AFFORDABLE HOUSING NEEDS 2005:

Report to Congress

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AFFORDABLE HOUSING NEEDS 2005:

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May 2007

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Executive Summary

In 1990, the U.S. Senate Appropriations Committee directed HUD to "resume the annual compilation of a worst case housing needs survey of the United States ... [to estimate] the number of families and individuals whose incomes fall 50 percent below an area's median income, who either pay 50 percent or more of their monthly income for rent, or who live in substandard housing."

Households with "worst case needs" are defined as unassisted renters with very low incomes who have one of two "priority problems" either paying more than half of their income for housing ("severe rent burden") or living in severely substandard housing. Renters are classified by income using three income limits: Low Income (LI) if their income does not exceed 80 percent of area median income (AMI), Very Low Income (VLI) if income is not more than 50 percent of AMI, and Extremely Low Income (ELI) if income is not more than 30 percent of AMI.

This report is the tenth in a series of Worst Case Needs reports to Congress. This 2005 report is organized into five basic sections. Chapter 1 provides an introduction, including a discussion of terms and sources. Chapter 2 outlines the findings of worst case needs by various categories such as demographics and geography. Chapter 3 presents an analysis using data from the Census Bureau's Survey of Income and Program Participation to examine the duration of severe rent burdens. Chapter 4 assesses the supply of affordable rental housing. Chapter 5 presents new analysis of how worst case needs relate to neighborhood poverty rates.

The key findings of this report are as follows.

Unmet Needs for Decent, Affordable Rental Housing Increased Substantially During the 2003–2005 Period

Finding 1. The number of households with worst case housing needs in 2005 was 5.99 million, a statistically significant increase of 817,000 households (16 percent) from the 5.18 million in 2003.[1]

Finding 2. The proportion of American households that had worst case needs in 2005 was 5.50 percent, up from 4.89 percent in 2003. Among extremely low-income renters without housing assistance, the proportion increased significantly from 66 percent to 72 percent, and among other very low-income households without housing assistance the proportion increased from 22 percent to 27 percent.

[1] It is important to note that since these figures do not cover the latter part of 2005, the increase in worst case needs is not attributable to the devastation caused by hurricanes Katrina and Rita in the Gulf Coast region.

The Population with Worst Case Needs

Finding 3. The majority of households with worst case needs, 4.64 million households, had extremely low incomes (77 percent), while an additional 1.35 million households had very low incomes that exceeded the extremely low-income threshold (23 percent). The increase in worst case needs during the 2003–2005 period reflected this general pattern in incomes: of the 817,000 increase in households with worst case needs, 644,000 households had extremely low incomes and the remaining 173,000 households were in the upper end of the very low-income range.

Finding 4. The 5.99 million households with worst case needs included 1.29 million elderly households and 2.32 million families with children. There were 542,000 households headed by a non-elderly person with disabilities and 324,000 households categorized as "other" types of families, generally consisting of related persons without children. The group with the largest increase in worst case needs from 2003 to 2005 were families with children—475,000 households.

Finding 5. There were 1.51 million "other non-family households" with worst case needs, most consisting of a single person living alone: 48.4 percent were single male-headed households and 47.7 percent were single female-headed households.

Finding 6. Among households with worst case needs, 3.10 million households were non-Hispanic white, up from 2.76 million in 2003; 1.34 million households were non-Hispanic black, up from 1.04 million in 2003; and 1.17 million households were Hispanic, also increased from 1.04 million in 2003.

The Character of Worst Case Needs

Finding 7. Of the 5.99 million renter households with worst case housing needs, 5.47 million households (91 percent) had severe rent burden as their only priority housing problem. Severe rent burden is defined as gross rent greater than 50 percent of income.

Finding 8. Among households with worst case needs in 2005 were 520,000 households living in severely inadequate housing units. Half, 260,000 households, had severely inadequate housing as their only priority housing problem, while an additional 260,000 households had both severe rent burden and severely inadequate housing as priority problems.

Finding 9. Average rent burdens among households with worst case needs grew more severe during the 2003–2005 period. Average monthly incomes fell from $673 to $648, while average gross rents increased from $607 per month to $647 per month.

The Trend in Worst Case Needs

Finding 10. The number of households with worst case needs remained near 5 million in most years since 1995, until rising to close to 6 million in 2005. There were 5.20 million total households with worst case needs in 1995, 5.38 million in 1997,

4.86 million in 1999, 5.01 million in 2001, 5.18 million in 2003, and 5.99 million in 2005.

Finding 11. Families with children represented more than one-third (38.8 percent) of households with worst case needs in 2005. In 2005, 2.32 million of these households had worst case housing needs, an increase of 475,000 families from the level in 2003. Among very low-income renter families with children, 35.9 percent had worst needs, an increase from a proportion of 29.0 percent in 2003.

The Geography of Worst Case Needs

Finding 12. All regions of the country shared in worst case needs and all regions experienced increases: 208,000 households in the Northeast, 143,000 households in the Midwest, 338,000 households in the South, and 129,000 households in the West.

Finding 13. The number of households with worst case needs in central cities was 2.91 million during 2005, a 14.9 percent increase from 2003. In the suburbs, the number of households with worst case needs in 2005 was 2.09 million, a 5.3 percent increase from 2003. In non-metropolitan areas, the number of households with worst case needs was 0.99 million, a 51 percent increase from 2003. This large increase is associated with both a substantial increase in the number of very low-income renters in non-metro areas and an increase in the likelihood that those renters would have worst case needs.

The Duration of Rent Burden

The report also contains findings, based on the Census Bureau's Survey of Income and Program Participation, that examine the duration or length of time that renters experienced severe rent burdens. The reader should note that the analysis of this section focused on individual "householders" rather than households or families so that the individuals could be accurately tabulated if they changed households.

Finding 14. Among unassisted very low-income renter householders who reported a severe rent burden in 2001, 53.3 percent continued to have such a burden in 2002, while 46.7 percent either ceased having such a burden or fell out of the "unassisted renter" category. In 2003, the proportion who continued to have severe rent burden declined to 45.2 percent of the original group.

- Among the group who remained unassisted renters and exited severe rent burden in 2002 (33.1 percent), 24.4 percent still had a "moderate rent burden," paying 30–50 percent of their income for rent in 2002. Only 8.6 percent were able to reduce their monthly housing costs to below 30 percent of income. In 2003, these figures improved somewhat, as 20.7 percent of unassisted householders who initially had severe rent burdens now had moderate rent burdens, and another 15.3 percent had low rent burdens.

- Among the very low-income unassisted renters with a severe rent burden in 2001 that exited out of this category, some did so for reasons other than changes in rents or incomes. About 7 percent (6.8 percent in 2002 and 7.3 percent in 2003) were no longer unassisted because they obtained housing assistance, and another group moved into owner-occupied housing (5.7 percent in 2002, going up to 10.0 percent by 2003).
- Exit from a severe rent burden is no guarantee that the renter will not return to that status. About one-fifth of renters (19.9 percent) who exited from a severe rent burden in 2002 reported having a severe rent burden again in 2003. Of the remaining renters, the same proportion had moderate rent burdens as had low burdens (29.2 percent for each).

Finding 15. A significant number of renters without a severe rent burden in 2001 subsequently entered that category in either 2002 or 2003. Of those who initially had moderate rent burdens, 16.5 percent had severe burdens in 2003. Likewise, even renters with rent burden below 30 percent of income in 2001 ran the risk of moving to a moderate rent burden (10.8 percent) or to a severe rent burden (9.0 percent) by 2003.

Availability of Affordable Rental Housing and Worst Case Needs

Finding 16. Many units that would be affordable to very low-income households are not available to them (often because they are occupied by higher-income households). In 2005, there were only 77 units affordable and available for rent for every 100 very low-income renter households. This is a decrease from the 81:100 ratio in 2003—indicating a tighter market for low-rent units. For extremely low-income renter households, the ratio is worse: 40 units per 100 households, down from 43:100 in 2003.

Finding 17. The decline in availability of affordable units for very low-income renters during the 2003–2005 period can be attributed to a modest increase in renter households that interacted with stagnant income levels and rising monthly housing costs. For both very low-income and extremely low-income renters, affordability ratios declined by over 10 units per 100 renters and availability ratios declined by over 4 units per 100 renters.

Neighborhood Poverty and Worst Case Needs

Finding 18. Very low-income renters and households with worst case needs are more likely than most Americans to live in poorer neighborhoods, as 32.3 percent of very low-income renters and 30.6 percent of renters with worst case needs were living in the 20 percent of neighborhoods with the highest poverty rates during 2005. The concentration of very low-income renters in neighborhoods with higher poverty rates may reflect the lower rents that are typically found in poorer neighborhoods.

Finding 19. "Better neighborhoods" with lower poverty rates ranked in the lowest half of the distribution contain 30.5 percent of very low-income renters and 33.8 percent of worst case needs. Overall, the distribution of worst case needs is very similar to the distribution of very low-income renters nationwide and in terms of metropolitan status. The somewhat greater proportion of worst case households found in low-poverty neighborhoods suggests a combination of factors: (a) that severe housing problems in low-poverty neighborhoods result primarily from a lack of affordable housing options in some areas; and (b) a small fraction of very low-income renters may accept severe rent burdens in order to live in a better neighborhood. More research is needed to determine to what extent either of these explanations affects the geographic pattern of worst case needs.

Chapter 1. Introduction

Since 1991, the Department of Housing and Urban Development (HUD) has issued regular reports to Congress on "worst case needs" for housing assistance among the nation's very-low-income renters. These reports developed from requests from Congressional Committees in the 1980s for information on housing needs. In 1990, the U.S. Senate Appropriations Committee directed HUD to "resume the annual compilation of a worst case housing needs survey of the United States ... [to estimate] the number of families and individuals whose incomes fall 50 percent below an area's median income, who either pay 50 percent or more of their monthly income for rent, or who live in substandard housing."[2] This report is the tenth in a series of Worst Case Needs reports to Congress.[3]

Households with "worst case needs" are defined as unassisted renters with very-low incomes (below 50 percent of area median income) who pay more than half of their income for housing or live in severely substandard housing. HUD originally developed the definition of worst case needs in consultation with the Office of Management and Budget and Congressional Committees. It was based on the federal preference rules that prioritized admissions for housing assistance programs in the 1980s and early 1990s. To assess changes over time, HUD has retained this consistent definition of "worst case needs" for affordable housing.

While federal preferences for housing assistance were subsequently repealed, the current definition of worst case needs is still highly useful. As stated, a consistent definition makes it possible to assess changes over time, and severe rent burden and physical adequacy of living conditions remain key indicators of the overall need for safe and affordable housing.

Terms and Sources

This report uses data from 2005—the latest available data from the American Housing Survey (AHS). The AHS is sponsored by HUD and conducted by the U.S. Census Bureau, and is the only detailed periodic national housing survey in the United States. It provides nationally representative data on a wide range of housing

[2] Committee Report to accompany H.R. 5158, The VA-HUD Appropriations Act for FY 1991 (S. Rpt. 101-474).

[3] HUD's previous reports to Congress about worst case housing needs are as follows: Priority Problems and "Worst Case" Needs in 1989 (June 1991, HUD-1314-PDR); The Location of Worst Case Needs in the Late 1980s (December 1992, HUD-1387-PDR); Worst Case Needs for Housing Assistance in the United States in 1990 and 1991 (June 1994, HUD-1481-PDR); Rental Housing Assistance at a Crossroads: A Report to Congress on Worst Case Housing Needs (March 1996); Rental Housing Assistance—The Crisis Continues (April 1998); Rental Housing Assistance—The Worsening Crisis: A Report to Congress on Worst Case Housing Needs, (March 2000); A Report on Worst Case Housing Needs in 1999: New Opportunity Amid Continuing Challenges, Executive Summary (January 2001); Trends in Worst Case Needs for Housing, 1978–1999 (December 2003); and Affordable Housing Needs: A Report to Congress on the Significant Need for Housing (December 2005). These publications are available online at http://www.huduser.org.

subjects including apartments, single-family homes, mobile homes, vacant homes, family composition, income, housing and neighborhood quality, housing costs, equipment, fuel type, size of housing unit, and recent moves. National data are collected every 2 years from a sample of about 63,000 housing units. The survey, which started in 1973, has sampled the same housing units since 1985, while newly constructed units are also sampled to ensure both continuity and timeliness of the data. Information from the Worst Case Needs reports has helped inform public policy decisions, including decisions on targeting of existing resources, the need for additional resources, and the form such assistance should take.

The report also includes an analysis using data from the Census Bureau's Survey of Income and Program Participation (SIPP), which was included for the first time in the December 2005 "Affordable Housing Needs" report. These data are used to augment the report's findings by analyzing not only the prevalence of severe rent burdens but also their duration for a variety of lower income households.

Explanation of Household Income Categories

Many HUD programs and other federal housing programs use specific income limits to determine whether households qualify for those programs. HUD has developed a very useful means of establishing these income limits so that they reflect area income levels. Income limits are set on the basis of area median incomes for each metropolitan area and non-metropolitan county. Area median incomes are also adjusted for family size before income limits are determined.

The terms "low-income," "very low income," and "extremely low income" used in this report follow the specific meanings of those terms as used in several of HUD's affordable housing programs:

Exhibit 1-1. HUD Income Limits in Selected Cities, FY 2005

	Annual Income for 4-Person Household			
	30% Median	50% Median	80% Median	Median
New York City	$18,850	$31,400	$50,250	$54,400
Los Angeles	19,650	32,750	52,400	54,450
Chicago	22,600	37,700	58,000[a]	69,700
Houston	18,300	30,500	48,800	61,000
Philadelphia	20,650	34,400	55,050	68,800
Phoenix	17,600	29,300	46,900	58,600
Jacksonville	17,350	28,950	46,300	57,850
Washington, DC	26,800	44,650	58,000[a]	89,300
Denver	21,500	35,850	57,350	71,650
Atlanta	21,500	35,600	56,950	70,250
Seattle	23,350	38,950	58,000[a]	72,250

[a] When the low-income threshold (80 percent of median income) for a locality exceeds the national U.S. median family income level ($58,000 for FY 2005), the national median level is used for purposes of HUD programs. HUD can also make exceptions in limited circumstances, for instance, if decreases in the local median income occur due to re-benchmarking by the Census (e.g., New York City in FY 2005).

- Low Income. Not more than 80 percent of area median income. Defined by the United States Housing Act of 1937 and used as an income limit for many rental and homeownership programs.
- Very Low Income. Not more than 50 percent of area median income. Defined by the United States Housing Act of 1937 and used as an income limit for many rental programs.
- Extremely Low Income. Not more than 30 percent of area median income. Although "extremely low income" is not a defined term in the U.S. Housing Act of 1937, the income threshold itself is used for the purpose of establishing admissions standards in HUD's major rental assistance programs.

Housing Assistance and Affordable Housing Programs

Since the beginnings of federal rental assistance with the U.S. Housing Act of 1937, programs have evolved to operate in three basic ways:

- Public housing. These units are owned and managed by local public agencies. From 1937 to the mid-1980s, public housing was built to provide affordable housing for low-income families. Today, there are 1.1 million occupied units of public housing. Public housing continues to provide affordable housing to the most diverse and lowest income population of all HUD programs. Families are generally required to pay 30 percent of their income for rent.
- Project-based assisted housing. Through a variety of programs in the 1960s through the 1980s, the federal government produced 1.3 million affordable rental units, largely privately owned, that are now supported by project-based Section 8 rental assistance contracts and reserved for low-income families who usually pay 30 percent of their income for rent.
- Tenant-based housing assistance. These programs provide rental assistance vouchers to 2.0 million households in affordable privately owned housing units selected by the household. In general, families are required to pay 30 percent of their income for rent, but are allowed to pay more if they choose.

A number of other federal housing programs produce affordable housing, typically with less costly subsidies. While these units are often more affordable than market-rate units, without additional rental subsidies (such as vouchers), extremely low-income families would often have to pay well over 30 percent of their income for units in these programs.

These programs include:

- Low Income Housing Tax Credit. This tax credit program subsidizes the capital costs of units that will have rents affordable to households with incomes at or below 60 percent of area median income.
- HOME Investment Partnership (HOME). This is a formula grant to states and local governments that can be used to assist homeowners, first-time homebuyers, or renters. Between 1992 and 2005, HOME produced 240,000 affordable rental units. Qualifying rents must be affordable to households with incomes at or below 65 percent of area median income, or below local Fair Market Rents, whichever is less.
- Housing Opportunities for Persons with AIDS (HOPWA). HOPWA funds have been available to state and local governments and non-profits by annual formula and competitive grants since 1992. Currently, 67,000 low-income households receive housing assistance which serves as a base for participating in care and HIV treatment. Assistance is targeted to a special needs population. Grantees report that 77 percent of recipients have extremely low incomes, and another 16 percent have very low incomes.

- Older rental subsidy programs. The Section 221(d)(3) below market interest rate (BMIR) program and the Section 236 program were active from the early 1960s through the early 1970s. They were designed to produce housing affordable by families with incomes above the public housing income limits.
- Over time, many projects or portions of projects developed through these programs became "project-based Section 8 assisted housing" as deep rental subsidies were attached to the units. There remain 353,000 units subsidized by these older programs that do not have deep rental subsidies.

For further detail, see "Programs of HUD, 2006: Major Mortgage, Grant, Assistance and Regulatory Programs" (HUD 2006a).

Chapter 2. Incidence of Worst Case Needs for Housing Assistance

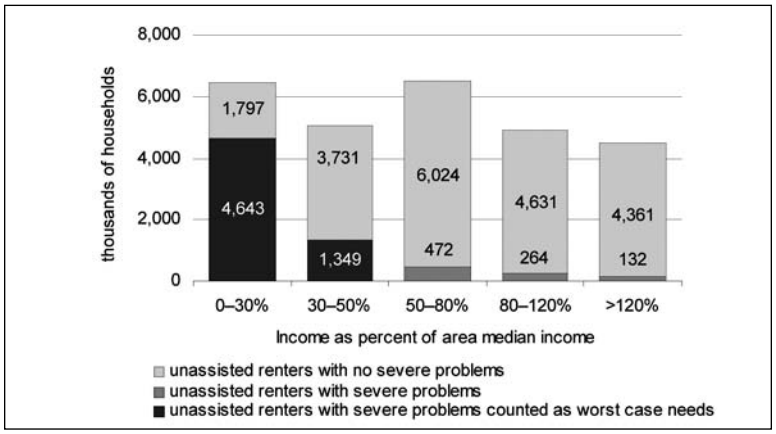
Snapshot of Worst Case Needs

In 2005, 5.99 million households, comprising 13.42 million individuals, had worst case housing needs. Households defined as having worst case needs are renter households whose incomes are no greater than 50 percent of area median income (that is, "very low income" or VLI) and who do not receive housing assistance, and who have a severe housing problem known as a "priority" problem.[4]

HUD recognizes two types of priority problems: living in severely inadequate housing,[5] or having severe cost burdens because housing costs exceed 50 percent of household income. In the case of renters, the latter means severe rent burdens.[6]

In Exhibit 2-1, households with worst case needs are represented by the dark areas in the first two columns—illustrating that severe problems do not count as worst case needs if households have incomes greater than 50 percent of area median income. By definition, worst case needs result from the presence among unassisted renters of both very low income and severe problems.[7]

Exhibit 2-1. Worst Case Needs Are Severe Housing Problems Experienced by Unassisted Very Low-Income Renters, 2005



[4] See Appendix B for discussion of the concepts used to define and methods used to estimate worst case needs. Priority problems initially received the designation because they were conditions that qualified unassisted households for federal preference in admission to assisted housing programs between 1988 and 1996. Owner households are excluded from worst case needs because of the conceptual focus on rental housing. In addition, homeowners have a capital asset and receive "imputed rent" value for their investment. Housing problems of owner households are summarized in Table A-1b for comparative purposes.

[5] The homeless are omitted from estimates of worst case needs in this and earlier reports because the American Housing Survey counts only persons in housing units. HUD is assessing the potential of supplementing future estimates of worst case needs with estimates of persons who experience homelessness from local Homeless Management Information Systems (HMIS). The first Annual Homeless Assessment Report, transmitted to Congress in February 2007, offered three months of HMIS data for an 80-community random sample (HUD 2007). It concluded that between February 1 and April 30 of 2005, there were 334,744 homeless people receiving shelter on an average day and 704,000 receiving shelter sometime during that 3-month period. As the Department collects HMIS data over longer time periods, its capacity to measure both the size and makeup of the homeless population will expand dramatically.

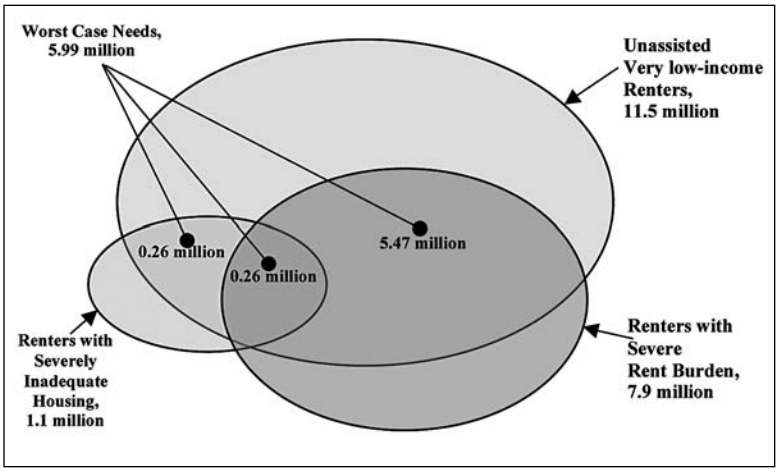
[6] Rent-to-income ratios are calculated on the basis of gross rent, which is the sum of rent plus tenant-paid utilities.

[7] Note that these estimates identify whether households receive rental assistance on the basis of survey responses, which are not entirely reliable for determining actual assistance (Shroder 2002).

Exhibit 2-2 shows how the two severe problems, represented by the smaller ovals, combine with very low income to constitute worst case housing needs. The large oval represents the 11.52 million unassisted very low-income renters, of whom 5.53 million are free of either severe problem. The 5.99 million households with worst case needs are represented by the intersection of the large oval with the smaller ovals.

Although there are a total of 33.95 million renter households, the diagram does not show the 22.43 million renters who are outside the largest oval because they have incomes above the very low-income threshold or receive some form of housing assistance. A significant number of these households—those represented by the over-hanging portions of the small ovals—also face severe problems, especially severe rent burden.[8] Among all renters, 8.66 million have one or both severe problems.[9]

Exhibit 2-2. Birds-Eye View of Worst Case Housing Needs in 2005



Source: HUD-Office of Policy Development and Research (PD&R) tabulations of American Housing Survey data.

Severe rent burdens. Very low-income households who have worst case housing needs in 2005 reported incomes averaging $10,400 per year, or $868 per month (see Table A-14). In comparison, their average gross rent (including utilities) was $713 monthly. The ratio of the average rent to average income suggests that the typical rent burden was 82 percent, substantially above the 50 percent rent-to-income ratio that qualifies as worst case need, and higher than the 76 percent ratio observed in 2003. Such rent burdens substantially limit the income that households have available to spend on other necessities such as adequate nutrition, medical care, and education.

Among households with worst case needs, 77 percent report extremely low incomes (that is, less than 30 percent of area median income). Rent burdens are even more severe for these poorer households than for all very low-income renters with worst case needs. Extremely low-income (ELI) renters have incomes averaging $7,800 annually or $648 per month, and also pay rents averaging $647. Thus, average gross rents have reached 100 percent of reported income among extremely low-income renters with worst case needs.[10]

[8] Among renters who are shown outside the large oval in Exhibit 2-2 because they have either rent assistance or incomes above the very low-income threshold, there are 0.51 million with severely inadequate units alone, 2.09 million with severe rent burdens alone, and 0.07 million with both problems (calculated from Tables A-1a and A-3.)

[9] Table A-1 in the appendix provides additional data about households with higher incomes or with "moderate problems," which include rent-to-income ratios exceeding 30 percent, less severe physical inadequacies with units, and overcrowding.

[10] The improbability that numerous households are paying every dollar of income for housing suggests that high-rent markets may skew the distribution of rents more than high-income markets skew the distribution of locality-adjusted income. In addition, measurement error is likely to be a factor. The American Housing Survey is known to capture about 10 percent less household income for lower-income households and to count about 10 percent more families in poverty than the American Community Survey.

Severe rent burden continues to be the dominant cause of worst case needs, as severe rent burdens alone accounted for 91.3 percent of worst case households in 2005.

Severely inadequate housing. Physical housing problems have declined dramatically in past decades, but have changed little since 2001. In 1978, 9 percent of all very low-income renters had severely inadequate housing (HUD 2003, A-3). In 2005, 658,000 very low-income renters, or 4.1 percent, had severely inadequate housing. Severely inadequate housing includes a variety of physical problems related to heating, plumbing, electric, public spaces, or maintenance.

Among worst case households in 2005, 8.7 percent had severely inadequate housing, of which 50 percent also had severe rent burdens. Only 4.4 percent of worst case households were in that status based solely on severely inadequate housing.

Recent Changes in Worst Case Needs

The 5.99 million households with worst case needs observed in 2005 represent a statistically significant increase from the 5.18 million households in 2003 and 5.01 million households in 2001. The rate of increase in worst case needs exceeded the rate of population growth, so that between 2003 and 2005 the proportion of U.S. households with worst case needs increased by 0.6 percentage points to 5.5 percent.[11]

An important cause of the increase in worst case needs since 2001 has been an increase in the number of very low-income renters. The 14.90 million very low-income renter households in 2001 increased to 15.66 million in 2003 and 16.07 million in 2005.

