

Housing Affordability: Challenge and Context

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The root of the housing affordability problem is the lack of low-income housing programs at the scale necessary to make significant progress. Therefore, the major challenge is to build a constituency, reaching beyond housers, to deal effectively with the housing problems of one-third of this Nation's households. To this end, we must address and correct misperceptions of housing programs and present more positive images.

The emphasis given by many to worst case housing needs has obscured the extent of our real housing needs. As currently defined, *worst case* housing needs refer to fewer than one-half of all unsubsidized, very low-income renter households, and ignore the less critical but still real problems of an additional 21 million households. These households have somewhat higher incomes than those with severe problems, and a comprehensive approach to meeting their needs as well as those with acute problems could significantly expand the constituency for housing assistance.

The Challenge

The most critical aspect of the housing affordability problem is that it is out of the mainstream of public discussion and conscience. While few, if any, would argue that housing is less essential than education, employment, or health care, the extent and urgency of housing needs have been ignored not just by policymakers but also, all too often, by housers themselves. So, the major challenge facing us is how to build a constituency for addressing housing needs. This constituency must both include housers and reach far beyond them.

The root of the current housing affordability problem is the lack of low-income housing programs, both urban and rural, at the scale necessary to make significant progress in addressing our housing needs. Since 1937, the Federal Government has had programs to provide housing for low-income people. Bit by bit over most of that time, we added to the stock of federally assisted low-income housing through a variety of programs and approaches. But the number of assisted households peaked at 5 million in the mid-1990s and has been dropping ever since.

Fifty-one years ago, Congress adopted the national goal of "a decent home and suitable living environment for every American family." Thirty-two years ago, Congress authorized construction or rehabilitation of 6 million low-income units—600,000 a year for 10 years—presumably sufficient to solve the housing problem. If we had done this and continued to provide housing assistance at that level, we would now have nearly 20 million

families living in federally subsidized housing and we would have been gaining on the problem, not falling behind.

In 1977 the outgoing Ford administration submitted a budget to Congress that would have provided 506,000 additional low-income housing units (400,000 Section 8 units, 6,000 Indian housing units, and 100,000 homeownership units). If we had assisted 500,000 additional low-income families every year since 1976, we would now have about 12.5 million families living in federally assisted low-income housing. Instead, we now have more households with worst case needs than are being helped by Federal low-income programs.

Perceptions of Housing Programs

Several years ago, the National Low Income Housing Coalition (NLIHC) sponsored a series of focus groups and a poll to see how housing programs and needs were perceived by the public and what might make a difference in these perceptions. The results were sobering but also offer grounds for hope:

- More than 70 percent of Americans had no positive images of affordable housing.
- People did not believe Washington-based solutions addressed the problems.
- Descriptions of specific successful efforts, especially those in which residents were partners, were the most effective arguments for supporting greater investment in low-income housing.
- Successful examples need to be linked to people and improvements in their lives, jobs, childcare, education and so forth. Local examples, or those from similar communities, excite people.
- Good, affordable housing equals stable neighborhoods. There is strong support for stable neighborhoods.
- Faith and nonprofit motivations are positive images.
- Current images reinforce negative belief systems. We need to create new images that reinforce positive belief systems. Involve images of the customer. Get the customer involved in the selling.
- Lamenting the bad reinforces the bad. Graphic problem statements or studies and statistics need to be hooked to solutions.
- People like examples they can relate to that will save them money, demonstrate responsibility, and so forth.
- Two-thirds of those polled supported affordable housing if it is locally based.

Much is being done, although still at far too small a scale, to generate support for decent, affordable housing in ways that are consistent with the findings of the NLIHC study. But discussions of the voucher program often tend to be negative. Unless the NLIHC findings are badly off base, it is unlikely that such discussions will generate the scale of support that is needed to make a meaningful dent in the housing affordability problem.

I have long believed that false perceptions of subsidized housing are a major reason for the lack of broader support for housing programs. For example, the image of public housing is primarily of highrise, problem projects, although these do not comprise the majority of public housing units. In general, if a development is rundown or believed to be a problem and is in a low-income neighborhood, it is perceived to be subsidized housing, whether it is or not. If it is attractive and well-maintained, the assumption is that it is unsubsidized. The

voucher program has also been tarred with this perception. Many neighborhood objections assume that “problem” families (that is, those that the neighbors object to) are voucher holders, although they often are not.

Finding effective ways to combat these misperceptions is critical, but these considerations often are not addressed in discussions of housing policy. They should be. Otherwise, the challenge of providing every family the opportunity to live in decent, affordable housing will remain unmet.

The Context

For many years, rental assistance programs have carried the major burden of providing housing assistance to very low-income households or enabling other programs, such as the Low-Income Housing Tax Credit (LIHTC), to reach that income level. During the Reagan administration, the Senate Appropriations Committee mandated that HUD report on worst case housing needs—those of unsubsidized very low-income renter households who paid more than one-half of their incomes for housing, lived in seriously substandard housing, or were homeless. At the time, the VA-HUD subcommittee staff director was seeking an estimate of the scale of the problem so that the appropriations would be adequate to enable these critical needs to be addressed within a reasonable timeframe.

The worst case housing reports HUD has issued since then have been valuable analyses. But they have not, unfortunately, led to any significant increase in the number of very low-income families receiving Federal housing assistance. Worse, the focus on the roughly 5 million households with worst case needs obscures the true scale of our housing problems. All too often, the worst case number is cited as the measure of low-income housing need, instead of as a fraction of the most critical needs. The arbitrary limitation of worst case problems to unsubsidized, very low-income renter households means that the definition excludes more than one-half of all households with these critical problems. It is time to put worst case needs in a broader context: the affordability and other problems of all households, regardless of their tenure.

