



The Location of Worst Case Needs in the Late 1980s

A Report to Congress

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**U.S. Department of Housing and Urban Development
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THE LOCATION OF WORST CASE NEEDS IN THE LATE 1980s

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THE LOCATION OF WORST CASE NEEDS IN THE LATE 1980S

EXECUTIVE SUMMARY

Worst case needs in 44 large metropolitan areas

- * In the late 1980s, some 2.8 million very low-income renter households living in the 44 large metropolitan areas (MAs) surveyed by the American Housing Survey (AHS) between 1987 and 1990 had "worst case" housing needs. The category of "worst case needs," as defined by Congress, refers to unassisted renters with incomes that do not exceed 50 percent of area median income who have priority problems. Priority problems include being displaced, paying more than half of income for rent and utilities, or living in severely substandard housing. Income-eligible families with these severe housing problems should receive preference in admission to public housing and rental assistance programs.
- * The metropolitan sample of the American Housing Survey (AHS-MS) collects information on housing conditions and costs and household characteristics from representative samples of housing units in 44 of the 50 largest metropolitan areas over a four-year period. By providing reliable data on conditions within distinct housing markets, the AHS-MS thus allows more detailed spatial analysis than the national and regional data available from the biennial national AHS.
- * Because they come from sample data, these AHS estimates are subject to sampling and nonsampling error. Moreover, because income is underreported on the AHS, these estimates probably overcount both the number of very low-income renters and the share of these renters who have severe rent burdens. An offsetting bias results from the AHS' omission of homeless families and individuals who would also qualify for preference.
- * Comparison of these metropolitan results with the national data in last year's report to Congress, Priority Housing Problems and "Worst Case" Needs in 1989, implies that worst case needs are more common in these large metropolitan areas than elsewhere in the U.S. Some 44 percent of very low-income renters had worst case problems in these MAs, compared to around 32 percent elsewhere. Thus, while these 44 MAs contained 46 percent of U.S. households and 50 percent of the nation's renters in 1990, they housed some 54 percent of the renters with worst case needs.
- * The 2.8 million renter households with worst case needs represented 44 percent of the 6.3 million very low-income renters in these MAs, and 57 percent of unassisted very low-income renters. (Some 23 percent of very low-income renters in these MAs lived in public or assisted housing.) Another

third of the unassisted renters had less severe housing problems such as crowding, moderate physical problems, or rent burdens between 31 and 50 percent of income. Only 10 percent paid 30 percent or less of their income for adequate and uncrowded housing.

- * Owners with very low incomes were much less likely to have priority housing problems than unassisted very low-income renters. One-fifth of very low-income owners had priority problems, while half had no housing problems. Priority problems were also quite uncommon among the other low-income renters who are eligible for many rental assistance programs. Only 7 percent of renters with incomes between 51 and 80 percent of local median had priority problems, and over two-fifths had no housing problems.
- * The incidence of worst case problems among very low-income renters varied markedly across these 44 housing markets. On average, these MAs mirrored the regional differences observed from 1989 national data, so that very low-income renters in metropolitan areas in the West and Northeast were more likely to have worst case problems than those in the Midwest and South.
- * Yet the incidence of worst case need varied markedly within each region among the metropolitan areas surveyed. Expressed as shares of unassisted very low-income renters, worst case needs ranged in the West from 68 percent in the San Bernardino-Riverside-Ontario area to 43 percent in Portland, and in the Northeast from 68 percent in the New York and Newark-Northern New Jersey MAs to 49 percent in Pittsburgh. Needs varied across Midwestern MAs from 65 percent in Detroit to 41 percent in Cincinnati, and in the South from 64 percent in Miami to 34 percent in Fort Worth.
- * As is true nationally, severe rent burdens were by far the dominant problem facing worst case renters in each of these MAs. Fully 96 percent reported that rent and utility payments exceeded half of their income, whereas only 7 percent lived in severely inadequate housing. Even in the MAs where severe physical problems were most common--New York, Birmingham, and San Francisco--only 13 percent of worst case units were severely inadequate.
- * Confirming and strengthening last year's findings from national data, severe rent burdens were the only housing problem for over three-fourths of the renters with worst case problems in these MAs. These 2.1 million households paid more than half of their income for housing that was both adequate and uncrowded. At least 62 percent of worst case renters had only a severe rent burden in each of the MAs studied; in all but three, over two-thirds had only a severe rent burden.

How worst case needs vary within metropolitan areas

- * Because very low-income renters more often live in cities than in suburbs, central cities in these MAs typically had higher shares of households with worst case needs than did their suburbs. On average, 10 percent of city households had worst case problems compared to 4 percent in the suburbs.
- * Yet among very low-income renters, the probability of having worst case problems varied little by location. Within each MA, eligible city and suburban renters had quite similar rates of worst case need. Across the MAs, worst case renters in the suburbs were consistently more likely than those in cities to have only an excessive rent burden. Even so, in all but seven cities and one suburb over two-thirds of worst case renters had only severe rent burdens.
- * Renters with worst case needs disproportionately lived in the poorest neighborhoods. Zones in which over one-fifth of households were poor housed only 11 percent of all households in these MAs, but they contained one-fourth of the worst case renters as well as 30 percent of those already receiving housing assistance.

Appropriate and cost-effective strategies for reducing worst case needs in different markets

- * In each MA, at least 5 out of 8 households with unmet worst case needs had a severe rent burden as their only housing problem, since they lived in adequate, uncrowded housing. In two-thirds of the areas, more than 8 of 10 worst case households had only a severe rent burden. Tenant-based rental assistance such as Section 8 vouchers or certificates could solve the only housing problem of these households in their current housing directly at less cost than any alternative program.
- * The proportions of worst case households who paid excessive shares of income for housing that was uncrowded but had moderate physical problems ranged from 2 percent to 27 percent in these MAs, but was typically below 10 percent. Tenant-based assistance could often help these families by providing both revenue and incentives for improving housing quality. Light rehabilitation such as that emphasized under HOME or funded through Community Development Block Grants (CDBG) could also raise these homes to the housing quality standards required for tenant-based assistance.
- * Across these MAs, the proportion of worst case households who would need to move to other housing to use tenant-based assistance ranged between 5 and 25 percent. Many whose current housing was crowded or severely inadequate were

families with children, and over two-fifths of those needing other housing required units with 3 or more bedrooms to accommodate their household members.

- * High vacancy rates among affordable units in many of these MAs imply that tenant-based rental assistance could help many of the households needing other housing to find and afford adequate housing. At time of survey, vacancy rates for units with rents below local Fair Market Rents were above 5 percent in all but three of the 44 MAs, and below-FMR vacancy rates exceeded 10 percent in 25 of the MAs.
- * Explicit comparisons of available adequate units against the numbers of worst case households needing other housing within each metropolitan housing market demonstrate that in most of these MAs all worst case needs could be solved through tenant-based assistance and light rehabilitation. Thus, in many of these areas more costly efforts to expand the supply of affordable housing are not necessary to meet worst case needs.
- * Even where increases in the supply of affordable units may be needed to house all worst case households while maintaining normal vacancy rates, the numbers of units needed represent only a small fraction of the total worst case households in those areas -- well below 10 percent in most individual areas, and about 6 percent for the areas as a whole.
- * Nationally, the number of low-income units supplied per year through current and anticipated funding for HOME and the Low Income Housing Tax Credit (LIHTC) could provide the expanded supply needed to eliminate worst case needs in two to three years. Appropriately directing these units to the locations and worst case households who need them will not occur automatically, however, and additional rental subsidies would often be required to make these units affordable to the worst case families that most need them.

How effective are current programs in meeting worst case needs?

- * Section 8 tenant-based assistance solves the housing problems of worst case renters more directly than other programs. Under current income eligibility and preference rules, some 90 percent of households admitted to the voucher program have worst case needs. Households using vouchers are able to afford adequate and uncrowded housing for much less than half of their income.
- * Three other programs that provide housing for low-income Americans -- LIHTC, HOME, and CDBG -- are much less likely to be effective in solving worst case problems. Because these programs give no preference in admission to households

with priority housing problems and have income limits above HUD's very low-income cutoff, fewer than one-fourth of their units solve worst case problems.

- * Although public housing and assisted projects are more likely to aid households with worst case needs than are HOME, LIHTC, or CDBG, as little as 38 to 60 percent of their units must go to those with worst case problems.
- * As an illustration with federal appropriations for FY'93 demonstrates, at any level of funding choices among such different programs will be critical in determining how quickly worst case needs can be reduced within limited resources. For FY '93, Congress appropriated \$7.9 billion for incremental housing assistance and other programs such as HOME and CDBG that could be used for reducing worst case needs. If this \$7.9 billion had been redirected among programs in accordance with the strategy recommended in HUD's 1991 report, it could have assisted over 200,000 worst case households in the coming year, more than three times the reduction in worst case needs of 65,000 likely under the program mix actually approved.

Strategies to reduce worst case needs within limited resources

- * In view of the many households with worst case problems in these MAs and in the nation and the expense per household of every current housing program, reducing worst case needs within today's limited resources will require careful judgment and difficult choices. Although the 44 MAs studied here reveal a wide range of market conditions, their worst case needs and housing inventory generally confirm the importance and relevance of the critical strategy elements recommended by HUD in last year's report.
- * Because renters with worst case problems have much more serious housing needs than any other households, even other very low-income renters, they should continue to receive preference in admission to assistance programs. The preference rule should be strengthened for public and assisted projects, and extended to HOME and LIHTC.
- * Tenant-based certificates or vouchers should form the cornerstone of national and local strategies to reduce worst case needs. Not only is tenant-based assistance less costly per household and much better aimed at worst case renters than any other program, but it also can quickly and directly aid the vast majority of worst case renters across the nation whose only housing problem is an excessive rent burden.
- * Programs such as Family Self-Sufficiency and HOPE should continue to link housing assistance with other programs that train, support, and reward family efforts toward self-

sufficiency. Initiatives such as Moving to Opportunity should be expanded to empower families and their children to move toward jobs, better neighborhoods, and better educational opportunities.

- * The range across housing markets of housing problems and affordable housing supplies documented in this study underscores the potential usefulness of the HOME partnership in reducing worst case needs effectively. Of the major housing programs now available, HOME has the most flexibility for use as needed in different locations, since its funds may be used for rehabilitation, acquisition, short-term tenant-based assistance, or new construction.
- * In more than half of the MAs studied, expanding the supply of affordable units is not needed to reduce worst case needs, and HOME funds could address worst case problems most cost-effectively through rehabilitation and tenant-based assistance.
- * Where vacancy rates are relatively low, housing that can accommodate large families appears hardest to locate with rental assistance. HOME funds for acquisition, construction or substantial rehabilitation should then give priority to such units.
- * Guided by locally-developed Comprehensive Housing Affordability Strategies, decision-makers across the country should use HOME's flexibility to direct funds into the programs and initiatives that can most cost-effectively reduce local worst case needs. To complement these efforts, they should also reduce regulatory and discriminatory barriers to facilitate the provision and maintenance of affordable housing.

THE LOCATION OF WORST CASE NEEDS IN THE LATE 1980S

I. INTRODUCTION

Congressional directives. In legislation passed in 1979 and 1983, Congress directed that priority for admission to assisted housing programs should be given to eligible families who live in substandard housing, pay more than half of their income for housing, or have been involuntarily displaced.¹ Unassisted very low-income renters with these severe housing problems have come to be known as those with "worst case" housing needs. In 1990, the Senate Appropriations Committee directed HUD to "resume the annual compilation of a worst case housing needs survey of the United States." The Committee also:

strongly urge[d] the Department to develop a strategic plan that outlines how the Federal Government, despite limited fiscal resources, can help to eliminate or substantially reduce the number of families and individuals who fall into this worst case needs category.

HUD's 1991 report on worst case needs in the nation. In response to the 1990 report requirement, HUD transmitted Priority Housing Problems and "Worst Case" Needs in 1989² to Congress on June 30, 1991. This report examined the number and characteristics of households with worst case needs in the U.S. and the four Census regions in 1989, and explored changes since 1974 in these problems. Data from the national American Housing Survey (AHS) showed that in 1989 some 5.1 million renter households -- 5 percent of all households and 38 percent of eligible very low-income renters -- had worst case needs. Severe rent burdens were by far the dominant problem, with substandard housing much less common. Unmet priority needs for assistance were more frequent among eligible single individuals and families with children than among elderly households. Although worst case problems had increased markedly between 1974 and 1983, between 1985 and 1989 they decreased in number (from 5.5 to 5.1 million) and as a share of very low-income renters (from 45 percent to 38 percent).

To identify cost-effective means of eliminating or substantially reducing worst case needs, the 1991 report probed into the types of housing problems faced by worst case renters. In 1989, almost three-fourths (72 percent) of renter households with worst case needs lived in adequate, uncrowded housing, with rent burdens exceeding 50 percent of income as their only housing problem. Over the 1974-89 period this share of worst case households with rent burden as their only housing problem steadily increased, while the number and proportion of families living in severely inadequate units dropped notably. As the report noted, tenant-based assistance could solve the only housing problem of these households in their current housing directly and at less cost than any other program.

Among the remaining 28 percent of worst case renters, the 1991 report found that nine percent paid more than half of their income but lived in uncrowded units needing light rehabilitation, while 19 percent needed other housing because their current housing was too small for their families or severely inadequate. High levels and rates of vacancies among units with rents below local Fair Market Rents (FMRs) in the four regions implied that tenant-based assistance could help many of these households find adequate, affordable housing. Housing affordable with rental assistance appeared least likely to be vacant and available for the largest families.

As requested by Congress, the report then identified critical elements of a strategic plan to reduce worst case needs within limited resources and recommended ways in which these elements could be implemented by Congress and by state and local governments. The critical elements highlighted were:

- * Continued preference in assistance for worst case families
- * Reliance on tenant-based vouchers and certificates to serve the most families possible within budgetary constraints
- * Empowering families through Family Self-Sufficiency and the HOPE program
- * Using HOME program funds cost-effectively to meet worst case needs
- * Directing HOME funds for acquisition, construction, or substantial rehabilitation toward the types of units in shortest supply in local markets, such as those for large families or single-room occupancy units
- * Reducing regulatory and discriminatory barriers to facilitate providing and maintaining affordable housing.

Consistent with these recommendations, HUD has since proposed both specific legislation to better target HOME funds at worst case needs and increased appropriation levels for vouchers. However, Congressional actions in the Housing and Community Development Act of 1992 and the HUD Appropriation Act for Fiscal 1993 were largely incompatible with the strategic plan's recommendations. Instead, the new housing legislation is likely to slow progress in reducing worst case needs.

This report: worst case needs in 44 large metropolitan areas. Because the national AHS is conducted biennially and the 1991 data are not yet released, the 1989 data are still the most recent available for national estimates.³ This second annual report on worst case housing needs therefore focusses on the

geographic distribution of worst case needs in more detail. Taking advantage of the more reliable and spatially detailed data available for the 44 large metropolitan areas surveyed by the American Housing Survey-Metropolitan Sample (AHS-MS) over a 4-year cycle between 1987 and 1990, it expands on the limited data by region and type of metropolitan location reported last year to probe into the location and characteristics of households with worst case problems among and within these 44 areas.

As the 1991 report documented, both the incidence of worst case needs and the availability of affordable housing vary markedly by location. In 1989, very low-income renters living in the West and Northeast regions were appreciably more likely to have worst case problems than those in the Midwest and South, and over the 1974 to 1989 period, worst case needs grew much more quickly in the West than in other regions. Worst case needs also became more concentrated in metropolitan areas over this 15-year period. In 1989, worst case needs were higher within metropolitan areas than outside them in every region.

As Congress observed in 1990 report language, national housing goals must be achieved "within the unavoidable context of different local markets." States and local jurisdictions have new responsibilities under the National Affordable Housing Act of 1990 (NAHA) for developing and implementing comprehensive local housing affordability strategies, as well as new flexibility and resources to implement these strategies through the HOME Investment Partnerships. Efforts to reduce worst case needs must ultimately work in local housing markets if they are to succeed. Thus, it is appropriate and desirable to reexamine the critical elements of HUD's proposed strategy to reduce worst case need against data from specific metropolitan areas, and evaluate their relevance in these 44 major housing markets, which house half of the nation's renters.

