HOUSING SPOTLIGHT
NATIONAL LOW INCOME HOUSING COALITION
VOLUME 3, ISSUE 2 | FEBRUARY 2013

AMERICA'S AFFORDABLE HOUSING SHORTAGE, *and how to end it*

Enacted in 2008, the National Housing Trust Fund (NHTF) was created to address the acute shortage of rental housing the lowest income people in the U.S. can afford. Unfortunately, it has never been funded.

Since then, the number of renters in the United States has increased by almost two million households, 44% of whom have incomes at or below 50% of the area median income (AMI). At the same time, the number of homes that are affordable[1] to renter households in this income group decreased by more than 600,000. The number of homes affordable to renters with incomes above 50% of AMI grew by 2.2 million during the same period.

Each year the federal government fails to fund the National Housing Trust Fund is another year that the shortage of homes for the lowest income Americans grows. This shortage places more poor families at risk of homelessness. It is past time to fill this gap and reverse this trend.

The Growing Gap

The number of renters in the United States continues to climb steadily, rising by approximately one million from 2010 to 2011.[2] There were 40.6 million renter households in the United States in 2011 and one out of four, or 10.1 million, had incomes that can be classified as extremely low (ELI) using U.S. Department of Housing and Urban Development's (HUD) income categories. (See Box 1 for definition of extremely low income and other HUD income categories). The number of renters increased across all income groups, but the two income groups that made up the biggest portion of that increase were ELI households (36%) and those with incomes over 120% of AMI (42%).

The supply of rental housing also expanded from 2010 to 2011, increasing by a little more than 700,000 units. However, the majority of the new homes (61%) were only affordable to renter households with incomes above 80% of AMI. While the number of homes affordable to ELI renter households increased slightly, the growth was not enough to keep pace with the growing numbers of ELI renters. In 2011, there were 5.6 million rental units affordable for the 10.1 million ELI renters, producing an absolute shortage of 4.6 million affordable units. This is an increase of 300,000 homes from the 2010 shortage of 4.3 million units. In 2011, for every 100 ELI renters, there were only 55 units they could potentially live in without spending more than 30% of their income on housing and utility costs. The comparable number in 2010 was 56.

The shortage of affordable units affects more than just ELI renter households. There is an absolute deficit of 2.5 million units affordable to households below the very low income (VLI) threshold, with only 86 affordable units for every 100 VLI renter households in 2011. The deficit was at 2.1 million in 2010. When moving up to the Low Income threshold, the deficit turns into a surplus, with 132 units for every 100 low income renter households. More than 19 million (43%) of the 44.5 million rental units in the country are affordable to households with incomes between 50% and 80% of AMI (See Chart 1).

The American Community Survey (ACS) only includes households who are housed, leaving out many people who are homeless. According to the 2012 Point-in-Time Count there were 243,627 unsheltered homeless people on a single night in 2012.[3] In order to end homelessness, it is critical that communities create and preserve housing that is both affordable and available to those with the lowest incomes.

[1] A unit is affordable if a household at or below the specified income threshold can pay for the rent and utilities on the unit without spending more than 30% of their income.
[2] The data used in this report are from the American Community Survey (ACS).
[3] HUD. (2012). *The 2012 Point-in-Time Estimates of Homelessness: Volume I of the 2012 Annual Homelessness Assessment Report*. Washington, D.C.: Author.

In 2011, there were only 3 million units that were both affordable and available to the 10.1 million ELI renter households. Seventy-six percent of these families face a severe housing cost burden. Lower income families that spend the majority of their income on rent and utilities are at great risk of homelessness.

The unavailability of affordable units

A shortage of 4.6 million homes, while large, does not fully illustrate the reality facing ELI renters. Forty-five percent of units affordable to ELI households are actually occupied by households earning more than 30% of AMI. Furthermore, many of these units may be in poor condition or in neighborhoods that are far away from jobs, good schools, services and public transportation. Finally, there is great variation in affordability among households in the ELI income group. People with incomes at 15% of the area median can afford just half the rent that someone at the full 30% of AMI can afford.

