

RENTAL HOUSING ASSISTANCE— THE WORSENING CRISIS

A Report to Congress on
Worst Case Housing Needs

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Office of Policy Development and Research
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**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001**

March 2000

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit *Rental Housing Assistance - The Worsening Crisis*, HUD's 1999 report on the nation's worst case housing needs. This report provides a detailed and comprehensive look at the effects of the affordable housing crisis on renters in the United States.

The data contained in this report confirm a single disturbing trend: that, despite the booming economy, worst case housing needs continue to increase. Worst case housing needs have now reached an all-time high of 5.4 million households. There are now 600,000 more households with worst case housing needs than there were in 1991 when the current economic recovery began – a rate of increase that is almost twice as fast as overall household growth.

These findings make a clear and compelling case for greater federal attention to our nation's housing needs. With worst case needs at record levels, there is an urgent need to strengthen federal efforts to assure adequate supplies of decent, safe and affordable housing for America's lowest-income families.

Among the report's key findings are the following:

- **Despite continued economic expansion, worst case housing needs have reached an all-time high of 5.4 million families, increasing by 4 percent between 1995 and 1997.** Households with worst case needs are defined as unassisted renters with incomes below 50 percent of the local median, who pay more than half of their income for rent or live in severely substandard housing.
- **Families with worst case needs are working harder than ever.** Between 1991 and 1997, worst case needs increased more than three times as fast for very-low-income families with full-time wage earners than for all other very-low-income families.
- **Housing that is affordable to the lowest income Americans continues to shrink.** The number of rental units affordable to extremely-low-income families decreased by 5 percent since 1991 - a loss of over 370,000 units.
- **The concentration of worst case housing needs among the poorest families continues to rise.** Between 1991 and 1997, worst case housing needs became increasingly concentrated among households with extremely low incomes. By 1997, over three-fourths of those with worst case needs had incomes below 30 percent of area median.
- **Worst case housing needs increased dramatically in minority households during the 1990s.** Increases were particularly high for Hispanic households and working minority families with children, whereas needs among non-Hispanic whites were stable.

- **Poor families living in the suburbs most frequently face worst case needs.** Over one-third of worst case households live in the suburbs. Reflecting housing market pressures from population and job growth, declines in units affordable to extremely-low-income families were greatest in the suburbs during the 1990s.

A wide range of market forces and other factors have contributed to the decline in affordable housing. A significant factor has been the simple economics of supply and demand: as the economy heats up, rents are rising at a faster rate than incomes of our poorest families. Another key factor was the lack of federal support for new rental assistance during a crucial four-year period covered by this report, from 1995-1998, when no additional units of rental assistance were enacted.

Fortunately, that has changed. For the past two years in a row, Congress has approved new housing vouchers -- 50,000 in 1998 and another 60,000 in 1999. This year, the President's FY 2001 budget includes funds for an additional 120,000 incremental vouchers, a critical next step toward reducing worst case needs.

Other elements of the Administration's FY 2001 budget will play an important part in addressing the needs highlighted in this report. They include CDBG, HOME and the Low-Income Housing Tax Credit -- all programs that successfully produce housing that is affordable for very low-income households. Combining these programs with a continued expansion of tenant-based rental assistance is an essential component of the Administration's strategy to reduce worst case needs.

But we can -- and should -- do more. A recent analysis of the FHA Insurance Fund for FY 1999 places the value of the Fund at more than \$5 billion above previous projections. On March 7, President Clinton directed HUD, along with other members of the Administration, to develop recommendations on how best to use these funds to strengthen federal housing programs and enhance comprehensive affordable housing opportunities. Over the next few months, I will work to ensure that our recommendations reflect the worst case needs identified in this report.

I look forward to working with the Congress to reverse the trends documented in this report. America is currently experiencing a period of unprecedented prosperity. But too many Americans are not yet sharing in this success. We need a bold federal commitment to affordable housing if we are to fulfill our nation's responsibility to its neediest citizens.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Cuomo". The signature is fluid and cursive, with a large, sweeping initial "A" and a long, horizontal tail.

Andrew Cuomo

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Executive Summary

This report documents the continuing, growing crisis in housing affordability throughout the Nation. It contains important new information that is critical to ensuring an informed discussion regarding the appropriate Federal responses to this crisis. Specifically, as of 1997:

- The housing affordability crisis facing very-low-income renters continues to worsen as 5.4 million renter households, a record high, are experiencing worst case needs for housing assistance.
- The number of working families with worst case housing needs has increased sharply since 1991.
- The stock of rental units that are affordable to extremely-low-income renters has continued to shrink, with even sharper decreases in units that are both affordable *and available* to these renters.
- Worst case needs have become more concentrated among families with extremely low incomes.
- Worst case needs have increased most quickly in minority households, particularly among working families with children.
- Very-low-income families remain most likely to face worst case problems when they live in the suburbs.

For fiscal years 1999 and 2000, Congress provided for modest expansion in the number of families assisted by Section 8 vouchers after 4 years with no new assistance. The worsening affordability crisis facing very-low-income families of all demographic backgrounds—including working families with children, minority households, and the elderly—argues strongly for greater expansion in Federal rental housing assistance combined with wise use of Federal supply-side subsidies to boost the production of housing affordable to these families.

Major Findings

Finding 1: Despite continued robust economic expansion, in 1997 worst case housing needs reached an all-time high of 5.4 million families, containing some 12.3 million individuals.

- At least 5.4 million unassisted very-low-income renter households—a record level—pay over half their income for housing or live in severely inadequate housing. Moreover, these estimates exclude the homeless, for whom accurate data are unavailable. For Federal rental assistance programs, “very-low-income” renters are those with incomes below *50 percent* of area median income.

- Between 1995 and 1997, the number of households with these “worst case” housing problems increased by 4 percent, twice the rate of growth in the number of all U.S. households.
- Since the economic recovery began in 1991, the number of families with these worst case needs for rental assistance rose by almost 600,000, an increase of 12 percent, compared to a growth rate of 7 percent for all households.

Finding 2: Families with worst case housing needs are working harder than ever. Between 1991 and 1997, despite a robust economic recovery, worst case needs increased more than three times as quickly for households with full-time earners than for all other very-low-income renters.

- Between 1991 and 1997, the number of worst case households with earnings equivalent to full-time work at the minimum wage increased by 28 percent. This growth is more than three times the growth rate in worst case needs for all other very-low-income households, which over the same period rose by 8 percent.
- One in three families *with children* who have worst case needs have earnings representing full-time work at or above the minimum wage. Growth in worst case needs was fastest among working families with children. Between 1995 and 1997 alone the number of worst case working families with children increased by 17 percent, while between 1991 and 1997 the number with needs grew by 29 percent.
- Working households with worst case needs were increasingly likely to have “extremely low incomes,” that is, incomes below 30 percent of area median income. Over 2 million extremely-low-income households with earnings as their main source of income had worst case needs, an increase of 400,000—or one-fourth—between 1995 and 1997.

Finding 3: The housing stock affordable to the lowest-income Americans continues to shrink.

- The housing stock most needed by renters with worst case needs—that is, rental units that are affordable for extremely-low-income households without rental assistance—continues to shrink. The number of rental units affordable to families with incomes below 30 percent of area median income dropped by 5 percent between 1991 and 1997, a decline of over 370,000 units.
- The gap between extremely-low-income families and units they can afford is large and growing. In 1997, for every 100 households with incomes at or below 30 percent of median income, there were only 36 units both affordable to them and available for rent by them, well below the 47 such units for every 100 extremely-low-income families observed in 1991, only 6 years earlier.

Finding 4: The poorest families are increasingly the hardest hit by worst case needs. Between 1991 and 1997, worst case needs became more concentrated among households with incomes below 30 percent of the area median income. By 1997, over three-fourths of those with worst case needs had these extremely low incomes.

- Almost 4.2 million of those with worst case needs, over 77 percent of the total with worst case needs, have extremely low incomes. Two-thirds of unassisted extremely-low-income renters have worst case needs for rental assistance.
- The likelihood of having worst case needs declines sharply among renters with higher incomes. Only 21 percent of unassisted renters with incomes between 31 and 50 percent of area median income have worst case needs. Fewer than 6 percent of renters with incomes between 51 and 80 percent of area median income experience these severe problems.
- Federal rental assistance programs are still well targeted to the extremely-low-income groups most likely otherwise to have worst case needs. Seven of 10 assisted households have incomes below 30 percent of area median income.

Finding 5: Worst case housing needs among minority households increased dramatically during the 1990s, whereas needs among non-Hispanic whites were stable. Increases were particularly high among Hispanic households and working minority families with children.

- Between 1991 and 1997, the number of Hispanic households with worst case needs increased by 45 percent to 1 million, while worst case needs among Hispanic working families with children rose by 74 percent. By comparison, the total number of Hispanic households rose during this period by 36 percent.
- Between 1991 and 1997, the number of African-American households with worst case needs rose by 13 percent to 1.1 million, while worst case needs among African-American working families with children rose by 31 percent. Both growth rates exceeded the growth in all African-American households, which rose in number by 11 percent.
- Over this 6-year period, worst case needs were essentially stable at 2.9 million among non-Hispanic white households. Needs grew at only 2 percent, mirroring the rate of growth in all white households.

Finding 6: Poor families living in the suburbs most frequently face worst case needs. Both very-low-income renters and extremely-low-income renters remain more likely to have worst case problems in the suburbs than elsewhere. Shrinkage in the number of units

affordable to extremely-low-income families was greatest in the suburbs during the 1990s.

- Very-low-income renters in the suburbs have a greater likelihood of having worst case needs than very-low-income renters who live in cities or outside metropolitan areas. Whereas nationally 37 percent of very-low-income renters have worst case problems, over 40 percent of very-low-income renters living in the suburbs have worst case needs, as do fully 69 percent of extremely-low-income renters. Over one-third of worst case households—more than 1.8 million households—live in the suburbs.
- Reflecting housing market pressures from continued population and job growth, losses in units affordable to extremely-low-income renters were greatest in the suburbs during the 1990s, both absolutely and relatively. Between 1991 and 1997, the number of units affordable to extremely-low-income renters fell by 200,000 in the suburbs, a loss of 10 percent of the stock.

Supplementary Findings

Finding 7: Worst case housing needs continue to be a persistent problem for all demographic groups. Of the 12.3 million persons with worst case needs, over 1.5 million are elderly and 4.3 million are children. The number of adults with disabilities in households with worst case needs remains in the range of 1.1 to 1.4 million.

- Growth in worst case needs was lowest between 1991 and 1997 among the household types most likely to be admitted to rental assistance programs, the elderly and families with children. While overall worst case needs grew by 12 percent during this period, the number of elderly households with worst case needs increased by 8 percent. The number of worst case needs families with children increased by 6 percent.
- Despite their slower growth in *number* of households with needs, both very-low-income elderly households and very-low-income families with children became more likely to experience worst case needs. While the total number of very-low-income elderly renters fell slightly, the remaining elderly households in this income group became more likely to have a worst case housing need—36 percent in 1997, compared with 31 percent in 1995. Very-low-income families with children became more likely to have worst case needs as well. Among these families, this likelihood rose to 33 percent in 1997 from 31 percent in 1991.

Finding 8: Very-low-income renters in the West continue to be most likely to have worst case problems. During the 1990s, however, the number of very-low-income renters with worst case needs increased most rapidly in the Northeast.

- Two-fifths (40 percent) of very-low-income renters in the West, 1.5 million households, had worst case problems in 1997. Worst case problems were also common in the Northeast, where they occurred among 1.3 million households. Between 1991 and 1997, the share of Northeastern very-low-income renters who had worst case needs rose from 34 to 39 percent.
- In the West, supplies of units affordable to renters with extremely low incomes fell to a new low: there were only 56 affordable units for every 100 extremely-low-income renter households needing them. Shortages were almost as severe in the Northeast, where there were 68 affordable units for every 100 extremely-low-income renter households needing them. There were even fewer units both affordable to extremely-low-income renters and available to them: only 27 for every 100 extremely-low-income renter households in the West and 37 per 100 households in the Northeast.
- Very-low-income renters were least likely to receive some form of housing assistance in the South (where 21 percent reported some form of assistance) and in the West (with 23 percent assisted). In the Northeast and Midwest regions, over 30 percent of very-low-income renters reported assistance.

Finding 9: When *both* very-low-income renters with some form of housing assistance and those without assistance are considered, the number of very-low-income renter households with severe rent burdens rose by 500,000 families between 1995 and 1997.

- In 1997, 6.4 million very-low-income renters had a severe rent burden, a sharp increase from 5.9 million in 1995. This measured increase of 8 percent is not affected by the 1997 improvements in American Housing Survey (AHS) housing assistance questions that complicate assessments of trends in the estimates of worst case needs discussed above. Therefore, it implies strongly that worst case needs actually rose by *more* than 4 percent between 1995 and 1997.
- The 6.4 million very-low-income renters with a severe rent burden in 1997 include 1.3 million households who report that they receive some form of housing assistance. Because the 1997 change in AHS housing assistance questions was made in order to identify assisted households more accurately, this evidence of severe rent burdens among households reporting assistance is disturbing and will be monitored closely.

Policy Implications

The implications of this report's findings on rising worst case housing needs and diminishing supplies of affordable housing are:

- The Federal Government must continue to expand rental assistance. Failing to provide sufficient annual increases in rental housing assistance will exacerbate worst case needs and leave extremely-low-income American families stranded in an increasingly constricted housing market. Rental assistance is a critical and flexible tool that provides access to decent and affordable housing for low-income families of all backgrounds including the elderly, working families with children, and minority households. The President's Budget for Fiscal Year 2001, which includes funding for 120,000 incremental Section 8 vouchers, is an essential step forward to overcome this affordable housing crisis and *reduce* the number of families suffering worst case housing problems.
- Federal rental assistance is critical for working families with worst case needs, whose incomes are increasingly consumed by rent, leaving them less able to spend on food, medical care, education, or other necessities. By providing 32,000 Section 8 vouchers for use with local welfare-to-work efforts, the President's FY2001 Budget will help families find permanent employment and locate decent, affordable housing.
- Federal programs that supply affordable housing—such as the HOME Investment Partnership program, Community Development Block Grants (CDBG), and the Low-Income Housing Tax Credit (LIHTC)—must be complemented by continued expansion of tenant-based rental assistance to relieve worst case housing needs. Without tenant-based subsidies, the extremely-low-income households most likely to have worst case needs can rarely afford the housing created by these programs. The President's FY2001 Budget recognizes this reality by providing 10,000 incremental Section 8 vouchers specifically targeted for use in conjunction with the LIHTC and FHA Multifamily Insurance.
- Additional Federal programs that help provide permanent affordable housing for vulnerable populations, including the Housing for People with AIDS (HOPWA) and Shelter Plus Care programs, should also be expanded to better meet the continuum of housing needs for extremely-low-income Americans. The Section 202 Supportive Housing for the Elderly and the Section 811 Supportive Housing for Persons With Disabilities Programs are important vehicles for providing affordable housing and supportive services for these needy populations.
- Additional resources to expand the supply of affordable housing may be available from surplus funds generated by the Federal Housing Administration and its Mutual Mortgage Insurance (MMI) Fund. HUD and OMB are currently preparing recommendations to the President for how best to use these newly available funds to further strengthen Federal housing programs and enhance comprehensive affordable housing opportunities.

Organization of the Report

The body of this report has three parts. The introduction (Chapter 1) explains the background and approach of this report, specifically discussing the procedural and questionnaire changes affecting the 1997 American Housing Survey data on which the report is based and their impact on estimates of worst case needs. Chapter 2 summarizes statistical data from HUD analyses of worst case needs, documenting the major findings. Chapter 3 explores the implications of the findings for important policy decisions at the Federal, State, and local levels.

Chapter 1

Introduction

Since the early 1990s, the U.S. Department of Housing and Urban Development (HUD) has submitted formal reports to Congress on worst case needs for rental housing assistance as new data have become available.¹ These reports have drawn on data collected by the Census Bureau, U.S. Department of Commerce, in the American Housing Survey (AHS) and in the decennial censuses. Since 1996, these reports have also included information from HUD administrative data about how well current housing assistance programs are serving families and individuals that otherwise would have worst case needs. Because respondents to surveys do not always accurately identify whether they receive assistance or the type of program through which they are assisted, program administrative data can provide more accurate information on the characteristics of assisted renters than are available from the AHS.

Terms and Sources

This report is based on data from the 1997 American Housing Survey, which incorporated several procedural changes to improve the accuracy and reliability of the data. Although the basic content of the questionnaire and the sample of housing units survey both remain essentially the same as in earlier years, methods of interviewing respondents and processing data were changed. Moreover, as detailed below, the AHS questions asked to identify households participating in rental assistance programs were extensively changed in order to improve the quality of AHS data on assisted households, thus making the definition of worst case needs in 1997 not directly comparable with the definition and estimates from earlier years given in previous reports to Congress.²

In assessing changes over time, it is important to use a consistent definition of worst case needs. The definition of “worst case needs” used in past reports was based on (1) the income limits included in Federal housing statutes for “very-low-income families” and housing conditions defined as (2) “priority housing problems” (see Appendix B, Glossary). Because the worst case needs classification represented those receiving preference for admission to Federal rental assistance programs, families already assisted by Federal programs were excluded from the count.

¹ In 1990, the Senate Appropriations Committee directed HUD to “resume the annual compilation of a worst case housing needs survey of the United States.” HUD had reported worst case housing needs to Congress during the 1980s on an informal basis, following a request from the Chair of the HUD Subcommittee of the Senate Appropriations Committee.

² HUD’s previous reports to Congress are: *Priority Problems and “Worst Case” Needs in 1989* (June 1991, HUD–1314–PDR), *The Location of Worst Case Needs in the Late 1980s* (December 1992, HUD–1387–PDR), *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991* (June 1994, HUD–1481–PDR), *Rental Housing Assistance at a Crossroads: A Report to Congress on Worst Case Housing Needs* (March 1996), and *Rental Housing Assistance—The Crisis Continues* (April 1998). The 1994, 1996, and 1998 reports are available online at <http://www.huduser.org> under the Publications heading.

As detailed in Exhibit 1, however, the revised 1997 AHS questions on participation in assistance programs do not distinguish State or local rental assistance programs from Federal programs. Therefore, in this report, families who have “worst case needs” are defined as those who:

- Are renters;
- Do not receive housing assistance from Federal, State, or local government programs;
- Have incomes below 50 percent of their local area median family income, as determined by HUD; and
- Pay more than one-half of their income for rent and utilities or live in severely substandard housing.³

In the years between decennial housing censuses, the basic source of information for analyzing the U.S. housing stock and the housing needs of U.S. households is the AHS. The AHS is conducted for HUD by the Census Bureau, which completes some 45,000 interviews with householders in a national sample of housing units every 2 years. Smaller samples in 47 large metropolitan statistical areas (MSAs) are surveyed on a 4- to 6-year cycle.

HUD’s first formal report to Congress on worst case needs, submitted in 1991, was based on the national AHS taken in 1989. The second report, in 1992, augmented 1989 AHS data for the Nation with information on worst case needs from the metropolitan surveys. In 1994, HUD based its report on data from the 1991 national AHS and the 1990 Decennial Census.

The 1996 report was based on data from the 1993 AHS and, for the first time, included administrative data on the characteristics of households participating in the public housing and Section 8 programs. The 1996 report also included analyses of data from the Social Security Administration (SSA) to better understand the housing needs of persons with disabilities and their participation in HUD programs. Finally, that report reanalyzed and refined earlier AHS data to more reliably track growth in the number of households with worst case housing needs between 1978 and 1993 and to examine changes in the supplies of housing affordable to extremely-low-income and very-low-income renters.

The 1998 report used data from the 1995 AHS and HUD administrative data as of January 1997 to examine worst case needs and changes in supplies of affordable housing.

³ Although the homeless have “substandard” housing by definition and thus worst case needs, they are excluded from AHS estimates of worst case needs because the AHS surveys and counts only persons in housing units. Because of this, AHS estimates *undercount* the “true” number of households meeting the “worst case” definition. Conversely, the AHS may *overestimate* the number of housed households that have worst case problems because income is underreported by some 15 percent by AHS respondents. This income underreporting may inflate AHS counts of households with incomes below 50 percent of area median that pay more than half of their income for rent. As Chapter 2 discusses, we can estimate the effect of income underreporting on worst case estimates, but not the effect of omitting the homeless.

Building the Report

This report uses data from the 1997 AHS and 1999 HUD administrative data. As Exhibit 1 details, improvements in the 1997 AHS questions used to identify assisted households necessitate changing the definition of worst case needs used in this report from that always used previously. In earlier reports, the definition of worst case needs did not categorize households reporting State or local rental assistance as already receiving (Federal) assistance and therefore, by definition, not part of the unassisted population that would be counted as having worst case needs if they had severe housing problems. Because the 1997 AHS questions no longer distinguish whether housing assistance is provided by State or local government rather than a Federal program, in this report *all* households reporting assistance are excluded from the count of those with worst case needs.

To evaluate changes between earlier years and 1997 as well as is possible with the new worst case needs definition, revised—*and lower*—estimates of worst case needs derived from newly including families reporting State and local assistance as assisted families are reported for the years 1991, 1993, and 1995 in this report. Although these revised estimates are the best available from earlier surveys, as Exhibit 1 and Appendix C discuss, a variety of considerations imply that 1997 data are not directly comparable to data for earlier years, particularly for concepts, like worst case needs, that rely heavily on definitions of rental assistance.

Exhibit 1 Changes in the 1997 American Housing Survey Affecting Estimates of Worst Case Needs

The 1997 National American Housing Survey (AHS) surveyed the same sample of households as in 1995 and asked them basically the same questions. But the procedures used in gathering and processing the data differed from those in previous surveys in several ways that affect all data gathered by the survey. Although these changes should improve data quality and timeliness, they necessarily also reduce the comparability of 1997 data to earlier results even when exactly the same questions were asked:

- For the first time, the survey was conducted using Computer Assisted Personal Interviewing (CAPI). This change should increase accuracy by identifying and immediately correcting inconsistent responses at the time of interview. However, responses to questions are likely to be affected in unknown ways by the questionnaire reorganization and changes in interview timing;
- The Census Bureau changed both the computers and the processing software/language used. Thus, all the software for processing the data, editing the data, allocating missing values, recoding and transforming variables, preparing tables, and estimating variances had to be rewritten.

Estimates of worst case needs were also directly affected by changes in the questions used to identify households receiving rental assistance. In AHS data before 1997, households were

counted as receiving Federal housing assistance if they answered “yes” to one of the following questions: “Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household’s income to someone every year so they can set the rent?” Although the households identified as assisted by these questions resembled those counted by program data, detailed examination revealed that households often did not report their assistance status correctly. (See Duane T. McGough, *Characteristics of HUD-Assisted Renters and Their Units in 1993*, May 1997, and Mark Shroder and Marge Margin, “New Results from Administrative Data,” May 1996.) In particular, almost half of households responding that “a State or local government pay[s] some of the cost of the unit” were found to participate in *Federal* assistance programs, suggesting that the past practice in worst case reports of counting such households as *unassisted* was misleading.

Based on research using focus groups of assisted households, a different battery of questions was determined to better identify receipt of housing assistance. Accordingly, the order and content of the AHS questions about housing assistance were changed. The questions now used to identify assisted households are: As part of your rental agreement, do you need to answer questions about your income whenever your lease is up for renewal? (If so,) to whom do you report your income? Do you pay a lower rent because the government is paying part of the cost of the unit? Is the building owned by a public housing authority?

This new battery of questions identifies 5.6 million households as participating in rental assistance programs, 400,000 more than the total of units with Federal, State, or local assistance reported in 1995. This total is consistent with the sum of all households actually assisted by Federal rental assistance programs run by HUD and the Department of Agriculture, of low-income renters occupying units assisted by the Department of the Treasury’s low-income housing tax credit (LIHTC), and of renters aided by State and local programs. It is highly unlikely, however, that the number is exactly comparable to the 1995 estimate of 5.2 million, or that the total number assisted actually grew by 400,000 over the 1995–97 period.

Because worst case needs include households with severe physical problems, the 1997 estimates are also affected by changes in questions and processing regarding plumbing and other physical problems. Many questions were changed in wording to allow respondents to concentrate sequentially on whether a problem meeting the more precise definition occurred in their home and whether it occurred within the time period specified (such as the previous 3 months). Thus, although the improved questionnaire counts 1.8 million households with severe physical problems in 1997 compared to 2 million households in 1995, it is unlikely that the total number of units with severe physical problems really fell by 200,000 between 1995 and 1997.

Although the definition of worst case needs is necessarily changed, the practice of earlier reports is continued in the following ways:

- **Detailed income categories are used to examine the housing needs of households.**

Like the previous two reports, this report distinguishes among extremely-low-income households (those with incomes at or below 30 percent of area median family income, as adjusted by HUD), other very-low-income households (those with incomes between 31 and 50 percent of area median income), and other low-income households (those with incomes between 51 and 80 percent of area median income). As detailed in Appendix B, HUD's official income limits are adjusted for household size and for areas with extremely high or low housing costs relative to area income.

Exhibit 2

Income Categories Used in Housing Programs

For many HUD programs and housing programs administered by other Federal agencies, eligibility is restricted to households whose incomes do not exceed a specific percentage of the median family income for the area in which the household lives. HUD estimates median family income for each metropolitan area and nonmetropolitan county each year, and the official income limits based on HUD-adjusted area median family income (HAMFI) vary by location and household size.

In contrast, poverty status is determined by comparing income with national poverty thresholds that vary by household size but not location. Because HUD's income limits vary with location and use smaller adjustments per person for household size, they are not directly comparable to Federal poverty lines. Averaged across the United States, however, 30 percent of area median income approximates poverty thresholds.

The number of households below a specified percentage of HUD's area median income is not related to any specific break on the total income distribution, such as quintiles. For example, almost one-half (43 percent) of all U.S. households and 62 percent of all renters have incomes below 80 percent of their area median income. More than 27 percent of all U.S. households have incomes below 50 percent of area median income.

The upper limits of income categories used in housing programs and in this report are as follows:

80 percent of area median income. Defined as *lower income* by the U.S. Housing Act and used for many rental and homeownership programs.

60 percent of area median income. Used as *low income* for the low-income housing tax credit and HOME programs.

