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Priority Housing Problems and "Worst Case" Needs in 1989

A Report to Congress

June 1991

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and "Worst Case" Needs in 1989

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PRIORITY HOUSING PROBLEMS AND "WORST CASE" NEEDS IN 1989

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PRIORITY HOUSING PROBLEMS AND "WORST CASE" NEEDS IN 1989

EXECUTIVE SUMMARY

Worst Case Problems in 1989

* In 1989, 3.6 million elderly or family very-low-income renter households had priority "worst case" housing problems, because they lived in severely substandard housing or had rent burdens exceeding 50 percent of reported income. Unassisted family and elderly renters with such problems have been the only households included in past estimates of "worst case need". However, because the National Affordable Housing Act redefined "families" to include single persons for programs administered by HUD, this report also counts as "worst case" another 1.4 million very-low-income renter households that have severe problems but contain only nonelderly unrelated individuals.

* Nationally, one-fifth of U.S. households have incomes below HUD's "very-low-income" cutoffs, which equal 50 percent of the area median family income adjusted for family size. Renters with worst case needs make up 5 percent of U.S. households. They contain 5 percent of national population and 7 percent of the country's children.

* Because they come from sample data, these estimates from the American Housing Survey (AHS) are subject to sampling and nonsampling error. The 90-percent confidence interval for 5.1 million "worst case" households, for example, is ±170,000. Moreover, because income is underreported on the AHS, these estimates probably overcount both the number of very-low-income renters and the share of these renters with severe rent burden. An offsetting bias, however, results from the AHS' omission of homeless families and individuals.

* One-fourth of very-low-income renters -- 3.5 million households -- lived in public housing or received housing assistance in 1989. Therefore, the estimated 5.1 million renter households with "worst case" needs represented <u>half</u> of unassisted very-low-income renter households. Another third of unassisted very-low-income renters -- 3.1 million -- had other problems such as crowding, moderate physical inadequacies, or rent burdens of 31-49 percent of income. Only 1.5 million -- one-sixth -- lived in adequate, uncrowded, affordable housing.

* Owners with very low incomes were much less likely to have priority housing problems than were unassisted very-low-income renters. <u>One-fifth</u> of owners in this income category had priority problems while <u>over half</u> had no housing problems. The 1.7 million very-low-income owners with priority problems have not traditionally been counted as

households with "worst case needs" because they typically have more assets than renters and would not be eligible for rental assistance programs unless they sold their homes.

* Severe rent burdens were by far the dominant problem facing worst case renters. Some 3.4 million of the elderly and family households reported rent and utility payments above half of income, whereas 450,000 lived in housing with severe physical problems. Among nonfamily households, 1.3 million had severe rent burdens while 240,000 lived in severely inadequate units. However, for many, these very high rent burdens may reflect a temporary absence of income rather than a long-term high rent burden.

* Severe rent burdens were the <u>only</u> housing problem for almost three-fourths of renters with worst case problems. These 3.6 million households paid more than half of their income for housing that was both adequate and uncrowded.

* Very-low-income renters were much more likely to have priority housing problems than renters with higher incomes, even the "low" or "moderate" income renters who are also eligible for some housing programs. Whereas 38 percent of very-low-income renters had priority problems, only 6 percent of "low-income" renters with incomes between 51 and 80 percent of local median income had such problems.

* Without exception, the lower the income, the higher the incidence of priority problems. This pattern was particularly marked <u>within</u> the very-low-income group. Almost 4 out of 5 of the poorest unassisted renters (those with incomes below 25 percent of local median) had worst case problems, compared to fewer than one-fourth of those with incomes between 35 and 50 percent of median.

* The incidence of worst case problems varies noticeably by household type among very-low-income renters. Elderly families and individuals were least likely to have worst case needs and most likely to live in public or assisted housing. Families with children were somewhat more likely than the elderly to have worst case problems, and they were less likely to receive housing assistance.

* Nonelderly individuals living alone or with nonrelatives were most likely to report worst case problems and least likely to receive housing assistance. Unless they are disabled or handicapped, nonelderly individuals have lower priority for most housing assistance programs than do families or elderly individuals.

* The incidence of worst case problems among very-low-income renters varied markedly by location. Very-low-income renters were more likely to have worst case problems in the West and Northeast regions than in the Midwest and South. In

every region except the South worst case problems were more common in metropolitan areas than outside them. Nationally, over half of worst case households lived in central cities.

Changes in Worst Case Needs Since 1974

* Although comparisons over the entire period for which AHS data are available are impossible for nonfamily households, among elderly and family renters worst case needs grew markedly between 1974 and 1983, from 2.5 million (34 percent of those eligible) to 3.8 million (39 percent). Nonfamily households experienced similar increases in worst case problems over the 1977-83 period.

* Since 1985, however, the number and the proportion of very-low-income renters with worst case problems have decreased among both family and nonfamily renters. In 1985, 45 percent of very-low-income renters -- 4 million elderly or family renters and 1.5 million nonfamily households -- had had worst case problems, compared to 38 percent in 1989.

* The growth in unmet needs between 1974 and 1983 occurred despite expansion in the number of households receiving housing assistance and better targeting of that assistance to households with priority problems.

* In terms of housing problems, the growth in worst case needs between 1974 and 1983 was exclusively due to increases in severe rent burden, since the number of very-low-income families living in severely inadequate units dropped notably. Between 1983 and 1989, the two most recent years with comparable questions on inadequacy, the number and percent of severely inadequate units continued to decline.

* Over the 1974 to 1989 period, the number of family and elderly renters with worst case needs grew much more quickly in the West than in other regions. Worst case needs also became more concentrated in metropolitan areas.

* Increases in unmet need over the 1974-1989 period were greater among families, especially those with children, than among elderly renters. As single-parent families increased, the share of the nation's children living in households with worst case needs rose from 4 to 7 percent.

* During the 1990s, demographic projections suggest that the number of nonelderly households with low incomes will continue to increase more quickly than low-income elderly households, with especially rapid growth among female householders. If the number of assisted units increases by 100,000 per year and trends observed between 1978 and 1989 continue, unmet worst case needs could remain at the level of 5.1 million overall in 1995, while rising slightly among

families. If 1985-89 experience were to continue, however, unmet worst case needs could drop to 3.7 million households by 1995 at this level of incremental assistance.

Appropriate Means of Reducing Unmet Worst Case Needs

* More than 7 out of 10 households with unmet worst case needs in 1989 had severe rent burden as their only housing problem, since they lived in adequate, uncrowded housing. Moreover, the fraction of worst case households in this category has steadily increased. Tenant-based rental subsidies such as vouchers or certificates could solve the only housing problem of these households in their current housing directly at less cost than any alternative program.

* One-third of the other 1.4 million households with worst case needs paid excessive rents for uncrowded but moderately inadequate housing. These families could be helped by light rehabilitation such as that encouraged by HOME or by tenant-based assistance, which provides landlords with both revenue and incentives for improving housing quality.

* Nationally, about 1 million worst case households needed to move to other housing in 1989 because their current housing was crowded or severely inadequate. Over half of these households were families with children, and one-third of those needing to move needed units with 3 or more bedrooms to accommodate their households.

* Levels and rates of vacancies among affordable units across the country imply that tenant-based rental assistance could also help many of the households needing to move find adequate, affordable housing. In 1989, vacancy rates for units with rents below local Fair Market Rents (FMRs) were 6.6 percent in the nation, ranging from 8 percent for small units to 4.4 percent for units with 3 or more bedrooms. Regionally, vacancy rates were below 5 percent only in the Northeast, and they were highest in the South.

* Vacancies among below-FMR units increased between 1985 and 1989 in all regions other than the Midwest, and in all sizes except units with 3 or more bedrooms. In 1989, there were enough vacant one- and two-bedroom units to house the worst case households needing housing of this size in every region except the Northeast.

* Housing affordable with rental assistance was least likely to be vacant and available for the largest families. In each region, vacancy rates were lowest for units with 3 or more bedrooms. Vacancies among these largest units were below 4 percent in the Northeast and Midwest.

Critical Elements of A Strategic Plan to Reduce Worst Case Needs Within Limited Resources

* Use current assistance programs for those with worst case problems as efficiently as possible, i.e., direct assistance at those with worst case priority problems since their needs for assistance are greatest and their resources less. For public and assisted housing this implies following and strengthening the preference rule.

* Rely primarily on rental certificates and vouchers to serve the most families possible within budgetary constraints, directing a larger percentage of new aid to families with children if possible.

* Strengthen families by supporting family self-sufficiency in assisted housing programs and encouraging homeownership through HOPE grants, and improve coordination with welfare agencies and other anti-poverty programs at the Federal, State, and local levels.

* Use HOME funds cost-effectively to provide housing needed by worst case families. The moderate rehabilitation activities encouraged by HOME are needed and appropriate for one-eighth of worst case families.

* Housing for families with children, especially housing that can accommodate large families, may be hardest to find with rental assistance. HOME funds for acquisition, construction or substantial rehabilitation should give priority to these units.

* Reduce regulatory and discriminatory barriers to facilitate the provision and maintenance of affordable housing.

PRIORITY HOUSING PROBLEMS AND "WORST CASE" NEEDS IN 1989

Introduction

In 1979 and 1983, Congress directed that priority for admission to assisted housing programs should be given to eligible families who live in substandard housing, pay more than half of their income for housing, or have been involuntarily displaced.[1] Very-low-income renters with these severe housing problems have come to be known as those with "worst case" housing needs. In Senate Report 101-474 accompanying the HUD appropriation bill for FY 1991, the Committee directs HUD to:

> resume the annual compilation of a worst case housing needs survey of the United States. This report ... estimates the number of families and individuals whose incomes fall 50 percent below an area's median income, who either pay 50 percent or more of their monthly income for rent, or who live in substandard housing. The Committee expects the next report to be submitted on or before July 1, 1991.
>
> In addition to this report, the Committee strongly urges the Department to develop a strategic plan that outlines how the Federal Government, despite limited fiscal resources, can help to eliminate or substantially reduce the number of families and individuals who fall into this worst case needs category. (p. 37)

Although the Committee speaks of "resuming" an annual compilation of worst case needs, detailed reports on worst case needs have not previously been requested on a regular schedule. The concept of worst case needs developed in the early 1980s from discussions among Senate appropriations staff, HUD, and OMB, after the staff director of the housing subcommittee asked HUD to produce estimates of renter households with the most severe housing needs and a model projecting how combinations of turnover and incremental units could meet worst case needs. Estimates of need among families in 1981 were presented to the subcommittee in 1985, and later updated from 1983 Annual Housing Survey data. After 1985 American Housing Survey data became available in 1988, HUD has provided brief summaries of the number of families with worst-case needs to the subcommittee each year.

This report is thus the first comprehensive summary of estimates of the number and characteristics of households with worst case needs. Using data from the American and Annual Housing Surveys, the first two chapters report on households with worst case housing needs in 1989, the most recent year for which data are available, and on changes since 1974 in such households and their housing problems. Chapter III examines the types of housing problems facing worst case households in more detail to provide a firm basis for developing a strategic plan and

identifying appropriate programs to reduce the number with worst case needs within limited fiscal resources. The final Chapter sets forth the basic elements of such a plan.

CHAPTER I. WORST CASE PROBLEMS IN 1989

In 1989, some 38 percent of very-low-income renters, 3.6 million elderly or family households and 1.4 million nonfamily households, had "worst case" housing problems, because they lived in severely inadequate housing or had rent burdens exceeding 50 percent of reported income. The American Housing Survey (AHS) data used for these estimates cannot show how many other families and individuals might also qualify for priority in admission to assisted housing programs because they were homeless or doubled up after being involuntarily displaced, but they tend to overestimate the number of households with worst case needs because income is underreported.[2]

In response to the Committee request, this estimate of "worst case" needs includes both family and individual ("nonfamily") renter households. This represents a change in definition, since all past estimates of worst case need included only households that are "families" as defined for HUD programs. Prior to the 1990 passage of the National Affordable Housing Act, these "family" households included elderly individuals, but did not include nonelderly individuals unless they were disabled or handicapped.[3] To clarify which housing problems and households are included in "worst case" estimates, this report begins by surveying housing conditions among all households in the U.S.

Housing Problems, Priority Problems, and "Worst Case" Needs

The severe "priority" housing problems defined by Congress as conferring preference in admission to rental assistance programs are a subset of all housing problems. Since 1949, the national housing goal has been "a decent home and a suitable living environment for every American family". The 1990 National Affordable Housing Act stated the national goal somewhat differently: that "every American family be able to afford a decent home in a suitable environment." The housing problems traditionally considered in measuring progress toward this goal have included physical inadequacies, overcrowding, and cost burden. In this study, inadequate units are those with severe or moderate physical problems; overcrowding is defined as having more than one person per room; and families with housing and utility payments exceeding 30 percent of reported income are considered burdened by their housing costs.[4] Table 1 defines the major terms and measures used in this report.

TABLE 1 - DEFINITIONS AND MEASURES

(Note: see Appendix I for more detail.)

Household and family type

Family - For most HUD programs, "families" include all households with relatives present, households with children, elderly single persons aged 62 or more, and single persons living alone or with nonrelatives who are disabled or handicapped. Because the AHS does not regularly measure disabled or handicapped status, this last group is not included in the "family" estimates in this report but rather grouped with other "nonfamily" households.

