problems among Families with Children and the Elderly**: Both the elderly and families with children face quality problems. Problems of overcrowding, however, are much more common among families with children than among the elderly. One-fourth of poor

Table 2: Poor Renters with Housing Quality Problems, 1995
(numbers in thousands)

	Quality Problems				Quality and Affordability Problems	
	Lived in physically deficient housing		Lived in overcrowded or "doubled-up" housing		Paid more than 30% of income for housing *and* lived in physically deficient, overcrowded, or "doubled-up" housing	
Region:	**number of poor renters**	**percent of poor renters**	**number of poor renters**	**percent of poor renters**	**number of poor renters**	**percent of poor renters**
Northeast	294	16%	206	11%	317	18%
Midwest	209	11%	132	7%	209	12%
South	501	17%	344	12%	536	20%
West	175	9%	465	24%	449	24%
Central City/Suburban/Rural:						
Central city	652	15%	631	14%	865	20%
Suburban	141	8%	273	15%	296	17%
Rural	386	16%	243	10%	350	17%
Race/Ethnicity:						
White	399	10%	225	6%	416	11%
African-American	489	19%	334	13%	508	21%
Hispanic	243	15%	514	33%	506	34%
Household Composition:						
Elderly	221	12%	136	7%	216	13%
With children	641	14%	1,116	25%	1,102	26%
Working Families with Children:						
Any work	330	14%	702	29%	668	30%
At least half-time, year-round at min. wage	244	15%	562	34%	517	33%
Poverty Level:						
Under 50% of FPL	479	14%	494	14%	601	18%
50-99% of FPL	700	13%	653	13%	910	19%
100-149% of FPL	493	11%	491	10%	469	11%
150-199% of FPL	364	10%	334	9%	193	6%
Over 200% of FPL	1,090	6%	606	4%	155	1%

renter families with children lived in overcrowded or doubled-up housing, compared with seven percent of poor elderly renters. Much of this is due to the fact that many elderly live in households of two or fewer people, while families with children are more likely to be larger.

These data on housing affordability and quality problems among poor renters are consistent with HUD findings on the number of renters with "worst case" housing needs. HUD's analysis of the 1995 AHS data finds that in both 1993 and 1995, some 5.3 million households with incomes low enough to qualify for federal rental assistance had "worst case" housing needs, an all-time high.[20] These are renters with incomes below half the median income for their area who did not receiving housing assistance and who spent more than 50 percent of their income for housing, lived in severely substandard housing, or both.[21]

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[20] Office of Policy Development and Research, U.S. Department of Housing and Development, *Rental Housing Assistance — The Crisis Continues: The 1997 Report to Congress on Worst Case Housing Needs,* April 1998, page ix.

[21] HUD's estimate of the number of renters with "worst case" housing problems exceeds the number of *poor* renters with these problems, because the HUD analysis is based on renters with incomes below 50 percent of the area median income rather than just on renters with incomes below the poverty line. In most areas of the United States, 50 percent of the area median income significantly exceeds the poverty line.

IV. Working Poor Families with Children

Across the nation, many families remain in poverty even though one or both parents work. Data from the American Housing Survey for 1995 show that working poor renters with children, like other poor renters, face serious housing affordability and quality problems.

These findings demonstrate that having a job is not sufficient to lift families with children out of poverty and ensure they can afford decent housing. This is particularly true among parents making the transition from welfare to work. A substantial amount of research indicates that parents who leave public assistance for employment frequently earn low wages that leave their families in poverty. Many families moving from welfare to work continue to face housing affordability and quality problems.

This is particularly significant in light of proposed changes in subsidized housing programs that would limit admissions of poor families. Although the proposals are supported on the notion that they are needed to open up housing assistance to low-income working families, they actually would have the effect of curtailing assistance to working poor families, including many who are moving from welfare to work. These issues are discussed further in Chapter VI.

A Majority of Poor Renter Families with Children Work

More than half of poor renter families with children had earnings from work in 1995. About one-third of all poor renter families with children had earnings equal to or greater than earnings from half-time, year-round minimum wage work. These working poor renters were almost as likely as non-working poor renters to have housing affordability and quality problems.

- Among poor renters with children with any earnings in 1995, average earnings were $8,000. This is equivalent to 90 percent of earnings for one worker employed full-time, year-round at the 1995 minimum wage of $4.25 an hour.

- Approximately 1.7 million poor renters with children — more than one-third of such renter families — had earnings equivalent to or greater than earnings from half-time, year-round work at the minimum wage. About 1.1 million poor renters with children had earnings from work that equaled or exceeded earnings from *full-time*, year-round minimum-wage work.

- Among poor renter families with children with at least half-time, year-round minimum-wage earnings, approximately 80 percent paid more than 30 percent of their income for housing in 1995. This was about the same as the proportion of non-working poor renter families with children that paid this much for housing.[22] In addition, 42 percent of these working-poor renter families with children (i.e., families with at least half-time, year-round minimum-wage earnings) spent more than *half* of their income on housing in 1995. Even among poor renter families with children that had earnings at least equivalent to earnings from *full-time*, year-round minimum-wage work, about one-third paid more than 50 percent of their income on housing.

- Working poor renter families with children were more likely to live in overcrowded or doubled-up housing than non-working poor renter families with children. One of every three poor renter families with children with at least half-time, year-round minimum-wage earnings lived in overcrowded or doubled-up housing in 1995, compared with one of every five non-working poor renter families with children.

About equal numbers of working poor renters with children are white, Hispanic, and African-American. About 45 percent of working poor renter families with children live in central cities, 25 percent live in the suburbs, and 31 percent reside in rural areas.

Working poor families with children are somewhat less likely to receive housing assistance than non-working poor households with children. One-quarter of poor renters with children with at least half-time, year-round minimum-wage earnings

[22] Unless otherwise specified, "working families" means families with earnings equal to or greater than earnings from year-round, half-time work at the 1995 minimum wage of $4.25 an hour. Non-working poor families are those with no earnings from work.

received housing assistance in 1995, compared with 48 percent of non-working poor renter households with children. Some of this may be attributable to the fact that working poor households are more concentrated in the West and South where there is a more limited supply of housing assistance. About 70 percent of all working poor renters reside in these two regions.

These data suggest that moving families from welfare to work may not itself solve the housing affordabilty and quality problems many poor families face. A substantial portion of low-income working parents continue to pay more than half of their income for housing or to live in inadequate housing.

V. Factors Behind the Worsening Affordable Housing Shortage

The worsening of the affordable housing shortage stems from two developments: a substantial drop in the number of unsubsidized low-cost rental housing units in the private market and a growing number of low-income renter households. In the 1970s, the federal government responded to the growing housing affordability gap by significantly expanding the amount of federally funded rental assistance, but this expansion slowed markedly in the early 1980s. In 1997, the number of new federal low-income housing subsidies, including subsidies to owners and developers of low-cost housing as well as subsidies to low-income renters, was only one-seventh the number of new federal subsidies provided 20 years earlier in 1977.[23] As a result of the limited availability of housing assistance, only about one-third of poor renters live in assisted housing.

