Extremely Low Income Renters in America's Central Cities

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I.   Introduction

There is a tremendous shortage of housing affordable to the lowest income households throughout the US - a crisis that has been growing since at least 2000 and appears to be worsening. The lowest income households in the U.S. are predominantly renters and most are paying a very large share of their modest incomes for rent. This paper will focus on renters who have extremely low incomes ("ELI"), which is to say they earn no more than 30% of the median income for the metro area, adjusted for family size. Throughout the country, the vast majority of ELI renters cannot find a home they can afford to rent, based on the standard that a renter should not pay more than 30% of household income for rent. Of the 10.65 million ELI renter households in the U.S., a whopping 8 million of them (75%) are "burdened" in that they pay more than 30% of their income for rent. Previous studies have demonstrated that a majority of ELI renters are burdened in every state and in all of the largest 50 metro areas.[i] CEDAC's research shows that a majority of ELI renters are burdened in all 50 of the largest central cities in the country as well, although some cities, led by Boston, are doing significantly better than the rest. Paying a large percentage of modest income for housing leaves a smaller percentage of income available for all of the remaining household expenses. Families that are highly burdened (paying over 50% of income for rent) spent 38% less on food and 42% less on healthcare than similar low income families who were not burdened.[ii]

Not only are rent burdens for ELI renters a widespread problem, they have been increasing over time. From 2000 to 2013, rental costs increased nationally in real terms by 5%, which is to say that rents during these 12 years increased somewhat more quickly than inflation. During this same period, overall renter incomes decreased by 10% in real terms. These two factors together significantly increased the number of rent burdened households.[iii] These statistics also demonstrate the two important trends that have led to this crisis: rents are increasing faster than inflation while renter incomes are increasing at a much slower rate. Looking forward, even if rents and incomes both increase at the same rate as inflation, demographic trends will push the ranks of burdened renters up by an additional 1.3 million by 2025.[iv]

II.   Previous Reports

The dire situation of Extremely Low Income Renters has been extensively documented, though previous studies have used slightly different methodologies and data.

Since 2001, HUD has provided an annual report on "Worst Case Housing Needs,"[v] which it defines as renters whose incomes are less than 50% of the area median income who pay more than half their income for rent or live in severely substandard housing. There is tremendous overlap between 'worst case renters' and ELI renters since 70% of households with worst case housing needs have extremely low incomes. [vi] On a national level worst case needs increased from 5.5 million in 2005 to 7 million in 2015.

Another annual housing tally of rental housing affordability is "The Gap" produced by the National Low Income Housing Coalition (NLIHC), which focuses on the shortfall of rental housing that is affordable and available for ELI renters. NLIHC shows that nationally, the country has only about 1/3 of the affordable and available housing needed for ELI renters. "The Gap" also viewed the affordable and available units by state and by metropolitan area, showing for example that Greater Boston had roughly four times as many affordable and available units per capita as Las Vegas. NLIHC also quantified the vulnerability of ELI renters, calculating that 46% of ELI renters are seniors or disabled, compared to just 26% of all renters (see graphic below).
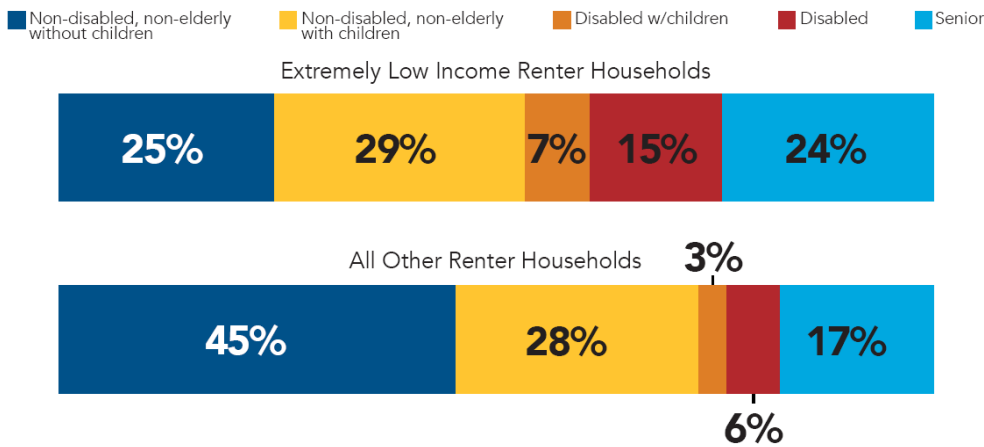
Note: Senior means householder or householder's spouse is at least 62 years of age, regardless of children in the household. Disabled means householder and householder's spouse (if applicable) are younger than 62 and at least one of them has a disability. Source: NLIHC tabulations of 2016 ACS PUMS data.