Elderly - Head or spouse is 62 or older, with no children present.

Nonfamily households - Single nonelderly persons living alone or in households with no relatives present.

Income

Income - Income in the AHS is based on the respondent's reply to questions on income for the 12 months prior to interview. It is the sum of 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 with independent estimates of income suggest that income is underreported on the AHS.

Family income - Reported income from all sources for the reference person and any other household member related to the reference person.

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

Housing Problems

Overcrowding - More than one person per room.

Rent or cost burden - Ratio between payments for housing, including utilities, and reported income. Family income is used for elderly or family households, and household income is used for nonfamily households. For owners, payments for housing include mortgage payments and property taxes.

Table 1 (continued)

Cost burden - Housing cost burdens exceeding 30 percent of reported income. For owners with mortgages, the cutoff is 40 percent of reported income. Because respondents tend to overestimate utility payments and underreport total income, AHS estimates tend to overcount the number of households with cost burden.

Severe cost burden - Housing cost burdens exceeding 50 percent of reported income. For owners with mortgages, the cutoff is 60 percent.

Inadequate housing - Housing with severe or moderate physical problems as defined on the basis of multiple problems reported in the AHS, based on definitions used since 1984. These definitions are discussed in detail in Appendix A of the AHS published volumes and summarized in the Appendix to this report. Briefly, a unit is defined as having severe physical problems if it has severe problems in any of five areas: plumbing, heating, electric, upkeep, and hallways. It has moderate problems if it has problems in any of the areas of plumbing, heating, upkeep, hallways, or kitchen, but no severe problems.

Priority housing problems - As defined by Congress and implemented in the preference rule, include paying more than half of income for rent, living in severely substandard housing (including being homeless or in a homeless shelter), or being involuntarily displaced. Because the AHS sample of housing units can not count those who are homeless, the estimates of priority problems in this report include only households with cost burdens above 50 percent of income or severely inadequate housing.

Income Categories

Low-income - As defined for HUD programs, reported income does not exceed 80 percent of local median family income adjusted for family size. Estimates of the income cutoffs for each metropolitan area and non-metropolitan county are updated each year by HUD. The AHS estimates in this report compare the official cutoffs to family income for family and elderly households, and to household income for nonfamily households. In 1989, 38 percent of the AHS households reported incomes that fell below the low-income cutoffs.

Very-low-income - income does not exceed 50 percent of local median family income adjusted for family size.

Table 1 (continued)

Poor - with household incomes adjusted for household size below the official poverty cutoffs for the U.S. Nationally, the poverty cutoff for a family of 4 approximates 35 percent of median family income for a family of this size. Approximately three-fifths of "very-low-income" households are poor.

Middle-income - For the estimates in this report, includes households with adjusted incomes between 81 and 120 percent of the local median family income. Around one-fifth of households -- 21 percent -- were in this category in 1989.

Upper-income - For the estimates in this report, includes households with adjusted income above 120 percent of the local median family income. Two-fifths of U.S. households fall into this category.

Housing Assistance status

Receiving assistance - In 1989, includes those 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? Appendix I discusses the measures used for 1974-83.

"Worst case" - unassisted very-low-income renters with the priority problems that give them preference for admission to rental assistance programs.

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 American Housing Survey refers to the Metropolitan Statistical Areas (MSAs) defined in 1983 based on results of the 1980 Census.

Region - The four Census regions are the Northeast, Midwest, South, and West.

According to AHS data, in 1989 over half of renters, and 13 percent of owners, had at least one problem of inadequacy, crowding, or cost burden (Table 2). Priority problems of housing cost burdens above 50 percent of income or severe physical problems were much less common, occurring among 18 percent of renters and 5 percent of owners. Housing costs above 30 percent of income were the most frequent problem, especially among renters.[5] Inadequate housing with either severe or moderate physical problems was much less common than cost burdens, troubling only one-eighth of renters and six percent of owners. Overcrowding was least common of all, even among the lowest income groups.

Housing Problems among Renters and Owners by Income

As Table 2 documents, the lowest-income households were most likely to have housing problems, while higher-income groups were much less likely to have severe problems or any problems at all. The table shows both traditional housing problems and the more severe priority problems for all renters and owners classified by income categories common in HUD programs. Because housing problems do overlap, the table also shows the proportion of households with two or three of the problems of inadequacy, crowding, or cost burden, as well as those with none of these three problems. Since priority for admission to assistance -- and priority problems -- are both restricted to unassisted households, those who report receiving federal housing assistance are separately identified.

* Of the traditional problems -- physical inadequacy, crowding, and cost burdens -- high cost burdens were by far the most frequent problem in 1989, especially among renters and very-low-income owners. Three-eighths of all renters, and seven-tenths of very-low-income renters, pay more than 30 percent of reported income for rent and utilities. Over two-fifths of very-low-income renters, some 5.4 million households, pay more than half of income for rent.

* Households with very low incomes were much more likely to have housing problems than those in any of the higher income groups. Only 12 percent of very-low-income renters had none of the listed problems, and 54 percent of very-low-income owners had no problems. As Figure 1 illustrates, priority problems were even more concentrated among very-low-income households than all housing problems, troubling two-fifths of these renters and one-fifth of owners. By contrast, severe problems were quite infrequent among households with income above the very-low-income threshold, even those in the "low" (51-80 percent of median) range. Few middle and upper-income renters and owners have any of these housing problems.

TABLE 2

HOUSING PROBLEMS, 1989, BY TENURE AND RELATIVE INCOME

	Income* as % of local median					
	Very-low (<50%)	Low (51-80%)	Middle (81-120%)	Upper (121%+)	Total	Pct. of renters or owners
RENTERS (000s)	13,150	6,860	7,040	6,720	33,770	100%
Rent burden 50%+	41%	2%	0%	0%	5,572	17%
Rent burden 30-50%	29%	33%	11%	1%	7,007	21%
Inadequate	17%	11%	8%	7%	4,032	12%
Crowded	8%	5%	3%	2%	1,722	5%
Multiple problems	16%	4%	1%	0%	2,533	8%
None of listed problems	12%	48%	76%	88%	16,102	48%
Assisted	26%	7%	3%	2%	4,309	13%
Priority problems**	38%	6%	4%	3%	5,944	18%
OWNERS (000s)	7,310	8,500	12,806	31,300	59,915	100%
Cost burden 50%+***	19%	2%	0%	0%	1,606	3%
Cost burden 30-50%***	16%	7%	3%	1%	2,253	4%
Inadequate	14%	9%	5%	4%	3,571	6%
Crowded	3%	3%	2%	1%	953	2%
Multiple problems	6%	1%	0%	0%	575	1%
None of listed problems	54%	82%	90%	95%	52,126	87%
Priority Problems**	23%	5%	3%	2%	3,116	5%

* Adjusted by household size; for owners, includes 5.5% of equity.

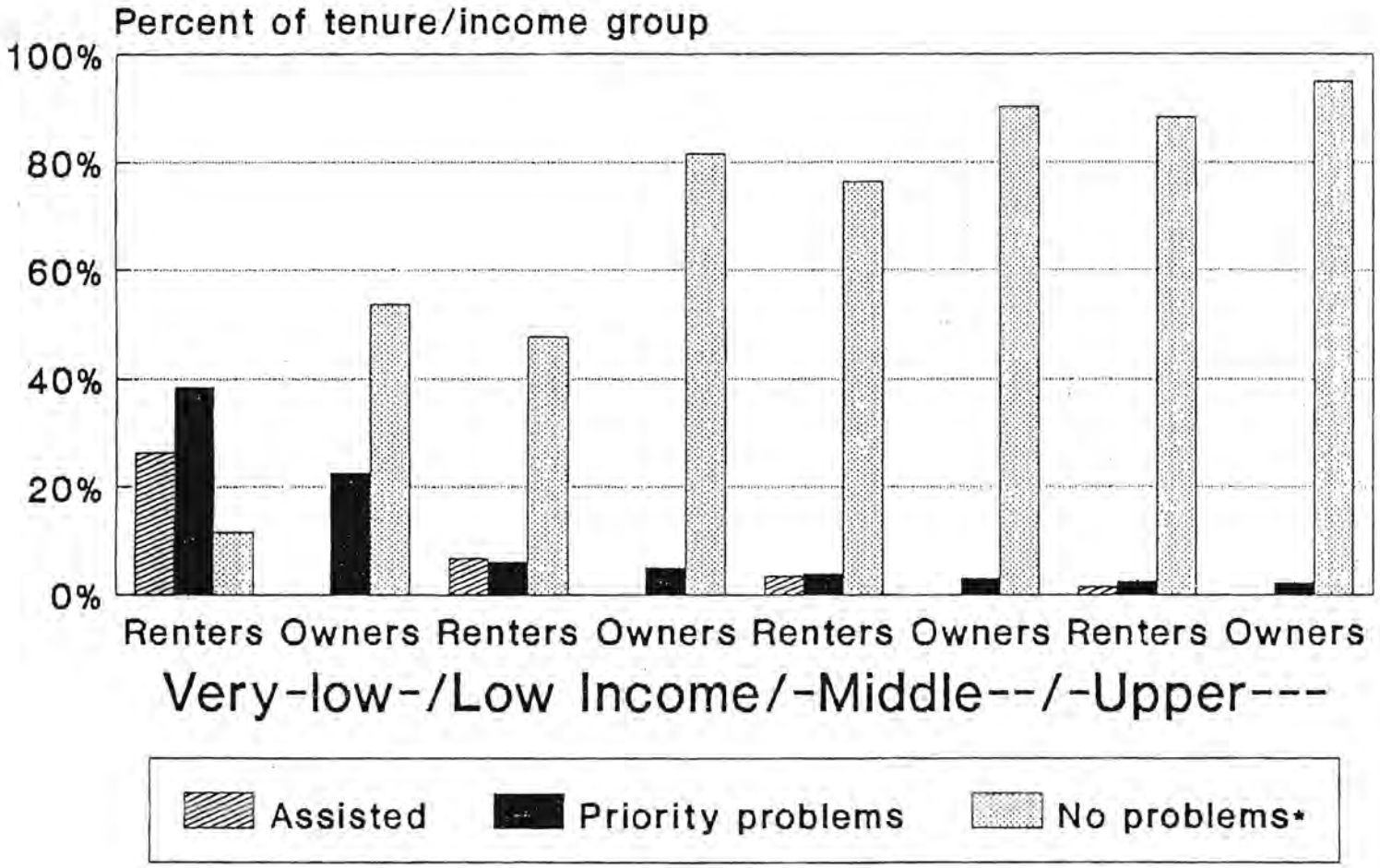
** Defined as housing cost burdens greater than 50% of income or severely inadequate housing among unassisted households.

*** For owners with mortgages, the cost burden cutoffs are 60% and 40%.

SOURCE: Tabulations of the American Housing Survey, 1989, HUD/PD&R

FIGURE 1

PRIORITY PROBLEMS & HOUSING ASSISTANCE FOR RENTERS AND OWNERS BY INCOME



Source: American Housing Survey, 1989
Priority:cost burden>50% or severe inad.
*None of burden>30%, crowding, or inad.

* Within the very-low-income category, unassisted renters were much more likely to have priority housing problems, multiple housing problems, or any housing problems than owners. Among the 9.7 million unassisted very-low-income renters, over half had priority problems in 1989. Another 30 percent had other problems such as crowding, moderate physical inadequacies, or rent burdens of 31-49 percent of income, and almost one-fifth had two or more housing problems. Only one-sixth lived in adequate, uncrowded, affordable housing.

* By contrast, only one-fifth of the 7.3 million very-low-income owners had priority problems while over half (54 percent) had no housing problems. These differences between renters and owners occur in large part because owners in the "very-low" income category tend to have higher incomes and more assets than renters in the same broad income category. For such reasons, and because very-low-income owners are not eligible for most rental assistance programs unless they sell their homes, the 1.7 million very-low-income owners with priority problems have not traditionally been counted as households with "worst case needs."

* Even within the very-low-income category, priority needs for rental assistance vary sharply by income, as Figure 2 illustrates for renters. Almost four-fifths of the poorest unassisted renters -- those with incomes below 25 percent of median -- have priority problems, compared to half of those in the 25-35 percent of median range, and only one-fourth of those in the 35-50 percent of median range. Because the poverty threshold is nationally around 35 percent of median family income, almost two-fifths of the very-low-income families eligible for housing assistance are not technically "poor".

