

# Characterizing the Affordable Housing Problem

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# Housing Affordability (2007)

	Annual	Affordable Housing Cost (30% of Income)
Area Median Income (AMI)	\$75,600	\$1,890
Extremely Low Income (30% AMI)	\$23,350	\$584
Very Low Income (50% AMI)	\$38,950	\$974
Low Income (80% AMI)	\$59,600	\$1,490
Poverty Income	\$20,650	\$517
State Minimum Wage	\$16,495	\$412

Source: Washington State Housing Finance Commission and author calculations

# Rent housing costs?

Fall 2007		2-br unit
Seattle Low	Rainier Valley	\$ 729
Seattle High	Belltown	\$1,571
Suburban Low	Airport/SeaTac	\$ 790
Suburban High	Mercer Island	\$1,278

Source: Dupre+Scott

- Fair Market Rent
  - 2 bedroom unit \$854/month (2007)
  - 40<sup>th</sup> Percentile of Rental Market

In 2006, a family earning minimum wage would have had to work 96 hours a week to afford a 2 bedroom apartment in King County.

# Housing links

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- *State of the Nation's Housing 2007*,  
<http://www.jchs.harvard.edu/son/index.htm>
- *Affordable Housing 2006, King County Benchmark Report*.  
[http://www.metrokc.gov/budget/benchmrk/bench06/AffHsg/aff\\_housing.htm](http://www.metrokc.gov/budget/benchmrk/bench06/AffHsg/aff_housing.htm)
- Housing Development Consortium. 2007. *King County Housing Facts*.  
<http://www.housingconsortium.org/news/documents/KCFactSheet2007.pdf>
- *Out of Reach 2006*, <http://www.nlihc.org/oor2006/> (navigate to and examine results for Seattle Metro Area)
- *Paycheck to Paycheck—2005 Findings* <http://www.nhc.org/chp/p2p/> .  
Scroll down to choose Seattle metro area, and examine results for 5 preselected occupations. Look at other combinations as you want.
- *The Housing Landscape for America's Working Families, 2007*  
[http://www.nhc.org/pdf/pub\\_landscape2007\\_08\\_07.pdf](http://www.nhc.org/pdf/pub_landscape2007_08_07.pdf)

# What's the problem?

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- Characterize/describe the affordable housing problem nationally
- Characterize the affordable housing problem locally
- Characterize the affordable housing problem as it effects subgroups of the population: minorities, the poor, moderate income folks, the elderly, singles
- How does the methodology behind and selection of national data sources impact the picture of national housing issues? How are certain groups underrepresented or excluded from the current analysis? What would need to change to include them?

# Class discussion—what struck you?

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- Rising tide did not lift all boats; plugged some leaks;
  - Economic expansion based in keeping wages low.
- Measuring unemployment
  - Involuntary, pt workers
  - Prison population
  - Giving up
- Trade-offs not represented in measures of affordability
- Single mother hh b/c of wage gap; or no child support
  - Work requirement impacts? More stress

# Characterize the problem

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- Start from income
  - Can't control markets?? Easier to deal with wages; EITC
  - Subsidies inadequate; construction goals not met
  - Wage subsidies lead to inflation?
- Not defined housing as a right → so not a priority
  - Mkt imp but don't want to overly interfere
- Role of assets/inequality
- Bottom 40% not increase their income in terms of real wages.
- Change in last 30 years of percent of income spent on housing combined with the unequal rise in income.
- In terms of trade-offs in terms of quality of life impacts—link to real data on food, health, services. (commute and day care)