The ACS data allow observation of the number and percentage of higher income renters occupying the most affordable units. This analysis reveals that the true shortage of units for ELI renter households was 7.1 million in 2011. This is an increase from 6.8 million in 2010. This means that there were only 3 million units that were both affordable and available to the 10.1 million ELI renter households in the U.S. in 2011.[4] In other words, there were just 30 affordable and available units per 100 ELI renter households.

Households with incomes at or below 50% of AMI face a similar predicament. There are only 57 affordable and available units per 100 renters at the VLI threshold or below as of 2011. This is down slightly from 58 in 2010. Finally, even for households with incomes at or below 80% of AMI, there is a slight deficit of affordable and available units, with 97 for every 100 renters at the Low Income threshold or below.

The effects of the shortage

This analysis shows that the ELI households have the greatest need for affordable housing. This is further confirmed through examination of the housing cost burdens facing renters. If a household spends more than 30% of their income on the cost of rent and utilities they have a housing cost burden, and if they spend more than 50% on these costs, it is a severe housing cost burden.

Overall, renters are more likely to have housing cost burdens than owners, with half of all renters living in unaffordable housing compared to just 28% of homeowners. The lower a household's income, the more likely it is to have a housing cost burden. Nearly nine in ten (88%) ELI renters and 78% of VLI renters have housing cost burdens, compared to just 11% of renter households earning greater than 80% of AMI.

Even more troubling are the high numbers of low income renters forced to spend more than half of their income on their housing costs. Approximately 11.2 million renters have a severe housing cost burden; 68% of them are ELI households and 24% are VLI households. And as of 2011, 76% of the 10.1 million ELI renter households in the U.S. face this problem. This is in sharp contrast to the 1.2% of the almost 15 million renter households earning greater than 80% of AMI who have a severe housing cost burden (See Chart 2).

Lower income families that spend the majority of their income on rent and utilities are at great risk of homelessness. They have no cushion against emergencies or dips in income that are typical of earnings in the low wage work force. At the very least, they do not have money to afford housing plus other basic necessities such as food, medicine, transportation, and childcare.

Another consequence of an inadequate supply of affordable housing is that poor families are forced to live in substandard units that can be unhealthy and unsafe. Or they must move in (double up) with family or friends, which can result in overcrowding and stress. Some families have to live in areas that are distant from jobs and other services, increasing their transportation costs and reducing time spent with family.

Who is most affected?

Elderly and Disabled

Households with extremely low incomes tend to be made up of some of the country's most vulnerable residents. Almost one-third (31%) of all ELI households are headed by a person with a disability,[5] and one-fifth (20%) have an elderly[6] member. Furthermore, elderly households and those with disabilities are more likely to fall into the ELI category than non-elderly households and those households without a member with a disability. Thirty-one percent of all elderly households and 41% of those containing a member with a disability are ELI, compared to 24% of non-elderly households and 21% of all households not containing a member with a disability. Many of these households are not in the labor force and have very limited incomes.

People of Color

Black people make up a disproportionate share of ELI renter households. While 19% of all renter households are black, 26% of all ELI renter households are black. If a household is black or Hispanic, they are more likely to be extremely low income than a white household is. Thirty-five percent of all

If funded, the National Housing Trust Fund would provide permanent, dedicated funds for the production, rehabilitation, preservation, and operation of rental homes, at least 75% of which must be affordable to ELI households and up to 25% serving VLI households.

black households and 27% of all Hispanic households are ELI, compared to just 21% of all white households.

Family Status

There is also a disproportionate number of female-headed households who are ELI. While 28% of ELI renter households are female-headed with children and 28% are single females without children, married couples make up just 13% of this population[7] (See Chart 3).

Veterans

While veterans make up a relatively small proportion of all ELI renter households (5%), they are just as likely as other ELI renters to experience severe housing cost burden, with 71% of all ELI veteran renter households spending more than half of their income on housing costs. Veterans are more likely than non-veterans to be homeowners than they are to be renters (78% are homeowners vs. 65% of all U.S. households). But ELI veteran homeowners and renters have equal rates of severe housing cost burden (71%).

Veterans are overrepresented in the homeless population. The approximately 21 million veterans in this country make up just 9% of the total U.S. population. However, according to Point-in-Time estimates, there were 67,495 homeless veterans in 2011, 13% of the total homeless population.