Poverty became more widespread at the same time that the stock of affordable housing in the private market was contracting. The poverty rate in 1995 — 13.8 percent — was substantially higher than the poverty rate for any previous year since 1967 in which the unemployment rate was so low. (This also holds true for the poverty rate in 1996, which at 13.7 was essentially unchanged from the 1995 rate. The year 1996 is the latest year for which poverty data are available.) The persistent high levels of poverty amidst economic recovery appear to be due to a combination of eroding wages for low-skilled work, decreases in cash-assistance benefit levels for poor families with children, and an increase in the proportion of families headed by a single parent.

As a result of these trends, there has been a significant increase in the number of low-income renter households. As Figure 1 shows, the number of renter households

[23] These data do not include units financed with the Low Income Housing Tax Credit because such units are generally not affordable to poor renters.

with annual incomes below $12,000, as measured in 1995 dollars, rose from 6.2 million in 1970 to 10.5 million in 1995, an increase of 67 percent.

Trends in the Private Rental Market

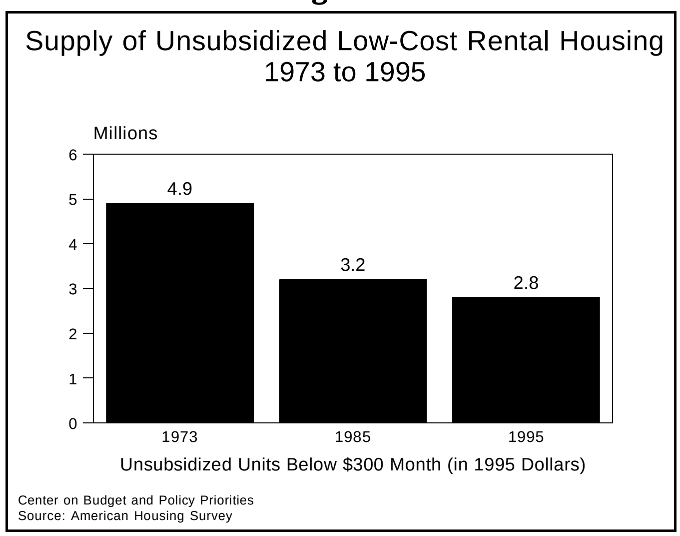
The overall supply of rental housing grew 48 percent between 1970 and 1995. There was a substantial shift, however, toward units of higher cost. This occurred for a number of reasons, including abandonment or demolition of deteriorated units and the upgrading of low-cost units into higher-priced units. Throughout this period, the costs of operating and maintaining many rental housing units — and the rents charged for these units — climbed above the level affordable for many low-income households. This reduced the supply of low-cost units in the private market.

- In 1973, there were approximately 4.9 million unsubsidized rental units in the private market with rental costs of $300 a month or less, measured in 1995 dollars.

- By 1985, the number of unsubsidized units with rents in this category had fallen to 3.2 million, a drop of roughly 30 percent.

- The number of unsubsidized low-cost units continued falling over the next 10 years. By 1995, the number of unsubsidized low-cost units had fallen to 2.8 million. (See Figure 6.)

Figure 6



Trends in Federal Subsidized Housing Programs

There is a limited supply of subsidized housing compared with the number of poor renters. In 1995, only one of three poor renter households — 36 percent — received housing assistance from the federal, state, or a local government. Nonetheless, federal housing programs play an important role in combating the affordable housing shortage. As the supply of affordable housing in the private market has shrunk, the number of households receiving housing assistance has increased. Subsidized housing has become one of the most important sources of affordable housing. Without these subsidies, the housing affordability gap would be much wider.[24]

These federally funded rental subsidies are generally provided under either "project-based" or "tenant-based" programs. Under project-based programs, the federal government subsidizes the cost of construction or rehabilitation of housing units. This type of housing assistance — which includes public housing and project-based Section 8 housing that is privately built — helps to increase the stock of low-cost housing. (See box on page 34 for a description of the major housing assistance programs.) Tenants living in public housing or project-based Section 8 units generally pay 30 percent of their income in rent. These are considered "deep" subsidies. In other project-based units, tenants pay a flat rent that may be more than 30 percent of their income. These are considered "shallow" subsidies.

Under "tenant-based" programs (primarily the Section 8 tenant-based certificate and voucher program), households are given vouchers or certificates they can use to rent housing of their choice on the private market. Generally, households pay 30 percent of their income in rent, and the government pays the difference between the household contribution and the "fair market rent" rent for the apartment.[25]

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[24] Not all subsidized renters live in housing that costs 30 percent or less of household income, the HUD affordability standard. While 36 percent of poor renters received housing assistance in 1995, only 18 percent of poor renters spent less than 30 percent of income on housing. A number of subsidized renters report spending more than 30 percent of income on housing. This reflects several factors. First, some housing programs, such as some state-run housing programs and the Section 236 program, offer only "shallow" subsidies. Second, housing programs that generally set rents at 30 percent of income allow some exceptions. For example, participants in the Section 8 voucher program are allowed to contribute more than 30 percent of income toward housing if they rent a unit that costs more than the local "fair market rent." Some other recipients of housing assistance pay more than 30 percent of income on housing because the "utility allowances" they receive are less than their actual utility expenses. Finally, as in most surveys, household income is under-reported for some households in the AHS. Reported housing costs as a percentage of income are somewhat overstated for those households. (See Appendix II for more information on this last point.)

[25] In the 1970s, most new commitments were for the project-based Section 8 program, under which the federal government contracts directly or indirectly with private owners and developers of low-cost housing. Since the early 1980s, most commitments have been for tenant-based Section 8 assistance. Since the 1970s, there has been little new funding for the construction of additional public housing units.

Descriptions of Major Federal Housing Programs

Tenant-based Vouchers and Certificates - Recipients use these subsidies to rent housing in the private market. Tenants with certificates rent modest-cost units and pay the landlord 30 percent of their income for rent. Tenants with vouchers may pay somewhat more than 30 percent of income for rent if they rent more expensive units and somewhat less than 30 percent of income if they rent very low-priced units. Public housing authorities (PHAs) administer the voucher and certificate programs locally. Using federal funds, the PHA pays the landlord the difference between the maximum or actual rental charge and the tenant's rental payment. There are approximately 1.4 million tenant-based certificates and vouchers across the United States.

Public Housing - Public housing consists of rental units owned and operated by public housing authorities, which are public or quasi-public entities. Public housing units are found in a variety of housing structures, including garden-style apartments, high-rise buildings, and even single family homes. (Construction of high-rise public housing has been prohibited since the late 1960s.) Rents are generally set at 30 percent of tenants' incomes. Rental payments go to the PHA and are used to help meet the operating and maintenance costs of public housing. Federal subsidies also help cover PHA operating costs; these subsidies are distributed to PHAs through a formula based in part on tenants' rental payments. Nationally, there are approximately 1.2 million public housing units available for occupancy.