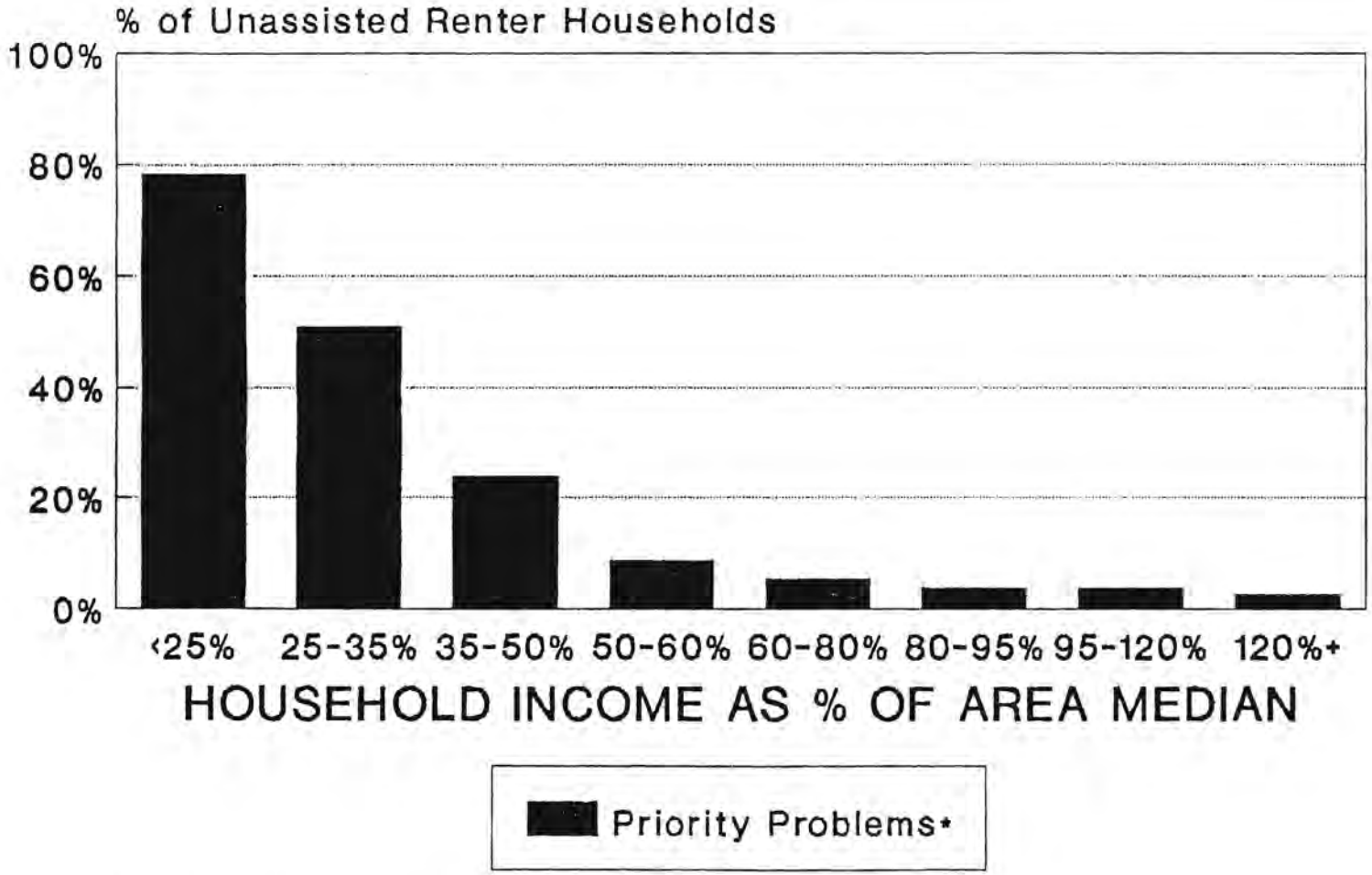
* Figure 2 also demonstrates that priority problems are uncommon among "low-income" renters, even those with income in the 50-60 percent of median range. Middle and upper-income renters have essentially no priority problems.

"Worst Case": Priority Problems among Very-Low-Income Renters

As this overview of all households and their housing problems shows, the priority problems identified by Congress are highly concentrated among very-low-income renters. The likelihood of having a priority housing problem varies dramatically by income: almost three-fifths of the renters with priority problems have incomes below 25 percent of area median family income, and five out of six fall into the "very-low-

FIGURE 2

PRIORITY NEEDS FOR RENTAL ASSISTANCE BY RELATIVE HOUSEHOLD INCOME



SOURCE: American Housing Survey, 1989
Priority problems are rent burdens >50% of income or severe physical problems.

income" category. This poorest and neediest group -- very-low-income renters with priority problems -- are known as those with "worst case" housing needs, and are the focus of this report.

* The 5.1 million renter households with "worst case" needs represented half of unassisted very-low-income renter households in 1989. One-quarter of all very-low-income renters lived in public housing or received housing assistance then.

* Nationally, around one-fifth of U.S. households (22 percent) have incomes below HUD's "very-low-income" cutoffs. Renters with worst case needs make up 5.4 percent of all households. They contain 5 percent of the nation's population and 7 percent of the children.

* Any estimates from sample data are subject to both sampling and nonsampling error. The 90-percent confidence interval for the AHS estimate of 5.1 million worst case households, for example, is ±170,000. Moreover, since income is known to be underreported on the AHS, all estimates of numbers of households with worst case problems presented in this report are likely to be high, since they probably overcount both the number of renters with incomes below HUD's very-low-income limits and the portion of these renters with income less than twice their gross rent. If income were underreported by 10 percent by each AHS household, for example, the 1989 estimate of very-low-income worst case households would be 4.3 million rather than 5.1 million. And, if income were underreported by 20 percent, the estimate of worst case needs would include only 3.7 million very-low-income renters.[6]

* Very-low-income renters with worst case problems have much more serious housing problems than other households, even other renters within the very-low-income category. In addition to having the most severe problems by definition, worst case renters are appreciably more likely than other very-low-income renters to have two or all three of the problems of rent burden, inadequacy, and overcrowding.

* Severe rent burdens were by far the dominant problem facing worst case renters in 1989. Some 3.4 million of the elderly and family households reported rent and utility payments above half of their reported income, whereas 450,000 lived in housing with severe physical problems. Among nonfamily households comprised of individuals living alone or with nonrelatives, 1.3 million had severe rent burdens while 240,000 lived in severely inadequate units. It should be noted, however, that for many households, these very high

rent burdens reflect a temporary absence of income rather than a long-term rent burden.[7]

* Almost three-fourths of worst case renters had severe rent burden as their only problem, since they lived in adequate, uncrowded housing (Figure 3). Tenant-based rental assistance such as vouchers could be used by these families in their present homes to reduce their severe rent burden and thus solve their only housing problem. Because incomes frequently change, however, long-term housing assistance would not be appropriate for those with transient problems.

Worst Case Needs by Family and Household Type

The incidence of worst case problems varied noticeably by household type among very-low-income renters, as Table 3 shows.

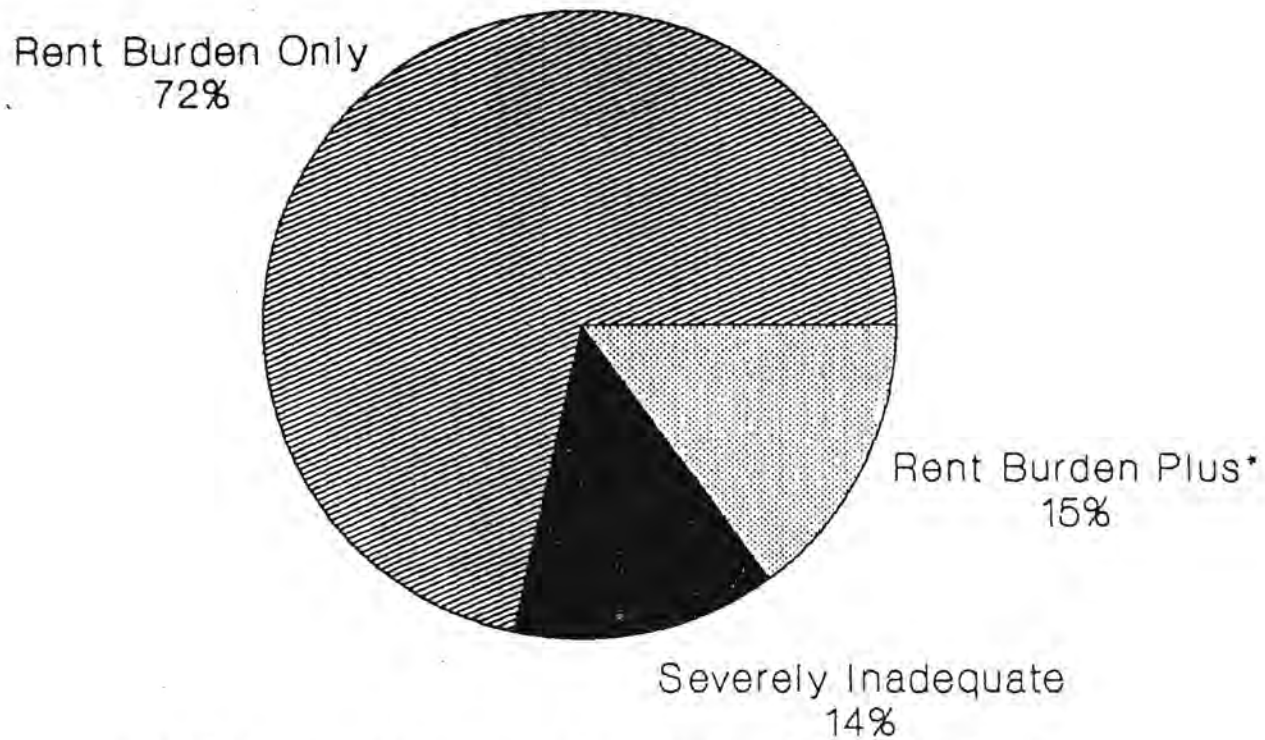
* Elderly families and individuals (those with head or spouse older than 61) were least likely to have worst case needs (33 percent) and most likely to live in public or assisted housing (35 percent). They were relatively unlikely to have more than one housing problem. Almost 85 percent of elderly households with worst case needs had only severe cost burden.

* Families with children were somewhat more likely than the elderly to have worst case problems (36 percent) and less likely to be assisted (29 percent). Large families with three or more children were particularly likely to have more than one problems, with overcrowding frequent, and to need additional bedrooms.

* Nonelderly individuals living alone or with nonrelatives were most likely to have worst case problems (49 percent) and least likely to receive housing assistance (15 percent). Unless they are disabled or handicapped, nonelderly individuals have lower priority for most housing assistance programs than families or elderly individuals. Although the AHS does not regularly ask questions about disabilities, using receipt of SSI income as a proxy for disabilities suggests that disabled individuals have relatively high rates of both assistance and unmet need.[8]

FIGURE 3

"WORST CASE" RENTER HOUSEHOLDS, 1989 BY TYPE OF HOUSING PROBLEM



TOTAL: 5.1 MILLION HOUSEHOLDS

SOURCE: American Housing Survey
*Burden >50% plus crowding and/or moderate physical problems

TABLE 3

HOUSING PROBLEMS AND CHARACTERISTICS OF VERY-LOW-INCOME RENTERS
BY HOUSEHOLD TYPE, 1989

	ELDERLY, NO CHILDREN	FAMILIES WITH CHILDREN 1-2	FAMILIES WITH CHILDREN 3 OR MORE	OTHER FAMILY	"DISABLED" NONFAMILY*	OTHER NONFAMILY
VERY-LOW-INCOME RENTERS (000S)	3,505	4,023	1,843	867	550	2,360
WORST CASE HOUSING PROBLEMS	33%	37%	34%	41%	43%	51%
Multiple problems**	4%	9%	19%	11%	15%	10%
Rent burden only	28%	27%	15%	27%	25%	38%
OTHER HOUSING PROBLEMS	17%	24%	31%	32%	7%	27%
Multiple problems**	2%	5%	13%	3%	1%	3%
Rent burden only	13%	17%	10%	26%	4%	22%
NO HOUSING PROBLEMS	15%	11%	6%	14%	6%	14%
IN ASSISTED HOUSING	35%	29%	29%	13%	44%	9%
TOTAL	100%	100%	100%	100%	100%	100%
CHARACTERISTICS:						
Female Head	68%	63%	59%	35%	53%	47%
Children/Household	NA	1.5	3.7	NA	NA	NA
Persons/Household	1.3	3.1	5.4	2.3	1.1	1.2
Minority	26%	51%	67%	49%	49%	32%
With AFDC or SSI Income	18%	38%	47%	20%	100%	0%
More Bedrooms "Needed"***	2%	16%	42%	11%	3%	4%

* Non-family household receiving SSI income
** Two or three of rent burden >30%, severe or moderate physical problems, and overcrowding
*** Current housing does not meet occupancy standards for number of bedrooms

SOURCE: Tabulations of the 1989 American Housing Survey, PD&R/HUD

Worst Case Needs by Location

The incidence of worst case problems among very-low-income renters varied markedly by location in 1989. Very-low-income renters were much more likely to have worst case problems in the West (47 percent) and Northeast regions (42 percent) than in the Midwest and South (each 34 percent). In every region except the Midwest, worst case problems were more common among income-eligible renters in suburbs than in cities or non-metropolitan areas. Because very-low-income renters are disproportionately found in central cities, however, over half of the households with worst case problems -- some 2.6 million -- lived in cities.

* As shown in Table 4, very-low-income renters were most likely to have priority needs for assistance in Western metropolitan areas. There, almost half had worst case problems while only 17 percent already received housing assistance. Worst case needs were also high among very-low-income renters in Northeastern MSAs, at 43 percent, even though one-third of very-low-income renters there are assisted.

