UNDERSTANDING AFFORDABLE RENTAL HOUSING

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SUMMARY

Housing is a basic human need. Where one lives is a key determinant of one’s quality of life, impacting health outcomes, employment, educational opportunities, and social connections. Yet millions of poor Americans lack safe, decent rental housing that is affordable to them and are deprived of access to higher-opportunity neighborhoods and communities.

The purpose of this document is to provide the reader with a basic understanding of the nature and magnitude of the affordable rental housing problem, our society’s response, and the impact of housing instability on the poor.

The document describes the common tools that policy makers and housing advocates use to measure the affordable housing problem and presents relevant economic data. It provides an overview of key government rental assistance programs and examines the social and economic challenges to effective policy. A final section will suggest a framework for thinking about solutions.

INTRODUCTION

In the U.S., 9.4 million low-income households spend over 50% of their income on rent and utilities – amounts far more than they can realistically afford. As a result, poor families must make difficult tradeoffs between housing and other necessities and live with the real and ongoing risk of losing their shelter.

Poor Americans in all 50 states are struggling to provide themselves and their families with decent, safe affordable housing. Georgia is no exception. That struggle is evidenced by the statistics:

- 52% of low-income renter households in Georgia pay more than 50% of their income for housing
- Only 38 affordable housing units are available in the state for every 100 of the poorest households
- In 2017, 56,963 Georgians were evicted from their homes
- On one night in January 2018, 10,174 Georgians were sleeping on the street or in shelters.

The affordable rental housing problem is not simply an economic one, nor is it a new one. It is a longstanding social problem that is disruptive to millions of people, destabilizes communities, and contributes to social inequality by depriving the poor of equal opportunity to jobs, education, and social resources.
As a society, we should be concerned. First, we have a moral responsibility to ensure that the basic needs of our most vulnerable members are met. Beyond that, affordable rental housing makes our communities more diverse, disrupts the cycle of poverty, and promotes better health and educational outcomes.

This document provides a general overview of the issue of affordable rental housing. In the pages that follow, our focus will be on affordable housing as a national problem, as affordable housing policies, programs, and funding are largely driven by the federal government. However, we will describe briefly the crucial role that state and local governments and non-profits play in the process.

To proceed, we first define affordability in the context of housing for the poor. We go on to provide economic data that measures the magnitude and severity of the affordable housing problem. We describe the principal federal rental assistance programs and the challenges to their effective implementation. We review the range of negative consequences for the poor that result from a lack of affordable housing. Finally, we briefly describe several broad approaches to public policy that are currently debated by policy makers and affordable housing advocates.

**Definitions and Usage**

Throughout this document we will try to use language that is simple and straightforward. In order to avoid misunderstandings and to refrain from using awkward phrases repeatedly, we’ll define some key terms here.

- We will use the terms *low-income* and *poor* synonymously and as commonly used to refer to people who lack the means to provide for their material needs.
- A *household* is a group of people or an individual living under one roof. Household members can be a family or an unrelated group of individuals or an individual. (The average household size in the U.S. is 2.64 people.)
- When we use the term *housing* we are referring to rental housing.
- When we use the terms *renter* or *household* we are referring to a renter household.
- When we use the term *unit* we mean a rental unit. A rental unit can be an apartment, condo, or single family home -- but most rental units (61%) are apartments.
WHAT DO WE MEAN BY “AFFORDABLE”?

“Affordable” means that you can purchase something without risking negative financial consequences. In the context of housing, affordable means that the amount one spends on rent and utilities will not have a negative impact on his/her material well-being – in other words, one will have enough money left over after paying the rent to spend on the basic necessities of life.

The concept of affordability is inherently subjective. Nonetheless, academics, policy makers, and others have long used 30% of income as the standard for housing affordability: housing costs over 30% of income are considered to be unaffordable. The term that is used to describe households that spend more than 30% of income on housing is *cost-burdened*. Households that spend at or below 30% of income on housing are not cost-burdened. Housing cost for renters includes both rent and utilities. (At this point, everyone asks “Are cell phone and cable TV bills included in utilities?” No, they are not.)

The 30% standard is based on sociology studies conducted in the 1800’s and has little scientific validity. Nonetheless the 30% rule-of-thumb has been adopted by experts over a long period of time and provides a consistent, if flawed, measure of housing affordability. Most importantly, the federal government uses the 30% standard as a guideline for setting housing policy, as we will see later.

Cost burdens are a matter of degree. Households that spend more than 50% of income on housing are termed *severely cost-burdened*, implying a much higher risk of negative consequences than that of a household that is *moderately cost-burdened* (i.e., those with housing costs between 30% and 50% of income).

Cost burdens measure not just how much one spends on housing but, implicitly, how much income one has left over after paying for housing to pay for other necessities. To illustrate, Figure 1 provides a simple example for a household with income of $25,000 per year (or $2,083 per month). “Disposable Income” is the amount that a household has left over after paying for rent and utilities.
There are several things to keep in mind when we talk about cost burdens:

We don’t really care about cost burdens for the rich. Although households in any income group -- rich or poor -- can be cost-burdened by definition, the measurement is not particularly useful or enlightening when applied to higher-income groups. The obvious reason for this is that higher-income households can comfortably afford to spend a higher percentage of their income on housing and still have plenty of income left over for life’s necessities.

Cost burdens say nothing about housing quality or size. A household can spend 50% of its income on a fine studio apartment with a view of the Atlanta skyline or the same amount on a two-bedroom apartment with peeling paint and a view of the local garbage dump.

Cost burdens are expressed per household. Household sizes vary. A single guy (a household of one) making $25,000 per year with a 40% cost burden is most likely better off financially than a family of five with the same income and cost burden.