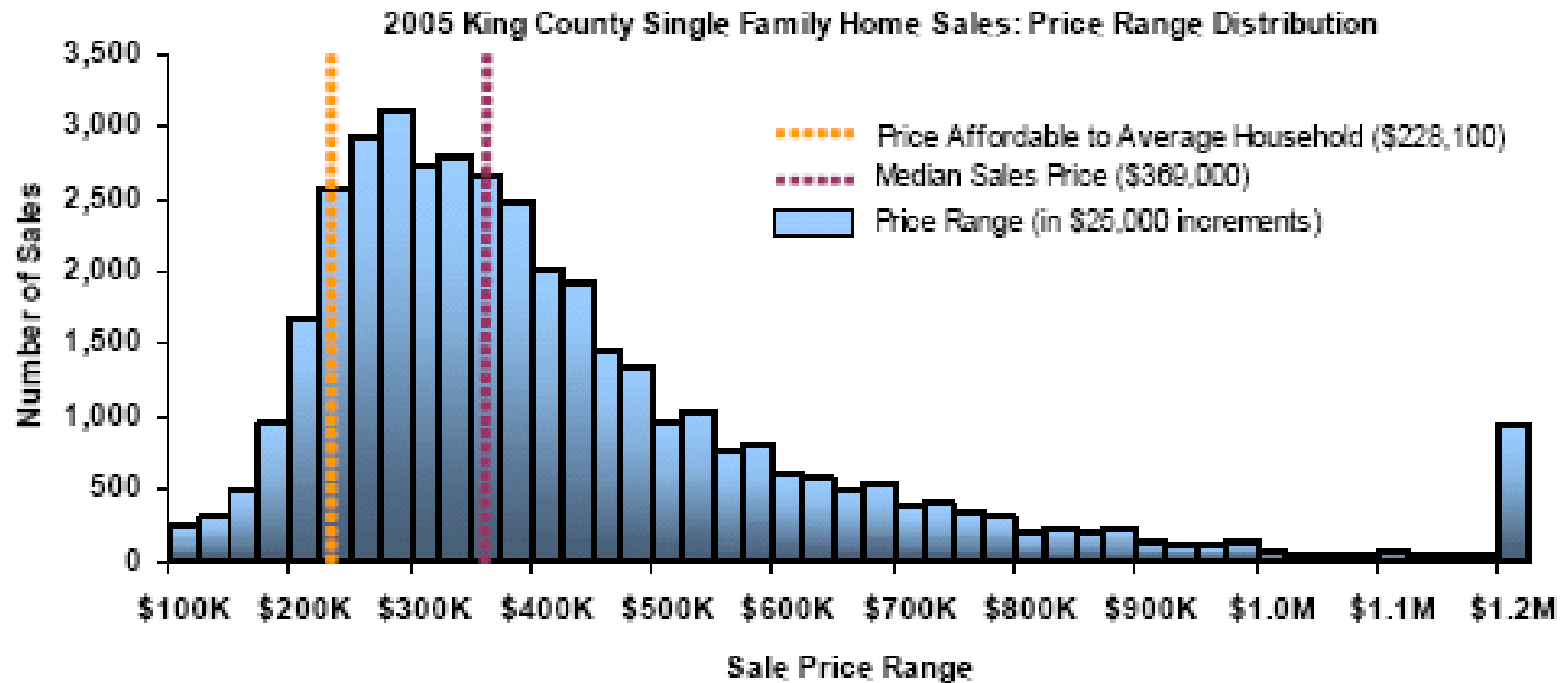
# How to define affordability?

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- Tautological
- Relative
- Subjective
- Behavioral
- Ratio
- Residual

