



AFFORDABLE HOUSING NEEDS:

A Report to Congress on the Significant Need for Housing

Annual Compilation of a
Worst Case Housing Needs Survey



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

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EXECUTIVE SUMMARY: MAJOR FINDINGS

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

Households with “worst case needs” are defined as unassisted renters with very low incomes (below 50 percent of area median income—AMI) who pay more than half of their income for housing or live in severely substandard housing.

This report is the ninth in a series of Worst Case Needs reports to Congress. The report is organized into four basic sections. Chapter 1 provides an introduction, including a discussion of terms and sources. Chapter 2 outlines the findings of worst case needs by various categories such as demographics and geography. Chapter 3 presents a new analysis using data from the Census Bureau’s Survey of Income and Program Participation to compare estimates of severe rent burden and examine the duration of those rent burdens. Chapter 4 assesses the supply of affordable rental housing.

Throughout this report, the following definitions of HUD income limits are used:

- Low Income (LI). Not more than 80 percent of area median income.
- Very Low Income (VLI). Not more than 50 percent of area median income.
- Extremely Low Income (ELI). Not more than 30 percent of area median income.

The Extent of Worst Case Needs

Finding 1. In 2003, 5.18 million very-low-income households in the United States have worst case needs. Between 2001 and 2003, there was a small increase in the number of households with worst case needs, but this difference was not statistically significant.

Finding 2. The proportion of American families that have these worst case needs is 4.89 percent.

The Population with Worst Case Needs

Finding 3. The great majority (77 percent) of families with worst case needs are at the bottom end of the income scale, qualifying as extremely-low-income households because their incomes are below 30 percent of area median income.

Finding 4. Nearly two-thirds of extremely-low-income renter households have worst case needs. Over one-fifth of renter households with incomes between 30 and 50 percent of area median income have worst case needs, and fewer than 7 percent of renter households with incomes between 50 and 80 percent of area median income either experience severe rent burdens or live in severely inadequate housing.

Finding 5. More than one-third (36 percent) of households with worst case housing needs are families with children.

Finding 6. A substantial proportion of households with worst case needs experience these problems despite being fully employed. Of families with children that have worst case housing needs, 41 percent have earnings consistent with full-time year-long work at low wages. One-third (33 percent) of extremely-low-income renter households with children have earnings consistent with full-time work.

Finding 7. Elderly households with very low incomes are more likely than other family types with comparable incomes to have worst case needs. Elderly households make up 22 percent of the population with worst case needs.

Finding 8. Persons with disabilities have a greater likelihood of having worst case housing needs than other family types with very low incomes. About ten percent of households with worst case needs are families with non-elderly members with disabilities. More than one-third (36.4 percent) of very-low-income renter households that have non-elderly family members with disabilities also have worst case needs.

Finding 9. Of the 5.18 million households with worst case needs, 2.76 million are white non-Hispanic households, 1.04 million are black non-Hispanic households, and 1.04 million are Hispanic households.

The Character of Worst Case Needs

Finding 10. Severe rent burden, not severely inadequate housing, is the only priority housing problem for most (91 percent) households with worst case needs.

Finding 11. The share of households with worst case needs who live in severely inadequate housing declined from 4.6 percent in 2001 to 3.9 percent in 2003.

The Trend in Worst Case Needs

Finding 12. There were 5.20 million total households with worst case needs in 1995, 5.38 million in 1997, 4.86 million in 1999, 5.01 million in 2001, and 5.18 million in 2003.

Finding 13. The proportion of households with worst case needs has been about 5 percent in most years since 1991, the year of the first worst case needs report. As a proportion of all U.S. households, those with worst case needs were 4.73 percent, 4.76 percent, and 4.89 percent in 1999, 2001 and 2003, respectively.

Finding 14. The number of Hispanic households with worst case needs rose from 2001 to 2003 by about 250,000 households, roughly in parallel with overall dramatic growth of Hispanic very-low-income renters during those two years. There was no comparable increase in the number of non-Hispanic white households with worst case needs. The number of non-Hispanic black households with worst case needs decreased by 110,000.

The Geography of Worst Case Needs

Finding 15. All regions of the country share in worst case needs, with over 30 percent of very-low-income renters in each region—the Northeast, Midwest, West and South—experiencing worst case needs. Very-low-income renters in the West are less likely to receive housing assistance (24 percent), and more likely to experience worst case housing needs (38 percent).

Finding 16. Central city, suburban, and rural areas of the country all have significant numbers of worst case needs. Over one-third of very-low-income renters in both central cities and suburbs have worst case needs and in rural areas the proportion is approximately one-fourth. Very-low-income renters are less likely to receive housing assistance (24 percent) and more likely to experience worst case needs (36 percent) if they live in suburbs.

The Duration of Rent Burden

As discussed above, this report contains a section with a new analysis relying on data from the Census Bureau's Survey of Income and Program Participation.

Finding 17. Among very-low-income renters who reported a severe rent burden in 2001, close to half (47.1 percent) continued to have a severe rent burden in 2002, 10.2 percent had a rent burden between 40 and 50 percent of income and 8.5 percent received housing assistance in the second year (and thus would not be counted in the definition of worst case needs).

Of the remaining group, 12.7 percent had a rent burden between 30 and 40 percent of income, 15.2 percent saw their rent burden drop below 30 percent of income and 6.4 percent moved to owner-occupied housing

(thus removing them from the population with worst case needs, which by definition only includes renters).

The data also show a large number of very-low-income renters that did not have a severe rent burden in 2001 but did have such a burden in 2002. These include: 829,000 renters who had a rent burden of 40–50 percent of their income for rent in 2001; 808,000 who had previously received government housing assistance in 2001; and 1,365,000 who had either paid 30–40 percent of income for rent (597,000) or less than 30 percent of income for rent (768,000) in 2001.

Availability of Affordable Rental Housing and Worst Case Needs

In addition to examining the experiences of renters, their incomes and the amounts they pay in rent, this report also looks at the availability of affordable rental housing and how these supply issues may affect worst case needs. For purposes of this section, “affordable units” are those rental units that households at various income levels (VLI and ELI) can afford based on 30 percent of their income. “Available units” are those units affordable to these income groups that either become vacant or are actually occupied by families at those income levels (that is, they are not occupied by higher income families). Units are considered “not available” to lower income families if they either are not affordable, or are affordable but are currently occupied by higher income families.

Finding 18. There continues to be a shortage of affordable housing that is available to very-low-income and, more significantly, extremely-low-income renters. In 2003, there were 78 rental units affordable to extremely-low-income renters for every 100 such households, but only 44 were available for these households (the remainder being occupied by higher-income households).

Housing Problems Not Counted in Worst Case Needs

The definition of worst case needs excludes many persons with serious housing needs. The homeless are omitted from estimates of worst case needs in this and earlier reports because the American Housing Survey counts only persons in housing units.¹ In addition, families experiencing overcrowding (defined as more than one person per room) are not counted as having worst case needs, in part because of a lack of clear evidence that crowding consistently poses a hardship. Despite these limitations, some findings on crowding are presented based on data from the American Housing Survey.

¹ HUD is assessing the potential of supplementing future estimates of worst case needs with estimates of persons who experience homelessness from local Homeless Management Information Systems.

CHAPTER 1. INTRODUCTION

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

To assess changes over time, HUD has used a consistent definition of “worst case needs” for affordable housing. Households with “worst case needs” are defined as unassisted renters with very low incomes (below 50 percent of area median income) who pay more than half of their income for housing or live in severely substandard housing.