The severity of the shortage varies by state

Examining the affordable shortage at the national level gives us an overall understanding of the severity of the problem, but a state-level analysis reveals that some states have a much wider gap to fill than others. Table 1 shows the number of affordable units per 100 renter households at various income thresholds, the number of affordable and available units per 100 renter households at the same income thresholds, and the percent of renters in each income category who experience severe housing cost burdens by state. As was true in 2010, the absolute shortage of affordable units is greatest in the Western states of Nevada, California, Arizona and Colorado, while five of the least populated states (South Dakota, North Dakota, Montana, Wyoming, and West Virginia) have a sufficient supply of ELI affordable units.

However, some of these affordable units may be in areas that are quite far away from job centers, and they might be occupied by higher income households. Table 1 also shows us that in no state are there enough units that are both affordable and available to house all ELI renters. The shortage remains the greatest in the Western states, but ELI renters in Florida as well as in some Midwestern states, such as Michigan, Wisconsin, and Illinois, also face severe shortages. Wyoming, with just 55 affordable and available units per 100 ELI renter households, has the most units affordable and available to its poorest residents, but has a significant deficit nonetheless. The state comparisons show that the families in the states with the largest deficits of affordable and available units are also the most likely to face a severe housing cost burden.

A solvable problem

While these data depict a bleak situation for the lowest income households in the U.S. this is a problem that can be solved. If funded, the National Housing Trust Fund would provide permanent, dedicated funds for the production, rehabilitation, preservation, and operation of rental homes, at least 75% of which must be affordable to ELI households and up to 25% serving VLI households.

The National Low Income Housing Coalition calls for funding with savings gained from modifications to the mortgage interest deduction. Converting the current tax deduction to a 15% non-refundable tax credit and reducing the size of a mortgage eligible for a tax break from $1 million to $500,000 would save the federal government almost $200 billion over ten years. Not only will these changes expand the number of low and moderate income homeowners who get a tax break, but it would provide enough funds to create millions of affordable rental homes for ELI households. It is possible to end homelessness and assure real housing stability for the poorest American families without increasing federal spending, just using federal housing subsidies in a fairer, more efficient way.

[4] A unit is affordable and available if that unit is affordable and vacant, or if it is currently occupied by a household at or below the defined income threshold.
[5] The ACS uses six separate variables to identify people with disabilities. These are self-care difficulty, hearing difficulty, vision difficulty, independent living difficulty, ambulatory difficulty, and cognitive difficulty. In this *Housing Spotlight*, someone with one or more of these difficulties is considered a person with a disability.
[6] For the purpose of this *Housing Spotlight*, elderly is defined as someone who is at least 62 years old.
[7] U.S. Interagency Council on Homelessness. (2012, December). Report to Congress on Homeless Veterans. Washington, D.C.; Author. www.usich.gov/resources/uploads/asset_library/USICH-_Report_to_Congress_on_Homeless_Veterans.pdf

HOUSINGSPOTLIGHT
VOLUME 3, ISSUE 2
FEBRUARY 2013

BOX 1: *Definitions*

AREA MEDIAN INCOME (AMI)
The median family income in the metropolitan or nonmetropolitan area

