6 HOUSING CHALLENGES

Nearly 39 million US households live in housing they cannot afford. The shrinking supply of low-cost rentals, along with potential losses of subsidized units and declines in the value of tax credits, could widen the already substantial gap between the demand for and supply of affordable housing. Meanwhile, the retrenchment in federal funding has put increased pressure on state and local governments to address the housing needs of the most vulnerable individuals. The aging of the US population adds to the nation's challenges by driving up demand for housing that is both accessible and affordable.

RENTERS ESPECIALLY COST BURDENED

Despite a slight improvement from 2014, fully one-third of US households paid more than 30 percent of their incomes for housing in 2015. Renters continue to be more likely to face cost burdens. Indeed, the number of cost-burdened renters (21 million) considerably outstrips the number of cost-burdened owners (18 million) even though nearly two-thirds of US households own their homes.

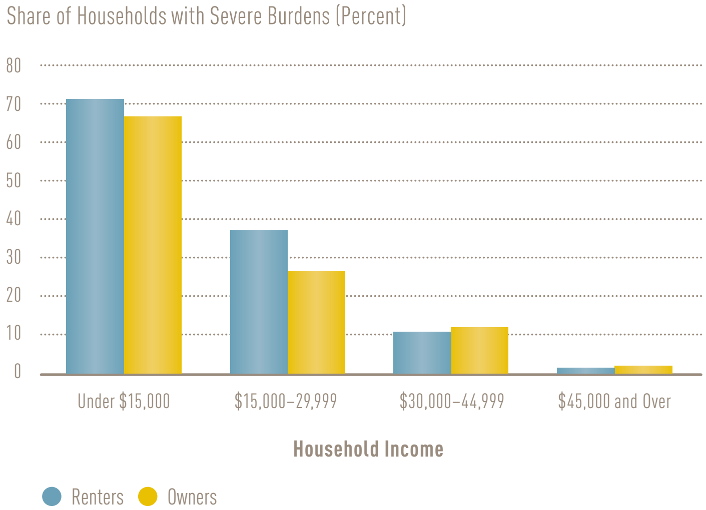
While the share of renters with housing cost burdens was down 1.0 percentage point in 2015, the decline reflects an increase in the number of higher-income renters rather than improved affordability among low- and moderate-income households. Nearly half (48 percent) of all renters were cost burdened in 2015, but shares among lower-income households were much higher—83 percent for renters with incomes under $15,000 and 77 percent for those with incomes between $15,000 and $29,999. In addition, some 26 percent of renter households paid more than half their incomes for housing in 2015. Among those earning under $15,000 per year, the share with severe burdens exceeded 70 percent **(Figure 30).**

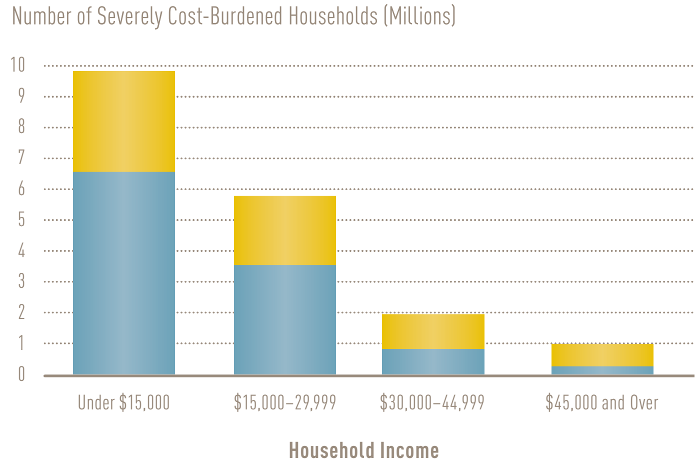
Meanwhile, the cost-burdened share of homeowners also fell 1.0 percentage point in 2015, thanks to an interest rate-driven decline in median housing costs and an increase in median income. Unlike the situation for renters, the cost-burdened share of homeowners fell steadily from a peak of 30 percent in 2006–2010 to 24 percent in 2015—close to the level in 2001 well before the housing crisis hit. Even so, 10 percent of owners, or more than 7.6 million households, were severely burdened in 2015.