* Because of the relative concentration of very-low-income renters in central cities, in all four regions central cities had the highest shares of households with worst case problems. Nationally, over half of households with worst case problems were located in central cities. One-third of worst case households lived in suburbs and only 15 percent in non-metropolitan areas.

TABLE 4

WORST CASE NEEDS FOR ASSISTANCE
BY LOCATION, 1989

	Worst case needs as pct of:		Percent share of total U.S. worst case needs
	Very-low income renters	All Households	
NORTHEAST	42%	6%	23%
Central City	41%	10%	13%
Suburb	45%	4%	8%
Nonmetro	33%	3%	2%
MIDWEST	34%	5%	22%
Central City	38%	9%	12%
Suburb	33%	3%	5%
Nonmetro	28%	3%	4%
SOUTH	34%	4%	29%
Central City	32%	6%	12%
Suburb	37%	3%	9%
Nonmetro	33%	4%	7%
WEST	47%	7%	27%
Central City	49%	9%	13%
Suburb	50%	6%	11%
Nonmetro	33%	5%	3%
UNITED STATES	38%	5%	100%
Central City	39%	9%	51%
Suburb	42%	4%	34%
Nonmetro	32%	4%	15%

Source: American Housing Survey, 1989

II. CHANGES IN WORST CASE NEEDS SINCE 1974

Are housing problems worsening among very-low-income renters? Although the Annual Housing Survey was first taken in 1973, AHS data are not ideal for answering this question because the new national sample and questionnaire of the American Housing Survey introduced discontinuities between 1983 and 1985 and again between 1987 and 1989. However, by using a modified definition of severely inadequate, it is possible to examine trends over the entire period for family and elderly renters.[9] These trends show that the number and proportion of eligible renters with worst case problems grew between 1974 and 1985, but that unmet worst case needs clearly declined between 1985 and 1989.

Worst Case Needs Declined between 1985 and 1989

Data from the American Housing Survey's new post-1980 sample show that the number and proportion of very-low-income renters with worst case problems clearly decreased between 1985 and 1989. In 1985, 45 percent of this group -- 4 million elderly or family renters and 1.5 million nonfamily households -- had worst case problems. The decrease occurred because 500,000 fewer very-low-income households reported severe rent burdens (Table 5). Although the Table also shows an increase in the number of severely inadequate units between 1985 and 1989, some or all of that increase results from questionnaire changes introduced in 1989 to make the 1989 data more comparable to pre-1985 counts of inadequate units.[10] Therefore, trends in severely inadequate housing over the 1974-89 period are discussed below using data with definitions of inadequacy that are more consistent over time.

* Proportionally, the decrease in unmet worst case need between 1985 and 1989 was greatest among very-low-income families, among whom need dropped 11 percent from 2.8 to 2.4 million. Among elderly renters, the number with worst case problems fell 5 percent but remained near 1.2 million.

* The number of nonfamily households with worst case problems stayed near 1.5 million. Because the total number of such households increased from 2.5 to 3.0 million, however, the proportion with worst case problems fell markedly, from 59 percent to 49 percent.

TABLE 5

HOUSING CONDITIONS OF VERY LOW-INCOME RENTERS, 1985 AND 1989
(Households in thousands)

	1985				1989				Percent Change, 1985-89	
	Family and Elderly	%	Non-elderly, No Relatives	%	Family and Elderly	%	Non-elderly, No Relatives	%	Non-Family and Elderly	elderly, No Relatives
WORST CASE HOUSING NEEDS	3,990	41%	1,470	59%	3,631	35%	1,430	49%	-9%	-3%
Severely inadequate*	378	4%	169	7%	448	4%	242	8%	19%	43%
Rent burden > 50% income	3,746	39%	1,397	56%	3,366	33%	1,287	44%	-10%	-8%
OTHER HOUSING PROBLEMS	1,853	19%	480	19%	2,406	23%	682	23%	30%	42%
Moderately inadequate	480	5%	133	5%	480	5%	131	5%	0%	-2%
Rent burden 30-49%	1,530	16%	422	17%	2,025	20%	624	21%	32%	48%
Overcrowded	268	3%	5	0%	469	5%	7	0%	75%	40%
NO HOUSING PROBLEMS	959	10%	174	7%	1,171	11%	355	12%	22%	104%
ASSISTED	2,893	30%	353	14%	3,031	30%	443	15%	5%	25%
TOTAL	9,694	100%	2,477	100%	10,239	100%	2,910	100%	6%	17%

* Definition of "severely inadequate" changes between 1985 and 1989. See text.

SOURCE: American Housing Survey, PD&R/HUD

* Examination of changes in income and rent suggests that each contributed to the 1985-89 decline in unmet worst case needs. Although improvements in the AHS questions about utility costs in 1989 unfortunately understate 1987-89 increases in gross rents,[11] between 1985 and 1987 income growth clearly outstripped increases in both gross and contract rents among all renters and among very-low-income renters. Between 1987 and 1989, furthermore, the continued decline in worst case problems among families can also be attributed to income growth, which exceeded reported changes in contract rent as well as the more suspect gross rent.

Worst Case Needs Rose between 1974 and 1983 before Declining

Changes in sample and questionnaires mean that comparisons over longer periods of time are necessarily less exact, particularly for nonfamily households. Nevertheless, among elderly and family renters it is clear that unmet worst case needs grew markedly between 1974 and 1983. Over that period, they rose from 2.5 million (34 percent of the eligible group) to 3.8 million (39 percent). As discussed below, after 1977 worst case needs rose among nonfamily households as well before stabilizing in the 1985-89 period.

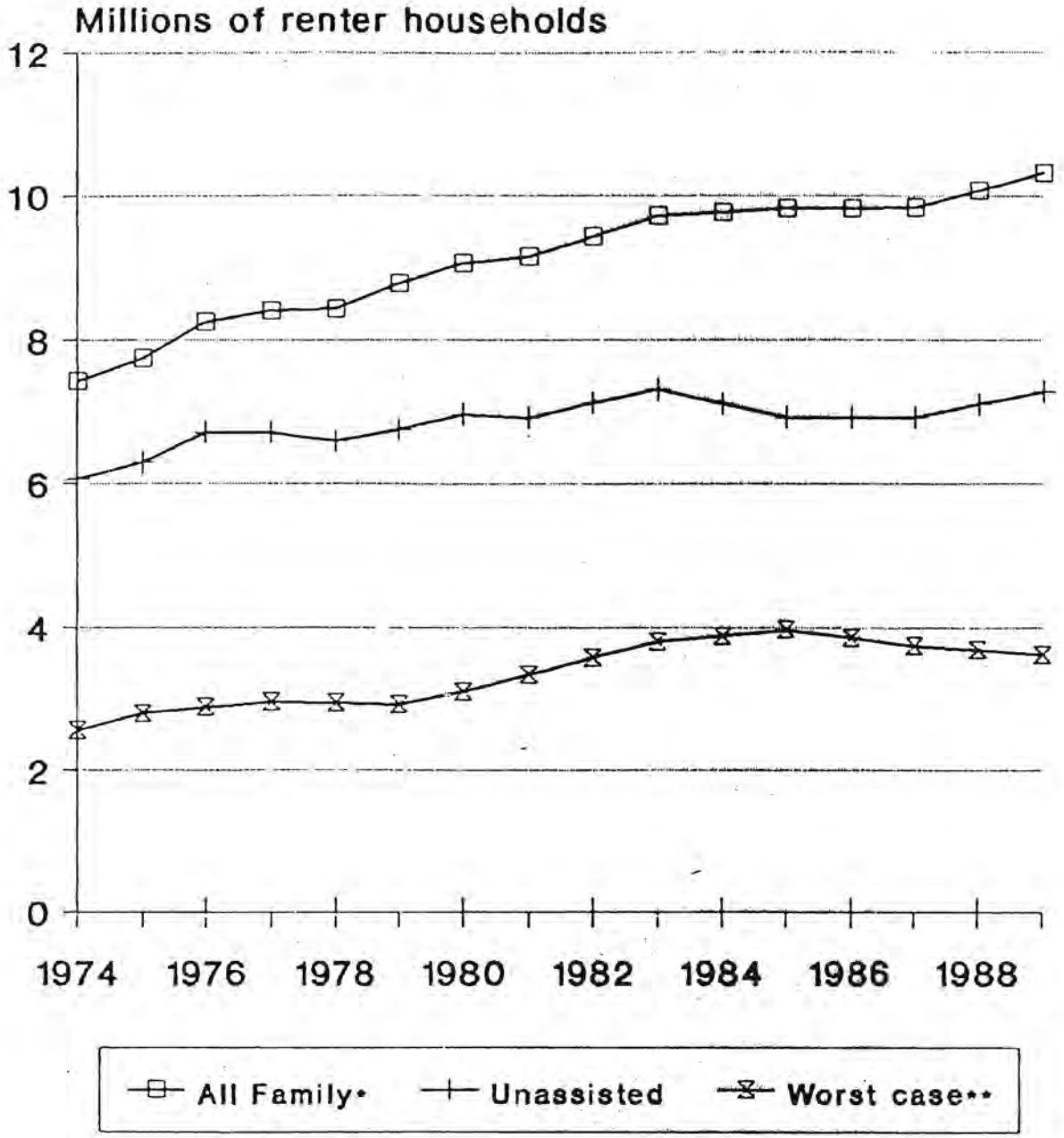
Figure 4 uses the most comparable data available from both the Annual and American Housing Surveys to summarize trends over the entire 1974-1989 period for family and elderly renters only. The three lines on the figure show changes in the total of all very-low-income family and elderly renters; in the number of such renters who did not receive housing assistance; and in the number with unmet worst case needs.

* Over this period, the total number of very-low-income family and elderly renters grew by 39 percent from 7.4 to 10.3 million, a rate similar to that for all U.S. households. Throughout the period, some 11 percent of U.S. households fell into the very-low-income family and elderly renter category.

* The number of these renters receiving housing assistance more than doubled, increasing from 1.4 million in 1974 to over 3 million in 1989. Since the additional assistance was better targeted toward the lowest-income groups, the share of those assisted who otherwise were likely to have worst case needs rose from 37 to 54 percent. These estimates are based on the assumption that assisted households would, if unassisted, have the same probability of having worst case problems each year as was actually observed then among unassisted renters of the same family type and relative income.

FIGURE 4

VERY-LOW-INCOME FAMILY RENTERS BY ASSISTANCE AND WORST CASE NEEDS



SOURCE-Annual & American Housing Surveys
*"Family" includes elderly
**Worst case: burden>50% or severe inad.

* Although increases in assistance kept the number of unassisted eligible families around 7 million after 1980, the number with worst case needs for assistance increased both absolutely and relatively until 1985. Very-low-income family and elderly renters with worst case needs increased from 2.6 million in 1974 to 4.0 million in 1985 before dropping to 3.6 million in 1989. Growth was fastest during the 1979-1983 period, when those with unmet worst case needs rose from 33 percent to 39 percent of very-low-income families.

The Major Problem: Severe Rent Burdens

In terms of housing problems, the growth in worst case needs between 1974 and 1989 was exclusively due to increases in severe rent burden, since the number and proportion of very-low-income families living in severely inadequate units dropped markedly. For family and elderly renters, Table 6 summarizes these patterns for four years that have comparable data on inadequacy.[12] Equivalent data on nonfamily renters for the 1978-89 period show similar changes for them. For both family and nonfamily renters, then, the available trend data document that severe rent burden is increasingly the <u>only</u> housing problem of worst case households.

* Between 1974 and 1989, the proportion of very-low-income family and elderly renters with severely inadequate units dropped from 11 percent to 4 percent as the number of such units was halved (from 850,000 to 425,000).

* Over the same period, the number and proportion of eligible unassisted families with rent burdens above 50 percent of income rose from 1.8 million (25 percent of eligible families) to 3.4 million (33 percent).

* As multiple problems declined, the number and share of worst case families whose only housing problem was severe rent burden steadily increased. As Figure 5 illustrates, in 1974 1.4 million (57 percent) of the worst case families lived in adequate uncrowded housing, with severe rent burden as their only housing problem. By 1989, fully three-quarters of families with worst case needs (2.7 million) were in this situation.

