

AFFORDABILITY AND AVAILABILITY OF RENTAL HOUSING IN PENNSYLVANIA

Erin Mierzwa

Federal Reserve Bank of Philadelphia

and

Kathryn P. Nelson, Ph.D.

Consultant, Affordable Housing Needs

with

Harriet Newburger, Ph.D.

Federal Reserve Bank of Philadelphia

MARCH 2010

ACKNOWLEDGMENTS

Many people contributed to this report. In particular, the authors wish to thank Alan Mallach for his significant contribution to Chapter 5 and valuable insights on several other sections of the report. Sally Burke played a key role by preparing the Executive Summary and providing essential editing on all chapters and appendices. In addition, the authors would like to thank Dede Myers, Rick Lang, Amy Lempert, Danilo Pelletiere, Joseph Ott, Elizabeth Hersh, and Diane Kinnane for their helpful comments and suggestions.

We also wish to thank the National Low Income Housing Coalition for sharing its cost burden methodology with us and for the database it developed using 2005 and 2006 American Community Survey PUMS files for the state of Pennsylvania.

We are grateful for the excellent data analysis completed by Christine Quinn, Community Affairs Department intern and La Salle University student.

In addition, we would like to thank Christian Lepore and Theresa Halpin for preparing the report for the web. We also thank John Wackes and Dianne Hallowell for producing the maps and Ashlan Taylor for preparing the study for print.

TABLE OF
CONTENTS

Executive Summary..... V

Chapter 1
Introduction 1

Chapter 2
Housing Characteristics in Pennsylvania
and Neighboring States in 2000..... 5

Chapter 3
Housing Conditions of Pennsylvania’s
Lower-Income Renters in 2000 13

Chapter 4
A Mid-Decade Update: Housing Conditions in 2005-06 25

Chapter 5
Implications for Policymakers and Suggested Research..... 41

Appendix A: County-Level Housing Characteristics in 2000..... 47

Appendix B: Measuring National Needs for Affordable Rental Housing:
A Brief Review of Past Research and Strategy Recommendations 69

Appendix C: Methodology for Calculating Affordable and Affordable and
Available Rental Housing Units Using CHAS Data 77

Appendix D: County-Level Examination
of Rental Housing Needs in 2000 81

Appendix E: Using 2005 and 2006 ACS Data
to Assess Rental Housing Needs 99

Appendix F: Changes Between 1990 and 2000
by DCED Regions and Consolidated PUMAs 105

Appendix G: Changes Between 2000 and 2005-06
by DCED Regions and Consolidated PUMAs 121

Bibliography..... 131

Glossary 133



EXECUTIVE SUMMARY

The Community Affairs Department of the Federal Reserve Bank of Philadelphia undertook this study, *Affordability and Availability of Rental Housing in Pennsylvania*, to assess the housing needs of Pennsylvania's lower-income renter households and to better understand how their needs vary across the state. Our study looks at the incidence of housing problems among this group at both the beginning and the middle of the previous decade. It also considers the extent to which there were shortages in the number of rental units that were both affordable and available to lower-income renters at these two points in time. Our findings strongly suggest that conditions faced by the lowest income renters in Pennsylvania deteriorated from the beginning to the middle of the decade.

We used two primary data sources for our analysis: special tabulations from the 2000 census called comprehensive housing affordability strategy (CHAS) data and similar tabulations from the 2005 and the 2006 American Community Survey (ACS). We discuss renters in three lower-income ranges: extremely low income (ELI, less than or equal to 30 percent of HUD-adjusted area median family income, or HAMFI); very low income (VLI, 30.1 percent to 50 percent of HAMFI); and low income (LI, 50.1 percent to 80 percent of HAMFI).

In addition to the main text, the full report contains a glossary of terms and seven appendices

that take a closer look at some of the data and methodologies used.

Background

In Pennsylvania, 11.8 million people live in 4.8 million households. Of the 4.8 million households statewide, 1.4 million, or approximately 29 percent, are renter households. The renter households include 2.9 million people, or 24 percent of the state's total population residing in housing units. (Note: Data in this section are from the 2000 decennial census, unless otherwise noted.)

Pennsylvania's renter households are heavily concentrated in urban areas, reflecting both the larger populations in urban areas and the higher propensity to rent in these areas. Nearly half of Pennsylvania's renter households live in just six counties: Philadelphia, Allegheny, Montgomery, Bucks, Delaware, and Lancaster.

There is a significant disparity in income between owners and renters throughout the country. The data indicate that Pennsylvania follows the nation in this respect. Nationwide, owner households earn nearly twice as much as renter households; in Pennsylvania, the same is true at both the county and the state level.

One of Pennsylvania's key rental housing challenges is the age of its rental housing stock. Pennsylvania has the second oldest renter-occupied

housing stock in the immediate region, following New York. Over two-fifths of rental housing units in Pennsylvania were built before 1950, compared with 24 percent in the nation as a whole. Older rental housing is found throughout the state in both rural and urban areas.

In addition to this aging rental housing stock, Pennsylvania also has a population that is older than the national average and also older than that of its neighboring states. Therefore, it is not surprising that Pennsylvania renters are older than renters in both the nation and all of its neighboring states. Overall, one-fifth of renter households in Pennsylvania have a head of household who is 65 years or older. This fact suggests that any upward pressure on rents might have particularly severe effects on housing affordability in Pennsylvania because many elderly renters are likely to have fixed incomes.

In Pennsylvania, over 60 percent of renter-occupied housing units are in structures with only one to four units. Indeed, nearly half of Pennsylvania's renter-occupied housing units (48 percent) are in one- or two-unit structures, compared with only 39 percent for the nation as a whole.

When compared with the national average and also with that in neighboring states, population growth in Pennsylvania between 1990 and 2006 was quite low (only 4 percent). Yet at the county level, there was great variation in population change during this period. Counties on the northeastern border of the state (most notably Pike and Monroe) experienced the greatest population growth. Other counties throughout the state experienced substantial population declines, including Cambria, Cameron, Philadelphia, Warren, and Allegheny. The population is clearly declining in Pennsylvania's two largest cities, Philadelphia and Pittsburgh (Allegheny County).

Within Pennsylvania, the number of rental housing units grew at approximately the same rate as the population between 1990 and 2005-07. But nearly all of the growth in both rental housing and population actually occurred between 1990 and 2000.

Rental Housing in 2000

CHAS data show that in 2000, nearly two-thirds of renter households in Pennsylvania had incomes below 80 percent of area median income (AMI) and were thus categorized as low income (LI), very low income (VLI), or extremely low income (ELI). Notably, nearly one-quarter of renter households in Pennsylvania were ELI.

Over 70 percent of ELI renter households in Pennsylvania faced some type of housing problem: either a cost burden (paying more than 30 percent of household income on rent and utilities) or a housing unit problem (a lack of complete plumbing or kitchen facilities or overcrowding). Predictably, those with higher household income had fewer housing problems.

In Pennsylvania, 69 percent of the ELI renter households had cost burdens and 53 percent had severe cost burdens (paying more than 50 percent of household income for housing). As has generally been found in national studies, severe cost burdens were substantially less common among VLI and LI renter households.

While severe cost burdens afflicted over half of ELI renters in 2000, housing unit problems were far less common. ELI renter households in Pennsylvania also faced severe shortages of housing units that were both affordable and available for their occupancy, as is also the case nationally. There were only 49 affordable and available housing units per 100 ELI renter households in Pennsylvania in 2000, that is, only one unit for every two renter households.

Although shortages of affordable and available rental housing units were less severe for Pennsylvania than in the nation and in many of its neighboring states, Pennsylvania is larger than many of its neighbors in terms of geographic size, renter population, and number of rental housing units. In absolute numbers, Pennsylvania's shortage of 170,000 units affordable and available to ELI renter households was second in this region only to New York's shortage of 560,000 units.

Rental housing conditions in 2000 at the county level were consistent with state-level trends: ELI renter households were much more likely to have severe housing problems and severe shortages of affordable housing than other households.

ELI renter households were most likely to have severe cost burdens in three different areas of the state. In the Northeast section of the state bordering New Jersey, Monroe County faced the greatest challenge, with 68 percent of ELI renter households having severe cost burdens. Many ELI renter households in neighboring Pike and Wayne counties also had severe cost burdens. The second area was Centre County, home to Pennsylvania State University, and the third area was the Philadelphia suburban counties, particularly Chester, Delaware, and Montgomery.

These three areas also had the greatest shortages of affordable and available housing units per 100 ELI renter households. Nonetheless, in every county in 2000, there were insufficient numbers of affordable and available rental units for ELI renter households. It should be noted, however, that shortages of affordable and available housing units do not always imply that additional units must be built because, in many instances, providing rental assistance could enable renters to rent an affordable unit or to afford their current unit.

In absolute numbers, the seven counties with

the greatest shortages of affordable and available housing units for ELI renter households were Allegheny, Bucks, Delaware, Lancaster, Lehigh, Montgomery, and Philadelphia. Sixty percent of the state's overall shortage of rental housing units for ELI households was attributable to these seven counties. Indeed, 42 percent of the state's shortage came from only two counties, Allegheny and Philadelphia, home to Pennsylvania's two largest cities, Pittsburgh and Philadelphia.

In most counties, the shortage of units affordable and available to those in the wider 0-50 percent AMI income range (which includes both ELI and VLI renter households) was absolutely smaller. This difference implies that those counties had more *units* affordable to *renters* with incomes between 30 and 50 percent of AMI than renters in this income range. In only four counties (Bucks, Centre, Chester, and Montgomery) did the shortage of units affordable and available to ELI and VLI renter households slightly exceed the shortage of units affordable and available to ELI renter households, implying that some additional units affordable to households with income below the VLI threshold were also needed in these counties. These data reinforce the conclusion that the most pressing need for additional affordable rental housing in most counties was for units affordable to ELI renter households.

Almost all counties had net surpluses of affordable and available units compared with renters with incomes below 80 percent of AMI. This occurred because the surpluses of units affordable to renters with incomes between 50 and 80 percent of AMI exceeded any shortages of units affordable to incomes below 30 or 50 percent of AMI. Thus, throughout Pennsylvania, ELI renters have by far the greatest need for affordable housing.

Conditions at Mid-Decade

Because CHAS tabulations are not available after 2000, we developed equivalent data from the 2005 and the 2006 American Community Survey. The 2005-06 ACS data show that shortages of affordable rental housing worsened in the first half of the previous decade, particularly for ELI renters. Between 2000 and 2005-06, the state's total shortage of affordable and available housing for ELI renters rose from approximately 170,000 to 220,000. These data indicate that there were only 43 affordable and available units per 100 ELI renter households, down from 49 in 2000. Cost burden pressures were also higher at mid-decade than in 2000. The differences appear most dramatic for ELI renter households.

The increases in both relative and absolute shortages of affordable housing and the higher incidence of cost burdens occurred despite a modest rise in rental vacancy rates between 2000 and 2005-06, which would tend to ease the shortage, all other things being equal. Both changes are likely due in part to more ELI renters competing for a relatively fixed stock of rental housing units.

The interested reader should note that the study also provides an analysis of rental housing conditions mid-decade at two sub-state levels. The first sub-state level, the six relatively large regions used by the Pennsylvania Department of Community and Economic Development (DCED), are particularly relevant to rental housing policy because the Pennsylvania Housing Finance Agency has a regional set-aside for the allocation of low income housing tax credits (LIHTCs) based on DCED regions. LIHTCs have been a major source of affordable rental housing. The second sub-state level, aggregations of public-use micro-data areas (PUMAs), provides as much county-level detail as possible from the ACS micro-data. Because DCED

regions are larger than aggregated PUMAs, it is possible to estimate rental housing conditions at the DCED regional level more precisely. Details are available in the full report.

Policy Implications

While this study was not intended to provide recommendations for strategy, it offers a valuable methodology for quantifying rental housing needs from current data. State and local policymakers can use the tools provided in this study to help develop local rental housing strategies. A key finding of this study — that rental housing markets within Pennsylvania differ markedly in the extent of the shortage of units affordable and available to ELI and VLI renters, as well as in vacancy rates and population growth trends — reinforces the importance of choosing strategies that are sensitive to local housing market conditions.

In some parts of Pennsylvania, the use of vouchers, if enough are available, may be sufficient to address most affordable rental housing needs. In other areas of Pennsylvania, different rental housing strategies may be needed, including expanding the affordable rental housing supply. Yet the two largest federal supply-side programs, the LIHTC and HOME programs, do not target funding to ELI renters, the group that consistently faces the most severe affordable housing shortages.

This study concludes by offering questions to help state and local policymakers in the process of framing effective local housing strategies, including:

- To what extent do units determined to be affordable and available actually meet the needs of the local lower-income renters in need of affordable housing?

- What is the quality of the rental housing stock that is affordable and available to lower-income households?
- Are the units that are currently affordable and available to lower-income renters and which meet basic quality standards likely to remain so in the future? This is a two-part issue, involving both preserving those units physically and preserving them as affordable housing.
- When a local housing strategy includes an increase in rental housing supply, is local planning capacity sufficient to take advantage of opportunities and meet challenges?

Conclusion

This study is particularly relevant now, given the current state of the housing industry nationwide. The number of renters has increased in recent years, and this increase has only added to pressures in the affordable rental housing market.

The situation is exacerbated by the mortgage

foreclosure crisis, which brings with it the likelihood that an increasing number of homeowners affected by foreclosure will need to find alternative housing arrangements. The mortgage foreclosure crisis also has implications for current renters. Despite legislation enacted in May 2009 that enables renters living in foreclosed buildings to stay in their residences for a certain period, many renter households may seek a new place of residence.

Factors of this nature have led many housing experts to predict that the need for additional affordable rental housing will continue to grow and that rental housing will become an even more important aspect of national housing policy discussions over the next few years. These challenging circumstances make it even more important for policymakers and those involved in the rental housing industry to have current and comprehensive information with which to develop rental housing strategies for their communities. The results of this study suggest that the ACS can provide valuable data for this purpose.



CHAPTER 1

INTRODUCTION

Rental housing is a critical part of the nation's housing supply. Over one-third of occupied housing units throughout the country are occupied by renters, accounting for over 35 million households. In Pennsylvania, nearly 1.4 million housing units are occupied by renters, which is nearly 29 percent of the state's occupied housing stock.¹ Across the Commonwealth (and in the nation as a whole), renter households tend to have incomes that are considerably lower than the owner households in their communities. The average median household income of renters is approximately half that of homeowners.² Furthermore, nearly two-thirds of renter households in Pennsylvania are lower income.³

This study was initiated to assess the housing needs of Pennsylvania's lower-income renter households and better understand how their needs vary across the state. It looks at the incidence of housing problems among this group at both the beginning and the middle of the previous decade. It also considers the extent to which there were

shortages in the number of rental units that were both affordable and available to lower-income renters at these two points in time.

The methodology for measuring rental housing conditions of income-eligible households at the state and local levels has evolved since the early 1990s, when the U.S. Department of Housing and Urban Development (HUD) first funded a special tabulation of 1990 decennial census data to help states and local jurisdictions develop strategies describing their housing needs and housing market conditions.⁴ The specific variables provided in the 1990 special census tabulations had already been developed for the nation from American Housing Survey (AHS) data in HUD's "Worst Case Needs" reports.⁵

Until recently, such special comprehensive housing affordability strategy (CHAS) tabulations of 1990 and 2000 census data have been the only comprehensive source of data on housing needs, conditions, and shortages of affordable housing for income-eligible households at the state and local levels. A limitation of CHAS special tabulations

¹ U.S. Census Bureau, "2000-Census – Summary File 3," Table H17.

² See Chapter 2, Table 2.

³ In this report, lower-income households are those with incomes less than 80 percent of area median family income. See Chapter 3 for more details on the classification of households into income groups and the Glossary for two definitions of family. Also, Chapter 3, Table 7 shows the income distribution for renters in Pennsylvania and neighboring states.

⁴ The requirement to develop strategies to receive funds for many HUD programs was part of the Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA).

⁵ The AHS also provides biennial data on rental housing needs and conditions, but these data are not available at the state and local levels. See Appendix B for additional information on the AHS and HUD's reports.

has been that they were prepared from decennial census data only for 1990 and 2000.

This study measures housing needs and conditions in 2000 with CHAS data and then develops equivalent data for a mid-decade update from a relatively new data set, the American Community Survey (ACS), which is collected annually. To the best of our knowledge, this is one of the first studies to develop CHAS-like data from the ACS and use them to analyze both housing conditions of lower-income renter households and shortages of affordable housing at the local level.

Not only does this study demonstrate that the ACS can effectively be used to provide a picture of local rental conditions in off-census years, it also illustrates why it is important to be able to do so. Our research findings strongly suggest that the conditions faced by the lowest-income Pennsylvania renters have deteriorated from the beginning to the middle of the previous decade. Yet local policymakers have typically had to rely on CHAS data from the decennial census in developing housing strategies as long as a decade after these data were first collected.⁶ Although ACS data also have limitations, these data can more effectively estimate current rental housing conditions, particularly at the regional and state levels.⁷

The study is particularly relevant now, given

⁶In 1992, the NAHA was amended to require states and local jurisdictions to submit single consolidated plans instead of comprehensive housing affordability strategies to receive funding for HUD programs.

⁷While CHAS data were produced only for 1990 and 2000, ACS data also have limitations, particularly the sample size of small geographic areas. In this study, we combined two years of data to increase the accuracy of results. Even after we combined two years of data, the results of this study are more precise at state and regional levels than for most counties. In December 2008, the Census Bureau released the first three-year ACS sample, and the bureau plans to produce five-year estimates later this year. Such larger samples will enable more precise analysis of how local rental housing conditions and needs change over time.

the current state of the housing industry nationally. The number of renters has increased in recent years, and this increase has only added to the pressures in the affordable rental housing market. In a recent report, the Joint Center for Housing Studies of Harvard University noted that “after averaging just 0.7 percent annual growth from 2003 to 2006, the number of renter households jumped by 2.8 percent or nearly 1 million in 2007. The growing number of renters must now compete for the limited supply of affordable housing, adding to the long-standing pressures in markets across the country.”⁸

The situation is exacerbated by the mortgage foreclosure crisis, which brings with it the likelihood that an increasing number of homeowners affected by foreclosure will need to find alternative housing arrangements. The mortgage foreclosure crisis also has implications for current renters. In a recent study, the National Low Income Housing Coalition (NLIHC) estimated that over 20 percent of properties facing foreclosure nationwide were rentals.⁹ In May 2009, President Obama signed the Protecting Tenants in Foreclosure Act, which enables renters residing in foreclosed buildings to stay in their residences until the term of the lease expires or for 90 days, as defined by the act.¹⁰ Prior to this legislation, few states had protection laws for renters after a foreclosure occurred.¹¹ Nonetheless, many renter households may ultimately seek a new

⁸See Joint Center for Housing Studies (2008), p. 2.

⁹See Pelletiere (2009), pp. 6-7. The NLIHC notes that this estimate is conservative and that renters may constitute as many as 40 percent of families who will lose their homes to foreclosure.

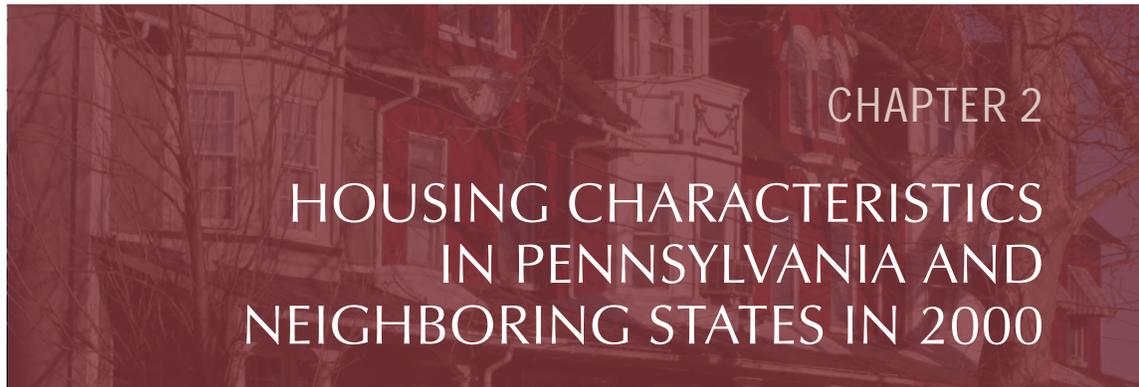
¹⁰See the NLIHC’s website for detailed information about this legislation: <http://www.nlihc.org/template/page.cfm?id=227>. While the Protecting Tenants in Foreclosure Act provides a uniform level of protection to renters in every state, no federal agency is directly responsible for oversight.

