6 / HOUSING CHALLENGES

Despite signs of progress, the shortage of affordable housing remains acute, especially for lowest-income households. While the number of cost-burdened homeowners has fallen substantially since the peak of the housing crisis, the number of cost-burdened renters is still near record highs. After years of declines, homelessness increased slightly in 2018, reflecting widespread housing insecurity. In the absence of any meaningful increase in federal funding for affordable housing, some states and localities are acting to expand the supply and provide new protections for tenants.

LITTLE RELIEF FOR COST-BURDENED RENTERS

At last measure in 2017, the number and share of households paying more than 30 percent of their incomes for housing—the traditional measure of cost burdens—continued to decline. In that year alone, the number of cost-burdened households fell by 260,000, to 37.8 million, bringing the total drop since the 2010 peak to nearly 5.0 million. The overall burden rate also fell to 31.5 percent in 2017, down 5.7 percentage points from the 2010 peak.

At the same time, however, 18.2 million severely burdened households were paying more than 50 percent of their incomes for housing. Although the number of these severely burdened households also fell by 255,000 in 2016–2017, the share was unchanged at 15.2 percent—just 2.6 percentage points lower than in 2010.

Homeowners have accounted for much of the reduction in cost-burdened households, in part because many financially stretched owners lost their homes to foreclosure, managed to refinance into lower-cost mortgages, or benefited from the recent growth in incomes. The number of cost-burdened owners stood at 17.3 million in 2017, down nearly 5.5 million from the 2010 peak **(Figure 31).** With the recent rebound in homebuying, the share of owners with cost burdens fell to 22.5 percent and the severely burdened share fell to 9.7 percent.

For renters, however, there are only small signs of improvement **(Figure 32).** The number of cost-burdened renter households stood at 20.5 million in 2017, just 770,000 below the peak in 2014 and 5.7 million above the level in 2001. As a result, renter households with cost burdens continued to outnumber homeowners with cost burdens, as they have since 2012. The cost-burdened share of renter households inched down to 47.4 percent in 2017, 3.4 percentage points below the 2011 high but up 6.8 percentage points from 2001. About a quarter of all renters—some 10.7 million households—faced severe housing cost burdens in 2017.

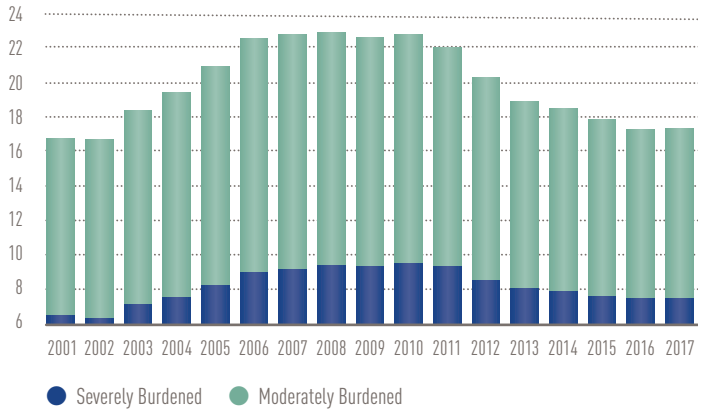
LOW-INCOME AND MINORITY HOUSEHOLDS ESPECIALLY BURDENED

Not surprisingly, households with the lowest incomes have the highest cost-burden rates. Indeed, the share of cost-burdened renter households earning less than $15,000 held at 82.8 percent in 2017, down only 0.5 percentage point from 2016. Almost three-quarters

FIGURE 31

While the Number of Cost-Burdened Homeowners Has Receded...

