

CAPITOL RESEARCH

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Affordable Housing 2013

Terms to Know:

- **Cost-burdened:** Spending 30 percent or more of household or individual income on housing costs.
- **Severely cost-burdened:** Spending more than 50 percent of household or individual income on housing costs.
- **Extremely low income:** Household or individual earning 30 percent or less of the area median income.

Housing affordability challenges intensified during the Great Recession and since, but those challenges have been building for several decades. Several factors contributed to the decline of affordable housing in the U.S., including stagnant wages, high unemployment, the housing boom and bust, and a shift by consumers to rental housing.

Cost-burdened status

- Forty-two million households—37 percent—were moderately cost-burdened and 20.2 million households—18 percent—were severely cost-burdened in 2011. Over the past decade, the number of severely cost-burdened households grew by nearly 7 million.¹
- In 2011, more than half of all renters—53.4 percent—and 36.9 percent of homeowners with mortgages were considered cost-burdened. Ten years ago, 40 percent of renters were cost-burdened, while in 1960, 25 percent were cost-burdened.
- Levels of cost burden vary by state. More than one-third—36.6 percent—of renters are cost-burdened in Wyoming, as are 39.7 percent of renters in South Dakota, the lowest rates of any state, followed closely by North Dakota at 42.6 percent. Florida at 60.9 percent, Hawaii at 58.9 percent and California at 57.7 percent have the highest rates of cost-burdened renters.
- North Dakota has the smallest percentage of cost-burdened mortgaged homeowners, with 19.1 percent paying 30 percent or more of their income in housing costs. Iowa, at 23.7 percent, and Nebraska, at 24.9 percent, round out the three states with the least burdened homeowners.



- Hawaii, at 49.2 percent, California, at 49 percent, and New Jersey, at 47.3 percent, top the list as the most cost-burdened states for homeowners.
- The National Low Income Housing Coalition, a nonprofit advocate for affordable housing, calculates the minimum wage that must be earned to afford an average two-bedroom apartment at fair market value in states.²
 - That wage ranges from a low of \$12.06 in North Dakota and \$12.71 in Kentucky to a high of \$32.14 in Hawaii and \$25.78 in California—well out of reach for many low-income households and far exceeding minimum wages.
 - In no state can an individual working a typical 40-hour work week at the minimum wage afford a two-bedroom apartment for his or her family.

Low-income households are hit the hardest by the lack of affordable housing

- Market-driven, unsubsidized affordable housing has essentially disappeared for those at the bottom economically.
- In 2011, 76 percent of those considered extremely low income were severely cost-burdened. For every 100 extremely low-income households, only 30 adequate housing units were affordable in 2011.³



- Americans receiving Supplemental Security Income—low-income people who are older than 65 or are blind or disabled—are also hit hard by a lack of affordable housing. In 2013, the federal maximum monthly payment an SSI recipient could receive was \$710.⁴ Even if recipients spent 100 percent of their SSI income on housing, they still could not afford a studio apartment in at least 18 states.⁵

While those in the lowest income brackets continue to be most affected by the shortage in affordable housing, those in the middle-income brackets also are being squeezed.⁶

- More than two out of three households with incomes less than \$15,000 annually spent more than half their income on rent in 2010—from 61.2 percent of households in that range in 2001 to 68 percent in 2010.
- The number of households that were severely burdened in the next income range —\$15,000-\$29,999—jumped by 65.1 percent from 2001 to 2010, landing at 30 percent of households in that income bracket who were severely burdened.
- The number of severely burdened households with incomes of \$30,000 to \$44,999 annually has increased by 75.9 percent since 2001, hitting 12.1 percent of households in that range in 2010.
- The number of those considered to be in the “middle income” bracket—\$45,000 to \$74,999 annually—that moved into the severe cost-burdened category from 2001 to 2010 nearly doubled, with 2.7 percent of those households falling into that category in 2001 and 5.1 percent in 2010.
- While the biggest percentage shifts into the severely cost-burdened were seen at the middle income levels from 2001 to 2010, the largest number of households that were severely cost-burdened in 2010 in absolute terms remained at the bottom: 10.5 million households in the less than \$15,000 range and 5.8 million in the \$15,000 to \$29,999 range, compared to 2.2 million households in the \$30,000 to \$44,999 range and 1.3 million in the \$45,000 to \$74,999 range.

Affordability problems have impacts beyond the housing market.