Cost-burdens are really just a round-about way of measuring disposable income. Some academics argue that the problem is not that people are paying too much for rent, the problem is that after paying the rent, they have little left over for things like food, and that we are measuring the wrong thing. Although this may sound like academic nit-picking, the scholars have a good point. Unfortunately their argument is beyond our scope, but feel free to investigate the academic literature for yourself.
THE MAGNITUDE OF THE AFFORDABLE HOUSING PROBLEM

If affordable housing is a problem, we need a way to measure it. There are two common measures that are used to assess the magnitude and severity of the affordable housing problem. One measures the number of households whose rent is unaffordable and the other measures the shortage of available and affordable housing supply.

Cost Burden Share

Policy makers measure the severity of the affordable housing problem by looking at the percentage (or share) of households that are cost-burdened. In the U.S., 19.5 million renter households, or 46% of all renter households are cost-burdened. Of those, 10.2 million or 24% are severely cost burdened. (See Appendix 1.)

Figure 2: Cost Burdens for All Renter Households

And while a substantial share of renters across all income groups are cost-burdened (46%), the overwhelming majority of cost-burdened households are poor. Over three quarters of households with incomes below 50% of the median (below $29,410) are cost-burdened, and fully half of them are severely cost-burdened.
Another way to assess the affordable rental housing landscape is to measure the gap between the supply of affordable rental housing that is available to low-income renters and the number of households in need of it. Using this measure, the National Low Income Housing Coalition estimates that the U.S. has a shortage of 7.3 million rental homes that are affordable and available to the nation’s extremely low-income income renters, i.e., those with incomes at or below 30% of the average for the community in which they live.

Within the limited supply of housing that would be affordable to the poor, some is not available to low-income households that need it because a portion of those low-cost units are rented by members of higher-income groups. A housing unit is counted as affordable and available only if it is priced at or below the 30% income threshold AND is not occupied by a renter from a higher-income group.
For extremely low-income (ELI) households the shortage of affordable and available housing is acute. Currently there are only 35 affordable rental units available nationally for every 100 ELI households who need them. The comparable figure for Georgia is only slightly better.

Figure 4: Affordable & Available Rental Units for ELI Households

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Georgia</th>
<th>Metro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total ELI Households</td>
<td>11,169,138</td>
<td>375,685</td>
<td>170,883</td>
</tr>
<tr>
<td>Shortage of Affordable</td>
<td>7,259,940</td>
<td>232,925</td>
<td>129,871</td>
</tr>
<tr>
<td>&amp; Available Units</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affordable &amp; Available</td>
<td>35</td>
<td>38</td>
<td>24</td>
</tr>
<tr>
<td>Units per 100 ELI</td>
<td></td>
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</tbody>
</table>

Source: “Gap: A Shortage of Affordable Homes”, NLIHC, March 2018

Note: ELI Household Income for Georgia is below $19,621; for Atlanta $22,240
(Source: 2018 Out-of-Reach NLIHC)

Housing Wage

Another way to quantify the dimensions of the affordable housing problem is to look at how much one must earn in order to afford average rental housing in the area in which he/she lives without spending more than 30% of his/her income on rent. This is referred to as the housing wage. It is often used by affordable housing advocates and advocates for income equality to focus public attention on the plight of the working poor. See Appendix 2 for a more detailed explanation and current data.
THE HOUSING SAFETY NET

Housing assistance for the poor in the U.S., as in all developed countries, is predicated on government intervention in the private housing market. The U.S. government plays the primary role in designing and funding programs to address the rental housing needs of the poor. The goals of the programs are twofold: 1.) to provide financial support to the poor, and 2.) to create strong, sustainable, inclusive communities. The U.S. Congress appropriates funds for rental housing assistance annually as part of the federal budget process. The U.S. Department of Housing and Urban Development (HUD) is the cabinet-level federal agency responsible for rental housing assistance to the poor. Administration and execution of these programs is performed at the state and local levels.

In decades past, the federal government intervened in rental markets by building and operating government-owned housing (public housing) or by entering into long-term rental assistance agreements with private owners to operate properties for the poor (project-based rental assistance). These “legacy” policy approaches have been long abandoned and today funding is provided only at levels sufficient to maintain the existing and aging housing stock built or contracted under these programs. Ongoing funding to maintain the legacy stock of housing represents a substantial portion of federal expenditures for housing assistance. (See Figure 5.)

The federal policy approach today takes two forms: 1.) direct assistance to the poor in the form of vouchers used by recipients to rent existing housing in the private market, and 2.) tax incentives to investors to build housing that is affordable to the poor. Both methods of assistance of course have advantages and disadvantages in terms of effectiveness and cost. Arguments about the “right” approach tend to be biased by one’s political ideology and beliefs about the poor.

The bulk of assistance to low-income renters is provided by the federal government through HUD. HUD assists low-income renters by providing 1.) vouchers that can be used to obtain rental housing in the private market, 2.) below-market rents at subsidized housing projects, and 3.) public housing. Congress appropriates funds for various HUD programs and those funds are, in turn, passed down to local public housing authorities (PHAs) that are responsible for administering the programs. The federal government, through the U.S. Department of Treasury, also provides tax incentives to private investors to build or rehabilitate rental housing to meet the needs of the poor.

