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Bush Administration Policies Exacerbate Growing Housing Crisis For Families with Children

As housing costs for lower income families increase faster than wages, more and more families in our nation cannot afford housing. This well-documented and growing housing crisis includes moderate-income families as well as working poor families, who are the most severely affected. It is a crisis both of availability and affordability. The Bush Administration's disengagement from the federal government's commitment to provide low-income housing assistance is happening at a time when the housing crisis is worsening. More than 3.6 million children live in low-income families who pay more than half of their income for rent or live in severely substandard housing. Lack of affordable housing is pushing more families into homelessness. Families with children make up 40 percent of the homeless population.

Factors Contributing to Housing Crisis

This crisis is caused by: 1) the private market's failure to produce enough units to meet existing demand; 2) the loss of units once affordable to lower-income families; and 3) incomes not keeping pace with rapidly increasing housing costs.

Failure to Produce Enough Units to Meet Demand

Demand for affordable housing for low-income families in most parts of the country far exceeds the supply. The congressionally-mandated Millennial Housing Commission warns that there simply is not enough affordable housing, and that working a full-time job no longer guarantees access to decent housing.¹ The shortage is most severe for rental housing and the problem most acute for extremely low-income families that earn at or below 30 percent of area median income.² Only 6.7 million units have rents in the range affordable to these 8.5 million extremely low-income renter households. If all of these were located where the families live, with the number of bedrooms appropriate for the size of the family, in good physical condition, and available, there would be a shortage of 1.8 million units affordable to these families.³ However, the shortage is even greater because some of the affordable units are occupied by

¹ *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States, May 2002. The Commission was charged with examining, analyzing and exploring the importance and effectiveness of existing federal affordable housing programs and methods for increasing the role of the private sector in providing affordable housing.

² The area median income is used to determine the eligibility of applicants for both federally and locally funded programs. Income limits are calculated for specific geographic areas. They are based on HUD estimates of median family income with adjustments for family size. If, for example, an AMI is \$42,000 it means that 50 percent of the population earns more than \$42,000, and 50 percent of the population earns less. Families that earn at or below 30 percent of that AMI would earn \$12,600 or less.

³ *Meeting Our Nation's Housing Challenges*, Report of the Bipartisan Millennial Housing Commission Appointed by the Congress of the United States, May 2002.

families above 30 percent of area median income and others are not located where the need is or are not adequate for the family size.

Loss of Affordable Housing Units

In addition to the shortfall of units, the country is facing the loss of units once available to low-income families. Between 1995 and 2003, according to the National Housing Trust 300,000 federally subsidized units of housing affordable for low-income families, seniors and persons with disabilities have been lost. The reasons for this include demolition of dilapidated units, withdrawal by landlords from participation in federally-subsidized housing programs, conversion of affordable units to higher cost condominiums, and gentrification of center cities where affordable housing once existed.

Incomes Not Keeping Pace

The earnings of low-income families have not kept pace with housing costs. Private market rent and utility costs rose at an unusually rapid pace in recent years, while the earnings of low-income families grew more slowly and then declined during the recent economic downturn. From 2000 to 2002, rent and utility costs rose by 8.5 percent, while the average income among the bottom fifth of households fell by 1.6 percent.⁴

Housing is the largest single expense for many working families. According to Harvard's Joint Center for Housing Studies' recent report on renters and homeowners, 14.3 million households in our nation are severely cost-burdened (spend more than 50 percent of their incomes on housing) and another 17.3 million are moderately cost-burdened (spending 30-50 percent of their incomes on housing). Three-quarters of severely cost-burdened households earn an annual median income of only \$10,000. Using 30 percent of income, the Department of Housing and Urban Development's (HUD) standard of affordability, those families would allot \$250 a month for housing. That would leave \$583 to cover all other expenses such as food, child care, clothing, health care and transportation. Severely burdened households have just \$417 left over.⁵

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The National Low Income Housing Coalition annual report focuses on low-income renter households and how much they would have to earn to afford a modest two-bedroom home at fair market rent.⁶ The report says that in 2004, for a two-bedroom rental the typical worker must earn at least \$15.37, nearly three times the federal minimum wage. In fact, a minimum wage earner would have to pay almost 90 percent of their income for a two-bedroom unit at the average fair market rate. In only four of the nation's 3,066 counties could a full-time worker making the minimum wage afford a typical one-bedroom apartment. According to Federal

⁴ "Nearly All Recent Section 8 Growth Results from Rising Housing Costs and Congressional Decisions to Serve More Needy Families," Center on Budget and Policy Priorities, February 2, 2004. Available online at: www.cbpp.org/2-2-04hous.htm

⁵ *State of the Nation's Housing, 2003*, Joint Center for Housing Studies at Harvard University. Available online at: www.jchs.harvard.edu.