Section II of this report introduces the subject of worst case needs within these 44 metropolitan areas by examining the housing conditions and priority problems of all their low-income owners and renters during the most recent cycle of surveys. It then focuses directly on "worst case" priority problems among unassisted very low-income renters by examining differences across these 44 housing markets in the incidence of worst case problems and in the types of housing problems experienced by different household types. Section III highlights differences in worst case needs within each of these housing markets, first distinguishing central cities from suburbs and then examining how needs vary in poorer or richer neighborhoods.

To evaluate whether the elements of the strategic plan recommended in HUD's 1991 report are relevant across the range of housing problems and housing inventory characterizing these different housing markets, Section IV focusses on the types of

housing assistance programs that could provide worst case renters adequate and affordable housing most cost-effectively. As found nationally, in each of these areas and metropolitan subareas, tenant-based rental assistance could help over five-eighths of worst case renters afford their current adequate and uncrowded housing and thus solve their worst case problems, while some 10 percent of worst case renters live in units that probably need light rehabilitation as well as rental supplements.

Relative needs for expanding the supply of affordable housing to solve the remaining worst case problems of those who need other housing because their current units are severely inadequate or overcrowded are then estimated for each of these markets. Comparisons between the numbers of worst case households needing different units and the stock of available housing with rents below local Fair Market Rents demonstrate that in more than half of these markets all worst case households who need other units could find suitable existing housing if they were provided tenant-based assistance. Thus, in most areas, efforts to expand supply are not necessary to solve worst case problems. Markets needing additional supply are concentrated in California and New York, but even in the tightest markets 90 percent of worst case problems could be met by tenant-based assistance and rehabilitation.

To estimate how effectively major programs provide the types of assistance needed by worst case renters, Section V reviews the major federal programs now available for addressing worst case needs. Tenant-based rental assistance, public housing and privately owned projects, the Low Income Housing Tax Credit, HOME, and Community Development Block Grants are compared in terms of the number of worst case problems they solve, their cost, and their flexibility in providing the types of assistance needed across different markets. Using FY 1993 national appropriations, Section VI then illustrates how choices among programs within fixed resource levels can sharply affect the number of worst case households assisted annually.

Section VII summarizes the implications of the report's results for implementing strategies to reduce worst case needs within limited resources in different markets. It first reevaluates the critical elements presented in HUD's 1991 strategic plan to reduce worst case needs in light of the more detailed information on priority needs and housing inventory developed here for specific housing markets. It concludes with recommendations for federal, state, and local decisions and strategies to reduce worst case needs.

II. HOUSING PROBLEMS AND WORST CASE NEEDS AMONG VERY LOW-INCOME RENTERS IN 44 LARGE METROPOLITAN AREAS IN THE LATE 1980s

Since 1949, the national housing goal has been "a decent home and a suitable living environment for every American family." The housing problems traditionally considered in measuring progress toward this goal include physical inadequacies, overcrowding, and cost burden. In this study, inadequate units are those with severe or moderate physical problems as classified in AHS publications; overcrowding is defined as having more than one person per room; and families with housing and utility payments greater than 30 percent of reported income are considered cost-burdened. Table 1 defines the major terms and measures used in this report.⁴

Data for the metropolitan areas surveyed by the AHS-MS over the most recent 4-year cycle, 1987 to 1990, confirm evidence from the 1989 national AHS in showing that worst case needs are disproportionately located in the nation's largest metropolitan areas (MAs). According to 1990 Census data, the 44 large MAs covered by the AHS-MS contained some 46 percent of U.S. households and 50 percent of the nation's renters. Although comparisons with the 1989 national AHS totals are inexact because these areas were surveyed over a span of 4 different years, in the late 1980s they housed some 48 percent of all very low-income renters, but 54 percent of the nation's very low-income renters with unmet worst case problems.

The 44 MAs surveyed by the AHS-MS were originally selected to represent as many renters as possible, while also varying in location and housing market conditions.⁵ They include almost all of the nation's 50 largest MAs, ranging in size at the time of survey from New York's 4.3 million households to Salt Lake City's 344,000 households. Renters are most prevalent (57 percent) in the New York-Nassau-Suffolk metropolitan area, and least common (28 percent) in Detroit and Philadelphia.⁶ On average, Western MAs had the most renters and Midwestern areas the fewest.

Housing problems among renters and owners by income

As was true nationally, in these 44 MAs housing problems occurred most frequently and were most severe among households with very low incomes (0-50 percent of local median).⁷ Within each income group, problems were consistently more widespread among renters than owners. Table 2 classifies low-income renters and owners into the "very low" and "other low" income categories common in HUD rental programs, lists the traditional three housing problems of cost burden, physical problems, and crowding, and also identifies the severe cost burdens and physical problems that receive priority. Because housing problems overlap, the table also shows the proportion of households with two or three

TABLE 1 - DEFINITIONS AND MEASURES

Household and family type

Family - In terms of eligibility for most HUD programs, "families" have included all households with relatives present, households with children, elderly single persons aged 62 or more, and single persons living alone or with nonrelatives who are disabled or handicapped. In this report, the term "family" refers to households with relatives present, while single persons who are disabled or handicapped are grouped with "nonfamily" households.

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

Nonfamily households - Single nonelderly persons living alone or in households with no relatives present. Because the AHS does not regularly measure disabled or handicapped status, they are grouped with other "nonfamily" households.

Income

Income - Income in the AHS is based on the respondent's reply to questions on income for the 12 months prior to interview. It is the sum of amounts reported for wage and salary income, net self-employment income, Social Security or railroad retirement income, public assistance or welfare payments, and all other money income, prior to deductions for taxes or any other purpose. Comparison with independent estimates of income suggest that income is underreported on the AHS.

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

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

Housing Problems

Overcrowding - More than one person per room.

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

(Table 1, continued)

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

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

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

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

Income Categories

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

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

Poor - with household incomes adjusted for household size below the official poverty cutoffs for the U.S. Nationally, the poverty cutoff for a family of 4 approximates 36 percent of

(Table 1, continued)

median family income for a family of this size. Approximately three-fifths of "very low-income" households are poor.

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

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

Housing Assistance status

Receiving assistance - Those responding yes to the following AHS questions: Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household's income to someone every year so they can set the rent?

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

Location

Metropolitan Statistical Area - Since 1984, metropolitan location in the American Housing Survey refers to the Metropolitan Statistical Areas (MSAs) defined in 1983 based on results of the 1980 Census. However, as documented in the published volumes, the boundaries of the 44 metropolitan areas for which individual surveys are taken in the AHS-MS do not always correspond to official boundaries of Metropolitan Statistical Areas. Therefore the areas studied here are generically referred to as metropolitan areas (MAs).

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

TABLE 2
HOUSING PROBLEMS, BY TENURE AND INCOME * AS % OF LOCAL MEDIAN
IN 44 METROPOLITAN AREAS AND THE NATION

	44 Metropolitan Areas, 1987-90		U.S., 1989	
	Very low (<50%)	Other low (51-80%)	Very low (<50%)	Other low (51-80%)
RENTERS (000)	6,285	3,447	13,150	6,860
Rent burden 50%+	49%	5%	41%	2%
Rent burden 30-50%	30%	38%	29%	33%
Inadequate	15%	10%	17%	11%
Crowded	9%	6%	8%	5%
Multiple problems	17%	5%	16%	4%
None of listed	8%	43%	12%	48%
Assisted	23%	7%	26%	7%
Priority problems**	44%	7%	38%	6%
OWNERS (000s)	2,455	3,228	7,310	8,500
Cost burden 50%+***	21%	3%	19%	2%
Cost burden 30-50%***	22%	10%	16%	7%
Inadequate	9%	5%	14%	9%
Crowded	3%	3%	3%	3%
Multiple problems	4%	1%	6%	1%
None of listed	50%	81%	54%	82%
Priority Problems**	22%	3%	23%	5%

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

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

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

SOURCE: Tabulations of the American Housing Survey.

of the problems of inadequacy, crowding, or cost burden, and those with none of them. Also, because priority for admission to assistance -- and priority problems -- both by definition refer to unassisted households, those receiving assistance are separately identified.

- * In these metropolitan areas as in the nation, housing problems in general are concentrated among very low-income renters, and the severe "priority" problems that qualify for preference in admission to assistance programs are even more heavily concentrated among them. In the 44 MAs, 44 percent of very low-income renters had priority problems, compared to 23 percent of very low-income owners. Priority problems were quite infrequent among other low-income renters and owners.
- * In these MAs, only 8 percent of very low-income renters had no housing problems at all in the late 1980s. Having no housing problems was much more common in the other groups, characterizing 43 percent of other low-income renters, 50 percent of very low-income owners, and 81 percent of other low-income owners.
- * Half of very low-income renters paid over half of their income for housing, and 17 percent reported multiple problems. Only one-fifth of very low-income owners, and one-twentieth of other low-income renters, had such severe housing cost burdens.

To compare conditions in these areas in the late 1980s to those in the nation, the table provides equivalent information for all U.S. low-income renters and owners in 1989. (The national data come from Table 2 of the 1991 report.) The comparison is inexact because the 44 MAs were surveyed over four different years.⁸ It implies, however, that very low-income renters in these MAs resembled those elsewhere in the nation, although severe rent burdens were somewhat more common and severe physical problems less common in these MAs.

- * Severe rent burdens were more prevalent in these 44 large metropolitan areas than nationally among both renters and owners in both low-income categories. The disparity between these MAs and the nation was particularly large among very low-income renters.
- * Low and very low-income renters were more likely to be crowded in these MAs than elsewhere in the U.S., whereas owners had equally low rates of crowding in both locations.
- * Inadequate housing was less common in these metropolitan areas than in the nation among all four income-tenure groups, with the difference particularly great for owners.

- * Very low-income renters were less likely to receive housing assistance in these areas than in the nation (23 percent vs. 26 percent).
- * Because fewer very low-income renters received housing assistance in these largest metropolitan areas whereas appreciably more had severe rent burdens, the incidence of "worst case" priority problems was higher in them (44 percent vs. 38 percent nationally). To the extent to which homeless persons disproportionately live in the largest MAs as well, the true difference may be wider.
- * Unlike renters, owners were less likely to have priority problems in these MAs than in the nation generally. This occurred because owners were less likely to have inadequate housing in these MAs than elsewhere.

Differences across housing markets in renters with "worst case" priorities for admission to rental assistance programs

Overall, very low-income renters in these large MAs were more likely to have worst case problems than income-eligible renters elsewhere in the nation. Nevertheless, as Table 3 details, the incidence of worst case needs among very low-income renters varied greatly across these MAs, from 29 percent in Fort Worth to 61 percent in Anaheim. The Table ranks the MAs, within region, by the number of renter households with very low incomes (below 50 percent of local median family income).

Consistent with the regional averages derived from national data, priority needs for assistance were generally lower in Southern MAs and higher in Western MAs than in the Midwest and Northeast. Nevertheless, these large MAs demonstrate that there is substantial variation within regions as well. Each region has at least one MA in which over half of eligible renters have worst case needs, but also one or more MAs with rates below the 1989 overall national average of 38 percent. Figure 1 maps the areas surveyed, distinguishing the 13 areas with rates below 38 percent and the 13 with rates above 46 percent from the remainder. Half of the highest 13 were in the West, all but Phoenix in California. In the West, very low-income renters are most likely to have worst case problems in California MAs, as might be expected from population growth and higher housing prices and rents there. High rates of need in Miami could also reflect recent immigration. In the Northeast and Midwest, by contrast, the proportions of income-eligible renters meeting federal preferences for assistance appear to be highest in slower-growth MAs with relatively distressed central cities.

- * The incidence of worst case problems among very low-income renters was consistently high in California MAs: 61 percent in Anaheim and 57 percent in San Bernardino and San Diego,

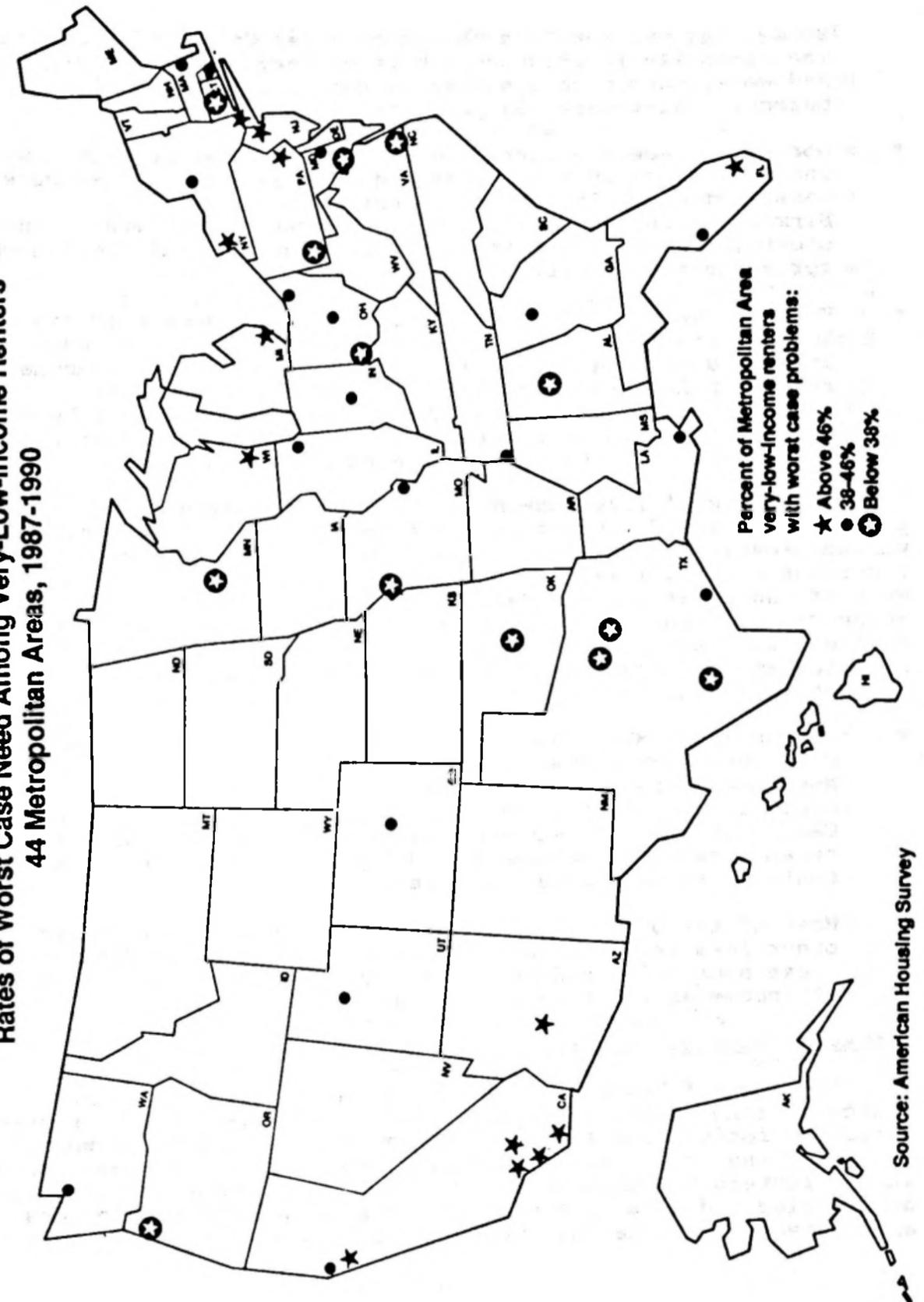
TABLE 3

HOUSING PROBLEMS OF VERY-LOW-INCOME RENTERS
IN 44 LARGE METROPOLITAN AREAS, 1987-90

	Households (000s)	Priority Problems	Other Problems	No Problems	Assisted
New York	803	47%	17%	4%	32%
Boston	256	38%	17%	7%	38%
Newark	255	50%	18%	5%	27%
Philadelphia	184	47%	22%	6%	25%
Pittsburgh	119	35%	20%	16%	29%
Buffalo	69	48%	23%	9%	20%
Rochester	53	43%	20%	15%	22%
Providence	50	40%	17%	9%	33%
Hartford	48	36%	18%	12%	35%
NORTHEAST		45%	18%	7%	30%
Chicago	442	45%	27%	7%	21%
Detroit	203	53%	20%	8%	18%
Saint Louis	119	39%	26%	14%	20%
Minneapolis	118	35%	22%	9%	34%
Cleveland	107	41%	22%	9%	28%
Milwaukee	93	49%	23%	6%	23%
Cincinnati	84	31%	27%	17%	25%
Kansas City	71	31%	28%	15%	26%
Columbus	67	41%	26%	9%	24%
Indianapolis	63	39%	30%	11%	20%
MIDWEST		43%	25%	9%	23%
Houston	228	38%	38%	16%	8%
Washington	189	32%	28%	13%	27%
Miami	177	52%	23%	6%	19%
Dallas	136	37%	34%	12%	17%
Baltimore	114	44%	21%	6%	28%
Atlanta	103	42%	23%	4%	30%
New Orleans	92	42%	29%	9%	20%
Tampa-St. Petersburg	77	41%	24%	10%	26%
San Antonio	73	33%	35%	7%	25%
Newport News	60	37%	17%	7%	39%
Fort Worth	57	29%	43%	12%	15%
Oklahoma City	57	36%	35%	15%	15%
Memphis	51	38%	27%	7%	28%
Birmingham	42	31%	24%	10%	35%
SOUTH		39%	29%	10%	22%
Los Angeles	557	49%	28%	5%	18%
San Francisco	250	46%	31%	6%	16%
Seattle	123	38%	30%	11%	21%
San Bernardino-R-O	113	57%	20%	8%	15%
Denver	107	38%	28%	14%	20%
San Diego	107	57%	22%	7%	15%
Phoenix	95	48%	28%	9%	15%
Anaheim	94	61%	28%	3%	8%
Portland	79	34%	34%	11%	20%
San Jose	56	48%	25%	7%	20%
Salt Lake City	45	38%	30%	14%	18%
WEST		48%	28%	7%	17%