The basic source of information for this report is the American Housing Survey (AHS), which is sponsored by HUD and conducted by the U.S. Census Bureau. The AHS is the only detailed periodic national housing survey in the United States. It provides nationally representative data on a wide range of housing subjects including apartments, single-family homes, mobile homes, vacant homes, family composition, income, housing and neighborhood quality, housing costs, equipment, fuel type, size of housing unit, and recent moves. National data are collected every two years from a sample of about 63,000 housing units. The survey, which started in 1973, has sampled the same housing units since 1985, while newly constructed units are also sampled to ensure both continuity and timeliness of the data. Information from the Worst Case Needs reports has helped inform public policy decisions, including decisions on targeting of existing resources, the need for additional resources, and the form such assistance should take.

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

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

HUD originally developed the definition of worst case needs in consultation with OMB and Congressional Committees. It was based on the federal preference rules that prioritized admissions for housing assistance programs in the 1980s and early 1990s. While Congress has repealed the requirement to use federal preferences in targeting admissions to housing assistance, HUD believes that the current definition of worst case needs retains several important advantages. These advantages include the comparability of the measurement over time and the continued viability of rent burden and physical inadequacy as indicators of housing need.⁴

Terms and Sources

This report uses data from 2003—the latest available from the American Housing Survey.

For the first time, this report also includes a chapter analyzing data from the Census Bureau’s Survey of Income and Program Participation (SIPP). These data are used to augment the report’s findings in order to verify the robustness of worst case needs estimates from the AHS and to estimate the duration of rent burden.

Income Categories Used in Housing Programs

Many HUD programs and other federal housing programs use income limits as eligibility criteria. HUD determines income limits on the basis of area median incomes for each metropolitan area and non-metropolitan county. Area median incomes are adjusted for family size before income limits are determined.⁵

The income categories used in housing programs and in this report are as follows:

- **Low Income.** *Not more than 80 percent of area median income.*⁶ Defined as low income by the United States Housing Act of 1937 and used as an income limit for many rental and homeownership programs.

⁴ HUD’s previous reports to Congress are: Priority Problems and “Worst Case” Needs in 1989 (June 1991); The Location of Worst Case Needs in the Late 1980s (December 1992); Worst Case Needs for Housing Assistance in the United States in 1990 and 1991 (June 1994, HUD-1481-PDR); Rental Housing Assistance at a Crossroads: A Report to Congress on Worst Case Housing Needs (March 1996); Rental Housing Assistance—The Crisis Continues (April 1998); Rental Housing Assistance—The Worsening Crisis (March 2000); A Report on Worst Case Housing Needs in 1999: New Opportunity Amid Continuing Challenges (January 2001); Trends in Worst Case Needs for Housing, 1978–1999 (December 2003). These reports are available at <http://www.huduser.org>.

⁵ The HUD-adjusted Area Median Family Income (HAMFI) is based on the area median family income for all families, with percentage adjustments for households of different sizes as required by law. See Appendix B for further information.

⁶ Or, if lower, the national median family income.

- Very Low Income.** *Not more than 50 percent of area median income.* Defined as very low income by the United States Housing Act of 1937 and used as an income limit for many rental programs. (Note: the HOME program and the Low Income Housing Tax Credit program also use 60 percent of median income as a threshold for some eligibility criteria).
- Extremely Low Income.** *Not more than 30 percent of area median income.* Defined as extremely low income by HUD, and used as an income limit for many rental programs as provided in the United States Housing Act of 1937.

Exhibit 1-1 presents Fiscal Year 2003 income limits for selected large metropolitan areas.

Exhibit 1-2 describes the primary forms of federally subsidized housing.⁷

Exhibit 1-1. HUD Income Limits for Families of Four in Selected U.S. Cities, FY 2003

	30% Median	50% Median	80% Median	Median
New York ^b	\$18,850	\$31,400	\$50,250	\$51,900
Los Angeles	\$16,900	\$28,200	\$45,100	\$50,300
Chicago	\$22,600	\$37,700	\$56,500 ^a	\$68,700
Houston	\$17,900	\$29,800	\$47,700	\$59,100
Philadelphia	\$20,450	\$34,100	\$54,550	\$68,200
Phoenix	\$17,500	\$29,150	\$46,650	\$58,300
Jacksonville	\$16,700	\$27,800	\$44,500	\$54,900
Washington, DC	\$26,100	\$43,500	\$56,500 ^a	\$84,800
Denver	\$20,950	\$34,950	\$55,900	\$68,000
Atlanta	\$21,350	\$35,600	\$56,500 ^a	\$68,800
Seattle	\$23,350	\$38,950	\$56,500 ^a	\$71,900

^a When the low-income threshold (80 percent of median income) for a locality exceeds the national U.S. median family income level (\$56,500 for FY 2003), the national median level is used for purposes of HUD programs.

^b New York City's median income limits were granted an "historical exception" due to the large decrease reported in 2003 median income (from \$62,800 to \$51,900) in part due to the use of 2000 Census data. To avoid disruption in HUD programs and to account for statistical reasons underlying this change, the median income limits for the low-income thresholds from 2002 were retained.

⁷ For further detail, see "Programs of HUD, 2005: Major Mortgage, Grant, Assistance and Regulatory Programs," (HUD 2005.)
<http://www.huduser.org/intercept.asp?loc=/whatsnew/ProgramsHUD05.pdf>

Exhibit 1-2. Housing Assistance and Affordable Housing Programs

Federal rental assistance programs operate in three basic ways:

- *Public housing.* These units are owned and managed by local public agencies. From 1937 to the mid-1980s, public housing was built to provide affordable housing for low-income families. Today, there are 1.1 million occupied units of public housing. Public housing continues to provide affordable housing to the most diverse and lowest income population of all HUD programs. Families are generally required to pay 30 percent of their income for rent.
- *Project-based assisted housing.* Through a variety of programs in the 1960s through the 1980s, the Federal government produced 1.3 million affordable rental units that are now supported by project-based Section 8 rental assistance contracts, which are reserved for low-income families who usually pay 30 percent of their income for rent.
- *Tenant-based housing assistance.* These programs provide rental assistance vouchers to 1.9 million households in affordable privately owned housing units selected by the household. In general, families are required to pay 30 percent of their income for rent, but are allowed to pay more if they choose.

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

- *Low Income Housing Tax Credit.* This tax credit program subsidizes the capital costs of units that will have rents affordable to households with incomes at or below 60 percent of area median income.
- *HOME Investment Partnership (HOME).* This is a formula grant to States and local governments that can be used to assist homeowners, first-time homebuyers, or renters. Between 1992 and early 2005, HOME produced 211,000 affordable rental units. Qualifying rents must be affordable to households with incomes at or below 65 percent of area median income, or below local FMRs, whichever is less.
- *Older rental subsidy programs.* The Section 221(d)(3) below market interest rate (BMIR) program and the Section 236 program were active from the early 1960s through the early 1970s. They were designed to produce housing affordable by families with incomes above the public housing income limits. Over time, many projects or portions of projects developed through these programs became “project-based Section 8 assisted housing” as deep rental subsidies were attached to the units. There remain 300,000 units subsidized by these older programs that do not have deep rental subsidies.

