



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



Worst Case Needs for Housing Assistance in the United States in 1990 and 1991

A Report to Congress

**Worst Case Needs for
Housing Assistance
in the United States
in 1990 and 1991**

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Prepared for:
U.S. Department of Housing and
Urban Development

Prepared by:
Division of Policy Development
Office of Policy Development and Research

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**WORST CASE NEEDS FOR HOUSING ASSISTANCE IN THE UNITED STATES
IN 1990 AND 1991**

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FOREWORD

According to the American Housing Survey (AHS), there were 13.2 million very low-income renters eligible for Federal rental assistance programs in 1991. However, only one quarter of this population lived in public or assisted housing. Another 8.5 million very low-income households faced crowded or physically inadequate housing or paid a significant portion of their income for rent and utilities.

Because housing assistance is not an entitlement, waiting lists govern access to assisted units or tenant-based assistance. Congress has directed that preference on those lists be given to eligible renters with severe "priority" problems. These problems, also known as "worst case needs," include being involuntarily displaced, paying more than half of income for rent and utilities, or living in substandard housing.

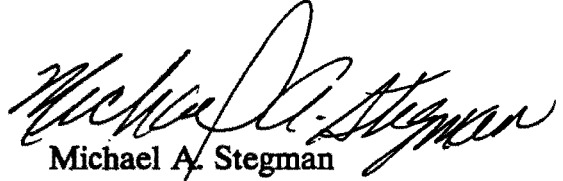
In 1990, the Senate Committee on Appropriations directed HUD to develop an annual "worst case" housing needs survey of the United States. The Department's first report in 1991 provided information on the nature of worst case needs in 1989 and the growth of this problem from 1974 and 1989. Previously, HUD never had compiled data on the extent of worst case housing needs in a comprehensive, accessible manner.

This third annual report to Congress, *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991*, presents data from the AHS on changes in worst case needs for housing assistance in the United States between 1989 and 1991. It also explores new data from the decennial Census on variations in needs by State in 1990. The data contained in this report are useful in identifying changes in worst case housing problems and needs over time, the characteristics of worst case households, and the location of worst case needs.

This report presents some striking statistics. In addition to the homeless who qualify as having worst case needs, 5.3 million of the Nation's very low-income rental households had priority housing problems in 1991. Between 1989 and 1991, the number of households with worst case needs had increased by 385,000, rising from 38 percent to 40 percent of all very low-income renters. Most of these families reported severe rent burden as their only housing problem. Families with children, Hispanics and the disabled all had particularly high, and increasing, levels of unmet housing needs. Renters with worst case needs now comprise 6 percent of all U.S. households and over 5 percent of the population, and include 8 percent of the country's children.

Perhaps the most surprising finding in the report concerns the disabled. Data for the disabled are incomplete because they only include disabled individuals receiving Supplemental Security Income (SSI). The data indicate that almost half of all very low-income disabled renters have worst case needs, even though they have a high priority for assistance and many currently receive Federal housing aid. HUD intends to explore this finding in greater detail in its next worst case needs report.

Interestingly, there is no correlation between severe rent burdens and rental vacancy rates, which are a commonly-used, yet somewhat imprecise, measure of housing availability. The Office of Policy Development and Research plans to examine why worst case needs are increasing despite high rental vacancy rates among units affordable to households living below 50 percent of the area median income. This analysis will form the basis of the next annual report to Congress on worst case needs, and will assist in the development of more effective strategies for addressing the affordable housing needs of very low-income families.



Michael A. Stegman
Assistant Secretary for Policy
Development and Research

EXECUTIVE SUMMARY

This report to Congress on "Worst Case Needs for Housing Assistance in the United States in 1990 and 1991" reveals that the number of unassisted, very low-income renter households facing very serious housing problems increased by 385,000 between 1989 and 1991, reversing declines recorded over the previous 4 years. In 1991, 5.3 million households--40 percent of all very low-income renters--had the "worst case" housing problems that give them preference on waiting lists for admission to Federal rental assistance programs.

The study examines households with "worst case needs," defined by Congress as those unassisted renters whose incomes do not exceed 50 percent of area median income and who also have priority housing problems: they pay more than half their income for rent and utilities, live in severely substandard housing or are homeless, and/or were involuntarily displaced. This third annual report to Congress presents data from the American Housing Survey (AHS) on changes in worst case needs for housing assistance in the United States between 1989 and 1991. It also explores new data from the decennial Census on variations in needs among the States in 1990.

Data show that the increase in needs was concentrated among families with children. They also indicate that Hispanic renter households and disabled nonelderly individuals face the most pressing unmet housing needs. Renters with worst case needs make up 6 percent of U.S. households, comprising over 5 percent of the Nation's population and 8 percent of American children.

One-fourth of all very low-income renters--3.4 million households--received some form of Federal rental assistance in 1991. More than half of the remaining 9.9 million unassisted renters had priority needs for admission to assistance programs. Another 30 percent of these renter households had less severe housing problems such as crowding, moderate physical inadequacies, or rent burdens between 31 and 49 percent of income. Only one in six very low-income, unassisted renter households lived in adequate, uncrowded, affordable housing.

The Increase in Worst Case Needs Reversed Earlier Gains

Between 1985 and 1989, worst case needs had fallen in both number and incidence, dropping from 45 percent to 38 percent of very low-income renters before rising again to 40 percent between 1989 and 1991.

The recent increase in households with worst case needs resulted both from growing numbers of very low-income renters and from the fact that income growth among these households lagged behind increases in rents during the recession. Three-eighths of

incidence of severe rent burdens among these renters also rose, while the incidence of severely inadequate units declined, the remaining increase in needs can be attributed to the failure of income growth to match rent increases. For very low-income renters, average household income increased by 5.6 percent during this period, but average rents rose by 9 percent.

Rent Burden is the Most Serious Problem

Rent burden remains by far the most frequent problem, one faced by 94 percent of the very low-income renters with priority housing needs. For almost three-fourths of such renters, a severe rent burden was their only housing problem. These 3.9 million households paid more than half their reported income for housing that was both adequate and uncrowded. Almost a third of the remaining 1.4 million households with worst case needs paid more than half their income for uncrowded, moderately inadequate housing. The housing problems of these households could be met by tenant-based rental assistance or rehabilitation programs.

Fewer than one-fifth of worst case households needed to move to other housing because their current housing was severely inadequate or crowded. Because the numbers and incidence of severely inadequate units continued to decline--as they have since 1974--only 11 percent of worst case renters lived in severely inadequate units in 1991.

Even among very low-income renters, priority needs for rental assistance vary sharply by income. Almost four-fifths of the poorest unassisted renters--those whose incomes fall below 25 percent of area median--had priority housing needs in 1991. Most of the renters needing other housing units were in this lowest income category. Priority problems were experienced by half of all renters in the 25-35 percent of median income range, but by only one-fifth with incomes 35-50 percent of median. Among renters with low incomes (51-80 percent of median), only 8 percent had priority housing problems.

Families With Children and the Nonelderly Disabled Face the Most Severe Problems

Both the incidence of worst case needs and the types of housing problems faced by worst case renters vary noticeably by household type. Families with children--particularly those with three or more children--were very likely to have worst case problems and generally unlikely to be assisted. In fact, the incidence of worst case needs among large, very low-income families grew by almost one-sixth in the 2-year period, rising from 35 percent in 1989 to 40 percent in 1991. Currently, only 28 percent of eligible large families receive housing assistance.

Large families were especially likely to experience overcrowding in addition to other housing problems, and thus they frequently need additional bedrooms. Three-fifths of the 1 million worst case households who needed other housing in 1991 because of severely inadequate or crowded conditions were families with children. Over 40 percent required units with three or more bedrooms to accommodate their families without crowding.

The report also discusses evidence that nonelderly persons with disabilities may have extremely high rates of unmet need, even though they have a high priority for housing assistance and often already receive assistance. Using receipt of Supplemental Security Income (SSI) as a proxy for disabilities suggests that almost half of very low-income disabled renters have worst case needs. Moreover, these households most often live in severely inadequate housing.

Among very low-income renters, elderly families were least likely to have worst case needs and most likely to live in public or assisted housing. Those elderly families with housing problems were most likely to have a rent burden only.

Worst Case Needs Vary by Race and Ethnicity

This report indicates that Hispanic households were more likely than non-Hispanic white or African American renters to have unmet priority needs. Hispanics are also the racial or ethnic group least likely to receive assistance--only 21 percent of very low-income Hispanic renters reported living in public or assisted housing. The incidence of worst case needs increased most rapidly among Hispanic households between 1989 and 1991, rising from 39 to 44 percent.

African Americans remain less likely than the other two groups to have worst case needs, largely because they most often received assistance. One-third of very low-income African American renters have worst case needs; 40 percent already live in assisted housing.

Worst Case Problems Vary Greatly by Location

The incidence of worst case problems continues to vary markedly by region. Very low-income renters in the West and Northeast are more likely to have worst case problems than those in the Midwest and South. In every region, worst case problems were more common in metropolitan areas than outside them. The 1989-91 increases in worst case needs were statistically significant only in the metropolitan areas of the South and in suburbs and nonmetropolitan areas in the West.

Nationally, over half of worst case households live in central cities, while a third live in the suburbs. In all regions, suburban worst case renters were most likely to have a severe rent burden only. Households with worst case needs were most likely to need other housing because of physically inadequate units if they lived in the South, particularly in the nonmetropolitan South. In Western metropolitan areas, needs for other housing were also high, most often because of crowding.

Census data suggest that worst case needs varied quite widely by State in 1990. Shares of very low-income renters paying more than half their income for housing ranged from 31 percent in South Dakota to 52 percent in California.

The Need for Further Research

This report demonstrates that worst case needs for housing assistance remain high, even though rental vacancy rates among units affordable to very low-income households are high in virtually every State. HUD plans to explore explanations for this phenomenon in its next report to Congress. Better understanding of the relationship between worst case needs and supplies of low-rent housing within specific housing markets is essential to developing effective strategies for addressing the priority problems of very low-income renters. The disturbing evidence from the American Housing Survey of high unmet needs among the nonelderly disabled also will be probed further with more complete data.

WORST CASE NEEDS FOR HOUSING ASSISTANCE IN THE UNITED STATES IN 1990 AND 1991

I. INTRODUCTION

The 1990 Cranston-Gonzalez National Affordable Housing Act reaffirmed as national policy the goal that "every American family be able to afford a decent home in a suitable environment." To ensure that available Federal resources are focused on this goal, Congress has directed that preference in admission to rental assistance programs be given to eligible families whose housing clearly falls short of even this minimum standard -- they live in substandard housing (or are homeless), pay more than half of their income for housing, or have been involuntarily displaced.¹ Among households with these severe "priority" housing problems, unassisted renters with very low incomes (not more than 50 percent of the area median²) -- those least able to obtain better housing -- have what are known as "worst case" housing needs.

In 1990 the Senate Appropriations Committee directed the Department of Housing and Urban Development (HUD) to "resume the annual compilation of a worst case housing needs survey of the United States." The Committee also urged the Department to develop a strategic plan outlining how the Federal Government, despite limited fiscal resources, can help eliminate or substantially reduce the number of households burdened with worst case needs.

Previous reports on worst case needs. HUD has formally reported to Congress on worst case needs twice, in 1991 and 1992. The first report, Priority Housing Problems and "Worst Case" Needs in 1989,³ examined the number and characteristics of households with worst case needs in the U.S. and the four census regions in 1989, as well as changes in needs between 1974 and 1989. According to the American Housing Survey (AHS), some 5.1 million renter households -- 5 percent of all households and 38 percent of very low-income renters -- had worst case needs in 1989. Severe rent burden was their dominant problem, with substandard housing much less common. Unmet priority needs for assistance were more frequent among very low-income single individuals and families with children than among elderly households. Although worst case problems increased markedly between 1974 and 1983, between 1985 and 1989 they dropped from 5.5 to 5.1 million, or from 45 percent to 38 percent of very low-income renters.⁴

The 1992 HUD report examined the local dimensions of worst case needs by focusing on their geographic distribution across and within the 44 large metropolitan areas (MAs) surveyed by the AHS-Metropolitan Sample between 1987 and 1990. The Location of Worst Case Needs in the Late 1980s⁵ demonstrated that the incidence of worst case needs and the availability of affordable housing varied markedly across these major housing markets, which house half of

the Nation's renters. Confirming national data, the report showed that worst case needs were, on average, more common in Western and Northeastern areas, though their incidence also varied within regions.⁶ Within metropolitan areas, worst case needs were observed more frequently in central cities and in poorer neighborhoods.

New estimates from AHS and census data. The present report updates national and regional AHS estimates of worst case needs from 1989 to 1991 and also examines a proxy measure of worst case needs newly available from 1990 census data. Data from the national AHS gathered in the fall of 1991 provide the most current estimate of needs. However, like earlier AHS data, they may overestimate the number of households with worst case needs because households tend to underreport their income.⁷ On the other hand, because the AHS surveys housing units, it undercounts needs by omitting very low-income households such as the homeless and those who doubled up after being involuntarily displaced.