¹¹See Pelletiere (2009), p. 10.

place of residence. Because of such factors, many housing experts have predicted that the need for additional affordable rental housing will continue to grow and that rental housing will become an even more important aspect of the nation's overall housing policy discussions in the next few years.¹²

Under these challenging circumstances, it is particularly important that policymakers and practitioners have current and comprehensive information with which to develop rental housing strategies for their communities.

¹² See Gramlich (2007), Chapter 3, for a discussion of subprime mortgages and the importance of rental housing and rental housing policy.



CHAPTER 2

HOUSING CHARACTERISTICS IN PENNSYLVANIA AND NEIGHBORING STATES IN 2000

Overview

Pennsylvania is home to the major cities of Philadelphia (Philadelphia County) and Pittsburgh (in Allegheny County), in the southeast and southwest sections of the state, respectively. In addition, the state has a number of other, smaller key cities that are located within its 16 metropolitan statistical areas (MSAs).¹³ These cities include the state capital, Harrisburg, as well as Allentown, Bethlehem, Erie, Lancaster, Reading, and Scranton.

Much of the rest of Pennsylvania is considered rural, particularly the northern and middle sections. In fact, 48 of Pennsylvania's 67 counties can be classified as rural.¹⁴ The rental housing stock in rural areas often differs from the stock in urban areas.

This chapter summarizes key housing and demographic characteristics for Pennsylvania and the nation at the time of the 2000 decennial census and compares Pennsylvania to its neighboring states, including Delaware, Maryland, New Jersey,

New York, Ohio, and West Virginia. Appendix A provides county-level detail on housing characteristics within Pennsylvania.

Housing Tenure

According to the 2000 census, Pennsylvania has a population of 12.3 million, most of whom, approximately 11.8 million, are classified as residing in housing units.¹⁵ These 11.8 million people live in 4.8 million households, 28.7 percent of which are renter households. (The renter households include 2.9 million people, or 24.2 percent, of the state's total population residing in housing units.)

As Table 1 shows, Pennsylvania's percentage of renter households is lower than that of the United States and most of Pennsylvania's neighboring states. Yet, because Pennsylvania has the second highest number of housing units in this region, the number of renters is still high (1,370,836 renter households) when compared to that of other states.

Pennsylvania's renter households are heavily

¹³ There are 16 MSAs in Pennsylvania. Twelve MSAs are fully contained within Pennsylvania, while portions of four other MSAs are located within the state. See <http://www.whitehouse.gov/omb/assets/omb/bulletins/fy2009/09-01.pdf>. In addition, Appendix A provides a map that shows all Pennsylvania MSAs and counties.

¹⁴ This study uses the Center for Rural Pennsylvania's classification of urban and rural counties. Refer to Appendix A for a discussion of urban and rural areas within the state and how they are defined.

¹⁵ The difference between the total population and the population in occupied housing units is accounted for by Pennsylvanians residing in group quarters. The Census Bureau identifies two types of group quarters: institutional (correctional facilities, nursing homes, and mental hospitals) and noninstitutional (college dormitories, military barracks, group homes, missions, and shelters). For more information, refer to American Factfinder at <http://factfinder.census.gov/home/saff/main.html>.

TABLE 1
Occupied Housing Units by State

	Total Occupied Housing Units	Owner-Occu- pied Units	Renter-Occupied Units	% That Are Renter-Occupied
United States	105,480,101	69,816,513	35,663,588	33.8%
New York	7,056,860	3,739,247	3,317,613	47.0%
New Jersey	3,064,645	2,011,298	1,053,347	34.4%
Maryland	1,980,859	1,341,594	639,265	32.3%
Ohio	4,445,773	3,072,514	1,373,259	30.9%
Pennsylvania	4,777,003	3,406,167	1,370,836	28.7%
Delaware	298,736	216,046	82,690	27.7%
West Virginia	736,481	553,626	182,855	24.8%

Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table H17, http://factfinder.census.gov/home/saff/main.html?_lang=en

TABLE 2
Median Household Income in 1999 by Tenure

	Occupied Housing Units	Owner Households	Renter Households	Renter Income as Percentage of Owner Income
United States	\$41,851	\$51,323	\$27,362	53%
West Virginia	\$29,663	\$34,632	\$16,794	48%
New York	\$43,070	\$58,956	\$28,851	49%
New Jersey	\$54,820	\$68,770	\$34,103	50%
Maryland	\$52,640	\$64,860	\$32,351	50%
Ohio	\$40,846	\$50,093	\$25,116	50%
Pennsylvania	\$39,987	\$47,611	\$24,601	52%
Delaware	\$47,012	\$54,951	\$30,429	55%

Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table HCT12, http://factfinder.census.gov/home/saff/main.html?_lang=en

concentrated in urban areas, reflecting both the larger populations in urban areas and the higher propensity to rent in these areas. Over 75 percent of renter households are found within Pennsylvania’s 19 urban counties, while only 25 percent are found within the 48 rural counties. Nearly half of Pennsylvania’s renter households live in just six counties: Philadelphia, Allegheny, Montgomery, Bucks, Delaware, and Lancaster.

Income of Renters

There is a significant disparity in income between owners and renters throughout the

country. Owner households earn nearly twice as much as renter households nationally and in Pennsylvania and its neighboring states, as indicated in Table 2. In 1999, median income for renter households in Pennsylvania was approximately \$24,600 and \$47,600 for owner households.

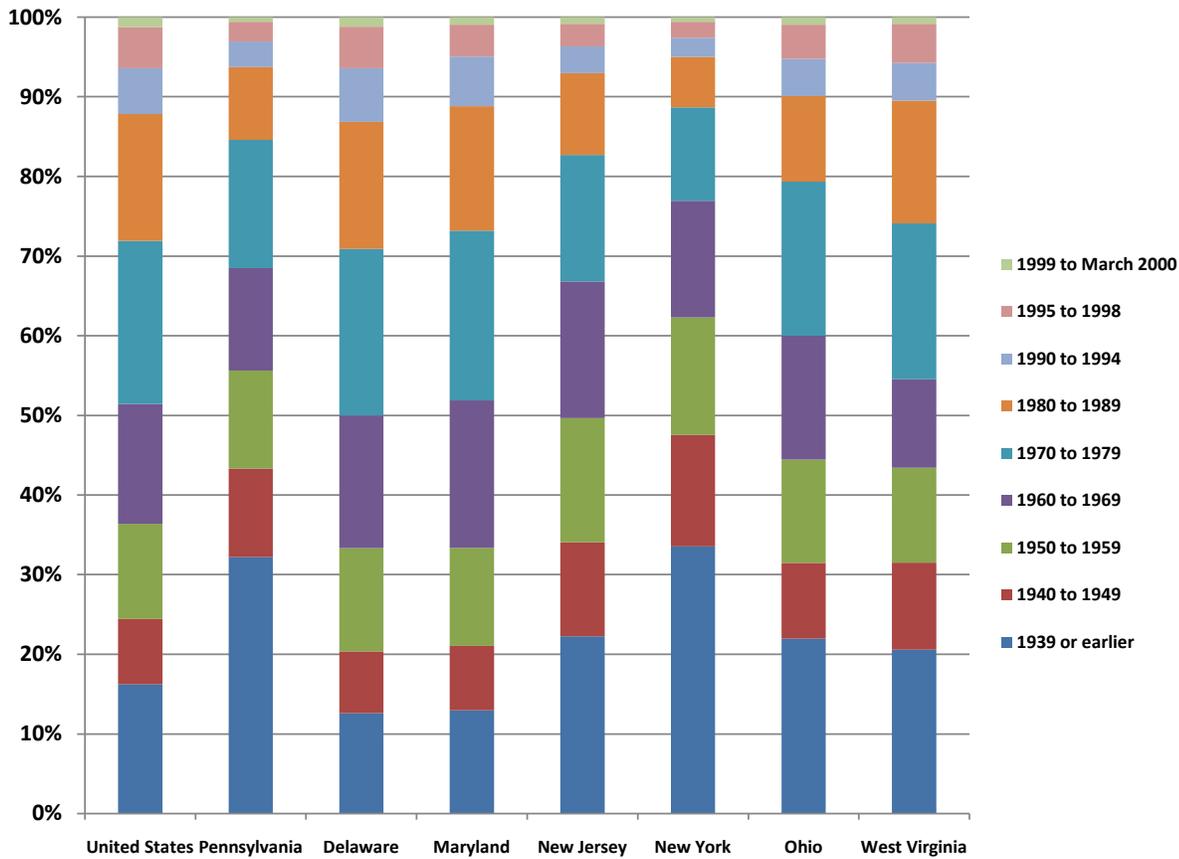
A difference in the median income of owner and renter households is also apparent at the county level. Even in the county with the most equal income distribution, the median renter’s income is still two-thirds of the median owner’s income.

Age of Rental Housing Stock

One of Pennsylvania’s key rental housing challenges is the age of its rental housing stock. Pennsylvania has the second oldest renter-occupied housing stock in the immediate region, following only New York (Chart 1). Over two-fifths, or 43 percent, of rental housing units in Pennsylvania were built before 1950, compared with 24 percent in the nation as a whole. Conversely, only 15 percent of rental units in Pennsylvania have been built since 1980.

The median age of renter-occupied housing

CHART 1
 Renter-Occupied Units: Year Structure Was Built



Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table H36, http://factfinder.census.gov/home/saff/main.html?_lang=en

TABLE 3
 Median Year Structure Was Built

	Total Occupied Housing Units	Owner-Occupied Units	Renter-Occupied Units
United States	1971	1971	1969
New York	1954	1956	1952
Pennsylvania	1957	1958	1955
New Jersey	1962	1962	1960
Ohio	1962	1962	1964
West Virginia	1969	1970	1966
Maryland	1971	1972	1969
Delaware	1972	1974	1970

Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table H37, http://factfinder.census.gov/home/saff/main.html?_lang=en

units is three years older than the median age of owner-occupied units in Pennsylvania (Table 3). Renter-occupied units are generally older than owner-occupied housing units throughout the nation and in most of Pennsylvania’s neighboring states as well.

Older rental housing is found throughout the state in both rural and urban areas. In 49 out of the 67 counties in Pennsylvania, the renter-occupied housing stock is older than the owner-occupied housing stock, and in four counties, the renter- and owner-occupied housing stock has the same median age.

Age of Renters

In addition to having an aging rental housing stock, Pennsylvania also has a population that is older than the national average and also older than that of its neighbors. Given this fact, it is not surprising that Pennsylvania renters are older than renters in both the nation and all of its neighboring states (Chart 2). Overall, one-fifth of renter households in Pennsylvania have a head of household who is 65 years or older. This fact suggests that any upward pressure on rents might have particularly severe effects on housing affordability in Pennsylvania because many elderly renters are likely to have fixed incomes.

Having a high percentage of elderly renters is likely related to the fact that Pennsylvania has experienced a large net out-migration of young

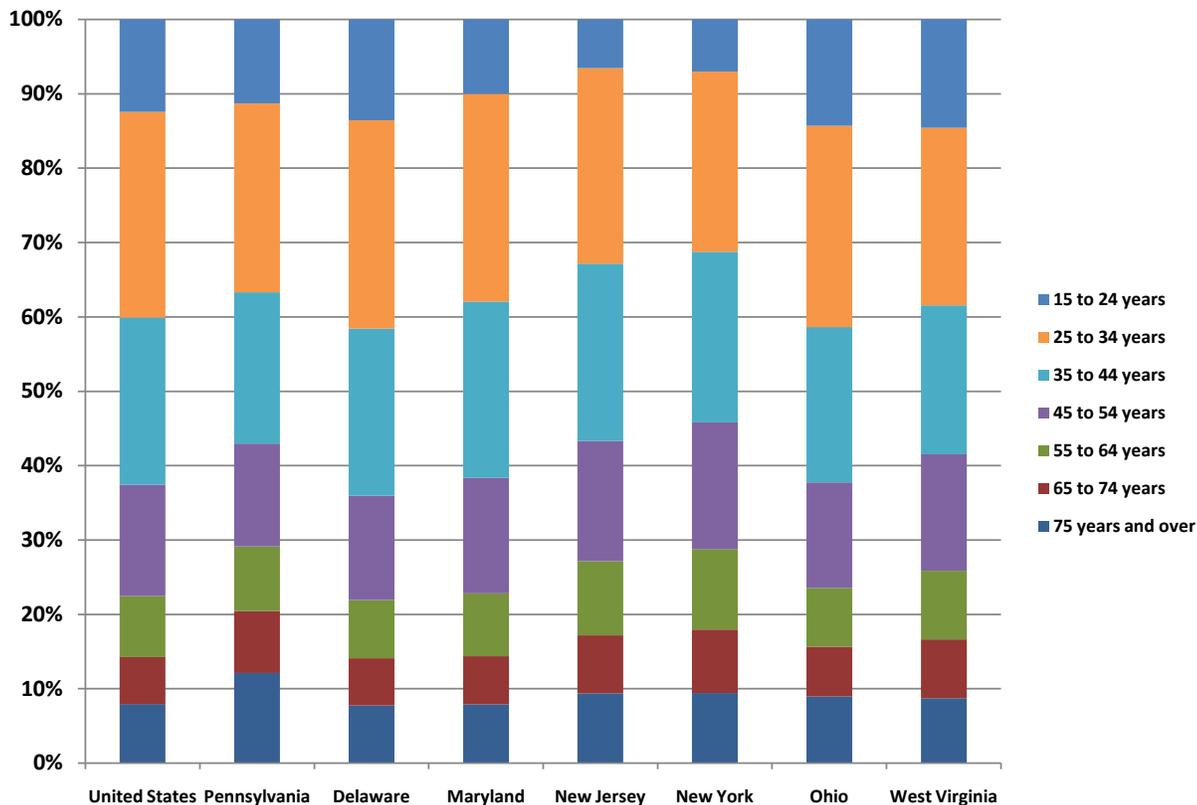
people. As reported by the Brookings Institution in a 2003 report, “Pennsylvania suffered one of the largest percentage losses in young workers among states in the 1990s.”¹⁶ The percent of elderly renters could rise even further if this trend continues.

Renter-Occupied Units: Structure Size

In Pennsylvania, over 60 percent of renter-occupied housing units are in structures with only one to four units, which this study calls small rental housing structures. Indeed, nearly half of Pennsylvania’s renter-occupied housing units (48 percent) are in one- or two-unit structures,

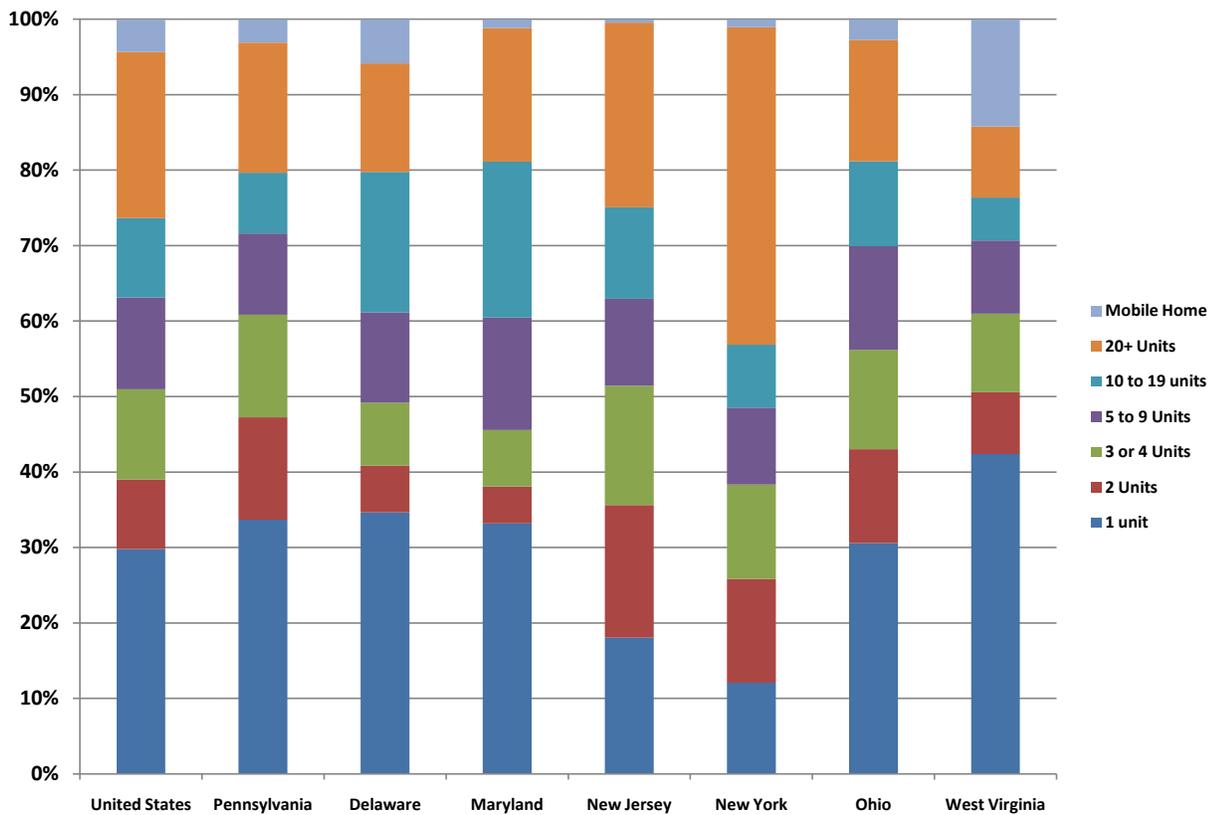
¹⁶ See Brookings Institution (2003), p. 24.

CHART 2
Renter Households by Age



Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table H14, http://factfinder.census.gov/home/saff/main.html?_lang=en

CHART 3
 Renter-Occupied Units by Structure Size



Source: U.S. Census Bureau, “2000 Census – Summary File 3,” Table H32, [mhttp://factfinder.census.gov/home/saff/main.html?_lang=en](http://factfinder.census.gov/home/saff/main.html?_lang=en)

compared to only 39 percent for the nation as a whole.

When compared to structures in neighboring states, the size of Pennsylvania’s renter-occupied housing units resembles that of structures in Ohio and West Virginia (although West Virginia has a much greater percentage of renter-occupied housing units that are mobile homes). Pennsylvania is least like New York, in which half of all renter-occupied housing units are in larger structures, specifically 10 or more units (Chart 3). It is important to consider the composition of rental housing structures in Pennsylvania when developing rental housing policy for the state.

While most of Pennsylvania’s renter-occupied housing units are in small structures, structure size varies more at the county level. Large urban areas,

such as the Philadelphia metropolitan division and Allegheny County (which contains Pittsburgh), tend to have the highest percentage of rental units in large structures (10 units or more), while rural areas have more units in small structures.¹⁷

Quality Measures

The 2000 decennial census does not provide much data on the quality of rental housing in Pennsylvania.¹⁸ Information is available regarding

¹⁷ See Appendix A, Table A.5. Because of the presence of Pennsylvania State University, Centre County has the highest percentage of structures with 10 or more units. But nearly 45 percent of all structures with 10 or more units statewide are located in the Philadelphia metropolitan division. Philadelphia city has more rental units in large structures (68,500) than any other county in the state, followed by Allegheny County, which has 57,600.