A greater proportion of renter households were categorized as very low-income renters in 2005, 47.3 percent, compared with 44.2 percent in 2001. Many higher-income renters became homeowners during the 2001–2005 period. As a result, there were 1.77 million fewer renter households with incomes exceeding 80 percent of area median in 2005 as there were 4 years earlier.

Exhibit 2-3. The Incidence of Worst Case Needs Increased Among U.S. Households From 2001–2005

	2001	2003	2005
All households (in millions)	105.44	105.87	108.90
Renter households with worst case needs (in millions)	5.01	5.18	5.99
Worst case needs as percent of all households	4.76%	4.89%	5.50%

Source: HUD-PD&R tabulations of American Housing Survey data.

In addition, the incidence of worst case needs among very low-income renters increased to 37.3 percent in 2005, reversing a slight decrease from 33.6 percent in 2001 to 33.1 percent in 2003. The balance of this chapter examines this phenomenon in greater detail and identifies some contributing factors.

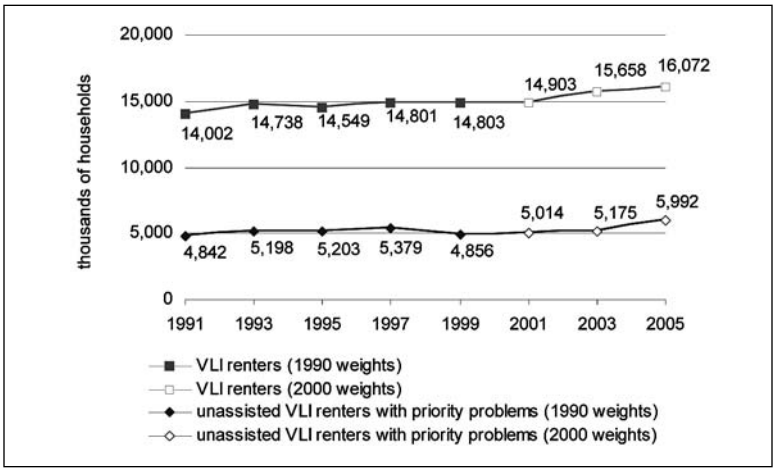
[11] The change in incidence is statistically significant. The standard error of the difference was estimated using a "heteroskedasticity-robust" method (the Stata statistical software's "cluster" option) to account for the correlation of AHS-sampled housing units from year to year, and increased by 4 percent to better reflect the complex sample design. The observed 2003–2005 change in worst case needs incidence of 0.0061 exceeds the resulting standard error of 0.0015 by a factor of 4.07, thus surpassing the 1.96 ratio that defines the 95 percent confidence interval.

Factors Affecting Worst Case Needs

Among all U.S. households, the proportion that has worst case housing needs remained stable through the 1990s, with the minimum level of 4.73 percent observed in 1999 (HUD 2003). Since then, worst case needs have increased to 5.5 percent of households in 2005.

Exhibit 2-4 shows that there were 1.15 million more households with worst case needs in 2005 than in 1991. The 23.8 percent increase exceeded the 14.8 percent increase in very low-income renters and the 16.9 percent increase in total U.S. households during the same period. As a result, 52.0 percent of unassisted very low-income renters had worst case needs in 2005, significantly higher than the 45.4 percent in 2003, and more comparable to the 51.0 percent incidence observed in 1997.

Exhibit 2-4. Overall Trend in the Number of Very Low-Income Renters and Those with Worst Case Needs, 1991–2005



As the definition of worst case needs suggests, the level of such needs is dependent on numerous factors. The balance of this chapter will examine these factors, including household characteristics and income, and geographic factors affecting housing supply, and assess their relative importance in the levels and changes in severe housing problems observed in 2005.

Importance of Income

The incidence of worst case needs is substantially higher among extremely low-income renters, who have incomes no greater than 30 percent of area median income, than among very low-income renters. Because severe rent burden—not inadequate housing—is the predominant cause of worst case needs among very low-income renters, the importance of income for households seeking affordable housing cannot be overstated.

As incomes decrease, the pool of rental units that households find affordable becomes progressively smaller. The 2005 AHS data reveal 7.34 million renter households who had incomes below $10,000, but only 2.28 million rental units that were affordable to these households based on 30 percent of a $10,000 income (Census Bureau 2006, Table 2-19).

There also were 2.13 million occupied units with "no cash rent" in 2005, suggesting that a significant number of households have special housing arrangements. Such arrangements may include housing provided both as non-wage compensation for work and as in-kind assistance from families or charities. It is likely that non-wage compensation in the form of "workforce housing" accounts for a significant propor-

tion of no-cash-rent households, as the median income of such households was $18,024 in 2005 (Census Bureau 2006, Table 2-21)—substantially higher than the $10,400 income of the mean household with worst-case needs.

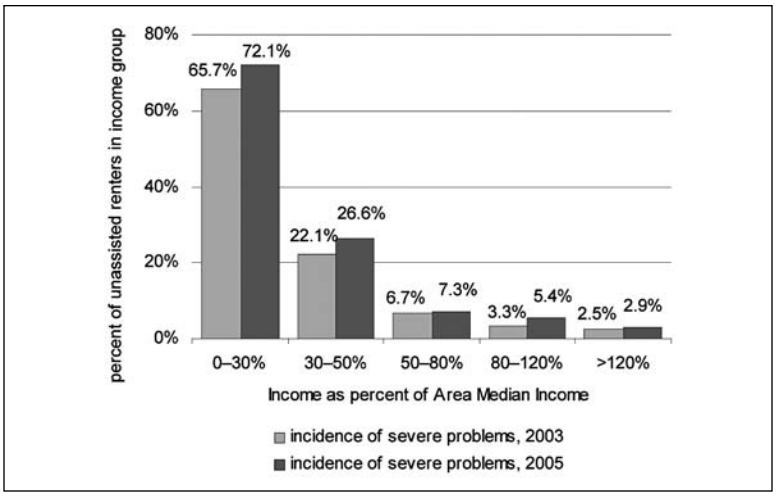
Effect of Income on Incidence of Worst Case Needs

Most worst case needs are experienced by extremely low-income renters. By definition, worst case needs households must have very low income, but households with extremely low incomes are much more likely than very low-income households overall to have worst case needs. In 2005, extremely low-income renters accounted for 77 percent of worst case needs—a proportion that has been stable since 1997. This is disproportionate to their 61 percent share of households below the very low-income threshold.

Exhibit 2-5 illustrates that among unassisted extremely low-income renters, the incidence of the severe problems constituting worst case needs was 72.1 percent in 2005. Incidence of severe problems, at 26.6 percent, is substantially lower for the remaining households making up worst case needs—those with incomes from 30–50 percent of median. Among unassisted renters above the very low-income threshold, only 5.5 percent had severe housing problems. Nevertheless, because very low-income households account for 42.0 percent of unassisted renters, the overall proportion of unassisted renters with severe problems was 25.0 percent.

Exhibit 2-5 also shows that incidence of severe problems increased, at least marginally, among unassisted renters of every income group during the 2003–2005 period. The incidence of worst case needs increased by 6.4 percentage points for extremely low-income households and by 4.5 points for other very low-income households. Among renters with higher incomes, the average incidence of severe problems increased by 1.0 percentage point.

Exhibit 2-5. Changes in Incidence of Severe Housing Problems Are Greatest Among Unassisted Renters with the Lowest Incomes, 2003–2005



Housing assistance mitigates the effect of very low income. By definition, families with housing assistance do not have worst case needs. Housing assistance from various sources plays a substantial role in reducing worst case housing needs. Among the 6.55 million[12] renter households who received housing assistance

[12] The 6.55 million figure are renters who report conditions implying receipt of housing assistance in the AHS, as described in the Appendix. This tally substantially exceeds the 4.4 million assisted in HUD rental programs. Causes of the difference include inaccurate survey responses and inclusion of less deeply targeted programs like the Low Income Housing Tax Credit.

in 2005, 69.5 percent had incomes below the very low-income threshold. There were 3.29 million assisted households with extremely low incomes, and another 1.26 million assisted households with incomes that are very low. Thus, more than half of assisted households had the extremely low incomes that would place them at a very substantial risk of experiencing worst case housing needs if they had no assistance.

Working Households with Worst Case Needs

Almost one-third (31 percent) of households with worst case needs presumptively would not be expected to be working because of age or disability. (These household types are discussed further below.) For households that do not face either of these presumed barriers to work, their work participation and housing problems are issues of substantial policy interest. Numerous federal and state policies and programs focus on helping citizens by promoting their long-term self-sufficiency and material progress while providing short-term assistance for daily needs.

Extremely low-income renters with significant work participation

The AHS does not directly measure work participation. However, by using a proxy measure, HUD estimates that during 2005 about 1.61 million renter households with extremely low incomes (16.5 percent of extremely low-income renters) had earnings consistent with full-time employment.[13] Of these working households, 770,000 (48 percent) had worst case housing needs.

A more inclusive proxy for working households counts those whose earnings are their primary source of income.[14] Based on this measure, the number of working extremely low-income renters was 3.88 million in 2005. Of these, 2.28 million or 59 percent had a severe housing problem causing worst case needs.

These statistics show that affordable housing is a substantial problem for the nation's extremely low-income workforce. The picture is somewhat better for renters with incomes between 30 percent and 50 percent of area median income. Among these households, 73 percent were working under the full-time employment proxy and 74 percent were counted as working using the indicator of wages being their primary income source. Among the latter group, 19 percent, or 890,000 households, had worst case needs in 2005.

Worst case needs among families with children and earnings

Among households with children and worst case needs, the proportion who were working full time according to HUD's proxy was 39 percent in 2005, changed only slightly from 40 percent in 1999. Using the same measure, about 1.14 million ex-

[13] HUD's proxy for full-time employment is household earned income of $10,300, equivalent to 40 hours per week for 50 weeks at the national minimum wage of $5.15.

[14] "Primary source of income" means their earnings represent 50 percent or more of household income.

tremely low-income renter households with children (30 percent) were working full time in 2005. Of these working households, 510,000 had worst case housing needs.[15]

Demographic Factors Affecting Worst Case Needs

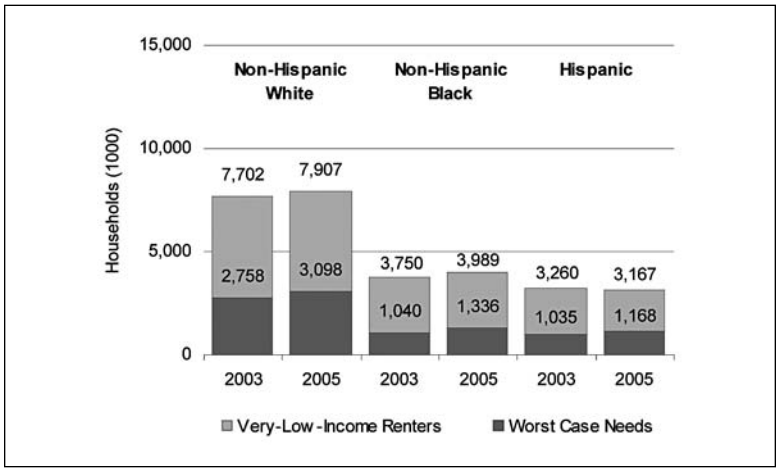
Race and Ethnicity

Worst case needs for housing cut across lines of race and ethnicity. Minority status depends on definitions that are fluctuating as the nation's population becomes more diverse.[16] Analyzing housing needs in terms of these demographics shows that increases in worst case needs occurred among all three of the large racial and ethnic groups studied.

In 2005, there were 3.10 million non-Hispanic white households with worst case needs, an increase of 340,000 households (or 12.3 percent); 1.34 million non-Hispanic black households with worst case needs, up 296,000 households (or 28.4 percent); and 1.17 million Hispanic households with worst case needs, up 133,000 households (or 12.8 percent). Exhibit 2-6 adds greater detail to these findings.

Almost all of the increases can be attributed to an increased likelihood or incidence of worst case needs among very low-income renters. Incidence for non-Hispanic whites increased from 35.8 percent in 2003 to 39.2 percent in 2005. During the same period, incidence likewise rose from 27.7 percent to 33.5 percent for non-Hispanic black households, and from 31.7 percent to 36.9 percent for Hispanic households. Thus, increases in the number of worst case needs as well as the incidence of worst case needs occurred for each of these populations. (For further detail, see Table A-9 in the Appendix.)

Exhibit 2-6. Major Racial/Ethnic Groups Each Experienced Increases in Worst Case Needs, 2003–2005



The growth in the overall number of very low-income renters did contribute somewhat to the increase in worst case needs. In 2005, very low-income renters included 205,000 (2.7 percent) more non-Hispanic white households and 239,000

[15] Low-income working families with children are eligible to receive a cash benefit through the federal Earned Income Tax Credit. The AHS does not capture this form of income. Berube (2006) reports that the average claimant in 2004 received roughly $1,800, or more than 10 percent of his or her annual income, from the federal credit, and that nineteen states plus the District of Columbia offer their own earned income tax credits, matching the federal credit at rates ranging from 5–35 percent.

[16] Beginning in 2003, the AHS used revised Census Bureau categories of race and ethnicity that are not directly comparable with prior surveys. Survey respondents now are allowed to select more than one racial group, causing small but significant decreases in the size of the single-race categories.

(6.4 percent) more non-Hispanic black households than in 2003. For both of these groups, this overall growth contributed to about one-fifth of the increase in worst case needs, with the rest of the increase attributable to higher incidence. In contrast, the number of Hispanic very low-income renters declined by 93,000 (2.9 percent), following an increase of 31 percent in the 2001–2003 period. This distinction implies that increases in worst case needs among Hispanics during the 2003–2005 period can be attributed to factors affecting incidence.

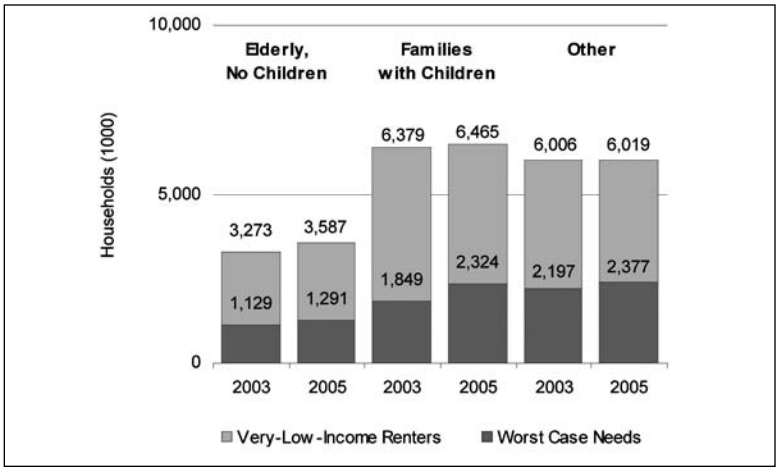
Severely inadequate housing also varies by demographic group. Focusing again on very low-income renters, only 3.9 percent of non-Hispanic whites experienced severe physical problems with their units in 2005, compared with 4.5 percent of non-Hispanic blacks and 4.8 percent of Hispanics. Among very low-income renters with severe problems, 8 percent of whites, 9 percent of blacks, and 10 percent of Hispanics lived in severely inadequate housing.

New analysis of the impact of immigration status on worst case needs in 2005 revealed that severe housing needs are largely independent of immigration factors. Householders who are naturalized citizens accounted for 5.7 percent of worst case needs, proportional to their 5.1 percent share of unassisted very low-income households. Likewise, non-citizen householders constituted 13.0 percent of worst case needs, slightly less than their 14.1 percent share of unassisted very low-income households. As a result, household status as a citizen, naturalized citizen, or non-citizen has no bearing on whether they are likely to experience worst case needs.

Household Structure

The composition of different households reflects variations in their stage of life, their income and resources, and their housing requirements. To explore these differences, Exhibit 2-7 shows how the number of very low-income renters of three household structures relates to changes in worst case needs for each group between 2003 and 2005.

Exhibit 2-7. Household Type and Worst Case Needs, 2003–2005



Families with Children

In 2005, 6.465 million very low-income renter households included one or more children under 18 years of age, and 2.324 million of these households had worst case housing needs. The resulting incidence of 35.9 percent is significantly higher than the 29.0 percent rate in 2003, and accounts for most of the increase of 475,000 worst case needs among families with children. Families with children represented more than one-third (38.8 percent) of households with worst case needs in 2005.

Another substantial fraction of very low-income renters with children, 27.7 percent, have rental assistance, which keeps these 1.79 million households out of worst case status.

Elderly Households

HUD defines elderly households as those with either a head or spouse at least 62 years of age. Elderly households constituted 1.291 million, or 21.5 percent, of the worst case needs in 2005. The number with worst case needs in 2005 was 14.3 percent greater than the 2003 level.

Exhibit 2-7 also shows that during the same period, the number of elderly very low-income renters increased by 9.6 percent, to 3.587 million. The increase in the number of very low-income renters who are elderly thus accounts for much of the increase in elderly worst case needs. Nevertheless, the incidence of worst case needs among the elderly also increased by 1.5 percentage points to 36.0 percent in 2005, although the change is not statistically significant.

In 2005, 1.36 million elderly households reported receiving housing assistance, representing 37.9 percent of elderly very low-income renters. This is a statistically insignificant increase from the 34.5 percent that received assistance in 2003, and is about the same as the proportion of elderly very low-income renters that had worst case needs.

Other Households

The final household category shown in Exhibit 2-7 consists of renters who neither are elderly nor have children in the household. This group may be further broken down, as shown in appendix Table A-6a, into other families (that is, related persons without children), households having persons with disabilities, and other non-family households.

HUD's proxy measure for non-elderly renters with disabilities reveals 542,000 worst case households in 2005, up from 511,000 in 2003 (see discussion of the disability proxy in the Appendix). Based on this measure, 1.416 million very low-income renter households have members with disabilities, which puts the incidence of worst case needs at 38.3 percent among this group, slightly higher than the 36.4 percent rate in 2003.

A new examination of "other non-family" households, shown in Exhibit 2-8, sheds light on the substantial number of such households who have worst case needs. Out of 3.058 million unassisted very low-income renters of this type during 2005, 1.511 million, or 49.4 percent, had worst case needs.

Exhibit 2-8. Unassisted Very Low-Income "Other Non-Family" Renters by Household Structure and Presence of Worst Case Needs, 2005

	Living Alone	With Unrelated Persons		Total
		(1)	(2 or more)	
Total Households (1000)	2,452	510	96	3,058
Male Householder	1,316	290	60	1,666
Female Householder	1,137	221	37	1,395
With Worst Case Needs (1000)	1,179	273	60	1,511
Male Householder	637	128	43	808
Female Householder	542	145	17	704

Source: HUD-PD&R tabulations of AHS data.

Note: "Other Non-Family" means households with a single non-elderly person living alone or only with non-relatives, and not reporting any Supplemental Security Income that suggests the presence of a person with a disability. See Table A-6a.

Most "other non-family" households consist of a single person living alone: 80.2 percent of male-headed households and 78.0 percent of female-headed households. Of these single persons, 1.179 million had worst case needs, with incidence of 48.4 percent among males and 47.7 percent among females. In sum, almost one-fifth, 19.7 percent, of households with worst case needs consist of a single person.

Geographic Variation in Worst Case Needs

The population susceptible to worst case needs, very low-income renters, expanded across most of the country between 2003 and 2005. The greatest percentage increase, 4.6 percent, occurred in the West as 167,000 very low-income renters were added. Increases of 2.8 percent in both the South and the Northeast added 150,000 and 94,000 very low-income renters, respectively, while the number in the Midwest did not change significantly. The South is the most populous region and 34 percent of very low-income renters accordingly reside there. The other three regions each have between 21–24 percent of very low-income renters.

Worst Case Needs by Region

Exhibit 2-9 shows that very low-income renters in all major regions—Northeast, Midwest, South, and West—had high levels of worst case needs in 2005. In the West, 39.9 percent of very low-income renters had worst case needs. Incidence was 38.3 percent in the Northeast and 36.5 percent in the South. The Midwest had the lowest incidence, yet in this region too, more than one-third of very low-income renters, 34.6 percent, had worst case needs.

Exhibit 2-9. Worst Case Needs by Region

	2001	2003	2005
Northeast			
Very low-income renters (1000)	3,446	3,444	3,538
Worst case needs		1,146	1,354
Percent with worst case needs	33.2%	33.3%	38.3%
Midwest			
Very low-income renters (1000)	3,005	3,327	3,331
Worst case needs		1,009	1,152
Percent with worst case needs	30.5%	30.3%	34.6%
South			
Very low-income renters (1000)	4,860	5,294	5,444
Worst case needs		1,649	1,987
Percent with worst case needs	32.9%	31.1%	36.5%
West			
Very low-income renters (1000)	3,592	3,592	3,759
Worst case needs		1,371	1,500
Percent with worst case needs	37.7%	38.2%	39.9%

Source: HUD-PD&R tabulations of AHS data.

The greater prevalence of worst case needs in the West and the Northeast reflects the higher housing costs in those regions. However, it is notable that regional disparities in incidence decreased during the 2003–2005 period from 7.9 to 5.3 percentage points. This leveling resulted from increases in incidence of 4.3 points in the Midwest and 5.4 points in the South, compared with a statistically insignificant 1.4 point gain in the West.

Between 2003–2005, the number of households with worst case needs increased by 18 percent in the Northeast, by 14 percent in the Midwest, by 20 percent in the South, and by 9 percent in the West. Because the South already had the greatest number of households with worst case needs in 2003, the greater percentage change in that region had a larger impact on the national total.

Regional Variation in Housing Assistance

Housing assistance, which directly reduces the incidence of worst case needs, is distributed unevenly across the nation relative to the population most likely to need it. This occurs primarily because of differences in the historical allocation of federal assistance that are sustained through successive congressional appropriations. Public housing and subsidized private multifamily housing constitute about 60 percent of HUD-assisted housing. These project-based programs represent geographically fixed investments. Few public housing developments have been constructed in recent decades,[17] which makes it proportionately scarcer in high-growth areas such as the West.

Exhibit 2-10 shows that in comparison to other regions, the West continues to have a lower proportion of very low-income renters who receive housing assistance, 25.5 percent, which necessarily increases its incidence of worst case needs. However, the Northeast continues to provide housing assistance to a substantially higher proportion of very low-income renters than do other regions while experiencing similarly high incidence of worst case needs.

Regional Housing Markets

Worst case needs is an indicator of the balance between supply and demand of rental housing across local markets. Another more widely recognized indicator is the rental vacancy rate. Exhibit 2-11 contrasts the rental vacancy rate with the incidence of worst case needs on a regional basis. In this exhibit, the incidence of worst case needs is measured as a percentage of very low-income renters who do not receive rental assistance, as such renters are more reliant on market-rate housing.

Exhibit 2-10. Worst Case Needs and Housing Assistance, by Region

	2001	2003	2005
Northeast			
VLI renters (1000)	3,446	3,444	3,538
Percent with housing assistance	33.8%	32.3%	34.3%
Percent with worst case needs	33.2%	33.3%	38.3%
Midwest			
VLI renters (1000)	3,005	3,327	3,331
Percent with housing assistance	30.8%	28.6%	29.1%
Percent with worst case needs	30.5%	30.3%	34.6%
South			
VLI renters (1000)	4,860	5,294	5,444
Percent with housing assistance	26.0%	25.1%	25.9%
Percent with worst case needs	32.9%	31.1%	36.5%
West			
VLI renters (1000)	3,592	3,592	3,759
Percent with housing assistance	24.4%	24.1%	25.5%
Percent with worst case needs	37.7%	38.2%	39.9%

Source: HUD-PD&R tabulations of AHS data.

Exhibit 2-11. Regional Variation in Worst Case Needs Mirrors Regional Vacancy Rates, 2001–2005

	2001	2003	2005
Northeast			
Rental vacancy rates	5.3%	6.6%	6.5%
Worst case needs as percent of unassisted VLI renters	50%	49%	58%
Midwest			
Rental vacancy rates	9.7%	10.8%	12.6%
Worst case needs as percent of unassisted VLI renters	44%	42%	49%
South			
Rental vacancy rates	11.1%	12.5%	11.8%
Worst case needs as percent of unassisted VLI renters	46%	42%	49%
West			
Rental vacancy rates	6.2%	7.7%	7.3%
Worst case needs as percent of unassisted VLI renters	50%	50%	54%

Source: HUD-PD&R tabulations of AHS data, and "U.S. Housing Market Conditions," Historical Tables: Table 26 (HUD 2006b).

[17] HUD has not provided new funding for public housing development since FY 1994. However, public housing authorities could use Modernization and HOPE VI funding flexibly for development. See http://www.hud.gov/progdesc/pdev.cfm (accessed April 2005).

The shortage of affordable rental housing, reflected in worst case needs, is shown to have persisted despite relatively high vacancy rates that averaged 9.8 percent in 2005. In comparison, vacancy rates remained below 8 percent during most of the 1990s. Vacancy rates in the Northeast and West, where worst case needs were greatest, continued to remain substantially below the national average.

The association between regional vacancy rates and worst case needs points to the importance of the market supply of rental housing, a topic we return to in this chapter and in greater detail in Chapter 4. Yet despite the clear role that tight rental markets play in increasing worst case needs, Exhibit 2-11 also shows that other factors are at work. For example, the increased incidence of worst case needs in the Midwest during the 2003–2005 period occurred while increased vacancies should have made rental units easier to find overall.

Worst Case Needs by Urban Geography

The location of very low-income renters in terms of metropolitan status also shows that worst case needs are distributed not only across all regions of the country but also throughout all metro-types: central cities, suburbs, and non-metropolitan areas. Central cities had 2.91 million households with worst case needs in 2005, up 14.9 percent from 2003 levels. Suburbs had 2.09 million households with worst case needs, up 5.3 percent, while non-metropolitan areas had 0.99 million households with worst case needs, up 51 percent from the 2003 level. These tallies reflect the distribution of very low-income renters, of which 47 percent were living in central cities, 33 percent were in suburbs, and 20 percent resided in non-metropolitan areas during 2005.