Large shares of minority households, who are more likely to live in high-cost metro areas and have lower incomes than white households, also had cost burdens. In 2015, the cost-burdened share was 47 percent for blacks, 44 percent for Hispanics, and 37 percent for Asians/others, compared with 28 percent for whites. Minority households are also more likely to have severe burdens. For example, 25 percent of black households paid more than half their incomes for housing in 2015, nearly twice the 13 percent share of white households.

FIGURE 30

Most Lower-Income Households Pay More Than Half of Their Incomes for Housing





Note: Severely cost-burdened households pay more than 50% of income for housing, including utilities.
Source: JCHS tabulations of US Census Bureau, 2015 American Community Survey 1-Year Estimates.

While housing affordability is a growing concern for communities nationwide, the cost-burdened shares in 11 of the country's largest metros were above 40 percent. At the top of the list are Los Angeles, Miami, and New York City, where more than 44 percent of households were cost burdened in 2015. Among renters alone, the share was 62 percent in Miami; 57 percent in Daytona Beach, Los Angeles, and Riverside; and 56 percent in Honolulu. The incidence of cost burdens among households earning less than $15,000 was 94 percent in both Las Vegas and San Jose.

Affordability pressures reach further up the income scale in many of the nation's most populous metros, including Bridgeport, Honolulu, Los Angeles, New York, Oxnard, San Diego, San Jose, and Washington, DC. The cost-burdened share of renters earning $30,000–45,000 topped 70 percent in these areas, compared with 43 percent nationwide. In addition, the cost-burdened shares of households earning $45,000–75,000 neared or exceeded 50 percent in these metros.

Widespread cost burdens are not just confined to large metropolitan housing markets. Nearly 12 million households living outside the top 100 metros (in less populous metros, micro areas, and non-metro areas) also pay excessive shares of income for housing. Cost-burdened households in these markets are about evenly split between renters and owners, and about half are severely burdened.

THE PLIGHT OF YOUNGER AND OLDER HOUSEHOLDS

High housing costs are a special concern for younger and older households, which both have relatively low median incomes. Indeed, large shares of these households are headed by a single adult and thus rely on the income of just one wage earner. Nearly 47 percent of single-person households (including both owners and renters) were cost-burdened in 2015, as well as 54 percent of those headed by a single parent **(Figure 31)**.

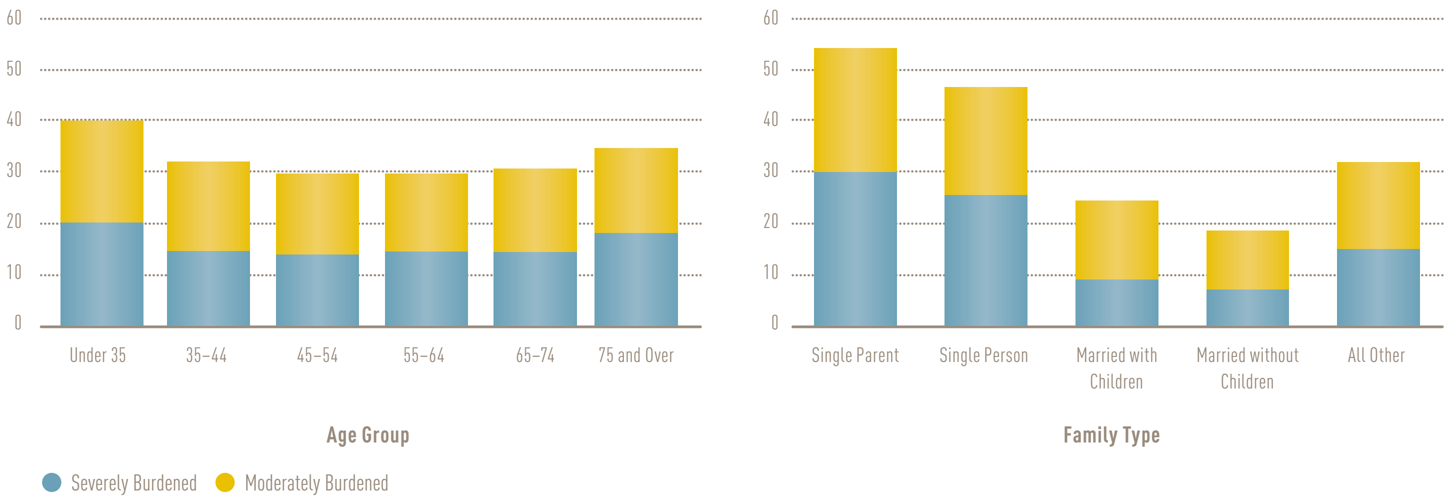
Meanwhile, nearly 25 million children lived in households with cost burdens in 2015. The problem is especially widespread among family households earning under $30,000 a year, which have a cost-burdened rate of 85 percent. And the larger the family, the more likely a household is to have cost burdens. Indeed, 58 percent of renter households with three or more children were housing cost-burdened in 2015, compared with 47 percent of those with just one child.