50 percent of area median income. Defined as *very low income* by the U.S. Housing Act and used for many rental programs.

30 percent of area median income. Defined as *extremely low income* in the Quality Housing and Work Responsibility Act of 1998 (QHWRA), which for each rental housing assistance program requires that at least a minimum share of entrants have extremely low incomes.

The table below shows how many U.S. renter households fell into the different income groups relevant for housing programs in 1997. To suggest the overlap between the HUD income groups and poverty, it also shows the share of each income group whose cash income fell below the poverty line or below 150 percent of the poverty line, the approximate eligibility cutoff for the U.S. Department of Agriculture Food Stamp program. As in this

exhibit, this report frequently refers to specific income groups as ranges of percentages of area median income because official terms are so complex. For example, incomes 51–80 percent of area median are officially “low but not very low” incomes. Exhibit 3 gives examples of HUD income cutoffs for nine large metropolitan areas, and Exhibit 4 describes HUD’s rental assistance and affordable housing programs.

Income as % of HUD-Adjusted Area Median Family Income (HAMFI)	Share of U.S. Renters 1997 (%)	<u>Percent Share of U.S. Households in Group With Income:</u>	
		<u>Below the Poverty Level</u>	<u>Below 150% of the Poverty Level</u>
0–30	27	88	99
31–50	17	14	66
51–60	7	1	21
61–80	12	0	6

Source: HUD-PD&R tabulations from the 1997 American Housing Survey

Exhibit 3
Extremely Low, Very Low, and Low Income: Examples for Nine Metropolitan Areas of HUD’s 1999 Section 8 Income Limits for Four-Person Households*

	<u>Extremely Low Income (30 percent of median)</u>	<u>Very Low Income (50 percent of median)</u>	<u>Low Income (80 percent of median)**</u>	<u>Area Median Family Income</u>
Los Angeles	\$15,400	\$25,650	\$41,050	\$51,300
New York	\$16,000	\$26,700	\$42,700	\$53,400
Chicago	\$19,150	\$31,900	\$47,800	\$63,800
Philadelphia	\$16,700	\$27,800	\$44,500	\$55,600
Detroit	\$18,150	\$30,250	\$47,800	\$60,500
Washington, D.C.	\$23,600	\$39,350	\$47,800	\$78,900
Boston	\$18,800	\$31,350	\$47,800	\$62,700
Houston	\$16,250	\$27,050	\$43,300	\$54,100
Atlanta	\$17,950	\$29,950	\$47,800	\$59,900

*Adjustments for household size are as follows: 1 person, 70 percent of the 4-person limit; 2 persons, 80 percent; 3 persons, 90 percent; 5 persons, 108 percent; 6 persons, 116 percent; and an additional 8 percent for each additional person.

**The “80 percent of median” limits for each area cannot exceed the national median of \$47,800, unless justified by unusually high housing costs in the local area.

Source: HUD Section 8 income limits, fiscal year 1999

Exhibit 4

Housing Assistance and Affordable Housing Programs

Federal rental assistance programs operate in three basic ways:

1. Public housing. These units are owned by local public agencies. From 1937 to the mid-1980s, public housing was used extensively to produce additional assisted housing units. Today, there are 1.1 million occupied units of public housing.

2. Project-based assisted housing. These programs supported the construction and rehabilitation of 1.4 million rental units now occupied by low-income households. Deep rent subsidies are attached to projects owned by for-profit and nonprofit sponsors that must rent units to eligible households. These programs added large numbers of assisted units from 1974 to the early 1980s. Since then, HUD has continued to build deeply subsidized units for the elderly and disabled under Sections 202 and 811.

3. Tenant-based assisted housing. These programs provide direct rental assistance to 1.6 million renter households to enable them to find their own housing on the open market. The maximum subsidy is the difference between the tenant contribution and the local fair market rent (FMR), an average rent for standard quality housing in the area. Begun in 1974, this type of assistance has accounted for most of the incremental units, or additions to assisted housing, since the mid-1980s. Another 110,000 vouchers were appropriated in fiscal years 1999 and 2000.

In all three programs, assisted households pay rents that are a percentage of their adjusted income—usually 30 percent. These “deep” subsidies allow even the poorest households to live in assisted housing.

Other Federal programs produce affordable housing. There are a number of other Federal housing programs in which renters are charged fixed or flat rents, with the maximum determined by program rules. Households pay the established rent rather than a percentage of their income. Without an additional subsidy, the poorest households often cannot afford this housing. These programs include:

- **The Low-Income Housing Tax Credit (LIHTC) program.** This tax credit program subsidizes the capital costs of units that must bear rents affordable to households with incomes at or below 60 percent of area median income. Through 1999, HUD estimates that this program has produced more than 700,000 units since its enactment in 1986. Of these units, about 675,000 are “affordable” (that is, the units have rents at or below 30 percent of 60 percent of area median income).⁴
- **The HOME Investment Partnership (HOME) program.** This is a formula grant to States and local governments that can be used to assist existing homeowners, first-time

⁴ The estimate is based on 1994 counts of 407,964 total units and 383,031 low-income units growing at an assumed rate of 60,000 units per annum and 58,400 units per annum, respectively.

homebuyers, or renters. Between 1992 and August 1999, HOME produced 203,000 affordable rental units. Qualifying rents must be affordable to households with incomes at or below 65 percent of area median income, or below local FMRs if the local FMRs are lower than rents affordable at 65 percent of area median income.

- **Older rental subsidy programs.** The Section 221(d)(3) below market interest rate (BMIR) program and the Section 236 program were active from the early 1960s through the early 1970s. They were designed to produce housing affordable by families with incomes above the public housing income limits. Over time many projects or portions of projects in these programs became “project-based assisted housing” rather than “rental subsidy” as deep rental subsidies were attached to the units. There remain 300,000 units subsidized by these older programs that do not have deep rental subsidies.

The extremely-low-income category, which has also been highlighted in the previous two reports, is particularly important for analyzing the policy implications of the data and findings contained in this report. On October 21, 1998, President Clinton signed into law the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276). That law provided that at least 40 percent of all public housing and project-based Section 8 units that become available for rent in any given year and at least 75 percent of all vouchers that become available in any given year (either through new appropriations or through “turnover” of existing vouchers) must be provided to families with income at or below 30 percent of area median income. This important legislative achievement recognized the particular effectiveness of Section 8 rental vouchers in meeting the housing affordability needs of extremely-low-income families without concentrating poor families in particular projects and neighborhoods. It also recognized the need to ensure that in the absence of the Federal preferences that were repealed by QHWRA, a substantial share of the units in public and project-based assisted housing programs must be targeted to the extremely-low-income families most likely to have worst case needs.⁵

⁵ For a history of the Federal preferences, see Exhibit 12, “History of the Federal Preference System,” on page 17 of the April 1998 worst case report, *Rental Housing Assistance—The Crisis Continues*.

Exhibit 5

Income Targeting for Federal Housing Assistance: Recent Changes

Recent Legislation

On October 21, 1998, President Clinton signed into law the Quality Housing and Work Responsibility Act of 1998 (QHWRA). This law implemented significant reforms to the Nation's public housing and tenant-based Section 8 programs. Among these reforms were changes in Federal requirements for targeting housing assistance. The Act replaced the previous system of Federal preferences with minimum Federal thresholds for targeting and a local planning process through which public housing authorities (PHAs) may develop local preferences with input from a resident advisory board. Specifically, the Act provided for the following:

Public Housing. PHAs are required to reserve at least 40 percent of all public housing units that become available for rent in any given year for families with incomes at or below 30 percent of the local area median income. Consistent with the Act's stated purpose of, "facilitating mixed-income communities and decreasing concentrations of poverty," PHAs are required to develop admissions policies to provide for deconcentration of poverty and income-mixing. In addition, PHAs are prohibited from concentrating very-low-income families in certain buildings or public housing developments.

Tenant-based Section 8 (Vouchers). PHAs and other entities charged with administering the Section 8 tenant-based program are required to reserve at least 75 percent of all vouchers that become available in any given year, either through new appropriations or through "turnover" of existing vouchers, for families with incomes at or below 30 percent of the local area median income.

Project-based Section 8. Owners of buildings that receive assistance under the project-based Section 8 program are required to reserve at least 40 percent of all units that receive Section 8 assistance and that become available for occupancy in any given year for families at or below 30 percent of the local area median income.

This report also provides information on the housing problems of higher income families, including those in the income group between 51 and 80 percent of median that are now also eligible for rental assistance programs. Although some households with incomes above 50 percent of median income have the severe "priority" problems that qualified households for Federal preference in admission to rental assistance programs before QHWRA, these higher-income households have never been included in the definition of worst case needs. This approach was adopted because in the 1980s all tenant-based vouchers had to go to very-low-income renters, and it has been used in all reports on worst case housing needs.

- **The most recent information from HUD administrative records is used to show how rental assistance programs serve different income and demographic groups.**

The 1998 report used data from the Multifamily Tenant Characteristics System (MTCS) and the Tenant Rental Assistance Certification System (TRACS) as of February 1997. This report uses TRACS and MTCS data from April and August 1999, respectively.

Exhibit 6

Household-Level Data From HUD Programs

The Multifamily Tenant Characteristics System (MTCS) is an automated database of households assisted by public housing and the tenant-based Section 8 certificate and voucher programs and other programs administered by HUD's Office of Public and Indian Housing. The system contains information about the demographic characteristics of each household, the level and sources of the household's income, and the address of the housing unit. The information is based on the form used by public housing authorities (PHAs) to calculate each household's rent and subsidy levels. As of August 1999, the system contained over 2.3 million household records, or about 86 percent of the occupied units.

The Tenant Rental Assistance Certification System (TRACS) is a similar system for households assisted in project-based Section 8 programs and other assisted projects administered by HUD's Office of Housing. Information in TRACS is based on forms completed by the private owner or manager of the project and submitted to HUD. As of April 1999, TRACS contained over 1.6 million household records, or about 83 percent of the available units.

Tables providing additional information from MTCS and TRACS data on the income levels of assisted households can be found in *Recent Research Results*, published by HUD's Office of Policy Development and Research (PD&R) in February 1998, or at <http://www.huduser.org> under "Periodicals—Recent Research Results." For data from MTCS and TRACS summarized for each housing project and each census tract, see *A Picture of Subsidized Households*, published by PD&R for 1996, 1997, and 1998 (www.huduser.org/datasets/assthsg.html). These reports provide income and demographic information at the census tract and project levels, along with national and regional reports, based on HUD's administrative records.

Another source of information on households receiving Federal housing assistance is *Characteristics of HUD-Assisted Renters and Their Units in 1993*, published by PD&R in May 1997. This report is based on case-by-case matching of administrative data on the addresses of assisted housing units to AHS sample cases. It provides AHS summary tabulations for all assisted households, as well as separately identifying tenants in public housing, private-based projects, and those receiving Section 8 certificates or vouchers.

- **1997 AHS national data are used to update the evidence of mismatches between very-low-income renters, or extremely-low-income renters, and the availability of units affordable to them.**

Earlier reports tracked numbers of renters with incomes below 30 percent or 50 percent of area median compared to numbers of units affordable to these renters, assuming that units are “affordable” if only 30 percent of income is spent on rent and utilities. The 1996 and 1998 reports also documented changes in the number of private-market units affordable to renters in these income groups. Because the changes in questions about housing assistance mean that 1997 counts of unassisted units are not comparable to earlier data, this report focuses on changes in the *total* number of affordable units, including those with Federal, State, or local assistance, rather than examining only private-market units.

The Policy Context of This Report

The passage of QHWRA resolved many policy issues about program targeting that had been under debate for several years. Nevertheless, many basic challenges remain to ensure that affordable housing is available for those with the greatest need. The findings of this report analyze many of these challenges in detail and provide useful information for policymakers at all levels—Federal, State, and local—to consider in establishing affordable housing strategies and funding levels that effectively and efficiently meet the housing needs of low-income Americans. The State and local levels of government now have primary responsibility for ensuring appropriate admissions preferences for public housing and Section 8 assisted housing, as well as effective targeting of resources such as HOME and Community Development Block Grant (CDBG) dollars and LIHTC allocations. At the Federal level, decisions about adequate appropriations for these key programs will be critical in determining how quickly unmet needs can be met. In addition, there is need for continued assessment of the effectiveness of targeting of those programs covered by QHWRA and other core HUD programs, such as the CDBG and HOME block grants, and of the effectiveness of these programs in meeting worst case housing needs. Successful implementation of the Government Performance and Results Act of 1993 (GPRA) is an essential component of this continuing process of program assessment and improvement.

Chapter 2

Findings

Major Findings

Worst case needs for housing assistance, already at all-time highs in 1993 and 1995, increased further between 1995 and 1997, despite continued vigorous economic expansion. In the fall of 1997, almost 5.4 million very-low-income renter households—containing some 12.3 million individuals—paid more than one-half of their income for housing or lived in severely inadequate housing. Among very-low-income renters, the share with worst case needs remained at 37 percent. These households represent 5 percent of the Nation’s population and a disturbing one-sixth of all U.S. renters. Without Federal, State, or local housing assistance, these renting families face severe financial pressures—many are merely a missed paycheck or unexpected medical bill away from homelessness.

Finding 1: Despite a long and robust economic expansion, worst case housing needs reached an all-time high of 5.4 million families in 1997. These severe problems among unassisted renters increased by at least 4 percent between 1995 and 1997.

- In 1997, 5.4 million unassisted very-low-income renter households, a record number, paid over half their income for housing or lived in severely inadequate housing.

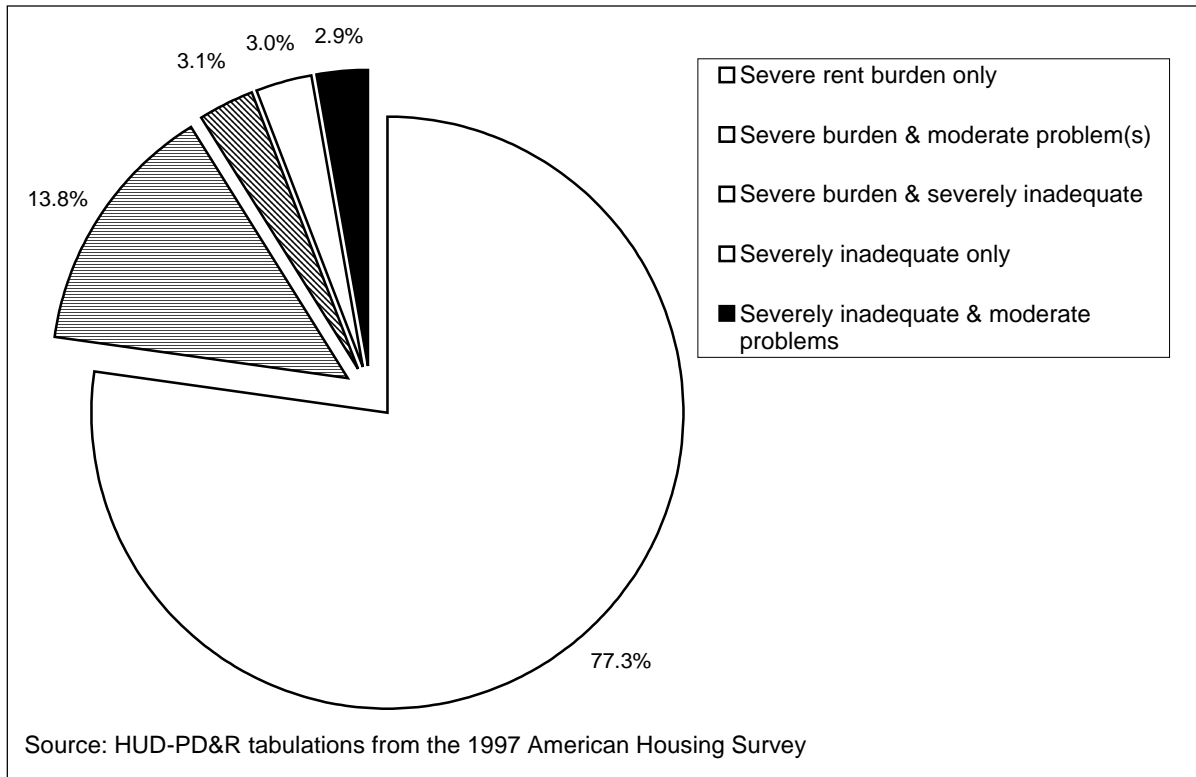
According to the 1997 American Housing Survey, almost 5.4 million very-low-income renters had “worst case” needs for rental housing assistance and were not already assisted by Federal, State, or local rental assistance programs. Because this total excludes households participating in State and local programs,⁶ it is not directly comparable to the 5.3 million worst case estimate for 1995 highlighted in HUD’s 1997 Report to Congress, *Rental Housing Assistance—The Crisis Continues*. It does, however, represent an increase of more than 200,000 households over the most comparable estimate available for 1995.

For as long as worst case needs have been reported, affordability rather than housing quality has been the predominant problem facing unassisted renters. In 1997, 94 percent of households with worst case problems paid more than one-half their income for rent. The proportion of worst case families living in housing with severe physical problems was 9 percent in 1997. As Exhibit 7 illustrates, only 3 percent of the total had both a severe rent burden and severe physical problems. However, another 20 percent had multiple problems, having one or more moderate problems in addition to a severe rent burden or severe physical problems. Specifically, 14 percent of those with worst case needs for assistance paid more than half of their income for rent and also lived in crowded or moderately inadequate

⁶ Some of these households have severe rent burdens or severely inadequate housing, and therefore were included in the worst case count for 1995 in HUD’s 1998 worst case report.

housing, while 3 percent lived in severely inadequate housing while also experiencing either crowding or a rent consuming 30–49 percent of their income.

Exhibit 7
Severe Rent Burdens Are by Far the Most Common Problem
Among Families with Worst Case Needs



Although almost one-fifth of worst case households had more than one housing problem, as Exhibit 7 details, severe rent burden was the *only* housing problem for 77 percent of families with worst case needs. Since these families lived in adequate, uncrowded housing, but paid more than half of their income for rent, their only housing problem could be solved if they could obtain a Section 8 voucher that allowed them to afford their current housing. The share of worst case households whose only housing problem is a severe rent burden has risen substantially over the 20 years for which essentially comparable AHS data exist. Between 1978 and 1989, using the worst case needs definition of earlier reports, the share of worst case households whose only housing problem is a severe rent burden rose from 65 to 71 percent. Between 1991 and 1997, using the 1997 definition of worst case needs, this share rose from 74 to 77 percent.

Continuing a rise observed between 1993 and 1995, the incidence of overcrowding rose slightly between 1995 and 1997 among all renters (from 4.9 to 5.6 percent), but among very-

low-income renters crowding remained stable at 7.9 percent. Overcrowding alone does not qualify a household as having worst case needs in this or previous reports to Congress.⁷

- Between 1995 and 1997, the number of households with worst case needs increased by more than 200,000. This represents a 4-percent increase in worst case needs, twice the rate of growth in the number of all U.S. households during the same period.

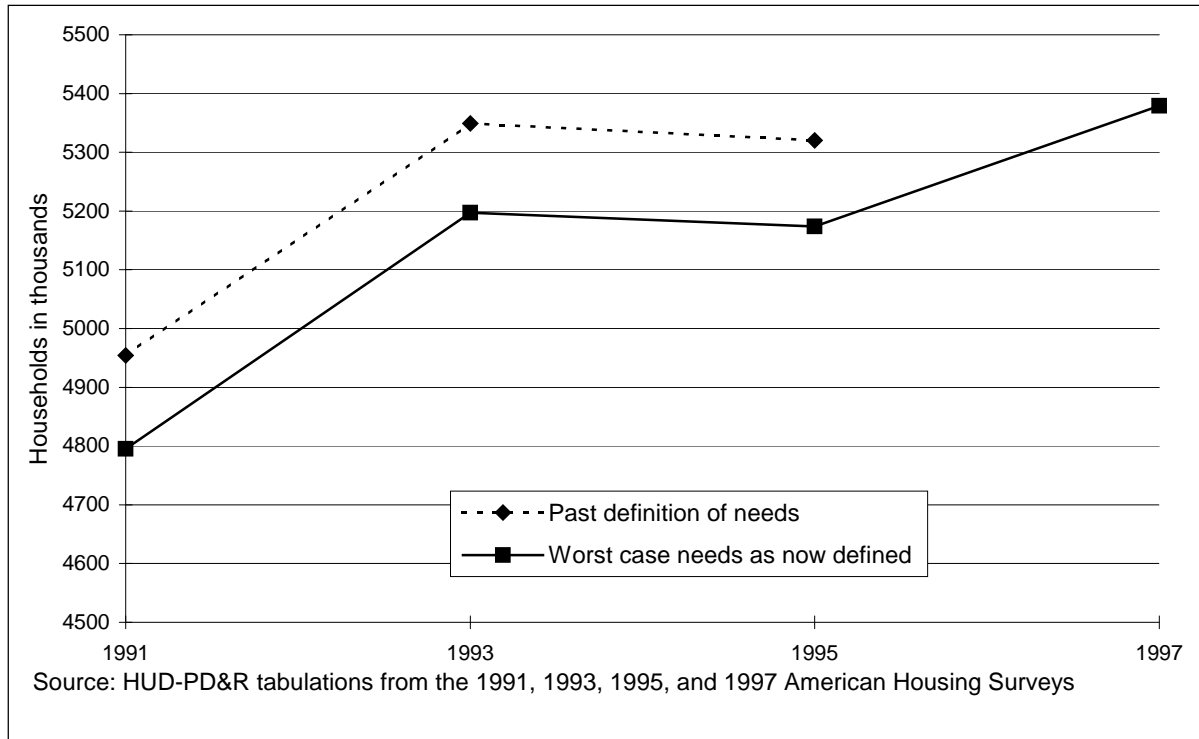
To determine whether worst case needs changed between 1995 and 1997, the 5.4 million figure for 1997 was compared to reestimates of worst case needs in earlier years that similarly—but newly—include households reporting “State or local government” assistance as assisted. Exhibit 8 presents new estimates for 1991, 1993, and 1995 that are as comparable to the 1997 worst case needs estimate as is possible by using previous AHS questions.⁸ Using the revised, and lower, definition of worst case needs necessitated by the 1997 AHS questions, worst case needs are shown to have increased by 205,000 between 1995 and 1997. This represents a 4-percent increase in the number of families with worst case needs, twice the rate of increase in the number of all U.S. households during this period. For comparison, Exhibit 8 also graphs the estimates of worst case needs used in HUD’s past reports to Congress (“past definition”). For our purpose of tracking and assessing change over time, it is encouraging that both the new and old approaches show similar trends during the early 1990s—a sharp increase of some 400,000 households between 1991 and 1993, followed by essential stability between 1993 and 1995.⁹

⁷ Under the Federal preference system in effect between 1988 and 1996, crowding did not automatically give a household a Federal preference for admission to assisted housing programs.

⁸ Although this is the best comparison possible from existing data, it is likely to give an underestimate of changes in worst case needs between 1995 and 1997. As discussed above in Exhibit 1, it is unlikely that the number of assisted households actually increased by 400,000 between 1995 and 1997.

⁹ As noted in Chapter 1’s discussion of data sources, estimates of worst case needs from the AHS are necessarily low to the extent that they omit homeless individuals and households, but high to the extent that income underreporting inflates counts of very-low-income renters who spend more than half of their income for rent. The only comparisons of income as reported on the AHS to independent estimates from national product accounts suggest that on average AHS estimates of total money income are some 14 to 15 percent lower than the independent estimates, with underreporting greatest for income from interest and dividends. If we could assume that all households equally underreported income by 15 percent (which is unlikely to be the case), the AHS estimate for worst case needs in 1997 under the 1997 definition would be 4.4 million rather than 5.4 million, while that for 1991 would have been 3.7 million rather than 4.8 million. These “what-if” estimates suggest that underreported incomes inflate AHS estimates of worst case needs by approximately one-fifth, but that they do not reduce the utility of the AHS for consistently tracking changes in worst case needs over time. Similar estimates of the effect on estimates of worst case needs of failing to include the homeless can not be quantified.

Exhibit 8
Between 1991 and 1997, Worst Case Needs Rose from 4.8 Million to a Record High of 5.4 Million Households



- Since 1991, despite a robust economic recovery, the number of families with worst case needs for rental assistance rose by at least 500,000, an increase of 12 percent, compared to 7 percent for all households.

The new estimates show that the number of households with worst case needs rose from 4.8 to 5.4 million between 1991 and 1997, an increase of 12 percent, despite the economic expansion. Because growth in worst case needs exceeded that of very-low-income renters, the share of very-low-income renters with worst case problems also rose, from 34 percent in 1991 to 37 percent in 1997. As Exhibit 9 shows, the increase in worst case needs resulted from growth in severe rent burdens among unassisted very-low-income renters, from 4.5 million households in 1991 to 5.1 million in 1997.¹⁰

¹⁰ Although the 1997 counts of severe physical problems are presumably more accurate (as discussed above in Exhibit 1), they should not be compared directly with earlier data because of 1997 question changes. The 1991–95 data clearly show a downward trend in numbers of severely inadequate units.