Very low-income renters in all types of metro areas had substantial likelihood of being worst case needs renters. In both central cities and suburbs, 39 percent of very low-income renters were in the worst case needs group. While non-metropolitan area renters had a lower likelihood, almost one-third (32 percent) were also in this group. Just as significantly, all three metro types saw increases in this likelihood over the 2003–2005 period. In central cities, the incidence rose from 34 to 39 percent, and in the suburbs from 36 to 39 percent. In non-metropolitan areas, the incidence increased from 25 to 32 percent, showing that very low-income renters' likelihood of being in the worst case needs group went up from one-fourth to almost one-third of all such renters.

Exhibit 2-12 illustrates that housing assistance is slightly less common in suburban areas, where 25.2 percent of very low-income renters were assisted, compared with 29.8 percent receiving assistance in central cities and 30.1 percent in non-metropolitan areas. Moreover, very low-income renters in rural areas continue to experience substantially lower incidence of worst case needs, at 31.5 percent, than the 38.8 percent in cities and the 38.6 percent in suburbs.

Nevertheless, during the 2003–2005 period, the incidence of worst case needs increased for each of the three geographies, with statistically significant increases of 4.9 percentage points in central cities and 7.0 points in non-metropolitan areas, and an insignificant increase of 2.5 points in suburbs. Numbers of very low-income renters were fairly stable in cities and suburbs, but the 17 percent increase in very low-income renters in non-metropolitan areas (after a 9 percent increase during the 2001–2003 period) interacted with the relatively large change in incidence within those areas.

Exhibit 2-12. Worst Case Needs and Housing Assistance in Central Cities, Suburbs, and Non-Metro Areas

	2001	2003	2005
Central Cities			
VLI renters (1000)	7,287	7,446	7,505
Percent with housing assistance	29.8%	28.1%	29.8%
Percent with worst case needs	34.6%	33.9%	38.8%
Suburbs			
VLI renters (1000)	5,147	5,506	5,417
Percent with housing assistance	25.3%	24.3%	25.2%
Percent with worst case needs	34.9%	36.1%	38.6%
Non-Metropolitan Areas			
VLI renters (1000)	2,470	2,685	3,149
Percent with housing assistance	30.8%	30.7%	30.1%
Percent with worst case needs	28.3%	24.5%	31.5%

Source: HUD-PD&R tabulations of AHS data.

As a result, the number of worst case needs in non-metropolitan areas increased by 334,000 since 2003, exceeding the increase of 105,000 in suburban areas, and nearly equaling the increase of 377,000 in the much more populous central cities. See Appendix Table A-11 for these and additional data on variations of need by metropolitan location.

Another geographic aspect of worst case housing needs has to do with the neighborhoods in which households live. Very low-income renters may choose to pay higher rents rather than live in neighborhoods suffering from socioeconomic distress. Chapter 5 presents new analysis of the interaction of neighborhood conditions with worst case needs.

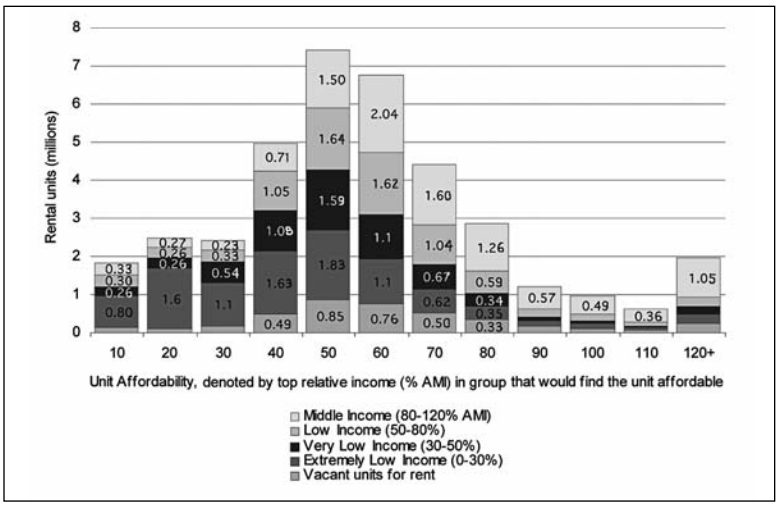
Markets and Economic Factors

The previous discussion highlighted the importance of income in relation to rents of units available in local markets. Affordable rental units frequently are occupied by higher income households. To illustrate, the columns of Exhibit 2-13 show occupied rental units distributed by the level of income (relative to area median) at which they were affordable in 2005.[18]

Summing the first three columns shows an estimated 6.75 million rental units affordable to extremely low-income renters, compared with 9.73 million extremely

[18] Note that the column for each unit affordability category is identified by the income level, as percent of area median income, that is necessary to afford the highest-rent unit in the group. (Affordability means the rent does not exceed 30 percent of monthly family income.) In other words, not every household in an income segment will be able to afford every unit classified as affordable for their segment. For example, a household with income between 20–29 percent of AMI would not find a unit "affordable" if rented at 30 percent of 30 percent (in other words, 9 percent) of AMI, which defines the most costly units affordable to any extremely low-income renter. The supporting data for this chart are presented in Appendix Table A-12.

Exhibit 2-13. Affordable Rental Units Frequently Are Occupied by Higher Income Households, 2005



low-income renters. The first five columns represent 19.12 million very low-income units, compared with 16.07 million very low-income renters. Compared with the 2003 housing stock, the number of affordable units has decreased by 4.9 percent for extremely low-income renters and by 4.2 percent for very low-income renters.

Within each column of Exhibit 2-13 are "income segments" that show the relative incomes of the households who live in those units. (To facilitate comparisons, income segments in this exhibit exclude the subsets of households with lower incomes that ordinarily are included.)

Examining the segments of each column reveals that a substantial number of units were unavailable to the income groups that would most benefit from their affordability because households with higher relative incomes occupy them. The upper income segments in the first three "unit affordability" categories show that during 2005 about 2.76 million households with incomes above the extremely low-income threshold were living in units affordable to extremely low-income renters.[19] This displacement figure is 10.9 percent smaller than the 3.10 million extremely low-income units occupied by similar households in 2003.

Similarly, 4.89 million households with incomes above the very low-income threshold were living in units affordable at 30–50 percent of median income. This displacement is 7.9 percent less than the 5.31 million units occupied by better-off households in 2003.

Reductions in displacement ordinarily would be expected to reduce worst case needs, yet worst case needs increased while displacement decreased. This apparent inconsistency can be explained by the increase in very low-income renters, which resulted from growth of the extremely low-income subset between 2003 and 2005. Their greater number made them a more effective competitive force, in the aggregate, for the diminished supply of affordable or nearly affordable units that became available. Despite their apparent success, as a group, in reducing displacement, there were many individual renters with extremely low incomes that began experiencing severe housing problems because of the increasingly tight market conditions.

[19] The data presented in Exhibit 2-13 and Table A-12 include no-cash-rent units as part of the most affordable rent category, 10 percent of AMI. Including these units and their occupants increases the proportion of the units affordable at extremely low incomes that are occupied by extremely low-income households and correspondingly decreases estimates of displacement by higher-income households. These differences are apparent in comparison with the "available" units estimates presented in the supply analysis of Chapter 4.

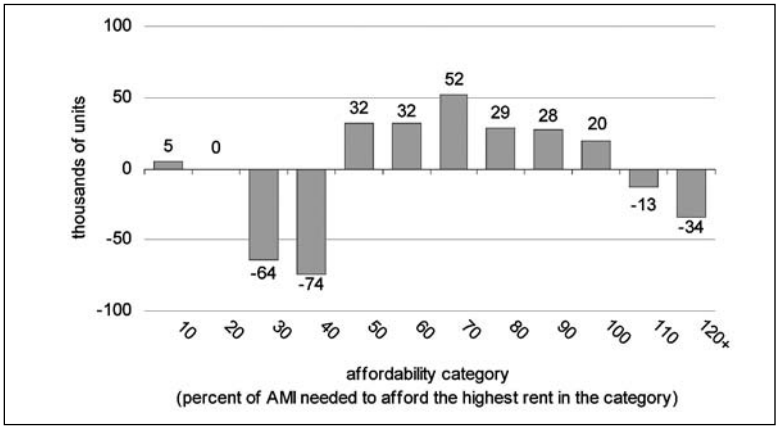
The marked difference in the heights of the third and fourth columns of Exhibit 2-13 shows that there continue to be almost twice as many units in the 40 percent affordability category (4.47 million) as in the 30 percent category (2.26 million). This difference reflects the challenge the market faces in providing standard-quality rental housing that is affordable to extremely low-income renters.

Affordability of Units that Became Vacant during 2003–2005

The challenge of supplying affordable housing is also reflected in the fact that most of the nation's vacant units become available at rents affordable only above 40 percent of median income. Only 400,000 vacant units—represented in Exhibit 2-13 by the lowest segments of the first three columns—were available for rents that extremely low-income households can afford. These available units totaled 13 percent less than they did in 2003.

The AHS data reveal a statistically insignificant net increase of 11,000 vacant rental units during the 2003–2005 period. However, the distribution of the rents that landlords were asking also shifted. Exhibit 2-14 shows which rent categories added vacant units and which categories lost units.[20] A substantial number of higher income renters became homeowners between 2003 and 2005, which increased slack in the upper end of the rental market. As a result, most units that came on the market during this period were renting for low- to moderate-income levels, and were not affordable to very low-income renters.

Exhibit 2-14. Small Net Increase in Vacant Rental Units Conceals Losses of Units Affordable to Very Low-Income Renters, 2003–2005



The sum of the first five columns shows that in 2005 there were about 101,000 fewer vacant units available for rents affordable at no more than the very low-income threshold. Although the relationship is not direct, the reduction in vacant units affordable at very low incomes was about one-eighth of the total increase of 817,000 households with worst case needs. Further, such a substantial reduction of the supply while demand was increasing typically would increase market rents.

A corroborating piece of evidence is that the number of very low-income renters living in units with severe physical problems increased by 7.2 percent, from 614,000 in 2003 to 658,000 in 2005. This exceeds the 2.6 percent increase in the number of very low-income renters, and suggests that the tighter market may have forced additional households to accept inadequate units.

[20] Note that the limitations discussed in connection with Exhibit 2-13 also apply to Exhibit 2-14.

In addition, it is worth remembering that the 2005 AHS data were collected before hurricanes Katrina and Rita struck in late 2005, and therefore do not reflect the sudden demand for affordable housing that resulted from those disasters.

The issue of affordable housing supply is explored in greater detail in Chapter 4.

Economic Factors Increasing Worst Case Needs

In this chapter, it has been shown that between 2003 and 2005 there has been a statistically significant increase in both the number of households with worst case needs and the incidence of worst case needs among the very low-income renters who are liable to experience these problems. Increases in worst case needs span across national regions, across metropolitan classifications, and across household types.

In this section, we use other data sources to examine the general economy and trends in poverty and income that help explain worst case needs. We also consider what the AHS data reveal about trends in rents and income.

National Trend in Poverty and Income

While the economic recovery has had positive effects such as reduced unemployment, not all income groups have seen commensurate increases in income. Exhibit 2-15 shows that there are strong similarities between trends in national poverty rates, both for persons and for families, and trends in extremely low income households (HUD's income category closest to family poverty) and in worst case needs. Each of the measures improved by decreasing slightly between 1999 and 2001, then increased by 0.7–0.9 percentage points sometime during the 2001–2005 period. For poverty rates, the increases occurred primarily between 2001 and 2003, while the measures based on the AHS showed the greatest changes between 2003 and 2005.

In sum, it is apparent that increases in the number and proportion of households with incomes below the poverty line or below the extremely low-income threshold have contributed to increases in worst case housing needs.

Exhibit 2-15. National Poverty Trends Correspond with Worst Case Housing Needs, 1999–2005

	Persons in Poverty		Families in Poverty		Extremely Low-Income Households		Worst Case Needs	
	Number	Percent (persons)	Number	Percent (persons)	Number	Percent (families)	Number	Percent
2005	36,950	12.6%	7,657	9.9%	9,729	8.9%	5,992	5.7%
2003	35,861	12.5%	7,607	10.0%	9,077	8.6%	5,175	4.9%
2001	32,907	11.7%	6,813	9.2%	8,659	8.2%	5,014	4.9%
1999	32,791	11.9%	6,792	9.3%	8,553	8.3%	5,591	5.4%

Source: U.S. Census Bureau: Current Population Survey, Annual Social and Economic Supplements (http://www.census.gov/hhes/www/poverty/histpov/hstpov13.html); and HUD-PD&R tabulations of AHS data.

Note: Poverty data for 1999 reflect implementation of Census 2000 based population controls.

Changes in Income and Rent of Renter Households

Exhibit 2-16 summarizes what extremely low-income and other very low-income renters experienced during the 2003–2005 period in terms of average incomes and average rents. Generally, the increase in worst case needs is due to increased rents without increased incomes (stable or slight drops in income), and these factors are more significant for households reporting worst case needs than for other very low- and extremely low-income families.

There was a net increase of 413,000 very low-income renters during the 2003–2005 period. This includes an increase of 649,000 extremely low-income renters and a decrease of 236,000 renters with incomes of 30–50 percent of median income.

The average income of households in the extremely low-income category decreased only slightly between 2003 and 2005, from $666 per month to $653 per month. During the same period, average rents increased by 8.6 percent, from $519 per month to $564 per month. Note that both incomes and rents are reported in nominal dollars, without adjustment for inflation.

Exhibit 2-16. 2003–2005 Change in Very Low-Income Renters, Income, and Rents, by Relative Income and Presence of Worst Case Needs

	Extremely Low-Income (0-30% Area Median Income)		Other Very Low-Income (30-50% Area Median Income)	
	2003	2005	2003	2005
Renter households (thousands)	9,077	9,729	6,581	6,342
Average monthly income	$666	$653	$1,706	$1,741
Average monthly gross rent	$519	$564	$587	$641
Renter households with worst case needs (thousands)	3,999	4,643	1,176	1,349
Average monthly income	$673	$648	$1,596	$1,624
Average monthly gross rent	$607	$647	$879	$935

Source: HUD-PD&R tabulations of AHS data. (See Table A-14 in the Appendix.)

Among extremely low-income households with worst case needs, the situation was worse. Their average decrease in income was larger, from $673 per month down to $648. In addition, initial 2003 rents were higher, though the 6.5 percent increase by 2005 was smaller, from $607 per month up to $648.

The balance of very low-income renters—those with incomes of 30–50 percent of median—had a similar experience. While they had a small 2 percent increase in average nominal income, perhaps related to the decrease of renters in this subgroup, their average rents increased by 9 percent, from $587 to $641 per month.

Components of Gross Rent

Both income groups saw fairly large increases in average gross rent. Because gross rent includes utilities, it is worth considering whether utility costs changed significantly during the 2003–2005 period. Exhibit 2-17 shows that for unassisted very low-income renters, increases in gross rents occurred primarily in contract rents rather than utilities. Utility costs went up more in percentage terms, but the change in rent added more in overall dollar terms.

This evidence points to increases in rents rather than utilities as the most important factor in the increase in numbers and incidence of worst case needs during the 2003–2005 period. Nevertheless, because both contract rents and utility costs are

Exhibit 2-17. Unassisted, Very Low-Income Renters Experienced Increases in Rent and Utilities, 2003–2005

	2003	2005	Change (dollars)	Change (percent)
Contract Rent, Median	$500	$545	$45	9.0 %
Utility Cost, Median	65	71	6	9.2
Gross Rent, Median	593	635	42	7.1
Contract Rent, Mean	$571	$619	$48	8.4 %
Utility Cost, Mean	81	91	10	12.3
Gross Rent, Mean	649	717	68	10.5

Source: HUD-PD&R tabulations of AHS data.

subject to regional factors, either may have played a significant role in certain geographic areas.[21]

Summary

The estimated number of households with worst case housing needs increased significantly between 2003 and 2005. The increase was broadly distributed in terms of both geographic and demographic factors.

The AHS data show a substantial increase in U.S. households between 2003 and 2005, but not in renter households. Indeed, if not for general population growth, the number of renters probably would have declined during this period. The number of very low-income renters grew by a somewhat higher amount in comparison to the modest increase in renters, and the net increase occurred entirely within the extremely low-income subset.

Very low-income (including extremely low-income) renters constitute the households "eligible" to experience worst case needs, so their increase was an important cause of growth in worst case needs during 2003–2005. Their greater number can be explained by flat or declining incomes, especially for the extremely low-income group. (See the discussion of this issue presented with Exhibit 4-10.)

While it was an important component, the growth in the number of very low-income renters was not the primary reason for the increase in worst case needs, as the incidence of worst case needs within this population also increased. The higher incidence is largely explained by stable or declining incomes, increased rents, and the overall lack of rental units that are both affordable and available to them—both in their absolute number and in their prevalence relative to households needing them. The number of vacant affordable units remains disproportionately low in comparison to the number of very low-income renters, and decreases in national vacancy rates during the 2003–2005 period worked against these renters.

Because the number of households seeking very low-income-affordable units increased while the supply decreased, there was an increase in contract rents. In addition, increases in utility costs have likely been a significant factor in higher gross rents for some households. The issue of rental housing supply and rents is covered in greater detail in Chapter 4.

[21] For example, the number of renter households who paid more than $100 per month for natural gas increased from 965,000 in 2003 to 2.144 million in 2005 (Census Bureau 2005, Table 2-13).

Chapter 3: Duration of Rent Burden

Assessing Dynamics of Rent Burdens

The 2003 "Affordable Housing Needs" report included for the first time an analysis on duration of rent burdens experienced by low-income families. The analysis was based on data from the Census Bureau's Survey of Income and Program Participation (SIPP).

Conducted for more than 20 years, SIPP is a continuous series of national panel surveys, in which panels of approximately 14,000–36,700 households are tracked for 2–1/2 to 4 years.[22] SIPP is an important national source of data on income and characteristics of persons participating in various government programs.

A key part of the SIPP analysis included in the 2003 report used data from 2001 and 2002 to estimate how long renters experienced severe rent burdens and the reasons why they may have ended a period of rent burden. The results provided compelling but preliminary evidence that the severity of rent burdens faced by individual very-low-income renters frequently changes markedly and rapidly.

This chapter expands on the 2003 analysis and adds a third year of data (the final year of the 2001 SIPP panel) to further explore the issue of duration of rent burdens.[23] Very low-income households experience housing problems in a dynamic and evolving way, and understanding that flux is central to an effective public response. A clearer understanding of the duration, persistence, and recurrence of affordable housing needs is critical for developing housing policies that use resources most effectively.

Including a third year of data adds richness to the previously reported results because it enables analysis of households that cycle from severe rent burden to lesser burdens and back within 3 consecutive years. However, in some respects, adding a new year of data adds to the complexity of reaching conclusions on the dynamics of shifting rent burdens among very low-income renters. As a result, the data reported here remain exploratory and do not yet support firm conclusions.[24]

The reader should also note that this section generally refers to "renters" rather than families or households as in Chapter 2. This is because there is no clear way to accurately assign or track household rent burden over time when an individual is not

[22] See http://www.sipp.census.gov/sipp/overview.html (accessed January 18, 2007).

[23] This chapter summarizes significant findings from a working paper written by Census Bureau staff under contract to HUD (Susin, Scott. Forthcoming 2007. "Duration of Rent Burden as a Measure of Need," *Cityscape*).

[24] The methodology for the SIPP analysis included adjustments to make the results more comparable to HUD's AHS-based estimates of rent burdens. The AHS is more complete in measuring utility costs, an important component of gross rent, so SIPP-based utility costs were imputed using regional AHS-based correction factors. See also footnotes that follow related to Exhibit 3-1.

part of the same household in both years. Finally, because the SIPP does not collect data on physical housing conditions, the findings in this chapter relate only to rent burdens relative to income and not to worst case needs overall.

Exits from Severe Rent Burdens

Exhibit 3-1 examines very low-income renters with a severe rent burden in 2001, whether their status changed in 2002 or 2003, and the reason for exiting rent burden, if applicable, during these years. The exhibit shows that 53.3 percent of unassisted low-income renters who reported a severe rent burden in 2001 continued to have such a burden in 2002. One year later, in 2003, the proportion who continued to report such a burden declined further, to 45.2 percent of the renters. (This group includes some renters, examined in Exhibit 3-5, whose exit from severe rent burdens during 2002 proved temporary.)

Exhibit 3-1. Status in 2002 and 2003 of Unassisted Very Low-Income Renters who had Severe Rent Burdens in 2001

Outcome Categories	Subsequent Outcomes	
	2002	2003
Remained in Severe Rent Burden (rent > 50 percent of income)	53.3%	45.2%
Exited Severe Rent Burden, for reasons below:	46.7%	54.8%
Rent Decreased	8.1	10.0
Moved	2.8	3.9
Stayed	5.3	6.1
Income Increased	23.3	23.7
Combination, rent decrease and income increase	1.7	2.3
Assisted	6.8	7.3
In owner-occupied housing	5.7	10.0
Zero or negative income[a]	1.3	1.5
Total	100.0%	100.0%

Source: Census tabulations of data from the Survey of Income and Program Participation for 2001, 2002, and 2003.

[a] Because of reporting problems, and consistent with the worst case needs definition, households are not counted as having severe rent burdens in subsequent years if their incomes become zero or negative.

Note: Household totals and outcomes differ from those reported in "Affordable Housing Needs" (HUD 2005a) because of new edits to address misreporting of rents in SIPP. Households reporting that rent is shared among residents are excluded because they often seem confused about whether to report individual contributions or total rent. Missing rent values are imputed based on reported rent in surrounding years, if available, and inflation; households with rent missing in all 3 years are excluded. Overall, 19 percent of the sample were excluded. Because of these edits, as well as sample attrition, and possibly other factors, the household counts underestimate the true population by about 30 percent.

A variety of factors account for the portion of unassisted very low-income renters who reported a severe rent burden in 2001 but no longer fell into this category in 2002 and/or 2003.

About 7 percent (6.8 percent in 2002 and 7.3 percent in 2003) of households who initially had a severe rent burden obtained housing assistance (and thus would not be counted as having worst case needs, which by definition counts only *unassisted* renters). Another group moved into owner-occupied housing—5.7 percent in 2002, going up to 10.0 percent by 2003—and thus would be removed from the category of renters altogether. Presumably, some of those who moved to owner-occupied housing continued to experience high monthly housing costs. Finally, a small portion, 1.3 percent in 2002 and 1.5 percent in 2003, reported having either zero or negative incomes in subsequent years and, consistent with the methodology in the rest of this report, are excluded from the worst case needs category.

After subtracting the groups described in the previous paragraph, 33.1 percent of the original unassisted severe rent burden group reported moving out from the severe burden category in 2002 either due to increased income or reduced housing costs. Of these, 8.1 percent experienced a rent

decrease, 23.3 percent had an increase in income, and 1.7 percent had a combination of decreased rent and increased income as the primary reason for their exit from the severe rent burden category.[25]

After another year, in 2003, a majority (54.8 percent) of those who initially had severe rent burdens no longer reported severe burdens or no longer fell into the category of unassisted renters. Netting out those who began receiving housing assistance, moved into owner-occupied housing, or began reporting zero or negative incomes leaves 36.0 percent who escaped severe burdens while continuing to reside in private rental housing. Of these positive outcomes, 10.0 percent are attributed to a rent decrease, 23.7 percent to an income increase, and 2.3 percent to a combination of rent and income changes.

Of the portion that were still unassisted renters, the data show that income changes are about 2–3 times more likely than rent changes to account for exit from severe rent burden, and also suggest that vulnerability of very low-income households to income shocks creates a significant risk for experiencing worst case needs.

Exhibit 3-2 also shows that among the group of very low-income unassisted renters who initially had severe rent burdens, 33.1 percent remained unassisted renters but exited severe rent burden in 2002. Of the initial group, 24.4 percent achieved their exit by moving into a "moderate rent burden" status in 2002, in which they paid less than 50 percent but still more than 30 percent of their income for rent. By comparison, only 8.6 percent were able to reduce their monthly housing costs to below 30 percent of income. In 2003, these figures improved somewhat, as 20.7 percent of householders who initially had severe rent burdens now had moderate rent burdens, and another 15.3 percent had rent burdens below the 30 percent of income threshold.

Exhibit 3-3 shows that of those reporting a rent decrease as the reason for exiting a severe rent burden between 2001 and 2002,

Exhibit 3-2. Extent of Burden among Unassisted Very Low-Income Renters who Exited Severe Rent Burden

Outcome Categories	Subsequent Outcomes	
	2002	2003
Moderate Rent Burden (30–50 percent of income)	24.4%	20.7%
Low Rent Burden (0–30 percent of income)	8.6%	15.3%
Total exiting Severe Rent Burden	33.1%	36.0%

Source: Census tabulations of data from the Survey of Income and Program Participation for 2001, 2002, and 2003.

Exhibit 3-3. Reasons for Rent Decreases among Unassisted Very Low-Income Renters who Exited Severe Rent Burden

Outcome Categories	Subsequent Outcomes	
	2002	2003
Moved to new unit with lower rent	2.8%	3.9%
Stayed in same unit with lower rent	5.3%	6.1%
Total with Rent Decrease	8.1%	10.0%

Source: Census tabulations of data from the Survey of Income and Program Participation for 2001, 2002, and 2003.

[25] The classifications in Exhibit 3-1 are mutually exclusive. That is, renters are classified as having eliminated their severe rent burdens through a combination of rent decrease and income increase only if neither the rent nor the income change was enough by itself. If both rent and income changed by enough that either would eliminate the rent burden by itself, the household was classified as "rent decreased."

