

Rental Housing Assistance — The Worsening Crisis

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.