



U.S. Department of Housing and Urban Development
Office of Policy Development and Research

Intergenerational Housing Needs and HUD Program Options

Report to Congress

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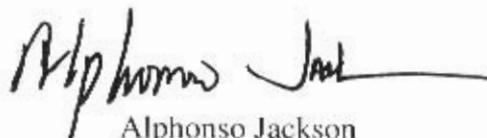
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To the Congress of the United States:

Enclosed is the report "Intergenerational Housing Needs and HUD Program Options" prepared by staff of the Department of Housing and Urban Development and the Bureau of the Census in accordance with Section 205 of the Legacy Act of 2003 (Public Law 108-186).

This report addresses Congress's request for "a study to determine an estimate of the number of covered families ["covered families" are those that: include a child and have a head of household who is: (1) a grandparent of the child who is raising the child or (2) a relative of the child who is raising the child] in the United States and their affordable housing needs" and includes "recommendations . . . regarding how the major assisted housing programs of the Department of Housing and Urban Development, including the supportive housing for the elderly program under Section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) can be used and, if appropriate, amended or altered, to meet the affordable housing needs of covered families," as directed by Congress.

Sincerely,

A handwritten signature in black ink, appearing to read "Alphonso Jackson", with a long horizontal flourish extending to the right.

Alphonso Jackson

Intergenerational Housing Needs and HUD Program Options

U.S. Department of Housing and Urban Development

FOREWORD

I am pleased to submit the U.S. Department of Housing and Urban Development's Intergenerational Housing Needs and HUD Program Options report to Congress. This report addresses Congress's mandate for "a study to determine an estimate of the number of covered families in the United States and their affordable housing needs" and includes "recommendations. . . regarding how the major assisted housing programs of the Department of Housing and Urban Development, including the supportive housing for the elderly program under Section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) can be used and, if appropriate, amended or altered, to meet the affordable housing needs of covered families," as directed by Congress.

This report uses both the 2000 Census and the American Housing Survey (AHS), conducted by HUD in partnership with the Bureau of the Census, as a basis for analysis. In summary, approximately 2.7 million households meet the definition of "covered households." Additionally, the report shows that covered households are as likely or more likely to receive housing assistance as other program-eligible household types. Grandparent-headed covered households are somewhat more likely than other program-eligible elderly households to receive assistance and more likely than program-eligible households as a whole to receive assistance. Other covered relative-headed households are more likely to receive assistance than other program-eligible households, and by larger margins. Using AHS data, there are about 92,000 grandparent-headed, covered households receiving housing assistance and 219,000 eligible for assistance but not receiving it. Similarly, about 81,000 other-relative-headed, covered households receive housing assistance and 199,000 are eligible for assistance, but do not receive it.

Also based on AHS data, almost half of very low-income renter grandparent-headed households, numbering approximately 150,000 households, had rent burdens of 50 percent or more of income. This group had the most serious affordability problems of any category examined, although high rent burdens were a serious problem for all household types in this income category.

This assessment provides a more detailed understanding of the housing issues faced by grandparents and other relatives who accept the responsibility of providing care for minor children. Those at the state, local, and federal level can use this information to create more effective strategies to house and serve this noble and respected segment of society.



Alphonso Jackson
Secretary

U.S. Department of Housing and Urban Development

As Director of the Census Bureau, I am pleased to have played a role in helping the Department of Housing and Urban Development (HUD) fulfill the mandate by Congress in The American Dream Downpayment Act, Public Law 108-186, Section 205 to conduct a study and produce a report on the "housing needs of grandparent-headed and relative-headed families." The Census Bureau's contribution was limited to producing custom tabulations from Census 2000 on intergenerational families as defined in law. In partnership with HUD, the Census Bureau has conducted the American Housing Survey, which has provided extensive data on our nation's housing since 1973 and which HUD has used as an additional key source of data for this report. The Census Bureau's participation in this effort reflects one of my agency's strategic goals to "meet the needs of policymakers, businesses and nonprofit organizations, and the public for current measures of the U.S. population, economy, and governments" in fulfillment of the Census Bureau's mission.



Charles L. Kincannon
Director, U.S. Census Bureau

Intergenerational Housing Needs and HUD Program Options

Table of Contents

Introduction.....	1
Background.....	2
Report Organization.....	3
Data Sources.....	4
Questions and Answers.....	6
Implications of Prior Policy.....	19
Implications of Demonstration Program.....	19
Recommendations.....	20

Charts

1. Households with Related, Not Own Children.....	7
2. Income Distribution Comparison, Owners and Renters.....	8
3. Income Distribution Comparison, Renters.....	9
4a. Percentage of Renter Households Eligible for and Receiving Housing Assistance, Based on U.S. Median Income.....	11
4b. Percentage of Renter Households Eligible for and Receiving Assistance, Based on Local Area Median Income.....	12
5. Priority Problems—All Income Renters, Percent of Households Spending 50 Percent or More on Rent and Percent With Severely Inadequate Housing.....	15
6. Priority Problems—Very Low-Income Renters, Percent of Households Spending 50 Percent or More on Rent and Percent With Severely Inadequate Housing.....	15
7. Housing Cost Burden, Percent of Households Spending 30 Percent or More of Income for Rent.....	17
8. Housing Cost Burden, Percent of Households Spending More than 50 Percent of Income for Rent.....	18

Appendix: Data Tables.....23

- Table 1. Income Distributions of Households With Related, Not Own Children in the United States (counts)
- Table 2. Income Distributions of Households With Related, Not Own Children in the United States (percentages)
- Table 3. State Distribution of Grandparent-Headed Caregiver Households
- Table 4. State Distribution of Grandparent-Headed Caregiver Households by Income and Tenure, Based on State Median Family Income Levels
- Table 5-1. Housing Status of All Renters by Household Type—U.S. Median Family Income Standard
 - Table 5-1a. Housing Status of Extremely Low-Income (0 Percent to 30 Percent of Median Family Income [MFI]) Renters—U.S. Median Family Income Standard
 - Table 5-1b. Housing Status of Very Low-Income but Not Extremely Low-Income (Greater than 30 Percent up to 50 Percent of MFI) Renters—U.S. Median Family Income Standard
 - Table 5-1c. Housing Status of Low-Income but Not Very Low-Income (Greater than 50 Percent up to 80 Percent of MFI) Renters—U.S. Median Family Income Standard
 - Table 5-1d. Housing Status of Above Low-Income (Greater than 80 Percent of MFI) Renters—U.S. Median Family Income Standard
- Table 5-2. Housing Status of All Owners by Household Type—U.S. Median Family Income Standard
 - Table 5-2a. Housing Status of Extremely Low-Income (0 Percent to 30 Percent of MFI) Owners—U.S. Median Family Income Standard
 - Table 5-2b. Housing Status of Very Low-Income but Not Extremely Low-Income (Greater than 30 Percent up to 50 Percent of MFI) Owners—U.S. Median Family Income Standard
 - Table 5-2c. Housing Status of Low-Income but Not Very Low-Income (Greater than 50 Percent up to 80 Percent of MFI) Owners—U.S. Median Family Income Standard
 - Table 5-2d. Housing Status of Above Low-Income (Greater than 80 Percent) Owners—U.S. Median Family Income Standard
- Table 5-3. Housing Status of All Renters by Household Type—Local Median Family Income Standard
 - Table 5-3a. Housing Status of Extremely Low-Income (0 Percent to 30 Percent of MFI) Renters—Local Median Family Income Standard
 - Table 5-3b. Housing Status of Very Low-Income but Not Extremely Low-Income (Greater than 30 Percent up to 50 Percent of MFI) Renters—Local Median Family Income Standard

- Table 5-3c. Housing Status of Low-Income but Not Very Low-Income (Greater than 50 Percent up to 80 Percent of MFI) Renters—Local Median Family Income Standard
- Table 5-3d. Housing Status of Above Low-Income (Greater than 80 Percent of MFI) Renters—Local Median Family Income Standard
- Table 6. 2000 Census Owner and Renter Income and Housing Characteristics by Household Type
- Table 7. Comparison of 2000 Census and 2001 American Housing Survey Data on Income Characteristics and Housing Cost Burden by Household Type for Renters
- Table 8. Comparison of 2000 Census and 2001 American Housing Survey Data on Income Characteristics and Housing Cost Burden by Household Type for Owners
- Table 9. Percentage of Households That Are Income Qualified for Assisted Housing and Percentage Receiving Assisted Housing Subsidies by Household Type