Owners with Cost Burdens (Millions)

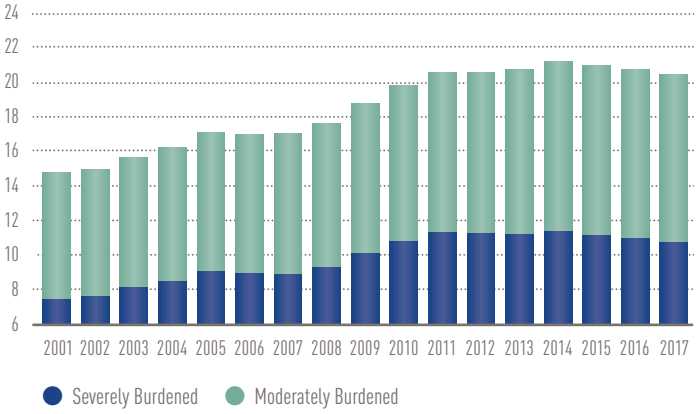


Notes: Cost-burdened (severely cost-burdened) households pay more than 30% (more than 50%) of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

FIGURE 32

...The Number of Cost-Burdened Renters Remains Close to Peak Levels

Renters with Cost Burdens (Millions)



Notes: Cost-burdened (severely cost-burdened) households pay more than 30% (more than 50%) of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens.
Source: JCHS tabulations of US Census Bureau, American Community Survey 1-Year Estimates.

(71.9 percent) of these renters were severely burdened. Similarly large shares of same-income homeowners were cost burdened (83.8 percent) or severely burdened (67.9 percent).

Cost-burden rates are also rising rapidly among renters higher up the income scale. The share of burdened renters with incomes in the $30,000–44,999 range increased 2.3 percentage points in 2016–2017, to 53.3 percent—up sharply from 39.0 percent in 2001. Meanwhile, the cost-burdened share of households with incomes in the $45,000–74,999 range increased 1.1 percentage points over the year, to 24.8 percent, or nearly double the 13.0 percent share in 2001.

Affordability is particularly challenging in the nation's 25 highest-cost metros, where over three-quarters of renters making $30,000–44,999 were cost burdened in 2017, compared with just one-third of same-income renters in lowest-cost metros **(Figure 33).** In addition, more than two-fifths of renters in highest-cost metros earning $45,000–74,999 were cost burdened, compared with less than a tenth of same-income renters in the lowest-cost metros. Note, however, that households in this income range would be considered very low income in some high-cost areas such as San Francisco, where 50 percent of the HUD area median income for a family of four is $80,600.

Although declining in 2017, cost-burden rates for minority households were significantly higher than for white households whether they own or rent their housing. The cost-burdened share is highest among black renters at 54.9 percent, followed closely by Hispanics at 53.5 percent. The rates for Asians and other minorities are noticeably lower at 45.7 percent, but still above the white share of 42.6 percent. Among homeowners, 30.2 percent of blacks, 29.6 percent of Hispanics, and 27.3 percent of Asian/others were cost burdened in 2017, compared with 20.4 percent of white homeowners. The lower average incomes of blacks and Hispanics contribute to, but do not fully explain, this racial/ethnic disparity since black and Hispanic households earning less than $15,000 are still more likely to be cost burdened than whites at that income level.

TRADEOFFS FORCED BY HIGH HOUSING COSTS

Especially for low-income households, spending an outsized share of income on housing cuts into spending on other basic needs. The 2017 Consumer Expenditure Survey indicates that households with moderate cost burdens (30–50 percent of total expenditures) in the bottom expenditure quartile had just $890 in non-housing expenditures each month. Severely cost-burdened households in the bottom quartile spent only $540 each month on all other necessities.

Compared with households with housing they could afford, moderately cost-burdened households in the lowest expenditure quartile spent 13 percent less on food, 40 percent less on healthcare, and 23 percent less on transportation in 2017. The differences are even starker for severely burdened households, who spent 37 percent less on food, 77 percent less on healthcare, and 60 percent less on transportation.

Severe housing cost burdens have serious consequences for health and well-being, particularly for young children or older adults, who especially need adequate nutrition and medical care. Indeed, fami-

lies with children in the bottom expenditure quartile with severe cost burdens spent less than $700 on average for all non-housing costs per month in 2017, including just $310 for food—well under the $570 lowest-cost plan recommended by the US Department of Agriculture for a family of four. These families spent 35 percent less on food, 46 percent less on clothes, and 74 percent less on healthcare than unburdened households in the bottom expenditure quartile **(Figure 34).**

Similarly, severely cost-burdened households headed by adults age 65 and over in the bottom expenditure quartile spent about $500 each month on all non-housing expenditures. Compared with same-age adults in the bottom expenditure quartile without housing cost burdens, these older households with severe burdens spent 44 percent less on food and 75 percent less on healthcare.