Income by Tenure

HUD estimates median incomes annually for each metropolitan area and for each nonmetropolitan county in the country, and these income levels are used both as a basis for housing assistance eligibility and, increasingly, in housing needs analysis. However, there are wide variations in these median incomes from place to place.¹ For example, in 1999, HUD’s estimated area median family incomes ranged from a low of \$15,500 in Starr County, Texas, to a high of \$94,300 in the Stamford-Norwalk, Connecticut, metropolitan area. As a result of these differences, there is no exact correlation between percentage of area median income (AMI) categories and the poverty level. Ninety-one percent of poor renter households (those with incomes below the poverty level) also have incomes below 30 percent of median, but 9 percent have incomes between 30 percent and 50 percent of median. Similarly, 11 percent of near-poor renter households (incomes between 100 percent and 200 percent of poverty) have incomes below 30 percent of median, 57 percent are between 30 percent and 50 percent of median, 30 percent are between 50 percent and 80 percent of median, and 2 percent are above 80 percent of median.² The point here is that poor or near-poor households with incomes above 50 percent of median may have housing problems.

The distribution of households by income and tenure in 1999, based on American Housing Survey (AHS) data,³ is shown in the top panel of exhibit 1. Key statistics on the incomes of households in each bracket, reflecting the variation in AMI described above, are

Exhibit 1**Households by Percentage of Area Median Income, 1999**

	<30%	30–50%	50–80%	80–120%	>120%	All Households
Households (in thousands)						
Renters	7,738	5,729	7,341	6,643	6,537	33,988
Owners	6,032	6,092	9,755	13,004	33,873	68,756
All	13,770	11,821	17,096	19,647	40,410	102,744
Percentage of total						
Renters	23	17	22	20	19	100
Owners	9	9	14	19	49	100
All	13	12	17	19	39	100
Household income data (\$)						
Median	6,408	14,400	24,566	37,000	74,100	36,000
Mean	5,391	15,242	25,362	38,745	94,107	51,130
Standard deviation	4,340	4,741	7,278	10,644	64,436	54,443
Minimum	-10,000	6,300	10,800	16,800	25,313	-10,000
Maximum	23,650	41,000	77,200	108,000	996,280	996,280
Percentiles						
5	0	9,060	15,144	24,800	40,000	4,000
10	0	10,000	17,000	27,000	45,900	8,000
20	300	11,640	19,201	30,000	53,000	15,000
30	2,000	12,000	21,000	32,000	60,000	22,000
40	4,500	13,200	22,938	35,000	66,628	29,010
50	6,000	14,400	24,583	37,000	74,009	36,000
60	6,720	15,200	26,000	40,000	83,000	45,500
70	7,800	17,000	28,000	42,500	95,980	58,000
80	9,000	18,560	30,500	47,000	114,000	74,000
90	11,000	21,971	35,000	53,000	189,856	102,000
95	12,240	24,600	39,000	59,000	227,373	149,000
Monthly Amount Affordable for Housing at 30% of Income						
Median	\$160	\$360	\$614	\$925	\$1,853	\$900
Mean	135	381	634	969	2,353	1,278
Standard deviation	108	119	182	266	1,611	1,361
Minimum	-250	158	270	420	633	-250
Maximum	591	1,025	1,930	2,700	24,907	24,907

Exhibit 1 (continued)**Households by Percentage of Area Median Income, 1999**

	<30%	30–50%	50–80%	80–120%	>120%	All Households
Percentiles						
5	\$0	\$227	\$379	\$620	\$1,000	\$100
10	0	250	425	675	1,148	200
20	8	291	480	750	1,325	375
30	50	300	525	800	1,500	550
40	113	330	573	875	1,666	725
50	150	360	615	925	1,850	900
60	168	380	650	1,000	2,075	1,138
70	195	425	700	1,063	2,400	1,450
80	225	464	763	1,175	2,850	1,850
90	275	549	875	1,325	4,746	2,550
95	306	615	975	1,475	5,684	3,725

Note: Percentages may not total 100 due to rounding.

Source: Special tabulation of 1999 AHS data.

shown in the second panel. The bottom panel shows the monthly amount affordable for housing at 30 percent of income. Even allowing for underreporting of income in AHS, the very low-income household median incomes are manifestly too low to cover the cost of providing housing without assistance or cost burdens. The \$160 monthly that is 30 percent of the median income of extremely low-income households⁴ is well below most estimates of the occupancy costs of standard renter- or owner-occupied units. The \$360 monthly that is 30 percent of the median income for households in the 30 to 50 percent of AMI bracket is only \$13 more than the lowest 1999 fair market rent (FMR) in the Nation for a 2-bedroom unit, and less than one-third of the highest FMR (\$1,303).

Nearly 13.5 million renter households had incomes below 50 percent of median; so did about 12.1 million owner households. Indeed, there were slightly more renter households with incomes below 50 percent of median (40 percent) than there were with incomes above 80 percent of median (39 percent). In contrast, there were almost four times as many owner households with incomes above 80 percent of median (46.9 million) as there were owner households below 50 percent of median.

Incidence of Housing Problems

The housing problems addressed here are those of cost burden, quality, and crowding. Severe housing problems are defined as a housing cost burden above 50 percent of income, occupying severely inadequate units,⁵ or both. They are comparable to worst case problems except that they are not constrained by income or tenure. Moderate housing problems involve a cost burden of between 30 percent and 50 percent of income, occupying moderately inadequate units, and overcrowding.

In 1999, 34.6 percent of the Nation's households had a moderate or severe housing problem. More than one-half (50.8 percent) of all renter households and more than one-quarter

(26.6 percent) of owners fall into this category, or 35.6 million households. All told, households with severe problems constituted 15.4 percent of all households; those with moderate problems, 19.2 percent.

By far the most significant problem was housing cost burden: 79.3 percent of households with severe problems had only the problem of severe housing costs, as did 71.2 percent of households with moderate problems. Seven percent of households with severe problems lived in severely inadequate housing, whereas 13.7 percent had multiple problems, almost always including cost burden. Households with moderate problems were more likely to live in inadequate units: 14.2 percent did so, whereas 6.7 percent were overcrowded and 7.9 percent had multiple problems, almost always including moderate cost burdens. (See exhibit 2.)

Sixty-one percent of the 15.9 million households with severe housing problems had incomes below 30 percent of median. They constituted 9.4 percent of all households. In contrast, 87.9 percent of the 19.7 million households with moderate problems had incomes above 30 percent of median and comprised 16.9 percent of all households. (See exhibits 3 and 4 for additional detail on problems by severity, tenure, subsidy status, percentage of AMI, and proportion of all households with problems.)