# Home sale prices

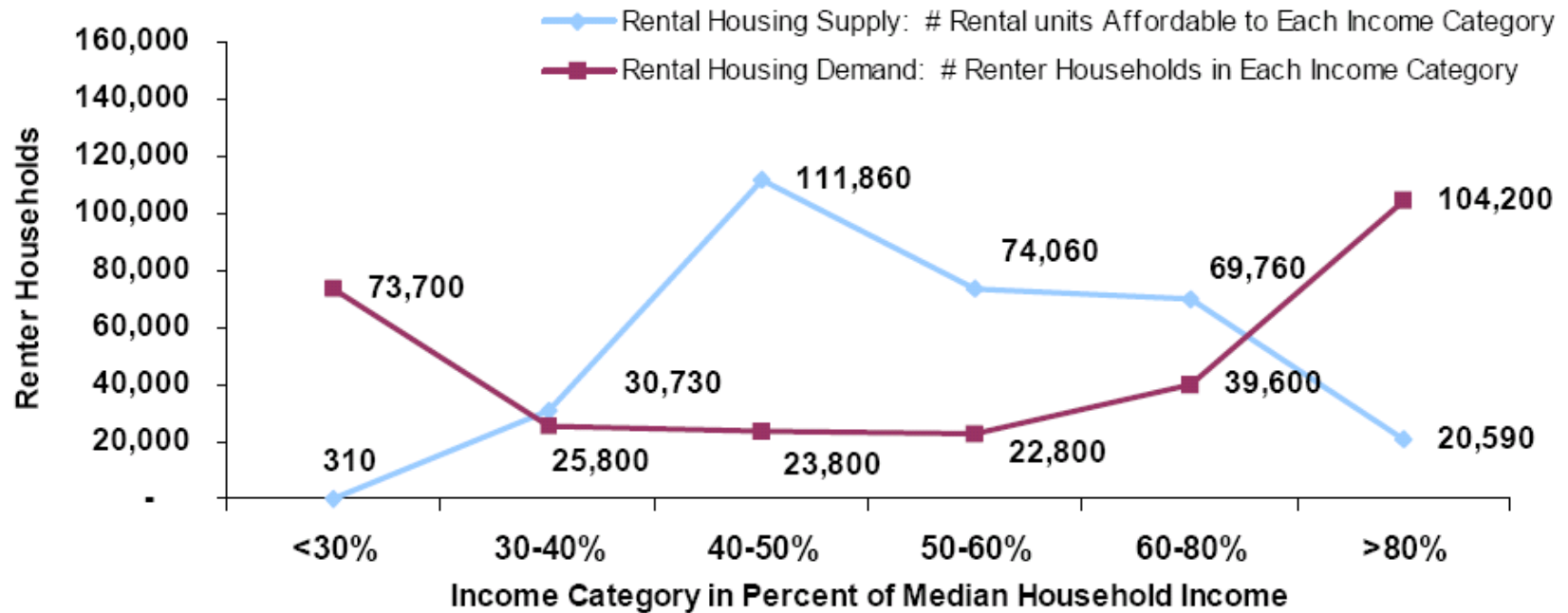
Figure A



# Who can't find affordable housing?

Figure 21.2

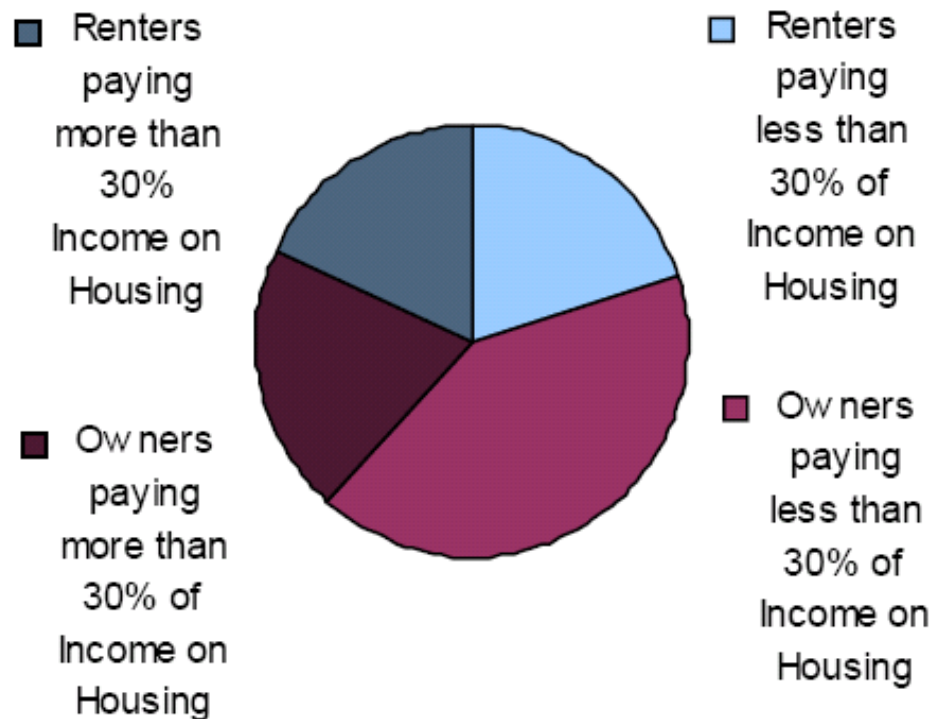
King County Rental Housing Supply and Demand (2006)