Project-based Section 8 - These are rental units in buildings owned and operated by private owners; the owners may be either for-profit or non-profit entities. Section 8 project-based subsidies can cover all of the units in a given housing development or a designated number of a building's units. Tenant rents, which are paid to the project's owner, are set at 30 percent of the tenant's income. The remainder of the rent, the subsidy amount, is paid by the federal government. The project-based Section 8 programs are *not* administered by the local public housing authority. Owners contract either directly with HUD or indirectly with HUD through an intermediary state housing finance agency. Owners of the units maintain their own waiting lists and decide whom to admit, subject to federal requirements. There are approximately 1.4 million project-based units nationally.

Section 236 - Like project-based Section 8, these are rental units owned and operated by private owners. The government generally provides a large mortgage subsidy that reduces interest rates to as little as one percent. Rents for Section 236 units are generally "flat" or "fixed," meaning that they do not vary according to tenant income. As a result, tenants often pay more than 30 percent of their income in rent. These are often called "shallow" subsidies. There are about 300,000 Section 236 units nationally that do not have additional subsidies.

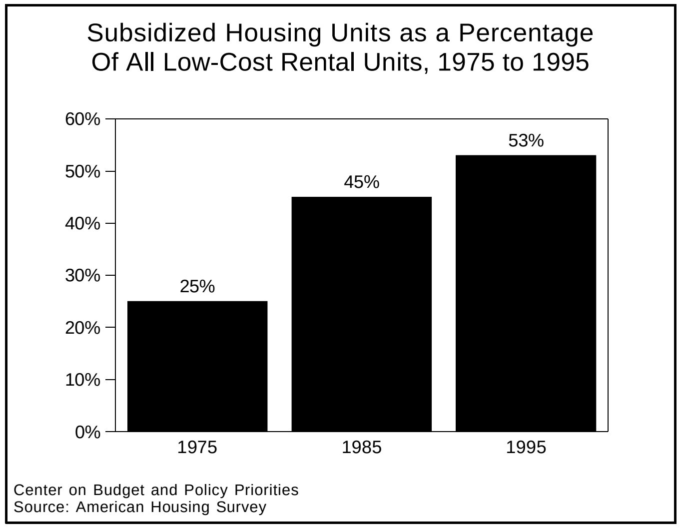
Low-Income Housing Tax Credit Units: Private developers receive a tax credit to cover part of the cost of housing construction and rehabilitation. In exchange, rents are generally set at a level affordable to households with incomes at or below 60 percent of the area median income, which on average across the nation is almost twice the poverty line. Rents do not vary with income; tenants of all income levels pay the same rent for a given apartment. There are approximately 60,000 to 90,000 tax-credit units built each year.

HOME: HOME block grant funds are provided to states and local governments, which have substantial flexibility in the design of their programs. HOME dollars can be used for both homeownership programs and rental assistance programs. Funds used for rental programs can be used to provide tenant-based subsidies or to subsidize the construction and rehabilitation of rental housing. As with tax credit units, units subsidized with HOME dollars rent for a flat or fixed amount that does not vary with household income. About 10,000 tenant-based subsidies are made available using HOME funds each year, and more than 100,000 rental units have been built or rehabilitated with HOME dollars since the program began in 1992.

- In 1975, one-fourth of the low-cost rental stock was subsidized.

- By 1995, over half of the low-cost units were subsidized units. This change reflects both a decline in the number of low-cost units in the private market and an increase in the number of subsidized units, especially units in which rents are subsidized through vouchers or certificates. (See Figure 7.) Without the increase in the number of subsidized units, the affordability gap for households with incomes at or below $12,000 would have been far larger in 1995.

Figure 7



- Five of six poor renter households with housing costs that were affordable in 1995 (i.e., that did not exceed 30 percent of their income) lived in subsidized housing.

Even so, housing assistance remains unavailable to most poor renter households. There are many more poor renter households than rental subsidies. In addition, some of the available housing assistance is provided to moderate-income, rather than poor, renters. Overall, nearly two of every three poor renters do not receive such assistance.

Many poor households seeking federal housing assistance wait for long periods before receiving aid. According to data the Department of Housing and Urban Development has compiled, families that received tenant-based subsidies in 1995 and 1996 waited an average of two years to receive housing assistance; those living in public housing in 1995 and 1996 waited an average of 10 months for their apartments.[26] Furthermore, many housing authorities have closed their waiting lists because the number of applicants already substantially exceeds the number of families that can be served in the foreseeable future. As a result, the large majority of poor renter households must rely on unsubsidized private market housing.

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[26] Department of Housing and Urban Development, Office of Policy Development and Research, *A Picture of Subsidized Households, Vol. 11*, December 1996, 16.

In recent years, the insufficient supply of subsidized housing has been exacerbated by a retrenchment in the federal commitment to address the affordable housing shortage. Starting in the early 1970s, Congress began to appropriate sizable amounts to enable more low-income families to receive housing assistance. In the early 1980s, however, the number of new housing subsidy commitments dropped significantly.

- Between fiscal years 1977 and 1981, HUD made commitments to expand rental assistance to an average of 260,000 additional low-income households per year.[27]

- From fiscal year 1982 through fiscal year 1997, new HUD housing commitments fell to an average of about 70,000 per year, a drop of more than 70 percent. The total number of new housing commitments in this 16-year period was smaller than the number of commitments made in the five years from 1977 through 1981.[28]

- As a result, the number of poor families receiving housing assistance grew much more slowly in the 1980s and early 1990s than in the 1970s. If the number of new additional yearly commitments since 1981 had been at the same level as the number made each year in the late 1970s, more than three million additional renters would now be receiving housing assistance, and the affordable housing shortage would be much smaller.

The retrenchment in new commitments has been exacerbated by the recent shift of some of the limited supply of federal housing subsidies toward middle-income households. That shift reduces the supply of housing affordable to poor families with greater housing needs, including working poor families. This issue is discussed in more detail in the next chapter.

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[27] The figures in these bullets include data on commitments under the Section 8 project-based and tenant-based programs, public housing, Section 236, HOME, and a few other small subsidy programs. They do not include commitments for units constructed with Low-Income Housing Tax Credits, which are funded by the federal government and administered by state and local agencies. Most such rental units are not affordable for poor households unless the households also receive an additional rental subsidy. See text boxes on pages 34 and 39.

[28] Congressional Budget Office, *The Challenges Facing Federal Rental Assistance Programs*, December 1994. Supplemental data for years 1994 - 1997 also come from the Congressional Budget Office. Data on the number of units committed through the HOME program are from the Office of Affordable Housing at the Department of Housing and Urban Development.