Significantly, 87.6 percent of all households with incomes below 30 percent of median had a housing problem: 70.3 percent had severe problems and 17.3 percent had moderate problems. Altogether, they constituted 11.7 percent of all households. Households with incomes above 30 percent of median are more likely to have moderate problems. In the very low-income range (30 to 50 percent of median), 39.1 percent had moderate problems compared with 24.4 percent with severe problems. Although the incidence of problems dropped rapidly above that level, 9.4 percent of all households with incomes above 120 percent of median reported housing problems. (See exhibit 3.)

Just over one-half (51.5 percent) of households with severe problems were renters: 12.1 percent in Federal, State, or locally subsidized housing plus 39.3 percent in unsubsidized housing. Ironically, 29.6 percent of subsidized renters had severe housing problems, compared with 22.7 percent of unsubsidized renters. Two factors explain this. First, 43.2 percent of subsidized renters had incomes below 30 percent of median compared with 17.9 percent of unsubsidized renters. Second, subsidized rents that are set at 30 percent of stated thresholds, such as 30 percent of 50 percent of median or 30 percent of median, are, by definition, unaffordable for families with incomes at one-half or less of the threshold. In fact, in 1999 more than one-half of all extremely low-income households with severe problems reported incomes that fell below 10 percent of area median. These households were evenly divided between owners and renters.

The higher cost of providing affordable housing for extremely low-income families in a situation of massive need and minimal resources creates a strong incentive to focus housing activities on serving people with incomes above 30 percent of median, particularly through block grant programs, such as HOME and Community Development Block Grant (CDBG), in which the funds available to State and local jurisdictions are fixed. Thus, whereas these programs can be and have been used for deep subsidies, they tend to rely on vouchers or other subsidies to enable them to reach extremely low-income households. Vouchers, public housing, homeless programs, and some of the far smaller rural housing programs of the U.S. Department of Agriculture are the only housing programs currently providing resources to assist income groups at this level without subsidies from other sources.

Exhibit 2

Severe and Moderate Problems by Tenure, 1999

Housing Problems	Households With Housing Problems (in thousands)			Households With Housing problems (%)			Households With Specific Housing Problems (%)		
	Severe	Moderate	Total	Severe	Moderate	Total	Severe	Moderate	Total
Renters									
Cost only	6,112	5,897	12,009	74.8	64.7	69.5	50.9	49.1	100.0
Quality only	545	1,422	1,967	6.7	15.6	11.4	27.7	72.3	100.0
Crowding only	0	734	734	0.0	8.1	4.2	0.0	100.0	100.0
Multiple problems	1,513	1,056	2,569	18.5	11.6	14.9	58.9	41.1	100.0
Total	8,170	9,109	17,279	100.0	100.0	100.0	47.3	52.7	100.0
Owners									
Cost only	6,481	8,132	14,613	84.1	76.7	79.8	44.4	55.6	100.0
Quality only	572	1,374	1,946	7.4	13.0	10.6	29.4	70.6	100.0
Crowding only	0	595	595	0.0	5.6	3.2	0.0	100.0	100.0
Multiple problems	656	505	1,161	8.5	4.8	6.3	56.5	43.5	100.0
Total	7,709	10,606	18,315	100.0	100.0	100.0	42.1	57.9	100.0
All									
Cost only	12,593	14,029	26,622	79.3	71.2	74.8	47.3	52.7	100.0
Quality only	1,117	2,796	3,913	7.0	14.2	11.0	28.5	71.5	100.0
Crowding only	0	1,329	1,329	0.0	6.7	3.7	0.0	100.0	100.0
Multiple problems	2,169	1,561	3,730	13.7	7.9	10.5	58.2	41.8	100.0
Total	15,879	19,715	35,594	100.0	100.0	100.0	44.6	55.4	100.0

Source: Special tabulation of 1999 AHS data.

Exhibit 3

Housing Problems by Area Median Income, Tenure, and Subsidy Status, 1999

Subsidy Status	Area Median Income (%)	Households With Housing problems				Households With Housing Problems (%)				Households With Specific Housing Problems (%)			
		Severe	Moderate	None	Total	Severe	Moderate	None	Total	Severe	Moderate	None	Total
Renters Sub-subsidized	<30	1,477	629	2,106	2,812	76.7	35.8	57.2	43.2	52.5	22.4	74.9	100.0
	30-50	319	541	860	1,390	16.6	30.8	23.4	21.3	22.9	38.9	61.9	100.0
	<50	1,796	1,170	2,966	4,202	93.3	66.6	80.6	64.5	42.7	27.8	70.6	100.0
	50-80	75	389	464	1,057	3.9	22.1	12.6	16.2	7.1	36.8	43.9	100.0
	80-120	37	137	174	626	1.9	7.8	4.7	9.6	5.9	21.9	27.8	100.0
	>120	17	61	78	627	0.9	3.5	2.1	9.6	2.7	9.7	12.4	100.0
Total	1,925	1,757	3,682	6,512	100.0	100.0	100.0	100.0	29.6	27.0	56.5	100.0	
Unsub-subsidized	<30	4,071	580	4,651	4,927	65.2	7.9	34.2	2.0	82.6	11.8	94.4	100.0
	30-50	1,266	2,331	3,597	4,339	20.3	31.7	26.5	5.3	29.2	53.7	82.9	100.0
	<50	5,337	2,911	8,248	9,266	85.4	39.6	60.7	7.3	57.6	31.4	89.0	100.0
	50-80	524	2,667	3,191	6,285	8.4	36.3	23.5	22.3	8.3	42.4	50.8	100.0
	80-120	256	1,191	1,447	6,021	4.1	16.2	10.6	32.9	4.3	19.8	24.0	100.0
	>120	129	583	712	5,926	2.1	7.9	5.2	37.5	2.2	9.8	12.0	100.0
Total	6,246	7,352	13,598	27,498	100.0	100.0	100.0	100.0	22.7	26.7	49.5	100.0	
Subtotal	<30	5,548	1,209	6,757	7,739	67.9	13.3	39.1	5.9	71.7	15.6	87.3	100.0
	30-50	1,585	2,872	4,457	5,729	19.4	31.5	25.8	7.6	27.7	50.1	77.8	100.0
	<50	7,133	4,081	11,214	13,468	87.3	44.8	64.9	13.5	53.0	30.3	83.3	100.0
	50-80	599	3,056	3,655	7,342	7.3	33.5	21.2	22.0	8.2	41.6	49.8	100.0
	80-120	293	1,328	1,621	6,647	3.6	14.6	9.4	30.0	4.4	20.0	24.4	100.0
	>120	146	644	790	6,553	1.8	7.1	4.6	34.4	2.2	9.8	12.1	100.0
Total	8,171	9,109	17,280	34,010	100.0	100.0	100.0	100.0	24.0	26.8	50.8	100.0	
Owners	<30	4,135	1,170	5,305	6,032	53.7	11.0	29.0	1.4	68.6	19.4	87.9	100.0
	30-50	1,298	1,748	3,046	6,092	16.8	16.5	16.6	6.0	21.3	28.7	50.0	100.0
	<50	5,433	2,918	8,351	12,124	70.5	27.5	45.6	7.5	44.8	24.1	68.9	100.0
	50-80	1,022	2,600	3,622	9,760	13.3	24.5	19.8	12.2	10.5	26.6	37.1	100.0
	80-120	672	2,667	3,339	13,015	8.7	25.1	18.2	19.2	5.2	20.5	25.7	100.0