Although comparisons between 1989 and 1991 AHS data are complicated by changes in sample weights, they show a significant increase in worst case needs during that recessionary period. The number of very low-income households with priority needs rose by approximately 385,000, reversing the improvement observed between 1985 and 1989.⁸ The third and fourth sections of this report delve further into this increase and the characteristics and housing problems of households with worst case problems.

The fifth section of the report uses decennial data from the 1990 census to explore the location of worst case needs by State. The incidence of rent burdens exceeding 50 percent of income among very low-income renters -- the best available proxy -- varied from 52 percent in California to 31 percent in South Dakota. Although severe rent burden was, surprisingly, not related to vacancy rates, it was strongly correlated with indicators of shortages of housing with rents affordable to households whose income was less than 30 percent of the area median.

II. HOUSING PROBLEMS AND WORST CASE NEEDS IN 1991

To clarify which housing problems, households, and income groups are defined as "worst case needs," this report first summarizes 1991 AHS data on housing conditions among all households in the United States.

Housing Problems, Priority Problems, and Worst Case Needs

Since 1949 the goal of the Nation's housing policy has been "a decent home and a suitable living environment for every American

family." The housing problems traditionally considered when measuring progress toward this goal are *severe or moderate physical problems*, *overcrowding* (defined here as having more than one person per room), and *cost burden* (housing and utility payments exceeding 30 percent of reported income).⁹ Appendix A defines the major terms and measures used in this report.

Using the above definitions of housing problems, a majority of American families already enjoy decent and affordable housing -- AHS data presented in Table 1 show that over 70 percent of all households were free from housing problems in 1991. On the other hand, over half of all renters and 15 percent of all owners had at least one housing problem of inadequacy, crowding, or cost burden. Priority housing problems -- cost burdens above 50 percent of income or severe physical problems -- occurred among 19 percent of renters and 6 percent of owners, a total of approximately 9.5 million households.

High cost burdens were by far the most frequent problem in 1991, especially among renters and very low-income owners. Nearly two-fifths of very low-income owners -- and seven-tenths of very low-income renters -- pay more than 30 percent of their reported income for rent and utilities. Inadequate housing was much less common: severe or moderate physical problems affected only 1 in every 9 renters and 1 in 16 owners. Overcrowding was the least common problem, affecting less than 10 percent of renters -- even among the lowest income groups.

Housing Problems Among Renters and Owners by Income

In general, the incidence and severity of housing problems among both owners and renters falls as income rises. Figure 1a shows that priority problems are particularly concentrated among "extremely low-income" renters (incomes below 30 percent of median), who are twice as likely as other very low-income renters to experience worst case needs. By contrast, severe problems are infrequent among those above the very low-income threshold, though almost half of all renters in the low-income range (51-80 percent of median) have some housing problem. Higher income groups are much less likely to have severe problems -- or any housing problems at all.

Within the very low-income category, unassisted renters were much more likely than owners to have housing problems, including priority housing problems and multiple problems. Fewer than **one-sixth** of the Nation's 9.8 million very low-income, unassisted renters lived in adequate, uncrowded, affordable housing, compared with nearly half of all very low-income homeowners. **Over half** of all unassisted very low-income renters had priority problems in 1991. Another 30 percent had less severe housing problems; almost

TABLE 1

HOUSING PROBLEMS, 1991, BY TENURE AND RELATIVE INCOME

	<u>Household income* as % of area median family income</u>					<u>Pct. of renters or owners</u>
	<u>Very low (0-50%)</u>	<u>Low (51-80%)</u>	<u>Middle (81-120%)</u>	<u>Upper (121%+)</u>	<u>Total</u>	
RENTERS (000s)	13,184	6,581	6,976	6,610	33,351	100%
Rent burden > 50%	43%	4%	0%	0%	6,017	18%
Rent burden 31-50%	29%	36%	12%	1%	7,051	21%
Severely Inadequate	6%	4%	3%	2%		4%
Moderately Inad.	10%	6%	5%	4%	3,721	7%
Crowded	7%	6%	2%	2%	1,644	5%
Multiple problems	16%	5%	1%	0%	2,485	7%
No problems	11%	44%	75%	89%	15,508	46%
Assisted	25%	7%	4%	2%	4,216	13%
Priority problems**	40%	8%	3%	3%	6,209	19%
OWNERS (000s)	7,024	8,579	12,785	31,406	59,795	100%
Cost burden >50%***	22%	2%	1%	0%	1,870	3%
Cost burden 31-50%***	19%	9%	4%	1%	2,962	5%
Severely Inadequate	5%	3%	2%	2%		2%
Moderately Inadequate	9%	5%	3%	2%	3,683	4%
Crowded	3%	3%	2%	1%	883	2%
Multiple problems	6%	1%	0%	0%	607	1%
No problems	48%	79%	88%	94%	51,031	85%
<u>Priority Problems**</u>	26%	5%	3%	2%	3,325	6%

* Adjusted by household size; for owners, includes 5.5% of equity.

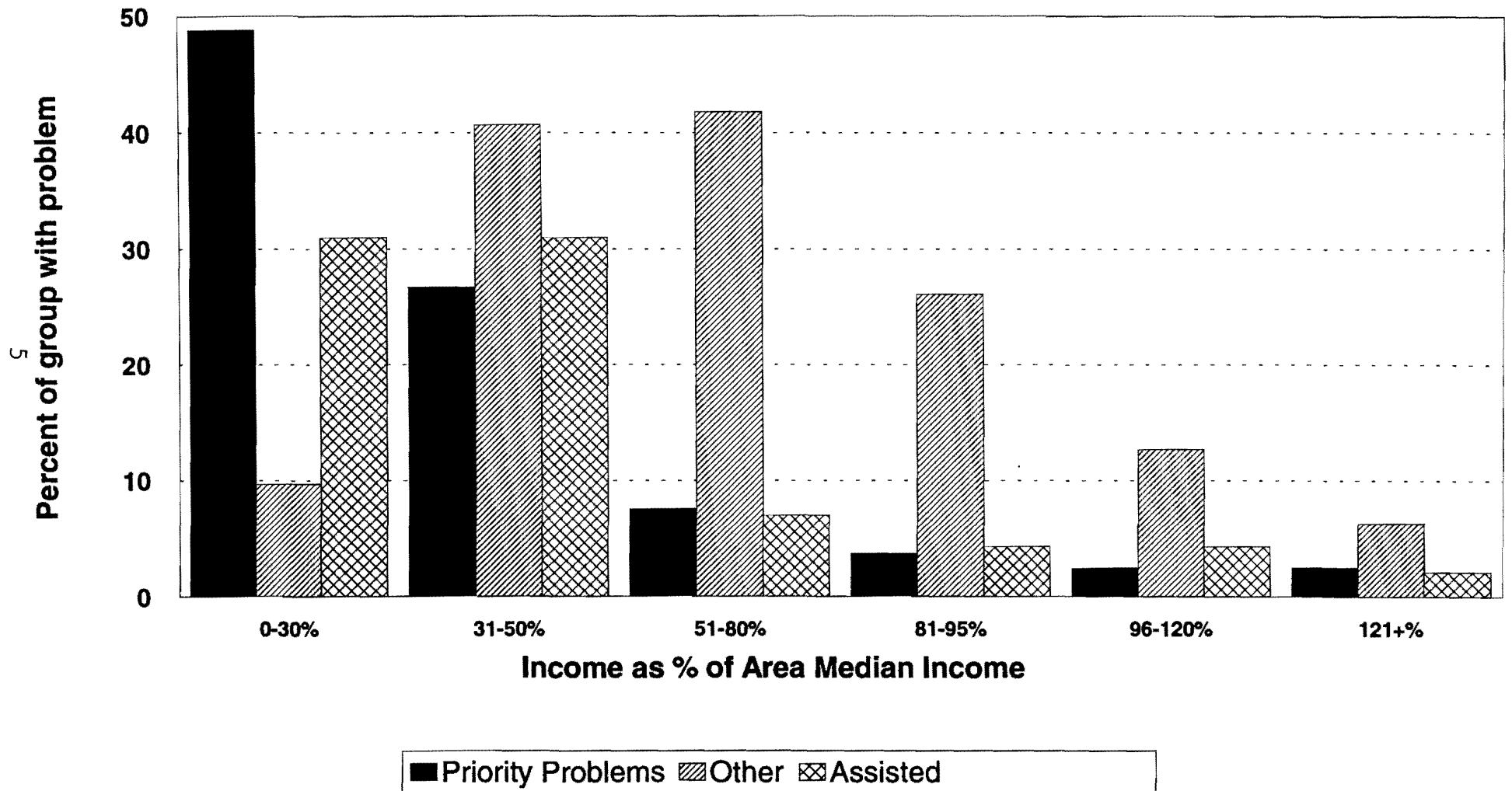
** Housing costs > 50% income or severely inadequate housing among unassisted households.

*** For owners with mortgages, the cost burden cutoffs are 60% and 40%.

SOURCE: Tabulations of the 1991 American Housing Survey, HUD/PD&R, 1990 Census weights.

Figure 1a

Housing Problems of Renters by Income, 1991



Source: American Housing Survey 1991

one-fifth had two or more problems. In contrast, only one-fourth of the 7 million very low-income owners had priority problems.

Such differences between renters and owners occur because very low-income owners tend to have both relatively higher incomes and more assets than renters in the same broad income category. Since very low-income owners with priority problems are thus presumed to have comparatively more housing options -- and, in any case, are not eligible for most rental assistance programs -- they have not traditionally been counted among those households with "worst case needs."

"Worst Case": Priority Problems Among Unassisted Very Low-Income Renters

It is precisely among the poorest Americans -- unassisted very low-income renters -- that severe housing problems are most often found.¹⁰ More than five out of six renters with priority problems fall into the "very low-income" category; half have incomes below 25 percent of area median family income. Very low-income renters with priority problems are twice as likely as other very low-income renters to suffer from combinations of rent burden, inadequacy, and overcrowding. Congress has identified these households, who combine the greatest need and the fewest resources, as having "worst case" needs for housing assistance.

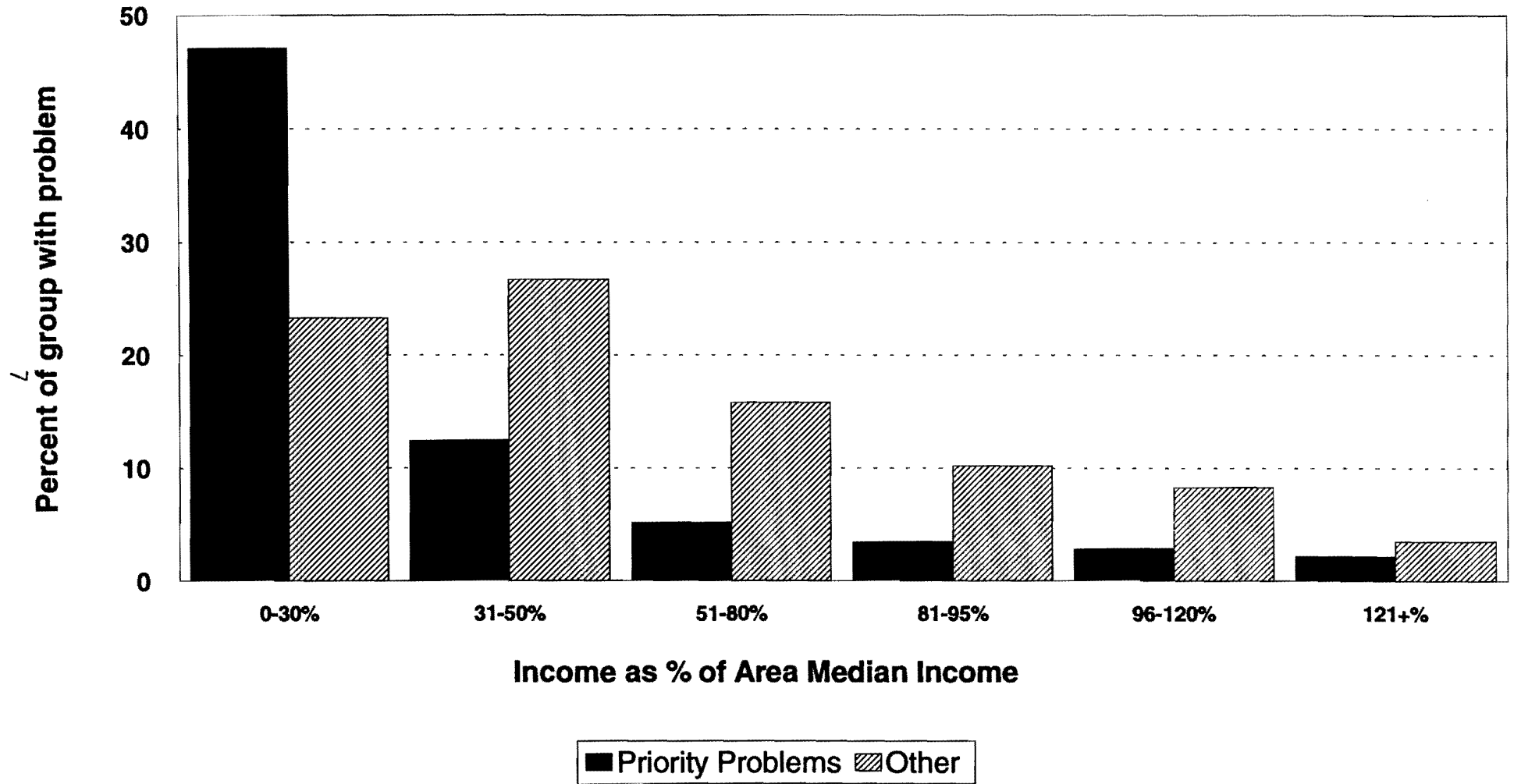
Approximately 5.3 million renter households had worst case needs in 1991. (However, because this estimate was drawn from sample data, the actual number may vary by as much as 175,000.) This figure represents 40 percent of all very low-income renters and 54 percent of those not already receiving rental assistance. These 3.8 million elderly or family households and 1.5 million nonfamily households¹¹ comprise 5.3 percent of the Nation's population and 7.6 percent of its children.