Exhibit 9
The Number With Worst Case Needs Rose Because More Families Paid More than Half of Their Income for Rent

	Percent				Households (in thousands)				Percent Change
	1991	1993	1995	1997	1991	1993	1995	1997	1991–97
Very-low-income renters	100	100	100	100	14,013	14,749	14,563	14,519	3.6
Priority problems	34.2	35.2	35.5	37.1	4,795	5,196	5,174	5,380	12.2
Severe physical problems	4.2	3.1	2.6	3.3	583	453	372	479	-17.7
Rent burden >50%	31.8	33.2	33.8	34.9	4,456	4,903	4,927	5,066	13.7
Rent burden only	25.3	27.5	28.1	28.6	3,539	4,055	4,099	4,156	17.4
Other problems	24.8	24.3	23.3	23.5	3,475	3,577	3,396	3,407	-2.0
No problems	12.9	11.7	11.8	11.4	1,803	1,718	1,716	1,652	-8.3
Assisted	28.1	28.9	29.4	28.1	3,940	4,257	4,278	4,078	3.5

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Comparison of 1995–97 changes in assistance is also complicated by the major changes in AHS assistance questions discussed in Exhibit 1. Nevertheless, the apparent *decrease* in numbers of very-low-income renters receiving assistance may have in fact occurred because a decrease would be consistent with two developments during this period: no additional “incremental” vouchers or certificates were issued, and Federal preferences directing those assisted units that became available from turnover to worst case households were suspended.¹¹

As will be discussed below in Finding 9, other strong evidence implies that worst case needs, *if* they could be consistently measured in both years, may well have increased by more than 205,000 between 1995 and 1997. This conclusion comes from examining severe rent burdens among all very-low-income renters, including both those with no assistance and those reporting some type of rental assistance. (Because of the major changes in the AHS assistance questions between 1995 and 1997, comparing estimates that do not rely on answers to those questions in either year is likely to provide a more accurate picture of changes over time than is possible from our effort in Exhibit 8 and elsewhere in this report to make reestimates of unassisted renters in 1995 and earlier years as comparable to the 1997

¹¹ The Federal preferences were suspended by the appropriations acts for fiscal years 1996, 1997, and 1998. As explained in Exhibit 5, they were replaced in 1998 by explicit targeting of assistance to households with incomes below 30 percent of area median income.

estimates as possible.) The number of all very-low-income renters who pay more than half of their incomes for rent rose by 500,000 between 1995 and 1997 to reach an all-time high of 6.4 million. This increase of 500,000 among very-low-income renters in the problem that forms the main component of worst case needs suggests strongly that the measured increase of 205,000 in worst case needs discussed above is an underestimate.

To summarize, the fact that worst case needs continue to rise, rather than decline, during a period of strong economic growth demonstrates that acute housing needs, particularly for the poorest families, constitute a persistent problem not eliminated by economic growth. Instead, strong economic growth appears to exacerbate housing affordability problems for the poorest families as rents are driven upward by rising demand.

Finding 2: Families with worst case needs are working harder than ever. Between 1991 and 1997, despite the economic recovery, worst case needs increased more than three times as quickly for very-low-income renters with full-time earners than for all other very-low-income renters.

The rise in worst case needs does not reflect lack of effort on the part of low-income workers. Consistent with the economic recovery and welfare reform, there is clear evidence of increased work effort among all lower-income households. However, even in this period of economic expansion, full-time work may not provide families with sufficient income to afford a decent place to live. Thus, even though the number of lower-income families that are working has increased, the number of working families with worst case needs has risen as well.

- Worst case needs increased faster for very-low-income renters with full-time earners than for other households. Between 1991 and 1997, the number of such households increased by 28 percent. This growth is more than three times the growth rate in worst case needs for all other very-low-income households, which over the same period rose by 8 percent.

Among all worst case households, including those with elderly or disabled heads of household, the share for whom earnings were the main source of income rose from 48 percent in 1991 and 47 percent in 1995 to 54 percent in 1997. In 1997, almost 3 million worst case households had earnings as their main source of income; 2.3 million were working more than half-time at the minimum wage. Over 1.4 million worst case households had earnings equivalent to those of full-time work at the minimum wage.¹²

As Exhibit 10 shows, the number of worst case households with earnings equivalent to those of a full-time worker earning the minimum wage rose steadily during the economic expansion of the 1990s, and worst case needs increased faster for those with full-time earnings than for other households. Since 1991, the number of such households increased by 28 percent. This growth is more than double the rate of 12 percent for all households with

¹² To treat earnings consistently over time, they were compared against the current equivalent of full-time work at the 1993 minimum wage of \$4.25 per hour, or \$7,500 per year in 1993 dollars.

worst case needs over the same period. Between 1995 and 1997, worst case needs among households with full-time earnings grew only among families with children, accelerating by 17 percent in only 2 years.

Exhibit 10
Between 1991 and 1997, Growth in Worst Case Needs Was Highest
Among Working Families with Children

Worst Case Needs by Type of Household (in thousands)							
Household Type	Number of Households				Percent Change		
	1991	1993	1995	1997	1991–97	1995–97	
All households (renter and owner)	93,146	94,723	97,693	99,487	7	2	
Worst case needs households	4,795	5,196	5,174	5,380	12	4	
Working full time*	1,122	1,200	1,361	1,431	28	5	
Families with children	593	639	650	763	29	17	
Other households**	529	561	711	668	26	–6	
Not working full time	2,362	2,702	2,547	2,557	8	0	
Families with children	1,336	1,535	1,355	1,287	–4	–5	
Other households	1,026	1,167	1,192	1,270	24	7	
Elderly or disabled	1,311	1,294	1,266	1,392	6	10	

*Earnings exceed full-time work at minimum wage.

**Non-elderly and no disability (not reporting SSI income).

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

- One in three families *with children* who have worst case needs have earnings representing full-time work at or above the minimum wage. Growth in worst case needs was fastest among working families with children. Between 1995 and 1997 alone the number of worst case working families with children increased by 17 percent, while between 1991 and 1997 the number with needs grew by 29 percent.

Growth in worst case needs among households with full-time earners was higher for families with children than other household types, particularly between 1995 and 1997. Almost all of this increase occurred among families with children living in central cities. Between 1991 and 1997, the number of worst case families with full-time earners rose by two-thirds in central cities, from 250,000 to 406,000. Minorities were responsible for all of this increase, as the number of working worst case families rose by 74 percent among Hispanics and by 31 percent among African-Americans.

Other indicators of work effort rose among families with children as well. Among worst case families with children, the share having earnings as their main source of income rose by one-

fifth between 1995 and 1997 so that by 1997 fully 60 percent of worst case families with children had earnings as their main source of income. Those families earning more than half-time work at the minimum wage increased from 45 to 51 percent, and those earning more than full-time work at the minimum wage also rose, from 31 percent to 37 percent of families with children and worst case needs. At the same time the share of worst case families with children who reported receiving any income from welfare or SSI disability payments fell, from 44 percent to 32 percent.

As Exhibit 11 illustrates, comparing all low-income renter families with children against equivalent results for 1995¹³ shows that work efforts rose and welfare income dropped in particular among families with children with income below 30 percent of area median income. (At income above 30 percent of median, almost all low-income families with children have earnings greater than the equivalent of full-time work at minimum wage.) Between 1995 and 1997, each of the indicators of work effort shown in the exhibit rose by at least 10 percentage points among families with incomes between 20 and 30 percent of area median. Slight increases also occurred for those with incomes below 20 percent of median.

Exhibit 11
Increasing Numbers of Extremely-Low-Income Families
with Children Are Working

	Income as Percent of Area Median				
	0–20	21–30	31–50	51–60	61–80
Renters with children (in thousands)	2,374	1,355	2,512	988	1,564
Percent with earnings:					
\$3,750+ (half time at minimum wage)	19	79	91	96	97
\$7,500+ (full time)	6	59	87	96	97
\$11,250+	0	21	71	90	96
Percent with some AFDC/SSI income	52	28	16	11	8
Percent with earnings as primary income source	35	76	88	95	95
Thousands of working families	462	1,067	2,278	952	1,525

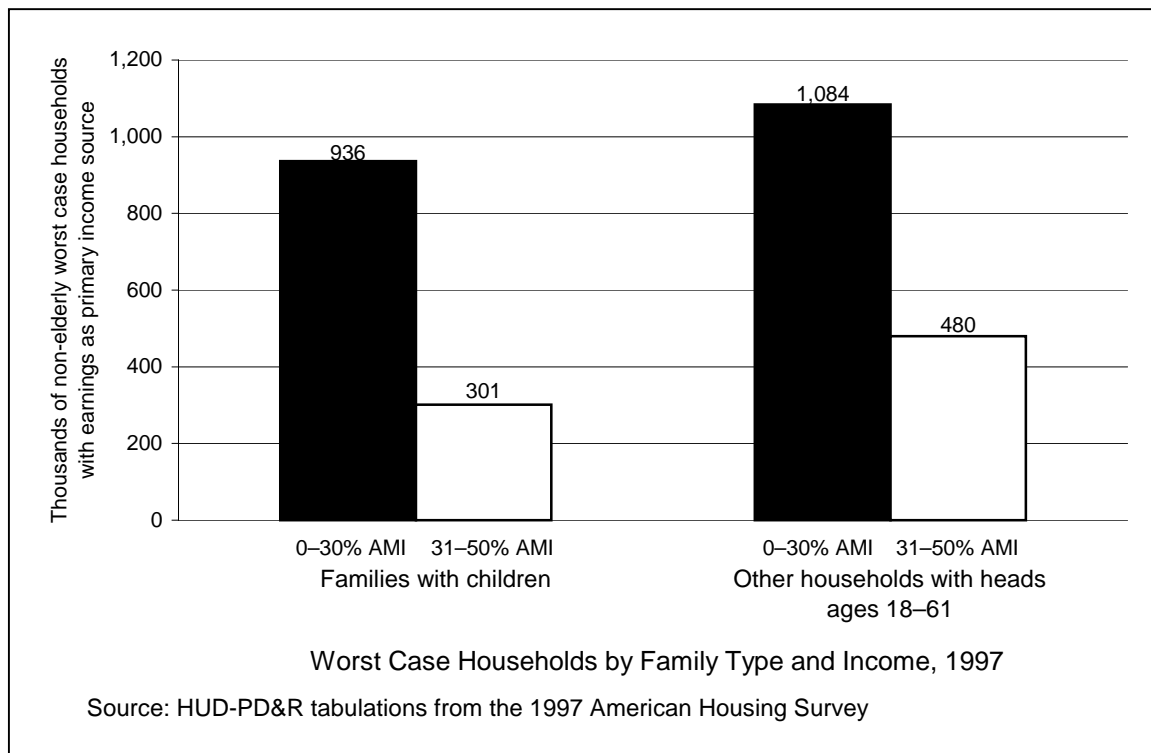
Source: HUD-PD&R tabulations from the 1997 American Housing Survey; Appendix Table A-12

- Working households with worst case needs were increasingly likely to have “extremely” low incomes, that is, incomes below 30 percent of area median income. Over 2 million extremely-low-income renters with earnings as their main source of income had worst case needs, an increase of 400,000—or one-fourth—between 1995 and 1997.

¹³ Exhibit 11 of *Rental Housing Assistance—The Crisis Continues* shows equivalent 1995 results.

The increased work effort among the lowest-income renters had the effect of markedly increasing the number of working worst case renters with income below 30 percent of area median. As discussed below (Finding 4), both the proportion and number of all worst case renters that have extremely low incomes have increased significantly during the 1990s. Between 1995 and 1997, the rise in working worst case renters with extremely low incomes was especially dramatic. In 1997, over 2 million extremely-low-income households with earnings as their main source of income had worst case needs, an increase of 400,000—or one-fourth—in the 2 years between 1995 and 1997. As Exhibit 12 shows, almost one million of these households were families with children.

Exhibit 12
More Than 2 Million Unassisted Working Renters with Worst Case Needs
Have Extremely Low Incomes



In sum, as adults in families move to work as a result of welfare reform and other factors, they may not earn sufficient additional income to overcome worst case needs for housing assistance. Instead, as extremely-low-income individuals enter the workforce, they still often have worst case needs for rental assistance. In fact, the transition to work can generate new financial pressures and expenses, including the cost of child care and the cost of transportation to and from work. With rent already consuming over half of their incomes, the vast majority of worst case needs households face enormous difficulties in affording these additional expenses.

Finding 3: The affordable housing stock, as measured by the number of total rental units that are affordable for families with incomes at 30 percent of area median income, continues to shrink.

Worst case needs have continued to increase despite greater work efforts among very-low-income families because rents are rising more quickly than incomes, particularly for households at the lower end of the income distribution. The critical stock of housing units that are affordable to extremely-low-income households is most vulnerable.

- The housing stock most needed by renters with worst case needs—that is, rental units that are affordable for extremely-low-income households without rental assistance—continues to shrink. The number of rental units affordable to extremely-low-income families dropped by 5 percent between 1991 and 1997, a decline of over 370,000 units.

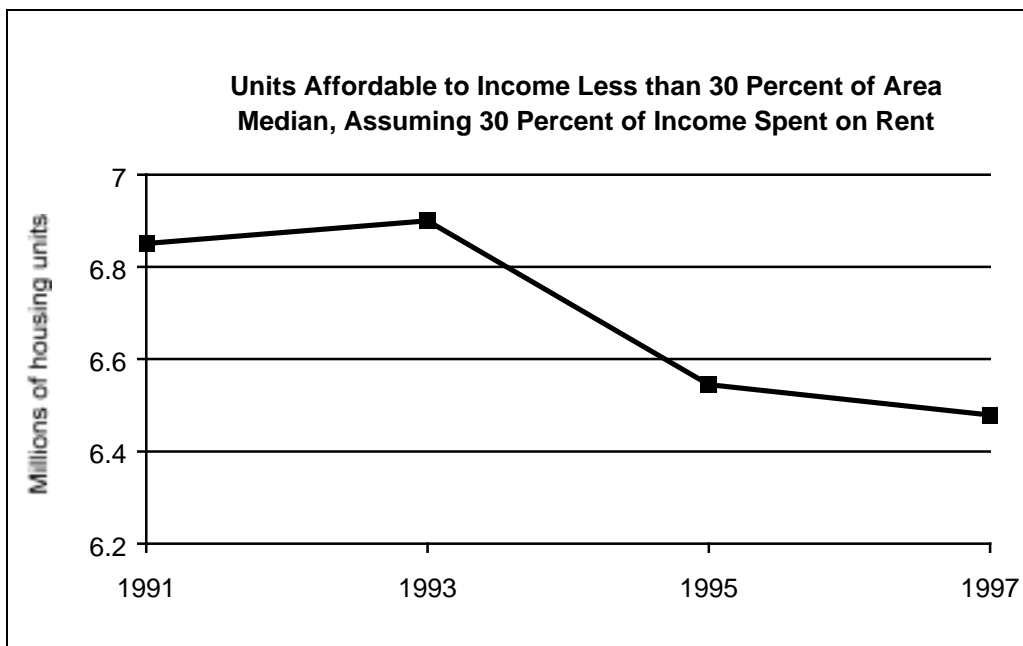
Between 1995 and 1997, as the total rental stock grew slightly and the national rental vacancy rate rose from 7.2 to 7.8 percent, the number of rental units affordable to extremely-low-income families dropped by 66,000, continuing a long-term trend of decline in such units. These are units affordable to households at 30 percent of area median income, assuming that households spend no more than 30 percent of their income for rent. As Exhibit 13 illustrates, since 1991 the number of such affordable rental units decreased by 372,000 units, a 5-percent drop overall in 6 years. This significant decline occurred among all units affordable to extremely-low-income families, including private market units and assisted units.¹⁴

- The gap between extremely-low-income families and units they can afford is large and growing. In 1997 for every 100 households with incomes at or below 30 percent of median income, there were only 36 units both affordable and available to them.

The growing scarcity of affordable units is exacerbated by continuing increases in the number of extremely-low-income families, thus further widening this severe affordability gap. Between 1995 and 1997, the number of renter households with incomes below 30 percent of the area median increased from 8.61 million to 8.87 million. By 1997, one out of four renter households had incomes at or below 30 percent of their area median income.

¹⁴ Past worst case needs reports also highlighted declines in numbers of *private market* unassisted units that are affordable to these families. However, because of changes in questions about assisted housing in the 1997 American Housing Survey, the data on all affordable units provide a more reliable comparison with past surveys than would be possible from examining private market units alone.

Exhibit 13
The Supply of Rental Units Affordable to
Extremely-Low-Income Families Continues to Shrink



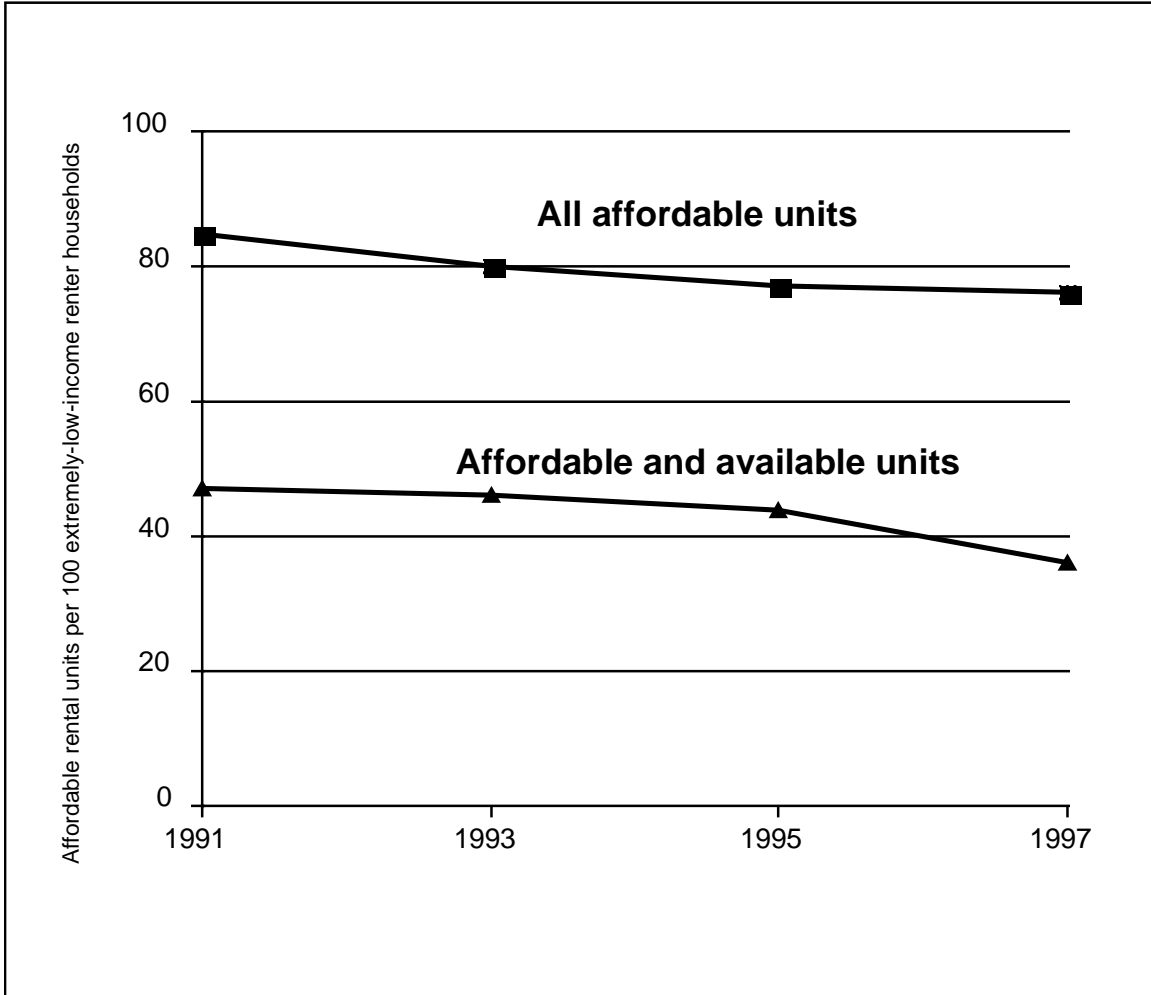
“Affordable” refers to units affordable to households at or below 30 percent of area median income, assuming that they spend no more than 30 percent of their income on rent.

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

The continued increase in demand coupled with the diminishing supply of affordable units is exacerbating the mismatch between the number of renter households at or below 30 percent of median income and the number of housing units affordable to them. In 1997, for every 100 extremely-low-income renter households, there were only 76 units with rents that were possibly affordable to them.¹⁵ As the top line of Exhibit 14 shows, this summary indicator of affordable supply relative to demand has been dropping steadily since 1991, when it was 85 units for every 100 households.

¹⁵ As discussed in *Rental Housing Assistance at a Crossroads*, HUD’s 1996 report to Congress, this summary measure of mismatch compares the number of extremely-low-income renters against the number of units that can be rented at 30 percent of the extremely-low-income cutoff, that is, 30 percent of the area median income, adjusted for household size. Both units with no cash rent and renters living in no-cash-rent units are excluded from this comparison. This ratio provides an upper-bound estimate of “affordable” units because, although all units are affordable by definition to households at the income cutoff, they are not necessarily affordable to households with incomes *below* 30 percent of area median income.

Exhibit 14
The Mismatch Between Extremely-Low-Income Renters
and Units Both Affordable and Available to Them
Is Worse and Widening Even Faster



The top trend line for affordable units shows for each 100 renter households at or below 30 percent of area median income the number of units those extremely-low-income households can afford, assuming they pay no more than 30 percent of their income for rent.

The bottom trend line for affordable and available units shows the ratio per 100 extremely-low-income renter households of affordable units, as defined above, that are either vacant for rent or already occupied by extremely-low-income households.

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

As dramatic as this disparity between the number of extremely-low-income renters and the number of affordable units appears, the trend shown in the top line of Exhibit 14 actually understates the extent of a rapidly worsening problem. This is because a large number of “affordable” units are not in fact available for rent by families who most need them, but are instead occupied by higher-income households. In 1997, the number of affordable units that were actually *available* for rent to such families—that is, units that were either already rented by extremely-low-income households or vacant for rent—was only 36 units for every 100 families. Even worse, this ratio represents a serious decline over just 2 years—because in 1995, 44 units were both affordable and available for rent for every 100 families. Thus, in just 2 years, we lost almost one out of five units that were affordable to extremely-low-income families and were actually rented by such families or vacant and for rent. Overall, this important indicator declined by 23 percent since 1991. Compared to the need for such units, the affordable and available stock is eroding at an alarming rate.

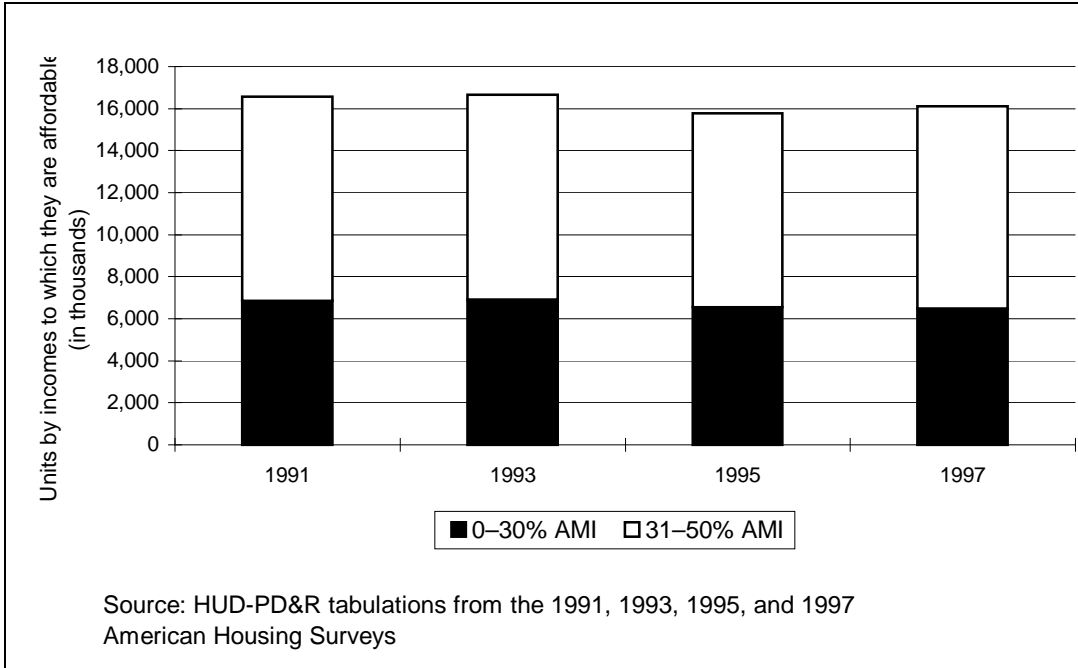
- In a modest reversal of the disturbing loss in very-low-rent units found between 1993 and 1995, between 1995 and 1997 there was a 2-percent increase in the number of rental units affordable to incomes at or below 50 percent of median.

One of the more disheartening results highlighted in HUD’s last worst case report was the sharp loss of private market rental units affordable to incomes at or below 50 percent of area median income. Between 1993 and 1995, the number of private market units affordable to very-low-income renters dropped by almost 900,000. This loss was particularly alarming because two-thirds of the units lost had rents affordable to incomes between 31 percent and 50 percent of median, a rent range in which the number of units had previously been growing on average across the Nation.¹⁶ This finding showed that losses of affordable rental units had not only increased greatly in number between 1993 and 1995, but also had expanded to affect rent categories higher than rents affordable to 30 percent of area median for the first time.

Because of the 1997 change in AHS subsidy questions, this report must examine changes in *all* units affordable to these income categories, rather than focusing on private market units by excluding subsidized or no-cash-rent units. As Exhibit 15 shows, between 1993 and 1995 this category had changes quite similar to those shown in the previous report for private market units: the total of all units affordable below 50 percent of median income also dropped by some 900,000 units between 1993 and 1995, from 16.7 to 15.8 million, and the decline was larger (from 9.8 to 9.2 million units) for units with rents affordable to incomes between 31 percent and 50 percent of median than for units with less costly rents.

¹⁶ As HUD’s 1996 report to Congress documented (Table A–17), between 1985 and 1993 private market units affordable below 30 percent of area median had dropped by 19 percent, but the number of units in the range affordable to incomes between 31 and 50 percent of median had grown modestly, by 2 percent.

Exhibit 15
Rental Units Affordable to Very-Low-Income Families Grew Again
to Offset Some of Earlier Loss



Between 1995 and 1997, however, there was a welcome turnaround, as the number of rental units affordable to incomes at or below 50 percent of median rose by 340,000 overall for a modest increase of 2 percent. This rise occurred because the number of units with rents affordable to the 31-50 percent of income range increased significantly, by over 400,000. This improved situation may well reflect units added to the stock with subsidies from HOME and LIHTC dollars. Although units in this range are usually not affordable without rental assistance to the most needy extremely-low-income group, they should increase the supply of units useable with vouchers in most locations.

While this recent increase in units affordable to very-low-income renters is far preferable to continued losses, it nevertheless should be viewed in the broader context of an overall decline in the number of affordable units since 1993. When the large losses in affordable units between 1993 and 1995 are taken into account, over just 4 years there has been a net loss of 540,000 units that are affordable to households with incomes at or below 50 percent of the area median income, with most of the decline occurring in the critical range affordable to families with *extremely* low incomes. Although the reversal of previous losses in the range affordable to incomes between 31 and 50 percent of area median is welcome, the squeeze on the most needy extremely-low-income families continues to worsen.