Exhibit 3 (continued)

Housing Problems by Area Median Income, Tenure, and Subsidy Status, 1999

Subsidy Status	Area Median Income (%)	Households With Housing problems			Households With Housing Problems (%)			Households With Specific Housing Problems (%)								
		Severe	Moderate	Severe and Moderate	Severe	Moderate	Severe and Moderate	Severe	Moderate	Severe and Moderate						
	>120	579	2,422	3,001	30,893	33,894	7.5	22.8	16.4	61.2	49.3	1.7	7.1	8.9	91.1	100.0
	Total	7,706	10,607	18,313	50,480	68,793	100.0	100.0	100.0	100.0	100.0	11.2	15.4	26.6	73.4	100.0
All	Under 30	9,683	2,379	12,062	1,709	13,771	61.0	12.1	33.9	2.5	13.4	70.3	17.3	87.6	12.4	100.0
	30-50	2,883	4,620	7,503	4,318	11,821	18.2	23.4	21.1	6.4	11.5	24.4	39.1	63.5	36.5	100.0
	<50	12,566	6,999	19,565	6,027	25,592	79.1	35.5	55.0	9.0	24.9	49.1	27.3	76.4	23.6	100.0
	50-80	1,621	5,656	7,277	9,825	17,102	10.2	28.7	20.4	14.6	16.6	9.5	33.1	42.6	57.4	100.0
	80-120	965	3,995	4,960	14,702	19,662	6.1	20.3	13.9	21.9	19.1	4.9	20.3	25.2	74.8	100.0
	>120	725	3,066	3,791	36,656	40,447	4.6	15.6	10.7	54.5	39.3	1.8	7.6	9.4	90.6	100.0
	Total	15,877	19,716	35,593	67,210	102,803	100.0	100.0	100.0	100.0	100.0	15.4	19.2	34.6	65.4	100.0

Note: Figures may not total 100 due to rounding.
 Source: Special tabulation of 1999 AHS data.

Exhibit 4

Distribution of Housing Problems by Area Median Income and Tenure, 1999

Area median Income (%)	Housing Problems (% of all households)				Total
	Severe	Moderate	Severe and Moderate	None	
Renters					
<30	5.4	1.2	6.6	1.0	7.5
30–50	1.5	2.8	4.3	1.2	5.6
<50	6.9	4.0	10.9	2.2	13.1
50–80	0.6	3.0	3.6	3.6	7.1
80–120	0.3	1.3	1.6	4.9	6.5
>120	0.1	0.6	0.8	5.6	6.4
Total	7.9	8.9	16.8	16.3	33.1
Owners					
<30	4.0	1.1	5.2	0.7	5.9
30–50	1.3	1.7	3.0	3.0	5.9
<50	5.3	2.8	8.1	3.7	11.8
50–80	1.0	2.5	3.5	6.0	9.5
80–120	0.7	2.6	3.2	9.4	12.7
>120	0.6	2.4	2.9	30.1	33.0
Total	7.5	10.3	17.8	49.1	66.9
All					
Under 30	9.4	2.3	11.7	1.7	13.4
30–50	2.8	4.5	7.3	4.2	11.5
<50	12.2	6.8	19.0	5.9	24.9
50–80	1.6	5.5	7.1	9.6	16.6
80–120	0.9	3.9	4.8	14.3	19.1
>120	0.7	3.0	3.7	35.7	39.3
Total	15.4	19.2	34.6	65.4	100.0

Note: Percentages may not total 100 due to rounding.

Source: Special tabulation of 1999 AHS data.

Cost, Quality, and Crowding

Housing costs have come to overshadow the very real problems of quality and crowding. In 1999, 29.3 percent of all U.S. households had either moderate or severe cost burdens—30.1 million households in all. Extremely low-income households were four times as likely to have severe rather than moderate cost burdens. Fortunately, the cost burdens of other households are more likely to be moderate than severe. (See exhibit 5 for additional details.) Most cost-burdened households (88 percent) have no other major housing problem. This picture changes dramatically when the focus is on quality or crowding. Almost one-half (48.3 percent) of all overcrowded households also have a cost or quality problem. The situation is worst for renters: 56.0 percent of overcrowded renter households live in substandard units or pay more than 30 percent of their income for housing, or both (12.5 percent of overcrowded renters have all three major problems). Fortunately, the

number of overcrowded households is relatively small: 1.7 million renters and 0.9 million owners. There are more households in substandard housing: 4 million renters and 2.9 million owners. Of these, 39.6 percent had one additional problem, generally cost burden, and 3.5 percent had all three problems. (See exhibit 6 for additional details.)