Intergenerational Housing Needs and HUD Program Options

Introduction

On December 16, 2003, the “Living Equitably: Grandparents Aiding Children and Youth Act” or “LEGACY Act of 2003” was enacted (Public Law 108-186).¹ This new law, referred to in this report as the LEGACY Act or the Act, contained three primary requirements for HUD:

1. The Secretary of the Department of Housing and Urban Development (Secretary) should implement a “demonstration program . . . to provide assistance for intergenerational dwelling units for intergenerational families in connection with the supportive housing program under section 202 of the Housing Act of 1959 (12 U.S.C. 1701q).” (Section 202 provides supportive housing programs for the elderly.)
2. Action should be taken to ensure that HUD personnel “have received adequate training regarding how covered families (as that term is defined in Section 202 of the LEGACY Act of 2003) can be served by existing affordable housing programs.”
3. A study “to determine an estimate of the number of covered families in the United States and their affordable housing needs” should be conducted jointly by the Department of Housing and Urban Development (HUD) and the Bureau of the Census and submitted to the Congress, including recommendations on how HUD programs could be used to serve households identified as eligible for assistance under the LEGACY Act.

This report complies with the third congressional requirement contained in the LEGACY Act. In requesting the report, Congress intended for it to include data on the need for and provision of housing assistance to grandparents and other households raising children of relatives. However, because of data limitations, the number of “other households raising children of relatives” could not be accurately determined. The information in this report on “other relative-headed households” includes all households with the child of a relative present, regardless of whether a parent who is the primary caregiver is present (i.e., families outside the parameters of the study directed by Congress).

The LEGACY Act cites the public housing and Section 202 programs as potential sources of housing assistance for families that qualify under the Act. These programs provide rental assistance and are restricted to very low-income families, which implicitly excludes otherwise-eligible homeowners and those with incomes above program income limits. For purposes of the report, information on owner and renter households of all incomes is provided, but emphasis is placed on renter households of very low income that would be the primary beneficiaries of LEGACY Act funding.

¹ The LEGACY Act of 2003 is part of Public Law 108-186. The complete text of the LEGACY Act can be obtained through the Library of Congress’s THOMAS law system at <http://thomas.loc.gov/bss/d108/d108laws.html> and by selecting the 108-151 - 108-200 option.

Except for \$4 million for intergenerational housing appropriated as part of HUD's Fiscal Year (FY) 2006 appropriations, Congress has not appropriated further funding for intergenerational housing. The ECHO (Elder Cottage Housing Opportunity Demonstration) Program, however, might be viewed as "intergenerational housing." This program, enacted in 1990 and amended in 1992, was not terribly successful, but its context was the provision of small, self-contained dwelling units for elderly persons adjacent to the existing home of a friend or relative of the eligible elderly person. Through a notice of funding availability, \$4.5 million was made available to fund 100 units.

Although this report does not seek to answer the public policy question of whether such preferences should be established, the policy implications of such preferences are reviewed. To permit readers to examine this question, however, the report does provide information on the housing needs and conditions of various categories of eligible households, the extent to which they are served under current programs, and potential policy and administrative issues associated with LEGACY Act programs.

Background

This report is prepared in accordance with Section 205 of the LEGACY Act. Section 205 of the LEGACY Act provides that:

- (a) "The Secretary and the Director of the Bureau of the Census jointly shall (1) conduct a study to determine an estimate of the number of covered families in the United States and their affordable housing needs; and (2) submit a report to Congress regarding the results of the study conducted under paragraph (1)."
- (b) The report should "include recommendations by the Secretary and the Director of the Bureau of the Census regarding how the major assisted housing programs of the Department of Housing and Urban Development, including the supportive housing for the elderly program under section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) can be used and, if appropriate, amended or altered, to meet the affordable housing needs of covered families."

The definitions used in the LEGACY Act of 2003 provide the framework for analyzing the housing needs of intergenerational households. The following definitions are used:

- The term "covered family" means a family that:
 - a. includes a child.
 - b. has a head of household who is not a parent and is either:
 - A grandparent of the child who is raising the child.
 - A relative of the child who is raising the child.
- The term "child" means an individual who either:

- a. is not attending school and is not more than 18 years of age.
- b. is attending school and is not more than 19 years of age.
- The term “elderly” is defined as 62 years or more of age.
- The term “intergenerational family” is defined as a “covered family” that has a householder who is an elderly person.

HUD’s Office of Policy Development and Research (PD&R) prepared this report with extensive assistance from the Bureau of the Census Decennial Census and American Housing Survey (AHS) staff. Census staff provided guidance on how to best identify the households of interest using both 2000 Decennial Census and AHS data. They also produced all of the 2000 Census-based tables in the Appendix. HUD staff produced the AHS-based tables using the same definitional approach jointly decided upon by HUD and the Census Bureau. PD&R took lead responsibility in preparing this report.

Report Organization

This report provides detailed information on the number, characteristics, and housing conditions of “covered family” households. The quantity of information available is voluminous. Thousands of pages of information could have been produced for this report, especially if detailed state-level and local-level data for all items of potential interest had been provided. The disadvantage of providing such detailed information is that it tends to obscure answers to the basic questions that were implicit in Congress’ request for the report. As a compromise, this report uses a question-and-answer format to address the most important questions and places the most important detailed tables in an appendix.

Grandparent-headed and other relative-headed households raising related children (hereafter referred to as “other relative-headed households”) do not currently have any federal preferences for admission to assisted housing other than those associated with the \$4 million in program funds provided for LEGACY Act programs to date. By 1996, federal preferences for assisted housing established by the United States Housing Act of 1937 were eliminated in favor of increased local discretion.

The types of households currently eligible for HUD housing assistance are often categorized into four groupings that include elderly headed households, non-elderly disabled households, single parent households, and other family households (which are sometimes further subcategorized by the presence of children). For purposes of this analysis, covered grandparent-headed households and covered other relative-headed households were added as separate categories but, on the charts, are also included in their more general categories.

The LEGACY Act information requests were restated for purposes of this report into the following seven questions:

1. How many intergenerational and covered families are there?
2. Are they owners or renters?
3. What is the income distribution of caregiver households?
4. Where do they live?

5. What percentage is currently receiving housing assistance?
6. What housing challenges does this group face?
- 7a. How do covered families compare with other low-income and very low-income groups with respect to income?
- 7b. How do covered households compare with other low-income and very low-income groups with respect to housing cost burden?
- 7c. How do covered households compare with other low-income and very low-income groups with respect to percentage receiving housing assistance?

Data Sources

The two major data sources used for this report were the 2000 Census and the 2001 American Housing Survey. The 2000 Census provides detailed information on the types and locations of intergenerational and other families by income in Appendix Tables 1 through 4 and 6. It was used to provide national-level and state-level estimates, and could be used to provide more localized estimates.

The 2001 AHS was used to provide Tables 5-1(a-d), 5-2(a-d), 5-3(a-d), 7, and 8. The AHS provides the same types of data provided by the Census long form data collection. It also provides extensive additional information on the housing characteristics and circumstances of those households surveyed. The AHS has smaller samples than the Decennial Census and is typically used for national or census region analysis.

The 2000 Census was used to provide comparative data for intergenerational families, consistent with the definitions of the LEGACY Act of 2003. For comparison purposes, elderly households, single parent households, non-elderly disabled households, and other family households are separately identified. Information is provided on the following:

- a. the number of families
- b. geographic distribution of families by household type and income status
- c. tenure status
- d. tenure and housing cost burden
- e. poverty status

The national tables (Tables 1, 2, 3, and 4) exclude data for Puerto Rico, which has a separate census data collection that does not provide the same information. The analysis for this report used income limits that are based on the 1999 U.S. median family income (MFI) estimate of \$50,046, except for Tables 4 and 5-3(a-d) for which local median family income limits were available. National median family income numbers were used in the Decennial Census data tables. A comparison of tables for which both types of median incomes were available shows that they produce almost the same numbers at the national level.

