

PRRAC's Analysis of NLIHC's "Out of Reach 2013" Report

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Introduction

Every year, the National Low Income Housing Coalition (NLIHC) releases the *Out of Reach* report, which provides an important measure of how far the United States still has to go to provide decent affordable housing to families in need. The report's findings are even more crucial this year due to the impending impact of sequestration under the Budget Control Act on affordable housing programs. In written testimony before the senate committee (February 14th), Secretary Shaun Donovan of U.S. Department of Housing and Urban Development (HUD) stated that approximately 125,000 individuals and families "could lose assistance provided through the Housing Choice Voucher (HCV) program and be at risk of becoming homeless" due to March 1 sequestration.² Many advocates have raised concern that the harsh spending cuts on non-defense federal government programs will disproportionately impact communities of color.

While it is true that there are more low income white families than low income African Americans and Latinos, a higher percentage of families are economically disadvantaged among communities of color, and a higher proportion of these families may be unable to pay for a decent affordable housing. This is an important aspect of the housing affordability crisis. With an addition of a racial component, our report uses the *Out of Reach 2013* national estimates and extends the NLIHC's analysis to investigate whether some families are more vulnerable than others in terms of meeting their housing needs.

I. Analyzing *Out of Reach 2013*

Out of Reach 2013, published by NLIHC on March 11th, 2013 estimates that families in the United States need to have an annual income of at least \$39,080 to be able to afford a two-bedroom apartment at the national two-bedroom Fair Market Rent (FMR) of \$977.³ Using the 2007-2011 American Community Survey (ACS), our analysis estimates the percentage of families that have an annual income at or below

¹ Silva Mathema is a Research Fellow at PRRAC. We would like to thank Megan DeCrappeo Bolton and Elina Bravve of the National Low income Housing Coalition for their helpful input and edits to this report.

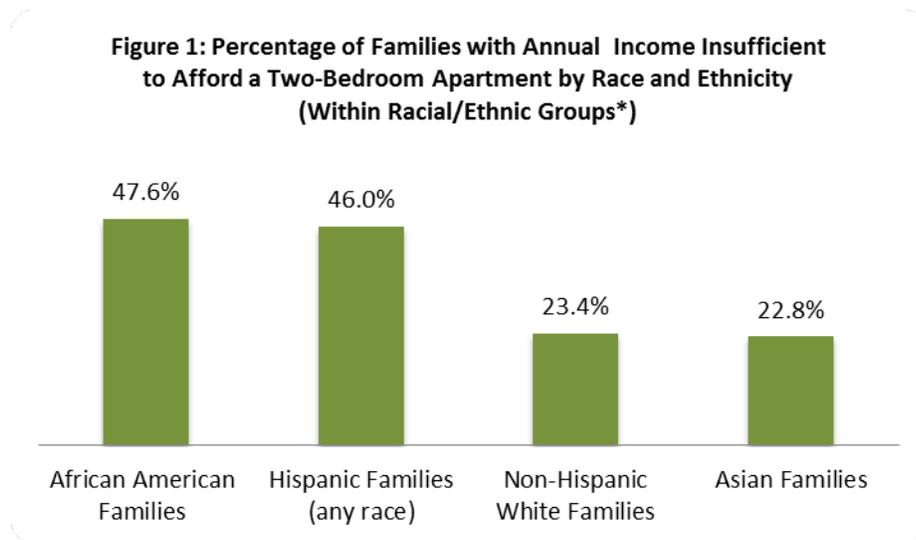
² Written Testimony of Secretary Shaun Donovan to the Senate Committee on February 14, 2013. Available at <http://portal.hud.gov/hudportal/documents/huddoc?id=sequesterftestimony.pdf>

³ Out of Reach 2013 (NLIHC 2013). Available at <http://nlihc.org/oor/2013>

\$39,080, or families who may spend 30% or more of their income on housing costs.⁴ There are a total of about 22,510,587 families in the United States below this estimated income level.⁵ We disaggregate these families by their race and ethnicity, thus, providing a deeper understanding of the characteristics of disadvantaged families in the US.⁶

Approximately 29.4% of all families have an income at or below \$39,999, but this proportion is not constant across racial and ethnic groups.⁷ Figure 1 illustrates the racial and ethnic variation in percentages of families who have insufficient annual income to afford rental housing at the average FMR. The results are as follows:

- Almost half (47.6%) of African American families do not have sufficient income to afford a two-bedroom apartment at the average fair market rent, based on the \$39,999 income level.
- Among Hispanic families of any race, approximately 46.0% have income at or below \$39,999.
- The percentage of non-Hispanic White families, who have insufficient income to afford the average two-bedroom FMR, is approximately 23.4%.
- Around 22.8% of the Asian families are at or below \$39,999 income level, and, thus may not be able to afford a decent two bedroom apartment.



