

# RENTAL HOUSING ASSISTANCE AT A CROSSROADS

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A Report to Congress on  
Worst Case Housing Needs



Office of Policy Development and Research

U.S. Department of Housing and Urban Development





**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
THE SECRETARY**

WASHINGTON, D.C. 20410-0001

March 14, 1996

TO THE CONGRESS OF THE UNITED STATES:

The purpose of this report is to document the magnitude and trends in “worst case” housing needs among the poor and to highlight for the Congress the implications of these needs for the housing legislation it is considering. Worst case needs are unassisted renters who are paying more than half their income for rent or living in severely substandard quality housing.

The main findings of this report are that:

- The number of very-low-income renter households with the most serious housing needs—5.3 million—is at an all-time high and continues to grow through both economic recession and recovery.
- Worst case housing needs are concentrated at the lowest income levels. Over three-fourths of households with worst case needs have incomes below 30 percent of area median income. The likelihood of having severe housing problems declines sharply as incomes rise over 30 percent of area median.
- The number of units affordable to those households without rental assistance continues to shrink. Despite large and growing demand, private housing markets are not responding to the acute needs of the lowest income renters by producing units affordable for them.

Congress is on the brink of making profound changes in Federal public and assisted housing programs and the funding they receive. Congress has suspended the practice of incrementally increasing the number of households provided Federal rental assistance, reversing 30 years of consistent support. Some congressional proposals would widen the focus of Federal assistance that now concentrates assistance on households with the most acute housing needs.

The Administration and the Department of Housing and Urban Development (HUD) strongly support reform of Federal housing assistance, particularly the transformation of the Nation’s public housing system. To that end, HUD supports the elimination of onerous Federal preferences and greater local flexibility to make public housing into healthier, mixed-income communities, where working families serve as role models for those who do not work.

HUD does not support, however, proposals to abolish virtually all income targeting, allowing housing authorities to serve higher income households at the expense of those with the most serious housing needs. HUD believes that even with a greater emphasis on economic integration in public and assisted housing projects, the major portion of Federal housing resources can and should serve those with worst case needs. In particular, tenant-based assistance should be viewed as a program of housing support for the most needy. There is also no need to sacrifice all income targeting to achieve the goal of mixed-income housing. Virtually all non-elderly households with incomes between 31 and 50 percent of median have a worker in the household.

Housing needs are getting worse and the private market is not, and perhaps cannot, respond. This report provides convincing evidence that changes in public and assisted housing policy should be made with great care; that solid data exist to support continued targeting of assistance to households with worst case housing needs; and that—most important of all—Federal funding for expanding rental housing assistance should continue.

I have the privilege of transmitting herewith *Rental Housing Assistance at a Crossroads*, which is the worst case housing needs report for 1995, as requested by the Senate Appropriations Committee in 1990.

Sincerely,

A handwritten signature in black ink that reads "Henry Cisneros". The signature is written in a cursive, flowing style.

Henry Cisneros

Enclosure

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# Executive Summary

As momentous decisions on Federal housing assistance policy are being contemplated, this report tells a story important to every Member of Congress. It documents conditions and trends among very-low-income families and individuals with worst case housing needs: those unassisted renters who pay over 50 percent of their income for rent or live in severely inadequate housing. The report presents newly available data and analysis that document:

1. A record—and growing—number of households and people who face worst case housing needs, particularly among families with children, Hispanics, and those living in the western part of the United States.
2. The concentration of those with acute housing needs at the very lowest income levels.
3. The persistence of acute housing needs among the elderly and persons with disabilities, despite successful efforts of housing policy to serve those populations.
4. The high proportions of working people currently assisted by Federal housing programs and among those who have acute housing needs but do not receive assistance.
5. The failure of private housing markets to supply housing at rents affordable to the most needy households without Federal rental assistance.

The introduction to the report (chapter 1) explains the background and approach of this congressionally mandated report. Chapter 2 summarizes statistical data from U.S. Department of Housing and Urban Development (HUD) analyses of worst case needs and of rental housing supply, documenting these five major findings. Chapter 3 explores the important implications of those findings for current policy decisions. Following is a synopsis of those findings and policy implications.

## Major Findings

**Finding 1: The number of households with worst case needs reached an all-time high of 5.3 million in 1993.**

- After growing by 1.1 million between 1978 and 1991, the number of households with unmet worst case needs for housing assistance rose another 400,000 between 1991 and 1993 and reached an all-time high of 5.3 million households.
- The growth in worst case needs persisted between 1991 and 1993 despite steady economic expansion during the period. Both in recession and recovery, the increases in worst case needs resulted solely from higher numbers of very-low-income households paying more than half of their income for rent, not problems in housing quality. In 1993, almost 95 percent of

those with worst case problems paid over half of their reported income for housing, while fewer than 9 percent lived in severely inadequate housing.

- Growth in worst case needs reflects declining incomes at the lowest income levels, especially among families with children.
- Acute housing needs have more than doubled among Hispanics since 1978 and rapid growth in worst case needs in the West has left the region relatively underserved by housing assistance. Hispanics now account for more than 18 percent of worst case households (940,000 worst case households), but only 12 percent of those receiving Federal rental assistance. Similarly, 26 percent of 1993 worst case needs households live in the West, while only 17 percent of assisted units are in the region.

**Finding 2: Worst case housing needs are concentrated at the lowest income levels.**

- Over three-fourths of households with worst case needs—and almost three-fourths of all renters with severe housing problems—have incomes below 30 percent of area median income.
- The likelihood of households having severe housing problems declines sharply as incomes rise above 30 percent of median. Over 70 percent of unassisted renters with incomes below 30 percent of median have priority problems compared to only 23 percent of unassisted renters with incomes between 31 and 50 percent of median, and 5 percent of households in the 51–80 percent of median range.
- Increases in worst case needs reflect large shifts of renter households into the extremely-low-income category. The number of households with worst case needs increased by 1.25 million between 1978 and 1993 for renters with incomes below 30 percent of median, but only by 250,000 for those with incomes between 31 and 50 percent of median. The number of households with severe housing problems actually *fell* for renters with incomes between 51 and 80 percent of median.
- Current Federal rental programs are well targeted to the income groups that are otherwise most likely to have acute housing needs. More than 7 of every 10 households assisted by public housing and Section 8 programs are occupied by households with incomes below 30 percent of area median.

**Finding 3: Acute housing needs remain high among the elderly. Close to 1 million households with adults with disabilities have acute needs for rental assistance.**

- Of the 5.3 million households with worst case housing needs, almost 1.2 million are headed by an elderly person. Almost half (49 percent) of unassisted elderly renters with very low incomes have acute housing needs. Federal housing assistance reaches over one-third of

households headed by the eligible elderly, but another one-third have unmet acute needs for housing assistance. Over two-thirds of the elderly with acute housing needs have incomes below 30 percent of median.

- At least 560,000 households currently served by housing assistance programs have an adult member with a disability, yet over 60 percent of unassisted very-low-income households that include an adult member with a disability have worst case housing needs.

**Finding 4: Almost 2 million of those with worst case needs are working, including many working poor families with children.**

- Over two-thirds of unassisted working poor renters (1.2 million households) have acute needs for rental assistance. Very large portions of very-low-income renters—including those with worst case needs—are working, even at income levels as low as 20 percent of median. In the income group between 31 and 50 percent of median, 9 out of 10 households with children report earnings of at least half-time work at the minimum wage. More than four out of five have earnings that exceed full-time work at minimum wage.
- Current rental assistance programs serve many of the working poor. More than 1 million households living in public housing or receiving Section 8 rental assistance have earnings as their primary source of income. Almost one-half of these working households have incomes below 30 percent of median. Moreover, only slightly over half of extremely-low-income households with children report receiving any income from welfare or Supplemental Security Income (SSI), a proportion that has remained constant since the mid-1980s.

**Finding 5: Despite large and growing demand, housing markets are not responding to the acute needs of the lowest income renters by producing units affordable for them.**

- There is a serious mismatch between extremely-low-income renters and rental units affordable for them. In 1993, there were 1.7 million fewer units affordable to households with incomes below 30 percent of area median than there were renters at that income level. The private market stock of extremely-low-rent units fell by 424,000 units—or almost one-fifth—between 1985 and 1993.
- Housing markets are not responding to the increasing demand for units at extremely low rents. Instead, numbers of extremely-low-rent units are shrinking as rents “filter up” (i.e., rise).
- The market added 1.8 million units with rents affordable to households with incomes between 50 and 80 percent of median between 1985 and 1993. Because of the expansion of units with moderate rents, tenant-based rental housing assistance has become easier to use in most parts of the country.

## Policy Implications

Federal housing assistance policy is at a crossroads as of early 1996. Congress is considering—or in some areas has already begun to make—profound changes in both the funding and structure of Federal rental assistance. Congress has already ended a 30-year record of funding annual increases in the number of renter households assisted through HUD programs. Congress is also considering loosening the income targeting of rental assistance, thus diverting current slots of rental assistance to higher income households with less serious housing needs.

The analysis of housing needs and housing markets summarized in this report raises questions about the prudence of such steps. The implications of this report's findings on worst case housing needs and supplies of affordable housing are:

- The Federal Government must continue to expand rental assistance. Ending annual increases in rental housing assistance will exacerbate worst case needs. Incremental assistance can be a critical tool for States and localities to use for assisting the working poor and helping families make the transition from welfare to work.
- Federal rental assistance must continue to have careful income targeting in order to serve households with worst case needs. While there is broad support for eliminating Federal preferences, such preferences should be replaced with income targeting that ensures that Federal assistance continues to serve extremely-low-income renters with severe housing needs. Moreover, the objectives of deconcentrating poverty and achieving mixed-income housing do not require housing programs to bypass those with the most serious housing needs.
- Federal programs that supply affordable housing—the HOME Investment Partnership (HOME) program and the Low Income Housing Tax Credit program—must be complemented by continued expansion of tenant-based rental assistance to help relieve worst case housing needs. Without a tenant-based subsidy, extremely-low-income households are not likely to be able to afford the housing created by these programs.

# Chapter 1

## Introduction

Since the early 1990s, the U.S. Department of Housing and Urban Development (HUD) has submitted regular formal reports to Congress on worst case needs for rental housing assistance. In 1990, the Senate Appropriations Committee directed HUD to “resume the annual compilation of a worst case housing needs survey of the United States.” HUD had reported worst case housing needs to Congress during the 1980s on an informal basis.

To assess changes over time, HUD has used a consistent definition of worst case needs. This definition is based on (1) the income limits that determine eligibility for Federal housing assistance and (2) “priority housing problems.”

This report uses the terms “acute housing needs” and “worst case needs” interchangeably to refer to households that:

- Are renters.
- Do not receive Federal housing assistance.
- Have incomes below 50 percent of median family income in their area, as adjusted by HUD.
- Pay more than half of their income for rent and utilities or live in severely substandard housing. Because these two characteristics are considered priority housing problems, households on waiting lists with either of these characteristics receive preference for rental assistance programs.<sup>1</sup>

In addition to tracking and analyzing worst case needs, this report provides new information on the housing problems of higher income groups, including those with priority problems. However, the small number of renters with incomes *above* 50 percent of median who have priority problems have never, by definition, been included in estimates of worst case needs.

The basic source of information for analyzing the U.S. housing stock and the housing needs of U.S. households is the American Housing Survey (AHS). The AHS is implemented for HUD by the Bureau of the Census, which conducts face-to-face interviews with householders in a national sample of approximately 55,000 units every other year. Smaller samples of units in 44 large metropolitan areas (MAs) are surveyed on a 4-year rotating basis.

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1. Although “substandard” housing should include homelessness, the homeless are omitted from this report’s counts of worst case needs because the American Housing Survey (AHS) surveys and counts only persons in housing units. For a history of the Federal preferences, see “History of the Federal Preference System” on page 23 of this report.

HUD's first formal report to Congress on worst case needs, transmitted in 1991, was based on the 1989 AHS. The second report in 1992 continued to use 1989 AHS data for the Nation, augmented with information on worst case needs from the metropolitan surveys. In 1994, HUD based its report on data from the 1991 AHS and the 1990 decennial census.<sup>2</sup>

This year's report uses data from the 1993 AHS. It also reanalyzes and refines earlier AHS data to more reliably track growth in the number of households with worst case housing needs between 1978 and 1993. Other new features of the report are described below:

- More detailed income categories used to examine the housing needs of households.**  
 Earlier worst case needs reports focused narrowly on very-low-income renters by lumping together all renters with incomes below 50 percent of area median income and saying little about higher income groups. This report distinguishes among extremely-low-income households (those with incomes below 30 percent of median income), other very-low-income households (those with incomes between 31 and 50 percent of median income), and other low-income households (those with incomes between 51 and 80 percent of median income). This detail should help policymakers understand the implications of modifying existing income eligibility thresholds.

**Extremely Low, Very Low, and Low Income:  
Examples of Income Limits for Four-Person Households**

	Extremely low income (30 percent of median)	Very low income (50 percent of median)	Low income (80 percent of median)*
Los Angeles	\$15,400	\$25,650	\$41,050
New York	\$14,700	\$24,500	\$39,200
Chicago	\$16,250	\$27,050	\$41,600
Philadelphia	\$14,800	\$24,650	\$39,450
Detroit	\$15,050	\$25,050	\$40,100
Washington, DC	\$20,500	\$34,150	\$41,600
Boston	\$16,950	\$28,250	\$41,600
Houston	\$13,800	\$23,000	\$36,800
Atlanta	\$15,650	\$26,050	\$41,600

\* The "80 percent of median" limits for each area cannot exceed the national median of \$41,600. For more detail on HUD income definitions and a comparison to the national poverty definition, see "Income Categories Used in Housing Programs" on page 3.  
 Source: HUD Section 8 income limits, fiscal year (FY) 1996

2. HUD's previous reports to Congress are *Priority Problems and "Worst Case" Needs in 1989* (June 1991, HUD-1314-PDR), *The Location of Worst Case Needs in the Late 1980s* (December 1992, HUD-1387-PDR), and *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991* (June 1994, HUD-1481-PDR).

## Income Categories Used in Housing Programs

For many HUD programs and housing programs administered by other Federal agencies, eligibility is restricted to households with incomes that do not exceed some percentage of the median family income for the area in which the household lives. HUD defines median income for each metropolitan area and nonmetropolitan county, and the HUD-adjusted area median family income (HAMFI) varies by location and household size.\*

In contrast, the poverty status of a person or family is determined by comparing income to national poverty thresholds that vary only by household size, but not with location.

Because HUD's income limits vary with location and use smaller adjustments for household size, they cannot be compared directly to the Federal poverty line. Averaged across the United States, however, poverty cutoffs are approximately 30 percent of area median income.

The number of households below a specified percentage of HUD's area median income is not related to any break on the total income distribution, such as quintiles or deciles. For example, almost half (45 percent) of all U.S. households and 63 percent of all renters have incomes below 80 percent of their area median income. More than 25 percent of all U.S. households have incomes less than 50 percent of area median income.

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

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

**60 percent of area median income.** Used in the Low Income Housing Tax Credit program and the HOME program.

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

**30 percent of area median income.** Defined as extremely low income in pending housing authorization bills.

The table below shows how many U.S. renter households fell into the different income groups relevant for housing programs in 1993. To suggest the overlap between the HUD income groups and poverty, it also shows the share of each income group whose cash income fell below the poverty line or below 150 percent of poverty line, which is the approximate eligibility cutoff for the U.S. Department of Agriculture Food Stamps program. As in this table, this report frequently refers to specific income groups as ranges of percentages of area median income because official terms are so complex. For example, incomes 51–80 percent of area median are officially “low but not very low” incomes.

Income as % of HUD-Adjusted Area Median Family Income (HAMFI)	Share of U.S. Renters 1993 (%)	Share of Households in Group With Income	
		Below the Poverty Level	Below 150% of the Poverty Level
0–30%	26%	85%	100%
31–50%	18%	12%	62%
51–60%	7%	0%	16%
61–80%	12%	0%	4%

\* Appendix B discusses other adjustments.

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

## Housing Assistance and Affordable Housing Programs

### **Federal rental assistance programs operate in three basic ways:**

- **Public housing.** These units are owned by local public agencies. Begun in 1937, public housing was heavily used to produce additional assisted housing units until the mid-1980s. There are 1.25 million units of public housing.
- **Project-based assisted housing.** These programs supported construction and rehabilitation of 1.8 million rental units for low-income households. Deep rent subsidies are attached to projects owned by for-profit and nonprofit sponsors, who must rent units to eligible households. These programs were particularly important for adding assisted units between 1968 and the early 1980s.
- **Tenant-based assisted housing.** These programs provide direct rental assistance to 1.4 million renter households to enable them to find their own housing on the open market. The maximum subsidy is the difference between the tenant contribution and the local fair market rent (FMR), an average rent for standard quality housing in the area. Begun in 1974, this type of assistance has accounted for virtually all of the incremental units, or additions to assisted housing, since the mid-1980s.

In all three types of programs, assisted households pay rents that are a percentage of their adjusted income—usually 30 percent. This formula allows even the poorest households to live in assisted housing.

**Other Federal programs produce affordable housing.** Housing under these programs charge fixed or flat rents, with the maximum determined by program rules. Households pay the established rent rather than a percentage of their income. Without an additional subsidy, the poorest households often cannot afford this housing. These programs are not included in the estimates of public and assisted housing used in this report unless they receive an additional subsidy from Federal tenant-based rental assistance. The programs include:

- **The Low Income Housing Tax Credit program.** This tax credit program subsidizes the capital costs of units with rents affordable to households with incomes at or below 60 percent of area median income. This program has produced more than 400,000 units since its enactment in 1986.
- **The HOME Investment Partnership (HOME) program.** This is a formula grant to States and local governments that can be used to assist existing homeowners, first-time homebuyers, or renters. Between 1990 and 1995, HOME produced 63,000 affordable rental units. Qualifying rents must be affordable to households with incomes at or below 65 percent of area median income, or below local FMRs.

- **New and more accurate information included on how well current HUD rental assistance programs serve different income and demographic groups.** This is the first worst case report to focus on how well HUD programs are doing in serving households who otherwise would have acute needs for housing assistance. To do so, this report makes extensive use of HUD program data in addition to AHS. The new availability of detailed program data on the income and demographic characteristics of individual households makes it possible to compare the households who have acute needs for housing assistance to those who are actually assisted.

### **Household-Level Data From HUD Programs: An Important New Source of Information**

The Multifamily Tenant Characteristics System (MTCS) is an automated data base of households assisted by public housing and the tenant-based Section 8 certificate and voucher programs and other programs administered by HUD's Office of Public and Indian Housing. The system contains information about the demographic characteristics of each household, the level and sources of the household's income, and the address of the housing unit. The information is based on the form used by public housing authorities (PHAs) to calculate each household's rent and subsidy levels. As of February 1996, the system contained 2.1 million household records.

The Tenant Rental Assistance Certification System (TRACS) is a similar system for households assisted in project-based Section 8 programs and other assisted projects administered by HUD's Office of Housing. Information in TRACS is based on forms completed by the private owner or manager of the project and submitted to HUD. As of December 1995, TRACS contained 1.6 million household records.

Data from MTCS and TRACS are being used in a worst case needs report for the first time. In the past, these systems did not contain enough data to present a reliable picture of the universe of assisted households.

MTCS and TRACS data confirm estimates of the income levels, household types, and race and ethnicity of households found in the American Housing Survey.

Tables providing additional information from MTCS and TRACS data on the income levels of assisted households can be found in *Recent Research Results*, published by HUD's Office of Policy Development & Research (PD&R) in December 1995.

Another source of information on households receiving Federal housing assistance is *Characteristics of HUD-Assisted Renters and Their Units in 1989*, published by PD&R in March 1992. This report is based on case-by-case matching of administrative data on the addresses of assisted housing units to AHS data.

- **Data from the Social Security Administration (SSA) used to better understand the housing needs of persons with disabilities and their participation in HUD programs.** Earlier worst case needs reports have included estimates of acute housing needs only for adults with disabilities living alone or with nonrelatives. Because AHS does not specifically ask about disabilities, earlier reports identified those with disabilities by assuming that any such persons under the age of 62 who reported receiving Supplemental Security Income (SSI) had a disability.<sup>3</sup> This report uses newly available data from an audit of the SSI program to develop much more complete estimates of the number of households with members with disabilities who have worst case needs.
- **The housing market response to increased needs for affordable rental housing explored in more depth.** HUD's 1994 report to Congress included State-level summaries of the 1990 shortages of housing affordable for the lowest income renters. This report analyzes the reasons for those shortages, using results from a study of gains and losses of affordable rental units in 41 MAs. These results provide new insights into the market dynamics that determine the number of units available at rents that are affordable for households at different income levels.
- **Policy implications of the analysis of worst case housing needs discussed.** Federal housing assistance policy is at a crossroads. As of early 1996, Congress was considering far-reaching changes to public and assisted housing (see sidebar on next page). As input to the debate, this report discusses the major implications of the analysis of worst case needs for current policy choices.

Chapter 2 of this report presents the findings of this analysis in detail. Chapter 3 discusses their policy implications.

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3. AHS supplemental questions on disabilities were included in the 1978 and 1995 national surveys. The 1995 data are not yet available. The AHS proxy for disabilities in past reports was developed from an analysis of the 1978 data, but was known to undercount the total number of households with persons with disabilities.

## **Proposed Changes to Assisted Housing Policy**

### **Appropriations Actions**

Fiscal pressures have already begun to squeeze Federal housing assistance. HUD's Appropriations Act for 1995 and the continuing resolution under which HUD is operating as of March 1996 have:

- Eliminated funds for development of new public housing units.
- Eliminated funds for tenant-based Section 8 rental assistance to increase the number of households receiving Federal assistance or incremental assistance. Appropriations for 1996 provide tenant-based assistance only for replacement of public and assisted housing units retired from the assisted housing stock.
- Suspended the Federal preferences for rental assistance that target assistance to households with worst case housing needs.
- Delayed the reissuance of tenant-based assistance when households leave the program, in effect shrinking the number of households assisted at any one time.

### **Authorization Actions**

Congress is considering new enabling legislation for public housing and tenant-based housing assistance as outlined below. Provisions of this legislation would permanently end Federal preferences for households with worst case housing needs.

- Senate Bill 1260, passed by the Senate in January 1996, would eliminate Federal preferences, require a minimum of 40 percent of households newly admitted to public housing and 50 percent of households admitted to tenant-based rental assistance programs to be extremely low income, and permit 25 percent of assisted households to have incomes up to 80 percent of area median income.
- House Bill 2406, reported by the House Banking Committee in February 1996, would eliminate Federal preferences and require a minimum of 25 percent of households newly admitted to public housing to be extremely low income. Seventy-five percent of households admitted to public housing and all households receiving tenant-based Section 8 assistance could have incomes up to 80 percent of area median income.

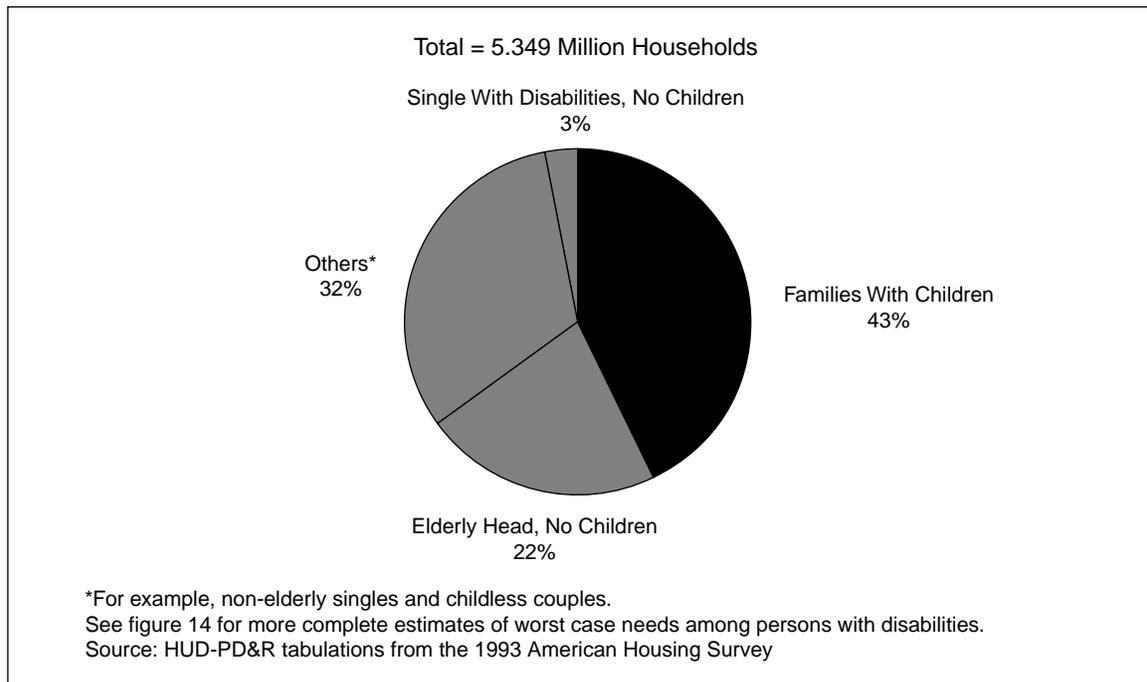


# Chapter 2

## Findings

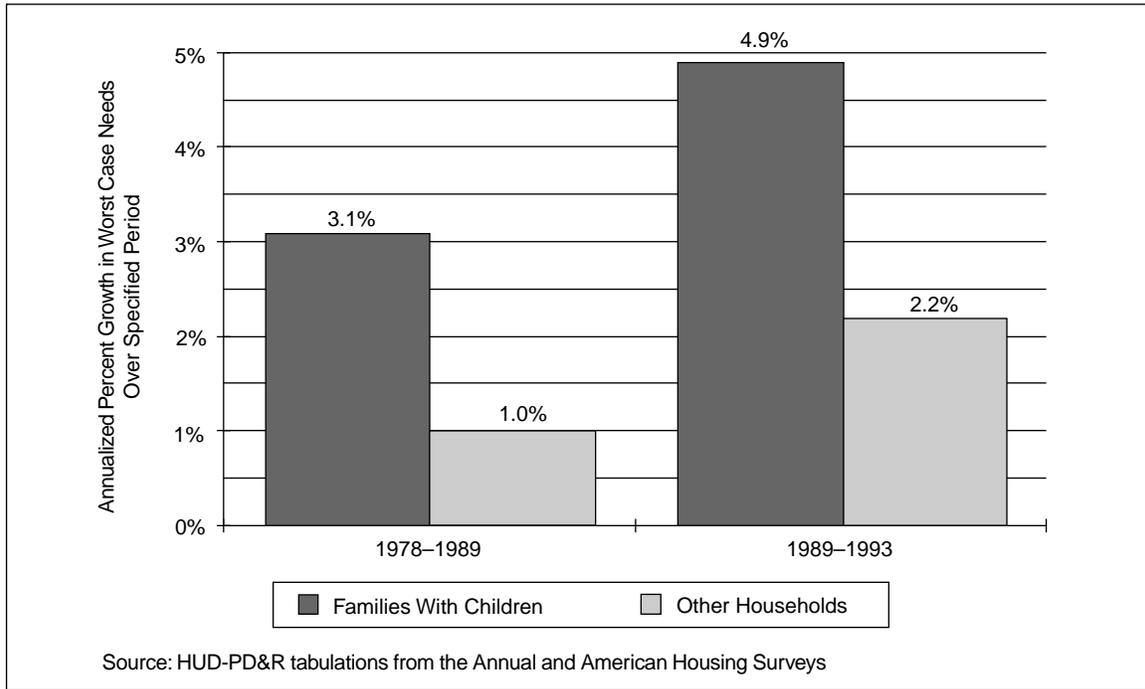
Acute needs for housing assistance rose to an all-time high in 1993. More than 5.3 million very-low-income renter households—almost 12.8 million individuals—paid more than half of their income for housing or lived in poor-quality housing.<sup>1</sup> Although these worst case problems should have given them preference for admission to Federal housing assistance programs, they received no help. Many households with acute housing needs are elderly or have members with disabilities and may be unable to work (see figure 1). Many others are working poor. Of those living in families with acute housing needs, almost 4.8 million are children.