- According to a survey by the Urban Land Institute, 55 percent of large companies—those with 100 employees or more—reported a lack of affordable housing near their location. Of those companies recognizing a lack of affordable housing nearby, 67 percent said this shortage has a negative impact on retaining entry- and mid-level employees.
- When families live in housing that is unaffordable, they often do not have enough money for other essential living expenses. In 2010, severely cost-burdened households with children in the bottom expenditure quartile, on average, had only \$619 to spend on living expenses after housing costs. That means they spent 40 percent less on food, 50 percent less on clothes and health care, and 30 percent less on insurance and pensions than families living in more affordable housing.⁷



Jennifer Burnett, CSG Program Manager, Research Services and Special Projects
jburnett@csg.org

RESOURCES

Unless otherwise noted, figures are author's calculations of data from the 2011 U.S. Census Bureau American Community Survey, 1-Year Estimates. <http://www.census.gov/acs/www/>

¹ Joint Center for Housing Studies at Harvard University. “The State of the Nation’s Housing 2012.” http://www.jchs.harvard.edu/research/state_nations_housing

² National Low Income Housing Coalition. “Out of Reach 2012.” <http://nlihc.org/oor/2013>

³ National Low Income Housing Coalition.

⁴ Harvard University.

⁵ National Low Income Housing Coalition.

⁶ Harvard University.

⁷ Harvard University.

Affordable Housing 2013

	Percent of Households that are Cost-Burdened ¹		Housing Wages ³	
	Renters	Homeowners ²	Hourly wage necessary to afford 2 BR apartment	Annual income necessary to afford 2 BR apartment
Alabama	53.8%	31.6%	\$13.34	\$27,756
Alaska	44.3%	32.0%	\$21.37	\$44,446
Arizona	51.9%	39.2%	\$17.19	\$35,757
Arkansas	52.5%	27.7%	\$12.76	\$26,539
California	57.6%	49.0%	\$25.78	\$53,627
Colorado	51.5%	35.0%	\$17.26	\$35,898
Connecticut	55.3%	40.6%	\$23.22	\$48,304
Delaware	52.7%	34.9%	\$20.63	\$42,907
Florida	60.9%	46.4%	\$19.14	\$39,804
Georgia	54.9%	36.8%	\$15.28	\$31,793
Hawaii	58.9%	49.2%	\$32.14	\$66,853
Idaho	51.6%	36.8%	\$13.24	\$27,545
Illinois	53.1%	38.8%	\$17.02	\$35,392
Indiana	51.8%	26.6%	\$13.81	\$28,733
Iowa	47.7%	23.7%	\$12.97	\$26,980
Kansas	46.7%	27.0%	\$13.69	\$28,471
Kentucky	51.1%	28.1%	\$12.71	\$26,435
Louisiana	55.5%	29.8%	\$15.27	\$31,752
Maine	53.8%	35.7%	\$16.31	\$33,928
Maryland	53.6%	37.0%	\$24.47	\$50,905
Massachusetts	51.7%	38.7%	\$24.05	\$50,029
Michigan	55.5%	33.9%	\$14.77	\$30,713
Minnesota	50.4%	32.2%	\$16.08	\$33,438
Mississippi	55.6%	34.4%	\$13.41	\$27,898
Missouri	49.8%	29.4%	\$14.07	\$29,267
Montana	46.6%	37.2%	\$13.39	\$27,857
Nebraska	43.6%	24.9%	\$13.99	\$29,106
Nevada	52.3%	42.8%	\$19.69	\$40,965
New Hampshire	50.2%	39.9%	\$20.47	\$42,580
New Jersey	54.6%	47.3%	\$24.84	\$51,672
New Mexico	53.2%	34.3%	\$14.42	\$29,983
New York	54.4%	41.3%	\$25.25	\$52,513
North Carolina	53.1%	33.9%	\$14.17	\$29,481
North Dakota	42.6%	19.1%	\$12.06	\$25,093
Ohio	51.7%	30.9%	\$13.79	\$28,679
Oklahoma	48.2%	28.3%	\$13.18	\$27,415
Oregon	55.4%	41.2%	\$16.00	\$33,290
Pennsylvania	51.4%	33.3%	\$17.21	\$35,802
Rhode Island	50.6%	41.2%	\$18.18	\$37,813
South Carolina	54.2%	34.2%	\$14.34	\$29,837
South Dakota	39.7%	25.0%	\$12.82	\$26,673
Tennessee	52.8%	32.7%	\$13.84	\$28,787
Texas	49.9%	31.6%	\$16.67	\$34,671
Utah	51.2%	34.3%	\$14.94	\$31,079
Vermont	53.4%	37.0%	\$18.53	\$38,541
Virginia	50.2%	33.4%	\$20.72	\$43,108
Washington	50.7%	39.4%	\$18.58	\$38,652
West Virginia	48.9%	26.8%	\$12.35	\$25,693
Wisconsin	49.0%	33.4%	\$14.67	\$30,518
Wyoming	36.7%	26.9%	\$14.84	\$30,862

Definitions:

Percent Cost-Burdened: Spends 30 percent or more of household or individual income on housing costs

Housing Wages: The full-time hourly wage or annual income one must earn in order to pay what HUD estimates to be the Fair Market Rent (FMR) for a 2 bedroom apartment, spending no more than 30 percent of income of the rent

¹CSG calculations of U.S. Census Bureau, 2011 American Community Survey 1-Year Estimate Data, www.census.gov

²Homeowners with a mortgage

³National Low Income Housing Coalition, "Out of Reach," 2013, <http://nlihc.org/oor/2013>