



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.