III. CHANGES IN PROBLEMS AND WORST CASE NEEDS BETWEEN 1989 AND 1991

The 1991 AHS estimate of 5.3 million households with worst case needs is not directly comparable to the previously reported 1989 AHS figure of 5.1 million households because, as the published American Housing Survey for the United States in 1991¹² details, the two estimates use weights from different decennial census results. Direct comparisons using 1980 census weights for both samples show that, measured consistently, needs increased by 385,000 households between 1989 and 1991, rising from 38 percent to 40 percent of very low-income renters. This increase, like the other changes highlighted below, is statistically significant.

Figure 1b

Housing Problems of Owners by Income 1991



Source: American Housing Survey 1991

Changes in Housing Problems by Income and Tenure

The 1989-91 changes in income groups and their housing problems, summarized in Table 2, point to a growing polarization of households -- and housing problems -- along lines of tenure and income.

Between 1989 and 1991, the total number of U.S. households increased by some 1.8 million, with owners growing by 1.4 million and renters by 400,000. The increase in renters was significant only among very low-income renters¹³ -- who are most vulnerable to housing problems -- while most of the growth in homeownership occurred among middle- and upper-income households. Although housing needs at these higher income levels are rare, very low-income owners, whose numbers are declining, experienced significant growth in housing problems as a result of increases in severe and moderate cost burdens.

Among renters, the incidence of physically inadequate housing continued to decline between 1989 and 1991, while severe rent burdens registered increases. These trends were each concentrated where the renter population was growing most rapidly -- among very low-income households.

Increases in Worst Case Needs between 1989 and 1991

The increase of 385,000 in households with worst case needs resulted both from the growing number of very low-income renters and from the fact that income growth among those households lagged behind increases in rents during this recessionary period.

Three-eighths of the increase in needs can be traced to a rise of 370,000 in the total number of very low-income renters, as below-average income growth among all renters (4.5 percent between 1989 and 1991, compared to 5.0 percent among owners) forced more lower income households downward on the economic ladder. Shares of renters with incomes below 50 percent, 100 percent, and 150 percent of poverty each increased during this period.

Unfortunately, rents increased more quickly than incomes: median gross rents rose by 9 percent, double the growth in median renter household income. Among very low-income renters, average household income rose by 5.6 percent, while average rents increased by 9 percent. This widening disparity compounded problems of slow income growth, causing rent burdens to increase. The remaining five-eighths of the total increase in worst case needs can be associated with the two-percentage point increase in the incidence of severe rent burdens among very low-income renters. All of the growth in worst case needs since 1974 caused by housing problems (rather than growth in the number of very low-income renters) has been due solely to increases in severe rent burden.

TABLE 2

CHANGES IN INCOME AND HOUSING PROBLEMS, 1989-1991, BY TENURE

	Household income as % of area median family income				Total
	Very low (0-50%)	Low (51-80%)	Middle (81-120%)	Upper (121%+)	
RENTERS (000s)	+373	-112	+108	+37	+406
Rent burden > 50%	2% ^b	2% ^c	0%	0	+1% ^a
Rent burden 31-50%	0	3% ^b	1%	0	0
Inadequate	-1% ^b	-1%	0%	-1%	-1% ^a
Crowded	-1%	+1%	-1%	0	0
Multiple problems	0	+1%	0%	0	-1%
None of listed problems	-1%	-4% ^b	-1%	+1%	-2% ^a
Assisted	-1%	0	1%	0	0
Priority problems	+2% ^b	+2% ^c	-1%	0	+1%
OWNERS (000s)	-101	+303	+300	+860	+1,363
Cost burden >50%	+3% ^b	0	1%	0	0
Cost burden 31-50%	+3% ^b	2%	1%	0	+1%
Inadequate	0	-1%	1%	0	0
Crowded	0	0	0	0	0
Multiple problems	0	0	0	0	0
None of listed problems	-6% ^a	-3%	-2%	-1%	-2% ^a
Priority Problems**	+3% ^b	0	0	0	+1%

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^a Significant at .99

^b Significant at .95

^c Significant at .90

SOURCE: Tabulations of the 1989 and 1991 American Housing Surveys, HUD/PD&R
1980 Census weights

The Growing Predominance of Severe Rent Burdens

As in earlier years, severe rent burden was by far the dominant problem facing worst case renters in 1991. Increasingly, in fact, it is their **only** problem. Over 5 million very low-income renters -- 94 percent of all households with worst case needs -- reported rent and utility payments above half of their reported income. For almost three-fourths of these households, this severe housing burden allowed them to rent adequate, uncrowded housing.¹⁴

Almost one-third of the remaining 1.4 million households with worst case needs paid more than half of their income for uncrowded but moderately inadequate housing -- that is, housing that could be made standard through light rehabilitation.

Worst case renters were more likely to have multiple housing problems than other households, even other very low-income renters. Some 270,000 households paid over half of their income for severely inadequate housing.

While the share of very low-income renters reporting severe rent burdens rose between 1989 and 1991, the number and percentage with severely inadequate units continued its long-term decline. Approximately 600,000 unassisted very low-income renters lived in housing with severe physical problems. Nevertheless, fewer than 20 percent of all worst case households needed to move to other housing in 1991 because their current housing was severely inadequate or crowded.

IV. CHARACTERISTICS OF HOUSEHOLDS WITH WORST CASE NEEDS

Worst case needs affect very low-income renters of every description, but the nature and incidence of those needs can vary markedly by household type, characteristics, and location. This section of the report examines some of these salient differences, offering a general demographic profile of the worst case needs population.

Worst Case Needs by Household Type

Programs to assist renters vary in the types or sizes of very low-income households served, because each program responds to historical differences in eligibility and variations in the unit size needed. Table 3 identifies six relevant types of households, showing their housing problems and characteristics. It reveals that:

- **Increases in worst case needs between 1989 and 1991 were concentrated among families with children (Figure 2) and were**

TABLE 3

HOUSING PROBLEMS AND CHARACTERISTICS OF VERY LOW-INCOME RENTERS
BY HOUSEHOLD TYPE, 1991

	ELDERLY, <u>NO CHILDREN</u>	<u>FAMILIES WITH CHILDREN</u>		<u>OTHER</u> <u>FAMILY</u>	<u>"DISABLED"</u> <u>NONFAMILY*</u>	<u>OTHER</u> <u>NONFAMILY</u>
		<u>1-2</u>	<u>3 OR MORE</u>			
VERY LOW-INCOME RENTERS (000s)	3,410	4,151	1,775	815	532	2,501
WORST CASE HOUSING PROBLEMS	34%	38%	40%	42%	47%	51%
Severely Inad.	4%	3%	5%	4%	14%	6%
Multiple problems**	4%	9%	24%	6%	14%	8%
Rent burden only	28%	29%	16%	36%	29%	41%
OTHER HOUSING PROBLEMS	17%	24%	25%	30%	12%	26%
Multiple problems**	2%	4%	11%	4%	3%	3%
Rent burden only	13%	18%	8%	23%	6%	22%
NO HOUSING PROBLEMS	13%	11%	6%	12%	5%	14%
IN ASSISTED HOUSING	<u>36%</u>	<u>27%</u>	<u>28%</u>	<u>16%</u>	<u>36%</u>	<u>9%</u>
TOTAL	100%	100%	100%	100%	100%	100%
CHARACTERISTICS:						
Female Head	67%	62%	63%	32%	47%	51%
Children/Household	NA	1.5	3.7	NA	NA	NA
Persons/Household	1.2	3.1	5.4	2.3	1.1	1.2
Minority	27%	53%	69%	48%	44%	34%
With AFDC or SSI						
Income	19%	40%	55%	20%	100%	0%
More Bedrooms						
"Needed"***	1%	20%	44%	12%	3%	4%

* Non-family household receiving SSI income

** Two or three of rent burden >30%, severe or moderate physical problems,
and overcrowding

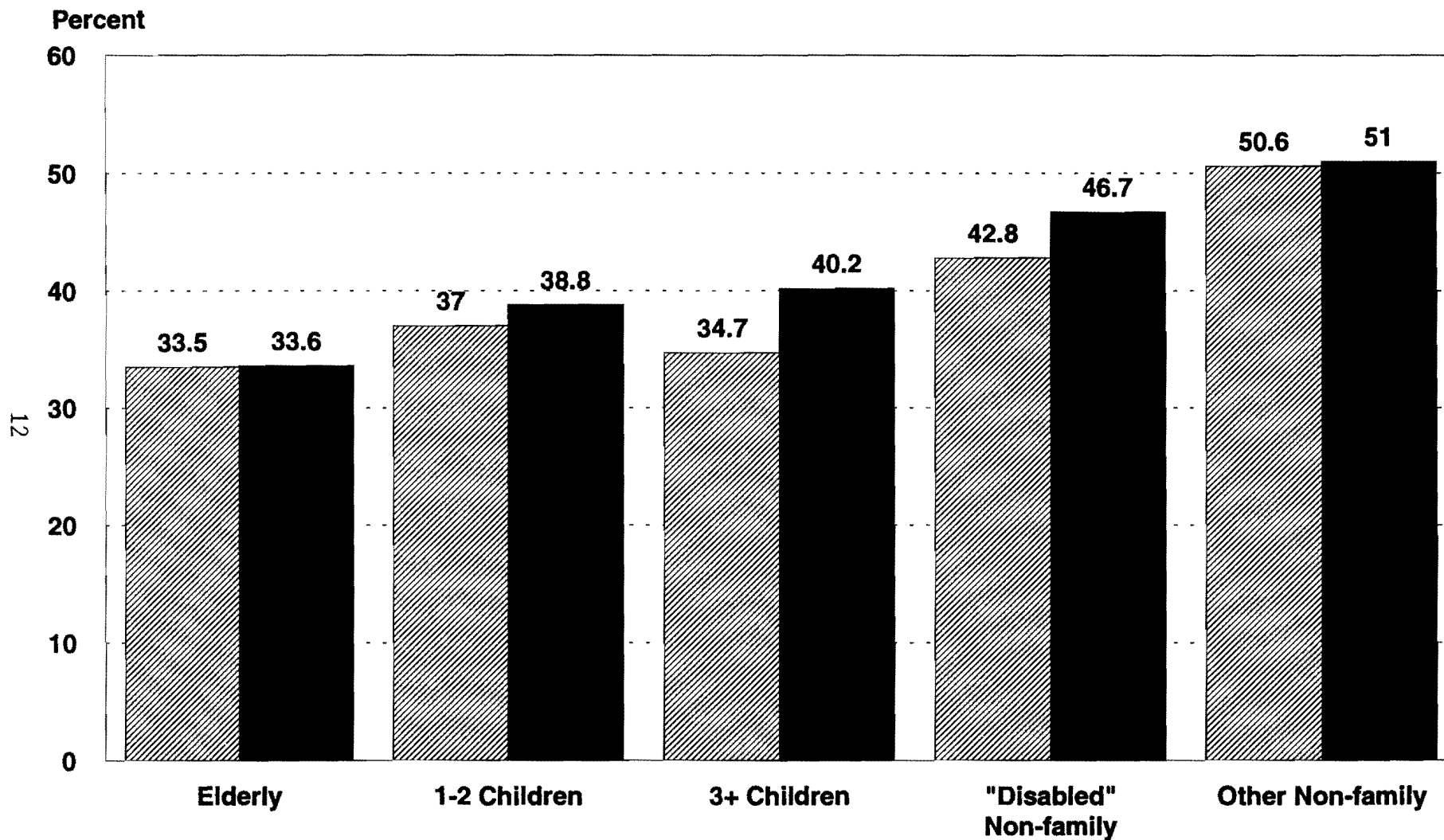
*** Current housing does not meet occupancy standards for number of bedrooms

SOURCE: Tabulations of the 1991 American Housing Survey, PD&R/HUD

Figure 2

Worst Case Needs by Family Type Among Very Low Income Renters, 1989 and 1991

Percent of Family type with problem



Source: American Housing Survey

▨ 1989 ■ 1991

greatest among families with three or more children, for whom priority problems grew by one-sixth in only 2 years.