For presentation purposes, the income breaks used by Congress in setting assisted housing goals and eligibility standards were applied. Households are categorized by the following income categories:²

- 0 percent up to 30 percent of national median family income, adjusted for family size (referred to as “extremely low-income” households).
- 30 percent up to 50 percent of national median family income, adjusted for family size (households with incomes at or below 50 percent of median family income are referred to as “very low-income” households, but this category includes both 0-to-30 and 30-to-50 households).
- 50 percent up to 80 percent of national median family income, adjusted for family size (households with incomes at or below 80 percent of median family income are referred to as “low-income” households, but this category includes all in the 0-to-80 percent of median rather than just the 50-to-80 percent subgroup).
- greater than 80 percent of national median family income (or all income levels).

The median family income of households receiving HUD assistance for public housing (i.e., Section 8 project-based assistance and Section 8 tenant-based voucher assistance) is in the 25-to-30 percent of median income range. Households receiving assistance from the HUD HOME program can have median family incomes up to 80 percent of median income. However, the HOME statute requires that at least 90 percent of the households receiving rental assistance must earn no more than 60 percent of median income.

Program statistics on incomes for households receiving public housing assistance, which are supported by studies using Internal Revenue Service (IRS)-reported income matches,³ show that few assisted public housing program participants have incomes above 50 percent of median family income. These figures are to be expected, since households with incomes above 50 percent of median can usually afford modest quality, market-rate rental housing. However, statistics for the HOME program indicate that 18 percent of households occupying assisted rental units, 31 percent of households receiving homeowner rehabilitation assistance, and 69 percent of households receiving homebuyer assistance have incomes in the 50 percent to 80 percent median income range. Virtually no assisted households can be found with incomes above 80 percent of median, which is expected given that HUD’s assisted housing programs are limited to benefiting households whose income do not exceed 80 percent of median income.

In households with grandparents and grandchildren present in which a grandparent is the designated householder, a special supplement to the 2000 Decennial Census long-form questionnaire asks whether a grandparent is the primary caregiver of a minor grandchild. If the answer is yes, the household is a covered household for purposes of the LEGACY Act and counted as such in the tables provided in this report. As noted previously, it is not possible to

² By statute, the extremely low-income, very low-income, and low-income limits are defined relative to area median family income. As indicated in this report, however, use of national median family income estimates rather than local estimates makes little difference at the levels of aggregation shown.

³ *Quality Control for Rental Assistance Subsidies Determinations*, U.S. Department of Housing and Urban Development, 2003 and 2004 studies; available at www.huduser.org.

accurately identify households with a child in which the head is both a relative of the child and the primary caregiver because, in such instances, the primary caregiver is not identified and it is not known if a parent is present or, if present, if the parent serves as the primary caregiver. It is reasonable to assume that in many instances the head of the household or the spouse of the head of the household is the primary caregiver, but the extent to which this occurs is unknown. The numbers shown for this “other relative-headed household” subcategory are therefore overstated by an unknown amount.

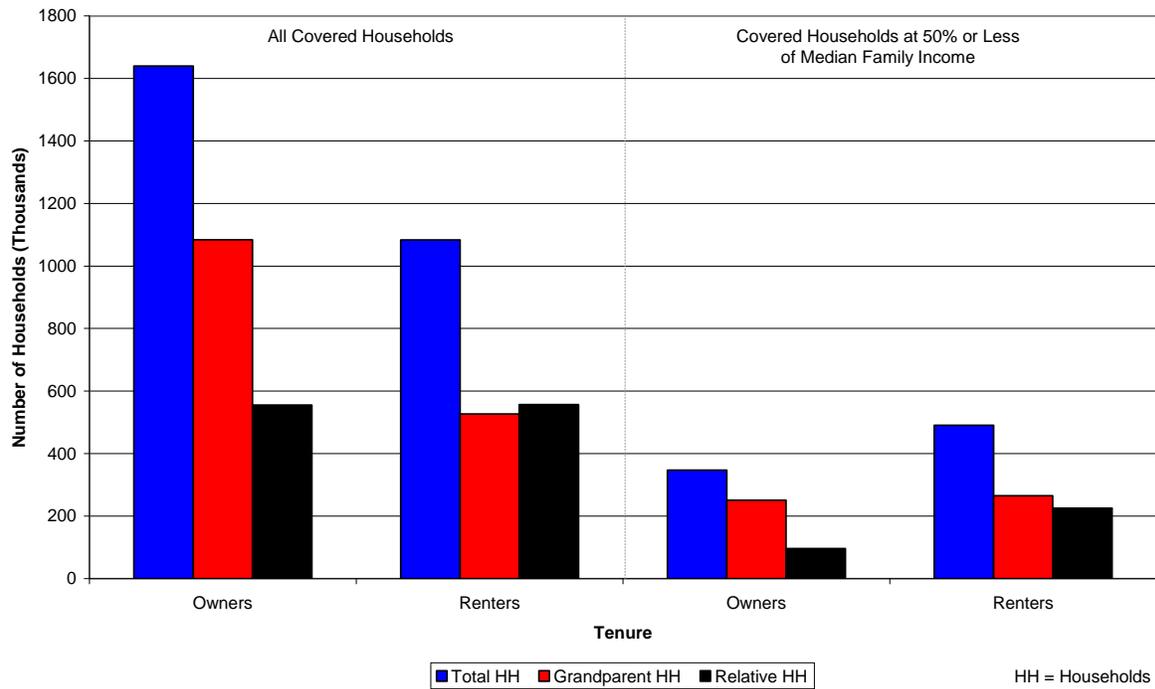
Questions and Answers

Question 1. How many intergenerational and covered families are there?

Chart 1 provides information on the income, tenure, and type of households covered by the LEGACY Act. Households with incomes of no more than 50 percent of median family income are shown as a distinct subset because these households are most likely to apply for and receive federal rental housing assistance. Please note that because of data limitations, the number of other relative-headed households is overstated in this report.

Using the 2000 Census special tabulation data, denoted as STP-276, this report calculates that 1.6 million grandparent-headed households are raising a grandchild and qualify for assistance under the LEGACY Act. An additional 1.1 million households meet the Act’s definition of other “relative-headed.” Therefore, approximately 2.7 million covered households are in the United States. Many of these households are owners and/or have incomes that would make them ineligible for assistance under the LEGACY Act. The 2000 Census shows approximately 265,000 grandparent-headed households and, at most, 225,000 other relative-headed renter households would qualify for public assistance under the LEGACY Act.

Chart 1
Households with Related, Not Own Children



Approximately 65 percent of all U.S. households with “related, not own children” qualify as eligible grandparent-headed or other relative-headed households under LEGACY Act definitions. The largest grouping of households in which the head or the spouse of the head is not the primary caregiver to a child who is related and lives with them is, by far, grandparent-headed households with a resident grandchild but who do not consider themselves to have primary responsibility for the child or children (e.g., a parent caregiver also resides in the household). Many of the households that potentially qualify for assistance under the LEGACY Act are disqualified because they are owners or have incomes in excess of program eligibility standards. When these two factors are considered, only 12 percent of households with “related, not own children” qualify and could receive assistance.

Table 1⁴ provides counts of households with “related, not own children” and distinguishes between caregiver and non-caregiver, grandparent-headed households. It also includes information on how long grandparent caregivers have been primary caregivers. If a large percentage served as caregivers only on a short-term basis, this data would have major program design implications. In practice, the distribution of households by duration of caregiving status suggests that most short-term caregivers turn out to have long-term responsibilities.

⁴ Data tables are included in the Appendix of this report.

Question 2. Are they owners or renters?