Shifts in the Development of Subsidized Housing

Federal housing programs began in the 1930s as production programs. Construction of public housing created jobs in the Depression era while increasing the stock of affordable housing. Since the 1970s, however, there has been little new construction of public housing.

After the government stopped funding the production of public housing, production of low-cost units was supported for a period of time primarily under the Section 8 program, created in 1974. Under this program, private entities receive subsidies from the federal government to build and own projects. The private government also subsidizes the rents of tenants in these projects for a specified period of time, generally 20 to 40 years. New construction of these projects halted, however, in the early 1980s.

Since the mid-1980s, subsidies for the production of new rental housing have generally been provided under the Low Income Housing Tax Credit (LIHTC) and the HOME program. LIHTC was created in 1986 to provide an income tax credit for the private development of lower-cost housing. Roughly 60,000 to 90,000 housing units are produced under the LIHTC each year. The HOME program, created in 1990, is a grant program to state and local governments. A little more than 100,000 rental units have been built or constructed under HOME since the program began in 1992.[29]

A large share of the units supported through the LIHTC or the HOME program, however, are not affordable to poor families. HUD data show that fewer than 40 percent of both tax credit units and rental units created with HOME funds are rented by tenants with incomes at or below 30 percent of the area median income, which is roughly equivalent to the poverty line. Moreover, most of the poor renters who do live in these units can do so only because they receive a rental subsidy to help them pay the rent. Approximately 70 percent of renters with incomes at or below 30 percent of the area median income who live in LIHTC units — and 52 percent of such renters in HOME units — also receive a government rental subsidy, usually a Section 8 voucher or certificate.[30] In general, these production programs do not substantially reduce the

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[29] Data provided by the Office of Affordable Housing, Department of Housing and Urban Development.

[30] Office of Policy Development and Research, U.S. Department of Housing and Urban Development. *Rental Housing Assistance — The Crisis Continues*, April 1997, 29. GAO Report. *Tax Credit: Opportunities to Improve Oversight of the Low-Income Housing Program,* March 1997, 136 -143.

magnitude of the affordable housing shortage for poor households unless they are accompanied by an increase in the number of tenant-based rental subsidies.

Drop in the Supply of Tenant-based Subsidies

Since the early 1980s, most new housing commitments have been in the form of tenant-based subsidies, under the Section 8 voucher and certificate programs. Since 1995, however, there has been virtually no funding for new vouchers and certificates, other than for replacement of lost public or project-based units.[31] In the absence of funding for new subsidies, certificates and vouchers become available only as households leave the program due to changing family circumstances. Such vouchers and certificates are then reissued to other families on the waiting list for assistance. Typically, about 10 percent to 12 percent of all vouchers and certificates, about 140,000 to 160,000, turn over each year and are reissued.

Furthermore, to cut costs, Congress has required that housing authorities delay the reissuance of housing vouchers and certificates that become available. Since 1996, Congress has required that housing authorities defer the reissuance of newly available subsidies for a period of three months. This means all turnover vouchers and certificates are pulled out of circulation for a quarter of the year, and fewer families are provided housing assistance as a consequence. This has resulted in the loss of up to 30,000 to 40,000 tenant-based housing subsidies at any given point in time.

Shift Towards Higher-Income Households

In recent years, some of the federal housing assistance that is available has begun to shift from poor families toward families at somewhat higher income levels. This reduces the supply of housing assistance for poor families, who, as the data indicate, tend to have the most acute housing needs.

From 1988 until 1996, federal law targeted a majority of the housing assistance becoming available through turnover or new subsidy commitments under the Section 8 and public housing programs to families who met "federal preference rules." For the

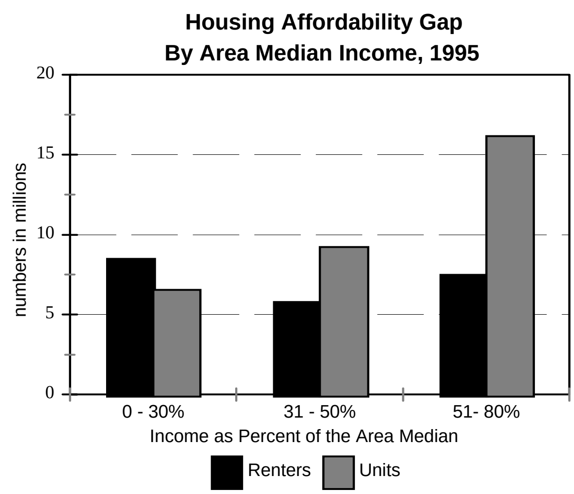
[31] Some states and localities have used HOME dollars to fund tenant-based vouchers. About 10,000 tenant-based vouchers are made available with HOME dollars each year. Data from the Office of Affordable Housing, Department of Housing and Urban Development.

Why the LIHTC and HOME Programs Provide Only Modest Help in Closing the Housing Affordability Gap

Private housing developers can receive Low Income Housing Tax Credit (LIHTC) and HOME dollars in exchange for producing moderate-cost housing. Generally units subsidized with HOME or LIHTC dollars must be kept affordable for households with incomes at or below either 50 percent or 60 percent of the area median income.

However, housing affordable for those with incomes close to 50 percent or 60 percent of the area median income, a level that is significantly above the poverty line in most areas, generally will not help to close the housing affordability gap for poor renters. Poor renters usually can afford a unit built with HOME or tax credit dollars only if they also receive an additional rental subsidy.

As the chart indicates, in 1995 there were nearly two million more renters with incomes at or below 30 percent of the area median income than there were units affordable for such renters. This shortage of low-cost units has been growing over time. Between 1991 and 1995, the number of units affordable to families with incomes at or below 30 percent of the area median income fell by approximately 300,000, while the number of renters in this income category climbed by approximately 400,000.



In contrast, as the chart indicates, there is an excess supply of units affordable to renters with incomes between 31 percent and 50 percent of the area median income; there are more units affordable to renters in this category than there are renters in the category. This is also true for renters with incomes between 51 percent and 80 percent of the area median income. Generally, HOME and LIHTC units are built to be affordable to households with incomes close to 50 percent and 60 percent of the area median income, respectively. These units generally do not help in substantially lessening the shortage of units for poor renters, i.e. those with incomes at or below 30 percent of the area median income.

most part, these were families that paid more than 50 percent of their income for rent or lived in severely deficient housing; most such families were poor. Since 1996, these preference rules have been suspended. As a result, administrators of housing programs have been able to shift available housing assistance away from poor households to households at somewhat higher income levels. This is true not only for project-based assistance, but for tenant-based vouchers and certificates as well. Although there are arguments for bringing more moderate-income families into public housing projects to improve the income and employment mix in such projects, there is no similar rationale for shifting tenant-based vouchers and certificates that help families rent units on the private market from poor families to families at significantly higher income levels.

Conclusion

Between 1977 and 1995, the number of renters receiving housing assistance more than doubled. During this period, the proportion of poor renters receiving housing assistance grew from about one-fourth to one-third. This expansion in housing assistance slightly exceeded the decline in the number of low-cost units in the private market. But it failed to match the large increase in the number of low-income renters over this period. The result was a widening of the affordable housing gap facing poor renters.