- **Families with children were relatively likely to have worst case problems (38 percent) and unlikely to be assisted (27 percent).** Problems were even more common and severe among large families (those with three or more children), who were particularly likely to have more than one problem and -- because they were frequently overcrowded -- to need additional bedrooms (Table 4). Large families were more likely than other groups to rate their housing and neighborhoods as poor. They were also far more likely to be poor than the elderly or families with fewer children, and much more likely to be female-headed, minority, and receive Aid for Families with Dependent Children (AFDC) or Supplemental Security Insurance (SSI) payments.
- **Elderly families and individuals were least likely to have worst case needs (34 percent) and most likely to live in public or assisted housing (36 percent).** They were relatively unlikely to have more than one housing problem -- and, for almost 85 percent of elderly households with worst case needs, that one problem was a severe cost burden.
- **Nonelderly disabled individuals had very high rates of unmet need (47 percent),** despite the relatively high rates of assistance that reflect their eligibility for rental programs.¹⁵ These households also often have multiple problems and are the group most likely to live in severely inadequate housing. As Table 4 details, almost nine-tenths are poor. However, it is important to note that these estimates should be used cautiously because the AHS does not regularly ask questions about disabilities. For this report, receipt of SSI income is employed as an admittedly incomplete proxy for disabled or handicapped status.¹⁶
- **Other nonelderly individuals, who have the lowest priority for most housing assistance, were the household type most likely to have worst case problems (51 percent) and least likely to receive housing assistance (9 percent).** Housing quality appeared better among this group, however, and over four-fifths had only a rent burden. Because these households tend to be younger and better educated than other worst case renters, their excessive rent burdens may well be temporary.

Worst Case Needs by Race and Ethnicity

As shown in Figure 3, worst case needs were highest -- and increased most sharply -- among Hispanics, rising from 39 percent to 44 percent between 1989 and 1991. Part of the explanation for this high level of unmet need lies in the fact that Hispanics and

TABLE 4

CHARACTERISTICS OF WORST CASE RENTERS
BY HOUSEHOLD TYPE, 1991

	ELDERLY, NO CHILDREN	FAMILIES WITH CHILDREN		OTHER FAMILY	"DISABLED" NONFAMILY*	OTHER NONFAMILY
		1-2	3 OR MORE			
VERY LOW-INCOME RENTERS (000s)	3,410	4,151	1,775	815	532	2,501
WORST CASE HOUSING PROBLEMS	34%	38%	40%	42%	47%	51%
CHARACTERISTICS:						
Female Head	68%	62%	70%	34%	51%	53%
Children/Household	NA	1.6	3.9	NA	NA	NA
Persons/Household	1.2	3.1	5.4	2.3	1.1	1.2
Crowded	0%	7%	45%	3%	0%	0%
More Bedrooms "Needed"***	1%	25%	52%	13%	4%	3%
Minority	26%	49%	70%	41%	48%	30%
With AFDC or SSI						
Income	16%	40%	62%	19%	100%	0%
Poor	34%	67%	87%	61%	87%	60%
High School Graduate	52%	66%	48%	62%	54%	84%
Rate Housing "Poor"***	4%	10%	19%	5%	13%	9%
Rate Neighborhood "Poor"	6%	17%	20%	8%	14%	11%

* Non-family household receiving SSI income

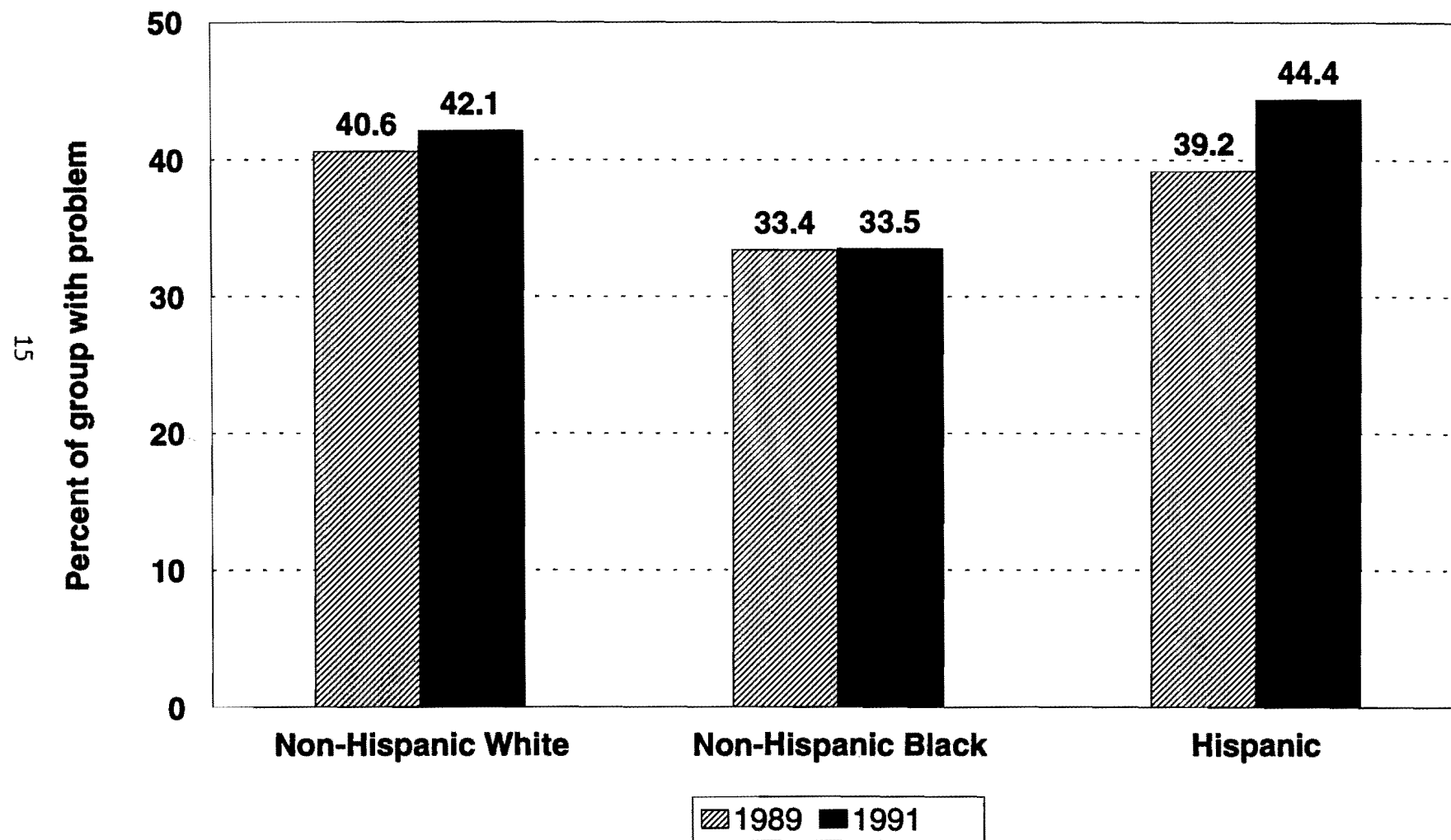
** Current housing does not meet occupancy standards for number of bedrooms

*** Rating 1-4 on scale of 1-10.

SOURCE: Tabulations of the 1991 American Housing Survey, PD&R/HUD

Figure 3

Worst Case Needs Among Very Low-Income Renters by Race and Ethnicity, 1989 and 1991



Source: American Housing Survey

non-Hispanic whites were less likely than African Americans to participate in rental assistance programs. In 1991 only 21 percent of Hispanic very low-income renters reported living in public or assisted housing. Hispanics also experienced dramatically higher levels of crowding (23 percent) than either African American (9 percent) or white (2 percent) very low-income renters.

Conversely, African Americans were least likely to have worst case needs, largely because they most often were already receiving housing assistance. One-third of very low-income African American renters had worst case needs, while an additional 40 percent already received assistance.

Housing Problems and Needs for Other Units

As Table 5 details, almost 4 million of the 5.3 million worst case renters had only a rent burden, since they lived in adequate, uncrowded housing. Another 400,000 households paid more than half of their income for housing that was moderately inadequate. The needs of these households could be met in their current homes through tenant-based rental assistance or rehabilitation programs.

However, some 1 million worst case households needed to move to other housing in 1991 because their current housing was crowded or severely inadequate. Of these, about 640,000 were families with children, 130,000 were elderly, and 220,000 were nonfamily households.

Two-fifths of the households needing to move to other housing required units with 3 or more bedrooms to accommodate their families without crowding. Figure 4 shows that half of all very low-income renter families with 3 or more children lived in crowded or severely inadequate units and therefore needed other housing.

Worst Case Needs by Location

HUD's 1992 analysis of worst case needs revealed that the frequency and mix of priority problems experienced by very low-income renters in the late 1980s varied noticeably by region and metropolitan location. These differences were still apparent in 1991.

In every region except the Midwest, worst case needs (as a percentage of very low-income renters) were higher in the suburbs, where they were most likely to take the form of a severe rent burden only. However, because very low-income renters are disproportionately concentrated in central cities, this is also where over half the households with worst case problems -- some 2.7 million -- also were to be found. One-third of worst case

TABLE 5

DETAILED HOUSING PROBLEMS OF WORST CASE RENTERS, 1991
(Households in Thousands)

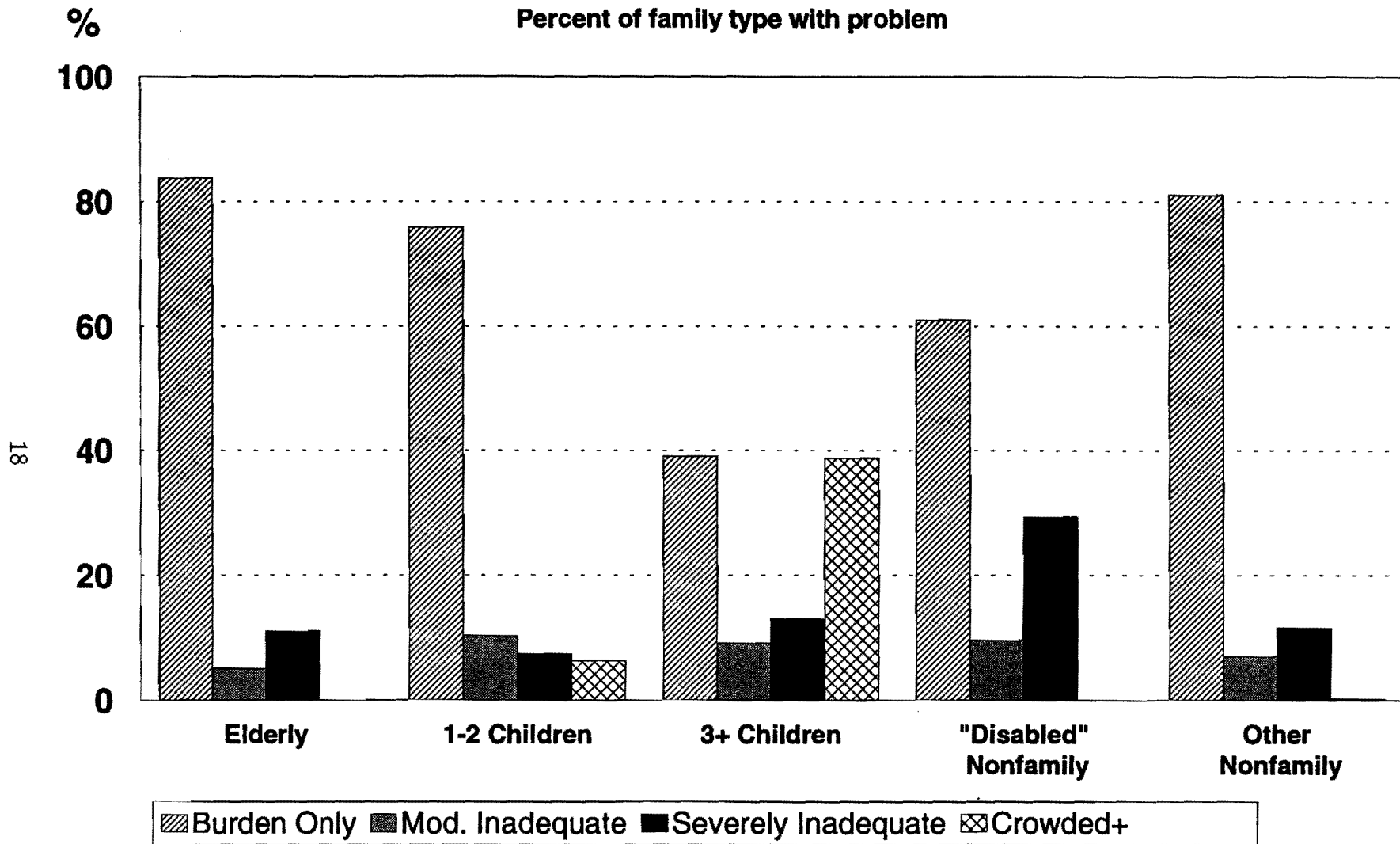
	<u>Elderly</u>	<u>Families</u>	<u>Nonfamily</u>	<u>Total</u>	<u>Percent</u>
SEVERE PHYSICAL PROBLEMS					
Only	53	38	59	150	3%
and burden > 50%	43	123	103	269	5%
and other problem(s)*	31	86	58	175	3%
RENT BURDEN > 50%					
Only	961	1,794	1,187	3,940	74%
and moderate physical problems but uncrowded	55	245	112	413	8%
17 and adequate but crowded	0	315	3	318	6%
and moderate physical problems and crowded	<u>3</u>	<u>70</u>	<u>0</u>	<u>73</u>	<u>1%</u>
TOTAL	1,147	2,668	1,523	5,338	100%

* Other problems are mainly crowding among families, or moderate burden

SOURCE: Tabulations of the 1991 American Housing Survey, PD&R/HUD

Figure 4

Types of Housing Problems Among Worst Case* Renters by Family Type



* Worst case problems are rent burden > 50% of income or severely inadequate housing

Source: American Housing Survey 1991

households lived in suburbs and only 14 percent were in nonmetropolitan areas.