HUD programs are sometimes referred to as “Section 8” housing. The name refers to Section 8 of the Housing Act of 1937, which launched the federal government’s first large-scale effort to provide safe, decent, and sanitary housing for the poor. When people say “Section 8” they are sometimes referring to a specific HUD program and at other times referring to all HUD programs collectively. It is very confusing, so we will avoid using the term. The affordable housing problem is confusing enough already.
Public-private partnerships (PPPs) are often formed to increase the supply of affordable housing for the poor. A public-private partnership involves multiple stakeholders including state and local governments, developers, non-profit institutions, and community groups that come together for the common purpose of building or rehabilitating affordable rental housing, often in distressed economic urban areas. Funding for these partnerships is provided by private investors, LIHTC, HUD block grant programs, state and local tax incentives and subsidized loans, and private donations of land and/or capital. Projects range from small multi-family construction targeted at specific groups (e.g., seniors, veterans) to large-scale mixed use developments with set-asides for affordable housing. (See Appendix 3 for examples.)
AFFORDABLE RENTAL HOUSING PROGRAMS

Rental housing assistance for the poor is provided primarily through four federal programs:

- The Housing Choice Voucher Program (HCV)
- The Project-Based Rental Assistance Program (PBRA)
- The Public Housing Program
- The Low-Income Housing Tax Credit (LIHTC)

Combined, the four programs account for over 90% of U.S. households receiving rental assistance. The programs, which are described below, are a jumble of acronyms, confusing eligibility requirements, subsidies, tax credits, and more. Appendix 4 provides a summary and comparison of the key components of the programs.

Program Descriptions

The Housing Choice Voucher Program (HCV) is America’s primary method of rental assistance. The program assists low-income renters by paying part of their rent to private landlords. Under this program, low-income households pay no more than 30% of their income for rent and their landlords receive payments from HUD for the difference between the tenant’s portion and the market rent, up to certain limits set by HUD. There are two types of rental assistance vouchers – tenant-based and project-based. (By the way, the vouchers are pieces of paper that say you are eligible for the program – they are not payment vouchers that you give to your landlord every month.)

- **Tenant-based Vouchers** provide assistance to low-income renters to help pay rent in any privately-owned unit they choose where the landlord is willing to accept vouchers. Any type of housing can be rented – apartments, houses, condos, etc – in any neighborhood of the voucher holder’s choosing. A key goal of the program, beyond subsidies, is to empower families to move into higher-opportunity areas (better schools, less crime, etc.) and prevent the concentration of poverty. Landlords that accept tenant-based vouchers are subject to program guidelines which include annual quality inspections of their voucher-holders’ units. Tenant-based vouchers are portable, that is, when a voucher-holder’s lease expires, he/she is free to use the voucher at another place of his/her choosing. Approximately 80% of all vouchers are tenant-based.

- **Project-based Vouchers** provide assistance to renters who are willing to live in specific buildings that have entered into contractual agreements with local PHAs to make some or all of their units available to voucher-holders. A person who receives a project-based voucher can live only in these specific buildings or apartments. The vouchers are not portable – if a project-based voucher holder chooses to leave the unit, he/she loses the voucher and must re-apply for voucher assistance. In other words, the voucher is “tied” to the unit, not the voucher-holder. By contracting with landlords for a specified number of units, PHAs attempt to ensure that a
certain minimum number of voucher units are available. In return, property owners are guaranteed a steady rent stream from these units.

The Project-Based Rental Assistance Program (PBRA) provides low-cost housing to renters who live in certain privately-owned multi-family housing units that are subsidized by HUD. (People often confuse the Project-Based Rental Assistance program with project-based vouchers, which are part of the Housing Choice Voucher program. The confusion is understandable but could certainly have been avoided if the people responsible for designing the programs had put a little more thought into naming them.) Prior to 1983, HUD entered into long-term agreements (up to 20 years) with private owners of multi-family housing, providing ongoing subsidies to make units affordable and available to the poor. Tenants of PBRA housing pay no more than 30% of their income for rent. PBRA is a legacy program – HUD has entered into no new contracts since 1983, however continues to renew contracts that existed at that time. The federal government continues to provide subsidies only to cover operating costs of the remaining units under existing contracts and to renew contracts that expire.

The Public Housing Program operates housing owned by HUD and built using federal funds prior to 1974. The program provides housing – from single family homes to large apartment complexes – for the very poorest Americans: 52% of all public housing is occupied by the elderly or disabled and 35% by households with children. Tenants pay up to 30% of their income for rent, depending on their need. Like PBRA, the Public Housing Program is a legacy program – no new government housing has been built since 1974 and Congress appropriates funds only to operate and maintain the existing public housing stock.

The Low-Income Housing Tax Credit Program provides subsidies, in the form of tax credits, to private investors (95% are corporations) to build new low-income housing or rehabilitate existing housing. Administered by the U.S. Department of Treasury as part of the U.S. tax code, the LIHTC program is America’s primary program aimed at increasing the supply of housing available to low-income households. An investor using LIHTC tax incentives agrees to make some or all of the new or rehabilitated units available to HUD-approved low-income households for 15 years at below-market rents. Unlike the voucher program, maximum rents for LIHTC tenants are not based on a tenant’s income.

The LIHTC program creates approximately 100,000 new housing units annually accounts for approximately 90% of all affordable housing built in the U.S. today. However, even at program-mandated below-market rents, much LIHTC housing is unaffordable to the very poorest Americans. Therefore, many LIHTC tenants also receive partial vouchers to make their rent affordable.

Program Administration & Eligibility

Congress is responsible for setting the broad guidelines and eligibility requirements for HUD programs, including setting the income limits under which participants are eligible. HUD is the
federal agency responsible for overseeing those programs. To qualify for HUD programs tenants generally must have income below 50% of the median income for the area in which they live, however in practice most assistance is targeted at extremely low income households, particularly those with special housing needs. (See Appendix 5.)

HUD programs are administered by local Public Housing Authorities (PHA). PHAs are independent non-profit organizations that work with local, state, and federal government agencies to address housing problems in their communities. Operating within federal program guidelines, PHAs play a crucial role in targeting specific groups for assistance – the elderly, disabled, and the very poor. PHAs set priorities and guidelines that determine which among the many eligible low-income families will actually receive rental assistance. In addition to administering the various HUD programs, many PHAs own and manage public housing developments. Georgia has 188 PHAs. The largest is the Atlanta Housing Authority, followed by the Housing Authority of DeKalb County. (A list of all PHAs in Georgia can be found on the HUD website. See References).

