

# New Findings on Housing Affordability in America

September 23, 1999

Dear Friend of Affordable Housing:

I am pleased to forward to you a copy of *The Widening Gap: New Findings on Housing Affordability in America*. As part of its Congressional mandate, HUD reports on the number of American families continuing to suffer "worst case" housing needs. Based on analyses of each new American Housing Survey conducted by the Census Bureau, the report to Congress on Worst Case Housing Needs is eagerly anticipated by researchers and the entire affordable housing community for its authoritative evidence on the state of affordable housing in America. Based on analysis of the latest American Housing Survey and recent data from the Bureau of Labor Statistics, this report is a preliminary look at the growing shortage of affordable housing for millions of struggling American families. It has four key findings:

- **Despite a period of robust economic expansion, the housing stock affordable to struggling families continues to shrink.** The number of such affordable rental units decreased by 372,000 units, a 5 percent drop from 1991 to 1997.
- **In 1997 and 1998, rents increased at twice the rate of general inflation.** In 1997, rents increased at 3.1 percent while the overall Consumer Price Index (CPI) increased by only 1.6 percent. In 1998, rents increased at 3.4 percent while the overall CPI increased at 1.7 percent.
- **As the affordable housing stock shrinks, the number of renters at or below 30 percent of median income continues to grow.** Between 1995 and 1997, the number of struggling renter households increased by 3 percent, from 8.61 million to 8.87 million - one of every four renter households in America.
- **The gap between the number of struggling Americans and the number of rental units affordable to them is large and growing.** In 1997 for every 100 households at or below 30 percent of median income, there were only 36 units both affordable and available for rent.

America is experiencing a period of unprecedented prosperity and economic expansion. Building on the success of the President's historic 1993 budget, and through bipartisan efforts by the Administration working together with Congress, the federal government is on the verge of experiencing a budget surplus for the first time in thirty years. However, as this report shows, too many Americans have not shared in these triumphs of American productivity and fiscal prudence. Too many are at risk of homelessness. We must increase the assistance available to help these families meet critical shelter needs.

Thank you for your interest.

Andrew Cuomo  
Secretary

**THE WIDENING GAP:  
NEW FINDINGS ON HOUSING AFFORDABILITY IN AMERICA**

In 1949, Congress declared it a national goal to provide "a decent home and a suitable living environment for every American family." The findings contained in this report, based on data from the Census Bureau's latest American Housing Survey and Bureau of Labor Statistics, show that the gap between struggling Americans and the Nation's supply of affordable housing continues to widen.

The American Housing Survey (AHS) is conducted for HUD by the Bureau of the Census, which completes interviews of occupied households in a biennial national sample of housing units. The AHS is the principal source of information on the U.S. housing stock, as well as the housing needs of U.S. households.