Worst case needs were more common in metropolitan areas than outside them. Table 6 shows that very low-income renters were most likely to have priority needs for assistance in Western metropolitan areas. There, almost half had worst case problems, while only 17 percent already received housing assistance. Worst case needs were also high (43 percent) among very low-income renters in Northeastern MSAs, even though one-third of all such households were already assisted.

Between 1989 and 1991, worst case needs grew significantly in Southern metropolitan areas and in Western suburbs and nonmetropolitan areas.

Worst case renters most often needed other housing in the nonmetropolitan South and in the central cities of the Northeast. In both cases the cause was high rates of severe physical problems: 25 percent of worst case households in the nonmetropolitan South and 20 percent in Northeastern cities. Both severe and moderate physical problems were uncommon in the West. However, the need to move because of crowding was particularly high in Western MSAs, where over one-fourth of worst case families were crowded.

V. ESTIMATES OF WORST CASE NEEDS IN 1990 BY REGION AND STATE

To analyze worst case needs thoroughly, it would be highly desirable to have relevant data from the decennial census. Because of its complete coverage of the population, the 1990 census provides more accurate estimates of housing problems for each State, county, city, and town than are possible from the much smaller American Housing Survey sample. Moreover, census data on severe rent burden are presumably more accurate than AHS data because they provide a better reporting of household income.¹⁷ Unfortunately, however, the census cannot provide complete estimates of worst case needs because it has less information than the AHS on physically inadequate housing and no information at all on whether households already receive housing assistance.

Nonetheless, analysis of worst case needs can draw on the benefits of census data because information on severe rent burden, which is by far the major problem underlying worst case needs, may be derived from the 1990 census and used as a close proxy for worst case needs.¹⁸ The needed census data on severe rent burdens are available from special tabulations -- prepared for the use of jurisdictions in developing their Comprehensive Housing Affordability Strategies (CHAS) -- that identify major housing problems among very low-income renters. This section uses the CHAS database to explore variations in severe rent burdens and in

TABLE 6

WORST CASE NEEDS FOR ASSISTANCE BY LOCATION, 1991

	Worst case needs as percent of very low- <u>income renters</u>	Percent share of total U.S. worst case <u>needs</u>	Percent of worst case renters who:	
			<u>Have rent burden only</u>	<u>Need other housing</u>
NORTHEAST	41%	21%		
Central City	42%	13%	67%	26%
Suburb	45%	7%	85%	11%
Nonmetro	29%	1%	80%	13%
MIDWEST	34%	20%		
Central City	36%	11%	75%	17%
Suburb	34%	5%	81%	14%
Nonmetro	29%	4%	81%	12%
SOUTH	35%	30%		
Central City	38% ^b	14%	72%	14%
Suburb	42% ^b	10%	77%	16%
Nonmetro	31%	6%	53%	30%
WEST	48%	28%		
Central City	49%	13%	73%	21%
Suburb	55% ^b	12%	76%	20%
Nonmetro	41% ^b	3%	81%	14%
UNITED STATES	40%	100%	74%	18%
Central City	40%	52%		
Suburb	44%	34%		
Nonmetro	33%	14%		

^bIncrease since 1989 significant at .90

SOURCE: Tabulations of the 1991 American Housing Survey, HUD/PD&R

supplies of affordable housing by State. Appendix C discusses further the special tabulations, their comparability to AHS data, and evidence concerning the adjustments recommended to create a proxy for worst case needs from data on severe rent burden.

Variations in Severe Rent Burden by Region and State

Census data confirm AHS evidence about differences in worst case need by region and metropolitan status (Table 7). In 1990 severe rent burdens were most common in the West and least common in the South and Midwest. In each region, nonmetropolitan renters were less likely to have severe burdens than those in cities or suburbs.

As Figure 5 illustrates, the incidence of severe rent burdens among very low-income renters also varied greatly across the States in each region. The West, for example, contained both California, with the highest state rate of 52 percent, and Idaho, which had one of the lowest rates at 34 percent. Rates of severe rent burden also ranged widely within the South (from 51 percent in Florida to 34 percent in Kentucky), and the Midwest (from 49 percent in Michigan to 31 percent in South Dakota). Severe burdens were more uniformly high in the Northeastern States, varying between 48 percent in New York and 39 percent in Maine.

Despite these differences among States, the census data confirm that severe rent burdens were a serious problem throughout the country, experienced by at least one-third of very low-income renters in every State except South Dakota.

Severe Rent Burdens and Supplies of Affordable Housing

The census CHAS tabulations also provide new information on the supply and characteristics of housing affordable to very low-income renters, making it possible to analyze more fully the factors underlying severe rent burden -- and by extension, worst case needs.

Comparing the incidence of severe rent burden to other State-level data from the CHAS tabulations reveals, surprisingly, that there is almost no relation between severe rent burden and low rental vacancy rates, the most commonly used measure of housing shortages. As Table 8 shows, vacancy rates among affordable units were quite high across the country, falling below 8 percent in only nine States and the District of Columbia.¹⁹ This observed lack of correlation may reflect the fact that the analysis has focused on the State level. There may be locational mismatches within States, such as higher vacancy rates in nonmetropolitan counties but more renters in cities. However, since vacancy rates are commonly used to measure housing availability, and severe housing problems are

TABLE 7

SHARES OF VERY LOW-INCOME RENTERS PAYING OVER HALF OF INCOME FOR HOUSING
IN 1990, BY LOCATION

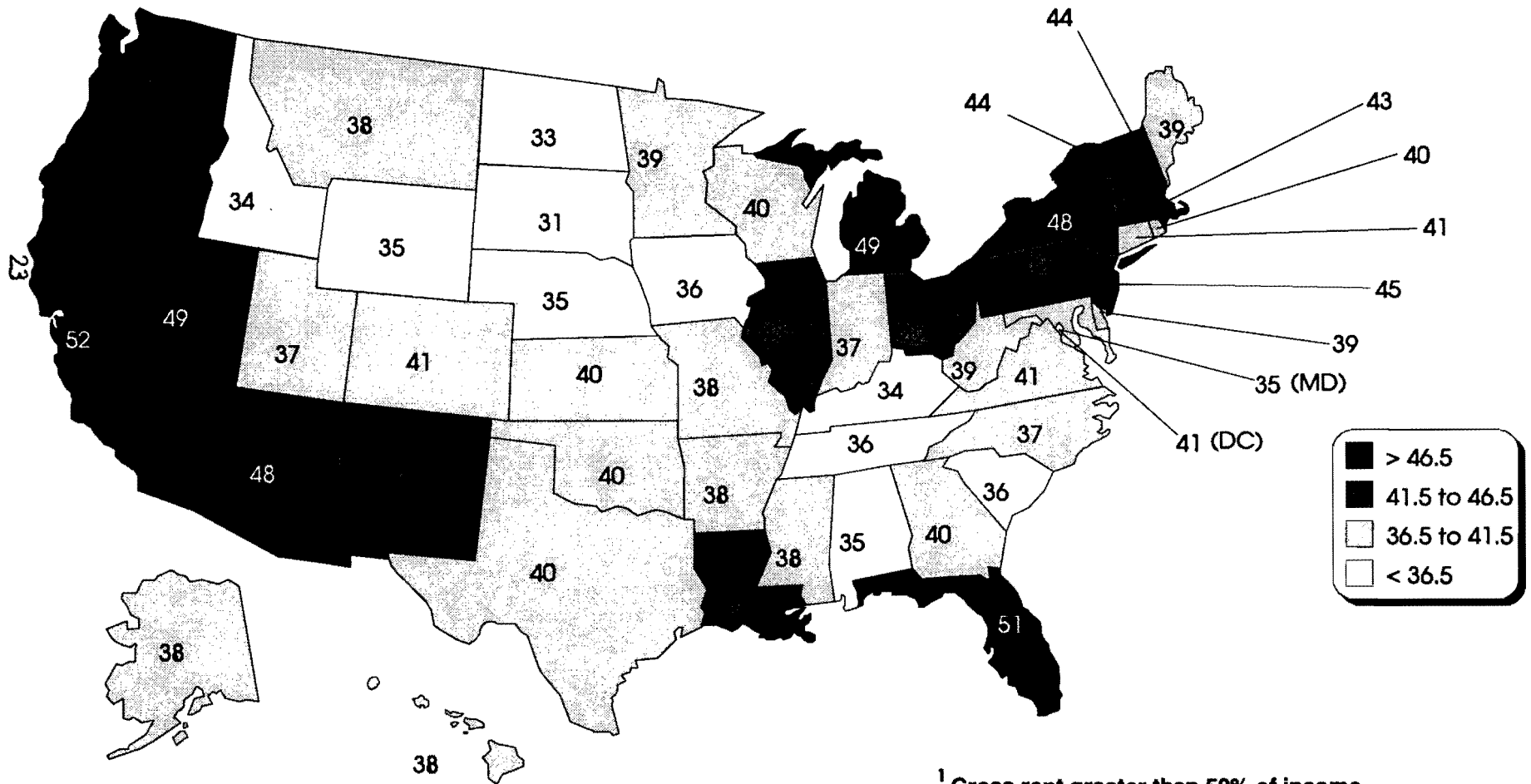
	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
Central City	46%	44%	43%	49%
Suburbs	44%	43%	43%	50%
Non-Metro	41%	33%	35%	40%
Total	45%	41%	41%	48%

Source: Urban Institute tabulations of the CHAS database; Bogdon et al, 1994.

Figure 5

Very Low-Income Renters With Severe Rent Burden¹, 1990

% of Renter Households below 50% HAMFI² with Rent Burden > 50%



¹ Gross rent greater than 50% of income

² HAMFI=HUD Adjusted Area Median Family Income

Source: CHAS tabulations of 1990 Census

TABLE 8

**HOUSING PROBLEMS OF VERY LOW-INCOME RENTERS AND
SUPPLIES OF AFFORDABLE RENTAL HOUSING, BY REGION AND STATE, 1990**

states ranked within region by share with severe rent burden

	Very low-income renters with		Vacancy rate, units affordable <50% HAMFI	Mismatch ratios:**		
	Any Problem*	Burden > 50%		<30% HAMFI	<50% HAMFI	<80% HAMFI
U.S.	76%	42%	9%	0.79	1.24	1.60
NORTHEAST						
New York	78%	48%	6%	0.63	1.12	1.50
New Jersey	76%	45%	8%	0.68	1.08	1.57
New Hampshire	74%	44%	14%	0.84	1.16	1.80
Vermont	74%	44%	9%	0.92	1.18	1.64
Massachusetts	68%	43%	7%	0.82	1.04	1.45
Pennsylvania	72%	42%	9%	0.86	1.37	1.64
Connecticut	71%	41%	8%	0.81	1.15	1.59
Rhode Island	70%	40%	8%	0.82	1.13	1.55
Maine	69%	39%	9%	1.03	1.22	1.66
MIDWEST						
Michigan	77%	49%	8%	0.63	1.23	1.60
Illinois	76%	43%	11%	0.76	1.41	1.65
Ohio	73%	42%	10%	0.80	1.48	1.66
Wisconsin	74%	40%	6%	0.77	1.50	1.64
Kansas	72%	40%	17%	1.12	1.75	1.81
Minnesota	73%	39%	9%	0.82	1.32	1.59
Missouri	72%	38%	15%	0.99	1.58	1.74
Indiana	71%	37%	11%	0.96	1.65	1.73
Iowa	68%	36%	9%	1.21	1.85	1.72
Nebraska	68%	35%	10%	1.36	1.90	1.74
North Dakota	64%	33%	12%	1.52	1.83	1.73
South Dakota	64%	31%	9%	1.46	1.71	1.65
SOUTH						
Florida	80%	51%	16%	0.64	0.86	1.59
Louisiana	75%	46%	20%	0.88	1.21	1.65
Maryland	74%	41%	8%	0.81	1.30	1.70
Virginia	74%	41%	10%	0.96	1.28	1.64
Texas	77%	40%	20%	0.76	1.46	1.81
Georgia	74%	40%	17%	0.96	1.39	1.78
Oklahoma	72%	40%	23%	1.06	1.66	1.83
West Virginia	67%	39%	14%	1.15	1.45	1.65
Delaware	72%	39%	10%	0.96	1.27	1.83
Arkansas	69%	38%	16%	1.17	1.42	1.70
Mississippi	70%	38%	13%	1.15	1.34	1.62
North Carolina	70%	37%	12%	1.11	1.59	1.74
South Carolina	69%	36%	12%	1.14	1.52	1.76
Tennessee	68%	36%	13%	1.05	1.43	1.74
Alabama	66%	35%	13%	1.16	1.51	1.68
District of Columbia	75%	35%	8%	0.87	1.46	1.49
Kentucky	67%	34%	10%	1.11	1.50	1.66

(Table 8, cont.)