Chart from NHLIC's "The Gap" 2018, p. 10.

The Urban Institute (UI) is another organization that has looked at the ELI renter issue. In 2017, UI published a study that calculated how many affordable, available, and adequate ("AAA") units were available for ELI renters.[vii] UI calculated that for every 100 ELI renter households, there are 21 AAA affordable market rate units and 24 AAA units with federal assistance.[viii] The UI study showed a smaller number of market rate units available than NLIHC (partly because not all affordable units were adequate for living) while also highlighting the importance of federal rental housing programs. According to UI, without federal housing assistance the affordability gap would be over twice as bad as it currently is. UI used its data to create a fairly granular view and looked at AAA units in each of the 100 largest counties in the country. The two counties with the most AAA units were Hidalgo and El Paso, two Texas counties on the Mexican border, followed closely by four counties in eastern

Massachusetts surrounding Boston. The counties with the fewest AAA units were Orange County, FL and Cobb County, GA.

This paper takes an even deeper look at how ELI renters are faring in the 50 largest cities in the U.S. by population ("central cities"). By looking at a more local level, it is possible to see the factors that have led to the relative success by these central cities in housing ELI renters. To some extent it is also possible to view the municipal decisions that led to these outcomes. The three central cities with the lowest percentage of burdened ELI renters – El Paso, Atlanta, and Boston – are discussed in more detail. Two of these cities are located in counties that had the highest rates of AAA housing according to UI. They are Boston (Suffolk County, MA) and El Paso (El Paso County, TX).

III.   Data

This paper uses data from HUD's Comprehensive Housing Affordability Survey (CHAS), which is a custom tabulation of American Community Survey from the U.S. Census Bureau. CHAS data include estimates of the number of ELI renters and the cost burden of those renters for all major cities and other jurisdictions. The CHAS data is for the period 2009-2014. Unlike the NLIHC and UI data, the focus of CHAS is on rent burden rather than the number of units that are affordable and available (and adequate). CEDAC downloaded CHAS data for the 50 largest central cities (based on 2016 population data). In addition to the CHAS data, several other datasets were referenced, primarily from HUD and the National Housing Preservation Database, to better understand the types of affordable housing that exist in the central cities. These datasets are listed in Appendix A.
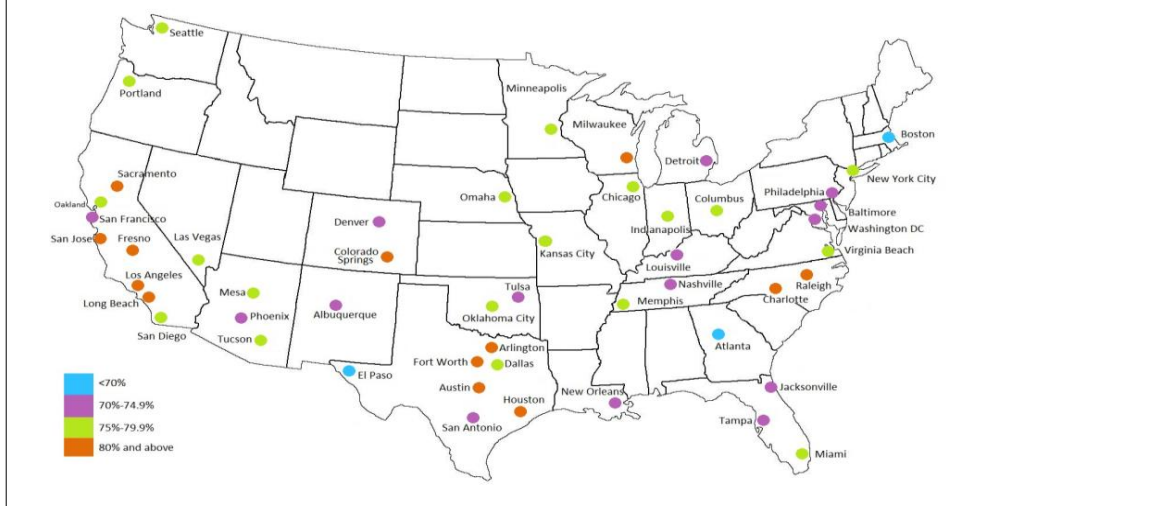
IV.   ELI Renters in Central Cities

Looking at the 50 central cities in the U.S., the vast majority of ELI renters are burdened. Nationally, over 3/4 of renters in central cities pay over 30% of their income for rent. [ix] However, this ratio varies widely. Boston is the only central city where less than 2/3 of ELI renters are rent burdened, with 63.5% of ELI renters paying more than 30% of their income for rent, followed by Atlanta (67.1%) and El Paso (67.7%). At the other end of the scale, in Long Beach, Raleigh, and Fresno, almost 85% of ELI renters are rent burdened. To look at these statistics from the opposite angle, in Boston, over one in three ELI renters are not burdened, but in Long Beach, Raleigh and Fresno, less than one in six ELI renters are paying a reasonable amount of their income for rent.