¹⁸ More detailed data on quality are available at the national level and for the Philadelphia and Pittsburgh MSAs from the American

TABLE 4

Quality Measures for Renter Households

	Total Renter-Occupied Households	% Lacking Complete Plumbing	% Lacking Complete Kitchen	% Overcrowded	% Overcrowded and Lacking Complete Plumbing
United States	35,663,588	1.0%	1.3%	11.0%	0.2%
Delaware	82,690	0.7%	0.9%	6.7%	0.1%
Maryland	639,265	0.7%	0.9%	7.8%	0.1%
New Jersey	1,053,347	1.1%	1.3%	11.0%	0.3%
New York	3,317,613	1.3%	1.4%	13.6%	0.4%
Ohio	1,373,259	0.6%	1.1%	3.3%	0.1%
Pennsylvania	1,370,836	0.8%	1.2%	4.0%	0.1%
West Virginia	182,855	1.3%	1.1%	2.3%	0.1%

Source: U.S. Census Bureau, "2000 Census – Summary File 3," Tables H20, H22, H48, and H51. http://factfinder.census.gov/home/saff/main.html?_lang=en

the number of renter-occupied housing units that lack complete plumbing and kitchen facilities.¹⁹

The census also provides data on the number of occupants per room from which overcrowding measures can be derived.²⁰

In Pennsylvania, only 4.0 percent of units were overcrowded, 1.2 percent lacked complete kitchen facilities, and 0.8 percent lacked complete plumbing facilities.

The quality data for Pennsylvania resemble national averages for all measures except overcrowding. Of the measures shown in Table 4, overcrowding varies most. Renter-occupied households in New York and New Jersey have

greater percentages of units that are overcrowded, 13.6 percent and 11.0 percent, respectively. All other neighboring states, including Pennsylvania, have percentages lower than the national average.

While the percentages in Table 4 seem modest for Pennsylvania, they do not prove that Pennsylvania's rental housing stock is in good condition. The decennial census does not include sufficient data to assess the structural conditions or quality of rental housing units. Community development leaders in several areas of the state argue that much of the supply of rental housing in their areas is of poor quality: Although the units may be affordable, they are not in the condition in which renters would want to inhabit them.²¹ A more comprehensive analysis is needed at the local level to assess the condition of Pennsylvania's rental housing stock.

Housing Survey. Such data are not available at the state or county level for Pennsylvania.

¹⁹ According to the U.S. Census Bureau, complete plumbing facilities include (1) hot and cold piped water, (2) a flush toilet, and (3) a bathtub or shower. Complete kitchen facilities include (1) a sink with piped water; (2) a range, or cooktop and oven; and (3) a refrigerator. Source: U.S. Census Bureau, "2000 Census – Summary File 3," http://factfinder.census.gov/home/saff/main.html?_lang=en

²⁰ The Census Bureau does not have an official definition for overcrowding. This study considers overcrowding as households with more than one occupant per room. See Blake et al. (2007) for a detailed discussion of different definitions of overcrowding and a literature review.

²¹ The Federal Reserve Bank of Philadelphia's Community Affairs staff members routinely conduct outreach meetings with lenders, government officials, and community development leaders around the Third Federal Reserve District, which includes the eastern two-thirds of Pennsylvania. During these meetings, we have consistently heard that much of Pennsylvania's rental housing stock is of poor quality and in need of repair.

Population and Housing Unit Changes

Population

The 1990 and 2000 decennial census files and 2006 population estimates provided by the U.S. Census Bureau allow us to evaluate population growth for the nation, Pennsylvania, and Pennsylvania's neighboring states.²²

When compared to the national average and also to neighboring states, population growth in Pennsylvania between 1990 and 2006 was quite low, only 4 percent. Only West Virginia had slower growth, 1 percent (Table 5).

At the county level, there is great variation in population change between 1990 and 2006. Counties on the northeastern border of the state experienced the greatest population growth. Most notably, Pike County grew by 104 percent and Monroe County grew by 70 percent. Other counties throughout the state experienced population declines, including Cambria (10 percent); Cameron, Philadelphia, and Warren (all 9 percent); and Allegheny (8 percent). The population is clearly declining in Pennsylvania's two largest cities, Philadelphia and Pittsburgh (Allegheny County). See Appendix A for details.

Housing Units

Comparing American Community Survey (ACS) estimates for 2005-07 with decennial census data, total housing units in the United State increased by 23 percent between 1990 and

²² Population estimates are prepared annually after the last published decennial census. Data are re-estimated every year, and data from the most current estimate supersede data from the previous estimates. This study used the 2008 population estimates to obtain the 2006 data. For additional information, see <http://factfinder.census.gov>.

TABLE 5
Population Changes Between 1990 and 2006

	Total Population 2000	Population Change Between 1990-2000	Population Change Between 2000-2006	Population Change Between 1990-2006
United States	281,421,906	13%	6%	20%
Delaware	783,600	18%	9%	28%
Maryland	5,296,486	11%	6%	17%
New Jersey	8,414,350	9%	3%	12%
New York	18,976,457	5%	2%	8%
Ohio	11,353,140	5%	1%	6%
Pennsylvania	12,281,054	3%	1%	4%
West Virginia	1,808,344	1%	0%	1%

Sources: Three data sets from the U.S. Census Bureau 1) "1990 Census – Summary File 3"; 2) "2000 Census – Summary File 3"; and 3) "2008 Population Estimates" of 2006 data. http://factfinder.census.gov/home/saff/main.html?_lang=en

2005-07, while total housing units in Pennsylvania increased by 10 percent.²³ Increases were lower for rental housing units. In the United States, the rental housing stock grew by 11 percent, while in Pennsylvania, growth was only 4 percent.

Growth in renter-occupied housing units between 1990 and 2005-07 was relatively modest in the region when compared to the nation. Only Delaware's 16 percent rate of growth exceeded the national average of 11 percent. Maryland, New Jersey, Pennsylvania, and West Virginia followed Delaware with changes of 4 percent each.

Within Pennsylvania, the number of rental housing units grew at approximately the same rate

²³ The U.S. Census Bureau's annual population estimates program also provides data on total housing units, but these data do not distinguish between owner-occupied, renter-occupied, and vacant units. See American Factfinder for additional information: <http://factfinder.census.gov/>. Because of data limitations with the annual population estimates, this study uses ACS data. ACS three-year estimates are available for geographic areas with populations greater than 20,000. In addition, ACS one-year estimates are available for geographic areas with populations greater than 65,000. This study used the three-year estimates because three-year estimates provide data for more counties in Pennsylvania than the one-year estimates.

TABLE 6

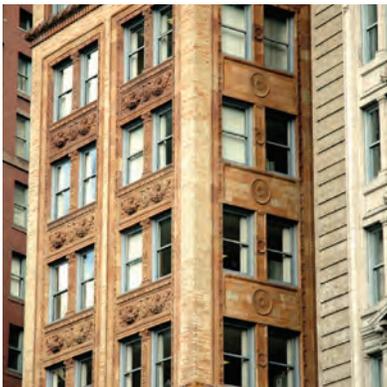
Housing Unit Changes Between 1990 and 2005-2007

	Housing Units in 2000		% Change 1990 to 2000		% Change 2000 to 2005-2007		% Change 1990 to 2005-2007	
	Total Housing Units*	Renter-Occupied Units	Total Housing Units	Renter-Occupied Units	Total Housing Units	Renter-Occupied Units	Total Housing Units	Renter-Occupied Units
United States	115,904,641	35,663,588	13%	8%	9%	2%	23%	11%
Delaware	343,072	82,690	18%	12%	11%	3%	32%	16%
Maryland	2,145,283	639,265	13%	5%	7%	0%	21%	4%
New Jersey	3,310,275	1,053,347	8%	7%	5%	-3%	13%	4%
Pennsylvania	5,249,750	1,370,836	6%	4%	4%	0%	10%	4%
West Virginia	844,623	182,855	8%	2%	4%	2%	12%	4%
Ohio	4,783,051	1,373,259	9%	3%	5%	-2%	15%	1%
New York	7,679,307	3,317,613	6%	5%	3%	-5%	9%	-1%

* Total housing units include owner-occupied, renter-occupied, and vacant units.

Sources: Three data sets from the U.S. Census Bureau 1) "1990 Census – Summary File 3"; 2) "2000 Census – Summary File 3"; and 3) "2005-2007 American Community Survey Three Year Estimates." http://factfinder.census.gov/home/saff/main.html?_lang=en

as the population between 1990 and 2005-07. But nearly all of the growth in both rental housing and population actually occurred between 1990 and 2000.



CHAPTER 3

HOUSING CONDITIONS OF PENNSYLVANIA'S LOWER- INCOME RENTERS IN 2000

Introduction

This chapter focuses on two closely related topics: the housing problems of Pennsylvania's lower-income renters and the availability of rental units affordable to this group in 2000. We examine these topics for the state as a whole and for counties within the state. We also compare conditions in Pennsylvania with those in the nation and in neighboring states.

All of the statistics provided in this chapter are computed from comprehensive housing affordable strategies (CHAS) data, which are special tabulations of 2000 census data funded by HUD that classified renter and owner households and their housing problems by income, and housing units and their characteristics by affordability.²⁴ We use a methodology similar to that of several national studies described in Appendix B, most notably the 2004 study by the NLIHC, *Losing Ground in the Best of Times: Low Income Renters in the 1990s*.²⁵ The

methodology is described in Appendix C.

The availability of CHAS data for 1990 and 2000 made it possible to examine housing conditions faced by low-income renters in both 1990 and 2000. As context for the 2000 findings presented in this chapter, CHAS data show that housing conditions improved somewhat from 1990 to 2000 in Pennsylvania.²⁶ The income distribution of lower-income renter households and vacancy rates both remained relatively constant throughout that decade, but cost burden pressures eased, especially for very low-income (VLI) renters. Similarly, shortages of affordable rental housing eased across the state. Yet despite these improvements, the incidence of housing problems among extremely low-income (ELI) renters remained high in 2000, as the statistics presented in this chapter show.

Rental Housing Conditions at the National and State Levels in 2000

Income Distributions of Lower-Income Renter Households

In 2000, nearly two-thirds of renter households in Pennsylvania (64 percent) had incomes below

²⁴The Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA) required states and local jurisdictions to prepare and submit such strategies to HUD, and the CHAS tabulations were developed to assist state and local governments in meeting this mandate. See Appendix B for additional details on CHAS and the NAHA.

²⁵ See Nelson et al. (2004). In this report, the NLIHC examines changes in housing problems and in the affordability and availability of rental housing at the state level between 1990 and 2000. We use the same methodology in this study. The data in this study are similar to data in the NLIHC's report, although some values vary slightly due to rounding. In addition, the data in this study come from the CHAS files re-issued in November 2004, whereas data in the NLIHC's 2004 report come from the initial CHAS files issued

in September 2003. See HUD's website for additional information: <http://www.huduser.org/datasets/cp.html>.

²⁶ Appendix F compares conditions in 1990 and 2000 in Pennsylvania.

Defining Income Groups

There are several ways to define income groups in general and low income in particular.^a This study distinguishes renters in three lower-income ranges:

Renter Household Group	HUD-Adjusted Area Median Family Income (HAMFI) Range ^b
Extremely Low Income (ELI)	Less than or equal to 30% of HAMFI
Very Low Income (VLI)	Between 30.1% and 50.0% of HAMFI
Low Income (LI)	Between 50.1% and 80.0% of HAMFI

The definitions from the table above can be put in context with a couple of simple examples. Data from the 2000 census indicate that in 1999 Pike County had the highest median family income for Pennsylvania counties. The HAMFI thresholds for a four-person household in that county in 1999 were \$17,600 for ELI renter households, \$29,350 for VLI renter households, and \$46,950 for LI renter households. By contrast, in Forest County, which had the lowest median family income in Pennsylvania in 1999, the HAMFI thresholds were \$12,500 for ELI renter households, \$20,850 for VLI renter households, and \$33,350 for LI renter households.^c

In the remainder of this study, we use the abbreviation AMI to refer to HUD-adjusted area median family income, or HAMFI, unless otherwise noted. In addition, we use the term lower income to include ELI, VLI, and LI renter households.

^a See Nelson (1994) for a discussion of low income definitions and their origins. By statute, the HUD definitions of low income and very low income for assisted housing programs differ from those used for the community development block grant (CDBG) program, which defines low income as below 50 percent of AMI and moderate income as below 80 percent of AMI. Nelson's article also compares low-income thresholds to poverty thresholds, noting that poverty is close, on average, to ELI. See Appendix D, Table D.1 for very low-income thresholds for each Pennsylvania county.

^b In classifying households into income groups, HUD adjusts area median family income by household size. Adjustments are also made for locations with unusually high or low income-to-housing-cost relationships. The resulting set of area-specific median incomes for households of different sizes are known as HUD-adjusted area median family incomes (HAMFI). HUD calculates HAMFI annually for each metropolitan area and each nonmetropolitan county across the country. HUD's "Fiscal Year 2008 HUD Income Limits Briefing Materials" describes all the statutory adjustments applied in setting the official income limits.

^c Forest County shares the lowest HAMFI thresholds with many other counties in the state because of a statutory floor on income thresholds. See Appendix D, Table D.1 for additional information. In addition, income limits are available on the CHAS section of HUD User: <http://www.huduser.org/datasets/cp.html>.

80 percent AMI and were thus categorized as LI, VLI, or ELI. Notably, nearly one-quarter of renter households in Pennsylvania were ELI (Table 7).

When compared to the national averages, Pennsylvania had slightly higher percentages of ELI, VLI, and LI renter households out of total renter households in 2000. Among nearby states, only West Virginia and New York had higher shares of ELI renter households (28 percent and 26 percent, respectively, compared to Pennsylvania's 24 percent).

Housing Problems

Over 70 percent of ELI renter households in Pennsylvania faced some type of housing problem: either a cost burden or a housing unit problem, including lacking complete plumbing or kitchen facilities or overcrowding.²⁷ Predictably, those with higher household income had fewer housing problems. In Pennsylvania, 63 percent of VLI renter households and only 28 percent of LI households had housing problems (Table 7). In each income range, Pennsylvania renters had housing problems less frequently than their counterparts throughout the nation. Among nearby states, Pennsylvania most closely resembled Delaware and Ohio, particularly for ELI renter households.

The data show that over three-fourths of ELI renter households with a cost burden actually had a severe cost burden. In Pennsylvania, 69 percent of the ELI renter

²⁷ Cost burden is defined as paying more than 30 percent of household income on rent and utilities. Severe cost burden is paying more than 50 percent of household income on rent and utilities. See Appendix C for a more detailed discussion of housing problems.

TABLE 7

Income Distribution and Housing Problems in 2000

	Total Renter Households	% Distribution of Renters by AMI Group			% With Any Problem (Housing Unit Problem or Cost Burden)		
		% ELI Households	% VLI Households	% LI Households	% ELI Households	% VLI Households	% LI Households
United States	35,638,908	23%	17%	21%	74%	71%	40%
Pennsylvania	1,370,366*	24%	18%	22%	71%	63%	28%
Delaware	82,623	21%	17%	23%	71%	69%	32%
Maryland	639,095	23%	17%	21%	73%	68%	32%
New Jersey	1,053,045	23%	16%	18%	74%	76%	45%
New York	3,316,539	26%	15%	17%	77%	76%	49%
Ohio	1,372,841	24%	18%	23%	71%	62%	23%
West Virginia	182,764	28%	19%	19%	65%	57%	24%

* Because of the rounding techniques applied to the different CHAS files, this total varies slightly from the total in other sections of the study. The percentage values in the other columns have not changed.

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables F5C and F5D, <http://www.huduser.org/datasets/cp.html>

households had cost burdens and 53 percent had severe cost burdens. These results for Pennsylvania are similar to those for the nation and neighboring states (Table 8).

As has generally been found in national studies, severe cost burdens were substantially less common among VLI and LI renter households. In Pennsylvania, only 16 percent of VLI renter households and 3 percent of LI households had severe cost burdens.

Even though ELI renter households in most states in this region had slightly fewer problems than national averages, housing affordability problems were still widespread.²⁸ Over half of ELI renter households in every state in this area (except

²⁸ The exception is ELI renter households in New York and New Jersey, whose incidence of severe cost burdens met or exceeded the national average. New York renter households, in particular, frequently faced severe cost burdens. The results for New York are consistent with the NLIHC's 2004 report, which identified New York, Florida, and several western states, including California, as the states in which ELI renter households had the most severe cost burdens in 2000. See Nelson et al. (2004), p. 6.

West Virginia) had severe cost burdens (Table 8).

While severe cost burdens afflicted over half of ELI renters in 2000, housing unit problems were far less common, particularly in Pennsylvania. ELI, VLI, and LI renter households in Pennsylvania had far fewer housing unit problems than national renters did, on average. Renter households in West Virginia and Ohio also had markedly fewer housing unit problems than renter households in other parts of the country.

As the low incidence of housing unit problems suggests, in each income group most of the renters with a cost burden did not also have a housing unit problem. Indeed, the data in Table 9 are consistent with national experience. In the United States, 83 percent of "worst case" (ELI and VLI) renters identified by HUD had only a severe rent burden in 2005, and that fraction has been rising over the past 20 years.²⁹

²⁹ See Appendix B for a discussion of cost burden trends identified in HUD's Worst Case Needs series.

TABLE 8
Cost Burden Incidence in 2000

	% with Any Cost Burden (Rent Greater Than 30% of Income)			% with Severe Cost Burden (Rent Greater Than 50% of Income)		
	% ELI Households	% VLI Households	% LI Households	% ELI Households	% VLI Households	% LI Households
United States	70%	64%	29%	56%	20%	4%
Pennsylvania	69%	60%	23%	53%	16%	3%
Delaware	68%	65%	26%	53%	18%	2%
Maryland	70%	61%	24%	54%	13%	2%
New Jersey	71%	69%	34%	56%	21%	4%
New York	73%	69%	36%	60%	26%	5%
Ohio	69%	59%	19%	53%	14%	2%
West Virginia	62%	54%	20%	48%	15%	2%

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables F5C and F5D, <http://www.huduser.org/datasets/cp.html>

TABLE 9
Housing Unit Problems in 2000

	% with at Least One Housing Unit Problem (Lacking Complete Plumbing or Kitchen Facilities or Overcrowding)		
	% ELI Households	% VLI Households	% LI Households
United States	14%	15%	14%
Pennsylvania	7%	6%	5%
Delaware	9%	11%	8%
Maryland	10%	12%	9%
New Jersey	14%	16%	14%
New York	17%	18%	17%
Ohio	6%	5%	5%
West Virginia	5%	5%	4%

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables F5C and F5D, <http://www.huduser.org/datasets/cp.html>

Affordable Rental Housing Shortages

While vacancy rates are the most common measure of housing supply, this study uses two indicators to assess more specifically the degree to which lower-income renters face shortages of affordable housing:³⁰

³⁰ See Appendix C for details and examples of the methodology for calculating both ratios.

1. The ratio of affordable housing units per 100 renter households with incomes below a specified threshold, in this study 30 percent, 50 percent, or 80 percent of AMI
2. The ratio of housing units that are both affordable and available per 100 renter households with incomes below a specified threshold.

Affordable Housing Units Per 100 Renter Households

Rental housing is assumed to be affordable if a household spends less than 30 percent of its income on gross rent (rent plus utilities). The first ratio, affordable units per 100 renter households, compares the total number of renter households at or below an income threshold to the total number of rental housing units affordable at that threshold. The total number of affordable rental housing units includes both occupied units and vacant units offered for rent. If the number of housing units exceeds the number of households in that income group, the ratio is over 100 and there is a surplus of affordable units. Conversely, if the number of housing units

TABLE 10
Affordable Rental Housing Units 2000

	Affordable Units Per 100 Renter Households With Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI
United States	84	130	153
Pennsylvania	96	152	157
Delaware	97	148	167
Maryland	87	148	160
New Jersey	66	107	152
New York	63	99	139
Ohio	96	172	161
West Virginia	124	156	158

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables A10C and A12, <http://www.huduser.org/datasets/cp.html>

Note: This study's indicators of shortages cumulate all households by income and all rental units by affordability, below the three income thresholds of 30 percent, 50 percent and 80 percent of AMI. Details are in Appendix C.

is lower than the number of households below that income threshold, the ratio is below 100 and there is a shortage of affordable units.