Source: King County Benchmark Report 2005-2007

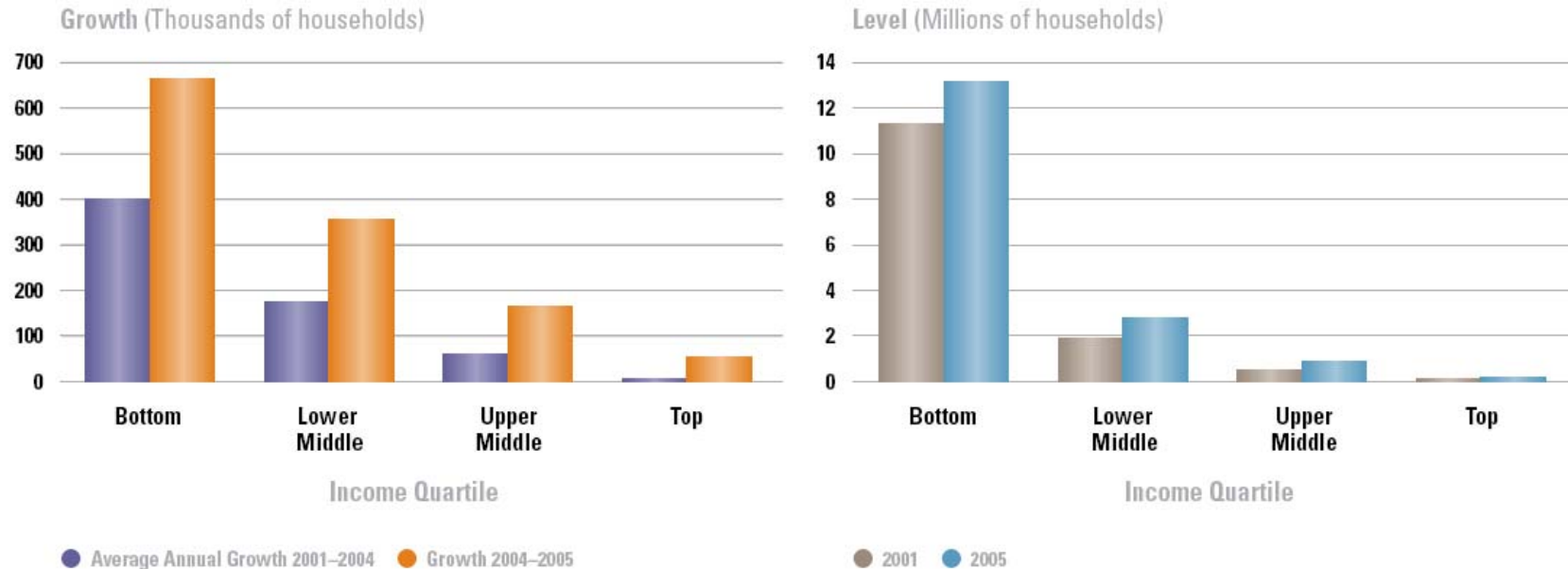
# Who pays too much locally?

**Proportion of Income Dedicated to Housing Costs: Renter and Owner Households (2005)**



# Who pays too much nationally?

**FIGURE 29** Growth in Severely Cost-Burdened Households Has Accelerated Across Income Groups

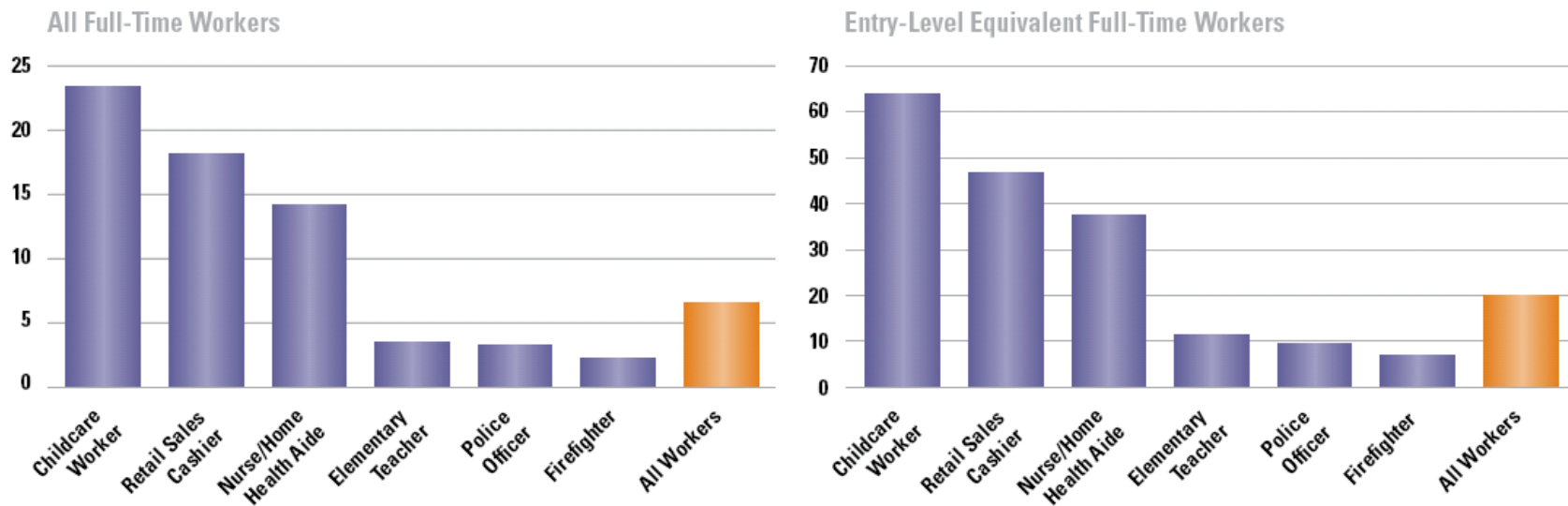


Notes: Severely cost-burdened is defined as spending more than 50% of household income on housing costs. Income quartiles are equal fourths of all households sorted by pre-tax income.  
Source: JCHS tabulations of the 2001, 2004, and 2005 American Community Surveys.