Finding 4: Between 1991 and 1997, worst case housing needs became more concentrated among households with incomes below 30 percent of

the area median income. By 1997, over three-fourths of those with worst case needs had extremely low incomes.

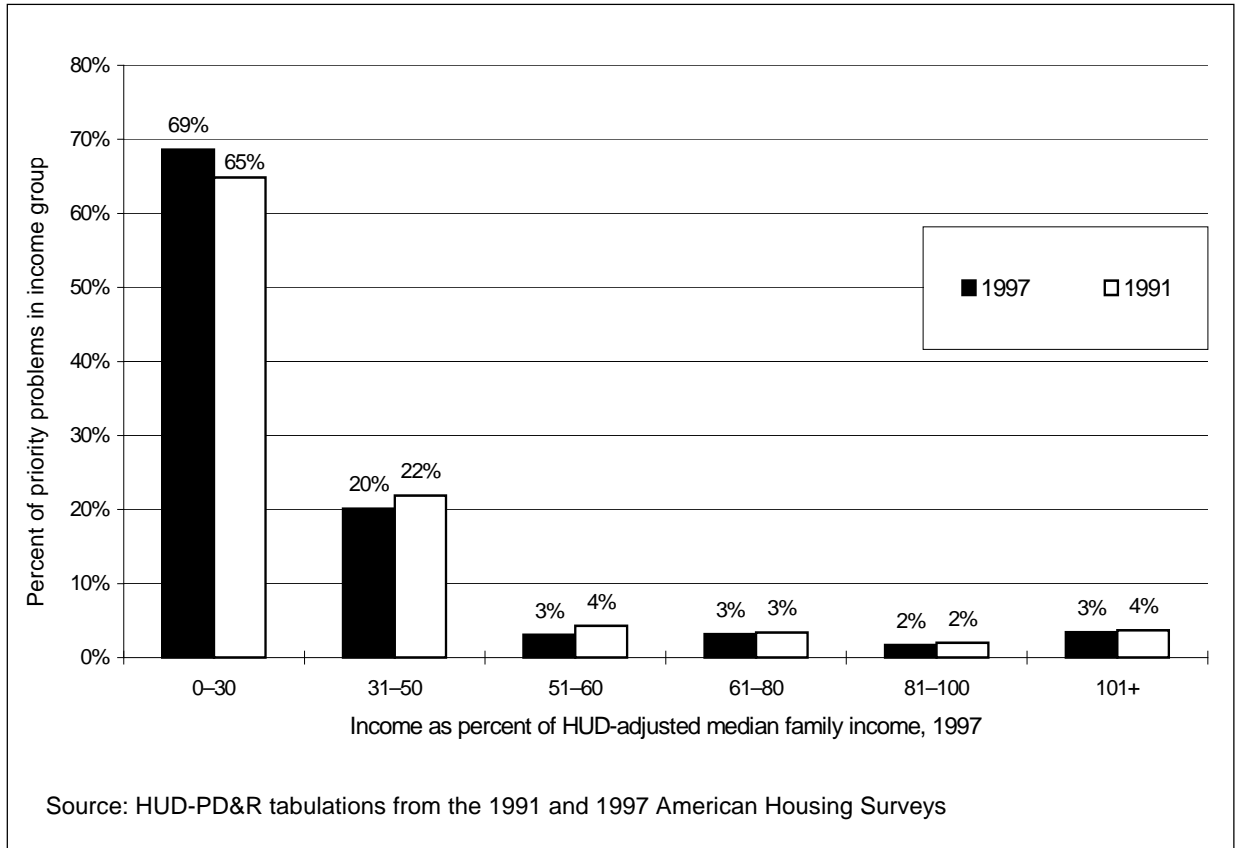
In a trend with important implications for rental housing policy and program implementation, the increasing demand for shrinking supplies of affordable units meant that, by 1997, severe housing problems were appreciably more concentrated among families with extremely low incomes than they had been in 1991. The total number of renter households with “priority” housing problems of severe rent burdens or severe physical housing problems in 1997 includes the 5.4 million very-low-income renters with worst case needs.¹⁷ Another 685,000 renters also had severe problems, although they are not defined as having worst case needs because their incomes were *above* 50 percent of the area median.

As Exhibit 16 illustrates, in the 6 years between 1991 and 1997, the extremely-low-income share of all renters with severe priority problems rose by four percentage points, from 65 to 69 percent of the total. By contrast, in each higher income category, the share of renters with severe problems *dropped* between 1991 and 1997. By 1997 only 6.2 percent of renters with priority problems fell in the “low” income range of 51–80 percent of median made newly eligible for some rental assistance by QHWRA, down from 7.7 percent 6 years earlier. Over that period, the share of renters with priority problems also dropped in the income range between 31 and 50 percent of area median.

When we focus only on worst case needs among very-low-income renters, we find that worst case needs became more concentrated among extremely-low-income renters because needs grew most quickly among this income group between 1991 and 1997. Over this period, the number of households with worst case needs grew by 16 percent among renters with incomes below 30 percent of area median. Among renters with income between 31 and 50 percent of area median income, by contrast, needs were essentially stable during these 6 years, growing by only 1 percent. In sum, by 1997, among those very-low-income renters with worst case needs, over 77 percent of the total (almost 4.2 million families) had extremely low incomes, up from 74 percent in 1991.

¹⁷ The term “priority problems” is used because, before 1995, Federal preferences for admission were given to households with these problems.

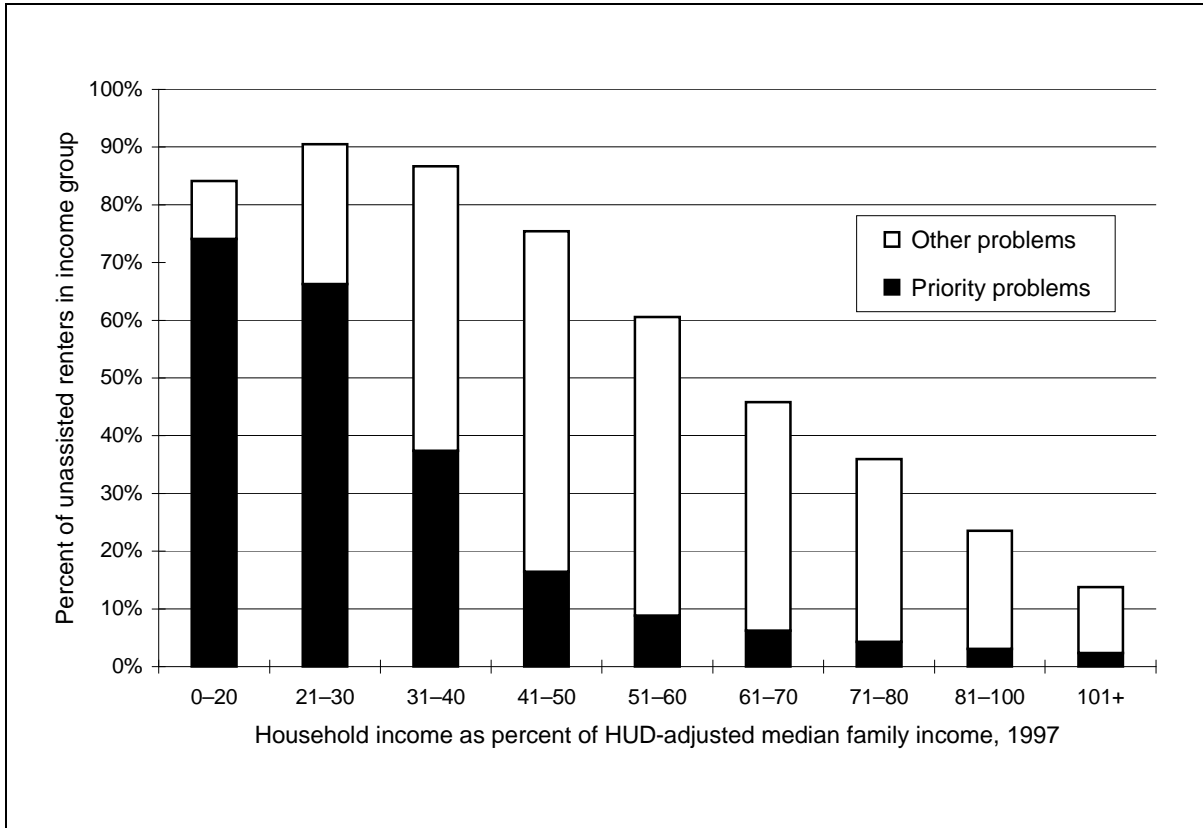
Exhibit 16
Priority Problems Became More Concentrated Among
Extremely-Low-Income Renters During the 1990s



- More than two-thirds of unassisted extremely-low-income renters have worst case needs for rental assistance. By contrast, the likelihood of having severe housing problems is much less among renters with incomes above 30 percent of area median income. Only 21 percent of unassisted renters with incomes between 31 and 50 percent of area median have worst case needs. Fewer than 6 percent of renters with incomes between 51 and 80 percent of area median income experience priority problems.

Households with extremely low incomes not only comprise the vast majority of renters with priority housing problems, but they are also in the only income groups highly likely to have these most severe problems. As Exhibit 17 shows, almost three-fourths of unassisted families with incomes below 20 percent of area median income have priority problems, as do two-thirds of those with incomes between 21 and 30 percent of area median.

Exhibit 17
Renters with Income Below 30 Percent of Median,
Especially Those with Income Below 20 Percent of Median,
Are the Only Income Groups Likely to Have Severe Housing Problems



Percent of Median	Number of Households, in thousands									
	0-20	21-30	31-40	41-50	51-60	61-70	71-80	81-100	101+	
Unassisted With Priority Problems	2,576	1,585	835	383	187	120	70	102	206	6,065
Unassisted With Other Problems	348	580	1,101	1,378	1,092	766	521	689	1,017	7,492
Total Unassisted	3,478	2,393	2,235	2,336	2,112	1,936	1,646	3,366	8,890	28,392

“Priority problems” are defined as substandard housing, rent burdens over 50 percent of income, homelessness, or involuntary displacement. These AHS tabulations count only severe structural problems and rent burdens.
 “Other problems” include rent burdens between 30 percent and 50 percent of income, crowding, or moderate structural problems.
 Source: HUD-PD&R tabulations from the 1997 American Housing Survey

Among households with incomes *above* 30 percent of area median income, by contrast, priority problems are much less likely. For those with incomes 31 to 40 percent of area median income, fewer than one-half (three of every eight) have priority problems, while for incomes 41 to 50 percent of area median, only one of every six renter households has priority problems. In the group just above the very-low-income cutoff that is still eligible for units financed by HOME or the LIHTC (51 to 60 percent of area median income), less than 9 percent of renter households have priority problems.

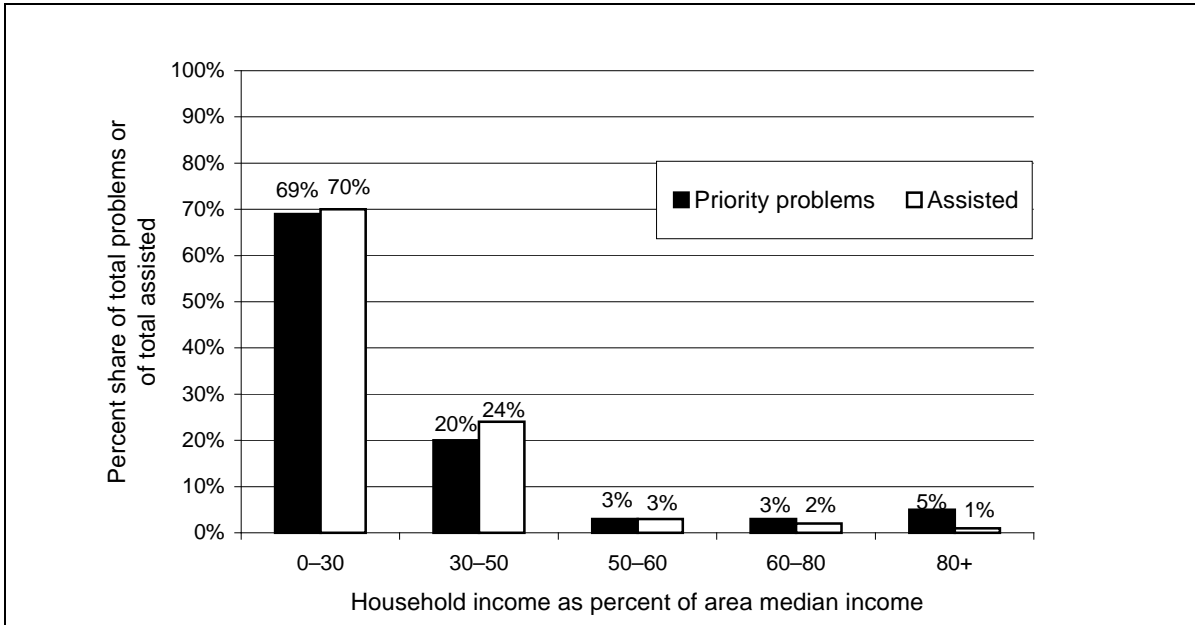
- Federal rental assistance programs continue to be well targeted to the extremely-low-income groups most likely to have worst case needs if they did not receive assistance. Seven of 10 assisted renters have incomes below 30 percent of area median income.

As of 1999, Federal rental assistance programs directed 70 percent of their assistance to extremely-low-income renters (see Exhibit 18). In the public housing and tenant-based Section 8 programs, more than 70 percent of tenants had extremely low incomes, as did over 80 percent of the occupants of projects receiving Section 8 assistance for moderate rehabilitation. In other Section 8 projects, 70 percent of tenants had extremely low incomes. The rental assistance programs thus remain quite well targeted to income groups that are most likely to have worst case needs if they do not receive assistance.

Each program, however, had a somewhat lower share of extremely-low-income tenants in 1999 than had been the case in the 1997 program data tabulated in the last worst case report.¹⁸ This change may reflect increased income among existing tenants or it may reflect new admissions of higher-income families in response to the incentives for increased income mixing incorporated in QHWRA.

¹⁸ See Exhibit 18, p.24, of *Rental Housing Assistance—The Crisis Continues*.

Exhibit 18
Rental Housing Assistance Programs Are Well Targeted to the
Extremely-Low-Income Groups Most Likely to Have Priority Problems



Rental Assistance by Program and by Household Income as Percent of Area Median
 (Assisted Households in Thousands)

	0-30%	30-50%	50-60%	60-80%	80+%	Total
Tenant-based Section 8	1,040	332	38	21	11	1,441
Percent of Program	72%	23%	3%	1%	1%	100%
Moderate rehabilitation Section 8	53	10	1	1	1	65
Percent of Program	81%	15%	2%	1%	1%	100%
Project-based Section 8	930	336	35	16	2	1,319
Percent of Program	70%	25%	3%	1%	0%	100%
Public housing	840	236	37	27	13	1,153
Percent of Program	73%	20%	3%	2%	1%	100%
All other project-based	84	88	21	18	8	220
Percent of Program	38%	40%	10%	8%	4%	100%
Total assisted	2,946	1,002	132	83	35	4,198
Percent of all assisted	70%	24%	3%	2%	1%	100%

Priority Problems by Household Income as Percent of Area Median

	0-30%	30-50%	50-60%	60-80%	80+%	Total
Priority Problems	4,161	1,218	187	190	309	6,065
Percent of Priority Problems	69%	20%	3%	3%	5%	100%

Source: HUD-PD&R tabulations from the 1997 American Housing Survey and 1999 program data (MTCS & TRACS)

- Many assisted families have earnings as their primary source of income.

Current housing assistance programs have many tenants who work, particularly among households who are neither elderly nor disabled. As would be expected, work is not common among either the elderly or non-elderly adults with a disability, who comprise close to half of the 4.2 million assisted households for which HUD has data on tenant characteristics. Among the 2.2 million households with neither elderly members nor members with disabilities, however, 44 percent have earnings as their primary source of income.

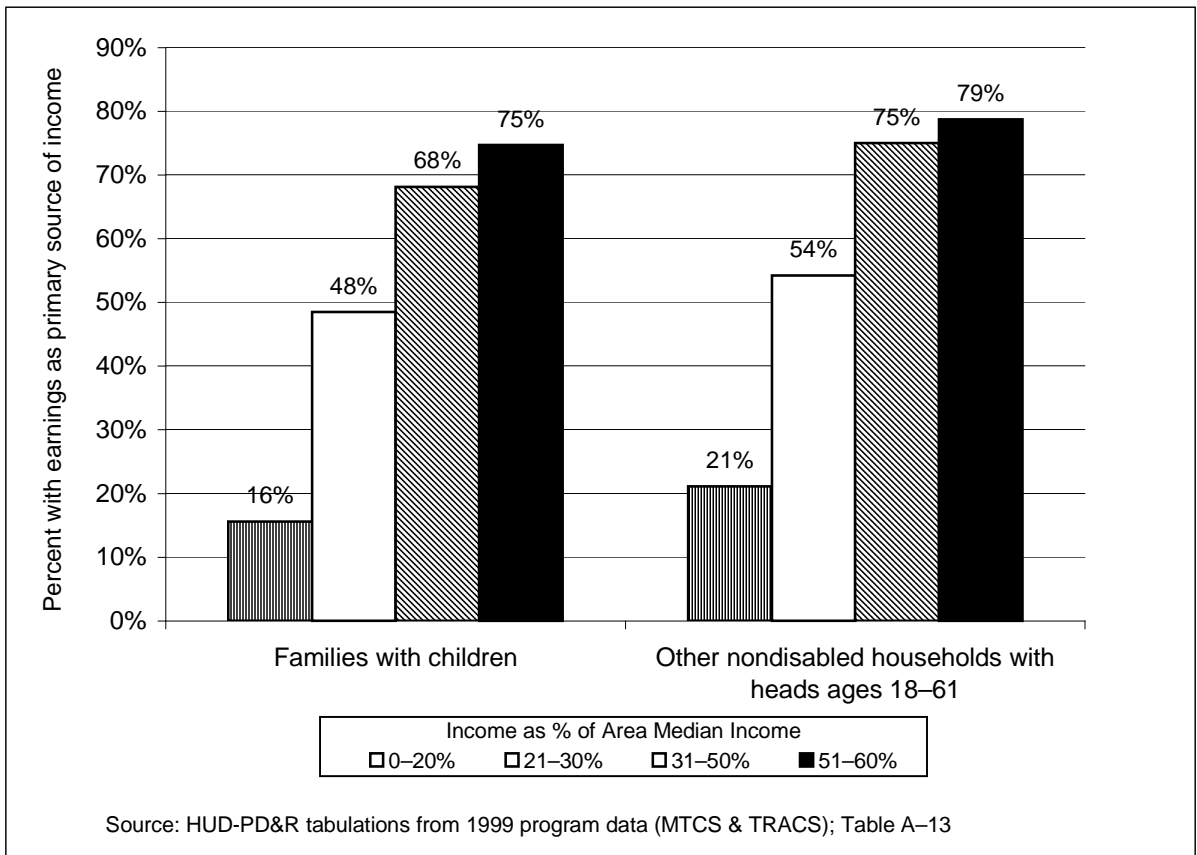
As Exhibit 19 shows, shares of households who rely on earnings rise with income. At each income level except the lowest, families with children present are more likely to have earnings as their primary source of income than other households with heads 18–62 and no disabled members.

The data in Exhibit 19 are not directly comparable to earlier extracts from HUD data on tenant characteristics for several reasons and thus do not allow us to determine if earnings are increasing.¹⁹ But two developments suggest that the employment rate is rising among families in public and assisted housing. State by State, non-elderly, non-disabled heads of household in public housing show consistently lower welfare receipt and higher employment levels in 1999 than in 1997.²⁰ In addition, internal reports show that tenant contributions to rent are rising in both the public housing and the tenant-based Section 8 programs, and the most probable source of such increased contributions is increases in earned income.

¹⁹ Data from extracts taken at different times are not comparable for two reasons: 1) Changes in reporting rates. The agencies and owners reporting to the MTCS/TRACS system in 1999 differ from those reporting in 1997, and overall reporting has improved to roughly 85 percent. As employment rates differ by agency, changes in the composition of reporting entities may change the estimated overall employment rate. 2) Changes in program size estimates. Accounting system improvements in the past 2 years allow improved estimates of the number of tenants actually residing in public and assisted housing. To construct the tables with less than perfect reporting, we inflate the proportions employed among the number of tenants actually reported to reach the estimated number of tenants using HUD subsidies. Employment rates vary from one program to another, so changing the proportions in each program also changes the estimated overall employment rate.

²⁰ Jill Khadduri, Mark Shroder, and Barry Steffen, “Can Housing Assistance Support Welfare Reform?” 1999.

Exhibit 19
Many Assisted Families Have Earnings as Their Primary Source of Income



Finding 5: Worst case housing needs became more concentrated among minority households during the 1990s. Increases were especially high for Hispanic households and working minority families with children.

Between 1995 and 1997, the measured increase of 200,000 in worst case needs was evenly divided between non-Hispanic whites and Hispanic households, with needs for each group growing by 100,000. Over the 6 years of economic expansion since 1991, however, Hispanics have experienced by far the highest growth in worst case needs. Between 1991 and 1997, needs grew at average rates among African-American households and remained essentially stable among white very-low-income renters.

- Between 1991 and 1997, the number of Hispanic households with worst case needs increased by 45 percent, while worst case needs among working families with children rose by 74 percent.

Over the 6 years between 1991 and 1997, worst case needs among Hispanic households rose by more than 300,000 households and in 1997 exceeded 1 million (see Exhibit 20). This growth was spurred in part by rapid expansion in total numbers of Hispanic households, which increased by 36 percent, and by even faster growth among Hispanic very-low-income renter households, which rose by 45 percent from 2 million to 2.7 million families. Nevertheless, worst case needs among Hispanic renters grew even more rapidly than Hispanic households, and the share of Hispanic very-low-income renters with worst case problems rose from 35 to 38 percent. The increase in worst case needs was higher still for working Hispanic families with children (74 percent).

**Exhibit 20
Growth in Worst Case Needs During the 1990s Was Highest Among Hispanics and Blacks**

	Thousands of Households with Worst Case Needs				Percent Change	
	1991	1993	1995	1997	1991–97	1995–97
Non-Hispanic white	2,888	2,970	2,835	2,939	2	4
Non-Hispanic black	973	1,070	1,107	1,097	13	-1
Hispanic origin	711	872	930	1,033	45	11

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys; Table A-8

Hispanic worst case households more often had children present than other worst case households. Over three-fifths of these households were families with children under 18, while only 13 percent were elderly. Hispanics also had higher rates of crowded housing than other worst case households, with over one-fifth of all Hispanic households and over one-

third of the households with children living in crowded conditions. Despite such crowding, severe rent burden was the only housing problem for 64 percent of Hispanic worst case households.

- Between 1991 and 1997, the number of African-American households with worst case needs rose by 13 percent, slightly above the growth rate of 11 percent in all African-American households. Among working families with children, worst case needs rose by 31 percent.

Among African-Americans, worst case needs rose by almost 100,000 between 1991 and 1993, but since 1993 they have hovered around 1.1 million. Although this growth rate of 13 percent between 1991 and 1997 is only slightly above the average growth of 12 percent in worst case needs during this 6-year period, very-low-income African-Americans also became more likely to experience worst case problems. As the total number of African-American very-low-income renters grew by only 2 percent, from 3.5 to 3.6 million, the share suffering worst case problems rose almost 9 percent, from 35 to 38 percent.

Like Hispanics, the majority (52 percent) of African-American households with worst case needs include children. Crowding is low in these households, however, and 70 percent of the African-Americans with worst case housing needs have only a severe rent burden. African-Americans also experienced above-average growth in the number of working families with worst case needs, which rose by 31 percent between 1991 and 1997.

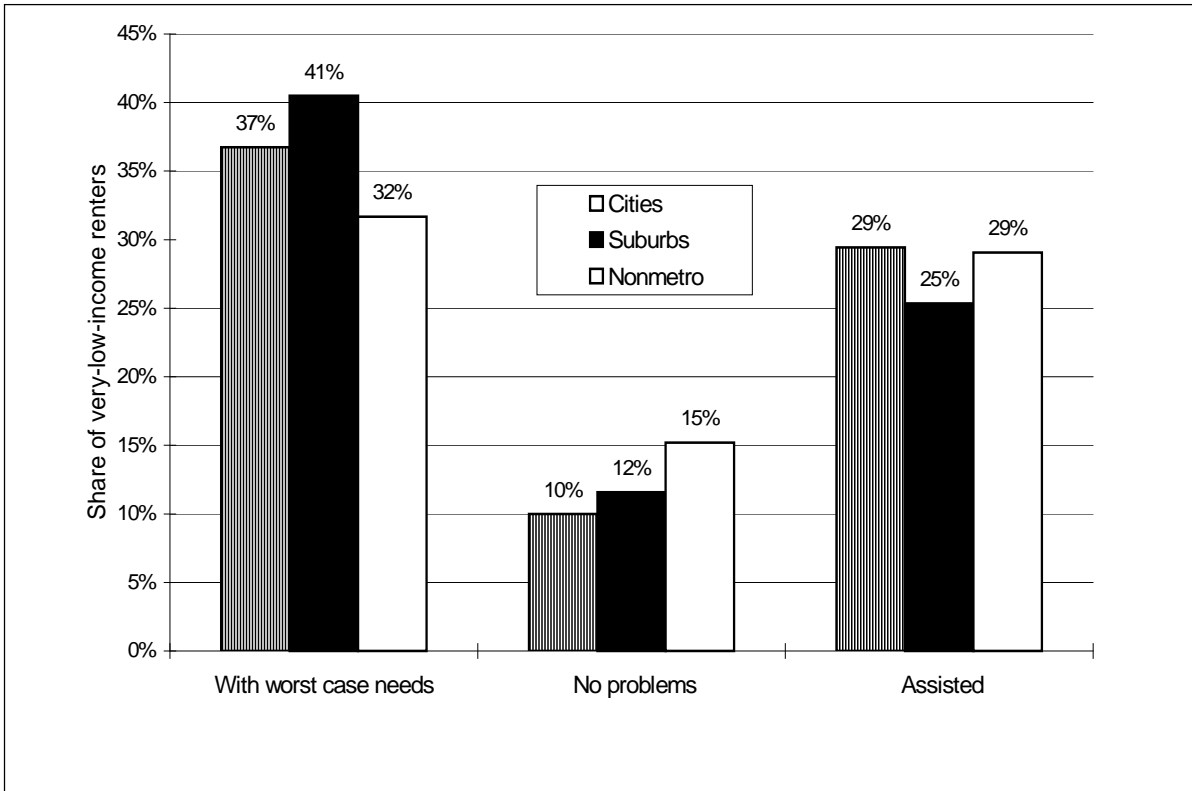
Among non-Hispanic whites, worst case needs remained essentially stable, at around 2.9 million, throughout the 1990s. This growth rate of 2 percent mirrored that occurring among all white households. Almost one-third of white households with worst case needs (890,000 households) are elderly, four-fifths of them living alone. The largest group of white households with worst case needs, almost 1 million households, contains “non-elderly unrelated individuals,” who are individuals under 62 years old who are either living alone or with other nonrelatives. As discussed below in Finding 7, a sizable number of these households may have disabled members.