Source: Based on author’s calculations of the 2007 to 2011 ACS (Table B19101), Out of Reach 2013 (NLIHC 2013)

*African American and Asian families include Hispanics, Non-Hispanic White Families exclude Hispanics, and Hispanic families include families from all racial backgrounds. 2007 to 2011 ACS does not divide income statistics by non-Hispanics for racial categories except for White Families.

This analysis indicates that African American and Latino families are much more likely to have acute cost burdens in the rental housing market than white families at the national level.⁸ Families who spend

⁴ NLIHC uses HUD’s definition for “affordability.” HUD states, “The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing.” Available at <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

⁵ Although not all of these families with insufficient income will need a two-bedroom apartment.

⁶ Since ACS income data on families is not available by race and tenure, we are using data on all families. The methodology used to calculate the families under the income thresholds for 2013 and 2012 is adapted from Connecticut Fair Housing Center’s analysis of the *Out Of Reach 2012*.

⁷ The families that have annual income at or below \$39,999 are used as a proxy for families that have income at or below the estimated income threshold of \$39,080 to match income categories in the ACS.

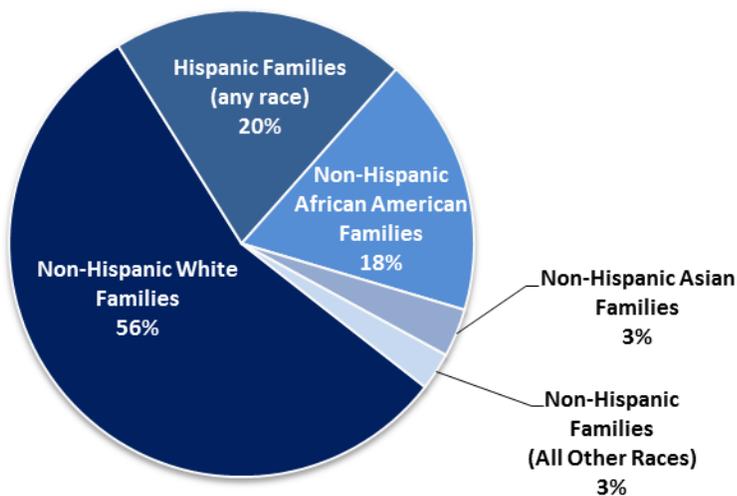
⁸ The trend described in this paper is also true for the poorest American families. A recent HUD report to Congress estimated that between 2007 and 2011 there was an increase of 2.57 million households, or 43.5%, in the nation’s worst case housing needs. The largest increases of

more than 30% of their annual income on housing can be considered “cost burdened” and will have limited resources to invest on other basic necessities, such as, health and nutrition.⁹

II. Analyzing *Out of Reach 2012*

We also checked the family income of different racial and ethnic groups against *Out of Reach 2012* because of the change in income reporting procedures used in the ACS. The *Out of Reach 2012* report estimated that a family in the United States should have at least \$37,960 annual income to afford a two-bedroom apartment at an average fair market rent of \$949.¹⁰ The 2006-2010 ACS provided more detailed data on income divided by race and ethnicity. The categories in the following figures divide each racial category by non-Hispanics.¹¹

Figure 2: Distribution of Percentage of All Families with Insufficient Income to Afford a Two-Bedroom Apartment (By Race and Ethnicity*)



Source: Based on author’s calculations of the 2006 to 2010 ACS (Table B19101), *Out of Reach 2012* (NLIHC 2012)

*Hispanic families include families of any race. All other racial categories exclude Hispanics.