* Because the data needed to define household income and rent burden are not available for all years for nonfamily households, levels of worst case needs cannot be measured accurately for them over the entire 1974-89 period. Nevertheless, comparable data for the years between 1978 and 1989 show that severe physical problems declined among

TABLE 6

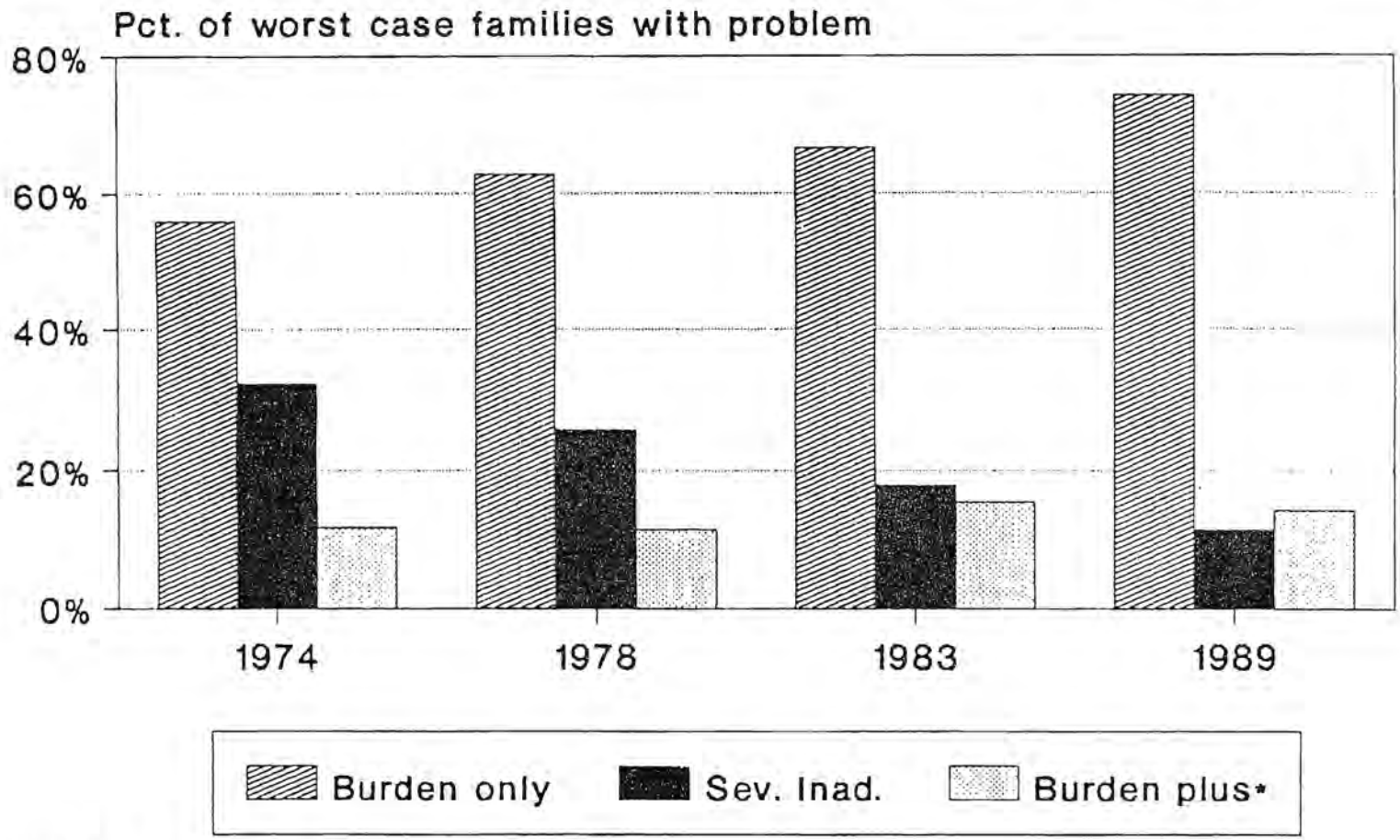
HOUSING CONDITIONS OF VERY-LOW-INCOME FAMILY
& ELDERLY RENTERS

	1974	1978	1983	1989
FAMILIES & ELDERLY (000s)	7,431	8,431	9,721	10,312
WORST CASE HOUSING PROBLEMS	34%	35%	39%	35%
Severely inadequate	11%	9%	7%	4%
Rent burden 50%+	25%	28%	34%	33%
Adequate, uncrowded	19%	22%	26%	26%
OTHER HOUSING PROBLEMS	30%	28%	24%	23%
Moderately inadequate	7%	7%	5%	4%
Rent burden 30-49%	22%	22%	20%	20%
Overcrowded	6%	3%	5%	5%
NO HOUSING PROBLEMS	17%	15%	12%	12%
IN ASSISTED HOUSING	18%	22%	25%	29%
TOTAL	100%	100%	100%	100%

SOURCE: Annual and American Housing Surveys, PD&R/HUD

FIGURE 5

TYPES OF HOUSING PROBLEMS OF WORST CASE FAMILIES, 1974-89



SOURCE-Annual & American Housing Surveys
*Rent burden > 50% plus crowding and/or moderate physical problems

nonfamily renters with worst case problems as well, while severe rent burdens became more common. Like families, nonfamily renters with worst case problems increasingly had only severe rent burdens. In 1989, 75 percent of the very-low-income nonfamily households with worst case problems had severe rent burdens as their only housing problem, up from 66 percent in 1978.[13]

How Have Changes in Worst Case Needs Varied by Location?

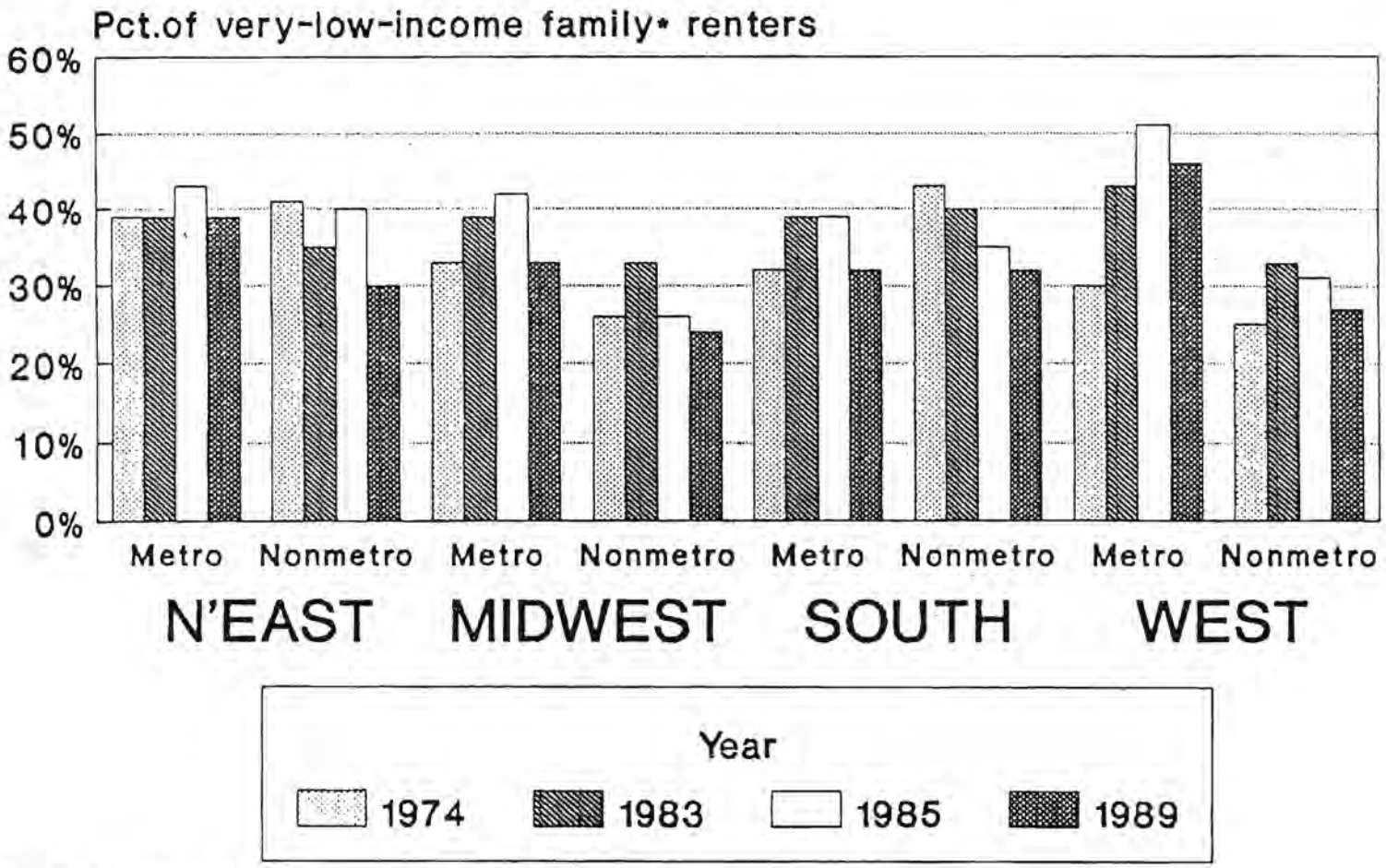
Between 1974 and 1989, the number of very-low-income family and elderly renters with worst case needs expanded far more quickly in the West than in other regions. Nationally, the number with worst case needs increased by 42 percent between 1974 and 1989, growing from 2.6 to 3.6 million. Regionally, the number of family and elderly renters with worst case needs rose by 11 percent in the Northeast, 22 percent in the South, 39 percent in the Midwest, and 150 percent in the West. Because of its rapid growth in unmet needs, the West shifted from being the region with the lowest incidence of worst case needs among very-low-income renters in 1974 to having the highest incidence in 1989.

* Despite complicating changes in metropolitan area definition in 1984, it is clear that growth in worst case needs was particularly high in Western MSAs. As Figure 6 shows for family and elderly renters, in Western MSAs the proportion of eligible families with unmet worst case needs rose from 30 percent in 1974 to over 50 percent in 1985, and it remained near 50 percent in 1989. Since Western MSAs also experienced fast growth in the number of income-eligible renters over the period, the total number of worst case families almost tripled there, growing from 330,000 to 920,000 families.

* The nonmetropolitan share of U.S. families with worst case needs dropped sharply between 1974 and 1989, as the result of slower growth in households, lower proportions of those households with worst case needs, and increases in assisted units. In 1974, when 29 percent of very-low-income family and elderly renters lived in non-metropolitan counties, those counties had 31 percent of worst case needs. By 1989, only 19 percent of eligible renters lived in nonmetropolitan counties, and these non-metropolitan areas contained only 15 percent of the households with unmet worst case needs.

FIGURE 6

WORST CASE HOUSING NEEDS, 1974-89 BY REGION AND METRO/NONMETRO STATUS



SOURCE:Annual & American Housing Surveys
MSA definition changed betw. 1983 & 1985
*"Family" includes elderly individuals

Changes in Worst Case Needs by Family Type and Income Source

Increases in unmet need since the 1970s have been much greater among families, especially families with children, than among elderly renters. As Figure 7 illustrates, the number of very-low-income renters receiving assistance grew in both types of household, with families receiving over 60 percent of the incremental units. Overall, however, growth among very-low-income families with children outstripped that of elderly households, because of factors such as the aging of the baby boom, increases in families headed by women, and lagging income growth among the low-income nonelderly groups. Among very-low-income renters with children, the proportion with female heads increased from 54 percent in 1974 to 62 percent in 1989. Over the same period, the share of the nation's children living in households with worst case needs rose from 4 percent to 7 percent.

* Some 43 percent of worst case families with children report receiving welfare income, down from 53 percent in the mid-1970s. Although the proportion of AFDC families receiving housing assistance rose from 18 percent in 1974 to 31 percent in 1989, the proportion of families receiving welfare who have worst case needs also grew, from 23 percent to 27 percent, making it likely that lagging growth in the real value of welfare payments over this period contributed to affordability problems.[14]