2.8 percent did so as the result of a move to a different rental unit, while 5.3 percent stayed in the same unit.

The high fraction of "exits in place" would seem to indicate that moving from a high rent situation was not as important in eliminating a severe rent burden as some other reason for a decreased rent. Some of the rent decreases for stayers may be due to utilities, as the gross rents examined here include utilities. However, the number of renters involved suggests that other factors may be at work, possibly including reporting errors in the amount of rent or utilities paid in either of the years involved.

Additional Renters with Severe Cost Burdens in Later Years

Exhibit 3-4 examines the group of unassisted renters who had either moderate or low rent burdens in the 2001 baseline year.

Exhibit 3-4. Outcomes in 2002 and 2003 of Unassisted Very Low-Income Renters Without Severe Rent Burden in 2001

Initial Categories	Outcome Categories	Subsequent Outcomes	
		2002	2003
Moderate Rent Burden (30-50% of income) in 2001 (N=2.537 million)	Severe Rent Burden	17.4%	16.5%
	Not Severe Rent Burden*	82.6%	83.5%
	30-50% of income	45.2%	39.3%
	0-30% of income	23.8%	26.0%
Low Rent Burden (0-30% of income) in 2001 (N=2.228 million)	Severe Rent Burden	7.4%	9.0%
	Not Severe Rent Burden*	92.6%	91.0%
	30-50% of income	11.8%	10.8%
	0-30% of income	60.5%	54.5%

Source: Census tabulations of data from the Survey of Income and Program Participation for 2001, 2002, and 2003.

* "Not Severe Rent Burden" includes those renters who later received housing assistance or moved to owner-occupied housing.

This exhibit shows that a significant number of renters without a severe rent burden in 2001 subsequently entered that category in either 2002 or 2003. Of those who initially had moderate rent burdens, 16.5 percent had severe burdens in 2003. Of those who initially had low rent burdens, 9.0 percent had severe burdens in 2003. Based on an estimated 3.05 million unassisted very low-income renters with moderate problems in 2001,[26] increased rent burdens among the initially moderate-burdened population thus added 500,000 severe burdens by 2003. Similarly, an estimated 2.60 million unassisted very low-income renters had low rent burdens in 2001,[27] of which an estimated 230,000 had severe burdens by 2003. These additions totaled 730,000 new renters with severe burdens in 2003, substantially offsetting the 1.70 million who exited severe burdens in the same period.[28] (Other additions to those with severe burdens resulted from household formations and income changes that add to the number of very low-income renters, but are not captured in this analysis.)

[26] The estimate is based on HUD 2005a, Table A-3, and represents a slight undercount because it excludes households that had moderate rent burdens in combination with severe physical problems during 2001.

[27] The estimate is based on HUD 2005a, Table A-3, and has limitations like the previous estimate; households with severe problems or with moderate rent burdens are netted from the total of unassisted very low-income renters during 2001.

[28] Based on 4.72 million unassisted very low-income renters with severe rent burdens in 2001 (HUD 2005a, Table A-3) times 36.0 percent from Exhibit 3-2 in this chapter.

Of the unassisted very low-income renters with a moderate rent burden in 2001, 39.3 percent still had this level of burden in 2003, while 26.0 percent moved to the low-burden category. However, comparing this positive outcome to the 16.5 percent who had a severe burden by 2003 indicates that about two renters with moderate burdens will move to severe burdens for every three who reduce their rent burden below the 30 percent of income threshold.

Likewise, even renters with a low rent burden in 2001 ran the risk of having a moderate rent burden (10.8 percent) or a severe rent burden (9.0 percent) by 2003.

Exhibit 3-5 examines temporarily positive outcomes that may end in severe rent burdens. The table shows the 2003 outcomes of unassisted very low-income renters who had severe rent burdens in 2001 and had escaped severe burdens in 2002.

Exhibit 3-5. Third-Year Outcome of Unassisted Very Low-Income Renters with Severe Rent Burden in 2001 that was Mitigated in 2002

Initial Categories	Outcome Categories	Subsequent Outcomes	
		2002	2003
Severe Rent Burden (50%+ of income) in 2001, changing to Moderate or Low Rent Burden in 2002 (N=1.114 million)	Severe Rent Burden	0.0%	19.9%
	Not Severe Rent Burden	100.0%	80.1%
	30-50% of income	—	29.2%
	0-30% of income	—	29.2%

Source: Census tabulations of Survey of Income and Program Participation for 2001, 2002, and 2003.

This exhibit shows that exit from a severe rent burden is no guarantee that the renter will not return to that status. About one-fifth of renters (19.9 percent) who escaped from a severe rent burden in 2002 reported having a severe rent burden again in 2003. Of the remainder, the same proportion had moderate rent burdens as had low burdens (29.2 percent for each). Not shown in this exhibit are the 14.6 percent who were themselves homeowners by 2003 and the 3.5 percent who lived with other homeowners.

Summary

The data presented in this chapter, together with the analysis presented in the last Affordable Housing Needs report (HUD 2005a), present a complex picture of the housing costs facing very low-income families. The results include a fair amount of new data about shifting dynamics of rent burdens over time and movement of very low-income persons among various levels of rent burdens and types of housing status (for example, renter vs. owner or assisted vs. unassisted). For that reason, the findings should continue to be considered carefully, and additional research is warranted.

Among unassisted very low-income renters who reported a severe rent burden in 2001, a majority (53.3 percent) remained in the same status in 2002. The other 46.7 percent of persons, for a variety of reasons, no longer were unassisted very low-income renters with severe rent burdens. Of the original group, 24.4 percent remained unassisted renters but had reduced burdens to the moderate level (paying 30–50 percent of income for rent) and 8.6 percent had reduced burdens to less than 30 percent of income. The balance no longer were unassisted renters, as 6.8 percent subsequently received housing assistance and 5.7 percent had moved to owner-occupied housing.

The 2001–2002 severe burden exit rate increased modestly, from 46.7 percent to 54.8 percent, when the analysis was extended to 2003. The declining rate of exit suggests that long periods of severe rent burden also are common. In addition, 20 percent of renters who had reduced their severe rent burdens in the first year resumed paying more than half of their income for rent in the second year.

The data in this chapter do not contradict other evidence about the substantial need for affordable housing, because even after 2 years, only 10.0 percent of exits from severe rent burdens were attributed solely to a rent decrease, and the majority of those renters remained in the same unit.

In addition, a significant number of renters without a severe rent burden in 2001 subsequently entered that category in either 2002 or 2003. Of those who initially had moderate rent burdens, 16.5 percent had severe burdens in 2003. Of those who initially had rent burdens below 30 percent of income, 10.8 percent had moderate rent burden and 9.0 percent had severe rent burden by 2003.

Clearly, additional research is needed to assess the changing dynamics of housing costs over time. Additional research using the Census Bureau's SIPP database and other sources for information on housing costs over time would be helpful in shedding further light on the dynamics of severe rent burdens.

Chapter 4. Availability of Affordable Housing Stock

Why Housing Supply is An Issue

Most of the analysis in this report focuses on the demand side of the housing markets: the distribution of households by income and demographic characteristics, what they can afford to pay for rent, and what they do pay as a proportion of their incomes. This chapter examines the question of housing supply.[29]

Affordability, Availability, and Adequacy

This chapter uses three concepts to assess the rental housing stock, *Affordability*, *Availability,* and *Adequacy*.

- *Affordability* measures the extent to which there are enough rental housing units of different costs to provide each household with a unit it can afford (based on the 30 percent of income standard). Affordability is the broadest measure of housing stock sufficiency, addressing whether there would be sufficient housing units if allocated solely on the basis of cost. The *affordable* stock includes both vacant and occupied units.
- *Availability* measures the extent to which affordable rental housing units are available to households within a particular income range. Some households choose to spend less than 30 percent of their incomes on rent, occupying housing that is affordable to households of lower income. These units are thus not available to the lower-income households.[30] A unit is *available* at a given level of income if it is affordable at that level and either 1) occupied by a household with that income or less or 2) vacant.
- *Adequacy* extends the concept of availability by considering whether sufficient rental units are physically adequate as well as affordable and available.[31]

[29] More in-depth analysis of the nation's housing inventory is available from PD&R in the "Components of Inventory Change" and "Rental Dynamics" reports. The reports use AHS data from 1985 onward to examine changing characteristics of individual housing units and their occupants, as well as units added and removed from the housing stock. The supply of affordable rental housing is a particular focus of "Rental Market Dynamics: 2003–2005" (Eggers and Moumen, 2007). All reports are available at http://www.huduser.org/datasets/cinch.html.

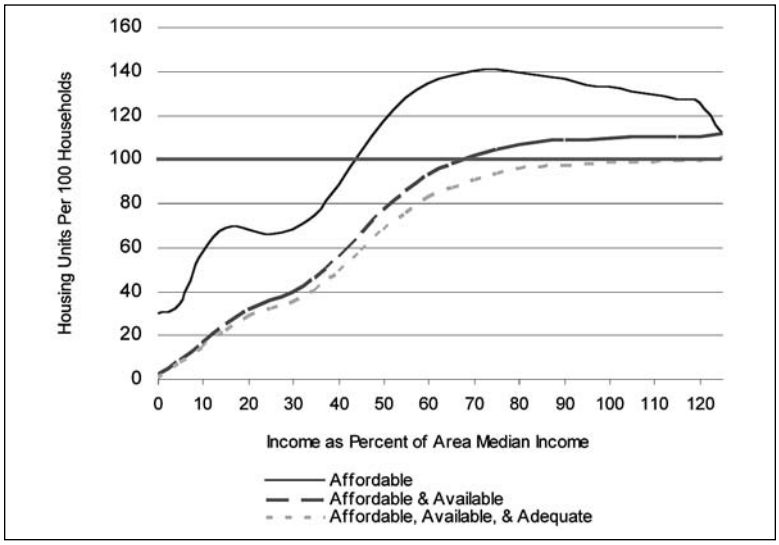
[30] The availability measure also removes units from consideration if they have artificially low rents because they are occupied as a benefit of employment (for example, by caretakers) or because they are owned by relatives or friends of the occupants. The 2005 AHS data indicate that 2.1 million renter households (6.2 percent) occupied their units while paying no rent. The AHS does not provide estimates of the number of households paying a positive but below-market rent because of employment or other reasons.

[31] The AHS rates housing units using a three-level measure: adequate, moderately inadequate, and severely inadequate. For detail, see the entry for the variable ZADEQ in the Codebook for the American Housing Survey, Public Use File: 1997 and Later (U.S. Department of Housing and Urban Development 2006).

Measures of Affordability and Availability

Exhibit 4-1 describes the U.S. rental housing stock in 2005 using data from the AHS.[32] For purposes of this analysis, income and affordability are divided into intervals representing 5 percent of area median income (AMI).

Exhibit 4-1. Three Measures Characterize the Sufficiency of the U.S. Rental Housing Stock, 2005



The point at which the Affordability line crosses 100 represents the income level at which there is an affordable rental unit for every household. This occurs at 45 percent of AMI, meaning the number of rental housing units is sufficient—with ideal allocation—to provide affordable housing to households with incomes above 45 percent of area median income. The comparable income threshold in 2003 was 40 percent of median, showing a declining trend in affordability in this period. Affordable units peak at an income level of 75 percent of AMI. Beyond this, more households than housing units are being added. The downward slope beyond 75 percent of AMI represents a reduction in housing need, because the households with incomes greater than each successive threshold are more and more likely to spend less than 30 percent of their incomes on housing.

The Affordable and Available line shows a different story. Its position below and to the right of the Affordable line indicates that availability is a substantial additional constraint. For example, the Affordability line indicates that about 68 percent of households with incomes below 30 percent of AMI could be housed in affordable units if such units somehow could be perfectly allocated. The 68 percent figure is a decrease from 78 percent in 2003.

In contrast, the Availability line shows that only 40 percent of these extremely low-income households could actually find an affordable unit available for their occupancy even if location were not a factor. A considerable proportion of the most affordable housing stock is occupied by households who could afford to spend more. As a result, many units that are affordable to lower-income renters are not available

[22] Measures of affordability and availability do not reflect small-scale geographic detail. The results presented in this chapter reflect large-scale measures that compare the entire housing stock with the entire rental population. Although this chapter presents more geographically restricted measures below, they are still too large to fairly represent housing demand and supply as owners and renters experience them, as these are local phenomena. Thus, these results should be viewed with some caution as national or regional indicators based on underlying local housing markets. More severe shortages or generous surpluses can occur in specific housing markets, despite these national and regional findings. For an overview of issues related to local markets, see Khadduri, Burnett and Rodda (2003).

to them. The affordable stock is nominally sufficient to house every household above 45 percent of AMI, yet the available stock does not match the number of renters until household incomes reach 70 percent of AMI.[33] This 70 percent balance point is significantly higher than the 65 percent of AMI that sufficed in 2003.

The Adequate line in Exhibit 4-1 shows that excluding physically inadequate units further reduces the sufficiency of the rental housing stock. Even for renters with low incomes up to 80 percent of median, only 96 adequate units are available per 100 renters. The adequate stock is not fully sufficient for demand until those units affordable only above 125 percent of AMI are included.

Rental Stock by Income

As suggested by Exhibit 2-13, there are fewer affordable units available to households with the lowest incomes. Exhibit 4-2 illustrates this by presenting the housing stock measures for the standard income groups used in this report. There is a mismatch between the number of extremely low-income renters and the number of affordable units available to them. There are only 67.6 affordable units for every 100 extremely low-income households. The ratio of available units is about three-fifths as great, at 39.9 units per 100 households. If physically adequate units are required, only 35.4 are available per 100 extremely low-income households.[34]

Exhibit 4-2. Rental Housing Stock by Income Category, 2005

Income	Housing Units per 100 Households		
	Affordable	Affordable and Available	Affordable, Available, and Adequate
ELI (0–30% AMI)	67.6	39.9	35.4
VLI (0–50% AMI)	117.1	76.8	67.9
LI (0–80% AMI)	139.2	106.6	95.6

Source: HUD-PD&R tabulations of AHS data.

Exhibit 4-3. Rental Housing Stock by Income Category, 2005

	Housing Units per 100 Households		
	2003	2005	Difference
Extremely Low Income (0–30% AMI)			
Affordable	78.2	67.6	– 10.6
Affordable and Available	44.0	39.9	– 4.1
Very Low Income (0–50% AMI)			
Affordable	127.5	117.1	– 10.4
Affordable and Available	81.4	76.7	– 4.6

Source: HUD-PD&R tabulations of AHS data.

At the very low income level, there are enough units overall to house all renters, but there is a mismatch of available units for this larger group as well. There are only 77 available units for every 100 very low-income households, and fewer than 68 that are also physically adequate. At the higher levels of income, the available rental stock is sufficient to house all renters, though a small proportion of units have physical problems.

The supply of affordable housing stock declined substantially between 2003 and 2005 relative to households who need it. Exhibit 4-3 illustrates the decrease. The

[33] This statement interprets the horizontal difference between the Affordable and the Affordable/Available line, which can be understood as showing the income levels of families who are "displaced" by higher income households. The preceding example reflects the vertical difference between the lines, which represents the difference between nominal and available supply of affordable units for households of a given income level.

[34] Research based on the Residential Finance Survey indicates that 12 percent of units with gross rents of $400 or less produced negative net operating income, suggesting they are heading for demolition or conversion to nonresidential use (Joint Center for Housing Studies 2006, 24).

overall supply of affordable units per 100 extremely low-income renters decreased by more than 10 units, from 78.2 to 67.6. For the same population, the deficiency in available units decreased by more than 4 units per 100 renters, from 44.0 to 39.9. Very low-income renters experienced very similar decreases in the stock under both the affordable measure and the available measure.

Exhibit 4-4. Nonmetropolitan Areas Have More Available Rental Units than Cities and Suburbs

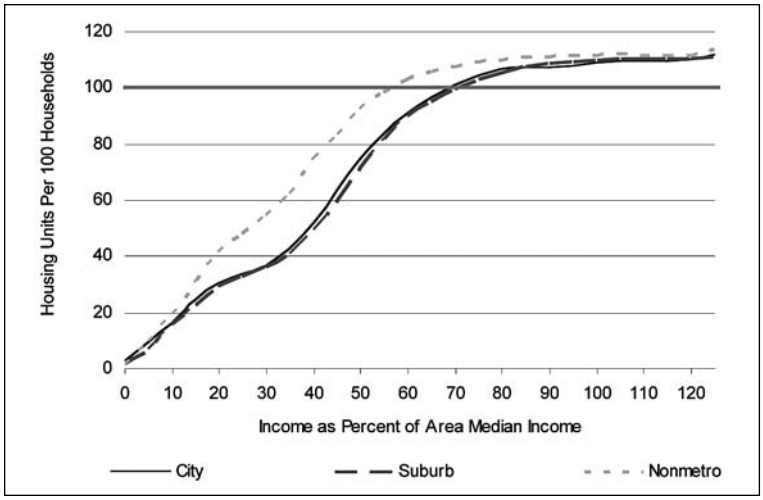


Exhibit 4-5. Rental Housing Stock by Metropolitan Status and Income Class, 2005

	Housing Units per 100 Households		
	Affordable	Affordable and Available	Affordable, Available, and Adequate
Central Cities			
ELI (0–30% AMI)	52.2	36.4	31.8
VLI (0–50% AMI)	106.1	74.1	64.1
LI (0–80% AMI)	133.9	106.2	93.6
Suburbs			
ELI (0–30% AMI)	66.7	36.1	32.4
VLI (0–50% AMI)	113.9	71.5	64.6
LI (0–80% AMI)	145.3	105.4	96.7
Nonmetropolitan			
ELI (0–30% AMI)	106.1	54.5	49.4
VLI (0–50% AMI)	148.9	92.3	82.6
LI (0–80% AMI)	140.9	109.9	98.3

Source: HUD-PD&R tabulations of AHS data.

Rental Stock by Location

Deficiencies in the affordable and available stock are less severe in nonmetropolitan areas, as is illustrated by Exhibit 4-4. The available stock is larger in nonmetropolitan areas at all levels of income, reaching the one-unit-per-household ratio at 56 percent of AMI, compared with 70 percent of AMI for cities and suburbs.

The similar profiles of the city and suburb lines in Exhibit 4-4 show that on average, central cities and suburbs have about the same proportion of units available per 100 renters at all income levels.

Exhibit 4-5 summarizes the sufficiency patterns among cities, suburbs and non-metropolitan areas. Notably, although cities and suburbs display comparable available-unit-ratios—with about 36 units per 100 extremely low-income renters and 71–74 units per 100 very low-income renters—the underlying supply of affordable units is more constrained in central cities than in suburbs. The difference between the Affordable and the Available estimates implies that in cities, about 32 units that would be affordable at very low incomes are occupied by higher-income households. Comparable displacement figures are 42 units in suburbs and 57 units in non-metropolitan areas.

Exhibit 4-6 examines how affordability ratios and availability ratios changed across the metro typology during the 2003–2005 period. The key finding is that the sufficiency of affordable and available units decreased for every income level in every category of urbanization.

Exhibit 4-6. Trend in Rental Housing Stock, by Metro Status and Income Category, 2003–2005

	Affordable Housing Units per 100 Households			Affordable and Available Housing Units per 100 Households		
	2003	2005	Difference	2003	2005	Difference
Central Cities						
ELI (0–30% AMI)	65.6	52.2	– 13.3	43.0	31.8	– 11.2
VLI (0–50% AMI)	120.3	106.1	– 14.2	81.5	64.1	– 17.4
LI (0–80% AMI)	137.4	133.9	– 3.5	107.7	93.6	– 14.1
Suburbs						
ELI (0–30% AMI)	74.5	66.7	– 7.8	39.1	32.4	– 6.7
VLI (0–50% AMI)	121.2	113.9	– 7.3	73.3	64.6	– 8.7
LI (0–80% AMI)	149.6	145.3	– 4.3	106.9	96.7	– 10.2
Nonmetropolitan						
ELI (0–30% AMI)	121.4	106.1	– 15.3	56.7	49.4	– 7.4
VLI (0–50% AMI)	160.3	148.9	– 11.4	97.6	82.6	– 15.0
LI (0–80% AMI)	155.1	140.9	– 14.3	115.6	98.3	– 17.2

Source: HUD-PD&R tabulations of AHS data.

Several of the greatest decreases in available units occurred at income levels that contribute to worst case housing needs. In central cities, available units decreased by 11 per 100 extremely low-income renters and by 17 per 100 very low-income renters. A similarly large decline of 15 units per 100 very low-income renters occurred in nonmetropolitan areas. Other large decreases that don't directly add to worst case needs occurred in the low-income stock in each geographic type.

Exhibit 4-7 details the affordable, available, and physically adequate stock relative to renter populations in the four regions for each of the standard income categories. The West has the greatest mismatch, with considerably fewer units per 100 households than the other three regions.

Exhibit 4-7. Rental Housing Stock by Census Region and Income Category, 2005

	Housing Units per 100 Households		
	Affordable	Affordable and Available	Affordable, Available, and Adequate
Northeast			
ELI (0–30% AMI)	64.6	41.5	37.3
VLI (0–50% AMI)	101.3	68.5	60.2
LI (0–80% AMI)	130.0	98.0	86.7
Midwest			
ELI (0–30% AMI)	75.6	42.3	39.0
VLI (0–50% AMI)	150.6	96.5	88.0
LI (0–80% AMI)	146.2	116.9	107.6
South			
ELI (0–30% AMI)	69.2	40.2	34.7
VLI (0–50% AMI)	125.9	81.5	71.4
LI (0–80% AMI)	147.5	111.0	99.4
West			
ELI (0–30% AMI)	60.7	35.3	31.1
VLI (0–50% AMI)	89.3	60.2	52.2
LI (0–80% AMI)	129.6	99.1	87.5

Source: HUD-PD&R tabulations of AHS data.

Sufficiency Relative to Fair Market Rent

HUD establishes, for every housing market, a Fair Market Rent (FMR) that is intended to represent the cost of decent existing housing that is neither new, nor luxury, nor subsidized.[35] The FMR is used in the largest housing assistance program, Housing Choice Vouchers, to determine the maximum level of subsidy for assisted households. It is also used in other contexts as an indicator of reasonable housing costs in a given area. A natural question is whether the stock of housing renting for less than the FMR is adequate to meet the needs of households who can afford to pay no more than the FMR.

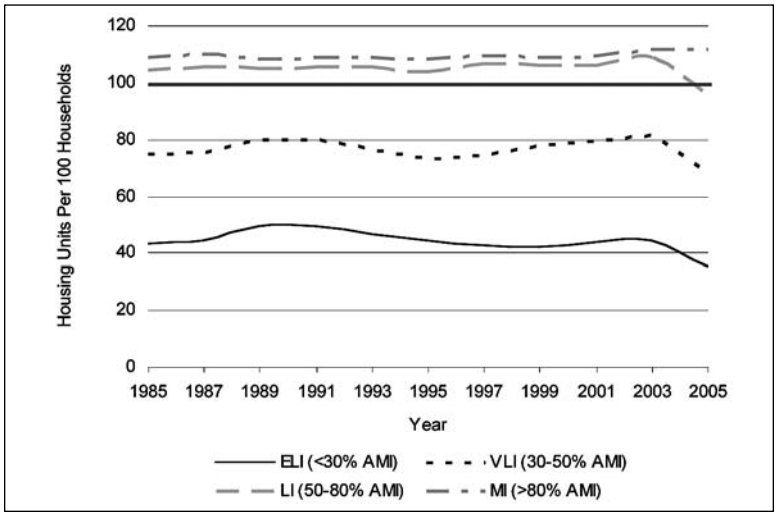
Exhibit 4-8 illustrates that the rental stock is insufficient using the fair market rent standard as well. While enough affordable units exist in each region, the number of available units in each region is sufficient to house only 83–90 percent of the households who can afford rents no higher than the fair market rent.

Exhibit 4-8. Rental Stock of Below-FMR Units, 2005

	Households (thousands)	Housing Units (thousands)			Housing Units per 100 Households		
		Affordable	Affordable and Available	Affordable, Available, and Adequate	Affordable	Affordable and Available	Affordable, Available, and Adequate
All	19,741	24,029	17,104	15,208	121.7	86.6	77.0
Northeast	4,362	5,044	3,637	3,207	115.6	83.4	73.5
Midwest	3,594	4,645	3,192	2,930	129.2	88.8	81.5
South	6,633	8,414	5,915	5,227	126.9	89.2	78.8
West	5,152	5,926	4,360	3,844	115.0	84.6	74.6
City	9,122	10,663	7,933	6,916	116.9	87.0	75.8
Suburb	6,944	8,583	5,874	5,343	123.6	84.6	76.9
Nonmetropolitan	3,674	4,783	3,297	2,949	130.2	89.7	80.3

Source: HUD-PD&R tabulations of AHS data.

Exhibit 4-9. Availability of Affordable Rental Units, 1985–2005



Trends in Rental Stock

Through 2003, the availability of the affordable rental stock was relatively stable for two decades. Exhibit 4-9 shows the available rental units per 100 households for the four standard income categories, over the period 1985–2005.[36]

[35] In general, the Fair Market Rent is the 40th percentile rent paid by recent movers for standard-quality units within each region (HUD 2006c).

[36] This figure is based on custom tabulations of the AHS national datasets, for odd-numbered years in the period.

Availability turned downward after 2003 for renters of all income groups below 80 percent of AMI. Middle-income renters continued to experience stable supply during the 2003–2005 period.

Exhibit 4-10 examines the factors responsible for the general decrease in the availability of affordable units from 2003–2005. The simple explanation is that the number of households in the categories of interest rose, while the number of affordable and available housing units rose more slowly, or even fell.