Much of the expansion in housing assistance occurred in the late 1970s and early 1980s. In recent years, there have been only modest increases in the amount of housing assistance made available. While two new programs have been created over the past decade — the Low-Income Housing Tax Credit and the HOME program — these programs do not produce much housing that is affordable for poor households not already being subsidized through another housing assistance program. They are geared primarily to households at modestly higher income levels.

VI. Housing Programs as a Source of Affordable Housing: Current Trends and Proposed Changes

Housing policy appears to be moving in contradictory directions. Several small innovative proposals before Congress would modestly increase the supply of housing assistance. In addition, a handful of states and localities have begun to recognize the need for affordable housing among families moving from welfare to work and have implemented programs to provide housing assistance to some families moving off welfare.

At the same time, Congress is considering policy changes that could significantly reduce the supply of affordable housing available to poor families. Proposed changes in the way the major federally funded rental assistance programs operate could shift a sizable share of assistance to middle-income families. If this occurs, fewer poor families, which tend to have the greatest housing needs, will receive federal housing assistance.

Proposed Expansions

Several proposals included in the budget the Administration submitted to Congress in February 1998, as well as other legislation pending in Congress, would commit modest additional federal resources to the provision of housing assistance to low-income families. The proposals include:

- **Welfare-to-Work Vouchers**: The Administration's budget proposes targeting 50,000 new subsidies on families moving from welfare to work. These subsidies would be awarded on a competitive basis to housing agencies that, in conjunction with their local and/or state welfare agency, develop a comprehensive plan to help families move from welfare to work. Families could use these vouchers to rent housing on the private market. The family would typically pay 30 percent of income in rent, and the subsidy would be the difference between the family rent contribution and the cost of the apartment. Families could use these vouchers to move to areas with better job opportunities and transportation networks. Local welfare and housing agencies could collaborate to link families, employers, and housing resources in a comprehensive package that would facilitate the transition from welfare to work.

- **Homeless Vouchers**: 34,000 new housing vouchers would be targeted on homeless families and individuals. These vouchers would enable homeless families to move from temporary shelters to permanent housing and free up scarce spaces in emergency shelters for other homeless families.

- **Elimination of the Three-month Delay**: Tenant-based housing subsidies become available to new households as households that currently have such subsidies leave the program. Housing authorities issue these "turnover" subsidies to households on their waiting lists. For the past three years, Congress has included in annual appropriations bills a budget-cutting measure requiring housing authorities to delay for three months the reissuance of these turnover subsidies. The subsidies are pulled out of circulation during this three-month period, which reduces the number of households being provided housing assistance at any point in time. The President's budget would eliminate the requirement that housing authorities delay the issuance of available housing vouchers for three months. As a result, as many as 30,000 to 40,000 more families would receive housing subsidies at any given point in time.

- **Expansion of the Low-Income Housing Tax Credit**: Bipartisan legislation introduced in both the House of Representatives and the Senate would increase the Low-income Housing Tax Credit by 40 percent. The Administration has proposed similar legislation. Some of the units subsidized with LIHTC dollars could be set aside for families receiving tenant-based vouchers. That would help link the demand for and the supply of affordable housing and help more poor families afford new LIHTC units.

State and Local Efforts to Expand Housing Assistance

Some state and local welfare agencies are beginning to become aware of the intersection between welfare and housing policies. Some families receiving public assistance may be unable to obtain jobs because they cannot afford housing that is accessible to job opportunities. In addition, families that have to move from apartment to apartment where they are doubling up with other families because they lack housing of their own may have more difficulties retaining jobs. Finally, high housing costs that consume more than half of families' income leave some families with too little money to pay for other expenses such as child care, transportation costs, and other basic needs.

In response, some states and counties have begun to use part of their state or federal welfare dollars or other state funds to provide families with housing assistance, although these states and localities are doing so on a very small scale.

- New Jersey is using state welfare dollars to provide housing assistance to 350 families that have recently moved from welfare to work. Families are provided a three-year rental subsidy to help them meet the cost of housing on the private market.

- Connecticut is providing a rental subsidy for one year to more than 2,000 working families that have hit the state's 21-month time limit on receipt of welfare benefits. This one-year rental subsidy helps cushion the transition of these families from welfare into the workforce.

- San Mateo County, California, an area with very high rents, is using federal and state cash welfare and HOME dollars to provide housing assistance to families that currently receive or recently have received public assistance. Social service providers estimate that in the absence of such assistance, many poor families in the area live with three to four people per room. Even a number of families moving into "good" jobs in the area — jobs paying $8 per hour or more — are unable to find housing that is affordable for them.

Legislation Would Reduce Access of Poor Families to Housing Assistance

At the same time that proposals to increase modestly the supply of housing subsidies are being considered, housing legislation is moving through Congress that would reduce markedly the amount of housing assistance available to poor renters. Legislation that both the House of Representative and the Senate have passed and that is expected to go to conference soon would alter the "income targeting" rules that affect which households gain admittance to federal low-income rental assistance programs. These changes could limit access to low-income housing programs for poor families while allowing greater numbers of moderate-income and middle-class families to obtain such subsidies.

Each year about 525,000 housing subsidies — including vouchers, certificates, and units in public and private housing projects — turn over and become available to families waiting for assistance. Prior to 1996, about 90 percent of these newly available vouchers and certificates, 50 percent of newly available public housing units, and 70 percent of newly available Section 8 project-based units were targeted to families that had "worst case housing needs." These are families that pay more than half their income for rent, live in substandard housing, are homeless, or have been involuntarily displaced from their housing. Most of these families are poor and have incomes below 30 percent of the median income in their area.

Since 1996, these rules governing the allocation of available housing subsidies have been suspended. The housing legislation both the House and the Senate have passed would repeal the suspended rules permanently, establishing relatively weak income targeting rules in their place. A significant portion of available housing assistance could be shifted to families with somewhat higher incomes.

- Under the House bill, the total number of subsidies becoming available that would be reserved for households with incomes below 30 percent of the area median income would be approximately 120,000 a year. This would constitute a reduction of about *two-thirds* from the 370,000 subsidies a year previously reserved for families with urgent housing needs, most of which are families with incomes below 30 percent of the median.

- Under the Senate bill, the total number of subsidies becoming available that would be reserved for households with incomes below 30 percent of the area median would be slightly over 250,000. While about twice the number of subsidies reserved for such families under the House bill, this still would represent a reduction of about 30 percent compared with the number of subsidies formerly targeted on families with urgent housing needs.