An advantage of looking at cities, rather than at counties and metro areas with overlapping jurisdictions, is that it is possible to understand specific decisions and programs that make an impact on ELI renters. This paper will further review the rental housing in Boston, Atlanta, and El Paso to better understand the different paths that have led each city to be a relatively better place for ELI renters.

Percentage of Burdened ELI Renters in Central Cities

Chart shows the 50 largest cities in the U.S. with dots color coded based on the percentage of extremely low income renters who are burdened in each city.

It is worth noting that several intuitive factors actually have very little correlation with ELI rent burden in central cities. For example, it would seem obvious that cities with higher rents will have more ELI renters facing burdens. In fact, there is only a slight correlation between the percentage of ELI renters who are burdened and the average two-bedroom rent in the city. In 2015, San Francisco had the highest rents of any central city in the nation at $3,011 but had a slightly smaller percentage of burdened ELI renters than Louisville, with the lowest rents at $786. [x] Likewise, the total population, population density, and median household income all have very weak correlations with the percentage of burdened ELI renters.[xi] The chart shows the interesting feature that the state of Texas has central cities in each of the four categories of rent burden.

Of course, it should be kept in mind that the 50 largest cities are quite diverse. New York City with 8.5 million people, a density of over 28,000 people per square mile, and a location primarily on several islands has very different issues and potential solutions from Tulsa, with a population of just over 400,000 and a density 1,053 people per mile located on the Oklahoma Great Plains.

V.   Boston Atlanta and El Paso

The three central cities in the country with the lowest percentage of burdened ELI renters are Boston, El Paso, and Atlanta. While geographically separated, these three cities have a number of similarities. They are in the middle range for central city population ranging from 473,000 for Atlanta to 683,000 for El Paso. Likewise, all three cities have significant inventories of governmentally owned public housing, Section 8 vouchers, assisted privately owned affordable housing ("assisted housing"), and unsubsidized market rate affordable housing (Naturally Occurring Affordable Housing or "NOAH housing"). All of these forms of housing represent a resource for ELI renters, but each city has a very different mix of housing types.

El Paso

El Paso, with a population of 683,000, is the largest of the three cities and the least dense with just 2,700 people per square mile (1/5 that of Boston). The city has sprawled extensively in the past few decades and rents have remained relatively low, averaging $820 per month for a two-bedroom apartment in 2015. While the city has a reasonable amount of assisted and public housing, based on the number of ELI renters, it has a below average amount of Section 8 vouchers. However, El Paso stands out in the percentage of NOAH housing available. El Paso has 38.8 units of NOAH housing for every 100 ELI renters, by far the highest percentage of any central city. [xii]

Although El Paso has had significant success housing ELI renters, the city may not provide a particularly useful guide for other central cities. With its low population density, El Paso has had the developable land to create numerous new large scale housing developments over the past 15 years. The city also grew fairly slowly with a population growth rate of 6.6% from 2010 to 2016, significantly less than the large city median increase of 10.2% for this period.

 Atlanta

While El Paso's success in housing ELI renters is largely due to NOAH units, Atlanta has far fewer NOAH units than the average central city. [xiii] Atlanta has an average ratio of public housing, and an above average number of Section 8 vouchers. The city's strength, however, is in assisted housing. In fact, Atlanta leads the country in the percentage of assisted housing with 1.3 units of assisted housing for every ELI renter.[xiv] Of course, just because housing is assisted for lower income residents does not mean it is affordable for residents at 30% of the area median income, and indeed the vast majority of Atlanta's assisted housing was funded through the Low Income Housing Tax Credit (LIHTC) program, which normally has a maximum rent affordable at 60% of the area median income. However, HUD data show that nationally just over half of the residents in LIHTC projects benefit from some form of operating assistance.[xv] So while not as efficient at housing ELI renters as public housing or some other HUD production programs, the LIHTC program is one effective strategy for providing housing for ELI renters. The 44,000 LIHTC units[xvi] in Atlanta are a crucial affordable housing resource for the 38,000 ELI renters in the city.