## **KEY FINDINGS**

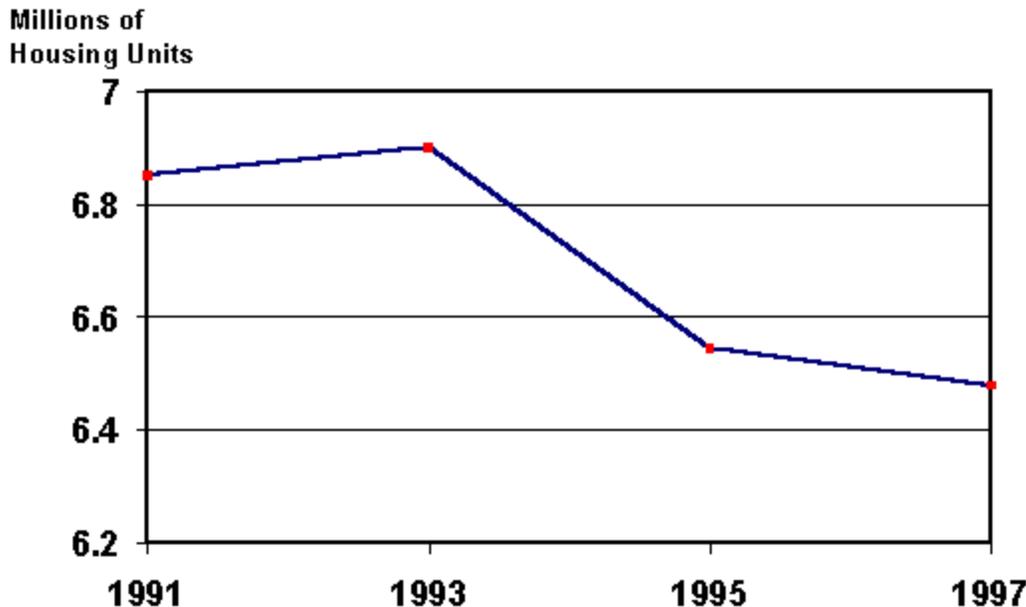
**Finding 1: New data from the Census Bureau's American Housing Survey shows that despite a period of robust economic expansion, the housing stock affordable to struggling American families continues to shrink.** The affordable housing stock, as measured by the number of total rental units that are affordable for struggling households without rental assistance, is declining. The number of such affordable rental units decreased by 372,000 units, a 5 percent drop from 1991 to 1997 (these are units affordable to households at or below 30 percent of area median income, assuming they spend no more than 30 percent of their income on rent).

The steady decline in affordable units has added to the financial pressures facing low-income working families, the elderly and the disabled. As a result of the shortage of affordable housing, many families are forced to spend far too much of their incomes on rent. Without housing assistance of any kind, these renters face severe financial pressures, many merely a paycheck or unexpected medical bill away from homelessness. Their families are at risk, challenged to meet other basic needs, such as food and medical care. Particularly serious are the pressures faced by millions of American families in the transition from welfare to work-families for whom housing is typically the number one cost burden.

Exhibit 1 demonstrates the drop in the number of units affordable to families below 30 percent of median income.

### **Exhibit 1**

# Supply of Rental Units Affordable To Struggling Families Continues To Drop



"Affordable" refers to units affordable to households at or below 30% of area median income, assuming that they spend no more than 30% of their income on rent.

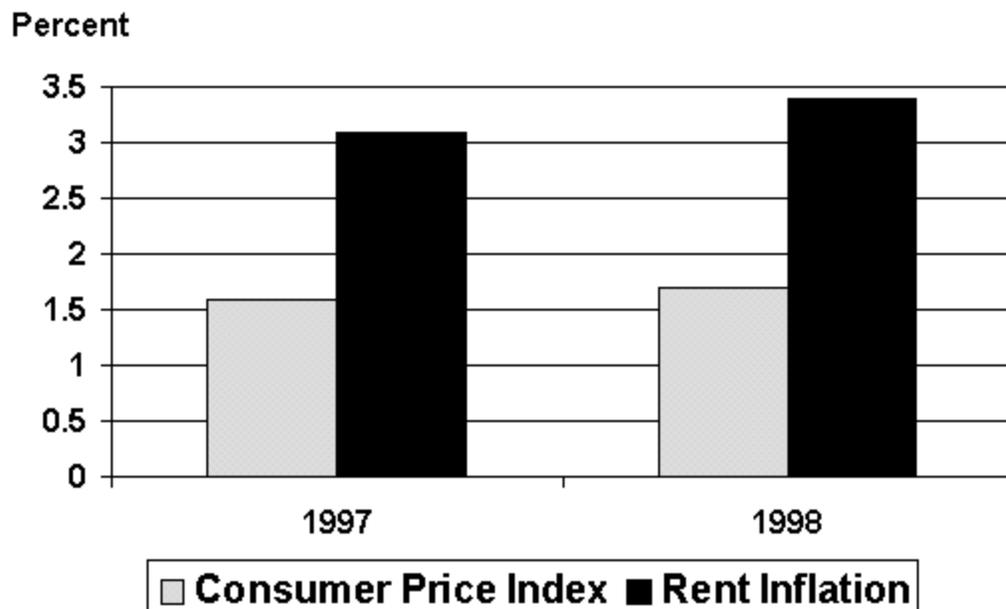
**Finding 2: Adding to the gap between affordable supply and growing demand is the rapid rise in rents in America's communities. In 1997 and 1998, rents increased at twice the rate of general inflation.** In 1997, rents increased at 3.1 percent while the overall Consumer Price Index (CPI) increased by only 1.6 percent. In 1998, rents increased at 3.4 percent while the overall CPI increased at 1.7 percent.