It is often argued that changes of this nature are needed to decrease the concentration of poor unemployed families in public housing projects and increase the income and employment mix in such projects. While this is a valid concern for public housing, it is not an issue for Section 8 certificates and vouchers, which enable families to afford housing of their choice on the private market and can help *decrease* the concentration of poverty. Yet the pending legislation would weaken targeting for both public housing *and* the Section 8 programs. Under the legislation, a substantial number of tenant-based vouchers and certificates could be shifted away from poor families — including working poor families and those making the transition from welfare to work.

The now-suspended federal preference rules targeted 90 percent of the certificates and vouchers becoming available to families with urgent housing needs, a group that consists overwhelmingly of poor families. The Senate bill would drop to 65 percent the proportion of newly available certificates and vouchers that must be targeted to poor households (technically to households below 30 percent of the area median income). The House bill would reduce this figure to just 40 percent, allowing the majority of the newly available certificates and vouchers to go to non-poor households. The ability of poor households to obtain certificates or vouchers could diminish sharply under the new legislation.

Some proponents of these changes have argued that the changes are necessary so housing assistance is targeted to a greater degree on the working poor. The vast bulk of working poor families, however, have incomes below 30 percent of the area median. The proposed changes thus would shift housing assistance *away* from working poor families to higher-income families. By reducing rather than increasing access to subsidized housing for working poor families, the proposed legislation could weaken, rather than aid, efforts to help families moving from welfare to work stabilize their housing situation.[32]

Conclusion

The shortage of affordable housing is one of the most serious problems that poor households face, with very large numbers of poor households spending more than half of their income for housing. Despite the robust economy, the gap between the number of affordable units and the number of low-income renters — already at its widest point on record — could grow still wider in the years ahead as the number of low-cost private rental units continues to diminish.

The growing affordable housing shortage is primarily the result of changes in the private housing market and changing economic and demographic factors. In the face of these changes, federal housing programs have become an increasingly important source

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[32] For a more detailed discussion of the impact of these proposed changes, see Barbara Sard, Ed Lazere, Robert Greenstein, and Jennifer Daskal, "Housing Bills Could Weaken Welfare Reform and Create Problems for the Working Poor," Center on Budget and Policy Priorities, November 5, 1997.

of affordable housing. Approximately five-sixths of all poor renters living in affordable housing receive rental assistance.

The data in this report reflect conditions in 1995. Since then, the level of new federal low-income housing commitments has declined further, and legislation is moving through Congress that would shift some assistance from poor to moderate-income or middle-class families.

If the number of poor families receiving housing assistance stagnates or the programs are changed so a substantial amount of assistance is shifted away from poor families, including the working poor, the affordable housing shortage is likely to worsen. If that occurs, affordability problems can be expected to increase for both working poor and non-working poor families across the nation.

Appendix I
Data on Affordable Housing Conditions in 45 Major Metro Areas

In Search of Shelter is based largely on data from the American Housing Survey (AHS) for 1995, the most recent data available on affordable housing conditions nationally. This national survey does not include data on housing conditions at the state level and provides data on only a handful of metropolitan areas. The state and national sample sizes for the national AHS are too small to provide reliable findings at these levels.

Metro Area Reports from the American Housing Survey: In addition to the national AHS, the Department of Housing and Urban Development sponsors, and the Census Bureau conducts, separate American Housing Surveys for most large metropolitan areas. Forty-five metro areas were surveyed between 1990 and 1996. Due to budget constraints, a slightly smaller number of metro areas will be surveyed in future years. Care should be taken in comparing these data with the 1995 AHS data presented in this report and with data for other metropolitan areas for several reasons:

- The metro area surveys are not all conducted each year; they are spread over a several-year period. The surveys used in preparing this appendix were conducted between 1990 and 1996.

- Data from the national American Housing Survey indicate that the affordable housing shortage has grown larger during the years 1990 through 1996, primarily because of a sizable increase in the number of low-income renters. As a result, data from 1990 would, other things being equal, indicate a smaller housing affordability problem than data from later years. For this reason, it could be misleading to compare one city's housing affordability problem based on data from the early 1990s to another city's housing affordability problem based on data from the mid-1990s.

- Whenever estimates are made about a population based on characteristics of a *sample* of the population, there is a margin of error. As the sample size gets smaller, the margin of error generally increases because there is less certainty that the sampled population is an accurate reflection of the total population. The AHS data on individual metropolitan areas are based on a relatively small number of sampled households, and some of the data reported in the appendix have a substantial margin of error. In recognition of the potential for error, statisticians generally determine a range — called a confidence interval — within which they are generally confident that a statistic from the sample is an accurate reflection of the overall population.

- For example, the charts indicate that 72 percent of poor renters in Denver pay more than 30 percent of their income for housing. If we were to adjust for the margin of error, we could say with 90 percent confidence that the percentage of poor Denver renters paying more than 30 percent of their income for housing is between 66 percent and 79 percent.

- The chart also indicates that 77 percent of poor renters in Buffalo paid more than 30 percent of their income for housing. After adjusting for the margin of error, however, it is no longer clear whether the population of poor renters in Buffalo who pay this much for housing exceeds the percentage in Denver. The metro-area data provided here thus should not be used for comparative purposes.

Table A-1: Housing Cost Burdens of Poor Renters and Availability of Subsidized Housing In 45 Major Metro Areas