WEST

California	86%	52%	6%	0.43	0.62	1.25
Nevada	82%	49%	11%	0.60	0.82	1.67
Arizona	82%	48%	24%	0.67	1.08	1.75
Oregon	78%	45%	7%	0.68	1.22	1.67
New Mexico	76%	43%	17%	0.95	1.23	1.70
Washington	78%	43%	7%	0.72	1.25	1.68
Colorado	76%	41%	16%	0.74	1.53	1.71
Hawaii	70%	38%	2%	1.39	1.18	1.26
Alaska	75%	38%	10%	1.45	1.84	1.85
Montana	70%	38%	13%	1.24	1.69	1.71
Utah	76%	37%	12%	0.79	1.68	1.69
Wyoming	65%	35%	19%	1.48	2.10	1.89
Idaho	71%	34%	9%	1.29	1.79	1.69

* Rent burden > 30% of income, overcrowded, or incomplete kitchen or plumbing

** Ratio of occupied and vacant rental units affordable at 30% of income below income cutoff to renter households with income below income cutoff.

HAMFI: HUD-Adjusted Area Median Income

SOURCE: PD&R tabulations of the CHAS database of 1990 Census data

often attributed to shortages of affordable housing, this lack of relationship on the State level deserves further analysis.

By contrast, the incidence of severe rent burdens by State was highly correlated with two new indicators of supply of affordable housing developed from the CHAS database:

- "Housing mismatch ratios" compare the number of units affordable below an income cutoff to households with incomes below that cutoff. Averaged over the Nation, rental mismatch ratios for 1990 show that there were **shortages** of units affordable to renter households with incomes below 30 percent of the HUD-Adjusted Median Family Income (HAMFI), with only 79 affordable units for every 100 extremely low-income renters (ratio = .79). Nationally, however, there were **surpluses** of units affordable to all very low-income renters (ratio = 1.24).²⁰
- As comparison of Figure 6 with Figure 5 suggests, severe rent burdens were strongly and inversely correlated with the availability of affordable housing, as measured by this ratio of units affordable to very low-income renters ($r = -.80$). Severe rent burdens were even more closely correlated with shortages of units affordable to extremely low-income renters ($r = -.84$). This is consistent with AHS evidence that worst case needs were more frequent among renters with incomes below 25 percent or 30 percent of median than among other very low-income renters. Figure 7 illustrates that the six States with the highest rates of severe rent burden were also the only States in which there were fewer than two units for every three households with income below 30 percent of HAMFI (ratios = 0.67 or less). Conversely, many of the States in which severe rent burdens were least common had sizable surpluses at these very low rents.

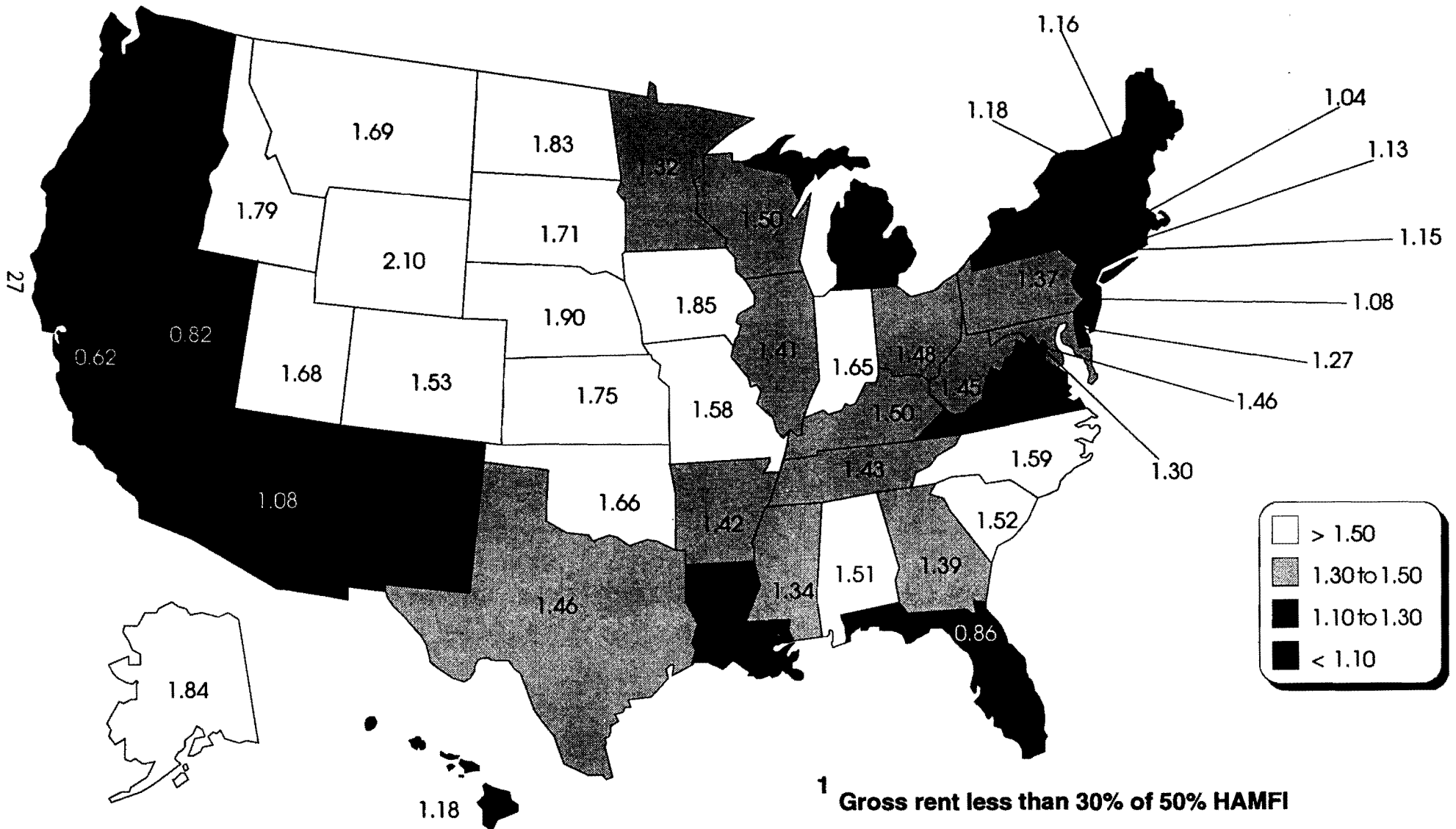
The Need for Further Research on Worst Case Needs

Because three-fourths of worst case renters face only a severe rent burden and live in adequate and uncrowded housing, evidence of a correlation between severe burden and shortages of affordable housing does not of itself imply a need to increase housing supplies. Indeed, these State-level comparisons suggest that even abundant supplies may not necessarily solve worst case problems, since one-third of very low income renters have severe burdens even in the States with high **surpluses** of housing affordable below 30 percent of HAMFI. These findings affirm the need to understand better the interactions between housing needs and supplies of affordable housing in developing effective strategies to reduce worst case needs.

Figure 6

Mismatches In Rental Units Affordable to Very-Low Income Renters¹, 1990

Ratios of Units to Renter Households With Income <30% HAMFI²



Source: CHAS Tabulations of 1990 Census

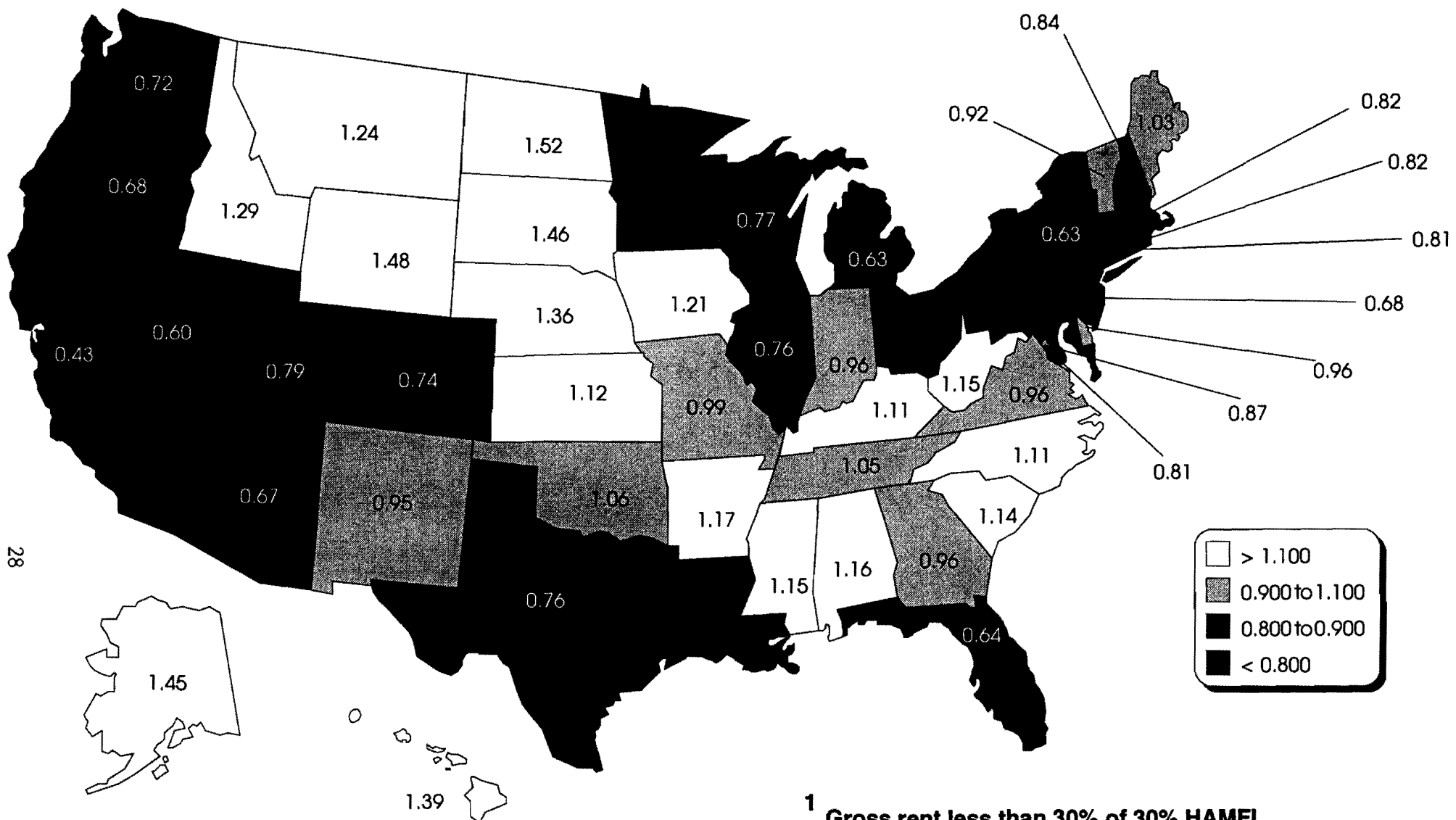
¹ Gross rent less than 30% of 50% HAMFI

² HAMFI=HUD Adjusted Area Median Family Income

Figure 7

Mismatches In Rental Units Affordable to Extremely-Low Income Renters¹, 1990

Ratios of Units to Renter Households With Income <30% HAMFI²



28

¹ Gross rent less than 30% of 30% HAMFI

² HAMFI=HUD Adjusted Area Median Family Income

HUD's Office of Policy Development and Research plans to explore explanations for increases in rent burdens and declines in low-cost units at a time of high vacancies among affordable units. This analysis will form the basis for the next annual report to Congress on worst case needs for housing assistance in the United States. Because of the apparent frequency and severity of worst case needs among the nonelderly disabled (suggested by AHS data on those reporting SSI income), housing needs among renters who are disabled or handicapped will also be studied further.