THE SQUEEZE ON THE AFFORDABLE STOCK

Whether privately owned or subsidized, affordable housing is in short supply. According to the National Low Income Housing Coalition 2019 Gap Report, the biggest shortfall is in housing affordable to extremely low-income renter households (earning up to 30 percent of area median income). In 2017, only 4 million rental units were affordable and available to the nation's 11 million renters in this income group. This translates to 37 affordable and available units for every 100 extremely low-income renters—a slight improvement from 35 units per 100 renters in 2016, but still a substantial shortage.

Affordable housing opportunities hardly improve when expanding the group to include very low-income renters (earning less than 50 percent of the area median). The 17.6 million households in this income range make up 40 percent of renters. In this case, the housing shortfall is 7.4 million units, with 58 units affordable and available for every 100 households.

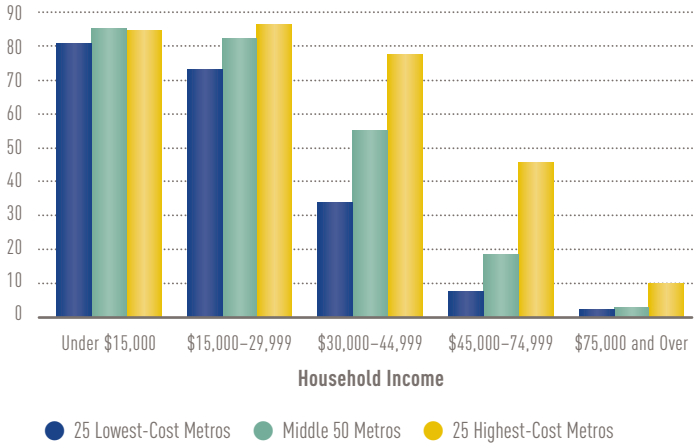
These shortages put a strain on the subsidized housing stock. HUD's 2018 Picture of Subsidized Households data indicate that there were 955,000 occupied public housing units, 1.2 million occupied Section 8 project-based units, and 2.2 million Housing Choice Vouchers in use last year. Compared with 2010, the number of voucher-supported units was up by about 82,000 and the number of project-based Section 8 units was up by about 28,000. The stock of public housing fell by more than 100,000 units over this period, although a portion of these were converted to Section 8 contracts through the Rental Assistance Demonstration (RAD) program.

Meanwhile, the Low-Income Housing Tax Credit (LIHTC) program added 570,000 affordable units between 2010 and 2018, bringing total production of low-income units since 1987 under this program to 2.5 million. However, there is a significant overlap of LIHTC and other subsidy programs, given that the tax credits are often used to help preserve existing subsidized developments. In addition, large shares of extremely low-income LIHTC residents receive additional rental assistance to help make their units affordable.

FIGURE 33

In Expensive Rental Markets, Even Higher-Income Households Face Cost Burdens

Share of Cost-Burdened Renters (Percent)

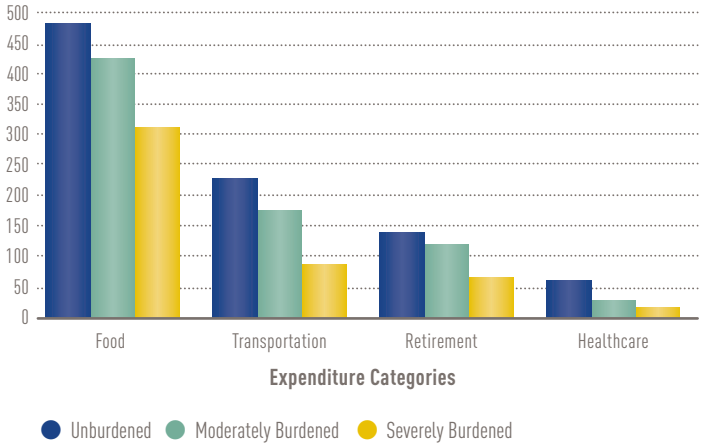


Notes: Cost-burdened households pay more than 30% of income for housing. Households with zero or negative income are assumed to have burdens, while households paying no cash rent are assumed to be without burdens. The 25 lowest- (highest-) cost metros are in the bottom (top) quartile of the 100 largest markets for median gross rent.
Source: JCHS tabulations of US Census Bureau, 2017 American Community Survey 1-Year Estimates and Missouri Census Data Center data.