The U.S. Department of Treasury provides federal oversight for the LIHTC program. Tax credits are allocated to each state annually based roughly on population. It is the responsibility of state Housing Finance Agencies (HFAs) to administer the program by setting guidelines (within the federal guidelines) that meet the needs of residents in its state. HFAs enjoy considerable latitude in determining which projects are funded under the program. HFAs can be state government agencies or independent agencies chartered by the state. The Georgia Department of Community Affairs (DCA) is Georgia’s HFA. It is a state government agency. (Georgia’s DCA also administers the Housing Choice Voucher program for most counties outside of Fulton, DeKalb, and Cobb.)

Who is Assisted?

Over 5 million American households, including over 150,000 in Georgia, receive federal rental assistance. Most of those receiving assistance are among the very poorest Americans. (See Figure 5.)
The overwhelming majority of assisted households include families with children, the elderly, or the disabled:

**Figure 6: Demographics of HUD Program Participants**

Source: CBPP tabulations of 2016 HUD program data
Funding of Federal Programs

In 2018, the federal government will spend an estimated $38.3 billion on the Housing Choice Voucher, PBRA, and Public Housing programs. Those amounts are included in HUD’s total annual budget of $49.3 billion. To put the cost of the programs in perspective, $38.3 billion represents one percent of total federal spending for the year. (See Appendix 6.)

The LIHTC costs the government approximately $9.0 billion annually in forgone revenue. The LIHTC is not a spending program. A tax credit reduces the overall amount of taxes the Treasury would have otherwise collected. The financial impact on the U.S. government is the same whether the government writes a check for $9 billion or reduces the amount of taxes it collects by $9 billion, it’s just a different way to account for it. And reducing tax collections by $9 billion is more palatable to lawmakers than spending $9 billion in government funds, for political if not logical reasons.

Federal programs to help the poor with their housing needs are not entitlement programs. In other words, just because you meet the eligibility requirements for assistance, that doesn’t necessarily mean that you will receive the benefits. The total amount of funding available for federal housing assistance is set by Congress every year and when the limit is reached, there are no more funds available for eligible applicants. (This is sometimes referred to as a “capped” program.) In contrast, federal entitlement programs provide benefits to anyone who meets the programs’ income and other requirements. For example, the Supplemental Nutrition Assistance (SNAP) program (formerly known as “food stamps”) is an entitlement program. Everyone who is eligible and applies to receive SNAP benefits receives them, regardless of how much it might cost the federal government in any given year (an “uncapped” program).
CHALLENGES

It should be clear by now that policymakers face many challenges in addressing the affordable rental housing problem. The principal challenges are as follows:

- Limited funding of federal housing programs,
- Landlord reluctance to accept vouchers
- LIHTC program deficiencies
- Roadblocks to expanding the supply of low-cost housing

Limited Funding of HUD Programs

HUD estimates that over 8 million Americans who are in need of rental assistance do not receive it (See Figure 7.). That is because the assistance is not available due to lack of federal funding.

For years Congress has set funding for HUD at levels that allow only modest increases in the number of households assisted, despite the growing number of eligible but unassisted households. Funding for the Housing Choice Voucher program is sufficient to add only
approximately 10,000 new voucher recipients annually, far short of the need. Most of the new vouchers are targeted at special populations, particularly homeless veterans.

**Figure 8: Annual Expenditures for Major HUD Programs 2010 – 2018**

Because funding for federal housing programs is not nearly sufficient to provide subsidies to those who are eligible, all 2,400+ PHAs employ waiting lists for applicants. Most of the waiting lists are closed. Some have been closed for over a decade. When waiting lists do occasionally reopen, the number of applicants far exceeds the number of open spaces available on the lists and PHAs use lotteries to select applicants to be placed on the lists. If lucky enough to be put on a waiting list, an applicant can expect to wait months or years before a voucher actually becomes available.

**Landlord Reluctance to Accept Voucher Tenants**

Those who are fortunate enough to obtain housing vouchers, often after years of waiting, struggle to find landlords willing to accept them (vouchers, that is), particularly in tight housing markets. When they do find landlords who accept vouchers, the housing tends to be concentrated in low-opportunity (i.e., poor) neighborhoods.

**Economic Constraints**

For some landlords it makes little economic sense to accept voucher holders. HUD sets the maximum rent that a landlord can charge a voucher holder. That amount is called the *Fair Market Rent* (FMR) which is defined as “the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market.” Without going
into the details of the calculation, the FMR usually turns out to be around 20% below the average rent for a community (See Appendix 5). Therefore, landlords with higher-end properties in better neighborhoods with market rents above FMR can receive higher rents from unsubsidized tenants than they can receive from voucher holders. You can’t really blame private landlords for acting in their own self-interests. By setting maximum rents low, the program guidelines inhibit the program goal of preventing the concentration of poverty.

**Regulatory Burden**

Landlords participating in the Voucher Program are subject to the paperwork requirements of the program and are required to maintain their properties to an acceptable HUD standard. Voucher units are subject to annual HUD inspections conducted by local public housing authorities. Many landlords cite these requirements as reasons for not accepting voucher tenants.

**Discrimination**

Many landlords refuse to accept voucher tenants because of their belief that voucher tenants cause excessive damage to their properties or that their non-voucher tenants would object to living in “subsidized housing”. Federal law does not require a landlord to accept a voucher tenant. The practice of rejecting applicants solely because they have a voucher is called “source of income” (SOI) discrimination. Fifteen states have passed legislation prohibiting SOI discrimination. Georgia is not one of them. Yet SOI discrimination is difficult to prove and prosecute. Also, studies have linked the practice of not accepting vouchers to racial discrimination even though landlord discrimination based on race is prohibited under federal Fair Housing laws.