Metropolitan Area (Year)	Paid More than 30% of Income for Housing		Paid More Than 50% of Income for Housing		Poor Renters in Subsidized Housing	
	Number of Poor Renters	Percent of Poor Renters	Number of Poor Renters	Percent of Poor Renters	Number of Poor Renters	Percent of Poor Renters
Anaheim-Santa Ana, CA (1994)	30,000	92%	26,000	79%	6,000	18%
Atlanta, GA (1996)	40,000	82%	30,000	61%	25,000	41%
Baltimore, MD (1991)	44,000	80%	33,000	60%	23,000	40%
Birmingham, AL (1992)	19,000	65%	11,000	39%	12,000	44%
Boston, MA-NH (1993)	69,000	78%	55,000	63%	48,000	53%
Buffalo, NY (1994)	28,000	77%	24,000	65%	13,000	35%
Charlotte, NC (1995)	17,000	77%	13,000	59%	9,000	39%
Chicago, IL (1995)	154,000	84%	117,000	64%	65,000	35%
Cincinnati, OH-KY-IN (1990)	27,000	70%	19,000	48%	16,000	39%
Cleveland, OH (1996)	38,000	81%	31,000	66%	16,000	32%
Columbus, OH (1995)	22,000	73%	15,000	50%	13,000	41%
Dallas, TX (1994)	50,000	87%	40,000	69%	13,000	20%
Denver, CO (1995)	23,000	72%	17,000	53%	14,000	41%
Detroit, MI (1995)	101,000	80%	78,000	62%	48,000	36%
Ft. Worth-Arlington, TX (1994)	21,000	88%	16,000	58%	9,000	30%
Hartford, CT (1996)	16,000	76%	12,000	57%	12,000	55%
Houston, TX (1991)	71,000	82%	50,000	58%	16,000	17%
Indianapolis, IN (1996)	18,000	78%	15,000	65%	7,000	30%
Kansas City, MO-KS (1995)	24,000	77%	18,000	58%	13,000	39%
Los Angeles County, CA (1995)	342,000	90%	277,000	73%	68,000	16%
Memphis, TN-AR-MS (1996)	20,000	77%	13,000	50%	10,000	36%
Miami-Ft. Lauderdale, FL (1995)	84,000	82%	67,000	66%	41,000	37%
Milwaukee, WI (1994)	32,000	84%	23,000	62%	9,000	25%
Minneapolis-St. Paul, MN-WI (1993)	36,000	75%	27,000	56%	24,000	49%
New Orleans, LA (1995)	31,000	78%	24,000	60%	15,000	36%
New York-Nassau-Suffolk, NY (1995)	472,000	85%	382,000	69%	316,000	52%
Northern New Jersey (1995)	124,000	81%	112,000	73%	59,000	35%
Norfolk-Virginia Beach, VA (1992)	27,000	69%	20,000	51%	19,000	47%
Oklahoma City, OK (1996)	17,000	85%	12,000	60%	7,000	30%
Philadelphia, PA-NJ (1995)	106,000	85%	91,000	73%	42,000	29%
Phoenix, AZ (1994)	40,000	85%	28,000	60%	9,000	19%
Pittsburgh, PA (1995)	42,000	72%	30,000	52%	31,000	53%
Portland, OR-WA (1995)	22,000	82%	19,000	70%	8,000	28%
Providence, RI-MA (1992)	24,000	77%	18,000	58%	13,000	39%
Riverside-San Bernadino, CA (1994)	59,000	89%	48,000	73%	10,000	15%
Rochester, NY (1990)	19,000	76%	16,000	65%	12,000	45%
Sacramento, CA (1996)	24,000	92%	20,000	77%	6,000	21%
San Antonio, TX (1995)	28,000	76%	17,000	46%	17,000	46%
San Diego, CA (1994)	42,000	83%	35,000	69%	12,600	24%
San Francisco-Oakland, CA (1993)	63,000	86%	53,000	73%	20,000	26%
San Jose, CA (1993)	19,000	90%	17,000	81%	5,000	23%
Salt Lake City, TX (1992)	20,000	75%	13,000	49%	7,000	28%
Seattle-Tacoma, WA (1996)	27,000	75%	22,000	61%	18,000	44%
St. Louis, MO-IL (1996)	43,000	91%	33,000	63%	22,000	37%
Tampa-St. Petersburg, FL (1993)	36,000	86%	28,000	67%	14,000	32%
Washington, DC-MD-VA (1993)	47,000	76%	34,000	55%	31,000	47%

Example of how to read the table: In 1996, some 43,000 poor renters in St. Louis — 91 percent of all poor renters in the area — spent at least 30 percent of income on housing. Some 33,000 poor renters — 63 percent of all poor renters — spent at least half their income on housing. Some 22,000 poor renters — 37 percent of all poor renters — lived in subsidized housing.

Table A-2: The Shortage of Affordable Housing For Low-Income Renters In 45 Major Metro Areas

Metropolitan Area (Year)	Low-Income Renters*	Low-Cost Rental Units**	Affordable Housing Gap	Ratio of Low-Income Renters To Low-Cost Units
Anaheim-Santa Ana, CA (1994)	44,000	11,000	33,000	4.0
Atlanta, GA (1996)	97,000	49,000	48,000	2.0
Baltimore, MD (1991)	72,000	44,000	28,000	1.6
Birmingham, AL (1992)	34,000	38,000	(4,000)	0.9
Boston, MA-NH (1993)	153,000	95,000	58,000	1.6
Buffalo, NY (1994)	58,000	32,000	26,000	1.8
Charlotte, NC (1995)	35,000	25,000	10,000	1.4
Chicago, IL (1995)	245,000	115,000	130,000	2.1
Cincinnati, OH-KY-IN (1990)	59,000	52,000	7,000	1.1
Cleveland, OH (1996)	84,000	50,000	34,000	1.7
Columbus, OH (1995)	53,000	33,000	30,000	1.6
Dallas, TX (1994)	93,000	31,000	62,000	3.0
Denver, CO (1995)	63,000	33,000	30,000	1.9
Detroit, MI (1995)	165,000	95,000	70,000	1.7
Ft. Worth-Arlington, TX (1994)	42,000	21,000	21,000	2.0
Hartford, CT (1996)	38,000	25,000	13,000	1.5
Houston, TX (1991)	115,000	112,000	3,000	1.0
Indianapolis, IN (1996)	44,000	25,000	19,000	1.8
Kansas City, MO-KS (1995)	58,000	47,000	11,000	1.2
Los Angeles County, CA (1995)	477,000	120,000	357,000	4.0
Memphis, TN-AR-MS (1996)	43,000	38,000	5,000	1.1
Miami-Ft. Lauderdale, FL (1995)	157,000	56,000	101,000	2.7
Milwaukee, WI (1994)	59,000	31,000	28,000	1.9
Minneapolis-St. Paul, MN-WI (1993)	78,000	39,000	39,000	2.0
New Orleans, LA (1995)	65,000	50,000	15,000	1.3
New York-Nassau-Suffolk, NY (1995)	741,000	324,000	417,000	2.3
Northern New Jersey (1995)	232,000	107,000	125,000	2.2
Norfolk-Virginia Beach, VA (1992)	52,000	30,000	22,000	1.7
Oklahoma City, OK (1996)	39,000	37,000	2,000	1.1
Philadelphia, PA-NJ (1995)	187,000	85,000	102,000	2.2
Phoenix, AZ (1994)	78,000	29,000	49,000	2.7
Pittsburgh, PA (1995)	101,000	84,000	17,000	1.2
Portland, OR-WA (1995)	55,000	20,000	35,000	2.8
Providence, RI-MA (1992)	46,000	24,000	22,000	1.9
Riverside-San Bernadino, CA (1994)	87,000	28,000	59,000	3.1
Rochester, NY (1990)	38,000	16,000	22,000	2.4
Sacramento, CA (1996)	53,000	16,000	37,000	3.3
San Antonio, TX (1995)	51,000	43,000	8,000	1.2
San Diego, CA (1994)	89,000	33,000	56,000	2.7
San Francisco-Oakland, CA (1993)	132,000	47,000	85,000	2.8
San Jose, CA (1993)	31,000	9,000	22,000	3.4
Salt Lake City, UT (1992)	34,000	22,000	12,000	1.5
Seattle-Tacoma, WA (1996)	78,000	31,000	47,000	2.5
St. Louis, MO-IL (1996)	95,000	72,000	23,000	1.3
Tampa-St. Petersburg, FL (1993)	74,000	34,000	40,000	2.2
Washington, DC-MD-VA (1993)	97,000	55,000	42,000	1.8

*Annual incomes below $12,000 in 1995 dollars.