In addition to the data from the Census Bureau's American Housing Survey, additional data on broader economic trends supports the conclusion that housing affordability continues to worsen. Low inflation is one of the hallmarks of America's extraordinary economic expansion, yet according to the Bureau of Labor Statistics' May 1999 *Monthly Labor Review*, rents increased over 1997-1998 at twice the rate of general inflation.

There is also evidence that incomes of struggling Americans have failed to keep pace with these steep increases in rents. According to the Department of Commerce's study *Money Income in the United States: 1997*, average incomes for the poorest twenty percent of the population increased only 1.9 percent from \$15,107 to \$15,400 between 1996 and 1997. Exhibit 2 compares rent inflation and overall inflation (CPI) rates in 1997 and 1998.

## Exhibit 2

## Rents Are Rising at Twice The Overall Rate of Inflation



Source: Bureau of Labor Statistics

**Finding 3: As the affordable housing stock shrinks, the number of renters at or below 30 percent of median income continues to grow.** Between 1995 and 1997, the number of renters at or below 30 percent of median income increased by 3 percent, from 8.61 million to 8.87 million. One of every four renter households in America is struggling at or below 30 percent of median income.

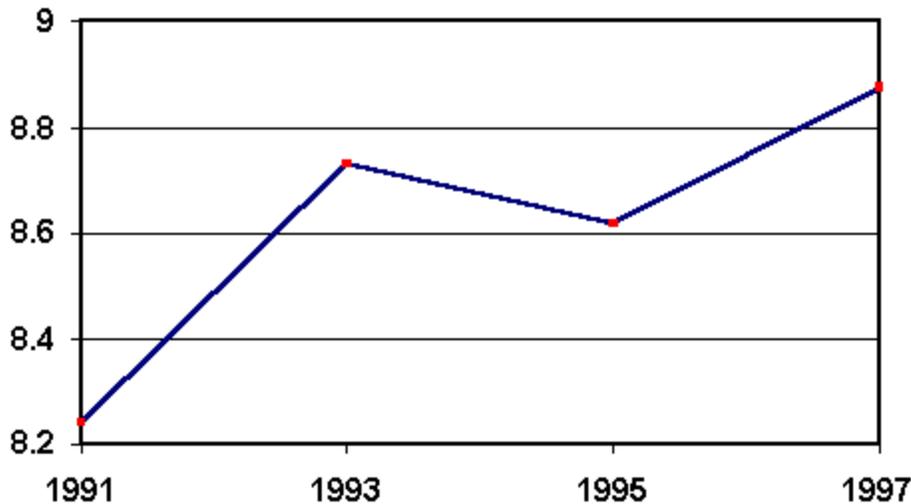
The continuing decline in affordable housing is exacerbated by the increase in the number of struggling families who are competing for scarce affordable rental units. Between 1995 and 1997 alone, the number of struggling renter households increased from 8.61 million to 8.87 million. This 3 percent increase is 50 percent faster than the overall growth rate for American households. Coupled with the diminishing supply of affordable housing, this significant increase in demand for affordable housing further widens the affordability gap.

Exhibit 3 shows the growing number of renter families at or below 30 percent of area median income.