Obviously, when landlords refuse to accept vouchers a lot of the “choice” is removed from the Housing Choice Voucher program and limits the ability of low-income households to move out of poor neighborhoods.

**LIHTC Funding & Program Deficiencies**

The number of new LIHTC units has not appreciably increased the supply of affordable housing in recent years. As new LIHTC units are added to the supply of affordable housing, older units have been taken off the program as the original 15-year tax credits have expired.

Also, much LIHTC housing is unaffordable to the very poorest Americans because the rent that a tenant pays is based on market prices, rather than the tenant’s income. This is especially problematic in high-rent markets. (In the Atlanta metro area for example, the rent for a two-bedroom LIHTC unit can exceed $1,000 per month.)

**Regulatory Barriers & NIMBYism (“Not In My Backyard”)**
Community opposition, restrictive zoning requirements, and negative stereotypes about the poor combine to make it difficult for low-income families to move to higher-opportunity areas.

You might be wholeheartedly in favor of efforts to provide affordable housing for the poor, but odds are that if you live in a plush home with a view of your golf course you do not want low-income housing built next door. And odds are you will be supported by local public officials armed with restrictive local zoning ordinances that serve to ensure that low-cost housing is not built in your community.

Proposals to build more affordable housing are often met with fierce resistance by local public officials and property owners living in the neighborhoods and communities where a new development is proposed. Inevitably when new affordable multi-family housing (i.e., an apartment building) is proposed, neighborhood residents (voters) flock to city council meetings to express their fears of overcrowding, heavy traffic, and additional burdens on existing community resources. Many residents express a fear of crime.

Most communities have land use ordinances that regulate the density of new development. Some communities have statutes prohibiting multi-unit apartment buildings altogether. Other statutes set multi-family density so low that only larger luxury apartments can be developed profitably. While the intent of density ordinances is to preserve the “character” of a community and protect property values, the effect is to prevent much affordable (low-density) housing from being built.

Much opposition to construction of affordable housing has been found to be related to class differences and negative stereotypes about the poor. As one surprisingly candid Dallas, TX woman opposed to a proposed affordable housing development in her neighborhood told a reporter, "In this neighborhood, most of us are stay-at-home moms with young kids. The lifestyle that goes with Section 8 is usually working, single moms or people who are struggling to keep their heads above water. I feel so bad saying that, it's just not people who are the same class as us."
WHY AFFORDABILITY MATTERS: THE SLIPPERY SLOPE TO HOUSING INSTABILITY

High cost burdens create an unstable environment for low-income families and individuals, a condition that policy makers and social scientists refer to as housing instability.

What is Housing Instability?

There is no common definition of housing instability, a fact that drives researchers crazy. Lacking a clear definition, we will define housing instability as the range of negative potential consequences that a household faces when its housing is unaffordable. In other words, it means that if your rent is unaffordable, you will encounter or are already encountering a whole bunch of bad effects. The range of consequences includes:

- Frequent or chronic late rent payments and corresponding fees
- Frequent moves, doubling up, and “couch surfing”
- Substandard housing in unsafe neighborhoods with failing schools
- Predatory landlords
- Evictions, and
- Homelessness

Cost-burdened low-income households are at high risk of housing instability. When a low-income family is paying more than 30% of its income for rent and has no savings, there is little margin for error if its income is reduced (because of job loss, reduction in work hours, etc.) or unexpected expenses arise (such as medical bills, car repairs, funeral expenses, etc.). This of course is especially true for severely cost-burdened households, i.e., those paying over 50% of their income for rent.

Effects of Housing Instability

And while the causes of housing instability may seem obvious, the effects are less so.

Housing instability is a barrier to economic stability and perpetuates a cycle of poverty. Late fees can add $150 or more to monthly rent. Legal fees for evictions can run as high as $250, even if the tenant is not ultimately evicted. Work hours and jobs are lost due to frequent moves. Each move to another apartment involves moving costs and requires a security deposit. Credit histories are damaged. And in the case of homelessness, all of a person’s possessions are often lost.

Increasingly, housing instability is viewed as a public health issue. Researchers have found links between housing instability and depression, risk of developmental delays in children, hospitalization, and maternal and infant mortality.
Housing instability also leads to negative educational outcomes. The U.S. Department of Education estimated that in 2014 1.3 million public school children were homeless or doubled-up, i.e., living with friends or relatives.

Children in unstable housing change schools frequently and have high absence rates. Moreover, housing affordable to low-income households is most often found in neighborhoods with failing schools. Research has linked housing instability to lower test scores and higher dropout rates.
THINKING ABOUT SOLUTIONS

Most people who think about affordable rental housing for the poor agree that it is indeed a pressing social problem and one that requires a solution. Unfortunately, that is all-too-often where agreement ends.

Arguments about solving the affordable housing problem revolve around methods and means. (See Appendix 7 for a more detailed review.) Here are some of the more common arguments, along with a few helpful hints as to their validity:

- Some people who are ideologically opposed to government intervention in free markets argue that if markets are left alone the miracle of capitalism will provide affordable housing for all. (Hint: It never has.)
- Others argue that income inequality is really the problem and that by narrowing the income gap between the rich and the poor, the housing problem will go away. (Hint: Good luck making that happen.)
- Lawmakers debate the relative efficacy and cost efficiency of direct subsidies to the poor (vouchers) versus tax credits for developers (LIHTC). The debate falls along predictable ideological lines. (Hint: Vouchers are more efficient and cost effective. You can do your own research on that.)
- “Fiscal conservatives” argue that the U.S. government cannot afford to spend additional (or any) federal dollars on social programs. (Hint: The U.S. government is not going broke.)
- Affordable housing advocates argue that the federal government could and should provide universal rental assistance to the poor by making vouchers available to all who are eligible. (Hint: That would require a degree of political willpower that has not been in evidence in this country for a very long time.)