However, the income categories are not fixed, depending as they do on AMI. The exhibit shows that the income limit for each category rose by slightly more than 3 percent between 2003 and 2005.[37] Further, AMI is calculated on the basis of all households, not just renters. The exhibit shows, in contrast, that the median household income for renters did not change during the period.

Exhibit 4-10. Factors Explaining Changes in Rental Housing Availability Rate, 2003–2005

	ELI (0–30% AMI)	VLI (0–50% AMI)	LI (0–80% AMI)	All
Cumulative Households (thousands)				
2003	9,077	15,658	23,118	33,614
2005	9,979	16,324	23,812	33,951
Percent Change	+ 9.94	+ 4.26	+ 3.00	+ 1.00
Cumulative Affordable & Available Housing Units (thousands)				
2003	3,996	12,740	25,136	37,577
2005	3,982	12,531	25,397	37,924
Percent Change	– 0.35	– 1.64	+ 1.04	+ 0.93
Income Limit (Median, Current Dollars)				
2003	14,350	23,900	38,200	NA
2005	14,804	24,665	39,402	NA
Percent Change	+ 3.16	+ 3.20	+ 3.15	NA
Median Household Income (All Renters, Current Dollars)				
2003	—	—	—	26,000
2005	—	—	—	26,000
Percent Change	—	—	—	—
Median Monthly Housing Cost (All Renters, Current Dollars)				
2003	—	—	—	631
2005	—	—	—	672
Percent Change	—	—	—	+ 6.50

Source: HUD-PD&R tabulations of AHS data.

[37] The income limits shown in Exhibit 4-10 differ in several ways from the usually quoted four-person income limits. First, the exhibit shows the median income limit, adjusted for household size, and weighted according to the distribution of household sizes in the AHS dataset. Second, the AHS dataset uses estimates of income limits for housing units outside of large metropolitan areas. See the documentation files at http://www.huduser.org/datasets/ahs/ahsdata03.html for more information about the estimation process.

As a result, relatively more renter households are counted in the lower income categories in 2005 compared with 2003. Moreover, while the median renter income remained flat, the median monthly housing cost for rental units rose 6.5 percent. These data therefore indicate that the relative reduction in the available rental stock can be attributed to a rising number of households, stagnant household incomes, and rising monthly housing costs.

Finally, because of the shift of households to lower income categories, the proportion of resulting rent burdens that count as worst case needs also increased.

Exhibit 4-11. Geographic Pattern of Crowded Renter Households

	Households (thousands)	Incidence (percent)
All Renters	1,635	4.8
Metropolitan Status		
City	819	5.5
Suburb	600	4.7
Nonmetropolitan	216	3.4
Region		
Northeast	318	4.5
Midwest	176	2.7
South	422	3.6
West	718	8.4

Source: HUD-PD&R tabulations of AHS data.

Exhibit 4-12. Household Characteristics of Crowded Renter Households

	Households (thousands)	Incidence (percent)
All Renters	1,635	4.8
Income *		
ELI (0–30% AMI)	562	5.8
Other VLI (30-50% AMI)	412	6.5
Other LI (50-80% AMI)	371	5.0
MI (GT 80% AMI)	291	2.8
Household Size		
1 Person	NA	NA
2 Persons	44	0.5
3 Persons	56	1.1
4 Persons	250	6.4
5+ Persons	1,285	43.4

Source: HUD-PD&R tabulations of AHS data.
* Income categories in this table exclude lower-income subsets.

Crowding

While crowding (defined as more than one person per room) is not a component of the definition of worst case needs,[38] it can be a symptom of affordability problems and housing-related stress. Households may double up, and young adults or couples may delay forming new households, because of an inability to afford their own units. This section examines the extent of crowding by income and location as well as the supply of large units relative to the number of large households.

Overall, about 4.8 percent of renter households are crowded, as shown in Exhibit 4-11. The incidence of crowding is significantly lower in non-metropolitan areas, 3.4 percent, and higher in central cities, 5.5 percent. On a regional basis, the Midwest has substantially less crowding, 2.7 percent, and the West has substantially more, with an 8.4 percent incidence.

Larger households are much more likely than smaller households to be crowded. Exhibit 4-12 shows a substantially greater incidence of crowding among households with five or more persons, with 43 percent of such large households being crowded. Indeed, a renter household with five or more members is about seven times more likely to be crowded than a renter household with four persons.

[38] Crowding is classified as a moderate problem rather than a severe problem.

Despite the inverse relationship between income and crowding, extremely low-income households show less crowding than very low-income households do. This is because extremely low-income households are disproportionately likely to be one-person households, which by definition cannot be crowded.

Crowding experienced by large families is not caused merely by a lack of large units. The number of affordable large units is abundant relative to the number of large households. In Exhibit 4-13, the Affordable line is entirely above the 100-units-per-large-household line that denotes sufficient stock; in fact, the number of affordable units with five or more rooms is two to five times larger than the number of households with five or more persons.

The main cause of crowding must be the lack of available affordable units. Thus, crowding does not appear to be caused by a lack of large units, but by the fact that smaller households prefer these units as well and keep them off the market. In addition, large units may be concentrated in certain areas, so that they are not available to large households in other areas.

Exhibit 4-14 summarizes the supply of rental units with five or more rooms relative to households with five or more persons. Even at 30 percent of AMI, there are 350.2 large units available for every 100 large renter households, and this increases to 577.1 per 100 for middle income renters. However, only 40.4 units are *available* per 100 extremely low-income households that need large units. Even for very low-income renters, there are only 81.6 units per 100 households.

Hispanic renter households are more likely to be crowded. In 2005, 35 percent of very low-income Hispanic households have no severe problems yet are overcrowded according to the one-person-per-room benchmark (Appendix, Table A-9). Hispanic families are

Exhibit 4-13. Insufficiency of Large Units is Primarily a Problem of Availability for Large Families, Not Affordability

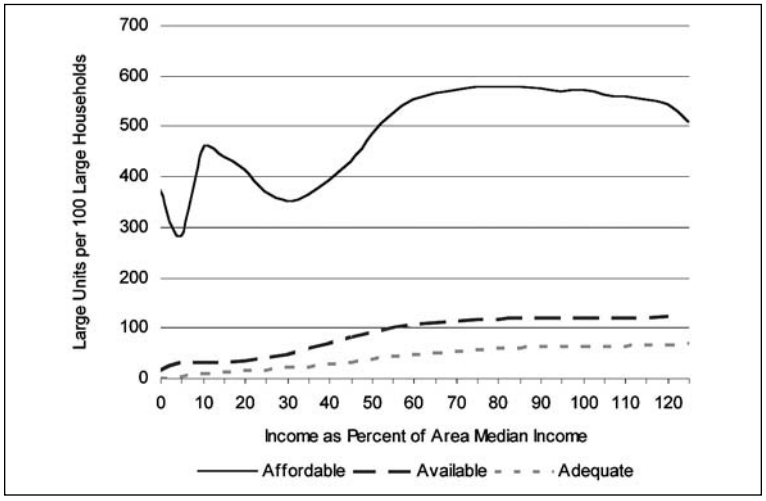


Exhibit 4-14. Metropolitan Patterns of Supply of Large Units for Large Households (5+ persons and 5+ rooms only)

Income	Units per 100 Large Households		
	Affordable	Affordable and Available	Affordable, Available, and Adequate
Nation			
ELI (0–30% AMI)	350.2	40.4	20.7
VLI (0–50% AMI)	483.2	81.6	38.2
LI (0–80% AMI)	577.1	116.1	59.2
Central Cities			
ELI (0–30% AMI)	205.1	37.8	21.6
VLI (0–50% AMI)	365.4	72.2	34.2
LI (0–80% AMI)	496.2	107.5	52.0
Suburbs			
ELI (0–30% AMI)	360.8	36.6	19.0
VLI (0–50% AMI)	449.6	73.8	39.1
LI (0–80% AMI)	567.8	112.2	63.6
Nonmetropolitan			
ELI (0–30% AMI)	867.8	59.0	21.1
VLI (0–50% AMI)	960.2	131.6	49.1
LI (0–80% AMI)	830.0	149.9	69.1

Source: HUD-PD&R tabulations of AHS data.

more likely to live in multi-generational households in non-caregiving relationships (Census Bureau 2003). Non-Hispanic blacks, and especially whites, are less likely to live in this arrangement[39] and much less likely to be overcrowded.

Thus, the availability of large units in regions where the Hispanic population is large is worthy of consideration.

The importance of this association is increased by the fact that Hispanics represent the fastest-growing segment of the U.S. population. The Hispanic population increased by 58 percent between 1990 and 2000, and is projected to increase another 34 percent by 2010 (Census Bureau 2004).

Hispanics are concentrated in the West, as 43 percent of the Hispanic population lived there in 2000 (Census Bureau 2001). The West also is the region where the incidence of crowding is almost twice as great as any other region (Exhibit 4-11) and that has the most severe shortage of VLI-affordable units, with only 60.2 units available per 100 very low-income renters (Exhibit 4-7).

Exhibit 4-15. Regional Patterns of Supply of Large Units for Large Households (5+ persons and 5+ rooms only)

Income	Units per 100 Large Households		
	Affordable	Affordable and Available	Affordable, Available, and Adequate
Northeast			
ELI (0–30% AMI)	341.7	30.8	19.2
VLI (0–50% AMI)	484.2	66.5	44.0
LI (0–80% AMI)	558.2	91.2	58.4
Midwest			
ELI (0–30% AMI)	440.5	51.7	28.0
VLI (0–50% AMI)	808.4	139.8	56.0
LI (0–80% AMI)	798.9	176.1	74.2
South			
ELI (0–30% AMI)	444.4	54.8	23.1
VLI (0–50% AMI)	602.5	109.1	41.5
LI (0–80% AMI)	740.8	151.5	64.6
West			
ELI (0–30% AMI)	208.6	25.6	15.0
VLI (0–50% AMI)	223.3	37.5	23.8
LI (0–80% AMI)	337.5	69.7	47.8

Source: HUD-PD&R tabulations of AHS data.

Exhibit 4-15 shows that for every 100 large very low-income renter households in the West, only 37.5 large units are available. The availability of large affordable units is substantially more limited in the West than in other regions. Available large units for very low-income renters are fully adequate in the Midwest and South, at least on a regional basis.

Summary

One way to assess the condition of the market for affordable rental housing is to compare, on a cumulative basis, the number of affordable units with the number of renters relative to their income levels. This chapter has presented three such ratios, based on (1) affordable units, (2) affordable units that also are occupied by such renters or are available for rent, and (3) affordable and available units that also are in physically adequate condition.

[39] While 8 percent of both black and Hispanic adults over age 30 were grandparents living with their grandchildren in 2000 (compared with 2 percent of non-Hispanic whites over age 30), only 35 percent of these Hispanic grandparents lived there to care for the grandchildren, compared with 52 percent of the black grandparents (U.S. Census Bureau 2003).

Nationwide in 2005, there existed a rental unit that would have been affordable for every renter household with income above 45 percent of area median income. However, the comparable figure in 2003 was 40 percent, implying that the affordable rental stock decreased relative to the number of households in this critical very low-income range.

The number of affordable units that are actually available to households with the lowest incomes was substantially fewer than the number of apparently affordable units because many affordable units were rented to higher income families. Employing the Availability measure, the national supply of affordable units per renter household does not become sufficient until household incomes reach 125 percent of AMI.

Available units become progressively harder to obtain at lower income levels. While there were 107 affordable units available per 100 low-income renters, the availability ratio was only 77 per 100 very low-income renters and 40 per 100 extremely low-income renters. National measures of affordability and availability do not fully reflect the regional concentrations or shortages of units relative to households. Nonmetropolitan areas have more affordable and available rental units than cities or suburbs. However, the immobility of housing makes such units inaccessible for very low-income renters who need them near their families and place of employment. In addition, larger households are much more likely than smaller households to be crowded, and many large units exist in areas where they are unavailable to large families.

A substantial proportion of available units are physically inadequate. Employing the additional criterion of physical adequacy, the number of available units in 2005 was reduced from 77 to 68 units per 100 very low-income renters, and from 40 to 35 units per 100 extremely low-income renters.

Occupancy by higher-income households restricts the supply of units renting for less than the Fair Market Rent to only about 87 percent of households who can afford only such units. Thus, even households with rental assistance may in some areas have difficulty locating a suitable unit.

The decline in availability of affordable units between 2003–2005 can be attributed to a modest increase in renter households that interacted with stagnant income levels and rising monthly housing costs. For both very low-income and extremely low-income renters, affordability ratios declined by more than 10 units per 100 renters and availability ratios declined by more than 4 units per 100 renters.

This analysis of affordability and availability reinforces and helps explain the findings of Chapter 2 that the affordable housing market is increasingly tight and that worst case needs for such housing increased during the 2003–2005 period.

Chapter 5. Neighborhood Poverty and Worst Case Needs

Poverty and Neighborhood Distress

The analysis in this report has focused primarily on households' rent burdens or the physical condition of their housing units in assessing whether they have severe housing needs. This chapter takes the analysis one step further by examining the neighborhood poverty experienced by very low-income renters.[40] A family renting a home purchases not only the physical aspects of the housing unit, but also the neighborhood living environment and the services provided by the community. Neighborhood quality can have a significant impact on a household's welfare. For example, given the same severity of rent burden, income level, and physical housing problems, renters in disadvantaged neighborhoods clearly could be worse off than comparable renters in better neighborhoods.

Categorizing Neighborhoods

In this analysis, neighborhood poverty rates are used as a proxy for overall neighborhood well-being. Although numerous non-economic aspects of neighborhood quality such as crime rates and educational outcomes operate independently of poverty rates, substantial research has shown important correlations. In particular, poverty rates exceeding 30 percent or 40 percent thresholds frequently are accompanied by a variety of other physical and social problems with negative outcomes for families.[41]

This report defines four neighborhood types by first ranking census tracts by their poverty rates, not counting college students. Each census tract is assumed to define a neighborhood.

The 10 percent of neighborhoods with the highest non-college poverty rates constitute the first decile of the neighborhood distribution. Neighborhoods in this category have non-college poverty rates of about 30 percent or more. The next 10 percent of neighborhoods (decile 2) have non-college poverty rates of about 20–30 percent. The third group comprises the next 30 percent of neighborhoods (deciles 3–5), which have poverty rates of 10–20 percent, a range that includes the national average poverty rate. The remaining 50 percent of neighborhoods constitute deciles 5–10, meaning that they lie beyond (in this case, below) the median poverty rate. The non-college poverty rates of neighborhoods in this half are less than 10 percent.

The distribution of renters residing in neighborhoods in each poverty category does not correspond exactly to the proportion of neighborhoods in that category.

[40] This chapter draws from a more extensive working paper of Carolyn Lynch of HUD's Office of Policy Development and Research.

[41] Kingsley and Pettit 2003; Jargowsky 1997.

Exhibit 5-1 shows that the poorest 10 percent of neighborhoods contains 11.3 percent of renters. The next decile of neighborhoods contains 12.8 percent of renters. Deciles 3–5 contain 35.3 percent of renters, rather than the 30 percent that would occur if they were distributed uniformly. Accordingly, the low-poverty neighborhoods in the upper half contain only 40.6 percent of renter households, reflecting the greater prevalence of owner-occupied housing.

Exhibit 5-1. Distribution of Renter Households by Neighborhood Poverty

	Census Tracts Ranked by Non-College Poverty Rates				
	Decile 1 (highest 10%)	Decile 2 (next 10%)	Deciles 3-5 (next 30%)	Deciles 6-10 (lowest 50%)	Total
All Renters	3,837	4,356	11,975	13,783	33,951
as percent of all Renters	11.3%	12.8%	35.3%	40.6%	100.0%

Source: Census Bureau tabulations of AHS data performed under contract to HUD.

Distribution of Worst Case Needs Relative to Neighborhood Poverty

Exhibit 5-2 shows the number and proportion of very low-income renters that reside in each neighborhood poverty group, both nationwide and in terms of metropolitan

Exhibit 5-2. Distribution of Very Low-Income Renters and Worst Case Needs by Neighborhood Poverty and Metropolitan Status

	Census Tracts Ranked by Non-College Poverty Rates				
	Decile 1 (highest 10%)	Decile 2 (next 10%)	Deciles 3-5 (next 30%)	Deciles 6-10 (lowest 50%)	Total
Central Cities					
VLI Renters	2,074	1,539	2,470	1,423	7,505
as percent of all VLI Renters	27.6%	20.5%	32.9%	19.0%	100.0%
VLI Renters with worst case needs	652	624	989	645	2,909
as percent of all worst case needs	22.4%	21.5%	34.0%	22.2%	100.0%
Suburbs					
VLI Renters	301	565	1,855	2,696	5,417
as percent of all VLI Renters	5.6%	10.4%	34.2%	49.8%	100.0%
VLI Renters with worst case needs	102	226	666	1,098	2,092
as percent of all worst case needs	4.9%	10.8%	31.8%	52.5%	100.0%
Non-Metropolitan Areas					
VLI Renters	266	454	1,638	791	3,150
as percent of all VLI Renters	8.4%	14.4%	52.0%	25.1%	100.0%
VLI Renters with worst case needs	88	137	480	285	991
as percent of all worst case needs	8.9%	13.8%	48.4%	28.8%	100.0%
Total, All Areas					
VLI Renters	2,641	2,559	5,963	4,909	16,071
as percent of all VLI Renters	16.4%	15.9%	37.1%	30.5%	100.0%
VLI Renters with worst case needs	842	988	2,135	2,027	5,992
as percent of all worst case needs	14.1%	16.5%	35.6%	33.8%	100.0%

Source: Census Bureau tabulations of AHS data performed under contract to HUD.

status. It also shows the number and proportion of very low-income renters with worst case needs in those areas. For comparative perspective, the bottom two rows show the number and proportion of all renters in each neighborhood group.

The exhibit shows that very low-income renters are more likely to live in poorer neighborhoods, with 16.4 percent living in the poorest decile and another 15.9 percent living in the next decile. By comparison, the neighborhoods in the upper half, deciles 6–10, contain only 30.5 percent of very low-income renters, despite containing 40.6 percent of renters overall. The concentration of very low-income renters in neighborhoods with higher poverty rates may reflect the lower rents that are typically found in poorer neighborhoods.

The distribution of worst case needs, seen in the percentage distributions for "all areas" as well as throughout the table, tracks very closely with the distribution of very low-income renters. Neighborhood poverty rates, with all their implications for rents and quality of housing, do not strongly affect the incidence of worst case needs for very low-income renters who reside there. Even in low-poverty neighborhoods, the proportions of very low-income renters (30.5 percent) and of worst case needs (33.8 percent) differ by only 3.3 percentage points.

Nevertheless, this same difference of 3.3 percentage points does indicate that very low-income renters who have worst case needs are more likely to live in better neighborhoods than the proportional share of very low-income renters might suggest. Across all three metropolitan categories—cities, suburbs, and non-metropolitan areas—the proportion of worst case needs households found within deciles 6–10 exceeds the proportion of very low-income renters in those neighborhoods.

Two explanations could account plausibly for the concentration of worst case needs, relative to very low-income renters, within neighborhoods with little poverty. Unfortunately, these AHS data do not support definitive conclusions about the extent to which each is true.

First, it is probable that a number of local markets do not include neighborhoods from each of these poverty categories because census tracts are assigned to categories on a national basis. In markets with a restricted range of neighborhood types, and especially in view of the national shortage of affordable housing, very low-income renters might well be forced to locate in neighborhoods with a restricted amount of affordable housing and pay higher rents.

Notably, Exhibit 5-2 shows that in suburban areas, almost half of very low-income renters (49.8 percent) and more than half of those with worst case needs (52.5 percent) live in the half of suburban neighborhoods with the lowest poverty rates. These high proportions reflect the fact that numerous metropolitan areas have few suburban neighborhoods that would be classed in the first or second deciles of high poverty on a national basis. In such metropolitan areas, the only suburban residential options that very low-income renters have may be located in low-poverty neighborhoods but cause them severe rent burdens.

Within central cities, in contrast, about one-fourth of both very low-income renters (27.6 percent) and of worst case needs (22.4 percent) are found in neighborhoods from the poorest decile. Non-metropolitan areas are in a different situation, with more than half of very low-income renters (52.0 percent) and a similarly large proportion of worst case needs (48.4 percent) occurring in moderate poverty neighborhoods from deciles 3–5. Similar to the situation in suburban areas, it is likely that numerous non-metropolitan areas consist entirely of neighborhoods in this group, and so present very low-income renters with few choices about whether to lease housing causing severe rent burdens.

There is a secondary possible explanation for the presence of a greater proportion of worst case needs than of very low-income renters within the lowest poverty neighborhoods: that a small percentage of very low-income renters may have lower-cost housing options yet accept severe rent burdens as the price of locating in better neighborhoods. Rent burdens might be an acceptable trade-off for households who value proximity to family, security, or other neighborhood amenities more highly, or who face fewer demands on their discretionary income.

To explain the distribution of very low-income renters and worst case needs fully would require further research focusing on small areas. Yet, the American Housing Survey data presented here do indicate that local markets are significant at the national level.

Finally, it is useful to remember that in the 2005 American Housing Survey 4.55 million very low-income renters reported that they received housing assistance. This figure represents 76 percent of the number with worst case needs, so the distribution of households with worst case needs by neighborhood poverty would, in all likelihood, be shifted markedly in the absence of housing assistance.

Relation of Neighborhood Poverty to Incidence of Worst Case Needs

The previous exhibit demonstrated that both very low-income renters and worst case needs are found within neighborhoods of diverse poverty levels. Exhibit 5-3 examines whether there is a plausible connection of neighborhood poverty rates and the incidence of worst case needs among very low-income renters.

Comparing the incidence of worst case needs across the neighborhood types reveals that there is to some extent an inverse correlation between neighborhood poverty and the probability of worst case needs for very low-income renters. While 37.3 percent of very low-income households overall have worst case needs, the incidence is lower, 31.9 percent, within the poorest neighborhoods and higher, 41.3 percent, in the half with low poverty rates. However, the strength of this association is limited. Within all three metropolitan categories, deciles 3–5 show slightly lower incidence than decile 2—rather than the higher incidence that would be expected if neighborhood poverty were a primary contributor to worst case needs.

Exhibit 5-3. Very Low-Income Renters and Incidence of Worst Case Needs by Metropolitan Status and Neighborhood Poverty

	Census Tracts Ranked by Non-College Poverty Rates				
	Decile 1 (highest 10%)	Decile 2 (next 10%)	Deciles 3-5 (next 30%)	Deciles 6-10 (lowest 50%)	Total
Central Cities					
VLI Renters	2,074	1,539	2,470	1,423	7,505
% with worst case needs	31.4%	40.5%	40.0%	45.3%	38.8%
Suburbs					
VLI Renters	301	565	1,855	2,696	5,417
% with worst case needs	33.9%	40.0%	35.9%	40.7%	38.6%
Non-Metropolitan Areas					
VLI Renters	266	454	1,638	791	3,150
% with worst case needs	33.1%	30.2%	29.3%	36.0%	31.5%
Total, All Areas					
VLI Renters	2,641	2,559	5,963	4,909	16,071
% with worst case needs	31.9%	38.6%	35.8%	41.3%	37.3%

Source: Census Bureau tabulations of AHS data performed under contract to HUD.

Low poverty neighborhoods in deciles 6–10 appear to have the strongest impact on incidence of worst case needs when they are located in cities. Incidence is highest in central cities, at 45.3 percent, followed by suburbs, where incidence reaches 40.7 percent in the low-poverty neighborhoods. Overall, very low-income renters are less likely to reside in low-poverty neighborhoods, but when they do they are more likely to have worst case needs, most likely because of severe rent burdens.

The incidence and the distribution of worst case needs would be very different in the absence of housing assistance. Housing assistance is distributed neither uniformly nor proportionally across neighborhood poverty categories. The lowest decile of neighborhoods in central cities, and the lower deciles in non-metropolitan areas, include more very low-income renters with housing assistance than with worst case needs.

Summary

This analysis is an exploratory attempt to examine how neighborhood conditions, particularly conditions associated with poverty rates, are related with worst case needs. While there are some intriguing results, overall it appears that neighborhood poverty levels are associated only indirectly with worst case housing needs.

Very low-income renters and households with worst case needs are more likely to live in poorer neighborhoods, as 32.3 percent of very low-income renters and 30.6 percent of renters with worst case needs were living in the 20 percent of neighborhoods with the highest poverty rates during 2005. The concentration of very low-income renters in neighborhoods with higher poverty rates may reflect the lower rents

that are typically found in poorer neighborhoods. The distribution of households with worst case needs probably would be shifted in the absence of housing assistance.

Neighborhoods ranked in the lowest half of poverty rates contain 30.5 percent of very low-income renters and 33.8 percent of worst case needs. Although the distribution of worst case needs is very similar to the distribution of very low-income renters nationwide and in terms of metropolitan status, within each metropolitan category, the proportion of worst case households found in low-poverty neighborhoods exceeds the proportion of very low-income renters found there. There is higher incidence of worst case needs, 41.3 percent, among very low-income renters in these neighborhoods, reflecting their higher rents.

These patterns suggest several factors are at work. The neighborhood data provide evidence, consistent with the rest of this report, that worst case needs result primarily from a lack of affordable housing options where very low-income renters live. Yet, households also make choices from the alternatives available to them that have implications for the national scope of worst case needs. Accordingly, the relationship between neighborhood poverty and worst case needs is worthy of further research.