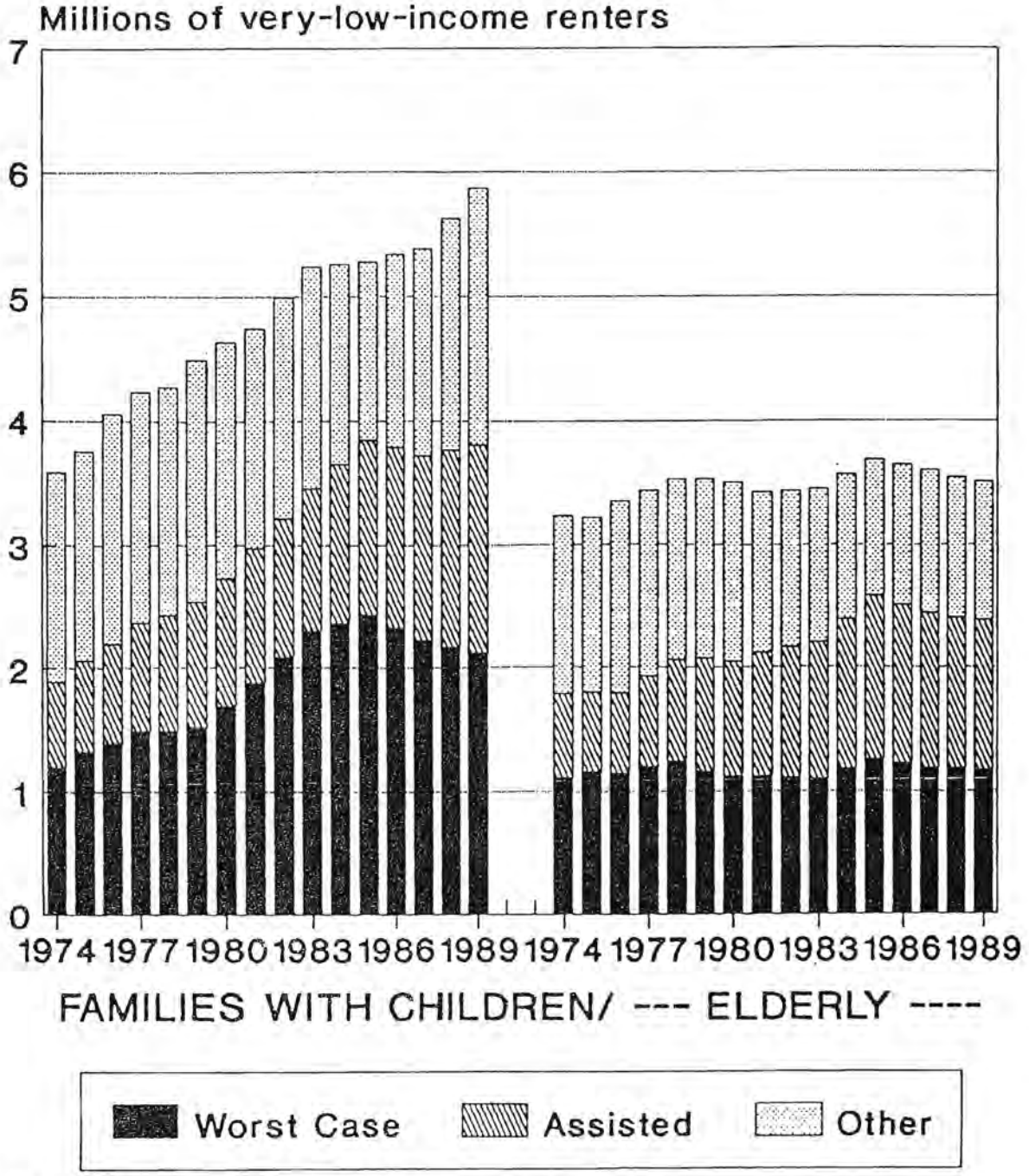
Projections of Future Worst Case Needs

Observed changes in unmet worst case needs and in the household composition and income distribution of assisted households provide a basis for estimating how worst case needs might vary in the future with alternate levels of incremental rental assistance and alternate demographic and economic assumptions. The model accounts for the possibility of serving worst case needs through turnover of existing units as well as through incremental assistance. Based on Census Bureau projections of slower growth among very-low-income households in the early 1990s, the worst case projections assume that rates of growth in very-low-income renter households and in renters with worst case needs are each likely to be only three-fourths those observed between 1978 and 1989.[15]

* During the 1990s, Census Bureau projections suggest that the number of nonelderly families with low incomes will continue to increase more quickly than elderly households with low incomes, with growth projected to be especially rapid among young female family householders. If rates of growth among very-low-income renters, and among those with worst case needs, <u>are</u> each three-fourths of the growth rates observed

FIGURE 7

WORST CASE NEEDS AND ASSISTANCE, 1974-89
VERY-LOW-INCOME FAMILY & ELDERLY RENTERS



SOURCE:Annual & American Housing Surveys
1982, 1984, 1986, & 1988 interpolated

between 1978 and 1989 and the number of assisted units increases by 100,000 per year, the model projects that unmet worst case needs will remain around 5.1 million in 1995. Unless the share of incremental units going to nonelderly families is increased, however, unmet needs among families will increase from 2.5 million in 1990 to 2.7 million in 1995, while unmet needs among the elderly and other household types will decline slightly.[16]

* Like all projections, these estimates of future needs are based on many assumptions. The projections above, for example, assume a continuation of 1978-89 economic trends as well as the slower growth in households predicted by demographic trends. Over this period, annual growth in households with worst case problems was almost double the rate observed for all very-low-income renters, even though on average real income grew by 0.8 percent annually. During the 1985-89 recovery, by contrast, the number of households with worst case needs declined despite continued growth in very-low-income renters. If the 1985-89 decline in potential worst case needs were to continue, worst case needs could drop to 3.7 million by 1995. Alternatively, if the rate of growth in worst case needs equalled that projected for all very-low-income renters, worst case needs would drop to 4.6 million.

III. APPROPRIATE MEANS OF REDUCING UNMET WORST CASE NEEDS

Renter households with worst case needs clearly have the most severe and burdensome housing problems. To develop strategies that will reduce the number of households experiencing these problems, it is important to identify programs that can help them as quickly, effectively, and efficiently as possible under present housing market conditions. To determine which programs might assist worst case households most directly and efficiently, this chapter first examines the housing problems of the worst case households in more detail to determine who could be helped in place by rental assistance, and who may need other programs or other housing. It then surveys the characteristics and location of affordable housing units.

Forms of Assistance Appropriate to the Needs of Worst Case Households

Examination of the housing conditions of households with apparent worst case needs demonstrates that tenant-based assistance could most appropriately help the vast majority of households with worst-case problems. As Table 7 details, in 1989 more than seven out of ten households with unmet worst case needs had severe rent burden as their only housing problem, since they lived in adequate, uncrowded housing. Tenant-based rental subsidies such as vouchers or certificates could solve the only housing problem of these 3.6 million households in their current housing, less expensively and more quickly than any alternate program.

Vacancy rates for affordable units furthermore suggest that tenant-based assistance could also appropriately help many of the worst case families who may need other housing. One-third of the remaining 1.4 million households with worst case needs paid unaffordable rents for uncrowded but moderately inadequate housing, and one-half lived in severely inadequate housing that probably should be replaced rather than rehabilitated. The final 280,000 worst case households, almost all of them families with children, had both high rents and housing that was too crowded for the number of persons in the household.

Tenant-Based Assistance for Those with Rent Burden only

* In 1989, more than 70 percent of worst case households could be helped directly by tenant-based assistance, since their only housing problem was severe rent burden. Moreover, the fraction of worst case households in this category has steadily increased, since in 1974 almost half of the worst case households had housing that was inadequate and/or

TABLE 7

TYPES OF HOUSING PROBLEMS AMONG WORST CASE RENTERS, 1989
(Household in Thousands)

	Elderly	Families	Nonfamily	Total
SEVERE PHYSICAL PROBLEMS Only	36	66	76	178
and burden > 50%	56	127	99	282
and other problem(s)*	35	129	67	231
RENT BURDEN > 50% Only	970	1,617	1,034	3,621
and moderate physical problems but uncrowded	61	264	147	472
and adequate but crowded	3	192	5	200
and moderate physical problems and crowded	—	78	2	80
TOTAL	1,161	2,473	1,430	5,064

* Other problems are mainly crowding

SOURCE: American Housing Survey, PD&R/HUD

crowded. If the payment standard were set at the local Fair Market Rent (FMR) for the size of unit these households occupied in 1989 and half of the households participated,[17] vouchers costing $7 billion per year in FY 1990 dollars could solve the only housing problem of these 3.6 million households. Vouchers for the 2.6 million elderly and family households with only severe rent burden would cost $6 billion. The average annual cost of such a subsidy per household would have been $3,600 in 1990.[18]

Rehabilitating Inadequate Housing

* The 470,000 worst case households with uncrowded but moderately inadequate housing could be helped by light rehab, such as that encouraged under the newly authorized HOME Investment Partnerships. Under that approach, up to $25,000 can be spent for rehabilitation, and vouchers could then be used for rents above 30 percent of income. For some of these households, moreover, tenant-based assistance could supply landlords with the revenue and incentives needed to improve housing quality.

Who Needs Other Housing Units and Where Do They Live?

Nationally, about 590,000 worst case families, 130,000 elderly, and 250,000 nonfamily households needed to move to other housing in 1989 because their current housing was crowded or severely inadequate. Over half of these households were families with children, and one-third of the total needed units with 3 or more bedrooms to accommodate their families without crowding. As Figure 8 illustrates, families with 3 or more children were the type of worst case household most likely to live in crowded or severely inadequate units.

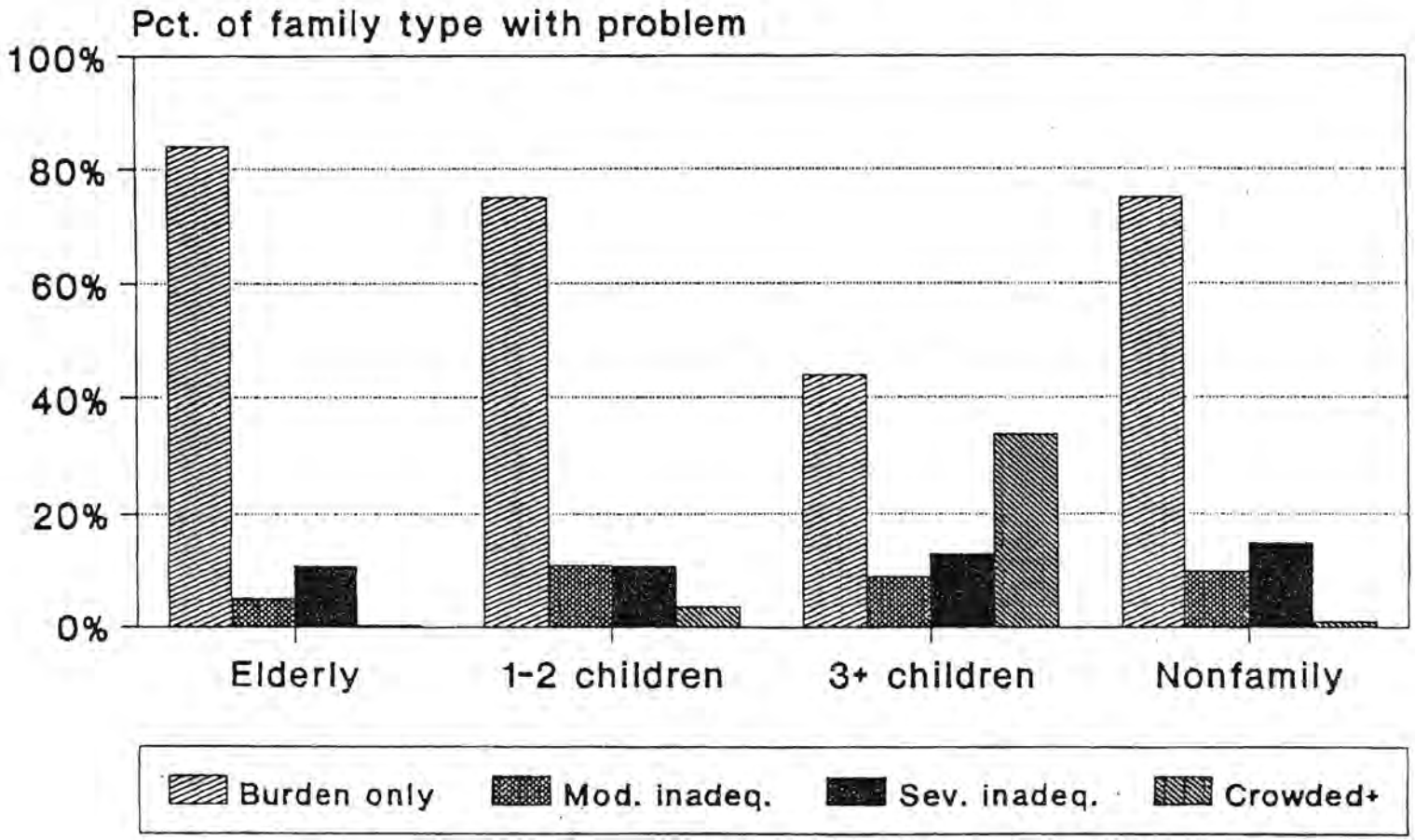
* Households who needed other housing were particularly common in the metropolitan West (because of crowding), the non-metropolitan South (because of severe physical problems) and Northeastern central cities (for both reasons). As discussed below, in most regions of the country there were sufficient vacancies among housing units with rents below local Fair Market Rents to suggest that many of these households could also be helped at least cost through rental assistance.

Adequate, Affordable, Uncrowded Housing is Often Available

There has been much discussion of "losses" and "shortages" in units affordable to low-income renters. In considering how best to assist worst case households within limited resources, however, the appropriate standard should be the availability of

FIGURE 8

TYPES OF HOUSING PROBLEMS AMONG WORST CASE* RENTERS BY FAMILY TYPE



Source: American Housing Survey, 1989
*Worst case problems are rent burden>50% of income or severely inadequate housing

rental housing that could be made affordable with vouchers or certificates, because programs providing tenant-based assistance cost less and can be made available to families on waiting lists more quickly and flexibly than any supply program. Although national AHS data cannot show whether vacant housing is available in specific housing markets, they do show that vacancy rates rose steadily during the 1980s among units with rents below the Fair Market Rents (FMRs), which are the maximum amounts that HUD will pay in each local housing market to assist renters.

* In 1989, when the national rental vacancy rate was 7.3 percent for all units, 6.6 percent of units with gross rents (including utility payments) below the FMR were vacant and for rent.[19] Nationally, vacancy rates for below-FMR units ranged from 8 percent for small units to 4.4 percent for units with 3 or more bedrooms. Regionally, vacancies were lowest in the Northeast (3.9 percent) and highest in the South (9.0 percent). All regions other than the Northeast had rates above the 5 percent usually considered adequate.