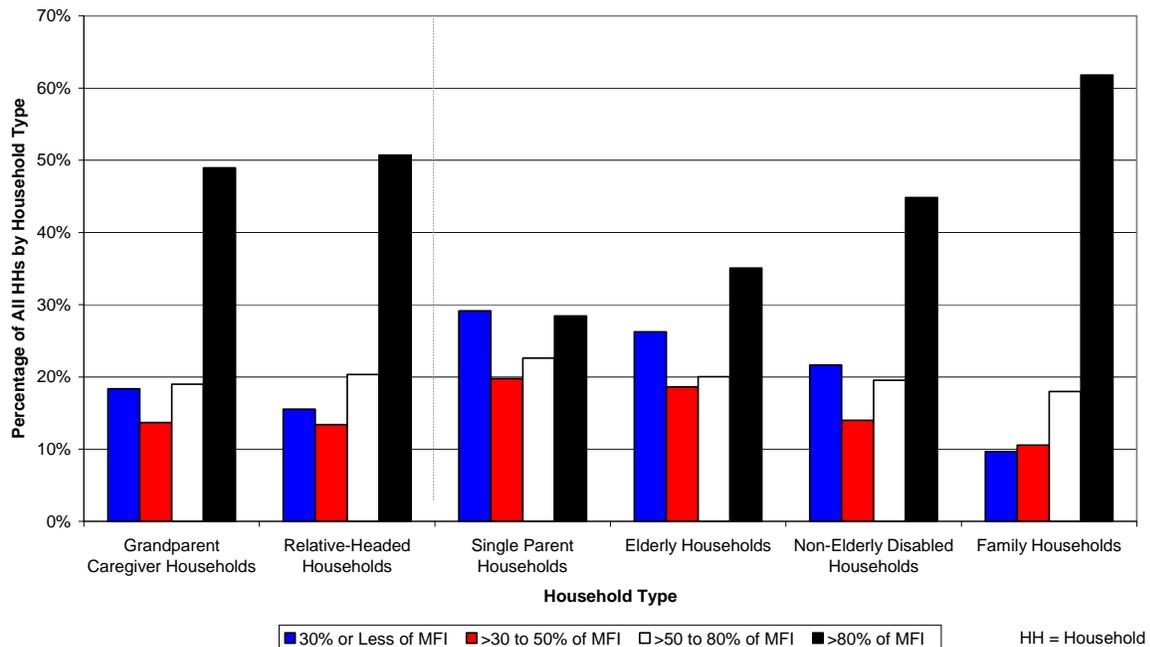
Sixty-seven percent of covered grandparent-headed households are owners. For other relative-headed households, almost the same numbers are owners as renters. In total, 60 percent of all covered households are owners. Table 1 provides the number of owners and renters by household type who potentially qualify as covered households.

Only income-eligible households are eligible for LEGACY Act assistance. When income eligibility is considered, roughly the same numbers of covered grandparent-headed households are renters as owners (i.e., approximately 265,000 renter households versus 250,000 owner households). More than twice as many covered other relative-headed households, however, are renters rather than owners (i.e., 225,000 renter households versus 96,000 owner households).

Question 3. What is the income distribution of caregiver households?

As indicated in Chart 2, approximately 68 percent of all grandparent caregiver households have incomes of more than 50 percent of area median family income. This figure falls to 50 percent when only renter households are considered, and these renter households are three times as likely to have incomes of less than 30 percent of the area median family income. Table 1 provides detailed information on subcategories of covered households (in the first two categories of Chart 2).

Chart 2
Income Distribution Comparison
Owners and Renters



Thirty-two percent of grandparent-headed households and 29 percent of other relative-headed households have incomes at or below 50 percent of median family income. The relationships are reversed with respect to housing tenure (renting versus owning). For grandparent-headed renters, 50 percent of households have incomes that are no more than 50 percent of median family income. Approximately 41 percent of other relative-headed renter households fall into this category as well. Only 30 percent of grandparent-headed renter households and 37 percent of other relative-headed renter households have income levels above the 80 percent of the low-income standard for median family income.⁵

Chart 3 depicts the distribution of household incomes for renters. The first two categories are those that fall into the covered households category. As noted on page 6, the other relative-headed household count is overstated because of data limitations.

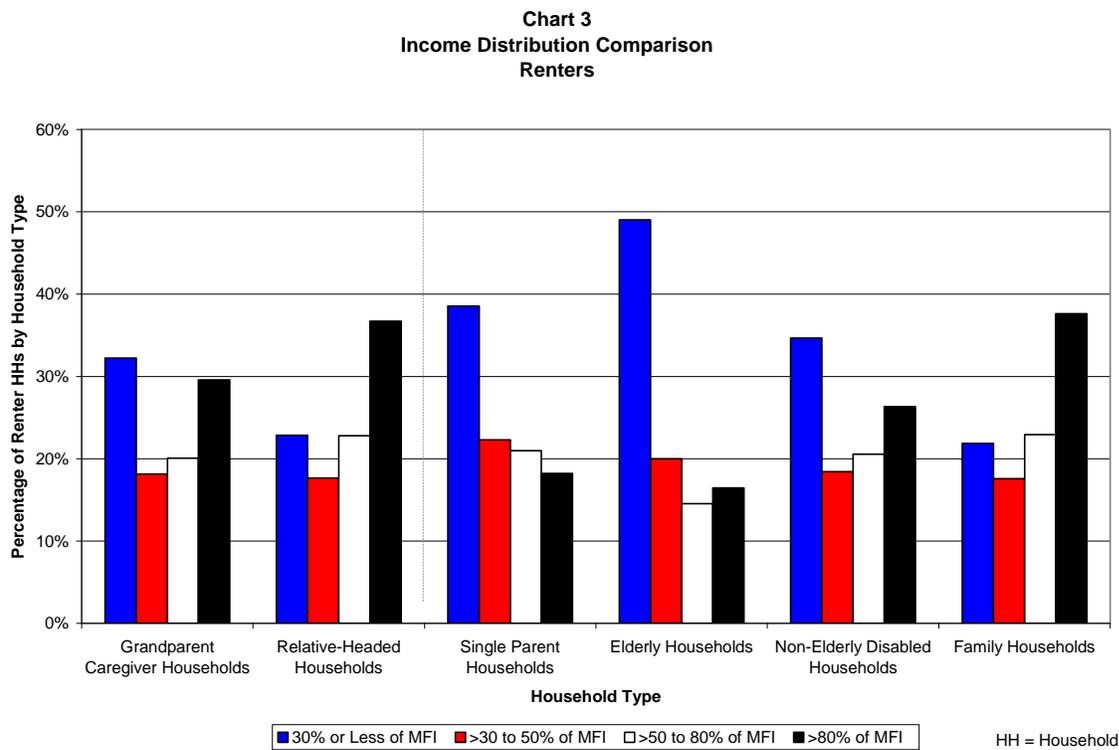


Table 1 of the Appendix provides detailed information related to the first two categories of Chart 3, but, to provide a sense of relative frequencies of similar household types, it includes some household categories that do not qualify as covered households. Table 2 provides the same information in terms of percentages of households in each income category by household type. Chart 1, which is provided as part of the answer to Question 1, provides information on housing

⁵ HUD is required by law to set income limits that determine the eligibility of applicants for HUD’s assisted housing programs. For a detailed explanation of the published income limits and the standard income limit classifications, please see the document “FY 2007 HUD Income Limits Briefing Material” at <http://www.huduser.org/datasets/il/il07/IncomeLimitsBriefingMaterial.pdf>.

tenure for: (1) all covered households and (2) the grandparent-headed and other relative-headed subgroups of covered households for: (a) all income categories and (b) for those with incomes at or below 50 percent of national median family income.

Question 4. Where do they live?

In general, the distribution of total and income-eligible LEGACY Act households follows overall population distribution patterns. As shown in Table 3, California leads the nation with nearly 181,000 households (11.2 percent of the total). Texas ranks a close second with 165,000 households (10.3 percent). California and Texas also lead the nation in overall population and number of households. California has nearly 34 million people (12 percent) and approximately 11.5 million households (10.9 percent), while Texas has roughly 21 million people (7.4 percent) and more than 7 million households (7 percent). All other states have less than double-digit percentages of LEGACY Act households. Vermont has the least number of grandparent-headed households, but also ranks low (49th among the 50 states) in both overall population and number of households (0.23 percent).