⁶ Fair Market Rents (FMRs) are HUD's estimate of the actual market rent for a modest apartment in the conventional marketplace. FMRs include utility costs (except for telephones). Every year, HUD develops and publishes FMRs for every urban area and apartment type. FMRs are established at the 40th percentile rent, the top of the range that renters pay for 40 percent of the apartments being surveyed.

Bureau of Labor Statistics data hourly wages rose about 2.6 percent, slower than the 2.9 percent rise in rents recorded in the Consumer Price Index.⁷

Housing Crisis: Impact on Families with Children

Women, children, and the elderly are over-represented among those with housing problems. Children are present in 37 percent of all renter and homeowner households across income levels, but are present in 93 percent of over-crowded households and in 56 percent of households with multiple housing problems such as overcrowding, malfunctioning heating or plumbing systems, and health hazards. Housing-related health hazards include lead poisoning, asthma, asbestos, radon and mold. Almost one-quarter of households with children are in older housing units with high risks of lead hazards.⁸ The high cost of housing-related health hazards include lost learning for children; lost work days for parents caring for ill children; medical expenses; and special education costs.

"Worst case" needs are defined as unassisted renters with very low incomes (below 50 percent of area median income) who pay more than half of their income for housing or live in severely substandard housing, that is, physically dilapidated and/or having heating, electrical or other systems that do not work. In HUD's most recent report based on 2001 data, there were over five million households with over 11 persons, one-third of which were children, with worst case housing needs.⁹

The U.S. Conference of Mayors reported that in 2004, 78 percent of the 27 cities surveyed reported that requests for emergency shelter by homeless families increased by 7 percent from 2003. Thirty two percent of requests for assistance by families were not met.

40% of the homeless are families with children.

Unaccompanied youth, those 18 years of age and younger not with a family, comprised five percent of the homeless in those cities. Eighty-eight percent of the cities expect that requests for emergency shelter will increase in 2005, and 78 percent expect requests for shelter from homeless families will increase. City officials believe that even with an improving economy, economic conditions will continue to have a negative impact on the problem of homelessness. Lack of affordable housing was the leading cause of homelessness identified by city officials.¹⁰

These numbers cannot describe what it means for a child to experience homelessness. Homeless children face hardships that include frequent changes in schools because their families must search for an affordable place to live, never catching up with school work, or forming peer friendships. Children who move and change schools tend to have lower math and reading scores and are significantly less likely to finish high school on time. Research indicates that it takes a child four to six months to recover academically after changing schools. Children experiencing homelessness are diagnosed with learning disabilities at twice the rate of other children; they suffer from emotional or behavioral problems that interfere with learning at almost three times

⁷ *Out of Reach 2004*, National Low Income Housing Coalition. Available online at www.nlihc.org.

⁸ *State of the Nation's Housing, 2003*, Joint Center for Housing Studies at Harvard University. Available online at: www.jchs.harvard.edu.

⁹ *Trends in worst Case Needs for Housing, 1978-1999 Plus Update on Worst Case Needs in 2001*, Office of Policy Development and Research, U.S. Department of Housing and Urban Development, December 2003.

¹⁰ *U.S. Conference of Mayors – Sodexo Hunger and Homelessness Survey 2004*, December 2004. Available online at: www.usmayors.org.

the rate of other children; and 21 percent of homeless children repeat a grade because of frequent absences from school, compared to five percent of other children.¹¹

Policy Changes Threaten to Dismantle Section 8 Program

Each of the last two years, the Bush Administration has proposed shifting primary responsibility for the Section 8 rental voucher program first to state housing agencies, many who lack experience in running the program, and then to local public housing authorities (PHAs). And, in FY 2005, the Administration also proposed a large cut to the program. Instead of supporting the rental assistance program, the Administration and HUD proposed new initiatives to increase homeownership among low-income families. This change in emphasis runs counter to what may be in the best economic self-interest of the families. A recent study concludes that unlike middle and upper-income homeowners, low-income families receive no tax benefit from homeownership, are likely to live in a home they buy for a relatively short time, are unlikely to earn a capital gain on any home they buy, and could end up losing the equivalent of one year's rent as a result of their decision to buy rather than rent.¹²

While homeownership is a desirable and achievable goal for some low-income families, the priority given to it by the Administration is in contrast to its lack of support for the Section 8 voucher program, HUD's largest and most successful rental assistance program. The Bush Administration has not pressed Congress to fund new Section 8 vouchers; in fact, it has proposed actions to erode the program.