SOURCE: Tabulations of the American Housing Survey, MS files

Figure 1
Rates of Worst Case Need Among Very-Low-Income Renters
44 Metropolitan Areas, 1987-1990



as well as near half in the three other California markets. The other MAs in which over half of very low-income renters had worst case problems were Detroit (53 percent), Miami (52 percent) and Newark (50 percent).

- * Worst case needs occurred least frequently among very low-income renters in MAs in the Midwest and South. They were least common in Fort Worth, Cincinnati, Kansas City, Birmingham and Washington, D.C. In these MAs, fewer than one-third of very low-income renters met federal preferences for admission to assisted housing.
- * Very few very low-income renters who were unassisted had "no housing problems" in any of these MAs. In Anaheim, New York, and Atlanta fewer than 5 percent of very low-income renters paid less than 30 percent of their income for adequate and uncrowded housing. Renters were most likely to have no problems in Cincinnati, Houston, and Pittsburgh, but even there only one of six were so fortunate.

The share of very low-income renters who already live in public or assisted housing or otherwise receive rental assistance varied greatly across these areas. In Anaheim and Houston, only 8 percent of very low-income renters received housing assistance. Many of the other Western MAs had fewer than one in six assisted, which was also the case in Fort Worth and Oklahoma City. In four of the Northeastern MAs, by contrast, as well as in Birmingham and Minneapolis, over one-third of income-eligible renters received assistance.

- * Across these MAs, the percent receiving assistance was negatively correlated with worst case needs, even though some MAs, like New York and Atlanta, had high rates of both need and assistance. Thus high rates of worst case needs in California may be related to low levels of assistance there: because fewer households could improve their housing, more continue to have worst case needs.
- * Most of the other unassisted very low-income renters had other less severe housing problems. Almost four-fifths of these households had moderate rent burdens of 31-50 percent of income as their only problem.

How worst case needs vary by household type

In terms of household type, these MAs quite consistently mirror national differentials: "nonfamily" households of single unrelated individuals typically had much higher rates of worst case need and lower levels of assistance than elderly very low-income renters.⁹ Families with children most often fell between nonfamilies and elderly households in both worst case problems and degree of assistance. They were less likely to have worst

case problems than nonfamilies, but more likely than the elderly. However, when differences in degree of current assistance are controlled by focussing on worst case needs among the unassisted (Table 4), in one-third of these MAs, elderly households were more likely to have worst case problems than other household types. To highlight the extent of variation in worst case needs among unassisted renters within regions, the table lists MAs in each region in order of the proportion of all eligible very low-income renters with worst case problems.

- * In these MSAs, almost three out of five unassisted very low-income renters (57 percent) had worst case problems compared to half nationwide. In New York, Newark, San Bernardino, Anaheim, San Diego, and Detroit, two-thirds of eligible very low-income renters had unmet worst case problems.
- * Outside the South, in almost all of these large MAs at least half of unassisted very low-income renters had unmet worst case problems.
- * Rates of worst case need were highest among elderly very low-income renters in 14 MAs, seven of them in the South. Yet the relative needs of the elderly varied greatly across these markets. In another 14 MAs, most of them in the North, the elderly had the lowest rates of unmet problems.
- * Like the elderly, nonfamily households had the highest rates of worst case need in 14 MAs, but only in 4 MAs were their rates the lowest of the three household types.
- * Families with children were the household least likely to have worst case needs in these MAs, registering the lowest rates in 20 of the 44 MAs. In only 8 MAs were they the household type most likely to need assistance, although in two areas -- New York and Detroit -- three-fourths of unassisted families with children had worst case problems.

The types of housing problems facing worst case renters

The strategic plan presented in HUD's 1991 report recommended primary reliance on tenant-based assistance because such rental supplements could directly help worst case renters whose only housing problem was excessive rent burden. These renters, by definition, pay more than half of their incomes for adequate units that have enough bedrooms to meet HUD's occupancy standards for their families.¹⁰ Nationally, almost three-quarters of worst case renters fell into this category in 1989. Table 5 focusses on the types of housing problems facing worst case renters in these MAs.

TABLE 4

UNASSISTED VERY LOW-INCOME RENTERS WITH WORST CASE PROBLEMS
BY HOUSEHOLD TYPE, 44 METROPOLITAN AREAS, 1987-90

	All very low-income renters	Elderly	Families with children	Other households
New York	68%	63%	76%	63%
Newark	68%	68%	67%	71%
Philadelphia	62%	66%	55%	67%
Boston	62%	55%	56%	76%
Providence	60%	52%	68%	61%
Buffalo	60%	53%	66%	62%
Rochester	55%	57%	52%	57%
Hartford	55%	52%	55%	57%
Pittsburgh	49%	45%	56%	46%
NORTHEAST	64%	61%	67%	64%
Detroit	65%	55%	74%	59%
Milwaukee	63%	68%	65%	56%
Cleveland	57%	49%	65%	55%
Chicago	57%	61%	55%	55%
Columbus	54%	43%	55%	58%
Minneapolis	53%	59%	53%	50%
Indianapolis	49%	49%	46%	53%
Saint Louis	49%	49%	53%	44%
Kansas City	41%	53%	40%	36%
Cincinnati	41%	34%	39%	47%
MIDWEST	55%	55%	57%	53%
Miami	64%	64%	62%	68%
Baltimore	62%	68%	59%	59%
Newport News	61%	60%	61%	62%
Atlanta	60%	67%	57%	60%
Tampa-St. Petersburg	55%	69%	41%	58%
Memphis	53%	46%	55%	56%
New Orleans	53%	56%	48%	57%
Birmingham	47%	47%	47%	47%
Dallas	45%	63%	37%	49%
Washington	44%	60%	30%	48%
San Antonio	44%	48%	39%	47%
Oklahoma City	42%	29%	47%	42%
Houston	42%	56%	37%	43%
Fort Worth	34%	39%	32%	35%
SOUTH	50%	59%	45%	51%
San Bernardino-R-O	68%	59%	69%	69%
Anaheim	67%	69%	64%	70%
San Diego	67%	71%	62%	69%
Los Angeles	60%	61%	55%	69%
San Jose	60%	65%	57%	62%
Phoenix	57%	62%	47%	65%
San Francisco	55%	54%	54%	56%
Seattle	48%	42%	48%	51%
Denver	47%	60%	41%	48%
Salt Lake City	47%	55%	46%	45%
Portland	43%	45%	40%	44%
WEST	58%	59%	55%	61%

SOURCE: Tabulations of the American Housing Survey, MS sample

TABLE 5

TYPES OF HOUSING PROBLEMS AMONG WORST CASE RENTERS
IN 44 METROPOLITAN AREAS, 1987-90

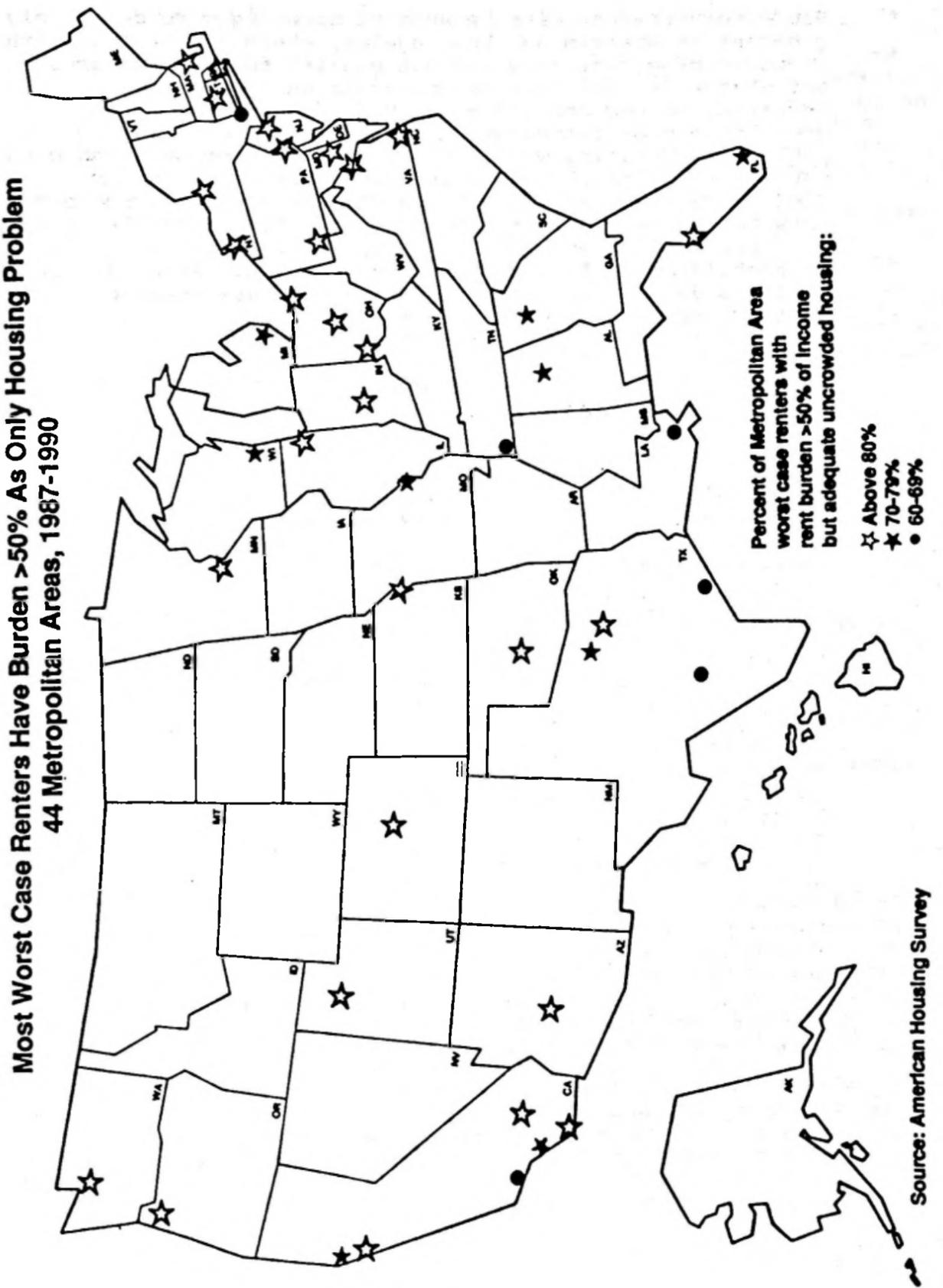
	Worst case as % of unassisted renters	Percent of metro area worst case with: Rent burden only	Burden & mod.inad, uncrowded	Severe inad.+	Other: burden & crowded+
New York	68%	67%	11%	14%	8%
Newark	68%	80%	10%	5%	6%
Philadelphia	62%	80%	10%	6%	4%
Boston	62%	86%	4%	5%	4%
Providence	60%	89%	5%	5%	1%
Buffalo	60%	91%	5%	3%	0%
Rochester	55%	80%	8%	11%	1%
Hartford	55%	84%	4%	8%	3%
Pittsburgh	49%	82%	4%	13%	0%
NORTHEAST	64%	76%	9%	10%	6%
Detroit	65%	79%	12%	6%	2%
Milwaukee	63%	78%	8%	11%	3%
Cleveland	57%	84%	9%	5%	2%
Chicago	57%	81%	7%	6%	6%
Columbus	54%	80%	13%	4%	3%
Minneapolis	53%	86%	8%	5%	2%
Indianapolis	49%	81%	6%	9%	4%
Saint Louis	49%	77%	6%	9%	7%
Kansas City	41%	82%	8%	7%	3%
Cincinnati	41%	82%	7%	5%	6%
MIDWEST	55%	81%	9%	7%	4%
Miami	64%	77%	8%	3%	12%
Baltimore	62%	82%	10%	5%	3%
Newport News	61%	81%	8%	5%	6%
Atlanta	60%	76%	14%	8%	2%
Tampa-St. Petersburg	55%	86%	8%	2%	3%
Memphis	53%	67%	12%	11%	10%
New Orleans	53%	65%	27%	2%	5%
Birmingham	47%	73%	12%	13%	2%
Dallas	45%	83%	7%	3%	7%
Washington	44%	84%	6%	8%	1%
San Antonio	44%	67%	20%	5%	7%
Oklahoma City	42%	82%	9%	4%	4%
Houston	42%	64%	24%	5%	8%
Fort Worth	34%	75%	16%	1%	8%
SOUTH	50%	76%	13%	5%	6%
San Bernardino-R-O	68%	82%	3%	3%	12%
Anaheim	67%	72%	6%	3%	19%
San Diego	67%	82%	5%	5%	8%
Los Angeles	60%	68%	6%	7%	19%
San Jose	60%	85%	6%	3%	6%
Phoenix	57%	87%	6%	1%	6%
San Francisco	55%	74%	4%	13%	8%
Seattle	48%	88%	4%	3%	5%
Denver	47%	90%	4%	3%	3%
Salt Lake City	47%	87%	2%	2%	9%
Portland	43%	83%	5%	8%	4%
WEST	58%	77%	5%	6%	12%

MAs ranked by % of unassisted very low-income renters with worst case problems

SOURCE: Tabulations of the American Housing Survey MS sample

- * Severe rent burden was far more common than severe inadequacy among worst case renters in each of these large MAS. On average, only 7 percent of worst case renters in these MAS had severely inadequate units, a rate half the national average of 12 percent reported in the 1989 AHS. Fully 96 percent reported rent burdens above 50 percent of income. (This percentage is not shown separately in the table; it includes all households in each category except "Severely inadequate plus," and also some in the severely inadequate category who also have a high rent burden.)
- * As was found nationally, in most of these MAS more than three-fourths of worst case renters had a severe rent burden as their only housing problem. In the Northeast and Midwest, four-fifths or more had only a rent burden in all but three MAS. As Figure 2 details, more than four-fifths of worst case renters had only excessive rent burdens in six Southern MAS and eight Western MAS as well. As found nationally, in almost all of these MAS elderly households were the type most likely to experience only a rent burden.
- * Multiple problems among worst case renters were highest in New Orleans (because of both crowding and physical problems). They were also relatively high because of crowding in MAS with recent immigration such as San Antonio, Houston, and Los Angeles. But even in these MAS, fully two-thirds of worst case renters had only rent burdens.
- * Rehabilitation would most often be useful in New Orleans, Houston, and San Antonio, where over one-fifth of units occupied by worst case renters had moderate physical problems in addition to rents exceeding 50 percent of income. Because units in this category were not crowded, after upgrading they could be made affordable to their occupants through rental assistance. New York, Detroit, Columbus, Atlanta, Memphis, Birmingham, and Fort Worth were the only other MAS in which more than 10 percent of units occupied by worst case renters had moderate physical problems that could be corrected by rehabilitation.
- * The share of worst case renters living in severely inadequate units that presumably could not be rehabbed economically was typically quite low. The incidence of severe physical problems was highest in New York (14 percent), and Pittsburgh, Birmingham, and San Francisco had 13 percent. Memphis, Milwaukee, and Rochester were the only other MAS with rates of severe inadequacy above 10 percent. In 26 of the 44 MAS, 5 percent or fewer of units occupied by worst case households were severely inadequate. In Fort Worth and Phoenix, only 1 percent of units were inadequate.