Targeting at least a significant amount of housing resources—including but not limited to vouchers—to households with quality or crowding problems would have dual benefits. It is bad enough to have either of these problems in a unit that is affordable by the 30-percent-of-income measure. But it is far worse to have the problem in housing that is unaffordable. Vouchers would enable the household to move to a better unit; conversely, HOME and/or CDBG funds might well be used to bring the unit up to standard.

Policies to Consider

This conference addresses housing policy in the new millennium. It offers an opportunity to each of us to reexamine housing needs and housing programs and to explore new approaches that will build on the many solid achievements at the Federal, State, and local levels that have demonstrated the capacity and ability to address our housing problems effectively.

In this vein, I would like to propose some policy approaches to be explored. Quite frankly, at this point, I'm not sure whether they have real merit. So I am suggesting them for discussion and consideration, not as a set of fully thought-out proposals.

Moving Beyond HUD

Just as war is too important to be left to generals, housing may be too important to be left to housers. Given the constraints of the Federal budget process, the nature of HUD's programs, and the complexity of its relationships with State and local governments and the private nonprofit and for-profit sectors, it may be easier to address the needs of the 30 million households with housing affordability problems through one or more approaches tied to mainstream programs. Because, housing cost burdens are likely to be these households' only housing problem, it could make good sense to address their need for additional income to pay their housing expenses separate from any direct tie to housing programs. Concerns about the quality and suitability of the housing occupied could, and probably should, be addressed at the local or State level through such measures as housing code enforcement.

Experience thus far with welfare reform has provided us with some important lessons. The first is that millions of working Americans cannot, at least in the short run, expect to earn enough to enable them to obtain decent housing without sacrificing other necessities. Nowhere in the United States is the minimum wage adequate, for example, to pay the FMR for a two-bedroom unit. For the most part, even successful efforts to increase the minimum wage or "livable wage" campaigns will not provide enough income to cover the gap between the cost of decent housing and the incomes of lower wage workers.

There are now, however, three mainstream Federal programs that could be adapted to meet the scale of the housing affordability problem: the Earned Income Tax Credit (EITC) for working families, Supplementary Security Income (SSI) for elderly or disabled households, and the food stamp program. Moreover, none of these programs is limited to renter households, as is the current HUD voucher program. One-half of all households with severe problems are owners, and they are predominantly low-income owners. Therefore, it would make sense to explore how these programs might be expanded and adapted to address at least severe housing affordability problems at their true scale. Such an approach should, in my view, be explored as a supplement to, not a replacement for, HUD's current programs, including vouchers.

Exhibit 5

Housing Cost Burdens of Area Median Income, 1999

Area Median Income (%)	Households (in thousands)				Households With Housing Cost Burden (%)				Households With Specific Housing Cost Burden (%)						
	None	Severe	Moderate	Total	None	Severe	Moderate	Total	None	Severe	Moderate	Total	Severe and Moderate		
													Severe	Moderate	
Renters															
<30	1,205	5,389	1,144	6,533	7,738	6.2	73.7	16.1	45.3	22.8	15.6	69.6	14.8	84.4	100.0
30-50	1,689	1,408	2,632	4,040	5,729	8.6	19.2	37.0	28.0	16.8	29.5	24.6	45.9	70.5	100.0
Subtotal	2,894	6,797	3,776	10,573	13,467	14.8	92.9	53.0	73.2	39.6	21.5	50.5	28.0	78.5	100.0
50-80	4,514	390	2,437	2,827	7,341	23.1	5.3	34.2	19.6	21.6	61.5	5.3	33.2	38.5	100.0
80-120	5,783	106	756	862	6,645	29.6	1.4	10.6	6.0	19.5	87.0	1.6	11.4	13.0	100.0
>120	6,378	23	152	175	6,553	32.6	0.3	2.1	1.2	19.3	97.3	0.4	2.3	2.7	100.0
Total	19,569	7,316	7,121	14,437	34,006	100.0	100.0	100.0	100.0	100.0	57.5	21.5	20.9	42.5	100.0
Owners															
<30	868	4,064	1,100	5,164	6,032	1.6	58.2	12.6	32.9	8.8	14.4	67.4	18.2	85.6	100.0
30-50	3,369	1,195	1,527	2,722	6,091	6.3	17.1	17.6	17.4	8.9	55.3	19.6	25.1	44.7	100.0
Subtotal	4,237	5,259	2,627	7,886	12,123	8.0	75.4	30.2	50.3	17.6	35.0	43.4	21.7	65.0	100.0
50-80	6,661	899	2,201	3,100	9,761	12.5	12.9	25.3	19.8	14.2	68.2	9.2	22.5	31.8	100.0
80-120	10,321	504	2,189	2,693	13,014	19.4	7.2	25.2	17.2	18.9	79.3	3.9	16.8	20.7	100.0
>120	31,896	315	1,683	1,998	33,894	60.1	4.5	19.3	12.7	49.3	94.1	0.9	5.0	5.9	100.0
Total	53,115	6,977	8,700	15,677	68,792	100.0	100.0	100.0	100.0	100.0	77.2	10.1	12.6	22.8	100.0
All															
<30	2,073	9,453	2,244	11,697	13,770	2.9	66.1	14.2	38.8	13.4	15.1	68.6	16.3	84.9	100.0
30-50	5,058	2,604	4,159	6,763	11,821	7.0	18.2	26.3	22.5	11.5	42.8	22.0	35.2	57.2	100.0
Subtotal	7,131	12,057	6,403	18,460	25,591	9.8	84.3	40.5	61.3	24.9	27.9	47.1	25.0	72.1	100.0
50-80	11,175	1,289	4,638	5,927	17,102	15.4	9.0	29.3	19.7	16.6	65.3	7.5	27.1	34.7	100.0
80-120	16,105	610	2,945	3,555	19,660	22.2	4.3	18.6	11.8	19.1	81.9	3.1	15.0	18.1	100.0
>120	38,273	339	1,835	2,174	40,447	52.7	2.4	11.6	7.2	39.3	94.6	0.8	4.5	5.4	100.0
Total	72,684	14,295	15,821	30,116	102,800	100.0	100.0	100.0	100.0	100.0	70.7	13.9	15.4	29.3	100.0

Notes: None = 0-30% of income; Severe = >50% of income; Moderate = 30-50% of income. Percentages may not total 100 due to rounding.