Source: Joint Center for Housing Studies at Harvard, *State of the Nation's Housing 2007*

# Who is burdened?

**FIGURE 31** Households Headed by Lower-Paid Essential Workers Face Daunting Affordability Problems  
Share with Severe Housing Cost Burdens (Percent)

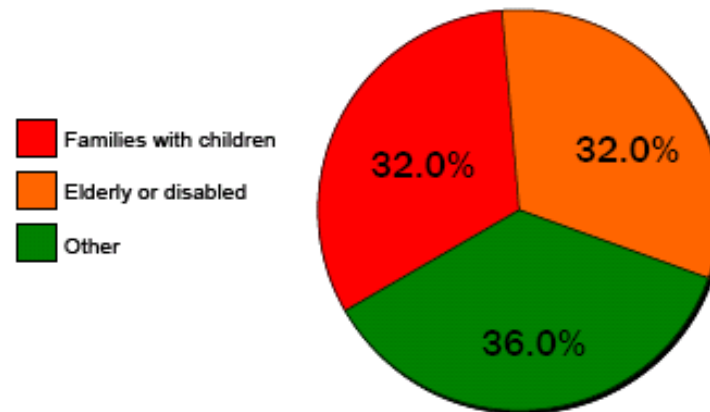


Note: Entry-level equivalent workers are in the bottom quartile of income for their occupation. Severe housing cost burden is defined as spending more than 50% of household income on housing costs.  
Source: JCHS tabulations of the 2005 American Community Survey.

Source: Joint Center for Housing Studies at Harvard, *State of the Nation's Housing 2007*

# Who is burdened?

## Two-Thirds of Low-Income Households with Severe Housing Affordability Problems Have Children Or Are Elderly or Disabled



Source: CBPP tabulations of data from the American Community Survey, 2005. “Low-income” is defined as income that does not exceed 80 percent of state median income. A household has “severe affordability problems” if its housing costs exceed 50 percent of household income.

# Homelessness?

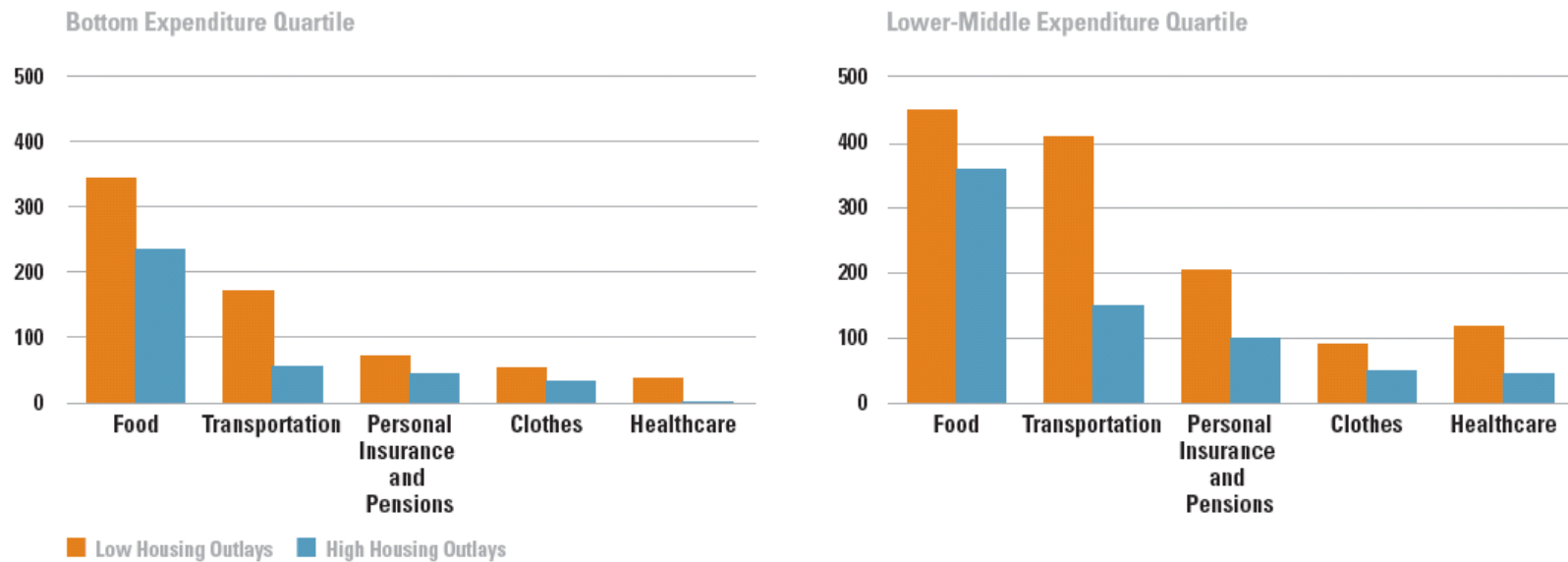
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- ❑ On a typical night in 2004, an estimated 8,300 people were homeless in King County
- ❑ In a given year, 3.5 million people (1.35 million children) are likely to experience homelessness.
- ❑ One a given night in 2005, 744,313 people were homeless.
- ❑ Lack of affordable housing the major cause of homelessness.