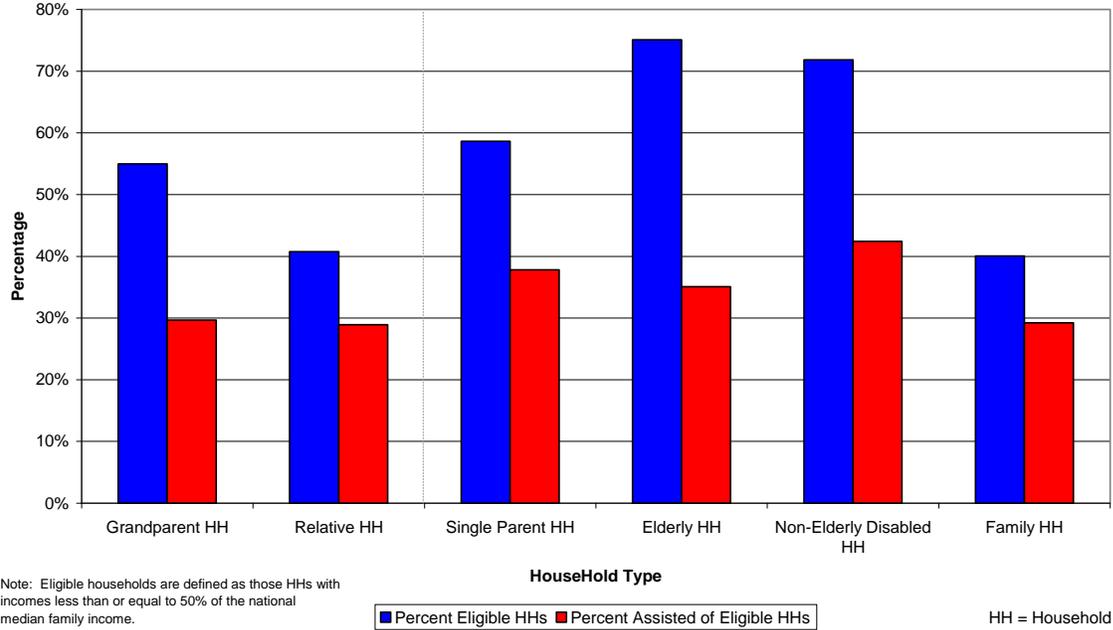
Table 3 lists the number of grandparent-headed households by state and by their respective percentages of the total number of grandparent-headed households. Table 4 provides further insight into grandparent-headed households by state by also showing the number of households categorized by median family income. Table 4 enumerates covered grandparent-headed households because this subcategory can be better identified and conservatively comprises two-thirds of households that would actually be eligible for assistance if better data on covered other relative-headed households were available.

Question 5. What percentage is currently receiving housing assistance?

In general, covered households that are income-eligible renters for HUD assistance for public housing (i.e., Section 8 project-based assistance and Section 8 tenant-based voucher assistance) are as likely or more likely to receive housing assistance as other eligible household types. When evaluated using national median family income as an income eligibility/categorization standard, covered grandparent-headed households are somewhat more likely than other eligible elderly households to receive assistance and more likely than eligible households as a whole to receive assistance. When evaluated using local median family income standards, a covered grandparent-headed household is only slightly more likely to receive assistance than an eligible elderly household. Using both income standards, a covered other relative-headed households was more likely to receive assistance than another eligible household, and the likelihood was by a larger margin. But, as noted on the first page of this report, this group includes households in which parent caregivers may be present.

Chart 4(a) depicts the percentage of households that are income-eligible for public housing rental assistance (i.e., with incomes at or below 50 percent of median family income) and the percentage of eligible households receiving assistance. This chart uses national median family income in its calculations. As with Charts 2 through 4, the first two categories on the chart relate to covered households and the other four categories relate to the four household types normally examined in assisted housing studies. Chart 4(b) provides the same information, but the data is based on estimates of local median family income.

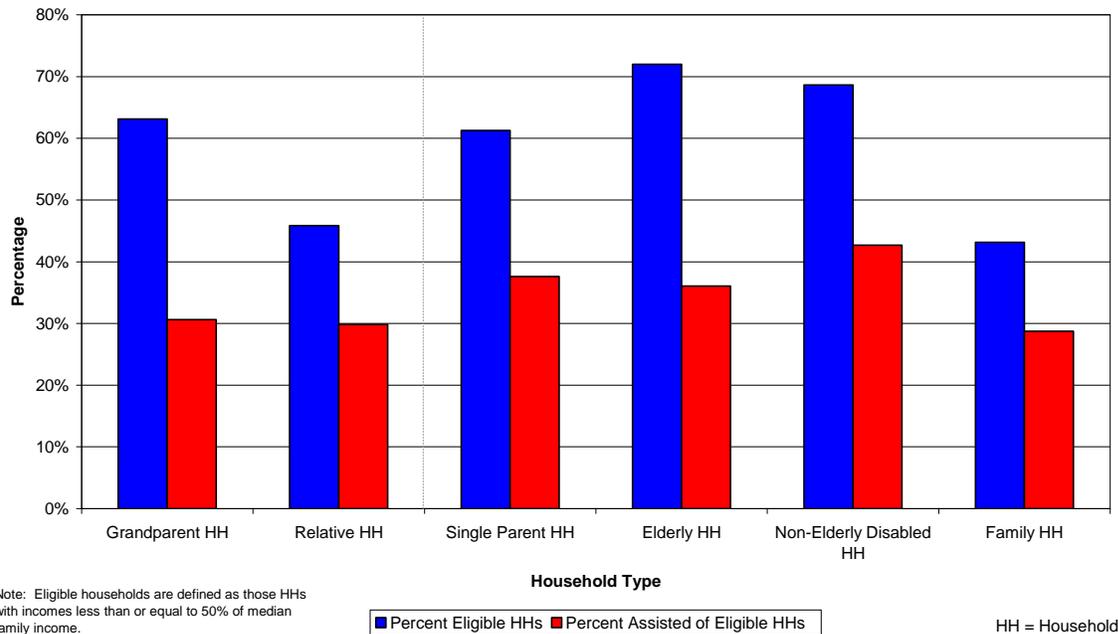
Chart 4(a)
Percentage of Renter Households Eligible for and Receiving Housing Assistance
Based on U.S. Median Income



When measured using national median family income, 55 percent of grandparent-headed households are eligible for public housing assistance. Of these eligible households, approximately 30 percent receive some form of assistance. Nearly 41 percent of other relative-headed households are eligible for housing assistance and roughly 29 percent of the eligible households receive assistance.

The story is similar when using local median family incomes, as shown in Chart 4(b). Sixty-three percent of grandparent-headed households are eligible for assistance, with approximately 31 percent of those eligible for assistance receiving it. Forty-six percent of other relative-headed households are eligible to receive assistance and about 30 percent of those households eligible for assistance report receiving it.

Chart 4(b)
Percentage of Renter Households Eligible for and Receiving Assistance
Based on Local Area Median Income



The Table 5 series of information provides data from the 2001 AHS and includes information on housing assistance. One-quarter of all grandparent-headed households are reported as receiving some form of housing assistance. An estimated 18 percent of other relative-headed households received housing assistance. In total, more than 21 percent of covered households received such assistance. Table 5-1 enumerates the number of renter households receiving housing assistance for each household type. The 5-1 series of tables provides breakouts by the following income classification:

- Table 5-1a—extremely low-income renters (0 percent to 30 percent of median family income)
- Table 5-1b—very low-income renters (more than 30 percent up to 50 percent of median family income)
- Table 5-1c—low-income renters (more than 50 percent up to 80 percent of median family income)
- Table 5-1d—above low-income renters (more than 80 percent of median family income)

The 5-1 series of tables uses national median family income in its tabulations. While the Table 5-3 series depicts the same breakouts as the 5-1 series, it uses local median family income for its tabulations.

A major caveat to note regarding the data shown in the Table 5 series is that the tables show a significant number of households receiving housing assistance whose incomes are greater than 80 percent of median family income, but neither HUD nor Census researchers believe that a significant number of such households receive assistance of the type intended to be identified. Some over-counting is to be expected. The Decennial Census question asked if whether “part of

your rent is paid by a federal, state or local program.” This means that non-HUD housing assistance plus various federal, local, and state programs that provide housing assistance as an employment inducement are included. There are three major reasons for concluding that HUD does not assist a significant number of the higher-income households self-identified as receiving housing assistance:

- The American Housing Survey uses the same questions to identify assisted households as the Decennial Census, but also does address matching of all interviewed households against HUD address listings of all assisted housing units. This address match adds some households that did not report receiving assistance, deletes a number of households that do report receiving housing assistance, and produces assistance counts similar to HUD counts and almost no households with incomes above 80 percent of median family income.
- As part of its Assisted Housing Quality Control program, HUD does annual income matches and detailed verifications for a sample of assisted household tenants using Department of Health and Human Services New Hires system and Social Security data. The New Hires system includes nearly universal coverage of all legally reported income. While some households are found to misreport their income, households with incomes in excess of 80 percent of median are a rarity.
- HUD requires submission of income and family characteristics for all assisted households, and program regulations require income verification. Program monitoring has been extensively expanded since 2000 to ensure that these requirements are honored. HUD also maintains records on all housing assistance payments, and therefore has exact counts on the number of units assisted in any given year. The information produced from these data systems show far fewer assisted units receiving HUD subsidies than the number of units reported by the Census as receiving some form of local, state, or federal assistance. HUD data systems also show very few households with incomes above 80 percent of local median family income, and HUD has begun to require comprehensive income matching of all assisted households using the New Hires data system.