Source: Special tabulations of 1999 American Housing Survey data.

Exhibit 6

Multiple Problems by Tenure, 1999

	Problems (in thousands)				Households With Housing Problems (%)				Households With Specific Housing Problems (%)			
	One	Two	Three	Total	One	Two	Three	Total	One	Two	Three	Total
	Renters											
Cost burden												
Moderate	5,897	1,105	119	7,121	40.1	46.8	56.9	41.2	82.8	15.5	1.7	100.0
Severe	6,112	1,115	90	7,317	41.5	47.2	43.1	42.3	83.5	15.2	1.2	100.0
Total	12,009	2,220	209	14,438	81.6	94.1	100.0	83.6	83.2	15.4	1.4	100.0
Crowding												
Overcrowded	734	724	209	1,667	5.0	30.7	100.0	9.6	44.0	43.4	12.5	100.0
Quality												
Moderately inadequate	1,422	1,198	149	2,769	9.7	50.8	71.3	16.0	51.4	43.3	5.4	100.0
Severely inadequate	545	579	60	1,184	3.7	24.5	28.7	6.9	46.0	48.9	5.1	100.0
Total	1,967	1,777	209	3,953	13.4	75.3	100.0	22.9	49.8	45.0	5.3	100.0
Summary												
Moderate problems	8,052	980	77	9,109	54.7	41.5	36.8	52.7	88.4	10.8	0.8	100.0
Severe problems	6,658	1,380	132	8,170	45.3	58.5	63.2	47.3	81.5	16.9	1.6	100.0
Total	14,710	2,360	209	17,279	100.0	100.0	100.0	100.0	85.1	13.7	1.2	100.0
Owners												
Cost burden												
Moderate	8,132	545	23	8,700	47.4	48.4	65.7	47.5	93.5	6.3	0.3	100.0
Severe	6,481	487	12	6,980	37.8	43.3	34.3	38.1	92.9	7.0	0.2	100.0
Total	14,613	1,032	35	15,680	85.2	91.7	100.0	85.6	93.2	6.6	0.2	100.0
Crowding												
Overcrowded	595	275	35	905	3.5	24.4	100.0	4.9	65.7	30.4	3.9	100.0
Quality												
Moderately inadequate	1,374	661	21	2,056	8.0	58.7	60.0	11.2	66.8	32.1	1.0	100.0
Severely inadequate	572	283	14	869	3.3	25.1	40.0	4.7	65.8	32.6	1.6	100.0
Total	1,946	944	35	2,925	11.3	83.8	100.0	16.0	66.5	32.3	1.2	100.0

Exhibit 6 (continued)

Multiple Problems by Tenure, 1999

	Problems (in thousands)			Households With Housing Problems (%)			Households With Specific Housing Problems (%)					
	One	Two	Three	Total	One	Two	Three	Total	One	Two	Three	Total
	Summary											
Moderate problems	10,102	488	17	10,607	58.9	43.3	48.6	57.9	95.2	4.6	0.2	100.0
Severe problems	7,053	638	18	7,709	41.1	56.7	51.4	42.1	91.5	8.3	0.2	100.0
Total	17,155	1,126	35	18,316	100.0	100.0	100.0	100.0	93.7	6.1	0.2	100.0
All												
Cost burden												
Moderate	14,029	1,650	142	15,821	44.0	47.3	58.2	44.4	88.7	10.4	0.9	100.0
Severe	12,593	1,602	102	14,297	39.5	46.0	41.8	40.2	88.1	11.2	0.7	100.0
Total	26,622	3,252	244	30,118	83.5	93.3	100.0	84.6	88.4	10.8	0.8	100.0
Crowding												
Overcrowded	1,329	999	244	2,572	4.2	28.7	100.0	7.2	51.7	38.8	9.5	100.0
Quality												
Moderately inadequate	2,796	1,859	170	4,825	8.8	53.3	69.7	13.6	57.9	38.5	3.5	100.0
Severely inadequate	1,117	862	74	2,053	3.5	24.7	30.3	5.8	54.4	42.0	3.6	100.0
Total	3,913	2,721	244	6,878	12.3	78.1	100.0	19.3	56.9	39.6	3.5	100.0
Summary												
Moderate problems	18,154	1,468	94	19,716	57.0	42.1	38.5	55.4	92.1	7.4	0.5	100.0
Severe problems	13,711	2,018	150	15,879	43.0	57.9	61.5	44.6	86.3	12.7	0.9	100.0
Total	31,865	3,486	244	35,595	100.0	100.0	100.0	100.0	89.5	9.8	0.7	100.0

Note: Percentages may not total 100 due to rounding
 Source: Special tabulation of 1999 AHS data.

Expanding the EITC

The driving concept behind the EITC is the notion that people who work full time should be able to afford the basic necessities of life for themselves and their families. Therefore, it would make sense to explore ways of adapting the EITC to enable it to cover at least a substantial portion of the gap between earnings and the *housing wage*, or the income needed to afford modest but adequate housing. This would require both a substantial increase in the cost of the credit and developing workable means of linking the amount of the credit to the local cost of housing and to make at least the housing portion of the credit payable monthly.

Years ago I was actively involved in the advocacy effort that led to the adoption of the LIHTC. This was not an easy effort, particularly because the U.S. Department of the Treasury and the tax-writing committees were inclined to oppose the use of the Internal Revenue Code for such purposes. Specifically, they were sure that the Treasury lacked the capacity to administer the program and were skeptical of the capacity of the States to handle the required administrative functions. Yet LIHTC has provided hundreds of thousands of additional subsidized housing units and has generated widespread support in Congress and the wider community.

It could be worth exploring how a housing add-on to the EITC could be designed initially to address the affordability problems of most working families. For example, such an add-on could cover one-half of housing costs in excess of 30 percent of income, capped at the relevant payment standard or FMR in the jurisdiction. Such a program, if fully implemented, could assist a substantial portion of the 12.7 million cost-burdened families who receive at least one-half of their income from work. In 1999 there were 11.3 million cost-burdened working households with incomes below 120 percent of area median and the total gap between 30 percent of their incomes and their housing costs (or the relevant FMR, whichever is lower) amounted to more than \$19 billion annually. (See exhibits 7 and 8.)