Appendix

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Appendix A. Data on Housing Problems and Supply of Affordable Housing

List of Tables

Table A–1a. Housing Conditions of Renter Households by Relative Income, 2003 and 2005

	Household Income as Percentage of HUD-Adjusted Area Median Family Income					
2005	**0–30%**	**30–50%**	**50–80%**	**80–120%**	**>120%**	**All Incomes**
Total Households (1000)	9,729	6,342	7,488	5,449	4,943	33,951
Unassisted with Severe Problems a	4,643	1,349	472	264	132	6,860
Unassisted with non-Severe Problems Only[a]	981	2,604	2,363	799	557	7,303
Unassisted with No Problems[a]	816	1,127	3,661	3,832	3,804	13,240
Assisted	3,289	1,262	992	555	450	6,547
Any with Severe Problems	6,151	1,548	532	290	145	8,665
Rent Burden >50% of Income	5,999	1,361	321	147	61	7,891
Severely Inadequate Housing	430	228	215	142	84	1,100
Any with non-Severe Problems Only[b]	1,804	3,253	2,727	909	593	9,286
Rent Burden 30–50% of Income	1,535	2,934	2,091	452	226	7,238
Moderately Inadequate Housing	340	417	488	325	289	1,859
Crowded Housing	229	346	347	170	109	1,200
Any with No Problems	1,775	1,542	4,229	4,249	4,204	16,000
2003						
Total Households (1000)	**9,077**	**6,581**	**7,460**	**5,416**	**5,080**	**33,614**
Unassisted with Severe Problems[a]	3,999	1,176	436	158	117	5,887
Unassisted with non-Severe Problems Only[a]	1,145	2,860	2,254	757	542	7,557
Unassisted with No Problems[a]	947	1,275	3,842	3,942	3,952	13,958
Assisted	2,986	1,270	929	558	469	6,211
Any with Severe Problems	5,136	1,344	476	186	131	7,273
Rent Burden >50% of Income	4,945	1,160	280	64	29	6,477
Severely Inadequate Housing	401	213	199	122	102	1,038
Any with non-Severe Problems Only[b]	1,936	3,458	2,529	855	607	9,385
Rent Burden 30–50% of Income	1,664	3,059	1,872	413	200	7,207
Moderately Inadequate Housing	364	474	497	349	331	2,017
Crowded Housing	216	403	349	148	104	1,220
Any with No Problems	2,005	1,779	4,455	4,375	4,342	16,956

Source: HUD-PD&R tabulations of AHS data.

[a] See Table A-3 for housing problems experienced by unassisted renters.

[b] See Table A-2 for estimates of the incidence of non-severe problems without regard to whether severe problems are also present.

Table A–1b. Housing Conditions of Owner Households by Relative Income, 2003 and 2005

	Household Income as Percentage of HUD-Adjusted Area Median Family Income					
2005	**0–30%**	**30–50%**	**50–80%**	**80–120%**	**>120%**	**All Incomes**
Total Households (1000)	7,473	7,614	11,820	15,230	32,812	74,950
Unassisted with Severe Problems	4,444	1,836	1,481	850	671	9,282
Unassisted with non-Severe Problems Only	1,670	2,183	3,555	3,300	2,838	13,546
Unassisted with No Problems	1,360	3,596	6,784	11,080	29,302	52,122
Assisted	—	—	—	—	—	—
Any with Severe Problems	4,444	1,836	1,481	850	671	9,282
Cost Burden >50% of Income	4,360	1,744	1,347	685	405	8,542
Severely Inadequate Housing	201	130	156	170	266	923
Any with non-Severe Problems Only	1,670	2,183	3,555	3,300	2,838	13,546
Cost Burden 30–50% of Income	1,508	1,919	3,099	2,876	2,378	11,780
Moderately Inadequate Housing	195	224	352	260	353	1,384
Crowded Housing	56	142	255	237	146	837
Any with No Problems	1,360	3,596	6,784	11,080	29,302	52,122
2003						
Total Households (1000)	**6,677**	**7,832**	**12,278**	**14,281**	**31,186**	**72,254**
Unassisted with Severe Problems	3,392	1,596	1,313	642	568	7,511
Unassisted with non-Severe Problems Only	1,517	2,232	3,226	2,844	2,413	12,233
Unassisted with No Problems	1,769	4,004	7,738	10,795	28,204	52,510
Assisted	—	—	—	—	—	—
Any with Severe Problems	3,392	1,596	1,313	642	568	7,511
Cost Burden >50% of Income	3,273	1,481	1,148	502	308	6,711
Severely Inadequate Housing	198	148	182	145	260	933
Any with non-Severe Problems Only	1,517	2,232	3,226	2,844	2,413	12,233
Cost Burden 30–50% of Income	1,338	1,891	2,780	2,400	1,837	10,246
Moderately Inadequate Housing	227	304	323	278	444	1,576
Crowded Housing	64	148	214	226	166	817
Any with No Problems	1,769	4,004	7,738	10,795	28,204	52,510

Source: HUD-PD&R tabulations of AHS data.

Table A–2a. Housing Conditions of Renters and Owners, 1991–2005—Number of Households

	1991	1993	1995	1997	1999	2001	2003	2005
Total Households (1000)	**93,147**	**94,723**	**97,694**	**99,487**	**102,802**	**105,435**	**105,868**	**108,901**
Unassisted with Severe Problems	10,430	10,350	11,744	12,206	12,203	13,494	13,398	16,142
Unassisted with non-Severe Problems Only	16,612	16,399	17,693	17,900	18,237	19,217	19,790	20,849
Unassisted with No Problems	61,302	62,950	63,023	63,682	66,163	66,445	66,468	65,362
Assisted	4,801	5,025	5,230	5,697	6,168	6,279	6,211	6,547
Cost Burden >50% of Income	8,925	9,725	11,158	12,223	12,141	13,330	13,188	16,433
Cost Burden 30–50% of Income	14,145	14,333	15,481	15,115	15,862	16,923	17,856	19,403
Severely Inadequate Housing	2,874	1,901	2,022	1,797	2,056	2,108	1,971	2,023
Moderately Inadequate Housing	4,531	4,225	4,348	5,191	4,821	4,504	4,311	4,177
Crowded Housing	2,527	2,386	2,554	2,807	2,570	2,631	2,559	2,621
Renter Households (1000)	**33,351**	**33,472**	**34,150**	**34,000**	**34,007**	**33,727**	**33,614**	**33,951**
Unassisted with Severe Problems	5,580	5,671	5,777	6,024	5,591	5,758	5,887	6,860
Unassisted with non-Severe Problems Only	7,342	7,287	7,651	7,451	7,560	7,283	7,557	7,303
Unassisted with No Problems	15,627	15,489	15,492	14,827	14,657	14,407	13,958	13,240
Assisted	4,801	5,025	5,230	5,697	6,203	6,279	6,211	6,547
Rent Burden >50% of Income	5,478	5,947	6,236	6,686	6,301	6,412	6,477	7,891
Rent Burden 30–50% of Income	6,964	7,157	7,424	6,778	7,141	6,916	7,468	7,502
Severely Inadequate Housing	1,347	909	849	1,072	1,183	1,168	1,038	1,100
Moderately Inadequate Housing	2,375	2,254	2,277	3,021	2,768	2,508	2,525	2,542
Crowded Housing	1,644	1,503	1,673	1,891	1,666	1,658	1,615	1,635
Owner Households (1000)	**59,796**	**61,251**	**63,544**	**65,487**	**68,795**	**71,708**	**72,254**	**74,950**
Unassisted with Severe Problems	4,850	4,678	5,967	6,182	6,604	7,736	7,511	9,282
Unassisted with non-Severe Problems Only	9,270	9,112	10,042	10,449	10,684	11,934	12,233	13,546
Unassisted with No Problems	45,675	47,461	47,531	48,855	51,507	52,038	52,510	52,122
Assisted	—	—	—	—	—	—	—	—
Cost Burden >50% of Income	3,447	3,778	4,922	5,537	5,841	6,918	6,711	8,542
Cost Burden 30–50% of Income	7,181	7,176	8,057	8,337	8,716	10,007	10,388	11,901
Severely Inadequate Housing	1,527	992	1,173	725	867	940	933	923
Moderately Inadequate Housing	2,156	1,971	2,071	2,170	2,064	1,996	1,786	1,635
Crowded Housing	883	883	881	916	894	973	944	986

Source: HUD-PD&R tabulations of AHS data.

Table A–2b. Housing Conditions of Renters and Owners, 1991–2005—Percentage of Households

	1991	1993	1995	1997	1999	2001	2003	2005
Total Households	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unassisted with Severe Problems	11.2%	10.9%	12.0%	12.3%	11.9%	12.8%	12.7%	14.8%
Unassisted with non-Severe Problems Only	17.8%	17.3%	18.1%	18.0%	17.7%	18.2%	18.7%	19.1%
Unassisted with No Problems	65.8%	66.5%	64.5%	64.0%	64.4%	63.0%	62.8%	60.0%
Assisted	5.2%	5.3%	5.4%	5.7%	6.0%	6.0%	5.9%	6.0%
Cost Burden >50% of Income	9.6%	10.3%	11.4%	12.3%	11.8%	12.6%	12.5%	15.1%
Cost Burden 30–50% of Income	15.2%	15.1%	15.8%	15.2%	15.4%	16.1%	16.9%	17.8%
Severely Inadequate Housing	3.1%	2.0%	2.1%	1.8%	2.0%	2.0%	1.9%	1.9%
Moderately Inadequate Housing	4.9%	4.5%	4.5%	5.2%	4.7%	4.3%	4.1%	3.8%
Crowded Housing	2.7%	2.5%	2.6%	2.8%	2.5%	2.5%	2.4%	2.4%
Renter Households	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unassisted with Severe Problems	16.7%	16.9%	16.9%	17.7%	16.4%	17.1%	17.5%	20.2%
Unassisted with non-Severe Problems Only	22.0%	21.8%	22.4%	21.9%	22.2%	21.6%	22.5%	21.5%
Unassisted with No Problems	46.9%	46.3%	45.4%	43.6%	43.1%	42.7%	41.5%	39.0%
Assisted	14.4%	15.0%	15.3%	16.8%	18.2%	18.6%	18.5%	19.3%
Rent Burden >50% of Income	16.4%	17.8%	18.3%	19.7%	18.5%	19.0%	19.3%	23.2%
Rent Burden 30–50% of Income	20.9%	21.4%	21.7%	19.9%	21.0%	20.5%	22.2%	22.1%
Severely Inadequate Housing	4.0%	2.7%	2.5%	3.2%	3.5%	3.5%	3.1%	3.2%
Moderately Inadequate Housing	7.1%	6.7%	6.7%	8.9%	8.1%	7.4%	7.5%	7.5%
Crowded Housing	4.9%	4.5%	4.9%	5.6%	4.9%	4.9%	4.8%	4.8%
Owner Households	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Unassisted with Severe Problems	8.1%	7.6%	9.4%	9.4%	9.6%	10.8%	10.4%	12.4%
Unassisted with non-Severe Problems Only	15.5%	14.9%	15.8%	16.0%	15.5%	16.6%	16.9%	18.1%
Unassisted with No Problems	76.4%	77.5%	74.8%	74.6%	74.9%	72.6%	72.7%	69.5%
Assisted	—	—	—	—	—	—	—	—
Cost Burden >50% of Income	5.8%	6.2%	7.7%	8.5%	8.5%	9.6%	9.3%	11.4%
Cost Burden 30–50% of Income	12.0%	11.7%	12.7%	12.7%	12.7%	14.0%	14.4%	15.9%
Severely Inadequate Housing	2.6%	1.6%	1.8%	1.1%	1.3%	1.3%	1.3%	1.2%
Moderately Inadequate Housing	3.6%	3.2%	3.3%	3.3%	3.0%	2.8%	2.5%	2.2%
Crowded Housing	1.5%	1.4%	1.4%	1.4%	1.3%	1.4%	1.3%	1.3%

Source: HUD-PD&R tabulations of AHS data.

Table A–3. Housing Conditions of Unassisted Renter Households by Relative Income, 2003 and 2005

	Household Income as Percentage of HUD-Adjusted Area Median Family Income					
2005	**0–30%**	**30–50%**	**50–80%**	**80–120%**	**>120%**	**All Incomes**
Total Unassisted Households (1000)	**6,440**	**5,081**	**6,496**	**4,894**	**4,492**	**27,404**
Any with Severe Problems	4,643	1,349	472	264	132	6,860
Rent Burden >50% of Income	4,545	1,184	295	134	56	6,214
[and Rent > Fair Market Rent]	1,454	829	290	134	56	2,763
Severely Inadequate Housing	318	203	182	129	76	908
Any with non-Severe Problems Only	981	2,604	2,363	799	557	7,303
Rent Burden 30–50% of Income	833	2,375	1,836	397	216	5,657
Moderately Inadequate Housing	203	339	421	273	273	1,509
Crowded Housing	153	271	285	158	97	963
Any with No Problems	816	1,127	3,661	3,832	3,804	13,240
2003						
Total Unassisted Households (1000)	**6,093**	**5,309**	**6,531**	**4,858**	**4,611**	**27,402**
Any with Severe Problems	3,996	1,180	436	158	117	5,887
Rent Burden >50% of Income	3,875	1,039	256	57	29	5,255
[and Rent > Fair Market Rent]	1,243	706	245	57	29	2,280
Severely Inadequate Housing	280	164	182	101	88	816
Any with non-Severe Problems Only	1,150	2,855	2,254	757	542	7,557
Rent Burden 30–50% of Income	966	2,525	1,665	372	180	5,709
Moderately Inadequate Housing	253	392	435	307	302	1,690
Crowded Housing	153	338	310	133	87	1,022
Any with No Problems	947	1,275	3,842	3,942	3,952	13,958

Source: HUD-PD&R tabulations of AHS data.

Table A–4. Incidence of Housing Problems among Renters by Relative Income, 2003 and 2005—Number and Percentage

	2003	2005	2003	2005
Renter Households (1000)	**33,614**	**33,951**	**100.0%**	**100.0%**
Unassisted with Severe Problems	5,887	6,860	17.5%	20.2%
Unassisted with non-Severe Problems Only	7,557	7,303	22.5%	21.5%
Unassisted with No Problems	13,958	13,240	41.5%	39.0%
Assisted	6,211	6,547	18.5%	19.3%
Any with Severe Problems	7,273	8,665	21.6%	25.5%
Rent Burden >50% of Income	6,477	7,891	19.3%	23.2%
Severely Inadequate Housing	1,038	1,100	3.1%	3.2%
Rent Burden Only[a]	5,727	6,883	17.0%	20.3%
Any with non-Severe Problems Only	9,385	9,286	27.9%	27.4%
Rent Burden 30–50% of Income	7,207	7,238	21.4%	21.3%
Moderately Inadequate Housing	2,017	1,859	6.0%	5.5%
Crowded Housing	1,220	1,200	3.6%	3.5%
Rent Burden Only	6,294	6,363	18.7%	18.7%
Any with No Problems	**16,956**	**16,000**	**50.4%**	**47.1%**
Income 0-30% HAMFI (1000)	**9,077**	**9,729**	**100.0%**	**100.0%**
Unassisted with Severe Problems	3,999	4,643	44.1%	47.7%
Unassisted with non-Severe Problems Only	1,145	981	12.6%	10.1%
Unassisted with No Problems	947	816	10.4%	8.4%
Assisted	2,986	3,289	32.9%	33.8%
Any with Severe Problems	5,136	6,151	56.6%	63.2%
Rent Burden >50% of Income	4,945	5,999	54.5%	61.7%
Severely Inadequate Housing	401	430	4.4%	4.4%
Rent Burden Onl[a]	4,317	5,160	47.6%	53.0%
Any with non-Severe Problems Only	1,936	1,804	21.3%	18.5%
Rent Burden 30–50% of Income	1,664	1,535	18.3%	15.8%
Moderately Inadequate Housing	364	340	4.0%	3.5%
Crowded Housing	216	229	2.4%	2.4%
Rent Burden Only	1,383	1,263	15.2%	13.0%
Any with No Problems	2,005	1,775	22.1%	18.2%

Table A–4. Incidence of Housing Problems among Renters by Relative Income, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
Income 30-50% HAMFI (1000)	**6,581**	**6,342**	**100.0%**	**100.0%**
Unassisted with Severe Problems	1,176	1,349	17.9%	21.3%
Unassisted with non-Severe Problems Only	2,860	2,604	43.5%	41.0%
Unassisted with No Problems	1,275	1,127	19.4%	17.8%
Assisted	1,270	1,262	19.3%	19.9%
Any with Severe Problems	1,344	1,548	20.4%	24.4%
Rent Burden >50% of Income	1,160	1,361	17.6%	21.5%
Severely Inadequate Housing	213	228	3.2%	3.6%
Rent Burden Only[a]	1,059	1,233	16.1%	19.4%
Any with non-Severe Problems Only	3,458	3,253	52.5%	51.3%
Rent Burden 30–50% of Income	3,059	2,934	46.5%	46.3%
Moderately Inadequate Housing	474	417	7.2%	6.6%
Crowded Housing	403	346	6.1%	5.5%
Rent Burden Only[a]	2,632	2,535	40.0%	40.0%
Any with No Problems	1,779	1,542	27.0%	24.3%
Income 50-80% HAMFI (1000)	**7,460**	**7,488**	**100.0%**	**100.0%**
Unassisted with Severe Problems	436	472	5.8%	6.3%
Unassisted with non-Severe Problems Only	2,254	2,363	30.2%	31.6%
Unassisted with No Problems	3,842	3,661	51.5%	48.9%
Assisted	929	992	12.5%	13.2%
Any with Severe Problems	476	532	6.4%	7.1%
Rent Burden >50% of Income	280	321	3.8%	4.3%
Severely Inadequate Housing	199	215	2.7%	2.9%
Rent Burden Only[a]	265	289	3.6%	3.9%
Any with non-Severe Problems Only	2,529	2,727	33.9%	36.4%
Rent Burden 30–50% of Income	1,872	2,091	25.1%	27.9%
Moderately Inadequate Housing	497	488	6.7%	6.5%
Crowded Housing	349	347	4.7%	4.6%
Rent Burden Only	1,716	1,930	23.0%	25.8%
Any with No Problems	4,455	4,229	59.7%	56.5%

Table A–4. Incidence of Housing Problems among Renters by Relative Income, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
Income 80-120% HAMFI (1000)	**5,416**	**5,449**	**100.0%**	**100.0%**
Unassisted with Severe Problems	158	264	2.9%	4.8%
Unassisted with non-Severe Problems Only	757	799	14.0%	14.7%
Unassisted with No Problems	3,942	3,832	72.8%	70.3%
Assisted	558	555	10.3%	10.2%
Any with Severe Problems	186	290	3.4%	5.3%
Rent Burden >50% of Income	64	147	1.2%	2.7%
Severely Inadequate Housing	122	142	2.3%	2.6%
Rent Burden Only[a]	61	143	1.1%	2.6%
Any with non-Severe Problems Only	855	909	15.8%	16.7%
Rent Burden 30–50% of Income	413	452	7.6%	8.3%
Moderately Inadequate Housing	349	325	6.4%	6.0%
Crowded Housing	148	170	2.7%	3.1%
Rent Burden Only	376	428	6.9%	7.9%
Any with No Problems	4,375	4,249	80.8%	78.0%
Income >120% HAMFI (1000)	**5,080**	**4,943**	**100.0%**	**100.0%**
Unassisted with Severe Problems	117	132	2.3%	2.7%
Unassisted with non-Severe Problems Only	542	557	10.7%	11.3%
Unassisted with No Problems	3,952	3,804	77.8%	77.0%
Assisted	469	450	9.2%	9.1%
Any with Severe Problems	131	145	2.6%	2.9%
Rent Burden >50% of Income	29	61	0.6%	1.2%
Severely Inadequate Housing	102	84	2.0%	1.7%
Rent Burden Only[a]	25	57	0.5%	1.2%
Any with non-Severe Problems Only	607	593	11.9%	12.0%
Rent Burden 30–50% of Income	200	226	3.9%	4.6%
Moderately Inadequate Housing	331	289	6.5%	5.8%
Crowded Housing	104	109	2.0%	2.2%
Rent Burden Only	187	207	3.7%	4.2%
Any with No Problems	4,342	4,204	85.5%	85.0%

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–5. Incidence of Housing Problems among Very Low-Income Renters by Household Type, 2003 and 2005—Number and Percentage

	2003	2005	2003	2005
Elderly (1000)	**3,273**	**3,587**	**100.0%**	**100.0%**
Unassisted with Severe Problems	1,129	1,291	34.5%	36.0%
Unassisted with non-Severe Problems Only	519	528	15.9%	14.7%
Unassisted with No Problems	496	409	15.2%	11.4%
Assisted	1,129	1,358	34.5%	37.9%
Any with Severe Problems	1,431	1,722	43.7%	48.0%
Rent Burden >50% of Income	1,349	1,664	41.2%	46.4%
Severely Inadequate Housing	128	110	3.9%	3.1%
Rent Burden Only[a]	1,222	1,484	37.3%	41.4%
Any with non-Severe Problems Only	869	937	26.6%	26.1%
Rent Burden 30–50% of Income	810	888	24.7%	24.8%
Moderately Inadequate Housing	99	97	3.0%	2.7%
Crowded Housing	2	9	0.1%	0.3%
Rent Burden Only	769	837	23.5%	23.3%
Any with No Problems	974	928	29.8%	25.9%
Families with Children (1000)	**6,379**	**6,465**	**100.0%**	**100.0%**
Unassisted with Severe Problems	1,849	2,324	29.0%	35.9%
Unassisted with non-Severe Problems Only	1,901	1,674	29.8%	25.9%
Unassisted with No Problems	834	676	13.1%	10.5%
Assisted	1,795	1,791	28.1%	27.7%
Any with Severe Problems	2,448	3,012	38.4%	46.6%
Rent Burden >50% of Income	2,307	2,904	36.2%	44.9%
Severely Inadequate Housing	241	238	3.8%	3.7%
Rent Burden Only[a]	2,007	2,533	31.5%	39.2%
Any with non-Severe Problems Only	2,493	2,301	39.1%	35.6%
Rent Burden 30–50% of Income	2,101	1,948	32.9%	30.1%
Moderately Inadequate Housing	375	311	5.9%	4.8%
Crowded Housing	592	548	9.3%	8.5%
Rent Burden Only	1,603	1,501	25.1%	23.2%
Any with No Problems	1,439	1,153	22.6%	17.8%

Table A–5. Incidence of Housing Problems among Very Low-Income Renters by Household Type, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
Non-elderly Disabled (expanded; 1000)	**1,403**	**1,416**	**100.0%**	**100.0%**
Unassisted with Severe Problems	511	542	36.4%	38.3%
Unassisted with non-Severe Problems Only	224	201	16.0%	14.2%
Unassisted with No Problems	100	95	7.1%	6.7%
Assisted	568	578	40.5%	40.8%
Any with Severe Problems	653	795	46.5%	56.1%
Rent Burden >50% of Income	606	762	43.2%	53.8%
Severely Inadequate Housing	76	79	5.4%	5.6%
Rent Burden Only[a]	495	619	35.3%	43.7%
Any with non-Severe Problems Only	385	337	27.4%	23.8%
Rent Burden 30–50% of Income	335	305	23.9%	21.5%
Moderately Inadequate Housing	94	65	6.7%	4.6%
Crowded Housing	0	0	0.0%	0.0%
Rent Burden Only	291	272	20.7%	19.2%
Any with No Problems	364	285	25.9%	20.1%
Other Households (1000)	**4,603**	**4,603**	**100.0%**	**100.0%**
Unassisted with Severe Problems	1,686	1,835	36.6%	39.9%
Unassisted with non-Severe Problems Only	1,361	1,182	29.6%	25.7%
Unassisted with No Problems	792	763	17.2%	16.6%
Assisted	764	823	16.6%	17.9%
Any with Severe Problems	1,948	2,170	42.3%	47.1%
Rent Burden >50% of Income	1,843	2,030	40.0%	44.1%
Severely Inadequate Housing	170	232	3.7%	5.0%
Rent Burden Only[a]	1,652	1,758	35.9%	38.2%
Any with non-Severe Problems Only	1,647	1,482	35.8%	32.2%
Rent Burden 30–50% of Income	1,476	1,328	32.1%	28.9%
Moderately Inadequate Housing	271	284	5.9%	6.2%
Crowded Housing	26	18	0.6%	0.4%
Rent Burden Only	1,351	1,189	29.4%	25.8%
Any with No Problems	1,008	951	21.9%	20.7%

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–6a. Housing Problems and Characteristics of Very Low-Income Renters by Household Type, 2005

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Renter Households (1000)	16,072	3,587	6,465	912	1,416	3,691
Number of Children	13,257	0	13,257	0	0	0
Number of Persons	36,813	4,445	23,808	2,145	1,922	4,494
Children/Household	0.82	0.00	2.05	0.00	0.00	0.00
Persons/Household	2.29	1.24	3.68	2.35	1.36	1.22
Unassisted with Severe Problems	5,992	1,291	2,324	324	542	1,511
Unassisted with non-Severe Problems Only	3,585	528	1,674	254	201	928
Unassisted with No Problems	1,944	409	676	143	95	620
Assisted	4,550	1,358	1,791	191	578	632
Any with Severe Problems	7,699	1,722	3,012	394	795	1,776
Rent Burden >50% of Income	7,360	1,664	2,904	368	762	1,662
Severely Inadequate Housing	659	110	238	41	79	191
Rent Burden Only[a]	6,394	1,484	2,533	335	619	1,423
Any with non-Severe Problems Only	5,056	937	2,301	340	337	1,142
Rent Burden 30–50% of Income	4,468	888	1,948	313	305	1,015
Moderately Inadequate Housing	756	97	311	51	65	233
Crowded Housing	574	9	548	18	0	0
Rent Burden Only	3,798	837	1,501	280	272	909
Any with No Problems	3,317	928	1,153	178	285	773

Table A–6a. Housing Problems and Characteristics of Very Low-Income Renters by Household Type, 2005 (continued)