**Figure 1**  
**Worst Case Needs by Household Type, 1993**



1. The data in this report are drawn primarily from the AHS, which is conducted for HUD by the Bureau of the Census. Some information comes from HUD and SSA program data. Tables that provide additional detail on topics covered by figures and tables in this and earlier reports can be found in appendix A. The analyses were undertaken by housing economists in HUD's Office of Policy Development and Research (PD&R). A glossary is in appendix B. Details on the methodology of the analyses are given in appendices C, D, and E.

**Figure 2**  
**Acute Needs Have Consistently Grown Much Faster for Very-Low-Income Families With Children Than for Other Very-Low-Income Renters**



Acute housing needs have increased much more quickly among families that include children than among other very-low-income renter households (see figure 2). The number of households with children and acute housing needs jumped from 1.4 million in 1978 to 2.3 million in 1993, a 68 percent increase. The number of households without children with acute housing needs increased during that same period from 2.6 million to 3.1 million, 21 percent.<sup>2</sup>

The increases since 1991 occurred despite an expansion of the national economy. Housing markets were quite responsive to low- and moderate-income families who could pay somewhat higher rents, but the markets did not respond to the needs of extremely-low-income families. At the lowest income levels, housing demand does not generate supply because the amount of money available for housing does not cover the basic costs of operating and maintaining decent quality housing. Indeed, the number of housing units in rent categories affordable to households with the greatest needs is declining.

2. As appendix C discusses, these and all other calculations of increases or percentage change in this report account for changes in AHS weights between 1989 and 1991 (from independent estimates based on 1980 census data to ones from 1990 census data).

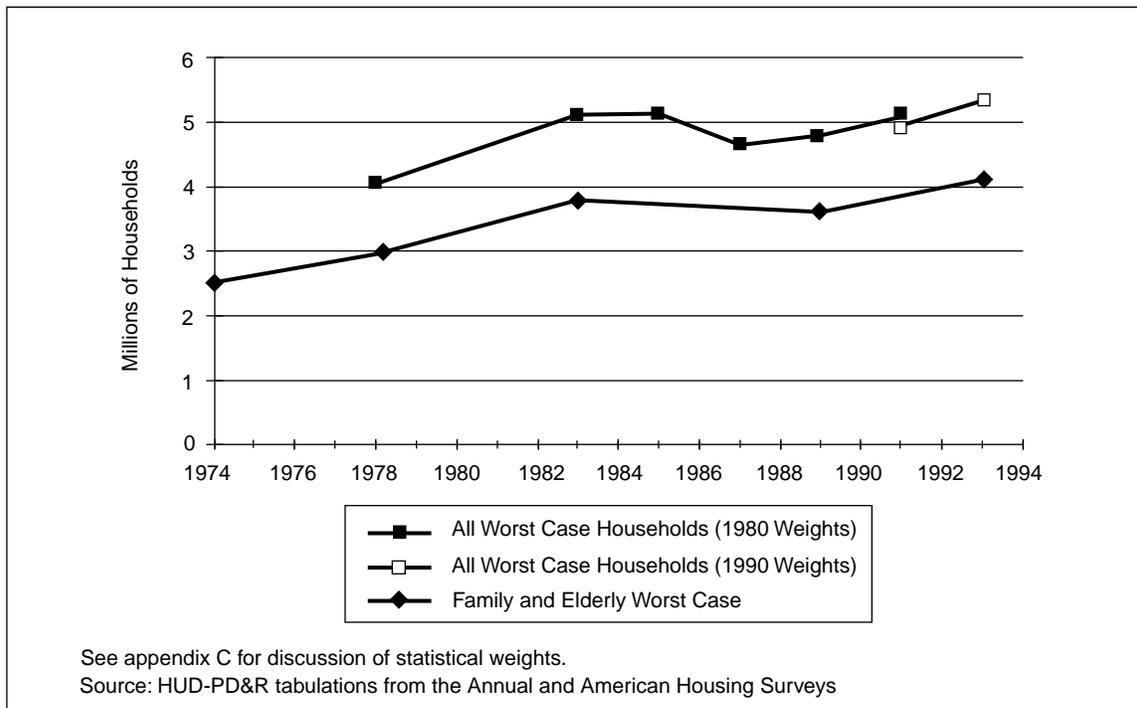
**Finding 1: The number of households with worst case needs reached an all-time high of 5.3 million in 1993.**

- **Continuing a trend observed since the early 1970s, numbers of households with worst case needs grew between 1991 and 1993.**

The record number of 5.35 million households that faced acute housing problems in 1993 represented an 8 percent increase, or 390,000 households, since 1991.<sup>3</sup> These 5.35 million households—with 12.8 million persons—represent 5.6 percent of the Nation’s population and one-sixth of U.S. renters. Despite their priority for admission under current program rules, these people do not receive Federal housing assistance. Without Federal assistance, they lack the income to afford adequate, market-rate housing. Only one missed paycheck, an unexpected medical bill, or another emergency separates many of these families from homelessness.

The number of renter households facing worst case housing needs has grown markedly over the past two decades, as illustrated by figure 3. Between 1978 and 1993, the total number of renter

**Figure 3  
Growth in Worst Case Needs Has Persisted Since 1974**



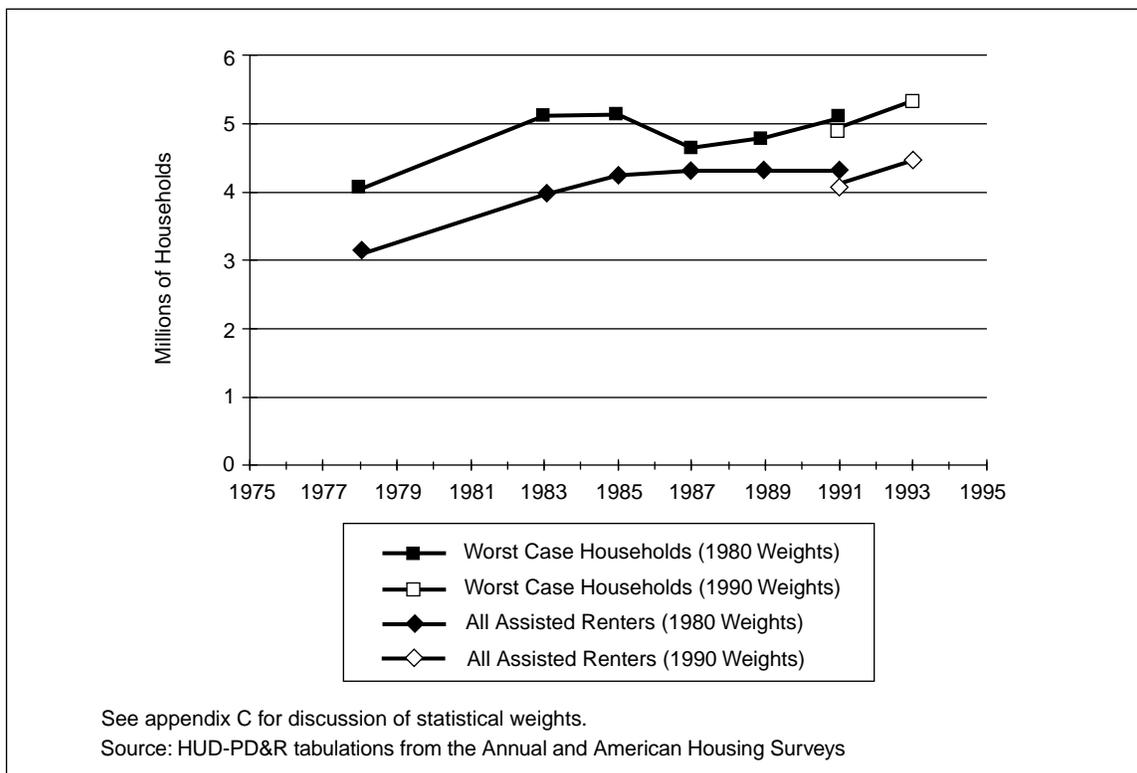
3. HUD’s last report, *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991*, reported that 5.3 million households had worst case needs in 1991. However, as appendix C discusses, the current report develops revised estimates of worst case needs that are lower than those in earlier reports, in part because the 1989 and 1991 estimates are based on income limits newly developed from 1990 census data.

households with worst case needs grew by 1.5 million. Between 1974 and 1993, the number of family and elderly households with unmet acute housing needs increased by two-thirds.<sup>4</sup>

In fact, levels of acute housing needs have fallen only once—between 1985 and 1987—over the past two decades. This one dip followed the recovery from the particularly deep economic recession of 1981–1983 and also followed a period of rapid growth in the number of federally assisted housing units (see figure 4). The growth in the number of renters receiving assistance leveled off at about 75,000 units per year in the mid-1980s. Worst case needs resumed their upward trend after 1987 and have continued to grow in each 2-year interval measured by AHS since then.

The substantial increase in worst case housing needs between 1991 and 1993 is particularly troubling because it occurred during a period of solid economic growth. Indeed, worst case needs grew more quickly during this economic recovery than in the previous recession. During the 1989–1991 recession, the number of households experiencing worst case housing needs increased by 6 percent, or 280,000 households. During the 1991–1993 economic recovery, worst

**Figure 4**  
**Increased Housing Assistance Helped Stem the Growth of**  
**Worst Case Needs in the Mid-1980s**



4. This report develops comparable data on worst case needs for all household types between 1978 and 1993, based on household income (see appendix C). HUD’s first report on worst case needs estimated worst case needs back to 1974 for very-low-income families and elderly renters, based on *family* income. Figure 3’s bottom line adds comparable 1993 estimates to data from 1974–1989 from table 6 of that report.

case housing needs increased by 8 percent, or 380,000 households. This rapid increase in acute housing needs during a period of economic expansion demonstrates that worst case growth is a persistent trend, and not a short-term manifestation of higher unemployment and income stagnation associated with economic downturns.

The increase in worst case needs reflects problems of affordability, not housing quality. In 1993, almost 95 percent of those with worst case problems paid more than half of their reported income for housing, while fewer than 9 percent lived in severely inadequate housing.<sup>5</sup> The number of people living in substandard units and overcrowded housing has been declining for decades.<sup>6</sup>

The underlying demographic and market trends examined in this report imply that the number of worst case needs households will continue to increase. A decision by Congress to end incremental housing assistance will further swell the number of households suffering acute housing needs.

- **Growth in acute housing needs reflects declining incomes at the lowest levels, especially among families with children.**

Increasing income inequality in the United States is largely responsible for the increase in worst case housing needs. Poverty rates have remained high through the late 1980s and into the 1990s. As finding 2 shows, households with worst case needs are concentrated at the bottom of the income ladder. Since 1975, households with incomes in the lowest 20 percent of the national income range have received smaller shares of national income. In 1993, households in this category received 3.5 percent of total national income, a drop of one-sixth from 4.2 percent in 1978. By contrast, households in the top 20 percent of the national income range increased their share from 46.5 to 48.2 percent over the same period.<sup>7</sup>

An additional factor that accounts for the increase in worst case needs has been a drop in the rate of homeownership—and an increase in the percentage of renters—among very-low-income households. The number of very-low-income renters who could have worst case needs is mushrooming. In fact, almost 50 percent of unassisted renters at very-low-income levels have acute housing needs.

The growing number of very-low-income renters increases the demand for housing with very low rents. However, the increased demand has not elicited corresponding growth in the number of units with rents affordable for the lowest income renters. As finding 5 will show, the number of

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5. The 1993 increase in the number of households with severe rent burdens occurred despite improvements in AHS income reporting that would have the effect of *reducing* reported rent burdens. As the AHS asked more detailed questions on nonwage income, the share of households reporting nonwage income rose from 63 to 77 percent. For definitions of housing problems, see appendix B. For methods of estimating them, see appendix C.

6. Between 1989 and 1993, the number of worst case renters living in severely inadequate housing dropped by one-third, while the number with severe rent burden rose by 18 percent. Overcrowding is not included in estimates of worst case needs in this or previous reports to Congress because it is not a condition that gives a household preference for admission to assisted housing programs. Between 1991 and 1993, the incidence of overcrowding fell from 4.9 to 4.5 percent of renters.

7. Bureau of the Census. *Current Population Reports*, Series P-60, Nos. 184 and 188.

affordable housing units has been shrinking rather than growing. This is the fundamental structural mismatch that confronts housing policymakers. If housing assistance does not expand, the gap between supply and demand will continue to widen, and the rate of growth in households with acute needs is likely to accelerate.

- **Worst case needs are growing fastest among Hispanics. Because of rapid growth in worst case needs in the West, the region is underserved by housing assistance.**

All racial and ethnic groups are inadequately served by housing programs, since the available assistance is insufficient to meet unmet acute housing needs. Three million white, non-Hispanic households, 1.1 million African-American households, 900,000 Hispanic households, and 300,000 households of other origins had worst case housing needs in 1993. However, the Hispanic population is disproportionately underserved, as illustrated by figure 5. Hispanics account for 18 percent of households with worst case needs, but only 12 percent of those households receiving Federal rental assistance.

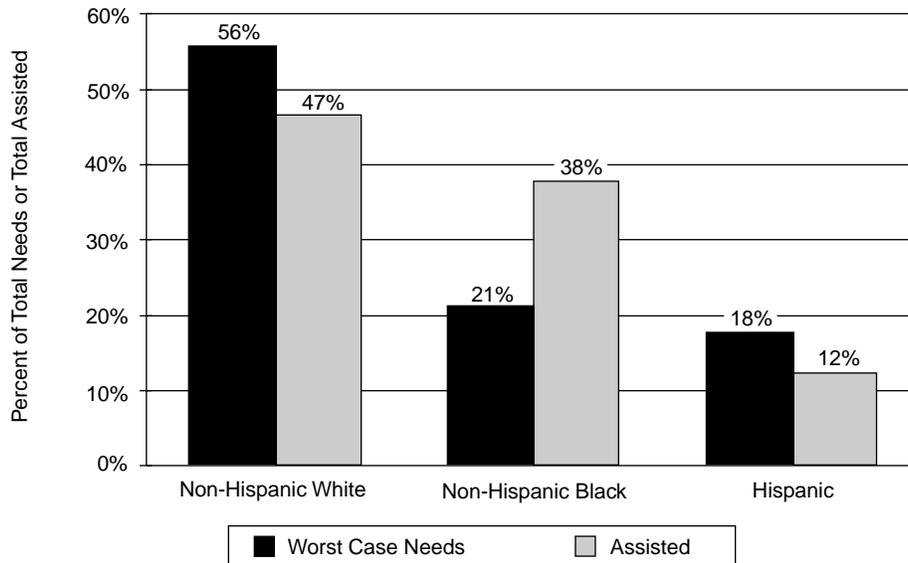
Since the early 1980s, both the overall size of the Hispanic population and the number of Hispanic households with worst case needs have grown rapidly. But housing assistance has not kept up with the growing need. The number of Hispanic renters with worst case housing needs jumped from 360,000 in 1978 to 710,000 in 1989 and 940,000 in 1993. Between 1989 and 1993, worst case needs among Hispanic households increased by 36 percent compared to an 8 percent increase among whites and a 10 percent increase among African Americans.

Because numbers have grown so rapidly and housing assistance has not kept up, the share of very-low-income Hispanic renters with acute needs has risen significantly: 42 percent of very-low-income Hispanic renters had acute unmet housing needs in 1993. The incidence of unmet needs is lower for other ethnic categories—37 percent among non-Hispanic whites and 30 percent among African Americans—and has declined or remained stable over time.

Renters living in the West who have very low incomes are considerably less likely to receive housing assistance than households in other parts of the country. Fewer than 19 percent of very-low-income renter households in the West receive housing assistance, compared with over 26 percent of very-low-income renters in the other three regions of the country. As a result, 43 percent of these Western households have acute housing needs. Of the worst case needs in 1993, 26 percent were in the West, though only 17 percent of assisted households live in that region (see figure 6). Furthermore, the growth in acute housing needs in the West has been steep (see figure 7). Part of this increase reflects geographical shifts in U.S. population. But it also stems from the particular failure of housing markets in the West to produce housing at rents that the poorest segments of the local population can afford.

Virtually all public housing units and much of the project-based Section 8 stock were developed before the rapid growth in the Hispanic population and the general population shift to the West. Public housing and assisted projects often are located in regions and cities without large Hispanic populations. The recent growth in the number of tenant-based certificates and vouchers has not been large enough to balance these disparities in Federal housing assistance across the Nation.

**Figure 5  
Hispanics Are Underserved Relative to Needs**



**Assisted Renters by Race/Ethnicity and Program**  
(Assisted Households in Thousands, Percent of Program by Group)

	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Race or Ethnicity	Total Assisted
Tenant-Based Section 8 Percent of Program	727 51%	470 33%	185 13%	43 3%	1,425 100%
Project-Based Section 8 Percent of Program	676 52%	442 34%	130 10%	52 4%	1,300 100%
Public Housing Percent of Program	463 37%	588 47%	163 13%	38 3%	1,250 100%
Total Assisted* Percent of All Assisted	1,865 47%	1,500 38%	478 12%	132 3%	3,975 100%

**Worst Case Needs by Race/Ethnicity**

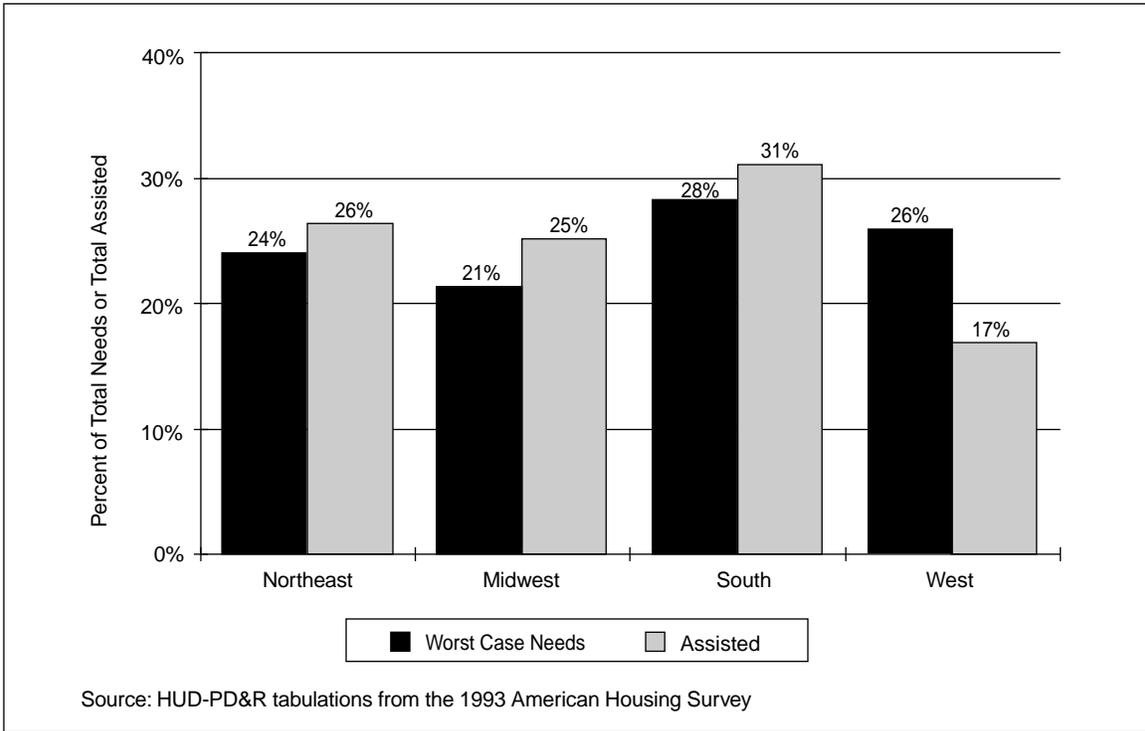
	Non-Hispanic White	Non-Hispanic Black	Hispanic	Other Race or Ethnicity	Total Worst Case
Worst Case Needs	3,020	1,115	937	277	5,349
Percent of Worst Case Needs	56%	21%	18%	5%	100%

\*Does not include the following programs: Indian housing; Section 8 moderate rehabilitation; Section 236, Section 221(d)(3) below-market interest rate, Section 202, and Section 811 when units in these programs do not also receive Section 8 assistance.

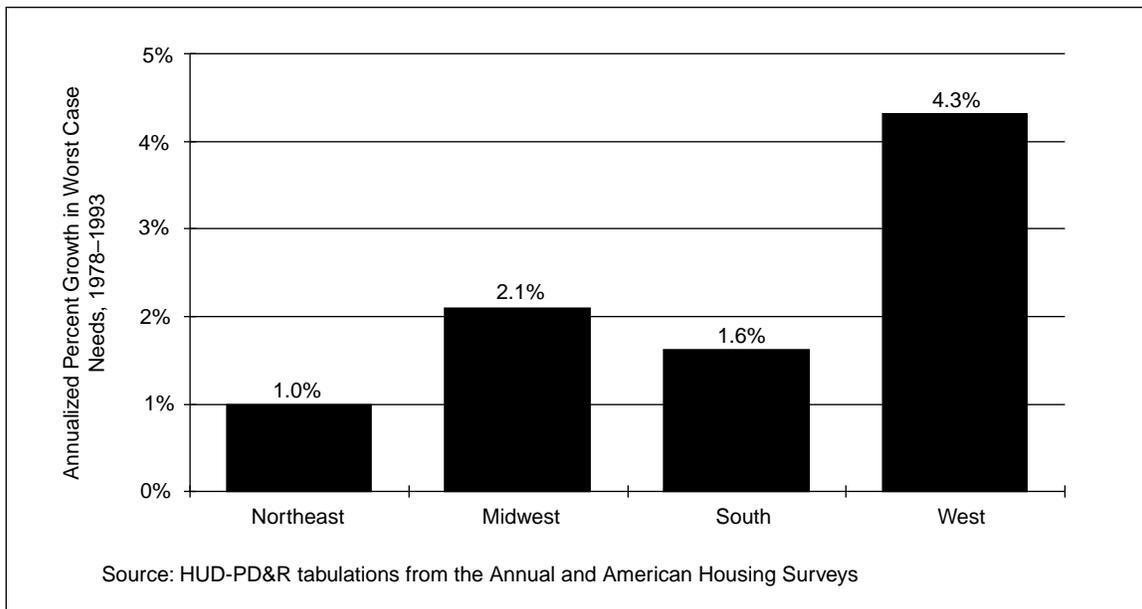
Components may not add to totals because of rounding.

Source: HUD-PD&R tabulations from the 1993 American Housing Survey, MTCS, and TRACS

**Figure 6**  
**Western Renters Are Underserved Relative to Needs**



**Figure 7**  
**Acute Needs Have Grown Most Rapidly in the West**



Moreover, all of the housing assistance since 1974—newly produced units of public housing and project-based Section 8 as well as funding for new units of tenant-based assistance—has been allocated to different parts of the country on the basis of a formula. Although the formula has changed somewhat over time, it has failed to reflect worst case needs in any direct way and has never taken the geographical effect of historical patterns of housing assistance into account.

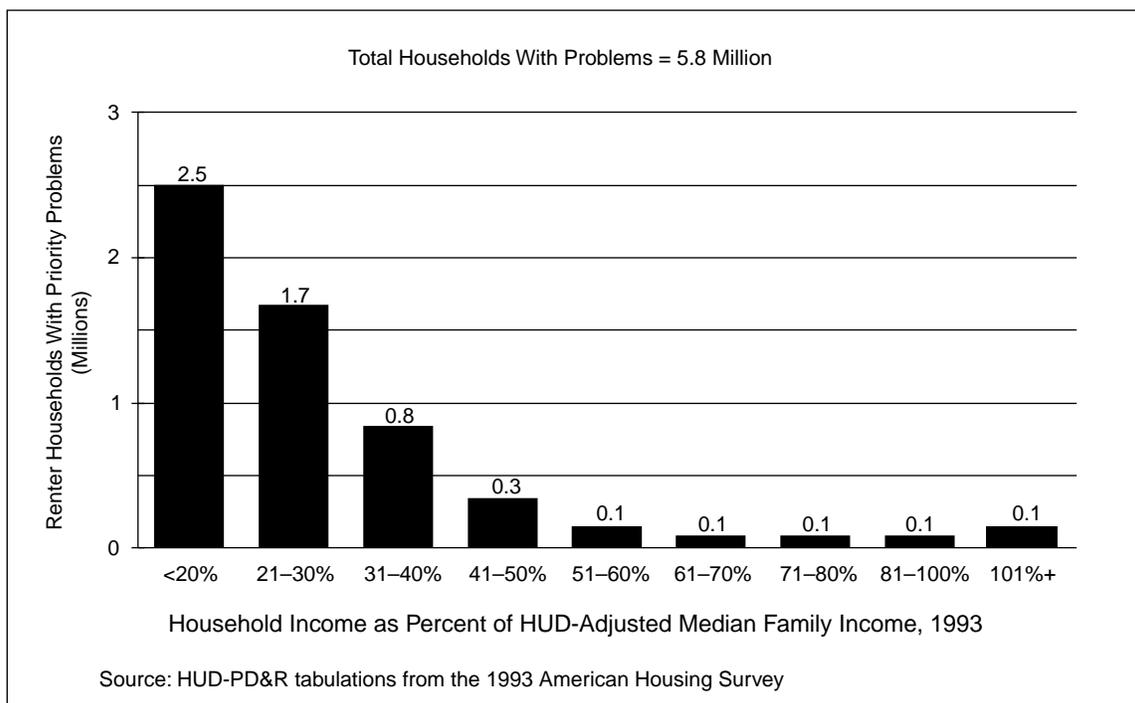
Without continued expansion of housing assistance, particularly the expansion of tenant-based assistance that can be allocated to underserved geographical areas and population groups, worst case housing needs among Hispanics and in the West will continue to grow at an alarming rate.