# Why is cost burden a problem?

**Figure 35** High Housing Outlays Leave Families with Children with Much Less to Spend on Other Items

Monthly Non-Housing Expenditures of Families with Children (Dollars)



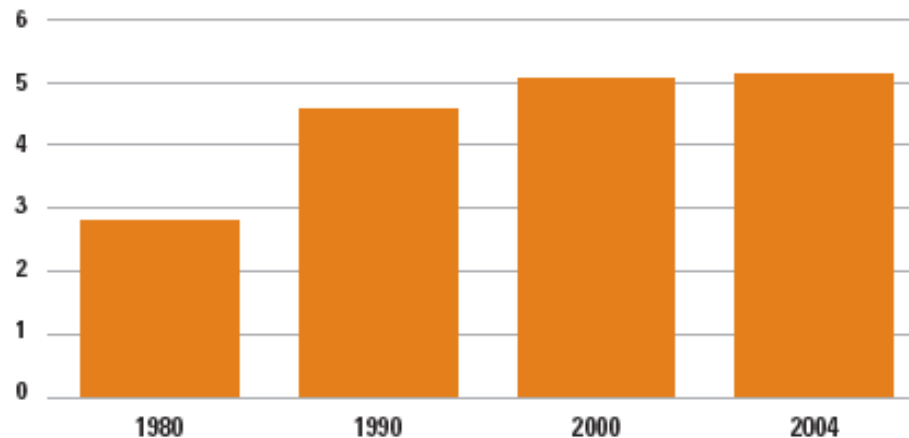
Notes: Expenditure quartiles are equal fourths of all households by average monthly spending. High (low) housing outlays are defined as more than 50% (less than 30%) of total monthly expenditures.  
Source: JCHS tabulations of the 2003 Consumer Expenditure Survey.

Source: Joint Center for Housing Studies at Harvard, *State of the Nation's Housing 2006*

# What about subsidized housing?

**Figure 38** Housing Assistance Has Failed  
To Keep Pace with...

Assisted Renter Households (Millions)



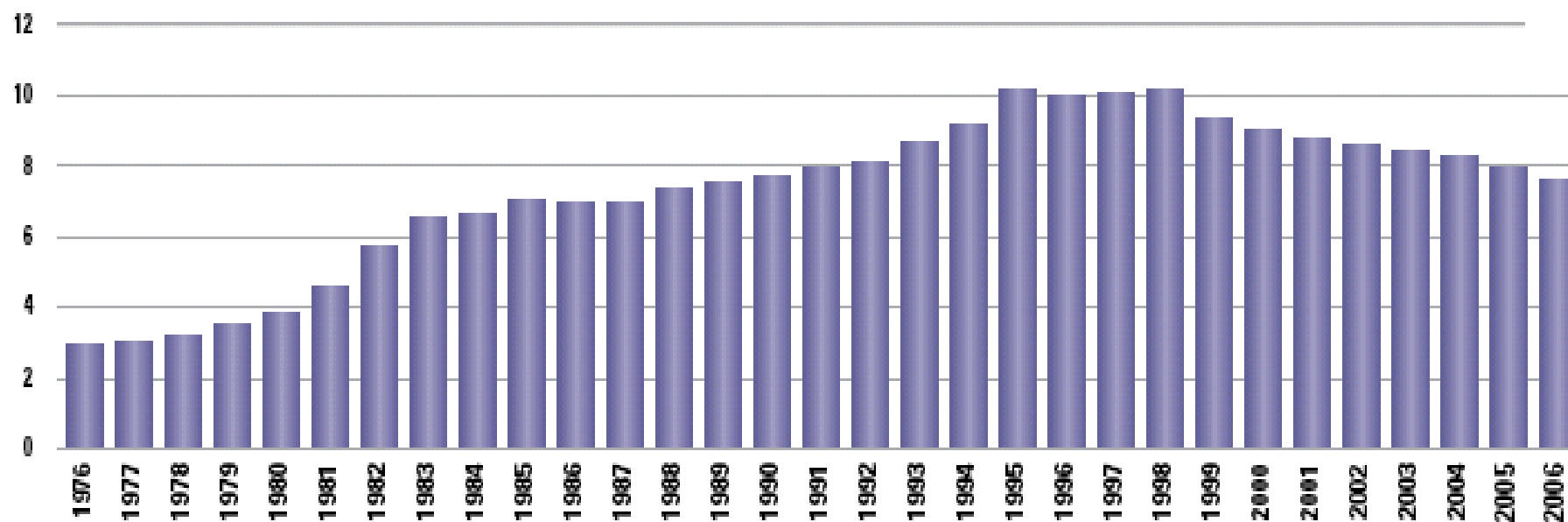
Sources: U.S. House of Representatives, Committee on Ways and Means, Total Renter Households Receiving Direct Housing Assistance by HUD, Greenbook 2000, Table 15-30; U.S. Dept of Housing and Community Development, FY2005 Performance and Accountability Report.