### Exhibit 3

## Number of Struggling Families Continues to Grow

Millions of Renter  
Households



*One in four renter households in America is struggling at or below 30% of median income.*

Source: Bureau of the Census, American Housing Survey

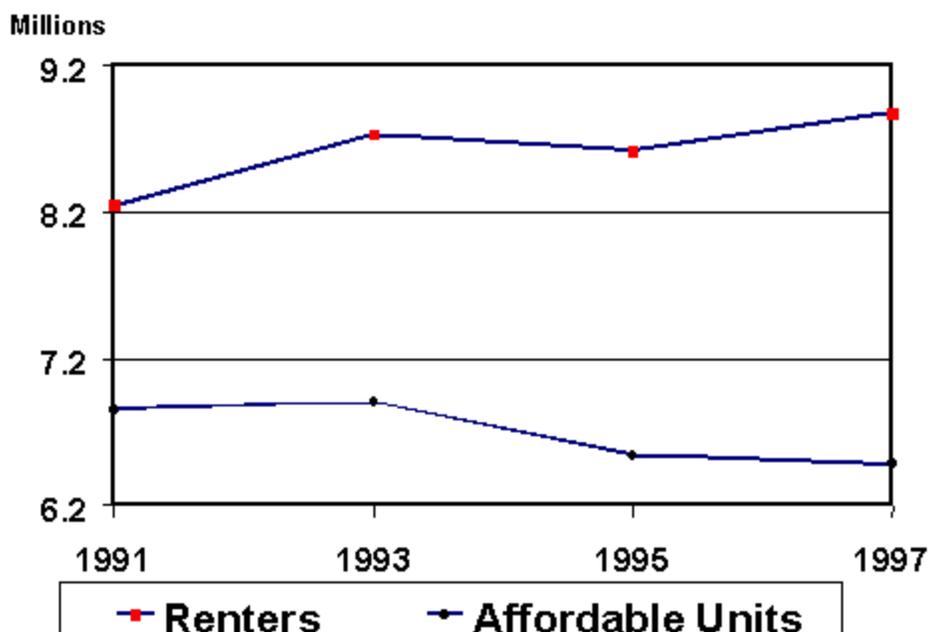
**Finding 4: The gap between the struggling renter households and housing units affordable to them is large and growing.** In 1997 for every 100 households at or below 30 percent of median income, there were only 36 units both affordable and available for rent.

The gap between the number of struggling renter households and the number of affordable housing units continues to worsen. As indicated by the findings above, there is an overall gap in the supply of affordable housing. By 1997, for every 100 extremely low-income renters, there were only 76 units with rents that would have been affordable to them, but the number of affordable units that were actually available for rent to struggling renters was even lower - 36 for every 100. This ratio is a serious decline from the 1995 figure of 44 units per 100 households and continues a worsening trend throughout the 1990s. The available and affordable stock, then, is eroding at an alarming rate.

Exhibit 4 shows the widening gap between struggling families and the declining supply of rental units affordable to them.

### Exhibit 4

# The Widening Gap Between Struggling Families and Units They Can Afford



Source: Bureau of the Census, American Housing Survey

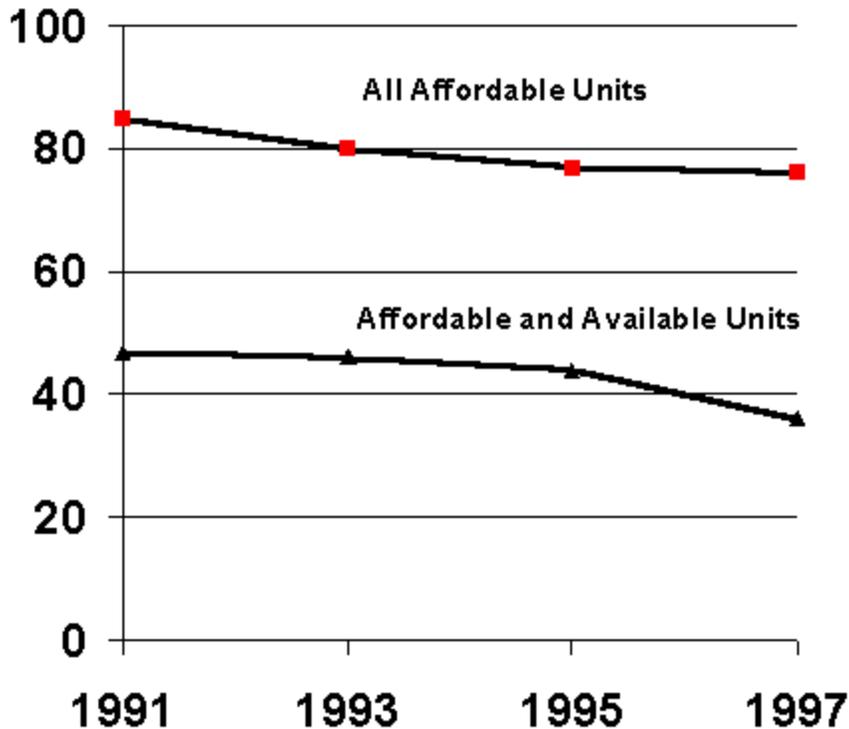
As wide as the overall affordability gap has become in America, the trends in Exhibit 4 understate the full extent of the problem, since many "affordable" units are not, in fact, available for rent by the families who need them.