At the other end of the age spectrum, one-third of older adults faced cost burdens in 2015, including 54 percent of renters and 43 percent of owners with mortgages on their homes. Moreover, the share of older adults with mortgage debt, as well as the median amount of that debt, is on the rise. Between 2001 and 2013 alone, the share of owners age 65 and over with mortgages increased by 12 percentage points to 36 percent, while median debt rose 26 percent to $73,000. This is a trend to watch, given the projected surge in the older population over the next 20 years.

FIGURE 31

Older and Younger Households, Along with Single-Parent Families, Are Especially Likely to Be Cost Burdened

Share of Households (Percent)



Notes: Moderately (severely) cost-burdened households pay 30–50% (more than 50%) of income for housing, including utilities. Children are under the age of 18.
Source: JCHS tabulations of US Census Bureau, 2015 American Community Survey 1-Year Estimates.

DIFFICULT TRADEOFFS OF THE COST BURDENED

Households paying half their incomes or more for housing have little money left over to cover other basic necessities. In 2015, severely cost-burdened households in the bottom expenditure quartile (a proxy for low income) spent 53 percent less on food, healthcare, and transportation combined than households without cost burdens. Severely cost-burdened households in the lower-middle expenditure quartile also spent 47 percent less on these basic needs than their counterparts without burdens.

Different households skimp on different expenses **(Figure 32).** For example, severely cost-burdened families with children in the bottom expenditure quartile cut back most on food, spending just under $300 per month compared with nearly $500 among comparable households without cost burdens. To make ends meet, these families often do not buy enough food for their households or they substitute cheaper but less nutritious foods, either of which can jeopardize their children's health and development. Just as critically, severely cost-burdened families with children in the bottom expenditure quartile spent 75 percent less on healthcare in 2015—just $18 per month—compared with otherwise similar households living in affordable housing. Severely cost-burdened households age 65 and over in the bottom expenditure quartile also made significant cuts in their healthcare spending, reducing outlays to just $99 per month compared with $263 among counterparts without cost burdens.

Transportation expenditures also differ between those who are affordably housed and those who are not. Low-income households may find housing they can afford but at some distance from employment centers. As a result, they have to spend more to commute to work than their counterparts who are cost burdened but live closer to their jobs and other destinations. At the same time, however, cost-burdened households have less to spend on transportation, which also contributes to the gap.

In the search for housing they can afford, low-income households may also sacrifice quality for cost by living in units that have structural issues, system deficiencies, or are otherwise inadequate. According to the American Housing Survey, of those earning under $30,000 per year, a higher share of renters (11 percent) than owners (7 percent) make this tradeoff. In all, over 2 million units occupied by families with children—many headed by a single parent—had some deficiency in 2015, including 24 percent with severe deficiencies. While families living in inadequate housing are less likely to be cost burdened, such living conditions expose children to serious health and safety hazards that can undermine their current and future well-being.