CHAPTER 2. INCIDENCE OF WORST CASE NEEDS FOR HOUSING ASSISTANCE—2003

Snapshot of Worst Case Needs in 2003

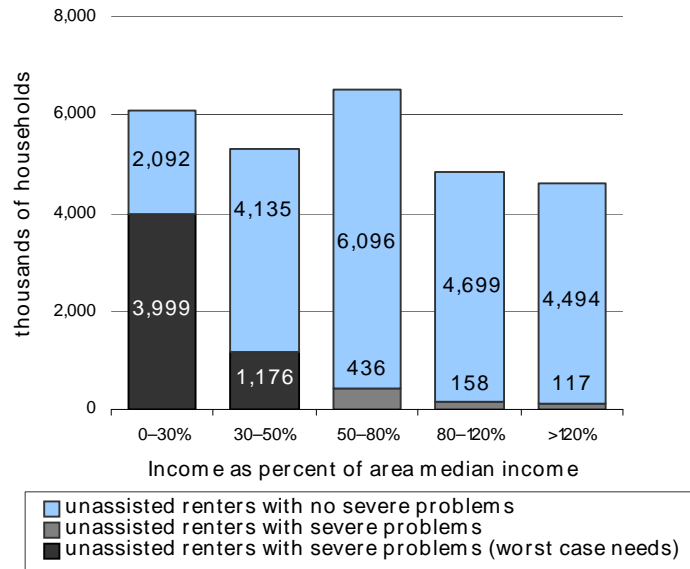
Basics about Worst Case Needs

In 2003, 5.18 million households, comprising 11.4 million individuals, have worst case housing needs. These are renter households whose incomes are no greater than 50 percent of area median income (that is, “very low income” or VLI) and who do not receive housing assistance, and who have a severe housing problem known as a “priority” problem.⁸

HUD recognizes two types of priority problems: living in severely inadequate housing,⁹ or having severe cost burdens because housing costs exceed 50 percent of household income. In the case of renters, the latter means severe rent burdens.¹⁰

In Exhibit 2-1, households with worst case needs are shown by the dark areas in the first two columns—illustrating that severe problems do not count as worst case needs if households have incomes greater than 50 percent of area median income. By definition, worst case needs result from the combination of very low income and severe problems among unassisted renters.¹¹

Exhibit 2-1. Worst Case Needs Are Severe Housing Problems Experienced by Unassisted Very-Low-Income Renters, 2003



Source: HUD-PD&R tabulations of the 2003 American Housing Survey.

⁸ Priority problems initially received the designation because they were conditions that qualified unassisted households for federal preference in admission to assisted housing programs between 1988 and 1996. See Appendix B for discussion of this and other terms.

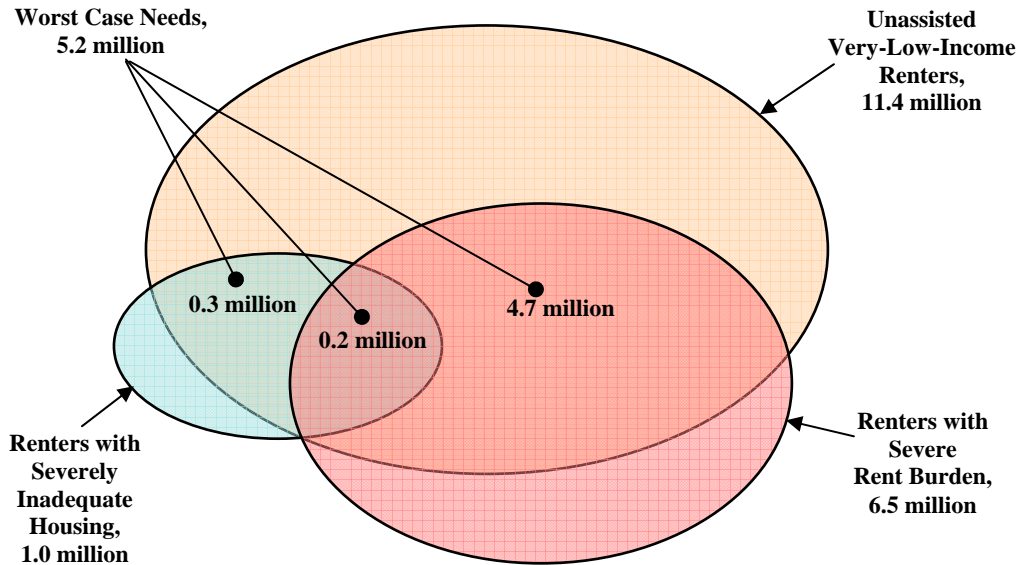
⁹ The homeless are omitted from estimates of worst case needs in this and earlier reports because the American Housing Survey counts only persons in housing units. HUD is assessing the potential of supplementing future estimates of worst case needs with estimates of persons who experience homelessness from local Homeless Management Information Systems.

¹⁰ Rent-to-income ratios are calculated on the basis of gross rent, which is the sum of rent plus tenant-paid utilities.

¹¹ Note that these estimates identify whether households receive rental assistance on the basis of survey responses, which are not entirely reliable for determining actual assistance (Shroder 2002).

Exhibit 2-2 shows how the two severe problems, represented by the smaller ovals, combine with very low income to constitute worst case housing

Exhibit 2-2. Birds-Eye View of Worst Case Housing Needs in 2003



Source: HUD-PD&R tabulations of the 2003 American Housing Survey.

needs. The large oval represents the 11.4 million unassisted very-low-income renters, of whom 6.2 million are free of either severe problem. The approximately 5.2 million households with worst case needs are represented by the intersection of the large oval with the smaller ovals.

Although there are a total of 33.6 million renter households, the diagram does not show the 20.2 million renters who are outside the largest oval because they have incomes above the very-low-income threshold or receive some form of housing assistance. A significant number of these households—those represented by the overhanging portions of the small ovals—also face severe problems, especially severe rent burden. Among all renters, 7.3 million have one or both severe problems.¹²

Severe rent burdens. Very-low-income households who have worst case housing needs in 2003 reported incomes averaging \$10,600 per year, or \$883 per month. In comparison, their average gross rent (including utilities) is \$669 monthly. The ratio of the average rent to average income suggests a typical rent burden of 76 percent, substantially above the 50 percent rent-to-income ratio that qualifies as worst case need. Such rent

¹² Table A-1 in the appendix provides additional data about households with higher incomes or with “moderate problems,” which include rent-to-income ratios exceeding 30 percent, less severe physical inadequacies with units, and overcrowding.

burdens substantially limit the income that households have available to spend on other necessities such as adequate nutrition, medical care, and education.

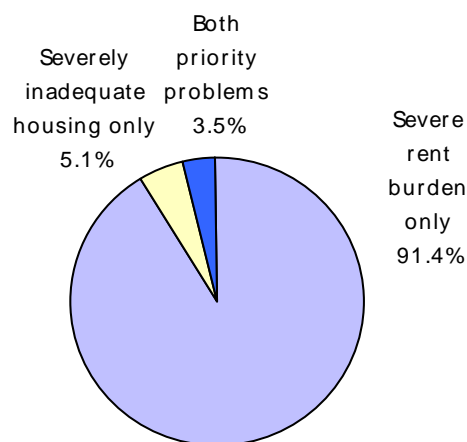
Among households with worst case needs, over three-fourths (77 percent) report extremely low incomes (that is, less than 30 percent of area median income). Rent burdens are even more severe for these poorer households than for all very-low-income renters with worst case needs. Extremely-low-income (ELI) renters have incomes averaging \$8,080 annually or \$673 per month, and pay rents averaging \$607. The ratio of these averages implies a typical rent-to-income ratio of 90 percent among extremely-low-income renters with worst case needs.

Severe rent burden continues to be the dominant cause of worst case needs, as severe rent burdens alone account for 91.4 percent of worst case households. Exhibit 2-3 illustrates this relationship, as the entire chart represents the sum of worst case needs in 2003.

Severely inadequate housing. Physical housing problems have declined dramatically in past decades. In 1978, 9 percent of all very-low-income renters had severely inadequate housing, decreasing to 3 percent in 1999 (HUD 2003, A-8). The estimated incidence of severely inadequate housing rose to 4.6 percent of very-low-income renters in 2001 but declined again to 3.9 percent in 2003.