Such ratios suggest that supplies of affordable housing were nearly adequate in Pennsylvania and in most of Pennsylvania's neighboring states below each of the lower-income thresholds identified (Table 10). Furthermore, most states in this region fared better than the nation. The marked exception is ELI renter households in New York and New Jersey, with ratios of 63 and 66, respectively. These ratios suggest that there were only two affordable units for every three ELI renters, and thus, there were severe shortages of affordable rental housing units.

In all states except New York, the ratios show that there were many more affordable units than renters below the 50 percent and 80 percent of AMI thresholds. In Pennsylvania, there were 152 and 157 affordable units per 100 renter households with incomes at or below 50 percent and 80 percent of AMI, or three units for every two households. Even ELI renter households appeared to have nearly

enough affordable rental units somewhere in the state, as there were 96 affordable units for every 100 ELI renter households.

Affordable and Available Housing Units Per 100 Renter Households

Table 10 suggests that many states near Pennsylvania have enough units affordable to LI, VLI, and even ELI renter households. But this indicator is misleading because many affordable units are not available to the lower-income renter households that need them the most. Instead, the units are often occupied by renters in higher-income groups who pay less than 30 percent of their income for housing.³¹ For example, if a moderate-income renter rents a unit that is affordable at or below the ELI limit, the unit is unavailable to any ELI renter.

Adding a second ratio provides a more realistic assessment of actual shortages or surpluses of rental housing by counting only affordable units that are *available* to each income group. It includes only housing units affordable at an income threshold that are occupied by renter households with incomes at or below that specified income threshold, and units that are vacant, but intended for rent, and affordable to renter households at the specified threshold.

This more realistic ratio reveals that ELI renter households did face severe affordable rental housing shortages both nationwide and in Pennsylvania, as many fewer affordable units were available to them.³²

³¹ See HUD (2007), Chapter 4.

³² For a number of reasons these "more realistic" indicators are themselves undoubtedly optimistic. For example, units are classified as affordable for ELI households based on income at the top of the ELI range, but many may not actually be affordable to the many ELI households whose incomes are lower. In addition, some units that are classified as affordable and available may be too small for large ELI families or located far from jobs or in undesirable neighborhoods.

TABLE 11

Affordable and Affordable and Available Housing Units and Shortages in 2000

	Affordable Units Per 100 Renter Households with Household Incomes:			Affordable and Available Units Per 100 Renter Households with Household Incomes:			ELI Renter Households: Total Shortage of Affordable and Available Units ¹
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI	
United States	84	130	153	42	74	103	(4,672,590)
Pennsylvania	96	152	157	49	87	107	(170,320)²
Delaware	97	148	167	49	83	109	(8,750)
Maryland	87	148	160	47	83	105	(76,965)
New Jersey	66	107	152	37	64	98	(154,530)
New York	63	99	139	35	60	94	(563,090)
Ohio	96	172	161	52	96	111	(159,980)
West Virginia	124	156	158	56	93	112	(22,525)

¹ In general, national and state-level data presented in this chapter are similar to the information in the NLIHC's 2004 report. As explained in the note to Table 7, some values vary slightly due to rounding. In this column in particular, the values do not match exactly because the calculation involves the total number of housing units instead of ratios, which will inevitably vary based on rounding.

² Because of the rounding techniques applied to the different CHAS files, this total varies slightly from the Pennsylvania total in other sections of the study, including Table 14. The values in the other columns have not changed.

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables A10C and A12, <http://www.huduser.org/datasets/cp.html>

Table 11 shows that there were only 49 affordable and available housing units per 100 ELI renter households in Pennsylvania in 2000.

When compared to the national averages, Pennsylvania renter households between 0-50 percent of AMI and 0-80 percent of AMI had better supplies of both affordable housing units and affordable and available housing units. Even though ELI renters in Pennsylvania also fared better than the national average, there was still a substantial shortage of affordable and available units, with only one unit for every two renter households.

These housing "affordability and availability" ratios enable relatively easy comparisons of rental housing needs across states or other geographic areas, but they do not provide a sense of the magnitude of the shortages that states face. The ELI shortages are quantified in the final column of Table 11. Pennsylvania is larger than many of its neighboring states in terms of geographic size, renter

population, and number of rental housing units. In absolute numbers, Pennsylvania's shortage of 170,000 units affordable and available to ELI renter households was second only to New York's shortage of 560,000 units.³³

Rental Housing Conditions at the County Level in 2000³⁴

The state-level data clearly show that ELI renter households in Pennsylvania were much more likely to have severe cost burdens than renters in higher-income groups and that shortages of affordable and available housing were by far most pressing for them. For every county within

³³ The results for New York are consistent with the NLIHC's 2004 report, which identified New York as having the second greatest shortage (after California) of units affordable and available to ELI renter households. See Nelson et al. (2004), p. 11.

³⁴ Appendix F provides data on other sub-state levels for 2000 and indicates how and where conditions improved between 1990 and 2000.

Pennsylvania, the same conclusions hold: ELI renter households are much more likely to have severe housing problems and severe shortages of affordable housing than other households.

Housing Problems

Because housing unit problems were far less common than cost burdens at the county level, this section concentrates on lower-income renters with cost burdens. See Appendix D, Table D.4 for housing unit problems by county.

ELI renter households were most likely to have severe cost burdens in three different areas of the state (Map 1). In the Northeast section of the state bordering New Jersey, Monroe County faced the greatest challenge, with 68 percent of ELI renter households having severe cost burdens. Many ELI

renter households in neighboring Pike and Wayne counties also had severe cost burdens. The second area was Centre County, the home to Pennsylvania State University, and the third area was the Philadelphia suburban counties, particularly Chester, Delaware, and Montgomery counties.

The seven counties in which ELI renters were most and least likely to have severe cost burdens appear in Table 12. In all but two counties (Forest and Juniata), at least 50 percent of ELI renter households had a cost burden. Furthermore, in every county, over 30 percent of ELI renter households had a severe cost burden.

Importantly, Table 12 also illustrates how *unlikely* LI renters were to face severe cost burdens. Even in Montgomery County, where 39 percent of LI renters paid more than 30 percent of income for

MAP 1
Severe Cost Burden Incidence for ELI Renter Households by County in 2000

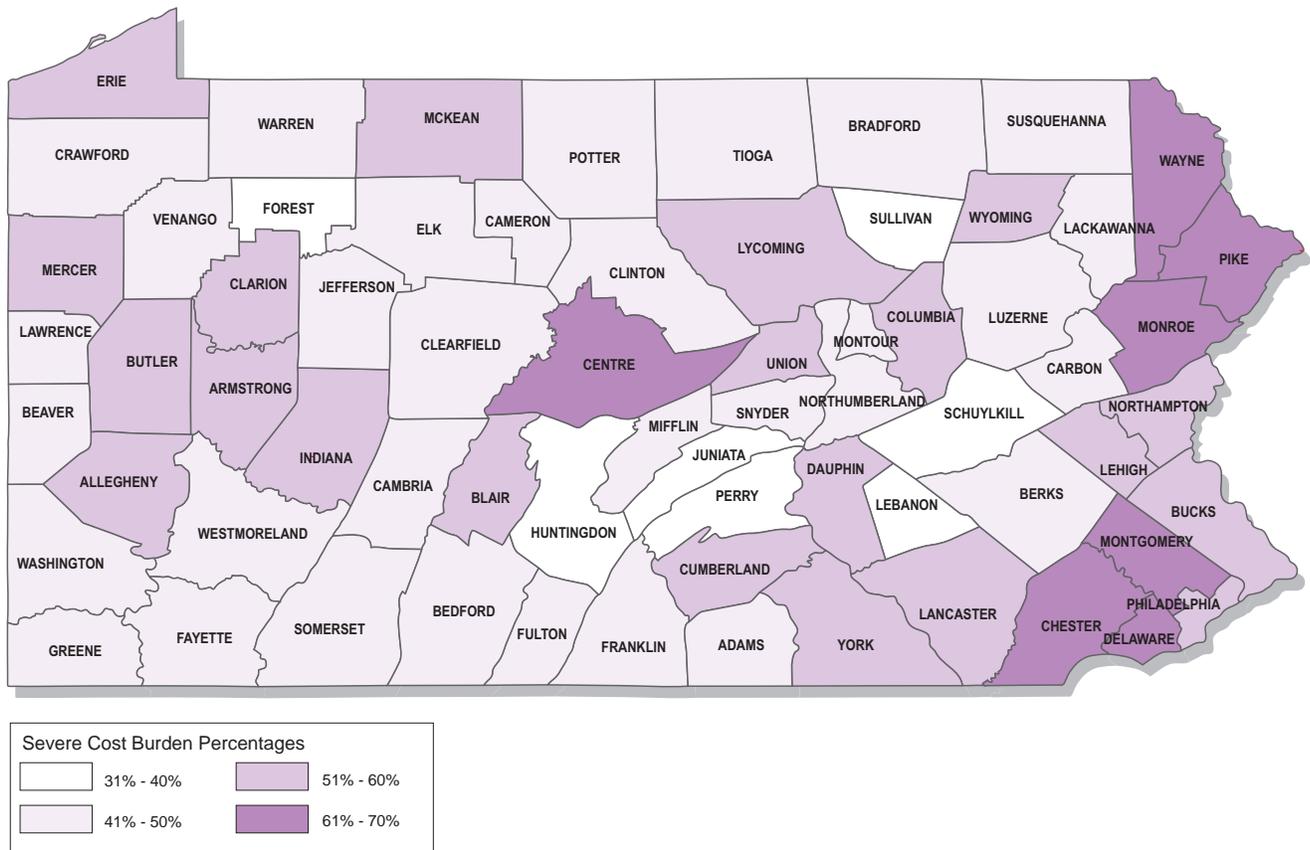


TABLE 12

Cost Burden Incidence in 2000

(Equivalent data are available for all counties in Appendix D)

	% with Any Cost Burden			% with Severe Cost Burden		
	ELI Households	VLI Households	LI Households	ELI Households	VLI Households	LI Households
Pennsylvania Total	69%	60%	23%	53%	16%	3%
Counties with the Largest Percentage of ELI Renters Who Had Severe Cost Burdens						
Monroe County	80%	74%	33%	68%	19%	2%
Centre County	79%	72%	30%	67%	28%	4%
Wayne County	72%	63%	20%	63%	21%	1%
Delaware County	74%	75%	29%	63%	25%	4%
Chester County	74%	75%	37%	61%	32%	5%
Montgomery County	72%	74%	39%	61%	29%	6%
Pike County	76%	68%	20%	61%	21%	1%
Counties with the Smallest Percentage of ELI Renters Who Had Severe Cost Burdens						
Lebanon County	63%	45%	14%	40%	8%	1%
Perry County	61%	43%	8%	39%	9%	1%
Sullivan County	59%	49%	6%	39%	14%	0%
Schuylkill County	56%	49%	14%	38%	9%	1%
Huntingdon County	56%	38%	10%	38%	7%	0%
Juniata County	47%	35%	10%	35%	8%	1%
Forest County	49%	34%	9%	31%	15%	0%

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables F5C and F5D, <http://www.huduser.org/datasets/cp.html>

gross rent, only 6 percent had severe cost burdens. VLI renters were also much less likely to have severe cost burdens than ELI renters.

Shortages of Affordable Rental Housing

Shortages of affordable housing were also most pressing for ELI renters. In every county, there were insufficient numbers of affordable and available rental units for ELI renter households.³⁵ (See Appendix D, Table D.4.)

³⁵ Note that shortages of affordable and available housing units do not always imply that additional units must be built because, in many instances, providing rental assistance could enable renters to rent an affordable unit or to afford their current unit. Appendix B summarizes key findings of HUD's Worst Case Needs reports and the rental housing strategies that were recommended in these reports.

Map 2 shows that the three areas in Pennsylvania in which ELI renter households most often faced severe cost burdens (the Northeast bordering New Jersey, Centre County, and the Philadelphia suburban counties) were also the areas with the greatest shortages of affordable and available housing units per 100 ELI renter households. The Lancaster area also had a notable shortage: only 38 affordable and available units per 100 ELI renter households.

Table 13 lists the seven counties in which ELI renters faced the largest and smallest housing unit shortages per 100 renter households. The results illustrate that in the counties with the largest shortages of housing both affordable and available

to ELI renters, there were often also fewer units affordable and available at 50 percent of AMI than there were renters with income between 0-50 percent of AMI. However, in five of the seven counties with the largest shortages for ELI renters, the ratios for incomes below 80 percent AMI were 100 or more, indicating a surplus of units relative to renters.

By contrast, in the seven counties with the smallest shortages for ELI renters, there were surpluses of affordable and available units for renters with incomes below 50 percent of AMI, as well as more units than renters with incomes below 80 percent of AMI.

In absolute terms, the shortage of affordable and available housing units for ELI renter

households summed to 170,324 units in Pennsylvania in 2000. Of this total, the seven counties with the greatest shortages of affordable and available housing units for ELI renter households were Allegheny, Bucks, Delaware, Lancaster, Lehigh, Montgomery, and Philadelphia. Sixty percent of the state's overall shortage of rental housing units for ELI households was attributable to these seven counties. Indeed, 42 percent of the state's shortage came from only two counties, Allegheny and Philadelphia, home to Pennsylvania's two largest cities, Pittsburgh and Philadelphia (Table 14).

Table 14 also shows that in most counties with the largest absolute shortages of affordable units available to ELI renter households, the shortage of

MAP 2
Affordable and Available Housing Units Per 100 ELI Renter Households by County in 2000

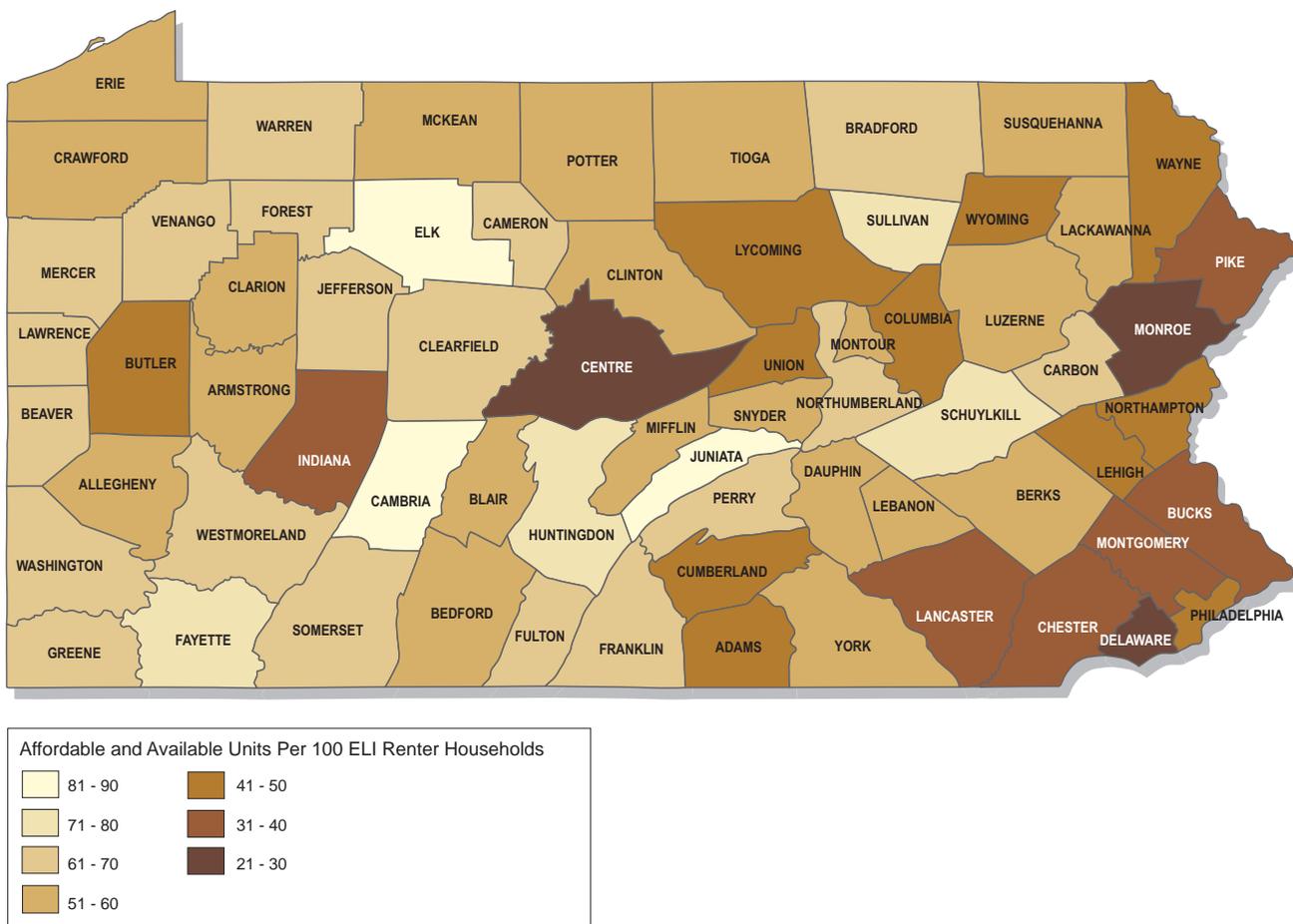


TABLE 13

Affordable and Affordable and Available Housing Units in 2000

(Equivalent data are available for all counties in Appendix D)

	Affordable Units Per 100 Renter Households with Household Incomes:			Affordable and Available Units Per 100 Renter Households with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	96	152	157	49	87	107
Counties with the Largest Shortages of Units Affordable and Available Per 100 ELI Households						
Centre County	54	95	128	24	55	94
Monroe County	76	126	167	29	67	106
Delaware County	56	121	158	30	69	104
Montgomery County	71	123	181	32	62	100
Pike County	86	134	146	33	72	105
Bucks County	75	114	173	37	56	98
Lancaster County	88	179	169	38	82	104
Counties with the Smallest Shortages of Units Affordable and Available Per 100 ELI Households						
Fayette County	138	175	140	72	109	112
Sullivan County	240	248	171	73	112	115
Huntingdon County	195	218	171	73	103	110
Schuylkill County	177	207	168	76	110	115
Cambria County	170	196	158	82	108	113
Elk County	215	236	160	83	116	113
Juniata County	263	267	181	86	108	108

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables A10C and A12, <http://www.huduser.org/datasets/cp.html>

units affordable and available to those in the wider 0-50 percent AMI income range (ELI and VLI renter households) was absolutely smaller. This difference implies that those counties had more units affordable to renters with incomes between 30 and 50 percent of AMI than renters in this income range. These data reinforce the conclusion that the most pressing need for additional affordable rental housing in most counties was for units affordable to ELI renter households.

By contrast, in only four counties, including Montgomery and Bucks in Table 14, did the shortage of units affordable and available to those between 0-50 percent AMI (ELI and VLI renter households) slightly exceed the shortage of units affordable and available to ELI renter households.

Such data suggest that some additional units affordable to renters with income below the VLI threshold were also needed in these counties, although most of the additional units needed should be affordable to ELI renters.³⁶

Finally, almost all counties had net surpluses of affordable and available units compared to renters with incomes below 80 percent of AMI.

³⁶ In four counties (Bucks, Centre, Chester, and Montgomery), the absolute shortage of units affordable and available for renter households between 0-50 percent AMI exceeds the shortage for ELI renters. See Appendix D, Table D.6 for data for all counties.