**Finding 2: Worst case housing needs are concentrated at the lowest income levels.**

- **The vast majority of renter households with worst case needs have extremely low incomes, incomes below 30 percent of area median. These renters are the only category at great risk of having severe housing problems.**

Acute housing needs are not distributed evenly among lower income households. It is the very poor who have been left behind by economic prosperity who cannot cope with America’s robust, market-driven system of providing housing—unless they receive help from government housing assistance programs. Worst case housing needs are defined as severe housing problems among unassisted very-low-income renters, renters with incomes below 50 percent of area median. Because of the large number of renter households (14.8 million) whose incomes fall below this very-low-income cutoff, and because of current proposals to raise the basic income eligibility for

**Figure 8  
Priority Problems Decline Sharply as Incomes Rise**



housing programs to 80 percent of median, it is important to examine in more detail the income levels at which severe housing problems are most likely to occur.

The total number of renter households with severe or “priority housing problems” in 1993 included the 5,349,000 very-low-income renters with worst case needs. Another 475,000 renters also had priority housing problems, but had incomes above 50 percent of median income. As figure 8 shows, 72 percent of those with severe housing problems have incomes below 30 percent of area median income, or approximately the official poverty threshold. A startling 43 percent (2.5 million) have incomes below 20 percent of area median income. Almost 70 percent have household incomes that fall below Federal poverty cutoffs that, unlike HUD income limits, are not adjusted for geographical differences in incomes.<sup>8</sup>

Most worst case needs are concentrated among renters with extremely low incomes, both because this is a large and growing group of households and because the likelihood of severe housing needs rises dramatically as income falls. More than 70 percent of unassisted extremely-low-income renter households have priority housing problems (see figure 9) compared with only one-third of unassisted renters with incomes between 31 and 40 percent of median. For those with incomes between 41 and 50 percent of median, the likelihood of severe problems drops to 15 percent. Above the very-low-income cutoff of 50 percent of area median income, severe housing problems are downright rare, affecting only 5 percent of households in the 51–80 percent of median group (see figure 9).

Not only are priority needs concentrated at the bottom of the income ladder, but most very-low-income renters have some housing problem even if not a priority problem. In marked contrast, as income increases, the probability of encountering even “other” housing problems, which are most often paying between 31 and 50 percent of income for housing, drops rapidly.

Focusing Federal housing assistance on extremely-low-income households would produce a target group of 5.9 million renters who do not now have housing assistance, 4.2 million (71 percent) of whom have worst case needs. In contrast, if current proposals to make households with incomes up to 80 percent of median fully eligible for housing assistance were enacted, 6.4 million additional households would become eligible for the limited number of assisted units. But only 290,000 of these additional households (less than 5 percent) would have priority housing problems.

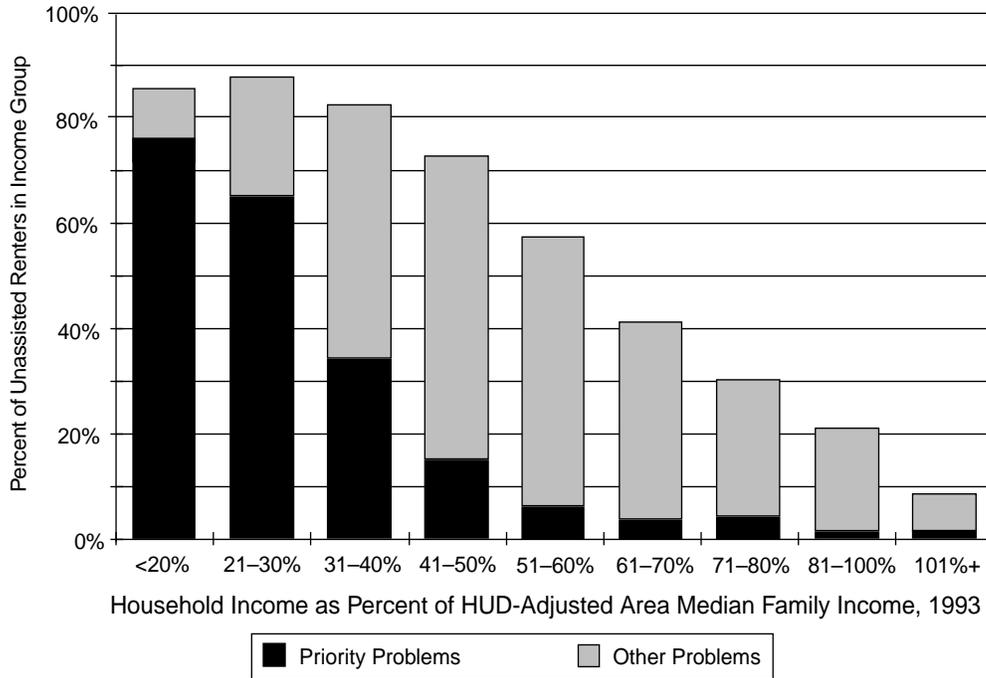
- **Increases in worst case needs reflect large shifts of renter households—particularly families with children—into the very lowest income categories.**

The expansion of acute housing needs by 1.5 million households since 1978 is largely the result of shifts of renter households to the very lowest income groups, specifically incomes below 30 or even 20 percent of median.

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8. See page 3 for the relationship between percent-of-median income levels and poverty thresholds.

**Figure 9**  
**Renters With Income Below 30 Percent of Median Are the Only**  
**Groups Likely To Have Severe Housing Problems**



**Number of Households (Thousands)**

<b>% of Median</b>	<b>&lt;20%</b>	<b>21-30%</b>	<b>31-40%</b>	<b>41-50%</b>	<b>51-60%</b>	<b>61-70%</b>	<b>71-80%</b>	<b>81-100%</b>	<b>101%+</b>
Unassisted With Priority Problems	2,509	1,667	834	339	147	80	67	58	124
Unassisted With Other Problems	283	623	1,327	1,456	1,126	819	416	792	580
<b>Total Unassisted</b>	<b>3,273</b>	<b>2,603</b>	<b>2,618</b>	<b>2,485</b>	<b>2,225</b>	<b>2,135</b>	<b>1,595</b>	<b>3,897</b>	<b>8,185</b>

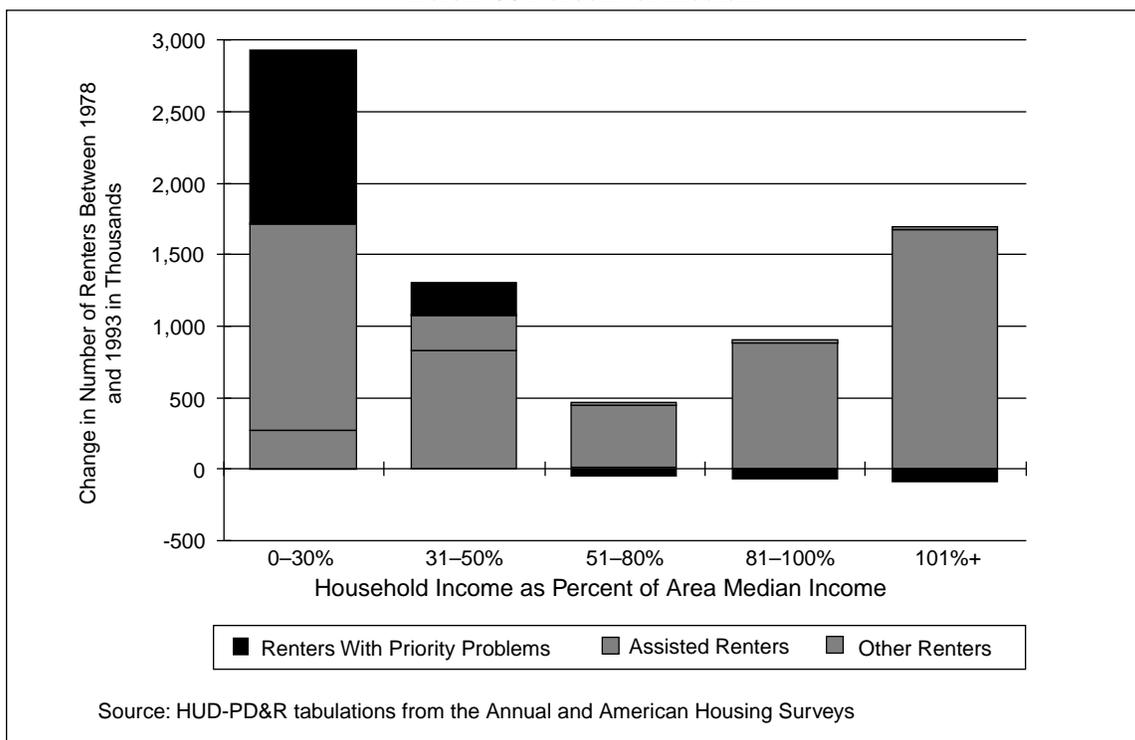
“Priority problems” are defined as severely substandard housing, rent burdens over 50% of income, homelessness, or involuntary displacement.

“Other problems” include rent burdens between 30% and 50% of income, crowding, or moderate structural problems.

Source: HUD-PD&R tabulations from the 1993 American Housing Survey

Between 1978 and 1993, the number of extremely-low-income renter households increased from 5.9 million to 8.7 million (see figure 10), or from 22 percent of renters to 26 percent. This increase represented a growth of 52 percent, the largest for any income category.

**Figure 10**  
**Growth in Worst Case Needs Reflects Rapid Increases in Renters With Income Below 30 Percent of Median**



Among extremely-low-income renters, the likelihood of having worst case needs actually declined between 1978 and 1993, probably because the likelihood of receiving housing assistance rose. Within this category, the share of those receiving housing assistance increased from less than one-fourth to one-third, while the percentage of those with priority housing problems fell from 51 percent to 48 percent. This modest drop in the *incidence* of worst case needs reflects the effectiveness of targeting Federal housing assistance. Despite the gains achieved by the expansion of rental assistance since 1978, the *number* of worst case households outpaced the growth in housing assistance. By 1993, there were 1.25 million more extremely-low-income households with worst case needs than there had been in 1978.

Among renters with incomes between 31 and 50 percent of median, the percentage of those receiving assistance rose from 14 to 15 percent, while the share with acute housing needs remained the same. With a moderate increase in the number of households in this income group (roughly incomes between the poverty level and 150 percent of poverty), the number of households with acute housing needs increased by 250,000.

In sharp contrast, the absolute number of renters with priority problems and incomes between 51 and 80 percent of median actually *fell* between 1978 and 1993, despite a drop in the percentage of households in this group receiving housing assistance.

Families with children were the household type most likely to drop from relatively higher income categories into the extremely-low-income category in which worst case housing needs are endemic. Indeed, the net shift of renters to the extremely-low-income category between 1978 and 1993 was due entirely to families with children. The share of families with children in the extremely-low-income group jumped from 23 percent to 32 percent. By contrast, the share of renters without children that fell into the extremely-low-income group remained steady at 22 percent. Of the 1.25 million extremely-low-income households with worst case needs added during this period, 950,000 (76 percent) were families with children.

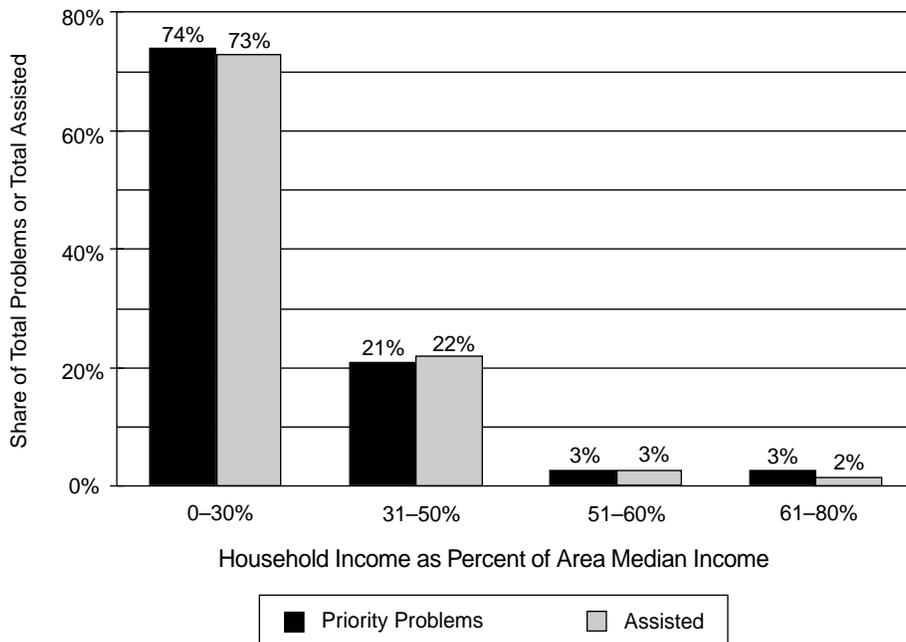
- **Current Federal housing programs are well targeted to the income groups most likely otherwise to have acute housing needs.**

The number of households with unmet worst case needs would undoubtedly have increased by more than 1.5 million between 1978 and 1993 if housing assistance had not been well targeted to those with worst case needs. Moreover, the likelihood of having worst case needs for a family in the poorest income group would have increased rather than decreasing slightly. Public housing and the tenant-based Section 8 program currently direct about three-fourths of assistance to extremely-low-income renters, those with incomes below 30 percent of area median income (see figure 11). The project-based Section 8 programs also are remarkably well targeted to those who otherwise would be most likely to have acute housing needs, with just under 70 percent of units occupied by extremely-low-income renters.

Since 1974, the basic income ceiling for Federal housing assistance has been 80 percent of median. Since 1981, however, mandatory quotas have directed assistance in each program to households with incomes below 50 percent of median: 75 to 85 percent of the assistance for public housing and project-based Section 8 (depending on the age of the project) and essentially 100 percent of the assistance for tenant-based Section 8. The deeper *actual* targeting of the programs, in which 70 to 75 percent of residents are *extremely*-low-income, reflects several factors. One is the practice of “Federal preferences” enacted by Congress in 1978 and 1981 but not implemented until 1988. With some exceptions that were designed to encourage economic diversity within projects, Federal preferences put households with worst case needs ahead of others on waiting lists for assisted housing. Congress has just suspended mandatory Federal preferences for at least 1 year (see sidebar on p. 23).

A particularly powerful factor in the deep actual targeting of housing assistance is the calculation of the household’s share of rent at 30 percent of the household’s income. Relatively higher income households may find more attractive housing at 30 percent of their income than the assisted housing projects for which they might apply. Also, the tenant-based subsidy (at fair market rent [FMR] minus 30 percent of the household’s income) is often quite small for those with incomes close to 50 percent of median income.

**Figure 11**  
**Housing Assistance Is Well Targeted to the Income Groups With Priority Problems**



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

	0-30%	31-50%	51-60%	61-80%	81%+	Total
Tenant-Based Section 8 Percent of Program	1,065 75%	296 21%	37 3%	22 2%	6 0%	1,425 100%
Project-Based Section 8 Percent of Program	892 69%	345 27%	38 3%	17 1%	7 1%	1,300 100%
Public Housing Percent of Program	944 76%	241 19%	35 3%	21 2%	9 1%	1,250 100%
Total Assisted* Percent of All Assisted	2,901 73%	881 22%	110 3%	60 2%	22 1%	3,975 100%

**Priority Problems by Household Income as Percent of Area Median**

	0-30%	31-50%	51-60%	61-80%	81%+	Total
Priority Problems	4,176	1,173	147	147	182	5,824
Percent of Priority Problems	72%	20%	3%	3%	3%	100%

\*Does not include the following programs: Indian housing; Section 8 moderate rehabilitation; Section 236, Section 221(d)(3) below-market interest rate, Section 202, and Section 811 when units in these programs do not also receive Section 8 assistance.

Source: HUD-PD&R tabulations from the 1993 American Housing Survey, MTCS, and TRACS

## History of the Federal Preference System

Before 1979	PHAs and owners used local preferences—consistent with statutory income target requirements—to determine admission to public and assisted housing.
1979	The Housing and Community Development Amendments of 1979 created the first Federal preferences for selection of occupants of public and assisted housing. Preference was to be given to those who were involuntarily displaced from their homes or living in substandard housing.
1983	The Housing and Urban-Rural Recovery Act of 1983 added a preference for families paying more than half their income for rent.
1988	Regulations implementing the three Federal preferences were published in January 1988 and became effective in July 1988. At that time, 90 percent of households newly admitted to the public housing and project-based Section 8 programs and 100 percent of households newly admitted to the tenant-based Section 8 programs had to be Federal preference holders.
1994	Regulations were published implementing legislative changes enacted in 1990 and 1992. Federal preferences now applied to 50 percent of newly admitted households to public housing, 70 percent of newly admitted households to the project-based Section 8 program, and 90 percent of newly admitted households to the tenant-based Section 8 programs.
1996	The continuing resolution enacted in January 1996 included a 1-year suspension of the Federal preferences. This suspension was implemented by notice in February and March 1996.

Another explanation for the deep income targeting of assisted housing is the relatively modest value of Federal housing assistance, which makes it less attractive to higher income households even within the very-low-income group. The modest value of housing assistance stems from the locations and the condition of much public housing and project-based Section 8 in low-income neighborhoods and from the level of the FMRs that determine the maximum tenant-based Section 8 subsidy.

Perhaps of most importance is the very fact that having a severe housing problem is a powerful reason for a very-low-income family to get on a waiting list for assisted housing and to accept that assistance when they are finally offered it.

Even if the Federal preferences are repealed and the income limits for assisted housing are raised, some of the factors that result in deep income targeting of housing assistance will remain. But those factors may not always be present. For example, some public and assisted housing projects are located in highly desirable locations and can attract relatively higher income households. In addition, FMRs in some localities may be set relatively high in order to make tenant-based assistance workable, and thus make the program attractive to better-off households.

Furthermore, both Congress and the Clinton administration are proposing more widespread use of “ceiling rents.” Ceiling rents permit public housing authorities (PHAs) to charge a maximum rent that is less than 30 percent of income to make public housing projects more competitive with private market alternatives and to help projects retain working tenants as residents when their incomes rise.

Where opportunities to serve relatively higher income families exist, PHAs and owners are likely to take them. Many PHAs would prefer to serve relatively higher income households as Federal budget reductions increase the prospect that PHAs and owners will have less money. (A change in program rules would be needed to permit PHAs and owners to keep the additional rental income that can be charged to such households.) Furthermore, many managers of public and assisted housing believe that serving relatively higher income households will reduce management and administrative problems.

Thus, without explicit income targeting rules that direct housing assistance to the lowest income groups, the actual targeting of housing assistance to the neediest households could erode substantially over the next decade. If this erosion of targeting should occur, acute housing needs among renters with extremely low incomes may increase at even faster rates than they did between 1978 and 1993.

**Finding 3: Acute housing needs remain high among the elderly. Close to 1 million households with adults with disabilities have acute needs for rental assistance.**

- **Many elderly households receive Federal housing assistance, but needs remain high. The elderly with acute housing needs are very likely to have incomes below 30 percent of median.**

Solving the housing problems of the elderly has been a longstanding priority for Federal housing policy. Both the public housing program and the project-based Section 8 programs have produced large amounts of elderly housing, much of it in good neighborhoods. The tenant-based Section 8 programs have also been highly successful in serving the elderly, permitting elderly individuals to stay in housing they like while reducing the extremely high rent burdens they were facing before receiving assistance.

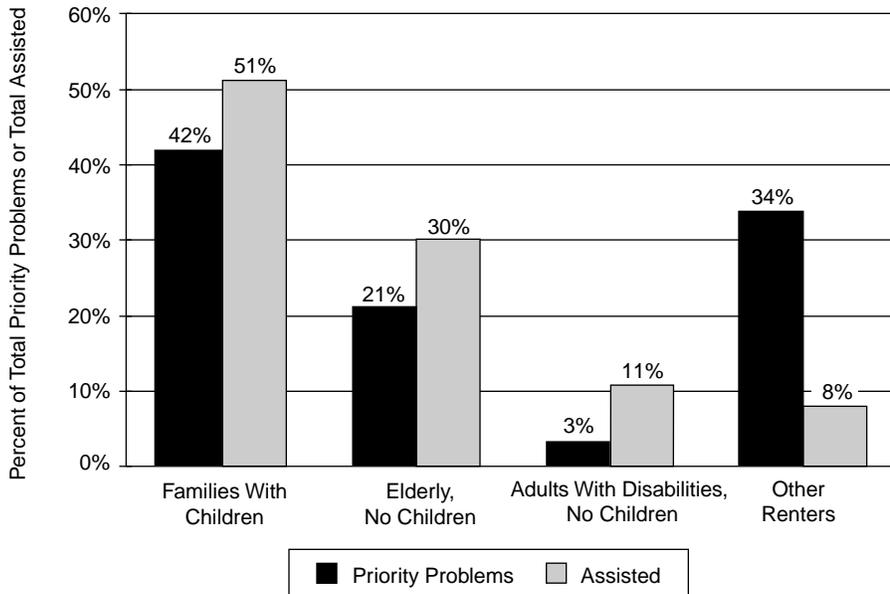
The elderly<sup>9</sup> represent only one-fifth of those with priority housing problems, but they make up 30 percent of those who receive housing assistance. An elderly head of household is present in 34 percent of public housing households and in 42 percent of project-based Section 8 housing. The tenant-based Section 8 programs are much more heavily used by families with children. Only 16 percent of the program slots go to the elderly (see figure 12).

Strong targeting of housing assistance to the elderly and the protection from declines in real income enjoyed by many of these elderly (e.g., indexing of Social Security, SSI, and other pensions) have retarded growth in worst case needs among the elderly. Between 1985 and 1993,

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9. Elderly singles and elderly-headed households that do not include children.

**Figure 12**  
**The Elderly Are Served by Housing Assistance in Proportion to Their Share of Needs**



**Rental Assistance by Family Type and Program**  
 (Assisted Households in Thousands, Percent of Program by Group)

	Families With Children	Elderly, No Children	Adults With Disabilities, No Children	Other Renters	Total
Tenant-Based Section 8 Percent of Program	967 68%	223 16%	150 11%	86 6%	1,425 100%
Project-Based Section 8 Percent of Program	455 35%	546 42%	169 13%	130 10%	1,300 100%
Public Housing Percent of Program	613 49%	425 34%	113 9%	100 8%	1,250 100%
Total Assisted* Percent of All Assisted	2,034 51%	1,194 30%	432 11%	316 8%	3,975 100%

**Priority Problems by Family Type**

	Families With Children	Elderly, No Children	Adults With Disabilities, No Children	Other Renters	Total
Priority Problems	2,441	1,235	200	1,948	5,824
Percent of Priority Problems	42%	21%	3%	34%	100%

\*Does not include the following programs: Indian housing; Section 8 moderate rehabilitation; Section 236, Section 221(d)(3) below-market interest rate, Section 202, and Section 811 when units in these programs do not also receive Section 8 assistance.

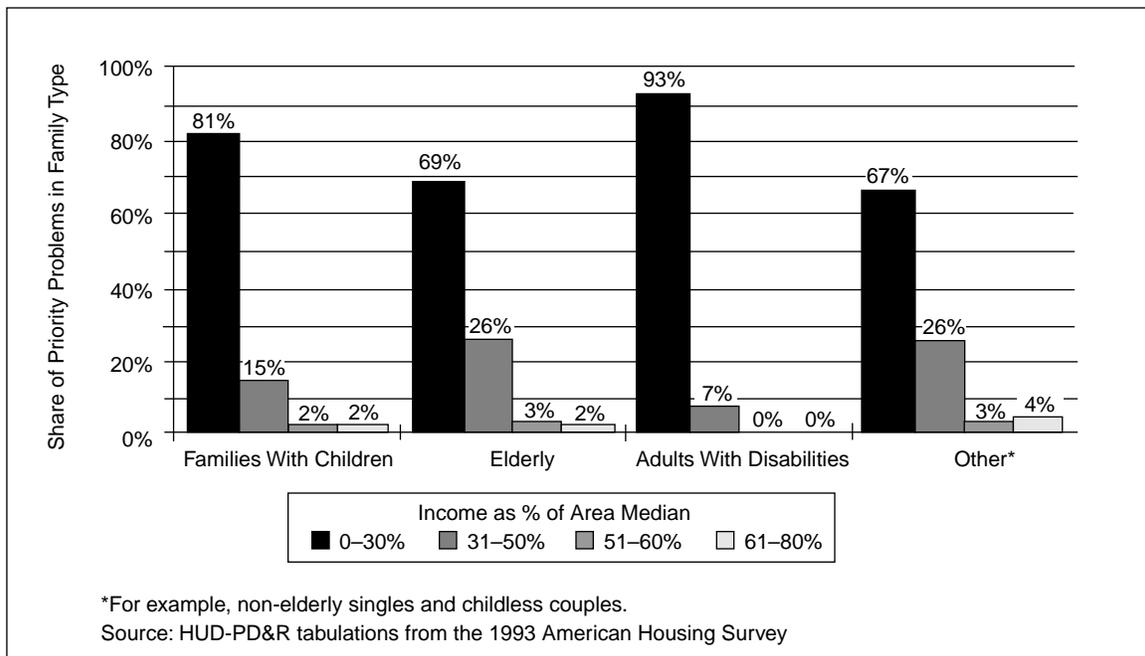
Source: HUD-PD&R tabulations from the 1993 American Housing Survey, MTCS, and TRACS

as the total number of very-low-income elderly renters actually fell slightly, those with acute housing needs stabilized near 1.2 million households. This stability followed an earlier period between 1978 and 1985 when large numbers of elderly housing units were built and the number of elderly households receiving assistance rose by almost 600,000.

But the job is not done. Almost half (49 percent) of unassisted elderly renters with very low incomes have acute housing needs. Of the 5.3 million households with worst case housing needs, almost 1.2 million are headed by an elderly person. Some elderly households live in substandard housing, but most of those with acute housing needs pay more than half of their income for rent. The elderly often have little opportunity other than housing assistance to increase their incomes. Continuing or returning to work or gaining additional income through marriage may not be real possibilities for the elderly who have acute housing needs.