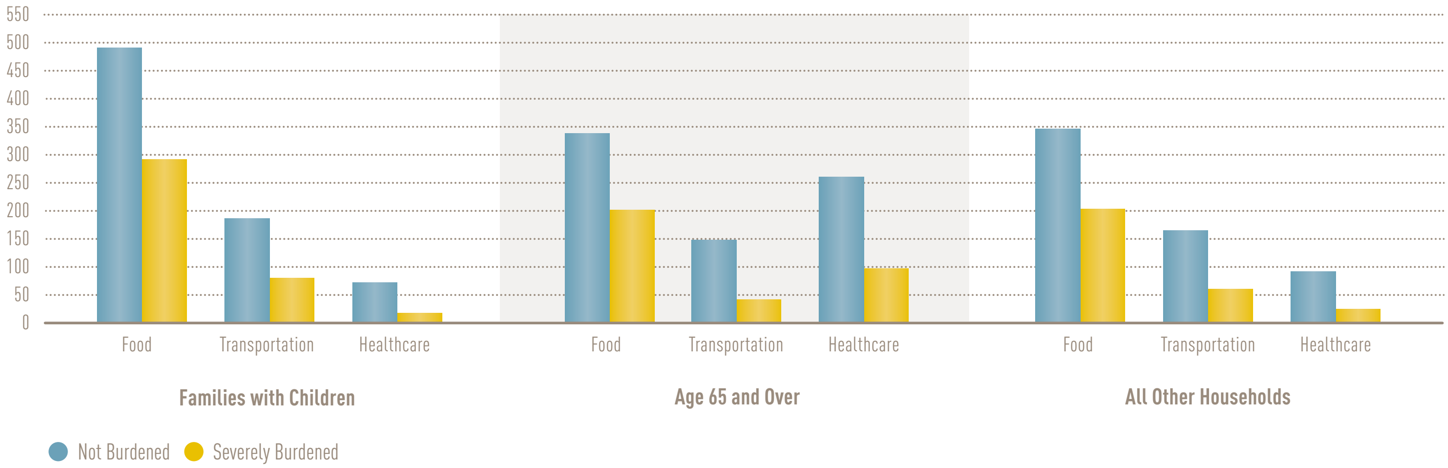
HOMELESSNESS SPIKING IN CERTAIN METROS

By HUD's annual point-in-time count, 549,928 people were homeless in 2016—a decline of 14 percent from 2010. Much of this progress reflects a major push at the federal and local levels, including concerted efforts by US mayors, to end home-

FIGURE 32

Families with Children and Older Households Cut Back on Different Vital Needs When Housing Costs Take Up Most of Their Incomes

Average Monthly Expenditures of Low-Income Households (Dollars)



Notes: Low-income households are in the bottom quartile of all households ranked by total spending. Not burdened (severely burdened) households devote 30% or less (more than 50%) of expenditures to housing, including utilities. All other households are childless households under age 65.
Source: JCHS tabulations of US Bureau of Labor Statistics, 2015 Consumer Expenditure Survey.

lessness among veterans. As a result, the number of homeless veterans fell 47 percent over this period to 39,000. As of early 2017, 42 communities and 3 states reported that they had put an end to veteran homelessness altogether.

Chronic homelessness continues to decline thanks to a growing emphasis on "housing first" programs that place people in housing with fewer preconditions and permanent supportive housing (PSH), which provides non-time-limited affordable housing with services that support independent living. Strikingly, chronic homelessness among individuals in families dropped 44 percent from 2011 (the first year data were available) to 2016, while homelessness among individuals not in families fell 25 percent.

Non-chronic homelessness, however, was down just 8 percent over this period. Some 464,000 individuals were identified as non-chronically homeless in HUD's 2016 point-in-time count, or fully 84 percent of the entire homeless population. These are families and individuals who, at the time of the count, had been homeless for less than a year or had experienced under four episodes of homelessness in the past three years totaling less than 12 months. This group likely lost their housing because of an increase in housing costs and/or unexpected expenses, changes in family structure, or sudden loss of income. Preventing homelessness in these cases involves a host of interventions that include emergency homelessness prevention and rapid-rehousing programs, as well as efforts to expand the affordable housing supply, improve households' financial stability and security, and provide stronger tenant protections.