But arguing over approaches obscures the issue. Housing, like food, is a necessity of life. Civilized societies bear the responsibility to ensure that the basic needs of its most vulnerable members are met. It is a moral imperative. As Vincentian advocates for the poor, it is our responsibility to work towards meaningful solutions.
APPENDIX 1: COST BURDEN SUMMARY DATA

Cost Burden by Income Group 2015

<table>
<thead>
<tr>
<th></th>
<th>Moderate Cost Burden</th>
<th>Severe Cost Burden</th>
<th>No Cost Burden</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-Income</td>
<td>4,845,350</td>
<td>9,449,055</td>
<td>4,539,600</td>
<td>18,834,005</td>
</tr>
<tr>
<td>%</td>
<td>25.7%</td>
<td>50.2%</td>
<td>24.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Not Low-Income</td>
<td>4,515,790</td>
<td>709,270</td>
<td>18,541,545</td>
<td>23,766,705</td>
</tr>
<tr>
<td>%</td>
<td>19.0%</td>
<td>3.0%</td>
<td>78.0%</td>
<td>100%</td>
</tr>
<tr>
<td>Total Renter HHs</td>
<td>9,361,140</td>
<td>10,158,325</td>
<td>23,081,245</td>
<td>42,600,711</td>
</tr>
<tr>
<td>%</td>
<td>22.0%</td>
<td>23.8%</td>
<td>54.2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: HUD 2015 CHAS data; extracted October, 2018

Cost Burden for All Renter Households 2001 & 2015

<table>
<thead>
<tr>
<th></th>
<th>Moderate Cost Burden</th>
<th>Severe Cost Burden</th>
<th>No Cost Burden</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>7,300,000</td>
<td>7,400,000</td>
<td>21,100,000</td>
<td>35,800,000</td>
</tr>
<tr>
<td>%</td>
<td>20.4%</td>
<td>20.7%</td>
<td>58.9%</td>
<td>100%</td>
</tr>
<tr>
<td>2015</td>
<td>9,351,140</td>
<td>10,158,325</td>
<td>23,081,245</td>
<td>42,600,710</td>
</tr>
<tr>
<td>%</td>
<td>22.0%</td>
<td>23.8%</td>
<td>54.2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sources: HUD 2015 CHAS data; extracted October, 2018; 2001 Data from JCHS “America’s Rental Housing 2017”

Note: Components of Income

In calculating cost burdens, income is pre-tax (gross income), which means that payroll and other taxes are paid out of disposable income. If one used after-tax income (net income) in the calculation, cost burdens would be higher than they appear. People on the left side of the political spectrum like to point this out, arguing that the affordable housing problem is larger than the reported cost burden numbers indicate. On the other hand, income does not include transfer payments and other government benefits which increase income (like the Earned Income Tax Credit and SNAP benefits for example). If transfer payments were included in income when calculating cost burdens, cost burdens would be lower than they appear. People on the right side of the political spectrum like to point this out, arguing that the affordable housing problem is smaller than the reported cost burden numbers indicate. Reasonable people in the middle consider the effect of these methodological shortcomings to be a “wash”.  

22
APPENDIX 2: THE HOUSING WAGE

Most poor adults work and therefore derive most of their income from wages. Unfortunately, they work in jobs that do not pay enough for them to afford the rents in the communities in which they live.

The “housing wage” compares rental housing costs to wages. It shows how much one must earn in order to afford rental housing in the area in which he/she lives, without spending more than 30% of his/her income on rent. The calculation is based on Fair Market Rent, which is around 20% below the average rent in a given area.

Housing Wages by Region

<table>
<thead>
<tr>
<th></th>
<th>Atlanta / Sandy Springs / Georgia</th>
<th>Roswell</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rent (FMR)</td>
<td>$911</td>
<td>$1,031</td>
<td>$1,149</td>
</tr>
<tr>
<td>Housing Wage:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>$36,459</td>
<td>$41,240</td>
<td>$45,960</td>
</tr>
<tr>
<td>Monthly</td>
<td>$3,038</td>
<td>$3,437</td>
<td>$3,830</td>
</tr>
<tr>
<td>Hourly</td>
<td>$17.53</td>
<td>$19.83</td>
<td>$22.10</td>
</tr>
</tbody>
</table>

*Note: FMR for 2-BR apartment, includes utilities
Source: “Out of Reach 2018”, NLIHC

The housing wage can also be expressed by showing the number of hours one must work each week to afford rental housing.

Work Hours Required to Afford Fair Market Rent

<table>
<thead>
<tr>
<th>Hourly Wage:</th>
<th>7.25*</th>
<th>$10.00</th>
<th>$12.00</th>
<th>$14.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Work Hours Needed Per Week:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>97</td>
<td>70</td>
<td>58</td>
<td>50</td>
</tr>
<tr>
<td>Atlanta / SS / Roswell</td>
<td>109</td>
<td>79</td>
<td>66</td>
<td>57</td>
</tr>
<tr>
<td>U.S.</td>
<td>122</td>
<td>88</td>
<td>74</td>
<td>63</td>
</tr>
</tbody>
</table>

* Federal Minimum Wage
Source: "Out of Reach 2018", NLIHC
APPENDIX 3: EXAMPLES OF PUBLIC-PRIVATE PARTNERSHIPS

Gateway Capital View, Atlanta, GA
162-unit affordable housing for seniors
Partners: The City of Atlanta, Invest Atlanta, and The Prestwick Companies

Myrtlewood Affordable Housing Project, Springfield, OR
35-unit multi-family housing
Partners: St Vincent de Paul, Springfield Church of the Brethren, City of Springfield, HUD
https://www.kezi.com/content/news/St-Vincent-de-Paul-opens-new-affordable-housing-project-in-Springfield-496690341.html

James P. Brawley Street Redevelopment, Atlanta, GA
35 units for seniors and low-income wage-earners
Partners: Westside Future Fund (through philanthropic funding)

Capitol View Apartments, Atlanta, GA
120 units for those earning 50 to 70 percent of area median income
Partners: Enterprise Community Loan Fund with a guarantee by the Annie E. Casey Foundation, Invest Atlanta, Georgia Housing and Finance Authority, LIHTC
Station 464, Atlanta, GA

80 units for seniors; 96 units of affordable housing for families

Partners: HUD, the Georgia Department of Community Affairs, the City of Atlanta and Invest Atlanta.