Figure 2
Most Worst Case Renters Have Burden >50% As Only Housing Problem
44 Metropolitan Areas, 1987-1990



- * Needs for other housing because of crowding were definitely greatest in Anaheim and Los Angeles, where almost one-fifth of worst case renters would not qualify for tenant-based assistance in their current adequate units because of insufficient bedrooms. In San Bernardino, Miami, and Memphis, one of ten worst case renters had crowding problems. Crowding was otherwise quite uncommon among worst case renters, particularly in most Northeastern and Midwestern MAs. In 22 of these MAs, fewer than 5 percent of worst case families were crowded; in Buffalo and Pittsburgh, none reported crowding. Across the MAs, worst case families with children would most often need to find larger housing units to use tenant-based assistance because their current unit was crowded as well as costly.

III. HOW WORST CASE NEEDS VARY WITHIN METROPOLITAN AREAS

Although strategies to reduce worst case needs should take account of conditions in the entire metropolitan housing market, decisions about program mix and available funding will most often be made by local jurisdictions. In these 44 MAs, despite some notable exceptions, central cities on average contain less than one-third of metropolitan households. Because suburbs typically are more prosperous and have higher ownership rates, cities furthermore house disproportionate shares of the area's very low-income renters. Despite higher rates of assistance to those renters, cities therefore often have relatively more households with worst case problems than do their suburbs.

- * In these MAs, on average, over one-fourth of city households were very low-income renters, compared to only 11 percent of suburban households.
- * 10 percent of city households had worst case problems compared to 4 percent of suburban households.
- * City-suburban disparities tended to be widest in Northeastern MAs and least in the West.

Differences between central cities and suburbs

As Table 6 documents, despite their quite different population composition, cities and their suburbs in these 44 MAs typically had quite similar proportions of unassisted very low-income renters experiencing worst case problems. The character of these problems varied somewhat more systematically, however, with suburban worst case households more often having only an excessive rent burden. Yet in all but seven cities and one suburb, over two-thirds of worst case renters had a severe rent burden as their only housing problem.

Worst case needs in poorer and richer neighborhoods

Since 1984, the AHS-MA files have identified "zones" of at least 100,000 population within the 44 MAs to allow analysis of submetropolitan housing markets. These zones have been grouped into three categories that vary with poverty rates and income, and the middle category has been further distinguished as city or suburb.¹¹ The poorest zones -- those with household poverty rates above 20 percent -- have the oldest, most densely developed, smallest and lowest quality housing, as well as relatively high levels of crime and other bothersome problems. Except for East St. Louis and Camden, the poorest zones are all located in central cities.¹² These poorest zones also had high shares of households with children, many of them with female heads.

TABLE 6

WORST CASE PROBLEMS IN CITIES AND SUBURBS OF
44 METROPOLITAN AREAS BY REGION, 1987-90

	Pct. of MA households in central city	City		Suburbs	
		Worst case as % of unassisted renters	Rent burden only as % of worst case	Worst case as % of unassisted renters	Rent burden only as % of worst case
New York	68%	68%	66%	75%	78%
Philadelphia	34%	58%	76%	68%	83%
Providence	32%	62%	85%	58%	93%
Buffalo	30%	59%	88%	60%	96%
Rochester	24%	56%	72%	54%	90%
Pittsburgh	17%	57%	80%	46%	84%
Boston	15%	70%	81%	60%	88%
Hartford	14%	60%	74%	52%	93%
Newark	5%	73%	76%	68%	81%
NORTHEAST	37%	65%	70%	63%	84%
Indianapolis	64%	53%	83%	36%	71%
Milwaukee	46%	64%	76%	61%	84%
Columbus	45%	60%	79%	42%	84%
Chicago	40%	54%	77%	63%	89%
Kansas City	29%	40%	78%	42%	85%
Cleveland	28%	58%	82%	56%	87%
Cincinnati	26%	45%	84%	37%	79%
Detroit	24%	67%	74%	63%	86%
Saint Louis	19%	42%	73%	55%	80%
Minneapolis	17%	57%	75%	51%	93%
MIDWEST	33%	56%	77%	55%	86%
San Antonio	64%	43%	63%	46%	80%
Memphis	59%	52%	69%	57%	62%
Houston	51%	44%	56%	38%	80%
Oklahoma City	49%	39%	79%	45%	86%
New Orleans	41%	57%	55%	47%	85%
Dallas	41%	41%	77%	50%	89%
Fort Worth	34%	37%	64%	32%	83%
Baltimore	33%	59%	79%	66%	89%
Birmingham	30%	48%	77%	46%	69%
Newport News	18%	56%	85%	63%	79%
Washington	17%	43%	84%	45%	85%
Atlanta	17%	53%	70%	64%	79%
Tampa-St. Petersburg	14%	54%	85%	55%	87%
Miami	10%	58%	68%	67%	80%
SOUTH	30%	48%	69%	52%	82%
San Diego	48%	64%	82%	70%	82%
San Jose	47%	60%	84%	60%	86%
Los Angeles	40%	60%	69%	60%	68%
Phoenix	39%	53%	84%	60%	89%
Denver	28%	46%	88%	49%	92%
Seattle	27%	53%	85%	46%	91%
Portland	27%	50%	77%	38%	88%
San Francisco	22%	60%	65%	52%	79%
Salt Lake City	19%	47%	83%	46%	90%
Anaheim	10%	55%	57%	69%	74%
San Bernardino-	10%	85%	83%	66%	82%
WEST	30%	58%	74%	57%	78%

SOURCE: Tabulations of the American Housing Survey

As Table 7 illustrates, in these 44 MAs the poorer zones contain disproportionate shares both of very low-income renters and of renters who already receive housing assistance. Upper-income zones, by contrast, which are most often found in suburbs, house 22 percent of metropolitan households and 18 percent of renters, but only 11 percent of those with worst case problems. This disparity obviously occurs because very low-income renters are less likely to live in these more expensive areas.

* Although the poor zones house only 11 percent of metropolitan households and 17 percent of metropolitan renters, they accommodate 25 percent of very low-income renters and 30 percent of those receiving housing assistance. Despite the high rates of assistance and the presence of cheaper, older housing, they also contain one-fourth of the worst case households with priority for assistance.

* For unassisted very low-income renters, the likelihood of having unmet worst case problems varies little by zone type. As the top panel of the table shows, eligible renters are somewhat more likely to have worst case needs in the poorest zones and the upper-income zones than in the zones of intermediate status. The share of renters who already receive assistance varies more dramatically, from 21 percent in poor zones to only 7 percent in the upper-income zones.

* Reflecting greater crowding and more physical problems in the poorer zones, the likelihood among worst case renters of having only an excessive rent burden varies somewhat across zone type. Nevertheless, even in the poorer neighborhoods, 62 percent of those with worst case problems apparently live in adequate, uncrowded housing. Outside these poorest zones, four out of five worst case renters have only excessive rent burdens.

Table 8 shows how these zones varied across the MAs that had any poor zones. One-third of the MAs, including all of the Western MAs other than Los Angeles, had no "poor" zones at all. Another 10 had less than 10 percent of their households in poor zones. In some of the poorer MAs, however, more than one-fourth of households lived in zones with poverty rates above 20 percent, ranging up to 30 percent in New Orleans and Birmingham.¹³

* In several large Northern MAs in particular, worst case problems appear to be closely intertwined with inner-city poverty concentrations. In Buffalo, New York, Detroit, Milwaukee, Chicago, and Cleveland, one fifth or more of the metropolitan area's households lived in poor zones, and more than 15 percent of the households in these zones had worst case problems.

TABLE 7
RENTERS AND WORST CASE PROBLEMS
BY LOCATION AND INCOME OF ZONE, 44 MSAs, 1987-1990

TYPE OF ZONE	Households (000s)	Pct. renters	Pct. of renters:		Worst case as pct. of unassisted very low- income renters	Burden only as % of worst case
			Assisted	Very low income		
POOR*	4,655	61%	21%	59%	61%	62%
OTHER CITY	8,718	51%	12%	39%	57%	78%
OTHER SUBURB	20,089	34%	9%	34%	58%	82%
UPPER-INCOME*	9,613	32%	7%	22%	63%	86%

Pct. distribution among zone types:

Households (000s)	Renters	Assisted renters	Very low -income renters	Worst case	Worst case, burden only	
						Very low -income renters
POOR	11%	17%	30%	25%	24%	20%
OTHER CITY	20%	26%	27%	27%	27%	27%
OTHER SUBURB	47%	39%	31%	36%	37%	40%
UPPER-INCOME	22%	18%	11%	11%	12%	13%
All 44 MSAs	100%	100%	100%	100%	100%	100%

*POOR zones have household poverty rates greater than or equal to 20 percent.
In UPPER-INCOME zones, more than half of the households have income that is
above 120 percent of local median family income, adjusted for family size.

SOURCE: Tabulations of 1987-90 AHS MS data.

TABLE 8
WORST CASE NEEDS IN 30 METROPOLITAN AREAS
WITH POOR ZONES, 1987-1990

	Percent of Area households in:				Percent of Zone households having worst case needs in:			
	Poor Zones	Other City	Other Suburb	Upper- Income	Poor Zones	Other City	Other Suburb	Upper- Income
NORTHEAST								
Newark	4%	2%	59%	35%	9%	20%	8%	2%
Buffalo	30	0	70	0	15	0	4	0
Philadelphia	11	25	32	32	12	6	4	2
New York	20	34	5	40	19	8	3	4
Providence	10	21	68	0	5	11	3	0
Boston	2	13	66	19	17	11	6	2
Pittsburgh	11	13	60	16	9	7	4	2
MIDWEST								
Detroit	24%	0%	57%	19%	16%	0%	4%	2%
Milwaukee	21	25	54	0	22	7	4	0
Chicago	19	19	40	22	17	8	5	2
Columbus	16	29	40	15	16	5	3	2
Cleveland	23	6	65	7	16	5	3	0
Saint Louis	21	6	58	15	12	4	3	3
Indianapolis	16	48	36	0	14	4	3	0
Kansas City	5	24	29	41	11	3	4	3
Cincinnati	6	8	51	35	18	6	3	5
SOUTH								
Miami	7%	3%	84%	5%	22%	12%	6%	9%
Baltimore	13	20	31	36	17	8	4	2
New Orleans	32	9	59	0	14	13	5	0
Atlanta	8	9	59	24	8	6	5	1
Tampa-St.Pete	7	7	86	0	5	7	3	0
Memphis	19	40	41	0	13	4	3	0
Houston	15	36	49	0	14	7	5	0
Dallas	7	20	29	43	8	7	5	4
Oklahoma City	11	38	51	0	8	5	5	0
San Antonio	25	17	19	39	6	6	4	5
Washington	2	21	45	32	12	7	3	3
Birmingham	50	18	9	23	4	6	2	3
Forth Worth	7	27	43	22	5	4	3	3
WEST								
Los Angeles	15%	34%	30%	21%	12%	12%	8%	5%

IV. DEVISING APPROPRIATE AND COST-EFFECTIVE STRATEGIES FOR REDUCING WORST CASE NEEDS IN DIFFERENT MARKETS

To develop strategies that will reduce the number of households experiencing worst case problems as quickly as possible within limited financial resources, decision-makers must identify programs that can help quickly and efficiently under local market conditions. This report's analysis of housing problems among 54 percent of the nation's worst case renters across a variety of metropolitan areas has shown, like the national and regional data reported last year, that in each of these large MAs tenant-based assistance could solve the only housing problem of over 60 percent of worst case renters in their current housing. For these 44 metropolitan housing markets, AHS data on vacancies permit specific examination of the availability of vacant affordable housing for worst case renters who may need other housing. Direct comparison of demand and supply of units of different size also provides a basis for estimating the relative importance for reducing worst case needs of the oft-cited need to expand supplies of affordable housing.

Which types of assistance do worst case renters need?

In all but three of these MAs and their central cities, over two-thirds of worst case problems could be solved by tenant-based rental assistance to renters in their current housing because rent burden was their only housing problem. Among household types, the elderly are most likely to have only an excessive rent burden. Because the elderly also often rank their neighborhoods and homes favorably, they could most often be helped by tenant-based assistance, either by itself or in combination with home-based services for the frail elderly. Both programs would solve problems of rent burden while allowing the elderly to remain in their current homes.

As Table 5 demonstrated, in each MA some worst case renters have housing that would need light rehabilitation or repairs to meet the Housing Quality Standards required for use of tenant-based assistance. In all but 5 of the MAs, fewer than one of eight worst case families faced this situation. Tenant-based assistance could supply landlords with the revenue and incentives needed to improve housing quality to the necessary level, or HOME or CDBG funds could be used for light rehab.

Only 7 percent of worst case households live in severely inadequate housing in these MAs and another 7 percent pay more than half of their income for adequate but crowded housing. These households may need more than tenant-based assistance to achieve adequate housing they can afford. Although the majority of families with children and young single individuals who have

worst case problems have only a rent burden, they live in housing that is crowded or severely inadequate more often than do the elderly.

- * The families with children who need other housing because of crowding or inadequate housing in addition to excessive rent burden often need units with three or more bedrooms to meet HUD's occupancy standards for their families.
- * Nonfamily households are the group most likely to live in severely inadequate units. They most often need one-bedroom or SRO units.

The MAs studied here thus vary not only in proportions of worst case renters needing other housing to use tenant-based assistance, but also in the size of units those households would need and in vacancy and adequacy rates among units that could be rented with tenant-based assistance.

The availability of units that could be rented with tenant-based assistance

If tenant-based assistance were available, both vacancy rates and numbers of available units imply that most of the worst case renters who could not use tenant-based assistance in their current housing could find other housing of appropriate size in these 44 specific markets. Table 9 presents information on vacancies in the 44 areas. The table first shows for each area the share of all rental units (including both vacant and occupied units) that rent for less than the local Fair Market Rents for units of their size. Nationally, almost two-thirds of rental units have rents below the local FMRs, which typically represent the maximum rent that HUD will subsidize for tenant-based assistance.¹⁴

- * In some MAs, notably Salt Lake City, New Orleans, Oklahoma City, and Boston, over three-fourths of all rental units (both occupied and vacant) had rents below the local FMRs.
- * In only eight MAs did as little as 44 to 49 percent of the rental stock have below-FMR rents.

The table next shows overall vacancy rates for each MA. Vacancy rates typically ranged well above the 5 percent usually considered sufficient. New York and San Jose were the only MAs in which the overall vacancy rate was as low as 5 percent. In more than half of the MAs, rental vacancy rates exceeded 10 percent. Vacancy rates were particularly high in Southern MAs and in Western MAs outside California.