FIGURE 34

When Burdened with High Housing Costs, Lowest-Income Families with Children Spend Little on Other Basic Needs

Monthly Expenditures (Dollars)



Notes: Expenditures are averages for households with children under age 18. Low-income families with children are in the bottom quartile of families with children ranked by total spending. Households allocating more than 30% (more than 50%) of expenditures to housing are moderately (severely) cost burdened.
Source: JCHS tabulations of Bureau of Labor Statistics, 2017 Consumer Expenditure Survey.

The 2019 Consolidated Appropriations Act increased HUD funding by nearly 2 percent, to $53.8 billion. This included an additional $583 million for Housing Choice Vouchers (for a total budget of $22.6 billion), $232 million for Section 8 Project-Based Rental Assistance (for a total budget of $11.7 billion), and sustained funding for several other programs. Notably, the spending bill provided new funding for initiatives such as the Housing Mobility Demonstration program, which helps voucher-holders move to opportunity-rich neighborhoods with high-quality schools.

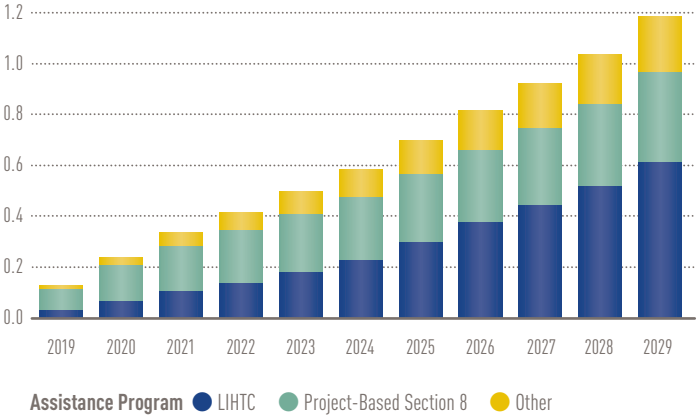
However, some of these budget increases only help programs keep up with inflation and do not go far enough to close gaps in need. Funding for public housing is a case in point. Operating funds for public housing were increased by $103 million to just under $4.7 billion, and capital funds were raised by $25 million to roughly $2.8 billion. According to a 2010 study, however, the capital spending backlog at that time was already $26 billion and expected to grow by $3.4 billion annually, bringing the projected backlog to $56.6 billion by 2019. Even this high number is likely an underestimate, given that the New York City Housing Authority alone assessed its five-year capital spending need at $31.8 billion in 2017.

In addition to rising operating costs and inadequate federal funding, a significant number of housing units are at risk of loss from the affordable stock. According to JCHS tabulations of the National Housing Preservation database, affordability restrictions could expire on about 1.2 million rental units by 2029 **(Figure 35).** This includes 611,000 units added through the LIHTC program, 352,000 units of Section 8 project-based housing, and 221,000 units under other programs.

FIGURE 35

Affordability Restrictions on Nearly 1.2 Million Rental Units Are Set to Expire by 2029

Cumulative Units with Expiring Affordability Periods (Millions)



Notes: Data include properties with active subsidies as of January 1, 2019. Other includes units funded by HOME Rental Assistance, FHA Insurance, Section 236 Insurance, Section 202 Direct Loans, USDA Section 515 Rural Rental Housing Loans, and units in properties with more than one subsidy type expiring on the same day. Estimates for properties with multiple subsidies with different expiration dates are conservative. The NHPD does not account for state incentives to extend affordability restrictions or for potential early departures from the programs.

Source: JCHS tabulations of Public and Affordable Housing Research Corporation and National Low Income Housing Coalition, National Housing Preservation Database.