Exhibit 5 shows that the fastest growth has been in the mismatch between renter households and units both affordable and available to them. Two gaps are compared in the form of ratios. The top trend line indicates the growing mismatch between the number of struggling renters and the supply of units they can afford (i.e., the gap in Exhibit 4 in the form of a ratio). More worrisome than that trend is the bottom trend line, which shows a sharper decrease in the number of units both affordable and available for those renter families. The drop, from 47 to 36 units for every 100 struggling renter households, is a striking 23 percent in just six years.

## Exhibit 5

## Fastest Growing Is The Mismatch Between Struggling Renters and Units Both Available and Affordable To Them

Ratio of Rental Units to Renter Households



The top trend line for affordable units shows the ratio of [renter households at or below 30% of area median income] to [units those households can afford, assuming they pay no more than 30% of their income to rent].

The bottom trend line for affordable and available units shows the ratio of [those households] to *available* units they can afford, as defined above.

Source: Bureau of Census, American Housing Survey

### RECENT STUDIES CONFIRM NEED FOR ADDITIONAL HOUSING ASSISTANCE

These findings add to a growing body of evidence indicating the increased need for housing assistance. HUD and a number of researchers have released a series of important studies that document the growing crisis in the affordability of private market housing for the nation's very low-income renters. These studies document the heightened difficulty low-income American families face in their struggle to locate decent, safe and affordable housing.

In 1995, Congress reversed over 20 years of federal domestic policy by refusing to add a single new rental assistance voucher to HUD's budget. In April 1998, HUD released its *Report to Congress on Worst Case Housing Needs*. Families with worst case needs pay more than half of their income for rent, live in severely substandard housing or both. HUD's 1998 report found there was an all-time high number of families with such housing needs. Based on those findings, HUD then urged Congress to adopt President Clinton's proposal to appropriate additional funds for rental assistance (new incremental Section 8

vouchers). For Fiscal Year 1999, as part of an historic, bipartisan reform of public housing, Congress adopted the President's proposal and appropriated funds for 50,000 new Section 8 vouchers. Congress further authorized 100,000 new vouchers for the next two fiscal years.

In March 1999, HUD released *Waiting in Vain: An Update on America's Rental Housing Crisis*, which documented the growing plight of very low-income families who face increasing hardships in obtaining housing assistance. For example, in Baltimore, Maryland, 19,000 families are on the waiting list for Section 8 vouchers. In Kansas City, Missouri the Section 8 waiting list is 10,700 families long and in New York City the Section 8 waiting list is over 228,000 families long. Low-income families can languish years on waiting lists for scarce public housing and Section 8 vouchers. In many cities, waiting lists for housing assistance have grown so long that local housing agencies have stopped accepting new applicants.