Source: Joint Center for Housing Studies at Harvard, *State of the Nation's Housing 2006*

# Housing is Losing Out

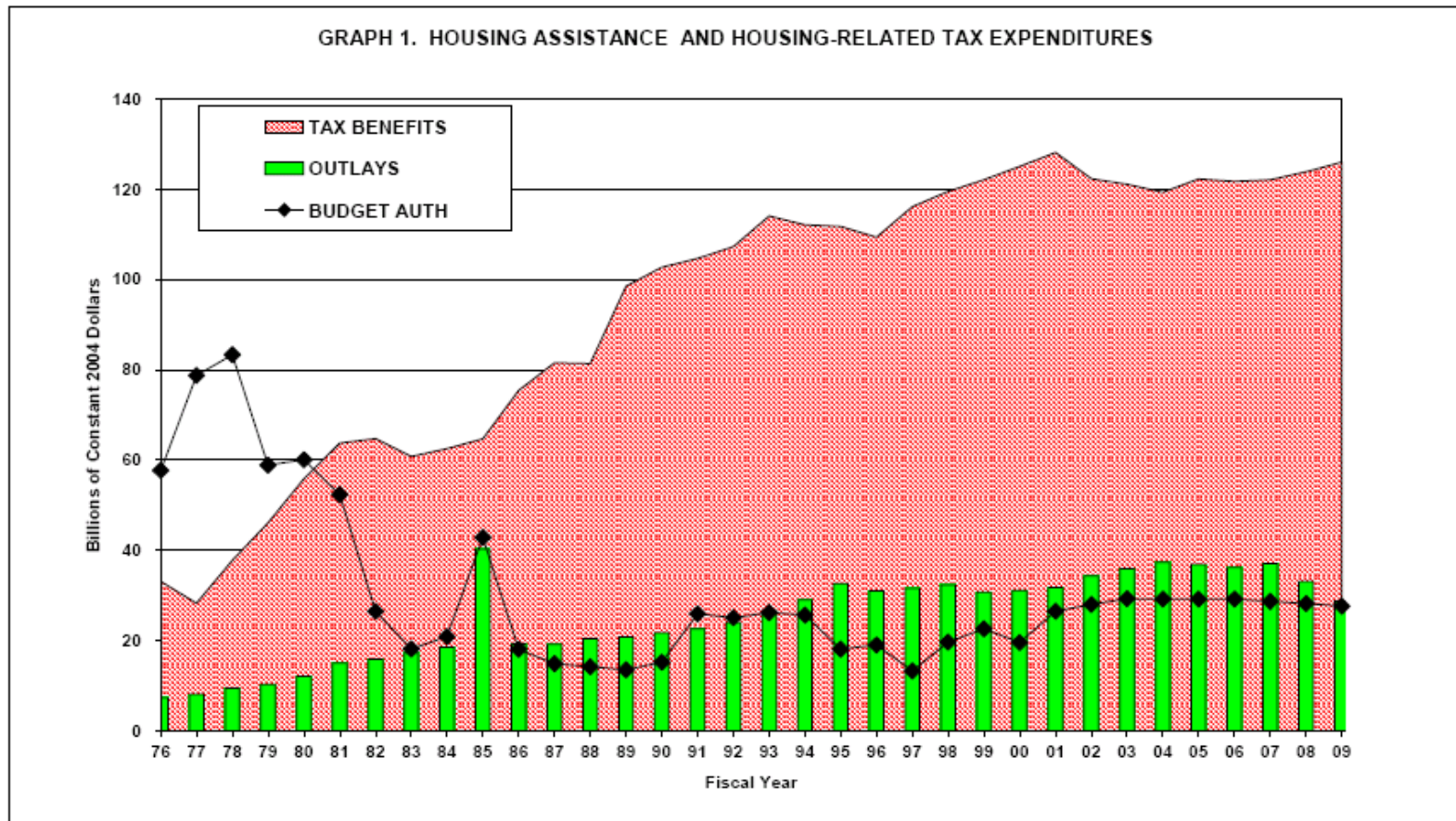
**FIGURE 34** Housing Assistance Is Losing Out to Other Federal Spending Priorities

Housing Assistance as a Share of Nondefense Discretionary Spending (Percent)



Source: US Office of Management and Budget, Budget of the United States Government, Fiscal Year 2008, Table B.7.