APPENDIX A - DEFINITIONS AND MEASURES

Household and Family Type

Family - Traditionally, the "families" eligible for HUD programs have included households with relatives present, households with children, elderly single persons aged 62 or more, and single persons who are disabled or handicapped. The Cranston-Gonzalez National Affordable Housing Act of 1990 further broadened the statutory definition of "family" in a way that essentially makes all households eligible for rental programs. In this report, however, the term "family" **excludes** elderly or nonfamily households and refers only to nonelderly "family households." In a manner analogous to the Census Bureau definition of "family," it includes households in which one or more persons in the household are related to the householder by birth, marriage, or adoption.

Elderly - Household in which head or spouse is 62 or older, and there are no children present.

Nonfamily households - Household with a single nonelderly person living alone or with other non-relatives.

Income

Income - Income in the AHS is based on the respondent's reply to questions on income for the 12 months prior to interview. It sums amounts reported for wage and salary income, net self-employment income, Social Security or railroad retirement income, public assistance or welfare payments, and all other money income, prior to deductions for taxes or any other purpose.

Family income - Reported income from all sources for the reference person and other household members related to the reference person.

Household income - Reported income from all sources for all household members.

Housing Problems

Overcrowding - More than one person per room.

Rent or cost burden - Ratio between payments for housing (including utilities) and reported income. Family income is used to calculate burdens for elderly or family households; household income is used for nonfamily households. For owners, payments for housing include mortgage payments and property taxes.

Cost burden - Housing cost burdens exceeding 30 percent of reported income or, for owners with mortgages, 40 percent of reported

income. To the extent that respondents underreport total income, AHS estimates overcount the number of households with cost burden.

Severe cost burden - Housing cost burdens exceeding 50 percent of reported income or, for owners with mortgages, above 60 percent.

Inadequate housing - Housing with severe or moderate physical problems, as defined in the AHS since 1984. These definitions are presented in Appendix A of the AHS published volumes and summarized in Appendix B to this report. Briefly, a unit is defined as having severe physical problems if it has severe problems in any of five areas: plumbing, heating, electric, upkeep, and hallways. It has moderate problems if it has problems in plumbing, heating, upkeep, hallways, or kitchen, but no severe problems.

Priority housing problems - Problems qualifying for Federal preference in admission to assisted housing: paying more than half of income for rent, living in severely substandard housing (including being homeless or in a homeless shelter), or being involuntarily displaced. Because the AHS sample tracks housing units and thus does not count the homeless, AHS estimates of priority problems in this report include only households with cost burdens above 50 percent of income or severely inadequate housing. The only priority problem measured by decennial census data is cost burdens exceeding 50 percent of reported household income.

Income Categories

Low-income - As defined for HUD programs, reported income not in excess of 80 percent of area median family income, adjusted for family size. Estimates of the income cutoffs for each metropolitan area and nonmetropolitan county are updated each year by HUD. The AHS estimates in this report compare official cutoffs to family income (for family and elderly households) and to household income (for nonfamily households). In 1991, 39 percent of AHS households reported incomes that fell below the low-income cutoffs.

Very low-income - Income not in excess of 50 percent of local median family income, adjusted for family size.

Poor - Household income below the official national poverty cutoffs for the U.S. for that household size. The poverty cutoff for a family of 4 approximates 35 percent of median family income. Three-fifths of very low-income households are poor.

Middle-income - For this report, adjusted incomes between 81 and 120 percent of area median family income. Around one-fifth of households (21 percent) were in this category in 1989.

Upper-income - For this report, households with adjusted income above 120 percent of the local median family income. Two-fifths of U.S. households fall into this category.

Housing Assistance Status

Receiving assistance - Includes those responding yes to the following AHS questions: "Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household's income to someone every year so they can set the rent?"

"Worst case" - Unassisted very low-income renters with the priority housing problems that give them preference for admission to rental assistance programs.

Location

(Standard) Metropolitan Statistical Area - From 1973 to 1983, the definitions of metropolitan location in Annual Housing Survey data corresponded to the 243 Standard Metropolitan Statistical Areas (SMSAs) used in the 1970 census. Since 1984, metropolitan location in the American Housing Survey has referred to the Metropolitan Statistical Areas (MSAs) defined in 1983, based on the 1980 census.

Region - The four census regions are the Northeast, Midwest, South, and West. The States that comprise each region are listed in Table 8 of this report.

APPENDIX B

PROCEDURES FOR ESTIMATING WORST CASE NEEDS FROM AMERICAN HOUSING SURVEY DATA

To accurately estimate worst case needs for housing assistance with American Housing Survey data, it is essential to determine whether household incomes fall below HUD's very low-income limits (50 percent of HAMFI), whether a household already receives housing assistance, and whether an unassisted income-eligible household has problems that meet the tenant selection preferences: rent burdens above 50 percent of income, substandard housing, or having been displaced.

This appendix discusses the procedures and definitions used with the 1989 and 1991 American Housing Survey microdata to estimate the number of households in different income categories who have worst case needs or other housing problems.

Procedures Used with 1989 and 1991 American Housing Survey Microdata

(1) Area income limits - To categorize households in relation to "local" income limits as accurately as possible within the limitations of the American Housing Survey geography, family or household income is compared to area income limits. Very low- and low-income cutoffs for a family of four -- i.e., 50 or 80 percent of HAMFI, respectively -- were defined for each unit of geography identified on the AHS national microdata tapes since 1985. Official 1989 income limits were used directly for each of the 141 MSAs (or CMSAs for Buffalo, N.Y., and Portland, Ore.) identified on the AHS tapes. For housing units outside these MSAs, the AHS geography identifies only region, metropolitan status, and six climate zones. Average income limits were estimated for each of these 48 locations (4 * 2 * 6) by weighing the 1989 income limits of each county within a location type by its 1980 population. Income limits for 1991 were approximated by inflating each 1989 estimate by the average increase in income limits of 5.1 percent between 1989 and 1991.

The same approach was used to define the local Fair Market Rents (FMRs) that applied to each housing unit on the AHS. Official FMRs for units with 0-4 bedrooms were used for the identified MSAs -- weighted FMRs were developed for the rest of the country. FMRs for 1991 were approximated by inflating each 1989 estimate by the average 1989-91 change in FMRs of 7.5 percent.

(2) Categorizing households by income -- For family and elderly households, income status is determined by comparing family income to the very low- and low-income cutoffs, with appropriate adjustments for family size. For nonfamily households, household

income is compared to the cutoffs, as adjusted for household size. To be consistent with HUD procedures, 5.5 percent of equity is included as income for homeowners. Households reporting negative income were categorized as middle-income if their monthly housing costs were above the Fair Market Rent, since many households in this situation appear to be reporting temporary accounting losses.

(3) Receiving housing assistance -- Households are counted as receiving Federal housing assistance if they answered yes to one of the following AHS questions: "Is the building owned by a public housing authority? Does the Federal Government pay some of the cost of the unit? Do the people living here have to report the household's income to someone every year so they can set the rent?" Although the number and characteristics of households responding affirmatively to these questions are generally consistent with program data, detailed examination reveals that households often do not report their assistance status correctly. (See Connie H. Casey, Characteristics of HUD-Assisted Renters and Their Units in 1989, U.S. Dept. of Housing and Urban Development, HUD-1346-PDR, March 1992.)

(4) Severe or moderate physical problems -- The definitions are those used since 1984 in the American Housing Survey, defined in detail in Appendix A of the published AHS volumes. A unit is considered severely inadequate if it has any of the following five problems:

Plumbing. Lacking hot piped water or a flush toilet, or lacking both bathtub and shower, all for the exclusive use of the unit.

Heating. Having been uncomfortably cold last winter, for 24 hours or more, because the heating equipment broke down, and it broke down at least 3 times last winter, for at least 6 hours each time.

Upkeep. Having any five of the following six maintenance problems: leaks from outdoors; leaks from indoors; holes in the floor; holes or open cracks in the walls or ceilings; more than a square foot of peeling paint or plaster; or rats 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 elevator.

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.

A unit is defined as moderately inadequate if it has any of the following five problems, but none of the severe problems:

Plumbing. Having the toilets all break down at once, at least three times in the last three months, for at least six hours each time.

Heating. Having unvented gas, oil or kerosene heaters as the main source of heat (since these give off unsafe fumes).

Upkeep. Having any three of the six upkeep problems mentioned under severe.

Hallways. Having any three of the four hallway problems mentioned under "severely inadequate."

Kitchen. Lacking a sink, range, or refrigerator, all for the exclusive use of the unit

APPENDIX C

PROXIES FOR WORST CASE NEEDS FROM 1990 CENSUS DATA

The Comprehensive Housing Affordability Strategy (CHAS) Data Base

To aid States and jurisdictions in assessing their housing needs and housing conditions, HUD funded and disseminated special tabulations of 1990 census data prepared by the Census Bureau.¹ Unlike standard census data, tabulations in this "CHAS Database" categorize each household in the U.S. by income in relation to HUD's official 1989 income limits for the household's location. Data on the characteristics and housing problems of households were tabulated for five income categories: 0-30 percent of HUD-Adjusted Area Median Family Income (HAMFI), 31-50 percent, 51-80 percent, 81-95 percent, and above 95 percent of HAMFI.² Owned and rental housing units were categorized by their affordability to households with incomes below 30 percent, 50 percent, or 80 percent of HAMFI.³

¹ These data, needed for preparation of a CHAS by eligible States and local jurisdictions, were published for each State and its counties and jurisdictions in Comprehensive Housing Affordability Strategy Databooks. The special tabulations for all jurisdictions in the United States are also available from the Census Bureau on CD-Rom as the CHAS Database. The data include the income, tenure, household type, race and ethnicity, and housing problems of households, as well as the size, affordability, vacancy rates, age, and physical condition of the housing stock.

² The acronym HAMFI was coined for the CHAS tabulations to emphasize that estimates of area median family income are adjusted in several ways as HUD's official income limits are developed. Statutory adjustments include upper and lower caps for areas with low or high ratios of housing costs to income, specifying that limits for each nonmetropolitan county can be no less than its State's nonmetropolitan average. The process of defining the official cutoffs starts from an annual estimate of area median family income and, after the statutory adjustments, defines the standards for 50 percent and 80 percent of median. The base cutoffs are then assumed to apply to a household of four and further adjustments are made for households of different size, from 70 percent of base for a one-person household to 128 percent of base for an 8-person household.

³ For these tabulations, affordability categories were defined as annual gross rent less than or equal to 30 percent of the relevant income cutoff for rental units, or value below 2.5 times the income cutoff for owned units. Adjustments for number of bedrooms were those used in defining affordable rents for HOME

The CHAS database provides more accurate data on the income eligibility of households and their rent burdens than are available from the AHS. Not only do the data come from a much larger sample, but the census also asks more detailed questions than does the AHS about income received from specific sources for each adult in the household. Moreover, for the census CHAS database each household's 1989 income was compared to HUD's official income limits for its specific MSA or nonmetropolitan county. This approach is a marked improvement over the average income limits applicable to larger areas that must be used for estimates from the AHS (see Appendix B).

The CHAS database also permits more detailed examination of the location of income-eligible households than is possible from either the national or metropolitan AHS. The CHAS tabulations provide data for each state, county, and jurisdiction with 1990 population greater than 25,000.

1990 Census Data on Housing Problems by Income and Tenure

To introduce the CHAS tabulations and compare them to AHS data, Table C-1 summarizes their information on U.S. housing problems by income and tenure in a format similar to the overview of national AHS data presented in Table 1. Because the two tables refer to time periods that differ by some 18 months, they are naturally not identical.

Although the 1990 census shows fewer renter households overall, the shares of renters categorized as very low-income are remarkably similar in the two sources -- 38.7 percent for the census and 39.5 percent from the 1991 AHS. Proportions of renters with incomes below 80 percent of HAMFI are even closer: 59 percent in the census and 59.2 percent from the AHS. Because income is less underreported by census data, these similarities are important and reassuring.

As expected, the CHAS database classifies more owners as having very low incomes than did the AHS in Table 1. Most of this disparity occurs because imputed income from home equity was included as income in Table 1, but was not considered in the census data.

Overall and within income-tenure groups, the census data show lower shares of households as having housing problems. The census shows 76 percent of very low-income renters to have some housing problem; the AHS estimate is 89 percent. Such differences presumably reflect the AHS's more inclusive measure of inadequate

and the Low Income Housing Tax Credit.