Among worst case households in 2003, 8.6 percent have severely inadequate housing. Only 5.1 percent are worst case households based on severely inadequate housing alone. Thus, 40 percent of unassisted very-low-income renters who are living in units with severe physical problems also face severe rent burdens, representing 3.5 percent of households with worst case needs.

Exhibit 2-3. Severe Rent Burden Remains the Most Common Cause of Worst Case Needs Among Unassisted VLI Renters in 2003



Change in Worst Case Needs Since 2001

The number of households with worst case needs is estimated to be 5.18 million households in 2003.

This is not significantly different from the estimate of 5.01 million households in 2001.¹³ The 2001 estimate is an insignificant change from the 4.86 million worst case households in 1999.

Source: HUD-PD&R tabulations of the 2003 American Housing Survey.

¹³ These estimates were created using new weights based on 2000 Census data, and thus are not strictly comparable with earlier estimates. Worst case needs in 2001 previously were estimated as 5.07 million on the basis of 1990 weights.

Exhibit 2-4. The Overall Incidence of Worst Case Needs Is Stable, 1999–2003

	1999 ^a	2001	2003
All households (million) ^b	102.80	105.44	105.87
Renter households with worst case needs (million) ^b	4.86 ^c	5.01	5.18
Worst case needs as percent of all households	4.73%	4.76%	4.89%

Source: HUD-PD&R tabulations of the American Housing Survey. Changes shown are not statistically significant.

^a Estimates for 1999 are based on 1990 Census weights, while 2001 and 2003 figures reflect 2000 weights.

^b Households reporting negative or zero incomes are excluded from estimates of total households in this table as well as from the rent burden estimates that account for most worst case needs. Such households represented 2.2 percent of all households in 2003.

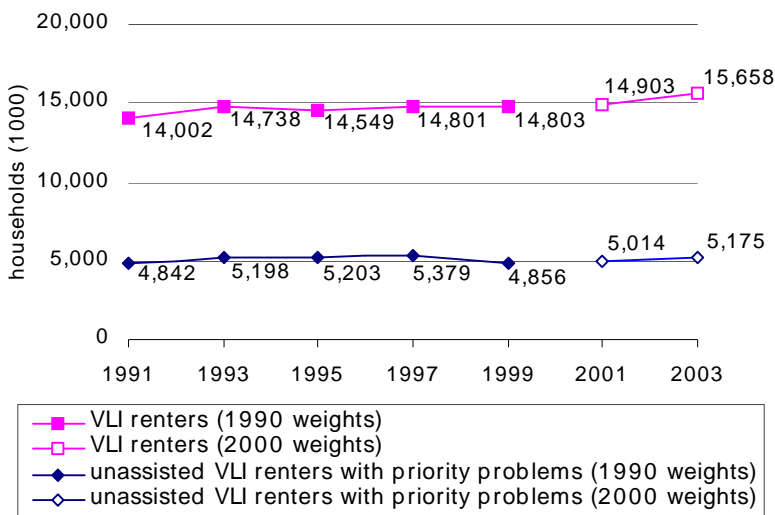
^c 4.856 million households represents the best estimate for 1999 based on 1999 income limits. See HUD 2003 (page 2 and footnote 6).

A primary cause of the increase in worst case needs since 2001 was an increase in the number of very-low-income renters. The 14.90 million renters in 2001 increased to 15.66 million in 2003. Because higher-income renters were moving rapidly into homeownership during this period, the growth in the number of very-low-income renters also increased their proportion of all renters from 44.2 percent in 2001 to 46.6 percent in 2003.

A countervailing factor was a 0.5 percentage point decrease in the incidence of worst case needs among very-low-income renters. The incidence of worst case needs among very-low-income renters is 33.1 percent in 2003, down from 33.6 percent in 2001.

PD&R notes that the Joint Center for Housing Studies recently issued a report, *The State of the Nation's Housing: 2005* that found a substantial increase in the number and incidence of low-income renter families with a severe housing cost burden between 2000 and 2003. The Joint Center relied on the American Community Survey (ACS) rather than the AHS. As explained in Appendix C of this report, conducting the Joint Center/ACS analysis for the years 2001–2003 also shows a significant increase in families with a severe housing burden. The causes of the difference between this estimate and the AHS-based estimates in this report are believed to include

Exhibit 2-5. Overall Trend in the Number of Very-Low-Income Renters and Those with Worst Case Needs, 1991–2003



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

differences in survey methodology between the ACS and the AHS. However, not all the causal factors are known. The ACS estimates and differences between the ACS and the AHS are discussed in more detail in Appendix C.

Factors Affecting Worst Case Needs

Among all U.S. households, the proportion that has worst case housing needs has been relatively stable for over a decade (HUD 2003). The incidence of worst case needs as a percentage of households overall increased slightly but insignificantly in relation to the record low level of 4.73 percent observed in 1999.

As a proportion of unassisted very-low-income renters, worst case needs climbed from 48.1 percent in 1991 to 51.0 percent in 1997, before declining to 46.0 percent in 1999 and 45.4 percent in 2003. Exhibit 2-5 shows that the 11.8 percent increase in very-low-income renters between 1991 and 2003 was accompanied by a lesser 6.9 percent increase in very-low-income renters with worst case needs.

The shortage of affordable rental housing persists despite vacancy rates that average nearly 10 percent during 2003. In comparison, vacancy rates remained below 8 percent during most of the 1990s. Vacancy rates remain low in the Northeast and West regions where worst case needs are greatest. Exhibit 2-6 displays a weak negative relationship between vacancy rates and worst case needs.

The association between regional vacancy rates and worst case needs points to the importance of the market supply of rental housing. Supply issues are covered in detail in Chapter 4. Another regional factor that affects the incidence of worst case needs is the distribution of housing assistance across regions, which is discussed later in this chapter.

**Exhibit 2-6. Regional Variation in Worst Case Needs
Mirrors Regional Vacancy Rates, 1999–2003**

	1999	2001	2003
Northeast			
Rental vacancy rates	6.3%	5.3%	6.6%
Worst case needs as percent of unassisted VLI renters	47%	50%	49%
Midwest			
Rental vacancy rates	8.6%	9.7%	10.8%
Worst case needs as percent of unassisted VLI renters	43%	44%	42%
South			
Rental vacancy rates	10.3%	11.1%	12.5%
Worst case needs as percent of unassisted VLI renters	45%	46%	42%
West			
Rental vacancy rates	6.2%	6.2%	7.7%
Worst case needs as percent of unassisted VLI renters	48%	50%	50%

Source: HUD-PD&R tabulations of the American Housing Survey, and Census (2004a).

Importance of Income

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

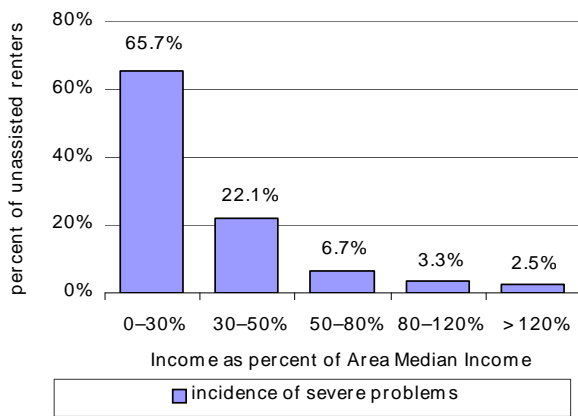
The pool of affordable rental units that are available in the market becomes progressively smaller as available income decreases. The 2001 American Housing Survey revealed 6.5 million renter households who had incomes below \$10,000. Only 2.5 million rental units would have been affordable to these households based on 30 percent of a \$10,000 income (Census Bureau 2002). The following sections show that this shortage persists in 2003.