TABLE 14

Actual Shortages/Surpluses in Affordable and Available Housing Units in 2000

(Equivalent data are available for all counties in Appendix D)

	Affordable and Available Units with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	(170,324)	(76,950)	64,300
Counties with the Largest Shortages of Units Affordable and Available to ELI Renter Households			
Philadelphia County	(49,810)	(19,265)	9,790
Allegheny County	(21,545)	(11,200)	10,330
Delaware County	(9,195)	(6,965)	1,360
Montgomery County	(7,345)	(8,000)	(105)
Lancaster County	(5,275)	(3,095)	1,295
Bucks County	(4,825)	(6,440)	(510)
Lehigh County	(4,750)	(3,655)	1,840
Counties with the Smallest Shortages of Units Affordable and Available to ELI Renter Households			
Montour County	(132)	(10)	101
Elk County	(87)	190	255
Fulton County	(86)	30	83
Juniata County	(42)	50	92
Cameron County	(35)	55	77
Sullivan County	(27)	25	49
Forest County	(25)	6	22

Source: Federal Reserve Bank of Philadelphia calculations based on CHAS data, U.S. Census Bureau and HUD, 2000, Tables A10C and A12, <http://www.huduser.org/datasets/cp.html>



CHAPTER 4

A MID-DECADE UPDATE: HOUSING CONDITIONS IN 2005-06

Overview

This chapter presents information on housing problems among Pennsylvania's lower-income renter households and on the extent to which these households faced shortages in affordable and available units at mid-decade. Findings are presented at both the state and sub-state levels.

Because CHAS tabulations are not available for years after 2000, we developed equivalent data from the American Community Survey (ACS). To double the ACS sample size, we used data for both 2005 and 2006. As Appendix E details, all the ACS indicators computed for 2005-06 should be comparable to their 2000 CHAS equivalents except for estimates of the incidence of cost burden. We adopted an approach developed by the NLIHC³⁷ because we judge that it provides more accurate and complete counts of renters with housing cost burdens in 2005-06 than the procedures used for past CHAS tabulations.³⁸

The smaller ACS sample size also constrains the geographic units we can study, because ACS micro-data are not always available at the county level. Therefore, after presenting a summary for the state, the chapter discusses housing conditions

for the six relatively large regions used by the Pennsylvania Department of Community and Economic Development (DCED). It then examines conditions for aggregations of public use micro-data areas (PUMAs) that provide as much county-level detail as possible from the ACS micro-data for 2005 and 2006.³⁹

Rental Housing Conditions at the State Level in 2005-06

The 2005-06 ACS data show that shortages of affordable rental housing worsened in the first half of the previous decade, particularly for ELI renters (Table 15). By mid-decade, there were 88,000 fewer affordable units than ELI renters. Expressed as a ratio, the number of affordable units per 100 ELI renter households was only 77 in 2005-06 (or roughly three units for every four renters), whereas in 2000, the ratio of 96 meant that the number of units had almost equaled the number of renters.

The absolute shortage of units affordable and available to ELI renters also worsened by mid-decade, reaching 220,000. These data reflect only

³⁷ See Wardrip and Pelletiere (2008).

³⁸ See Appendix E for additional information on our use of ACS data in this study, key differences between the CHAS and ACS data sets, and their implications for rental housing comparisons over time, particularly for cost burden.

³⁹ As detailed in Appendix E, ACS micro-data files identify only PUMAs. In populous urban areas, most notably Philadelphia and Allegheny counties, several PUMAs are located within a single county. In these instances, we aggregated ACS data to the county level for easy comparison to 2000 CHAS data. In other instances, a single PUMA contains several counties with low population.

TABLE 15

Pennsylvania Housing Shortages in 2000 and 2005-06

	Affordable Units			Affordable and Available Units		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Per 100 Renter Households						
2000	96	152	157	49	87	107
2005-06	77	135	150	43	84	110
Actual Shortages/Surpluses						
2000	(13,797)	302,316	503,212	(170,324)	(76,950)	64,300
2005-06	(88,316)	225,998	467,023	(220,369)	(99,912)	92,412

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS Data, U.S. Census Bureau.

TABLE 16

Pennsylvania Cost Burden Incidence in 2000 and 2005-06

	% with Any Cost Burden				% with Severe Cost Burden			
	ELI Households	VLI Households	LI Households	Total Households	ELI Households	VLI Households	LI Households	Total Households
2000	69%	60%	23%	34%	53%	16%	3%	17%
2005-06	84%	67%	29%	44%	69%	21%	3%	24%

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS Data, U.S. Census Bureau.

43 affordable and available units per 100 ELI renter households, down from 49 in 2000.

Within the broader income range of 0-50 percent of AMI, the number of affordable and available units per hundred renters dropped slightly (from 87 to 84) and the absolute deficit rose to almost 100,000. But the surplus of units affordable and available to 0-80 percent of AMI apparently increased more than renters, as the ratio rose to 110.

Cost burden pressures were also higher at mid-decade than in 2000. The differences appear most dramatic for ELI renter households, which experienced increases in cost burden and severe cost burden of 15 and 16 percentage points, respectively (Table 16). As Appendix E details, some of this apparent rise undoubtedly reflects our somewhat different methodology in 2005-06. Because the increases in cost burden are consistent with the

increasing shortages of affordable housing, however, we conclude that they are real rather than merely an artifact of our different procedure.⁴⁰

The increases in both relative and absolute shortages of affordable housing and the higher incidence of cost burdens occurred despite a modest rise in rental vacancy rates between 2000 and 2005-06, which would tend to ease the shortage, all other things being equal. As the next sections discuss, both changes are likely due in part to more ELI renters competing for a relatively fixed stock

⁴⁰ Using its preferred methodology for both 2001 and 2005, the NLIHC found that the proportion of Pennsylvania renters with severe rent burden rose significantly among ELI renters (from 63 percent to 68 percent) and among VLI renters (from 22 percent to 27 percent). In that study, households were grouped into ELI, VLI, and LI categories by comparing household income to each state's median family income. See Pelletiere and Wardrip (2008), p. 24. Our estimates of income groups are different and closer to HUD's official definitions because each household's income is compared to its county's official HAMFI.

of rental housing units.⁴¹ Statewide, the shares of ELI and VLI renter households increased; the percentage of ELI households rose by 4 percentage points compared to 2000 (Table 17).

Findings at the Regional Level⁴²

DCED Regions

To examine housing conditions within Pennsylvania, this chapter first compares 2000 and

2005-06 data in the six regions in Pennsylvania defined by the DCED, which are shown in Map 3.⁴³ The DCED regions are particularly relevant to rental housing policy because the Pennsylvania Housing Finance Agency (PHFA) has a regional set-aside for the allocation of low income housing tax credits (LIHTCs) based on these DCED regions.⁴⁴ LIHTCs have been a major source of affordable rental housing over the last 15 years.

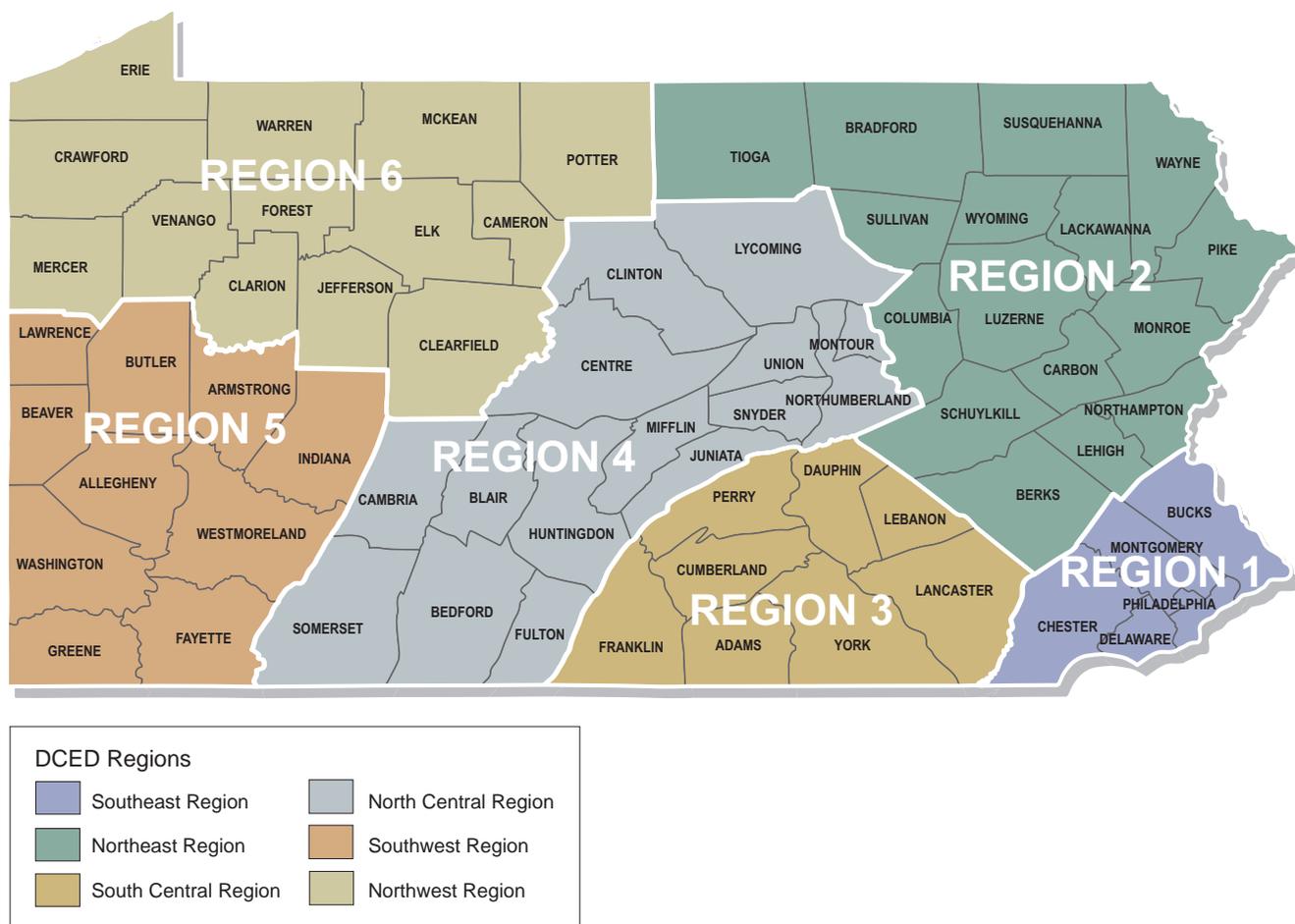
⁴¹ See Table A.8 in Appendix A for changes in rental housing stock and Table G.1 in Appendix G for changes in the income distribution of renter households.

⁴² See Appendix G for the detailed tables that support the commentary in this section.

⁴³ See Appendix F for a discussion of changes between 1990 and 2000 by DCED region.

⁴⁴ See “Pennsylvania Housing Finance Agency Amended Allocation Plan for Year 2009,” p. 4.

MAP 3
DCED Regions in Pennsylvania*



* Columbia County is part of DCED Region 4 and Lawrence County is part of DCED Region 6. We have included these counties with DCED Regions 2 and 5, respectively. We modified the DCED boundaries so that our DCED regions could be aggregated from the ACS PUMAs. See Appendix E for additional details.

TABLE 17

Income Distribution of Lower-Income Renter Households in 2005-06 and Percentage Changes from 2000

	2005-06			Change from 2000		
	Distribution of Lower-Income Renters (as % of Total Renters) by AMI Group			Distribution of Lower-Income Renters (as % of Total Renters) by AMI Group		
	ELI	VLI	LI	ELI	VLI	LI
Pennsylvania	28%	19%	22%	4%*	1%*	0%
Region 1: Southeast	32%	16%	20%	4%*	1%	0%
Region 2: Northeast	26%	21%	23%	3%*	2%*	0%
Region 3: South Central	21%	19%	24%	3%*	1%	-1%
Region 4: North Central	26%	21%	23%	2%	1%	1%
Region 5: Southwest	29%	20%	22%	3%*	1%	1%
Region 6: Northwest	28%	19%	21%	5%*	-1%	-2%
Southeast Region: Philadelphia Metropolitan Division						
Suburban Counties	21%	17%	21%	4%*	3%*	-1%
Philadelphia County	43%	16%	19%	5%*	-1%	0%

* Changes between 2000 and 2005-06 are statistically significant at the 90 percent confidence level.

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS Data, U.S. Census Bureau.

Because DCED regions are larger than the consolidated PUMAs analyzed in the next section, it is possible to estimate rental housing conditions at the DCED regional level more precisely. In turn, differences between 2000 and 2005-06 are more frequently statistically significant at the 90 percent confidence level. All commentary on changes in this chapter focuses on differences that were statistically significant at the 90 percent confidence level, unless otherwise noted.⁴⁵

The data tables for DCED regions in Pennsylvania give additional detail for Region 1, the Philadelphia metropolitan division, because that region has the most renters and the greatest shortage of affordable and available housing units. The central county, Philadelphia, is distinguished from its suburbs: Bucks, Chester, Delaware, and Montgomery counties.

⁴⁵ This study uses the term significant to refer to changes that are statistically significant.

Rental Housing Conditions in 2005-06 by DCED Region

As noted above, statewide, the percentage of ELI renter households in Pennsylvania rose by 4 percentage points between 2000 and 2005-06. This represents an increase of approximately 50,000 ELI renter households, from 334,600 to 384,800. As Table 17 shows, each region experienced similar income shifts. The largest increases in ELI households occurred in Region 6, which includes Erie, and in the city of Philadelphia.

Region 1 had the highest share of ELI renter households (32 percent). Within this region, the city of Philadelphia had a much larger share of ELI renter households than its suburban counties did.⁴⁶

Cost burden. Cost burden pressures worsened in each DCED region between 2000 and 2005-06,

⁴⁶ The city of Philadelphia and the county of Philadelphia constitute the same area.

particularly for ELI renters. But because part of the increase in cost burden shown by our data reflects procedural differences (as described in Appendix E), we focus on differences among regions in 2005-06.

As Map 4 illustrates, ELI renter households in the Philadelphia area faced the greatest cost burden pressure, with three-fourths having a severe cost burden. The incidence of severe cost burden was least common among ELI renters in the North Central, Southwest, and Northeast regions.

As Table 18 details, within the Philadelphia metropolitan division, ELI renters were more likely to have cost burdens in the suburbs. There, four of five ELI renter households had severe cost burdens. VLI

renters were also more likely to have cost burdens in Philadelphia’s suburbs than in other areas of the state, and almost a third had severe cost burdens there. In all regions of the state, LI renters very seldom had severe cost burdens.

Shortages of affordable rental housing. At the regional level as in the state, shortages of units affordable and available to ELI renters were greatest in every region. As Map 5 illustrates, Regions 1 and 3 had the greatest shortages of housing both affordable and available to ELI renter households. The shortage of affordable and available housing units per 100 ELI renter households was least pressing in Region 5, the

MAP 4
Severe Cost Burden Incidence for ELI Renter Households by DCED Region in 2005-06

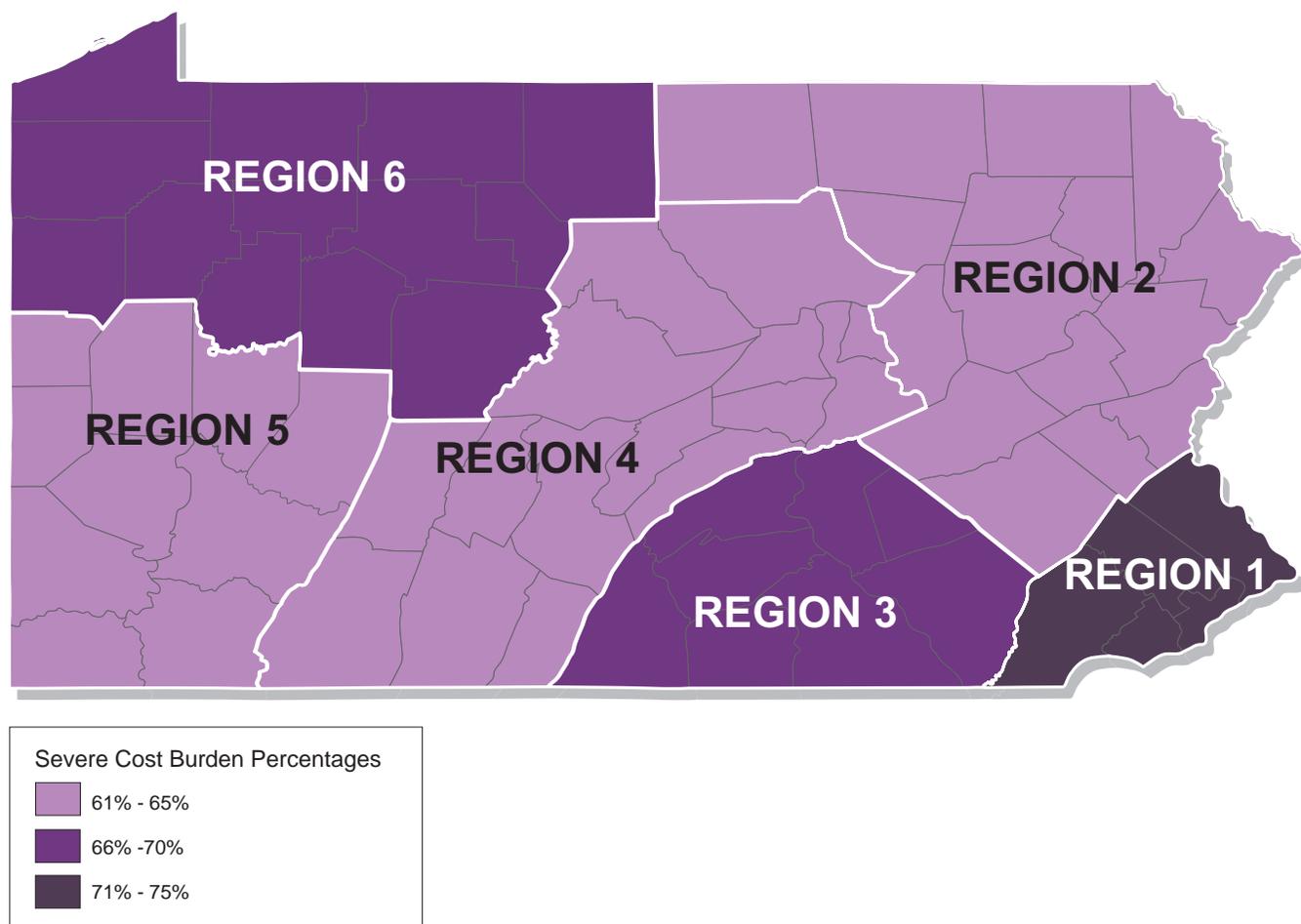


TABLE 18
 Cost Burden Incidence in 2005-06

	2005-06					
	% of Renter Households with Any Cost Burden			% of Renter Households with a Severe Cost Burden		
	ELI	VLI	LI	ELI	VLI	LI
Pennsylvania	84%	67%	29%	69%	21%	3%
Region 1: Southeast	87%	74%	37%	75%	24%	4%
Region 2: Northeast	82%	64%	29%	65%	18%	4%
Region 3: South Central	82%	67%	20%	66%	16%	2%
Region 4: North Central	79%	62%	26%	64%	20%	3%
Region 5: Southwest	83%	64%	27%	65%	24%	4%
Region 6: Northwest	82%	61%	24%	67%	18%	2%
Southeast Region: Philadelphia Metropolitan Division						
Suburban Counties	89%	78%	41%	80%	31%	5%
Philadelphia County	86%	69%	33%	73%	18%	3%

Source: Federal Reserve Bank of Philadelphia calculations based on 2005-06 ACS data, U.S. Census Bureau.