The vPoint, Arlington, VA

70 units for household incomes ranging from $35,000 to $50,000 per year.

Partners: Clarendon Baptist Church, Arlington County, and the Virginia Housing Development Authority

## APPENDIX 4: FEDERAL HOUSING PROGRAM OVERVIEW

### Comparison of Federal Housing Programs

<table>
<thead>
<tr>
<th></th>
<th>Housing Choice Voucher Program (HCV)</th>
<th>Project-based Rental Assistance (PBRA)</th>
<th>Public Housing</th>
<th>Low-Income Tax Housing Tax Credit (LIHTC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
<td>Direct rental assistance to LIHHs to obtain housing in private market</td>
<td>Subsidies to private owners to provide low-cost housing</td>
<td>Government-built and -owned housing</td>
<td>Tax incentives to build or rehabilitate housing For LIHHs</td>
</tr>
<tr>
<td><strong>Current Status</strong></td>
<td>Active. Largest federal housing program</td>
<td>Legacy program. Funding only for operating cost of existing units</td>
<td>Legacy program. Funding only for operating cost of existing units</td>
<td>Active. Primary federal program to increase supply of housing available to LIHHs</td>
</tr>
<tr>
<td><strong>Federal Agency</strong></td>
<td>HUD</td>
<td>HUD</td>
<td>HUD</td>
<td>IRS</td>
</tr>
<tr>
<td><strong>Administrative Agency</strong></td>
<td>PHAs</td>
<td>PHAs</td>
<td>PHAs</td>
<td>SHAs</td>
</tr>
<tr>
<td><strong>Housing Ownership</strong></td>
<td>Privately-owned</td>
<td>Privately-owned (1)</td>
<td>Government-owned</td>
<td>Privately-owned</td>
</tr>
<tr>
<td><strong>Available Housing</strong></td>
<td>Any unit where landlord accepts voucher (&quot;Tenant-Based Vouchers&quot;) OR Specific units where landlord has entered into agreement to accept a specified number of voucher tenants (&quot;Project-Based Vouchers&quot;)</td>
<td>Specific units in buildings that were constructed or rehabilitated with federal subsidies prior to 1983</td>
<td>Specific units that were built by the federal government prior to 1974</td>
<td>Specific units in buildings that were constructed or rehabilitated since 1986 using federal tax incentives</td>
</tr>
<tr>
<td><strong>Tenant Pays</strong></td>
<td>30% of income (2)</td>
<td>30% of income</td>
<td>30% of income</td>
<td>Rent set at standard</td>
</tr>
<tr>
<td><strong>Government pays</strong></td>
<td>Balance of rent up to FMR</td>
<td>Difference between tenant rents and operating costs of the project</td>
<td>All costs of operating the unit</td>
<td>Portion of initial funding for project</td>
</tr>
<tr>
<td><strong>Annual Cost ($ Billions) (3)</strong></td>
<td>$20.7</td>
<td>$11.5</td>
<td>$6.1</td>
<td>$9.0</td>
</tr>
<tr>
<td><strong>Households Assisted (Millions)</strong></td>
<td>2.3</td>
<td>1.2</td>
<td>1.0</td>
<td>2.1</td>
</tr>
</tbody>
</table>

(1) A significant share of PBRA properties are owned by non-profits or PHAs
(2) Tenant also pays amount over FMR, if any, up to HUD allowable maximums
(3) OMB data; usgovernmentspending.com; LIHTC amount is foregone tax revenues
APPENDIX 5: AREA MEDIAN INCOMES AND FAIR MARKET RENTS

Eligibility for HUD rental assistance and Fair Market Rents are based on Area Median Incomes that are determined by HUD. AMI is the mid-point of all incomes in a geographical area.

HUD Eligibility and FMR Data 2018

<table>
<thead>
<tr>
<th>Area Median Income</th>
<th>Atlanta / Sandy Springs / Roswell</th>
<th>GA Non-Metro Areas Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>$65,403</td>
<td>$48,024</td>
</tr>
<tr>
<td>HUD Program Eligibility (HH size of 4):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>30% of AMI (Extremely Low Income)</td>
<td>$19,621</td>
<td>$14,407</td>
</tr>
<tr>
<td>50% of AMI (Very Low Income)</td>
<td>$32,702</td>
<td>$24,012</td>
</tr>
<tr>
<td>80% of ELI (Low Income)</td>
<td>$52,322</td>
<td>$38,419</td>
</tr>
<tr>
<td>2 BR Fair Market Rent (FMR)</td>
<td>$911</td>
<td>$693</td>
</tr>
</tbody>
</table>

Source: “Out of Reach 2018”, NLIHC

Notes:

Eligibility limits shown are for a household of four. Eligibility limits for an individual household are adjusted for family size (i.e., smaller household = lower limits)

Actual program eligibility limits may be slightly different than above due to changes in program definitions.

Household median income as reported by the U.S. Census Bureau (and often cited in reports on poverty) is calculated using a different methodology than that used by HUD. The Census Bureau reports $57,016 as the 2017 median income for Georgia.