A recent study by the National Low Income Housing Coalition concluded that the LIHTC units most at risk of leaving the subsidized stock are located in desirable neighborhoods where rents are high. In addition, the report pointed out that LIHTC units in less desirable neighborhoods may remain affordable in the short term but will need more resources than just their rents to cover the costs of necessary repairs and capital improvements.

UPTURN IN HOMELESSNESS

Although difficult to measure, housing insecurity—whether caused by cost burdens, overcrowding, inadequate housing quality, or other conditions that leave households with only tentative shelter—is all too common in the United States. Over 805,000 renter households were threatened with eviction in 2017, according to American Housing Survey data. When all renter respondents were asked where they would go if evicted, 60 percent said that they would move to a new home, but 34 percent said they would have to move in with family or friends. Another 5 percent said that they would either have to split up their households and move to different places or go to a homeless shelter.

And despite considerable progress over the previous decade, homelessness edged up 0.3 percent in 2018, to 552,830. While the number of people in shelters (65 percent of the homeless population) dropped slightly, the number of unsheltered homeless people rose by 2.3 percent **(Figure 36).** The most notable increases were in South Dakota (up 23.0 percent), Connecticut (up 17.4 percent), and Massachusetts (up 14.2 percent), compared with an average rise of 7.7 percent in states with increases.

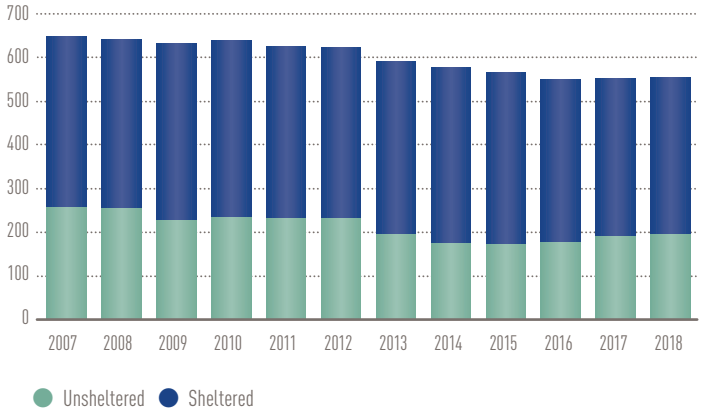
Rates of homelessness vary dramatically across states. New York is at the top of the list with 47 people experiencing homelessness per 10,000 residents, compared with an average of 14 per 10,000 across all states. At the same time, however, New York has one of the lowest shares of unsheltered homelessness, with less than 5 percent of its total homeless population living outside of shelters. Homelessness rates are also unusually high in Hawaii (46 per 10,000), Oregon (35 per 10,000), and California (33 per 10,000), as are their unsheltered shares (53 percent in Hawaii, 62 percent in Oregon, and nearly 70 percent in California). At the other extreme, Louisiana, Mississippi, and West Virginia all had homelessness rates under 7 per 10,000 in 2018.

Among several states and localities working to reduce homelessness, California voters stand out for voting for an initiative allocating $2 billion toward homelessness prevention. In San Francisco, voters also supported a tax on larger businesses (with over $50 million in revenues) to generate $250–300 million per year for homelessness prevention and services. Ballot measures also passed in Berkeley and Oakland that increased or instituted new taxes to generate additional revenue for this purpose.

FIGURE 36

Although Homelessness Is Down Overall, the Unsheltered Population Began to Rise in 2015

Homeless Population (Thousands)



Note: Homeless persons are considered sheltered if they are staying in emergency shelters, transitional housing, or safe havens.
Source: JCHS tabulations of HUD, 2018 Annual Homeless Assessment Report, Point-in-Time Estimates of Homelessness.

At the federal level, the 2019 appropriations act raised homeless assistance grants by $123 million, to a total of $2.6 billion. This includes $80 million for demonstration programs to address youth homelessness, $50 million for domestic violence and homelessness programs, and $40 million for HUD-VASH, a partnership between HUD and the Department of Veterans Affairs that provides services and housing vouchers to homeless veterans. After several years of annual reauthorizations, the US Interagency Council on Homelessness—the federal agency charged with coordinating efforts to reduce homelessness—also received authorization to continue its work through 2028.