MAP 5
 Affordable and Available Housing Units Per 100 ELI Renter Households by DCED Region in 2005-06

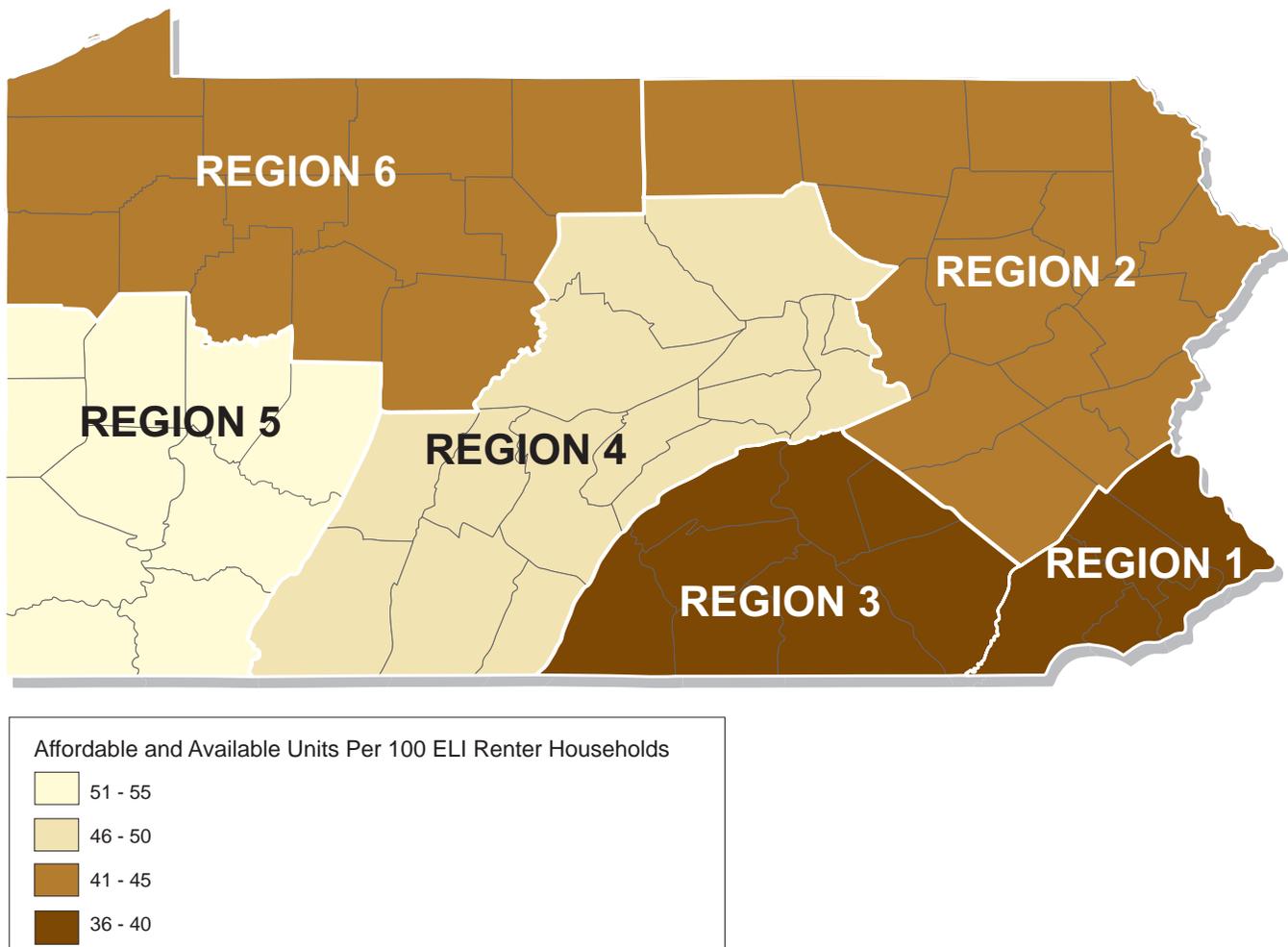


TABLE 19

Affordable and Available Housing Units in 2005-06 and Changes from 2000

	2005-06						Change from 2000					
	Affordable Units per 100 Renter Households with Household Incomes:			Affordable and Available Units per 100 Renter Households with Household Incomes:			Affordable Units per 100 Renter Households with Household Incomes:			Affordable and Available Units per 100 Renter Households with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	77	135	150	43	84	110	-19*	-17*	-8*	-6*	-2	2
Region 1: Southeast	56	113	147	38	78	111	-11*	-11*	-4	-4*	0	7*
Region 2: Northeast	86	138	146	43	84	105	-24*	-25*	-17*	-9*	-6	-4
Region 3: South Central	80	161	163	40	84	108	-28*	-28*	-8	-9*	-7	-1
Region 4: North Central	104	149	146	48	86	106	-20*	-19	-8	-6	-4	-1
Region 5: Southwest	91	143	149	51	93	114	-18*	-13*	-8	-5	1	4
Region 6: Northwest	90	154	154	43	90	110	-44*	-24*	-3	-15*	-6	1
Southeast Region: Philadelphia Metropolitan Division												
Suburban Counties	55	102	160	25	60	106	-15*	-20*	-13	-8*	-3	6
Philadelphia County	57	120	138	43	89	114	-10*	-6	2	-2	4	9

* Changes between 2000 and 2005-06 are statistically significant at the 90 percent confidence level.

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS data, U.S. Census Bureau.

Southwest, but there were still only 51 affordable and available units for every 100 ELI renter households there.

Between 2000 and 2005-06, the number of units affordable to ELI households fell sharply and significantly in each region, and the number of units affordable to renters with incomes between 0-50 percent of AMI also fell significantly⁴⁷ (Table 19). Significant drops in units affordable and available to ELI renter households also occurred in Regions 6, 3, 2, and 1. (Within Region 1, the drop

was larger and significant only in the Philadelphia suburbs.)

Region 1 remained the region with the greatest shortages of affordable and available housing for both ELI renters and renters with income below 50 percent of AMI. Within the region, the Philadelphia suburban counties had much less affordable and available housing than the city itself. The suburbs had only 25 affordable and available units per 100 ELI renters and 60 affordable and available units per 100 renters at 0-50 percent AMI.

Region 6, which experienced the greatest increase in the percentage of ELI renter households between 2000 and 2005-06, also experienced the

⁴⁷ The one exception is Region 4, in which the decrease in units affordable to renters with incomes between 0-50 percent of AMI is not significant.

largest reduction in the number of affordable and available housing units, from 58 to 43 units per 100 ELI renter households.

Looking more broadly at the experience of all lower-income renters by region in both 2000 and 2005-06, the total number of units affordable and available to renters with incomes at or below 80 percent of AMI slightly exceeded the number of such renters in all regions. Said differently, the regional supply and demand were roughly in balance for renters with incomes at or below 80 percent of AMI.

In absolute terms in 2005-06, Region 1 had the greatest shortage of affordable and available housing units for ELI renter households (over 90,000 units, 41 percent of the state's total) and also for renters with incomes between 0-50 percent of AMI (48 percent of the state's total). Shortages were also substantial in the Southwest and Northeast (Regions 5 and 2) (Table 20).

Within Region 1, the city of Philadelphia had a much larger shortage of affordable units available to ELI renter households than its four suburban counties. Notably, however, the suburban shortage of affordable units available to renters with incomes between 0-50 percent of AMI was more than double that of the city (32,800 vs. 14,950). The difference between the two locations suggests that, in the suburbs, the number of renters with incomes between 30-50 percent of AMI roughly equaled the number of units with rents affordable to that income range. Philadelphia city, by contrast, apparently had many more units affordable to incomes between 30-50 percent of AMI than renters in that income range.

Rental vacancy rates by unit affordability to lower-income households. Vacancy rates are often used as indicators of housing supply, but they can be difficult to interpret, particularly when drawn

TABLE 20
Actual Shortages/Surpluses in Affordable and Available Housing Units in 2005-06 and Changes from 2000

	2005-06			Change from 2000		
	Affordable and Available Units with Household Incomes:			Affordable and Available Units with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	(220,369)	(99,912)	92,412	(50,045)*	(22,962)*	28,112*
Region 1: Southeast	(90,308)	(47,766)	34,082	(15,878)*	(3,386)	23,552*
Region 2: Northeast	(34,720)	(17,643)	8,434	(10,093)*	(8,295)	(5,327)
Region 3: South Central	(24,270)	(12,192)	10,143	(7,551)*	(6,529)	207
Region 4: North Central	(15,237)	(7,602)	4,786	(3,318)	(2,528)	(192)
Region 5: Southwest	(41,236)	(10,570)	28,673	(7,006)*	428	8,886
Region 6: Northwest	(14,599)	(4,140)	6,296	(6,200)*	(2,653)	987
Southeast Region: Philadelphia Metropolitan Division						
Suburban Counties	(33,414)	(32,816)	8,186	(8,794)*	(7,701)*	7,446
Philadelphia County	(56,894)	(14,950)	25,896	(7,084)*	4,316	16,106*

* Changes between 2000 and 2005-06 are statistically significant at the 90 percent confidence level. Data for the state of Pennsylvania and each DCED region have been rounded in this table. Adding the DCED regions together will yield slightly different statewide results.

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS data, U.S. Census Bureau.

from small samples such as the ACS. For example, a high vacancy rate could signal an adequate supply of rental housing, but it could also reflect too many units of poor quality or units in locations with declining demand. But this indicator can help distinguish tight markets with growing demand from loose markets with less demand. Furthermore, having sufficient vacancies among units with below fair market rents (FMRs) is important to the successful use of vouchers.⁴⁸ Table 21 shows how vacancy rates differ across regions and how they have changed since 2000. The fact that several of the recent changes are statistically significant suggests that the ACS sample size is sufficient to provide meaningful data on vacancy rates at this level of geographic aggregation.

Overall, the statewide vacancy rates of 10 percent and above and the significant increases since 2000 among units affordable to most income ranges imply that most rental markets in Pennsylvania are relatively loose and loosening

⁴⁸ The FMR for any market area, determined annually by HUD, is typically the 40th percentile rent for nonluxury units that were recently rented to a new tenant, although adjustments to this level are sometimes made. See HUD User for additional information: <http://www.huduser.org/datasets/fmr.html>. The FMR helps determine the subsidy that a household using a voucher receives. Specifically, the household pays 30 percent of its income in gross rent and HUD provides a rental subsidy to the household for the difference between the tenant payment and the FMR or gross rent, whichever is less. If this subsidy is not sufficient to cover the full rent of the unit, the household may pay the additional amount out of its own pocket, in which case the household will pay more than 30 percent of its income in rent, incurring a cost burden. Vacancies among below-FMR units are important for voucher success because in order to use a newly issued voucher, a potential user must search in the private market to find a unit that passes HUD's housing quality standards within 120 days of receipt (or must already live in such a unit). The lower the vacancy rate among below-FMR units, the harder it will be for the household to find an acceptable affordable unit when it is not already living in a unit that meets these standards. In this case, some households may not find a unit in the permitted time and will lose their vouchers, while others may rent a unit whose rent is above the FMR and will have at least some cost burden. See the Glossary for the definitions of FMR, rental subsidy, and voucher. In addition, Appendix D provides county-level FMRs and discusses the implications of their affordability to different income ranges.

further. But there is considerable variation in the vacancy rates among DCED regions. Region 5, which includes Pittsburgh, had the highest vacancy rates among DCED regions for each affordability range.

The Philadelphia region also had high and increasing vacancy rates in each affordability range, and it experienced the greatest increase in the vacancy rates for units affordable to ELI renters from 2000 to 2005-06. The city of Philadelphia had particularly high vacancy rates among units affordable to ELI, VLI, and LI households, and vacancy rates increased for each range between 2000 and 2005-06. The high vacancy rates in Philadelphia are not surprising, since Philadelphia has struggled with its vacant housing stock, both because of the quality of the stock and also because of the city's declining population.⁴⁹ Among units affordable to ELI renter households, the suburban counties had markedly lower vacancy rates than either Philadelphia city or the state average for Pennsylvania.

Low vacancy rates can reflect needs for additional affordable rental housing. Region 2, the Northeast, had the lowest vacancy rate for ELI-affordable units in 2005-06 and also the lowest rate overall. Furthermore, it was the only region where vacancy rates dropped significantly, both overall and in the ELI income range. Region 2 contains areas such as Monroe and Pike counties that have some of Pennsylvania's greatest shortages of units affordable and available to ELI and VLI renters.

⁴⁹ See Appendix A, Table A.7 for population changes.

TABLE 21

Vacancy Rates by Rental Affordability in 2005-06 and Percentage Changes from 2000

	2005-06				Change from 2000			
	ELI	VLI	LI	Total Vacancy	ELI	VLI	LI	Total
Pennsylvania	11%	12%	7%	10%	1%	3%*	3%*	2%*
Region 1: Southeast	13%	15%	8%	11%	3%*	7%*	5%*	5%*
Region 2: Northeast	6%	10%	3%	6%	-3%*	0%	-1%	-1%*
Region 3: South Central	10%	7%	6%	7%	-1%	-1%	2%*	0%
Region 4: North Central	10%	9%	5%	8%	0%	2%	2%	1%
Region 5: Southwest	14%	16%	8%	12%	2%	6%*	3%*	4%*
Region 6: Northwest	12%	11%	3%	9%	2%	2%	0%	1%
Southeast Region: Philadelphia Metropolitan Division								
Suburban Counties	3%	16%	8%	9%	-2%	7%*	4%*	4%*
Philadelphia County	18%	15%	9%	13%	5%*	7%*	5%*	6%*

* Changes between 2000 and 2005-06 are statistically significant at the 90 percent confidence level.

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS data, U.S. Census Bureau.

Additional Analysis at the Local Level: Consolidated PUMAs

The data for “consolidated” PUMAs discussed and mapped in this section provide the closest look at rental housing conditions and shortages at the local level that is possible from ACS micro-data. As Appendix E details, we aggregated the PUMAs identified in the 2005 and 2006 ACS to match the county-level CHAS data provided in Chapter 3 and Appendix D as closely as possible. In many instances in this section, we are able to analyze the ACS data by county and compare it to 2000 county-level data.⁵⁰

Appendix G provides the 2005-06 data for consolidated PUMAs and includes changes since 2000.

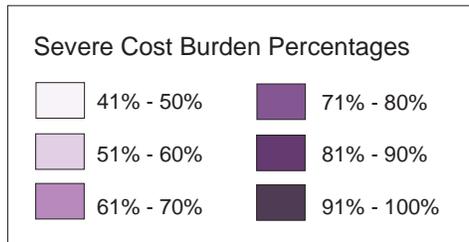
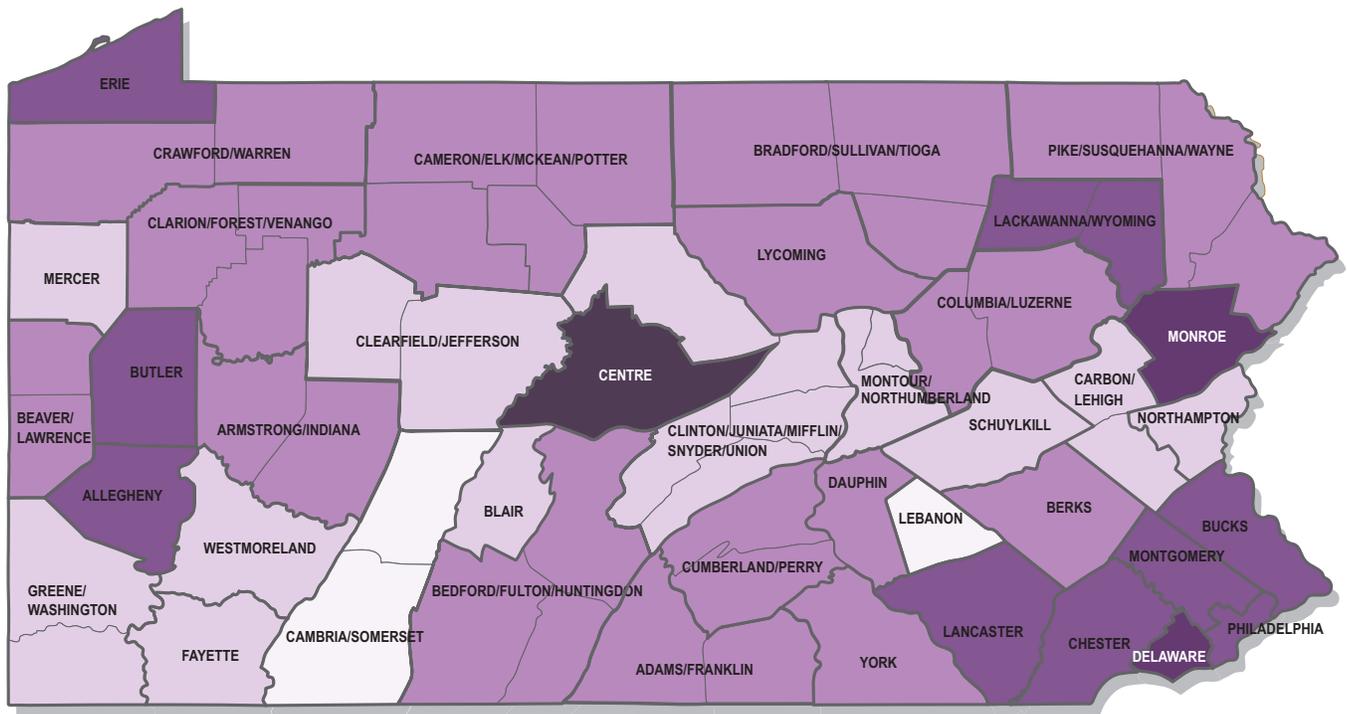
⁵⁰ As discussed in Appendix E, the ACS data are not as accurate for smaller geographic areas because the sample size for ACS data is much smaller than that of the decennial census.

Rental Housing Conditions in 2005-06 by Consolidated PUMAs

Overall, the three areas identified in 2000 as having the greatest incidence of severe cost (the Northeast section of the state bordering New Jersey, Centre County, and the Philadelphia area) continued to face this challenge at mid-decade. As Map 6 illustrates, severe cost burdens were most common among ELI renter households in the following three counties: Centre (91 percent), Monroe (85 percent), and Delaware (82 percent). Severe cost burdens were least common among ELI renters in the Cambria/Somerset area (44 percent) followed by Lebanon County (46 percent).

Table 22 provides more detail for the areas in which ELI renters were most and least likely to have severe cost burdens. In Bucks, Centre, Delaware, and Monroe counties, over 90 percent of ELI renter households had cost burdens. Furthermore, in each of these counties, over three-

Severe Cost Burden Incidence for ELI Renter Households by Consolidated PUMAs in 2005-06



quarters of all ELI renter households had a severe cost burden. The extreme is Centre County, in which 91 percent of ELI renters actually had severe cost burdens.

Even in the areas with the lowest incidence of cost burdens, at least two-thirds of ELI renter households had a cost burden.⁵¹ Furthermore, in all areas except Cambria/Somerset and Lebanon, at least 50 percent of ELI renter households had a severe cost burden. This means that in each area, at least 60 percent of the ELI renter households

that had any cost burden actually had a severe cost burden.

Table 22 also illustrates that throughout the state, LI and VLI renters remain much less likely to face severe cost burdens in 2005-06 than ELI renters, as occurred in 2000. Monroe County had the highest percentage of LI renters with a severe cost burden statewide, but even there, only 11 percent of LI households had a severe cost burden. VLI renters were most often cost burdened in Montgomery County, but there, only 35 percent had severe cost burdens.

⁵¹ The one exception is Blair County, in which 60 percent of ELI renters had a cost burden.

TABLE 22

Cost Burden Incidence in 2005-06

	% with Any Cost Burden			% with Severe Cost Burden		
	ELI Households	VLI Households	LI Households	ELI Households	VLI Households	LI Households
Pennsylvania Total	84%	67%	29%	69%	21%	3%
Counties with the Largest Percentage of ELI Renters Who Had Severe Cost Burdens						
Centre County	97%	80%	38%	91%	25%	3%
Monroe County	92%	58%	30%	85%	24%	11%
Delaware County	93%	74%	33%	82%	26%	3%
Bucks County	90%	76%	48%	79%	33%	6%
Montgomery County	85%	84%	42%	78%	35%	6%
Chester County	87%	73%	41%	76%	26%	4%
Erie County	83%	68%	22%	74%	28%	2%
Counties with the Smallest Percentage of ELI Renters Who Had Severe Cost Burdens						
Montour/Northumberland Counties	68%	57%	10%	54%	20%	0%
Clearfield/Jefferson Counties	79%	47%	32%	54%	8%	0%
Clinton/Juniata/Mifflin/Snyder/Union Counties	78%	47%	21%	54%	10%	0%
Westmoreland County	74%	59%	17%	52%	22%	0%
Blair County	60%	59%	29%	51%	15%	2%
Fayette County	78%	37%	4%	51%	6%	0%
Lebanon County	78%	54%	31%	46%	6%	4%
Cambria/Somerset Counties	68%	53%	21%	44%	19%	3%

Source: Federal Reserve Bank of Philadelphia calculations based on 2005 and 2006 ACS data, U.S. Census Bureau.