Finding 6: Poor families living in the suburbs most often face worst case needs. Both very-low-income renters and extremely-low-income renters remain more likely to have worst case problems in the suburbs than those living elsewhere. Over one-third of worst case households live in the suburbs. Reflecting continued population and job growth there, declines in units with rents affordable to extremely-low-income families were greatest in the suburbs during the 1990s.

- Very-low-income renters have a greater likelihood of having worst case needs in the suburbs than very-low-income renters who live in central cities or outside metropolitan areas. Two-fifths, over 40 percent, of all very-low-income renters living in the suburbs have worst case needs. More than one in three worst case renters with worst case needs, over 1.8 million households, lives in the suburbs.

In 1997, slightly over half of worst case needs households, 2.7 million, lived in central cities, where there are generally larger concentrations of poverty and lower rates of homeownership than outside cities. Nevertheless, very-low-income renters living in the suburbs have the greatest *likelihood* of having worst case needs. Over 40 percent of very-low-income renters living in the suburbs had worst case needs for assistance, as compared to 37 percent in central cities and 32 percent in non-metropolitan areas (see Exhibit 21). Worst case problems were also most prevalent in the suburbs among *extremely*-low-income renters: fully 69 percent of extremely-low-income renters living in the suburbs had worst case needs for assistance, as compared to 58 percent in central cities and 54 percent in nonmetropolitan areas. In part, these differentials reflect the fact that renters were less likely to receive rental assistance in the suburbs: in 1997, 25 percent of suburban very-low-income renters reported housing assistance compared to 29 percent in both cities and nonmetropolitan areas.

Exhibit 21
Very-Low-Income Renters Are Most Likely to Have Worst Case Problems in the Suburbs and Least Likely to Receive Assistance There



Source: HUD-PD&R tabulations from the 1997 American Housing Survey; Table A-10

Between 1991 and 1997, however, the number of very-low-income renters participating in some rental assistance program apparently grew by 21 percent in the suburbs, while remaining stable in cities and dropping slightly in nonmetropolitan areas.²¹ Thus, since worst case needs grew at average rates over this period in all three locations, the rise in suburban assistance may well have helped keep worst case problems from rising yet more rapidly there. The suburban increase in assisted households may also reflect movement by assisted renters closer to suburban jobs.

²¹ As discussed in Exhibit 1, however, growth in housing assistance during this period is likely to be overstated by the AHS because of the major changes in assistance questions between 1995 and 1997.

- Losses in units affordable to extremely-low-income renters were greatest in the suburbs during the 1990s, both absolutely and relatively.

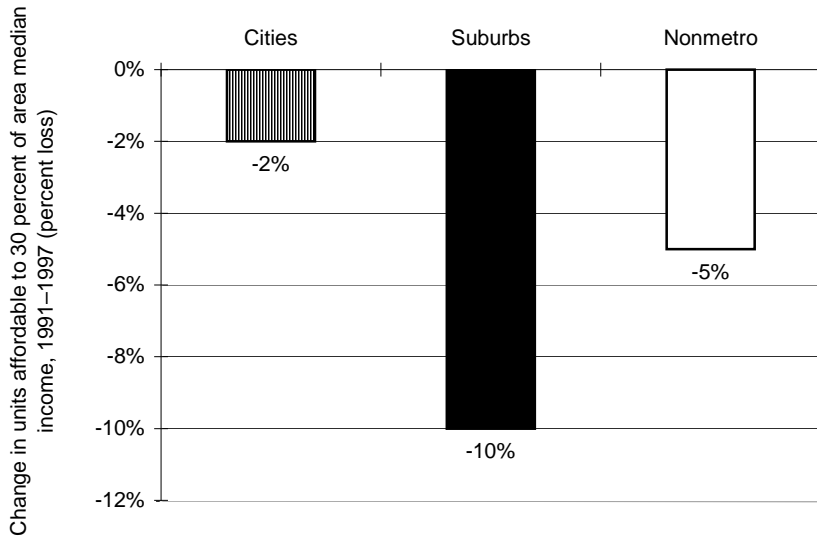
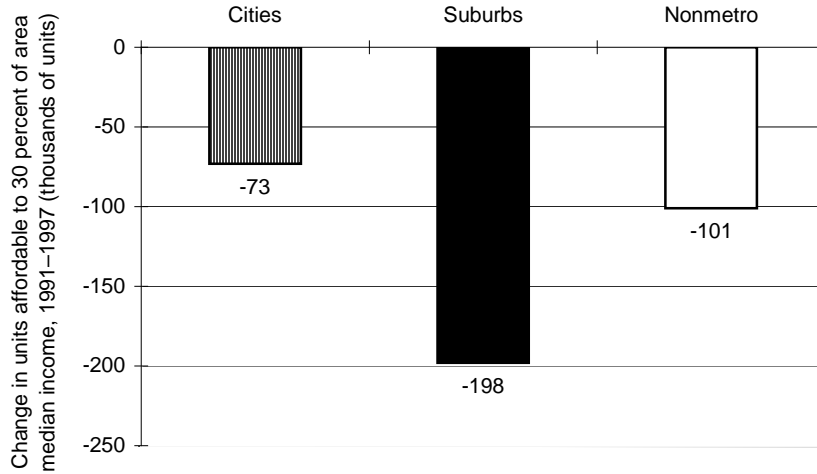
The location of high numbers of worst case renters in suburban areas of major metropolitan areas can be explained by a number of interrelated factors. Many suburban rental markets already have shortages of units affordable and available to extremely-low-income families, and such units are most likely to experience rent rises in neighborhoods that have newer housing, more owners, and higher incomes.²²

Moreover, the national decline between 1991 and 1997 in units affordable to renters with incomes below 30 percent of area median was greatest in the suburbs. As Exhibit 22 illustrates, the number of units affordable to extremely-low-income renters dropped by almost 200,000 in the suburbs, a decline of 10 percent. Over the same period, units with such extremely low rents fell by 2 percent in cities and 5 percent outside metropolitan areas.

Because suburbs are experiencing faster growth in both population and employment than either central cities or counties outside of metropolitan areas, such pressures on housing markets are likely to continue or increase, threatening the few remaining units affordable to the lowest-income renters there.

²² Greater upward filtering of rents in such neighborhoods was identified in “Affordable Rental Housing: When to Build, When to Preserve, When to Subsidize?” a 1997 HUD-PD&R study of housing market dynamics in 41 metropolitan areas.

Exhibit 22
Losses in Units Affordable to Extremely-Low-Income Renters Were Greatest in the Suburbs, Both Absolutely and Relatively



Source: HUD-PD&R tabulations from the 1991 and 1997 American Housing Surveys

Supplementary Findings

As highlighted above, the major findings of this report are that the economic expansion of the 1990s has exacerbated worst case needs, significantly increasing the number of households with these severe problems, especially among extremely-low-income families, minorities, and working families with children. The increase in needs has occurred despite increased work effort among extremely-low-income families because of marked declines in the number of housing units with rents affordable to incomes below 30 percent of area median income.

As the supplemental findings discussed below show, differentials in the likelihood of worst case needs by household type and location have changed less dramatically in the recent past. Nevertheless, they remain important for understanding the effects of this housing crisis and for wisely crafting policies to meet it.

Finding 7: Worst case housing needs continue to be a persistent problem for all demographic groups. Of the 12.3 million persons with worst case needs, over 1.5 million are elderly and 4.3 million are children. The number of adults with disabilities in households with worst case needs remained in the range of 1.1 to 1.4 million.

- Growth in worst case needs was lowest between 1991 and 1997 among the household types more likely to receive rental assistance, the elderly and families with children. While overall worst case needs grew by 12 percent during this period, the number of elderly households with worst case needs increased by 8 percent. The number of households with worst case needs increased by 6 percent among families with children.

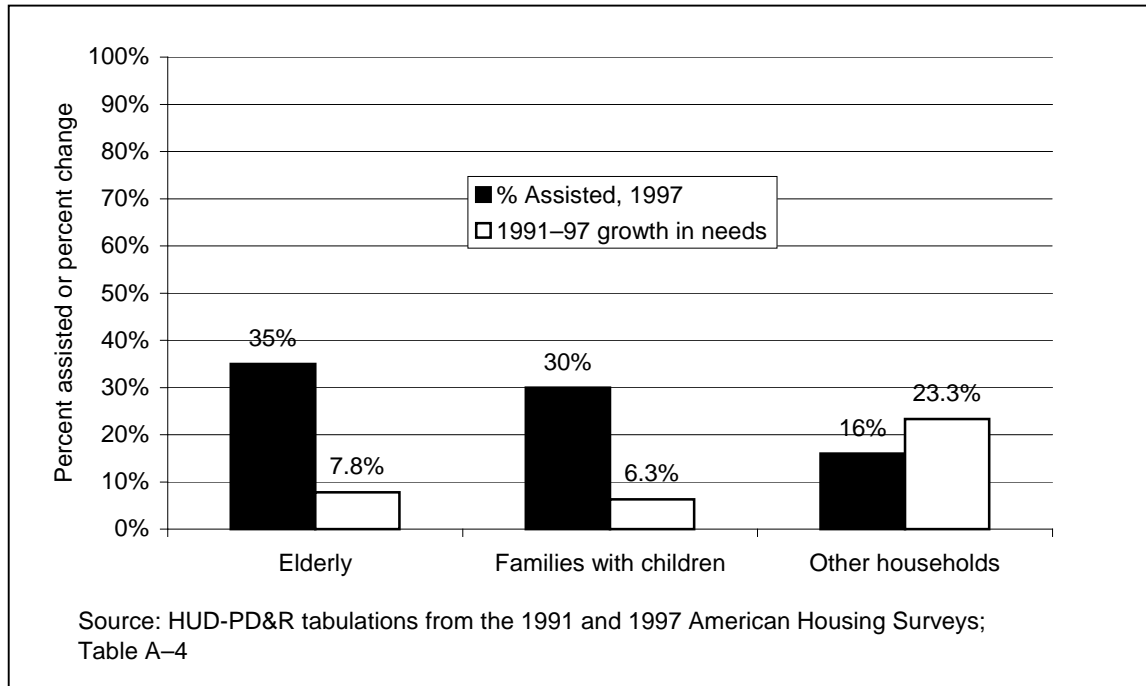
Between 1991 and 1997 growth in worst case needs was lowest among the groups more likely to be receiving rental assistance: the elderly, families with children, and non-elderly households with disabled persons present. Over one-third of elderly very-low-income renters report receiving assistance, and in 1997, 30 percent of families with children were assisted. While overall worst case needs grew by 12 percent during this period, the number of elderly households with worst case needs increased by 8 percent. The number of households with worst case needs increased by 6 percent among families with children.

Worst case needs among non-elderly adults with disabilities have always been difficult to estimate from AHS data.²³ Based on the only proxy available from the AHS (receipt of Supplemental Security Income by households with no children or elderly present), however, it appears that worst case needs among the disabled also grew at below-average rates. Between 1991 and 1997, the number of very-low-income renters reporting Supplemental Security Income who had priority problems only grew by 8 percent, while the number

²³ The 1996 worst case needs report, *Rental Housing Assistance at a Crossroads*, demonstrated that the only proxy available from the AHS, receipt of Supplemental Security Income by households with no children or elderly present, undercounts both adults with disabilities and those with worst case needs when compared to data from the Social Security Administration (SSA). Because SSA has not been able to provide us more recent data, the range cited in the text (1.1 to 1.4 million) assumes that the relationships between AHS and SSA data cited in the 1996 report still hold.

reporting rental assistance grew by 23 percent. Because priority problems did not change significantly for this group between 1995 and 1997, worst case needs among households containing adults with disabilities are estimated to have remained unacceptably high—in the range of 1.1 to 1.4 million.

Exhibit 23
Growth in Worst Case Needs Was Below Average for Household Types More Likely to Be Assisted



The only household type with above-average growth in worst case problems between 1991 and 1997 was the residual “other household” group. Most households in this group are single adults younger than 62 who live alone or with nonrelatives.²⁴ Worst case needs among this group, which typically has the lowest priority for rental assistance, grew by 23 percent between 1991 and 1997, rising from 1.6 to 1.9 million.

- Very-low-income elderly households are increasingly likely to have a worst case housing need, 36 percent in 1997 compared with 31 percent in 1995. Families with children became more likely to have worst case needs as well. Among such households, this likelihood rose to 33 percent in 1997 from 31 percent in 1991.

Despite their slower growth in *number* of households with needs, both very-low-income elderly households and very-low-income families with children became more likely to experience worst case needs. While the number of very-low-income elderly renters dropped modestly between 1991 and 1997, those remaining in this income group became increasingly

²⁴ Because the AHS proxy for disabled adults is known to be low, some of the persons in this group are probably disabled.

likely to have a worst case problem, 36 percent in 1997 compared with 31 percent in 1995. The number of very-low-income families with children did not grow either, but they became more likely to have worst case needs as well. Among such households, this likelihood rose to 33 percent in 1997 from 31 percent in 1991. Among other household types, the probability of having worst case needs dropped somewhat over this 6-year period.

Finding 8: Very-low-income renters in the West continue to be most likely to have worst case problems and least likely to receive any type of housing assistance. During the 1990s, however, the number of very-low-income renters with worst case needs for assistance increased most rapidly in the Northeast.

The 1990 Census showed that worst case needs were more likely then in States and metropolitan areas in the West and Northeast regions.²⁵ Similarly, shortages in housing affordable to extremely-low-income renters were also more severe in these locations, with worst case needs highly correlated to such shortages. Although sharp differences by location *within* regions have doubtless persisted since 1990, the regional trends documented by the AHS show that regional differences in the probability of worst case needs among very-low-income renters narrowed during the 1990s, as the share of very-low-income renters with worst case needs fell in the West and rose in the Midwest and South.

- Two-fifths (40 percent) of very-low-income renters in the West, 1.5 million households, had worst case problems in 1997. Worst case problems were also common in the Northeast, where they occurred among 39 percent of very-low-income renters, or 1.3 million households.

In 1997, very-low-income renters were most likely to have worst case problems in the West and the Northeast, where such needs for rental assistance occurred among two-fifths of eligible renters (see Exhibit 24). Worst case needs were least common and least likely in the Midwest, where they were experienced by 960,000 households (33 percent). Because it is the largest region, the South had the greatest number of worst case households, with 1.6 million representing 36 percent of those eligible.

²⁵ State data on worst case needs and affordable housing shortages were reported in HUD's 1994 worst case report, *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991*. The 1990 data were also analyzed by Amy Bogdon, Joshua Silver, and Margery Turner of the Urban Institute in *National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies*.

Exhibit 24
During the 1990s, Worst Case Needs Were Most Likely in the West, But They Grew Most Quickly in the Northeast

	Northeast	Midwest	South	West
Percent of very-low-income renters in 1997				
With worst case needs	39	33	36	40
Assisted	34	31	21	23
Percent growth in worst case needs, 1991–97	22	0	11	14

Source: HUD-PD&R tabulations from the 1991 and 1997 American Housing Surveys; Table A–9

Between 1991 and 1997, the number of households with worst case problems grew most, by over 200,000, in the Northeast, as the probability among very-low-income renters of having worst case needs increased there from 34 to 39 percent. Worst case needs also mounted in the South, from 1.5 to 1.6 million, and became more likely there as well. In the West, the number of households with unmet needs also rose, from 1.3 to 1.5 million. However, this increase occurred because of rapid growth in the number of very-low-income renters (from 3.1 to 3.8 million), and the likelihood of worst case problems among very-low-income renters actually fell, from 43 to 40 percent. In the Midwest, the number of households with worst case problems was essentially the same in 1997 as in 1991 because of two offsetting trends: although the share of very-low-income renters with worst case problems rose from 29 to 33 percent, the total number of very-low-income renters fell by 400,000.

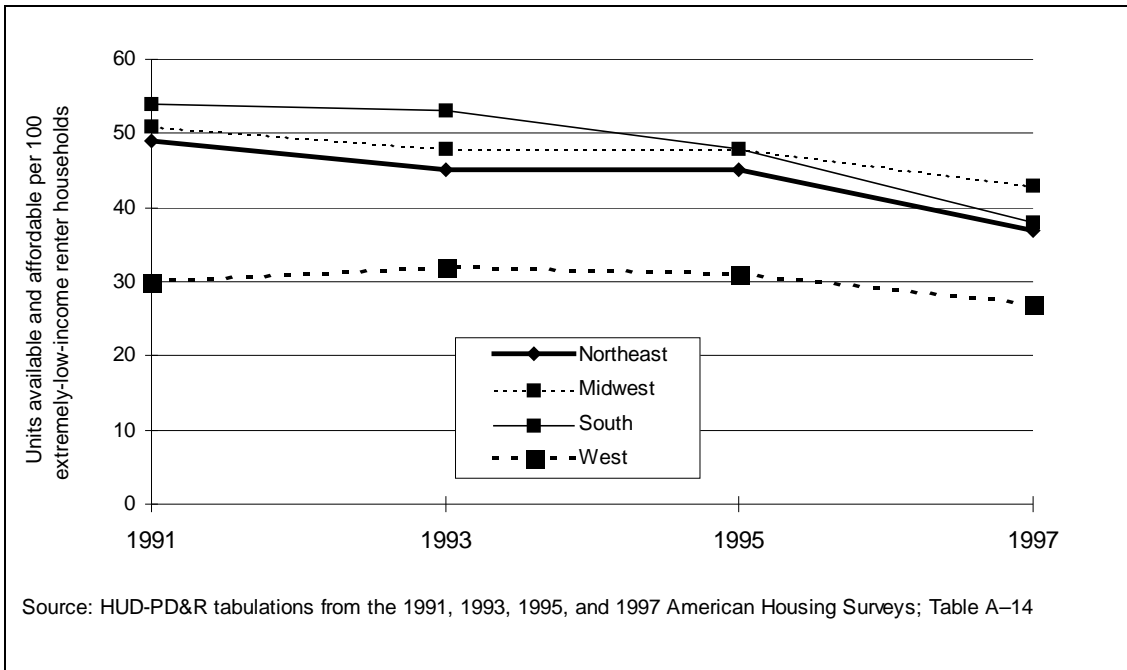
- In the West, supplies of rental units affordable to renters with extremely low incomes fell to a new low: there were only 56 affordable units for every 100 extremely-low-income renter households needing them. Shortages were almost as severe in the Northeast, where there were 68 affordable units for every 100 extremely-low-income renter households needing them.

Regional differences in worst case needs mirror differences in shortages of housing affordable to extremely-low-income renters: the greater the shortage the higher the probability of worst case needs. In 1997, extremely-low-rent units were in shortest supply in the West, with only 56 affordable units for every 100 extremely-low-income renter households needing them, and the Northeast, with 68 units per 100 renters. In the Midwest, the region with the lowest probability of worst case needs among very-low-income renters, units and renters almost matched in number, with 97 units per 100 renters.

In terms of units actually available to extremely-low-income renters because they are either vacant for rent or occupied by extremely-low-income renters, the differentials among regions are similar, but the deterioration between 1991 and 1997 has been worse (see Exhibit 25). Declines in affordable stock relative to extremely-low-income renters were worst in the South, where the ratio of units per 100 renters dropped from 54 to 38, and the Northeast, which experienced a drop from 49 to 37 units per 100 renters. Affordable units were most often available in the Midwest, but even there the situation worsened during the 1990s and

there were only 43 units per 100 renters by 1997. Affordable units were *least* often available in the West: by 1997 there were only 27 affordable units for every 100 extremely-low-income renters needing them.

Exhibit 25
Mismatches Between Extremely-Low-Income Renters and Available Rental Units They Can Afford Are Greatest in the West, But Worsening Everywhere



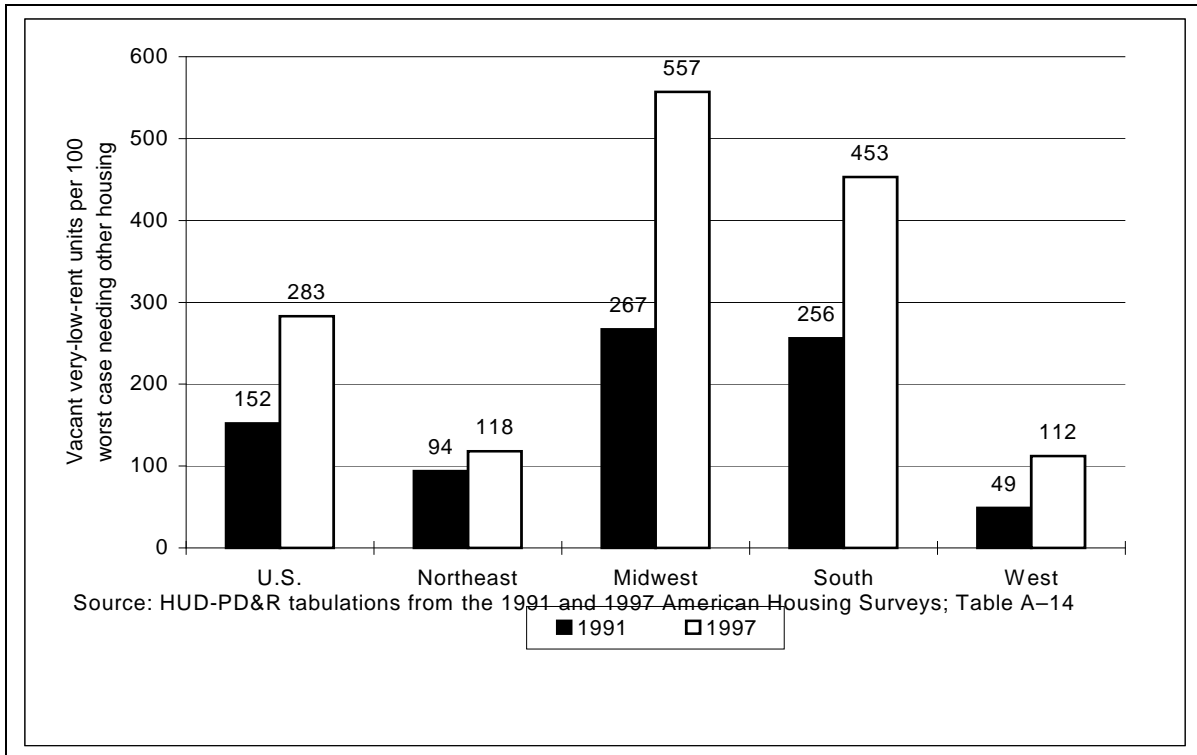
Among units affordable to incomes at 50 percent of median, regional data show that the slight but encouraging national rise observed between 1995 and 1997 occurred in all four regions. The rise was greatest in the Midwest, the one region with a large and growing surplus of such units during the 1990s. The improvement was least in the West, the only region with a substantial shortage of units affordable to very-low-income renters and one in which that shortage worsened during the 1990s.

The increased availability of units affordable to incomes at 50 percent of area median stands out most clearly when the number of these affordable units that are vacant is compared to the number of very-low-income renters with worst case needs who need other housing. As the 1996 report discussed,²⁶ this ratio indicates whether there are enough vacant units with rents near or below the FMR for households who could not use Section 8 vouchers in their current housing because it is inadequate or too small for their family. Instead, they would need to move to other housing if they were to receive and use tenant-based assistance. As Exhibit 26 details, this indicator of housing availability is highest in the Midwest and South and lowest

²⁶ See pp. 44–45 of *Rental Housing Assistance at a Crossroads*.

in the West. Between 1991 and 1997, it increased in all four regions, with substantial gains in both the Midwest and the South.

Exhibit 26
For Families Who Need to Move, Using Tenant-Based Assistance Became Easier
in Each Region Between 1991 and 1997



- Very-low-income renters were least likely to receive some form of housing assistance in the South (where 21 percent reported some form of assistance) and in the West (with 23 percent assisted). In the Northeast and Midwest regions, over 30 percent of very-low-income renters reported assistance.