The difference between HUD and Census counts of assisted households is roughly equal to the difference between HUD and Census counts of assisted households with incomes above 50 percent of median family income. The biggest discrepancy relates to those with incomes above 80 percent of median family income.

Although HUD income matches and Census American Housing Survey address matches provide a basis for accurately counting HUD-assisted households and the number of such households with incomes above 50 and 80 percent of area median family income, the sample sizes are too small to provide meaningful information on intergenerational housing family characteristics. At HUD’s request, a number of approaches were tested by the Census Bureau to better identify assisted households for use in the Decennial Census. None produced the desired result. The single biggest problem is that many households don’t know if they are receiving housing assistance or who is providing such assistance. Some of the reasons found for why there are larger numbers of assisted households reported by the Decennial Census than there are in HUD programs are as follows:

1. Renters usually have to report information on their income in order to rent. Some think they qualify for and are receiving a subsidy even when this is not the case. Others may misinterpret our survey questions on whether their housing is subsidized.
2. Military housing assistance payments provide what is now intended to be a 100 percent housing subsidy for most covered families, and these families are not accurately identified.
3. Some people misreport their income to local housing authorities in order to qualify for assistance, but report their actual income to the Census. (However, the number of such families with incomes above 80 percent of median family income is too small to accurately measure, other than to say it is well below one percent.)
4. Some households that live in units that qualify for Low Income Housing Tax Credits report (accurately) that they receive a housing subsidy.
5. Some local, state, and federal employees receive partly or fully subsidized housing as a condition of employment.

Because of the strong likelihood of inaccuracies in the data, the information in the Table 5 series on households with incomes above 80 percent of median receiving assistance probably should be disregarded.

Question 6. What housing challenges does this group face?

To identify households most in need of assistance, the “priority problems” categorization is widely used. For AHS analysis purposes, housing problems are classified into two categories, affordability and unit quality. A priority problem has the following definition:

1. Paying 50 percent or more of income for housing; and/or
2. Having severely inadequate housing (i.e., severe plumbing, heating, electrical, upkeep, or hallway problems).

Chart 5 depicts the percentage of renter households with priority problems due either to high rent burden or to severely inadequate housing. Chart 6 shows similar information for renters earning 50 percent or less of median family income. Chart 5 shows that more than one-fourth of all grandparent-headed households have rent burdens of more than 50 percent of income. More significantly, almost half of very low-income renter grandparent-headed households had rent burdens of more than 50 percent of income. This group had the most serious affordability problems of any category examined, although high rent burdens were a serious problem for all household types in this income category.

Priority problems exist in approximately 32 percent of grandparent-headed rental households and roughly 22 percent of other relative-headed renter households. Grandparent-headed owner households and other relative-headed owner households have priority problems at less frequent rates, 12 percent and 13.7 percent respectively.

Chart 5
Priority Problems – All Income Renters
Percent of Households Spending 50 Percent or More on Rent and
Percent With Severely Inadequate Housing

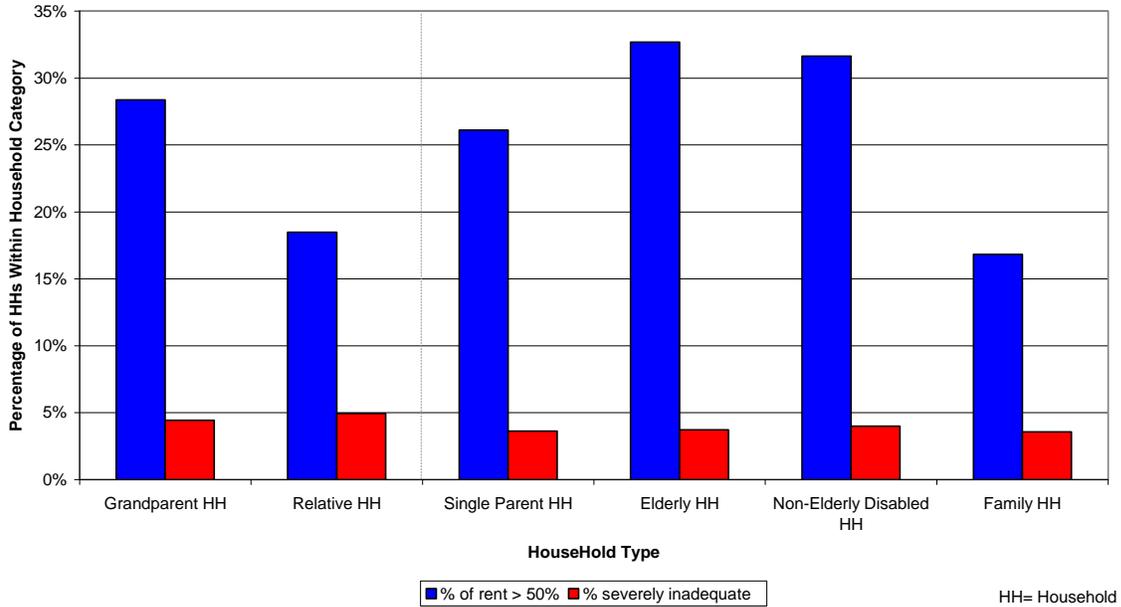
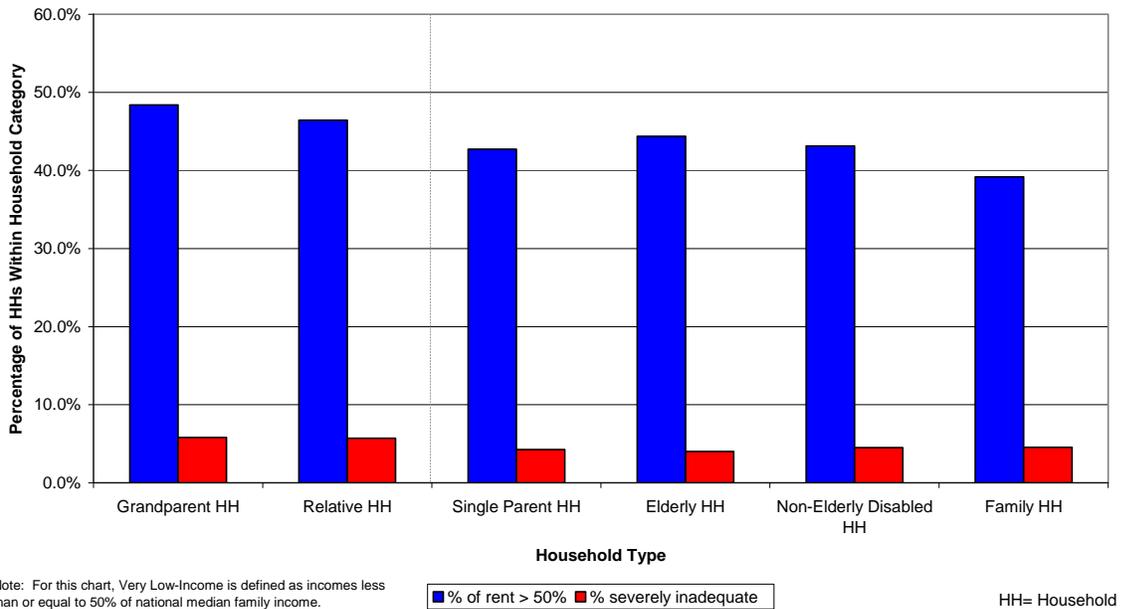


Chart 6
Priority Problems – Very Low-Income Renters
Percent of Households Spending 50 Percent or More on Rent and
Percent With Severely Inadequate Housing



Note: For this chart, Very Low-Income is defined as incomes less than or equal to 50% of national median family income.