TABLE C-1

HOUSING PROBLEMS, 1990, BY TENURE, INCOME, AND REGION

Household income as % of area median family income^a

	<u>0-30%</u>	<u>31-50%</u>	<u>51-80%</u>	<u>81-95%</u>	<u>96%+</u>	<u>Total</u>
<u>RENTERS (000s)</u>	7,259	5,131	6,491	2,890	10,219	31,989
Any problem ^b	76%	75%	45%	24%	10%	44%
Northeast	75%	73%	47%	26%	11%	44%
Midwest	77%	69%	32%	11%	4%	39%
South	74%	73%	44%	21%	8%	42%
West	82%	83%	58%	36%	15%	50%
Rent burden > 30%	73%	69%	36%	16%	4%	38%
Rent burden > 50%	58%	23%	4%	1%	0%	18%
Northeast	57%	25%	5%	2%	0%	19%
Midwest	58%	17%	2%	1%	0%	18%
South	54%	22%	3%	1%	0%	19%
West	64%	30%	6%	2%	0%	19%
Crowded	11%	12%	10%	8%	5%	9%
<u>OWNERS (000s)</u>	4,246	5,052	8,534	4,859	37,313	60,005
Any problem	71%	45%	31%	25%	11%	22%
Cost burden > 30%	68%	42%	27%	21%	9%	20%
Cost burden > 50%	45%	17%	7%	3%	1%	6%
Crowded	4%	4%	4%	4%	2%	2%

=====

^a HUD-Adjusted area median income

^b Housing costs > 30% of income, 1.01+ persons/room, or incomplete kitchen or plumbing.

SOURCE: Comprehensive Housing Affordability Strategy Database tabulations from the 1990 Census, further analyzed by HUD/PD&R

housing (detailed in Appendix B), since the census data counts only units lacking complete kitchen or plumbing as physically inadequate.

The two sources are remarkably similar with regard to the incidence of rent burden and severe rent burden among renters. The AHS shows rent burdens among 72 percent of very low-income renters, compared to 71 percent from the census; both estimate that 43 percent had severe rent burdens. Estimates of burden from the two sources are equally close for low-income renters and for all renters.

Shares of cost-burdened owners appear appreciably higher in the census data than were shown in Table 1. The difference reflects divergent treatments of imputed income from equity, as well as the fact that Table 1 defined excess burden for owners with mortgages as exceeding 40 percent or 60 percent of income, rather than 30 percent or 50 percent.

The most noticeable differences between the two data sources occur with respect to crowding. The census shows appreciably more crowding among renters: 9 percent (compared with 5 percent for all renters) and 11 percent (rather than 7 percent) for very low-income renters. According to the Census Bureau, this difference occurs for two reasons:

- The census count of people is more complete than that of the AHS, because AHS weights are based on housing units rather than people.
- Because of its focus on housing and its skilled enumerators, the AHS does a better job than the census of counting rooms.

Severe Rent Burden Among Very Low-Income Renters as a Proxy For Worst Case Needs

As discussed above, the 1990 census and the 1991 AHS agree closely in showing that 39 percent of renters have very low incomes, and that 43 percent of very low-income renters pay more than half of their income for rent. Moreover, the AHS shows that only 6 percent of worst case households (excluding the homeless) have severely inadequate units but not a severe rent burden. Thus, after adjustment for the census' omission of severe physical problems, data on severe rent burden among very low-income renters from the census CHAS tabulations can serve as a quite complete proxy for worst case needs.

However, because the decennial census has no means of identifying households receiving rental assistance, one other adjustment is necessary. According to HUD's calculations, 12

percent of income-eligible renters with severe rent burdens were subsidized in 1989.⁴ Census data on severe rent burdens among very low-income renters therefore should be adjusted in two directions: to **exclude** rent-burdened tenants who already receive housing assistance, and to **add** very low-income renters whose housing has severe physical problems not reported by the census.

These two offsetting adjustments imply that, on average, worst case needs approximated 95 percent of census counts of very low-income renters with severe rent burden in the years around 1990.⁵ Nationally, then, adjusted census data imply that, excluding the homeless, some 5.1 million very low-income renters -- 41 percent of the group -- had worst case needs in 1990. Although this proxy "guesstimate" is not directly comparable to the AHS numbers for 1989 and 1991, it appears highly consistent with the AHS estimate of 5.3 million worst case renters in 1991.

To accurately estimate worst case needs in particular locations from census data, the national adjustment factor developed above should undoubtedly be higher in areas with high incidence of severely inadequate housing, such as the nonmetropolitan South. Conversely, adjustment factors might be lower in costly markets with high rates of assistance.⁶ But because developing precise adjustment factors for different locations would be an extremely difficult and complex operation, unadjusted rates of severe rent burden among very low-income renters are used in this report.

⁴ Connie H. Casey, Characteristics of HUD-Assisted Renters and Their Units in 1989, U.S. Dept. of Housing and Urban Development HUD-1346-PDR, March 1992. Preliminary tabulations of equivalent 1991 AHS data show that this share at 16 percent.

⁵ Census data on very low-income renters with severe rent burden were adjusted by

- 1) a factor of 1.082 to add renters with severe physical problems who did not have a severe rent burden, and
- 2) a factor of 0.878 to exclude renters with severe rent burden who received housing assistance.

Both 1989 and 1991 AHS data were used in developing these adjustments. The 1989 data were given triple weight because the 1990 Census was taken in April 1990, essentially six months after the 1989 AHS and 18 months before the 1991 AHS. (The national AHS surveys are done between September and December of each year.)

⁶ That is, locations in which high shares of very low-income renters live in assisted housing, but nevertheless pay or report paying high shares of income for housing.

NOTES

1. The exact wording of the Federal preference rules in Section 8(d)(1)(A) of the U.S. Housing Act of 1937, as amended, provides that the tenant selection criteria shall:

give preference to families that occupy substandard housing (including families that are homeless or living in a shelter for homeless families), are paying more than 50 percent of family income for rent, or are involuntarily displaced at the time they are seeking assistance under this section....

2. Appendix C details the other statutory adjustments to median family income made by HUD to define HUD-Adjusted Median Family Income (HAMFI) and thus "very low-income" and "low-income."

3. U.S. Dept. of Housing and Urban Development, Priority Housing Problems and "Worst Case" Needs in 1989, A Report to Congress, HUD-1314-PDR, July 1991.

4. The 1989 AHS estimate of 5.1 million households was based on sample weights derived from the 1980 Census. As discussed further below, it is not directly comparable to the estimate of 5.3 million from the 1991 AHS, which is based on 1990 weights.

5. U.S. Department of Housing and Urban Development, The Location of Worst Case Needs in the Late 1980s: a Report to Congress, HUD-1387-PDR, December 1992.

6. As shares of unassisted very low-income renters, worst case needs in the West ranged from 68 percent in the San Bernardino-Riverside-Ontario metropolitan area to 43 percent in Portland, and in the Northeast from 68 percent in the New York and Newark-Northern New Jersey MAs to 49 percent in Pittsburgh. Needs varied across Midwestern MAs from 65 percent in Detroit to 41 percent in Cincinnati, and in the South from 64 percent in Miami to 34 percent in Fort Worth.

7. Appendix B summarizes the procedures used in preparing these estimates of income-eligible renters with priority problems from American Housing Survey data. Since the AHS is a survey of housing units, it cannot count families or individuals who are homeless. The most careful attempts to count the homeless to date provide estimates of the number of persons who are homeless at a point in time that range from 230,000 to 750,000. If the midpoint of these estimates were correct for 1991, if each person were a household (unlikely), and if all were very low-income (likely), the "true" number of worst case households would have been 5.8 million rather than 5.3 million households.

However, like all sample data, AHS data have problems of coverage, definition, response, and inconsistencies over time

that affect the estimates of housing problems and household characteristics. In particular, income is known to be underreported by the AHS, which has the effect of overestimating both the number of households with incomes low enough to make them eligible for rental assistance and the number of very-low-income households with severe rent burdens. In 1983 the money income reported on the AHS was 86 percent of that shown by independent estimates drawn from GNP accounts and other sources. Because AHS questions about income sources have been changed since 1983 to be less specific, and because transfer income is generally reported less well than income from wages and salaries, it is likely that income among very low-income renters is underreported by more than 15 percent on the 1989 AHS. If income were underreported by 20 percent by each AHS household, the 1991 estimate of very low-income worst case households would be 4 million rather than 5.3 million.

8. As discussed in footnotes 10 and 11 of the 1991 HUD report, the decrease between 1985 and 1989 resulted to an unknown extent from changes over that period in questions about plumbing and utility payments. There were, by contrast, no changes between 1989 and 1991 in the AHS questions used in defining worst case needs.

9. Because the 1960 Census data on "dilapidated" housing were judged to be unreliable, there have been many efforts to define "inadequate" housing systematically, and alternate measures of crowding and excessive rent burden have also been used. The Congressional Budget Office (CBO), for example, defines units in need of rehabilitation as those lacking complete plumbing or kitchen facilities, or with two or more of 11 different structural defects. Crowded units are defined by CBO as those with more than two persons per bedroom.

10. Because the national poverty threshold is around 35 percent of median family income, almost two-fifths of the very low-income families eligible for housing assistance are not technically "poor." Since poverty standards do not vary geographically, relationships between poverty and HUD's very low-income standards vary markedly across the United States. Furthermore, HUD's adjustments for household size differ notably from the size adjustments used in defining poverty. As a result, in 1989 the average ratio of the very low-income cutoff to the poverty threshold ranged from 1.93 for a single person household to 1.19 for a six-person household.

11. Prior to the passage of the Cranston-Gonzalez National Affordable Housing Act in 1990, the "family" households eligible for HUD programs included elderly individuals, but did not include nonelderly individuals unless they were disabled or handicapped. Until this time, Section 3 of the Housing Act of 1937 stated that

for HUD programs the term 'families' includes families consisting of a single person in the case of (A) a person who is at least 62 years of age or is under a disability as defined in Section 223 of the Social Security Act or in Section 102 of the Developmental Disabilities Services and Facilities Construction Amendments of 1970, or is handicapped, (B) a displaced person, (C) the remaining member of a tenant family, and (D) other single persons in circumstances described in regulations of the Secretary.

Since the Cranston-Gonzalez Act removed the underlined phrase, all individuals are now technically "families." The Act also removes a limit on the percentage of assisted housing units in a geographical area that can be occupied by single persons who are not elderly or handicapped, but it continues to place them at the bottom of waiting lists. Nonelderly single individuals living alone or only with nonrelatives are called "nonfamily" households in this report.

12. U.S. Bureau of the Census, Current Housing Reports H150/91.

13. This is consistent with published AHS data, which show growth among renters below poverty as well as below 50 percent and 150 percent of poverty (U.S. Bureau of the Census, American Housing Survey for the United States in 1991, Current Housing Reports H150/91, Appendix C, Table 12).

14. High rent burdens may reflect a temporary lack of income rather than a long-term rent burden. AHS data provide a "point-in-time" estimate of the worst case households whose current payments for rent and utilities exceed 50 percent of their reported income for the previous 12-month period. Analysis of longitudinally linked data from the Panel Survey of Income Dynamics suggests that paying excessive rent burdens may often be temporary, since nearly one-half of households with rent burdens above 50 percent of income between 1970 and the mid-1980s did not have this problem a year later. (T. K. Adams, "Poor High-Rent Status: A Preliminary Investigation of the Incidence and Persistence of High Rent Burden Among Poor Renter Households," prepared for the U.S. Office of Management and Budget, Executive Office of the President, December 1989.)

15. See above at note 11.

16. Supplemental questions about disabilities were asked by the AHS in 1978 only. The number of nonelderly individuals living without relatives who reported disabling conditions was then more than twice the number reporting SSI income, but almost two-thirds of those receiving SSI also had disabling conditions. This relationship suggests that using SSI receipt as a proxy for disabilities can provide useful information on the housing

conditions of disabled individuals, but is likely to seriously undercount the number of households with disabled individuals present.

17. According to the Census Bureau, the aggregate income reported on the 1980 Census was 90-92 percent of that included in the National Income and Product Accounts.

18. To adjust fully for the incompleteness of the census data in developing this proxy, rent-burdened tenants who already receive housing assistance should be excluded from the census counts and very low-income renters whose housing has severe physical problems not reported by the census should be added. As Appendix C discusses, evidence on these adjustments suggests that national averages of worst case needs are approximately 95 percent of census counts of very low-income renters with severe rent burdens.

19. Nationally, 42 percent of rental units had rents affordable at or below their local 50 percent of HAMFI cutoffs. (see Amy Bogdon, Joshua Silver, and Margery A. Turner, National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies, 1993, U.S. Department of Housing and Urban Development HUD-1448-PDR, Appendix Table 30).

20. Bogdon, et al (1994) discuss the implications of this ratio and present summary data on its variation by region and metropolitan location in 1990.



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