As in all households, an overwhelming portion (69 percent) of the 1.4 million elderly with priority housing problems are extremely low income, with incomes below 30 percent of median (see figure 13). Similarly, those unassisted elderly-headed households whose incomes are below 30 percent of median have a much higher chance of having acute needs (62 percent) than the elderly with incomes between 31 and 50 percent (32 percent). Priority problems are rare among the elderly with incomes between 51 and 80 percent of median; only 60,000 elderly renters in that income range (8 percent) have severe needs.

**Figure 13**  
**Priority Problems Concentrate in the Poorest Households of Each Family Type**



Congress is considering relaxing the income targeting of assisted housing in order to reduce the concentration of poor children in some public and assisted housing projects and to provide incentives for working-age residents to find jobs and increase their earnings. But relaxing income targeting to the elderly could have large and unintended consequences. Because housing for the elderly is usually in good condition, rarely has management problems, and often is located in neighborhoods with relatively high market rents, this housing can be attractive to those renters with incomes above the levels where worst case housing needs typically occur. Vacancies in attractive elderly housing projects may be filled by relatively better-off elders, forcing the extremely-low-income elderly with acute housing needs to remain indefinitely on waiting lists. The effectiveness of housing assistance in halting increases in worst case needs among the elderly would be lost.

- **Although adults with disabilities are heavily served by housing assistance programs, they still have high rates of unmet acute housing needs.**

Some 346,000 non-elderly persons with disabilities live alone and receive Federal housing assistance: 91,000 live in public housing units, 127,000 live in Section 8 projects, and more than 128,000 receive Section 8 tenant-based assistance. But these single-person households—often thought of as the clientele with disabilities for HUD programs—are only part of the story.

As table 1 shows, assisted housing also benefits a large number of multiple-person households where an adult with disabilities is present. HUD program data identify more than 63,000 households in which non-elderly adults with disabilities live with other adults and almost 141,000 households in which non-elderly adults with disabilities live in families with children. Program data show that almost 570,000 households with at least one adult, non-elderly member with disabilities live in HUD-assisted housing. This number represents 14 percent of the public housing and Section 8 programs.

**Table 1**  
**HUD Program Data Show That Almost 570,000 Assisted Households Contain Adults With Disabilities**

<b>Households With Non-Elderly Adults With Disabilities</b>	<b>Number of Households</b>
Living Alone	346,400
Living With Other Non-Elderly Adults	63,700
Living in an Elderly Household	14,200
Living in a Family With Children	140,900
<b>Total</b>	<b>565,200</b>

Source: HUD-PD&R tabulations from program data (MTCS and TRACS)

A sample audit of the SSI program suggests the number may be even higher. These data show that 700,000 persons between the ages of 18 and 61 who receive SSI benefits report receiving HUD assistance.<sup>10</sup>

Despite the large numbers who receive housing assistance, the likelihood of having worst case needs remains high among persons with disabilities. Table 2 shows two independent estimates of severe rent burden, the main component of worst case needs, among the non-elderly persons with disabilities who are living alone.

AHS data for 1993 show that 34 percent of all such individuals have worst case needs, with 31 percent paying over half their income for rent. AHS data further indicate that persons with disabilities living alone are consistently more likely than other worst case household types to have multiple housing problems, because they frequently pay over half their income for severely or moderately inadequate housing.

**Table 2**  
**Although One-Third of Households With Adults With Disabilities Are Assisted,**  
**Some 900,000 of Such Households Have Worst Case Needs**

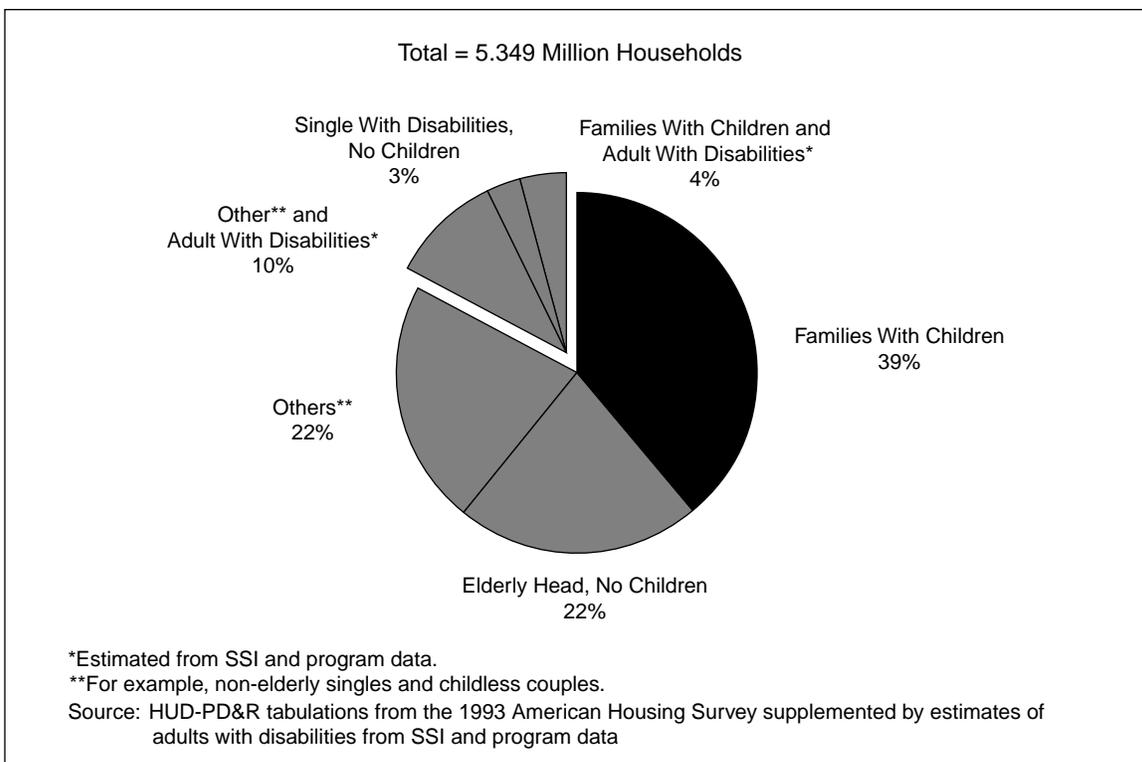
	<u>Total</u> <u>(in Thousands)</u>	<u>With Rental</u> <u>Assistance</u>		<u>Rent &gt; 50% of</u> <u>Income</u>		<u>Worst Case</u> <u>Needs</u>	
		Number	Percent of Total	Number	Percent of Total	Number	Percent of Total
<b>From the 1993 American Housing Survey</b>							
Non-Elderly Adults With Disabilities Living Alone	422	190	45%	131	31%	144	34%
<b>From the 1994 SSI Stewardship Review Sample</b>							
Non-Elderly Adults With Disabilities:							
Living Alone	572	212	37%	200	35%		
Living With Others	1,576	488	31%	624	40%		
All Non-Elderly Adults With Disabilities	2,148	700	33%	824	38%	881*	41%

\*Estimated from the relationship between severe rent burden and worst case needs shown by AHS data.

10. HUD recently began analyzing FY 1994 data from the SSI program's annual audit of a sample of all persons receiving SSI benefits. See appendix D. The fact that SSI sample data give higher estimates of non-elderly adults (age 18 to 61) with disabilities receiving assistance than HUD program data is surprising because income limits for HUD programs are much higher than SSI benefits, which across the Nation average only 13–16 percent of area median family income. According to HUD program data, more than 25 percent of persons with disabilities living alone and receiving housing assistance have incomes greater than 20 percent of median.

Newly analyzed SSI data confirm that at least one-third of the non-elderly persons with disabilities who are living alone have acute housing needs, because 35 percent have severe rent burdens.<sup>11</sup> Moreover, among adults with disabilities living with others, the SSI data show fully 40 percent, or 624,000, with severe rent burdens. Altogether, the SSI data indicate that 824,000 non-elderly adults with disabilities have severe rent burdens. Extrapolating from AHS results, this implies that an even larger number either have severe rent burden or live in severely inadequate housing—on the order of 41 or 42 percent. In summary, *the SSI results imply that worst case needs among adults with disabilities are more than five times as great as the AHS proxy suggests*: almost 900,000 households—some 17 percent of the 5.3 million households with worst case needs—may include a non-elderly adult with a disability (see figure 14).<sup>12</sup>

**Figure 14**  
**At Least 17 Percent of Worst Case Households Have Adults With Disabilities Present**



11. Lacking direct AHS data on disabilities, reported receipt of SSI income among adults living alone or only with nonrelatives has been used as a proxy for disabilities in this and past worst case reports. The new analysis of SSI data confirms the AHS results in showing that 35 percent of low-income individuals with disabilities who are not elderly and are living alone have a rent burden over 50 percent of income.

12. This 900,000 estimate is based only on SSI recipients, who probably have incomes below 20 or 25 percent of area median. While the likelihood of having severe housing needs undoubtedly falls as incomes rise for persons with disabilities as well as for other groups, this estimate also probably misses some of those persons with disabilities with worst case needs.

Housing assistance is an important part of this country’s commitment to secure a dignified life for citizens with disabilities. Unless the number of households receiving housing assistance continues to expand, that commitment may be empty for the hundreds of thousands of persons with disabilities who pay more than half of their income for housing and/or live in physically deficient housing. In fact, unless total housing assistance continues to grow, the amount of public and assisted housing currently available to those with disabilities could shrink as a result of recent legislation that permits housing authorities and owners to bypass households with disabilities on waiting lists for certain “designated” housing projects.

### **Designated Housing**

Recent legislation permits housing authorities and owners of Section 8 projects to “designate” projects for the exclusive use of the elderly or of those with disabilities or for use by both groups. If housing is designated for use by one group only, current occupants may not be displaced as long as they are complying with the terms of their lease. But as units become vacant, they can be reserved for the type of household for which the project has been designated, even if another type of household applied for the project and was placed on the waiting list at an earlier date.

The legislation requires Section 8 owners to continue to serve some minimum number of persons with disabilities. A PHA that designates housing exclusively for the elderly must have a plan that provides for the housing needs of very-low-income households with persons with disabilities in the locality who would have otherwise been served had the designation not been made. Meaningful implementation of such plans will depend on the availability of incremental units of housing assistance.

**Finding 4: Almost 2 million of those with worst case needs are working, including many working poor families with children.**

- **A very large portion of renters with worst case needs—even those with incomes as low as 20 percent of median—are working. The working poor are very likely to have acute needs for housing assistance.**

Among the very-low-income households for whom work represents an expected responsibility (households with non-elderly, able-bodied heads) a large percentage are in fact working (see table 3). Almost 2 million of the 5.3 million households with acute housing needs work at least half-time.

**Table 3  
Substantial Numbers of Very-Low-Income Families With Children Are Working**

	Income as Percent of Area Median				
	0–20%	21–30%	31–50%	51–60%	61–80%
Families With Children (Thousands)	2,659	1,416	2,578	1,044	1,454
% Reporting Earnings of:					
\$3,750+ (Half-Time at Minimum Wage)	15%	65%	90%	96%	97%
\$7,500+ (Full-Time at Minimum Wage)	4%	47%	85%	94%	96%
\$11,250+	0%	15%	71%	90%	95%
% With Some AFDC/SSI Income	64%	37%	20%	10%	8%
% With Earnings as Primary Income Source	23%	62%	87%	92%	95%

Source: HUD-PD&R tabulations from the 1993 American Housing Survey

Among all households with incomes between 31 and 50 percent of median, 9 out of 10 households with children report earnings that reflect working at least half-time at minimum wage. More than four-fifths have earnings that exceed full-time work at minimum wage. And only one out of five report receiving any welfare or SSI payments. In fact, families with incomes between 31 and 50 percent of median are almost as likely to earn the equivalent of full-time minimum wage as those with incomes between 51 and 80 percent of median.

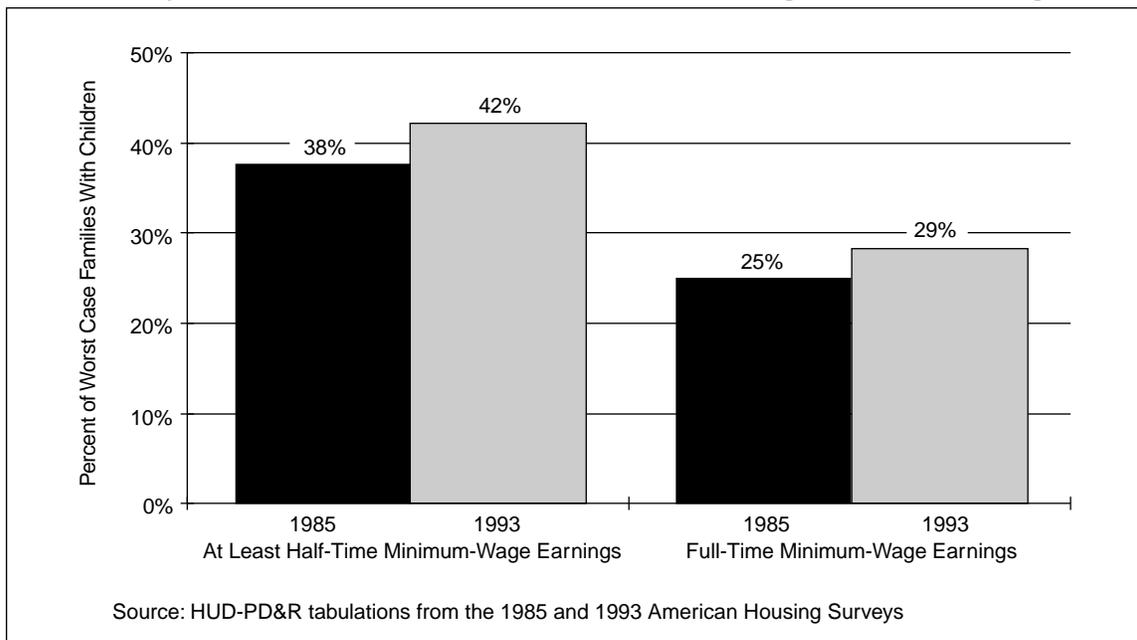
Even at extremely-low-income levels, one-third of families with children report the equivalent of half-time earnings and one-fifth report full-time minimum-wage earnings. Slightly more than half of extremely-low-income households with children report receiving income from welfare or

SSI, a proportion that has remained constant since the mid-1980s.<sup>13</sup> Furthermore, work among very-low-income renters has been stable in recent years. Between 1985 and 1993, the share of very-low- and extremely-low-income households with earnings reflecting at least full-time minimum-wage work remained essentially the same.<sup>14</sup>

The Clinton administration strongly believes that those capable of working should do so and that housing assistance should play a key role in rewarding work and family responsibility. Moreover, trying to help families with worst case needs and rewarding work are not at all incompatible. Among very-low-income renter families with children *and* acute housing needs, more than 40 percent had earnings equal to at least half-time work at the minimum wage in 1993 and almost 30 percent earned more than a full-time wage (see figure 15). Despite following society’s values about work, these families must pay more than half their total incomes for rent and often teeter on the edge of eviction and homelessness.

Working poor families face a very high likelihood of having acute housing needs. Two out of three unassisted, extremely-low-income working families with children have worst case housing needs. Acute housing needs are also prevalent among other extremely-low-income households who are working. Seventy-seven percent of unassisted extremely-low-income childless households with non-elderly heads with no disabilities who are working have acute housing needs.

**Figure 15**  
**Many Families With Children That Have Acute Housing Needs Are Working**

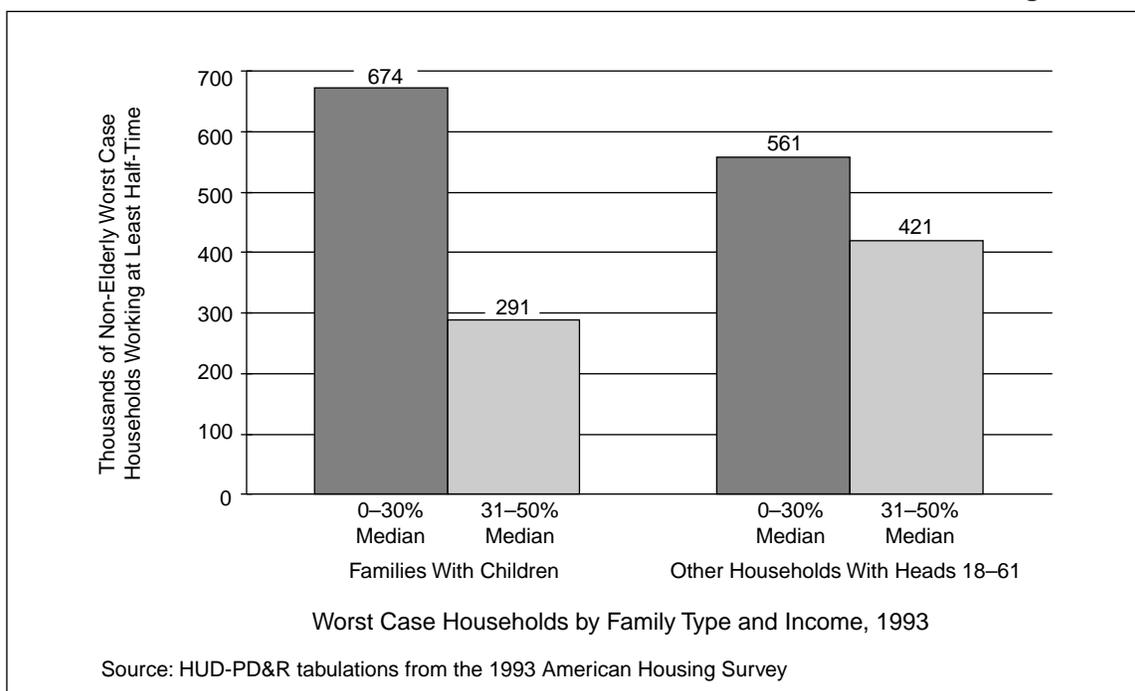


13. A family receiving the maximum Aid to Families with Dependent Children (AFDC) grant for a family of three would be at 16 percent of area median income in New York City, 10 percent of median income in Chicago, 5.5 percent of median income in Houston, and 16 percent of median income in Los Angeles. It is not surprising that many families with incomes below 30 percent of area median income receive no welfare.

14. 1993 minimum wage in constant dollars.

In all, 1.2 million unassisted renters with extremely low incomes and 700,000 unassisted renters with incomes between 31 and 50 percent of median are working at least half-time, but have acute needs for rental assistance (see figure 16). Proposed changes that would raise income eligibility for Federal housing assistance would—in the name of helping the working poor—divert resources away from the more than 1 million working poor who most need that assistance.

**Figure 16**  
**Almost 2 Million Unassisted Renters With Worst Case Needs Are Working**



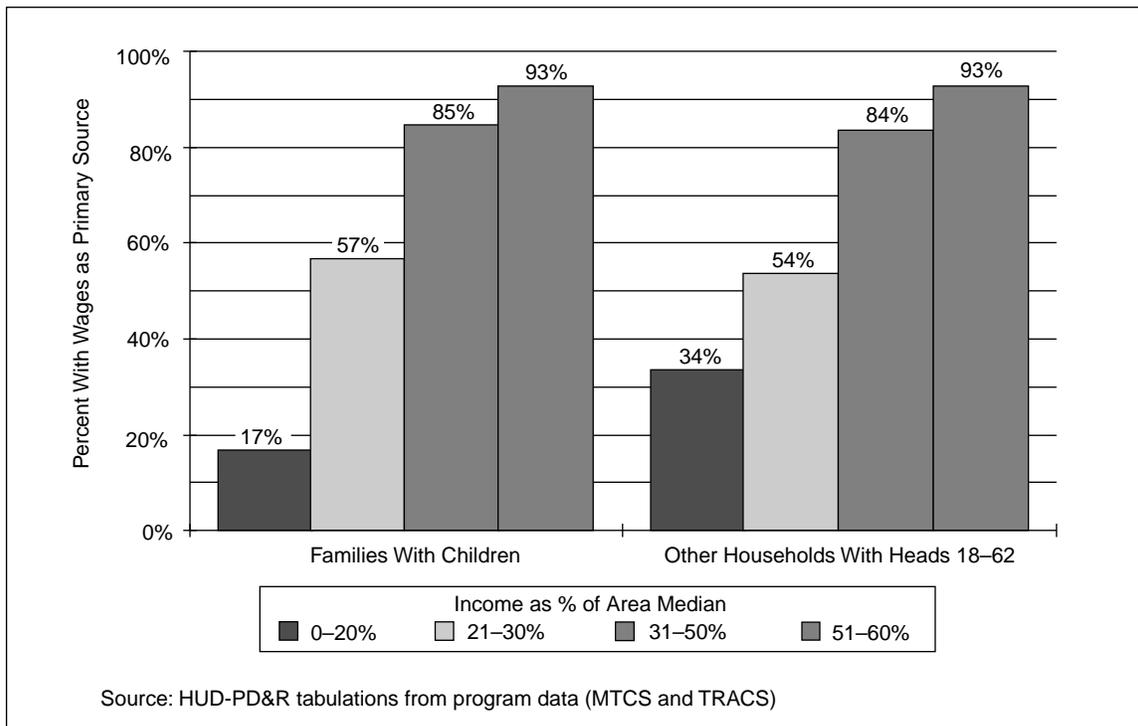
- **Current housing assistance programs heavily serve the working poor.**

Of the 4 million households living in public housing or receiving assistance from one of the Section 8 programs, more than 1 million have earnings as their primary source of income.<sup>15</sup> Housing assistance can be crucially important to working poor families, helping them to stabilize their lives and continue their climb out of poverty. Without assistance, parents who pay more than half of the family income for rent have little left over for other necessities. With an unstable housing situation, the family may move frequently to avoid eviction. This upheaval forces children to change schools, removes the family from neighborhood supports, and complicates efforts to obtain or retain stable employment. Fortunately, current housing assistance programs are well targeted to the working poor. These programs could be even more highly directed toward families trying to work their way out of poverty and the acute housing distress that so often accompanies poverty.

15. The difference between these 4 million units and the 4.5 million total HUD-assisted rental units is as follows: approximately 50,000 units of Indian housing and 50,000 units in the Section 8 moderate rehabilitation program have not been included in the analysis done for this report. In addition, there are about 450,000 units subsidized by the Section 236, Section 221(d)(3) below-market interest rate, Section 202, and Section 811 programs that do not have Section 8 assistance.

More than half (57 percent) of assisted families with children and incomes between 21 and 30 percent of median have earnings as their primary source of income (see figure 17). Even at the very lowest income range (below 20 percent of median), almost one-fifth (17 percent) of all families with children living in assisted housing have earnings as their primary income source. And among assisted families with children with incomes between 31 and 50 percent of median, more than four out of five work. Work is even more common among the extremely-low- and very-low-income non-elderly households without children or disabilities who live in assisted housing.

**Figure 17**  
**Many Assisted Families Have Wages as Their Primary Source of Income**



Housing assistance programs could be even more explicitly targeted than they are now to reward work. The Clinton administration supports providing housing assistance to working families and to families that are preparing themselves for work through job training and education. This support is most critical in public and assisted housing projects so that the children growing up in those projects have adult role models who work and adhere to the mainstream values of the society. To achieve this objective, however, it is *not* necessary to serve families with incomes above 50 percent of median income. These families are extremely unlikely to have severe needs for housing assistance.

Unfortunately, having a job in America at the end of the 20th century does not ensure access to standard quality housing at an affordable rent. The excellent housing stock that has been produced in the United States by a flexible and lightly regulated housing market is expensive. As the next section will discuss (see finding 5), the housing market does not respond well to the needs for affordable housing among the working poor or other extremely-low-income renters.

**Finding 5: Despite large and growing demands, housing markets are not responding to the acute needs of the lowest income renters by producing units affordable for them.**

- **Housing markets are not responding to the increasing demand for units at extremely low rents. Instead, as rents “filter up,” the number of extremely-low-rent units is shrinking.**

This report has focused on the housing circumstances of *households* at the lowest income levels in the United States—the demand for housing assistance. The growth in numbers of extremely-low-income households, particularly among families with children, has dramatically increased worst case needs for rental assistance. At the same time, the elderly and those with disabilities—many of whom have little chance of improving their income—continue to have acute housing needs in disturbingly large numbers. The most common problem for all of these households is severe rent burden, paying more than 50 percent of their income for housing.

This section of the report focuses on the supply side of the housing market, on housing *units*. It examines the shortages of affordable units that force households to pay such a large portion of the family budget on housing. This analysis reaches two conclusions. First, there is a serious mismatch between the number of households at the lowest income levels and the number of units affordable to them. Moreover, the private housing market has not responded to this mismatch by supplying additional affordable units. In fact, the supply of affordable rental housing shrank between 1985 and 1993.

Extremely-low-income households, those with incomes below 30 percent of median, face the most severe shortages of affordable units. In 1993, there was an absolute deficit of units that would have been affordable to extremely-low-income renters (i.e., costing 30 percent or less of their income). There were 6.9 million extremely-low-income rental units for 8.6 million extremely-low-income renters, a deficit of 1.7 million. Of the 6.9 million units, only 1.8 million had rents clearly determined by the private market. The remaining 5.1 million were “nonmarket” units—a combination of public and assisted housing, other housing with publicly subsidized rents, and units for which the occupant did not pay rent for a variety of private reasons.<sup>16</sup>

Even more seriously, more than half of the 6.9 million extremely-low-rent units—both nonmarket and market—were not actually available to extremely-low-income renters because they were occupied by other, higher income, households. Only 46 extremely-low-rent units per 100 extremely-low-income renters were either occupied by extremely-low-income renters or vacant and available for rent.