As reported last year, national and regional data revealed that vacancy rates had risen steadily during the 1980s among

TABLE 9

VACANCY RATES OF ALL* RENTAL UNITS, AND OF UNITS
WITH RENTS BELOW FAIR MARKET RENTS BY SIZE,
IN 44 METROPOLITAN AREAS, 1987-90, BY REGION

Year	Below FMR as % of all rental	Rental Vacancy Rates				
		All Units	With rents < FMR by bedrooms			
			Total	0-1	2	3+
1989 Philadelphia	54%	13%	16%	19%	12%	9%
1990 Pittsburgh	69%	12%	13%	17%	12%	4%
1988 Providence	50%	10%	7%	7%	9%	5%
1988 Buffalo	72%	9%	7%	8%	8%	6%
1987 Hartford	65%	8%	8%	9%	8%	8%
1990 Rochester	54%	8%	9%	8%	12%	7%
1989 Boston	78%	8%	6%	4%	8%	3%
1987 Newark	53%	6%	6%	5%	9%	2%
1987 New York	59%	5%	5%	6%	4%	2%
NORTHEAST	61%	7%	7%	8%	7%	5%
1990 Kansas City	56%	15%	18%	21%	21%	12%
1989 Minneapolis	56%	13%	14%	17%	14%	6%
1987 Saint Louis	59%	12%	12%	13%	12%	8%
1987 Chicago	71%	11%	12%	16%	11%	4%
1988 Indianapolis	45%	11%	13%	14%	15%	6%
1990 Cincinnati	51%	11%	11%	11%	13%	7%
1989 Detroit	69%	11%	12%	18%	8%	10%
1988 Cleveland	63%	10%	9%	10%	10%	7%
1987 Columbus	60%	9%	10%	9%	11%	10%
1988 Milwaukee	58%	6%	6%	7%	5%	6%
MIDWEST	63%	11%	12%	15%	11%	7%
1987 Houston	60%	24%	27%	30%	28%	14%
1989 Dallas	43%	21%	28%	32%	26%	17%
1990 New Orleans	81%	21%	22%	31%	18%	12%
1988 Oklahoma City	80%	19%	20%	18%	23%	16%
1989 Fort Worth	50%	18%	25%	26%	26%	21%
1990 San Antonio	63%	18%	20%	22%	22%	13%
1989 Tampa-St. Petersburg	50%	18%	20%	22%	23%	9%
1987 Atlanta	47%	16%	19%	18%	23%	13%
1990 Miami	47%	15%	17%	19%	17%	10%
1988 Birmingham	66%	13%	13%	17%	13%	9%
1988 Memphis	54%	13%	16%	14%	18%	15%
1988 Newport News	44%	13%	16%	18%	20%	7%
1989 Washington	52%	10%	11%	12%	10%	9%
1987 Baltimore	67%	8%	7%	10%	8%	3%
SOUTH	55%	17%	19%	22%	20%	11%
1989 Phoenix	77%	20%	21%	25%	22%	7%
1988 Salt Lake City	81%	15%	15%	20%	16%	7%
1990 Denver	64%	13%	17%	21%	17%	8%
1990 San Bernardino-R-O	46%	9%	10%	11%	10%	6%
1990 Anaheim	46%	9%	8%	10%	8%	7%
1987 San Diego	55%	9%	9%	10%	9%	3%
1989 San Francisco	78%	8%	8%	9%	9%	3%
1989 Los Angeles	64%	8%	6%	6%	6%	4%
1987 Seattle	62%	8%	9%	9%	11%	7%
1990 Portland	60%	7%	5%	9%	4%	5%
1988 San Jose	47%	5%	4%	4%	4%	3%
WEST	63%	9%	9%	10%	10%	5%

*Units with no cash rent are excluded

SOURCE: Tabulations of the American Housing Survey, MS files

units with rents below the local FMRs. The final columns of the table record vacancy rates for all below-FMR units in these MAs and also distinguish vacancies by number of bedrooms.¹⁵ Even among below-FMR units, vacancy rates exceeded 5 percent for all units and for units with two bedrooms or less in almost all of these MAs. As observed nationally and regionally, large units were least often vacant and available for rent. But even for units with three or more bedrooms, only 11 of the 44 MAs had vacancy rates below 6 percent.

* Vacancy rates among units with rents below local FMRs were very similar to vacancy rates for all units in each of these MAs, and in Midwestern and Southern MAs they were slightly higher on average. In only three MAs, San Jose, Portland, and New York, were below-FMR vacancy rates 5 percent or less.

* Among below-FMR units with 0-1 bedrooms, Boston and San Jose were the only MAs with vacancy rates below 5 percent. By contrast, 30 MAs registered vacancy rates of 10 percent or higher, including all of those in the South and seven MAs in the Midwest. Nine MAs had vacancy rates above 20 percent.

* New York, Milwaukee, Portland, and San Jose were the only MAs with vacancy rates below 5 percent for 2-bedroom units with below-FMR rents. Twenty-nine MAs had vacancy rates of 10 percent or greater for units of this size.

* Below-FMR units with three or more bedrooms were in shortest supply in New York (2 percent); Newark, Baltimore, San Diego, San Francisco, and San Jose (each 3 percent); and Providence, Chicago, and Los Angeles (4 percent). All of the other MAs had rates of 5 percent or more, and in 13 MAs vacancy rates for large units with below-FMR rents were 10 percent or greater.

How important for solving worst case problems is expanding the supply of affordable housing?

As Congress stated in authorizing HOME, it is commonly thought that "expand[ing] the supply of rental housing that is affordable to very low-income and low-income families"¹⁶ is essential in order to solve severe housing problems. To estimate the relative importance to reducing worst case needs of efforts to expand the supply in comparison to additional tenant-based assistance, this section explicitly compares the number of units needed by worst case families in each of these 44 housing markets against the MA's supply of adequate housing units with rents below the FMR or below 110 percent of FMR.¹⁷ In each MA the number of worst case households who would need to move to other housing to use tenant-based assistance because their current housing is crowded or severely inadequate was compared to the

stock of vacant units of appropriate size that were not severely inadequate. Both households and vacant units were categorized by the number of bedrooms needed: 0-1, 2, and 3 or more. Adequate units vacated by crowded worst case households assigned to larger housing were assumed to be available for smaller worst case movers.

The results of this simulation imply that half of the MAs could solve worst case needs through tenant-based assistance and light rehab alone, without any efforts to expand the supply of affordable housing being needed. In the MAs where some supply efforts appear warranted, they are minor in relation to the need for tenant-based assistance. Needs for expanded supply are concentrated in New York and in California, and are greatest among large units.

* As Table 10 illustrates, without expanding supply at all, half of the 44 MAs could house all worst case families needing to move in adequate below-FMR units, while maintaining vacancy rates of 4 percent in each MA in below-FMR units of each size.

* Across these 44 MAs, some 165,000 units would be needed under this scenario. This is about 6 percent of all worst case needs for additional units in these areas. New York and Los Angeles together account for over half of this total. Chicago would be the only other MA needing as many as 10,000 units.

* Needs for additional supply are greatest in Western MAs, but even there they represent only 10 percent of all worst case needs. MAs in the South and Midwest rarely need additional supply.

* When additional units are needed, they are almost always large units. Only in Northeastern MAs are small units apparently needed.

The simulation results reported in Table 10 obviously would vary with different assumptions. Table 11 indicates how the total number of additional units needed, expressed as percents of all households with worst case need aggregated across these 44 MAs, might vary with different vacancy rates for units with rents below FMRs or below 110 percent of FMR. The numbers range from 94,000 to 203,000, or from about 3 percent to about 7 percent of all worst case needs for units. Even if vacancy rates were to be as high as 6 percent among below-FMR units in each MA, the existing stock could house fully 90 percent of all households with worst case needs in these MAs.

The results of the simulation further suggest that the MAs with greater needs for rehabilitation of worst case housing tend

TABLE 10
WORST CASE RENTERS BY TYPE OF PROBLEM, AND UNITS NEEDED
TO HOUSE THOSE NEEDING OTHER HOUSING AT A 4 % VACANCY RATE

	Worst case (000s)	Burden only	Need rehab	Need to move	Additional units needed to house movers, with vacancy rate of 4% for <FMR units (as percent of worst case)				All (000s)
					0-1 BR	2 BR	3+ BR	All	
New York	375	67%	11%	22%	3%	4%	7%	13%	48
Rochester	23	80%	8%	11%	4%	0%	0%	4%	1
Newark	127	80%	10%	10%	2%	0%	4%	6%	7
Boston	98	86%	4%	9%	3%	0%	0%	3%	3
Providence	20	89%	5%	6%	0%	0%	2%	2%	0
Buffalo	33	91%	5%	4%	0%	0%	0%	0%	0
Pittsburgh	41	82%	4%	14%	0%	0%	0%	0%	0
Hartford	17	84%	4%	11%	0%	0%	0%	0%	0
Philadelphia	87	80%	10%	10%	0%	0%	0%	0%	0
NORTHEAST	821								60
Milwaukee	45	78%	8%	14%	6%	0%	3%	8%	4
Saint Louis	47	77%	6%	16%	0%	0%	6%	6%	3
Cincinnati	26	82%	7%	12%	0%	0%	4%	4%	1
Indianapolis	25	81%	6%	13%	0%	0%	2%	2%	0
Chicago	199	81%	7%	12%	0%	0%	5%	5%	10
Cleveland	44	84%	9%	7%	0%	0%	0%	0%	0
Minneapolis	41	86%	8%	7%	0%	0%	0%	0%	0
Columbus	28	80%	13%	7%	0%	0%	0%	0%	0
Kansas City	22	82%	8%	10%	0%	0%	0%	0%	0
Detroit	109	79%	12%	8%	0%	0%	0%	0%	0
MIDWEST	586								18
Newport News	22	81%	8%	11%	0%	0%	3%	3%	1
Baltimore	50	82%	10%	8%	0%	0%	3%	3%	2
Miami	92	77%	8%	15%	0%	0%	6%	6%	6
Houston	87	64%	24%	12%	0%	0%	1%	1%	1
Memphis	20	67%	12%	21%	0%	0%	1%	1%	0
San Antonio	24	67%	20%	12%	0%	0%	0%	0%	0
Tampa-St. Pete	32	86%	8%	5%	0%	0%	0%	0%	0
Atlanta	43	76%	14%	10%	0%	0%	0%	0%	0
Fort Worth	17	75%	16%	10%	0%	0%	0%	0%	0
Washington	61	84%	6%	9%	0%	0%	0%	0%	0
Dallas	51	83%	7%	10%	0%	0%	0%	0%	0
Oklahoma City	20	82%	9%	8%	0%	0%	0%	0%	0
New Orleans	39	65%	27%	8%	0%	0%	0%	0%	0
Birmingham	13	73%	12%	15%	0%	0%	0%	0%	0
SOUTH	570								9
San Bernardino-	65	82%	3%	15%	0%	0%	10%	10%	6
Anaheim	57	72%	6%	22%	0%	0%	16%	16%	9
San Jose	27	85%	6%	10%	3%	0%	5%	8%	2
Portland	27	83%	5%	13%	0%	2%	1%	4%	1
San Diego	60	82%	5%	13%	0%	0%	7%	7%	4
Los Angeles	276	68%	6%	26%	0%	0%	16%	16%	44
Salt Lake City	17	87%	2%	11%	0%	0%	4%	4%	1
San Francisco	115	74%	4%	22%	0%	0%	8%	8%	9
Phoenix	46	87%	6%	7%	0%	0%	4%	4%	2
Seattle	47	88%	4%	8%	0%	0%	1%	1%	1
Denver	41	90%	4%	6%	0%	0%	0%	0%	0
WEST	777								78
ALL AREAS	2,755								165

SOURCE: American Housing Survey MS, 1987-90

TABLE 11

ESTIMATES OF ADDITIONAL UNITS NEEDED TO HOUSE ALL
WORST CASE HOUSEHOLDS NEEDING OTHER HOUSING IN 44 AREAS,
BY ALTERNATE VACANCY RATES AMONG UNITS WITH RENTS
BELOW FMR OR BELOW 110% OF FMR*

	Units needed (000s)	As percent of worst case in all 44 MAs	Percent of units needing 3+ bedrooms
Vacancy rate among units with rents below FMR in each MA is at least: 4%	165	6.0%	80%
5%	203	7.4%	72%
Vacancy rate among units with rents below 110% FMR in each MA is at least: 4%	94	3.4%	65%
5%	136	4.9%	58%

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*Vacancy rates set at required level for units in each of three sizes:
0-1 bedrooms, 2 bedrooms, and 3+ bedrooms.

SOURCE: Tabulations of the American Housing Survey

to be those that do not need to expand supply; indeed many of these MAs appear to have excess supply. New Orleans, for example, in which 27 percent of the worst case units have moderate physical problems, had a below-FMR rental vacancy rate of 22 percent, and excess units were available after all worst case families were allocated to the size of unit they need. Similarly, in Houston and San Antonio, where 24 percent and 20 percent of worst case units needed rehabilitation, one-fifth of below-FMR units were vacant. This pattern implies that some or all of the households shown in the table as needing rehab may well be able to find other units with tenant-based assistance. In particular, in the scenarios summarized in Table 11, there was seldom need for additional supply in any of the nine MAs in which more than 11 percent of worst case units had moderate physical problems.

To place these estimated needs for expanded supply in context, the numbers of additional units needed to house worst case renters in these 44 MAs can be compared to the number of units likely to be supplied per year through the LIHTC and HOME. The LIHTC is allocated to the states in proportion to their population. If it is allocated within states on the same basis, then about 46 percent of all LIHTC units would be located in these MAs, or 55,000 units per year. (The assumption that only 46 percent of all LIHTC units are located in these MAs may be conservative, since the MAs house 50 percent of all renters and 54 percent of worst case renters.) These comparisons indicate that the LIHTC could produce all the expansion of supply needed to add 165,000 units in these MAs within three years; indeed, since the MA data refer to the years 1987-1990, the LIHTC may well have already produced "enough" units.¹⁸

Moreover, starting in FY 1992, HOME funds have also been available for increasing supplies of affordable housing, and they are allocated to states and principal jurisdictions according to needs for increased supplies of affordable housing.¹⁹

As Section VI discusses, however, neither LIHTC or HOME are well targeted at worst case households. The number of units supplied by LIHTC and HOME appears sufficient for meeting the needs of worst case households for other housing over several years, but the units provided through these programs do not have to serve worst case households and the income limits for HOME and the LIHTC are above 50 percent of median. In terms of numbers alone, these programs should provide an increase in the stock of units available to address worst case needs. However, under current law and allocation formulas it is far less clear that units provided by LIHTC and HOME will be well directed to the worst case households that most need them in the locations in which affordable housing is in short supply.