**Occupied and vacant rental units with costs below $300 a month in 1995 dollars.

Example: In the Phoenix metro area, there were 78,000 low-income renters, but only 29,000 low-cost rental units, a shortage of 49,000 units in 1994. There were 2.7 low-income renters for every low-cost rental unit.

Table A-3: Housing Quality Problems for Poor Renters in 45 Major Metro Areas

	Lived in Physically Deficient Housing		Lived in Overcrowded or Doubled-Up Housing	
Metropolitan Area (Year)	Number of Poor Renters	Percent of Poor Renters	Number of Poor Renters	Percent of Poor Renters
Anaheim-Santa Ana, CA (1994)	4,000	13%	14,000	40%
Atlanta, GA (1996)	9,000	14%	6,000	9%
Baltimore, MD (1991)	10,000	16%	7,000	12%
Birmingham, AL (1992)	7,000	20%	2,000	8%
Boston, MA-NH (1993)	6,000	6%	7,000	7%
Buffalo, NY (1994)	4,000	12%	2,000	4%
Charlotte, NC (1995)	3,000	12%	2,000	7%
Chicago, IL (1995)	28,000	14%	38,000	19%
Cincinnati, OH-KY-IN (1990)	4,000	10%	3,000	8%
Cleveland, OH (1996)	9,000	17%	4,000	8%
Columbus, OH (1995)	4,000	12%	2,000	6%
Dallas, TX (1994)	12,000	18%	10,000	14%
Denver, CO (1995)	2,000	6%	4,000	11%
Detroit, MI (1995)	27,000	19%	13,000	9%
Ft. Worth-Arlington, TX (1994)	5,000	17%	4,000	14%
Hartford, CT (1996)	3,000	13%	1,000	4%
Houston, TX (1991)	27,000	27%	23,000	23%
Indianapolis IN (1996)	2,000	8%	3,000	12%
Kansas City, MO-KS (1995)	4,000	12%	2,000	6%
Los Angeles County, CA(1995)	57,000	13%	156,000	36%
Memphis, TN-AR-MS (1996)	8,000	26%	6,000	20%
Miami-Ft. Lauderdale, FL (1995)	16,000	14%	19,000	17%
Milwaukee, WI (1994)	5,000	14%	4,000	12%
Minneapolis-St. Paul, MN-WI (1993)	3,000	6%	4,000	8%
New Orleans, LA (1995)	10,000	22%	6,000	13%
New York-Nassau-Suffolk, NY (1995)	149,000	24%	110,000	18%
Norfolk-Virginia Beach, VA (1992)	3,000	8%	4,000	8%
Northern New Jersey (1995)	29,000	17%	34,000	20%
Oklahoma City, OK (1996)	3,000	13%	2,000	8%
Philadelphia, PA-NJ (1995)	32,000	21%	16,000	11%
Phoenix, AZ (1994)	7,000	13%	12,000	24%
Pittsburgh, PA (1995)	4,000	6%	3,000	5%
Portland, OR-WA (1995)	2,000	7%	2,000	7%
Providence, RI-MA (1992)	2,000	7%	2,000	5%
Riverside-San Bernadino, CA (1994)	3,000	5%	22,000	32%
Rochester, NY (1990)	5,000	17%	2,000	6%
Sacramento, CA (1996)	3,000	13%	8,000	27%
San Antonio, TX (1995)	12,000	29%	6,000	15%
San Diego, CA (1994)	4,000	17%	16,000	30%
San Francisco-Oakland, CA (1993)	13,000	16%	15,000	18%
San Jose, CA (1993)	2,000	9%	7,000	32%
Salt Lake City, UT (1992)	3,000	10%	3,000	10%
Seattle-Tacoma, WA (1996)	3,000	7%	2,000	5%
St. Louis, MO-IL (1996)	7,000	11%	6,000	9%
Tampa-St. Petersburg, FL (1993)	5,000	11%	3,000	6%
Washington, DC-MD-VA (1993)	7,000	10%	9,000	13%

* Housing is overcrowded if there is more than one person per room. Families are "doubled-up" if more than one family is living in the same housing unit.

Example: In 1995, some 10,000 poor renters in New Orleans — 22 percent of all poor renters in the area — lived in housing that was physically deficient. Some 6,000 poor renters — 13 percent of all poor renters — lived in either overcrowded or "doubled-up" housing.

Source: American Housing Survey

Appendix II
Measuring Housing Cost Burdens

There are limitations to the measure used in this analysis to calculate the affordable housing shortage, some of which lead to a potential overstatement of the shortage, and some of which lead to a potential understatement of the shortage. For instance, as in most surveys, there is some underreporting of income among respondents to the American Housing Survey, which is the primary source of data for this report. This could lead to an overstatement of the number of low-income renters with high rent burdens. In addition, for households whose actual incomes are higher than reported in the survey, the AHS data overstate the proportion of income spent on housing.

While these factors lead to some overstatement of the affordable housing shortage, other factors lead to an understatement of the shortage. The American Housing Survey does not include homeless individuals and families, all of whom would be considered to have severe housing problems. In addition, 1.5 million units identified as low-cost units in 1995 were occupied by households with incomes exceeding $12,000; these units consequently were not available to low-income renters.

In addition, approximately 800,000 low-cost units counted as part of the available stock of low-cost units were vacant in 1995. They were not in use by low-income renters. These vacancies reflect in part the natural turnover in housing markets; some units are vacant at any given point in time. Other vacancies, however, are likely to reflect the fact that some low-cost units are undesirable for habitation due to severe structural deficiencies or location in areas with very high crime or other problems.

Finally, and most important, not all units with monthly costs of $300 or less are affordable to all renters with incomes below $12,000 per year. Using the 30 percent affordability standard, a unit with a rental cost of $300 a month is affordable only to a household with an annual income at or above $12,000. Similarly, a unit with a cost of $250 a month would be affordable only to a family with annual income of at least $10,000. It would not be affordable to a family with $8,000 in annual income, as it would consume 40 percent of the family's income.

It also should be noted that the methodology used to calculate the housing affordability gap has changed slightly from that used in the Center on Budget and Policy Priorities' 1995 publication of *In Short Supply: The Growing Housing Affordability Gap*. In the earlier Center report, data on the housing affordability gap included renters who paid no cash for rent in the numbers of low-income renters, but did not include data on the low-cost rental units occupied by households paying no cash for rent. To make a consistent comparison, this report excludes both "no cash renters" and the units they occupy. No cash renters are also excluded from all data presented on renters' housing cost burdens.[33]

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[33] About 700,000 poor renters — eight percent of all poor renters — pay no cash rent for housing. Excluding these renters from the analysis results in a somewhat smaller number of low-income renters and a smaller housing affordability gap than earlier Center reports indicated. When the data in the earlier reports are revised to exclude no-cash renters as well as the units they occupy, the long-term trend continues to show a growing housing affordability gap. As this report explains, the gap in 1995 is the largest on record.