EXTREMELY LOW INCOME (ELI)
Households with incomes at or below 30% AMI

VERY LOW INCOME (VLI)
Households with incomes between 30 and 50% AMI

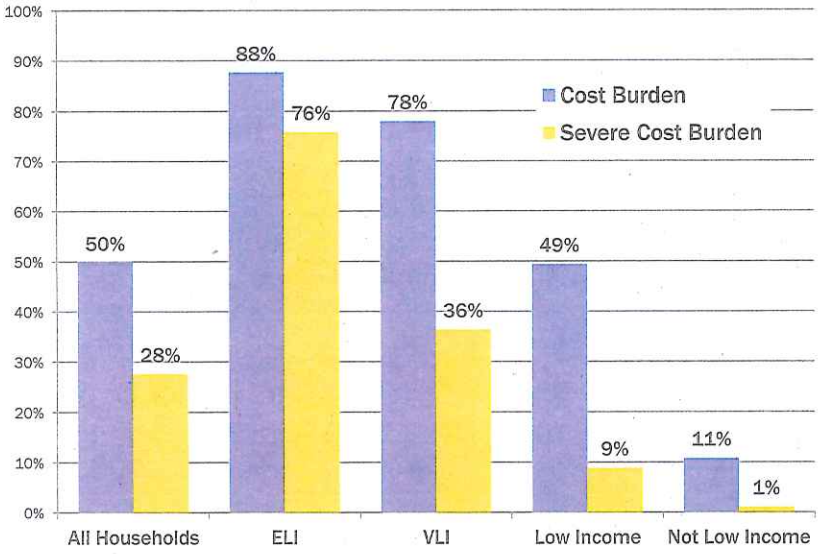
LOW INCOME (LI)
Households with incomes between 50 and 80% AMI

NOT LOW INCOME
Households with incomes greater than 80% AMI

COST BURDEN
Spending more than 30% of income on housing costs

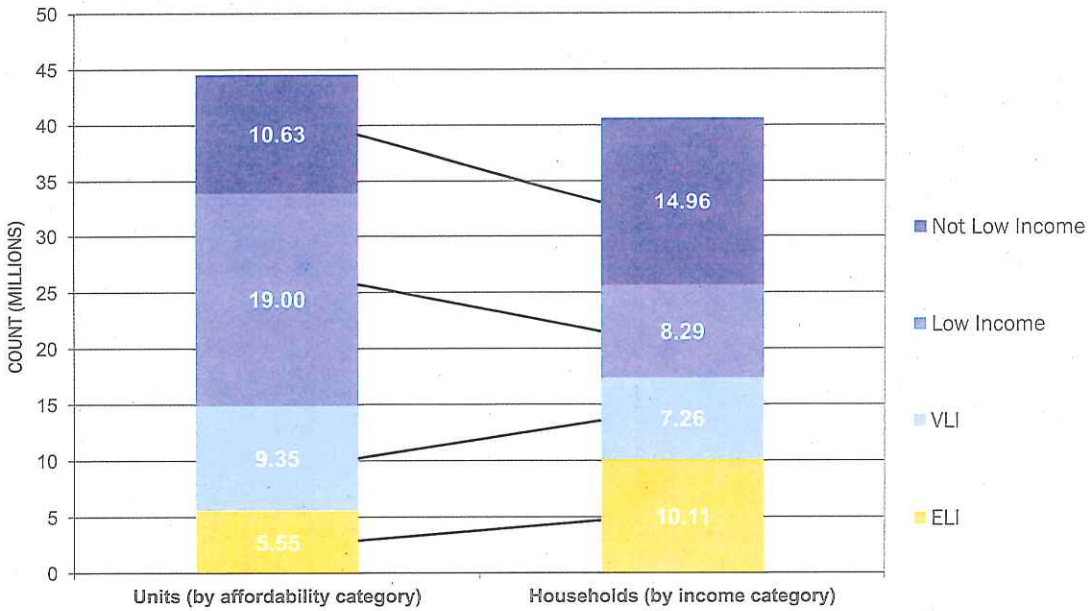
SEVERE COST BURDEN
Spending more than 50% of income on housing costs

CHART 2: *Cost Burden & Severe Cost Burden*
by income category (2011)



Source: NLIHC Tabulations of 2011 ACS PUMS data.

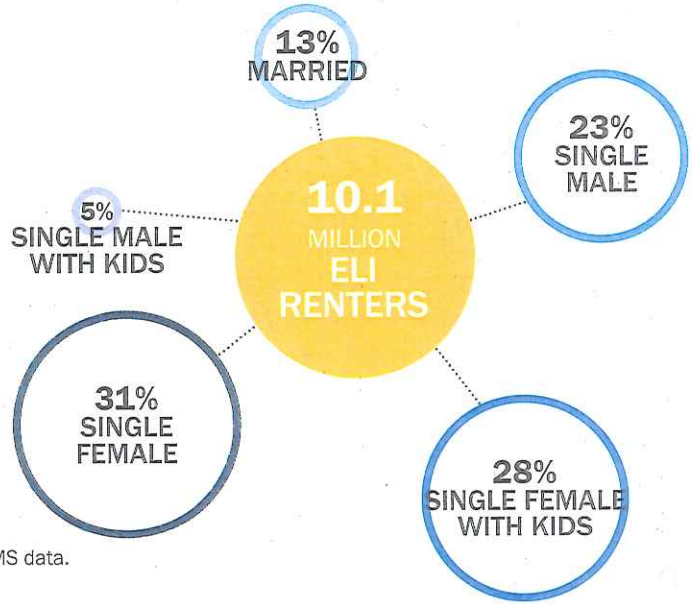
CHART 1: *Rental Units & Renters*
by affordability and income categories (in millions, 2011)