Although the overall trend is down, homelessness in certain high-cost metros is on the rise. New York and Los Angeles reported record-high homeless populations in 2016. Homelessness was also up by 20 percent or more in 2011–2016 in San Francisco, Seattle, and Washington, DC. Places with legal right-to-shelter policies, such as Boston, New York, and Washington DC, saw large five-year increases as well. These cities (and some states) require public provision of shelter for those experiencing homelessness, which can lead to increased demand for services—particularly if they are located near communities without this right.

As provision of permanent supportive housing continues to expand, cost has become a key issue. Over 50,000 PSH beds were added nationwide in just the past three years. While people in PSH beds are not counted as homeless, their shelter still requires significant funding from homeless services grants. Even so, New York City's Department of Health and Mental Hygiene estimated that the city's supportive housing program saved about $10,000 per person served each year.

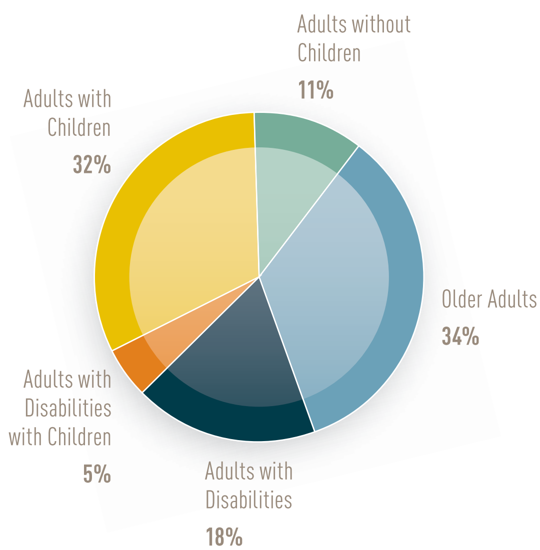
SHORTFALLS IN ASSISTANCE

In 2016, HUD-administered rental assistance programs provided support to 9.8 million people living in over 5.0 million housing units. Overall, 94 percent of HUD-assisted households have very low incomes (under 50 percent of area medians), including 73 percent with extremely low incomes (under 30 percent of area medians). Assisted households are primarily families with children, older adults, and persons with disabilities who are not in

FIGURE 33

More Than Half of Rental Assistance Benefits Children, Older Adults, and People with Disabilities

Share of Households Receiving HUD-Funded Rental Assistance



Notes: Older adult households are headed by a person age 62 and over, including those with disabilities and/or with children. Adult households are headed by a person under age 62. Households with a disability are headed by a person who has a disability or has a spouse with a disability. Household counts include those assisted by housing choice vouchers, public housing, project-based Section 8, Section 202, and Section 811.
Source: JCHS tabulations of US Department of Housing and Urban Development, 2016 Public Use Microdata Sample.

the workforce **(Figure 33).** Of assisted households with household heads under age 62 and without disabilities, fully three-quarters were working or had recently worked in 2016.

Most HUD rental support comes in the form of housing choice vouchers, which allow 2.3 million households to secure housing in the private market; project-based vouchers, which are tied to 1.2 million units in privately owned buildings; and public housing, which provides 1.0 million units in properties owned and operated by public housing authorities. A variety of smaller HUD programs also subsidized over 220,000 vulnerable households in 2016, while USDA's 521 rural development program assisted 269,000 households.

Even so, rental assistance increasingly falls short of need. According to HUD's 2015 Worst Case Housing Needs report, the number of very low-income renters increased from 18.5 million in 2013 to 19.2 million in 2015, but the share receiving assistance declined from 25.7 percent to 24.9 percent. As a result, three-quarters of the nation's very low-income households had to find housing they could afford on the private market in 2015.