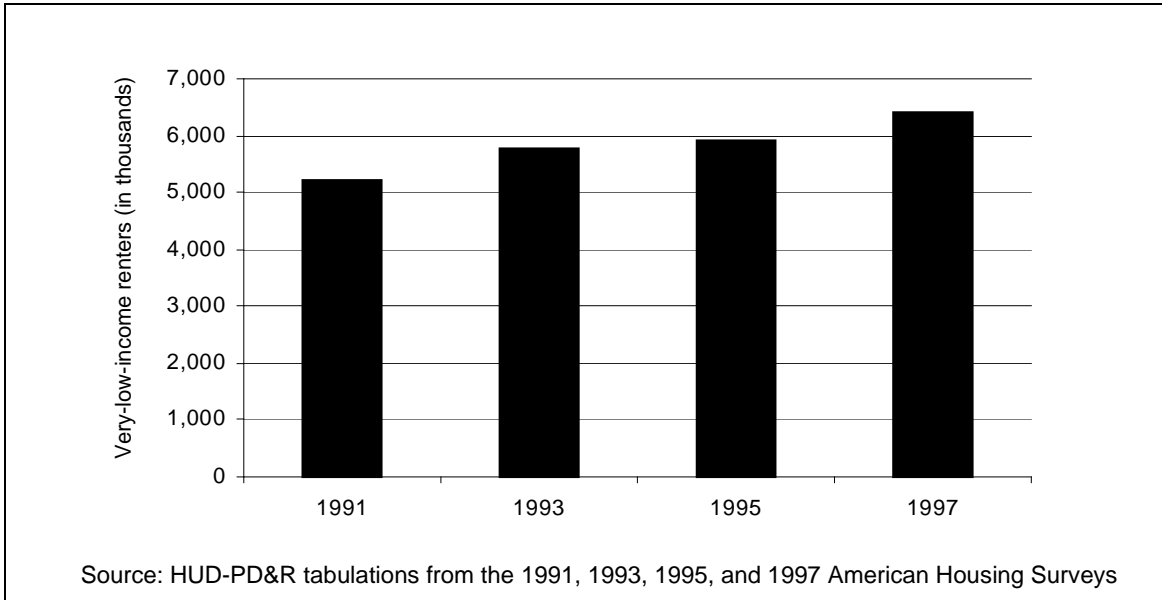
Lacking units affordable to them, the extremely-low-income renters who are most likely to have worst case problems need rental assistance to afford what units exist. In a somewhat surprising change from previous experience, the South in 1997 showed the lowest rates of assistance: only 21 percent of very-low-income renters. Because of the major change in assistance questions and the markedly higher rates of assistance earlier reported in the South, this shift must be regarded with some skepticism. The West, which over the past two decades has consistently had the lowest percent assisted of the four regions, is now second lowest, with 23 percent assisted. Rates of assistance remained highest in the Northeast, where 34 percent of very-low-income renters reported assistance, and in the Midwest (31 percent).

Finding 9: When *both* very-low-income renters with some form of housing assistance and those without assistance are considered, the number of very-low-income renters with severe rent burdens rose by 500,000 families between 1995 and 1997.

- In 1997, 6.4 million very-low-income renters had a severe rent burden. This number increased from 5.9 million in 1995. Because this measured increase of 8 percent is not complicated by the 1997 change in AHS housing assistance questions, it implies strongly that worst case needs actually rose by *more* than 4 percent between 1995 and 1997.

As mentioned above under Finding 1, one of the most disturbing results found for this report is the sharp rise observed in severe rent burdens among *all* very-low-income renters, including both those with no assistance and those reporting some type of rental assistance. (Because of the major changes in the AHS assistance questions between 1995 and 1997, comparing estimates of all renters that do not rely on answers to the assistance questions in either year is likely to provide a more accurate portrait of change over time than is possible from the efforts reported above to make the 1995 counts of *unassisted* households as comparable as possible to the 1997 estimates.) The number of all very-low-income renters who pay more than half of their incomes for rent rose by 500,000 between 1995 and 1997 to reach an all-time high of 6.4 million. This 2-year increase of 500,000 among very-low-income renters in the housing problem that forms the main component of worst case needs suggests strongly that the estimated increase of 205,000 in worst case needs discussed in Finding 1 is an *underestimate*. It is similarly disquieting to note that between 1991 and 1997, the number of very-low-income renters who paid more than half of income for rent rose by almost 1.2 million, double the measured increase of 580,000 in worst case needs over that 6-year period.

Exhibit 27
Between 1995 and 1997, There Was an Alarming Rise in the Number of Very-Low-Income Renters Paying More Than Half of Their Income for Rent



- The 6.4 million very-low-income renters with a severe rent burden in 1997 include many families who report receiving some form of housing assistance.

Because the AHS assistance questions were changed in 1997 to provide more accurate estimates of the number and characteristics of renters already aided by a Federal, State, or local housing program, the fact that the 6.4 million very-low-income renters with severe rent burdens in 1997 include 1.3 million renters who apparently were assisted by some form of government program is also troubling. Rent/income ratios above the 30 percent of adjusted incomes required in public housing and privately owned, subsidized projects have been observed before in AHS data.²⁷ Extensive investigation suggests that the basic problem appears to be response error in the survey. However, rent/income ratios above 30 percent are possible in the voucher program, in privately-owned projects that do not receive deep subsidies, and in units subsidized through programs (such as the LIHTC) that have fixed rents (see Exhibit 4). Because severe rent burdens above 50 percent of income raise basic questions about the effectiveness of assistance programs in solving housing problems, the extent to which renters in subsidized programs experience excessive rent burdens will continue to be studied and monitored closely.

²⁷ See pp. 17–20 of *Characteristics of HUD-Assisted Renters and Their Units in 1993*.

Chapter 3

Policy Implications

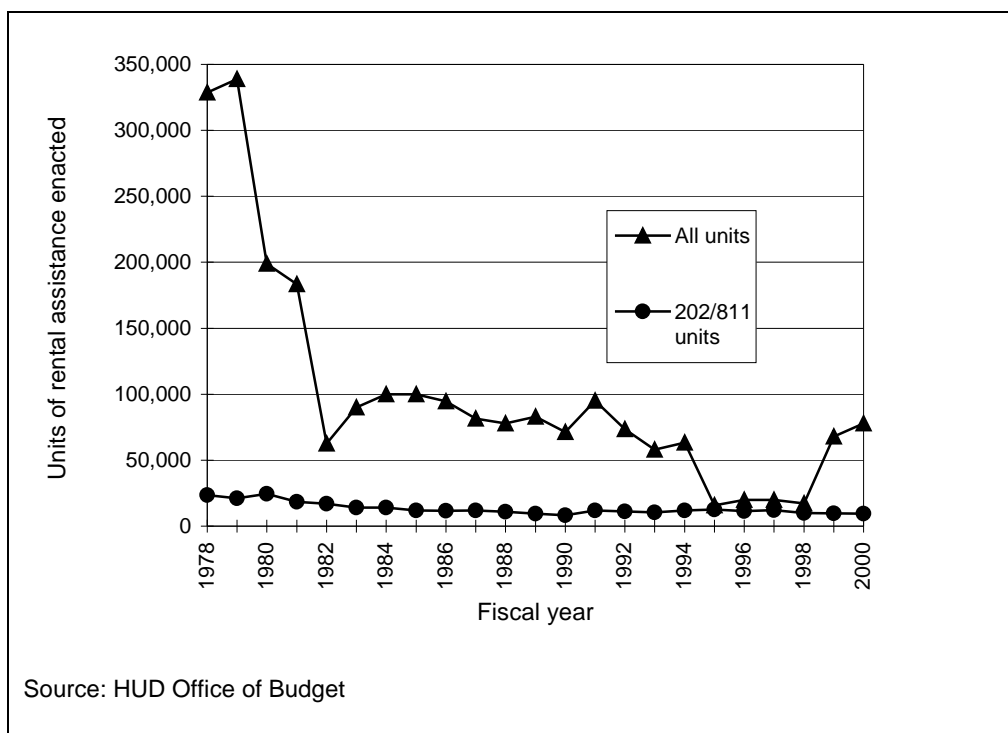
The findings contained in this report have important implications that policymakers at all levels—Federal, State, and local—should consider in determining housing policy and administering programs. These findings demonstrate that the housing affordability problems facing American families, particularly those at the lower end of the income scale, have not been alleviated by this extended period of overall economic expansion. Instead, the affordability crisis is worsening for these at-risk families. The number of families with worst case needs for housing assistance continues to grow.

A wide variety of market forces and other factors have contributed to this crisis of housing affordability through the 1990s. Among these forces are continued suburbanization of population and employment, regulatory barriers to development of multifamily housing, underinvestment in affordable housing by local communities, continuing discriminatory barriers, and the simple economics of supply and demand in which rising incomes for higher income families drive up rents faster than the poorest families can afford. The continuing loss of rental units affordable to the poorest families, especially the faster losses in suburban areas, is particularly disturbing.

In part, the growth in the crisis during the 1990s can also be attributed to the elimination of Federal appropriations for additional rental vouchers between 1995 and 1998. In the past, Congress has responded to findings of serious housing affordability problems by providing for new rental assistance. In particular, during the economic expansion of the 1980s, the number of families with worst case needs dropped significantly between 1985 and 1987 as incremental rental assistance grew by 80,000 to 100,000 families each year. In addition, during the same period new housing developments were becoming available for occupancy by the poorest households as the result of production programs that had been funded in earlier years.²⁸ 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. Exhibit 27 shows recent trends in Federal appropriations for new units of deeply targeted rental housing assistance, including housing for the elderly and disabled under Sections 202 and 811. After the 4-year hiatus in funding for vouchers between 1995 and 1998, Congress resumed the fight against worst case needs by appropriating 50,000 vouchers for fiscal year 1999 and 60,000 vouchers for fiscal year 2000.

²⁸ See Finding 1 of the 1998 report to Congress, *Rental Housing Assistance—The Crisis Continues*, pp. 9–11.

Exhibit 28 New Units of Federal Rental Assistance Have Been Minimal in Recent Years



An effective response to this crisis must combine a number of approaches to overcome different aspects of these problems. Further expansion of the Section 8 voucher program must be an essential component of the Federal response to this growing crisis. The President’s Budget for Fiscal Year 2001, which includes funding for 120,000 incremental Section 8 vouchers, is a bold step forward to overcome this affordable housing crisis and begin to *reduce* the number of families suffering worst case housing problems. While the Section 8 tenant-based program is not a panacea for all of the varied housing affordability problems of the Nation, it is particularly well-designed to meeting the vast majority of problems identified as worst case needs. 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. The renewed modest growth in rental housing units that are affordable to households with incomes up to 50 percent of median income shown in this report suggests improved availability of decent housing that would be affordable to extremely-low-income households if they received Section 8 assistance.

Moreover, as this report shows, severe rent burden is the *only* housing problem facing 77 percent of all families with worst case needs. Since these families already live in adequate and uncrowded housing, Section 8 assistance by itself could alleviate the excessive rent burdens facing these families, with no need for additional housing units to increase the supply of affordable housing. By providing 120,000 vouchers per year, it should be possible

within less than 28 years to serve all of the worst case households that have only a severe rent burden and are actually likely to use vouchers.²⁹

The Section 8 program continues to be particularly well-targeted to the extremely-low-income families who most often have worst case needs. Under the Quality Housing and Work Responsibility Act, at least 75 percent of all vouchers that become available in any given year (either through new appropriations or through “turnover” of existing vouchers) must be provided to extremely-low-income families.

In particular, the fact that working families are more and more likely to have worst case needs highlights the importance of continuing to utilize Section 8 vouchers to enhance and support State and local welfare-to-work efforts. Typically, housing represents the number one cost burden for families making the transition to self-sufficiency. Because vouchers can be used in any location, they are well suited to assist families seeking better jobs to find and afford housing near their place of work. By providing 32,000 Section 8 vouchers for use in conjunction with local welfare-to-work efforts, the President’s FY2001 Budget will help families find permanent employment and locate decent, affordable housing.

Although families and individuals without homes are unfortunately not counted by the AHS and are therefore not included in these estimates of worst case needs, the homeless in a very real sense have the most pressing worst case needs. For this reason, the President’s FY2001 Budget provides a \$180-million increase in funding for HUD’s homelessness assistance program, including \$105 million that will provide 18,000 homeless families with Section 8 vouchers to allow them access to affordable permanent housing.

Other tools are needed as well to effectively reduce the pressures on housing markets that exacerbate worst case housing needs. The continuing erosion of the affordable housing supply must be countered with more affordable housing production. FHA Multifamily Insurance, including the FHA Risk Sharing program, which draws on the capacity of the State Housing Finance Agencies, is an important source of financing for the production of affordable rental housing. And programs such as light rehabilitation can help families living in severely inadequate housing or facing multiple problems.

²⁹ Assuming that use of vouchers would be similar to participation rates of eligible households in the food stamps program, some 80 percent of worst case households, or 3.4 million of the worst case households with only a severe rent burden, are likely to seek and use vouchers. At 120,000 new vouchers per year, it would take 28 years to serve this number of households. If incremental assistance were 340,000 new vouchers per year (the peak level for all types of incremental rental assistance achieved in 1979), it would take 10 years. Both of these estimates are overly simplistic in assuming that there is no underlying change in worst case needs because of demographic and economic trends, that none of the approximately 500,000 assisted units that turn over each year are used for previously unassisted households with worst case needs, and that the newly appropriated vouchers only go to renters with worst case needs. More accurate projections should consider expected changes in underlying demand; transitory changes in needs related to changing incomes, rents, or household composition; the degree to which turnover in already assisted units can aid in meeting worst case needs; and the share of newly available units targeted to households with worst case needs. Therefore, HUD research is underway to better identify likely values for these key parameters.

Indeed, available evidence regarding the LIHTC suggests that the recent rise in units affordable to families below 50 percent of median income may in part result from this important program. Not coincidentally, this program most effectively serves extremely-low-income families when it is combined with rental assistance such as Section 8 tenant-based vouchers. The President's FY2001 Budget recognizes this reality by providing 10,000 incremental Section 8 vouchers specifically targeted for use in conjunction with the LIHTC and FHA Multifamily Insurance. The HOME program is also a vital tool for effective local responses to the worst case needs crisis. Designed as a flexible block grant program capable of meeting local needs, the HOME program can address worst case needs in a variety of ways. HOME funding can be used to rehabilitate inadequate housing occupied by worst case needs families, to expand supplies of affordable rental housing, to provide tenant-based rental assistance, and to provide homeownership assistance for low-income working families.

Public housing operating and capital subsidies and the HOPE VI program help to preserve good quality existing housing and to tear down distressed public housing and revitalize neighborhoods. HUD's homeless assistance programs and the Housing for People With AIDS (HOPWA) program provide badly needed support for vulnerable populations. The Section 202 Supportive Housing for the Elderly and the Section 811 Supportive Housing for Persons With Disabilities Programs are also important vehicles for providing affordable housing and supportive services for these needy groups.

Last, the Federal response to the housing affordability crisis must also include effective programs to maximize investment in distressed areas to provide economic opportunities for struggling American families. In this regard, core HUD programs such as Community Development Block Grants (CDBG), the Section 108 Loan Guarantee Program, and the Economic Development Initiative will play a strong role. In addition, new economic development resources available to HUD, including funding for a second round of Empowerment Zones and for the America's Private Investment Companies (APIC) initiative, will help reinvigorate communities and provide new job opportunities where they are needed most.

Federal housing programs must be supported and complemented by continued State and local efforts if the attempt to reduce worst case needs is to be successful. Such efforts should include careful consideration of worst case needs and local market conditions in the consolidated planning process and recognition of pressing needs for affordable housing by State tax credit allocation agencies. State and local agencies responsible for administering the CDBG and HOME block grant programs can address worst case needs by appropriately targeting assistance to needy families and to specific needs within their local jurisdictions (such as local shortages of apartments suitable for families with children, the elderly or the disabled) or pressing needs for rehabilitating inadequate housing. In deciding among competing demands, State and local agencies administering the CDBG and HOME programs should seriously consider the relative needs for rental assistance and affordable rental housing in their jurisdictions. Local public housing authorities can aid these efforts by developing appropriate local admission preferences and by setting the Section 8 payment standard at levels that allow effective use of vouchers in local rental markets.

Finally, additional resources to further address the affordable housing crisis may be available from surplus funds generated by the improved performance of the Federal Housing Administration and its Mutual Mortgage Insurance (MMI) Fund. In FY99 the FHA MMI Fund had a surplus of \$16 billion—more than \$5 billion above the total value reported for FY98. These surplus funds can be an important source of additional funds to enhance HUD's affordable housing efforts. In fact, on March 7, 2000, President Clinton directed HUD and OMB to prepare recommendations for how best to use newly available funds to further strengthen Federal housing programs and enhance comprehensive affordable housing opportunities. HUD will develop recommendations for the use of these funds to further strengthen Federal housing programs and enhance comprehensive affordable housing opportunities.

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 the bipartisan efforts of the Administration and Congress working together, the Federal Government is experiencing a budget surplus for the first time in 30 years. However, too many Americans have not shared in these triumphs of American productivity and fiscal prudence. A bold expansion in Federal assistance for affordable housing is needed to help fulfill the Nation's commitment to its neediest citizens for a decent and affordable home in a suitable living environment.

Appendix A

Data on Housing Problems and Supplies of Affordable Housing

Table A-1	Housing Conditions of U.S. Renters and Owners, 1997, by Relative Income
Table A-2	Housing Conditions of All Renters and Owners, 1991, 1993, 1995, and 1997
Table A-3	Income Distribution and Ownership Rates of All Households With and Without Children, 1978, 1991, and 1997
Table A-4	Housing Problems of Very-Low-Income Renters by Household Type, 1991, 1993, 1995, and 1997
Table A-5	Housing Problems and Characteristics of Very-Low-Income Renters by Household Type, 1997
Table A-6	Housing Problems and Characteristics of Worst Case Renters by Household Type, 1997
Table A-7	Detailed Housing Problems of Worst Case Renters by Household Type, 1997
Table A-8	Housing Problems Among Very-Low-Income Renters by Race and Ethnicity, 1991, 1993, 1995, and 1997
Table A-9	Housing Problems Among Very-Low-Income Renters by Region, 1991, 1993, 1995, and 1997
Table A-10	Housing Problems Among Very-Low-Income Renters by Metropolitan Location, 1991, 1993, 1995, and 1997
Table A-11	Assistance and Worst Case Needs Among Very-Low-Income Renters by Region and Location, 1997
Table A-12	Housing Problems, Characteristics, and Earnings of Non-Elderly Renters by Relative Income and Household Type, 1997
Table A-13	Assisted Renters and Percent with Wages as Primary Source of Income, by Household Type and Relative Income, 1999
Table A-14	Measures of Housing Mismatch: Numbers of Affordable Units Per 100 Renters with Incomes Below 30 Percent or 50 Percent of Area Median Income by Region, 1991, 1993, 1995, and 1997

Table A-1
Housing Conditions of U.S. Renters and Owners, 1997, by Relative Income

	Household Income as % of HUD-Adjusted Area Median Family Income				All
	(0-50%)	(51-80%)	(81-120%)	(121%+)	Incomes
Number of Renter					
Households With (Thousands):	14,519	6,330	6,353	6,797	34,000
Rent Burden >50% of Income	6,395	222	33	36	6,686
Rent Burden 31-50% of Income	4,124	1,955	529	171	6,778
Severely Inadequate Housing	613	188	137	133	1,072
Moderately Inadequate Housing	1,591	518	434	479	3,021
Crowded Housing	1,153	399	206	133	1,891
Multiple Problems*	2,171	289	67	57	2,585
No Problems	3,021	3,345	5,080	5,903	17,350
Assisted	4,077	636	430	465	5,608
Priority Problems**	5,379	377	157	152	6,065
Other Problems***	3,407	2,379	1,036	670	7,493
Unassisted, No Problems	1,656	2,938	4,731	5,511	14,835
Number of Owners					
Households with (Thousands):	12,263	8,893	12,117	32,213	65,486
Cost Burden >50% of Income	4,310	720	300	207	5,537
Cost Burden 31-50% of Income	2,783	1,910	1,882	1,762	8,337
Severely Inadequate Housing	269	101	126	228	725
Moderately Inadequate Housing	645	395	422	708	2,170
Crowded Housing	250	239	191	237	916
Multiple Problems	579	195	141	110	1,025
No Problems	4,606	5,729	9,339	29,182	48,855
Priority Problems	4,503	818	426	436	6,182
Other Problems	3,155	2,347	2,352	2,596	10,449
Percent of Renter Households With:					
Rent Burden >50% of Income	44%	4%	1%	1%	20%
Rent Burden 31-50% of Income	28%	31%	8%	3%	20%
Severely Inadequate Housing	4%	3%	2%	2%	3%
Moderately Inadequate Housing	11%	8%	7%	7%	9%
Crowded Housing	8%	6%	3%	2%	6%
Multiple Problems	15%	5%	1%	1%	8%
No Problems	21%	53%	80%	87%	51%
Assisted	28%	10%	7%	7%	16%
Priority Problems	37%	6%	2%	2%	18%
Other Problems	23%	38%	16%	10%	22%
Unassisted, No Problems	11%	46%	74%	81%	44%
Percent of Owner Households With:					
Cost Burden >50% of Income	35%	8%	2%	1%	8%
Cost Burden 31-50% of Income	23%	21%	16%	5%	13%
Severely Inadequate Housing	2%	1%	1%	1%	1%
Moderately Inadequate Housing	5%	4%	3%	2%	3%
Crowded Housing	2%	3%	2%	1%	1%
Multiple Problems	5%	2%	1%	0%	2%
No Problems	38%	64%	77%	91%	75%
Priority Problems	37%	9%	4%	1%	9%
Other Problems	26%	26%	19%	8%	16%

* Two or three of the following: rent burden >30 percent, severe or moderate physical problems, and overcrowding.

** Housing costs >50 percent of income or severely inadequate housing among unassisted households.

*** Rent burden 31-50 percent of income, moderate physical problems, or overcrowding, but no priority problems among unassisted households.

Source: HUD-PD&R tabulations from the 1997 American Housing Survey

**Table A-2
Housing Conditions of All Renters and Owners, 1991, 1993, 1995, and 1997**

	1991	1993	1995	1997
Number of Renter Households With (Thousands):				
Rent Burden >50% of Income	33,351	33,472	34,150	34,000
Rent Burden 31-50% of Income	5,426	5,947	6,187	6,686
Severely Inadequate Housing*	6,938	7,157	7,385	6,778
Moderately Inadequate Housing*	1,347	909	849	1,072
Crowded	2,375	2,254	2,277	3,021
<i>Priority Problems</i>	1,644	1,503	1,673	1,891
<i>Other Problems</i>	5,531	5,671	5,737	6,065
<i>No Problems</i>	7,332	7,287	7,637	7,493
<i>Assisted**</i>	15,687	15,489	15,546	14,835
	4,801	5,025	5,230	5,608
Number of Owner Households With (Thousands):				
Cost Burden >50% of Income	59,796	61,251	63,544	65,487
Cost Burden 31-50% of Income	3,432	3,778	4,913	5,537
Severely Inadequate Housing	7,171	7,176	8,053	8,337
Moderately Inadequate Housing	1,527	992	1,173	725
Crowded	2,156	1,971	2,071	2,170
<i>Priority Problems</i>	883	883	881	916
<i>Other Problems</i>	4,838	4,678	5,957	6,182
<i>No Problems</i>	9,268	9,112	10,042	10,449
	45,690	47,461	47,545	48,855
Percent of Renter Households With:				
Rent Burden >50% of Income	16.3%	17.8%	18.1%	19.7%
Rent Burden 31-50% of Income	20.8%	21.4%	21.6%	19.9%
Severely Inadequate	4.0%	2.7%	2.5%	3.2%
Moderately Inadequate	7.1%	6.7%	6.7%	8.9%
Crowded	4.9%	4.5%	4.9%	5.6%
<i>Priority Problems</i>	16.6%	16.9%	16.8%	17.8%
<i>Other Problems</i>	22.0%	21.8%	22.4%	22.0%
<i>No Problems</i>	47.0%	46.3%	45.5%	43.6%
<i>Assisted</i>	14.4%	15.0%	15.3%	16.5%
Percent of Owner Households With:				
Cost Burden >50% of Income	5.7%	6.2%	7.7%	8.5%
Cost Burden 31-50% of Income	12.0%	11.7%	12.7%	12.7%
Severely Inadequate Housing	2.6%	1.6%	1.8%	1.1%
Moderately Inadequate Housing	3.6%	3.2%	3.3%	3.3%
Crowded	1.5%	1.4%	1.4%	1.4%
<i>Priority Problems</i>	8.1%	7.6%	9.4%	9.4%
<i>Other Problems</i>	15.5%	14.9%	15.8%	16.0%
<i>No Problems</i>	76.4%	77.5%	74.8%	74.6%
* Questions about inadequate housing changed between 1995 and 1997.				
** So that data from earlier years are more comparable to the 1997 definition, includes households reporting State or local assistance.				
Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys				

Table A-3
Income Distribution and Ownership Rates of All Households
With and Without Children, 1978, 1991, and 1997

	Household Income as Percent of HUD-Adjusted Area Median Income				Total
	0-50%	51-80%	81-120%	121%+	
Income Distribution					
Households (Thousands)					
With Children, 1978	6,651	6,765	8,525	10,325	32,266
% Distribution	21%	21%	26%	32%	100%
Without Children, 1978	13,557	8,403	9,039	14,124	45,123
% Distribution	30%	19%	20%	31%	100%
With Children, 1991	8,827	6,227	7,820	11,711	34,585
% Distribution	26%	18%	23%	34%	100%
Without Children, 1991	16,600	10,223	12,214	19,524	58,561
% Distribution	28%	17%	21%	33%	100%
With Children, 1997	8,887	5,702	7,218	15,186	36,993
% Distribution	24%	15%	20%	41%	100%
Without Children, 1997	17,895	9,522	11,251	23,824	62,492
% Distribution	29%	15%	18%	38%	100%
Owner Households (Thousands)					
With Children, 1978	2,487	4,260	6,631	9,222	22,600
Ownership Rate	37%	63%	78%	89%	70%
Without Children, 1978	7,038	4,821	5,402	10,608	27,869
Ownership Rate	52%	57%	60%	75%	62%
With Children, 1991	2,693	3,404	5,565	10,282	21,944
Ownership Rate	31%	55%	71%	88%	63%
Without Children, 1991	8,717	6,219	7,552	15,361	37,849
Ownership Rate	53%	61%	62%	79%	65%
With Children, 1997	2,692	3,150	5,123	13,299	24,264
Ownership Rate	30%	55%	71%	88%	66%
Without Children, 1997	9,571	5,743	6,994	18,914	41,222
Ownership Rate	53%	60%	62%	79%	66%
Source: HUD-PD&R tabulations from the 1978, 1991, and 1997 American Housing Surveys					

Table A-4
Housing Problems of Very-Low-Income Renters by Household Type,
1991, 1993, 1995, and 1997

	Number of Households (Thousands)				As Percent of Households				Change 1991-97
	1991	1993	1995	1997	1991	1993	1995	1997	
Elderly	3,574	3,631	3,341	3,294					-8%
<i>Priority Problems</i>	1,103	1,142	1,051	1,189	31%	31%	31%	36%	8%
Severe Physical Problems	128	95	67	88	4%	3%	2%	3%	-32%
Rent Burden >50%	1,015	1,085	1,000	1,129	28%	30%	30%	34%	11%
Rent Burden Only	922	989	936	1,011	26%	27%	28%	31%	10%
<i>Other Problems</i>	675	665	511	525	19%	18%	15%	16%	-22%
Moderate Physical Problems	155	132	109	113	4%	4%	3%	3%	-27%
Rent Burden 31-50%	599	588	455	465	17%	16%	14%	14%	-22%
Crowded	0	0	0	0	0%	0%	0%	0%	0
<i>No Problems</i>	461	476	448	428	13%	13%	13%	13%	-7%
<i>Assisted*</i>	1,334	1,348	1,331	1,160	37%	37%	40%	35%	-13%
Families With Children	6,134	6,648	6,502	6,195					1%
<i>Priority Problems</i>	1,929	2,174	2,005	2,050	31%	33%	31%	33%	6%
Severe Physical Problems	189	164	127	174	3%	2%	2%	3%	-8%
Rent Burden >50%	1,822	2,083	1,923	1,920	30%	31%	30%	31%	5%
Rent Burden Only	1,239	1,525	1,411	1,431	20%	23%	22%	23%	16%
<i>Other Problems</i>	1,616	1,667	1,700	1,715	26%	25%	26%	28%	6%
Moderate Physical Problems	269	266	260	310	4%	4%	4%	5%	15%
Rent Burden 31-50%	1,296	1,384	1,397	1,433	21%	21%	21%	23%	11%
Crowded	432	437	527	499	7%	7%	8%	8%	16%
<i>No Problems</i>	635	622	646	619	10%	9%	10%	10%	-2%
<i>Assisted*</i>	1,954	2,185	2,151	1,875	32%	33%	33%	30%	-4%
Non-elderly Disabled**	537	476	559	660					23%
<i>Priority Problems</i>	208	153	214	224	39%	32%	38%	34%	8%
Severe Physical Problems	56	32	32	16	10%	7%	6%	2%	-72%
Rent Burden >50%	186	138	197	214	35%	29%	35%	32%	15%
Rent Burden Only	136	110	154	158	25%	23%	27%	24%	16%
<i>Other Problems</i>	54	40	56	78	10%	8%	10%	12%	45%
Moderate Physical Problems	24	14	10	20	5%	3%	2%	3%	-17%
Rent burden 31-50%	44	35	50	71	8%	7%	9%	11%	60%
Crowded	0	0	0	4	0%	0%	0%	1%	0
<i>No Problems</i>	14	36	35	46	3%	8%	6%	7%	225%
<i>Assisted</i>	261	247	253	320	49%	52%	45%	48%	23%
Other Households	3,769	3,993	4,160	4,431					18%
<i>Priority Problems</i>	1,555	1,728	1,903	1,917	41%	43%	46%	43%	23%
Severe Physical Problems	209	162	146	202	6%	4%	4%	5%	-3%
Rent Burden >50%	1,432	1,597	1,807	1,802	38%	40%	43%	41%	26%
Rent Burden Only	1,241	1,431	1,599	1,557	33%	36%	38%	35%	25%
<i>Other Problems</i>	1,131	1,204	1,128	1,088	30%	30%	27%	25%	-4%
Moderate Physical Problems	198	184	198	272	5%	5%	5%	6%	38%
Rent burden 31-50%	1,034	1,114	1,040	906	27%	28%	25%	20%	-12%
Crowded	11	28	25	41	0%	1%	1%	1%	262%
<i>No Problems</i>	693	584	587	558	18%	15%	14%	13%	-19%
<i>Assisted</i>	391	477	541	723	10%	12%	13%	16%	85%

* Includes households reporting State or local assistance.