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Other Characteristics						
One Person in Household	6,992	2,827	119	0	1,027	3,019
Husband-Wife Family	3,127	456	2,081	486	103	0
Female Head	10,064	2,419	4,649	446	814	1,736
Minority Head	8,164	1,171	4,222	574	666	1,531
AFDC/SSI Income	3,103	630	1,465	0	1,008	0
Social Security Income	4,035	3,021	428	0	585	0
Income Below 50% Poverty	3,741	679	1,742	130	326	865
Income Below Poverty	8,440	1,655	3,931	334	982	1,538
Income Below 150% of Poverty	12,697	2,703	5,758	567	1,285	2,384
High School Graduate	10,647	2,014	4,057	631	895	3,050
Two+ Years Post High School	2,483	500	675	169	171	968
Earnings at Minimum Wage:						
At Least Half Time	7,844	290	4,267	732	184	2,371
At Least Full Time	6,216	188	3,516	610	102	1,801
Earnings Main Source of Income	8,555	255	4,589	764	174	2,773
Housing Rated Poor	955	87	464	49	102	252
Housing Rated Good+	11,861	3,040	4,447	663	1,060	2,651
Neighborhood Rated Poor	1,380	95	743	82	135	324
Neighborhood Rated Good+	11,406	2,936	4,221	653	985	2,612
Central Cities	7,505	1,504	2,968	386	692	1,955
Suburbs	5,417	1,300	2,273	401	381	1,063
Non-metropolitan Areas	3,149	783	1,224	126	344	672
Northeast	3,538	1,056	1,228	177	389	687
Midwest	3,331	766	1,202	147	331	886
South	5,444	1,017	2,332	331	451	1,313
West	3,759	748	1,703	257	246	805

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–6b. Housing Problems and Characteristics of Extremely Low-Income Renters by Household Type, 2005

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Renter Households (1000)	9,729	2,447	3,787	386	1,131	1,980
Number of Children	7,938	0	7,935	0	0	0
Number of Persons	21,292	2,902	13,682	909	1,437	2,363
Children/Household	0.82	0.00	2.10	0.00	0.00	0.00
Persons/Household	2.19	1.19	3.61	2.36	1.27	1.19
Unassisted with Severe Problems	4,643	1,010	1,823	209	472	1,129
Unassisted with non-Severe Problems Only	981	198	464	54	93	172
Unassisted with No Problems	816	201	233	33	48	301
Assisted	3,289	1,037	1,266	90	518	378
Any with Severe Problems	6,151	1,409	2,442	267	708	1,324
Rent Burden >50% of Income	5,999	1,369	2,406	251	687	1,286
Severely Inadequate Housing	430	78	151	29	64	109
Rent Burden Only[a]	5,161	1,223	2,072	233	553	1,081
Any with non-Severe Problems Only	1,804	458	797	73	220	254
Rent Burden 30–50% of Income	1,535	425	661	53	202	194
Moderately Inadequate Housing	340	62	122	28	39	90
Crowded Housing	229	8	213	8	0	0
Rent Burden Only	1,263	394	480	44	181	164
Any with No Problems	1,775	580	547	45	203	401

Table A–6b. Housing Problems and Characteristics of Extremely Low-Income Renters by Household Type, 2005 (continued)

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Other Characteristics						
One Person in Household	4,715	2,048	104	0	893	1,670
Husband-Wife Family	1,498	259	989	182	68	0
Female Head	6,457	1,709	2,917	223	646	962
Minority Head	4,960	875	2,527	256	526	776
AFDC/SSI Income	2,523	534	1,155	0	833	0
Social Security Income	2,720	2,029	252	0	439	0
Income Below 50% Poverty	3,741	679	1,742	130	326	865
Income Below Poverty	7,966	1,649	3,496	323	968	1,530
Income Below 150% of Poverty	9,600	2,363	3,776	379	1,118	1,963
High School Graduate	5,999	1,240	2,226	242	700	1,591
Two+ Years Post High School	1,346	282	362	66	133	503
Earnings at Minimum Wage:						
At Least Half Time	2,955	72	1,798	239	72	773
At Least Full Time	1,602	33	1,141	130	20	277
Earnings Main Source of Income	3,885	92	2,213	282	87	1,211
Housing Rated Poor	616	69	302	14	91	140
Housing Rated Good+	7,099	2,046	2,539	285	835	1,394
Neighborhood Rated Poor	941	67	526	33	112	203
Neighborhood Rated Good+	6,779	1,971	2,324	295	782	1,406
Central Cities	4,648	1,092	1,814	147	554	1,040
Suburbs	3,149	852	1,251	181	311	554
Non-metropolitan Areas	1,932	503	721	58	265	385
Northeast	2,349	791	771	85	331	371
Midwest	1,988	467	761	52	251	458
South	3,322	710	1,369	165	344	733
West	2,071	478	886	83	205	418

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–7. Housing Problems and Characteristics of Worst Case Renters by Household Type, 2005

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Renter Households (1000)	5,992	1,291	2,324	324	542	1,511
Number of Children	4,724	0	4,724	0	0	0
Number of Persons	13,421	1,626	8,366	778	734	1,917
Children/Household	0.79	0.00	2.03	0.00	0.00	0.00
Persons/Household	2.24	1.26	3.60	2.40	1.35	1.27
Unassisted with Severe Problems	5,992	1,291	2,324	324	542	1,511
Unassisted with non-Severe Problems Only	—	—	—	—	—	—
Unassisted with No Problems	—	—	—	—	—	—
Assisted	—	—	—	—	—	—
Any with Severe Problems	5,992	1,291	2,324	324	542	1,511
Rent Burden >50% of Income	5,729	1,261	2,242	300	519	1,406
Severely Inadequate Housing	521	82	176	36	52	176
Rent Burden Only[a]	4,971	1,116	1,956	274	430	1,196
Any with non-Severe Problems Only	—	—	—	—	—	—
Rent Burden 30–50% of Income	—	—	—	—	—	—
Moderately Inadequate Housing	—	—	—	—	—	—
Crowded Housing	—	—	—	—	—	—
Rent Burden Only	—	—	—	—	—	—
Any with No Problems	—	—	—	—	—	—

Table A–7. Housing Problems and Characteristics of Worst Case Renters by Household Type, 2005 (continued)

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Other Characteristics						
One Person in Household	2,638	995	76	0	387	1,179
Husband-Wife Family	1,088	168	713	168	39	0
Female Head	3,718	866	1,667	181	302	703
Minority Head	2,895	425	1,419	202	252	597
AFDC/SSI Income	1,138	157	573	0	408	0
Social Security Income	1,487	1,112	185	0	190	0
Income Below 50% Poverty	1,861	371	846	62	155	428
Income Below Poverty	3,983	697	1,826	179	417	863
Income Below 150% of Poverty	5,314	1,080	2,218	268	511	1,237
High School Graduate	4,080	766	1,470	230	365	1,250
Two+ Years Post High School	1,043	199	304	64	77	399
Earnings at Minimum Wage:						
At Least Half Time	2,560	86	1,329	244	51	849
At Least Full Time	1,630	48	912	163	22	484
Earnings Main Source of Income	3,169	99	1,582	269	54	1,164
Housing Rated Poor	439	40	211	9	54	124
Housing Rated Good+	4,278	1,060	1,525	257	374	1,061
Neighborhood Rated Poor	540	30	286	29	50	145
Neighborhood Rated Good+	4,208	1,047	1,484	248	359	1,070
Central Cities	2,909	584	1,100	145	252	828
Suburbs	2,092	492	856	150	183	411
Non-metropolitan Areas	991	215	367	29	107	272
Northeast	1,354	369	477	70	141	298
Midwest	1,152	228	416	39	144	324
South	1,987	444	751	131	152	509
West	1,500	250	681	84	105	380

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–8. Housing Problems and Characteristics of Extremely Low-Income Worst Case Renters by Household Type, 2005

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Renter Households (1000)	4,643	1,010	1,823	209	472	1,129
Number of Children	3,706	0	3,706	0	0	0
Number of Persons	10,269	1,249	6,491	506	616	1,407
Children/Household	0.80	0.00	2.03	0.00	0.00	0.00
Persons/Household	2.21	1.24	3.56	2.43	1.31	1.25
Unassisted with Severe Problems	4,640	1,010	1,820	209	472	1,129
Unassisted with non-Severe Problems Only	—	—	—	—	—	—
Unassisted with No Problems	—	—	—	—	—	—
Assisted	—	—	—	—	—	—
Any with Severe Problems	4,643	1,010	1,823	209	472	1,129
Rent Burden >50% of Income	4,545	987	1,808	193	461	1,096
Severely Inadequate Housing	318	61	93	26	37	101
Rent Burden Only[a]	3,899	875	1,556	179	380	909
Any with non-Severe Problems Only	—	—	—	—	—	—
Rent Burden 30–50% of Income	—	—	—	—	—	—
Moderately Inadequate Housing	—	—	—	—	—	—
Crowded Housing	—	—	—	—	—	—
Rent Burden Only	—	—	—	—	—	—
Any with No Problems	—	—	—	—	—	—

Table A–8. Housing Problems and Characteristics of Extremely Low-Income Worst Case Renters by Household Type, 2005 (continued)

	Total	Elderly, No Children	Families with Children	Other Families	Nonfamily Reporting SSI Income	Other Non-family
Other Characteristics						
One Person in Household	2,126	802	69	0	352	902
Husband-Wife Family	794	125	531	107	30	0
Female Head	2,920	688	1,333	117	247	535
Minority Head	2,232	358	1,106	129	208	431
AFDC/SSI Income	1,022	150	514	0	358	0
Social Security Income	1,178	866	148	0	164	0
Income Below 50% Poverty	1,861	371	846	62	155	428
Income Below Poverty	3,847	694	1,706	175	412	860
Income Below 150% of Poverty	4,590	980	1,819	205	472	1,115
High School Graduate	3,019	555	1,098	138	321	907
Two+ Years Post High School	749	143	211	37	63	294
Earnings at Minimum Wage:						
At Least Half Time	1,621	41	900	138	31	511
At Least Full Time	768	16	511	67	8	166
Earnings Main Source of Income	2,282	63	1,176	168	41	835
Housing Rated Poor	351	39	167	2	54	89
Housing Rated Good+	3,279	808	1,195	166	318	793
Neighborhood Rated Poor	454	30	238	19	45	122
Neighborhood Rated Good+	3,222	802	1,137	165	310	807
In Central Cities	2,248	480	872	91	216	589
Suburbs	1,621	384	652	99	162	324
Non-metropolitan Areas	771	146	297	19	94	215
Northeast	1,052	319	357	42	127	207
Midwest	933	169	360	25	128	251
South	1,570	336	615	98	130	391
West	1,088	186	491	45	86	279

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–9. Incidence of Housing Problems among Very Low-Income Renters by Race and Ethnicity, 2003 and 2005—Number and Percentage

	2003	2005	2003	2005
Non-Hispanic White (1000)	7,702	7,907	100.0%	100.0%
Unassisted with Severe Problems	2,758	3,098	35.8%	39.2%
Unassisted with non-Severe Problems Only	1,780	1,700	23.1%	21.5%
Unassisted with No Problems	1,306	1,175	17.0%	14.9%
Assisted	1,858	1,934	24.1%	24.5%
Any with Severe Problems	3,260	3,764	42.3%	47.6%
Rent Burden >50% of Income	3,113	3,596	40.4%	45.5%
Severely Inadequate Housing	248	306	3.2%	3.9%
Rent Burden Only[a]	2,795	3,187	36.3%	40.3%
Any with non-Severe Problems Only	2,380	2,300	30.9%	29.1%
Rent Burden 30–50% of Income	2,162	2,098	28.1%	26.5%
Moderately Inadequate Housing	310	310	4.0%	3.9%
Crowded Housing	105	97	1.4%	1.2%
Rent Burden Only	1,989	1,904	25.8%	24.1%
Any with No Problems	2,062	1,843	26.8%	23.3%
Non-Hispanic Black (1000)	3,750	3,989	100.0%	100.0%
Unassisted with Severe Problems	1,040	1,336	27.7%	33.5%
Unassisted with non-Severe Problems Only	921	746	24.6%	18.7%
Unassisted with No Problems	443	388	11.8%	9.7%
Assisted	1,346	1,519	35.9%	38.1%
Any with Severe Problems	1,501	1,969	40.0%	49.4%
Rent Burden >50% of Income	1,398	1,880	37.3%	47.1%
Severely Inadequate Housing	169	181	4.5%	4.5%
Rent Burden Only[a]	1,186	1,562	31.6%	39.2%
Any with non-Severe Problems Only	1,343	1,176	35.8%	29.5%
Rent Burden 30–50% of Income	1,147	1,046	30.6%	26.2%
Moderately Inadequate Housing	292	208	7.8%	5.2%
Crowded Housing	100	94	2.7%	2.4%
Rent Burden Only	962	886	25.7%	22.2%
Any with No Problems	906	843	24.2%	21.1%

Table A–9. Incidence of Housing Problems among Very Low-Income Renters by Race and Ethnicity, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
Hispanic (1000)	3,260	3,167	100.0%	100.0%
Unassisted with Severe Problems	1,035	1,168	31.7%	36.9%
Unassisted with non-Severe Problems Only	1,070	928	32.8%	29.3%
Unassisted with No Problems	346	267	10.6%	8.4%
Assisted	809	805	24.8%	25.4%
Any with Severe Problems	1,301	1,496	39.9%	47.2%
Rent Burden >50% of Income	1,195	1,423	36.7%	44.9%
Severely Inadequate Housing	162	151	5.0%	4.8%
Rent Burden Only[a]	1,053	1,234	32.3%	39.0%
Any with non-Severe Problems Only	1,370	1,256	42.0%	39.7%
Rent Burden 30–50% of Income	1,147	1,050	35.2%	33.2%
Moderately Inadequate Housing	194	169	6.0%	5.3%
Crowded Housing	372	328	11.4%	10.4%
Rent Burden Only	840	793	25.8%	25.0%
Any with No Problems	588	415	18.0%	13.1%

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–10. Incidence of Housing Problems among Very Low-Income Renters by Region, 2003 and 2005—Number and Percentage

	2003	2005	2003	2005
Northeast (1000)	3,444	3,538	100.0%	100.0%
Unassisted with Severe Problems	1,146	1,354	33.3%	38.3%
Unassisted with non-Severe Problems Only	701	600	20.4%	17.0%
Unassisted with No Problems	485	369	14.1%	10.4%
Assisted	1,111	1,215	32.3%	34.3%
Any with Severe Problems	1,507	1,829	43.8%	51.7%
Rent Burden >50% of Income	1,392	1,732	40.4%	49.0%
Severely Inadequate Housing	184	227	5.3%	6.4%
Rent Burden Only[a]	1,218	1,457	35.4%	41.2%
Any with non-Severe Problems Only	1,043	964	30.3%	27.2%
Rent Burden 30–50% of Income	899	888	26.1%	25.1%
Moderately Inadequate Housing	150	106	4.4%	3.0%
Crowded Housing	103	91	3.0%	2.6%
Rent Burden Only	797	781	23.1%	22.1%
Any with No Problems	895	745	26.0%	21.1%
Midwest (1000)	3,327	3,331	100.0%	100.0%
Unassisted with Severe Problems	1,009	1,152	30.3%	34.6%
Unassisted with non-Severe Problems Only	858	704	25.8%	21.1%
Unassisted with No Problems	510	507	15.3%	15.2%
Assisted	950	968	28.6%	29.1%
Any with Severe Problems	1,266	1,450	38.1%	43.5%
Rent Burden >50% of Income	1,217	1,385	36.6%	41.6%
Severely Inadequate Housing	81	109	2.4%	3.3%
Rent Burden Only[a]	1,105	1,232	33.2%	37.0%
Any with non-Severe Problems Only	1,182	1,025	35.5%	30.8%
Rent Burden 30–50% of Income	1,063	912	32.0%	27.4%
Moderately Inadequate Housing	152	135	4.6%	4.1%
Crowded Housing	73	60	2.2%	1.8%
Rent Burden Only	972	838	29.2%	25.2%
Any with No Problems	879	856	26.4%	25.7%

Table A–10. Incidence of Housing Problems among Very Low-Income Renters by Region, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
South (1000)	5,294	5,444	100.0%	100.0%
Unassisted with Severe Problems	1,649	1,987	31.1%	36.5%
Unassisted with non-Severe Problems Only	1,470	1,320	27.8%	24.2%
Unassisted with No Problems	847	728	16.0%	13.4%
Assisted	1,328	1,410	25.1%	25.9%
Any with Severe Problems	2,063	2,570	39.0%	47.2%
Rent Burden >50% of Income	1,951	2,477	36.9%	45.5%
Severely Inadequate Housing	195	175	3.7%	3.2%
Rent Burden Only[a]	1,683	2,156	31.8%	39.6%
Any with non-Severe Problems Only	1,906	1,759	36.0%	32.3%
Rent Burden 30–50% of Income	1,649	1,525	31.1%	28.0%
Moderately Inadequate Housing	391	331	7.4%	6.1%
Crowded Housing	198	175	3.7%	3.2%
Rent Burden Only	1,339	1,275	25.3%	23.4%
Any with No Problems	1,324	1,115	25.0%	20.5%
West (1000)	3,592	3,759	100.0%	100.0%
Unassisted with Severe Problems	1,371	1,500	38.2%	39.9%
Unassisted with non-Severe Problems Only	975	961	27.1%	25.6%
Unassisted with No Problems	380	340	10.6%	9.0%
Assisted	866	958	24.1%	25.5%
Any with Severe Problems	1,644	1,850	45.8%	49.2%
Rent Burden >50% of Income	1,546	1,766	43.0%	47.0%
Severely Inadequate Housing	155	148	4.3%	3.9%
Rent Burden Only[a]	1,370	1,548	38.1%	41.2%
Any with non-Severe Problems Only	1,263	1,308	35.2%	34.8%
Rent Burden 30–50% of Income	1,112	1,144	31.0%	30.4%
Moderately Inadequate Housing	146	185	4.1%	4.9%
Crowded Housing	246	249	6.8%	6.6%
Rent Burden Only	907	904	25.3%	24.0%
Any with No Problems	686	601	19.1%	16.0%

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–11. Incidence of Housing Problems among Very Low-Income Renters by Metropolitan Location, 2003 and 2005—Number and Percentage

	2003	2005	2003	2005
Central Cities (1000)	7,466	7,505	100.0%	100.0%
Unassisted with Severe Problems	2,532	2,909	33.9%	38.8%
Unassisted with non-Severe Problems Only	1,869	1,674	25.0%	22.3%
Unassisted with No Problems	968	685	13.0%	9.1%
Assisted	2,096	2,237	28.1%	29.8%
Any with Severe Problems	3,194	3,769	42.8%	50.2%
Rent Burden >50% of Income	2,951	3,596	39.5%	47.9%
Severely Inadequate Housing	373	349	5.0%	4.7%
Rent Burden Only[a]	2,560	3,053	34.3%	40.7%
Any with non-Severe Problems Only	2,546	2,433	34.1%	32.4%
Rent Burden 30–50% of Income	2,216	2,168	29.7%	28.9%
Moderately Inadequate Housing	401	382	5.4%	5.1%
Crowded Housing	332	298	4.4%	4.0%
Rent Burden Only	1,841	1,791	24.7%	23.9%
Any with No Problems	1,727	1,303	23.1%	17.4%
Suburbs (1000)	5,506	5,417	100.0%	100.0%
Unassisted with Severe Problems	1,987	2,092	36.1%	38.6%
Unassisted with non-Severe Problems Only	1,415	1,262	25.7%	23.3%
Unassisted with No Problems	767	698	13.9%	12.9%
Assisted	1,337	1,365	24.3%	25.2%
Any with Severe Problems	2,438	2,625	44.3%	48.5%
Rent Burden >50% of Income	2,342	2,533	42.5%	46.8%
Severely Inadequate Housing	176	188	3.2%	3.5%
Rent Burden Only[a]	2,108	2,271	38.3%	41.9%
Any with non-Severe Problems Only	1,852	1,696	33.6%	31.3%
Rent Burden 30–50% of Income	1,657	1,505	30.1%	27.8%
Moderately Inadequate Housing	237	214	4.3%	4.0%
Crowded Housing	225	197	4.1%	3.6%
Rent Burden Only	1,425	1,311	25.9%	24.2%
Any with No Problems	1,216	1,097	22.1%	20.3%

Table A–11. Incidence of Housing Problems among Very Low-Income Renters by Metropolitan Location, 2003 and 2005—Number and Percentage (continued)

	2003	2005	2003	2005
Non-metropolitan (1000)	2,685	3,149	100.0%	100.00%
Unassisted with Severe Problems	657	991	24.5%	31.5%
Unassisted with non-Severe Problems Only	720	649	26.8%	20.6%
Unassisted with No Problems	486	561	18.1%	17.8%
Assisted	823	949	30.7%	30.1%
Any with Severe Problems	848	1,305	31.6%	41.4%
Rent Burden >50% of Income	812	1,232	30.2%	39.1%
Severely Inadequate Housing	65	122	2.4%	3.9%
Rent Burden Only[a]	709	1,070	26.4%	34.0%
Any with non-Severe Problems Only	996	927	37.1%	29.4%
Rent Burden 30–50% of Income	850	796	31.7%	25.3%
Moderately Inadequate Housing	200	160	7.4%	5.1%
Crowded Housing	63	80	2.3%	2.5%
Rent Burden Only	748	696	27.9%	22.1%
Any with No Problems	841	917	31.3%	29.1%
U.S. Total (1000)	15,658	16,072	100.0%	100.0%
Unassisted with Severe Problems	5,176	5,992	33.1%	37.3%
Unassisted with non-Severe Problems Only	4,004	3,585	25.6%	22.3%
Unassisted with No Problems	2,222	1,944	14.2%	12.1%
Assisted	4,256	4,550	27.2%	28.3%
Any with Severe Problems	6,480	7,699	41.4%	47.9%
Rent Burden >50% of Income	6,105	7,360	39.0%	45.8%
Severely Inadequate Housing	615	659	3.9%	4.1%
Rent Burden Only[a]	5,376	6,394	34.3%	39.8%
Any with non-Severe Problems Only	5,394	5,056	34.4%	31.5%
Rent Burden 30–50% of Income	4,722	4,468	30.2%	27.8%
Moderately Inadequate Housing	839	756	5.4%	4.7%
Crowded Housing	619	574	4.0%	3.6%
Rent Burden Only	4,014	3,798	25.6%	23.6%
Any with No Problems	3,784	3,317	24.2%	20.6%

Source: HUD-PD&R tabulations of AHS data.

[a] The estimates for "rent burden only" exclude households with any non-severe problem.

Table A–12. Households Occupying U.S. Rental Units, by Affordability of Rent and Income of Occupants, 2003 and 2005

Relative Income of Households	Occupied and Vacant Rental Units (thousands) by Unit Affordability Category (percent of HAMFI needed to afford the highest rent in the category)												
2005	**10***	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120+**	**Total**
Extremely Low Income (≤30% HAMFI)	805	1,610	1,163	1,630	1,828	1,167	618	349	134	112	70	240	9,726
Very Low Income (30-50%)	260	263	537	1,078	1,593	1,173	670	338	105	92	33	204	6,345
Low Income (50-80%)	295	261	326	1,049	1,636	1,617	1,038	586	212	146	94	227	7,488
Middle Income or higher (>80%)	326	266	231	710	1,497	2,039	1,595	1,260	567	488	365	1,048	10,391
Total, 2005	1,686	2,400	2,257	4,467	6,554	5,995	3,921	2,534	1,018	838	562	1,719	33,951
Vacant units for rent, 2005	151	91	162	495	851	759	503	332	186	119	73	251	3,974
2003													
Extremely Low Income (≤30% HAMFI)	845	1,490	1,197	1,533	1,664	1,109	603	289	81	71	61	134	9,077
Very Low Income (30-50%)	255	351	590	1,330	1,632	1,165	588	325	86	93	62	104	6,581
Low Income (50-80%)	319	269	371	1,165	1,676	1,612	914	510	182	145	90	207	7,460
Middle Income or higher (>80%)	324	303	320	818	1,656	2,068	1,632	1,221	571	431	308	844	10,496
Total, 2003	1,744	2,413	2,478	4,846	6,629	5,954	3,737	2,345	920	740	521	1,289	33,614
Vacant units for rent, 2003	147	91	226	569	820	727	451	303	159	99	86	285	3,963

Source: HUD-PD&R tabulations of AHS data.

* The 10 percent of HAMFI category includes units occupied with no cash rent.

Table A–13. Renters and Rental Units Affordable and Available to Them, by Relative Income, 1991–2005

	1991	1993	1995	1997	1999	2001[c]	2003	2005
Renter Households (1000)	33,351	33,472	34,150	34,000	34,007	34,042	33,614	33,951
Extremely Low Income (≤30% HAMFI)	8,392	8,761	8,637	9,215	8,513	8,739	9,077	9,979
Very Low Income (30-50%)	5,770	5,995	5,897	5,889	6,243	6,315	6,581	6,345
Low Income (50-80%)	6,933	6,383	7,205	6,591	7,270	7,251	7,460	7,488
Middle Income or higher (>80%)	12,256	12,334	12,411	12,305	11,981	11,737	10,496	10,139
Affordable Units[a] (1000)	36,232	36,361	36,924	37,186	37,018	37,197	37,577	37,924
Extremely Low Income (≤30% HAMFI)	7,160	7,033	6,633	6,937	6,683	6,870	7,098	6,025
Very Low Income (30-50%)	10,693	10,340	9,933	10,826	12,089	12,366	12,863	11,006
Low Income (50-80%)	13,880	14,284	15,389	15,012	14,222	13,634	13,518	12,842
Middle Income or higher (>80%)	4,499	4,704	4,969	4,411	4,023	4,328	4,099	4,410
Affordable and Available Units[b] (1000)	36,232	36,361	36,924	37,186	37,018	37,197	37,577	37,924
Extremely Low Income (≤30% HAMFI)	4,104	4,074	3,790	3,901	3,573	3,803	3,996	3,536
Very Low Income (30-50%)	7,231	7,230	6,799	7,304	7,905	8,132	8,744	7,546
Low Income (50-80%)	10,947	10,994	12,026	11,882	11,841	11,665	12,396	11,685
Middle Income or higher (>80%)	13,949	14,063	14,310	14,100	13,700	13,597	12,441	11,516

Source: HUD-PD&R tabulations of AHS data.