Fair Market Rent is defined as “the 40th percentile of gross rents for typical, non-substandard rental units occupied by recent movers in a local housing market.” Or, in other words, around 20% below the area’s average rent.
APPENDIX 6: FEDERAL SPENDING

Federal spending for 2018 is estimated at $4.2 trillion. The HUD budget of $49.0 billion represents slightly over 1% of total government spending and 14% of the amount spent on social programs for the poor.

**Total Federal Spending 2018 ($ Millions)**

<table>
<thead>
<tr>
<th></th>
<th>$ Billions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security</td>
<td>$ 1,045</td>
<td>25%</td>
</tr>
<tr>
<td>Medicare &amp; Medicaid</td>
<td>1,182</td>
<td>28%</td>
</tr>
<tr>
<td>Defense</td>
<td>868</td>
<td>21%</td>
</tr>
<tr>
<td>Interest</td>
<td>310</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Social Programs</strong></td>
<td><strong>354</strong></td>
<td><strong>8%</strong></td>
</tr>
<tr>
<td>Education</td>
<td>112</td>
<td>3%</td>
</tr>
<tr>
<td>All Other Spending</td>
<td>302</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total Federal Spending</strong></td>
<td><strong>$ 4,173</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Federal Spending for Social Programs 2018**

<table>
<thead>
<tr>
<th></th>
<th>$ Billions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Nutrition</td>
<td>$ 104</td>
<td>29%</td>
</tr>
<tr>
<td>Tax Credits</td>
<td>76</td>
<td>21%</td>
</tr>
<tr>
<td>Supplemental SSI</td>
<td>56</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Housing (All Programs)</strong></td>
<td><strong>49</strong></td>
<td><strong>14%</strong></td>
</tr>
<tr>
<td>Unemployment Insurance</td>
<td>32</td>
<td>9%</td>
</tr>
<tr>
<td>TANF</td>
<td>16</td>
<td>5%</td>
</tr>
<tr>
<td>All Other</td>
<td>21</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total Social Programs</strong></td>
<td><strong>354</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*Sources: Office of Management and Budget (OMB) data; usgovernmentspending.com*
APPENDIX 7: EFFECTIVE ADVOCACY

For those interested in advocating for affordable housing, it is important to be aware of some of the rhetorical pitfalls that one might encounter. Here are several:

Affordable Housing as a Social and Moral Issue

Affordable housing for the poor is a moral issue, not simply a matter of the economics of wages, supply, and demand. Solving the problem requires that our society fulfills its obligation to ensure that all of its members are fed, clothed, and sheltered. Beyond that, housing is more than a material necessity – where one lives is a key determinant of whether one can fully participate in society, with access to good schools and a host of other social benefits. As Vincentians, we may not be economic experts but our work gives us a moral authority to speak out on the issue.

Defining the Issue

The affordable rental housing problem is as we have defined it: “Low-income households spend far more than they can realistically afford for rent. As a result, poor families must make difficult tradeoffs between housing and other necessities and live with the real and ongoing risk of losing their shelter.” Defining the issue in this way reflects both the economic and social components of the problem.

Some policy makers and pundits describe the affordable housing problem as a “lack of affordable housing”. That more limited definition is often used by those favoring increases in the supply of low-cost housing through free market mechanisms or through the use of tax credits.

The Affordable Rental Housing “Crisis”

Affordable housing advocates, the media, and others refer to the current affordable housing landscape as a crisis. “Crisis” is a loaded term. Labeling something as a crisis sells newspapers and attracts research dollars. In labeling the affordable rental housing problem as a crisis, people often point to single out-of-context statistics or recent economic events.

For example, there is no clear economic evidence to support the claim that new higher-income renter households (millennials, affluent seniors, etc) have driven up the cost of rental housing for those in low-income groups. Economists suspect that this might have some effect, but have not shown it.

Similarly, while the number of cost-burdened low-income households is increasing, the share of cost-burdened low-income households is not. Simply put, there are more cost-burdened poor households today than ten years ago because there are more poor households today.

If there is a “crisis” in affordable rental housing, that crisis is rooted in the fact that government rental assistance to the poor is inadequate and has been for decades. In that sense, the affordable
A housing crisis is not one that has been caused by recent economic events. Let’s be more circumspect here and just agree that the lack of affordable housing for the poor is a very big social problem that has been around for a very long time.

**Income Inequality**

Income inequality in the U.S. is a huge social problem that would require major economic and political changes to resolve. Logically, if our nation solved the inequality problem, the affordable housing problem would disappear. However, when discussing affordable housing, pointing to income inequality as a cause diverts our attention from a solvable problem (housing) to an much larger and intractable one.

**Workforce Housing**

The term “workforce housing” has become popular in the past ten years. There is no clear definition but it is often used to describe housing that is affordable to firefighters, policemen, teachers, and others who work in high-rent communities. While building workforce housing may be an admirable goal, it does nothing for the poorest Americans.

**Filtering**

Some experts argue that the private market will create a sufficient supply of housing to accommodate the needs of the poor and that no government intervention is warranted. Their argument is that as demand for higher-income rental housing increases, more higher-end rental housing will be built. As these new high-end units become available, some share of older units will become available and affordable to the poor. The concept is known as “filtering”. You can think of it as similar to the widely-discredited “trickle-down” economic theory applied to housing.

Unfortunately for those who advance the filtering argument, it flies in the face of economic reality. On its own, the private market has never and will never create enough affordable housing for the poor.

**Vouchers vs. Tax Credits (Subsidies for the Poor vs. Subsidies for the Rich)**

Most policy makers debate the efficacy and efficiency of our two principal federal policy responses to the affordable rental housing problem. There is ample evidence (and common sense) to suggest that vouchers are effective in reducing poverty quickly and cost-effectively. By comparison, LIHTC tax subsidies cost more and, when applied, take years to increase housing supply.
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