Last year, approximately 22,805,743 or 29.9% of the total families did not have sufficient income to afford the average two-bedroom FMR.¹² Figure 2 clarifies the share of each racial and ethnic group among the families who had income below \$39,999, and may have had high rent burdens. Among the total families in the United States, nearly 56% Non-Hispanic White families, 20% Hispanic families (any

worst case needs were found in non-Hispanic Whites (48%), Hispanic (28%), and African American (13%) households. HUD defines “worst case needs” as low very low income renters who have income below 50% of the Area Median income (AMI), do not receive government housing assistance, spend more than half of their income on rent or lived in severely inadequate conditions, or both. The full report is expected in April. Summary report is available at http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11.html

⁹ See <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

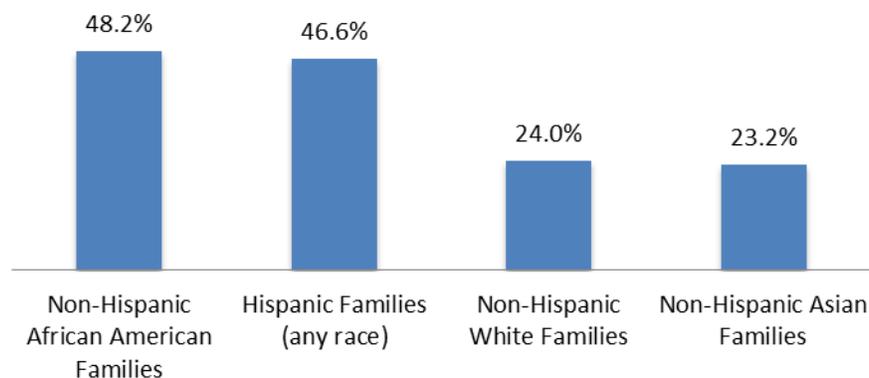
¹⁰ *Out of Reach 2012* (NLIHC 2012). Available at <http://nlihc.org/oor/2012>

¹¹ Due to differences in reporting of racial and ethnic categories, the 2006-2010 ACS income statistics are not comparable with the 2007-2011 ACS data. In 2006-2010 ACS data, inclusion of Hispanics of any race in the classification along with non-Hispanics from any race eliminates the problem of double counting an individual who may be ethnically Hispanic and racially White, African American, Asian, or any other race.

¹² The families that have annual income at or below \$39,999 are used as a proxy for families that have income at or below the estimated income threshold of \$37,960 to match income categories in the ACS.

race), and 18% Non-Hispanic African American families did not have sufficient income to afford a decent two-bedroom apartment at the average FMR. Similarly, an estimated 3% non-Hispanic Asian and 3% non-Hispanic families of all other races had income below \$39,999.

Figure 3: Percentage of Families with Annual Income Insufficient to Afford Two-bedroom Apartment by Race and Ethnicity (Within Racial/Ethnic Families)**



Source: Author calculations of the 2006 to 2010 ACS (Table B19101), Out of Reach 2012 (NLIHC 2012)

**Hispanic families include families of any race. All other racial categories exclude non-Hispanics.

Comparing within their own racial and ethnic groups, the results from Figure 3 shows:

- 48.2% of the total non-Hispanic African American families have insufficient income to afford the average two-bedroom FMR.
- Among Hispanic families of any race, approximately 46.6% have insufficient income to afford the average two-bedroom FMR.
- Approximately 24.0% of the total non-Hispanic White families have insufficient income to afford the average two-bedroom FMR.
- Lastly, almost 23.2% of the total non-Hispanic Asian families have income at or below \$39,999.

These statistics indicate that non-Hispanic African American families and Hispanic families of any race were the most vulnerable families in terms of housing costs according to the 2012 two-bedroom FMR estimates.

Conclusion

The analysis shows that there are substantial racial differences among families who may not be able to afford a decent two-bedroom apartment as a result of their income. At a time when the need for affordable housing is strong, the recent sequestration, which cuts the funding for Housing Choice Vouchers by an estimated \$971 million¹³, may further marginalize African American and Hispanic families.

¹³ "Estimated cuts in federal housing assistance and community development programs due to sequestration, 2013." Center on Budget and Policy Priorities. February 14th, 2013. Available at <http://www.cbpp.org/>