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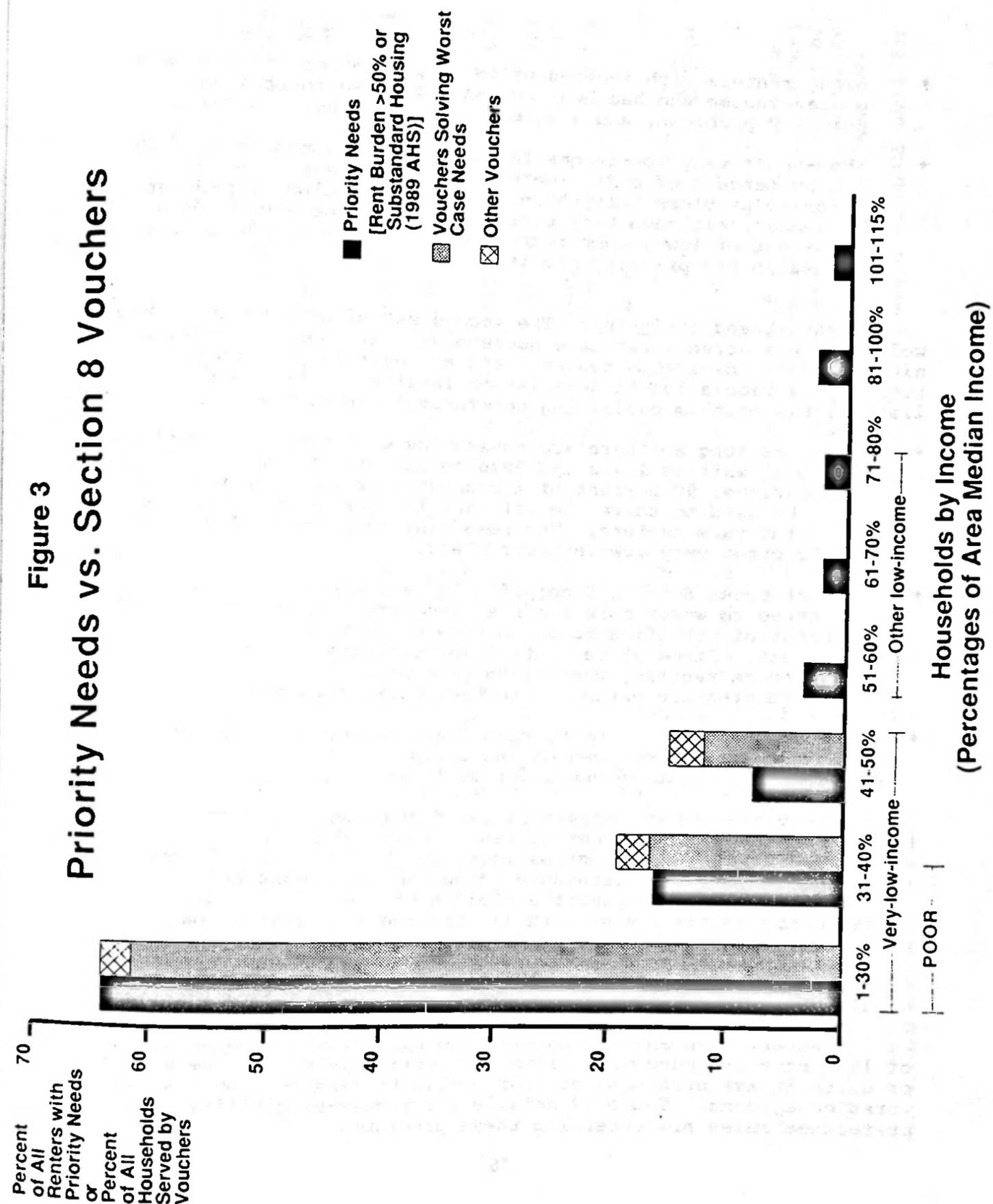
VI. DEVISING APPROPRIATE STRATEGIES: HOW EFFECTIVE ARE AVAILABLE PROGRAMS IN SOLVING WORST CASE PROBLEMS?

When designing strategies and choosing among programs to reduce worst case needs cost-effectively, both local and national decision-makers should consider not only the types of worst case problems facing renters, but also the unit costs of programs and their relative accuracy in targeting worst case problems. Under current income eligibility and preference rules, Section 8 vouchers solve the housing problems of worst case renters more directly and effectively than other programs. An estimated 90 percent of the households admitted to the voucher program have worst case needs, and households using vouchers then pay appreciably less than half of their income for adequate and uncrowded housing. As detailed below, no other federal housing assistance program approaches Section 8 tenant-based assistance in the proportion of worst case problems solved.

The shares of worst case needs met by different programs are estimated here by contrasting incomes of renters with priority needs against the income distributions of likely program participants. Several programs -- Section 8 tenant-based assistance, public housing, and assisted projects -- have two statutory requirements for determining which households receive assistance: the income level of the household, and whether or not it has a priority housing problem. These are applied independently: a certain percentage of households must have very low incomes (regardless of whether they have priority problems), and a certain percentage should receive preference for admission because they have priority problems, regardless of income. For these programs the proportion of assisted households with worst case needs is estimated as the product of the two percentages: if 80 percent of households admitted to a program must have very low incomes and 70 percent should have priority problems, then the estimated share of worst case households (having both very low incomes and priority problems) is 56 percent. Because LIHTC, HOME, and CDBG are not governed by preference rules that specify the proportion of units that must go to renters with priority problems, estimates of their assistance to households with worst case needs assume that within each income category shown in Figure 3 households with priority problems participate in proportion to their share of unassisted households with any housing problems.²⁰

Figure 3 illustrates the concentration of "priority" needs for rental assistance among the very poorest renters and the effectiveness of vouchers in aiding those with worst case needs.

* In 1989, at least three-fourths of worst case renters had incomes that fell below 30 percent of the area median family income (and this share would be higher if the homeless could be included in the figure).



* Among renters with incomes below 30 percent of their area's median income who had housing, almost three-fourths had priority problems, and another fifth had other problems.

* "Non-poor" very low-income families with incomes between 31 and 50 percent of median were much less likely to have priority problems than those with incomes below 30 percent of median, although they often had other problems.²¹ Only 6 percent of low-income renters with incomes 51-80 percent of median had priority problems.

Tenant-based assistance. The second set of bars portrays how well vouchers serve worst case households. All vouchers must be given to very low-income renters, and at least 90 percent are required by regulation to go first to families on PHA waiting lists with a problem qualifying for federal preference.

* Thus, as long as there are households with priority problems on local waiting lists and PHAs comply with these regulations, 90 percent of incremental or turnover vouchers will be used to solve the affordability or adequacy problems of worst case renters. The remaining 10 percent of vouchers go to other very low-income renters.

* Tenant-based Section 8 certificates are almost as well targeted to worst case needs as vouchers. Like vouchers, 90 percent of certificates go to households with priority problems. Since 95 percent of certificates must go to very low-income renters, overall 86 percent of tenant-based certificates are estimated to meet worst case needs.

* Funds appropriated for Section 8 assistance are allocated among HUD field offices on the basis of a formula intended to reflect relative needs for such assistance.²²

Public housing and privately owned assisted projects. During the 1980s, the number of rental households receiving assistance through HUD programs increased by over one million. Although tenant-based assistance accounted for almost half of this increase, in 1989 almost 3 million of the 4.2 million assisted households lived in public housing or privately owned projects. Prior to NAHA, over 70 percent of households admitted to public housing or privately owned projects -- either newly constructed units or units becoming available through turnover -- should have been families with worst case needs.

However, NAHA and the Housing and Community Development Act of 1992 both included provisions that seriously eroded the shares of units in assisted projects and public housing that must serve worst case needs. Table 12 details the income-eligibility and preference rules now governing these programs.

TABLE 12

TARGETING RENTAL ASSISTANCE BY INCOME AND/OR HOUSING PROBLEMS
COMPARING MAJOR PROGRAMS

	REQUIRED TARGETING BY RELATIVE INCOME:	REQUIRED PREFERENCES FOR SEVERE PROBLEMS	PERCENT OF ADMISSIONS WORST CASE*
TENANT-BASED VOUCHERS OR CERTIFICATES	All to very-low-income 95% to very low-income	90% meet statutory preferences	90% 86%
ASSISTED PROJECTS Available after 1981	All below 80% of median, 85% below 50% of median	70% meet preferences	60%
Available before 1981	75% below 50% of median	70% meet preferences	52%
PUBLIC HOUSING Available after 1981	All below 80% of median, 85% below 50% of median	50% meet preferences	42%
Available before 1981	75% below 50% of median	50% meet preferences	38%
LOW INCOME HOUSING TAX CREDIT	All below 60% of median	No requirement for statutory preferences	13-25%
HOME Investment Partnerships	Rental: 90% below 60% of median All below 80% of median	No requirement for statutory preferences	
	Homeowner: All below 80% of median		12-20%**

*Those with "worst case" needs are renters with incomes below 50% of area median and one of the "priority problems" given preference by Congress: excessive rent burden or substandard housing. For programs with no preference for housing problems, estimates of the percent of units serving worst case families assume that these families are served in proportion to their share of unassisted households with any housing problems within each income group.

** Proportion of units aiding worst case households depends on share of HOME used for ownership programs.

- * Only 70 percent of those admitted to privately owned projects should meet the preference rule while 75 to 85 percent must have very low incomes. Thus, even if all waiting lists for privately owned projects have worst case renters, only little more than half of these units must serve worst case needs.
- * Because only half of public housing admittees should now be admitted in accordance with the preference rule, as little as 38 percent of available public housing units could be used to reduce worst case needs.

The Low Income Housing Tax Credit (LIHTC). LIHTC funds may be used for new construction, substantial rehabilitation, or acquisition of rental units. To receive the credit, LIHTC units must be occupied by renters with income below 60 percent of the area median income, and in some instances LIHTC units successfully house the very poor. However, because of the design of the LIHTC, households in LIHTC units that receive no other rental subsidy will tend to have incomes near the 60 percent cutoff rather than the much lower incomes characteristic of renters with worst case needs.

- * LIHTC tenants that do not receive additional subsidy have incomes that cluster near or above 50 percent of median because LIHTC gross rents may range as high as 30 percent of 60 percent of median income, and they do average near this ceiling.²³ Yet the poorest renters with incomes below 30 percent of income cannot afford such high rents unless they pay more than half of their income for housing (and thus still have a worst case problem). Thus, LIHTC units are typically not affordable to poor renters unless these renters receive subsidies in addition to the LIHTC.²⁴

LIHTC units that require separate rental subsidies to be affordable do not increase the number of families assisted, and households with priority needs do not receive preference in admission to LIHTC units. For these reasons, relatively few worst case households are likely to be served by LIHTC units in the absence of additional subsidy. This estimate is based on evidence about the income of residents of free-standing units²⁵ compared to AHS evidence about the unassisted renters with any housing problems who have worst case problems.²⁶

- * With such income distributions and no preferences for priority needs, fewer than 25 percent of LIHTC units are likely to serve worst case renters. If no renters with incomes below 40 percent decided to pay the high rents probable in freestanding LIHTC units, the worst case share could drop to 13 percent.

- * Authority for the use of LIHTC credits is allocated among states based on population. Because Section IV's comparisons of demand and supply imply that needs for expanded supply are so geographically concentrated, the share of LIHTC units that aid worst case households in locations needing expanded supply is likely to be even less.

HOME Investment Partnerships. All HOME funds must be invested for units occupied by families with incomes below 80 percent of the area median, and not less than 90 percent of rental units must go to families with incomes below 60 percent of the area median. Although Title II calls for "primary attention to rental housing," the split of HOME funds between rental and homeownership assistance is not specified. Except for tenant-based rental assistance, HOME targeting is not governed at all by the preference rule.²⁷

Gross rents that qualify as "affordable" under HOME resemble those of LIHTC units, but can be somewhat higher: they may range from 30 percent of 50 percent of median income to 30 percent of 65 percent of median income.

- * Because of their similarity in rent levels, the 90 percent of HOME renters with income below 60 percent of median are assumed to have an income distribution similar to that observed among LIHTC renters. Based on first year results for HOME, some 30 percent of the households served by HOME funds are owners.
- * With these assumptions and no preferences for priority problems, approximately 16 percent of HOME units would serve renters with worst case needs. If only 20 percent -- rather than 30 percent -- of HOME beneficiaries were owners, that worst case share could rise to 20 percent, whereas it would fall to 12 percent if owners represented 40 percent of households assisted by HOME.
- * The actual success of HOME funds in solving worst case needs will depend critically on state and local decisions about Comprehensive Housing Affordability Strategies and their implementation.

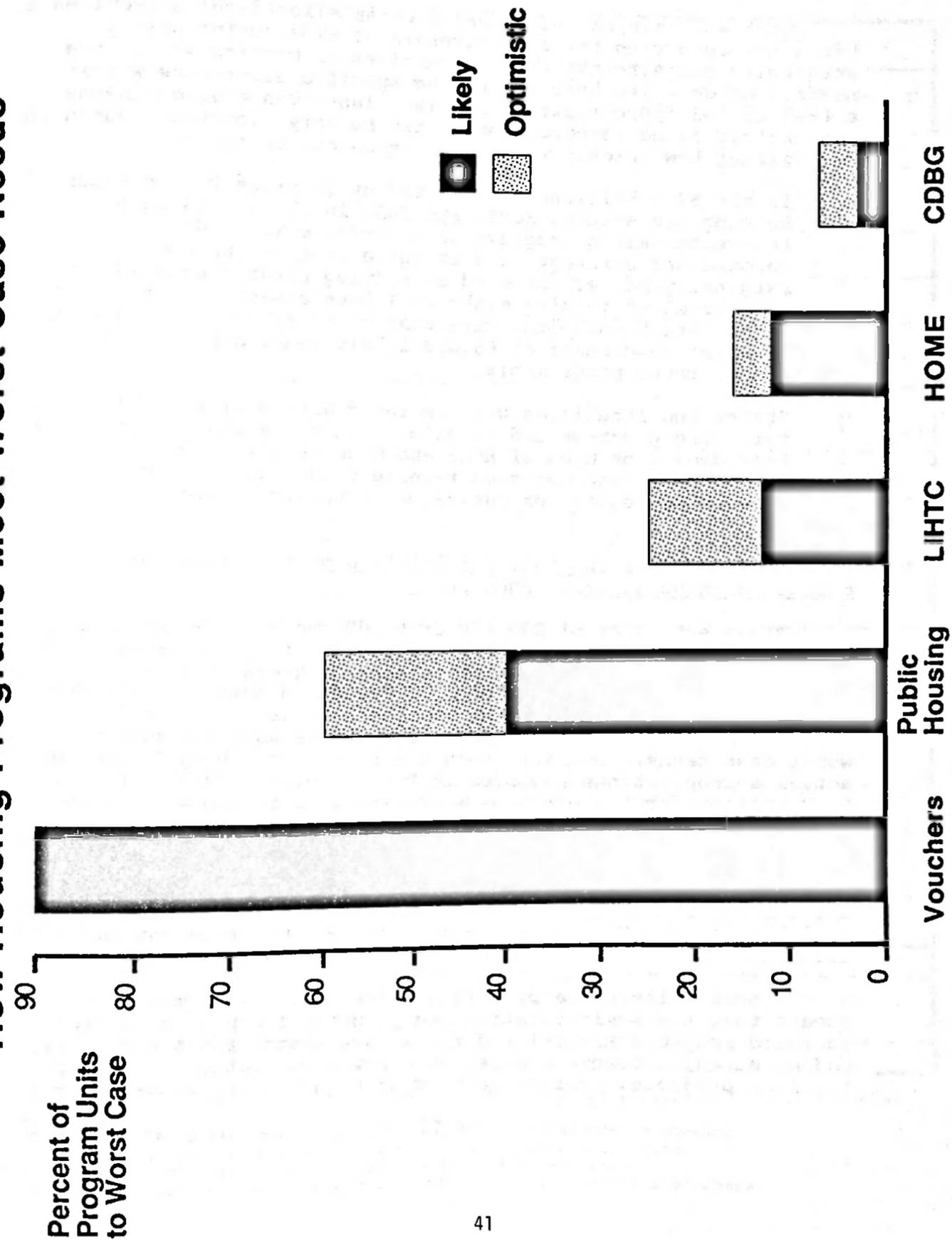
Community Development Block Grants. CDBG funds are used for many purposes in addition to housing, primarily public works and economic development, and they benefit both owners and renters. Almost all "direct" beneficiaries have "low or moderate" incomes below 80 percent of the area median income,²⁸ but activities such as public works benefit areas rather than persons, and thus some households with incomes above 80 percent of median.

* Based on available data about incomes of those benefitting from major activities,²⁹ over one-fourth of CDBG funds are estimated to benefit renters with incomes below 50 percent of median in some way. But only around 7 percent of CDBG funds have gone to housing activities that benefit worst case renters, and activities such as rehabilitation may not solve the worst case problems of such renters. This would occur, for example, when occupants of newly rehabilitated housing must then pay more than half of their income for gross rent.

* Thus even if all of the 7 percent of CDBG funds that support housing activities for worst case renters actually solve their worst case problems and provide them housing that is both standard and affordable, at most 7 percent of CDBG funds serve to reduce worst case needs.

Summary. Figure 4 summarizes the relative effectiveness of these programs in solving worst case problems by showing the higher and lower estimates discussed here. Although these estimates cannot identify precisely the proportion of households that will be helped by each program to escape worst case problems, they clearly demonstrate that vouchers are much more likely to accomplish this important goal than public housing or assisted projects. Furthermore, LIHTC, HOME, or CDBG very seldom solve worst case needs.