Shortages of affordable rental housing. Shortages of affordable housing continued to be most pressing for ELI renters in 2005-06 and have also grown since 2000. Map 7 indicates the areas of Pennsylvania with the most severe affordable housing shortages mid-decade. The five counties identified in the previous section as having the greatest cost burden incidence for ELI renter households (Centre, Monroe, Delaware, Bucks, and Montgomery) also had the greatest shortages in affordable and available rental housing stock mid-decade. Likewise, the Cambria/Somerset area had the lowest severe cost burden incidence for ELI renter households and also had less of a shortage of affordable and available housing units for this

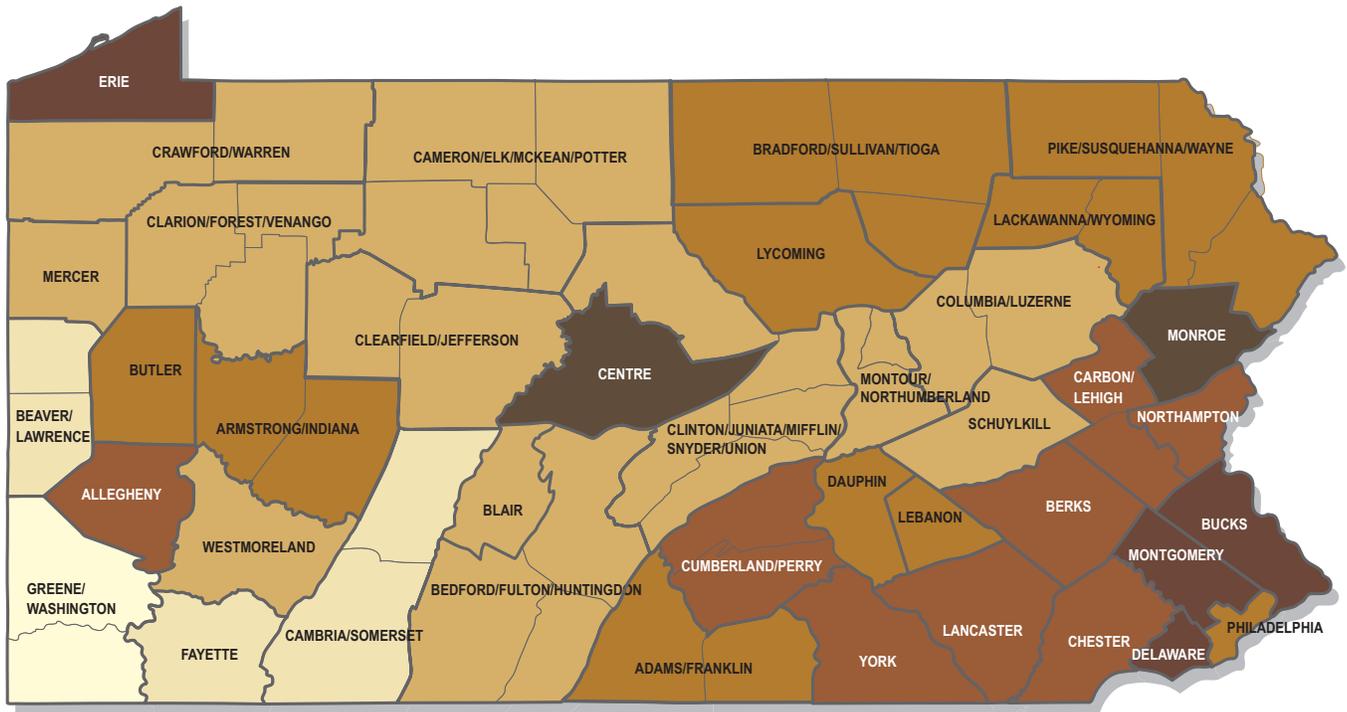
income group than most areas of the state.⁵² There is a strong negative correlation between the ratios of affordable and available units and the incidence of severe cost burden.⁵³ In other words, where there are fewer units per 100 ELI renter households, and thus more severe shortages, more ELI renters have severe cost burdens.

Consistent with 2000 results, Centre County had the greatest shortage of affordable

⁵² Fayette County (in the Southwest region) also had a lower incidence of ELI renter households who had severe cost burdens and a smaller shortage of affordable and available housing units.

⁵³ The correlation coefficient of the number of affordable and available housing units per 100 ELI renters and the incidence of severe cost burden for this income group is -0.87. This coefficient is statistically significant at the 99 percent confidence level.

Affordable and Available Housing Units per 100 ELI Renter Households by Consolidated PUMAs in 2005-06



81 - 90	41 - 50
71 - 80	31 - 40
61 - 70*	21 - 30
51 - 60	11 - 20

and available housing units per 100 ELI renter households and for households with income between 0-50 percent of AMI, with only 15 units and 43 units, respectively. Other counties that had severe shortages of affordable and available housing for ELI renter households in both 2000 and 2005-06 include Monroe and Lancaster counties, as well as the Philadelphia suburban counties of Bucks, Delaware, and Montgomery (Table 23).

Erie County, which fared better than the state average in 2000, faced a severe shortage of 29 units per 100 ELI renter households at mid-decade.⁵⁴

⁵⁴ Community leaders in this area noted that the severe and growing

Erie also experienced the most significant decrease in the number of affordable and available units per 100 ELI renter households between 2000 and 2005-06 (25 units), which suggests that rental housing affordability was deteriorating in the first half of the previous decade.⁵⁵

Several counties surrounding Allegheny

shortage of rental housing units for ELI households in Erie may also reflect significant job loss and an increase in the number of blighted buildings.

⁵⁵ The affordable and available rental housing shortages were also becoming more severe in Berks County between 2000 and 2005-06. There, the number of affordable and available units per 100 ELI renter households fell significantly by 16 units. See Appendix G, Table G.4.

TABLE 23

Affordable and Available Housing Units in 2005-06 and Changes from 2000

	2005-06			Change from 2000		
	Affordable and Available Units per 100 Renter Households with Household Incomes:			Affordable and Available Units per 100 Renter Households with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	43	84	110	-6*	-2	2
Areas with the Largest Shortages of Affordable and Available Units Per 100 ELI Households						
Centre County	15	43	94	-9	-12	0
Monroe County	20	55	99	-9	-11	-7
Delaware County	21	72	112	-9*	3	8
Bucks County	25	56	104	-12*	0	6
Montgomery County	27	51	106	-5	-11	6
Erie County	29	79	108	-25*	-14	0
Lancaster County	31	73	104	-7	-8	0
Areas with the Smallest Shortages of Affordable and Available Units Per 100 ELI Households						
Clarion/Forest/ Venango Counties	57	87	112	0	-9	4
Schuylkill County	58	95	103	-18	-16	-12
Blair County	60	107	112	5	13	3
Cambria/Somerset Counties	77	107	112	0	0	0
Beaver/Lawrence Counties	79	100	112	15	4	2
Fayette County	80	113	114	8	4	2
Greene/Washington Counties	82	120	122	14	14	9

* Changes between 2000 and 2005-06 are statistically significant at the 90 percent confidence level.

Sources: Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS data, U.S. Census Bureau.

County (the Pittsburgh region) in the Southwest corner of Pennsylvania (particularly the areas of Greene/Washington, Fayette, and Beaver/Lawrence) had the greatest number of affordable and available units for ELI renter households. Even though these counties had the highest supply ratios within the state, they still faced shortages of nearly 20 units per 100 ELI renter households. Allegheny County, however, had markedly less affordable and available housing for ELI renters than most of its surrounding counties and was below the state average.⁵⁶

⁵⁶ In Allegheny County, there were only 40 affordable and available units per 100 ELI renter households. See Appendix G, Table G.4.

In addition, vacancy rates for a number of these counties in the Southwest region, particularly Washington/Green, were quite high for units affordable to ELI renters (Appendix G, Table G.2).⁵⁷ The DCED section detailed that a high vacancy rate could signal an adequate supply of rental housing, but it could also signal too many units of poor quality or units in locations with declining demand. Additional analysis is needed

⁵⁷ Although the affordable and available rental shortages were less severe in the Southwest region, community leaders noted that much of the available rental housing stock was of poor quality and that there were many vacant and abandoned units. High vacancy rates in several of the areas in the Southwest region further indicate that the quality of affordable rental housing is likely an issue.

at the local level to determine the cause of high vacancies in this area.

Following the counties in the southwestern corner of the state, another area near the southwestern region, Cambria/Somerset, had a high number of affordable and available units per 100 ELI renter households (77 units). There were fewer than two affordable and available units for every three ELI renter households in all other areas of the state.

In absolute terms, the statewide shortage of housing units affordable and available to ELI renter households grew to over 220,000 by mid-decade. The seven areas with the greatest absolute shortages of rental units affordable and available to ELI renter households were Allegheny, Bucks, Delaware, Carbon/Lehigh, Erie, Montgomery, and Philadelphia. Nearly 60 percent of the state's overall shortage of rental housing units

for ELI households was attributable to these seven counties. As found in 2000, 39 percent of the state's shortage came from Allegheny and Philadelphia counties (Table 24).

Again as in 2000, Table 24 illustrates that in most counties with the largest absolute shortages of units affordable and available to ELI renter households, the shortage of units affordable and available to renters in the wider 0-50 percent income range was absolutely smaller. These data confirm that, at mid-decade, ELI renters had not only the most pressing needs for additional affordable and available units but also that needs had grown significantly since 2000. By contrast, the surplus of units affordable and available to renters with incomes at or below 80 percent of AMI widened statewide after 2000, largely because of a significant rise in Philadelphia County.

TABLE 24
Actual Shortages/Surpluses in Affordable and Available Housing Units in 2005-06 and Changes from 2000

	2005-06			Change from 2000		
	Affordable and Available Units with Household Incomes:			Affordable and Available Units with Household Incomes:		
	0-30% AMI	0-50% AMI	0-80% AMI	0-30% AMI	0-50% AMI	0-80% AMI
Pennsylvania	(220,369)	(99,912)	92,412	(50,045)*	(22,962)*	28,112*
Area with the Largest Shortages of Units Affordable and Available to ELI Renter Households						
Philadelphia County	(56,894)	(14,950)	25,896	(7,084)*	4,316	16,106*
Allegheny County	(27,955)	(12,170)	16,788	(6,410)*	(970)	6,458
Delaware County	(11,076)	(7,177)	4,534	(1,881)	(212)	3,174
Bucks County	(9,240)	(8,866)	1,172	(4,415)*	(2,426)	1,682
Montgomery County	(8,629)	(11,896)	2,351	(1,284)	(3,896)*	2,455
Carbon/Lehigh Counties	(8,166)	(6,278)	904	(2,891)*	(2,889)	(1,523)
Erie County	(7,929)	(3,454)	1,946	(4,344)*	(2,529)	16

* Changes between 2000 and 2005-2006 are statistically significant at the 90 percent confidence level.

Federal Reserve Bank of Philadelphia calculations based on 2000 CHAS data, U.S. Census Bureau and HUD, and 2005-06 ACS data, U.S. Census Bureau.

IMPLICATIONS FOR POLICYMAKERS
AND SUGGESTED RESEARCH

Next Steps

This study assesses the housing needs of Pennsylvania's lower-income renter households to help readers better understand how their needs vary across the state. Looking at the incidence of housing problems in this group in 2000 and again in 2005-06, we also explore the extent of shortages in rental housing that is both affordable and available to lower-income renters in those two periods. We found that housing problems, and especially the difficult problem of households paying more than half of their income for housing, were most common among ELI renters, the lowest income group. Rental housing shortages were also most severe for this income group. Between 2000 and 2005-06, the state's total shortage of affordable and available housing for ELI renters rose from approximately 170,000 to 220,000.

While this study was not intended to provide strategy recommendations, it offers a valuable methodology for quantifying rental housing needs.⁵⁸ State and local policymakers can use the tools provided in this study to help develop local rental

housing strategies. A key finding of this study — that rental housing markets within Pennsylvania differ markedly in the extent of the shortage of units affordable and available to ELI and VLI renters, as well as in vacancy rates and population growth trends — reinforces the importance of choosing strategies that are sensitive to local housing market conditions.⁵⁹

In particular, a shortage of affordable and available units does not necessarily mean that more rental housing units are needed. In some parts of Pennsylvania, the population is declining or stagnant, and vacancy rates are high. In these areas, housing prices may be quite low by statewide or regional standards; incomes, however, may be even lower, strongly suggesting that problems here may be more a function of a lack of income than of a lack of housing. The use of vouchers, if enough are available, may be sufficient to address most affordable rental housing needs. Vouchers are generally acknowledged to be the most cost-effective housing strategy in situations in which excessive cost burden is the primary housing problem and a sufficient number of units are

⁵⁸ Many other studies have analyzed strategies and provided recommendations on how to meet lower-income rental housing needs. In summarizing the past 50 years of federal housing programs, Charles Orlebeke (2000) concluded that a “three-pronged strategy of [housing] vouchers, block grants, and tax credits has achieved reasonably good results and attracted an unusual degree of political consensus.” Strategies have also been analyzed at the state and local levels for Pennsylvania, most recently by John Kromer in his 2009 report.

⁵⁹ Bogdon, Silver, and Turner (1993) discuss more completely how local variations in household growth, housing conditions, household composition, shortages of affordable housing, and available resources should be evaluated to develop priorities for investing in housing resources.

available at moderate rents. The effectiveness of vouchers in reducing or eliminating cost burdens in any community will depend on whether an adequate stock of units of adequate quality is available at the local FMRs established by HUD.⁶⁰

In other areas of Pennsylvania, where there are more severe affordable and available rental housing shortages, a growing population, and low vacancy rates, different rental housing strategies may be needed, which may involve expanding the affordable rental housing supply. The two largest federal supply-side programs, the low income housing tax credit (LIHTC) and HOME programs, do not target funding to ELI renters, the group that consistently faces the most severe affordable housing shortages. As noted in the most recent HUD Worst Case Needs report, “While these units are often more affordable than market-rate units, without additional rent subsidies (such as vouchers), ELI families would often have to pay well over 30 percent of their incomes for units in these programs.”⁶¹ A local housing strategy might attempt to coordinate use of vouchers in conjunction with supply-side programs to increase the likelihood that an increased supply of units will decrease cost burden among ELI renters. The National Housing Trust Fund, authorized by Congress in 2008, if funded, may become another supply-side program to help fill this gap, since its resources are to be targeted to housing affordable to ELI households.

This study, and the general observations made above, should be seen as a starting point for the more focused, detailed investigations that should be conducted when developing affordable rental

housing strategies in a particular community. Some specific questions that should be pursued in such an investigation include:

- ❑ ***To what extent do units determined to be affordable and available actually meet the needs of the local lower-income renters in need of affordable housing?*** While the study looks at aggregate households and rental units, the particular characteristics of the lower-income renter population should be considered in both assessing housing needs and developing effective strategies. In particular, state and local policymakers need to know more about the make-up of the ELI renter population. This population is highly diverse and is segmented by household size, number of children, age, and disability. Some segments are likely to be better housed than others, a pattern that may vary from area to area. One area may have a surplus of small units but too few units for large families;⁶² other areas may have shortages of housing that meets the needs of seniors or individuals with disabilities.

- ❑ ***What is the quality of the rental housing stock that is affordable and available to lower-income households?*** One of the most difficult issues in framing affordable housing strategies is assessing the condition of the available and affordable housing stock. Many units, particularly in areas with high vacancy rates, that may rent for affordable prices may be in such poor condition that they are not suitable living environments, and the cost of

⁶⁰ See footnote 48 for a more detailed discussion of this point. In addition, see Appendix B for a discussion of FMRs and affordable rental housing strategies, and Appendix D, Table D.1, for FMRs by county.

⁶¹ See HUD (2007), p. 9.

⁶² Nationally there are severe shortages of units for large households. Many rental housing units with three or more bedrooms are occupied by families that don't need that many bedrooms. See Appendix B and HUD (2007), Chapter 4.

upgrading them to an adequate standard may be prohibitive. Where the quantity of housing appears to be adequate but quality is a problem, local policymakers may want to give priority to rehabilitation, focusing on that part of the affordable stock that can be rendered habitable at reasonable cost. Unfortunately, most census data, including the ACS, do not enable a user to determine the quality of a jurisdiction's housing stock. As a result, state and local policymakers may have to use other means of assessing the quality of their housing stock, including code enforcement data and field surveys.

❑ *Are the units that are currently affordable and available to lower-income renters and which meet basic quality standards likely to remain so in the future? This is a two-part issue, involving both preserving those units physically and preserving them as affordable housing.*

Preserving the Older Rental Stock.

Ensuring that the existing rental stock is maintained in good condition is particularly important. In Pennsylvania, where the majority of rental housing units are found in single-family and small multifamily structures, state and local policymakers may want to pay particular attention to these properties, increasing access to financial resources for their owners, and providing incentives along with targeted code enforcement to motivate responsible property maintenance.⁶³ Since many of these properties are likely to be older structures, programs to increase energy

efficiency and weatherize these properties are likely to be beneficial in making housing more affordable to tenants, making it more cost-effective for landlords, and prolonging the properties' useful life.

Preserving Affordability. Units that are affordable today may not stay that way. Privately owned subsidized rental housing developments may go to market as their lower-income occupancy restrictions expire. In addition, if demand increases in a particular area, rents may increase in private-market housing that is affordable today, to the point where it becomes too expensive for lower-income households. The extent to which affordability is at risk is a function of housing demand, which is far greater in some parts of Pennsylvania than in others. Where demand pressures are pushing up the price of private-market rental housing or motivating the owners of subsidized housing to bring their properties to market, state and local policymakers may want to work with nonprofits (local and national) and others to find ways to preserve the units as part of the affordable rental housing stock.

❑ *When a local housing strategy includes an increase in rental housing supply, is local planning capacity sufficient to take advantage of opportunities and meet challenges?* The process of developing additional rental housing, particularly if it is to be affordable to ELI households, is a complex and multifaceted one. The specialized development capacity and financial resources to acquire sites and plan new developments, while present to some degree in the state's major cities, may be much more limited in suburban or rural

⁶³ See Mallach (2007). In this publication, Mallach includes an analysis of the distribution and characteristics of rental housing stock, characteristics of the owners of one- to four-unit rental structures, and the market factors affecting these rental properties. Mallach also addresses policy implications for one- to four-unit rental structures.

areas. Sites that meet reasonable location criteria for affordable housing may be in short supply in some areas, and where they are available, land-use regulations may be an obstacle. Finally, since, as mentioned above, the major federal supply-side programs do not target ELI households, it may be necessary to leverage multiple funding sources, combining capital funding such as LIHTC and HOME with vouchers, to meet the most severe lower-income rental housing needs. Coordination across programs and agencies will be essential to leverage funding sources and maximize the rental housing affordable and available to the lowest income households.

❑ ***How will policymakers address the rental housing needs that are resulting from the mortgage foreclosure crisis?***

The foreclosure crisis has brought to light a host of additional questions that may have to be addressed by policymakers, including:

- ❑ How is the foreclosure crisis affecting different local affordable rental housing markets in Pennsylvania?
- ❑ Is the crisis triggering a greater need for affordable rental units as homeowners losing their homes to foreclosure seek alternative housing arrangements?
- ❑ Are foreclosed owner-occupied properties being converted to rental units? If so, how is that affecting the quality and affordability of the rental housing stock?
- ❑ What is happening to renters residing in foreclosed properties?
- ❑ Have changes in demand driven by foreclosure affected rent levels in areas heavily hit by foreclosures, and if so, in what direction?