Earlier this month, the National Low Income Housing Coalition issued *Out of Reach*, which documented the increasing gap between housing costs and the wages of low income families. This study examined income and rental cost data for all fifty states and the District of Columbia and included an in-depth analysis of state and local rental markets. This study concluded that in no state, city or county was the minimum wage adequate to afford the fair market rent for a two bedroom apartment. For example, in Maryland, a mother with two children would have to work 103 hours per week at the minimum wage to afford a two bedroom apartment at the HUD-determined fair market rent which is set to a standard established by Congress. In Alaska and New York, the number of work hours per week would be 116 and 123 respectively. Assuming the typical 40-hour work week, the "housing wage" needed to afford a 2 bedroom unit would be \$13.25 per hour in Maryland, \$14.99 in Alaska and \$15.87 in New York - wages far out of reach for most low-income working families.

Later this year, HUD will issue an updated *Report to Congress on Worst Case Housing Needs*. This study will analyze a more comprehensive array of data from the 1997 American Housing Survey (AHS). HUD's next Worst Case Needs Report will show conclusively that extremely low-income families have not shared in the nation's overall economic expansion. A large and growing portion of these families face extreme hardships in trying to make ends meet. Too many are paying over half of their incomes for rent or live in severely substandard housing or both.

## **POLICY AND BUDGET IMPLICATIONS**

The four findings in this report clearly demonstrate that the affordability gap in rental housing is at crisis levels and continues to worsen. The continued widening of this gap can be attributed in large part to the lack of federal appropriations for new housing assistance.

In the past, Congress has responded to findings of serious housing affordability shortfalls by providing for new rental assistance, often with significant results. For instance, between 1985 and 1987 the number of families with worst case housing needs declined as federal incremental assistance grew by 80,000 to 100,000 additional families each year. In fact, from 1977 to 1994, the number of HUD-assisted households grew by 2.6 million - an average of 204,000 additional households each year from 1977 to 1983 and an increase of 107,000 per year from 1984 to 1994.

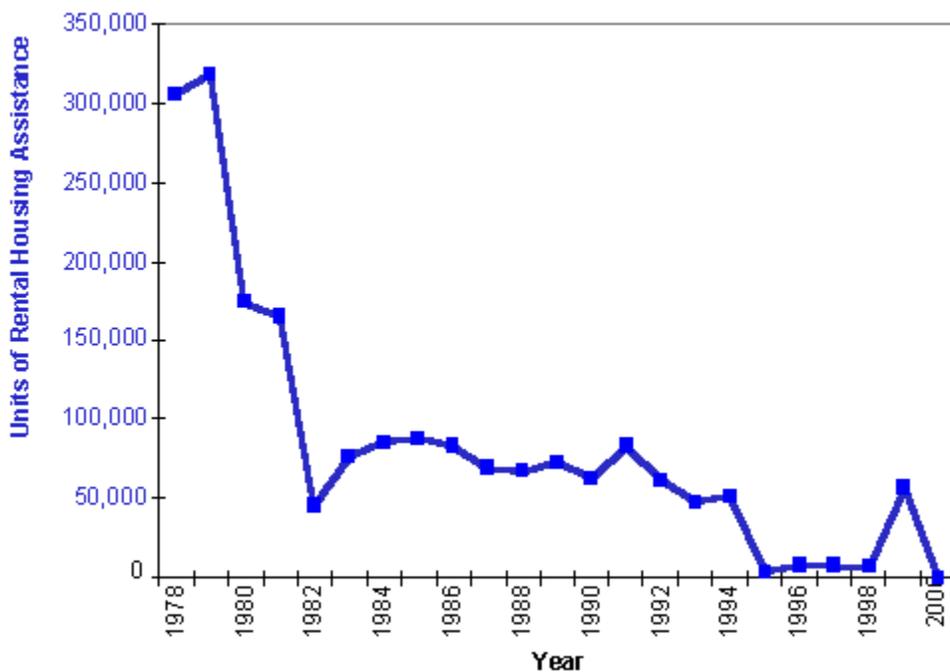
By contrast, between Fiscal Year 1995 through Fiscal Year 1998, Congress appropriated no new Section 8 rental assistance. In retrospect, annual appropriations of 100,000 vouchers in the FY 1995-1998 period would have more than offset the loss of 372,000 affordable units in the overall 1991-1997 period.