A major advantage of this approach is that it would be responsive to the wide differences in housing costs from one locality to another. Therefore, some creative thinking about how to administer such an effort at the State or local level would be required. Because EITC is structured for working families, other measures would be needed to address the cost burdens of elderly households and younger, nonworking households.

Housing Add-on to SSI

One-quarter of all householders with housing cost burdens are over age 65. Two-thirds (66.7 percent) of these 7.5 million householders are owners who are therefore ineligible for housing vouchers. Their affordability problems, and those of younger households receiving SSI, could, at least in concept, be addressed through a housing add-on to SSI, similar to the EITC add-on suggested above. In 1999 the total gap between 30 percent of their incomes and their housing costs (or the relevant FMR, whichever is lower) amounted to \$18 billion annually. (See exhibits 7 and 8.)

The Food Stamp Excess Shelter Deduction

The EITC and SSI approaches would still leave 9.2 million nonelderly, nonworking families with incomes below 120 percent of median and an annual gap between 50 percent of their income and their housing costs (or the relevant FMR, whichever is lower) totaling nearly \$21 billion. (See exhibits 7 and 8.) For the nearly 7 million households with incomes below 50 percent of median, the food stamp program may be an appropriate vehicle.

The food stamp program now contains an excess shelter deduction that is limited both in amount and household eligibility, but in concept provides additional food stamps to cover

Exhibit 7

Housing Cost Burdens by Tenure, Household Type, and Percentage of Area Median Income, 1999
Households (in thousands)

Area Median Income (%)	Working Households			Elderly Households			Other Nonelderly Households			All Households		
	Severe	Moderate	Total	Severe	Moderate	Total	Severe	Moderate	Total	Severe	Moderate	Total
Renters												
<30	1,711	389	2,100	1,003	304	1,307	2,676	451	3,127	5,389	1,144	6,533
30-50	692	1,568	2,260	314	423	737	402	641	1,043	1,408	2,632	4,040
50-80	238	1,660	1,898	73	279	352	79	498	577	390	2,437	2,827
80-120	70	568	638	21	71	92	15	117	132	106	756	862
Subtotal	2,711	4,185	6,896	1,411	1,077	2,488	3,172	1,707	4,879	7,293	6,969	14,262
>120	12	106	118	5	9	14	7	37	44	23	152	175
Total	2,723	4,291	7,014	1,416	1,086	2,502	3,179	1,744	4,923	7,316	7,121	14,437
Owners												
<30	390	92	482	1,882	738	2,620	1,792	270	2,062	4,064	1,100	5,164
30-50	400	409	809	431	782	1,213	365	335	700	1,195	1,527	2,722
50-80	365	1,157	1,522	246	441	687	287	602	889	899	2,201	3,100
80-120	274	1,397	1,671	95	244	339	136	548	684	504	2,189	2,693
Subtotal	1,429	3,055	4,484	2,654	2,205	4,859	2,580	1,755	4,335	6,662	7,017	13,679
>120	203	1,037	1,240	24	132	156	88	515	603	315	1,683	1,998
Total	1,632	4,092	5,724	2,678	2,337	5,015	2,668	2,270	4,938	6,977	8,700	15,677
All												
<30	2,101	481	2,582	2,885	1,042	3,927	4,468	721	5,189	9,453	2,244	11,697
30-50	1,092	1,977	3,069	745	1,205	1,950	767	976	1,743	2,603	4,159	6,762
50-80	603	2,817	3,420	319	720	1,039	366	1,100	1,466	1,289	4,638	5,927
80-120	344	1,965	2,309	116	315	431	151	665	816	610	2,945	3,555
Subtotal	4,140	7,240	11,380	3,282	4,065	7,347	5,752	3,462	9,214	13,955	13,986	27,941
>120	215	1,143	1,358	141	29	170	95	552	647	338	1,835	2,173
Total	4,355	8,383	12,738	3,423	4,094	7,517	5,847	4,014	9,861	14,293	15,821	30,114

Source: Estimated from 1999 AHS data.

Exhibit 8

Estimated Housing Cost Gap in Billions of Dollars, 1999

Area Median Income (%)	\$ Billions							
	Working Households >30%	Working Households >50%	Elderly Households >30%	Elderly Households >50%	Other Nonelderly >30%	Other Nonelderly >50%	All Households >30%	All Households >50%
Renters								
<30	7.5	5.0	4.6	3.4	13.4	11.1	25.6	19.5
30-50	4.2	0.5	1.4	0.2	2.3	0.3	8.0	1.0
Subtotal, <50	11.7	5.5	6.1	3.7	15.8	11.4	33.6	20.6
50-80	1.5	0.0	0.2	0.0	0.5	0.0	2.2	0.0
80-120	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Subtotal, 50-120	1.6	0.0	0.3	0.0	0.5	0.0	2.4	0.0
>120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	13.3	5.5	6.3	3.7	16.3	11.4	35.9	20.6
Owners								
<30	4.6	3.4	7.9	6.2	9.7	8.6	19.6	16.1
30-50	1.4	0.2	2.6	0.7	2.1	0.6	7.0	1.8
Subtotal, <50	6.1	3.7	10.5	6.8	11.8	9.2	26.6	17.9
50-80	0.2	0.0	1.2	0.1	1.2	0.0	4.3	0.2
80-120	0.0	0.0	0.1	0.0	0.1	0.0	0.6	0.0
Subtotal, 50-120	0.3	0.0	1.3	0.1	1.3	0.0	4.9	0.2
>120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	6.3	3.7	11.9	6.9	13.2	9.3	31.5	18.1
All								
<30	12.1	8.4	12.6	9.6	23.2	19.7	45.1	35.6
30-50	5.7	0.7	4.0	0.9	4.4	0.9	15.0	2.9
Subtotal, <50	17.8	9.2	16.6	10.5	27.6	20.6	60.1	38.4
50-80	1.7	0.0	1.4	0.1	1.7	0.1	6.6	0.2
80-120	0.1	0.0	0.1	0.0	0.2	0.0	0.7	0.0
Subtotal, 50-120	1.8	0.0	1.6	0.1	1.8	0.1	7.3	0.2
>120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	19.6	9.2	18.2	10.6	29.4	20.7	67.4	38.7

Notes: The housing cost gap is the gap between annual housing costs capped at relevant fair market rent and 30 percent or 50 percent of annual household income. Cost of the proposed housing add-ons to Earned Income Tax Credit, Supplementary Security Income, and food stamps would be much less because of eligibility limits and nonparticipation in these programs. Figures may not total 100 due to rounding.