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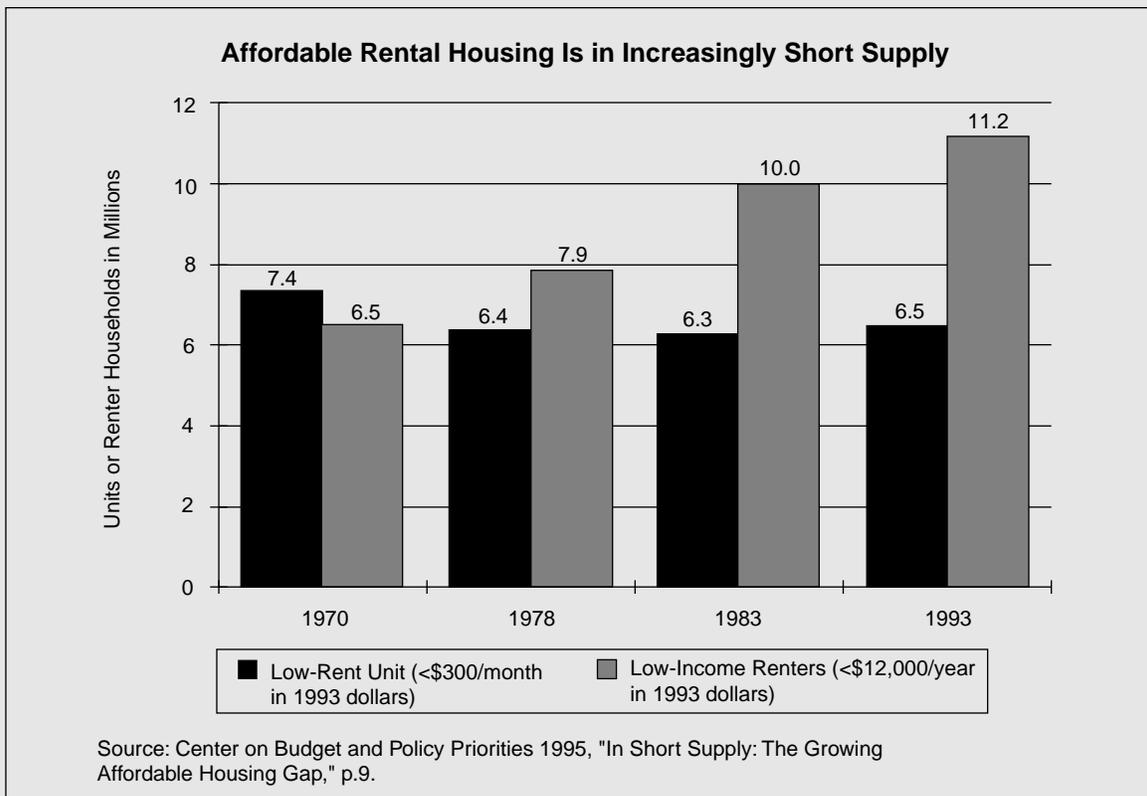
16. For example, units that parents provide for adult children, units that a building owner makes available free to a superintendent, or other housing supplied with a job.

## Measures of Housing Mismatch

A measure often used to summarize the extent of mismatch between renters and units compares numbers of poor renters against the number of units that can be rented at 30 percent of the income level of the poverty cutoff.

In 1995, for example, the Center on Budget and Policy Priorities warned of *The Growing Affordable Housing Gap* by comparing numbers of renters with incomes below \$12,000 a year (the poverty level for a four-person family, using 1993 dollars) to numbers of units with rents below \$300 a month, the amount affordable at 30 percent of a \$12,000 income.

In 1970, there were 7.4 million such “low-rent” units and 6.5 million such renters, or 114 units for every 100 renters. By 1978, there were only 6.4 million units for 7.9 million renters, or 81 units for every 100 renters. Between 1978 and 1993, the number of low-rent units rose slightly, to 6.5 million. But the number of renters with incomes below \$12,000 jumped to 11.2 million, and by 1993 there were only 58 affordable units for every 100 renters with incomes below \$12,000.



*continued on next page*

While this comparison is useful in dramatizing the shortage of housing affordable to the poor, it has several weaknesses:

- The comparison does not take into account either the different income levels representing the poverty level for smaller or larger households or the different size housing units needed for smaller or larger households.
- The comparison does not take into account differences in rents and incomes in different geographical locations.

This report examines the availability of units affordable to renters with extremely low incomes through a variant of this measure that corrects those weaknesses. Again defining 30 percent of income as the standard of affordability, rents are considered affordable to extremely-low-income households if the unit's rent, including utilities, is no more than 30 percent of HUD-adjusted area median income.

Examining units by their affordability in relation to area median income introduces an adjustment for unit size, since the median incomes calculated by HUD are adjusted for household size. The unit's rent is compared with the income of a hypothetical household of the appropriate size to occupy that unit.

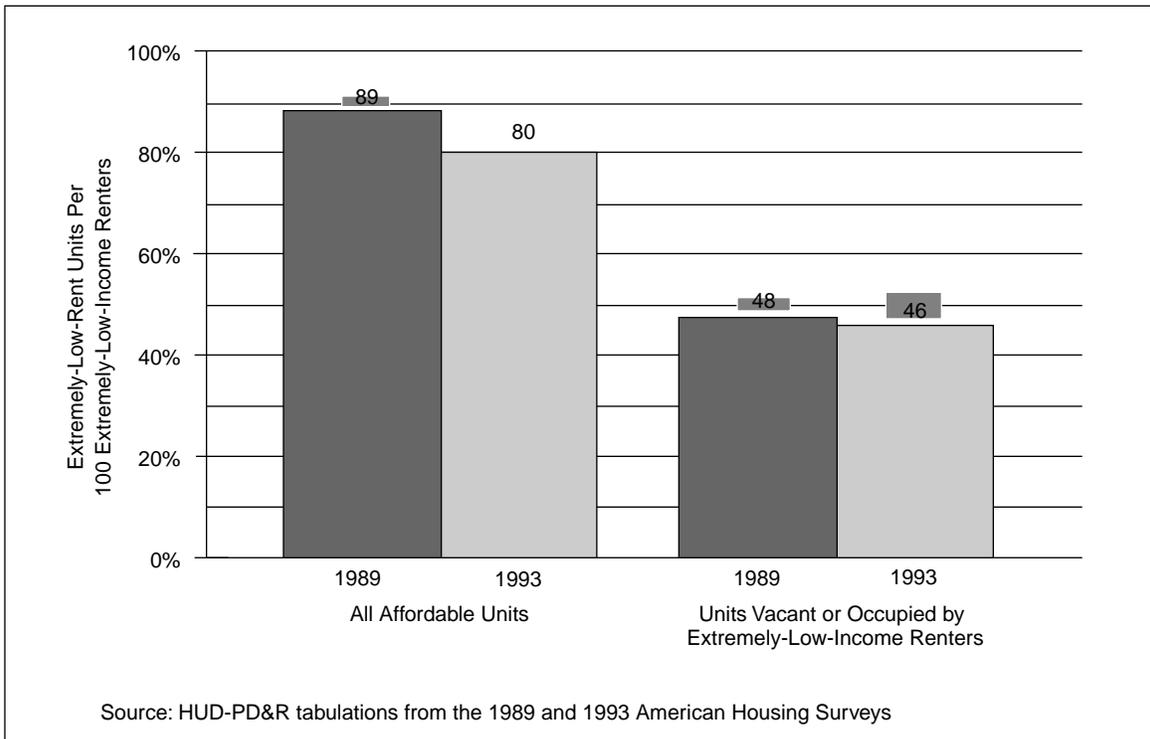
Rent categories defined in relation to *area* median income also account for variations in income levels in different locations.

Nevertheless, both measures of mismatch share two shortcomings:

- They do not consider whether units are actually available to households below an income cutoff or are already occupied by other households with higher incomes.
- They do not take into account whether units are in the same locations as the households that need them.

Mismatches between the numbers of extremely-low-income renters and the units they can reasonably afford are worsening. In the 4 years from 1989 to 1993, the number of extremely-low-income renters grew by 1 million. At the same time, the number of extremely-low-rent private market units for which they were competing with other renters dropped by 250,000. The total number of extremely-low-rent units (nonmarket and market) decreased between 1989 and 1993 from 89 to 80 per 100 extremely-low-income renters. The number of units actually available for every 100 extremely-low-income renters dropped from 48 to 46 (see figure 18).<sup>17</sup>

**Figure 18**  
**Mismatches Between Extremely-Low-Income Households and Rental Units They Can Afford Are Becoming Worse**



Over a longer time span, the 8-year period between 1985 and 1993, the number of private units with market rents affordable to extremely-low-income renters fell by 425,000 units.<sup>18</sup> That loss reduced the private market stock of extremely-low-rent units in the United States by almost one-fifth. During the same period, the nonmarket category gained 451,000 units.<sup>19</sup>

17. Using a similar measure but a smaller base of rental units, Nelson found that the number of extremely-low-rent units also had dropped in relation to renters between 1979 and 1989, from 72 to 61 units per 100 extremely-low-income renters. Kathryn P. Nelson, "Whose Shortage of Affordable Housing?" *Housing Policy Debate* 5(4), Table 3.

18. Because the Annual Housing Survey only gathered data on housing costs for "specified" rental units until 1983, 1985–93 is the longest period for which affordability can be tracked for *all* rental units.

19. Recall, however, that units in the nonmarket category are not necessarily available or affordable to extremely-low-income renters.

The loss of extremely-low-rent housing has been even greater in urban markets. In 41 major metropolitan areas across the United States, the number of extremely-low-rent units with market-determined rents dropped by one-third over 4-year periods in the late 1980s and early 1990s. In-depth analysis of changes to the rental housing stock in these 41 large MAs shows that very few housing units were physically added to the housing stock—through new construction or conversion of nonresidential buildings—at rents affordable at the lowest income levels (see table 4). More surprisingly, relatively few were lost through demolition, abandonment, or conversion. By far the most common source for both gains and losses to the low-cost rental stock was “filtering,” that is, a change in rent category. More specifically, rental units either “filter down” into a lower rent category as rent levels drop, or “filter up” as rent levels rise.

Most of the shrinkage in the stock of extremely-low-rent units occurred either because rents filtered up or because units switched to nonresidential use. Furthermore, the *net* loss of 22 percent attributable to rent changes masks even larger *gross* movement of units across affordability categories. Over the 4-year periods, 47 percent of the extremely-low-rent stock shifted to a higher rent category, while only half that many units (equivalent to 25 percent of the initial extremely-low-rent stock) filtered down to the extremely-low-rent category (see table 4).<sup>20</sup>

**Table 4**  
**Most Losses in the Extremely-Low-Rent Stock Result From Changes in Rents**  
 (41 MAs: 4-Year Change as Percentage of First-Year Stock)

Total Change	-33%
Stable Rent	26%
Net Rent Change	-22%
In From Higher Rent Category	25%
Loss to Higher Rent Category	-47%
Net Tenure Change	-1%
New Construction	0%
Permanent Loss	-3%
Net Loss to Nonmarket Use	-1%
Other*	-6%

\*Net change from conversions, mergers, and temporary losses.  
 Source: HUD-PD&R study of the dynamics of rental housing in 41 MAs

20. For this analysis, various thresholds between categories were tried, but even when larger changes in rent were required to qualify as filtering, there was still much more filtering in rent than had been expected. See table E-3 in appendix E.

## Dynamics of Rental Housing in 41 MAs

Over the past year, PD&R has studied the processes by which rental housing is gained or lost at rent levels affordable to different income groups. The study used the longitudinal capability of AHS to track what happened to individual housing units over 4-year periods in 41 major MAs. The study tracked changes over a 4-year period for each MA, with the first year falling between 1985 and 1988 and the second year between 1989 and 1992.

The 41 MAs are large, containing almost half of the Nation's renters. On average, they have higher rates of worst case needs and tighter housing markets than the rest of the Nation, with lower vacancy rates and lower shares of rental units affordable to households with incomes below 50 percent of median. Between 1985 and 1993 they also experienced higher rates of shrinkage in very-low-rent units than the rest of the United States.

“Rent filtering” was defined for the study of 41 MAs as the movement of a unit's rent from one category of affordability to another, with affordability defined relative to income groups similar to those used in this report. (For the lowest private-market rent category, however, the study used units affordable to households at 0–35 percent of median, not the 0–30 percent examined in the rest of this report.) When a rent increase moved a unit to a new category with higher rents, the unit is said to have filtered up. Similarly, a rent decrease to a lower category would send the unit filtering down.

Appendix E provides more details on the study's methodology. Appendix table E–1 shows the rent categories used for the study of 41 MAs, the fraction of the total rental stock in each category, and the national average rent levels corresponding to each category in 1989.

The United States has a housing stock of excellent quality that continues to improve. Those improvements have occurred in response to rising wealth. But why has the opposite market response not occurred? Why have increasing numbers of extremely-low-income renters not elicited greater supplies of lower quality, lower cost units? One answer may be that the processes by which such units *might* be created in a completely unregulated housing market are not permitted here, particularly in urban areas. Although building codes are not rigorously enforced at all times and places, they do discourage the widespread subdivision of existing buildings into smaller housing units. In most metropolitan areas, zoning and other land use restrictions prevent mobile home parks or subdivisions of very small houses, even in parts of the area with low-cost land. Furthermore, the physical quality of the housing stock itself imposes minimum costs—such as the utility costs associated with buildings with full utilities—which may limit the downward filtering of rents into the extremely-low-rent category.

Analysis of rent filtering shows a dynamic housing market, in which many units filter down into the extremely-low-rent category. But this downward filtering is not nearly extensive enough to offset the units that are lost to the extremely-low-rent category as their rents filter up. There appear to be real limits to the extent to which housing affordable at the very lowest income levels can be created by market forces alone. Thus, the excellent quality of the U.S. housing stock comes at a cost. Part of that cost is the need for public funding of housing assistance for those Americans who cannot afford private market rents from their own incomes.

- **Private markets and public programs are adding rental housing that is affordable for households with incomes between 50 and 80 percent of median. There are ample units at rents covered by Federal tenant-based housing assistance.**

At the same time that over 400,000 extremely-low-rent units were being lost from the rental housing stock nationally, the number of units affordable to households with incomes between 51 and 80 percent of median increased—by 1.2 million units between 1985 and 1989 and an additional 600,000 units between 1989 and 1993 (see appendix table A-17). Nationally, the number of units affordable for households with incomes in the upper part of the very-low-income range—36 to 50 percent of median—remained stable between 1985 and 1989, and actually grew by 165,000 units between 1989 and 1993. Table 5 shows the detailed processes by which units were added and lost at different rent levels in the 41 MAs in the late 1980s and early 1990s.

At moderate rents (affordable to households with incomes between 66 and 80 percent of median) there was a 6 percent gain in the number of units through new construction—to a base already representing one-fifth of rental units. This gain was partly offset by a net loss of 2 percent through rent filtering. However, many of the units that were lost actually filtered down: 27 percent of the moderate-rent category shifted to the low-rent category, and were therefore even more affordable to those with incomes between 66 and 80 percent of median.

**Table 5**  
**Rental Housing Affordable for Households With 51 to 80 Percent of Median Income Is Increasing**

	Share of First-Year Stock	<b>(41 MAs: 4-Year Change as Percentage of First-Year Stock)</b>						
		Total Change	Stable Rent	<b>Net Rent Change</b>	Net Tenure Change	New Const.	Perm. Loss	Net Other*
Very Low Rent (36–50% of Median)	15%	0%	39%	<b>4%</b>	-1%	1%	-2%	-2%
Low Rent (51–65% of Median)	21%	4%	40%	<b>3%</b>	0%	2%	-1%	0%
Moderate Rent (66–80% of Median)	19%	3%	37%	<b>-2%</b>	0%	6%	-1%	1%
<b>Components of Net Rent Change</b>								
		In From Higher Rent Category	In From Lower Rent Category		Out to Higher Rent Category		Out to Lower Rent Category	
Very Low Rent (36–50% of Median)		29%	14%		-30%		-9%	
Low Rent (51–65% of Median)		25%	20%		-23%		-19%	
Moderate Rent (66–80% of Median)		18%	26%		-18%		-27%	

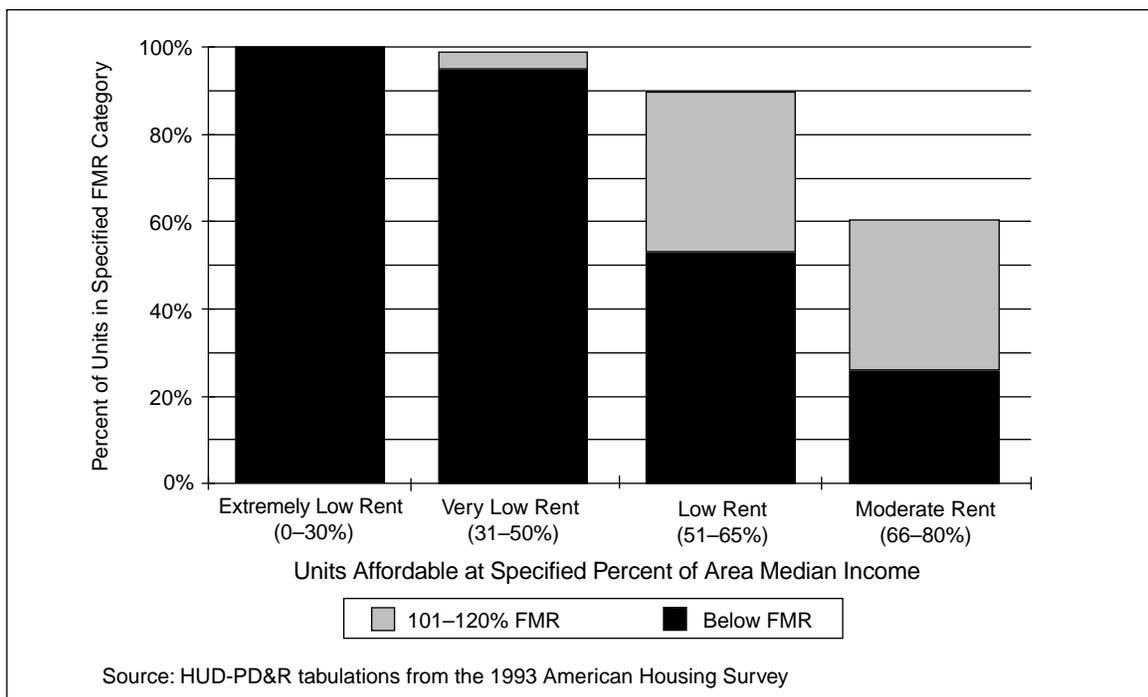
\*Net change from conversions, mergers, and temporary losses.  
Source: HUD-PD&R study of the dynamics of housing supply in 41 MAs

In the low-rent category (affordable to incomes at 51 to 65 percent of median), the net effect of rent change was to add 3 percent to an already very large stock of housing units over a 4-year period. New construction offset permanent losses to add another 1 percent. This is the rent level at which the Low Income Housing Tax Credit program has added large numbers of units since the late 1980s. Units produced in the early 1990s under the HOME Investment Partnership (HOME) program were also often at this rent level.

Changes in the supply of units in the very-low-rent category were more complex. These are units with rents affordable to households with incomes between 36 and 50 percent of median. The net effect of rent filtering for this category in the 41 MAs studied was an increase of 4 percent in the number of such units. At the same time, 1 percent of these units were lost on net through conversion to homeownership, 1 percent were added through new construction, and 4 percent were permanently lost or otherwise removed on net from residential use. On balance, the number of very-low-rent units remained constant across these 41 MAs combined. However, there were large differences among the individual MAs studied, with MAs—and especially central cities—on the east and west coasts tending to lose units in both the very-low-rent and extremely-low-rent ranges (see table 6).

Thus, while shortages of extremely-low-rent housing are serious and growing, the market is supplying ample numbers of low- and moderate-rent units that are affordable to low-income households. Moreover, ample units are available at rents covered by Federal tenant-based rental assistance, which makes up the difference between 30 percent of household income and the FMRs of decent quality private housing. Over half the units in the low-rent category and almost all the units in the “very-low-rent” category fall below the FMRs used in HUD’s tenant-based Section 8 programs (see figure 19).

**Figure 19**  
**Over Half of Units Affordable for Households With 51 to 65 Percent of Median Income**  
**Have Rents Below Local Fair Market Rents**



**Table 6**  
**Changes in Units Affordable for Incomes at 50 Percent of Area Median**  
**Income Vary Across Metropolitan Areas**

	Market Units Affordable At or Below 50% of Area Median		
	Percent Share of All Rental Units in Year 1	Changes Over 4-Year Period Percent	Numbers of Units
Denver (1986–1990)	31%	73%	45,500
Dallas (1985–1989)	31%	63%	67,500
Atlanta (1987–1991)	28%	36%	25,000
Newport News (1988–1992)	32%	23%	6,400
Fort Worth (1985–1989)	36%	19%	10,700
Saint Louis (1987–1991)	53%	10%	12,700
Columbus (1987–1991)	45%	6%	4,200
Detroit (1985–1989)	58%	6%	10,600
Oklahoma City (1988–1992)	71%	4%	3,900
Kansas City (1986–1990)	48%	2%	1,500
Pittsburgh (1986–1990)	52%	1%	1,000
New Orleans (1986–1990)	46%	1%	800
Birmingham (1988–1992)	53%	-1%	-400
Providence (1988–1992)	41%	-3%	-1,100
Indianapolis (1988–1992)	52%	-4%	-3,100
Minneapolis (1985–1989)	43%	-5%	-3,700
Salt Lake City (1988–1992)	68%	-6%	-4,400
Memphis (1988–1992)	43%	-7%	-3,100
Cincinnati (1986–1990)	55%	-8%	-6,900
Cleveland (1988–1992)	62%	-8%	-10,700
Tampa (1985–1989)	25%	-8%	-2,700
Rochester (1986–1990)	46%	-9%	-2,900
San Diego (1987–1991)	15%	-10%	-2,200
Baltimore (1987–1991)	47%	-12%	-10,800
Chicago (1987–1991)	46%	-14%	-58,200
San Antonio (1986–1990)	40%	-14%	-7,000
Miami (1986–1990)	24%	-19%	-11,000
Hartford (1987–1991)	43%	-21%	-7,100
Washington (1985–1989)	42%	-21%	-34,600
Newark (1987–1991)	34%	-25%	-40,400
San Francisco (1985–1989)	29%	-27%	-33,500
Houston (1987–1991)	75%	-28%	-136,300
Philadelphia (1985–1989)	38%	-28%	-44,000
Phoenix (1985–1989)	23%	-29%	-12,800
Los Angeles (1985–1989)	22%	-30%	-63,000
San Bernardino (1986–1990)	26%	-31%	-8,700
Seattle (1987–1991)	42%	-32%	-38,500
Portland, OR (1986–1990)	48%	-33%	-28,600
New York (1987–1991)	36%	-37%	-138,700
Boston (1985–1989)	38%	-38%	-40,700
Anaheim (1986–1990)	12%	-48%	-9,500

Source: HUD-PD&R study of the dynamics of rental housing supply in 41 MAs

The stock of physically adequate units with rents below the FMRs grew from 1989 through 1993, both for the Nation as a whole and for the four census regions (see table 7). At the same time, the percentage of units with rents below the FMRs that are vacant—and thus available to a household with tenant-based assistance who needs or wants to move—rose in every region except the South, where it nonetheless remains very high.

One way of exploring the workability of tenant-based assistance is to model the possible behavior of worst case households if they had such assistance. Specifically, a model can show if there are enough vacant units with rents in or below the very-low-rent category<sup>21</sup> for all households with worst case housing problems who would need to move to solve these problems. A household with acute housing needs would have to move if the rent for its current housing unit was above the FMR or if the unit was severely inadequate or too small for its household. Otherwise, tenant-based assistance could be used to solve the housing problems in place.

For the United States in 1993, there were 175 vacancies for every 100 renters with worst case needs who needed to move (see figure 20). But this ratio differs significantly across regions of the country. In the Midwest and South, there were 386 and 325 vacancies, respectively, for each 100 potential movers, while in the Northeast there were only 104. The West had by far the tightest housing market, with only 67 vacant units for every 100 households with worst case needs who needed other housing. Furthermore, the West is the only region in which the number of vacant units per 100 potential movers with worst case needs dropped between 1989 and 1993. While the numbers of vacant units with rents below the FMR rose in the West, the increase did not keep pace with the particularly fast growth in the number of renters with worst case needs.

**Table 7**  
**Numbers of Vacant and Adequate Units With Rents**  
**Below Local Fair Market Rents Are Increasing**

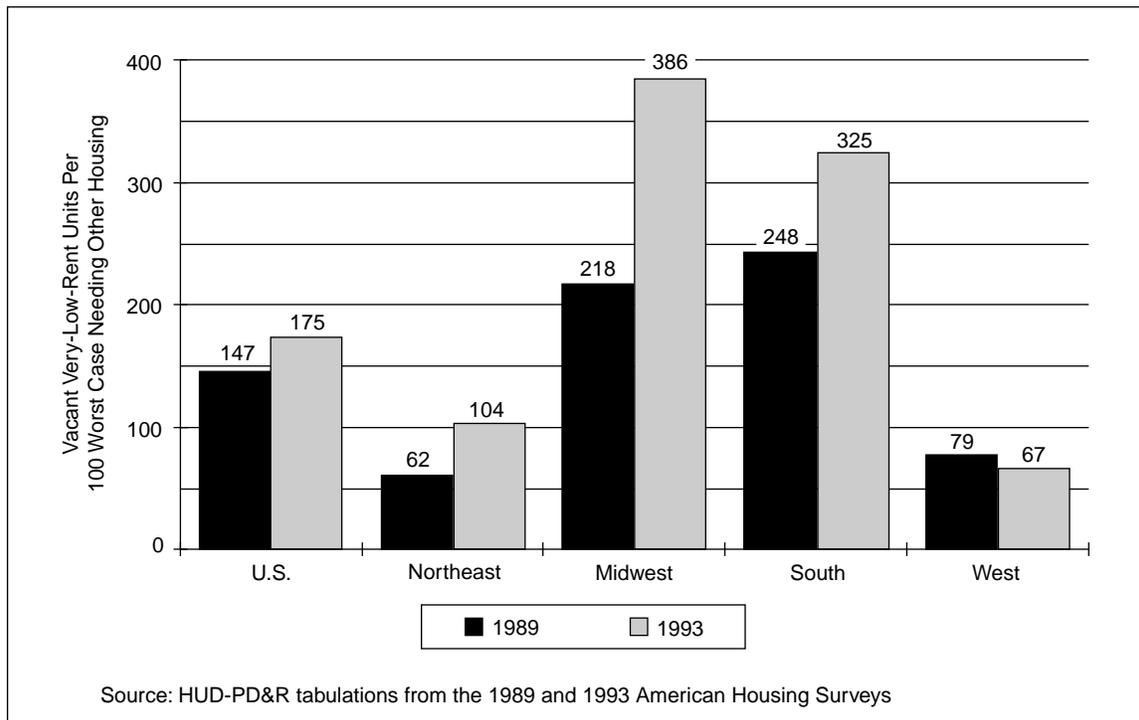
	U.S.	Northeast	Midwest	South	West
Below 40th Percentile FMR (Thousands)					
1989	20,642	4,701	4,496	6,612	4,833
1993	20,837	4,925	4,552	6,491	4,869
Percent Vacant					
1989	6.9%	4.0%	6.1%	9.9%	6.5%
1993	7.4%	5.9%	7.6%	8.5%	7.2%
Percent Severely or Moderately Inadequate					
1989	16.4%	16.6%	13.5%	21.2%	12.1%
1993	13.5%	13.7%	10.3%	16.7%	12.2%

Source: HUD-PD&R tabulations from the 1989 and 1993 American Housing Surveys

21. As shown in figure 19, extremely-low- and very-low-rent units—those affordable to households at 30 percent or 50 percent of median income without a subsidy—almost always are below the FMR.