** Nonfamily reporting SSI, which is the only proxy for persons with disabilities in the AHS.

Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Table A-5
Housing Problems and Characteristics of Very-Low-Income Renters
by Household Type, 1997

	Total*	Elderly, No Children	Families With Children	Other Families	Nonfamily Reporting SSI Income**	Other Non- family
Total Households (Thousands)	14,519	3,294	6,195	997	600	3,434
Number of Children	13,103	0	13,103	0	0	0
Number of Persons	34,708	4,193	23,267	2,300	679	4,270
Children/Household	0.90	0	2.12	0	0	0
Persons/Household	2.39	1.27	3.76	2.31	1.13	1.24
Number of Households With:						
<i>Priority Problems</i>	5,379	1,189	2,050	425	203	1,513
Severe Physical Problems	479	88	174	26	14	176
Rent Burden >50% of Income	5,066	1,129	1,922	408	194	1,412
Rent Burden Only	4,156	1,011	1,428	353	143	1,221
Multiple Problems	1,064	137	573	67	57	229
<i>Other Problems</i>	3,407	525	1,715	221	71	875
Moderate Physical Problems	716	113	309	47	18	227
Rent Burden 31-50% of Income	2,876	465	1,434	183	64	730
Rent Burden Only	2,249	412	983	156	53	645
Crowded	544	0	499	17	3	25
Multiple Problems	660	54	465	26	11	103
<i>Unassisted, No Problems</i>	1,656	420	555	142	35	504
<i>In Assisted Housing</i>	4,077	1,160	1,875	209	291	542
One Person in Household	5,882	2,558	77	0	527	2,721
Female Head	7,826	2,133	3,512	318	321	1,542
Minority Head	7,157	974	4,084	502	284	1,313
AFDC/SSI Income	3,305	550	1,998	157	600	0
Social Security Income	3,851	2,907	387	144	170	243
Income Below Poverty	8,596	1,661	4,100	586	503	1,746
Income <150% of Poverty	12,520	2,687	5,716	828	581	2,708
Income <30% Median	8,875	2,197	3,682	549	525	1,921
High School Graduate	9,257	1,587	3,769	700	328	2,872
<i>Earnings at Minimum Wage:</i>						
At Least Half Time	6,921	317	3,808	665	73	2,058
At Least Full Time	5,338	169	3,132	512	24	1,502
Earnings Main Source of Income	7,618	285	4,056	737	64	2,476
Housing Rated Poor***	1,501	212	737	88	62	401
Housing Rated Good	9,926	2,629	3,969	700	398	2,231
Neighborhood Rated Poor***	1,583	185	919	94	71	315
In Central Cities	7,483	1,521	3,242	448	344	1,927
South	4,483	885	1,992	345	147	1,114
West	3,753	703	1,834	266	153	796

Table A-5 (continued)

	Total*	Elderly, No Children	Families With Children	Other Families	Nonfamily Reporting SSI Income**	Other Non- family
Percentage of Households With:						
<i>Priority Problems</i>	37%	36%	33%	43%	34%	44%
Severe Physical Problems	3%	3%	3%	3%	2%	5%
Rent Burden >50% of Income	35%	34%	31%	41%	32%	41%
Rent Burden Only	29%	31%	23%	35%	24%	36%
Multiple Problems	7%	4%	9%	7%	10%	7%
<i>Other Problems</i>	23%	16%	28%	22%	12%	25%
Moderate Physical Problems	5%	3%	5%	5%	3%	7%
Rent Burden 31-50% of Income	20%	14%	23%	18%	11%	21%
Rent Burden Only	15%	12%	16%	16%	9%	19%
Crowded	4%	0%	8%	2%	1%	1%
Multiple Problems	5%	2%	8%	3%	2%	3%
<i>Unassisted, No Problems</i>	11%	13%	9%	14%	6%	15%
<i>In Assisted Housing</i>	28%	35%	30%	21%	48%	16%
One Person in Household	41%	78%	1%	0%	88%	79%
Female Head	54%	65%	57%	32%	53%	45%
Minority Head	49%	30%	66%	50%	47%	38%
AFDC/SSI Income	23%	17%	32%	16%	100%	0%
Social Security Income	27%	88%	6%	14%	28%	7%
Income Below Poverty	59%	50%	66%	59%	84%	51%
Income <150% of Poverty	86%	82%	92%	83%	97%	79%
Income <30% Median	61%	67%	59%	55%	88%	56%
High School Graduate	64%	48%	61%	70%	55%	84%
<i>Earnings at Minimum Wage:</i>						
At Least Half Time	48%	10%	61%	67%	12%	60%
At Least Full Time	37%	5%	51%	51%	4%	44%
<i>Earnings Main Source of Income</i>	52%	9%	65%	74%	11%	72%
<i>Housing Rated Poor</i>	10%	6%	12%	9%	10%	12%
<i>Housing Rated Good</i>	68%	80%	64%	70%	66%	65%
<i>Neighborhood Rated Poor</i>	11%	6%	15%	9%	12%	9%
<i>In Central Cities</i>	52%	46%	52%	45%	57%	56%
<i>South</i>	31%	27%	32%	35%	24%	32%
<i>West</i>	26%	21%	30%	27%	25%	23%

* May not add up due to rounding.

** AHS proxy for households with persons with disabilities.

*** Respondent rates housing or neighborhood quality 1-4 on scale of 1-10.

Source: HUD-PD&R tabulations from the 1997 American Housing Survey

Table A-6
Housing Problems and Characteristics of Worst Case Renters
by Household Type, 1997

	Total	Elderly, No Children	Families With Children	Other Families	Nonfamily Reporting SSI Income	Other Non- Family
Households With Priority Problems (Thousands)	5,379	1,189	2,050	425	203	1,513
Number of Children	4,315	0	4,315	0	0	0
Number of Persons	12,281	1,549	7,613	961	220	1,939
Children/Household	.80	.00	2.11	.00	.00	.00
Persons/Household	2.28	1.30	3.71	2.26	1.08	1.28
Number of Households With:						
Severe Physical Problems	479	88	174	26	14	176
Rent Burden >50% of Income	5,066	1,129	1,922	408	194	1,412
Rent Burden Only	4,156	1,011	1,428	353	143	1,221
Multiple Problems	1,064	137	573	67	57	229
Crowded Housing	410	3	365	3	8	32
One Person in Household	2,248	885	0	0	187	1,146
Female Head, No Husband	2,923	740	1,221	141	84	737
Minority Head	2,441	303	1,299	196	103	539
AFDC/SSI Income	1,082	165	659	55	203	0
Social Security Income	1,376	1,062	118	67	50	80
Income Below Poverty	3,889	681	1,719	300	193	996
Income <150% of Poverty	4,965	1,022	1,978	394	203	1,369
Income <30% Median	4,161	891	1,682	297	191	1,100
High School Graduate	3,608	674	1,222	311	115	1,286
Earnings at Minimum Wage:						
At Least Half Time	2,276	95	1,042	284	6	849
At Least Full Time	1,481	47	763	189	2	479
Earnings Main Source of Income	2,917	100	1,237	344	16	1,220
Housing Rated Poor	663	90	281	47	28	218
Housing Rated Good	3,558	889	1,296	292	117	964
Neighborhood Rated Poor	549	82	274	31	30	132
Central City	2,748	550	1,076	151	129	843
South	1,629	321	592	154	41	520
West	1,498	301	668	110	55	364
Percent of Worst Case Households With:						
Severe Physical Problems	9%	7%	9%	6%	7%	12%
Rent Burden >50% of Income	94%	95%	94%	96%	96%	93%
Rent Burden Only	77%	85%	70%	83%	71%	81%
Multiple Problems	20%	11%	28%	16%	28%	15%
Crowded Housing	8%	0%	18%	1%	4%	2%
One Person in Household	42%	74%	1%	0%	92%	76%
Female Head, No Husband	54%	62%	60%	33%	41%	49%
Minority Head	45%	26%	63%	46%	51%	36%
AFDC/SSI Income	20%	14%	32%	13%	100%	0%
Social Security Income	26%	89%	6%	16%	25%	5%
Income Below Poverty	72%	57%	84%	71%	95%	66%
Income <150% of Poverty	92%	86%	96%	93%	100%	91%
Income <30% Median	77%	75%	82%	70%	94%	73%
High School Graduate	67%	57%	60%	73%	57%	85%
Earnings at Minimum Wage:						
At Least Half Time	42%	8%	51%	67%	3%	56%
At Least Full Time	28%	4%	37%	45%	1%	32%
Earnings Main Source of Income	54%	8%	60%	81%	8%	81%

Table A-6 (continued)

Housing Rated Poor	12%	8%	14%	11%	14%	14%
Housing Rated Good	66%	75%	63%	69%	58%	64%
Neighborhood Rated Poor	10%	7%	13%	7%	15%	9%
Central City	51%	46%	53%	35%	63%	56%
South	30%	27%	29%	36%	20%	34%
West	28%	25%	33%	26%	27%	24%

Source: HUD-PD&R tabulations from the 1997 American Housing Survey

**Table A-7
Detailed Housing Problems of Worst Case Renters by Household Type, 1997**

	Elderly		Family		Nonfamily		Total	
Severe Physical Problems								
Only	42	4%	53	2%	65	4%	159	3%
And Rent Burden >50% of Income	28	2%	56	2%	81	5%	165	3%
And Other Problem(s)	18	2%	92	4%	45	3%	154	3%
Rent Burden >50% of Income								
Only	1,011	85%	1,781	72%	1,365	80%	4,156	77%
And Moderate Physical Problems but Uncrowded	88	7%	186	8%	153	9%	427	8%
And Moderate Physical Problems and Crowded	0	0%	49	2%	8	0%	57	1%
And Crowded but Adequate	3	0%	257	10%	0	0%	260	5%
Total	1,189	100%	2,474	100%	1,716	100%	5,379	100%
Source: HUD-PD&R tabulations from the 1997 American Housing Survey								

Table A-8
Housing Problems Among Very-Low-Income Renters by Race and Ethnicity,
1991, 1993, 1995, and 1997

	Number of Households (Thousands)				As Percent of Households				Change 1991-97
	1991	1993	1995	1997	1991	1993	1995	1997	
Non-Hispanic White	7,908	8,127	7,579	7,362					-7%
<i>Priority Problems</i>	2,888	2,970	2,835	2,939	37%	37%	37%	40%	2%
Severe Physical Problems*	329	231	165	200	4%	3%	2%	3%	-39%
Rent Burden >50% of Income	2,690	2,822	2,713	2,809	34%	35%	36%	38%	4%
Rent Burden Only	2,347	2,528	2,440	2,481	30%	31%	32%	34%	6%
<i>Other Problems</i>	1,922	2,040	1,752	1,670	24%	25%	23%	23%	-13%
Moderate Physical Problems*	278	243	271	309	4%	3%	4%	4%	11%
Rent Burden 31-50% of Income	1,729	1,859	1,592	1,472	22%	23%	21%	20%	-15%
Crowded	92	130	97	81	1%	2%	1%	1%	-12%
<i>No Problems</i>	1,248	1,185	1,137	1,009	16%	15%	15%	14%	-19%
<i>Assisted**</i>	1,849	1,933	1,857	1,741	23%	24%	25%	24%	-6%
Non-Hispanic Black	3,525	3,525	3,725	3,676					2%
<i>Priority Problems</i>	973	1,070	1,107	1,097	28%	29%	30%	31%	13%
Severe Physical Problems	135	99	107	130	4%	3%	3%	4%	-4%
Rent Burden >50% of Income	886	1,001	1,039	1,014	25%	27%	28%	28%	14%
Rent Burden Only	622	762	788	764	18%	20%	21%	21%	23%
<i>Other Problems</i>	775	743	698	711	22%	20%	19%	20%	-8%
Moderate Physical Problems	247	228	155	189	7%	6%	4%	5%	-24%
Rent Burden 31-50% of Income	615	609	605	580	17%	16%	16%	16%	-6%
Crowded	92	80	80	84	3%	2%	2%	2%	-9%
<i>No Problems</i>	305	283	277	301	9%	8%	8%	8%	-2%
<i>Assisted</i>	1,471	1,627	1,594	1,479	42%	44%	43%	41%	1%
Hispanic Origin	2,010	2,214	2,584	2,723					35%
<i>Priority Problems</i>	711	872	930	1,033	35%	39%	36%	38%	45%
Severe Physical Problems	91	100	81	123	5%	5%	3%	5%	35%
Rent Burden >50% of Income	669	809	887	952	33%	37%	34%	35%	42%
Rent Burden Only	419	557	638	661	21%	25%	25%	24%	57%
<i>Other Problems</i>	636	630	776	802	32%	28%	30%	29%	26%
Moderate Physical Problems	89	100	119	175	4%	5%	5%	6%	97%
Rent Burden 31-50% of Income	516	505	591	642	26%	23%	23%	24%	24%
Crowded	228	211	348	323	11%	10%	13%	12%	42%
<i>No Problems</i>	190	185	240	266	9%	8%	9%	10%	40%
<i>Assisted</i>	473	527	638	622	24%	24%	25%	23%	31%

* Questions about inadequate housing changed between 1995 and 1997.
** Includes households reporting State or local assistance.
Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Table A-9
Housing Problems Among Very-Low-Income Renters by Region,
1991, 1993, 1995, and 1997

	Number of Households (Thousands)				As Percent of Households				Change 1991-97
	1991	1993	1995	1997	1991	1993	1995	1997	
Northeast	3,076	3,288	3,319	3,354					9%
<i>Priority Problems</i>	1,061	1,218	1,232	1,295	34%	37%	37%	39%	22%
Severe Physical Problems*	168	135	122	153	5%	4%	4%	5%	-9%
Rent Burden >50% of Income	971	1,143	1,155	1,205	32%	35%	35%	36%	24%
Rent Burden Only	785	925	979	1,007	26%	28%	30%	30%	28%
<i>Other Problems</i>	571	604	553	570	19%	18%	17%	17%	0%
Moderate Physical Problems*	83	47	72	96	3%	1%	2%	3%	15%
Rent Burden 31-50% of Income	520	578	510	495	17%	18%	15%	15%	-5%
Crowded	58	61	42	71	2%	2%	1%	2%	24%
<i>No Problems</i>	348	308	277	340	11%	9%	8%	10%	-2%
<i>Assisted**</i>	1,097	1,158	1,257	1,150	36%	35%	38%	34%	5%
Midwest	3,342	3,446	3,014	2,930					-12%
<i>Priority Problems</i>	956	1,126	973	958	29%	33%	32%	33%	0%
Severe Physical Problems	124	91	0	98	4%	3%		3%	-21%
Rent Burden >50% of Income	874	1,064	913	896	26%	31%	30%	31%	2%
Rent Burden Only	733	934	791	759	22%	27%	26%	26%	4%
<i>Other Problems</i>	847	754	636	659	25%	22%	21%	23%	-22%
Moderate Physical Problems	74	79	80	118	2%	2%	3%	4%	61%
Rent Burden 31-50% of Income	786	683	567	568	24%	20%	19%	19%	-28%
Crowded	66	75	42	59	2%	2%	1%	2%	-11%
<i>No Problems</i>	522	487	407	413	16%	14%	14%	14%	-21%
<i>Assisted</i>	1,017	1,079	997	900	30%	31%	33%	31%	-11%
South	4,535	4,768	4,534	4,483					-1%
<i>Priority Problems</i>	1,461	1,491	1,430	1,629	32%	31%	32%	36%	11%
Severe Physical Problems	174	133	109	144	4%	3%	2%	3%	-17%
Rent Burden >50% of Income	1,350	1,385	1,354	1,527	30%	29%	30%	34%	13%
Rent Burden Only	1,033	1,155	1,100	1,239	23%	24%	24%	28%	20%
<i>Other Problems</i>	1,288	1,326	1,194	1,110	28%	28%	26%	25%	-14%
Moderate Physical Problems	376	380	318	313	8%	8%	7%	7%	-17%
Rent Burden 31-50% of Income	997	1,057	985	897	22%	22%	22%	20%	-10%
Crowded	151	132	161	110	3%	3%	4%	2%	-27%
<i>No Problems</i>	605	619	675	585	13%	13%	15%	13%	-3%
<i>Assisted</i>	1,181	1,332	1,200	947	26%	28%	26%	21%	-20%
West	3,060	3,246	3,696	3,753					23%
<i>Priority Problems</i>	1,318	1,362	1,538	1,498	43%	42%	42%	40%	14%
Severe Physical Problems	117	94	60	84	4%	3%	2%	2%	-28%
Rent Burden >50% of Income	1,260	1,311	1,505	1,437	41%	40%	41%	38%	14%
Rent Burden Only	988	1,042	1,229	1,150	32%	32%	33%	31%	16%
<i>Other Problems</i>	769	891	1,012	1,068	25%	27%	27%	28%	39%
Moderate Physical Problems	114	92	105	188	4%	3%	3%	5%	65%
Rent Burden 31-50% of Income	672	803	879	915	22%	25%	24%	24%	36%
Crowded	169	197	307	305	6%	6%	8%	8%	81%
<i>No Problems</i>	328	305	356	317	11%	9%	10%	8%	-3%
<i>Assisted</i>	645	689	789	869	21%	21%	21%	23%	35%

* Questions about inadequate housing changed between 1995 and 1997.
** Includes households reporting State or local assistance.
Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Table A-10
Housing Problems Among Very-Low-Income Renters
by Metropolitan Location, 1991, 1993, 1995, and 1997

	Number of Households (Thousands)				As Percent of Households				Change 1991-97
	1991	1993	1995	1997	1991	1993	1995	1997	
Central Cities	7,164	7,426	7,269	7,483					4%
<i>Priority Problems</i>	2,442	2,757	2,648	2,749	34%	37%	36%	37%	13%
Severe Physical Problems*	294	272	199	297	4%	4%	3%	4%	1%
Rent Burden >50% of Income	2,270	2,589	2,529	2,559	32%	35%	35%	34%	13%
Rent Burden Only	1,751	2,073	2,061	2,056	24%	28%	28%	27%	17%
<i>Other Problems</i>	1,768	1,700	1,656	1,781	25%	23%	23%	24%	1%
Moderate Physical Problems*	320	277	273	405	4%	4%	4%	5%	26%
Rent Burden 31-50% of Income	1,520	1,500	1,433	1,486	21%	20%	20%	20%	-2%
Crowded	267	238	301	328	4%	3%	4%	4%	23%
<i>No Problems</i>	762	687	663	748	11%	9%	9%	10%	-2%
<i>Assisted**</i>	2,192	2,282	2,302	2,202	31%	31%	32%	29%	0%
Suburbs	4,356	4,770	4,860	4,561					5%
<i>Priority Problems</i>	1,655	1,735	1,820	1,847	38%	36%	37%	41%	12%
Severe Physical Problems	167	110	98	93	4%	2%	2%	2%	-44%
Rent Burden >50% of Income	1,562	1,663	1,748	1,795	36%	35%	36%	39%	15%
Rent Burden Only	1,307	1,444	1,501	1,530	30%	30%	31%	34%	17%
<i>Other Problems</i>	1,150	1,307	1,238	1,030	26%	27%	25%	23%	-10%
Moderate Physical Problems	133	173	154	166	3%	4%	3%	4%	25%
Rent Burden 31-50% of Income	1,016	1,172	1,094	907	23%	25%	23%	20%	-11%
Crowded	119	186	201	166	3%	4%	4%	4%	40%
<i>No Problems</i>	594	616	663	528	14%	13%	14%	12%	-11%
<i>Assisted</i>	957	1,112	1,139	1,156	22%	23%	23%	25%	21%
Nonmetropolitan Areas	2,493	2,553	2,433	2,475					-1%
<i>Priority Problems</i>	698	704	706	784	28%	28%	29%	32%	12%
Severe Physical Problems	121	71	75	89	5%	3%	3%	4%	-27%
Rent Burden >50% of Income	624	652	650	711	25%	26%	27%	29%	14%
Rent Burden Only	482	538	537	571	19%	21%	22%	23%	18%
<i>Other Problems</i>	557	570	502	596	22%	22%	21%	24%	7%
Moderate Physical Problems	193	146	149	145	8%	6%	6%	6%	-25%
Rent Burden 31-50% of Income	438	450	415	482	18%	18%	17%	19%	10%
Crowded	58	41	50	50	2%	2%	2%	2%	-13%
<i>No Problems</i>	447	416	389	376	18%	16%	16%	15%	-16%
<i>Assisted</i>	791	863	837	719	32%	34%	34%	29%	-9%
U.S. Total	14,013	14,749	14,563	14,519					4%
<i>Priority Problems</i>	4,795	5,196	5,174	5,380	34%	35%	36%	37%	12%
Severe Physical Problems	583	453	372	479	4%	3%	3%	3%	-18%
Rent Burden >50% of Income	4,456	4,903	4,927	5,066	32%	33%	34%	35%	14%
Rent Burden Only	3,539	4,055	4,099	4,156	25%	27%	28%	29%	17%
<i>Other Problems</i>	3,475	3,577	3,396	3,407	25%	24%	23%	23%	-2%
Moderate Physical Problems	646	596	575	716	5%	4%	4%	5%	11%
Rent Burden 31-50% of Income	2,974	3,122	2,942	2,875	21%	21%	20%	20%	-3%
Crowded	443	465	552	544	3%	3%	4%	4%	23%
<i>No Problems</i>	1,803	1,718	1,716	1,652	13%	12%	12%	11%	-8%
<i>Assisted</i>	3,940	4,257	4,278	4,078	28%	29%	29%	28%	3%

* Questions about inadequate housing changed between 1995 and 1997.
** Includes households reporting State or local assistance.
Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Table A-11
Assistance and Worst Case Needs Among Very-Low-Income Renters
by Region and Location, 1997

	Very-Low- Income Renters	Assisted		Worst Case		Percent of Worst Case	
		Thousands	Percent	Thousands	Percent	With Rent Burden Only	Needing Other Housing*
Northeast	3,354	1,150	34%	1,295	39%	78%	16%
Central Cities	2,019	727	36%	758	38%	74%	20%
Suburbs	1,015	293	29%	435	43%	83%	12%
Non-Metro	320	129	40%	101	32%	82%	8%
Midwest	2,930	900	31%	958	33%	79%	14%
Central Cities	1,430	435	30%	511	36%	73%	17%
Suburbs	764	236	31%	232	30%	91%	7%
Non-Metro	737	229	31%	216	29%	81%	13%
South	4,483	1,158	26%	1,629	36%	76%	14%
Central Cities	2,126	574	27%	721	34%	75%	15%
Suburbs	1,409	334	24%	583	41%	85%	11%
Non-Metro	948	251	26%	325	34%	64%	17%
West	3,753	869	23%	1,498	40%	77%	15%
Central Cities	1,909	467	24%	758	40%	76%	17%
Suburbs	1,373	293	21%	597	44%	78%	14%
Non-Metro	471	110	23%	142	30%	73%	14%
United States	14,519	4,077	28%	5,379	37%	77%	15%
Central Cities	7,483	2,202	29%	2,748	37%	75%	17%
Suburbs	4,561	1,156	25%	1,847	40%	83%	12%
Non-Metro	2,475	719	29%	784	32%	73%	14%