There also were 2.2 million occupied units with “no cash rent” in 2001, suggesting that a significant number of households have special housing arrangements. Such arrangements may include housing provided both as non-wage compensation for work and as in-kind assistance from families or charities. It is likely that non-wage compensation in the form of workforce housing accounts for a significant proportion of no-cash-rent households, as the median income of these households was \$17,947.

Effect of Income on Incidence of Worst Case Needs

Most worst case needs are experienced by extremely-low-income renters. By definition, worst case needs households must have very low income, but households with extremely low incomes are much more likely than very-low-income households overall to have worst case needs. In 2003, 77 percent of worst case needs are experienced by extremely-low-

Exhibit 2-7. Incidence of Severe Housing Problems Among Unassisted Renters Varies Greatly by Household Income Relative to Area Median Income, 2003



Source: HUD-PD&R tabulations of the 2003 American Housing Survey.

income renters, even though they account for only 58 percent of households below the very-low-income threshold. The extremely-low-income share of worst case needs has remained above three-fourths for decades (HUD 2003, 23), and has remained at 77 percent since 1997. As Exhibit 2-7 shows, two-thirds (65.7 percent) of unassisted extremely-low-income renters have worst case needs in 2003.

Fewer very-low-income and low-income renters have worst case needs.

Very-low-income renters are substantially less likely to have worst case needs than renters whose incomes fall below 30 percent of area median income. Almost one-fifth (22.1 percent) of unassisted renters with incomes from 30 to 50 percent of AMI have severe housing problems.

Among low-income households, who have incomes from 50 percent through 80 percent of area median income, only 6.7 percent have the severe housing problems that would constitute worst case needs if their incomes placed them in the lower brackets. Among all unassisted renters,

21.5 percent have severe problems in 2003—reflecting the fact that almost half of all renters (46.6 percent) have incomes below 50 percent of area median.

Housing assistance mitigates the effect of very low income. By definition, families with housing assistance do not have worst case needs. Housing assistance from various sources plays a substantial role in reducing worst case housing needs. Among the 6.21 million¹⁴ households who report receiving housing assistance in 2003, 69 percent have incomes below the very-low-income threshold. There are 2.99 million households with extremely low incomes, and another 1.27 million assisted households with incomes that are very low. Thus, nearly half of assisted households have extremely low incomes that would place them at a very substantial risk of experiencing worst case housing needs if they had no assistance.

Working Households with Worst Case Needs

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

Extremely-low-income renters with significant work participation

The AHS does not directly measure work participation. However, by using a proxy measure, HUD estimates that during 2003 about 1.64 million renter households with extremely low incomes (18 percent of extremely-low-income renters) have earnings consistent with full-time employment.¹⁵ Of these working households, 690,000 (42 percent) have worst case housing needs.

A more inclusive proxy for working households counts those whose earnings are their primary source of income.¹⁶ Based on this measure, the number of working extremely-low-income renters is 3.85 million in 2003. Of these, 2.04 million or 53 percent have a severe housing problem causing worst case needs.

¹⁴ Note that the 6.21 million figure substantially exceeds the 4.4 million assisted in HUD rental programs. Some of the difference represents inaccurate respondent reporting, and inclusion of less deeply targeted programs like the Low Income Housing Tax Credit.

¹⁵ HUD's proxy for full-time employment is household earned income of \$10,300, equivalent to 40 hours per week for 50 weeks at the national minimum wage of \$5.15.

¹⁶ "Primary source of income" means their earnings represent 50 percent or more of household income.

These statistics show that affordable housing is a substantial problem for the Nation’s extremely-low-income workforce. The picture is somewhat better for renters with incomes between 30 percent and 50 percent of area median income. Among these households, 78 percent are working under the full-time employment proxy—about the same as the 79 percent counted as working on the basis of their primary income source. Among households in this income group whose primary source of income is their wages, 16 percent, or 840,000, have worst case needs in 2003.

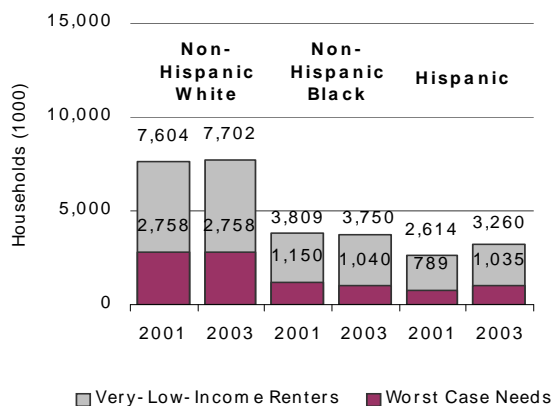
Worst case needs among families with children and earnings

Among households with children and worst case needs, the proportion who are working full time according to HUD’s proxy changed insignificantly from 40 percent in 1999 to 41 percent in 2003.

About 1.17 million extremely-low-income renter households with children (33 percent) are working full time in 2003 as measured by the proxy. Of these working households, 440,000 have worst case housing needs.

Demographic Factors Affecting Worst Case Needs

Exhibit 2-8. Growth in Worst Case Needs Among Hispanics Tracked Growth in Hispanic VLI Renters, 2001–2003



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

Race and Ethnicity

Worst case needs for housing cut across lines of race and ethnicity. Minority status depends on definitions that are fluctuating as the nation’s population becomes more diverse.¹⁷

Among very-low-income renters in 2003, 35.8 percent of non-Hispanic whites have severe housing problems. This level exceeds the incidence of 27.7 percent for non-Hispanic blacks and 31.7 percent for Hispanics. (For further detail, see Appendix, Table A-9.)

The three major race and ethnic groups experienced contrasting trends between 2001 and 2003.

Compared with 2001 levels, worst case needs in 2003 were unchanged for non-Hispanic whites, decreased by 10 percent among non-Hispanic black households, which is slightly short of a statistically

significant change, and increased significantly and dramatically by 31 percent among Hispanic households. The differences point to interplay among several factors.

¹⁷ For 2003, the American Housing Survey used revised Census Bureau categories of race and ethnicity, which are not directly comparable with the 2001 and earlier AHS. Survey respondents in 2003 were allowed to select more than one racial group, causing small but significant decreases in the size of the single-race categories.

The rapid growth in worst case needs among Hispanic households reflects the overall growth in this population between 2001 and 2003. Exhibit 2-8 illustrates that the number of Hispanic very-low-income renters increased by 25 percent during this period, accounting for most of the increase in worst case needs. The incidence of severe problems among those renters remained stable.

Non-Hispanic black households, in contrast, have fewer worst case needs in 2003 than in 2001. The decrease is caused by a reduction (although not statistically significant) in the incidence of severe problems among non-Hispanic black very-low-income renters. Non-Hispanic whites experienced little change in the incidence of severe problems.

Severely inadequate housing also varies by demographic group. Focusing again on very-low-income renters, only 3.2 percent of non-Hispanic whites experience severe physical problems with their units, compared with 4.5 percent of non-Hispanic blacks and 5.0 percent of Hispanics. Among very-low-income renters with severe problems, 11 percent of blacks and 12 percent of Hispanics, but only 8 percent of whites live in severely inadequate housing. These differences reflect the influence of regional patterns, which are discussed below, on worst case housing needs.

Families with Children

Among the 38 million households with one or more children under 18 years of age in 2003, 6.38 million are renters with very low incomes. This represents an increase of 6.6 percent from the 2001 estimate. These very-low-income renters with children include 1.85 million households (29 percent) with worst case needs. Almost as many, 1.80 million families with children, receive housing assistance.

More than one-third (36 percent) of households with worst case needs are families with children.

Elderly Households

Among the 5.18 million households with worst case housing needs in 2003, 1.13 million are elderly households without children. In other words, about 22 percent of worst case households are elderly households. Elderly households are those with either a head or spouse at least 62 years of age.