Source: NLIHC Tabulations of 2011 American Community Survey (ACS) Public Use Microdata Sample (PUMS).

CHART 3: *ELI Renters*
by household type (2011)

THESE ELI HOUSEHOLDS ARE AT THE GREATEST RISK OF HOMELESSNESS.



Source: NLIHC Tabulations of 2011 ACS PUMS data.

TABLE 1: *State Comparisons*

States in red have less than the national level of affordable and available units per 100 households at or below the ELI threshold.

	AFFORDABLE UNITS PER 100 HOUSEHOLDS AT OR BELOW THRESHOLD			AFFORDABLE AND AVAILABLE UNITS PER 100 HOUSEHOLDS AT OR BELOW THRESHOLD			% WITHIN EACH INCOME CATEGORY WITH SEVERE HOUSING COST BURDEN		
State	*ELI*	*VLI*	*LI*	*ELI*	*VLI*	*LI*	*ELI*	*VLI*	*LI*
Alabama	75	111	143	41	74	106	74%	31%	5%
Alaska	68	105	155	34	62	99	64%	32%	5%
Arizona	**41**	**74**	**146**	**18**	**51**	**103**	**83%**	**39%**	**12%**
Arkansas	77	112	155	35	73	111	76%	28%	5%
California	**38**	**43**	**94**	**20**	**29**	**71**	**80%**	**53%**	**17%**
Colorado	**41**	**93**	**140**	**23**	**61**	**100**	**77%**	**28%**	**7%**
Connecticut	55	89	138	37	63	103	69%	28%	6%
Delaware	65	81	140	40	62	104	77%	37%	9%
District of Columbia	60	99	119	42	70	95	70%	28%	5%
Florida	**46**	**55**	**114**	**23**	**38**	**86**	**84%**	**59%**	**18%**
Georgia	**47**	**80**	**143**	**26**	**57**	**105**	**84%**	**41%**	**9%**
Hawaii	69	71	101	38	47	75	73%	46%	25%
Idaho	83	106	146	34	67	103	72%	34%	4%
Illinois	**49**	**83**	**134**	**28**	**56**	**99**	**76%**	**31%**	**7%**
Indiana	50	106	150	29	71	109	77%	25%	4%
Iowa	71	140	147	35	83	106	72%	18%	3%
Kansas	75	139	161	36	78	108	72%	21%	4%
Kentucky	67	114	151	36	76	111	73%	25%	3%
Louisiana	73	92	134	38	61	99	75%	37%	8%
Maine	74	86	139	40	61	105	67%	27%	8%
Maryland	59	84	136	38	59	103	74%	32%	6%
Massachusetts	66	86	126	45	60	94	62%	34%	7%
Michigan	**48**	**91**	**140**	**28**	**63**	**105**	**78%**	**34%**	**6%**
Minnesota	61	114	136	36	74	103	64%	21%	5%
Mississippi	88	103	150	42	70	111	76%	40%	10%
Missouri	63	115	150	32	74	109	75%	28%	3%
Montana	113	140	152	44	79	107	66%	23%	2%
Nebraska	73	149	151	32	85	106	72%	16%	3%
Nevada	**35**	**56**	**138**	**17**	**38**	**98**	**88%**	**53%**	**13%**
New Hampshire	65	90	139	38	60	103	64%	28%	2%
New Jersey	49	57	120	31	41	89	75%	47%	11%
New Mexico	63	81	137	29	51	97	76%	40%	8%
New York	51	73	112	31	49	84	74%	43%	12%
North Carolina	63	101	147	31	67	107	78%	32%	7%
North Dakota	116	167	142	50	95	104	64%	9%	3%
Ohio	55	115	147	32	77	109	75%	24%	4%
Oklahoma	70	115	154	36	73	110	75%	27%	3%
Oregon	**44**	**64**	**133**	**20**	**40**	**94**	**82%**	**41%**	**8%**
Pennsylvania	66	105	141	35	68	103	72%	26%	6%
Rhode Island	61	89	136	41	63	100	64%	29%	6%
South Carolina	73	98	145	42	67	107	74%	35%	8%
South Dakota	152	175	167	68	99	112	55%	7%	6%
Tennessee	67	94	145	35	63	106	76%	35%	6%
Texas	**50**	**92**	**149**	**24**	**62**	**107**	**78%**	**31%**	**6%**
Utah	**53**	**91**	**142**	**24**	**54**	**102**	**75%**	**32%**	**3%**
Vermont	90	103	143	40	62	101	66%	31%	5%
Virginia	61	92	147	33	61	104	75%	35%	6%
Washington	**47**	**85**	**141**	**27**	**55**	**99**	**73%**	**30%**	**6%**
West Virginia	102	127	152	48	79	106	69%	25%	7%
Wisconsin	**53**	**119**	**142**	**27**	**70**	**103**	**76%**	**23%**	**4%**
Wyoming	109	169	176	37	96	113	68%	12%	6%
United States	**55**	**86**	**132**	**30**	**58**	**98**	**76%**	**36%**	**9%**