Since 1985, then, there have been large net losses of the extremely-low-rent units that might be affordable without rental assistance to the large and growing numbers of extremely-low-income renters with acute needs for housing assistance. Meanwhile, there have been large net gains in the stock of units at somewhat higher rent levels—those that are affordable for households with incomes between 36 and 80 percent of median and that are generally below local FMRs. This growth in the number of units with rents in the middle ranges, together with rising vacancy rates in all regions among units with rents below FMRs, suggests that there are large numbers of units that could be used together with tenant-based housing assistance to alleviate worst case housing needs.

**Figure 20**  
**For Families Who Need to Move, the Ease of Using Tenant-Based Assistance Varies by Region**



# Chapter 3

## Policy Implications

Congress is on the brink of making fundamental changes in the Nation's housing policies for the poor. This report documents that the number of very-low-income families with severe housing needs is at an all-time high and is still growing. The report's findings have three clear implications for future policy. First, the number of households subsidized by the Federal Government must continue to grow. Second, Federal housing assistance should continue to be targeted to those with the most severe housing needs. Finally, tenant-based housing assistance is a critical complement to Federal housing supply programs in assisting renters with worst case needs.

At the start of 1996, the Clinton administration and Congress are struggling with the challenge of balancing the Federal budget while maintaining the Nation's commitment to decent housing for all Americans. Congress has taken some troubling steps. It has ended the bipartisan commitment to expanding the number of households getting Federal housing assistance each year, and it has directed housing authorities to delay the reissuance of tenant-based Section 8 assistance when households leave the program. Both of these changes lengthen the already long period that families must spend on waiting lists for assisted housing.

Congress has also suspended Federal preferences that direct housing assistance to those with worst case needs *without substituting any additional income targeting for households with extremely low incomes or worst case needs*. This action, too, leaves the neediest families, even the many who are working, at risk of permanent exclusion from assisted housing.

Congress is considering additional fundamental changes in Federal housing assistance policy. Important new legislation intended to streamline public housing and tenant-based rental assistance is likely to be enacted in 1996. In addition, the Nation continues to debate key elements of welfare reform. In this regard, there is a fundamental consensus that public assistance programs must reward family responsibility and help families make the transition from welfare to work.

The remainder of this chapter draws some key implications for the future of national housing policy.

### **Policy Implication 1: The Federal Government must continue to expand rental assistance.**

Finding 1 showed that the number of renter households with worst case needs grew by 1.5 million between 1978 and 1993. This increase resulted from the rapid growth in the number of extremely-low-income renters and the reduction in the number of private market units affordable to them.

Throughout this period, however, there was consistent bipartisan support for expanding rental assistance programs. From 1978 to 1993, the number of units added to the Federal rental assistance inventory averaged 130,000 each year. This increase in Federal housing assistance kept an even larger number of extremely-low-income renters from swelling the numbers of those with worst case needs. In fact, the share of extremely-low-income renters receiving Federal housing assistance increased—from one-quarter to one-third. The likelihood that any particular extremely-low-income family had acute needs was actually lower in 1993 than in 1978.

Thus, a cornerstone of any effort to contain the growth in worst case housing needs must be the continued expansion of Federal rental assistance—or “incremental” assistance.

- **Without incremental housing assistance, worst case needs will undoubtedly grow even faster than they have in the past few years.** For the foreseeable future, it is unlikely that wages of the lowest paid workers or income supports for those who cannot work will increase to a level that makes most private rental housing affordable. Nor is there any reason to suggest that housing markets will begin to supply a large volume of housing at rents that poor households can afford. Rental assistance can make housing costs affordable to even the poorest households.
- **Without incremental assistance, States and localities will lose an important tool for assisting the working poor and helping families make the transition from welfare to work.** Struggling families are more likely to slip back into dependency if they are forced to move to avoid eviction, to settle for housing far from jobs or transportation, to move in with relatives, or to lose housing altogether and be forced into homelessness.
- **Without incremental assistance, demographic groups and regions now underserved by housing assistance—notably Hispanics and the western region of the United States—will never receive their fair share of housing assistance.** To continue the growth of rental assistance, President Clinton has proposed 50,000 additional units of rental assistance per year, while adhering to the goal of a balanced budget in fiscal year (FY) 2002. For FY 1997, this assistance would be used by States in direct support of their welfare reform experiments. States would partner with PHAs and with organizations that help families link their housing choice to jobs, schools, and community supports. In combination with welfare reform efforts, rental assistance could be used as a powerful incentive and support for families with worst case needs who are taking responsibility for their future.

### **Policy Implication 2: Housing assistance must have careful income targeting.**

Congress is currently considering legislation that would dramatically relax income targeting for both public housing and Section 8 rental assistance. Under some proposals, the basic income eligibility would be set at 80 percent of area median income. There is also broad consensus about eliminating the current Federal preferences for those with extreme rent burden or severely substandard housing that serve to direct housing aid to those with worst case needs. The relaxation of income targeting combined with the elimination of Federal preferences could result in rental assistance serving fewer households with worst case needs and a greater number of families with less pressing housing problems.

As shown in finding 2, an income limit of 80 percent of median would put an additional 6.4 million households in competition for scarce Federal housing resources. These households, though by no means affluent, are much less likely to have severe housing problems than those with lower incomes. In fact, housing needs in the group of households with incomes between 51 and 80 percent of median are actually on the decline. Those with incomes above 60 percent of median are unlikely to have any housing problem at all—not even moderate rent burden or modest physical problems.

Some targeting of housing assistance to those with acute needs would be likely to occur even if there were no income limits. For example, the modest amenities and poor locations of many assisted housing projects would make them unattractive to households with incomes much above the poverty level. Even with very modest rents, many relatively higher income families would not be attracted to many public and assisted housing projects.

However, changes in the income targeting of the assisted housing could affect a large proportion of the 4.5 million currently assisted housing units. Three issues deserve serious consideration:

- **With relaxed income targeting, the best assisted housing will be unavailable for the lowest income families.** Units in stable communities, close to job opportunities, or in neighborhoods with good schools are most likely to be attractive to higher income households with less severe housing needs. There is a real danger that the most desirable assisted housing will become not mixed-income housing, but housing that serves families with incomes well above the poverty level. Not only would extremely-low-income households have to compete for a more limited amount of Federal assistance, they also could well be relegated to the least desirable projects in the poorest neighborhoods. Without substantial targeting of assistance to families with incomes below 30 percent of median, the best part of the assisted housing stock may not be available to help families make the transition from welfare to work and to help the working poor continue the climb out of poverty.
- **The objectives of deconcentrating poverty and achieving mixed-income housing do not require housing programs to ignore the most serious housing needs.** It is not necessary to raise income limits to 60, 70, or 80 percent of median to find working families to serve as role models for the children in assisted housing. Most families with incomes in the range of 31 to 50 percent of median are working. Among non-elderly households with incomes between 51 and 60 percent of median, virtually all have the equivalent of a full-time worker.
- **Perhaps the greatest risk of removing Federal preferences without rigorous income targeting affects elderly households.** Over time, housing for the elderly could attract substantial numbers of elders with relatively high incomes, while acute housing needs among the elderly poor begin once again to grow—reversing one of the most significant accomplishments of Federal housing assistance. There is no strong argument for transforming housing projects for the elderly into mixed-income housing. The social benefits of income diversity and poverty deconcentration do not apply to properties occupied only by the elderly. However, this housing very often has real potential for attracting households with incomes above 50 percent of median. Housing for the elderly is often in neighborhoods where

competing, market-rate housing has quite high rents, and projects for the elderly rarely have physical or management problems that would discourage higher income elders from moving in.

### **Policy Implication 3: Tenant-based assistance should complement Federal supply programs to assist worst case needs.**

Finding 5 shows that the private market alone does not provide housing affordable to families with worst case housing needs. The overall supply of rental units affordable to families with the lowest incomes has been shrinking as a result of significant filtering up of rents and because numbers of these units left the rental inventory for nonresidential use.

These findings reinforce the idea that government should intervene on both the supply and demand side of the housing markets. Demand-side programs—tenant-based subsidies—allow households with the very lowest incomes to afford housing produced by the private housing market. Supply-side programs, such as the HOME program and the Low Income Housing Tax Credit program, produce housing affordable for unassisted low-income households and for very-low-income households receiving tenant-based assistance.

The Clinton administration enthusiastically supports HOME and the Low Income Housing Tax Credit, programs that increase the supply of affordable rental housing. Since 1986, the tax credit has produced more than 400,000 units of rental housing; since 1990, HOME has added 63,000 units. These two production programs work quite effectively to address worst case needs in conjunction with HUD's tenant-based rental assistance.

Both HOME and the Low Income Housing Tax Credit produce housing that is priced at or near the FMRs for tenant-based Section 8 units. These units generally charge rents higher than households with worst case housing needs can afford. Only 6 percent of the rental units produced by HOME are occupied by extremely-low-income households at rents affordable without additional rental assistance.<sup>1</sup> This finding is understandable, because HOME and the tax credit subsidize the capital costs of rental housing. Neither program funds ongoing operating expenses. Therefore, neither program can always hold rents down to extremely low levels.

Tenant-based assistance is thus a critical complement to HOME and the Low Income Housing Tax Credit in making the units produced under these two programs affordable to households with worst case needs. Without a tenant-based subsidy, extremely-low-income households are not likely to be able to afford the housing created by these programs.

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1. Of the 15,000 units completed and occupied in HOME rental projects as of early 1996, 7,000 are occupied by households with incomes below 30 percent of median. But most of those households either receive some form of rental assistance (over 3,000 households) or pay over 30 percent of their income for rent (almost 3,000 households, of whom 1,600 are paying more than half their income for rent). Source: HUD-PD&R tabulations of data from the HOME Cash/Management Information System.

# Appendix A

## Data on Housing Problems and Rental Supply

- Table A-1. Housing Conditions of U.S. Renters and Owners, 1993, by Relative Income
- Table A-2. Housing Conditions of All Renters and Owners, 1978, 1983, 1989, and 1993
- Table A-3. Income Distribution and Ownership Rates of All Households With and Without Children, 1978 and 1993
- Table A-4. Housing Problems of Very-Low-Income Renters, 1978, 1983, 1989, and 1993: Total and With Children
- Table A-5. 1989-91 and 1991-93 Changes in Renter Households and Worst Case Needs Using Consistent 1980 or 1990 Weights
- Table A-6. Housing Problems and Characteristics of Very-Low-Income Renters by Household Type, 1993
- Table A-7. Housing Problems and Characteristics of Worst Case Renters by Household Type, 1993
- Table A-8. Detailed Housing Problems of Worst Case Renters by Household Type, 1993
- Table A-9. Housing Problems Among Very-Low-Income Renters by Race and Ethnicity, 1978, 1983, 1989, and 1993
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- Table A-11. Assistance and Worst Case Needs Among Very-Low-Income Renters by Region and Location, 1993
- Table A-12. Income Distribution, Priority Housing Problems, and Assistance of Renters With and Without Children, 1978 and 1993
- Table A-13. Households With Persons With Disabilities in Rental Assistance Programs, Spring 1995
- Table A-14. Housing Problems, Characteristics, and Earnings of Non-Elderly Renters by Relative Income and Household Type
- Table A-15. Assisted Households and Those With Wages as Primary Source of Income, by Relative Income and Household Type, 1995
- Table A-16. Measures of Housing Mismatch: Numbers of Affordable Units Per 100 Renters With Incomes Below 30 Percent or 50 Percent of Area Median by Region, 1989 and 1993
- Table A-17. 1985-1993 Changes in Rental Units by Rent Affordability and Location Within the United States
- Table A-18. Distributions of Rental Units by Their Affordability in Relation to Area Median Family Income and Area Fair Market Rents (FMRs), by Region, 1993

**Table A-1**  
**Housing Conditions of U.S. Renters and Owners, 1993, by Relative Income**

	Household Income as % of HUD-Adjusted Area Median Family Income				All
	(0-50%)	(51-80%)	(81-120%)	(121%)	Incomes
<b>Number of Renter</b>					
<b>Households With:</b> (Thousands)	14,749	6,360	6,601	5,763	33,472
Rent Burden > 50% Income	5,789	153	7	0	5,947
Rent Burden 31-50% Income	4,538	1,927	640	52	7,157
Severely Inadequate Housing	580	146	97	87	909
Moderately Inadequate Housing	1,268	432	337	219	2,254
Crowded Housing	1,003	273	158	69	1,503
Multiple Problems*	1,860	184	59	17	2,121
No Problems	1,947	3,301	5,255	5,273	15,770
Assisted	3,770	407	191	90	4,457
Priority Problems**	5,349	293	92	87	5,824
<b>Number of Owner</b>					
<b>Households With:</b> (Thousands)	11,829	9,688	13,232	26,502	61,251
Cost Burden > 50% Income	2,990	502	245	40	3,778
Cost Burden 31-50% Income	2,776	1,724	1,601	1,087	7,176
Severely Inadequate Housing	339	220	164	265	990
Moderately Inadequate Housing	814	340	332	477	1,970
Crowded Housing	321	189	233	133	870
Multiple Problems	677	153	106	27	970
No Problems	5,299	6,867	10,771	24,514	47,460
Priority Problems	3,251	717	397	310	4,670
<b>Percent of Renter Households With:</b>					
Rent Burden > 50% Income	39%	2%	0%	0%	18%
Rent Burden 31-50% Income	31%	30%	10%	1%	21%
Severely Inadequate Housing	4%	2%	1%	2%	3%
Moderately Inadequate Housing	9%	7%	5%	4%	7%
Crowded Housing	7%	4%	2%	1%	4%
Multiple Problems	13%	3%	1%	0%	6%
No Problems	13%	52%	80%	92%	47%
Assisted	26%	6%	3%	2%	13%
Priority Problems	36%	5%	1%	2%	17%
<b>Percent of Owner Households With:</b>					
Cost Burden > 50% Income	25%	5%	2%	0%	6%
Cost Burden 31-50% Income	23%	18%	12%	4%	12%
Severely Inadequate Housing	3%	2%	1%	1%	2%
Moderately Inadequate Housing	7%	4%	3%	2%	3%
Crowded Housing	3%	2%	2%	1%	1%
Multiple Problems	6%	2%	1%	0%	2%
No Problems	45%	71%	81%	93%	77%
Priority Problems	27%	7%	3%	1%	8%

\*Two or three of the following: rent burden > 30%, severe or moderate physical problems, and overcrowding.  
\*\*Housing costs > 50% income or severely inadequate housing among unassisted households.

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-2**  
**Housing Conditions of All Renters and Owners, 1978, 1983, 1989, and 1993**

	1978	1983	1989	1993
<b>Numbers of Renter</b>				
<b>Households With:</b> (Thousands)	26,919	29,952	33,767	33,472
Rent Burden > 50% Income	3,661	5,481	5,187	5,947
Rent Burden 31–50% Income	4,765	5,661	6,983	7,157
Severely Inadequate Housing	1,677	1,617	1,587	909
Moderately Inadequate Housing	2,105	2,037	2,441	2,254
Crowded	1,548	1,692	1,722	1,503
<i>Priority Problems</i>	4,695	5,999	5,622	5,824
<i>Other Problems</i>	5,976	6,479	7,466	7,421
<i>No Problems</i>	13,529	14,077	16,370	15,770
<i>Assisted</i>	2,719	3,474	4,309	4,457
<b>Number of Owner</b>				
<b>Households With:</b> (Thousands)	50,470	54,889	59,916	61,251
Cost Burden > 50% Income	1,645	2,360	3,170	3,778
Cost Burden 31–50% Income	2,423	3,376	6,351	7,176
Severely Inadequate Housing	939	933	1,576	990
Moderately Inadequate Housing	2,019	1,927	2,001	1,970
Crowded	1,625	1,153	953	870
<i>Priority Problems</i>	2,524	3,206	4,643	4,670
<i>Other Problems</i>	5,501	5,780	8,358	9,110
<i>No Problems</i>	42,395	45,904	46,914	47,460
<b>Percent of Renter Households With:</b>				
Rent Burden > 50% Income	14%	18%	15%	18%
Rent Burden 31–50% Income	18%	19%	21%	21%
Severely Inadequate Housing	6%	5%	5%	3%
Moderately Inadequate Housing	8%	7%	7%	7%
Crowded	6%	6%	5%	4%
<i>Priority Problems</i>	17%	20%	17%	17%
<i>Other Problems*</i>	22%	22%	22%	22%
<i>No Problems</i>	50%	47%	48%	47%
<i>Assisted</i>	10%	12%	13%	13%
<b>Percent of Owner Households With:</b>				
Cost Burden > 50% Income	3%	4%	5%	6%
Cost Burden 31–50% Income	5%	6%	11%	12%
Severely Inadequate Housing	2%	2%	3%	2%
Moderately Inadequate Housing	4%	4%	3%	3%
Crowded	3%	2%	2%	1%
<i>Priority Problems</i>	5%	6%	8%	8%
<i>Other Problems</i>	11%	11%	14%	15%
<i>No Problems</i>	84%	84%	78%	77%
*Rent burden 31–50% of income, moderate physical problems or overcrowding, but no priority problems among unassisted households.				
Source: HUD-PD&R tabulations of the 1978 and 1983 Annual Housing Surveys and the 1989 and 1993 American Housing Surveys				

**Table A-3**  
**Income Distribution and Ownership Rates of All Households With and Without Children, 1978 and 1993**

	Household Income as % of HUD-Adjusted Area Median Income				Total
	0-50%	51-80%	81-120%	121%+	
<b>Income Distribution</b>					
<b>Households (Thousands)</b>					
With Children, 1978	6,651	6,765	8,525	10,325	32,266
% Distribution	21%	21%	26%	32%	100%
Without Children, 1978	13,557	8,403	9,039	14,124	45,123
% Distribution	30%	19%	20%	31%	100%
<hr/>					
With Children, 1993	9,639	5,999	7,916	11,909	35,463
% Distribution	27%	17%	22%	34%	100%
Without Children, 1993	16,884	10,046	12,763	19,567	59,260
% Distribution	28%	17%	22%	33%	100%
<hr/>					
<b>Ownership</b>					
<b>Owners (Thousands)</b>					
With Children, 1978	2,487	4,260	6,631	9,222	22,600
Ownership Rate	37%	63%	78%	89%	70%
Without Children, 1978	7,038	4,821	5,402	10,608	27,869
Ownership Rate	52%	57%	60%	75%	62%
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With Children, 1993	2,992	3,500	5,769	10,565	22,826
Ownership Rate	31%	58%	73%	89%	64%
Without Children, 1993	8,807	6,185	8,088	15,344	38,424
Ownership Rate	52%	62%	63%	78%	65%
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Source: HUD-PD&R tabulations of the 1978 Annual Housing Survey and the 1993 American Housing Survey					

**Table A-4**  
**Housing Problems of Very-Low-Income Renters, 1978, 1983, 1989, and 1993:**  
**Total and With Children**

	Numbers of Households (Thousands)				As % of Households			
	1978	1983	1989	1993	1978	1983	1989	1993
<b>All Households</b>	10,682	12,138	13,384	14,749				
<i>Priority Problems</i>	3,963	5,122	4,800	5,349	37%	42%	36%	36%
Severe Physical Problems	961	874	716	470	9%	7%	5%	3%
Rent Burden > 50% Income	3,226	4,564	4,363	5,048	30%	38%	33%	34%
Rent Burden Only	2,596	3,641	3,407	4,170	24%	30%	25%	28%
<i>Other Problems</i>	3,087	2,792	3,291	3,687	29%	23%	25%	25%
Moderate Physical Problems	691	540	625	627	6%	4%	5%	4%
Rent Burden 31-50% Income	2,500	2,355	2,781	3,208	23%	19%	21%	22%
Crowded	470	461	504	479	4%	4%	4%	3%
<i>No Problems</i>	1,538	1,457	1,779	1,947	14%	12%	13%	13%
<i>Assisted</i>	2,094	2,767	3,509	3,770	20%	23%	26%	26%
<b>Households With Children</b>	4,166	5,091	5,892	6,653				
<i>Priority Problems</i>	1,383	2,151	1,928	2,282	33%	42%	33%	34%
Severe Physical Problems	312	346	262	175	8%	7%	4%	3%
Rent Burden > 50% Income	1,166	1,940	1,767	2,187	28%	38%	30%	33%
Rent Burden Only	825	1,375	1,232	1,601	20%	27%	21%	24%
<i>Other Problems</i>	1,321	1,303	1,606	1,738	32%	26%	27%	26%
Moderate Physical Problems	306	229	298	278	7%	5%	5%	4%
Rent burden 31-50% Income	954	1,033	1,273	1,441	23%	20%	22%	22%
Crowded	450	450	482	451	11%	9%	8%	7%
<i>No Problems</i>	500	453	648	762	12%	9%	11%	11%
<i>Assisted</i>	962	1,181	1,712	1,870	23%	23%	29%	28%

Source: HUD-PD&R tabulations of the 1978 and 1983 Annual Housing Surveys and the 1989 and 1993 American Housing Surveys

**Table A-5**  
**1989-91 and 1991-93 Changes in Renter Households and**  
**Worst Case Needs Using Consistent 1980 or 1990 Weights**

	1989	1993	Change, 1989-91 (1980 Weights)		Change, 1991-93 (1990 Weights)	
			Thousands	Percent	Thousands	Percent
<b>All Households</b>	93,683	94,724	1,770	2%	1,578	2%
<b>All Renters</b>	33,767	33,472	406	1%	122	0%
<b>Very-Low-Income Renters</b>						
All Renters	13,384	14,749	992	7%	734	5%
<i>Priority Problems</i>	4,800	5,349	281	6%	388	8%
Severe Physical Problems	716	470	-89	-12%	-138	-23%
Rent Burden > 50% Income	4,363	5,048	341	8%	460	10%
Rent Burden Only	3,407	4,170	330	10%	524	14%
<i>Other Problems</i>	3,291	3,689	408	12%	88	2%
<i>No Problems</i>	1,779	1,947	278	16%	-61	-3%
<i>Assisted</i>	3,509	3,770	25	1%	319	9%
With Children	5,890	6,653	418	7%	499	8%
<i>Priority Problems</i>	1,926	2,282	159	8%	244	12%
<i>Assisted</i>	1,712	1,870	-6	0%	205	12%
Elderly	3,563	3,630	96	3%	62	2%
<i>Priority Problems</i>	1,144	1,162	5	0%	41	4%
<i>Assisted</i>	1,231	1,263	32	3%	29	2%
<b>Income Below 30% Median</b>						
All Renters	7,934	8,730	523	7%	490	6%
<i>Priority Problems</i>	3,591	4,176	246	7%	438	12%
<i>Assisted</i>	2,671	2,854	4	0%	242	9%
<b>Very-Low-Income Renters by Race/Ethnicity</b>						
White Non-Hispanic						
Worst Case Needs	2,872	3,020	140	5%	79	3%
Assisted	1,670	1,715	10	0%	47	2%
Black Non-Hispanic						
Worst Case Needs	1,033	1,112	27	3%	77	7%
Assisted	1,334	1,471	24	2%	101	6%
Hispanic						
Worst Case Needs	708	946	82	12%	175	23%
Assisted	399	434	-55	-11%	94	22%
<b>By Region</b>						
Northeast						
Households	19,389	18,906	258	1%	-55	0%
Very-Low-Income Renters	2,907	3,282	275	9%	213	7%
Worst Case Needs	1,131	1,290	52	5%	150	13%
Assisted	960	979	-65	-7%	114	13%
Midwest						
Households	22,869	23,031	360	2%	438	2%
Very-Low-Income Renters	3,249	3,442	183	6%	105	3%
Worst Case Needs	1,073	1,146	-46	-4%	150	15%
Assisted	883	965	63	7%	42	5%
South						
Households	32,429	32,936	402	1%	746	2%
Very-Low-Income Renters	4,390	4,760	242	6%	225	5%
Worst Case Needs	1,373	1,515	135	10%	39	3%
Assisted	1,142	1,223	-23	-2%	127	12%
West						
Households	18,996	19,851	750	4%	449	2%
Very-Low-Income Renters	2,814	3,241	292	10%	191	6%
Worst Case Needs	1,218	1,386	141	12%	51	4%
Assisted	523	602	51	10%	36	6%

Source: HUD-PD&R tabulations of the 1989, 1991, and 1993 American Housing Surveys