Tenant-based Section 8 housing, known as the Section 8 voucher program, provides for tenant-based assistance in the form of "vouchers" that families can use to help them afford modest housing on the open market. Only one-fourth of the families eligible to receive federal housing assistance through the Section 8 or public housing programs actually receive it. Vouchers are distributed primarily through PHAs that administer the program to tenants who qualify for assistance and who then conduct their own housing searches. When a family finds a landlord willing to accept a voucher, the family pays about 30 percent of their income for rent, with the remainder paid by HUD. Approximately two million households receive Section 8 vouchers; approximately 60 percent of them are families with children.

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Administration Moves to Weaken Section 8

The President's budget proposals in the last two years called for shifting responsibility for the Section 8 rental voucher program to the state government or local housing authority were, in essence, efforts to block grant the program. While the Administration claimed these proposals would provide administrators with greater flexibility, they would likely result in cutting funding

Administration twice fails attempt to block grant Section 8.

¹¹ Better Homes Fund, "Homeless Children: America's New Outcasts," 1999.

¹² Dean Baker, "Who's Dreaming? Homeownership Among Low Income Families," Center for Economic and Policy Research, June 2004.

over time, divesting the federal government of its responsibility for the program, and opening the door to time-limiting housing assistance, an idea supported by some officials at HUD.

Even though Congress has twice rejected block-granting the program, HUD managed to incorporate language into the FY 2004 appropriations bill that would cut program costs. Instead of allocating funds to PHAs based on their actual costs of running the Section 8 program, HUD decided to use a new very restrictive formula. It was based on older estimates of the number of units in use and insufficient adjustments for inflation. As a result, many agencies did not have sufficient funds to fully cover the cost of all of their vouchers. This was a dramatic and unprecedented departure from the longstanding federal commitment to provide state and local housing agencies with adequate funding to support all vouchers in use.

When cities and states across the nation demanded that HUD reverse its actions it relented, and in May 2004 announced that it was making more funds available for vouchers. Still, not all housing agencies were reimbursed for the full cost of their Section 8 program causing painful cuts in housing assistance.

Section 8 administrators who lacked sufficient funds to pay for all their authorized units have taken a variety of cost-cutting measures, some resulting in fewer families being served. These actions include:

- **Asking landlords to lower their rents.**
- **Reducing rent subsidies.** This makes it harder for voucher holders to be successful in finding affordable units.
- **Implementing a minimum \$50 rent payment.** Many housing authorities have not exercised their right to impose minimum rents. Many families are paying less than \$50 per month based on having low incomes or none at all.
- **Restricting portability.** Generally voucher holders may move freely from one area to another and continue to use their Section 8 voucher. Often they move from a less expensive area to a more expensive one which means the voucher costs HUD more. If the housing authority in the new area does not absorb the cost of the voucher the former agency must continue to pay for it. Limiting portability can result in families who must move for employment and other reasons losing their voucher.
- **Adding no new families to the Family Self-Sufficiency Program.** This program allows families whose income increases through employment to place the income that normally would go for paying a higher share of the rent into escrow to be used later for a down payment on a home or other needs.
- **Limiting the use of Section 8 for down payment assistance on a home rather than renting an apartment.**
- **Ending 60-day extensions for finding a suitable apartment.** Voucher participants unable to find an apartment during the initial 60-day search period return their vouchers rather than receiving an extension.
- **Freezing the waiting list for Section 8.**

The problems Section 8 administrators faced in FY 2004 will likely continue. The aggregate level of funding Congress agreed to for the Section 8 program for FY 2005 is initially thought to be sufficient to fund the current number of vouchers in use. However, because of the flawed way the money is distributed to agencies, there are still likely to be agencies that do not receive adequate reimbursement and will need to look for cost-cutting measures that may hurt families and children.

Further, the President's budget for FY 2005 revealed that if the Administration were to have its way, by 2009 the Section 8 program will be funded at \$4.6 billion below what would be needed, a 30 percent cut from 2004 levels. This represents enormous erosion in HUD's largest program, serving the most vulnerable families.

Policy Recommendations

The federal government's commitment to provide a strong safety net for low-income families is eroding. Programs that benefit those most in need like affordable housing are being cut. Large deficits and tax breaks that dry up revenues threaten to accelerate that trend. Given the growing affordable housing crisis, coupled with higher health care costs, stagnating wages of low-wage workers, and long term unemployment, it is critical that the Administration and Congress make housing assistance available to more low-income families. When families cannot find affordable housing they are in danger of becoming homeless and putting their children at risk. Stable housing provides families the foundation they need to secure the employment necessary to meet their families' needs and provide a secure place for children to prosper in school.

The Administration and Congress should continue the longstanding practice of fully funding all existing Section 8 vouchers, and should annually add new vouchers to this highly effective program. The government has an obligation to ensure that the basic needs of low-income families and their children are met when the private sector does not provide for them. Over 3.6 million children who live in households with worst case housing needs are counting on the Administration and Congress not to leave them out in the cold.