Future federal funding for housing assistance is uncertain. But even if it were stable, rising rents plus relatively weak income gains at the low end would raise the per unit costs of assistance, causing further reductions in the number of households served. Addressing the housing needs of low-income households has thus fallen increasingly to states and particularly local governments. According to the Center for Community Change, over 770 states, counties, and communities now have housing trust funds that generate over $1.2 billion per year to support affordable and other housing needs. Many cities—including Boston, New York City, and San Francisco—have also taken steps to strengthen inclusionary zoning requirements. Other local approaches to expanding the supply include contributing public land for housing, linking commercial development approvals to funding for affordable units, creating mechanisms to provide affordable housing developers with low-cost loans, and removing barriers to the development of accessory dwelling units.

Yet many municipalities still grapple with the need to balance demand for affordable housing against other public goals such as protecting local character. Some states have adopted inclusionary programs in response. For example, the Massachusetts Comprehensive Permit Law, enacted in 1969, allows for approval of housing developments under flexible rules if a portion of the units have long-term affordability. In addition, the Smart Growth Overlay District program in Massachusetts and the HOMEConnecticut initiative provide incentives to communities to allow construction of higher-density affordable housing in downtowns and near transit. Still, state-level action to facilitate affordable housing development are complex and contentious. For example, California's state legislature recently defeated a move to streamline the approval process for affordable housing.

THREATS TO THE AFFORDABLE SUPPLY

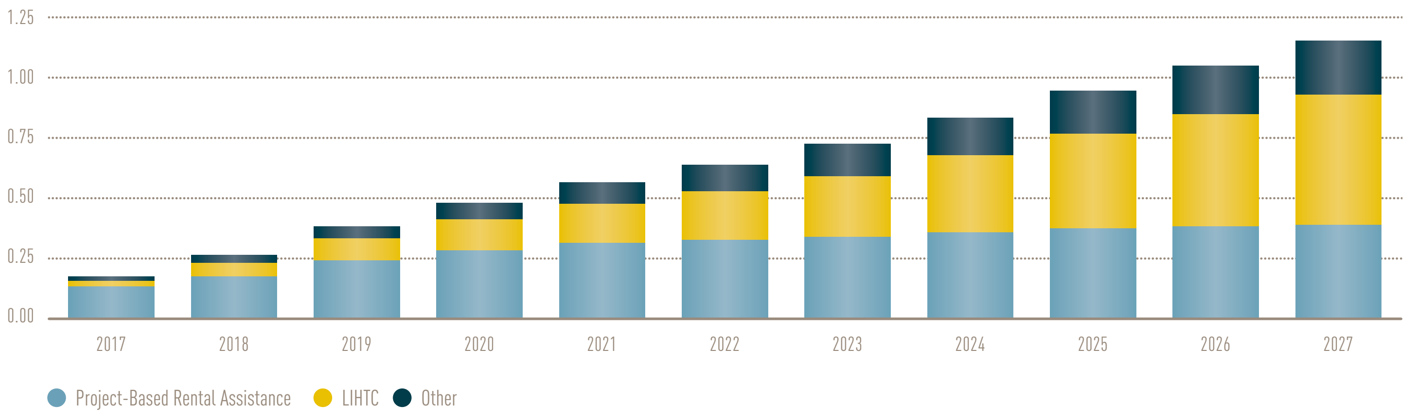
According to the National Low Income Housing Coalition, the shortfall between the demand for housing among extremely and very low-income households (earning up to 30 percent/30–50 percent of area median incomes) and the available supply of market-rate units that these households could afford was 8.0 million units in 2015. Nationwide, there were only 35 affordable and available units for every 100 extremely low-income households and 55 units for every 100 very low-income households.