**Table A-6**  
**Housing Problems and Characteristics of Very-Low-Income**  
**Renters by Household Type, 1993**

	<b>Total*</b>	<b>Elderly, No Children</b>	<b>Families With Children</b>	<b>Other Families</b>	<b>Nonfamily Reporting SSI Income**</b>	<b>Other Non- Family</b>
<b>Total Households</b> (Thousands)	14,749	3,630	6,653	1,024	476	2,964
Number of Children	14,038	0	14,038	0	0	0
Number of Persons	36,134	4,539	25,015	2,397	537	3,706
Children/Household	0.95	0	2.11	0	0	0
Persons/Household	2.45	1.25	3.76	2.34	1.13	1.25
<b>Number of Households With:</b>						
<i>Priority Problems</i>	5,349	1,162	2,281	388	170	1,348
Severe Physical Problems	470	95	175	38	32	129
Rent Burden > 50% Income	5,048	1,106	2,187	354	155	1,246
Burden Only	4,170	1,008	1,601	317	127	1,117
Multiple Problems	1,055	125	641	62	38	188
<i>Other Problems</i>	3,689	692	1,738	329	46	883
Multiple Problems	571	55	391	44	10	71
Burden Only	2,693	560	1,093	266	28	746
<i>No Housing Problems</i>	1,941	514	762	156	64	445
<i>In Assisted Housing</i>	3,770	1,263	1,871	151	196	288
One Person in Household	5,666	2,846	0	0	422	2,398
Female Head	8,433	2,454	4,011	346	223	1,400
Minority Head	6,622	975	3,926	512	225	982
AFDC/SSI Income	3,913	519	2,744	174	476	0
Social Security Income	4,370	3,324	457	173	121	295
Income Below Poverty	8,119	1,543	4,473	468	382	1,253
Earnings at Minimum Wage:						
At Least Half-Time	6,545	241	3,648	684	69	1,903
At Least Full-Time	5,022	112	2,948	538	23	1,402
Earnings Main Source of Income	6,807	201	3,738	688	63	2,117
Housing Rated Poor***	1,040	90	655	71	64	160
Neighborhood Rated Poor***	2,038	213	1,319	107	77	322
<b>Percent of Households With:</b>						
<i>Priority Problems</i>	36%	32%	34%	38%	36%	45%
Severe Physical Problems	3%	3%	3%	4%	7%	4%
Rent Burden > 50% Income	34%	30%	33%	35%	33%	42%
Burden Only	28%	28%	24%	31%	27%	38%
Multiple Problems	7%	3%	10%	6%	8%	6%
<i>Other Problems</i>	25%	19%	26%	32%	10%	30%
Multiple Problems	4%	2%	6%	4%	2%	2%
Burden Only	18%	15%	16%	26%	6%	25%
<i>No Housing Problems</i>	13%	14%	11%	15%	13%	15%
<i>In Assisted Housing</i>	26%	35%	28%	15%	41%	10%
One Person in Household	38%	78%	0%	0%	89%	81%
Female Head	57%	68%	60%	34%	47%	47%
Minority Head	45%	27%	59%	50%	47%	33%
AFDC/SSI Income	27%	14%	41%	17%	100%	0%
Social Security Income	30%	92%	7%	17%	26%	10%
Income Below Poverty	55%	43%	67%	46%	80%	42%
Earnings at Minimum Wage:						
At Least Half-Time	44%	7%	55%	67%	15%	64%
At Least Full-Time	34%	3%	44%	53%	5%	47%
Earnings Main Source of Income	46%	6%	56%	67%	13%	71%
Housing Rated Poor	7%	2%	10%	7%	13%	5%
Neighborhood Rated Poor	14%	6%	20%	10%	16%	11%

\*May not add up due to rounding.  
\*\*AHS proxy for households with persons with disabilities.  
\*\*\*Respondent rates housing (neighborhood) quality 1-4 on scale of 1-10.  
Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-7**  
**Housing Problems and Characteristics of Worst Case Renters**  
**by Household Type, 1993**

	Total	Elderly, No Children	Families With Children	Other Families	Nonfamily Reporting SSI Income	Other Non- Family
<b>Total Worst Case</b>						
<b>Households</b> (Thousands)	5,349	1,163	2,281	388	170	1,348
As % of Very-Low-Income Renters	36%	32%	34%	38%	36%	45%
As % of Unassisted Very-Low-Income	49%	49%	48%	44%	61%	50%
Number of Children	4,768	0	4,768	0	0	0
Number of Persons	12,785	1,453	8,464	893	195	1,779
Children/Household	0.9	0.0	2.1	0.0	0.0	0.0
Persons/Household	2.4	1.3	3.7	2.3	1.2	1.3
<b>Number of Households With:</b>						
Severe Physical Problems	470	95	175	38	32	129
Rent Burden > 50% Income	5,049	1,106	2,188	354	155	1,246
Burden Only	4,170	1,008	1,601	317	127	1,117
Multiple Problems	1,054	125	641	62	38	188
One Person in Household	2,088	910	0	0	144	1,035
Crowded	389	0	367	18	0	4
Female Head	3,140	817	1,474	128	81	639
Minority Head	2,330	296	1,356	199	89	389
AFDC/SSI Income	1,417	147	1,028	73	170	0
Social Security Income	1,411	1,051	166	52	34	107
Income Below Poverty	3,680	550	1,922	237	140	830
Income Below 150% Poverty	4,878	943	2,219	345	167	1,204
Income < 30% Median	4,176	845	1,927	249	158	998
High School Graduate	3,565	653	1,375	295	102	1,141
Earnings at Minimum Wage:						
At Least Half-Time	2,040	65	963	233	26	753
At Least Full-Time	1,244	23	649	143	5	424
Earnings Main Source of Income	2,401	65	1,087	250	25	974
Housing Rated Poor	433	34	261	28	28	82
Neighborhood Rated Poor	729	64	442	37	34	152
<b>Percent of Worst Case Households With:</b>						
Severe Physical Problems	9%	8%	8%	10%	19%	10%
Rent Burden > 50% Income	94%	95%	96%	91%	91%	92%
Burden Only	78%	87%	70%	82%	75%	83%
Multiple Problems	20%	11%	28%	16%	23%	14%
One Person in Household	39%	78%	0%	0%	85%	77%
Crowded	7%	0%	16%	5%	0%	0%
Female Head	59%	70%	65%	33%	48%	47%
Minority Head	44%	25%	59%	51%	53%	29%
AFDC/SSI Income	26%	13%	45%	19%	100%	0%
Social Security Income	26%	90%	7%	13%	20%	8%
Income Below Poverty	69%	47%	84%	61%	83%	62%
Income Below 150% Poverty	91%	81%	97%	89%	98%	89%
Income < 30% Median	78%	73%	84%	64%	93%	74%
High School Graduate	67%	56%	60%	76%	60%	85%
Earnings at Minimum Wage:						
At Least Half-Time	38%	6%	42%	60%	15%	56%
At Least Full-Time	23%	2%	28%	37%	3%	31%
Earnings Main Source of Income	45%	6%	48%	64%	15%	72%
Housing Rated Poor	8%	3%	11%	7%	17%	6%
Neighborhood Rated Poor	14%	6%	19%	9%	20%	11%

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-8**  
**Detailed Housing Problems of Worst Case Renters by Household Type, 1993**  
**(Households in Thousands)**

	Elderly		Family		Nonfamily		Total	
<b>Severe Physical Problems</b>								
Only	30	3%	50	2%	47	3%	127	2%
And Rent Burden > 50% Income	38	3%	85	3%	45	3%	168	3%
And Other Problem(s)	27	2%	79	3%	69	5%	175	3%
<b>Rent Burden &gt; 50% Income</b>								
Only	1,008	87%	1,917	72%	1,243	82%	4,169	78%
And Moderate Physical Problems But Uncrowded	59	5%	226	9%	111	7%	396	7%
And Moderate Physical Problems And Crowded	0		42	2%	0	0%	42	1%
And Adequate But Crowded	0		271	10%	2	0%	273	5%
<b>Total</b>	<b>1,163</b>	<b>100%</b>	<b>2,670</b>	<b>100%</b>	<b>1,517</b>	<b>100%</b>	<b>5,349</b>	<b>100%</b>

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-9**  
**Housing Problems Among Very-Low-Income Renters by Race and Ethnicity,**  
**1978, 1983, 1989, and 1993**

	Numbers of Households (Thousands)				1978	1983	1989	1993
	1978	1983	1989	1993				
<b>Non-Hispanic White</b>	6,673	7,395	7,626	8,127				
<i>Priority Problems</i>	2,602	3,213	2,877	3,020	39%	43%	38%	37%
Severe Physical Problems	500	429	368	228	8%	6%	5%	3%
Rent Burden > 50% Income	2,215	2,928	2,665	2,869	33%	40%	35%	35%
Rent Burden Only	1,908	2,544	2,280	2,576	29%	34%	30%	32%
<i>Other Problems</i>	1,915	1,661	1,876	2,105	29%	22%	25%	26%
Moderate Physical Problems	314	251	279	252	5%	3%	4%	3%
Rent Burden 31-50% Income	1,682	1,479	1,685	1,918	25%	20%	22%	24%
Crowded	133	137	144	132	2%	2%	2%	2%
<i>No Problems</i>	1,088	1,087	1,205	1,292	16%	15%	16%	16%
<i>Assisted</i>	1,068	1,435	1,670	1,715	16%	19%	22%	21%
<b>Non-Hispanic Black</b>	2,643	2,842	3,343	3,725				
<i>Priority Problems</i>	936	1,102	1,033	1,114	35%	39%	31%	30%
Severe Physical Problems	367	296	198	104	14%	10%	6%	3%
Rent Burden > 50% Income	655	912	906	1,043	25%	32%	27%	28%
Rent Burden Only	423	614	610	786	16%	22%	18%	21%
<i>Other Problems</i>	673	587	663	771	25%	21%	20%	21%
Moderate Physical Problems	256	190	195	238	10%	7%	6%	6%
Rent Burden 31-50% Income	484	486	538	626	18%	17%	16%	17%
Crowded	119	97	79	83	5%	3%	2%	2%
<i>No Problems</i>	285	199	312	369	11%	7%	9%	10%
<i>Assisted</i>	748	954	1,334	1,471	28%	34%	40%	39%
<b>Hispanic Origin</b>	1,123	1,460	1,915	2,214				
<i>Priority Problems</i>	358	597	697	935	32%	41%	36%	42%
Severe Physical Problems	88	107	119	108	8%	7%	6%	5%
Rent Burden > 50% Income	292	539	617	852	26%	37%	32%	39%
Rent Burden Only	191	345	383	592	17%	24%	20%	27%
<i>Other Problems</i>	420	432	613	651	37%	30%	32%	29%
Moderate Physical Problems	108	85	129	101	10%	6%	7%	5%
Rent Burden 31-50% Income	279	312	450	522	25%	21%	23%	24%
Crowded	190	181	241	215	17%	12%	13%	10%
<i>No Problems</i>	118	133	205	209	11%	9%	11%	9%
<i>Assisted</i>	227	298	399	434	20%	20%	21%	20%

Source: HUD-PD&R tabulations of the 1978 and 1983 Annual Housing Surveys and the 1989 and 1993 American Housing Surveys

**Table A-10**  
**Housing Problems and Assistance Among Very-Low-Income Renters by Region,**  
**1978, 1983, 1989, and 1993**

	Numbers of Households (Thousands)				1978	1983	1989	1993
	1978	1983	1989	1993				
<b>Northeast</b>	2,723	3,189	2,914	3,288				
<i>Priority Problems</i>	1,146	1,333	1,137	1,295	42%	42%	39%	39%
Severe Physical Problems	289	275	192	148	11%	9%	7%	5%
Rent Burden > 50% Income	956	1,186	1,037	1,213	35%	37%	36%	37%
Rent Burden Only	762	925	819	977	28%	29%	28%	30%
<i>Other Problems</i>	664	702	516	631	24%	22%	18%	19%
Moderate Physical Problems	98	83	54	53	4%	3%	2%	2%
Rent Burden 31-50% Income	596	638	466	598	22%	20%	16%	18%
Crowded	84	88	45	66	3%	3%	2%	2%
<i>No Problems</i>	312	332	303	381	11%	10%	10%	12%
<i>Assisted</i>	599	826	962	980	22%	26%	33%	30%
<b>Midwest</b>	2,443	2,924	3,255	3,446				
<i>Priority Problems</i>	859	1,199	1,074	1,151	35%	41%	33%	33%
Severe Physical Problems	177	155	156	90	7%	5%	5%	3%
Rent Burden > 50% Income	716	1,099	977	1,089	29%	38%	30%	32%
Rent Burden Only	630	944	810	958	26%	32%	25%	28%
<i>Other Problems</i>	662	649	796	779	27%	22%	24%	23%
Moderate Physical Problems	42	47	113	77	2%	2%	3%	2%
Rent Burden 31-50% Income	606	591	719	710	25%	20%	22%	21%
Crowded	56	67	78	75	2%	2%	2%	2%
<i>No Problems</i>	471	409	501	551	19%	14%	15%	16%
<i>Assisted</i>	451	664	882	965	18%	23%	27%	28%
<b>South</b>	3,327	3,338	4,392	4,768				
<i>Priority Problems</i>	1,211	1,425	1,373	1,516	36%	43%	31%	32%
Severe Physical Problems	429	340	224	134	13%	10%	5%	3%
Rent Burden > 50% Income	858	1,165	1,217	1,411	26%	35%	28%	30%
Rent Burden Only	599	816	894	1,178	18%	24%	20%	25%
<i>Other Problems</i>	1,058	728	1,217	1,349	32%	22%	28%	28%
Moderate Physical Problems	472	324	386	381	14%	10%	9%	8%
Rent Burden 31-50% Income	705	541	953	1,078	21%	16%	22%	23%
Crowded	173	117	145	132	5%	4%	3%	3%
<i>No Problems</i>	416	394	663	677	12%	12%	15%	14%
<i>Assisted</i>	642	791	1,142	1,225	19%	24%	26%	26%
<b>West</b>	2,189	2,688	2,822	3,246				
<i>Priority Problems</i>	746	1,167	1,221	1,386	34%	43%	43%	43%
Severe Physical Problems	74	99	144	97	3%	4%	5%	3%
Rent Burden > 50% Income	692	1,110	1,132	1,334	32%	41%	40%	41%
Rent Burden Only	598	954	883	1,058	27%	36%	31%	33%
<i>Other Problems</i>	705	707	763	925	32%	26%	27%	28%
Moderate Physical Problems	83	89	73	98	4%	3%	3%	3%
Rent Burden 31-50% Income	587	586	643	831	27%	22%	23%	26%
Crowded	162	194	231	201	7%	7%	8%	6%
<i>No Problems</i>	335	325	313	325	15%	12%	11%	10%
<i>Assisted</i>	401	489	525	604	18%	18%	19%	19%

Source: HUD-PD&R tabulations of the 1978 and 1983 Annual Housing Surveys and the 1989 and 1993 American Housing Surveys

**Table A-11**  
**Assistance and Worst Case Needs Among Very-Low-Income Renters**  
**by Region and Location, 1993**

	Very-Low- Income Renters	Assisted		Worst Case		Percent of Worst Case	
		Thousands	Percent	Thousands	Percent	With Rent Burden Only	Needing Other Housing
<b>Northeast</b>	3,288	979	30%	1,296	39%	75%	16%
Central Cities	1,954	638	33%	786	40%	69%	21%
Suburbs	1,025	248	24%	399	39%	83%	11%
Nonmetro	310	92	30%	111	36%	89%	3%
<b>Midwest</b>	3,446	965	28%	1,151	33%	83%	10%
Central Cities	1,692	459	27%	610	36%	81%	12%
Suburbs	890	198	22%	304	34%	88%	8%
Nonmetro	865	308	36%	237	27%	83%	8%
<b>South</b>	4,768	1,223	26%	1,517	32%	78%	13%
Central Cities	2,225	629	28%	750	34%	78%	12%
Suburbs	1,537	299	19%	519	34%	84%	8%
Nonmetro	1,005	296	29%	248	25%	65%	25%
<b>West</b>	3,246	602	19%	1,386	43%	76%	19%
Central Cities	1,555	293	19%	699	45%	73%	22%
Suburbs	1,319	236	18%	555	42%	80%	15%
Nonmetro	373	73	20%	132	35%	80%	14%
<b>United States</b>	14,749	3,769	26%	5,349	36%	78%	15%
Central Cities	7,426	2,020	27%	2,846	38%	75%	17%
Suburbs	4,770	981	21%	1,776	37%	83%	11%
Nonmetro	2,553	769	30%	727	28%	77%	14%

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-12**  
**Income Distribution, Priority Housing Problems, and Assistance of Renters With**  
**and Without Children, 1978 and 1993**

	Total	Income as Percent of HUD-Adjusted Area Median Income					
		0-30%	31-50%	51-60%	61-80%	81-100%	101%+
<b>All Renters</b>							
1978 (Thousands)	26,919	5,895	4,792	2,261	3,822	3,257	6,891
Income Distribution	100%	22%	18%	8%	14%	12%	26%
Priority Problems	4,688	3,015	953	156	203	130	231
% Priority Problems	17%	51%	20%	7%	5%	4%	3%
Assisted	2,729	1,425	670	167	218	114	134
% Assisted	10%	24%	14%	7%	6%	4%	2%
1993 (Thousands)	33,472	8,731	6,025	2,443	3,916	4,010	8,375
Income Distribution	100%	26%	18%	7%	12%	12%	25%
Priority Problems	5,825	4,176	1,175	147	145	58	124
% Priority Problems	17%	48%	19%	6%	4%	1%	2%
Assisted	4,459	2,856	916	210	195	118	163
% Assisted	13%	33%	15%	9%	5%	3%	2%
<b>Renters With Children</b>							
1978 (Thousands)	9,667	2,178	1,998	967	1,547	1,141	1,837
Income Distribution	100%	23%	21%	10%	16%	12%	19%
Priority Problems	1,604	1,092	297	55	59	39	62
% Priority Problems	17%	50%	15%	6%	4%	3%	3%
Assisted	1,315	626	338	105	133	59	53
% Assisted	14%	29%	17%	11%	9%	5%	3%
1993 (Thousands)	12,635	4,075	2,578	1,049	1,453	1,290	2,197
Income Distribution	100%	32%	20%	8%	12%	10%	17%
Priority Problems	2,442	1,927	356	50	45	26	38
% Priority Problems	19%	47%	14%	5%	3%	2%	2%
Assisted	2,211	1,454	419	108	103	63	65
% Assisted	18%	36%	16%	10%	7%	5%	3%
Source: HUD-PD&R tabulations of the 1978 Annual Housing Survey and the 1993 American Housing Survey							

**Table A-13**  
**Households With Persons With Disabilities in Rental Assistance Programs, Spring 1995**

	Project- Based Assistance	Public Housing	Tenant- Based Assistance	All Assisted Housing
<b>Households With:</b>				
Children With Disabilities (But Not Adults)	Not Available	6,900	25,800	32,700
Adults With Disabilities in Families With Children	20,000*	38,600	82,300	140,900*
Non-Elderly Adults With Disabilities Living Alone	127,000	91,100	128,300	346,400
Non-Elderly Adults With Disabilities Living With Other Non-Elderly Adults	16,000	16,700	31,000	63,700
Non-Elderly Adults With Disabilities in Elderly Households	5,000	3,800	5,330	14,200
<b>All Households With Non-Elderly Persons With Disabilities</b>				
As Percent of Program Households	176,800 14%	157,300 13%	272,700 19%	605,200 15%
<b>All Households With Non-Elderly Adults With Disabilities</b>				
As Percent of Program Households	168,000* 13%	150,300 12%	246,900 17%	565,200* 14%
<b>Total Households</b>	1,300,000	1,250,000	1,425,000	3,975,000

\*20,000 of 27,300 families with children with persons with disabilities assumed to contain *adults* with disabilities.  
Source: HUD-PD&R tabulations of 1995 program data (MTCS and TRACS)

**Table A-14**  
**Housing Problems, Characteristics, and Earnings of Non-Elderly Renters**  
**by Relative Income and Household Type**

	Income as % of HUD-Adjusted Area Median Income					
	0-20%	21-30%	31-50%	51-60%	61-80%	81-100%
<b>Renters With Children</b> (Thousands)	2,659	1,416	1,321	1,257	1,044	811
Children/Household	2.2	2.1	2.0	2.0	1.9	1.8
Persons/Household	3.7	3.7	3.9	3.9	3.9	3.8
<b>Percent of Households With:</b>						
<i>Priority Problems</i>	46%	49%	14%	5%	3%	2%
Severe Physical Problems	3%	3%	2%	2%	2%	2%
Rent Burden > 50% Income	46%	47%	12%	3%	1%	0%
Burden Only	31%	36%	10%	3%	1%	0%
Multiple Problems	14%	13%	3%	2%	1%	0%
<i>Other Problems</i>	6%	21%	50%	44%	32%	20%
Moderate Physical Problems	2%	5%	5%	7%	6%	5%
Rent Burden 31-50% Income	3%	18%	42%	30%	19%	10%
Burden Only	3%	11%	34%	27%	18%	9%
Crowded	2%	6%	12%	11%	8%	6%
Multiple Problems	1%	8%	9%	4%	2%	1%
<i>No Problems</i>	7%	5%	20%	41%	58%	74%
<i>In Assisted Housing</i>	41%	26%	16%	10%	7%	5%
Female Head	78%	59%	42%	33%	29%	26%
Minority Head	66%	60%	52%	45%	36%	34%
AFDC/SSI Income	65%	37%	20%	10%	8%	5%
Social Security Income	5%	11%	7%	7%	6%	5%
Income Below Poverty	100%	88%	22%	1%	0%	0%
Income < 150% of Poverty	100%	100%	80%	32%	9%	0%
High School Graduate	59%	64%	71%	81%	84%	88%
<i>Earnings at Minimum Wage</i>						
At Least Half-Time	15%	65%	90%	96%	97%	99%
At Least Full-Time	3%	47%	85%	94%	96%	98%
Earnings Main Source of Income	23%	62%	87%	92%	95%	97%
Housing Rated Poor	12%	10%	8%	8%	6%	6%
Neighborhood Rated Poor	25%	23%	13%	13%	8%	8%

*continued on next page*

**Table A-14 (continued)**  
**Housing Problems, Characteristics, and Earnings of Non-Elderly Renters**  
**by Relative Income and Household Type**

	Income as % of HUD-Adjusted Area Median Income					
	0-20%	21-30%	31-50%	51-60%	61-80%	81-100%
<b>Other Non-Elderly Renters*</b>	1,168	790	970	1,062	1,013	1,170
Persons/Household	1.5	1.5	1.6	1.6	1.6	1.6
<b>Percent of Households With:</b>						
<i>Priority Problems</i>	67%	59%	24%	6%	4%	1%
Severe Physical Problems	6%	5%	3%	1%	3%	1%
Rent Burden > 50% Income	63%	56%	21%	4%	1%	0%
Burden Only	54%	51%	20%	4%	1%	0%
Multiple Problems	10%	8%	4%	1%	1%	0%
<i>Other Problems</i>	4%	18%	50%	48%	30%	18%
Moderate Physical Problems	3%	2%	7%	7%	6%	6%
Rent Burden 31-50% Income	2%	17%	47%	42%	25%	13%
Burden Only	1%	15%	43%	40%	24%	12%
Crowded	0%	1%	1%	1%	0%	1%
Multiple Problems	1%	2%	5%	2%	1%	1%
<i>No Problems</i>	14%	7%	18%	41%	63%	79%
<i>In Assisted Housing</i>	15%	16%	7%	5%	3%	2%
One Person in Household	64%	64%	57%	52%	55%	52%
Female Head	46%	46%	41%	37%	37%	32%
Minority Head	37%	34%	39%	31%	29%	23%
AFDC/SSI Income	5%	4%	4%	3%	1%	0%
Social Security Income	10%	18%	10%	5%	5%	4%
Income Below Poverty	100%	59%	4%	0%	0%	0%
Income < 150% of Poverty	100%	99%	51%	4%	0%	0%
High School Graduate	75%	75%	81%	82%	90%	92%
Earnings at Minimum Wage						
At Least Half-Time	22%	69%	88%	94%	96%	96%
At Least Full-Time	1%	37%	80%	91%	95%	96%
Earnings Main Source of Income	48%	68%	84%	90%	94%	94%
Housing Rated Poor	7%	5%	5%	4%	6%	4%
Neighborhood Rated Poor	13%	12%	9%	9%	9%	7%

\*Excludes nonfamily reporting SSI income.  
Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-15**  
**Assisted Households and Those With Wages as Primary Source of Income,**  
**by Relative Income and Household Type**

	Income as % of HUD-Adjusted Area Median Family Income						
	Total*	0-20%	21-30%	31-50%	51-60%	61-80%	> 80%
All Households	3,972,000	1,630,000	1,135,000	841,000	109,000	66,000	192,000
Percent With Wages	25%	14%	19%	40%	59%	68%	77%
Number With Wages	1,009,020	228,363	218,374	340,409	64,579	44,722	148,717
Families With Children	1,786,000	1,037,000	303,000	296,000	46,000	27,000	77,000
Percent With Wages	41%	17%	58%	87%	94%	95%	89%
Number With Wages	739,821	172,972	177,053	256,149	43,107	25,637	68,815
Families Without Children	290,000	119,000	53,000	52,000	12,000	11,000	44,000
Percent With Wages	59%	34%	55%	85%	94%	96%	93%
Number With Wages	170,336	40,206	29,092	44,075	11,224	9,604	40,832
Elderly Adults With Disabilities							
With Children	242,000	64,000	94,000	67,000	8,000	4,000	5,000
Percent With Wages	15%	7%	6%	22%	54%	69%	68%
Number With Wages	35,203	4,550	5,364	15,044	4,318	2,767	3,397
Without Children	401,000	142,000	179,000	64,000	5,000	3,000	6,000
Percent With Wages	8%	5%	4%	19%	45%	60%	56%
Number With Wages	30,743	6,707	7,100	11,851	2,265	1,815	3,332
Elderly Without Children	1,253,000	265,000	505,000	363,000	39,000	22,000	59,000
Percent With Wages	4%	3%	2%	5%	17%	29%	46%
Number With Wages	53,587	7,985	9,242	18,840	6,552	6,301	26,898

\*Numbers may not add up to total due to rounding.  
Source: HUD-PD&R tabulations of 1995 program data (MTCS and TRACS)

**Table A-16**  
**Measures of Housing Mismatch: Numbers of Affordable\* Units Per 100 Renters With Incomes**  
**Below 30 Percent or 50 Percent of Area Median by Region, 1989 and 1993**

	1989		1993	
	Income as % of Area Median <30%	Income as % of Area Median <50%	Income as % of Area Median <30%	Income as % of Area Median <50%
<b>All Units Affordable Below Cutoff/ 100 Renters With Income Below Cutoff</b>				
U.S. Total	89	125	80	116
Northeast	81	109	70	99
Midwest	96	149	85	144
South	101	137	93	126
West	71	96	65	86
<b>Available** Units Affordable Below Cutoff/ 100 Renters With Income Below Cutoff</b>				
U.S. Total	48	76	46	74
Northeast	44	66	45	68
Midwest	53	89	48	88
South	57	86	53	81
West	32	56	32	54
<b>Vacant Units Affordable Below Cutoff/ 100 Worst Case Needing Other Housing Below Cutoff</b>				
U.S. Total	61	147	59	175
Northeast	40	62	43	104
Midwest	89	218	139	386
South	87	248	106	325
West	35	79	19	67

\*Affordable assuming 30% of income is spent for rent.  
\*\*Units below cutoff vacant or occupied by households below cutoff.  
Source: HUD-PD&R tabulations of the 1993 American Housing Survey