There are other factors, of course, that contribute to the widening gap, including under-investment by local communities in affordable rental housing, regulatory barriers, and more. But while Federal action alone cannot close the gap, nor can we do the job without Federal assistance targeted to meeting critical needs.

Exhibit 6 shows the decline in the number of new units of rental housing assistance provided in federal appropriations since 1978.

### Exhibit 6

**New Affordable Rental Units: Additional Federal Assistance, By Year**



The new findings of this report, along with the series of studies that preceded this one, confirm what millions of hard-working American families already know: rental markets have become increasingly competitive and low income working families, the disabled and the elderly are often unable to find decent, safe and affordable housing.

The President's Budget for FY 2000, submitted last February, included 100,000 new Section 8 vouchers in HUD's budget request. Section 8 vouchers help low-income families by paying the difference between 30 percent of the family's income and the HUD established local fair market rent for an appropriately sized unit.

America is currently experiencing a period of unprecedented prosperity and economic expansion. Building on the success of the President's historic 1993 budget, and through bipartisan efforts by the Administration working together with Congress, the federal government is on the verge of experiencing a

budget surplus for the first time in thirty years. However, too many Americans have not shared in these triumphs of American productivity and fiscal prudence. An expansion in the number of families assisted with Section 8 rental vouchers is needed to help fulfill the Nation's commitment to its neediest citizens.

## APPENDIX: DEFINITIONS

Struggling American families who rent have what are generally categorized as "extremely low incomes"- i.e., at or below 30 percent of the local area median income. In most areas of the country, minimum wage earnings are well below 30 percent of median income. Exhibit 7 provides examples of the extremely low-income limits for selected major cities.

### Exhibit 7

Examples of 30 Percent of Median Income for Four-Person Households in Selected Cities	
City	Extremely Low Income (30 percent of median)
Los Angeles	\$15,400
New York City	\$16,000
Chicago	\$19,150
Philadelphia	\$16,700
Detroit	\$18,150
Washington, D.C.	\$23,600
Boston	\$18,800
Houston	\$16,250
Atlanta	\$17,950

Source: HUD Section 8 income limits, Fiscal Year 1999  
Working 40 hours a week, 52 weeks a year, minimum wage workers earn only \$10,700 a year.

### Exhibit 8

#### Data Supporting Exhibits 1-6

	1991	1993	1995	1997
Supply of Affordable Rental Units (Exhibits 1 and 4)	6.851	6.9	6.545	6.479
Number of Struggling Renter Families (Exhibits 3 and 4)	8.241	8.731	8.617	8.874
Ratio of All Affordable Units to Struggling Renter Families (Exhibit 5)	85	80	77	76

Ratio of Affordable & Available Units to Struggling Renter Families (Exhibit 5)	47	46	44	36
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Source: Bureau of Census, American Housing Survey

Exhibit 2	1991	1992	1993	1994	1995	1996	1997	1998
Consumer Price Index (%)	5.7	2.6	3.3	2.5	2.8	2.7	1.6	1.7
Rent Inflation (%)	4.0	3.0	2.4	2.2	2.6	2.5	3.1	3.4

Source: Bureau of Labor Statistics

### Units of Rental Assistance Appropriated by Congress, FY 1978-1999 (Exhibit 6)

Fiscal Year	Units Enacted	Units Enacted, Excluding 202/811
1978	328,653	305,053
1979	338,927	317,727
1980	198,773	174,333
1981	183,396	164,996
1982	62,471	45,538
1983	90,093	76,093
1984	100,000	86,000
1985	100,000	88,000
1986	94,564	83,036
1987	81,500	69,500
1988	77,905	66,915
1989	82,885	73,385
1990	71,220	62,991
1991	95,047	83,047
1992	73,379	62,129
1993	57,877	47,402

1994	63,324	51,324
1995	15,653	3,084
1996	19,834	8,403
1997	19,825	7,732
1998	17,151	7,300
1999	67,000	57,000

*Source: HUD Office of Budget*