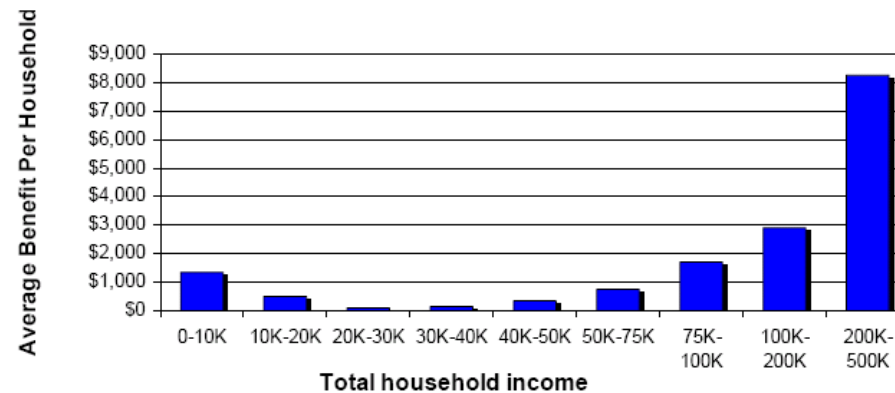
# Major Reductions in Federal Spending



Source: Dolbear, Saraf, & Crowley, 2004

# More Spending on the Wealthy

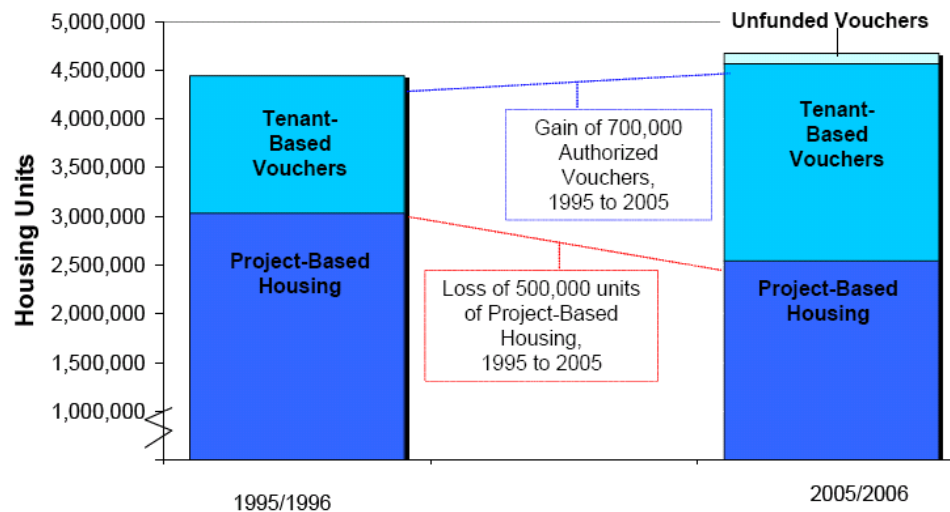
**High-Income Households Receive Substantially Greater Housing Benefits Than Lower-Income Households**  
Average Annual Federal Housing Benefits  
(Including Program Subsidies and Tax Benefits),  
by Total Household Income, 2004



Sources: Carasso *et al.*, "How to Better Encourage Homeownership" (Urban Institute-Brookings Institution Tax Policy Center, 2005). This analysis captures the benefits from four of the largest sources of federal housing assistance: the Section 8 voucher program, public housing, the home mortgage interest deduction, and property tax deductions.

# Stock is not growing

**Most of the Gain in Tenant-Based Vouchers Has Simply Offset Losses of Project-Based Housing**



Counts of lost “project-based” housing units include public housing units as well privately owned housing receiving project-based subsidies (in particular, project-based Section 8, Section 8 Moderate Rehabilitation, or Section 236 subsidies). Figures do not include counts of new Section 202 or 811 units. Sources: HUD’s *Performance and Accountability Report, 2005*; National Housing Trust, “Changes to Project-Based Multifamily Units in HUD’s Inventory, 1995 to 2003”; updated data on project-based Section 8 units provided by the National Housing Trust; CBPP analysis of data from HUD’s Voucher Management System; and Edgar Olson, “Housing Programs for Low-Income Households,” National Bureau of Economic Research, 2001.