The worst shortage was in Las Vegas, where just 12 units were affordable and available for every 100 extremely low-income households. Even so, none of the other 50 largest metros in the country had sufficient supplies of affordable rentals to meet the needs of their lowest-income households. Meanwhile, much of the existing stock of affordable housing is at risk. Privately owned, unsubsidized low-cost units are increasingly lost to upgrading and rent increases, particularly in hot markets where demand for affordable housing is strong but new construction is focused at the high end. Units subsidized under Section 8 are also under possible threat, with contracts on more than 380,000

FIGURE 34

Units Built with Tax Credits Make Up the Largest Share of Rentals at Risk of Loss from the Affordable Stock

Cumulative Units with Expiring Affordability Periods (Millions)



Notes: Other includes units funded by HOME Rental Assistance, FHA Insurance, Section 236 Insurance, Section 202 Direct Loans, USDA Section 515 Rural Rental Housing Loans. Data include properties with active subsidies as of January 1, 2017.
Source: JCHS tabulations of Public and Affordable Housing Research Corporation and National Low Income Housing Coalition, National Housing Preservation Database.

units set to expire over the next 10 years. A recent HUD study found that even though only 4 percent of Section 8 property owners opt out of the program at the end of their contracts, owners in neighborhoods where rents were twice the county median were four times more likely to do so. In addition, rents for about half of Section 8 project-based units exceeded the area fair market rent (FMR). If those property owners opt out, rents would likely remain at those elevated levels.

Affordable units created under the Low Income Housing Tax Credit program are yet another source of concern. The LIHTC program has provided most of the funding for both new construction and preservation of affordable housing in the country for 30 years, helping to add 2.8 million rental units to the stock from 1987 through 2014—more than any other program within the same time span. Absent other changes to tax credit rules, however, the Trump Administration's proposed cuts to corporate tax rates could dampen investor demand for the credits. Nevertheless, the value of the credits is still high by historical standards, and a recent Senate bill—cosponsored by a bipartisan group of 19 senators—proposes to expand the funds available to the LIHTC program.

In addition to potential funding cuts to the program itself, the affordability restrictions on over half a million LIHTC units will expire over the next decade **(Figure 34).** While only 5 percent of LIHTC units typically convert to market rate at the end of their affordability periods, absent additional subsidies, units in low-poverty neighborhoods are at higher risk. The possible loss of affordable units in these areas—where lower-income households typically have more access to employment, education, and other opportunities—is of great concern.

LACK OF ACCESSIBLE HOUSING

According to a recent JCHS analysis, 12.8 million older households (age 65 and over) and 17.3 million younger households include at least one person with a disability. For 8.3 million older households and nearly 9.0 million younger households, the disability relates to ambulatory problems that directly affect the accessibility of their homes **(Figure 35).** Ambulatory disabilities are particularly common among lower-income households. Indeed, one-quarter of households earning under $15,000 a year include someone with an ambulatory disability, more than three times the share among households earning at least $75,000.

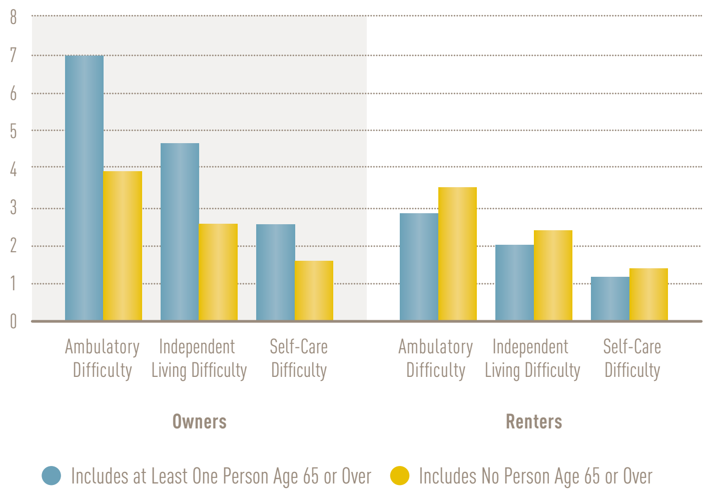
But despite widespread need for accessible housing, only 1.0 percent of the national housing stock offers five basic universal design features: no-step entry, single-floor living, extra-wide hallways and doorways, electrical controls reachable from a wheelchair, and lever-style handles on faucets and doors. With the older population poised to increase dramatically in the coming decades, many more homes will require accessibility-related modifications. JCHS projections suggest that 17.1 million older households will have ambulatory disabilities by 2035. Ensuring that necessary home modifications and supportive services are affordable to older low-income households will be a critical challenge.