Housing Spotlight is a series of occasional research briefs from the National Low Income Housing Coalition that use data from different sources to highlight a variety of housing issues.

ABOUT THE AMERICAN COMMUNITY SURVEY PUMS DATA

The American Community Survey (ACS) is a nationwide survey of approximately 3.5 million households conducted annually. It provides timely data on the social, economic, demographic and housing characteristics of the U.S. population. The ACS replaced the Census "long form" in 2010 and eliminated the long waiting period for new data between each decennial census.

Each year the Census Bureau makes Public Use Microdata Sample (PUMS) housing and population files available to the public to allow for deeper analysis of the ACS. The PUMS housing file contain records on a subsample of housing units, while the population file contains records on a subsample of households. Both contain information from the completed ACS questionnaire and include a serial number that allows for the integration of the two files. This enables users to aggregate and tabulate the data in whatever way is relevant to their research. In order to determine the area median income, NLIHC used the Missouri Data Center's MABLE/Geocorr12 online application (Version 1.1, 2012) to determine the geographic relationship between Core Based Statistical Areas and Public Use Microdata Sample Areas (PUMAs) and applied the median family income for a CBSA to the corresponding PUMA if at least 50% of the PUMA was in the CBSA. Otherwise, the PUMA was assigned the statewide nonmetropolitan median family income for the state the PUMA is in. NLIHC has used this methodology since 2010. This analysis should not be compared to NLIHC analyses completed prior to 2010 on the shortage of affordable housing units.

MEMBER BENEFITS

Housing Spotlight is among the valuable reports produced by NLIHC. An increased supply of housing data in the past few years means it can be difficult to know what data to use and when. One of the benefits of being an NLIHC member is that our Research Team is here to help you understand the data and identify the statistics you really need to become a more effective advocate. This assistance is provided at no additional charge.

To take advantage of this great membership benefit, contact NLIHC Research Director Megan Bolton.

Join NLIHC and become eligible for research assistance and other benefits at www.nlihc.org/join.

FOR MORE INFORMATION

If you are interested in looking more closely at the numbers from a particular state, have questions about the methodology used, or have any other comments or questions on this edition of NLIHC's *Housing Spotlight*, please contact NLIHC Research Director Megan Bolton.

More information about the ACS PUMS files can be found on the U.S. Census Bureau's webpage at www.census.gov/acs/www/data_documentation/public_use_microdata_sample/.

MEGAN BOLTON
Research Director
Megan@nlihc.org
202.662.1530 x245

NATIONAL LOW INCOME HOUSING COALITION

The National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

727 15th Street NW, 6th Floor, Washington, D.C. 20005 | 202.662.1530 | www.nlihc.org