* As Table 8 shows, vacancies among below-FMR units had increased between 1985 and 1989 in all regions other than the Midwest and in all sizes except large units. In 1989, there were enough vacant one- and two-bedroom units to house the worst case households needing housing of this size in every region except the Northeast, and between 1985 and 1989 such vacancies increased.

* Housing affordable with rental assistance was least likely to be vacant and available for the largest families, who were most likely to live in overcrowded units and need larger units. Vacancy rates were lowest for units with three or more bedrooms in all regions, and they were below 5 percent in every region other than the South.

TABLE 8

VACANCIES OF UNITS WITH RENTS BELOW LOCAL FMR, BY REGION AND NUMBER OF BEDROOMS
1985 AND 1989

	U. S.	NORTHEAST	MIDWEST	SOUTH	WEST
TOTAL UNITS, 1989	23,894	4,764	5,530	7,604	5,997
1985 vacancy rate	5.7%	3.2%	6.2%	7.0%	5.8%
1989 vacancy rate	6.6%**	3.9%	5.8%	9.0%**	6.4%
0-1 BEDROOMS	8,117	1,891	1,864	2,196	2,167
1985 vacancy rate	6.6%	4.0%	7.1%	8.7%	6.6%
1989 vacancy rate	8.0%**	5.1%	8.2%	10.0%	8.3%**
2 BEDROOMS	9,476	1,638	2,142	3,250	2,445
1985 vacancy rate	5.5%	2.8%	6.0%	6.8%	5.5%
1989 vacancy rate	6.9%**	3.4%	5.9%	10.2%**	5.7%
3+ BEDROOMS	6,301	1,235	1,524	2,157	1,385
1985 vacancy rate	4.6%	2.7%	5.2%	5.2%	4.9%
1989 vacancy rate	4.4%	2.9%	2.8%**	6.2%	4.8%

**1985-89 change significantly different from 0 at .05 confidence level

SOURCE: American Housing Survey tabulations; utility costs estimated for vacant units for which utilities are paid separately.

IV. CRITICAL ELEMENTS OF A STRATEGY TO REDUCE WORST CASE NEEDS SUBSTANTIALLY WITHIN LIMITED RESOURCES

For very-low-income families, severe housing problems such as worst case needs represent a serious threat, particularly since rent burdens that absorb more than half of income increase the risk of homelessness if unanticipated emergencies arise. It is thus essential to craft a strategy to reduce the number of families and individuals who face worst case problems as quickly and as efficiently as possible within limited fiscal resources. Because of the urgency of the problem and the variety of housing market conditions around the country, such a strategy must involve all concerned, nonprofit organizations and private businesses as well as State, local, and Federal governments. The facts about worst case needs assembled in this report point to several elements that are critical to an effective strategy.

Such a strategy should start immediately by targeting currently available and forthcoming resources to serve worst case families cost-effectively. It should rely heavily on vouchers and certificates: tenant-based assistance is not only most flexible and least costly, but it is also directly appropriate for three-fourths of worst case households in place, and could as well help other families afford available housing. Families receiving assistance should be encouraged and supported to attain self-sufficiency through the new Family Self-Sufficiency program or by the opportunities for ownership made available through HOPE grants (Homeownership and Opportunity for People Everywhere). States and localities should reduce regulatory and discriminatory barriers to the provision of affordable housing wherever possible. Any additional resources for housing should also be directed toward worst case families as effectively as possible in ways appropriate to the needs of those families and local housing market conditions.

To complement these critical elements of the strategy, ongoing efforts to strengthen low-income neighborhoods and their residents as well as housing and community programs should continue. Losses of existing stock should be minimized by maintaining and conserving existing low-cost units and stabilizing neighborhoods. The existing subsidized stock should be improved through programs such as public housing modernization and preservation of assisted insured multifamily housing. Moreover, HOPE should be used to expand opportunities for low-income families to obtain the larger units they need from the underutilized public and private housing inventory. Housing and community programs should be monitored and evaluated so that they can better assist those most in need.

Continued Preference in Assistance for Worst Case Families

Worst case households clearly have the greatest needs for assistance of any group, including other very-low-income households, and they have lesser resources than those in higher-income categories. To use current rental assistance programs for those with worst case problems efficiently, assistance should be directed at those with worst case priority problems wherever possible.

* For public and assisted housing, this principle implies that following the preference rule giving priority in admission to those with severe housing problems is essential for reducing unmet needs. Unfortunately, the National Affordable Housing Act weakened rather than strengthened the preference rule for both public housing (Sec. 501) and Section 8 projects (Sec. 545): it increased local exceptions to the preference rule to 30 percent of new admissions rather than the 10 percent exception formerly allowed. Because some 3 million units are affected by these changes, their net effect is likely to reduce by 70,000 the number of worst case families newly assisted each year as units turn over and become available for new occupants. These provisions of the new Act should be reversed and the preference rule tightened, especially for small scattered-site projects where undue concentrations of poor households are less an issue.

* Furthermore, the preference rule should be extended to other rental housing programs, such as units rehabilitated or acquired through HOME and housing produced with the Low Income Housing Tax Credit (LIHTC). Both of these programs now provide rental housing for households with incomes up to 60 percent or 80 percent of median income, and they give no preference to those with severe housing problems.[20] Yet as shown above, only 10 percent of unassisted renters in the 50-60 percent of median range, and fewer than 5 percent of other low-income renters, have priority needs for housing. Because so few renters in these income ranges have priority problems, in the absence of the preference rule it is highly likely that fewer than one-sixth of units supplied through these programs will go to worst case renters.

Rely on rental certificates and vouchers to serve as many households as possible within budgetary constraints

Increasing the number of households helped through tenant-based assistance is the least expensive and most direct way to increase assistance to worst case families quickly and appropriately. Over seven-tenths of worst case families could be helped directly by certificates and vouchers in their current

residence, and others could use such assistance to move to adequate, uncrowded housing. Because unmet worst case needs have been growing most quickly among families with children and relatively high rates of growth in single-parent families are projected to continue, a higher proportion of new aid should be directed to families with children.

* Under current law, vouchers are better targeted at households with worst case needs than any other program, since all vouchers must go to very-low-income renters and at least 90 percent should be given to those with priority problems. The projection model suggests that increasing incremental units from 100,000 annually through the 1990s to 300,000 incremental units that are largely vouchers could substantially reduce unmet worst case needs. This change could reduce the number of family and elderly households with unmet worst case needs in the year 2000 from 4.3 million to 2.7 million.

* Providing certificates and vouchers helps to stabilize family environments, since families can afford decent quality housing with these programs. Moreover, families who have already found adequate, uncrowded housing can stay in their neighborhood, thus reducing the stresses of moving and changing schools for their children. In 1989, over half of the worst case families with children had moved in the past year.

* Because certificates and vouchers can only be used in adequate housing and provide revenue to landlords for maintenance expenses, they also help maintain the existing privately-owned housing stock in adequate condition. Thus, tenant-based assistance can help retard losses from the affordable rental stock.

Strengthen Families through Family Self-Sufficiency and HOPE

High rates of worst case need among low-income families with children and families on welfare emphasize the desirability of encouraging upward mobility among those in assisted housing programs. Doing so not only provides a step up and out for participating families, but also frees up needed resources to help other families with worst case need. Both Family Self-Sufficiency and HOPE grants address this need. These efforts should include increased coordination with welfare agencies and other training and anti-poverty programs at the Federal, State, and local levels.

* The National Affordable Housing Act requires each Public Housing Authority to institute Family Self-Sufficiency programs to train, support, and reward family efforts toward

self-sufficiency. This initiative deserves support and expansion in each jurisdiction.

* Because of their portability, certificates and vouchers can be particularly helpful in allowing families in self-sufficiency programs to choose housing convenient to training and job opportunities.

* HOPE can provide additional opportunities for families with worst case problems and subsidized families to escape the spiral of poverty and welfare dependence. Chances to own large units and accumulate assets will provide strong incentives to self-sufficiency that may well be particularly appropriate for families with children. Low-income homeownership will encourage families to work, save, and care about their communities.

* In addition to public housing homeownership, HOPE will utilize underused housing from the Federal, State, and local inventory and thus increase the stock affordable by low-income families. HOPE will double the affordable housing stock because it requires one-for-one replacement of housing units that are moved to homeownership.

Use HOME Funds to Meet Worst Case Needs Appropriately and Effectively

Over the past 15 years, unmet worst case needs have grown much more quickly in the West than in other regions, and the availability of affordable housing also varies markedly by location. The HOME Investment Partnerships authorized by the National Affordable Housing Act will provide funds for affordable housing to states and local jurisdictions so that they can respond to needs for assistance and affordable housing in ways appropriate to different local housing market conditions. HOME funds can be used for tenant-based assistance, acquisition, rehabilitation, or new construction. This local flexibility can make HOME funds particularly useful for meeting the most urgent needs of worst case renters quickly and cost-effectively.

* The HOME program allows tenant-based assistance as one means of making available housing affordable to needy families. Since families receiving such assistance retain their tenant selection preferences for housing assistance, providing tenant-based assistance through HOME could help respond appropriately and quickly to make their present adequate, uncrowded housing affordable to worst-case families.

* In locations where families have difficulty finding adequate existing housing with rental certificates and vouchers, cost-effective uses of HOME funds for rehabilitation, acquisition and construction of housing should be

considered. The rehabilitation activities encouraged by HOME are not only needed and directly appropriate for one-eighth of worst case families, but they also could be used to upgrade vacant housing.

* Although HOME funds may be used for new construction only in limited circumstances, any jurisdiction with priority needs for such housing may construct affordable housing for large families and others with special needs. National and regional data showing low vacancy rates among large units suggest that housing that can accommodate large families is most often needed. Because large families with worst case needs may be least likely to find adequate, uncrowded units with rental assistance, HOME funds for construction or substantial rehab should be directed to these urgent needs. Similarly, as States and jurisdictions prepare their Comprehensive Housing Affordability Strategies, they should consider how housing constructed with the LIHTC can best serve unmet worst case needs.

* Single room occupancy (SRO) housing could efficiently address critical needs for individuals with worst case problems. Increased emphasis is warranted, and HOME program funds can be used for this special needs purpose.

Reduce Regulatory and Discriminatory Barriers to Affordable Housing

Efforts to provide and maintain housing that is affordable to very-low-income renters are all too often undermined by regulatory barriers that unnecessarily increase the cost of housing and by discrimination that restricts equal access to affordable housing. In developing their Comprehensive Housing Affordability Strategies (CHAS), States and localities are directed by the National Affordable Housing Act to review "whether the cost of housing or the incentives to develop, maintain, or improve affordable housing in the jurisdiction are affected by public policies, ... including tax policies affecting land and other property, land use controls, zoning ordinances, building codes, fees and charges, growth limits, and policies that affect the return on residential investment" (Sec. 105 (b)(4). Jurisdictions are also directed to certify that they will affirmatively further fair housing in implementing their housing strategies. The process of developing a CHAS, therefore, offers new challenges and opportunities to citizens and jurisdictions to reevaluate, ameliorate, and remove regulatory and discriminatory barriers to affordable housing.

APPENDIX

PROCEDURES FOR ESTIMATING WORST CASE NEEDS FROM ANNUAL AND AMERICAN HOUSING SURVEY DATA

To use AHS data to estimate the number of households with worst case needs for housing assistance as closely as is possible from survey data, it is necessary to determine whether household incomes fall below HUD's very-low-income limits (50 percent of the local median income), whether a household already receives housing assistance, and whether an unassisted income-eligible household has the severe housing problems that meet the tenant selection preferences: rent burdens above 50 percent of income, substandard housing, or having been displaced. Because nonelderly individuals living alone or with nonrelatives have not in the past been included as "families" and because some data for such nonfamily households are lacking, it is also necessary to identify different family types.

This appendix first discusses the procedures and definitions used with the 1989 American Housing Survey microdata to estimate the number of households in different income categories who have worst case needs or other housing problems as accurately as is possible from AHS data. Because of changes in the questionnaires used by the Annual Housing Survey between 1973 and 1983 and by the American Housing Survey since 1984, some of these procedures must be changed slightly to estimate trends in need between 1974 and 1989 as consistently as possible. The second section of the appendix summarizes the alternate procedures used for trend estimates.

Procedures used with 1989 American Housing Survey microdata

(1) Area income limits - To categorize households in relation to "local" income limits as accurately as possible within the limitations of the American Housing Survey geography, family or household income is compared to area income limits adjusted for household size. Very-low and lower-income cutoffs for a family of four -- i.e., 50 or 80 percent of the local median family income, respectively -- were defined for each unit of geography identified on the AHS national microdata tapes since 1985. Official 1989 income limits were used directly for each of the 141 MSAs (or CMSAs, for Buffalo, N.Y., and Portland, Oregon) identified on the AHS tapes. For housing units outside these MSAs, the AHS geography identifies only region, metropolitan status, and six climate zones. Average income limits were estimated for each of these 48 locations (4 * 2 * 6) by weighing the 1989 income limits of each county within a location type by its 1980 population.

The same approach was used to define the local Fair Market Rents that apply to units with different numbers of bedrooms for each housing unit on the AHS. Official FMRs for units with 0 through 4 bedrooms were used for the identified MSAs, and weighted FMRs were developed for the rest of the country.