Figure 4
How Housing Programs Meet Worst Case Needs



VI. CHOOSING COST-EFFECTIVE STRATEGIES WITHIN LIMITED RESOURCES

Such analysis of individual program effectiveness provides a basis for comparing the effectiveness of alternative policy strategies and alternative program mixes in meeting worst case needs. As detailed here, comparing specific alternates within actual FY '93 appropriations levels illustrates that decisions made within fixed resource levels can be very important indeed in determining how quickly worst case needs can be reduced.

* If the \$7.9 billion appropriated by Congress for incremental housing assistance, HOME, and CDBG in FY '93 had been redirected among programs in accordance with HUD's recommended strategy, and if those programs were even marginally better targeted at solving worst case needs, the same level of funding might well have assisted over 200,000 worst case households, more than three times the reduction in worst case needs of 65,000 likely under current law and the approved program mix.

* States and localities will be faced with similar choices in targeting programs and in allocating funds among programs as they decide on uses of HOME and CDBG funds, LIHTC allocations, and mortgage revenue bonds, and as they define local preferences for admission to public housing.

An illustration at the national level: appropriations for additional housing assistance in FY '93

These estimates of 200,000 or 65,000 worst case households served are derived by comparing the administration's recommended FY '93 budget for several major housing programs to final appropriations for those programs.³⁰ Table 13 contrasts FY '93 appropriations for incremental housing assistance and other programs such as HOME and CDBG that could be used for reducing worst case needs. Overall, both the President's budget and the actual appropriations approved in P.L. 102-389³¹ allocated some \$3.9 billion for the programs most likely to reduce worst case needs: tenant-based vouchers or certificates, new construction of public housing and assisted projects, and HOME. Nevertheless, the two differed markedly in the mix of funding among these programs. Following the recommendations of HUD's strategic plan, the administration proposal relied heavily on vouchers, proposing \$2.7 billion for 82,700 incremental units. Congress appropriated less than half this amount for tenant-based assistance.

Congress instead appropriated more than five times the amount that the Administration had proposed for public housing, assisted projects and related rental assistance for the elderly and disabled. Congress considered new construction necessary for such projects, whereas in view of high vacancy rates in many

**TABLE 13
PROPOSED AND ACTUAL APPROPRIATIONS FOR FY 1993
AND ESTIMATES OF TOTAL AND WORST CASE HOUSEHOLDS HELPED**

	PROPOSED BY ADMINISTRATION			ACTUAL (P.L. 102-389)		
	APPROPRIATIONS (Millions)	HOUSEHOLDS ASSISTED (000s)		APPROPRIATIONS (Millions)	HOUSEHOLDS ASSISTED (000s)	
		Total	Worst Case		Total	Worst Case
Vouchers	\$2,691	83	74	\$582	18	16
Certificates	-	-	-	601	18	15
Public Housing Construction	-	-	-	400	5	3
Sec 202 for Elderly Construction	49	1	0 ^a	527	9	5
Rental Assistance	54	-	-	589	-	-
Leased Housing	73	2	1	-	-	-
Section 811 for Disabled Construction	50	1	1 ^a	90	2	1
Rental Assistance	58	-	-	104	-	-
Leased Housing	37	1	1	-	-	-
Targeting Changes	0	-	58	-	-	-
HOME	825 ^b	48	28	1000	40 ^c	11
CDBG ^d	2900	-	10	4000	-	14
Total	\$6,737	135	173	\$7,893	92	65
Excess Over HUD				\$1,156		
HUD Alternate at \$7.9B level ^e		170	204			

- a/ assumes all very low-income, no preference rule, with half of elderly and 75% of disabled worst case.
- b/ assumes three-tiered hard match; excludes \$125M for Indian public housing.
- c/ weakened matching requirement and no restriction on new construction.
- d/ assumes 7% of funds used to rehabilitate housing of worst case.
- e/ HUD program mix for \$6.7 billion plus excess \$1.2 billion used for vouchers.

areas the Administration had recommended leasing units as well as new construction. Finally, Congress appropriated slightly more funding for HOME and decidedly more for Community Development Block Grants than the Administration recommended. Congress' appropriation for all of these programs was \$7.9 billion compared to the \$6.7 billion requested by the Administration.

Relative reliance on tenant-based assistance. Congress appropriated less than half as much for vouchers and certificates as the administration proposed -- \$1.2 billion rather than \$2.7 billion. As Table 13 shows, the number of households assisted under the appropriation will correspondingly be less than half, 36,000 rather than 83,000. Since 90 percent of households who receive vouchers and 86 percent of those receiving certificates have worst case needs, the difference in appropriations results in a large difference in the number of units reducing worst case needs. Whereas the Administration proposal would have served 74,000 households with worst case needs, the appropriation is estimated to aid 31,000 worst case families.

Public housing and assisted projects. The Congressional appropriation allocates \$1 billion more than HUD's budget for projects and assistance for the elderly and disabled. Because of the expense of new construction, these appropriation levels will assist many fewer households in projects than they could in the form of vouchers. Congress' \$1.3 billion will support construction and rental assistance for only 10,500 elderly or disabled units, whereas it could have provided 40,000 regular vouchers or 51,000 vouchers for elderly independence. Congress' \$400 million for public housing new construction will eventually provide some 5,000 new units, of which 54 percent or around 3,000 would aid worst case families.

Better targeting of existing assisted units. Following its strategy to reduce worst case needs, HUD had also recommended better targeting to worst case families of newly vacated units in the existing stock of 3.2 million public and assisted housing units. Because some 10 percent of these assisted slots become available for new admissions each year, this costless change to use the current stock more effectively could have assisted 58,000 more new worst case families in 1993.

Cost-effective use of HOME appropriations. The number of units and households receiving assistance from federal HOME funds will depend both on matching requirements for local dollars and the mix and cost of activities chosen. If HOME's original three-level tiered match were retained, as HUD had strongly recommended, the HUD budget proposed \$825 million for participating jurisdictions. HUD had also submitted legislation in 1992 to improve both HOME's income and preference targeting.³² With HUD's recommended improvements in targeting, that lower amount combined with the state and local matching

funds required under NAHA would have provided an estimated 48,000 units and aided 28,000 worst case families.

However, the 1992 Housing and Community Development Act (HCDA) instead weakened HOME's matching requirement by significantly lowering the top two tiers of match requirements and by expanding the types of contributions that may count as a match. HCDA also allows any participating jurisdiction to use its HOME funds for more costly new construction. With these changes, total spending on HOME in relation to the federal contribution will be less than the amount likely to result under NAHA, and the approved FY '93 appropriation of \$1 billion is likely to assist only some 40,000 households, instead of the 55,000 more likely under NAHA.³³ Under HOME's current weak targeting, only an estimated 11,000 of these households will have had worst case needs.

Community Development Block Grants. Congress appropriated \$1.1 billion more for CDBG than the Administration requested. This large difference in funding, unfortunately, is likely to have very little impact in reducing worst case needs because such small shares of CDBG funds have been used in ways that address worst case needs. Local jurisdictions, however, could choose in the future to use more CDBG funds for light rehabilitation of units for worst case renters.

Summary. In terms of dollars, Congress' final appropriation of \$7.9 billion for these programs is "only" \$1.16 billion, or 17 percent, above that proposed by the Administration. Because of its different program mix, however, that higher appropriation will be much less effective in reducing worst case needs. Because of its greater reliance on relatively expensive programs that help relatively lower shares of worst case households, the appropriation is likely to aid only some 65,000 worst case households instead of the 200,000 that would be possible with the Administration's alternative recommendations for \$7.9 billion.

Decrying the "major retrenchment and retreat" in the number of families newly assisted during the 1980s, a Senate committee report on the 1992 housing reauthorization bill estimated that "(i)ncredibly, it would take another 63 years to meet the nation's 'worst case' housing needs at the current levels of funding."³⁴ Although higher funding levels clearly should facilitate reducing worst case needs, this example demonstrates that within funding levels, choices about the targeting and mix of housing assistance programs can have major effects on achieving or postponing the stated goal of substantially reducing or eliminating worst case needs.

VII. DESIGNING AND IMPLEMENTING STRATEGIES TO REDUCE WORST CASE NEEDS WITHIN LIMITED RESOURCES IN DIFFERENT MARKETS

As would be expected, the incidence of worst case problems differs more across specific housing markets than was visible from national or regional aggregates. Nevertheless, this analysis of worst case housing problems -- in 44 quite different metropolitan areas -- consistently reinforces conclusions previously drawn from national and regional data. Preferences for worst case families and increases in tenant-based rental assistance should be fundamental elements of strategies to reduce worst case needs within limited resources in all locations, while expanding supplies of affordable housing appears to be much less essential for reducing worst case needs than has often been claimed. Yet the diversity in incidence and types of problems across metropolitan areas documented in this report underscores the importance of local decisions to meet needs most appropriately and cost-effectively.

The most striking confirmation of last year's national results comes with respect to rent burden. Despite local variations in the extent of physical housing problems and overcrowding, severe rent burden is overwhelmingly the major problem facing households with worst case problems across the nation, and it is typically their only problem. In each of these MAs over five-eighths of worst case renters faced only an excessive rent burden, and in two-thirds of the MAs over 80 percent of worst case renters had only an excessive rent burden. Even in the poorest neighborhoods of these large MAs, over half of worst case renters had only excessive rent burdens.

Thus, across the U.S. the great majority of worst case problems could be solved most efficiently and directly through tenant-based assistance, which is also much better targeted at households with worst case problems than any alternative program. Section 8 certificates and vouchers could be used by these renters in their current housing to reduce rent burdens and thus solve their only worst case problem.

In addition, this report's specific comparison of needs for other housing against each MA's available stock of affordable housing provides strong new evidence that tenant-based assistance can also often help worst case families who need other housing. Almost all of the nation's largest housing markets have large enough supplies of units with below-FMR rents, and indeed often excess supply, to house the worst case households needing other housing while still maintaining vacancy rates that are consistent with normal housing market conditions. Indeed, in many MAs, some of the worst case households in units that need rehabilitation might also be able to find other housing with vouchers, so that vouchers alone could solve their housing problems more cost-effectively than rehabilitation.

Finally, in view of the many households with worst case problems in these MAs and the nation and of the expense per household of every current housing program, it is clear that reducing worst case needs within today's limited resources will require careful judgment and difficult choices. Within any level of funding, the number of worst case problems solved depends critically on program choice, design, and targeting. Localities and states can and should play major roles, by designing Comprehensive Housing Affordability Strategies (CHAS) and by allocating funds from HOME, CDBG, and other sources, in deciding which programs can help reduce worst-case needs most effectively under their local market conditions. Nevertheless, this report's evaluation of the critical elements identified in HUD's 1991 strategic plan against a variety of market conditions reaffirms the relevance of those elements to both national and local decisions about workable and cost-effective strategies.

Continued preference in assistance for worst case families

Because renters with worst case problems have much more serious housing needs than any other households, even other very low-income renters, they should continue to receive preference in admission to rental assistance programs. The preference rule should be strengthened for public and assisted projects, and extended to govern HOME and LIHTC.

* For public and assisted housing, strengthening the preference rule giving priority in admission to those with severe housing problems is essential for using the assisted stock effectively to reduce unmet needs. Unfortunately, the National Affordable Housing Act weakened rather than strengthened the preference rule for both public housing and Section 8 projects by increasing local exceptions to the preference rule to 30 percent of new admissions rather than the 10 percent exception formerly allowed. The Housing and Community Development Act of 1992 further weakened targeting in public housing by allowing 50 percent of new admissions to be excepted from the preference rule. Because these changes affect some 2.7 million existing assisted units, their cumulative net effect (in comparison to provisions before NAHA) will likely reduce by 80,000 the number of worst case families newly assisted each year as units turn over and become available for new occupants. Such provisions should be reversed and preference rules tightened, especially for small scattered-site projects where undue concentrations of poor households are less an issue.

* Furthermore, the preference rule should be extended to other rental housing programs, such as units rehabbed or acquired through HOME and housing produced with the Low Income

Housing Tax Credit (LIHTC). Both of these programs now provide rental housing for households with incomes up to 60 percent or 80 percent of local median income, and they basically give no preference to those with severe housing problems.³⁵ Yet only 10 percent of unassisted renters in the 50-60 percent of median range, and fewer than 5 percent of other low-income renters, have priority needs for housing. Because so few renters in these income ranges have priority problems, in the absence of any preference rule it is likely that fewer than one-fifth of units supplied through these programs will go to worst case renters.

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

Increasing the number of households helped through tenant-based assistance is the least expensive and most direct way to increase assistance to worst case families quickly and appropriately. Tenant-based certificates or vouchers should form the cornerstone of national and local strategies to reduce worst case needs. Not only is tenant-based assistance less costly per household and much better aimed at worst case renters than any other program, but it can quickly and directly aid the vast majority of worst case renters, including families with children, whose only housing problem is an excessive rent burden.

- * Under current law, vouchers are better targeted at households with worst case needs than any other program, since at least 90 percent should be given to those with priority problems.
- * Providing certificates and vouchers helps to stabilize family environments, since families can afford decent quality housing with these programs. Moreover, families who have already found adequate, uncrowded housing can stay in their neighborhood, thus reducing the stresses of moving and changing schools for their children.
- * Because certificates and vouchers can only be used in adequate housing and they provide steady revenue for maintenance expenses, they also help maintain the housing stock in adequate condition. Thus, tenant-based assistance can help retard losses from the affordable rental stock.
- * The high incidence of excessive rent-burden only in suburbs suggests that tenant-based assistance can be particularly useful for meeting current needs in suburban areas and for helping to disperse those receiving housing assistance. The much lower incidence of worst case problems in suburbs as a share of all households further implies that suburbs should find it easier than cities to address housing problems.

Empowering families with children

High rates of worst case need among low-income families with children emphasize the desirability of encouraging and supporting family self-sufficiency and upward mobility among those in assisted housing programs. Doing so not only provides help for participating families, but also frees needed resources for other worst case families. Programs such as Family Self-Sufficiency and HOPE should continue to link housing assistance with other programs that train, support, and reward family efforts toward self-sufficiency. Initiatives such as Moving to Opportunity should be expanded to empower families and their children to move toward jobs, better neighborhoods, and better educational opportunities. These efforts should include increased coordination with welfare agencies and other training and anti-poverty programs at the Federal, State, and local levels.

- * Although levels and rates of worst case need are highest in poorest zones, because of crime and abandonment housing units may be less available there. Furthermore, because these poorest neighborhoods already contain high concentrations of assisted housing, policy decisions should emphasize both stabilizing current assisted housing projects and further decentralizing housing opportunities, which occurs more quickly with tenant-based assistance than through new construction. Tenant management and public housing ownership are desirable to improve the poorest neighborhoods, while the Moving to Opportunity demonstration will provide specific evidence of the effects of decentralization.

Directing HOME funds to meet worst case needs appropriately and effectively

The range of housing problems and affordable housing supplies across markets documented in this report underscores the potential usefulness of the HOME partnership in reducing worst case needs. HOME Investment Partnerships provide funds for affordable housing to states and local jurisdictions so that they can respond to needs for assistance and affordable housing in ways appropriate to their different local housing market conditions. HOME funds can be used for tenant-based assistance, acquisition, rehabilitation, or new construction. This local flexibility can make HOME funds particularly useful for meeting the most urgent needs of worst case renters quickly and cost-effectively. Guided by locally-developed Comprehensive Housing Affordability Strategies, decision-makers across the country should use HOME's flexibility in forms of assistance to direct funds into the programs and initiatives that can most cost-effectively reduce local worst case needs.