Source: Estimated from 1999 AHS data.

housing costs above 50 percent of income. Yet families are going hungry or visiting food kitchens so they can afford to pay their rent. It would make sense to examine the excess shelter deduction when the food stamp program comes up for reauthorization to enable it to play a major role in ameliorating the impact of severe housing costs.

Equity Between Tax and Direct Expenditures for Housing

Ironically, although budget limitations are often cited as the reason housing programs cannot be expanded to the scale needed, homeowners with incomes high enough to itemize their tax returns have the benefit of deducting from their income tax their mortgage interest, property taxes, and substantial capital gains from sale of their homes. A majority of owners, in fact, do not benefit from this deduction, either because their mortgages are paid off or because they do not itemize.

The Office of Management and Budget has estimated the cost to the Treasury of these deductions for fiscal year 2000 at \$99.5 billion, more than three times HUD's anticipated outlay of \$30.1 billion. NLIHC has estimated that because higher income people benefit disproportionately from tax deductions—paying more for their housing and having a higher tax rate—households in the top one-fifth of the income distribution account for 63 percent of direct and tax expenditures for housing, compared with only 18 percent that goes to support housing for households in the bottom one-fifth. Households in the middle three-fifths get the remaining 19 percent of housing expenditures, with the bulk of it going to households at the upper end. Despite their relatively low share of the tax expenditures, if these homeowner deductions were to be repealed, some other subsidy would probably be needed to replace them, or many owners would encounter severe difficulty.

Although in the past I have advocated modifying homeowner deductions so that some of the expenditures now benefiting higher income households can support more adequate programs for lower income households, this concept has had all the buoyancy of a lead balloon. Perhaps an appeal to equity would be more effective. We could solve our affordability and, in my view, most of our housing supply problems in a relatively short time if we were willing to spend as much on support for low-income housing as it costs the Treasury, through tax benefits, to support homeownership.

HUD's Role

None of the foregoing is intended to diminish HUD's role in housing and community and economic development. Rather, the intention is to remove from HUD's back some of the impossible burden of adequately addressing the Nation's most critical housing affordability needs, but still leave scope for the kind of imaginative and creative use of vouchers and other measures that surely will be discussed in this conference and in others in the coming years as we attempt to fit our housing policies to the new millennium and create a society where no one is left behind.

Our Nation's efforts in health care, education, employment, and economic development cannot succeed without secure housing in neighborhoods that offer their residents access to the opportunities that exist in our mainstream economy. Somehow we need to frame the housing discussion so that those who realize this will not hesitate to speak out and support the range of measures needed to achieve this goal.

Author

Cushing N. Dolbeare, an independent housing policy consultant, is the founder and president of the National Low Income Housing Coalition and is the former executive director of both the National Rural Housing Coalition and the National Coalition for the Homeless. She lectures on housing and low-income issues and focuses her consulting on analysis of low-income housing needs and programs at the national level, Federal budget and economic policies, local housing needs, and many other topics related to housing and income. Dolbeare also serves on the board for the Center for Housing Policy, the Executive Committee for the Alliance to End Childhood Lead Poisoning, and The Enterprise Foundation.

Notes

1. Housing costs, too, vary widely and tend to be higher in areas with higher median incomes.
2. HUD has posted a file of FMRs and AMI estimates for the 1999 AHS data. The HUD file contains, for each case, minimum, maximum, and average incomes and FMRs. The calculations here use the average levels and may differ somewhat from those used by HUD and others.
3. These and other data used in this paper, unless otherwise indicated, are drawn from the author's analysis of the raw 1999 AHS data, as posted on the HUD Web site.
4. As used in this paper, *extremely low income* refers to incomes below 30 percent of median; *very low income* refers to 30 to 50 percent of median or below 50 percent of median, depending on the context; and *low income* refers to 50 to 80 percent of median or below 80 percent of median.
5. The terms *severe* and *moderate inadequacy* are used to denote severe or moderate physical problems as used in the AHS:

Physical problems. A unit has *severe* physical problems if it has any of the following five problems: *Plumbing.* Lacking hot or cold piped water or a flush toilet, or lacking both bathtub and shower, all inside the structure (and for the exclusive use of the unit, unless there are two or more full bathrooms). *Heating.* Having been uncomfortably cold last winter for 24 hours or more because the heating equipment broke down, and it broke down at least three times last winter for at least 6 hours each time. *Electric.* Having no electricity, or all of the following three electric problems: exposed wiring, a room with no working wall outlet, and three blown fuses or tripped circuit breakers in the last 90 days. *Hallways.* Having all of the following four problems in public areas: no working light fixtures, loose or missing steps, loose or missing railings, and no working elevator. *Upkeep.* Having any five of the following six maintenance problems: (1) water leaks from the outside, such as from the roof, basement, windows, or doors; (2) leaks from inside structure such as pipes or plumbing fixtures; (3) holes in the floors; (4) holes or open cracks in the walls or ceilings; (5) more than 8 inches by 11 inches of peeling paint or broken plaster; or (6) signs of rats in the last 90 days.

A unit has *moderate* physical problems if it has any of the following five problems, but none of the severe problems: *Plumbing*. On at least three occasions during the last 3 months, all the flush toilets were broken down at the same time for 6 hours or more (see “Flush toilet and flush toilet breakdowns”). *Heating*. Having unvented gas, oil, or kerosene heaters as the primary heating equipment. *Kitchen*. Lacking a kitchen sink, refrigerator, oven, or burners inside the structure for the exclusive use of the unit. *Hallways*. Having any three of the four problems listed above. *Upkeep*. Having any three or four of the six problems listed above.

Source: HUD/Census Bureau, American Housing Survey for the United States, 1997, appendix A, Definitions, p. 18.