*Current housing is severely inadequate or has too few bedrooms.
Source: HUD-PD&R tabulations from the 1997 American Housing Survey

Table A-12
Housing Problems, Characteristics, and Earnings of Non-Elderly Renters by
Relative Income and Household Type, 1997

	Income as % of HUD-Adjusted Area Median Income						
	Total	0-20%	21-30%	31-50%	51-60%	61-80%	81-100%
Renters With Children (Thousands)	12,729	2,373	1,354	2,512	987	1,564	1,208
Children/Household	1.9	2.3	2.2	1.9	1.9	1.9	1.8
Persons/Household	3.8	3.7	3.9	3.7	3.9	3.8	3.7
Percent of Households With:							
<i>Priority Problems</i>	18	45	46	15	4	4	2
Severe Physical Problems	3	3	3	2	2	3	2
Rent Burden >50% of Income	16	43	44	12	2	1	0
Rent Burden Only	12	30	34	11	2	1	0
Multiple Problems	5	14	12	3	2	1	0
<i>Other Problems</i>	26	6	23	51	47	34	20
Moderate Physical Problems	6	2	5	8	10	7	5
Rent Burden 31-50% of Income	17	3	21	43	29	19	9
Rent Burden Only	13	2	11	32	26	16	9
Crowded	8	2	10	12	14	12	7
Multiple Problems	5	1	11	11	6	3	1
<i>Unassisted, No Problems</i>	37	6	4	16	36	52	71
<i>In Assisted Housing</i>	19	44	27	19	13	10	7
Female Head	41	69	52	47	35	35	28
Minority Head	52	70	68	61	49	43	37
AFDC/SSI Income	19	52	28	16	11	8	3
Social Security Income	6	5	9	6	5	5	6
Income Below Poverty	33	100	89	23	3	0	0
Income <150% of Poverty	50	100	99	82	35	14	1
High School Graduate	72	56	56	68	73	78	85
Earnings at Minimum Wage:							
At Least Half Time	80	19	79	91	96	97	98
At Least Full Time	74	6	59	87	96	97	97
Earnings Main Source of Income	80	35	76	88	95	95	96
Housing Rated Poor	11	15	11	10	12	10	9
Housing Rated Good	67	63	65	65	62	71	71
Neighborhood Rated Poor	11	18	15	12	11	8	8
Central City	44	59	49	48	42	40	36

Table A-12 (continued)

	Income as % of HUD-Adjusted Area Median Income						
	Total	0-20%	21-30%	31-50%	51-60%	61-80%	81-100%
Other Non-elderly Renters*	15,666	1,784	866	1,961	1,021	1,986	2,119
Persons/Household	1.6	1.4	1.5	1.5	1.5	1.6	1.6
Percent of Households With:							
<i>Priority Problems</i>	15	48	62	28	9	5	3
Severe Physical Problems	3	6	4	4	4	3	2
Rent Burden >50% of Income	12	46	60	25	5	2	1
Rent Burden Only	11	38	52	23	5	2	1
Multiple Problems	2	8	10	3	2	0	0
<i>Other Problems</i>	20	8	13	43	46	32	18
Moderate Physical Problems	7	7	2	7	9	5	6
Rent Burden 31-50% of Income	15	2	12	39	40	27	12
Rent Burden Only	13	1	11	35	37	26	11
Crowded	1	1	1	1	1	1	1
Multiple Problems	2	2	2	4	3	2	0
<i>Unassisted, No Problems</i>	55	26	4	16	36	55	73
<i>In Assisted Housing</i>	10	18	20	14	8	8	6
One Person in Household	52	63	62	61	58	56	54
Female Head	34	44	46	38	39	37	38
Minority Head	32	46	38	38	40	34	29
AFDC/SSI Income	1	4	6	2	1	1	0
Social Security Income	5	6	14	8	6	5	2
Income Below Poverty	16	100	67	7	0	0	0
Income <150% of Poverty	24	100	100	55	5	1	0
High School Graduate	88	80	79	83	84	87	91
Earnings at Minimum Wage:							
At Least Half Time	87	17	74	91	95	98	99
At Least Full Time	82	1	39	84	94	97	98
Earnings Main Source of Income	88	47	73	89	94	96	98
Housing Rated Poor	8	12	9	11	7	8	7
Housing Rated Good	71	63	70	68	70	69	71
Neighborhood Rated Poor	7	10	7	9	6	9	7
Central City	48	57	50	52	48	48	44

*Excludes nonfamily reporting SSI income.
Source: HUD-PD&R tabulations from the 1997 American Housing Survey

Table A-13
Assisted Renters and Percent with Wages as Primary Source of Income,
by Household Type and Relative Income, 1999

	Income as Percent of HUD-Adjusted Area Median Family Income						
	Total*	0-20%	21-30%	31-50%	51-60%	61-80%	>80%
All Households	4,198,253	1,699,710	1,246,469	1,001,953	132,498	82,905	34,718
Number With Wages**	1,008,107	213,312	253,396	401,516	69,429	46,875	23,501
Percent With Wages	24	13	20	40	52	57	68
Families With Children	1,854,324	919,429	396,405	426,039	60,116	35,804	16,529
Number With Wages	709,344	143,100	192,148	289,896	44,871	26,801	12,556
Percent With Wages	38	16	49	68	75	75	76
Non-elderly, No Disability	1,656,342	859,846	316,873	376,173	55,240	33,053	15,153
Number With Wages	728,524	151,931	197,749	294,673	44,738	26,704	12,671
Percent With Wages	44	18	62	78	81	81	84
Elderly Head	35,515	11,366	12,480	9,126	1,252	839	451
Number With Wages	3,769	389	648	1,574	499	412	247
Percent With Wages	11	3	5	17	40	49	55
Disabled Person in Family	162,467	48,216	67,052	40,739	3,624	1,912	925
Number With Wages	11,677	883	2,056	6,030	1,456	841	416
Percent With Wages	7	2	3	15	40	44	45
Elderly Without Children	1,301,782	307,426	534,594	386,445	42,509	24,171	6,641
Number With Wages	22,150	2,664	3,509	8,803	2,691	2,804	1,705
Percent With Wages	2	1	1	2	6	12	26
Non-elderly Adults With Disability, No Children	543,187	214,771	232,748	82,333	7,092	4,378	1,865
Number With Wages	22,494	3,174	4,601	10,102	2,118	1,677	811
Percent With Wages	4	2	2	12	30	38	44
Others Without Children	498,961	258,088	82,723	107,137	22,782	18,551	9,681
Number With Wages	219,479	54,322	44,823	80,325	17,928	14,434	7,650
Percent With Wages	44	21	54	75	79	78	79

* Excludes Indian housing.
** "With Wages" means at least 50 percent of family income came from wage, salary, or self-employment.
Source: HUD-PD&R tabulations from April 1999 program data (MTCS and TRACS)

Table A-14
Measures of Housing Mismatch: Numbers of Affordable* Units Per 100 Renters
with Incomes Below 30 Percent or 50 Percent of Area Median Income by
Region, 1991, 1993, 1995, and 1997

	1991		1993		1995		1997	
	Income as % of Area Median <30%	Income as % of Area Median <50%	Income as % of Area Median <30%	Income as % of Area Median <50%	Income as % of Area Median <30%	Income as % of Area Median <50%	Income as % of Area Median <30%	Income as % of Area Median <50%
All Units Affordable Below Cutoff/100 Renters With Income Below Cutoff								
U.S. Total	85	121	80	116	77	111	76	114
Northeast	82	108	70	99	72	100	68	104
Midwest	89	148	85	144	84	144	97	154
South	95	131	93	126	91	122	85	125
West	65	87	65	86	58	76	56	79
Available** Units Affordable Below Cutoff/100 Renters With Income Below Cutoff								
U.S. Total	47	75	46	74	44	69	36	68
Northeast	49	71	45	68	45	67	37	64
Midwest	51	89	48	88	48	84	43	85
South	54	83	53	81	48	76	38	73
West	30	52	32	54	31	49	27	51
Vacant Units Affordable Below Cutoff/100 Worst Case Needing Other Housing Below Cutoff								
U.S. Total	56	152	59	175	61	168	123	283
Northeast	43	94	43	104	58	118	87	118
Midwest	112	267	139	386	100	335	319	557
South	77	256	106	325	107	295	171	453
West	22	49	19	67	24	65	37	112

* Affordable assuming 30 percent of income is spent for rent.
** Units below cutoff vacant or occupied by households below cutoff.
Source: HUD-PD&R tabulations from the 1991, 1993, 1995, and 1997 American Housing Surveys

Appendix B

Glossary

Household and Family Types

Family—The “families” eligible for HUD programs have traditionally included households with relatives, households with children, elderly single persons age 62 or older, and single persons with disabilities. The Cranston-Gonzalez National Affordable Housing Act of 1990 broadened the statutory definition of “family” in a way that makes all households eligible for rental programs. In this report, however, the term “family” refers only to non-elderly “family households” in which one or more persons in the household are related to the householder by birth, marriage, or adoption.

Families with children—Households with a child under age 18 present.

Elderly—Household in which the head of household or spouse is age 62 or older and there are no children present.

Other families—Households with a non-elderly householder and no children in which at least one person is related to the householder by birth, marriage, or adoption.

Nonfamily households—Households with a single non-elderly person living alone or only with nonrelatives.

Households having members with disabilities—Ideally, this category should include all non-elderly households with adults who have disabilities. However, none of the available data sources count these households perfectly. The American Housing Survey (AHS) proxy used in this and previous reports is known to be an underestimate because it counts only single persons living alone or with nonrelatives who report receiving Supplemental Security Income (SSI) income. HUD program data show appreciably more households (without children) having members with disabilities receiving rental assistance than does the AHS proxy. SSI data on SSI recipients who are blind or have other disabilities permit more complete counts of very-low-income renters receiving HUD assistance or having a severe rent burden. Even these data exclude very-low-income persons who have disabilities with incomes above SSI levels.

Types of Income

Income—Income in the AHS is based on the respondent’s reply to questions about income during the 12 months prior to interview. It includes amounts reported for wage and salary income, net self-employment income, Social Security or railroad retirement income, public assistance or welfare payments, and all other money income, prior to deductions for taxes or any other purpose. Comparison to independent sources of data on household income suggest that AHS respondents underreport income by some 15 percent on average. In 1993, however, the AHS began asking more detailed questions on nonwage income, and the share of

households reporting nonwage income rose from 63 percent (in 1991) to 77 percent. Following HUD rules for income eligibility, the first three worst case reports also included imputed income from equity in an owned home as income for owners, but income from equity is not included in this report.

Family income—Reported income from all sources for the householder (the first household member 18 years or older who is the owner or renter of the housing unit) and other household members related to the householder.

Household income—Reported income from all sources for all household members.

Housing Problems

Overcrowding—The condition of having more than one person per room in a residence.

Rent or cost burden—Ratio between payments for housing (including utilities) and reported household income. The calculation used in this report is based on gross income reported for the previous 12 months. It does not make the adjustments to income required by housing assistance programs before percentage-of-income rents are determined. To the extent that respondents underreport total income, the AHS estimates overcount the number of households with cost burden.

Moderate rent or cost burden—Housing costs between 31 and 50 percent of reported income.

Severe rent or cost burden—Housing costs exceeding 50 percent of reported income.

Inadequate housing—Housing with severe or moderate physical problems, as defined in the AHS since 1984. These definitions are presented in Appendix A of the AHS published volumes in detail and in Appendix D of this report. Briefly, a unit is defined as having severe physical problems if it has severe problems in any of five areas: plumbing, heating, electrical system, upkeep, and hallways. It has moderate problems if it has problems in plumbing, heating, upkeep, hallways, or kitchen, but no severe problems. As Appendix C of this report details, some of the questions underlying definitions of inadequate housing were changed in the 1997 questionnaire.

Priority housing problems—Problems qualifying for Federal preference in admission to assisted housing programs between 1988 and 1996: paying more than one-half of income for rent (severe rent burden), living in severely substandard housing (including being homeless or in a homeless shelter), or being involuntarily displaced. Because the AHS sample tracks housing units and thus cannot count the homeless, AHS estimates of priority problems in this report include only households in housing units with cost burdens above 50 percent of income or housing with severe physical problems.

Income Categories

HUD-adjusted area median family income (HAMFI)—In 1974, Congress defined “low income” and “very low income” for HUD rental programs as incomes not exceeding 80 and 50 percent, respectively, of the area median family income, as adjusted by HUD. Statutory adjustments now include upper and lower caps for areas with low or high ratios of housing costs to income and, for each nonmetropolitan county, a lower cap equal to its State’s nonmetropolitan average. Estimates of the median family income and the official income cutoffs for each metropolitan area and nonmetropolitan county are based on the most recent decennial census results and then updated each year by HUD. Each base income cutoff is assumed to apply to a household of four, and official cutoffs are further adjusted by household size: one person, 70 percent of base; two persons, 80 percent; three persons, 90 percent; five persons, 108 percent; six persons, 116 percent; and so on.

Low income—Reported income not in excess of 80 percent of HAMFI or, if lower, the national median family income. According to the AHS, in 1997, 42 percent of U.S. households reported incomes that fell below the low-income cutoffs.

Very low income—Income not in excess of 50 percent of HAMFI. In 1997, 27 percent of U.S. households reported income below the very-low-income cutoffs.

Extremely low income—Income not in excess of 30 percent of HAMFI. In 1997, 16 percent of U.S. households reported income below 30 percent of HAMFI.

Poor—Household income below the official national poverty cutoffs for the United States for that household size. The poverty cutoff for a family of four approximates 33 percent of HAMFI. Forty-four percent of very-low-income households and 85 percent of extremely-low-income households are poor.

Middle income—For this report, income between 81 and 120 percent of HAMFI. About one-fifth of U.S. households (19 percent) reported income in this category in 1997.

Upper income—For this report, income above 120 percent of HAMFI. Almost two-fifths of U.S. households (39 percent) reported income in this category in 1997.

Rental Affordability Categories

Several Federal rental programs define “affordable” rents as those requiring not more than 30 percent of an income cutoff defined in relation to HAMFI. As discussed in Exhibit 4, for example, under the Low-Income Housing Tax Credit (LIHTC), housing units with rents up to (30 percent of) 60 percent of HAMFI qualify as affordable and eligible for the credit. This report generalizes the approach developed to define LIHTC maximum rents for units of different size to categorize units as affordable to incomes at or below 30 percent of HAMFI, between 31 and 50 percent of HAMFI, and above 50 percent of HAMFI. Gross rents for each unit, including payments for utilities, are compared to (30 percent of) HUD’s 30 percent and 50 percent of HAMFI income limits. The income limits are adjusted for number of bedrooms

using the formula codified at U.S.C. 42(g)(2)(C): no bedrooms, 70 percent of base; one bedroom, 75 percent; two bedrooms, 90 percent; three bedrooms, 104 percent; four bedrooms, 116 percent. This formula assumes that an efficiency houses 1 person, a one-bedroom unit houses 1.5 persons, and each additional bedroom houses another 1.5 persons. For vacant units, the costs of any utility that would be paid by an occupant were allocated using a hot deck technique with a matrix of structure type, AHS climate code, and eight categories of gross rent.

Housing Assistance Status

Receiving assistance—As discussed in Appendix C of this report, the AHS questions on receiving assistance were changed in both content and order in 1997. Formerly, the worst case reports characterized as “assisted” those households responding “yes” to the following AHS questions: “Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household’s income to someone every year so they can set the rent?”

In this report, however, the 1997 estimate of assisted households includes those responding affirmatively to one or more of the questions “As part of your rental agreement, do you need to answer questions about your income whenever your lease is up for renewal? (If so,) to whom do you report your income? Do you pay a lower rent because the government is paying part of the cost of the unit? Is the building owned by a public housing authority?” Because State and local assistance are not separately identified by these questions, the reestimates of assisted households done in this report for 1991, 1993, and 1995 added those households responding that “a State or local government pay[s] some of the cost of the unit” to the estimates made earlier from the questions listed above.

Worst case or with acute needs—Unassisted very-low-income renters with the priority housing problems that formerly gave them preference for admission to rental assistance programs. In this report, for the first time, unassisted renters exclude those reporting State or local assistance.

Location

(Standard) Metropolitan Statistical Area—From 1973 to 1983, the definitions of metropolitan location in Annual Housing Survey data corresponded to the 243 Standard Metropolitan Statistical Areas (SMSAs) used in the 1970 census. Since 1984, metropolitan location in the AHS has referred to the MSAs defined in 1983, based on the 1980 census.

Region—The four census regions are the Northeast, Midwest, South, and West.

Appendix C

Changes in the 1997 American Housing Survey and Their Impacts on Estimates of Worst Case Needs

The 1997 national American Housing Survey (AHS) surveyed the same sample of households as in 1995 and asked basically the same questions. Nevertheless, the procedures used in gathering and processing the data differ from those used in previous surveys in several important respects that affect all data gathered by the survey:

- It is the first time that the survey was conducted using Computer Assisted Personal Interviewing (CAPI). CAPI incorporated a wide range of improvements that had been identified during 2 years of research and testing. Skip patterns involving complex branching and calculations that would not have been appropriate with a paper questionnaire became simple with an automated instrument for the respondent and field representative. It was almost impossible for field representatives to skip appropriate questions. Online editing features reduced errors at the point of data collection. These changes should improve the quality of the data. In addition, the timeliness of data delivery will improve in the future. Nevertheless, responses to questions are likely to be affected in unknown ways by these changes, possibly making results for 1997 less comparable with earlier results, even when exactly the same questions were asked.
- The Census Bureau changed computer platforms from a UNISYS mainframe to a UNIX workstation and changed its processing software/language to SAS. These changes mean that all the software for processing the data, editing the data, allocating missing values, recoding and transforming variables, preparing tables, and estimating variances had to be rewritten.

Appendices A and C of the Census Bureau's published volume in the 1997 AHS (*American Housing Survey for the United States, 1997*, Current Housing Reports H150/97) provide more detail on all changes.

This report's estimates of worst case needs were also directly affected by changes in the questions used to identify households receiving rental assistance. In AHS data prior to 1997, households were counted as receiving Federal housing assistance if they answered "yes" to one of the following questions: "Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household's income to someone every year so they can set the rent?" Although the number and characteristics of households responding affirmatively to these questions were generally consistent with program data, detailed examination revealed that households often do not report their assistance status correctly. (See Duane T. McGough, *Characteristics of HUD-Assisted Renters and Their Units in 1998*, May 1997.) In particular, many of the households responding that "a State or local government pay[s] some of the cost of the unit" were found to participate in Federal assistance programs, suggesting that the past practice in worst case reports of counting such households as unassisted was misleading.

Based on research using focus groups of assisted households, a different battery of questions was developed to better identify receipt of housing assistance. Accordingly, the order and content of the AHS questions about housing assistance were changed. The questions now used to identify assisted households are: “As part of your rental agreement, do you need to answer questions about your income whenever your lease is up for renewal? (If so,) to whom do you report your income? Do you pay a lower rent because the government is paying part of the cost of the unit? Is the building owned by a public housing authority?”

As noted in the body of the report, this new battery of questions identifies 5.6 million households as receiving rental assistance, 400,000 more than the total of units with Federal, State, or local assistance reported in 1995. This total is consistent with the sum of all households actually assisted by Federal rental assistance programs run by HUD and the Department of Agriculture, low-income renters occupying units assisted by the Department of Treasury’s low-income housing tax credit (LIHTC), and State and local programs. It is unlikely, however, that the number is comparable to the 1995 estimate, or that the total number assisted actually grew by 400,000 over the 1995–97 period.

Because worst case needs also, by definition, include households with severe physical problems, the 1997 estimates are also affected by changes in questions and processing regarding plumbing and other physical problems. Many questions were changed in wording or sequence to allow respondents to concentrate sequentially on whether the problem occurred in their house, met the (more precise) definition, and occurred within the time period (such as the previous 3 months) specified. The revised questionnaire counts 1.8 million households as having severe physical problems in 1997. Although this estimate should be more accurate for 1997 than previous estimates were, it can not be directly compared with the 1995 count of 2 million. Specifically, it is unlikely that this accurately implies that the total number of units with severe physical problems fell by 200,000 between 1995 and 1997.

Income is another important component of the worst case needs determination. Some changes occurred in the collection of income data in 1997. Although the text of the questions remained the same, some persons—those age 21 or older who were related to the reference person and who did not contribute toward household expenses—were no longer asked separately about wage versus nonwage income. This change contributed to a drop in reporting nonwage income from 74 percent of households with one or more nonwage sources in 1995 to 64 percent in 1997. An accompanying upturn in those reporting wage income produced a median household income somewhat higher than the 1995 figure. However, the count of households with income less than \$5,000 rose by 540,000 between 1995 and 1997. The Census Bureau estimates that about 60 percent of the increase occurred in households reporting zero or negative household income. Although households with zero or negative income are by definition not included as households with severe rent burden, they nevertheless are counted as having extremely low incomes, and thus affect the measures of affordable units per household in the report.

To summarize, because of the improvements in AHS questions and processing, HUD believes that the 1997 estimates of worst case needs more accurately count households with severe physical problems and households not receiving assistance than did estimates from

earlier surveys, and thus provide a more reliable point-in-time estimate of worst case needs. Because of the major differences in questions identifying assistance and other differences in processing, however, the Census Bureau recommends against using differences between the 1995 and 1997 worst case needs estimates alone as indicative of trends.

Appendix D

Procedures Used to Estimate Housing Needs and Rental Affordability From American Housing Survey Data

To accurately estimate worst case needs for housing assistance from American Housing Survey (AHS) data, it is essential to determine whether household incomes fall below HUD's official very-low-income limits [50 percent of HUD-adjusted area median family income (HAMFI)], whether a household already receives housing assistance, and whether an unassisted income-eligible household has one or more of the priority problems that formerly conferred tenant selection preference (rent burdens exceeding 50 percent of income, substandard housing, or being involuntarily displaced).

This appendix discusses the procedures and definitions used with microdata from the 1997 AHS to estimate the number of households in different income categories that have worst case needs or other housing problems and to estimate the number of rental units in affordability categories defined as percentages of HAMFI.

- All estimates in this report base income category and rent burdens on reported household income for the past 12 months for all households.
- Because HUD's official income limits have been based on 1990 census data since 1993, limits based on 1990 census data, updated for inflation by the CPI, were used for this report.
- **Area income limits.** To categorize households in relation to "local" income limits as accurately as possible within the limitations of the geography shown on the AHS public use files, household income was compared with area income limits for all households. Very-low- and low-income cutoffs for a household of four—that is, 50 or 80 percent of HAMFI, respectively—were defined for each unit of geography identified on the AHS national microdata tapes. Official income limits were used directly for each of the 141 MSAs identified on the AHS tapes. For housing units outside these MSAs, the AHS geography identifies only four regions, metropolitan status, and six climate zones. Average income limits were estimated for each of these 48 locations weighting by 1990 population.
- **Categorizing households by income.** For all households, income status is determined by comparing household income with the very-low- and low-income cutoffs, with appropriate adjustments for household size. Households reporting negative income were categorized as middle-income if their monthly housing costs were above the Fair Market Rent (FMR) and they lived in adequate housing, since many households in this situation appear to be reporting temporary accounting losses.
- **Receiving housing assistance.** As discussed in Appendix C, to more accurately identify households participating in housing assistance programs, the order and content of the

AHS questions about housing assistance were changed in 1997. The 1997 questions used to identify assisted households are: “As part of your rental agreement, do you need to answer questions about your income whenever your lease is up for renewal? (If so,) to whom do you report your income? Do you pay a lower rent because the government is paying part of the cost of the unit? Is the building owned by a public housing authority?”

From these questions, it is no longer possible to distinguish between Federal and State or local programs. Accordingly, the counts of assisted households in this report are not comparable to data from earlier reports. To increase comparability between earlier data and the 1997 approach, with data from 1991, 1993, and 1995 in this report, households were counted as receiving housing assistance if they answered “yes” to the question “Does the State or local government pay some of the cost of the unit?” *or* to one of the three AHS questions used in previous worst case reports: “Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household’s income to someone every year so they can set the rent?”

- **Severe or moderate physical problems.** The definitions are those used since 1984 in AHS and defined in Appendix A of published AHS volumes. As discussed in Appendix C of this report, however, some of the questions underlying the definitions were changed in 1997, thus making 1997 results less comparable to earlier results. A unit is considered severely inadequate if it has any one of the following five problems:
 - Plumbing.** Lacking piped hot water or a flush toilet or lacking both bathtub and shower, all for the exclusive use of the unit.
 - Heating.** Having been uncomfortably cold last winter for 24 hours or more or three times for at least 6 hours each due to broken down heating equipment.
 - Upkeep.** Having any five of the following six maintenance problems: leaks from outdoors, leaks from indoors, holes in the floor, holes or open cracks in the walls or ceilings, more than a square foot of peeling paint or plaster, or rats in the last 90 days.
 - Hallways.** Having all of the following four problems in public areas: no working light fixtures, loose or missing steps, loose or missing railings, and no elevator.
 - Electrical.** Having no electricity or having all of the following three electrical problems: exposed wiring, a room with no working wall outlet, and three blown fuses or tripped circuit breakers in the last 90 days.

A unit is defined as moderately inadequate if it has any of the following five problems, but none of the severe problems:

- Plumbing.** Having all toilets break down simultaneously at least three times in the last 3 months for at least 6 hours each time.

—**Heating.** Having unvented gas, oil, or kerosene heaters as the main source of heat (since these heaters give off unsafe fumes).

—**Upkeep.** Having any three of the six upkeep problems mentioned under severe problems.

—**Hallways.** Having any three of the four hallway problems mentioned under “severely inadequate.”

—**Kitchen.** Lacking a sink, range, or refrigerator for the exclusive use of the unit.

- **Weighting of AHS estimates, 1990 based.** Because each housing unit in the AHS sample represents many other units, the sample data are adjusted so that each year’s total matches independent estimates of the total housing stock. For 1997, these independent estimates were based on the 1990 Census of Housing (1990 weights).