For some older households with disabilities, living with other family members may be an option. As it is, 18.7 percent of the US population—comprising 58.7 million individuals living in 13.1 million households—currently live in homes that include at least two generations of adults. This living arrangement is most common among minority and foreign-born households,

FIGURE 35

Millions of Households Are Already in Need of Accessible Housing and Supportive Services

Households with at Least One Member With a Disability (Millions)



Notes: Households may include a member with more than one disability. Ambulatory difficulty is defined as having serious difficulty walking or climbing stairs; independent living difficulty as having difficulty doing errands alone such as visiting a doctor's office or shopping because of a physical, mental, or emotional problem; and self-care difficulty as having difficulty bathing or dressing.
Source: JCHS tabulations of US Census Bureau, 2015 American Community Survey 1-Year Estimates.

with roughly one-quarter of each group living in multigenerational homes. Accessibility features, flexible floor plans that can change with families' needs, and features to enhance privacy can help make housing more suited to multigenerational living.

But living with other family members is often more of a necessity than a choice for older adults. For example, 19 percent of families that use food stamps live in multigenerational homes, compared with 10 percent of families that do not. But with the longevity and diversity of the US population increasing, multigenerational living may become more widespread in the future.

RISKS OF CLIMATE CHANGE

The impacts of climate change pose risks for communities across the country. Zillow estimates that if sea levels rise by 2100 as predicted, almost 300 cities will lose at least half their residential stock to floods. Nationwide, nearly 1.9 million homes—worth over $880 billion in 2016 dollars—are at risk of being submerged at least to the first floor by 2100. For homeowners, falling property values in vulnerable areas would mean huge losses in housing wealth. And in inland communities, climate change may bring protracted heat waves and potential drought that increase the risk of forest fires. With episodes of extreme weather on the rise, households could experience more incidents of property damage, temporary or permanent loss of critical neighborhood resources, and higher insurance premiums.

Many cities and some regions are taking steps to lower the carbon emissions contributing to climate change, minimize the damage to housing and community resources from extreme weather, and prepare residents for natural disasters. The City of New Orleans, for example, has plans to create a savings-matching program for low-income residents that can be used in the event of emergency, and is also establishing a resiliency retrofit program for residents with limited financial resources. Finding ways to assist residents—particularly those with low incomes and few housing choices—in coping with climate-induced housing challenges is becoming an ever more urgent priority.

THE OUTLOOK

Access to affordable, accessible, and safe housing is critical to the health and well-being of all households, and particularly the most vulnerable—the very young and very old, those with disabilities, and those living in poverty. But with rents rising, there is growing demand for housing assistance at the same time that government budgets are shrinking. For the 75 percent of eligible households that are eligible for assistance but do not receive it, affordable housing choices are in increasingly limited supply.

The public sector has an essential role to play in creating an environment where the private and nonprofit sectors can effectively meet the nation's housing challenges. Regulations at the federal, state, and local levels that affect construction and financing define what types of housing can be built and where. There are valid concerns that the regulatory environment has grown overly restrictive and has contributed to today's shortage of affordable homes. But addressing these concerns requires balancing the legitimate public benefits of regulation against their costs.

Beyond changes in the regulatory realm, public subsidies are also necessary to close the gap between what very low-income households can afford to pay for decent housing and what it costs to provide that housing. Investments in permanently affordable housing have the added benefit of preventing displacement in gentrifying neighborhoods and ensuring that low-income households have access to the economic and social opportunities that these neighborhoods can provide. Just as critical, strategic investments in the rehabilitation or construction of affordable housing can help to stem the growth of high-poverty neighborhoods in communities across the country.