**Table A-17**  
**1985-1993 Changes in Rental Units by Rent Affordability and**  
**Location Within the United States**

	% of Area Median Income at Which Rents are Affordable					
	Non-Market	1-30%	31-50%	51-65%	66-80%	81-100%
<b>Numbers of Units</b>						
United States	451,053	-424,842	165,308	1,206,856	645,140	244,912
Cities	50,504	-302,945	1,663	185,326	287,400	198,759
Suburbs	305,914	-42,397	158,996	737,585	378,159	-11,931
Nonmetro	94,638	-79,501	4,652	283,959	-20,415	58,084
Northeast	25,512	-121,686	-372,569	170,831	365,956	175,557
Cities	-70,408	-110,124	-328,669	-2,727	244,268	189,563
Suburbs	78,607	-5,459	-85,570	149,120	101,591	-35,238
Nonmetro	17,313	-6,103	41,670	24,438	20,097	21,232
Midwest	133,169	-136,240	61,898	174,851	-41,107	4,977
Cities	47,513	-108,871	49,013	-7,535	-22,816	16,444
Suburbs	118	-15,165	10,254	160,718	3,714	-2,671
Nonmetro	85,538	-12,204	2,631	21,668	-22,005	-8,796
South	223,080	-134,476	439,206	529,511	-46,444	16,610
Cities	86,083	-51,615	248,929	135,404	-98,382	-53,315
Suburbs	123,998	-27,325	224,215	215,913	62,425	32,264
Nonmetro	12,999	-55,536	-33,938	178,194	-10,487	37,661
West	58,029	-36,649	36,776	331,677	366,739	47,768
Cities	-12,684	-32,335	32,390	60,184	164,330	46,067
Suburbs	103,191	5,552	10,097	211,834	210,429	-6,286
Nonmetro	-21,212	-5,658	-5,711	59,659	-8,020	7,987
41 Metropolitan Areas	37,276	-210,657	-89,660	355,010	358,473	172,197
Rest of U.S.	413,777	-214,185	254,968	851,846	286,667	72,715
<b>Percent Change in Units</b>						
United States	7%	-19%	2%	15%	12%	9%
Cities	2%	-27%	0%	5%	12%	17%
Suburbs	16%	-6%	6%	24%	16%	-1%
Nonmetro	6%	-15%	0%	31%	-3%	20%
Northeast	1%	-26%	-20%	10%	36%	29%
Cities	-6%	-38%	-29%	0%	56%	81%
Suburbs	16%	-4%	-15%	22%	20%	-11%
Nonmetro	10%	-15%	28%	21%	26%	43%
Midwest	8%	-20%	2%	10%	-5%	2%
Cities	7%	-31%	4%	-1%	-8%	19%
Suburbs	0%	-11%	1%	23%	1%	-3%
Nonmetro	15%	-7%	0%	7%	-18%	-24%
South	10%	-15%	17%	21%	-2%	2%
Cities	10%	-16%	20%	11%	-11%	-15%
Suburbs	20%	-9%	29%	23%	9%	8%
Nonmetro	2%	-22%	-6%	62%	-4%	31%
West	5%	-13%	3%	18%	23%	4%
Cities	-3%	-25%	5%	7%	23%	9%
Suburbs	25%	6%	2%	28%	29%	-1%
Nonmetro	-9%	-10%	-2%	31%	-5%	9%
41 Metropolitan Areas	1%	-28%	-3%	9%	13%	11%
Rest of U.S.	10%	-14%	5%	21%	11%	6%

Source: HUD-PD&R tabulations of the 1985, 1989, 1991, and 1993 American Housing Surveys

**Table A-18**  
**Distributions of Rental Units by Their Affordability in Relation to Area Median Family Income**  
**and Area Fair Market Rents (FMRs), by Region, 1993**

(Share of rent category with rent below 80%, 100%, or 120% of FMR)

	% of Area Median Income at Which Rents are Affordable					All Units
	0-30%	31-50%	51-65%	66-80%	81-100%	
<b>U.S.</b> (Thousands)	4,843	9,760	9,298	5,959	3,085	34,044
Below 80% FMR	100%	63%	13%	1%	0%	36%
<100% FMR	100%	95%	53%	26%	8%	61%
<120% FMR	100%	100%	90%	60%	36%	81%
<b>Northeast</b> (Thousands)	1,164	1,712	1,956	1,420	773	7,331
Below 80% FMR	100%	86%	28%	1%	0%	44%
<100% FMR	100%	99%	75%	38%	6%	67%
<120% FMR	100%	100%	99%	72%	43%	84%
<b>Midwest</b> (Thousands)	1,323	3,167	2,017	713	226	7,544
Below 80% FMR	100%	44%	0%	0%	0%	36%
<100% FMR	100%	90%	19%	0%	0%	60%
<120% FMR	100%	99%	74%	15%	0%	81%
<b>South</b> (Thousands)	1,651	3,339	3,092	1,821	889	11,146
Below 80% FMR	100%	65%	6%	0%	0%	36%
<100% FMR	100%	98%	45%	9%	1%	58%
<120% FMR	100%	100%	92%	46%	15%	79%
<b>West</b> (Thousands)	705	1,542	2,233	2,005	1,197	8,023
Below 80% FMR	100%	72%	22%	4%	0%	30%
<100% FMR	100%	97%	75%	41%	14%	61%
<120% FMR	100%	100%	95%	80%	53%	83%

Source: HUD-PD&R tabulations of the 1993 American Housing Survey

# Appendix B

## Glossary

### Household and Family Type

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

**Families with children**—Household with a child under age 18 present.

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

**Nonfamily households**—Households with a single non-elderly person without disabilities living alone or only with nonrelatives.

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

### Income

**Income**—Income in the AHS is based on the respondent’s reply to questions about income during the 12 months prior to interview. It includes amounts reported for wage and salary income, net self-employment income, Social Security or railroad retirement income, public assistance or welfare payments, and all other money income, prior to deductions for taxes or any other purpose. Following HUD rules for income eligibility, previous worst case reports also included imputed income from equity in an owned home as income for owners, *but income from equity is not included in this report*. In 1993, the AHS asked more detailed questions on nonwage income, and the share of households reporting nonwage income rose from 63 percent (in 1991) to 77 percent.

**Family income**—Reported income from all sources for the reference person and other household members 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. In earlier worst case reports, burdens were calculated on the basis of family income for elderly or family households. In this report, burdens were calculated in relation to *household income* for all households. For owners, payments for housing include mortgage payments and property taxes. To the extent that respondents underreport total income, AHS estimates overcount the number of households with cost burden.

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

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

**Inadequate housing**—Housing with severe or moderate physical problems, as defined in the AHS since 1984. These definitions are presented in appendix A of the AHS published volumes in detail and in appendix C of this report. Briefly, a unit is defined as having severe physical problems if it has severe problems in any of five areas: plumbing, heating, electrical system, upkeep, and hallways. It has moderate problems if it has problems in plumbing, heating, upkeep, hallways, or kitchen, but no severe problems.

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

## Income Categories

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

percent of base; two persons—80 percent; three persons—90 percent; five persons—108 percent; six persons—116 percent; etc.

**Low income**—Reported income not in excess of 80 percent of HAMFI, or if lower, the national median family income. *The AHS estimates in this report compare official cutoffs to household income for all households*, rather than using family income for elderly and family households. In 1993, 45 percent of AHS households reported incomes that fell below the low-income cutoffs.

**Very low income**—Income not in excess of 50 percent of HAMFI. In 1993, 28 percent of AHS households reported income below the very-low-income cutoffs.

**Extremely low income**—Income not in excess of 30 percent of HAMFI. In 1993, 15 percent of AHS households reported income below 30 percent of HAMFI.

**Poor**—Household income below the official national poverty cutoffs for the United States for that household size. The poverty cutoff for a family of four approximates 33 percent of HAMFI. Half of very-low-income households and 83 percent of extremely-low-income households are poor.

**Middle income**—For this report, adjusted incomes between 81 and 120 percent of HAMFI. Around one-fifth of households (22 percent) were in this category in 1993.

**Upper income**—For this report, households with income above 120 percent of HAMFI. One-third of U.S. households fell into this category in 1993.

### **Rent Affordability Categories**

**Extremely low rent**—Annual rent, including utilities, at or below 30 percent of 30 percent of HAMFI. (All rental affordability categories discussed in this paper assume that units are “affordable” if they consume no more than 30 percent of income.) For rents, the HUD adjustments vary by number of bedrooms to reflect expected household size: 0 bedrooms—1 person; 1 bedroom—1.5 persons; 2 bedrooms—3 persons; 3 bedrooms—4.5 persons; etc.

**Very low rent**—Rent, including utilities, is at or below 30 percent of 50 percent of HAMFI, but above 30 percent of 30 percent of HAMFI.

**Low rent**—Rent, including utilities, is at or below 30 percent of 65 percent of HAMFI, but above 30 percent of 50 percent of HAMFI.

**Fair Market Rent (FMR)**—Fair Market Rents are based on the 40th percentile of the rent distribution for recently rented, unsubsidized, modest rental units. Like official income limits, FMRs are set annually by HUD for each Metropolitan Statistical Area (MSA) and nonmetropolitan county. FMRs serve as the payment standard (the limit of the amount of subsidy) for the Section 8 tenant-based assistance programs.

## **Housing Assistance Status**

**Receiving assistance**—From AHS data, 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?”

**Worst case or with acute needs**—Unassisted very-low-income renters with the priority housing 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 AHS has referred to the MSAs defined in 1983, based on the 1980 census.

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

# Appendix C

## Procedures Used To Estimate Consistent Trends in Housing Needs From Annual and American Housing Survey Data

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

To determine how worst case needs, other housing problems, and income-eligible groups vary over time, each relevant criterion should be defined as accurately and consistently as is possible from the changing Annual Housing Survey and American Housing Survey (AHS) questionnaires. This appendix discusses the procedures and definitions used with microdata from the 1978 and 1983 national Annual Housing Survey and the 1985 through 1993 AHS to estimate the number of households in different income categories who have worst case needs or other housing problems.

The estimates of household income category (in relation to HAMFI) and worst case needs presented here differ in a number of respects from estimates given in earlier reports to Congress on worst case needs. All changes were made to measure worst case needs more accurately and more consistently over time. The changes are summarized here, and highlighted elsewhere in italics as well.

- *All estimates in this report (except the 1974–93 data on worst case needs for elderly and family households in figure 3) base income category and rent burdens on household income for all households rather than using family income for family and elderly households. Family income had been used previously (for comparability over time since 1974) because household income was first gathered by the Annual Housing Survey in 1977. Moreover, this report does not include income imputed from home equity for homeowners.*
- *In 1989, the Bureau of the Census instituted procedures to improve reported utility payments and adjust the totals to conform to independent estimates. To measure changes in affordability or severe rent burden between 1985 and 1993 more accurately, in this report utility payments in 1985 and 1987 are adjusted to be consistent with Census procedures first instituted for the 1989 national AHS.*
- *All earlier worst case reports have used income limits extrapolated from 1980 census data for years since 1985. Because HUD's official income limits have been based on 1990 census data since 1992, limits based on 1990 census data were used for 1989, 1991, and 1993 in this report.*

- Before 1984, the Annual Housing Survey only gathered data on rent for “specified” rental units, so the worst case trend data in the first congressional report only covered specified renters. *In this report, the estimates of units, households, and housing problems for 1978 and 1983 (chosen as the 2 years before 1985 in which the definition of severely inadequate units most closely approximated the current definition) are derived as the product of the incidence of a problem among specified units times the base of all units.*

## Procedures Used With 1985 Through 1993 American Housing Survey Microdata

- Area income limits—To categorize households in relation to “local” income limits as accurately as possible within the limitations of the AHS geography, household income was compared to area income limits for all households. *(Previous worst case reports categorized family households on the basis of family rather than household income.)* Very-low- and low-income cutoffs for a household of four—i.e., 50 or 80 percent of HAMFI, respectively—were defined for each unit of geography identified on the AHS national microdata tapes since 1985. Official income limits were used directly for each of the 141 MSAs (or Buffalo, New York, and Portland, Oregon, CMSAs) 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 weighting the 1985 or 1987 income limits of each county within a location type by its 1980 population, or by weighting the 1989, 1991, or 1993 income limits of each county within a location type by its 1990 population. The 1989, 1991, and 1993 income limits used were based on 1990 census results. *(In previous reports, the 1989 and 1991 income limits were extrapolated from 1980 census data.)*

The same approach was used to define the local FMRs that applied to each housing unit on the AHS. Official FMRs for units with 0–4 bedrooms were used for the identified MSAs, and weighted FMRs were developed for the rest of the country. *All FMRs used in this report were based on the 40th rather than the 45th percentile of the area’s rent distribution.*

- Categorizing households by income—*For all households, income status is determined by comparing household income to the very-low- and low-income cutoffs, with appropriate adjustments for household size.* Unlike earlier reports, 5.5 percent of equity was *not* included as income for homeowners. Households reporting negative income were categorized as middle income if their monthly housing costs were above the FMR, since many households in this situation appear to be reporting temporary accounting losses.
- Receiving housing assistance—In AHS data, 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?” Although the number and characteristics of households responding affirmatively to these questions are generally consistent with program data, detailed examination reveals that households often do not report their assistance status correctly. (See Connie H. Casey, *Characteristics of HUD-Assisted Renters and Their Units in 1989*, HUD–1346–PDR, March 1992.)

- Severe or moderate physical problems—The definitions are those used since 1984 in the AHS and defined in appendix A of the published AHS volumes. A unit is considered severely inadequate if it has any of the following five problems:
  - *Plumbing*. Lacking hot piped water or a flush toilet, or lacking both bathtub and shower, all for the exclusive use of the unit.
  - *Heating*. Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down. It must have broken down at least three 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 or plaster, or rats in the last 90 days.
  - *Hallways*. Having all of the following four problems in public areas: no working light fixtures, loose or missing steps, loose or missing railings, and no elevator.
  - *Electrical*. Having no electricity, or all of the following three electrical problems: exposed wiring, a room with no working wall outlet, and three blown fuses or tripped circuit breakers in the last 90 days.

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

- *Plumbing*. Having all of the toilets break down at once at least three times in the last 3 months, for at least 6 hours each time.
  - *Heating*. Having unvented gas, oil, or kerosene heaters as the main source of heat (since these heaters give off unsafe fumes).
  - *Upkeep*. Having any three of the six upkeep problems mentioned under severe problems.
  - *Hallways*. Having any three of the four hallway problems mentioned under “severely inadequate.”
  - *Kitchen*. Lacking a sink, range, or refrigerator for the exclusive use of the unit.
- 1980- and 1990-based weighting of AHS estimates—Because each housing unit in the AHS sample represents many other units, the sample data are adjusted so that each year’s total matches independent estimates of the total housing stock. For 1991 and 1993, these independent estimates were based on the 1990 Census of Housing (1990 weights), whereas for 1985 to 1989, AHS totals were based on weights derived from 1980 decennial census results (1980 weights). As figures 3 and 4 suggest, the 1990-based weighting produces, on average, numbers that are about 2.5 percent lower than 1980-based weighting.

To measure changes over time as consistently as possible in this report given such weighting changes, changes between 1989 and 1991 were calculated using 1980-based weights for both years, while changes between 1991 and 1993 were calculated using 1990-based weights for both years. (See appendix table A-5.)

# Appendix D

## Preliminary Analysis of Supplemental Security Income Stewardship Review Data for Fiscal Year 1994

A data extract from the Stewardship Review sample of Supplemental Security Income (SSI) recipients was provided to HUD by the Social Security Administration (SSA). The sample consists of 4,916 cases randomly audited by SSA in FY 1994 to ensure the accuracy of SSI eligibility and benefits. In any given month in FY 1994, there were about 6.1 million individuals receiving SSI checks; thus, each case represents on average about 1,250 individuals.

SSI recipients fall into three categories: the aged (age 65 or over), adults who are blind or have other disabilities, and children who are blind or have other disabilities. The Stewardship Review sample is particularly valuable for estimating worst case needs for adults who are blind or have other disabilities. HUD has not previously had reliable data on housing expenses and income for all SSI recipients who are blind or have other disabilities. Preceding reports on worst case needs have used incomplete proxy data from the American Housing Survey (AHS) by assuming that single individuals who report SSI income have disabilities.

The Stewardship Review entails an exacting reexamination of each recipient's SSI payment eligibility factors, with careful documentation of every possible source of chargeable income. The reviewers also are careful to determine the amount that the recipient is expected to pay for rent, because in many cases this amount affects the level of benefits. Thus, these data are an excellent source for estimating rent burdens among the very-low-income SSI recipients. However, they provide no information about worst case housing needs due to substandard housing or involuntary displacement.

For purposes of this report, the Stewardship Review data are less useful for the aged or for children with disabilities. Reliable data on the housing conditions of the elderly, both rent burden and substandard housing, are already available from the AHS. SSA auditing conventions do not permit reliable inferences about the housing expenses of families with SSI-recipient children. For example, the living arrangement can be coded as either "Rental liability, Housing and Urban Development (HUD) subsidy" or "Child under age 18 who lives in a parent's household" but not both. The reviewers are instructed to choose the latter entry if a parent is the head of the household; thus, the fact that a child is living with one or both parents could obscure the receipt of HUD assistance. The reviewers also will not assign any rental liability to an SSI-recipient child if a parent is the head of the household; thus, such households would spuriously appear to have zero rent burden.

For direct comparability with the analyses in this report that are based on households in housing units from the AHS, we have excluded SSI data on persons who are blind or have other disabilities with the following living arrangements:

- Transient (i.e., homeless, no fixed residence).
- Public medical institutions.
- Private medical treatment facilities.
- Public correctional or holding facilities.
- Public educational or vocational/technical institutions.
- Emergency shelters for the homeless.
- Publicly operated community residences.
- Private nonprofit residential care institutions.
- Proprietary for-profit institutions for residential care, education, or vocational training.
- Children under age 18 or certain “protected” student children under age 21 living with one or more parents.
- Persons determined (retrospectively) to have been ineligible for SSI because of absence from the United States.

Stewardship Review data indicate that about 16,000 SSI recipients were transient, i.e., homeless, and another 5,000 were living in emergency homeless shelters in FY 1994. These figures, however, are not meaningful indicators of the incidence of homelessness. Many of the homeless are not eligible for SSI, and many of the eligible homeless may fail either to apply for support or to take the actions required to maintain their eligibility, once it has been established.

The estimates of non-elderly adults with disabilities assisted by HUD derived from this information source should be reliable, but may be low. SSA codes “public assistance household” as a separate living arrangement. A public assistance (PA) household is defined as one in which every member receives some kind of public income-maintenance payments based on need, usually SSI, Aid to Families With Dependent Children, or certain veterans’ programs. This category is known to contain some households who also receive HUD assistance, but the audit conventions do not permit the reviewer to code the household as both PA and HUD assisted. In FY 1994 there were about 136,000 SSI adult recipients with disabilities living in PA households.

One further adjustment was necessary. According to the 1994 Green Book (p. 233), “When a person who is receiving SSI on the basis of blindness or disability becomes age 65, the Social Security Administration does not convert the individual to eligibility on the basis of age.” According to table 6–14 of the Green Book, only 76.5 percent of the adults receiving SSI in 1993 because of blindness or disability were non-elderly, according to HUD’s definition (i.e., aged 18–61). To adjust for this fact, the estimates of non-elderly adult renter SSI beneficiaries shown in table 2 represent 80 percent of the totals tabulated from microdata.

# Appendix E

## Longitudinal Analysis of Rental Dynamics in 41 Metropolitan Areas

Housing economists in the Office of Policy Development & Research have been studying changes in the rental stock using data from the American Housing Survey Metropolitan Sample (AHS–MS). The AHS–MS surveys 44 MAs on a rolling basis, returning longitudinally once every 4 years to a sample of housing units in each MA. This study used data from 41 of the MAs, with each MA represented by 2 sets of observations, 4 years apart, taken between 1985 and 1992. The study tracked the source and disposition of each housing unit that was renter occupied or vacant for rent in either of the 2 survey years in order to identify specific reasons for gain or loss in the rental stock affordable to renters with extremely low or very low incomes. This appendix briefly describes the main concepts of the study: measuring affordability, constructing a consistently weighted longitudinal data set, and tracking the dynamics of the housing stock. It also briefly examines the sensitivity of the study’s findings on rental filtering.

### Affordability Classes

The housing cost measure used in this study reflects the eligibility requirements of HUD and other Federal housing assistance programs. These programs typically consider the housing cost burdens on households whose incomes are some specified percentage of the area median income, with certain adjustments. The benchmark for eligibility is the HUD-adjusted area median family income (HAMFI). In addition to varying by location, an area’s median income is adjusted by a factor tied to the number of bedrooms in the unit, to account for HUD’s eligibility rules for families of different sizes. Most assistance programs expect that a family should spend no more than 30 percent of its income on housing. Consequently, in this study, the cost of a given housing unit is expressed as the *percentage of HAMFI at which a household would spend 30 percent of its income for rent and utilities for the unit*. This formulation makes it possible to relate the rent distribution of rental housing more directly to the stipulations of HUD programs.

Further adjustments were made to improve the accuracy of the affordability measure and to increase consistency between each pair of years. Utility costs were estimated for vacant units by matching them with similar occupied units (“hot deck” imputation). Reported utility costs for units surveyed between 1985 and 1988 were adjusted to conform to procedures begun by the AHS in 1989 to match AHS estimates of utility costs to independent control totals. To reduce distortions caused by MA-specific differences in economic growth, the median incomes from the first year, adjusted for inflation, were used to assign affordability categories in both the first and second years.

Table E–1 shows the distribution of the rental units in the study within the rental affordability categories in the first and second years covered by the study. The category “nonmarket” includes publicly assisted housing as well as units in which the occupants pay no rent (e.g., those provided free to employees or relatives of the occupants).

**Table E–1**  
**Distribution of Rental Units by Affordability to Income Groups as**  
**Percentage of Area Median Income**  
 (Percentage of Rental Stock in 41 MAs)

Rent Category	Year 1	Year 2	National Average Rents, 1989
Nonmarket	15%	15%	
1–35%	9%	6%	Less Than \$275
36–50%	16%	15%	\$275–\$392
51–65%	21%	21%	\$393–\$509
66–80%	19%	19%	\$510–\$626
81–100%	13%	15%	\$627–\$743
> 100%	7%	9%	More Than \$743
Total Units	18,048,721	18,910,122	

Source: HUD-PD&R study of rental dynamics in 41 MAs, 1985–1992

## Consistently Weighted Longitudinal Sample

While the AHS–MS is designed to allow longitudinal analysis of changes to the same housing units over time, certain practical difficulties impede this use. Sample sizes have contracted and expanded over the years in response to changes in budgets. Consequently, some units may have been sampled in only 1 year of each pair of survey years, even though the unit existed in both. The sample weights supplied with the public use microdata are calibrated to provide accurate totals for each year’s MA sample, but not for longitudinal comparison. Consequently, a large part of the effort in this study was devoted to constructing a subset of AHS data that was longitudinally consistent. The essential principle was to select panels of data that were sampled in both years, dropping those units sampled in only 1 year. The consistent weights then used for both years were based on the probability of selection (called the “pure weight” in the AHS codebook), rescaled to account for the dropped units and panels. Some additional weighting adjustments were made to account for such events as refused interviews. The weights were then scaled to match control totals from the AHS in year 1.

## Rental Dynamics

Changes in the rental stock were tracked by assigning each unit to 1 of 12 possible states in each year (see table E-2). Six of these states represent privately owned rental housing at different levels of affordability, and the seventh is a “nonmarket” residual, as discussed above. The other states identify physical or tenure changes that reflect entry into or exit from the rental stock over the 4-year study period. “Conversion/merger” refers to the gain or loss of units through splitting or combining existing units. “Nonresidential” includes units temporarily lost from the rental stock (because of fire, dilapidation, etc.) as well as commercial or similar nonresidential uses. “New construction” is the state assigned in year 1 to rental units that were not built until year 2 (that is, it means “not yet constructed”). Once these states were established, the data could be analyzed by cross tabulating changes in state by affordability, MA, and any other variables of interest. It is also possible to attempt to explain changes in worst case needs by MA or sub-MA zone (as defined in the AHS) in terms of economic and housing variables. This part of the analysis is still under way.

### Sensitivity of Rental Filtering to Definition of Change in Affordability Categories

As reported in finding 5 of the report, “filtering” due to a change in rent category was one of the main causes of shrinkage in the lowest rent categories. Moreover, the total extent of filtering observed over the 4-year period was greater than had been expected. Fewer than one-half of the units that were in the rental stock in both years were also found to be in the same rent category in both years.

**Table E-2**  
**Dynamic Housing States**

<b>Occupied or Vacant For-Rent Rental Stock</b>
Nonmarket (Assisted or No Cash Rent)
Affordable to Households With Income 0–35 Percent of Area Median Income
Affordable to Households With Income 36–50 Percent of Area Median Income
Affordable to Households With Income 51–65 Percent of Area Median Income
Affordable to Households With Income 66–80 Percent of Area Median Income
Affordable to Households With Income 81–100 Percent of Area Median Income
Affordable to Households With Income Over 100 Percent of Area Median Income
<hr/>
<b>Not in Rental Stock</b>
Owner-Occupied
Conversion/Merger
Nonresidential
New Construction
Permanent Loss
<hr/>
Source: HUD-PD&R study of rental dynamics in 41 MAs, 1985–1992

Because filtering was defined for this study as any change that crossed the boundary of a rent affordability category, no matter how small, it is possible that some “changes” were minor. However, analysis of the sensitivity of filtering to different thresholds suggests that the results are instead quite robust.

As table E-3 shows, the shares of original units categorized as filtering down—or filtering up—would be quite similar if the criterion for filtering was toughened to require a change of at least 3 or 5 percentage points in HAMFI affordability in addition to a change in rent category. Whereas 17 percent of the original stock qualifies as filtering down under the study’s criterion of *any* change in rent category no matter how small, for most of those units (fully 15 percent of the original stock) affordability in relation to HAMFI fell by at least 5 percentage points as well as changing rent category. The results in the table suggest that the high rates of filtering found in the study are quite robust at all rent levels.

**Table E-3**  
**Sensitivity of Estimates of Shares of First-Year Stock Filtering or**  
**Remaining in Same Rent Category Over 4-Year Periods**

Rent Category in First Year	Change Over 4 Years (As % of First-Year Stock)	Minimum Percentage Point Change in Affordability* Defined as Necessary for “Filtering” To Occur		
		0.1%**	3%	5%
All	Stable	32	34	36
	Filter Up	18	18	17
	Filter Down	17	16	15
1-35% Extremely Low Rent	Stable	26	27	28
	Filter Up	47	46	44
	Filter Down	9	8	7
36-50% Very Low Rent	Stable	39	41	44
	Filter Up	30	29	27
	Filter Down	19	18	16
51-65% Low Rent	Stable	40	42	45
	Filter Up	23	23	21
	Filter Down	27	26	24
66-80% Moderate Rent	Stable	37	39	41
	Filter Up	18	18	16
	Filter Down	32	31	29

\*Affordability defined in relation to income as percentage of area median, assuming 30 percent of income spent on rent.  
\*\*Definition of filtering used in tables 4 and 5 of this report.  
Source: HUD-PD&R study of rental dynamics in 41 MAs, 1985-1992

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