Boston

As an older coastal city, Boston, with almost 14,000 people per square mile, has almost four times the population density as Atlanta and over five times the density of El Paso. The average Boston rent for a 2-bedroom apartment in early 2015 was $1,980, significantly higher than either Atlanta or El Paso. Interestingly, due to quite different income demographics, Boston has 64,000 ELI renters, while El Paso with a slightly higher population has just 20,000. So Boston not only has less land area than the other two cities, it also has significantly more ELI renters to house. The city has made affordable housing production and preservation a priority for many decades, and its current housing plan, *Boston: Housing a Changing City* looks out to 2030.[xvii] Although the 23rd most populous city in 2016, Boston has the 4th largest stock of federal public housing. Likewise Boston has the 5th largest stock of assisted housing and the 7th highest percentage of Section 8 vouchers. In addition to taking

advantage of these federal programs, Boston also benefits from a modest inventory of state financed public housing and state rental vouchers. For assisted housing, Boston not only encourages developers to take advantage of federal funding (e.g. HOME, CDBG, LIHTC) and state programs (state housing tax credits, state subordinate debt programs) but also provides a significant amount of local funds for affordable housing production and preservation. In 2017, in addition to federal pass-through money, the City provided $29 million for affordable housing through its inclusionary development and linkage programs.[xviii] The City's new Community Preservation Act fund will also have several million dollars available for affordable housing beginning later this year. Finally the support of philanthropy has been important with the Home Funders Collaborative of local foundations providing incentives for assisted housing developers to restrict at least 20% of housing development projects for ELI renters.

Well aware of the importance of maintaining its stock of affordable housing, Boston has also instituted programs to preserve its existing governmentally owned public housing and privately controlled assisted housing, and has set a goal of preserving at least 97% of its existing stock of affordable housing. CEDAC has provided data and ongoing technical assistance for over 25 years to identify at-risk assisted housing and worked with city staff to develop policies to preserve long-term affordability. Looking to the future, new assisted housing funded by the City must agree to affordability in perpetuity. Boston's success is clearly the result of taking maximum advantage of multiple affordable housing production programs for many years.

VI.   Conclusion

Central city data on extremely low income renters reinforce the story that has been told across metro areas and counties – throughout the country the overwhelming majority of extremely low income renters are 'burdened' paying more than 30% of their income for rent. This is a dire situation that has become worse between 2000 and 2013 as nationwide rents have increased by 5% in real terms while renter incomes have decreased by 10%.[xix] Looking forward to 2025, there is a high likelihood that the number of burdened ELI renters will continue to increase.[xx]

In fact, it isn't really possible to say that any city has found a solution, since even in Boston, the most successful large city, over 60% of ELI renters are burdened. However, the relative successes of Boston as well as Atlanta and El Paso show the need for a breadth of policies. The data do point to the need to embrace all of the forms of affordable housing mentioned – NOAH housing, assisted housing, public housing, and Section 8 vouchers. Indeed there are a number of other state and local measures that can play a role in either reducing barriers to construction of rental housing or financial programs or incentives to additional affordable rental housing construction.[xxi] Progress where it occurs will be incremental since the need for additional housing is immense and current housing programs are making fairly small impacts in the stock of ELI housing. The largest single housing production program in the country, the Low Income Housing Tax Credit program, is only averaging

109,000 units per year; meanwhile the number of burdened ELI renters is 8 million, and growing. [xxii] Although El Paso may not provide a particularly useful guide for central cities with expensive rental housing markets, Boston and Atlanta show the benefit of decades of production and preservation of public and assisted housing. In particular, Boston's long-term 2030 housing plan demonstrates the importance of focusing on affordable housing production and preservation over a very long time frame.

Appendix A: Primary Data Sources

Comprehensive Housing Affordability Survey ("CHAS")

> HUD Office of Policy Development and Research (PD&R)
> www.huduser.gov/portal/datasets/cp.html
>
> CHAS is a custom tabulation of American Community Survey data that is designed to, "demonstrate the extent of housing problems and housing needs, particularly for low income households". It is the main dataset used in this paper to quantify the number of ELI renters who are burdened. The specific dataset used was for 2009-2014.