There are 3.27 million elderly renters with very low incomes in 2003, so the incidence of worst case needs among elderly very-low-income renters is 34.5 percent. Along with the 1.13 million elderly households with worst case needs are another 1.13 million elderly households who have housing assistance.

Persons with Disabilities

Among the 5.18 million households with worst case housing needs in 2003, 0.51 million have disabilities using HUD's proxy measure (see discussion in the Appendix). Based on this measure, 1.40 million very-low-income renter households have members with disabilities, which puts the incidence of worst case needs at 36.4 percent among this group.¹⁸

Worst Case Needs by Region

Exhibit 2-5 presented the association between regional variation of rental vacancy rates and prevalence of worst case needs. Other geographic factors also play a role.

Housing assistance, which reduces the incidence of worst case needs, is distributed unevenly across the nation relative to the population most likely to need it. This occurs primarily because of differences in the historical allocation of Federal assistance that are sustained through successive

Congressional appropriations. Public housing and subsidized private multifamily housing constitute about 60 percent of HUD-assisted housing. These project-based programs represent geographically fixed investments. Little public housing has been constructed in recent decades,¹⁹ which makes it proportionately scarcer in high-growth areas such as the West.

Exhibit 2-9 shows that western states in particular have a lower proportion of very-low-income renters who receive housing assistance and a higher proportion who have worst case needs. The incidence of worst case needs in 2003 is nearly 5 percentage points higher in the West than in the Northeast region, which ranks second in incidence of worst case needs. The percentage of very-low-income renters who report housing assistance is lowest in the West, only slightly below the fast-growing South, but 8 percentage points

Exhibit 2-9. Worst Case Needs and Housing Assistance, by Region

	2001	2003
Northeast		
VLI renters (1000)	3,446	3,444
Percent with housing assistance	33.8%	32.3%
Percent with worst case needs	33.2%	33.3%
Midwest		
VLI renters (1000)	3,005	3,327
Percent with housing assistance	30.8%	28.6%
Percent with worst case needs	30.5%	30.3%
South		
VLI renters (1000)	4,860	5,294
Percent with housing assistance	26.0%	25.1%
Percent with worst case needs	32.9%	31.1%
West		
VLI renters (1000)	3,592	3,592
Percent with housing assistance	24.4%	24.1%
Percent with worst case needs	37.7%	38.2%

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

¹⁸ See the next chapter for a test, using alternative data, of the quality of our AHS-based estimate of households with disabilities who had worst case needs.

¹⁹ HUD has not provided new funding for public housing development since FY 1994. However, public housing authorities could use Modernization and HOPE VI funding flexibly for development. See <http://www.hud.gov/progdsc/pdev.cfm> (accessed April 2005).

lower than the Northeast.

Worst case needs: metro status

The location of very-low-income renters in terms of metropolitan status—central cities, suburbs, and non-metropolitan areas—also helps explain variation in housing assistance and worst case housing needs.

As Exhibit 2-10 illustrates, of every six very-low-income renters, three live in central cities, two live in suburbs and one lives in a non-metropolitan area. In 2003, 31 percent of very-low-income renters in non-metropolitan areas receive housing assistance, compared with 28 percent in central cities and only 24 percent in suburban areas. Moreover, the incidence of worst case needs among very-low-income renters is substantially lower in rural areas, at 24.5 percent, than the 33.9 percent in cities and the 36.1 percent in suburbs.

Another dimension of the greater need in suburban areas is revealed by the change between 2001 and 2003. In central cities, worst case needs did not change significantly during this period, as the number of very-low-income renters grew an insignificant 2 percent. In contrast, suburbs experienced 7 percent growth in the number of very-low-income renters. The number of suburban worst case needs increased from 1.80 million in 2001 to 1.99 million in 2003. This growth in worst case needs occurred without a significant change in the incidence of needs among very-low-income renters.

The number of very-low-income renters grew about 9 percent in non-metropolitan areas between 2001 and 2003. Despite this increase in non-metropolitan renters who are potentially vulnerable to worst case needs, the number of worst case needs held steady and the incidence of needs declined significantly. It is likely that very-low-income renters in non-metropolitan areas benefited from lower housing costs relative to urban and suburban areas. Still, about one-fourth (24.5 percent) of very-low-income renters in non-metro areas have worst case needs. See Appendix Table A-11 for additional data on variations of need by metropolitan location.

Exhibit 2-10. Worst Case Needs in Central Cities, Suburbs, and Non-Metro Areas

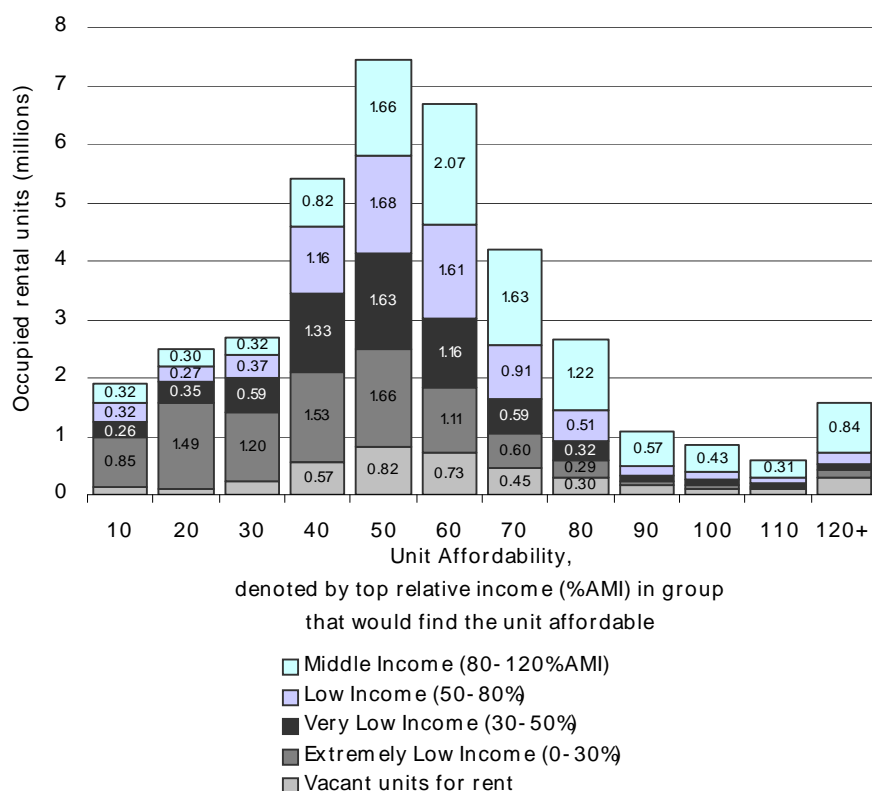
	2001	2003
Central Cities		
VLI renters (1000)	7,287	7,446
Percent with housing assistance	29.8%	28.1%
Percent with worst case needs	34.6%	33.9%
Suburbs		
VLI renters (1000)	5,147	5,506
Percent with housing assistance	25.3%	24.3%
Percent with worst case needs	34.9%	36.1%
Non-Metropolitan Areas		
VLI renters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

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

Markets and Housing Mismatch

The previous discussion highlighted the importance of income in relation to rents of units available in local markets. Affordable rental units frequently are occupied by higher income households. To illustrate, the columns of Exhibit 2-11 show the distribution of occupied rental units by the level of income (relative to area median) at which they are affordable.²⁰ Within each column are “income segments” that show the relative incomes of the households who live in those units.

Exhibit 2-11. Affordable Rental Units Frequently Are Occupied by Higher Income Households, 2003



Source: HUD-PD&R tabulations of the 2003 American Housing Survey.