STATE AND LOCAL EFFORTS TO EXPAND THE AFFORDABLE SUPPLY

With federal support falling far short of need, some state and local governments raised funds for affordable housing through ballot initiatives. Among the largest increases in state funding was again in California, where voters authorized $4 billion in bonds for affordable housing in 2018. In addition, voters in the Portland metropolitan area passed a measure allocating $653 million for this purpose. Voters in Austin, Berkeley, and Charlotte also approved ballot measures providing substantial funds for affordable housing last year. Meanwhile, new legislation in Massachusetts authorized $1.8 billion in new capital spending for affordable housing, in addition to $650 million for modernizing and redeveloping public housing.

State and local jurisdictions are also finding new ways to leverage private sector resources. For example, Oregon voters recently passed a measure enabling municipalities to use bond revenue to invest in affordable housing owned by public-private partnerships. Some private sector actors are also launching their own initiatives. For example, a consortium of businesses and philanthropic organizations in San Francisco, Partnership for the Bay, plans to raise $540 million to fund affordable housing development. Microsoft also announced a $500 million program to build and preserve low- and middle-income housing in the Seattle area, as well as to fund eviction prevention and homelessness services. Whether these are one-time events or an emerging trend in corporate support remains to be seen.

Local governments have also made zoning and other regulatory reforms to help reduce the cost of building affordable housing. For example, Minneapolis passed a plan to allow construction of duplexes and triplexes in areas zoned for single-family homes and to eliminate parking requirements for new housing. Other cities have focused on legalizing and enabling the addition of accessory dwelling units (ADUs), small units located on the same lots as single-family homes. Portland has been a frontrunner in these efforts, issuing permits for over 3,200 ADUs in 2008–2018. While these efforts to expand the supply of affordable housing do not require public funding, their passage is often protracted and contentious, explaining in part why more localities do not make these types of regulatory changes.

In the face of the ongoing affordability crisis, renter protection laws have gained some traction. In 2019, Oregon enacted legislation capping annual rent increases at 7 percent plus inflation and mandating payments to tenants for no-fault evictions after 12 months of occupancy. However, a ballot measure to repeal California's restrictions on rent control was soundly defeated.

At the same time, voters in Oakland made evictions more difficult by no longer exempting owner-occupied, two- and three-unit buildings from the city's just-cause eviction law. The US Marshals Service in Washington, DC, and the DC City Council both added new tenant eviction protections, including requiring more advance notice and not removing tenant possessions during evictions. Portland also passed a law requiring landlords to pay relocation costs for tenants in the case of no-cause evictions or large rent increases that lead to tenant departures. In general, though, most jurisdictions do not have these types of renter protection laws.

CONTINUED IMPROVEMENTS IN ENERGY EFFICIENCY

The latest data from the US Energy Information Administration (EIA) show that home energy consumption declined from 2005 to 2015, with average energy use per household falling from 95 million Btus to 77 million Btus. In addition, energy use per square foot dropped from nearly 46,000 Btus in 2009 to 38,400 Btus in 2015. As a result, total residential energy consumption was relatively steady for the decade despite growth in the number of households and in the average size of homes.

These trends reflect the greater efficiency of newly built housing and energy-related updates to the existing stock, including upgrades of heating and cooling systems, addition of insulation, and replacement of older, less efficient appliances. With these improvements, US residential energy consumption fell in 2009–2015

even though use of air conditioning increased substantially in the Northeast and Midwest.

Despite the reductions in residential energy use, expenditures for utilities still add to the housing cost burdens of low-income households. According to the 2017 American Community Survey, the typical household earning less than $15,000 per year spent 17.5 percent of that income on energy costs, with shares slightly higher for homeowners (20.6 percent) than for renters (15.3 percent). Even households earning between $15,000 and $29,999 dedicated 8 percent of incomes to utility costs, well above the 3.1 percent median for all households. Indeed, the EIA reports that nearly a third of US households faced energy insecurity in 2015, whether because they had difficulty paying their bills, received disconnection notices, or had to keep their homes at unhealthy or unsafe temperatures for at least one month.