National Housing Preservation Database

> Sponsors: Public and Affordable Housing Research Corporation (PAHRC) and the National Low Income Housing Coalition (NLIHC)
>
> https://preservationdatabase.org/
>
> The goal of the National Housing Preservation Database was to incorporate a number of publically available datasets to provide an unduplicated address-level listing of all federally assisted affordable housing. The Database also incorporates a number of state and local programs. This data was used to quantify privately owned assisted affordable housing even for Boston (where CEDAC's own data is more detailed) in order to maintain equivalence.

Public Housing and Housing Choice Vouchers Data

> Picture of Subsidized Households (POSH) HUD PD&R
>
> POSH data, released by HUD, was used to quantify the number of public housing units and Housing Choice Vouchers in Central Cities.
>
> https://www.huduser.gov/portal/datasets/assthsg.html

NOAH Housing

> Urban Institute quantified the number of Naturally Occurring Affordable (NOAH) units for the top 100 counties in 2015. See: Liza Getsinger, et. al., "The Housing Affordability Gap for Extremely Low Income Renters in 2014, Urban Institute, April 2017. Table B1.
> https://www.urban.org/research/publication/housing-affordability-gap-extremely-low-income-renters-2014

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Notes

[i] Andrew Aurand, et. al., "The Gap: A Shortage of Affordable Homes" National Low Income Housing Coalition, 2018, p. 9. http://nlihc.org/sites/default/files/gap/Gap-Report_2018.pdf

[ii] "America's Rental Housing: Expanding Options for Diverse and Growing Demand" Joint Center for Housing Studies of Harvard University, 2015. p. 5. http://www.jchs.harvard.edu/research-areas/reports/americas-rental-housing-expanding-options-diverse-and-growing-demand

[iii] Allison Charette, et. al. "Projecting Trends in Severely Cost-Burdened Renters: 2015-2025", Enterprise Community Partners and Joint Center for Housing Studies of Harvard University, 2015. p. 7 http://www.jchs.harvard.edu/sites/default/files/projecting_trends_in_severely_cost-burdened_renters_final.pdf

[iv] Charette, 2015, p. 5.

[v] Nicole Elasser Watson, "Worst Case Housing Needs: 2017 Report to Congress", August 2017. https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf

[vi] Watson, 2017, p. 4.

[vii] Liza Getsinger, et. al., "The Housing Affordability Gap for Extremely Low Income Renters in 2014, Urban Institute, April 2017. https://www.urban.org/research/publication/housing-affordability-gap-extremely-low-income-renters-2014

[viii] Getsinger, 2017, p. 1. These affordable market rate units can also be referred to as naturally occurring affordable housing or "NOAH" units.

[ix] CEDAC used CHAS data to calculate that of the 2.84 million ELI renters in central cities, 2.18 million of these are rent burdened (76.8%). In fact 64% of ELI renters in central cities pay over half their income for rent.

[x] Rental data from https://www.apartmentlist.com/rentonomics/national-rent-data/. Data as of January 2015 to roughly correspond with timing of CHAS data.

[xi] Pearson correlations with % of burdened ELI renters: Ave 2-BR rent -.11, population density -.19, population +.02, Median household income +.10

[xii] Getsinger, 2017. The NOAH dataset is by county rather than by central city so is not a perfect comparison. El Paso is far and away the central city leader for NOAH housing with 38.8 NOAH units per 100 renters which dwarfs the second highest central city, Louisville, KY with 24.3 NOAH unit per 100 renters.

[xiii] Atlanta has 9.7/100 while the median is 13.6/100.

[xiv] Source: National Housing Preservation Database.

[xv] "Understanding Whom the LIHTC Program Serves", HUD PD&R 2012, p. 28. https://www.huduser.gov/portal/publications/LIHTCTenantReport-2014.html See also "What Can We Learn about the Low-Income Housing Tax Credit Program by Looking at the Tenants", Furman Center/Moelis Institute 2012, p. 3. http://furmancenter.org/files/publications/LIHTC_Final_Policy_Brief_v2.pdf

[xvi] HUD PD&R. https://lihtc.huduser.gov/ Total reflects low income units placed in service 1990-2014.

[xvii] Boston: Housing a Changing City, 2014. https://www.boston.gov/departments/neighborhood-development/housing-changing-city-boston-2030#boston-2030-reports

[xviii] Boston: Housing a Changing City, Q1 2018 Summary. https://www.boston.gov/sites/default/files/q1_2018_boston_2030_final_180604.pdf

[xix] Charette, 2015, p. 7.

[xx] Charette, 2015, p. 16.

[xxi] Programs that increase the incomes of extremely low income renters would also reduce average rent burdens.

[xxii] Statistic from HUD PD&R. website July 2018. https://www.huduser.gov/portal/datasets/lihtc.html