Examining the segments of each column reveals that a substantial number of units are unavailable to the income groups that would most benefit from their affordability because households with higher relative incomes occupy them. The upper income segments in the 0–30 percent unit affordability category show that about 3 million households with incomes above the extremely-low-income threshold are living in units affordable to extremely-low-income renters in 2003. Similarly, 5 million households with incomes above the very-low-income threshold are living in units affordable to very-low-income renters.

Comparing the height of the third and fourth columns shows that there

are twice as many units in the 40 percent affordability category

²⁰ Note that the column for each unit affordability category is identified by the income level, as percent of area median income, that is necessary to afford the highest-rent unit in the group. (Affordability means the rent does not exceed 30 percent of monthly family income.) In other words, not every household in an income segment will be able to afford every unit classified as affordable for their segment. For example, a household with income between 20-29 percent of AMI would not find a unit “affordable” if it rented at 30 percent of 30 percent (in other words, 9 percent) of AMI, which defines the most costly units affordable to any extremely-low-income renter.

Incidence of Worst Case Needs

(5.4 million) as in the 30 percent category (2.7 million). This discontinuity in the distribution of units—that is, the failure of the affordability categories to outline a smooth curve—is a reflection of the challenges the market faces in providing rental housing of adequate quality that is affordable to extremely-low-income renters.

The exhibit also illustrates the paucity—less than 500,000—of vacant units available for rents that extremely-low-income households can afford. The supporting data for this chart are presented in Appendix Table A-12.

The issue of housing mismatch and affordable housing supply is explored in greater detail in Chapter 4, as well as in the 2003 Worst Case Needs report (HUD 2003).

CHAPTER 3. RENT BURDEN: ROBUSTNESS OF ESTIMATES AND DURATION

Introduction—the Survey of Income and Program Participation

This chapter presents a new analysis of rent burden not included in previous worst case needs reports.²¹ It uses rent and income data from the Census Bureau’s Survey of Income and Program Participation (SIPP) to compare with data used to estimate rent burden from the American Housing Survey (AHS), and to examine multiple year data of severe rent burden experiences of very-low-income persons. The SIPP is a highly regarded and useful set of data that can be compared to the AHS not only to confirm our estimates of worst case needs (WCNs), but also to examine the persistence of severe rent burden, an important component of worst case needs. Conducted for over 20 years, the SIPP is an ongoing survey program. Each survey follows approximately 40,000 households for three years. It is an important national source of data on income and participation in government programs.

Exhibit 3-1. Comparative Advantages of AHS and SIPP for Assessing Rental Housing Needs

	AHS	SIPP
Sample design	Panel design tracks housing units every two years since 1985.	Panel design tracks individuals, every 4 months over several years.
Sample size	Larger sample allows more precise estimates.	Sample about half the size.
Weighting	Based on housing units; probably slightly more accurate.	Based on households; probably less accurate.
Income data	Asks about sources of income, but uses very general questions. However, the procedures are currently being changed.	Asks more detailed questions about income sources and amounts.
Rental assistance data	Improved since 1997, but still known to have misreporting.	Known to have misreporting.
Housing conditions data	Asks specifically about crowded and physically inadequate housing.	Generally does not ask about housing conditions.
Rent data	Asks about rent and rent discounts; has detailed questions about utilities. Utilities data benchmarked to independent estimate.	Asks about rent and total utilities. Uses less detailed questions than AHS.

The aim of this chapter is two-fold. First, SIPP data can be used to calculate estimates of households with rent burdens, and these can be compared with AHS estimates of households with rent burdens that were presented in Chapter 2.²² This report compares the two data sets to see whether they yield similar results for rent burden. In addition to comparing the total

²¹ This chapter summarizes significant findings from a paper written by Scott Susin of the Census Bureau under contract to HUD.

²² SIPP and AHS are not entirely comparable. In particular, SIPP does not observe housing quality, an important factor in estimating WCN. However, the SIPP and the AHS can both produce estimates of very-low-income families with severe rent burdens.

number of households and persons with severe rent burdens, this chapter compares estimates from both the AHS and SIPP along important demographic breakdowns such as age, ethnicity, race, and disability.

Second, the longitudinal nature of the SIPP allows the data to be used to track the persistence of rent burdens over time. This important aspect allows us to determine whether those with high rent burdens in one year continue to have high rent burdens the following year.

Robustness of Rent Burden Estimates

This section compares the incidence of severe rent burden among the nation's renters as measured by the SIPP and the AHS.²³ It compares numbers of households with moderate or severe rent burden, as well as severe rent burden among different income groups, among family types, and by race, ethnicity and geographic location. This comparison can help verify worst case needs estimates based on the AHS data in light of the fact that severe rent burdens alone account for 91 percent of worst case needs (Exhibit 2-3).

Rent Burdens Among Different Income Groups

SIPP finds comparable number of renters paying more than 30 percent of income for rent

Overall, the SIPP finds a fairly similar count of unassisted renter households paying more than 30 percent of their income for rent, as shown in the bottom rows of Exhibit 3-2. About 31 percent of all unassisted renters have some degree of rent burden.

²³ Both the SIPP and the AHS estimates are based on gross rent including utility costs. For the purposes of this report, the SIPP utility data were adjusted for consistency with the AHS.

Duration of Rent Burden

Estimates of moderate and severe rent burden based on the SIPP vary slightly from AHS estimates. Under the SIPP, the estimated share of households with severe rent burdens is two percentage points less than estimates of households with severe rent burdens from the AHS. This is somewhat offset by the SIPP's higher estimated share of renters with a moderate rent burden (30-50 percent of income) with 18 percent of renters having such a burden versus 16 percent in the AHS. Taken together, both data sets show about the same percentage of renter households (31 percent) have rent burdens greater than 30 percent.

SIPP finds fewer very-low-income renters with severe rent burdens

As stated, the SIPP shows a comparable number of unassisted renter households paying more than 30 percent of income for rent. However, the SIPP shows fewer very-low-income renter households paying more than 50 percent of income for rent. As shown in Exhibit 3-3, the SIPP estimates 672,000 fewer such households nationwide paying more than half their income for rent.

Exhibit 3-2. Number of Unassisted Renters with Moderate and Severe Rent Burden, 2001

	Households with Rent Burdens (thousands)		
	SIPP	AHS	Difference
Severe rent burden (rent >50% income)	4,475	5,053	-578
Percent of all renters	12.9	15.0	-2.1
Moderate rent burden (rent 30-50% income)	6,340	5,544	+796
Percent of all renters	18.3	16.4	1.9
Total (rent >30% income)	10,815	10,597	+218
Percent of all renters	31.1	31.4	0.3

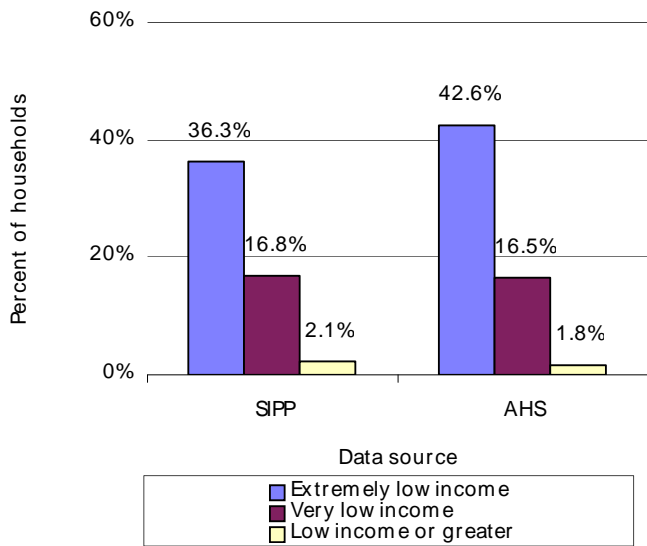
Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Exhibit 3-3. Unassisted Very-Low-Income Renters With Severe Rent Burden, 2001

	Unassisted VLI households paying rents over 50 percent of income (thousands)		
	SIPP	AHS	Difference
ELI (<30% AMI)	2,959	3,692	-733
VLI (31-50% AMI)	1,090	1,029	+61
Total	4,049	4,721	-672

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Exhibit 3-4. SIPP and AHS Confirm Similar Incidence of Severe Rent Burdens by Income in 2001



Extremely-low-income renters are much more likely to have severe rent burdens

The SIPP confirms a key aspect of the worst case needs analysis. Households with extremely low incomes are much more likely to have severe rent burden than other income groups. As demonstrated by Exhibits 3-4 and 3-5, SIPP data show that more than one-third (36 percent) of extremely-low-income renter families have severe rent burdens.