Table 5-1 provides counts of renter households by household type with priority problems. Table 5-2 provides similar information for owner households. The 5-2 series of tables provides the same information by income classification. Specifically:

- Table 5-2a—extremely low-income owners (0 percent to 30 percent of median family income)
- Table 5-2b—very low-income owners (more than 30 percent up to 50 percent of median family income)
- Table 5-2c—low-income owners (more than 50 percent up to 80 percent of median family income)
- Table 5-2d—above low-income owners (more than 80 percent of median family income)

Question 7a. How do covered households compare with other low-income and very low-income groups with respect to income?

Chart 3, which appeared on page 9, depicts the distribution of income for the various household types included in this study. Income distributions of covered households are roughly similar to those of the income distributions found for the other major categories of households eligible for assisted housing. However, covered households have smaller percentages of extremely low-income households than do single parent and elderly ones. An estimated 50 percent of grandparent-headed renter households have income levels at or below 50 percent of the median and 41 percent of other relative-headed renter households fall into that category. Sixty-one percent of single parent renter households and 69 percent of elderly renter households have income levels that place them in this very low-income category. In the category of family renter households, 40 percent have income levels at or below 50 percent of median family income.

Corollary patterns of income distribution are found at the upper end of the distributions, where there are relatively more covered households than single parent or elderly ones. Thirty percent of grandparent-headed and 37 percent of other relative-headed renter households are in the 81 percent or more of median family income category. In contrast, only 18 percent of single parent renter households, 16 percent of elderly renter households, and 26 percent of non-elderly disabled renter households have similar income levels. Table 6 provides counts of households by income classification and Chart 4 depicts the percentage of households within each income category.

Question 7b. How do covered households compare with other low-income and very low-income groups with respect to housing cost burden?

Chart 7 depicts the percentage of renter households spending 30 percent or more of income on housing costs and shows that covered households have roughly similar housing cost burdens as other income groups. Seventy-six percent of grandparent-headed renter households with income levels at 30 percent of median family income spend 30 percent or more of their income on housing. Fifty-seven percent of grandparent-headed renter households with income levels between 31 percent and 50 percent of median family income spend 30 percent or more of income on housing costs. Overall, 41 percent of all grandparent-headed renter households spend 30 percent or more of their income on housing costs. Similar rates of spending of at least 30

percent of income on housing costs exist in the other enumerated categories: 36 percent of the other relative-headed renter households spend at that rate, as do 49 percent of the single parent renter households and 46 percent of the elderly renter households.

Chart 7
Housing Cost Burden
Percent of Households Spending 30 Percent or More of Income for Rent

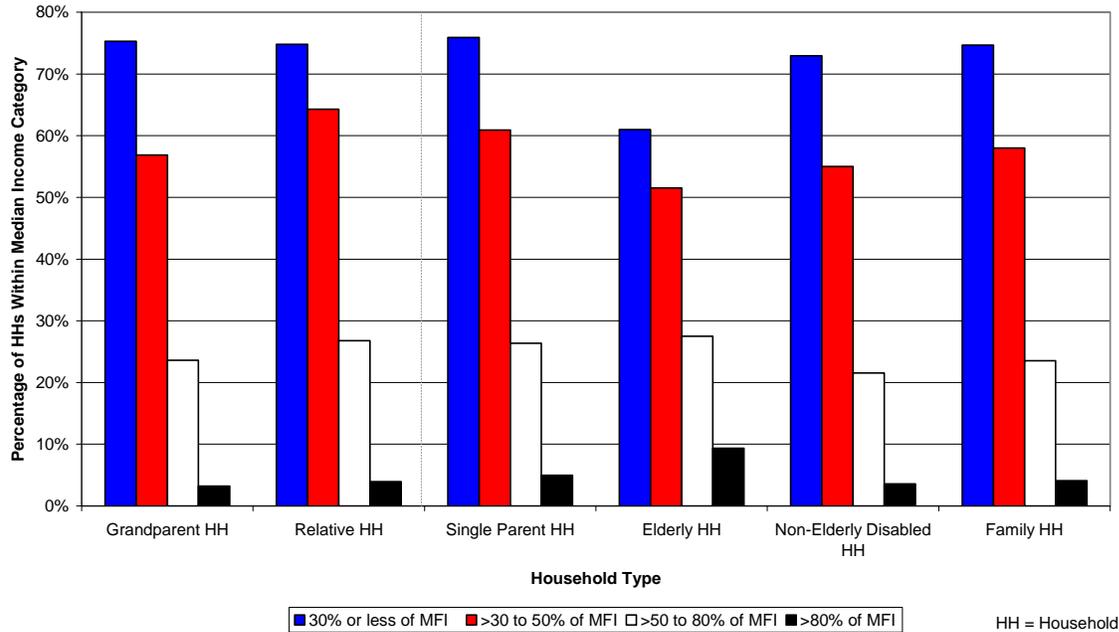
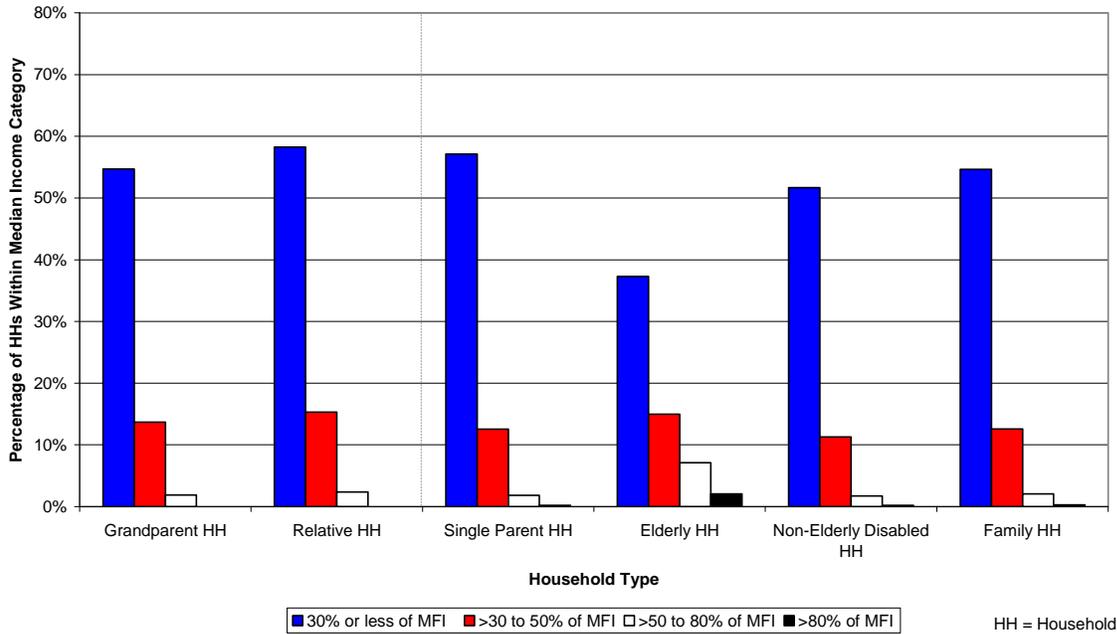


Table 7 provides details on the housing cost burden for each household type by income classification for renters. Table 8 provides the same information for owners. Tables 7 and 8 also compare 2000 Census data to 2001 AHS information. Chart 8 provides the percentages of families spending 50 percent or more of income for housing costs. Table 8, which provides information on renter households that would be income-eligible for assistance, shows that grandparent-headed households have greater housing cost burdens than other elderly who have similar levels of income. This is to be expected at similar levels of income, given that grandparent-headed households typically have a greater need for larger housing units.

Chart 8
Housing Cost Burden
Percentage of Households Spending More than 50 Percent of Income for Rent



Question 7c. How do covered households compare with other low-income and very low-income groups with respect to percentage receiving housing assistance?

Charts 4a and 4b, which appeared on pages 11 and 12, depict the distribution of renter households by household type and show the percentages eligible for and receiving public housing rental assistance. Chart 4a used national median family income to define eligibility. Chart 4b used local median family income levels to define eligibility.