RISING THREAT OF NATURAL DISASTERS

The frequency and intensity of natural disasters are increasing. By the National Oceanic and Atmospheric Administration's count, 14 events in 2018 caused at least $1 billion in damage, with costs for the year amounting to nearly $92 billion. In the 1980s, however, disasters of that magnitude averaged less than three per year while the costs of damage were on the order of $17 billion **(Figure 37).**

The destructive impacts on the nation's housing stock have been profound. The CoreLogic 2018 Natural Hazard Report found that flooding and wind from Hurricane Florence alone damaged some 700,000 residential and commercial properties in North Carolina, South Carolina, and Virginia. In California, last year's wildfires destroyed over 18,800 structures in Paradise and another 1,600 in Malibu.

In the aftermath of these events, a growing number of homeowners have had to spend ever-larger sums to restore their homes. According to the American Housing Survey, real homeowner outlays for disaster-related improvements have doubled from $7 billion annually in the late 1990s to $14 billion so far in the 2010s.

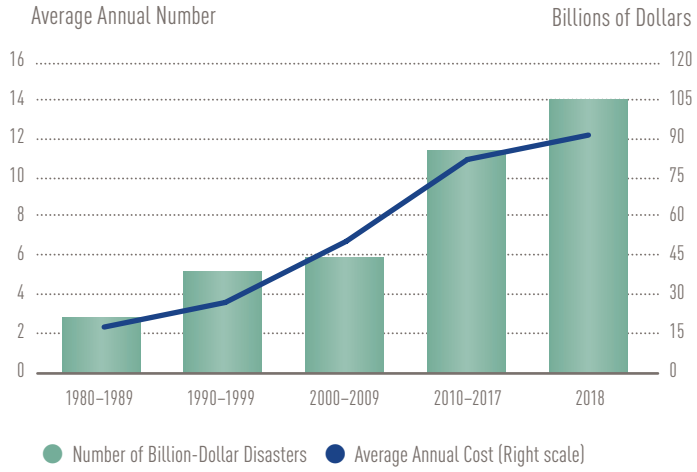
THE OUTLOOK

After five straight years of income growth, there are signs that housing affordability has improved. The share of cost-burdened homeowners has retreated to the lowest levels this century, while the share of cost-burdened renters has continued to edge down from its peak in 2011. Compared with a decade ago, the incidence of homelessness has also declined.

Still, overall progress since the housing market crash has been modest, particularly in light of the strong economy. With rental demand on the rise, the number of cost-burdened renters is just short of record levels and millions higher than in 2001. And while the overall homeless population has fallen for five years, unsheltered homelessness has ticked up, especially in the Western states with the highest housing costs.

FIGURE 37

Highly Damaging Natural Disasters Have Become Much More Frequent and Costly



Note: Values are adjusted to March 2019 dollars using the CPI-U for All Items
Source: JCHS tabulations of National Oceanic and Atmospheric Administration, Billion-Dollar Weather and Climate Disasters: Time Series.

The inability of so many individuals and families to secure affordable housing reflects the fact that increases in rents and existing home prices have continued to outrun income growth. In addition, the prices of new housing are largely affordable only to households with substantial incomes. Today's tight housing market conditions also represent the cumulative impact of years of inadequate federal funding for rental assistance. While states and localities have begun to devote more (and, in some cases, considerably more) resources to affordable housing, their efforts do not come close to the scale of the problem.

Second only to affordability, climate change is an urgent housing-related issue. Natural disasters displace hundreds of thousands of people each year and inflict billions of dollars of damage on the housing stock. In addition to developing disaster response systems that provide timely and effective assistance to affected households, there must be a national commitment to making housing more resilient as well as more energy efficient and carbon neutral.

Perhaps now, more than ever, it is time to take decisive steps to meet these challenges. Indeed, private industry is now pursuing innovative solutions with the goal of revolutionizing the design, construction, and financing of housing. For its part, the public sector is seeking out new sources of revenue for housing programs and making regulatory reforms to help expand the supply of affordable housing. Still, further efforts by both the public and private sectors are essential to make development of moderate-cost housing more feasible and to finally fulfill the nation's promise of decent, affordable homes for all.