Nearly one-fifth (17 percent) of households in the 30 to 50 percent of median income range also had severe rent burden. Only 2 percent of renter households above HUD’s very-low-income threshold (50 percent of median) have severe rent burdens.

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Exhibit 3-5. Likelihood of Severe Rent Burden By Income, 2001

Household Income	SIPP		AHS	
	Households (thousands)	Percent	Households (thousands)	Percent
ELI (0-30% AMI)	8,143	100	8,659	100
With Severe Rent Burden	2,959	36	3,692	43
VLI (30-50% AMI)	6,493	100	6,244	100
With Severe Rent Burden	1,090	17	1,029	16
LI and higher (50% AMI +)	20,039	100	18,824	100
With Severe Rent Burden	425	2	332	2

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Rent Burden by Family Type

Analysis of SIPP data largely confirms most of the findings of worst case needs based on rent burdens of various family types. The family types considered include: elderly without children, families with children, “other families” (usually singles without children), non-elderly disabled, and “other households” (often unrelated individuals living in the same housing).

SIPP confirms incidence of severe rent burden for most household types

The incidence of severe rent burdens among these various family types, as reflected in the SIPP data, is very similar to the estimates of rent burden from the AHS, with a few noteworthy exceptions. Importantly, the incidence of severe rent burdens was similar in the two data sets among very-low-income families with children, “other families” and “other households.”

Exhibit 3-6 demonstrates that incidence estimated with the SIPP compared to the AHS differs by no more than 4 percentage points for these household types, and not in a consistent direction. Estimates for the two remaining household types—elderly without children and nonelderly disabled—vary considerably more.

Exhibit 3-6. Incidence of Severe Rent Burden Among VLI Renters by Household Type, 2001

Household Type	SIPP		AHS	
	Households (thousands)	Percent	Households (thousands)	Percent
Elderly without children	3,276		3,407	
With Severe Rent Burden	709	22	1,124	33
Families with children	6,062		5,984	
With Severe Rent Burden	1,520	25	1,701	28
Other families	549		825	
With Severe Rent Burden	159	29	223	27
Nonelderly disabled	1,631		1,206	
With Severe Rent Burden	397	24	389	32
Other households	3,119		3,479	
With Severe Rent Burden	1,266	41	1,284	37

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

SIPP Estimates Show Lower Likelihood of Severe Rent Burden For Elderly Families

Compared with the AHS, the SIPP counts 672,000 fewer households with very low incomes and rent burdens above 50 percent. Exhibit 3-7 shows that most (415,000) of this difference is made up of elderly households without children.

Exhibit 3-7. Elderly Households Account for Much of the Difference in Estimates of Severe Rent Burden, 2001

VLI Renter Households	SIPP		AHS		Difference	
	Households (thousands)	Percent	Households (thousands)	Percent	Households (thousands)	Percent
VLI Elderly without children	3,276	100	3,407	100	-131	
With Severe Rent Burden	709	22	1,124	33	-415	-11
All VLI renters	14,636	100	14,903	100	-267	
With Severe Rent Burden	4,049	28	4,721	32	-672	-4

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

In the SIPP, 22 percent of elderly very-low-income renter households had a severe rent burden versus 33 percent of such households in the AHS. At least some of this difference is likely due to the different survey methods employed in the SIPP versus the AHS. The SIPP employs a more rigorous set of survey questions to measure household income and is more likely to count sources of income often received by elderly persons than the AHS (for example, certain types of pensions). On the other hand, the SIPP does not employ as much survey rigor to the measurement of rent.

Severe Rent Burden by Race, Ethnicity and Region

When the presence of severe rent burdens among very-low-income renters are disaggregated by race and ethnicity as in Exhibit 3-8, the AHS counts 399,000 more non-Hispanic whites and 201,000 non-Hispanic blacks with rent burdens of 50 percent or more. The SIPP estimates show very similar numbers of very-low-income Hispanic and other renter households with severe rent burden.

**Exhibit 3-8. Comparison of VLI Renters
Who Have Severe Rent Burdens, By Race and Ethnicity, 2001**

VLI households with severe rent burden	SIPP		AHS		Difference	
	Households (thousands)	Percent	Households (thousands)	Percent	Households (thousands)	Percent
Non-Hispanic white	2,255	30	2,654	35	-399	-5
Non-Hispanic black	852	24	1,053	28	-201	-4
Hispanic	695	26	717	27	-22	-2
Other	247	32	297	34	-50	-2

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Duration of Rent Burden

Exhibit 3-9 indicates that the AHS counts more very-low-income renter households in the Northeast and West than does the SIPP, although this might simply be due to the fact that income limits are aggregated to a different level of geography that is not the same in the two data sets. The SIPP counts more very-low-income renter households in the Midwest and South, a relatively modest additional 330,000. For all regions, the AHS counts more renter households with severe rent burden.

Exhibit 3-9. Comparison of Regional Estimates of Severe Rent Burden, 2001

	SIPP		AHS		Difference	
	Households (thousands)	Percent	Households (thousands)	Percent	Households (thousands)	Percent
Northeast	3,131	100	3,446	100	-315	
With Severe Rent Burden	906	29	1,060	31	-154	-2
Midwest	3,173	100	3,006	100	167	
With Severe Rent Burden	745	23	847	28	-102	-5
South	4,990	100	4,860	100	130	
With Severe Rent Burden	1,306	26	1,534	32	-228	-5
West	3,342	100	3,592	100	-250	
With Severe Rent Burden	1,093	33	1,280	36	-187	-3

Source: Census Bureau tabulations of SIPP and HUD-PD&R tabulations of AHS.

Duration of Rent Burden

This section uses data from the Survey of Income and Program Participation (SIPP) to shed further light on the duration of severe rent burdens. This section focuses on issues related to the duration of severe rent burden for individuals over time, and is included for the first time in the Worst Case Needs report. It draws heavily from research performed by Scott Susin of the Census Bureau under contract to HUD (Susin 2005).

It should be noted that the originality of this analysis has a drawback. Without an established body of research literature to draw upon, efforts to highlight important findings should be approached with a certain level of caution.²⁴

²⁴ While the type of analysis using the SIPP to examine rent burden duration and dynamics is new, there is additional existing research on income level fluctuations in the U.S. For instance, over the 48-month span between January 1996 to December 1999, 34 percent of the US population had incomes below the Federal poverty line for at least two months; only 2 percent had subpoverty incomes over all 48 months. Of those who were poor in 1996 in terms of annual income, 65 percent were still poor in 1997, 56 percent were poor in 1998, and 51 percent were poor in 1999. Of those who were not poor in 1996, 3.5 percent were poor in 1999. About half of poverty spells (defined in terms of monthly income) end within