In general, covered households receive a similar amount of public housing rental assistance to that received by all other types of income-eligible renter households. Looking at all households with less than or equal to 50 percent of median family income, assistance is received by approximately 29 percent of eligible covered households, nearly 30 percent of eligible grandparent-headed households, and around 29 percent of other relative-headed households. Roughly 38 percent of eligible single parent households, 35 percent of eligible elderly households, 42 percent of non-elderly disabled households, and 29 percent of other family households receive housing assistance.

When income categories are defined using local median family incomes, the rates of receipt of assistance are remarkably similar to the numbers in the previous paragraph, which examines the data defined by using national median income. Approximately 30 percent of eligible covered households, nearly 31 percent of eligible grandparent-headed households, and approximately 30 percent of other relative-headed households receive assistance. Roughly 38 percent of eligible single parent households, 36 percent of eligible elderly households, 43 percent of non-elderly disabled households, and 29 percent of family households receive such housing assistance.

Tables 5-1a and 5-1b represent the data concerning assisted housing for renters with incomes less than or equal to 50 percent of median family income for all household types within the study. The income categories within these tables are based on national median family income. Tables 5-3a and 5-3b represent the same information; however, the income categories within these tables are based on local median family incomes.

Implications of Prior Policy

At present, there are no federally mandated admission preferences for assisted housing programs established by the United States Housing Act of 1937. Federal preferences have existed in the past but were discontinued by 1996 for pragmatic reasons. Establishment of admission preferences for LEGACY Act covered households raises precisely the issue that led to elimination of all federal preferences—namely, that many special needs populations can legitimately claim to have serious problems worthy of attention and that providing one group with a preference forces other groups to seek the same privilege to maintain parity. In the past, once one population grouping was given a priority for admission into assisted housing, the balance of the population was automatically disadvantaged with respect to admission. By the time the preferences were eliminated, they had become increasingly onerous and were a major administrative burden for local public housing agencies.

Admission preferences for households covered by the LEGACY Act would raise additional equity and administrative concerns. Should, for instance, covered households be given a priority over single parents, including a parent whose spouse was killed in combat, over disabled veterans, or over other disabled individuals? Furthermore, the number of eligible grandparent-headed households would double if all grandparent-headed households with grandchildren present claimed admission preference by identifying the grandparent as the primary caregiver. These types of questions led to rescission of prior federal admission preferences. HUD strongly supported the rescissions.

Implications of Demonstration Program

Section 203 of the LEGACY Act directs the Secretary to “carry out a demonstration program...to provide assistance for intergenerational dwelling units for intergenerational families in connection with the supporting housing program under section 202 of the Housing Act of 1959 (12 U.S.C. 1701q).” It should be noted that Section 202 and Section 811 projects would not normally be suitable for intergenerational households, because most dwelling units developed under these housing programs have fewer than two bedrooms due to their occupancy restrictions for the elderly or disabled. The predominance of small units under housing Sections 202 and 811 conflicts with Section 202 of the LEGACY Act, which defines a “Qualified Dwelling Unit” for intergenerational families to have “not fewer than 2 separate bedrooms.” Section 811 projects may contain some units with two or more bedrooms, and thereby be suitable for intergenerational families, but occupancy in a Section 811 project would have the additional restriction that at least one adult family member (18 years or older) have a physical disability, developmental disability, or chronic mental illness.

Ongoing new construction under Sections 202 and 811 continues to be in smaller bedroom sizes. To demonstrate the feasibility of using these housing programs to assist intergenerational families, new projects containing two or more bedroom units would have to be developed. Research conducted by the PD&R showed that to achieve greater efficiency, the most effective use of Section 202 is in larger projects. When combined with the effort to leverage private funds and utilize Section 202 funding in mixed-finance projects, this approach could provide opportunities for development of larger size units appropriate for intergenerational families. Beyond a major expansion of the Section 202 program or the establishment of a major new production effort, opportunities for demonstrating the use of these housing programs for intergenerational housing assistance will be limited.

Recommendations

Congress directed that this report include recommendations with respect to “how the major assisted housing programs of the Department of Housing and Urban Development, including the supportive housing for the elderly program under Section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) can be used and, if appropriate, amended or altered, to meet the affordable housing needs of covered families.”

The Department’s major rental housing assistance programs are Section 8 Project-based Rental Assistance, which is governed by contractual relationships with program sponsors; the Section 8 Housing Choice Voucher and other public housing programs managed by units of local government and/or a local public housing authority; the Section 202 Supportive Housing for the Elderly program and the Section 811 Supportive Housing for Persons with Disabilities program, where units are owned by non-profit organizations; and the HOME program, which provides federal block grant funds to state and local governments (participating jurisdictions) to meet locally defined housing needs and priorities.⁶

HUD programs could be altered to serve covered families in the following way: provide additional funding for new program units specifically designated for covered households.

With respect to the Section 202 and 811 programs⁷, use of these programs to serve intergenerational families poses challenges. Among these challenges are the limited availability of two-or-more bedroom units within the existing stock of Sections 202 and 881 housing. Efficiency or one-bedroom units typically available under these two housing programs are disqualified for use for intergenerational families under the LEGACY Act. Ongoing new construction under Sections 202 and 811 continues to be in smaller bedroom sizes. To demonstrate the feasibility of using these housing programs to assist intergenerational families, new projects containing two or more bedroom units would have to be developed.

⁶ Section 202 and 811 can be thought of as a separate category because both programs use capital advances to support development, and both receive annual appropriations for incremental development of new housing units.

⁷ Section 205 of the LEGACY Act specifically directs HUD to address recommendations regarding the major assisted housing programs of HUD, including the supportive housing for the elderly program under Section 202 of the Housing Act of 1959.

In each of the public housing rental programs, the required tenant contribution to rent is usually set at 30 percent of adjusted family income, although there are instances in which minimum rents or maximum rent ceilings apply (e.g., the full market rent for voucher units and the “flat rent” for public housing projects). With the exception of the Section 202 and Section 811 programs, these programs already serve a number of LEGACY Act covered households, as reflected in the information provided throughout this report.

For the HOME and Community Development Block Grant programs, the state and local governments that receive the federal block grant funds have a great deal of flexibility in establishing local priorities and designing local programs to meet local needs. The HOME program can be used for rental housing, first-time homebuyer assistance, homeowner rehabilitation, and tenant-based rental assistance. The CDBG program can be used for a variety of housing-related activities that benefit low-income households or low-income neighborhoods. Before receiving these funds, the State and local governments must develop Consolidated Plans that assess local housing needs and must provide strategic plans and annual action plans for addressing these needs.

Most of the HOME and CDBG housing activity is targeted at somewhat higher income households; i.e., families between 50 percent and 80 percent of area median income, rather than those upon which this report focuses. Retooling these programs to provide deeper subsidy to intergenerational and other households below 50 percent of area median income would reduce the total number of units that can be assisted (assuming level funding), and thereby reduce the effectiveness of these programs in achieving their other goal of overall neighborhood improvement. While this trade-off must be kept in mind, there is nothing in these programs’ statutes or regulations that would prohibit their use to provide greater assistance to intergenerational households in communities where the need is identified as particularly great.

To that end, HUD, in cooperation with the Census Bureau, will consider including counts of the housing needs of intergenerational households in future tabulations of American Community Survey (ACS) data to be used by participating jurisdictions in compiling their Comprehensive Housing Affordability Strategy. This will allow communities with particular needs in this area to accurately identify and address such needs in their Consolidated Plans.

With respect to how the major assisted housing programs of the Department can be used to meet the affordable housing needs of the covered families, we offer the following recommendations:

1. Provide additional Section 8 Housing Choice Vouchers specifically for covered families. This program can be modeled after the Department’s Section 8 tenant-based voucher assistance program and administered by local units of government or a public housing authority. Vouchers are designed to address the greatest part of priority needs because they directly address excessive cost burden.
2. Encourage state and local governments to use their HOME and CDBG program funds to rehabilitate substandard housing or to develop new housing units specifically for covered families. The HOME and CDBG programs are flexible vehicles that allow for local approaches to rehabilitate substandard housing or

develop new housing. Providing adequate funding for these programs is probably one of the most viable ways of addressing the needs of intergenerational households.