What is actually happening is by no means clear and, in any event, is likely to vary from area to area, based not only on the intensity of local foreclosure activity but on the basis of underlying housing and economic conditions. As the above questions suggest, while the crisis may be intensifying rental demand, it may also, under some conditions, be expanding the rental housing stock. In either case, it is part of the reality of these times and cannot be disregarded in the process of framing effective local housing strategies.

Suggested Research

Some of the questions posed in the previous section can be addressed through existing research and further analysis of available data, while other questions will require additional research and analysis of new data as they become available. Still others, particularly those dealing with the effects of the foreclosure crisis, are moving targets, with conditions changing month by month.

One useful extension of this study would be to more thoroughly analyze who the ELI and VLI renters are within Pennsylvania and, having identified their salient features, better define the characteristics of housing that best meets their needs. Much of this can be accomplished using existing data, including indicators such as the distribution of units in the rental stock by number of bedrooms, or of households by type and size (i.e., large families, seniors, individuals with disabilities, etc.). Differentiating the data by these indicators would provide not only a more thorough analysis of housing needs at state and sub-state levels but also one of more use to local housing planners and developers.

Along similar lines, another useful extension of this study would be to use existing data to analyze housing affordability needs and conditions of

Pennsylvania owners. Lower-income homeowners also have cost burdens and face shortages of affordable housing. In a recent report, the Joint Center for Housing Studies at Harvard University noted that, nationally, over 60 percent of the bottom quartile of homeowners pay more than 30 percent of their incomes for housing.⁶⁴

Where policymakers determine that additional affordable rental units are needed, that decision may trigger additional issues that may call for further locally oriented research and assessment. In addition to the traditional tools of site and land-use analysis, an analysis of where new units should be located in relation to available and projected jobs can be valuable, in light of the frequent mismatch between available jobs and affordable and available housing units.⁶⁵

A further important area of research is to look at how affordable housing needs and shortages, for both owners and renters, are changing as a result of the mortgage foreclosure crisis. In light of the urgency of this issue and the time lag in the availability of much national data, local planners and researchers should explore locally generated data sources, such as county-level transaction and foreclosure filing data, to develop timely local assessments of these issues. A number of models are emerging around the United States, including the NEO CANDO (Northeast Ohio Community and Neighborhood Data for Organizing) system at Case Western Reserve University in Cleveland.⁶⁶

⁶⁴ See Joint Center for Housing Studies (2008), p. 23.

⁶⁵ See Lipman (2006), p. iii. This study documents the extent and effects of the mismatch between job and housing locations, noting that “in their search for lower cost housing, working families often locate far from their place of work, dramatically increasing their transportation costs and commute times. Indeed, for many such families, their transportation costs exceed their housing costs.”

⁶⁶ NEO CANDO is a free social and economic data system of the Center on Urban Poverty and Community Development at Case Western. See: <http://neocando.case.edu/cando/index.jsp>.

New data sets are becoming available that will further assist state and local policymakers in developing their affordable housing strategies. In December 2008, the Census Bureau introduced the first three-year estimates of ACS data, starting with the years 2005-07. These estimates are based on a larger sample size and are more reliable than data based on one or two years when analyzing information for areas with small populations.⁶⁷ Later this year, the Census Bureau plans to release five-year estimates annually, beginning with 2005-09, for still greater accuracy at the small-area level. The methodology used in this study can easily be applied to the ACS multi-year data as they become available.

Moreover, in the near future it will become easier for state and local planners to apply the methodology used in this study. HUD is also funding additional ACS data mining that will include data by HAMFI thresholds, similar to CHAS data. Once these special tabulations become available, it will be much easier to identify trends in housing affordability and availability on a regular basis. This study can be a valuable model for processing ACS micro-data in the future to investigate issues such as housing needs of the disabled that are not directly addressed by the special CHAS-like tabulations.

⁶⁷ For a more detailed discussion on ACS data and sample sizes, refer to: <http://www.census.gov/acs/www/UseData/mye/myechoosing.html>.

BIBLIOGRAPHY

- Blake, Kevin, Rebecca Kellerson, and Aleksandra Simic. "Measuring Overcrowding in Housing," prepared by Econometrica for the Office of PD&R, HUD, September 2007.
- Bogdon, Amy, Joshua Silver, and Margery Austin Turner. *National Analysis of Housing Affordability, Adequacy, and Availability: A Framework for Local Housing Strategies*. Prepared by The Urban Institute for HUD, November 1993.
- Brookings Institution. *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*. Brookings Institution Center on Urban and Metropolitan Policy, 2003.
- Cromartie, John, and Shawn Bucholtz. "Defining the 'Rural' in Rural America," *AmberWaves* (June 2008), U.S. Department of Agriculture, Economic Research Service.
- Donovan, Shaun. Transcript of Keynote Speech at Conference "A Crisis Is a Terrible Thing to Waste: Transforming America's Housing Policy," Furman Center for Real Estate & Urban Policy, New York University (February 13, 2009).
- Gramlich, Edward M. *Subprime Mortgages: America's Latest Boom and Bust*. Washington D.C.: The Urban Institute Press, 2007.
- Joint Center for Housing Studies of Harvard University. *America's Rental Housing: The Key to Balanced National Policy*. Joint Center for Housing Studies of Harvard University, President and Fellows of Harvard College, 2008.
- Kromer, John. "Beyond the Foreclosure Crisis: Reconstituting the Rental Market," Fels Institute of Government, University of Pennsylvania. April 2009. http://www.fels.upenn.edu/Projects/301-Reconstituting%20Rental_Kromer_Fels042009.pdf (accessed September 1, 2009).
- Lipman, Barbara J. *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families*, Center For Housing Policy, October 2006, http://www.nhc.org/pdf/pub_heavy_load_10_06.pdf (accessed October 21, 2009).
- Mallach, Alan. "Landlords at the Margins: Exploring the Dynamics of the One to Four Unit Rental Housing Industry," Joint Center for Housing Studies of Harvard University, prepared for Revisiting Rental Housing: A National Policy Summit, March 2007. http://www.jchs.harvard.edu/publications/rental/revisiting_rental_symposium/papers/rr07-15_mallach.pdf (accessed October 2, 2009).
- Millennial Housing Commission. *Meeting Our Nation's Housing Challenges*. Bipartisan Millennial Housing Commission appointed by Congress, May 2002. <http://govinfo.library.unt.edu/mhc/MHCReport.pdf> (accessed February 20, 2009).
- Mookerjee, Rajen, Angela M. Williams Foster, and David Y. Miller. *Affordable Housing in Rural Pennsylvania*. Center for Rural Pennsylvania (July 2006).
- Nelson, Kathryn P. "Housing Needs and Effective Policies in High-Tech Metropolitan Economies." *Housing Policy Debate*, 13:2 (2002). pp. 417-68.
- Nelson, Kathryn P. "Whose Shortage of Affordable Housing?" *Housing Policy Debate*, 5:4 (1994), pp. 401-42.
- Nelson, Kathryn P., Mark Treskon, and Danilo Pelletiere. *Losing Ground in the Best of Times: Low Income Renters in the 1990s*. National Low Income Housing Coalition, March 2004, http://www.community-wealth.org/_pdfs/articles-publications/cdcs/report-nlihc.pdf (accessed April 2, 2008).
- Orlebeke, Charles J. "The Evolution of Low-Income Housing Policy, 1949 to 1999," *Housing Policy Debate*, 11:2 (2000), pp. 489-519.
- Pelletiere, Danilo, and Keith E. Wardrip. *Housing at the Half: A Mid-Decade Progress Report from the 2005 American Community Survey*. National Low Income Housing Coalition, February 2008, http://www.nlihc.org/doc/Mid-DecadeReport_2-19-08.pdf (accessed September 11, 2008).
- Pelletiere, Danilo. "Renters in Foreclosure: Defining the Crisis, Identifying Solutions," National Low Income Housing Coalition, January 2009, <https://www2398.sslldomain.com/nlihc/doc/renters-in-foreclosure.pdf> (accessed March 11, 2009).
- Pennsylvania Housing Finance Agency. "Pennsylvania Housing Finance Agency Amended Allocation Plan for Year 2009: Low Income Housing Tax Credit Program," (July 2006), Pennsylvania Housing Finance Agency, http://www.phfa.org/forms/multifamily_application_guidelines/2009_amended_allocation_plan.pdf (accessed December 5, 2008).
- Retsinas Nicolas P., and Eric S. Belsky, eds. *Revisiting Rental Housing Policy*. Joint Center for Housing Studies. Washington D.C.: Brookings Institution Press, 2008.
- Rice, Douglas, and Barbara Sard. "Decade of Neglect Has Weakened Federal Low-Income Housing Programs," Center on Budget and Policy Priorities, February 24, 2009. <http://www.cbpp.org/2-24-09hou.pdf>. (accessed March 5, 2009).
- The Reinvestment Fund. "A Study of Mortgage Foreclosure in Monroe County, Pennsylvania 2000-2003," The Reinvestment Fund (2004). <http://www.trfund.com/resource/downloads/policypubs/TRF-Monroe-Study.pdf>. (accessed June 18, 2009).
- The Reinvestment Fund. "Rental Affordability," The Reinvestment Fund for the Pennsylvania Housing Finance Agency, 2007. http://www.phfa.org/forms/housing_study/rental_affordability.pdf. (accessed April 7, 2009).
- U.S. Census Bureau, Census 2000 Public Use Microdata Area (PUMA) Maps, <http://www.census.gov/geo/www/maps/puma5pct.htm> (accessed May 22, 2008).

U.S. Department of Housing and Urban Development, Office of PD&R, "Fiscal Year 2008 HUD Income Limits Briefing Materials," January 18, 2008. <http://www.huduser.org/datasets/il/il08/IncomeLimitsBriefingMaterial.pdf> (accessed January 6, 2009).

U.S. Department of Housing and Urban Development, Office of PD&R. *Affordable Housing Needs 2005: A Report to Congress*. May 2007, <http://www.huduser.org>.

U.S. Department of Housing and Urban Development, Office of PD&R. *Trends in Worst Case Needs for Housing, 1978-1999*. December 2003, <http://www.huduser.org>.

U.S. Department of Housing and Urban Development, Office of PD&R. *Rental Housing Assistance – The Crisis Continues*. April 1998, <http://www.huduser.org>.

U.S. Department of Housing and Urban Development, Office of PD&R. *Rental Housing Assistance at a Crossroads: A Report to Congress on Worst Case Needs*. March 1996, <http://www.huduser.org>.

U.S. Department of Housing and Urban Development, Office of PD&R. *Worst Case Needs for Housing Assistance in the United States in 1990 and 1991*. June 1994.

U.S. Department of Housing and Urban Development, Office of PD&R. *The Location of Worst Case Needs in the Late 1980s*. December 1992.

U.S. Department of Housing and Urban Development, Office of PD&R. *Priority Housing Problems and "Worst Case" Needs in 1989*. June 1991.

Wardrip, Keith, and Danilo Pelletiere. "Fully Utilizing Housing Cost Data in the American Community Survey PUMS Data: Identifying Issues and Proposing Solutions," *Cityscape*, 10:2 (2008), pp. 331-39.

GLOSSARY

American Community Survey (ACS) – Since 1996, the Census Bureau has been phasing in the ACS to provide annual economic, social, demographic, and housing data. Beginning with the 2005 ACS, which was the first to represent a full sample for the United States, the Census Bureau has provided one-year estimates for geographic areas with a population of 65,000 or more.

American Housing Survey (AHS) – This survey is conducted by the Census Bureau for HUD. It collects data on the nation’s housing stock, including “apartments, single-family homes, mobile homes, vacant housing units, household characteristics, income, housing and neighborhood quality, housing costs, equipment and fuels, size of housing unit, and recent movers.” The national AHS survey is conducted biennially, and surveys for 47 selected metropolitan areas are conducted approximately every six years, on a rotating basis. Two metropolitan areas within Pennsylvania are surveyed by the AHS: Philadelphia and Pittsburgh.

Affordable Rental Units – Housing is assumed to be affordable if a household spends 30 percent or less of its income on gross rent, i.e., rent and utilities.

Affordable Rental Housing Shortage – By definition, shortage occurs when the total number of renter households at or below a specified income threshold is greater than the total number of rental housing units affordable at that threshold. This shortage can also be expressed as a ratio of units per 100 renters: When the ratio is less than 100, there is a shortage.

Affordable and Available Rental Housing Units – These are affordable rental units that are available to an income group. They include (1) housing units affordable at an income threshold that are occupied by renter households at or below that specified income threshold; and (2) units that are vacant, but intended for rent, and affordable to renter households at the specified threshold.

Affordable and Available Rental Housing Shortage – By definition, shortage occurs when the total number of renters at or below a specified income threshold is greater than the total number of affordable rental units *available* to renters at the threshold. This shortage can also be expressed as a ratio of units per 100 renters: When the ratio is less than 100, there is a shortage.

Area Median Income (AMI) – See the definitions of family and HUD-adjusted area median family income (HAMFI). *This study uses AMI and HAMFI interchangeably.*

Comprehensive Housing Affordability Strategies (CHAS) Data – To help states and local jurisdictions develop their CHAS, which were mandated by the National Affordable Housing Act of 1990, HUD funded special tabulations of 1990 and 2000 census data that classified renter and owner households and their housing problems by income in relation to HAMFI, and housing units and their characteristics by affordability.

Cost Burden/Rent Burden – A cost burden exists when a household pays more than 30 percent of household income for housing. A rent burden exists when a renter pays more than 30 percent of household income on gross rent, i.e., rent and utilities. *This study uses cost burden and rent burden interchangeably.*

Extremely Low Income (ELI) Renters – ELI renters are renter households with incomes less than or equal to 30 percent of HAMFI.

Fair Market Rent (FMR) – FMRs are established annually by HUD for each metropolitan area and nonmetropolitan county in the U.S. The FMR is used in the Housing Choice Voucher program as the basis for determining the payment standard, which is the maximum subsidy allowed for renting a moderately priced housing unit in a local area (see rental subsidy and voucher definitions). *This study uses “FMR” rather than “payment standard” in discussing rental subsidies and the voucher program. At local discretion, public housing agencies may set payment standards within 90 to 110 percent of the FMR.*

Family – In this study, “family” is defined in two quite different ways that should be distinguished. As discussed below, HUD’s official HAMFI thresholds are based on adjustments to area median family income. “Family” here follows the Census Bureau’s definition in including only persons related by blood, marriage, or adoption. It thereby excludes single individuals living alone or in a household with other unrelated persons and is not the same as a “household.” For HUD rental programs, by contrast, the definition of “family” has been expanded over the years to include single persons and thus effectively includes all households.

HOME – The HOME Investment Partnerships Program is a federal affordable housing supply program established by the National Affordable Housing Act of 1990 and administered by HUD. It provides grants to state and local governments (“participating jurisdictions”) to fund affordable housing for renters and homeowners with incomes at or below 80 percent of HAMFI. By statute, 90 percent of renters assisted by HOME funds must have incomes at or below 60 percent of HAMFI. Also by statute, rents of units assisted with HOME funds must be the lesser of the local FMR or affordable to incomes at 65 percent of HAMFI.

Housing Problem – This refers to either a cost burden or a housing unit problem.

Housing Unit Problem – This refers to a housing unit that lacks plumbing or kitchen facilities or is overcrowded.

HUD – This acronym refers to the U.S. Department of Housing and Urban Development.

HUD-Adjusted Area Median Family Income (HAMFI) – The area median family income refers to the median income of all families in a given geographic area, such as a county, state, or metropolitan area. To establish income eligibility for its programs, HUD annually establishes thresholds of area median family income adjusted by household size and other factors required by statute. *This study uses HAMFI and area median income (AMI) interchangeably.*

Low Income Housing Tax Credit (LIHTC) Program – The LIHTC program, established by the Tax Reform Act of 1986, provides a tax credit to encourage private equity in the development and rehabilitation of affordable rental housing. Rents must be chosen to be affordable to households with income at either 50 or 60 percent of HAMFI. Projects financed through this program must meet certain requirements, including remaining affordable to income-eligible renters for 30 years. The program is typically administered by state housing finance agencies. LIHTCs are also called Section 42 credits, in reference to the applicable section of the Internal Revenue Code.

Low Income (LI) Renters – LI renters are renter households with incomes between 50.1 percent and 80 percent of HAMFI.

Lower Income – This category includes households with incomes less than or equal to 80 percent of HAMFI. It includes ELI, VLI, and LI renter households.

Moderately Inadequate Housing Unit – The AHS defines this as a housing unit having plumbing, heating, upkeep, hallway, or kitchen problems, but no severe problems.

Overcrowding – Overcrowding occurs when there is more than one person per room.

Public Use Micro-data Sample (PUMS) – PUMS files from the ACS show population and housing unit responses collected on individual questionnaires without identifying the household. Each one-year sample contains approximately 1 percent of the total number of housing units in the United States.

Public Use Micro-data Areas (PUMAs) – PUMAs are the smallest geographical areas identified on the ACS micro-data. They are special nonoverlapping areas that partition a state, each with a population of at least 100,000. State governments drew the PUMA boundaries at the time of the 2000 census.

Rental subsidy – In this study, a rental subsidy is the monetary amount of assistance provided by the federal government through the Housing Choice Voucher program (see voucher definition). For a family given a voucher, the subsidy is generally the difference between 30 percent of a family’s adjusted gross income up to the FMR (or local “payment standard” if different from the FMR) or the gross rent of the unit, whichever is less (see FMR definition). If this subsidy is not sufficient to cover the full rent of the unit, the household has the option to pay the additional amount out of its own pocket. The subsidy is paid by the local public housing agency, on behalf of HUD, directly to the landlord. *(Note: Family is defined for HUD program eligibility to effectively include all households. See 24 CFR 982.)*

For example, a family’s adjusted gross monthly income is \$900, and it can afford to pay \$270 per month in gross rent (30 percent of \$900). The FMR in the area is \$500 per month. The family has a voucher and is eligible to receive a rent subsidy up to \$230 (\$500-\$270). If the family rents a unit at a cost less than the FMR, the subsidy paid to the landlord will be less than \$230. If the family rents a unit priced at the FMR, the subsidy will be \$230. However, if the family rents a unit with a cost greater than the FMR, it will have some cost burden because the \$230 subsidy will be paid to the landlord and the family will be responsible for paying more than \$270 per month.

Severe Cost Burden/Rent Burden – A severe cost/rent burden occurs when a renter pays more than 50 percent of household income on rent and utilities.

Severely Inadequate Housing Unit – The AHS defines this as a housing unit having severe plumbing, heating, upkeep, hallway, or electrical problems. The specific problems are defined in each AHS publication and also in each of HUD’s Worst Case Needs reports (e.g., HUD 2003).

Very Low Income (VLI) Renters – VLI renters are renter households with incomes between 30.1 percent and 50 percent of HAMFI.

Voucher – Vouchers are provided to extremely low- and very low-income families through the Housing Choice Voucher program, a federal housing assistance program administered by HUD. The voucher program is a tenant-based rental assistance program that enables a family to choose to live in any private rental unit that is available and meets program requirements, including housing quality standards. Local public housing agencies, which administer the program on behalf of HUD, provide the vouchers to income-eligible families and pay the monthly rent subsidies to the landlord. The amount of the subsidy for the unit is based on the family’s adjusted gross income and the FMR or local payment standard (see rental subsidy and FMR definitions). By statute, at least 75 percent of families admitted to the program must have incomes below 30 percent of HAMFI.

The use of tenant-based rental assistance was originally authorized in the Housing and Community Development Act of 1974, which amended the U.S. Housing Act of 1937 that created the nation’s public housing program. The Housing Choice Voucher program in its current form was created as part of the Quality Housing and Work Responsibility Act of 1998. Specific details for the voucher program are given in 24 CFR 982.

Worst Case Needs – This is HUD’s term for unassisted renters with incomes at or below 50 percent of HAMFI who have one of the two priority problems that formerly gave renters preference in admission to rental assistance programs: (1) They are paying more than half of their income for housing or (2) they are living in severely substandard housing. If the data were available, complete estimates of worst case needs would also include anyone who is homeless.