- * The HOME program allows tenant-based assistance as one means of making available housing affordable to needy families. Since families receiving such assistance retain their tenant selection preferences for housing assistance, providing tenant-based assistance through HOME could help respond appropriately and quickly to make their present adequate, uncrowded housing affordable to worst-case families whose only problem is excessive rent burden.³⁶
- * The evidence of these MAs suggests that the rehabilitation activities encouraged by HOME and possible with CDBG may be needed and appropriate for around 10 percent of units occupied by worst case households, although in some MAs with lower quality stock a higher percent need repairs. Since worst case households in these moderately inadequate units also now pay more than half of their income for rent, they would then often need rental assistance as well to afford the rehabbed units. In areas with high rates of both moderate physical problems and vacancies, however, tenant-based assistance may often be more cost-effective than rehabilitation.
- * The typically higher levels of need and of multiple problems among nonfamilies and larger families show that SROs and large units are most needed in any production programs, especially in Western MAs. Because large families with worst case needs may be least likely to find adequate, uncrowded units with rental assistance, HOME funds for construction or substantial rehab should be directed to these urgent needs.

Reducing regulatory and discriminatory barriers to housing

Differences across MAs in worst case needs may well reflect differences in local housing and construction policies. The Advisory Commission on Regulatory Barriers concluded that the cost of housing may be raised by 20 to 35 percent in markets with the most restrictive zoning, building codes, and permitting processes. The areas identified by the Commission as having especially serious restrictions turn out to be those with the highest levels of worst case need, especially crowding and severe inadequacy -- the largest MAs in New York and California.³⁷

This suggests that one important way in which some cities and suburbs can address their worst case housing problems is by revising their zoning and building codes and their permitting procedures. Decisions made by suburban governments could be particularly important for reducing worst case needs because most housing production occurs in the suburbs, and because some suburbs have particularly restrictive exclusive zoning. Actions by suburbs to reduce the cost of housing production could lower housing costs across MAs and thus reduce unmet worst case needs in cities as well as suburbs.

APPENDIX

PROCEDURES FOR ESTIMATING WORST CASE NEEDS FROM AMERICAN HOUSING SURVEY METROPOLITAN SAMPLE DATA

To estimate the number of households with worst case needs for housing assistance, it is necessary to determine whether household incomes fall below HUD's official very low-income limits ("50 percent of the local median income," with statutory adjustments), whether a household already receives housing assistance, and whether an unassisted income-eligible household has the severe housing problems that meet the tenant selection preferences: rent burdens above 50 percent of income, substandard housing, or having been displaced.

The procedures and definitions used to estimate the number of households in different income categories who have worst case needs or other housing problems as accurately as is possible from AHS-MS data are basically those also used with national 1989 American Housing Survey microdata for last year's report. The questionnaires used by the American Housing Survey-MS since 1984 are almost exactly the same as those used for the national survey since 1985.

(1) Area income limits - To categorize households in relation to "local" income limits as accurately as possible, family or household income is compared to area income limits adjusted for household size. The official HUD very-low and lower-income cutoffs for a family of four -- i.e., 50 or 80 percent of the local median family income, respectively -- were used for each of the 44 metropolitan areas for the year of survey.

The same approach was used to define the local Fair Market Rents that apply to units with different numbers of bedrooms for each housing unit on the AHS. Official FMRs for units with 0 through 4 bedrooms were used for each of the 44 MAs.

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

(3) Categorizing households by income - For family and elderly households, income status is determined by comparing family income to the very-low and low-income cutoffs, with

appropriate adjustments for family size. For nonfamily households, household income is compared to the cutoffs, as adjusted for household size. To be consistent with HUD procedures, 5.5 percent of equity is included as additional income for homeowners. Households reporting negative income were categorized as "middle" income if their monthly housing costs were above the Fair Market Rent, since many of the households in this situation appear to be reporting temporary accounting losses.

(4) Receiving housing assistance: Households are counted as receiving federal housing assistance if they answered yes to one of the following AHS questions: Is the building owned by a public housing authority? Does the federal government pay some of the cost of the unit? Do the people living here have to report the household's income to someone every year so they can set the rent? Research has revealed that many households respond to these questions incorrectly (Connie H. Casey, Characteristics of HUD-Assisted Renters and Their Units in 1989, HUD-1346-PDR). Nevertheless, the number and characteristics of households responding affirmatively to these questions is generally consistent with program data.

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

Plumbing. Lacking hot piped water or a flush toilet, or lacking both bathtub and shower, all for the exclusive use of the unit.

Heating. Having been uncomfortably cold last winter, for 24 hours or more, because the heating equipment broke down, and it broke down at least three times last winter, for at least six hours each time.

Upkeep. Having any five of the following six maintenance problems: leaks from outdoors; leaks from indoors; holes in the floor; holes or open cracks in the walls or ceilings; more than a square foot of peeling paint of plaster; or rats in the last 90 days.

Hallways. Having all of the following four problems in public areas: no working light fixtures; loose or missing steps; loose or missing railings; and no elevator.

Electric. Having no electricity, or all of the following three electric problems: exposed wiring; a room with no working wall outlet; and three blown fuses or tripped circuit breakers in the last 90 days.

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

Plumbing. Having the toilets all break down at once, at least three times in the last three months, for at least six hours each time.

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

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

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

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

NOTES

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

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

2. U.S. Dept. of Housing and Urban Development, Priority Housing Problems and "Worst Case" Needs in 1989, A Report to Congress, HUD-1314-PDR, July 1991.

3. The 1990 Census will provide more detailed and accurate information on the number and location of households with severe rent burden than is available from the American Housing Survey. However, the decennial Census can not provide accurate estimates of worst case needs because it contains no data at all on receipt of housing assistance and only limited information on housing condition. In addition, most Census data are tabulated and published in dollar income categories, which do not correspond to HUD's very low income and low income categories that vary with location and family size. However, estimates of housing problems among very low-income and other low-income households will be produced in special tabulations of 1990 Census data now being prepared with HUD funding for use by states and local jurisdictions in preparing Comprehensive Housing Affordability Strategies.

4. Appendix I provides more detail on the definitions and procedures used in deriving these estimates from American Housing Survey microdata.

5. The American Housing Survey Metropolitan Sample (AHS-MS), like the national AHS, is conducted by the Bureau of the Census for the Department of Housing and Urban Development. Since 1984, samples of some 4,250 housing units have been surveyed over a 4-year rotation in each of 44 of the 50 largest metropolitan areas, using a questionnaire similar to that of the national survey. As detailed in the published AHS-MS volumes (U.S. Bureau of the Census, Current Housing Reports, Series H-170), the 44 metropolitan areas do not always correspond exactly to Metropolitan Statistical Areas (MSAs).

6. This report will generally refer to MAs by the name of their largest central city.

7. Since the AHS is a survey of housing units, it cannot include families or individuals who are homeless, even though these households would often qualify as having priority problems. Furthermore, like all sample data, AHS data have problems of coverage, definition, response, and inconsistencies over time that affect the estimates of housing problems and household characteristics. For example, income is known to be underreported by the AHS, and this bias has the effect of overestimating both the number of households with incomes low enough to be eligible for rental assistance and the number with rent/income ratios above 30 percent.

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

8. National AHS data show that the proportion of very low-income renters with worst case problems declined between 1985 and 1989 from 45 to 38 percent. Therefore, these MA data from years ranging from 1987 to 1990 might be expected to be higher than the 1989 U.S. average.

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

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

Since the National Affordable Housing Act of 1990 removed the underlined phrase, all individuals are now technically "families" for purposes of HUD programs. The Act also removed limits on the percentage of assisted housing units in a geographical area that can be occupied by single persons who are not elderly or handicapped, but it continues to place them at the bottom of waiting lists.

10. Because the AHS' definition of "moderate physical problems" is somewhat more restrictive, these units may require minor repairs to meet HUD's housing quality standards.

11. With very few exceptions, the poorest zones are located in central cities, and the upper-income zones in the suburbs.

12. Conversely, most but not all of the "upper-income" zones were located in suburban portions of these MAs. The only central cities with "upper-income" zones were New York (five zones), Los Angeles (four), and Chicago and Washington, D.C. (one each).

13. The average results for poor zones reported in Table 7 thus heavily reflect the experience of the five large MAs in which more than 200,000 households live in poor zones: New York, Chicago, Los Angeles, Detroit and Philadelphia.

14. Fair Market Rents determine the eligibility of rental housing units for the Section 8 Housing Assistance Payments programs. Section 8 Rental Certificate program participants typically cannot rent units whose rents exceed the FMRs. FMRs also serve as the payment standards used to calculate subsidies under the Rental Voucher program. Under certain circumstances, local authorities administering Section 8 programs may approve rents as high as 120 percent of local FMRs (see 24 CFR, part 882.106 (a)(3)).

15. To estimate gross rents for vacant units, utility costs were imputed to vacant for rent units in which the occupant must pay for utilities separately. Utility payments were imputed for up to six types of utilities for different types of units in each of the MAs. The unit types were defined by structure type (single-family or multi-family) and contract rent category.

16. National Affordable Housing Act of 1990, Section 202.

17. Local PHAs may exceed FMRs by up to 10 percent for up to 20 percent of their authorized units, or for more units with HUD approval. Such exceptions are warranted for units by virtue of their size, amenities or location, or because they have been modified to facilitate accessibility by the handicapped, or because they are needed to expand housing opportunities for low-income households. See Title 24 of the Code of Federal Regulations, part 882.106 (a)(2).

18. Because the largest MAs tend to have tighter housing markets than smaller metropolitan areas and non-metropolitan counties, nationally less than twice the number of units estimated from these simulations might well expand supply enough to address all worst case needs. The LIHTC is estimated to produce 120,000 units per year, whereas even in the conservative scenario (5 percent vacancy rates among units renting for no more than the FMR in each size) only some 200,000 units would be needed in all 44 MAs as increases to the stock.

19. National Affordable Housing Act of 1990, Section 217.

20. This effectively assumes that households with no housing problems are unlikely to apply for assistance, but that households with "other" housing problems are as likely to apply as those with priority problems.

21. Poverty thresholds vary with family size and composition but are constant across the nation whereas HUD's low and very low-income cutoffs differ by location. Nationally, the poverty cutoffs and adjusted for household size by HUD. For this reason, only about half of the very low-income households eligible for housing assistance qualify as "poor."

22. Sec. 213(d)(1)(A)(i) of the Housing and Community Development Act of 1974, as amended, says that the Secretary shall allocate assistance on the basis of a formula contained in a regulation prescribed by the Secretary,

based on the relative needs of different States, areas, and communities, as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, and other objectively measurable conditions specified in the regulation. ...each State shall receive not less than one-half of one percent of the amount of funds available for each program [under the U.S. Housing Act of 1937 or Sec. 101 of the Housing and Urban Development Act of 1965]. ... In allocating assistance... for each program..., the Secretary shall apply the formula, to the extent practicable, in a manner so that the assistance... is allocated according to the particular relative needs... that are characteristic of and related to the particular type of assistance provided under the program.

The specific housing needs factors now used in the allocation formula, and their weights, are specified in 24 CFR 791.402.

23. Exhibit 3-3, Evaluation of the Low-Income Housing Tax Credit, Final Report, February 28, 1991, prepared by ICF Incorporated for HUD. Note further that this limit does not include any rental subsidy such as Section 8. This provision increases incentives to have subsidies tied to units and thus the effective total rents of those units.

24. According to Evaluation of the Low-Income Housing Tax Credit, the majority of projects and units developed with the LIHTC do receive subsidies in addition to the tax credit. Almost half of all project residents receive a direct rental subsidy, such as Section 8 vouchers, and the income of residents with separate rental subsidies is only half that of residents without additional subsidy.

25. Indeed, in comparison to the ICF results, it is optimistic in assuming that at least 30 percent of these households have income below 40 percent of median.

26. The proportion of renters with any housing problems who have worst case priority problems decreases sharply as income increases -- from over 80 percent among the poorest below-30 percent of median income group, to only 27 percent in the 41-50 percent of median group near the very low-income cutoff.

27. Under NAHA, the only exception to this statement was that HOME funds used for tenant-based assistance must be provided to persons on Section 8 waiting lists "in accordance with the applicable preferences." The Housing and Community Development Act of 1992 (HCDA), however, weakened this requirement. Sec. 204 of HCDA requires instead that

the tenant-based rental assistance is provided in accordance with written tenant selection policies and criteria that are consistent with the purposes of providing housing to very low- and low-income families and are reasonably related to preference rules established under section 6(c)(4)(A) of the Housing Act of 1937.

28. CDBG terminology for income groups differs from that in the other programs examined here. Households with incomes, adjusted for family size, that do not exceed 50 percent of the area median family income are called "low income" in the CDBG program, but "very low income" in the other housing programs; households with income in the 51-80 percent of median range are termed "moderate income" by CDBG, but "other low income" for Section 8, LIHTC, and HOME, as well as for public housing.

29. The assumed income distribution of CDBG beneficiaries was developed from information on CDBG expenditures (U.S. Department of Housing and Urban Development, Annual Report to Congress on the Community Development Block Grant Program, 1992, March 1992) and AHS data on the income and housing characteristics of low and moderate income owners and renters. All CDBG funds for entitlement cities and for states and small cities were allocated among four primary activities: housing, public works, economic development, and public services. Housing and economic development funds were then treated as direct benefit activities and assumed to follow the income distribution identified by localities in the entitlement program: 74 percent to low income and 20 percent moderate income. Three-fifths of public works were assumed to benefit low or moderate income households, and 90 percent of public services to go to low income renters.

30. Data on the Administration proposal are drawn from detailed budget estimates for HUD, Appendix One, Part 19, in Budget of the United States Government, Fiscal Year, 1993, U.S. Government

Printing Office, 1992.

31. The appropriations bill, H.R. 5679, was signed by the President on October 6, 1992.

32. Section 403 of HUD's July 1992 legislative package would have required that at least 90 percent of HOME funds for both renters and owners should be used for families with income below 50 percent of median, and that owners of HOME-assisted rental housing should give preferences in 90 percent of admissions to families with priority problems. These changes would have better focussed HOME assistance on worst case renters and raised the share of HOME funds solving worst case needs from under 25 percent to well over 50 percent. This proposal and other HUD recommendations for better targeting current programs to households with worst case problems are discussed in "Reducing Worst Case Needs Within Limited Fiscal Resources: How the House and Senate Housing Bills Could and Should be Greatly Improved," HUD, Office of Policy Development and Research, September 14, 1992.

33. The assumptions about HOME and estimates of units used here are based on Changes to NAHA in the Senate-passed Housing Bill Reduce the Number of Families Served in the Home Program, HUD, Office of Policy Development and Research, Sept. 14, 1992. As detailed there, based on reported 1992 spending plans of HOME jurisdictions and incentives under the tiered matching requirement, under NAHA the shares of HOME funds going to different activities were expected to be: new construction, 15%; substantial rehabilitation, 25%; light rehabilitation, 50%; and tenant-based assistance, 10%. With reduced matching requirements and no restraints on new construction, the shares for FY '93 are instead assumed to be: new construction, 33%; substantial rehabilitation, 25%; light rehabilitation, 35%; and tenant-based assistance, 7%.

34. U.S. Congress, Senate Committee of Banking, Housing, and Urban Affairs, 1992. Report to Accompany S. 3031, the National Affordable Housing Act Amendments of 1992. 102d Congress, 2d Session, Report 102-332, p. 8. Washington, DC: U.S. Government Printing Office. Judging from the context, the estimate of 63 years is derived by dividing 5.1 million worst case households by 80,000 incremental units of housing assistance per year. It thus ignores both demographic and economic trends influencing changes in worst case households, and the possibility of better using turnover in the existing stock of assisted units to reduce worst case problems.

35. Footnote 27 describes the only exception to this statement.

36. Tenant-based assistance may be provided with HOME funds for up to two years. Such assistance may often be appropriate, since analysis of longitudinal data from the Panel Survey of Income Dynamics shows that an excessive rent burden can be a temporary situation as incomes fluctuate. Tracking households between 1974

and 1985, Adams found that nearly one-half of households with rent burdens above 50 percent of income at one point did not have this problem a year later. (T.K. Adams, "Poor High-Rent Status: A Preliminary Investigation of the Incidence and Persistence of High Rent Burden Among Poor Renter Households," prepared for the U.S. Office of Management and Budget, Executive Office of the President, December 8, 1989.)

37. See "Not In My Back Yard" - Removing Barriers to Affordable Housing, Report to President Bush and Secretary Kemp by the Advisory Commission on Regulatory Barriers to Affordable Housing, Washington, D.C., 1991.

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