[a] Affordable units are rental units, whether vacant or occupied, that rent for no more than 30 percent of specified income levels (relative to the HUD-adjusted area median family income).

[b] Affordable and available units are rental units that are affordable as described above, and that also are either currently available for rent or are already occupied by a household with the specified income level.

[c] 2001 estimates are based on 1990 Census weights rather than the 2000 weights used elsewhere in this report.

Table A–14. Average Income and Average Gross Rent of Renter Households by Relative Income, 2003 and 2005

	Household Income as Percentage of HUD-Adjusted Area Median Family Income					
2005	**0–30%**	**30–50%**	**50–80%**	**80–120%**	**>120%**	**All Incomes**
Total Households (1000)	9,729	6,342	7,488	5,449	4,943	33,951
Unassisted with Priority Problems	4,643	1,349	472	264	132	6,860
Unassisted with Other Problems	981	2,604	2,363	799	557	7,303
Unassisted with No Problems	816	1,127	3,661	3,832	3,804	13,240
Assisted	3,289	1,262	992	555	450	6,547
Average Monthly Income	$653	$1,741	$2,762	$4,021	$7,913	$2,919
Unassisted with Priority Problems	648	1,624	2,651	3,628	6,533	1,206
Unassisted with Other Problems	983	1,813	2,764	4,060	7,969	2,724
Unassisted with No Problems	418	1,749	2,757	4,031	7,915	4,377
Assisted	620	1,712	2,827	4,082	8,231	1,981
Average Gross Rent	$564	$641	$683	$797	$1,016	$709
Unassisted with Priority Problems	647	935	1,281	1,594	1,670	805
Unassisted with Other Problems	401	584	776	973	1,405	732
Unassisted with No Problems	444	390	534	702	934	693
Assisted	508	609	686	792	1,004	612
2003						
Total Households (1000)	9,077	6,581	7,460	5,416	5,080	33,614
Unassisted with Priority Problems	3,999	1,176	436	158	117	5,887
Unassisted with Other Problems	1,145	2,860	2,254	757	542	7,557
Unassisted with No Problems	947	1,275	3,842	3,942	3,952	13,958
Assisted	2,986	1,270	929	558	469	6,211
Average Monthly Income	$666	$1,706	$2,671	$3,976	$8,320	$3,005
Unassisted with Priority Problems	673	1,596	2,564	3,864	6,630	1,201
Unassisted with Other Problems	950	1,740	2,630	4,022	7,238	2,509
Unassisted with No Problems	424	1,779	2,705	3,965	8,491	4,459
Assisted	624	1,659	2,683	4,028	8,560	2,048
Average Gross Rent	$519	$587	$637	$711	$915	$650
Unassisted with Priority Problems	607	879	1,122	1,160	1,065	724
Unassisted with Other Problems	394	553	731	928	1,204	669
Unassisted with No Problems	434	389	520	647	869	647
Assisted	461	551	630	716	921	562

Source: HUD-PD&R tabulations of AHS data.

Appendix B. Data Source, Concepts, and Methodology Used to Estimate Worst Case Needs

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

This appendix discusses the essential concepts and methods used to produce estimates and tabulations of worst case needs using 2001 and 2003 AHS microdata. The discussion also highlights limitations of the data and issues relating to the consistency of estimates in this report with those in previous reports on worst case needs.

American Housing Survey (AHS)

Description—The AHS is conducted by the U.S. Census Bureau to obtain housing statistics for the U.S. Department of Housing and Urban Development. The data include information about occupants, the units, housing costs and financing, and numerous other related variables. The Census Bureau's field representatives interviewed occupants of homes, and obtained information on vacant homes from informed people such as landlords, rental agents, or informed neighbors. The 2005 AHS survey consisted of 56,650 interviews conducted between late April and mid-September 2005.[42]

Changes in the survey instrument for 2005—In 2005, the AHS included a much more elaborate series of questions for income than were asked previously, very similar to the questionnaire used in the Census Bureau's American Community Survey. For each person in the family, the 2005 questionnaire collected the amount of nine different types of income, such as wages and salaries or Social Security.

The 2005 AHS continued to allow respondents to report multiple race categories, a change first implemented in the 2003 AHS. Other changes to the survey instrument are unlikely to have affected the estimates on affordable housing needs included in this report.

Weighting—Because the AHS is based on a sample of housing units rather than a census of all housing units, estimates based on the data must be "weighted up" so that totals for each year match independent estimates of the total housing stock and better represent the full housing stock. The Census Bureau weights up responses to account for undercoverage of households (about 2.2 percent) and household nonre-

[42] U.S. Census Bureau (2006, page v).

sponse (about 11 percent). The weights for 2001–2005 AHS data used in this report are based on the 2000 Census of Housing, with adjustments for estimated change since then.

Exclusions from the AHS Data

Households reporting incomes that are zero or negative are excluded from estimates of worst case needs, although they are included in counts of total households. If such households pay rents greater than the fair market rent while reporting zero or negative incomes, then their income situation is presumably temporary, so they are included and higher incomes are imputed to them.

Household and Family Types

Family—The "families" eligible for HUD rental assistance programs include households with relatives, households with children, elderly single persons age 62 or older, and single persons with disabilities. In this report, however, the term "family" refers only to "family households" in which one or more persons in the household are related to the householder by birth, marriage, or adoption.

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

Elderly—Household in which the householder or spouse is age 62 or older, and no children are present.

Other families—Households with a nonelderly householder and no children in which either one or more persons is related to the householder by birth, marriage, or adoption, or one or more subfamilies reside there that have members related to each other by birth, marriage, or adoption.

Nonfamily households—Households with a single nonelderly person living alone or only with non-relatives. The "other nonfamily" subgroup appearing in Table A-7a and others accounts for a significant proportion, 25 percent, of households with worst case needs, even after excluding those with disabilities as discussed below. Most of these households are either men living alone or women living alone.

Households having adult members with disabilities—This category conceptually ought to include all nonelderly households with adults with significant physical or mental disabilities. Unfortunately, no available data source counts these households perfectly. The AHS proxy used in previous reports was an underestimate because it counted only non-elderly single persons living alone or with non-relatives who report receiving Supplemental Security Income (SSI) income.

Based on research that used data from the 1995 AHS supplement on physical disabilities, this report uses an expanded proxy. HUD program data suggest that this expanded proxy likewise undercounts disabled households, as the program data show appreciably more households (without children) having members with disabilities

receiving rental assistance.[43] These issues are discussed extensively in a previous worst case needs report (HUD 2003, A-46). The SIPP data presented in Chapter 3 of this report measure disability directly, and estimates of non-elderly households with disabilities produced with the SIPP data are similar to estimates produced with the AHS.

Housing Problems

Rent or cost burden—A ratio between housing costs (including utilities) and household income that exceeds 30 percent, which is a conventional standard for housing affordability. To the extent that respondents underreport total income, the AHS estimates may overcount the number of households with cost burden. A "severe" cost burden exceeds 50 percent of reported income. A "moderate" cost burden exceeds 30 percent but is less than or equal to 50 percent of reported income. Cost burdens only qualify as potential worst case needs if they are severe rent burdens. Households reporting zero or negative income are defined as having no cost burden.

Inadequate housing—Housing with severe or moderate physical problems, as defined in the AHS since 1984.[44] Severe inadequacies constitute potential worst case needs but moderate inadequacies do not. Briefly, a unit is defined as having severe physical inadequacies if it has any one of the following five problems:

- *Plumbing.* Lacking piped hot water or a flush toilet or lacking both bathtub and shower, all for the exclusive use of the unit.
- *Heating.* Having been uncomfortably cold last winter for 24 hours or more, or three times for at least 6 hours each, due to broken-down heating equipment.
- *Electrical.* Having no electricity or having all of the following three electrical problems: exposed wiring, a room with no working wall outlet, and three or more blown fuses or tripped circuit breakers in the last 90 days.
- *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.

[43] Social Security Administration (SSA) data on SSI recipients who are blind or have other disabilities provide a basis for making more complete estimates of the number of very low-income renters with SSI income who receive HUD assistance or who have a severe rent burden. But even the SSA data are incomplete because they exclude very low-income persons with disabilities who have incomes above SSI cutoffs. HUD (2001) estimated that 1.1 million worst case households included persons with disabilities. This estimate was made by increasing the AHS expanded proxy estimates to account for both known sources of undercount.

[44] The AHS rates housing units using a three-level measure: adequate, moderately inadequate, and severely inadequate. The questions underlying definitions of inadequate housing were changed in the 1997 AHS questionnaire to improve accuracy. For detail, see the entry for the variable ZADEQ in the Codebook for the American Housing Survey, Public Use File: 1997 and Later. The most recent version is available for download at http://www.huduser.org/datasets/ahs/ahsprev.html.

- *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.

A unit has moderate inadequacies if it has any of the following five problems, but none of the above severe problems:

- *Plumbing.* Having all toilets break down simultaneously at least three times in the last 3 months for at least 3 hours each time.
- *Heating.* Having unvented gas, oil, or kerosene heaters as the main source of heat (because these heaters may produce unsafe fumes and unhealthy levels of moisture).
- *Upkeep.* Having any three of the six upkeep problems mentioned under severe inadequacies.
- *Hallways.* Having any three of the four hallway problems mentioned under severe inadequacies.
- *Kitchen.* Lacking a sink, range, or refrigerator for the exclusive use of the unit.

Overcrowding—The condition of having more than one person per room in a residence. Overcrowding is counted as a moderate problem rather than a severe problem that constitutes a potential worst case need.

"Priority" problems—Problems qualifying for federal preference in admission to assisted housing programs between 1988 and 1996: paying more than one-half of income for rent (severe rent burden), living in severely substandard housing (including being homeless or in a homeless shelter), or being involuntarily displaced. These problems informed the original definition of worst case needs. Because the AHS sample tracks housing units and thus cannot count the homeless, AHS estimates of priority problems are limited to the two severe problems described above: severe rent burdens greater than 50 percent of income or severe physical problems. In accord with the intention to estimate the number of unassisted very low-income renters with priority problems, a number of tables in Appendix A classify households with a combination of moderate problems and severe problems as having severe problems.

Income Measurement

Income sources—Income means gross income reported by AHS respondents for the 12 months preceding the interview. In 2005, the AHS included a much more elaborate series of questions for income than were asked previously, very similar to the questionnaire used in the Census Bureau's American Community Survey. For each person in the family, the 2005 questionnaire collected the amount of nine different types of income. Income 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. Imputed income from equity is not included as income in this report. Following HUD rules for determining income eligibility for HUD

programs, the earnings of teenagers aged 17 years and younger are not counted as income for this report.

Supplemental and in-kind income sources—Beginning with the 1999 AHS, poorer renters with high rent burdens were asked several new questions about whether persons outside the household contributed to household expenses such as rent, food, and child care. The supplemental questions were asked of assisted renters who paid more than 35 percent of their reported income for rent, and of unassisted renters with household income below $10,000 who paid more than 50 percent of their income for rent.

When they were asked these additional questions at the end of the interview, a small number of renters corrected their earlier income and/or rent responses in the 1999 AHS. Analysis by the Census Bureau shows that respondents representing at most 250,000 unassisted very low-income renters changed either their income or rent responses in ways that would tend to reduce their rent burden. Although the revised responses should provide more accurate estimates of worst case needs, the results would not be directly comparable to earlier worst case estimates. A previous worst case needs report (HUD 2003) assumed that all of the 250,000 renters changing their responses in 1999 would otherwise have had severe rent burdens. The estimates in this report likewise are based on original rather than revised survey responses.

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

Household income—Reported income from all sources for all household members 18 or older.

Income Categories

HUD-adjusted area median family income and official income limits—HUD is required by law to set income limits each year that determine the eligibility of applicants for assisted housing programs. 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.[45] The HUD-adjusted area median family income (HAMFI) is also referred to as the area median income (AMI), although the latter term may be subject to misinterpretation. It should be noted that income limits are based on median *family* income, not median household income. Each base income cutoff is assumed to apply to a household of four, and official income limits are further adjusted by household size: one person, 70 percent of base; two persons, 80 percent; three persons, 90 percent; five persons, 108 percent; six persons, 116 percent; and so on. Each household is assigned to an income category using the income limit appropriate to its area and the number of household members.

[45] See HUD (2005b) for a description of current adjustments.

Statutory adjustments to official income limits in 1999 included upper caps and lower floors for areas with low or high ratios of housing costs to income and, for each nonmetropolitan county, a lower floor equal to its state's nonmetropolitan average. These statutory adjustments do not apply for 2001–2005 estimates.

Income cutoffs in association with AHS geography—To categorize households in relation to "local" income limits as accurately as possible within the limitations of the geography given on the AHS public use files, HUD compares household incomes to area income limits. Very low- and low-income cutoffs for a household of four are defined for each unit of geography identified on the AHS national microdata tapes. For housing units outside these metropolitan areas, the AHS geography identifies only four regions, metropolitan status, and six climate zones. Average income limits were estimated for each of these 48 locations, weighting by population based on the decennial census.

Because developing estimates of official income limits for the geography identified on the AHS microdata is time-consuming, HUD has prepared income limits to use with AHS geography only for 4 years: 1978, 1986, 1995, and 2003.[46] AHS estimates for other years have used these limits adjusted for inflation rather than the official income limits. In this report, 2001 income cutoffs are based on 1995 income limits, weighted by 1990 census data, and adjusted for inflation by the Consumer Price Index for urban consumers as well as by the factor by which average income exceeded inflation over this period, 1.1238. Income cutoffs for 2003 and 2005 are based on HUD's official income limits for those years, weighted by 2000 census data.

Categorizing households by income—For this report, when households are categorized using the very low- and low-income cutoffs, the cutoffs are adjusted for household size using the same adjustment factors used by HUD programs.

In addition, households reporting negative income are attributed incomes just above the area median income if their monthly housing costs exceed the Fair Market Rent and they lived in adequate and uncrowded housing. The justification for imputing higher incomes is that many households in this situation live in housing with amenities such as dining rooms, balconies, and off-the-street parking and thus may be reporting temporary accounting losses.

For housing needs estimates using AHS data since 1985, HUD has classified households with incomes above median income by comparing their income to the actual median family income for the location, rather than to 80 percent of the low-income cutoff, as was the only approach possible for estimates made through 1983.

- **Extremely low income**—Income not in excess of 30 percent of HAMFI. In 2005, 15.8 percent of AHS households reported income below 30 percent of HAMFI.

[46] For each of these years, HUD revised income limits for all locations in the country based on income data from the most recent decennial Census of Population and Housing.

- **Very low income**—Income not in excess of 50 percent of HAMFI. Very low income thus includes extremely low income, although the term sometimes is used loosely in specific contexts, such as mismatch analysis, to mean incomes between 30 and 50 percent of HAMFI. In 2005, 28.6 percent of AHS households reported income below the very low-income cutoffs.
- **Low income**—Reported income not in excess of 80 percent of HAMFI or, if lower, the national median family income. In 2005, 46.3 percent of AHS households reported incomes that fell below the low-income cutoffs.
- **Poor**—Household income below the national poverty cutoffs for the United States for that household size. (As discussed in Appendix A of the Census Bureau's AHS publications, AHS poverty estimates differ from official poverty estimates made from the Current Population Survey. AHS poverty estimates are based on income of households rather than income of families or individuals, and AHS income questions are much less detailed and refer to income during the past 12 months rather than a fixed period.) The poverty cutoff for a family of four approximates 33 percent of HAMFI. In 2003, 49 percent of very low-income households and 79 percent of extremely low-income households were poor.
- **Middle income**—For this report, incomes above 80 percent and below 120 percent of HAMFI. In 2005, 19.0 percent of AHS households were in this category.
- **Upper income**—For this report, households with income above 120 percent of HAMFI. In 2005, 34.7 percent of households were in this category.

Housing Assistance Status

In 1997 the AHS questions intended to identify households receiving rental assistance were changed in both content and order from those used earlier. After careful review, HUD and the Census Bureau adopted the following procedure to identify assisted units in a way that produces results that are more comparable to pre-1997 data.

- Identify units as "owned by a public housing authority" if the respondent answers yes to, "Is the building owned by a public housing authority?"
- Identify units as receiving "government subsidy" if the respondent either was assigned to that unit by an agency such as a public housing authority or answers yes that "a public housing authority, or some similar agency, [gave them] a certificate or voucher to help pay the rent for the unit."
- Identify units as "other, income verification" units if the respondent answers yes to, "As part of your rental agreement do you need to answer questions about your income whenever your lease is up for renewal?" and, as a follow-up, says that they report their income to either "a building manager or landlord" or "a public housing authority or a state or local housing agency."
- Include units if the respondent answers "yes" to, "Does the state or local government pay some of the cost of the unit?"

- Include units if the respondent answers yes to one of the following three 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?"

Location

Metropolitan Statistical Area—From 1973 to 1983, the definitions of metropolitan location in AHS data corresponded to the 243 Standard Metropolitan Statistical Areas 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.

Longitudinal Analysis

This worst case report includes, for the first time, an exploratory, longitudinal analysis that assesses whether very low-income renters who have severe rent burdens in one year remain in similar status a year later. The analysis, presented in Chapter 3, uses data from the Survey of Income and Program Participation.

The SIPP design does not accurately assign or track household rent burden over time. Rent and income are tracked at the level of the individual, who may or may not be a part of the same household in both years. Therefore, rather than using "households" as the unit of analysis, the longitudinal analysis in Chapter 3 focuses on persons who were in the data file and were heads of households in both years. Persons were assigned to income categories on the basis of their incomes during the first year.

Mismatch of Supply and Demand for Affordable Rental Housing

Mismatch—The discrepancy between the number of rental units needed by renters of various income categories and the number provided by the market that are affordable at those income levels.

Affordability—Several federal rental programs define "affordable" rents as those requiring not more than 30 percent of an income cutoff defined in relation to HAMFI. Under the Low Income Housing Tax Credit (LIHTC), for example, housing units with rents up to (30 percent of) 60 percent of HAMFI qualify as affordable and eligible for the credit.

This report generalizes the approach developed to define LIHTC maximum rents for units of different size to define three categories of affordability (ELI, VLI, and LI) based on the incomes that are sufficient for the rents: at or below 30 percent of HAMFI, above 30 and up to 50 percent of HAMFI, and above 50 percent of HAMFI. Gross rents for each unit, including payments for utilities, are compared to 30 percent of HUD's 30 percent and 50 percent of HAMFI income limits.

The income limits used to define rent affordability are adjusted for number of bedrooms using the formula codified at 26 U.S.C. 42(g)(2)(C): no bedrooms, 70 percent

of base; one bedroom, 75 percent; two bedrooms, 90 percent; three bedrooms, 104 percent; four bedrooms, 116 percent, plus 12 percent of base for every additional bedroom.[47] This formula assumes that an efficiency unit houses one person, a one-bedroom unit houses 1.5 persons, and each additional bedroom houses another 1.5 persons. For vacant units, the costs of any utilities that would be paid by an occupant were allocated using a "hot deck" technique based on a matrix of structure type, AHS climate code, and eight categories of gross rent.

Three measures of affordability—Three measures are used in Chapter 4 to analyze the sufficiency of the rental housing stock in relation to household incomes.

- *Affordability* measures the extent to which there are enough rental housing units of different costs to provide each household with a unit it can afford (based on the 30 percent of income standard). Affordability is the broadest measure of housing stock sufficiency, addressing whether there are sufficient housing units if allocated solely on the basis of cost. The *affordable* stock includes both vacant and occupied units.

- *Availability* measures the extent to which affordable rental housing units are available to households within a particular income range. Some households that are not of lower income choose to spend less than 30 percent of their incomes on rent, occupying housing that is affordable to households of lower income. Such housing units are thus not available to the lower-income households. A unit is *available* at a given level of income if it is affordable at that level, and is either: (1) occupied by a household with that income or less or (2) vacant.

The availability measure removes units from consideration if they have artificially low rents because they are occupied as a benefit of employment (for example, by caretakers) or because they are owned by relatives or friends of the occupants. The 2003 AHS data indicate that 2.2 million renter households (6.6 percent) occupied their units while paying no rent. The AHS does not provide estimates of the number of households paying a positive but below-market rent because of employment or other reasons.

- *Adequacy* extends the concept of availability by considering whether sufficient rental units are physically adequate as well as available and affordable.

Categorizing rental units by affordability and households by income—For the analysis of mismatches between affordability and income in Chapter 4, household incomes and housing unit rents were compared to 2003 income limits (for income and rent categories up to and including 80 percent of HAMFI) and to the actual median family incomes (for categories above 80 percent of HAMFI). As in the analysis of household income, households reporting negative income were redefined

[47] Note that this adjustment procedure is similar to, but distinct from, the adjustment of income limits described under Income Categories.

as having incomes just above median income if their monthly housing costs were above the FMR and they lived in adequate and uncrowded housing.

This approach provides more accurate estimates than in previous reports of the numbers of housing units qualifying as affordable under rules such as those regulating the HOME program and the low-income housing tax credit. For the LIHTC, housing that is affordable to incomes at 60 percent of median income must have rents that are no more than 30 percent of 120 percent of HUD's applicable VLI limits (with appropriate adjustments for the number of bedrooms). For ease of calculation, analyses of shortages of affordable housing in previous worst case reports had compared income and rents to multiples of HAMFI. However, the statutory adjustments made in deriving HUD's official VLI limits on average make the actual VLI limits higher than "50 percent" of median income. Therefore, the previous data tended to undercount both the number of renters and the number of units defined as affordable to them.

For purposes of mismatch analysis, units with "no cash rent" reported are categorized solely on the basis of utility costs. Utility costs are allocated to vacant units through "hot-deck" imputation based on units that are comparable on the basis of cost, number of units, region, and tenure.

Race and Ethnicity

In 2003, the AHS began using revised Census Bureau categories of race and ethnicity that are not directly comparable with the 2001 and earlier AHS. Survey respondents now are allowed to select more than one racial group, causing slight but significant decreases in the size of previously monolithic categories.

Worst Case Needs for Rental Assistance

Unassisted very low-income renters with the priority housing problems that formerly gave them preference for admission to federal rental assistance programs. Because AHS questions do not distinguish federal from state or local assistance, assisted renters include those with state or local assistance.

Appendix C. Comparison of AHS with ACS and Joint Center for Housing Studies Report, *State of the Nation's Housing 2006*

The tables that follow compare Table A-6 of *State of the Nation's Housing 2006,* a report of the Joint Center for Housing Studies (JCHS) with corresponding tabulations from the AHS. Table A-6 presents the distribution of households by tenure, income quantile, and housing cost burden using data from the 2001 and 2004 American Community Survey. This comparison uses the same breakdown of income groups as the Joint Center report, using data from the 2001 and 2005 AHS.

The JCHS table covers a 3 year period, while the AHS table covers 4 years.

The AHS shows about a million more total households in both the beginning and ending years. By tenure, the AHS has about 2 million more rental households but one million fewer owner households.

Both data sources show increases in the number of renter households with severe rent burden in all income quantiles, except the highest (top quartile). The AHS shows larger increases, except for the lower-middle quintile. The biggest difference is in the bottom decile, where the AHS shows 495,000 more severely burdened households, while the ACS shows only 391,000 more. The difference is 104,000, about a quarter of the ACS estimate. All other quantiles show smaller differences, in terms of household numbers and percent.

A comparison of the percentage distribution of renter households by burden within each income quantile reveals that the AHS consistently shows a higher percentage with severe rent burden, in both years. In terms of changes in the distributions, the ACS and AHS show the same direction of change, except for some of the burden classes in the upper-middle income quartile. The AHS generally shows larger percentage-point increases of moderately and severely burdened households, although there are some exceptions.

Generally, the AHS and ACS show a similar trend. The changes in burdened households are generally in the same direction, and the percentage distributions are similar.

Renters With Severe Rent Burden, AHS

Renters (1,000)	2001	2005	Change, 2001–2005
Bottom Decile	4,292	4,788	495
Bottom Quintile	6,510	7,256	746
Bottom Quartile	7,000	7,888	888
Lower-Middle Quartile	529	678	149
Upper-Middle Quartile	102	173	70
Top Quartile			0
Total	7,631	8,738	1,108

Renters With Severe Rent Burden, ACS

Renters (1,000)	2001	2005	Change, 2001–2004
Bottom Decile	4,559	4,950	391
Bottom Quintile	6,550	7,234	684
Bottom Quartile	6,901	7,741	840
Lower-Middle Quartile	419	597	178
Upper-Middle Quartile	39	60	21
Top Quartile	2	2	0
Total	7,361	8,400	1,039

Difference Between AHS and ACS Household Counts of Renters with Severe Rent Burden

Renters (1,000)	AHS 2001 Minus ACS 2001	AHS 2005 Minus ACS 2004	AHS Change (2001-2005) Minus ACS Change (2001-2004)
Bottom Decile	-267	-162	104
Bottom Quintile	-40	22	62
Bottom Quartile	99	147	48
Lower-Middle Quartile	110	81	-29
Upper-Middle Quartile	63	113	49
Top Quartile	-2	-2	0
Total	270	338	69