(2) Household and family type -- For most HUD programs, "families" include all households with relatives present, elderly single persons aged 62 or more, households with children, and single persons living alone or with nonrelatives who are disabled or handicapped. Since the AHS does not regularly measure disabled or handicapped status this last group is not included in the "family" estimates presented here. Instead they are grouped with other "nonfamily" households that contain only nonelderly individuals with no relatives present.

(3) Categorizing households by income -- For family and elderly households, income status is determined by comparing family income to the very-low and low-income cutoffs, with appropriate adjustments for family size. For nonfamily households, <u>household</u> income is compared to the cutoffs, as adjusted for household size. To be consistent with HUD procedures, 5.5 percent of equity is included as additional income for homeowners. Households reporting negative income were categorized as "middle" income if their monthly housing costs were above the Fair Market Rent, since many of the households in this situation appear to be reporting temporary accounting losses.

(4) Receiving housing assistance -- Households are counted as receiving federal housing assistance if they answered yes to one of 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?" The number and characteristics of households responding affirmatively to these questions are generally consistent with program data.

(5) Severe or moderate physical problems -- The definitions are those used since 1984 in the American Housing Survey, which are defined in detail in Appendix A of any AHS published volume. A unit is considered <u>severely inadequate</u> if it has any of the following five problems:

> <u>Plumbing</u>. Lacking hot piped water or a flush toilet, or lacking both bathtub and shower, all for the exclusive use of the unit.
>
> <u>Heating</u>. Having been uncomfortably cold last winter, for 24 hours or more, because the heating equipment broke down, and it broke down at least 3 times last winter, for at least 6 hours each time.

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 of 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.

Electric. Having no electricity, or all of the following three electric 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 the toilets all break down at once, at least three times in the last three months, for at least six hours each time.

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

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

Hallways. Having any three of the four hallways problems mentioned under severe.

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

Procedures used with 1985-89 American and 1974-83 Annual Housing Survey data to provide estimates that are consistent over time

(1) Area income limits -- HUD income limits were used for the 171 MSAs identified on the 1974-83 Annual Housing Survey. For sampled units outside those MSAs, income limits are assumed to be the average for each region's metropolitan or nonmetropolitan areas. Between 1985 and 1989, income limits were prepared for each year using the procedures described above for 1989.

(2) Household/family type -- same definitions as for the American Housing Survey in 1989.

(3) Categorizing household income. Since income for nonrelatives was first asked in 1977, the income status of nonfamily households can only be determined since then. Because estimates

of FMRs were only available for several years during the 1974-83 period, households reporting zero or negative income were not recategorized as middle income for any of the trend estimates. Instead, they are included in the very-low-income category in all years, 1974-89. Finally, because the necessary information on equity is not available for all years, the trend runs do NOT include 5.5 percent of equity in the income of homeowners.

(4) Receiving housing assistance -- For 1974-83, households were counted as receiving federal housing assistance if they answered yes to one of the following Annual Housing Survey questions: "Is the house in a public housing project; that is, is it owned by a local housing authority or other local public agency? Are you paying a lower rent because the Federal, State, or local government is paying some of the cost?" Since the number and characteristics of households responding affirmatively to these questions were not completely consistent with program data (in part because of apparent inclusion of households in military and other "publicly-owned" housing), the wording of these questions changed somewhat during the period. For low and very-low-income households, however, changes in the total number of households reporting assistance between 1974 and 1983 on the AHS are generally consistent with program data.

(5) Severe or moderate physical problems -- Physical problems were defined as those detailed for years prior to 1983 in the Codebook for the American Housing Survey Data Base: 1973-1993, pp. 67-68, with the exceptions for particular years noted there. When some element of the preferred post-1984 definition was not available for any year prior to 1984, that criterion was also eliminated as a factor in defining "severe" or "moderate" problems from the 1985-89 to improve the consistency of the definition over time. Thus the "trend" measures produce counts of units with severe or moderate physical problems that are slightly lower in 1985-1989 than the preferred measure shows for those years. In 1989, for example, the preferred measure of inadequacy considers four problems in hallways: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator. Because data about the presence of an elevator are not always available for the years prior to 1983, however, the trend measure only considers the first three problems.

NOTES

1. The exact wording of the preference rules in Section 8(d)(1)(A) of the U.S. Housing Act of 1937, as amended, provides that the tenant selection criteria shall:

> give preference to families that occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are paying more than 50 percent of family income for rent, or are involuntarily displaced at the time they are seeking assistance under this section....

2. The Appendix summarizes the procedures used in preparing these estimates of income-eligible renters with priority problems from Annual and American Housing Survey data. Since the AHS is a survey of housing units, it cannot include families or individuals who are homeless. The most careful attempts to count the homeless to date provide estimates of the number of persons who are homeless at a point in time that range from 230,000 to 750,000. If the midpoint of these estimates were correct for 1989, if each person were a household (unlikely), and if all were very-low-income (likely), the "true" number of worst case households would be 5.6 rather than 5.1 million households.

Furthermore, like all sample data, AHS data have problems of coverage, definition, response, and inconsistencies over time that affect the estimates of housing problems and household characteristics. As noted below, for example, income is known to be underreported by the AHS, and this bias would have the effect of overestimating both the number of households with incomes low enough to make them eligible for rental assistance and the number of very-low-income households with severe rent burdens.

3. According to Section 3 of the Housing Act of 1937, as amended, prior to passage of the Cranston-Gonzalez Act, for programs administered by the Department of Housing and Urban Development,

> the term 'families' includes families consisting of a single person in the case of (A) a person who is at least sixty-two years of age or is under a disability as defined in section 223 of the Social Security Act or in section 102 of the Developmental Disabilities Services and Facilities Construction Amendments of 1970, or is handicapped, (B) a displaced person, (C) the remaining member of a tenant family, and (D) other single persons <u>in circumstances described in regulations of the Secretary</u>.

Since the National Affordable Housing Act of 1990 removed the

underlined phrase, all individuals are now technically "families." The Act also removes a limit on the percentage of assisted housing units in a geographical area that can be occupied by single persons who are not elderly or handicapped, but it continues to place them at the bottom of waiting lists.

Although disabled and handicapped individuals qualified as "families" prior to the passage of the National Affordable Housing Act, they have not been included in estimates of worst case needs prepared from AHS data because the AHS does not systematically measure disabilities or handicaps.

4. Because the 1960 Census data on "dilapidated" housing were judged to be unreliable, there have been many efforts to define "inadequate" housing systematically, and alternate measures of crowding and excessive rent burden have also been used. The Congressional Budget Office, for example, defines units in need of rehabilitation as those lacking complete plumbing or kitchen facilities, or with two or more of 11 different structural defects. Crowded units are defined by CBO as those with more than two persons per bedroom.

5. As Table 1 discusses, AHS estimates of the number of households with excessive cost burdens are likely to be overcounts for two reasons. Comparisons with independent data show that income is underreported by respondents in the AHS, but that utility payments tend to be overestimated.

6. In 1983, the money income reported on the AHS was 86 percent of that shown by independent estimates drawn from GNP accounts and other sources. Because AHS questions about income sources have been changed since 1983 to be less specific, and because transfer income is generally reported less well than income from wages and salaries, it is likely that income among very-low-income renters is underreported by more than 15 percent on the 1989 AHS.

7. Each year's Annual or American Housing Survey provides a "point-in-time" estimate of the number of worst case households who currently live in substandard housing, or whose current payments for rent and utilities exceed 50 percent of their reported income for the previous 12-month period. Analysis of longitudinally linked AHS data suggests that paying excessive rent burdens is often a temporary situation, as incomes fluctuate, since nearly one-half of households with rent burdens above 50 percent of income in the late 1970s did not have this problem a year later. (See T. K. Adams, "Poor High-Rent Status: A Preliminary Investigation of the Incidence and Persistence of High Rent Burden Among Poor Renter Households", prepared for the U.S. Office of Management and Budget, Executive Office of the President, December 8, 1989.)

8. Supplemental questions about disabilities were asked by the AHS in 1978. Although the number of nonelderly singles reporting disabling conditions was more than twice the number receiving welfare or SSI income then, almost two-thirds of those receiving welfare or SSI also had disabling conditions.

9. The AHS collects a battery of questions about the physical conditions of housing. During the first years of the survey, the content and wording of some of these questions varied. As a result, AHS surveys for years prior to 1983 do not always contain all the questions used since 1984 in defining housing units with "severe" or "moderate" physical problems. The measure of inadequacy used in the trend analysis is intended to approximate the current definitions of "severe" and "moderate" problems closely but still be as consistent over time as possible. It produces counts of inadequate units that are slightly below the preferred measure.

10. In 1985 and 1987, the questionnaire was changed to ask only for the number of bathrooms, resulting in an apparent undercount of the number of units lacking complete plumbing. The 1989 estimates of severe inadequacy reinstate the questions about plumbing facilities that were used between 1974 and 1983.

11. The estimates of utility costs made by AHS respondents in the past have been shown by comparisons with independent data to be systematically high. In an effort to improve the accuracy of these estimates, the 1989 national AHS asked each respondent for utility costs for the months of January, April, August, and December, as shown in their records. Only if records were not available were they asked the AHS's previous standard question: to estimate their average monthly utility bill. Comparison of changes in reported utility payments against the consumer price index for household fuel and utilities confirms the expectation that this change in approach understates increases in utility payments between 1987 and 1989. Between 1985 and 1987, both the AHS and the CPI showed decreases of 3 percent in utility payments. Between 1987 and 1989, however, when the CPI for household fuel and utilities rose by 5 percent, AHS estimates of utility costs for renters declined by 20 percent.

12. Because of changes in questionnaire content, AHS estimates of severely inadequate units are artificially somewhat lower in 1979, 1980, 1985, and 1987 than in other years. The four years compared here have consistent questions about physical problems and thus consistent definitions of inadequacy.

13. When income cutoffs and rent burden are defined on the basis of household income, which is only possible after 1977, the number of very-low-income nonfamily renters with priority problems grew from 1.1 million in 1978 to 1.4 million in 1989. This growth rate of 27 percent is slightly higher than the 22

percent growth in unmet needs experienced by family and elderly households over the same period.

14. In 1974, 23 percent of the 2.8 million families with children who reported receiving AFDC income had worst case problems and 18 percent received housing assistance (60 percent of those reporting income from AFDC were very-low-income renters). In 1989, 27 percent of the 3.4 million AFDC recipients had worst case problems even though the proportion receiving housing assistance had risen to 31 percent. (The proportion of AFDC recipients who were very-low-income renters had risen to 71 percent, reflecting fewer AFDC payments to families with incomes above the very-low-income cutoffs and lower ownership rates among very-low-income families with children (down from 40 percent in 1974 to 23 percent in 1989).)

15. The household and income projections are based on averages of Series C and D in Illustrative Projections of Income Size Distributions for Households, Current Population Reports, Series P-60, No. 122, U.S. Bureau of the Census, 1980. These two series bracket the changes in numbers of total low-income households that actually occurred between 1977 and 1987. They do, however, project higher income growth among households with heads younger than 35 than actually occurred during that period. They also err in the opposite direction for elderly households, projecting slower growth in income than actually occurred. The worst case projections assume that nonfamily households occupy 15 percent of assisted units throughout the projection period. This assumption may be unrealistic, because the nonfamily share of assisted households actually rose steadily between 1974 and 1989. In 1974, 9 percent of assisted households were nonfamily compared to 14 percent in 1989. The total number of very-low-income nonfamily households has also grown somewhat more rapidly since 1977 (the first year with household income for these households) than did either elderly or family renters.

16. The projections assume that families will receive 55 percent of incremental assistance, continuing the pattern observed since 1983. Over the entire 1974-1989 period, however, the share of all assisted units occupied by nonelderly families has dropped from 59 percent to 54 percent while the share occupied by nonelderly nonfamily households has increased from 9 percent to 14 percent. If the share of incremental units going to nonfamily individuals continues to increase, unmet worst case needs among nonelderly families may rise more quickly than the projections suggest.

17. Rates of participation in such an entitlement program are difficult to predict. This rough estimate of 50 percent is consistent with the results of the Experimental Housing Allowance Program, in which open enrollment voucher programs were administered in South Bend, Indiana and Green Bay, Wisconsin.

18. These estimates of the costs of vouchers are based on comparing local FMRs against potential tenant contributions for the worst case households counted by the AHS. They assume that the cost of subsidy for each household would be the difference between 30 percent of that family's adjusted income (as calculated for HUD programs) and the local FMR for a unit with the number of bedrooms needed by that family to meet HUD occupancy standards. Administrative expenses of 7 percent are also included in the estimate. The average per unit cost differs from HUD budget estimates for increments of vouchers because of differences in family size, incomes, and geographical locations.

19. To estimate these vacancy rates, utility costs were imputed to vacant units in which the occupant must pay utility costs separately. Utility payments were imputed for up to six utilities for different types of units in the six climate zones identified on the AHS to measure needs for heating and cooling. The unit types were defined by structure type (single-family, multi-family) and rent level.

20. The only exception to this statement is that if HOME funds are used for tenant-based assistance, recipients must be selected from PHA waiting lists.

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